

# Slow and Steady: A New Era of Office-to-Residential Conversions Reshape Manhattan

## Executive Summary

- New York City is entering a new era of office-to-residential conversions characterized by accelerating activity in Midtown and the conversion of large and modern office assets.
- Manhattan's current slate of conversions have a median age of 68 years, with 60% of the square footage located in Midtown and 60% in buildings constructed after 1961.
- While the elevated office availability rate and an ongoing flight-to-quality expand the candidate pool for conversions, owners must still navigate a warren of challenges that suggest the pipeline of future projects will be realized over years as a steady stream and not a sudden flood.
- An analysis of Manhattan's office buildings with the highest availability as of January 2025 showed that 44 of them, containing 10 million square feet of stock, would make the most likely conversion targets, allowing for as many as 10,000 units of housing and potentially adding four million sq. ft. of displaced tenant demand to the market.
- If every conversion project currently underway, proposed and rumored as of Q4 2024 was completed, it would remove approximately 16.5 million sq. ft of existing stock (-3.9%) and 3.5 million sq. ft. of available space (-4.6%) from the market, displacing 7.4 million sq. ft. of tenant demand, resulting in a 200 basis point drop in the availability rate.
- While office-to-residential conversions cannot solve for the city's glut of office space nor the shortage of housing, they will enhance the vibrancy of Manhattan's office districts and make remaining office assets more competitive.

## Introduction

The first wave of New York City's conversion drive began in earnest in the Financial District in the 1990s and early 2000s. The successful conversion of millions of square feet of pre-war office blocks gave way to increasingly complex and more modern conversion projects during the pandemic. Looking forward, the next wave of conversions, spurred on by the City of Yes for Housing Opportunity zoning reform, are being pursued in large and modern buildings stretching from Water Street to the heart of Midtown.

This is just the beginning of a years-long transformation that has the potential to inject thousands of residents into Manhattan neighborhoods and corridors that have been overly reliant on commercial uses.

## New York City Conversions: Then and Now

The Financial District's late 1990s conversion push was prompted by climbing vacancy rates, brought about by decades of corporate migration to Midtown. With low residential population density and modest citywide job and population growth, demand for housing in the area was unproven.

As Midtown Manhattan embarks on its own conversion push, it enjoys advantages that the Financial District did not when its transformation began. Midtown already has an established residential population, thousands of hotel rooms, and benefits from stronger citywide demographic trends than existed in the Financial District in the 1990s.

The Financial District's transformation was enabled by changes to the city's Multiple Dwelling Law (MDL) that permitted higher residential density for office-to-residential conversions in Lower Manhattan and the 421-g tax incentive which has been credited with spurring the conversion of nearly 13 million sq. ft. of offices into residential units.

A series of new laws and regulatory changes since 2021 is catalyzing this next wave of conversion activity. While the city's current incentives come with greater caveats with respect to labor wage rates and housing affordability which will create higher barriers for future conversions, the relaxed zoning and density requirements allow for large residential buildings and conversions of offices constructed as recently as 1990. Lowering the barriers to as-of-right conversions proved instrumental in the Financial District's transformation and the additional regulatory easing is already having an impact on the conversion market.

**Figure 1: Conversion Push Starts From Different Places in Financial District and Midtown**

	Financial District –1995	Midtown Manhattan – 2025
Office Inventory	58.9 MSF	249.5 MSF
Availability Rate	24.9%	16.3%
Residential Population	15,800 (2000)	216,300 (2023)
Approximate Area	.57 Square Miles	3.35 Square Miles
Residential Population Density	27,700 per sq. mile (2000)	64,600 per sq. mile (2023)
NYC Overall	1995	2025
YoY Manhattan Population Growth	0.7%	2.0%
YoY Job Growth for NYC	1.6%	3.5%
Finance Share of NYC Office-Using Employment	30%	21%
Annual Visitor Count	30 million	68 million (expected)



Note: Financial District and Midtown Manhattan boundaries were determined by zip codes while office inventory stats reflect CBRE's Financial District submarket and Midtown market statistics.

Source: St. Louis FRED, U.S. Census, Census Reporter, Oxford Economics, New York Times, NYC & Company, CBRE Research, Q1 2025.

## Conversions in the Final Years Before Covid: Financial District from 2016 to 2020

Conversions completed in the years before Covid largely reflect the trends that predominated since the Financial District started undergoing its transformation in the 1990s. Converted properties were, in large part, old and modest in size, having a median age of 98 years and size of 330,000 square feet.

Nearly two-thirds of converted office space between 2016 and 2020 was located in the Financial District and over 90% in buildings constructed prior to 1961. Despite a Financial District carveout in the MDL for office properties built as recently as 1977, few conversion projects of such a vintage were taken on due to their complexity.

The conversions that occurred transformed the Financial District into a vibrant mixed-use community. [CBRE's Shaping Tomorrow Cities report profiled the neighborhood's evolution, describing it as "a perfect example of a business district that has evolved into a great neighborhood."](#)

### Conversions: 2016-2020

Median Age/Size

98 Years/330,000 Sq. Ft.

Post-1961 Buildings Converted

1

Non-Downtown Conversions

2

## Covid Pandemic is a Catalyst for Change: Conversion Trends Since 2020

Since the onset of the pandemic in 2020, five conversion projects have been initiated and substantially completed. Like the conversions that preceded them, these projects were concentrated in the Financial District. Unlike prior projects, however, three of the five properties were built in the 1960s and 1970s, as developers made a sharp pivot toward newer conversion targets in the early days of the pandemic.

With a median age of 58 years, these properties were significantly younger than those that preceded them in the prior five-year period. In the aftermath of the pandemic, the market and regulatory consensus was that some office properties constructed as recently 1980s may no longer meet the standards of today's office occupiers.

### Conversions: 2020-2025

Median Age/Size

58 Years/410,000 Sq. Ft.

Post-1961 Buildings Converted

3

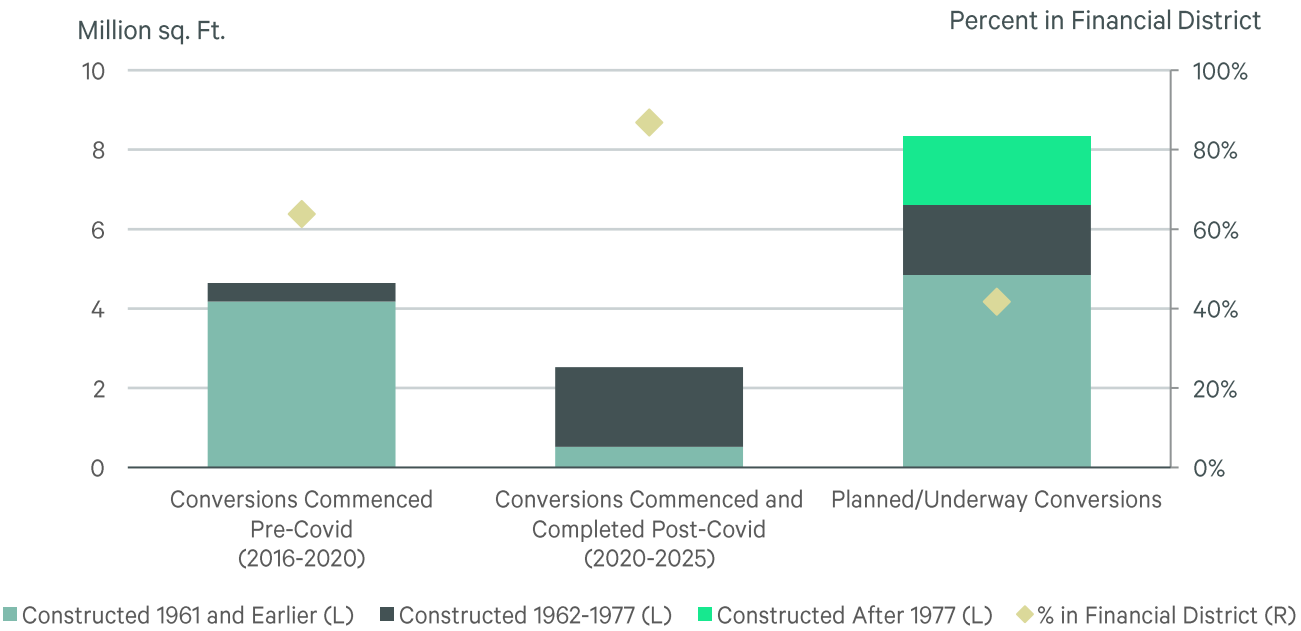
Non-Downtown Conversions

1

Note: Financial District and Midtown Manhattan boundaries were determined by zip codes while office inventory stats reflect CBRE's Financial District submarket and Midtown market statistics.

Source: St. Louis FRED, U.S. Census, Census Reporter, Oxford Economics, New York Times, NYC & Company, CBRE Research, Q1 2025.

**Figure 2: New Vintages and New Geographies as Manhattan Conversions Continue to Evolve**  
Manhattan Office Conversions by Date of Building Construction and Percent of Square Footage in Financial District



Source: CBRE Research, Q1 2025.

## Going Large and Moving North: The New Era of Manhattan Conversions Arrives

The pipeline of buildings teed up for conversion over the coming years reflects and advances the trends that began during the pandemic. Properties currently undergoing conversion are located anywhere from the Battery to Central Park and have a median age of 68 years, reflecting the development community’s increasing willingness to take on younger office properties. Among the projects either underway or announced, nearly 60% of the square footage is located in Midtown and nearly 60% in buildings constructed later than 1961.

Conversion projects are appearing in Midtown at an unprecedented rate, with developers acquiring underperforming properties along the business district’s peripheral submarkets. Developers have also been active in Midtown South where office properties tend to be smaller.

The Financial District, too, remains active with conversion projects, which have gotten increasingly large, with several being undertaken in post-war office buildings along Water Street corridor. The buildings being converted in the Financial District have a median size of 550,000 square feet compared to an average of 270,000 square feet in Midtown and Midtown South.

### Conversions: Planned and Underway

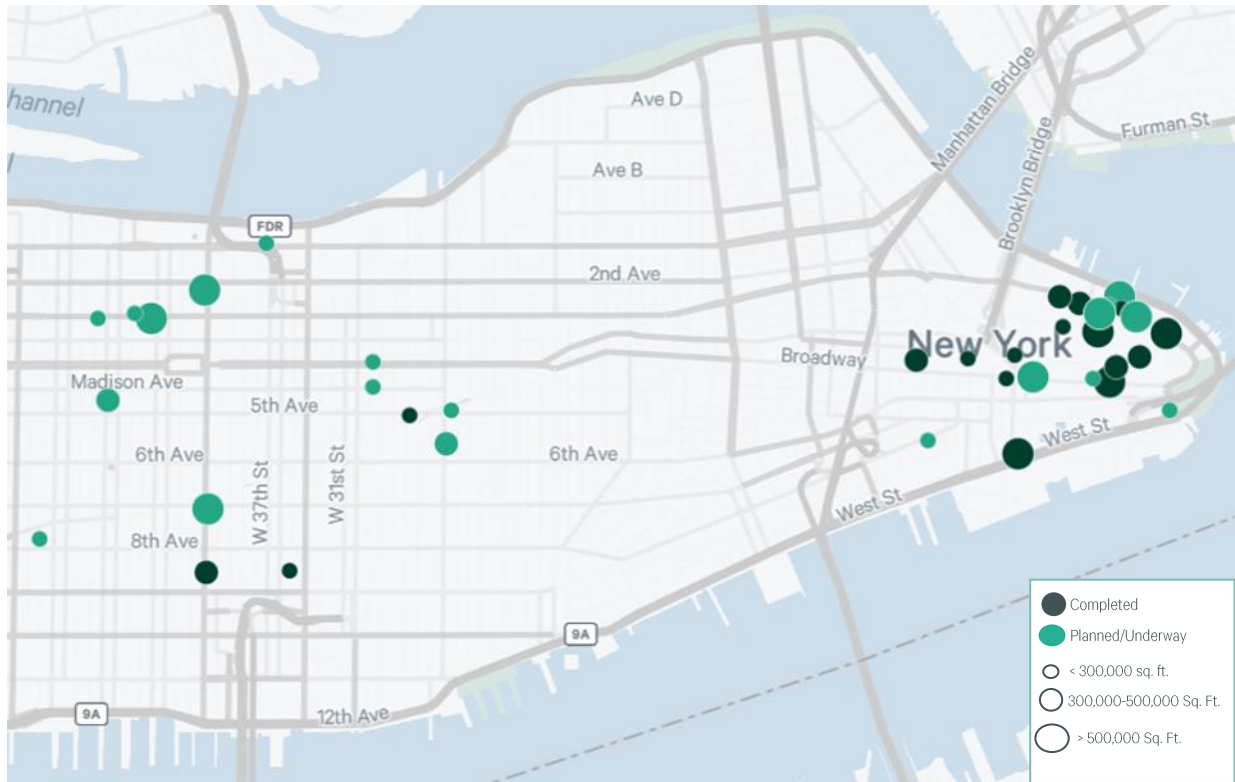
Median Age/Size  
68 Years/300,000 Sq. Ft.

### Post-1961 Buildings

6

### Non-Downtown Conversions

14

**Figure 3: Completed and Planned Manhattan Office-to-Residential Conversions, 2016-Present**

Source: CBRE Research, Q1 2025.

## The Landscape for Potential Conversions

Despite the positive momentum, there are numerous hurdles that owners must overcome before a property is conversion-ready. The wave of proposed and rumored conversions will see their way to completion as a steady stream over many years, as owners navigate the opportunities and challenges unique to each asset.

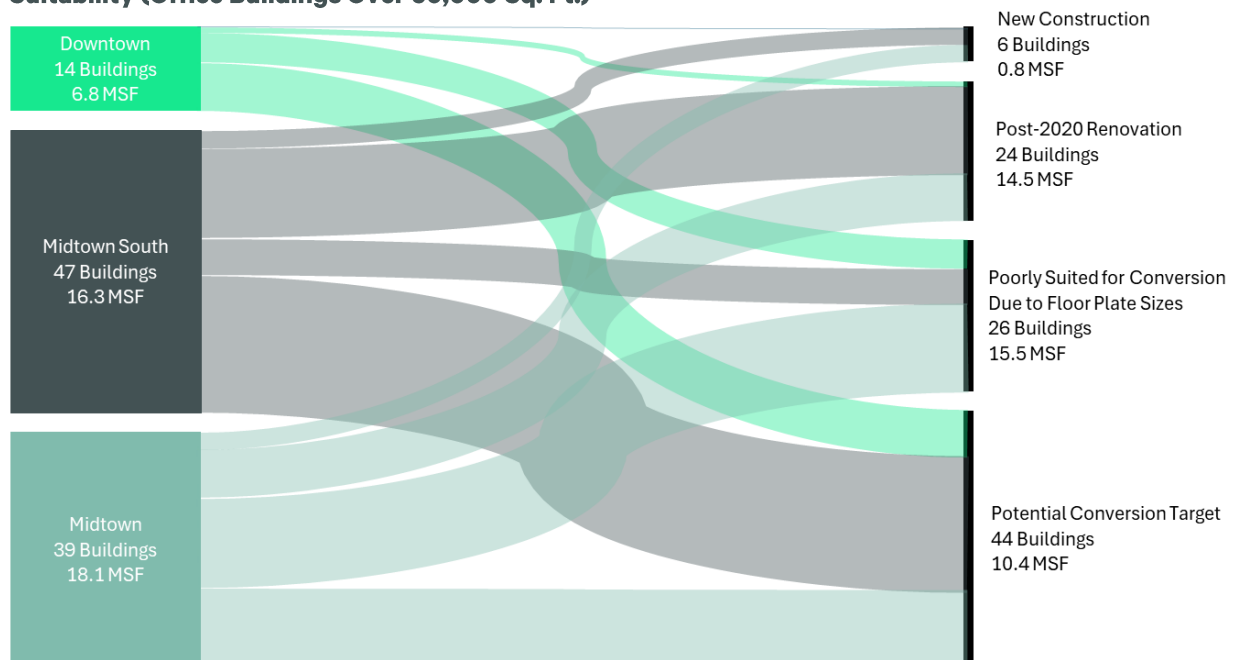
The Manhattan office market improved in 2024 with leasing activity up 24% over 2023. Despite these gains, Manhattan remains saddled with a sizable inventory of properties that appear fated for obsolescence resulting from an unfavorable combination of vintage, location, and evolving occupier preferences. These conditions will sustain the tailwinds necessary to maintain a stable pipeline of residential conversion candidates for the foreseeable future.

An analysis in January 2025 of the 100 Manhattan office buildings with the highest availability showed that these properties account for nearly 40% of the city's total available supply of office space and predominate in the Financial District, Chelsea, Park Avenue South/Madison Square, and Times Square.

Of these 100 “most available” properties, six are newly constructed and currently leasing, and are therefore not likely conversion targets. An additional 24 have been renovated since 2020, reflecting owners' intentions to reposition their properties and make them newly competitive. Among the remaining 70 buildings, 26 have floorplates that are considered too large for conversion, leaving 44 buildings that are aging, struggling with high availability, and meet the lowest technical threshold for a full or partial conversion.

If all 44 of these properties were repositioned to residential use, it would remove over 10 million square feet of office space from the city's stock, create approximately 10,000 housing units, and potentially push 350 tenant requirements that currently occupy over four million square feet of space back onto the office market.

**Figure 4: Manhattan's 100 Highest Availability Buildings in January 2025; Current Status and Conversion Suitability (Office Buildings Over 50,000 Sq. Ft.)<sup>1</sup>**



Source: CBRE Research, Q1 2025.



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## Low Vacancy is Worse than No Vacancy for Properties Looking to Convert

Estimates aside, even these most likely conversion targets face obstacles. Despite existing vacancies, many of these buildings have tenants with long-term leases and little incentive to vacate their space before their term ends. Finding mutually agreeable solutions for owner and occupier can be one of the most challenging obstacles before a building is conversion-ready and can be cost-prohibitive for owners. Properties with few tenants and looming lease expirations are the most attractive conversion candidates.

On the other hand, some properties that do not currently seem like conversion targets—those with sprawling floorplates, fixed windows, and challenging interior layouts that make them poor candidates, on paper, for conversion – might nonetheless become targets if their vacancy increases. The ongoing conversion of the former Pfizer headquarters at 235 East 42nd Street and at 25 Water Street in the Financial District demonstrate that design, engineering and zoning solutions exist for some of these properties to move forward as conversion projects.

## The Economic Shakeout Will Take Time

Even as leasing improves, several office properties may struggle to retain or attract tenants unless they pursue a costly repositioning. The improved leasing landscape has also not been enough to reverse a trend of falling occupancy that continues to hollow out lower quality office assets. Conversions have the potential to prevent these assets from becoming stranded and ensure that the surrounding neighborhoods retain the vibrancy that makes New York a [“Super City”](#), as defined by CBRE’s Shaping Tomorrow’s Cities report.

The recently approved City of Yes zoning reform substantially expanded the number of qualified as-of-right conversion targets in Midtown and Midtown South. The Midtown South Mixed Use plan, which could be approved by the City Council by the end of 2025, could prove to be an even more significant impetus for change in Midtown. This rezoning would make available 42 blocks of former and struggling manufacturing and office space for residential conversion.

Among the city’s 100 most available office properties, seven buildings containing nearly 1.8 million sq. ft. fall within the Midtown South Mixed Use plan.

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## Conclusion

Manhattan is entering a new phase of office-to-residential conversions, which is challenging old assumptions about what is possible. Newer buildings, larger buildings, and buildings in Midtown are all being targeted for conversion, thanks to a combination of market forces and regulatory changes.

If every conversion project currently underway, proposed, and rumored as of Q4 2024 were seen to completion, it would remove approximately 16.5 million sq. ft of existing stock (-3.9%) and 3.5 million sq. ft. of available space (-4.6%) from the market, displacing 7.4 million sq. ft. of tenant demand and resulting in a 200 basis point drop in the availability rate.

While conversion projects remain very challenging, a number of properties seem destined for conversion or repurposing of some kind, and regulatory changes on the horizon will likely catalyze a steady stream of conversion projects over the next several years.

While conversions alone cannot solve Manhattan's glut of office space, they will have a positive impact on both the office and housing markets. Additionally, conversions play an essential role in preserving the city's architectural legacy and promoting civic health in neighborhoods that are overly reliant on commercial uses. Office-to-residential conversions could result in millions of square feet of obsolete office space replaced with thousands of units of new housing, resulting in more vibrant business districts and making adjacent office assets all the more appealing.

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<sup>1</sup> Due to the fluid nature of Manhattan's office market, the list of the city's most available office properties is subject to change from month-to-month. Many high-availability buildings are smaller properties that would require only a modest amount of leasing activity to be restored to a healthy occupancy level. The 100 buildings evaluated have a median size of 280,000 sq. ft.



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## Additional Conversion Background and Resources

Amidst the pandemic-era hand wringing over Manhattan's future, two reports were published by the city to serve as blueprints for the reinvigoration of Manhattan's distressed urban core.

Much of what was proposed in the "New" New York plan and the Office Adaptive Reuse Study have come to pass since they were published. Residential FAR caps were eliminated, plans to pedestrianize Fifth Avenue have been introduced, and congestion tolling represents a small step toward stabilizing the MTA's budget. The Office Adaptive Reuse Study became the foundation for a series of policy proposals and reforms that aim to remake Manhattan's urban core and encourage office conversions with affordable housing components. The capstone of these legislative efforts was the recently approved "City of Yes."

### ***Making New York Work for Everyone Action Plan, December 2022***

Also called the "New" New York plan, this report was developed by a panel of city, state, and civic leaders to develop actionable steps that New York City could take to address the challenges and opportunities presented by the Covid-19 pandemic to reimagine New York's business districts. The plan made several recommendations that would reimagine land use in Manhattan's business districts.

- Modernize regulations to make office-to-residential conversions easier by updating the state's 12 FAR cap on residential buildings and developing incentives that would promote affordable housing development in business districts.
- Enhance public spaces in business districts by significantly expanding the amount of space dedicated to parks, plazas, and sidewalks and activate public spaces with event programming and outdoor dining.
- Improve the transportation network by increasing bus speeds and expanding bicycle infrastructure while creating a sustainable operating budget for the MTA.
- More information available [here](#).

### ***Office Adaptive Reuse Study, January 2023***

The New York City Office Adaptive Reuse Task Force issued a report highlighting the importance of repurposing outdated office buildings to address the city's housing crisis and adapt to changing economic conditions. The report emphasized the need to update state and local regulations to support the adaptive reuse of office buildings. The plan made several recommendations that would increase the number of office-to-residential conversion projects citywide.

- Allow office buildings constructed prior to December 31, 1990, to access the most flexible office conversion regulations, expand those conversion regulations to all of the city's major business districts, and introduce residential zoning to areas of Midtown that did not allow multifamily housing.
- Permit a broader array of housing types from office-to-residential conversions and allow all existing office square footage to be converted to residential use.
- Implement tax incentives that promote mixed-income housing within office-to-residential conversions.
- More information available [here](#).

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## City Presses Ahead with Policy Changes to Spur Conversions

The New York City Council passed City of Yes in December 2024, the latest and most significant step in a slate of transformative rezonings, new tax exemptions, and policy adjustments. City of Yes represents the most ambitious change to the city's zoning code since the sprawling rezoning efforts of the Bloomberg administration. City of Yes provides new flexibility in the realm of office-to-residential conversions and expands the universe of potential office conversions to over 130 million square feet.

**December 2021**

### SoHo/NoHo Neighborhood Plan

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- Residential use is now permitted as-of-right throughout the SoHo/NoHo neighborhood and conversions from commercial to residential use are generally permitted.
- Twenty-five percent of residential floor area will need to be allocated to affordable housing.
- More information on the SoHo/NoHo Neighborhood Plan is available [here](#).

**April 2024**

### 467-m Tax Incentive

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- 467-m provides tax exemptions for office-to-residential conversions where residential properties are operated as rentals and contain more than six units.
- A quarter of new units must be deemed affordable and permanently subject to rent stabilization
- More information on 467-m is available [here](#).

**April 2024**

### 485-x Tax Incentive

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- 485-x replaces the popular and now expired 421-a tax exemption and extends benefits to office-to-residential conversions.
- The program places a higher emphasis on affordability and a greater number of tax exemption tiers are available based on project scope.
- More information on 485-x is available [here](#).

**April 2024**

### FAR Cap of 12 Eliminated

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- Multifamily buildings may now be constructed with a Floor Area Ratio (FAR) cap of 15 or 18 in high density districts.
- The higher FAR cap may also facilitate the conversion of more post-1961 office buildings which often exceeded the former FAR cap of 12.
- Office-to-residential conversions in buildings constructed prior to 1961 in Midtown and prior to 1977 in the Financial District were not subject to a FAR cap.
- More information concerning the FAR cap removal is available [here](#).

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**December 2024****City of Yes**

- City of Yes is among the city's largest recent zoning reforms and eases office-to-residential conversions for a greater number of buildings in a larger geographical area.
- City of Yes will allow for the conversion of office buildings constructed as recently as 1990, replacing the former standard of 1961 (and 1977 in the Financial District), and created new high-density zoning districts (R11 and R12) which allow for the conversion of office properties with FAR of up to 18.
- The R11 and R12 districts must still be mapped out in future rezoning actions.
- More information about City of Yes is available [here](#).

**Future****Midtown South Mixed Use Plan**

- Will create R11 and R12 districts in Midtown South which can accommodate residential FAR of up to 18 on 42 blocks between 5<sup>th</sup> and 8<sup>th</sup> Avenues and between 23<sup>rd</sup> and 40<sup>th</sup> Streets.
- The plan is being refined and undergoing environmental review by the city and public review through the Land Use Review Process. The plan will be undergoing these reviews throughout most of 2025.
- More information on the Midtown South Mixed Use Plan is available [here](#).