

Impact of remote working, changing office market could be far-reaching

 By [John Loos](#)

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Ever since the Covid-19 hard lockdowns began in all seriousness across the world earlier this year, the world has been abuzz with talk of how the crisis has changed the world, and at the centre of much of the debate has the sudden forced move to working from home for many office employees, and the rapid and successful adaptation to online interactions with colleagues, clients and business partners, online events and webinars, and more.

Various employee surveys appear to confirm the popularity of remote working amongst many services sector employees, saving them costs and time on daily commuting.

Some concerns have been flagged, with some pointing to human relationships between fellow employees perhaps “going a step backwards” due to a lack of “same location” interaction, but even many people harbouring some of those concerns often agree that while there may be a need for some time at the office, the amount of time could be significantly reduced.

Nevertheless, while remote working will not be without flaws, the office work force in large parts of the world has become far more capable to work remotely over this crisis period, increasingly enabled by the systems and platforms that support remote work.

But the Covid-19 lockdowns have probably given the scale of working from home a massive boost for another reason over and above forcing people into getting used to it. The lockdowns have also contributed to a very deep recession, putting significant financial pressure on many businesses across the world. Many CFOs will thus likely be eyeing out cost-cutting opportunities, and reducing the amount of costly office space owned or leased by their companies would surely be one such potential opportunity.

The recently released KPMG CEO Outlook, the results of a CEO survey of 315 global corporate CEOs (including 100 in the US) points to a widespread desire to scale back on office space. Besides a widespread acceleration of digital investments, a major 68% indicated that they plan to downscale their companies’ office space.

Besides the cost reduction aspect, 72% of the CEOs saw benefit from remote working in terms of widening their talent pool. And why wouldn’t it? Many of us have considered a new job prospect in part based on where the job is located, commuting time in South Africa’s increasingly (until recently, at least) congested cities more-and-more an issue.

It is thus realistic to expect that following the relative success of this forced remote working “experiment” across the world, a greater portion of the office worker population of the economy will find themselves working from home either full time or part time.

This has potentially major implications not only for office property landlords, already faced with significant vacancy rates, but also for the likes of residential developers and urban planners, as many households’ location and lifestyle decisions change. But it will be unknown territory for the property industry for some time, and there will be a lot of feeling the way forward.

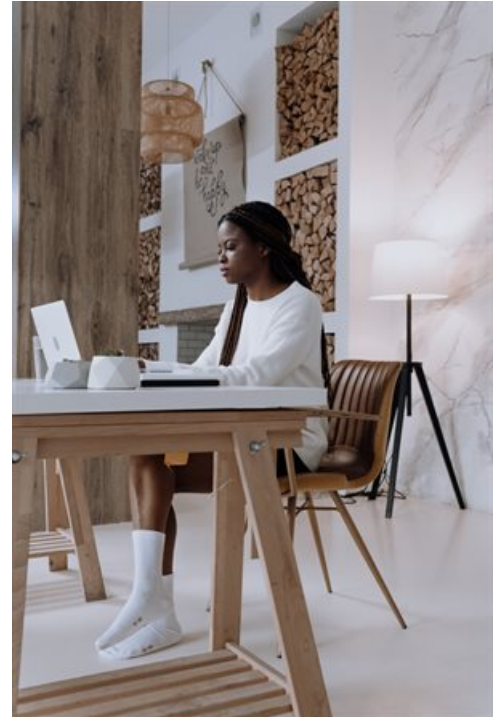


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How fast and what magnitude?

The first big question regards the timing and magnitude of the potential move to get a greater portion of the office workforce operating either full-time or part-time from home. Certainly, due to the lockdown, many corporates have rapidly scaled up their remote working capabilities. But for many, the offices and their costly infrastructure are still standing fully functional and ready for their inhabitants to return, albeit in smaller numbers in some cases due to social distancing measures within the buildings. At what speed does the amount of office space get scaled down then? That may well be influenced in part by when leases expire or when an alternative use is found for a building in some cases.

And, of course we have yet to ascertain to what extent management is comfortable with staff working remotely from a simple control and working relationships point of view. It is one thing to try and take a positive view on something when you have no choice (i.e. management have been forced to accept remote work for the time being whether or not they like it), but it is a different matter when you do have the choice. When the Covid-19 crisis is completely past, and offices fully “open” again, then we will see to what extent old management habits have changed or not.

In short, the pace and magnitude of the remote work drive is a major unknown for the property industry, and the challenge is not to over- or under-expect on this change.



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How far away from the office will households be prepared to live?

If one needs to commute to the office far less frequently, the distance of the trip from home to office becomes less of an issue in deciding where to work or where to live. On average, one would expect many households to be prepared to live somewhat further away than previously the case, should they in future be required to travel to the office or to business meetings less frequently compared to previously having to do the trip almost daily.

This comfort with living further from their official place of work would be enhanced should a greater level of remote working ease the traffic congestion in cities too.

But again, this will all depend on the speed and magnitude of a potential future remote working trend.



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Will there be a big city exodus?

Again, one has to guard against over-expecting on the magnitude of any increased pace of relocation to the country towns

or popular semigration destinations on the other end of the country from peoples' work headquarters. The weak economy has placed significant financial constraints on many households.

The weekly commuting option by plane for some from the likes of Cape Town or Durban to Gauteng for instance, could conceivably increase in popularity should it be possible for many such weekly commuters to make the trip to headquarters less frequently, perhaps only once every few weeks for important business interactions.

But weekly commuting by aircraft is and will remain for the affluent few. It remains costly. In addition, for many corporate employees there will likely still be sudden unexpected in-person interactions or client/site visits that crop up, and in such cases being a two-hour flight away is often impractical.

Therefore, where I would expect more of an impact of remote work over time is within a big city itself, more households over time living on average further from their office but still within the same city or metro region.

And I would extend this to include a noticeable increase in popularity of living in surrounding towns perhaps a two-hour drive from the office but not a two-hour flight away. For Gauteng commuters, Potchefstroom springs to mind as one example, a sizeable town with amenities such as retail, schools, a university and medical facilities that many working households would want, and around an hour-and-a-half drive away from Joburg.

But there is one further factor to consider when formulating one's expectations on this. Household desire to leave the city for quieter and less congested towns depends on cities remaining as they are. But if the remote work experiment is a rousing success, and goes far to alleviating the dreaded congestion on the roads over time, and our daily involvement therein, then perhaps city suburban living will be more appealing after all. So nothing is cut and dried.



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Has space become more important for households? In what ways could space have become more important?

Firstly, lockdown can't have been nearly as pleasant for those households living in apartments or small cluster houses as it was for those with free standing full title homes with gardens. Does the memory of lockdown lead to a longer term desire by many to move to a more spacious premises? Possibly, but only time will tell.

Secondly, and strongly linked to remote work, is the likelihood that many of us may spend far more time in our homes in future, if remote working takes off as many expect. No longer will the home be a mere place to spend a few "off duty" hours, but a far greater portion of our waking hours too. The home then becomes far more important to our quality of life, and for many who have the financial means, a more spacious home with suitable workspace may become a priority.

It would also appear that as we emerge from hard lockdown and Covid-19 pandemic fears, a portion of households across the world is focusing more on health and well-being, which includes exercise and the outdoors. Bicycle shops and manufacturers the world over have been pointing to a major bike sales boom during and after lockdown, partly to avoid using public transport in developed countries, but seemingly also for recreational purposes. Should this trend last, it points to a greater value placed on safe and well-kept open public recreational spaces and roads.

For those who can afford it, this may point to some renewed popularity in larger homes and homes located near to such safe outdoor recreational amenities.

But what then of high-density living near to major business nodes?

A further question stems from whether there are any potential “losers” from any future remote working trend? The obvious one at risk is office property, with a likely drop in demand for such space, and office landlords will be required to “get creative” with their buildings. Inner cities have perhaps shown us a way, with significant repurposing of unused office space into high density (often affordable) residential property.

However, in tandem with the question around office space, we would need to ask the same question regarding high density residential property in close proximity to major office nodes.

One of the key selling points for especially higher end high-density residential living is being close to place of work and avoiding a lengthy daily commute through heavy traffic.

So if there is far less daily commuting, less people physically working in major office nodes, and less traffic congestion, how does this impact on the popularity of, and demand for, high-density residential living?

My guess is that more affordable residential living units will remain in demand, but I’m less sure of higher end high-density living. Does a portion of its demand shift to more spacious homes in the more far flung suburbs with their relative spaciousness?

The property development sector will likely have to grapple with this question too.



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And hospitality and conferencing property?

There is also the question as to the future performance of the hotel and conferencing property sector. Remote work not only has the potential to reduce the demand for office space. The effective use of video meeting/conferencing technology for daily meetings as well as online events also places a portion of the need for regular business travel at risk. While I wouldn’t see corporate business travel being totally abolished, a sizeable portion of travel and events budgets could be expected to be cut away in what is a tough economic and financial period, aided by the success of the forced video conferencing and events “experiment”.

Therefore, while I would ultimately expect leisure tourism demand for the hospitality sector’s services to return (albeit battling a bit in the near term due to lingering Covid-19 concerns and tight household finances), a significant portion of business travel and events may not return that easily.

This places some potential challenges on hoteliers and conferencing facilities.

Once again, though, much depends on the extent to which company employees and managers have truly embraced the online meeting, conferencing and webinar services available, or have they merely embraced it temporarily until the Covid-19 crisis is past?

Finally, do many company offices de-centralise further too?

Companies have in the past often considered their head office locations based on what suits management, clients or staff. Questions such as where management prefers to live, or is there good transport infrastructure to and from work for their staff have likely often been asked.

Central business districts and major de-centralised nodes have typically been the places around which transport planners

have planned and rolled out infrastructure. These nodes have thus attracted businesses in greater numbers, while the need to be physically close to associated businesses and clients also led to companies conglomerating around major nodes. If far more business activity takes place remotely, does this lead to increased de-centralisation of companies too, not only to city decentralised nodes but even to smaller towns for lifestyle purposes? The potential exists for well-run municipalities and “lifestyle” towns to actually compete for a portion of this business.

Conclusion

The widely anticipated longer term remote working drive has potentially far reaching implications for the property market, not only for office but other property sectors too.

In the near term, though, there will be more questions than answers surrounding this potential trend. While many corporate CEOs appear to be planning for greater levels of remote work, as yet the pace and magnitude of the remote working trend is difficult to gauge.

While many companies may have embraced remote work because they were forced to, the true extent of this enthusiasm from management teams and employees alike will only become clear once the Covid-19 crisis has passed and office buildings are 100% open once more, i.e. when people are free to choose.

Nevertheless, significant enthusiasm for the concept should be expected, given the success of the lockdown remote working “experiment”, and asking the relevant questions as to its impacts is thus important.

These questions include:

- What will be the pace and magnitude of any trend towards remote work, with much office space and infrastructure still in place for the time being?
- In a scenario of less frequent commuting to and from the office, and possibly less traffic congestion too, how far away from their official place of work will households be prepared to live in future? This has potential benefits for more far-flung suburban property markets.
- Will there be a big city exodus? Let's not get too carried away, but it is likely that living in smaller towns outside of major metros may increase in popularity, as might long distance commuting by plane for an affluent few.
- Has space become more important for households? The building trend in recent decades has been towards smaller average size of units, smaller average stand sizes, and increased sectional title properties. Does this trend slow as a portion of households with the financial means look for larger and more spacious homes with appropriate work space? It makes sense if you're spending far more time at home.
- And what about high density living near major business nodes? Does that lose its popularity if less people work in those nodes, at a time when office owners might be looking for potential building repurposing opportunities?
- If business travel and physical company events are also set to decline, due to the success of operating online, what does this mean for the corporate-driven hotel and conference venue demand and those property markets?
- Finally, do company offices de-centralise further, with smaller cities and towns potentially picking up a greater chunk of what office “pie” is left?

At the moment there are more questions than answers, but the potential remote working drive could have significant implications for various property markets, and these are some of the possible themes.

ABOUT JOHN LOOS

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