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TO CLIENTS AND FRIENDS:

Each year since 1978, the *National Law Journal* has published an annual survey of the nation's largest law firms. The survey lists the top 250 firms in terms of total number of full-time equivalent (FTE) attorneys at September 30, with breakdowns by individual office. In order to gain a better understanding of growth trends in our industry over the past decade, I have compared the *NLJ 250* surveys for 1993 and 2003. The purpose of this report is to share certain of my findings with you.

The Hottest Markets. In terms of growth in both number of offices of *NLJ 250* firms and *NLJ 250* attorneys, it comes as no surprise that one of the fastest growing markets is the San Francisco Peninsula. Over the past decade, the number of *NLJ 250* firms practicing there grew from 19 to 41, a net increase of 116%. Nineteen (19) firms, including eight New York-based firms (Davis Polk, Dewey Ballantine, Milbank, Shearman & Sterling, Simpson Thacher, Skadden, Sullivan & Cromwell, and White & Case) opened offices there between 1993 and 2003; other strong firms expanding into that market during the past 10 years included Dechert, Howrey & Simon, Jones Day, Latham, Mayer Brown, McDermott, Morgan Lewis, and O'Melveny.

Expansion by these large, highly profitable firms into the Peninsula market reflects robust demand for high-billing-rate transactional and litigation services from the blue-chip, technology-sector clients that populate this region. Growth in the number of *NLJ 250* firms with offices in this market was also impacted by a large number of strong, tech-oriented firms that ascended to the *NLJ 250* during the decade – Fenwick & West, Finnegan Henderson, Fish & Neave, Fish & Richardson, and Kenyon & Kenyon. By any measure, this market is one of the most competitive in the United States. Clients there choose from among the finest firms in the country.

But the hottest market of all – Northern Virginia – was located on the East Coast. Between 1993 and 2003, the number of *NLJ 250* firms with Northern Virginia offices jumped from 11 to 34, or 209%. By contrast with the San Francisco Peninsula market, this growth was driven largely by firms with a pre-existing presence in the Washington, DC market, e.g., Akin Gump, Arnold & Porter, Morgan Lewis, Patton Boggs, Piper Rudnick, and Wiley Rein, and by California firms, e.g., Cooley Godward, Latham & Watkins, Morrison & Foerster, O'Melveny, Pillsbury Winthrop, and Wilson Sonsini, desiring access to this IP-intensive region. New York firms stayed away, with Kelley Drye and Skadden being the only such firms with Northern Virginia offices at the end of the 10-year period. This reflects the general rule that Northern Virginia offices tend to focus more on regulatory matters, including patents, trademarks, and related litigation, than on business transactions and non-IP commercial litigation.

The Largest Markets. The largest market in terms of *NLJ 250*-firm offices is Washington, DC. At September 30, 2003, 160 *NLJ 250* firms reported a DC presence. At the same date, 132 *NLJ 250* firms had offices in New York City. Eighty-one (81) *NLJ 250* firms reported offices in Los Angeles, while 65 such firms had offices in San Francisco.

Seventy-eight (78) *NLJ 250* firms reported offices in London at September 30, 2003, making London the fourth most popular location for *NLJ 250* firms after Washington, DC, New York, and Los Angeles. At that date, there were 2,867 attorneys in those 78 London offices – about the same number of lawyers practicing at *NLJ 250* firms in Atlanta, Dallas, Houston, and Philadelphia. During the past decade, 29 *NLJ 250* firms opened offices in London. New York, with 30, was the only location with more expansion activity. Most first-tier US firms now have London offices, reflecting the ongoing globalization trend affecting clients of large firms.

The Stagnant Markets. Market strength is nearly always offset by market weakness somewhere else. And that is certainly the case with *NLJ 250* firms in the 1993-2003 period. Despite being the favorite location of *NLJ 250* firms in both 1993 and 2003, Washington, DC showed virtually no change in the number of firms located there. One hundred fifty-eight (158) *NLJ 250* firms reported offices in Washington, DC at September 30, 1993. Ten years later, 160 such firms had DC offices, a net increase of only 1% that reflects market saturation. It should be noted, however, that while there was virtually no growth in the number of *NLJ 250* firms with DC offices, the number of lawyers practicing at those offices rose 48%, from 8,203 to 12,169.

Los Angeles was also relatively stagnant, showing a net 10-year increase of only four *NLJ 250* offices, from 77 to 81, or 5%. And the number of lawyers practicing at these offices rose only 23%, from 4,503 to 5,552, a significantly slower growth rate than in Washington, DC. Except for the entertainment industry and certain components of international trade, the Los Angeles economy, though sizeable, no longer throws off enough A-rate work to be an attractive expansion location for large firms. Most of the highly profitable Los Angeles firms, e.g., Gibson, Latham, O'Melveny, and Paul Hastings, are successful because they have expanded into other markets, especially New York. At each such firm, the percentage of lawyers practicing in Southern California offices has declined significantly over the past 10 years.

It is noteworthy that during the past decade, only one New York-based firm, Simpson Thacher, opened a Los Angeles office. During the same period, four other New York firms – Cadwalader, Debevoise, Kelley Drye, and Shearman & Sterling – left that market. Two other New York firms, Donovan Leisure and Mudge Rose, dissolved.

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A summary sheet showing the market winners and losers is attached for your convenient reference, along with a worksheet listing the reasons for expansion and contraction in each of the top 20 US markets and top 10 international markets. If you would like to see more detailed data, including information by firm for these markets, please let me know.

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Summary by Market, NLJ 250 (1993-2003)

<u>Top 5 US markets, # of NLJ 250 firms (2003)</u>	<u># of offices</u>
Washington, DC	160
New York, NY	132
Los Angeles, CA	81
San Francisco, CA	65
Chicago, IL	49

<u>Top 5 international markets, # of NLJ 250 firms (2003)</u>	<u># of offices</u>
London	78
Brussels	34
Hong Kong	29
Paris	28
Tokyo	27

<u>Top 5 US markets, % increase in # of NLJ 250 firms (1993-2003)</u>	<u>% increase</u>
Northern Virginia	209%
San Francisco Peninsula	116%
Pittsburgh, PA	113%
Atlanta, GA	106%
Minneapolis/St. Paul, MN	100%

<u>Top 5 US markets, % increase in # of NLJ 250 attorneys (1993-2003)</u>	<u>% increase</u>
Northern Virginia	208%
San Francisco Peninsula	205%
Austin, TX	177%
San Diego, CA	136%
Atlanta, GA	133%

<u>5 weakest US markets, % increase in # of NLJ 250 firms (1993-2003)</u>	<u>% increase</u>
Washington, DC	1%
Los Angeles, CA	5%
Miami, FL	19%
Philadelphia, PA	23%
Seattle, WA and Dallas, TX	25%

<u>5 weakest US markets, % increase in # of NLJ 250 attorneys (1993-2003)</u>	<u>% increase</u>
Seattle, WA	11%
Los Angeles, CA	23%
Philadelphia, PA	28%
Denver, CO	31%
Chicago, IL	31%

**NLJ 250 (1993-2003)
Branch Offices
Reasons for Expansion and Contraction**

Market	NLJ 250 firms 1993	# of attys 1993	-- Additions (1993-2003) --			-- Reductions (1993-2003) --				NLJ 250 firms 2003	# of attys 2003	--- % change ---	
			New office	Acq by merger	New to NLJ 250	Office closed	Firm disso lved	Close by merger	Fell out of NLJ 250			# of NLJ 250 firms	# of NLJ 250 attys
Northern													
Virginia	11	311	26	0	2	3	1	1	0	34	958	209%	208%
SF Peninsula	19	763	19	1	8	0	3	0	3	41	2,328	116%	205%
Pittsburgh	8	729	9	0	1	0	0	0	1	17	1,049	113%	44%
Atlanta	16	1,363	9	2	8	1	0	0	1	33	3,178	106%	133%
Minneapolis, St. Paul	6	1,047	3	1	4	0	1	0	1	12	1,522	100%	45%
San Diego	14	493	9	0	8	1	2	0	1	27	1,164	93%	136%
Houston	24	1,758	18	1	4	4	2	0	0	41	2,848	71%	62%
San Francisco	39	2,451	28	3	7	2	5	0	5	65	3,401	67%	39%
Boston	22	2,254	7	2	4	0	0	0	1	34	4,208	55%	87%
Austin	15	294	5	2	2	1	1	0	0	22	815	47%	177%
Orange County	24	568	10	0	6	2	3	0	2	33	991	38%	74%
New York	101	12,445	30	5	18	2	7	6	6	132	20,007	31%	61%
Chicago	38	5,402	18	1	2	3	3	1	3	49	7,074	29%	31%
Denver	15	606	7	0	0	1	1	0	1	19	793	27%	31%
Dallas	28	2,123	7	1	4	1	2	1	1	35	2,955	25%	39%
Seattle	12	1,058	6	0	2	2	1	0	2	15	1,171	25%	11%
Philadelphia	22	2,365	8	0	1	0	0	0	4	27	3,017	23%	28%
Miami	21	651	7	1	2	4	2	0	0	25	1,062	19%	63%
Los Angeles, Century City	77	4,503	17	1	10	7	9	1	7	81	5,552	5%	23%
Washington, DC	158	8,203	16	0	25	8	11	12	8	160	12,169	1%	48%
Shanghai	1	1	12	0	0	0	0	0	0	13	71	1200%	7000%
Beijing	5	9	9	1	0	0	0	0	0	16	87	220%	867%
Singapore	5	28	11	0	0	0	0	0	0	15	196	200%	600%
Frankfurt	12	93	11	0	0	1	0	1	0	21	543	75%	484%
Hong Kong	19	203	13	2	0	4	0	0	0	29	625	53%	208%
London	53	392	29	3	3	3	1	1	1	78	2,867	47%	631%
Paris	23	345	10	0	0	2	2	1	0	28	1,022	22%	196%
Moscow	12	48	5	0	0	2	1	0	0	14	194	17%	304%
Brussels	30	240	9	0	1	5	0	0	1	34	422	13%	76%
Tokyo	28	109	7	1	1	5	1	0	0	27	389	-4%	257%