

Reed Smith to Sublet Law Office Space to Flaster Greenberg in Phila.

The Legal Intelligencer

November 18, 2021

By: Justin Henry

This article originally ran in The Legal Intelligencer on November 18, 2021. All rights reserved.

Reed Smith has agreed to sublet approximately 16,000 square feet of its office space at Philadelphia's Three Logan Square to Flaster Greenberg for the eight years that remain in its lease term.

Flaster Greenberg announced Wednesday it was relocating its office from 1835 Market St., where the midsize firm takes up 10,000 square feet, to a larger floor plan in Three Logan Square in order to "accommodate the influx of recent laterals plus make room for continued growth."

Flaster Greenberg has brought on 24 lawyers firmwide since January 2020.

The office will accommodate 26 employees, including 18 lawyers, each of whom will have their own exterior office unit. The sublease takes effect Feb. 1, 2022, according to Wednesday's statement from the firm.

Jordan LaVine, a co-managing partner of Flaster Greenberg, confirmed the firm is moving into part of Reed Smith's office at Three Logan Square, amounting to roughly 80% of the 33rd floor. LaVine noted the agreement includes flexibility to expand into the remaining 4,000 square feet on that floor, pending the growth of his firm.

"The benefit of the Reed Smith office is that it was pretty much fully built out for a law firm and only needs modest retrofitting," LaVine said, adding that firm leaders plan to add some open-concept collaboration space to the existing floor plan.

Reed Smith's chief operating officer, Nick Bagiatis, confirmed the global law firm is subletting a "significant portion of one of its [five] floors at 1717 Arch St." beginning in February 2022 but declined to confirm that Flaster Greenberg is the tenant.

"We are recalibrating our real estate footprint in response to the firm's broader move to flexible working; we remain strongly invested in the Philadelphia region and well positioned to serve our clients there," Bagiatis said in an email, noting the firm would continue to occupy five floors at 1717 Arch St.

Subleasing is becoming an increasingly attractive component of many firms' real estate portfolios at a time of high vacancy rates in some of the country's primary metropolitan markets.

Continued

Many law firms, and businesses more generally, are looking to recover dollars on underutilized segments of their real estate footprint, and as a result, brokers in the Philadelphia market said sublet rates have gone down more significantly than lease rates since the start of the pandemic.

"The landlords are bound by a lot of obligations and a lot of covenants that they have trouble dropping their rates too low," said Marty Festenstein, senior managing director of commercial real estate brokerage firm Savills U.S.

LaVine said leaders at Flaster Greenberg were surveying the market for standard lease agreements since 2020 but they weren't as "financially favorable" as the subleasing opportunity with Reed Smith.

Doug Simon, a broker with real estate advisory firm Tactix, said the deal between Reed Smith and Flaster Greenberg also indicates a shift toward flexibility being built into occupancy agreements.

He pointed to the agreement signed by Blank Rome that allows the Big Law firm to downsize its square footage at One Logan Square within the 16-year lease period, as Law.com reported in January, calling it "an introduction to what is happening at law firms during the pandemic."

"They have an incredible amount of flexibility in determining their square footage," Simon said. "It's uncommon for firms to be able to do that. But I think during the pandemic sub-landlords have gotten incredibly aggressive."

This announcement was picked up by The Legal Intelligencer on November 18th, which ran a story, "Reed Smith to Sublet Law Office Space to Flaster Greenberg in Phila.," linked here.

ATTORNEYS MENTIONED

Jordan LaVine