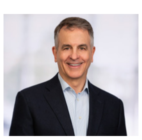
# Savills U.S. Law Firm Activity Report

## Q2 2023

The Legal Tenant analyzed law firm transactions over 20,000 square feet (sf) across key U.S. markets and found that leasing activity for the first half of 2023 is the strongest on record since the start of the pandemic with 3.3 million square feet (msf). Activity is up 22.3% in the first six months of the year compared to the same period in 2022. The 1.6 msf leased in Q2 is above the 1.4 msf quarterly average seen since the start of the pandemic.

Law firm leasing volume is beginning to normalize as law firms appear to be committed to the long-term need for office space and are increasingly confident with moving forward with leasing decisions. Demand has teetered among other industry sectors in recent quarters with decision makers hesitant to take leasing action amid economic uncertainty. Overall leasing volume for all sectors picked up in 2022 but has since become sluggish as of mid-year 2023.

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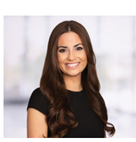

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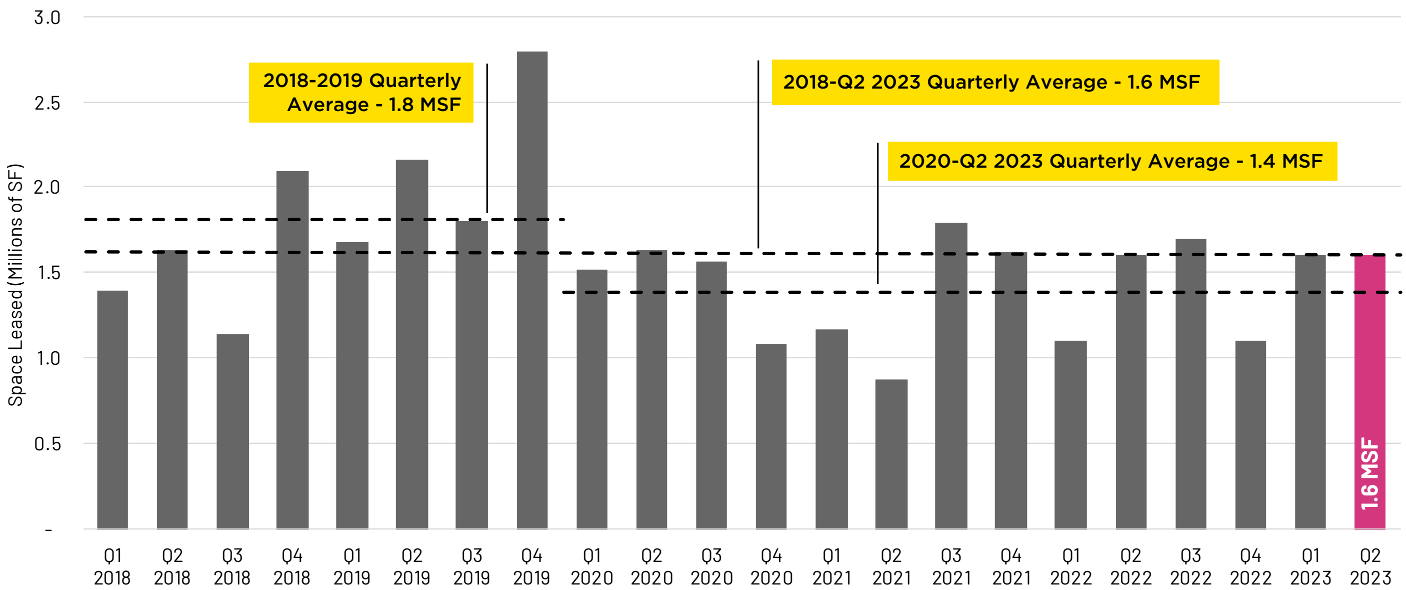
## By the Numbers

**1.6 msf**
of legal sector leases over 20,000 sf signed in Q2 2023

**69.1%**
of leases in 2023 YTD were transactions to stay in place

**42.5%**
of relocations and renewals have been expansions in size between leases in 2023 YTD

## Quarterly Leasing Activity



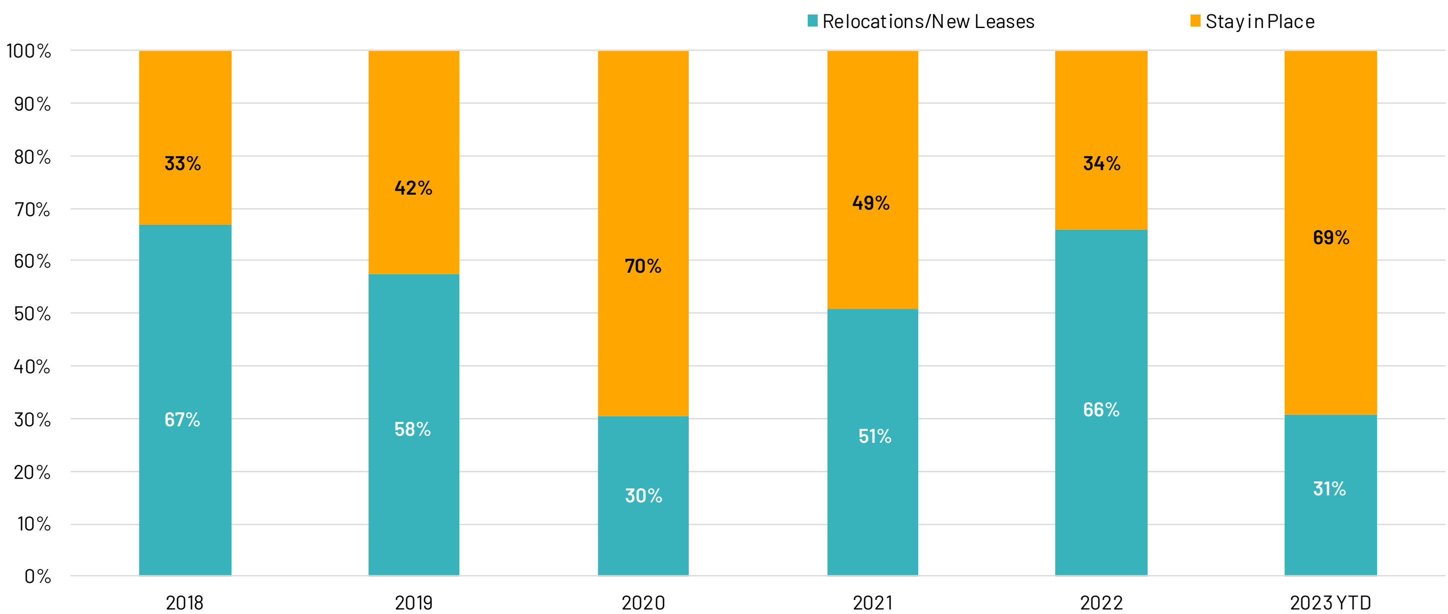

Savills data. Includes law firm leases over 20,000 square feet (sf).

The second quarter saw the execution of five significant leases over 100,000 square feet (sf). Three of those transactions occurred in New York and made up 40.3% of the quarter's legal activity by square footage. Other markets that saw multiple deals over 20,000 sf closed in Q2 include Washington, D.C. and Los Angeles. In 2023, the number of new-to-market leases by major law firms in cities like Salt Lake City and Miami have begun to slow. Most activity is occurring where firms already have a presence.

## Notable Law Firm Leases Signed Q2 2023

| Market | Law Firm | Address | Size (SF) | Transaction Type |
|---|---|---|---|---|
| **New York** | Paul Hastings | 200 Park Avenue | 277,227 | Renewal and Expansion |
| **New York** | Wachtell, Lipton, Rosen & Katz | 51 W 52nd Street | 249,228 | Renewal |
| **Washington, D.C.** | Hunton Andrews Kurth LLP | 2200 Pennsylvania Avenue NW | 115,000 | Extension |
| **New York** | Sheppard Mullin | 30 Rockefeller Plaza | 108,020 | Renewal and Expansion |
| **Washington, D.C.** | Fried Frank | 801 17th Street NW | 102,800 | Renewal |
| **Philadelphia** | Fox Rothschild LLP | 2001 Market Street | 79,337 | Relocation |
| **Houston** | Thompson, Coe, Cousins & Irons LLP | 4400 Post Oak Parkway | 61,875 | Relocation |
| **Los Angeles** | Atkinson, Andelson, Loya, Ruud & Romo | 12800 Center Court Drive | 60,438 | Renewal |
| **Los Angeles** | Sidley Austin LLP | 350 S Grand Avenue | 57,148 | Relocation |
| **Washington, D.C.** | Hollingsworth LLP | 1350 I Street NW | 49,145 | Restructure |

## How “Stay vs. Go” Decisions Have Changed Over the Years

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## Stay in Place Transactions Take the Lead for Legal in 2023

Before the pandemic and as recently as last year, firms were showing a strong preference for relocation and towards upgrading the quality and increasing the efficiency of their space.

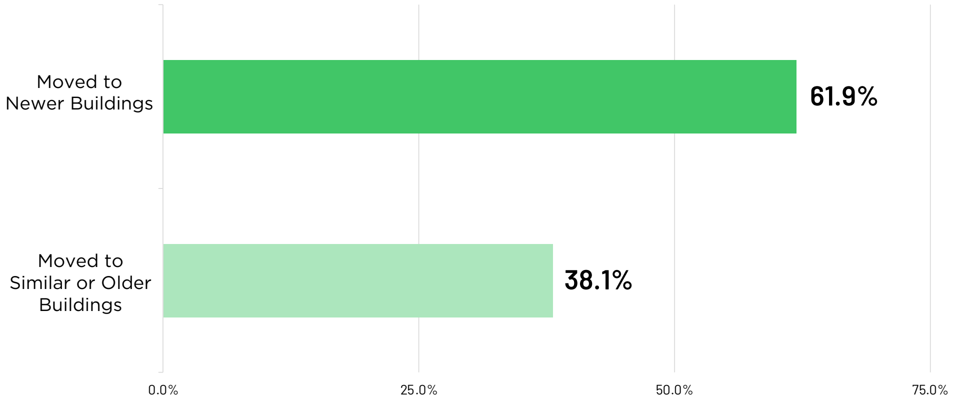
This changed at the height of the pandemic when long-term uncertainty caused firms to sign short-term extensions and renewals. In 2021 and 2022, the trend shifted back to pre-pandemic norms.

**There have been two key changes in 2023 that may be driving more firms to stay in place rather than relocate:**

**The number of newer, higher-quality building options is limited in most markets.** Even though a surplus of office space is available, finding premium space has become more challenging for many law firms. While occupiers across all industries are looking to upgrade their space to encourage employees to return to the office, the development pipeline has dwindled since the pandemic, and there are almost no new office construction projects beginning without significant preleasing.

**The cost of tenant improvements has risen significantly over the last three years and may now be driving more law firms to stay in place.** As construction costs rise and firms analyze the relative costs of remaining in place versus moving to newly constructed space, it may be that remaining in place, even with less efficient space, is proving to be the more cost-effective option.

## Relocations Often Spurred by Flight to Quality

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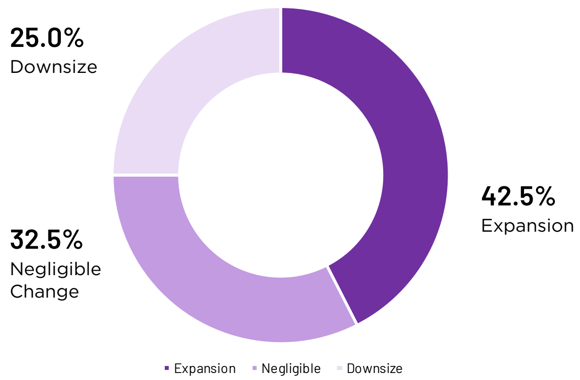
The "flight to quality" is real, and with many owners facing challenges around refinancing their debt, so is "flight to capital". When relocating, 61.9% of firms are moving to newer buildings while 38.1% moved to similarly aged or older buildings. Firms that stayed in similarly-aged or older buildings have often signed leases in buildings that have been recently upgraded or with solvent landlords that are actively adding new amenities.

## Occupancy Change of Recent Leases

For decades, law firms have continually become more efficient in the way they occupy office space with every new lease they sign. Yet, in the first half of 2023, law firm renewals and relocations saw 42.5% of firms expand the size of their office space in their new leases, a result of growth in their attorney populations paired with improvement in their square-foot-per-attorney-office metrics. 32.5% of firms stayed in roughly the same amount of space and only 25.0% of firms downsized from their previous lease.

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