



In major cities across the U.S., developers and public officials are looking at ways to turn older, obsolete office buildings into residential apartments.

But it's a national trend that hasn't taken hold in South Florida, where few offices are being converted into residential properties. Mostly because "office" is still a valuable commodity in the tri-county region compared to most other U.S. metropolitan areas, real estate insiders told the *Business Journal*.

"The cost to convert to residential is... too great, especially in a thriving office market relative to the rest of the country," said Jonathan Kingsley, vice chair of Colliers' Fort Lauderdale office.



Jonathan Kingsley, Colliers South Florida

According to a report from rental listing website RentCafe, 55,300 apartments are slated to be created from existing office buildings across the nation this year. That is more than four times the number of apartments in the pipeline from office conversions in 2021.

Cities such as New York, San Francisco, and Washington, D.C. — where there is an abundance of empty office buildings — are pursuing office-to-residential projects to create more affordable housing, said Doug Ressler, manager of business intelligence for Yardi Matrix, a market intelligence platform for real estate investors. (Santa Barbara-based Yardi owns Yardi Matrix and RentCafe.)

And while South Florida is facing an affordable housing crisis of its own, its office sector remains healthy, thanks in large part to the influx of high-income households from other parts of the U.S., Ressler said.



Doug Ressler, manager of business intelligence for Yardi Matrix.

“Miami doesn’t have the same issues as [other areas]. It has a pretty good office market,” Ressler said

This isn't to say there have been no office-to-residential development projects in the region. But those projects have been scarce.

For example, Florida East Coast Realty (FECR) is in the final stages of turning four floors of the 56-year-old Colonnade Plaza in Miami's Brickell area into 96 one-bedroom short term rentals. The remaining office, located on Colonnade's third floor, has been modernized, said Jerome Hollo, co-CEO of FECR.



Jerome Hollo, Florida East Coast Realty

NICK GARCIA

Hollo said they added short-term rentals because its use as a pure office tower was outdated.

“The Colonnade has great architecture. We've owned it for several years now, and we didn't want to take it down,” he added.

Yet, the Colonnade is a special case, Hollo said, adding that the Miami-based developer has no plans to convert any of its other offices. In fact, he doesn't know of any developers in Miami who plan to transform offices into residential, or hotels, he added.



Colonnade Plaza

“To be quite fair, our commercial real estate market is a lot stronger than most,” he said of South Florida. “We don’t really have the vacancy issues a lot of other locations in the U.S. are having.”

South Florida office landlords are under increased pressure from lenders, too, but not to the extent of other areas in the U.S. due to the existing demand for office space, Colliers' Jonathan Kingsley said.

Additionally, most office buildings with few or no tenants in South Florida are older structures in isolated areas. And that makes them poor candidates for housing retrofits, said Louis Archambault, a real estate attorney and partner of Saul Ewing LLP’s Miami office.

“If you have an office building in a community where there are no schools, no parks, it would be very difficult to turn it into residential use,” he said.



Image: Alvaro Mata Photography

Louis Archambault of Saul Ewing LLP

ALVARO MATA

But even offices in ideal locations would be difficult to convert. Edward W. Easton, chairman of The Easton Group in Doral, said most offices are prohibitively expensive to readapt to residential use because of how they're designed.

"It's very difficult to find a building that really works," Easton said.



Image: Courtesy of The Easton Group

Edward W. Easton, chairman of The Easton Group

COURTESY OF THE EASTON GROUP

This is why it's usually easier to just scrap an outmoded office, Colliers' Kingsley said.

“Just throw in the towel. Maybe this [older] building is better off as a vacant site to be developed later,” he added.

Bridge Industrial plans to demolish a 248,989-square-foot office complex in Medley that the Chicago-based company acquired from Ryder Systems for \$42 million. In its place will be brand new warehouses, another coveted commercial property class in South Florida.



Ryder System's old headquarters will be replaced by warehouses.

RYDER SYSTEM

As for FECR, it will soon demolish 100 S. Biscayne Blvd., a 19-story office in downtown Miami completed in 1958. In its place, the company intends to build One Bayfront Plaza, a 1,049-foot-tall mixed-use tower with 902 apartments and 200 hotel rooms.



Rendering of One Bayfront Plaza with Miami skyline.

FLORIDA EAST COAST REALTY

But while transforming office into housing is out, South Florida office owners are amenable to adding residential to their projects. Most seek to build apartments and retail adjacent to their existing office buildings.

WRC Properties, for example, pushed for zoning that will allow building 800 apartments on the 250-acre Waterfront Business District, an office park in western Miami-Dade County. And Apollo Companies' wants to add 630 apartments and 185,000 square feet of new retail to the 18-acre Doral Costa Office Park.



Rendering of Oasis at Doral, a mixed-use project that will incorporate Doral Costa Office Park.

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“Developers are taking office building sites that have enough land or flexibility to further monetize the site,” Kingsley said. “This enables developers to continue collecting rent from office tenants while creating another source of revenue off of multifamily.”

Adding more retail around an office provides provides an added amenity for office tenants, Saul Ewing's Archambault said. He pointed out that office spaces in Class A quality buildings in downtown areas are sought by companies because they're near restaurants, bars, and stores.

"They're in an area where if you leave the office and walk around there are a lot of other things to do," Archambault said. "So, the office is not an island onto itself."