



SOUTH

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QofM

Question of the Month

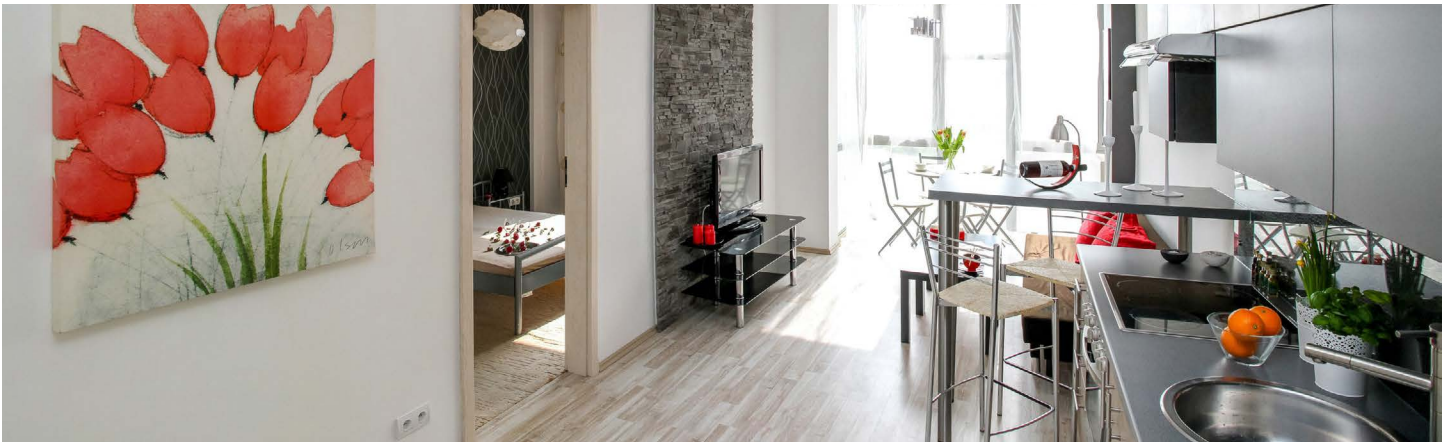
Could Converting Empty Office Space into Co-Living Housing Help Alleviate the Housing Shortage?

As remote work continues to be a prevalent work model, vacant and underutilized office spaces have become a prominent issue in urban areas. Across the country, the [national office vacancy rate](#) now stands at a high of 20.1 percent.

Southern Cities and Their Current and Highest Recorded Vacancy Rates

City	Vacancy Rate 2024	Highest Recorded Vacancy Rate (year recorded)
Atlanta, GA	20.1%	21.6% (1987)
Kansas City, MO	17.8%	21.5% (1988)
Nashville, TN	18.3%	21.5% (1986)
Birmingham, AL	16.7%	16.9% (2023)

Source: [Moody's Office Vacancy CRE](#)



At the same time, the housing shortage has continued to affect a diverse range of the American population. In 2024, the median home price in the US is \$495,750, an amount that is increasingly unaffordable for most American households.

Southern Cities and Their Median Home Price	
City	Median Home Price
Atlanta, GA	\$419,750
Kansas City, MO	\$259,900
Nashville, TN	\$554,500
Birmingham, AL	\$189,900

Source: [Redfin.com](https://www.redfin.com)

According to the [National Association of Home Builders](#), more than three-quarters of households cannot afford a median-priced home, with only 40.5 million households qualifying for a mortgage under terms affordable to a \$45,975 salary.

Converting empty office buildings into co-living housing might address both these issues

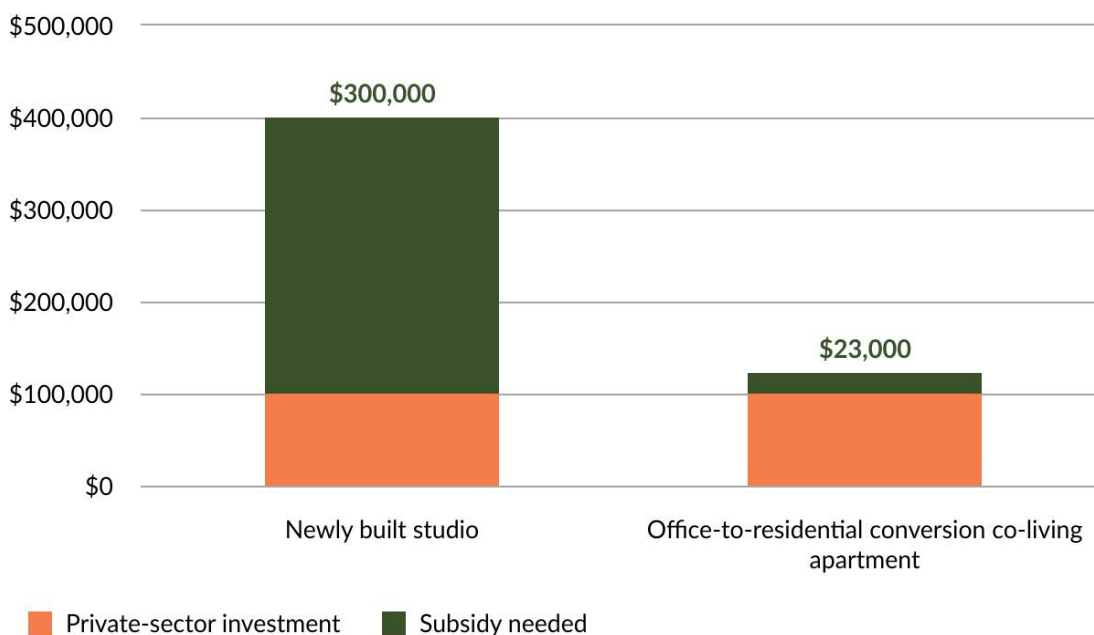
by repurposing untapped real estate and expanding affordable housing options. Across the country, states are considering incentives for office-to-residential conversion.

In [Colorado](#), for example, the legislature considered a 20 percent refundable tax credit for office-to-residential conversions, though the bill ultimately died in committee.

Figure 1

Co-Living Stretches Scarce Subsidy Dollars

Per-unit public and private costs for housing affordable at 35% of area median income, by unit type, in Denver



Source: Analysis by Gensler and The Pew Charitable Trusts, 2024

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[Research](#) from The Pew Charitable Trusts and Gensler, a global architecture and design firm, has highlighted a cost-effective approach to converting office spaces into residential units. Instead of traditional apartment layouts, the design repurposes buildings into co-living, dorm-style apartments. Each floor includes private, locked “microunits” along the perimeter, while shared kitchens, bathrooms, laundry facilities, and living spaces are centrally located for communal use. This model minimizes construction expenses by roughly 25-35 percent and supports affordable rents for individuals earning significantly below the area’s median income.

Although this model is faster and less costly, converting office spaces to residential is still a large undertaking.

Some cities and municipalities have zoning and building codes that present barriers to this format, such as parking minimums, minimum unit sizes, maximum numbers of co-living units per building, or even outright prohibitions on co-living in commercial (or sometimes residential) areas.

Yet the impact of this model could be substantial. Although such conversions remain relatively limited, recent research has highlighted a cost-efficient strategy that could allow cities to start reaping benefits when these buildings are fully occupied. Interestingly, low-cost housing – rather than luxury apartments – may offer the most viable financial path for repurposing the country’s surplus office spaces.