

London Legal Sector Update

This quarterly update aims to inform real estate decision makers within law firms of competitor activity and emerging best practice.

Q3 2023

SECTOR AND REAL ESTATE TRENDS

A round-up of the most disruptive trends shaping law firms and their future real estate requirements.

Sector Trends

Working practices are changing at some law firms.

A number of law firms updated their work-from-home policies. Ropes & Gray, Skadden, Weil Gotshal & Manges and Sidley Austin adopted four-day office working weeks. The firms noted the benefits of being in the office for training and professional development. The legal sector cut of our global occupier survey found that 54% of respondents view hybrid as the most likely workstyle three years from now, while 46% described their future workstyle as being office first.

AI will create new growth opportunities and career paths for the legal sector.

A recent [global survey](#) revealed that legal professionals view enhanced productivity and efficiency as the primary benefits of AI adoption, with 75% and 67% selecting these factors, respectively. Additionally, 81% foresee new services emerging from AI technology in the next five years, opening up new revenue streams; however, acquiring new skillsets and ensuring accuracy with AI remain top concerns.

The UK's top law firms generated revenue growth that indicates sector resilience.

Data from [The Lawyer](#) reveals that the UK's top 100 law firms generated £33.7bn in revenue in 2022/23, an increase of 7% from 2021/22. The 50 largest law firms in London have also shown resilience, with revenues up from £10bn in 2019 to £13.4bn this year.

Real Estate Trends

US firms dominate leasing activity.

US law firms accounted for 90% of legal sector take-up in Q3, often as a direct consequence of further expansion. According to The CityUK, approximately 100 American law firms now have a presence in the UK, with London serving as the central European hub for most. Interestingly, US firms have been at the forefront of pushing for employees to spend more days working in the office.

An uptick in leasing levels points to resilient demand from the legal industry.

Total floorspace acquired by law firms jumped 70% compared to the previous quarter and 52% relative to the same period last year. Major space takes include Kirkland & Ellis acquiring 173,597 sq ft of expansion space at 40 Leadenhall Street, EC3. This was also the largest office deal of the quarter. Our data underscores larger law firms' strong desire for premium office space in London, which is set to continue as there is currently over 1m sq ft of named legal sector demand.

The City Core remains the top choice for law firms.

The City Core submarket accounted for 88% of legal sector leases. Firms choose their location for several reasons: state-of-the-art amenities; sustainable and environmentally friendly buildings; room to grow and expand; an exceptional workplace for employees and clients; and an overall environment that aligns with the firm's values and culture. The majority (92%) of legal office space leased in the City Core was in newly constructed or extensively refurbished buildings, reflecting a focus on higher-quality office space.

Market Intelligence

Looking at who is acquiring space, how much and where, the types of buildings law firms are occupying, with particular attention to building accreditations and certifications, and locational preferences.

London law firm leasing volumes

380,947 sq ft

Q3 2023

223,873 sq ft

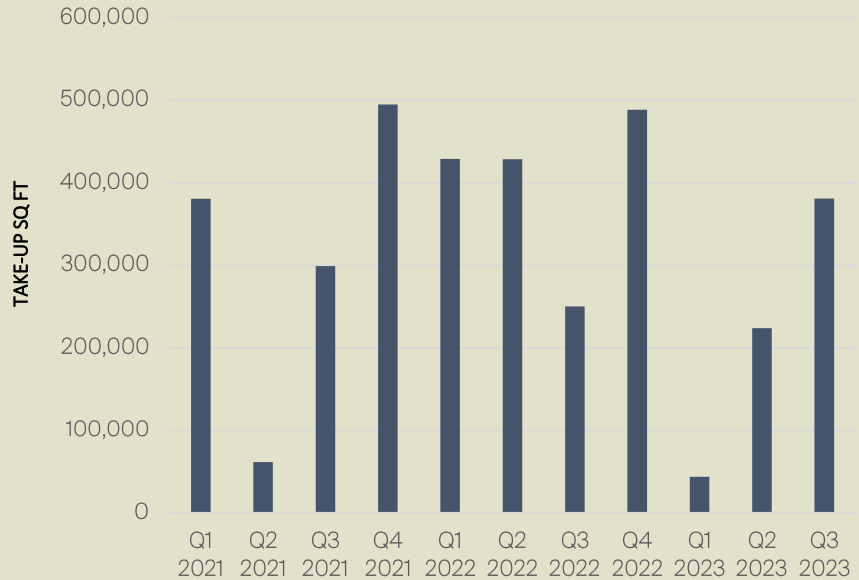
Q2 2023

648,507 sq ft

YEAR TO DATE

1.60 m sq ft

2022

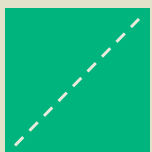


Source: Knight Frank Research

Select London law firm leasing transactions - Q3 2023

Occupier	Grade	Address	HQ Location	Sq Ft	Rent
Kirkland & Ellis	New	40 Leadenhall Street, EC3	US	173,597	Confidential
Proskauer Rose	New	8 Bishopsgate, EC2	US	57,913	£87.00
King & Spalding	New	8 Bishopsgate, EC2	US	41,235	£88.00
Latham & Watkins	New	One Leadenhall, EC3	US	33,390	Confidential
Wilson Sonsini Goodrich & Rosati	Comprehensively Refurbished	Eden House, 5-13 Spital Square, E1	US	32,584	£80.00

Source: Knight Frank Research



1.1 m sq ft

of named legal sector demand

Specification Highlights

Specifications of buildings where law firms have taken space.



40 Leadenhall Street, EC3

Occupier: Kirkland & Ellis

New

Amenity space includes a communal clubhouse, 200-seat auditorium, HD cinema room, library area and think space, wellness and fitness studio, retail and rooftop restaurant/bar. 17 outdoor green spaces and terraces and a central square. Ample bike storage and commuter facilities. Aligned to sustainable design practices. Includes building technology that enhances the user experience, tracks and manages energy and water usage and monitors the performance and operation of plant. Within a four-minute walk of Aldgate station.

Targeting BREEAM Excellent and WELL Platinum. NABERS 5 rating, Reset air quality assessment, Wired certification Platinum and SmartScore Platinum rating.*



8 Bishopsgate, EC2

Occupier: Proskauer Rose and King & Spalding

New

10% of the building is dedicated to amenity space that includes a viewing gallery and events space, café, kitchen, bar and landscaped communal terrace. Ample end-of-trip facilities and a 200-seat auditorium. Over 15,000 sq ft of outdoor terraces. Powered by smart technologies, with an AI integrated analytics platform that captures, analyses and shares energy performance. London's most sustainable tall office building, developed to achieve low embodied carbon and be low-carbon in operation, featuring the highest solar powers in London, advanced floor-by-floor air filtering, light-responsive blinds and rainwater harvesting and greywater recycling. Six stations, nine tube lines and the Elizabeth Line within a five-minute walk.

WiredScore Platinum, BREEAM Outstanding, EPC A rating.



One Leadenhall, EC3

Occupier: Latham & Watkins

New

Adjacent to Leadenhall Market, with ample bike storage and end-of-trip facilities, EV charging points, a public terrace and ground floor retail. Within a five-minute walk of Bank, Monument and Fenchurch Street stations.

Targeting BREEAM Excellent and WELL Platinum. ActiveScore Platinum.



Edén House, 5-13 Spital Square, E1

Occupier: Wilson Sonsini Goodrich & Rosati

Comprehensively Refurbished

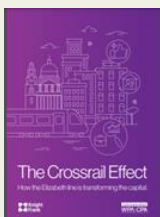
Abundant terracing, low energy LED lighting, on-site energy generation, end-of-trip facilities, living green wall to courtyard. A two-minute walk from Liverpool Street Station.

BREEAM Excellent. EPC A rating.

New Law Firm Leases



Recent research



The Crossrail Effect

In this report, produced in collaboration with the London Property Alliance, Knight Frank has undertaken a review of the performance of central London office markets that have been affected by the opening of the Elizabeth Line.



London Offices Spotlight Q3 2023

A quarterly summary of the state of the London office market.

We like questions, if you've got one about our research, or would like some property advice, we would like to hear from you.



Richard Proctor
Partner
Head of London Tenant Representation
+44 20 7861 5159
richard.proctor@knightfrank.com



Natasha Stocks
Associate
London Tenant Representation
+44 20 7861 1746
natasha.stocks@knightfrank.com



Jennifer Townsend
Partner
Occupier Research
+44 20 3866 8028
jennifer.townsend@knightfrank.com