

Austin CBD office-to-residential conversion does not pencil

D Hayer

May 2026

Wedge project A. CRE feasibility screener.

Abstract. A public-data screener of 25 Class B/C office buildings in Austin’s CBD finds that none underwrite to positive spread under v1 assumptions: \$350 per sf hard cost, 1.25x soft multiplier, 750 sf average unit, 60 percent NOI margin, 5.25 percent exit cap. Median stabilized yield on cost lands at 2.25 percent against a 5.25 percent exit cap, a 300 basis point gap. Median required residential rent to break even is \$6.52 per sf per month against a current CBD comp set near \$3.00. The screener’s job is to surface that mismatch, narrow the universe to the 8 buildings with the best plate geometry and vintage, and pre-stage the conversation about what subsidy or rent assumption would change the answer.

Why this exists

The post-2022 work-from-home shift produced a wave of “convert offices to apartments” press. The pitch is intuitive: vacant Class B inventory, housing-supply shortage, downtown wants foot traffic back. The arithmetic gets less intuitive once you put real construction costs against real residential rents. This paper screens the Austin CBD subset and shows the gap.

The output is not a deal recommendation. It is a tool for a CRE shop or family office to triage which buildings are worth a walking tour and which are not, plus the rent or subsidy assumption that would unlock each tier.

Method

Inventory

Hand-curated list of 25 Class B and C office buildings in the Austin CBD, drawn from publicly known inventory. Each row carries year built, stories, building square footage, parcel square footage, last assessed value, and office class. The list is not exhaustive; it is the credible candidate set for v1.

Feasibility score

Five public-data signals, weighted:

- Plate half-depth (30 percent). Approximated as half the side length of a square plate with the same square footage per floor. Residential layouts need windows within roughly 32 feet of the unit interior. Beyond 50 feet, the deep core is unconvertible without light wells.
- Vintage (20 percent). Pre-1990 buildings tend to have smaller plates, operable windows, and accessible plumbing risers. Post-2000 sealed-glass towers score low.
- Assessed price per square foot (20 percent). Lower assessed value implies a cheaper acquisition basis.
- Office class (15 percent). Class C scores highest, reflecting acquisition discount.
- Size band (15 percent). 90,000 to 300,000 sf is the practical band: below 90,000 fixed costs dominate; above 300,000 financing risk and lease-up time grow.

Underwriting

Per building: hard cost at \$350 per sf (CBRE / Gensler Sun Belt 2024 benchmark), 1.25x soft cost multiplier for architect, permit, and financing carry, 85 percent sellable area, 750 sf average unit, \$2.80 per sf per month stabilized rent, 60 percent NOI margin, 5.25 percent exit cap. Acquisition basis is assessed value as a proxy for trade price.

Results

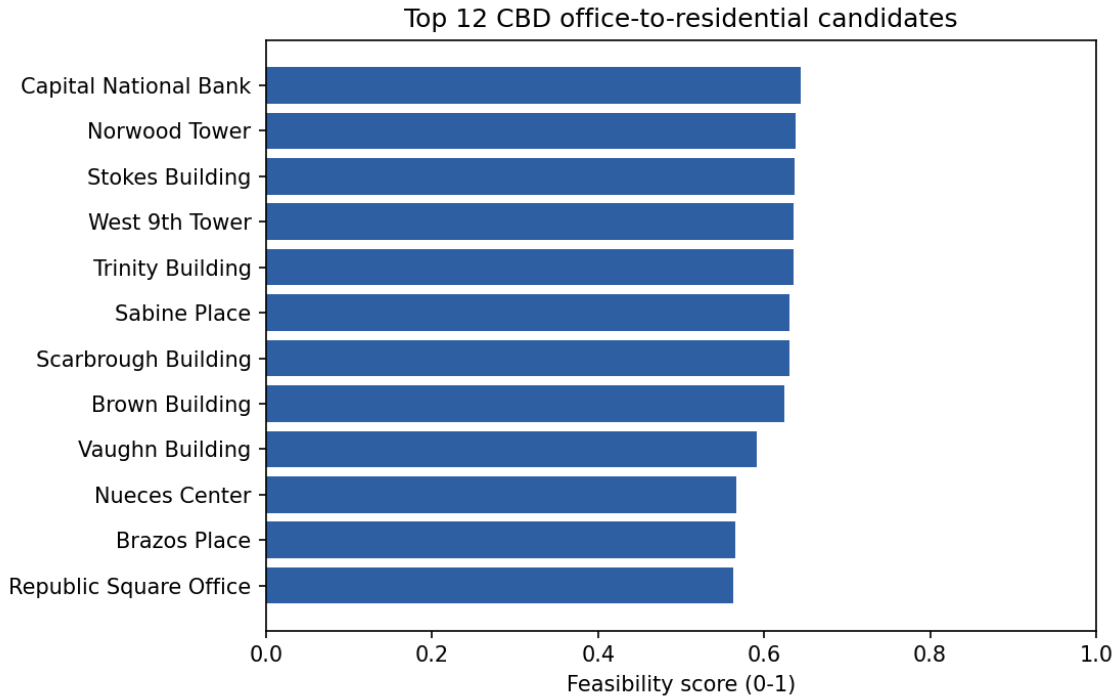


Figure 1: Top 12 candidates by composite feasibility score.

The top of the ranking is dominated by pre-1990 buildings with smaller plates. Capital National Bank (1955), Norwood Tower (1929), Stokes Building (1962), and Trinity Building (1965) cluster at the top. The Norwood Tower already has a partial residential conversion, which is a useful sanity check that the score is picking up real signal.

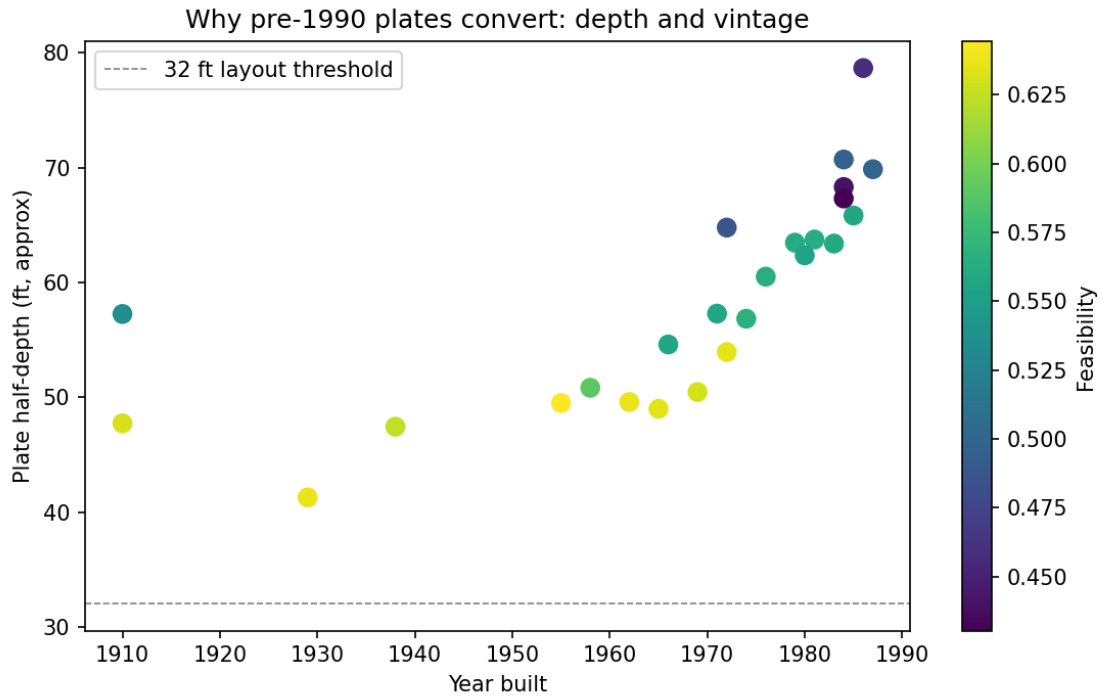


Figure 2: Plate depth and vintage. Older buildings have shallower plates.

Yield falls short of cap across the board

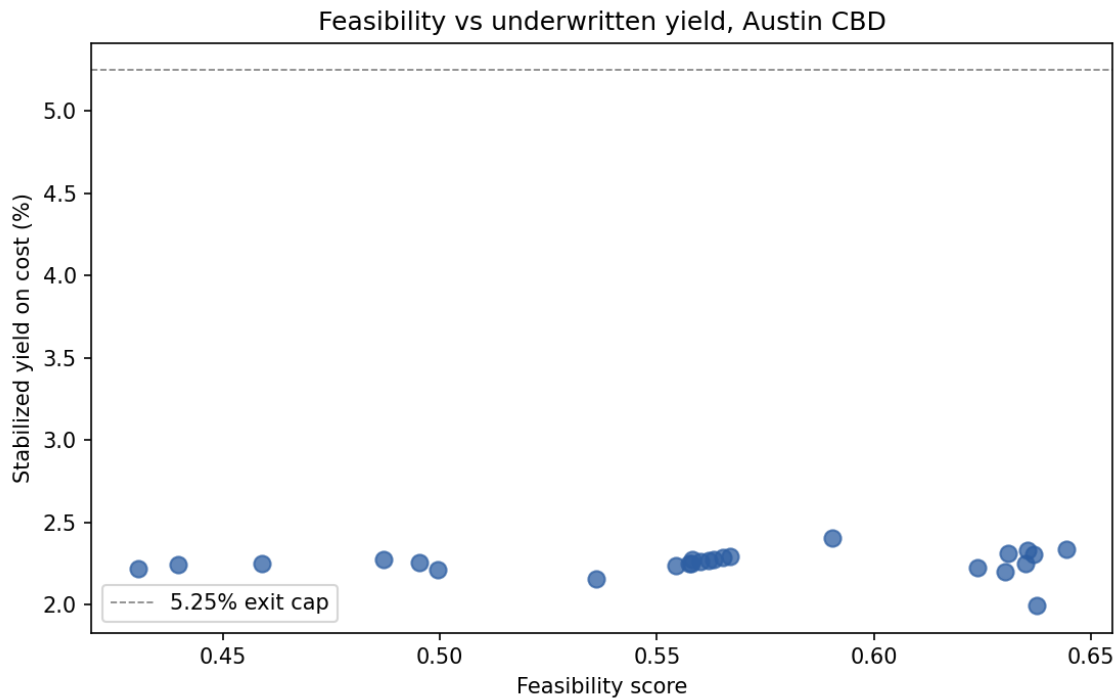


Figure 3: Yield on cost lands at 2 to 2.5 percent against a 5.25 percent exit cap.

This is the v1 headline. Even the highest feasibility candidates produce stabilized yields between 2.0 and 2.5 percent on all-in cost. The 5.25 percent exit cap implies a 275 to 325 basis point shortfall. Translated to

per-door math: median cost of \$670,000 per door against a stabilized value of \$245,000 per door, a \$382,000 per-door gap.

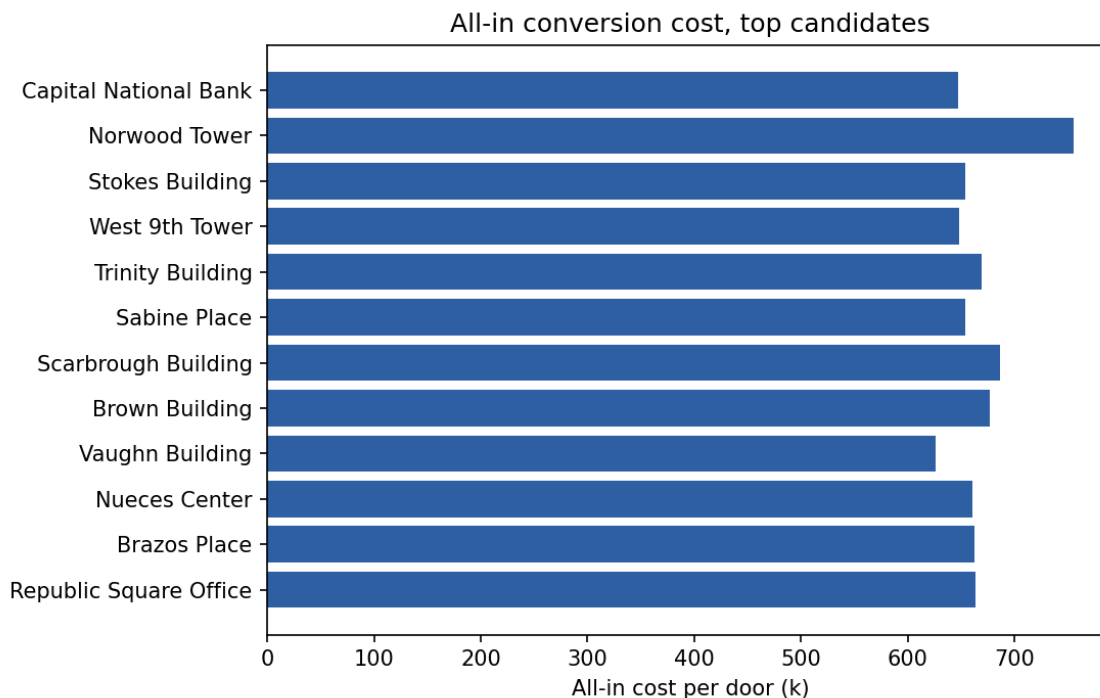


Figure 4: All-in cost per door, top 12 candidates.

Breakeven rent

Holding the cap rate, hard cost, and unit mix fixed, the residential rent required to break even is \$6.52 per sf per month. The CBD luxury new-construction comp set is roughly \$3.00. Conversion at v1 cost assumptions needs rents 2.2x today's CBD market.

The corollary: conversion economics get interesting only if hard cost drops below \$200 per sf, if exit caps compress past 4 percent, if rents move materially, or if a subsidy stack covers the gap. Public-data screening cannot identify which path is most likely; it can only show how large the gap is.

What public data misses

This is a screening tool, not an underwriting model. The five things it cannot see:

1. Interior column grid and slab capacity. Two buildings with identical footprint can have completely different conversion costs based on whether the structural grid lines up with residential unit boundaries.
2. Plumbing stack count and routing. Stack runs are the single largest cost variable. Public data has none of this.
3. Window operability and facade condition. Sealed-glass facades may require full curtain wall replacement; older operable windows may need replacement for code reasons.
4. Parking. Residential parking ratios differ from office ratios. CBD reductions help but do not eliminate the issue.
5. Tenant cleanout cost. Office tenants with remaining lease term must be bought out.

Limitations

The 25-building seed is curated, not exhaustive; a real exercise pulls every CBD parcel from TCAD and filters to office. Floor plate is approximated as a square; actual plates are rarely square and the approximation overstates depth for rectangular buildings. The \$350 per sf hard cost is a national Sun Belt average that does not account for Austin labor conditions or specific structural typology. Exit cap is a single point estimate; sensitivity work matters. The 60 percent NOI margin is a placeholder; downtown residential opex is more nuanced.

Next steps

v2 work, in priority order:

1. Walk the top 5 candidates. Photograph facades, count stacks where visible from the lobby, sketch plates. Refresh hard cost based on what is actually there.
2. Sensitivity table across hard cost, rent, and cap rate. Identify the subset of buildings that pencil under a “downtown Austin rent recovers to \$3.75 by 2028” scenario.
3. Pull adaptive-reuse zoning incentives and TIF availability for each parcel. The federal conversion tax credit proposals would change the math materially if enacted.
4. Layer a partial-conversion case: lower floors stay office, upper floors convert. This is how the Norwood Tower conversion worked and is probably the more credible v2 base case than full conversion.

Audience

This paper is built for: Endeavor Real Estate, Stream Realty, Aquila Commercial, Treaty Oak Equity, Rocky Point Group, and the Austin family office tier that holds CBD office basis. The honest finding, “it does not pencil at current rents and v1 cost assumptions,” is the useful one. The follow-up conversation is about which assumption needs to break to make it pencil, not about a specific deal.

Companion essay at deephayer.com/essais/2026-austin-conversion-screener. Companion essay at deephayer.com/essais/2026-austin-conversion-screener.