



Occupier Services

Your Future, Now

The Legal Services Sector
12 Months On



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Foreword

It is 12 months since we published our first Legal Services Sector Profile. The report identified the five most disruptive trends shaping the legal services sector over the next five years. It also reported on how those trends were playing out in the market via major news stories, top transactions and real estate market gossip. Given the sheer pace of change, a lot can happen in just over a year. This interactive report provides an update on how the trends are manifesting within the market, providing you with full exposure to both the forces of change and evident market responses.

We hope you find this report informative. If you would like any further information please contact:



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Overview

1

LawTech: Things are heating up but there is still some way to go

A greater number of law firms made significant investments in technology, and particularly in relation to robotics, automation and artificial intelligence (AI). This was evidenced by new partnerships, the recruitment of different in-house expertise and greater funding through venture capital. However, such activity was heavily concentrated amongst the sectors larger players.

The past 12 months also brought a greater adoption of mobile technology and cloud computing, and this, in turn, is enabling law firms to introduce and broaden agile and flexible working practices, potentially impacting on the quantum, quality and function of future office space requirements.

2

The mid-tier: Consolidation and re-engineering

Consolidation activity continued with a number of mid-tier firms swallowed up by acquisitive UK rivals. 2017 saw the rise of the law firm consolidator with the likes of **Gordon Dadds**, **Redkite Solicitors**, **Knights** and **Metamorph Law** making multiple acquisitions.

At the same time, some mid-tier firms reported strong growth, having significantly rebooted their operations. These firms were in expansion mode leading to new property requirements.

3

Efficiency 2.0: Evolved nearshoring, global shared services centres & AI

We have witnessed an expansion in the remit of nearshored operations, while certain global law firms also expanded their shared services centres across the world. AI technology is being used by a small number of leading firms to drive the next wave of efficiency improvements, with some remarkable results.

4

The emerging new face of law: Agile, non-hierarchical and tech-savvy

A range of law firms are fundamentally changing their business models. Actions included launching technology led business divisions and flexible legal offerings, moving from LLP to PLC status and removing structural hierarchy. Such restructuring was supported by more compelling recruitment and retention strategies, cultural change, rebranding and investment in modern workplaces, which conveys that cultural change, support new organisational structures and aligns with new ways of working.

5

Forward looking law firms are upgrading their office spaces

Whilst driving efficiency, forward looking law firms have also recognised that in a fast changing operating environment they have to restructure for growth, innovate and drive enhancements in productivity. Attracting and retaining top talent is key to achieving these goals. As a result, there is clear evidence of law firms investing in higher quality office space within vibrant city centre locations. These firms are moving away from the binary choice of open plan or cellular space, towards creating workplaces that offer a variety of working environments, promote a sense of community, impress clients, maximise productivity and inspire employees.

The five trends shaping your **FUTURE**

In partnership with insight and innovation consultancy FreshMinds, we undertook extensive research into the medium term future of the legal services sector. The scale and impact of sector change is summarised in the following five trends.

Navigation: To find out how each of these trends are playing out in today's market, click on the trends to reveal a summary of operational and real estate responses over the past 12 months.



1

Winners will be those who best respond to disruptive technologies

2

The competitive threat to the mid-tier will intensify

3

New market entrants: A driving force behind sector efficiency

4

Radical changes in organisational structure will bring talent further into focus

5

Competitiveness is a function of skill, productivity and innovation rather than scale

Trends in action: 12 months on

1

Winners will be those who best respond to disruptive technologies

The past 12 months saw some big technology investments by law firms. Much of the buzz was around AI and, in particular, robotic process automation tools. However, most of these investments came from larger players, illustrating that the widespread uptake of technology in the legal sector is still at an embryonic stage and highly concentrated on the scale players, particularly when compared to other industry sectors. Indeed, in a recent study, Altman Weil found that 91%⁽ⁱ⁾ of US law firms with over 1,000 employees were either already beginning to make use of AI or had begun exploring the opportunities to do so, but when assessing law firms of all sizes that figure dropped to just 38%. Cost is a potential inhibitor to technological transformation, despite the clear evidence of the value it provides in terms of productivity gains, cost savings and client servicing.

Much of the debate around these technologies centres on the impact it will have on jobs. Anecdotal evidence from the past year suggests that we are seeing a slight recalibration of the workforce, with these technologies enabling a small reduction in the number of support staff. Again, the impact remains concentrated amongst larger firms. The Law Society Research Unit's Annual Firms' Survey found that 38% of large firms in their 2016/17⁽ⁱⁱ⁾ survey reported that some functions previously carried out by non-fee earning staff have been replaced with automated/IT based systems during the last three years. This compared to 6% for small firms and 12% for medium firms.

However, we are not seeing the adoption of new technologies triggering mass redundancies. In fact, there is evidence of robotic process automation and AI in some cases creating jobs. For example, **Clifford Chance**⁽ⁱⁱⁱ⁾ announced the creation of a dedicated team to develop its Kira systems AI software. Looking forward a number of law firm leaders have suggested that AI will create more work and roles. Joseph Andrew, Global Chairman at **Dentons**^(iv), for

example, was quoted as saying that innovation and the more widespread use of technology will end up increasing its staff numbers. It is becoming clear that robotics and AI is not about achieving large scale job reductions, but rather how you can combine the best in technology with the best in humans to drive efficiency and differentiate. Law firms will need to create the right physical spaces to make this happen.

A monitor of the legal sector over the past 12 months also shows the greater adoption of mobile technology and cloud computing, and this, in turn, is enabling law firms to introduce and broaden agile working practices. The PwC Annual Law Firms' survey found that 70%^(v) of firms surveyed have delivered or embarked on remote and mobile working initiatives. This is encouraging given one in three millennials said they would prioritise device flexibility, social media freedom and work mobility over salary in accepting a job offer^(vi).

Allen & Overy is trialling a "remote hub"^(vii) in Vauxhall that provides more flexible working arrangements for those commuting. Vauxhall was chosen due to its strong transportation links. This case study illustrates how some law firms are starting to be more sophisticated and bold in their real estate decisions in order to respond to changing workplace preferences.

70% of the UK's top 100 law firms have delivered or embarked on remote and mobile working initiatives.

Source: PwC 2017 Annual Law Firms' survey

Trends in evidence

June 2018

Barclays launched a new LawTech incubator in Notting Hill.

The incubator is being run in partnership with the Law Society. It is backed by a number of law firms including Allen & Overy, Clifford Chance and Baker McKenzie as well as Legal Geek, UCL and the University of Liverpool. It will provide co-working space and support for up to 100 people.

Source: Legal Futures

December 2017

Clyde & Co launched its data analytics lab.

The new lab will undertake data analysis for clients, including predictions of the likelihood of disputes going to trial and potential litigation outcomes. The lab is being run in conjunction with University College London and will be staffed by the law firm's legal, data science and strategy staff in addition to students from University College London's computer science department.

Source: Legal Futures

November 2017

Mishcon de Reya: The venture capitalist.

Mishcon de Reya invested in two of the six legal start-ups that participated in its 2017 technology incubator programme. The project saw the law firm invite six small businesses to spend ten weeks at its MDR Lab. The lab is hosted at Mishcon de Reya's offices in London.

Source: Legal Futures

The following law firms launched agile and flexible working initiatives:

September 2017

Ashurst launched its "smarter" working initiative in its Glasgow and London offices. The initiative outlines a range of flexible working options available for all staff. These include working from home, working from client offices and changing working hours.

June 2017

Weightmans announced plans to relocate its 140 staff to No.1 Spinningfields in Manchester. The company is investing in agile working and technology as part of the move.

April 2017

Reed Smith adopted an agile working policy in London. The changes apply to all staff allowing them to vary their hours and work location.

Linklaters piloted a new career model for associates allowing them to work fewer hours for a proportionally reduced salary.

March 2017

Morgan Lewis & Bockius launched flexible working in the U.S. and UK. Associates will be able to work from home for up to two days a week.

Trends in action: 12 months on

2

The competitive threat to the mid-tier will intensify

2017 has brought further consolidation and restructuring in the mid-tier as firms sought to reposition themselves in a tighter market. As a result, there were 40 ^(viii) announced law firm M&A deals involving a UK participant, with most involving larger players buying regional firms. These included consolidator firms such as **Gordon Dadds**, **Redkite Solicitors**, **Knights** and **Metamorph Law** who are acquiring smaller rivals to gain market share. Consolidation activity drove occupier demand in certain markets as merged firms looked to consolidate into single offices. In Central London **Kaye Scholer's** ^(ix) London team moved into **Arnold & Porter's** office in Tower 42, EC2 after their \$1billion merger.

A June 2018 report from Gibson Hewitt ^(x) found that the number of insolvencies in the legal sector doubled when looking at Q1 2018 compared to Q1 2017, with the three months from January through to March 2018 witnessing the highest number of insolvencies in the legal sector for some time. Such numbers underline the squeeze that is occurring.

There is, however, another side to this story. Some mid-tier law firms are aggressively expanding, in particular those that have focussed on niche services and are delivering the best results and value to clients. One such firm that is forging ahead is **Weightmans** ^(xi) who announced its best ever half-year results in November 2017. The firm has reduced the number of management positions by 35%, introduced a new operating structure that puts more of the focus on client activity and invested £1.3million on new technology over the last year. Another leading mid-tier firm is **Fieldfisher** ^(xii) who recorded a second consecutive year of double-digit growth resulting in it moving up the rankings of top law firms. The firm has built out its international platform, launched an alternative legal services platform Condor, made cultural changes that included moving into a single site in London and invested in technology.



In 2017 there were
**40 Law firm
M&A deals**
involving a UK participant.

Knight Frank analysis of deals in 2017 where either the acquirer or target was UK headquartered. Data sourced from Thomson Reuters.

Trends in evidence

July 2018

Gateley is diversifying its business via acquisitions.

Acquisitions include tax advisory business Capitus, property consultancy business Gateley Hamer, housebuilder specialists GCL Solicitors and non-legal Human Capital consultancy business Kiddy & Partners.

Source: The Lawyer

April 2018

Recently merged Berwin Leighton Paisner and Bryan Cave commit to new London headquarters.

Bryan Cave Leighton Paisner (BCLP) exchanged contracts to lease all of the office space in Governors House, EC4. The move will allow the firm to occupy a modern, flexible working space that encourages collaborative working.

Source: Knight Frank

February 2018

Gordon Dadds: Transformation via acquisitions and efficiency.

In February 2018 Gordon Dadds announced it was acquiring Cardiff firm Thomas Simon. This comes after it acquired Bristol firm Metcalfes Solicitors in January 2018. The deals are part of the law firm's plans to grow its existing business through opportunistic, attractively valued deals. Other acquisitions include White & Black, CW Energy, Platt & Co and Alen Buckley. The deals have seen Gordon Dadds progress from being a boutique firm to the upper half of the UK Legal 200.

Source: Legal Futures

October 2017

Clyde & Co centralises teams in Manchester with expansion space at the Royal Exchange building.

Clyde & Co acquired a further 69,000 sq ft at Royal Exchange. The firm moved 50 staff into the Royal Exchange in 2015, while keeping an office in Chancery Place but it has expanded rapidly, in part due to its merger with Barlow Lyde & Gilbert in 2013. The transaction was the largest law firm deal in the UK regions.

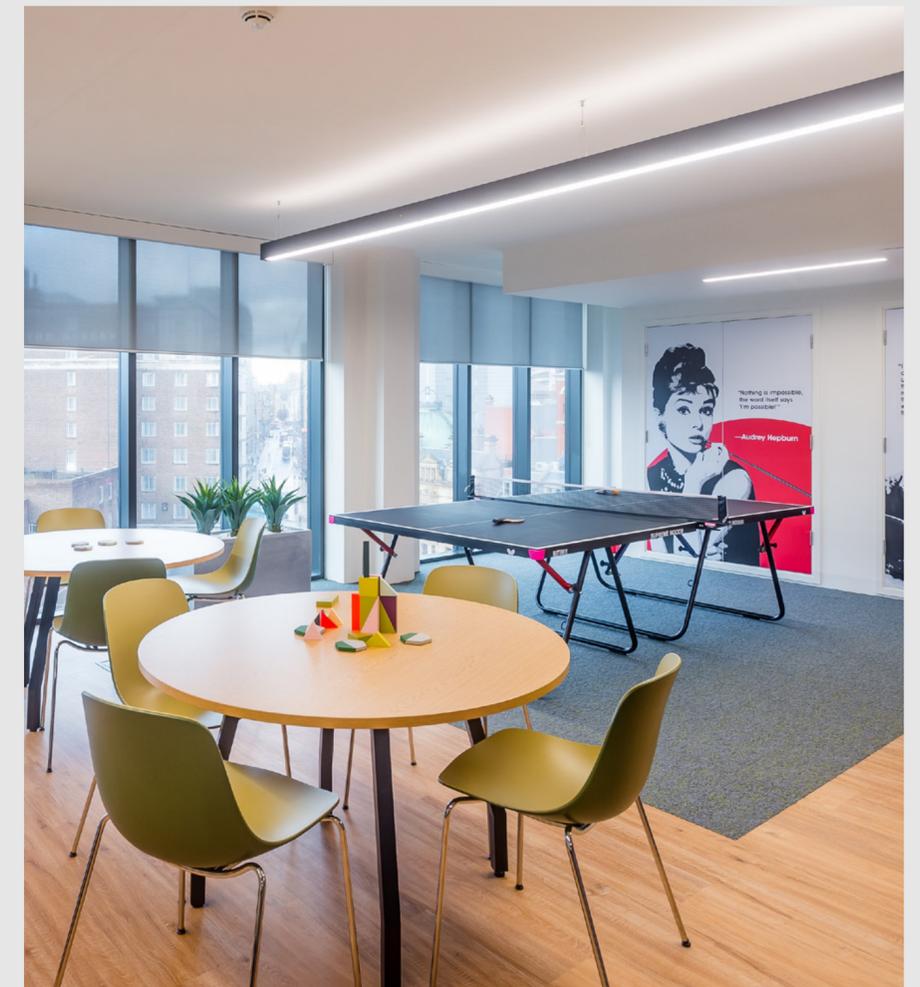
Source: Knight Frank/Insider Media

February 2017

Arnold & Porter and Kaye Scholer teams come together at Tower 42, EC2.

Arnold & Porter signed a lease for an additional 12,246 sq ft at Tower 42, EC2. The space is to accommodate Kaye Scholer's London team post the two law firms' \$1billion merger.

Source: Knight Frank



Radars office, Platform building in Leeds

Trends in action: 12 months on

3

New market entrants: A driving force behind sector efficiency.

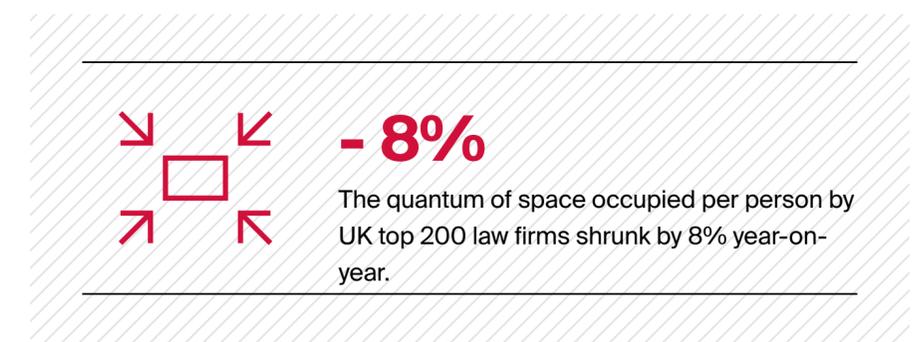
The formidable threat posed by the “Big Four” reared its head again, with Deloitte applying for an alternative business structure (ABS). According to research from ALM ^(xiii) each of the Big Four’s legal arms has regularly achieved double-digit revenue growth. PwC has a legal headcount of over 3,500, which would make it a top ten firm by headcount. Additionally, new market players took root in regional markets. These included Leeds-based **Alpaca**, who launched in May 2017, and **Rradar**, who relocated to larger office space at the Bruntwood Platform ^(xiv) building in Leeds having undergone rapid growth. Law firm clients have increasing choice and according to LexisNexis 92% ^(xv) of clients rate efficiency as a top requirement from their legal counsel, meaning those that deliver the best value to clients are more likely to win market share.

In response, the past 12 months has witnessed a broader pool of law firms creating shared services centres and/or legal process hubs either in the UK or abroad, with the aim of attracting the optimum talent at the right price point. Those that have already made geographical adjustments to their real estate portfolios, expanded the headcount and remit of these centres while reducing headcount in the non-fee earner segment in higher cost locations. **Norton Rose Fulbright** ^(xvi), for example, revealed plans to create 100 new jobs in its legal process hub in Newcastle, while **Hogan Lovells** ^(xvii) tripled its occupied space in Birmingham, in part to accommodate support roles being transferred from London.

The Lawyer UK 200 Workspace ^(xviii) Trends report 2017 showed that firms are looking to be more efficient in their use of space. The quantum of space occupied per person by UK top 200 firms shrunk by 8% year-on-year. In part, this is down to the roll out of agile working practices but a word of caution here. There is an overall shift in attitude away from viewing real estate as a cost,

towards a strategic enabler to drive growth, whether that be through increasing productivity, retaining and attracting high performing talent or supporting cultural change. The legal sector must strike the right balance in terms of space allocations or risk creating a workplace environment and experience that limits productivity and thus negatively impacts efficiency.

As cited in trend one, whilst still at an early stage, law firms with an eye to the future are starting to harness the power of technology to drive efficiency, quality and innovation. **Luminance** ^(xix), one of the leading companies that uses AI to conduct document and contract reviews, reports that using their software speeds up the time it takes to complete document reviews by as much as 75% after just a few weeks. Additionally, **Allen & Overy** ^(xx) have introduced a documentation processing technology that it claims reduces the time of processing a document from three lawyer hours to three minutes.



Source: The Lawyer UK 200 Workspace Trends report 2017

Trends in evidence

April 2018

Reed Smith is opening a legal services hub at the Bruntwood Platform in Leeds.

The hub could house over 100 business services personnel and lawyers. In addition it is expected to serve as an incubator of technology.

Source: The Lawyer

October 2017

Radar relocated in Leeds with a clear intent of doing things differently.

Relatively new market player Radar relocated its office to the Bruntwood Platform building in Leeds, after outgrowing its former space. Since Radar established its original office in Leeds in 2016, the firm has more than tripled the size of its team. The design and fit-out of the new office is centred on providing inspiring office, work and recreational areas that foster creativity, energy and enhance the wellbeing of colleagues with CEO Gary Gallen, saying: “We are trying to build a different sort of culture and environment for our lawyers and other colleagues.”

Source: Knight Frank/Radar company website

September 2017

Clifford Chance realised £15 million in operational savings through ‘continuous improvement’.

The ‘continuous improvement’ programme includes using a range of ‘best delivery tools’ such as Kira Systems. The firm has been expanding its team of ‘black belt’ coaches, tasked with helping the firm’s lawyers work more efficiently.

The remit of the continuous improvement team has also been expanded to oversee the adoption of new technology and drive innovation at the firm.

Source: Legal Week

September 2017

Norton Rose Fulbright expanding its legal process hub in Newcastle.

The law firm will create 100 new jobs at its legal process hub in Newcastle after agreeing a 10-year lease for premises in Newcastle’s Quayside, which it moved into in November 2017. Moving forward the hub will continue to deliver legal process efficiencies, trial legal technology and analyse data for research.

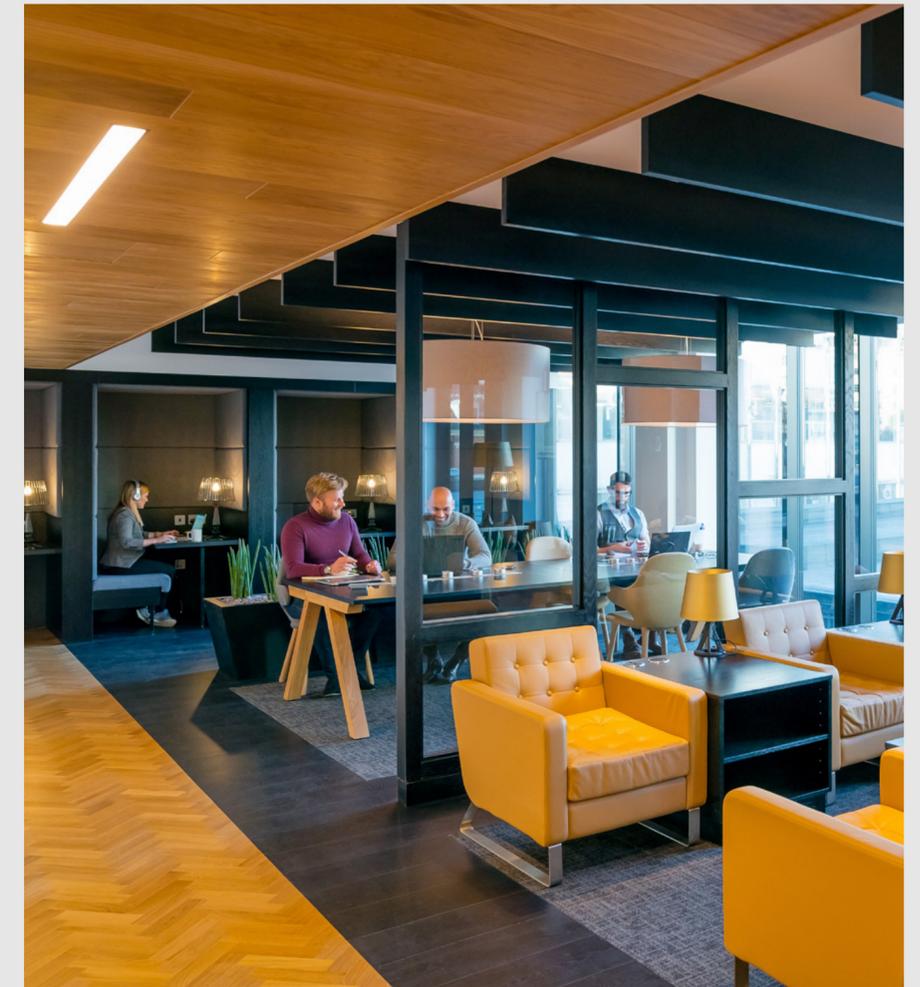
Source: Knight Frank/Legal Week

July 2017

Withers relocated to 20 Old Bailey, EC4, reducing its square footage.

Withers signed a lease to take 58,000 sq ft at 20 Old Bailey, EC4. The newly refurbished 235,000 sq ft scheme is next door to their current location at 16 Old Bailey, EC4, where the international law firm has been based for the past 20 years. The firm is ramping up its use of agile working, allowing it to reduce the amount of space it occupies in London by about 10,000 sq ft.

Source: Knight Frank/The Lawyer



Bruntwood's Platform Building, Leeds

Trends in action: 12 months on

4

Radical changes in organisational structure will bring talent further into focus

A range of law firms are fundamentally changing their business models in order to thrive in the changeable and emerging legal services ecosystem. Evident strategies include changing from LLP to PLC, launching alternative legal solutions and employing a broader range of talent covering technology, data analysis and business development support. **Clifford Chance** have been expanding the number of legal technology delivery advisers it employs while **BLM** now employ a number of people who look at how the firm collects and uses data. There has also been a notable increase in flexible resourcing models. One firm that is taking this approach is **Ashurst** ^(xxxi) who have introduced a flexible resourcing network to support work carried out in its Glasgow support hub. Meanwhile **Pinsent Masons** ^(xxxi) launched a programme of Associate work allocation, which allows lawyers from across the firm's network to bid for work in order to boost their billable hours.

Such restructuring and acquisition of new talent was supported by more compelling recruitment and retention strategies, cultural change to embed more agile and entrepreneurial behaviours and investment in modern workspaces that convey that cultural change and support new organisational structures, talent requirements and ways of working. **Graysons** ^(xxiii) moved into larger, more modern premises in Sheffield. The new offices give the firm better meeting areas for clients and an improved working environment for staff. Separately, in Bristol, **Simmons & Simmons** ^(xxiv) is moving into new premises. The office space will provide an inspiring work environment to attract and retain a broader set of talent. This is particularly relevant given a recent survey by Smith & Williamson found that 72% ^(xxv) of UK managing partners and senior managers think attracting and retaining the right talent is a top challenge facing the sector over the next two to three years.



72%

of UK managing partners and senior managers think attracting and retaining the right talent is a major challenge over the next two to three years.

Source: Smith & Williamson 2017

Trends in evidence

June 2018

Law firms move from LLP to PLC.

DWF confirmed it was looking into the possibility of an IPO. This announcement is the latest in a flurry of law firms opting to list. Law firms that have either listed or are in the process of doing so are Gateley, Gordon Dadds, Knights, Keystone and Rosenblatt.

Source: The Lawyer

March 2018

Pinsent Masons consolidated their two offices into 141 Bothwell Street in Glasgow.

In addition they fully refurbished 141 Bothwell Street, creating an agile working environment.

Source: Knight Frank

Clarkslegal moved into 'office of the future' in Reading.

The new 8,500 sq ft space at Thames Tower is described as an office "fit for the future", with state of the art technology. Its range of modern multi-purpose meeting and work areas, social spaces and communal facilities, are designed to encourage further collaboration and innovation in the firm.

Source: Knight Frank / Clarkslegal company website

February 2018

Hogan Lovells partner with Elevate to create a new flexible lawyering programme.

The partnership gives Hogan Lovells access to a pool of skilled and experienced lawyers, including many of their alumni, whom it can draw on when faced with unexpected demand or surges in client need.

Source: Legal Week

December 2017

Samuel Phillips revealed plans to relocate to new-look premises in Newcastle.

Growing law firm Samuel Phillips acquired 5,059 sq ft at 18-24 Grey Street, a Grade II listed building that has undergone a major refurbishment. The move will allow the firm to accommodate more staff, centralise operations and launch a new look.

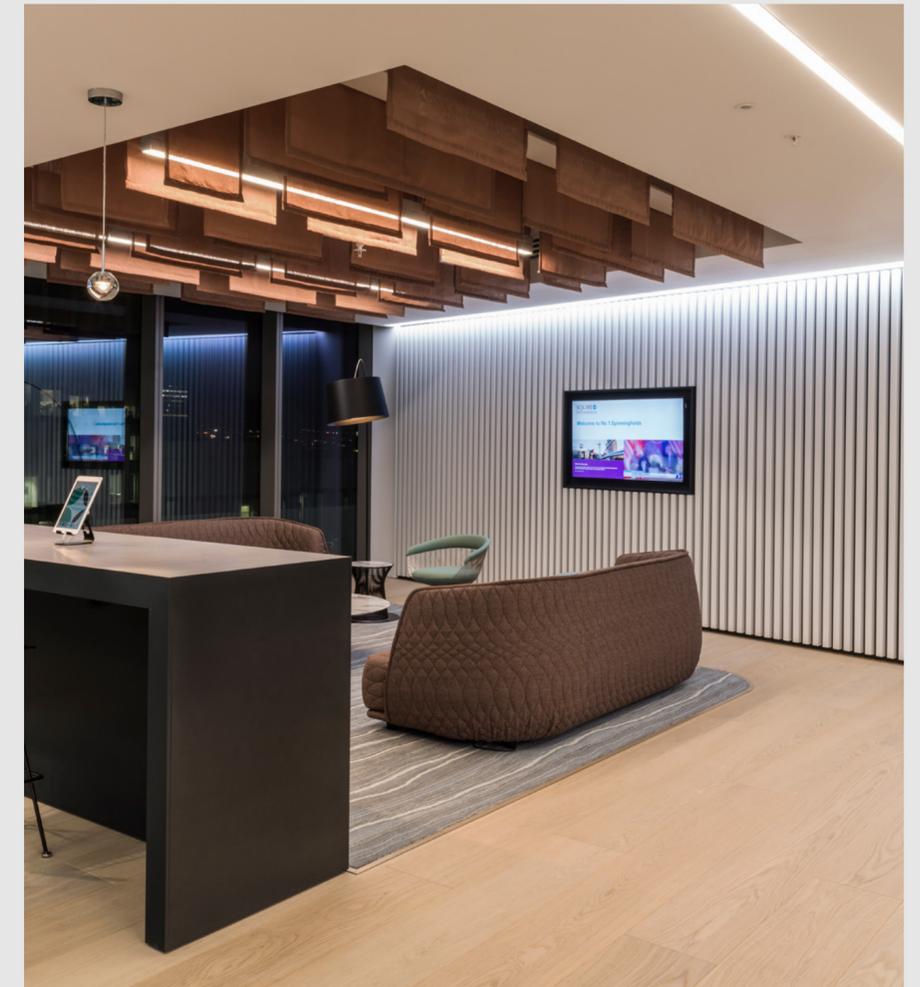
Source: Knight Frank

May 2017

Weightmans reduced the number of management positions at the firm by 35%.

The changes follow the implementation of a new operating structure designed to make them more focussed on client needs.

Source: The Lawyer



Squire Patton Boggs (UK) LLP, No 1 Spinningfields, Manchester

Trends in action: 12 months on

5

Competitiveness is a function of skill, productivity and innovation rather than scale



80%

of the UK's top law firm real estate transactions were relocations to higher quality offices.

Source: Knight Frank

Focussed expansion

Mass international expansion is no longer seen as a default growth strategy for law firms. In lieu of all out global expansion, growth is now strategically focussed on select markets that offer opportunities to extend market share. Expansion in the UK has been driven by accessibility to talent, consolidation and confidence in continued robust demand for legal services despite a backdrop of economic and political uncertainty. In addition, a strong pipeline of high quality, amenity rich real estate within city centres is offering law firms a window of opportunity to upgrade their office space. Manchester recorded the highest legal services sector take-up by square footage across all the UK regional cities at 155,328 sq ft or 13% of total take-up over 2017. This was followed by Bristol where legal services accounted for 9.4% of total take-up over 2017.

Innovation

Incremental innovation is occurring within the legal services sector and to varying degrees. Some firms have spent the last year creating flatter, more agile structures and cultures, while collaborating and co-creating with a wider range of internal and external stakeholders, including employees at all levels, clients, academia, peers and technology companies. Others have launched and experimented with new business models and developed dedicated innovation teams and incubator/accelerator schemes. To support this, employees are being moved under one roof to drive collaboration.

Technology that allows people to move around the office and connect with others is also being fully integrated into the workplace and dedicated innovation space is being carved out of existing office space. In August 2017, for example,

Allen & Overy ^(xxvi) selected eight start-ups to move into the firm's London headquarters. Looking at the industry as a whole, however, there is a sense that not all are acting with sufficient urgency to the innovation imperative.

Productivity

According to the Leesman Index across all industries worldwide ^(xxvii) only 57% of employees agree their workplace enables them to work productively. Clearly, this is a major obstacle to maximising productivity. To combat this, high-performance workplaces are becoming a focal point. Key components include giving employees a choice of inspiring spaces for different work activities, incorporating amenities to re-energise, healthy dining facilities, space to exercise and have fun. Every design feature is deliberate and considered from colours to textures, the placement of staircases and even the space surrounding the office. Gold standard high-performance workplaces are smart, incorporating technology that is able to monitor airflow, lighting and density and adapt accordingly. A prime example is **Schoosmiths** ^(xxviii) in Manchester. Their relocation to the XYZ building has resulted in fully agile working with staff having the choice of 12 different types of workspaces. Schoosmiths has invested in a purpose-designed IT system that means employees can move around the building while staying fully connected. This set-up is a world away from the stereotypical cellular law firm office.

Trends in evidence

April 2018

Irwin Mitchell has an active requirement for 40,000 sq ft of office space in Birmingham.

The law firm is looking to occupy office space that will enable it to adopt new working practices, occupy less floors, promote a sense of community and attract and retain talent. It is likely they will introduce activity-based working as part of any relocation, mirroring the plans for their new Manchester office.

Source: Knight Frank

Thorntons Solicitors signed a lease for 8,000 sq ft at City Point, Haymarket in Edinburgh.

The relocation will allow the law firm to adopt more efficient and collaborative ways of working as well as accommodate expansion. Thorntons was in cellular accommodation in a traditional town house. The firm announced plans in 2017 to further grow its headcount in Edinburgh off the back of strong financial results.

Source: Knight Frank/Scottish Legal

March 2018

Walker Morris announces flagship office move to accommodate future growth.

Walker Morris will relocate to 33 Wellington Street, Leeds in the largest professional services relocation in the city for almost 15 years. The move will enable the law firm to introduce an agile working environment; with a hybrid of open, private and meeting areas.

Source: Knight Frank

March 2018

Sidley Austin to relocate London Headquarters as they continue to grow.

Sidley Austin agreed a 100,000 sq ft pre-let at 70 St Mary Axe, EC3. The move will accommodate continuing expansion of Sidley's London practice and see the Chicago based law firm leave their current premises at Woolgate Exchange, 25 Basinghall Street, EC2. The firm reported a 14% increase in London revenue over the course of 2017.

Source: Knight Frank/The Lawyer

Q2 2018

DWF upgrades its office space in Newcastle taking 7,500 sq ft at Central Square South.

DWF relocated its Newcastle HQ to Central Square South, Newcastle. The move represents a major upgrade in office space that will allow the law firm to fully roll-out agile working, deliver a high-quality working environment for its people, while at the same time provide the flexibility they need to accommodate planned future growth.

Source: Knight Frank

October 2017

Eversheds Sutherlands offers incentives for innovation.

The scheme is open to all employees with a range of financial incentives for successful ideas. In June the combined firm outlined a new strategy based on growing collaboration between practices, investment in new areas such as TMT and cybersecurity and plans to grow globally.

Source: The Lawyer

September 2017

Mewburn Ellis set to relocate to the Aurora building in Bristol.

Patent Attorneys Mewburn Ellis signed a pre-let for 13,326 sq ft at the Aurora building at Finzels Reach. The relocation will support future expansion and accommodate all their staff on one floor. When complete the Aurora building will be Bristol's premier office development.

Source: Knight Frank

April 2017

Thompsons Solicitors unified staff across a single floor in Birmingham.

Thompsons Solicitors relocated to Embassy House in the city's central business district after signing a 10-year lease for 7,563 sq ft in April 2017. The new office space sees all its staff based on a single floorplate. Embassy House is being further developed following a refurbishment in 2012, including a cycle hub and adding roof terraces.

Source: Knight Frank

Lindsay Solicitors selected a higher quality office in Glasgow.

Lindsay Solicitors acquired 7,845 sq ft at 100 Queen Street in April 2017, which they have subsequently moved into. The relocation was driven by a flight to quality and also expansion off the back of acquisition and organic growth activity. The newly refurbished art deco building provides a client-friendly and professional work environment. 100 Queen Street was recognised as the Best Refurbished and Recycled Workplace at the British Council for Offices' regional property sector awards.

Source: Knight Frank

The Knight Frank view: Outlook for the year ahead

“We anticipate seeing greater partnership activity between the LawTech community and law firms, resulting in more law firms occupying new types of space in new locations to support technological innovation”.



Author: **Jennifer Townsend**, Associate, Occupier Research

We expect the pace of change to intensify over the next year. In response, more law firms will need to shake up their business models and adopt greater pro-activity. Going forward, the legal services sector will find it ever more difficult to ignore robotics, automation and AI. There will inevitably be greater investment in, and deployment of, these technologies and across a broader spectrum of sector players. We anticipate seeing greater partnership activity between the LawTech community and law firms, resulting in more law firms occupying new types of space in new locations to support technological innovation and greater demand for office space coming from LawTech companies.

Flexibility and agility will be key themes from legal services occupiers over the next year, both in terms of meeting changing workforce demands, improving diversity and in creating new operational models. Expect a reduction in hierarchy, a greater focus on what can be delivered via a flexible organisational model and more choice in working arrangements as a means of giving talent greater control on how and where they work, in order to optimise their performance.

Expect to see greater divergence between mid-tier law firms along with an increasing number of global players and NewLaw providers stealing market share from the mid-tier. Those that transform their business strategies and implement new structures that meet client needs and add clear value will prosper and look to expand. This may involve investing in technology, re-engineering service lines and embedding cultural change.

For mid-tier firms, consolidation will continue to be one of the ways to maintain

relevance and create resilience along with considering an IPO. Changing business structures will demand a resetting of the corporate footprint with most relocating to higher quality office space in core CBD locations.

Efficiency and productivity programmes are clearly here to stay. Expect greater adoption of nearshoring, outsourcing and the use of contract lawyers. A law firm operations developed 'nearshore' will rapidly transform their focus from low-value processing functions to business critical innovation and technology capabilities. This will place greater emphasis on the productivity and collaboration enabled by higher quality real estate in these locations.

Finally, despite the constraints of an uncertain operating environment, law firm leaders will need to focus on growth by elevating the importance of innovation, productivity and client-centricity. Central to achieving this will be the attraction and retention of high quality personnel who offer a broader and often non-legal skills set. Consequently, law firms will seek to draw talent in and ensure they thrive by rethinking their workplaces, introducing flatter organisational structures and more agile cultures, offering better compensation and benefits through the provision of a range of employee services with a particular emphasis on health and wellbeing.

Legal services office transactions 2017

UK REGIONAL CITIES:

Top ten legal services office transactions by sq ft 2017

| DATE | CITY | PROPERTY | OCCUPIER | SIZE (sq ft) |
|---------|------------|-----------------------|--------------------|--------------|
| 2017 Q3 | Manchester | Royal Exchange | Clyde & Co | 69,000 |
| 2017 Q4 | Bristol | Aurora, Finzels Reach | Simmons & Simmons | 26,985 |
| 2017 Q3 | Birmingham | The Colmore Building | Hogan Lovells | 23,388 |
| 2017 Q1 | Leeds | 1 Apex View | BW Legal | 22,441 |
| 2017 Q4 | Manchester | No. 1 Spinningfields | Weightmans | 17,949 |
| 2017 Q1 | Sheffield | Courtwood House | Graysons | 17,000 |
| 2017 Q3 | Manchester | 3 Hardman Street | JMW | 14,086 |
| 2017 Q2 | Aberdeen | 28 Albyn Place | Stronachs | 13,683 |
| 2017 Q2 | Bristol | Templeback | Jordans Solicitors | 13,671 |
| 2017 Q4 | Bristol | Aurora, Finzels Reach | Mewburn Ellis | 13,326 |

Source: Knight Frank

CENTRAL LONDON:

Top ten legal services office transactions by sq ft 2017

| DATE | ADDRESS | OCCUPIER | SIZE (sq ft) |
|---------|--|--------------------------------|--------------|
| 2017 Q1 | 100 Bishopsgate, EC2 | Freshfields Bruckhaus Deringer | 255,799 |
| 2017 Q3 | 20 Old Bailey, EC4 | Withers | 57,491 |
| 2017 Q4 | 165 Fleet Street, EC4 | Memery Crystal | 27,000 |
| 2017 Q4 | 90 High Holborn, WC1 | Harbottle & Lewis | 24,352 |
| 2017 Q1 | Nova North, 11 Bressenden Place, SW1 | Child & Child | 22,222 |
| 2017 Q1 | The Hallmark Building, 52 Leadenhall Street, EC3 | Weightmans | 18,180 |
| 2017 Q3 | Weston House, 242-246 High Holborn, WC1 | Mishcon De Reya | 17,216 |
| 2017 Q1 | 69 Carter Lane, EC4 | Royds Withy King | 13,105 |
| 2017 Q1 | Tower 42, 25 Old Broad Street, EC2 | Arnold & Porter Kaye Scholer | 12,246 |
| 2017 Q1 | Condor House, St Paul's Churchyard, EC4 | Thompsons Solicitors | 10,400 |

Source: Knight Frank

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Related Publications



GLOBAL FIVE TRENDS



LEGAL TRACK RECORD

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Trend 1

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Trend 2

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