

U.S. Law Firm Activity Report

Q4 2023

What's Trending?

The legal sector is a bright spot for the office market with demand up in 2023

Fourth quarter leasing activity surges to the highest levels seen since 2019

The majority of firms chose to stay in place when signing a lease in 2023

Expansions made up 43.6% of relocations and renewals in 2023

2.8 msf

of legal sector leases over 20,000 sf signed in Q4 2023

The legal sector ended 2023 on a high note with leasing velocity up 45.1% compared to the prior year.

The Legal Tenant analyzed law firm transactions over 20,000 square feet (sf) across key U.S. markets and found that activity surged in Q4 2023 with 2.8 million square feet (msf) leased.

56.0%

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

43.6%

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

33.9%
2022

28.5%
2022

Includes law firm leases over 20,000 square feet

Q4 2023 Leasing Surge Marks the Strongest Quarterly and Annual Totals Since 2019

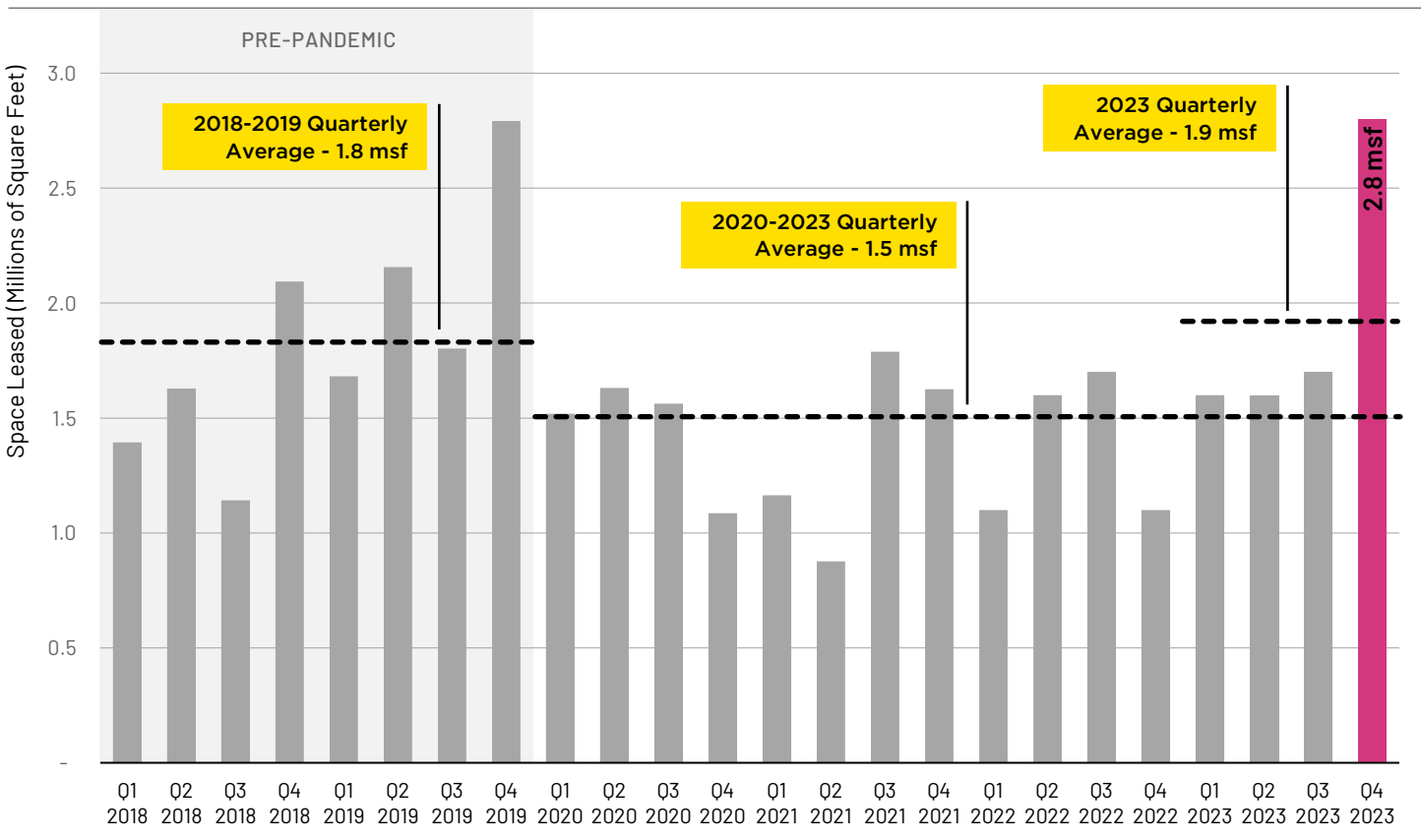
Leasing activity in Q4 2023 (2.8 msf) marks the highest quarterly total observed since Q4 2019, when leasing also peaked at 2.8 msf.

The average quarterly leasing activity in 2023 was 1.9 msf, up by 0.5 msf from the 2022 quarterly average of 1.4 msf. The increase was bolstered by a robust fourth quarter, yet consistency played a crucial role and leasing activity exceeded 1.5 msf throughout 2023.

In 2023, 7.8 msf was leased, the highest annual total for the sector since 2019 when 8.4 msf was recorded.



Quarterly Law Firm Leasing Volume 2.8 msf



Includes law firm leases over 20,000 square feet

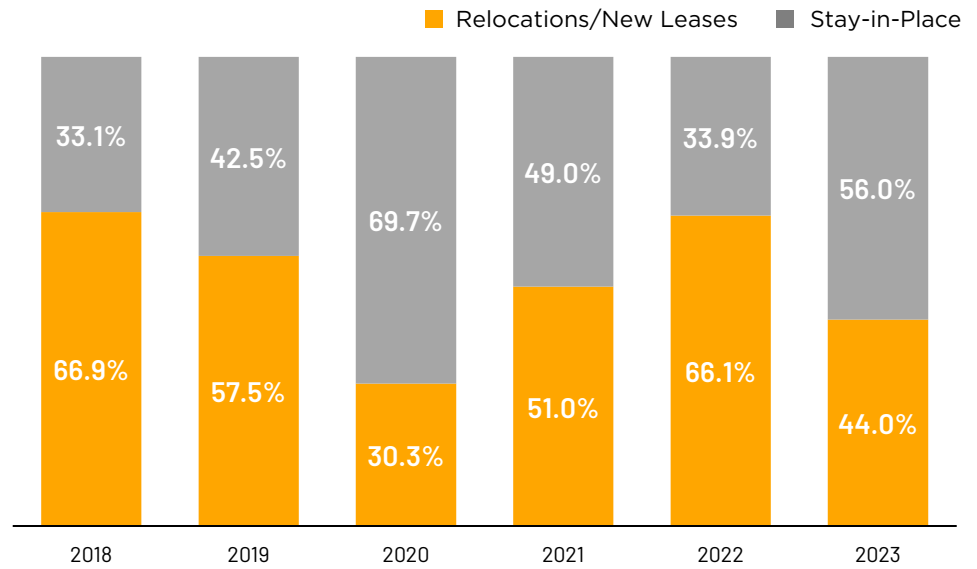
Legal Tenants Favor “Stay” in 2023

“Stay vs. Go” Over the Years

56.0%

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

Before the pandemic and as recently as 2022, 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

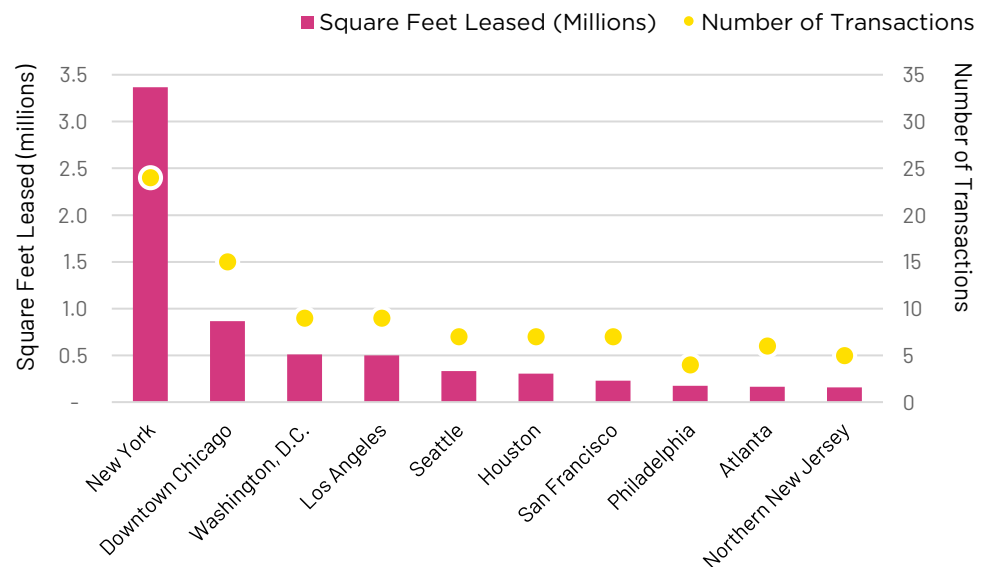
Contributing Factors to this 2023 Trend Include:

- 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.

New York Legal Sector Signs a Flurry of Deals in 2023

New York tops the charts with the top five largest law firm leases of 2023. Downtown Chicago had the sixth largest deal of the year and came in second to New York with the most legal sector leases and total square feet signed for the year.

Top 10 Markets for Legal Sector Leasing in 2023:

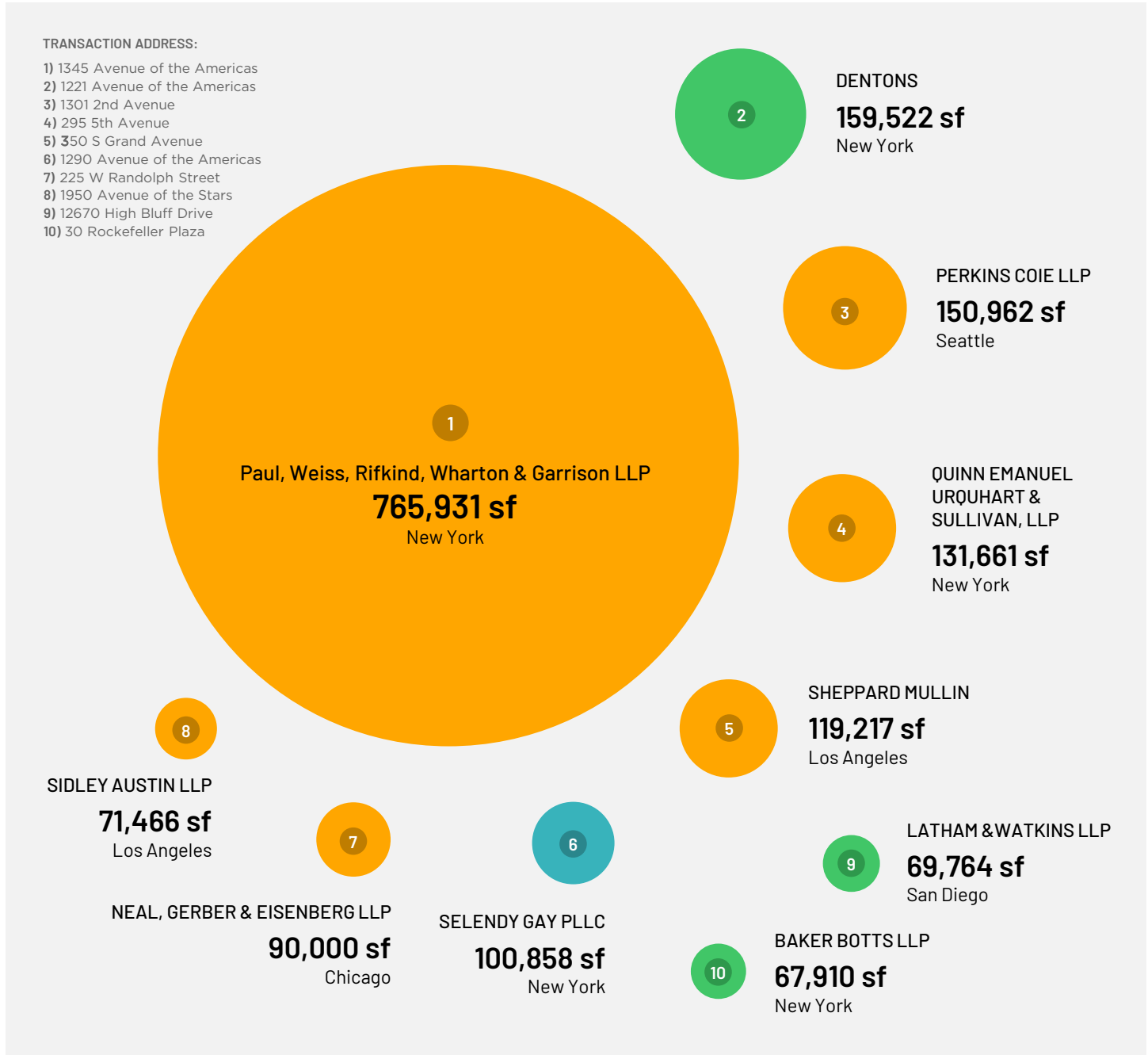


Includes law firm leases over 20,000 square feet signed in 2023

Relocation Completed by Paul Weiss is the Largest for Legal Sector Since the Pandemic

- Renewal & Expansion
- Renewal
- Relocation

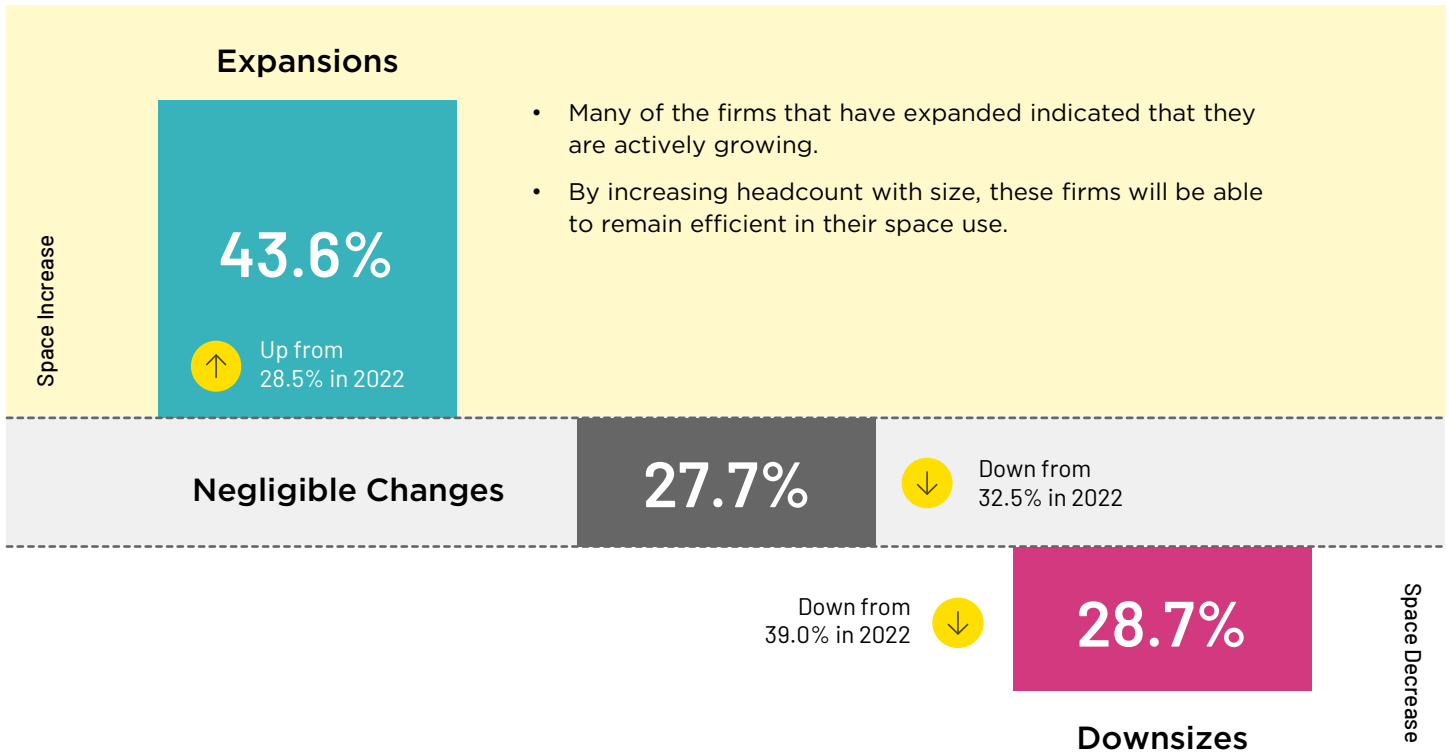
Q4 2023 Notable Law Firm Transactions



Law firm Paul Weiss relocated to 765,931 sf at 1345 Avenue of the Americas in New York, marking a 42.3% expansion from their 2009 renewal transaction at their previous location, 1285 Avenue of the Americas. After the renewal, the firm expanded their footprint additionally before eventually signing a new lease in Q4 2023 to relocate into a larger space. This move comes just one quarter after the law firm Davis Polk announced its renewal and expansion of 710,000 sf in New York. The Paul Weiss transaction represented the largest law firm lease signed since the start of the pandemic and the second-largest office transaction of the year.

Law Firm Expansions Take the Lead in 2023

Occupancy Change of Recent Relocations and Renewals Signed in 2023



The Difference in the Legal Tenant Footprint by Type of Occupancy Change in 2023

42.9%

The *total* change in footprint made by firms that **expanded**

- 0.9%

The *net change* in footprint of **all** relocation and renewal transactions

- 35.7%

The *total* change in footprint made by firms that **downsized**

There were 6.8 msf of relocation and renewal transactions completed in 2023 by law firms over 20,000 sf. Expansions in occupancy were more frequently completed than downsizes or negligible changes in size. On average, expanding firms increased their footprint by 24,193 sf, while downsizing firms contracted by an average of 40,577 sf. Of those firms that changed their footprint, the downsizing was greater than the growth, and overall, the national law firm footprint held steady.

24,193 sf

The *average* change in footprint of **expansions**

- 61,994 sf

The *net change* in footprint of **all** relocation and renewal transactions

- 40,577 sf

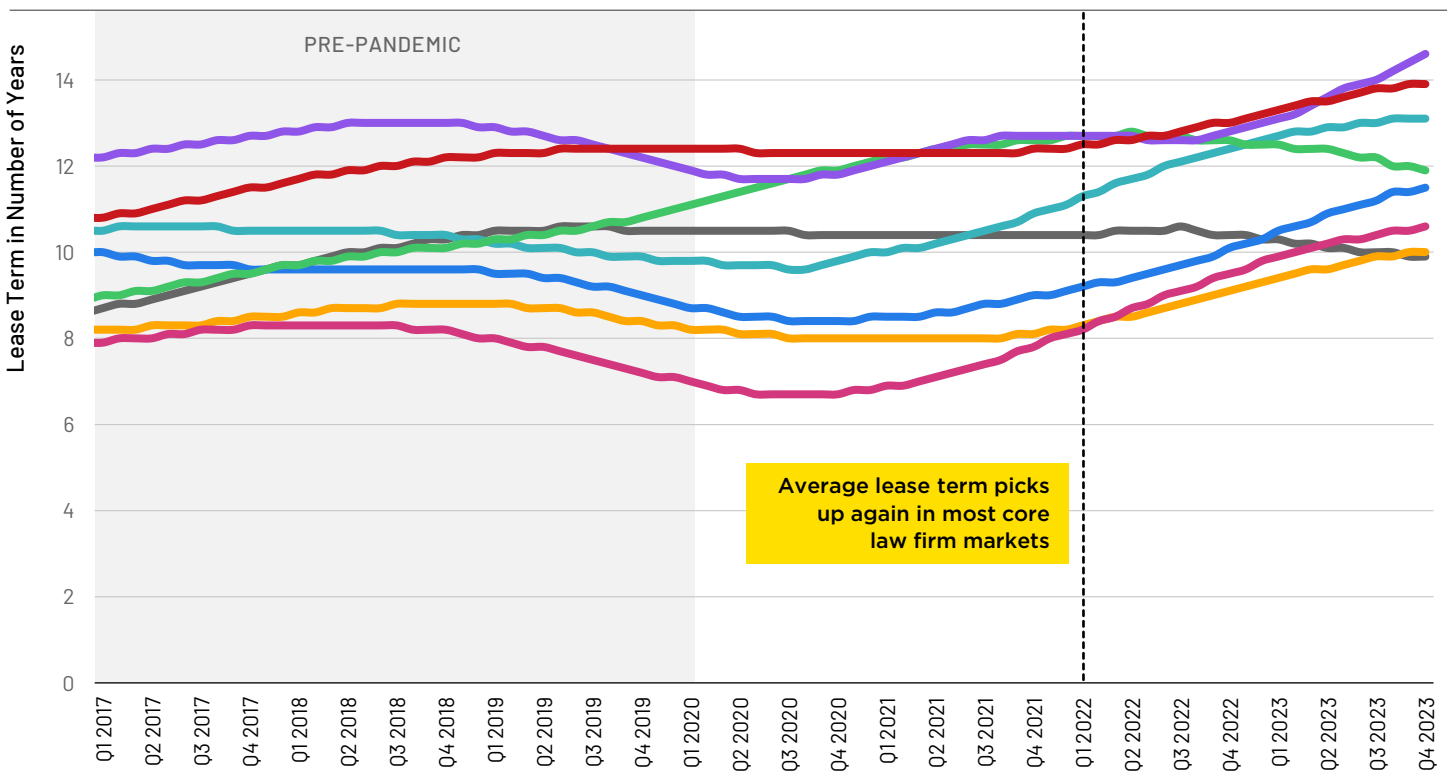
The *average* change in footprint of **downsized**

Negligible changes were less than 5,000 square feet of difference between leases
 Changes in size are noted between each firms' last major transaction and their next relocation or renewal
 Includes law firm relocations and renewals over 20,000 square feet

The Length of Lease Terms 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 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 Q1 2022, the average lease term had picked up again in most core law firm markets.

Markets with fewer leases completed over time are more likely to see changes in the average term length as new data is added each quarter. The size of transactions also affects the term length, so that large headquarter leases or multiple small transactions may affect the average.

Q4 2023:

↗ Terms are **rising**

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

↘ Terms are **flattening or falling**

- Boston
- Houston

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

Q4 2023 – The Legal Tenant
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