

Law firms consider office space options

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This is the lobby of McCormick Barstow's new Fresno office. Since the latest recession, many law firms have grown more mindful when it comes to office space, realizing that every square foot represents a piece of their bottom line.

Because of the need for confidentiality and other special client accommodations, law firms have long required spacious offices offering each attorney their own work areas along with large conference rooms and opulent lobbies, all housed in towering Class A buildings in metropolitan centers with long-term leases.

Jim Haslem, a restructuring expert with Huntley, Mullaney, Spargo & Sullivan in Roseville, said all that makes occupancy costs high compared to many industries.

And while substantial profits have always justified the expense, he said, the recession brought its own share of economic pressures to law firms from clients pushing back on legal fees and office space growing scarcer.

“Over the last 10 years, many prominent law firms gone out of business and many don’t have much in the way of reserves,” said Haslem, a former attorney before consulting restaurants and retailers on debt and leases. “Against all of this backdrop I kind of scratch my head and say they should actively manage personnel and optimize their real estate portfolio.”

Downsizing office space is just the first step in cost containment Haslem has suggested to law firms since offering his services to the legal community within the last few years.

There’s a lot to be said for maximizing, or “right-sizing” one’s current space as well, he said. With more law firms now focusing on efficiency these days, some law firms have moved toward smaller libraries or transferring once massive

stacks of material onto a computer or server.

“You’ll see less support space and less reliance on storing books, and that’s a better use of the space,” he said.

For larger law firms with multiple locations, remaining profitable means regularly evaluating the leases on each of their offices to make sure their getting the best, market-rate terms and optimizing their real estate portfolio just as retailers and restaurants have done for years.

Whether done within the office or outsourcing to another company, Haslem said it behooves many to appoint a chief real estate officer whose full-time job it is to negotiate leases, identifying potential new locations and deciding the best use of the space on hand.

“Don’t stop with more efficient use of your space,” Haslem said. “Now look at portfolio of your leases and analyze how each location fits for the revenues that location generates.”

Although with just two locations in Fresno and Los Angeles, the law firm of Coleman & Horowitz adjusted after the recession in large part by allowing for the use of shared office space.

For the three attorneys with the firm with no dedicated office space, there is normally an empty office with a computer and desk they can come in and use when they’re around.

In fact, Partner Darryl Horowitz said several attorneys are rarely in the office, including Jennifer Poochigian and Rema Koligian, who spend their time drafting things like appellate briefs and memos between watching their children at home.

“We had lawyers who either wanted to work from home or had private interests outside of law and wanted to be affiliated with the firm and we created a virtual lawyer program for them,” Horowitz said. “They’re part of the firm but there’s no hour requirement.”

The recession also caused Coleman & Horowitz to be less reliant on associates and support staff in favor of a more experienced group of attorneys that could offer what many companies couldn’t do with an in-house legal counsel that has become the norm.

Even a smaller space can be beneficial for a firm if it’s laid out right. Last March, immigration law firm Yarra Kharazi & Clason purchased the three-story former site of Valley Dental in downtown Fresno for \$1.3 million and began the move from its former headquarters just south of there on the Fulton Mall.

“Our lease was coming up at that location and we were just cramped for space,” said Partner H. Ty Kharazi. “We actually occupy less space than we did over there but we’re more spread out because this is more efficient.”

At 19,000 square feet, Kharazi said there is more than enough space for the firm’s eight attorneys and 25 support staff, and even room on the building’s bottom floor to lease out to a restaurant or coffee shop.

McCormick Barstow, the San Joaquin Valley’s largest law firm with 67 attorneys in Fresno, also opted for its own piece of real estate, moving into a new three-story building designed for the firm at Fresno Street and El Paso Avenue in October 2013.

Relocating from its 20-year headquarters in the Park View Plaza building a few blocks away, the firm didn’t cut back on space in the new 68,000 square-foot structure.

Instead, Partner Tim Buchanan said there’s now a lot more in the way of useful amenities like a gym, showers, bike storage area and a 2,000 square-foot conference center with seating for up to 200 people, as well as sophisticated conference capabilities.

But more importantly, the building provides more space for the growing firm with 105 window offices compared to 87

in the old location.

“It gives us more space and expansion space and it’s all so laid out very well for us,” Buchanan said. “It’s well organized and more compactly organized than our prior office.”

The firm has grown along with many others in the state over the last decade. According to the American Bar Association, there were 134,468 lawyers in California in 2003. That number has grown steadily each year to 163,163 in the latest count in 2013.

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