

GLOBAL CORPORATE REAL ESTATE ADVISORS

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SEPTEMBER 2016

INDUSTRY NEWSLETTER

LAW FIRMS



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OVERVIEW

Firms in this industry provide the services of lawyers and other legal practitioners to individuals, businesses, government agencies, and nonprofits. Major firms include Baker & McKenzie, Covington & Burling, DLA Piper, and Pillsbury Winthrop Shaw Pittman (all based in the U.S.), as well as Clifford Chance and Freshfields Bruckhaus Deringer (both based in the U.K.).

The global legal services industry is forecasted to generate about \$815 billion by 2017, according to MarketLine. Of the world's 100 highest-grossing firms, about 80 are headquartered in the U.S. and about 15 are based in the U.K. Larger firms continue to expand their global footprint to take advantage of the rising demand for international law expertise.

The United States legal services industry includes about 180,000 establishments (single-location firms and units of multi-location firms) with combined annual revenue of about \$250 billion. In addition to law offices, the industry includes establishments that provide paralegal, notary public, process serving, and patent agent services.

UPDATES

Present trends show that Law Firms are looking to humanize websites to appeal to younger clients and distinguish themselves in competitive markets. Many law firms are enlisting the help of marketing, image consultants, and professional photographers to modernize and personalize their websites and social

media presences. A comprehensive rebranding and site redesign may cost between \$200,000 and \$1 million or more, according to The American Lawyer. The payoff can be big, however; a savvy website redesign can significantly boost a firm's page views and attract the coveted millennial, who often conducts online research before purchasing a product or service. As a result, branding strategists focus on lawyer bios, in particular, because they are the most frequently visited pages of a law firm's website. Staid traditional images of attorneys are being replaced with photos fit for fashion magazines. Rejuvenated websites and social media accounts also feature lawyers performing community service or doing pro bono work, as these activities are valued among socially conscious and younger clients.

More law firms may set aside money to invest in freshening their websites and social media presences.

TRENDS

U.S. corporate profits, an indicator of corporate demand for legal services, fell 5.8% in the first quarter of 2016 compared to the same period in 2015.

U.S. personal income, which drives consumer ability to pay for legal services, rose 4.0% in May 2016 compared to the same month in 2015.

Total U.S. revenue for legal services rose 8.0% in the first quarter of 2016 compared to the previous year.

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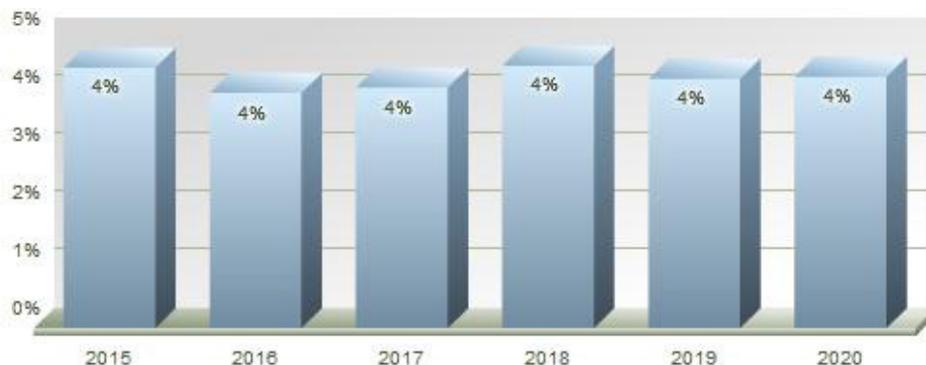
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Industry Output Forecast



Revenue (in current dollars) for U.S. legal services is forecasted to grow at an annual compounded rate of 4% between 2016 and 2020.

Mergers occur among law firms of all sizes. It increases revenue and boosts client count at a time when demand for legal services remains flat. As the economy recovers, more small and mid-size firms will continue to merge and acquire other firms as a way to grow. Big firms also are joining together in an effort to broaden their geographic reach and reduce expenses. The global economy contributes to large corporate clients who require a wide range of legal services domestically and abroad, and want one law firm to handle most of their legal needs. As a result, big law firms are getting larger, adding expertise like antitrust and international law. Regional and mid-sized law firms merge to better compete by adding staff and expertise that clients want.

Lawyers increasingly use tablet devices instead of laptops or PCs. More than 30% of lawyers use a tablet computer, according to the American Bar Association's Legal Technology Survey, and that number is growing. Tablets allow lawyers to work anywhere and access documents and other information remotely. Applications tailored to the legal services industry help lawyers with tasks such as annotating transcripts from depositions and trials, searching for court rules, or creating electronic presentations.

CHALLENGES

Law firms with a large transactional business, such as

for real estate or financial matters, are strongly affected by swings of the local and national economy. U.S. GDP, an indicator of potential demand for legal services, can fluctuate up to 5% yearly; law office employment, a reflection of demand, can vary even more. Changes in local demand for transactional services affect the amount of business law firms do, which impacts billing rates and employment levels.

Rising costs and competition lead general law practices to enter more specialized areas of law. Specialists fees are typically higher than generalists' and less competition exists in a given market. Specialization carries greater risks, however, as specialists suffer when consumer or commercial activity declines in their area of law.

Most U.S. law firms are small, local, and may earn a large percentage of revenue from a few customers. Loss of a major client can be devastating, especially to small law practices serving a limited geography. Firms that specialize in only one industry, such as real estate, airlines, or investments, depend highly on that industry's well-being.

Economic forces that negatively affect an industry in turn impact specialized law firms disproportionately.

OPPORTUNITIES

Demand for legal services is expected to increase, due to

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the greater complexity of conducting business, particularly for global companies and in specialty industries related to science and technology.

Rapid advances in fields like biotechnology and pharmaceuticals will result in more legal transactions and litigation. Analysts predict demand will increase for specialized areas of law, including intellectual property and technology law, that support these industries.

Attorneys, courts, and clients are turning to alternative methods to resolve legal disputes. The use of mediation and other forms of Alternative Dispute Resolution (ADR)

is growing, due to court backlogs and the time and expense required for a court resolution. These alternatives for resolving disputes use an independent mediator to determine a binding settlement, rather than go to court for a legal judgment.

Corporations are expanding their in-house legal departments as they deal with new regulatory challenges and increased litigation. Some of these teams, which often are very specialized, have even started offering their services to other companies in the same industry as a way to bring in additional revenue. This model could hurt existing law firms that serve specific industries.

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Mohr Partners, Inc. is a global corporate real estate firm offering tenant advisory and consulting services. Mohr Partners has 20 offices in North America, providing corporate tenants with portfolio services including strategic planning, portfolio and lease administration, research and site selection, project and construction management, comprehensive demographic analysis, and economic incentive negotiation. Since 1986, Mohr Partners has been managing real estate portfolios for corporations in all 50 U.S. states, all Canadian provinces, and many locations around the world through its strategic alliance partners.

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Data for this newsletter was sourced from First Research® Industry Profile, 9-29-2016. First Research forecasts are based on INFORUM forecasts that are licensed from the Inter-industry Economic Research Fund, Inc.