

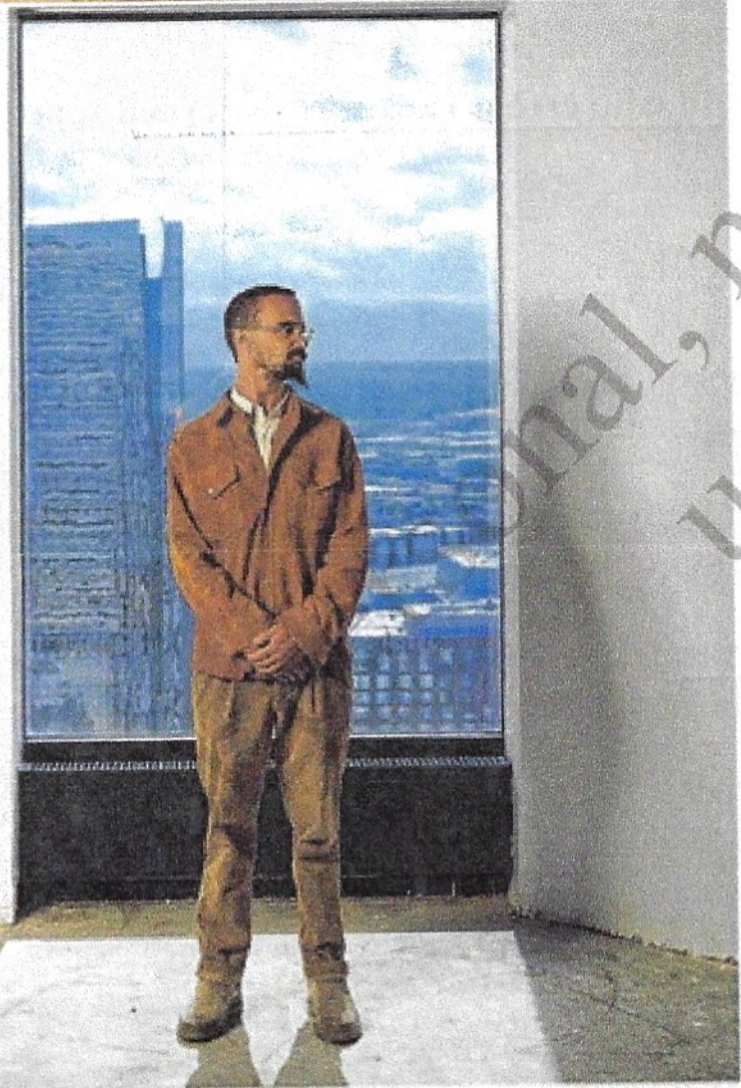
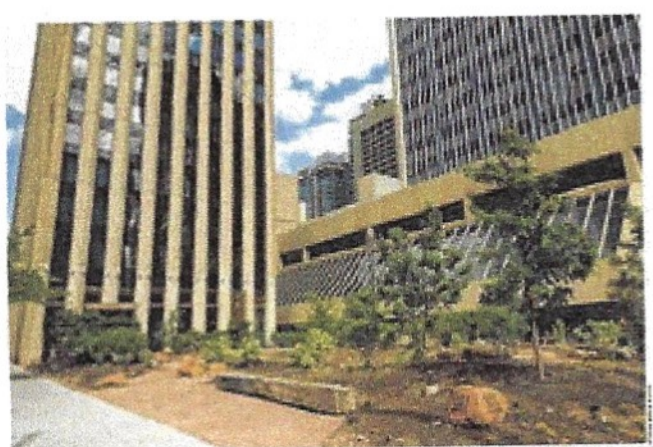
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Luzzatto is planning to turn this atrium into a community space for residents, complete with a bakery, a wine-and-beer bar, a bookstore and a bodega, as seen in this rendering. CLOCKWISE FROM LEFT: THEO STROOMER FOR WSJ (2); HLW/ THE LUZZATTO COMPANY



Denver's Union Station area has been a bright spot. THEO STROOMER FOR WSJ

Will People Live in America's Emptiest Downtown?

Asher Luzzatto has targeted Denver for a radical experiment in converting vacant commercial space into residential units

BY PETER GRANT

DENVER—Developer Asher Luzzatto stared out at the snow-capped Rocky Mountains one recent April afternoon, admiring the postcard view from the 29th floor of his recently acquired office tower.

Then he turned his gaze to the streets surrounding the downtown Denver building, where he glimpsed a less-inspiring sight: vacant store fronts, empty office buildings with darkened floors, and deserted streets.

The property, one of two office towers known as the Energy Center, is a testament to downtown Denver's rapid decline. Luzzatto picked up the 785,000 square foot complex late last year for a little more than \$5 million—97% below what a previous owner paid for it in 2013. Note

America's downtowns are in crisis. Office work has migrated into the suburbs, leaving abandoned buildings and blighted conditions behind. Central business districts from St. Louis to Dallas and Portland, Ore., are fighting to escape a death spiral.

Luzzatto has a plan to fix these downtown catastrophes. He is starting in Denver, Note where nearly 40% of the office space in the central business district is vacant, the highest among the country's top 50 cities, according to real-estate services firm CBRE Group.

Cities built forests of skyscrapers when white-collar employment was inseparable from downtowns, and workers poured in daily from bedroom communities. But when remote work became more popular and these downtowns continued to deteriorate, waves of companies moved out jobs and business districts collapsed.

Luzzatto's approach is to turn that old formula inside out, transforming desolate urban cores into welcoming places to live. He plans to convert half of the Energy Center plus two other downtown Denver office buildings into about 1,100 apartments. He's also planning a bookstore, art gallery, children's museum and daycare center.

He acquired all four buildings for pennies on the dollar. In a matter of months, the Los Angeles native has taken control of more than 7% of Denver's traditional downtown office space. Those rock-bottom purchase prices make it economically feasible to convert his mostly empty office towers into residential buildings, he says. He said that his competitors, other bidders for the downtown properties, "had a lot of trouble seeing past what is here today."

Utopian vision

Luzzatto's utopian vision for reimagining downtown Denver—and for providing a template to revitalize America's other broken downtowns— faces a number of serious challenges.

He has to contend with high construction costs and lenders who are often skeptical of such complex conversion projects. He has to navigate rigid building codes and revise office layouts to work for housing.

Perhaps hardest of all, part of his scheme is to convince a number of Denver employees who work outside the city center to move into his transitional downtown neighborhood and endure a reverse commute.

But he received a vote of confidence in March, when the Downtown Denver Development Authority approved a \$63 million loan toward his plans. It was the quasi-government entity's largest loan ever.

And Luzzatto insists there is a market downtown for affordable housing that offers priceless views. "Imagine if this were your apartment," he said, motioning to the majestic peaks to the west.

Modern U.S. cities developed in the early 20th century around a single organizing principle: White-collar work was concentrated in dense central business districts. Even as residents moved to the suburbs and cities grappled with poverty and crime, that model largely endured— until recently, when technology and shifting living and working patterns threatened many of these districts with obsolescence. *Note*

Early in the office downturn, starting in 2020, planners and architects cautioned that office-to-residential conversions would barely make a dent in the housing shortage. They were simply too expensive to undertake. But the rapid plunge in office values, along with the growing willingness of cities to provide subsidies, is changing that equation. *Note*

Now, developers are moving ahead with plans in New York, Chicago, Washington, D.C., and other cities to convert these emptying office towers into new residences.

The number of office-to-apartment conversions in the U.S. pipeline at the start of 2026 grew to 90,300 units, a 28% increase from a year earlier, according to apartment search website RentCafe.

Oil boom

In Denver, plans to create a modern downtown started in the mid-20th century, when the city razed taverns, flophouses and dilapidated tenements in an urban-renewal push. The effort paid off during the oil boom of the 1970s and 1980s.

But the redevelopment wiped out much of Denver's historic fabric, leaving uneven stretches that never developed the dense, mixed-use character needed today for a vibrant downtown.

"The buildings were just commodities," said Jon Buerge, chief executive and partner at Denver developer Urban Villages. "There was never really a dedication to the urban fabric."

Even so, between 2010 and 2019 Denver was booming. It was drawing tens of thousands of new residents each year, with its outdoor vibe and early legalization of cannabis. The city also reaped the benefits of public investments in the Union Station neighborhood, renovating historic buildings and creating an entertainment district and new housing.

"There was an hour wait for the Chipotle at noon," said Sam Kelly, a 56-year-old state employee, outside the office building he works out of two days a week.

But little was done to address the warning signs that vacancy was creeping up downtown as work habits changed. Then the pandemic hit and Denver offices emptied out. And when companies did bring employees back, demand shifted further away from the sterile downtown core, flowing instead to suburban office hubs, or to Denver's newer districts like the area around Union Station and the River North Arts District.

Today Denver has a remote-work rate well above the national average. *Note*

Kelly, the state employee, says he often bikes on days he works remotely. "That's part of working from home," he said. "Plus you avoid two hours of traffic a day."

Luzzatto, 38-years old, is slight of build with an urban hipster's wispy beard. He grew up in Santa Monica, Calif., but recently moved to Taos, N.M., where he spends time riding horses and hiking with his family along the Rio Grande. He meditates regularly.

Real estate is in his blood. His father started a development firm after running the real-estate arm of bandleader Lawrence Welk's family office. Dinner-table conversations revolved around buildings, neighborhoods and property deals.

Lawrence Welk

The elder Luzzatto was an early believer in what would come to be called creative office space, a precursor to today's office-to-residential conversion movement. He transformed old industrial buildings, like the warehouse tied to the Welk family's record-label business, into loftlike offices.

When he became a developer, Luzzatto saw repurposing L.A.'s oversupply of office space into housing as key to solving the city's housing shortage. He hatched a radical idea: Abolish all zoning and allow strong housing demand to naturally drive empty offices and other idle buildings into apartments. "Let the market figure it out because people are creative and solution-oriented," he said.

In 2021, Luzzatto launched a long-shot bid for mayor of Los Angeles, hoping at least to force his anti-zoning housing plan to the center of the campaign. He withdrew a few months later, after mall developer Rick Caruso entered the race with far greater financial resources.

He returned to development intent on putting his housing vision into practice. He chose Denver, favoring a city that has repeatedly reinvented itself, and one filled with office towers that had collapsed in value.

When Luzzatto arrived in 2024, he expected to encounter buildings in disrepair. Instead, he found many had recently been upgraded, with modern interiors, new fitness centers and sleek co-working facilities installed by owners betting that office demand would rebound.

"Covid was followed by the wrong thesis that there's going to be a massive return to work," Luzzatto said. "Everyone spent a bunch of money in 2021 and 2022."

That growth was layered onto old thinking—daily commuters and modern office districts—that left the core overly dependent on daytime workers and thin on housing and neighborhood life. When remote work took hold, that model unraveled quickly, emptying buildings and exposing just how fragile the downtown Denver economy had become.

"We had our real heyday and now we're paying for it," said Bill Mosher, a veteran real-estate executive tapped by Denver's mayor to help revive the city's struggling downtown core.

Luzzatto bought his first two Denver buildings a year ago. He plans to use the buildings' long layouts and large window bays to create 750 units with oversize views of those majestic mountains. Seventy-five of the units will be affordable. Rents of the market rate units will run from about \$1,700 for a studio to \$4,500 for a three-bedroom.

"People are currently renting these three, four, five story, mid-rise, cheap-construction buildings on the side of the highway," he said. "They're going to have the ability to pay the same rent and be in the heart of downtown."

Cheap price

Between the first two buildings Luzzatto purchased sits a soaring, glass-topped interior courtyard from the mid-1970s, flooded with natural light and framed by balconies and walkways. He's planning to install a bakery and coffee counter along one wall, a bookstore across from it, a wine-and-beer bar spilling into tables that connect to the courtyard and a bodega-style market.

He paid \$5.25 million for the Energy Center's two towers, a cheaper price than what some of the nicer homes sell for in Denver's Cherry Creek.

The other two Denver office towers that Luzzatto purchased were valued at about \$100 million in 2015 when purchased by investment giant Blackstone. Luzzatto paid \$3.2 million—much less than what Blackstone spent on upgrades to the building and landscaping in the years following the pandemic.

Still, getting people to live downtown won't be easy. While Denver Mayor Mike Johnston, who took office in July 2023, has made progress in reducing crime and homelessness, many who left say they haven't yet seen enough improvement to return.

"I have eyes and I can observe," said Kyle Tormoehlen, 45, who works at a co-working space at the Denver Tech Center, a suburban office hub that competes with downtown. "It's just not an attractive place to be anymore."

'Covid was followed by the wrong thesis that there's going to be a massive return to work.'

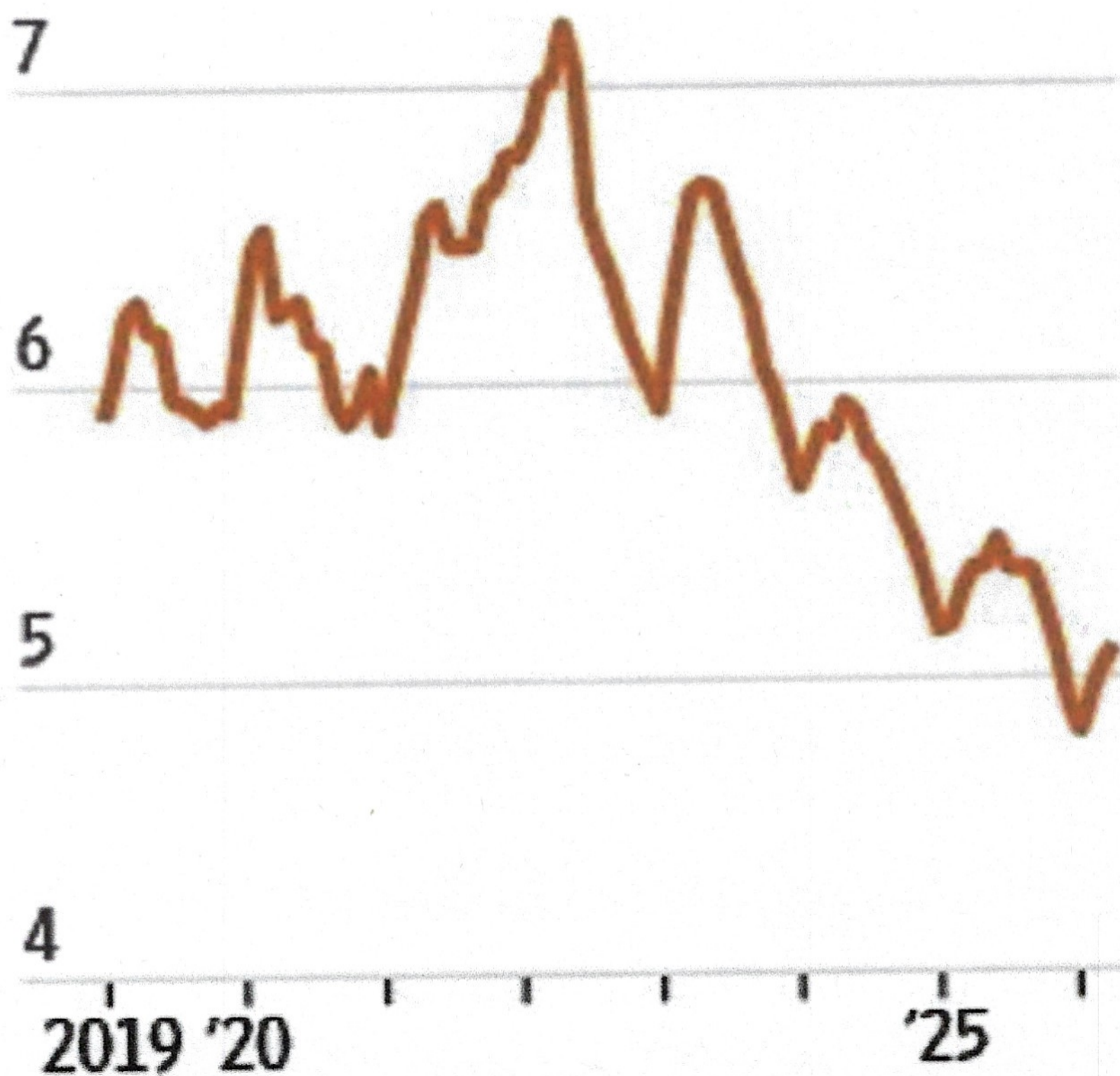
Asher Luzzatto, shown in an office building he is converting to residential units.

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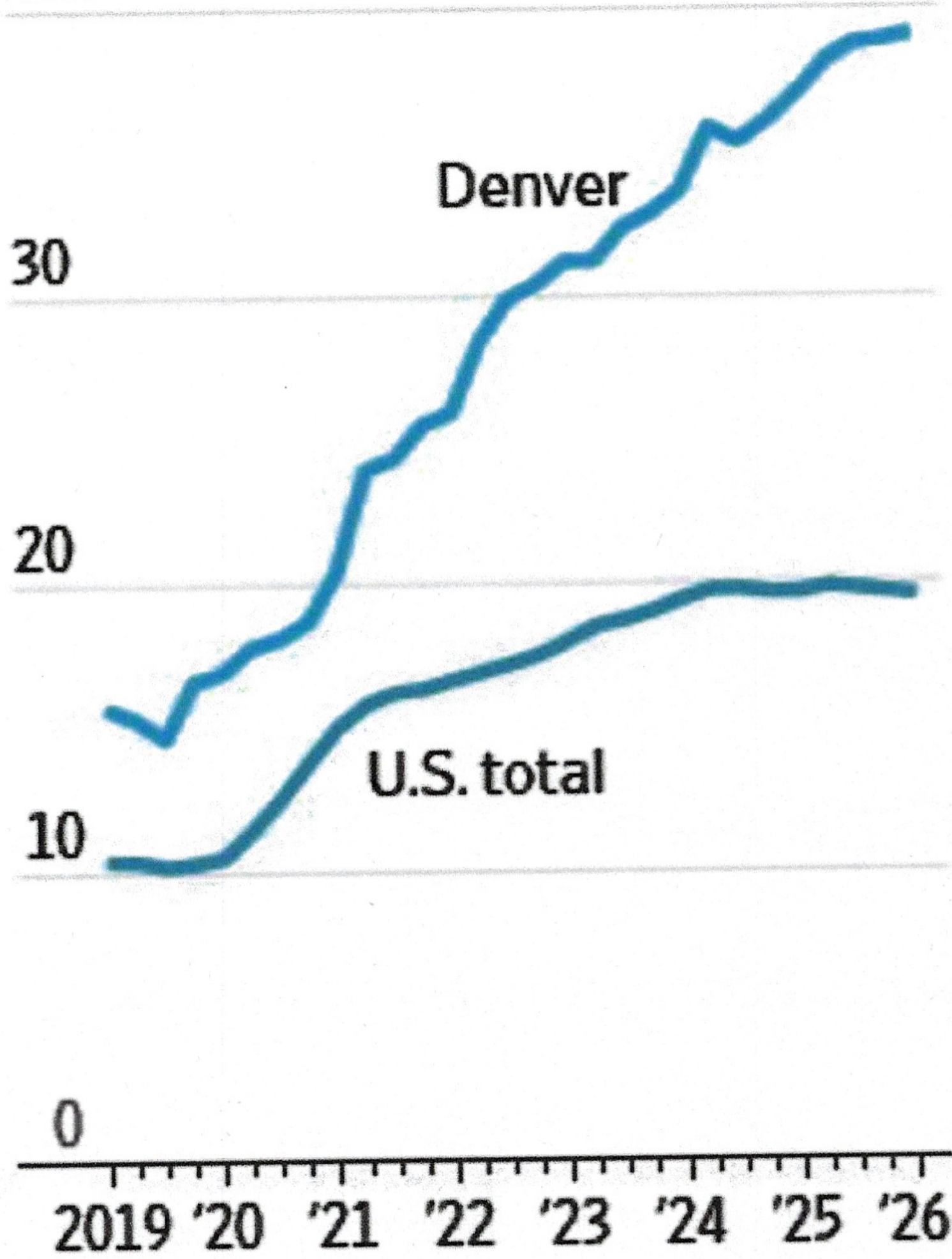
Ratio of median listing price to median household income in Denver

8 times



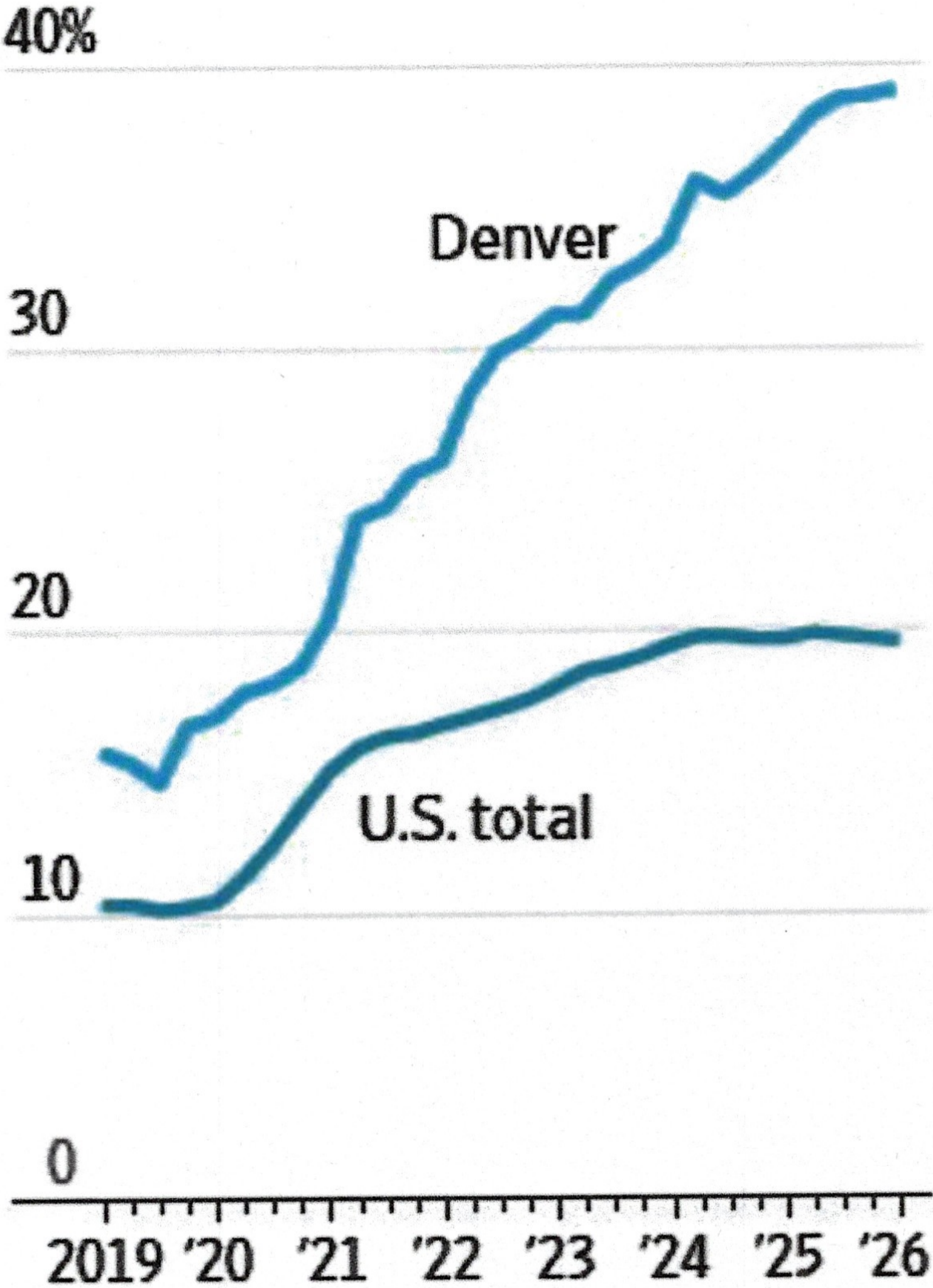
Downtown office vacancy

40%



Source: CBRE Research

Downtown office vacancy



Source: CBRE Research

