

Commercial Real Estate Broker Advisor



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Converting Commercial Buildings to Residential Use is Underway– NY State Proposed Program by 2026

Many office buildings are undergoing a significant transformation into residential spaces, hotels, and educational buildings nationwide. In New York State, a bill to convert office buildings to residential use is currently in the works. The potential conversion of such a large number of office buildings into residences is expected to have a notable impact on the commercial real estate market vacancy rate.

Under this proposed program, it is anticipated that between 25- 40 million square feet of office space will be converted. In New York City, when the availability rate falls below 12%, rents typically rise, and concession packages diminish (e.g., work, free rent, etc.) Below is a table showing how the availability rate could drop to 12%. There is a tax benefit to the building owners for converting. To receive the full tax benefits, landlords must file by 2026.

Availability rate in NYC after conversion to residential			
		Description	Calculation
1	New York City Market after conversion	The total square footage of the Manhattan commercial Office market (ie below 62nd Street)	581,270,408
		Potential Total square footage which could be converted to Residential	40,000,000
		Potential Total Square Footage of the Manhattan Office Market (ie below 62nd Street) After Conversion Office to Residential	541,270,408
2	Availability Rate Office Q1 2024	The total Square Footage of the Manhattan Commercial Office Market (ie below 62nd Street)	581,270,408
		Manhattan Availability Rate 2024 Q1	18%
		Manhattan Office (ie below 62nd Street) Availability Total Square Footage 2024 Q1	104,628,673
3	Availability Office Space by RSF after conversion to Residential	Manhattan Office (ie below 62nd Street) Availability Total Square Footage 2024 Q1	104,628,673
		Conversion of office to residential (rsf)	40,000,000
		Available Office Space (rsf) to Rent After Conversion	64,628,673
4	New Availability Rate Office space after Conversion	Potential Total Square Footage of the Manhattan Office Market (ie below 62nd Street) After Conversion Office to Residential	541,270,408
		Available Office Space (rsf) to Rent After Conversion	64,628,673
		Office Availability Rate After Conversion of Manhattan Office Buildings to Residential	12%
<p>1. The total square footage of the Manhattan commercial office market (ie below 62nd Street) minus the potential total square footage that could be converted to residential = potential total square footage of the Manhattan office market (ie Below 62nd Street) after conversion office to residential.</p> <p>2. The total square footage of the Manhattan commercial office market (ie below 62nd Street) multiplied by Manhattan availability rate 2024 Q1 = Manhattan office (ie below 62nd Street) availability total square footage 2024 Q1.</p> <p>3. Manhattan office (ie below 62nd Street) availability total square footage 2024 Q1 minus conversion of office to residential (rsf) = available office Space (rsf) to rent after conversion.</p> <p>4. Available office space (rsf) to rent after conversion divided by potential total square footage of the Manhattan office market (ie Below 62nd Street) after conversion office to residential equal = office availability rate after conversion of Manhattan office buildings to residential.</p>			

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