

How Covid-19 is Making Us Rethink Our Lives (and Real Estate)

By Michael Hart

The early months of 2020 have given Chinese residents plenty to think about. There was the fear of the Covid-19 virus, the stress of being stuck at home and the concern for lost income for both employees and business owners. However, as things start to get back to normal, I predict there will be at least three ways we look at our work, our homes and our daily lives differently and each of them will in turn impact real estate whether we realize it or not.

Our Work

The most obvious impact is going to be how office-based employees look at work and how their employers think about their real estate costs. There has long been the concept that people need to be present to be effective, that the boss needs to see their staff every day. This crisis has pushed people and companies who otherwise would never have considered tele-commuting, ie working from home – to not only give it a try, but to make it work. Of course, there are plenty of examples over the past few weeks that show us we aren't as productive at home surrounded by our families, but we have also learned how to make remote work at least partially successful. And once kids start going back to school, employees could make that work from home experience even better. Nearly all of us would have seen our use of online meeting tools such as Zoom, or Microsoft Teams increase recently. We are all now slightly better mobile workers. We may be keen to get back to our offices, but as the subways and buses start to fill up and the traffic jams return, we may miss getting up ten minutes before we are supposed to clock in, and spending the day wearing our comfortable pajamas. The impact on real estate is going to be that companies may start planning on reducing their real estate costs by allowing many employees to work from home, at least sometimes. Employees who never would have considered working from home, may now lobby for the opportunity. So, we are likely to see a reduction in demand for office space the next time companies renew their lease or plan a move.

Our Homes

After having been stuck at home for weeks on end, everyone is feeling cabin fever. Humans are social creatures and they want to get out and get some exercise, meet friends and just get some distance from family members. A secret though is that some people are feeling a little less stressed than the others after this experience and it has to do with their homes. It is understandable that those who live in larger homes with more individual rooms that allow for doors to be closed and private space created are probably less stressed. However, the past few weeks have also shown that other amenities are very important. For example, a small apartment with a good view of the city or a park or a balcony to stand on, is now going to be more highly valued. The same is true for apartment complexes that have central gardens and green spaces. The parks may have been closed, but some of my neighbors have been busy walking laps around our central garden which was still accessible.

Education

This impact applies mostly to families with children who will soon be back to the routine of the weekend mad dash. Chinese parents spend time on weekends taking their kids to math, art, sports, language and other classes. It is normal for kids to have two or three classes a day on weekends and there is a whole routine that involves getting them to those classes. This means fighting traffic jams, finding a place to park or finding a taxi. The cycle repeats when one class ends and it is time to get kids off to the next class, usually in a new location. There is also the need to find a meal or snack in between classes. The last few weeks have shown parents and schools that many of these physical classes can be converted to online ones. This reduces the stress of rushing half way across town and also allows for better meals to be made at home and gives the kids a little more time to rest. The schools are also now realizing they can invest in better technology and reduce their rental cost for large centrally located classrooms. The impact for real estate will be that landlords who have previously rented to educational groups will see demand decrease and the restaurants and food vendors that count on these customers are going to see sales decline and their own need for locations will then decline.

Some educational facilities are likely to be less impacted. Parents with young kids who don't get as much out of online classes will likely continue to sign up for physical classes. The same is true for art classes, music lessons and sports. With virtual reality you can practice taekwondo at home, but it is still better learned and practiced with teachers and competitors in the same location. It is also hard to practice learning musical instruments or to get a tip from an art teacher over the internet.

Conclusion

We are all happy that as the virus seems to now be under control in China that we can go back out and see our friends and colleagues and visit our favorite restaurants. However, I predict over the next few months, each of us may also not be looking to completely return to our pre-virus routines. We may all want to work from home a little more often. Parents may want to avoid the weekend and evening rush to class by substituting a physical class with an online class for junior. And the next time we look to buy or rent an apartment, we may assign a higher value to that balcony or nice view just a bit more. So, without us even noticing it, those small changes of personal routine preferences are going to change the demand for real estate all across our cities.

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Michael Hart is the Managing Director of Griffin Business Management www.griffinbiz.com a real estate related investment and consulting firm with offices in Tianjin.