

The Role of Accommodation in Office Organization Locations: Consequences for Location Theory

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Abstract Location factors are crucial in understanding the spatial distribution of economic activities and the selection of locations by companies. Essentially, location factors represent the spatial manifestation of the production factors a company needs. One such factor, accommodation, has often been overlooked, despite its significant relevance to location choice. The type and size of premises can impact a company's productivity. Therefore, accommodation should be viewed as a cost item that varies by location. This article examines the role of accommodation in the search for a new office location. Our findings indicate that it plays a crucial role in this decision-making process, especially for companies looking to rent office space. This has implications for location theory, which typically assumes that companies will construct their own buildings. However, firms seeking rental office space are dependent on the available supply in the real estate market. We conclude that location theory does not adequately address the search for office space through the rental market or the issue of supply and demand mismatches.

Index Terms location theory, office organization, accommodation, workplace location, spatial planning

I. Introduction

Research into the geographical distribution of companies and their business location choices has primarily concentrated on understanding the factors and motivations that explain why firms are situated in specific places. Essentially, this research has been focused on identifying location factors, which are defined as "any variable significant in determining the choice of location for an activity" [1]. Historically, theories on location have emphasized the desired functional and spatial characteristics of a place and land prices. Functional characteristics refer to aspects such as proximity to production resources or markets, while spatial characteristics might include the image or reputation of a location. These factors can be seen as the spatial reflections of the production needs for goods or services.

However, accommodation is often overlooked as a primary location factor, with its costs usually folded into land prices. Commercial accommodation receives little attention in traditional location theory. Despite this, businesses require physical space not only for protection from the elements but also for various operational purposes. Author [2] distinguished between internal and external commercial activities. Internal activities depend on the building's interior, while external activities rely on the building's location relative to its surroundings. External activities impose conditions on location related to customers and suppliers, similar to location factors, while internal activities demand specific building attributes like workspace dimensions, floor load capacity, heating, and communication infrastructure.

It took this further by linking the way companies are housed to their economic performance, particularly highlighting the problems caused by mismatches between a building's original design and its current use. They pointed out that Britain's inadequate factory stock negatively affected industrial growth, efficiency, and the geographical distribution of businesses and employment.

The link between economic performance and a company's physical location should encourage economic geographers to rethink their approach. Most literature addresses this issue by focusing on the limitations in the supply of commercial real estate, leading to mismatches between supply and demand [3]. In a broader context, this problem has been discussed extensively in studies on the functioning of urban real estate markets [4]. Much of this research focuses on the office sector, where developers and investors have a significant influence, more so than in the market for industrial buildings. These studies imply that accommodation is crucial for companies and that the supply of potential premises impacts the spatial distribution of businesses. However, they do not clearly connect this to location theory, leaving it uncertain how much accommodation needs influence individual companies' location choices.

Recognizing the role of commercial accommodation in location decisions is essential for policy-making. Author highlighted the importance of the real estate market in urban competitiveness, noting that cities can attract businesses by providing adequate

accommodation options. National and local government initiatives often aim to make inner cities attractive to businesses, frequently through property-led urban regeneration strategies, particularly in Great Britain. This approach addresses the barriers to creating quality business premises. Despite this, suitable premises are often scarce in inner-city areas due to supply-side constraints, reinforcing the importance of accommodation in business location choices [5].

II. The Importance of Accommodation for Businesses

An office building provides the essential physical environment to conduct business activities without exposure to the elements. However, the quality and suitability of this accommodation significantly affect employee productivity and job satisfaction. When chosen thoughtfully, accommodation can optimally support business operations.

A. Facility Management (FM)

Facility Management (FM) is the field dedicated to this aspect. Originating in the USA, FM encompasses all activities and facilities that support a company's primary production process. This includes a wide range of services, from office supply delivery to building maintenance and production. In countries like Great Britain, FM tends to focus more narrowly on building-related aspects.

From an FM perspective, business accommodation should contribute to achieving organizational goals effectively, efficiently, and creatively, especially in a dynamic business environment [6]. The challenge lies in bridging the gap between the static nature of buildings and the dynamic needs of businesses, which must adapt to technological advancements and market changes. This means that not only the amount of office space but also its layout and equipment may need regular updates. Different types of office work require diverse and evolving spatial arrangements, with trends in office design moving from cellular to open-plan and, more recently, to combination offices.

B. Flexibility and Office Technology

The emphasis in the 2020s has been on designing flexible office spaces to counter the static nature of buildings. For example, standardizing window sizes and building depths allows for easier modifications. The advancement of information technology has revolutionized office design, necessitating special arrangements for telecommunications equipment and considerations for indoor temperature, humidity, and lighting to accommodate the increasing number of personal computers.

However, there are limits to how much a building can be modified during its technical lifespan. The functional demands may become too costly or impractical to meet, resulting in a building's functional lifespan being shorter than its technical lifespan. This discrepancy can lead to businesses operating in premises that no longer meet their needs, ultimately hindering operations and reducing profitability. This issue affects not only office-based businesses but also manufacturing firms [7].

C. Legal Requirements and Costs

Building users are not the only ones with demands; legal requirements also play a significant role. In the Netherlands, for example, the Building Decree and the Working Conditions Act dictate specific building standards. Land-use plans further influence building design, including regulations on façade alignment, structure height, and buildable area percentages. These regulations can restrict the ability to construct or remodel buildings in certain ways.

Accommodation, like any production factor, comes with a cost. This cost is influenced by the quality and quantity of the premises and the form of tenure—renting, leasing, or owning. Each tenure form has its own financial, legal, and fiscal benefits and drawbacks. Renting offers flexibility by not tying up a company's assets, allowing for space adjustments as needed, and transferring the risk of obsolescence to the owner. However, owning property can be less expensive in the long run due to benefits from real estate appreciation, investment subsidies, and tax advantages. Ownership also provides better control over meeting accommodation needs. Leasing combines aspects of both renting and owning, offering a balance of benefits depending on the contract terms.

III. Accommodation as a Locational Determinant

The concept of "locational determinant" originates from 2019's. A locational determinant is a situational attribute that offers a company a spatial cost benefit, focusing on transportation, labor, and agglomeration expenses. In Weber's framework, business accommodation was not considered. Traditional production factors—resources, workforce, and land—did not categorize accommodation separately. Similarly, other classical location theorists did not view business accommodation as a distinct determinant, often grouping it under "land" along with structures, residences, mines, and forests.

However, the notion that locational choices are solely driven by spatial cost benefits has been increasingly challenged. A founding figure in behavioral geography, highlighted the importance of institutional and individual motivations in location selection. The major contribution of behavioral geography to location theory was recognizing that location decisions are based on subjective rather than objective information, leading to skepticism about a singular optimal location [8].

Introduced a marginal approach, suggesting that while an optimal location might exist, it is surrounded by other viable sites, creating a margin within which locational choices are reasonable. Author referred to this as a company's locational tolerance zone, including many suboptimal sites chosen due to difficulty in identifying the optimal location or its constant shift.

Despite these theoretical developments, business accommodation has not been explicitly acknowledged as a locational determinant. It is often assumed that accommodation seamlessly aligns with a company's operations or has minimal impact on financial outcomes. This omission appears justifiable from a spatial perspective if accommodation lacks locational implications. However, is this truly the case? Can spatial cost benefits be attained through accommodation choices?

Evidence suggests that accommodation does impact locational choices. Author argued that companies must balance demands from internal and external activities when selecting a location, involving a trade-off between accommodation-related factors and traditional locational determinants. Author noted that organizations, particularly those with offices, are increasingly discerning about their accommodation. For instance, in London, many firms prefer high-quality buildings on the city's periphery over lower-quality accommodations within it [9].

Several scholars, have emphasized the significance of business accommodation, especially for offices. They often focus on how accommodation needs evolve with a company's growth. A cycle where companies begin in small inner-city spaces and move to purpose-built accommodations as they expand. Noted that companies often consolidate their dispersed activities into a single facility over time [5]–[9].

Why does location theory give so little attention to accommodation despite its practical importance? While the theory considers the site on which buildings stand, it often overlooks accommodation itself. This focus on land transactions reflects the perspective of owner-builders, which was appropriate in Weber's time. However, in the 2019s, a significant portion of business accommodation is constructed by developers and investors, not by the users. Companies increasingly rent or lease office space from these suppliers, particularly for offices and retail spaces.

Unlike owner-builders, renters have limited influence over building design. Commercial property suppliers consider general demand trends but prioritize their investment returns [10]. This restricts renters' ability to specify building design and location preferences. As a result, renters are not making separate location decisions; instead, they are choosing from available options on the real estate market.

IV. Accommodation and Location During the Relocation Process

To explore the role of business accommodation in company relocations involving 40 organizations in the Netherlands. These companies had recently moved and the study focused on the decision-making processes that preceded their relocations. The research exclusively considered moves involving entire organizations or independent parts thereof, with a minimum of 500 square meters of floor space. The companies were all relocating within urban areas and sought similar types of accommodation—specifically, standalone office spaces without a public function. Government agencies were deliberately excluded from the study.

The majority of the respondents came from the service sector: 21 from banking, insurance, or business services, and 14 from other service industries. The remaining five included two trading companies, an installation company, an electrical power company, and a manufacturing firm. This distribution reflects the Dutch real estate market's office space usage.

With one exception, all relocations were within the urban area where the organizations were previously established. Most moves were driven by dissatisfaction with previous accommodations (63 percent). Although some firms considered moving out of the urban area, they ultimately decided against it due to potential impacts on personnel, such as increased commuting distances. The one company that moved a significant distance chose to establish an office in Rotterdam, influenced by market presence and the director's local contacts. However, finding a specific site took much longer.

To avoid methodological issues related to the lack of focus on accommodation in location theory, respondents were indirectly asked about their relocation motivations. They listed their demands regarding location and accommodation and described the overall search and decision process, including the criteria used. This approach not only revealed why a particular location was chosen but also provided insight into why other alternatives were rejected. Unlike most studies that only examine the factors influencing the final choice, this research considered the motives for both selection and rejection of alternatives [10], [11].

All criteria mentioned by respondents during the search and decision process were categorized under three headings: location factors, accommodation, and financial/contractual topics. Location factors included accessibility, proximity to clients and employees, neighborhood status, and parking availability. Financial and contractual criteria covered accommodation and land costs, rental or sales contract terms, contract length, office space acceptance conditions (e.g., furnished or not), options for additional space, rent-free periods, outdoor advertising possibilities, rent indexing, and more. These issues can significantly impact the effective rent level.

Accommodation criteria were further divided into three subcategories to identify pertinent aspects:

Architectural Characteristics: Characteristics of the building's exterior and construction. **Operational Aspects:** Layout and setup characteristics, including floor space, gross-to-net floor space ratio, number of stories, and flexible space usage. **Technological Facilities:** Amenities and equipment, such as air conditioning, security systems, and automation facilities. Table

1 and Figure 1 illustrates the factors influencing the search and decision process. Location factors were mentioned slightly more frequently (35 percent) than accommodation criteria (30 percent). Financial and contractual issues were mentioned less often.

| Factor | % |
|--------------------------------|------------|
| Building design | 10 |
| Functional aspects | 20 |
| Technical aspects | 5 |
| Financial / contractual topics | 25 |
| Location factors | 30 |
| Other topics | 10 |
| Total | 100 |

Table 1: Factors influencing search and decision process

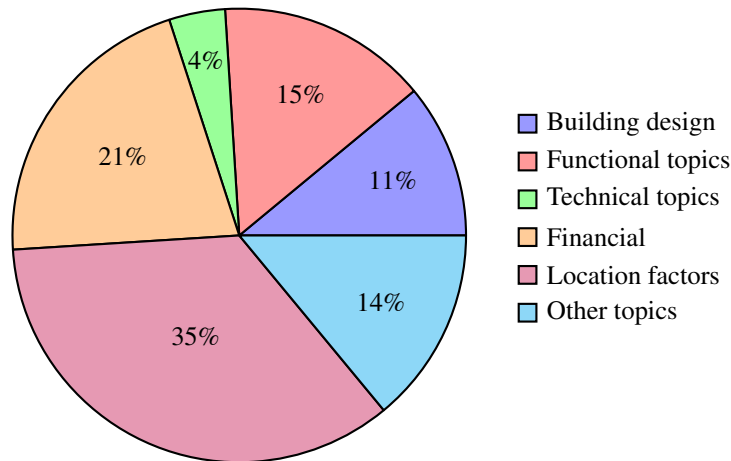


Figure 1: Factors influencing search and decision process

V. Distinctions Between Owner-Builders and Renters

The group of respondents included organizations that sought to lease office space as well as those that intended to construct a building for their own use, known as owner-builders. It was anticipated that in their location and accommodation selection process, owner-builders would focus more on location attributes rather than the features of the accommodation. This assumption was based on the belief that, by choosing an architect, they could influence the design of the building. Renters, along with organizations looking to acquire an existing building, do not have this flexibility. Since they cannot tailor the building to their needs, renters and buyers must evaluate both location and accommodation factors, often needing to make trade-offs. Therefore, it is expected that tenants will utilize a greater number of accommodation criteria in their decision-making process compared to owner-builders [12].

The study was conducted with 15 owner-builders, three organizations that purchased existing buildings, and 22 tenants. Both groups—owner-builders and renters/buyers—are small, making it challenging to draw definitive conclusions. Nonetheless, there is clear evidence of some differences between these two groups. As anticipated, owner-builders mention significantly more location factors than renters/buyers. However, the latter group mentions financial and contractual topics more frequently. One reason for this is that the cost is not the only consideration when negotiating a lease; many aspects relevant to a rental agreement, such as lease duration and options for extension, are irrelevant to owner-builders [13].

As expected, the group consisting of renters and buyers cites building-related and functional factors more often, but the differences are minor. It appears that owner-builders do consider accommodation features during their search and decision process. For example, the desired size of the accommodation, which influences the size and configuration of the building lot. The interviews also revealed that some respondents, particularly those who eventually constructed a building, had also considered rental properties during their search and factored in accommodation-related aspects in that context [14].

VI. Conclusion

This study highlights the significant role that business accommodation plays in the decision-making process of companies when selecting new locations. Through interviews conducted with 40 organizations in the Netherlands, it becomes evident that both owner-builders and renters consider a variety of factors that influence their ultimate choice of accommodation. The

findings provide a nuanced understanding of how different types of organizations prioritize location, financial, contractual, and accommodation-related aspects during their relocation process.

The analysis reveals that owner-builders tend to focus more on location factors than renters or buyers of existing buildings. This tendency is rooted in their ability to influence the design of their buildings, thus making location attributes such as accessibility, neighborhood status, and proximity to clients and employees more critical. On the other hand, renters and buyers, who often have to work with pre-existing structures, place greater emphasis on the characteristics of the accommodation itself. This includes the design, functionality, and technical features of the building, as they must adapt to the constraints of existing premises.

Financial and contractual considerations also emerge as crucial elements in the relocation decision. Renters, in particular, must navigate a range of issues related to lease agreements, such as the length of the lease, conditions for space acceptance, options for additional space, and rent-free periods. These factors significantly impact the effective cost of renting and can influence the overall attractiveness of a location. For owner-builders, while financial considerations are still important, they often have more flexibility in managing costs over the long term, given their investment in constructing their premises.

The study's findings underscore the dynamic interplay between location and accommodation factors. While traditional location theory often emphasizes spatial cost advantages, this research indicates that the specific attributes of the accommodation can equally drive location decisions. Organizations do not merely seek the optimal site based on cost but also consider how well the accommodation meets their operational needs and future growth prospects. This holistic approach to location choice reflects a more integrated view of business accommodation, where the physical attributes of the building and its location work together to support organizational goals.

Moreover, the results show that the relocation process is complex and involves weighing multiple criteria. Organizations must balance internal demands, such as the need for functional and well-equipped spaces, with external considerations like accessibility and neighborhood prestige. The decision-making process is further complicated by the availability of suitable properties, which can limit the options and necessitate trade-offs. Companies often need to prioritize certain criteria over others, leading to a diverse range of outcomes depending on their specific needs and constraints.

The study also highlights the importance of flexibility in accommodation. In a rapidly changing business environment, the ability to adapt to new requirements and technological advancements is crucial. Buildings that offer flexible layouts and modern amenities can better support organizational agility and innovation. This need for flexibility is particularly pertinent for renters, who may face limitations in modifying existing structures and therefore place a higher premium on adaptable spaces.

In conclusion, this research sheds light on the multifaceted nature of business accommodation and its critical role in location decisions. By examining the different priorities and constraints faced by owner-builders and renters, the study provides valuable insights into the factors that drive organizational relocation. As businesses continue to evolve and adapt to new challenges, understanding the interplay between location and accommodation will be essential for making informed, strategic decisions that support long-term success. This comprehensive perspective not only enriches location theory but also offers practical guidance for companies navigating the complex landscape of business accommodation.

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