



JONES LANG
LASALLE®

Real value in a changing world

Law Firm

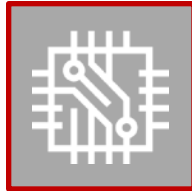
Industry
In[sight]er

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. According to the 2010 AM Law Technology survey, technology expenditure budgets among the top 200 firms were projected to increase 64 percent in 2012.



Geographical shifts in demand–

Changes in demand and industry structure have positioned regional law firms to expand while Big Law looks to consolidate in core legal markets like NYC and Washington DC. Over the last 12-months, above average growth in law firm employment has been recorded in less internationally exposed markets such as Austin, Baltimore, Denver and Tampa.

Top three things this means for CREs

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 14.8% across the top 36 markets we track domestically. Individual lawyer offices have shrunk by 20% to 25% with associates sharing 150 square feet with an officemate at some firms. 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 filling 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 productive and nimble.

3

Location driven leverage–

With the exception of commodity rich and technology driven markets where rents continue to climb, law firms seeking to transact over the next 24 months will have favorable leverage compared to landlords. The high volume of blend and extends over the past two years reduced the pipeline of near term lease expirations and dampened competition for space. Rents across most geographies are discounted 10% to 20% from peaks set in 2007 and incentives remain high compared to market norms.

Questions to ask yourself

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?

Are RE and FM destroying or creating value?

Name
Title
Phone
email

Results in action

MORRISON | FOERSTER

- Right-sized L.A. space and lowered rents based on more efficient space standards
- Reduced footprint from 138,000 s.f. to 77,000 s.f.
- Negotiated an annual run-rate reduction of approximately \$4M and gained rental abatement worth an additional \$4.2M in savings
- Relocated to a building with some of the best views in Downtown LA and into a space that best matches the firm's culture and work style

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

Top ten transactions

800 & 850 10th Street NW, Washington DC



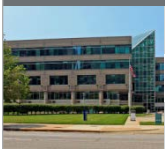
Covington & Burling
415,000 s.f.
Relocation

1201 West Peachtree Street, Atlanta



Alston & Bird
366,000 s.f.
Relocation

901 Lakeside Ave E, Cleveland



Jones Day
290,000 s.f.
Renewal with contraction

1701 Market Street, Philadelphia



Morgan Lewis
289,432 s.f.
Renewal

One Financial Center, Boston



Mintz Levin
245,000 s.f.
Renewal

90 S Seventh Street, Minneapolis



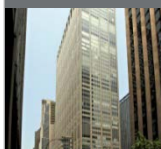
Faegre Baker Daniels
240,000 s.f.
Renewal

1050 Connecticut Avenue NW, Washington, DC



Gibson Dunn
204,705 s.f.
Renewal

1301 Avenue of the Americas, New York



Chadbourne & Parke
200,000 s.f.
Relocation

1650 Market Street, Philadelphia



Cozen O'Connor
200,000 s.f.
Relocation

1735 Market Street, Philadelphia



Ballard Spahr
176,000 s.f.
Renewal with contraction

Key highlights from the quarter

U.S. law firms occupy approximately 16.6% of the urbanized Class A office markets, but this number is shrinking

28.6% of all 50,000+ square foot law firm leases in 2012 involved firms rightsizing

U.S. landlords are giving law firms moving into new Class A space an average of eight months free rent on a 10-year term

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

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