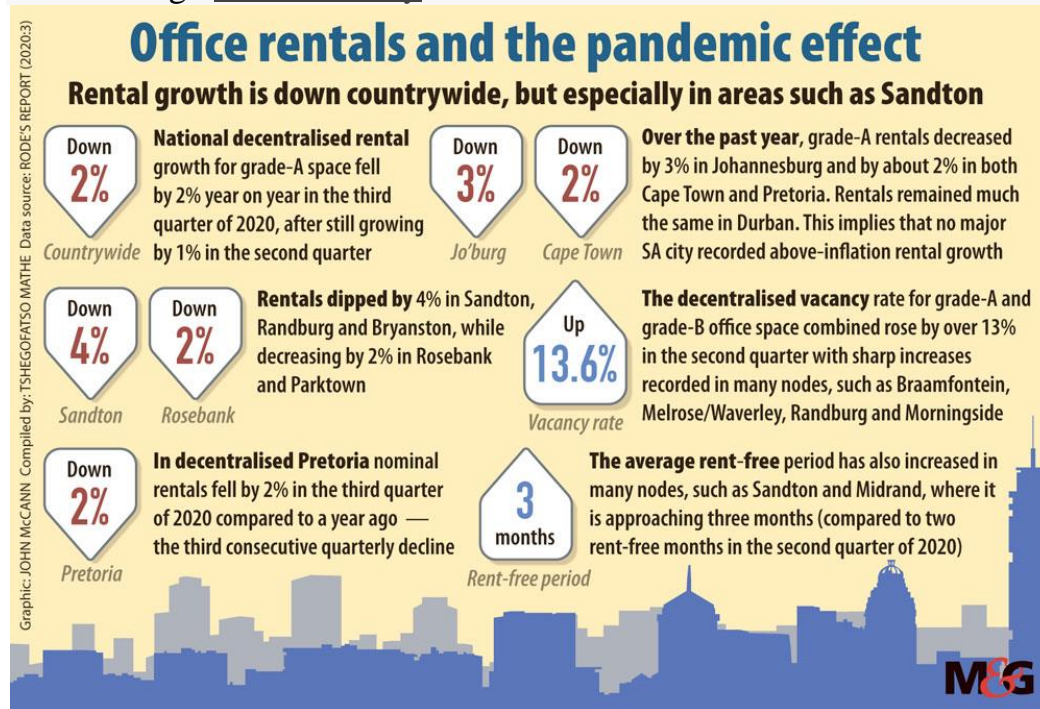


The end of the office as we know it?

19 hours ago [Amahle Pillay](#)



Remote working, especially in white-collar jobs, has resulted in many offices across the country lying empty, devoid of employees who have been asked to work from home. The remote-working trend initially formed a part of the [government's lockdown strategy](#) to curb the spread of Covid-19.

It has, however, continued to push down demand for office space in the country, with two property reports showing that the rate of vacancy in commercial property is expected to increase shortly. Beyond this, the country's [low economic growth](#), which has resulted in a jobs bloodbath, has also exacerbated the downward trend in demand for office space.

FNB's Commercial Property Finance 2021 Property Market Outlook report is forecasting that commercial property values will decline by 7% this year and it projects a further decrease of 9% in 2021. This decline is compounded by the negative economic growth of the country, as low levels of gross domestic product (GDP) have pushed demand for property down.

According to the South African Reserve Bank, the country's economy is expected to shrink by 8% this year. The bank said this downward trend in economic growth would likely speed up the increase in all property vacancy rates in the coming years.

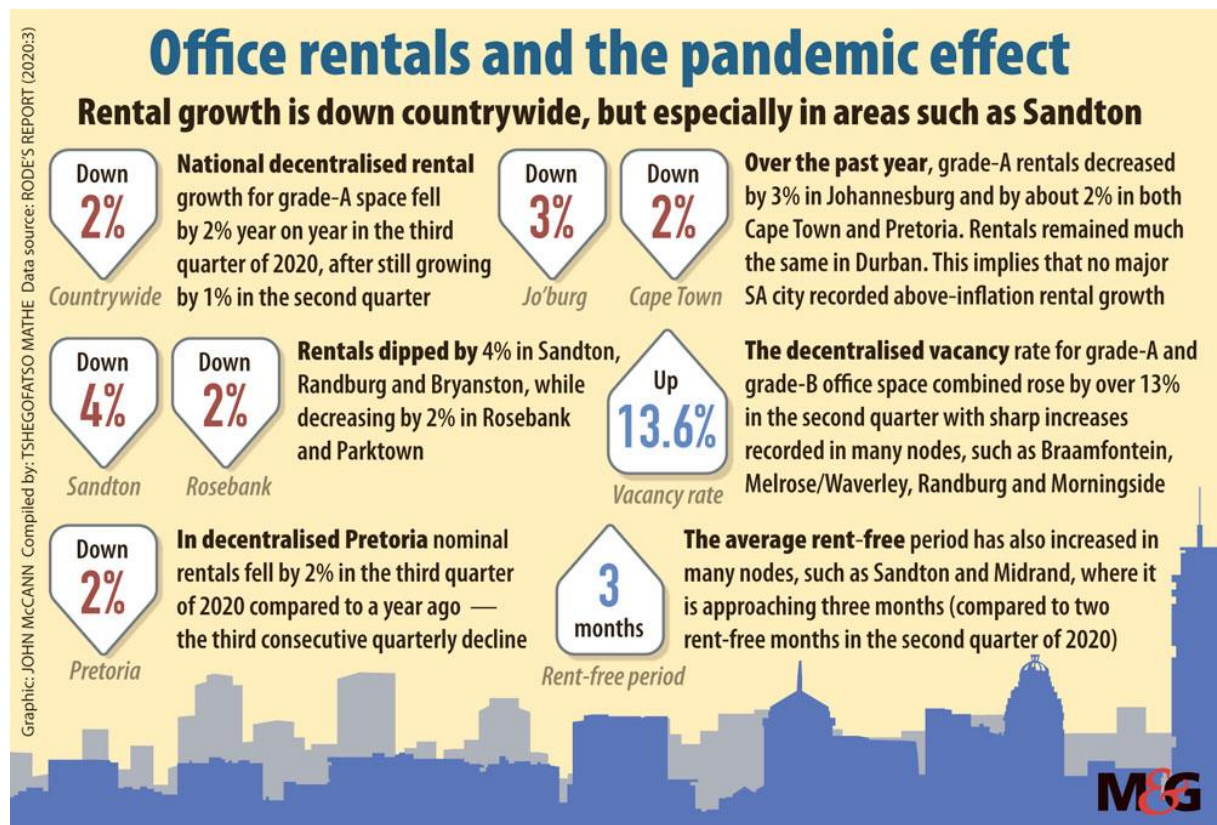
FNB's property outlook report said that "we expect the overhang from the shock of the second quarter lockdowns on the economy to permeate the property market in 2021".

In this specific quarter, [GDP](#) fell by an annualised rate of 51%.

Adding to an already bleak picture of demand for commercial property, Rode & Associates' real estate companies report, the [Rode's Report on the South African Property Market](#), found that in the third quarter of this year, vacancy rates are hitting highs last seen in 2003 due to weak demand.

It added that the office market is in "serious trouble" and it has also fallen at this rate because of the country's recessionary economic conditions since the third quarter of 2019.

According to Rode & Associates, market rentals for grade A office space in the third quarter of 2020 decreased by 2% compared to a year ago. This is after it increased by 1% in the second quarter of 2020.



"This was the first time rentals have decreased on a year-on-year basis since early 2010", the report said.

Furthermore, the report also revealed that the percentage of office tenants with accounts in good standing fell from 75% in March to a low of 59% by May, before recovering to 67% in July.

Though President Cyril Ramaphosa [announced his economic restructuring plan](#) last month, which is expected to boost economic growth, there are still debates about whether people will go back to the office in a permanent way.

This is compounded by companies such as Shoprite and Capitec, which have previously said that they have seen an increase in productivity since their employees started working from home.

Business Insider [reported that Capitec](#) had seen a decline in its employees asking for sick days, especially among call centre workers.

While working from the office is not prohibited, as long as the company follows Covid-19 health protocols, some companies have chosen to let their employees continue to work remotely.

John Loos, FNB's property strategist, said 2021 may start to provide greater clarity on the impact of the "Zoom boom or work-from-home trend. Office space already has high vacancy rates and requires some thought around repurposing."

"Office space repurposing into high-density residential property on the affordable end has been tried and tested in the CBDs", said Loos.

But he said that FNB did not expect the remote working trend to accelerate rapidly, with many corporates still holding onto their offices and keeping office infrastructure in place for the time being.

However, it does look as if companies are moving away from pricey rentals in Rosebank and Sandton.

Anton Jaffe, commercial director for OPH Properties, which mainly operates in the Johannesburg CBD, said that he had seen an increase in commercial rentals in this area.

He said this was different to other suburban areas, where most employees were still working from home. OPH Properties' clients in the CBD were still occupying their office space.

"Our market is different. Our client wants to see their staff," said Jaffe.

He said OPH Properties had small and medium enterprises in its premises, as well as consulting firms, financial services companies and government departments. He said many people were still looking for space, and that it helped that OPH has small offices that were affordable, especially for startups.

Estelle Meiring, a director at Paragon Architects, said the emphasis of office space in the future would shift away from "a place to sit and work to a place to communicate, collaborate and build company culture."

She said that the need for human interaction would keep the office alive, albeit in a different setting than we know now.

Meiring added that although the numbers of employees in companies occupying office space would decrease, other health measures may well increase the amount of space required per employee.

Meiring expected to see a move away from open-plan layouts, with wider corridors and doorways, more partitions between departments and more staircases.

Furniture may change too — office desks have shrunk over the years, from 1.8m to now 1.4m and less, but this might reverse again as people needed to sit further apart, she said.

Helen Kruger, managing director at Troye, an information technology service provider, said: “I do not think the office will be shifted away completely. I do believe that it will reduce in size.”

Kruger said she had been contemplating whether she needed an office space for her employees, adding that it had become tricky to justify the need for office space. However, she still felt the need for some form of “corporate presence”.

She said her team had to be able to get together and collaborate on the projects they were working on together.

However, she does contemplate downsizing their office space.

She mentioned there were other costs involved in having employees work from home while keeping office space. Kruger said some businesses incurred extra costs when their employees work from home, such as printers and work cellphones, while they are also paying rent.

If businesses were to get rid of their offices completely, she conceded, this would drive down costs.

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