

ACCOMMODATION AND OFFICE LOCATION CHOICES: EFFECTS ON ORGANIZATIONAL SITING AND LOCATION THEORY

*Naveed Ahmad
Petter Næss*

Location factors are key to explaining why economic activity clusters where it does and how firms choose where to operate. In essence, these factors are the spatial expression of the production inputs a firm requires. One important factor—accommodation—has often been underestimated, even though it can strongly shape location decisions. The type, quality, and size of premises can influence productivity, so accommodation should be treated as a location-specific cost rather than a neutral background condition. This article investigates how accommodation affects the search for a new office location. The results show that it is a decisive consideration, particularly for organizations intending to rent office space. This challenges a common assumption in location theory: that firms will typically build their own premises. In reality, firms that rent are constrained by what the real estate market offers and must choose among available options rather than design an optimal building for a chosen site. We therefore argue that traditional location theory insufficiently captures office-location decisions made through rental markets and does not properly account for mismatches between supply and demand in office accommodation.

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

INTRODUCTION

Research on the spatial distribution of firms and their location decisions has largely focused on identifying the drivers and motivations that explain why companies settle in particular places. At its core, this stream of research has sought to determine the key location determinants, commonly defined as “any variable that plays a meaningful role in shaping the choice of location for an activity” [1]. Early location theories primarily emphasized the functional and spatial attributes of places, along with land values. Functional attributes refer to elements such as proximity to input resources or consumer markets, whereas spatial attributes include more intangible qualities such as the image, prestige, or perceived attractiveness of a location. Together, these factors reflect the spatial manifestation of production requirements for goods and services.

Despite this focus, commercial accommodation is rarely treated as an independent location determinant, as its costs are often absorbed into land price considerations. Traditional location theories devote limited attention to the role of business premises themselves. Yet, firms require physical space not only for shelter from environmental conditions but also to facilitate a wide range of operational needs. Author [2] distinguished between internal and external business activities: internal activities depend on the characteristics of the building’s interior, while external activities are shaped by the building’s position within its surrounding environment. External activities impose locational requirements related to access to customers and suppliers, resembling classical location factors. In contrast, internal activities demand specific building features, such as adequate workspace dimensions, floor load-bearing capacity, climate control, and communication infrastructure.

This perspective was later extended by linking corporate accommodation directly to firm performance, particularly emphasizing the inefficiencies created when buildings are no longer aligned with their intended functions. It was argued that the inadequacy of Britain’s industrial building stock hindered industrial growth, productivity, and the spatial distribution of both firms and employment. Such findings suggest that the physical environment of firms is not merely a passive backdrop but an active contributor to economic outcomes.

The demonstrated relationship between firm performance and physical location should prompt economic geographers to reconsider prevailing analytical frameworks. Much of the existing literature approaches this issue from the supply side, emphasizing mismatches between the availability of commercial real estate and the evolving needs of firms [3]. In a broader sense, this challenge has been widely examined in studies of urban real estate markets [4]. A large share of this work concentrates on the office sector, where developers and investors exert stronger influence than in industrial property markets. While these studies acknowledge that accommodation matters for firms and that the availability of suitable premises shapes the spatial distribution of economic activity, they rarely integrate these insights into formal location theory. As a result, the extent to which accommodation needs directly affect individual firms’ location choices remains insufficiently explored.

Acknowledging the importance of commercial accommodation is also critical from a policy standpoint. Author [5] underscored the role of real estate markets in enhancing urban competitiveness, arguing that cities can attract and retain businesses by offering suitable and flexible premises. In many countries, particularly in Great Britain, national and local governments have pursued property-led regeneration strategies to revitalize inner cities and make them more attractive to firms. These initiatives aim to overcome barriers to the provision of high-quality business spaces. Nevertheless, inner-city areas often face persistent supply-side constraints, which limit the availability of appropriate premises. This scarcity further reinforces the significance of accommodation as a central element in corporate location decisions.

THE IMPORTANCE OF ACCOMMODATION FOR BUSINESSES

Office buildings provide the fundamental physical setting in which business activities can be carried out while offering protection from environmental conditions. Beyond this basic function, however, the quality, design, and suitability of accommodation play a crucial role in shaping employee performance, comfort, and overall job satisfaction. When carefully selected and properly aligned with organizational needs, business premises can actively support operational efficiency and effectiveness.

Facility Management (FM)

Facility Management (FM) has emerged as the professional field devoted to addressing these issues. Originating in the United States, FM covers the full range of services and facilities that support an organization's core production processes. These services may include everything from the provision of office supplies to building maintenance and production-related support. In countries such as Great Britain, the concept of FM is often interpreted more narrowly, with a stronger emphasis on the physical aspects of buildings.

From an FM perspective, business accommodation should enable organizations to pursue their objectives in an effective, efficient, and innovative manner, particularly in rapidly changing business environments [6]. One of the central challenges lies in reconciling the relatively static nature of buildings with the evolving requirements of firms, which must respond continuously to technological progress and shifting market conditions. As a result, not only the size of office space but also its internal layout, infrastructure, and technical equipment require frequent adaptation. Different types of office work demand distinct and changing spatial configurations, which is reflected in the evolution of office design from traditional cellular layouts to open-plan offices and, more recently, to hybrid or combination formats.

Flexibility and office technology

In the 2020s, increasing attention has been given to the development of flexible office environments as a way of counteracting the inherent rigidity of buildings. Design strategies such as standardized window dimensions and uniform building depths facilitate easier internal reconfiguration. At the same time, advances in information and communication technologies have profoundly reshaped office requirements. Modern workplaces must now accommodate extensive digital infrastructure, including telecommunications systems, and ensure appropriate indoor climate conditions—such as temperature, humidity, and lighting—to support the widespread use of computers and electronic equipment.

Nevertheless, there are practical limits to how extensively a building can be modified over its technical lifespan. In many cases, the costs or technical complexity of further adaptations may become prohibitive. Consequently, a building's functional lifespan may be shorter than its technical lifespan. When this occurs, firms may find themselves operating in spaces that no longer meet their needs, which can constrain productivity and undermine profitability. This problem is not limited to office-based firms but also affects industrial and manufacturing enterprises [7].

Legal requirements and cost considerations

In addition to user preferences, legal and regulatory requirements exert a strong influence on building design and usage. For instance, in the Netherlands, regulations such as the Building Decree and the Working Conditions Act impose specific technical and safety standards on commercial properties. Furthermore,

land-use plans determine key design parameters, including façade alignment, building height, and permissible floor area ratios. These planning rules can significantly restrict how buildings are constructed or renovated.

Like any other factor of production, accommodation entails costs. These costs depend on both the quantity and quality of the premises, as well as on the chosen form of tenure—whether renting, leasing, or owning. Each arrangement carries distinct financial, legal, and fiscal implications. Renting typically offers greater flexibility, as it does not immobilize corporate capital, allows firms to adjust their space requirements more easily, and shifts the risk of physical and functional obsolescence to the property owner. Ownership, by contrast, may be more cost-effective over the long term due to potential gains from property appreciation, access to investment subsidies, and tax benefits. It also grants firms greater autonomy in tailoring premises to their specific needs. Leasing represents an intermediate option, combining features of both renting and owning, with the precise balance depending on contractual conditions.

ACCOMMODATION AS A LOCATIONAL DETERMINANT

The notion of a “locational determinant” emerged in the 2010s and refers to a situational attribute that provides firms with spatial cost advantages, typically in terms of transportation, labor availability, and agglomeration economies. In Weber’s classical framework, business accommodation was not treated as a separate element. Instead, traditional production factors—such as resources, labor, and land—absorbed accommodation into the broader category of land, which also encompassed structures, housing, mines, and forests. Other early location theorists followed a similar approach, rarely distinguishing accommodation as an independent determinant.

Over time, however, the assumption that location decisions are driven solely by objective spatial cost benefits has been increasingly questioned. Scholars associated with behavioral geography emphasized the role of institutional settings and individual motivations in shaping locational choices. A major contribution of this perspective was the recognition that firms make decisions based on subjective interpretations of information rather than purely objective criteria. This view challenged the idea of a single optimal location, introducing greater uncertainty into traditional location models [8].

Subsequent work proposed a marginal perspective, suggesting that even if an optimal location exists, it is typically surrounded by a range of acceptable alternatives. This concept was described as a firm’s “locational tolerance zone,” within which multiple suboptimal locations may be chosen because the optimal site is difficult to identify or because it shifts over time. Despite these conceptual advances, business accommodation has still not been formally incorporated into location theory as a determinant in its own right. It is often assumed that accommodation automatically fits a firm’s operational needs or that it has little influence on financial outcomes. From a purely spatial viewpoint, this omission may appear reasonable if accommodation is thought to lack locational implications. However, this assumption warrants closer scrutiny: can accommodation decisions generate spatial cost advantages?

Existing evidence suggests that accommodation does, in fact, affect locational choices. It has been argued that firms must balance the requirements of their internal and external activities when selecting a site, which involves trade-offs between accommodation-related factors and more traditional location determinants. Organizations—especially those operating office-based activities—have become increasingly selective about the quality and characteristics of their premises. For example, in cities such as London, many firms have shown a preference for high-quality buildings on the urban fringe rather than lower-quality spaces in the inner city [9].

Several scholars have further emphasized the relevance of accommodation, particularly for office-based organizations. Much of this literature focuses on how accommodation needs evolve as firms grow. A typical

pattern involves companies starting in smaller, centrally located spaces and later relocating to purpose-built premises as they expand. Over time, firms also tend to consolidate previously dispersed activities into a single facility [5, 6, 7, 8, 9].

Given its evident practical importance, it is striking that location theory pays so little explicit attention to accommodation. One explanation lies in the historical focus of the theory on land transactions rather than on buildings themselves. This perspective reflected the reality of Weber's era, when many firms acted as owner-builders. In contrast, in the 2010s and beyond, a substantial share of business premises—especially offices and retail spaces—are developed by investors and specialized property developers rather than by users. Firms increasingly rent or lease their accommodation from these suppliers.

Unlike owner-builders, tenant firms exert limited influence over the design and configuration of buildings. Developers and investors primarily respond to general market demand and expected investment returns [10]. As a result, tenants are constrained in their ability to specify detailed design features or locational attributes. Rather than making fully independent location decisions, firms often choose from a restricted set of options already available on the real estate market.

ACCOMMODATION AND LOCATION IN THE RELOCATION PROCESS

To investigate the role of accommodation in corporate relocation decisions, a study was conducted involving 40 organizations in the Netherlands that had recently relocated. The focus was on the decision-making processes preceding these moves. Only relocations involving entire organizations or autonomous divisions with a minimum of 500 square meters of floor space were included. All firms moved within urban areas and sought similar types of accommodation—namely, standalone office buildings without a public function. Government agencies were deliberately excluded.

Most respondents operated in the service sector: 21 were from banking, insurance, or business services, and 14 belonged to other service industries. The remaining five included two trading companies, an installation firm, an electricity provider, and a manufacturing company. This composition reflects the general structure of office space usage in the Dutch real estate market.

With one exception, all firms relocated within the same urban area in which they were previously located. The dominant motivation for relocation was dissatisfaction with existing accommodation, which accounted for 63% of cases. Although some firms considered moving beyond the urban boundary, they ultimately rejected this option due to potential negative consequences for employees, such as longer commuting distances. The single firm that relocated over a longer distance chose Rotterdam, motivated by market presence and personal networks of the director; however, identifying a suitable site proved time-consuming.

To avoid the methodological limitations associated with the lack of accommodation-related variables in traditional location theory, respondents were questioned indirectly about their relocation motives. They were asked to specify both their locational and accommodation-related requirements and to describe the entire search and decision-making process, including the criteria used. This approach made it possible to analyze not only why a particular option was selected but also why alternative options were rejected. Unlike most studies, which focus exclusively on final outcomes, this research examined both acceptance and rejection criteria [10, 11].

All criteria mentioned during the search process were grouped into three categories: location factors, accommodation characteristics, and financial or contractual considerations. Location factors included accessibility, proximity to clients and employees, neighborhood reputation, and parking availability. Financial and con-

tractual aspects covered rental and purchase prices, contract terms, lease durations, acceptance conditions (e.g., furnished or unfurnished), options for future expansion, rent-free periods, exterior advertising rights, and indexation clauses. These elements can significantly affect the effective cost of occupancy.

Accommodation-related criteria were further subdivided into three groups:

- **Architectural characteristics:** external appearance and construction quality;
- **Operational aspects:** layout, usable floor area, gross-to-net ratios, number of floors, and spatial flexibility;
- **Technological facilities:** heating and cooling systems, security features, and building automation.

Table 1 summarizes the relative importance of different categories of criteria. Location-related factors were mentioned most frequently (35%), followed closely by accommodation-related considerations (30%). Financial and contractual aspects were mentioned less often.

Table 1: Factors influencing the search and decision process

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

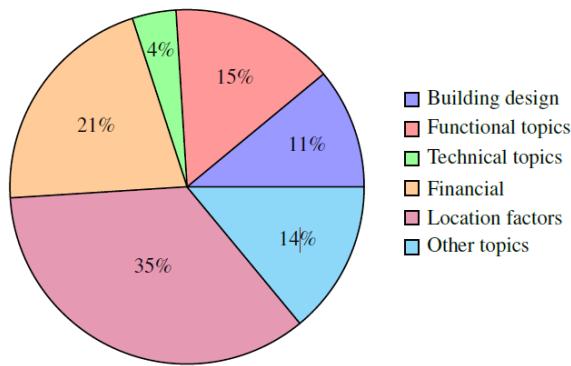


Figure 1: Relative importance of factors in the search and decision process

DISTINCTIONS BETWEEN OWNER-BUILDERS AND RENTERS

The sample of respondents comprised both firms that intended to lease office space and those planning to develop a building for their own use, referred to here as owner-builders. It was initially assumed that owner-builders would attach greater importance to locational characteristics than to the specific features of the accommodation itself, since they are able to influence building design through the selection of architects and construction plans. In contrast, tenants and firms purchasing existing buildings lack this degree of control.

Because they must work within the constraints of pre-existing structures, these organizations are required to evaluate both locational and accommodation-related factors and often face trade-offs between the two. Consequently, it was expected that renters would rely on a broader range of accommodation-related criteria in their decision-making processes than owner-builders [12].

The empirical study included 15 owner-builders, three firms that purchased existing premises, and 22 tenants. Although the size of each subgroup is relatively small—limiting the scope for definitive conclusions—clear differences between the two categories emerged. As anticipated, owner-builders referred more frequently to locational attributes than renters or buyers. In contrast, the latter group placed greater emphasis on financial and contractual considerations. One explanation for this pattern is that leasing involves more than a simple assessment of cost; it also entails negotiating contract terms such as lease duration, renewal options, and flexibility clauses—issues that are largely irrelevant for owner-builders [13].

As expected, tenants and buyers more frequently mentioned building-related and functional characteristics. However, the magnitude of this difference was smaller than anticipated. This suggests that owner-builders do not disregard accommodation-related aspects entirely. For instance, the desired size of the building—which affects the required plot dimensions and layout—was commonly considered by owner-builders. Interviews further revealed that several respondents who ultimately constructed their own buildings had initially explored rental options and, in doing so, had evaluated accommodation-related attributes in a similar manner [14].

CONCLUSION

This study demonstrates that business accommodation plays a substantial role in firms' location and relocation decisions. Based on interviews with 40 organizations in the Netherlands, the findings show that both owner-builders and renters consider a wide range of factors when selecting new premises. These results provide a more nuanced understanding of how organizations balance locational, financial, contractual, and accommodation-related considerations during the decision-making process.

The analysis indicates that owner-builders tend to prioritize locational characteristics more strongly than renters or buyers of existing properties. This preference reflects their ability to shape the design of their buildings, which makes attributes such as accessibility, neighborhood reputation, and proximity to clients and employees particularly important. In contrast, renters and buyers—who typically operate within the constraints of pre-existing structures—place greater emphasis on the qualities of the accommodation itself. These include the architectural design, functional layout, and technical features of the premises, as they must adapt their operations to what is already available.

Financial and contractual conditions also play a critical role, especially for tenants. Lease-related issues such as contract length, acceptance conditions, possibilities for expansion, and rent-free periods substantially influence the effective cost of occupancy and the perceived attractiveness of a location. While owner-builders also face financial constraints, they often benefit from greater long-term cost control through direct investment in their own premises.

More broadly, the findings highlight the interactive nature of location and accommodation considerations. Whereas traditional location theory tends to emphasize spatial cost advantages, this study suggests that the specific attributes of buildings can be equally decisive. Firms do not merely seek the cheapest or most accessible site; they also evaluate how well the accommodation aligns with their operational requirements and future development plans. This integrated perspective reflects a more comprehensive understanding of location choice, in which physical space and spatial context jointly shape organizational outcomes.

The relocation process itself emerges as complex and multidimensional. Firms must reconcile internal needs—such as functional layouts and technological infrastructure—with external conditions such as accessibility and neighborhood image. The limited availability of suitable properties further constrains choice, forcing organizations to make compromises among competing priorities.

Finally, the importance of flexibility stands out as a key theme. In rapidly changing business environments, adaptability to new technologies and organizational forms is essential. Buildings that offer flexible layouts and modern infrastructure are better positioned to support innovation and long-term resilience. This need is especially pronounced for renters, who typically face greater constraints in modifying existing structures and therefore place higher value on adaptable spaces.

In sum, this research underscores the multifaceted nature of business accommodation and its central role in corporate location decisions. By examining the differing priorities and constraints of owner-builders and renters, the study enriches traditional location theory and provides practical insights for organizations navigating complex real estate markets. Understanding how location and accommodation interact is crucial for making strategic decisions that support sustainable growth and long-term success.

REFERENCES

- [1] Gunasekaran N, Anandkumar V. Factors of influence in choosing alternative accommodation: A study with reference to Pondicherry, a coastal heritage town. *Procedia-Social and Behavioral Sciences*. 2012 Oct 24;62:1127-32.
- [2] Han Z, Song W. Identification and geographic distribution of accommodation and catering centers. *ISPRS International Journal of Geo-Information*. 2020 Sep 14;9(9):546.
- [3] Odubola I, Adeyeemi W. Effect of socioeconomic factors on the rental values of accommodation in Lagos metropolis. *Equatorial Journal of Social Sciences and Human Behaviour*. 2017 Jun 9;2(3):106-20.
- [4] Švec R, Navrátil J, Pícha K. The impact of the location on the price offered by accommodation establishments in Urban areas. *Acta Universitatis Agriculturae et Silviculturae Mendelianae Brunensis*. 2014;62:153.
- [5] Qian Y, Zhu H, Wu J. Understanding the determinants of where and what kind of home accommodation to build. *Ecological Indicators*. 2023 Oct 1;154:110803.
- [6] Tussyadiah IP. Factors of satisfaction and intention to use peer-to-peer accommodation. *International Journal of Hospitality Management*. 2016 May 1;55:70-80.
- [7] Khozaei F, Hassan AS, Razak NA. Development and validation of the student accommodation preferences instrument (SAPI). *Journal of Building Appraisal*. 2011 Jan 1;6(3):299-313.
- [8] Falk M, Hagsten E. Influence of local environment on exit of accommodation establishments. *Tourism Management*. 2018 Oct 1;68:401-11.
- [9] Hsueh YH, Lin YL. Exploring Accommodation Cluster and Tourism Development Based on GPS Positioning and GIS Analysis. In *Destination Management and Marketing: Breakthroughs in Research and Practice* 2020 (pp. 1-13). IGI Global.
- [10] Magni M, Pescaroli G, Bartolucci A. Factors influencing university students' accommodation choices: risk perception, safety, and vulnerability. *Journal of Housing and the Built Environment*. 2019 Sep 15;34:791-805.

- [11] Ahmad N. Ensuring Fairness in Real Estate Valuation: Exploring Vertical Equity. *International Journal for Housing Science and Its Applications.*;45:4-10.
- [12] Tussyadiah IP, Zach F. Identifying salient attributes of peer-to-peer accommodation experience. *Journal of Travel & Tourism Marketing.* 2017 Jun 13;34(5):636- 52.
- [13] Chan JK, Quah WB. Start-up factors for small and medium-sized accommodation businesses in Sabah, Malaysia: Push and pull factors. *Asia pacific journal of tourism research.* 2012 Feb 1;17(1):49-62.
- [14] Gutiérrez J, García-Palomares JC, Romanillos G, Salas-Olmedo MH. The eruption of Airbnb in tourist cities: Comparing spatial patterns of hotels and peer-to-peer accommodation in Barcelona. *Tourism management.* 2017 Oct 1;62:278-91.

Naveed Ahmad, Norwegian University of Life Sciences

Petter Næss, Norwegian University of Life Sciences; petter.naess@nmbu.no

Manuscript Published; 19 May 2024.