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Working from Home and the Digital Workplace

INDUSTRY
INSIGHTS

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Introduction

In a non-COVID world, working remotely from the office was relatively unheard of, however the year 2020 saw tens of millions of people working from home full-time as it not only became a necessity to protect people from being exposed and/or spreading COVID-19, but was due to national lockdowns, self-imposed isolations and quarantines. The adjustment became a novelty at first as working professionals had to designate working spaces and/or dual-purpose their dining room table, all while finding the balance between work and home life.

Now that over 4.5 billion vaccine doses have been administered worldwide, lockdown restrictions have eased and life as we once knew it, is resuming as working professionals are returning to the workplace. However, after over 18 months of working from home full-time to a combination of rotating work schedules, a hybrid working

trend has, and is, becoming a focal point for many companies and individuals.

These observations and others that arose during 2020 and to date have made companies re-evaluate their business models and operations. The question is: do they revert back to the traditional office like it was pre-2020? Or do they operate a hybrid model? While most people feel that COVID-19 is set to have a permanent impact on the real estate industry and the office market, exactly what the impact is, is yet to be seen. This month's Industry Insights, in collaboration with Broll Occupier Services, an affiliate of Cushman and Wakefield, will explore how organisations worldwide have or will adapt to the workplace and embrace the new culture of remote working and traditional in-office operations.

South Africa

South Africa is currently exiting its third wave of COVID-19 infections and in conjunction has been rolling out their vaccination programme – over 6.8 million people been fully vaccinated and/or received their first dose which only accounts for 4.4% and 9.5% of the country's populations respectively as of 28 July 2021.

According to the Google Mobility Report, the average South African's movements¹ to their workplace had declined by 41% while there was a 27% increase for residential movements when compared to the baseline², which indicates that there is still a large percentage of people still working remotely and not necessarily from home.

The report further provides details on people's movements per province, where KwaZulu-Natal's mobility between places particularly, indicates that majority of people remain working remotely and/or those that remain at home due to job loss are a result of the pandemic's snowball effect, as the 30.5% (Q1 2021) unemployment rate for the province increased by 3.6% year-on-year (y-o-y).

Despite the increasing unemployment rate, there are a large number of companies locally and internationally that have not been able to have their entire workforce back at their offices which could be due to the size of the workforce and the large scale of compliance and co-ordination that is required to have employees in a safe working environment.

Mobility between the workplace and home



It has been reported that some corporates will only allow employees to return to the workplace once they have been vaccinated, which is another in-depth discussion, however the rollout of the vaccine is a key driver to enable these larger companies to resume business and more importantly access what level of hybrid working is most appropriate for their particular organisation.

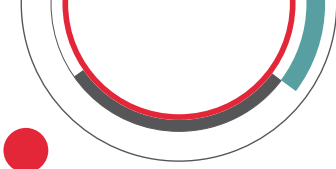
According to a Hubstaff survey, 58.25% of companies plan to combine in-office and remote work in the future of which only 15.5% intend to operate a full-time in-office model. In a post-pandemic world, a hybrid virtual model allows for some employees to work on-site while others work remotely has shown added benefits, such as but not limited to:

- Increased productivity for individuals,
- Lower costs,
- Greater access to talent
- More individual flexibility,
- Less commute stress,
- Money savings; and/or
- Positive environmental impact.

¹ Percentage figure as of the 27th of July 2021

² Meridian value recorded between 3 January and 6 February 2020.





From an employee perspective, having been working from home, they have become accustomed to this routine and working environment that they too are demanding the freedom and/or flexibility to work from home or anywhere they choose.

There is no doubt that the traditional office space and environment provides a unique function, a sense of belonging, nurturing company culture and strengthens company values. Which is why pre-COVID many corporates had gone through consolidating their multiple sub-offices into one large glazed building in main CBDs, to not only save costs but to have a head office and staff governed by this monument. The pandemic has now made corporates realise that they might need to decentralise their head office by creating smaller and perhaps temporary nodal office hubs as this caters for employees to work closer to home, team meetings and training sessions, while head office remains the central hub for invention, innovation, and physical collaboration.

In addition, the pandemic has forced many companies to end their lease agreements prematurely and/or negotiate for more favourable lease terms, nonetheless the pandemic has resulted in the highest vacancy rates in history. However, on the upside, the resultant influx of stock and driving down of rentals, has meant that the office sector has become more attractive and accessible to smaller businesses, whom previously may not have been able to afford it.

Serviced offices have remained stable and in some cases have become more attractive for corporates seeking favourable rental conditions which act as temporary satellite offices, especially for employees and team meetings that require the infrastructure that physical premises have to offer. Furthermore, new office developments may only pick up once demand for office space resumes. While mixed-use developments may need to reconsider the ratio of office and residential space, they may also need to add and/or increase working space within residential property.

United States of America ●●●●

Before the pandemic, only 5% of Americans worked from home. At the beginning of the pandemic, Google, the American multinational technology company, reported back in April 2020 that it had withdrawn from nearly 2 million square feet of deals in the real estate market in the San Francisco Bay Area. This trend continued throughout 2020 with REI, the American retail and outdoor recreation services corporation, putting its newly constructed headquarters in Washington up for sale in August 2020, without even taking occupancy. The shift to WFH had many believing the real estate market would be negatively impacted with predictions of a collapse in cities like Manhattan and New York.

However, over a year later, reports have started surfacing that many companies in the United States of America that were re-evaluating their offices and looking to downsize are now rethinking these plans. Only 9% (down from 39% in September 2020) of large USA corporations are looking to downsize their office space with many taking a more precautionary wait and decide their approach as the WFH model starts to reveal some flaws. It is expected that close to 20% of the entire American workforce will continue to work from home permanently.

Many companies feel that even though employees want flexibility and to continue to work from home, the hybrid model, which combines both WFH and the office is in fact looking more promising with companies such as Microsoft and Amazon, already implementing the hybrid model. And with most companies anticipating employees spending close to half their time in the office, a decline in office space is actually unlikely with companies having to rather re-evaluate layouts and workplace health and safety measures, to accommodate social distancing protocols.



UK and Europe

Similar to that of other countries throughout the world, the likelihood of the populous of Britain and Europe returning to the office in the same numbers as prior to COVID-19, is highly unlikely. However, even though the majority of the UK populous wish to continue working from home and feel just as productive as at the office, 53% of employees surveyed by Boston Consulting Group stated that they would prefer the hybrid model going forward.

While COVID-19 has altered the way in which people are currently working, half of the staff surveyed by Morgan Stanley in 5 different European countries (UK, France, Germany, Spain and Italy) stated that they only wished to

work from home for part of the working week. Deloitte's, the multinational professional service network, are said to be embracing the new flexible working model for its offices in London, UK, allowing employees to decide if and when they will be coming into the office. The company will not be announcing any set number of days required to be at the office but rather allow employees to decide how best to "balance their professional and personal responsibilities". With large corporations like these embracing the WFH and Hybrid models, occupiers are going to be looking for more flexible, scalable solutions for their office space, having it work hard for their ever changing needs and requirements.





Conclusion

As many in the workforce have become accustomed to being able to work anywhere and maintain similar levels of productivity, these remote workers become digital nomads, however they can lose touch with their company culture. It is imperative that there is a balance between the virtual workplace and on-site office environment. The office space is no longer the facility that holds employees when at work, the place of work has changed to a service. The workplace is a holistic solution with integrated technology, furniture, infrastructure facilities to provide a productive place of work. It is recommended that the place of work should be equal to the comforts of home working whilst providing a holistic place of physical safety and collaboration. Vaccinated or not, the onus is for corporates to provide a safe and compliant office environment for all when they eventually return to the office, whether it be in a hybrid model or full-time traditional model.

It has been witnessed and predicted that the Occupier market will tend toward a hybridized working model, neither defined by work-from-the-office, nor work-from-home; but rather work from where is most appropriate. Across the broad landscape of occupier business types, each have a different and distinct need for working space.

Some have found their teams to be more functional in flexible spaces (or home!), whilst others have specific security or confidentiality requirements, and opt for more secluded spaces that are not their traditional offices. Larger occupiers, employ a cross section of the market and require multiple options of non-traditional office spaces.

Interestingly enough, there seems to be a common message that despite being able to work capably and efficiently outside of the traditional office environment, the ability to interact within teams, is missed.

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Cushman & Wakefield have an affiliate partnership with Broll Property Group in the exclusive arrangement for the provision of occupier services in Africa, resulting in 2019's formation of Cushman & Wakefield | BROLL.

The partnership provides end-to-end corporate real estate solutions to tenants across all sectors throughout sub-Saharan Africa, combining the global real estate resources of Cushman & Wakefield with Broll Occupier Service's well-established Africa operations and market-leading track record.

We design, deliver and manage real estate solutions to help you achieve your business goals. Results are built on highly specialised real estate intelligence, a network of skilled professionals, and experience gained from years of delivering success to many of the largest corporates in Africa.

Currently Cushman & Wakefield | BROLL serve seven regional hubs across Africa with on-the-ground professionals, who integrate local knowledge with centralised processes, governance and industry-leading technologies across multiple sectors.

Whether you are looking for new office, industrial or retail space, expanding, contracting or have an upcoming lease event, contact us for:

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–

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Our services cover:

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