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LEGAL SECTOR LEASING & ASSOCIATE SURVEY INSIGHTS

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JUNE 2024

KEY TAKEAWAYS

- In the first quarter of 2024, *legal occupiers committed to 3.2 million square feet (msf) of office space* in the United States, with the majority opting to sign a new lease. In major markets, *legal leasing accounted for 7.2% of all office leasing activity.*
- The difference in behavior between firms that signed a new lease and those that signed a renewal persisted through the first quarter of 2024. *Firms that opted to relocate were more likely to expand their office size*, while those that renewed typically remained the same size.
- When deciding to join a new law firm or remain at their current one, *associates most often consider the firm's areas of practice, its reputation and the compensation offered.*
- *Associates expect artificial intelligence (AI) to have the most significant impact on the future of the legal sector.* They expect changes to vary within different operational areas, with expected results ranging from positive, to neutral to negative.



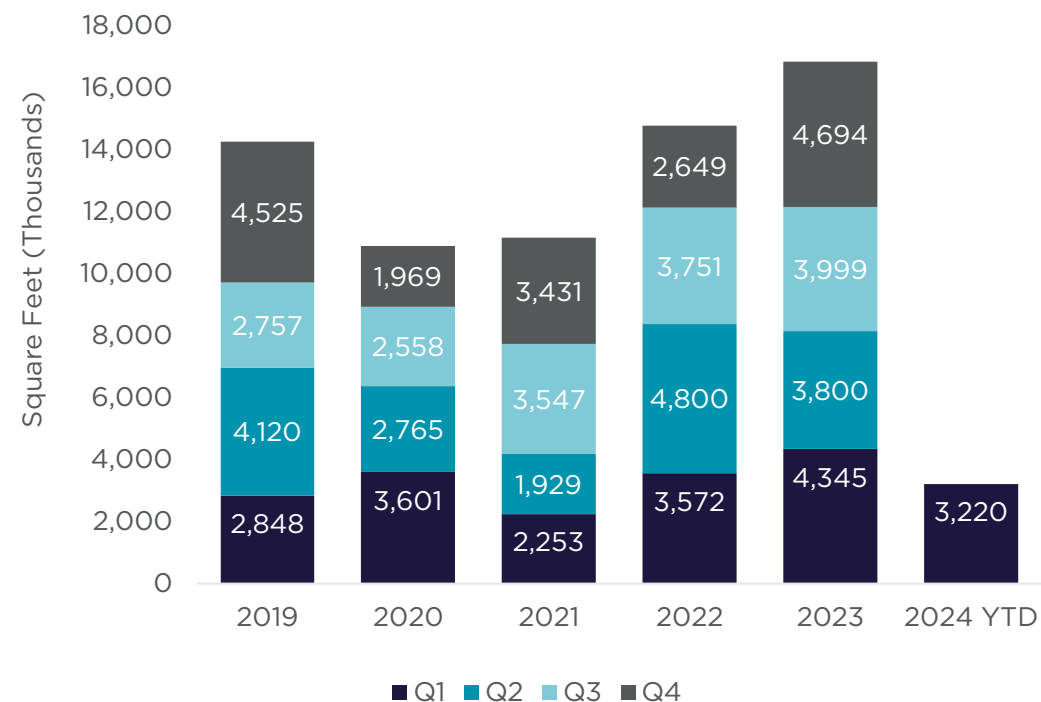
LEASING UPDATE



Leasing activity in the legal sector is off to a good start in 2024, following an exceptionally strong year, as law firms across the country committed to 3.2 msf of office space in the first quarter. Major markets totaled 57% of all leasing activity in the first three months of the year, which is slightly below the historical average but still in line with expectations. New Jersey and Miami, which fall outside of Cushman & Wakefield’s list of major legal markets, both saw more than 100,000 square feet (sf) of legal leasing during the quarter.

New York City, which is normally well represented in any compilation of top legal leasing activity, is noticeably absent from the first-quarter list of top leases, as only one lease made the cutoff. However, an uptick in New York City’s legal leasing is expected throughout the rest of the year, as several large tenants in the market have moved closer to signing sizeable leases. The largest lease of the quarter belongs to Finnegan, Henderson, Farabow, Garrett & Dunner, LLP. They renewed their Washington, D.C. headquarters resulting in a 15% decline in size from 252,000 sf to 214,000 sf.

Legal Sector Leasing Activity Since 2019



Source: Cushman & Wakefield Research

New leases, which accounted for 59% of leasing activity in the first quarter of 2024, outpaced renewals, while the majority of firms that signed new leases expanded in the process. 53% of firms that signed new leases expanded by 46% on average while those that relocated and downsized saw an average decrease in square footage of 40%.

Renewals exhibited a different trend, as 70% renewed their lease without making significant changes to the size of their space. However, among renewing firms that changed in size, expansions outnumbered downsizings. On average, renewing firms that expanded increased their office space by 26%.

Top 10 Largest Leases

Legal Sector Leasing Activity (Q1 2024)

Rank	Market	Leased SF	Change in Lease SF		Tenant	SF per Attorney	Transaction Type	Quarter	
1.	D.C. Metro	214,000	Decrease	-38,000	-15%	Finnegan Henderson Farabow Garrett Dunner	1,230	Renewal	Q1
2.	Dallas/Fort Worth	118,484	Increase	38,484	48%	Sidley Austin	979	New Lease	Q1
3.	D.C. Metro	77,166	Increase	14,608	23%	Sullivan & Cromwell	1,102	Renewal	Q1
4.	New York City	64,120	Increase	33,989	113%	Susman Godfrey	1,233	New Lease	Q1
5.	Chicago	63,838	Increase	25,838	68%	White & Case	1,152	New Lease	Q1
6.	San Francisco	58,991	Decrease	-19,613	-25%	Goodwin Procter	476	New Lease	Q1
7.	Tampa	53,341	Increase	9,573	22%	Foley & Lardner	936	Renewal	Q1
8.	Chicago	49,080	Decrease	-28,920	-37%	Crowell & Moring	767	New Lease	Q1
9.	Chicago	40,743	Decrease	-33,249	45%	Akerman	767	Renewal	Q1
10.	New Jersey	39,232	Increase	23,587	151%	Stevens & Lee	908	New Lease	Q1

Note: SF per attorney figure based on current attorney headcount provided by ALM, not potential growth capacity.

Source: Cushman & Wakefield research, ALM, 2024



Law firms that expanded and relocated within their market saw office size increase by 46% on average.

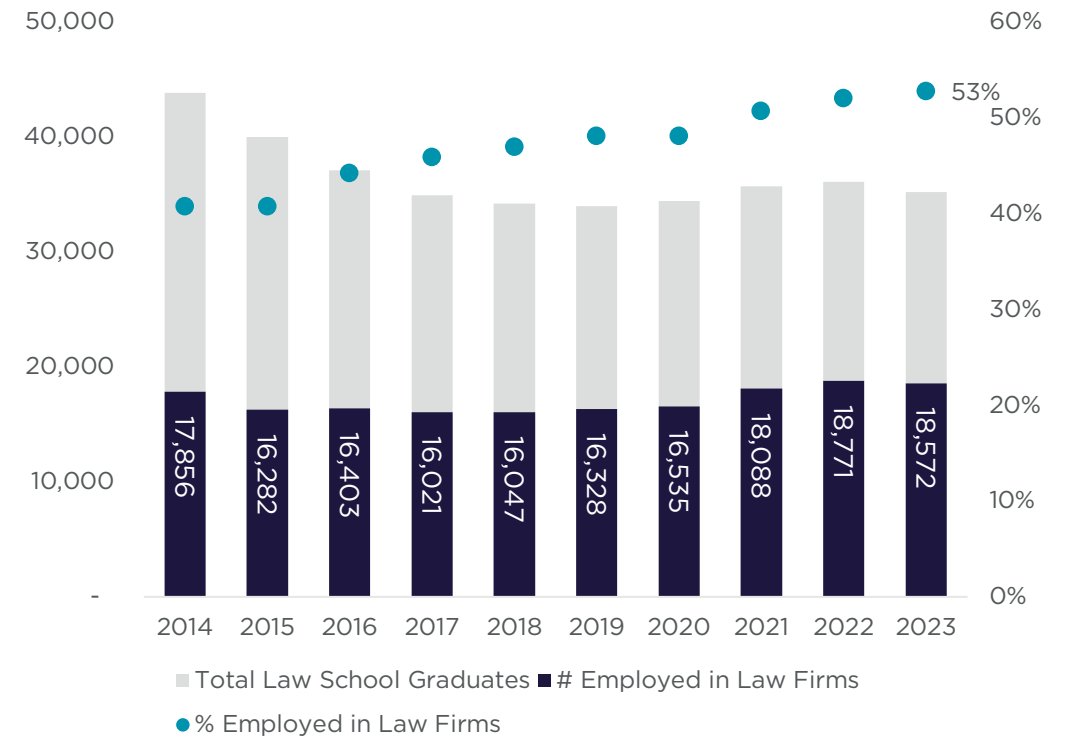
2024 LAW FIRM TALENT LANDSCAPE



According to the American Bar Association, the total number of law school graduates has decreased by 20% over the past 10 years, falling from 44,000 graduates in 2014 to 35,000 in 2023. However, the total number of law school graduates who become associates at law firms has increased by 4%. This means that the number of students seeking a law degree to become employed in the industry outside of law firms has been decreasing while the portion of graduates seeking work in private practices has remained strong.

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The number of law school graduates seeking positions as an associate has grown despite a decline in the overall number of graduates.”

Law School Graduates and # Employed in Law Firm Positions



Source: Cushman & Wakefield Research

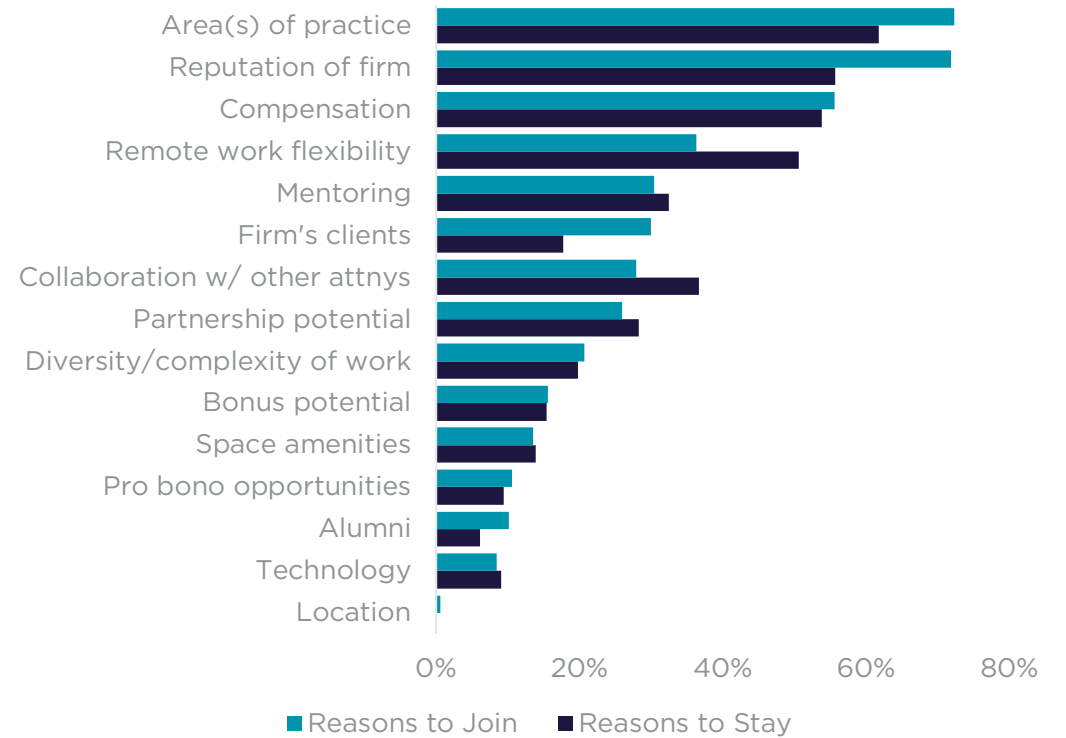
WHAT DO ASSOCIATES LOOK FOR IN A LAW FIRM?



According to the 473 associates that responded to the 2024 Cushman & Wakefield-ALM Associate Survey,¹ they equally prioritize the firm’s areas of practice and its reputation when choosing a firm. Reputation held greater importance for associates in Am Law 200 firms, with 86% of those in Am Law 1-50 firms stating it was a significant deciding factor.

Compensation was the third-highest reason associates chose a firm, and the only other factor cited by majority of respondents, with over 50% indicating its importance. Location was not a key factor, as less than 1% of associates said it was a top reason they chose their firm. Technology and firm alumni rounded out the bottom three reasons associates join a firm or stay at their current one.

Reasons for Associates to Join or Stay at Current Firm



Source: Cushman & Wakefield Research

¹ Cushman & Wakefield's Associate Survey is conducted each year in partnership with ALM alongside the Benchmark Survey of law firm partners that makes up the results of our annual flagship legal sector report: Bright Insight. For the first year, Cushman & Wakefield is releasing the results of the Associate Survey ahead of Bright Insight to showcase insight into the motivations of the legal sector's newest attorneys.

WHAT DOES IT TAKE TO GET ASSOCIATES TO STAY AND WHAT DO THEY THINK WILL IMPACT THE LEGAL SECTOR THE MOST?



The key reasons associates have stayed with firms are mostly consistent with why they joined them in the first place. Practice areas, firm reputation and compensation are in the top three spots, but fewer respondents indicate these categories as vitally important. On the other hand, remote work flexibility and collaboration with other attorneys are notably more important for associates deciding to stay at their current firms, even though new associates don't prioritize these factors as much when deciding whether to join a firm. Location, technology and firm alumni are not key reasons associates stay at a firm, just as they aren't key reasons they choose to join.

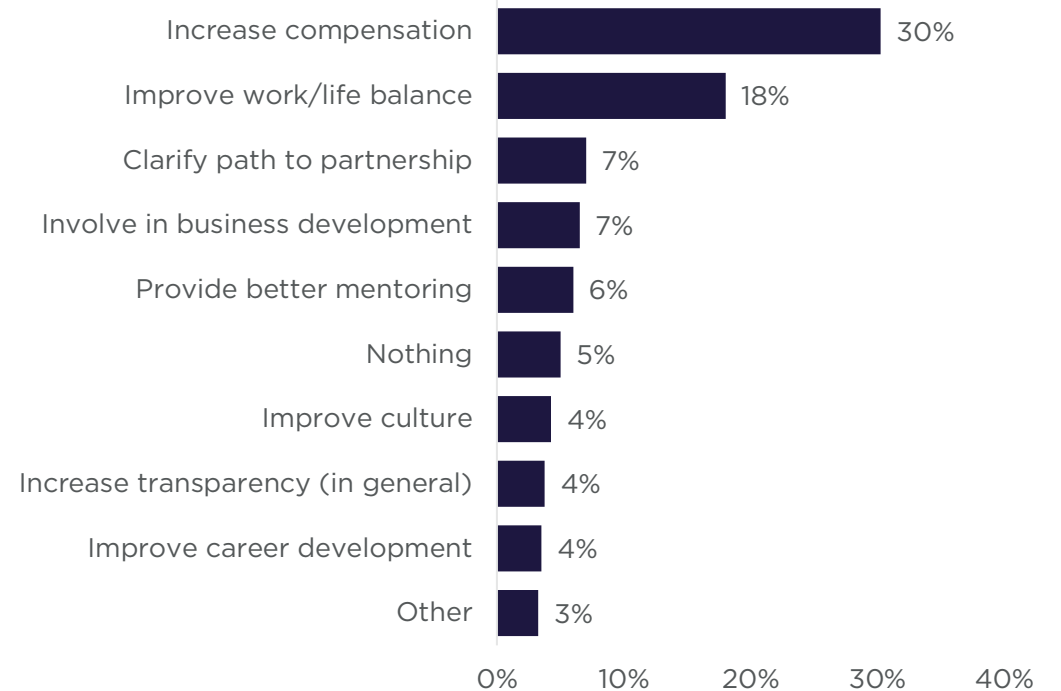
When asked what would make them more likely to continue to stay at their current firm, associates most frequently cited higher compensation, better work-life balance, and a clear path to partnership.

Associates with nine or more years of experience most strongly desired higher compensation, while the least experienced associates prioritized better work-life balance. Those with 7-9 years of experience most desired a clear path to partnership.

What do associates think will have the biggest long-term impact on the legal sector?

Associates across the legal sector are aware of the potential impact of AI, though its full effects remain uncertain both globally and within the legal field. More than 25% of associates expect AI to impact the legal sector, making it the most cited category of potential impacts for the industry this year. Opinions on AI's effects vary: Some associates welcome it for enabling focus on higher-value work, others fear negative changes to the sector, and some advocate for regulation to protect their expertise and value.

One Thing Firms Can Do to Increase Likelihood of Associate Retention



Source: Cushman & Wakefield Research



IN CONCLUSION



Legal tenants have been active in the first quarter of 2024 as they committed to 3.2 msf of space. While not as high as the unprecedented level of leasing activity in Q1 2023, it was still stronger than the first quarter of 2019 and 2021. More than one third of law firms who leased space in Q1 2024 increased the size of their office while less than a quarter of them downsized.

Artificial intelligence has continued to be a hot topic for the legal sector. The youngest attorneys expect the technology to have a significant impact on the industry over the next 5-10 years with attitudes surrounding its impact ranging from positive, to neutral, to negative.

Though the legal sector is in a constant state of evolution, law firms are expected to continue to be in the market for office space given their proclivity for in-office work and apprentice-based business model.



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