An Art Deco neighborhood bank on the West Side of Chicago will soon be reborn as the anchor for a new mixed-use development.*Photographer: Patrick L. Pyszka/City of Chicago*

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One Nation, Under Renovation

For the first time in 20 years, renovations have overtaken new construction in architectural billings in the US.

By Zach Mortice

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In late 2019, Chicago Mayor Lori Lightfoot announced a landmark investment in some of the city's poorest neighborhoods. Invest South/West would direct $1.4 billion in total, including $750 million in public funds, to redevelop properties across the city's South and West Sides.

Focused on 10 specific neighborhoods, the program's first projects broke ground in August and September. Teams of workers will turn a firehouse into a culinary hub and event space; a stately Art Deco bank is set to be converted into an art space that will anchor an attached mixed-use development. Another former bank, in Humboldt Park, will be renovated into Latino-owned commercial offices, an entrepreneurial incubator space, and a Latino cultural center, as well as housing. These reuse projects aim to do more than fill the gaps of Chicago's legendary vacant-property crisis: In reanimating shuttered historic buildings, the initiative aims to restore the economies of commercial corridors that were victims of destructive mid-20th-century "urban renewal" initiatives.

"It's about time that we see this trend, after decades and decades of thinking we save neighborhoods by demolishing buildings," says Maurice Cox, who leads Chicago's Department of Planning and Development. "Now I think we realize we save them by reusing them."

A rendering of the Laramie State Bank Building redevelopment project in Chicago's Austin neighborhood. *Rendering: Valerio Dewalt Train/Latent Design/Bauer Latoza*

The wave of retrofits goes far beyond Chicago: The popularity of fixing up older buildings in US cities recently hit a record high. As of spring 2022, the majority of architecture firm billings come from renovation work, not new construction, according to the American Institute of Architects (AIA).

It's the first time in the 20 years the AIA has collected this data that renovations have breached 50%. In 2005, toward the end of a pre-recession building boom, renovations made up approximately one-third of billings. That share has been increasing steadily since 2017, when it was 44.4%, up to 52% this year. Kermit Baker, the AIA's chief economist, says that the last time the market for design services was so heavily weighted toward renovations was likely during the Great Depression.

What surprised him about this transition is that “[renovation rates] didn’t really go down after the industry recovered in the last decade,” he says. This trend is widely distributed across building types and regions. “There’s almost a perfect correlation between what sectors are the strongest and where there was the most renovation activity,” says Baker.

Why Rehabs Happen

The relative rise of renovations over new construction has plenty of positive implications. Building reuse is a critical element of reducing the enormous carbon footprint of the construction industry, for example. And many buildings are being updated with improved energy efficiency in mind, with better-performing windows, HVAC systems and other features.

But green retrofits make up just a small slice of the overall renovation landscape in the US: Only 3.8% of renovations are undertaken to improve building energy performance, and only 1.6% for improved resiliency — though Baker says it’s likely rare that these goals wouldn’t have been considered at all. A quarter of renovations are undertaken as conventional interior modernizations and upgrades, and another quarter are adaptive reuse endeavors that change the function and program of a building. New tenant fit-outs comprise 17.8% of renovations.

Before renovation, the Laramie State Bank Building shows the effects of decades of abandonment. *Photographer: Patrick L. Pyszka/City of Chicago*

According to the investment banking and construction industry consultancy FMI, building types seeing especially high rates of renovation are data centers adding space, office buildings being fitted with new amenities to get people back in the door, food and beverage manufacturing facilities adding new production lines, hotels catching up with deferred maintenance, and parking garages getting upgrades. In the third quarter of 2020, FMI pegged renovation work at 35% of construction activity (as measured by dollar amounts), and estimates it could be as much as 10% higher now. Increasingly rapid changes in building function are helping to quicken to pace of facelifts, says FMI director of research Jay Bowman.

How long renovations will dominate depends on the overall strength of the economy, Baker says. A strong economy means more new construction, and a weaker, recessionary climate likely signals more renovation. Construction industry group Associated General Contractors estimates new construction rates will likely begin to recover in two years or so.

Despite his reference to the Great Depression, Baker doesn't see the rise in renovations as a cause for economic concern. The AIA's latest measurement of design activity capped off 20 consecutive months of increasing demand for building design services in September, and there's little evidence of a downtown. One reason the shift to renovations has kept money churning through the design and construction industry is that adaptive reuse projects are often just as expensive as new construction.

A Home Reno Boom — and a New Building Bust

According to the US Census Bureau, 59% of homeowners undertook home improvement projects from 2019 to 2021 – a modest uptick from the previous three years. And there has been a sharp increase in the amount of architectural billings derived from residential work, compared with commercial/industrial and institutional projects. The AIA's Firm Survey said that 17.5% of billings in 2020 were for residential work. This year's firm survey will see the mark rise to 28%.

But despite all the attention paid to lockdown-inspired remodeling, only 10% of rehab work was prompted by the pandemic, the AIA survey revealed. Instead, Baker sees longer-term trends at work, like the surfeit of aging structures from the 1950s, '60s, and early '70s that need freshening.

"Buildings are just getting older," Baker says. Meanwhile, he notes, "Our economy is growing more slowly, our population is growing more slowly. We just don't need as many new buildings as we did 20, 30, 40 years ago."

Brian Strawberry, chief economist with FMI, notes that a confluence of factors is holding back new construction: inflation, constrained supply chains, material price volatility, rising labor costs and now rising interest rates. These have joined with regulatory hurdles and a complacent public sector to compound a massive housing shortfall, currently pegged at a nationwide 3.8 million units. Restrictive zoning laws that limit residential density have kept property values for incumbents elevated; meanwhile, the small starter homes that postwar builders once hammered together by the millions have all but vanished.

Federal efforts aimed at boosting construction, like Ilhan Omar's $800 billion Homes for All Act, haven't gained traction. Neither did the parts of President Joe Biden's infrastructure-focused American Jobs Plan that called for eliminating exclusionary zoning and building or retrofitting 1 million affordable housing units, plus a half-million more reserved for low- and middle-income buyers.

In the midst of this shortage, rents and home prices have surged in many US cities, with the median sale price of homes going from $289,000 in January 2020 to $431,000 in May 2022.

A home in Arlington, Virginia, gets a $400,000 facelift. *Photographer: Brooks Kraft/Corbis News via Getty Images*

As residential properties skyrocket in value, new buyers were forced to tackle fixer-uppers after being priced out of move-in ready homes. And owners of existing homes have plenty of reason to press their advantage.

“The value of homes is driving renovations quite a bit,” says FMI’s Strawberry. “If your home has doubled in value from when you bought it, how far do you go to put a new roof on it? You want to protect your investment, and bring it up to the market standards for where that value could be.”

But “the virtue of expanding the renovation sector just can’t be abstracted from social-economic reality,” says Ricardo Ruivo, an architectural theorist and critic who co-hosts the podcast Streetsweeper with architecture professor Will Orr. The pair have become experts at tying architects’ rhetoric as enlightened city-makers to the political realities that shape their work.

To Ruivo, the renovation boom is part of a cycle that keeps homeownership and affordable rents out of reach.

“The growth in renovations in relation to new building is an expression of exploding social inequalities,” he says. “If property prices keep going up in relation to construction costs, this incentivizes both interior upscaling and downscaling. House flippers have more reasons to redo the bathroom and kitchen or whatever before selling, while landlords want to convert a house into five [apartments] as rental prices per square meter go up.”

Following the “Original Preservationists”

In Chicago, however, a wave of adaptive reuse in the Invest South/West projects could represent something very different: a way to meet citizens of disinvested places on their own terms.

Here, urban planning by bulldozer was the rule of the day for much of the 20th century, especially where white people didn’t live. Highway projects and other public works careened through Black and Latino neighborhoods, demolishing what were deemed “slums.” Federally subsidized suburbs provided a refuge for those that could afford it; redlining and similarly racist housing policies and lending practices kept others boxed out. Broad private-sector disinvestment meant that Chicago neighborhoods became riddled with abandoned buildings and some 32,000 vacant lots, according to the Institute for Housing Studies at DePaul University.

A vacant home on the West Side of Chicago. *Photographer: Scott Olson/Getty Images North America*

This destruction helped set the stage for today's hot market for renovation, both creating the conditions of disrepair that now demand remediation and clearing the way for a glut of postwar buildings now in need of upgrades. More recently, in 2000 Chicago pitched a public housing turnaround with the Plan for Transformation, which demolished almost 20,000 units of public housing, but has only built back a fraction of these homes.

Conversely, Invest South/West looks to adaptively reuse buildings, such as the 1929 Laramie State Bank, that are cultural touchstones in these South and West Side neighborhoods. Katherine Darnstadt of Latent Design is working on the West Side neighborhood of Austin's Invest South/West project with two other firms, Valerio DeWalt Train and Bauer Latoza. She says this focus on renovation is "necessary to continue to anchor the memory of those neighborhoods."

Cox's strategy is to use Invest South/West to restore what remains of the neighborhood downtowns that proliferated all over Chicago. These commercial districts were satellites of the downtown Loop that allowed neighborhoods to function like "villages with their own town centers," he says. During community meetings, Cox says neighbors "almost always turned to some of the existing buildings that they used to remember as being vibrant – local amenities like banks, pharmacies and theaters. It starts with the acknowledgement that there are amazing assets that are primed for reuse. This is not charity. This is just good business."

Some buildings targeted for renovation by Invest South/West are landmarked. But the program, which has faced criticism for construction delays, is casting a wider net on older properties that aren't as well known outside their neighborhood, and the non-landmarked buildings are subject to 90-day hold on demolition permits that can allow the planning department to assess historic value.

Chicago's Ringer Building, a former bank built in 1928, will be transformed into a health center. *Image credit:*

KOO LLC

That's the case with the Thrive Exchange project in South Shore, developed by DL3 and designed by KOO Architecture and Site Design Group. Adjacent to a commuter rail station, the project will add several new housing buildings, including affordable units. The handsome masonry and ornate interior woodwork of the 1928 Ringer Building, another former bank, will be preserved when it becomes a health center.

Dan Rappel, partner and director of sustainable design at KOO, says the Ringer Building is emblematic of the renovation work he's asked to do more and more. The two eras of building his firm is usually asked to consider for renovations date either from the late 1800s to the 1930s, or were part of the post-WWII building boom. Early 20th-century buildings usually have a patina of historical dignity, but the later set has "baggage with it," he says, and is less likely to be preserved and redeveloped.

Some of this baggage likely comes from the recognition that buildings of that era are what replaced the walkable neighborhood downtowns Rappel is trying to restore. But with distance and time, mid-20th-century buildings are beginning to embody a more coherently distinctive – and attractive – aesthetic. "[It's getting] old enough that people can see it from a different perspective," says Rappel.

That cycle may have reached its bleeding edge with buildings like the Helmut Jahn-designed Thompson Center, completed in 1985. Derided as garish and impractical, this postmodernist icon soon fell into disrepair; after surviving a preservation fight, it now awaits a refresh from its soon-to-be new owner Google.

In places where the mid-century building boom was tempered by the endemic racism and classism that remade cities, much older historic buildings are what's left, surrounded by people that never lost sight of them. "The residents that stuck it out in these communities are the original preservationists," says Cox. "They're the ones that have kept these communities going as investment left."

(Updates with September architectural billings in 11th paragraph)