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LEGAL SECTOR LEASING TRENDS

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Q3 2024

KEY TAKEAWAYS



- **Consistency of demand:** Another year of strong leasing activity potentially indicates a normalization of heightened post-pandemic demand for the legal sector. Aggregate leasing activity through the first three quarters is nearly identical in 2022, 2023 and 2024 at approximately 12 million square feet (msf).
- **Market differences:** Variance in leasing activity across markets is normal and expected due to the cyclical nature of occupier demand. The Dallas/Fort Worth market is having its strongest year since 2017 as it nears 1.0 msf of leasing activity while Los Angeles, San Francisco and Atlanta are also experiencing significantly higher levels of leasing activity compared to last year.
- **Similar footprints:** The share of firms refusing to make changes to their footprints is the largest it's been since 2017 due, in part, to uncertainties surrounding the economy and potential effects of the 2024 election cycle. On average, firms that are downsizing are releasing more space than expanding firms are growing into, resulting in an average net change in lease size of -8.9%.



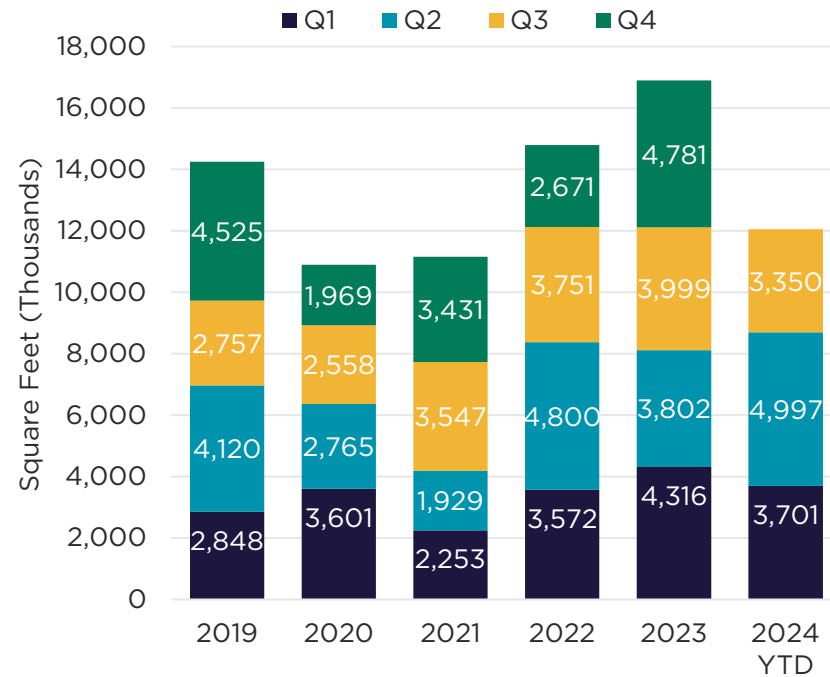
LEGAL DEMAND STRONG FOR THIRD YEAR IN A ROW



By the end of the third quarter of 2024, legal sector leasing reached a total of 12.0 msf, surpassing the total activity in 2020 and 2021. The majority (60%) of leasing activity so far in 2024 has been captured by major markets, and the total amount of major market leasing (7.2 msf YTD) is greater than it was for the full years of 2020 and 2021 while just slightly below the 7.5 msf in major markets in 2022.

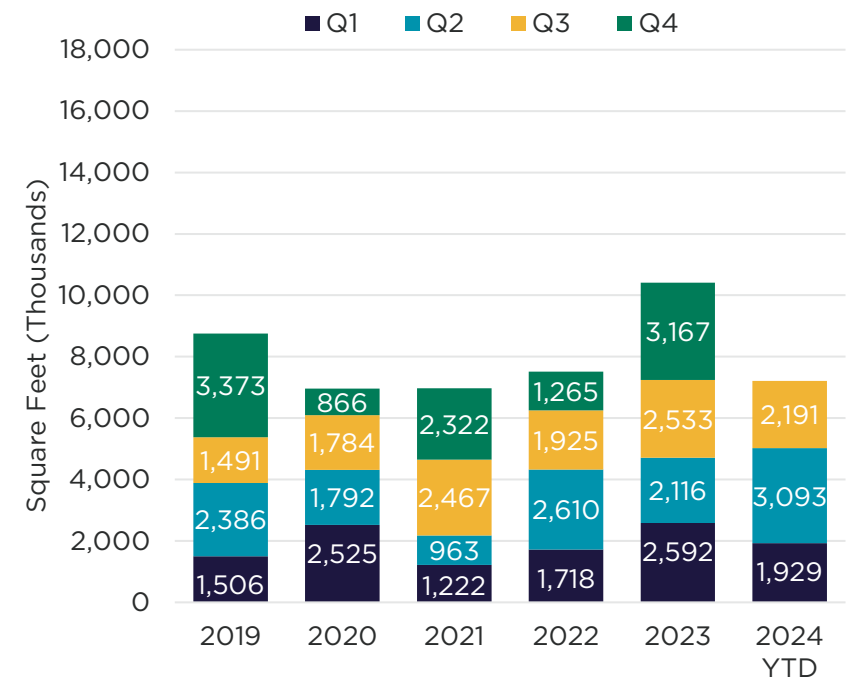
This marks the third year in a row of elevated legal sector leasing. Following record years in 2022 and 2023, the total amount of leasing activity from Q1 to Q3 2024 is essentially flat (within 90,000 sf of the previous two years). Major markets are tracking similarly as well with Q1 to Q3 total leasing of 7.2 msf for the second year in a row.

LSAG Leasing - All Markets



Source: Cushman & Wakefield Research

LSAG Leasing - Top 10 Major Markets



Source: Cushman & Wakefield Research

ACTIVITY UP 50%+ IN DALLAS/FORT WORTH, LOS ANGELES & SAN FRANCISCO

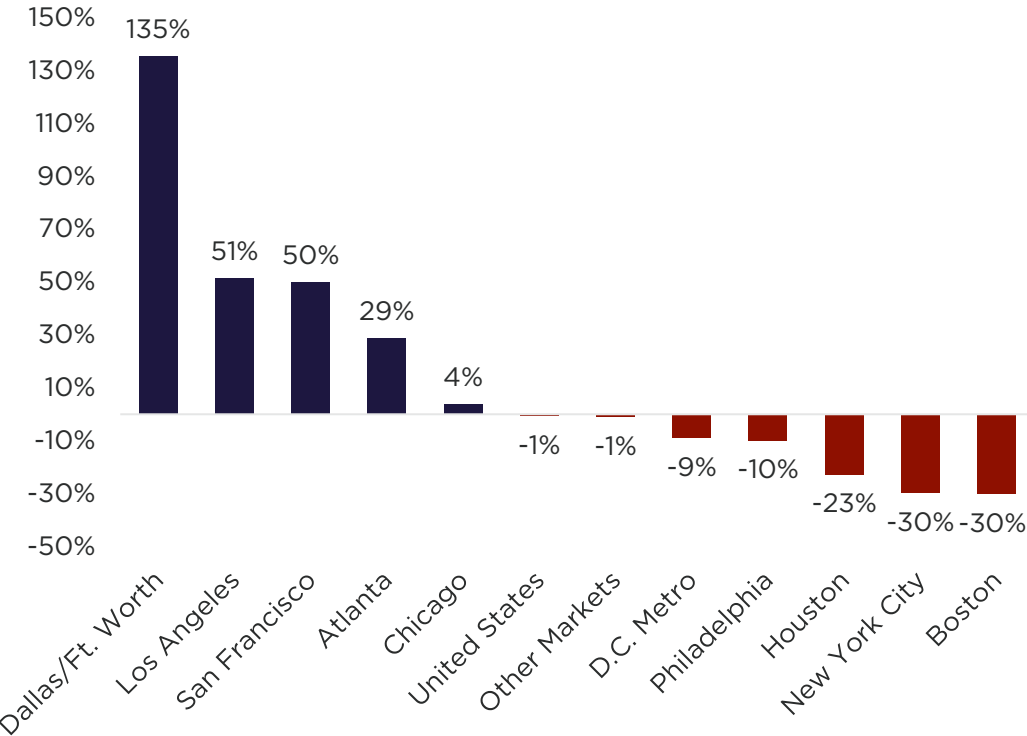


Market performance has expectedly varied in individual major markets despite the apparent homogenization of national leasing activity. Leasing activity YTD has increased year-over-year (YOY) in five of the ten major markets. The most significant increase has been in the Dallas/Fort Worth market which has captured 928,000 sf of legal leasing activity in 2024 thus far, marking a 135% YOY increase compared to the same three quarters in 2023. This surge is driven by many notable Am Law 200 firms expanding their footprint in the Metroplex, following a wave of corporate relocations. Los Angeles and San Francisco continue to see elevated levels of leasing activity with both markets performing 50% higher than last year. Atlanta has had a strong second half of the year marked by 226,500 sf of leasing activity in Q3 which is higher than the first two quarters combined. Atlanta's legal leasing levels in H1 2024 were 41% lower compared to the same period in 2023. However, strong leasing activity

from firms in the market, along with Morris, Manning & Martin's 104,000 sf relocation—the largest lease nationally in Q3 2024—has tipped the scales, placing Atlanta's legal leasing activity 29% higher YoY than it was through the third quarter of 2023.

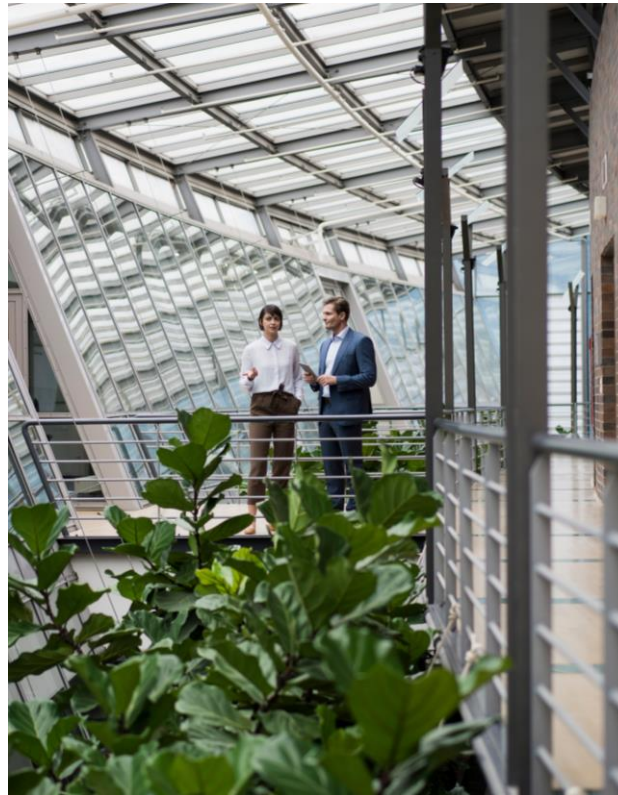
Legal leasing activity **increased** YOY from Q1-Q3 2024 in **five markets**: Dallas/Ft. Worth, Los Angeles, San Francisco, Atlanta and Chicago.

Leasing Activity by Major Market, YOY Change
Total Legal Leasing Activity, Q1-Q3 2024 vs. Q1-Q3 2023



Net changes in aggregate leasing levels in individual markets only reveal a portion of the story behind major market legal leasing activity. New York City, the nation's most active legal market, remains seated at the top with 1.7 msf of legal leasing despite seeing a 30% YOY decrease. The D.C. Metro, which has seen a 9% decrease in leasing activity YOY, remains the second most active legal market with 1.0 msf of activity YTD. These decreases should not be interpreted as curtailed demand in either market. In fact, both markets are above or in line with their respective five-year averages. The decline in activity in both markets follows exceptionally strong periods in 2023 and underscores the cyclical nature of occupier demand in the commercial real estate business.

New leases account for 54% of Q1-Q3 2024 major market legal leasing.



Square Footage: New Leases vs. Renewals Major Market Legal Sector Leasing Activity (Q1-Q3 2024)



Source: Cushman & Wakefield Research

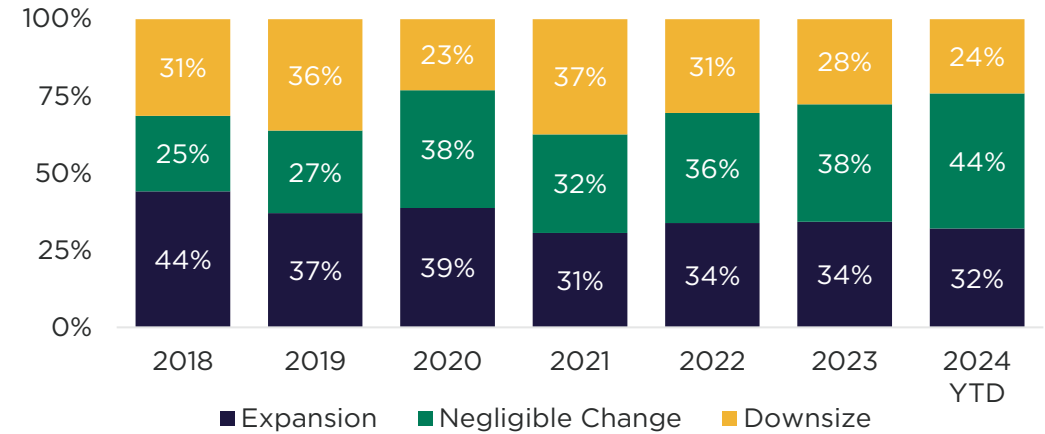
NEARLY HALF OF Q3 LAW FIRM LEASES WERE NEITHER EXPANSIONS NOR DOWNSIZINGS



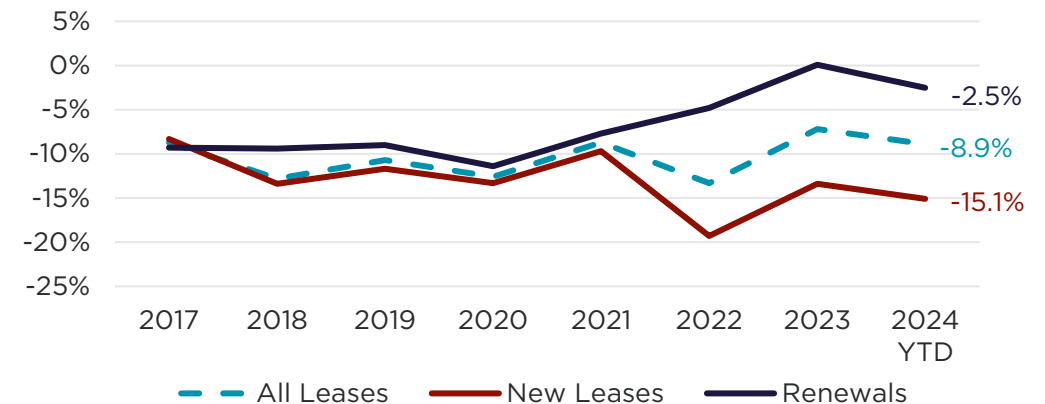
Legal occupiers have increasingly maintained a similar-sized footprint since 2021, a trend highlighted by the growing share of firms experiencing negligible change in their lease sizes. In 2021, 32% of firms opted to keep their lease size the same when renewing or relocating. This percentage has consistently grown over the past three years, reaching 44% in 2024. Meanwhile, the share of firms expanding their lease size (32% in 2024 YTD) has remained consistent since 2021. Conversely, the share of firms reducing their leases sizes has declined from 37% of transactions in 2021 to 24% in 2024 YTD.

Despite fewer firms downsizing, the average net change in lease size began moving downward again in 2024 and reached -8.9% through the third quarter of the year. Stark differences between firms who renew and those that relocate are present. The number of firms expanding exceeds those downsizing in both renewals and relocations. However, the total amount of space returned by downsizing firms still surpasses the new space leased by expanding ones. Relocating firms generally reduce their office space by an average of 15.1%, while those that renew their leases in place, of which nearly three-fourths maintain the same lease size, experience an average reduction of just 2.5%.

Percent of Transactions



Net Change in Leasing (%) by Year



Source: Cushman & Wakefield Research

CONCLUSION: ANOTHER ROBUST YEAR



Current trends in leasing activity in the legal sector are all pointing toward a new normal level of leasing activity as legal occupier demand saw elevated levels in 2022 and 2023 that have sustained through Q3 2024. Legal leasing activity in Q3 2024 reached 3.4 msf, slightly below post-pandemic averages but nothing to be concerned about given the 5.0 msf (revised) in Q2 2024. Expectations of a slightly strong fourth quarter will likely place 2024's legal sector leasing totals around 15.0 msf, which would surpass 2022's 14.8 msf but fall short of 2023's record 16.9 msf.





ABOUT CUSHMAN & WAKEFIELD

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