

UPSIZE/DOWNSIZE - OFFICE RENTAL DYNAMICS IN THE ERA OF A PANDEMIC

THE COMMAND POST

SERIES - 3 / ARTICLE - 1

JUNE 29, 2022

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While reports of 25% office vacancies in Los Angeles and similar figures in other rental markets around the US have dominated real estate news for several months and led some observers to describe a 'collapse' of the office rental market, not all prospects are doom and gloom.

Space planners and tenants alike are devising creative ways to weather the biggest slump in a decade, while some law firms are embarking on space expansions. Is there an identifiable trend in the office space rental market?

Necessity is the Mother of Efficiency

There is no denying that the COVID-19 pandemic has brought about a radical shift in how office space is to be utilized, at least until both employers and employees feel that it is 'safe to go back in the water.' From increased flextime arrangements to staggered shifts, to full remote work-from-home adaptations—and hybrids of all three—the 'workplace' no longer means a 9-5 stretch at a tower in the sky for many workers. And, as might be assumed, the impact on the office leasing industry has been profound.

From the perspective of law firm COOs and office managers, the challenge has been to deal with balancing a reduced square-footage requirement while maintaining a particular firm culture, both to attract and keep associates and partners and to meet client expectations. And it is this necessity that has spawned a variety of creative uses of space never considered before.

The End of the Corner Office?

Among the space planning initiatives adopted by an increasing number of law firms, the concept of 'Open Space' floor plans that make little use of walled-off office spaces is growing in popularity. The pressures on law firms to make more efficient use of the space they are paying for has led to something of a revolution in traditional 'office space hierarchy'. In this scenario, preferred office spaces went to valuable partners, with the coveted

corner office reserved for senior partners.

Creative, flexible office designs accommodate not only secretaries and law clerks in open-space settings but associates as well. In some cases, partners are giving up their walled-off spaces to relieve pressure on the cost of occupancy—the number two expense after attorney salaries, benefits, and bonus awards. In general, though, partners view their corner office as fair compensation for having put in years of hard work, sometimes at the expense of the oft-touted yet rarely enjoyed work-life balance. Despite this resistance to such new concepts in square-footage usage, for the cost-conscious, competitive law firm, the on-average 15%-25% reduction in occupancy costs has swayed the argument. On the other hand, millennials welcome the integration of firm-wide staff into a more communal setting as creating a more 'democratic' workspace, not unlike that enjoyed at Big Tech firms like Amazon and Google.

'Touchdown' Space

Despite achieving team collaboration via Zoom, Microsoft Teams, and similar peer-to-peer teleconferencing tools, sooner or later, most work-from-home employees need to sit in person with their colleagues 'at the office'. But rather than committing an otherwise 'empty' space to such infrequent use, contemporary office planners are incorporating collaborative, flexible 'touchdown' offices for temporary or sporadic use. With proper scheduling of in-house meetings, these spaces

Executive Summary

1. The Issue

COVID-19 has led to the proverbial 'death' of the traditional office space, with Work From Home – or 'WFH' as it is notoriously known now, or hybrid work arrangements dominating the conversation during many interviews, offer negotiations, and organizational planning efforts.

2. The Gravamen

Necessity was the original cause of this change. And the global pandemic required all businesses to adjust to the new world order. Three calendar years into the pandemic, this reduced need for office space has been fueled by employees' personal preferences and a reduced reliance on commercial real estate.

3. The Path Forward

Adopting new ways of conceptualizing 'the office' in the midst of the pandemic and beyond.

never sit idle. This prevents the wastage of precious rental dollars.

Perilous Partnering

With other professional practitioners facing the same rental dilemma as lawyers, one obvious solution would be to partner with an accounting firm or consultancy to further enhance occupancy cost savings. However, several ethical obligations must be considered by the lawyer who is contemplating doing so. For example, while many states allow a lawyer to practice out of a non-legal business office, there must be a separate, distinct office space for the non-lawyer. Some rulings allow a common entrance and reception area but not the sharing of any common expenses. However, accomplishing this in reality can be tricky.

The financial attractiveness of such arrangements must be considered in light of the risks posed to client privacy and confidentiality. Even if communication is preserved as confidential, just the visibility of Client Jones arriving for an appointment with a law firm can raise the specter of an ethics concern or even a violation.

Not all Footprints are Shrinking

Despite the changing real estate rental market, at some firms, the trend is just the opposite - there's an overall reduction in occupancy by many law firms due to the practicality and safety of more remote work. A New York firm has re-signed its 400,000 sq. ft. lease at 1 New York Plaza, while another has reduced its prime Manhattan square footage to expand in Westchester County, and open additional offices in Long Island.

For some, the pandemic has presented a golden 'futures' opportunity, as they proceed to lease extra space now at the lowest rates in years, to be

well-positioned to save money in the future, as their firm's expansion plans continue on target.

Some expansions have little to do with a law firm's operational needs per se. Instead, they enhance the attractiveness of the firm for associates and cross-over partners who may be tempted by elegant dining facilities, state-of-the-art fitness installations, and other high-end amenities.

Maintaining a certain firm culture via presentable and functional space while simultaneously maintaining a viable bottom line has challenged law firms for years. However, during the COVID-19 pandemic, that challenge has now 'gone viral'.

“PARALEGALS ARE OFTEN HIRED FOR INTENSIVE SUPPORT ROLES WITHIN AN ATTORNEY’S CASELOAD....”

...A WIDE RANGE OF TRULY SUBSTANTIVE LEGAL WORK CAN NOW BE LAWFULLY ASSIGNED TO A PARALEGAL”

Action Items

1 Determine how reliant your business is on ‘in-person’ work:

Some legal work is incredibly sensitive, requiring the attorneys and their support staff to work in tight chain-of-custody rules in order to limit the leak of information. Other legal work demands face-to-face interactions, such as consoling a grieving family on their estate matters. If your firm’s matters require in-person work, then perhaps, holding on to an office space is a wise option.

2 Differentiate and categorize employee presence based on the ‘essential’ needs of the firm:

Once the firm determines who the ‘essential workers’ are, they can better scope the operational needs of the workforce – both physically and virtually.

3 Build, buy, and rent with the assumption that the pandemic is here to stay:

Should we be fortunate enough to live in a world where COVID-19 goes away, then perhaps businesses can consider scaling up their office work to larger locations. In the meantime, harness a hybrid or flexible workforce and save property costs by utilizing creative office arrangements or smaller workspaces.

4 Accommodate flexibility where possible:

Even if an employee’s presence in the office is absolutely essential, it is still important to accommodate flexibility in their schedule where practical. If work can truly be done at home with no risks, a formulaic strictness in workplace attendance may breed resentment among employees towards the office.

Further Readings

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After receiving his Juris Doctor degree from The John Marshall Law School in Chicago, Mr. Brochin served as an Administrative Law Judge with the Illinois Department of Labor for six years where he presided over cases dealing with job separation issues and matters pertaining to contested Unemployment Insurance claims. He also co-wrote the agency's administrative rules, and periodically served as a 'ghost writer' for Board of Review decisions. Following that position, he was Director of Development for a Chicago-area non-profit college where he was responsible for High Net Worth donations to the institution. For the next eighteen years he practiced as a solo practitioner attorney with an emphasis in the fields of Real Estate law and Commercial Contracts transactions, and was an agent for several national title insurance agencies.

In 2003 he was recruited to head up a U.S. title insurance research office in Israel, a position he held for four years, and between 2007-2017 he participated in litigation support for several high-profile cases. He has taught Business Law as a faculty member of the Jerusalem College of Technology, and has authored a wide variety of legal White Papers and timely legal articles as a professional legal content writer for GPL clients. Separate from his legal writing, he has co-authored academic articles on Middle East security topics that have been published in peer-reviewed publications.



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Will has leveraged his legal experience interpreting regulations and appearing before federal (DOJ, SEC, FTC) and state agencies (NYAG) to oversee research and other areas at Bear Stearns. In this capacity, he counseled analysts on regulatory risk and evolving compliance requirements. Will also consulted on the development of a proprietary tool to ensure effective documentation of compliance clearance of research reports. Will then went on to work in product development and content creation for a global online compliance development firm pioneering the dynamic updating of regulated firms' policies and procedures from online updates and resources. Will holds a Juris Doctorate with High Honors from the Washington University School of Law in Saint Louis and is admitted to state and federal bars. He lives in Pawling, NY, with his wife and daughter.



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