

Flexibility to remain the norm in 2021, but offices still the more popular option

CEO of Galetti Corporate Real Estate John Jack looks at upcoming trends within the changing landscape of corporate real estate. He predicts that while flexible work arrangements will remain the norm for some of 2021, this will turn around towards mid-year with major corporates driving the movement back to 'business as usual'.



John Jack, CEO of Galetti Corporate Real Estate

Predicted CRE trends for 2021

A recent survey by Global Views, comprising 555 respondents in the commercial sector, indicates four major trends that are expected to emerge in 2021:

Flexible office footprints (97% of respondents predicted)

Large corporate tenants globally will aim for a portion of flexible office space as a result of the pandemic. "This will allow companies to act more nimbly and adjust quickly to maximise benefits and cut down on costs," says Jack.

Flexible lease contracts will become the new normal (66% of respondents predicted)

"As a result of the current climate, lease provisions and conditions are changing," says Jack. "We are seeing a rise in short-term leases presenting greater risk for landlords, which may be adjusted with higher rentals for shorter terms."

Co-working facilities (60% of respondents predicted)

Co-working spaces are set to be utilised by more large companies as a way to solve some of the challenges brought about by remote working – these spaces allow employees to work more flexibly, while providing access to a professional work environment with technical amenities. "Other benefits include improved productivity, a social and collaborative atmosphere, and cost-effectiveness," says Jack,

Long-term lease contracts will remain normal (41% of respondents predicted)

"While 2020 was the year of hard decisions, the benefits accruing to the landlord of long-term leases cannot be disputed. We do, however, anticipate that South Africa will lag behind the curve," Jack explains. "While short-term rentals in the commercial space are popular at present, they present greater risks for landlords and investors who are looking for income security in the long-term."

Additional expected trends in 2021 include:

Subletting of commercial real estate

"With offices currently at around 50% capacity, which is set to continue for the foreseeable future, and companies having to downsize, subletting is a viable option to affordably and practically put unused space to good use," says Jack.

Prioritising worker safety

“We have to keep in mind that these are unprecedented times, and that the safety of workers must come first. Communication with workers is essential to assess what is working and what isn’t, and any changes made to the working environment, whether it be working remotely from home, from coworking spaces or in the office, should prioritise the health and safety of employees,” says Jack.

What will become of unused commercial spaces?

Major pressure is on landlords to fill buildings which are currently going partially or completely unused due to Covid-19 precautions. “We’re currently weathering a storm, so while things will change in the long-term, right now there are a few options that landlords with vacant buildings can consider to improve their cashflow and generate yields. Besides the option to sub-let, landlords may want to consider creating collaboration spaces for coworking, at the very least viewing office space as a service,” advises Jack. This allows multiple teams or individuals to utilise the working space at different times.

“Another option is to reinvent the space, and look towards mixed-use developments comprising residential, commercial and retail spaces. These unprecedented times require adaptability and flexibility to survive,” Jack adds.

Will working remotely hamper productivity in 2021?

According to a recent series of surveys held by Galetti Corporate Real Estate, 76% of respondents don’t believe office space will become obsolete, with only 42% saying their companies have evolved to cater to a remote working setup. It was also revealed that 85% of respondents felt they had lost their work-life balance as a result of working remotely, with 83% saying they look forward to returning to the office.

Jack says, “While working remotely means a relocation away from former workspaces, it does not mean that the office will become obsolete.”

The results of the surveys reveal that people generally would still prefer to work in offices, rather than remotely, and suggest that we can expect a return to work for most of the population in the near future. In this regard, South Africa differs from trends in other countries such as the UK, where the majority of employees believe remote working will continue post-lockdown, and say they are working more productively outside of the office, according to a report by property technology firm Equiem.

However, the report also revealed that sub-optimal conditions and the lack of social interactions were among the main concerns raised by respondents working from home.

While some workers have access to a quiet environment and the technical resources required to work from home, it is important to remember that South Africans face unequal access to technical equipment and the connectivity needed to get online, which may inhibit productivity during remote work, says Jack.

“With this in mind, it is expected that productivity may be hampered as a result of working remotely, if employees are expected to work from home. There is the expectation that offices will ultimately remain the more popular option, with compromises to be made between employers and employees.”