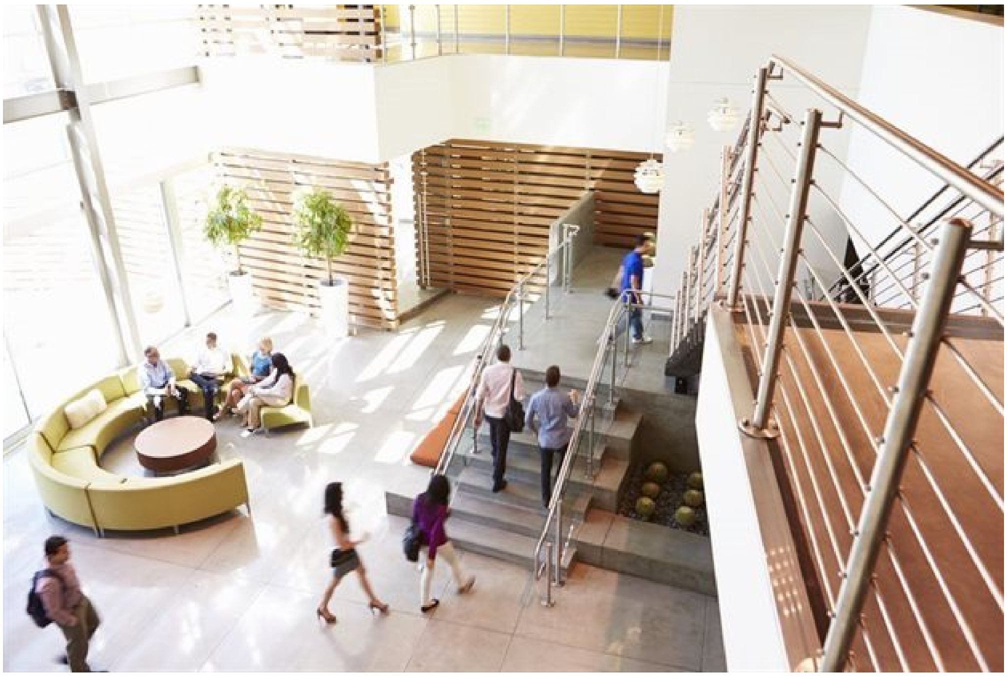
Investec Property Fund says repurposing office space now vital

By Nqobile Dludla

20 May 2021

Investec Property Fund's (IPF) strategy of repurposing office assets and "amenitising" office space has become even more relevant after the Covid-19 pandemic hit demand, the South African fund's joint-CEO Darryl Mayers said on Wednesday, 19 May.



© Cathy Yeulet 123RF.com

Structural shifts were already emerging prior to the pandemic with the increased prevalence of flexible working and shared office space.

"The impact of work-from-home has accelerated this shift. However, there remains a great degree of uncertainty around the longer-term sustainability of flexible working policies," IPF said.

Mayers said the office sector is in a state of flux as businesses reassess working models and the extent of downsizing, if any, required. He added that as a result, attractive leasing campaigns and client retention strategies will set it apart.

In its 2022 financial year, the group will expedite a number of experiential projects that were suspended due to the health crisis, such as incorporating more lifestyle amenities for tenants, Mayers said.

In the year to the end of March, net property income in the office sector declined by 19.2% due to rental concessions, business failures and the short-term income impact of some renewed and re-geared leases.

Oversupply drove vacancies up from 6.9% to 9.7%, where they are expected to remain in the medium term, the company said.

A rigid approach could be a death knell in the current property market
Gary Palmer 17 May 2021

Interest shifted to smaller offices

Mayers said interest had shifted to smaller offices, with activity in the premium Johannesburg business districts of Rosebank and Sandton "pretty much dead".

Asked if the fund will exit its office assets, joint CEO Andrew Wooler told analysts it would not. "We're at the bottom of the cycle and we've taken all the pain. We do think there is upside to come through holding those assets as opposed to trying to exit today."

Overall, IPF reported a 33.8% fall in annual distributable earnings per share on rental concessions granted to tenants.

It wrote down its South Africa portfolio by R899m, with the largest writedown of R525m within the office sector.

Offshore, the fund has a 64,000m^2 development pipeline in the next 12 to 18 months for its pan-European logistics portfolio, aiming to capture increased need for storage space due to supply chain reconfigurations and the e-commerce boom, Wooler said.