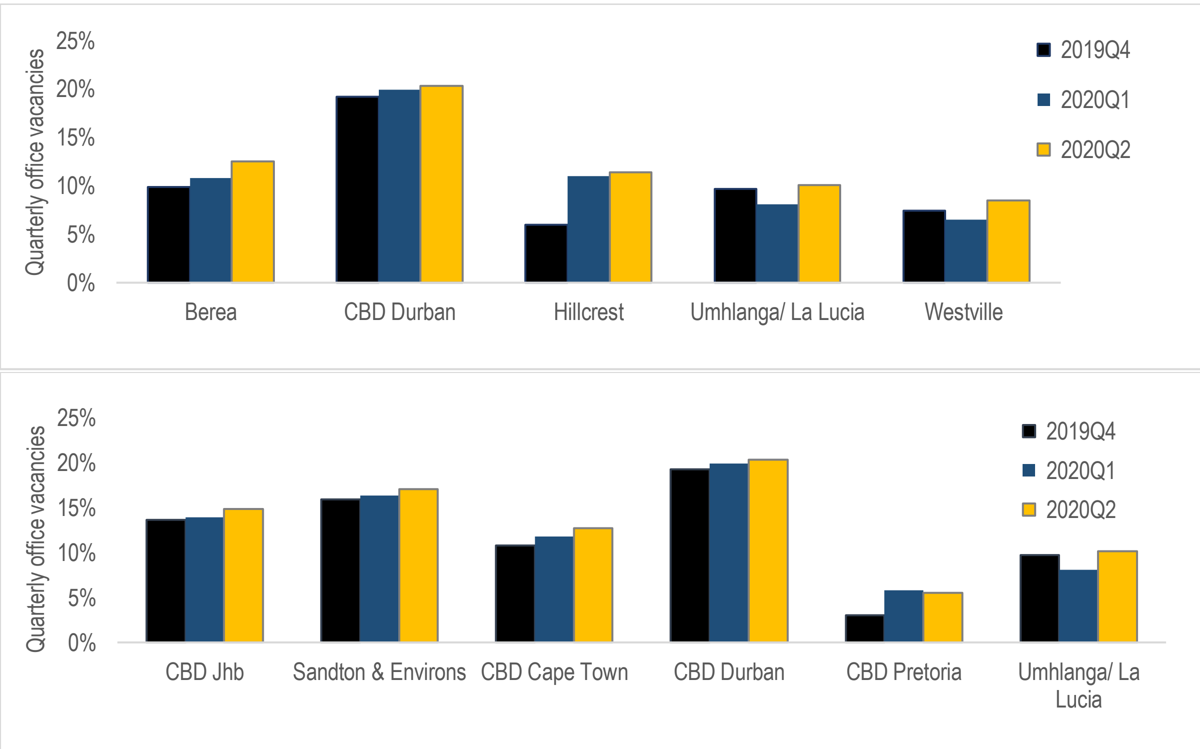
THE NEW NORMAL AND PROPERTY TRENDS

Much discussion has gone into the impact of Covid19 on unemployment, but other changes in dynamics on the labour market have been less explored. Of interest is the impact pf Covid19 and unemployment trends on the property market. This data story explores this aspect of the pandemic, and what this may mean for the City's revenue.

1. HIGHEST WORKPLACE VACANCIES IN 16 YEARS

StatsSA conducted a survey on the impact of COVID-19 on employment, income and hunger between 29 April and 6 May 2020. The majority (95,6%) of respondents who were in employment before the national lockdown, worked from non-residential buildings, and factory or office blocks, while only 1,4% worked from home.

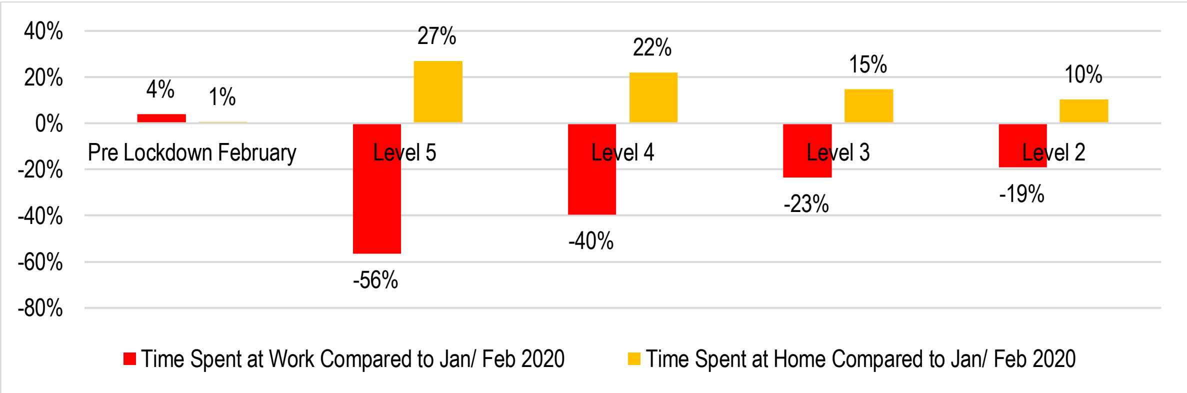
However, during the national lockdown, most of those who worked did so from their own homes (77,9%) while only 15,1% worked from non-residential buildings. This is visible in SAPOA's report on office vacancies in 2020 Q2. In this period, office vacancies almost unanimously increased in all locations across the country at the highest rate in 16 years; 12,3%. Of all the country's metros, Durban reported the highest vacancy rates with 14.9% vacancy. The fastest growing office vacancies were observed in the B grade office segment. The main tenants for this grade of office space or SMMEs who are more vulnerable to economic shocks than other businesses. Nonetheless, this was at the height of the impact of the hard lock down and it remains to be seen what the long-term impacts on office space will be, as the economy recovers.



Source: SAPOA, 2020

2. TRENDS ARE REVERTING TO PRE-COVID LEVELS; BUT MAY NEVER FULLY RETURN

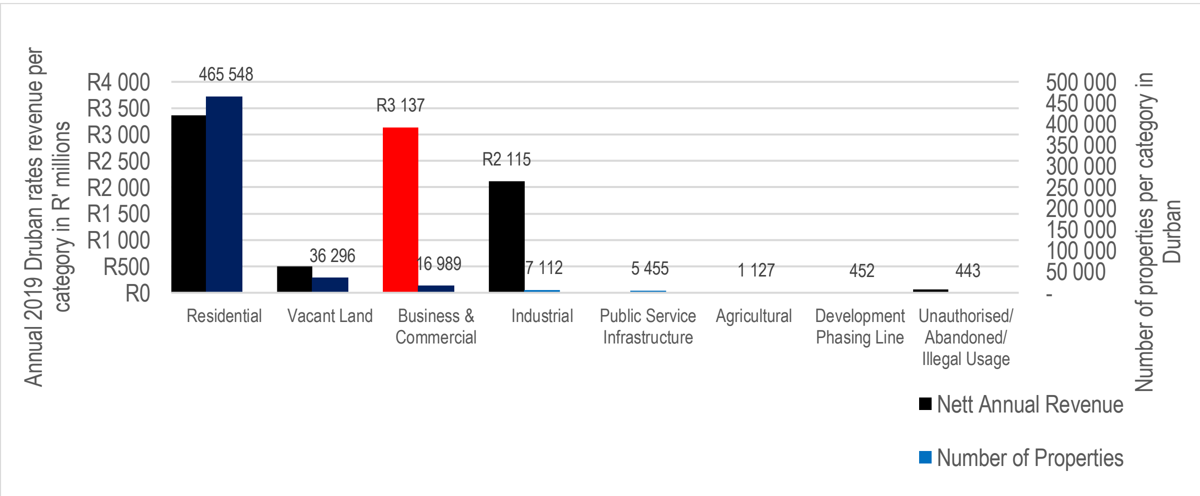
The graph below, adapted from Covid19 Google Mobility illustrates despite the initially drastic switch in 'time at home' vs 'time at workplace', trends are reverting to 'normal' with the easing of lockdown regulations. However it is expected that some industries such as those in the Finance and Business Services sector (research firms, banks, insurance companies, etc), will fundamentally change the way they operate with some toying with the ption of permanently moving employees home (Fin24, 2020). Therefore while time spent at work is close to pre-Covid levels, the new normal may increasingly involve more home based work. This may mean that home and work trends will never fully return to pre-Covid19 levels.



Source: Google Mobility Trends (KZN)[1]

3. FURTHER CITY STUDIES MUST ASSESS REVENUE IMPACTS, AND ADAPT

In Durban, business/ commercial properties only account for 3,1% of all properties; but are jointly responsible for 32% of the City's R9,2 billion annual rates income. The "office space" sector is therefore critical to the City's revenue sustainability. If a decline in demand for office space persists, cities such as Durban who collect higher rates per commercial vs. residential property may have to monitor trends and reassess how properties are rated in order to compensate for potentially lost revenues.



Source: EThekwini Revenue Unit, 2020

[1] % change in time spent is measured against the average of time spent in the 5-week period Jan 3 – Feb 6, 2020. This is for KZN Google users and locations only.

4. CONCLUSION

Two issues become clear from this data story; the first is that Covid19 may have permanently changed the demand for office space particularly by some sectors and the other is that this may impact on revenue sustainability. Nonetheless, further studies are required in order for this to impact on decision making.

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