

# RESEARCH REPORT

## CORPORATE REAL ESTATE DECISION MAKING: OFFICE SELECTION IN SANDTON JOHANNESBURG

Qhama Didiza

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 Building.

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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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*(Signature of Candidate)*

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*(year)*

# **ABSTRACT**

Real estate is said to be the largest or second largest asset in a firm's financial books – comparable to human resources, but is often been treated as a reactive and secondary utility. Real estate can be a significant factor of production and a strategic resource and due to its effect on an organisation's profitability there is a growing need for a more critical site selection decision-making.

Purpose – This is an exploratory study of the Sandton office market in order to ascertain which factors are most highly considered when making an office (site) selection decision. The purpose of this study is to assist in determining the direction further research into the South African corporate real estate market should take by gathering preliminary information about the preferences of Sandton corporate real estate occupiers.

Design/methodology/approach – A questionnaire was developed and distributed electronically through the Survey Monkey website.

Findings – The results show that the location factor, in terms of a specific site, is not as highly rated amongst the respondents, as one would expect. The respondents to the questionnaire indicate that the landlord and/or property manager is the most important consideration – whether it is their reputation or their relationship with tenants' is yet to be determined. Security, a reliable power supply and competitive building levies are amongst some of the most important office attributes for the respondent companies.

Originality/value – Sandton's corporate real estate stock amounts to approximately 168 million square feet, which is comparable in size to Madrid's total office stock, and greater than cities such as Brussels, Moscow and Milan. Moreover, more than 500 companies in South Africa own corporate real estate, including international companies (Jones Lang LaSalle, 2012) – a large proportion of which is situated in Sandton. These numbers make Sandton a significant player in the international corporate real estate arena.



## **DEDICATION**

For Nokwanda Ebiphia Didiza: my mother and friend.

## **ACKNOWLEDGEMENTS**

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## **NOMENCLATURE**

CBD – Central Business District

CRE – Corporate Real Estate

POO – Period of Operation (indicates the organisation's age or maturity)

# CHAPTER 1: INTRODUCTION

## ***1. Introduction***

Real estate is the largest or second largest asset in a firm's financial books, depending on the particular firm. Between 1993 and 2001 it was said to have formed approximately 30% of total corporate assets of major corporations in Europe and North America (Bon, Gibson & Luck; 2002). Furthermore, real estate is difficult to manage because it not only affects everyone, but affects them at various levels including customers at a marketing/image level, employees (as a place to work), investors (as a financial asset), regulators, neighbours, etc. (Apgar IV, 2009).

Location, the golden attribute of the real estate asset is very often cited in countless business-philosophy literature as one of the key elements to building a successful organisation. This is due to the various roles corporate property can play for an organisation: as previously mentioned, a place to work, a marketing/branding tool and a financial asset. The heterogeneity of firms means that firms' real estate requirements vary (Sing et al, 2006) due to its work methods, (sector and economic) climate, its financial standing and market position (Luoma et al, 2010).

There is a growing recognition that real estate can either be an enabling or inhibiting factor of production (Rabianski, DeLisle and Carn; 2001). Apgar (2009) further argued that real estate is an operating necessity and a strategic resource that, unfortunately, at the time still remained a reactive and secondary utility within business organisations. The occupancy costs associated with corporate real estate were shown to have a significant effect on a company's profitability – enough so that they are reported in the companies' financial statements (Ali et al, 2008). Due to its effect on an organisation's bottom-line performance Rabianski, DeLisle and Carn (2001) noted the growing need for a more critical site selection decision-making.

Similar to most other products, corporate real estate [office property] possesses numerous attributes, and various levels of those attributes or sub-attributes, which a

buyer or lessor must select from. These are main attributes such as location, price, design, durability, environmental impact, operational costs and so forth. Typically an organisation would not be able to select the best option of all the attributes and come out with one choice, thus trade-off decisions would need to be made. A study and analysis of these trade-off decisions, and the mechanisms or processes involved when making them, needs to be done. By 2003 some of the most significant and innovative corporate real estate research had taken place in the United States of America, and to a much lesser extent in Europe – which encouraged the research for CRE office space decision-making in Ireland (Roulac et al, 2003). However, not much is known about how South African firms make their decisions on office selection. It is thus difficult to judge how much these decisions support or detract from business goals in the South African context.

## ***2. Significance of the Study***

Place theory, within the realm of location decision-making research, postulates that a spatial setting has a multi-dimensional offering to those who occupy it – such as a sense of place, meaning, community, culture, tradition, vitality and so on (Wardner, 2012). It was asserted that a sense of place is how an individual feels connected to their workplace (atmosphere) – where they feel free to be themselves because they see it as a reflection of their identity (Duetsch and Goulas, 2010). The workplace design is part of a company's brand, culture and value proposition to its employees. Thus the office space and its quality affect people's experience of the work environment as well as their emotional attachment to where they work; and it could highly influence whether a firm has high turnover of employees or it can enable the firm to retain or attract qualified people (Wardner, 2012). According to M Moser & Associates, a global firm which has specialised in the creation of workplace environments, corporate base buildings and campuses since 1981, a well-designed office can be an important tool for recruiting valuable talent and for retaining them by being supportive and meeting their needs ([www.mmoser.com](http://www.mmoser.com), 28 July 2012).

Furthermore, satisfaction with the work environment can result in a more secure cash flow, loyalty and better value for occupants (Luoma et al, 2010).

Corporate real estate is said to be the primary influence of a company's occupancy costs and has the ability to improve operational efficiency – thereby significantly impacting on shareholder wealth (Anderson, 1993). Thus cost management becomes a main focus for corporate real estate professionals in providing their services (Fadzil, Ali & Bujang; 2011). Park & Glascock (2010) stated that corporate real estate can have an impact on the overall firm value when it is affecting the firm at an organisational level. Even more so because the choice of office location and office site/space directly impacts the cost of office space, it also greatly influences the potential savings from the efficient use of space.

Park & Glascock (2010) purported that the physical environment (including the design of the workplace) is an integral part of the competitive value creation process and therefore should be considered strategic. Gibler & Lindholm (2012) agreed by citing Krumm & De Vries (2003), in stating that real estate decisions have direct financial impacts on corporate performance as well as indirect influences through accommodating core business activities.

The purpose of this study is to explore the Sandton office market, through its occupants, in order to ascertain which factors they [the selectors/decision-makers] consider when making an office selection decision. South Africa's corporate real estate total office stock is in its four main major cities: Johannesburg, Cape Town, Durban and Pretoria. Sandton's corporate real estate stock amounts to approximately 168 million square feet, which is comparable in size to Madrid's total office stock, and greater than cities such as Brussels, Moscow and Milan. Moreover, more than 500 companies in South Africa own corporate real estate, including international companies (Jones Lang LaSalle, 2012) – a large proportion of which is situated in Sandton. These numbers make Sandton a significant player in the international corporate real estate arena. This study assists in determining the direction further research into the South African corporate real estate market should take, by gathering preliminary information about the preferences of Sandton corporate real estate occupiers. It benefits corporate real estate managers,



commercial property developers and property professionals in general to provide a better service to their clients. Furthermore, property professionals have, in the past, operated more upon implicit assumptions than reliable information concerning the practices of space users, whose decisions create the demand for property goods and services – as well as for the capital market investing in property (Roulac et al, 2001). Thus, there is a real need for more empirical data to base their best practice standards on. Although Roulac et al (2001) was referring specifically to the property professionals in the Republic of Ireland and Northern Ireland, this statement is inferrable as true for property professionals globally.

### **3. Objectives**

- To provide an overview of how property is viewed within organisations
- To identify the important attributes that influence office space selection

### **4. Research Questions**

What are the key determinants of commercial real estate/office space selection in the organisations located in the greater Sandton area in Johannesburg?

1. How do organisations employ their corporate real estate?
2. What are the most important factors that influence an organisation's decision about the office it chooses to occupy?

## **5. *Limitations***

This study is solely for exploratory purposes, and is thus non-probabilistic research which does not attempt to extrapolate its results onto a population. It seeks to unveil an area of research that has not yet been explored in the South African office property market, specifically in Sandton, Johannesburg. As the study is restricted to organisations that are located in Sandton Johannesburg, in the Gauteng province of South Africa, these organisations may have characteristics that are different from organisations that are located in other areas. The limitations of this study are that it is not to be generalised to the entire population of office selectors in South Africa. Furthermore, the sampling technique shows that this research does not intend to infer to a population, but seeks to give an idea of the office selection phenomena.

## **CHAPTER 2: LITERATURE REVIEW**

### ***1. Defining Corporate Real Estate***

Park & Glascock (2010) defined corporate real estate as real property (land and buildings) owned by companies not primarily in the real estate business – a definition borrowed from the pioneering researchers of corporate real estate, Zeckhauser and Silverman in 1983. Corporate real estate has been further defined as the operation of real property assets for use in business other than real estate (Nourse, 1990). However, the definition was extended to real estate controlled, not only owned, by companies, it thus includes both ownership and leasing for the achievement of corporate objectives (Brown et al, 1993).

Kooymans (2000) broadened the definition of corporate real estate to include the concept of investment in relation to it [CRE] by stating that it is real estate owned by a corporation for use and/or investment purposes. However, in the context of this research, the definition of corporate real estate excludes its use for investment purposes. Brueggeman & Fisher (2001) also defined it as the use of land as part of business operations and associated activities. Ali et al (2008) gave an apt definition of corporate real estate as “a functional unit in an organisation which is responsible for the real estate asset holdings and their activities, and supports the organisation to achieve its business objectives”.

Park & Glascock (2010) classified corporate real estate as an enterprise resource within the strategic management context, and as such should have four attributes: valuable, rare, imperfectly imitable and strategically unique. Its strategic characteristic is to make it part of a company’s competitive advantage. Fadzil, Ali and Bujang (2011) expanded on the definition by arguing that corporate real estate becomes part of the overall investment portfolio that the management must deal with in order to maximise shareholder wealth.

## ***2. The Role and Value of Corporate Real Estate***

The role of corporate real estate (CRE) as an asset in corporate strategy has been relatively misunderstood, underestimated and/or under-developed (Roulac et al, 2000). Most senior executives perceived the role of real estate assets as providing appropriate working environments for the least space costs (Gibler, Black & Moon, 2002; Roulac et al, 2002).

Corporate real estate is both a major asset and a major cost for organisations by increasing the organisation's equity in the balance sheet and reducing the organisation's profitability in the income statement (Ali et al, 2008), with its operational costs coming second only to wages' costs (Luck & Gibson, 2006; Rodriguez & Sirmans, 1996; Bannock & Partners, 1994). Thus, the possible savings from effective and efficient corporate real estate management can be substantial – affecting the organisation's market share, profitability and shareholder value (Gibler, 2012).

There is a myriad of roles of corporate real estate in various organisations, including its use as a place to conduct business in terms of management and administrative activities, storing and selling goods and services, manufacturing goods and creating services; a financial asset; and a marketing and promotional tool, as it is perceived as a physical embodiment of the organisation (O'Mara, 1999).

Corporate real estate, together with financial resources, human resources, information and technology serve collaboratively to meet the organisation's objectives (Gibler, 2012). Ali et al (2008) agreed that corporate real estate is similar to other business functions with a primary purpose to support the organisation's operation.

Gibler & Lindholm (2012) argue that if firms want corporate real estate resources to add value to the firm, they must align corporate real estate strategies and decisions with core business strategies. Additionally, the choice of property strategy should be related to firm size and the industry in which it competes – in order for it to be

effective. On the other hand, changes in CRE strategy<sup>1</sup> may require the organisation to downsize and outsource non-core functions and to invest aggressively in information technology (Roulac et al, 2003). Roulac (1999b) argues that real estate facilitates are the connection of inputs to the value chain creation process to deliver goods and services to consumers. He also argues that real estate has a major role in creating demand and attracting the buyer to the distribution system. However, in order to generate the requisite value to justify its purchase, lease and/or development real estate must make a corresponding and consistent value contribution to the business economics of those enterprises that occupy and utilise it (Roulac 1999b). Furthermore, the value inherent in the real estate utilised by the tenant must exceed what the tenant pays for rent –the same may apply for the owner and the cost of the mortgage.

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<sup>1</sup> A strategy is defined as a decision that supports the core purpose of the business (O'Mara, 1999).

Value Chain Generic Activity	Real Estate Significance
<b>Panel A: Five Primary Activities</b>	
Inbound Logistics	Accessibility and relationships to supplier locations
Operations	Efficient, functional workspace
	Access to workforce
Outbound Logistics	Access to transportation to reach distribution system
Marketing/Sales	Real estate serves promotion and advertising purposes
	Direct selling environments
Service	Customer convenience and access to service facilities and service team

Table 2.1: Real estate significance for Porter's value chain generic categories (Roulac, 1999b)

Too, Harvey, and Too (2010) observed that corporate real estate capabilities are important in a hypercompetitive business climate and that corporate real estate is recognised as a resource that can be leveraged to enhance the firm's competitiveness. Roulac (1999) identified seven distinct contributions that superior property strategy can make to an enterprise's competitive advantage:

- Competitive advantage of core competency
- Creating and retaining customers
- Attracting and retaining outstanding people
- Contributing to effective business processes to optimise productivity
- Promoting the enterprise's values and culture

- Stimulating innovation and learning
- Enhancing stakeholder wealth

Even though Roulac et al (2001) identified the above contributors to an organisation's competitive advantage, it can be argued that these are contributions made to the enterprise's value chain as a whole.

Chirgwin (2000 cited in Roulac et al, 2003) argued that corporate real estate value is created by aligning property and business strategies, using capital efficiently, minimising time-to-market cycles, reducing entry and exit cost for business initiatives. Corporate real estate can also be a source of capability to give companies its competitive advantage in a hyper-competitive climate (Too, Harvey & Too, 2010).

According to Zeckhauser & Silverman (1983), corporate real estate activities include acquisition and divestiture, finance and custodianship. Acquisition and divestiture consists of: identification of real estate investment needs, site selection, acquisition of property, identification and disposal of surplus property, design decisions, construction supervision. Whilst finance involves: capital budgeting, financial analysis and property tax evaluation. Custodianship is property management and real estate record-keeping (Zeckhauser & Silverman, 1983).

### ***3. Determinants of Office Space Choice***

There are two dimensions to the decision on which office space to buy or lease: location (O'Mara, 1999; Cohen, 2000) and site (O'Mara, 1999; Cohen, 2000). The former refers to the local community or general region in which a business occupies a site, whilst the latter refers to a specific parcel of real estate (land/or building) which a business occupies (Cohen, 2000). Studies on corporate facility location identified site selection as the final step in the location decision (Rabianski, DeLisle & Carn; 2001).

### **3.1. Location Selection**

#### **3.1.1. Criteria for Location Selection**

A location decision considers many economic and non-economic factors, with the outcomes of most of the research done on location decisions being categorised as driven by financial views and agglomeration views (Rabianski, DeLisle & Carn; 2001). Financial views consider the purely financial impacts of location decisions such as the impact of headquarters' relocation on the stock value of the organisation. The agglomeration view considers the spatial impacts of relocation on the efficiencies and synergies within the organisation, such as accessibility to supply chain inputs or various resources. Jackson, McIver & Bajada (2006) argue that firms choose a location that maximises their profits and/or maximises their utility. In addition, the driving force for location selection is primarily market access, availability of qualified labour, level of infrastructure and financial incentives (Ulaga, Sharma & Krishnan; 2006).

Elgar and Miller (2009) investigated two categories of factors that influence the location decision: push and pull factors. The former refer to factors which repel an organisation from a location and/or building; the latter refers to those which attract an organisation to a locale and/or building – respectively. The push factors include: size of space, lease terms and conditions, physical conditions, visibility and image, lease termination, accessibility, ownership versus leasing, taxes, proximity of competition and support and the pull factors include: adequate space, physical conditions, low lease costs, accessibility, proximity to competition and support, image and visibility, low taxes.

Brouwer, Marrioti and van Ommeren (2004), presented a table that illustrates the most commonly used frameworks through which firm location has been studied. They infer that the concepts inherent in the location decision and the relevant variables were dependent on the theoretical framework through which the research views that location decision.



Theoretical Framework	Key Concepts (Factors)	Variables
Neo-Classical Theory (Firm as a Profit Maximiser)	Market Situation (Location Factors)	Market Size, Country of Location
Behavioural Theory (Firm as a Decision-Maker)	Information/Abilities (Internal Factors)	Firm Size, Firm Age
Institutional Theory (Firms as An Interacting Agency)	Networks (External Factors)	Firm Growth (Positive and Negative, Merger, Acquisition, Take Over)

Table 2.2: Location theories and factors influencing location mobility (Brouwer, Marrioti and van Ommeren; 2004)

O'Mara (1999) identified numerous drivers for various location decisions companies make. She found that when a company decides to move its headquarters to new geographic areas, the decision was often due to:

- the desire to make a major strategic repositioning of the company; the desire to provide the managerial workforce with more affordable and attractive housing options;
- the desire to structurally reduce operating costs over time and achieve cost advantages for new or existing businesses and/or the desire to increase scale economies, flexibility and control over geographically dispersed operations.

O'Mara (1999) further determined that when companies move within the same general area it is because they want to have greater control over the surrounding site in order to be easily able to expand operations on site; they also want to increase the cosmopolitan exposure of its workforce (when moving from a non-suburban to a suburban area in close proximity) and/or have historical affinity to a community that has retained its quality of workforce and living standards (when re-committing).

O'Mara's (1999) study determined economic factors such as availability of skilled employees and the willingness of local municipalities to respond to and

accommodate the organisations' needs; quality of life factors for the employees such as attractive business environments, accessibility and affordable quality housing were major influential factors in decision-making.

According to Cohen (2000), there were three areas that influenced business location and relocation decisions, namely: changes in technology which improved building materials, better logistical procedures, improved infrastructure, advancement in electronic mediums and the internet have a great influence in the location factors that affect companies; the structure of the business organisation in particular when acquisitions and mergers occur, as well as other general changes in leadership and/or ownership; lastly, changes in regulations, funding policy and government policies. He further argues that there are five fundamental components that determine where an organisation will locate, such as:

1. the business sector in which a company operates as different sectors have different location needs, for instance, a company in the manufacturing sector will have differing locational needs to the financial services sector;
2. the particular business function of the organisation or subsidiary department since head offices are likely to be located in cities where airports are easily accessible, or where there is a great pool of professional support and a cosmopolitan lifestyle to complement that pool of professionals;
3. a company's product's maturity, which is the life-cycle stage of that product as this is closely linked to the cost of labour and of real estate;
4. the company's competitive strategy, which is basically where and how an organisation is trying to position itself with regards to its target market and this may also determine where it positions itself geographically; and lastly
5. the company's business culture.

Cohen (2000) continued to list the basic location factors as: skills level and suitability of the labour market; availability and cost of housing; adequacy of transportation systems; access to suppliers and contractors; proximity to natural resources; presence of competitors; positioning within the market for the company's product;

general taxation levels and tax policies of the state; and workers compensation costs.

Meanwhile, Podolski (2012) advised that businesses making a location decision should analyse the following factors, as they impact the true cost of conducting business in a certain location:

- Logistics: in terms of whether a business can efficiently and effectively plan and execute the flow and storage of all goods and services to meet its customers' requirements – impacting on cost and timing.
- Labour: the availability of the suitable human resources locally and also the attractiveness of a potential site location for the required human resources is important as it impacts on the profitability and growth potential of an organisation
- Taxes and incentives: economic development strategies of certain locations may provide tax rebates to certain industries, in order to encourage their occupation of that particular area – encouraging employment of local labour and so forth.
- Utilities: the cost of water, electricity, waste removal and so on may vary from one location to the next. It is important to analyse these differences as it greatly impacts on the operational costs associated with a location.

Meanwhile, Luoma et al (2010) focused on four groups of real estate attributes that impact on occupant location and building satisfaction:

- Location: proximity to labour, proximity to suppliers and service providers, proximity to clients, accessibility of/to transport, accessibility to the airport, availability of parking space and image of the area.
- Services: facility services and amenities – such as gyms, places of recreation, places of entertainment, administrative services such as banks and post offices.

- Building: functionality (including suitability for the disabled), architecture, flexibility, indoor climate (HVAC and lighting) and environmental impacts
- Workspace: image, social interaction, peaceful working, innovation, privacy, decorative finishes (quality and presentation) and flexibility (hot-desking)

Wardner developed a matrix of location factor themes that conveniently summarises all the factors that have been found, through over a decade of research by various scholars, to influence office location decisions. They are as follows:

- Area factors: community environment, market and competitors, housing and recreation, transportation and access, physical characteristics
- Internal factors: clients, employees, owners, profitability, suppliers, the work area, physical conditions, image, facilities and amenities, flexibility, the lease cost and tenure
- External factors: labour costs and issues, taxes and incentives, cost and availability of utilities, governance, environmental issues

Further to the above, she established the factors that are specific to the 'sense of place' school of thought on location decisions as place attachment (socially and culturally) and character and identity (aesthetics included).

## **3.2. Site Selection**

### **3.2.1. Criteria for Site Selection**

In 2011, Jackson and Orr surveyed 51 fund managers and their combined 918 decisions to purchase real estate, for analysis, to determine what criteria they used to decide whether or not to buy property. Amongst other things, the study sought to deliver a better understanding of fund managers' perceptions of direct real estate and their preferences for different attributes and stock. They concluded that location

and obsolescence (physical characteristics) were the more dominant factors in corporate real estate decision making than income determinants like lease characteristics, the manageability of tenants and so forth. Through their own literature research they found that many investors and professionals have behavioural bias and use subjective factors when making decisions (Gallimore and McAllistar, 2005; Gallimore, McAllistar and Hughes, 2006; Mullainathan and Thaler, 2000; Diaz, 1999). However, this was from a property investor's perspective and not from a property occupier's perspective.

Rabianski, DeLisle and Carn (2001) determined the reasons for the importance of site selection as: *consolidation* of organisations' resources as a means of reducing costs, the increasing *globalisation* of most economic markets, thus increasing competitiveness – regardless of whether or not the company defines itself as global and the rise of *e-business* methodology through the continuously fast-changing information technology advancements; as all three change the corporate real estate needs and preferences of corporate organisations.

### **3.3. Specific Factors for Site Selection**

Cohen (2000) listed the basic site selection factors as follows

- Transportation services accessibility and availability
- Property taxation, corporate income taxation and other taxation (the absence or presence of tax liens)
- Title complexities on the property
- Cost and availability of water, sewer, solid waste disposal
- Telecommunications capacity
- Possible environmental remediation

Moreover, according to Foo et al (2005), the following broad categories of factors emerged as the principal factors that determine office selection:

- Pro-business environment
- Branding and image
- Broadband and automation system
- Lease structure
- Workplace quality
- Accessibility
- International connectivity
- Agglomeration economies

Leishman & Watkins (2004) suggested that a firm's property selection decision depends on the size of the firm, the type of business it conducts and the geographical extent of its market. Ball, Lizieri & MacGregor (1998) touched on the importance of the fulfilment of information technology requirements and flexible working practices.

#### **4. Conclusion**

As it may be seen from the above, substantial research has been done on the factors determining office selection, the most recent of which by Foo et. al (2005), being the most comprehensive. They established eight critical determinants for office space selection. These are location factors such as: where (especially in certain industries and uses of offices) there is good international connectivity in terms of being accessible to airports and agglomeration economies; and site factors such as: a space that has a pro-business environment, a space that promotes suitable branding and image, a space that has an efficient broadband and automation

system, where good lease structures can be agreed and where the quality of the workspace is of an acceptable standard. However, this study was done on the Singaporean office market. Similarly, all the other similar studies have focused on other parts of the world – particularly North America and Europe. There is an existing gap in office selection criteria research, in terms of looking at the issues from a South African perspective. This research intends to start filling that knowledge gap.

The South African corporate real estate market needs to know why companies decide to move; furthermore, when the decision to move has been made, how the companies decide where to move to. It is also important to know who, within these successful companies, makes these important property commitments and how well that person knows the way the property industry works and how well they understand the value or impact of property on their organisation.

## **CHAPTER 3: METHODOLOGY**

It is established that there is a lack of research on how South African firms make decisions on how to select office locations, which makes it difficult to judge how much these decisions support or detract from business goals in the South African context. The purpose of this research is to explore the area of interest and guide future research in corporate real estate office selection and decision-making. This research seeks to give an idea what Sandton corporate organisations consider to be the most critical factors when selecting office space. This research seeks to explore:

1. Organisations' current view on corporate real estate
2. The factors that affect an organisation's office selection decision

### **1. Research Method**

Alpert (1971) classified methods for identifying determinant factors, broadly, as: direct questioning; indirect questioning (including motivation research and covariate analysis); and observation and experimentation. Indirect questioning is any method in which a respondent is not asked directly why they made their choice or which factors influenced them (Alpert, 1971). A basic technique that is used in this approach is "third person projective questioning", where the respondents are asked to state the importance of various factors in determining the choice of most people – not the personal choice of the respondent.

This research used the direct approach, where the respondent was assumed to know the factors determining their choice (Alpert, 1971). When using this method, the frequency of a factor's occurrence categorises it as a determinant – that is, the more frequently it appears amongst the respondents' answers, the more likely it is to be a determinant. The weakness of this method is that the questioning technique assumes that the determinant factors (and respondents) are objective and have



rational motives for their decisions, whilst indirect questioning enables one to accommodate subjective factors such as prestige and personality types. However, according to the results of Alpert's (1971) research, direct questioning methods were better at identifying determinant factors as it produced a more effective predictive model of overall preference and objective factors are also better predictors than subjective factors.

## **2. The Population and Sampling Technique**

An exploratory study is useful when the research is trying to diagnose a situation, screen alternatives or discover new ideas (Yin, 1994). As previously stated, the purpose of this research was to identify factors that influence the office selection decision in Sandton and thus can be said to be attempting to 'diagnose the situation'. However, the study did not intend to infer the results of its questionnaire to a larger population, be it Johannesburg, Gauteng or South Africa. Thus, a non-probabilistic method of sampling was the most suitable sampling technique. There are various ways exploratory research can be undertaken, but this research has selected to use a combination of purposive/judgment sampling, convenience sampling and snowball sampling.

Purposive sampling, sometimes also known as judgment sampling, is used when the researcher is attempting to get insights into a phenomena (such as decision-making) in order to make interpretations of it, they then purposefully select the subjects whom they believe will offer an understanding of the said phenomena (Onwuegbuzie & Leech, 2007). According to Coyn (1997), convenience sampling is when, as the name implies, researchers choose respondents due to the expediency of the sample. This is often the case when the time and cost of data collection are a limitation (Coyn, 1997) – as they are in this research. Snowball sampling is a "chain referral sampling method that relies on referrals from initial subjects to generate additional subjects" (Johnston & Sabin, 2010) and is used when adequate lists or databases of the subject population are not readily available or accessible or are

difficult to reach. It is effective when locating members of the population where the focus of the study may be regarded as a sensitive issue – as business practices often are (Faugier & Sargeant, 1997).

The sampling procedure was a three step method that began with purposive sampling, step two was convenience sampling and the last step was snowball sampling. A purposive sample was acquired by performing an internet search of companies that are listed as based in Sandton. The search brought up a website directory, Mbendi, of a wide range of companies listed as located in various parts of Johannesburg. The website showed; amongst other details; the company name, physical address and telephone numbers. The data search was filtered to short-list only the companies located in Sandton. A convenience sample was then established by attempting to contact all the companies on the short-list and requesting to speak to the person responsible for their property decisions. The shortfall of the database was that some of the information was outdated and thus some companies were not contactable. Another limitation was that some of the decision-makers were at a very executive level, and could thus not spare time to listen to the researcher nor spare time to answer survey questions. The database was further filtered by only sending the questionnaire to respondents who firstly agreed to speak to the researcher on the phone, and went on to explicitly agree to participate in the research. The final step was asking some of the respondents, being property and district management agents, to refer the researcher to their client database.

The population for this study is defined as all corporate organisations that occupy office space in the greater Sandton area in Johannesburg, South Africa during the sampling time frame. Similar to Leishman & Watkins' (2004) study, the organisations were categorised according to their primary business activity:

- Mining
- Oil and Gas
- Chemicals
- Construction and Building Materials

- Forestry and Paper
- Steel and Other Metals
- Aerospace and Defence
- Diversified Industrials
- Electronic and Electrical Equipment
- Engineering and Machinery
- Automobiles and Parts
- Household Goods and Textiles
- Beverages
- Food Producers and Processors
- Health
- Personal Care and Household Products
- Pharmaceuticals and Biotechnology
- Tobacco
- General Retailers
- Leisure and Hotels
- Media and Entertainment
- Support Services
- Transport
- Food and Drug Retailers
- Telecommunication Services
- Electricity

- Utilities Other
- Banks
- Insurance
- Life Assurance
- Investment Companies
- Real Estate
- Speciality and Other Finance
- Investment Entities
- Information Technology Hardware
- Software and Computer Services
- Other Financial Sector Activities

### **3. Instrumentation**

The survey questions for this research were developed from literature reviewed and adapted from Foo et al (2005) who investigated the determinants of office space in a specific area in the Singapore CBD.

### **4. The Data Collection Process**

Kummerow (2000) suggested that a combination of research methods (quantitative and qualitative) helps to deal with the complexity and uncertainty in real estate research, thus improving the quality of the information inferred and deducted (Leishman & Watkins, 2004).

#### **4.1. The Survey**

A survey is *a systematic method of collecting data from a population of interest*. It is a quantitative manner of collecting quantitative information from a sample of the population that should ideally be representative of the general population, so that the results of the survey can be inferred onto the population.

This survey was a cross-sectional survey that was distributed electronically via an internet-based survey company called Survey Monkey. A cross-sectional study is one that examines the status quo of a particular population at one point in time; hence it is called a “snapshot survey”. This is the most appropriate research method because, similar to that of Jackson and Orr (2011), the purpose of this study is to explore the factors that determine office selection decisions by those responsible for corporate real estate decision-making in some of the companies in the Sandton area. In order to determine office occupier preferences, Luoma et al (2010) also used an internet based survey (a mostly multiple-choice questionnaire) since the focus of their research was on arriving at a descriptive and precise analysis of the occupiers’ evaluation of the real estate attributes.

Following suit to Luoma et al’s questionnaire, it is to comprise of the following parts:

1. Basic company information: business sector, geographical distribution
2. Real estate strategy and standards, including the respondents role and competency
3. Space and development preferences
4. Real estate locational attributes
5. Real estate service attributes
6. Office building and workspace attributes

In order to determine the relative importance of all the considered attributes a rating scale was used. The respondent is to rate the attributes as “very important”, “important to some extent”, “neutral”, “a little important” and “not important”.

## **4.2. Ethical Considerations**

The Belmont Report (1979), commissioned by the American National Research Act, gives three main principles for research involving human subjects, from which the ethical considerations of electronic research emanate:

1. Respect for Person: people are to be treated as autonomous, and those with diminished autonomy are to be protected.
2. Beneficence: do not harm, maximise possible benefits and minimise possible harm.
3. Justice: justified and fair selection of research subjects, do not unduly involve persons unlikely to benefit from the applications of the research.

Rhodes, Bowie and Hergenrather (2003) identified the challenges of electronic data collection methods to be sampling issues as true random sampling is not ensured, competition for the attention of potential respondents, the ‘digital divide’ that mostly favours Caucasian males due to their ease of internet access, literacy and disability. The ethical considerations identified were anonymity, privacy and confidentiality as a respondent’s IP address is detectable; informed consent as the opportunity for providing the respondent with clarification and understanding of the research is limited; and limited opportunities for the researcher to identify the respondents’ needs and provide the required support (Rhodes, Bowie and Hergenrather 2003).

Buchanan and Hvizdak (2009) confirmed that there is a growing prevalence of electronic surveys in the academic research community, which adds new methodological complexities to research protocol in terms of data storage, security, sampling and survey design. Furthermore; electronic surveys have more challenges

in comparison to traditional survey methods when considering issues such as consent, risk, privacy, anonymity, confidentiality and autonomy (Buchanan & Hvizdal, 2009).

(Barribeau, Butler, Corney, Doney, Gault, Gordon, Fetzer, Klein, Rogers, Stein, Steiner, Urschel, Waggiber and Palmquist (1994 – 2012) argued that are four major ethical considerations when using electronic surveys:

1. Sample Demographic Limitations: the research must consider that they are limiting the population and sample to only those members who have access to computers and the internet.
2. Data Analysis: the researcher must ensure that their data analysis methods are objective and in keeping with the accepted methods of analysis.
3. Confidentiality versus Anonymity: an electronic response is never truly anonymous as one is always able to trace its origin, but the researcher must ensure confidentiality of respondents' identities.
4. Responsible Quotation: acceptable 'correction' of respondents' answers – that is, without changing the intended meaning of the response.

It is imperative that research does not encroach on any rights of the respondents, thus it is important for the researcher to be acutely aware of the potential ethical considerations of their chosen method of collecting data. Although using an electronic survey is probably one of the most unobtrusive methods, it does require the respondent to divulge information that may be considered sensitive and thus its ethics must be seriously considered.

#### **4.3. Distribution Method**

Orme & King (1998) stated that the advantages of online surveys (single-page and multi-page) as: only a single download required at connection and a single upload when the form is completed; relatively inexpensive to program and administer;

having attractive surveys, including graphics, font control and colours; permits skip logic and question-specific data verification and, in the case of multi-page surveys, the user does not face entire task at once. They went further to list the disadvantages as: data verification only possible at end of survey; long forms can seem overwhelming and may not be completed; long download time if survey is long and/or connection is slow; an entire interview might be lost if the computer, modem or net connection fails; respondents often cannot complete part of the form, terminate, and restart at a later time without losing all their work; it is complex to program without the aid of internet survey software and, in the case of multi-page surveys, if you have a slow connection or your server has limited bandwidth there may be a delay between pages.

Despite the disadvantages mentioned, the survey distribution medium used was the World Wide Web due to its potential for higher and quicker response rates, together with its cost-saving potential.



## **CHAPTER 4: RESULTS**

This section presents the results of the electronic questionnaire survey. The survey was addressed to the real estate decision-makers of the organisations, without specifying who those may be. This was due to the understanding that each organisation operates its real estate uniquely, and thus they may not be a Real Estate Manager or Director designated with the sole and/or final responsibility of the organisation's real estate. It was found that the decision-makers could range from: facilities managers, office managers, finance directors, operations directors, managing directors, executives, board of directors and the business owners.

A total of approximately one hundred and ninety-one organisations were listed as potential participants. They were contacted telephonically, in order to get the decision-makers' details, request them to participate and get their e-mail addresses; in order to send them a link to the survey. However, some of the organisations' details were outdated and rendered them unreachable. The organisations that were approached to participate in the survey were from Johannesburg Stock Exchange listed and unlisted organisations, in various economic sectors, that were indicated as located in one of the ninety suburbs of the greater Sandton area. The questionnaire was distributed between November 2012 and January 2013.

### ***1. The Respondents***

Out of the one hundred and ninety-one calls made eighty-nine people agreed to participate, only twenty-four actually responded. This resulted in a twenty-seven percent response rate. However, the respondents elected not to answer some questions. Thus the average ratings are subject to some respondents having skipped questions.

## 1.1. Area

The greater Sandton area consists of ninety suburbs including commercial, residential and industrial areas. The respondents were required to indicate which area they are based, in order to establish where the concentrations of office real estate are. The table below illustrates the areas where the respondents are based. Majority of the respondents are from the Sandown and Woodmead areas, followed by Benmore Gardens. The Benmore Gardens area is better known as Sandton CBD where there are organisations such as Investec, the Johannesburg Stock Exchange (JSE), Nedbank, Nelson Mandela Square and other well known organisations. Woodmead has the Deloitte head office, the Woodlands Office Park where there are various engineering design and construction firms.

<b>Sandton Sub-location</b>	
Benmore Gardens	13.6%
Bryanston	4.5%
Gallo Manor	4.5%
Illovo	9.1%
Kelvin	4.5%
Rivonia	9.1%
Sandhurst	4.5%
Sandown	18.2%
Sunninghill Park	4.5%
Wierda Valley	4.5%
Woodmead	18.2%
Wynberg	4.5%
<b><i>answered question</i></b>	<b>22</b>
<b><i>skipped question</i></b>	<b>2</b>

Table 4.1: Sandton Suburbs

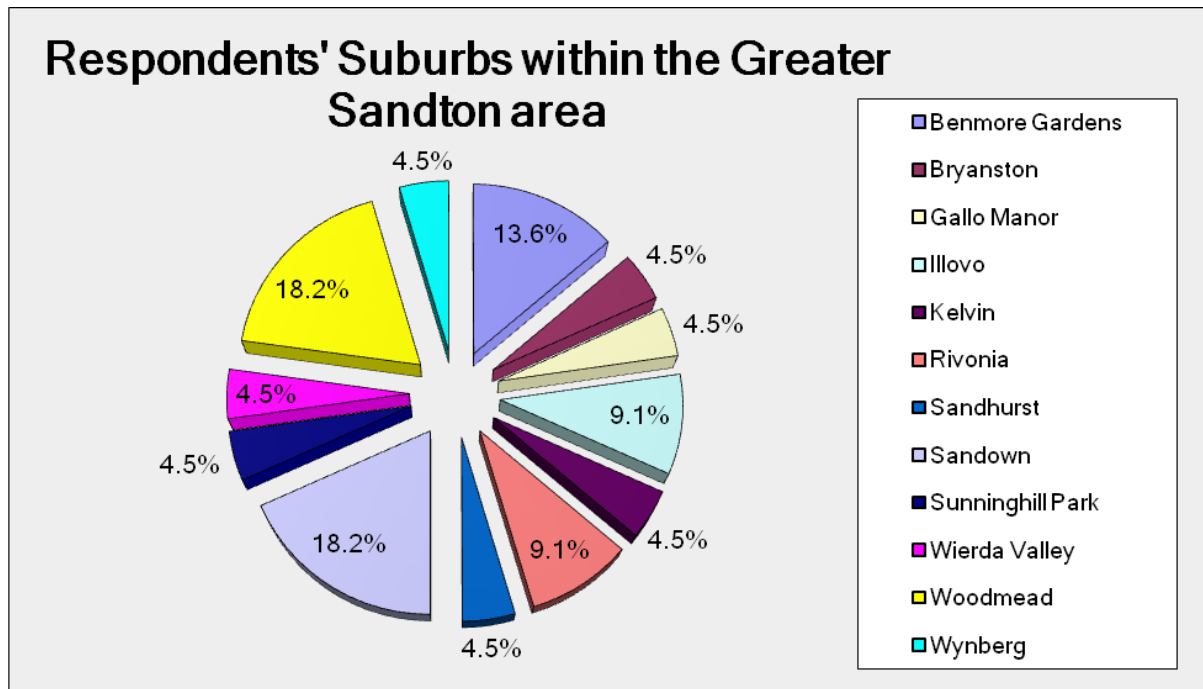


Diagram 4.1: Greater Sandton suburbs where respondents' are based.

The respondents were also required to specify which sector their organisations operated in, as well as its age and size, as Cohen (2000) had indicated that the organisations' corporate real estate decisions were influenced by their sector, size and maturity (how long the organisation had been in operation).

## 1.2. Respondent Classification According to Sector

The respondents are almost evenly spread across fourteen sectors found in the twelve areas within Sandton. The table below indicates that the respondents were mostly from, in descending order, the Software and Computer Services sector, equally from the Investment Companies sector, Real Estate sector, Speciality and Other Finance sector, Information Technology Hardware sector and the Support Services sector. The remaining respondents were equally distributed amongst other sectors: Oil and Gas, Diversified Industrials, Electronic and Electrical Equipment, Electricity, Utilities Other, Banks, Investment Entities, and Media and Entertainment.

<b>Respondents' Sectors</b>	
Oil and Gas	5.0%
Diversified Industrials	5.0%
Electronic and Electrical Equipment	5.0%
Electricity	5.0%
Utilities Other	5.0%
Banks	5.0%
Investment Companies	10.0%
Real Estate	10.0%
Speciality and Other Finance	10.0%
Investment Entities	5.0%
Information Technology Hardware	10.0%
Software and Computer Services	20.0%
Support Services	10.0%
Media and Entertainment	5.0%
<b><i>answered question</i></b>	<b><i>20</i></b>
<b><i>skipped question</i></b>	<b><i>4</i></b>

Table 4.2: Sectors

### 1.3. Maturity & Size

<b>Organisation P.O.O</b>	
< 5	9.1%
6 – 10	13.6%
10 – 15	18.2%
16 – 20	18.2%
21 – 25	4.5%
> 25	36.4%
<b><i>answered question</i></b>	<b>22</b>
<b><i>skipped question</i></b>	<b>2</b>

Table 4.3: Organisations period of operation

<b>Organisation Size</b>	
< 10	36.4%
11 – 50	9.1%
51 – 100	22.7%
101 - 200	0.0%
201 – 500	13.6%
> 500	18.2%
<b><i>answered question</i></b>	<b>22</b>
<b><i>skipped question</i></b>	<b>2</b>

Table 4.4: Number of employees (organisation size)

In this survey, maturity is interpreted in terms of the length of time the organisations had been in existence. The respondents were mostly (35.4%) very established organisations that had been in operation for longer than twenty-five years, followed by those that had been operating for ten to twenty years (18.2%). Then, by those that had been operating for six to ten years (13.6%). However, only 4.5% filled the twenty-one to twenty-five year gap.

## 1.4. Decision-Makers' Position Within The Organisation

Authority Levels	
Lower Management	15.4%
Middle Management	38.5%
Senior/Executive Management	46.2%
<b><i>answered question</i></b>	<b>13</b>
<b><i>skipped question</i></b>	<b>11</b>

Table 4.5: Authority levels of respondents

The respondents were mostly at a senior or an executive management level (46.2%), their job titles were: General Manager, Chief Executive Officer, Property Analyst, Human Resources Manager, Marketing Manager, Operations Manager, Facilities & System Administrator, Payroll & Human Resources, Managing Director, Projects & Facilities Manager and Owner. A very large majority of these respondents had no real estate qualification (84.6%).

## 2. Views on Corporate Real Estate within Organisations

In order to establish the organisations' overall view on the role of its corporate real estate, the questionnaire asked the respondent to select the role that they believe corporate real estate mostly plays in their organisation. Predictably, 71.4% of the respondents stated that they believe it to be a place to work and conduct business. The remainder of the selection was split 50/50 between those who believe the role of corporate real estate in their organisation to be a marketing/branding/image tool and a financial asset – with 14.3% each. Additionally, they were required to rate, in order of importance, the most important office premises' roles. In descending order of importance, they rated: enhancing stakeholder wealth (5.47), stimulating innovation and learning (4.73), promoting the enterprise's values and culture (4.40), competitive advantage of core competency (4.27), creating and retaining customers (3.67),

contributing to effective business processes to optimise (2.93) and attracting and retaining outstanding people (2.53).

<b>Corporate Real Estate's Role in Organisations</b>	
A place to work/conduct business	71.4%
A marketing/branding/image tool	14.3%
A financial asset	14.3%
<b><i>answered question</i></b>	<b>14</b>
<b><i>skipped question</i></b>	<b>10</b>

Table 4.6: Role of property in organisation

<b>Important Office Premises' roles</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>Rating Average</b>
Competitive advantage of core competency	1	1	3	3	4	1	2	4.27
Creating and retaining customers	3	2	2	4	0	2	2	3.67
Attracting and retaining outstanding people	4	7	1	0	2	0	1	2.53
Contributing to effective business processes to optimise productivity	4	1	6	2	0	2	0	2.93
Promoting the enterprise's values and culture	0	2	1	5	4	2	1	4.40
Stimulating innovation and learning	2	1	0	1	4	6	1	4.73
Enhancing stakeholder wealth	1	1	2	0	1	2	8	5.47
<b><i>answered question</i></b>								<b>15</b>
<b><i>skipped question</i></b>								<b>9</b>

Table 4.7: Important corporate real estate roles

Only a third of the respondents answered whether their organisations had a business strategy that included or mentioned a property strategy. Only 50% of those that answered confirmed the affirmative. One can only speculate about the reason for such a high non-response rate to this question.

<b>Property Strategy included in the Business Strategy?</b>	
Yes	50.0%
No	50.0%
<b><i>answered question</i></b>	<b>8</b>
<b><i>skipped question</i></b>	<b>16</b>

Table 4.8: Existing property strategies

A great majority of the respondents (75%) stated that their organisations do not have a formalised real estate unit, but 66.7% of those that had it as a formal unit stated that it had been operating for six to ten years and the rest for five or less years. Where organisations stated that they had a real estate unit, 50% stated that they operated it as a profit centre and the other 50% stated that they operated it as an investment centre; none operated them as neither cost nor revenue centres.

<b>Existing real estate unit within organisation</b>	
<b>Yes</b>	<b>25.0%</b>
<b>No</b>	<b>75.0%</b>
<b><i>answered question</i></b>	<b><i>12</i></b>
<b><i>skipped question</i></b>	<b><i>12</i></b>

Table 4.9: Existing real estate units within organisations

<b>Duration of Real Estate Unit's existence</b>	
< 5	33.3%
6 - 10	66.7%
<b><i>answered question</i></b>	<b><i>3</i></b>
<b><i>skipped question</i></b>	<b><i>21</i></b>

Table 4.10: Duration of existence of respondent companies'

#### Real Estate Units

<b>Basis for real estate activities</b>	
Cost Centre	0.0%
Profit Centre	50.0%
Revenue Centre	0.0%
Investment Centre	50.0%
<b><i>answered question</i></b>	<b><i>2</i></b>
<b><i>skipped question</i></b>	<b><i>22</i></b>

Table 4.11: Respondent companies' basis for real estate activities



### 3. Corporate Real Estate Attributes

There are various categories of corporate real estate attributes that are competing factors for selection. The respondents were required to rank these attributes according to what they considered to be the most important attributes leading to their selection of Sandton for their office property.

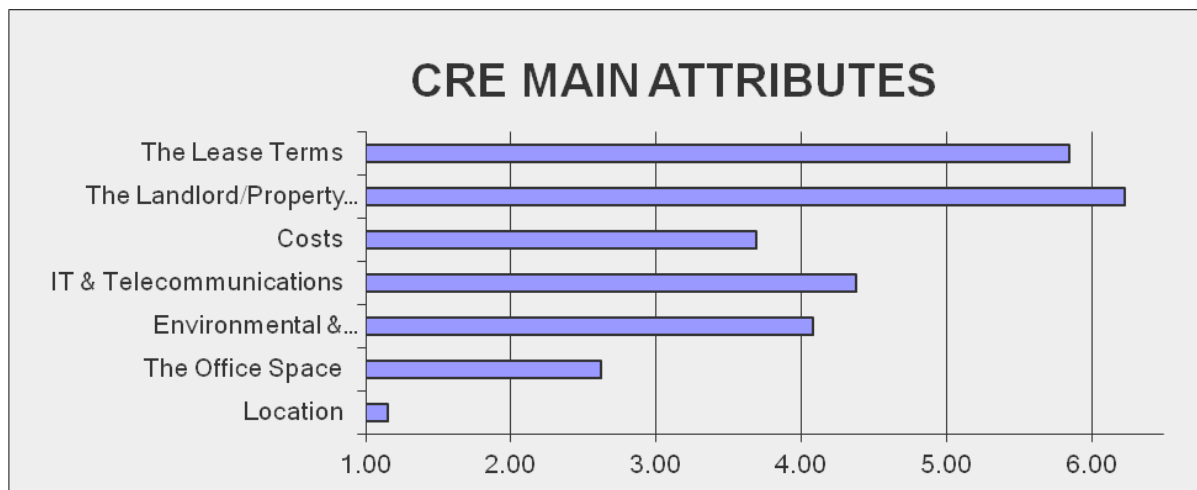


Figure 4.2: Corporate real estate main attributes

When referring to figure 4.2 above and the following table 4.12, it can be seen that the highest ranked attribute was the landlord/property manager, followed by the lease terms and then IT and telecommunications. The lowest ranking attribute was the location of the office property.

Most important category of factors for Sandton	1	2	3	4	5	6	7	Rating Average
Location	1 2	0	1	0	0	0	0	1.15
The Office Space	0	9	1	2	1	0	0	2.62
Environmental & Sustainability	0	1	7	0	2	1	2	4.08
IT & Telecommunications	0	1	1	7	1	2	1	4.38
Costs	1	2	2	3	5	0	0	3.69
The Landlord/Property Manager	0	0	0	0	2	6	5	6.23
The Lease Terms	0	0	1	1	2	4	5	5.85
<b>answered question</b>								<b>13</b>
<b>skipped question</b>								<b>11</b>

Table 4.12: CRE attributes/factors

The questionnaire further explored each of the main attributes of corporate real estate by breaking them down into sub-attributes, which the respondents were then required to rank according to what they considered as the most important preference in their selection of office property specifically related to the Sandton area.

There were eighteen location sub-attributes/factors that the respondents ranked. The top three highest ranked factors were security in Sandton (4.27), image/reputation of Sandton (4.07) and its proximity to clients (3.93). The lowest ranked attributes, in ascending order, were accessibility to places of entertainment (2.60), local labour market accessibility (3.00) and airport access (3.07). As illustrated in the bar graph below, the location factors were very closely rated – with most scoring about 3.00.

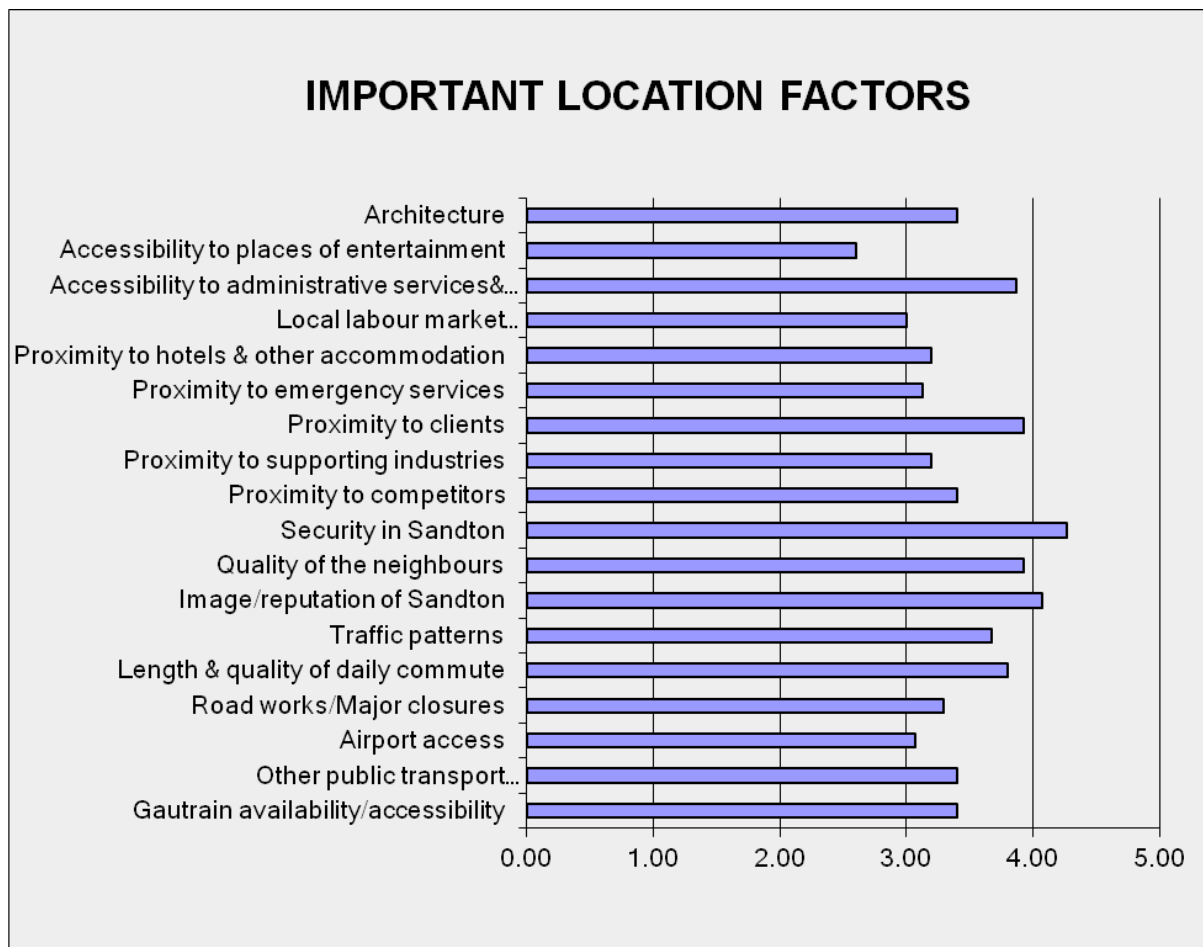


Figure 4.3: Important location factors

Location factors	Highly Unimportant	Unimportant	Neutral	Important	Highly Important	Rating Average
Gautrain availability/accessibility	2	1	3	7	2	3.40
Other public transport availability/accessibility	0	4	4	4	3	3.40
Airport access	0	5	5	4	1	3.07
Road works/Major closures	0	5	2	5	2	3.29
Length & quality of daily commute	1	2	1	6	5	3.80
Traffic patterns	0	3	3	5	4	3.67
Image/reputation of Sandton	1	1	1	5	7	4.07
Quality of the neighbours	1	2	0	6	6	3.93
Security in Sandton	0	1	1	6	7	4.27
Proximity to competitors	1	3	3	5	3	3.40
Proximity to supporting industries	0	6	4	1	4	3.20
Proximity to clients	0	1	4	5	5	3.93
Proximity to emergency services	0	5	6	1	3	3.13
Proximity to hotels & other accommodation	1	3	5	4	2	3.20
Local labour market accessibility/availability	0	7	3	3	2	3.00
Accessibility to administrative services& local amenities such as banks, shopping malls, pharmacies and post offices.	0	2	2	7	4	3.87
Accessibility to places of entertainment	2	7	3	1	2	2.60
Architecture	1	4	2	4	4	3.40
<i>answered question</i>						<b>15</b>
<i>skipped question</i>						<b>9</b>

Table 4.13: Important location factors

In terms of the number of items tested, there were 33.33% more space factors than location factors, which the respondents had to rank. The seven highest rated space factors, in descending order, were reliable generator/electricity back-up system in the building, adequate parking, building security, reliable services, twenty-four hour accessibility, space for growth & expansion and adequate storage space within building. Twenty-four hour accessibility, space for growth & expansion and adequate storage space within building were all equally rated at 4.20.

The seven lowest rated factors, in ascending order, were crèche facilities in the building, shower facilities in the building, gym facilities in the building, whether it's a listed building, age of the building, canteens/pause areas in the building and outward views from inside the building. Most of these factors were equally rated, or had a slight difference in the rating average.

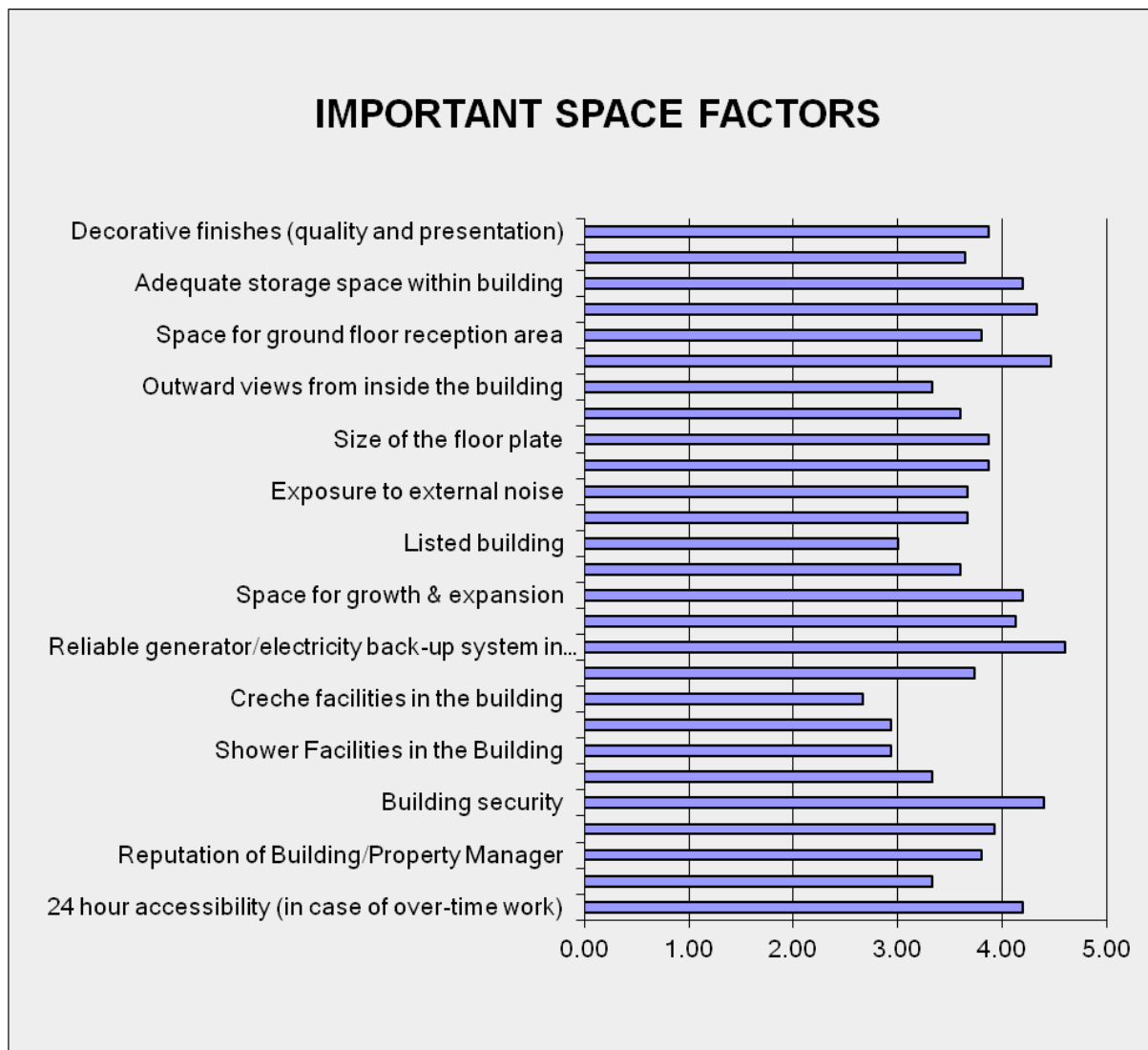


Figure 4.4: Important space factors

Space factors	Highly Unimportant	Unimportant	Neutral	Important	Highly Important	Rating Average
<b>24 hour accessibility (in case of over-time work)</b>	<b>0</b>	<b>0</b>	<b>3</b>	<b>6</b>	<b>6</b>	<b>4.20</b>
Age of building	0	3	5	6	1	3.33
Reputation of Building/Property Manager	0	1	5	5	4	3.80
Compliance with building regulations	0	1	3	7	4	3.93
<b>Building security</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>7</b>	<b>7</b>	<b>4.40</b>
Canteens & pause areas in the building	2	3	2	4	4	3.33
Shower Facilities in the Building	2	5	3	2	3	2.93
Gym facilities in the building	2	4	4	3	2	2.93
Creche facilities in the building	2	5	5	2	1	2.67
Disabled access	0	1	6	4	4	3.73
<b>Reliable generator/electricity back-up system in the building</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>6</b>	<b>9</b>	<b>4.60</b>
Adequate fire plan/fire exits in the building	0	1	2	6	6	4.13
Space for growth & expansion	0	0	0	12	3	4.20
Landlord plans for building refurbishment	0	2	5	5	3	3.60
Listed building	1	5	4	3	2	3.00
Adequate & reliable Elevators &/or escalators within building	2	1	1	7	4	3.67
Exposure to external noise	1	1	3	7	3	3.67
Internal acoustics	0	1	4	6	4	3.87
Size of the floor plate	0	1	3	8	3	3.87
Shape of the floor plate (irregular shape making building difficult to fit out)	0	3	3	6	3	3.60
Outward views from inside the building	1	2	5	5	2	3.33
<b>Adequate parking</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>8</b>	<b>7</b>	<b>4.47</b>
Space for ground floor reception area	0	0	7	4	4	3.80
<b>Reliable services (HVAC, Waste Disposal, etc)</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>6</b>	<b>7</b>	<b>4.33</b>
Adequate storage space within building	0	0	2	8	5	4.20
Flexibility (hot-desking)	0	1	5	6	2	3.64
Decorative finishes (quality and presentation)	1	1	1	8	4	3.87
<b>answered question</b>						<b>15</b>
<b>skipped question</b>						<b>9</b>

Table 4.14: Important space factors

There were only seven environmental factors to rank, with the most important being the office air-conditioning (4.43) followed closely by energy efficiency (4.14) and natural light (4.07). The least important being double-glazed windows/cladding (3.50).

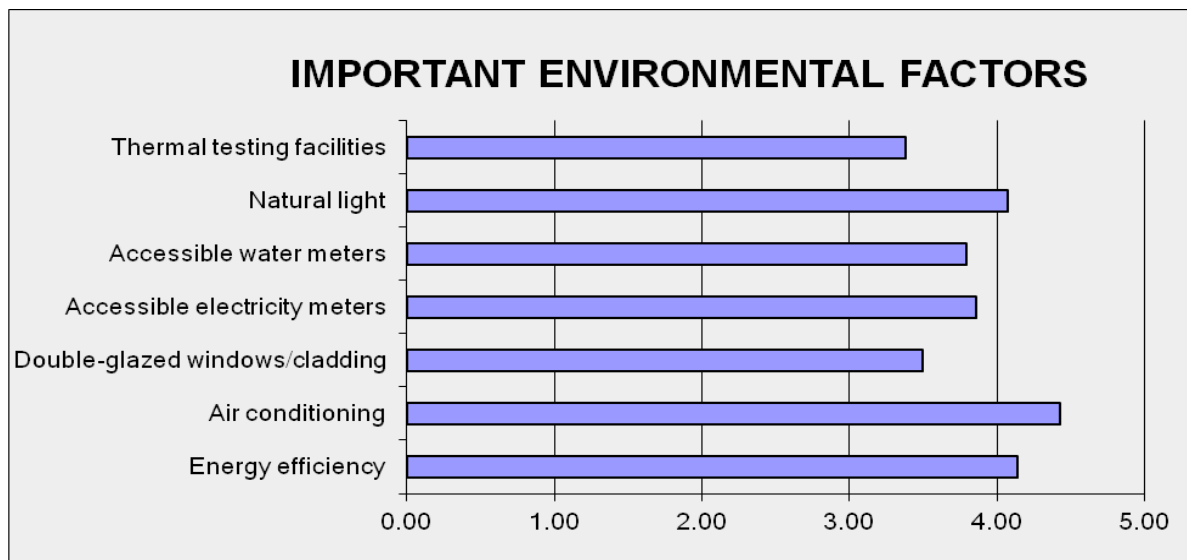


Figure 4.5: Important environmental factors

Environmental factors	Highly Unimportant	Unimportant	Neutral	Important	Highly Important	Rating Average
Energy efficiency	0	1	2	5	6	4.14
Air conditioning	0	0	0	8	6	4.43
Double-glazed windows/cladding	0	2	6	3	3	3.50
Accessible electricity meters	0	0	6	4	4	3.86
Accessible water meters	0	0	7	3	4	3.79
Natural light	0	1	2	6	5	4.07
Thermal testing facilities	0	3	5	2	3	3.38
<b>answered question</b>						<b>14</b>
<b>skipped question</b>						<b>10</b>

Table 4.15: Important environmental factors

The respondents ranked even fewer IT and telecommunications factors, with sufficient power supply for IT equipment coming out as the most important factor at a rating of 4.57 and the proximity of the building to the external server being indicated as the least important factor at 4.00.

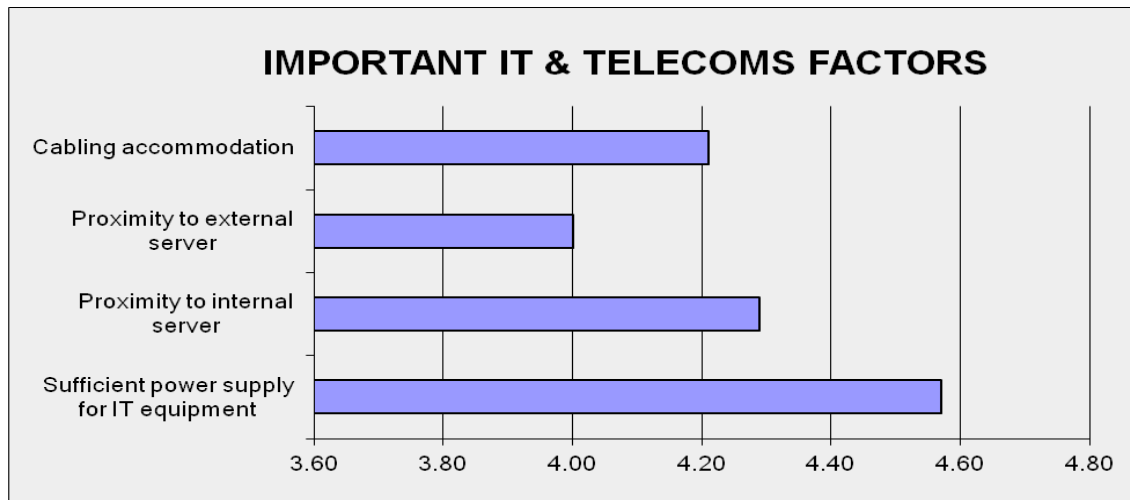


Figure 4.6: Important IT & telecommunication factors

IT & Telecoms factors	Highly Unimportant	Unimportant	Neutral	Important	Highly Important	Rating Average
Sufficient power supply for IT equipment	0	0	1	4	9	4.57
Proximity to internal server	0	0	2	6	6	4.29
Proximity to external server	1	0	3	4	6	4.00
Cabling accommodation	0	0	3	5	6	4.21
<b>answered question</b>						<b>14</b>
<b>skipped question</b>						<b>10</b>

Table 4.16: Important IT & telecommunication factors

There were thirteen sub-attributes directly related to the cost of moving or the cost of occupying that the respondents also had to rate. The five highest ranked were building levies (4.23), lease negotiation/ legal costs (4.21), rates & taxes (4.14) and equally rated fit-out costs (4.07) and IT relocation costs (4.07). The four lowest rated factors were new stationery costs due to new contact details (3.54), the initial rent deposit (3.71), temporary storage costs (3.71) and new furniture costs (3.79).



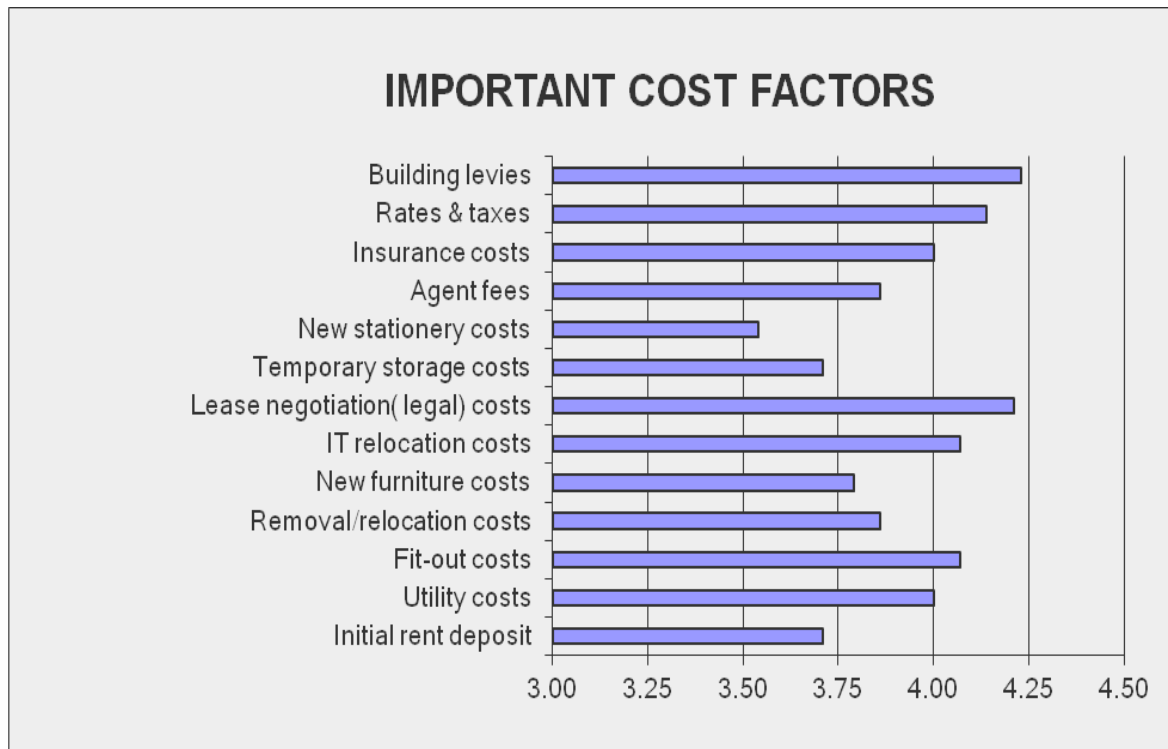


Figure 4.7: Important cost factors

Cost factors	Highly Unimportant	Unimportant	Neutral	Important	Highly Important	Rating Average
Initial rent deposit	1	1	3	5	4	3.71
Utility costs	0	1	4	3	6	4.00
Fit-out costs	0	1	3	4	6	4.07
Removal/relocation costs	0	2	3	4	5	3.86
New furniture costs	1	1	3	4	5	3.79
IT relocation costs	0	1	2	6	5	4.07
Lease negotiation( legal) costs	0	0	4	3	7	4.21
Temporary storage costs	1	1	4	3	5	3.71
New stationery costs (due to new contact details)	0	2	6	1	4	3.54
Agent fees	0	0	6	4	4	3.86
Insurance costs	0	0	4	6	4	4.00
Rates & taxes	0	0	4	4	6	4.14
Building levies	0	0	3	4	6	4.23
<b>answered question</b>						<b>14</b>
<b>skipped question</b>						<b>10</b>

Table 4.17: Important cost factors

Out of the five lease terms attributes that respondents were required to rank, the top ranked was the lease length and the lowest ranked was the dilapidation costs.

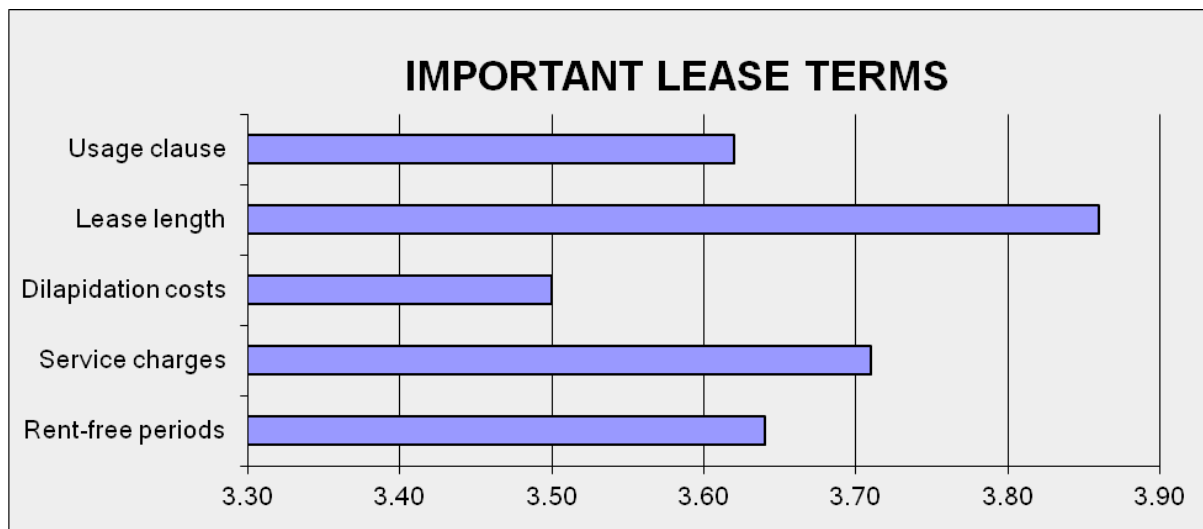


Figure 4.8: Important lease term factors

Lease Terms	Highly Unimportant	Unimportant	Neutral	Important	Highly Important	Rating Average
Rent-free periods	0	3	3	4	4	3.64
Service charges	0	3	2	5	4	3.71
Dilapidation costs	0	3	4	4	3	3.50
Lease length	0	2	2	6	4	3.86
Usage clause	0	2	4	4	3	3.62
<b><i>answered question</i></b>						<b>14</b>
<b><i>skipped question</i></b>						<b>10</b>

Table 4.18: Important lease term factors

## CHAPTER 5: ANALYSIS AND FINDINGS

### 1. The Respondents

The respondents were almost evenly spread across fourteen sectors found in the twelve areas within Sandton. This wide variance enabled an attempt to understand the apparent dissimilarities in responses, because the heterogeneity of organisations meant that their real estate requirements are likely to vary (Sing et al, 2006) due to differing work methods, differing sector and economic climates, differing financial standing, differing levels of maturity and differing market positions (Luoma et al, 2010). The sample for this research then enabled us to do a relatively balanced exploration of different uses of corporate real estate.

Respondents' Sectors	
Oil and Gas	5.0%
Diversified Industrials	5.0%
Electronic and Electrical Equipment	5.0%
Electricity	5.0%
Utilities Other	5.0%
Banks	5.0%
Investment Companies	10.0%
Real Estate	10.0%
Speciality and Other Finance	10.0%
Investment Entities	5.0%
Information Technology Hardware	10.0%
Software and Computer Services	20.0%
Support Services	10.0%
Media and Entertainment	5.0%

Table 5.1: Organisational Sectors

In this research it was believed that the level of authority of the decision-maker can be an indicator of the view or treatment of corporate real estate, by the organisation,

as either simply a factor of production or a strategic asset. It is believed that the higher up the corporate ranks the real estate decision-maker is, the more likely that corporate real estate is used more strategically. It may thus, be a very hopeful sign that most (46.2%) of the respondents appear to be at a senior/executive level in their organisations.

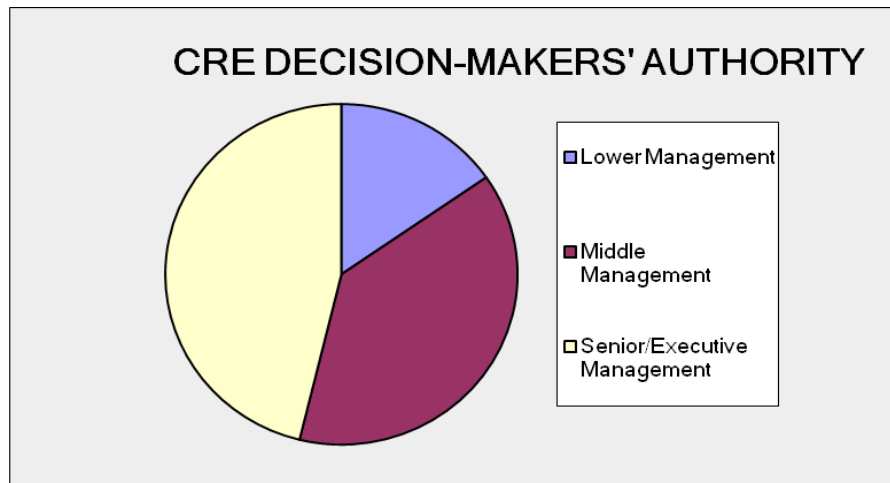


Figure 5.1: Authority levels of decision-maker

## 2. Attributes Affecting Office Property Selection

Respondents were first asked to order office attributes from the most important to the least important:

Categories of Office Attributes	Rating Average
The Landlord/Property Manager	6.23
The lease terms	5.85
IT & telecommunications	4.38
Environmental & sustainability	4.08
Costs	3.69
The office space	2.62
Location	1.15

Table 5.2: Categories of office attributes

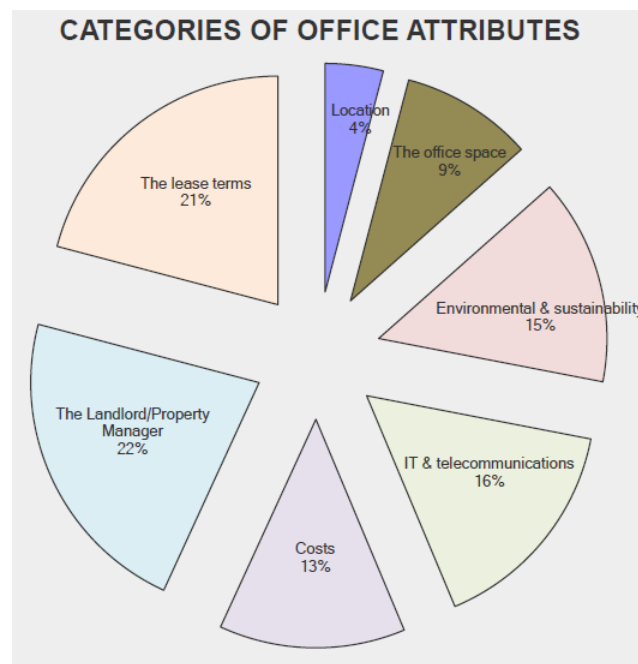


Figure 5.2: Categories of Office Attributes

Surprisingly, and contrary to Jackson & Orr's (2011) findings, the results show that location was rated by the respondents as the least important office property attribute and the landlord and/or property manager as the most important, with lease terms coming second. It is important to note that in this survey, the term "location" was used interchangeably to the term "locality" in order to aid the respondents' understanding of the question. It is not taken for granted that only those who are conversant with property literature may understand the difference between these two terms. As mentioned in the literature review, location refers to the wider geographical location, whilst locality refers only to the immediate geographical environment.

One could attempt explaining the low regard for location by reasoning that since most of the respondents are from the Software and Computer Services sector where the nature of the work is that the employees, more often than not, go out to meet with clients at the clients' offices and thus location is not a material factor. An additional reason could be that the major geographical decision has already been made by the organisation, in choosing to be in Sandton; thus beyond that the specific site within Sandton is not considered significant by the respondents.

The importance of the landlord/property manager and the lease terms can be analysed separately, and in relation to each other. The tenant organisations' relationship with the landlord or property manager becomes pivotal in the stability and success of the organisation. A good and reputable landlord or property manager may mean that the physical property is well taken care of and is accounted for, allowing the organisation to focus on its core business and provide its employees a conducive environment in which to operate. Furthermore, one of the ways a reputable landlord/property manager prioritises tenant retention is to ensure that the tenant believes the lease terms to be equitable for their organisation; such as ones that allow some degree of flexibility, reciprocity of responsibility and landlord accountability for office maintenance.

Respondents were asked to rate eighteen Location sub-attributes that were most important to them, and the top five rated were:

Location Sub-Attributes	Rating Average
Security in Sandton	4.27
Image/reputation of Sandton	4.07
Quality of the neighbours	3.93
Proximity to clients	3.93
Accessibility to administrative services& local amenities such as banks, shopping malls, pharmacies and post offices	3.87

Table 5.3: Location sub-attributes

It appears that the high regard for the security as a benefit of being located in Sandton is very typical of South Africa – especially Johannesburg, with its notoriously high crime rates. In a highly active economic hub such as Sandton, organisations need to not only ensure the safety of their movable and immovable assets, but also their employees. Security may also play a role in the image and reputation of an area, as it determines the longevity of the area. Sandton’s image is that of an upper-middle class to first class area, which attracts businesses and people of the same calibre – the neighbours. Due to the density of various types of organisations in Sandton, many complementary organisations are in close proximity to each other – providing close and easy access to client organisations. Sandton is also convenient for its residents because it provides easy accessibility to banks, shopping malls, pharmacies and post offices. This makes it very attractive to organisations because it allows employees to perform these tasks within a short radius. This means that less time is spent commuting between the office and these facilities, enabling more productivity.

The least important attribute was “Accessibility to places of entertainment”, which scored a rating of 2.60. Respondents were also asked to rate twenty-seven Space sub-attributes that were most important to them, and the top seven rated were:

<b>Space Sub-Attributes</b>	<b>Rating Average</b>
Reliable generator/electricity back-up system in the building	4.60
Adequate parking	4.47
Building security	4.40
Reliable services (HVAC, Waste Disposal, etc)	4.33
24 hour accessibility (in case of over-time work)	4.20
Space for growth & expansion	4.20
Adequate storage space within building	4.20

Table 5.4: Space sub-attributes

“24 hour accessibility (in case of over-time work)”, “Space for growth & expansion” and “Adequate storage space within building” were tied for fifth place. The least important attribute was “Creche facilities in the building” scoring a 2.67 rating.

Respondents were then asked to rate seven Environment sub-attributes that were most important to them, and the top rated was “Air conditioning” at 4.43, whilst the least important was “Thermal testing facilities” at 3.38.

When asked about the importance of four IT and Telecoms sub-attributes, the highest rated was “Sufficient power supply for IT equipment” and the least rated was “Proximity to external server”. However, the four sub-attributes were rated quite closely to each other with all of them getting a rating of at least 4.00.



Respondents were also asked to rate thirteen Cost sub-attributes that were most important to them, and the top five rated were:

<b>Cost Sub-Attributes</b>	<b>Rating Average</b>
Building levies	4.23
Lease negotiation( legal) costs	4.21
Rates & taxes	4.14
Fit-out costs	4.07
IT relocation costs	4.07

Table 5.5: Cost sub-attributes

The least important factor was “New stationery costs (due to new contact details)” at 3.54. This is not too surprising as most organisations contain their contact details on their websites, which can be easily amended when the need arises.

Lastly, of the attribute ratings questions, the respondents were asked to rate five Lease Term sub-attributes. They rated the most important as “Lease length” and the least important as “Dilapidation costs”, at 3.86 and 3.50, respectively.

### ***3. Current Corporate Real Estate Views and Practices***

Existing literature has stated that corporate real estate was seen as a reactive and secondary utility within business organisations (Apgar, 2009) and this seems to still remain true, as indicated by 71.4% of respondents believing that the role of corporate real estate is a place to work/conduct business and not so much a marketing tool and/or a financial asset leads the researcher to believe that corporate real estate is still not fully appreciated as the strategic asset that it has the potential to be. This seems to be in agreement with the findings of Ali et al (2008) that corporate real estate is similar to other business functions with a primary purpose to support the organisation’s operation.

Role of Corporate Real Estate in Organisation	Respondents
A place to work/conduct business	71.4%
A marketing/branding/image tool	14.3%
A financial asset	14.3%

Table 5.6: CRE role in organisations

When asked to rate, on a scale of one to seven, which is the most important role of office space between: competitive advantage of core competency, creating and retaining customers, attracting and retaining outstanding people, contributing to effective business processes to optimise productivity, promoting the enterprise's values and culture, stimulating innovation and learning, and enhancing stakeholder wealth most respondents rated enhancing stakeholder wealth the highest.

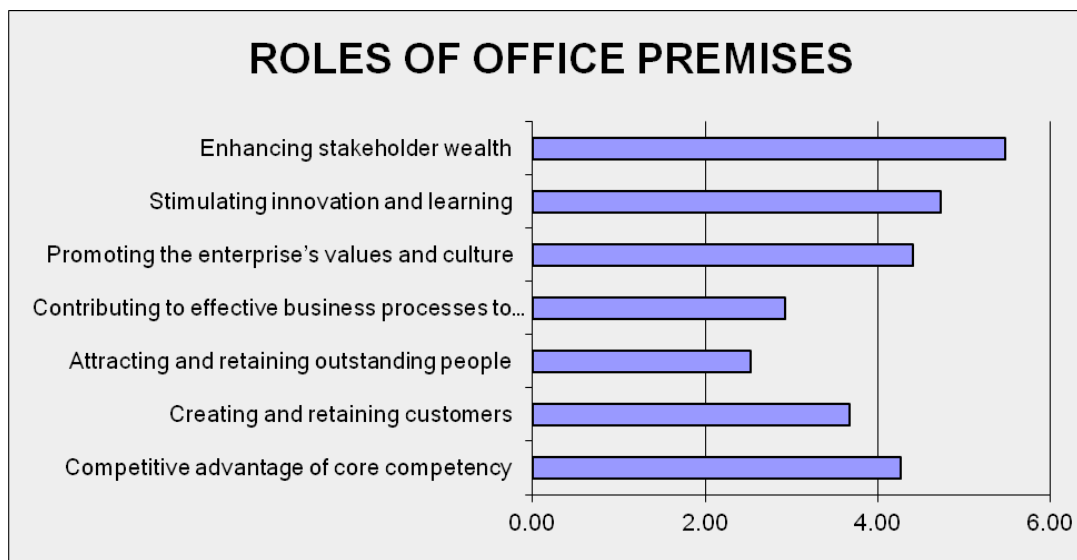


Figure 5.3: Roles of CRE

<b>Office Premises' Value</b>	<b>Rating Average</b>
Enhancing stakeholder wealth	5.47
Stimulating innovation and learning	4.73
Promoting the enterprise's values and culture	4.40
Competitive advantage of core competency	4.27
Creating and retaining customers	3.67
Contributing to effective business processes to optimise productivity	2.93
Attracting and retaining outstanding people	2.53

Table 5.7: Office premises' value in organisations

These results are in agreement with Anderson (1993), who stated that due to office space being the primary influence of a company's occupancy costs, its inefficiencies have a great impact on shareholder wealth. One would have to explore the link between the two further, as if former were the case, it would have made more sense for the results of the questionnaire to show that the respondents considered the main role of real estate as a marketing and/or financial asset that makes the organisation more competitive. Alternatively, rating the real estate function of contributing to effective business processes to optimise productivity as the most important function of office space would better support the respondents' view that corporate real estate's main role is that of a structure within which work is done. However, it would not be unreasonable to deduce, from the aforementioned, that the respondents believe that ultimately stakeholder wealth is enhanced by making the office space an environment that is conducive to productivity. What should be a cause for concern is what appears to be the indication that the role of corporate real estate to create and retain customers seems to still not be well recognised.

66.7% of the respondents stated that property is 10% or less of their overall organisations' assets. Most of the respondents' organisations (50%) lease the properties under their control whilst 33.3% owned their property, and 16.7% both owned and leased some of their property.

As previously stated, some of those whose organisations had formal business strategies, also had one that included or mentioned a property strategy. It then logically follows that if most organisations do not have a property strategy, then they are unlikely to have a formalised real estate unit – the results attest to this with a 75% of those who responded stating that their organisations indeed do not have a real estate unit. It appears that for those who chose to respond to the question about how real estate is treated in organisation, 50 % stated that corporate real estate was treated as a profit center and the other 50% stated that their organisations treated it as an investment center. It must, however, be noted that only 8% of the total respondents actually answered this question.

According to 55.6% and 33.3% of the respondents, respectively, the final decision pertaining to real estate lies with the Chief Executive Officer and the Chief Financial Officer.

#### ***4. Conclusions***

As previously stated, the purpose of this study was to explore the Sandton office market, through its occupants, in order to ascertain which factors they [the selectors/decision-makers] considered when making an office selection decision. It assists in determining the direction further research into the South African corporate real estate market should take, by gathering preliminary information about the preferences of Sandton corporate real estate occupiers.

This exploratory research has found that organisations consider the reputation of the landlord/property manager the most important factor when deciding on its office space. A striking discovery was that 'location' – used interchangeably with 'locality', in terms of the specific parcel of land, did not rate highly as a factor for decision-making amongst the respondents. In fact, it was the least rated attribute when the participants had to rate several corporate real estate factors. This could imply that, beyond selecting the general geographical area within which to be located – in this

case Sandton, the organisations did not consider the exact locality to be as significant.

The results of the study instead imply that the landlord/property manager and the lease terms are a significantly more important factor in selecting office property. A further implication of this is that organisations are more cognisant of the reputation of the landlord and are more discerning of the terms of their leasing contracts. This realisation can assist property practitioners in prioritising their tenant relationships and ensuring the tenants believe that there is an opportunity for fair lease negotiations and therefore fair lease terms. Knowing this allows property practitioners to improve tenant retention rates – giving them return business and low risks due to secure rental income.

Unfortunately the responses could not be categorised according to sub-area and/or sector, thus it is difficult to analyse the heterogeneous needs per sector or sub-area. There would need to be further research in order to make a determination on the effects of those corporate attributes.

## **5. Recommendations**

### **5.1. Increased Scope**

It is recommended that the research sample is expanded to include other areas of the greater Johannesburg area. The next phase can extend the exploratory research to Inner City Johannesburg, as it is one of the denser office nodes. This will allow the researcher to get a broader view of the important and preferred corporate real estate attributes that are considered by corporate decision-makers. Thereafter, the research can be extended to Pretoria/Tshwane office nodes for a greater view of the attributes that affect office selection in the central economical Gauteng Province.

## **5.2. Analytical Options**

Lizieri (2003) stated that research in real estate is hampered by the lack of reliable and accessible data due to lack of attention to theory and methodology. He thus suggested that a more rigorous research approach is to be applied, in order for the dynamics of corporate real estate to be fully understood. Pursuant to that, this research reiterates Lizieri's sentiments of the need for better research methodology and suggests the use of conjoint analysis as an approach, specifically, to ascertain corporate real estate preferences in a manner that allows that results to be reliably inferred to a population. Jackson & Orr (2011) used conjoint analysis as their survey method of data collection and analysis. Similarly, further and more extensive research should utilise a method called self-explicated conjoint analysis. The conjoint analysis research method is traditionally used to study the factors that influence consumers' purchasing decision (Kuhfeld, 2010). Hair et al (1998) define conjoint analysis as "a multivariate technique used specifically to understand how respondents develop preferences for products or services. It is based on the simple premise that consumers evaluate the value of a product or service by combining the separate amounts of value provided by each attribute". In layman's terms, conjoint analysis identifies the attributes important in a choice decision, identifies the way the attributes are combined to make the decision, and determines the utility value to each of the levels of each of the attributes considered in the decision ([www.qualtrics.com](http://www.qualtrics.com), 2011).

North & de Vos (2002) confirm that conjoint analysis has been utilised by researchers for many years in the United States of America and in Europe; however until recently it has not been given much attention in South Africa. In attempting to encourage the use of conjoint analysis locally, North & de Vos (2002) assert that researchers could gain a better understanding of the real value consumers attach to certain attributes when making decisions. According to Schutte (1999), conjoint analysis can assist industry researchers in understanding market preferences, predicting market choices, developing market strategies and market segmentation. Therefore, this method of research and analysis will not only enable the researcher to be better able to assert and infer the most important corporate real estate

attributes from a sample to the population, but it will also pioneer conjoint analysis research in South Africa and in the South African property market.

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# APPENDICES

## ***Appendix A: The Questionnaire***



School of Construction Economics and Management

1 Jan Smuts Avenue

Johannesburg

### **SURVEY ON FACTORS INFLUENCING OFFICE SELECTION AMONGST COMPANIES IN SANDTON**

*Dear Sir/Madam*

*This survey is designed to collect information on the office selection criteria and corporate real estate practices of organisations in the Sandton area. The results will be used to improve corporate real estate managers' and consultants' understanding of the factors they should consider in the selection of office real estate. For you as an organisation, the results of the study will help you benchmark your selection criteria and other corporate real estate practices against those of other firms in the Sandton area.*

*This research will adhere to the framework and policies of the Research Ethics Committee of the University of the Witwatersrand. 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 your consent. By participating in this survey, you express your consent for us to use the data for research as stated. 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.*

*We truly appreciate the time you are taking from your busy schedule to help us improve our curriculum.*

*Qhama Didiza*

*Dr. Samuel Azasu*



## **BACKGROUND**

### **Q1**

Are your offices located in the greater Sandton area?

	<b>Tick (✓)</b>
Yes	
No	

### **Q2**

In which of the below suburbs within the greater Sandton area are your offices located?

Suburb	Tick (✓)	Suburb	Tick (✓)	Suburb	Tick (✓)
Airdlin		Fourways		Morningside	
Atholl		Gallo Manor		Morningside Manor	
Atholhurst		Glenadrienne		New Brighton	
Athol Gardens		Glen Atholl		Norscot	
Barlow Park		Gleniffer		Northern Acres	
Benmore Gardens		Glen Nerine		Ornihavon	
Beverley		Hurlingham		Palmlands	
Blandford Ridge		Hurlingham Gardens		Parkmore	
Blue Haven		Hurl Park		Paulshof	
Bramley North		Hyde Park		Petervale	
Bramley Park		Illovo		Pineslopes	
Brecknock		Inanda		Raumaris Park	
Brendavere		Kelvin		River Club	
Bryanston		Kelvin View		Rivonia	
Buccleuh		Khyber Rock		Riepen Park	
Chislehurst		Klevehill Park		Roospark	
Clynton		Kramerville		Salfred	

Country Life Park		Leaholm		Sandhurst	
Cowdry Park		Linbro Park		Sandown	
Cramerview		Little Fillan		Simba	
Craighavon		Lone Hill		Solridge	
Dalecross		Lyme Park		Stravathon	
Dennehof		Magaliessig		Sunninghill Park	
Douglasdale		Magaliesview		Sunset Acres	
Dunkeld West		Marise		Wendywood	
Duxberry		Marlboro		Wesco Park	
Eastgate		Merrowdown		Wierda Valley	
Edenburg		Mill Hill		Willowild	
Elton Hill		Modderfontein		Woodmead	
Epsom Downs		Moodie Hill		Wynberg	

**Q3**

What is your organisation's main line(s) of business?

Industry Sector	Tick (✓)	Industry Sector	Tick (✓)
Mining		Telecommunication Services	
Oil and Gas		Electricity	
Chemicals		Utilities Other	
Construction and Building Materials		Banks	
Forestry and Paper		Insurance	
Steel and Other Metals		Life Assurance	
Aerospace and Defence		Investment Companies	
Diversified Industrials		Real Estate	
Electronic and Electrical Equipment		Speciality and Other Finance	
Engineering and Machinery		Investment Entities	
Automobiles and Parts		Information Technology Hardware	
Household Goods and Textiles		Software and Computer Services	
Beverages		Unit Trust	
Food Producers and Processors		Support Services	
Health		Transport	
Personal Care and Household Products		Food and Drug Retailers	
Pharmaceuticals and Biotechnology		Leisure and Hotels	
Tobacco		Media and Entertainment	
General Retailers			

**Q4**

How long has your organisation been in existence?

Years	Tick (✓)
< 5	
6 - 10	
10 - 15	
16 - 20	
21 - 25	
> 25	

**Q5**

Does the company own or partially own any subsidiaries or other companies?

	Tick (✓)
Yes	
No	

**Q6**

Is the company owned or partially owned by other companies?

	Tick (✓)
Yes	
No	

**Q7**

How many people does your company employ (company size)?

No. of Employees	Tick (✓)
< 10	
11 - 50	
51 - 100	
101 - 200	
201 - 500	
> 500	

## **ROLE OF CORPORATE REAL ESTATE**

### **Q8**

What role does property mostly play in your organisation?

	Tick (✓)
A place to work/conduct business	
A marketing/branding/image tool	
A financial asset	

### **Q9**

Please indicate the importance of each of the following office premises' roles

	Not important		Neutral	Very Important	
<i>Competitive advantage of core competency</i>	1	2	3	4	5
<i>Creating and retaining customers</i>	1	2	3	4	5
<i>Attracting and retaining outstanding people</i>	1	2	3	4	5
<i>Contributing to effective business processes to optimise productivity</i>	1	2	3	4	5
<i>Promoting the enterprise's values and culture</i>	1	2	3	4	5
<i>Stimulating innovation and learning</i>	1	2	3	4	5
<i>Enhancing stakeholder wealth</i>	1	2	3	4	5

### **Q10**

How important are the following categories of factors in your decision to locate your office in Sandton?

	Not important		Neutral	Very Important	
<i>Location</i>	1	2	3	4	5
<i>The office space</i>	1	2	3	4	5
<i>Environmental &amp; sustainability</i>	1	2	3	4	5
<i>IT &amp; telecommunications</i>	1	2	3	4	5
<i>Costs</i>	1	2	3	4	5
<i>The Landlord/Property Manager</i>	1	2	3	4	5
<i>The lease terms</i>	1	2	3	4	5

**Q11**

How important are the following *Location* factors in your decision to have your office in Sandton?

	Not important		Neutral	Very Important	
<i>Gautrain availability/accessibility</i>	1	2	3	4	5
<i>Other public transport availability/accessibility</i>	1	2	3	4	5
<i>Airport access</i>	1	2	3	4	5
<i>Road works/Major closures</i>	1	2	3	4	5
<i>Length &amp; quality of daily commute</i>	1	2	3	4	5
<i>Traffic patterns</i>	1	2	3	4	5
<i>Image/reputation of Sandton</i>	1	2	3	4	5
<i>Quality of the neighbours</i>	1	2	3	4	5
<i>Security in Sandton</i>	1	2	3	4	5
<i>Proximity to competitors</i>	1	2	3	4	5
<i>Proximity to supporting industries</i>	1	2	3	4	5
<i>Proximity to clients</i>	1	2	3	4	5
<i>Proximity to emergency services</i>	1	2	3	4	5
<i>Proximity to hotels &amp; other accommodation</i>	1	2	3	4	5
<i>Local labour market accessibility/availability</i>	1	2	3	4	5
<i>Accessibility to administrative services&amp; local amenities such as banks, shopping malls, pharmacies and post offices.</i>	1	2	3	4	5
<i>Accessibility to places of entertainment</i>	1	2	3	4	5
<i>Architecture</i>	1	2	3	4	5

## Q12

How important are the following *Space* factors in your decision to have your office in Sandton?

	Not important		Neutral	Very Important	
<i>24 hour accessibility (in case of over-time work)</i>	1	2	3	4	5
<i>Age of building</i>	1	2	3	4	5
<i>Reputation of Building/Property Manager</i>	1	2	3	4	5
<i>Compliance with building regulations</i>	1	2	3	4	5
<i>Building security</i>	1	2	3	4	5
<i>Canteens &amp; pause areas in the building</i>	1	2	3	4	5
<i>Shower Facilities in the Building</i>	1	2	3	4	5
<i>Gym facilities in the building</i>	1	2	3	4	5
<i>Creche facilities in the building</i>	1	2	3	4	5
<i>Disabled access</i>	1	2	3	4	5
<i>Reliable generator/electricity back-up system in the building</i>	1	2	3	4	5
<i>Adequate fire plan/fire exits in the building</i>	1	2	3	4	5
<i>Space for growth &amp; expansion</i>	1	2	3	4	5
<i>Landlord plans for building refurbishment</i>	1	2	3	4	5
<i>Listed building</i>	1	2	3	4	5
<i>Adequate &amp; reliable Elevators &amp;/or escalators within building</i>	1	2	3	4	5
<i>Exposure to external noise</i>	1	2	3	4	5
<i>Internal acoustics</i>	1	2	3	4	5
<i>Size of the floor plate</i>	1	2	3	4	5
<i>Shape of the floor plate (irregular shape making building difficult to fit out)</i>	1	2	3	4	5
<i>Outward views from inside the building</i>	1	2	3	4	5
<i>Adequate parking</i>	1	2	3	4	5
<i>Space for ground floor reception area</i>	1	2	3	4	5
<i>Reliable services (HVAC, Waste Disposal, etc)</i>	1	2	3	4	5
<i>Adequate storage space within building</i>	1	2	3	4	5
<i>Flexibility (hot-desking)</i>	1	2	3	4	5
<i>Decorative finishes (quality and presentation)</i>	1	2	3	4	5

**Q13**

How important are the following *Environmental* factors in your decision to have your office in Sandton?

	Not important		Neutral	Very Important	
<i>Energy efficiency</i>	1	2	3	4	5
<i>Air conditioning</i>	1	2	3	4	5
<i>Double-glazed windows/cladding</i>	1	2	3	4	5
<i>Accessible electricity meters</i>	1	2	3	4	5
<i>Accessible water meters</i>	1	2	3	4	5
<i>Natural light</i>	1	2	3	4	5
<i>Thermal testing facilities</i>	1	2	3	4	5

**Q14**

How important are the following *IT & Telecoms* factors in your decision to have your office in Sandton?

	Not important		Neutral	Very Important	
<i>Sufficient power supply for IT equipment</i>	1	2	3	4	5
<i>Proximity to internal server</i>	1	2	3	4	5
<i>Proximity to external server</i>	1	2	3	4	5
<i>Cabling accommodation</i>	1	2	3	4	5



**Q15**

How important are the following *Cost* factors in your decision to have your office in Sandton?

	Not important		Neutral	Very Important	
<i>Initial rent deposit</i>	1	2	3	4	5
<i>Utility costs</i>	1	2	3	4	5
<i>Fit-out costs</i>	1	2	3	4	5
<i>Removal/relocation costs</i>	1	2	3	4	5
<i>New furniture costs</i>	1	2	3	4	5
<i>IT relocation costs</i>	1	2	3	4	5
<i>Lease negotiation( legal) costs</i>	1	2	3	4	5
<i>Temporary storage costs</i>	1	2	3	4	5
<i>New stationery costs (due to new contact details)</i>	1	2	3	4	5
<i>Agent fees</i>	1	2	3	4	5
<i>Insurance costs</i>	1	2	3	4	5
<i>Rates &amp; taxes</i>	1	2	3	4	5
<i>Building levies</i>	1	2	3	4	5

**Q16**

How important are the following *Lease Terms* in your decision to have your office in Sandton?

	Not important		Neutral	Very Important	
<i>Rent-free periods</i>	1	2	3	4	5
<i>Service charges</i>	1	2	3	4	5
<i>Dilapidation costs</i>	1	2	3	4	5
<i>Lease length</i>	1	2	3	4	5
<i>Usage clause</i>	1	2	3	4	5

## **STRUCTURE OF CORPORATE REAL ESTATE**

### **Q17**

What percentage of your total company assets is comprised of property?

%	Tick (✓)
0 – 10	
11 – 20	
21 – 30	
31 – 40	
41 – 50	
51 – 60	
61 – 70	
71 – 80	
81 – 90	
91 – 100	

### **Q18**

The real estate that is controlled by your organisation is:

	Tick (✓)
Owned by the company	
Leased by the company	
Both (some owned & some leased)	

### **Q19**

If your answer to Q18 above is “Both”, what percentage is leased and what percentage is owned?

	%
Owned	
Leased	

**Q20**

Does your company have a formalised/official Business Strategy?

	Tick (✓)
Yes	
No	

**Q21**

If your answer to Q20 above is “Yes”, does your company’s Business Strategy talk about Property or include a Property Strategy?

	Tick (✓)
Yes	
No	

**ORGANISATIONAL STRUCTURE****Q22**

What is your job title?

Answer: \_\_\_\_\_

**Q23**

How long have you occupied this position?

Years	Tick (✓)
< 5	
6 - 10	
11 - 20	
21- 25	
> 25	

**Q24**

In what department/business unit is your job positioned?

Answer: \_\_\_\_\_

**Q25**

Where, in the organisational structure, is your job title positioned?

	Tick (✓)
Lower Management	
Middle Management	
Senior/Executive Management	

**Q26**

Does your company have a formally organised real estate unit?

	Tick (✓)
Yes	
No	

**Q27**

If your answer to Q26 above is “Yes”, how long has this [real estate] unit been in existence?

Years	Tick (✓)
< 5	
6 - 10	
11 - 15	
16 - 20	
21 - 25	
> 25	

**Q28**

If your answer to Q26 above is “Yes”, the unit is now a:

	Tick (✓)
Department within the company	
Subsidiary of the company	

**Q29**

If your answer to Q28 above is “Department of the company” on what basis does your company organise its real estate activities?

	Tick (✓)
Cost Centre	
Profit Centre	
Revenue Centre	
Investment Centre	

**Q30**

If your answer to Q26 above is “Yes”, what is the title of the real estate unit head?

Answer: \_\_\_\_\_

**Q31**

The real estate unit reports to the company through: (please tick)

	Tick (✓)
Director of Real Estate	
Executive of Real Estate	
Director of Marketing	
Director of Operations	
Chief Executive Office	
Chief Financial Officer	
Other Specify:	

**Q32**

Final decisions on real estate financing are made by the company's

	Tick (✓)
Director of Real Estate	
Executive of Real Estate	
Director of Marketing	
Director of Operations	
Chief Executive Office	
Chief Financial Officer	
Other Specify:	

**Q33**

How often does the CEO participate in corporate real estate decisions?

	Tick (✓)
Often	
Sometimes	
Seldom	
Never	

**Q34**

Do you have any qualifications in Corporate Real Estate or Property (including any short courses)?

	Tick (✓)
Yes	
No	

*END OF QUESTIONNAIRE – THANKS FOR YOUR PARTICIPATION!*