Featured White Paper

2024 Bright Insight

by

Cushman & Wakefield

powered by

TheRemsenGroup.com

CUSHMAN & WAKEFIELD

2024 BRIGHT INSIGHT

THE 2024 NATIONAL LEGAL SECTOR BENCHMARK SURVEY RESULTS

In partnership with ALM LEGAL INTELLIGENCE and LAW.COM

Click below to view additional content and interactive elements on our Cushman & Wakefield website.

VIEW INTERACTIVE CHARTS FROM BRIGHT INSIGHT REPORT

ACCESS QUARTERLY LEASING & ASSOCIATE SURVEY INSIGHTS

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

CONTENTS

INTRODUCTION

KEY FINDINGS

BRIGHT INSIGHT REPORT

01 LEGAL SECTOR PERFORMANCE

02 BUSINESS & TALENT STRATEGY

03 CONTINUED WORKPLACE EVOLUTION

04 TECHNOLOGY & THE FUTURE

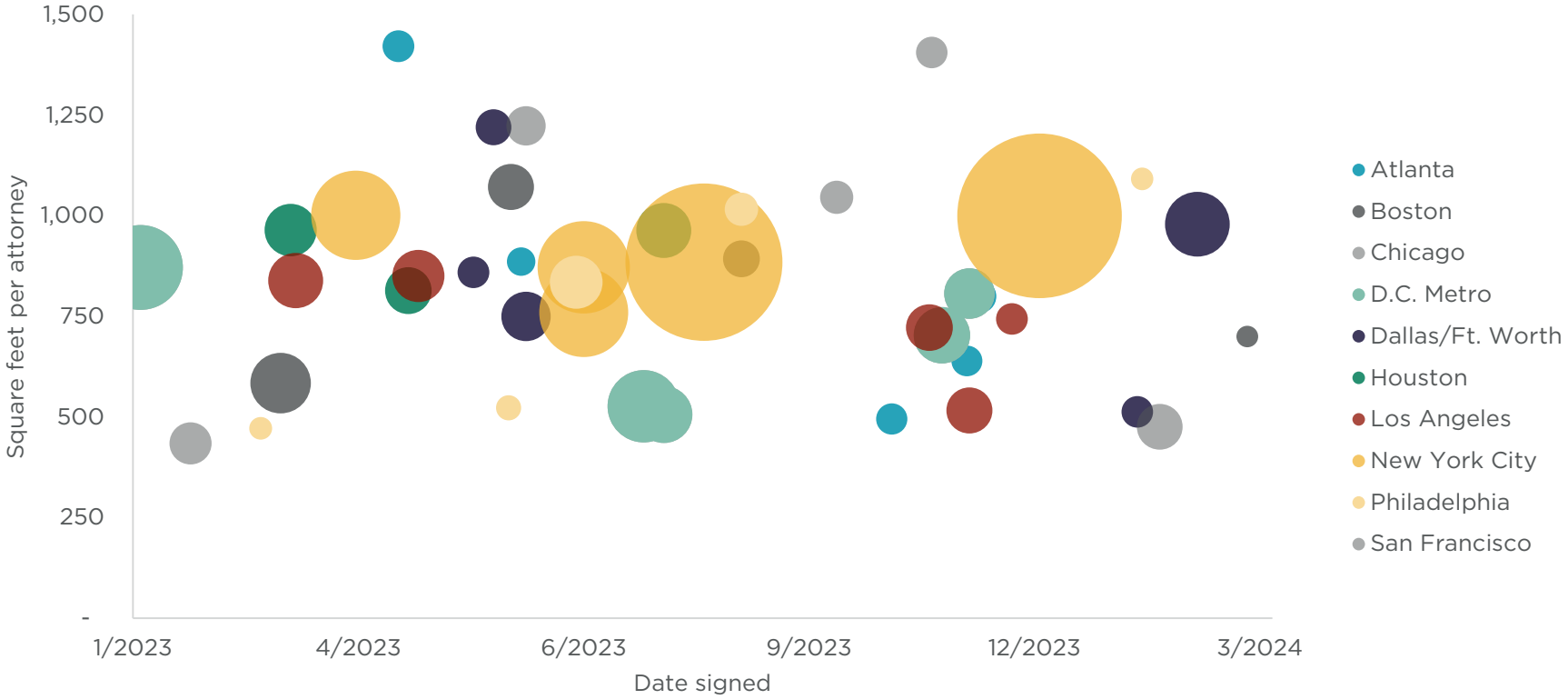
INTRODUCTION

The legal sector is in a continuous state of evolution—constantly improving how it has done things in the past, adapting to the ways of the future and taking steps between the two to bridge the gap as change radiates through law firm operations. Although law firms have traditionally focused more on actual office spaces than other sectors, the shared and community spaces in the legal workplace are catching up with other sectors. Many changes occurring in the legal sector are natural for an industry that's continuing to grow—while some are being made as a result of new technologies, societal shifts and a new generation of attorneys filling the incoming talent pipeline. Survey results from Cushman & Wakefield's 2024 *Bright Insight Benchmark Survey* indicate that leaders in the legal sector are not only cognizant of these changes, but actively driving them.

Law firm leasing activity has been strong for the past three years, setting records in 2022 and again in 2023. This strength has carried through into the first quarter of 2024. Office demand is supported by law firms' sector revenue, employment growth and commitment to office space, even as many embrace hybrid work models.

Top transactions in each major market, 2023-2024 Q1

Square footage per attorney based upon attorney count, as listed by ALM, on the date of lease signing. These reflect utilization at that time, not what the square footage per attorney ratio would be at capacity. As firms grow into their space square footage per attorney ratios often decline. Ratios will also be impacted by the amount of non-attorney staff or non-office space (e.g., meeting rooms, client space, etc.) allocated in a given location.



Source: Cushman & Wakefield Research; ALM
Note: Square feet per attorney figures calculated based off attorney headcounts on the date of lease signing and do not reflect ratios at 100% attorney occupancy. High attorney per square foot figures could be due to back-office functions presence. Bubble size determined by total square footage of lease.

Among sustained growth in the legal sector, law firms have continued looking for ways to minimize costs and maximize profit. Although focus has primarily been placed on profit maximization strategies that involve bolstering their teams to handle elevated levels of work from existing clients, cost optimization remains an important priority. Demand for new attorneys and staff has remained in positive territory, seeing growth once again. While each law firm is different, and regional components come into play, most law firms surveyed agreed that recruiting and retention focus should be placed on inclusion and diversity; flexibility in where attorneys work for a portion of the week; and overall firm culture.

The perceived purpose of the office has been augmented by its increasing importance as a social institution rather than just a place centered solely around individual efficiency and productivity. As offices become modernized, firms have been left with excess space on office interiors that have been converted to social hotspots more reminiscent of high-end cafés than the wood-clad law office of the past. This serves to create an attractive environment that attorneys and staff want to come to, also driving relationships within the firm between its attorneys and staff, as well as the clients. As in other industries, these communal spaces are potentially valuable to foster serendipitous interactions that may lead to relationship building, knowledge sharing, mentorship and cross-marketing of existing client opportunities. Additionally, firms often offer conference center space to clients, even when lawyers are not participating in their meetings, as a benefit to clients. These layout changes can be difficult, however, as making significant changes to existing floorplans, or relocating to a new build out, can be costly in today's high-interest, high-inflation environment.

Like many other industries, artificial intelligence (AI) in the legal sector has gained prominence. Not only is AI the technology that law firms expect to invest in the most, but it's also expected to have the largest impact on the future of the sector. Though AI has been around for decades, and many attorneys have unknowingly used AI-powered applications in common industry tools, the rise of generative AI, which is entirely different from the AI of the past, has sparked controversy in the sector. Law firms that are open to accepting new market realities, however, may find that the new wave of AI stands to enhance their work, drive efficiencies and ultimately free their attorneys up to focus on higher-value work.

Cushman & Wakefield's Legal Sector Advisory Group (LSAG) proudly presents the 11th edition of our annual Bright Insight report in partnership with ALM/American Lawyer. Our widest-reaching survey yet polled law firm partners and associates across the world to distill insight into the past, present, and future thoughts, nuances and practices of law firms. Utilizing our strong reputation as trusted advisors to legal services firms across the country, we have uncovered insider legal sector insights—from large firms, boutique firms and those in between—through the *Bright Insight Benchmark* and *Bright Insight Associate* Surveys.

KEY FINDINGS

01

LEGAL SECTOR PERFORMANCE

- **The legal sector has been a bright spot for office demand** as occupiers committed to a new high of 16.9 million square feet (msf) in 2023 followed by 3.2 msf in Q1 2024, which was bolstered by heightened activity in major markets and strong leasing in secondary markets.
- **Industry revenue is still growing at 5.3% in 2023 but fell short of the 8.8% revenue growth expectation of 2023's Bright Insight report.** Total revenue for Am Law 1-200 firms reached $164.8B in 2023; firms in this group have seen revenue growth average 5.1% annually over the past 10 years.[1]
- **Employment in U.S. law offices hit a historic high in December 2023**, signaling strength, resiliency and optimism in the U.S. legal sector. Law firm jobs declined slightly from their December peak by the end of April 2024, but have still seen year-over-year (YOY) growth.

[1] Cushman & Wakefield analysis of Am Law 200 data, 2024

02

BUSINESS & TALENT STRATEGY

- **Lateral hires, existing clients and attorney headcount expansion are centric to law firm profit maximization strategies.** Cost minimization is being considered as well and is primarily focused on real estate and efficiency in other non-personnel costs, such as technology, operating expenses and administrative expenses.
- Labor demand for attorneys is consistent with last year's results and **attorney headcount is expected to grow by 5.1% this year**. Staff headcount growth is still expected, but to a lesser degree than last year (2.3% vs. 3.6%).
- The incoming supply of first year associates has remained strong despite declines in law school enrollment. Lateral recruiting efforts remain top of mind. **Firms are focused on compensation, inclusion, diversity, flexible/hybrid work arrangements and work/life balance to attract outside attorneys to their firm.**

03

CONTINUED WORKPLACE EVOLUTION

- **Law firms have shown a high preference for modernized and efficient office spaces** and a significant number of them are signing new leases to that effect. They are also placing value on the social component of the office, designing them to cater to business development and networking.
- **Hybrid work arrangements are the norm in the legal sector** and the majority of firms have adopted a three-day in office, two-day remote policy, granting greater flexibility to those with seniority. However, partners and associates both agree that they would benefit from more time in the office at the start of their careers.
- **Uncertainty surrounding future office use and renovation/ relocation costs are a consideration for many firms when implementing workplace change**. Firms with leadership that have been able to build consensus around desired space allocations have been more influential in affecting change. Firms that are able to navigate these nuances are focused on increasing the density of offices while incorporating multifunctional areas on the interior.
- **Hoteling is gaining ground, but still less than common**, as one fourth of firms plan to utilize it five years from now. Only 14% of firms currently do so. **Firms that are interested in hoteling often have attorneys who are in the office sporadically** due to travel, trials or remote work preferences. Hoteling is more common for non-attorney staff, but still not the most common strategy.

04

TECHNOLOGY & THE FUTURE

- **Law firms are significantly ramping up their investment in AI**, with 71% of them planning to increase AI spending in future years. **This shift is anticipated to elevate technology spending** from 5.3% to 7.3% of total revenue by 2025, indicating a commitment to leveraging the technology to remain competitive.
- **A majority of law firms are currently incorporating, or plan to incorporate, AI** across various functions in their firms with legal research being its most frequently cited application.
- **The impact of AI on the legal industry is impossible to predict as this time and won't reveal itself in the near term.** However, potential impact scenarios range from significant enhancement in client value (i.e., more services at the same fee levels) and firm profits to a possible reduction in traditional law firm positions. Law firms must prepare for shifts in client demands, recruitment and retention challenges, increased global competition and evolving fee structures driven by rapid technological advancements.

BRIGHT INSIGHT REPORT

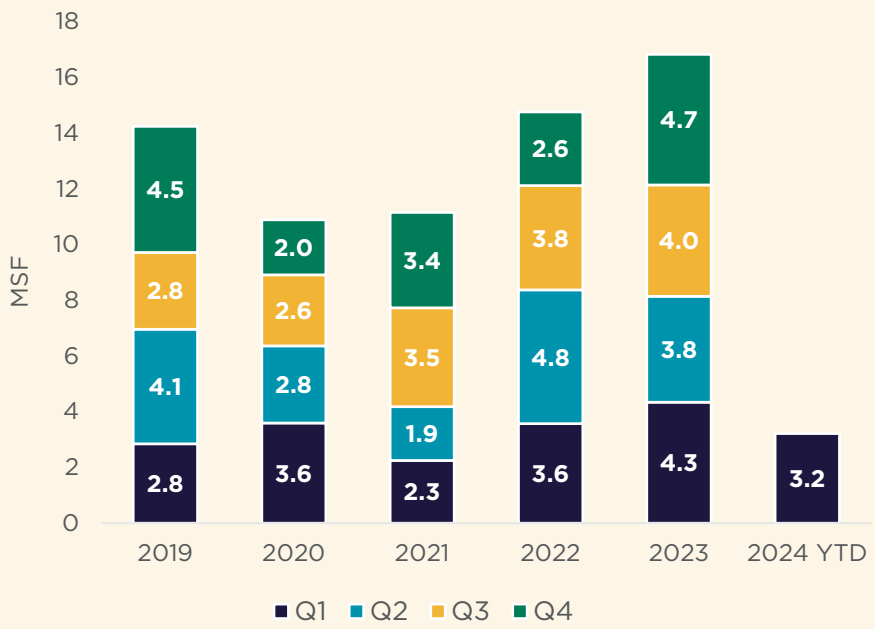
01

LEGAL SECTOR PERFORMANCE

OFFICE LEASING

Demand for legal sector office space reached its highest level in 2023 as law firms committed to 16.9 msf of office space across all markets, and law firm leasing activity accounted for 8.8% of all office leasing activity in the 10 major law firm markets.[2] This strength has been carried into 2024 as first quarter results totaled 3.2 msf of law firm leasing activity, accounting for 7.2% of all leasing activity in the major legal markets. **Leasing activity in Q1 2024 was not as high as the unprecedented start to 2023 (4.3 msf), but was stronger than 2019 (2.8 msf).**

Legal sector leasing activity since 2019



Source: Cushman & Wakefield Research

[2] The 10 "Major" U.S. law firm markets, as designated by Cushman & Wakefield Research, include: Atlanta, Boston, Chicago, Dallas/Ft. Worth, Houston, Los Angeles, New York City, Philadelphia, San Francisco and Washington, DC.

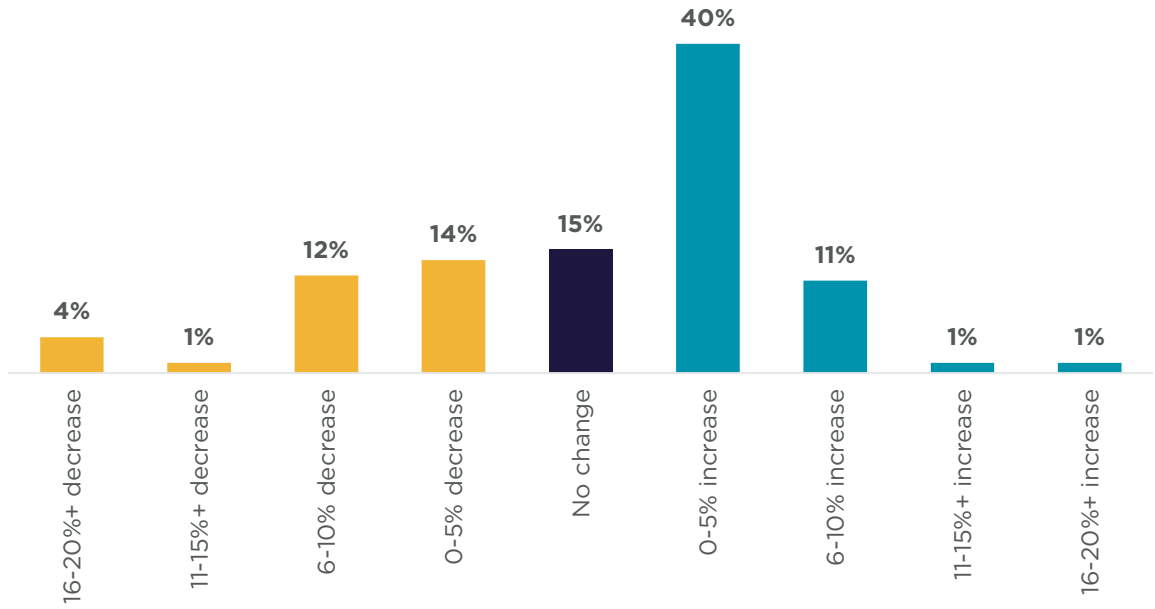
KEY TAKEAWAYS:

- **The legal sector has been a bright spot for office demand** as occupiers committed to a new high of 16.9 million square feet (msf) in 2023 followed by 3.2 msf in Q1 2024, which was bolstered by heightened activity in major markets and strong leasing in secondary markets.
- **Industry revenue is still growing at 5.3% in 2023 but fell short of the 8.8% revenue growth expectation of 2023's Bright Insight report.** Total revenue for Am Law 1-200 firms reached $164.8B in 2023; firms in this group have seen revenue growth average 5.1% annually over the past 10 years.
- **Employment in U.S. law offices hit a historic high in December 2023**, signaling strength, resiliency and optimism in the U.S. legal sector. Law firm jobs declined slightly from their December peak by the end of April 2024, but have still seen year-over-year (YOY) growth.

01

Regional differences in leasing behaviors do exist, but many firms across the U.S. are looking at lease expirations as an opportunity to make changes relating to the size, function and location of their office space. In 2023 and early 2024, more firms elected to lease new spaces over renewing in place. The majority of those firms that moved locations increased the size of their office space in the process. Very few moved locations without making a meaningful change in the amount of space they leased. Moving forward, nearly 90% of firms expect to see changes in the size of their portfolio over the next two years—with **over half of the firms expecting to grow their firmwide footprint**, just under a third planning to reduce their portfolio size, and only 15% expecting their footprint to remain the same size.

Over the next two years, do you expect your firm to increase or reduce the size of its office real estate portfolio?

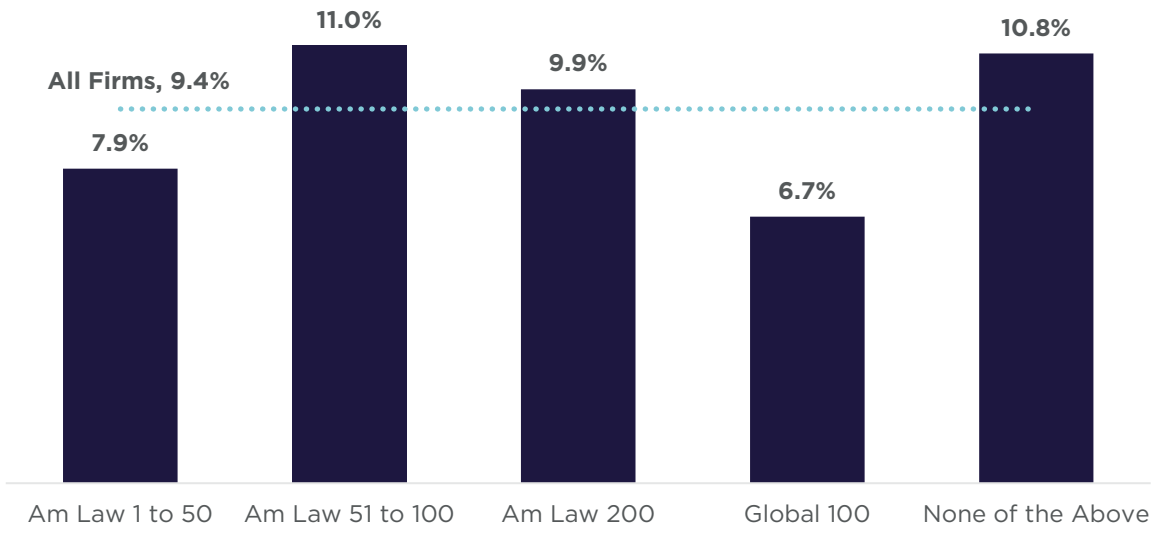


Source: Cushman & Wakefield Research

Moving forward, nearly 90% of firms expect to see changes in the size of their portfolio over the next two years—with over half of the firms expecting to grow their firmwide footprint, just under a third planning to reduce their portfolio size, and only 15% expecting their footprint to remain the same size.

Regardless of the market, legal occupiers are demanding premium space which is reflected in the 9.4% average of gross revenue that is spent on real estate by law firms. This is down from last year's figure of 10.5%. Am Law 1-50 firms, consisting of the highest revenue-producing firms in the U.S., spent 7.9% of their 2023 revenue on real estate while firms that fell outside of the Global 100 and Am Law 200 saw higher spend at 10.8%, on average. Using figures provided by Am Law 200 firms and their latest revenue figures,[3] it's estimated that Am Law 200 firms spent more than $14.6B on real estate last year.[4]

What percentage of your firm's gross annual revenue was spent on real estate last year?



Source: Cushman & Wakefield Research

[3] Revenue figures provided by ALM's 2024 Am Law 200 report
[4] Cushman & Wakefield analysis of ALM's Am Law 200 report, 2024

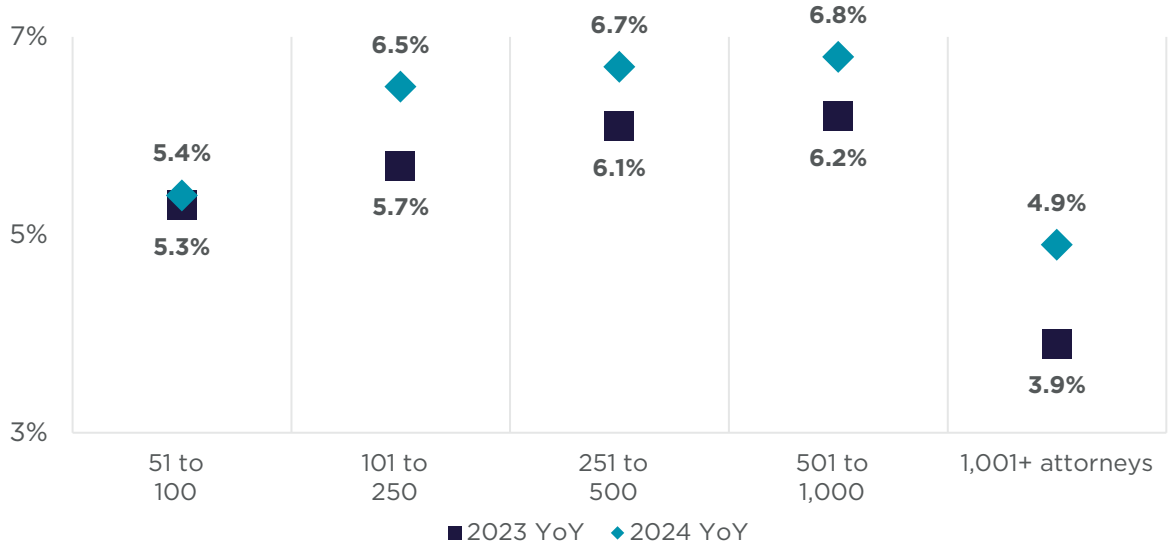
01

Aggregate revenue for Am Law 200 firms rose 64% (5.1% per annum), from $100B in 2014 to $165B in 2023.[5]

INDUSTRY REVENUE

Respondents reported 2023 revenue growth was 5.3% on average, which is slightly more conservative than the 6.7% revenue growth achieved by the Am Law 200 report during the same period. Am Law 200 firms, specifically, have seen continuous growth in revenue over the last 10 years according to data published by ALM. Aggregate revenue for Am Law 200 firms rose 64% (5.1% per annum), from $100B in 2014 to $165B in 2023 with a significant spike occurring in 2021 when it rose 14% YOY.[5] **Expected revenue growth for 2024, regardless of firm size, is slightly higher at 6.1%,** showing the optimism that the legal sector has for its immediate future despite a turbulent economy. Revenue growth expectations are the lowest among large firms, at 4.9%, but the YOY increase in expectations (+100 bps YOY) is larger than any other segment. Part of the expected increase in revenue growth in the largest firms could be due to their openness and ability to leverage new technologies that stand to improve their work efficiency.

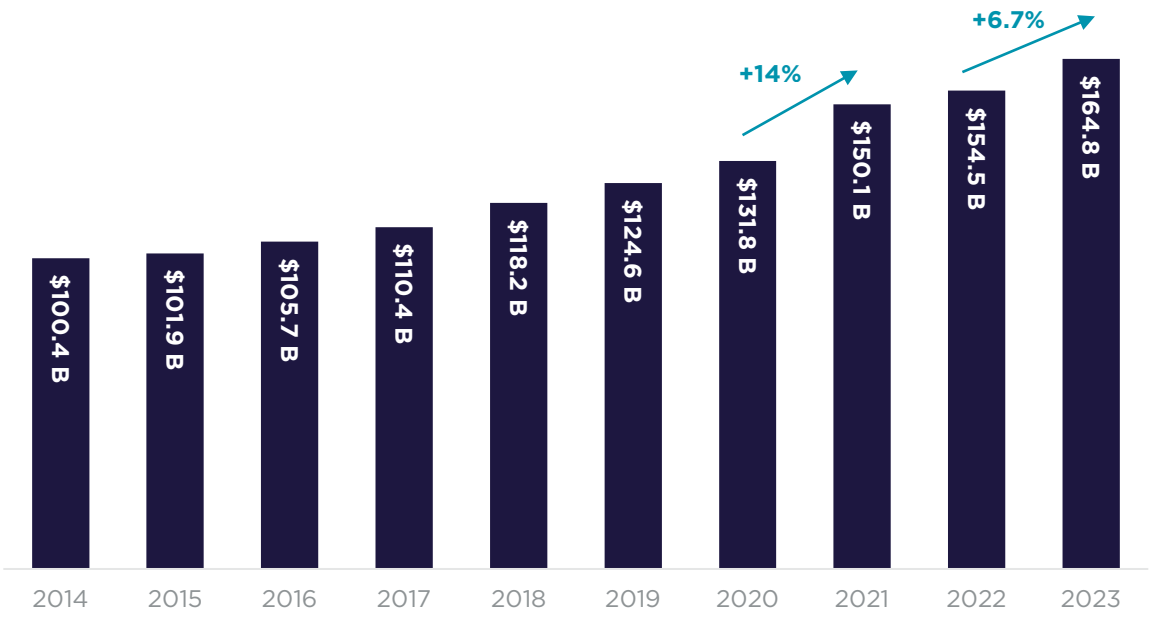
Marginal growth in revenue expected at firms of all sizes, firms with more than 1,000 attorneys expect the least amount of revenue growth in 2024



Source: Cushman & Wakefield Research

[5] ALM, Am Law 200 Report, 2024

Total revenue in Am Law 1-200 ranked firms has seen steady upward growth



Source: Cushman & Wakefield Research

EMPLOYMENT

Employment in U.S. law offices reached its highest levels in history with 1,098,900 jobs at the end of December 2023, after adding 19,000 jobs over the year. Legal job levels declined from December 2023 through March 2024 but still saw **YOY employment growth of 1.1%, which outperformed the larger professional & business services employment sector.**[6] While the law office employment subsector does include a range of legal workers, including support staff, the majority are lawyers.

Looking into employment trends with a greater degree of granularity, by using Lightcast data, reveals that employment growth has been primarily concentrated among lawyers, paralegals and legal assistants over the last 10 years. Legal support workers, and others who fall outside of the growth categories above, have seen a decline of 28% over the same period.[7] These support roles are most likely to be impacted by continued technology adoption at law firms.

[6] U.S. Bureau of Labor Statistics, 2024. 'Law offices' is used instead of the BLS nomenclature of 'Offices of Lawyers'.
[7] Lightcast, 2024

02

BUSINESS & TALENT STRATEGY

BUSINESS CHALLENGES

Long-running challenges surrounding the recruitment and retention of attorneys and pressures on the business model (i.e., fee structures) are still the two most frequently cited challenges that law firms face. In-office workplace preferences were newly included as a selection in this year's *Bright Insight Benchmark Survey* and cited as the third greatest business competition challenge that law firms face. Presumably, firms that aren't willing to offer a greater degree of flexibility in terms of remote/hybrid work are giving competitors who do an edge and opening themselves to poaching of attorneys and staff who value flexibility in where they work.

In addition, partners at law firms are cognizant of the current high-interest rate environment and **capital costs were indicated as a significant challenge by 23% of respondents this year, up from just 13% last year**. Cash flow concerns have risen as well—while it was the least frequently indicated issue last year, it rose to the middle of the pack this year, overtaking concerns surrounding high overhead, real estate issues, globalization and difficulty reaching an internal consensus.

KEY TAKEAWAYS:

- **Lateral hires, existing clients and attorney headcount expansion are centric to law firm profit maximization strategies.** Cost minimization is being considered as well and is primarily focused on real estate and efficiency in other non-personnel costs, such as technology, operating expenses and administrative expenses.
- Labor demand for attorneys is consistent with last year's results and **attorney headcount is expected to grow by 5.1% this year**. Staff headcount growth is still expected, but to a lesser degree than last year (2.3% vs. 3.6%).
- The incoming supply of first year associates has remained strong despite declines in law school enrollment. Lateral recruiting efforts remain top of mind. **Firms are focused on compensation, inclusion, diversity, flexible/hybrid work arrangements and work/life balance to attract outside attorneys to their firm.**

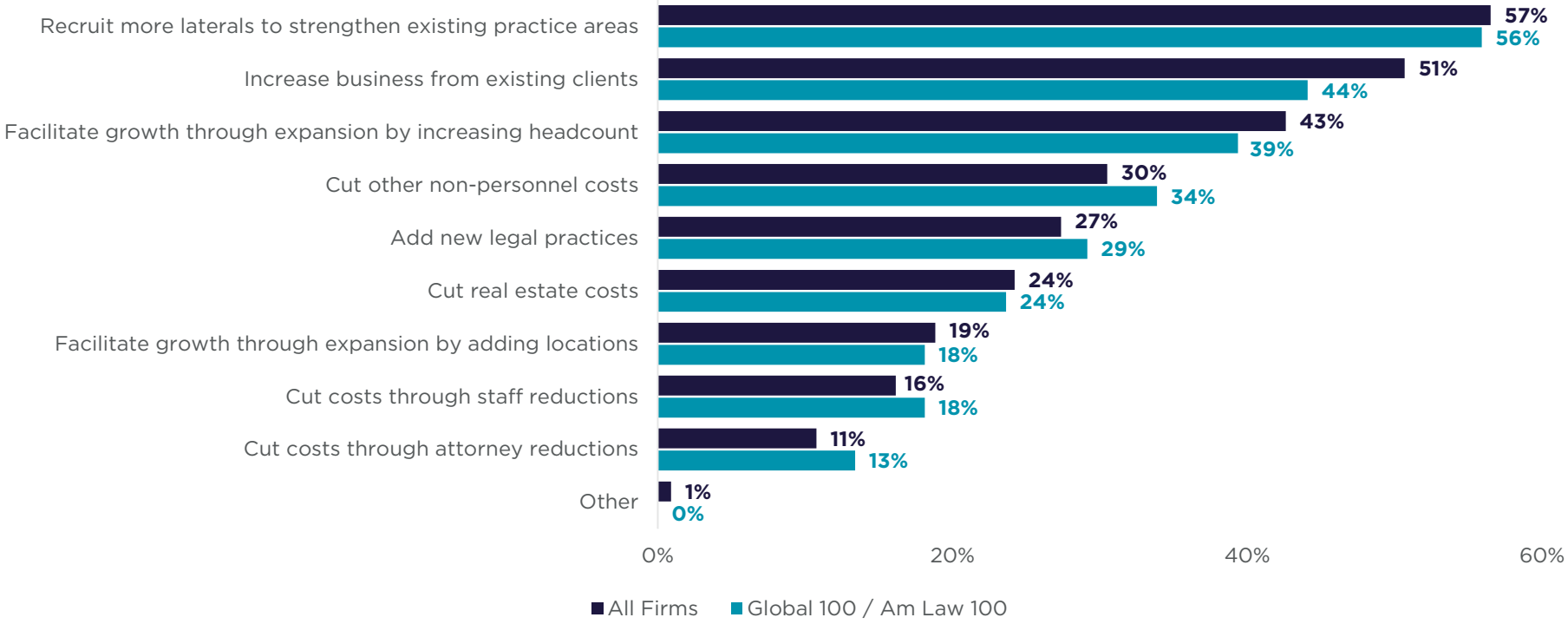
02

PROFIT MAXIMIZATION & COST MINIMIZATION

In light of increased capital costs and cash flow uncertainty, law firms will consider a variety of strategies to maximize profit and minimize costs. Regardless of the size of the law firm, partners seem to have an accord surrounding the tactics they plan to deploy over the next 12 months to maintain or increase firm profit: recruiting laterals, increasing business with existing clients and expanding headcount. Differences between Global/Am Law 100 firms and all other firms show slight variance across each category, but responses indicate agreement that strategic lateral hiring to strengthen existing practice areas and increasing business from existing clients are the key to near-term success.

Strategies that involve increasing human resources are more pertinent to profit growth than downsizing as more than 40% of survey respondents are considering headcount increases while less than 20% are planning layoffs. In fact, real estate costs and other non-personnel costs (e.g., operating expenses, technology costs, marketing spend, administrative expenses, etc.) are a larger target for cost minimization than attorney and staff layoffs.

Over the next 12 months, which of the following strategies is your firm considering in order to maintain or increase profits?

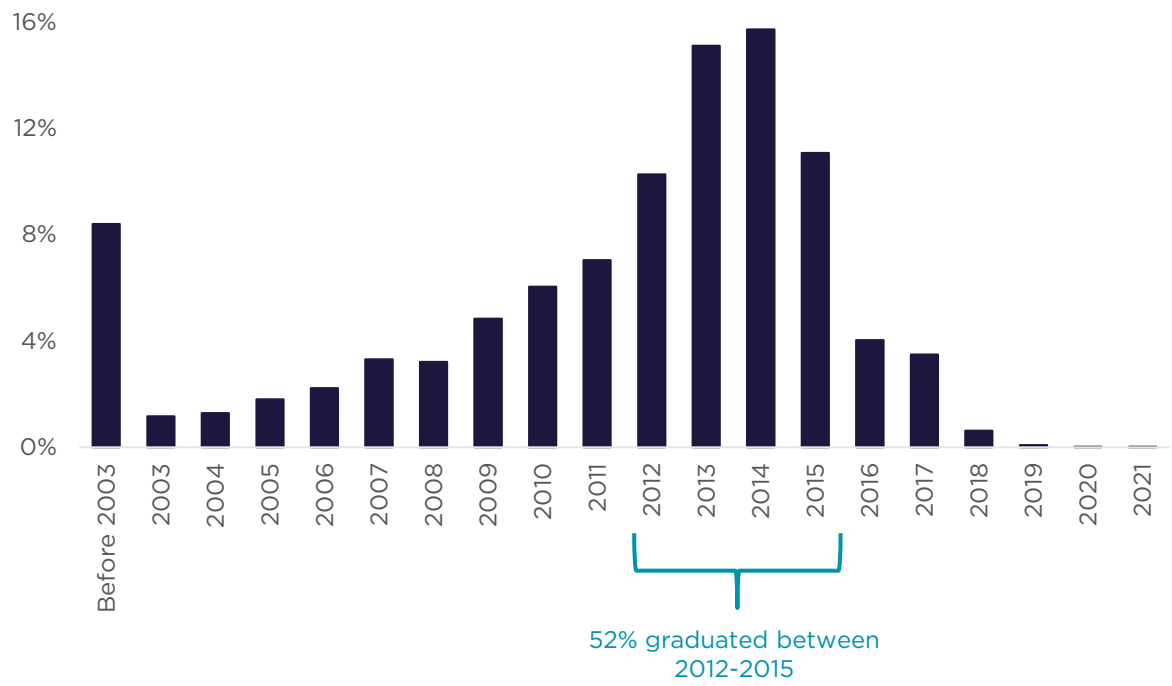


Source: Cushman & Wakefield Research

PARTNER PROMOTIONS

Partnership is a significant milestone in any attorney's career and often brings greater responsibility, more authority, heightened job security and increased compensation; **51% of associates say they see themselves making partner within 10 years**. In fiscal year (FY) 2023, 3,706 attorneys in Am Law 200 firms across the world achieved the partnership milestone.[8] While the amount of time it takes to make partner may vary, 2023's partner cohort was most likely to make partner after their 9th or 10th year of experience.[9]

Share of partners promoted in FY 2023 by law school graduation year

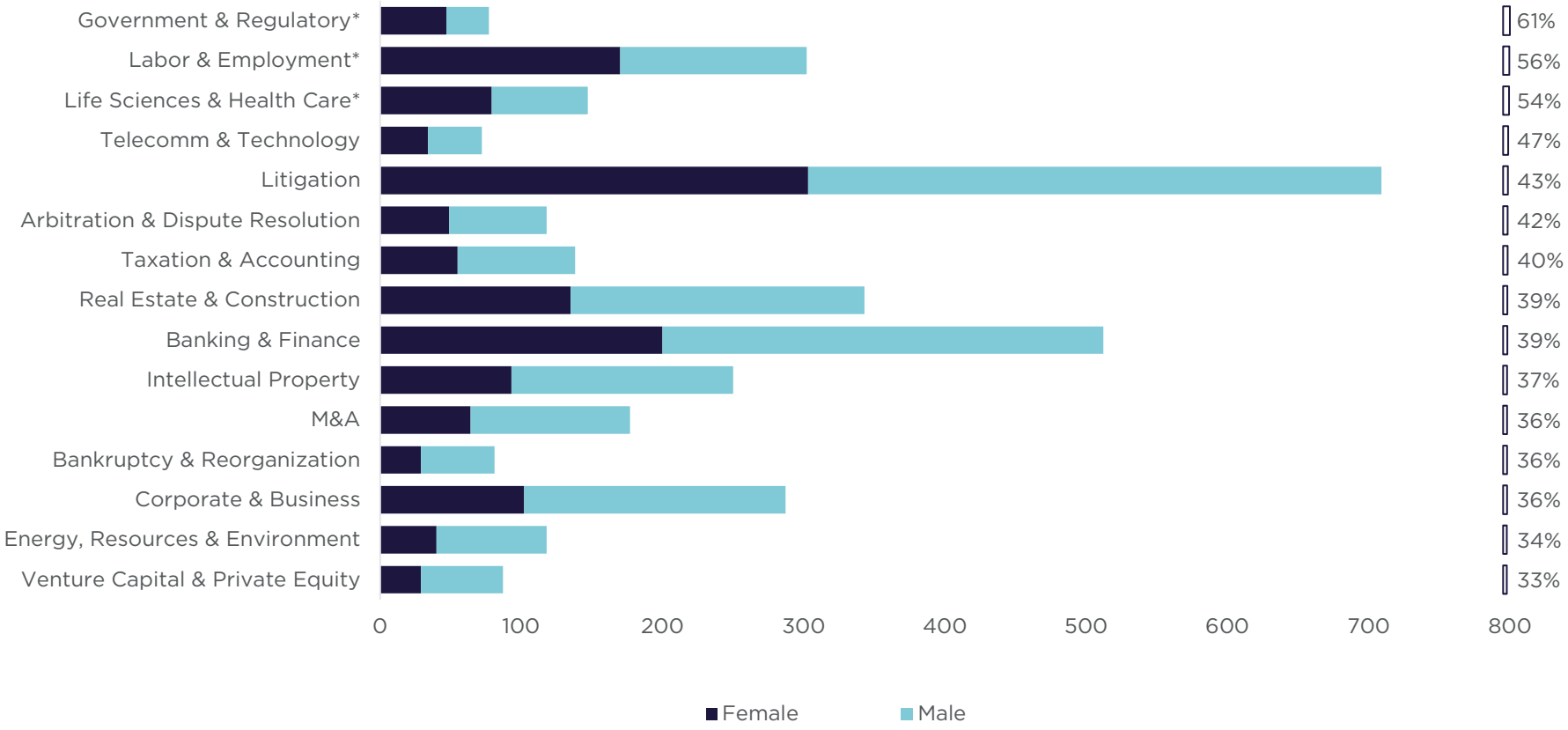


Source: ALM New Partner Promotions, 2023

[8] ALM New Partner Promotions Survey, January 2024
[9] Cushman & Wakefield analysis of ALM New Partner Promotions survey, 2024

The likelihood of making partner in FY 2023 also varied across legal practice areas, with more attorneys making partner in litigation, banking and finance, and real estate and construction practice areas. Across the top three legal practice areas for partner promotion, 59% of attorneys who were promoted identified as male and 41% identified as female. However, female attorneys made up the majority of attorneys who made partner in 2023 in the labor and employment (56%), life sciences and healthcare (54%), and government and regulatory practice areas (61%).

Number of partner promotions in FY 2023, select practice areas



Source: ALM New Partner Promotions, 2023
Note: Asterisks (*) denote practice areas with majority female partner promotions in FY 2023.

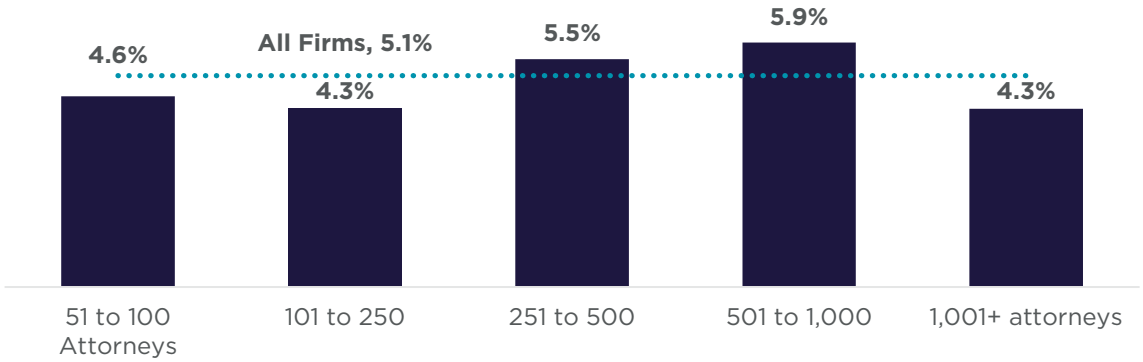
02

DEMAND FOR HUMAN RESOURCES

Legal technology has been advancing rapidly, providing attorneys with an arsenal of resources available to increase their capabilities, make their work more efficient and lessen their reliance on staff members. As a result, labor demand for attorneys has remained mostly consistent with last year's results as **law firms expect to see attorney headcount grow 5.1% on average in 2024**, a 50-bps decrease compared to last year's results. Labor demand for staff is still positive but weaker than it has been in the past. Staff growth rates are expected to be more tepid at 2.3% this year, down from 3.6% in 2023, and 25% of firms surveyed are planning to reduce staff headcounts. Firms in the 51 to 100 attorney size segment are most bullish on hiring staff with an expected change of 5.6% while the largest firms, with more than 1,000 attorneys, expect the lowest staff growth at just 1.7%. Larger firms are likely to have a growing cost-efficiency advantage as they lower the support staff-to-attorney ratio to a degree that is more difficult for most small, and even medium, firms to match.

Attorney Headcount – Expected change in 2024 (%)

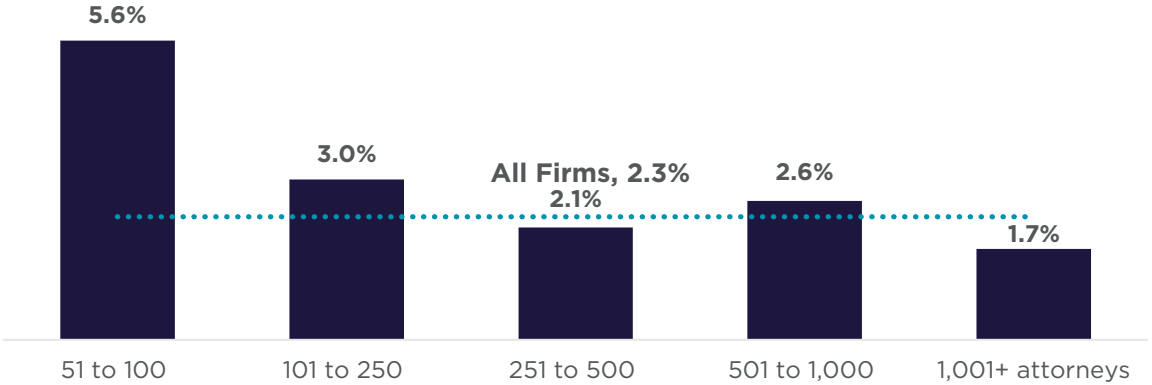
88% of firms are expecting to increase their attorney headcount, looking to expand, regardless of current size. Growth rates are larger, however, among mid-size firms and Am Law 200 firms.



Source: Cushman & Wakefield Research

Staff Headcount – Expected change in 2024 (%)

Staff growth rates are expected to be more tepid (2.3% vs. 5.1% for attorneys). A fourth of firms are actually expecting to shrink their staff headcount.



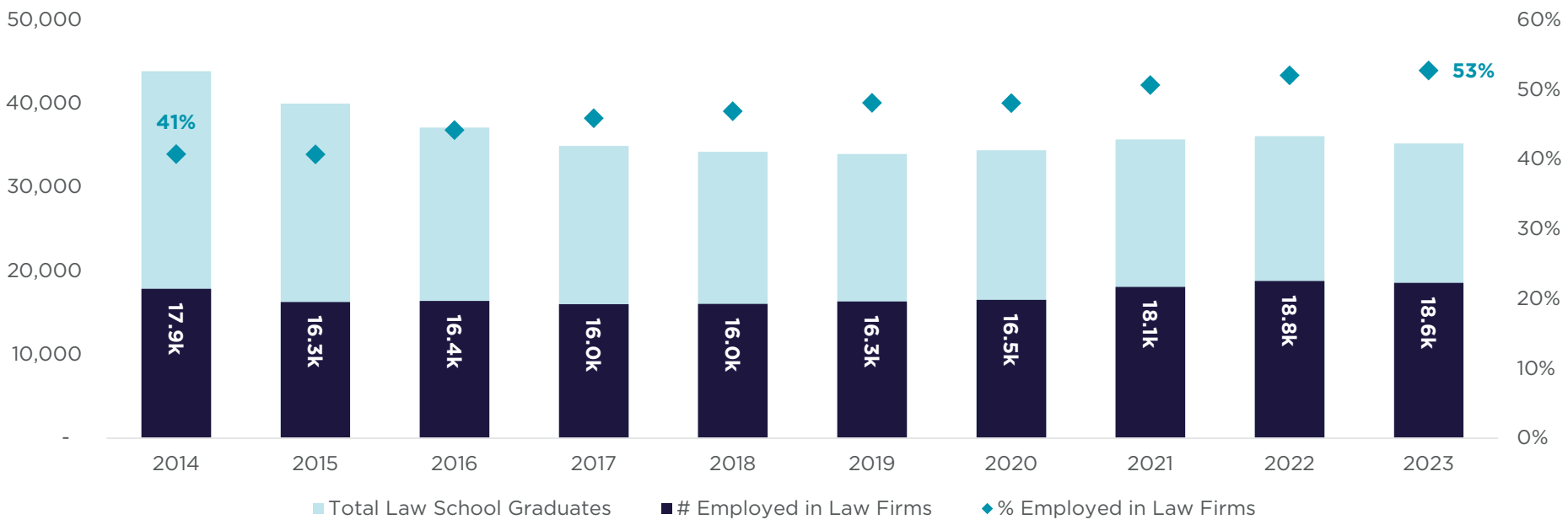
Source: Cushman & Wakefield Research

FINDING, ATTRACTING AND KEEPING LEGAL TALENT

Legal talent continues to be primarily sourced from other law firms and directly from law schools. Interestingly, **firm respondents have shown more proclivity than in previous years for hiring legal talent from the government and corporations**. Capturing talent through law firm or practice acquisition was a new selection included in this year's survey and more than half of law firms indicated this is part of their talent sourcing strategy. Large firms, in particular, plan to use acquisitions to fuel headcount with 93% of Global 100 firms indicating they will expand by acquiring practices and/or entire firms.

With nearly 6 out of 10 law firms looking to law schools as a source of talent, understanding the graduate trends and how law firms are specifically recruiting associates, is valuable insight. According to the American Bar Association, **there are 20% fewer students graduating law school today than there were 10 years ago**. Law firms, however, should not be concerned with declining graduation rates as the total number of law school graduates that have become employed in law firms, and not elsewhere in the industry, has actually grown 4% over the same period.

Number of U.S. Law graduates & share employed in law firm positions



Source: American Bar Association, 2024

02

New associate classes are increasingly comprised of graduates belonging to Gen Z[10] who are challenging law firm culture and pushing for change as they seek better work/life balance, increased diversity and inclusion, and to work for firms with values that correspond to theirs. They also have greater technological literacy than generations before them and look to leverage technology regularly in the workplace. As the first generation of associates leveraging AI, Gen Z is expected to drive efficiency gains in traditional work processes, allowing them to focus on higher value work and/or meaningful pro bono work.

Gen Z is expected to drive efficiency gains in traditional work processes, allowing them to focus on higher value work.

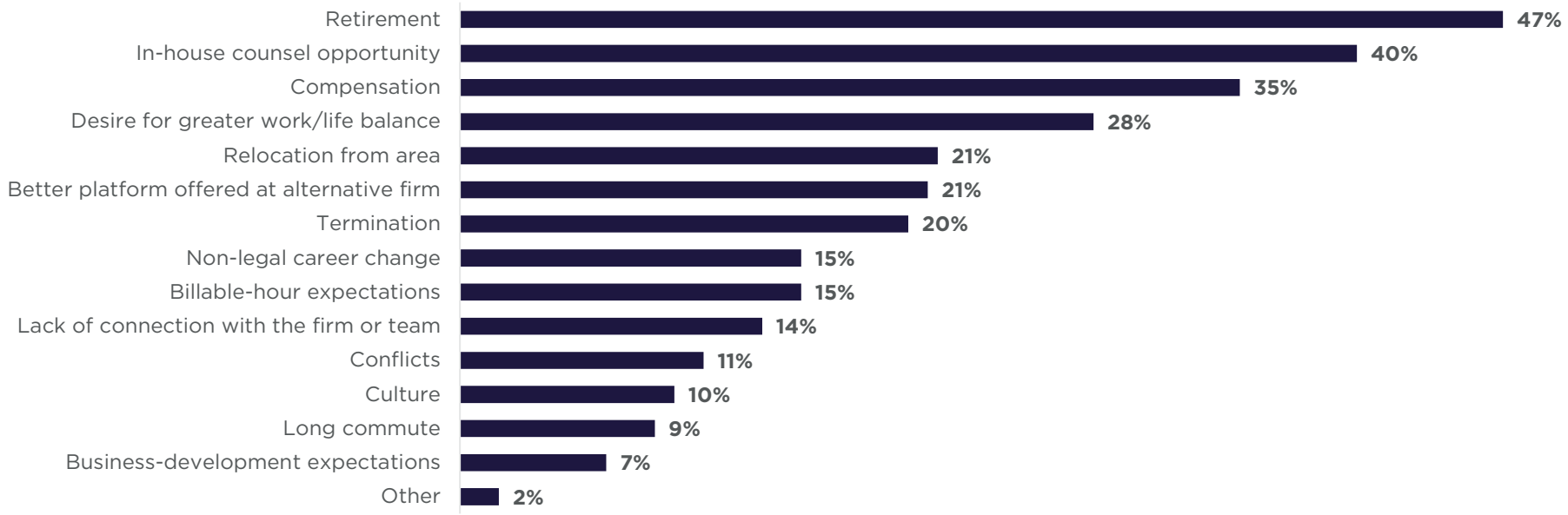
When attracting new talent, law firms are focusing on inclusion and diversity because **welcoming workplace cultures with a high degree of diversity and flexibility attract top-tier legal talent**. Increased flexibility and hybrid work options, which can be considered an improvement in work/life balance, are a frequently indicated area of focus. Improving firm culture has grown in interest as well as 49% of this year's survey respondents are dedicated to cultural improvements compared to 37% last year. However, attention toward salaries and bonuses should always remain front-and-center; compensation was the top controllable reason that an attorney is likely to leave yet its ranked fifth in recruiting and retention efforts.

[10] Defined by Pew Research Center as those born between 1997 and 2012, so the oldest members of Gen Z are turning 27 this year.

Retirement was indicated as the number one reason that firms are losing attorneys this year.

Retaining talent can prove challenging for many firms. Retirement was indicated as the number one reason that firms are losing attorneys this year with 47% of firms citing the cause, up from 34% last year. This is not surprising given that lawyers tend to skew older than the average U.S. worker. In-counsel opportunities and compensation remained as top reasons that firms lose attorneys as well. Based on the results provided in the Benchmark Survey, if they wish to boost retention, firms should pay close attention to their compensation offerings compared to their competitors, work/life balance of their employees and their platform offering.

What is/are the primary reason(s) that attorneys have departed your firm?

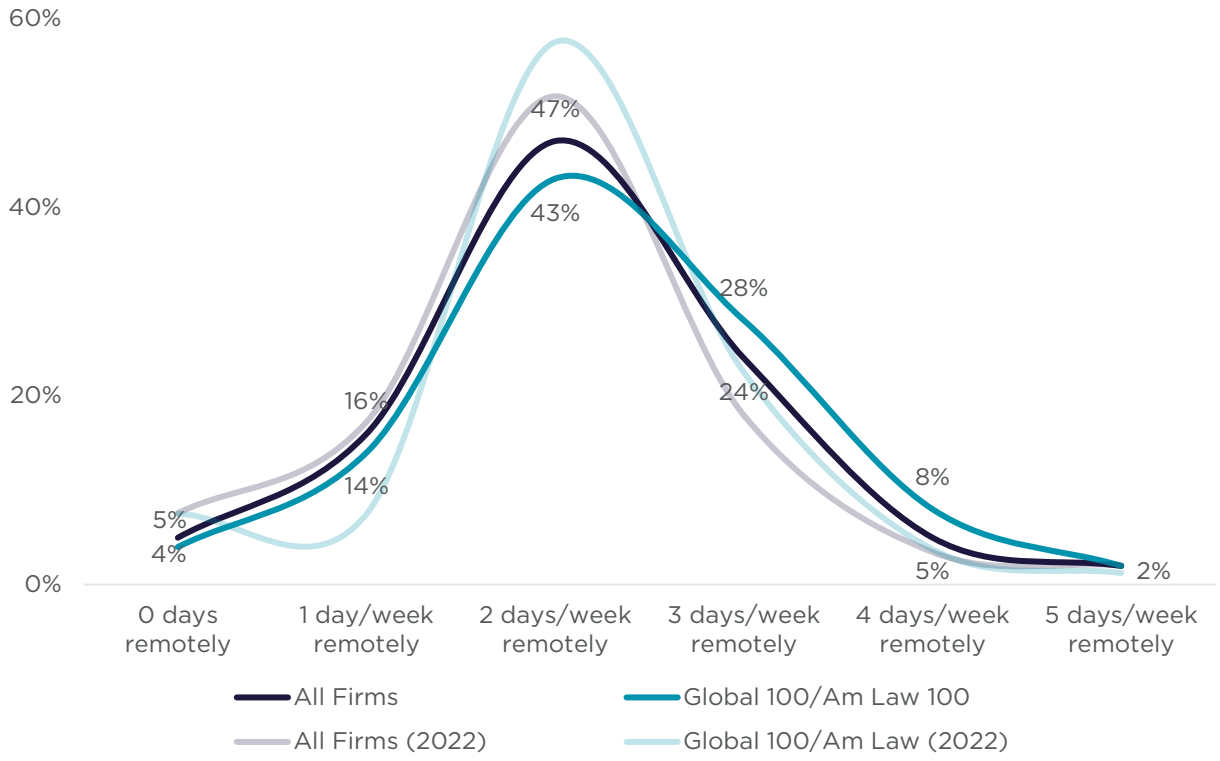


Source: Cushman & Wakefield Research

02

Flexibility to support work/life balance has largely become synonymous with remote/hybrid work policy in the eyes of many law firms who, prior to the pandemic, may have been highly resistant to implement. Over the last few years, firms have become increasingly open to hybrid work schedules, including for first year associates. In fact, **95% of firms surveyed are currently allowing first year associates to work remotely at least one day per week, but two days per week remote is the most common**. Fully remote work for first year associates is almost nonexistent in the industry with only 2% of surveyed firms allowing it.

Remote Work Less Prominent in Top 100 Law Firms



Source: Cushman & Wakefield Research

DIVERSITY, EQUITY AND INCLUSION

While diversity and inclusion efforts are listed as a primary focus of legal talent recruitment at all levels, the overall sentiment is that firms are just 'somewhat diverse.' There is variation, of course, across different types of diversity. For example, law firms are largely perceived to be diverse when it comes to age and gender. This sense of improvement aligns with National Assocation for Law Placement's (NALP) analysis that indicates that the share of partners and associates that are female have both increased by 440 bps over the past five years (now totaling 28% of partners and 50% of associates). However, survey respondents' perceptions are lower for other types of diversity, including sexual orientation/gender identity and veteran status. NALP estimates that 3% of partners identify as LGBTQ and 2% of partners are military veterans. While there is little difference in perception between survey respondents at Global/Am Law 100 firms and other firms, NALP does show that larger law firms with more lawyers do tend to be more diverse.[11]

Diversity improvements are a continous effort and 90% of firms surveyed are either making a concerted effort to continue improving it or planning to do so in the future. Common strategies for firms working toward diversity improvement include the creation of affinity/employee resource groups, participation in national diversity organizations and the creation of a firm-wide diversity mission statement.

[11] NALP 2023 Report on Diversity in U.S. Law Firms

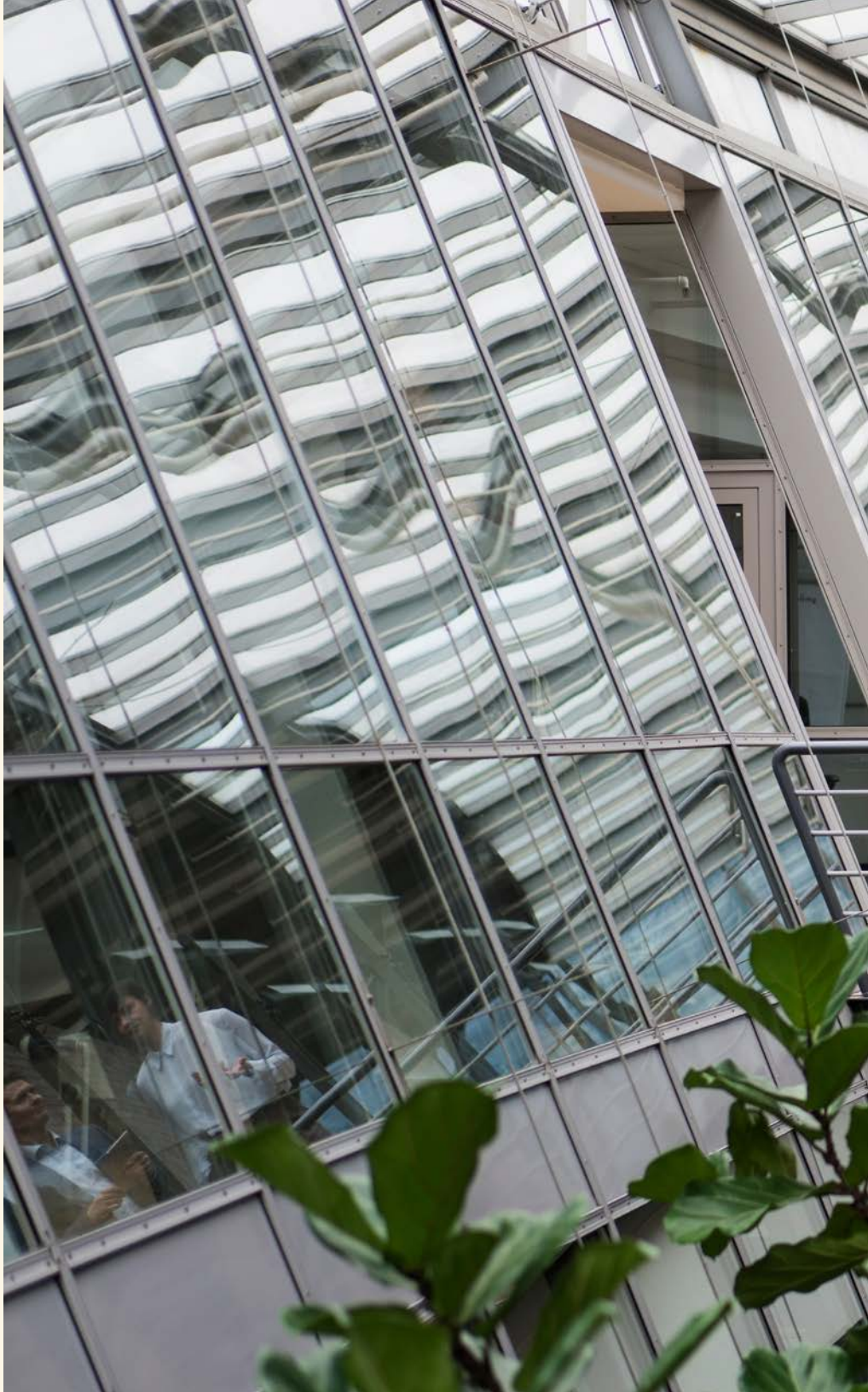
03

CONTINUED WORKPLACE EVOLUTION

PURPOSE OF THE OFFICE

Law firms have been making incremental changes to their workplace over the long term,but change has been catalyzed over the last few years and the new law firm offices of today bear little resemblance to offices from 10 years ago, aside from the continued focus on private offices for attorneys. As virtual client meetings, electronic records and hybrid work increase, partners are seeking to transform their workspaces to respond to new technology, business functions, processes and attorney preferences.

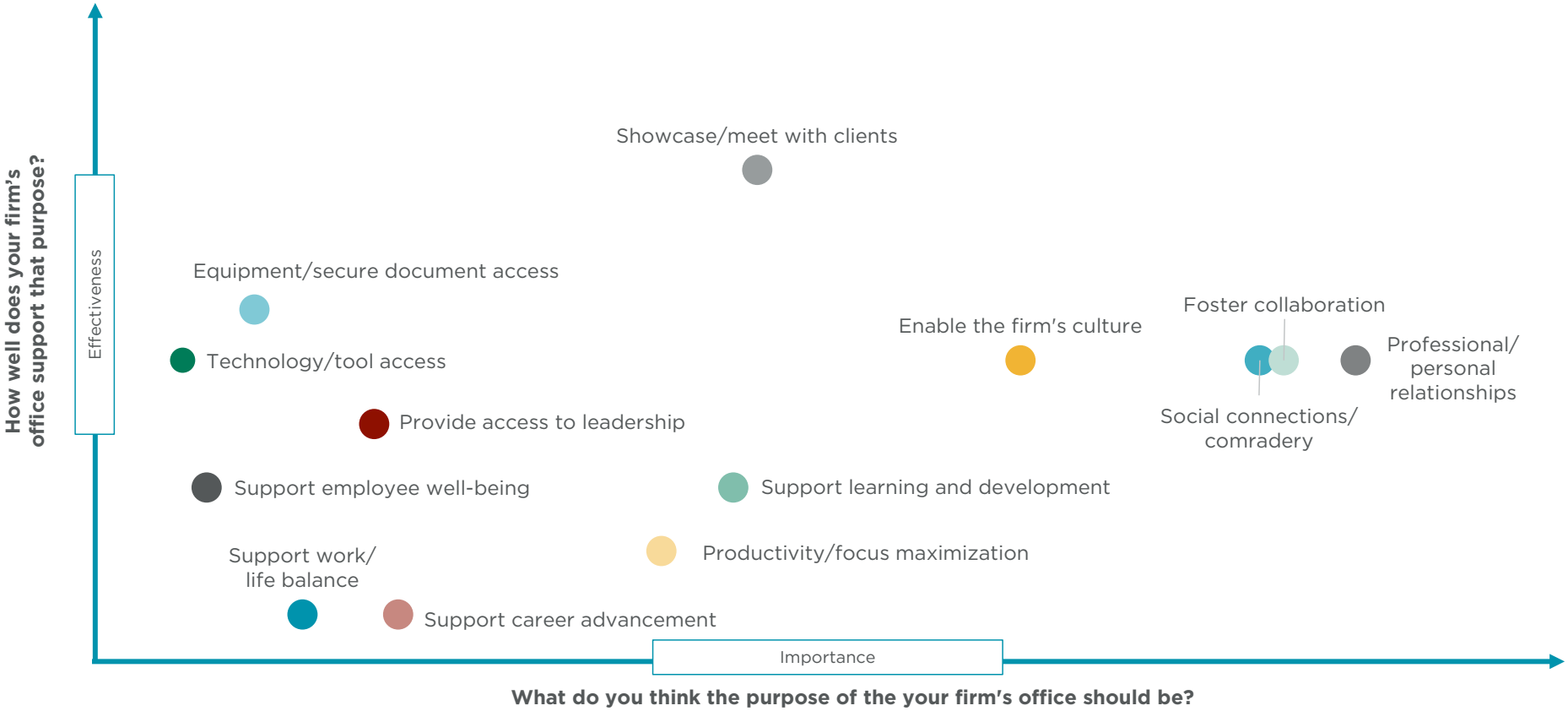
When surveyed, partners indicated that they believe **the purpose of their offices should be socially focused**. In fact, the five most frequently cited purposes for the office revolve around relationship building, teamwork, networking, morale and business development. These social categories ranked higher than categories related to professional development, career development, providing access to technology and even individual productivity. When asked how well their firm's office currently supports the purposes they indicated, partners across all firms believe **their current workplace does an adequate job but could be improved**. Among all categories, today's law offices are best at providing a space to entertain clients according to survey respondents. The office is also quite effective at providing access to tools and technology, but those both ranked as low-level purposes for the office.



KEY TAKEAWAYS:

- **Law firms have shown a high preference for modernized and efficient office spaces** and a significant number of them are signing new leases to that effect. They are also placing value on the social component of the office, designing them to cater to business development and networking.
- **Hybrid work arrangements are the norm in the legal sector** and the majority of firms have adopted a three-day in office, two-day remote policy, granting greater flexibility to those with seniority. However, partners and associates both agree that they would benefit from more time in the office at the start of their careers.
- **Uncertainty surrounding future office use and renovation/relocation costs are a consideration for many firms when implementing workplace change**. Firms with leadership that have been able to build consensus around desired space allocations have been more influential in affecting change. Firms that are able to navigate these nuances are focused on increasing the density of offices while incorporating multifunctional areas on the interior.
- **Hoteling is gaining ground, but still less than common**, as one fourth of firms plan to utilize it five years from now. Only 14% of firms currently do so. **Firms that are interested in hoteling often have attorneys who are in the office sporadically** due to travel, trials or remote work preferences. Hoteling is more common for non-attorney staff, but still not the most common strategy.

Purpose of the Office

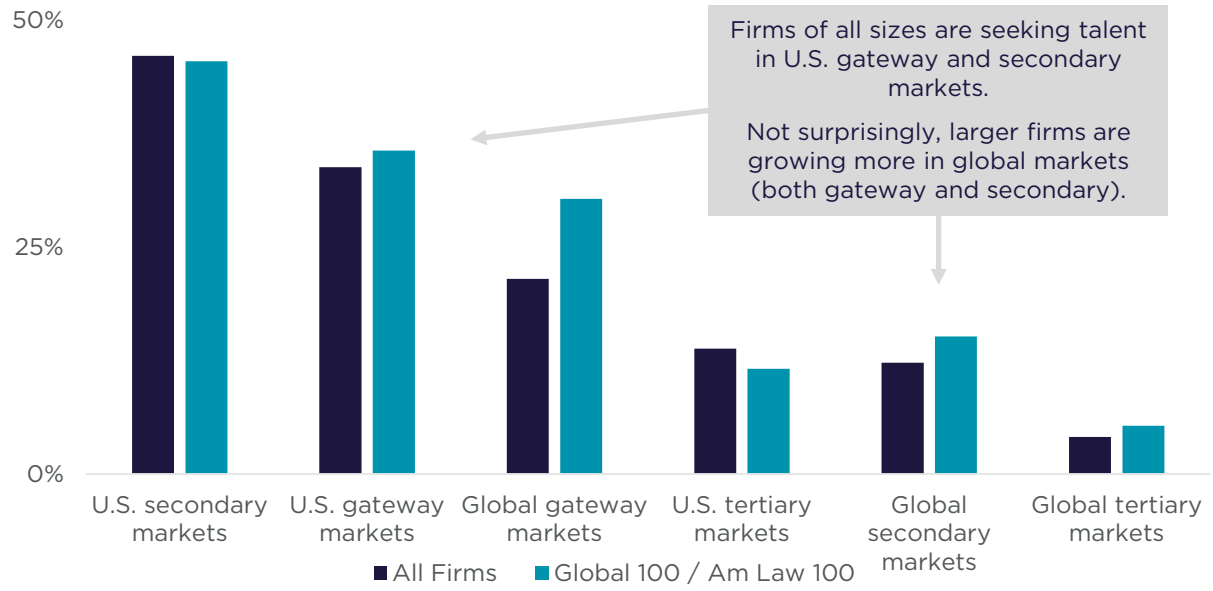


Source: Cushman & Wakefield Research
Note: X-axis percentages reflect the % of respondents indicating a given purpose. Y-axis values are an average response from 1 – 4, with 4 being most supportive.

Not all office moves are in-market relocations to newer space that better serves a firm's objectives. Some new office buildouts are purely expansionary in that a firm is establishing a new location as part of an effort to reach clients in new markets or new areas of existing markets. **Firms currently in expansion mode have placed significant focus on secondary markets** in the United States and few are looking at tertiary markets nationally or globally. Secondary markets provide cost savings (in real estate and potentially talent costs) while still offering deep talent pools.

The largest firms, however, retain a significant presence in U.S. and global gateway markets. In fact, the biggest difference in location strategy adjustments between larger and smaller firms is the fact that Global/Am Law 100 firms are more interested in gateway markets than other firms (30% vs. 22%).

Talent Strategy Focused in Secondary & Gateway U.S. Markets



Source: Cushman & Wakefield Research

03

HYBRID WORK

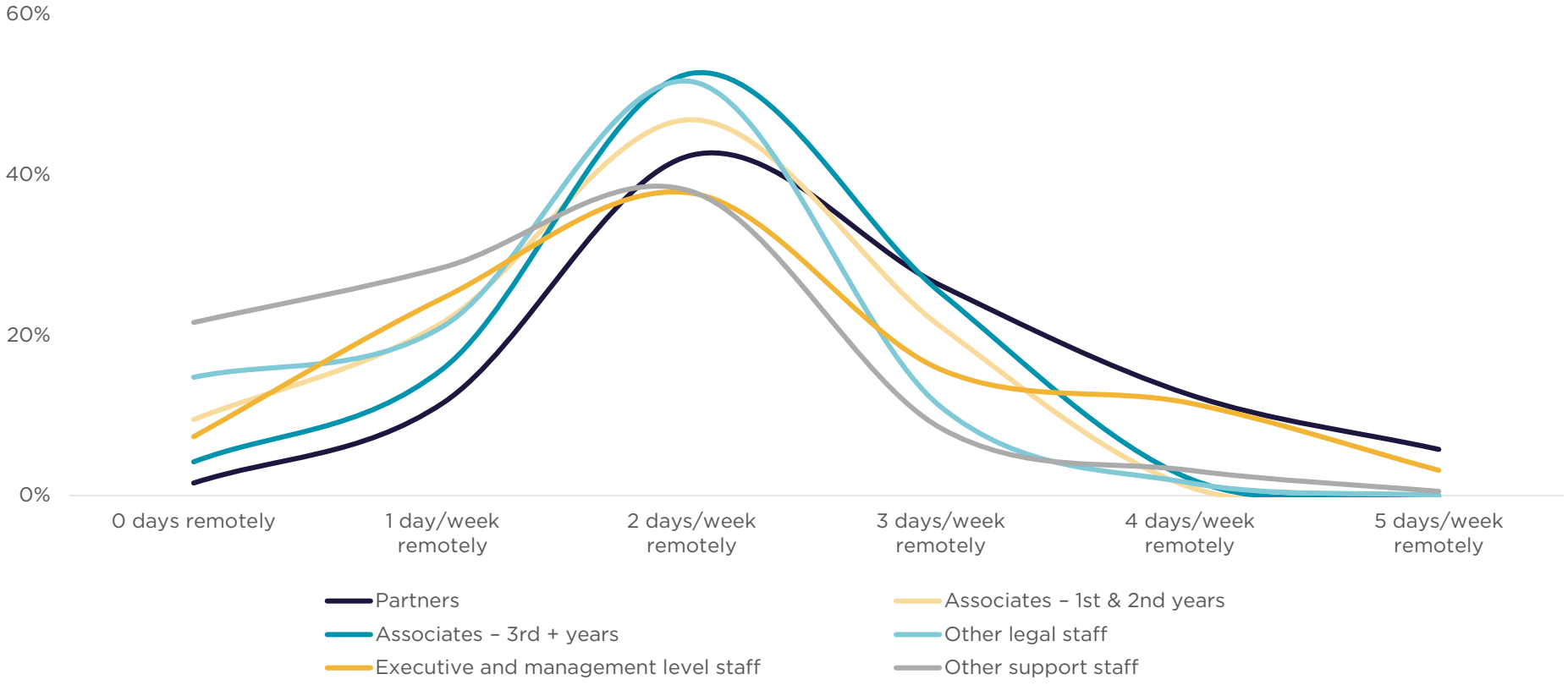
Hybrid work arrangements, or the ability to work remotely some days and in the office others, have become table stakes for law firms in terms of attorney recruiting and retention as prior uncertainty surrounding the topic has faded. In fact, 79% of firms expect attorneys to work from home at least two days per week, and 61% expect staff to do so. However, **hybrid work policies are not universal and in-office work expectations vary significantly across different roles and seniority levels** in law firms today. Just as partners in traditional offices typically had the largest offices, they too are afforded the greatest degree of flexibility in where they choose to work. For example, the Bright Insight Benchmark Survey reveals that only 2% of firms expect partners to be in the office five days per week while 9% expect first and second year associates in the office five days per week; 15% grant no flexibility to legal staff; and 22% mandate five days per week in office for support staff. In practice, however, senior attorneys and firm leadership at many firms are actually in the office four+ days per week even if they are given more freedom to work remotely than more junior attorneys and staff. And many firms are giving staff large amounts of freedom to work remotely.

Most commonly, **law firm employees at all levels are expected to follow what's become the traditional hybrid schedule across all industries: approximately three days in the office and two days remote per week.** The difference between expectations and reality can vary across and within firms, of course.

Given that law follows an apprenticeship model, and associates learn best when working in close physical proximity to their mentors, law firms can take comfort in associates' attitudes on hybrid work. In Cushman & Wakefield's Bright Insight Associate Survey, more than 450 associates were asked how important remote work flexibility was for them and findings reveal that associates place more importance on compensation, work/life balance and a collegial work environment than they do on remote working flexibility. It also revealed that **first – third year associates value remote work flexibility less than their more experienced peers**, which aligns with partners' expectations of them and enables them to spend quality time in-office developing into effective and polished attorneys more quickly.

Work/life balance presents itself again as a reason that partners feel their attorneys want to work from home, with 58% of respondents indicating as such. Avoiding the commute, however, is listed as the primary reason, with 72% of partners agreeing that commutes play a significant role in the desire for an increased number of remote workdays per week. These two reasons are closely related as eliminating any amount of commute time can be considered a significant step toward improving work/life balance that eliminates the uncompensated job-related time spent traveling to and from work that can easily add an additional hour or two to the workday.

Remote Work: How many days per week do you anticipate each of these firm members working remotely on average?



Source: Cushman & Wakefield Research

03

OFFICE LAYOUTS AND SPACE EFFICIENCY

Despite an urgency to modernize traditional law offices and a generally accepting attitude toward change in that area, law firms face challenges when doing so. The most significant challenge in workplace change for all firms, as indicated by 36% of respondents, is uncertainty about future office use by attorneys. In Global/Am Law 100 firms, the largest challenge is a lack of current office use which is closely followed by uncertainty in future use of the office. This uncertainty doesn't exist in a vacuum; building consensus among partners is a significant hurdle to making long-term decisions about office layouts.

Attorneys need a place to conduct internal team and client meetings, and to do individually-focused work. While technology has allowed them to do more of these tasks remotely, the office is still the most secure and professional space for many of these interactions. Until clarity can be achieved surrounding how often attorneys and staff will use the office in the future, there can be hesitancy in deploying the capital required to build out new space. Consequently, **the second greatest challenge faced by all surveyed firms is the costs associated with office renovation or relocation.**

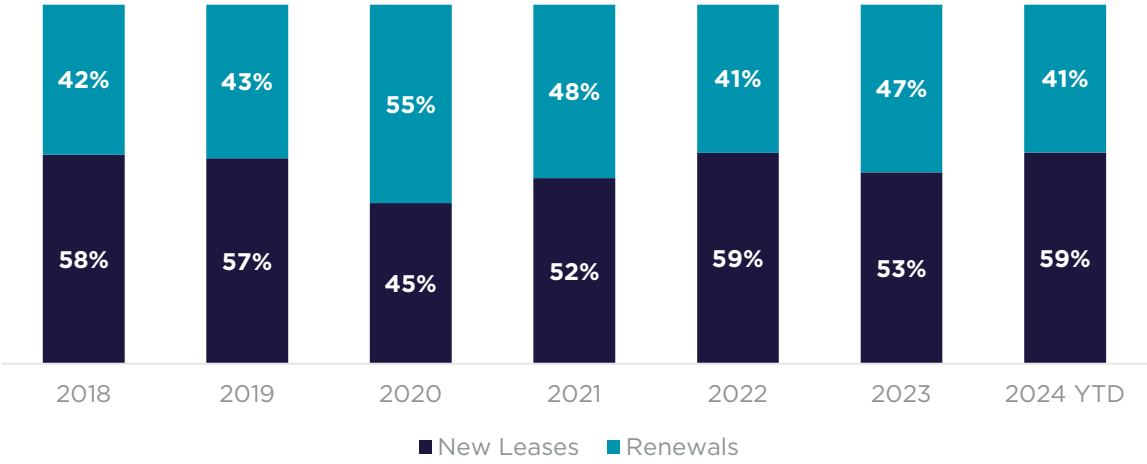
All Firms	
01	Uncertainty about future office use by attorneys
02	Costs associated with office renovation and relocation
03	Current lease structure
04	Economic uncertainty
05	Resistance from partners or senior leadership

Global/Am Law 100 Firms	
01	Lack of current office use by attorneys
02	Uncertainty about future office use by attorneys
03	Current lease structure
04	Costs associated with renovation and relocation
05	Resistance from partners or senior leadership

Source: Cushman & Wakefield Research

Law firms haven't shied away from relocations and do still see value in upgrading to more efficient, modernized space in the wake of present challenges. In 2023, 53% of firms opted to sign a new lease, rather than renew, and 59% in the first quarter of 2024 did the same which is in line with historical averages. In 2020, when offices were essentially empty and uncertainty about future use was at an all-time high, leasing behavior favored renewals (at 55%) for the first time when firms weren't as willing to make the investment in space upgrades and most attorneys and staff worked from home. However, as attorneys and staff began returning to the office in 2021, preference for new leases returned.

All Leases – Percent of New Leases Vs. Renewals



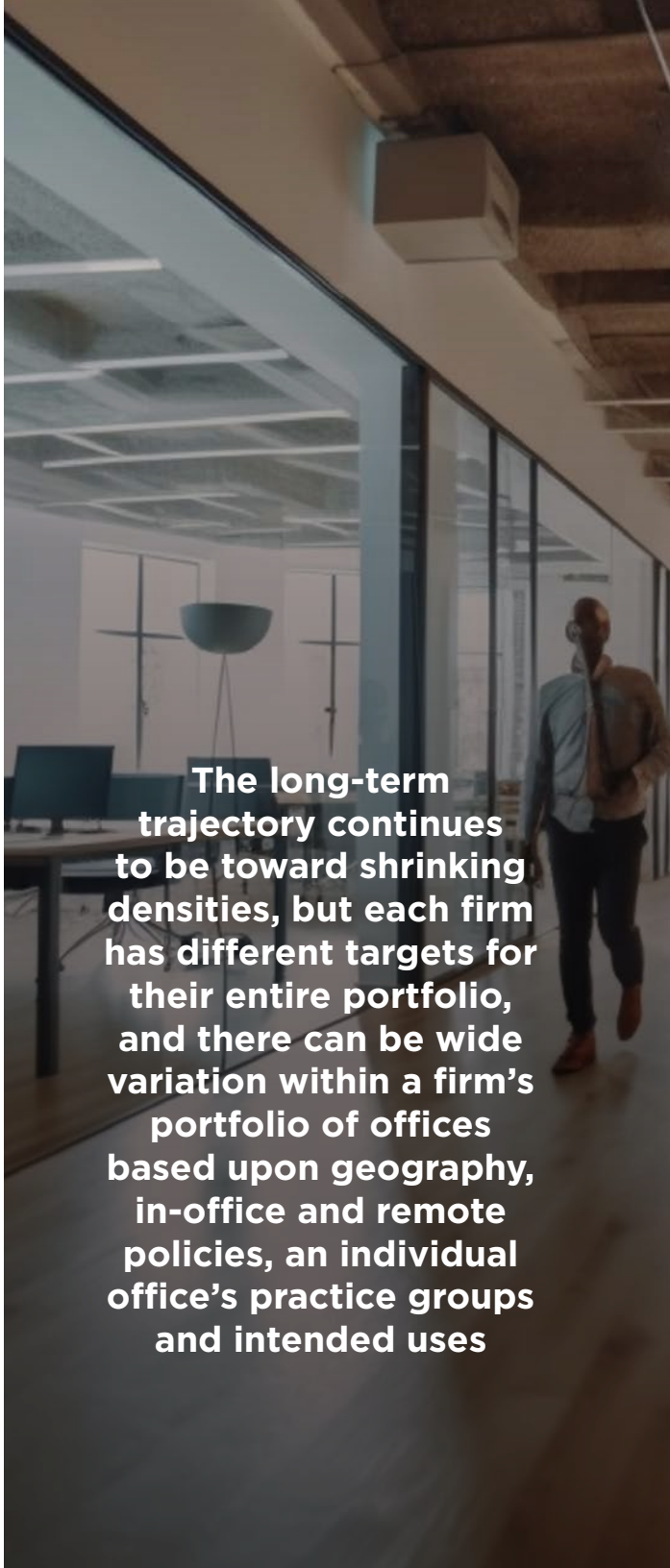
Source: Cushman & Wakefield Research

03

When opting for newly built space, most firms are looking to increase the amount of space they utilize to accommodate future headcount expansions. Efficiency, however, is still top of mind regardless of whether their total office size is growing or shrinking, and square footage per attorney ratios are expected to continue to decline across the industry. The long-term trajectory continues to be toward shrinking densities, but each firm has different targets for their entire portfolio, and there can be wide variation within a firm's portfolio of offices based upon geography, in-office and remote policies, an individual office's practice groups and intended uses, etc. Sector-wide, regional differences exist and law firms in San Francisco may edge toward lower square foot per attorney figures while firms in New York City may see a higher ratio.

The centralization of legal, professional and support staff has been trending in the legal industry and law firms are seeing the number of attorneys supported by each staff member increase as technology continues to drive efficiencies. With the rise in collaborative technologies, professional staff no longer necessarily needs to be located in the same building—or even locality—as the attorneys they support. As a result, some law firms are centralizing these workers in one location, often at the firm headquarters, which can place further downward pressure on overall attorney per square foot ratios. Building layouts matter here as well and law firms have shown preference for buildings with rectangular floor plates as they allow them to maximize perimeter offices and minimize interior space.

While there has been a significant reduction in demand for more traditional spaces such as libraries and high-density file storage, there is an ongoing requirement to have flexible spaces (e.g., large, column free conference rooms that are divisible) and more small



The long-term trajectory continues to be toward shrinking densities, but each firm has different targets for their entire portfolio, and there can be wide variation within a firm's portfolio of offices based upon geography, in-office and remote policies, an individual office's practice groups and intended uses

conference and video rooms. Many firms are adapting these spaces into lounges and multifunctional areas that can accommodate transitional work which, in turn, promotes a more socially-focused office space, allows for greater workspace density and better enables firm culture development. Another interesting workplace strategy that's growing in popularity is the use of non-contiguous floors. Some firms have begun placing attorney workspaces and client-focused spaces on higher, more expensive floors while placing legal and support staff on lower, less expensive floors within the same building.

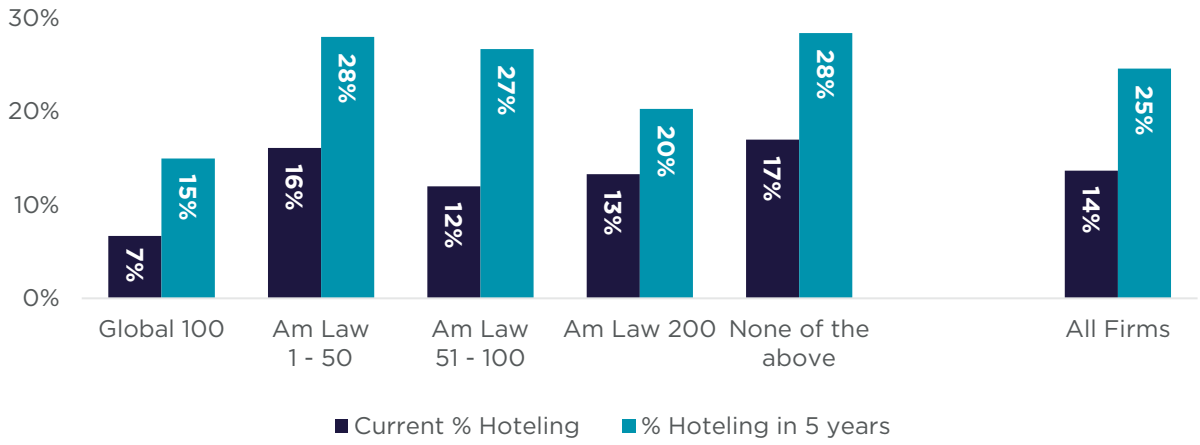
Single-sized offices may have the impact of increasing workspace density, but they are a common strategy among many firms regardless of office space strategy because they offer greater flexibility for attorney growth, promotions and adjacency requirements. In general, **law firms are moving toward fewer different sizes of attorney offices, but not all firms or all of a firm's offices are filled with single-sized offices.**

Survey respondents indicate approximately half of spaces are being built out with single-sized offices, more so among smaller firms than larger ones. That said, there are several reasons that a firm may continue to have multiple sizes of attorney offices, including: the current level of construction costs associated with changing layouts in existing space; company culture and attorney politics; higher operating leverage ratios requiring larger partner offices; and smaller firms or offices moving into space that was already built out for a previous tenant that utilized multiple office sizes. Typically, it's not financially feasible to renovate existing space and change office layouts. When moving into new space, however, there is greater proclivity to move toward single-sized offices.

03

Hoteling, where attorneys don't have a personal office and would instead reserve one of many available offices each day they go into the office, is not a commonly utilized strategy among firms. Currently, **only 14% of firms surveyed are using a hoteling strategy to manage their office**, but that is expected to increase to 25% of firms within the next five years. Another strategy often used with newer attorneys is office-sharing where two attorneys have access to one office, but the space is not widely available to all attorneys or other staff.

What percent of attorneys do you expect will utilize hoteling instead of having an assigned desk/office?



Source: Cushman & Wakefield Research

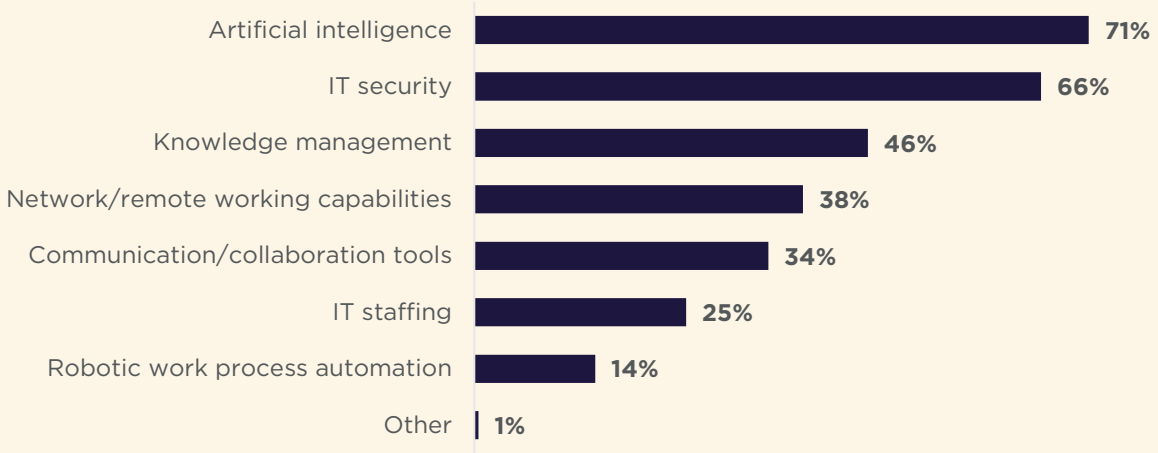
04

TECHNOLOGY & THE FUTURE

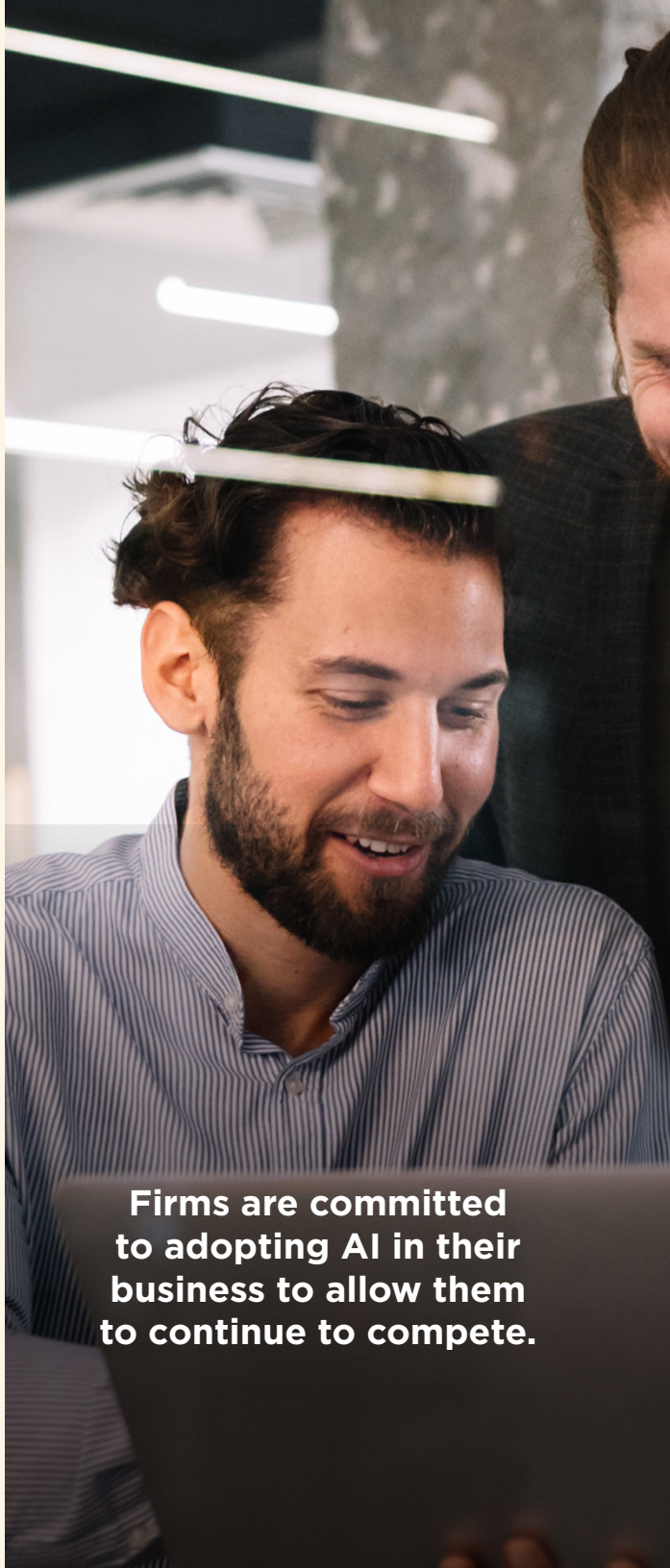
LEGAL TECHNOLOGY

The legal sector has not historically been associated with cutting edge technology, but that too is changing and tech-enablement in the legal sector has been gaining steam. Digital libraries and record keeping have become commonplace in the industry, the newest wave of legal technology is AI-driven and individual attitudes toward it range from optimistic and accepting to negative and resistant. Despite nuances in individuals, firms are committed to adopting AI in their business to allow them to continue to compete. After all, **AI is the #1 area that firms anticipate greater technology spend in future years with 71% of firms planning to do so**—up significantly from 53% in last year's survey. Besides spending on communication/collaboration tools, which only increased by one percentage point YOY, all other categories are expected to see lower investment.

Anticipated areas of greater technology spend in future years



Source: Cushman & Wakefield Research



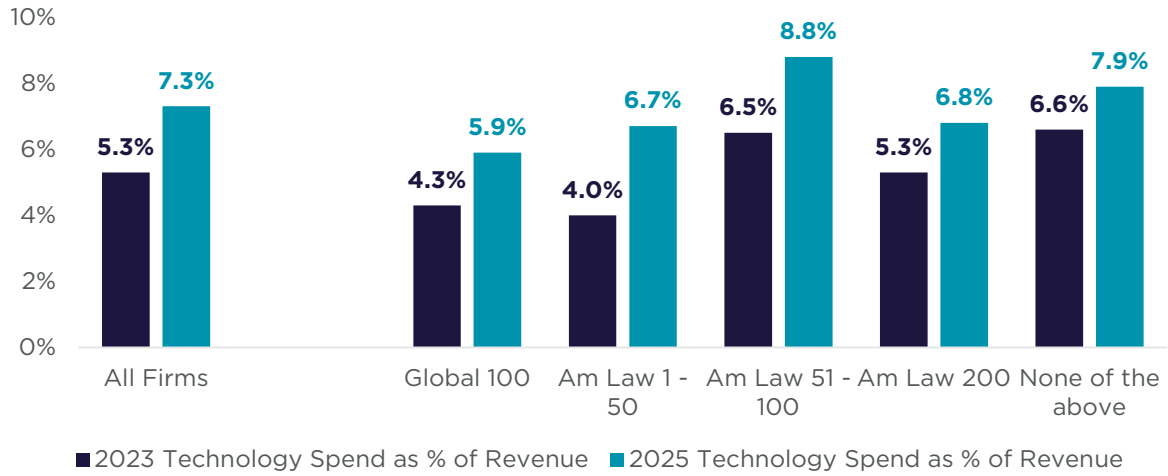
KEY TAKEAWAYS:

- **Law firms are significantly ramping up their investment in AI**, with 71% of them planning to increase AI spending in future years. **This shift is anticipated to elevate technology spending** from 5.3% to 7.3% of total revenue by 2025, indicating a commitment to leveraging the technology to remain competitive.
- **A majority of law firms are currently incorporating, or plan to incorporate, AI** across various functions in their firms with legal research being its most frequently cited application.
- **The impact of AI on the legal industry is impossible to predict as this time and won't reveal itself in the near term.** However, potential impact scenarios range from significant enhancement in client value (i.e., more services at the same fee levels) and firm profits to a possible reduction in traditional law firm positions. Law firms must prepare for shifts in client demands, recruitment and retention challenges, increased global competition and evolving fee structures driven by rapid technological advancements.

04

Current spending on technology, as a percent of revenue, remained flat at 5.3% YOY. For Am Law 200 firms, specifically, this equates to a total spend of $8.7B on technology in 2023.[12] Given the expense associated with generative AI, and other areas of anticipated tech spending, **firms are preparing to spend a higher amount of their revenue, at 7.3%, on technology in 2025**. Results are not lateral across all firms in regard to technology spend and Am Law 51-100 ranked firms expect to spend the most on technology at 8.8% of revenue two years from now.

Technology spend as a % of revenue

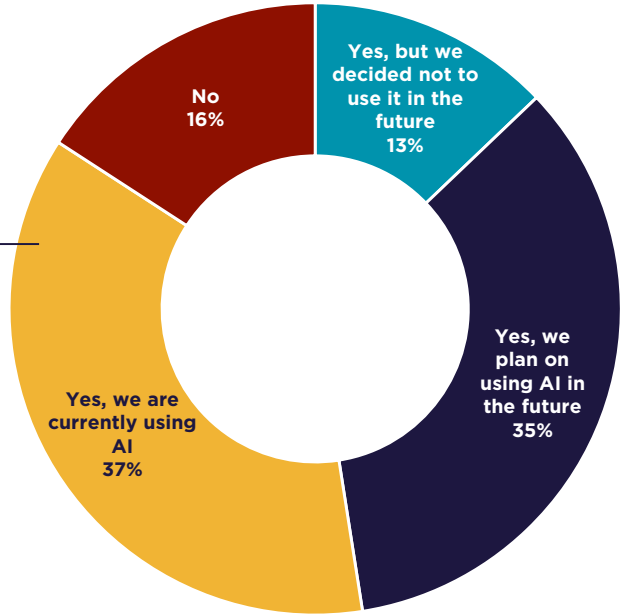


Source: Cushman & Wakefield Research

[12] Cushman & Wakefield analysis of ALM's Am Law 200 survey, 2024

Last year, 41% of law firms said that they have not explored augmenting their work with AI. This year, only 16% of firms surveyed made the same claim and an additional 13% said they have explored using AI but decided not to use it. Combined, those who currently aren't, or don't want to, use AI are in the minority as 35% of firms plan on using AI in the future and 37% already are. Global 100 firms are the most prolific users of the technology with 64% of firms in this category indicating current use—Am Law 1-50 firms are using AI at a rate of 50%. Legal research is the most dominant use case currently with 61% of firms indicating they are using it for such purposes. Document management, predictive, document generation and e-discovery were all also majority use cases in firms using AI while fewer firms use it for expertise automation and marketing purposes.

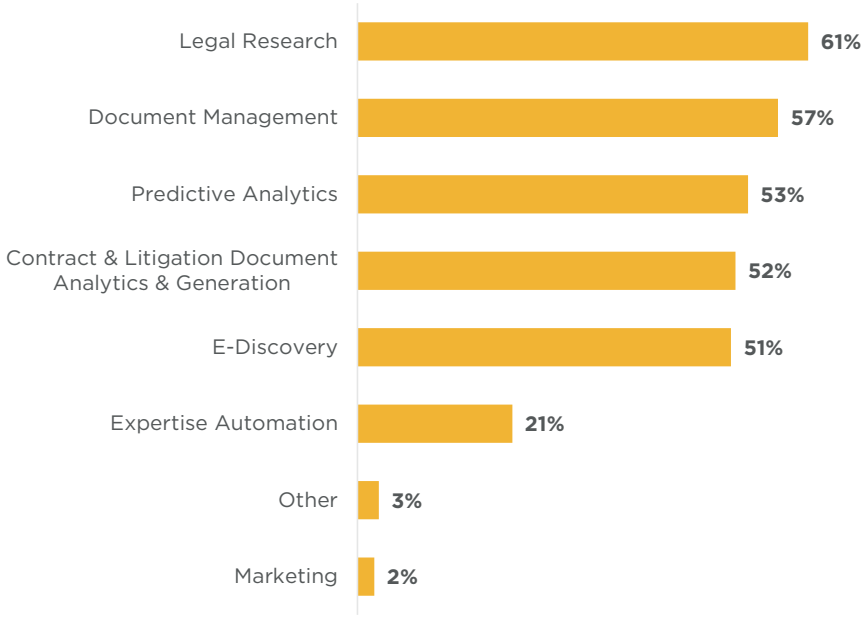
Has your firm explored augmenting work with artificial intelligence (AI)?



% Currently Using AI	
Global 100	64%
Am Law 1-50	50%
Am Law 51-100	27%
Am Law 200	37%
None of the Above	19%

Source: Cushman & Wakefield Research

If yes, in what areas have you considered/ are using AI?



Source: Cushman & Wakefield Research

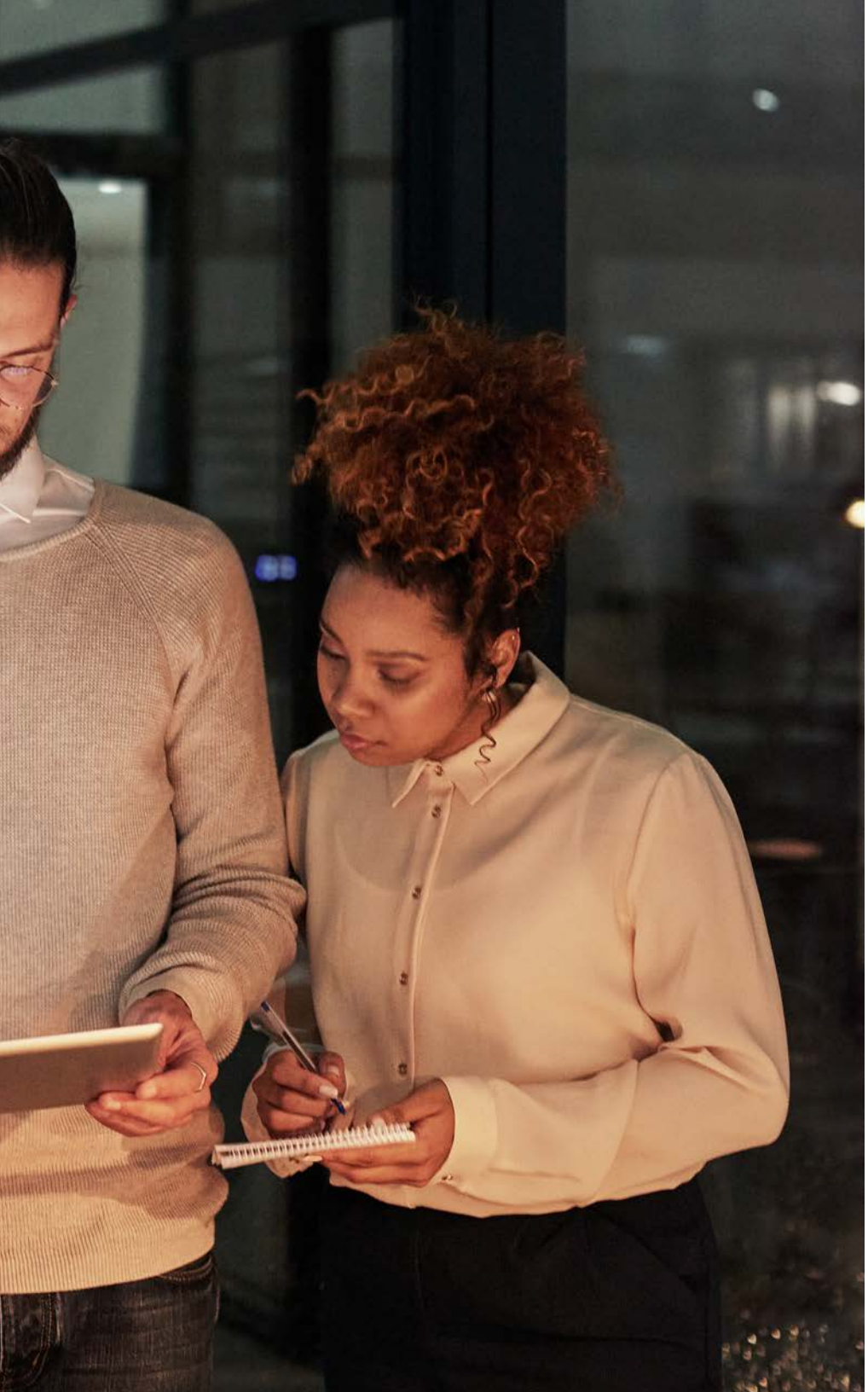
04

FUTURE IMPACTS ON THE LEGAL INDUSTRY

AI and technology in general are expected to have the biggest impact on the legal industry going forward. **There is widespread uncertainty surrounding AI that is not unique to the legal sector as the technology is still in relative infancy and its impact on society, business and education has not been fully understood.** However, law firms have used the technology enough to have developed legitimate concerns surrounding accuracy and bias in the information it provides, security and confidentiality of client and firm data, and introducing new ways for attorneys to make mistakes.[13]

Thomson Reuters presents three possible scenarios surrounding the impact that generative AI could have on the legal sector, the first of which is positive and suggests that generative AI "significantly enhances both client value and law firm profits" as clients will get higher-quality, more creative advice more expediently which also reduces operational costs for firms. The second scenario is bleak for the legal sector and suggests that generative AI would diminish the traditional role of law firms and enable clients to handle more of their legal work in-house, leading to pressure on law firm fee structures. The third scenario is more neutral and revolves around generative AI having no significant impact on law firm business but could prove to be a handy tool.[14]

[13] ALM Am Law 100 survey, 2024
[14] Thomson Reuters, 2024 State of the Legal Market



Other impacts that firms are preparing for include shifts in client demands, recruiting and retention, global competition and fee compression, among others. With the exception of competing on the global stage, expectations of all other categories of potential impact have lessened in expected severity and frequency.

The Citi Hildebrandt 2024 Client Advisory legal sector report sums up five key challenges that law firms face in the near term, and Cushman & Wakefield's Bright Insight Survey findings come to a very similar conclusion. Law firms will face challenges surrounding growth in today's economic and geopolitical environment, talent attraction and retention, fee structures, hybrid work and the further adoption of AI.[15] Looking further into the future, macroeconomic and geopolitical woes may come to an end and hybrid work policies will be ironclad, but talent challenges and, more notably, AI prevalence will likely still persist. With generative AI still in its infancy, and the rapid development it's currently undergoing, **law firms will be in a constant state of adopting new iterations of the technology for the foreseeable future** and its impact will not be fully understood anytime soon.

[15] 2024 Citi Hildebrandt Client Advisory Report

CUSHMAN & WAKEFIELD

LEGAL SECTOR ADVISORY GROUP

Cushman & Wakefield's global Legal Sector Advisory Group consists of more than 450 global advisors that specialize in strategizing, creating, and implementing real estate solutions that support the business and people 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 due to legal sector shifts and the dramatic impact the global pandemic has had on the sector over the past two years. 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 guide firms through the future evolution of the sector to effect change long-term change.

ABOUT CUSHMAN & WAKEFIELD

Cushman & Wakefield (NYSE: CWK) is a leading global commercial real estate services firm for property owners and occupiers with approximately 52,000 employees in nearly 400 offices and 60 countries. In 2023, the firm reported revenue of $9.5 billion across its core services of property, facilities and project management, leasing, capital markets, and valuation and other services. It also receives numerous industry and business accolades for its award-winning culture and commitment to Diversity, Equity and Inclusion (DEI), sustainability and more. For additional information, visit www.cushmanwakefield.com.

AUTHORS

John McWilliams
Senior Research Analyst
Global Think Tank
john.mcwilliams@cushwake.com

David Smith
Head of Americas Insights
Global Think Tank
david.smith4@cushwake.com

CONTRIBUTORS

Rachel Casanova
Senior Managing Director
Total Workplace
rachel.casanova@cushwake.com

Eva Garza
Senior Managing Director
Total Workplace
eva.garza@cushwake.com

Jessica Howe
Vice President
Global Practice Groups
jessica.howe@cushwake.com

Copyright © 2024 Cushman & Wakefield. All rights reserved.