

# BRIGHT INSIGHT

The 2020 National Legal Sector  
Webcast Live Polling Results



## LEGAL SECTOR ADVISORY GROUP

Cushman & Wakefield's global Legal Sector Advisory Group consists of more than 350 advisors that specialize in strategizing, creating, and implementing real estate solutions that support the business of today's legal sector. Our extensive experience working with local, regional, national, and global law firms has uniquely positioned us to guide you through complicated decision making required in today's fast-paced and ever-changing environment. We are committed to providing our legal sector clients with up-to-the-minute intellectual capital, thought leadership around industry challenges, and the solutions required to help firms achieve attorney consensus to effect change.

### ABOUT CUSHMAN & WAKEFIELD

Cushman & Wakefield (NYSE: CWK) is a leading global real estate services firm that delivers exceptional value for real estate occupiers and owners. Cushman & Wakefield is among the largest real estate services firms with approximately 53,000 employees in 400 offices and 60 countries. In 2019, the firm had revenue of \$8.8 billion across core services of property, facilities and project management, leasing, capital markets, valuation and other services. To learn more, visit [www.cushmanwakefield.com](http://www.cushmanwakefield.com) or follow @CushWake on Twitter.



*Cushman & Wakefield's Legal Sector Advisory Group has been named #1 in Tenant Representation by The National Law Journal for the past seven years.*

As a continuation of Cushman & Wakefield's Legal Sector Advisory Group's Bright Insight report completed in June of 2020, the following includes up-to-the-minute insights from various resources including a live poll completed during our September 15th Global webcast, which included over 900 participants from U.S and global firms. Statistics support that changes are happening at lightning speed – is your firm ready?

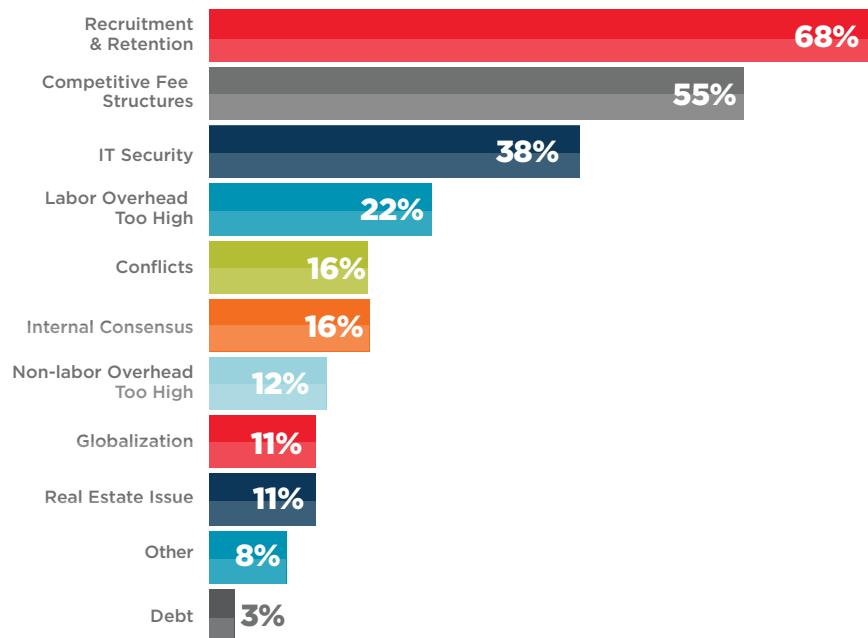
Five COVID-impact related questions were asked:



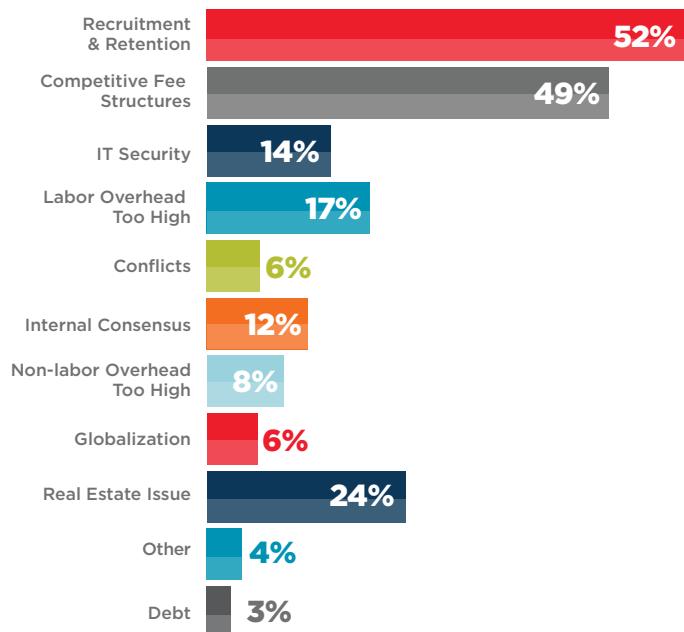
**ACCESS FULL BRIGHT  
INSIGHT REPORT  
AND WEBCAST  
RECORDING HERE.**

## 1 What are the greatest issues related to business competition that your firm is currently experiencing?

### 2020 Q1



### 2020 Q3 - Webcast Polling



Historically, the most common business competition challenge for law firms has been competitive fee structures. However, starting in 2019, recruitment and retention of top talent moved to the number one position on the list. At the beginning of 2020, two-thirds of firms cited it as an issue related to business competition, which was up from 63% the year before. Attracting and retaining high-quality lawyers and associates was the primary concern due to a very tight labor market and a lower number of law firm graduates throughout the U.S.

Of course, the onset of the COVID-induced recession has changed the employment market dynamics. Recruitment and retention of talent remains the top concern, as noted by just over half of the attendees of the September 15th webcast.

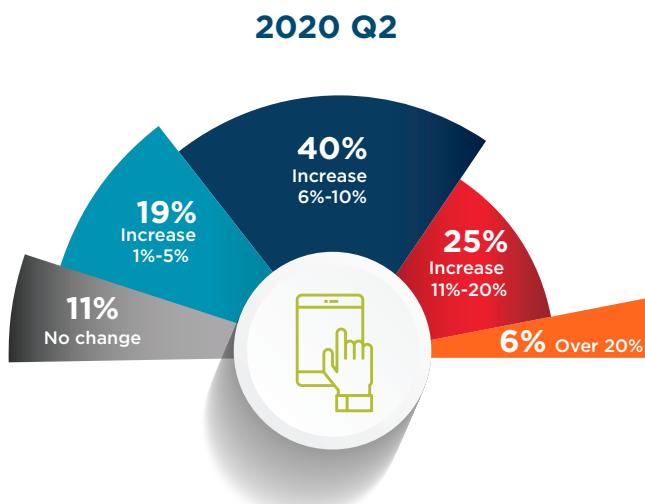
The biggest changes from early 2020 are related to the challenges of IT security and real estate issues. In Q3, the proportion of respondents citing IT security as a business competition issue fell to fifth place, cited by 14% of attendees (down from 38% in Q1 2020). Many of the challenges related to IT security were front-and-center in March and April as firms were forced to suddenly shift to a primarily remote workforce. IT security continues to be important, but many of the most pressing issues have been addressed.

Real estate issues, on the other hand, more than doubled in importance over the past nine months and was cited by a quarter of Q3 webcast attendees. In just 180 days, real estate issues grew from 11% to 24% as it relates to impacting a firm's ability to compete. Many firms are examining their workplace and portfolio strategies in

order to manage costs and to adjust to new expectations for increased remote work flexibility. As of the middle of this year, almost all law firm respondents (96%) indicated they expect attorneys to work remotely more often in five years, which is up from 78% in Q1 2020 and 62% in 2017. These factors, combined with technology shifts, will

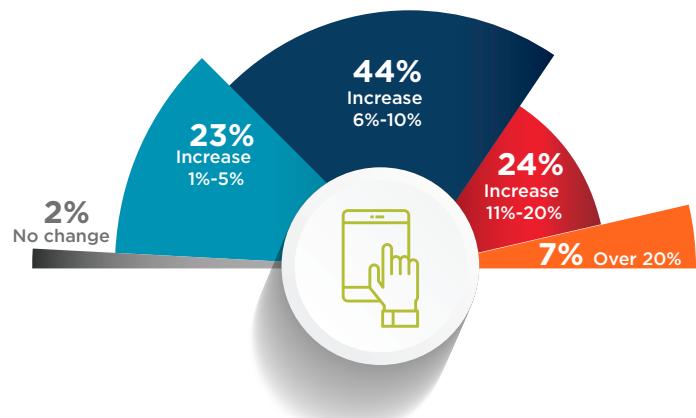
force law firms to drive down real estate costs through densification of space as well as a reallocation of space to better support overall operations, streamlined services, attorney/staff collaboration and overall new workplace and virtual working strategies.

## **2** What percentage growth do you anticipate your firm to spend in technology costs in the coming two years?



Even pre-COVID, technology's growing importance was evident by its growing share of law firm budgets as a percentage of gross revenue. In the first quarter of 2020, half of law firms indicated their technology spend was between 2% and 4% of total annual gross revenues. A fifth of respondents were spending less, while 29% were spending more. Looking forward, the expectation is for continued growth in technology spend.

## **2020 Q3 - Webcast Polling**



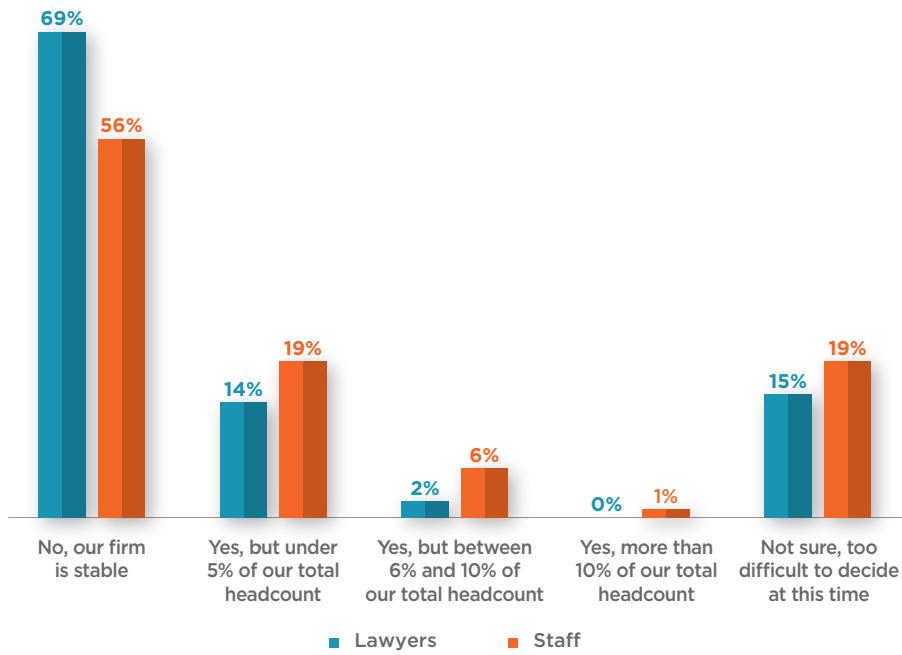
As of Q2 2020, 89% of law firms projected technology costs to increase over the next two years. That rose to 98% in Q3 2020. In both cases, just under a third of respondents expect double-digit technology expense growth over the coming two years. And, the plurality of respondents are targeting an increase between 6% and 10% between now and 2022.

Historically, technology has been the third largest expense line item for law

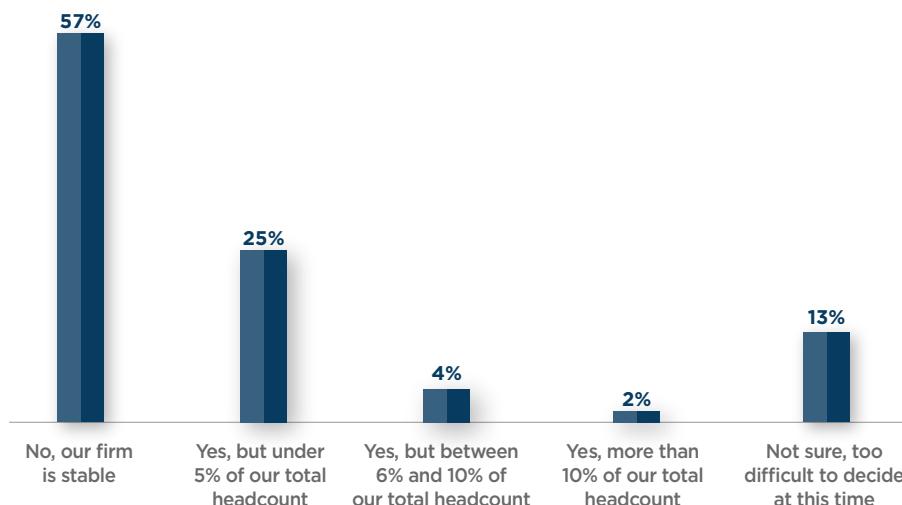
firms, behind talent and real estate. If technology spend increases occur at the rate expected in the charts included, technology could easily end up being 6-8% of gross revenue at some firms. This technology investment growth, mixed with the shrinking of real estate spend in the legal sector (whether it be one-off locations or portfolios), will lead to technology becoming the second largest expense as a percentage of revenue for many firms in the next two to five years.

### 3 Does your firm anticipate additional lawyer and/or staff layoffs in the coming months?

**2020 Q2**



**2020 Q3 - Webcast Polling** (\*lawyers and/or staff)



The COVID-induced recession has disproportionately damaged sectors such as retail and hospitality, but it has not left office-using sectors unscathed. At the end of August, legal services employment remained 4.7% below its previous peak (i.e., February 2020).<sup>1</sup> According to Law360.com's tracking of leading law firms, 17% of the largest 142 firms have enacted some sort of layoffs, while furloughs have occurred at a fourth and pay cuts / distribution changes have been implemented at more than half.<sup>2</sup>

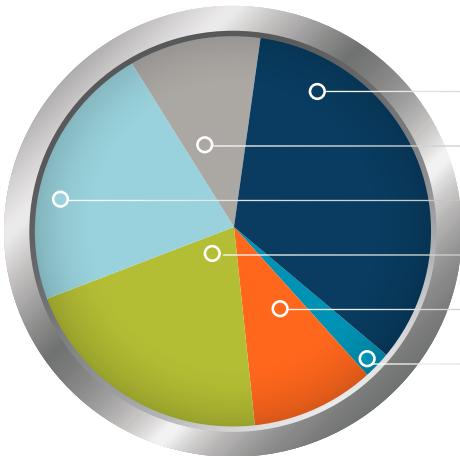
Unfortunately, there are still 31% of firms in Q3 2020 that anticipate additional lawyer and/or staff layoffs by year end 2020. This represents an increase from Q2 2020, when 16% expected lawyer layoffs and 26% anticipated staff layoffs in the near future. This examination of costs and staffing levels will continue at least until the end of the year. When all is said and done, firms anticipate permanent reductions in staff between 15 and 30% due to COVID-19.

1 U.S. Bureau of Labor Statistics

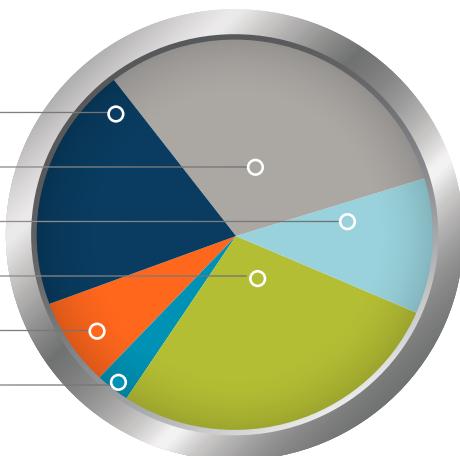
2 "Coronavirus: How Law Firms Are Handling the Downturn." Law360.com. Accessed September 23, 2020.

## 4 In response to COVID-19, to what degree do you expect your firm's real estate portfolio square footage to shrink?

2020 Q2



2020 Q3 - Webcast Polling



One lasting impact to come out of the current recession and the forced work-from-home experiment over the past six months is a rethinking of law firm real estate strategy. The traditional office is by no means dead, but the amount of space required is going to be less than in the past and the space will be utilized in a more cost effective and beneficial way in the future. In some ways, the office space is more important now than ever. Attorneys still desire to meet in person, collaborate ideas and mentor young associates. The challenge however is the balance between current COVID-19 workplace shifts and long-term decision making on what is the best approach to the future workplace, its people and clients.

Space densification in the legal sector is a trend that has been ongoing for several years now. In fact, law firms signing new leases or renewals in 2019 reduced their occupied square footage by an average of 10.6%. Leasing activity has been lower in 2020 due to economic and pandemic-related reasons. Among law firm leases executed in Q2 2020, the average reduction in space was 17.4% when compared to the space the firm was occupying previously.

Long-term, COVID-19 is going to cause law firms to find cost savings through square footage reductions across their portfolios. Only 20% of Q3 webcast poll respondents expect no change to their firm's real estate portfolio, which

**The most likely scenarios are shrinkage of portfolio sizes up to 20%.**

is down from a third in Q2 2020. The most likely scenarios are shrinkage of portfolio sizes up to 20%. A similar proportion of Q3 respondents expect to reduce their portfolio square footage by 0-10% (28% of respondents) or by 11-20% (31% of respondents). Only 10% are forecasting reductions of 31% or more.

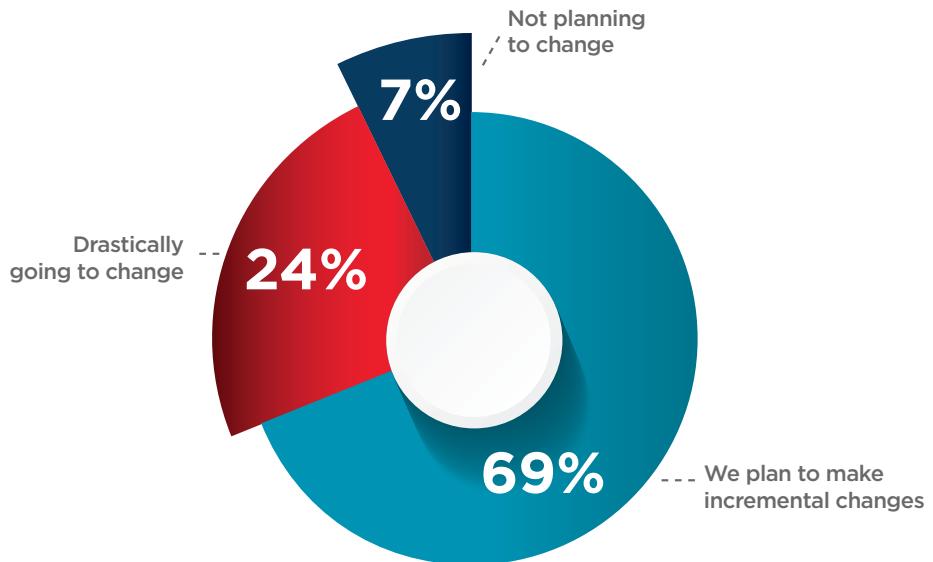
## 5 Due to COVID-19 and legal sector shifts, in the future, do you anticipate your firm's workplace to change?

### 2020 Q3 - Webcast Polling

**Over two-thirds anticipate incremental changes while a fourth believe their firms workplace will change dramatically in the future.**

In addition to the amount of space, there are questions related to how different the workplace will be in a post-COVID world. The vast majority of law firms expect the workplace to change in the future. Over two-thirds anticipate incremental changes while a fourth believe their firms workplace will change dramatically in the future. The remaining 7% don't currently have plans to change their workplace.

Many law firms and lawyers have experienced benefits from recent work-from-home policies. Reduction in time spent commuting and associated costs, and the execution of focused work that is equally productive, if not more



productive, outside of the office are just two examples. On the other hand, many workers are struggling with personal well-being and have lost the sense of connection with their firm's culture and mission. The difficulties associated with long-distance mentoring impact young associates in particular.

Given the pros and cons of a distributed workforce, the primary purpose of the office is no longer to provide a desk and office, but will adapt to enable employee needs that cannot be experienced as well in a work-from-home environment. This includes formal and informal social interactions, face-to-face mentoring, collaboration, learning

and development, and the offering of services that make employees' lives easier and better. All of these factors require a rethinking of the workplace's purpose, layout, structure and flexibility. Many factors changing at lightning speed!

We have already conducted several personalized webcasts for law firms of all sizes as a follow up to our September 15th live global viewing and encourage you to reach out to us to schedule yours. Do these issues resonate with your firm? We invite you to schedule a follow-up presentation to members of your firm, that can be customized to meet your needs.



Sherry A. Cushman  
Vice Chair  
[sherry.cushman@cushwake.com](mailto:sherry.cushman@cushwake.com)  
410 507 2929



Margaret L. Poster  
Executive Managing Director  
[margaret.poster@cushwake.com](mailto:margaret.poster@cushwake.com)  
914 434 3900