

THE CHANGING FACE OF
Legal
Workplaces
LONDON 2023



DeVono

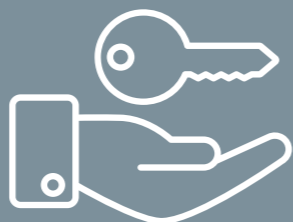
CENTRAL LONDON OFFICE MARKET LEGAL SECTOR LEASING SNAPSHOT 2022-23

LEASING IN 2022



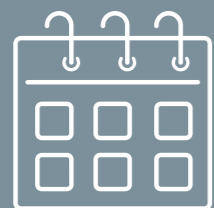
1.5M SQ FT

LEASED IN 2022 - HIGHEST
VOLUME SINCE 2004



NEW HISTORIC HIGH FOR
"MEGA DEAL"

LEASING ACTIVITY



AVERAGE LEASE LENGTH OF
7.8 YRS

IN 2022, IN-LINE WITH
10-YR AVERAGE



NUMBER OF LAW FIRMS
LEASING IN 2022
DROPS 31%

ON 2021 TOTAL

LEASING BY LOCATION IN 2022



LEGAL LONDON
IN THE CITY -

68%
SHARE

OF LEASING IN 2022



MIDTOWN
LEASING AT A

10-YR
HIGH

IN 2022



WEST
END

LEASING IN 2022
AT A 20-YR HIGH

LEASING SO FAR IN 2023



AVERAGE
TRANSACTION SIZE-

13,863
SQ FT



Q2 2023 ACTIVITY
BOOSTS ANNUAL
TOTAL SO FAR,

90%
SHARE



LEASING ACTIVITY
IN H1 2023 SLOWS,

DOWN
59%

ON H1 2022

LEGAL SECTOR LEASING IN LONDON

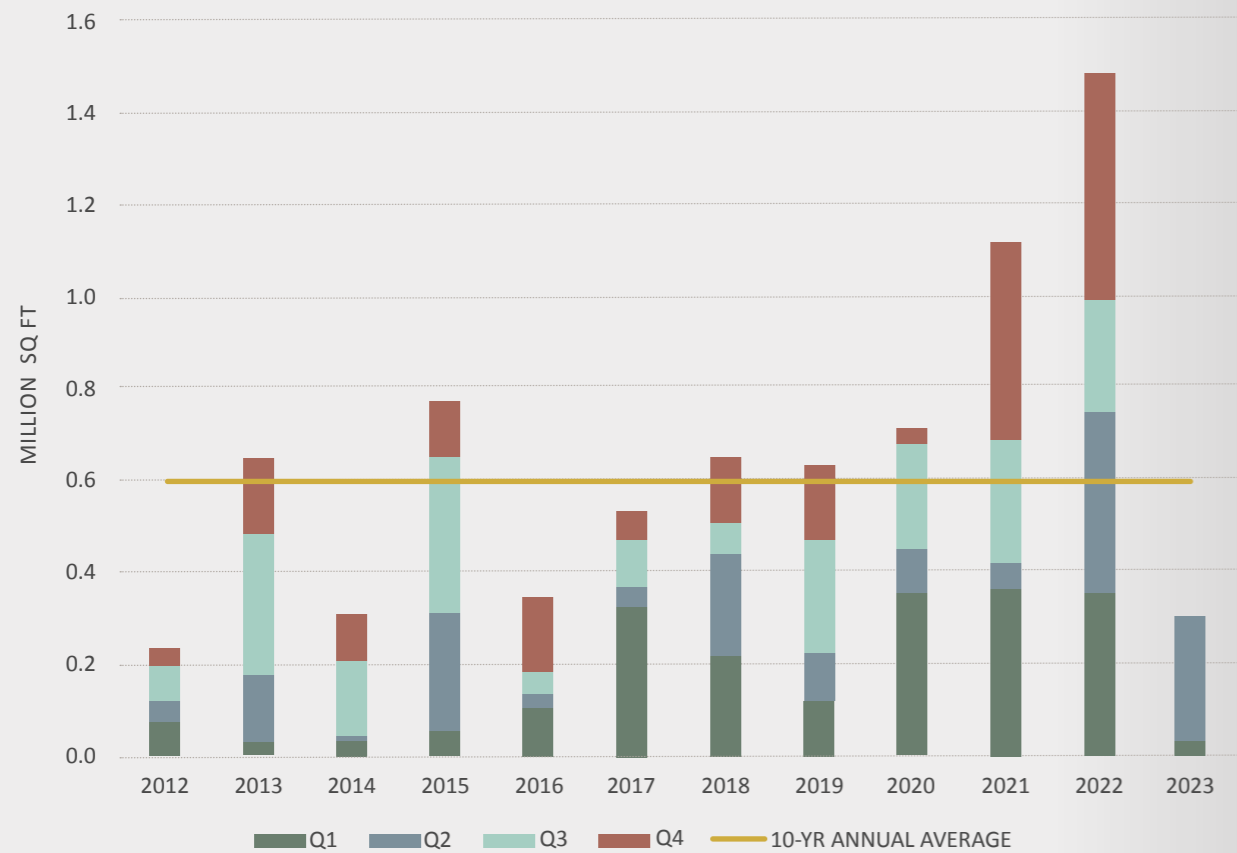
SETTING A NEW HIGH

The strong growth in leasing activity by the legal sector continued in 2022, with 1.5 million sq ft leased, constituting a 20 year high for the sector, stimulated in part by an increase in activity amongst the larger firms.

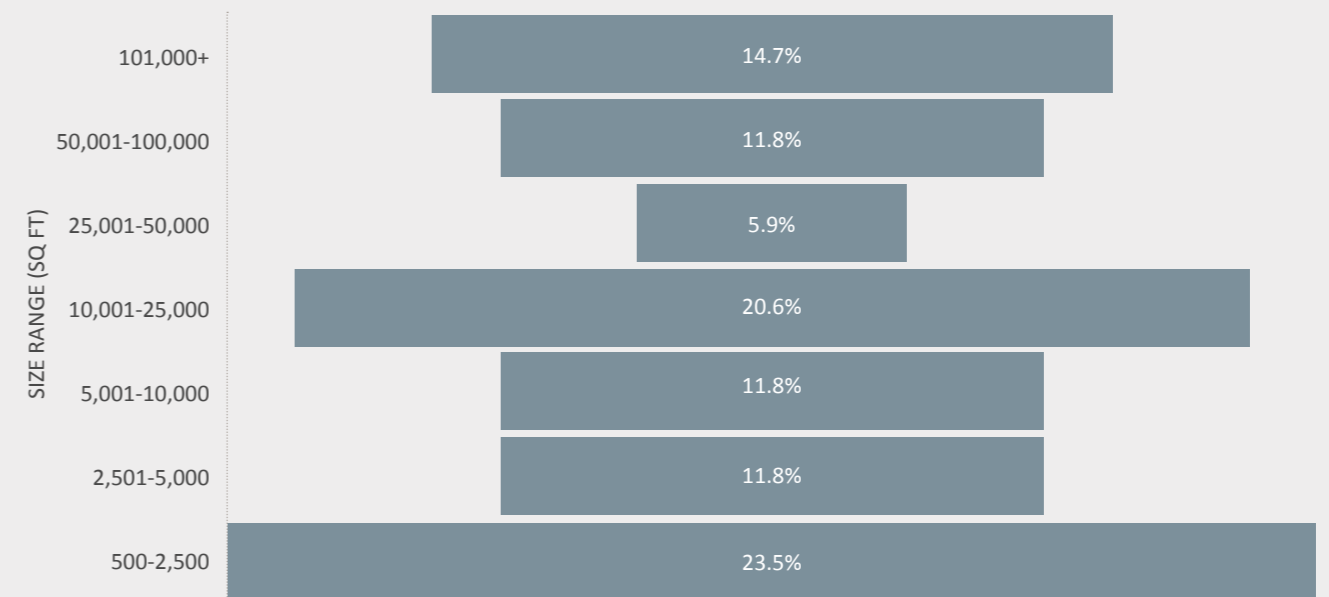
- The sector recorded 5 mega deals (more than 100,000 sq ft), with the largest being Clifford Chance's acquisition of 327,707 sq ft at 2 Aldermanbury Square, pushing the average deal size for the year up to 43,700 sq ft.
- Discounting the mega deals, the average deal size amounted to 14,789 sq ft, just 4% below the 10-year annual average.

- The rise in the average size of space leased is reflective of both increased activity by larger law firms and a slowdown in leasing by smaller firms, comparative to recent years.
- Not only have we seen fewer deals transacted in 2022 compared to 2021 (down 33%), but the reduction in the number of deals has been concentrated amongst those with smaller requirements, with the number of firms leasing space below 10,000 sq ft falling 59%.
- Leasing in 2023 on the other hand has failed to live up to 2022 levels, with H1 constituting a drop of 59% on the same period the previous year.

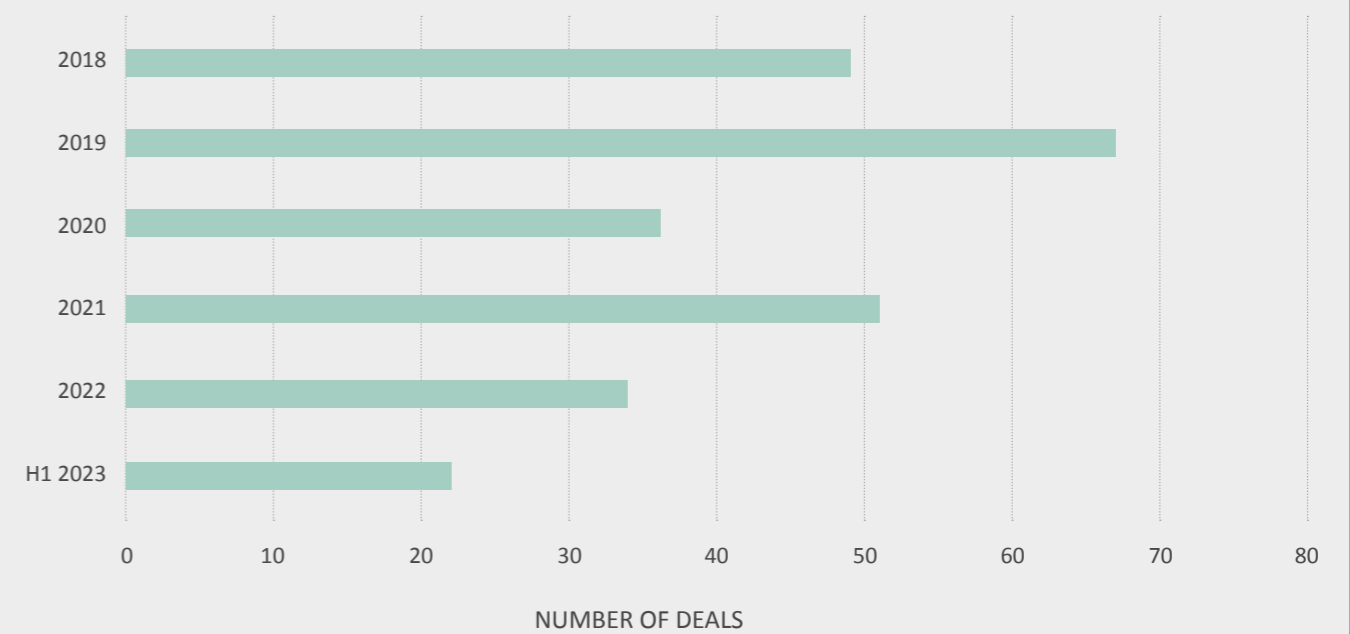
CENTRAL LONDON LEGAL SECTOR:
ANNUAL OFFICE LEASING ACTIVITY, 2012-2023



CENTRAL LONDON LEGAL SECTOR:
NUMBER OF DEALS BY SIZE RANGE, 2022



CENTRAL LONDON LEGAL SECTOR:
NUMBER OF DEALS, 2018-H1 2023



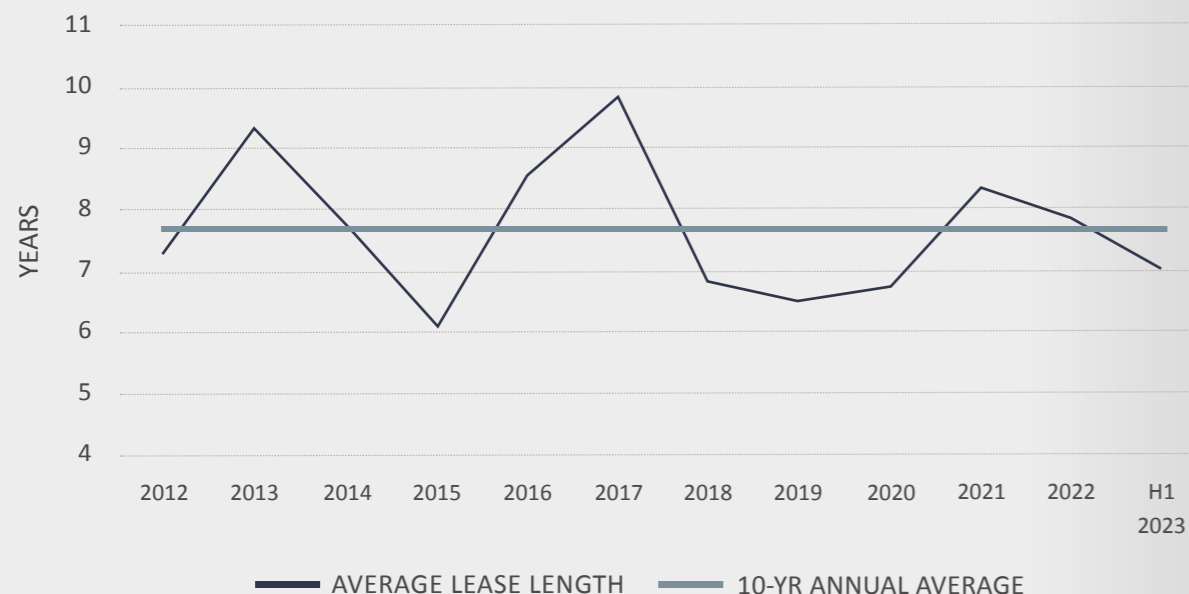
SMALLER FIRMS PUSH FOR FLEXIBILITY

While we have seen a return to pre-pandemic leasing patterns when it comes to size requirements, much like the rest of the wider market we are seeing legal firms begin to pursue greater flexibility in their leases.

- The average lease length recorded in 2022 was 7.9 years which, whilst still in excess of the 10-year annual average by 3%, this represents a reduction of 4% on that recorded in 2021.
- Whilst the latest figures may not seem like a significant push towards greater flexibility through lease lengths on the part of the sector as a whole, there is an observable movement by smaller firms towards shorter leases.
- For those law firms leasing below 10,000 sq ft in 2022, the average lease length of 5.1 years is down from 7.1 in 2021 and the long-term annual average of 6.6 years.
- Shorter leases for smaller firms allows for a greater level of agility with future office space decisions, both for timing and size.
- **That being said, as the economic uncertainty intensified at the beginning of 2023, our research shows that the average lease length was 6.9 years for all deals in H1 2023.**



CENTRAL LONDON LEGAL SECTOR: AVERAGE LEASE LENGTH, 2012-H1 2023



SNAPPING UP THE LATEST SPACES

The legal sector has continued to make headlines with their choice of new office spaces, securing some of the newest office buildings both existing and under development.



71% of the space taken by the legal sector in 2022 was on a **pre-let** basis.



Larger firms are leading the charge on **ESG goals**, using the best-in-class spaces to support their journey in achieving them.



However, when we look at the number of firms leasing, we can see that **secondhand space** remains the most feasible option for most legal firms, constituting **59%** of the deals transacted in 2022.

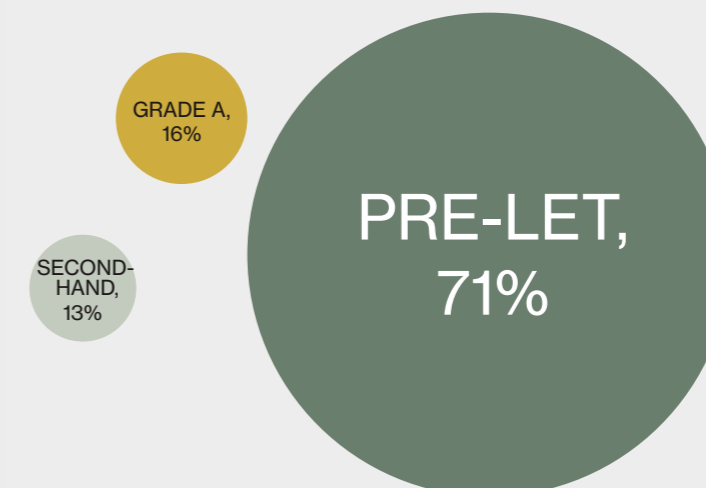


This is particularly the case for smaller firms where **secondhand space** accounts for **88%** of the deals below 10,000 sq ft in 2022.



The dominance of larger legal firms when it comes to pre-letting activity is all the more observable from the activity recorded so far in 2023, as with **no mega-deals signed in H1 2023** pre-letting activity accounts for just 37% of space transacted.

CENTRAL LONDON LEGAL SECTOR: SHARE OF TOTAL SPACE LEASED BY QUALITY, 2022

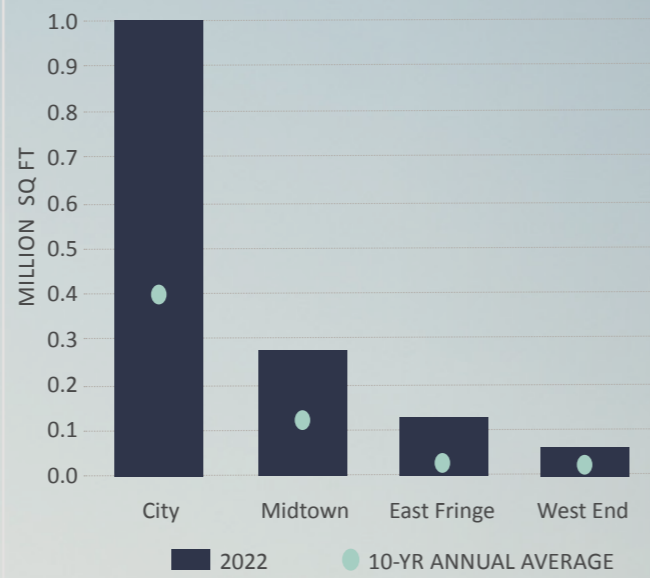


LOCATING LEGAL

Our previous reports in the 'Changing Face of Legal Workplaces' series have highlighted the significant attraction of law firms to the City. This has not changed in this edition, however other markets are seeing a fluctuation in activity.

- The City remains the most desirable location for legal firms, registering a share of 68% of total leasing in 2022.
- Midtown has seen a renaissance in legal sector leasing in 2022 with 279,600 sq ft transacted, up 48% on that recorded in 2021.
- DeVono research shows that leasing highs have been achieved in several markets. The West End saw 66,849 sq ft transacted in 2022, a 20-year high, while 130,378 sq ft was leased in the East Fringe, the largest volume of space taken in this market since 2015.
- Take-up by legal firms in the Southbank and the Docklands markets was non-existent in 2022, despite both having seen deals in 2021.
- We have however seen a resurgence in the appeal of Southbank in 2023 at 37,275 sq ft leased, with Winckworth Sherwood, Anthony Gold and Harrison Morgan Ltd all having taken space in H1.

**CENTRAL LONDON LEGAL SECTOR:
SHARE OF TOTAL LEASING BY
LOCATION, 2022**



LOCATION LOYALTY

Looking closer at leasing activity across 2022 and 2023, our data shows that not only is the City the most preferred location for legal firms, but there is a good level of location loyalty amongst its existing occupiers. Out of 30 firms signing for new space, 28 have stayed put in the City, with just 2 moving to spaces close by in the E1 district.

The City has been pulling in tenants from around central London, in fact seven firms are new to the City office market. Whilst legal sector occupiers in the main office markets of the Southbank, Midtown and West End have also shown a high degree of location loyalty, the latter two have seen some recent movement. In the Midtown market, 2 legal firms left to go to the City, and 1 firm relocating from the West End.

**LOCATION LOYALTY BY SUBMARKET,
2022-23**



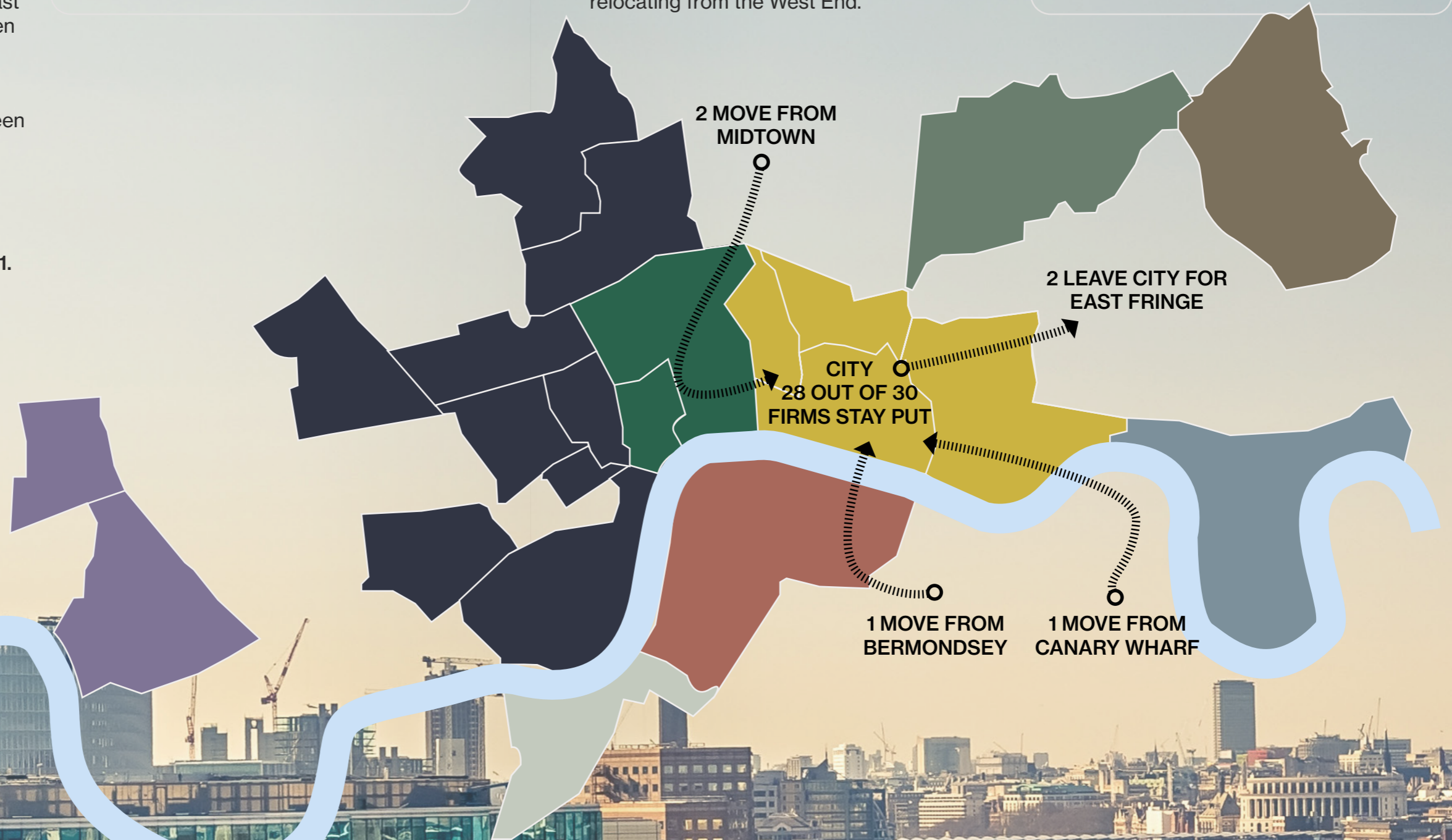
**MIDTOWN
9 OUT OF 10 STAY**



**SOUTHBANK
2 OUT OF 2 STAY**



**WEST END
5 OUT OF 6 STAY**



LEGAL SECTOR CHALLENGES



TALENT



COST



COMPETITION



WORKPLACE



CULTURE

ATTRACTING & RETAINING THE NEXT GENERATION OF THE LEGAL WORKFORCE

- Widen recruitment from a larger pool of universities
- Improve diversity and inclusion at all levels
- Promote and implement a clear career progression journey

- Inflationary pressures, staff expectations and market forces increase salaries for new starters
- Salary bunching practice forcing higher wages
- Increased investment into robust training programmes

- Increased competition for new talent from both legal and non-legal sectors.
- Increased attraction to roles overseas based out of the US and Europe – especially with specific focus on trade and international business

- Demand for wide range of amenities both in and close to the office
- Increasing need for space to collaborate with colleagues in addition to meeting rooms
- Ensure that the office and additional spaces are tech-enabled

- New generation of workers looking for a firm that promotes:
- A friendly environment
 - Social responsibility
 - Meaningful work
 - Work-life balance
 - An inclusive work environment

HARNESSING THE BENEFITS OF TECHNOLOGY SUCH AS A.I AND IMPROVING CYBER SECURITY

- Upskilling existing workforce to adopt to new technology
- Hire new roles to implement and manage technology solutions
- Introduction of more non-legal focused roles into the workforce

- Invest in new hardware and software
- Invest in people and training
- Harness medium-to-long-term cost efficiencies through new technology and automation
- Invest in appropriate cyber security solutions

- Using new technology solutions to achieve a competitive advantage
- Improve efficiency and productivity
- Increase the range of products
- Enhance the client experience
- Risk of reputational damage if not cybersecurity aware

- New office search requirements attracted to smart buildings
- Digital-first led workplace design approach

- Diversification of workforce in terms of people, role and general focus
- Greater appreciation of work pattern differences for non-legal staff

ADOPT AND ADAPT TO FLEXIBLE WORKING

- Provision of remote working
- Continuation of flexible working practices to support workforce attraction/retention
- Providing the basis for a better work-life balance
- Providing flexibility with hours worked, start & finish times
- Access to wider and diverse talent pool with a more flexible approach

- Upskill management with hybrid working leadership skills
- Invest in technology hardware and software that seamlessly works remotely and in-office

- Improve retention rates with a more flexible approach to working practices
- Benchmark against peers both domestic and non-legal sector

- Hybrid and digital-first workplace design led
- Seamless experience for workers both in-out of office
- Rationalisation of space requirements depending on work patterns

- Improve work-life balance for entire workforce, not just senior staff
- Transparent working policy so as not to create any bias between teams
- Greater focus on social responsibility to avoid 'burn out'

IMPLEMENTING ESG GOALS

- Prospective talent and younger workers have higher expectation for corporate, environmental and social responsibility targets
- Implement good and transparent governance practices

- Invest in people to deliver corporate goals, could lead to new role (s) creation
- Invest in infrastructure and implementation
- Invest in net-zero solutions

- Ensure goals are in-line or exceed any industry targets or are similar to peers both domestic and overseas
- Meet client expectations of ESG goals

- Workforce engaged design and amenities
- Secure best-in-class office space
- Wellness orientated design
- Sustainable fit-out and materials

- Transparency and clarity in reporting
- Improve workforce engagement
- Become a sector pioneer

RISE OF ALTERNATIVE SERVICE PROVIDERS

- Increased number of alternative legal service providers targeting talent
- Demand for legal talent deriving from non-legal sector firms with the rise of the in-house legal department
- Requirement of new roles such as sales and technology to compete

- Competition on salaries and benefits
- Invest in technology, product and service expansion
- Invest in workforce training

- Heightened competition from a more fragmented marketplace and cheaper pricing model
- Legal tech competing against traditional providers
- Increased competition puts pressure on revenues and workload

- Look beyond traditional legal firm office design - use other sectors for inspiration
- Embrace the workforce engagement in design
- Think of the client and what they need

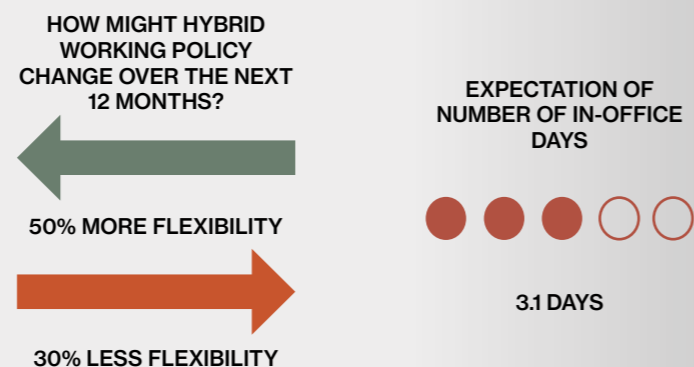
- Take the opportunity to reassess what constitutes 'legal sector culture' and what your company culture is
- Amenable to different roles and working styles

The high hopes that many business leaders had that the emergence from the pandemic and a return to a semblance of normality was to be smooth have been dealt a blow with numerous disruptive headwinds. Whether it is the wider economic landscape, adoption of hybrid working practices or even investing in new technology – the impact is filtering through to workplace decisions. DeVono research has identified five key challenges facing law firms and influence on areas of talent, cost, competition, workplace and culture.

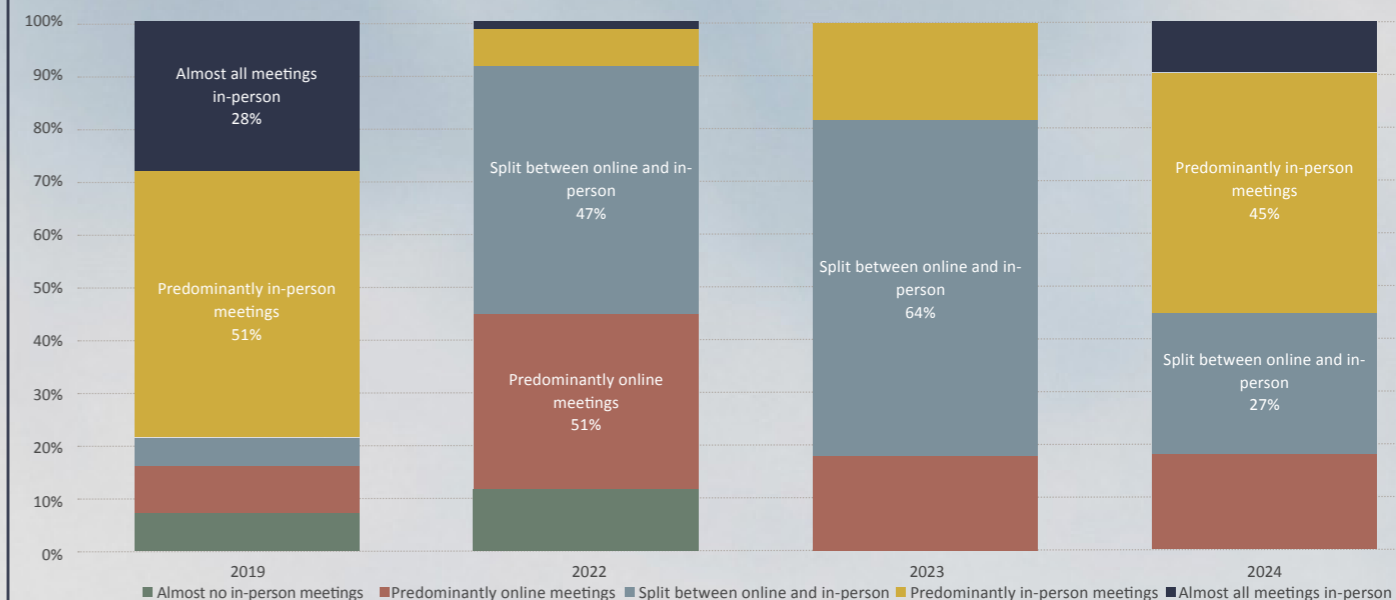
LEGAL WORKPLACE SURVEY 2023

The latest results of our Legal Workplace Survey show that the 'new normal' is far from having arrived, in fact workplace needs by legal firms remain in a transitory state. Whilst many more businesses have adopted remote working as a standard, supported by a rollout of hybrid working policies, in-office attendance levels have also increased as have in-person interactions, meaning that space needs, and indeed, the role of the office continue to be scrutinised.

HYBRID WORKING EXPECTATIONS



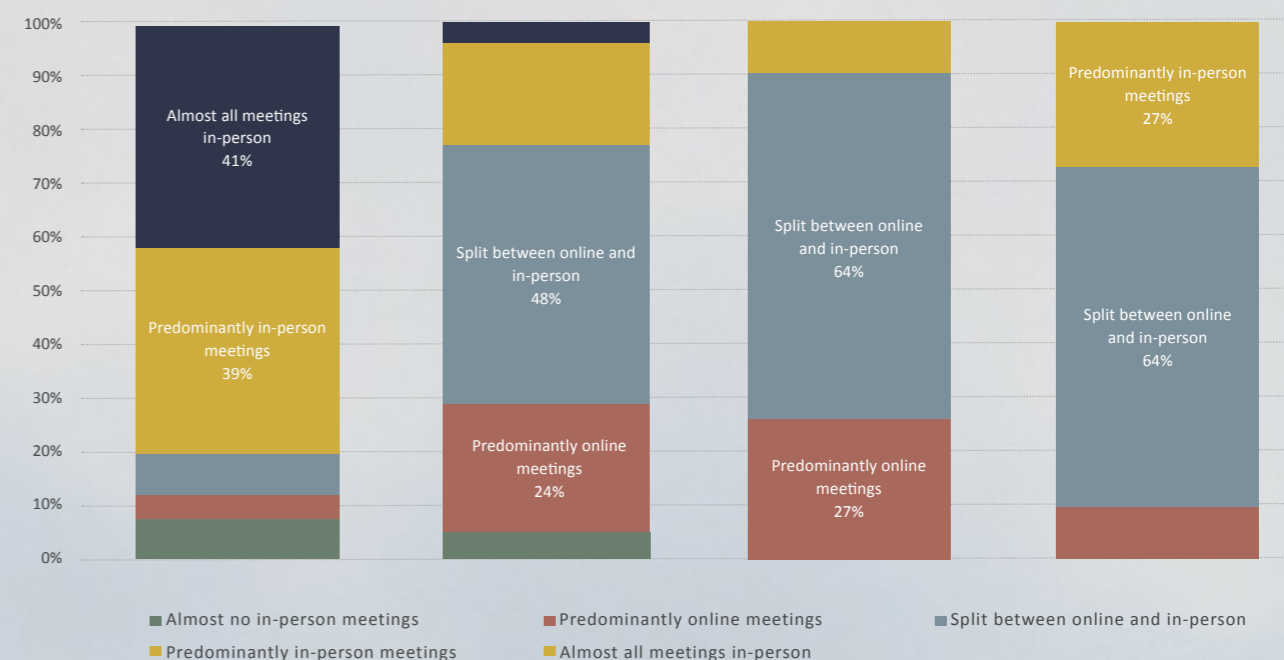
INTERACTION WITH PROFESSIONAL SERVICE ADVISORS & PEERS



HYBRID WORKING DEMANDS A VARIETY OF SPACES, WHICH SPACES WOULD SUPPORT YOUR PRODUCTIVITY?

	NOT AT ALL IMPORTANT	SLIGHTLY IMPORTANT	MODERATELY IMPORTANT	VERY IMPORTANT	EXTREMELY IMPORTANT
Social kitchen	9%	0%	18%	18%	55%
Formal internal meeting room	0%	0%	27%	27%	45%
Quiet work areas	0%	0%	27%	45%	27%
Shared open plan desking	9%	9%	27%	27%	27%
Wellness spaces	18%	18%	27%	9%	27%
Informal meeting spaces (breakout)	9%	9%	36%	27%	18%
Access to outdoor space	27%	9%	18%	27%	18%
Hot office (bookable)	36%	0%	27%	18%	18%
Dedicated personal desk	36%	18%	18%	18%	18%
Enclosed solo workspace	36%	27%	27%	9%	0%
Assigned private office	91%	9%	0%	0%	0%

INTERACTION WITH CLIENTS & EXTERNAL AUDIENCES

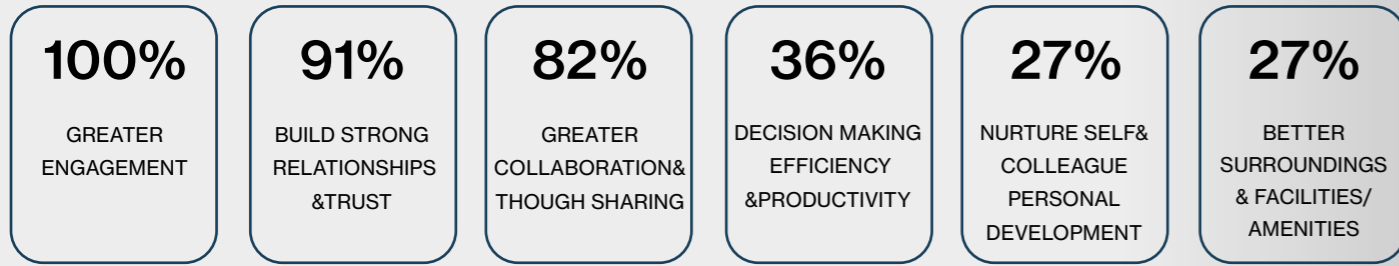


Hybrid working took most law firms by storm in 2020, challenging a sector that is heavily paper-based, notorious for long working days and a preference for face-to-face meetings. For the most part the sector has adjusted remarkably well, with most firms retaining hybrid working. Our survey shows that the majority expect more flexibility over the next 12 months.

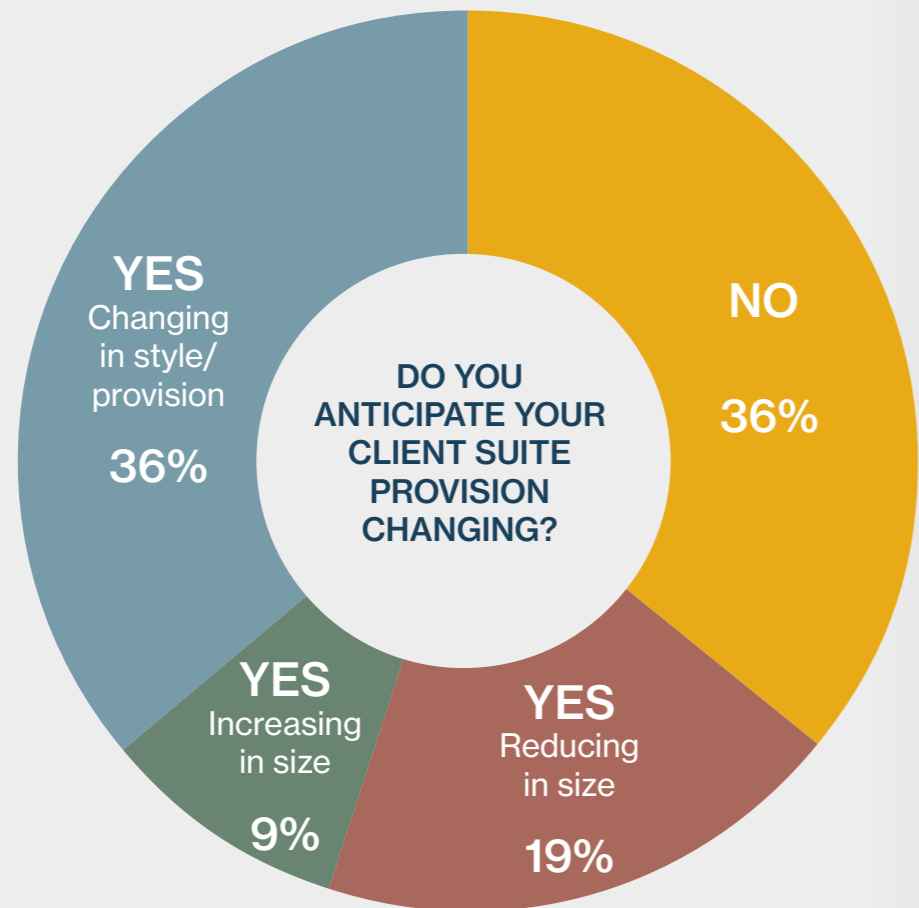
Flexibility stemming from hybrid working is influencing what an employee wants from their office, accommodating this will require some change. Categorically, the private office is out – for some firms this could be a significant move. For most, a mix of social and open, alongside quiet and reflective spaces have come out on top in preferred space types.

In 2019, the majority of interaction, whether it was with clients or other professional service advisors was in person. For the obvious reasons this all changed in 2020-21, and in 2022 the outlook was to more of a hybridisation of options between online and in-person. Our survey for 2023 shows that whilst this approach has strengthened, the outlook for 2024 is very much about getting back to in-person meetings, especially for professional advisors and peers, with 45% saying they expect to see interactions return to face-to-face. For client interactions, the shift to in-person interaction has moved up from 9% in 2023 to 27% in 2024 – not quite the 80% in 2019.

DRIVERS OF IN-PERSON MEETINGS



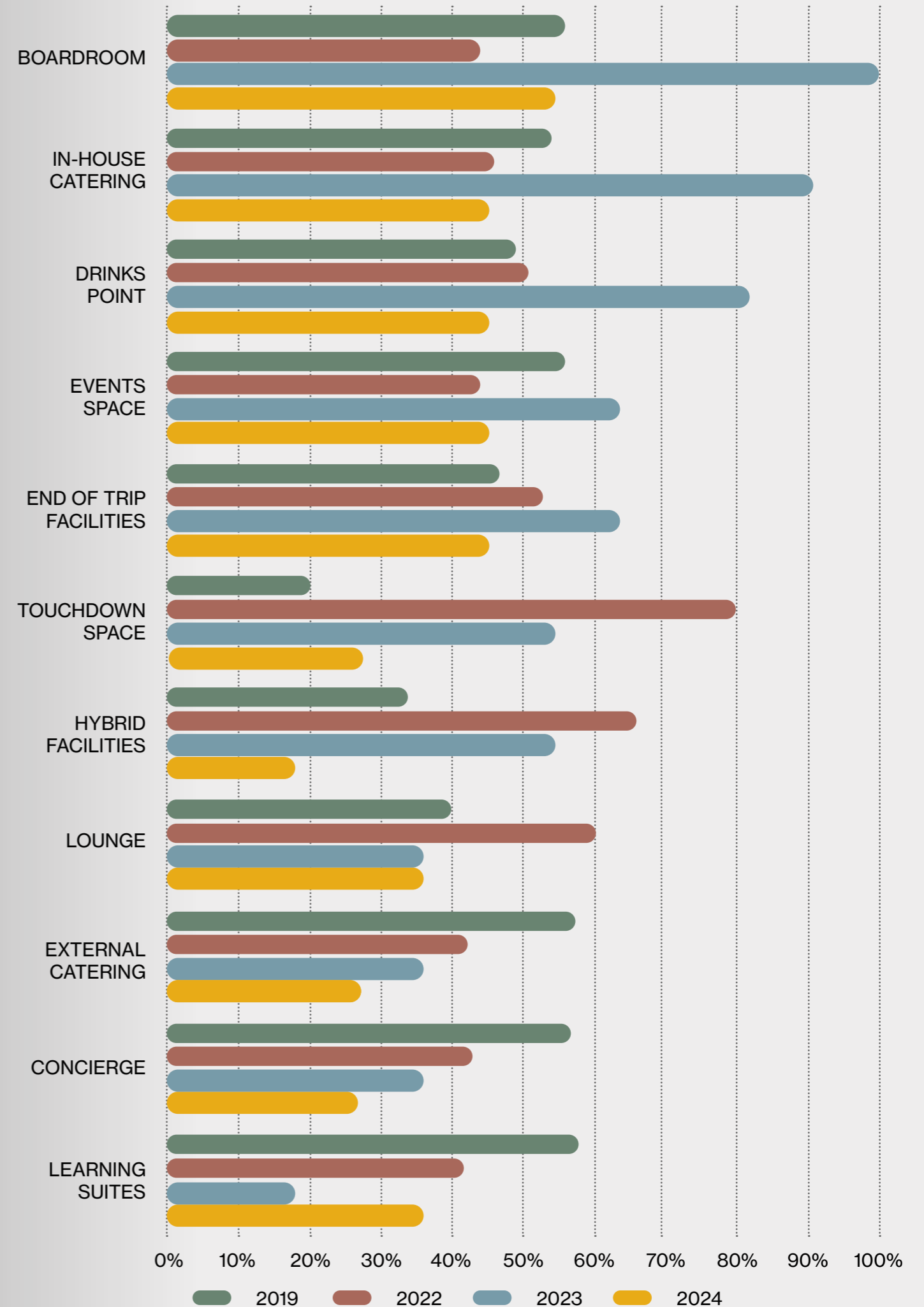
Overwhelmingly, the driving force behind maintaining or increasing in-person interaction is greater engagement and strong relationship building. Whilst this is vital for client connections, it is more vital for driving internal interaction between colleagues. Collaboration and thought sharing were high up on the list of drivers.



In 2022, our research showed that there was a clear trend towards more flexible and purposeful elements for client suite provision, as opposed to more floorspace heavy items. Whilst for the most part our 2023 survey results show that there is a high level of need for those hybrid facilities and touchdown spaces, there has been a full u-turn on those larger elements such as board rooms and event spaces for both current and future need.

Touchdown spaces continue to hold importance, albeit at a reduced level than last year. Falling out of preference or a reduced perceived need comes external catering and drinks points for more internal provision, reduced need for lounge areas and more learning suite provision. The shift in responses from 2019 through to 2023 is symptomatic of the change that law firms are going through as they adjust to new workforce and workplace demands, not just within the legal sector but elsewhere too.

WHAT CLIENT SUITE FACILITIES ARE IMPORTANT?



OUTLOOK

ON THE FAST TRACK TO CHANGE

The traditional concept of a law firm's workplace continues to be challenged, and whilst there are certain elements of an office such as a board room/ large meeting rooms that have swung back into favour in 2023, there are definitely some aspects that are less favourable such as personal private offices and enclosed solo workspaces. Our research of both leasing activity and workforce attitudes highlight that the office is still important for business leaders and the workforce alike.

Working patterns are dramatically different to what they were ten or even five years ago, and the fast pace of change has altered perspectives on remote working, the location of work and the type of work carried out. Unsurprisingly, the new generation of legal workforces has different demands.

One such demand is to achieve a better work-life balance, a further sign of challenging the traditional. Shifting expectations of working long and late hours, working weekends and having greater opportunities for career development have all become key concerns for the legal workforce. Competition for talent is fierce and not just from the core legal sector, growing competition from in-house legal departments and other business sectors is ensuring that workforce demands are heard.

Technology will increasingly become a disruptor for small and large law firms alike. Whether it is as simple as DocuSign or as advanced as AI, the tech revolution is only just infiltrating law firms. The need for a workforce with a diverse range of skills, not just a lawyer, will be needed. Openness to new ways of doing business and introducing a greater range of job functions will ultimately filter down to what the workplace means to people.

WORKPLACE: ADAPT & THRIVE

Our survey results clearly highlight that the role of office for legal firms remains in a state of flux, having changed back and forth over the past 3 years.

In-person is **not dead** and that should be reflected in space requirements.

Heightened competition for business and talent is forcing decision makers to adapt and think outside of the box. This goes for talent, services and workplace requirements. In-person is not dead and that should be reflected in space requirements. Whilst not an easy task to judge, being more flexible in approach to real estate will ensure that the office and facilities meet current and future needs. Flexibility in size, location, lease length, fit out or even the way a space is secured (leasehold or flexible) will challenge the traditional and go some way to adapting to the demands of the workforce, and evolving like other business sectors too.

ABOUT DeVono

DeVono is the UK's leading occupier-only advisory firm. We specialise in advising businesses of all sizes and sectors, on commercial real estate solutions that best support their wider business objectives.

A significant part of our role is helping our clients to understand and define their occupational requirements. We take into account key factors including talent challenges, headcount forecasts, operational priorities and cost considerations, to help craft a brief that is not only fit for purpose today but will also deliver a sustainable occupational footprint moving forward.

DEVONO SERVICES INCLUDE:



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LEASING



DESIGN
& BUILD



WORKPLACE
CONSULTANCY



OCCUPIER
DISPOSALS



BUILDING
SURVEYS



RENT
REVIEWS



DILAPIDATIONS



SERVICE
CHARGE AUDIT