Factors Influencing Rental Office Selections (Case Studies: Class A Rental Offices Multifunction in Surabaya)

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Abstract-The high growth of rental offices in Surabaya had not been directly proportional to the level of occupancy. The developers role were very important in providing rental offices for business activities, but the developers only paid attention on the location factor while the tenant preference was ignored. According to the tenants location was not the only important factor. There are other factors considered in choosing a rental offices such as accessibility, environment, building exteriors, building interiors, facilities and services, as well as finance and lease. This research aimed to determine the main factors that influence the choosing of a rental office from the tenants point of view. The tenant of class A rental office multifunction in Surabaya was as the population because it had the best specification among other classes. The sampling technique used was simple random sampling. This research was a positivism study that uses quantitative research strategies and factor analysis techniques. Finding showed that there were three most important factors in the selection of rental office. They were, in a sequence, "physical building", "accessibility" and "facilities and services".

Index Terms- Preference, Real Estate, Rental Offices, Tenants

I. INTRODUCTION

Growth of rental offices in the major cities in Indonesia began to increase due to higher land prices and limited land in the down town (in Kompas news report in 2017). Rental offices in Jakarta increased in the number of supply in 2016. It was recorded 5.3 million m². In Bandung, the rental office supply index increased 11.03% in 2015. Similarly, in other cities, Medan, Tangerang, Semarang and Makassar, according to Coldwell Banker Indonesia, the growth also increased from the year of 2015 to the second quarter of 2016. The amount of rental office supply was increasing, but not for the number of its demands.

Surabaya has the largest rental office growth in terms of supply and demand compared to other big cities in Indonesia. According to Bank Indonesia's survey on Commercial Property Developments report in Indonesia in the fourth quarter of 2016, Surabaya is proven to have an annual growth of the index of commercial property supply, especially for rental office of 22.65% and demand index of 9.21%. Although the growth of supply and demand for rental offices in Surabaya is the highest among other cities, the occupancy rate decreases, similarly with other big cities. According to a survey of property consultants Jones Lang LaSalle in 2017, the decline was dominated by class B and C rental offices, while for class A did not decrease. The decrease in occupancy occurred early in 2016 due to the sluggish economic impact. Rental office prices are also increasingly expensive due to an increase in construction costs.

However, many tenants are not concerned about the high rental rates because there are other factors they consider in choosing a rental office. Tenants who do not question the high rental price due to the tenants trust in the image of the developer and the strategic location of the rental office. On the contrary, according to Kompas news, the developers only care about building in certain strategic locations and their office spaces are rented, while the corporate preferences as tenants are not noticed.

From the above facts, it is hypotized that location is not the most important factor in choosing a rental office. There are several other factors that companies consider in making decision to inhabit the office [1][2]. These factors are building characteristics, facilities, proximity to business associates, cost, tenant stability, space flexibility, lighting and ventilation as well as free from air and sound pollution [3]. Meanwhile, according to Celka (2011), rental terms and conditions are the main factors followed by location, accessibility, building characteristics, building features, equipment completeness and other supporting factors [4].

The existence of various other factors in the selection of rental offices should be considered since the tenants no longer see the office as a basic need, but a choice. This tendency towards preferred choices is called preference [5]. A good-sized tenant will be more likely to choose to occupy a better office according to the available level of office class. Therefore, the developer must know the factors that the tenant considers in the selection of the rental office in order that the rental office developed in accordance with the tenants preferences.

The purpose of this research is to determine the main factors that affect the tenants in choosing a rental office. This research is important because there are still many rental offices that have not been developed in accordance with the tenants

preferences, where the developer only prioritizes the location factor and has not considered the tenants preference. In addition, this research is also important because the lack of research on rental offices seen from preferences tenant and real estate knowledge. For real estate market analysis, recognizing and understanding the factors of selecting a rental office is very important for the developer to ensure that the rental office supply developed can fit the tenants preferences.

II. RESEARCH ELABORATIONS

2.1. Rental Office

Moekijat (1977) stated that office is a place used to carry out administrative works that aim to provide communication and recording services [6]. According to Marlina (2008), rental office is a group of offices in a single building resulting from a rapid economic growth in major cities, such as industry, building and construction, trade and banking [7]. It can be concluded that the rental office is a building in which there are rooms rented completely with furnished facilities and services for accomodating as well as supporting the office functions, such as business activities and administrative works.

Kyle and Baird (1995) said that office space is divided into Class A, B, C or D, based on the guidelines issued by the building owners and Managers Association International as well as using the rules of the Building Owners and Managers Association (BOMA International) conducted a survey of market conditions in each semester [8]. Although building classes vary from one city to the other, it is usually determined by three main factors, i.e. building age, location, level of occupancy, and the cost of the rent.

2.2. Factors Influencing Rental Offices Selections

To meet their needs, the tenants will select where the rental offices they will choose. According to Newmark and Thompson (1977), human needs have levels, if the most basic needs have been met, people will try to meet other needs [9]. The need to have an office is a basic requirement for tenant companies. These needs may progress to a level of four or five depend on the tenant company, where a good-tenant companywill move to occupy the better offices according to the level of office class available from class D to the best class A. If the tenant company has been able to occupy the rental office with the bestclass, the tenant company has reached the highest level of thehierarchy of its needs and will have a desire to always fulfill their desire. This desire is called preference.

Preferences are a tendency towards something or prefer choice [5]. Porteus in Nursusandhari (2009) defined preferences as the consumers inclination in making decisions to choose something they prefer over others [10]. The usual preference between one consumer and another consumer is not the same, so it can be used as a reference of the plan of something based on the desire or participation from consumers. The consumer preference in selecting rental office are surely varied. There are influences from inside and outside of the company which come into consideration in assessing the factors of the rental office selection. The relation to perception, the consumer preference in selecting rental office is a selection towards the stimulus that is affected by the varied factors in selecting the rental office. While

the process of understanding the stimulus is called perception [11].

The selection of rental office can be seen from the behavior of the tenant, the role and influence given by the developers property, as well as the influence from the perception of a tenant [12][13][14][15]. According to Atmosudirdjo (1982), there were some factors that were noted and taken into consideration on selecting the office, such as offices neighborhood, proximity to the general office buildings, rental office cost, traversed by public transportations (accessibility), proximity with the labor market, at the center of financial activity (location), close to the government building, as well as the level of security [16]. According to Moekijat (1989), the factors which are considered in determining the location of the office is location, feasibility, financial, and physical condition [17]. While Terry in Gie (2000) said the factors that are taken into consideration in selecting the office is the character of the building, building facilities, the proximity of the office with other companies, cost, stability of tenants, the flexibility of space, lighting and ventilation as well as free air pollution and noise [3]. According to Quible (1996), there are three determining factors of office location, financial factors, operational factors and factors of employees [18]. According to Celka (2011), determinants of preference in selecting tenants of a residential tenancy office location, rental terms and conditions, accessibility, building characteristics, completeness, thoroughness of building equipment and other factors [4]. By adopting the appropriate factors with the issues that will be examined in the context of the selection of office space rent, a summary of the various factors which have been mentioned will help focusing on a number of factors which will be selected. Some of the factors used in this research including the location, accessibility, environment, building exteriors, building interiors, facilities and services as well as finance andrent. Such seven factors elucidated with some parameter on each factor.

2.3. Consumers Decision Making

According to Kotler (1999), there are stages in decision making by consumers before making a transaction or purchase, namely the introduction of needs, information search, alternative evaluation, purchasing decisions, and post-purchase evaluation [19]. Meanwhile, according to Pompian (2006), decision-making is based on collecting all available options, taking notes and estimating events, listing information related to objects and ranking consecrations of each action taken [20]. Most individuals cannot describe the problems they face, so affecting the processing of information and affecting the decision-making they must take. On the other hand, the average individual will choose something based on subjectivity and their underlying preferences and judgments though less than ideal. Some studies have argued that there are limitations of rational assumptions in the behavior of decision making in the property market. Research by McMaster and Watkins (2000); Leishman and Watkins (2004) and Wyatt (1999) have supported the assertion that the role and behavior of real estate actors in markets differ and do not have fully perfect information about markets [21][22][23]. So many factors in choosing a rental office that can be choosen from, ultimately the tenants will be limited to behave rationally and simply decide to choose according to his choice.

2.4. Method

This research applies positivism paradigm with quantitative method. Its population is tenant of class A rental office multifunction in Surabaya. Class A rental offices multifunction are selected for having the highest specifications of any other office class and it is assured that all class A rental offices have met the most superior international standards in design, construction, facility and service management, price, age of the building and located at the center of main activities. In addition, the occupancy rate of the class A rental office in Surabaya also did not decrease compared to other classes. Based on the secondary data from property consultant, it is known that the number of class A rental office multifunction in Surabaya is six, but only four rental office buildings can be researched. So the population of tenants contained in the four rental offices is 230 tenants. From the four class A rental offices multifunction that can be researched, which is permitted to be surveyed, only three rental office with the following distribution:

Figure. 1. Location of Each Case Study Building in Surabaya

Table 1. Rental Office Profile

	Case Study 1	Case Study 2	Case Study 3
Location	East Surabaya	East Surabaya	West Surabaya
Land Area	4.700 m^2	4.104 m^2	8.000 m^2
Building Area	16.850 m^2	31.067 m^2	18.920 m^2
Development	1995	2000	2010
Tenants	90	65	30
Occupancy	78%	90%	90%

Source: Author, 2018

The sampling technique uses simple random sampling. Based on the calculation of the formula, the number of 146 samples of tenants is obtained.

The data collection technique is started from literary review to get the factors of rental office selection. There are seven variable factors and some parameters used in this research, that is:

Table 2. Variabel dan Parameter Faktor-Faktor Pemilihan Kantor Sewa

Factors	Parameters
Location	Image and prestige of the location; Visibility and address of prestigious office building; Locations in CBD
Accessibility	Access to public transportation; Access to government offices; Access to mall, restaurant, hotel; Access to recreational and sports facilities; Access to administrative facilities & financial transactions; Access to customers and business partners

Factors	Parameters
Environment	The low air pollution level; The low ambient noise level; Safe neighbourhood (low crime)
Building exteriors	Name of the famous building and its reputation is good; New building age; Large building; The luxurious exterior design of the building; Landscape design and greenery
Building interiors	Flexibility of arranging space; Lighting & contingency in office building; Layout arrangement and circulation of office building
Facilities and Services	Parking area extensive and adequate; Communication and internet facilities; Access to in the building (elevator and stairs); The presence of good security, hygiene and fire protection facilities; Available for activities support room facilities; Responsive building management
Finance and Lease	Low rental rates; Flexibility of rental rules; Low cost of management and service

Source: Author, 2018

After obtaining the seven factors and several parameters, the distribution of questionnaires are then carried out for the tenants of the office with some questions in accordance with each parameter. The parameters are questioned by Likert scale by generating the answers with a score of 1 (strongly disagree) to score 6 (strongly agree) and furthermore the scores can be further analyzed.

After the data were collected, the data were analyzed using factor analysis aimed at simplifying the diverse parameters of the research variables, where they were not well identified [24]. This method is chosen because it can know the factors of selection of rental offices that will be clustered based on the value of the results of the analysis so that it is possible to do simplification and addition of new factor groups in which these factors have not been well identified. This technique is very useful in the field of market research, namely to know the preferences of consumers on a product or service.

Factor analysis begins with KMO, Barlett's Test and Anti-Image Matrices so that the samples taken are adequate and can be further analyzed. After that, the core process of factor analysis is done by deriving one or more factors from the parameters passed in the previous test through the process of Communalities and continued by Total Test Variance Explained to find out a number of factors formed with the value of Initial Eigenvalues value more than 1.00. Then the Component Matrix test is conducted with an indication that the value on each parameter of more than 0.5 will be a member of the factors formed. Furthermore, the parameters to be a member of that factor are clarified with the greatest value through the Rotated Component Matrix and tested by Component Matrix Transformation to see whether the factors are related to each other. In the final stages, the interpretation of the factors formed by making new naming is done if there are new factors formed. In addition, the order of grouping factors based on the value of % of variance and the loading factor value of the final result of factor analysis will be known. The greater the value of % of variance, the greater the factor gives effect. As for the loading factor value, if the whole parameter has a loading factor value above 0.5, all parameters are considered to have strong enough validation to explain the latent construct.

III. RESULTS OF FINDING

Result from the factor analysis show the following :

Table 3. Rank of Factors of Rental Office Selection Based on The Tenant Preferences

Factors	Parameters	Loading Factor	% of Variance
(Factor1) Physical Building	The luxurious exterior design of the building	0.786	29.401
	Landscape design and greenery	0.780	
	Large building	0.695	
	Building orientation is right	0.650	
	Name of the famous building and its reputation is good	0.564	
	New building age	0.550	
	Access to public transportation	0.508	
(Factor 2) Accessibility	Access to government offices	0.817	10.829
	Access to mall, restaurant and hotel	0.789	
	Access to recreational and sports facilities	0.746	
	Access to administrative facilities and financial transactions	0.738	
	Access to customers and business partners	0.596	
(Factor 3) Facilities and Services	The presence of good security, hygiene and fire protection facilities	0.791	8.211
	Access to in the building (elevator and stairs)	0.736	
	Available for activities support room facilities	0.644	
	Communication and internet facilities	0.544	
	Responsive building management	0.528	
(Factor 4) Environment	The low ambient noise level	0.847	5.809
	The low air pollution level	0.785	
	Safe neighbourhood (low crime)	0.777	
(Factor 5) Interior and Parking	Flexibility of arranging space	0.765	5.355
	Layout arrangement and circulation of office building	0.745	
	Lighting and contingency in office building	0.652	
	Parking area extensive and adequate	0.646	

Factors	Parameters	Loading Factor	% of Variance
(Factor 6) Location	Visibility and address of prestigious office building	0.787	4.470
	image and prestige of the location	0.745	
	Locations in CBD	0.681	
(Factor 7) Finance and Lease	Low cost of management and service	0.753	4.009
	Low rental rates	0.741	
	Flexibility of rental rules	0.720	

Source: Author, 2018

Based on the table 3, the seven factors that have different correlation values are formed. The number of the seven factors formed through factor analysis is the same as the amount grouped based on the literature review but there are only four factors where the addition and substraction parameters occurred after the rotation factor so that the interpretation with a new name is required. Factor 1 which initially consists of only 6 parameters, finally after the factor analysis adds "access to transportation facilities" parameters, in which that parameter is originally located at factor 2. Similarly, factor 5 which originally consisted of only 3 parameters finally after the factor analysis adds, the "parking area extensive and adequate", in which the parameters are originally located at factor 3. While factor 4, factor 6 and factor 7 did not change after the factor analysis. So there is a change of name on factor 1 into physical buildings and factor 5 into the interior and parking due to the addition of parameters within the factor.

Factor 1 "physical building" is the most influential factor compared to other factors. This is showed by the amount of data diversity or the total variance of 29.401% of the total of the seven groups of factors generated. While the parameter of "the low ambient noise level " is considered the strongest to explain the latent construct because it has the highest loading factor value of all the parameters, i.e. equal to 0.847.

The result of factor analysis shows that the physical buildings factor becomes the most influential factor in choosing rental office by tenants. The strongest parameters of the physical buildings factor to explain its latent construct is the luxurious exterior design of the building. This is not in accordance with Adnan and Daud (2010) research, where the buildings factor has the lowest weight in the two sectors of the business field and is not a top priority in the three sectors of the business field researched [25]. This results are also the contradiction to Adnan et als (2009) research, where design and space aspects are not given high priority by various tenant stakeholders [26]. However, in this research it is possible that the luxurious exterior design of the building becomes the primary choice in the physical buildings factor because the selected office building is a class A rental office, in which they generally have international standards that superior in design [27].

The location factor in this research only become the fifth consideration in the selection of rental office by tenant. This is not in accordance to researches by Dent and White (1998),

Goddard (1973), Daniel (1991), Wyatt (1999), Coffey dan Shearmur (2002) and the neo classical theory of property which put the location factor (commercial center for agglomeration) as an important factor which was not applied in this study [28][29][30][23][31]. This research agree to Higgins (2000) dan Sing (2004) that location is not a top choice of tenants and is also reinforced by the perspective of decision-making behavior by Leishman dan Watkins (2004) which expressed the importance of factors other than rent and location [1][2][22].

The location factor is not the primary choice in this research with the assumption that the location of a class A rental offices has been considered in depth by the developers with certain conditions so that the location of class A rental offices is more superior than rental office of class below it. However, the positioning and development rule of the premier rental offices is unlikely to be far from the main center of a city, so this criterion is not the main criterion by tenants. Tenants choose "building physics" as the most important factor because tenants of class A rental offices are dominated by large corporations. It means that the large firms with strong capital tend to choose a class A rental office with high rent to get a positive value from a rental office building image that can give the company the better impression to customers as well as business partners. It can affect the level of confidence of the customers and business partners getting higher and promising better business potential. In addition, the tenant chooses a class A rental offices is due to the facilities and services than the class below so that the employees will feel comfortable in doing office activities on a daily basis.

IV. CONCLUSION

The selection of rental offices for each tenant company has different considerations and preferences. Result from the formation of joint factors influencing the preference of selection of class A rental office multi function in Surabaya, concluded that there are three main factors that preferred of the tenant i.e. "physical building", "accessibility" and "facility and service". Location factors that are only a major consideration of the developer and include the most important factors in the neo classical theory of property are not applicable in this research. Physical building factors become the most influential factor in the selection of rental offices by tenants. This research proves that the location factor is not the only main factor that tenants consider in choosing a rental office, but there are other factors besides the location factor in the selection of rental offices.

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