



Underused Office Buildings Get New Life as Deluxe Apartments

Overhaul of 1980s office complex in Virginia raises prospect that America's office-building surplus could be ripe for apartment conversion

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ALEXANDRIA, Va.— A few years ago the two-tower Park Center in this Washington, D.C., suburb was another graying office complex. One building was about one-third empty, while the largest tenant was preparing to leave the other.

Today, the property has taken on a new life as upscale apartment buildings. The 435 residential units are surrounded by private cabanas for small gatherings, grilling stations, a bocce lawn and contemporary sculpture.

“This is a steampunk cherry tree,” said Liz Godesky, senior vice president of the project’s developer, Lowe Enterprises Inc., pointing to a piece of art her group commissioned for the properties.

The Park and Ford apartments, as the complex is now called, is one of 151 office buildings, hotels or other commercial properties that were converted to apartments in the U.S. this year, according to data from Yardi Matrix, a real-estate data firm.

With multifamily housing in short supply and rents hitting record highs, the Alexandria development raises the prospect that the country’s surplus of outdated office buildings could be ripe for apartment conversion.

Until recently, developers mostly looked to convert early to mid-20th century office towers located in downtown districts, properties that tend to have relatively compact dimensions that make them ideal for apartments. But many empty office buildings are more like the Park and Ford. They are newer, more voluminous and often located somewhere off the interstate.

Nationwide, there are nearly 1,000 relatively new office buildings that developers might view as candidates for residential conversion: properties built since 1980, measuring more than 100,000 square feet and at least 50% vacant, according to data from CoStar Group.

Lowe and its partner USAA Real Estate acquired the two 1980s office towers in 2017, in an area where the office market was already weakening.

Several factors worked in the developers' favor. The floors in the towers measured about 80-feet deep, shallower than some other office buildings of the same vintage and better suited to residential conversion. Bigger floors leave too much space in the middle of the building or leave interior rooms far from natural light.

Rent payments from the remaining office tenants also meant the owners had cash to spend on relocating them. Next door, another large office building had already been turned into apartments, providing proof of concept.



From left: The Park and Ford pictured before the conversion. The developers replaced the windowless concrete 'bump out' that housed office bathrooms with glassed-in living areas for its premier apartment units. PHOTOS: JOHN NOLAN/LOWE

The builders then began making these drab office buildings, enclosed in a vast concrete plaza, a place someone would want to live. They added operable windows and blue and orange accents to the facade and constructed a sleek glass and steel lobby. They anchored new balconies directly into existing flooring, an effort to make them look like they had been there all along, instead of the simpler, cheaper method of hanging them from suspension rods.

"All those things add texture to the building and definitely make it read residential," said Mark Rivers, executive vice president at Lowe.

Still, developers of conversion projects face challenges not found in new construction. At the Park and Ford, damaged concrete, mold and asbestos delayed construction and added millions of dollars in costs to resolve.

Zoning regulations, unconventional layouts and unpredictable construction budgets can also make many buildings bad candidates for reuse, said Valerie Campbell, a land use attorney at the Kramer Levin firm in New York who has worked on conversions for more than three decades.

“At a certain point, if the cost of altering a building starts approaching new construction, it really may not make any sense,” she said.



Space around the property was filled in with outdoor amenities like private cabanas for small gatherings, misting stations and a sunning terrace.

PHOTO: JOHN NOLAN/LOWE

And despite the lack of affordable housing, most office conversions are built as market-rate apartments for professional class millennials to make the economics work for developers.

“The expense of rehabilitation can lead to only providing market rate,” said David Downey, president of the International Downtown Association. His business organization is lobbying for federal subsidies for conversions that include affordable housing.

At the Park and Ford—which has 10 affordable units, or about 2% of the total—the apartments had to fit into a building shaped much differently than any purpose-built residential property. For example, in some units, the distance between the apartment door and its exterior window means the dens or bedrooms may face an interior living area instead of the outdoors.

The developers, who said the properties were built on land once owned by founding father George Washington, stocked the bottom floor full of amenities. They added a pet spa, gym and yoga room, a package room with refrigerated storage, a multisport simulator for games such as baseball and golf, a private dining room and co-working office space.



Units in converted offices tend to be larger than at conventional apartment buildings due to large dimensions.

PHOTO: JOHN NOLAN/LOWE

The Park and Ford began leasing in the fall, and the developers expect to fill it by the summer. They couldn't have come to market at a better time. Area asking rents have risen by double-digits over the past year. The smallest one-bedroom unit at the property rents for more than \$1,700 a month, and large two-bedroom units go for as much as \$3,200. The developers are offering one month free.

That price sounded right to 27-year-old accounting student Clara Chapoton, who was living in the converted office building next door when she received notice of a large rent increase. She found a better rate at the Park and Ford.

"I feel like the amenities here are insane," said Ms. Chapoton. She and her dog Rocket, a Pomeranian-shih tzu mix, plan to make regular use of the private dog park the developers are building across the street.

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