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Top trends shaping the law firm commercial real estate market

By Dan Adamski

During the pandemic, a commercial real estate trend surfaced that has dominated all industries, including law firms: flight to quality. The term connotes a trend where most office deals feature a company seeking higher-quality office spaces with less overall square footage. According to a recent JLL Office Insight Report, more than half of all new office deals in Pittsburgh have been in Class A buildings since 2020.

Flight to quality is the dominant trend in the Pittsburgh and greater Allegheny County law firm commercial real estate market as well.

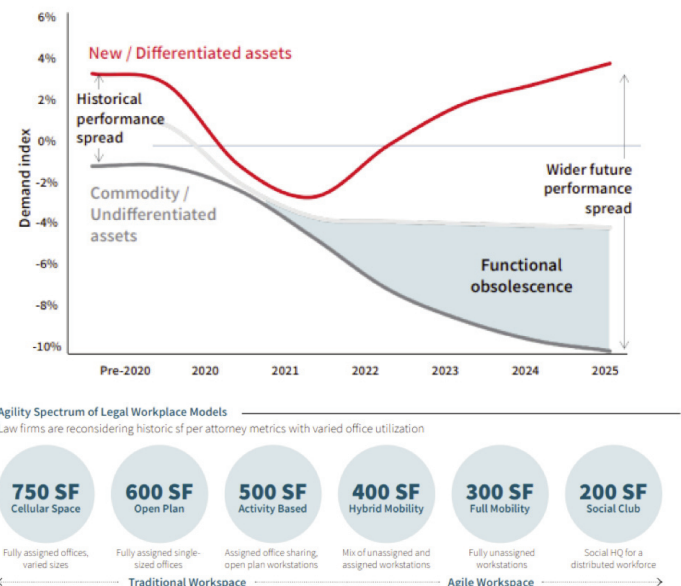
In Q3 2023, JLL released a Law Firm Overview that conducted research specific to national and local law firm commercial real estate markets. Its findings, highlighted here, are instructive for the legal industry to understand prevailing commercial real estate trends as it relates to law firms.

In this article, we will provide the most accurate insight into the state of today's law firm commercial real estate market and provide some predictions on if these trends will continue.

Highest Quality Office Spaces in Most Demand; Flight to Quality Trend predicted to continue through 2025

The flight to quality trend is creating a bifurcation in office performance as law firms are seeking differentiated office space. The term "differentiated" refers to the onsite attractions or amenities that help distinguish one office building from another and increases the attractiveness for law firms to customize their workplace strategies and offer compelling workplace experiences for their employees.

As the chart pictured with this article illustrates, traditional older office buildings experienced a nosedive in demand at the onset of the pandemic and never recovered, and these properties project to have functional obsolescence by 2025. Conversely, "Class A" or "Trophy" assets that are new or differentiated recovered quickly from the pandemic's challenges and have experienced surging demand beginning in 2022 and will continue through 2025. *Source: Q3 2023: Law Firm Overview, Jones Lang LaSalle.*



What Office Amenities are Law Firms Seeking?

JLL Research suggests office buildings that are performing best and attracting most demand from law firms feature the following amenities: onsite food and beverage options, quality architecture, tenant lounges and outdoor space. All these amenities are consistent with companies across sectors seeking to provide a work-live-play employee experience, which can help support return-to-work strategies.

Today's workforce, particularly lawyers, expects convenience and a well-rounded environment from their workplace. Law firms who are providing additional amenities like a popular local coffee shop, expansive outdoor space beautified with green space or a tenant lounge that allows for networking and collaboration, are faring best in attracting and keeping workforces fulfilled while in the office. Office buildings that feature these four amenities are separating themselves from other office buildings.

The Return to Office

With the pandemic fully in the rearview mirror, law firms and companies across all business environments have wrestled

with their return-to-work strategies. Some are committed to remote indefinitely while others have returned five days per week. JLL's data and anecdotal feedback suggests most law firms, and professional services firms in general, have settled on a hybrid approach.

In fact, 69% of law firms surveyed by JLL have set a minimum number of in-office workdays for their attorneys, most at three days per week. The second most common return to office policy is "flexible," followed by two to three days per week.

Given these data points, law firms are prioritizing agility and efficiency to reimagine the office to support this hybrid workforce.

Office Agility is Prioritized

Driven by the new way of hybrid working and generational shifts within the legal sector, agility has become a key driver for today's law firm office space design decisions. Law firm partners continue to focus on space optimization to minimize capital investment. Office sizes are generally decreasing and universal office sizes – where no matter the employee's rank or hierarchical status, all office sizes are the same square footage – is increasingly common.

Additional office efficiency measures include virtual libraries, eliminated or significantly reduced paper storage, smaller ratio of support staff to attorneys, as well as wider adaptation of new technologies for automation and machine learning.

As the next chart illustrates, law firms are reconsidering historic square footage per attorney metrics in favor of office space agility and varied utilization. *Source: Q3 2023: Law Firm Overview, Jones Lang LaSalle.*

Looking Ahead: The Future of Law Firm Office Trends

Despite high office vacancy rates across Pittsburgh as a result of pandemic headwinds, there are positive signs of evolution, renewal and growth across commercial real estate sectors, and law firms are the leading cause of the "Class A" and "Trophy" office market's resurgence.

Return to office policies suggest high quality offices with attractive amenities and agile floorspaces will continue to surge in demand, and that will help support the broader commercial real estate market.

The trends outlined in this article all project to continue through at least 2025, and the market is in a period of transformation to reimagine what law firm office spaces look like today and into the future. Law firms who are forward-looking and determined to retain and attract top talent will follow these trends. ■

Adamski is JLL's Pittsburgh Senior Managing Director.