

Beyond the building - how precincts are rejuvenating the office space

 By Bryce O'Donnell

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In the ever-evolving property development landscape, 2024 is witnessing transformative trends that are reshaping the way professionals approach their projects.



Source: Supplied. Abcon Development managing director, Bryce O'Donnell.

From a resurgence in office-centric working to the reimagining of retail and industrial spaces, the industry is navigating a complex tapestry of influences. Abcon Developments managing director, Bryce O'Donnell delves into the key trends you can expect this year:

- **The return to the office: Beyond Covid and load shedding:** From a global perspective, employees have adapted to a post-Covid reality, with more employees returning to the office. This is for a variety of reasons, such as the need for collaboration, mentorship opportunities, promoting professional development and fostering a cohesive company culture which are all factors driving the return to physical workspaces.

What is more pertinent to the South African context is that load shedding makes it harder for employees to work in a remote environment, with added network- and connectivity issues. The unreliable power supply has led companies to reconsider working remotely, pushing for a return to the office where power is consistent with sufficient network coverage.

- **Premium office spaces: The rise of business nodes:** Despite the lingering effects of the pandemic on office vacancy levels, premium office spaces (P-grade) are experiencing a surge in demand, and we expect this to continue.

Incorporating a barista at reception and/or canteen offerings are key. Landlords who take control of their surroundings, transforming them into well-maintained business nodes with Green Star ratings are finding success. Upgrades in security and road lighting are becoming essential components of these office environments – resulting in business nodes that not only attract companies but also enhance the overall experience for workers.

- **Social spaces in retail: The coffee shop revolution:** With the shift towards spending more time in social spaces due to load shedding, convenience retail is witnessing a transformation, particularly with the rise in foot traffic.

Niche, upmarket restaurants and coffee shops are becoming anchor tenants, providing a unique blend of work-friendly environments and leisure spaces. This shift is reshaping the dynamics of retail, with developers increasingly focusing on creating spaces that cater to the evolving needs of the workforce, so the trend of driving out to coffee shops for collaboration is becoming popular.

- **Lifestyle precincts: Redefining the office park:** Free-standing buildings are losing their appeal as the concept of lifestyle precincts gains traction. We are seeing a lot of demand for parkland-type offices.

These typically comprise outdoor communal spaces and coffee shops. Office parks within such precincts, equipped with amenities like gyms, grocery stores, car-wash facilities, braai facilities, bars and coffee shops, that blend with lavish precinct landscaping and water features are becoming the new norm.



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The emphasis is not only on creating a safe and collaborative workspace but also on implementing sustainable measures like backup water and electricity to mitigate the impact of disruptions.

- **Industrial space dominance:** The industrial-property segment continued to outperform all the other property sectors during 2023, exhibiting the lowest vacancy rates coupled with strong rental growth.

Growth in online retailers is driving the need for industrial spaces, particularly warehouses and distribution centres. The previous year (2023) saw an increased demand for coastal industrial spaces, particularly in Cape Town due to its increase in population where demand for industrial properties exceeds the supply.

- **Resilient retail performance:** The retail sector constitutes approximately over 60% of the SA Listed Property Index (SAPY) when measured by market capitalisation.

Positive rental reversions and a decline in national retail vacancies to approximately 5.4% (down from the peak of 7% recorded in 2021) reflect signs of resilience.

With these encouraging indicators, a cautious outlook is still prevalent, considering concerns about sticky interest rates, which we expect will decrease in mid-2024. Township and rural retail are anticipated to continue their upward trajectory, drawing increased investor attention.



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Notably, a big off-grid initiative within retail property owners is the adoption of solar within retail spaces. This subsequently enables tenants to continue trading during load shedding and helps combat municipal shortfalls that are prevalent across the country.

- **Residential semi-gration:** Semi-gration is still a strong trend and will continue to outperform emigration. It is evident that it is more of the top-end managers who are the main drivers of semigrating within the country.

The middle and lower-level employees (who constitute more of the country's population than top-level employees) are still finding more work opportunities within Gauteng. As a result of these opportunities, there is still an overall net positive semi-gration towards the Gauteng market.

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