

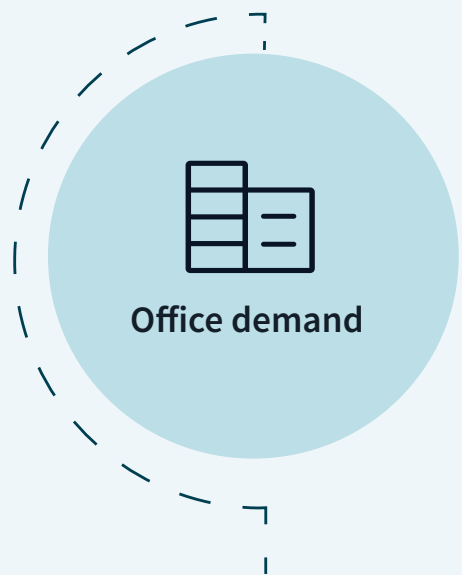


# Law firm real estate outlook





# Trends shaping downtown office markets



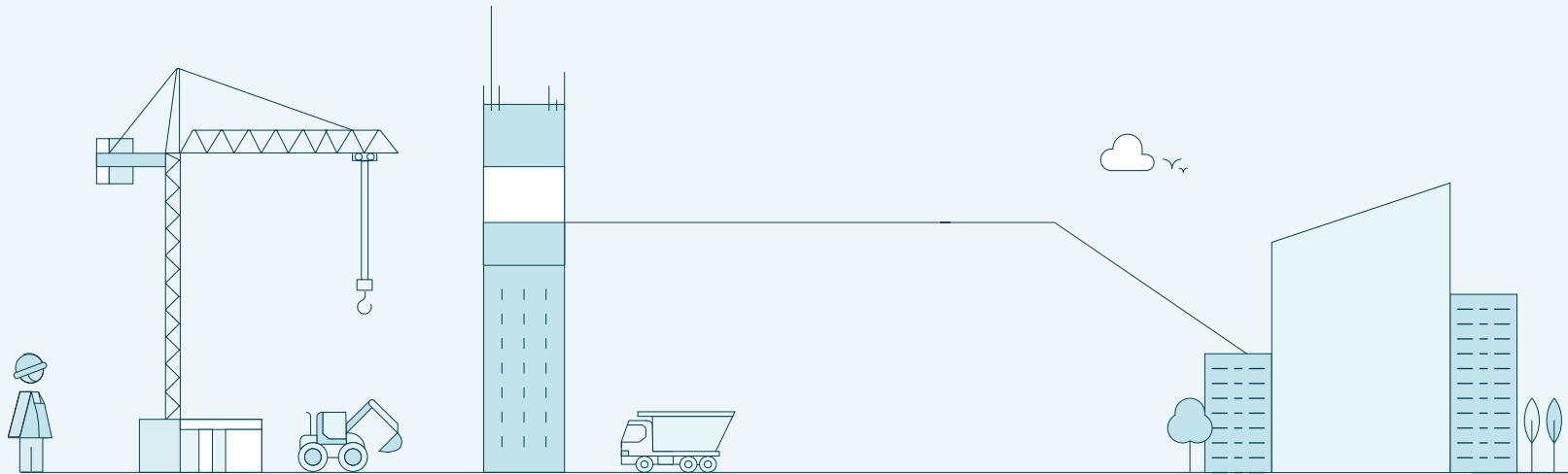
- 01 Law firm leasing volume is up 8% from pre-pandemic levels
- 02 83% of law firms that have relocated (since 2020) have migrated to a newer-vintage building, on average newer by 27 years
- 03 There has been 138 million s.f. of positive net absorption in newly constructed buildings since the start of the pandemic
- 04 Competition for space is intensifying as active tenant requirements are up 28% year-over-year and sublease additions are down 52% from peak
- 05 Renewal activity is up 15% year-over-year as tenants grapple with fewer relocation options



- 01 More office buildings are being converted and demolished than are being constructed (30+ million s.f. gap over the past 24 months)
- 02 Given a halt in construction activity, there will only be 5.5 million s.f. in office deliveries nationwide in 2026, 90% below long-term averages



- 01 80%+ of U.S. markets have hit record rents for Trophy product and there were a record-breaking number of \$100+ p.s.f. leases signed in 2024
- 02 Concessions have begun to moderate, but tenant improvement allowances remain near all-time highs

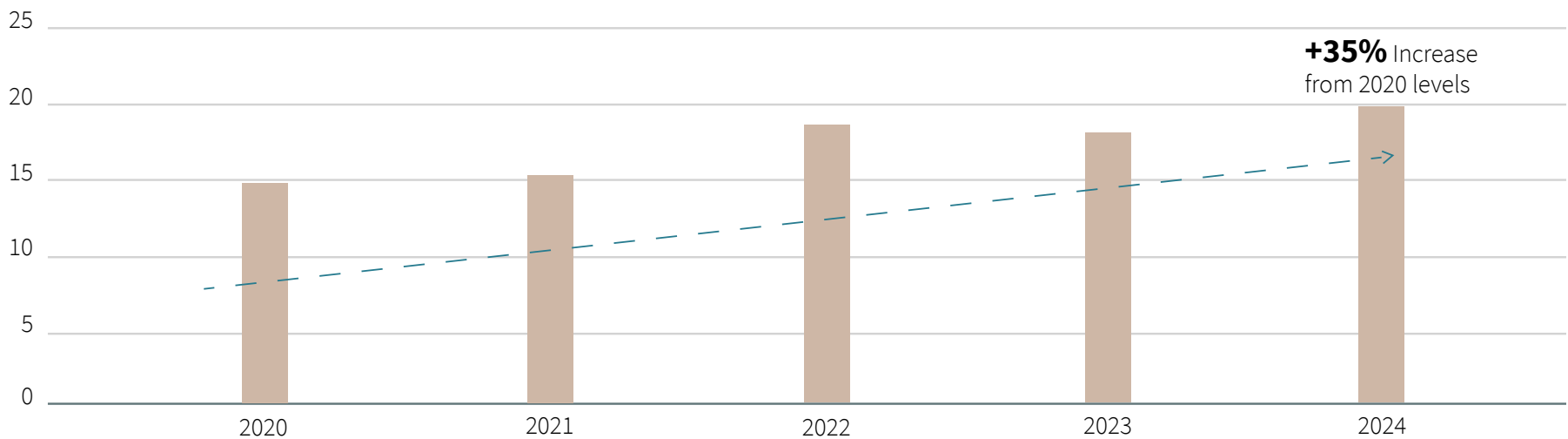


# Law firm leasing volume increasing amid more stringent return-to-office guidelines

- Although overall U.S. office leasing volume remains below pre-pandemic levels, law firms have seen a 35% increase from pandemic-lows and leasing activity has even climbed marginally above pre-pandemic annual averages.
- Law firm leasing demand has ramped up in tandem with increasingly stringent return-to-office mandates. Arnold & Porter, Skadden Arps, Simpson Thacher, Sidley Austin, Vinson & Elkins and Weil Gotshal are among the firms issuing guidelines for lawyers and staff to return to the office at least 3-4 days per week.

Law firm leases signed

s.f. in (millions)

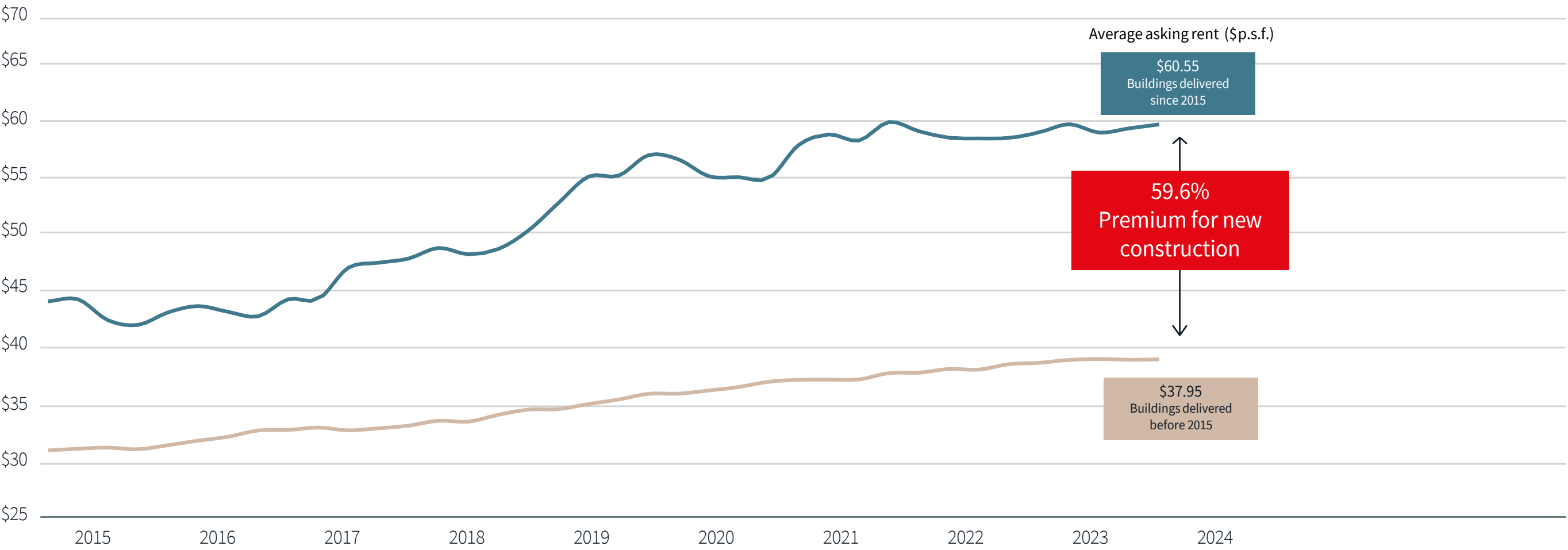




# Office rents climbing to record highs and gap widening between new and old buildings

## Average rents for new vs. existing buildings

Average asking rent (\$ p.s.f. full service)

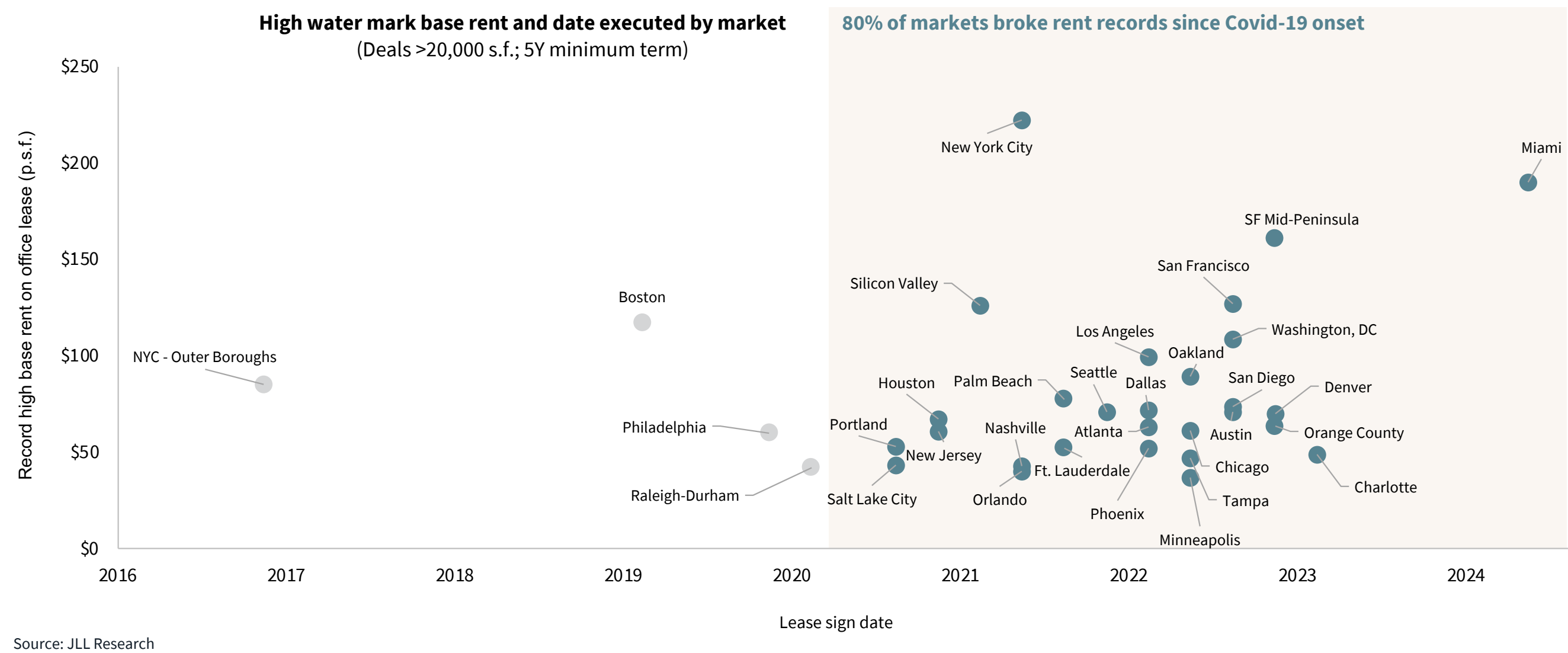


Rents are expected to remain high for top-quality spaces





# Office rents climbing to record highs and gap widening between new and old buildings



Rents are expected to remain high for top-quality spaces

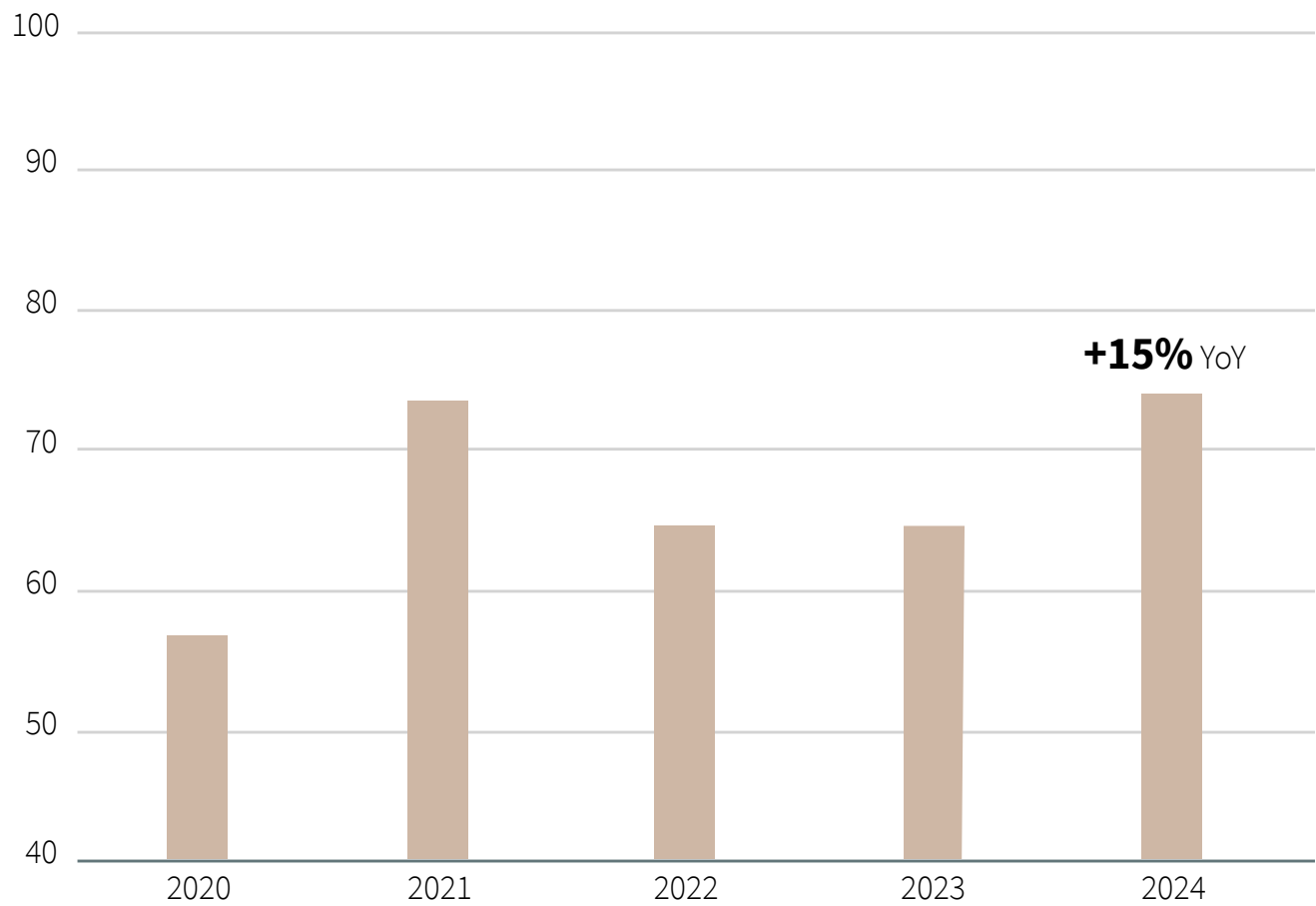




# Leading indicators suggest tightening market conditions

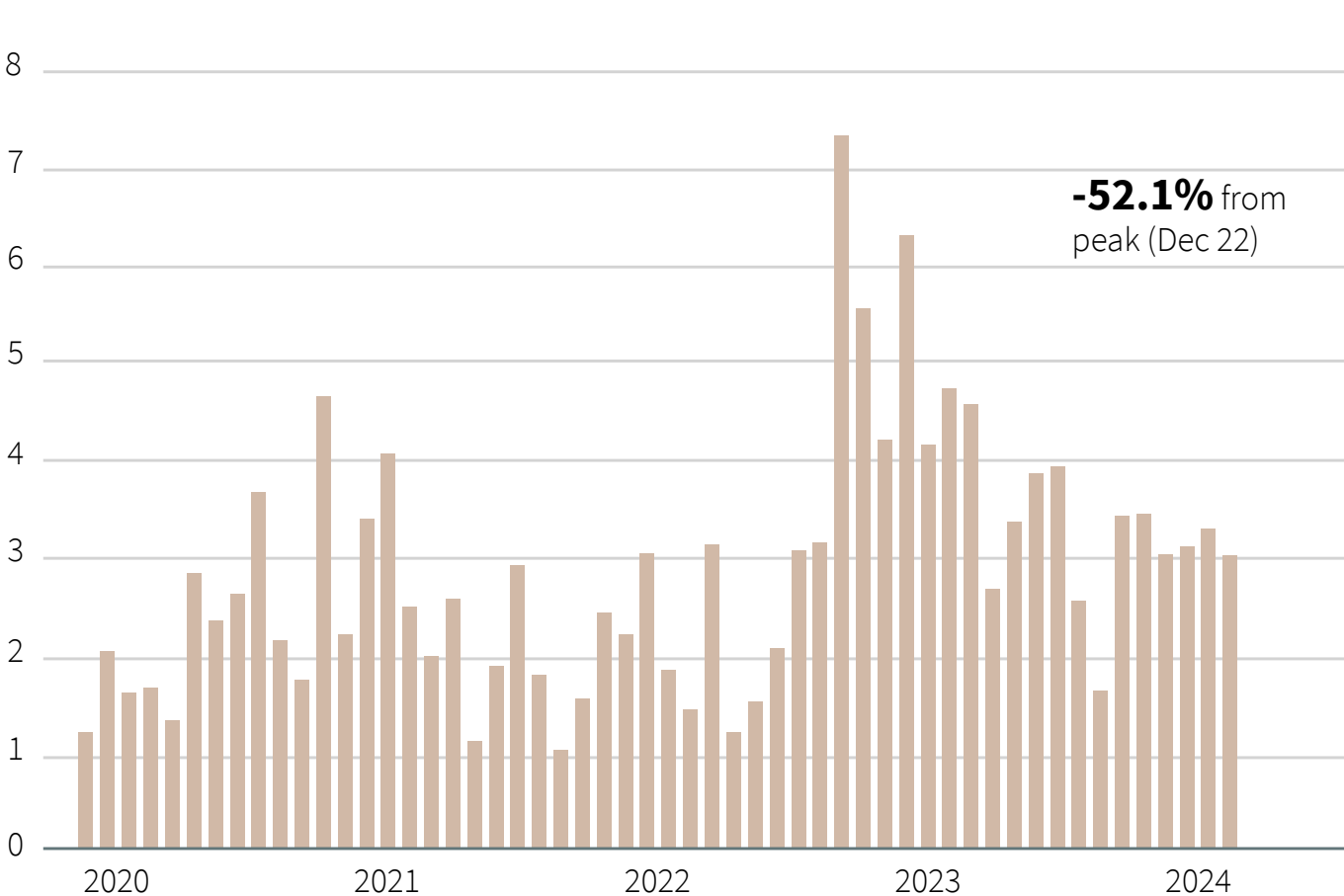
## Active tenant requirements have increased 15% year-over-year

Tenants in the market Index (2020 Q1 = 100)



## Sublease space is diminishing

New monthly sublease blocks (million s.f.)



Source: JLL Research

Note: TIMs index covers roughly 70% of gateway markets and 65% of secondary markets in the U.S.

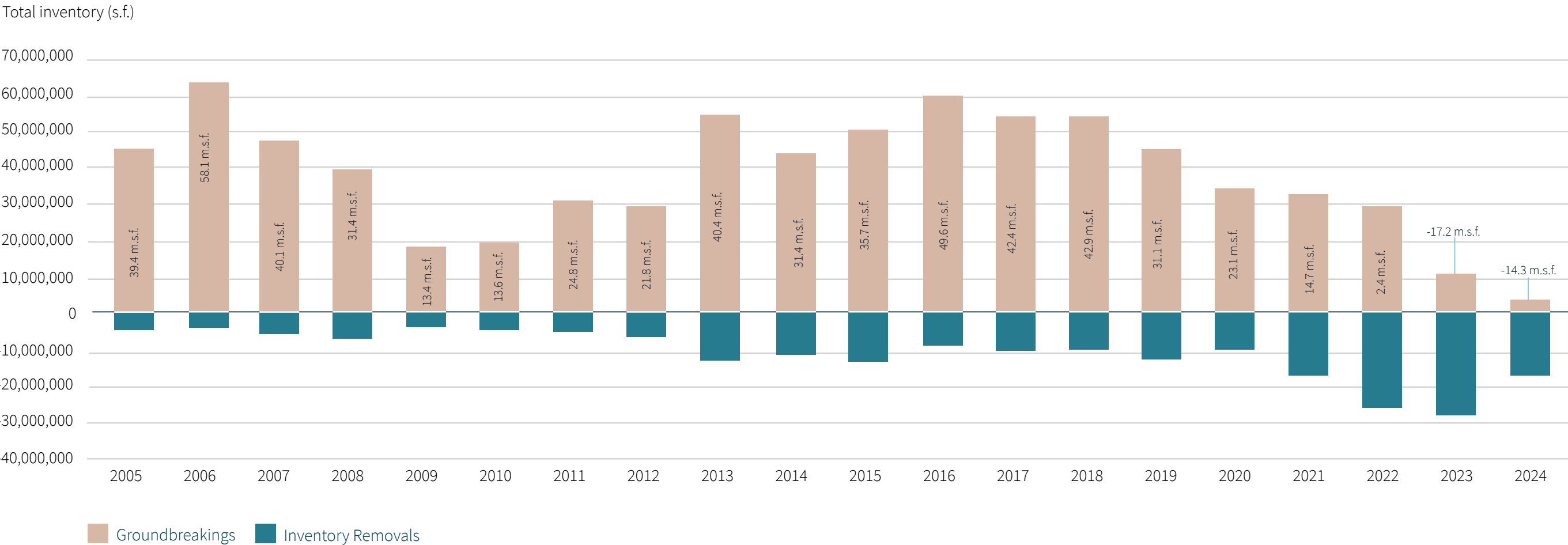
Space options will be limited as sublease options diminish and competition from other tenants gain momentum





# Total U.S. office inventory is declining, which may persist for multiple years

Data labels indicate net change



Halt in new construction will lead to space shortages in the high-end of the market

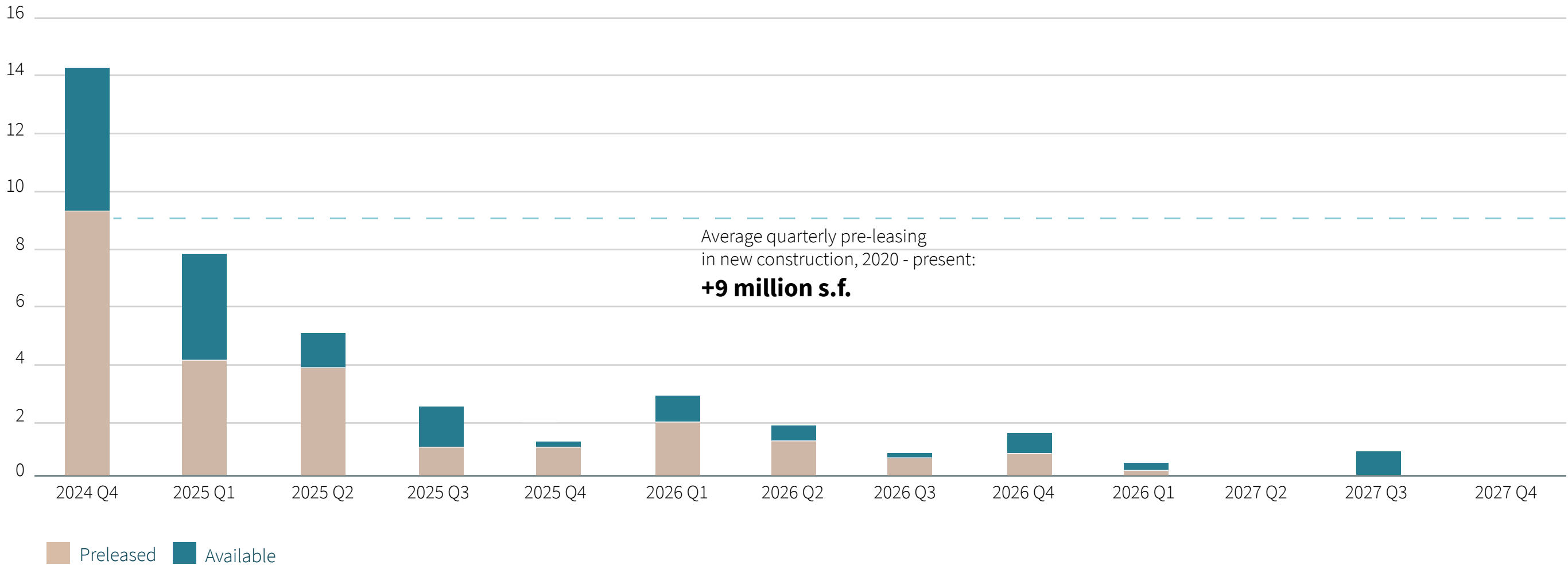




# Construction activity has halted, which will restrict new supply

## U.S. office delivery projection

Project competitions (s.f.)



| Year | Total deliveries | Available s.f.   |
|------|------------------|------------------|
| 2025 | 4.2 million s.f. | 1.7 million s.f. |
| 2026 | 1.7 million s.f. | 574,000 s.f.     |
| 2027 | 597,000 s.f.     | 125,000 s.f.     |

Supply outlook suggests tenants should act now to procure high-quality space





# Law firm outlook

## Looking back

**01** Office utilization increased by 11% in 2024 and total law firm leasing activity surpassed pre-pandemic levels.

**02** New construction came to a halt amid high interest rates and an inhospitable lending environment.

**03** Law firms grappled with a growing scarcity of large blocks of top-tier space.

## Looking ahead

**01** Space constraints for new high- quality blocks will become more acute and force renewals or relocations to inferior buildings.

**02** Despite landlord distress, rents will hold firm and trend higher than ever before due to elevated borrowing costs and limited new construction.

**03** Firms will implement some hoteling and hybrid models but largely maintain traditional build-outs while incorporating more technology and meeting spaces.







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