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## **Property market trends to change significantly post-COVID-19**

There are many questions regarding how the property market will potentially evolve post-COVID-19.

In a webinar held recently on "Exploring post-COVID-19 property trends in South Africa", Associate Professor Francois Viruly, University of Cape Town's (UCT) head of the Urban Real Estate Research Unit and a property economist with many of experience in advising public and private entities, looked at the longer-term trends in the country's property market and the impact that the pandemic is expected to have on the sector.

"Many of these trends are not 2020 or COVID-19 trends, but actually trends that have been in the property market for a number of years," he explained, adding that COVID-19 would invariably have an impact.

The trends Viruly predicted included changes to where and how people shop, the growing importance of the environment, the organisation of work, the evolution of central business districts and the role of technology in facilitating property transactions.

The rise of cars as a mode of transportation resulted in the demise of department stores in many of our inner cities. In their place came shopping centres, built on the idea that people would use their cars to visit them.

In the context of the pandemic, two issues have become pronounced: density and the lack of shoppers who want to hang around. This is where neighbourhood or community shopping centres play an important role, and their success is evident in significant growth in value since 2018, outpacing shopping malls. Viruly predicts that this success will continue.

However, all is not lost for shopping centres. "Some will make it. And I always say, the best ones will make it," said Viruly. "The best marketplace from the First Industrial Revolution is still with us. The best department store is still with us. The best shopping centres will be with us. But there will be an adaptation."

While the focus of town planning has always been on health, Viruly believes this will amplify post-COVID-19. "If COVID-19 brings anything out, it will be the importance of our parks and public spaces and how we think about space," he said.

While he predicts that the spaces in which we will live will become smaller – flats 20m<sup>2</sup> or less in size – the environment and public spaces will play a significant role in relation to physical and mental health. This focus on the environment will also result in the "return of the

importance of land" into economics, namely how humans connect to it and our reliance on the environment.

Viruly made three predictions in terms of our evolving relationship with space and the organisation of work.

The first is a potential return to the home as a place of economic activity, as was the case prior to the First Industrial Revolution.

Secondly, evolving globalisation will impact the tertiary sector of the economy – the office worker. "I think that will fundamentally change how we work, how we think of space," added Viruly.

His third prediction is one that emerged before the pandemic: the continual rise of co-working spaces. "Some of you will argue COVID-19 will do the opposite. I'm not so sure. I think that these trends will stay with us as we increasingly find new localities to work from," said Viruly.

He added that companies who lease out space will have to start thinking more like hotels: the letting of space will increasingly reflect the provision of a service.

Post COVID-19, Viruly predicts that cities will look different in at least two ways.

There will be a move from central business districts to global business districts. This is in line with the evolving globalisation that will impact the tertiary sector and will result in strengthening the role of existing dominant smart cities. The internet of things will also play an increasing role in buildings. However, taking Africa's digital divide into account, changes to the urban environment might take longer.

As the housing issue is likely to remain, there will also be a conversion of offices into residential spaces. "We will see our cities playing a much more residential role," said Viruly.

Technology and property are already intersecting in interesting ways, and Viruly predicts that this will grow from strength to strength through property technology. What is important here, he added, is if the property market will adapt to the speed with which technology moves.

"The problem we often make is that we build for the long run and we also deal with tenants that have businesses that change strategies every five years and technology that moves even faster," he said.

He added that this poses considerable risks regarding the economic and functional obsolescence of buildings.

"Can we adapt? That will be our challenge," said Viruly.

"And to achieve this, the sector will need to become increasingly flexible, adapting rapidly to social, technological, economic, environmental and political trends."

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