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# As Austin's Legal Market Explodes, Firms Rush In

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When John Gilluly started practicing law in Austin in 1998, the city's legal market lived and breathed real estate, government and practices surrounding those areas.

But everything was changing.

The growth of the city's technology sector in the dot-com boom of the late 1990s was attracting West Coast firms that wanted to expand in Austin, recalled Gilluly, who then was an associate in the Austin office of the West coast firm of Gray Cary Ware & Freidenrich, a predecessor of DLA Piper.

Then everything changed again.

The dot-com bust of the early 2000s dashed the hopes of some of the firms, which closed their doors, causing partners to scurry to other firms. Gray Cary remained, although it shrank its size, said Gilluly, now managing partner in the Texas offices of DLA Piper in Austin.

Since then, he said Austin's legal market—and his firm—have grown steadily.

"Other firms' lawyers have either transitioned to become aligned with the business economy in Austin by working with tech companies or other growth companies," Gilluly said. "Now, unlike the early '90s when I started, you have a reasonably robust market of lawyers who have worked in this area for a long time now—over 15 years. Across the board, the firms for the most part have grown."

By every marker, the economy in Austin is booming—spurring startups and business relocations, creating impressive numbers of jobs and flooding the city with new residents. The growth has also boosted the legal market—and law firms are reacting by opening new offices or expanding existing operations.

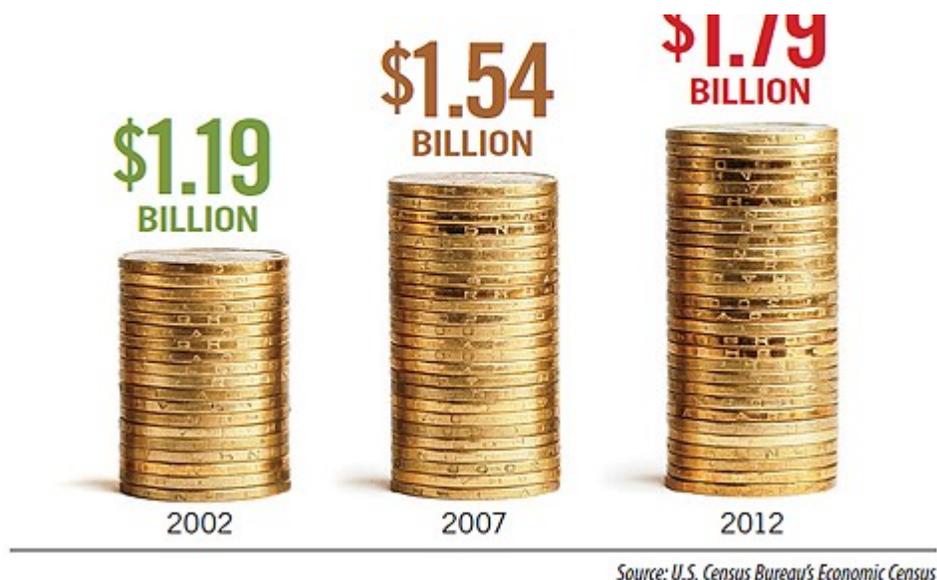
## Exploding

Law firms in the Austin-Round Rock metro area increased

Law office revenue in Austin-Round Rock metro area

**↑ 170**

their revenues by 50 percent since 2002. The attorney population exploded by 38 percent in 10 years—making the metro the state's third-largest growth area for lawyer population. And the number of firms in the area grew by 18 percent over 10 years, while firms' annual payrolls have gone up by 13 percent since 2007.



"Austin is really kind of exploding," said Ed Cavazos, managing partner of Pillsbury Winthrop Shaw Pittman in Austin.

Cavazos, who left Bracewell in January 2015 to join Pillsbury's Austin office, said that established, large companies are moving their corporate headquarters—including their legal departments—to the Austin area. Also, more investors are putting money into Austin-born startups, he said. The technology and consumer-packaged-goods sectors are strong, and Cavazos said he expects an explosion of biotechnology and healthcare companies because a medical school is launching soon.

"All of that growth has translated into more sourcing of legal work by Austin companies to Austin attorneys," said Cavazos. "The big firms that are not based here have recognized Austin's growth and are investing, and the Austin firms that have been here a while are continuing to prosper and do well."

David Mattka, managing shareholder in Munsch Hardt Kopf & Harr in Austin, said that the inflow of new companies gives law firms an opportunity to build an "Austin-centric legal practice."

"The business opportunities are growing and it only makes sense that as this city does mature ... the nature of the legal business is going to mature with it," Mattka said.

Gilluly said he measures the legal market based on the number of new clients, and the growing needs of existing clients.

"We have seen both—particularly over the last couple of years—an accelerating trend in both areas," he noted. "Austin is very fortunate in that regard. There are a lot of markets where one or both of those are stagnant or retreating, and Austin has been on the other side of that. More so on the other side than just about any other market."

Construction law attorney George Baldwin has practiced law in Austin for 28 years.

"It's always been a vibrant legal market," said Baldwin, whose former firm, Ford Nassen & Baldwin, merged on Jan. 1 with construction law firm Peckar & Abramson. "You can look around the skyline in Austin and see the economy is good. Things are being built. A lot of construction is going on, and from my perspective, that is a good thing. In a booming economy comes legal jobs."

## Numbers don't lie

Law firm consultant Ed Wesemann, who works with law firms entering new cities, said that the legal market responds to three economic factors: gross domestic product, job growth and population growth.

Travis County lawyer population

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	10-year growth
Total Travis County attorneys	7,830	8,130	8,153	8,475	8,756	8,981	9,212	9,473	9,748	9,991	27.60%
Total private practice	4,288	4,347	4,225	4,533	4,605	4,670	4,762	4,619	4,722	4,851	13.13%
Solos	1,219	1,247	1,267	1,302	1,344	1,407	1,454	1,469	1,517	1,546	26.83%
2-5 attorney firms	917	947	952	971	1,010	1,033	1,066	1,102	1,136	1,180	28.68%
6-10 attorney firms	325	340	345	371	380	396	408	450	468	476	46.46%
11-24 attorney firms	312	297	289	281	274	282	329	375	392	413	32.37%
25-40 attorney firms	169	196	215	228	226	209	207	203	190	207	22.49%
41-60 attorney firms	142	97	104	112	118	117	118	117	101	109	-23.24%
61-100 attorney firms	681	534	404	380	353	316	294	267	260	241	-64.61%
101-200 attorney firms	112	221	241	244	231	225	194	193	183	168	50.00%
Over 200 attorney firms	202	285	408	438	458	457	449	443	475	511	153.00%
Corporate/in-house counsel	428	460	494	517	528	552	575	568	607	624	45.79%

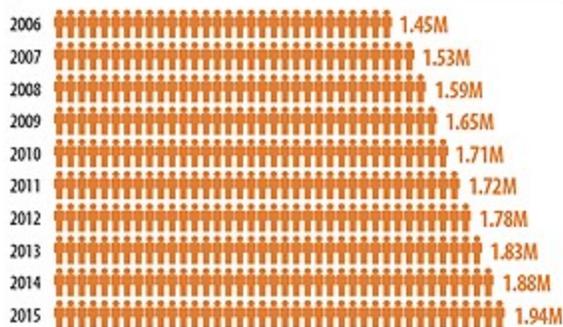
Source: State Bar of Texas

"Austin has been in the top five cities in the country for all three of those," said Wesemann, of counsel with Edge International in Savannah, Georgia. "Arguably, Austin is the fastest-growing legal market in the U.S."

Over 10 years, the area's GDP grew 69 percent, according to the U.S. Department of Commerce Bureau of Economic Analysis. In the same time, the general population increased 34 percent, according to the U.S. Census Bureau. The number of jobs grew by 30 percent, according to the U.S. Bureau of Labor Statistics.

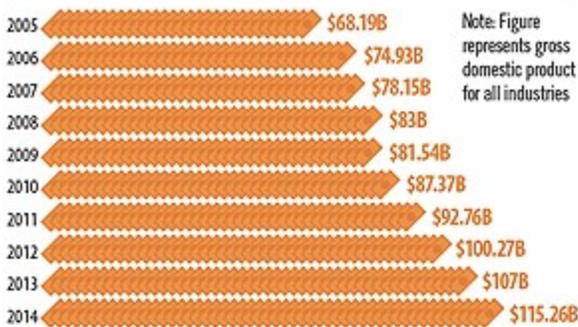
Wesemann said that Houston and Dallas boast GDP's that are respectively 5 and 3.4 times that of Austin, but those cities aren't growing as fast. Austin's GDP grows by 5 percent per year, which is way above the rest of the nation, he said.

Austin-Round Rock Metro Area's population



Source: U.S. Census Bureau

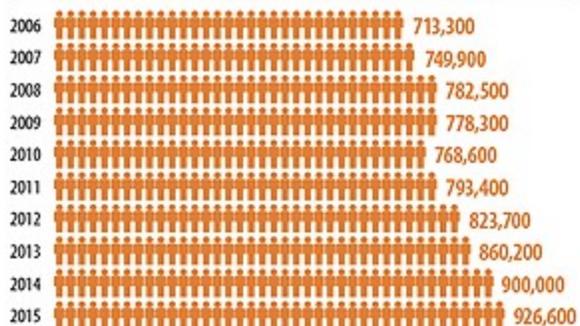
Austin-Round Rock Metro Area's GDP



Note: Figure represents gross domestic product for all industries

Source: U.S. Department of Commerce Bureau of Economic Analysis

Employment in Austin-Round Rock metro area



Note: Figures represent total non-farm employment in the Austin-Round Rock area, counted in January of each year.

Source: U.S. Bureau of Labor Statistics

Law office growth in Austin-Round Rock metro area



Note: Number of employees and annual payroll figures weren't available for 2004-2006.

Source: U.S. Census Bureau County Business Pattern program

"One of the issues is Austin is really driven by a three-legged stool: high tech, education and government," Wesemann said. "Government and education aren't as susceptible to the economy as are a lot of other industries."

## Now Hiring

Cavazos noted that Pillsbury has made a bet on Austin's continuing growth. The new Austin office grew from four to 18 attorneys in its first year, and still plans to hire more. It moved to a new office space that will accommodate everyone.

"We have a very high confidence level Austin is going to support that kind of growth," Cavazos noted. "What is happening with us is not unique. ... Every major firm in town—is looking at what is going on in the Austin business market and planning to grow accordingly."

He said that some practice areas benefit more than others: intellectual property practices; transaction practices focusing on tech company deals; corporate practices serving venture capital and startup communities; and litigation practices for new, sophisticated companies that move to Austin, bringing their complex business disputes.

"Government continues to be big, and there continues to be a lot of regulatory work in Austin," Cavazos added.

Steve McCown, a shareholder in Littler Mendelson, moved to Austin from Dallas along with two other attorneys last September to create a new office for his firm, which represents companies in

labor and employment matters. Littler's Austin office hired its first new lawyer in February, and McCown said he hopes to end 2016 with five or six total attorneys. Littler is looking at office space that could fit 10 to 15 lawyers, McCown added.

Munsch Hardt, a Texas-based firm that had an existing Austin office, moved into a bigger space in a new downtown skyscraper in the fall of 2015.

"We aggressively expanded our number of offices, and we anticipate growing in this market to fill those offices," said Mattka, managing shareholder. "We are actively recruiting other laterals to join us and help us expand our footprint locally. ... Working with companies that are growing and developing either in technology or in real estate are our sweet spots."

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