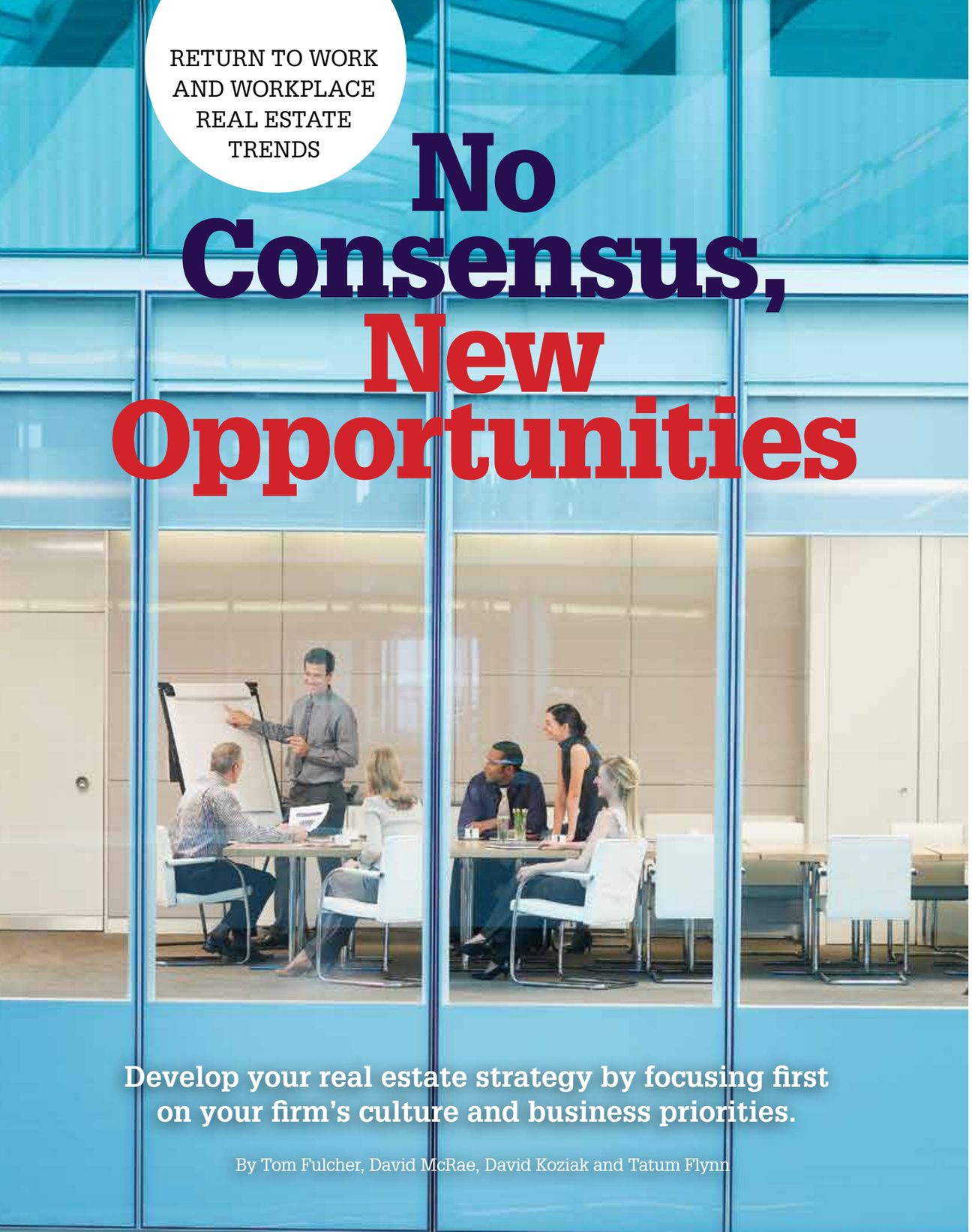
RETURN TO WORK AND WORKPLACE REAL ESTATE TRENDS

No Consensus, New Opportunities



Develop your real estate strategy by focusing first on your firm's culture and business priorities.

By Tom Fulcher, David McRae, David Koziak and Tatum Flynn

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Preparing a return-to-work strategy for your law firm can be daunting. What emerging workplace trends do you adopt? How can you methodically re-evaluate your real estate strategy to meet short-term demands and long-term requirements for sustainable operations? How do you minimize further client and workforce disruption and respect new health and safety guidelines while satisfying a growing appetite to return to normal? In an industry that relies on research and precedent to make sound decisions for clients, how can you prepare to face a future with no standard road map for success?

OPPORTUNITY FOR STRATEGY RESET

Our recommendation is to embrace this post-COVID-19 moment as an opportunity for a workplace strategy reset. Work from home (WFH) forced decisions that built a remote work infrastructure years, maybe decades, sooner than expected. Your firm's own customized case study in adaptation and performance offers a chance to start new conversations about the purpose of the office and how essential your firm's physical premises are to client service, workflow, collaboration and attorney mentorship.

With the knowledge that no one is an authority on the unknown, focus on developing the solution that works best for your firm. Communication with and observation of your attorneys and staff, as well as client satisfaction, are your best metrics. Let the last year of data and performance inform your decisions today. A thoughtful and informed response could position your firm's real estate and workplace strategy as a primary driver of competitive advantage going forward.

PANDEMIC AND RETURN TO WORK

We asked leading architects and space planners to share their experience helping the legal industry adapt and plan for a return to the workplace. They mentioned several consistent trends—both predictable and surprising. In general, attorneys are more eager to return to the office than support staff, and there may be some challenges in reconciling attorneys' desire for on-site support with the reluctance of staff members to return. Ease of WFH adoption has no consistent demographic response—with a percentage of senior and junior professionals registering preference for and increased productivity from remote work.

As a result, some firms are not planning to provide offices for 100 percent of their attorney population moving forward, and there will be less dedicated assigned workspace for support staff. The widespread adaptability of support and back-office staff to remote work is leading to accelerated discussions of long-term remote and flexible work options, further reducing support and attorney space ratios.

At the same time, a greater emphasis on a healthy work environment is challenging a pre-COVID move to shared offices and forcing greater attention to increased ventilation and fresh air exchange. Finally, there is increased attention to and investment in high-speed reliable technology and communications infrastructure to seamlessly connect clients and teams on- and off-site.

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LAW FIRM REAL ESTATE ACTIVITY

Our research teams tracked law firm real estate transaction activity and observed several clear trends over the course of the pandemic and its aftermath. In general, firms large and small are predictably taking a conservative approach to real estate planning. Renewals and short-term extensions are outpacing relocations 10 to 1, with many new leases having significantly shorter terms and more flexible options.

As an industry, law firms are faring better than many sectors, offering significantly less sublease space to the market over the past year than professional services, media and technology companies. Even the most profitable and growing law firms are planning to grow in place, accommodating more attorneys and staff in their existing footprint, and employing flexible and remote workplace strategies, as well as reduced square-foot-per-attorney ratios. Most firms are now striving to make progress toward reduced space ratios, with 500 square feet per attorney being a commonly stated target.

FOCUS ON CULTURE AND BUSINESS PRIORITIES

The right response to developing your real estate strategy is to focus first on your firm's culture and business priorities. Resist the urge to concentrate on your competition, and keep

a sharp focus on what is working best for your unique law firm and its talent. Consider how each business priority will impact space use.

Examine practice group workflow and client service—how it's been impacted by remote work and how it can be enhanced in the future. Explore if there are newfound possibilities for permanent remote work solutions for support and back-office staff—whether from home or in less expensive locations than your current office—and how time in the office can be enhanced by space built for collaboration.

Re-examine market demands for new talent at all hiring levels, based on the evolving demands of your own workforce and what the expectations are for a healthy and inspiring workplace. Be critical about how WFH has impacted attorney mentorship and how that might have altered the value of working on-site together.

Finally, take an objective look at the profitability and efficiency of your operations before and after COVID, and establish your financial metrics to track post-COVID recovery and growth. Occupancy cost is typically the second-highest cost item for law firms, between salaries and technology, so any real estate decisions need to be grounded in and support the firm's financial performance.

Business management guru Peter Drucker is credited with preaching that, "Culture eats strategy for breakfast." As you begin to establish your law firm's new normal, perhaps no factor is more important to successful change management and sustainable success than respecting your unique business culture. What is your firm's brand promise? Are you more or less collegial? Friendly or formal? High- or low-profile? Conservative or entrepreneurial? A return to the office needs to manage expectations for client experience while providing confidence and continuity.

From rainmakers to support staff, your office is the reflection and manifestation of your organization's culture, and your workplace strategy represents its evolution. Post-COVID expectations and needs will vary by personality, age cohort and practice group.

As you plan to bring your law firm family back together, it's important to have conversations about how to preserve traditions and build for the future. What have the tensions and unexpected benefits of remote work revealed about attorney mentorship, face-to-face collaboration and collegial support? How do those findings translate into effective space use? Remember, there is no right answer—your firm's experience over the past year is your best indicator.

How to optimize remote work to preserve culture deserves the same attention—from what to wear and best practices on videocalls to creating boundaries to respect family time. Keep your initial planning horizon short and practical. Open communication is the key, and you will want to encourage feedback as you proceed. If managed well, this iterative process may result in an even stronger and resilient law firm culture.

DEVELOPING AN INFORMED REAL ESTATE PLAN

Now that you've set business priorities and identified key aspects of firm culture to be preserved, it's time to craft your organization's real estate plan. Start with due diligence and a thorough understanding of your real estate status quo. You'll need to review your lease and note key dates and options to determine how much time you have remaining and what flexibility you have as-of-right in your current premises.

For those with substantial terms remaining, creativity within your current footprint will be paramount. For those with less time left, there are opportunities to begin exploring a broader set of options. The larger your firm, the earlier the process should start.

Your due diligence should go beyond your lease document. Seek the assistance of your real estate advisor to provide market intelligence on your submarket, building and landlord. Depending on your landlord's position and how its tenancy has been impacted by COVID-19—either at a specific property or throughout its portfolio—you may have more negotiating leverage and flexibility than you realize.

Next, you'll want to have a full examination of your current space use and its flexibility to meet your short- and long-term needs. Now is the time for even the most reluctant management committees to assess how their firms can migrate to begin meeting the emerging new normal space standards for the industry to stay competitive—from universal office sizes and enhanced collaboration spaces to workspace design that supports health and safety. In this process, don't be afraid to identify key outliers whose income contributions deserve special consideration. And be sure to balance cost savings with supporting organization culture. Be cautious about making changes that might make your firm's workspace less attractive to new hires, when compared to your competition.



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Understanding the costs of different options will help facilitate decision-making. A workplace strategy professional can help evaluate the feasibility and costs associated with meeting short- and long-term needs in your present space, based on your projections for post-COVID workforce accommodation and your projections for growth or contraction. For many, the best short-term decision will be to keep the current build-out as is and just alter how it's used, while evaluating potential longer-term options that may serve the firm better. As we emerge from the pandemic, seeing what the new normal is for your firm might take a while to evolve, so take the time you need to evaluate the best way to proceed.

REAL ESTATE AND WORKPLACE STRATEGY IN THE SPOTLIGHT

As you consider your firm's return-to-work approach, the right real estate and workplace strategy will position your organization for profitability and competitive advantage in the short and long term. With WFH being the ultimate disruptor of habits and culture, this forced inflection point in the discussion of how the workplace is defined for your law firm can be a welcome chance to break through past resistance to considering change. Now is the time to thoughtfully explore how emerging industry trends might affect your firm.

Leading a proactive and thorough investigation, as well as identifying and quantifying options, puts firm management in a position to drive a critical strategic initiative. Law firms of all sizes are generally meeting this challenge with a conservative response to space use to manage risk—focusing on short-term planning and a wait-and-see incremental approach to major change. However, for those firms with an appetite for making bold moves with a clear vision for the future—and with the right timing and flexibility in their lease agreements—the current market offers extraordinary and cost-effective opportunities to build their ideal office of the future. LP



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