THE LEGAL TENANT

U.S. Law Firm Subleasing Report

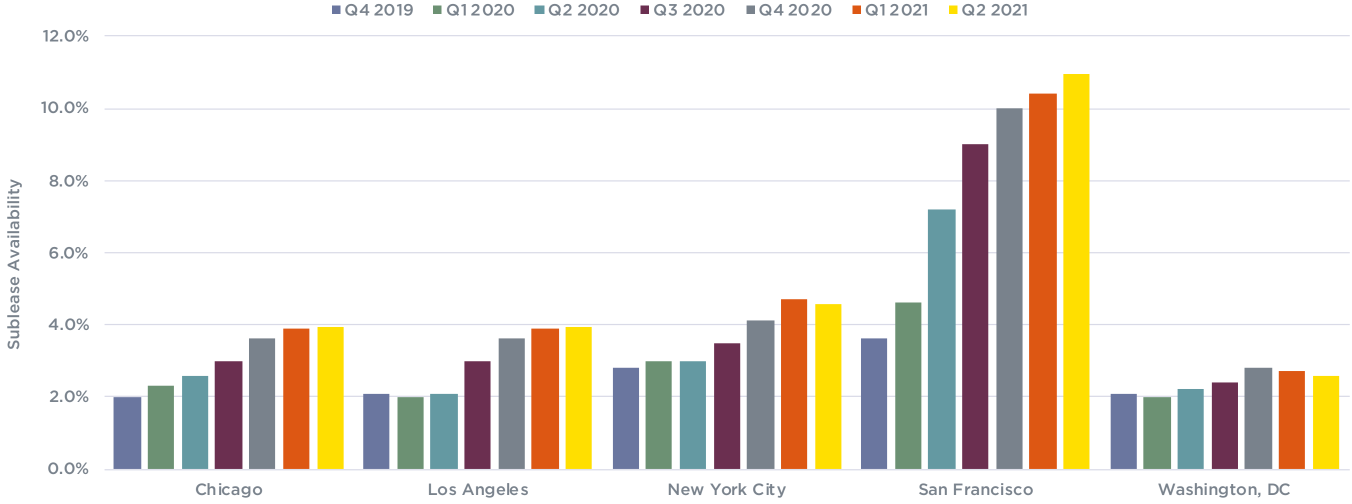
Q2 2021

There is A LOT of Sublease Space on the Market, but Not From Law Firms

Over the past year available sublease space has skyrocketed across U.S. office markets due to a number of pandemic factors. Limitations on businesses to safely operate at 100% in-person occupancy left many organizations facing large amounts of unused space while work-from-home policies were enacted. Additionally, challenges amongst a number of industries forced some companies to cut costs while business was down – including real estate costs. As a result, an overabundance of sublease space flooded the market with available sublease space doubling and even tripling in some cities.

However, with restrictions eased and the country slowly emerging from the pandemic, many organizations began enacting return-to-office plans in the second quarter, bringing employees back to the office – and in many cases back to the space that they had been listing for sublease. Q2 marked the first quarter that sublease inventory in several major markets including New York, Washington, DC, Los Angeles and Chicago began to level off or decline. The reduction in sublease inventory is in part due to opportunistic companies leasing sublease space – generally at lower costs and more flexible terms – but also due to organizations taking their advertised sublease space back off the market as employees refill offices, and spaces listed short-term expiring.

Sublease Inventory Beginning to Level Off Across Major Markets



Law Firm Sublease Space Remains Low - Drops in Washington, DC

The sublease space put on the market during the pandemic spans a wide variety of industries, from tech companies to financial services firms, professional services organizations and energy companies. However, law firms have not been a driving force in this trend. Compared to other industries, they represent a very small percentage of sublease space added in the pandemic, accounting generally for 5-7% of sublease added across major law firm markets. Washington, DC stands apart from this with law firms accounting for up to 31% of sublease space added at the height of the pandemic but that is more a function of law firms being the dominant sector in Washington, DC just as technology subleases are a driving force in San Francisco.

At both Q4 2020 and Q2 2021, Savills Research tracked the percentage of sublease space added during the pandemic that was attributed to law firms. There was little change between the two periods, showing that even as sublease inventory continued to grow in this period, the share of space coming from law firms held firm.

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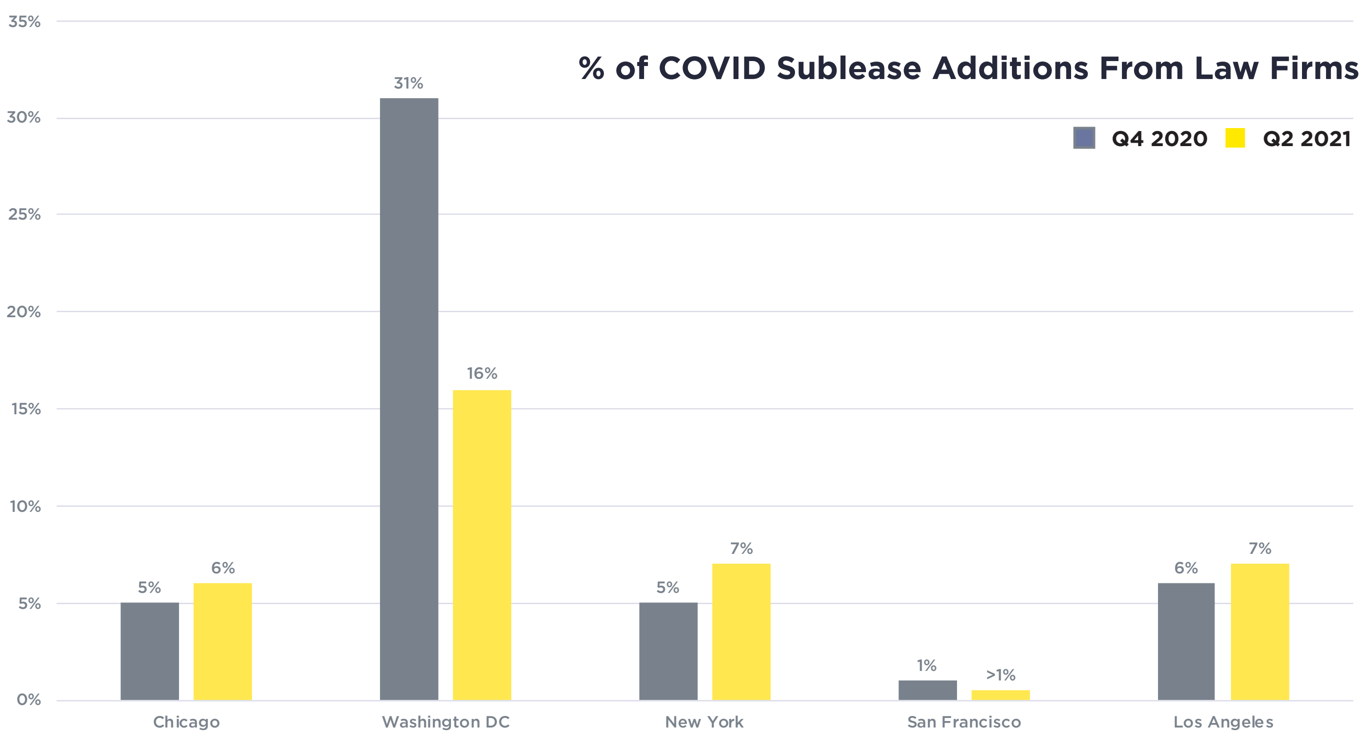

Availability is at an all-time high in many markets and there is still a lot of high-quality sublease inventory available, even if additions have leveled off. Market softness leads to tenant favorabilty, particularly as options are abundant. Firms looking for lower-cost more flexible space that is pre-built and well-suited for law firm use have a window to capitalize on law firm sublease space that remains on the market. Below are large blocks of sublease space available as well as notable large blocks that have been retraced or reoccupied.

Law Firm Sublease Activity

Notable Law Firm Sublease Availabilities

Market	Law Firm	Building	Space Available for Sublease
New York	Cleary Gottlieb	1 Liberty Plaza	140,172 SF
Washington, DC	Hogan Lovells	555 13th Street, NW	100,282 SF
New York	Troutman Pepper	620 Eighth Avenue	57,882 SF
New York	Hogan Lovells	390 Madison Avenue	51,545 SF
Chicago	McDermott, Will & Emery	130 East Randolph Street	50,178 SF

Notable Law Firm Sublease Retractions

Market	Law Firm	Building	Sublease Space Removed
Washington, DC	Miller & Chevalier	900 16th Street, NW	34,560 SF
New York	Troutman Pepper	620 Eighth Avenue	20,754 SF

Thomas Fulcher
Vice Chairman, Mid-Atlantic
Regional Lead, Director

Click here to view Thomas' profile.

Sarah Dreyer
Vice President,
Head of Americas Research

Click here to view Sarah's profile.