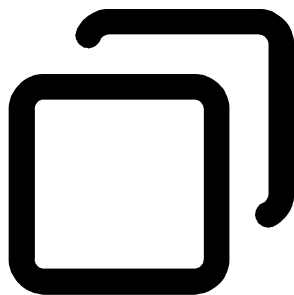
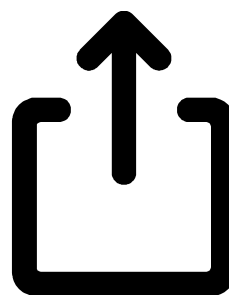


# Law firm set to leave Wacker Drive for River North

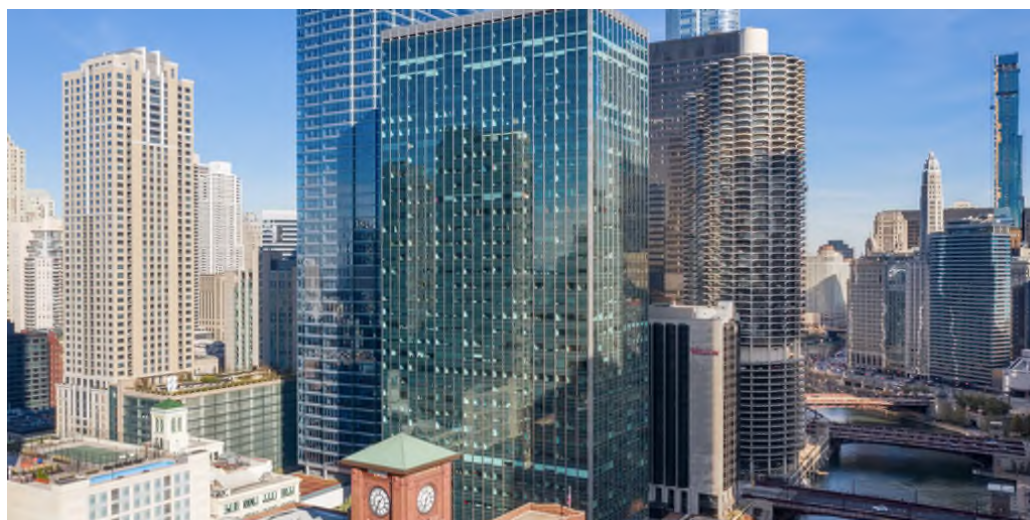
By Danny Ecker



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Credit: CoStar Group

321 N. Clark St.

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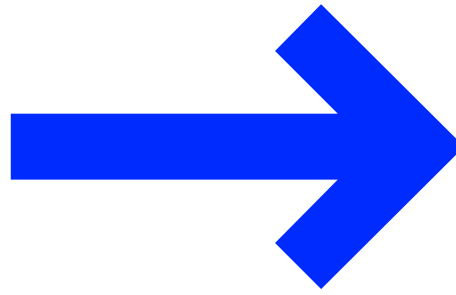
Loop office landlord hit with \$105 million foreclosure lawsuit

November 27, 2023 12:10 PM    UPDATED 41 MINUTES AGO

Law firm Honigman is poised to move its Chicago office from Wacker Drive to a similarly sized space in a tower along the Chicago River, a recommitment to its office footprint at a time when many firms are cutting back on workspace.

The Detroit-based firm confirmed it is in talks to lease about 27,000 square feet on one floor at 321 N. Clark St., where it would relocate next year from its office at 155 N. Wacker Drive.

Honigman [subleases](#) about 28,000 square feet today at the Wacker Drive tower from law firm Skadden Arps Slate Meagher & Flom, which is [leaving the building](#) with the expiration of its lease next June.



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If completed, the new lease would be welcome news for downtown office landlords getting sick of watching tenants scale back their space with the rise of remote work. Honigman maintaining its footprint would validate the importance of its office space amid a downsizing trend that has pushed vacancy to an all-time high and set off a historic wave of office buildings in distress.

The deal would also notch a win for a joint venture of Houston-based developer Hines, Los Angeles-based American Realty Advisors and Chicago-based Diversified Real Estate Capital, which owns the 35-story Clark Street building and poured \$85 million into a major renovation of the property in 2019 to help compete for new tenants.

A redone lobby, new tenant amenities and a highly accessible location were key reasons that Honigman chose 321 N. Clark as it searched for a new office, said Thomas Gaughan, the firm's chief operating officer.

Honigman also wanted to build out a new office from scratch that's not only designed for the way its attorneys and staff use it in the wake of the

COVID-19 pandemic, but also provides options to expand its space in the future, he said.

"We were really looking at opportunities to not only make a brand statement with a building and what it says about us as an organization, but similarly what does it say to the folks inside the organization about who we are and how we work," Gaughan said. "321 (N. Clark) gives us an opportunity to do that in Chicago."

Honigman has nearly 50 attorneys in Chicago today, almost twice the number it had when it subleased the Skadden space in 2017. Its current headcount might have called for a bigger office footprint under its pre-pandemic space approach, which included multiple sizes of offices and extra space warehoused for future growth, Gaughan said.

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But with many people using the office only a couple of days per week, Honigman will build out its new space with single-sized offices — many of which are unassigned — as well as more space for gathering. That strategy allows the firm to have a more efficient floor plan, "and people get used to working where there is space available, which helps facilitate collaboration," Gaughan said.

Gaughan said the new lease the firm is negotiating would be for more than 10 years, but with multiple options built in in relatively short-term increments that would allow Honigman to change its footprint based on the firm's growth and how it uses its office space.

Honigman has been in the Chicago market since 2015, when it absorbed Chicago litigation firm Schopf & Weiss.

A spokeswoman for the 321 N. Clark St. ownership venture did not provide a comment on the Honigman lease negotiations.

The Hines-ARA-Diversified joint venture **paid \$340 million** in 2016 for the 897,000-square-foot Clark Street office building, when the property was about 96% leased, according to real estate information company CoStar Group.

After completing the renovation, the ownership group refinanced the building in 2021 with \$296 million in new debt to pay off a previous \$245 million mortgage, according to research firm MSCI Real Assets. For now, that debt has allowed the owners to fend off pain from interest rate spikes that have rankled landlords with maturing debt over the past year.

The Clark Street building is about 80% leased today, with the American Bar Association and law firm Foley & Lardner as its largest tenants, according to CoStar Group.



By Danny Ecker

Danny Ecker is a reporter covering commercial real estate for Crain's Chicago Business, with a focus on offices, hotels and megaprojects shaping the local property sector. He joined Crain's in 2010 and previously covered the business of sports, as well as the city's convention and tourism sector.