

REALASSETS

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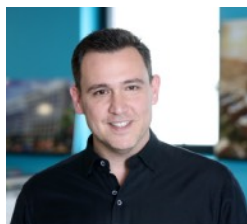
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The pursuit of new housing via conversion

Converting underutilized hotels and office buildings to residential require different approaches



By Ariel Aufgang

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We face a national housing shortage, while commercial property owners and investors contend with an oversupply of empty office space, as well as underutilized — and closed — hotels throughout the United States. As a result, owners and developers are increasingly considering commercial-to-residential conversions as a way to solve both problems.

U.S. cities that lead in converting office space to residential are metro Washington, D.C., with plans under way to convert office space into 5,820 apartment units, followed closely by the New York City metro area, with 5,215 new apartments planned from former office spaces.

Nearly four dozen commercial buildings are enrolled in NYC's Office Conversion Accelerator and are expected to comprise more than 2,100 housing units.

New York State enacted the Housing Our Neighbors with Dignity Act to encourage the conversion of hotels and other commercial buildings into affordable housing. Throughout New York State there have been successful commercial-to-residential conversions in Buffalo, Rochester, Syracuse and elsewhere. In Cohoes, N.Y., near Albany, Harmony Mills, a former textile industry site, was converted to apartments. In Albany, the old Union (train) Station is expected to be repurposed to residential.

There are a number of completed and proposed hotel-to-residential conversions in New York City. They include:

- The JFK Hilton Hotel
- Hotel Pennsylvania
- Paramount Hotel
- Best Western Hotel in Chinatown
- Towne Place Hotel in Queens
- Former Jehovah's Witness' hotel in Brooklyn

Also planned for a conversion to residential units is a vacant Sears Roebuck department store in Brooklyn and an office building at 25 Water St. in Lower Manhattan.

Hotels and office buildings present distinctly different issues to consider when evaluating the feasibility of potential residential conversion opportunities. Hotels have much different floorplans than office buildings, making hotel-to-residential conversion more practical and usually less costly. Multiple water and waste lines are already in place in hotels and can be modified

relatively simply to convert a hotel building to apartment units. As a result, a hotel-to-residential conversion project can be completed faster and at a lower cost than an office building.

Hotel conversions are not without challenges. While some underutilized hotels are located in city centers, other potential conversion candidates are in less desirable locations next to airports or off major highways, far from residential communities — factors that can suppress the value and appeal of residential conversions.

Office buildings are usually located in city centers where many people work, with close access to public transportation, increasing their appeal as residential units, thus making them attractive to developers for conversion.

However, office-to-residential conversions often present costly design challenges. While office buildings often feature large windows not commonly used in residential design, they usually have deep footprints that deprive interior spaces of access to sunlight and outside air. This can be overcome through innovative design, such as creating an open core or atrium through the height of the building.

Also, elevators, stairways and systems such as water risers are usually centrally located in the cores of office buildings, requiring adding risers and lines to each new apartment unit. This increases conversion costs and lengthens construction time.

Commercial conversion to residential is a viable approach to increasing housing supply. Such adaptive reuse brings environmental benefits and makes financial sense.