

The Verdict Is In: **Law Firms in Denver Leading the Way**

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COVID-19 changed almost everything – especially in the business of office space. Organizations have been compelled to deeply reconsider their operations, culture, and the resulting impacts on employee recruitment and retention. Despite the many industry surveys circulated on the topic, the right answer surrounding the looming office usage questions remains elusive. Law firms, however, are bucking the trend of “wait and see.”

After two years, three things are becoming clear, and no one answer fits all organizations:

1

How work gets done, who does it, and where they do it best continues to evolve.

2

Law firms in Denver are committed to using office space and are making decisions in record numbers.

3

Law firms that have made or are close to making long-term decisions are making their bets on space utilization, and those bets are dramatically smaller than past practices in Denver.

For over 40 years, Denver law firms paid little attention to office space trends that dominated national and global space utilization best practices. For example, in the early 2000s, law firms in Tier 1 and coastal cities prioritized space efficiency. In contrast, Denver firms focused on mountain views, and very few focused on cost savings opportunities. Office space in Denver was comparatively inexpensive, and the fact that the office building stock was predominantly inefficient was unimportant.

Between 2021 and the first half of 2022, seven of the fifteen largest law firms in Denver have made “dynamic busting” decisions. Two more firms on the top 15 are close to making similar decisions. It is often said that change happens slowly and then all at once. This is certainly true as it relates to office space utilization for Denver Law Firms. The pandemic quickly shifted thinking, and the herd moved together. The old approach in Denver that one lawyer equals one office is no longer the norm. The hierarchy of varying office sizes in relation to tenure has also gone by the wayside. Although 20 years behind their peer groups in larger markets, Denver has finally adopted and, in some ways, surpassed national best practices. These changes have been induced by the pandemic and fluctuating work practices. However, the dramatic upward shift in rental rates over the last 10 years has had a greater impact. Firms coming off long-term leases in Denver often face rents double the amount of their previous lease.

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There is one other element that is important to note. During previous market-jolting events, including the savings and loan (S&L) crisis of the 1980s and 1990s, the 2001 dot-com bust, and the 2008 Financial Crisis, there was a clear trend of “flight to quality.”

In essence, when office space markets softened, clear-eyed tenants were very opportunistic in upgrading the quality of the buildings they occupied and doing it at equal to or lower costs than they would have paid “pre-crisis.” The pandemic had the same effect in Denver. However, the building quality discussion focused on technology and health-related amenities like never before. With a focus on sustainability and air quality, touchless access

to buildings was at the top of the list of reasons for building quality upgrades. Law firms and tech companies were all on the same page. The mass major law firm movement in Denver over the last 18-months clearly reflects that change. With seven long-term commitments made, four of those were relocations to new buildings.

Below you will see the commitments made in Denver by law firms in the last 18 months.

Other law firms that have recently committed to new buildings include Haynes Boone, Cooley, Michael Best, Greenspoon Marder, Faegre Baker, and Greenberg Traurig.

FIRM	PREVIOUS SF	NEW SF	NEW BUILDING?
Sherman & Howard	130,000	60,000	Yes
Brownstein	130,000	103,000	Yes
Bryan Cave	112,000	50,000	No
Davis Graham	110,000	80,000	Yes
Wheeler Trigg	100,000	75,000	No
Lewis Roca	59,000	31,000	Yes
Moye White	52,000	42,000	Yes

In addition, the following firms are among those in the process of evaluating space needs and the indicators of their search:

FIRM	PREVIOUS SF	NEW SF
Kutak Rock	78,000	Downsize TBD
Gibson Dunn	44,000	Downsize TBD

As you can see above, the actualized space reductions by the firms that have made their decisions are an aggregate of 285,000 square feet of space smaller. With the pending decisions by the firms that are in the process, the likely reduction in demand is well in excess of 300,000 square feet. In terms of metrics most often used pre-pandemic, the largest 15 Denver law firms averaged 850 square feet per attorney. This includes two significant outliers at over 1,000 square feet per attorney. With the new approach, that average has plummeted to close to 675 square feet per attorney, with the most aggressive desk-sharing firms falling below 500 square feet per attorney. To account for the new ways of working, the metric that law firms should pay attention to is flex ratios or how many seats per attorney. This metric will emerge over the next several months as the legal community digests and measure the effectiveness of these dramatic shifts in space leased.





It is clear law firms are committed to using office space. Knowledge transfer, mentoring, and efficient teamwork occur in person in the legal workplace. We also know that law firms have been the most opportunistic sector in the Denver market in terms of making decisions through the pandemic, finally catching up to their peers across the country, an overdue change. Is it possible that over-

corrections have been made? Yes. The question is, "Will the organizations' workplace strategy be shaped by their real estate decisions or vice versa?" We will likely know the answer by the second quarter of 2023.



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