

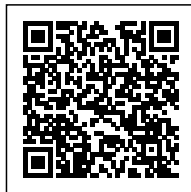
"CURRENT GROWTH THOUGH FUTURE LESS CERTAIN"

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Diverse opinions on the expansion of the legal market

Iberian Lawyer pregunta a su Grupo de Expertos si creen que las firmas de abogados seguirán creciendo el próximo año, y, si así fuera, en qué áreas. Con respecto a esta cuestión la mayoría cree que en un futuro próximo seguirá el crecimiento aunque reconocen que los factores puedan variar. Otros parecen menos convencidos cuando se plantean el futuro a largo plazo, particularmente en España, donde el auge inmobiliario parece estar llegando a su fin. Sin embargo y al menos para este año, la mayoría del Grupo de Expertos se mantiene optimista al pensar que las transacciones seguirán necesitando más asesoramiento jurídico.

For this year at least, most of the [Group of Experts](#) remain optimistic that deals will continue to drive higher demand for corporate advice. Like many, Fernando Vives of Garrigues, predicts sustained growth in legal services both in Spain and Portugal. "This growth is due to the economic situation in both countries and to the clear increase in laws regulating the different activities, which end up

making high level legal advice more necessary," he says. The number of ongoing transactions, as well as structural changes within the banking, energy, transport, construction and real estate sectors, among others, provide a particular opportunity.

Juan Picón, managing partner at DLA Piper in Madrid, also predicts a good year for M&A, particularly private equity and cross-border deals, but senses that growth will depend on both market conditions and law firms' own strategies. Many highlight the increasing importance of competition law, especially with the expected changes to Spanish legislation. Rafael Montejo, partner at Legalia, queries the likelihood of a severe downturn, but he too believes that diversification permits firm growth regardless of a downturn in the economic cycle.

A potential downturn in construction is a key issue. Francisco Guijarro at Hammonds suggests that a potential softening of the Spanish economy with a deceleration in domestic construction may be balanced by a drive for investment abroad.

Do you believe that law firms will grow over the next 12 months? What practice areas will be the busiest and why?


"There will still be room for more IPOs and also for some public companies being taken private. Banking and finance will continue to be strong and I can foresee an increase in the workload of our litigation and arbitration departments." Juan Picón, DLA Piper

"Regulatory, finance and corporate will continue to show steady growth rates." José M. Balaña, Lovells

"The whole area of Compliance – ie helping companies' systems and processes to comply with relevant laws – should grow as it is relatively unknown and unexploited in Spain." Hugo Écija, Écija


"We are still at the very initial stages of the development and growth that law firms will need to undertake to respond to the ever-increasing market demands." Jorge Santiago Neves, Barrocas Sarmiento Neves 

"Growth is still the name of the game in Portugal as the market is not yet mature and specialisation is increasing, requiring larger teams." José Miguel Júdice, PLMJ

 "I think that there will be a greater rate of growth in legal services in Spain and Portugal in terms of work (transactions) and that this increase will lead to a growth in the number of lawyers commissioned to handle the planning and execution of such work." Rafael Truan, Díaz- Bastien & Truan

"We plan an organic growth rate higher than 10% in total number of lawyers (including trainees). Public and administrative law and litigation are expected to join corporate and M&A as the busiest practice areas." João Soares Da Silva, Morais Leitão

Will growth continue over the next 3 years and what external factors could impact upon law firms?

"The legal market has shown its resilience to economic crisis in the last years, and hopefully it will not get any worse. As to political stability, it seems assured for the next two or three years. Probably, the single factor with the most potential to impact on firms' growth in the near future is the effect of more foreign firms opening shop in Lisbon." João Vieira de Almeida, Vieira de Almeida 

"Although law firms are of course not isolated from the economic environment, I believe growth will remain even if there is an economic downturn because it is led by different factors, some of which are not economy-driven – such as the increasing sophistication of market players and demand for

top quality legal services." Lourdes Ayala, Araoz & Rueda

"Law firms will continue to grow, but many at a slower rate. Those who chose to continue to grow at the same rate in terms of lawyers will probably have to take on less high-profile work and therefore may diminish their profitability." Rui Medeiros, Sérvulo Correia

"It is difficult to anticipate... The activities of lawyers, like any member of a team that works in the corporate or financial sectors operations, must adapt to the evolution of the markets – which are becoming more complicated." Francisco Prol, Prol & Asociados

Aside from economic issues, Jorge Santiago Neves, partner at Lisbon's Barrocas Sarmento Neves, sees opportunities for firms in Portugal to capitalise on the growing sophistication of clients.

"Whatever the economic context clients will continue to seek more specialised services." He therefore sees law firm growth there as inevitable, both organic and through consolidation.

It is a view shared by João Vieira de Almeida, managing partner at Vieira de Almeida, who points to the buoyant domestic deal market and the upturn in projects work as favourable particularly to Portugal's largest firms.

Rui Medeiros, managing partner at Servulo, believes however that despite optimism in areas such as projects and competition, where increased specialisation is inevitable, the past year may prove to have been a vintage one for M&A, and that while firms will continue to grow it may likely be at a slower rate.

Looking ahead

In the medium term, many in Spain see a decrease in construction levels as inevitable, while others point to potential economic uncertainty following national elections in 2008. What this may ultimately mean for their firms however remains a source of debate.

"It is extremely difficult to predict for three years (it is a risky guess even for one year)," says Picón. "You only have to look what has happened in the last three years to see that the landscape has changed dramatically."

Nonetheless he forecasts further consolidation, but also a key battleground as the ability to attract and motivate the best talent. "These will be fundamental for the next years and for the profession as a whole."

Guijarro sees no strong indication that levels of investment in Spain will fall off, but does expect firm growth to plateau with next year's elections.

The belief remains that any continued slowdown would hit small and niche firms hardest, and that for the large firms practice, regional and international expansion will prove an important protection.

Others, such as Hugo Écija remain broadly optimistic, although a challenge therefore is to target those countercyclical areas: insolvency, bankruptcy, appointing of administrators or defending shareholders.

Vieira de Almeida reiterates that in Portugal growth has primarily been driven by two factors: an upturn in economic activity plus a maturing legal market, which has seen consolidation, increased sophistication and internationalisation.

"Major firms will continue to ride these waves during the next few years and will keep on growing, although to expect the high grow margins people got used to will require ever more skills from the firms. And probably not all will be able to keep the pace."

Conversely Rui Medeiros believes that Portugal's largest law firms are close to maturity in terms of

number of lawyers. "In terms of economic return, highly specialised firms are more likely to maintain their growth path than non-leading full-service firms." Nonetheless the outlook remains positive, he says, and unless there is a major crisis at least for the foreseeable future firms are unlikely to suffer any negative impact.