

# Beyond the Self

## The Impact of COVID on Wollongong's Commercial Landscape

Article 7

The pandemic has shifted the way we view cities and their relevance in the landscape of work, particularly with the uptake of the Hybrid work model (combination of working from home and in-person). Irrespective of the welcomed new work lifestyle for many, the workplace changes have had significant impacts on how cities function and the overall commercial landscape.

Whether you were excited or not to move beyond the walls of your office to the comfort of your own home during COVID-19, the transition initiated a workforce movement that will unlikely go back to pre-pandemic arrangements. COVID-19 stimulated the drive to work from anywhere, often to places with scenic surroundings and a more relaxed lifestyle contrasting the city life. It is no surprise then that Wollongong became a hub for Sydneysiders looking to escape the city and Wollongong-ites embracing the flexible work lifestyle that became even more agreeable (extra coffees here and there!).

Wollongong is no different to any other city when exploring this agenda. This begs the question, will city centres drive economic recovery post pandemic? What does it mean for Wollongong's commercial landscape if people are working from home?

Unfortunately, the full consequences are yet to be determined – we will not truly understand the implications of COVID-19 until the future. However, we can tell you, that things have already changed, and there are dire consequences for the economic vibrancy of cities, with Wollongong included. Wollongong is the metropolitan capital of the region, with 26,000 people working in the CBD. If we work differently, whether it be the Hybrid model, purely online, or other forms, how will it shape the Wollongong area in the future?

Already, many organisations have shrunk the size of their commercial footprint, many taking

charge to sublet their own buildings. There is currently a reduced office occupancy rate in Wollongong, which highlights the desire for greater work flexibility and translates into the main barrier to achieving full occupancy. Due to this, a call to bring employees back into the office to enhance city vibrancy has been made.

City centres need to be driving economic recovery as government support begins to slow down. Australian CBD's have been hit hard by COVID-19 and millions of jobs and hundreds of billions of dollars in economic activity are dependant on city centres functioning at a high level of activity. The journey to move employees back to the office to increase city activity will be a hard task, with policymakers and employers strategising and creating incentives to bring thousands of their employees back to the office. However, a survey has found that a growing number of office building owners and managers are not expecting to see a material increase in occupancy levels in the short term.

Does this translate across to Wollongong? Yes! Interestingly, 60% of gross regional product for the Illawarra comes from the Wollongong local government area. If the Hybrid model of work takes form, we could see commercial leases being discounted, office buildings diversifying into yoga studios (for example), recreating spaces and ultimately, the value of commercial properties could decline alongside capital value. We will likely see a significant loss for property developers and surrounding CBD businesses. To

add to this, talent could disperse, and many employees could potentially work online for remote jobs across the globe.

The Hybrid model has benefits for employees, as do CBDs. Central Business Districts have the potential to attract tourism, hospitality socialising, retail and culture. EY Sweeney's research found that 82% of respondents believed a vibrant CBD attracts tourism, 67% believe that some of the best bars and restaurants are located in the CBD, 65% of

roles as vibrant hubs and economic powerhouses? The future, post pandemic, is still uncertain. What we do know is that the Hybrid model of work is here to stay. In saying this, CBDs will continue to evolve and regain traction post pandemic. CBDs are a hub for co-creation, innovation and collaboration, a place of productivity that drives business growth. Government attention, City Deals, metropolitan leadership and governance are key tools to bring life back into the cities.



**Ultimately, people want their CBD to be a place that meets their essential human desire to connect.**

*Selina Short - EY Oceania Real Estate, H&C Managing Partner*

people believe the CBD is a great place to meet people, 65% think the CBD is the best place for shopping and 63% believed the CBD was valuable for entertainment and events. It is clear that CBDs have the potential to harness this vibrant powerhouse of resources and the solutions embody reimagining the workplace, creating central experiences and redefining the way we move and interact with cities.

If these strategies are not integrated to accompany the shift to Hybrid working, a significant revenue loss will be inevitable. During COVID-19, whilst many people moved to local and suburban areas to continue working from home, some of the local businesses had the opportunity to expand, however, the businesses within the CBD were not so fortunate. Wollongong CBD, being the engine house for the region, has and will continue to suffer the most from people working from home. The Property Council survey reported in early May 2021 that *"Government tenants in Wollongong are back to work in office spaces close to 100 percent, with staff opting for flexible arrangements of one day per week from home. Other businesses in the region are largely all back in the office..."*. The impact on Wollongong CBD businesses of employees working just one day from home is a potential loss of over \$3.8m of annual revenue.

When you look at the big picture, the question really becomes, how will CBDs reclaim their

The global disruptive forces from COVID-19 have seen critical structural shifts in CBDs, workplaces and beyond. The changes are inevitable, it is now time to rethink CBDs and their value as economic powerhouses in Australia. Wollongong needs to cultivate the redesign of productivity, enhance collaborative workplaces, and utilise its uniqueness for flexible working and lifestyle benefits to accommodate the new Hybrid work model (the new normal).

In our next article...

'Is the Hybrid work model the new future'

