

Navigating the evolution in commercial real estate: Strategies for safeguarding your portfolio

The landscape of work has undergone a profound transformation in recent years, as both employers and employees increasingly embrace the benefits of hybrid work models and proximity to home. This shift has prompted a reevaluation of traditional office settings, sparking a revolution in the real estate sector.



Source: Supplied.

As IWG's global partnership development director Steve Holloway explains in this [white paper](#): "Both employers and employees came to appreciate the opportunities of working closer to where they lived, and that has fundamentally shifted how people and organisations want to use office space in the future."

By 2030, global commercial real estate company JLL predicts that 30% of all commercial properties will be flexible workspaces. For building owners, property investors, and landlords, it pays to be prepared – or risk falling behind in a rapidly evolving market.

Real estate revolution

With businesses increasingly giving up their traditional headquarters in favour of more flexible workspaces, it's no surprise that companies have already begun cutting down on their real estate portfolios.

Energy giant BP, for example, is working on a plan to radically reduce its working spaces while also introducing hybrid working. It recently sold its London headquarters to a Hong Kong investment fund and will lease it back for up to two years before moving out for good.

Reflecting this trend, 50% of chief financial officers have already opted for short-term leases or shared workspaces, while 39% are considering moving exclusively to shared spaces. And employees are all for it: IWG's 2023 trends forecast predicted that "At some point during the next five years, the proportion of professional employees embracing the hybrid model will pass 50%."

To meet the growing demand for flexible workspaces, IWG is looking to expand its network by 1,000 locations in the next 12 months.

But not everyone in the real estate sector is as prepared; those that aren't may find themselves under pressure as the picture evolves. In April 2023, a Morgan Stanley analyst warned that rising vacancy rates and falling property values could lead to 'something worse than the Great Financial Crisis for commercial real estate'.

Meanwhile, *The Guardian* reports that higher interest rates and lending cuts could put more pressure on the commercial property sector. Even Elon Musk has voiced his concern, warning that defaults on mortgages and commercial loans could end up costing banks.

Opportunity

However, amidst these challenges, the real estate revolution is already presenting huge opportunities for property owners and investors to capitalise on this trend and enter the market. So where do those opportunities lie?

The answer is in the suburbs. While businesses are downsizing in city centres – highlighted by the fact that vacant office space in South Africa's main business hubs is higher than before the pandemic – more are looking for a network of out-of-town workspaces closer to employees' homes. There's growing interest in the 15-minute city – one in which a resident has everything they need within a 15-minute radius – and flexspaces are a key part of this.

The 2022 IWG CFO survey, for example, found that 39% of chief financial officers are considering moving entirely to shared offices, and half say they've signed up for short-term leases or shared workspaces.

A major reason for this is to keep up with employee expectations. IWG research shows that workers are happier, healthier and more productive when they split their time between working close to home and company headquarters. That's good for employees and employers alike, and real estate owners who can facilitate it have much to gain.

Not only that, but hybrid is good for a business's bottom line. IWG's CFO survey showed that Cisco has saved \$500m in the past five years since shifting to a hybrid model. Analysis by Global Workplace Analytics estimates that a typical employer can save over R200,000 every year for every person who works remotely half the time, which quickly multiplies for businesses with numerous employees.

By partnering with IWG, property owners can not only tap into this profitable market but also future-proof their portfolios, gain access to millions of customers who use IWG's products and services every day, and ultimately drive superior returns on their investments.

IWG continues to sign record-breaking numbers of partnership agreements with building owners around the world to turn empty building space into profitable income-generating flexible workspaces.

For more, visit: <https://www.bizcommunity.com>