

U.S. Law Firm Activity Report

Q3 2023

What's Trending?

Leasing activity has held stable for five of the last six quarters

In 2023, the majority of law firms have chosen to stay in place

Firms that relocate are more likely to move to newer, higher-quality buildings

Most relocations and renewals represent expansions 2023 year-to-date

1.7 msf

of legal sector leases over 20,000 sf signed in Q3 2023

The Legal Tenant analyzed law firm transactions over 20,000 square feet (sf) across key U.S. markets and found that leasing activity in 2023 is on track to surpass the prior year.

2023 year-to-date (YTD) law firm leasing has totaled **5.0 million square feet (msf)**, almost catching up to 2022 leasing activity (5.3 msf) for the year with one quarter to go.

68.3%

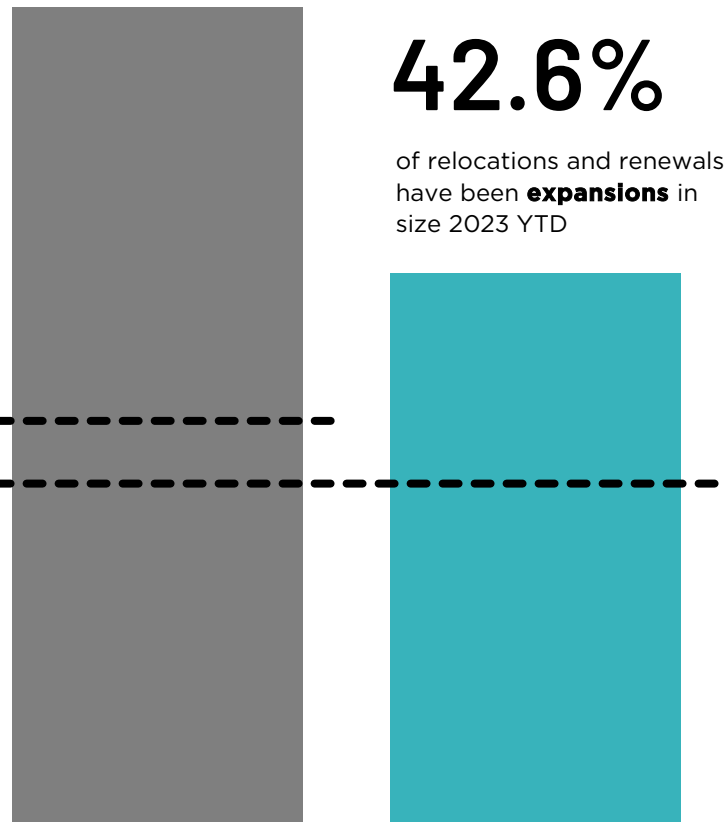
of leases in 2023 YTD were transactions to **stay-in-place**

42.6%

of relocations and renewals have been **expansions** in size 2023 YTD

33.9%
2022

28.5%
2022



Includes law firm leases over 20,000 square feet

Leasing Activity Has Held Stable for Five of the Last Six Quarters

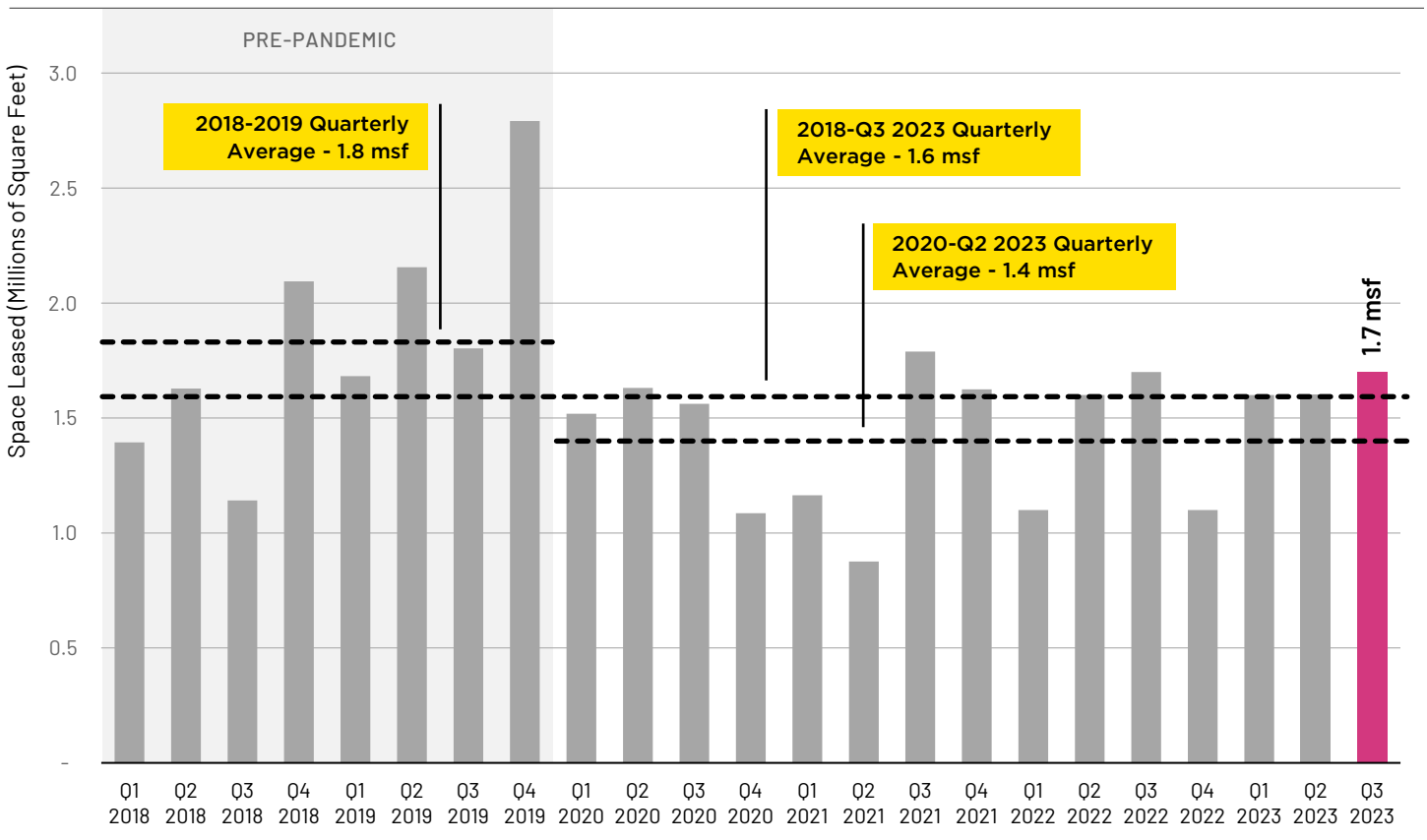
In Q3 2023, leasing activity totaled 1.7 msf, well above the 1.4 msf quarterly average seen since the start of the pandemic.

Notably, leasing activity has only dipped below 1.6 msf once since mid-year 2022. With this consistent performance, 2023 may prove to be the strongest year for the sector in the last three years.



Quarterly Law Firm Leasing Volume

1.7 msf

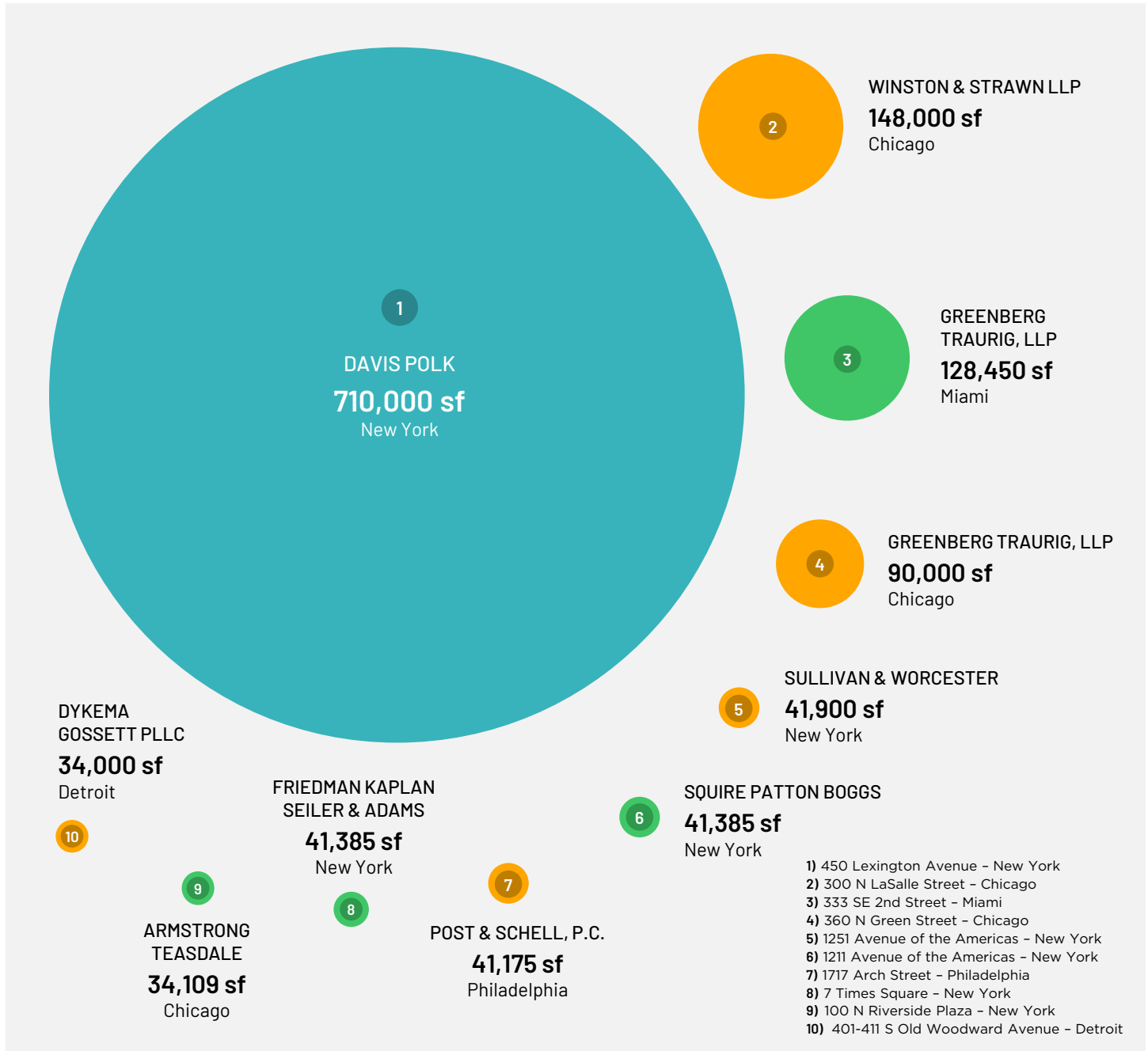


Includes law firm leases over 20,000 square feet

Davis Polk’s Renewal and Expansion is the Largest for Legal Since 2021

- Renewal & Expansion
- Renewal
- Relocation

Q3 2023 Notable Law Firm Transactions



Davis Polk’s renewal and expansion for 710,000 square feet (sf) is the largest legal transaction since Kirkland & Ellis LLP relocated and leased just over 600,000 sf in Chicago in 2021. It is the top office lease signed in 2023 year-to-date, narrowly beating the U.S. Securities and Exchange Commission’s extension of 709,403 sf in Washington, D.C. Davis Polk is implementing a policy of four days per week in the office. This transaction represented an expansion of approximately 30,000 sf.

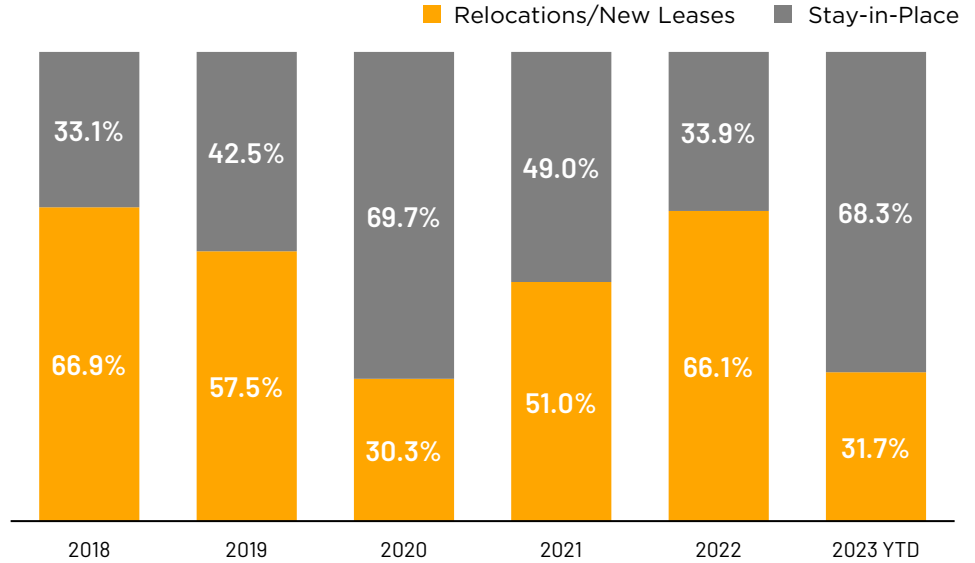
Legal Tenants Favor “Stay” in 2023

“Stay vs. Go” Over the Years

68.3%

of firms chose to stay in place when signing a lease in 2023 year-to-date.

Before the pandemic and as recently as last year, firms showed a strong preference for relocating while upgrading the quality and increasing the efficiency of their space.



Includes law firm leases over 20,000 square feet

Contributing factors to this 2023 trend include:

- 01** The number of newer, higher-quality building options is limited in most markets.
- 02** The cost of tenant improvements has risen significantly over the last three years.
- 03** Many landlords face debt issues and improvement capital is scarcer than in recent years.

Relocations Often Spurred by Flight to Quality

Law Firm Relocations to Newer Buildings vs. Similar or Older Buildings



58.1%

of firms chose to move into newer buildings between their previous lease and new lease.

41.9%

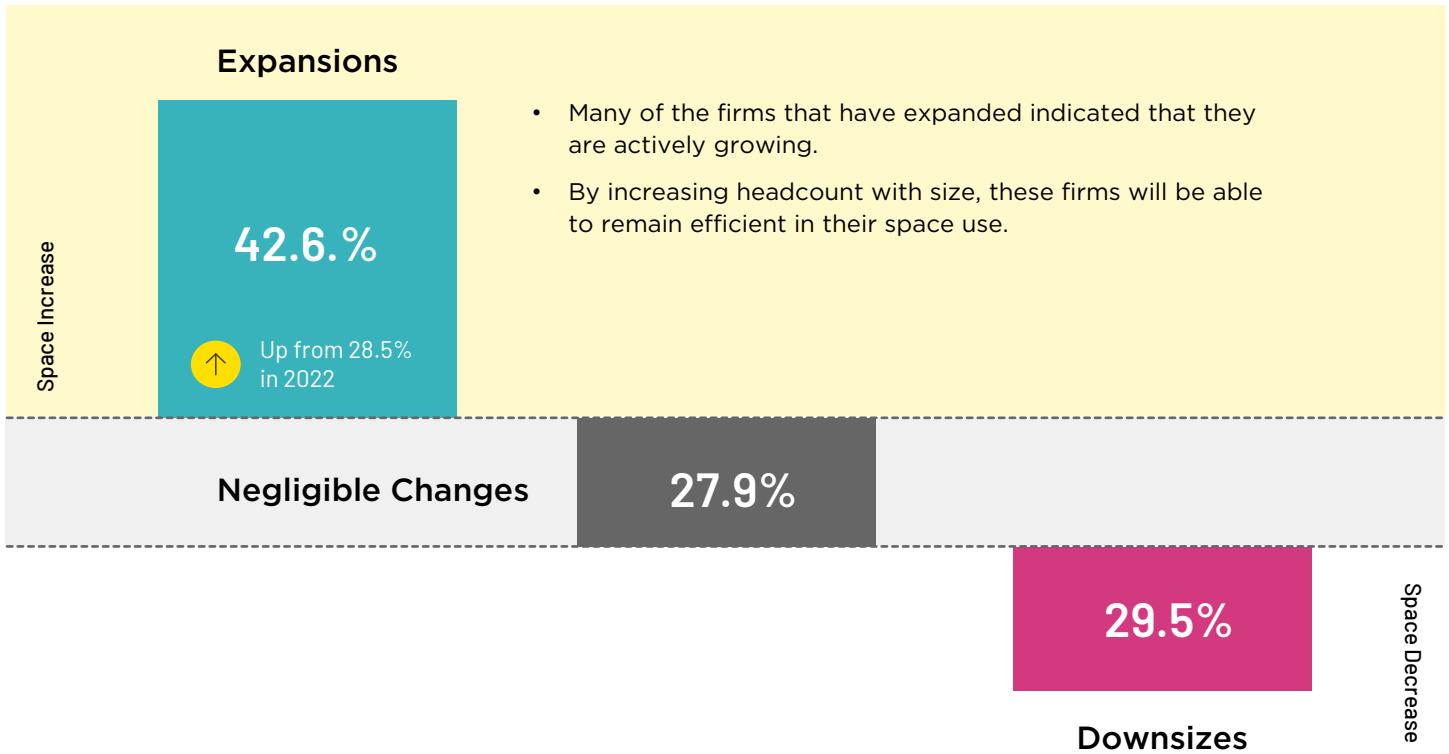
moved to similarly aged or older buildings between leases.

Of firms that stayed in similar or older buildings, many of those landlords are actively adding new amenities or making other upgrades, most have sustainability certifications, or the move provided a more prime location for employees.

Includes law firm leases over 20,000 square feet signed in 2023 year-to-date

Law Firm Expansions Pick Up in 2023

Occupancy Change of Recent Relocations and Renewals Signed 2023 Year-to-Date



The Change in Overall Footprint in 2023

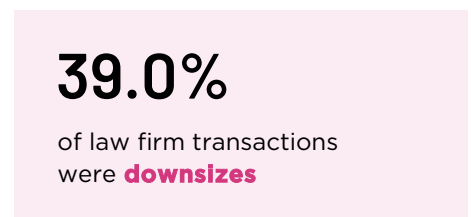
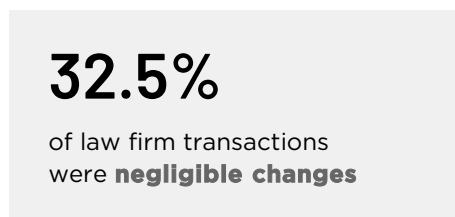
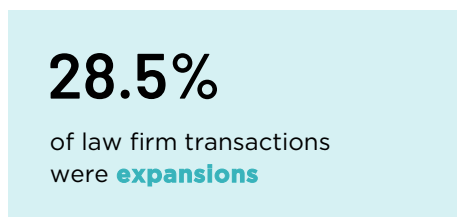
29.5%

Represented change in overall footprint by **expansions**

-36.6%

Represented change in overall footprint by **downsized**

Occupancy Change in 2022:

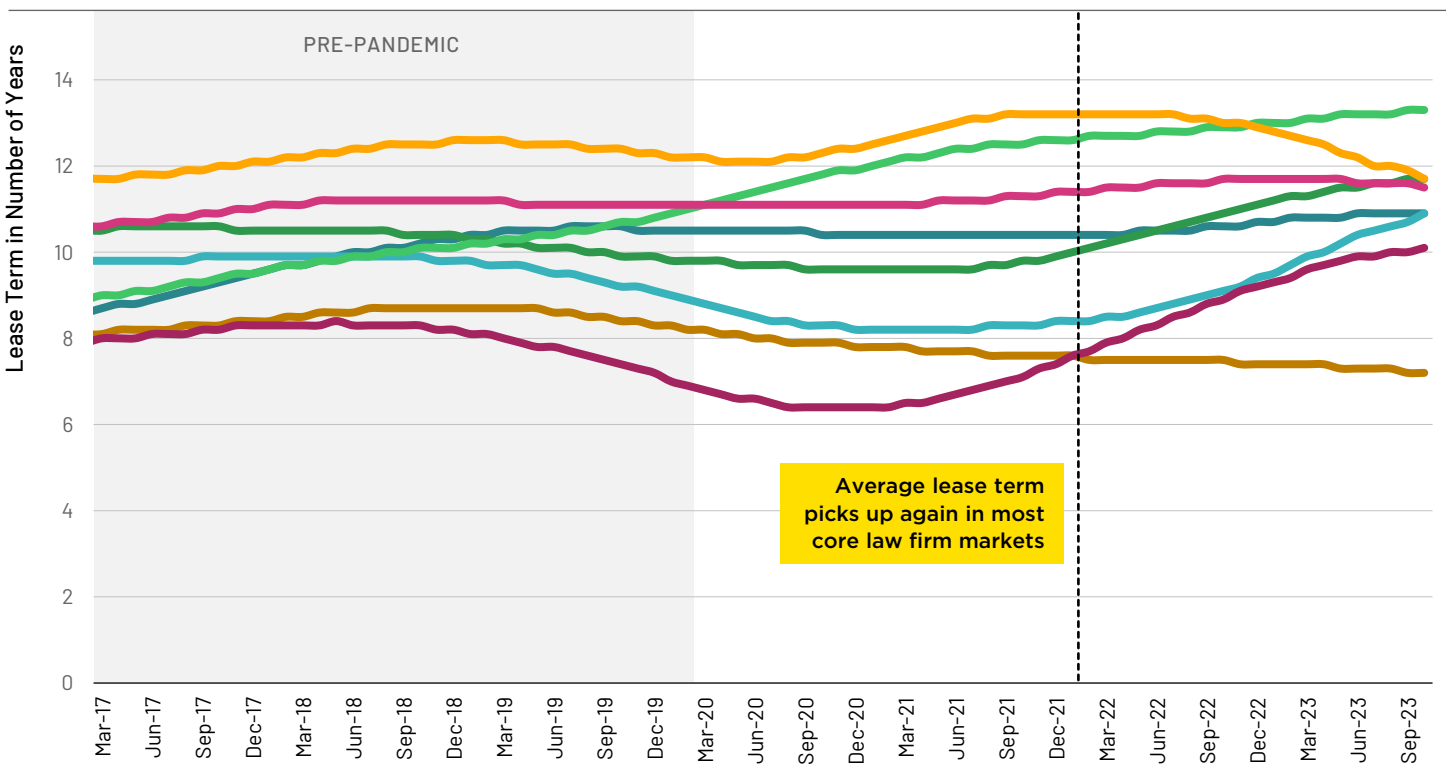


Negligible changes were less than 5,000 square feet of difference between leases
Includes law firm leases over 20,000 square feet

Law Firm Lease Terms Have Risen from Pandemic-Lows in Most Markets

- Boston
- Chicago
- Dallas
- Houston
- Los Angeles
- New York
- San Francisco
- Washington, D.C.

Law Firm Average Lease Terms (Years) for New Leases and Renewals in Core U.S. Law Firm Markets



Lease terms fell during the pandemic as uncertainty led more firms to “wait and see” by extending leases for short terms rather than signing long-term leases.

By the start of 2022, the average lease term had picked up again in most core law firm markets.

Los Angeles is an outlier as the only market that has continually seen term length decline since 2020.

Q3 2023:

- ↑ Terms are **rising**
Houston
Dallas
Chicago
San Francisco
- Terms are **flattening**
Washington, D.C
Boston
- ↓ Terms are **falling**
New York
Los Angeles

Includes law firm leases over 20,000 square feet, direct transactions

Q3 2023 - The Legal Tenant

U.S. Law Firm Activity Report

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