Yardi Matrix

# Office National Report

July 2026

# Office-to-Multifamily on the Rise

- The financial challenges typical of office-to-multifamily conversions are diminishing as office values remain historically low, creating opportunities for developers once cautious of risky conversions.

- National vacancy rates have slowly begun to decline but remained elevated at 17.7% for June 2026. Office utilization for active tenants has not meaningfully increased, with physical occupancy hovering around 55% for the past few years, according to Kastle's Back to Work Barometer. Destruction of property values follows years of low office utilization and mounting distress. Since 2024, nearly half of all office property transactions with two or more sales prices for comparison constituted discounts.

- Projects are increasingly available to developers willing to hunt for bargains that offset the costs associated with converting a building. In 2025, there were 11.8 million square feet of office-to-multifamily completed or under construction, higher than any prior year. According to Yardi's Conversion Feasibility Index, 2 billion square feet of office were identified as appropriate for conversion, separated into tiers according to feasibility, with Tier I (4.6% of the total) being a top candidate for conversion and Tier II (18.8% of the total) possessing strong potential but requiring adjustments.

- Since 2024, 59% of transactions in Chicago were discounted. With 95 million square feet suitable for conversion, bargain prices have boosted office-to-multifamily projects and kept the metro's vacancy down at 17.8% for June. A project converting 153 residential units from office is nearing completion at 111 W. Illinois St. after the office portion was purchased last year at a 77% discount to a sale in 2015. Built in 2008, the building was newer than a typical conversion; however, newer properties like this one were not immune to declining office demand and may find new value as residential housing.

- Seattle has one of the highest vacancy rates in the nation, at 24.7% for June. Despite 47.5 million square feet of office in the metro suitable for conversion, little has converted compared to other cities, like Chicago. City incentives such as tax deferrals have helped, but more is needed if additional projects are going to get off the ground. One of the first major Seattle conversion projects is currently under construction, a Tier I property at 201 Queen Anne Ave. that will become 74 housing units. The building was purchased in 2024 at an 11% discount to a 2005 sale. Discounts can help push projects across the finish line when the cost of bringing buildings up to code becomes a deal breaker.