

## Mid-Sized Firms Show Caution in Boosting Billing Rates

Christine Simmons

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New York City firms raised their attorney billing rates on average by 12 percent in the last few years, the second highest change in rates among lawyers in various U.S. cities, according to a new report, which also shows that a lawyer's billing rate is determined more by law firm size and location than by status, experience or practice area.

[The 2012 Real Rate Report](#) found the median billing rate for 2,020 partners in New York City last year was \$756, while the top quarter of those partners' rates was more than \$937.

The median billing rate for 3,290 associates in the city was \$465 in 2011.

The report, released this week, showed that only Boston attorneys were ahead of New York lawyers in the percentage increase of billing rates from 2009 to 2011. Overall, average rates rose to \$633 from \$565 among New York attorneys from various law firm sizes and practices.

The report, a collaboration between TyMetrix and the Corporate Executive Board, is an analysis of \$7.6 billion in legal fees billed across the country over a five-year period ending last December. The results are based on actual invoices paid by corporations.

Meanwhile, partner billing rates in Buffalo and the Albany area rate among the bottom 10 of metropolitan areas in the country. The report tracked rates for partners and associates in groups of under 100 in various cities in upstate New York in 2011.

## Median Litigation Billing Rates in NYC

Industry	Firm Size	Title	Rate	
Finance, Investments and Banking	1-50	Associate	\$240	
		Partner	\$375	
	51-200	Associate	\$236	
		Partner	\$412	
	201-500	Associate	\$420	
		Partner	\$638	
	501+	Associate	\$460	
		Partner	\$780	
	Insurance and Health Care	1-50	Associate	\$170
			Partner	\$194
51-200		Associate	\$207	
		Partner	\$245	
201-500		Associate	\$265	
		Partner	\$357	
501+		Associate	\$220	
		Partner	\$250	
Manufacturing		1-50	Associate	\$220
			Partner	\$285
	51-200	Associate	\$315	
		Partner	\$495	
	201-500	Associate	\$315	
		Partner	\$525	
	501+	Associate	\$495	
		Partner	\$775	

SOURCE: RateAnalyzer by TyMetrix Legal Analytics

In the Albany, Schenectady and Troy areas, the median billing rate for partners was \$250, while associates' median rate was \$199.

In Rochester, the median billing rate for partners in 2011 was \$305, while the median rate for associates was \$200.

Tracking 84 partners in the Buffalo and Niagara Falls area, the report said their median billing rate was \$279 in 2011, while the median billing rate for 60 associates was \$180.

### 'Pricing Power' of Firm Sizes

Billing rates were highest in firms with the greatest number of attorneys.

"The larger the firm, typically the more pricing power they seem to have," said Julie Peck, vice president of market strategy and development at TyMetrix, a Wolters Kluwer company.

Across U.S. cities, from 2009 to 2011, attorney billing rates jumped an average of 13 percent at firms with 501 to 1,000 lawyers, while rates rose an average of 8 percent at 100- to 250-lawyer firms.

Rates at firms with 51 to 100 lawyers had a 6 percent average change, and firms with one to 50 lawyers saw a 4 percent average boost in rates.

Even within New York City, the priciest legal market, lawyers' rates vary substantially based on head count.

For litigation work in the manufacturing industry last year, the median billing rate for New York partners in firms with up to 50 lawyers was \$285. But the median billing rate for partners in that practice group at firms with 51 to 200 lawyers was \$495, and the median rate at firms with more than 500 lawyers was \$775, according to data from the TyMetrix Rate Analyzer.

Among New York City partners working on securities, banking and investments matters in the finance industry, the median billing rate at firms with 51 to 200 lawyers was \$645. The median rate for partners in that field at firms with 201 to 500 lawyers was \$815 an hour, and the median rate at 500-plus lawyer firms was \$900.

Peck said some clients prefer larger law firms because they have a greater networks of resources.

### Mid-Sized Firms

Meanwhile, some leaders of mid-sized firms in New York said in interviews that the billing rates at their firms do not increase as much because the attorneys are more cognizant of their clients' budgets.

"You have to be mindful of the value of a case and what the economics are in a deal, and I think that's the case more so in a mid-sized firm," said Luise Barrack, managing partner of 50-attorney real estate firm Rosenberg & Estis.

Barrack said her firm increased its rates by about 4 percent from 2009 to 2011, while raising them more this year because the real estate market is more active.

"We froze rates when the market tanked. We didn't want to increase. We didn't think that was appropriate," she said. "Now I think it's vibrant, the credit markets are back and there's been a lot of activity."

Nationwide, although all major practices saw rate increases, changes in real estate, litigation, and labor and employment were the most limited, the report said. Large boosts in rates occurred in finance and securities, regulatory and mergers and acquisitions practices.

In New York City, the median billing rates for partners working on finance and securities was \$898 in 2011, while associates' median rate was \$540, according to the report, which tracked more than 1,500 partners and associates in that practice area.

"I've got two words for you: Dodd Frank," said Steven Nadel, a partner at corporate finance-focused firm Seward & Kissel, referring to the 2010 financial regulatory reform legislation. "I don't know if there's more demand, but there's certainly more work to digest."

Ronald Shechtman, managing partner of 125-lawyer Pryor Cashman and also chair of the firm's labor and employment group, said the nature of his practice and the competition among national firms and boutiques drives more modest growth in billing rates. He said corporations have put a lot of pressure on firms to lower rates.

"The efforts at cost containment are very intense," he said.

Shechtman said his firm's billing rates increased "a few" percentage points less than the overall 12 percent increase in New York City.

"The mid-sized firms have been more effective in controlling their costs and maintaining a competitive edge, based on their cost structure and lack of leverage," he said.

But small and mid-sized firms' billing rates are still higher in New York City than elsewhere because of the high price of real estate and expenses.

"High prices of office space," the report said, "are correlated with high rates, suggesting that high rates, in part, could be paying for premium real estate."

In another finding, the report said that law firms across the country sought, and companies accepted, higher increases for associates. In particular, associates with fewer than three years of experience in 2009 saw a 30.8 percent increase over their 2009 levels.

In New York City, the median billing rates for associates with three to six years of experience in 2011 was \$519, according to the report, which tracked about 700 associates in this category. The median rate for New York City associates with six to 11 years was \$556, based on about 450 associates in this group.

### **Supply and Demand**

The report suggests that the legal market will continue to see costs increase in the foreseeable future. Rates for the highest-billing partners, with more than \$800 per hour, grew nearly three times faster than rates for the lowest billing partners, with \$300 per hour charges, the report said.

"To me, that sounds like supply and demand," Nadel said. "The higher paid partners are typically the ones who are the most experienced and are often the ones at the greater demand."

Shechtman, of Pryor Cashman, said "those lawyers that have the recognition to command the top rates are often in the most demand and are involved or retained in situations where the high stakes correspond to their high fees."

Meanwhile, rates for "the legal work that has been commoditized" are under the greatest pressure to reduce, he said.

Paul McCurdy, chairman of 300-lawyer Kelley Drye & Warren, echoed these comments.

"In certain instances, premium practices and premium practitioners can bill out a higher rate than somebody who is in a more commoditized practice, so our billing structures reflect the value added" for lawyers, he said.

As to raising billing rates, McCurdy said Kelley Drye has made modest adjustments similar to peer firms and is flexible in exploring "innovative and responsive solutions" to clients' needs, including offering various alternative fee arrangements.

@Christine Simmons can be contacted at [chsimmons@alm.com](mailto:chsimmons@alm.com).



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