

CBRE RESEARCH



**LAW IN
MILAN**
2018

CHALLENGES OF AGILE WORKING
IN THE ITALIAN LEGAL SECTOR

CBRE

SUMMARY

Law firms have been slow adopters of agile working, the initiatives enabling employees to work more flexibly through workplace policy. Attitudes are beginning to change though, with firms looking to increase workplace efficiency and collaboration by allowing employees to work from home and providing technology to free them from their desks. The increasing proportion of millennials joining the legal sector is helping to drive this change.

Law firms can no longer sit in isolation from other professional service firms but have to adapt to attract and retain talents from this demographic. But how are Italian occupiers dealing with the disruptive elements connected to the agile working philosophy?

Legal take-up in the historical CBD of Milan, which has been fluctuating over the past five years when compared with the 10-year average, reached an extraordinary peak in 2017. Figures lead us to believe that this might be the spark for a bright season for the legal sector in Milan, for which national and international law firms are preparing as best they can.

Our report aims to analyse how the smart working concept is being implemented in law firms based in Milan and to understand how Real Estate professionals can assist occupiers without missing the opportunity to be the forerunners of change.



THE CHANGE IS NOW

55%

of legal firms based in Milan have already implemented an agile working policy in their present offices. Among those who have not, only 40% are willing to implement a smart working policy in the next three years.



INTRODUCTION

The first edition of this report is based on evidence and trends highlighted by a survey, carried out by CBRE with several national and international law firms based in Milan, which aims to evaluate the state of the art of the adoption of an agile working policy in the Italian legal sector.

At CBRE we are convinced that a one-size-fits-all in terms of office space does not exist. This also emerged from the survey results, which highlighted a series of trends divergent at times. This is understandable, considering that legal sector firms are characterised by a considerable diversification of the activities carried out and, therefore, by different needs. In order to offer an exhaustive analysis of the highlights, the data collected have been consolidated into macro-areas: Location, Office Layout, Technology and People & Wellbeing Trends.

THE CHANGE IS NOW

55% of legal firms based in Milan have already implemented an agile working policy in their present offices. Among those who have not, only 40% are willing to implement a smart working policy in the next three years.

The firms which have not implemented a policy of agile working are Italian firms that do not believe this practice is useful for their growth, or easily applicable. Analysing the reasons for this opinion, the limited size of the Milan marketplace is paramount; it would appear that a minimum of 20 professionals are required for an agile job policy to bring benefits that could be advantageous for the firm. Furthermore, agile working is not perceived as a suitable practice for the legal profession - or for the legal sector as a whole - mainly because of confidentiality issues (it is not appropriate to take client files out of the firm's offices), since it is incompatible to the business model of the firms. No firms identified improving employee performance as the main objective of their agile working policy.

AGILE WORKING

OFFICE LAYOUT

The shift towards the agile working is remarked by the choice of different office layouts together with new facilities dedicated to conferences and socialisation.

PEOPLE & WELLBEING

The increasing proportion of millennials joining the legal sector brought up a deeper focus on to the wellness of the employee.

LOCATION

Emerging trends show legal firms are willing to pay higher rents to stay in the most exclusive locations of Milan.

TECHNOLOGY

A technology upgrade is mainly regarded as an opportunity to allow working from home/untethered to the desk.

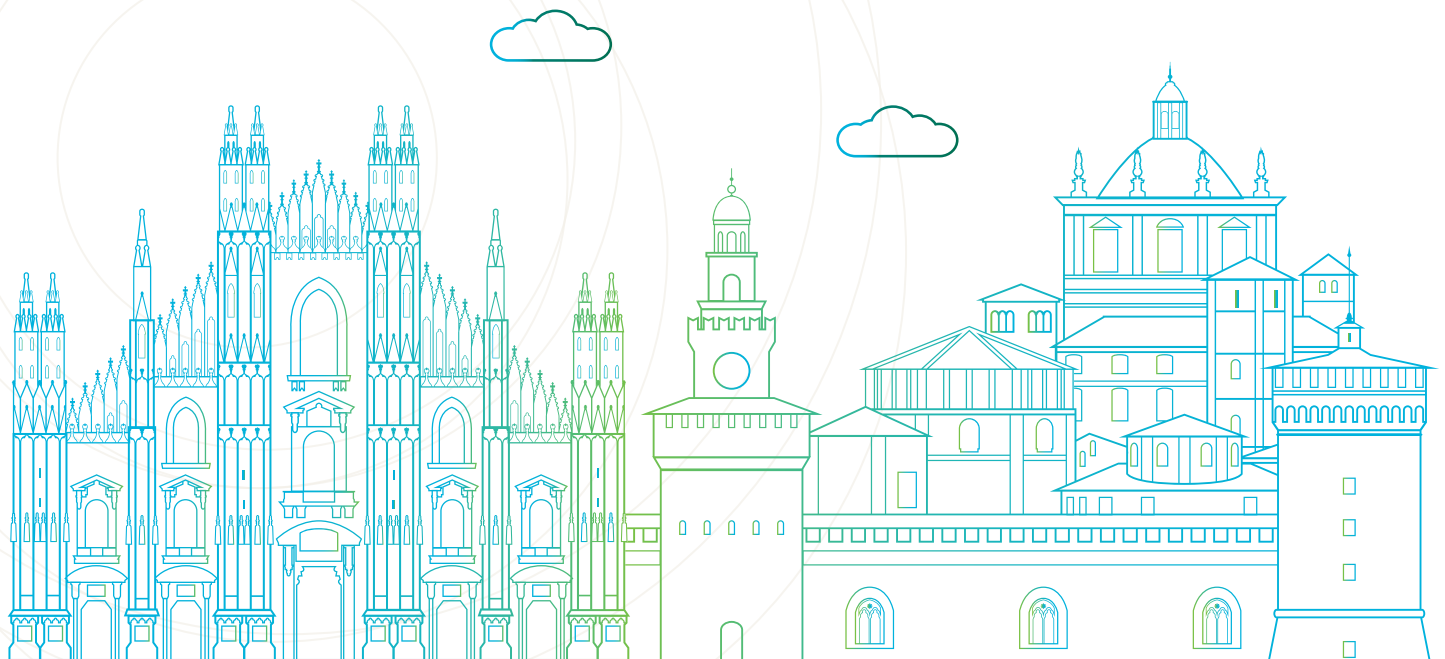
LOCATION TRENDS

As emerged from the survey, 75% of the legal firms based in Milan are happy with their current office location and do not wish to change it. This is highlighted as well by the fact that they are prepared to pay higher rents to stay in the location they traditionally prefer. 94% of those surveyed consider the rent they currently pay to be in line with the market, while 45% of the firms also state that they prefer long-term tenancies (more than 10 years).

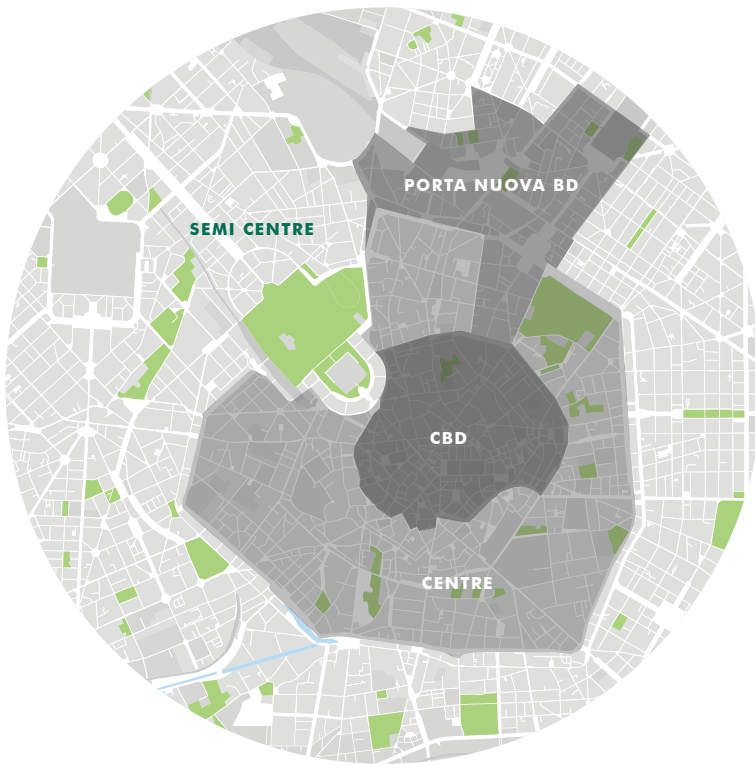
Among the 25% of firms that would search for new offices, the main reason is the need for more space (43%). Moreover, 29% believe that moving to a new office space would facilitate the implementation of a more efficient working policy, while, for 14%, spaces could be used more efficiently. The same percentage (14%) are already looking for a new office location.

However, 50% of the surveyed firms would consider locations alternative to the Central Business District, choosing Porta Nuova (70%) and the central-southern area of Missori, Porta Romana, or Corso Italia (20%). On the other side, for the remaining 50% being in the heart of the city is a must. This need can be briefly summarized in the statement “CBD is the place to be”, which was the response of 60% percent of the surveyed professionals to the question, while the 40% stated to be a walking distance from clients and services.

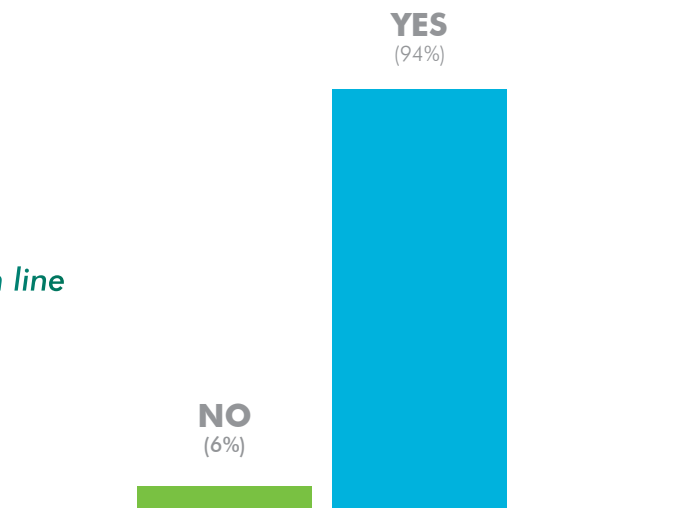
Only a small percentage of those surveyed have a back office (10%) – all situated in semi-central areas – and only 16% of the firms are considering getting one in the future.



“Unlike other business sectors, for legal professionals being in the heart of the city is a must. This need can be briefly summarized in the statement “CBD is the place to be”.



Do you consider the rent you currently pay in line with the market or with your expectations?



OFFICE LAYOUT TRENDS

How should an office layout be designed to meet a legal firm's needs?

Over the last few years, as they strive for excellence, most leading-edge law firms have been seeking the perfect office layout. An increasing number of firms, for example, host permanent art collections within their office space or decorate their offices with items that are part of the firm's own history. But it is not only about having an attractive office, the functionality of the office space has been stressed as one of the main goals to achieve. This section analyses the current trends in office layouts and aims to identify those of the future.

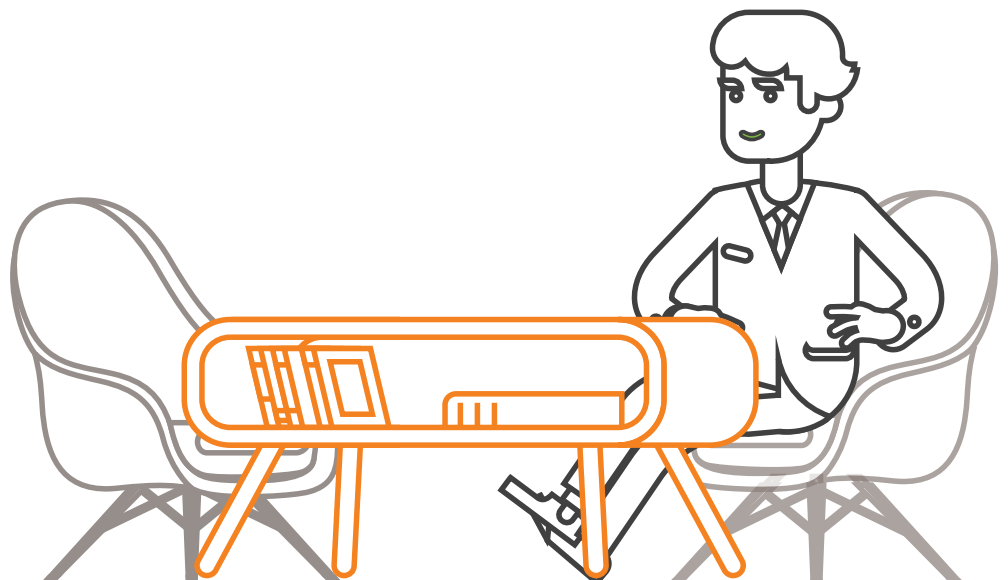
TRADITIONAL SETTINGS...

As emerged from the survey, about half of the surveyed firms occupy a space completely made up of cellular/closed offices; the great majority (89%) have a library space. The remaining 36% occupy a mix of cellular and open spaces. The

main challenges to the implementation of agile working appear to be the management of privacy and concentration, which were regarded as "Difficult or Very Difficult" to overcome by 60% of the firms taking part in the survey.

...GO AGILE

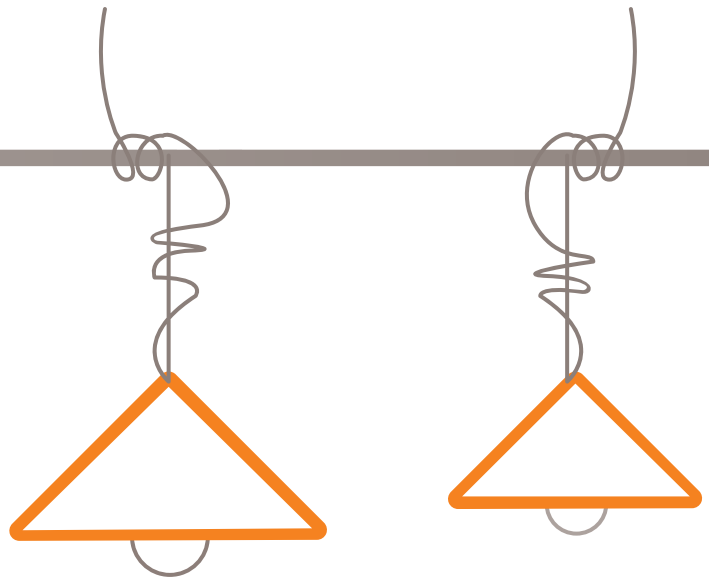
Today the implementation of agile working strategies is carried out through a mix consisting of different work-settings, provision of technology (audio-visual solutions such as videoconferencing), and the opportunity to work from home. In the future, the primary goal of law firms will be to increase efficiency in the workplace (36%). The other drivers of the change will be an increase of collaboration, recruitment and retention of young talents and the implementation of wellness programmes for staff. The most important new facility within the office space is the auditorium (23%) followed by a terrace for events, a gym, a restaurant and a wellness area.



CBRE recently assisted an international legal firm in the research and relocation of their headquarters in Milan. The relocation became the driver to change the way of working. An observation study was carried out over one working week to describe how the space was being utilised and to identify patterns of space use per team. Qualitative observations were also made about levels of quietness and behaviours across the teams on different floors.

An online survey was set up for all people to complete with a questionnaire designed to identify how people work as well as where and what is important to them in the workplace. This has allowed us to compare perceived against actual occupancy. The outcome of the analysis was the need of staff to create a more flexible work environment supported by strong technology and a variety of collaborative and quiet concentration spaces.

The design was set up based on few drivers: collaboration, privacy and technology. Hierarchy gave space to variety. A more visually connected environment using more open areas and glazed partitions was the key to creating a connection between people and teams. Privacy was achieved using furniture solutions that provided acoustic, storage and visual privacy. Finally, innovative audio-visual solutions were implemented across the space to meet the requirements of staff to improve the working environment.



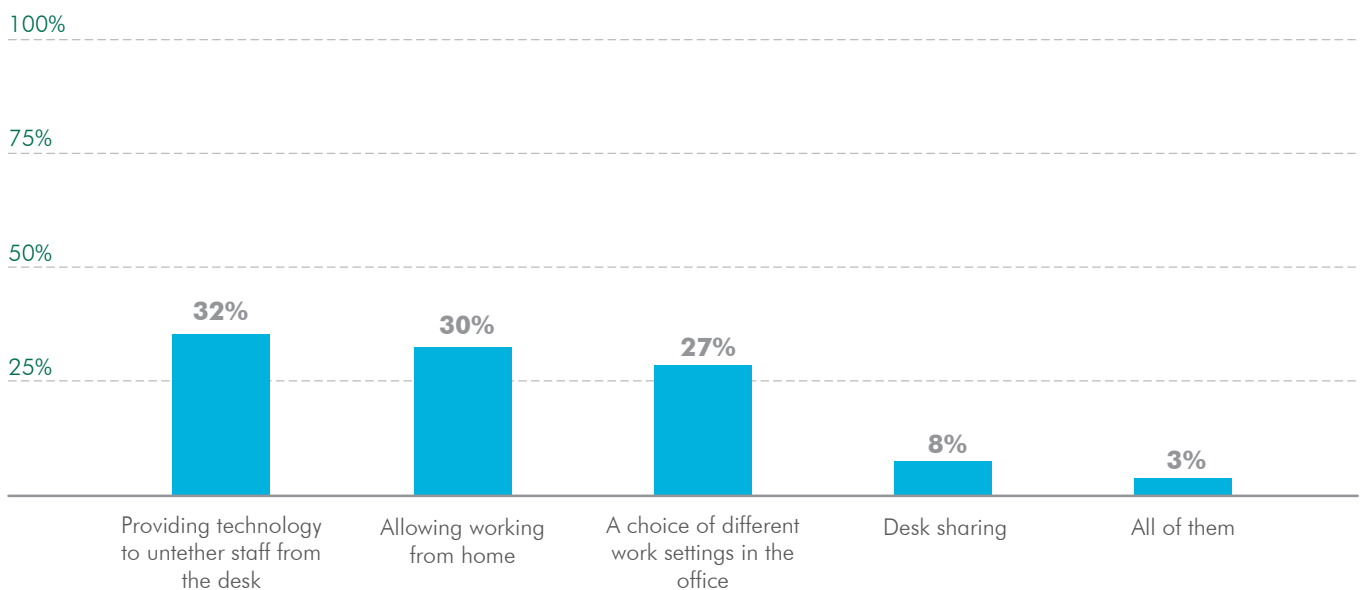
“The most important new facility within the office space is the auditorium (23%) followed by a terrace for events, a gym, a restaurant and a wellness area.”



TECHNOLOGY TRENDS

Despite being considered very traditional, legal sector professionals are keeping up very well with everything to do with technology; especially when it regards the adoption of new tools that give them greater flexibility. A technology upgrade is regarded as an opportunity rather than a potential issue and is considered as “simple” to overcome. On the other hand, data confidentiality and dependency on paper are two major aspects that should be carefully considered when shifting to agile working.

How do you implement agile working in your firm?



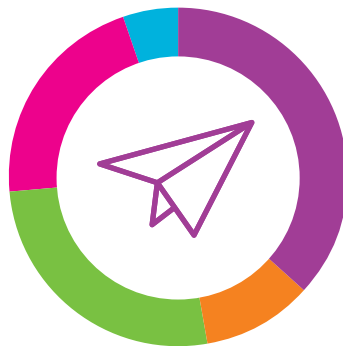
What do you foresee as the key challenge of implementing agile working practices?

DATA CONFIDENTIALITY



- difficult
- very difficult
- easy
- no impact

PAPER DEPENDANCY

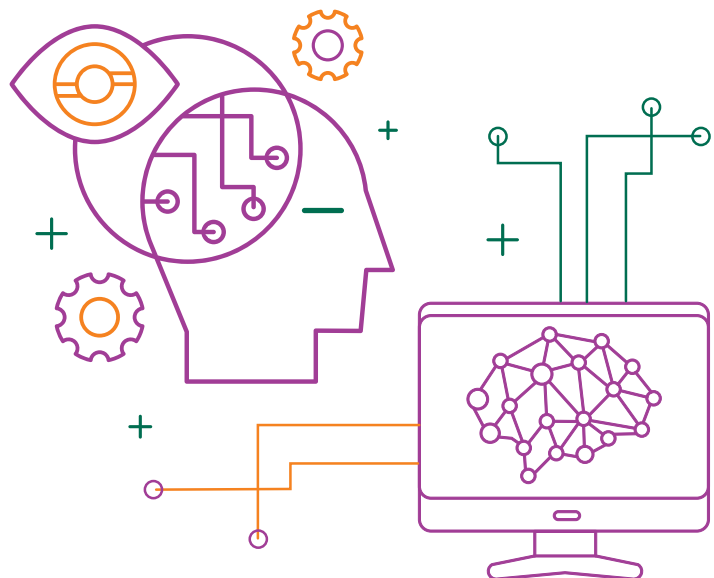


- difficult
- very difficult
- easy
- no impact

TECHNOLOGY AND INFRASTRUCTURE



- difficult
- very difficult
- easy
- very easy
- no impact



PEOPLE & WELLBEING TRENDS

Among the “current workplace trends”, the focus on individual, sociability and well-being are the most actual. In fact, the increasing number of millennials who begin their career paths, has also pushed the legal firms to review several aspects previously neglected. The fact that millennials would be willing to swap economic incentives with a work environment which is more careful of people well-being is coherent with the quest for new common spaces (auditorium, spaces for physical activities, balcony for events...) that emerged from the answers. According to the survey outcomes, such push to the change, however, finds a potential obstacle in the strong hierarchical structure typical of the sector.

Which are the main challenges law firms have to face when implementing a successful agile working policy?

In an agile working environment, maintaining the hierarchy is perceived as “Difficult” or “Very Difficult” by the 75% of the firms, while the 20% of the surveyed think this would not have any direct impact on hierarchy. Most part (94%) of the sample, is convinced that Partners might represent an obstacle to the implementation of a new way of working, the opposite regarding resistance from the staff, which is seen as more favourable to the adoption of an agile working policy.





What does the WELL Certification aim for? Our built environment has a profound impact on our health, wellbeing, happiness and productivity. It can shape our habits and choices, regulate our sleep-wake cycle and passively influence our health through the quality of our surroundings. Human beings spend on average 90% of their time inside buildings, so the impacts of the spaces we create are significant. Recent studies have shown enhanced problem solving, better learning outcomes, faster healing times and improved stress levels from various wellness initiatives. Whilst much of the indoor environment is controlled by occupiers, base building and occupier activities and fitouts are interdependent in creating an optimal result,

with the base building conditions often setting the limits of what is possible.

Creating the optimal conditions for employee wellness requires a detailed understanding of your building, your workplace and your organisation. The initiatives required for a successful programme need a long-term view and collaboration across multiple stakeholder groups.

We consider both the physical aspects of the built environment and the services and benefits provided to create workplaces focused on the health, wellbeing and productivity of its occupiers.



AIR



WATER



NOURISHMENT



LIGHT



FITNESS



COMFORT



MIND

“Creating the optimal conditions for employee wellness requires a detailed understanding of your building, your workplace and your organisation.”



WHAT'S HAPPENING IN LONDON

The London market is normally the first place to highlight the new trends that later on could filter through to the Italian legal sector office market. The aim of the “What’s Happening in London” section is to make a focus on how law firms based in the British Capital are selecting and fitting out their new offices.

CELLULAR VS OPEN-PLAN LAYOUTS

According to CBRE UK’s “Law in London” research paper, London law firms are becoming more receptive to the idea of investing in open-plan spaces. It is not just about driving efficiency, but about changing the way law firms work.

The conclusion of the study is clearly that there is no ‘one size fits all’ solution.

Although open-plan is demonstrably more efficient when looking at space standards it is not a style that works for all law firms. Its suitability will be dependent on the culture of the firm, practice areas and sensitivity to confidentiality. Most international law firms in the CBRE Legal 100 still use cellular office layout, however this could be changing.

The “Law in London” study has identified a number of law firms that are trialling new ways of working, including Allen & Overy, BLP and Gowlings WLG. We also understand that DLA Piper is preparing to create an agile workplace with a mix of work settings to support a variety of work tasks. Another example, which we analyse further below, is the CMS project in London.

London law firms are becoming more receptive to the open-plan concept. It is not just about driving efficiency, but about changing the way law firms work.



THE BIG 5 LAW FIRMS THAT HAVE GONE OPEN-PLAN



SNAPSHOT OF MILAN OFFICE MARKET LEGAL SECTOR

AN IN-DEPTH LOOK AT LETTINGS



55 LETTINGS*
in the last 10 years, a total of
72,400 sq m let



2014 - 2017
saw the most lettings (56%)
over the last decade

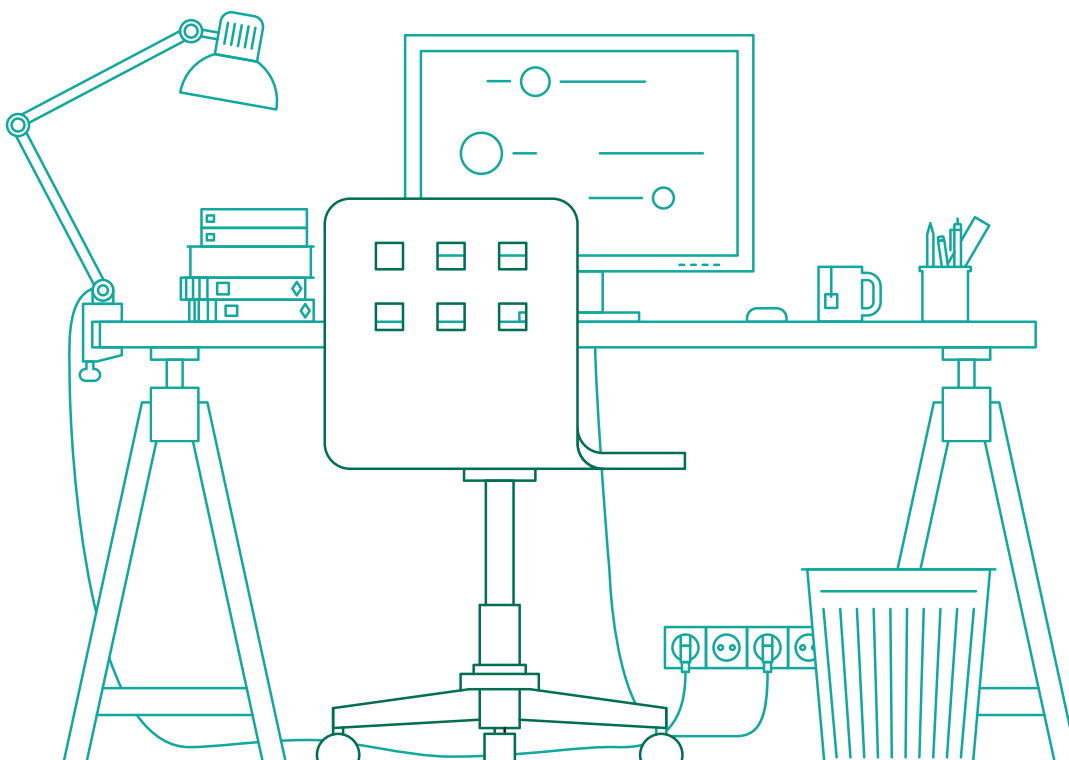
Italian law firms are the most active, but
international law firms are bridging the
gap



54% of all leases were signed by
Italian law firms



46% were signed by
international law firms

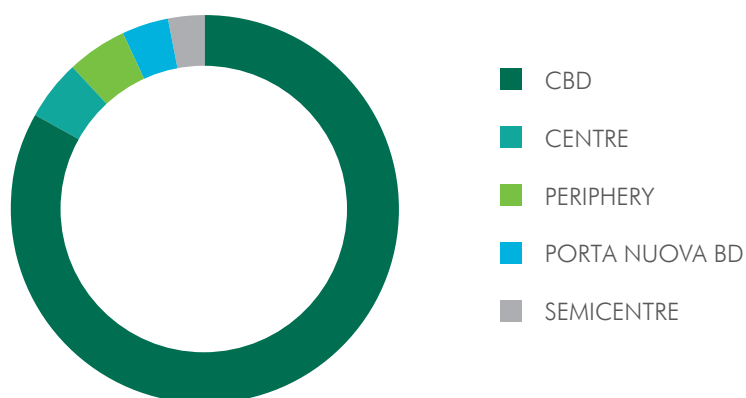


Favourite range size for legal sector occupiers (2007- 2017)



MOST ATTRACTIVE AREAS FOR LAW FIRMS IN MILAN

Legal sector take-up by submarket (2007-2017)



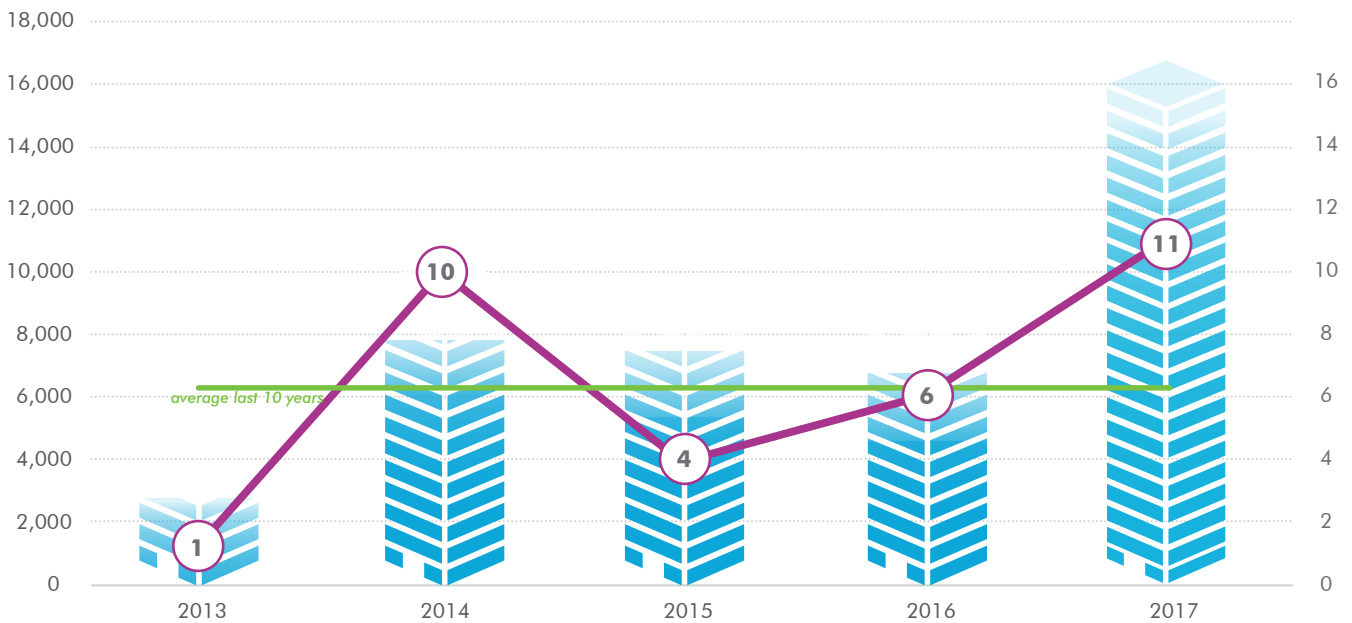
OFFICE TAKE-UP

Take-up and the number of lettings signed in 2017 have trumped figures for previous years, setting the record.

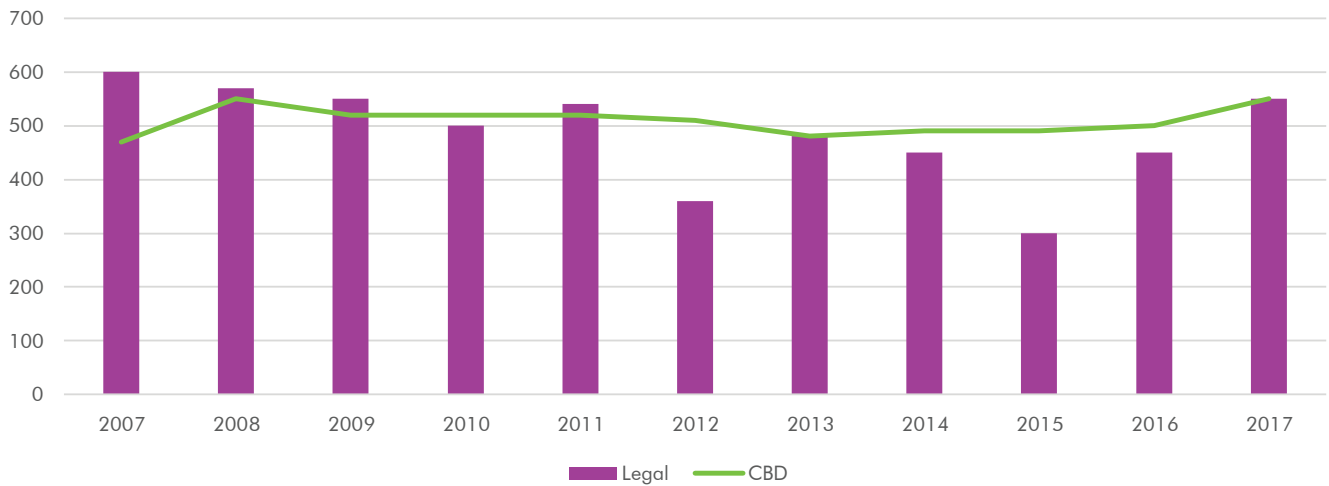
The total number of leases signed by the end of Q4 2017 has exceeded the number of lettings closed throughout the whole of 2014, which was a record year in terms of the volume let in the sector.

Take-up figure for 2017 is 62% above the average figure for the last 10 years (6,470 sqm). The Central Business District remains the most attractive area for law firms. The Central Business District tops all the tables when it comes to take-up. Over the last 10 years, 86% of the space taken by law firms was in the CBD, with over 61,000 sq m located.

Office take-up and transactions legal sector in Milan (2013 – 2017)



PRIME LEGAL SECTOR RENT VS. CBD PRIME RENT



The Milan office occupier market recovery is now in full swing following the crisis seen between 2008 and 2013. However, if there is a submarket that is currently clearly outperforming, this is without doubt the Central Business District. From 2007 to 2011 the maximum rent paid by law firms in the CBD has been in line, even higher, than the prime rent for this area.

From 2012 to 2016, the gap between the rents has increased due to lack of A Grade office spaces. However, this gap is closing again, as the most recent lettings signed have also been in buildings that have the highest rents, given they are A Grade in terms of location and specification in the CBD.

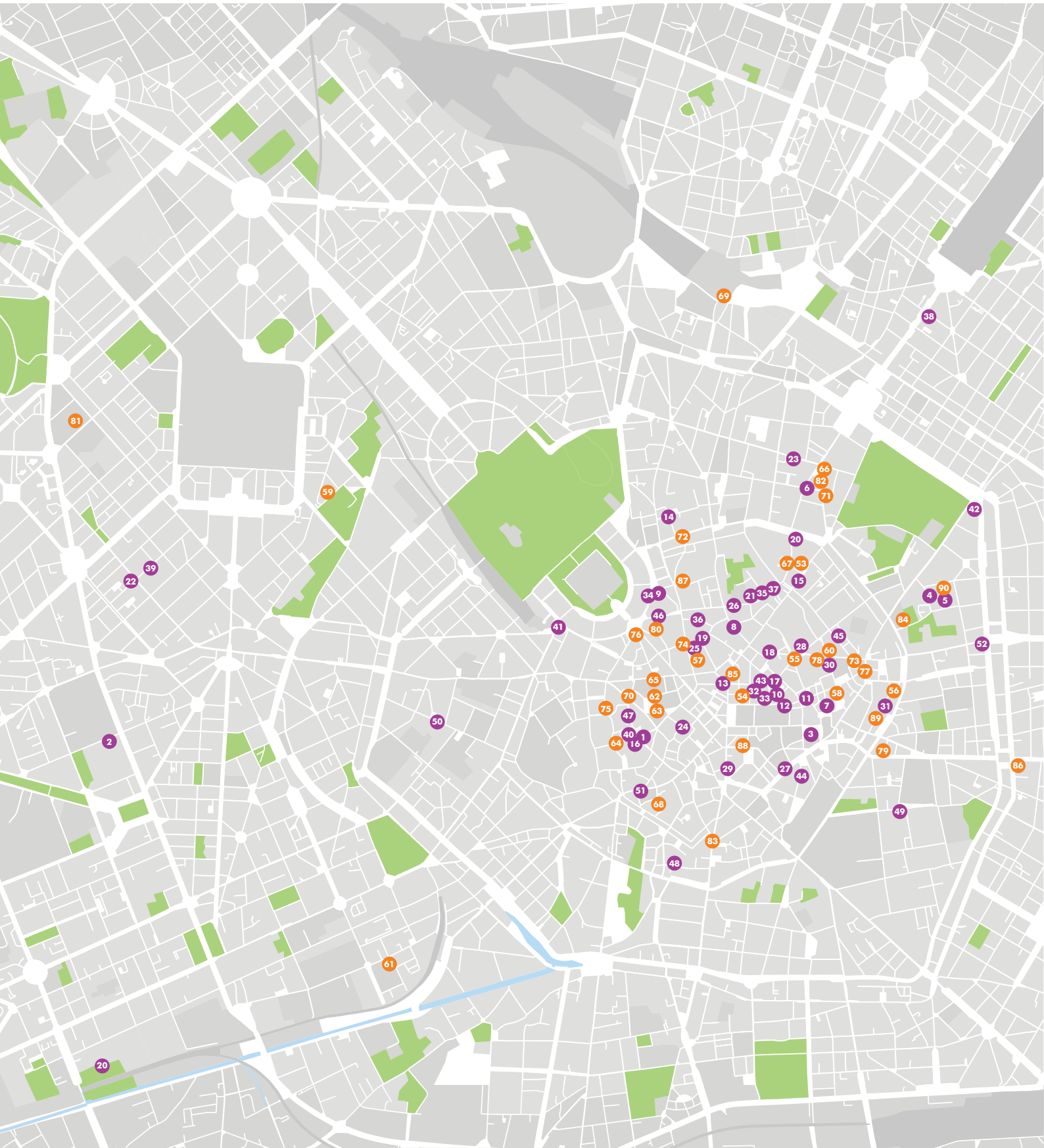


WHERE THE TOP LAW FIRMS IN MILAN ARE BASED

● National

● International

- 1 B&AAVV.
- 2 beLab (Bonelli Erede)
- 3 Biscozzi Nobili
- 4 Bognesi
- 5 Bonelli Erede
- 6 Carnelutti
- 7 CBA
- 8 Chiomenti
- 9 Cordeiro Guerra
- 10 CPASSOCIATI
- 11 CTM
- 12 De Berti Jacchia
- 13 Di Tanno e Associati
- 14 Elexia
- 15 Gattai, Minoli, Agostinelli & Partners
- 16 Gatti Pavesi Bianchi
- 17 Giancaspero & Carlucci
- 18 Gianni Origoni Grippo Cappelli & Partners
- 19 Giovannelli & Associati
- 20 Grande Stevens
- 21 Grimaldi
- 22 La Scala
- 23 LCA
- 24 Legality
- 25 Legance
- 26 Lombardi Segni e Associati
- 27 LS Lexjus Sinacta
- 28 Maisto e Associati
- 29 Militerni & Associati
- 30 Molinari e Associati
- 31 Morpurgo e Associati
- 32 NCTM
- 33 Negri-Clementi
- 34 Nunziante Magrone
- 35 Orsinger Ortu
- 36 Pavia e Ansaldo
- 37 Pedersoli
- 38 Pirola Pennuto Zei & Associati
- 39 Porta, Checcacci & Associati
- 40 Portolano Cavallo
- 41 R&P Legal
- 42 Studio Legale Vitali
- 43 Studio Avvocati Sala
- 44 Slet
- 45 Sutti
- 46 Toffoletto De Luca Tamajo e Soci
- 47 Tonucci & Partners
- 48 Tremonti Romagnoli Piccardi e Associati
- 49 Trifirò & Partners
- 50 Ughi e Nunziante
- 51 Valdani Vicari & Associati
- 52 Valente Associati GEB Partners
- 53 Allen & Overy
- 54 Ashurst
- 55 Baker McKenzie
- 56 Bird & Bird
- 57 Clifford Chance
- 58 CMS
- 59 Crowe Global
- 60 Curtis Mallet-Prevost, Colt & Mosle
- 61 Deloitte Legal
- 62 Dentons
- 63 DLA Piper
- 64 Eversheds Sutherland
- 65 EY Law Services
- 66 Fieldfisher
- 67 Freshfields Bruckhaus Deringer
- 68 Herbert Smith Freehills
- 69 Hoffmann Eitle
- 70 Hogan Lovells
- 71 Jones Day
- 72 K&L Gates
- 73 Latham & Watkins
- 74 Linklaters
- 75 Littler Mendelson
- 76 McDermott Will & Emery
- 77 Norton Rose Fulbright
- 78 Orrick, Herrington & Sutcliffe
- 79 Osborne Clarke
- 80 Paul Hastings
- 81 PwC TLS
- 82 Rödl & Partners
- 83 SZA
- 84 Shearman & Sterling
- 85 Simmons & Simmons
- 86 TDL
- 87 Watson Farley & Williams
- 88 White & Case
- 89 Withers
- 90 Willkie Farr & Gallagher



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Italy Real Estate MARKET OUTLOOK 2018

The bird's eye view of the big trends affecting Italy real estate in 2018.



LAW IN LONDON 2018

The sixth in a series of annual reports about legal firms' use of real estate in London.

CBRE