

Q1 2024

U.S. Law Firm Activity Report

What's Trending?

Legal sector leasing activity started strong in 2024 with 1.7 million square feet transacted in Q1

Robust leasing volume in Q1 was supported by an increase in the number of leases signed

Relocations accounted for 54.1% of leasing activity in Q1, an increase from 2023

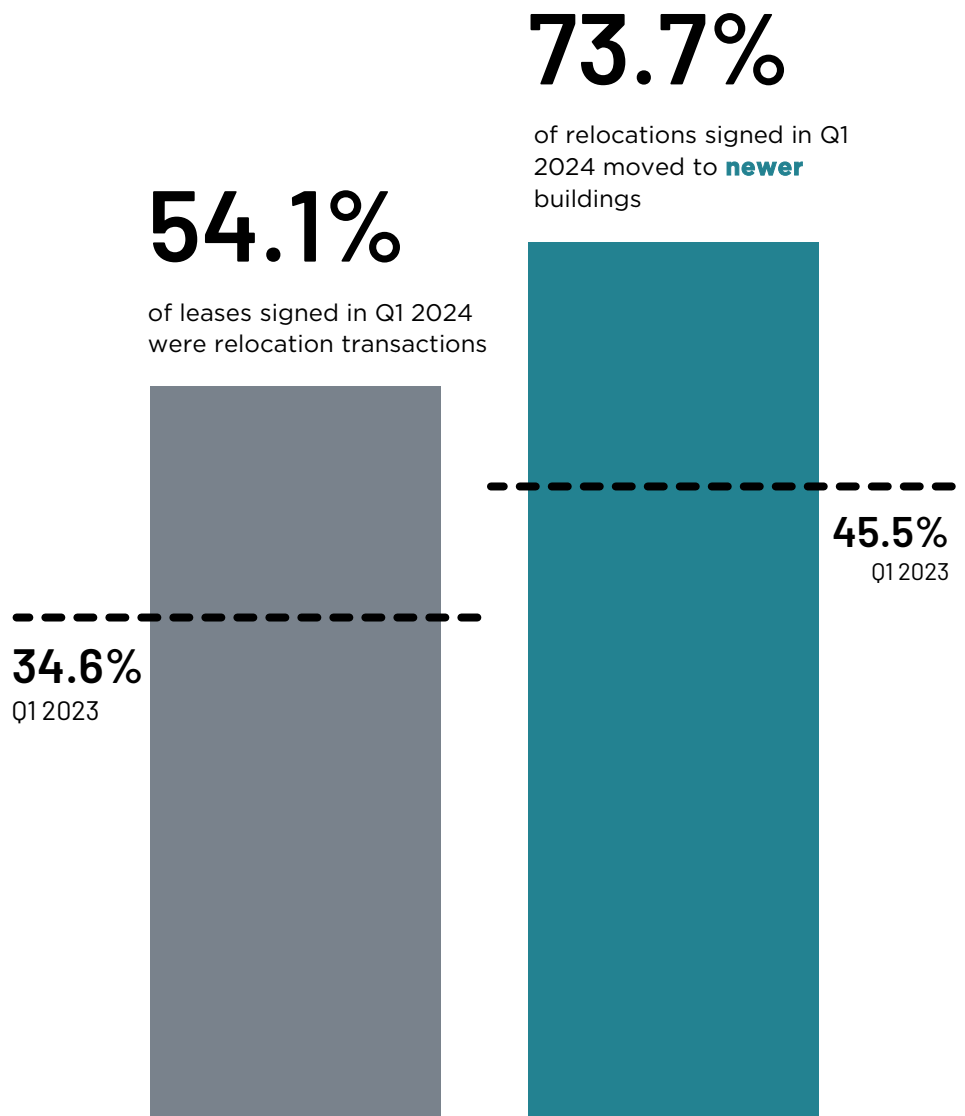
The number of newer, higher-quality building options is limited in many office markets

1.7 msf

of legal sector leases over 20,000 sf signed in Q1 2024

Legal sector leasing activity started the year strong in Q1 2024, recording a 47.6% increase in the number of transactions compared to Q1 2023.

The Legal Tenant analyzed law firm transactions over 20,000 square feet (sf) across key U.S. markets and 1.7 million square feet (msf) leased in Q1 2024.



Includes law firm leases over 20,000 square feet

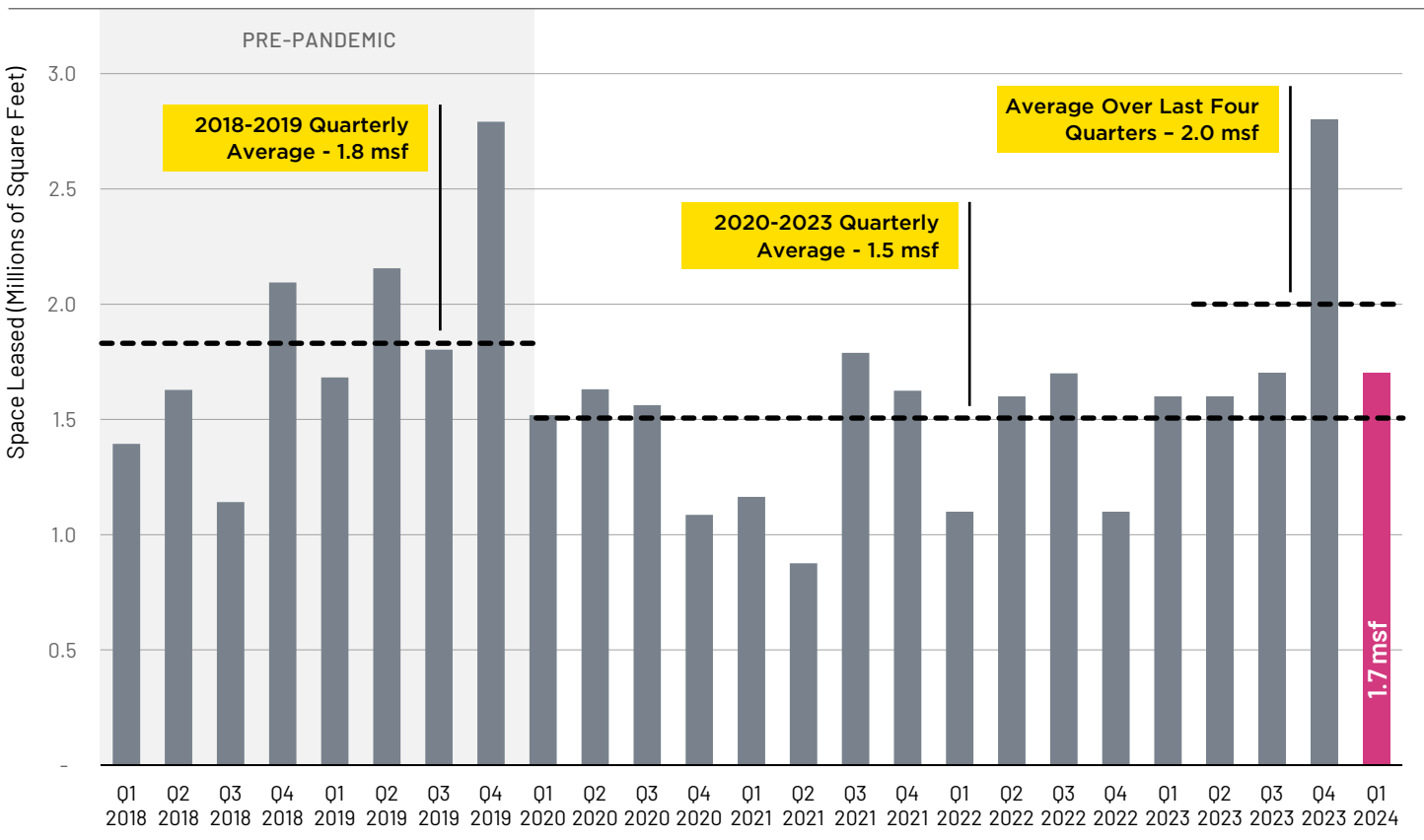
Q1 Leasing Volume Remains Strong Going into 2024

Law firm leasing activity in Q1 2024 (1.7 msf) outpaced the quarterly average of 1.5 msf tracked from 2020 through 2023.

Over the past four quarters, the average quarterly leasing activity has risen significantly to 2.0 msf. This average has been bolstered by several significantly sized transactions in the second half of 2023. However, in Q1 2024, the elevated leasing volume was a result of an overall rise in transaction activity, with 47.6% more leases signed compared to Q1 2023.



Quarterly Law Firm Leasing Volume 1.7 msf



Includes law firm leases over 20,000 square feet

Assessing 2024 Law Firm Moves: Based on Early Data

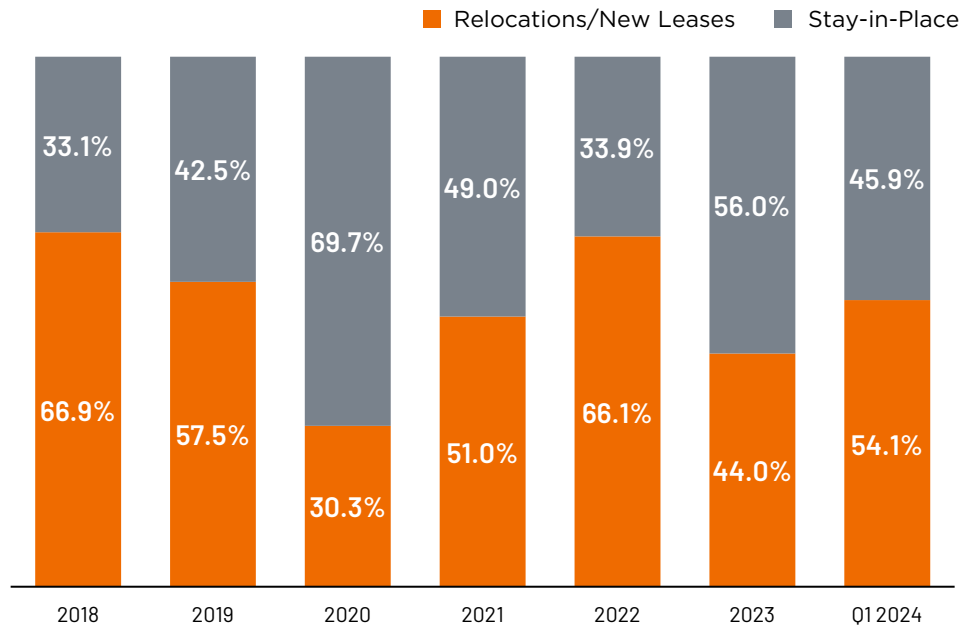
“Stay vs. Go” Over the Years

54.1%

of firms chose to relocate or sign a new lease when leasing space in Q1 2024.

In 2023, stay-in-place transactions accounted for 56% of leasing volume, compared to 33.9% in 2022.

In Q1 2024, the pendulum has begun to swing back, with the sector showing a slight preference for relocating. It is still too early to tell which direction law firms may trend this year, or if they will remain somewhat split overall.



Includes law firm leases over 20,000 square feet

Contributing Factors Surrounding Stay vs. Go Decisions:

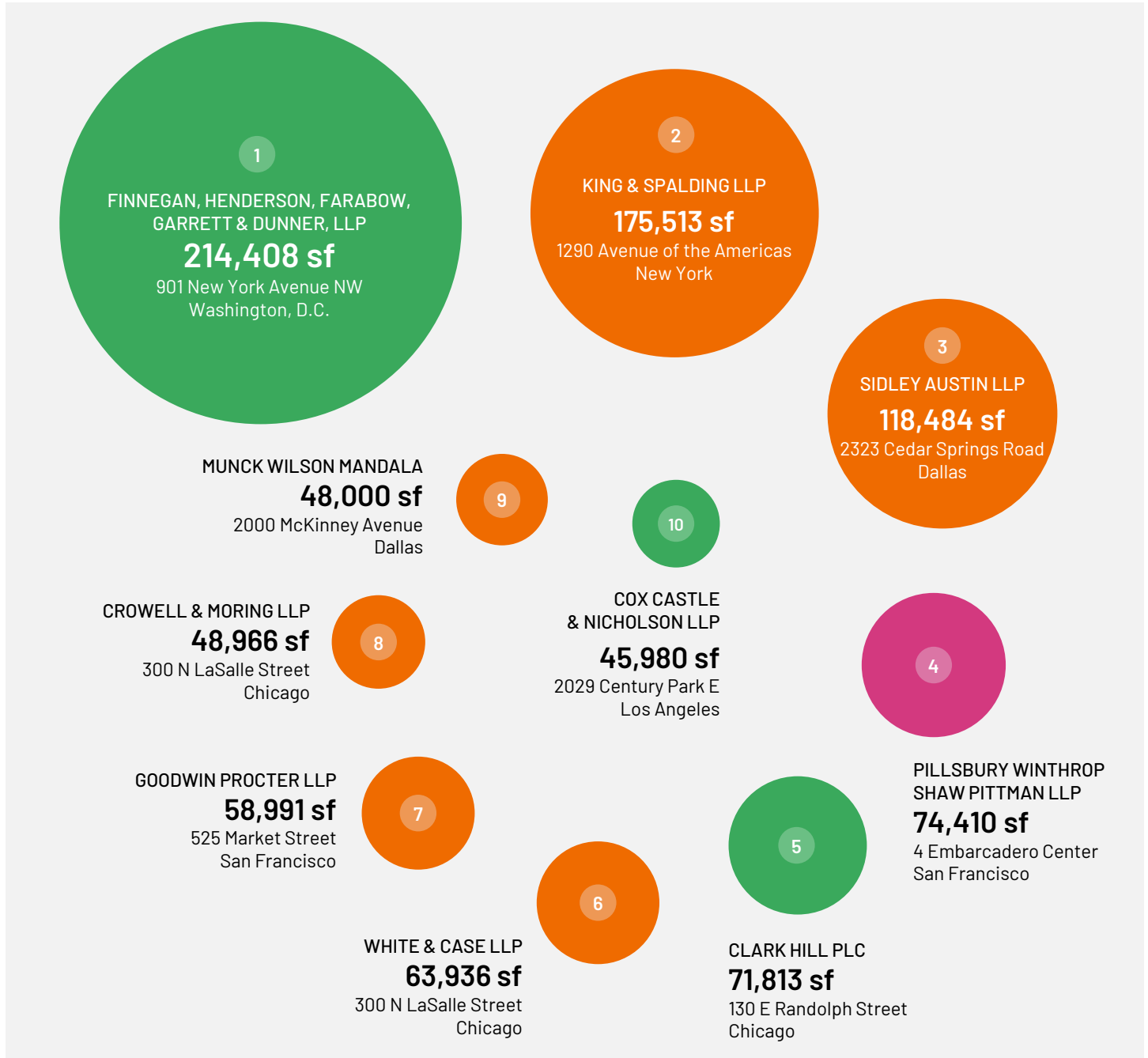
- 01** The number of newer, higher-quality building options is limited in most markets.
- 02** The cost of tenant improvements has risen significantly over the last three years.
- 03** Many landlords face debt issues, and improvement capital is scarcer than in recent years.



Strong Leasing Activity in Q1 Is the Result of Many Leases Rather Than Significantly Sized Transactions

Q1 2024 Notable Law Firm Transactions

● Renewal ● Relocation ● Restructure

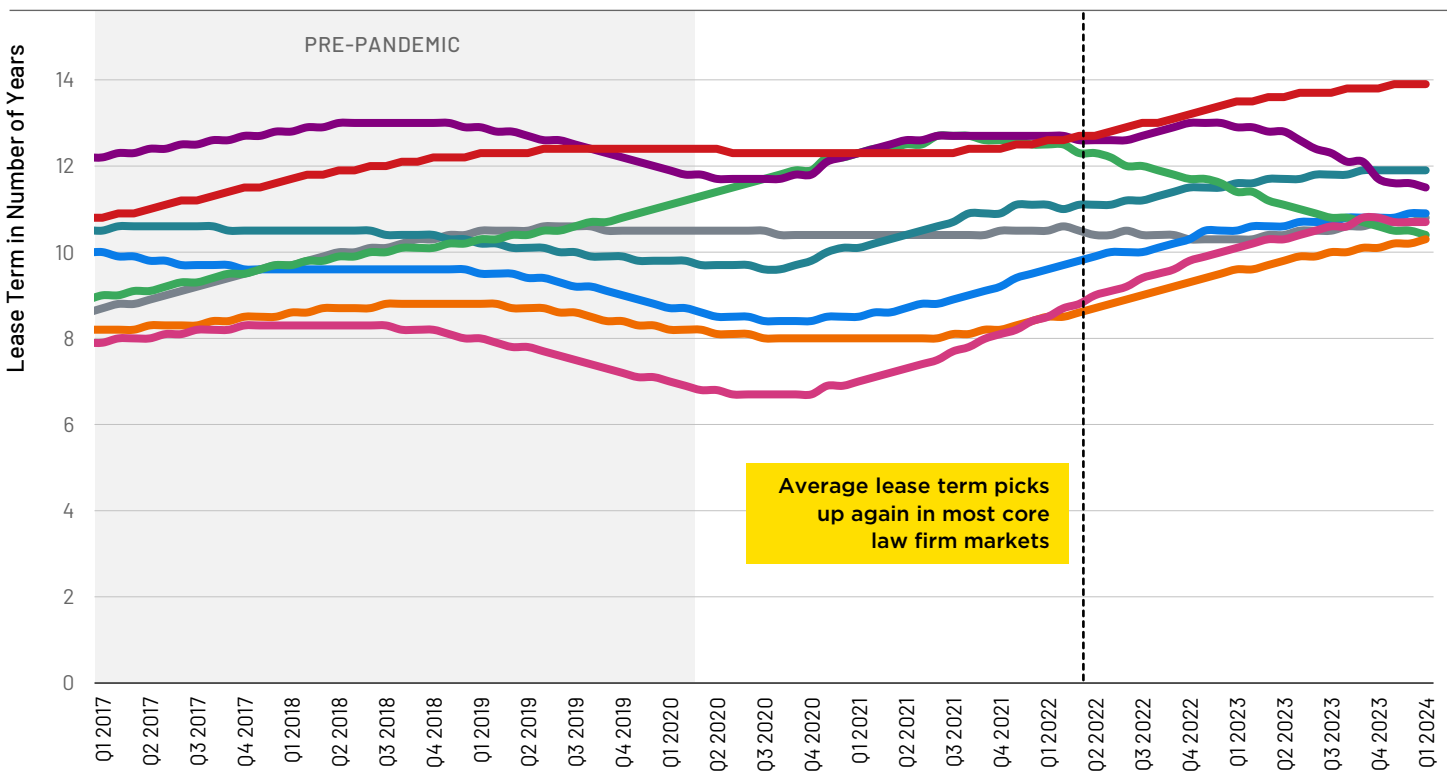


Finnegan, Henderson, Farabow, Garrett & Dunner, LLP renewed their lease for 214,408 sf, downsizing by 38,000 sf at 901 New York Avenue NW in Washington, D.C. New York led other markets by a wide margin in terms of legal sector lease transactions. In Q1 2024, ten transactions, which represented 25% of the 1.7 msf leased, originated from the New York market.

The Length of Lease Term Has Increased From Pandemic Lows in Most Markets

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

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



During the pandemic, lease terms declined as uncertainty prompted many firms to adopt a "wait and see" approach, opting for short-term lease extensions more often than long-term agreements.

There has been a gradual return to longer lease terms over the past two years, suggesting a normalization of the market as firms regain confidence in making more extended commitments.

The data indicates that markets with fewer lease completions are more vulnerable to fluctuations in average lease term length, as each quarter's data can markedly affect overall metrics. Transaction size is also crucial; large headquarter leases tend to increase the average, while numerous smaller transactions may lower it.

Q1 2024:

↗ Terms are **rising**

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

↘ Terms are **flattening or falling**

- New York
- Houston

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

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