RentCafe Research Blog: Adaptive Reuse Apartments Up 25% from Pre-Pandemic Numbers, Led by Record Office-to-Apartment Conversions

- **Adaptive reuse apartments are increasing faster than new apartments, up by 25% in the last 2 years compared to the pre-pandemic period.**
- **Conversions from office buildings to apartments are at an all-time high, having made way for 11,000 apartments in just the last 2 years.**
- **There are 77,000 apartments under conversion, setting up the stage for a boom in adaptive reuse in the upcoming years.**

In the last two years, apartment conversions jumped by 25% compared to two years prior. More precisely, this increasingly popular real estate niche brought a total of 28,000 new rentals in 2020-2021, well above the pre-pandemic years of 2018-2019 when 22,300 apartments were brought to life through adaptive reuse. Amid an ever-growing need for housing, adaptive reuse picked up speed in America’s largest cities, according to the latest data from Yardi Matrix.

So, to fully grasp how much adaptive reuse had grown in recent years, we compared the latest figures to the rate of growth in traditional [new apartment construction](#). Our analysis shows that adaptive reuse apartments were growing faster than new apartments — 25% versus 10% — during the same timeframe.

![Converted Apartments in the Last 2 Years Surpass Pre-Pandemic Numbers](source: RentCafe analysis of Yardi Matrix data)
Conversions From Office to Apartment Hit All-Time High

Office-to-apartment conversions increased even faster, a 43% jump during 2020-2021 compared to 2018-2019, from 7,762 to 11,090 apartments created from former offices. The total conversions in 2020-2021 represent an all-time high, the repurposing of office buildings through adaptive reuse taking an extraordinary leap not just in the last two years, but over the last decade as a whole, from the mere 2,700 apartments brought to life in 2010-2011. Former offices make up 40% of all adaptive-reuse conversions to rentals between 2020-2021, the highest share.
“The residential market needs significantly more density in the areas of the largest cities, where the demand is greatest and where the tallest office buildings are located,” said Doug Ressler, manager of business intelligence at Yardi Matrix.

“Existing building architecture is the critical starting point. Not all buildings are equally threatened by the work-from-home revolution. Larger office buildings in abandoned central business districts are better suited to conversion than the often-smaller office complexes distributed around the suburbs.”

What’s more, adaptive reuse apartments are poised for impressive growth in the near future with over 77,000 apartments currently undergoing conversion. In fact, 8,300 apartments have already been converted and opened to the public this year as of July 2022.

**Washington, D.C. Leads in Number of Repurposed Buildings During Pandemic**

Washington, D.C., Philadelphia and Chicago became hotbeds for adaptive reuse between 2020-2021. These three major cities alone delivered 15% of the total apartment conversions nationwide.
In first place, Washington, D.C. surpassed all other cities when it came to adaptive reuse during the first few years of the pandemic: The nation’s capital opened a total of 1,565 apartments by repurposing old buildings — almost double the number converted here just two years prior. With that, Washington, D.C. holds almost 6% of total adaptive reuse projects in the U.S.

Nearly matching Washington, D.C. in numbers, Philadelphia maintained its track record in conversion projects. The City of Brotherly Love transformed older buildings into 1,552 new apartments in the last two years after a previous all-time high of 1,854 between 2018-2019.

Meanwhile, despite leading in total conversions in the last decade, this time Chicago landed in third place with 1,139 apartments. The top five is rounded out by Cleveland and Pittsburgh with 837 and 814 converted apartments, respectively.

**Office Buildings Remain the Dominant Building Type to Adapt, But Smaller Niches Pick Up the Pace**

The last two years certainly demonstrated the potential for creating new housing from offices. This type of building conversion dominated this time period by making up 40% of transformed units. However, with the rise of hybrid and remote work, developers are
turning toward a different kind of makeover and choosing live/work/play development as a way to resuscitate office buildings.

With 4,331 apartments, factories are the second-most sought-after conversion sources. Between 2020-2021, factories represented 16% of adaptive reuse projects. As manufacturing continues to shift overseas, many abandoned industrial spaces offer generous floorplans that make for a great transition to residential and mixed-use spaces.

That said, smaller niches are also emerging and expanding at a fast pace. Surprisingly, conversions of healthcare buildings actually recorded the largest growth during the pandemic. In fact, apartments adapted from healthcare buildings more than tripled in 2020-2021 compared to 2018-2019, increasing by 212%.
Interestingly, religious buildings take second place when it comes to popularity, with a 73% growth. A small niche that resulted in only 311 converted apartments between 2018-2019, religious buildings that were converted into residential spaces gave way to a total of 537 apartments in the past two years.

Finally, with 3,573 apartments in 2020-2021, hotels remain one of the most popular building types to be converted into rentals, registering a 66% growth compared to 2018-2019. The straightforward transition from hotel rooms to apartments is one of the reasons hotels remain one of the primary sources for adaptive reuse.

Washington, D.C., Chicago Take Lead in Office Conversions

Washington D.C. also leads in turning offices into rental apartments. Between 2020-2021, the nation’s capital managed to convert 1,147 units from former office spaces. A trend that was popular even before the pandemic, adaptive reuse picked up the pace due to the significant number of vacant offices in the city’s downtown.
At the same time, a total of 732 new apartments for rent in Chicago were created through office conversions, with many more similar transformations to come. In particular, Chicago’s downtown area seems to be the best spot to tackle adaptive reuse projects — and the perfect example for that is LaSalle Street. And, with Millennium on LaSalle as a benchmark for success, the City of Chicago is taking proposals to revitalize what used to be an important part of Chicago’s Central Business District.

Philadelphia is next on our list with 590 apartments resulting from office conversions. One City at 1401 Arch St is a prime example of Philadelphia’s efforts to conserve and bring office buildings back to life in the form of rental apartments. The former headquarters of United Gas Improvement Company was awarded the Preservation Achievement Award in 2020.
Millennium on LaSalle, Chicago

77,000 Future Apartments Expected to Be Converted in the Next Few Years
The promising future of adaptive reuse is reflected in the impressive number of projects expected in the coming years — serving as further confirmation of its rising popularity. To that end, Yardi Matrix data shows a total 77,100 future adaptive reuse apartments in various stages of conversion. Of these, some are already undergoing conversion and set to be completed in 2022 and later, while other projects are awaiting approval or are in the planning stages.

When it comes to future projects, office conversions are projected to represent 28% of total apartments under conversion — the largest share of all building types under conversion, according to Yardi Matrix. Hotels represent the second-largest share (22% of future projects), while factories (that make up 16% of the total) are in third place.

Granted, nowhere is the future development of adaptive reuse quite as noticeable as in Los Angeles. Here, a total of 4,130 apartments are expected to be created through conversions. Meanwhile, sporting considerably fewer upcoming projects, Cleveland, OH and Buffalo, NY joined the City of Angels on the podium with 2,654 and 1,984 apartments, respectively.
Los Angeles Leads in Apartment Conversions in the First Half of 2022

In terms of conversions completed from January to June 2022, Los Angeles is the leading city with 1,242 apartments. This alone makes 2022 the best year ever for adaptive reuse in Los Angeles.

The top 10 cities with the most converted apartments in the first half of 2022 are:

<table>
<thead>
<tr>
<th>City</th>
<th>Converted Apartments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Los Angeles, CA</td>
<td>1,242</td>
</tr>
</tbody>
</table>
RentCafe.com is a nationwide apartment search website that enables renters to easily find apartments and houses for rent throughout the United States. This report was compiled by the RentCafe research team based on apartment data provided by our sister company, Yardi Matrix.

Adaptive reuse refers to repurposing an existing building into rental apartments. This study is based on apartment data related to buildings containing 50 or more units.

For this study, we analyzed the number of apartment conversions grouped in 2-year periods as follows: 2010-2011, 2012-2013, 2014-2015, 2016-2017, 2018-2019, and 2020-2021.

2022 conversion completions include only units in finalized projects in the first six months of the year.

Future projects include projects that are under conversion, as well as planned and prospective redevelopment.

Data are valid as of July 2022 and are subject to change.

<table>
<thead>
<tr>
<th>City</th>
<th>Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kissimmee, FL</td>
<td>705</td>
</tr>
<tr>
<td>Alexandria, VA</td>
<td>648</td>
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<tr>
<td>Honolulu, HI</td>
<td>500</td>
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<tr>
<td>Richmond, VA</td>
<td>391</td>
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<tr>
<td>Cleveland, OH</td>
<td>354</td>
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<tr>
<td>Hialeah, FL</td>
<td>251</td>
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<tr>
<td>Lakewood, CO</td>
<td>218</td>
</tr>
<tr>
<td>Indianapolis, IN</td>
<td>216</td>
</tr>
<tr>
<td>Longmont, CO</td>
<td>210</td>
</tr>
</tbody>
</table>
• Yardi Matrix defines completed buildings as those that have received a certification of occupancy, while those under conversion have yet to receive it or are currently being developed. Planned projects are actively engaged in the redevelopment approval process, while prospective redevelopments hold lower status in the probability of completion because they remain subject to entitlement approvals.

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