

# Law Firm Leasing Rebounds in 2023, Up 43% Year-Over-Year

1.2 MSF

YTD Leasing Activity

10%

YTD Leasing Market Share

Note: 2023 data as of November

Law firms continue to adapt to economic challenges and space utilization changes, finding new ways to do business more efficiently as demand for legal services remains strong. Real estate continues to play an important role for law firms as they look to draw employees back into the office and attract and retain top talent. While downsizing remains the dominant trend in the sector, some law firms have capitalized on tenant favorable market conditions by expanding to accommodate future growth.

After record-low levels of leasing in 2022, law firms have signed 29 leases across the D.C. metro region for a combined 1.2 million sq. ft. year-to-date. Given that only a handful of Trophy and Class A+ properties have large blocks available, large law firms will likely continue to renew in place as quality options dwindle. Nearly 30% of the renewals in 2023 were larger than 75,000 sq. ft., while only three Trophy buildings have a 75,000 sq. ft. block currently available. Further, some small and mid-sized firms are engaging the market early, so they don't miss out on what little trophy space remains.

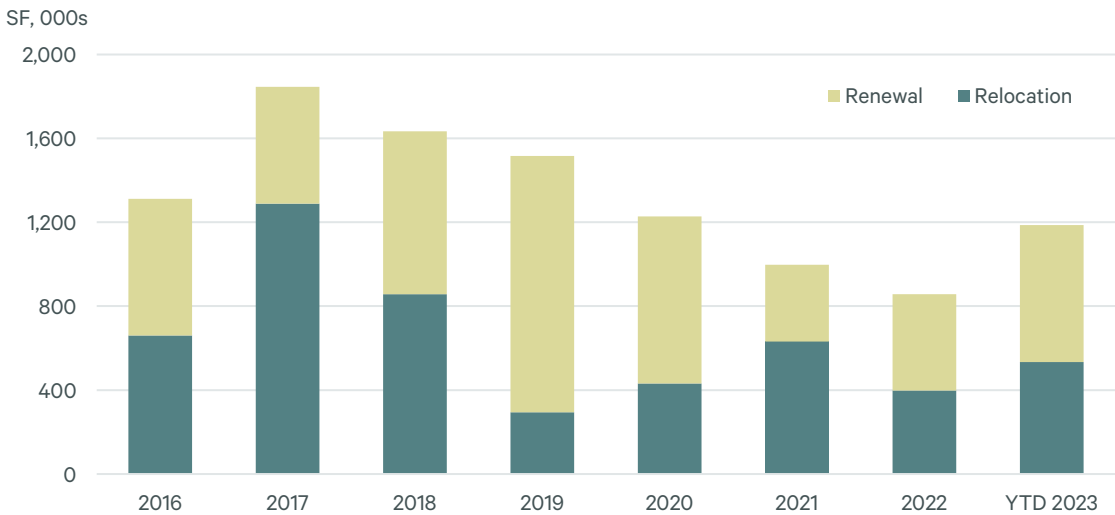
Given its proximity to lawmakers and government leaders, the District attracts the majority of law firm leasing activity in the region. While the sector has recorded 1.3 million sq. ft. of occupancy loss since the start of the pandemic, negative absorption is expected to moderate as just two Am Law 100 firms have yet to reset their office footprint.

By Isabelle McGrath, Senior Research Analyst  
isabelle.mcgrath@cbre.com

Erin Janacek, Research Manager  
erin.janacek@cbre.com

Stephanie Jennings, Research Director  
stephanie.jennings@cbre.com

FIGURE 1: Regional Law Firm Leasing Volume by Year



Source: CBRE

Market Movers

Law firms account for 54% of all leased space in D.C. Trophy buildings. This preference for top quality space continued into 2023, most notably with Crowell & Moring’s prelease at 600 5th Street NW. Developers Rockefeller Group and Stonebridge kicked off construction for the Trophy redevelopment, marking the first ground break in D.C. since 2021. Additionally, Kelley Drye & Warren signed a lease to join Williams & Connolly at The Wharf, relocating from Georgetown.

While densification remains a prominent trend in law firm leasing, 23% of legal leases signed in 2023 resulted in growth for the market. Of note, Kellogg Hansen grew by 46% in its renewal at 1615 M Street NW and Davis Polk signed a lease to relocate to 1050 17th Street NW, increasing its footprint by 40,000 sq. ft. in the process.

Merger and Acquisition Activity

There was a notable uptick in merger and acquisition activity in the legal sector during 2023, with select mergers impacting the D.C. office market. After Orrick Herrington & Sutcliffe’s combination with Buckley, the firm leased an additional 27,500 sq. ft. at 2100 Pennsylvania Avenue NW and listed 65,600 sq. ft. for sublease at 2001 M Street NW, resulting in an overall contraction for the market.

Looking Ahead

While the overall office market is relatively soft in Washington, D.C. with vacancy at a record high and concessions elevated 42% above pre-pandemic levels, competition is tightening in the Trophy and Class A+ segments. More than 30 law firms are currently active in the market, looking for a combined 1.5 million sq. ft. of office space. Simultaneously, just 21 Trophy and Class A+ buildings have an existing 50,000 sq. ft. block of direct space available, even fewer with top floor availability. The development pipeline remains at a 30-year low, with just two Trophy buildings under construction. Rental rates are expected to increase for new supply, as the costs of construction and financing impact proformas. Lenders are also expected to require a significant prelease for new projects to break ground. As a result, law firms may increasingly opt to renew in place instead of competing for the few blocks of highest-quality space in the District.

FIGURE 2: Select Notable YTD Lease Transactions – District of Columbia

Tenant	Address	Submarket	Lease Type	SF	Market Effect
Crowell & Moring	600 5th St NW	East End	Prelease	198,877	Contraction
Hunton Andrews Kurth	2200 Pennsylvania Ave NW	CBD	Renewal	115,000	Contraction
Fried Frank Harris Shriver & Jacobson	801 17th St NW	CBD	Renewal	101,609	Flat
Pillsbury Winthrop Shaw Pittman	1200 17th St NW	CBD	Renewal	89,027	Contraction
Kellogg Hansen Todd Figel & Frederick	1615 M St NW	CBD	Renewal	83,000	Growth
Davis Polk & Wardwell	1050 17th St NW	CBD	New Lease	81,632	Growth
Kelley Drye & Warren	670 Maine Ave SW	Southwest	New Lease	65,308	Contraction
Hollingsworth	1350 I St NW	East End	Renewal	49,145	Flat
Cadwalader Wickersham & Taft	1919 Pennsylvania Ave NW	CBD	New Lease	42,481	Contraction
Orrick Herrington & Sutcliffe	2100 Pennsylvania Ave NW	CBD	Expansion	27,478	Contraction

Source: CBRE

FIGURE 3: Law Firm Relocation Leasing by Class – District of Columbia

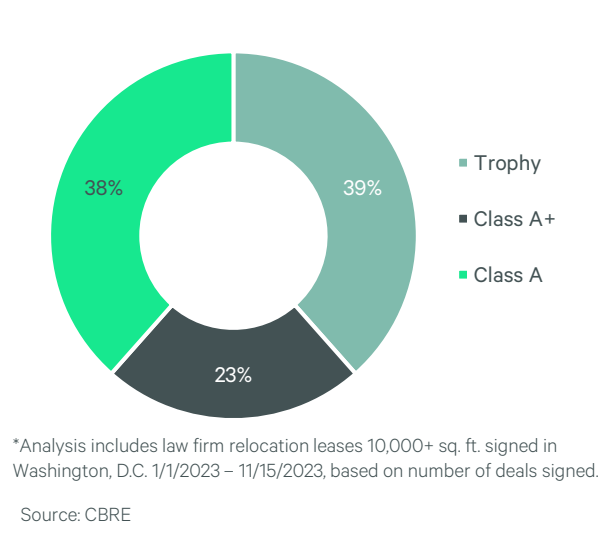
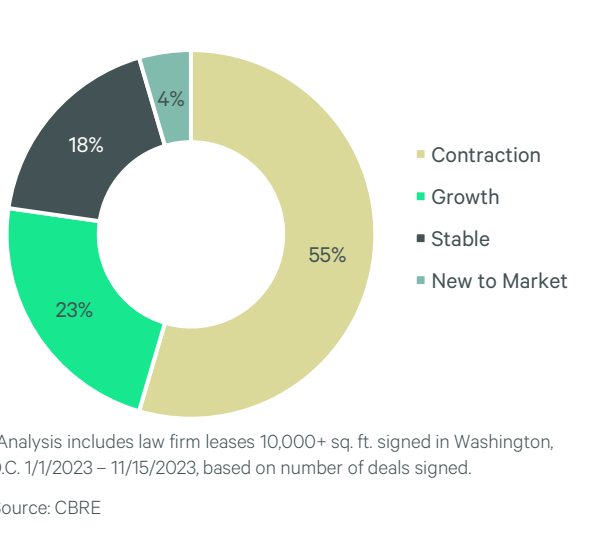


FIGURE 4: Law Firm Transaction Impact – District of Columbia



© Copyright 2023. All rights reserved. The views and opinions in these articles belong to the author and do not necessarily represent the views and opinions of CBRE. Our employees are obliged not to make any defamatory clauses, infringe or authorize infringement of any legal rights. Therefore, the company will not be responsible for or be liable for any damages or other liabilities arising from such statements included in the articles.