WORLDWIDE COMMERCIAL

MARKET INSIGHTS:

ADAPTIVE REUSE AND MULTIFAMILY CONVERSIONS IN DALLAS

As the Dallas-Fort Worth real estate market adapts to changing economic and demographic pressures, investors and developers are reimagining how underutilized properties can meet growing housing needs. While office-to-multifamily conversions are making headlines, the opportunity extends well beyond office. Across North Texas and nationally, older schools, hotels, and institutional buildings are being repositioned for residential, senior, and workforce housing. This isn't just about solving vacancy––it's about deploying capital creatively where demand is real and immediate.

A SHIFTING DEMAND LANDSCAPE

The financial gap between renting and owning has widened sharply. As of May 2025, DFW homebuyers must earn over $63,000 more per year than renters to afford a median-priced home. Meanwhile, the average homeowner in Dallas is now paying $869 more per month than the typical renter (Redfin, Axios). With affordability pressures mounting, more households are delaying homeownership or abandoning the idea altogether.

Rental demand is not limited to younger generations. A recent AARP study found a 43% increase in renters aged 60+ in the last decade. Many are empty nesters looking to downsize, cash out equity, and move into maintenance-free, amenity-rich living. This trend is fueling demand for senior-oriented housing, especially in well-located neighborhoods with healthcare access and walkability.

At the same time, DFW faces a critical shortage of affordable rentals. As of March 2025, there are just 14 affordable units available per 100 extremely low-income renters, making it the second-worst metro in the country for affordable housing access (NLIHC). That supply-demand imbalance is pushing developers to find creative ways to deliver new housing without starting from scratch.

OPPORTUNITIES BEYOND OFFICE

While outdated office assets, especially those in suburban or fringe CBD locations, remain prime candidates for adaptive reuse, the most forward-thinking investors are looking beyond traditional office properties. Across North Texas and other major metros, buildings once considered too specialized or limited in function are now being reimagined into productive, income-generating uses. Schools, hotels, and churches are increasingly being targeted for conversion, each offering unique advantages in today's challenging capital environment and housing-constrained market.

Vacant public and private schools, particularly those constructed between the 1960s and 1990s, offer strong fundamentals for redevelopment. These buildings often include wide corridors, high ceilings, and large communal areas that naturally align with senior living and assisted care requirements. Structurally sound and typically located in established neighborhoods, schools offer ample land for onsite parking, green space, or medical facilities. In cities such as Richardson and Garland, developers are actively evaluating former school campuses for senior living conversions that address growing demand among aging residents who want to stay close to family, healthcare providers, and familiar communities. The senior population is expected to double by 2060, and in the Dallas-Fort Worth area, the number of renters over the age of 65 has increased more than 40% in the past decade. In some cases, these same buildings are being repurposed as workforce housing in areas where land costs and zoning restrictions make new multifamily development difficult to execute.

Hotels have quickly become one of the most common property types for adaptive reuse. Older extended stay and economy hotel formats offer a unique advantage with existing plumbing, kitchen infrastructure, and efficient layouts already in place. This significantly reduces construction time and risk. In 2023 alone, more than 4,500 hotel rooms across the United States were converted into apartments, surpassing office conversions for the first time. In the Dallas-Fort Worth region, developers are targeting aging hotel assets along corridors such as I-35, US 75, and the George Bush Turnpike. These conversions are particularly well suited for workforce housing, senior rental product, or student housing, depending on location and demand drivers. In many suburban municipalities where multifamily zoning remains limited, hotels present one of the few options for delivering housing without a lengthy entitlement process.

Church properties, particularly those with underutilized land, are another creative and increasingly viable reuse strategy. As attendance declines and operations consolidate, many religious institutions are making space available for redevelopment.

These sites are often located in walkable neighborhoods and feature unique architecture, large parcels, and strong community roots. Developers are finding success in preserving key elements of the original structure while introducing residential units, town homes, or complementary uses such as boutique medical office or retail. In areas such as Oak Cliff, East Dallas, and select neighborhoods in Fort Worth, church properties are being repositioned into housing that reflects both market demand and local identity. Many of these projects are delivered in collaboration with nonprofit organizations or receive municipal support to ensure long-term community benefit.

Ultimately, these types of creative conversions are no longer outliers. They represent a growing segment of smart, adaptable investment strategies. Whether repurposing a shuttered school, an underperforming hotel, or a vacant church, the most successful projects are those that align the asset’s physical potential with a clear market need. With the right design approach, financing plan, and execution team, these unconventional properties can be transformed into high-impact housing solutions that serve the community and create long-term value.

SELECTIVE CONVERSIONS

While adaptive reuse offers a compelling narrative and increasingly captures attention across major metros, the reality is that many of these projects carry cost and execution risks that can exceed those of new construction. This is especially true in Dallas-Fort Worth, where land availability remains more favorable than in coastal cities. Many older office buildings require complete infrastructure overhauls, including new mechanical, electrical, and plumbing systems, slab modifications for plumbing and elevator shafts, accessibility upgrades, and full compliance with modern fire and life safety codes. These retrofits are rarely cosmetic—they often demand invasive structural changes that are difficult to predict at acquisition. In several recent cases, developers have encountered cost increases of 20 to 30% above initial projections, forcing a complete reevaluation of feasibility.

A prime example: a proposed office-to-residential conversion in Dallas was shelved in late 2024 after a core drilling analysis uncovered severe structural irregularities. The building required costly foundation stabilization and extensive slab cutting to accommodate plumbing risers and unit reconfiguration. Although the asset was acquired on an attractive

basis, the total per-unit cost quickly surpassed that of comparable ground-up construction. The developer ultimately walked away from the project after failing to secure a revised construction loan under acceptable terms.
In addition to construction cost risks, design and layout limitations often challenge the viability of reuse. Deep floor plates can restrict natural light access, complicating unit configurations and reducing rentable square footage. Low ceiling heights and inflexible column spacing further limit design options, especially when targeting institutional equity or code-compliant multifamily use. Older buildings also often have inconsistent or obsolete HVAC zoning, requiring complete replacement and extensive coordination between design, engineering, and construction teams.

Zoning has historically posed another barrier to adaptive reuse, particularly when developers are forced to seek discretionary approvals for residential conversions on commercially zoned sites. However, the regulatory landscape is beginning to shift. Under Texas Senate Bill 840, developers in cities with more than 150,000 residents and counties with more than 300,000 can now pursue multifamily development on commercially zoned parcels without seeking rezoning approval. This includes former office buildings, strip centers, and other legacy commercial assets. While the bill does not solve every entitlement challenge, it significantly streamlines the approval process for many adaptive reuse projects and reduces the risk of political delays. Developers still face constraints related to site planning, fire separation, egress, and parking ratios, but the pathway to approvals is far more predictable under this framework.

Despite this progress, capital remains selective. Interest rates are still elevated compared to early cycle baselines, and many lenders remain cautious when it comes to financing adaptive reuse. Projects with unproven teams, vague plans, or narrow margin projections often struggle to secure favorable debt. Most successful conversions today are led by experienced developers with deep construction expertise, clear exit strategies, and a well-capitalized equity stack. In this environment, credibility is often as important as location and basis.
For investors, the lesson is clear: adaptive reuse can unlock meaningful value, but only when the physical, finan-

WHO IS SUCCEEDING?

Despite the challenges, the trend is accelerating—because demand is real and alternatives are limited. Nationwide, 12,700 apartment units were delivered via conversion in 2023, up nearly 18% year-over-year, with another 151,000 in the pipeline (RentCafe). DFW ranks among the top metros for planned office-to-residential conversion volume.

The investors succeeding in this space aren't just chasing discounted assets. They're applying a disciplined underwriting approach, collaborating with zoning consultants, and bringing creative problem-solving to the table. Whether it's a mid-rise office in Las Colinas, a closed hotel in North Dallas, or a former school in Richardson, there is value to be unlocked by those thinking beyond the building's original purpose.

DFW DRIVES REDEVELOPMENT TRENDS

Dallas-Fort Worth continues to rank among the top metro areas in the United States for planned office-to-residential conversions. As of 2025, the region holds the fifth-largest pipeline nationally, with approximately 2,752 residential units underway from office conversions. This follows a strong 2024 showing, when the metro ranked third with more than 3,100 units in the planning stage. The momentum reflects a broader national trend, as over 70,000 office-to-residential units are now projected through 2025, nearly tripling from just two years ago.

Several factors contribute to DFW's prominence in this space. The region has a deep inventory of underutilized office buildings, particularly Class B and C assets with high vacancies and outdated layouts. Over 4.8 million square feet of local office inventory has been identified as highly suitable for conversion, making DFW fertile ground for adaptive reuse. In addition, vacancy rates across the metro continue to exceed 24%, placing pressure on building owners to explore new value creation strategies.

Developers are already executing several large-scale conversions. In Fort Worth, the former Oncor headquarters at 115 West Seventh Street is being redeveloped into 330 multifamily units, supported by a public-private partnership that includes a 58-million-dollar infrastructure reimbursement package and historic tax credits. Other notable projects include the potential residential redevelopment of Bryan Tower and Renaissance Tower in downtown Dallas. These projects, along with the transformation of the Binyon O'Keefe Building into senior housing, represent the region's growing commitment to repositioning obsolete assets into functional housing.

Despite the opportunity, not all projects move forward quickly. Many of the units in the current pipeline are holdovers from earlier years, with some delayed by rising interest rates, construction costs, or capital stack complications. Still, Dallas-Fort Worth remains the only Texas metro ranked in the national top twenty for office-to-residential conversions, reinforcing its position as one of the most dynamic and promising markets for adaptive reuse in the country.

Public policy is also playing a supportive role. Recent legislation in Texas, such as House Bill 14, has streamlined the permitting process for redevelopment, while cities like Fort Worth are backing conversions with direct infrastructure support and tax increment financing. These measures reduce entitlement risks and improve feasibility for developers, especially in high-cost urban cores where new land acquisitions are less practical.

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