

# Boston Office Conversions Gain Momentum With Help From City's Incentive Program

Largest Workspace-to-Residential Project to Date Gets Green Light



The office building at 85 Devonshire St. in downtown Boston is one of three interconnected properties slated to be converted into nearly 100 apartments. (CoStar)

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**CoStar News**

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Boston's pipeline of office-to-residential conversions is getting longer thanks to the city's tax incentive program aimed at easing the burdensome costs associated with transforming otherwise obsolete properties into housing.

The city's Planning and Development Agency board has issued the green light for another conversion project, this time a proposal to overhaul three interconnected

buildings downtown into 95 multifamily units. New England developer KS Partners is leading the team that is set to convert the office properties at 85 Devonshire St. and 258-262 Washington St., the latest example of a developer looking to leverage the tax break to make a conversion economically feasible.

As approved, the plans would preserve the existing ground-floor retail in the soon-to-be-overhauled office buildings, the conversion for which is estimated to cost about \$36 million, according to information KS filed with the city.

The Massachusetts-based developer acquired the Devonshire and Washington street buildings in 2007, according to CoStar data, a point at which they were at or near full occupancy.

After its launch last year, the Boston program — part of a multipronged approach to boost the city's downtown recovery efforts — has netted six conversion proposals that could result in upward of 215 housing units. Successful applicants can get a property tax abatement that averages about 75% over 29 years and would be able to benefit from a fast-tracked approvals process that would require only one public meeting, according to BPDA filings.

The tax breaks are necessary to help “prevent blight and urban decay,” but are only applicable to conversions, not projects that would demolish existing properties in order to make room for new ones.

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## 'Obsolete Stock'

Developers and city officials across the United States acknowledge that conversions will be a critical component to wading through the record-high office vacancies plaguing a vast majority of downtowns. However, while there has been plenty of talk about the

value of conversions to create more housing and boost foot traffic, the expense has proven to be too high for most projects to pencil out.

"There needs to be some sort of public subsidy to address this obsolete stock," Chris Aiken, the head of acquisitions for MetLife Investment Management's Real Estate Group, said of addressing the country's growing pool of unwanted office space. "Without public assistance, capital has no incentive to do much and try to reinvest in some of these buildings."

Roughly 2% of the nation's office stock could realistically be converted into housing, said Phil Mobley, CoStar's national director of office analytics, and even then it would only add about 1% to the multifamily market.

"The reality of converting is that it's rarely less expensive than ground-up development, and in fact can actually cost quite a bit more," Mobley said. "That's where municipalities can get involved and help developers by offering some kind of incentive. Major cities are beginning to throw their support behind the idea, but so far only conceptually."

While there are still myriad challenges in overhauling an older office property into housing — windowless floor plans, aging infrastructure and undesirable location, among others — Boston's incentive program could serve as a blueprint for other cities hoping to juice their own conversion pipelines.

Since Boston Mayor Michelle Wu launched the program in late 2023, a handful of smaller conversion projects have been approved, including local developer Greg McCarthy's pitch to convert former Boston Medical Center offices at 615 Albany St. in the South End into 24 apartments. The plan to transform the vacant, 19,800-square-foot office property into housing is estimated to cost about \$4.4 million.

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