

London Legal Sector Update

Q3 2024

Our quarterly London Legal Sector Update aims to inform real estate decision makers within law firms of competitor activity and emerging best practice.

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Sector and real estate trends

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

Three sector trends

The legal sector is evolving rapidly, driven by increasing AI adoption, strong financial growth, and a record number of new company incorporations.

UK LAW FIRMS TURN TO ARTIFICIAL INTELLIGENCE (AI)

New research reveals that over 40% of UK lawyers now use AI in their daily work, with 60% of firms making internal changes due to AI adoption. This includes providing AI training. AI is streamlining tasks like due diligence but concerns over the accuracy of publicly available AI tools persist, leading many to prefer AI systems rooted in legal databases.

LAW FIRMS SEE DOUBLE-DIGIT GROWTH

The UK's 50 largest law firms generated total revenue of £33.4bn, an 8.4% increase on the previous year. Clifford Chance grew its top line by 11.5% to £2.3bn, while Linklaters and Herbert Smith Freehills also saw double-digit growth. Total net profit for the top 50 increased 11.3% to £10.8bn. Average PEP rose 16%, from £850,000 to £986,000.

RECORD BREAKING SURGE IN LEGAL SECTOR COMPANY INCORPORATIONS

In 2023, London experienced a record surge in legal sector company incorporations, with 1,098 firms founded, marking an impressive 89% increase from 582 in 2022. This rapid growth underscores the rising innovation and investment in the LegalTech space alongside London's enduring status as a global leader in legal services.

Three real estate trends

The quarter saw a surge in legal sector take-up, driven by US firms and a prioritisation of sustainability when making real estate decisions.

US FIRMS DOMINATE LEGAL SECTOR TAKE-UP

US firms accounted for seven out of 16 deals this quarter, taking up 71% of the total space acquired, or 253,113 sq ft. Notable deals included A&O Shearman's additional 92,857 sq ft at 1-2 Broadgate, highlighting a trend of law firms exercising expansion options for additional space. Historical examples of this trend include Kirkland & Ellis, Linklaters and Latham & Watkins.

LEGAL SECTOR TAKE-UP SKYROCKETS IN Q3

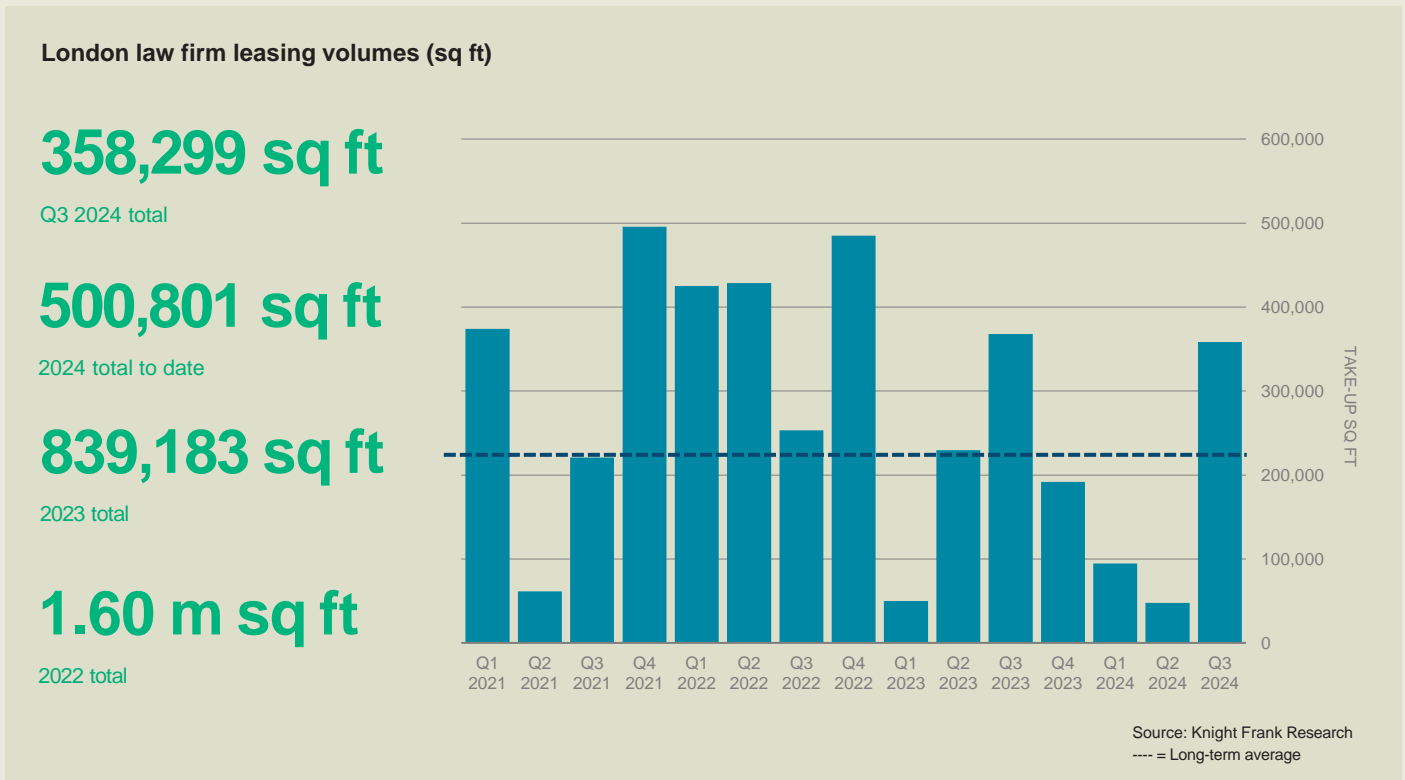
The legal sector saw a significant surge in activity, with take-up rising by 651% quarter-on-quarter to reach 358,299 sq ft. In Q3, the legal sector accounted for 12% of total London take-up and 21% of City take-up. With named demand for the sector reaching 1.29m sq ft, it remains a key player in London's real estate market, continuing to make a substantial contribution to overall take-up.

SUSTAINABILITY, A KEY DRIVER OF REAL ESTATE DECISIONS

Sustainability continues to dominate real estate decisions, especially for large firms. In Q3, all buildings where law firms acquired 20,000 sq ft or more were either new or newly refurbished, with BREEAM certifications of "Very Good" or higher. All but one building achieved an EPC rating of A.

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 preference and clustering.



Law firm leasing transactions – Q3 2024

* = Knight Frank deals – either Landlord or Tenant Representation

Occupier	Grade	Address	HQ Location	Sq Ft	Rent (£ per sq ft)
A&O Shearman	New	1-2 Broadgate, EC2	US	92,857	Confidential
Akin Gump Strauss Hauer & Feld	Refurbished	155 Bishopsgate, EC2	US	84,887	£82.50
Watson Farley & Williams	Refurbished	25 Moorgate, EC2	UK	70,231	£67.50-£95.00
Davis Polk & Wardwell*	New	The Whittington Building, 4/4a Frederick's Place, EC2	US	31,009	Confidential
Weil, Gotshal & Manges	Refurbished	Stonecutter Court, 1 Stonecutter Street, EC4	US	20,367	£95.00

Source: Knight Frank Research



1.29m sq ft

of named legal sector demand

SPECIFICATIONS OF BUILDINGS WHERE LAW FIRMS HAVE TAKEN SPACE



1-2 Broadgate, EC2

Occupier: A&O Shearman

New

Located at the southern end of the City of London's Broadgate campus, 1-2 Broadgate is a short walk to Liverpool Street station.

The development includes a two-level retail arcade and is close to the Broadgate Circle dining hub.

1-2 Broadgate features energy-efficient building systems and low embodied carbon, in part due to the way advanced energy modelling was utilised from the early design stages. With wellbeing in mind, the building features smart-enabled systems, flexible facades, fresh air ventilation, and terraces on each level, providing easy access to outdoor breakout space.

Aiming for BREEAM 'Outstanding', EPC Rating A, WiredScore 'Platinum', and WELL 'Platinum'



155 Bishopsgate, EC2

Occupier: Akin Gump Strauss Hauer & Feld

Refurbished

There are four tube lines (Metropolitan, Hammersmith & City, Circle, Central), the Elizabeth Line, two major rail stations (Liverpool Street and Moorgate), and four-cycle routes within easy access

Outside, a range of shops and restaurants extends to Liverpool Street Station. Inside, a double-height lobby features a coffee shop and business lounge. There are also extensive end-of-trip facilities.

The redevelopment used sustainable timber and recycled fabrics to limit the amount of embodied carbon.

BREEAM 'Very Good', EPC Rating C, WiredScore 'Gold'



25 Moorgate, EC2

Occupier: Watson Farley & Williams

Refurbished

Located off Moorgate, the building is a three-minute walk from both Moorgate and Bank stations. 25 Moorgate benefits from nearby retail and dining options, including the Royal Exchange and Cheapside.

Energy monitoring technology, low-energy LED lighting, efficient glazing, and all-electric heat pumps contribute to its net zero carbon ambitions. The building's onsite amenity provision is focused on employee health and wellbeing, comprising end-of-trip facilities, nearly 4,000 sq ft of terraces, and a top-floor communal club space.

WELL 'Platinum' and SmartScore 'Gold' enabled, aiming for BREEAM 'Outstanding', NABERS Rating 4.5, EPC Rating A, WiredScore 'Platinum' and BCO compliance*



The Whittington Building, 4/4a Frederick's Place, EC2

Occupier: Davis Polk & Wardwell

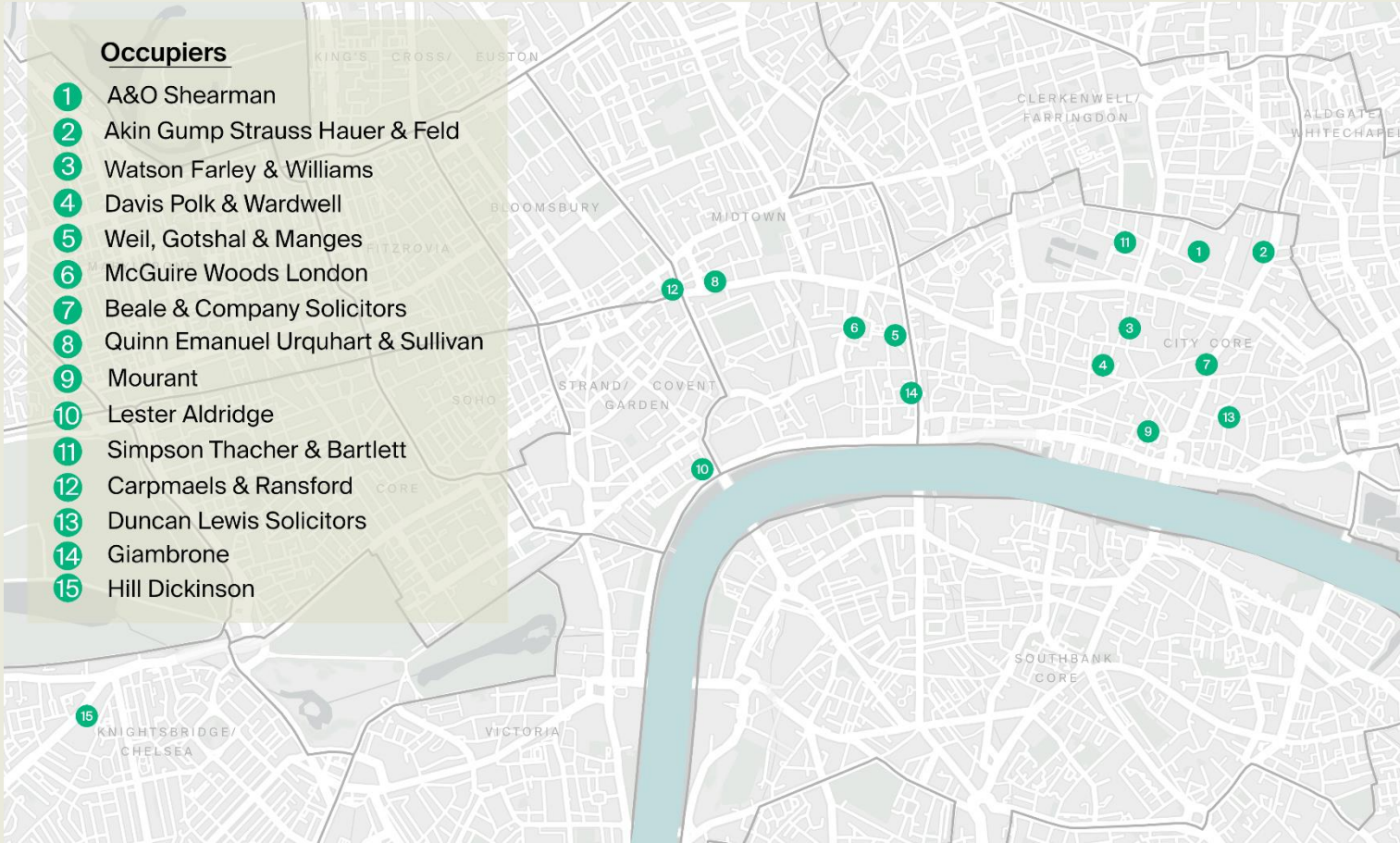
New

Located near the Bank of England and just a three-minute walk from Bank station, this building is part of the rejuvenated Frederick's Place estate. It features a passage connecting Frederick's Place with Ironmonger Lane, creating a dynamic ground-floor space.

The all-electric building includes energy-efficient features like passive solar shading, LED lighting, and an air source heat pump. Private terraces on the fourth and fifth floors provide outdoor breakout spaces. A mixed-mode ventilation system ensures 100% fresh air, enhancing occupant wellbeing and supporting a healthy working environment.

EPC Rating A, aiming for BREEAM 'Excellent'

NEW LAW FIRM LEASES



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



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