How Michigan Law Firms Can Successfully Navigate an Office Relocation

By Howard Ecker

Moving your law firm can be pricey, challenging, and risky. Problems may include deteriorating team morale, getting locked in to a long-term lease that doesn't work for the firm, and spending more money than necessary.

Firms that do it right in Michigan not only lock in efficient space at economic terms supported by the firm's overall business plan, but also create work environments that reflect their culture, ethos, and values. As a result, they can sidestep the pitfalls of an unsuccessful move.

How can your law firm maximize the benefits of relocation but minimize costs and ultimately have your space serve as a recruiting tool for new hires and clients? It's a topic I know very well as a result of more than 40 years in the commercial real estate business. Boutique and national law firms regularly seek advice on creating office space that positions them properly for the future both culturally and, maybe even more importantly, economically.

While there is no master blueprint that works for everyone, here are some of the most important questions to ask.

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1. Is the move necessary?

Law firms are often courted by building owners to anchor new developments, which frequently come with the highest rent per square foot in the market. I encourage clients to seriously consider whether they can stay in their existing space. A relocation often costs more (and is more disruptive to a firm) than a simple upgrade or modification of the existing space. It is important for clients to fully assess how their current space can be renovated to meet the business's future needs. A word of caution: living through a renovation can be difficult on your ongoing operations, so make sure you factor this into your decision.

2. Is the moving bill too high?

Some people mistakenly think that a growing rent bill is the sign of a growing company. I know from experience that many firms actually need less space (and expense) rather than more. With the added pressure firms are seeing clients place on their billing rates and fees, the bottom-line impact of real estate expenses is becoming more significant.

Traditionally, after moving into the newest "Class A" space, law firms proceed to build spectacular *Architectural Digest*-style environments with high-end finishes and custom touches. Besides the obvious financial impact and increased operating or capital expense, this tactic may turn off a client. One of my clients told me about visiting his law firm's new offices. He fired the firm on the spot, assuming the firm's billing rates increased to cover the overhead of its accoutrements of wealth.

Following lock-and-step is another important issue for firms to consider: the financial security or guarantees a landlord will ask the firm to post to secure the lease. For a partnership, this is a significant issue often overlooked until the eleventh hour of lease negotiations. It is important to note that with a larger rental obligation and larger capital costs associated with the lease, landlords look for a larger security deposit.

3. Am I stuck on old assumptions and paradigms?

Traditionally, law firms have recognized career advancement with real estate. As you were promoted, your workspace became larger, with the goal of getting a private office and, ultimately, the oversized corner office. These days, instead of awarding large private offices as rewards, I typically advise my clients to find other ways to recognize career advancement or a job well done.

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Look for new ways to bring workers together instead of driving them apart.

Law firms across the country are shrinking their per-attorney footprint and shedding unnecessary spaces like libraries and large file rooms. They are making individual offices smaller (and often embracing one standard size) by removing small conference tables from individual offices and converting that saved square footage into dedicated conference rooms the entire firm can use. Standard-size offices, especially when they are the same size as small conference rooms, provide for flexibility and allow the firm to use its office space more efficiently.

Hoteling, a concept those in the accounting and consulting industries are long familiar with, is being embraced by firms that have realized many offices sit vacant during the day when attorneys are at client meetings, depositions, in court, working from home, or on vacation. Hoteling has become more common in recent years because of improvements to and developments in technology and the latest trends in coworking.

These changes are often easier to implement than you might otherwise think given the new culture of egalitarianism and equality that has taken root in today's business environment.

4. Am I hedging the potential risk?

Because of the volatile economy, a law firm signing a new office lease should seek to hedge three potential types of risk: building risk (changes to your building's infrastructure or ownership could impact your occupancy), market risk (events in the global marketplace that trickle through to real estate and have an impact on rents tenants pay), and business risk (the inherent risks within your own business that affect profitability).

How do you mitigate these risks in your new office lease?

Before you sign a lease, you must clearly understand your ability (or lack thereof) to expand or contract your space over the course of that lease. This is especially important if you are considering a long-term lease (5 or even 10 years).

These days, it is not uncommon for a law firm to experience rapid growth or, conversely, a decline in partners or practice groups. In this case, you will need more or less space almost immediately, even if your lease has not ended.

In negotiations, push to have as much lease flexibility as you can, with layers of options to expand, contract, and terminate. In many instances, landlords are initially resistant to provide these rights, but firms should push for these options and even consider paying a premium for this flexibility.

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5. Does the location support our employees?

Your attorneys and staff work long hours. If your office space is ultimately a recruitment and retention tool, wouldn't understanding the commuting habits of your present and prospective employees be paramount?

For this reason, seek an office location that is convenient for your attorneys and staff—not just the company's partners.

Remember, too, that convenience is about more than commute times. Firms are placing more importance on work-life balance and focusing on locations with supporting amenities and services nearby such as restaurants, day care, fitness centers, bike rooms, and even pet-friendly environments.

6. Am I considering who my clients (and future clients) are?

Your office space is ultimately a reflection of the firm's values and culture. Forward-thinking firms take it a step further and consider their clients' comfort. For instance, for a firm trying to expand its tech practice, traditional office space in a trophy high-rise tower may not reflect the values or work style of its clients. Consider building in amenities your clients can use to their advantage, such as conference rooms with great connectivity and internal spaces that can host industry mixers or startup competitions.

7. Does my advisor have a conflict of interest?

One final point: I always recommend finding an experienced commercial real estate broker who does not have the typical conflicts of interest commonly found in the industry.

How do you know if your broker has a potential conflict? Ask if the broker's firm also represents the building landlord in this or other transactions. Even if a brokerage firm pledges to keep a "wall" between its tenant and landlord representation divisions, it ultimately may not have your best interests at heart. Your clients wouldn't allow you to represent both sides of a negotiation, so why would you pick a brokerage firm that does?

With the proper planning and strategy, a relocation can infuse a firm with newfound energy and enthusiasm. Better yet, it can improve the performance of your employees and, ultimately, your bottom line. ■

A version of this article was published at Entrepeneur.com on February 17, 2014; see http://www.entrepreneur.com/article/231319.

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