

Turning empty offices into housing is a popular idea. Experts say it's easier said than done

Cities across Canada look to office conversions amid a housing shortage, but getting it right isn't easy



[James Dunne](#) · CBC News · Posted: Feb 06, 2023 4:00 AM EST | Last Updated: February 6



This mid-rise office tower in downtown Toronto, photographed with a wide-angle lens, is the type of building that could be strong candidate for converting to residential because it's not too old, not too big and has many windows. (Patrick Morrell/CBC)

Several Canadian cities are facing high office vacancy rates even as many workers have returned to downtown towers and suburban business parks.

With residential rents increasing and a housing shortage in much of Canada, the idea of turning empty offices into housing is very trendy.

There's even government funding for renovating offices into residential use.

Projects are underway in [Calgary](#) and [Halifax](#); others are being planned or debated in [Toronto](#), [London, Ont.](#), and [Yellowknife](#).

But what are the keys to making an office conversion work?

And how much do conversions reduce the glut of office space, and create meaningful housing stock?

CBC News spoke with experts inside the industry to find out.



Cities across North America are repurposing older, empty office buildings, turning them into residential property — and demolishing them outright if they're not worth salvaging.

The problem and the potential

While 8-10 per cent vacancy is considered healthy for the office market, according to the commercial real estate firm CBRE, [the national office vacancy rate is 17 per cent](#) and a few major city centres are even higher like Calgary at 30 per cent, Edmonton at 22 per cent and London, Ont., also at 22 per cent.

Other firms have more upbeat figures, but older offices are a hard sell for leases, leaving a lot of space that seems ripe for residential conversion.

Turning offices into condos or apartments, however, usually isn't a quick fix.

"In some cases (it's) really easy," said Steven Paynter, a director and architect in Toronto with Gensler, an international architecture and planning firm.

"But if the building doesn't work, it just doesn't work at all and then it's near on impossible."

Buildings need a high score on 'conversion calculator'

If there's one person who knows the score on what makes office conversions work, it's probably Paynter.

He and colleagues at Gensler developed a conversion calculator to compare office towers to an ideal residential building.



Steven Paynter, an architect in Toronto who works on conversion projects, says some offices are easy to turn into residences, but most are nearly impossible. (James Dunne/CBC)

It tallies things like location, if the floor plan lends itself to apartment or condo style units, the size and number of windows, electrical, mechanical and plumbing needs, elevators, parking, facade, and more.

Unless an office hits 80 or higher out of 100, it's usually not recommended for conversion.

Gensler has assessed more than 500 offices, and expects that total to double soon, when they complete a few large batches of assessments in Toronto, New York and Washington, D.C.

So how many offices make the cut?

About 25 per cent, said Paynter, but it varies a lot by city.

"For example, Calgary has a lot of similar 1970s buildings which are great for conversion. By contrast, we found that Boston, with a lot of much older and smaller buildings, had a success rate of under 10 per cent," Paynter said.

Conversion costs often just don't add up to make housing a viable option, said Raymond Wong, a vice president with Toronto-based Altus Group, a commercial real estate advisory and data company.

"If you go through all those variables with space layout, the building itself and the anticipated cost, it might be easier to demolish it and start from scratch," he said.



Raymond Wong of Toronto-based Altus Group said converting offices to residential units is not going to solve the problem of excess office space on its own. (James Dunne/CBC)

Government buy-in a key factor

Another important part of a successful conversion, experts said, is government.

Some governments are turning their own excess space into housing.

In 2021, the federal Liberals promised [to invest \\$600 million to help developers convert office space into new rental housing](#). The Canada Mortgage and Housing Corporation (CMHC), however, said it could not provide an update on whether that money has been spent.

Nova Scotia is putting \$1.9 million into the conversion of a 55-year-old building in downtown Halifax.

And in the past two years, Calgary has committed \$153 million to help building owners turn offices into residential

Vacancy rates have soared in the Alberta city since 2014, thanks to energy companies cutting back on staff when the price of oil tanked — and the pandemic made it worse.

According to CBRE data, Toronto has 12.9 million square feet of empty office space, while smaller Calgary has even more at 14 million square feet.

Applying Paynter's 25 per cent estimate on conversions, Calgary could potentially create 3.5 million square feet of housing. In simple terms, that's about 3,500 apartments at 1,000 square feet each.

Over the next decade, Calgary wants to eliminate six million square feet of office space and is doling out a \$75 per square foot subsidy to developers for conversions.

Five buildings in Calgary have been approved for conversion so far, and Maxim Olshevsky's company owns one of them.



Maxim Olshevsky is one of five building owners getting millions of dollars in incentives from the City of Calgary to convert a downtown office tower into residential space. (Monty Kruger/CBC)

His company, Peoplefirst Developments, is putting 112 two and three bedroom apartments into a 10-storey office building.

The city is covering \$7.8 million of the \$38 million renovation.

Olshevsky's company bought the building out of foreclosure. "The city's contribution really made this project possible," he said of the conversion.

With construction costing up to \$400 per square foot, Wong said government support will be critical to many conversion projects.

"I think you need that type of partnership, as well as zoning changes, for this to work."

But he adds conversions alone are not going to solve the problem of excess office inventory in Calgary or other markets.

"It's not going to be sort of fixed in the next two or three years with some office conversion here and there," he said. "It's going to take a long time."

With five conversion projects approved and about \$50 million spent so far, Calgary has taken about 650,000 square feet of office space, just 10 per cent of its target, out of downtown.

London, Ont., is considering a similar approach for its downtown.

Adding in affordable housing

If government support is involved, housing advocates say office conversions should be required to include mixed and low income housing.

"Prioritizing that is an obvious no-brainer in my mind," said Noha Sedky, an urban planner with CitySpaces in Vancouver.

"We've seen the vacancy rates drop and average rents increase in every city in our country."



Noha Sedky, an urban planner in Vancouver, says if office conversions receive government support they should be required to include mixed and low income housing. (Lani Brunn)

Sedky has worked in affordable housing and land development for two decades.

She also points out a mix of housing in conversion projects is good for the local labour pool because it means having "a variety of professionals and service retail workers that are living in the community where they work."

Nova Scotia's government is subsidizing rents at 20 per cent below market value for some units at a conversion project in Halifax.

Calgary's \$153-million incentive program has no requirements for affordable housing.

However, the city gave \$5.5 million to groups converting [a tower into housing for vulnerable populations](#), and Olshevsky said his project includes units priced below market rates.

Architect Steven Paynter thinks government support and community planning is important for making conversions successful.

He points to Detroit and Kansas City, Mo., as cities where office conversion programs succeeded before the pandemic.

Having only 25 per cent of offices being candidates for conversion might seem small, he said, "but it's actually billions of square feet across the U.S. and Canada," that could create a lot of housing and keep construction materials out of landfills.