HOMEFRONT

PROPERTY TREND

Rethinking work and living spaces

SA's innovative residential and commercial developers are repurposing office buildings to create smaller rental opportunities. HomeFront investigates

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atistics in the first PayProp Rental Index for 2020 (in March this year, just over 20% of tenants were in arrears, increasing to almost 24% in April) make it clear the commercial property sector was already under pressure before the Covid-19 pandemic.

Lansdowne Property Group CEO Jonathan Crowler says the Sandton CBD had office space vacancies for months before the lockdown. And with businesses unable to earn an income for three months, subsequently having had to close their doors, pressure is mounting on commercial landlords and the entire sector as a whole.

A new remote working culture is changing the perception of needing a large, expensive office from which to run a business. FNB property analyst John Loos says companies may reduce the amount of office space they occupy after lockdown.

"This is not a trend change, though. Improved technology has been driving a greater remote working trend for some years. Covid-19 has merely sped it up," he says.

OFFICES TO LET

"The struggling economy means many companies will

get smaller and more office space will become available in a market where there already was an oversupply in some areas," says Paragon Architects director Estelle Meiring.

Some businesses unable to pay their full rental are now subletting their unused furnished office space. Crowler says this presents the opportunity to companies to hire fully furnished office space and only pay per square metre for the occupied space – a win-win scenario.

"Lansdowne is moving into new offices on August 1 and we have taken advantage of another company paying for the entire tenant installation and the cost of the furniture, and we are just paying per square metre of the space we are using," Crowler says.

SPATIAL DESIGN

The sharing of office space is another pre-existing trend that is expected to be impacted by Covid-19. Companies had begun

to introduce this concept to save on overheads by the time the pandemic hit, but Lew Geffen Sotheby's International Real Estate CEO Yael Geffen says with the continued need for social distancing the popularity of co-working is unlikely to last.

Meiring agrees the sharing of office space will probably be on the back foot for a while because people will prefer control over the hygiene of their work area now.

However, offices will not disappear completely. Meiring says one of the reasons some people are returning to work in an office is the energy, creativity and knowledge share that comes from collaborating in one space. In future, clever design in office furniture and spatial planning may encourage this collaboration yet accommodate the need for social distancing.

She expects that many coworking spaces will rework the planning of open areas to improve ventilation or even include outdoor facilities in gardens and on patios.

One trend that is sure to experience a reversal is densification to save on costs. "According to most predictions, the Covid-19 outbreak is only one of several pandemics to come. Therefore the spread of pathogens in office spaces is a concern that will need to be addressed. Reducing densities is the first and obvious step to do this," says Meiring.

HOUSING NEED

We can also expect that office buildings will be repurposed into residential units, says



Melrose Arch's mixed-use precinct gets full marks for location, accessibility and convenience



Meiring, as there is still a shortage of affordable residential space in SA. "Not all building layouts lend themselves to conversion, but where it is possible this could prove a more cost-effective option compared with newbuild developments."

A good proposition for a developer-buyer could be an office building with above-ground parking levels. Apartments typically require fewer parking spaces, so some or all of the parking levels could be converted into residential units.

Crowler says several companies are taking advantage of the oversupply of empty commercial spaces. These are bought at reduced prices and rezoned as residential rental properties. "The demand for affordable residential rental properties, particularly in the R5,000 to R7,000 range, is very high at the moment," he says.

Rezoning can take up to 18 months, so there are holding costs to consider while waiting for the process to be finalised. Africrest Properties is one of the companies perfecting this approach with great success in areas such as Randburg.

MIXED-USE DEMAND

There has been a growing

interest in owning or renting homes in security estates that offer access to good schools, shopping and recreational facilities.

Amdec Property Developments MD Guy Gordon believes rental demand within the mixeduse sector will only pick up in the current climate.

"The Covid-19 crisis has emphasised the importance of location, accessibility and convenience in the investment equation, coupled with the need for professionally managed properties where safety, security and hygiene are paramount," he says.

Gordon says the Melrose Arch mixed-use precinct in Johannesburg is a good example of such a development. During the lockdown, residents here enjoyed being able to exercise within an accesscontrolled, fully secure, sanitised environment.

Crowler agrees. "People are going to want to live, work, exercise and socialise in large lifestyle-based

developments," he says. The property sales figures for the past few months underscore these sentiments. Munyaka Lifestyle Estate, a R9bn development in Waterfall

by Balwin Properties, is a case in point. "Just before lockdown, Balwin sold more than 530 apartments to the value of more than R780m over the launch weekend," says Crowler. "This is an unbelievable achievement for any developer."

Considering global predictions that the viral threat will continue in coming years, increased demand for safety and hygiene measures in new

residential projects is a given. According to Gordon, investors will be attracted to multi-use developments where appropriate physical distancing, sanitisation and non-touch technologies have been incorporated as standard features.

At One on Whiteley in Melrose Arch and Amdec Group's Harbour Arch development, currently under construction in Cape Town, contactless palm swipe technology to operate doors and access-controlled areas, self-cleaning elevators and facial and number plate

recognition are on the cards. Gordon argues that such additions are indispensable in ensuring the safety of residents and something investors need to be cognisant of before signing on the dotted line.

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