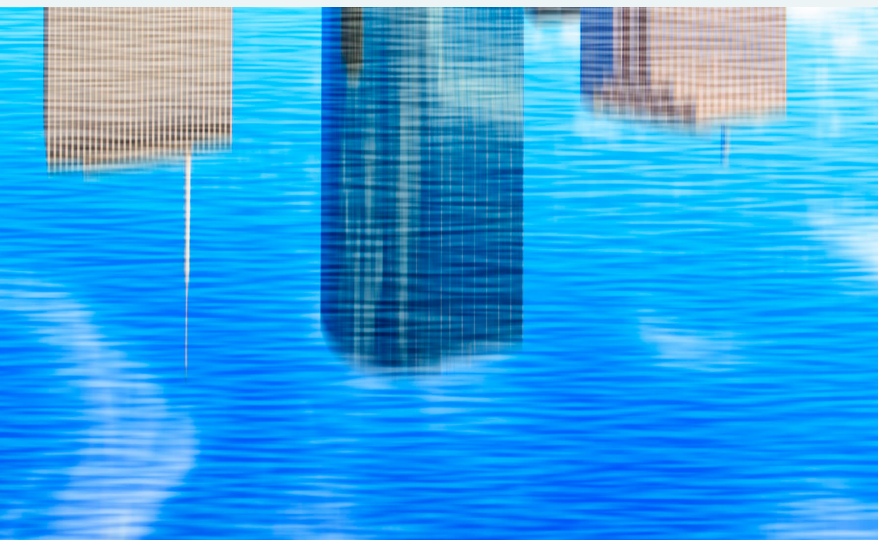




MARKET EDGE

BY partners

Renovation Roundup Part 2 | Giving New Life To Old Bones: The Rise of Adaptive Reuse In Transforming Office Spaces

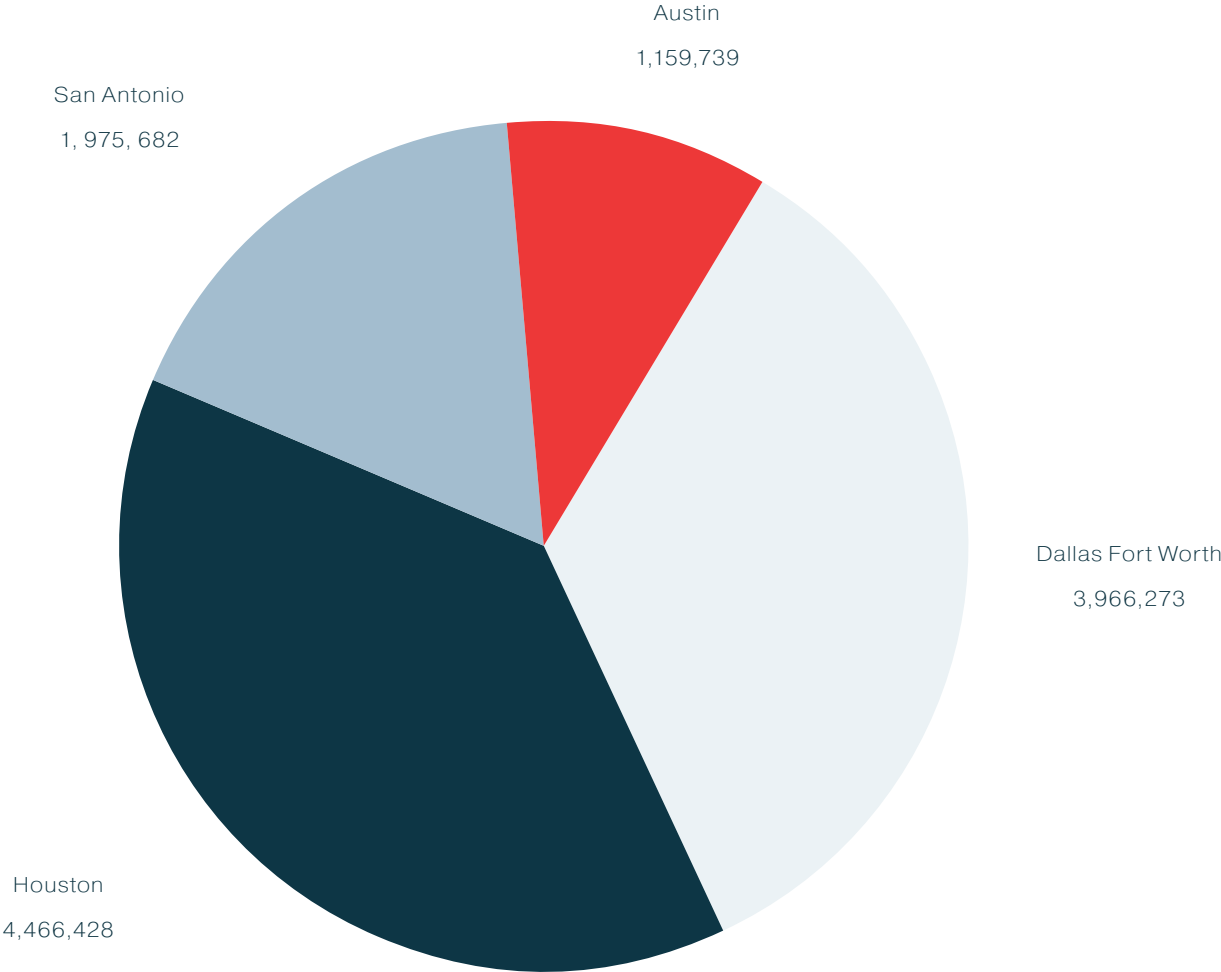


The sterile rows of cubicles and echoing hallways of yesteryear's office towers are being reimaged. Across the globe, a wave of adaptive reuse is breathing fresh air into aging office buildings, converting them into trendy apartments, swanky hotels, and vibrant mixed-use spaces. This trend, driven by factors like changing urban landscapes, sustainability concerns, and a yearning for unique character, is not without its challenges.

While the allure of transforming underutilized properties into coveted living and hospitality hubs is undeniable, hurdles abound. Strict building codes, unforeseen structural issues, and the need to cater to modern living and travel demands can test the mettle of even the most seasoned developers. Yet, the potential rewards – environmental, economic, and aesthetic – are drawing increasing interest, making adaptive reuse an urban renewal story worth watching closely.

In the following sections, this report will delve deeper into the driving forces behind this transformative trend, explore the nitty-gritty of the challenges involved, and showcase some inspiring examples of successful adaptive reuse projects that are breathing new life into the concrete giants of our cityscapes.

High Vacancy Office Properties with Smaller Floor Plans (SF)



Challenges Abound

Conversions are very expensive. The typical price per square foot is \$100 to \$500 per square foot for conversions from office to apartments, making the upper range higher than typical replacement costs. There are also a number of hurdles to overcome to make conversions economically viable.

Zoning and Regulatory Hurdles

Office buildings are typically zoned for commercial use, whereas apartments and hotels have different zoning requirements. Developers may face challenges in obtaining the necessary zoning permits and approvals for the new use.



Building Codes and Safety

Converting an office building into a residential or hotel space involves adhering to different building codes and safety standards. For example, residential spaces require different fire safety measures, exits, and accessibility features than office spaces.



Structural Adaptations

The existing office layout may not be suitable for residential or hotel needs. Modifications may be required to create bedrooms, kitchens, and bathrooms. The load-bearing capacity of the structure may also need assessment to accommodate additional loads.



Challenges Abound

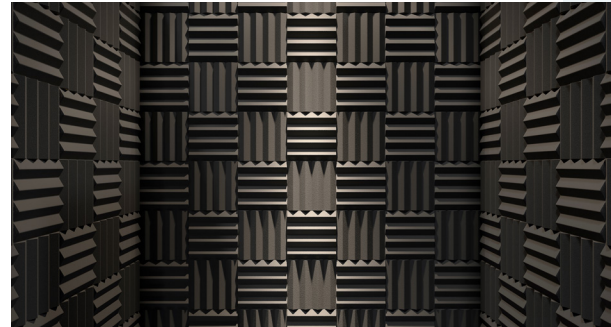
HVAC and Mechanical Systems

HVAC (Heating, Ventilation, and Air Conditioning) systems designed for offices may not be suitable for apartments or hotels. Retrofitting or upgrading these systems can be costly and complex.



Soundproofing

Apartments and hotels need proper soundproofing to ensure privacy and comfort for occupants. This can be challenging in an office building, where soundproofing may not have been a priority.



Accessibility

Ensuring that the converted space complies with accessibility requirements, including ADA (Americans with Disabilities Act) standards, is essential for residential and hotel spaces.



Challenges Abound

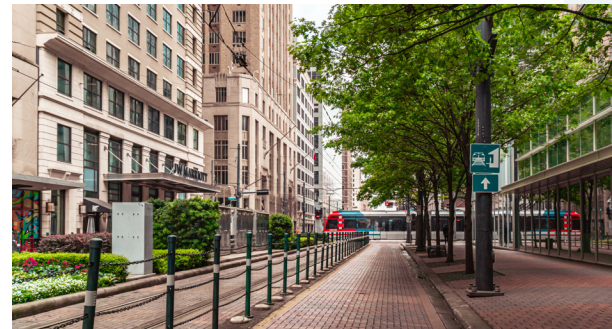
Parking and Traffic

The change in use from offices to residential or hotel properties may impact parking and traffic demands. Developers may need to consider providing adequate parking facilities and assess the potential traffic impact on the surrounding area



Historic Preservation

If the office building has historic or architectural significance, adhering to preservation guidelines while making necessary modifications can be challenging. Balancing preservation with functionality is a delicate task.



Infrastructure and Utilities

The existing infrastructure, such as electrical and plumbing systems, may need upgrades or reconfiguration to meet the demands of residential or hotel use.



When you combine all of these factors, economic incentives such as property tax breaks or other government incentives are typically needed to make the numbers work. Even with incentives, most conversions result in luxury properties, not affordable housing for middle-class or lower income families.

What all this translates to as far as likely viable properties across the major Texas Markets are:

The average potential properties that are good candidates for conversion/adaptive reuse are **49 years old**.

Properties with High Vacancy and Smaller Floor Plates					
	#Properties	RBA	Average of Percent Leased	Average of Year Built	% of Existing Office Stock
Austin	10	1,159,739	53.5%	1978	1.1%
Dallas-Fort Worth	34	3,966,273	53.9%	1971	1.4%
Houston	33	4,466,428	52.8%	1977	1.8%
San Antonio	20	1,975,682	54.0%	1975	2.9%

For all Texas markets, **less than 3%** meets key criteria for conversion.

In total, there are less than **100 properties** comprised of **11.6 million** square feet.

For Houston, for example, less than 2% of the existing office stock in Houston is well suited for conversion/adaptive re-use to apartments or hotels. This is largely because the floor plates, ideally, should be 15,000 SF or less. When you combine this feature and look at properties with currently high vacancy (30% or greater), that comes to about 4.5 million square feet of existing inventory. That is roughly 1.8% of the Houston office market.

This is a broad analysis of the entire market, some submarkets are not good candidates as well, due to lower potential demand and a mismatch in viable incomes to expected rates needed for the conversions to make economic sense. In total, the 4.5 million square feet translates to 33 office properties. The West Loop, Downtown and Katy Freeway submarkets have the most potential options (7, 5 and 5 properties, respectively).



While much of this report focuses on the challenges of adaptive re-use, there are some good examples of where the conversions do make sense. Below are four cases studies highlight one such project for each of the four main Texas markets.

The NATIONAL

Revitalizing Dallas' Skyline with Mixed-Use Magic

The Challenge

In the heart of Dallas, Texas, stood 1401 Elm Street – a once-proud skyscraper known as the First National Bank Tower. By the early 2010s, it had become a vacant relic, a testament to the city's shifting business landscape. The challenge? Transform this underutilized behemoth into a vibrant, mixed-use destination that would breathe new life into downtown Dallas.

The Solution

Enter The National, a \$460 million adaptive reuse project spearheaded by Todd Interests and Moriah Real Estate.

The Vision

Create a vertical city within a city, seamlessly blending luxury living, high-end retail, and modern office space.

Key Components

Luxury Residences: The National Residences occupy 27 floors, offering breathtaking panoramic views of the city and unparalleled amenities like a rooftop pool, fitness center, and resident lounge.

Thompson Hotel: Nestled within the tower's lower floors is a 219-room Thompson Hotel, bringing the brand's renowned hospitality and culinary experiences to Dallas.

Retail & Office Space: The National boasts curated retail spaces featuring local and international brands, along with office floors designed to attract innovative businesses

Impact and Legacy

Economic Engine: The National has generated over 2,000 construction jobs and is estimated to create 500 permanent jobs. It has also revitalized the surrounding area, attracting new businesses and residents.

Historic Preservation: The project's adaptive reuse approach preserved the tower's original architectural elements, ensuring its place in the city's historic fabric.

Urban Vibrancy: The National has become a hub for social activity, hosting events, concerts, and art exhibitions, contributing to a more vibrant and dynamic downtown Dallas.

Lessons Learned

- Adaptive reuse can be a powerful tool for urban renewal, breathing new life into aging structures while preserving their history.
- Mixed-use developments can foster a sense of community and create a more livable and walkable urban environment.
- Investing in quality design and amenities is essential for attracting residents, businesses, and visitors.

The National stands as a testament to the power of vision and innovation. It has transformed a once-dormant landmark into a thriving center of commerce, culture, and community, proving that even the most daunting challenges can be overcome with creativity and collaboration.

Additional Notes

- The project faced numerous challenges, including financial hurdles and construction delays. However, the developers' perseverance and commitment to quality ultimately ensured its success.
- The National has received widespread acclaim, winning numerous awards for its design, sustainability, and economic impact
- The project serves as a model for similar adaptive reuse efforts in cities around the world.



ELEV8

Elevating Downtown Houston with Modern Luxury

The Challenge

In the heart of Houston's bustling Skyline District, 1801 Smith Street once housed the Houston Club Building, a 1972-era office tower. By the mid-2010s, it stood vacant, a stark reminder of the city's evolving office landscape. The challenge? Reimagine this underutilized structure into a dynamic destination that would redefine luxury living in downtown Houston.

The Solution

Enter Elev8, a \$150 million adaptive reuse project by Greystar, a national leader in rental housing.

The Vision

Create a contemporary living space infused with the rich history of the building and the vibrant energy of downtown Houston.

Key Components

Luxury Apartments: Elev8 boasts 296 studio, one-, and two-bedroom apartments adorned with sleek finishes, soaring ceilings, and expansive windows offering stunning cityscapes.

Top-Tier Amenities: Residents enjoy resort-style amenities like a rooftop pool deck with city views, a state-of-the-art fitness center, a pet spa, and a resident lounge with co-working spaces and entertainment areas.

Preserved Character: The original architectural elements of the Houston Club Building have been meticulously preserved and integrated into the design, such as the exposed concrete ceilings and the grand lobby staircase.

Impact and Legacy

Urban Renewal: Elev8 has revitalized the surrounding area, attracting new businesses and restaurants, and contributing to a more vibrant downtown experience.

Modern Living: The project has raised the bar for luxury living in Houston, offering residents a sophisticated and convenient urban lifestyle.

Historical Preservation: The adaptive reuse approach saved the Houston Club Building from demolition, ensuring its legacy as a part of the city's architectural heritage.

Lessons Learned:

- Strategic partnerships: Collaborating with experienced developers and design teams is crucial for successful adaptive reuse projects.
- Community focus: Creating spaces that cater to the needs and desires of residents fosters a sense of community and belonging.
- Balancing history and innovation: Integrating historical elements with modern design can create a unique and desirable living experience.

Elev8 stands as a beacon of modern luxury in the heart of Houston. It has transformed a once-vacant tower into a thriving hub for sophisticated living, proving that innovative design and a commitment to history can breathe new life into aging structures and enrich the urban landscape.

Additional Notes:

- The project faced challenges like navigating historical preservation regulations and adapting the building's layout for residential use.
- Elev8 has been praised for its design, amenities, and contribution to the revitalization of downtown Houston.
- The project serves as an inspiration for similar adaptive reuse efforts in cities across the United States.



The Brown Building Lofts

Reshaping Downtown Austin with Industrial Character

The Challenge

Towering over Congress Avenue, Austin's historic Brown Building stood vacant for over a decade. Built in 1929 as a state health department office, its imposing Art Deco facade and impressive size posed both opportunity and challenge. Could this relic of a bygone era be reimagined for the vibrant, modern Austin?

The Solution

Enter The Brown Building Lofts, a \$73 million adaptive reuse project by the Sutton Company.

The Vision

Transform the monolithic office block into a collection of stylish lofts, embracing the building's industrial heritage while injecting elements of modern luxury and Austin's signature creative spirit.

Key Components:

Industrial Chic: Soaring concrete ceilings, exposed brick walls, and oversized windows remain prominently in the lofts, creating a unique sense of spaciousness and character. Polished concrete floors and sleek appliances add a touch of contemporary polish, blending industrial vibes with modern comfort.

Diverse Living Options: The Brown Building Lofts cater to a variety of lifestyles, offering a mix of studio, one-, and two-bedroom units. Some even boast private balconies with breathtaking city views, while ground-floor units open onto bustling Congress Avenue.

Amenities Galore: Residents enjoy a rooftop pool deck with panoramic cityscapes, a fitness center with state-of-the-art equipment, and a pet-friendly environment. There's also a resident lounge for social gatherings and a street-level retail space, adding vibrancy to the building and the surrounding area.

Historic Preservation: The adaptive reuse approach meticulously preserved the building's iconic facade and architectural details. The original porthole-shaped windows and lobby mosaic tiles remain, connecting residents to the Brown Building's rich history.

Impact and Legacy:

Downtown Revitalization: The Brown Building Lofts have breathed new life into a central block of downtown Austin, attracting residents and injecting energy into the surrounding area. Its unique character adds a new chapter to the city's architectural landscape.

Sustainable Urbanism: The adaptive reuse approach minimized demolition and construction waste, contributing to a more sustainable development model for Austin's growing downtown.

Livability Boost: The Brown Building Lofts offer a sought-after living experience, combining historical charm with modern amenities and a walkable downtown location. This contributes to Austin's reputation as a dynamic and desirable place to live.

Lessons Learned:

- Adaptive reuse can create unique and desirable spaces while preserving historical treasures for future generations.
- Balancing historical elements with modern design and amenities is crucial for creating contemporary living spaces that resonate with today's residents.
- Incorporating ground-floor retail spaces and public amenities fosters interaction and enhances the vitality of the surrounding area.

The Brown Building Lofts stand as a testament to the power of vision and respect for history. They have transformed a forgotten office block into a vibrant hub of downtown living, preserving Austin's architectural heritage while injecting a dose of modern style and urban vibrancy. The project serves as an inspiration for future adaptive reuse efforts in Austin and beyond, showcasing the potential to breathe new life into aging structures and contribute to livable, sustainable cities.

Additional Notes:

- The Brown Building Lofts have been highly praised for their design, amenities, and contribution to downtown Austin's revitalization.
- The project faced unique challenges like adapting the office layout for residential use and maintaining the historical integrity of the facade.
- The success of The Brown Building Lofts demonstrates the growing popularity of adaptive reuse projects in Austin and across the United States, highlighting the potential to create desirable living spaces while promoting sustainability and historic preservation.



Reimagining San Antonio's Skyline with Sustainable Style

The Challenge

In the heart of San Antonio, overlooking the iconic River Walk, the Travis Building stood tall yet dormant. Constructed in the 1920s as a bustling financial hub, its elegant facade and prime location masked decades of vacancy. The challenge? To infuse this historic relic with new life, crafting a vibrant mix of modern apartments

The Solution

Enter the revitalized Travis Building, the \$20 million plus project included a \$5 million adaptive reuse loan by PACE, in collaboration with the Alamo Area Council of Governments (AACOG), UC Funds and Harris Bay.

The Vision

Create a tapestry of 63 luxury apartments and dedicated retail space, harmonizing historic charm with sleek contemporary style and setting a new standard for sustainable living in San Antonio.

Key Components

Preserving Legacy: The Travis Building's architectural heritage remains uncompromised. Its ornate limestone facade, decorative window mullions, and soaring entryway have been meticulously restored, ensuring its place as a cherished landmark on the San Antonio skyline.

Modern Comfort: Step inside and experience a seamless blend of old and new. The spacious apartments boast sleek stainless steel appliances, hardwood floors, and oversized windows with stunning cityscapes. Thoughtful touches like exposed brick walls and vintage-inspired lighting nod to the building's past.

Sustainable Pioneer: The Travis Building sets a new green standard in San Antonio. Utilizing the Texas PACE program, the project implemented energy-efficient upgrades like reflective roofing, LED lighting, and water-saving plumbing fixtures, estimated to save an impressive \$8.4 million in energy costs over its lifespan.

Vibrant Hub: The Travis Building isn't just about living; it's about thriving. The ground floor retail space buzzes with activity, attracting local businesses and offering residents convenient access to everyday needs and trendy experiences.

Impact and Legacy:

Urban Catalyst: The Travis Building has reignited a corner of downtown San Antonio, attracting residents, businesses, and visitors. Its vibrant energy spills onto the River Walk, contributing to the city's cultural tapestry.

Adaptive Inspiration: The project stands as a testament to the power of adaptive reuse. By breathing new life into a historic structure, it fosters sustainability, preserves San Antonio's architectural heritage, and contributes to a more vibrant and diverse downtown.

Green Leadership: The Travis Building's commitment to sustainability sets a precedent for future development in San Antonio and beyond, demonstrating the potential to prioritize both style and environmental consciousness.

Lessons Learned:

- Partnering with experienced developers, historic preservation experts, and sustainability teams ensures a successful and impactful project.
- Adapting old structures for modern living requires creativity and careful consideration of both historical relevance and contemporary needs.
- Integrating green practices into every aspect of development creates a healthier and more resilient future for both the building and its inhabitants.

The Travis Building stands as a beacon of urban renewal and green transformation. It has reimagined a historic landmark into a thriving hub of modern living, all while setting a new standard for sustainable practices in San Antonio. It is a testament to the power of vision, collaboration, and commitment to preserving the past while embracing a greener future.

Additional Notes:

- The Travis Building has received several awards for its design, sustainability efforts, and economic impact.
- The project faced challenges like navigating historic preservation regulations and adapting the office layout for residential use.
- The Travis Building's success serves as an inspiration for similar adaptive reuse projects across the country, showcasing the potential to revitalize historic structures, promote sustainability, and create vibrant communities.