

# Savills U.S. Law Firm Activity Report



## Q2 2022

The Legal Tenant analyzed law firm transactions over 20,000 square feet (sf) across key U.S. markets and found that legal leasing activity jumped 43.1% in the second quarter after a slow start to the year. A total of 1.6 million square feet (msf) were leased in Q2 – bolstering leasing volume to be on par with the quarterly average for the last four years (1.6 msf). Most notably, there were seven transactions over 100,000 sf signed this quarter – a significant rebound from a Q1 dominated by smaller leases.

Law firm leasing levels are up over the last year, after dropping in 2020 and hitting pandemic-lows during the first half of 2021. Over time, leasing volume may no longer consistently reach the highs seen in years past as more firms look to have greater space efficiency. It appears that flexible in-office work schedules are here to stay, and firms are reimagining their offices to best support that change. Moving forward there may be less dedicated offices, and more space for shared use and collaboration space across firms. As densification continues, this will likely leave a surplus of office space available in the market in years to come.



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## By the Numbers

# 1.6 msf

of legal sector leases over 20,000 sf signed in Q2

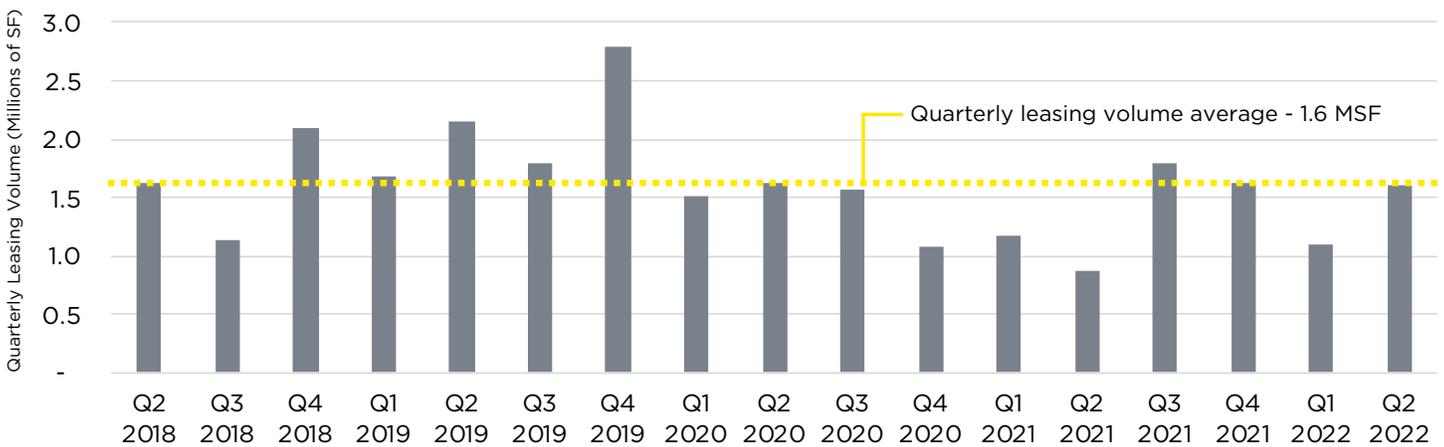
# 63%

of activity by square footage has been relocations in 2022

# 7/10

largest leases in 2022 YTD were completed in Q2 and over 100,000 sf

## Quarterly Leasing Volume



Savills data. Includes law firm leases over 20,000 square feet (SF).

The legal sector's quarterly leasing volume average for the two years prior to the pandemic was 1.8 msf. The quarterly average has fallen 11% to 1.6 msf as of Q2 2022, pulled down by pandemic leasing lows.

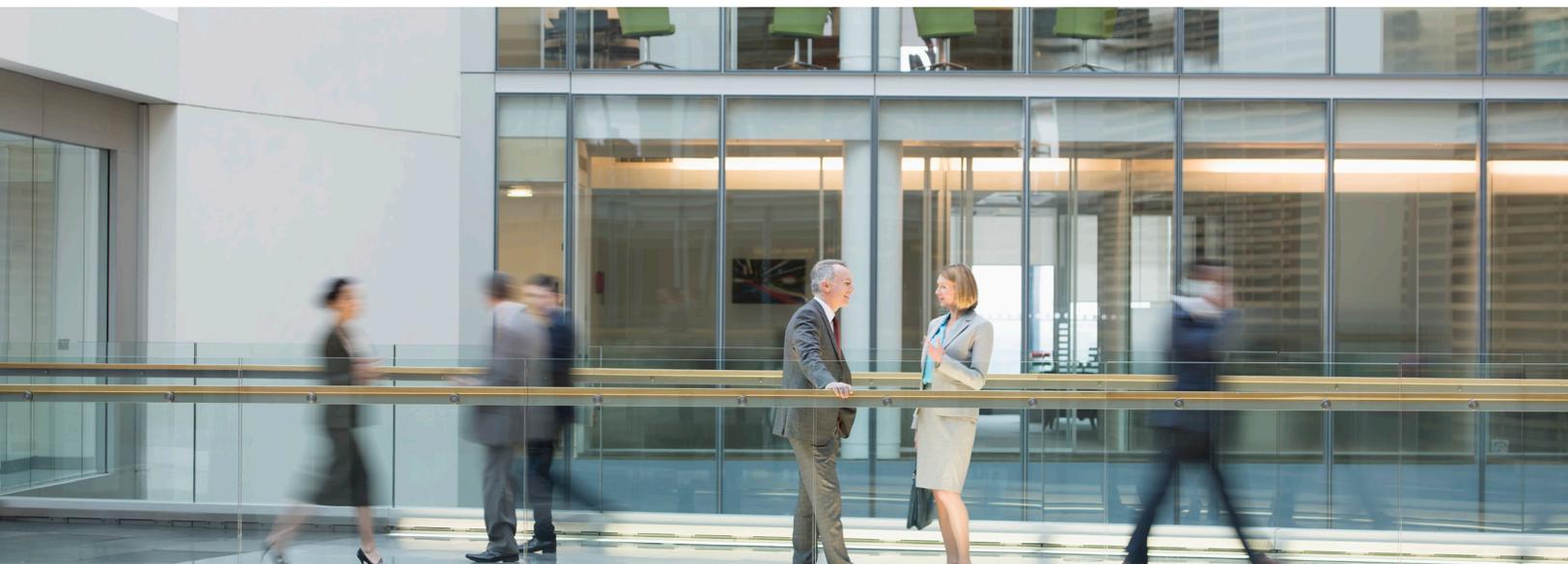
As we investigate leasing activity this far into the pandemic, what we haven't seen are many significant sublease blocks coming from the legal sector. Sublease space from the tech, financial services & insurance industry sectors has increased in recent quarters as economic concerns continue to grow. Worries over a possible recession have also begun to stall leasing decisions in other sectors at the end of Q2. We have not seen this effect the legal sector yet but will be watching for any indications of change.



## Notable Law Firm Leases Signed in 2022 YTD

In the first half of 2022, seven out of ten of the largest law firm leases were completed in the second quarter. Of those seven leases, all were over 100,000 sf, a sharp uptick in large leases compared to Q1. Half of the top ten leases were relocations, the others chose to stay in place.

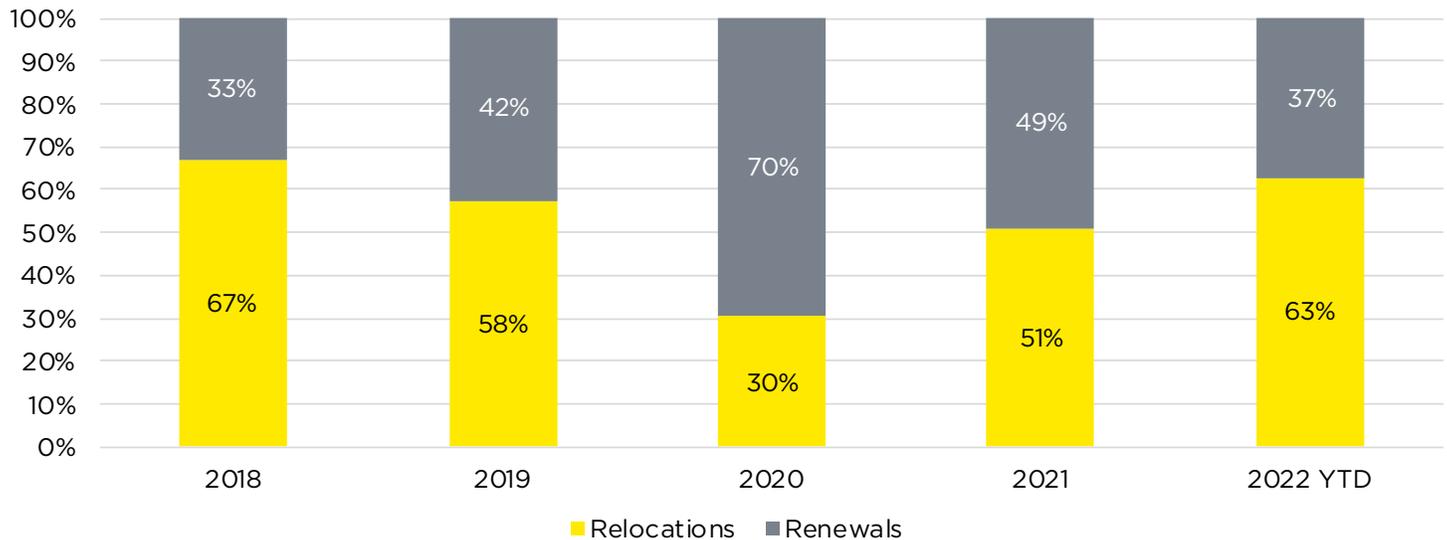
Market	Law Firm	Address	Size (SF)	Transaction Type	Quarter
Houston	Baker Botts LLP	910 Louisiana Street	172,301	Restructure	Q2 2022
New York	Clifford Chance	385 9th Avenue	144,000	Relocation	Q2 2022
Los Angeles	Quinn Emanuel Urquhart & Sullivan	865 S Figueroa Street	135,000	Renewal	Q2 2022
New York	Holland & Knight	787 Seventh Avenue	130,296	Relocation	Q2 2022
Boston	Holland & Knight	10 Saint James Avenue	105,000	Renewal	Q2 2022
Denver	Brownstein Hyatt Farber Schreck, LLP	675 15th Street	103,974	Relocation	Q2 2022
Charlotte	Robinson Bradshaw	600 S Tryon Street	101,000	Relocation	Q2 2022
Washington, DC	Foley & Lardner LLP	3000 K Street NW	95,000	Renewal	Q1 2022
Los Angeles	Buchalter	1000 Wilshire Boulevard	87,217	Restructure	Q1 2022
Chicago	Skadden, Arps, Slate, Meagher & Flom LLP	320 S Canal Street	87,000	Relocation	Q1 2022



## How the “Stay vs. Go” Scenario has Changed Over the Years

The pendulum seems to have swung back to pre-pandemic norms in terms of transaction types, with relocations making up 63% of 2022 year-to-date leasing. For comparison, in 2018 and 2019 relocations averaged 62% of total transactions by square footage. At the height of the pandemic, the “stay versus go” scenario shifted heavily to “stay” with relocations making up only 30% of leasing in 2020. This shift back has been enabled by more certainty surrounding the future of the office, soft market dynamics, and flight to quality.

Even before the pandemic, in a record-low unemployment environment, firms were trying to find ways to upgrade their offices. The pandemic accelerated that trend with an even more aggressive “war for talent” underway. In this employee-first mindset, having high-quality space to attract and retain valuable talent is top of mind. Firms are searching for prime space, in convenient locations, with upgraded amenities, natural light, and even access to the outdoors – which requires top-tier office space. Firms that are choosing to stay in their current locations are doing so strategically by comparing their space to other options in the market and using current, softer, market conditions to push for upgrades within their building or space and renew with tenant-favorable terms.



Savills data. Shows percent of transactions by square footage. Includes law firm leases over 20,000 square feet (SF).

## New to Market Transactions on the Rise

New to market transactions have increased, with firms looking for new office locations outside of core law firm markets like New York, Washington, D.C., and Chicago.

The pandemic caused an enormous amount of change in the labor force – especially in regard to where people want to locate. Firms have watched their employees relocate across the country over the last two years and new law firm graduates are also considering new cities to start their career in after graduation. As a result, firms are looking to enter into these new markets to facilitate the needs of their own employees and capitalize on emerging talent pools.

In Q2, Kirkland and Ellis LLP leased 75,000 sf at 95 S State in Salt Lake City after newly entering the market in 2021 and taking short-term space at 60 E. South Temple. In May of 2022, Kirkland also announced that it would be opening a new Miami office. Similar moves to South Florida come from Quinn Emanuel Urquhart & Sullivan, King & Spalding LLP, and Winston & Strawn LLP. Miami isn't the only market with a changing legal landscape, Texas is also receiving new market entrants. Kirkland opened in Austin last year, O'Melveny & Myers LLP has announced new offices opening in Austin, Dallas and most recently, Houston, as of July 2022. Sheppard Mullin Richter & Hampton LLP also announced its new move to the Houston market. In addition to chasing the migration of talent, these firms are chasing business and following the wave of financial services, tech firms, and others that have moved to these markets in recent years.

Firms are opening new locations in markets such as Salt Lake City, South Florida, and across Texas.

## Looking Forward

In the second half of 2022, the only thing we can absolutely expect is continued change. Law firms, which are typically behind other industries in making significant changes in their real estate strategy, have proven to be adaptable. Firms are evolving to adopt flexibility, rethink space utilization, focus on wellness and culture, put employees first, and move into key talent markets. The Legal Tenant will be watching these trends and more through the end of 2022 and beyond.



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