



Law Firm Trends

The legal services industry is evolving as workplace arrangements have fundamentally changed since the start of the pandemic. While overall employment in the legal services sector was flat over the past 12-months, approximately 27,500 jobs were added. Further, employment in the sector is still 2.4 percent above pre-pandemic levels. However, this job growth has not translated to additional office space needs for law firms. Over the last decade, law firms have generally shrunk their space per attorney based on working habits and due to the consolidation and digitalization of files reducing space needs. Since the start of pandemic, lease deals are down over 30 percent, while overall leasing volume (total square feet leased) is down more than 25 percent. However, when lease deals were completed, the average square footage leased per deal is similar to pre-pandemic levels.

Office Tenant View

- The bad news for landlords/owners has provided a generational opportunity for occupiers as they seek to negotiate and push for more flexible terms.
- The ability to sublease underutilized space for law firms is difficult as a flood of office sublease space has entered the market.
- The time to secure a lease is being extended as negotiations now may involve not just the owner, but also debt holders.

Law Firms Focus on Efficiency of Space

Key Law Firm Trends

Economy

- Economy remains resilient, with strong growth as consumer spending exceeds expectations
- The banking sector appears to have stabilized after concerns early in 2023
- Inflation remains elevated, but is stabilizing

Staffing

- Hiring remains tight as accurately predicting staffing needs and attracting/ retaining talent continues to be a high priority with firms taking different approaches, such as larger firms cutting associates while mid-size firms are adding associate headcount

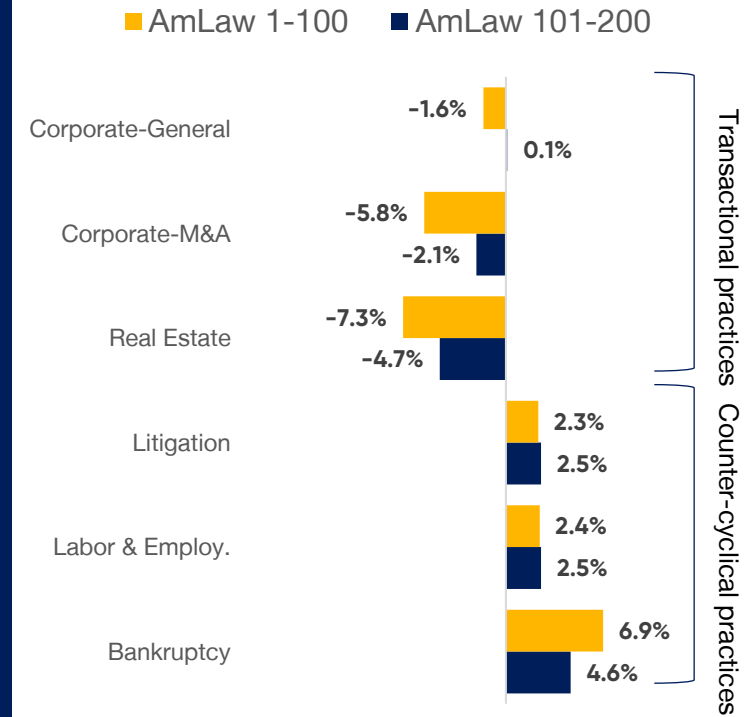
Artificial Intelligence

- The use of AI will become more prevalent in the overall strategy as firms can evaluate past performance to predict future outcomes
- Generative AI will become an important part of filing and more heavily relied upon to identify precedence and legislation
- Improved marketing strategies using AI-powered client insights will be used to create highly-targeted potential clients

Cybersecurity

- The transition from hybrid and virtual work has placed increase importance on law firms to protect sensitive client information

Growth By Segment



Note: Annual percentage change (Nov. 22 – Nov.23)
Source: Thomason Reuters, 2024

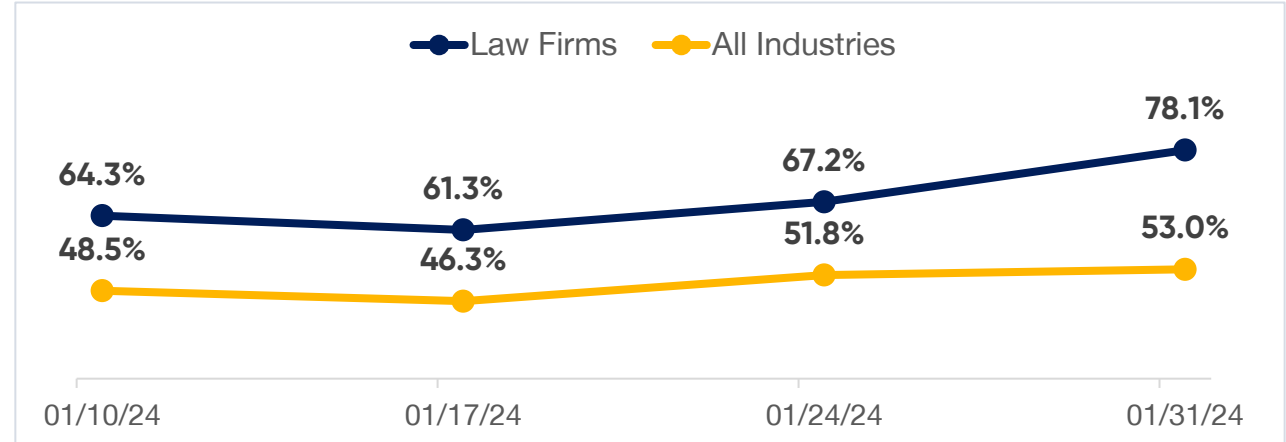
Q1, 2024: Employees at law firms come to office at a higher rate than the overall industry

Worker Trends

Legal professionals are still seeking stability in terms of the balance between hybrid and remote work. Hybrid work is here to stay, but law firms will have to adjust how to build culture, provide mentorship, and remain competitive while both maintaining standards for clients and retaining talent. Nevertheless, virtual courtrooms and remote depositions will remain part of normal working procedures regardless if attorneys come to the office or work remotely.

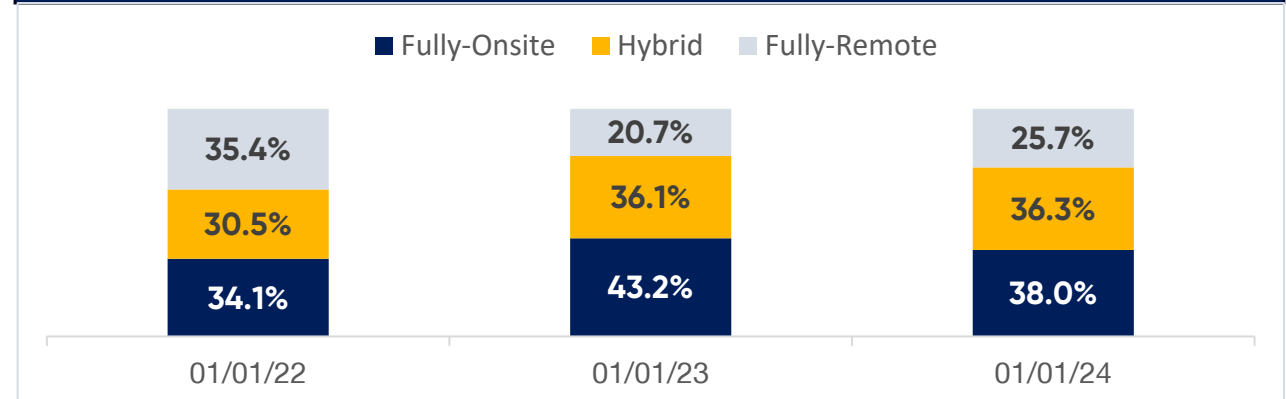
The legal profession is leading office occupancy compared to other industries, according to tracking completed by Kastle Systems. The legal profession averaged 78.1 percent (compared to pre-Covid levels) to close January 2024, a full 25 percentage points above other industries. This level is near the top of occupancy percentages for the legal profession since the start of the pandemic. These levels are likely stabilized, as the percentage of hybrid workers in the overall professional and business services sector have seen consistent percentages over the past year.

Average Occupancy: Compared to Pre-Covid Levels



Source: Kastle Systems Occupancy Data, Data pulled February 5, 2024

Working Arrangements: Professional, Business Services Sector



Source: Barrero, Jose Maria, Nicholas Bloom, and Steven J. Davis, 2021. "Why working from home will stick," National Bureau of Economic Research Working Paper 28731. Data pulled February, 5, 2024

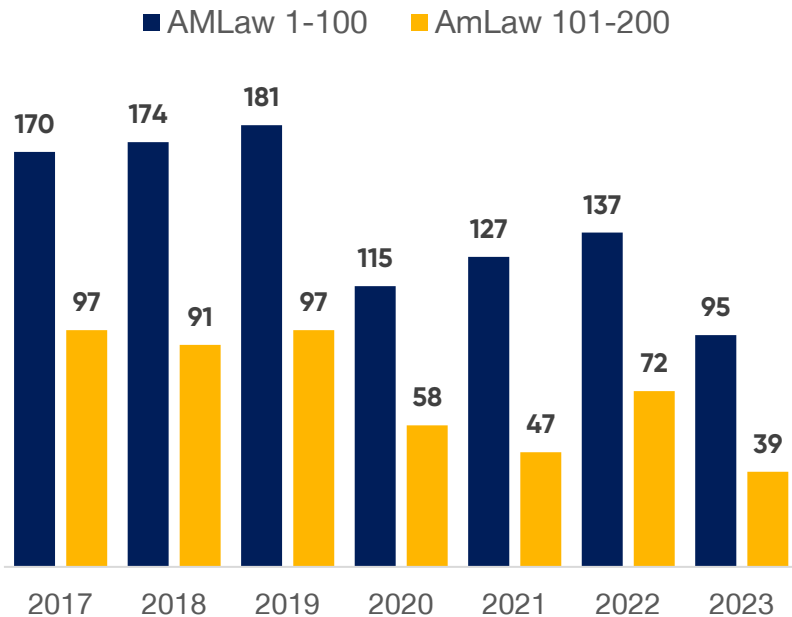
Law Firms

Leasing velocity slows post-Covid

The number of lease transactions for AmLaw 100 firms has dropped by nearly one-third compared to pre-Covid levels, while firms in the AmLaw 101-200 have signed 43.2 percent fewer leases. Firms in the AmLaw 75 to 125 range signed 37.4 percent fewer leases.

Number of Lease Transaction Per Year

AmLaw 1-100 & AmLaw 101-200



No. of Transactions (Pre- vs Post-Covid)

2017-2019 (Avg)

1-100: 175

101-200: 95

2020-2023 (Avg)

1-100: 119

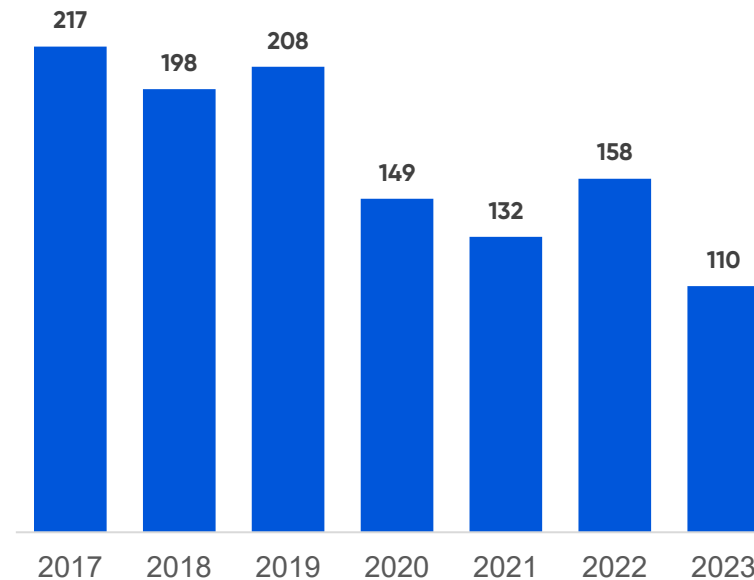
101-200: 54

Change:

1-100: **-32.3%**

101-120: **-43.2%**

Mid-Sized Firms



No. of Transactions (Pre- vs Post-Covid)

2017-2019 (Avg)

Mid-Sized: 208

2020-2023 (Avg)

Mid-Sized: 137

Change:

Mid-Sized: **-33.9%**

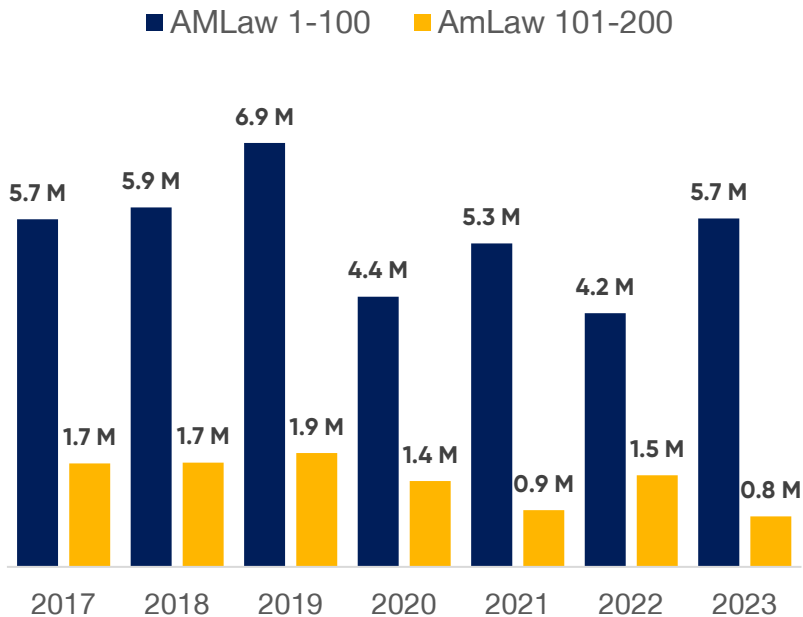
Law Firms

Total leasing volume drops over 20 percent compared to pre-Covid

As leasing velocity slowed, so has the total volume of lease transactions – in terms of total square feet leased. Firms in the AmLaw 100 reduced leasing volume by 20.7 percent, while firms in the AmLaw 101-200 committed to even less square footage, compared to pre-Covid levels.

Leasing Volume Transactions (by Total Square Feet)

AmLaw 1-100 & AmLaw 101-200



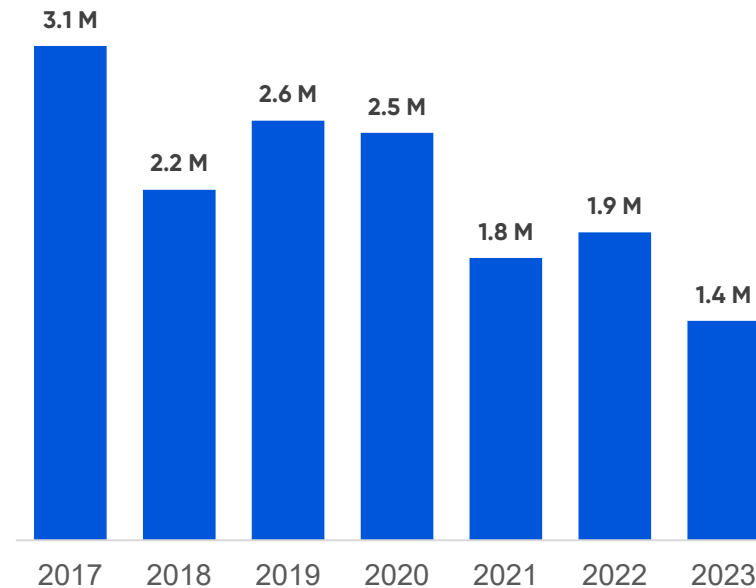
Leasing Volume (Pre- vs Post-Covid)

2017-2019 (Total sq ft)
 1-100: 6.18M sq ft
 101-200: 1.76M sq ft

2020-2023 (Total sq ft)
 1-100: 4.90M sq ft
 101-200: 1.17M sq ft

Change:
 1-100: **-20.7%**
 101-200: **-33.6%**

Mid-Sized Firms



Leasing Volume (Pre- vs Post-Covid)

2017-2019 (Total sq ft)
 Mid-Sized: 2.64M sq ft

2020-2023 (Total sq ft)
 Mid-Sized: 1.90M sq ft

Change:
 Mid-Sized: **-27.8%**

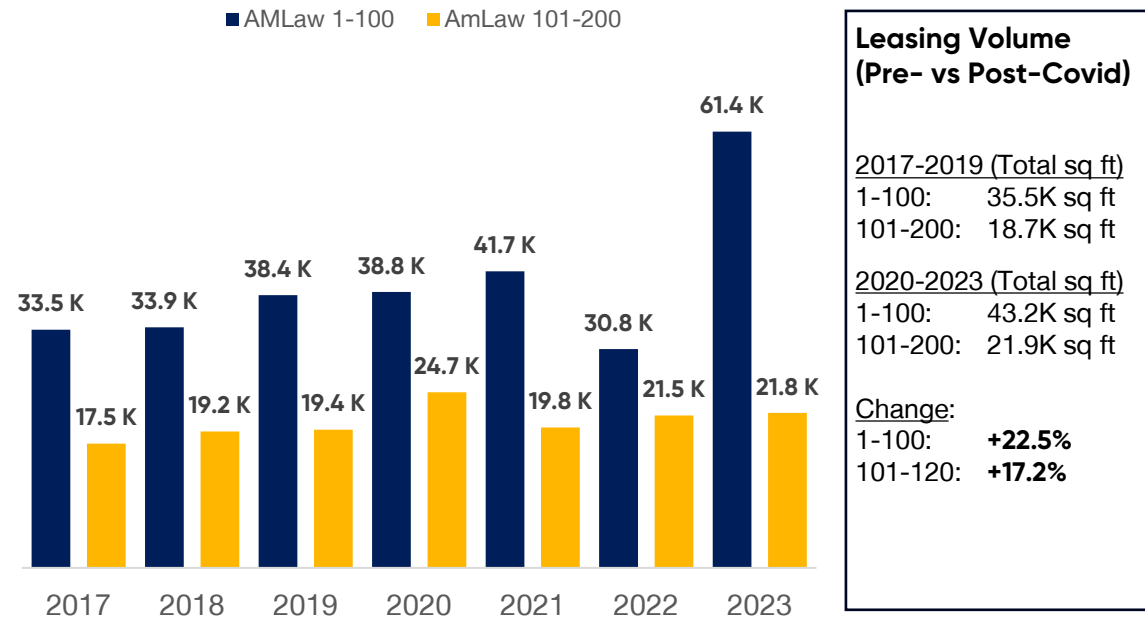
Law Firms

The average size per deal is similar in size to pre-Covid

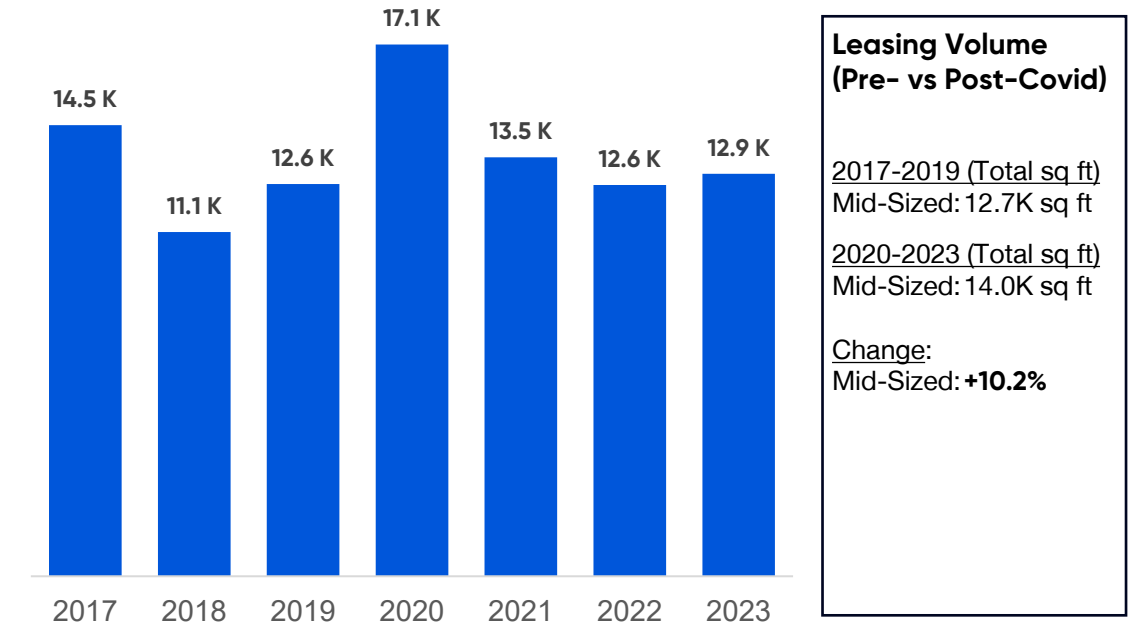
While both the number of leases and the total volume of square footage has decreased compared to pre-Covid levels, the average deal size (in terms of square feet leased) has increased across the board for firms in the AmLaw 200. The reasons for this are some consolidation of offices and the increased focus on providing amenities for employees.

Average Deal Size (Square Feet)

AmLaw 1-100 & AmLaw 101-200



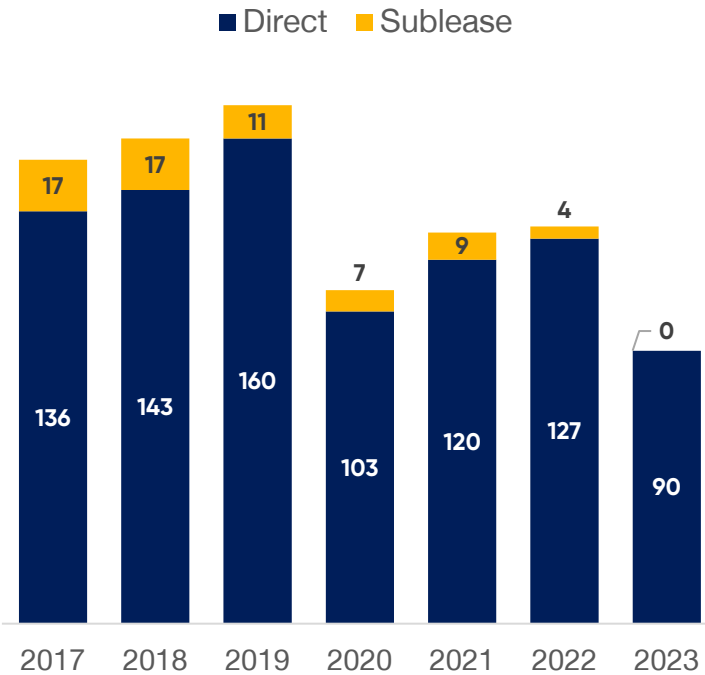
Mid-Sized



Law Firms

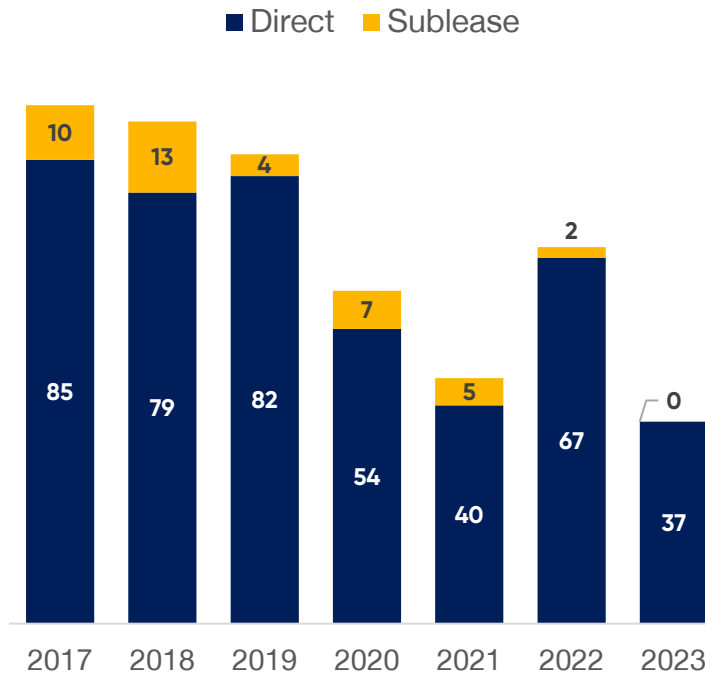
Number of sublease deals signed by law firms drop sharply

AmLaw 1-100



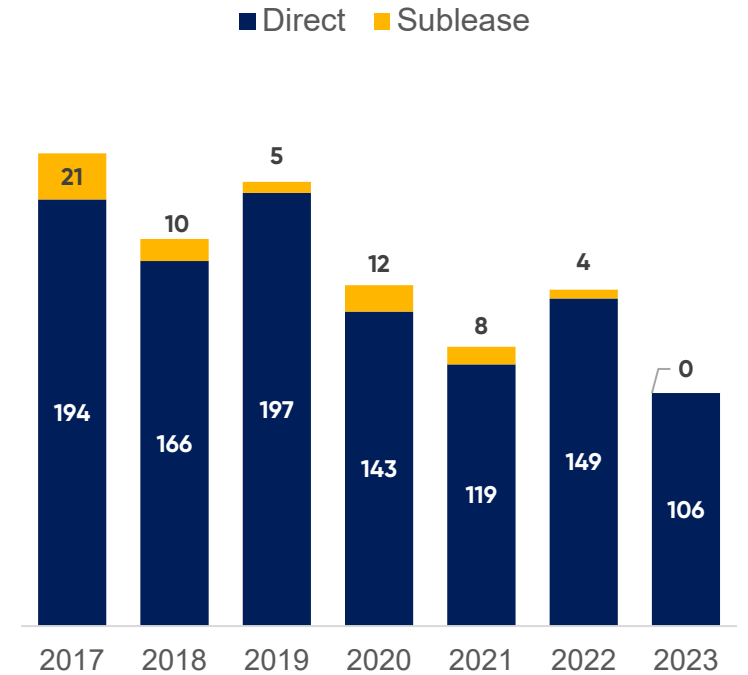
The largest law firms reduced direct deals, but also saw sublease deals shrink substantially.

AmLaw 101-200



Law firms in the AmLaw 101-200 level have only signed two sublease deals in the past two years, including none in 2023.

Mid-Sized

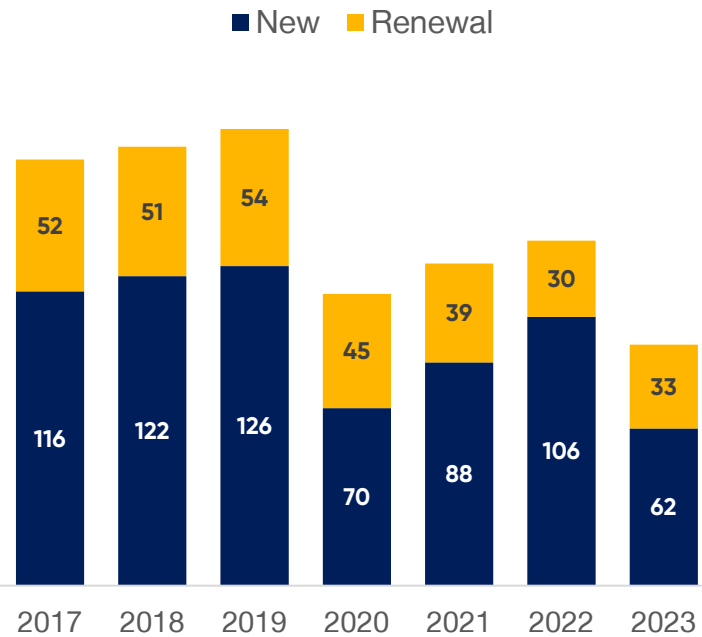


The number of sublease deals has fallen, likely because of the glut of sublease space on the market and the trend to efficiently use existing space.

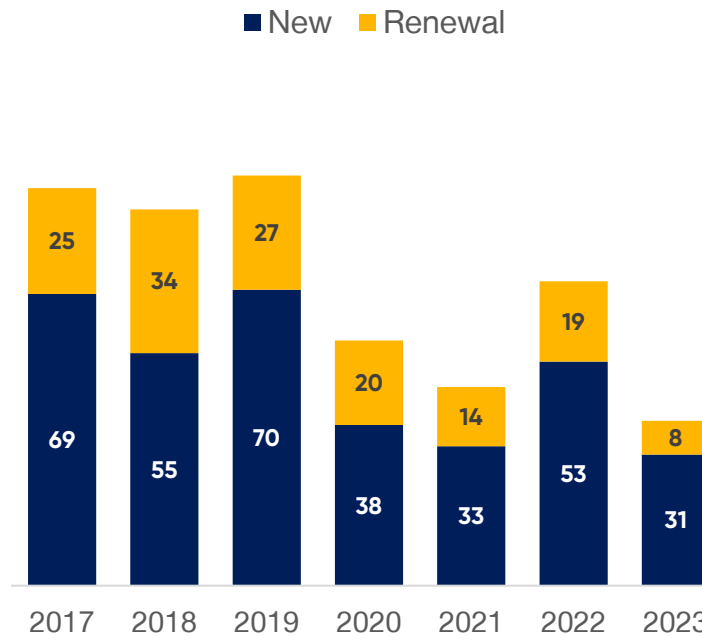
Law Firms

The ratio of new deals versus renewals similar to pre- and post-Covid

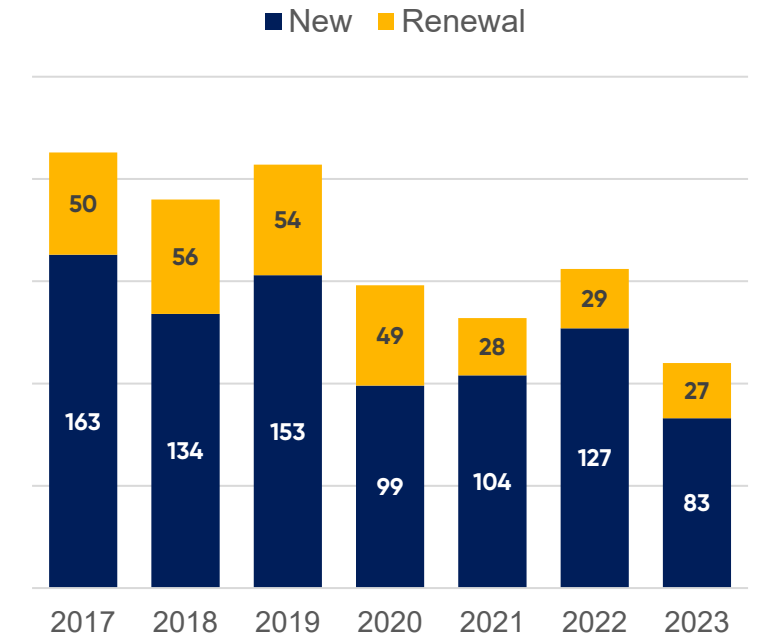
AmLaw 1-100



AmLaw 101-200



Mid-Sized



Both new deals and renewals have maintained similar ratios compared to pre- and post-Covid levels. The assumption may be that renewals would outpace new deals as law firms consider options and have a better understanding of hybrid working arrangements, but the data shows that law firms are still inking new deals.



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About the Author



Craig Van Pelt
Head of Research, Director
cvanpelt@cresa.com