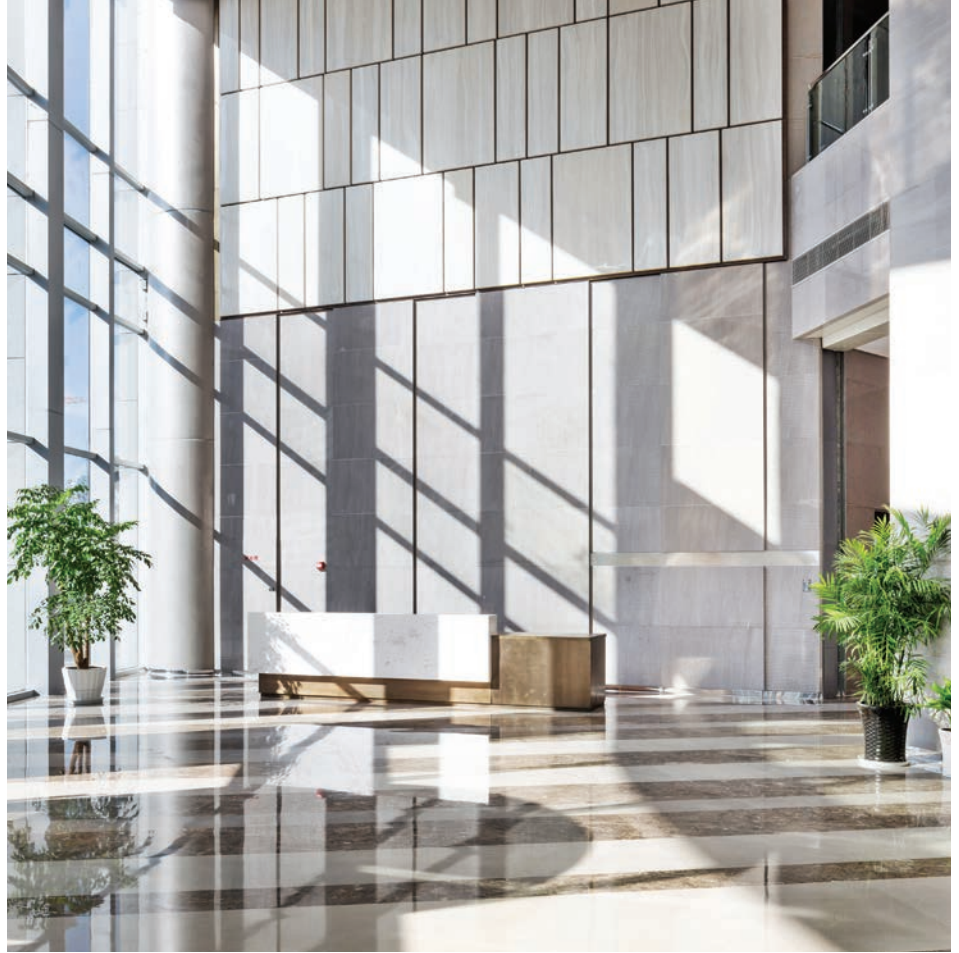


# Savills U.S. Law Firm Activity Report

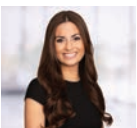


## Q4 2021

U.S. office demand ended 2021 on a high note with leasing velocity up 18% compared to the prior year as a flurry of deals were signed in Q4 2021. Nearly every major market including, New York, Los Angeles, Chicago and Washington, DC posted its highest quarter of transaction volume since the pandemic began. This is likely a sign that tenants are more confident making long-term real estate decisions and ultimately return-to-office plans, even as hybrid work styles are likely to continue.



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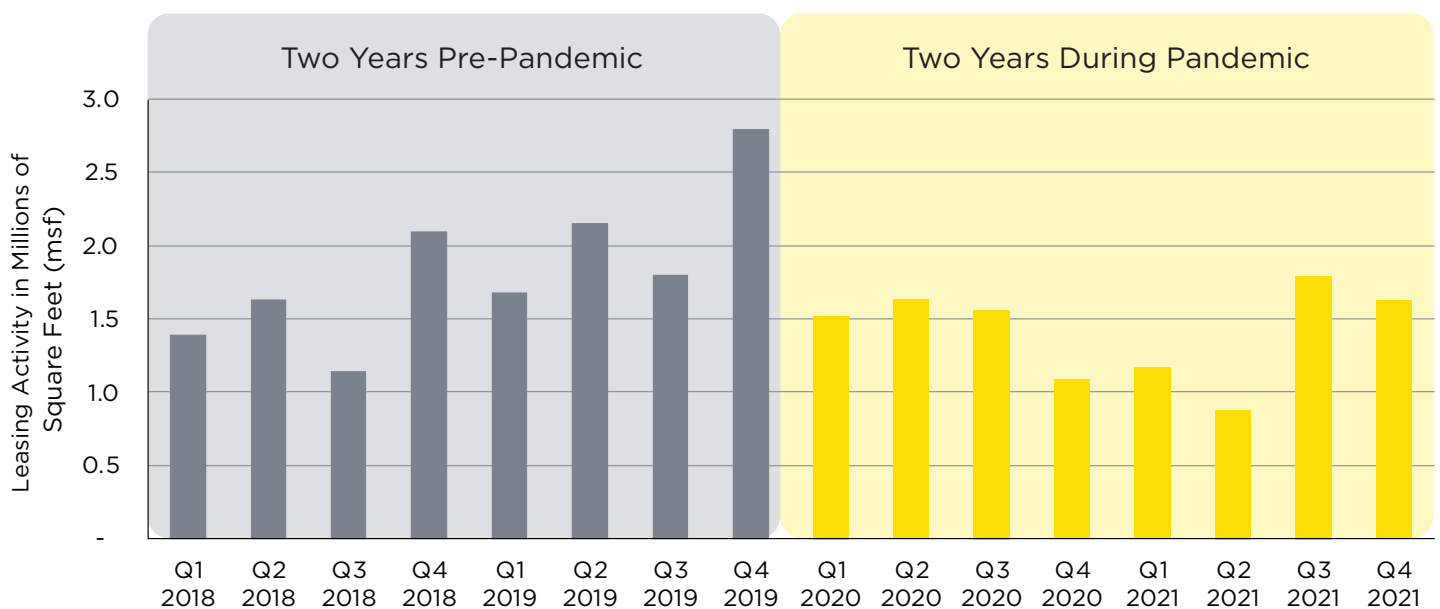
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As the second full year of the pandemic comes to a close, the legal sector is faring better than many industries, but leasing has not yet returned to pre-pandemic norms. Law firm leases completed in 2020 were primarily made up of transactions that were in progress prior to the pandemic, typically in response to upcoming lease expirations. Then, in the first half of 2021, there was a notable drop in leasing volume as many firms delayed decisions during the height of pandemic uncertainty. The low point in legal sector leasing was Q2 2021 when leasing volume fell below 1.0 million square feet (msf) for the quarter in the major markets across the US.

## Quarterly legal sector leasing activity hit a low point in Q2 2021, but has begun to rebound in the second half of 2021.

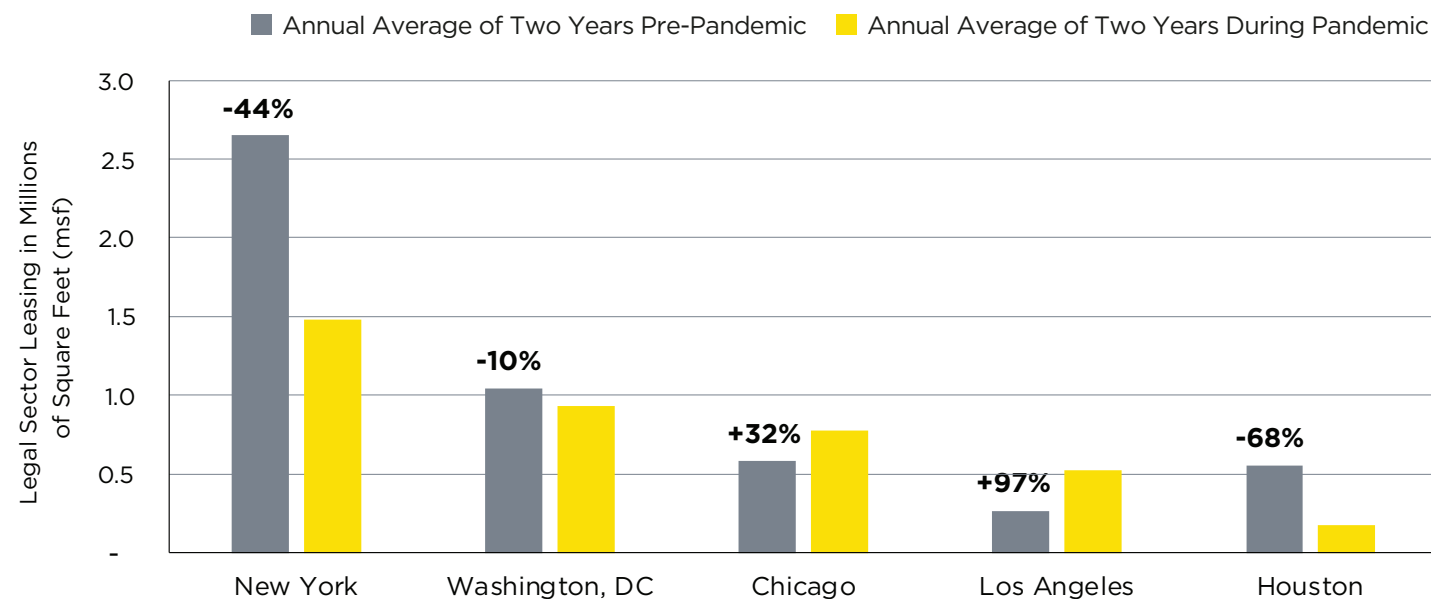
The quarterly leasing average within the legal sector for the two years prior to the pandemic was 1.8 msf, while in the two years since the pandemic started, the quarterly average dropped by 23% to 1.4 msf. While current leasing activity is not far from pre-pandemic norms, COVID-19 variants may continue to slow the consistent return of market demand.

### Quarterly Law Firm Leasing (Leases 20,000 sf+)





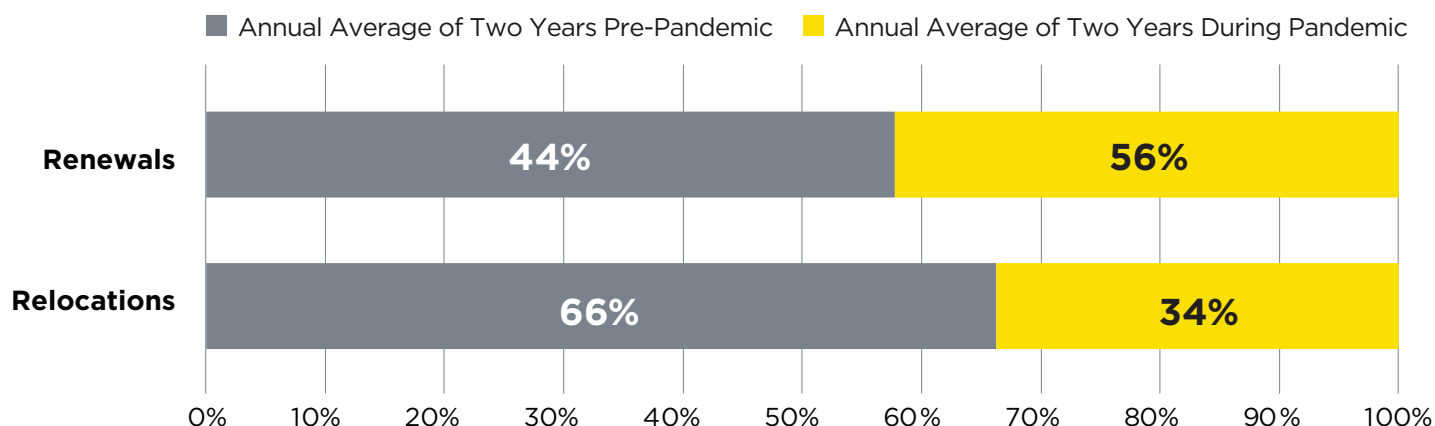
### Pre-Pandemic Versus Pandemic Leasing (Top 5 Markets by Leasing Volume - Leases 20,000 sf+)



### Legal sector sees impact of pandemic on office leasing vary by market.

In analyzing the current top five legal sector markets by lease volume, it sheds some light on the effects of the pandemic on a market level. New York saw the largest difference in annual law firm leasing averages before compared to during the pandemic – leasing activity fell a staggering 44% in the sector. Washington, DC saw only a slight difference with law firms signing leases throughout the pandemic. In Chicago, law firm leasing jumped by 32% after the start of the pandemic, a number largely affected by Kirkland and Ellis LLP’s 2021 commitment to a new building of over 600,000 square feet (sf), a lease that made up 55% of 2021 leasing activity in that city. Los Angeles’ legal leasing nearly doubled in 2020 and 2021 but leasing was spread amongst firms of all sizes. Houston has seen a notable decline in activity, driven by almost no activity in 2020 followed by a rebound in 2021.

## Pre-Pandemic and During Pandemic Transaction Type



### The “stay versus go” scenario shifted heavily to “stay” during the pandemic.

The Legal Tenant analyzed 423 leases completed in the two years prior to the pandemic and the two years since the beginning of the pandemic and found a significant shift in the type of leases firms were signing. Prior to the pandemic, relocations were nearly double the number of renewals. After the start of the pandemic, renewals picked up dramatically, making the shift between firms choosing to “stay” versus “go” almost equal.

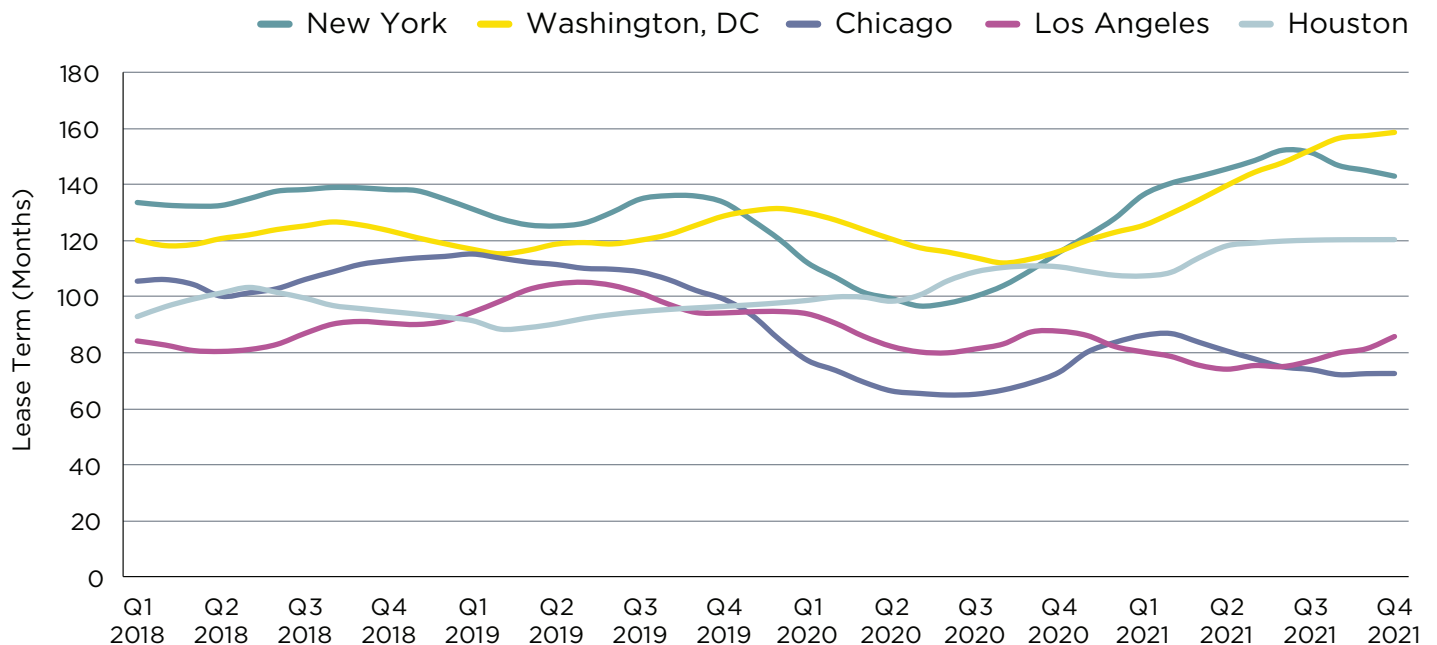
Prior to the pandemic, the legal sector saw many firms relocating as the state-of-the-art law firm space had changed dramatically from the previous generation. During the uncertainty of the pandemic, staying in place was the conservative choice until more clarity could be achieved surrounding the future of the workplace with many firms “kicking the can down the road” with shorter leases until they figured things out. We expect to see more relocations in the near- to mid-term as law firms look to earn their employees commute by creating workplaces with abundant amenities, collaborative spaces, and incorporate best practices on wellness and sustainability.







### Legal Sector Average Lease Term (Leases 10,000 sf+)

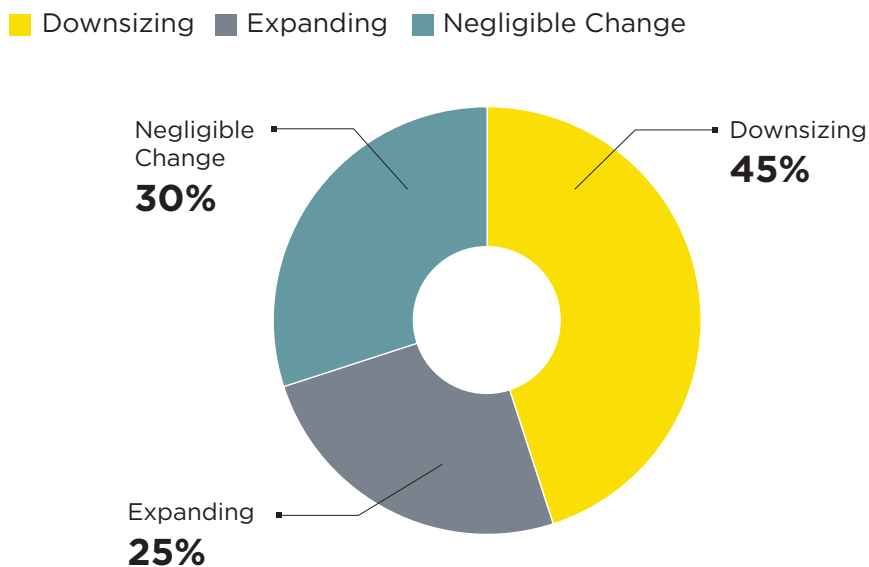


### The legal sector's average lease terms drastically shortened amidst the height of pandemic uncertainty, then climbed as firms take advantage of tenant-favorable market conditions.

During the pandemic, the legal sector saw average lease terms decline from 110 to 88 months across the top legal sector markets (by leasing volume) as firms dealt with the uncertainty of the future of the legal office. The only outlier to this trend is Houston, which has consecutively seen leasing terms climb.

However, by Q4 2021, the average length in lease terms not only recovered in markets that dropped but surpassed the term length seen just before the pandemic. In Washington, DC, the legal sector's average lease term has hit a peak of 159 months, New York reached a market-high of 143 months and, in Houston, the average reached 121 months as law firms became more comfortable with making long-term commitments and sought to secure the exceptionally favorable terms resulting from the soft COVID-era market conditions.

## Occupancy Change of Top 20 2021 Leases



Downsizing or not, law firms are becoming more efficient in their space use and leaving a surplus of office space behind.

Of the top 20 legal sector leases completed in 2021, 45% of transactions downsized from the previous amount of space leased. On average, firms that decided to contract shrunk by 23%. Almost one third of these 20 leases stayed in roughly the same amount of space, although, in several press releases associated with the transactions, there were mentions of these firms becoming more efficient regardless of the negligible change in space leased. This may be a result of firms growing their attorney population but not taking more space as they became more efficient in space leased. Those expanding were all growing firms with an average increase in space of 18%. Of the 3.2 msf leased across the top 20 leases, the overall change in space absorbed is negative 0.2 msf.

## Notable law firm leases signed in Q4 2021.

Market	Law Firm	Building	Size (SF)	Transaction Type
New York	Dechert	1095 Avenue of the Americas	241,000	Renewal
Washington, DC	Gibson Dunn	1700 M St NW	163,750	New
New York	Venable	151 W 42nd St	157,811	Relocation
Northern New Jersey	Chiesa Shahinian & Giantomasi P.C.	105 Eisenhower Pky	109,000	Relocation
Chicago	Taft Stettinius & Hollister	111 E Wacker Dr	105,837	Renewal and Expansion

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