

REAL INSIGHT

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Law Firms' Changing Demand for Office Space

BY MAURA CARLAND

The National Trend: Law Offices are Becoming Smaller but More Collaborative Places

The legal sector, although it is changing at a more methodical pace than the rest of the market, is implementing evolving national trends in office space design. Occupiers are increasing the number of workers per square foot while balancing two needs: private spaces for focused work and communal spaces that help foster creativity. In the current environment of low unemployment rates in many major metro areas, companies across various industries are using their office space as a tool for recruiting, engaging and retaining top talent; this holds true for law firms as well. Firms generally are attracted to buildings where their employees can take advantage of shared fitness centers and conference rooms, bike storage, multiple food options and both indoor and outdoor gathering spaces. Modern finishes and design, natural light, high ceilings, cafes and collaborative spaces help employers provide a positive workplace experience. Technology that supports remote teamwork and the sharing of digital content in conference spaces is increasingly important. Security of digital content is especially important given the confidential nature of many legal documents.

The legal industry also is adapting to cultural and economic shifts that are transforming the traditional model of law offices. Technology has slashed the amount of space

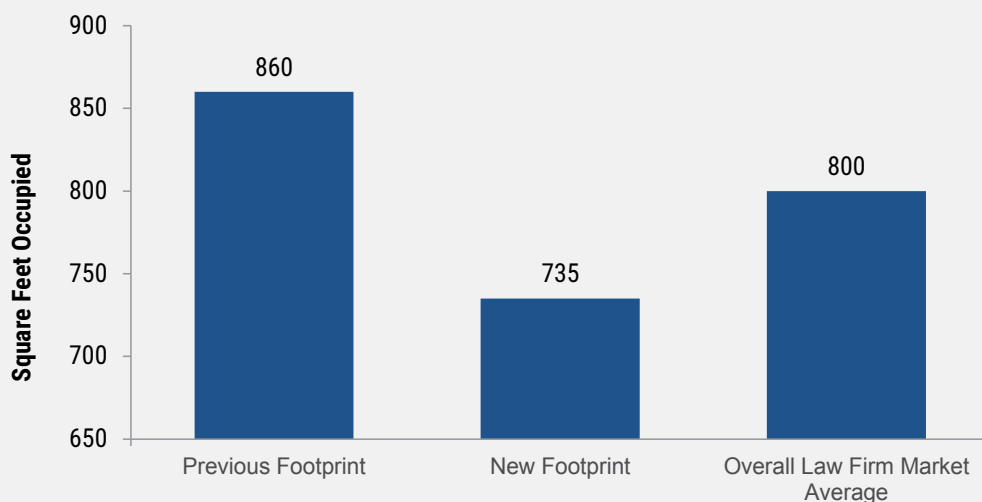
required to store paper and accommodate physical law libraries. Private offices in a range of sizes—and which have traditionally been assigned based on seniority—are being replaced with more egalitarian single or two-tier office footprints. During the Great Recession, law firms prioritized reducing occupancy costs. As a result, as leases expired, real estate choices came under scrutiny as a way to enhance firms' bottom lines. Now, while the imperative to conserve on occupancy costs persists, implementing a workplace strategy that also appeals to a firm's talent has become essential. A good workplace strategy is one that has appeal for all generations in the workplace and will insulate against the need to change direction again in the near future.

Featured Market: Minneapolis-St. Paul

Minneapolis-St. Paul's strong economy and density of corporate headquarters contribute to its popularity among national law firms as an expansion market. New entrants in the past five years include Jones Day, Greenberg Traurig, Quarles & Brady, Spencer Fane, and Saul Ewing Arnstein & Lehr. In addition, Fox Rothschild acquired Minneapolis-based Oppenheimer Wolff & Donnelly, and local firm Lindquist & Vennum merged with Philadelphia-based Ballard Spahr.

When compared to financial and professional services companies, law firms in Minneapolis-St. Paul have been slower to implement modern workplace design, but that is changing. NKF tracked 19 local law firms that relocated or renovated

Square Feet Occupied per Attorney for Minneapolis-St. Paul Law Firms Relocating or Renovating Since 2014



Source: NKF Research; May 2019

in the past five years. Among these firms, 11 contracted, four stayed the same size and four expanded. The average reduction in square feet occupied was 16% and the average square foot per attorney declined from 860 square feet to 735 square feet. This compares to the overall Minneapolis-St. Paul law firm market average of 800 square feet per lawyer.

A notable local example of the new emphasis on workplace strategy and design was Bassford Remele's move to 35,000 square feet at Fifth Street Towers from another location of similar size in the CBD. While the firm's new office space is not smaller, it incorporates modern trends with color themes throughout the office to add personality. The amount of shared space increased, with the addition of lounge areas in which employees may enjoy coffee drinks, snacks and beverages. The office includes a large café with complimentary beverages for employees, a small lending library, a reception area and conference rooms on two separate floors of varying sizes for different uses.

What Are the Implications for Our Clients?

The stakes are high for law firms undertaking a move or renovating. In seeking to create more efficient, modern space, they are attempting to improve productivity, reduce costs, and boost employee recruitment and retention.

A 2016 **Newmark Knight Frank study on employee productivity and office space** showed that over-densification of office space can lead to a negative impact on productivity that is not recouped by cost savings from the reduction in square footage occupied. Conversely, moving to more expensive but efficient and well-designed space can provide productivity gains that outpace increases in costs. When it comes to the relationship between total rent change and productivity, the impact of more efficient space increases among higher-paying industries, including legal services firms. In three large legal markets – New York, San Francisco, and Washington – it would take a 2-4% increase in productivity to offset the cost of more expensive but efficient trophy space. In the Minneapolis-St. Paul market, where both rents and salaries are lower, we estimate that it would take just a 2% increase in productivity to offset the typical cost of such a space upgrade in 2019.

To compete in a tight labor market, law firms can place increasing emphasis on making workspaces more inviting to their support staff. Changing the mix of attorney offices to include more interior spaces helps provide more natural light to staff workstations. Further, featuring conference rooms of various sizes to enhance flexibility, and adding large, non-conference areas to facilitate casual conversation, can create a more functional and appealing environment that may increase retention rates for top talent of all types.

Sources: NKF Research, *Minneapolis/St. Paul Business Journal*

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