

# NAIOP

COMMERCIAL REAL ESTATE  
DEVELOPMENT ASSOCIATION

## KEY POINTS

- A growing share of Americans say the lack of affordable housing supply is a major problem in their communities, according to the [Pew Research Center](#). In 2020, 46% of American renters spent 30% or more of their income on housing, including 23% who spent at least 50% of their income on rent.
- According to [studies by the National Bureau of Economic Research](#), the remote work and hybrid work trend (which typically involves two to three workdays outside the office) will have resulted in 30% of remote workdays by the end of 2022.
- As a direct consequence of the pandemic and the shift to hybrid work, office market vacancy rates in the third quarter of 2022 were the highest since 1993, rising to more than 17% nationally.
- Adaptive reuse of vacant and underutilized commercial buildings for residential usage, in both cities and suburban areas, can help address a lack of affordable housing in these communities.
- High property conversion costs, city zoning and building codes, and other challenges presented by adaptive reuse projects have prevented these from being utilized on a larger scale in many areas.



## OUR POSITION

**The federal government should incentivize the adaptive reuse of vacant and underutilized office buildings and other structures to help address the severe shortage of affordable housing in many communities. Property conversion of underutilized structures is a cost-effective means of developing new housing supply while reducing environmental impact. Adaptive reuse of underutilized and vacant buildings will promote economic and job growth in communities dealing with the permanent impact of post-pandemic workplace changes on commercial real estate markets.**

- Cities, suburbs and rural areas are facing a severe supply shortage of affordable housing. At the same time, the aftermath of the COVID-19 pandemic and resulting remote work trends have led to high vacancy rates and underutilization of commercial structures. Many of these buildings could be converted to residential usage, increasing the supply of affordable housing.
- Absorption of office space will continue to slow in 2023 amid economic uncertainty, according to the [NAIOP Research Foundation's Office Space Demand Forecast](#), and hybrid work is expected to be a permanent feature of labor markets. As a result, many currently underutilized commercial structures will become stranded assets unless repurposed for economically viable uses.
- Depressed asset values of vacant and underutilized commercial buildings negatively impact state and local budgets, with lower revenue from property taxes, property sales and sales taxes coming from enterprises in areas with reduced economic activity. A [study completed in November 2022](#) estimated a \$413 billion reduction in real estate asset values from continued remote work trends.
- Repurposing of existing underutilized structures is environmentally sustainable compared to demolition. Extending the use of an existing building, to increase the housing supply or for other socially beneficial purposes, is a better economic alternative that also results in reduced environmental impact, including greenhouse gas emissions.
- Congress should enact legislation to spur adaptive reuse projects to address a lack of affordable housing and the negative economic impact of vacant and underutilized buildings on communities. [Legislation introduced](#) in the last Congress, modeled on the historic preservation tax credit, provided qualified office conversion tax credits. Eligible properties should include a broad range of commercial buildings, with incentives for localities that streamline zoning and building codes to encourage property conversions.

### FOR MORE INFORMATION, CONTACT:

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