

The Financial Post – December 5, 2022

Working from home is here to stay and that has consequences for both housing and office space

Teleworking will have lasting impacts on housing markets and the demand for office space

Author of the article:

Murtaza Haider and Stephen Moranis

Published Dec 05, 2022



Office buildings in downtown Toronto. PHOTO BY VERONICA HENRI/TORONTO SUN/POSTMEDIA NETWORK FILES

An unprecedented number of Canadians continue to work from home, according to recent Statistics Canada data, with a more than three-fold increase from 2016 to 2021 demonstrating how companies and employees adapted to the pandemic-mandated restrictions on assembly and mobility.

Almost 40 per cent of the employees in Canada worked from home at the peak of the lockdown in early 2020. Some experts believed employees would return to their workplaces as economic activity resumed and restrictions relaxed.

But Statistics Canada's analysis of data extracted from the Census conducted in May 2021 and the Labour Force Survey of May 2022 confirms that working from home is much more than a fad. Even two years after the onset of the pandemic, an unexpectedly large share of the employed labour force continues to stay home.

If the sustained increase in teleworking persists, it will have lasting impacts on housing markets in general and the demand for office space in particular.

The uptake in working from home in early 2020 is understandable. Employees were told to stay home, restaurants and recreation facilities were shut, and intercity and international travel was curtailed, if not outright restricted. As a result, more than three million Canadians lost their jobs from February to April 2020, and millions more saw their working hours decline.

The pivot to working from home allowed a large segment of the employed labour force to continue working, though the shift was more pronounced for office workers than for doctors, construction workers and the like. The economy had only partially resumed to pre-pandemic levels by May 2021, but a higher-than-expected incidence of working from home persisted, despite skeptics who had written it off.

Consider that in 2016, Saskatchewan reported the highest share of stay-at-home workers, partly because of the larger share of workers residing in rural and small-town communities. By 2021, however, Ontario reported almost 30 per cent of the workforce was operating from home, followed by 22.6 per cent in British Columbia.

The latest census data challenges some myths about working from home causing an exodus from the urban core to the outer peripheries, since remote work is even higher in metropolitan areas than it is in smaller towns in the hinterland.

For example, 44 per cent of the workers in Ottawa, where the public sector dominates the labour force, reported working from home, and the figures are 35 per cent in Toronto and 28 per cent in Calgary.

Even more surprising is that remote working was more pronounced in neighbourhoods near the urban core or higher-order public transit. For instance, numerous neighbourhoods in downtown Toronto reported 50 to 70 per cent of workers operating from home.

At the same time, foot traffic and office occupancy levels in downtowns across Canada are far below the pre-pandemic levels. A study released in November by the Canadian Chamber of Commerce's Business Data Lab said foot traffic in downtown Toronto in September 2022 was 46 per cent lower than in January 2020. The same trends persist across Canada, with foot traffic down 48 per cent in Vancouver and 45 per cent in Ottawa.

Restrictions on mobility and assembly have long been relaxed, and employers are encouraging, in some cases mandating, their employees to return, but occupancy levels, transit ridership and pedestrian traffic in urban downtowns are far from their pre-pandemic levels.

One can piece together a likely scenario of how these trends will continue to affect the demand for housing and office space in urban centres across Canada.

The intra-urban variation in remote working is not necessarily defined by the residence location being urban or suburban, but more so by the job an employee holds. Those employed in professional services, the public sector and education services, irrespective of their residence in urban or suburban neighbourhoods, are more likely to work from home.

Despite being within walking distance of their work locations, tens of thousands of workers employed in professional services chose to stay home. This suggests the demand for housing in the urban core is not likely to dissipate if remote working levels remain higher than they were pre-pandemic.

The more significant challenge will be for landlords with extensive office space holdings in the downtown core. With foot traffic in September still half pre-pandemic levels, downtown landlords and companies will have to do more to repopulate the office towers.

Murtaza Haider is a professor of real estate management and director of the Urban Analytics Institute at Toronto Metropolitan University. Stephen Moranis is a real estate industry veteran. They can be reached at the Haider-Moranis Bulletin website, www.hmbulletin.com.