

State of the industry



Under pressure

Profitability in the law firm sector is under increased pressure as expenses rise and the global economy dampens demand. Challenges include increasing competition from accounting firms performing services previously assigned to law firms, clients looking for discounts and companies turning to smaller regional law firms as a way to reign in expenses.



Technology driven change

Technology has dramatically transformed how law firms operate. The ability to digitally store legal information has removed the library as the hub of the law firm, improved productivity and expedited the transfer of documents.



Growth through new markets and practice areas

The desire to expand the size of a specific practice area or enter a new market spurred a record-setting year for law firm mergers in the U.S. Firms remained somewhat stable in the gateway markets of New York, Washington, Chicago and Los Angeles. But have grown in cities like Houston, Denver, Palo Alto, San Francisco and Miami due to opportunities created by the energy and technology sector and by Latin America.



Is your real estate enabling growth?

What is the cost of not having the right real estate where and when you need it?

How does your real estate create a competitive advantage?

Does your real estate strategy support your business objectives?

What this means for real estate

1 Emphasis on efficiency

Profit margins are expected to improve as law firms adopt a leaner cost structure in the wake of salary freezes and layoffs. Firms that have recently relocated to new office space have given back an average of 15.2% across the top markets tracked domestically. Individual lawyer offices have shrunk by 20% to 25% and some firms have required associates to share an office. The relocation of support groups to less expensive space and is also driving down costs and improving efficiencies.

2 Innovative office space

Technology has created an opportunity for law firms to increase collaboration and improve productivity through office space design. Law firms have reclaimed former filing space for multi-function meeting rooms and sleek cafeterias with Wi-Fi have replaced libraries as key communal areas. The use of standardized office sizes and demountable walls allows firms to quickly adjust to changes in staffing. As a result, law firm space is more flexible and productive.

3 Location driven leverage

A flight to quality, primarily in major cities, has reduced the number of Trophy and Class A options most attractive to law firms. The number of space options across all size segments has decreased. Rents are up 3.0% market-wide and up 6.0% for Class A CBD space. However, real estate opportunities exist. Stagnant demand from the financial services industry is reducing competition in NYC. In Washington DC, less demand from the government sector will extend leverage for law firms by 12 to 24 months.

Results in action

McDermott Will & Emery

- Drive favorable economics with more efficient use of space
- Analyzed desired headcount against different floor plates to find a layout that worked best for the firm's needs.
- Located 80,000 s.f. of office space in a premier high-rise building located in Boston, MA
- Designed 10-year lease in a building that offered the image, economies and efficiencies the firm desired
- JLL was retained to achieve additional workplace efficiencies

Skadden

- Restructured the complex Washington D.C. lease
- Reduced occupancy from 450,000 s.f. to 410,000 s.f.
- Negotiated extensive base building upgrades, including new HVAC system, upgraded elevators and roof terrace, and lobby and restroom renovations
- Space is now not only upgraded but also dramatically more efficient in structure

MILES & STOCKBRIDGE P.C.

- Helped relocate this Baltimore firm to a 35-story skyscraper that was undergoing a \$40M renovation
- Devised a long-term occupancy strategy with flexible occupancy dates with no additional rent cost
- Reduced occupancy by 20,000 s.f. but added 13,000 s.f. of below grade space for administrative functions

71.7% of markets expect rents for law firms to increase over the next 12 months

37.0% of markets expect concessions to continue to decline over the next 12 months

34.9% of markets report that law firms greater than 50,000 s.f. are out of existing options and will need to renew or look at new construction.

Top ten transactions

**425 Lexington Avenue,
New York**
Simpson Thacher
595,799 s.f. | Renewal



**601 Massachusetts Avenue NW,
Washington DC**
Arnold & Porter
375,000 s.f. | Relocation



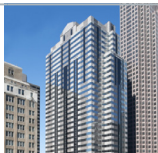
**1501 K Street NW,
Washington DC**
Sidley Austin
289,000 s.f. | Renewal



**2 Harbor Shore Drive,
Boston**
Goodwin Procter
360,000 s.f. | Relocation



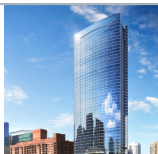
**Two Logan Square,
Philadelphia**
Pepper Hamilton
268,000 s.f. | Renewal



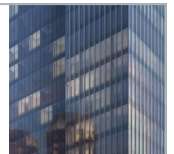
**951 E Byrd Street,
Richmond**
Hunton Williams
257,349 s.f. | Renewal



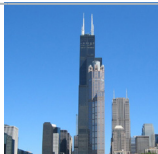
**444 W Lake Street,
Chicago**
McDermott
225,000 s.f. | Relocation



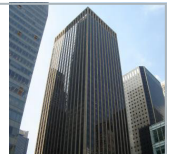
**800 E Cary Street,
Richmond**
McGuireWoods
217,000 s.f. | Relocation



**233 S Wacker Drive,
Chicago**
Dentons
204,705 s.f. | Relocation (in building)



**1133 Avenue of the Americas,
New York**
Patterson Belknap
198,000 s.f. | Renewal



For more information, please see our full report:
[United States Law Firm Perspective](#)

www.jll.com/lawfirms

©2015 Jones Lang LaSalle IP, Inc. All rights reserved. No part of this publication may be reproduced by any means, whether graphically, electronically, mechanically or otherwise howsoever, including without limitation photocopying and recording on magnetic tape, or included in any information store and/or retrieval system without prior written permission of Jones Lang LaSalle. The information contained in this document has been compiled from sources believed to be reliable. Jones Lang LaSalle or any of their affiliates accept no liability or responsibility for the accuracy or completeness of the information contained herein and no reliance should be placed on the information contained in this document.