

THE RELATIVE IMPORTANCE OF PROPERTY-SPECIFIC FACTORS THAT INFLUENCE
OFFICE OCCUPATION DECISIONS IN P-GRADE, A-GRADE AND B-GRADE OFFICE
BUILDINGS IN THE DECENTRALIZED OFFICE NODES OF JOHANNESBURG,
SOUTH AFRICA

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A research report submitted to the Faculty of Engineering and the Built Environment, University of the Witwatersrand, Johannesburg, in partial fulfilment of the requirements for the degree of Master of Science in Property Management and Development.

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DECLARATION

I declare that this research report is my own unaided work. It is being submitted to the Degree of Master of Science to the University of the Witwatersrand, Johannesburg. It has not been submitted before for any degree or examination to any other University.

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ABSTRACT

Purpose – Within the paradigm of consumer behaviour, the purpose of this study was to determine the relative importance of the various property-specific factors that influence office occupation decisions in the decentralized office nodes of Johannesburg. The aim was to provide more definitive information on office space occupation to real estate marketers, managers, investors and owners.

Design/Methodology/Approach – A Malaysian study by Adnan et al. (2012) was replicated in the South African context, utilizing their (adjusted) questionnaire survey. After review, Adnan et al.'s (2012) data analysis methods were altered and, in addition, three key-informant interviews were conducted to discuss the results of the survey and to try and gain further insight into the findings.

Findings – The three categories that were considered of highest importance were Cost/Financial Considerations, Services and Management. Factors that scored the highest overall were Security & Access Control, Car Parking Provisioning & Accessibility, Electricity Systems & Provisioning and Rental Rate. The categories On-site Amenities, Space Functionality & Atmosphere and Location were considered of least importance.

Research Limitations/Implications – The study was confined to property-specific factors and limited to tenants in P-grade, A-grade and B-grade office buildings in the decentralized office nodes of Johannesburg. It also took place during a specific stage of the South African economic cycle. Further research is required to determine the impact of office grade, firm type, firm size and economic climate on office occupation decisions.

Originality/Value – No research on this topic exists within the South Africa context and this study contributes to the limited research, internationally, on real estate within the consumer behaviour paradigm.

This research report is dedicated to my loving husband, Louis Meiring, who has been both my greatest encouragement and my inimitable support system.

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NOMENCLATURE

- Consumer Behaviour – The study of individuals, groups or organizations selecting, purchasing, using, and disposing of products and services to satisfy needs (Black et al., 2003).
- Decentralized Johannesburg office nodes – All the main office nodes of Johannesburg and Midrand, excluding the Johannesburg Central Business District (CBD). See Figure 4.1.
- General Lettable Area (GLA) – The total rentable area of an office building, consisting of usable area plus common area, but excluding supplementary area and parking area. Its intended use is in determining the revenue producing area of a building (Davis Langdon, 2012).
- Office Space – In the context of this study means rentable area that can be occupied in a building that is mainly zoned and used for commercial office use
- Tenant – Means a commercial firm that rents office space from a landlord

1 INTRODUCTION

1.1 Context

The world's attention is increasingly being focused on Africa, with multinational companies and state actors competing to strengthen their presence on the continent, a region that has a population of nearly 1 billion people and abundant natural resources (Deloitte & Touche, 2011). Over the past decade, Africa has housed six of the world's ten fastest growing economies. Furthermore, more than half of Africa's population is aged under 20; within three decades it will have a larger working-age population than China (The Economist, 2013).

South Africa is the second largest economy in Africa and is a key investment location, both for the market opportunities that lie within its borders and for the ability to use the country as a gateway to the rest of the continent. Johannesburg, with a population of 3.9-million, is the largest single contributor to South Africa's national economic product, generating 17% of South Africa's wealth (City of Johannesburg, 2013). It is therefore not surprising that Johannesburg also houses 56% of the total P-grade, A-grade and B-grade office stock in South Africa (JLL, 2015).

Currently, economic growth in Johannesburg, and South Africa as a whole, is slow and expected to remain subdued for the rest of the year (The Economist, 2016). The total current office stock in Johannesburg is estimated at 9,447,383m² (JLL, 2015) and a tenant-driven market exists with a high office vacancy rate at 11.9% (South African Property Owners Association, 2015). Despite the flat demand, the development pipeline will see an additional 430,000m² being added to Johannesburg overall office stock within the next two years (Rohde & Associates, 2014). A report by Jones Lang Laselle (2015) points out that the majority of these developments are driven by tenant lateral moves to similar sized units, forewarning of further large increases to vacancies when tenants relocate over the short to medium term.

With the amount of Johannesburg office space predicted to come onto the market, and the strong competition that will exist due to high vacancies, real estate players simply cannot afford to get it wrong. Insight into office occupation decisions is a key aspect of understanding demand and therefore the office market as a whole (Gibler and Nelson, 2003; Black et al., 2003; Wofford et al., 2010). To date, very little research has been published on South African office real estate and it seems that the market is not well understood by the academic community (Didiza, 2013). The current proposed research will aim to narrow this knowledge gap on factors that influence office occupation decision, focusing on Johannesburg as the economic powerhouse of South Africa and a key city in Africa.

1.1.1 Problem Statement

International research has shown that property owners, developers and professionals in the office market generally understand very little about the factors that influence office occupation decisions (Leishman, 2003; Fawcett, Ellingham and Platt, 2008; Roberts, Rowley and Henneberry, 2003).

To date, most international real estate research in this field has been grounded in the neo-classical choice equilibrium economics, with user preferences presupposed from the reporting of a range of rental determinants (Hough and Kratz, 1983; Bollinger et al., 1998; Dunce and Jones, 1998; Mills, 1992; Ozus, 2009). However authors such as Gibler and Nelson (2003), Leishman and Watkins (2003) and Greenhalgh (2008) have been calling for more research in the field of real estate consumer behaviour. They point out that the neo-classical mode of reasoning reduces human behaviour to a number of simplifying assumptions - choices are rational, profit maximizing and on the basis of full information. This imposes constraints on the types of research questions that might be asked as tenant firms often consider non-financial, perceptual factors in selecting a building (Gibler and Nelson, 2003).

Only a few published studies within the sphere of real state consumer behaviour currently exist internationally. Of these, only five focus specifically on the relative importance of factors that influence office occupation decisions (Cheah et al., 2014; Appel-Meulenbroek, 2008; Adnan and Daud, 2010; Ho, Newell and Walker, 2005; Adnan, Daud and Razali, 2012). Most of these studies have been undertaken in a first world context and none in an African context. The current study will aim to answer one singularly important research question: What is the relative importance of property-specific factors that influence office occupation decisions in P-grade, A-grade and B-grade office buildings in the decentralized office nodes of Johannesburg, South Africa? This study will hereby aim to contribute to the body of knowledge on real estate consumer behaviour as a whole, but specifically in a third-world country and, even more specifically, in Africa.

1.1.2 Consequences of the Problem

Three consequences of the lack of precise knowledge on occupant decision-making become apparent in the literature. Firstly, that real estate agents and investors/developers are not able to develop effective marketing strategies (Levy, 1995), secondly that office space might be supplied into the market that does not match user preferences (Roberts, Rowley and Henneberry, 2012) and, thirdly, that office buildings occupied by firms might not effectively support their business objectives as corporate real estate (Leitch and Richardson, 2003; Park and Glascock, 2010; Ali, McGreal and Adair, 2008).

1.1.3 Importance of the Study

The return on investment for property investors and developers in Johannesburg is maximised when their office buildings are fully occupied by quality tenants. Identifying the particular wants of office tenants is therefore critical to the fulfilment of investment objectives. Marketing and property agents, on the other hand, should be

able to create added value for their clients by matching consumer needs with available space and identifying appropriate premises more accurately and quickly

All in all, knowing why and how firms consume office space will help property agents and property managers/owners understand how to improve existing products, what types of products are needed in the marketplace (Roberts, Rowley and Henneberry, 2012), and how to attract tenants (consumers) to their buildings (Levy, 1995).

1.2 Scope of the Study

Generally speaking, Johannesburg houses two types of office zones – its Central Business District (CBD) and its decentralized office nodes. Over time, many firms have left the CBD and moved to the more affluent suburbs of Johannesburg, citing problems in the CBD such as crime, lack of service delivery and poor urban management (Demacon, 2009). In this way, two quite distinct office markets have gradually developed with differing characteristics (South African Property Owners Association, 2015).

The current study was limited to tenants occupying P-grade, A-grade and B-grade office buildings in the decentralized office nodes of Johannesburg, as depicted in Figure 1.1. This study area was chosen because it has the biggest concentration of P-grade, A-grade and B-grade office buildings in South Africa and these areas are very active in terms of both new developments and office refurbishments. The study was undertaken as a cross-sectional view within the context of the current economic cycle.

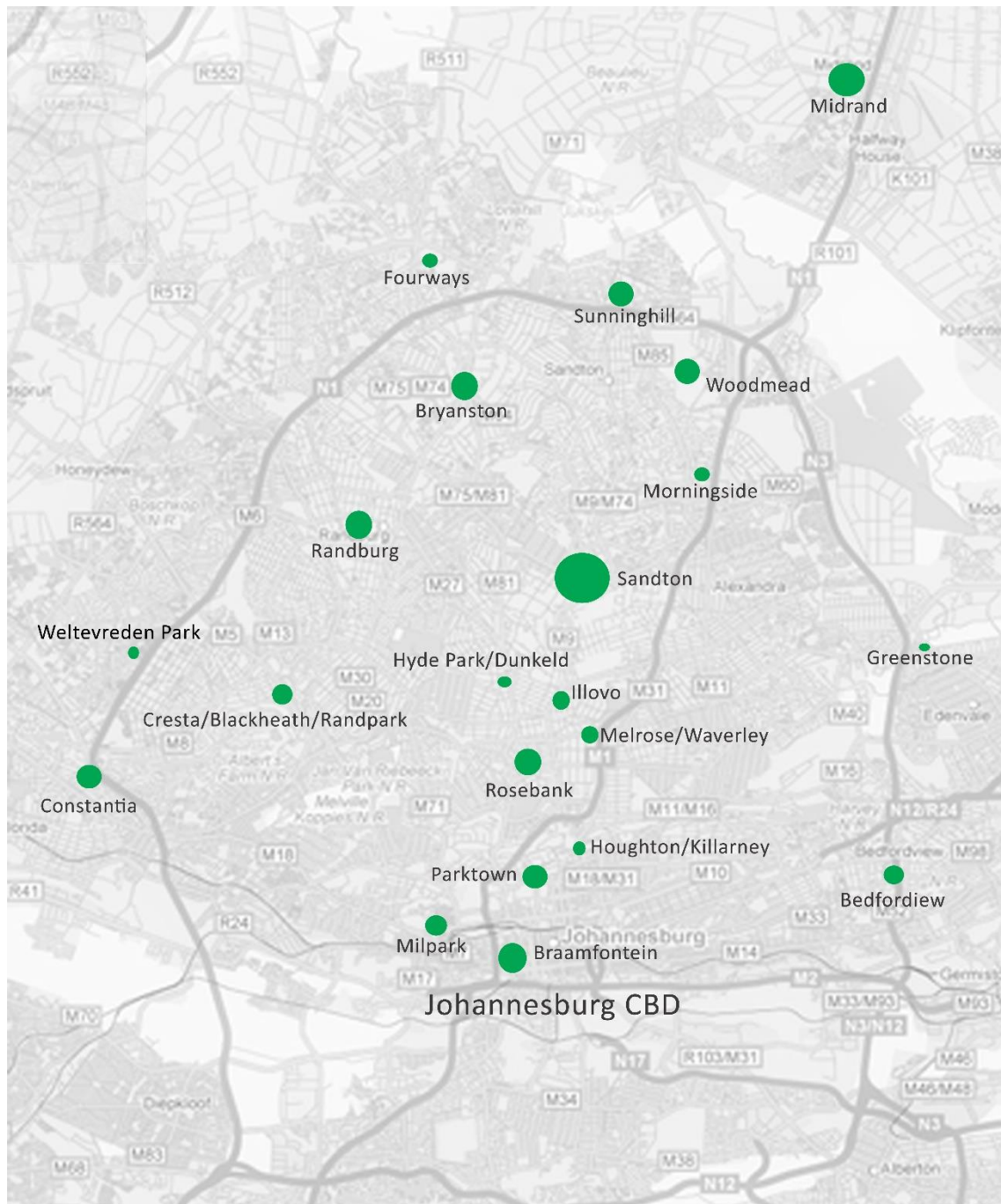


Figure 1.1 The Johannesburg decentralized office nodes (derived from South African Property Owners Association 2015:11)

1.3 Assumptions

The South African Property Owners Association (2015) defines a P-grade office building as modern space which includes the latest or a recent generation of building services, ample parking, a prestige lobby finish and good views, or a good environment. A-grade is defined as generally not older than 10 years, unless renovated, having a prime location and high-quality finishes, as well as adequate on-site parking. B-grade is defined as generally 10 to 20 years old, unless renovated, having accommodation to modern standards with air-conditioning, in a prime location and with on-site parking. From these definitions, it is clear that what distinguishes P-grade from A-grade seems vague at best in the South African context. The same applies to B-grade office buildings, although there seems to be slightly more agreement as to where the boundary between A-grade and B-grade lie. The assumption was therefore made in this study that the preferences of P-grade, A-grade and B-grade office tenants are close enough so as to warrant grouping them together for a single result that could be applied to all three office grades.

Secondly, no distinction was made between the various tenant sectors or the size of tenant firms. Instead, the intention was to provide a general overview of the criteria that is considered important during the decision-making process for P-grade, A-grade and B-grade office space occupation.

1.4 Limitations

Within the paradigm of consumer behaviour, viewing office space as a product for consideration naturally narrows occupation decision factors down to property-specific ones. As a result, external factors, such as the political environment, did not form part of this study. Further to this, due to time and resource constraints, this study was limited to the geographical area of the decentralized office nodes of Johannesburg. It was also limited to P-grade, A-grade and B-grade office buildings, as described

above. As a result, the findings might not be applicable to office markets outside of Johannesburg and, indeed, to other office grades, as different drivers might be at play.

Lastly, the study is cross-sectional in nature, which means that the results will represent office occupier preferences at a certain point in the South African economic cycle. Cho, Kim and Roberts' (2011) study showed that there was a difference in consumers' marginal willingness to pay for landscape amenities during the 2000-2006 real estate boom and subsequent 2008 recession. This shows that real estate consumers' preferences could differ during different stages of the economic cycle and the applicability of the results obtained from the current study would thus have to be tested during other stages of the cycle in further research.

2 LITERATURE REVIEW

As mentioned in the previous chapter, there appears to be a lack of precise knowledge for commercial property stakeholders to gauge the important considerations of office space as a 'product offering' for occupation or leasing decision. Even worse, the views that these stakeholders *do* hold about what will make office space attractive to users are sometimes completely misaligned with actual preferences. This chapter will review the literature related to these mismatched views and the associated consequences. It will then review the current body of knowledge related to consumer behaviour in real estate in order to substantiate gaps in the body of knowledge that necessitated this study.

2.1 Preferences in Occupation Decision-making: A Dissonance in Views

Two studies related to this subject were undertaken in England. Fawcett, Ellingham and Platt (2008) undertook a survey of the difference in visual preferences between architects and occupiers involved in suburban office buildings. They found very little correlation between the two views, with the two design types ranked highest by the architects receiving much lower scores from users. The type ranked highest by users received a negative score by the architects. A survey undertaken by Roberts, Rowley and Henneberry (2012) in two business parks found that landscape quality was not considered at all during investment decisions of investors and developers. Occupiers, on the other hand, appreciated certain elements of landscape quality and considered them to add to the quality of the site.

The perceptions of occupiers, designers, investors and property managers were compared in a third study by Ho, Newell and Walker (2005) on the property-specific attributes that contribute to building quality in the Sydney CBD. Occupiers rated the capacity and control of heating and ventilations systems and the performance and control of passenger lifts highly important, second only to functionality. Investors, on

the other hand, ranked it the third least important attribute, while owners perceived presentation, such as entrance design and external façade, significantly more important than the other two stakeholder groups.

All three of the above studies clearly point to a lack of understanding by property stakeholders on the preferences of office occupiers; the studies also allude to the possible consequences of such a mismatch, discussed in more detail below.

2.2 Consequences of this Dissonance in Views

Three consequences of this dissonance in views become apparent in the literature; an inability of property players to develop effective marketing strategies, the supply of office space in the market does not meet user demands and corporate real estate fails to effectively support business objectives.

Levy (1995) argued that, in order to market effectively, a vendor must fully understand consumer needs and perceptions. In contrast, she claimed, the marketing of real estate have tended to focus on promotion and advertising, with the emphasis on selling as opposed to marketing. Levy's argument is that part of the development of a proper marketing approach is to be fully informed about target markets and consumers and being able to match one with the other. An essential aspect of this is the need to undertake market research, which Levy defined as "...a systematic process of identifying the information needs of marketing decision-makers and then designing procedures for gathering data, analysing it and reporting findings." (1995:33) It is evident from Levy's piece that understanding occupier preferences is an essential market research exercise, without which no effective marketing could take place in office real estate; a lot of time and effort might be wasted on targeting the wrong tenant, or simply presenting a product with the wrong attributes or location to tenants.

Roberts et al. (2012) warned that dislocated views of investors/developers on occupiers' requirements can lead to the supply of office space that does not meet users' needs. They pointed out that this "removed" perspective is exacerbated by the secondary nature of the investors' dealings with occupiers (typically through an agent) and also by the fact that occupiers are often not clear or forthright about their own requirements.

Corporate real estate researchers have described how physical aspects of a building can support a firm's business objectives. Leith and Richardson (2003) explained the link between a company's corporate brand and the building that it occupies. Other authors have elaborated on how property-specific factors can aid in (or detract from) staff retention and recruitment, productivity and performance, customer satisfaction and organizational culture (Park and Glascock, 2010; Ali et al., 2008). It is clear from these discussions that, should a firm occupy an office space that does not meet its requirements, the property's role within a larger business strategy will not be fulfilled.

2.3 Theoretical Background: The Consumer Behaviour Paradigm in Real Estate

Black, Brown and Diaz's (2003) definition of consumer behaviour is the study of individuals, groups or organizations selecting, purchasing, using, and disposing of products and services to satisfy needs. The intent is to determine not only what people choose, but also why they choose it and the processes involved in their decisions and actions. Viewing real estate from this point of view involves regarding building occupiers as consumers and buildings as product offerings for consideration. Gibler and Nelson (2003), Black et al. (2003) and Wofford, Troilo and Dorchester (2010) provide theoretical background on this topic and set the stage for the further development of the consumer behaviour paradigm in real estate.

Gibler and Nelson (2003) observed that most current real estate studies were based on neo-classical economics that assumes that people make rational economic decisions

about renting and buying real estate as part of their attempt to maximise utility; the market is approached from a production orientation rather than a consumer marketing orientation. However, occupiers often consider other factors as well that are non-financial and more perceptual in nature. The authors contended that the study of real estate can benefit greatly from the adoption of consumer behaviour concepts, as greater knowledge of real estate consumers' behaviour will lead to better understanding and prediction of decision-makers' actions in the real estate market. They then reviewed some basic consumer behaviour concepts relevant to real estate, listing Information Search, Evaluation of Alternatives and Decision Rules as some of the key concepts from the three major comprehensive models of complex decision-making. The current study falls within the concept of Evaluation of Alternatives. Although Gibler and Nelson's study focused mainly on residential real estate, the authors claimed that the theories discussed could also apply to other real estate types.

Black et al. (2003) built on these arguments, observing that academic and professional real property research in the US has had finance as its primary focus, with the real estate asset most often treated as a financial asset. The authors argued that this has resulted in the setting of artificial boundaries in real estate research and they proposed a lowering of disciplinary boundaries. They pointed out that marketers have long understood that perception, rather than reality, is the relevant measure of a product from a consumer's point of view. The paper concluded that research opportunities in real estate abound to assist in understanding why people value certain properties higher than others.

Wofford et al. (2010) explored cognition and its impact on the uncertainty and risk that surround real estate enterprises. The authors posited that cognition creates its own risk and affects risk from other sources in many ways and they situated an overlay paradigm within a behavioural real estate paradigm. They asserted that behavioural real estate research had been relatively focused in terms of scope, with valuation

receiving the most attention. They emphasized that behavioural real estate research will benefit from an expansion of scope and stated that an explicit representation of this paradigm is an important task for behavioural real estate researchers. The current research aims to contribute towards narrowing this study gap, adding much needed expansion to real estate knowledge within the consumer behavioural paradigm.

2.4 Real Estate Research within the Consumer Behaviour Paradigm

2.4.1 The Role of Product Emotion

In a rare study on product emotion in real estate, Volker, Lauche, Heintz and De Jonge (2008) reviewed the decision-making process during a European tendering procedure to select a design for a new library. They found that, for various groups involved, the judgements about the impact of the designs seemed to be dominated by emotional responses elicited by the designs, in line with general research on product emotion. Further on in the process of decision-making, functionality became the basic requirement, while the most satisfying designs caused excitement, inspiration, pride and love. Although the research was limited to one case study, the results do seem to indicate that product emotion has a role to play in the decision-making process of building occupiers.

2.4.2 The Decision-making Process

Studies by Greengalgh (2008) and Nunnighon and Haynes (2011) both examined the decision-making *process* of office occupiers from a consumer behaviour point of view. Their main findings were that the size of organisations could have an impact on the building evaluation and decision-making process. Greengalgh also found that, regardless of firm size, key individuals exerted considerable influences over the decision-making process and outcome.

2.4.3 Occupation Decision and Building Sustainability Attributes

Five recent studies exist within the sphere of sustainability that examine occupation decision from a behavioural point of view.

Dixon et al. (2009) examined office occupier choices in the United Kingdom in relation to the demand for sustainable commercial property. It was found that the most important factor influencing occupiers to choose a particular building was location, followed by availability (i.e. the right property at the right time) and building quality. Running costs were considered less important, as was design, with sustainability (i.e. the sustainability features of the building) least important of all. The sample size in this study was relatively small, only fifty telephone interviews. Also, the respondents were asked about the relative importance of only six different factors in their decision to move.

A study by Karhu et al. (2012) in Helsinki, Finland, explored the green preferences of commercial tenants. They found the green preferences of occupiers in order of importance to be location, energy efficiency, video-conferencing facilities and recycling possibilities. The study was only limited to green issues and no other options were presented to respondents in the survey.

A study by Leishman et al. (2012) in the United Kingdom explored the decisions faced by office occupiers when required to choose between office attributes and design features that may result in reduction their energy consumption and carbon footprint. The results of the survey indicated that building and IT system accessibility, rent, office size and layout were the most important factors in determining probability of choice. The authors pointed out that the results reflected the general trend in organisational change that emphasises the importance of the functional characteristics of offices.

Levy and Peterson (2013) undertook a qualitative study to explore how the availability of sustainable buildings may affect the decisions made by office occupiers in their building selection process. The study comprised 13 interviews with decision makers of a variety of organisations who had chosen to locate to a “sustainable” building within the central business district of Auckland, New Zealand. The researchers found that selecting a building that was perceived to be sustainable by the market was not the ultimate driving factor in the office location decision and that more emphasis was placed on micro location factors (most importantly accessibility), attractiveness to staff, marketing and flexibility. They also found that the importance of each of these factors tended to be influenced by the size and type of organisation as well as the availability of suitable buildings in the market. Although the interviews were conducted in-depth and one-on-one, the sample size was relatively small and the interviews mostly unstructured. It should also be noted that nine of the occupants interviewed were categorized as large organisations, while only three were smaller organisations.

Abuamer and Boolaky (2015) evaluated various elements of consumer preferences related to green buildings in Abu Dhabi city. The aim was to gauge the marketability of these elements in the Abu Dhabi real estate market. Of the building specific factors that were tested, they found that indoor environment and price were rated the highest. The study was, however, limited to a relatively small sample size of 60 interviews and building specific factors only formed a small part of the overall questionnaire. Targeted participants were also solely consumers, who could be potential future buyers or tenants of any type of real estate.

2.4.4 Property-specific Factors that could Influence Occupation Decisions

Adnan and Daud (2010) conducted an in-depth review of the body of literature and identified all the factors listed that could possibly have an impact on occupation decision-making. They then effected a Delphi study to test the validity of the identified

factors against an expert panel, comprising of property consultants and leasing managers in Kuala Lumpur. The result was the identification of a set of sixty factors and sub-factors that could influence office occupation decision. While many previous studies have limited their research to certain aspects, such as location, this study is unique as it covers such an extensive list of property-specific factors. Also, what makes these findings of particular interest to the current study, is the fact that the research was undertaken in Malaysia, a developing country with many similarities to South Africa. Further to this, the factors identified by this study formed the base for Adnan et al.'s Kuala Lumpur study (2012) and thus also forms the base for the current South African study. Adnan and Daud (2010) identified four main categories amongst the list of factors encompassing the product offering to the tenant as a consumer. These were *Monetary Factors, Location, Lease Features* and *Building or Physical characteristics*.

2.4.5 The Relative Importance of Property-Specific Factors that Influence Office Occupation Decision-making

A Research Report by Didiza (2013) appears to describe the only related study undertaken within a South African context. It found that the landlord and/or property manager was the most important office selection criterion, followed by security, a reliable power supply and competitive building levies. Location was not considered very important. This study is unpublished and therefore not peer reviewed. It also had a very small sample size of 24 respondents and focussed on a very specific area of Johannesburg – the researcher herself described it as 'exploratory'.

A study by Cheah et al. (2014) assessed the service performance of commercial office buildings in the Golden Triangle of Kuala Lumpur to understand how they influence tenant satisfaction and loyalty. Results from the study indicated that building features, services, management performance and responsive customer orientation significantly influenced tenant satisfaction and subsequently resulted in loyalty. The study grouped building-specific factors together under a few main headings that were then tested as

hypotheses. Although the results are interesting, they don't provide a lot of detail on what the specific items were that lead to high tenant satisfaction and loyalty.

Through structured interviews with thirty-eight office tenants in Eindhoven, Appel-Meulenbroek (2008) explored the effect of office (location and building) push and pull factors on satisfaction and loyalty of tenants. The analysts indicated that the push/pull factors that were mentioned by more than 50 per cent of the tenants were related to the Appearance and Comfort of the building; especially to the technical state. A similarity between push and pull factors appeared to be present. This study was confined to two multi-tenant buildings with small tenants in one region and results should therefore be generalized with care.

In a study by Adnan and Daud (2010), a panel of property professionals identified the top five important factors in office occupation decision-making in Kuala Lumpur. The results were rental rate, security and access control, responsible management and maintenance teams, car park provision/accessibility, and building image/identity. It should, however, be pointed out that the study didn't target office end users directly.

Ho et al. (2005) aimed at identifying the importance of key factors that influence the quality of office buildings in the Sydney CBD, Australia. Building quality was defined as "...how good the office building is in meeting the objectives and requirements of the respective group." (2005:425). The importance of thirty property-specific CBD office building attributes on the quality of CBD office buildings were assessed using a survey of property industry respondents. The analytical hierarchy process procedure was used to determine weights for each of these attributes. Findings indicated that Functionality, Services, Access and Circulation, Presentation, Management and Amenities were important in assessing office building quality.

A study by Adnan et al. (2012) of the Kuala Lumpur office market included sixty possible factors in their survey; double the number used in Ho et al.'s (2005) study. The list of factors included was based on an earlier study by Adnan and Daud (2010), as described in more detail above. Adnan and Daud (2010) categorized the factors under four main headings, namely *Monetary Factors*, *Location*, *Lease features* and *Building or Physical Characteristics*. However, Adnan et al. (2012) argued that this last category, *Building or Physical Characteristics*, was too large and encompassing too many different types of factors. They therefore divided the category further, to create the additional categories *Management*, *Services*, *Access & Circulation*, *Presentation*, *Space Functionality & Atmosphere* and *On-site Amenities*. The list of all factors included in the survey, per category, is described in more detail in the Research Design chapter. The results from the survey were reduced using both principal component analysis and the Importance Index methodology. All factors under *Financial Considerations* were considered important, but not as important as some of the factors under *Management* and *Services*. The high rank attributes under *Location* related to the prestige and accessibility of the building while the high rank criteria under *Lease* related to the monetary considerations of the lease arrangement. The factors under *Access & Circulation* was considered somewhat important, while *Presentation* and *Space Functionality & Atmosphere* didn't rate high overall. No distinction was made between the different types and sizes of firms surveyed. Although this study is the most comprehensive of the five discussed, some questions can be raised about the steps taken during data analysis, as well as the way that the final results were presented. These shortcomings are discussed in more detail in the Research Design chapter.

2.5 Conclusions

It is clear that much more research is needed within the field of real estate consumer behaviour and, specifically, on the factors that influence office user occupation decision. No published research on this topic currently exists in a South African context.

Internationally, only five studies have been published that focus on this subject specifically and most of these have shortcomings. Cheah et al.'s study (2014) grouped building-specific factors together under a few main headings and results provide little detail on what the specific items were that lead to high tenant satisfaction, Appel-Meulenbroek's (2008) findings are not easily generalizable as the study's sample size was very small and only included small firms, Adnan and Daud's (2010) study didn't target office end-users directly, while Ho et al.'s (2005) study used a very limited number of influence factors in their survey. Adnan et al.'s study (2012), although the most comprehensive, focussed on the CBD of Kuala Lumpur only and their final results were not presented in a way that is of much practical use. No published studies on this subject currently exist within the South African office market. A research report by Didiza (2013) discussing the researcher's 'exploratory research' into office selection in Sandton showed a very small sample size of 24 respondents that was located in a very specific area of Johannesburg.

By replicating, and then improving on, the study of Adnan et al. (2012) in a new context, South Africa, the aim of the current study was to gain more precise knowledge on the relative importance of the various property-specific factors that influence office occupation decision-making in the decentralized office nodes of Johannesburg. Better knowledge will reduce the dissonance in views that currently exist between property players and tenants, allowing for more effective real estate marketing strategies, office supply that better meets demand and corporate real estate that more effectively supports business objectives. In addition, it is hoped that this study will make a contribution to the (currently limited) body of knowledge on real estate consumer behaviour internationally.

3 RESEARCH DESIGN

This chapter sets out the current study's research design, including its research philosophy, approach and methodology, data collection procedures, ethical considerations, data analysis and sample size requirements.

3.1 Research Philosophy and Approach

The current research is set within a mainly positivist philosophy. As per the description of Gill and Johnson (2010) on positivist research, data was collected about an observable reality and a search done for regularities and causal relationships within the data to create law-like generalisations. This is the 'natural scientist' approach and, the author believes, best suited to this type of study.

The research approach of this study falls within the paradigm of real estate consumer behaviour and, as a result, was mainly inductive. As mentioned in the previous chapter, most real estate research has up to now taken place inside the paradigm of neo-classical economics. Leishman and Watkins (2004) describe how, within this paradigm, deductive modes of thought are used that deploy a set of assumptions in order to deduce logical conclusions. As a consequence, researchers have mainly focused on property market outcomes (such as prices) and have sought to derive and test economical explanations of these observed phenomena. This type of thinking reduces human behaviour to a number of simplifying assumptions. In contrast, this study focussed on the human behavioural side of real estate; research was based on direct observation of facts, attempting to turn simple observation into generalized theory.

3.2 Research Methodology

The few studies undertaken internationally in this field mostly approached their research from a quantitative point of view by using questionnaire surveys; a small

number used the qualitative methodology of semi-structured or in-depth interviews. According to Duffy (1985), one of the advantages of a quantitative investigation is the fact that the investigator maintains a detached, objective view in order to understand facts objectively. Easterby-Smith et al. (2008) stated that a quantitative approach offers concise and numerical results which are clear and easy to comprehend by concerned parties and stakeholders. Data collection is also relatively quick, compared to most qualitative methods (Johnson and Onwuegbuzie, 2004). However, while quantitative results can examine relationships between variables, they do not offer any explanation as to why these relationships exist. Qualitative research, on the other hand, lends itself to exploring how and why phenomenon occur (Johnson and Onwuegbuzie, 2004). For these reasons, the decision was made to follow a mixed-method approach in the current study. During Phase I, a survey was undertaken utilizing a questionnaire adapted from Adnan et al.'s study (2012). During Phase II of the research, the results of the survey was discussed with three key-informants through semi-structured interviews. In this way, the current study was not only replicating Adnan et al.'s (2012) study, but also improving on it.

Mixed-methods research, where quantitative and qualitative methods are combined, is increasingly advocated because it is likely to overcome weaknesses associated with using only one method (Ostlund et al., 2011), as well as providing scope for a richer approach to data collection, analysis and interpretation (Saunders, et al., 2012). In the current study, a sequential explanatory strategy was followed, where quantitative data was collected and analysed during the first phase of research, followed by the collection and analysis of qualitative data in a second phase – refer to Figure 3.1. According to Creswell (2009), sequential explanatory design is typically used to explain and interpret quantitative results by collecting and analysing follow-up qualitative data. It can be especially useful when unexpected results arise from a quantitative study (Morse, 1991). The main possible weakness of this type of design is the length of time involved in data collection, with two separate phases (Creswell, 2009). For this

reason, an embedded model of design was followed, with emphasis placed on the quantitative data collection and analysis, and the qualitative method playing a supporting role.

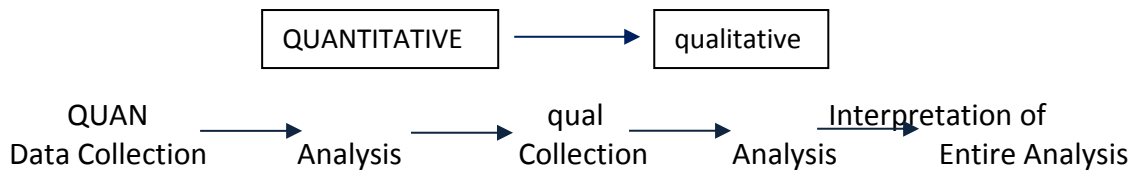


Figure 3.1 Methodological Approach: Sequential explanatory design with prioritisation of quantitative research. Qualitative research utilized in a supporting role to help explain particular findings (adapted from Creswell, 2009).

3.3 Phase I: Data Collection Procedure

The questionnaire survey utilized in the current study was based on the one used by Adnan et al. (2012) in their study on office occupation decision-making in Kuala-Lumpur, Malaysia (Appendix A). Not only did they include the most comprehensive list of possible factors (compared to other similar studies), but the research was also based in a developing country with many elements of similarity to South Africa. Further to this, Adnan et al.'s survey had already been validated due to the fact that the research was published in a peer-reviewed journal. Adnan et al. (2012) ordered the sixty factors in their questionnaire under nine different priori categories. These factors, per category, are listed in Table 3.1 below. The principle component analysis (PCA) that Adnan et al. (2012) undertook on their results showed that their factors loaded well in the various priori categories that they had chosen and the decision was therefore made to retain these categories in the current study.

Table 3.1 The sixty factors, listed per category, that were included in the survey, as per Adnan et al.'s (2012) original study

A	Location
1	Branding/Image/Prestige
2	Access to Market
3	Access to Amenities
4	Access to Skilled Labour Pool
5	Proximity to Support Services Suppliers (e.g. office supplies)
6	Proximity to Clients/Markets(e.g. face to face contact)
7	Accessibility to Public Transportation & Terminal (e.g. Gautrain)
8	Accessibility by Private Vehicles
9	Proximity to Major Roads/Highways
10	Crime Rate
11	Traffic Condition (flow and congestion)
B	Lease Features
1	Renewal Terms
2	Length of Lease/Duration of Contract
3	Termination Clause
4	Terms for Payment of Monies (e.g. rent, service charge, etc.)
5	Alteration and Renovation Clause
6	Incentives(e.g. rent free period)
7	Compliance to Law and House Rules
8	Repair and Insurance Clause
C	Presentation
1	Age of Building
2	Design of Entrance & Foyer
3	Modern Prestigious Building
4	Quality and Presentation of External Finishes
5	Building Visibility
6	Building Identity/Image
7	Architectural Design and Building Finishes
D	Management
1	Security & Access Control
2	Responsible Management & Maintenance Teams
3	Maintenance Policy
4	Cleaning/Housekeeping Services
5	Safety Policy & Procedure
6	Fire Prevention & Protection
7	After Hours Operation
8	Call Centre for Reporting Problems

E	Space Functionality & Atmosphere
1	Floor-to-Ceiling height
2	Building Size
3	Flexible Space Layout & Large Floor Plate
4	Orientation of Office Space
5	Availability of Space for Future Expansion
6	Comfortable & Secure Working Environment
7	Space Efficiency
8	Column Layout & Sub-divisibility
9	View
10	Underfloor Trunking
11	Energy Efficient/Green Building
12	Building Green Star Rated
13	Exclusive Use of Office Floor
14	Exclusive Use of Ablutions on Office Floor
F	Services
1	Toilet & Sanitary Facilities
2	Air-conditioning & Ventilation System
3	Electricity Systems & Provisioning(e.g. back-up generators)
4	Modern IT & Telecommunication Systems(e.g. broadband)
5	Building Automation & Energy Management Systems
6	Control of Building Services(e.g. Mechanical & Electrical)
G	Access & Circulation
1	Design & Entrance Foyer
2	Ease of Entrance Usage & Capacity
3	Passenger Lifts Performance & Control(e.g. speed)
4	Adequacy of Good Access & Circulation
5	Car Parking Provision & Accessibility
6	Building Way-finding(e.g. building signage)
H	Financial Considerations
1	Rental Rate
2	Cost of Fit-out
3	Total Occupancy Cost
I	On-site Amenities
1	Restaurant/Canteen
2	Convenience Shop
3	Day Care Facilities
4	Gym
5	Showers
6	Outside Entertainment Area (e.g. landscaped deck or balcony)
7	Concierge Service

The questionnaire asked respondents to rate how important a list of sixty factors were to their company when choosing office space to occupy. Rating was done on a sliding scale of one to five, with one indicating that a specific factor was not very important, and five indicating that it was very important. At the end of each category, respondents also had the opportunity to list any other items that they felt were important.

3.3.1 Compiling and Testing the Questionnaire Survey

To test the applicability of Adnan et al.'s (2012) questionnaire in a South African context, a pilot survey was first conducted and relevant adjustments made, as set out in Table 3.2. This table lists the changes that were made to the original questionnaire before the pilot was sent out. Changes were either made to adjust options to South African measures (e.g. market related rental rates in Rands), or to slightly shorten the background portions of the questionnaire where it was felt that the information requested did not contribute to the study.

Table 3.2 Changes made to Adnan et al.'s (2012) questionnaire before sending out the pilot survey

Original question in Adnan et al.'s (2012) questionnaire	Change made	Reason for change
Section A: Tenant Profile		
Legal Status: Public Limited Partnership Gov Bodies/Agencies Individual Proprietorship Private Limited Co-operatives	Please specify the type of ownership of your company: Private Local Private International Parastatal	Adjusted for South African context
No of Years Established	Omitted	Not relevant to study
Ownership Structure	Omitted	Not relevant to study
Size of Business (in turnover)	Omitted	Not relevant to study
No of Staff >150	Number of Staff Members 151 to 300 More than 300	Further split created for better clarity of firm size
Staff Position Composition (%)	Omitted	Original question not clear. Not relevant to study.
Section B: Lease Particulars		
Current Rental (RM/psf)	Gross Rental (R/m2)	Changed to South African measure and rental rates
Size of Occupied Space (sf)	Size of Occupied Space (m2)	Changed to South African measure and sizes

Feedback from the pilot survey, received both directly from participants and also from how they completed the survey, showed that the background portions of the questionnaire (Sections A and B) were still too long. Too much information was being requested that didn't really contribute to the overall understanding of the study. Also, many respondents got stuck in these sections for so long that they never completed

Section C of the survey; the portion of most importance. The decision was therefore made to further cut questions from Section A and B so as to shorten the amount of time needed to complete the survey. In Section C, more options were added under 'Amenities', as listed in Table 3.3.

Table 3.3 Further changes made to Adnan et al.'s (2012) questionnaire before sending out the final survey

Original question in Adnan et al.'s (2012) questionnaire	Change made	Reason for change
Section A: Tenant Profile		
Company Name	Omitted	Not relevant to study. Anonymity better preserved.
Legal Status (Type of ownership of Company)	Omitted	Not relevant to study
Staff Position Composition (%)	Your Position in Your Company	Phrased differently so that the question was easier to understand
Indicate Previous Building Location	Omitted	Not relevant to study
Reason for Relocation	Omitted	Not relevant to study
Section C: Factors of Consideration for Occupation		
Amenities Food and Beverage Outlets	Amenities Restaurant/Canteen Convenience Shop Day Care Facilities Gym Showers Outside Entertainment Area Concierge Service	More options added

3.3.2 Distributing the survey instrument

The final survey was compiled and hosted on the internet, using Qualtrics internet survey software – a copy of the survey can be found in Appendix B. An email,

containing an introduction to the study, a link to the survey and a paragraph on informed consent was sent out to respondents. Rhodes, Bowie and Hergenrather (2003) list various advantages to web-based data collection, including electronic dexterity (e.g. easy changes), speed, cost efficiency and better data through reduced error (e.g. structuring respondents' interaction and providing explanatory material and prompts). Buchanan (2000), in addition, argue that online respondents have a tendency to participate more fully than in other survey methodologies, explaining that they are more likely to give feedback, offer help and support with survey distribution, and ask for a summary of the study findings.

3.3.3 Phase I: Population and Sampling

The study population was P-grade, A-grade and B-grade office tenants in the decentralized office nodes of Johannesburg, with the hope of generalising some of the findings to a wider target population of P-grade, A-grade and B-grade office tenants in South Africa. One of the challenges of the study was to obtain a sufficient number of responses as many comparative studies had found that response rates of e-mail surveys were lower than those of mail surveys and telephone surveys (Bachman, Elfrink and Vazzana, 1996; Mehta and Sivadas, 1995; Tse et al., 1995). Potential respondents often declined online surveys on the grounds that they were considered just another form of spam (Mehta and Sivadas, 1995; Noh, 1998; Smith, 1997). E-mail surveys that garnered high response rates tended to be the ones undertaken in organizational settings (Parker, 1992; Schaefer and Dillman, 1998; Sproull, 1986; Zelwietro, 1998).

For these reasons, the decision was made to use a form of convenience sampling, in which property landlords and property professionals were asked to email the survey link to their tenant contacts directly. It was thought that the survey would be better received if sent directly from these companies that the tenants know and trust. Also, it was found that landlords were more willing to assist with the study if they were not

required to divulge their tenants' contact details to the researcher. Five companies assisted in sending out the link to the survey. Four of these companies were property development and holding companies that sent out the email to their own Johannesburg and Midrand office tenants. The fifth was a project management company that work closely with major Johannesburg office tenants when relocating to new office space. This company emailed the link to office clients that they had worked with before or were working with currently. Overall, 300 emails were distributed. To further increase the response rate to the survey, respondents were offered the chance to win an iPad mini in a draw if they completed the survey.

Convenience sampling is a kind of non-probability or non-random sampling in which members of the target population, as Dörnyei (2007) explains, are selected for the purpose of the study if they meet certain practical criteria, such as geographical proximity, availability at a certain time, easy accessibility, or the willingness to volunteer. It is often used in studies where time and cost of data collection are a limitation (Coyn, 1997), as they were in the current study. Mackey and Gass (2005) point out that the obvious disadvantage of convenience sampling is that it could be biased, however, Farrokhi and Mahmoudi-Hamidabad (2012) argue that the risk of bias can be reduced by choosing as big a sample group as possible and by excluding outliers. In the current study, using a different sampling method (such as randomized sampling) would have greatly reduced access to the target population and therefore reduced the sample size considerably. The decision was therefore made to aim for a larger sample size by using convenience sampling, as described above, and to then check background information received from respondents against secondary data to ensure that the sample was representative of the study population. Quite a few ethical considerations were also addressed by utilizing these methods of distribution and sampling, as discussed in more detail below.

3.4 Phase I: Ethical Considerations

Four main ethical considerations have been identified in the literature in relation to the use of internet-based surveys for academic research. These are privacy (Cho and LaRose, 1999; Yun and Trumbo, 2006; Duncan, 1996; Till, 1997), anonymity (Baker, 2012; Rhodes, Bowie, Hergenrather, 2003; Cho and LaRose, 1999), confidentiality of information (Baker, 2012; Rhodes, Bowie, Hergenrather, 2003) and informed consent (Eysenbach, 2002; Cho and LaRose, 1999; Rhodes, Bowie, Hergenrather, 2003).

In a survey on privacy undertaken by Cho and LaRose (1999), seven out of ten respondents stated that they worry about privacy more on the Internet than through the mail or over the telephone. Many users regard the Internet as a threat to their privacy generally (Irving, 1996; Smith, 1997). Unsolicited survey requests violate physical privacy (Sudman & Bradburn, 1982) by intruding on the individual's space. The pre-notification and follow-up procedures recommended by survey practitioners (Dillman, 1978) compound the violation by making multiple intrusions. To limit invasion of privacy, Cho and LaRose (1999) suggested separating informed consent from the survey via a pre-notification email or, alternatively, directing respondents to a website to complete the survey. They also contended that, under no circumstances, should researchers troll for email addresses or use cookies. Lastly, they suggested that offering incentives could compensate for privacy intrusions.

The flexible nature of personal identity and frequent abuse of privacy norms on the internet mean that the authenticity of online researchers, the purposes of their research, and the credibility of the anonymity and confidentiality guarantees they offer for personal information always are open to question (Cho and LaRose, 1999). Rhodes et al. (2003) argued that data collection via a webpage was the most effective means of separating personal e-mail addresses from the data. Cho and LaRose (1999) further suggested the sharing of information, explaining that communicating sampling, sponsorship and disclosure procedures remove the taint of spam. They also argued

that offering to give feedback on the findings of the research created the impression that the survey researchers were part of the internet community, rather than an alien presence.

According to Rhodes et al (2003), when using the World Wide Web to collect data, a standard of what constitutes informed consent has not been well established within the research community. However, Eysenbach and Wyatt (2002) suggested that researchers may obtain informed consent by declaring the purpose of the study; disclosing which institutions are behind the study; explaining how privacy will be assured; and detailing with whom data will be shared and how it will be reported, before participants complete the questionnaire.

The current research dealt with invasion of privacy by limiting the amount of follow-up emails to two, directing respondents to a website to complete the survey (thus separating informed consent from the actual survey) not trolling for emails or using cookies and offering an incentive in the form of a draw for an iPad mini. By having landlords/consultants send out the survey link themselves, without sharing contact information of respondents with the researcher, anonymity and confidentiality of information was ensured. Further to this, sponsoring and procedures were disclosed, and an offer was made to share the findings of the research with respondents. Lastly, in the email containing the link to the survey, informed consent was obtained by using the guidelines as set out by Eysenbach and Wyatt (2002).

3.5 Phase I: Data Analysis

This research started off with the intention of replicating a study undertaken in Kuala Lumpur by Adnan et al. (2012), including the statistical analysis methods that were employed in this original study. On reviewing Adnan et al.'s (2012) analysis methods, however, multiple shortcomings were noticed, both with the steps taken during the

analysis, and with the way that the final results were presented. These shortcomings are explained in more detail below, as well as the steps that were taken in the current study to try and improve on these analysis methods and presentation of results.

3.5.1 Shortcomings with Adnan et al.'s (2012) analysis methods

Adnan et al.'s (2012) analysis methods entailed three steps, firstly a ranked factor list was created, using the Importance Index methodology. Then principal component analysis (PCA) was employed to perform priority 'shortlisting' of factors in order to produce a separate reduced list. Thirdly, this list was then compared against the Importance Index factor list to produce one combined list.

The first problem with the PCA undertaken by Adnan et al. (2012), was the fact that components were retained based on their eigenvalues being greater than one (the 'Kaiser Criterion'). Lance et al. (2006) warn researchers not to use this criterion at all, at least not as the sole criterion for retaining a particular number of components for rotation and interpretation. They point to (a) repeated documentation of its tendency to retain too many, and oftentimes far too many, factors and (b) repeated admonitions by authors of major review articles to abandon its use.

The second problem with Adnan et al.'s (2012) PCA, was with the method used to reduce factors overall. The 'cut-off' method used regards loadings as significant when their absolute value is larger than a certain pre-established value; only items with loading values above this cut-off value are included (Pedro et al., 2003). By doing so, the researchers are using 'marker' variables in the computation. DiStefano et al. (2009) points out that the cut-off value used in this method is an arbitrary decision and that the variability of raw data is not preserved with this method. Further to this, Pedro et al. (2003) tested this method through simulations with values used in published studies. They found that this method presented large type I error rates and

declared it to be an invalid test. Adnan et al. (2012) used an arbitrary cut-off number for the Importance Index list as well, again only listing the highest ranking factors.

The third and most important shortcoming of Adnan et al.'s PCA method is the fact that the results from the PCA become superfluous once combined with the Importance Index results. In combining the two lists, Adnan et al. (2012) retained all factors that scored high on the Importance Index list, and discarded all factors that scored low, even if these factors scored high on the PCA list. If none of these factors were added back onto the final list, then the question must be asked what the reason was for undertaking the PCA analysis in the first place. The final list then, in effect, only reflects the results from the Importance Index analysis.

It was stated at the beginning of this research that the aim was to widen the knowledge base of real estate consumer behaviour by informing property players on the relative importance of factors that influence office occupation decisions. The writer believes that the results, as presented in Adnan et al.'s study (2012), fail in answering this research question for the following reasons:

- a) The results are difficult to read or interpret as it is almost impossible to see what the importance of factors are in relation to each other.
- b) Not only is it near impossible to see what the ranking of factors are relative to each other, but there is also no information on the least important factors. Surely it is just as important to know what tenants consider *least* import when choosing office space.
- c) Although Adnan et al. (2012) initially place a lot of emphasis on the categories that factors fall under, their final results have no indication of which *categories* rank higher or lower, something that, in the view of the writer, is a very important starting point in understanding the consumer behaviour of office tenants.

Overall, the results are not informative for practical use; reading the final list, as per Adnan et al.'s methods (2012), does not tell the reader what the relative importance of factors (or even broad categories) are, as related to office occupation decisions.

3.5.2 Adjusted analysis method for current study

In reaction to the shortcomings of Adnan et al.'s (2012) analysis and presentation methods, as discussed above, the following adjustments were made to attempt to improve on the original study. Firstly, the PCA was dropped altogether as it added no value to the analysis, secondly the Importance Index statistical method was employed, but the entire ranking was retained, instead of only the highest ranking factors. Lastly, the full ranking of factors, per category and overall were presented, instead of only the top few factors. Results were also summarized in one graphic that would make it easy to see the importance of factors, relative to other factors in their category, *and* relative to each other overall. Lastly, the factors that were listed as overall most and least important (regardless of category) were also graphically presented so that clear, practical recommendations could be formulated from the data.

Johnson and LeBreton (2014) explain that importance analysis can reveal the specific areas that contribute the most to employee or customer satisfaction, which helps decision makers set priorities for where to apply scarce resources. As per Adnan et al.'s (2012) original study, the Importance Index methodology developed by El-Haram and Horner (2002) was used, as follows:

$$\text{Importance Index} = \left\{ \sum_{i=1}^5 \omega_i f x_i \right\} \times \frac{100}{5n}$$

where ω_i is the weight given to the response; $i = 1, 2, 3, 4, \text{ or } 5$ is the response frequency; $f x_1$ = not very important; $f x_5$ = very important; and n is the total number of responses.

3.6 Phase I: Sample Size

In undertaking Importance Index rankings, Tonidandel and LeBreton (2011) explain that Type II errors are most likely when sample sizes are small or when relative importance weight is small. Van Voorhis and Morgan (2007) argue that, as a rule of thumb, 50 can be considered a reasonable sample size for Importance Index statistical analysis.

3.7 Phase II: Data Collection Procedure

As discussed earlier in this chapter, phase I of the research involved quantitative data collection and analysis, which took the form of a survey questionnaire where results were ranked utilizing the Importance Index statistical method. During Phase II, quantitative data collection and analysis took place in the form of a few key-informant interviews that were then thematically analysed. Prioritization was given to the quantitative approach and the qualitative method that followed was applied in a supporting role, to help explain particular findings.

3.7.1 Selecting Key-informants

According to Kumar (1993), relying on key-informant accounts is appropriate when the content of inquiry is such that complete or in-depth information cannot be expected from representative survey respondents. Respondents describe "their personal feelings, opinions, and behaviours" but informants generalize about patterns of behaviour, after summarizing either observed (actual) or expected (prescribed) phenomena. Researchers do not select informants to be representative of the members of a study population in any statistical sense. Rather, they are chosen because they are supposedly knowledgeable about the issues being researched and able and willing to communicate about them. Further to this, Marshall (1996) highlights the characteristics of an 'ideal' key-informant:

- *Role in community.* Their formal role should expose them to the kind of information being sought by the researcher.

- *Knowledge.* In addition to having access to the information desired, the informant should have absorbed the information meaningfully.
- *Willingness.* The informant should be willing to communicate their knowledge to the interviewer and to cooperate as fully as possible.
- *Communicability.* They should be able to communicate their knowledge in a manner that is intelligible to the interviewer.
- *Impartiality.* Key-informants should be objective and unbiased. Any relevant biases should be known to the interviewer.

Based on these guidelines, three key-informants were chosen to conduct semi-structure interviews with. The hope was that, based on their knowledge and experience, they would be able to generalize on patterns of behaviour, thereby assisting in explaining the findings from the earlier survey.

3.7.2 Interview Process

Analysed results from the survey questionnaire in Phase I were presented to interviewees in Microsoft PowerPoint format. The presentation showed the ranking of overall categories, followed by a breakdown of the ranking of factors per category. Lastly, the ten factors that rated highest and lowest overall were presented. Interviewees were also handed a print-out of Figure 4.12, which contains a summary of the rating of all categories and factors.

Following the structure of the presentation, interviewees were asked if there were any of the results that surprised them. Running through each category, they were then asked to give their opinions as to why certain items rated high or low in their category, as well as why certain factors rated high or low overall. This was followed by a question on whether they could think of any other important factors that were not covered in the study. Lastly, they were asked about their opinions on the practical implications of the study, limitations of the research and suggestions for future

research. They were also given the opportunity to add any general comments, if they wished. The full interviews were audio recorded and then transcribed – refer to Annexures C, D and E.

3.8 Phase II: Ethical Considerations

DiCicco-Bloom and Crabtree (2006) discuss four ethical matters that need to be considered when undertaking interviews. Reducing the risk of unanticipated harm, protecting the interviewee's information, effectively informing interviewees about the nature of the study, and reducing the risk of exploitation.

The interviewer's task is to obtain information while listening and encouraging another person to speak. One of the dangers of interviewing from the perspective of the interviewee is the act of listening itself (Warren, 2002). When the interviewer listens and reflects personal information back to the interviewee, the process may develop in unforeseen ways. This can result in unintended harm to the respondent (DiCicco-Bloom and Crabtree, 2006). Although the subject matter of the interviews in the current study was not of a personal nature, there was still the risk of the interviewees divulging more information on a certain company, for example, than what they intended. This issue was dealt with by the interviewer monitoring the conversation closely and by offering to omit any comments or information divulged throughout the interview that might be considered harmful if made public. All company names mentioned in the interviews were also replaced with a general descriptions, for example 'large legal firm'.

The second issue is that the anonymity of the interviewee in relation to the information shared must be maintained. During interviewing, the interviewee may share information that could jeopardise his or her position in a system (DiCicco-Bloom and Crabtree, 2006). This information had to remain anonymous and protected from those whose interests conflict with those of the interviewee. Interviewee names were

replaced in the study by generic names, Interviewee A, B and C, and the description of their job titles and role in the industry was kept vague enough so that it would not be possible for other players in the industry to guess who they were.

The third ethical issue concerns ensuring adequate communication of the intent of the investigation. This was dealt with by handing interviewees a printed Informed Consent document before the start of the interview. The document gave some background on the study, explained its exact aims and emphasized the interviewees' rights to discontinue participation at any time. Interviewees were asked to sign this document prior to the interview commencing to ensure that they had read through it and were comfortable with its contents. An example of the Informed Consent document is attached as Annexure F.

Lastly, interviewees should not be exploited for personal gain. Anderson (1991) suggests that it is important to 'reimburse' respondents in various ways for their efforts. In the current study, interviewees were not only offered feedback on the findings of the questionnaire survey, but they were also emailed the full results document. This information, which could prove useful to them in their professional environment, offered some recompense for their time and efforts during the interviews.

3.9 Phase II: Data Analysis

The three interviews were analysed using simple thematic analysis. Basic themes were obtained from the questionnaire categories, with sub-themes identified under each category.

3.10 Phase II: Sample Size

Since the qualitative research during Phase II of this study was only used in a supporting role, to assist in explaining the findings from the quantitative research in Phase II, it was not deemed necessary to meet any minimum requirements in terms of

sample size. Also, the reason for choosing key-informants for the interviews was that they would be able to give a more generalized view of the study population's preferences, thereby eliminating the need to interview a sample large enough to represent the entire study population.

4 RESULTS

This chapter is divided into two, firstly illustrating the results from the Phase I quantitative questionnaire survey, followed by the results from the Phase II qualitative key-informant interviews.

4.1 Phase I: Number of Respondents

Over the course of 2014, 300 email links were distributed and 85 fully completed responses were received – a response rate of 28%. In addition to these 85 completed responses, 22 responses were received where only the first (background) portion of the survey was completed. These respondents never moved on to completing the actual questions about the relative importance of factors and their survey results were therefore omitted.

The 85 completed responses was well over the 50 minimum as stipulated by van Voorhis and Morgan (2007) for Importance Index statistical analysis. It is also important to note that, although the response rate was relatively low, the respondents in the study represented 44% of the total office space in the study area, as elaborated on further below.

4.2 Phase I: Distribution of respondents

Figure 4.1 illustrates the Johannesburg decentralized office nodes, with the number of responses received from each node indicated. Figure 4.2 shows the ratio of responses per node in relation to the total received. As a proxy, the amount of existing P-grade, A-grade and B-grade office Gross Lettable Area (GLA) per node, as per the latest SAPOA report (South African Property Owners Association, 2015) was compared to the distribution of respondents per node. It was found that certain office nodes, such as Sandton, Parktown and Illovo, were over-represented in the responses. However,

overall the respondents still offered a good cross-sectional representation of tenants in the different decentralized office nodes of Johannesburg.

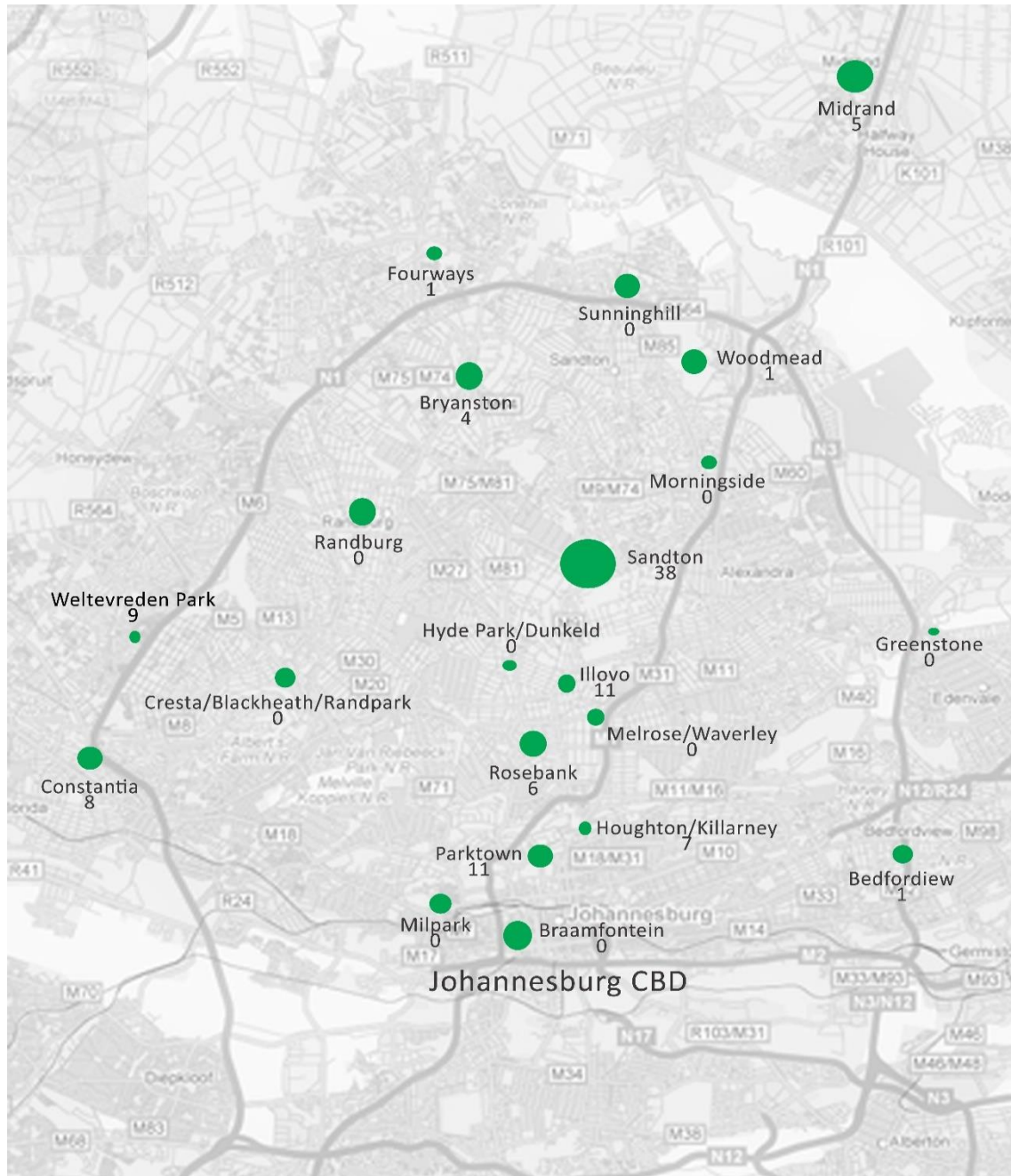


Figure 4.1 Johannesburg decentralized office nodes with number of responses received for each node (derived from South African Property Owners Association 2015:11)

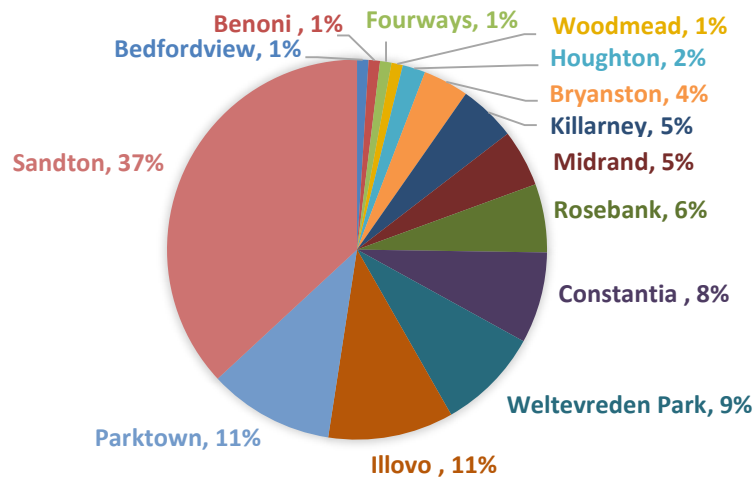


Figure 4.2 Ratio of Johannesburg office nodes represented by respondents

4.3 Phase I: Profile of respondents

Using the same proxy of existing office GLA, it was found that the split between A-grade (P-grade included) and B-grade offices in the study area was 70% A-grade and 30% B-grade (South African Property Owners Association, 2015). This compared very well to the study's respondent split of 80% A-grade (P-grade included) and 20% B-grade office tenants. The sample could therefore also be regarded as a good representation of the target population in this regard.

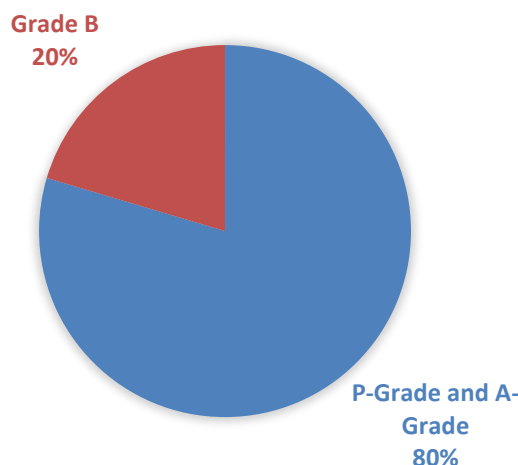


Figure 4.3 Office grades represented by respondents

Not a lot of information is available on the different sectors represented in office buildings in the study area. However, Johannesburg has a diversified economy, with the financial and business services sectors dominating the city's Gross Geographic Product (GGP) (City of Johannesburg, 2012). Furthermore, Johannesburg has a long history of mining activities and, although physical mining doesn't take place in and around the city any longer, a lot of the mining industry head offices are still situated in this area (JLL, 2015). Taking all of this into account, the various sectors seemed well-represented in the sample – apart from Real Estate, Architecture and Construction that were somewhat over-represented.

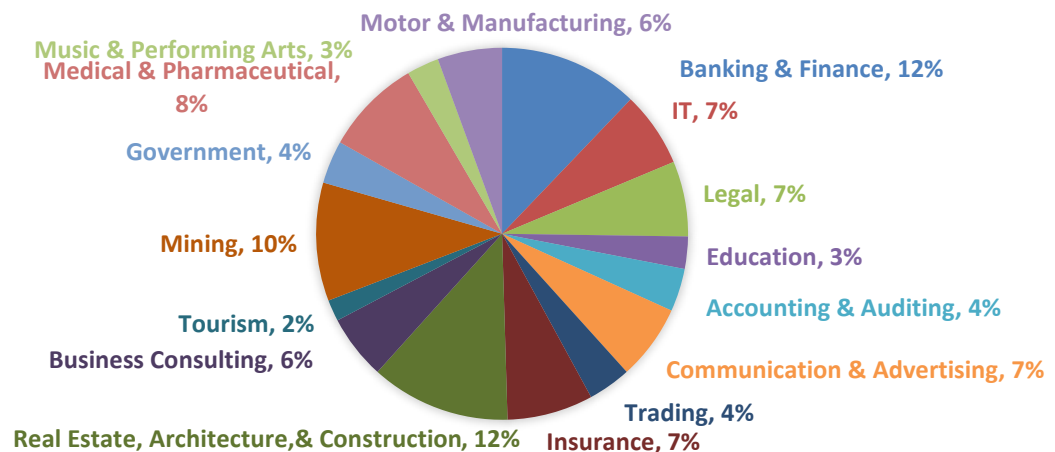


Figure 4.4 Sectors represented by respondents

Most respondents represented smaller to medium-sized companies (5 to 150 staff members). This corresponds well with the type of sectors represented by the sample, where companies are typically small to medium in size.

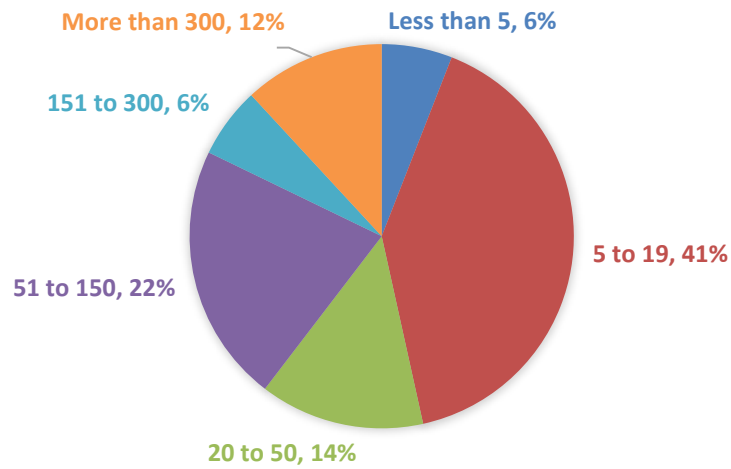


Figure 4.5 Number of staff members

A report by SAPOA (South African Property Owners Association, 2015) listed the latest median gross asking rentals for P, A and B-grade office buildings in the study area – a summary of this is represented in Table 4.1 below. It was found that there was a good correlation between these rentals and the current gross rentals listed by respondents during the survey (Figure 4.6).

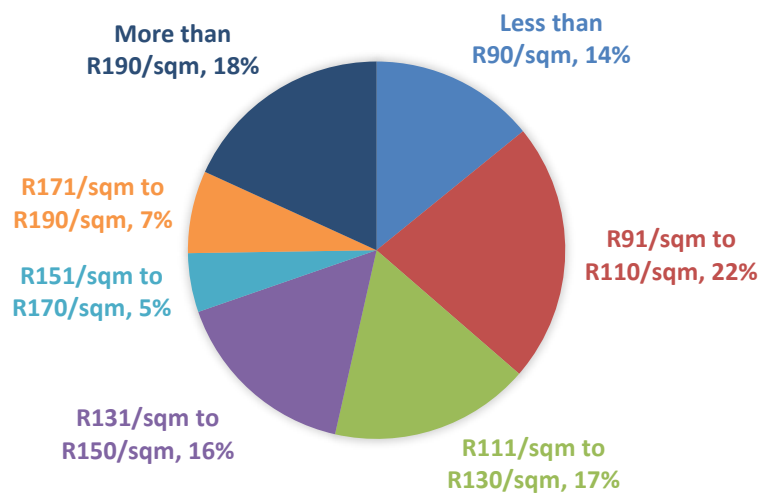


Figure 4.6 Current gross rental

Table 4.1 Current gross rental in market (derived from South African Property Owner's Association, 2015)

Jhb Office Node	Median Gross Asking Rentals for P, A and B grade offices – R/sqm
Randburg	78.0
Rivonia	92.0
Sunninghill	95.0
Houghton/Killarney	97.0
Cresta/Blackheath/Randpark	100.0
Parktown	103.0
Midrand	105.0
Fourways	112.5
Melrose Waverley	125.0
Hyde Park/Dunkeld	132.5
Illovo	135.0
Morningside	137.5
Rosebank	143.0
Sandton	145.0
Woodmead	200.0

The size of the office space occupied by respondents corresponded well with the size of the firms that took part in the survey.

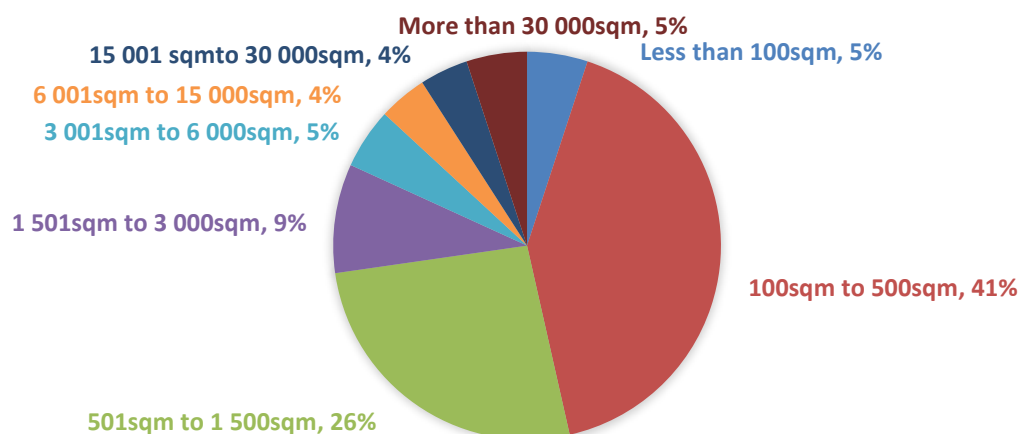


Figure 4.7 Size of occupied space

Considering that the typical office lease in South Africa is 3 to 5 years in length (Broll, 2014), the fact that 79% of respondents either had 3 or 5 year leases showed that the sample was a good representation of the overall study population in this regard.

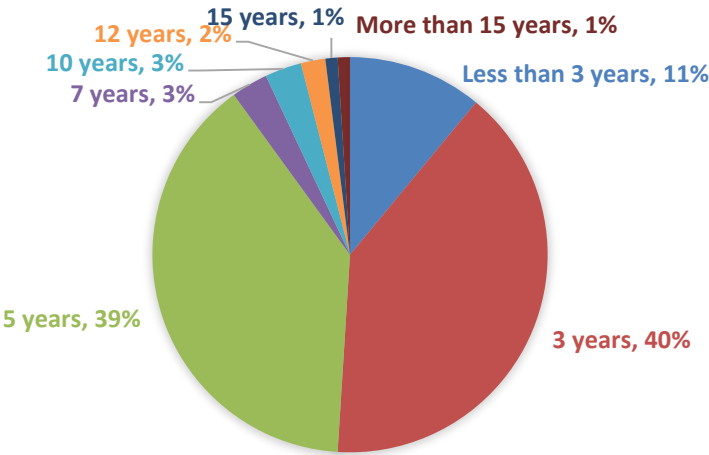


Figure 4.8 Length of lease

Seventy two percent of respondents did not know what type of lease they currently held. However, of the respondents who *did* indicate their lease type, 79% indicated that they held Gross leases.

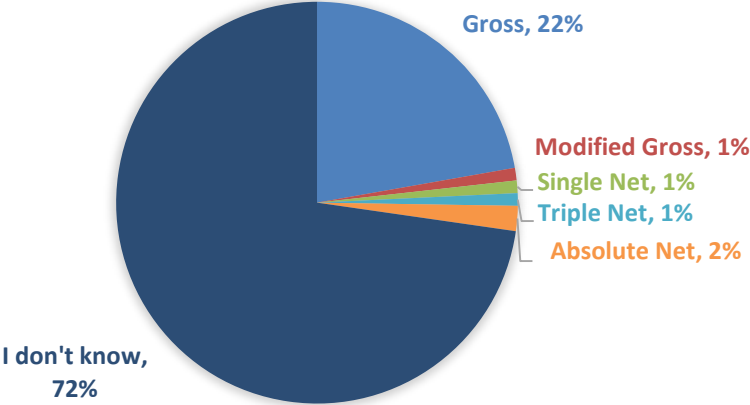


Figure 4.9 Lease Type

This corresponds well with the fact that 79% of respondents had lease terms that were either 3 or 5 years in length. According to Broll (2014), leases that are 3 to 5 years in length are usually gross leases in the South African office market, with Net leases reserved for properties with strong tenant profiles and where lease terms are longer than 5 years.

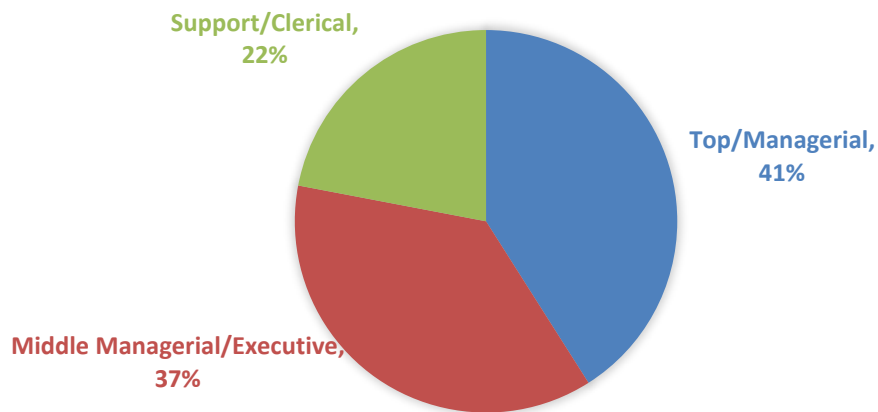


Figure 4.10 Respondent's position in the company

In their study on the green preferences of commercial tenants in Helsinki, Karhu et al. (2012) found that the positions of respondents in their firms affected the importance of preferences, while Edwards (1983) identified that, the more authority granted to an individual, the more likely they will be to influence the decision process. Greengalgh (2008) found that key individuals exert considerable influence over the decision-making process and its outcome. 78% of respondents in the survey were either in middle/executive or top management positions, giving a lot of credence to their opinions and the study as a whole.

Overall, the sample seemed to be a very good representation of the study population in terms of distribution, split in office grades, sectors represented, number of staff members, size of space occupied, current gross rentals, length of lease and type of lease. Very importantly, 78% of respondents were also key decision-makers in their

companies. Lastly, although only 85 responses were received, these respondents represent a total of 439 500sqm of office space in the study area. The current total GLA for P-grade, A-grade and B-grade offices in the decentralized nodes of Johannesburg is 1 001 615sqm (SAPOA, 2015), and the sample therefore represents 44% of this total. Summary statistics of all responses received are presented in Table 4.2 below.

Table 4.2 Summary statistics of results received

		Min Value	Max Value	Ave Value	Standard Deviation
A	Location				
1	Branding/Image/Prestige	1	5	3.83	1.08
2	Access to Market	1	5	3.55	1.24
3	Access to Amenities	2	5	3.87	0.96
4	Access to Skilled Labour Pool	1	5	3.31	1.2
5	Proximity to Support Services Suppliers	1	5	3.5	1.03
6	Proximity to Clients/Markets	1	5	3.79	1.1
7	Accessibility to Public Transportation & Terminal (e.g. Gautrain)	1	5	3.52	1.18
8	Accessibility by Private Vehicles	1	5	4.22	0.91
9	Proximity to Major Roads/Highways	1	5	4.11	0.92
10	Crime Rate	1	5	4.22	1.14
11	Traffic Condition (flow and congestion)	1	5	3.92	1.01
B	Lease Features				
1	Renewal Terms	1	5	3.99	1.05
2	Length of Lease/Duration of Contract	1	5	4.1	0.87
3	Termination Clause	1	5	4.02	1.02
4	Terms for Payment of Monies(e.g. rent)	1	5	4.05	1.12
5	Alteration and Renovation Clause	1	5	3.98	1.02
6	Incentives(e.g. rent free period)	1	5	3.91	1.14
7	Compliance to Law and House Rules	1	5	3.96	1.09
8	Repair and Insurance Clause	1	5	4.03	0.99
C	Presentation				
1	Age of Building	1	5	3.77	1.08
2	Design of Entrance & Foyer	1	5	4.1	0.96
3	Modern Prestigious Building	1	5	3.9	1.11

		Min Value	Max Value	Ave Value	Standard Deviation
	Presentation (continued)				
4	Quality and Presentation of External Finishes	1	5	4.12	0.88
5	Building Visibility	1	5	3.88	1.05
6	Building Identity/Image	2	5	4.12	0.85
7	Architectural Design and Building Finishes	1	5	3.95	0.88
D	Management				
1	Security & Access Control	1	5	4.66	0.69
2	Responsible Management & Maintenance Teams	2	5	4.62	0.65
3	Maintenance Policy	2	5	4.48	0.72
4	Cleaning/Housekeeping Services	1	5	4.35	0.86
5	Safety Policy & Procedure	1	5	4.45	0.87
6	Fire Prevention & Protection	1	5	4.44	0.87
7	After Hours Operation	1	5	4.11	0.99
8	Call Centre for Reporting Problems	1	5	3.8	1.17
E	Space Functionality & Atmosphere				
1	Floor-to-Ceiling height	1	5	3.61	0.96
2	Building Size	1	5	3.66	1.06
3	Flexible Space Layout & Large Floor Plate	1	5	4.08	0.89
4	Orientation of Office Space	1	5	4	0.83
5	Availability of Space for Future Expansion	1	5	4.03	0.95
6	Comfortable & Secure Working Environment	1	5	4.61	0.69
7	Space Efficiency	1	5	4.27	0.77
8	Column Layout & Sub-divisibility	1	5	3.84	0.96
9	View	1	5	3.52	1.08
10	Underfloor Trunking	1	5	3.33	1.18
11	Energy Efficient/Green Building	1	5	3.81	1.05
12	Building Green Star Rated	1	5	3.49	1.1
13	Exclusive Use of Office Floor	1	5	3.56	1.22
14	Exclusive Use of Ablutions on Office Floor	1	5	3.49	1.27
F	Services				
1	Toilet & Sanitary Facilities	3	5	4.58	0.62
2	Air-conditioning & Ventilation System	2	5	4.62	0.64
3	Electricity Systems & Provisioning(e.g. back-up generators)	2	5	4.65	0.61
4	Modern IT & Telecommunication Systems (e.g. Broadband)	1	5	4.55	0.81

		Min Value	Max Value	Ave Value	Standard Deviation
	Services (continued)				
5	Building Automation & Energy Management Systems	2	5	4.03	0.9
6	Control of Building Services	3	5	4.35	0.7
G	Access & Circulation				
1	Design & Entrance Foyer	2	5	4	0.87
2	Ease of Entrance Usage & Capacity	2	5	4.16	0.84
3	Passenger Lifts Performance & Control	1	5	3.91	1.06
4	Adequacy of Good Access & Circulation	2	5	4.2	0.81
5	Car Parking Provision & Accessibility	3	5	4.69	0.54
6	Building Way-finding (e.g. building signage)	2	5	4.32	0.8
H	Financial Considerations				
1	Rental Rate	3	5	4.66	0.55
2	Cost of Fit-out	3	5	4.35	0.74
3	Total Occupancy Cost	2	5	4.58	0.66
I	On-site Amenities				
1	Restaurant/Canteen	1	5	3.38	1.32
2	Convenience Shop	1	5	3.23	1.29
3	Day Care Facilities	1	5	2.42	1.21
4	Gym	1	5	2.71	1.23
5	Showers	1	5	2.68	1.38
6	Outside Entertainment Area	1	5	3.21	1.27
7	Concierge Service	1	5	2.26	1.21

4.4 Phase I: Analysis of Results

As discussed in the methodology chapter, multiple shortcomings were detected in the data analysis methods employed in Adnan et al.'s (2012) original study. In an attempt to improve on this, the PCA part of the data analysis was omitted and the full data set from the Importance Index was analysed. Results are presented in Table 4.3. Overall categories that tenants considered most and least important were calculated and presented in Table 4.4 and Figure 4.11. Further to this, all (full) results from the Importance Index analysis were then captured together in one graphic, refer to Figure 4.12. The aim was to, at a glance, show the importance of factors, relative to other

factors in their category *and* relative to each other overall. Lastly, factors that were overall ranked most and least important were highlighted in Figures 4.13 and 4.14.

Table 4.3 Full results from Importance Index, arranged from highest to lowest ranking overall

Factor	Importance Index	Rank
Security & Access Control	73.8	1
Car Parking Provision & Accessibility	72.9	2
Electricity Systems & Provisioning (e.g. generator)	70.9	3
Rental Rate	69.4	4
Modern IT & Telecommunication Systems	68.8	5
Air-conditioning & Ventilation System	68.6	6
Comfortable & Secure Working Environment	68.4	7
Responsible Management & Maintenance Teams	68.1	8
Toilet & Sanitary Facilities	65.1	9
Total Occupancy Cost	64.7	10
Safety Policy & Procedure	62.9	11
Fire Prevention & Protection	62.9	11
Maintenance Policy	59.3	13
Crime Rate	56.2	14
Cleaning/Housekeeping Services	54.3	15
Building Way-finding(e.g. building signage)	50.6	16
Cost of Fit-out	50.6	16
Control of Building Services(e.g. Mechanical & Electrical)	47.7	18
Accessibility by Private Vehicles	47.4	19
Terms for Payment of Monies(e.g. Service charge)	46.9	20
After Hours Operation	43.3	21
Adequacy of Good Access & Circulation	42.4	22
Space Efficiency	42.3	23
Lease Features-Termination Clause	41.3	24
Ease of Entrance Usage & Capacity	41.2	25
Incentives(e.g. Rent Free Period)	40.4	26
Proximity to Major Roads/Highways	40.2	27
Compliance to Law and House Rules	39.6	28
Design of Entrance & Foyer	39.6	29
Repair and Insurance Clause	39.1	30
Renewal Terms	38.3	31

Factor	Importance Index	Rank
Alteration and Renovation Clause	38.1	32
Call Centre for Reporting Problems	37.4	33
Quality and Presentation of External Finishes	37.2	34
Building Identity/Image	37.0	35
Length of Lease/Duration of Contract	36.8	36
Modern Prestigious Building	36.7	37
Availability of Space for Future Expansion	36.6	38
Building Automation & Energy Management Systems	36.0	39
Passenger Lifts Performance & Control (e.g. Speed)	36.0	40
Flexible Space Layout & Large Floor Plate	35.5	41
Building Visibility	34.1	42
Traffic Condition	33.6	43
Access to Amenities	33.0	44
Design & Entrance Foyer	32.9	45
Branding/Image/Prestige	32.6	46
Age of Building	32.2	47
Proximity to Clients/Markets	30.8	48
Access to Market	30.6	49
Energy Efficient/Green Building	30.0	50
Exclusive Use of Ablutions on Office Floor	30.0	50
Exclusive Use of Office Floor	29.5	52
Orientation of Office Space	28.6	53
Architectural Design and Building Finishes	28.5	54
Restaurant/Canteen	28.2	55
Column Layout & Sub-divisibility	26.6	56
Accessibility to Public Transportation & Terminal	24.4	57
Building Size	23.4	58
Convenience Shop	23.0	59
View	22.5	60
Outside Entertainment Area (e.g. balcony)	22.5	61
Floor-to-Ceiling height	20.9	62
Underfloor Trunking	19.8	63
Access to Skilled Labour Pool	19.6	64
Proximity to Support Services Suppliers	19.6	64
Building Green Star Rated	19.1	66
Showers	17.8	67
Day Care Facilities	13.4	68

Factor	Importance Index	Rank
Concierge Service	13.4	68
Gym	13.2	70

Calculating the average importance index values of each category, *Cost/Financial Considerations* scored the highest in importance, followed by *Services*, then *Management* and fourth was *Access & Circulation*. The category that scored the lowest in importance (by quite a large margin) was *On-site Amenities*. The second lowest score was for the *Space Functionality & Atmosphere* category and the third lowest for *Location*. The categories *Presentation* and *Lease Features* fell somewhere in the middle, as per Table 4.4 and Figure 4.11 below.

Table 4.4 Overall categories, arranged from highest to lowest ranking

Category	Category Ave Importance Index Value	Category Rank
Cost/Financial Considerations	61.6	1
Services	59.5	2
Management	57.7	3
Access & Circulation	46.0	4
Lease Features	40.1	5
Presentation	35.0	6
Location	33.5	7
Space Functionality & Atmosphere	30.9	8
On-site Amenities	18.8	9

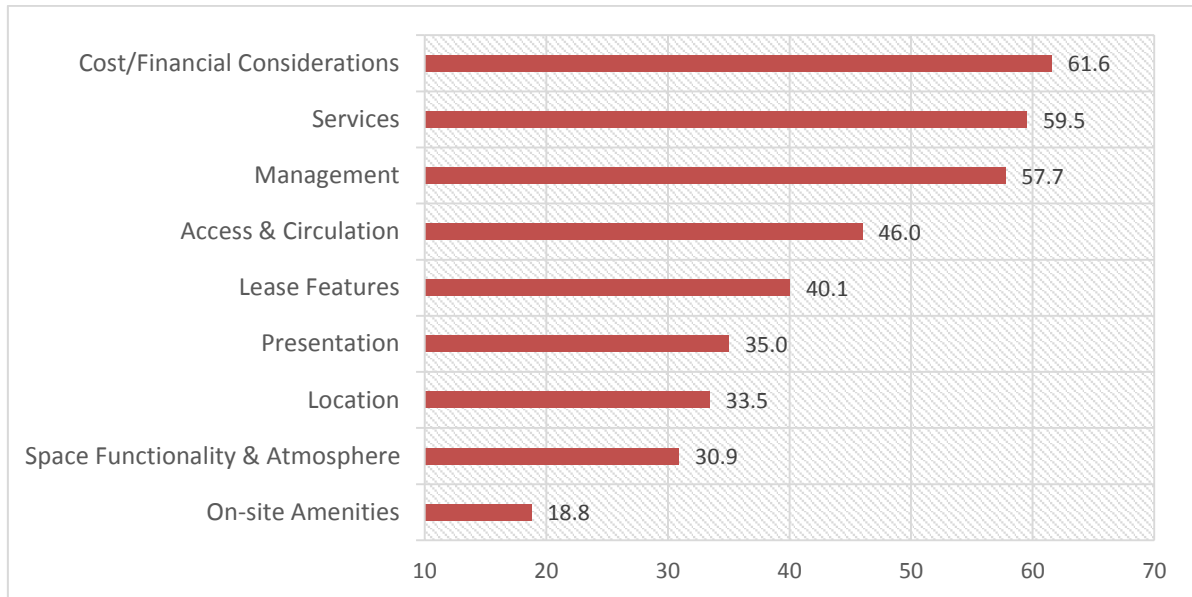


Figure 4.11 Overall categories ranking

On review of Figure 4.12, it is clear that all *Cost/financial considerations* were considered very important by tenants, with Rental Rate ranking the highest, Total Occupancy Cost the second highest and Cost of Fit-out the lowest, although it still got a high score overall. The *Services* category also ranked high, with Electrical Systems & Provisioning (such as capacity and back-up generators) being considered the most important. Modern IT & Telecommunication systems and Air-conditioning & Ventilation Systems were a close second and third, with Toilet & Sanitary Facilities also considered very important. Building Automation & Energy Management was considered the least important, although it still ranked quite high in importance compared to overall rankings. The category *Management* received some of the overall highest scores, with Security & Access Control and Responsible Management & Maintenance Teams considered the most important. Safety Policy & Procedure, Fire Prevention & Protection and Maintenance Policy all ranked very high as well. A Call Centre for Reporting Problems was not considered as important as the other management items. Car Parking Provisioning & Accessibility ranked the highest under the *Access & Circulation* category, with Building Way-finding (e.g. building signage) ranked the second highest. Design & Entrance Foyer was considered the least

important. Under the category *Lease Features*, the Terms for Payment of Monies (e.g. rent, service charge, etc.) and Termination Clause were considered the most important. Alteration and Renovation Clauses and Length of Lease/Duration of Contract was considered the least important. Under the *Presentation* category, Design of Entrance Foyer, Quality and Presentation of External Finishes and Building Identity/Image were regarded as the most important. Architectural Design & Building Finishes was considered the least important. Under the category *Location*, Crime Rate and Accessibility by Private Vehicles were indicated as the most important factors, although their overall importance score was not high. Proximity to Support Services Suppliers was considered the least important. Regarding the category *Space Functionality & Atmosphere*, a Comfortable and Secure Working Environment was regarded as by far the most important. A Green Star rating for the building was indicated as the least important. None of the factors under the *On-site Amenities* category scored high in importance, with Restaurant/Canteen ranked the highest. A Gym was considered the least important.

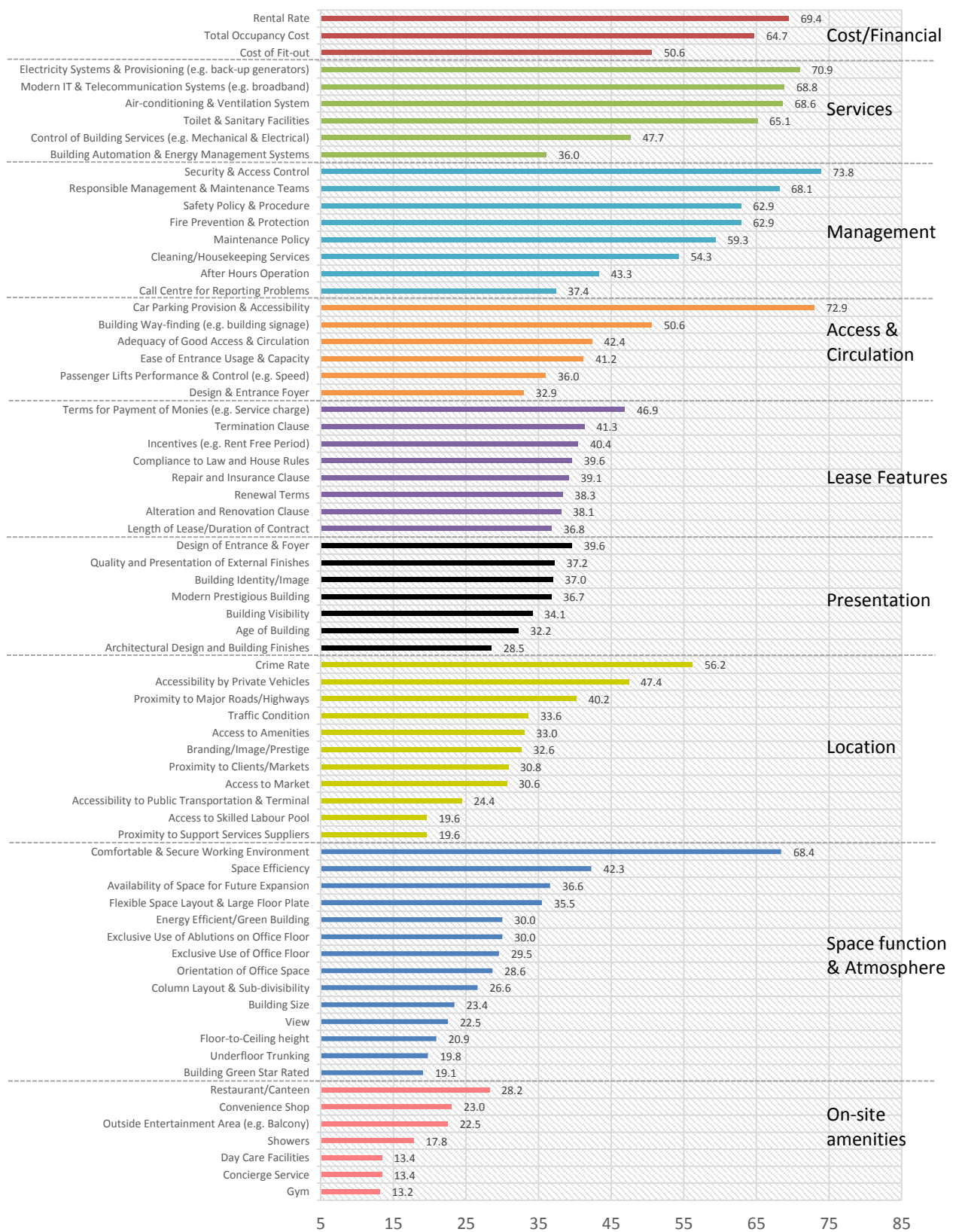


Figure 4.12 All factor ratings per category, categories in descending order

Comparing the importance index ratings of all factors, regardless of category, the factors ranked of highest importance overall were Security & Access Control, followed by Car Parking Provision & Accessibility and then Electricity Systems & Provisioning (e.g. backup generator). Rated fourth in overall importance was Rental Rate, as per Figure 4.13 below.

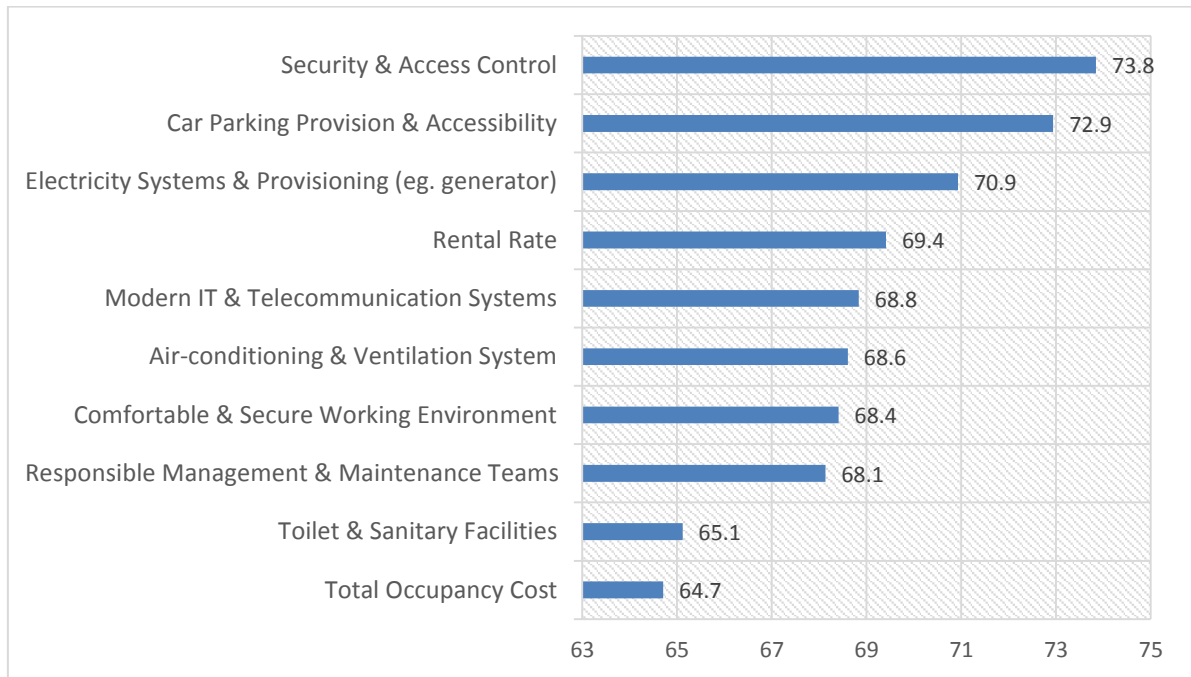


Figure 4.13 Factors that ranked highest in importance overall

The factors that scored the lowest in importance overall were mostly based under the *On-site Amenities* category, with a Gym considered the least important, followed by a Concierge Service, Day Care Facilities and Showers.

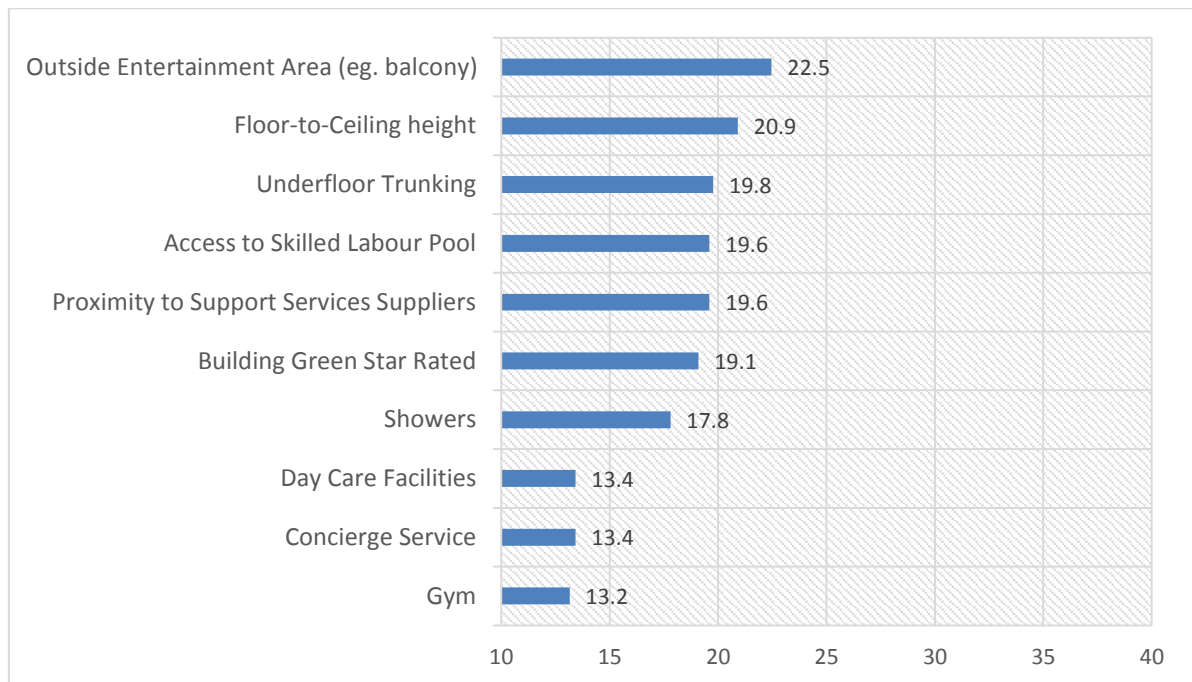


Figure 4.14 Factors that ranked lowest in importance overall

In addition to the list of factors that participants were asked to rate, the questionnaire also had a text field under each heading where they could list any other items that they considered important when looking for office space to rent.

By far the most recurring theme was facilities management, with comments such as:

- 'Quality of service by facilities manager/landlord's agent.'
- 'Contactability, responsiveness'
- 'The willingness to actually do anything about complaints'
- 'How well the garden service perform in keeping the area spotless'
- 'Precinct, office grounds and ongoing maintenance is critical to my business.'

- 'Bathroom spray, hand wash and towels'

Related to this, there were also quite a few comments connected to the landlord, such as:

- 'Track record of landlord'
- 'Relationship with landlord'
- 'Open, honest relationship between landlord and tenant is crucial. Everything should be transparent and discussable.'

In terms of lease features, the annual escalation and or rent reversion clause was highlighted as important, with comments such as:

- 'Rental increases and structure for long-term tenants'
- 'Rent reversion'
- 'It was important for us to have flexibility in terms of resetting rentals at certain times within the lease period to try and ensure that market rentals are payable.'
- 'Annual escalation rate'

Lastly additional on-site amenities that were listed as important included:

- An ATM
- Wash bay facilities
- Smoking area
- Central DSTV dish

4.5 Phase II: Selecting Key-informants

Based on the selection criteria guidelines from Kumar (1993) and Marshall (1996), as discussed in the Methodology chapter, three key-informants were chosen to conduct semi-structured interviews with. The interviews took place over two weeks in early 2016. Interviewee A was a project manager and director of a company that specializes

in assisting office tenants during the process of finding, choosing and moving in to new office space. Interviewee B was the head of research of a large South African real estate professional services and investment management company who, as part of their service, offer office building brokering. Interviewee C was an architect and director of both architectural and property development companies.

4.6 Phase II: Thematic Analysis of Interviews

A simple thematic analysis was done on the full transcribed interviews, the results of which are listed in Table 4.5 below.

Table 4.5 Thematic Ordering of Interviews (A, B and C indicates the three interviewees)

Cost/Financial Considerations	
	General
A	So, yeah, I'm not surprised that Cost rated the highest.
B	I don't think anything would be above costs when making these decisions [about what office space to rent].
C	No [I'm not surprised that this category ranked the highest]. That would definitely be the biggest concern for any tenant.
Other cost items (apart from rental) not well considered	
A	People also don't look at these things [total occupancy cost] when they look at their rental rate. So, you know, a lot of your tenants are ill-informed, they look at one rental, versus another rental, but they don't understand what they are getting for each offer, which I think is probably demonstrated in that.
C	The trouble is that people are not conscience of the cost of fit-out until it's way too late. Especially if this is not something that they do on a regular basis.
Services	
	General
A	No, no [I'm not surprised that four of the factors under this category rated very high]. It's because people are just concerned about business continuity.
B	No, it is all to be expected [that four factors under this category ranked very high].
C	I don't find any of that surprising

	Toilet & Sanitary Facilities
A	I don't know why that would have rated so high.
A	Maybe, ja, with your smaller tenants. The fact that you had quite a lot of smaller tenants in your sample, ja, that would make sense. That people want decent toilets, but they're sharing them.
C	...Toilet & Sanitary Facilities - I didn't expect to rate that high.
	Control of Building Services
B	Control of building services rated low because, I think, it is preferable for occupiers not to have that on their plate.
	Building Automation & Energy Management – a lack of understanding
A	...again, I think people are ill-informed
B	But energy management I would have thought would have rated higher because, again, it goes hand in hand with your Total Occupancy Cost. So I would have expected people to want an energy efficient building. And I think, again, it's probably just ignorance. Because your energy management is probably your biggest cost, your biggest operations cost.
C	I don't think people are really aware of things like Building Automation & Energy Management Systems.
	Management
	General
A	Again, no [I'm not surprised that this category ranked so high]. Based on the sample, again, [facilities] management for those type of buildings [multi-tenanted] is generally outsourced. So, you [as a tenant] want the place to be well-maintained. Whereas, if it's a big corporate, they might have a triple-net lease where the tenant is responsible for the maintenance and costs and therefore the management is done in-house, so it's not that important.
B	Not surprised at all [that this category ranked this high]
B	I think this offers convenience to the occupier. Similar to not having control of the building services, your access and all of that. It's one thing less for the occupier to deal with. So, having a good maintenance team doing their thing... you can get down to business as usual.
	Security & Access Control
B	Related to crime in South Africa... people want to feel safe.
C	I imagine in this country that would be valid. For every single building built and occupied, I think there is about a 30% chance that you are going to get robbed.

Access and Circulation	
	Car Parking Provisioning & Accessibility
A	... doesn't surprise me in the least [that it rated so high]. Car parking is generally one of the biggest issues at the moment.
C	I'm not surprised about Car Parking Provisioning & Accessibility [that it ranked so high].
	Passenger Lift Performance & Control (e.g. speed)
A	Again, I think based on your sample, you're probably looking at the one or two storey buildings where it doesn't really affect them so much. So um, for your bigger buildings, ja, it's a real problem in their lives.
C	I'm not surprised that Passenger Lifts and Design & Entrance Foyer didn't rate high. I don't think it is in tenant's consciousness when they choose a building to rent.
	Tenants don't understand the impact of these factors on them
C	Ja, the fact that Adequacy of Good Access and Ease of Entrance rated so low shows me that tenants perhaps don't understand the important impact of some of these items on them.
Lease Features	
	Not a big issue for large tenants/long leases; will be negotiated
A	I think they feel that they [large tenants] will be able to negotiate. I don't think that will influence their choice of building to a large extent.
A	No landlord, when they are trying to negotiate a ten or twenty year lease for a large tenant says 'Here's our lease'. You know, both parties get in a room with their respective lawyers and they work it out.
B	I think it's... once you've taken care of the overall cost, the rest become detail, I would say.
	Small tenants have less negotiating power
A	The smaller tenants, I guess they have less of an influence over negotiating the lease features. You take what you are given.
	Less important in shorter leases
A	And smaller tenants are probably not even looking at factors such as the Renewal Clause and Alteration & Renovation Clause because it doesn't really affect them.
A	And I would say, with your smaller tenants, a lot of these items don't really come into effect because they're not going to be doing any alterations, etc., because it's only a short lease. So, it doesn't really affect them.
B	If your lease is short, like three years, it gives you enough time to see what is happening in the market and by the time your lease has expired, you can move to a building that is cheaper if you want to. So the shorter your least term is, the less likely it would be that the other lease features would be important.

Presentation	
	General
A	I would have expected it to rate higher. You know, 40% is almost saying that they don't really care.
C	I think most people don't really care.
	Smaller Tenants
A	Which, again, if you take your sample, maybe the smaller guys are looking for cheap rental, clients aren't necessarily coming to their offices, so, you know, what does it really matter what their office looks like?
A	And what does the aesthetics of the building really say about me if I'm only occupying a 100sqm versus 6000sqm? So, based on your sample I can understand that.
	Larger Tenants
A	...but from your big corporate tenants' point of view, I'm very surprised. I would think that they would want their premises to represent their brand in some way. I also find it surprising that Building Visibility rated so low. For some corporates, especially legal firms, this is very important.
A	When they start to occupy 50% or more of a building, they want to almost have exclusive signage rights on the building. And it can be almost a deal-breaker for them.
A	If you're dealing with a large occupier, presentation is going to be more important. If not, then it will not.
	Length of Lease
C	If you are an MD, measured on performance, the aesthetic of your building is not a big driver. Especially because people have got three or five year leases. If the lease is ten or fifteen years, then I'm sure what the building looks like, and how it affects your brand, is really important.
	Certain level of aesthetics expected in P and A grade
B	And again, when you go to A and P grade, you can almost say that the quality is there.
C	A lot of these things, if I'm in a premium grade building, the quality of finishes, for example, is there already. If you rent Premium grade office space, then you might take it as a given that it would have a nice design.
	Subconscious decision
A	They like the nice space. I think subconsciously.

Location	
	General
A	Um... Ja, I would have thought Location would have been a bit higher up.
B	What surprised me was how low Location was rated.
A	Although, you know, if you want to be in the heart of the business district, that's where it is. So I'm very surprised that they [respondents] are saying that location is not important.
A	Ja, you see, I would categorize that [Accessibility by Private Vehicles] together with Proximity to Major Roads/Highways and Traffic Condition and the fact that none of these rated very high is very surprising. Because that is very high on the list for most tenants that we have been speaking to. The rest of the factors under Location would not be considered very important, I think.
B	But I think that's also related to the kind of occupier you are dealing with [predominantly smaller occupier].
C	I can't believe it. I mean, for me, the top five factors in this category would be <i>major</i> considerations. Those are core. I'm shocked that those factors were rated so low.
	Crime Rate
A	It doesn't surprise me at all that Crime Rate was considered the most important in this category.
	Access to Skilled Labour Pool
A	Ja, I think Access to Skilled Labour Pool would only rate important if you're dealing with the really big corporates. ...they were looking at building in Bloemfontein because of the university there, to open up an office there, because they all compete for the same graduates.
C	I understand why Access to Skilled Labour didn't rate high. Because you are already an established business, it's not like you're an industrial business. Employees will move with your building.
	Clustering
A	You know, if you take all your legal firms, they're all in Sandton.
B	Also, one thing that we've noticed in Johannesburg is almost sectorial development, where your telecommunication industries prefer Waterfall, for some reason, your legal and your financial services industries prefer Sandton, and then other industries might be fine with being outside of those very central areas. Your media companies are preferring Randburg, they are next to each other there, they compete within the space and they want to know what their peers are doing. So, that will be a big determinant of the location you choose and then other elements that affect that might be secondary to that.

	Importance ranking depends on respondent sector type
A	So you know, if you take some of your professional services, it doesn't really matter where you are because you go to your clients and how often do your clients come to your offices? Very, very rarely. So, I guess the location would, depending on the tenant, would dictate where they want to go and that goes hand in hand with the costs.
C	Maybe it [the reason why location ranked so low] has something to do with the nature of the work that the respondents do, the sectors that they are in. It's the only reason I can think of.
	Decision-makers might not be taking general staff into account
A	Ja, I think so. But that's if you're looking at the overall experience of all the employees, as opposed to just the decision-makers when it comes to the lease.
C	Maybe the decision-makers just don't give a shit about how the rest of their employees get to work.
	Space Functionality & Atmosphere
	Large VS Small tenants
B	...this relates to user experience. If you're not dealing with a high workforce, it's not going to make much of a difference.
B	In large institutions you want to drive that and corporate culture and you might put more emphasis on how the space feels.
C	Maybe with smaller tenants, a lot of these items are not such a big issue. But if you're a large tenant, a lot of these start becoming more of an issue.
	Comfortable & Secure Working Environment
A	Comfortable & Secure Working Environment rated high in this category and I think you could argue that that actually encompasses a lot of the other factors.
B	A Comfortable and Secure Working Environment, that applies to everyone [big and small tenants].
	Space Efficiency
A	Yes, very surprising. I think it's probably because a lot of people are ignorant with regard to [space efficiency].
A	But then, again, it's only your bigger corporate tenants that would really start to look at that.
A	And we also find that it is very difficult at RFP stage to get that right.
B	...space efficiency, I think that's becoming of greater importance for offices especially. It's related back to your cost, so it's surprising that it would rate that low. You can rent less space and use it more efficiently, which will then reduce your costs.
C	I'm surprised that Space Efficiency didn't rate higher.

	Energy Efficient/Green Building and Length of lease
A	But then again, they're getting the pay-back because they are signing a ten or fifteen year lease, whereas your smaller tenants aren't. Some of the energy efficiency things, unless the landlord is providing them, the tenant... the pay-back doesn't work...
B	Especially if you look at your lease length. If an occupier is going to be there for ten years plus, then it's worthwhile to have those green facilities because you'll make up the savings over that time. If your lease is three to five years, it's way too much, it doesn't make sense to actually have those things there.
	Building Green Star Rated
A	Definitely not [considered one of the more important items].
A	They (larger tenants) still look at cost, hey. They still look at what it will cost.
B	...there's a cost to the capital element, so you save over time, but the initial cost is a lot. And when that relationship is evaluated, I think that's where it kind of falls apart.
C	And I think there is probably also a lot of ignorance on the side of the tenants. I think they might not even know what it is.
	Tenants don't understand the impact/ill-informed
A	A lot of the other factors under this category, like Floor-to-ceiling height, tenants don't really understand the impact of it or they don't really know what it is, like Underfloor Trunking. So it doesn't surprise me that it rated low, especially since most of the respondents were smaller tenants.
A	A comfortable environment could mean that the ceilings are higher, etc., it's more... to the laymen it's easier to understand as opposed to some of the other factors listed under this category.
B	Other items under Space Functioning & Atmosphere probably didn't rate high because tenants don't understand their impact on their office space very well, although they could have a large impact.
B	Occupiers don't always understand what is needed and they need guidance from a company such as [broker company] who can point out the impact on some of these items.
C	But the smaller tenants are probably ill-informed about the impact of these factors.
C	I mean, the fact that Exclusive Use of Ablutions rated higher than Building Orientation and Column Layout just shows you that these tenants are not well-informed – they don't understand the impact of these things and they don't understand space efficiency. It reflects a lack of knowledge on how they should go about this.
C	Clearly [even large] tenants need to be educated better.

On-site Amenities	
	General
A	That is surprising [that the category rated so low].
A	This sample was based more in Sandton and Illovo, rather than the office parks in Bryanston, etc. Therefore some of this might be subconscious: there are lots of gyms in a 3km radius in Sandton, for example, and therefore a tenant in Sandton might say that it is not important, even though they would have missed it if it was not there.
	Decision-makers VS rest of the staff
B	If you looked at this from the point of view of the staff – why do you want to go and work for this or that company? Because they have certain on-site amenities. That would throw a different perspective on things.
B	If the staff could vote, they would probably want most of these in.
C	I can't believe that restaurant rated so low. I mean, it just says that the decision-makers don't give a hoot about their staff.
	Bigger corporate tenants use it to attract and retain staff
A	And again, I think your bigger corporate tenants definitely look at these types of items because, if you want to attract and retain good staff, what do you offer? And on-site amenities is part of this offering.
B	But, definitely, your big corporate tenants are looking at items such as this, because if their competition is offering it... you know, you're fighting for the same [labour] pool.
B	I think, also for large occupiers, your work place experience is becoming more important, so having those amenities downstairs, being able to be in close proximity to gyms and so forth, because the worker's experience is becoming a key part of productivity measures for businesses.
	Smaller VS Bigger tenants
B	So, again, because most of the respondents were smaller tenants, they can't effectively afford to offer these amenities on site.
B	The question is also how much do you need something like an on-site canteen, for example, when you're dealing with a small staff count? Maybe a kitchen becomes sufficient. But as soon as you go large, you need to think how you're going to feed people, how you are going to make sure there's ease of movement within the building, etc.
C	I'm not that surprised in terms of smaller tenants and buildings. A smaller building doesn't have enough people to sustain on-site amenities such as restaurants. And so a convenience shop, for example, would be nice, but it's not sustainable [for a small tenant]; there isn't enough staff in the building to sustain it. So they don't expect it. Same with something like an Outside Entertainment area.

	Restaurant/Canteen
A	However, I would have thought that an on-site restaurant would have rated higher, even for small tenants. Otherwise, where are your staff going to go and get lunch?
C	I don't think that your smaller tenants would expect things like a restaurant to be in the building, only in the area.
Other factors considered important that were not listed in the study?	
A	No. You've got most of them.
B	I can't think of anything. This is a very comprehensive list.
C	No
Practical Implications of Findings	
A	Yes, I think it could influence how you present a building to a tenant... So I think, based on this, you can tailor your presentation – I mean, it's not an exact science – but you can maybe emphasize certain items that you might not have necessarily thought of emphasising.
B	I think it would be, actually, a really great tool. For example your top ten indicators there, for an occupier who's not sure what they need or why, to actually be... to get a tool that will assist them in deciding, possibly also educating them about some of the aspects and amenities that they might not be thinking about yet, but could probably have a big influence on how they experience their workspace – that's something that could be very useful.
C	I think you can build a tool out of this information that would allow landlords to get a better understanding of their tenants' needs, I really do. I think it would be a waste if you didn't take this and build something out of this. Like an app. Brokers could use it as a tool as well. You could give it to building managers as a tool, you know what I mean.
C	...when you advertise a building to rent, you should be talking about the security, access, parking – all the things that are coming out of this study.
Limitations of the Study and Suggestions for Future Research	
	Differences and similarities between tenant sizes
A	...in my opinion the top rated categories would remain the same, like Costs and Services. It all starts with what you can afford and only then do you look at the other items.
B	I think having a large portion of your sample being smaller occupiers is probably playing a big role in the kind of results that you're getting, because when you actually turn towards larger occupiers a lot of the things that would have been considered unimportant become very important for large occupiers.

B	...your rental rates are likely to be much higher for smaller occupants, they don't have the strength of negotiation that a large occupier would have and then that would play a smaller role.
B	But if you consider something like cost of fit-out, that then starts to escalate for a large occupier.
C	The image of the business is also much more important [for a large occupier].
B	You are taking care of a whole lot more people than in a bigger business, so fit-outs and amenities, all of those things, would be pushed up at a greater cost to the business than maybe even your rental rates would be.
B	Things like advertising space and your foyer design, your marketing space, if you can have a big board with your brand, advertising who you are, that's a big thing for large occupiers.
B	Whereas your larger occupier will have a big thing about, you know, where you are, how many cars are going to go past and see your big board.
B	How close you are to employees as well, your employee pool is very important if you are going to have hundreds of thousands of individuals coming to your office in a day, as opposed to a smaller occupier...
C	Maybe with smaller tenants, a lot of these items [under Space Function & Atmosphere] are not such a big issue. But if you're a large tenant, a lot of these start becoming more of an issue.
	Differences between A and B-grade tenants
B	My initial view is that your Grade B occupiers will probably be putting cost very high and nothing else getting much weight beyond that.
	Findings specific to South Africa [developing country]
B	I'm sure if you're dealing with a different kind of country than South Africa, then this [high rating of Car Parking Provisioning] would be very different. Our major mode of transport is cars. In a country like the UK, most people walk to work and you wouldn't have this kind of problem.
C	I imagine in this country that would be valid [the fact that Security & Access Control rated so high]. For every single building built and occupied, I think there is about a 30% chance that you are going to get robbed. That would be right up there with a Back-up generator for me.
C	Look how low Access to Public Transport rated. I guess it reflects our attitude towards transport – you would never have that discussion in Europe.

Two major themes were highlighted by all three interviewees throughout the interviews. The first was that there could potentially be major differences in the importance ranking of factors between large and small office tenants. All three interviewees expressed the view that many of the results from the current study could be explained by the fact that a large portion of respondents represented smaller

tenants. The second theme was that office tenants in Johannesburg are generally not well informed about the impact that certain factors would have on the office space that they rent and their businesses in general.

5 DISCUSSION OF FINDINGS

The aim of this study was to determine the relative importance of building specific factors that influence occupation decision-making among P-grade, A-grade and B-grade office tenants in the decentralized Johannesburg office nodes, South Africa. The highest and lowest ranking categories and factors, as determined by the Importance Index analysis, are discussed below, as well as the additional factors listed by participants at the end of the questionnaire. Themes that emerged from the key-informant interviews are used to assist in explaining results.

5.1 Highest and Lowest Ranking Categories and Factors

Table 4.4 and Figure 4.11 in the Results chapter indicate the overall ranking of categories according to the Importance Index analysis undertaken. Figure 4.13 illustrates the ten highest ranking factors overall, while Figure 4.14 show the ten factors that scored the lowest in importance. Table 4.5 lists themes that emerged from the key-informant interviews.

5.1.1 Highest Ranking Category: Cost/Financial Considerations

This category ranked the highest overall. One of the factors in this category, Rental Rate, was rated the fourth highest in importance among all listed factors. Another factor in this category, Total Occupancy Cost, was also under the top ten. Considering the uncertain economic climate in South Africa in recent times, this result is not surprising. The latest business confidence number shows that overall sentiment in the business community is negative and that executives are taking a wait-and-see approach, with major decisions and expenditure kept at a conservative level (JLL, 2015). Coupled with this, office vacancy rates in the whole of South Africa, as well as in decentralized Johannesburg, remain high (South African Property Owners Association, 2015), affording tenants a wide choice of office space and giving them the opportunity to shop around for the best rental deal. The fact that tenants indicated

Cost/Financial Considerations as the most important category correlate with the findings of similar studies undertaken by Abuamer and Boolaky in Abu Dhabi (2015), Leishman et al. in the United Kingdom (2012), Adnan and Daud in Malaysia (2010) and Adnan et al. in Malaysia (2012). In fact, all four of these studies also found that Rental Rate was one of the single most important factors taken into account by tenants. All three key-informants agreed with these findings, in the words of Interviewee B: “Cost trumps all” (Appendix D). The general consensus seemed to be that office tenants would have rated other factors in this category, such as Total Occupancy Cost and Cost of Fit-out, even higher if they understood the cost impact of them on their business better.

5.1.2 Second Highest Ranking Category: Services

This category ranked the second highest in importance. Four of the factors under this category rated very high in importance and were included on the top ten list of overall highest ranking factors. These are Electricity Systems & Provisioning (e.g. backup generator), Modern IT & Telecommunication Systems (e.g. Broadband), Air-conditioning & Ventilation System and Toilet & Sanitary Facilities. South Africa is currently experiencing an energy crisis and, with regular load shedding becoming part of daily life, it is understandable that sufficient power provision and a good back-up generator would be regarded as an absolute critical component of any office building. Didiza’s South African study (2013) showed the same result with regards to a reliable power supply. Leishman et al.’s study in the UK (2012) also found Modern IT & Telecommunication Systems to be an important factor in determining probability of choice. The high ranking of a good Air-conditioning and Ventilation systems replicates the findings of Ho et al. (2005) and Adnan et al. (2012). It also shows some correlation to the findings of Appel-Meulenbroek’s study (2008) where tenants indicated the comfort of a building as a very important push/pull factor, as well as Abuamer and Boolaky study (2015), where Indoor Environment was ranked highest among office tenant consumer preferences. Adnan et al.’s Malaysian study (2012) showed similar

results in relation to Toilet & Sanitary Facilities rating high. Cheah et al.'s study (2014) showed that Services, in general, significantly influenced tenant satisfaction and subsequent loyalty. Again, the three key-informants confirmed these results from their own experience, although they perhaps didn't expect Toilet & Sanitary Facilities to rate quite as high as it did. They also felt that Building Automation & Energy Management Systems in this category would have rated higher if tenants understood its impact on total occupancy cost.

5.1.3 Third Highest Ranking Category: Management

This category was ranked the third highest overall, with the factor Security & Access Control ranking the highest in importance among all 60 factors. The factor Responsible Management & Maintenance Team also ranked among the top ten of factors overall. In addition to this, when tenants were asked to add any other factors that they consider important at the end of the survey, many of them included comments related to facilities management. These findings show a strong correlation to the results of Didiza's South African study (2013), where Security was listed as a very important office selection criteria, while Landlord and/or Property Manager was considered the most important. During the key-informant interviews, interviewees pointed out that smaller tenants would probably rate facilities management higher than large tenants. They explained that large tenants often sign triple-net leases where they, themselves, are responsible for maintaining and managing their buildings, while this function is usually outsourced in multi-tenanted buildings. South Africa has a high crime rate, which would explain why safety and security is an important factor that tenants look for when choosing a new office space to rent. What is interesting to note, is that both Responsible Management & Maintenance Teams and Security & Access Control also rated very high in the studies undertaken in Kuala Lumpur, Malaysia (Cheah et al., 2014; Adnan and Daud, 2010; Adnan et al., 2012), while none of the studies undertaken in developed countries rated these factors particularly high.

5.1.4 Fourth Highest Ranking Category: Access and Circulation

This category ranked the fourth highest, mostly due to one factor that ranked the second highest of all factors overall: Car Parking Provision & Accessibility. A possible explanation for this could be that a large portion of respondents were smaller firms from the business services sector. Tenants from these sectors, such as Banking & Finance, IT and Legal generally require a high ratio of parking per square metre (Broll, 2014). In addition to this, 37% of respondents were based in Sandton, which is known for its ongoing traffic congestion, exacerbated by non-functional traffic robots during load shedding. Looking at other studies that have been undertaken, again it is striking that the studies in Kuala Lumpur showed the same results, while none of the studies in developed countries had correlating findings.

5.1.5 Lowest Ranking Category: On-site Amenities

This category was ranked the lowest in importance by tenants by a large margin. In fact, five of the ten lowest ranking factors overall were from this category – these include (in order of lowest rank) a Gym, Concierge Service, Day Care Facilities, Showers and an Outside Entertainment Area. None of the other studies that exist within the sphere of consumer behaviour listed on-site amenities as an option in their questionnaires and/or interviews and it is therefore not possible to compare these findings to other studies. One possible explanation for the low rating could be the fact that a large percentage of respondents in the sample group were medium to smaller sized firms, possibly occupying multi-tenanted buildings. Larger tenants that take up entire buildings might consider certain on-site amenities more important. This theory was supported by the key-informant interviewees, who explained that large corporate office tenants use items like on-site amenities to attract and retain staff as it improves the overall work-place experience. Smaller tenants, on the other hand, might not have enough people to sustain on-site amenities like restaurants and they might feel that providing the basics, such as a kitchen, is sufficient. There also seemed to be consensus among interviewees that decision-makers often put their own business

requirements, such as cost, above the needs of the general staff and that on-site amenities would have rated much higher if general staff members took the survey.

5.1.6 Second Lowest Ranking Category: Space Functionality & Atmosphere

This category was ranked second lowest in importance by office tenants. Most factors under this category had relatively low scores, with Building Green Star Rated, Underfloor Trunking and Floor-to-ceiling height rating the lowest. The fact that a Green Star Rating was considered low in importance correlates with multiple studies undertaken across the world with regards to occupation decision and building sustainability attributes (Dixon et al., 2009; Leishman, et al, 2012; Levy and Peterson, 2013; Adnan et al, 2012). They all found that the sustainability of a building was not considered important during office occupation decisions. Interviewees in the key-informant interviews felt that only large tenants would consider items such as Energy Efficiency and Green Star ratings somewhat important and only if their lease periods were long enough so that their initial additional expenditure on this were off-set against their savings in energy costs over their lease periods. The fact that Underfloor Trunking and Floor-to-ceiling height tested so low in importance could be related to these items being quite technical building issues, with the influence of them on an office occupant possibly not well understood by tenants. As Interviewee B stated: “Other items under Space Functioning & Atmosphere probably didn’t rate high because tenants don’t understand their impact on their office space very well, although they could have a large impact.” (Appendix D).

Interestingly, there was one single factor under this category that was rated high in importance; Comfortable & Secure Working Environment. This high rating makes sense when read in conjunction with factors from other categories that ranked high overall, including Security & Access Control, Electricity Systems & Provisioning and Air-conditioning & Ventilation Systems. All of these would have to work together to create an office environment that would be comfortable and secure. Also, as

Interviewee A pointed out (Appendix C), the description 'Comfortable & Secure Working Environment' could be seen as encapsulating a lot of the other factors under this category and the term would be much easier to understand for the 'laymen' than some of the other factors listed.

5.1.7 Third Lowest Ranking Category: Location

The fact that the category *Location* ranked so low in importance was surprising, especially since the phrase 'location, location, location' has become such an aphorism in the property industry. This result is also contrary to the findings from three past studies, one by Dixon et al. (2009) in the United Kingdom and another by Karhu et al. (2012) in Finland and a third by Levy and Peterson (2013) in New Zealand. It should, however, be noted that Dixon et al.'s study (2009) was limited to a very small sample size and, more importantly, respondents were asked about the relative importance of only six different factors in their decision to move. Karhu et al.'s study (2012) on the other hand only focussed on 'green' issues and no other options were presented to respondents in the survey. Levy and Peterson's study (2013) was mostly focussed on large firms in a very specific location. All three of these studies were undertaken in developed countries with well-developed public transport. In contrast, two studies undertaken in developing countries had the same findings than the current study (Didiza, 2013; Cheah et al., 2014). The factors under this category that ranked very low in importance overall was Proximity to Support Services Suppliers and Access to Skilled Labour Pool. One possible explanation for this is that South Africa is still in its infancy of getting a properly functional public transport system up and running and people simply take it for granted that they will have to get in their private cars and drive relatively long distances to get to their place of work. In fact, since both On-site Amenities and the Location of the building was ranked low in importance, the study seems to suggest that tenants are even happy to travel some distance to get to amenities from their office. Another possible explanation of why Proximity to Support Services Suppliers rated so low, could be because a large portion of respondents were

from the business services sector who might not require easy or regular access to support service suppliers.

Something that was raised by two of the key-informants in their interviews, and that was not included as an option in the survey under the category *Location*, was sectoral clustering. Both Interviewees A and B (Appendix C and D) mentioned that they have found that certain sectors prefer to cluster together in certain areas, for example legal and financial services in Sandton, Telecommunications in Midrand and Media companies in Randburg.

5.2 Additional Factors Listed by Participants

At the end of the survey, participants were asked to add any other factors that they considered important when choosing office space to rent. The most recurring themes, by far, were facilities management and the landlord. Comments such as “Quality of service by facilities manager/landlord’s agent”, and “The willingness to actually do anything about complaints” seem to suggest that management is a pressing issue for many South African office tenants and something that property owners and facility managers need to take heed of. Further to this, the track record of the landlord was listed as important, as well as the relationship between landlord and tenant, with comments such as “Open, honest relationship between landlord and tenant is crucial.” In the South African property market, it is quite common for landlords to make use of managing agents, not only to manage the facilities of their buildings, but also to liaise with tenants and, in effect, to have the relationship with them in lieu of the landlord (Broll, 2014). In light of these issues highlighted, landlords need to pay special attention when choosing such managing agents, as how agents manage these relationships with tenants could have a major impact on tenants’ decisions to choose specific buildings to occupy. Ultimately, bad facilities management or badly managed relationships will reflect badly on the landlord and his product that he is presenting to the market and reduce his competitiveness going forward.

Other recurring comments related to annual rental escalation and rent reversion clauses, with comments such as “Rental increases and structure for long-term tenants.” These comments point to the current uncertain economic climate in South Africa and high office vacancy rates, putting tenants in a strong position to negotiate favourable rental terms.

6 CONCLUSION

This final chapter reviews how the research question of the study was answered by discussing the main findings of the study. It will then discuss the implications of the findings, both in terms of theory and in practical terms. Lastly, it will review the limitations of the study and make suggestions for future research.

6.1 Answer to Research Question: Main Findings

This research set out to answer a singular important research question: In the decentralized office node market of P, A and B-grade buildings in Johannesburg, what is the relative importance of property-specific factors that influence office occupation decisions? The study started off by replicating Adnan et al.'s study (2012), utilizing an adapted version of their questionnaire survey. Of the 300 surveys distributed, 85 fully completed surveys were returned. These 85 respondents represented 44% of the total P, A and B-grade office space in the Johannesburg decentralized office nodes.

Several flaws were discovered in Adnan et al.'s (2012) data analysis methods and it was argued that their end results did not answer their research question. An attempt was then made to improve on Adnan et al.'s study (2012) by adjusting their analysis methodology and by seeking further clarity on the results from the survey by conducting semi-structured interviews with three key-informants.

It was found that the category *Cost/Financial Considerations* ranked the highest overall, with the factors Rental Rate and Total Occupancy considered of most importance under this category. The *Services* category ranked the second highest, with Electricity Systems & Provisioning (e.g. backup generator), Modern IT & Telecommunication Systems, Air-conditioning & Ventilation Systems and Toilet & Sanitary Facilities all considered very important. *Management* was the third highest, with one of its factors, Security & Access Control ranking the highest overall.

Responsible Management & Maintenance Teams was another factor that ranked high in importance under this category. The category *Access & Circulation* was ranked fourth, but mostly due to one factor that ranked particularly high; Car Parking Provisioning & Accessibility.

On-site Amenities was ranked as least important category by a large margin. Under this category, a Gym, Concierge Service, Day Care Facilities and Showers were considered the least important. Ranking second lowest was the category *Space Functionality & Atmosphere*, with Building Green Star Rated, Underfloor trunking and Floor-to-Ceiling height considered lowest in importance. The category *Location* ranked third lowest in importance; Proximity to Support Services Suppliers and Access to Skilled Labour were the factors that ranked of lowest importance under this category. Additional items highlighted by respondents mostly related to facilities management and the relationship with the landlord.

6.2 Implications of Findings on Theory

Within the paradigm of real estate consumer behaviour, the findings of this study will assist property agents and property managers/owners to have a better understanding of why and how firms consume office space in the decentralized Johannesburg office nodes. Having this knowledge will mean that they will know how to improve existing products, what types of products are needed in the marketplace, and how to effectively market these products to the right office tenants.

Overall, there seems to be a fair correlation between the findings of this study and the findings of the other international studies that focus on the factors that influence office user occupation decision-making (Abuamer and Boolaky, 2015; Leishman, Orr and Pellegrin-Masini, 2012; Appel-Meulenbroek, 2008; Adnan and Daud, 2010; Ho, Newell and Walker, 2005; Adnan, Daud and Razali, 2012). However, if one singles out the studies that were undertaken in developing countries (Cheah et al., 2014; Adnan

and Daud, 2010; Adnan et al., 2012; Didiza, 2013), the resemblance in findings are striking. This seems to suggest that, although there are similarities between the consumer behaviour of office tenants in developed and developing countries, there are also some subtle differences that need to be taken into account. The fact that the office consumer preferences were so similar between Kuala Lumpur, Malaysia and Johannesburg, South Africa, might suggest that these findings could be generalizable, to a limited extent at least, to all developing countries with similar economic climates. This could certainly assist property players in other developing countries until research, more specific to their countries and cities, become available.

6.3 Practical Implications of Findings

It is clear from the findings in the study that, in the current property market, financial considerations are very important to office tenants and rental rate is one of the key factors that influence decisions on office occupation. Emphasis should therefore be placed on keeping rental rates low and marketing this fact to tenants. Since on-site amenities were not considered important by tenants, possible savings could be accomplished by not providing these and, in turn, keeping rental rates lower.

Providing sufficient parking is key, as is providing a comfortable and secure working environment. Tenants look for buildings with good security and access control, sufficient power and reliable back-up generators, modern IT & telecommunication systems, air-conditioning and toilet facilities. Where these items are provided in existing or new office space, they should be emphasised as key marketing elements.

Lastly, facilities management seems to be a major concern for office tenants in the study area. They want to know that the building they choose to occupy will be well managed and maintained and that any problems that arise will be dealt with quickly and efficiently. These findings should impress on property owners the importance of choosing the right facilities managers and ensuring that a good level of service is

maintained throughout. Cheah et al. (2014) points out that, in a competitive office market, a way to differentiate an office building from others is to offer service excellence, while Bell (2001) states that the top criteria for improving retention comes from service improvements and service relationships. Building up a reputation for owning buildings that are well-managed could give property owners a much needed edge in the current property market.

6.4 Limitations of the Study and Suggestions for Future Research

Only 85 completed survey responses were received and, although it was shown that these 85 responses represent 44% of the total P-grade, A-grade and B-grade office buildings in the study area, the sample size is still relatively small. Due to this small sample size, the preferences of P-grade, A-grade and B-grade office tenants were grouped together, as was the tenant preferences from different sized firms. Studies by Greengalgh (2008) and Nunnighon and Haynes (2011) have, however, found that the size of organizations could have an impact on the building evaluation and decision-making process. This was echoed by all three interviewees in the current study's key-informant interviews. Throughout the interviews, they pointed to possible differences between the preferences of small and large tenants, attempting to explain some of the results from the study by the fact that respondents represented mostly small firms. They predicted that items like presentation, visibility, access to a skilled labour-pool, efficiency of the floor plate and on-site amenities would all have rated higher if the survey was limited to large firms. Further study to determine the extent of these differences in preferences between large and small tenants in the South African property market would therefore be important.

Lastly, the study was cross-sectional in nature, which means that the results represent office occupier preferences at a certain point in the South African economic cycle. Cho, Kim and Roberts' (2011) study showed that there was a difference in consumers' marginal willingness to pay for landscape amenities during the 2000-2006 real estate

boom and subsequent 2008 recession. This shows that real estate consumers' preferences could differ during different stages of the economic cycle and the applicability of the results obtained from the current study would thus have to be tested during other stages of the cycle in further research.

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APPENDIX A SURVEY QUESTIONNAIRE FROM ADNAN ET AL. (2012)

QUESTIONNAIRE

TITLE OF RESEARCH: IDENTIFICATION OF FACTORS INFLUENCING OFFICE BUILDING OCCUPATION BY TENANTS
IN KUALA LUMPUR CBD - A STUDY OF TENANTS' PREFERENCE

SECTION A - TENANT PROFILE

Please tick / at the appropriate box for the following :

A 1 **Company Name & Address:**
(optional)

Tel No: _____

A 2 **Nature of business involved by your company [You may tick '/' in more than one box]:**

☐ Banking & Finance ☐ IT ☐ Legal ☐ Education ☐ Accounting & Audit ☐ Communication

☐ Trading ☐ Insurance ☐ Real Estate, Architecture & Construction ☐ Others (Please State): _____

A 3 **Legal Status**

☐ Public Limited ☐ Partnership ☐ Govt Bodies/Agencies

☐ Individual Proprietorship ☐ Private Limited ☐ Co-operatives

Please indicate status of business :

1 ☐ Bumiputra ☐ Non Bumiputra

2 ☐ Local ☐ International

3 ☐ Headquarters ☐ Regional ☐ Others: (pls specify) _____

A 4 **No of Years Established** ☐ Years

A 5 **Ownership Structure** ☐ Local Ownership ☐ Non Local Ownership

A 6 **Size of Business :**
(RM) ☐ Sales Turnover <200,000 ☐ Sales Turnover 200,000 to less 1 Million
☐ Sales Turnover 1 Million to 5 Million ☐ Sales Turnover > 5 Million

A 7 **No of Staff :** ☐ < 5 ☐ 5 to 19 ☐ 20 to 50 ☐ 51 to 150 ☐ > 150

A 8 **Staff Position Composition (%) :** _____% Top/Managerial _____% Middle Managerial/Executives _____% Support/Clerical Categories

A 9 **Years of Building Occupation (at current building):** ☐ <2 yrs ☐ 2-3yrs ☐ 3-5yrs ☐ 5-10yrs ☐ >10 years

A 10 **Indicate previous building location prior to current building** _____

A 11 **Reason for Relocation:** _____

SECTION B - LEASE PARTICULARS

Please tick / at the appropriate box for the following :

B 1 **Current Rental (RM/psf):**

☐ < 3.00 ☐ 3.00-3.49 ☐ 3.50-3.99 ☐ 4.00-4.49 ☐ 4.50-4.99 ☐ 5.00-5.99 ☐ 6.00-6.99 ☐ 7.00-7.99 ☐ >8.00

B 2 **Size of Occupied Space (sf)**

☐ <500 sf ☐ 500-1000 ☐ 1001-4999 ☐ 5000-9999 ☐ 10000-49999 ☐ >50000

B 3 **Length of Lease :** ☐ <2 Years ☐ 2 years ☐ 3 years ☐ > 3 years

Kindly indicate the commencement date : _____ ☐ Renew Term 1 ☐ Renew Term 2

SECTION C - FACTORS OF CONSIDERATION FOR OCCUPATION

Please **CIRCLE O** or **TICK X** at the Scale which represents your consideration in the degree of importance. All factors are grouped under appropriate sections.

LOCATION	LEVEL OF IMPORTANCE				
Branding/Image/Prestige	Not V Important	1	2	3	4 5 Very Important
Access to market	Not V Important	1	2	3	4 5 Very Important
Access to Amenities	Not V Important	1	2	3	4 5 Very Important
Access to Skilled Labour Pool	Not V Important	1	2	3	4 5 Very Important
Proximity to support services suppliers e.g. banks and office supplies etc.	Not V Important	1	2	3	4 5 Very Important
Proximity to Clients/markets e.g Face to face contact	Not V Important	1	2	3	4 5 Very Important
Accessibility to Public Transportation & Terminal	Not V Important	1	2	3	4 5 Very Important
Accessibility by Private Vehicles	Not V Important	1	2	3	4 5 Very Important
Proximity to major trunk roads/highways	Not V Important	1	2	3	4 5 Very Important
Level of Criminal Rate	Not V Important	1	2	3	4 5 Very Important
Traffic Condition (Flow and Congestion)	Not V Important	1	2	3	4 5 Very Important
Others, please specify : _____					

LEASE FEATURES	LEVEL OF IMPORTANCE					
Lease features						
Renewal Terms	Not V Important	1	2	3	4	5 Very Important
Length Lease/Duration of Contract	Not V Important	1	2	3	4	5 Very Important
Termination Clause	Not V Important	1	2	3	4	5 Very Important
Payment of Monies terms e.g rent, service charge	Not V Important	1	2	3	4	5 Very Important
Alteration and Renovation Clause	Not V Important	1	2	3	4	5 Very Important
Incentives eg rent free period	Not V Important	1	2	3	4	5 Very Important
Compliance to Law and House Rules	Not V Important	1	2	3	4	5 Very Important
Repair and Insurance Clause	Not V Important	1	2	3	4	5 Very Important
Others, please specify :						

BUILDING FEATURES & SERVICES		LEVEL OF IMPORTANCE				
Presentation						
Age of Building	Not V Important	1	2	3	4	5 Very Important
Design of Entrance & Foyer	Not V Important	1	2	3	4	5 Very Important
Modern Prestigious Building	Not V Important	1	2	3	4	5 Very Important
Quality & Presentation of External Finishes	Not V Important	1	2	3	4	5 Very Important
Building Visibility	Not V Important	1	2	3	4	5 Very Important
Building Identity/Image	Not V Important	1	2	3	4	5 Very Important
Architectural design and building finishes	Not V Important	1	2	3	4	5 Very Important
Others, please specify : _____						
Management						
Security & Access Control	Not V Important	1	2	3	4	5 Very Important
Responsible management and maintenance teams	Not V Important	1	2	3	4	5 Very Important
Maintenance policy	Not V Important	1	2	3	4	5 Very Important
Cleaning/Housekeeping Services	Not V Important	1	2	3	4	5 Very Important
Safety Policy & Procedure	Not V Important	1	2	3	4	5 Very Important
Fire Prevention & Protection	Not V Important	1	2	3	4	5 Very Important
After Hours Operation	Not V Important	1	2	3	4	5 Very Important
Others, please specify : _____						
Space Functionality & Atmosphere						
Floor-Ceiling Height	Not V Important	1	2	3	4	5 Very Important
Bulding Size	Not V Important	1	2	3	4	5 Very Important
Flexible Space Layout & Large Floor plate	Not V Important	1	2	3	4	5 Very Important
Orientation of office space	Not V Important	1	2	3	4	5 Very Important
Availability of space for future expansion	Not V Important	1	2	3	4	5 Very Important
Comfortable & Secure Working Environment	Not V Important	1	2	3	4	5 Very Important
Space Efficiency	Not V Important	1	2	3	4	5 Very Important
Column layout & Subdivisibility	Not V Important	1	2	3	4	5 Very Important
View	Not V Important	1	2	3	4	5 Very Important
Underfloor Trunking	Not V Important	1	2	3	4	5 Very Important
Energy Efficient/ Green Buildings	Not V Important	1	2	3	4	5 Very Important
Others, please specifv : _____						

BUILDING FEATURES & SERVICES (CONTINUATION)		LEVEL OF IMPORTANCE				
Services						
Toilet & Sanitary Facilities	Not V Important	1	2	3	4	5 Very Important
Air-conditioning & Ventilation System	Not V Important	1	2	3	4	5 Very Important
Electricity systems & Provision e.g capacity	Not V Important	1	2	3	4	5 Very Important
Modern IT & Telecommunication system e.g broadband, wireless	Not V Important	1	2	3	4	5 Very Important
Building Automation & Energy Management Systems	Not V Important	1	2	3	4	5 Very Important
Control of Building Services e.g M & E Services	Not V Important	1	2	3	4	5 Very Important
Others, please specify : _____						
Access and Circulation (People,Vehicle, Goods, Security)						
Design of Entrance & Foyer	Not V Important	1	2	3	4	5 Very Important
Ease of Entrance Usage & Capacity	Not V Important	1	2	3	4	5 Very Important
Passenger Lifts Performance & Control e.g capacity, speed	Not V Important	1	2	3	4	5 Very Important
Adequacy of Good Access & Circulation feature	Not V Important	1	2	3	4	5 Very Important
Car Parks Provision & Accessibility	Not V Important	1	2	3	4	5 Very Important
Building Wayfinding e.g Building Directory/Signages	Not V Important	1	2	3	4	5 Very Important
Others, please specify : _____						
Amenities						
Food & beverage outlets	Not V Important	1	2	3	4	5 Very Important
Others, please specify : _____						
COST/FINANCIAL CONSIDERATION		LEVEL OF IMPORTANCE				
Rental rate	Not V Important	1	2	3	4	5 Very Important
Cost of Fit out	Not V Important	1	2	3	4	5 Very Important
Total Occupancy Cost	Not V Important	1	2	3	4	5 Very Important
Others, please specify : _____						
OTHER IMPORTANT CONSIDERATIONS THAT YOU MAY WANT TO INCLUDE:						

THANK YOU						
<i>We thank you for your time and assistance towards the completion of this research.</i>						
If you would like to have a result summary of this Questionnaire Survey,please provide your particulars : address or email address: _____						

APPENDIX B SURVEY QUESTIONNAIRE USED IN CURRENT STUDY



SURVEY QUESTIONNAIRE

A Study of Tenants' Preferences: The Relative importance of Factors Influencing Building Occupation by Office Tenants in Johannesburg

Tenant Profile

SECTION A: TENANT PROFILE

Please fill in or tick the appropriate box:

Current Address:

Nature of Business Involved by your Company (you may tick more than one box):

- ☐ Banking & Finance
- ☐ IT
- ☐ Legal
- ☐ Education
- ☐ Accounting & Auditing
- ☐ Communication
- ☐ Trading
- ☐ Insurance
- ☐ Real Estate, Architecture, & Construction
- ☐ Other (please specify)

Number of Staff Members:

- ☐ Less than 5
- ☐ 5 to 19
- ☐ 20 to 50
- ☐ 51 to 150
- ☐ 151 to 300
- ☐ More than 300

Your Position in your Company

- ☐ Top/Managerial
- ☐ Middle Managerial/Executive
- ☐ Support/Clerical

SECTION B: LEASE PARTICULARS

Please tick the appropriate box for the following:

Current Gross Rental (R/m2):

- ☐ Less than 90
- ☐ 91 to 110
- ☐ 111 to 130
- ☐ 131 to 150
- ☐ 151 to 170
- ☐ 171 to 190
- ☐ More than 190

Size of Occupied Space (m2):

- ☐ Less than 100
- ☐ 100 to 500
- ☐ 501 to 1500
- ☐ 1501 to 3000
- ☐ 3001 to 6000
- ☐ 6001 to 15000
- ☐ 15001 to 30000
- ☐ More than 30000

Length of Lease:

- ☐ Less than 3 years
- ☐ 3 years
- ☐ 5 years
- ☐ 7 years
- ☐ 10 years
- ☐ 12 years
- ☐ 15 years

Lease type:

- ☐ Gross
- ☐ Modified Gross
- ☐ Single Net
- ☐ Double Net
- ☐ Triple Net
- ☐ Absolute Net
- ☐ I don't know

SECTION C: FACTORS OF CONSIDERATION FOR OCCUPATION

Please indicate how important the following factors are to your company when choosing office space to occupy:

(Factors are grouped under appropriate headings)

Location

	Not Very Important				Very Important
	1	2	3	4	5
Branding/Image/Prestige					
Access to Market					
Access to Amenities					
Access to Skilled Labour Pool					
Proximity to Support Services Suppliers(e.g. banks, office supplies, etc)					
Proximity to Clients/Markets(e.g.					
Accessibility to Public Transportation & Terminal (e.g Gautrain)					
Accessibility by Private Vehicles					
Proximity to Major Roads/Highways					
Crime Rate					
Traffic Condition (flow and congestion)					

Please list any other Locational factors that you consider important

Please indicate how important the following factors are to your company when choosing office space to occupy:

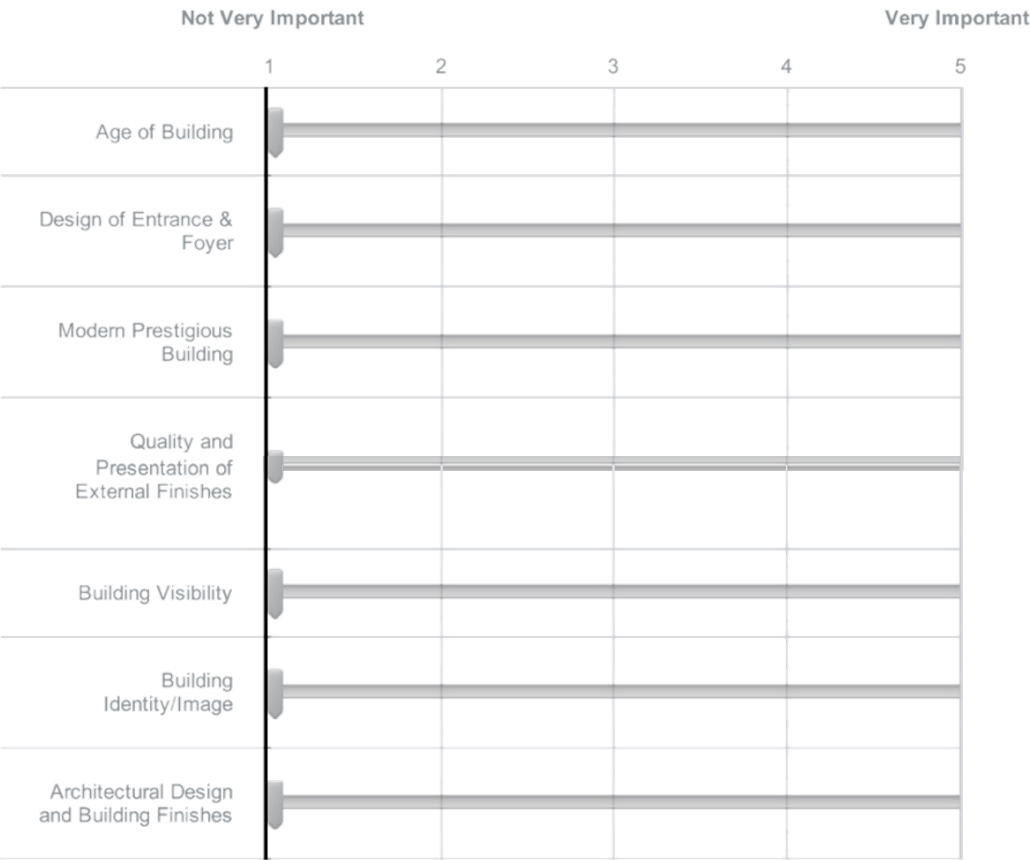
Lease Features

	Not Very Important				Very Important
	1	2	3	4	5
Renewal Terms	☐				
Length of Lease/Duration of Contract	☐				
Termination Clause	☐				
Terms for Payment of Monies(e.g. rent, service charge, etc)	☐				
Alteration and Renovation Clause	☐				
Incentives(e.g. rent free period)	☐				
Compliance to Law and House Rules	☐				
Repair and Insurance Clause	☐				

Please list any other Leasing factors that you consider important

Please indicate how important the following factors are to your company when choosing office space to occupy:

Building Features: Presentation



Please list any other Presentation factors that you consider important

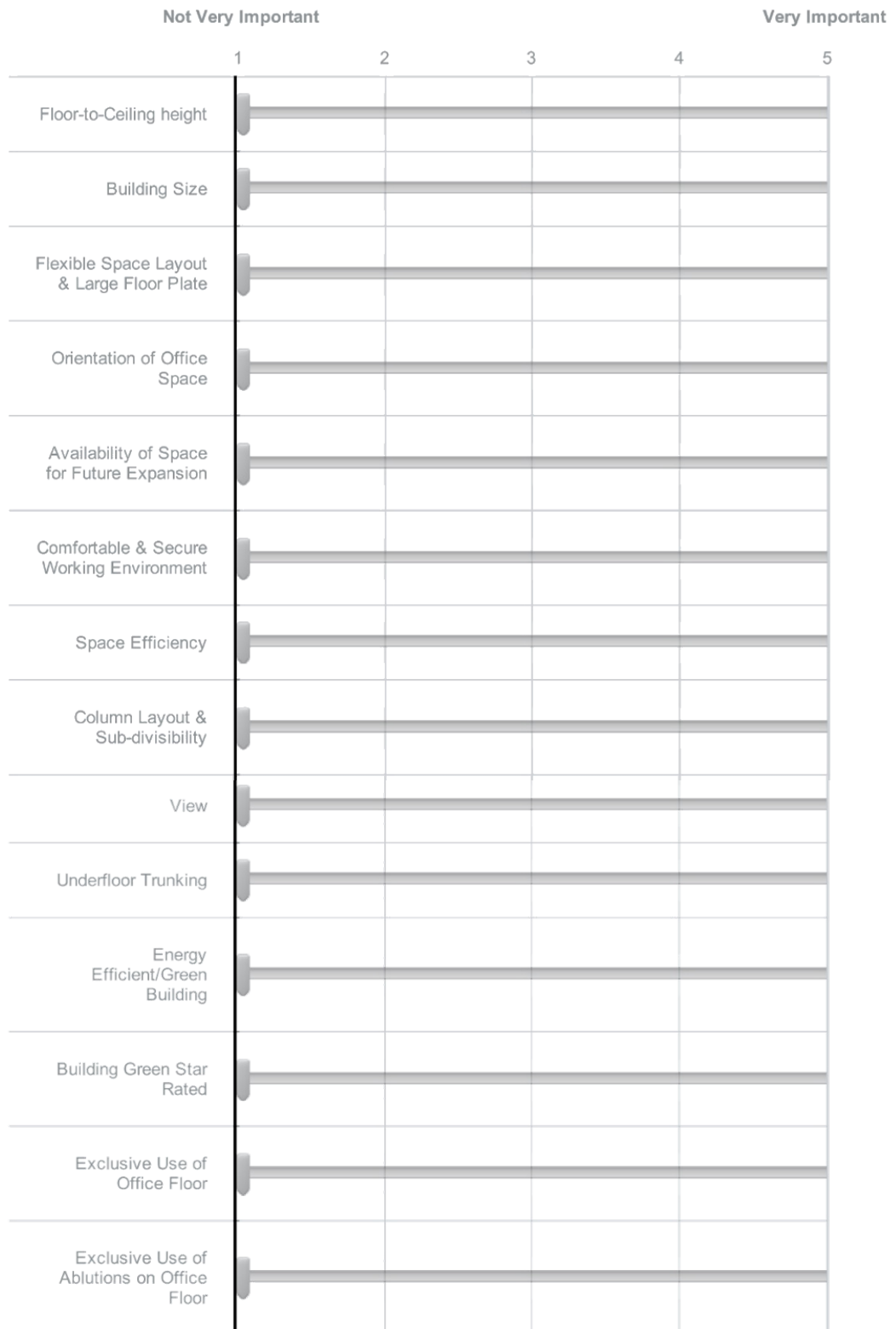
Please indicate how important the following factors are to your company when choosing office space to occupy:

Building Features: Management



Please list any other Management factors that you consider important

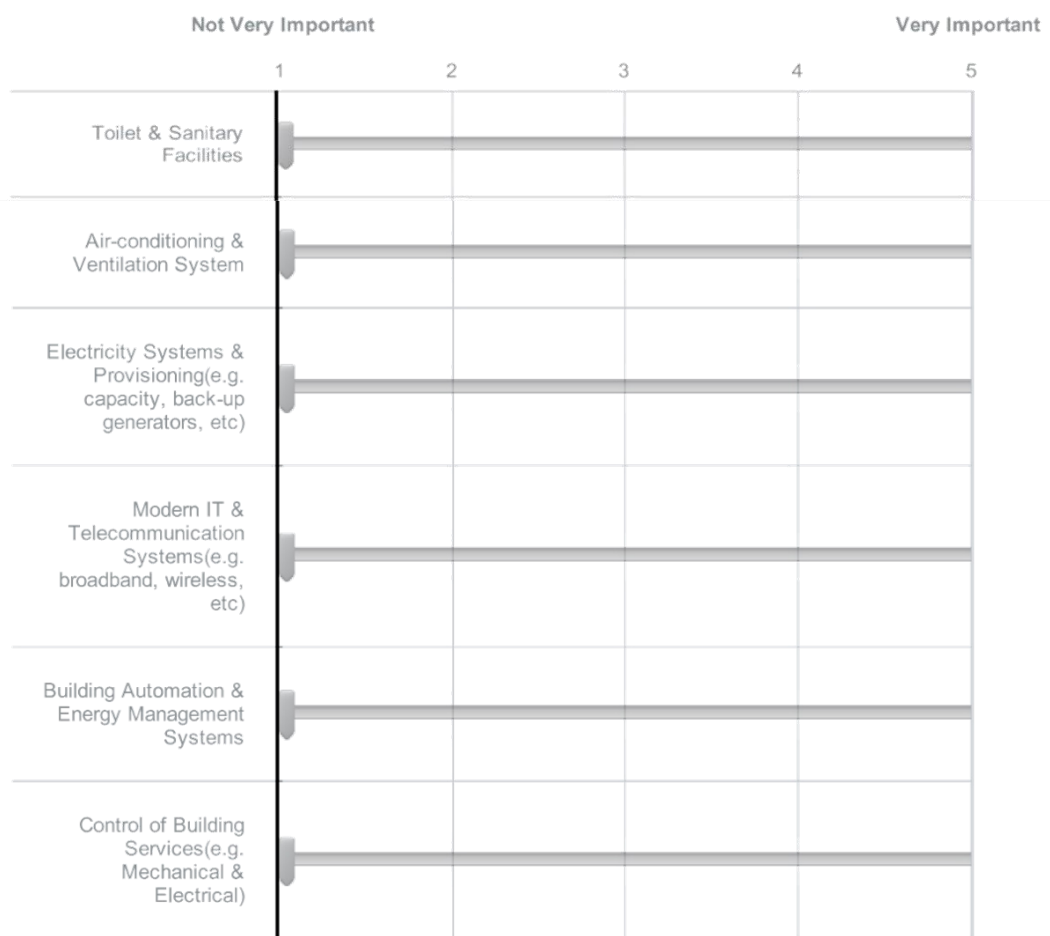
Building Features: Space Functionality & Atmosphere



Please list any other space Functionality & Atmosphere factors that you consider important

Please indicate how important the following factors are to your company when choosing office space to occupy:

Building Features: Services



Please list any other Services factors that you consider important

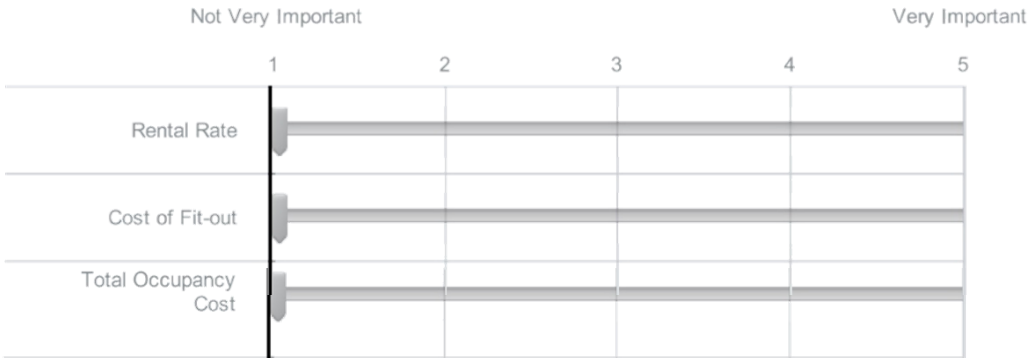
Please indicate how important the following factors are to your company when choosing office space to occupy:

Building Features: Access & Circulation (people, vehicles, goods, security)



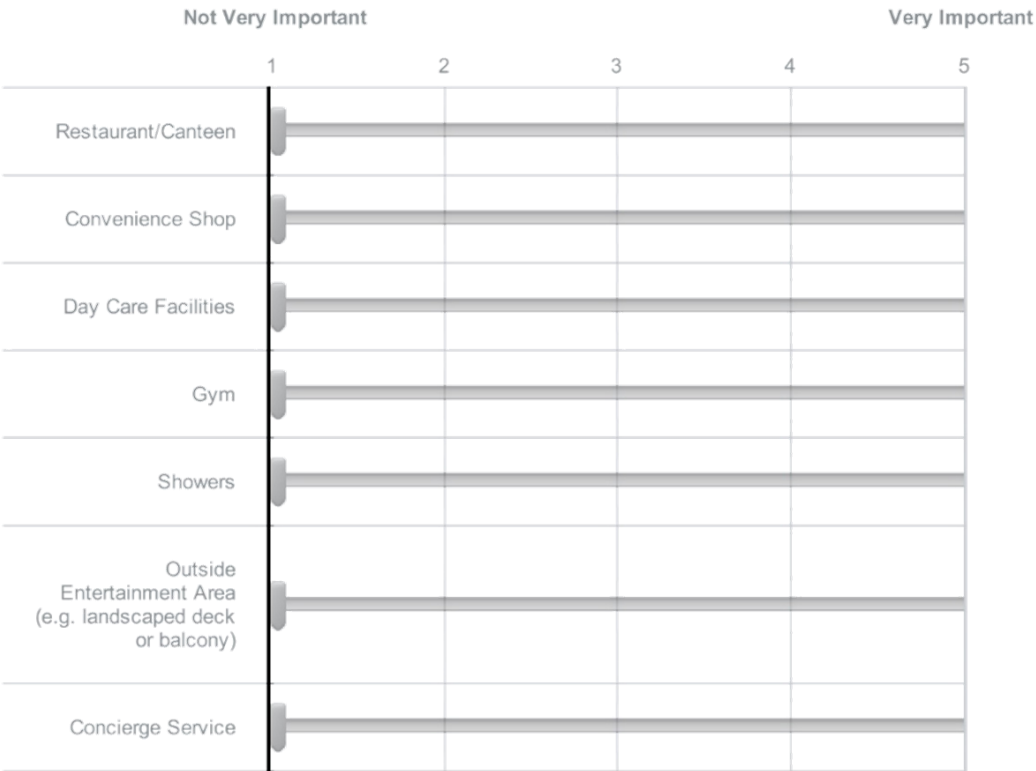
Please list any other Access & Circulation factors that you consider important

Cost/Financial Considerations



Please list any other Cost/Financial factors that you consider important

Building Features: On-site Amenities



Please list any other Amenity factors that you consider important

Please list any other important considerations that you may want to include

Thank You

We thank you for your time and assistance towards the completion of this research.

Please complete your email below if you would like to be included in the draw for winning an Apple iPad

Would you like to have a Result Summary of the Questionnaire Survey emailed to you?

- ☐ Yes
- ☐ No

APPENDIX C INTERVIEW A

Date Interviewed: 25 July 2016

Results of the survey questionnaire was presented to the Interviewee first, followed by the following interview:

Interviewer: You had an opinion on the Management category that you wanted to share?

Interviewee: Yes, I think that if Responsible Management is high, then there will be no need for a Call Centre, because tenants would feel heard. You can argue that, if there are responsible management and maintenance teams, then the work is being done, so you feel that you don't have to record that something is broken.

Interviewer: OK, we'll get back to that. Most of the factors under the category "Location" rated low, as you can see.

Interviewee: Ja, I think Access to Skilled Labour Pool would only rate important if you're dealing with the really big corporates. I know with [large corporate firm], their Port Elizabeth offices, their call centres there have got the highest skilled people out of any of their call centres anywhere in the country because they have the university feeding into it and there's no jobs in PE. So they're getting graduate employees working in their call centre because there's no-one else offering jobs. And *they* are starting to look at where to locate certain things and I know [large legal firm A] as well, they were looking at building in Bloemfontein because of the university there, to open up an office there, because they all compete for the same graduates. So, it's quite interesting.

If I take [large legal firm B], they were not moving to Sandton, end of story. But then the financials came back and effectively, you know, changed their minds. Initially they were so adamant that they were not moving to Sandton.

Interviewer: Under Space Function & Atmosphere, you expressed surprise at the fact that Space Efficiency didn't rate high?

Interviewee: Yes, very surprising. I think it's probably because a lot of people are ignorant with regard to... well, I suppose also your smaller tenants - you had quite a lot of small tenants - the corporates are very, very astute to trying to get efficiency at the moment.

Interviewer: OK, we'll get back to this. Starting from the top, are any of these results surprising to you, looking at the overall categories and the factors?

Interviewer: Um... Ja, I would have thought Location would have been a bit higher up. I mean just um... which goes hand in hand with Access and Circulation because, I'm assuming that's access to the premises?

Interviewer: Yes

Interviewer: I mean, there's just a perception at the moment that Sandton is gridlocked. Comments from [two large corporates] – same thing, same comments came out - tenants are very, very concerned about Sandton at the moment in terms of access so, yeah, that's the location. Although, you know, if you want to be in the heart of the business district, that's where it is. So I'm very surprised that they [respondents] are saying that location is not important.

Interviewer: Do you think that might have something to do with the average size of the firms that responded to the questionnaire? That they were smaller tenants? Or not really?

Interviewee: Yes and no, I guess it depends on who those tenants are. You know, if you take all your legal firms, they're all in Sandton. So you know, if you take some of your professional services, it doesn't really matter where you are because you go to your clients and how often do your clients come to your offices? Very, very rarely. So, I guess the location would, depending on the tenant, would dictate where they want to go and that goes hand in hand with the costs. I mean, you're not going to pay Bryanston rentals in Sandton. So, yeah, I'm not surprised that Cost rated the highest.

And you can argue that Cost goes hand in hand with the Services category. So, you know, the more services you get, obviously, the more sensitive it is to cost.

Interviewer: Are you surprised that four of the factors under Services rated that high?

Interviewee: No, no. It's because people are just concerned about business continuity.

I mean, I think this is a misunderstanding [pointing to Total Occupancy Cost under Cost/Financial category]. Total Occupancy Cost versus Rental Rate, I think that is a misunderstanding. Because, I mean, effectively, in adverted commas, it's the same thing. It's you know, what is your total cost? People have taken rental as their total cost, but it's not. So, um, I would have expected those to be... in a way you're asking the same question, but it's surprising.

Interviewer: Surprising that Rental and Total Occupancy Cost didn't rate the same?

Interviewee: Yes. Or that Total Occupancy Cost should actually rank higher than Rental cost, because um... I think it's probably due to some people not understanding the survey. And they're taking rental as... so, you know, for developers that would be interesting, because you can up your operations costs and reduce your rental.

Interviewer: Technically, it looks like that's what the results are saying. Tenants don't look at the Total Occupancy Cost figure, they only look at the Rental Rate figure?

Interviewee: Yes. People also don't look at these things [total occupancy cost] when they look at their rental rate. So, you know, a lot of your tenants are ill-informed, they look at one rental, versus another rental, but they don't understand what they are getting for each offer, which I think is probably demonstrated in that. Although they [Rental Rate and Total Occupancy Cost] are pretty close.

Interviewer: Anything else you would like to mention under the Services category?

Interviewee: Yes, Toilet Facilities. I don't know why that would have rated so high.

Interviewer: Could it perhaps have something to do with shared buildings, where you have more than one tenant in a building, sharing?

Interviewee: Maybe, ja, with your smaller tenants. The fact that you had quite a lot of smaller tenants in your sample, ja, that would make sense. That people want decent toilets, but they're sharing them.

Interviewer: And, any comments on Building Automation & Energy Management Systems?

Interviewee: Ja, the building automation... again, I think people are ill-informed. You know, people think the BMS [building management system] does everything when it doesn't. But energy management I would have thought would have rated higher because, again, it goes hand in hand with your Total Occupancy Cost. So I would have expected people to want an energy efficient building. And I think, again, it's probably just ignorance. Because your energy management is probably your biggest cost, your biggest operations cost.

Interviewer: So do you find that, when you speak to tenants, they say we want an energy efficient building? That they *are* focussed on that side of things? Do you think that this survey didn't bring it out, but that it is out there?

Interviewee: I think maybe with your smaller tenants, you know, it doesn't make such a big difference to the rental. Whereas with your big corporate tenants, when you're starting to get 10 000sqm plus, it makes a big difference and they're the ones that will start to say let's put in LED lights as opposed to the normal lights, let's look at the pay back, um... and they're prepared to put more money up front. But then again, they're getting the pay-back because they are signing a 10 or 15 year lease, whereas your smaller tenants aren't. Some of the energy efficiency things, unless the landlord is providing them, the tenant... the pay-back doesn't work and the landlord says 'Well, I'm not getting the benefit of it, so therefore why must I put it in?' So, I guess, based on the sample, no.

Interviewer: That's a good point. Pay-back might not work if you're only leasing for 3 years.

Interviewee: Yes, so therefore you don't put it [energy saving items] in. And some of the developers that we've spoken to, some big developers, I will not mention names,

it's surprising sometimes their attitude towards some of those things. So they're not getting the benefit, therefore the tenant should pay for it. And, you know, sometimes the tenant doesn't want to pay for it.

Interviewer: Let's discuss the category Management. Do you find any of the results surprising?

Interviewee: Again, no. Based on the sample, again, [facilities] management for those type of buildings [multi-tenanted] is generally outsourced. So, you [as a tenant] want the place to be well-maintained. Whereas, if it's a big corporate, they might have a triple-net lease where the tenant is responsible for the maintenance and costs and therefore the management is done in-house, so it's not that important.

[Under the Access & Circulation category] Car Parking Provisioning doesn't surprise me in the least. Car parking is generally one of the biggest issues at the moment.

Interviewee: What about Passenger Lift Performance and Control? That rated quite low.

Interviewee: Again, I think based on your sample, you're probably looking at the one or two storey buildings where it doesn't really affect them so much. So um, for your bigger buildings, ja, it's a real problem in their lives.

Interviewer: That's probably only an issue if it's not working properly? Otherwise people don't think about these things?

Interviewee: No, no definitely, ja. Or they will um... let's say it's not working in their current premises, you know, they want the lifts to work well in their new premises. So, most big corporates always have something to say about the lifts.

Interviewer: Anything else under Access & Circulation?

Interviewee: No.

Interviewer: Lease Features. Any thoughts on that. None of the factors rated very important.

Interviewee: Again, I think it depends on who you are talking to. Things like incentives, rent-free periods, on the smaller tenants it's... you're paying for it, you know, there's no such thing as a free lunch. So, you know, it's all built into the cost of

the lease at the end of the day. If you take that out, you get a cheaper lease. Although large corporates do sometimes look for a rent-free period to ensure that they are not paying double rent when they are moving between buildings – it's too much of a hit on the balance sheet. So that we are finding is quite important. Termination clauses, those type of things, they [the tenants] get their attorneys involved. The reason I believe that this has rated lower, is because they believe that their attorneys have dealt with it, so, you know, it's not something that they put high on their list because it's almost a hygiene factor, it's dealt with, you know, so they don't really look at that when choosing office space. The lease is negotiated, if I can put it that way. It's a give and take on both parties and they believe it's part of the negotiation with the rent and everything else so, for the bigger tenants, their attorneys look after it. The smaller tenants, I guess they have less of an influence over negotiating the lease features. You take what you are given. And smaller tenants are probably not even looking at factors such as the Renewal Clause and Alteration & Renovation Clause because it doesn't really affect them. So I would say, most of this is only really going to affect large corporate tenants that sign leases of 10 years or greater.

Interviewer: Well even for the large corporate tenants with long leases, do you think that would influence their choice of one building over another, or do they feel that they would be able to negotiate the terms either way?

Interviewee: I think they feel that they will be able to negotiate. I don't think that will influence their choice of building to a large extent. We sometimes ask for an indicative lease when we go for an RFP [request for proposal] but it's negotiated. No landlord, when they are trying to negotiate a 10 or 20 year lease for a large tenant says 'Here's our lease'. You know, both parties get in a room with their respective lawyers and they work it out. And I would say, with your smaller tenants, a lot of these items don't really come into effect because they're not going to be doing any alterations, etc., because it's only a short lease. So, it doesn't really affect them.

Interviewer: Let's discuss the category Presentation. What are your thoughts on that?

Interviewee: Ja, it's strange, hey. Beauty is in the eye of the beholder, as they say. [Thinks for a long while] I would have expected it to rate higher. You know, 40% is almost saying that they don't really care. Which, again, if you take your sample, maybe the smaller guys are looking for cheap rental, clients aren't necessarily coming to their offices, so, you know, what does it really matter what their office looks like? I mean I work from home, so I could say that all of that stuff is totally irrelevant for me and in 13 years of business, maybe once has there been an opportunity that a client might have wanted to come to my premises, otherwise they just expect me to come to them. So, from that point of view I can understand it, but from your big corporate tenants' point of view, I'm very surprised. I would think that they would want their premises to represent their brand in some way.

Interviewer: Keep in mind that 80% of the respondents represented P or A grade

Interviewee: Yes, but it depends what size. You know, what size are you in the A and P grade. And again, when you go to A and P grade, you can almost say that the quality is there. And what does the aesthetics of the building really say about me if I'm only occupying a 100sqm versus 6000sqm? You know, is a client not going to give me work because the building is painted green? So, based on your sample I can understand that. A

lot of these things, if I'm in a premium grade building, the quality of finishes, for example, is there already.

Interviewer: Do you think it could, possibly, also be that things like what the building looks like are not necessarily things that people think of specifically, but it affects their decision? They walk into a space, they feel good; they like the space. They don't necessarily go back to their board and say 'I like the entrance foyer design', but they just say that it is a nice building?

Interviewee: I think they just go and say that it is a nice building. And a 'nice' building means different things to different people, and it generally is the quality of the finishes. You know, if you take your sample, your B-grade is a lot less represented.

Your A and P grade tenants are looking for higher quality finishes anyway. The brand of taps in the bathroom - they don't know.

Interviewer: Do you not think maybe, subconsciously, people *do* pick up, if they go and look at two buildings, and one has a nice design and the other doesn't...

[interrupted]

Interviewee: Oh, definitely, definitely. They like the nice space. I think subconsciously.

I also find it surprising that Building Visibility rated so low. For some corporates, especially legal firms, this is very important. The Age of the Building is almost irrelevant because it's more about the quality. A building might be 20 years old, but it was revamped 5 years ago, making the age irrelevant. I think your questions were too detailed and people just started marking 3 for everything.

I mean, people want to be in a nice space, don't get me wrong. So, I think, your results would have been different if you perhaps offered a benchmark of what spaces looked like. If you rent Premium grade office space, then you might take it as a given that it would have a nice design. Building visibility might not be something that comes to mind with a smaller tenant. People would probably love to have it out there, but they can't because their name would be amongst a whole list of names of other tenants in the building. But the bigger tenants would definitely want that. When they start to occupy 50% or more of a building, they want to almost have exclusive signage rights on the building. And it can be almost a deal-breaker for them.

Interviewer: Interesting. Let's discuss the category Location.

Interviewee: It doesn't surprise me at all that Crime Rate was considered the most important in this category. Also that Accessibility by Private Vehicles rated second highest.

Interviewer: But it didn't rate that high. It only rated somewhat important.

Interviewee: Ja, you see, I would categorize that together with Proximity to Major Roads/Highways and Traffic Condition and the fact that none of these rated very high is very surprising. Because that is very high on the list for most tenants that we have

been speaking to. The rest of the factors under Location would not be considered very important, I think. It might depend on the facility that you are building. If it was a call centre... I know when we were involved in a large call centre for [large cellular company] 15 years ago, they picked the site by doing a demographic study. They studied where their staff, and the type of staff that they would want to attract, lived. And that's how that location was determined.

Interviewer: But if you look at the sectors represented by the respondents, it looks like there is a lot of consulting type tenants that were represented.

Interviewee: And they go to their clients, so location is not that important.

Looking at the last category, Space Function & Atmosphere, it is surprising that Space Sufficiency rated so low. But then, again, it's only your bigger corporate tenants that would really start to look at that. And we also find that it is very difficult at RFP stage to get that right. That's something that we've learnt. We are finding that for a [large corporate's] new head office, for example, the new building that was chosen is much less efficient than the building that they are moving out of.

A lot of the other factors under this category, like Floor-to-ceiling height, tenants don't really understand the impact of it or they don't really know what it is, like Underfloor Trunking. So it doesn't surprise me that it rated low, especially since most of the respondents were smaller tenants.

Comfortable & Secure Working Environment rated high in this category and I think you could argue that that actually encompasses a lot of the other factors. A comfortable environment could mean that the ceilings are higher, etc, it's more... to the laymen it's easier to understand as opposed to some of the other factors listed under this category.

Regarding whether the building is Green Star Rated, I think for the smaller tenants it's probably not that important.

Interviewer: Do you think that a Green Star Rating is important for the bigger tenants?

Interviewee: They still look at cost, hey. They still look at what it will cost.

Interviewer: So it's not considered one of the more important items?

Interviewee: No, definitely not. We always ask for base, then 4 stars, 5 stars extra over. So that the tenants actually know what it's costing them to get the 4 star or the 5 star. Although for a lot of P-grade developers now, their base is 4 star, so they don't submit a price for anything below that. And then the extra-over, um... here [large corporate tenant] we did the calculations and we determined that it actually pays us to go for the 5 star. And there is a pay-back on it that makes sense.

Interviewer: Do you mean that 4 stars is a base for many developers for P-grade offices?

Interviewee: Yes. Most of the bigger developers are not building anything less than a 4 star. The smaller guys, I think they are stilling looking for 'bang for buck' and they're still looking at what makes it financially viable and some developers also build to sell, so they actually don't really care. I think that this will change though, I think that 4 star will become the benchmark.

Interviewer: So, you are not surprised that a Green Star rating rated that low?

Interviewee: Yes, I'm not surprised. And I think there is probably also a lot of ignorance on the side of the tenants. I think they might not even know what it is. So, in your newer buildings, tenants are looking at it, but they are also still looking at numbers, hey. The numbers have to make sense. When you're starting to build showers for people that are never going to use them, just for the [Green Star] points, it doesn't make sense.

Interviewer: On-site Amenities, did you find it interesting that the category rated this low?

Interviewee: Yes. That is surprising. A lot of the big corporate tenants obviously provide these amenities themselves. So, you're really looking at a precinct type development and part of the reason why, I think, a development like Melrose Arch is so successful is because of the on-site amenities. Obviously your Bryanston office park type developments don't have much of this, um, so it is surprising, ja.

Interviewer: Do you think that it could, again, have something to do with the size of the tenants?

Interviewee: It's difficult to say, because you're looking at this from the point of view of the tenant. If you looked at this from the point of view of the staff – why do you want to go and work for this or that company? – because they have certain on-site amenities. That would throw a different perspective on things. And again, I think your bigger corporate tenants definitely look at these types of items because, if you want to attract and retain good staff, what do you offer? And on-site amenities is part of this offering. Also, if you have an on-site canteen, your staff member might only take a 30 minute break, instead of an hour for lunch. So on a lot of these items, it is difficult to put a monetary value to it, but it does bring a lot of value. How do you put a price on happy staff? It's almost unquantifiable. But, definitely, your big corporate tenants are looking at items such as this, because if their competition is offering it... you know, you're fighting for the same [labour] pool. So, again, because most of the respondents were smaller tenants, they can't effectively afford to offer these amenities on site. However, I would have thought that an on-site restaurant would have rated higher, even for small tenants. Otherwise, where are your staff going to go and get lunch? Also a Convenience Shop I would have thought would have rated higher. Other amenities, such as a Gym and Concierge Service would almost be a bit foreign to a small tenant. You know, what is a concierge service? Daycare Facilities, tenants are probably not expecting it – my kids go to wherever I go, I don't go to work expecting it – so your sample would affect that. But the restaurant... I don't know, it's difficult. I guess on-site amenities implies that it is in the building. I don't think that your smaller tenants would expect things like a restaurant to be in the building, only in the area. If you had said 'access to nearby canteen/restaurant, it would perhaps have rated higher.

Interviewer: Under the Location category, we did list Access to Amenities as a factor.

Interviewee: I know, I know that, but this is almost taking that and trying to explain this... [pause] This sample was based more in Sandton and Illovo, rather than the

office parks in Bryanston, etc. Therefore some of this might be subconscious: there are lots of gyms in a 3km radius in Sandton, for example, and therefore a tenant in Sandton might say that it is not important, even though they would have missed it if it was not there. It's hard to say. But definitely, the food side of amenities is surprising. I mean, it's the highest rated in the category, but I would have expected it to rate higher overall. I would expect that those facilities *do* attract people. But this survey says it does not, which is definitely surprising.

Interviewer: Interesting, thanks. Are there any factors that you think are considered important by tenants that were not listed in the survey?

Interviewee: No. You've got most of them.

Interviewer: And do you have any comments on the practical implications of these findings? I mean, do you think it should inform how new developments are presented to tenants or what kind of building products are put in the market?

Interviewee: Yes, I think it could influence how you present a building to a tenant. I don't ever remember, for example, someone presenting a new building and bringing up access control and security. So I think, based on this, you can tailor your presentation – I mean, it's not an exact science – but you can maybe emphasize certain items that you might not have necessarily thought of emphasising. So, yes, forewarned is forearmed. And the more information that you know people are looking for, the better you can be prepared. Don't wait for people to ask the question. You can give them the information, which does make a difference.

Interviewer: Any other comments? On the study or on the topic in general?

Interviewee: No.

Interviewer: In a further study, it would possibly be interesting to separate out the P, A and B-grade tenants and also the size of tenants as, clearly, this could impact on the results.

Interviewee: Yes, but I think that you would really struggle to get a large enough sample size of each for such a study. I think it would influence the results, however, in

my opinion the top rated categories would remain the same, like Costs and Services. It all starts with what you can afford and only then do you look at the other items.

Interviewer: Thank you very much, I really appreciate your input.

Interviewee: You're welcome.

APPENDIX D INTERVIEW B

Date Interviewed: 01 August 2016

Results of the survey questionnaire was presented to the Interviewee first, followed by the following interview:

Interviewer: Please just repeat what you said before the interview started

Interviewee: I think having a large portion of your sample being smaller occupiers is probably playing a big role in the kind of results that you're getting, because when you actually turn towards larger occupiers a lot of the things that would have been considered unimportant become very important for large occupiers.

Interviewer: Like what?

Interviewee: If we even go down the list, your rental rates are likely to be much higher for smaller occupants, they don't have the strength of negotiation that a large occupier would have and then that would play a smaller role. But if you consider something like cost of fit-out, that then starts to escalate for a large occupier. The image of the business is also much more important. You are taking care of a whole lot more people than in a bigger business, so fit-outs and amenities, all of those things, would be pushed up at a greater cost to the business than maybe even your rental rates would be. Things like advertising space and your foyer design, your marketing space, if you can have a big board with your brand, advertising who you are, that's a big thing for large occupiers. You think of your newest buildings in Sandton, they are driven by large occupiers. [Large legal firm], for example, will be taking up that building in Sandton. They are the major occupier there, taking up most of the space, and there will be smaller occupiers within that same building. So, the smaller occupiers will have less control of what actually happens there and are just happy to have that; it's already there. Whereas your larger occupier will have a big thing about, you know, where you are, how many cars are going to go past and see your big board. How close you are to

employees as well, your employee pool is very important if you are going to have hundreds of thousands of individuals coming to your office in a day, as opposed to a smaller occupier who, you know, you've got ten or twenty people, they can't really dictate how close you need to be.

Interviewer: But do you think that the big occupier *do* take that [access to skilled labour] into account? I've been told that for call centres that's a big factor, but for other big corporates like [large legal firm], do you think they really looked at where their people live and they tried to build as close as possible to that?

Interviewee: I think it's a very important key. Because you want people to be able to get to work and be as productive as possible. I think that's a major driving factor for an area like Waterfall [Midrand] as well, where you are centralized, you can have people from East, North or the West rand coming in to work, they are traveling more or less similar times. The plan around Waterfall as well is to see people walking or using public transport to work. It plays a big role for them, you know. You don't want your radius to be too widely pulled out, whereas, if you are a smaller company, chances are your people are close in any case and if not it's just one or two individuals that are totally out of the way.

Interviewer: Let's talk about the categories. Are you surprised about the order of the categories – what was considered more or less important? The fact that Cost/Financial considerations was at the top, Services, Management, that kind of thing?

Interviewer: What surprised me was how low Location was rated. But I think that's also related to the kind of occupier you are dealing with. If you're dealing with large corporates who, for example, prefer to be in Sandton because it is central, because it's close to other similar industries, law firms and banking, then it is quite important that you be in Sandton, in a particular node. Whereas that might not really matter so much for a smaller player. They might prefer to be closer, you know, to where they stay and have an office in Fourways if you are running a smaller business with not much control from that angle. But, ja, again that is related to the sample. I would have expected

that to be a little bit higher. The rest are not so surprising. I think, also for large occupiers, your work place experience is becoming more important, so having those amenities downstairs, being able to be in close proximity to gyms and so forth, because the worker's experience is becoming a key part of productivity measures for businesses. So, if they are able to offer that to employees, it is seen as a way of getting more out of your employees than what you would get if these things were not there. If the employee had to still, you know, travel home or to a different area to gym, whereas they could go to gym in their lunch break, release some of the stress and come back re-energized [chuckles], I don't know what the thinking behind these things are, but, you know, it becomes a place that is all-encompassing. But you know, nothing else seems very surprising.

Interviewer: So, do you find On-site Amenities also surprising? The fact that it rated so low as a category?

Interviewer: Yes, Location and Amenities. Your Space Function & Atmosphere is also that... space efficiency, I think that's becoming of greater importance for offices especially. The question of 'Do you really need that much space?' It's related back to your cost, so it's surprising that it would rate that low. Consolidating of offices with industrial, activity work based systems where you don't have a designated desk, there are lockers and... all of those things save space and the amount of GLA [general lettable area] you are needing to lease, which then affects your bottom line. You can rent less space and use it more efficiently, which will then reduce your costs. Other items under Space Functioning & Atmosphere probably didn't rate high because tenants don't understand their impact on their office space very well, although they could have a large impact. If you are not working in the [property] industry, then you might not understand the impact of light coming into the office space due to higher ceilings, etc. To a small occupier that just needs space which is convenient enough for the functioning of their business, it's not going to be that much of a big deal. As soon as you are dealing with quite a large workforce, you need to make sure that your ventilation is in order, all of those things match up to how long people are going to be

there. Occupiers don't always understand what is needed and they need guidance from a company such as [broker company] who can point out the impact on some of these items.

Interviewer: You mentioned that occupiers are looking at using space more efficiently and being more cost effective. Why do you think energy efficiency and building Green Star rate didn't rate higher? Surely there is a link between these factors?

Interviewee: I think it's... with green, right now, a lot of the factors are more expensive than just tapping into existing energy, so your green building is going to be more expensive for you to be in and the facilities run at a higher cost... there's a cost to the capital element, so you save over time, but the initial cost is a lot. And when that relationship is evaluated, I think that's where it kind of falls apart.

Interviewer: So, are you saying, you think Green Star rating didn't rate that high because, at the moment, the cost for it trumps the energy efficiency?

Interviewee: Yes, the cost trumps it. Especially if you look at your lease length. If an occupier is going to be there for ten years plus, then it's worthwhile to have those green facilities because you'll make up the savings over that time. If your lease is three to five years, it's way too much, it doesn't make sense to actually have those things there.

Interviewer: Getting back to the Cost/Financial category, you're saying there's nothing surprising about the rating of any of those factors?

Interviewee: No. I don't think anything would be above costs when making these decisions [about what office space to rent]. So, that makes sense to me.

Interviewer: Services, is it surprising to you that four of those items rated so high?

Interviewee: No, it is all to be expected. Modern IT for example, if you don't have fast broadband, you are going to have a problem in this day and age. Control of building services rated low because, I think, it is preferable for occupiers not to have that on their plate. They prefer to pick up the phone and speak to the facilities manager of the

building and I think the convenience is worth the money spent on that. I think that is why Management rated high as a category. So, that's not a shock at all.

Interviewer: And the fact that the factor Security and Access Control rated the highest overall?

Interviewee: Related to crime in South Africa... people want to feel safe. I would say that's probably why an area like the CBD has lost interest in terms of occupiers. I'm surprised that you didn't separate A and B grade out, but I guess the sample size comes into play there as well.

Interviewer: I'd love to do that in a future study. Do you think that there's a big difference between A and B grade in terms of something like Security and Access Control?

Interviewee: My initial view is that your Grade B occupiers will probably be putting cost very high and nothing else getting much weight beyond that. But it has a back-lash in that your building might not be well-managed, so you end up having really high occupier cost as well.

Interviewer: But 80% of respondents were from A and P grade offices.

Interviewee: True.

Interviewee: Any comments on the fact that Responsible Maintenance Teams rated so high? Maintenance Policy as well?

Interviewee: No, it makes sense.

Interviewer: Why do you think people find it so important?

Interviewee: I think this offers convenience to the occupier. Similar to not having control of the building services, your access and all of that. It's one thing less for the occupier to deal with. So, having a good maintenance team doing their thing... you can get down to business as usual.

Interviewer: Under the category Access & Circulation, Car Parking Provisioning rated high. None of the other factors under this category were rated very important. Any thoughts on that?

Interviewee: I'm sure if you're dealing with a different kind of country than South Africa, then this would be very different.

Interviewer: In terms of?

Interviewee: Our major mode of transport is cars. In a country like the UK, most people walk to work and you wouldn't have this kind of problem. I suspect, in a few years time, if things like the Gautrain and the bus system take up very well, you might see a change in that. I believe that Cape Town is actually experiencing quite a change with the new My City Bus system. Not surprising. Is this result [the fact that Access & Circulation rated fourth] then dominated by this [the high rating of Car Parking Provisioning]?

Interviewer: Yes.

Interviewee: Because the rest are not raking that high.

Interviewer: Yes, I think this category would have rated quite a bit lower down if it wasn't for that one factor. Let's talk about the category Lease Features. Why do you think none of the factors in this category rated high?

Interviewee: I think it's... once you've taken care of the overall cost, the rest become detail, I would say. So, I think you also pay a price for that level of flexibility. If your lease is short, like three years, it gives you enough time to see what is happening in the market and by the time your lease has expired, you can move to a building that is cheaper if you want to. So the shorter your least term is, the less likely it would be that the other lease features would be important. Lease features doesn't play a big role. After three years you can renegotiate, so there's still enough flexibility.

Everything else seems to make sense.

Interviewer: Let's discuss the category Presentation. What is your experience?

Interviewee: I think it goes back to our initial discussion. If you're dealing with a large occupier, presentation is going to be more important. If not, then it will not. I'm not too shocked about this.

Interviewer: Moving on to the category Location, you've already said you find it surprising?

Interviewee: Yes, as to where it ranked overall. Maybe it's because of the respondents. If the MD lives down the road, as opposed to somebody living quite far from the office, you might have had a very different answer. But, ja, these are not the people that make the final decision, so...

Interviewer: You would have expected the factor Traffic Condition to rate higher?

Interviewee: Ja, I think so. But that's if you're looking at the overall experience of all the employees, as opposed to just the decision-makers when it comes to the lease.

Interviewer: So, are you saying that the decision-maker might not care that the rest of the staff are going to... [interrupted]

Interviewee: Pretty much [giggles].

Interviewer: Because you look at how many tenants are re-locating to Sandton, for example, and that's possibly got the worst traffic in South Africa. So it looks like the traffic is not overriding the other factors that play a role.

Interviewee: And it's almost like... I don't know if I can say contradictory, if you prefer a certain location, you might be willing to tolerate the amount of traffic in the area. So, you know, Sandton, yes, everybody wants to be in Sandton, so the amount of traffic your facing going into that space is kind of just a detail. I want to be next to [large corporate firm in Sandton] or whoever. And that's that. How Location was measured might also have been an issue. Also, one thing that we've noticed in Johannesburg is almost sectorial development, where your telecommunication industries prefer Waterfall, for some reason, your legal and your financial services industries prefer Sandton, and then other industries might be fine with being outside of those very central areas. Your media companies are preferring Randburg, they are next to each other there, they compete within the space, they want to know what their peers are doing. So, that will be a big determinant of the location you choose and then other elements that affect that might be secondary to that.

Interviewer: Interesting, because that's obviously not an option that we gave respondents to choose from.

Interviewee: Space Function & Atmosphere... this relates to user experience. If you're not dealing with a high workforce, it's not going to make much of a difference. People will create a small culture within their company. In large institutions you want to drive that and corporate culture and you might put more emphasis on how the space feels. A Comfortable and Secure Working Environment, that applies to everyone. On-site amenities... I think we like being at the Firs [shopping centre underneath their building]. That's personal experience, not overall business experience. But, ja, it again relates to workplace experience. And the employee's experience, more than the decision-makers.

Interviewer: Are you saying that the decision-makers don't necessarily regard it as that important, but if the staff could vote...

Interviewee: If the staff could vote, they would probably want most of these in.

Interviewer: So, why do you think this was rated the lowest. Are decision-makers not communicating with their staff?

Interviewee: The question is also how much do you need something like an on-site canteen, for example, when you're dealing with a small staff count? Maybe a kitchen becomes sufficient. But as soon as you go large, you need to think how you're going to feed people, how you are going to make sure there's ease of movement within the building, etc.

Interviewer: So, again, your feeling is that the result is because of the size of the tenants?

Interviewee: Yes. Size of the occupier that is affecting the result.

Interviewer: What are your thoughts about the overall highest rated factors? Any surprises there?

Interviewee: No, no surprises. Security & Access Control... typical of South Africa. That's why nodes like Sandton developed; people didn't want to be located in central Johannesburg anymore, there was questions about security and people's laptops being stolen at the entrance of a building... makes sense. Parking Provisioning &

Accessibility, still a key thing for South Africans. Again, smaller occupiers have less bargaining power to negotiate the rental rate.

Interviewer: Would that make rental rate more or less important for bigger occupiers?

Interviewee: I think other factors, related to overall and occupancy cost might rate higher for big occupiers than rental rate itself. Possibly, I wouldn't be sure. Everything else makes sense.

Interviewer: Lowest ranking factors overall...

Interviewee: For me it was a surprise that Green Building Rating rated so low, because it seems to be becoming quite an important consideration – maybe more for large occupiers. Access to skilled labour pool, your location... I would have expected that to rate higher, we've discussed that. Outside Entertainment Areas... even corporates have very few of those.

Interviewer: Really, they don't regard it as important?

Interviewee: Balconies is not a big thing. They're there but, I wonder how many times people actually get onto the balcony.

Interviewer: Do you think it's related to cost? Obviously you're paying rent for that balcony.

Interviewee: I don't know. Our next door neighbours have a big balcony space that they only use once or twice a year. The rest of the time it's closed up.

Interviewer: So, you're not surprised that it rated low?

Interviewee: No, I'm not surprised.

Interviewer: Are there any other important factors that you think might not have been listed here?

Interviewee: I can't think of anything. This is a very comprehensive list.

Interviewer: Any thoughts on the practical implications of the findings?

Interviewee: I think it would be, actually, a really great tool. For example your top ten indicators there, for an occupier who's not sure what they need or why, to actually be... to get a tool that will assist them in deciding, possibly also educating them about

some of the aspects and amenities that they might not be thinking about yet, but could probably have a big influence on how they experience their workspace – that’s something that could be very useful.

Interviewer: Do you think tenants in general are not well informed when they have to make a decision on a building to rent, in terms of what to take into account and how it’s going to impact on them?

Interviewee: Getting accommodation is almost like a secondary decision. What’s most important for businesses is to be able to get on with day-to-day business, without really thinking through exactly what would be involved in your three year lease. I mean, three years is short, but it’s also long if you’re stuck in a place that’s not fulfilling your needs. So, something that would educate occupiers. Especially because the findings are for smaller occupiers... that doesn’t mean that they don’t actually need to understand the kind of deal that they are getting themselves into, understand what amenities they might need, what might work best for the kind of organizations that they have. And then make a decision, based on what they’ve learned. I think our brokers would appreciate something like that. I think they do quite a lot of deals with smaller occupiers versus large occupiers

Interviewer: The way I understand it, smaller occupiers are a big part of the market, especially in the current economic climate?

Interviewee: Absolutely

Interviewer: Any other comments?

Interviewee: For me, if I was looking to rent new office space, I would want to have some sort of a list like this to remind me of what I should be looking for. I think it’s good.

Interviewer: Thank you very much

Interviewee: Very interesting findings. I think for the market, it makes a lot of sense it would be a good starting point if you’re dealing with a smaller occupier – what are they looking for? A very good tool.

APPENDIX E INTERVIEW C

Date Interviewed: 01 August 2016

Results of the survey questionnaire was presented to the Interviewee first, followed by the following interview:

Interviewer: Let's discuss the overall categories rating

Interviewee: It's so surprising. I mean, if you said to me rate these, I would have said Cost, Services and Location third. It [location] would have been right up there. And then things like Access & Circulation. Management wouldn't have even come into my consciousness. It's interesting to see the response.

Interviewer: What about On-site Amenities rating the lowest?

Interviewee: I'm not that surprised in terms of smaller tenants and buildings. A smaller building doesn't have enough people to sustain on-site amenities such as restaurants. I would have expected location, in terms of proximity to amenities, to rate much higher, though.

Interviewer: Let's discuss the separate categories. Cost/Financial – you're not surprised that that rated the highest?

Interviewee: No. That would definitely be the biggest concern for any tenant.

Interviewer: Rental rate didn't rate the highest overall, but it did rate very high. So did Total Occupancy Cost. Cost of Fit-out not that high. Any comments on that?

Interviewer: I'm surprised that Cost of Fit-out was so low, actually. Because when people find out the cost of fit-out it freaks them out, generally. So, it's interesting that people are not generally aware of what it costs to move an office and fit it out.

Interviewer: But when they freak out, have they already chosen the building at that stage?

Interviewer: Yes, and then it's too late. The trouble is that people are not conscience of the cost of fit-out until it's way too late. Especially if this is not something that they do on a regular basis.

Interviewer: Services, you said that you expected that to rate quite high?

Interviewee: Ja

Interviewer: There were four of these factors that rated really high.

Interviewee: I don't find any of that surprising, except maybe Toilet & Sanitary Facilities - I didn't expect to rate that high. When you are renting a building of a certain grade, you expect the toilet facilities to comply. But I guess it is important. I don't think people are really aware of things like Building Automation & Energy Management Systems.

Interviewer: Management – you're surprised that that rated so high?

Interviewee: Yes

Interviewer: Security & Access Control was the factor that rated the highest overall of all factors.

Interviewee: I imagine in this country that would be valid. For every single building built and occupied, I think there is about a 30% chance that you are going to get robbed. That would be right up there with a Back-up generator for me.

Interviewer: And the other factors under Management, why do you think they rated so high, if you have to take a guess?

Interviewee: Um... I'm surprised that Responsible Management & Maintenance Teams is even there. I'm quite shocked.

Interviewer: Access & Circulation – Car Parking Provisioning & Accessibility rated very high. The rest of the items didn't rate very high. Any thoughts on that?

Interviewee: I'm not surprised about Car Parking Provisioning & Accessibility. I thought some of the other items in this category, like Adequacy of Good Access & Circulation, would have rated higher, above something like Internal Way-finding. I'm not surprised that Passenger Lifts and Design & Entrance Foyer didn't rate high. I don't think it is in tenant's consciousness when they choose a building to rent.

Interviewer: Do you think that, because a lot of the respondents were smaller tenants, they don't necessarily understand the impact of these items?

Interviewee: Ja, the fact that Adequacy of Good Access and Ease of Entrance rated so low shows me that tenants perhaps don't understand the important impact of some of these items on them.

Interviewer: Let's discuss the category Lease Features. None of the factors under this category were considered very important. Any thoughts on that?

Interviewee: Yes, I find it bizarre. I would have thought that Termination Clause would have been a major concern.

Interviewee: The largest percentage of the respondents had 3 or 5 year leases.

Interviewee: OK, so they're really short. OK, then that wouldn't be such a major issue. Still I'm surprised that things like Alteration & Renovation Clause didn't rate higher. You could be sitting in a building were they are renovating the foyer for a year. Again, tenants probably don't think of, or understand, the possible impact of these things when they look for office space to rent. It reflects, maybe the lack of sophistication of the smaller tenants. I definitely think that Length of Lease should have been higher though; much higher.

Interviewer: None of the factors under Presentation rated very high. Why do you think that is?

Interviewee: I think most people don't really care. They're not conscious of this as a driver to rent a specific space. I think you are running a business... if I had to rate it, I would have said Location first, then the cost of the lease and the duration of that lease. And then the cost of fit-out. I can understand that Presentation is not a very big driver. If you are an MD, measured on performance, the aesthetic of your building is not a big driver. Especially because people have got 3 or 5 year leases. If the lease is 10 or 15 years, then I'm sure what the building looks like, and how it affects your brand, is really important.

Interviewer: Location – Crime Rate rated relatively important, but none of the other factors under this category were rated with much importance.

Interviewee: I can't believe it. I mean, for me, the top five factors in this category would be *major* considerations. Those are core. I'm shocked that those factors were rated so low.

Interviewer: Any thoughts as to why that could have rated so low?

Interviewee: No. Maybe it has something to do with the nature of the work that the respondents do, the sectors that they are in. It's the only reason I can think of. Look how low Access to Public Transport rated. I guess it reflects our attitude towards transport – you would never have that discussion in Europe. I mean, if you go to a city like Sydney or New York, you pay for good suburbs with quick access to work. You pay a premium for that. And you find that the highest priced residential areas are actually closest to the city. With us it doesn't seem to be a driver. Maybe the decision-makers just don't give a shit about how the rest of their employees get to work.

Interviewer: Do you think maybe, because a lot of the respondents were already located in places like Sandton and Illovo, the location didn't play such a big role because they were already in those areas and just moving around there?

Interviewee: Yes, I think that's actually a good point.

Interviewer: Under the category Space Function & Atmosphere, a Comfortable & Secure Working Environment rated very high. The rest of the factors didn't rate high at all.

Interviewee: I'm surprised that Space Efficiency didn't rate higher. Maybe with smaller tenants, a lot of these items are not such a big issue. But if you're a large tenant, a lot of these start becoming more of an issue. But it is surprising that some of these rated so low, like Green Building Rated. If you're worried about electricity and costs, then you should be concerned about how 'green' your building is. But the smaller tenants are probably ill-informed about the impact of these factors. Maybe smaller tenants with shorter leases also have less choice/say over this. I mean, the fact that Exclusive Use of Ablutions rated higher than Building Orientation and Column Layout just shows you that these tenants are not well-informed – they don't understand the impact of these things and they don't understand space efficiency. It

reflects a lack of knowledge on how they should go about this. So, if you are advising a small tenant, this analysis could really help as a tool to educate them about what to consider. You could almost use this as a check-list because it shows what they don't know or understand as a process.

Interviewer: Is your feeling that larger tenants would have rated this differently?

Interviewee: Yes, they would because they probably have a head of property who deals with this more often who would be concerned about these things. They do space planning and churn every day. Most of these small tenants would move in and, during their three year lease, not change anything. Clearly tenants need to be educated better. If I think about it now, I've seen even large tenants like [large insurance company] choose a building, only to realize afterwards that it isn't very space efficient. Brokers have a responsibility to educate tenants and make them aware of factors to take into account. They are getting paid a lot of money to offer 'expertise'. What are they offering if they or not even analysing the efficiency of the building for the tenant?

Interviewer: Lastly On-site Amenities... [interrupted]

Interviewee: I can't believe that restaurant rated so low. I mean, it just says that the decision-makers don't give a hoot about their staff. Like, bring your sandwiches to work.

Interviewer: Do you think, if you asked the staff to vote, they would have voted this higher?

Interviewee: I think, with your 3 and 5 year leases, although they are P and A grade, they are very small. And so a convenience shop, for example, would be nice, but it's not sustainable; there isn't enough staff in the building to sustain it. So they don't expect it. Same with something like an Outside Entertainment area. There's a very direct correlation between size of tenants and On-site Amenities. Bigger size – more on-site amenities.

Interviewer: These are the top 10 factors that rated highest overall.

Interviewee: It's bizarre. I would imagine Location and Rental Rate would be the first two drivers, first and second. I would have said that these are the top ten most important factors, but I would have ordered them differently.

Interviewer: Lowest ranking 10 factors...

Interviewee: I understand why Access to Skilled Labour didn't rate high. Because you are already an established business, it's not like you're an industrial business. Employees will move with your building.

Interviewer: Why do you think these were the lowest rated? Any possible explanation?

Interviewee: I'm surprised. We are finding that, if we have an outside entertainment area, then our buildings have a better chance of letting.

Interviewer: So you don't agree with it rating so low?

Interviewee: No.

Interviewer: What are your thoughts on the practical implications of the study?

Interviewee: I think you can build a tool out of this information that would allow landlords to get a better understanding of their tenants' needs, I really do. And it's good for developers to know these things because what we think are the most important things are obviously not always the most important for tenants. So when you advertise a building to rent, you should be talking about the security, access, parking – all the things that are coming out of this study.

Interviewer: Are there any factors that you think tenants consider important that was not listed in this study?

Interviewee: No.

Interviewer: Any other comments?

Interviewee: No. Very interesting. I think it would be a waste if you didn't take this and build something out of this. Like an app.

Interviewer: How would you use it?

Interviewee: I think it's something that you could just... build an app that is a tool that people [tenants] can use to analyse their options.

Interviewer: But when would you give it to tenants? When they start looking for office space?

Interviewee: Brokers could use it as a tool as well. You could give it to building managers as a tool, you know what I mean.

Interviewer: Do you mean that you would use it as a checklist when you are choosing between two buildings, for example?

Interviewee: Yes. Also, the tool can show where research has shown the priorities are for tenants.

Interviewer: Thank you very much for your time

Interviewee: Sure, you're welcome

**APPENDIX F INFORMED CONSENT FORM, SIGNED BY INTERVIEWEES PRIOR TO
INTERVIEWS COMMENCING**



INFORMED CONSENT

This interview, led by Estelle Meiring (student nr 578640), is part of a Wits University study on the preferences of office tenants in Johannesburg.

Following an earlier survey that determined the relative importance of various factors that influence occupation by office tenants in Johannesburg, the aim of this interview is to better understand why certain factors are considered more important than others. The results from the study will assist the property industry in better understanding the needs of office occupiers so that these needs can be more effectively and fully met.

This research will adhere to the framework and policies of the School of Construction Economics & Management at Wits, as well as the University of the Witwatersrand Research Ethics Committee. Your response will be treated with anonymity unless permission is granted for it to be used otherwise. In addition, the data obtained will not be used for either commercial purposes or made available to third parties without express written consent.

By participating in this interview, you express your consent for us to use the data for research as stated. You also give us permission to audio record the interview. You have the right to discontinue participation in this research at any time without reason. The results from the study will be made available to you on request.

Name of Company _____

Name of Participant _____

Signature of Participant _____ Date _____