Cost, talent and ESG are the primary drivers of corporate real estate decisions in South Africa

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Cost, talent and operational excellence are currently the top three drivers of strategic corporate real estate (CRE) decisions globally. This is according to the 2023 *What Occupiers Want* annual survey compiled by Cushman & Wakefield in partnership with CoreNet Global. In South Africa, however, environmental social and governance (ESG) priorities rank third, after cost and talent, according to Natasha Bruwer, who is managing director of occupier services at Cushman & Wakefield | BROLL and chair of CoreNet Global Sub-Saharan Africa Networking Group.

The survey examines trends in office location and workplace, perspectives on changes to portfolios, and strategies around policies, procedures and decision-making worldwide.

Natasha Bruwer

Key findings

While the key drivers of CRE strategy remained the same, their order of importance has changed. Globally, cost pressure is now the primary challenge for companies, followed by talent sourcing and retention, and operational excellence. Customer relations and ESG ranked fourth and fifth, respectively. Significantly, ESG moved up from eighth position last year, showing an increase in social and sustainability conscious goals.

Communal office space has increased in importance, with the focus being on the office as a place for collaboration and innovation, but nearly two-thirds of occupiers (63%) plan to reduce their real estate footprint in the next two years. More companies are now recruiting talent outside their own cities, with 26% recruiting from anywhere in the world. Flexible work remains important, with employees preferring a degree of autonomy and choice.

How SA compares

The top three drivers of CRE decisions in the Europe, Middle East and Africa (EMEA) region – into which South Africa falls – were slightly different, with cost and talent ranking first and second, but ESG coming in third.

Bruwer confirms that the key drivers of CRE strategy in South Africa align closely with the EMEA region feedback. “Although the research does not indicate the sample size from Africa, each country will likely show varying combinations of these top three drivers, depending on the macro-economic climate and unique challenges facing occupiers in those markets,” she says.

Cost pressures

In South Africa in particular, she says the enormous cost pressures of rising inflation and climbing interest rates have been compounded by socio-political unrest events and increased loadshedding. These factors have severely affected large corporations doing business in South Africa, driving a strong focus on cost containment. “Corporate real estate teams have had a firm seat at the C-Suite table since Covid-19 because property is an important variable in reducing costs and generating income,” she says.

Alexforbes, at a recent CoreNet Global SSANG event, revealed that adopting a flexible working model was a sustainable solution to reducing its footprint across 13 South African offices without closing them. In the process, it has reduced its floor space by over 60% and unlocked R1.2bn in value from downsizing.

“Property costs rank second only to salaries as the largest expenses for companies, and well-executed real estate strategies can achieve material savings. Unlocking maximum efficiencies requires that a combination of policy, change management, design and technology be incorporated into a strategic plan. Hybrid working policies need to be implemented that govern expectations and output. The key to the success of a hybrid working environment is the technology that powers the invisible structure between the physical occupation of space and that of the virtual,” she adds.

Talent sourcing and retention

With an estimated 20,000 professionals leaving Africa annually, there are notable challenges with finding and retaining skilled and executive talent.

“It is not surprising that talent sourcing and retention ranks in the top three priorities for companies in South Africa,” says Bruwer. “Creative retention arrangements, which are more sophisticated than cash alone, are becoming an increasing weapon in the talent war.”

Flexible working is described as a low cost and high benefit solution to attracting and retaining talent, as is creating appealing work environments that encourage collaboration and innovation. Popular offerings are amenities such as gyms, retail convenience and wellness centres.

Bruwer notes that in our local South African context, there is value in offering subsidised meals for staff, or additional ablution amenities to buffer the impact of regular municipal service disruption at employees’ residences.

ESG

“The most discussed topic in CRE circles in South Africa over the past year is, without doubt, energy and water stability,” Bruwer says. Although ESG ranked only fifth globally and in the Asia Pacific region, and did not make the top five priorities in the Americas, it is an area of critical focus in Africa. “Globally, ESG is regarded as the ‘right thing to do’ and has gained more prominence in recent years in driving real estate priorities,” she says.

She adds that in South Africa, ESG is becoming something of a ‘license to operate’ as businesses are accelerating plans to develop sustainable renewable energy and water sources in response to climate change and to ease the load on failing infrastructure. In the same way, social governance (diversity, equity and inclusion) has been accelerated through legislation and policy to reverse the structural discrimination of the past.

“Necessity is indeed the mother of invention and is creating authenticity around the adoption of ESG goals and driving implementation strategies in South Africa,” she concludes.

To read the 2023 What Occupiers Want annual survey compiled by Cushman & Wakefield in partnership with CoreNet Global click on the following link: https://catchwords.prowly.com/263487-cost-talent-and-esg-are-the-primary-drivers-of-corporate-real-estate-decisions-in-south-africa.

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