

## Citi and Wells Fargo Legal Market Reports Show Dip in Legal Market



**Summary:** Citi's and Wells Fargo's third quarter reports on the legal market showed an overall decline in the legal market after a strong first two quarters.

The legal market looked down last quarter, according to two reports released recently. Citi Private Bank's Law Firm Group released their quarterly report last week while Wells Fargo & Co. released their report Thursday.

The report done by Wells Fargo Private Bank's Legal Specialty Group surveyed 135 law firms to find out how they did last quarter. The group found that the demand for billable hours, revenue per lawyer, and year-over-year growth in revenue dropped in the third quarter. The first half of the year was very strong for the legal market, according to Law.com.

Over the first three quarters of the year, revenue grew 3.7 percent, down from the 4.8 percent growth during the first two quarters. Demand for billable hours had a small decrease to 1.4 percent in three quarters from 1.6 percent in the first six months. Revenue per lawyer for nine months was at a 2.3 percent whereas it was at 3.2 percent at six months.

The largest law firms saw better results than the smaller law firms. Am Law 100 firms had larger growth than Am Law 200 firms at 4.4 percent versus 1 percent. Demand for billable hours is at 2.2 percent compared to 1.8 percent. Revenue per lawyer unsurprisingly is at 2.6 percent versus 1.1 percent.

Senior director of banking in Wells Fargo's Legal Specialty Group, Jeff Grossman, warns that the numbers mean very little because the top performers and attorneys continue to distance themselves from the majority, affecting the averages in an upward trend.

Of the Am Law 100 firms that participated in the survey, 46 percent of them saw revenue growth over the first three quarters between 2 and 5 percent and 20 percent had revenue growth over 10 percent while 5 percent of the firms had a loss of revenue of over 5 percent.

Law firms are also working to increase their rates. The standard rate for Am Law 50 equity partners increased 5 percent in the three quarters. While the average equity partner at Am Law 200 firms saw a rate increase of 3.2 percent, Grossman said, "Their [utilization] is running over 80 hours behind and their rate aren't growing as fast. You can see the slippage."

The Citi report claims it is unlikely that 2017 will be as good of a year as 2016 financially. Their report found very similar results to the Wells Fargo survey, finding a 3.6 percent growth over the past nine months.

There was one positive point to both studies. Citi and Wells Fargo found that inventory, or uncollected bills, were at a high point. Citi's findings found that inventory was at 4.6 percent at the end of the third quarter. It was at a 3.1 percent increase at this time last year. Perhaps the biggest increase was in accounts receivable growth. Citi reports that accounts receivable was up 6.7 percent at the end of nine months while it was only 2.6 percent last year. As the end of the year draws closer, law firms will be pushing to collect on those unpaid bills.

How do you think mergers affect these numbers? Share your thoughts with us in the comments below.

**To learn more about Citi's reports, read these articles:**

- [Citi Private Bank's Quarterly Report Shows Moderate Confidence](#)
- [Citi's Latest Report Shows Slowing Down in Legal Market Growth](#)
- [Confidence in Legal Industry Ticks Slightly Upwards in Latest Citi Private Bank Survey](#)

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