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ASIA-PACIFIC LAW FIRM REVIEW

2013

LAW FIRM SURVEY

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REVIEW OF KEY ASIA-
PACIFIC LEGAL SECTOR
MARKETS

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EXECUTIVE SUMMARY

International law firms are reacting to market opportunities and changing regulatory environments to expand their presence in the Asia Pacific region.

Proximity to clients is the most important consideration for firms when opening offices and determining office location, although prestigious offices are considered important for establishing and maintaining the brand.

China, Korea and Singapore are markets that are seeing significant numbers of new law firms arrive due to changes in regulation, economic activity and new trade agreements allowing foreign law firms greater access to the market.

Law firms continue to adopt predominantly enclosed office layouts. Although firms are increasingly cost conscious and new ways of working have been considered, this is unlikely to change the approach of mainstream firms dramatically.

A number of trail blazers are embracing more progressive workplace requirements that address the growing importance of 'soft' assets—flexibility (remote working), technology in enhancing productivity and employee performance.

With pressure on profitability and operational costs, law firms are increasingly focused on containing real estate spend whilst reviewing accommodation requirements.



INTRODUCTION

With Asia Pacific continuing to be the growth engine of the world economy, it is no surprise that many international law firms are enlarging their footprints across the region. The increasing opportunities in various types of law practice have been met at the same time by decreasing regulation in a number of countries, offering international firms access to new markets.

Given the ongoing challenges in Europe and the US, there are added incentives to increase exposure in the region. However, while on the one hand, opportunities are there for expansion, on the other, ongoing uncertainty in the world economy is leading to firms becoming more costs conscious. Whether opening offices in new countries or expanding within a market where there is already a presence, law firm decision makers are increasingly scrutinising outgoings as long as some grey clouds on the global economic landscape remain.

Real estate is one of the largest costs on any firm's accounts, and effective management of these fixed costs can help balance securing the best space, utilising it effectively, ensuring the best productivity of staff and enhancing the firm's bottom line.

This timely report provides not only a review of the property and regulatory trends in Asia Pacific with regard to the legal sector, but also includes our exclusive survey of key international law firms across the region. The survey, carried out via one-to-one interviews with key decision makers in the legal industry has provided some valuable insight into office locations and workplace strategies. This in turn gives an understanding into the way international law firms are trending, the perceived risks of entering new markets and attitudes towards different work practices.

Additionally, as with any international law firm who may be looking to expatriate lawyers into a new market, we have included details of prime residential rents in the various markets, an important real estate cost and useful for international benchmarking.

Knight Frank, part of the NGKF Global Network has dedicated law firm practice groups across all regions of the world. Our understanding of the legal sectors, the stakes involved and the changing regulatory environments, makes us an ideal real estate partner, whether looking at the cost benefits of existing space, looking at new markets or optimising your workplace strategy.

We hope you find this report informative and thought provoking.



Alex Hill
Head of
Global Corporate Services,
Asia Pacific

“Law Firms across Asia Pacific are unique in their office requirements with client proximity and prestige being at the forefront. We are however seeing seeds of change as profitability, performance and occupancy costs come into greater focus.”

LAW FIRM SURVEY

Knight Frank conducted a number of interviews with international law firms of various sizes across key gateway cities of Asia Pacific in late 2012. Only international law firms were selected and interviews conducted with senior partners who were involved in property and workplace decisions.

The interviews were based upon a survey to understand a company's motivations for office location, workplace strategy and how this was evolving over time.

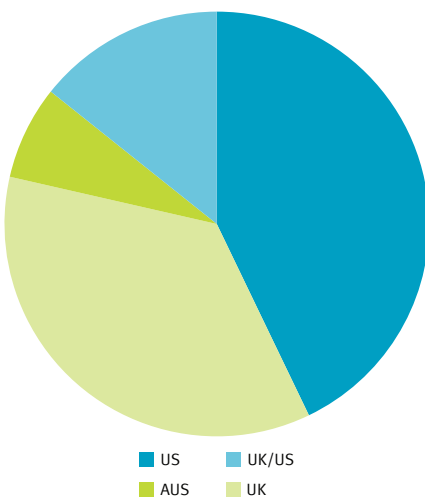
Office location

Our survey shows us that the choice of location (in terms of countries and cities) for international law firm offices is defined by market opportunities and regulation. Assuming a country's regulations allow foreign law firms to practice, proximity to clients came top of the list of considerations when deciding whether to open offices in a city. The decision to open new offices is always driven by business and fee earning opportunities.

The regulatory environment and ease with which companies can set up new offices is also noted as a serious consideration for law firms. The transparent and straightforward regulatory environment of Singapore was cited for example, as a key reason for locating in the city by a number of law firms. The ease of doing business was also seen as a relevant consideration for firms when looking at markets across the region.

The costs of establishing an office in one city can be very different from another. With the importance of establishing brand and being able to serve international clients in these markets, costs were not seen as the primary concern for many firms entering a new market. Real estate costs along with labour costs and taxes are however undoubtedly important

Figure 1:
Country of origin of firms surveyed



Source: Knight Frank Research

Figure 2:
Why did you choose to open offices in your city?

Consideration	
1 Most important	Proximity to clients
2	Ease of doing business
3	Connectivity
4	Costs
5 Least important	Lifestyle

Source: Knight Frank Research

factors on the bottom line.

A number of respondents made mention to changing technology as a driver in terms of office location. For example changes and advances in communication and IT have added the capability for law firms to deliver services across geographic borders. As legal services are very much knowledge intensive, the changing face of communication makes working with clients cross-border easier from a regional headquarters. Connectivity and the ease of travelling out of a central location that served clients across the region was also seen as important, depending on the type of law practice.

Finally, with many international firms setting up in the region, lifestyle could be a consideration, whether it is schools for children, air quality or activities, although it rated as least important by the firms surveyed.

Figure 3:
What are the most important considerations when choosing an office location within a city?

Consideration		Most important in...
1 Most important	Proximity to clients	Singapore, Sydney
2	Prestige	Beijing
3	Cost	Shanghai, Hong Kong
4	Proximity to partners	
5 Least important	Minimise commute	

Source: Knight Frank Research

With regards to selecting office location, different considerations were given different weightings depending on the city in question. Although all of the international firms we interviewed were located in the CBD (or equivalent), prestige was more important in China, with a number of interviewees having chosen to locate themselves in iconic “Grade A” office buildings. Certainly for law firms who were opening for the first time in a country, a prestigious address was seen as important in introducing the firm’s brand.

“When you are new (in the market) and no one really knows how good you are, they take their cue from the surroundings.”

UK Law Firm, Singapore

For the majority of law firms, proximity to clients was still the most important consideration, although costs ranked highly in Hong Kong (perhaps unsurprisingly as it boasts the highest prime office rents in the region).

Expansion plans

We asked the law firms interviewed which markets they were looking to expand in. Although the results are not exhaustive and are maybe only an indication of opportunities in the region, the results are interesting. China came out on top, with a number of firms looking either to expand or to open for the first time in what will become the largest economy in the world in the not too distant future. Second tier Chinese cities were also mentioned by numerous firms, such as Chengdu - as they look to establish themselves across China’s geography. Korea, which has already seen a significant number of firms opening offices since trade agreements with the EU and US allowing foreign law firms to operate was also part of the expansion strategy of a number of firms

“We will be opening in Korea in 2013. Our business licence is pending. We see significant opportunities in this market.”

US Law Firm, Hong Kong

based out of Hong Kong and Singapore. The resource rich countries of Indonesia and Mongolia were also on many international law firms’ radars with the boom in commodities and related business providing significant fee earning potential.

Figure 4:
What countries are you looking to expand in?

Top 6 cities chosen
China
Korea
Australia
Indonesia
Japan
Mongolia

Source: Knight Frank Research

Workplace strategy: Cellular versus open-plan

Asian offices tend to be very traditional, with hierarchy respected and considered important. This undoubtedly reinforces the cellular office layout and resists more contemporary, predominantly open plan offices. Although we are seeing a move by some law firms in the US and the UK towards open plan, only one of all the firms in Asia Pacific interviewed (who was new into the region) was looking to adopt an open plan layout.

Otherwise, the importance of privacy and confidentiality for lawyers, who also need quiet reading time, meant that lawyers were strongly in preference of cellular offices. Approximately half of the firms interviewed used dual-occupancy offices whereby two (often junior) lawyers shared an office, driven both by cost and collaboration. Administrative or support staff for nearly all of the firms interviewed were located in open plan style offices. Paralegals and more junior legal staff are sometimes provided cellular

“We plan to have 100% open plan workstations with innovative areas for private calls. Collaboration is very important to the firm and we have removed hierarchy. This is however, only in Asia where we are trail blazers.”

UK Law Firm, Singapore

accommodation, although for a number of firms, they were situated in an open plan setting.

Generally speaking, although the need to be cost efficient was noted by the majority of the firms interviewed, there was little appetite to move to a more open plan arrangement for fee earners. Conservatism therefore prevails for the majority of firms, but an increasing awareness of peer groups was detected.

Remote working

There was a very mixed response from firms regarding their attitude towards remote working (i.e. working from home). Broadly speaking, respondents were split down the middle as to whether they encouraged or discouraged this way of working. A number of firms noted that it depended on the law practice group that the lawyer was involved in, therefore the type of clients they were dealing with and the amount of cross border work they were involved in. A number of firms were a lot more conservative and commented that remote working was “not encouraged”. For others, the use of cellular offices for lawyers has negated the need for remote working to some extent.

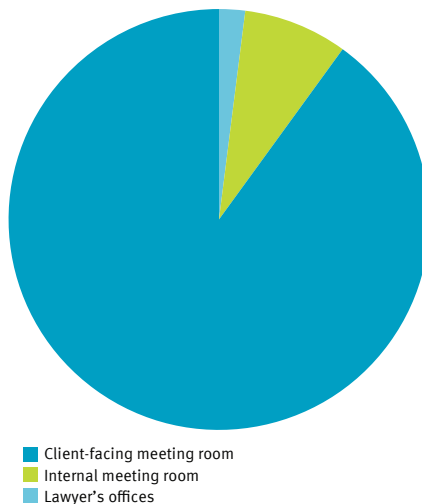
Space utilisation and efficiency

Some analysis was made on how law firms use their space outside of office stations/lawyers offices. A self-reflection on how

efficiently some of these areas are being used could potentially drive innovation and drive cost savings, as well as inform companies for future office requirements.

Client and brand-defining areas (reception areas, client areas, and most notably meeting rooms) tend to make up a significant proportion of space in law firms offices. Our survey confirmed that client meetings are rarely held in lawyer’s personal offices, or internal meeting rooms, with the vast majority held in client facing meeting rooms, adjoining reception areas and generally finished to a high level.

Figure 5: Where are client meetings currently held?



Source: Knight Frank Research

Meeting rooms and reception areas were noted as important for welcoming and hosting clients as well as brand image, but it was questioned whether meeting rooms were efficiently used, or tend to sit as dead space for much of the time. A weighted average of 55% of total client meetings were held in the law firms offices (as opposed to off-site). Some law firms noted that they only entertained a very low volume of clients into their offices on a daily basis. Although we saw significant variances across different geographies, practice groups and firm sizes, it is likely that with further specific analysis on how and why meeting rooms are used, there could be potential for space reduction and therefore cost savings.

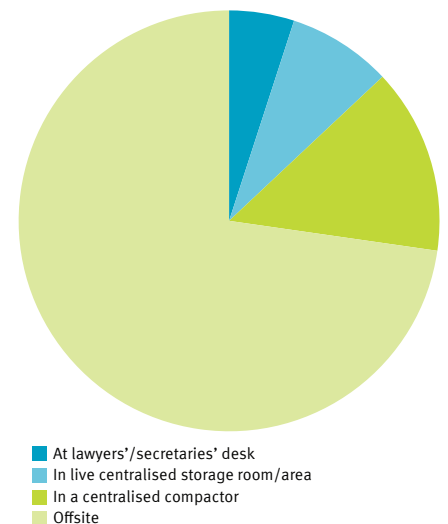
“Most of our business is serving Chinese corporates that reside in the US and therefore meetings with our client are mostly held at the clients’ HQ offices in Beijing.”

US Law Firm, Beijing

Document storage

Document storage varies significantly due to document retention periods in each jurisdiction, the size of the firm, the type of law practiced and the extent to which the firm had moved towards “soft” or electronic storage of documents and files. 66% of the firms interviewed use off-site storage for filing, minimising the amount of premium grade office space used for filing and storage. The larger law firms tended to have made this step, and there were a number who outsourced to third party companies to look after their storage needs.

Figure 6: Where are your files/documents stored at any one time? Average % of files stored...



Source: Knight Frank Research

The volume of documents kept in “hard copy” or paper form varied from 10% to 80% for the firms interviewed, again determined by the law practice groups, the retention regulations and the firm’s culture.

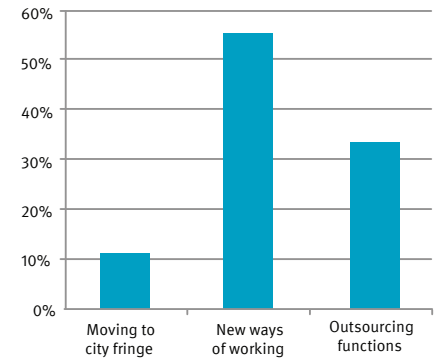
Cost savings?

It was apparent from our interviews that many decision makers were conscious of real estate costs, especially given the current economic climate. Conflicting demands of building or maintaining brand, staff retention, and the importance of being located in a prestigious area or building, have negated significant moves towards alternative working practices. Although 56% of the firms surveyed said they were open to looking at new ways of working, given the nature of legal practice and the very hierarchical structures in place, the costs of “rocking the boat” by introducing new practices were viewed by some to outweigh the potential benefits.

Other potential initiatives for reducing costs, included (further) outsourcing, with firms looking at externalising finance, IT, or storage solutions through third parties. Although in certain jurisdictions such as Hong Kong we were informed that Law Society restrictions prevent them pursuing some of these outsourcing possibilities.

Finally, the option of moving away from the CBD, to the city fringe was dismissed by the large majority who feel that proximity to clients and prestige are more important than cost. Our responses from Australia and Singapore were actually more open to this idea than from anywhere in Asia Pacific. The most progressive law firms are now looking to split prime client-facing fee earners (CBD) and support staff (fringe) to reduce operational costs.

Figure 7:
Are you looking at reducing operating costs by adopting any of the following?
% of respondents



Source: Knight Frank Research

KEY POINTS

International law firms are reacting to market opportunities and changing regulatory environments to expand their presence in the Asia Pacific region.

Proximity to clients is the most important consideration for firms when opening offices and determining office location, although prestigious offices are considered important for establishing and maintaining the brand.

China, Korea and Singapore are markets that are seeing significant numbers of new law firms due to changes in regulation, economic activity and new trade agreements allowing foreign law firms greater access to the market.

Law firms continue to adopt predominantly enclosed office layouts. Although firms are increasingly cost conscious and new ways of working have been considered, this is unlikely to change the approach of mainstream firms dramatically.

A number of trail blazers are embracing more progressive workplace requirements that address the growing importance of ‘soft’ assets—flexibility (remote working), technology in enhancing productivity and employee performance.

With pressure on profitability and operational costs, law firms are increasingly focused on containing real estate spend whilst reviewing accommodation requirements.

BEIJING



China's capital is the regulatory centre for business and the headquarters of a significant number of Chinese and international firms. Beijing has developed as a hub for technology companies and growth enterprises as well as capital markets, private equity, venture capital, and cross-border M&A activities.

The legal firm market was active in 2012, with a significant number of new foreign entrants, including Sheppard Mullin and Proskauer Rose, Wilson Sonsini Goodrich & Rosati, Troutman Sanders and Ince and Co. 2012 also saw a number of lease renewals and expansions by major international law firms already present in the market.

The presence of state institutions in the capital has meant that there has always been a significant legal sector market, and with the

ongoing transformation of the country and its capital, significant new opportunities continue to arise for international law firms. Chinese regulations state that in order to start a law office and provide legal services, the chief representative of the law office must have at least three years' working experiences outside of China, and the other representatives must have at least two years' working experiences.

Law firm trends

Most sizable law firms choose to locate themselves in the Grade-A office buildings in the CBD, East 2nd Ring, Zhongguancun, and Financial Street areas. Around 80% of foreign law firms are concentrated in premium office buildings in the CBD area, such as China World Trade Center, Kerry Center, and China Central Place.

Grade-A office rentals in Beijing have almost doubled in the past three years. At the end of 2012, the vacancy rate of Grade-A offices in Beijing slightly dipped year-on-year to 3.8% (from 21.4% at Q4 2009). Grade-A office rentals increased 23.2% in 2012, reaching RMB396 per sq m per month. However, the average rental edged up only 0.4% in the fourth quarter of 2012, signalling that office rents were approaching a mid-term peak.

Office market outlook

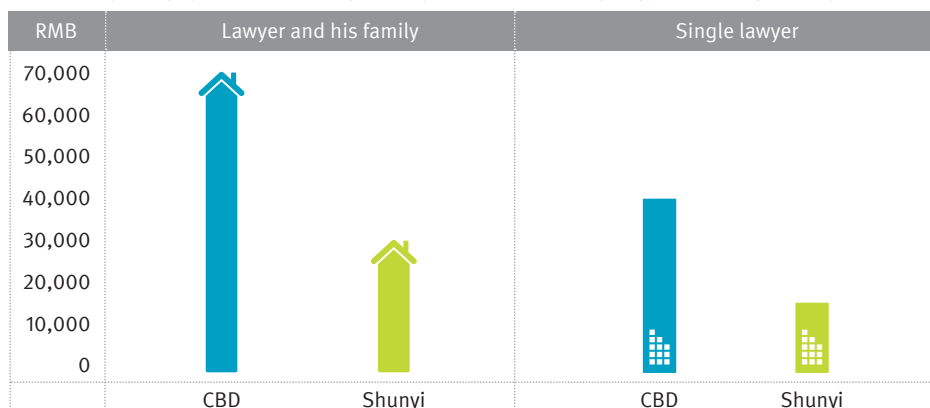
With limited Grade-A office supply, the vacancy rate is expected to remain low and rentals will stay at relatively high levels in 2013. The limited Grade-A pipeline over the next two to three years is likely to ensure that the market remains a "landlords" market, with limited incentives, and some firms may consider decentralised districts to manage costs.

Selected legal sector leasing activity

Tenant	Address	District	Area (sqm)	Date
Gunderson Dettmer	Yintai Center	CBD Area	550	Q3 2012
Allen & Overy	China World Tower III	CBD Area	1,700	2012

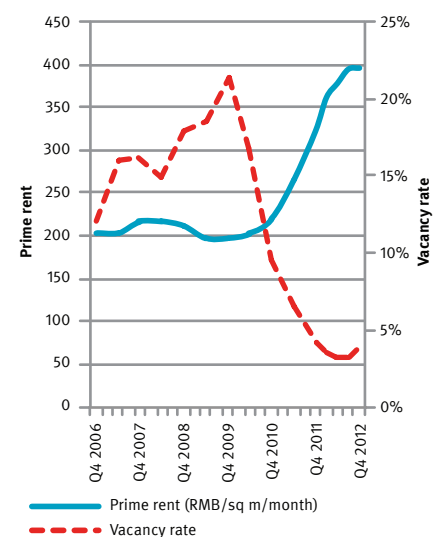
Costs of relocation

The monthly rent payable for a 300sqm family home and a 150sqm apartment respectively



Source: Knight Frank Research

Beijing prime office rental values & vacancy rate



Source: Knight Frank Research

SHANGHAI



Shanghai is the commercial and financial centre of mainland China and as such has been an important centre for capital markets, M&A, securities, IP and maritime based legal services.

Although 2012 was relatively quiet in terms of IPO work, given the global economic uncertainty, the steadying of the Chinese economy in the fourth quarter of 2012 has provided many firms with cautious optimism in respect to 2013. Shanghai's growth, which has eclipsed China's growth rate as a whole, and the trend for increasing numbers of foreign businesses to locate in the city, bodes well for the increasing amounts of legal work requiring international expertise.

Since opening up to foreign law firms back in 1992, the increasing demand for complex

legal services has led to a large increase in international law firms' presence, with 147 foreign firms registered by 2012. The growth in presence of international law firms has run in parallel to the growth of the high grade office market over this period, most notably with the development of Lujiazui in Pudong.

Law firm trends

Most foreign law firms are located in CBD, in proximity to the main domestic and international businesses. Lujiazui, Nanjing West Road and Huaihai Middle Road attract more than half of the total foreign law firms, almost amounting to 68% of the total foreign law firms in Shanghai. International law firms in Shanghai have tended to favour "Grade A" buildings in order to gain prestige while enhancing the brand.

The preference for international law firms setting up their office in the core CBD, is not only for the prime location, but also for convenience as it offers good transportation links.

Office market outlook

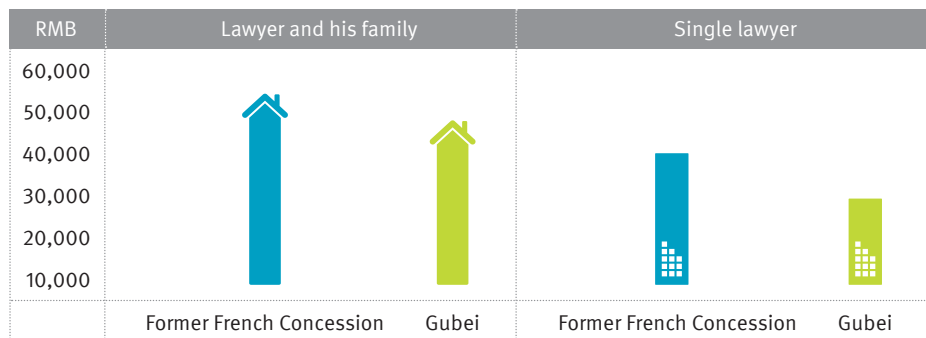
2013-2014 is likely to see Shanghai's Grade-A office rentals soften amid abundant supply, with landlords offering additional lease incentives, longer lease terms and generally more flexibility in favour of occupants. Outside of the central CBD areas, The Hongqiao CBD, the Post-EXPO area and Xuhui Binjiang will be the key areas for development in the next three years, bringing more than 2.0 million sq m of new office space to the market. Non-CBD areas will play a significant role in attracting office tenants to the decentralised locations.

Selected legal sector leasing activity

Tenant	Address	District	Area (sqm)	Date
Latham & Watkins	IFC II	Pudong	1,068	Q1 2012
Nixon Peabody	Plaza 66	Jing'an	614	Q1 2012

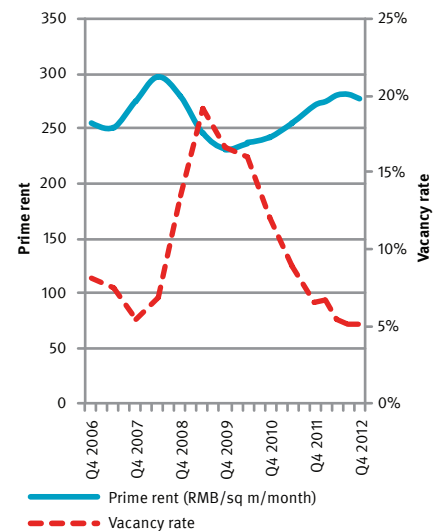
Costs of relocation

The monthly rent payable for a 300 sqm family home and a 150sqm apartment respectively



Source: Knight Frank Research

Shanghai prime office rental values & vacancy rate



Source: Knight Frank Research

HONG KONG



In 2012, despite a relatively subdued year, Hong Kong ranked number four in terms of funds raised globally, behind NYSE, NASDAQ, and the Tokyo Stock Exchange. As the second largest centre for IPOs in Asia and benefiting from the listing of Chinese corporates, Hong Kong has long been a market for international law firms.

Given its links with the UK, foreign law firms have had some sort of presence in the Hong Kong market for many years. With the huge amounts of growth in mainland China especially over the last decade, many international law firms have chosen to make Hong Kong the headquarters of their Asian operations. The increase in the amount of Chinese companies listing on the Hong Kong stock exchange has provided a significant volume of work for foreign legal advisors.

Foreign lawyers and foreign firms in Hong Kong are required to register with the Law Society in order to advise on the law of their home jurisdiction or the laws of a third jurisdiction where they are competent to do so. Foreign lawyers however are not permitted to practice or advise on Hong Kong law.

Law firm trends

The offices of law firms have been traditionally located around Central and Admiralty, and despite the high rental levels in the area and a weak global economy, there are no signs that this will change.

On the leasing front, weakening demand from the finance and banking sectors led to greater availability of space and flexibility of rents in core areas, while strong relocation demand for cheaper business space kept vacancies low

and rents firm in non-core areas.

Office market outlook

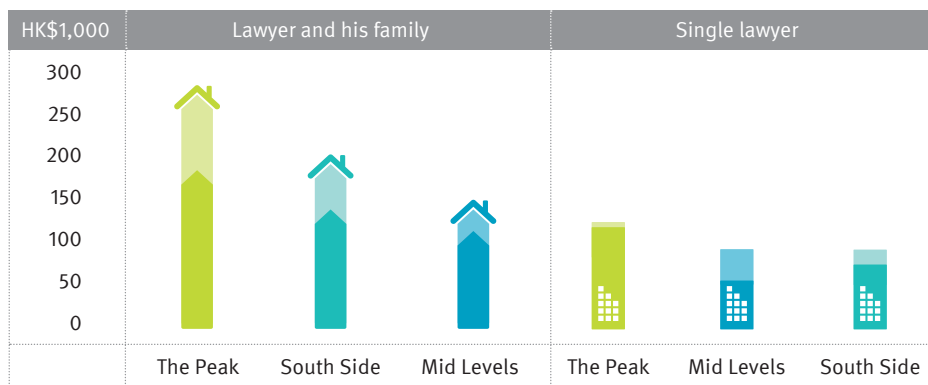
Leasing demand in Central is expected to remain soft as hiring intentions of the financial sector continues to contract. With a relatively high vacancy pressure, tenants will continue to gain an upper hand on the negotiation table with Central landlords. We expect Central office rents to decrease at most 5% in 2013, a smaller drop compared with 2012. Meanwhile, competition for relocation spaces in non-core locations, such as Kowloon East, will continue to be fierce. We expect Grade-A office rents in non-core districts to remain firm, with Kowloon East likely to see a 10–15% growth in the coming 12 months. The rental gap between core and non-core locations will continue to shrink.

Selected legal sector leasing activity

Tenant	Address	District	Area (sqft)	Date
Smyth & Co	Three Exchange Square	Central	11,200 (N)	Q3 2012
Freshfields	Two Exchange Square	Central	3,159 (N)	Q3 2012
Ashurst (HK) Svcs Ltd	Jardine House	Central	14,000 (N)	Q2 2012
Morrison & Foerster	The Landmark	Central	16,923 (N)	Q1 2012

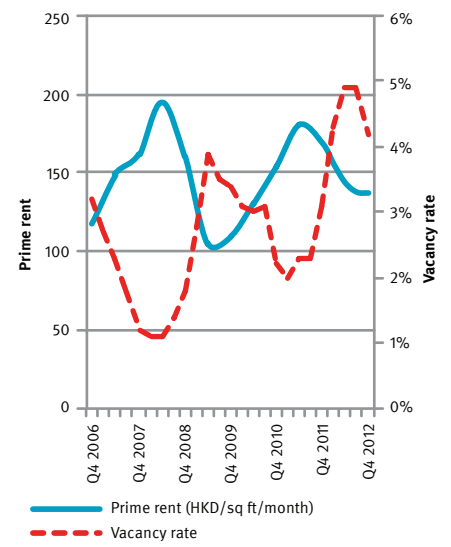
Costs of relocation

The monthly rent payable for a 300 sqm family home and a 150sqm apartment respectively



Source: Knight Frank Research

Hong Kong prime office rental values & vacancy rate



Source: Knight Frank Research

KUALA LUMPUR



Although historically a smaller and more domestic legal market, **The Legal Profession (Amendment) Act 2012, has attempted to open up the Malaysian legal sector to foreign law firms and help transform Kuala Lumpur into an international Islamic financial hub.**

Under the new act, foreign law firms are able to open up offices, either as a joint venture with a local firm or on a restricted standalone basis. Although the areas of law are restricted to certain law practices, steps towards liberalising the legal sector are seen as important to boost competition and help establish Kuala Lumpur, which is already the largest Islamic bond market in the world, as a rival financial and trading hub to Singapore.

With new restrictions and some uncertainty as to the possibility of fly in and fly out legal services, a number of international law firms have either established offices since the

reforms or are looking to open offices over the coming year. Trowers & Hamlins were the first international law firm to open offices, in the premium grade A, Menara Maxis building. Other UK and US law firms are reportedly interested in expanding their footprint in the market over the coming years. Baker and Mackenzie International already have a presence through their member firm Wong & Partners while Rahmat Lim & Partners is the Malaysian associated firm of Singapore's Allen & Gledhill.

Law firm trends

Law firms are located both in KL City and city fringe locations, with many notable domestic names in Damansara, Bangsar and Mid Valley. With the possible arrival of more international law firms, we expect that for prestige reasons, many of these firms will favour the KL City and the premium grade A buildings.

Office market outlook

The office market is expected to remain stable in the short term particularly for good grade dual-compliant office space located in growing decentralised locations with good accessibility and close proximity to LRT stations and the proposed MRT stations.

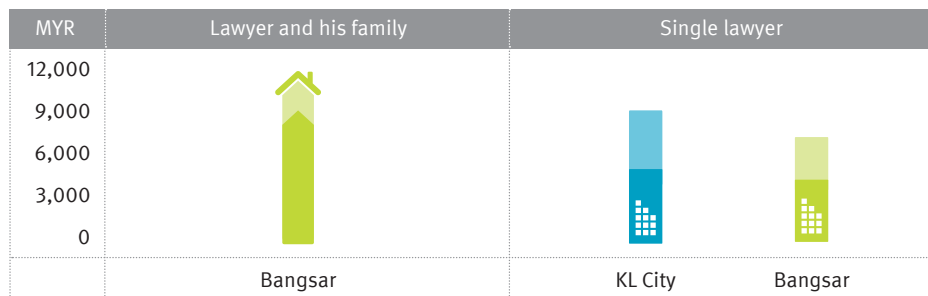
With the level of new and impending supply, tenants will continue to enjoy greater choice at competitive rates and attractive tenancy terms while with growing pressure from the number of upcoming dual-compliant office buildings, developers and owners are expected to take proactive measures to remain competitive by attracting new tenants and maintaining their existing tenants.

Selected legal sector leasing activity

Tenant	Address	District	Area (sqft)	Date
Chooi & Co	Menara BSC	Bangsar	19,000	2013
Trowers & Hamlins	Menara Maxis	CBD	2,000	Q3 2012

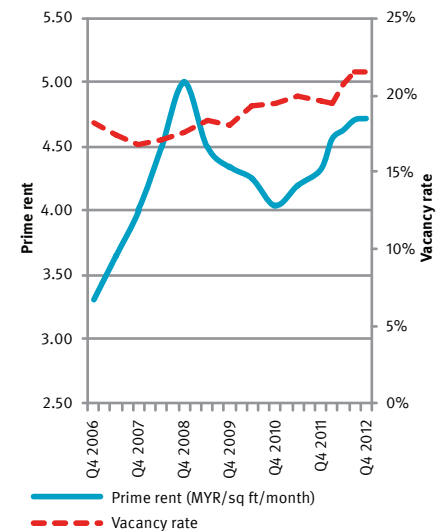
Costs of relocation

The monthly rent payable for a 300 sqm family home and a 150sqm apartment respectively



Source: Knight Frank Research

Kuala Lumpur prime office rental values & vacancy rate



Source: Knight Frank Research

SEOUL



Trade agreements with the EU and the US that have come into force over the last 18 months has led to a significant amount of new leasing activity from law firms in the Seoul office market.

The South Korea-EU Free Trade Agreement (FTA) came into force in July 2011, while the South Korea-US FTA began in March 2012. The opening of the sector to international competition will be gradual, as foreign firms can only set up joint ventures with South Korean counterparts after two years, and can only practice Korean law until five years after opening offices in the country.

Due to this opening up of the market, 2012 saw a significant amount of entrants taking office space, as firms from the US and UK push to gain a first-mover advantage in the lucrative

international legal sector. The areas of the legal sector likely to be targeted by many of the law firms are specialist areas such as inter-company litigation and antitrust cases. Already over 20 foreign law firms have applied to open up their offices in Seoul, with DLA Piper, Sheppard Mullin, Cleary Gottlieb Steen & Hamilton, Paul Hastings, Cleary Gottlieb, Ropes and Gray and Simpson Thatcher and Bartlett notably already open for business.

Law firm trends

The foreign firms that have entered the market, have tended to cluster in the Jung-gu area, in the CBD, with a significant number of the US firms favouring buildings such as Center 1, Ferrum Tower and Pine Avenue.

Although the CBD has a vacancy rate of

nearly 13% as at Q3 2012, with a number of tenants making the most of the tenant friendly conditions to upgrade to prime buildings, the vacancy rate in prime office buildings is significantly lower and more stable.

Office market outlook

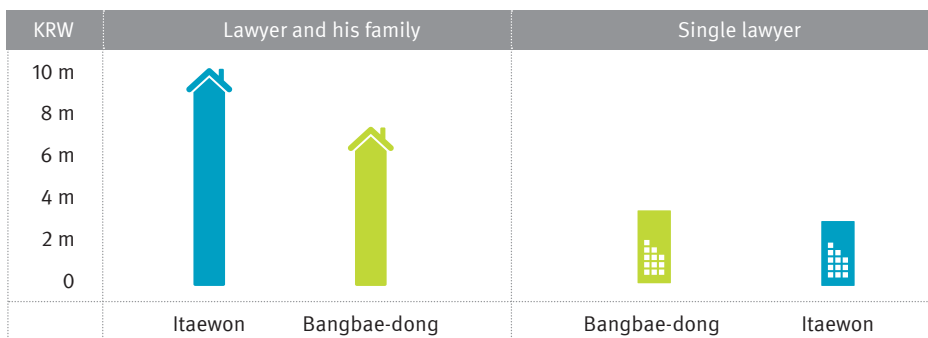
The legal sector in South Korea is a multi-billion dollar sector, and 2013 is likely to see a number of international entrants into the market. Occupier demand in 2012 has generally been weak as South Korea's economy slowed in 2012, due especially to a global downturn in trade. As the economy moves into a new cycle and macroeconomic indicators improve, we expect the office market to see an improvement, led by strong demand from the international legal sector.

Selected legal sector leasing activity

Tenant	Address	District	Area (sqm)	Date
DLA Piper	Center 1	Jung-gu	-	Q1 2013
McDermott Will & Emery	Center 1	Jung-gu	-	Q4 2012
Sheppard Mullin	Center 1	Jung-gu	-	Q4 2012
Ropes & Gray	Posco Center	Gangnam	-	Q4 2012
Clifford Chance	Ferrum Tower	Jung-gu	-	Q4 2012

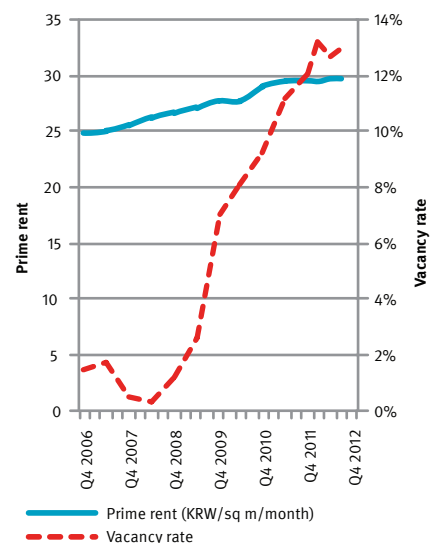
Costs of relocation

The monthly rent payable for a 300 sqm family home and a 150sqm apartment respectively



Source: Knight Frank Research

Seoul prime office rental values & vacancy rate



Source: Knight Frank Research

SINGAPORE



The commercial and financial capital of South-East Asia has been challenging the IPO primacy of Hong Kong and Tokyo, while becoming the preferred Asian headquarters for a significant number of financial institutions and corporates.

Encouraged by relaxation of legal licensing in Singapore and the potential of wider business possibilities in Asia, more international law firms are opening offices in Singapore in order to support their clients and advise on complex global legal issues.

Law firm trends

Currently, the “big five” legal firms are located in Raffles Place and Marina Bay in the CBD. Established big local law firms have also taken advantage of competitive rentals in the CBD to move to newer Grade A+ accommodation in Marina Bay office

developments, more often referred to as a “flight to quality”.

Legal firms are situated mostly in the Central Region as a main requirement is to be close to the Courts. The competitive office rents in the CBD will ensure this remains the case, while some established law firms will seize the opportunity to upgrade their premises, and at the same time enhancing their corporate image.

Office market outlook

With regulatory changes to accommodate more foreign lawyers to practice aspects of Singapore law, we envisage there will be more international law firms setting up their office operations in Singapore. These new-to-market firms will either take up spaces in the CBD where most of their corporate clients are situated, or could lease serviced offices of

smaller spaces and shorter leases, to initially test the legal market in Singapore.

Smaller law firms are likely to remain where they are in the absence of interesting propositions or enticing offers that may become available. Any such offers must still satisfy their location requirements.

Opportunities are there for new to market law firms to set up presence in Singapore as office rents are likely to remain competitive for the next year. Singapore will continue its strategy of being the Asia Wealth Management Hub, while attracting new companies (such as Facebook, Google), will also increase demand for legal services.

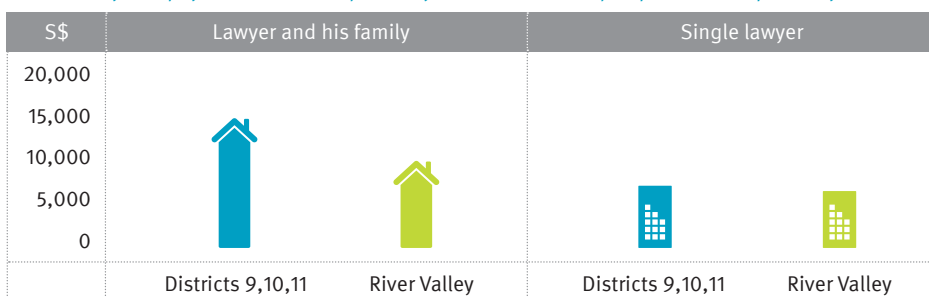
Challenges of attracting and grooming local legal talents/ graduates will be a constraint, however this is being mitigated by government relaxation of regulations to allow foreign lawyers to practice in wider legal areas.

Selected legal sector leasing activity

Tenant	Address	District	Area (sqft)	Date
Freshfields Bruckhaus Deringer LLP	Ocean Financial Centre	Raffles Place	8,000	Q3 2012
Maples and Calder LLP	Singapore Land Tower	Raffles Place	14,000	Q3 2012
Ashurst LLP	Marina Bay Financial Centre	Marina Bay	-	Q3 2012

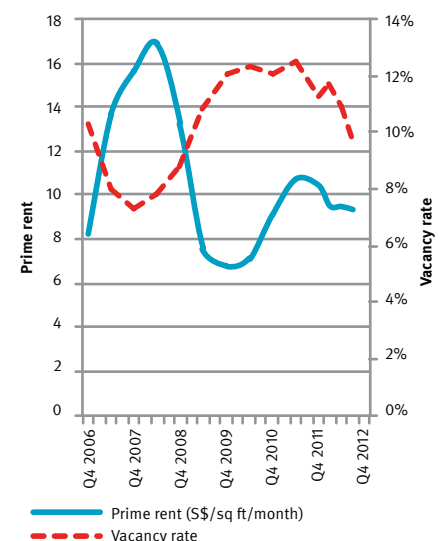
Costs of relocation

The monthly rent payable for a 300 sqm family home and a 150sqm apartment respectively



Source: Knight Frank Research

Singapore prime office rental values & vacancy rate



Source: Knight Frank Research

SYDNEY



As Australia becomes more connected into the Asian growth story, the international legal sector around corporate and commercial businesses has flourished. Once dominated by the “big six”, mergers and associations made over the last 12 months have changed the legal sector landscape significantly.

Australian law firms are categorised according to their scale, geographic platform and their brand gravitas. “The big six” firms who dominate the sector in the major CBDs of Australia have undergone dramatic changes in terms of structure and branding, driven by the increasing economic significance of Asia, along with Australia’s strong trading relationship with China:

- Allens Arthur Robison changed its name to ‘Allens’ and is now in association with Linklaters LLP, headquartered in London;
- Blakes (formerly Blake Dawson Waldron) is merging with Ashurst LLP, headquartered in London;
- Freehills merged with Herbert Smith,

headquartered in London;

- Mallesons Stephen Jaques merged with King & Wood, headquartered in London; and
- Clayton Utz and Minter Ellison remain independent partnerships.

Other significant changes include the merger of Deacons into Norton Rose, Phillips Fox into DLA Piper and the entry of Allen & Overy to the Australian market in 2010.

These law firms represent a significant proportion of the office space leased in Australia’s major CBDs and the representation of law firms amongst the active tenant enquiries during 2012 and 2013 has been relatively high. In all cases, workplace innovation and proximity to clients were primary considerations for these firms in determining their premises preferences.

Law firm trends

Historically, law firms generally clustered around the courts and legal precinct.

However following legislative changes and a consequent change of focus towards more corporate or commercial law, more firms have moved closer to their clients in the “Core” and into quality Grade-A/Premium grade office buildings.

The increasing competitive pressure from international firms has manifested in a flight to quality, with the legal sector proving to be the most active sector of the market by transaction volume.

Office market outlook

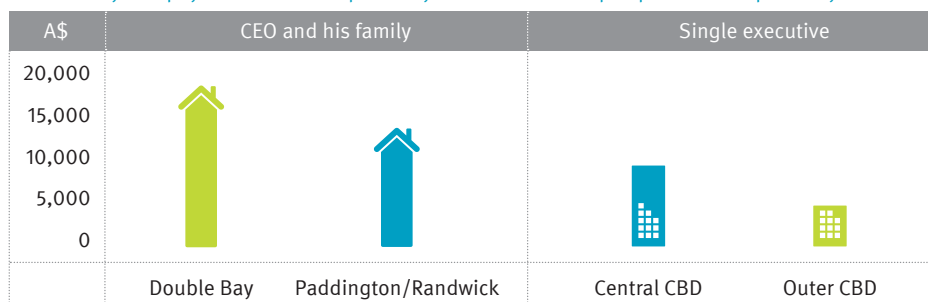
Although CBD tenant demand remains inconsistent, the lack of forthcoming supply over the next three years is set to underpin a tightening market. The vacancy rate is expected to hold steady over the next 12 months, however forecasts of negative net supply out to the end of 2014 is set to bring about a reduction in vacancy and rental growth above inflation in 2014.

Selected legal sector leasing activity

Tenant	Address	District	Area (sqm)	Date
Ashurst	5 Martin Pl	Core	~14,000	Q2 2014
Corrs Chambers Westgarth	8 Chifley Sq	Core	8,080	Q3 2013
Middletons	1 O’Connell St	Core	5,400	Q4 2012
Mills Oakley Lawyers	400 George St	Midtown	1,803	Q3 2012
Allen and Overy	85 Castlereagh St	Midtown	4,500	Q2 2012

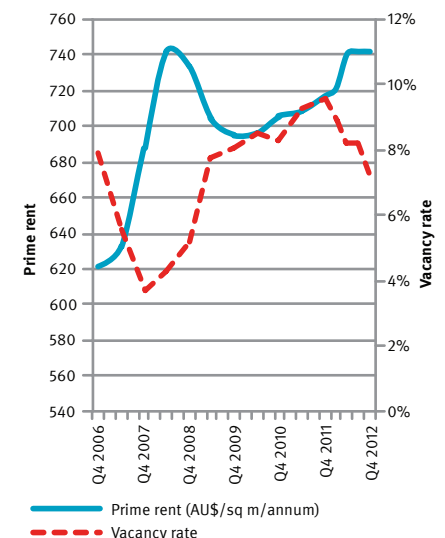
Costs of relocation

The monthly rent payable for a 300 sqm family home and a 150sqm apartment respectively



Source: Knight Frank Research

Sydney prime office rental values & vacancy rate



Source: Knight Frank Research

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