

JLL Q1 2020 report outlines implications of Covid-19 for real estate

According to JLL's recently released *South Africa Real Estate Market Performance Q1 2020* report, most real estate sectors across the market have softened with the exception of the industrial sector, which has recorded a strong performance in Q1 2020. The report outlines the implications that Covid-19 will have on major sectors across the country.



As travel restrictions, the closing of non-essential businesses, and mass cancellations of events has significantly slowed economic activity in South Africa, traditional retail, heavy industry and the hospitality sector have been hit the hardest.

The International Monetary Fund (IMF) anticipates the effects of Covid-19 will force the global economy to contract by 3% in 2020, whilst emerging markets are expected to contract by 1%. Emerging economies are anticipated to bounce back stronger than leading economies, with GDP predicted to grow between 4% and 6% in 2021. Although Covid-19 will have significant impacts on the global economy over the short to medium term, long-term structural shifts may be less severe.



Corona crisis exerts additional pressure on already-correcting property market

John Loos 4 May 2020



Emerging markets adversely impacted

“Whilst some of the more resilient leading economies have been able to stabilise amidst the global pandemic, many emerging markets have been adversely impacted by compromised global supply chains and South Africa is no exception,” said Micheal Scott, research analyst, JLL, Sub-Saharan. “With slowed economic growth and rising debt obligations, South Africa’s debt to gross domestic product (GDP) ratio is expected to reach 70% by the end of the year, so the implications on local businesses is significant. Many are going to be forced to scale down and reduce spending.”

The industrial sector space remains strong, with year-on-year capital growth backed by low vacancy rates (3.4% national average). There is now a growing demand for warehouse and distribution space due to the significant growth in online retail sales from a relatively low base. E-commerce is expected to strengthen as consumer preference and behaviours change, with increased market penetration as a result of more accessible and affordable technologies.



Newly formed property council to tackle impact of Covid-19

23 Apr 2020



Dampened office sector

South Africa has seen a dampened office sector in Q1 2020 with the rise of a contracting economy coupled with rising unemployment rates while national vacancy rates are hovering around the 10% to 11% mark. Rising operational costs, improved networking capabilities, and the global outbreak of Covid-19, has seen a strong shift in focus for corporates to scale down on office space and promote satellite working establishments.

This sector will start seeing a shift from traditional office space towards flexi spaces, as businesses realise the efficiency (ease of business) and affordability benefits of co-working spaces. These trends will inevitably reduce the demand for office space in the medium to long term, driving vacancies and constraining new traditional office space development.



What to do with our big, shiny offices?

James Moffatt, Promise 17 Apr 2020



Hospitality industry hardest hit

The hospitality industry has been one of the hardest hit markets as global travel bans, physical distancing and the subsequent postponement and cancellation of events has left a void throughout the industry. Consequently, multiple hotel groups have been forced to close across South Africa. In the short to medium term, staycations will be key, whilst more focus will need to be placed on delivering niche, functional hotels.

Retail sales growth is expected to decline, as consumers continue to feel the effects of rising unemployment, reduced disposable household income levels, rising inflation and a depreciating currency. E-commerce growth in South Africa will contribute to the reduced demand for traditional “super regional malls”, whilst community and neighbourhood convenience centres, as well as user experience-driven facilities will become increasingly popular.

Read the full JLL *South Africa Real Estate Market Performance Q1 2020* report [here](#).