



Law Firm Office Space Trends

In today's economy, law firms face a multitude of challenges regarding real estate and office leasing. This report offers an analysis of current office leasing trends that are affecting both local and global firms, and highlights successful real estate strategic and transactional solutions. **Overall, law firms are reducing their footprint for costs, efficiencies, and as a reflection of a new culture emerging from leading U.S. law firms.**

ECONOMIC CLIMATE

Even amid the U.S. economic recovery, the legal services industry faces flat, if not declining, aggregate revenue and demand for services. This translates into pressure on profits and associate salaries, prompting intense scrutiny of all firm expenses. Partners and firm managers receive a daily visual reminder of significant office space costs and inefficiencies. Additionally, technology is revolutionizing the way lawyers work and will - or will not - utilize their premises.

DENSITY TRENDS

- 5 attorneys : 1 legal assistant
- 750 rentable square feet (RSF) per attorney
- 1.5 conference room seats per attorney
- High-density file systems are back in vogue, but large capital outlay and structural infrastructure must be removed at end of term

Source: Avison Young

According to a recent case study from Gensler:

To reduce their real estate footprint, many law firms are using technology to shift support and project-based facilities like litigation rooms to lower-rent space, sometimes outside the building or, in the case of mission-critical facilities, outside the city. The growing use of digital document management, encouraged by the courts, is reducing the need for paper storage.

<http://www.gensler.com/#viewpoint/features/18>

KEY FINDINGS AMONG LAW FIRM CLIENTS

1

Reduced footprint yields significant long-term cost reductions.

2

Ideal floor plan has fewer corners, creating uniform perimeter offices. Firms no longer covet multiple corner offices. Core space is underutilized due to fewer legal assistants and less filing as a result of technological innovation. Buildings with large core-to-shell depths have too much core space that is unusable.

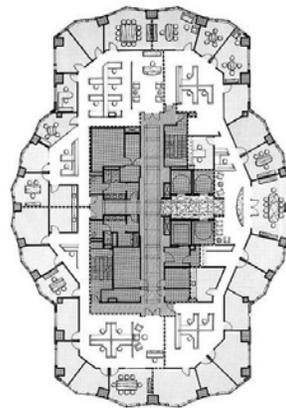
3

Many law firms do not realize savings due to perceived inconvenience, lack of capital to fund changes, and/or credit issues prohibiting loan of tenant-improvement money.

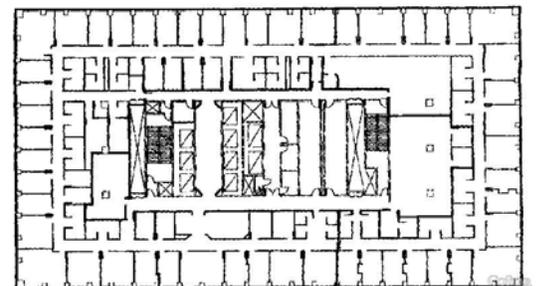
\$150,000 ANNUAL SAVINGS

	Former	New
Attorneys	30	30
Footprint	25,000 RSF*	20,000 RSF
Rent	\$30/RSF	\$30/RSF
Annual Rent	\$750,000	\$600,000

*Rentable Square Foot



YESTERDAY'S DESIRED FLOORPLAN



TODAY'S DESIRED FLOORPLAN

Source: Avison Young, CoStar Group, Inc.

SAMPLE TRANSACTIONAL SOLUTIONS TO TODAY'S LAW FIRM CHALLENGES

CHALLENGE	Offices are too large given infrequent use due to travel, telecommuting, etc. Workforce is very mobile; cloud storage of files and online library access eliminate need for certain spaces.	If offices are yesteryear's partner solution, then the firm is ripe for downsizing and will save by moving into today's more practical 10-by-15-foot offices. Also, core space, spacious lobbies, rolling file storage and libraries can be eliminated.	SOLUTION
CHALLENGE	If staying provides the best rent economics but space is outdated and inefficient, how does a firm rebuild existing space without disruption?	First, the firm needs to conclude that the existing perimeter offices can be reused. If they can't, there is little value in the existing improvements. The next step is to locate temporary premises within the building to reside in during reconstruction. This is often called swing space.	SOLUTION
CHALLENGE	Achieving efficiencies requires capital.	<ul style="list-style-type: none"> - Landlord allowance – good - Partners' capital – bad - Bank loan – special circumstances 	SOLUTION
CHALLENGE	Downsize from full floor to ¾ floor requires corridor system at \$150,000.	After determining that the perimeter offices can remain intact and swing space is available within the building (entire floor must be vacated to install a multi-tenant corridor), then the landlord must initiate the construction of the corridor. In most cases, the landlord will only conclude that this expense is the best option because (a) multi-tenant space isn't available elsewhere within the building and/or (b) the existing improvements (e.g. the perimeter offices) have high residual value. Once the landlord makes this decision, it is easier to rationalize paying for the costly corridor. It is imperative that the landlord excludes this cost from the tenant-improvement allowance.	SOLUTION

Source: Gensler, CoreNet Global

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About Avison Young

Avison Young is the world's fastest-growing commercial real estate services firm. Headquartered in Toronto, Canada, Avison Young is a collaborative, global firm owned and operated by its principals. Founded in 1978, the company comprises 1,600 real estate professionals in 60 offices, providing value-added, client-centric investment sales, leasing, advisory, management, financing and mortgage placement services to owners and occupiers of office, retail, industrial and multi-family properties.



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