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## You Won't Believe What's Happening to Those Empty Office Buildings

Developers these days are trying anything that pays the rent

Published 05/18/23 11:00 AM ET | Updated 05/18/23 11:48 AM ET  
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**W**ith office vacancies at 30-year highs, companies are scrambling to find other uses for space that may never be occupied as offices again.

Downtown office buildings are increasingly being converted into condos, apartments, hotels and mixed-use developments. In suburbia, well-manicured corporate campuses of prized Fortune 500 companies are becoming industrial parks.

In Boston, developers are transforming the 500,000-square foot former Boston Globe building into a life sciences hub. In Cincinnati, Procter & Gamble's former headquarters is becoming a luxury hotel.

Not all vacant office buildings are suitable for this kind of redevelopment. It's an expensive proposition, adding extra plumbing and electricity, and many office buildings have large floor plans with square footage far away from windows, leaving them unsuitable for residences.

In April, Elon Musk floated the idea of turning part [of Twitter's San Francisco headquarters into a homeless shelter](#). In 2020, Amazon already did that, converting part of its [Seattle headquarters to a homeless shelter](#).

On a smaller scale, tenants and building owners have transformed unused offices into spaces for vertical farming, storage, distribution, classrooms and co-working. [SiloFit](#), a startup based in Miami and Montreal, has been turning small office spaces into gyms that can be rented by the hour.

Commercial real estate services and investment firm CBRE currently pegs the U.S. office vacancy rate at 17.8%. That's a 30-year high following a pandemic that showed Americans the convenience and efficiency of working and shopping at home.

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While office space is declining, warehouse and light industrial space is going for a premium, so corporate campuses have become a notable target for redevelopment. Real estate analytics firm [CoStar and advisory Newmark Group report that more than 15.2 million square feet](#) of office space is currently being converted for logistics use. Warehouse giant Prologis predicts office-to-logistics conversions could add up to 80 million square feet over the next decade.

In the north Chicago suburb of Deerfield, [Baxter International is under contract to sell its headquarters to Chicago-based Bridge Industrial](#). It's 101 acres of noteworthy

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architecture, ponds, trees, fields, and gardens. Bridge proposes to bulldoze it into an industrial park that will attract 600 trucks per day.

Already, just a few miles down the road in neighboring Glenview, Dermody Properties, a Reno, Nev.-based developer, is demolishing the former 232-acre Allstate Insurance complex to build a massive logistics center.

More than 4,000 area residents have signed a petition against the pending proposal for Baxter's land. They're worried about air pollution, heavy traffic, the character of their woodland community, and property values in a bordering neighborhood with million-dollar homes.

"This whole project is going to be a nightmare," said Amy Berger, an attorney who grew up in the area. "Deerfield is going to become a disaster."

Baxter and Allstate are not alone in their plans. Other corporate campuses include those slated for industrial conversions include both Novartis and Toys R Us in New Jersey. And more are likely on the way. In Minneapolis, for instance, Wells Fargo recently announced plans to sell its Home Mortgage campus as it consolidates operations.

The decline of office real estate resembles what has happened to shopping malls, with some doing better than ever while others being slowly abandoned. CBRE reports that only 10% of the office buildings it tracked are what it calls "hard-hit buildings," and these make up for more than 80% of the vacancies. They tend to be in high-crime areas with few nearby amenities such as restaurants. And the Northeast and Pacific regions have a higher share of the problem.

Some of the burden of repurposing vacant office buildings will fall on taxpayers. Julie Whelan, a vice president at CBRE, said it will take public-private partnerships to sort out the challenges.

"You're not going to have many private companies that are going to come to the table to engage on this risk on their own," she said. "They're going to have to form public-private partnerships so that the public is bringing tax subsidies or some type of incentive to do what's needed to make an area vibrant again."

Empty buildings, after all, can have as disruptive an effect as buildings converted to new uses. And while repurposed buildings can upset neighbors, they can also bring jobs, opportunities, a preserved tax base, and maybe even more green space if they are simply torn down.

For Dr. Diana Trew, none of this compares to clean air. The pediatrician and Deerfield resident, says she's worried about the well-researched health effects of heavy truck traffic, including increases in childhood asthma.

"I tell people all day long, 'Get off your screen. Get outside. Enjoy fresh air. Get vitamin D, exercise.' It's kind of hard to say if you're going to be getting all this outdoor pollution."

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