

Q3 2024

CHICAGO LEGAL BRIEF

The Chicago Law Firm Sector
Drives Leasing Opportunity

Better never settles

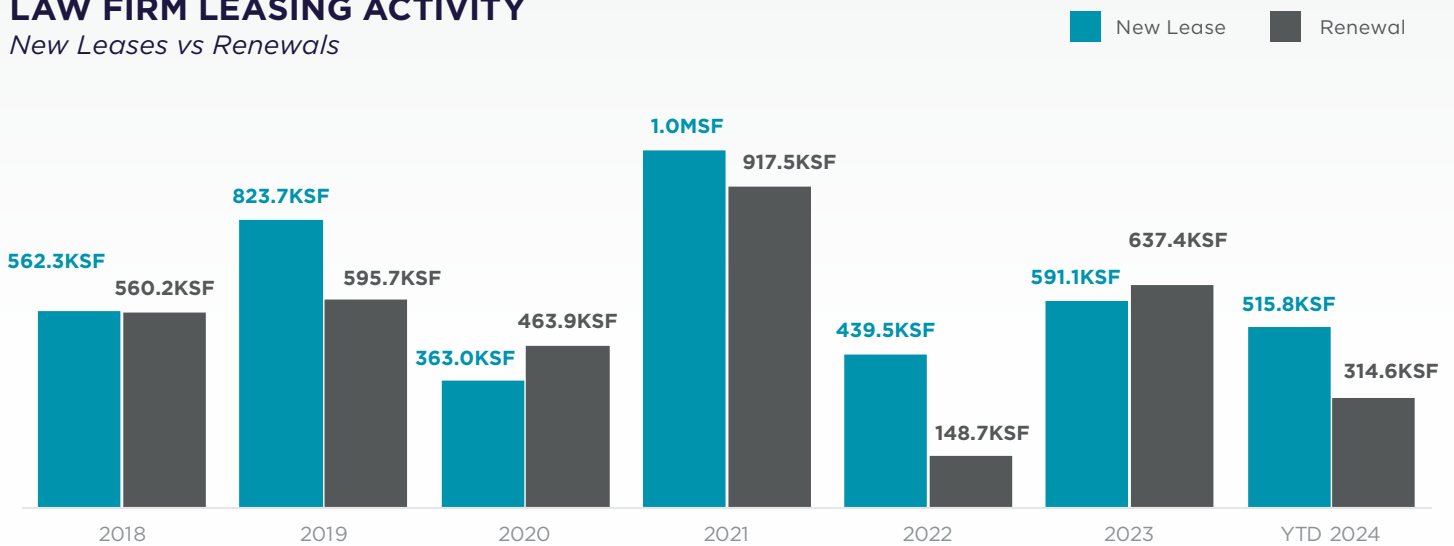




Chicago's Central Business District (CBD) benefits from a strong legal sector, which is made up of global firms from National Law Journal 500 to specialized boutique firms, each contributing to the city's reputation as a major hub for legal expertise and innovation. Law firms have accounted for 15.9% of overall leasing year-to-date (YTD) 2024 within the Chicago CBD. While overall leasing has slowed, activity since 2021 has outperformed 2018 through 2020 by 36.1% or 1.2 million square feet (msf). Since 2020, law firms that have downsized have reduced occupancies by an average of 36.9%. In contrast, firms that have expanded their footprints increased by an average of 110.8%, resulting in a net reduction of 417,000 square feet (sf) in legal sector Chicago occupancies. Law firms are carefully evaluating their needs to decide whether to expand their office space for growth opportunities or downsize to optimize costs and efficiency. Law firms in Chicago are attracting and retaining top talent by utilizing state-of-the-art office spaces and amenities in top-tier buildings that promote collaboration, innovation, and a positive work environment.

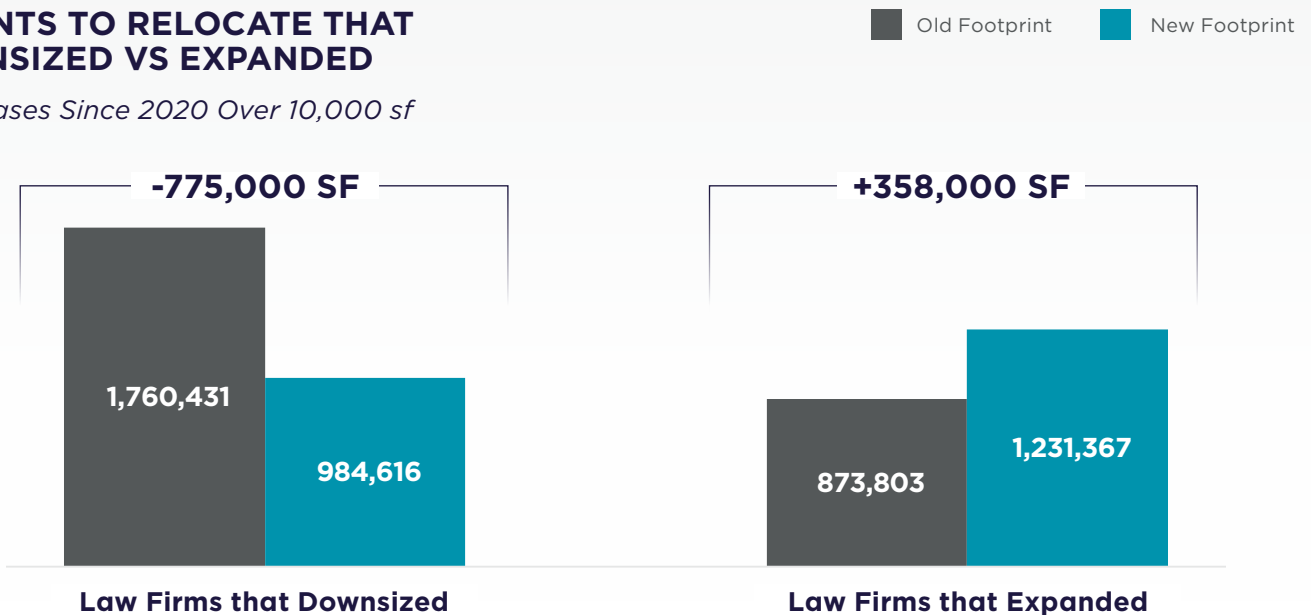
LAW FIRM LEASING ACTIVITY

New Leases vs Renewals



TENANTS TO RELOCATE THAT DOWNSIZED VS EXPANDED

New Leases Since 2020 Over 10,000 sf

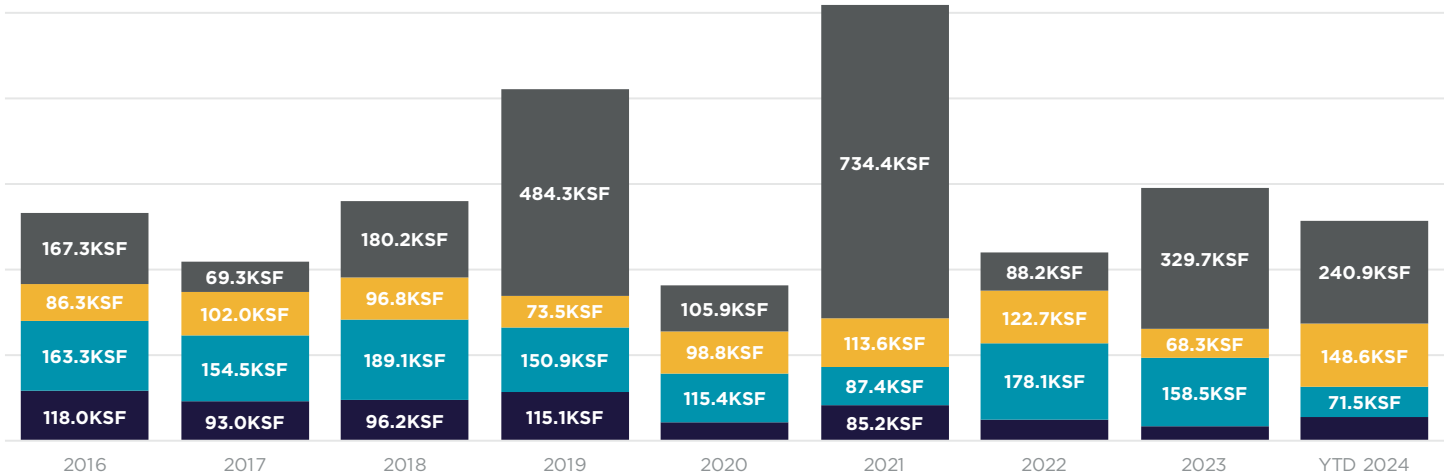


LEGAL BRIEF



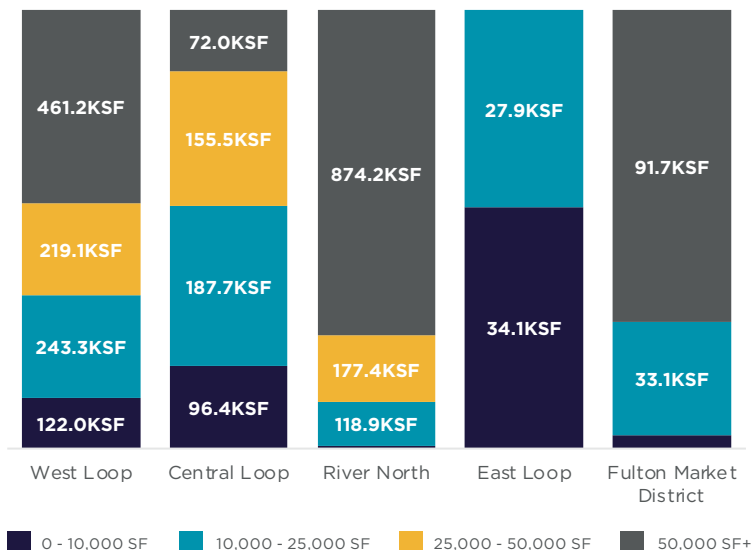
NEW LEASING SIZE BREAKDOWN

0 - 10,000 SF 10,000 - 25,000 SF 25,000 - 50,000 SF 50,000 SF+



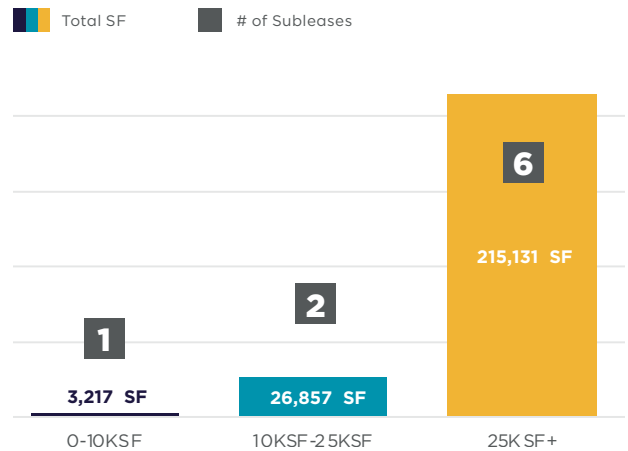
Law firm leases for spaces 10,000 sf and greater remained strong through Q3 2024, with twelve new deals signed totaling 461,000 sf. While many of these new leases reflect downsizes from previous footprints, expansions remain common. The average lease size for spaces over 50,000 sf had a significant increase from pre-pandemic to post-pandemic periods. Specifically, it rose from 70,000 sf to an average of 156,000 sf, marking a 122.9% increase. Relocations into top-tier buildings are influencing law firms' return-to-office (RTO) policies by providing attractive amenities both from the firms and buildings.

2020 - 2024 YTD NEW LEASING SIZE RANGE



Historically, law firms were predominantly located within the Central and West Loop. While this still holds true, since 2020 several law firms have chosen to relocate to other submarkets such as River North. Recent notable deals include; Kirkland & Ellis LLP's 662,000-sf lease at the newly constructed Salesforce Tower in River North, Faegre Drinker's 105,000-sf lease at 320 S Canal in the West Loop, and Greenburg Traurig's 91,000-sf lease at 360 N Green in Fulton Market.

LAW FIRM SUBLEASE AVAILABILITY BY SIZE RANGE



Sublease availability in the Chicago CBD totaled approximately 6.9 msf feet in Q3 2024; however, options are limited due to law firms desire for top-tier space. Currently, law firm sublease space constitutes less than 3.6% (245,000 sf) of the total availability. Although sublease space is generally abundant and cost-effective, finding spaces within specific size ranges remains challenging for law firms.



CONSTRUCTION COSTS

	2019	2024	% Change
Design Consulting	\$7/SF	\$12/SF	+71.4%
Construction	\$175/SF	\$250/SF	+42.9%
Technology (IT/Sec)	\$3.00/SF	\$5.50/SF	+83.3%
Audio Visual	\$10/SF	\$17.50/SF	+75.0%
Furniture	\$38/SF	\$55/SF	+44.7%
Move/Decom	\$1.50/SF	\$2.25/SF	+50.0%
Total	\$234.50/SF	\$342.25/SF	+45.9%

**Costs are for mid-range law firm buildouts*

The significant increase in law firm build-out costs since the pandemic period can be attributed to several key factors. General inflation and the ongoing repercussions of COVID-19 have driven up overall expenses. Law firms are investing in buildings with high-end amenities and finishes to retain and attract talent, incorporating features such as food services and golf simulators into their workspaces to entice staff back to the office. Additionally, challenges in material procurement are causing delays and prompting firms to pay premiums for timely deliveries, while increased technology needs for hybrid workspaces and extended design phases to accommodate new work policies are further contributing to rising costs.



BUILDING UPGRADES

- Using run rate reduction of disposed space to fund upgrades
- Highly amenitized
- Neighborhood appeal
- Single commute locations
- Activated outdoor spaces
- Cosmetic upgrades



OCCUPANCY / DESIGN CHANGES

- Modular and flexible space planning
- Interconnecting stairs
- Activity zones with varying work settings
- Social hubs/ Phone booths
- Event space and programming
- Ubiquitous A/V and technology
- Desk check ins/find me technology
- WELL + LEED certifications/ biophilia



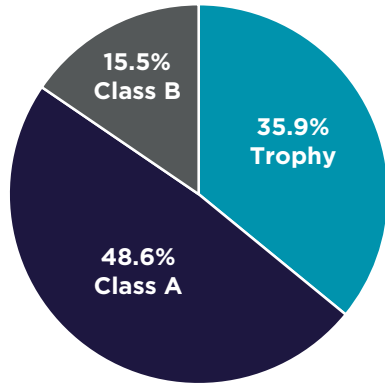
BESPOKE PROGRAMMING

- Celebrating individuals through external signage and marketing
- Food service programs, including reduced price or free food
- Social Events
- Fitness programs

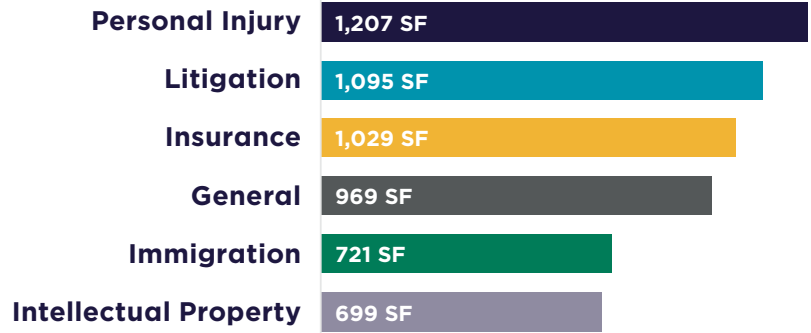


Attorney Footprint

% ATTORNEYS PER BUILDING CLASS



AVERAGE SF PER ATTORNEY



Over 10,000 attorneys are based in Chicago's CBD, occupying over 9.3 msf, which represents 6.5% of the CBD office inventory. By building class, 84.1% of these attorneys work in trophy and Class A buildings. This high concentration emphasizes the industry's preference for premium office space. The significant presence of attorneys in these high-end buildings highlights the importance of location and amenities in attracting top legal talent. Space requirements vary significantly depending on the type of legal practice, with the average sf for attorney being 950 sf. Personal injury attorneys have the highest average space allocation, with 1,207 sf per attorney.

TOTAL LEASING ACTIVITY

Click on Dates to See Migration Pattern

	2016-2019	2020-Present
Central Loop	1,819,071	1,292,918
West Loop	2,519,975	2,065,159
East Loop	257,546	407,931
River North	513,100	1,507,272
Fulton Market	3,881	128,802
N Michigan Ave	89,653	7,073

From 2016 to 2019, the West Loop and Central Loop represented 83.4% of law firm leasing activity. Since 2020, the West Loop has maintained its dominance, while the Central Loop recorded a 28.9% decrease compared to previous years. Leasing activity in River North increased by 193.8%. This shift is attributed to flight-to-quality standards in under-performing submarkets, owners' inability to self-fund essential lease concessions, and a lack of assets with newer high-end finishes. Law firms currently active in the market occupy 13.2% of the available space, with an average requirement of 35,000 sf.

LESS DEALS

MORE DEALS





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