OPTIMAL OFFICE FOR TENANT:
DESIGN PERSPECTIVES

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Abstract.

At present the office real estate market in Sweden faces new challenges since the economic and real estate crisis of 2008-2010 years. Since the time of economic and real estate crisis of 2008-2010 years, the office real estate market has started to face new challenges. For example, office vacancy rates have increased significantly and challenges how to find the tenant for office premises became very actual. At the same time the demand for high quality office premises still exists on the market but with new requirements to the standards of the office working space. It is happening because the employees’ needs and requirements become more oriented to the comfort and safety of the working place. The employers try to keep and motivate employees by providing the most efficient and comfortable office space to work in and balance on cost-quality issues at the same time. In order to influence on demand from tenants’ and empower tenant search process the landlords have to use new, more competitive methods. The external design of the building and internal design of the office space in particular become more and more significant in leasing, sub-leasing and buying premises property purchase at the real estate office market. It is also useful and important because tenants can change the interior and design project upon their business needs and company’s strategies.

The aim of this research paper is to set up the hypothesis that the office’s space design has a significant influence on tenant search process, plays the key role in so-called optimal office for tenant and tests above mentioned hypothesis by the empirical research study (method of questionnaire) among real “market players”-tenant representatives, consulting agencies and property owners. The location for the research and analysis activities is selected as Stockholm and Stockholm’s region, time frame is September - October 2010. Key words: design, office space, tenant search process, tenant, landlord, “green” buildings, “passive” houses.
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With my kindest regards,

Anastasia Starikova
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Bibliography
Appendix 1
1. Introduction.

1.1. Actuality of the subject.

According to the Nordic City Report issued by Jong Lang LaSalle the office stock in Stockholm with submarkets is 11,168,000 sq.m. where so-called “white collar” employees work. Nowadays it is the huge market of real estate buying and selling, leasing and sub-leasing deals. As for sectors of real estate properties offices amount of 31% according to CB Richard Ellis report prepared in autumn 2010.

![Property Investment by sector, H1 2010](image)

Figure 0. Property Investment by sector, H1 2010

Along with the basic factors influencing on transactions at the office space market new and challenging ones can be noticed. During the real estate crisis of 2008-2009 the rapid decline of deals with offices was noticed, and "the total vacancy rates was 11.8% in the second quarter 2010"\(^2\), which has led to profit losses for real estate property owners. In order to “fix” the problem the new factors attracting the tenants were sought by the property owners and real estate consultants. Among such factors the office space design seems to play one of the leading roles. This topic has still not been well investigated, especially in Nordic context, since real estate developments as well as design were very centralized in Sweden, regulated by Government and there was no “freedom” of choice in the office space for tenants. Nowadays more open market sets up new rules and tendencies. The competition becomes a vital factor among the property owners and they have to use more efficient methods to attract and, which is the hardest task, to retain tenants.

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1 Nordic City Report autumn 2010
2 Nordic City Report autumn 2010
1.2. Goal and objectives.

The aim of this research paper is to set up the hypothesis that the office’s space design has a significant influence on tenant search process, plays the key role in so-called optimal office for tenant and to test above mentioned hypothesis by the empirical research study (method of questionnaire) among real “market players”—tenant representatives, consulting agencies and property owners. Objectives are also along with analysis of design to highlight the other significant factors which influence on tenant search process, and the main tendencies for coming years which may play role in tenant search process in particular and in real estate market in general.

1.3. Research questions.

Together with the critical literature review about the development of working space design from 1930 up to now current factors influencing office market are studied. Design of working space and its connection with tenants’ requirements to the office space are analyzed from both theoretical and empirical sides. Furthermore the new potential areas of research, like design of “green buildings”, “passive houses”, which is considered to be environmentally friendly architecture and their influence on tenant search process are raised in the research paper. Heating, electricity, engineering systems influence on both external and internal design of buildings.

It is also actual to put human factor to the focus. All above mentioned questions are aimed to be highlighted in the research and offered for studies in coming years.

The research paper consists of 6 parts, including methodology, theoretical part with definitions of office space concept and design as well as historical development of the subject, empirical past with the results of research, analysis with personal points of view of the author and the conclusion. The bibliography lists, statistics information and survey’s example are located at the end of the paper.
2. Methodology.

2.1. Method of research.

There are theoretical and empirical parts in this paper.

In order to analyze the potential connection between design and tenants’ finding process the theoretical part of the research paper includes critical review of articles, journals and research papers to highlight the historical development of office space design in Sweden from 1930s up till now and it’s correlation to the tenant search process. Critical literature review is aimed to find the “breakpoint” when the design concept became the tool of attracting tenants more effectively and began to correspond to the real estate market’s requirements.

For the goals of empirical research two main methods are used: explorative and survey research.

*Explorative research*, due to its “flexibility”, is more suitable for open variety of ideas, questions, and approaches. This research is applied to set up new ideas, hold open discussion and involve unlimited number of participants for panel, interviews, etc.

Another type is the *survey research* which is structured method, with the detailed pre-coded interviews, written in advance questionnaires, etc. This research is useful when there is specific field of research and specific questions should be answered and data will be analyzed quantitatively from the sample of population. The number of participants in research can be limited by requirements to profession, field of work, education, and other criteria. This method was selected in order to prepare the empirical part of the research paper.

Therefore the empirical part of the research paper includes questionnaire and answers from the tenant representatives, consulting companies and property owners as well as analysis of respondents’ answers. In order to test whether the design has great impact on tenant search process the method of survey (questionnaire) was used. The survey consists of 25 questions, is divides into general and practical part and was send out to more than 60 participants in the real estate office market located in Stockholm and Stockholm’ region during the period of September -October 2010, 21 answers were collected.

Since the information regarding real estate market is changing over time rapidly and influenced by macro-economic cycles the time frame for research is required as well as collection of information from “real participants” of office real estate market transactions.

The results of research are given and analyzed in the corresponding chapter 4.
2.2. Limitations.

There are some limitations that need to be mentioned. Due to time frame limitation and objective reasons of respondents the number of answers to be collected is less than was forecasted before research. Therefore the biasness of answers can exist and the author decided to execute qualitative research rather than quantitative one. All statistics mentioned in the empirical part of research paper should be used together with other source of information and is aimed primarily to show the tendency at the market and potential questions for further research.
3. Fundamentals.

3.1. Definition of office space, workplace and workplace design.

Office space has usually a broad meaning since it includes office facilities, both external and internal.

For example, Stockholm’s office space buildings usually include wireless internet capabilities, meeting rooms, board rooms, virtual offices, lounge areas, a reception area, a break room, a kitchen, on-site parking lot, 24 hour access with security and CCTV, elevators and reception facilities. Additionally reception facilities offer large reception areas with postal services, telephone answering, secretarial and administrative support, faxing and message taking. Other exclusive amenities that the building is equipped with include air conditioning and heating for the drastic temperature change in Sweden, elevators, handicap accessibility, catering services, storage centers and a cleaning service.

For the purpose of this term paper the following definition and meaning will be used: Office space is all facilities and infrastructure inside the office, including engineering systems and computers, furniture, lightning, cabinets, open-space, corridors, reception area, rest rooms and other premises within the office.

Another term that is used in the current research is working place or workplace. This definition has more specific meaning in comparison with office space—it is exactly the space where the work is produced by employees.

Since in much literature workplace design and office space design often mean the same therefore for the purpose of this research paper both terms “workplace design” and “office space design” will be used.

“The workplace design – the physical environment for the enterprise – is an important characteristic of the enterprise. It provides accommodation for work processes and the employees, it is a meeting-place, it communicates to employees and potential customers, as well as investors and stakeholders, and other parts of the environment; it can be good or poor as a working environment; and it is located somewhere”\(^3\)

“Design in today’s offices must encompass not only the building(s) seen as the main office, where everyone is expected to attend; space design solutions are increasingly more

\(^3\) Bakke (2007)
distributed, where colleagues may be at different sites, and where each individual may move from place to place, both inside and outside the office buildings.\(^4\)

According to Jay Galbraith and the Star Model (see figure 1) (Gaibraith, 1995) there are five categories that entail design in the organization:

1. strategy, which determines direction of the organization
2. Structure, which determines the location of decision-making power of the organization
3. Processes, which entail the flow of information and work processes and methods of the organization
4. Reward systems of the organization, which influence the motivation of people to perform and address organizational goals and their perception of the role of workplace assignments
5. People, referring to the skills required of employees to execute their work processes along with the human resource policies of the organization towards employees.

![Figure 1: Star Model](image)

Tom Davenport, professor of management and information technology at Babson College, USA found that three factors determined white-collar performance: management and organization, information technology, and workplace design. The last, he says, has a measurable effect— for good and ill. "Open offices do lead to more unstructured communication," he says. But "those same offices can lead to problems of concentration. If you value reflection or deep thought, it gets tough." Call it the attention-deficit office.

\(^4\) Bakke (2007)
3.2. History of development of office space in Sweden from 1930 up to now.

In 1981 it was predicted by social commentator and self-described “futurologist” Alvin Toffler that in the twenty-first century corporations would be operating in an office-less environment\(^5\). Toffler’s prediction became true and many corporate workers spend now less time in a traditional office than they did twenty-five years ago, spending more time working from home or in non-territorial office arrangements in which offices are shared and used on a temporary basis\(^6\).

Historically in Sweden the development of industrialization and manufacturing caused the need for offices.

The first office building designed in accordance with ideas related to working environment and people’s productivity was built in Sweden for Trygg (later Trygg-Hansa) by the architect Lallerstedt. The office spaces consisted of twenty or so smaller office rooms and a 450 m\(^2\) large open office space with a glassed ceiling. About one hundred clerks worked here and eight departmental managers supervised the office work.

According to Christina Bodin Danielsson “The connection between architectural design and rationalized office work was now established. The first Swedish office building based on ideas of the paper’s way through the office was built for the insurance company Thule by architect Clason. It was built in 1938-40 on Sveavägen, the prominent boulevard in central Stockholm. The rationalizing of the office work was now done by the grouping of the workstations by new mechanical and technical equipment. The departments were carefully investigated and qualified work was separated from routine based work”. (Bodin Danielsson, 2010)

According to Ahlin and Westerlander in Sweden it was said that the office should fulfill the so called 4L-qualities: noise, lighting, air-quality and layout (in Swedish: ljud, ljus, luft and layout) Neither windows nor individual lighting by the workstation were considered necessary for good work conditions. Instead a general artificial lighting system for the whole office at high strengths, up to 2000 lux was promoted. Acoustic problems were solved with acoustic panels and textile flooring. The workstations were grouped in organic shapes in order to achieve some privacy by avoiding direct eye contact between workstations and communication paths twisted like paths in a natural landscape. The new open plan office

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\(^5\) Toffler (1981)
\(^6\) Stuart (2004)
grew quickly in popularity in Sweden as famous architects adapted the concept. (Ahlin & Westerlander, 1991)

New office concept in Stockholm and in Sweden came with the construction of ‘Postgirohuset,’ a house for a division within the Post Office Administration situated in Stockholm. It was built between 1968-71 by the architect from Ancker, Gate & Lindegren with assistance from the Quickborner Team. To be able to achieve great flexibility a module ceiling with movable lamps and acoustic plates were used, and the ‘electrical wiring’ was taken down from the ceiling and moved to the workstation, which was something new at the time.

According to Cristina Bodin Danielsson cell-office was the dominant office type in Sweden in the 1980s, despite the introduction of the new combo-office and the growing demands of interaction and transaction of information among employees. (Bodin Danielsson, 2010)

In her work “The Office - an Explorative study. Architectural Design’s Impact on Health, Job Satisfaction and Well-being” Christina Bodin Danielsson writes that “by the 1990s new technology lead to the development of an office type that was independent of time and space, the so-called flex-office.

The ideas with the office type are that: a) a common computer system with all work is accessible from all workstations and from outside the office, b) the employees hold no individual workstation as they are expected to work from outside the office to some extent, and c) in order to cut down costs the flex-offices are dimensioned for only 60-70% of the workforce. All personal working material is stored in personal cupboards at the office. In the late 1990’s the criticism against flex-offices grew strong and the office type was considered inhuman, as the employees had no personal workstations. In the first decade of the 21st century it appears to be back, however with more careful gestures. It is now established that the office type demands a very conscious management style and that the working methods of the organization have be in line with the office type in order to function well” (Bodin Danielsson, 2010)

According to a “Nordic guide to workplace design” from 2007 up to now currently individual offices, small open-plan offices, and large open-plan offices are all common in Nordic workplaces (see Figure 2). As can be observed from the Figure 2 Individual offices are selected by almost 60% of respondents, small open-plan offices are selected by 21% of respondents and large open-plan offices are chosen by 13% of respondents. Such big percentage of respondents who choose individual offices can be explained by requirements
from managers to have separate offices. Also disturbance by noise and lack of self-confidence in open-space environment influence on the choice of individual offices. At the same time it can be noticed that in comparison with other nordic countries, except Denmark, Swedish companies choose fewer individual offices.

Figure 2. Types of office space in Scandinavian countries. Percent within country. (John Willy Bakke, 2007)

3.3. Current tendencies of tenant’s requirements to office space in Stockholm and Stockholm’s region.

The demand for modern and high-technological offices still exists and will remain stable in coming years. Tenants are looking for new offices and have growing expectations. At the same time according to the report prepared by DTZ due to the financial crisis most projects previously planned for 2011 have been postponed and currently only 47,000 sq m are expected to enter the market during next year (see Figure 3). It can be observed that more offices will be supplied by 2012. It can also mean that the property owners will apply new methods of attracting tenants in order not to have a risk of vacant space.
One of such methods can be called as the design of office space and building in general.

“The exterior design of the office buildings as well as their interior room layout have changed over time because of the different trends in society and the architects’ ambition has grown up to find the most efficient office layout in line with the current trend” 7 The other design tradition—the northern European includes the Nordic countries but also the former West-Germany and the Netherlands. The emphasis within this tradition has been on the site location and the work environment. 8

Current approach to the design includes multiple aspects of human resource development, facility management, economics of organisation, finance planning and others. As it can be observed (see Figure 4) all main factors influence on each other in the continuous cycle. Design influences on employees’ productivity, health and satisfaction which result in new demands from tenants to the office space of a new kind. Tenants, in their turn, set up new standards for office and working space.
According to the article “Hälsan i kontorslandskap undersöks” which means “The health in the open-space is under research” in the journal “Du och jobbet” (the journal for professionals in working space planning and attestation of working places) there are different points of views related to the open-space, some think it is good, others consider it as bad.

As representative of stress research institute Hugo Westerlund says the 3 years project will be conducted in order to research how different designs of office space influence on stress, health, productivity, satisfaction and reason to change a job.

During this project researchers will investigate how each element in the office influences, for example, silent room (Lundgren, 2010)

To summarize it can be said that spiral evolution turns from cabinet planning to open space and again returns to cabinet planning but other aspects in design, functionality, lightning, noise reductions, employees’ psychology and performance are going to be in focus in coming years.
4. Results.

4.1. Description of the empirical analysis.

To get the information regarding the aim of the research the method of questionnaire was used and the survey was sent out to the tenant representatives, consulting agencies and property owners in Stockholm and Stockholm’s region during the period September-October 2010. More than 70% of answers were collected from respondents in Stockholm. Total number of answers is 21, which included 3 answers from the consulting agencies and 18 answers from the property owners. Answers were systemized and put in graphs in the research paper.

4.2. Connection between office space, design and tenant finding process.

First of all the survey includes questions how office vacancies are advertised and whether the respondents face problems to find tenants or not. Among the main sources and tools which respondents use to find the tenants the following ones were highlighted: real estate consulting companies, business network, Internet, professional web-sites (see Figure 4). Real estate consultants are the most common way to find the tenant which means that the property owners and tenants prefer to use professional services, outsourcing and are ready to pay for this. It can also mean that searching for a tenant without special knowledge of the situation on the real estate markets, its prices and current inflation and discount rates is rather complicated issue.
Figure 4. Main sources to find the tenant. Numbers of answers.

Another question to the respondents states “What are the properties which are difficult to find a tenant for in terms of location, design, quality of building, legal problems and other reasons”. According to the answers (see Figure 5) the office real estate properties were the most difficult property to find a tenant to because of the location (16 answers), quality of building (12 answers) and design (9 answers). Office design was meant both for the exterior and interior of the building. Thus it can be concluded that the design has a great influence on the tenant search process along with location and building’s technical status.

Figure 5. Main factors to influence on tenant finding process. Number of answers.

Since the design can be both external and internal the questions concerning their importance to tenants were asked. As it can be observed from Figure 6 the majority of respondents, 81.3% agreed on key role which exterior of the building played in the tenant searching process.

It matters also to mention that exterior is subject to state, regional and local regulations, it can’t be changed by tenants. That is why it can be critical for tenants to fit their demands and expectations together with business values before signing the rental contract. Otherwise, tenants can be dissatisfied during the whole period of the contract or move out which can cause serious expenditures.
Figure 6. The importance of building’s exterior for attracting tenants. % to the total number of answers.

The same question but related to interior of the building has the same statistics of answers. As can be observed from Figure 7 81.3% of respondents highlighted that interior, including decorations, halls, elevators, stairs, lightning as well as working space play key role in attracting tenants. 18.8% of respondents answered “No”.

Figure 7. The importance of building’s interior for attracting tenants. % to the total number of answers.
Above mentioned results witness that both external design and internal design has equal importance according to the research. It can be concluded that tenants pay attention to both these factors. Practically, the importance of internal design has even more valuable importance since it can be changed by tenants upon demands, trade mark, company’s structure and mission. External design is the subject of responsibility of the building’s owner, regulated by state, regional and municipal urban planning laws and regulations.

4.3. Other factors to influence on tenant finding process.

To get more detailed information about how the particular features of the quality of building and design can influence on attracting potential and retaining actual tenants the multiple choice between the following characteristics was given: LAN (phone line), IP system (Internet), security alarm system, lightning quality, windows in the office, floor coverage, walls’ condition, other factors. The results can be observed in Figure 8. As it was forecasted the lightning quality (dark office, light office, lack of lamps, daylight’s ability) is the most critical factor for 62.5% of respondents. In other words we can assume that lightning as a working space condition influences directly on employees’ performance and satisfaction.

![Figure 8. Factors of office space/building with the greatest influence on tenant finding process. Multiple choice. % to the total number of respondents.](image-url)
The importance of lighting in modern design is stated in the WSP’s business proposal. «Many new buildings have predominantly glass façades, which often cause problems with heat and direct sun radiation, necessitating the installation of shadings to shield the glass areas. This in turn means that daylight cannot be used to illuminate the rooms inside. The solution to this problem involves changing the direction of the daylight in some way, lifting it up towards the ceiling, for example, so that the light can be reduced. This requires cooperation between consultants from M&E, sun-shading and artificial illumination».9

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9 WSP Group (2010)
5. Analysis.

5.1. The role of design in tenant search process.

From my point of view the new real estate crisis in 2008-2010 years as well as the world economic crisis causes all markets “move thoughts” in new directions in order to make cost-effective deals and forecasts. The period of 2008-2010 is so-called “turning point” to review and analyze new methods of tenant search process. Since Sweden is high-technologically developed country and is one of the biggest investor in “green” technologies it is obvious and can be observed from the empirical part that tenants and country in general have the same expectations to the quality and features of buildings, taking design into the consideration. It is noticeable from statistics of the answers and from literature review that energy-safe methods together with human satisfaction and comfort at the working space will be in the main focus in coming years.

Personally I think that tenants reflect the expectations at the same “high” level as ordinary residential property users. It can be said that the person would like to me in the comfort environment not only at home but in the office too, where he or she spends the critical part of his or her life.

That is why the research paper observes the design as one of important factors since the working space and the employee have very challenging focus now.

5.2. Current tendencies and requirements to office space and design.

According to the findings from doctoral research of Cristina Bodin Danielsson which was presented in the Royal University of Technology in September 2010 “the employees in cell-offices have in general a better self-rated health compared with those in other office types. These employees also reported a relatively high job satisfaction. Cell-office employees were more satisfied with their physical environment, including design-related factors, might not be a surprise since features that allow independence and control over one’s own workplace in many aspects define this office type. The good, self-rated health status among employees in flex-offices was more surprising since this office type has often been harshly criticized due to its lack of a personal workstation. Having an individual workstation is closely connected with the psychological concept of personalization which in turn is considered a basic human need” (Bodin Danielsson, 2010). At the same time the open-space planning due to ergonomics and cost-value approach are the “leaders” at the current real estate office market.

Working Environment Commission (Arbetsmiljöverket) recommends to choose open-space by criteria of suitability for work, not due to the reason to”save” the space.
Sometimes the cell-space is re-built to open-space in order to place more working stations at the same size of the office space. But the good working environment with open-space planning requires almost the same space for working stations as cell-space.

Besides the open-space can cause more disturbances by noise around and decrease the concentration of the personnel. The person may lose the concentration when he or she is listening to other people conversation. At the same time, according to the Working Environment Commission the open-space provides bigger flexibility, facilitates communication and possibilities to work in groups.\textsuperscript{10}

Another type of office space planning is “kombi-space” when the working environment is organized in small separate rooms around the open-space. Such type can combine the advantages and disadvantages of open-space and sell-space and can be a compromise.

Another tendency is related to “green buildings”. Such buildings are a key influencer when tenants decide to sign a commercial real estate leasing transaction, according to an international survey by GE Capital Real Estate. “Japan (59%), Canada (52%) and Sweden (52%) placed the greatest importance on green building practices, compared with only 43% in the U.S., which showed the lowest rate in the countries surveyed”\textsuperscript{11}

Above mentioned the actual tendency is proved also by the answers of respondents to the questions in survey. Figure 9 shows that the majority of respondents agreed that “green” offices are the most demanded among tenants.

\textsuperscript{10} http://www.av.se/teman/kontorsarbete/oppet_kontor assessed on 18-01-2011

\textsuperscript{11} http://www.freeofficesearch.co.uk assessed on 04-01-2011
Another factor which respondents choose as valuable for tenant finding process was “passive energy” buildings. According to Jasper Kelly in his article “Swedes active about passive houses” the passive houses are the hottest trend among the Swedish environmentalists. These ultra-low energy buildings rely on the recycled heat and high-level insulation for the most of their power needs. Hence “passive” — they require less active contribution of external energy sources. (Kelly, 2009) The article also mentions that “environmentalists consider buildings are responsible for half of the world’s greenhouse emissions, a worry that prompted Malmo’s World Trade Center (WTC), a large office building, to go as energy-efficient as possible.

WTC doesn’t reach passive house standards, but it is still considered to be the most energy-efficient office building in the world. Blinds go up and down all day long, keeping out the sun’s heat, because cooling process is the biggest problem for the office buildings, according to Rikard Sjöqvist, the WTC’s chief engineer, research. “I believe that almost every office building which would be built in Sweden in the next two or three years is going to have a similar engineering system,” he predicts”. (Kelly, 2009)

As it can be observed from Figure 10, 5% of respondents agreed to the attractiveness of such type of buildings for the tenants. At the same time there is some uncertainty among respondents and 31, 3% of them don’t have 100% confidence if this very factor influenced so much. The absence of awareness among the respondents can be explained by the fact that such type of buildings are still quite new at the real estate market, their effectiveness on tenants and their rate of investments return are not studied enough and it is an issue for coming years to understand if such buildings and technologies are valuable.

![Pie chart showing attractiveness of green and passive buildings.](image)

Figure 10. The different opinions regarding attractiveness of “green” and “passive” buildings. % to the total number of respondents.

“Early in 1990, the Swedish State Power Board financed an enquiry into many different industries to determine how to reduce the need of electric power before the Swedish nuclear power plants are phased out in the year 2010. One of these examinations dealt with a modern office building where research and design of both hard- and software for computers are undertaken. The offices are also equipped with an excessive amount of lighting which
consumes electricity, and a ventilation system uses big fans for the transportation of clean and used air in and out of the building.

This investigation of an office building in Linköping, Sweden, implies that it should be possible to utilize the free energy from people, solar insolation and appliances so that no special separated system of the space heating at all would be necessary. The investigation also showed that the building at present could not harness fully the free energy in the desired way. This would be so even if the building was better designed. The building is thoroughly insulated and a very heavy concrete construction is used for the floors; further, the ventilation flow is led through cavities in these floors, but this does not seem to influence the rate of energy use significantly” (Gustafsson & Karlsson, 1991)
6. Summary and conclusion.

The results of survey highlighted the importance of the design for the tenant search process. Currently it plays one of the key roles and used by the property owners as a tool to decrease or fill in vacant office space. The importance and new role of design can be explained by more complex approach which office premises should provide for employees and companies in general.

Now office design is more than luxury or a plain choice of right colors. At some companies, workplace consultants are now taking the office design in new directions by using studies from fields as social anthropology, information technology and psychology. The consolidated result shows that workers actually truly get the spaces they want and need to do their best work. For some, that's working at home. For some it's privacy and for others it's being in a big open space.

Recent research from both psychologists and sociologists highlighted that office decor in the form of personal mementoes may be critical for affirming the distinctiveness of individuals, while decor in the form of task-relevant objects may be critical for affirming the status of groups. (Elsbach & Bechky, 2007)

Another aspect of design is the necessity to be “green” and “environment friendly”. Thus the design should be planned together with engineers in advance. For example, Jernhusen which owns Central Station in Stockholm plans to use body heat to warm up the office building next to the station. It is modern and innovative project to transfer heat from people bodies at Central Station to meet heating needs (up to 15%) of other building. It will influence on design also. The technologies applied to the whole building in this case will be related to design also.

Based on the survey analysis and research literature’s review it can be concluded that the design is one of the significant factors among the real estate office market transactions. Along with the technical quality and exterior of the building the design of working space is the tool for property owners or “first-hand” tenants to attract efficiently more tenants/sub-tenants currently and in future. It can be said also that new challenges for design, for example, “passive” design, “zero consumption energy” or mix of cabinet-open space planning will be in focus in future 20-30 years. Human capital will be in focus of company’s management always even with high-tech revolution since it has been the most valuable asset of the

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organization, so-called “the knowledge holders”. Human capital will influence on tendencies at office real estate market in the “talent war” and more requirements to design and office, working space in general will be the new questions for the research. Human resources, employees are the “key stone” to outline the “new face” of the optimal office for tenant in coming years (WSP Group, 2010)
References


Appendix 1. The questionnaire.

1.

Dear sirs,
Could you devote your precious time to make this research valuable with your answers. Your answers will be used for preparing my master’s thesis at KTH.
The aim of the research and thesis is to find out tendencies of what influences finding a tenant for office premises now and especially the role of the DESIGN of the office.
The questionnaire consists of 2 parts:
part 1. General questions about the process of finding the tenant
part 2. Specific questions related to finance and design issues in the office space

Your answers can be either anonymous or be named openly if you want to, for example the name of your company will appear in the list of acknowledgments in the thesis (if you are interested)
If you can't give answers due to confidentiality of the required information, please let me know. I would change the questionnaire for you if other questions can be answered.

If you have any questions you are welcome to contact me via anasta@kth.se or contact my supervisor Professor Hans Lind, hans.lind@abe.kth.se

The deadline for answers is 31th October 2010, earlier answers would be highly appreciated.

Best regards,

Anastasia Starikova
Master student of Real Estate Programme
(Fastighetsekonomi)

Q1

1. Please fill in the following information (voluntary information):

<table>
<thead>
<tr>
<th>Company</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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<tr>
<td>Name</td>
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<tr>
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<tr>
<td>Position</td>
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<td>e-mail</td>
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</tbody>
</table>

Q2

2. Is it difficult to find tenants in the appropriate (suitable for you) period of time?

☐ Yes, really difficult

☐ Yes, difficult, but just takes time

☐ No, it is easy
Q3
3. The sources we usually use to find the tenant include:

- Internet, network
- Internet, professional web-sites
- Business network (employees, clients, etc)
- Advertising agencies
- Real Estate Consultants
- Newspapers, journals
- TV, radio
- Other, please specify

Kommentar:

Q4
4. We usually sign the 1st contract with tenant for 3 years

- Yes
- No
- If No, please specify

Kommentar:

Q5
5. We advertise office to let

- Yes
- No, we use other methods to find tenants (please specify)

Other (please specify)
Q6
6. Average area (sq.m) to let which is most hard to find the tenant for is....
   - small area 500-1000 sq.m
   - large area 1000-5000 sq.m
   - very large area more than 5000 sq.m

Q7
7. The season DOES influence on tenant finding process
   - Yes, summer is difficult
   - No
   - If no, please make a comment

Q8
8. The economic crisis 2009 influences on the time of finding the tenant
   - Yes
   - No
   - I am not sure

Please proceed with the page 2
2. Special factors which may influence on tenant finding process

Q9
9. What are properties where vacancies have increased?
- Office
- Retail
- Industrial
- Governmental
- Other, please specify

Q10
10. It can be difficult to find the tenant due to:
- location
- design
- quality of building
- legal problems (license, ownership, lack of documents)
- Other reasons, please specify

Q11
11. What are properties which are difficult to find tenant for in terms of location

<table>
<thead>
<tr>
<th>Location</th>
<th>Office</th>
<th>Retail</th>
<th>Industrial</th>
<th>Governmental</th>
</tr>
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<tbody>
<tr>
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<td>□</td>
<td>□</td>
<td>□</td>
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</tbody>
</table>
Q12
12. It takes (on average).... to find the tenant to the area to let
- less then month
- 1 month
- more then 2 months
- Other, please specify

Other (please specify)

Q13
13. I/we think that building exterior plays key role in attracting tenants
- Yes
- No
- If No, please specify why you think so

Kommentar

Q14
14. I/we think that building interior plays key role in attracting tenants
- Yes
- No
Q15
15. Nowadays tenants look for "green" offices more often than non-green
☐ Yes
☐ No
☐ I am not sure
Kommentar

Q16
16. I/We usually offer shell & core offices and let tenants do their design themselves
☐ Yes, often
☐ Yes, it depends on the tenant
☐ Yes, it depends on the owner
☐ No
☐ If No, please specify
Kommentar

Q17
17. Fully-furnished offices (all furniture, design, fully equipped working places) like the company "Regus" offers can be attracting for tenants
☐ Yes
☐ No, it is too expensive
☐ No, other reasons (please specify)
Q18
18. Quality of engineering systems in the building influences on finding the tenant
☐ Yes, often
☐ Yes, but other factors are more important
☐ No
☐ I am not sure

Q19
19. The quality and working status of the following influence THE MOST on attracting new tenants (prolonging contract with existing ones) Please choose NOT MORE than 3 alternatives
☐ LAN
☐ IP system, Internet network
☐ Security alarm system
☐ The lightning quality (dark office, light office, lack of lamps according to design, etc)
☐ Windows (wide, narrow, ability to open)
☐ Floor coverage
☐ Walls condition
☐ Other factors, please specify

Kommentar
Q20
20. From my point of view "passive" energy buildings, "green" offices would attract more tenants even though rent is higher in such buildings

☐ Yes, definitely
☐ Yes, but I am not 100% sure
☐ No, I do not think so
☐ If No, please make a comment

Kommentar

Q21
21. We estimate the rent level in our offices as:

☐ High
☐ Average
☐ Low

Other (please specify)

Q22
22. We offer "rent holidays" to tenant if the tenant fixes design at his/her own expenses

☐ Yes, according to the lease contact
☐ No, but we can negotiate this upon tenant's demand
☐ No, it is not in the lease contact
☐ Other

Other (please specify)

Q23
23. Our current policies concerning the space that are vacant are:

☐ wait and see the demand from potential tenants
☐ rebuild current premises
☐ reduce rents
☐ increase advertisements, network, etc
☐ employ real estate agent to help us
☐ other, please specify

Q24

24. Would you like to receive the final analysis or copy of the thesis for your company, please state here.
Thank you for your assistance and time. I appreciate this very much.
Best regards,
Anastasia Starikova

☐ Yes, I would like to receive the final analysis of this survey to my e-mail
☐ Yes, I would like to receive the copy of the thesis to my e-mail
☐ No, thank you