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## Houston lawyer rates grow faster than in most cities

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Houston businesses are paying the fourth-fastest growing legal rates in the nation.

Lawyers in the city have on average raised their hourly rates at the fourth-fastest pace in the nation, trailing only Boston, New York and San Jose, a legal analytics report shows.

Just behind Houston's 10.9 percent increase from 2009 to 2011 in hourly rates is Dallas with a 10.8 percent increase. No other city in Texas made the top 10 for increases, the report by TyMetrix Legal Analytics shows. TyMetrix is a division of Hartford, Conn.-based legal compliance and performance management company Wolters Kluwer Corporate Legal Services.

Despite some cost differentials such as the price of real estate — which tops out on the East Coast where New York firms typically pay more for office space — Houston lawyers are riding the economic wave created by the energy sector's strong showing and command top rates as a result.

"That says there is value coming out of Houston, and people are willing to pay for that value," said TyMetrix Managing Director Craig Raeburn. "The firms in Houston have done a good job demonstrating the price-to-rate ratio."

The report indicates that the collective practice of sophisticated legal work in Houston is solid, and rates should continue to trend upward, said Mike Danforth, managing director for Texas-based Amicus Consultants, a division of the legal recruiting firm, Amicus Search Group.

"That should continue for the near term in Dallas and Austin as well. Houston just happens to be the home of some high-quality legal work and top legal talent," he said, adding that a number of factors are driving the increases. "The Houston market, in particular, has benefited tremendously from the continued dynamic going on in the oil patch."

### MORE RATE HIKES

The rate growth shows little sign of abating. Raeburn said that based on a number of factors, including geography, expertise and experience of the lawyers, business clients could see their attorneys' rates increase another 4 percent by 2014.

Raeburn noted Houston growth in the financial and technology sectors as other contributors.

"The fact we suffered through one of the worst recessions and finance actually grew might seem odd, but it shows how much work was being generated

from the recession ..., whether it was new litigation, additional transactional work or taking a finer tooth to the additional regulations on top of those folks," Raeburn said.

While many Houston firms bump up rates, some of the largest ones are de-emphasizing long-term practice areas that are subject to institutional pricing. For example, cases involving insurance companies tend to be billed at lower rates simply because insurance companies audit their bills and will balk at high fees.

"So much of labor and employment is paid not by the corporation, but by the insurance carrier," said Danforth at Amicus.

In a \$1 billion corporate securities deal, for example, a partner may command more than \$1,000 an hour, he said. But in a labor and employment case, Danforth said, "You'll have a hard time finding an insurance company — regardless of how big the matter — willing to get over the high \$400s to the low \$500s, and that's for a labor and employment superstar."

Clients are less inclined to flinch when paying top dollar for big-deal mergers and acquisitions work, Danforth said.

### BUSINESS OF LAW

Chris Hanslik, chairman of 22-year-old Houston law firm BoyarMiller, said his office has long approached the practice of law as a business model.

"You need to be thoughtful and methodical in order to survive. During the downturn in 2008, the business model we have been running withstood it; there were no layoffs, and we were able to pay bonuses and modest increases," Hanslik said. "That tells me we were running a healthy business that withstood the downturn and we've come out really strong."

Rates at BoyarMiller increased slightly from 2010 to 2011 and again from 2011 to 2012, he said. However, the firm's rates remain on the low end with first-year lawyers charging \$175 per hour. Larger firms tend to charge more than \$200 per hour for junior associates. For partners at BoyarMiller, the floor, or lowest, rate is \$285 per hour, and the ceiling, or highest, rate is \$635 an hour; most partners there bill between \$345 and \$450 per hour.

Given BoyarMiller's rates relative to their competition, Hanslik said, "We have not experienced much pushback to the increases."

The Houston mean hourly rate for partners on the TyMetrix report for 2011 was \$532.64. It actually decreased 5 percent between 2009 and 2011. The mean hourly rate for associate lawyers grew by almost the same figure, at 4.8 percent.

Average hourly rates, top 10 metropolitan areas



SOURCE: CEB and TyMetrix, General Counsel Roundtable, 2012

Law firms recognize that a client isn't going to quibble over the billing for multiple staff attorneys, but a high-dollar partner rate may stand out, Danforth said.

"They have some capability to pay through a net increase they want by effectively pushing it down," he said.

Hanslik explained that generally, a partner who is billing at the \$635 rate is performing a fraction of the work on a given case. The senior partner may give associate lawyers direction and guidance for drafting a motion, but the associate — who bills at a lower hourly rate — is doing the time-consuming research.

"When I know my associates can do that job, the client shouldn't pay me for something at a higher rate that an associate can do — and do it well — at a lower rate," Hanslik said.

Danforth said it's not surprising that Houston leads other large Texas cities in rate increases.

"It's driven by the fact that Houston is blessed to have that dynamic of energy and oil and gas going crazy — it just flows into the Houston firms," he said. "And, when a number of national law firms look to establish in Texas, the first place they look to is in Houston."

As for whether energy is driving the cost of legal work up for other industries, Hanslik said while there may be some truth to the notion, it's not necessarily a negative thing.

"If energy is driving that, then energy is also driving the economy here," he said. "If companies are beginning to employ more in the energy services and related fields, there are also more restaurants and more cleaners. To that extent, it's benefiting the health of the economy across the board."