CBRE

Office Conversions and Redevelopment in Washington, D.C.

July 2025

Balsa- Delivered 2024

Elle- Delivered 2024

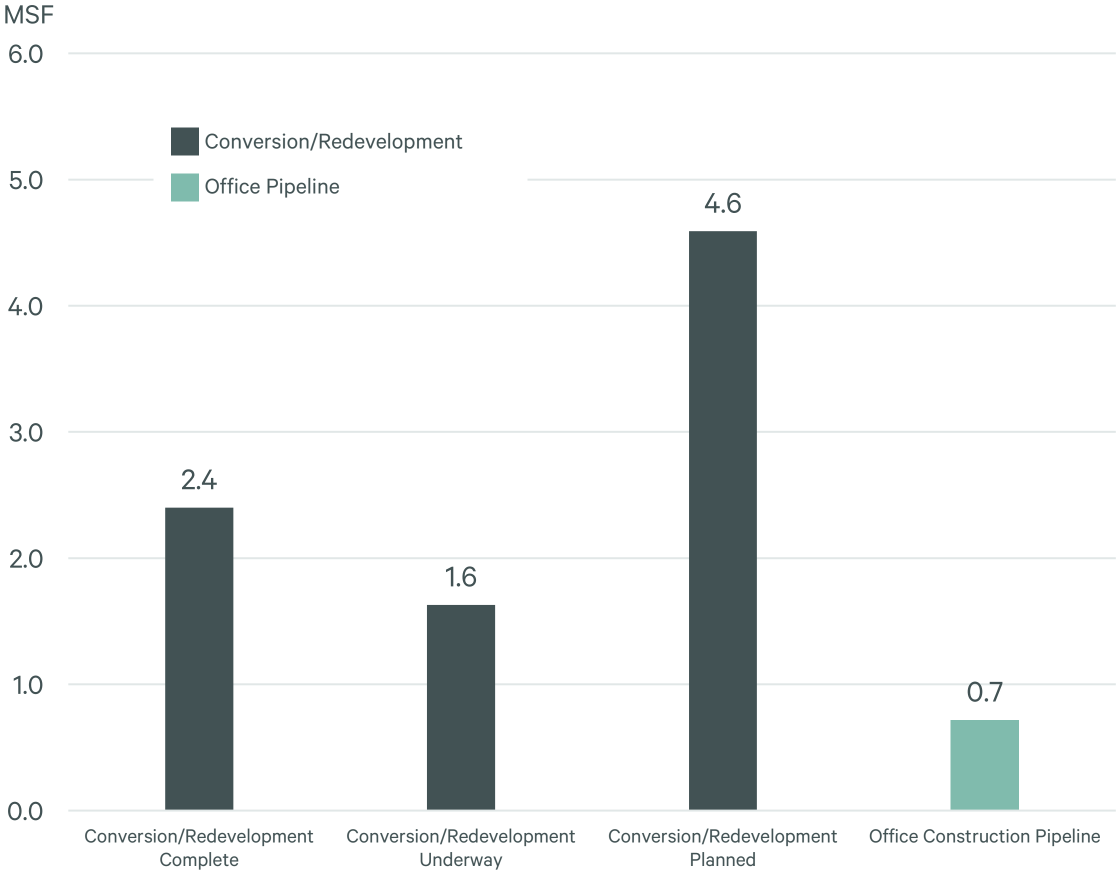
Introduction

Adaptive reuse is an increasingly familiar concept for the real estate industry and has proven a viable option for property owners and developers to reposition assets in response to shifting market conditions and end-user demand.

In Washington, D.C., an aging office stock coupled with tenants' continued pursuit of efficiency and quality, has put upward pressure on overall vacancy rates—a phenomenon that predated the pandemic. As functional obsolescence has made it difficult for some office buildings to compete for today's tenant demand, interest in both conversions and redevelopment has surged.

Since 2018, 12 office properties totaling 2.4 million sq. ft. have been repurposed into apartments or hotels in Washington, D.C. An additional 6.2 million sq. ft. of office assets are currently in various stages of conversion activity, representing 5% of the total existing office stock. **If most of the contemplated conversions come to fruition, the reduction in office inventory would have a meaningful, positive impact on overall office vacancy rates, pushing the vacancy rate down by more than 15%.**

Conversion/Redevelopment Pipeline vs Office Pipeline

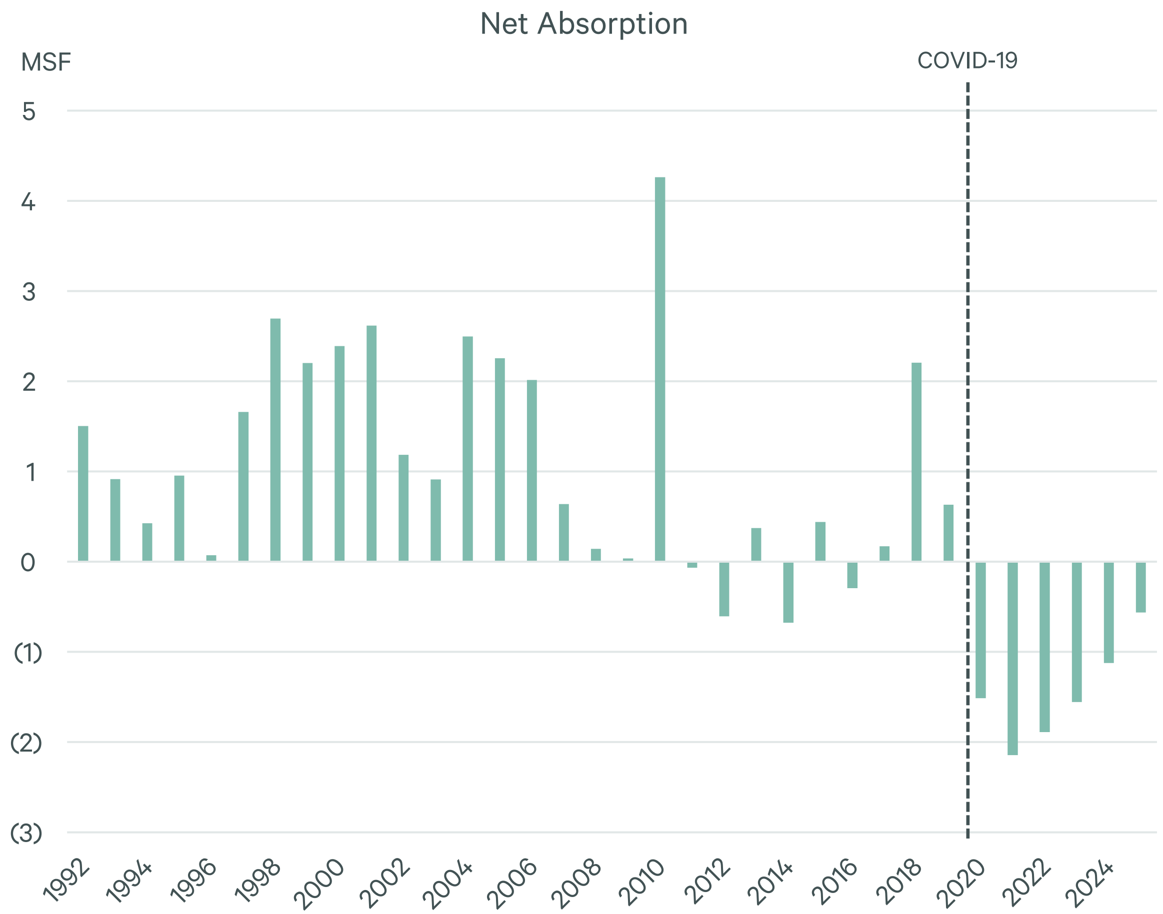


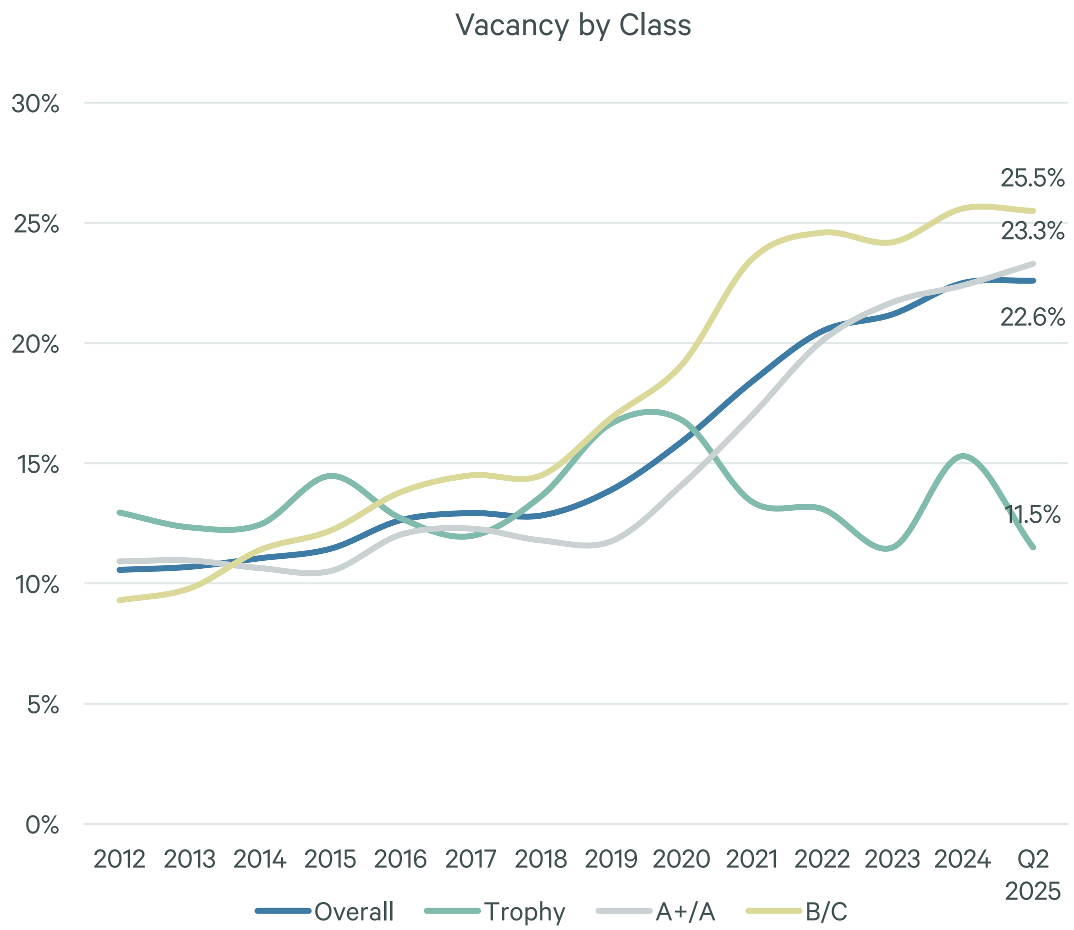
Source: CBRE Research

Market Trends Pave the Way for Conversion and Redevelopment Activity

Fundamentals Remain Soft in the Overall Office Market

The D.C. office market has recorded consistent occupancy loss since 2020, pushing the overall vacancy rate to 22.6%. However, **30% of the vacancy is concentrated in Class B/C properties**, many of which are functionally obsolete by today's market standards.

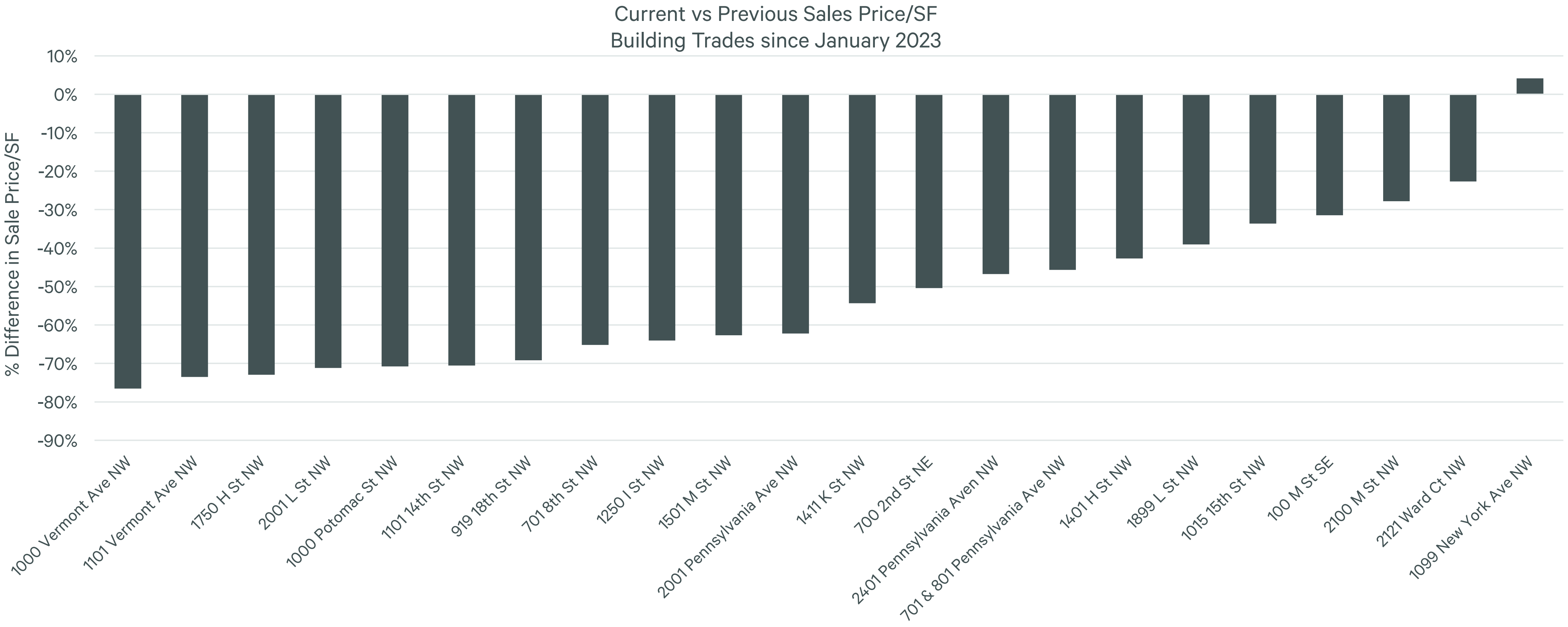




Source: CBRE Research

Most Office Building Trades Show a Decline in Value

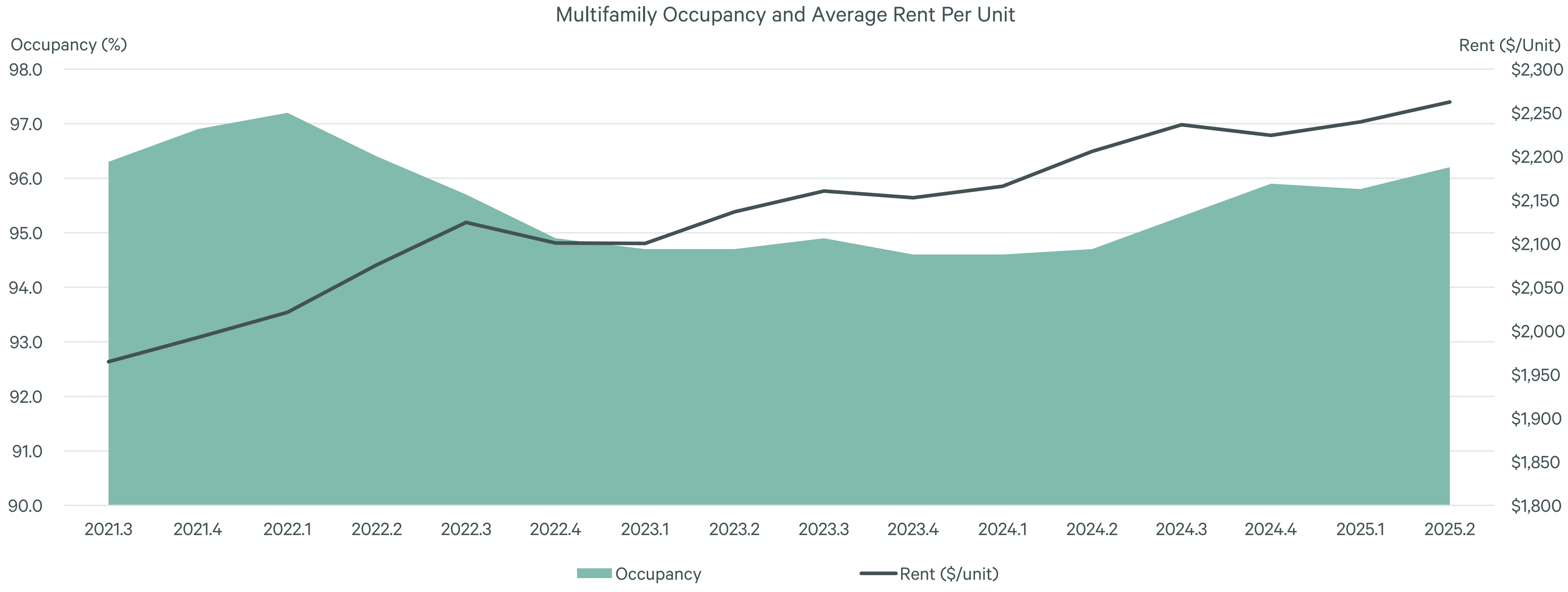
On average, office buildings that have traded since January 2023 **sold for 50% of their previous sale price**. Value declines are steepest amongst Class B/C properties.



Source: CBRE Research, Real Capital Analytics

Multifamily Housing Fundamentals are Strong

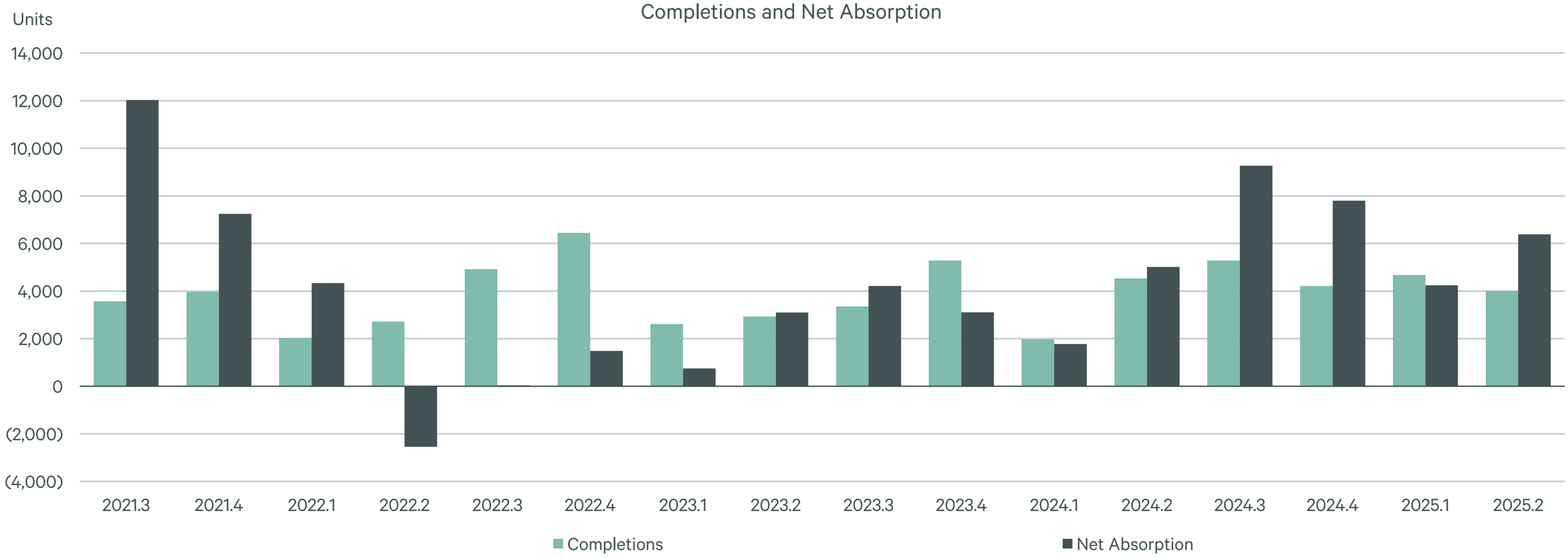
The Washington, D.C. area multifamily market closed Q2 2025 with an **occupancy rate of 96.2%**. Further, the overall average rent per multifamily unit in the Washington, D.C. area is $2,262, up 1% quarter-over-quarter and **up 16.5% from the start of 2020**.



Source: CBRE Research, CBRE Econometric Advisors

Persistent Multifamily Occupancy Gain in the D.C. Area

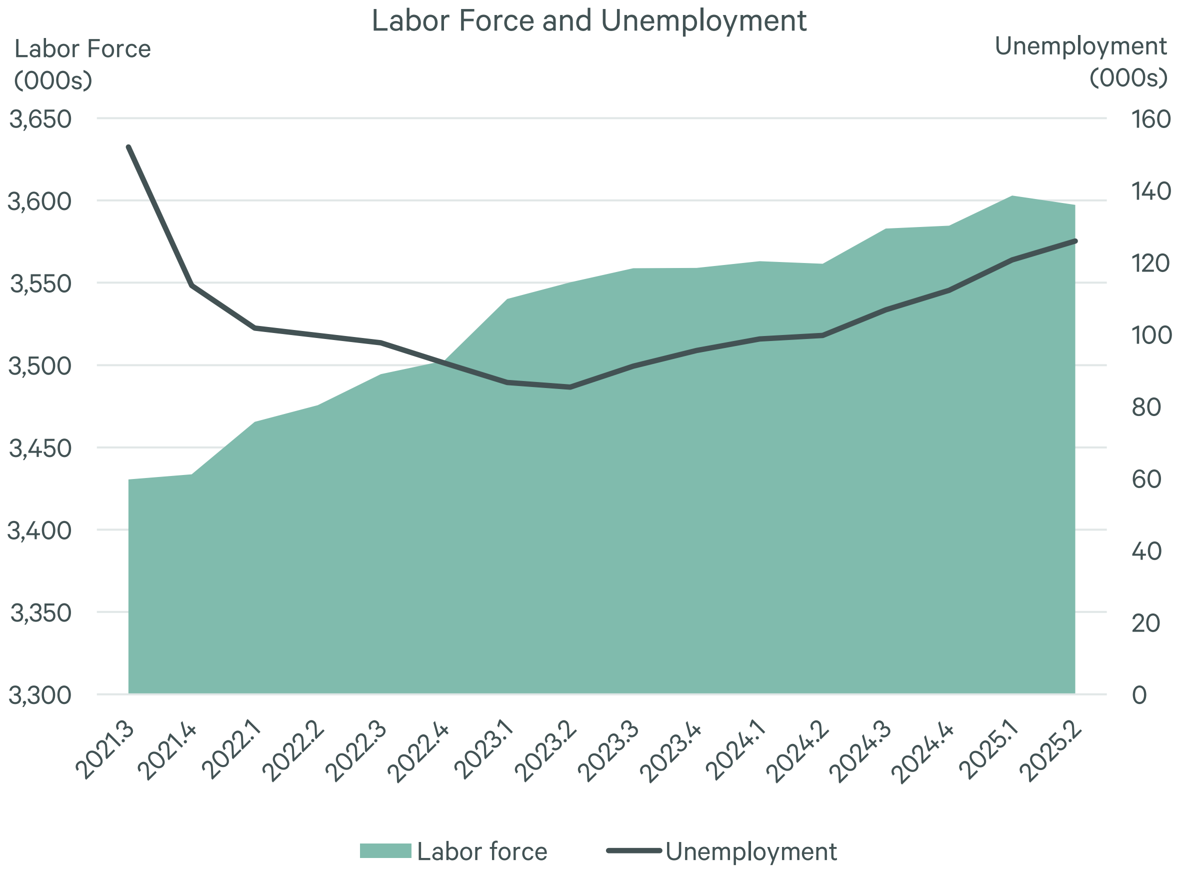
The multifamily market continues to absorb new supply at a high rate, gaining 6,380 occupied units in Q2 2025. Since 2020, the D.C. region has absorbed 78,720 new units. **Occupancy gain has outpaced new completions since 2023**. Higher interest rates and return-on-cost requirements will further reduce completions in the coming years.

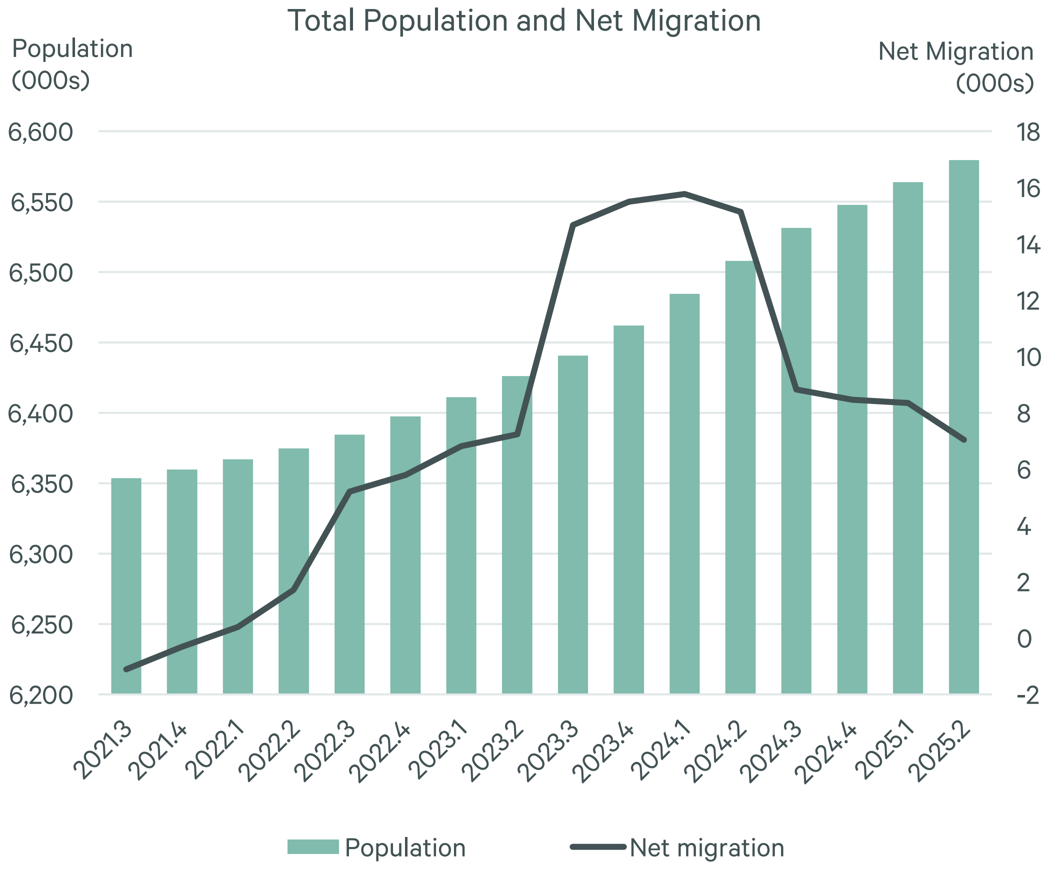


Source: CBRE Research, CBRE Econometric Advisors

Economic and Demographic Trends Reinforce Multifamily Fundamentals

The D.C. region recorded 123,000-person net migration growth since Q1 2022. Unemployment has slightly increased in the last year but remains low, and the local labor force has fully recovered from initial COVID-era losses. Each of these factors could indicate further regional rental rate growth. However, not all recent reductions to the federal workforce are reflected in the latest unemployment figures. Anticipated impacts in this space could cause future headwinds.





Source: CBRE Research, CBRE Econometric Advisors

Conversion and Redevelopment Activity Increases with Geographic Preference

Redevelopment and Conversion Projects are Becoming More Realistic

9 Projects **Underway** in D.C.
26 Projects in **Planning** Stage
Projects Clustered **West of 15th Street**

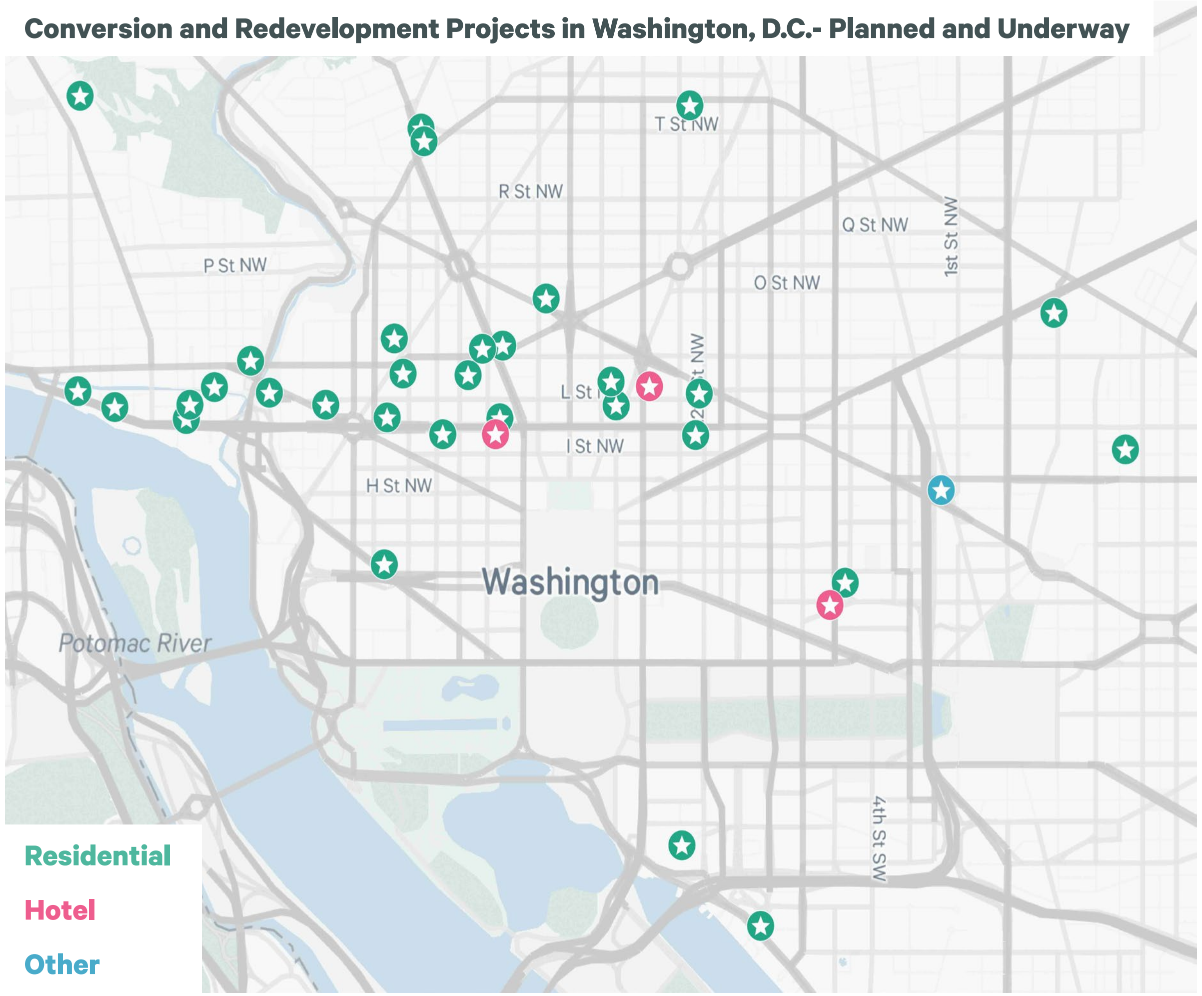
Projects that Began Construction in H1 2025

Address	Office RBA	Submarket	Ownership	Proposed Use	Proposed Units
1250 Maryland	536,000	SW	Lowe + Henderson Park	Multifamily	428 units
1125 15th	273,011	East End	Willow Bridge	Multifamily	264 units
1201 Connecticut	169,549	CBD	Duball	Multifamily	161 units
300 Eye	47,470	NoMA	Dilan Construction	Multifamily	79 units

Buildings Acquired for Redevelopment in H1 2025

Address	Office RBA	Submarket	Ownership	Proposed Use	Proposed Units
3333 K	69,754	Georgetown	OneStreet	Multifamily	30
1200 18th	207,780	CBD	Davis Companies	Multifamily	166
1300 1st	55,500	NoMA	July Residential	Multifamily	470

Conversion and Redevelopment Projects in Washington, D.C.- Planned and Underway



Source: Axiometrics, CBRE Research

Certain Neighborhoods Best-Support Redevelopment to Residential

63% of redevelopment projects planned or underway are within four zip codes. Several neighborhoods in NW D.C. carry significant rent premiums that, at the right basis, can support redevelopment projects.

Office-to-Residential Conversion and Redevelopment, By Select Zip Code

Zip Code	Quadrant	Neighborhood(s)	Projects Planned/Under Construction	Rumored/Potential Projects	Avg. Effective Rent	Avg. Effective Rent/SF	Premium vs D.C. Overall Avg. Effective Rent/SF
20036	NW	**Dupont Circle**	5	6	**$3,016**	**$4.74**	**+34.3%**
20037	NW	**West End**	5	-	**$3,372**	**$4.35**	**+25.7%**
20005	NW	**Logan Circle, Thomas Circle**	5	3	**$2,724**	**$4.04**	**+14.3%**
20007	NW	**Georgetown**	7	-	**$2,454**	**$3.66**	**+6.6%**

*D.C.'s overall average effective rent/SF is $3.50.

Source: Axiometrics, CBRE Research

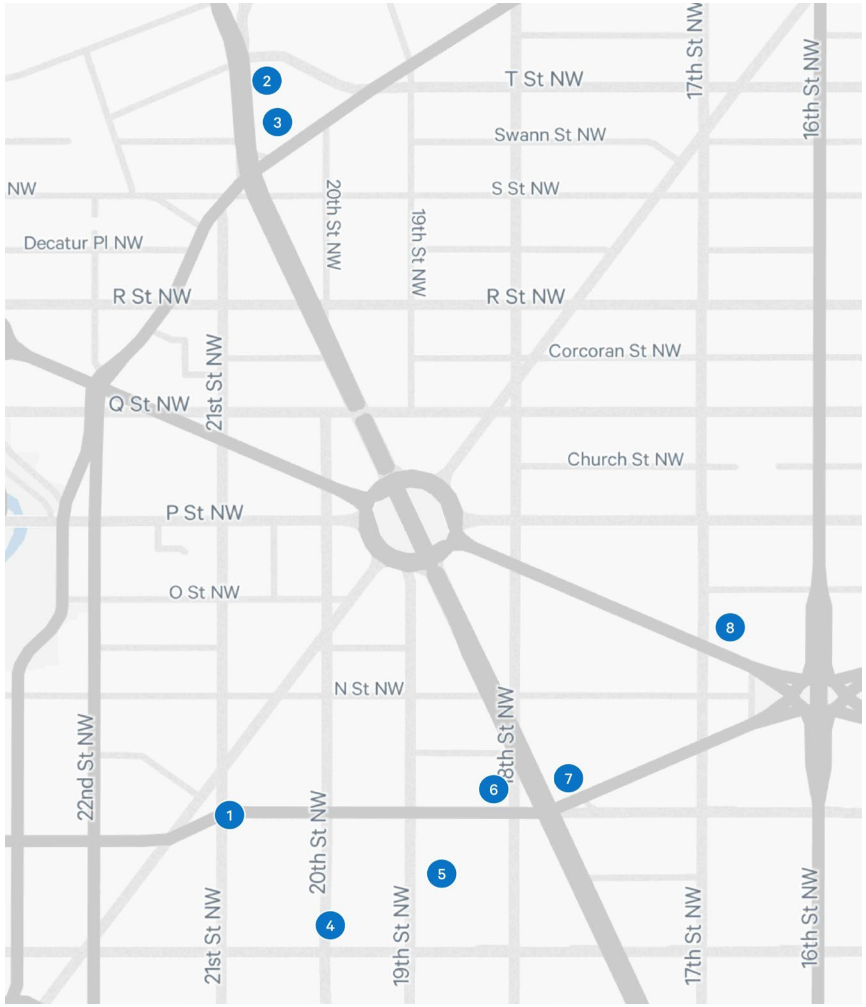
Spotlight: Dupont Circle Area

- There are 7 conversion or redevelopment projects either underway or planned within a half-mile radius of Dupont Circle. Additionally, the Elle, an office-to-residential conversion at 1111 20th St NW, delivered in 2024.
- Strong multifamily housing fundamentals in Dupont Circle can support project economics at the right basis.
- Older building vintages and high office vacancy in the Connecticut Avenue corridor between Dupont Circle and Farragut Square have led to increased developer interest in redevelopment activity.

Map	Address	Office RBA	Submarket	Ownership	Proposed Use	Units/Keys
1	2100 M	422,000	CBD	AllianceBernstein	Multifamily	400
2	1875 Connecticut	460,000	Uptown	Post Brothers	Multifamily	-
3	1825 Connecticut	302,000	Uptown	Post Brothers	Multifamily	524**
4	1111 20th	186,012	CBD	Willco Companies	Multifamily	163
5	1133 19th	194,000	CBD	Transwestern Development Co*	Multifamily	209
6	1200 18th	207,780	CBD	Davis Companies	Multifamily	166
7	1201 Connecticut	169,549	CBD	Duball	Multifamily	161
8	1625 Massachusetts	119,000	CBD	National Real Estate Advisors	Multifamily	157

*Transwestern Development Co is under-contract to purchase 1133 19th.

** Unit count reflects aggregate number of units for both 1825 and 1875 Connecticut.

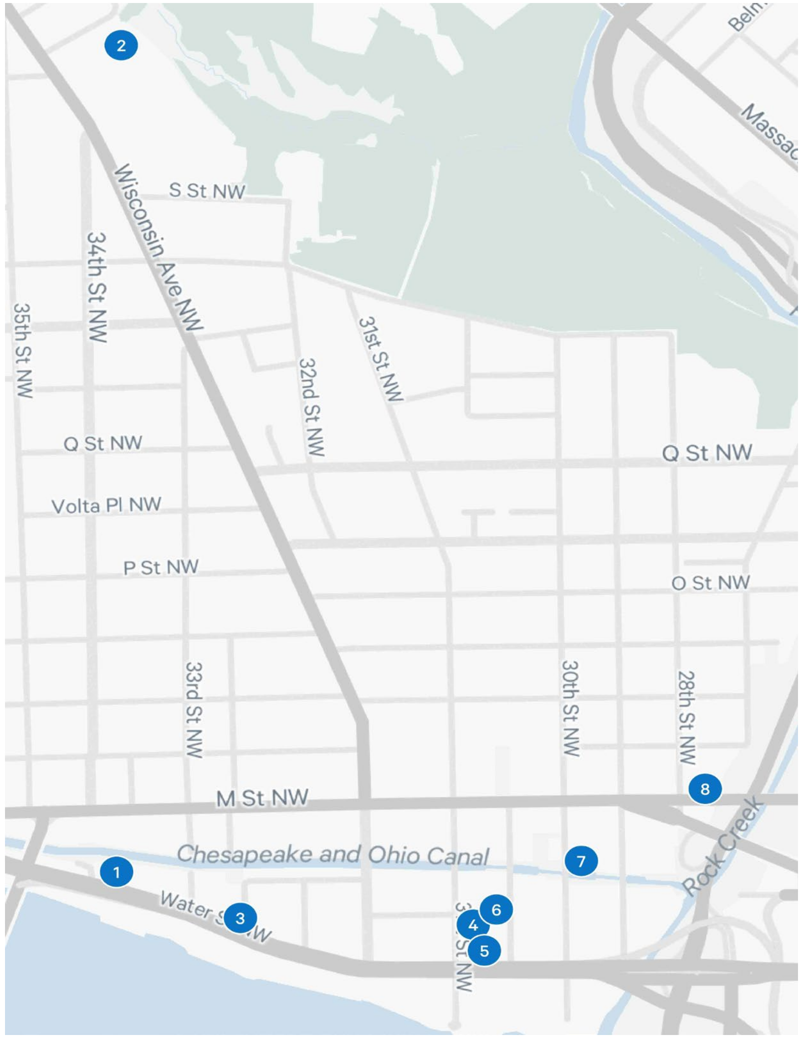


Source: CBRE Research

Spotlight: Georgetown

- There are 7 conversion or redevelopment projects either underway or planned in Georgetown. Additionally, an office-to-hotel development at 1023 31st St NW, Canal House, delivered in February 2025.
- Current and planned projects account for roughly 820,000 sq. ft. of office inventory removal. This reflects a substantial **31% of the submarket's pre-pandemic office inventory**.
- As with Dupont Circle, strong multifamily and hospitality fundamentals in Georgetown can support projects that have a low basis.
- The 2025 expansion of the Housing in Downtown Tax Abatement to include Georgetown could incentivize further redevelopment.

Map	Address	Office RBA	Submarket	Ownership	Proposed Use	Units/Keys
1	3333 K	69,754	Georgetown	OneStreet	Multifamily	30
2	3300 Whitehaven	146,449	Georgetown	Grosvenor	Multifamily	268
3	1000 Potomac	124,132	Georgetown	Network Realty/Related Cos	Multifamily	135
4	1023 31st	28,664	Georgetown	Douglas Development Corporation	Hotel	108
5	1000 TJ	143,000	Georgetown	Potomac Investment Properties	Multifamily	120
6	1050 TJ	200,000	Georgetown	Potomac Investment Properties	Multifamily	179
7	1101 30th	80,058	Georgetown	Varsity Investment Group	Multifamily	115
8	2715 M	29,163	Georgetown	Douglas Development Corporation	Multifamily	20



Source: CBRE Research

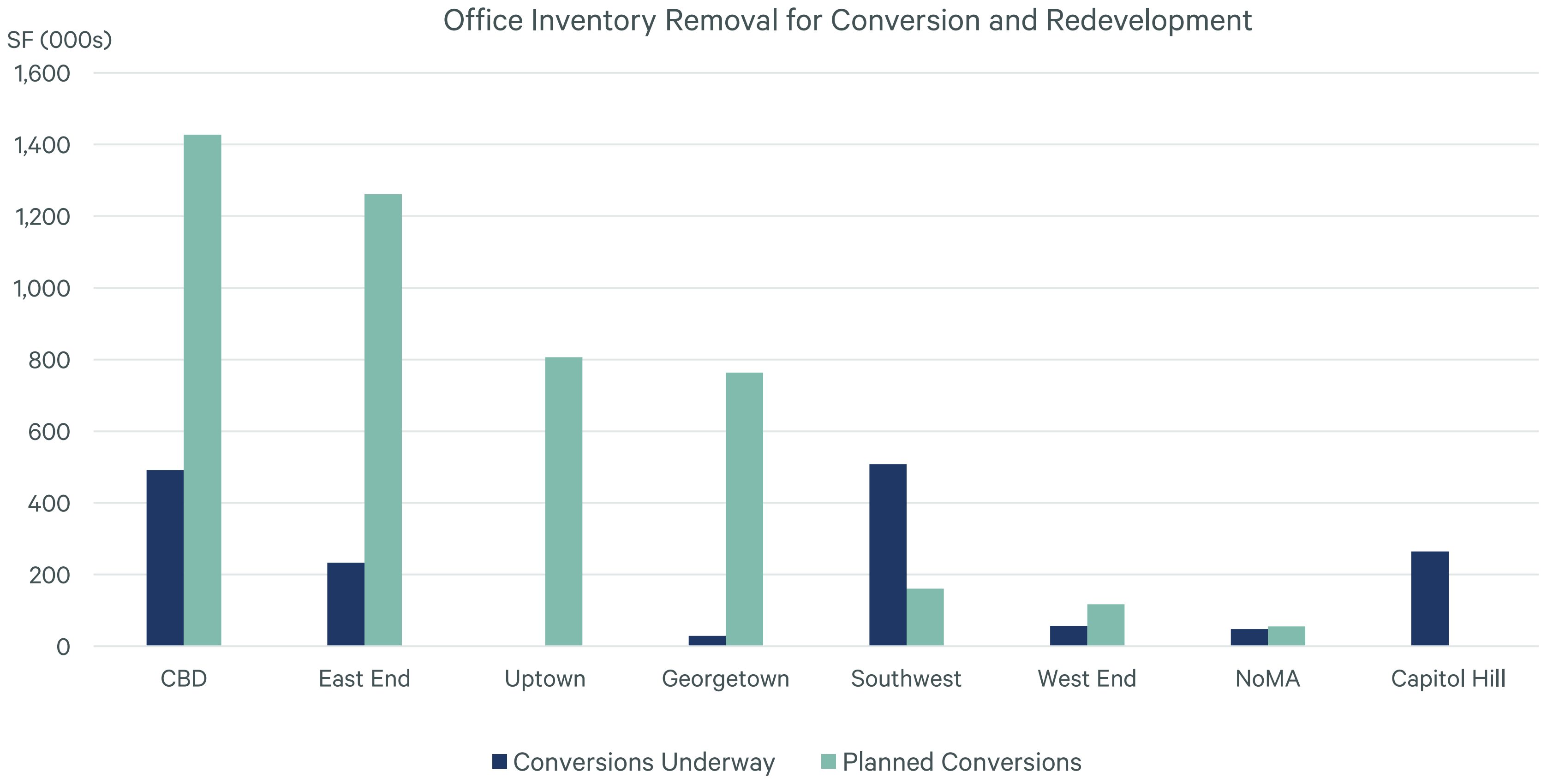
Conversion and Redevelopment Will Eliminate +6 MSF of Obsolete Inventory

Conversion and redevelopment is already impacting the broader office market, tempering increases in vacancy. A substantial level of space has already been removed from inventory, and additional planned projects will accelerate space removal. Projects are concentrated within pre-1990s vintage properties.

54% are corner-lot
46% are mid-block

53% built pre-1980
33% built in the 1980s
14% built 1990-2010

87% going residential
7% TBD (resi or hotel)
6% going hotel



Source: Axiometrics, CBRE Research

Challenges and Regulatory Changes

D.C. Is Incentivizing Redevelopment Activity

- In 2024, Mayor Muriel Bowser introduced the Housing in Downtown Tax Abatement Program (HID).
- The program is designed to catalyze new residential development through commercial-to-residential conversion or redevelopment via a **20-year tax abatement**.
- HID is available for change-of-use developments that result in at least ten residential units and includes provisions for affordable housing. Adaptive reuse projects and teardown projects are eligible as well.
  - Affordability: 10% affordable at 60% MFI or 18% affordable at 80% MFI.
- HID was established to solely focus on Downtown D.C. submarkets but was **expanded to include Georgetown and Mount Vernon Triangle in 2025**.
- Mayor Muriel Bowser also launched an "Office to Anything" program in January 2025, aimed to spur new hotel, entertainment, retail, and other non-residential redevelopment.

Projects Receiving the Housing in Downtown Tax Abatement

Address	Submarket	Ownership	Proposed Units	Date Received
1825-1875 Connecticut Ave NW	Uptown	Post Brothers	524 units 69 affordable	September 2024
1625 Massachusetts Ave NW	CBD	National Real Estate Advisors	157 units 15 affordable	September 2024
615 H St NW	East End	Monument Realty	72 units 8 affordable	September 2024
2100 M St NW	CBD	AllianceBernstein	400 units 40-72 affordable	September 2024
1201 Connecticut Ave NW	CBD	Duball	161 units 16 affordable	March 2025
1133 19th St NW	CBD	Transwestern Development Co*	209 units 22 affordable	March 2025

*Transwestern Development Co is under-contract to purchase 1133 19th St NW.

Source: CBRE Research, D.C. Government

Regulatory Challenges and Changes

Tenant Opportunity to Purchase Act (TOPA) Reform

- Washington, D.C's Tenant Opportunity to Purchase Act (TOPA) states existing tenants in buildings listed for sale or demolition must be offered the first opportunity to buy the building. Tenant groups can purchase the building and may assign their purchase right to a third party.
- This law can cause significant delays in multifamily property transactions, harming property valuations and reducing liquidity.
- The recently proposed Rebalancing Expectations for Neighbors, Tenants, and Landlords (RENTAL) Act aims to reform TOPA, exempting new and substantially improved market-rate buildings delivered within the last 15 years. This could further incentivize redevelopment or conversion of office space to residential use.
- The legislative process is expected to conclude in Fall 2025.

For more information on TOPA, visit https://dhcd.dc.gov/service/tenant-opportunity-purchase-assistance.

Emergency Rental Assistance Program (ERAP)

- As of May 2025, D.C. apartments had more than $147 million in unpaid rent.
- During the pandemic, D.C.'s Emergency Rental Assistance Program (ERAP) was altered so that tenants could delay eviction by applying for ERAP assistance, even if ineligible for the program. Critics of this change to ERAP allege that it bears responsibility for a surge in unpaid rent and a backlog of eviction cases.
- In May 2025, the D.C. Council passed the Emergency Rental Assistance Reform Amendment Act of 2025. The bill is designed to speed up the eviction of nonpaying tenants while ensuring those who are eligible for rental assistance can obtain it.
- Mayor Bowser signed the amendment in July 2025.

Source: CBRE Research, D.C. Government

Building Layouts and Construction Costs Pose Challenges

Challenging building layouts and high development costs will make it difficult for some projects to move forward, particularly those owned at an above-market basis.

Office building features that prohibit conversion

- Ceiling heights
- Column spacing
- Elevator core location
- Midblock location with building adjacency
- Floor plate depth
- Post-tension construction

Construction costs remain elevated

- Ground-up residential development cost for a high-rise building with parking is currently estimated between **$450,000- $550,000 per unit**, which challenges project economics.
- Estimated per unit development costs compare unfavorably to some recent D.C. multifamily property sales, which have made it difficult for some groups to determine exit value.
- Tariffs have also caused uncertainty, with many developers waiting to better understand cost impact.

Office building features that challenge conversions

- Quality or design of building façade
- Utilities, including water and sanitary sewer
- Garage condition

Lease Rollover

- Existing tenancy, even if small, can challenge a developer’s ability to promptly empty an office building for conversion or redevelopment.

Source: CBRE Research, CBRE Mid-Atlantic Multifamily Investment Properties Team

Conclusions

Key Takeaways

01 Lower-quality office fundamentals remain soft. Many office properties are selling at substantial discounts.

02 Washington, D.C. has strong multifamily fundamentals.

03 A number of redevelopment and conversion projects are already underway in D.C.

04 Projects are clustering in the neighborhoods with the strongest existing multifamily fundamentals. These neighborhoods will best support additional projects.

05 Despite incentives for conversions, regulatory uncertainty, design features, and high construction costs remain challenges.


Annex on 12th- Delivered 2024

Thank you

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