

# Why offices will continue to be essential for doing business in future

A critical component to employee productivity and corporate culture, as well as an effective talent retention and attraction strategy, Naeem Tilly, head of research at Sesfikile Capital, believes offices will continue to be an essential part of doing business during and post the Covid-19 pandemic.



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"Furthermore," he says, "Creativity, skill development and problem-solving are vastly improved through collaboration in groups, which is best achieved in an office environment."

These sentiments are supported by Ulana van Biljon, COO of SA REIT Emira Property Fund, who says, "Offices will not go away. Businesses need a place to gather and work – this will endure, but offices will evolve with changing times."



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David Seinker 23 Jun 2020



## Safeguarding staff health

With cost-efficiency and safeguarding staff's health top priorities for business right now, she believes the new norm will favour office spaces that are greener, healthier and cost less to operate. "Well-priced, modern, quality offices with green and healthier features that lower operating costs and are located in amenity-rich locations which are convenient for staff, will fare best going forward," says van Biljon.

Location preferences for offices could change, says Tilly. “Some companies will continue to have centralised offices in major cities which many regard as being essential to create a sense of connection and energy. Others may abandon central headquarters for suburban office parks, which allow for employees working remotely to visit the local office easily.”

Well-maintained offices which are easily accessible and near transport hubs and amenities should continue to attract interest, Tilly says. “In Johannesburg, we see the most interest in Rosebank, Sandton, Waterfall and Bryanston, while Menlyn continues to attract interest in Pretoria. In Cape Town, the V&A Waterfront office market rivals the CBD, while demand for Claremont and Century City remains firm. Demand in Durban is primarily in the Umhlanga area.”



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## Potential trend towards regional offices

Van Biljon believes larger corporates that have been consolidating over the last few years may re-consider the risk of housing all employees in one building, as a positive Covid-19 case could mean a shutdown of the entire office. “Regional offices could offer more business continuity, so we might see a trend for more, smaller offices which staff can move between depending on their requirements,” she says.

While offices are set to remain relevant to business for the long-haul, the real changes to workspaces are likely to take place inside these buildings. To some extent, the shock of Covid-19 has sped up changes already taking place in the workplace.

Office users want their space to be productive and work for them, not the other way around. Considering the importance of workplaces for businesses’ corporate culture, and for employees to meet, share ideas, collaborate and work together, businesses and landlords alike are going to have to adapt.



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## Value-packed office space essential

Van Biljon stresses that, “Offices have to be value-packed for employees, offering user-friendly spaces that are convenient, easy to access, have integrated meeting spots, eateries, break-away zones - all wrapped up in an attractive package.

“Flexi-hours and the combination of working from the office and home will increase. There will also be a need for flexible space and co-working. But, it is important that any office space is ‘guaranteed as clean’, certainly until a vaccine for Covid-19 is widely available,” explains van Biljon.

The de-concentration of staff densities could be one short-term result of the pandemic, so businesses may keep the same amount of office space, and have a certain percentage of staff working at safe distances in the office while others work remotely.

Aircon, fresh-air systems and openable windows could receive more emphasis. Contactless ablution entrances will be in demand. Biometrics will move backwards, but facial recognition security could become the new normal.



## Goodbye long leases, hello space as a service

Andrew Robinson 6 Jul 2020



## Operating in a virtual environment

After the Covid-19 lockdown necessitated remote working, technology and investment into IT has made many corporates realise operations can be achieved in a virtual environment - to a certain extent - especially in the case of quiet and productive tasks. Benefits realised in this environment include access to a larger pool of talent not bound by geographical limitations and better work/life balance for some employees. With this in mind, offices are going to become more technology-heavy, and high-speed, excellent quality internet at offices will be a big consideration as they become hubs for connectivity as well as collaboration.

Whether office interiors shift back from open-plan configuration to enclosed offices, there will definitely be a response in the types of office furniture and configurations. "We expect to see exciting new office furniture designs for flexibility and easy reconfiguration for different functions. Flexible office space in shopping centres, which offer many amenities for which the company doesn't have to carry the cost, could also become more popular," notes van Biljon.



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## Sector tied to SA's economic health

The health of South Africa's office property sector is tied to the country's economic health, which was already weak before the Covid-19 crisis, resulting in a roughly 11% office vacancy across SA at the start of 2020.

Bandile Zondo, head of financial sector equity research at Standard Bank Group Securities, expects cost-cutting to be a priority for the average corporate near-term. This, coupled with forecast rise in SA's unemployment to c35% by the IMF, will have a negative impact on the office sector and could see vacancies rise by 6-7% over the next 12 to 18 months. This is broadly in line with South Africa's currently expected economic contraction of some 8%.

"In an already oversupplied market, this points to sustained office property weakness in the short-to-medium term," points out Zondo, "And a recovery will in part depend on the state's willingness to implement desperately needed structural reforms and drive pro-growth policies."

Tilly emphasises that any pain in the office property sector isn't a result of changing trends in office demand. "A lack of office leasing deals is primarily because of uncertainty in the economic outlook," he says, adding, "Overdevelopment is responsible for the record-high levels of supply in some nodes, such as Sandton and Rosebank, which is resulting in weaker rental growth prospects."

He also notes that significant leasing transactions in the listed property sector this year concluded before the pandemic,

such as Anglo American becoming the primary tenant at SA REIT Growthpoint Properties' 144 Oxford Road office building in Rosebank, are still going ahead.

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