

LEGAL SECTOR COVID-19 IMPACT UPDATE

JUNE 2020



CUSHMAN &
WAKEFIELD

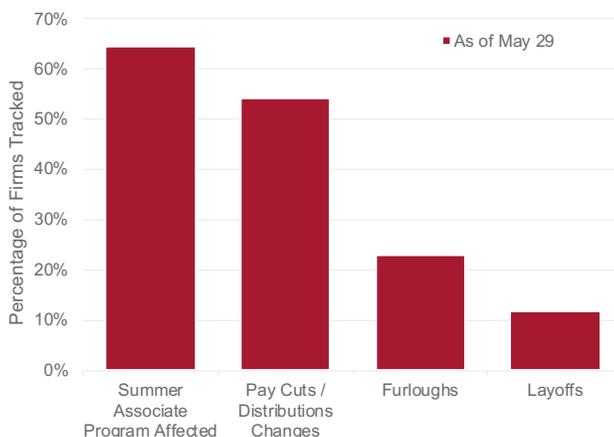
Prior to COVID-19, the legal sector was already changing at an accelerated pace. Now that the virus has impacted countries and economies on a global scale, the disruption has caused a dramatic pause in the legal sector, forcing firms to reconsider their business strategy as well as reimagine the future of the law firm workplace itself.

Impact on the Business of Law

In the wake of the pandemic, legal activity continues to vary widely, based on firms' practice areas, geography and reputation. For practices such as restructuring/bankruptcy, healthcare and life sciences, activity levels are robust. But while firms are providing a fair amount of advisory work, actual deal activity has lagged behind. There is significant evidence that firms with the strongest reputations and practice areas are attracting a disproportionate share of the market.

Market dynamics continue to have a significant impact on the financial performance of many firms. Even where this is significant business activity, cash collections continue to lag during the second quarter, resulting in continued borrowing against bank lines of credit and continued efforts to reduce costs. Layoffs, furloughs and reduced salaries and benefits are among the measures many firms have taken, as reported by Law360 in [Coronavirus: How Firms are Handling the Downturn](#). These trends are likely to continue until the economy shows broader signs of recovery. The timing of the recovery is likely to vary on a market-to-market basis.

MEASURES BEING TAKEN BY LAW FIRMS
MOST COMMON MEASURES TAKEN (%)



Through the balance of 2020, many inside the industry anticipate that attorneys will closely evaluate their financial health, their firm's market position, and their long-term business and personal goals. In some cases, it may trigger decisions to shift to a new firm, to transition to an in-house counsel status (which has been growing in recent months) or to possibly make a career change altogether.

Impact on the Workplace

Most firms have adapted to a remote work environment during the crisis, which affords them the ability to gradually bring people back into the office. And that patient approach will enable firms to assess and measure the willingness and comfort level of employees. From survey feedback across industries, including attorney feedback, it's clear that health and safety are significant concerns—workers are anxious about everything from taking public transportation, to accessing buildings and office suites (particularly in vertical cities), to working safely among colleagues in the workplace. Until a vaccine is readily available, and until testing capacity is increased, some attorneys and staff will be hesitant to return to the bricks and mortar office.

Prior to COVID-19, the legal sector was experiencing major workplace shifts, including investment in technology and office density. While firms continue to recognize the need to mentor associates, particularly at early stages of their careers, a new paradigm is emerging that offers a hybrid of in-person and virtual work environments. Firms are receiving feedback from attorneys that indicates their growing overall comfort with not only remote work in the current environment but with the idea of hoteling and a mix of in-office and at-home work in a future state. Using satellite offices to reduce commuting (coined the third office—the office being first, home second), implementing variable office schedules and full-time work-from-home scenarios for some personnel are among the other ideas firms are exploring. All of these shifts will require enhanced

LEGAL SECTOR COVID-19 IMPACT UPDATE

JUNE 2020



CUSHMAN &
WAKEFIELD

technology, training and communications to achieve a seamless and productive work environment. As law firms establish flexible work options for employees, part of the consideration will be a re-thinking of the types of roles that may not need to return to the physical workplace at all. These positions may include paralegals, legal assistants, and select additional staff.

While strategies will vary firm to firm, most agree that remote work will continue to be a more significant component of their future. Cushman & Wakefield has developed [extensive resources](#) to assist firms in bringing back the workforce to the physical workplace and formulating their short and long-term real estate strategy, workplace strategy and design, and technology future plans.

Impact on the Real Estate Market

As the legal sector focuses on recovery and the return to workplace process, firms are re-evaluating their real estate needs—from building and office operations to space design and layout—all with a view toward how the new workspace should function to address both employee health and safety concerns and the ongoing needs of the business.

From a real estate market activity perspective, law firm leasing activity has been greatly reduced relative to prior periods as firms assess their needs and wait for market pricing to settle. Firms are reconsidering decisions on long-term commitments, opting instead for short-term extensions or renewals. On a market-by-market basis, we anticipate that vacancy rates in U.S. markets will increase, putting downward pressure on rental rates. Firms will look to re-structure leases to accommodate new workplace strategies and potentially giving back space as part of the restructures. So despite the de-densification of individual workspaces to accommodate social distancing in the workplace, office space for law firms will most likely shrink. In select markets, some firms may be able to find excellent opportunities to create occupancy savings sooner rather than later.

Impact on Construction

Construction continues to move forward in most markets, but with varying levels of delays and disruption dependent upon state and local regulations. Contributing disruptors are: enhanced regulation, closure of government offices that affect permitting processes, slower completion timelines due to new protocols and new social distancing measures. Construction supply chains have also been seriously impacted by COVID-19 and continue to contribute to delays in construction.

Summary

The economic fallout of the pandemic will continue to have an impact on the business of law, with some firms faring better than others. During what most feel will be a lengthy road to recovery, we will likely see attorney movement—making shifts to other firms, to in-house roles, and potentially into new careers altogether.

Because health, wellness and safety have become top priorities for every firm, the workplace itself will look and feel different in early phases of recovery and into the foreseeable future. Consensus is that some new ways of working are here to stay at least in part—and that will have a significant impact on the form, function and culture of every firm.

As firms reconsider space needs and workplace strategies, real estate market dynamics are shifting, and we anticipate opportunities for firms to find favorable conditions in select markets.

Cushman & Wakefield continues to monitor trends across the legal sector and advise law firms on emerging challenges related to COVID-19. To learn more, visit <https://www.cushmanwakefield.com/en/insights/covid-19>