Center for Real Estate Economics and Capital Markets

NMHC RESEARCH FOUNDATION

Behind the Facade

The Feasibility of Converting Commercial Real Estate to Multifamily

This report was made possible through sponsorship by the Urban Land Institute's Terwilliger Center for Housing and the National Multifamily Housing Council Research Foundation.

About NMHC and the NMHC Research Foundation:
Based in Washington, DC, the National Multifamily Housing Council (NMHC) is a national association representing the interests of the larger and most prominent apartment firms in the U.S. NMHC's members are the principal officers of firms engaged in all aspects of the apartment industry, including ownership, development, management and financing. In 2016, NMHC formed a non-profit (501(c)(3)) Research Foundation to produce research that will further support the apartment industry's business interests. The NMHC Research Foundation funds unique and original research on a wide range of topics, including issues related to development and redevelopment activity, affordable and workforce housing, demographics, tax policy, regulatory environment and zoning and land use, among others. For more information, visit www.nmhc.org/Research-Foundation.

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About ULI Terwilliger Center: The goal of the Urban Land Institute Terwilliger Center for Housing is to advance best practices in residential development and public policy and to support ULI members and local communities in creating and sustaining a full spectrum of housing opportunities, particularly for low- and moderate-income households.

Established in 2007 with a gift from longtime member and former ULI chairman J. Ronald Terwilliger, the center integrates ULI's wide-ranging housing activities into a program of work with three objectives: to catalyze the production of housing, provide thought leadership on the housing industry, and inspire a broader commitment to housing. Terwilliger Center activities include developing practical tools to help developers of affordable housing, engagement with members and housing industry leaders, research and publications, a housing awards program, and an annual housing conference.

ULI Terwilliger Center for Housing

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About the Urban Land Institute

The Urban Land Institute is a nonprofit education and research institute supported by its members. Its mission is to shape the future of the built environment for transformative impact in communities worldwide. Established in 1936, the Institute has more than 45,000 members worldwide representing all aspects of land use and development disciplines.

About the ULI Center for Real Estate Economics and Capital Markets

The goal of the Urban Land Institute Center for Real Estate Economics and Capital Markets (REEcap) is to identify and explore emerging issues and directions in real estate economic and capital markets activity. The center's program of work supports ULI members' essential need to plan for the future of their businesses, reinforcing their capacity to support ULI's mission to shape the future of the built environment for transformative impact in communities worldwide.

Established in 2009, the center's current focus ranges from overarching emerging trends to metric-specific forecasts to new practices and opportunities. One of the hallmarks of the center is to include and spotlight the expertise and experience of senior ULI members through one-on-one interviews and surveys. Center activities include: research and publications; webinars and meeting sessions; forums; district council and product council programs; and engagement. The center's work has benefited from strong partnerships and sponsorships with organizations and individuals.

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Introduction

Will repurposing some significant portion of commercial real estate (CRE) structures and sites into housing play a key role among the many needed solutions to the housing crisis? Will repurposing address the lack of enough housing in suitable locations? What is the future of commercial structures whose original use is no longer supported by market fundamentals? What are the conditions needed for obsolete office, retail, hotel, and industrial properties to become viable candidates for conversion into multifamily?

Certainly, the universe of these obsolete buildings is large and growing—at least on the margin. And changes at the margin can have huge impacts on the use of real estate.

A segment of older, class B/C office buildings is becoming functionally obsolete since overall demand for office space is anticipated to grow more slowly post-pandemic than in the past and be more focused on newer stock. In fact, JLL Research found that between the onset of the pandemic and the second quarter of 2022, buildings delivered in 2015 or later had 86.8 million square feet of net absorption, while pre-2015 buildings had net negative absorption of 246.5 million square feet. Almost 80 percent of the negative net absorption was in buildings delivered in 1980 and earlier.

Newer stock more readily supports technology, energy efficiency, and other environmental standards and evolving space configurations and amenities, while older buildings may require relatively large capital expenditures to do the same, if possible at all. According to the U.S. Energy Information Administration, the median age of U.S. office buildings is 40 years, and more than a quarter—over 4 billion square feet—is 60 years old or more.

The stock of brick-and-mortar retail has been experiencing the process of “right-sizing” for some time, as consumer tastes evolve, and online shopping is firmly established in consumers’ landscape of choices. The spike in non-auto retail online sales to 20 percent of retail sales during the height of the pandemic lockdown, up from 13 percent in 2019 (but has since retreated a bit), may possibly have been a marker for the extent to which internet traffic will expand, but even this still-small share of sales has had an outsized impact on brick-and-mortar retail. Like office, much of the older retail stock is no longer needed or able to provide the size or environment for today’s convenience and experiential shopping. Estimates range from several hundred million to 1 billion square feet of surplus and obsolete retail space.

A segment of the country's hotel stock is facing challenges as well due to anticipated slower post-pandemic rebound and growth in business travel, and some older industrial structures have been challenged for a while by both a decades-long decline in manufacturing activity and the space and technological needs of current manufacturing methods, as well as the needs of modern logistics.

The ability to convert obsolete structures could go far in adding to our housing stock and, at the same time, add value to communities through such revitalization.

Is it feasible at all? For what type of structures? And to what extent?

To provide answers to these questions, the Urban Land Institute conducted in-depth interviews with developers of almost 30 projects to glean details about the conversion process and developed detailed profiles of 24 of these projects. The projects are from across the United States and were primarily identified through the ULI networks of district councils and product councils.

The projects cover conversions of a range of uses—single-use office, office with ground-floor retail, hotel and industrial, as well as a few unique former uses such as an athletic club—to rental apartments and condominiums. As we discuss below, while very notably the details of each building to be converted are specific to that building, the lessons learned are universally instructive.

We are grateful to these developers for graciously and enthusiastically sharing details of their experience, insights, and observations (and for reviewing our work to make sure we got it right). It is their input that has allowed this report to provide a map forward on conversion feasibility and extent.

Report Focus

The concept of converting CRE to multifamily is not new. Quite a few well-located historic properties, in particular, have been the target of conversions into apartments or condominiums for quite some time. These buildings offer a particular charm, period architecture, and backstory that cannot be easily replicated in new construction. We have included examples of these because the stock of historic buildings remains a source of potential conversions up ahead.

What is new—or at least newer—is the notion of converting "modern" buildings, due to their very lack of charm, period architecture, and backstory, as well as previously strong and consistent growth in office demand. In response to the post-pandemic interest in the future of office buildings due to the conditions in the office market noted above, our sampling of conversions skews toward converted office buildings originally built from 1962 onward: 10 of the 24 profiles fall into this category. An additional profile is of a hotel that was originally built during this same time period; hotels are another category for which market conditions have shifted.

Furthermore, we focused on conversions that have recently taken place, with an emphasis on those completed from 2019 to 2021. In fact, almost three-quarters of the profiles were completed during those three years. It should be pointed out that completions in those years imply a planning and construction phase that began prior to the onset of the pandemic. It is an indication that this approach was gaining ground before the pandemic-induced shift in the office and hotel markets. Indeed, this may have been particularly true in certain markets. For example, the greater Washington, D.C., area has experienced an increase in older, vacant, or near-vacant office buildings since 2012 as the General Services Administration, the federal government landlord, responded to relaxed telework regulations by reducing its office footprint.

Report Structure

The report is structured in two parts: **Part 1** provides observations and conclusions from the interviews; **Part 2** provides the project details, with projects grouped and named according to general similarities, for comparative purposes, as follows:

The Length You Can Go
Conversions of modern buildings that significantly altered the configuration of the structure.

The Options You Can Pursue
Conversions of modern buildings to condominiums, both entry-level and high-end, as well as live/work.

We're All Getting Older
Conversions of modern buildings just old enough to qualify for historic tax credits.

Giving It a Try
Conversions in smaller markets.

Sleeping Easy
Conversions of hotels.

Standing on Convention
Conversions of historic buildings with conventional financing.

Giving Credit Where Credit Is Due
Conversions of historic buildings with historic tax credits.

Still Productive
Conversions of historic industrial buildings financed with historic tax credits.

Special Cases
Unique-use conversions that provide further insights into the conversion process.

An Architect's Perspective
A conversion as described by the project architect.

Observations and Conclusions

Conversions of commercial real estate to residential units have become a mainstream development option, and perhaps even a specialized niche sector. A growing number of local, regional, and national developers are honing the skills required to undertake the complexities of changing a structure's use to residential, and institutional and private capital is finding investment opportunities in this area. Many of those interviewed indicated that this was their first or second conversion of CRE to multifamily, having a track record already in ground-up development or investment in office and/or residential properties, while others have long specialized in revitalizing old buildings, although not necessarily involving conversion to residential.

The Financial Picture

Broadly, and perhaps self-evidently, it is clear from our interviewees that conversions can be financially feasible in a broad range of markets, original uses, building conditions, and circumstances. Their experience regarding acquisition pricing, the attractiveness of a vacant versus an occupied office building, and conversion costs is varied but results in positive outcomes. Later sections will look at what is involved in the actual physical conversion process in order to achieve that financial viability/success.

Acquisition price. Developers were asked about their purchase price relative to the market for the particular property type acquired. The assessment of relative purchase prices ranged widely depending on building-specific economic viability of its current use, physical condition, and circumstances. The following two groups illustrate the two ends of that range.

- Some developers purchased buildings functioning in the office market, even with some softening in that position, without pricing discounts.

  One developer whose acquisition price was not at a discount relative to the office market indicated that although the seller had invested quite a bit in the building, there also was deferred maintenance. Furthermore, although it was almost fully occupied at purchase, it was known that the anchor tenant was vacating soon thereafter. The developer then negotiated lease terminations with over 20 remaining tenants.

  One developer described their purchase price as fair, given the class B office function of that building. In that case, the building was about 50 to 60 percent occupied and required negotiated lease terminations.

- Other developers described their purchase price as “cheap” or a steep discount relative to the market; typically, these buildings had been vacant for at least several years, with some having experienced significant deterioration.

Vacant or occupied. Given the above-referenced examples regarding relative acquisition pricing, it bears repeating that occupancy at acquisition is not necessarily an impediment and that complete vacancy is not an absolute requirement. It does appear, however, from these examples and others in this report that partial occupancy is manageable; developers did not report impediments to lease termination negotiations.

Conversion costs. Total supportable costs vary by target market and location, and the necessary or desired costs incurred to convert a building vary by the particulars of each building (the complexities of which are discussed in the Physical Picture) and target market. How these factors combine is unique to each project.

We translated hard and soft conversion costs (excluding acquisition costs) into per-unit costs to provide a comparative metric across the projects profiled in this report. Of the 21 projects for which we were able to develop this metric, the median cost per unit is $255,000, with an additional five projects within +/– 10 percent of this per-unit cost. These six projects, ranging from $236,000 to $280,000 per unit, vary by location (midwestern cities, small cities, and large metropolitan areas), size (24 units to 435 units), and original use (office, hotel, and industrial). For the most part, they were converted in 2020 and 2021, with one converted in 2016.

The per-unit costs of an additional five projects are within +/– 20 percent of the median, ranging from $209,000 to $300,000 per unit, again with similar variation in location, size, original use, and year of conversion.

Almost one half of the projects, however, have per-unit costs much lower and much higher than those ranges. The apparent driver behind the particular costs is sometimes easier to identify, such as those with small units and low per-unit costs ($176,000 per condominium unit), and large luxury condominium units with the highest cost per unit ($1.07 million per unit). As a group, though, they prove the unique way that target markets and converted buildings come together.

One developer added this perspective: “You go with the flow of what the building is telling you it wants to do or can do, and then merge that with your financials.”

Financing. Beyond the ability for historic properties to potentially access historic tax credits as part of their capital structure, of particular interest is the experience of developers who converted buildings not yet qualified for those credits—primarily buildings constructed from the mid to late 1960s given the timeframe of conversions in this report. This group experienced little, if any, challenges to financing. Generally, they describe their financing experience as essentially easy, as one developer aptly added, "As it has been for all multifamily." And the lower risks associated with bypassing the excavation and framing stage were noted as reasons for more flexibility in the debt markets for an adaptive use project.

The few caveats among this group were related to projects bringing a new or unfamiliar concept (at the time) to their market, so further documentation or discussion was required. These new concepts involved, for example, bedrooms without natural light, a frequently mentioned solution to large floor plates in many office buildings (discussed further below) or higher-rent apartments than had previously been developed in a market. One new concept for its market—smaller condominium units for entry-level buyers—addressed the last equity piece with a mezzanine loan from a county housing fund. Use of these funds kicked in a requirement to sell 18 percent of units to households at less than 120 percent of area median income (AMI), the intended target market already. In fact, the outcome exceeded that requirement, with 45 percent of units sold to households that met that criterion.

Of note is that some 1960s-era buildings in this study came "of age" before conversion and qualified for historic tax credits and, with a nod to that milestone, we have grouped two conversions under the heading "We're All Getting Older," one built in 1962 and the other in 1965. Due to the size and complexity of uses of the 1962 30-story building with separate residential and hotel floors but stacked in one tier, in addition to transforming nine of those floors of the former office space to parking, arranging financing was equally complex, as described by the developer. In this case, they were able to obtain federal historic designation. Financing ultimately included federal and state historic tax credits (HTCs), federal New Markets Tax Credits, and state restoration tax abatements, all of which combined to make the project more attractive to private capital. Financing for the 1965 building involved federal and state historic tax credits, in a state known to have one of the most advantageous historic tax credits, as well as tax increment financing (TIF). TIF triggered affordability requirements for a portion of the units, dovetailing with their intended approach.

Still, not all developers whose buildings are eligible for historic tax credits choose that route. For one 1906 building, reconfigured and used for decades as office space after initial construction as a department store, use of HTCs would have required restoration of hallways to their original location. This would have made the units too long and narrow, rendering them unusable. Both this building and the developer of a 1908 building successfully used conventional financing. In both cases, the developers reported considerably outperforming their pro forma expectations.

A third early-1900s building had historic qualities but was not eligible for historic designation. Financing included the use of LIHTCs, the development company's focus, which in this case accounted for over 70 percent of equity. With LIHTC financing, the project was required to provide—and able to provide—three bedrooms in 30 percent of the units, a size not typically available in other central business district (CBD) properties in that market. The developer's pro forma expectations were met.

While some developers used only historic tax credits, along with traditional financing, for their historic buildings, others had complex capital structures that also included New Markets Tax Credits and various city and state incentives. In all but one case, pro forma expectations were at least met; the one exception was affected on the revenue side due to the COVID-19 pandemic.

The financial outcome. As an overall proxy for financial viability, we asked our interviewees if their pro forma expectations were met. Most responded affirmatively, with some further noting that those expectations were exceeded. The few who did not meet their pro forma expectations were clear that it was due to specific circumstances on the cost side that could be avoided in future projects. A few mentioned temporary hiccups on the revenue side at the height of the pandemic.

The speed of conversions relative to ground-up development was noted as a financial advantage. As one developer described it: "Digging a hole, pouring concrete is slow. Six to 10 months can be saved if the sequencing of the conversion work is done correctly. When evaluating a project, speed and its impact on IRR [internal rate of return] is something we look at closely."

It should be noted that expectations were met despite the fact that, among the lessons learned, the need for more contingency was frequently noted, as was the notion to expect unexpected or higher costs by some margin.

The Physical Picture

But beyond the financial feasibility, it is understanding the complexities on the physical side that provides insight into the practical context and therefore starts building the case

for the potential extent of the universe of conversions. While all CRE conversions are driven by the strength of multifamily demand in their market and the decline of a particular well-located CRE asset (actual and/or relative decline), the "what" and "how" that went into each conversion are never the same.

Same but different. Although developers have made each of the conversions profiled in this report work on a practical basis, there is no cookie-cutter building to convert. Not only is each experience different, but the developers of the projects profiled in this study expect that each subsequent experience will be different. As one developer of a late-1960s building describes: "Converting a building is so much more complex than just a change in use . . . floor plate, column grid, floor-to-floor height, window systems, HVAC [heating, ventilation, and air conditioning], sewer outfall, and so much more needs to be studied. You don't really know what you're getting into until you take off the facade, walls, bring it down to the concrete." And if this is true of modern buildings, it is even more so for historic structures. "Taking the facade off is always a wild card," added a developer with a long history of revitalizing a wide range of older buildings. And another developer's experience: "We didn't know the extent to which we needed to upgrade the utility capacity until we opened up the walls."

Because of the unknowns going into a conversion project, the developers pointed out that it is "not for the faint of heart." The need for an experienced team—the general contractor, architects, engineers—was mentioned by experienced developers. As one developer said: "The buildings were so unique that nothing was normal; if you don't have a good team that can think out of the box, don't take on a project like this. You can never let a roadblock get in the way."

And the team needs to be nimble since redesign and reconfiguring happen in real time. A seasoned developer noted some of the challenges: "The need for redesign of the units was not entirely a surprise, but it was the extent to which it was needed to preserve the integrity of the structure." Another described it this way: "The plumbing, because of all the risers needed to move from centralized bathrooms to plumbing in all the individual bathrooms and kitchens, can be a challenge; unit layout wanted to be one way, but you had to react to what the building was and move some things. To do it where you want may require significant expenditures to strengthen the concrete in those areas." One developer described the need to make sure that the structure could handle making "Swiss cheese" out of the slab, and found that one floor had no rebar, requiring additional steel supports throughout the buildings.

Referring back to the financial discussion, it bears repeating in this context: "You go with the flow of what the building is telling you it wants to do or can do, and then merge that with your financials."

Despite the lengths to which developers have gone to make these buildings work in a new configuration, the developers noted that not every building can work. It is on a site-by-site basis, which includes the interplay of the building itself, the particulars of the site, its surroundings, and its submarket.

Pace and Extent of Future Conversions

The potential pace and extent of future conversions depend on several other factors, in addition to the financial and physical issues noted thus far. They include current zoning parameters, particularly if there have been changes since the original structure was first built; willingness of owners of seemingly obsolete buildings to place them on the market (at a price attractive to a buyer); and the relative strength of the multifamily market in a particular submarket.

Convert or tear down? Why convert and not tear down any particular building? If the complexities of conversion can be addressed effectively, it is faster to reuse, if nothing else, the structure than to knock it down and start from scratch. There is less risk in not having to do the excavation. And, as some developers pointed out, having an existing parking structure or underground parking in place is a huge bonus.

Furthermore, as indicated in the Financial Picture, there is value in "time to market"—one developer estimated a savings of six to 10 months, whereas another mentioned an extra year of construction in terms of time saved and added savings of six to 12 months for engineering and design.

But there are two caveats to this scenario that illustrate some limitations to the potential conversion universe:

Caveat 1: The efficiency of the current land use.
One developer explained that most of their other residential development is on suburban office sites. But they almost always scrape the sites, not convert the building. The inefficiency of low-density, suburban land use means that they can do better by starting over these days. Compare that to a dense, built-up area, where the existing office footprint is typically maxed out.

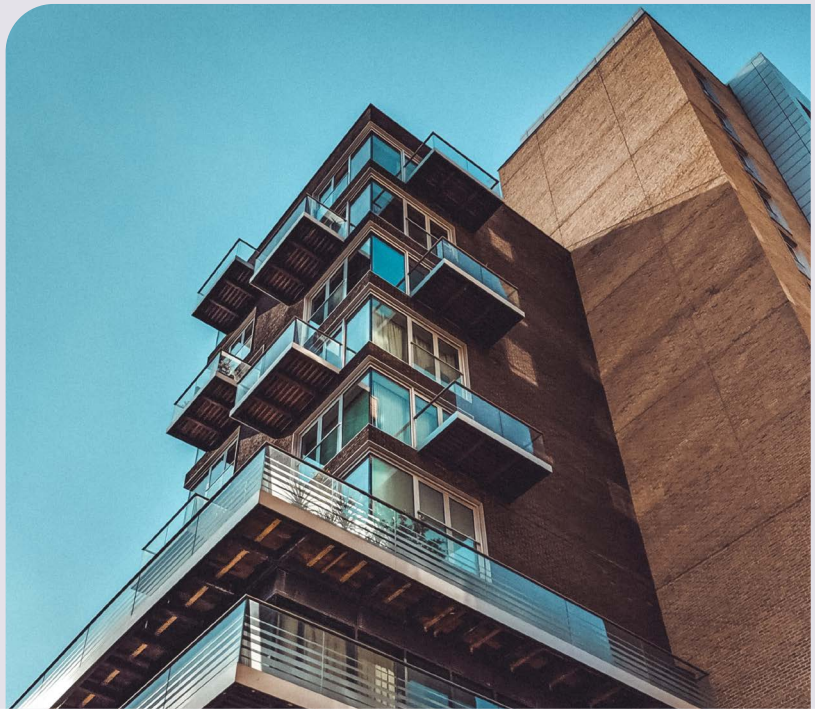
This also introduces another type of conversion category—converting office building sites to infill housing.

Caveat 2: Changes in zoning.
Even in relatively dense areas, zoning may have changed significantly. Examples of this can be found in urbanizing CBDs of inner-ring suburbs. In those cases, buildout under the new zoning code often significantly increases the allowable density such that new, ground-up development is far more attractive than conversions.

It takes two to tango. This concerns the actual availability of buildings on the market, as opposed to the stock of buildings that may meet the definition of obsolete. The willingness to sell may be influenced by existing—albeit reduced—income streams for those buildings that are partially occupied. More common would be the recognition of a transition period in market valuation such that owners may still be watching for market clarity, particularly in the office market. The general uncertainty and direction of fundamental demand shifts will likely take time to sort out and are not likely to be uniform across markets nor across specific locations within a market. The relative strength of the multifamily market and the long-term interests of the seller in any one location also will come into play. All these factors will affect the pace and extent of available properties.

At the same time, there is a set of owners who will undertake their own conversions. What is different about this group? Drawing from interviews, it will be those with the requisite capital resources, company strategy, and ability to bring together an experienced team. The question remains, regarding pace and extent of this second group, on the number of owners in that experienced or strategic position.

Altogether, the extent and pace of available conversion opportunities will depend in great part on the decisions of these two groups. And underlying that are the assumptions of continued strength of multifamily and the continued market weakness of older offices.

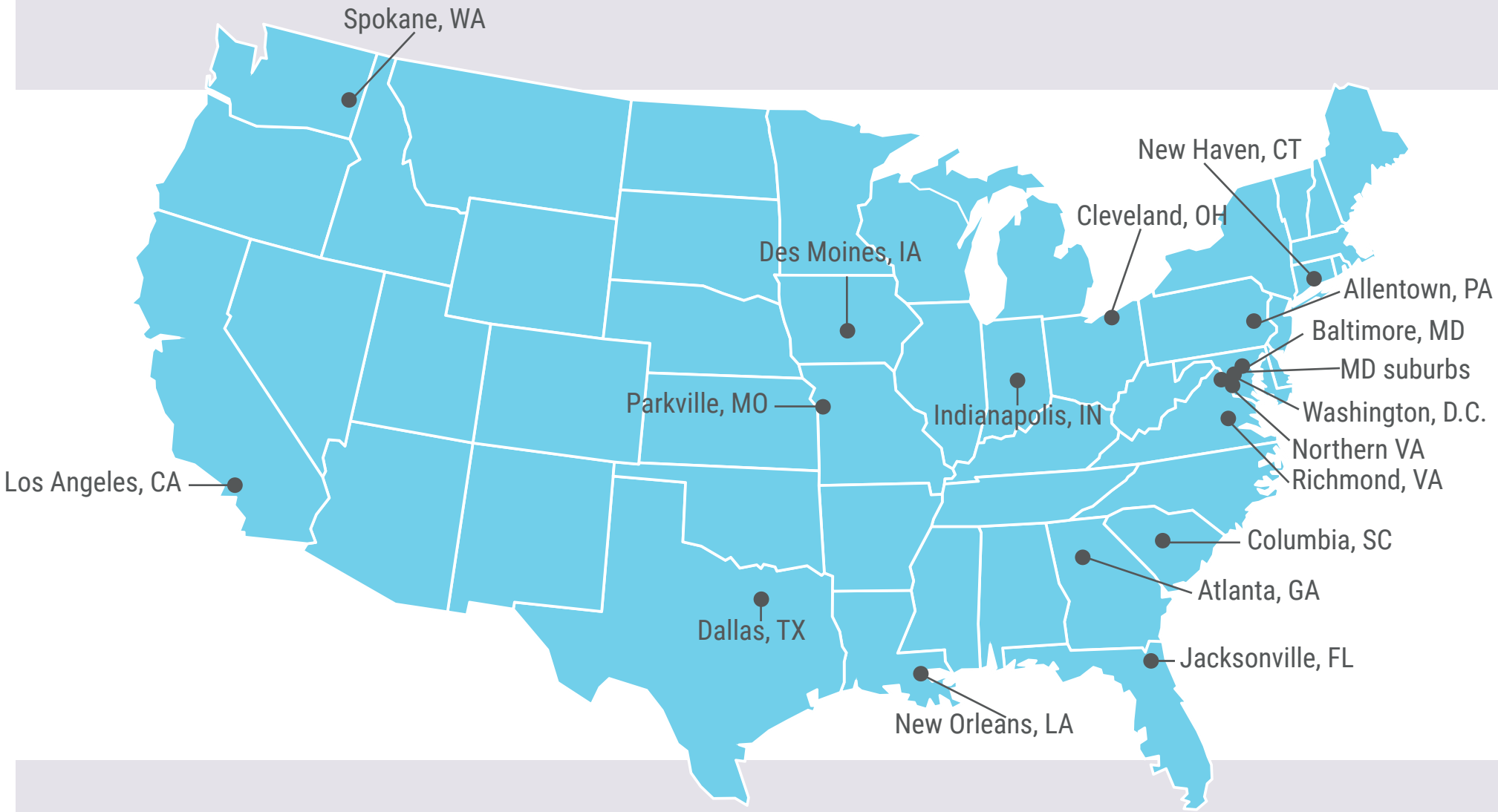


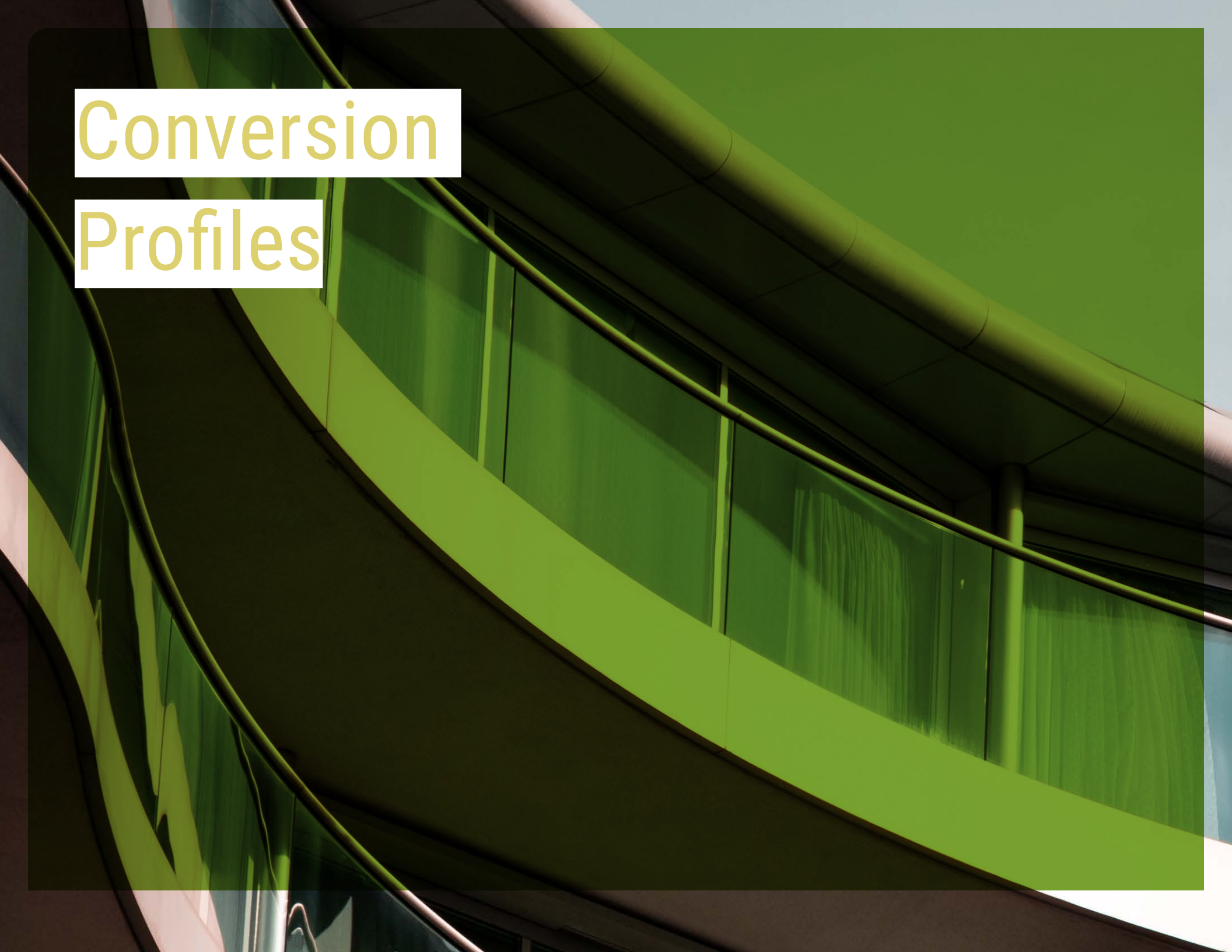
Number of Conversions Identified for This Report, by Age and Year of Conversion

BY AGE	Office	Hotel	Industrial	Other
1962 and later	10	2		
1936–1941	2			1
1900–1925	7	2	3	1
1800s			1	

BY YEAR OF CONVERSION				
2020, 2021	**11**	**1**	**3**	**1**
2019	**2**	**2**		**1**
2016, 2017	**4**			
2014, 2015	**2**	**1**	**1**	

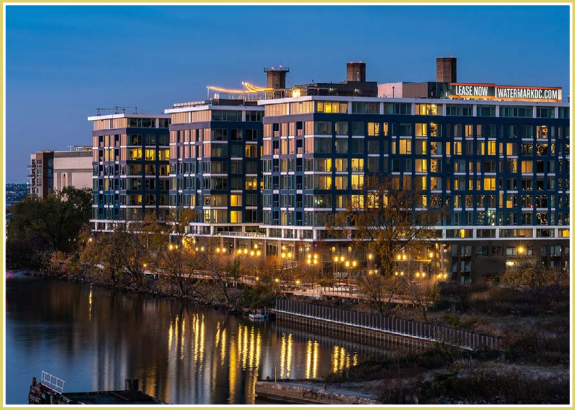
Locations of Conversions Identified for This Report

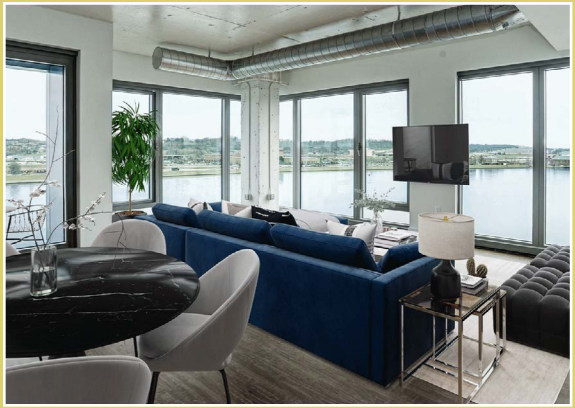



Conversion
Profiles

The Length You Can Go

Watermark





Top: After conversion
Above: Interior view after conversion
Credit: Helen Kozak Photography

The Foundry

Top: After conversion
Above: Before conversion
Credit: Perseus TDC

Park + Ford

Top: After conversion
Above: Before conversion
Credit: Kip Dawkins Photography

The Length You Can Go: Setting the Stage

	History	Final Square Feet (sf)/ Number of Stories	Number of Units/Type	Parking
Watermark Washington, D.C.	Original: Office Conversion year: 2020 Original year: 1976 Conversion age: 44	MF: 483,000 sf School: 17,000 sf Total: 500,000 sf/9 stories	453 apartments Studio, 1-BR, 2-BR, 3-BR 400 to 1,400 sf/unit	300 below-grade spaces
The Foundry Alexandria, Virginia	Original: Office Conversion year: 2020 Original year: 1967 Conversion age: 53	MF: 635,000 sf Retail: 25,000 sf Total: 660,000 sf/13 stories	520 apartments Studio, 1-BR, 2-BR, 3-BR 530 to 1,386 sf/unit	Converted three floors of building to parking, 247 spaces.
Park + Ford Alexandria, Virginia	Original: Office Conversion year: 2021 Original year: 1981/85 Conversion age: 40	1. 230,000 sf/14 stories 2. 220,000 sf/14 stories Total: 450,000 sf/28 stories 3. 10,000 sf retail (in garage)	1. 203 apartments 2. 218 apartments Total: 435 1-BR, 2-BR 580 to 1,238 sf/unit	Sheltered parking garage, with 1,232 spaces. The office building has an easement to use 600 of those.

The Length You Can Go: Setting the Stage

	Owner	Conversion Strategy
Watermark	Douglas Development	“Reimagining D.C.”
The Foundry	Perseus TDC	Focus on office and residential in well-located properties (first conversion).
Park + Ford	Lowe DC Services, LLC	Value-add/reposition opportunities, retention of embodied carbon (second office to multifamily).

The Length You Can Go: Setting the Stage

	Market	Submarket	Target Market	Walk Score
Watermark	D.C. Metro	D.C. (non-CBD) hot new area	High end	54 (but on water)
The Foundry	D.C. Metro	Inner-ring suburb (non-CBD) (Close to transit stop) (Close to highway)	High end for submarket	74
Park + Ford	D.C. Metro	Inner-ring suburb (non-CBD) (Direct highway access)	Millennials moving out of city, becoming more dependent on vehicles. Mid/high 85 to 107 percent AMI, two- to five-mile radius	53

The Length You Can Go: Setting the Stage

	Purpose of Acquisition	Occupied/ Vacant at Acquisition?	Decision to Convert, If Not Original Intention?	Former Tenant(s)	Condition at Conversion?
Watermark	Office	Occupied (purchased for office use)	Long-term tenant vacated. Extensive upgrades needed to compete as office. Neighborhood growing.	GSA	Deferred upgrades/not competitive.
The Foundry	Conversion	Vacant (for several years)	N/A	DOD	Deferred upgrades since opened/not competitive. Dark space. Surface parking.
Park + Ford	Conversion	1. 85 percent occupied (soon 85 percent vacant) 2. 53 percent occupied	N/A	GSA (USDA, 12 floors; SSA) and miscellaneous	Deferred upgrades/not competitive.

The Length You Can Go: The Conversion

	Square Feet (sf): Original	Square Feet (sf): Change	Square Feet (sf): Final	How Did That Happen?
Watermark	609,000 sf	–109,000 sf	500,000 sf	E-shaped (in upper floors). Took out several floors of office space to create elevated courtyards; more (all but ground) floors in E-shape.
The Foundry	660,000 sf	–60,000 sf	600,000 sf	Converted original floors 2-4 to parking (adding ramps). Added three top floors with smaller floor plates.
Park + Ford	1. 230,000 sf 2. 220,000 sf 450,000 sf	+10,000 sf	1. 225,000 sf 2. 225,000 sf 3. 10,000 sf 460,000 sf	Converted 10,000 sf of garage to retail (at grade). Now occupied by a daycare.

The Length You Can Go: The Conversion

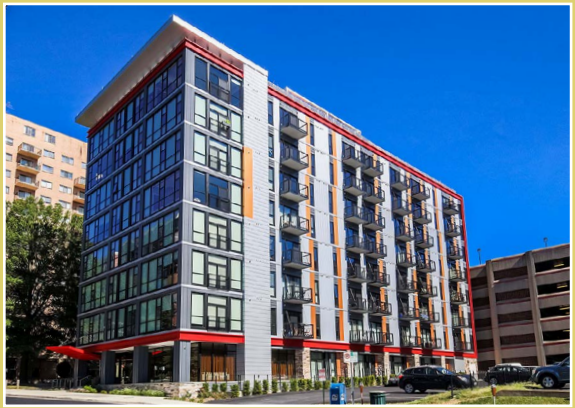
	Configuration	Floor Dimensions	Average Floor Plate	How Did That Work Out?
Watermark	E-shaped	Each E-segment: 65' wide		Well. (Still had to work around rebar locations).
The Foundry	Rectangle	Original floors: 124' x 385' Three new floors: 83' x 372' (Z-shaped)	Original floors: 47,740 sf and a difficult column grid New floors: 30,876 sf	"Ton of dark space"; 50 feet in the middle of the building with no windows. Solution 1: Three-story gym, two-story bar/game room (and noted the high price/sf to buy unusable space). Solution 2: Bedrooms without direct natural light.
Park + Ford	1. Rectangle 2. Rectangle (14 floors)	90' x 180'	16,200 sf	Benefit 1: Deeper but more space. Solution 1: Dens and some second bedrooms without direct natural light.

The Length You Can Go: The Outcome

	Conversion Cost/Unit (not including acquisition cost)	Financing Experience	Pro Forma Expectations Met?
Watermark	$236,203 (Note: Includes floodplain work.)	Very easy; many lenders interested.	Slightly exceeded pro forma rents.
The Foundry	$284,615	Not much trouble: Solid construction loan, and traditional equity and mezzanine loan because it was so large. Only issues were concerns with windowless bedrooms; would the market support their rents?	Yes, met but not exceeded. (Would have done better if there had been no pandemic, and there were some cost overruns.)
Park + Ford	$271,264	No issue on debt; institutional equity partner.	Yes, exceeded.

The Options You Can Pursue

The Octave

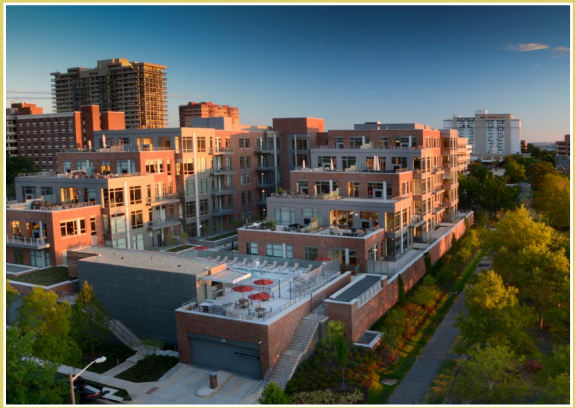


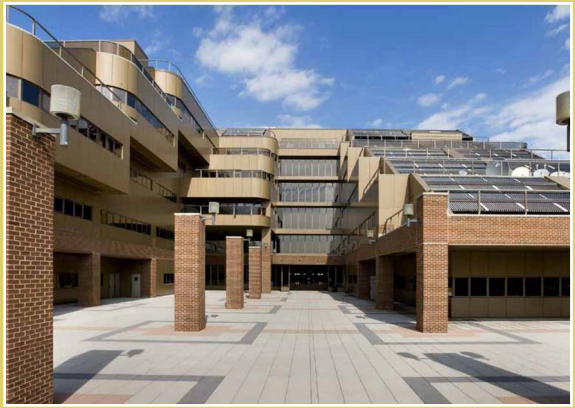
Top: After conversion
Above: Before conversion
Credit: Promark Partners

Mission Lofts

Top: After conversion
Above: Before conversion
Credit: David Madison Photography

The Oronoco





Top: After conversion
Above: Before conversion
Credit: Thomas Arledge

The Options You Can Pursue: Setting the Stage

	History	Final Square Feet (sf)/ Number of Stories	Number of Units/Type	Parking
The Octave Silver Spring, Maryland	Original: Mixed use (office and retail) Original year: 1964 Conversion year: 2016 Conversion age: 52	80,000 sf 8 stories	102 condominiums 1-BR, 2-BR 450 to 850 sf/unit	No parking in project; adjacent to a 1,365 space county parking garage.
Mission Lofts Falls Church, Virginia	Original: Office Original: 1968 Conversion: 2020 Conversion age: 52	178,000 sf 10 stories	156 live or work units 1-BR, 2-BR 654 to 1,093 sf/unit	~400 spaces of covered parking, about 350 of which are covered. Fifty spaces are provided on a surface parking lot.
The Oronoco Alexandria, Virginia	Original: Office Original: 1986 Conversion: 2014 Conversion age: 28	155,000 sf 5 stories	60 condominiums 2-BR, 3-BR 1,600 to 3,035 sf/unit	Partially underground parking structure, at least two spaces per unit.

The Options You Can Pursue: Setting the Stage

	Owner	Conversion Strategy
The Octave	Promark Partners	Looked for conversion opportunity in an urban environment; targeted price point of first-time buyers willing to accept smaller unit.
Mission Lofts	Highland Square Holdings	Market flexibility of live/work.
The Oronoco	601 NF Associates, LLC (an affiliated entity of EYA LLC)	Building was a nonconforming size; would not have been able to rebuild to that size if torn down. Had a garage, a perfect location, U-shaped, ability to provide terraces/open space.

The Options You Can Pursue: Setting the Stage

	Market	Submarket	Target Market	Walk Score	Walk Score
The Octave	D.C. Metro	Inner-ring suburb (CBD)	First-time buyer		96
Mission Lofts	D.C. Metro	Inner-ring suburb (transforming into "surban" node)	Class A office/ Luxury multifamily	All flexible as 1-BR or one private office	75
The Oronoco	D.C. Metro	Inner-ring suburb (CBD)	High end/empty nesters		86

The Options You Can Pursue: Setting the Stage

	Purpose of Acquisition	Occupied/ Vacant at Acquisition?	Decision to Convert, If Not Original Intention?	Former Tenant(s)	Condition at Conversion?
The Octave	Conversion	50 to 60 percent occupied.	N/A	Small professional services offices.	Class B "getting tired"
Mission Lofts	Conversion	Vacant, seven years.	N/A	Government	Deferred upgrades since opened.
The Oronoco	Conversion	100 percent occupied. Owner-occupant: vacated prior to closing. Smaller tenants remained: required lease termination negotiations, assistance in identifying new space.	N/A	Pension fund (purpose-built) and various smaller tenants.	Deferred upgrades since opened. Poor windows. Purpose built: Not functional as office other than for the owner.

The Options You Can Pursue: The Conversion

	Square Feet (sf): Original	Square Feet (sf): Change	Square Feet (sf): Final	How Did That Happen?
The Octave	80,000 sf	0	80,000 sf	
Mission Lofts	178,000 sf	0	178,000 sf	
The Oronoco	155,000 sf (on record, but not actual)	Increase in usable sf	155,000 sf	Recaptured square feet beneath overhangs and balconies in multistory space. Extended some space to capture water views.

The Options You Can Pursue: The Conversion

	Configuration	Floor Dimensions	Average Floor Plate	How Did That Work Out?
The Octave	Rectangle	60’ x 90’	10,000 sf	Perfectly. 60-foot dimension allowed double loaded corridor for multifamily.
Mission Lofts	Rectangle	80’ x 240’	17,800 sf	Solution 1: Used 10,000 sf of interior space for high-end amenities. Solution 2: Interior bedrooms.
The Oronoco	U-shaped with setbacks	Floors vary widely due to layered setbacks.	Average: 30,000 sf (but U-shaped, layered)	U-shape was perfect for light, views. Setback was perfect for terraces, open space, views.

The Options You Can Pursue: The Outcome

	Conversion Cost/Unit (not including acquisition cost)	Financing Experience	Pro Forma Expectations Met?
The Octave	$176,471 (smaller units)	Easy for debt, most of equity. To complete the stack, used mezzanine loan from county housing fund. Fund required 18 units be sold at <120 percent AMI. Given original target price point, sold 46 units to households <120 percent.	Yes, on sales. No, on overall returns due to cost overruns and time delays.
Mission Lofts	$254,747 (somewhat derived)	No issues. Bankers took comfort in use flexibility.	Yes.
The Oronoco	$1,066,667	No issues. Bank was enthusiastic; good equity partner.	Yes, slightly exceeded. (Some cost overruns, better revenue.)

We’re All Getting Older

225 Baronne

Top: Exterior at night
Above: View of rooftop
Credit: HRI Properties LLC

Mayflower Apartments

Top: View from street
Above: Bird’s-eye view after conversion
Credit: HRI Properties LLC

We're All Getting Older: Setting the Stage

	History	Final Square Feet (sf)/ Number of Stories	Number of Units/Type	Parking
225 Baronne, New Orleans, Louisiana	Original use: Office Original year: 1962 Conversion year: 2015 Conversion age: 53	The Strand Apts: 216,000 sf/ floors 18–30 Aloft Hotel: 119,000 sf floors 11–17 Total, 225 Baronne: 335,000 sf/ 21 stories (includes shared lobby) +9 stories of in-building parking	192 apartments 1-BR, 2-BR, 5 large penthouses 188 hotel rooms	356 spaces on 9 stories (floors 2–10, converted from office space).
Mayflower Apartments Dallas, Texas	Original use: Office Original year: 1965 Conversion year: 2017 Conversion age: 52	MF: 239,000 sf Retail: 14,200 sf Total: 253,200 sf*/6.5** stories *Actual sf is lower given unspecified light well space. **Penthouse level is 0.5 of building floor plate +3 stories of in-building parking	215 apartments 1-BR, 2-BR, 15 penthouses 573 to 1,212 sf/unit	197 spaces on floors on 3 stories (floors 1–3, converted from office space).

We're All Getting Older: Setting the Stage

	Owner	Conversion Strategy
225 Baronne	HRI Properties	"Reimagining historic properties and underutilized infill locations". This conversion drew on the company's existing hotel and multifamily development and operation expertise.
Mayflower Apartments	HRI Properties	"Reimagining historic properties and underutilized infill locations".

We're All Getting Older: Setting the Stage

	Market	Submarket	Target Market	Target Market Notes	Walk Score
225 Baronne	New Orleans, LA	CBD	Mixed income/ Overall, luxury target.	80% luxury, 20% below AMI 80%. Finishes in all units and amenities are at the luxury level.	85
Mayflower Apartments	Dallas, TX	CBD, on DART	Mixed income/ Overall, luxury target.	80% luxury, 20% below AMI 80%. Finishes in all units and amenities are at the luxury level.	96

We're All Getting Older: Setting the Stage

	Purpose of Acquisition	Occupied/ Vacant at Acquisition?	Decision to Convert, If Not Original Intention?	Former Tenant(s)	Condition at Conversion?
225 Baronne	Yes	Vacant for several years.	N/A	Boeing/Chrysler's aerospace divisions	Lots of asbestos; multiple developers had taken a stab at the building then given up.
Mayflower Apartments	Yes	Vacant (only underground parking leased to office building across the street was/is still active).	N/A	Insurance industry	Decent condition, some environmental wear and tear.

We're All Getting Older: The Conversion

	Square Feet (sf): Original	Square Feet (sf): Change	Square Feet (sf): Final	How Did That Happen?
225 Baronne	500,000 sf	–165,500 sf	335,000 sf	Converted 2–10 of office space to parking
Mayflower Apartments	361,000 sf	–107,800 sf (converted to parking) (unspecified sf removed for light well)	253,200 sf (actual sf is lower, given unspecified sf of light well space)	1. Converted floors 1–3 of office space to parking. 2. Carved a light well from top of building down through 4th floor.

We're All Getting Older: The Conversion

	Configuration	Floor Dimensions	Average Floor Plate	How Did That Work Out?
225 Baronne	Rectangle	150' x 110'	15,952 sf	Solution 1: Creative shapes for 2-BRs Solution 2: Not all 2-BRs have natural light.
Mayflower Apartments	Rectangle	275' x 130'	38,953 sf (actual usable sf from 4th floor on up is lower due to light well)	Solution 1: Cut a light well from 4th floor on up. Solution 2: Designed interior units on the light well to be 'desirable' to potential tenants.

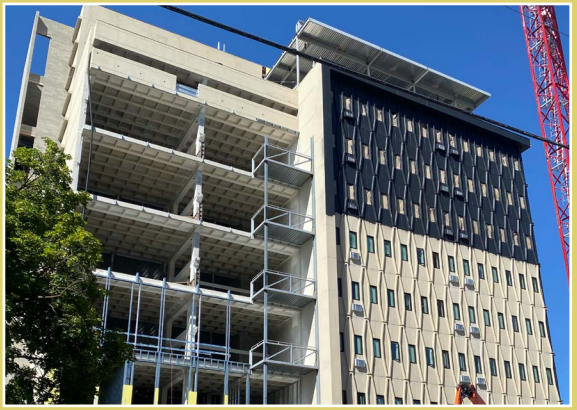
We're All Getting Older: The Outcome

	Conversion Cost/Unit (not including acquisition cost)	Financing Experience	Pro Forma Expectations Met?
225 Baronne	Not available: Apartments and hotels costs were co-mingled.	Challenging due to size and complexity of project: Applied for/received federal historical registry status; used Federal and State HTCs, Federal New Market Tax Credits, Louisiana Restoration Tax Abatement. All of these lowered the base and made it more attractive to private capital.	
Mayflower Apartments	$189,075	Contributed equity and had a permanent loan, FHTC and TX-SHTC credits of $19 million (Texas has one of 2 best state programs), TIF (allowed them to execute mixed income, requires affordable which they wanted anyway).	Yes. Did very well pre-pandemic, some challenges with pandemic.

Six at Park

Top: After conversion
Above: During conversion
Credit: Foutch Brothers LLC

508 West Apartments



Top: During conversion
Above: During conversion, view from rooftop
Credit: Brumback Real Estate

Giving It a Try: Setting the Stage

	History	Final Square Feet (sf)/ Number of Stories	Number of Units/Type	Parking
Six at Park Parkville, Missouri	Original use: Office Original year: 2019 Conversion year: 2020 Conversion age: 1	MF: 27,000 sf Office: 27,000 sf Total: 54,000 sf/4 stories + walkout basement	27 apartments 2-BR, 3-BR 650 to 1,300 sf/unit	Surface parking, approximately 2 spaces per apartment.
508 West Apartments Spokane, Washington	Original uses: 1. Medical Office 2. Parking structure Original year: 1964 Conversion year: 2021–2022 Conversion age: 57	1: 63,500 sf/10 stories 2: 28,000 sf/9 stories Total: 91,500 sf	1. 58 apartments Studio, 1-BR, 2-BR, penthouses 350 to 1,300 sf/unit 2: 54 apartments loft-style, one non-loft style per floor 350+ sf/unit	135 surface parking 4 covered spaces for penthouse units.

Giving It a Try: Setting the Stage

	Owner	Conversion Strategy
Six at Park	Foutch Brothers	Pivoted during construction from all-office plan to half office and half apartment early in the pandemic year, as the residential market picked up.
508 West Apartments	Brumbrack/Squire	Create “Seattle living without being in Seattle.”

Giving It a Try: Setting the Stage

	Market	Submarket	Target Market	Target Market Notes	Walk Score
Six at Park	Kansas City, MO	Parkville, a historic river town (21-minute commute to Kansas City)	Students and young professionals	Anticipated students because of proximity to university; ultimately, corporate Airbnb company purchased almost all units.	44
508 West Apartments	Spokane, WA	CBD adjacent, in medical district	Luxury, young professionals	New remote workers coming into market for its relative affordability and medical professionals.	54

Giving It a Try: Setting the Stage

	Purpose of Acquisition	Occupied/ Vacant at Acquisition?	Decision to Convert, If Not Original Intention?	Former Tenant(s)	Condition at Conversion?
Six at Park	No	40% of building was pre-leased as prerequisite to construction; 50% leased at conversion.	Office market weakened in early pandemic.		Had built frame for office, so main challenge was converting to apartment without the initial infrastructure for it.
508 West Apartments	Office	50–60% occupied	Pivoted away from plan to renovate as MOB, due to strength of MF market and city's interest in urban growth.	Medical and office tenants.	Not well maintained, mechanical and elevator systems needed replacing, etc.

Giving It a Try: The Conversion

	Square Feet (sf): Original	Square Feet (sf): Change	Square Feet (sf): Final	How Did That Happen?
Six at Park	54,000 sf, intended for office		27,000 sf MF 27,000 sf office	Space not pre-leased for office was a shell.
508 West Apartments	1. 55,000 sf 2. Parking structure	1. 8,500 sf 2. 28,000 sf	1. 63,500 sf 2. 28,000 sf	1. Added 10th floor to office building for 5 penthouses and rooftop deck for all tenants. 2. Converted 14-story garage into loft units by taking out every other floor.

Giving It a Try: The Conversion

	Configuration	Floor Dimensions	Average Floor Plate	How Did That Work Out?
Six at Park	Rectangle	100’ x 120’	~12,000 sf for four main floors; basement is less.	Worked well other than the initial build being for office, so plumbing and electrical had to be semi-redone to accommodate multifamily use.
508 West Apartments	Rectangle	1. 87’ x 60’ 2. 48’ x 64’	1. 5,220 sf 2. 3,072 sf	Small floor plates made conversion of both buildings easy.

Giving It a Try: The Outcome

	Conversion Cost/Unit (not including acquisition cost)	Financing Experience	Pro Forma Expectations Met?
Six at Park	$66,667	Easy: Initial office loan was able to cover apartment change--reassessed and lowered loan amount; Chapter 100 Bonds (tax on construction materials purchased in Missouri is waived), real state tax abatement.	Yes.
508 West Apartments	$176,000	While a risky concept as this was not a typical development for Spokane, obtained loan from a local bank that wanted to see improvement in the area and trusted the company's track record.	Yes, long-term hold for them.

Cityplace Allentown

Rendering of exterior (HRI Properties LLC)

Sleeping Easy: Setting the Stage

	History	Final Square Feet (sf)/ Number of Stories	Number of Units/Type	Parking
Cityplace Allentown, Pennsylvania	Original use: Hotel Original year: 1981 Conversion year: 2019 Conversion age: 38	1. 153,972 sf/9 stories 2. 102,353 sf/4 stories	1. 120 apartments 2. 78 apartments Studio, 1-BR, 2-BR 506 to 1,150 sf/unit	Parking garage with 1,130 square feet of space.
Stumpf Flats Richmond, Virginia	Original: Hotel Original year: 1910 Conversion year: 2020 Conversion age: 110 years	MF: N/A Office: N/A Total: 28,350 sf/7 stories	24 apartments 1-BR 526 to 794 sf/unit	Adjacent existing garage.

Sleeping Easy: Setting the Stage

	Owner	Conversion Strategy
Cityplace	City Center Residential	This project was just one component of the company's role in the revitalization of downtown Allentown.
Stumpf Flats	Douglas Development	Focuses on "reimagining" and maintains a large portfolio of historic buildings.

Sleeping Easy: Setting the Stage

	Market	Submarket	Target Market	Target Market Notes	Walk Score
Cityplace	Allentown, PA	Central Business District	Market rate, high quality but not luxury	Ended up with wide range of tenants (doctors, teachers, police, construction etc.)	94
Stumpf Flats	Richmond, VA	CBD – Financial District	Middle to high-end	Near large medical school (graduate students, residents) and CBD/state offices.	91

Sleeping Easy: Setting the Stage

	Purpose of Acquisition	Occupied/ Vacant at Acquisition?	Decision to Convert, If Not Original Intention?	Former Tenant(s)	Condition at Conversion?
Cityplace	Conversion	In use as a hotel but not a lot of business.	Debated maintaining as hotel, didn't pencil out and MF was booming so they decided on that.	High-end Hilton until early 2000s, then became a Holiday Inn.	Deferred maintenance (roof issue, general upgrades needed, etc.)
Stumpf Flats	Developer had purchased in 2004 for future potential.	Vacant for 5+ years; prior owner only used parking lot, had been REO before that.	Residential "market was ripe for it." Developer had converted nearby tower in 2016.	Originally bank, later hotel.	Vacant for 20 years. "High degree of disrepair… ton of deteriorated concrete." Few choices for rehab experience in smaller metro.

Sleeping Easy: The Conversion

	Square Feet (sf): Original	Square Feet (sf): Change	Square Feet (sf): Final	How Did That Happen?
Cityplace	1. 153,972 sf 2. ~27,000 sf Total: 180,972 sf	1. 0 2. +75,353 sf	1. 153,972 sf 2. 102,353 sf Total: 256,325 sf	The conference center was torn down and replaced with a 4-story building.
Stumpf Flats	25,200 sf	+3,150 sf	28,350 sf	Second stair tower added behind to bring it up to code. Adding a new stair within existing building would've cut unit yield in half.

Sleeping Easy: The Conversion

	Configuration	Floor Dimensions	Average Floor Plate	How Did That Work Out?
Cityplace	1. N/A 2. 4 story building is C-shape	1. N/A 2. 136' x 210' with 60' x 60' cutout	N/A	1. Well, due to previous hotel configuration. 2. Amenities all housed in the new 4-story building, allowing more density in the main building.
Stumpf Flats	Rectangle	45' x 83' (original floor plate not including added stairtower)	3,940 sf	Well.

Sleeping Easy: The Outcome

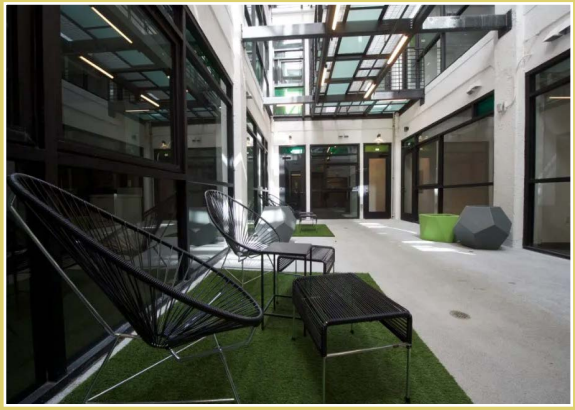
	Conversion Cost/Unit (not including acquisition cost)	Financing Experience	Pro Forma Expectations Met?
Cityplace	Costs were ~30% less than they would be for a comparable new construction project.	Financing was tight because they didn't hire a construction management company; did the entire project themselves.	Yes.
Stumpf Flats	Approximately $240,000	"No trouble" due to HTCs (federal and state), developer's extensive renovation experience.	Yes. "Best lease up I've ever been a part of": 3 months.

Standing on Convention

22 Light Street

Top: Exterior after conversion
Above: Interior unit after conversion
Credit: 2 West Photography and Osprey Property Company

Broadway Lofts



Top: Exterior
Above: Interior with skylight
Credit: ICO Group

Lofts @ Centennial Yards South

Top: Rendering of exterior
Above: Interior unit after conversion
Credit: CIM Group

Standing on Convention: Setting the Stage

	History	Final Square Feet (sf)/ Number of Stories	Number of Units/Type	Parking
22 Light Street Baltimore, Maryland	Original: Office Original year: 1900 Conversion year: 2021 Conversion age: 121	MF: 48,000 sf Retail: 4,000 sf Total: 52,000 sf/6 stories	40 apartments 1-BR, 2-BR, 3-BR 635 to 1,301 sf/unit	Off-site. Two parking garages directly adjacent residents can pay for monthly passes.
Broadway Lofts Los Angeles, California	Original: Office (most recently) Original year: 1906 Conversion year: 2014 Conversion age: 108	MF: 39,579 sf Retail: 3,064 sf Total: 50,668 sf/6 stories	58 apartments Studio, 1-BR, 2-BR 355 to 1,595 sf/unit	Off-site
Lofts @ Centennial Yards South, Atlanta, Georgia	Original: Office (most recently) Original year: 1908 Conversion year: 2021 Conversion age: 113	MF: 157,889 sf Retail: 29,267 sf Total: 187,156 sf/8 stories	162 apartments Studio, 1-BR, 2-BR 420 to 1,220 sf/unit	1 space per unit

Standing on Convention: Setting the Stage

	Owner	Conversion Strategy
22 Light Street	Osprey Property Company	Part of a bigger push to revitalize Baltimore's CBD.
Broadway Lofts	ICO Companies	Had previous residential conversion experience in Downtown LA, under the 1999 Adaptive Reuse Ordinance. This was among the first residential conversions on Broadway, a longtime retail hub.
Lofts @ Centennial Yards South	CIM Group	Specializes in underserved urban communities. Purchased 50 acres of CBD-adjacent rail yards whose infrastructure challenges foiled prior development.

Standing on Convention: Setting the Stage

	Market	Submarket	Target Market	Target Market Notes	Walk Score
22 Light Street	Baltimore, MD	Close to CBD & transport (bus & metro)	Some affordable housing	Part of revitalization of the area that was becoming more 24-hour than 9 to 5.	97
Broadway Lofts	Los Angeles, CA	CBD – Historic Core	High-end	DTLA has a booming residential population.	97
Lofts @ Centennial Yards South	Atlanta, GA	CBD – Downtown	Mid-market	Large public university and government center to east, established loft district to west.	85

Standing on Convention: Setting the Stage

	Purpose of Acquisition	Occupied/ Vacant at Acquisition?	Decision to Convert, If Not Original Intention?	Former Tenant(s)	Condition at Conversion?
22 Light Street	Conversion	Occupied, some vacant suites	N/A	Mix of office tenants	Not in total disrepair but definitely needed some updating (asbestos, bringing in internet, etc.)
Broadway Lofts	Conversion	Vacant, except for ground-floor retail	N/A	Originally office above, and department store then vaudeville theater, below.	Poor, largely vacant since 1970s. "Upstairs was a pigeon coop," required biohazard remediation. Missing cast-iron beams had to be rewelded, different process than steel. Seismic upgrades needed.
Lofts @ Centennial Yards South	For ground-up development on adjacent vacant land.	Vacant for 15 years	Quick-win strategy to set stage for broader redevelopment.	Railroad offices and freight depot	Fair condition, sturdy structure. Structure had two ground levels (street and track), hence large commercial component.

Standing on Convention: The Conversion

	Square Feet (sf): Original	Square Feet (sf): Change	Square Feet (sf): Final	How Did That Happen?
22 Light Street	57,000 sf	–5,000 sf	52,000 sf	~5,000 sf light well created
Broadway Lofts	49,638 sf	+1,030 sf	50,668 sf	900 sq ft penthouse added for exercise room and roof deck access. Mezzanine area reduced, but used for ground floor units. More mechanical space needed (does not count as square footage). Moving hallways into light courts did not increase GSF, but increased efficiency.
Lofts @ Centennial Yards South	248,040 sf	–60,884 sf	187,156 sf	N/A

Standing on Convention: The Conversion

	Configuration	Floor Dimensions	Average Floor Plate	How Did That Work Out?
22 Light Street	Rectangle with light well cut out of one wall	102' x 85'	9,000 sf	Size worked well, proximity to other buildings created need for light well as no windows allowed on one side of the building.
Broadway Lofts	E-shaped with original light courts, which became outdoor hallways with steel footbridges and structural reinforcements.	Overall 150' x 60'. Two 840 sf light courts divide floors into three bars, each 34' to 42' deep and 48' wide.	7,952 sf	Maintaining original interior corridors would've resulted in unacceptably shallow apartments. Corridors moved within light courts; hall tiles were retained for unit kitchens. New layout & structural upgrades were unacceptable to SHPO.
Lofts @ Centennial Yards South	Rectangle	65' x 477'. Connected by skybridge to another, smaller building (phase 2).	31,005 sf	Well, given 60' depth. Residential needs lots of MEP, required "Swiss cheesing the slab".

Standing on Convention: The Outcome

	Conversion Cost/Unit (not including acquisition cost)	Financing Experience	Pro Forma Expectations Met?
22 Light Street	$300,000	LIHTC accounted for 70%+ of the equity, loans from city and state. They focus on LIHTC so no unexpected challenges.	Yes. Leased up quickly.
Broadway Lofts	$138,000	"No issues" even though renovation didn't qualify for HTCs. Purchased at right price, bank gave a good basis for structure.	Considerably outperformed.
Lofts @ Centennial Yards South	N/A	Private equity had been secured for larger project. Lenders sometimes prefer existing buildings, since basis is higher.	"Very much" exceeded, "couldn't believe that leased so quickly." Switched future office plans to residential.

Giving Credit Where Credit Is Due

The Wray

Top: Exterior after conversion

The Wray

Top: Interior during conversion
Above: Lobby after conversion

Credit: Insight Property Group

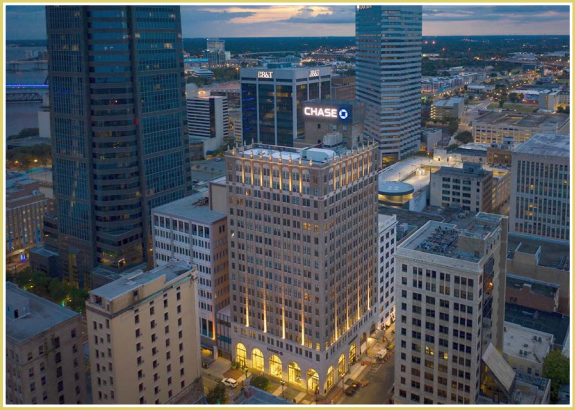
Equitable Building

Top: Interior during conversion
Above: Interior unit after conversion

Credit: Foutch Brothers LLC

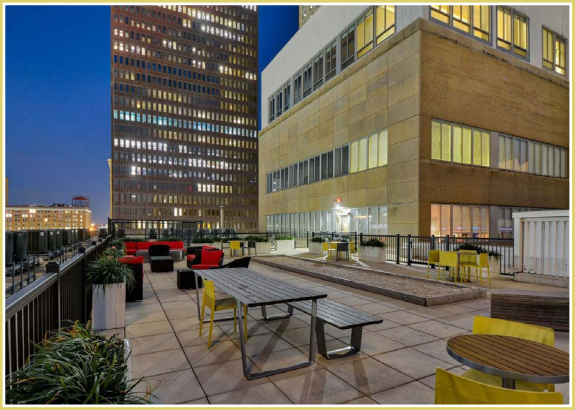
Giving Credit Where Credit Is Due

The Barnett



Top: Exterior
Above: Interior of a unit after conversion
Credit: Sue Root Barker

R&T Lofts



Top: Exterior after conversion
Above: Interior of unit kitchen after conversion
Credit: TWG Development

Giving Credit Where Credit Is Due: Setting the Stage

	History	Final Square Feet (sf)/ Number of Stories	Number of Units/Type	Parking
The Wray Washington, D.C.	Original: Office Original year: 1940 Conversion year: 2020 Conversion age: 80	111,898 sf/9 stories	158 apartments Studio, 1-BR, 2-BR 357 to 706 sf	8 surface parking spots
Equitable Building Des Moines, Iowa	Original: Office Original year: 1905 Conversion year: 2016 Conversion age: 111	MF: 239,000sf Retail: 14,000 sf Office: 14,000 sf Total: 267,000 sf/19 stories	154 apartments 1-BR, 2-BR 695 to 1300 sf	Surface parking is leased one block away – connected by skywalk.
The Barnett Jacksonville, Florida	Original: Office Original year: 1926 Conversion year: 2019 Conversion age: 93	MF: 134,000 sf Higher education, office, retail: 36,000 sf Total: 170,000 sf/18 stories	107 apartments 1-BR, 2-BR 570 to 1,600 sf	Off-site garage. 200 spaces provided.
R&T Lofts Des Moines, Iowa	Original: Office Original year: 1917 Conversion year: 2016 Conversion age: 99	MF: 197,041 sf Retail: 14,580 sf Total: 220,000 sf/13 stories	164 apartments Studio, 1-BR, 2-BR 567 to 1,569 sf	Off-site, existing garages. 39 parking spaces provided.

Giving Credit Where Credit Is Due: Setting the Stage

	Owner	Conversion Strategy
The Wray	Insight Property Group, ELV Associates	Repurpose an institutional-scale community located in a tremendously desirable D.C. location.
Equitable Building	Foutch Brothers	Bring much-needed multifamily housing to downtown Des Moines while preserving the historic beauty of the building.
The Barnett	SouthEast Development Group	Developer focused on downtown Jacksonville infrastructure and adaptive use. Expertise in PPPs, particularly for NMTCs.
R&T Lofts	TWG Development	Developer purchased newspaper office buildings in Indianapolis and Des Moines from their publisher. Specialist in complex projects and tax credits.

Giving Credit Where Credit Is Due: Setting the Stage

	Market	Submarket	Target Market	Target Market Notes	Walk Score
The Wray	D.C. Metro	CBD – Foggy Bottom	Working professionals	Shifted to include students during pandemic; now shifting back to professionals.	97
Equitable Building	Des Moines, Iowa	CBD	Market rate – serving surge of demand in Des Moines.	Historic downtown has been growing rapidly, they leased up quickly, have a waiting list and are raising rents.	91
The Barnett	Jacksonville, Florida	CBD – Central Core	High end	Growing metro, downtown market momentum, city interest, fondly remembered iconic building.	92
R&T Lofts	Des Moines, Iowa	CBD – Downtown	Middle to high end	One of few residential options connected to downtown skyway system.	89

Giving Credit Where Credit Is Due: Setting the Stage

	Purpose of Acquisition	Occupied/ Vacant at Acquisition?	Decision to Convert, If Not Original Intention?	Former Tenant(s)	Condition at Conversion?
The Wray	Conversion	Occupied (but with tenant planning to vacate)		GSA (State Dept)	Some deferred upgrades, couldn't investigate a lot prior to acquisition due to security issues of tenant at the time. Ultimately spent more than anticipated, found asbestos needed to be cleared.
Equitable Building	Conversion	Vacant (1 condo existed prior to acquisition; owner renovated and moved in)		A developer purchased, began construction then had to sell	Previous developer mishandled asbestos and had half demolished; lots of clean up and upgrades to meet code/change orders (fresh air system, operable windows, fire damper).

Giving Credit Where Credit Is Due: Setting the Stage

	Purpose of Acquisition	Occupied/ Vacant at Acquisition?	Decision to Convert, If Not Original Intention?	Former Tenant(s)	Condition at Conversion?
The Barnett	Restoration/ conversion	Vacant for 20 years. Previous renovation attempt had failed.		Bank headquarters, with some rented office space.	Vacant shell/stripped. Structural issues, infiltration meant façade had detached from structure, complete window replacement. $37M budget ended at $53M.
R&T Lofts	Redevelopment	Partially occupied		Des Moines Register	Recently occupied, so fair condition. Building had many mismatched additions over years, which all had to be treated differently.

Giving Credit Where Credit Is Due: The Conversion

	Square Feet (sf): Original	Square Feet (sf): Change	Square Feet (sf): Final	How Did That Happen?
The Wray	100,000 sf	+11,898 sf	111,898 sf	Added a penthouse level
Equitable Building	267,000 sf	0 sf	267,000 sf	
The Barnett	170,000 sf	0 sf	170,000 sf	
R&T Lofts	220,000 sf	0 sf	220,000 sf	.

Giving Credit Where Credit Is Due: The Conversion

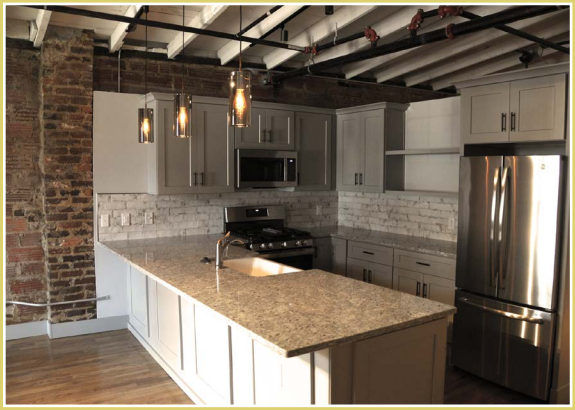
	Configuration	Floor Dimensions	Average Floor Plate	How Did That Work Out?
The Wray	Rectangle	153' x 77'	11,841 sf	Although the interior was constructed as office, exterior was constructed for apartments. Made it easier than typical office conversion.
Equitable Building	L-shaped	130' x 130' x 70' building, with 60' x 60' cutout forming an L shape.	14,000 sf	Size wasn't huge issue, more so maintaining historic structure for HTCs.
The Barnett	C-shaped	Two longer sides: 105‘ x 43-46’. Has a 24' x 38' wing behind.	7,992 sf	Well. Units are shallow and well-lit.
R&T Lofts	Building had accreted via numerous additions.	Various depths, from 59' to 84'. deepest apartments (floors 4 and 5) are 60' deep.	Varied.	47 different floor plans, some deep and some shallow. Many interior bedrooms.

Giving Credit Where Credit Is Due: The Outcome

	Conversion Cost/Unit (not including acquisition cost)	Financing Experience	Pro Forma Expectations Met?
The Wray	$300,000	Equity side was easy; debt side more challenging. Many lenders in the area didn't have experience with HTCs and didn't want the complexity.	Even with COVID, lease up was faster than expected, rents were as expected or higher (almost offsetting higher unanticipated costs).
Equitable Building	$240,260	Used Historic Tax Credit and a HUD loan. Had to carve out the existing condo for the HUD loan. Very tight financing because of change orders.	Yes. Didn't expect huge returns because they knew it would be costly w/ tight financing. Have a waiting list and rents are rising.
The Barnett	Approximately $370,000	"Fairly complex capital stack" with city incentives, $9.3M NMTC, $7M HTC, private equity. Legal fees >$1M.	Far exceeded; residential rents have nearly doubled pro forma. "Reaping benefits of what it's done to the market" with momentum.
R&T Lofts	$209,000	Used HTCs, city TIF/abatement; challenging to align stakeholders.	Profitable; will know more once it's sold.

Still Productive

Gadsden Place



Top: Kitchen after conversion
Above: Exterior after conversion
Credit: Gavin Design Group

Gadsden Place

Top: Interior during conversion
Credit: Gavin Design Group

The Assembly

Top: Exterior after conversion
Above: Before conversion
Credit: TWG Development / Indiana Landmarks

Still Productive: Setting the Stage

	History	Final Square Feet (sf)/ Number of Stories	Number of Units/Type	Parking
Gadsden Place Columbia, South Carolina	Original: Industrial Original year: 1920 Conversion year: 2021 Conversion age: 101	MF: 17,500 sf 3 stories (including dug out rentable basement)	12 apartments 2-BR 1,400 sf/unit	12 surface parking spots.
The Assembly, Indianapolis, Indiana	Original: Industrial Original year: 1915 Conversion year: 2020 Conversion age: 105	MF: 122,000 sf Office: 35,000 sf Retail: 3,000 sf Total: 160,000 sf 4 stories	132 apartments 1-BR, 2-BR, 3-BR 594 to 1,314 sf/unit	40,000 sf across two adjacent garages. 140+ parking spaces.

Still Productive: Setting the Stage

	Owner	Conversion Strategy
Gadsden Place	Gadsden Place LLC	Focused on bringing housing to an area that needed it, dug out the basement to add rentable square footage, adding light wells to the basement units, and accessible usable roof space for third floor tenants to create high end value.
The Assembly	TWG Development	TWG wanted to keep the original integrity of the building given its historical significance to the Indianapolis community. However, the overarching challenge was to make it functional for future tenants and restore components that did not age well with the building. The goal was to keep the assembly plant's historic demeanor while preserving aspects of its original design and recreating other features.

Still Productive: Setting the Stage

	Market	Submarket	Target Market	Target Market Notes	Walk Score
Gadsden Place	Columbia, South Carolina	Vista region – cultural/arts center of CBD	Higher-end young professionals	Attracted a cross section of ages, races, professions.	67
The Assembly	Indianapolis, Indiana	East side, not quite CBD	Workforce and market rate	TWG believed refurbishing the old Ford assembly plant would serve as a catalyst for the struggling east side of Indianapolis and serve as an anchor to bring more developments to the area. The Assembly also provides 80% AMI workforce housing units.	61

Still Productive: Setting the Stage

	Purpose of Acquisition	Occupied/ Vacant at Acquisition?	Decision to Convert, If Not Original Intention?	Former Tenant(s)	Condition at Conversion?
Gadsden Place	Conversion	Occupied	N/A	Industrial supply company	Had to completely renovate entire building, repair fire damage, separate building into units, add new exit stairs, install all new utilities, replace windows, new roof, etc.
The Assembly	Conversion	Occupied – storage only	N/A	Indianapolis Public Schools (for storage, still maintained industrial structure).	Not great condition and not built for multifamily, so wiring, plumbing, columns all had to be altered and updated the façade and interior of the building. Replaced all windows as most of them were boarded or non-existent.

Still Productive: The Conversion

	Square Feet (sf): Original	Square Feet (sf): Change	Square Feet (sf): Final	How Did That Happen?
Gadsden Place	11,667 sf	5,833 sf	17,500 sf	Dug out the basement for 4 apartments.
The Assembly	160,000 sf	0 sf	160,000 sf	

Still Productive: The Conversion

	Configuration	Floor Dimensions	Average Floor Plate	How Did That Work Out?
Gadsden Place	Rectangle	60’ x 97’	5,833 sf	Small building and dug out basement to add density
The Assembly	Rectangle	140’ x 290’	40,000 sf	Large floor plate but also very large windows already in place that made lighting less of a challenge

Still Productive: The Outcome

	Conversion Cost/Unit (not including acquisition cost)	Financing Experience	Pro Forma Expectations Met?
Gadsden Place	$291,666 (Basement dig out 10% of cost.)	Easy because of local partners and banks, incentives in tax credits, Bailey Bill state law freezes property taxes (Columbia's are high) at purchase price for 20 years, state/federal historic tax credits. (weren't approved by time of financing so weren't accounted for, but were ultimately approved).	Yes, beyond met. Leased up within a month, area typically charges $1,700–$1,800 for 2-BR units, they were able to charge $2,500+.
The Assembly	$280,681	Regarding financing, TWG received a 108 loan and TIF from the city of Indianapolis, as well as state historic tax credits, federal historic tax credits, a CDBG loan and two OSC loans as well.	Long-term hold for them, home to TWG office/main campus.

Special Cases

The Tyler

Left: Exterior during conversion
Middle: Interior lobby after conversion
Right: Rendering of exterior after conversion

Credit: Gregg Shupe, Shupe Studios

Special Cases: Setting the Stage

	History	Final Square Feet (sf)/ Number of Stories	Number of Units/Type	Parking
The Tyler, New Haven, Connecticut	Original: School Original year: 1936, 1964 addition Conversion year: 2019 Conversion age: 83	MF: 104,000 sf/3 stories	70 apartments 1-BR, 2-BR 492 to 969 sf/unit	Surface parking – 88 spaces
Cecil Hotel Los Angeles, California	Original: Hotel/apartment Original year: 1924 Conversion year: 2021 Conversion age: 97	MF: 285,000 sf/15 stories	608 apartments 160 to 176 sf/unit	No parking

Special Cases: Setting the Stage

	Owner	Conversion Strategy
The Tyler	WinnCompanies	Existing layout of building worked well, although the envelope was very porous, had no insulation, and allowed for significant air infiltration. Historic tax credits created many restrictions but needed tight envelope for passive house requirements for LIHTC through CT Housing Authority's QAP.
Cecil Hotel	Baron Property Group and Simon Development	Was already hotels and smaller apartments, so converting to all smaller apartments wasn't too challenging. Went with affordable as there's a great need, the very small units were well primed to be affordable and help with the homelessness crisis.

Special Cases: Setting the Stage

	Market	Submarket	Target Market	Target Market Notes	Walk Score
The Tyler	New Haven, Connecticut	East Haven, close suburb of CBD	55+ housing, some affordable, some market rate.	Ultimately got many people from East Haven looking to downsize into both affordable and market rate.	62
Cecil Hotel	Los Angeles	Downtown, near Skid Row	Homeless and very lower income.	Worked with local organizations when planning this project to ensure they were connected with the correct people to maximize the usage.	98

Special Cases: Setting the Stage

	Purpose of Acquisition	Occupied/ Vacant at Acquisition?	Decision to Convert, If Not Original Intention?	Former Tenant(s)	Condition at Conversion?
The Tyler	Yes	Vacant (some use as storage)	N/A	East Haven High School	Structure was sound, everything else was deteriorated, roof let moisture in, envelope needed the most attention.
Cecil Hotel	Yes	Occupied Hotel running Apartments ~30% occupied	N/A	Hotel and multifamily	Deferred upgrades and maintenance, sturdy building but needed to be updated.

Special Cases: The Conversion

	Square Feet (sf): Original	Square Feet (sf): Change	Square Feet (sf): Final	How Did That Happen?
The Tyler	144,000 sf	-40,000 sf	104,000 sf	One wing was demolished and not replaced
Cecil Hotel	285,000 sf	0 sf	285,000 sf	

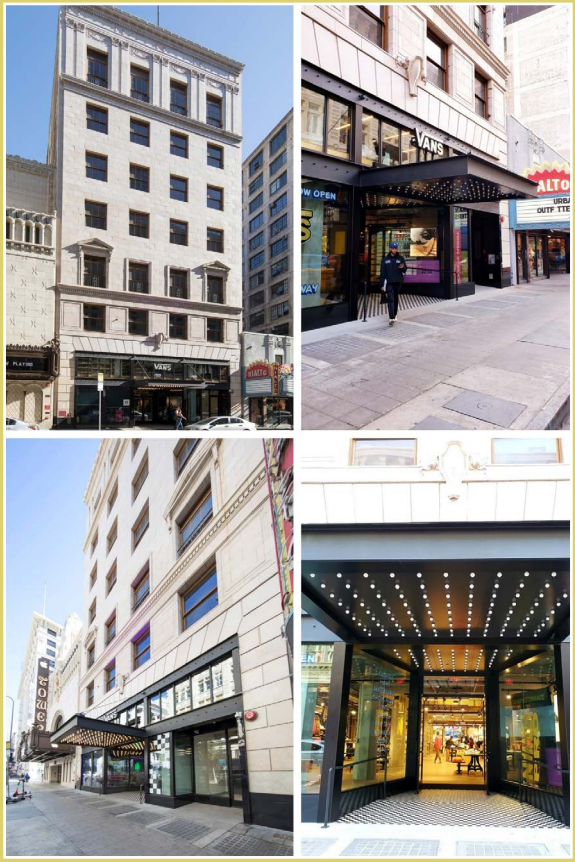
Special Cases: The Conversion

	Configuration	Floor Dimensions	Average Floor Plate	How Did That Work Out?
The Tyler	L shape	1936 wing (front wing, long leg of the "L"): 400' L x 60' W; 1964 wing (short leg of the L): 175' L x 78' W.	34,667 sf	Large floor plate but well structured for a MF conversion given large windows and simple layout, hallways were maintained as wider than typical for MF (school hallways).
Cecil Hotel	E shape	150' x 92' with two 70' x 20' cutouts forming an E shape.	~12,500 sf	Worked well b/c going for small units and layout was already there.

Special Cases: The Outcome

	Conversion Cost/Unit (not including acquisition cost)	Financing Experience	Pro Forma Expectations Met?
The Tyler	$314,286	LITHC – 9% from CHFA, Sub-debt award from Connecticut Dept Housing, Federal and State Historic tax credits, Energy incentives from local utility, These made up the vast majority of the capital stack.	Yes. Affordable are restricted but leased up very quickly, market rate exceeded rent expectations.
Cecil Hotel	$14,803	Some skepticism because privately financed affordable with no subsidies, otherwise no challenges with debt or equity.	Yes, met their expectations.

Singer Building



Above: Exterior after conversion

Credit: Parker Brown, courtesy of Charles LeNoir

An Architect's Perspective: Setting the Stage

	History	Final Square Feet (sf)/ Number of Stories	Number of Units/Type	Parking
Singer Building, Los Angeles, California	Original: Office Original year: 1922 Conversion year: 2021 Conversion age: 99	MF: 34,967 sf/6 stories Retail: 8,748 sf/2 stories Total: 43,715 sf/8 stories (not including basement and finished rooftop)	6 apartments 1-BR, 2-BR 5,707 to 6,516 sf/unit	Off-site

Owner	Conversion Strategy
ANJAC Fashion Buildings	Longtime owner has large portfolio of office in Fashion District, had previously rejuvenated theater on this block.

Submarket	Target Market	Target Market Notes	Walk Score
CBD – Fashion District	Top-end live/work	Penthouse-sized spaces for footloose globetrotters; rents began at $10,000/month.	97

Purpose of Acquisition	Occupied/ Vacant at Acquisition?	Decision to Convert, If Not Original Intention?	Former Tenant(s)	Condition at Conversion?
Longtime owner	Occupied	Strong residential market, arrival of high-end retailers	Light manufacturing, some garment use	Fair; occupied

An Architect's Perspective: The Conversion

	Square Feet (sf): Original	Square Feet (sf): Change	Square Feet (sf): Final	How Did That Happen?
Singer Building	47,789 sf	–4,074 sf	43,715 sf	Two long sides of the midblock building were pulled back from property lines to create light courts/ balconies that get wider on lower floors; possible because both neighbors are shorter and have historic protections.

Configuration	Floor Dimensions	Average Floor Plate	How Did That Work Out?
Rectangle	50' x 150'	7,500 sf	Light courts carved out along formerly blank side walls.

Appendix

Profiled Conversions by Company

601 NF Associates LLC
The Oronoco

ANJAC Fashion Buildings
Singer Building

Baron Property Group LLC and Simon Development
Cecil Hotel

Brumback Construction Inc.
508 West Apartments

CIM Group
Lofts @ Centennial Yards South

City Center Residential
Cityplace Allentown

Douglas Development Corporation
Watermark

Douglas Development Corporation and Squire
Stumpf Flats

Foutch Brothers
Six at Park
Equitable Building

Gadsden Place LLC
Gadsden Place

Highland Square Holdings
Mission Lofts

HRI Properties
225 Baronne
The Mayflower Apartments

ICO Group of Companies
Broadway Lofts

Insight Property Group and ELV Associates
The Wray

Lowe DC Services LLC
Park + Ford

Osprey Property Company LLC
22 Light Street

Perseus TDC
The Foundry

ProMark Partners
The Octave

SouthEast Development Group LLC
The Barnett

TWG Development
R&T Lofts
The Assembly

WinnCompanies
The Tyler

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