

## **Adaptive-reuse trend converts office space into apartments, hotels, retail**

By: **Jeff Elkins**//The Journal Record//November 9, 2023

OKLAHOMA CITY – The state’s largest metros are no exception to a nationwide trend of office space repurposing.

However, they’re experiencing it to a much lesser degree than other major downtowns.

As work-from-home and hybrid models remain strong, lower office space use is resulting in commercial real estate players repurposing buildings in downtown Oklahoma City and Tulsa, an optimization strategy called adaptive reuse.

More than 20% of office space is vacant nationwide, with some larger cities such as San Francisco seeing rates exceeding 30%, according to July data from global real estate services company Jones Lang LaSalle.

Local experts say the trend is most pronounced in cities like Boston, Atlanta and New York City, where many office buildings were constructed without preleases in place, but repurposing is happening here in Oklahoma to a lesser degree.

Prominent Tulsa developer Price Family Properties last month announced it will convert three downtown buildings into apartments. The \$80 million investment includes the Philcade, Arco and IBM buildings.

Nick Lombardi, managing broker at Tulsa-based Frisbie Lombardi Commercial Real Estate Services, said Tulsa is not experiencing the conversion trend to

the extent that larger cities on the coasts have seen because there's not a large amount of inventory to choose from.

Additionally, he said downtown Tulsa has several buildings with less than desired occupancy that may not be conducive to repositioning as multifamily assets.

"You've also got code concerns when you take a building that was built 50 to 75 years ago, bringing it up to current code is sometimes at a cost or design prohibitive based on the buildings themselves, so I think conversion is a short-term solution to a long-term problem that is going to max out relatively quickly," Lombardi said. "You can't turn them all into apartment buildings, so it's going to be an interesting process to see how these older buildings are revitalized."

The adaptive reuse trend has also hit downtown Oklahoma City. A 10-story, 101,000-square-foot building on N. Broadway Avenue, which was once the BancFirst headquarters before the company moved to the former Chase Tower, and the Medical Arts Building, at 100 Park Ave., will undergo a conversion into 265 residential units with restaurant and retail space. The project will be named The Harlow.

Not far from The Harlow is the 92-year-old First National Center, 120 N. Robinson Ave., which was an office building until 2016, but reopened last year with mixed use, featuring 193 residential units, a hotel, multiple dining options and retail space.

Brent Conway, senior vice president and team leader of the office group at Newmark Robinson Park, said Richard Tanenbaum's conversion of the two aforementioned buildings took 200,000 square feet off the rent rolls and greatly aided the overall viewpoint of vacancy in the Central Business District.

Unlike larger cities where vacancy rates plummeted during the pandemic, Conway said Oklahoma City doesn't get into the business of speculatively

building office towers, a lesson learned by area developers in the early 1980s after the oil bust. The downside, he said, is Oklahoma office sector players haven't been a beneficiary because the best way to increase rent is to build new product.

"At the same time, we don't experience the wild ups and downs like other markets do, and we sit on top of the most prolific economic driver in the U.S. in the Golden Triangle. By virtue of where we are in relation to Dallas, Houston and Austin, we get a lot of spillover," Conway said.

Conway said the pandemic showed us that the work-from-home and hybrid trends are here to stay, but that doesn't necessarily mean doom and gloom for the office sector, particularly as many employees are returning to work over the last two years. The challenge for employers is rightsizing, he said.

"The reality is employers are finding that they need just as much office space by and large as they did pre-pandemic," Conway said.

Visits to office buildings nationwide declined 90% from February to April 2020, according to Placer.ai foot traffic data. Visits have stabilized to 30% lower than pre-pandemic.

Conway, who works in the Central Business District in Oklahoma City every day and also in downtown Tulsa once a month, said foot and vehicle traffic is picking up.

"If you talk to area retail providers, restaurateurs in the Central Business District or other parts of the market in northwest Oklahoma City, there are several who will tell you it's not quite where it was pre-pandemic, but it's pretty close," Conway said.