

San Francisco Bay Area Legal Market



2021

The Bay Area legal market
consists of over

7,500 attorneys

spread across

162 NLJ 500 firms

over **2,400 attorneys** work at the
15 firms headquartered in the market

The number of attorneys in the Bay Area market has been static over the past five years. Firms headquartered outside of the Bay Area with a sizeable Bay Area presence realized a 1% rise in headcount annually from 2016–2020, while firms headquartered within the market realized **zero attorney headcount growth**

Law firms continue to enter the market despite concerns the Bay Area business climate may be losing its appeal to major corporations and investors. Paul Weiss and Fox Rothschild established a footprint in the Bay Area in early 2021

Firms headquartered in the Bay Area tend to place heavy emphasis on both technology and diversity initiatives

Firms in the Bay Area collectively had the highest percentage of female partner hires compared to other legal markets in 2020 at **38%**

Bay Area firms have the advantage of recruiting associates from California law schools which often feature higher percentages of female law students

Findings in this report indicate that companies based in the Bay Area, despite vital diversity initiatives, often trail their law firm service providers to execute diversity initiatives

Executive Summary

Law Firms are attracted to the Bay Area because of the **strong Fortune 500 company base and start-up market**. The market has 39 Fortune 500 companies, the third highest after Texas and New York. Overall, the region hosts **57 Fortune 1000 companies**, whose 2020 year-over-year average revenue grew an astounding 18%

Companies driving strong growth include **Lyft, Salesforce, Alphabet, Facebook, Tesla, Twitter, Instacart, Netflix and Robinhood**

Bay Area start-ups received 44% of total US VC funding in 2019, which reached \$108B nationwide. **VC funding has risen sharply** in the Bay Area since 2005 compared to the rest of the US. VC funding in the market **continues to grow amid the pandemic**

Why is the Bay Area an attractive market for law firms?

What are some challenges for Bay Area locations?

Challenges to operating in the Bay Area include high housing and living costs, higher-than-average taxes and a complex regulatory environment. In recent years, including before the COVID-19 pandemic, companies and millennial millionaires started shifting operations to lower-cost markets in different US regions¹. Permanent work-from-home initiatives like Facebook's will probably accelerate this shift². For this reason, **our market scoring places major Texas markets above the Bay Area, despite high wage growth and annual increases in VC funding.**

Supply shortages continued to increase housing costs through 2019. In 2020, housing costs declined 3% in San Francisco amid the COVID-19 pandemic due to more abundant supply; however, surrounding cities realized housing cost increases. Experts predict housing prices will continue to grow in 2021. Therefore, although the Bay Area has some of the world's highest salaries and has experienced high wage growth, it is offset by how difficult it is to afford housing. In response, some companies have decided to sublease their San Francisco office space³.

MOVING FORWARD

Many investors, executives and companies have recently left the Bay Area for **Austin, Miami, Denver and Seattle**. The number of start-ups founded outside the Bay Area continues to rise as the number of start-ups founded within the market decreases

The Bay Area remains the epicenter of venture capital funding, attracting entrepreneurs and law firms alike

However, there are industry experts who claim the Bay Area market is not dying⁴. Despite the discussion regarding the region losing some luster, **the market appears to have weathered the pandemic**. Venture capital continues to fund innovative companies developing groundbreaking technology, products and services, generating significant legal work for law firms. As a result, law firms will likely continue expanding into and throughout the Bay Area despite the higher-than-average operational costs

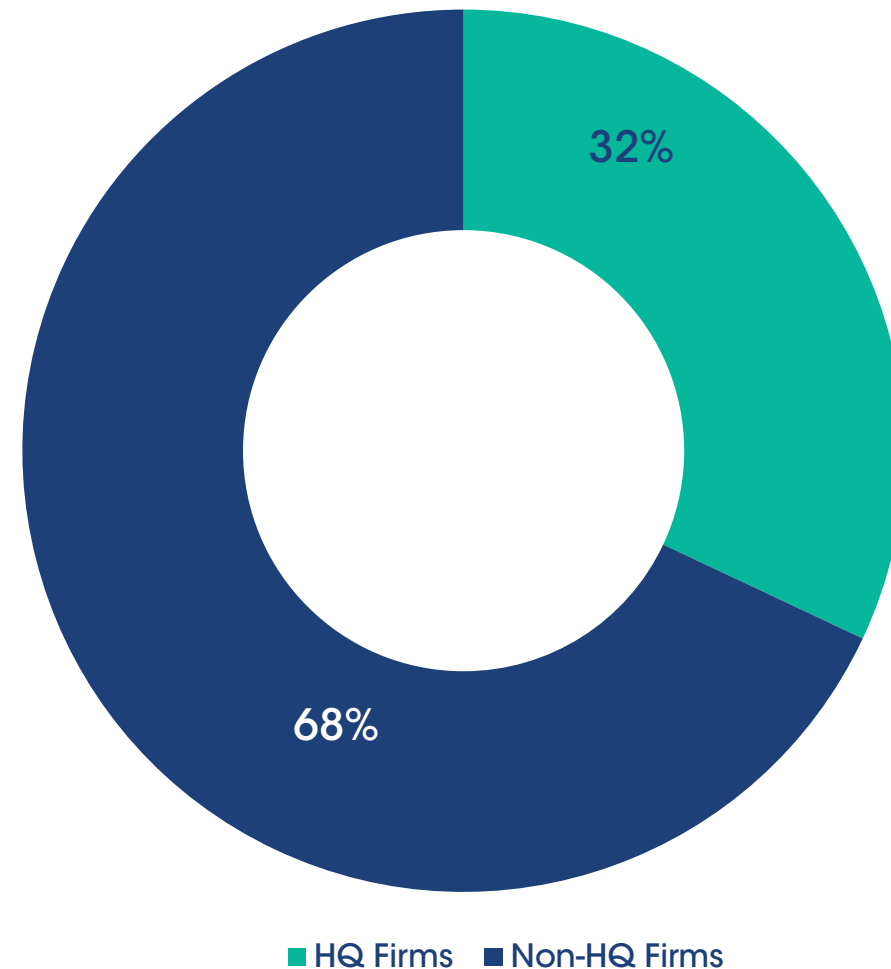


MARKET OVERVIEW

162 NLJ 500 firms in the Bay Area grew headcount minimally over the past five years, while firms headquartered outside the market grew slightly faster

Nearly one-third of NLJ 500 firms have a presence in the Bay Area

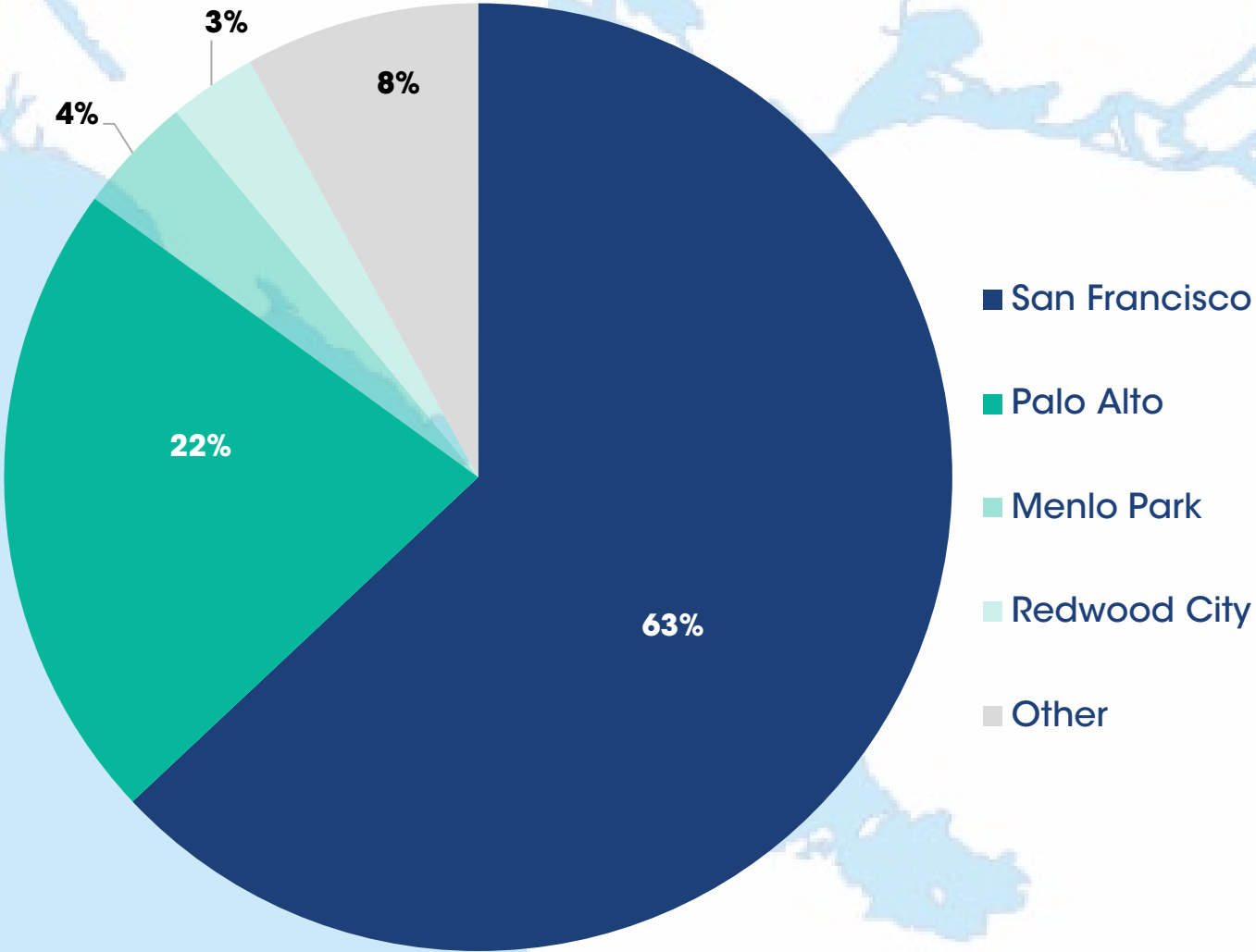
Firms headquartered in the Bay Area collectively employed over **2,400** attorneys, while firms headquartered outside the market employed over **5,100** attorneys



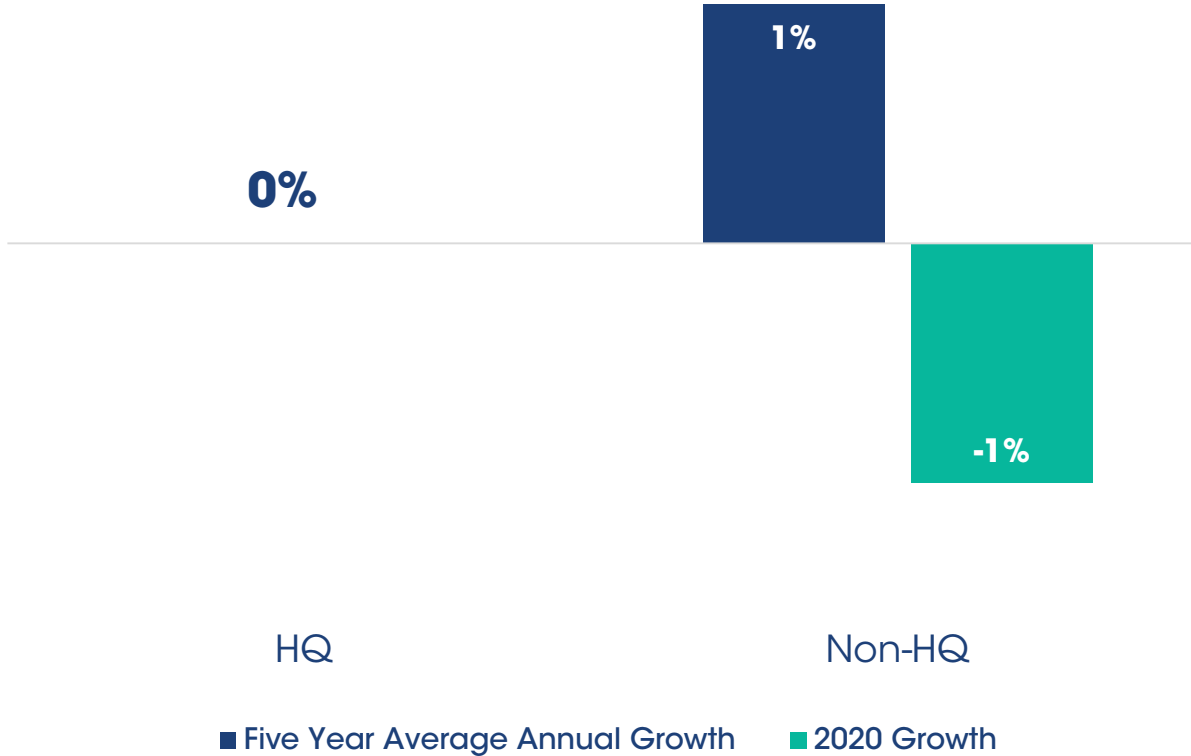
Attorney Headcount - NLJ 500 Bay Area Firms, 2020

63% of attorneys in the Bay Area work at firms in San Francisco, while others work in neighboring cities like Palo Alto

Headcount Allocation by City San Francisco Bay Area, 2020



Market Overview

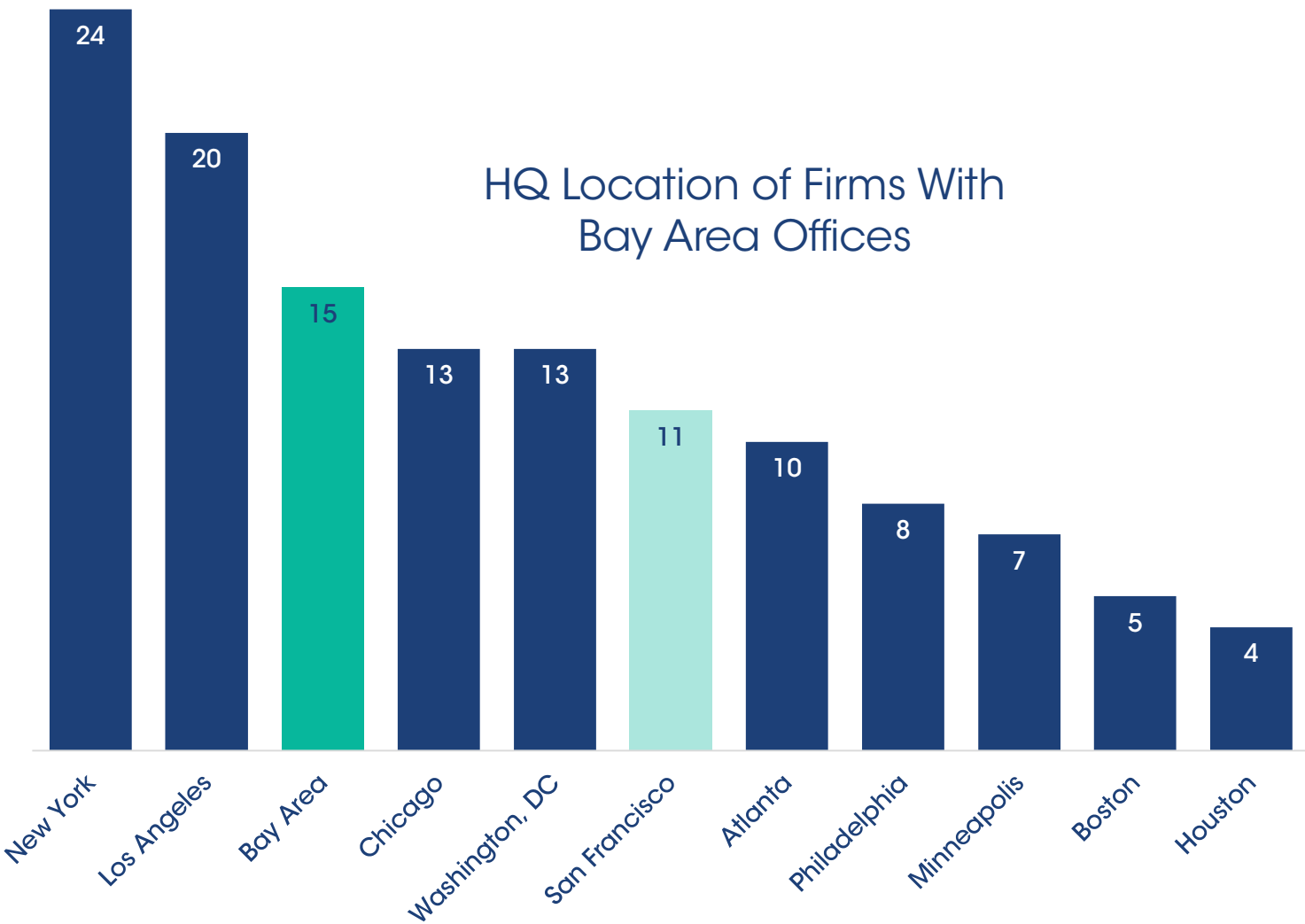


**Attorney Headcount Growth
Bay Area HQ vs. Non-HQ, 2016-2020**

Attorney headcount for the Bay Area, including firms not headquartered in the region, grew 1% annually over the past five years, with **non-HQ firms growing slightly faster than firms headquartered in the Bay Area**

In 2020, however, headcount declined 1% for all firms with a presence in the region, primarily caused by a dip in non-HQ attorney headcount

Market Overview



Nearly nine in ten firms with a presence in the Bay Area are headquartered outside the Bay Area.

Many firms headquartered outside the Bay Area are based in Los Angeles (14%), indicating that firms in LA are familiar enough with opening multiple offices in California to expand into the Bay Area market

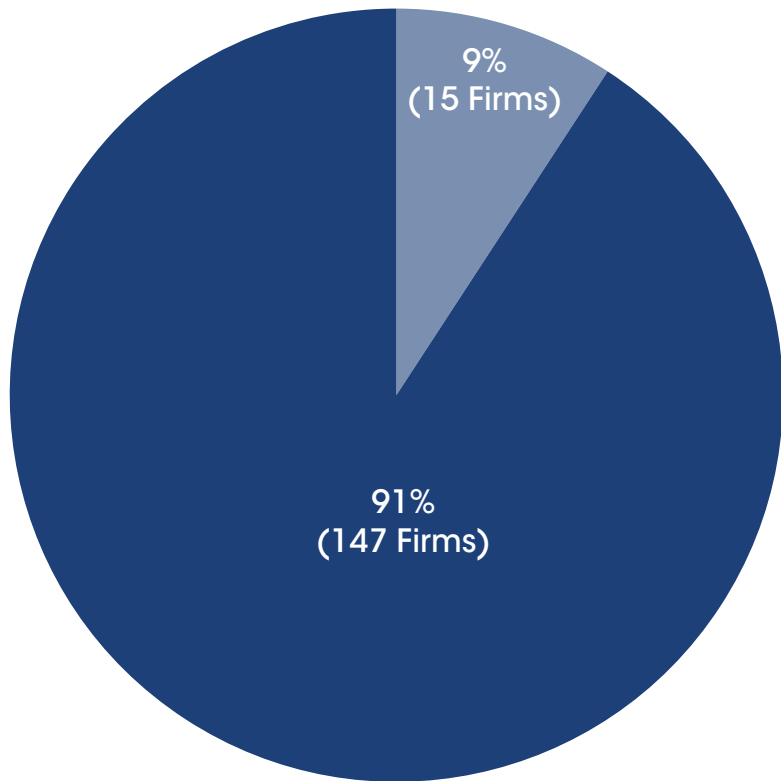
Despite their proximity to the Bay Area, West Coast markets such as Portland or Seattle did not make the top ten

Market Overview

There are **162 NLJ 500 firms** with a presence in the Bay Area

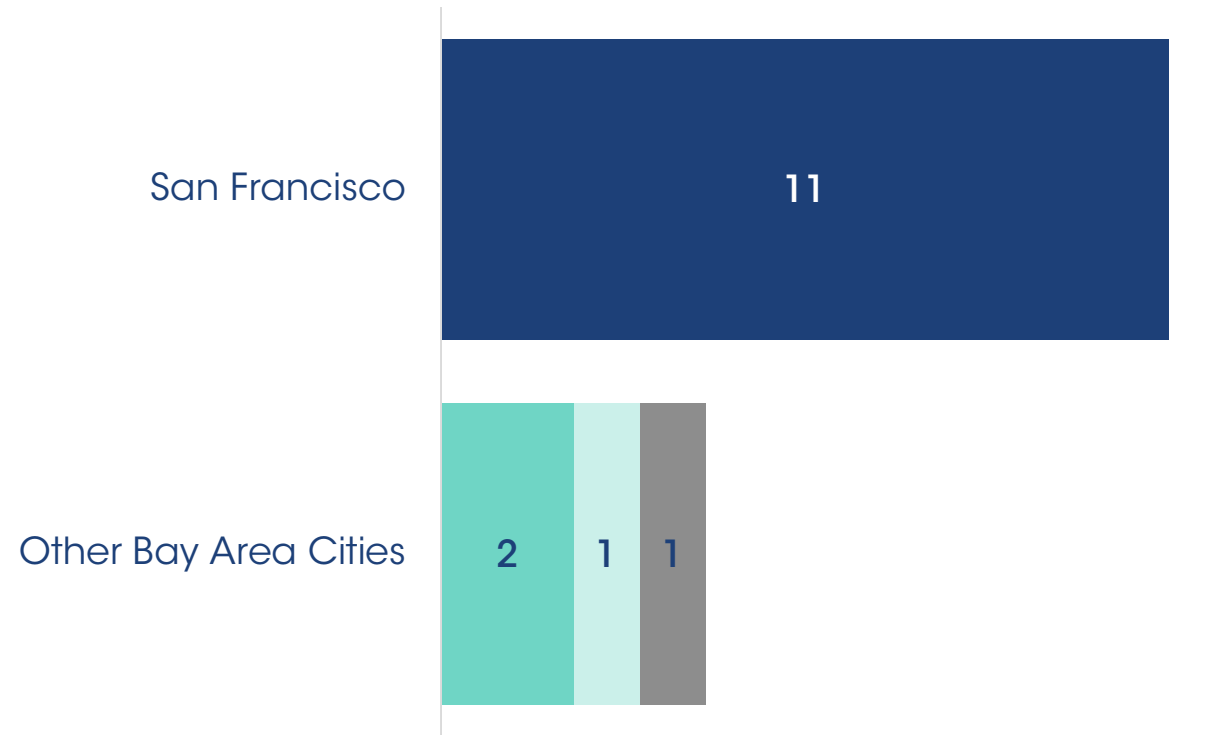
Fifteen of these firms are headquartered in the market

Firms in HQ in Bay Area vs. Non-HQ Firms in Bay Area



■ HQ Firms ■ Non-HQ Firms

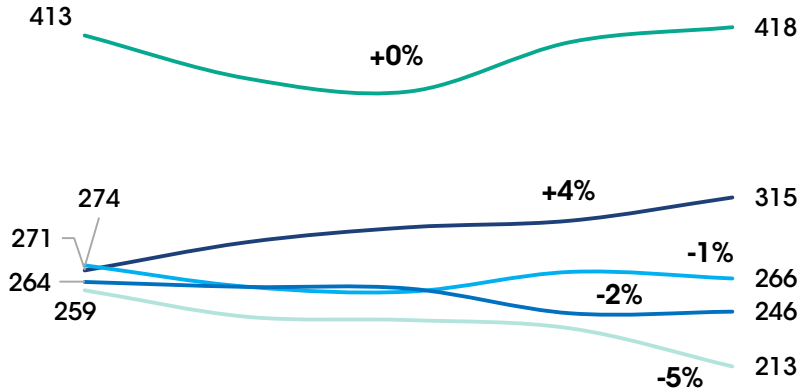
15 Firms Headquartered in the Bay Area – HQ Locations



■ San Francisco ■ Palo Alto ■ Mountain View ■ Redwood City

Headquartered

Average Annual Headcount Growth - Largest HQ Firms
San Francisco Bay Area, 2016-2020

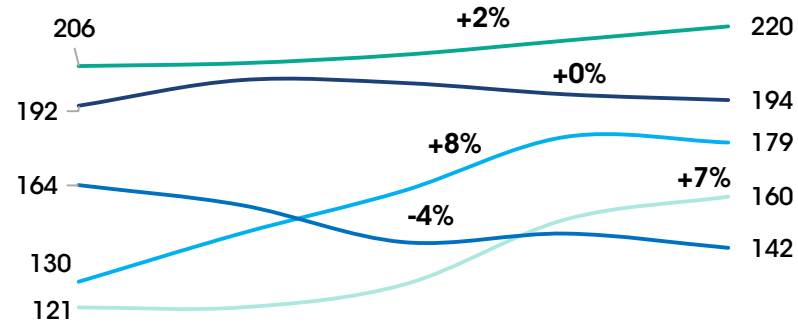


2016 2017 2018 2019 2020

Wilson Sonsini Cooley
Morrison & Foerster Fenwick & West
Orrick

Not Headquartered

Average Annual Headcount Growth - Largest Non-HQ Firms
San Francisco Bay Area, 2016-2020



2016 2017 2018 2019 2020

Latham & Watkins Morgan Lewis
Kirkland & Ellis Goodwin Procter
DLA Piper

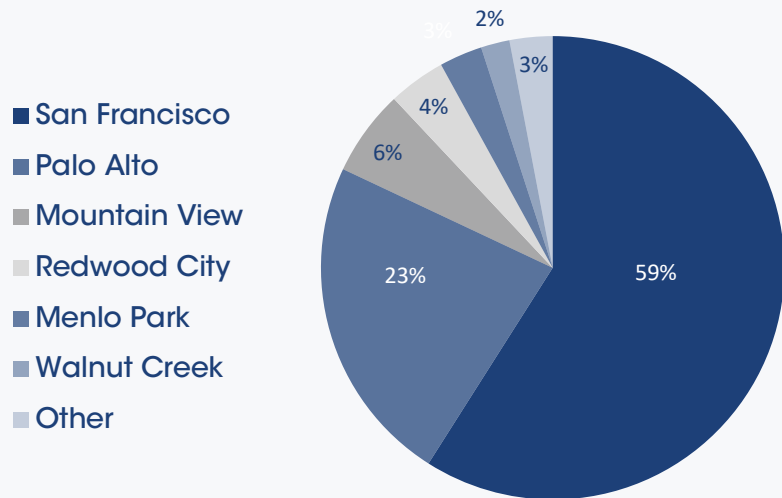
Market Overview

Except for Morgan Lewis, the largest non-HQ firms with a presence in the Bay Area grew headcount faster than most of the largest firms headquartered in the Bay Area

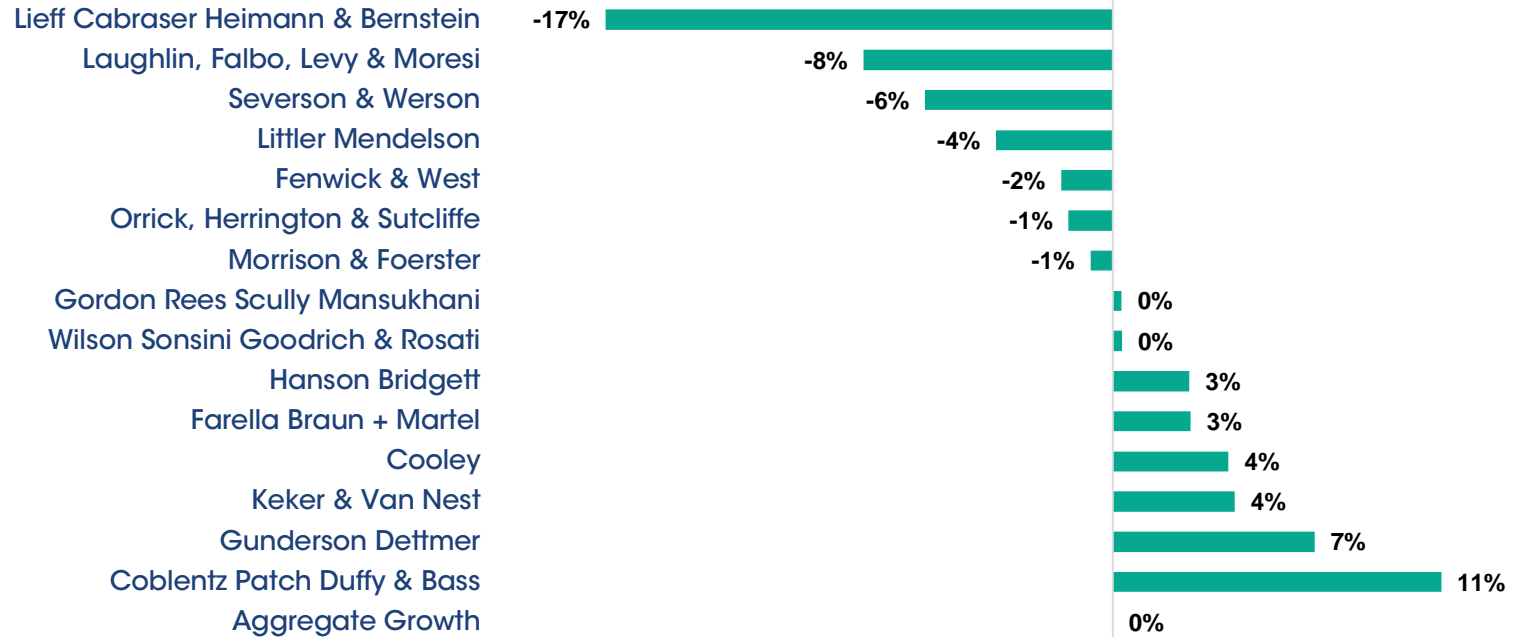
Headcount for the largest firms headquartered in the region remained flat on average

Firms Headquartered in the Bay Area...

Attorney Headcount by Bay Area City
Firms HQ in San Francisco Bay Area, 2020



Attorney Headcount Growth by Firm
Firms HQ in San Francisco Bay Area, 2016–2020

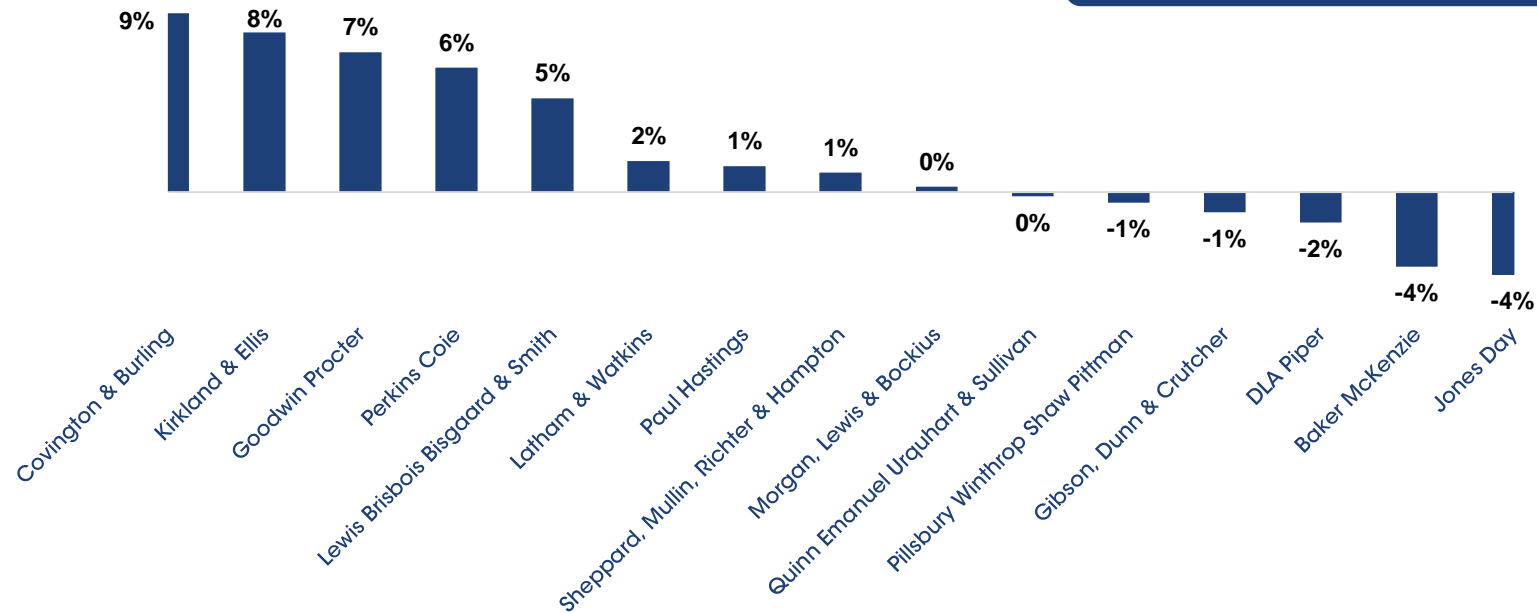


Firms headquartered in the Bay Area have fewer attorneys in San Francisco and Palo Alto. A more significant portion is based in Mountain View.

Firms headquartered in the Bay Area have collectively kept attorney headcount in the market flat on average over the past five years, suggesting that Bay Area firms prioritize growing offices in locations outside of their home base. This decision is perhaps due to costly real estate in the Bay Area, which has persuaded some companies and talent to move to lower-cost markets with lower taxes, such as Texas, Washington and Florida.

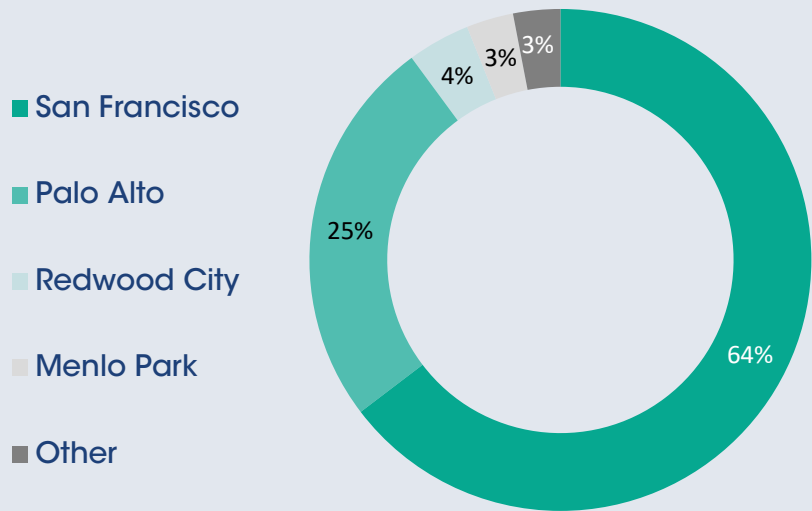
*Coblenz Patch Duffy & Bass headcount growth was measured over 2017-2020 and Lieff Cabraser Heimann & Bernstein was measured from 2018-2020 due to insufficient data

Offices in Bay Area – 15 Largest Non-HQ Firms
Firms Not HQ in San Francisco Bay Area, 2016–2020



Firms Headquartered outside the Bay Area...

Attorney Headcount – 15 Largest Non-HQ Firms
Firms Not HQ in San Francisco Bay Area, 2020

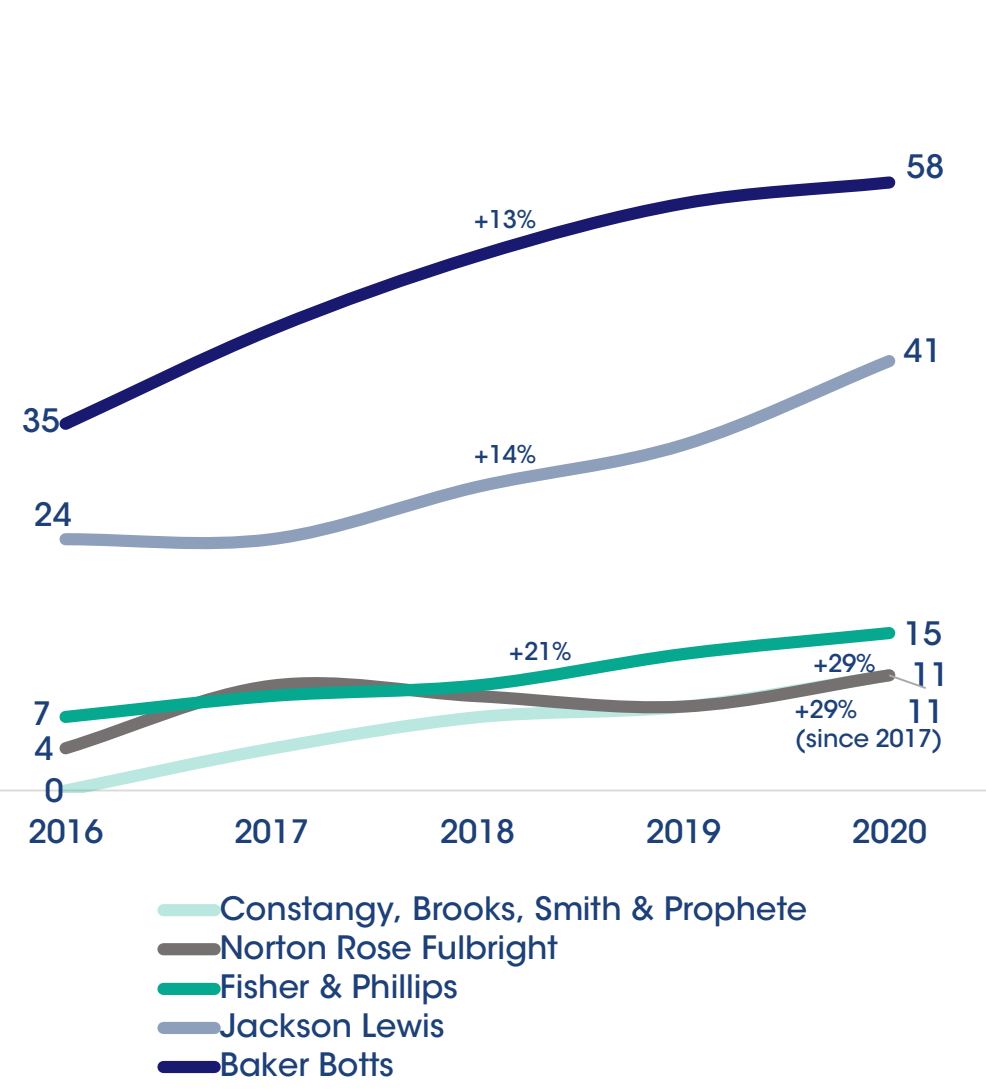


The largest 15 firms in the Bay Area have 33 offices, with each firm having an office in San Francisco. Each of the 15 largest firms has more than one office in the Bay Area. **64%** of attorneys from these firms work out of San Francisco, with **25%** working out of Palo Alto.

Even though more offices in the Bay Area are located outside of San Francisco, **most firms have the bulk of their Bay Area attorneys based in San Francisco, with a smaller office location elsewhere in the Bay Area.**

Emerging Competitors

Emerging Competitors - Average Annual Headcount Growth
San Francisco Bay Area, 2016-2020

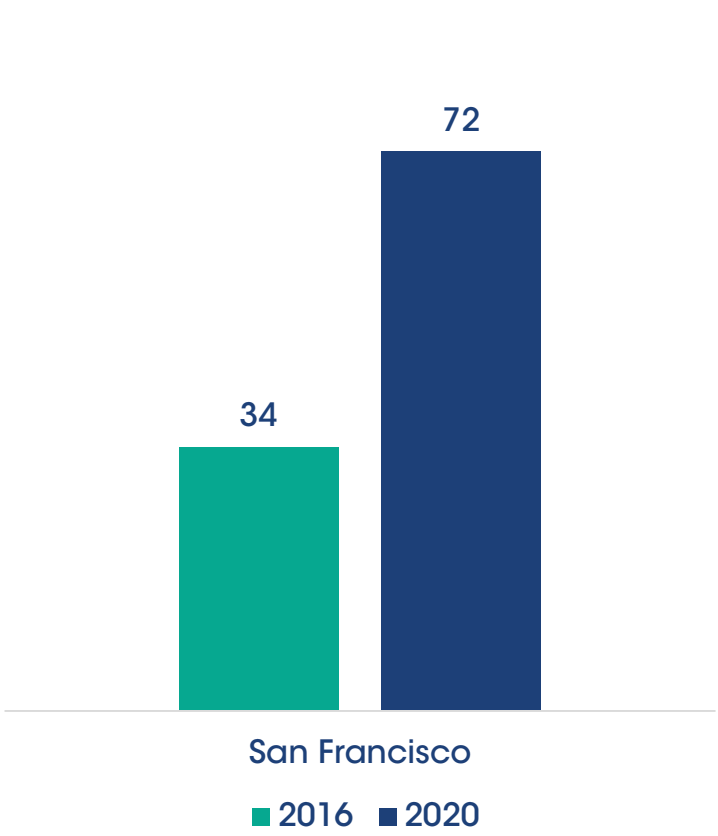


Since 2016, the top five rapidly growing, non-headquartered firms with a presence in the Bay Area added 38 attorneys in San Francisco alone, expanding its collective footprint in the city 112%

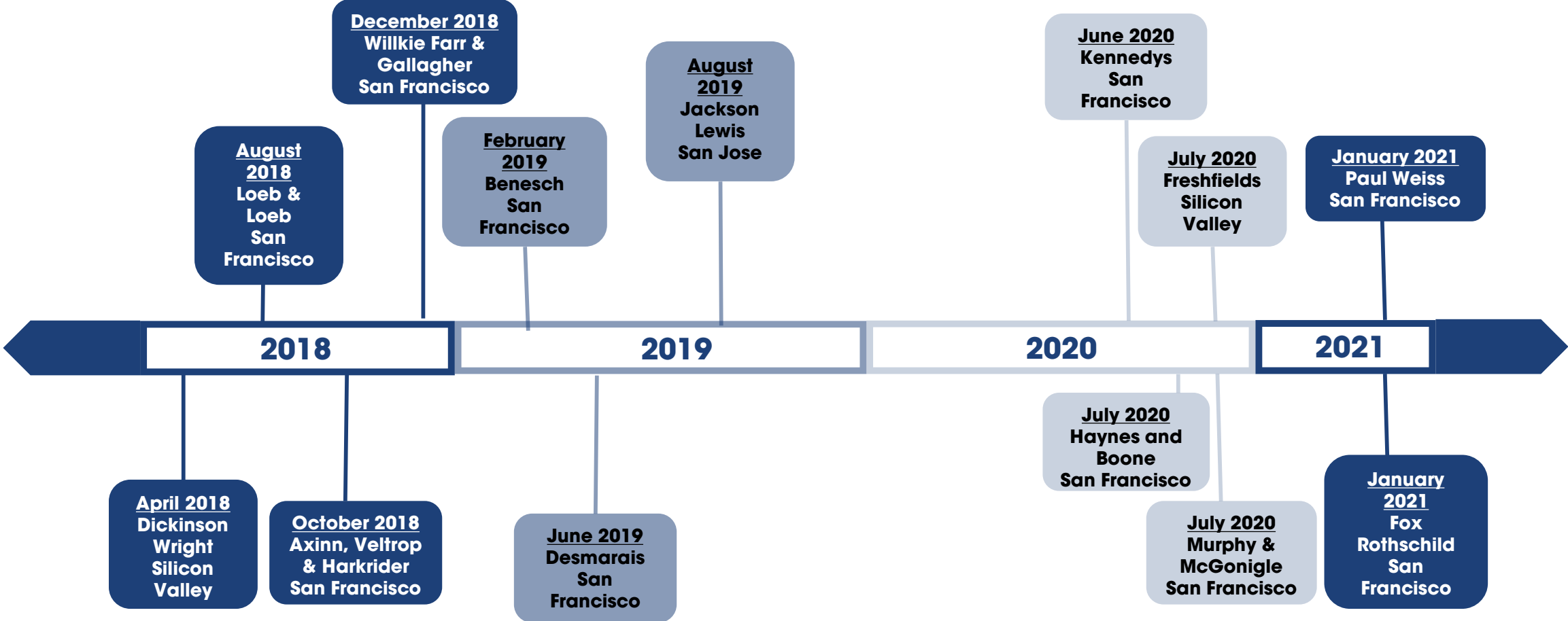
These competitors did not significantly increase their footprint in other Bay Area cities

Market Overview

Emerging Competitors - Headcount by City
San Francisco Bay Area, 2016-2020



Several law firms expanded into the Bay Area over the past three years. Almost all these firms moved into the region to expand their client base and better serve existing clients—especially in technology and life sciences. The COVID-19 pandemic did not stop law firms from moving into new office space in the Bay Area in 2020, as some have seen the recession as an opportunity to invest in new talent that would otherwise be unavailable. The Bay Area even gained a new UK firm—Kennedys—in June 2020.





MARKET OVERVIEW TAKAWAYS

Firms continue to enter the Bay Area legal market, particularly in San Francisco. There have been law firms entering San Francisco in 2021, helping to prove that the COVID-19 pandemic did not entirely deter national law firms from establishing a presence in the Bay Area.

However, **attorney headcount growth at firms headquartered in the Bay Area has been minimal over the past five years, especially at the largest firms.** The absence of growth suggests that firms headquartered in the Bay Area may be prioritizing growing outside of their home base instead of bolstering operations in the Bay Area.

COMPETITIVE OVERVIEW

The largest firms headquartered in the Bay Area by number of attorneys realized over 8% revenue growth in 2020. They continue to prioritize maintaining long-standing relationships with profitable technology companies while promoting diversity efforts within the firm

The most prominent firms based outside of the Bay Area with an office in the region are higher revenue firms with higher profit margins than firms headquartered in the market

However, both headquartered and non-headquartered firms with high percentages of attorneys in the Bay Area rank in the top 100 among Am Law 200 firms regarding PEP and RPL

Aside from one firm, the most prominent firms headquartered in the Bay Area realized positive PEP growth in 2020. Non-headquartered firms, including the top three firms in the Am Law 200 based on total revenue, realized similar growth in 2020



Financial Overview Largest Firms HQ in Bay Area

Competitive Overview

2020 Am Law 200 Rank	Bay Area Headcount 2020	2016-2020 Headcount Growth	Firm Name	2020 Gross Revenue	2020 Revenue Growth	2020 RPL	2020 RPL Growth	2020 PEP	2020 PEP Growth	2020 PPL	2020 Profit Margin
23	315	4%	Cooley	\$1.6B	16.8%	\$1.5M	7%	\$3.2M	25%	\$677,000	47%
31	213	-1%	Orrick, Herrington & Sutcliffe	\$1.2B	-1%	\$1.2M	-1%	\$2.5M	11%	\$288,000	25%
32	266	-1%	Morrison & Foerster	\$1.2B	2%	\$1.1M	0%	\$2.2M	9%	\$411,000	36%
43	418	0%	Wilson Sonsini	\$1.1B	18%	\$1.3M	13%	\$3.1M	26%	\$540,000	42%
66	97	-4%	Littler	\$614M	4%	\$578,000	5%	\$570,000	14%	\$208,000	36%
82	246	-2%	Fenwick & West	\$543M	15%	\$1.5M	7%	\$2.9M	31%	\$674,000	46%
96	113	0%	Gordon Rees	\$442M	13%	\$508,000	4%	\$1M	6%	\$674,000	46%
188	158	3%	Hanson Bridgett	\$122M	7%	\$647,000	-7%	\$739,000	18%	\$282,000	44%

The Bay Area legal market had four firms with over \$1B in 2020 firm-wide revenue. However, four firms realized double-digit revenue growth and only one firm, Wilson Sonsini, had double-digit RPL growth. Firms headquartered in the Bay Area performed strongly regarding PEP growth, collectively expanding 18% in 2020

Financial Overview Largest Firms Not HQ in Bay Area

2020 Am Law 200 Rank	Bay Area Headcount 2019	2016-2020 Headcount Growth	Headquarters	Firm Name	2020 Gross Revenue	2020 Revenue Growth	2020 RPL	2020 RPL Growth	2020 PEP	2020 PEP Growth	2020 PPL	2020 Profit Margin
1	179	8%	Chicago	Kirkland & Ellis	\$4.8B	16%	\$1.8M	11%	\$6.2M	19%	\$1.1M	61%
2	220	2%	New York	Latham & Watkins	\$4.3B	15%	\$1.5M	10%	\$4.5M	20%	\$828,000	55%
3	142	-2%	London	DLA Piper	\$3.1B	1%	\$783,000	-2%	\$2.1M	9%	\$229,000	29%
7	194	0%	Philadelphia	Morgan Lewis	\$2.4B	8%	\$1.2M	11%	\$1.7M	17%	\$619,000	51%
22	160	7%	Boston	Goodwin Procter	\$1.5B	12%	\$1.3M	3%	\$2.9M	11%	\$608,000	49%
45	134	6%	Seattle	Perkins Coie	\$1B	7%	\$916,000	2%	\$1.4M	5%	\$248,000	27%
62	132	-1%	New York	Pillsbury Winthrop	\$723M	7%	\$1.1M	6%	\$1.9M	26%	\$379,000	34%
65	104	5%	Los Angeles	Lewis Brisbois	\$677M	5%	\$434,000	3%	\$1.2M	29%	\$105,000	24%

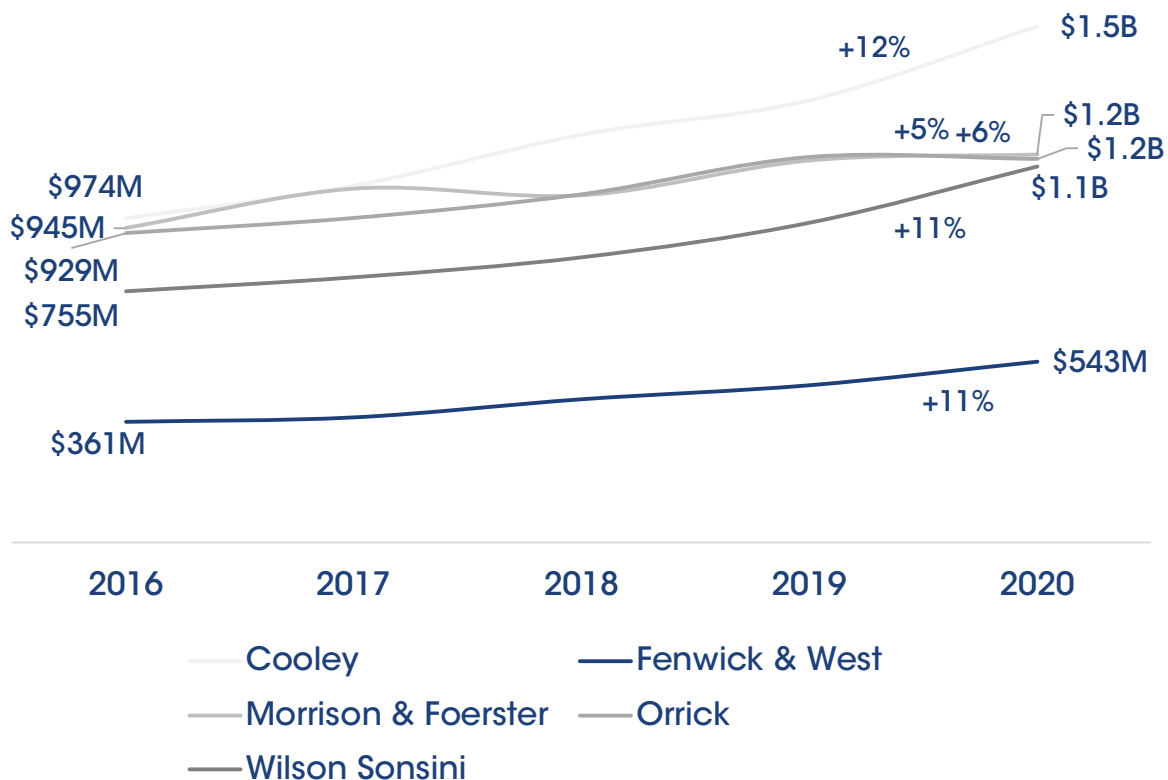
Firms headquartered outside of the Bay Area with the most significant footprint in the Bay Area grew overall firm revenue 5% or more in 2020, aside from Latham and Watkins. The top three firms by revenue in the Am Law 200 have a sizeable presence in the Bay Area, indicating that the largest Am Law 200 firms by revenue consider having a footprint in the Bay Area a crucial part of the firm's strategy.

Kirkland & Ellis prioritized growing its Bay Area presence with the addition of nearly 50 lawyers over the past five years, expanding headcount 8% on average annually from 2016–2020. Half of the firms listed above grew Bay Area headcount 5% or more over the past five years.

Competitive Overview

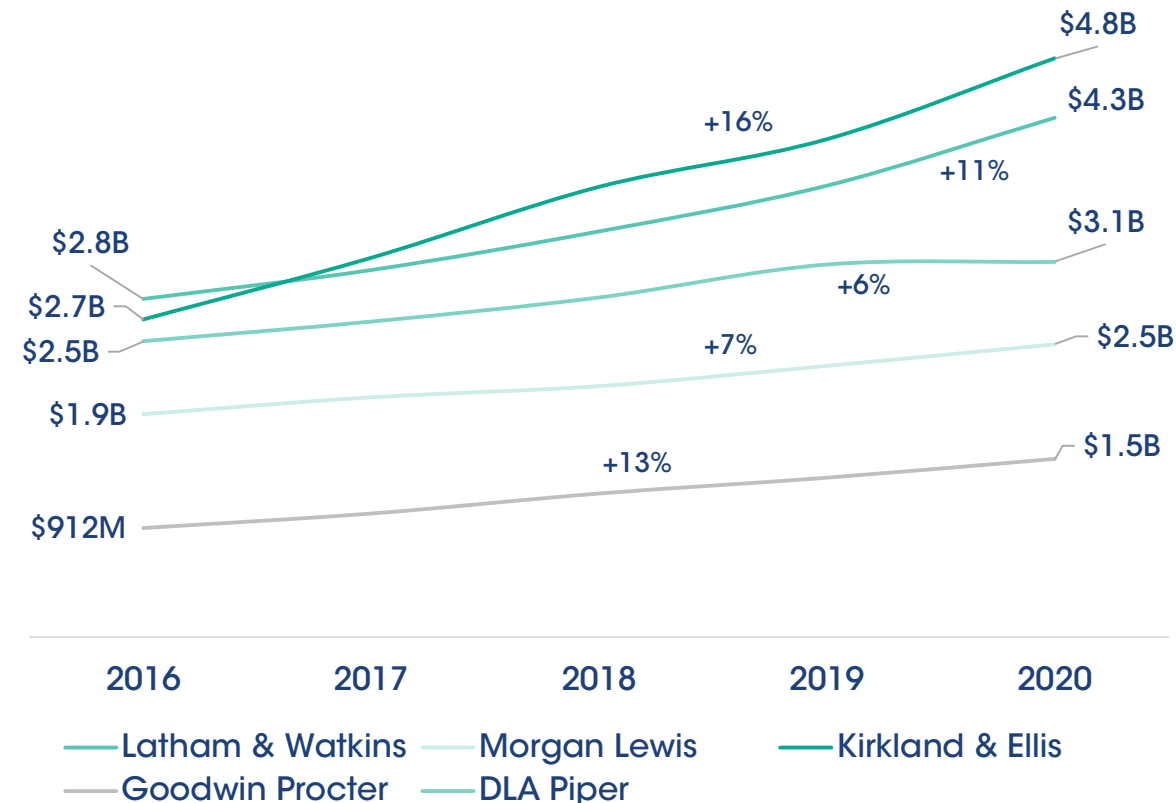
Revenue Growth - Firms Headquartered in the Bay Area

Firm-Wide Revenue - Average Annual Growth *
Firms HQ in San Francisco Bay Area, 2016-2020



Revenue Growth - Firms Headquartered outside the Bay Area

Firm-Wide Revenue - Average Annual Growth
Largest Firms Not HQ in San Francisco Bay Area, 2016-2020



On average, the largest firms headquartered in the Bay Area grew revenue slower than firms headquartered outside the region. Both sets of firms have exhibited average growth of over 5% from 2016-2020

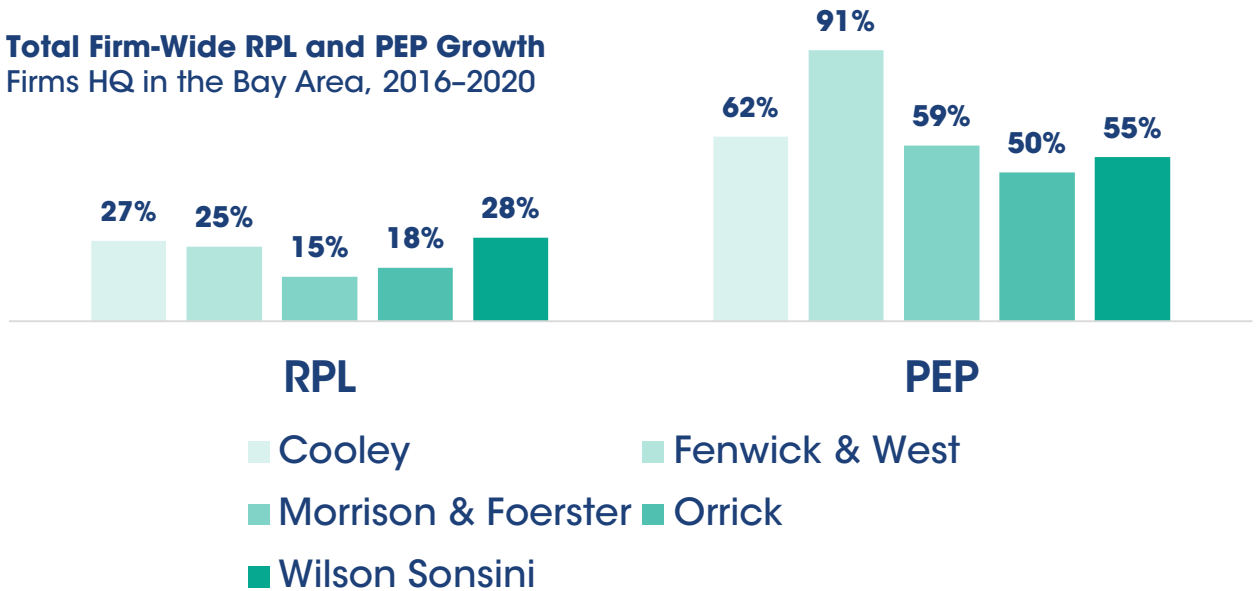
*Data Sourced from 2020 AM Law 200

Competitive Overview

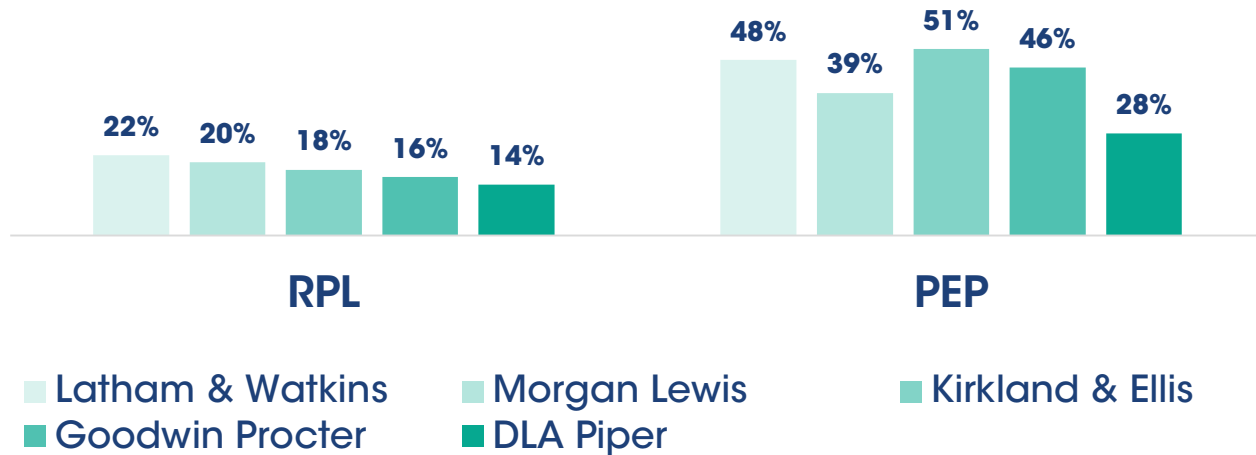
Firms Headquartered *in* the Bay Area realized higher PEP and RPL gains than firms headquartered outside the Bay Area from 2016-2020

Firms Headquartered *outside* the Bay Area also grew RPL and PEP, however, at a slightly slower pace than those firms headquartered in the region

Total Firm-Wide RPL and PEP Growth
Firms HQ in the Bay Area, 2016-2020

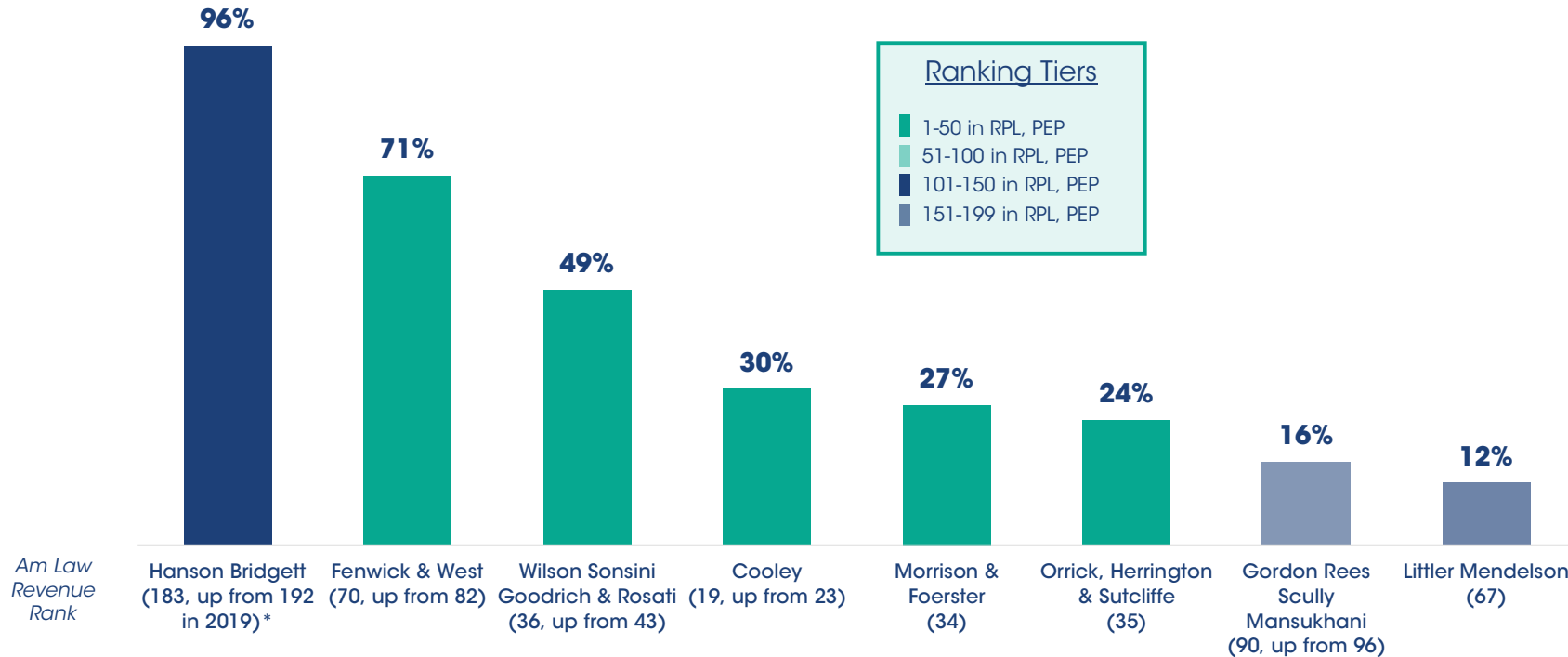


Total Firm-Wide RPL and PEP Growth
Largest Firms not HQ in the Bay Area, 2016-2020



Percent of Firm Attorneys in Bay Area & firm RPL & PEP rank – 2020

(firms headquartered *within* the Bay Area)



There are eight firms headquartered in the Bay Area with over 50 attorneys. On average, 40% of these lawyers work in the Bay Area. These firms, on average, are ranked 67th in the Am Law 200 based on 2020 revenue, up from 71st in 2019. **All but three firms rank in the top 50 in terms of RPL and PEP.**

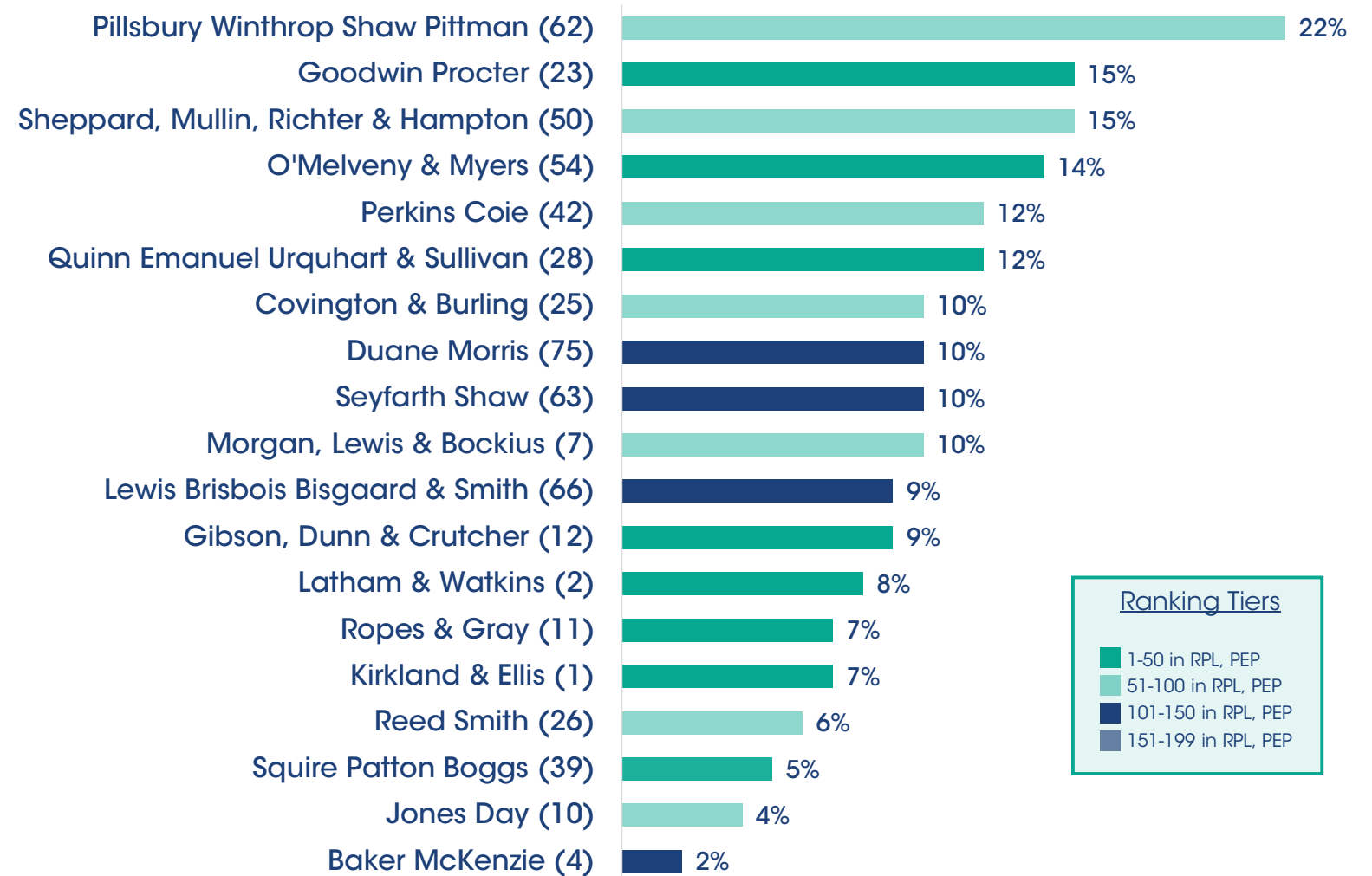
Littler and Gordon Rees have just 16% and 12% of attorneys in the Bay Area, respectively, ranked in the last tier for RPL and PEP.

This ranking could infer that Bay-Area headquartered firms with a small percentage of HQ-based attorneys are less profitable than those with over 20% or more total firm-wide attorneys.

*Numbers in parenthesis are the 2020 Am Law 200 ranking based on firm-wide revenue. Firms included are those with over 50 attorneys

**Rankings by RPL and PEP were produced by taking the average of 2020 firm RPL and PEP and categorizing in one of four tiers: 0-50, 51-100, 101-150, 151-199

Percent of Firm Attorneys in Bay Area & firm RPL & PEP rank - 2020 (firms headquartered *outside* the Bay Area)



Ranking Tiers

- 1-50 in RPL, PEP
- 51-100 in RPL, PEP
- 101-150 in RPL, PEP
- 151-199 in RPL, PEP

Nearly 80% of firms with a presence in the Bay Area that are headquartered outside of the Bay Area rank in the top Am Law 100 regarding average RPL and PEP.

Only four firms fell outside of the top 100. Zero firms ranked in the bottom tier.

All firms with more than 10% of their total attorneys based in the Bay Area were in the top 100.

This may suggest that larger firms outside of the Bay Area perform better financially when a higher percentage of attorneys are in the Bay Area.

Despite having a smaller percentage of attorneys in the Bay Area, Latham and Watkins and Kirkland also ranked in the top 50 for RPL and PEP.

Most Northern California firms position themselves as leaders in technology and innovation

Bay Area firms are committed to diversity efforts, with relatively high percentages of female and minority lawyers

2021 KPI TIERS

Composite Rankings Index Score Tier*	1
Gross Revenue	1
Total Attorneys	1
PEP	1
RPL	1
PPL	1
Profit Margin	2
Female Attorney %	1
Diverse Equity Partner %	1

Wilson Sonsini

The firm has a subsidiary called SixFifty. It was established in February 2019 to focus on developing new legal technology

At the beginning of the COVID-19 pandemic, SixFifty provided free tools to help companies transition to a remote work environment

In December 2020, it launched an automated product to assist with compliance issues surrounding California's new OSHA regulations regarding COVID-19

The firm is ranked among the top ten firms by ALM's 2020 Diversity Scorecard

*See appendix for Composite Rankings Index scoring methodology

2021 KPI TIERS

Composite Rankings Index Score Tier	3
Gross Revenue	2
Total Attorneys	1
PEP	4
RPL	4
PPL	4
Profit Margin	3
Female Attorney %	1
Diverse Equity Partner %	2

Littler

Littler is known for its high percentage of women and minorities throughout all positions at the firm

Women hold the top two leadership positions

In January 2021, Littler hired its first diversity head as it **plans to double the number of minorities, women and LGBTQ+ shareholders in the top quartile of its compensation system by 2026⁶**

2021 KPI TIERS

Composite Rankings Index Score Tier	1
Gross Revenue	1
Total Attorneys	1
PEP	1
RPL	1
PPL	1
Profit Margin	1
Female Attorney %	1
Diverse Equity Partner %	1

Cooley

Cooley is committed to working with innovative technology companies. In 2020, it advised **Uber** in its \$8B IPO and **Tableau's** \$15.7B sale to **Salesforce**

Ranked #1 by Pitchbook for technology and life sciences IPOs in Q3 2020

Represents 35% of US-based unicorns

In 2019, it was ranked as a top workplace for women and parents by *Fortune Best Companies to Work For*

2021 KPI TIERS

Composite Rankings Index Score Tier	1
Gross Revenue	1
Total Attorneys	1
PEP	1
RPL	1
PPL	3
Profit Margin	1
Female Attorney %	1
Diverse Equity Partner %	1

Orrick

In November 2020, Orrick launched a legal technology comparison tool to be used in-house

A month prior, Orrick's investment arm took part in a \$6.3M Series A funding round for Priori Legal, which uses data and technology to unbundle legal services⁵

In 2017, the firm established its technology lab to foster collaboration among lawyers and technologists

COMPETITIVE OVERVIEW TAKEAWAYS

While the five largest firms headquartered in the Bay Area did not match the average revenue growth pace set by the most prominent firms headquartered outside of the Bay Area over the past five years, four of the five Bay Area firms grew PEP by over 40%. In comparison, less than half of the non-headquartered firms with Bay Area offices posted PEP growth of over 40%

The largest firms headquartered in the Bay Area outperformed large non-headquartered firms in RPL growth from 2016–2020

This performance may indicate that firms headquartered within the Bay Area, despite smaller revenue figures, manage their leverage and profitability better than many non-headquartered competitors





Firms in the Bay Area realized over 1,300 lateral partner moves since 2015. Baker & McKenzie had the most lateral Bay Area partner hires in 2020 with six partners. Many lateral hires and departures over the past five years in the Bay Area were in San Francisco.

27% of lateral hires in San Francisco came from firms that rank in the top 50 in the Am Law 200 for PEP, while 68% of lateral hires in San Francisco were made by firms that rank in the top 100 for PEP. Menlo Park had nine hires, which were all at firms ranked in the top 50 for PEP.

This trend suggests most lateral moves in the Bay Area were at firms with above-average profitability metrics.

LATERAL MOVES OVERVIEW

Lateral Departures

Lateral Departures - Top Three Locations San Francisco Bay Area, 2015-2020*



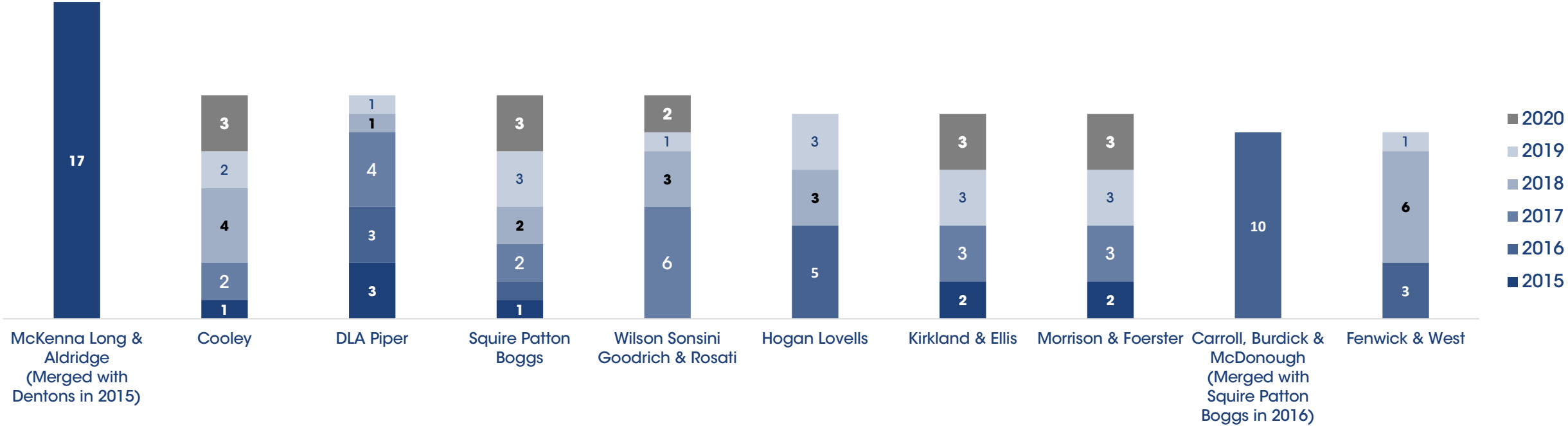
The Bay Area market had **676 lateral departures** from 2015-2020

68% of exits were from San Francisco

*Data includes up to Q3 of 2020 for Am Law 200 and NLJ 350-size firms

Lateral Departures (Cont.)

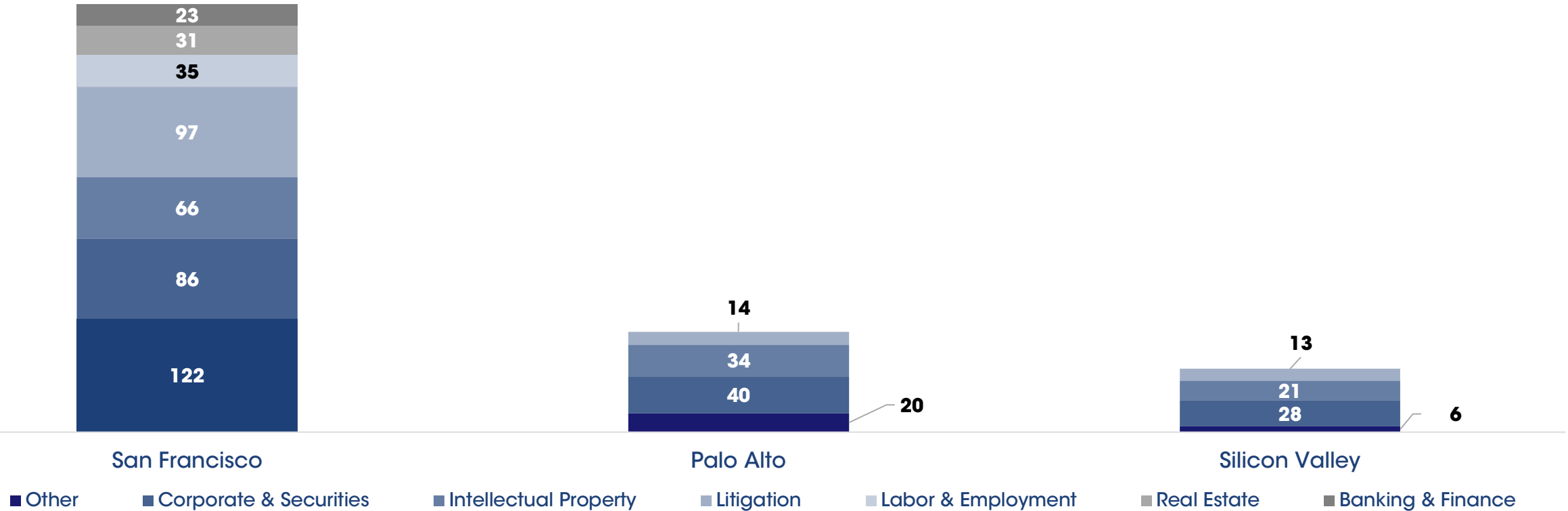
Lateral Departures by Year - Top Firms
San Francisco Bay Area, 2015-2020



Nearly 30 departures in 2015 and 2016 were primarily a result of two separate mergers, with McKenna Long & Aldridge shedding 17 partners before merging with Dentons in 2015

*Data includes up to Q3 of 2020 for Am Law 200 and NLJ 350-size firms

Lateral Hires - Top Three Locations San Francisco Bay Area, 2015-2020*



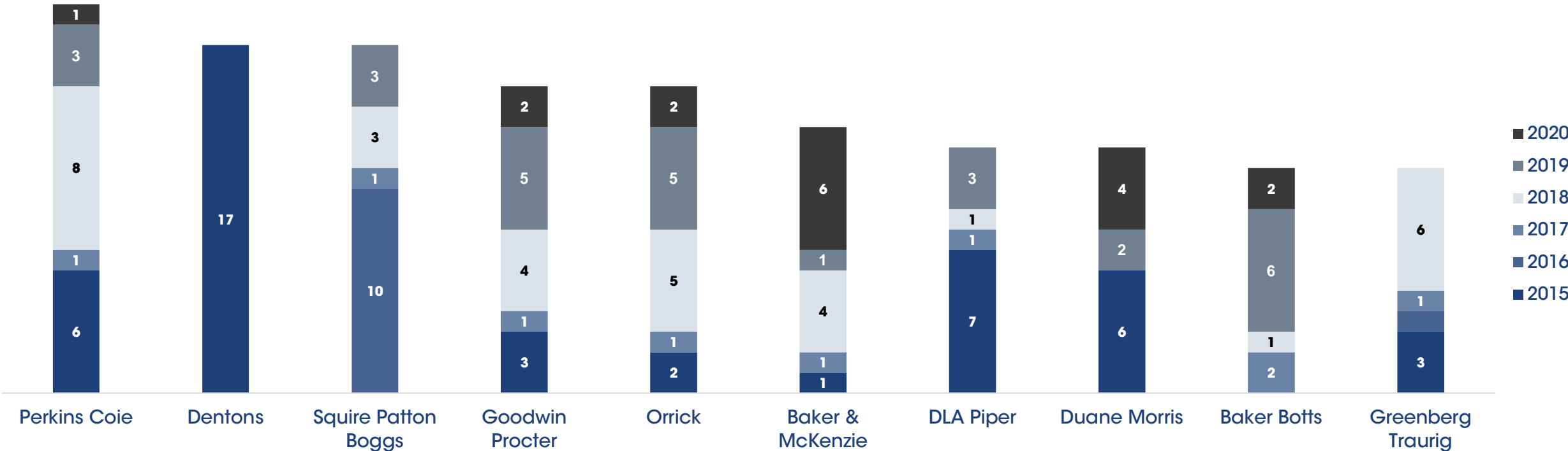
The San Francisco Bay Area market had **713 lateral hires** over the past five years

Many of these hires were in San Francisco

*Data includes up to Q3 of 2020 for Am Law 200 and NLJ 350-size firms

Lateral Hires (Cont.)

Lateral Hires by Year - Top Firms
San Francisco Bay Area, 2015-2020



Non-HQ firms remain aggressive in the Bay Area lateral market

Only one native San Francisco firm, Orrick, was in the top ten firms by the number of lateral hires

*Data includes up to Q3 of 2020 for Am Law 200 and NLJ 350-size firms

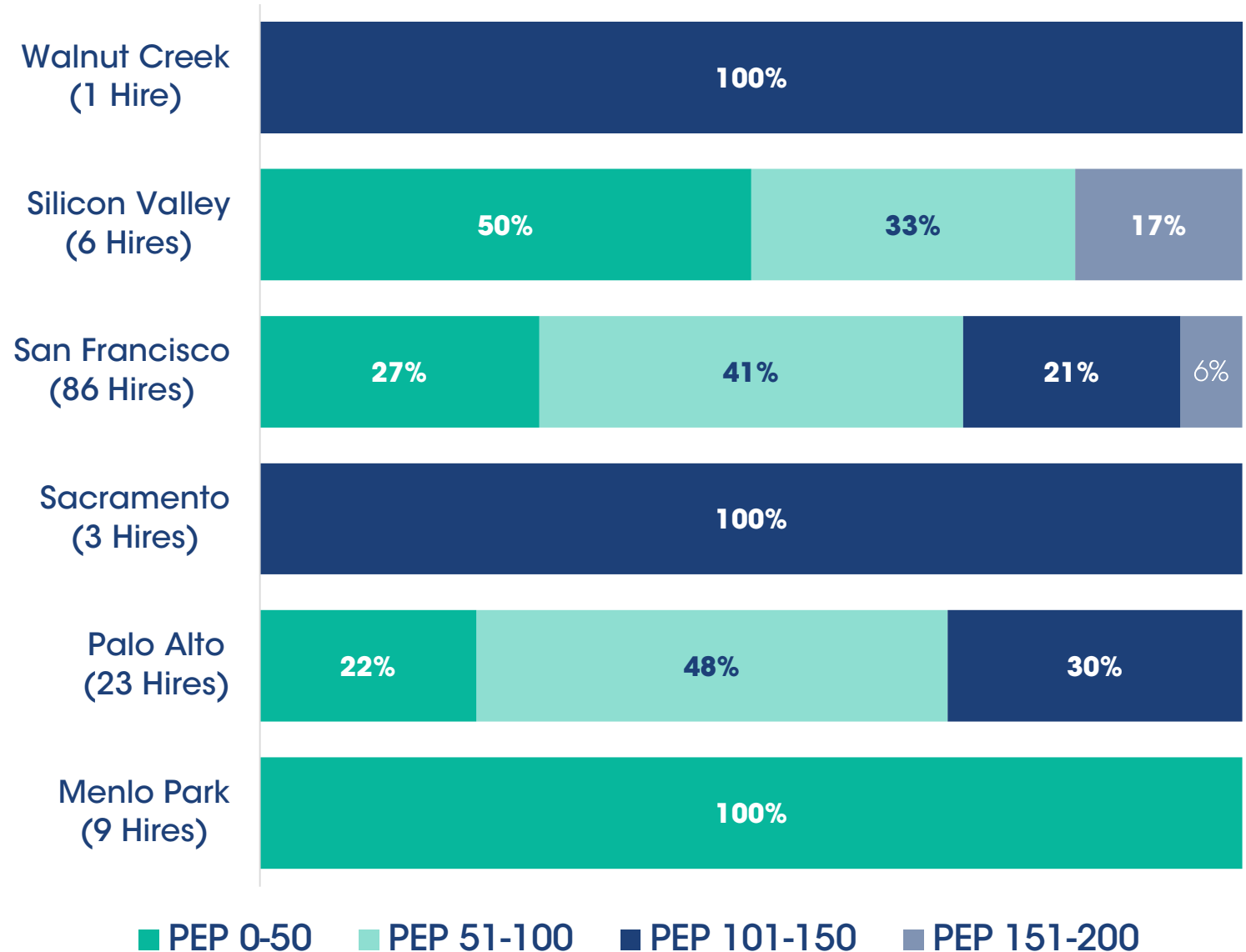
Over one-quarter of lateral partner hires in San Francisco were made by firms ranked in the Am Law 50 for PEP

68% of firms with a presence in the Bay Area ranked in the top 100 firms for PEP

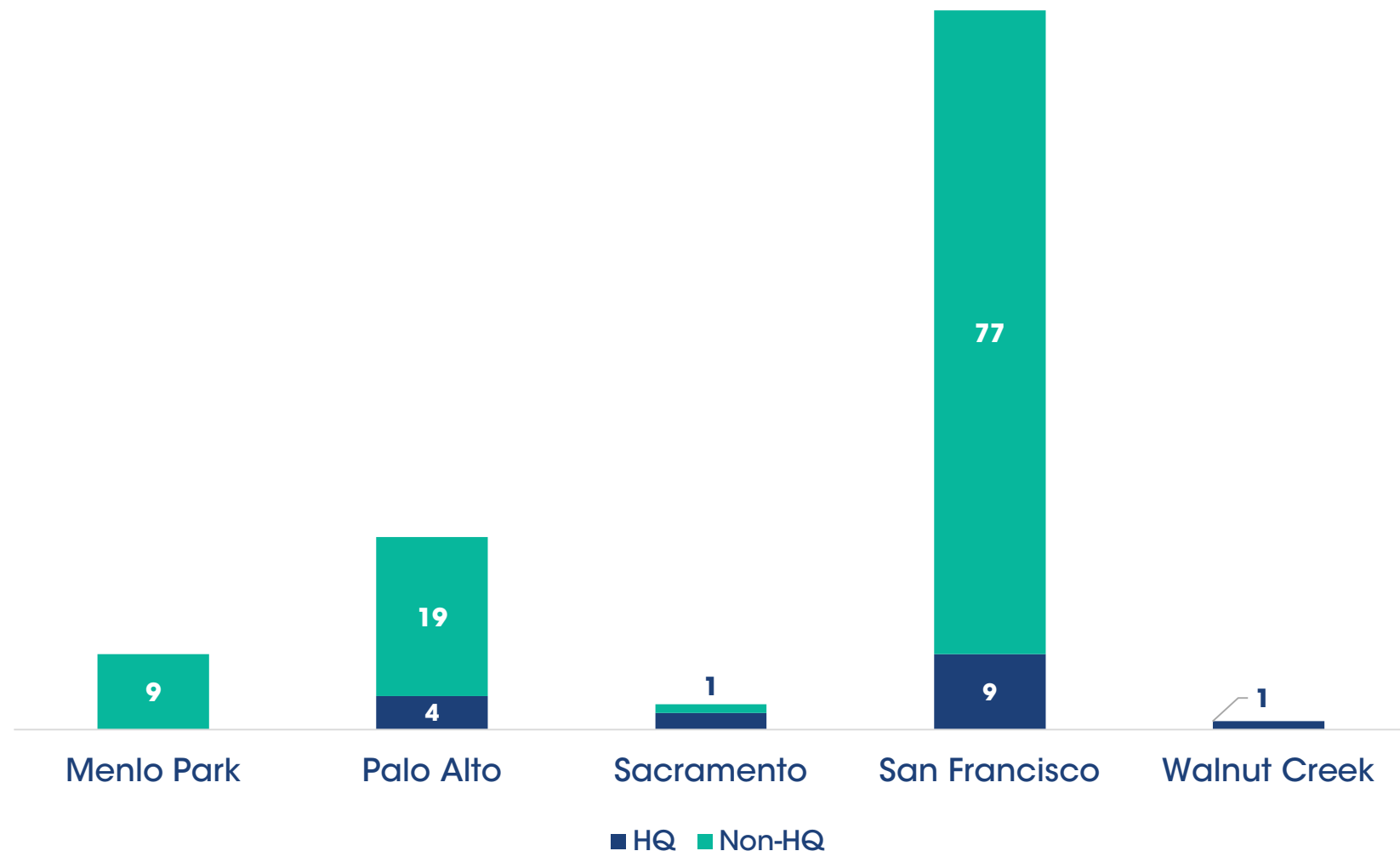
Menlo Park partner hires were all ranked in the Am Law 50 for PEP

Lateral Hires by PEP Ranking Tier San Francisco Bay Area, 2020

Lateral Moves



Lateral Hires - HQ Firms vs. Non-HQ Firms San Francisco Bay Area, 2020



Most of San Francisco's lateral hires were made by Am Law 200 firms headquartered outside the Bay Area

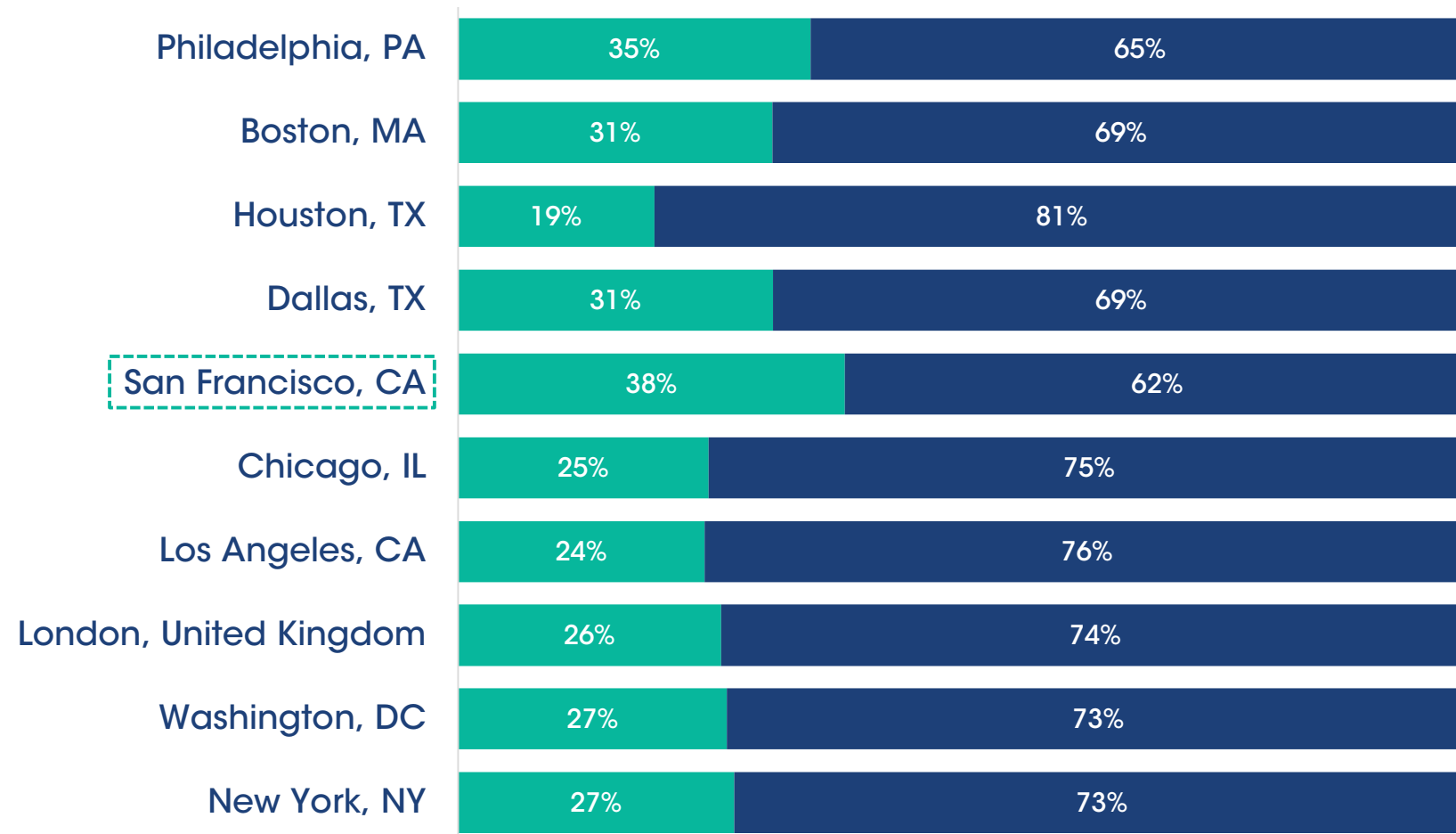
Am Law 200 Partner Hires by Gender

San Francisco and Select Markets, Oct 2019–Sept 2020

Compared to other legal markets across the US,

San Francisco boasted the highest percentage of female partner hires in 2020,

a few percentage points above Philadelphia



■ Female Partners as a % of Total Am Law 200 Partner Hires

■ Male Partners as a % of Total Am Law 200 Partner Hires

38% of partner hires in San Francisco were female partners

Other cities in the Bay Area had higher percentages of female partner hires, such as Palo Alto, where **44% of partner hires were female**

Most notably, **Menlo Park had double the number of female partner hires than men**

Am Law 200 Partner Hires by Gender
San Francisco Bay Area Cities, Oct 2019–Sept 2020



LAW FIRM DIVERSITY

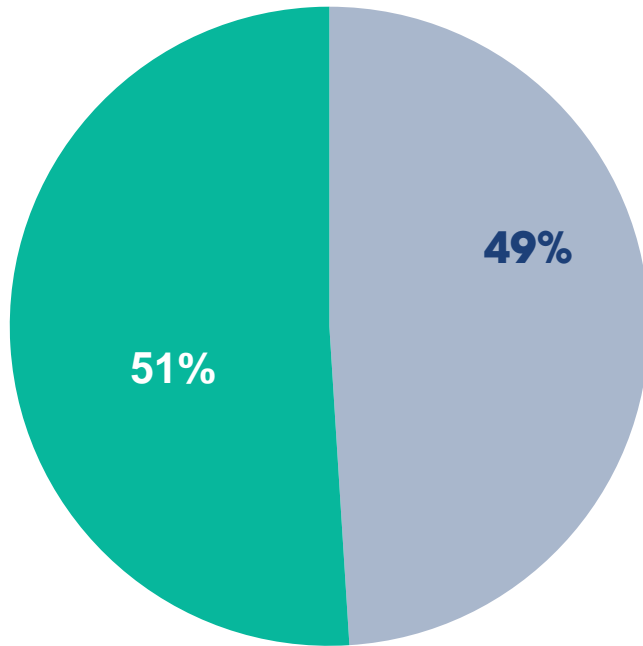
Bay Area law firms are known for having attorneys with high diversity percentages.

The percentage of female attorneys at firms headquartered in the Bay Area increased faster than those headquartered outside of the Bay Area. **Over half of associates identified as female in 2020**

Bay Area firms benefit from drawing talent from California law schools, which have high percentages of female students. The Bay Area also has the highest minority percentage out of select peer markets among firms with a presence in the region at 22%, tied with New York



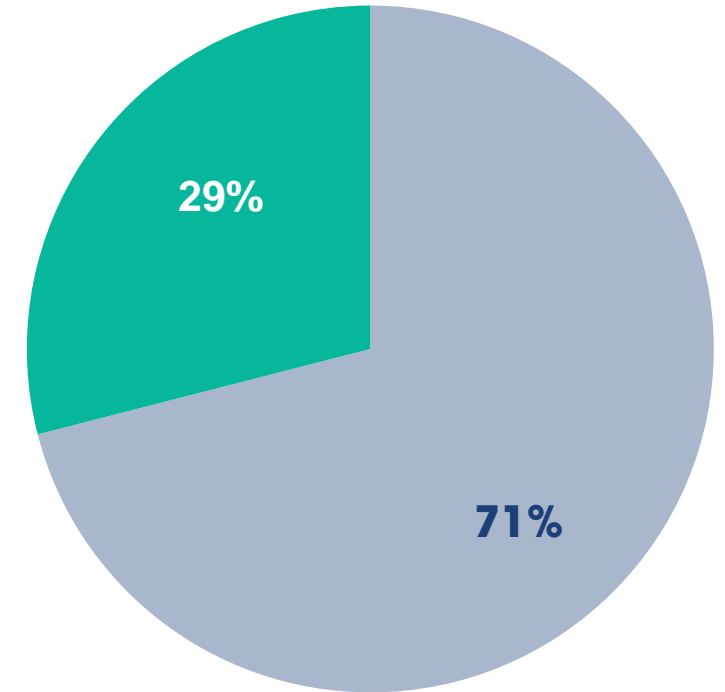
Headcount by Gender - Associates
San Francisco Bay Area, 2020



■ Male ■ Female

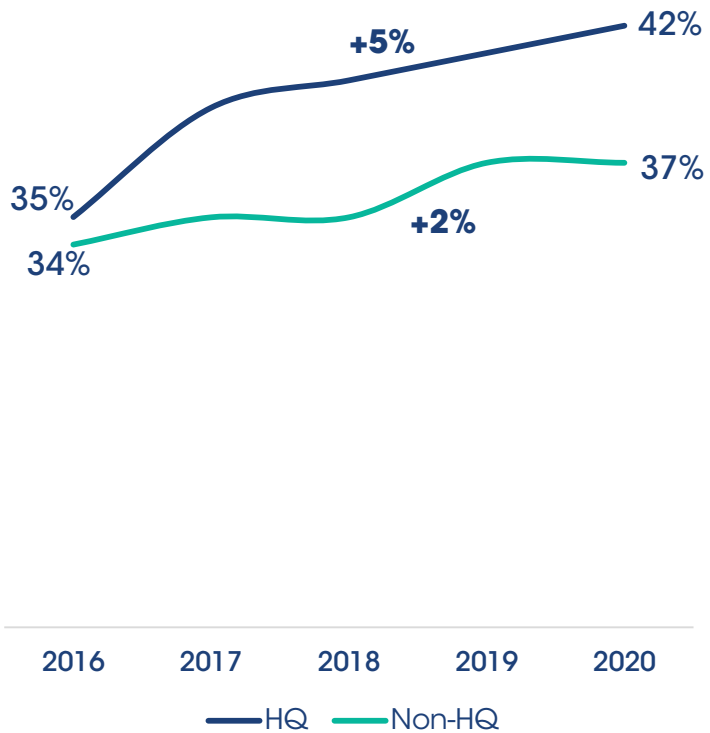
The Bay Area has more female associates than it does male associates; however, the market falls in line with other US regions regarding the proportion of female partners—despite growth in female lateral partner hires

Headcount by Gender - Partners
San Francisco Bay Area, 2020



■ Male ■ Female

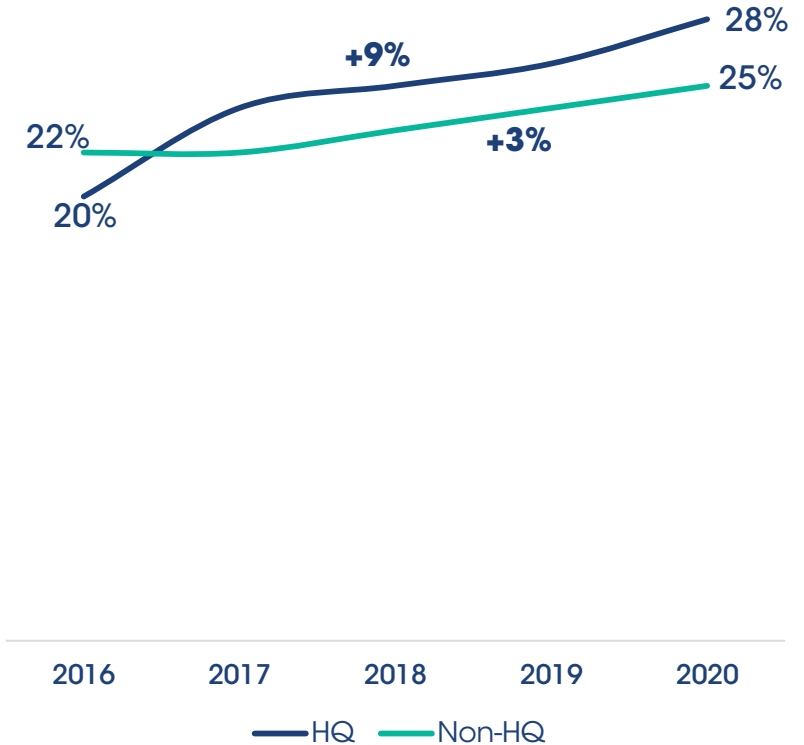
Percentage of Female Attorneys
San Francisco Bay Area, 2016–2020



The firm-wide percentages of female attorneys and partners at firms headquartered in the Bay Area are increasing significantly faster than the percentage of female attorneys and partners at firms headquartered outside the Bay Area

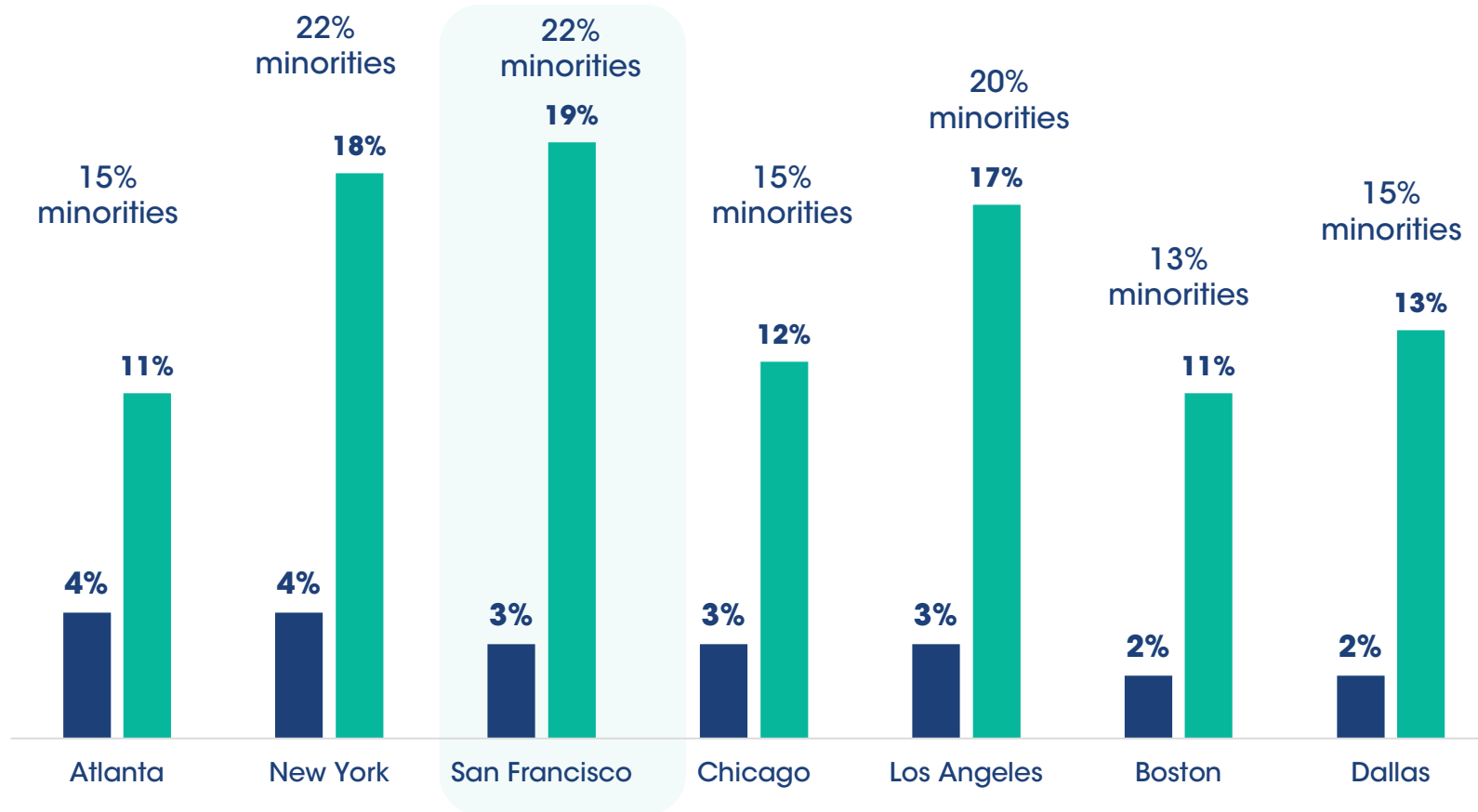
Law Firm Diversity

Percentage of Female Partners
San Francisco Bay Area, 2016–2020



Percentage of Minorities by City

Am Law 200 Firms – 2016-2020 Average

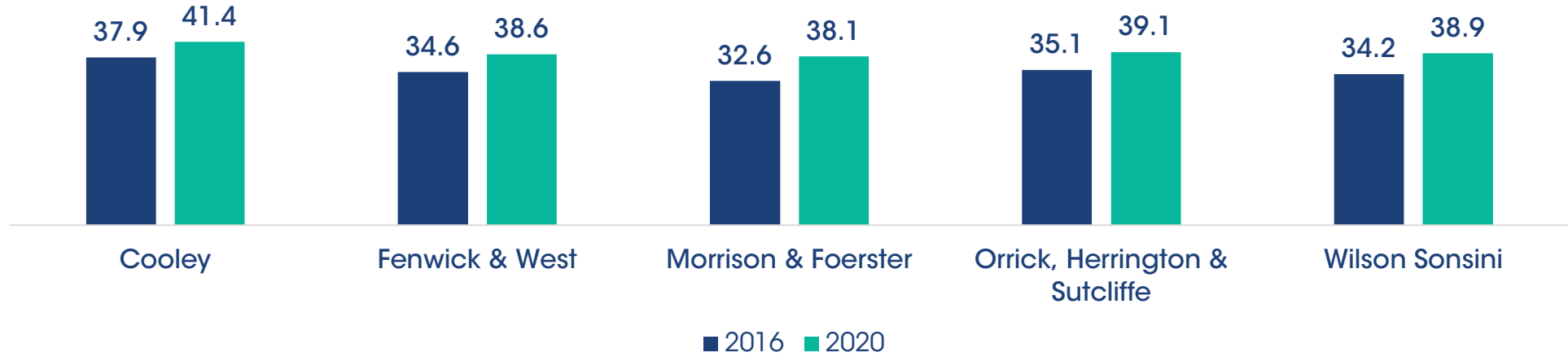


- Average percentage of African American attorneys at Am Law 200 Firms, 2016–2020
- Average percentage of other minority attorneys at Am Law 200 Firms, 2016–2020
(This includes Asian American, Hispanic and Native American attorneys)

Although San Francisco firms are diverse and tie New York for the highest percentage of firm-wide minorities, San Francisco has a smaller African American percentage than New York and Atlanta

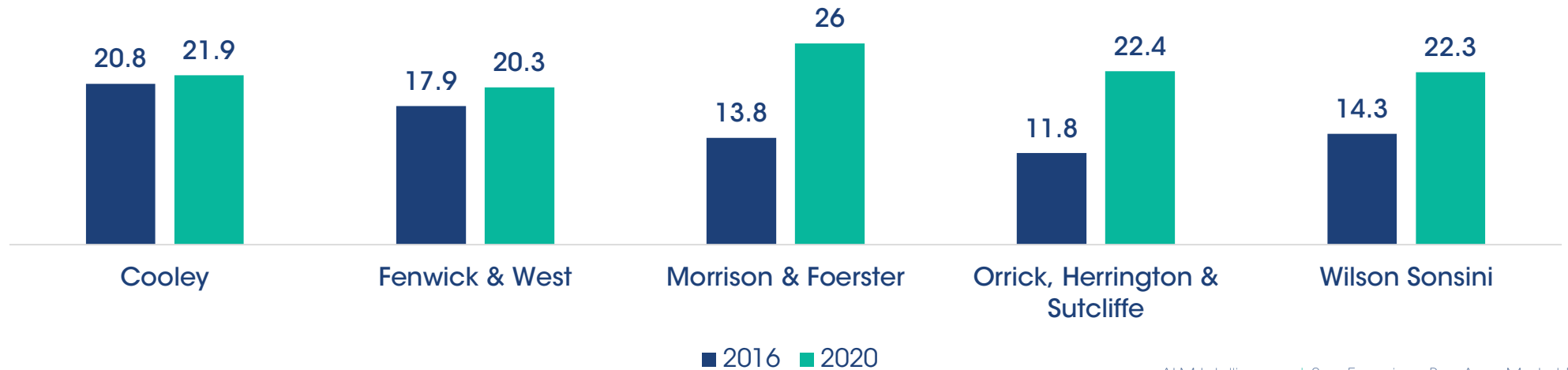
Law Firm Diversity

Percent of Bay Area **Female** Attorneys at the Largest Firms



Over the past five years, the Bay Area's largest firms increased the percentage of female attorneys and partners

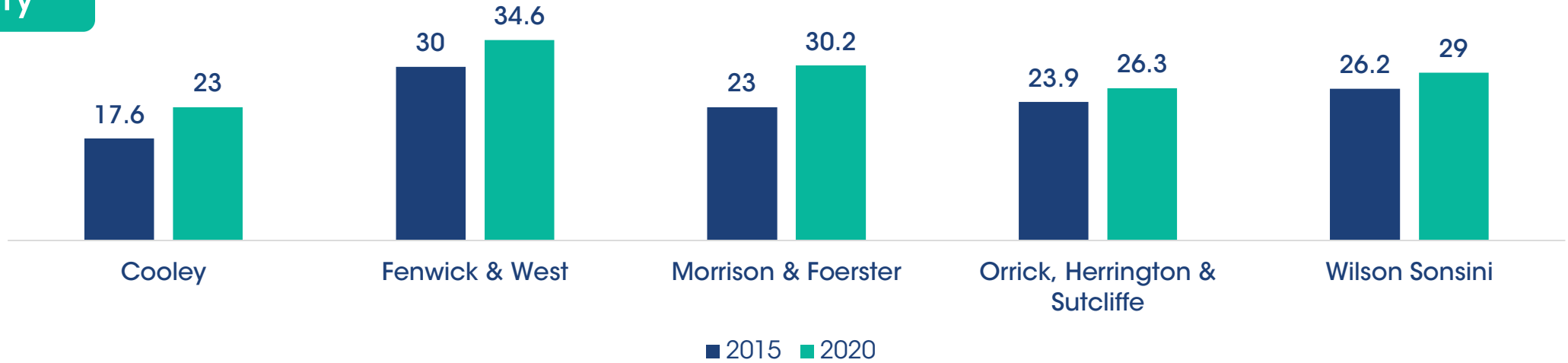
Percent of Bay Area **Female** Partners at the Largest Firms



*Data sourced from the 2020 ALM Female Scorecard

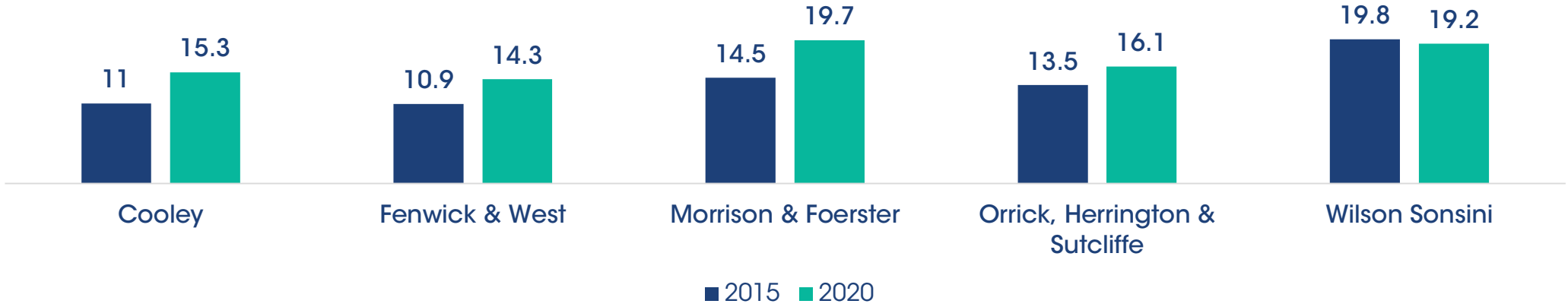
Law Firm Diversity

Percent of Bay Area **Minority** Attorneys at the Largest Firms



From 2015–2020, the Bay Area’s largest firms increased the percentage of minority attorneys and partners, except Wilson Sonsini

Percent of Bay Area **Minority** Partners at the Largest Firms



*Data sourced from the 2020 Diversity Scorecard

CLIENTS

The Bay Area is home to many Fortune 1000 and Fortune 500 companies, many of which exhibited double-digit revenue growth in 2020

These businesses drive the **rise in Bay Area outside counsel expenditure**, luring firms into the market

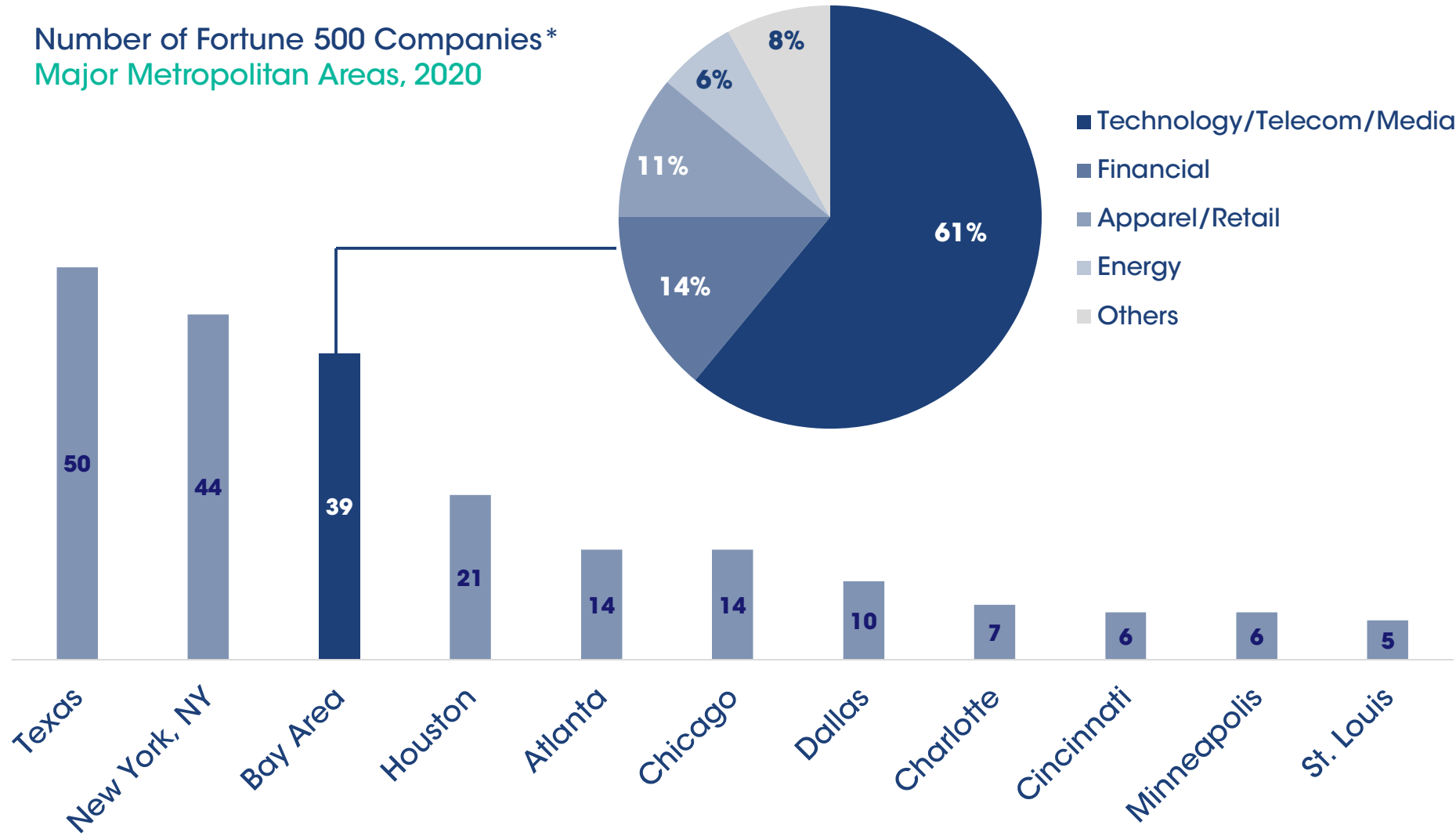
Despite stellar financial performances, these clients tend to lack diversity in technical and leadership roles



Aside from New York City & Texas, the Bay Area is home to the **highest number of Fortune 500 companies in the US**

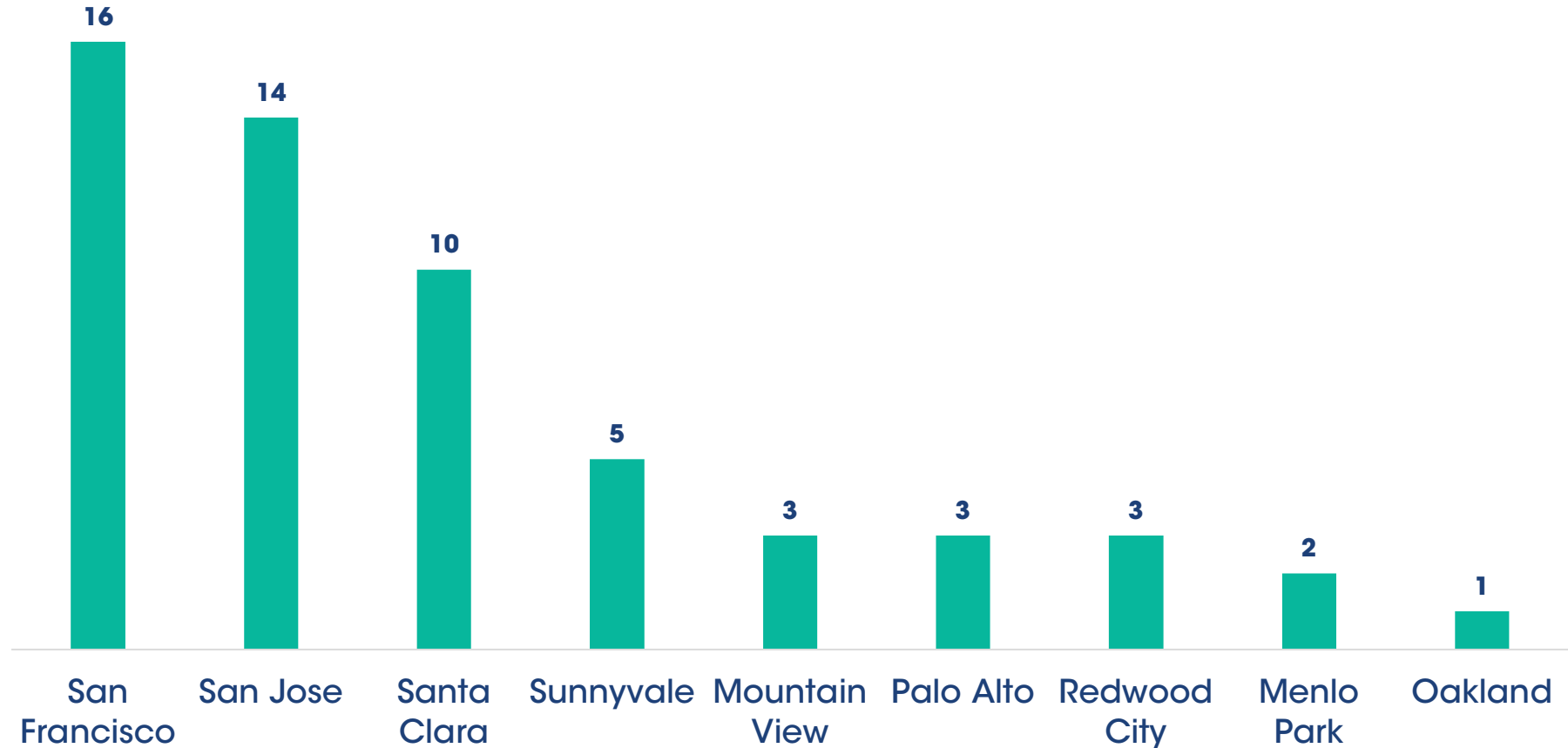
The Bay Area's top-performing companies are more industry diverse than its peer regions

Number of Fortune 500 Companies*
Major Metropolitan Areas, 2020



*Data sourced from Fortune 500 (2020)

Number of Fortune 1000 Companies HQ*
 San Francisco Bay Area, 2020



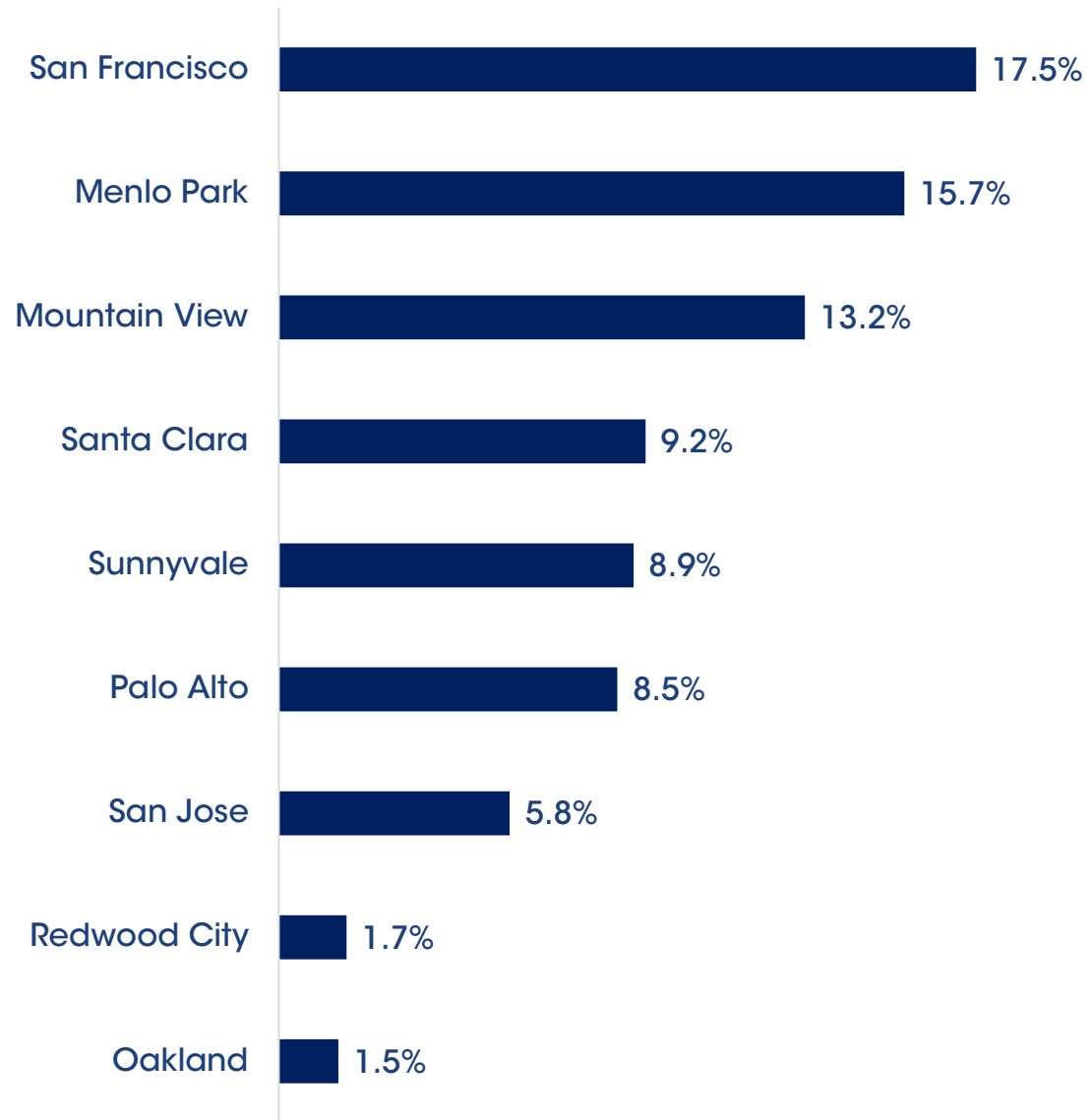
The Bay Area market has **57 Fortune 1000 companies** located in nine different cities

San Francisco has the most, followed by San Jose and Santa Clara

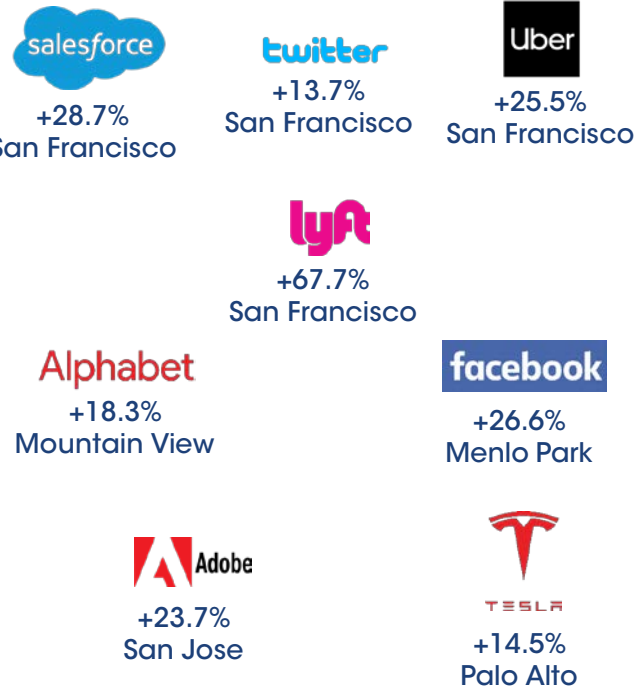
Demand generated by these Fortune 1000 companies continues to be enough to pull Am Law 200 firms into the market to be closer to clients

*Data sourced from Fortune 500 (2020)

Average Fortune 1000 Revenue Growth by City
San Francisco Bay Area, 2020



Revenue Growth Drivers - 2020



The average revenue growth of fortune 1000 companies headquartered in San Francisco in 2020 was **17.5%**

Growth was driven by sizeable revenue gains generated by Salesforce and Lyft

Estimated Total Outside Counsel Spend - Fortune 1000 (\$B)*
San Francisco Bay Area, 2020



57 Fortune 1000 companies in the Bay Area generated more than half of California’s \$84B Fortune 1000 expenditure on outside counsel.

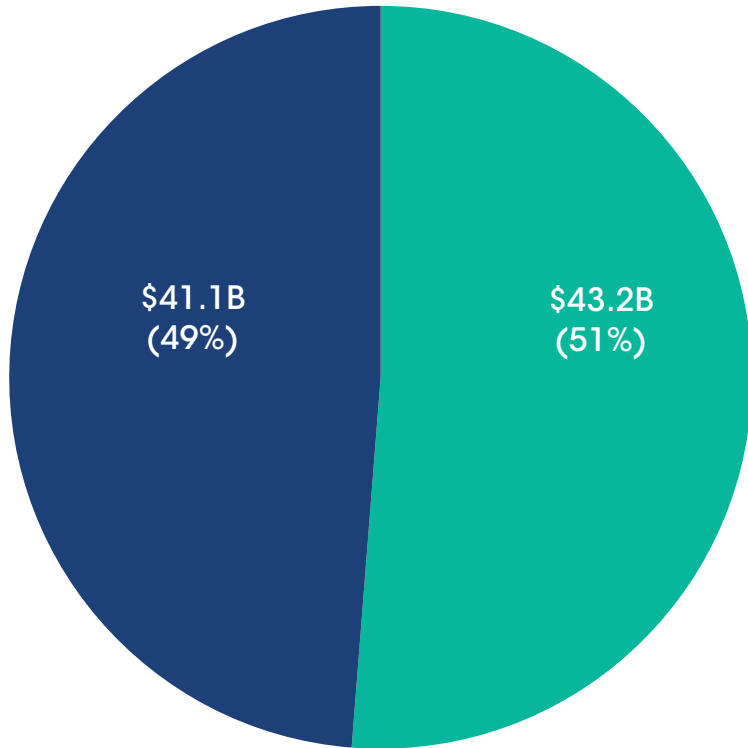
Despite having fewer Fortune 1000 companies than the rest of California, outside counsel spending in the Bay Area outpaced California.

On average, each Fortune 1000 company in the Bay Area allotted **\$758M for outside counsel in 2020.**

Over 160 NLJ firms in the region compete for this expenditure, which totals over \$10B in San Francisco alone.

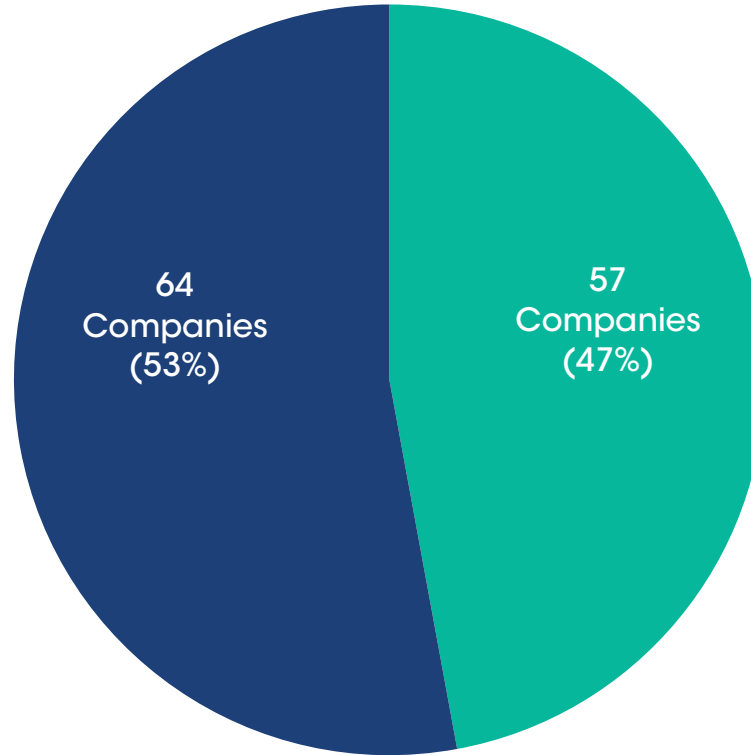
*Data sourced from Fortune.com. Outside Counsel spend estimated based on company revenue

Total Outside Counsel Spend - Fortune 1000 (\$B)
California, 2020



■ Bay Area ■ Rest of California

No. of Fortune 1000 Companies - Location
California, 2020

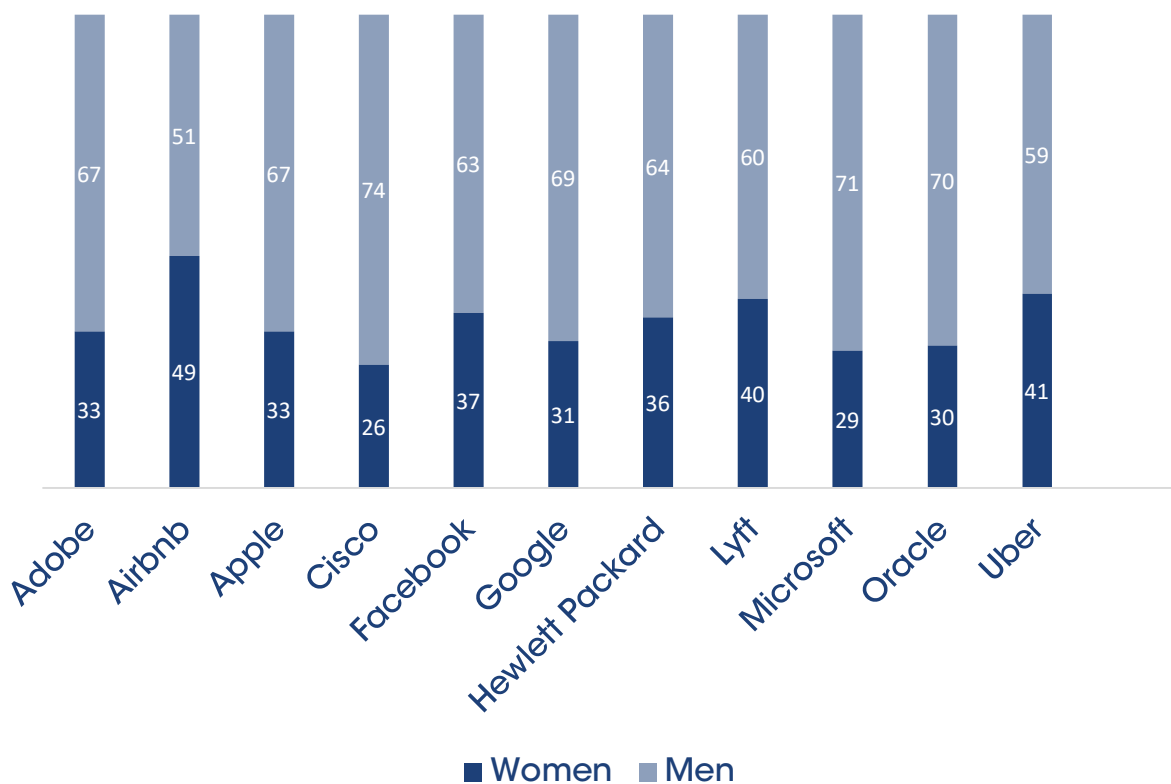


■ Bay Area ■ Rest of California

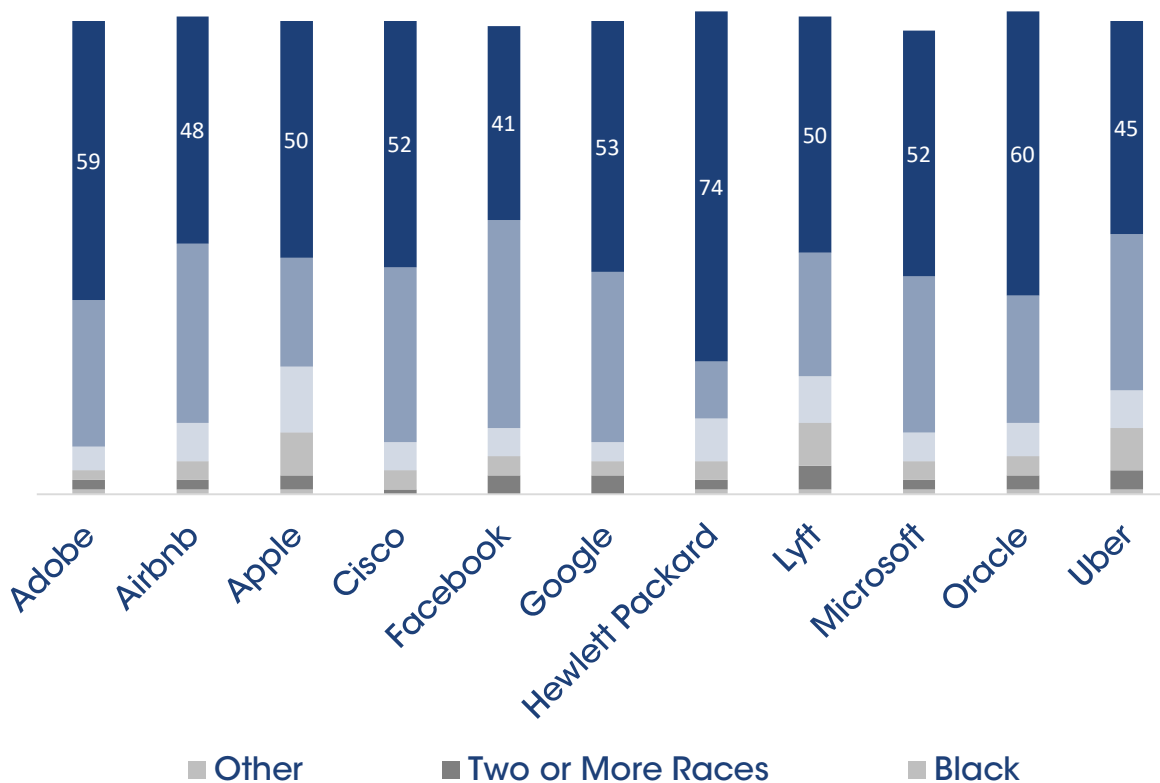
Although Bay Area Fortune 1000 companies generated over 50% of California outside counsel spend in 2020, the number of companies in the region was less than half of the total number of California companies in the Fortune 1000

Clients

Representation Percentage by Gender -Technology Workforce*
For San Francisco Bay Area, 2018-2020



Representation Percentage by Race -Technology Workforce*
For San Francisco Bay Area, 2018-2020



The Bay Area's corporate breakdown by race and gender is relatively skewed as many technology companies lack workforce diversity, especially in executive and technical roles. The affluence of Silicon Valley's tech scene enlarged the racial split throughout the region. This has resulted in a lack of diversity among law firm clients and potential hires. As Am Law 200 firms seek to expand global diversity initiatives, firms headquartered outside of the Bay Area opening an office in the region without ties to California law schools might come across challenges while attempting to grow a diverse culture.

However, law firms in the Bay Area continue to have higher diversity percentages than many clients.

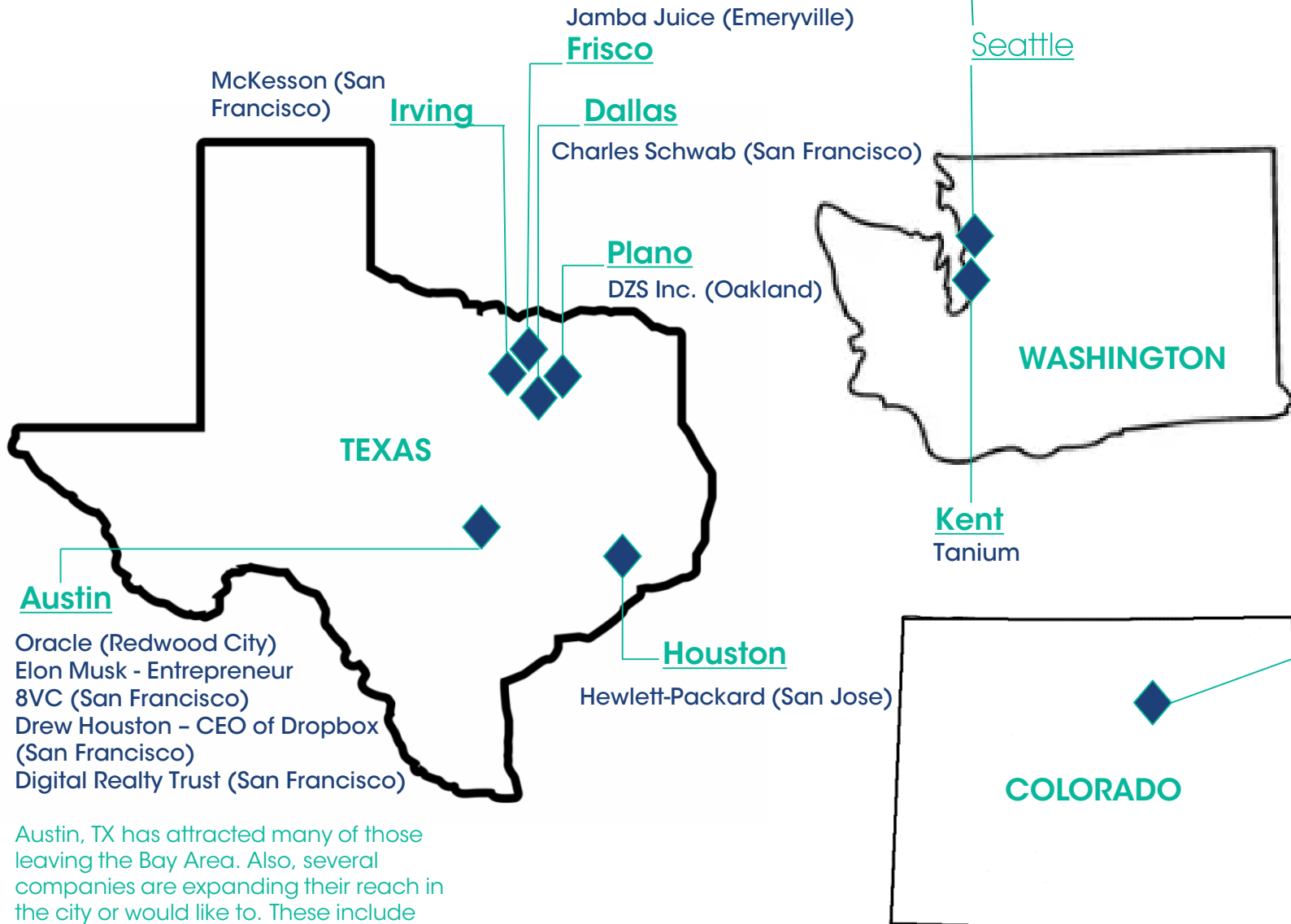
*Data sourced from Bay Area Council Economic Institute from Company Diversity Reports 2018-2020

Bay Area Departures

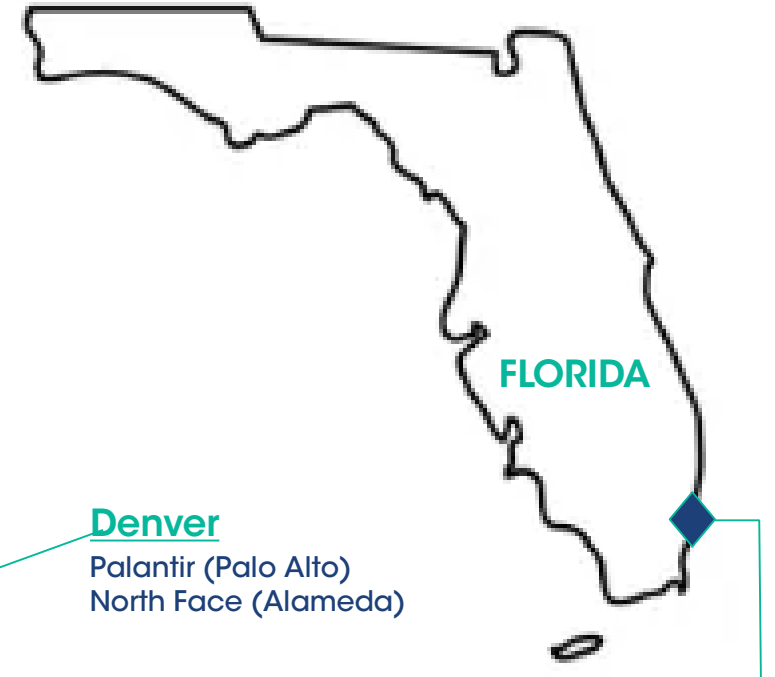
LinkedIn data shows that the number of people who moved to Seattle from the Bay Area increased 28% from March to October 2020. According to the San Francisco Chronicle, the most popular destination for San Franciscans leaving the state in early 2020 was Seattle, where Bay Area tech giants have satellite offices. **Seattle was the fastest growing city in population in 2020**

Clients

Over 50 large corporations have left California since 2014, with the majority departing in 2019 and 2020. High taxes and strict regulatory requirements are the reasons most frequently cited for recent departures⁷



Texas, Washington, and Florida have no state income tax



A series of executives from the Bay Area have relocated to Miami, such as David Blumberg, Founder and Managing Partner of Blumberg Capital; Keith Rabois, a general partner at Founders Fund and a former executive at PayPal and LinkedIn; and Joe Oringer, Founder and Executive Chairman of Shutterstock

Austin, TX has attracted many of those leaving the Bay Area. Also, several companies are expanding their reach in the city or would like to. These include Alphabet, Amazon and Facebook

CLIENTS

TAKEAWAYS

Although the Bay Area is home to many large Fortune 1000 and Fortune 500 corporations, **many companies have left California for cities such as Austin, TX, where income taxes, regulations and political climate are less restrictive on business operations**

Even companies that are not leaving the Bay Area are scaling down operations within the city, such as **Pinterest and Macy's**



VC FUNDING

The Bay Area has obtained a growing percentage of venture capital funding over the past decade, **capturing 44% of US VC funding**

The Bay Area is home to **115 “unicorns,”** or **companies valued at over \$1B**, over three times that of New York, home to the second-highest number of unicorns

AirBnB and Doordash were the highest valued VC-backed companies to go public in 2020. **Both companies have yet to leave the Bay Area**, which shows the most recent successful start-ups have confidence and see value in the Bay Area as a headquarters location



Total Venture Capital Funding (B)* San Francisco and Bay Area, 2010-2019

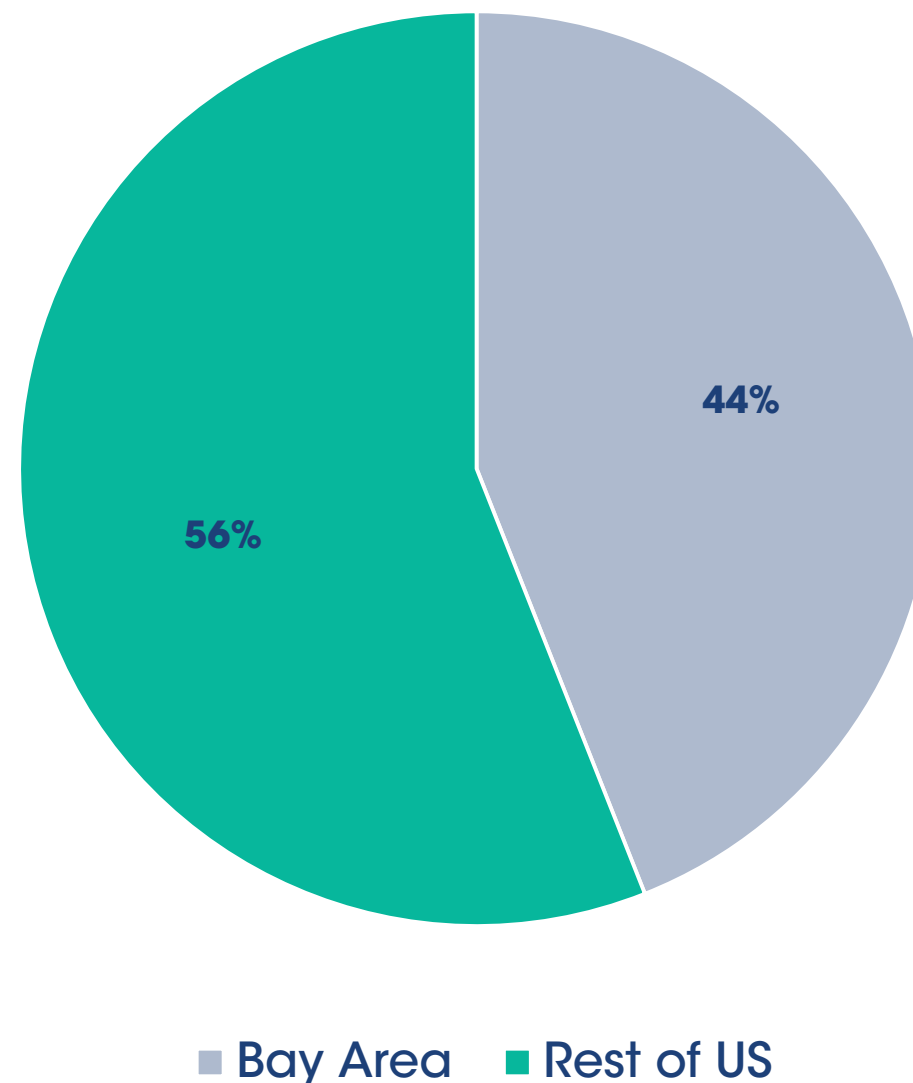


The total amount of venture capital in the Bay Area increased 19% on average annually since 2010. In comparison, total venture capital funding increased 28% on average annually in San Francisco since 2010

Total US Venture Capital Funding (\$108B)

Since 2005, US VC investment remained constant. Meanwhile, VC investment in the Bay Area increased sharply, indicating that the region captured a larger share of total US VC funding over the past two decades

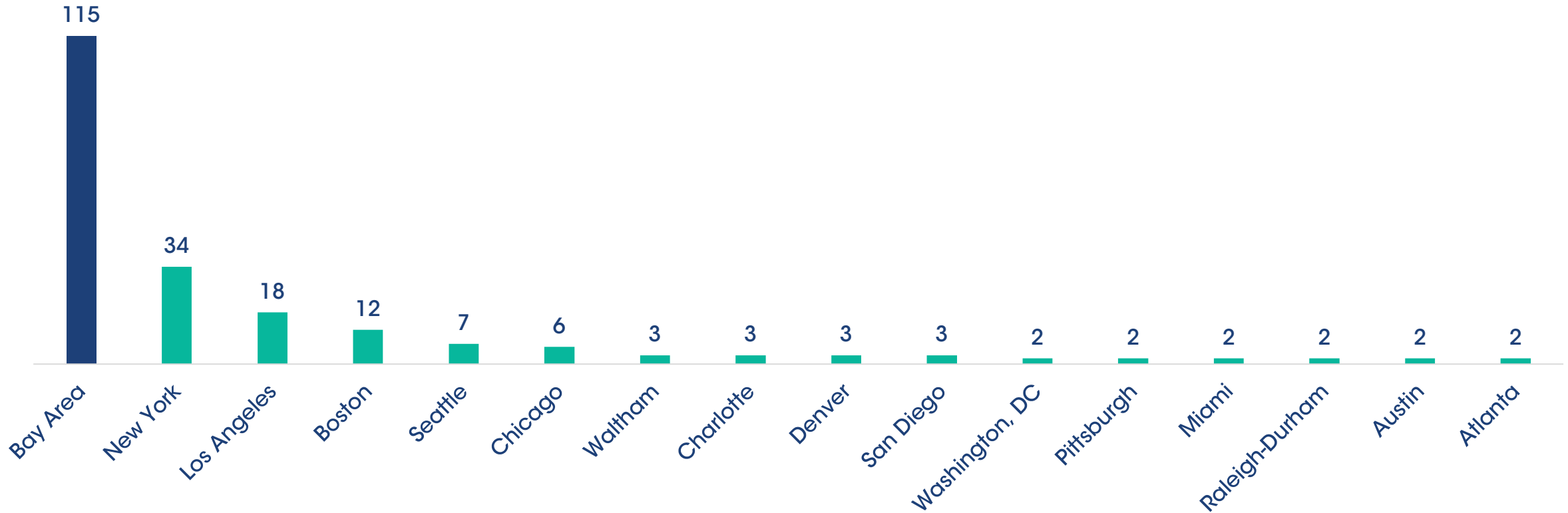
The Bay Area continues to grow VC funding despite COVID-19. However, COVID-19's impact on geography as a factor for companies choosing location may alter venture capitalist investment outside the Bay Area⁷



Private Companies in IPO Pipeline with Valuations Over \$1B* (Unicorn)

San Francisco Bay Area - as of September 23, 2020

VC Funding

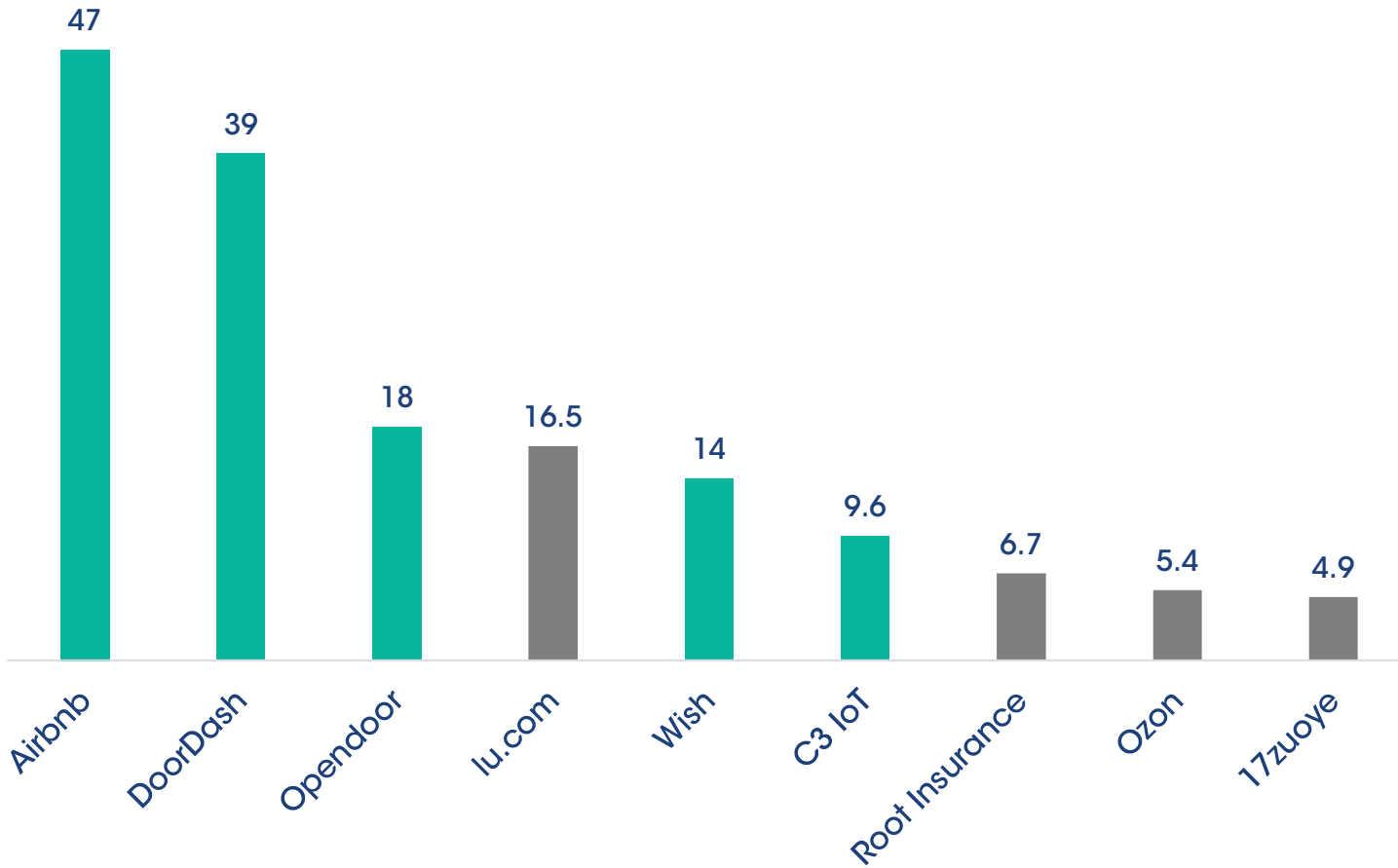


Of 235 unicorn companies based in the US, the Bay Area is home to 115, eight worth over \$10B.

Although some start-ups have left Bay Area, a large percentage of the most valuable unicorns remain headquartered in the Bay Area—such as **Robinhood, Instacart, Chime, Coinbase**, and others

VC Funding

Notable Global Public Market Debuts by Valuation at IPO*
Global Companies, Q4 2020



Despite enduring a global pandemic in 2020, VC funding in the Bay Area increased, producing higher IPO valuations and a robust M&A landscape.

Global venture capital funding was up 4% in 2020 from 2019 despite the disruption caused by the COVID-19 pandemic. The rapid shift to online services in numerous sectors led to a robust M&A and IPO market as companies consolidated to strengthen their service offerings to become more competitive⁸.

The shift to online platforms boosted the valuation of Bay Area tech companies such as Apple and Google.

Two Bay Area companies, Apple and Cisco, were among the most active acquirers in 2020⁸.

Over half of the world's most significant valuations at IPO were companies based in the Bay Area. Bay Area companies **Airbnb and DoorDash were the highest valued VC-backed companies to go public in 2020**. Airbnb went public at a valuation of \$47B as of January 2021⁸.

The continued influx of VC spending in the Bay Area will ensure healthy demand for legal services resulting from new business formation, including tax, real estate, IP, labor and employment, and regulatory matters.

The continued rise of VC funding will also increase demand for M&A legal work across various industries.

*Data Sourced from Crunchbase News. The green bars denote companies based in the Bay Area

Global Active Venture and Alternative Investors by New vs. Existing Portfolio Investments
San Francisco Bay Area – Q4 2020

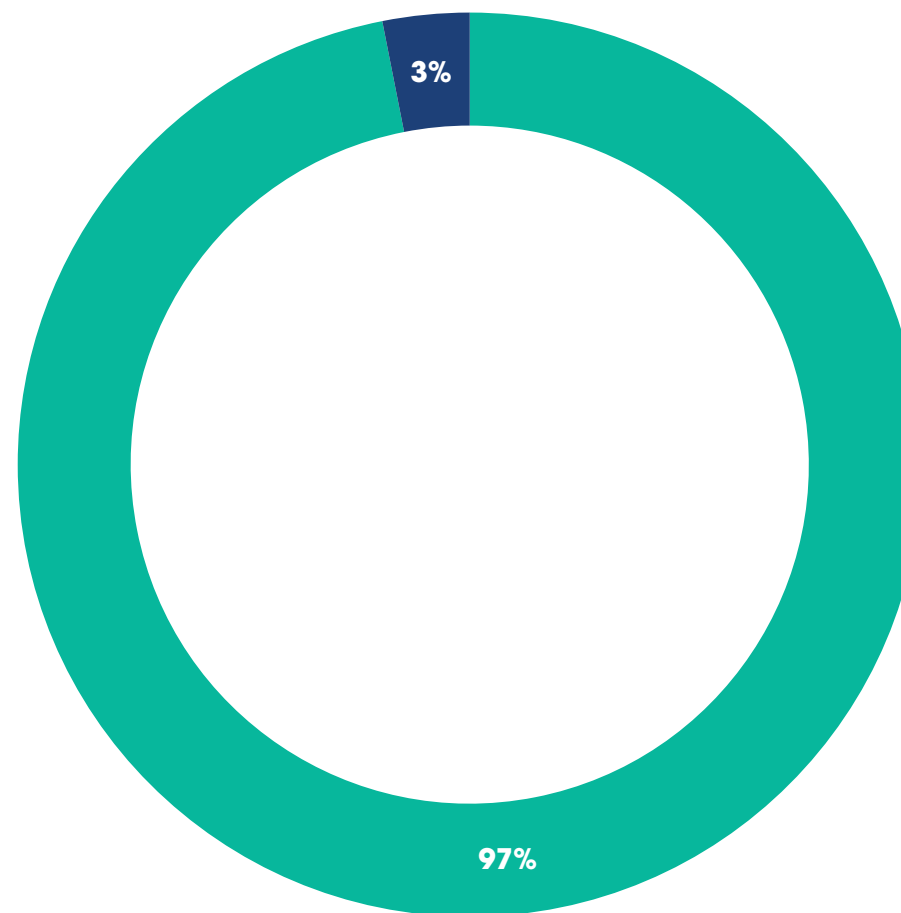
Over half of the most active
★ investors in Q4 2020 are based
in the Bay Area



The most active Bay Area investor in 2020 was **Accel**, headquartered in Palo Alto, with **114 investments**, followed by Sequoia Capital, headquartered in Menlo Park. Sequoia Capital had the most investments in Q4 2020 while investing in three companies, each acquired for over \$1B in 2020⁸

Start-Up Relocations*

Bay Area, 2020



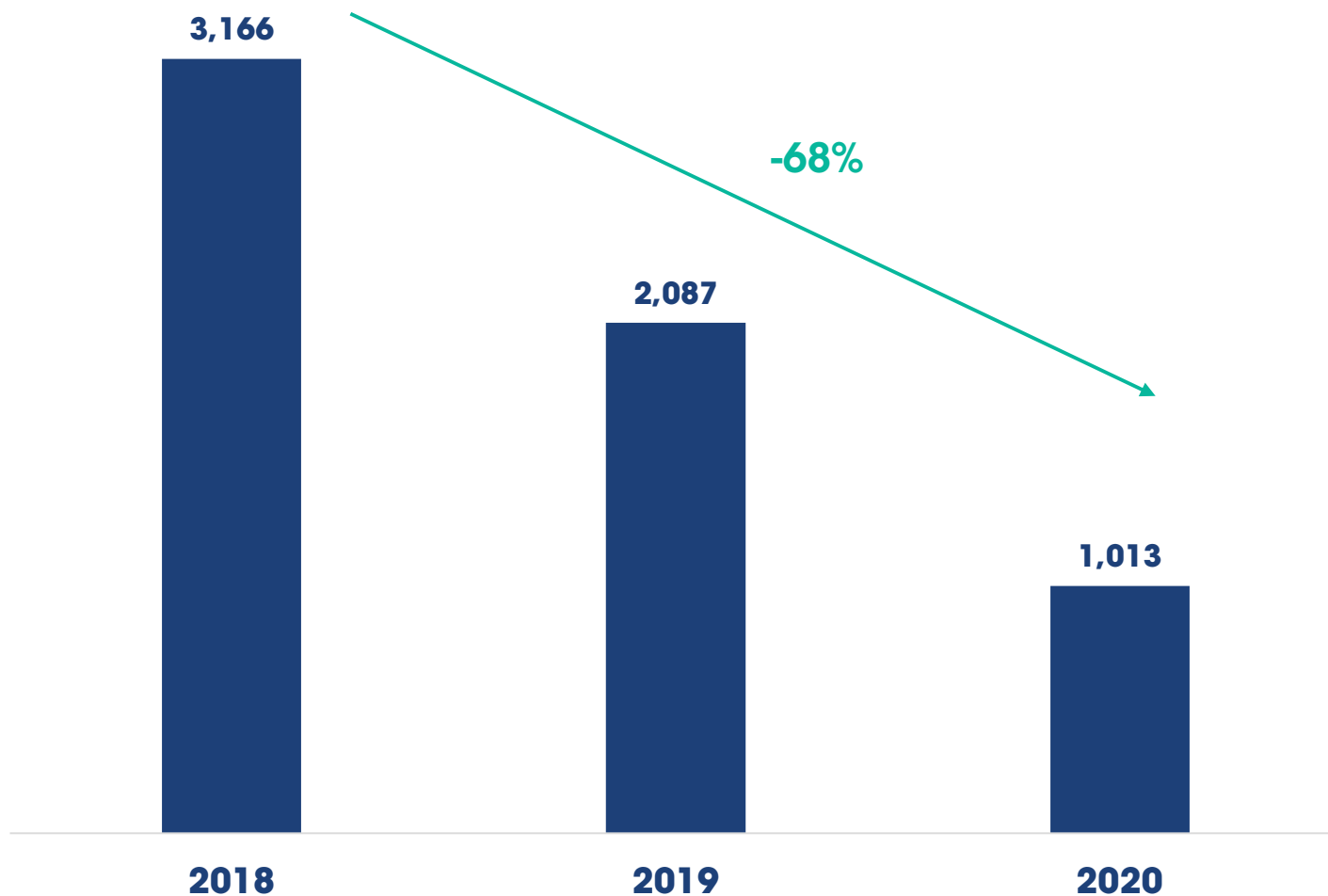
- Percent of Start-Ups that Stayed in Bay Area
- Percent of Start-Ups that Left Bay Area

The number of start-ups in the Bay Area in 2020 decreased only slightly, despite concerns that many of these newly formed businesses were leaving for other cities

Of the start-ups that relocated, 21% moved to other areas of California. 21% moved to New York and **only 12% left for Texas**

Number of Start-Ups Founded*

California, 2018-2020



Although most start-ups stayed in the Bay Area in 2020, **the number of start-ups founded in the Bay Area contracted 68% over the past three years**, according to Crunchbase data. This decline occurred despite the continued outflow of VC funding in the Bay Area.

Start-ups continue to set up operations in other locations, such as Denver, which grew its number of start-ups by 21% in 2020, according to Telstra Ventures.

However, a similar trend regarding departures for other cities took place during the dot-com bubble and the aftermath of the 2008 recession only to reverse itself after that, indicating that this **decline may be temporary.**

VC FUNDING TAKEAWAYS

Although VC funding has risen in the Bay Area and far surpasses that of any other city, the number of start-ups founded in the Bay Area has decreased significantly since 2018. This pattern is concerning for law firms because there will be less business generated by new entity formation if this trend continues

With remote work becoming normalized, it is even more likely that a rising number of new companies receiving VC funding will be based outside of the Bay Area



The Bay Area realized GDP growth nearly double that of the United States, while population growth remained relatively flat over the past decade. Housing and rental costs in the Bay Area are the highest in the United States, although prices recently dropped amid the COVID-19 crisis as more individuals realize that they can perform work from anywhere. The high cost of living and state tax and regulatory hurdles continue to influence large corporations and start-ups to relocate to more affordable markets

ECONOMY & BUSINESS ENVIRONMENT

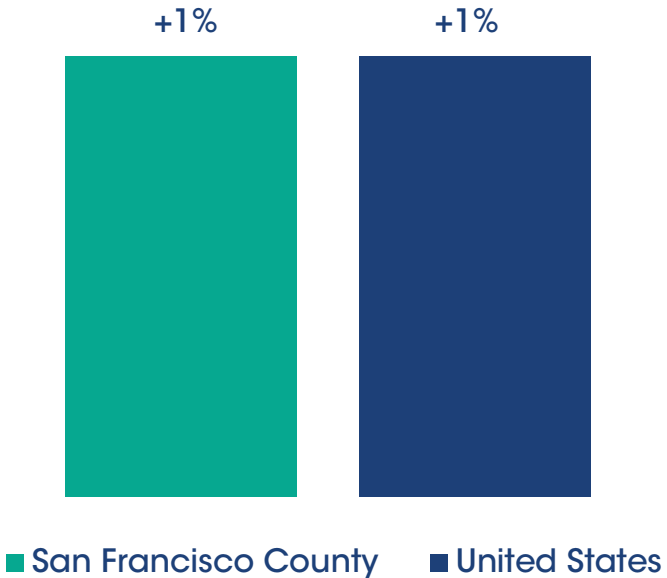


Economy & Business Environment

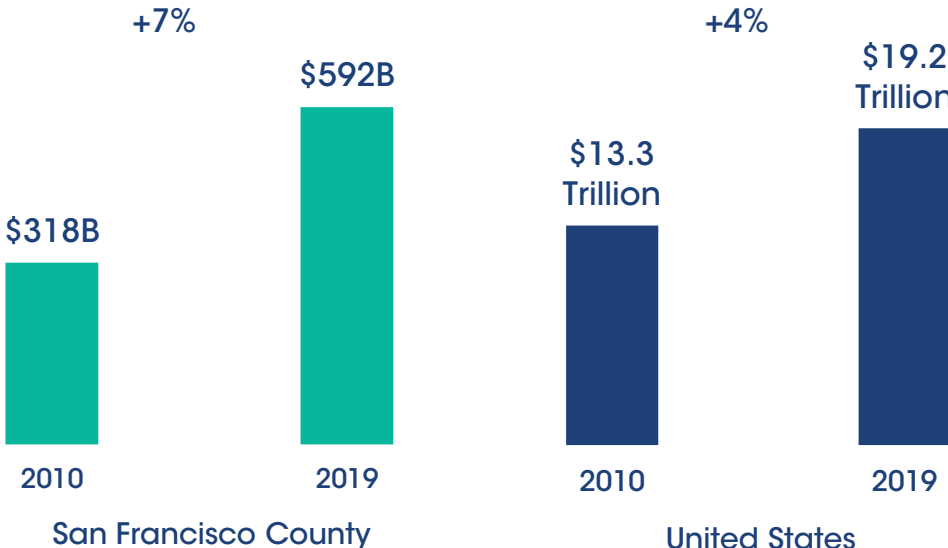
From 2010–2019, San Francisco’s population growth slowed to just 1%, matching overall US population growth pace. Meanwhile, San Francisco’s gross domestic product (GDP) rose 7% annually, indicating healthy economic growth despite a static population. **San Francisco almost doubled the US’s national GDP growth rate** of 4% due to the region’s growing technology sector.

In 2020, San Francisco’s population decreased for the first time since 1900, losing 2,500 people from its all-time high of 884,000. According to the San Francisco Chronicle, this was the second largest population drop of all major US cities. Many Californians relocated to Texas. According to the Economist, **25% of Californians left the state to move to Texas over ten years**. In total, 700,000 Californians have relocated to Texas since⁹.

Average Annual Population Growth *
San Francisco County and US, 2010-2019



Average Annual GDP Growth
San Francisco County and US, 2010-2019



*Data sourced from FRED Economic Data

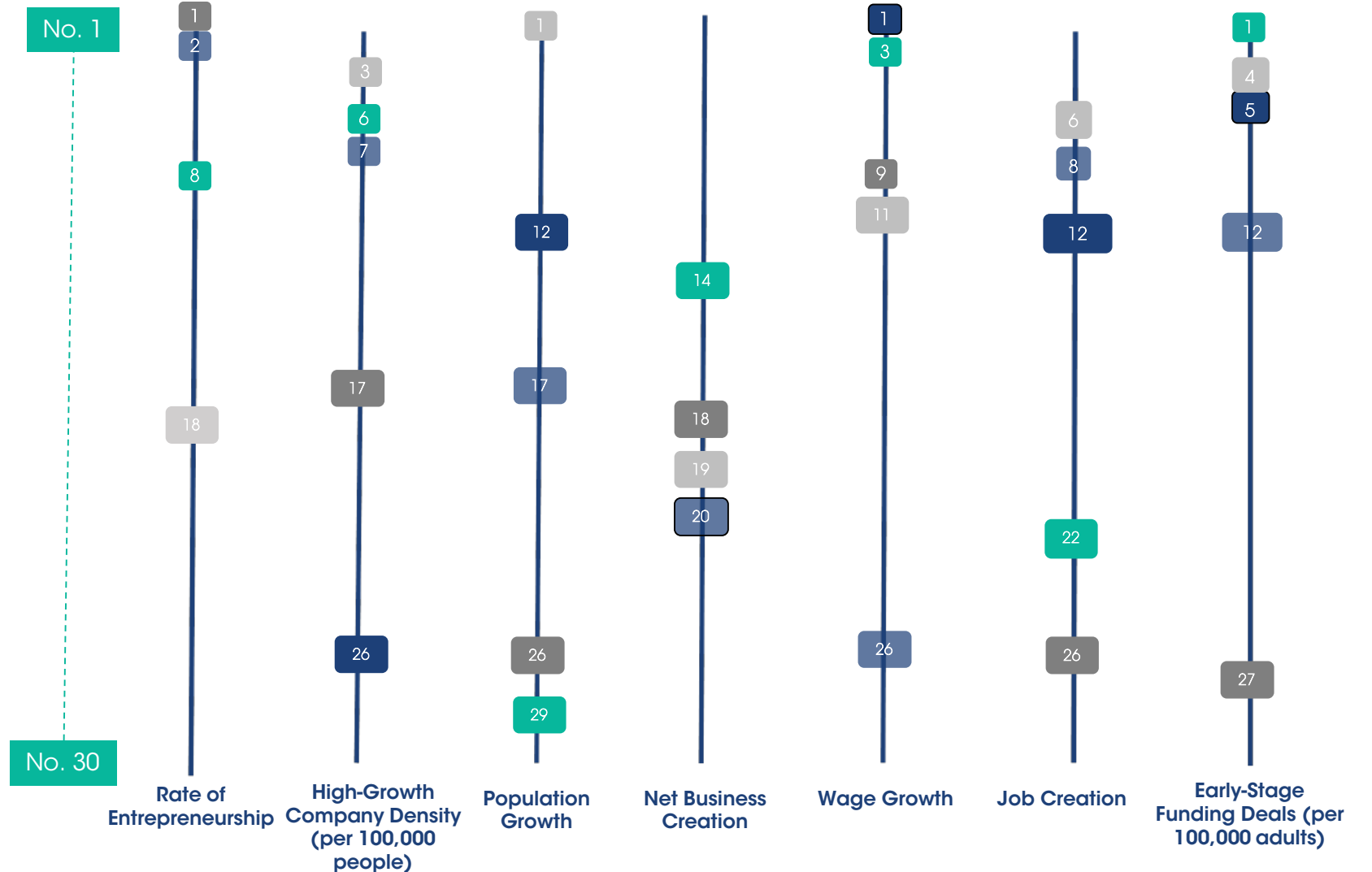
Economy & Business Environment



According to the Surge Cities report published by **Inc.com** and **Start-Up Genome**, San Francisco ranks in the top five cities for wage growth and early-stage funding deals out of the country's 50 best cities to start a business. However, Seattle beat San Francisco in wage growth despite not making the top 30 for the rate of entrepreneurship and net business creation.

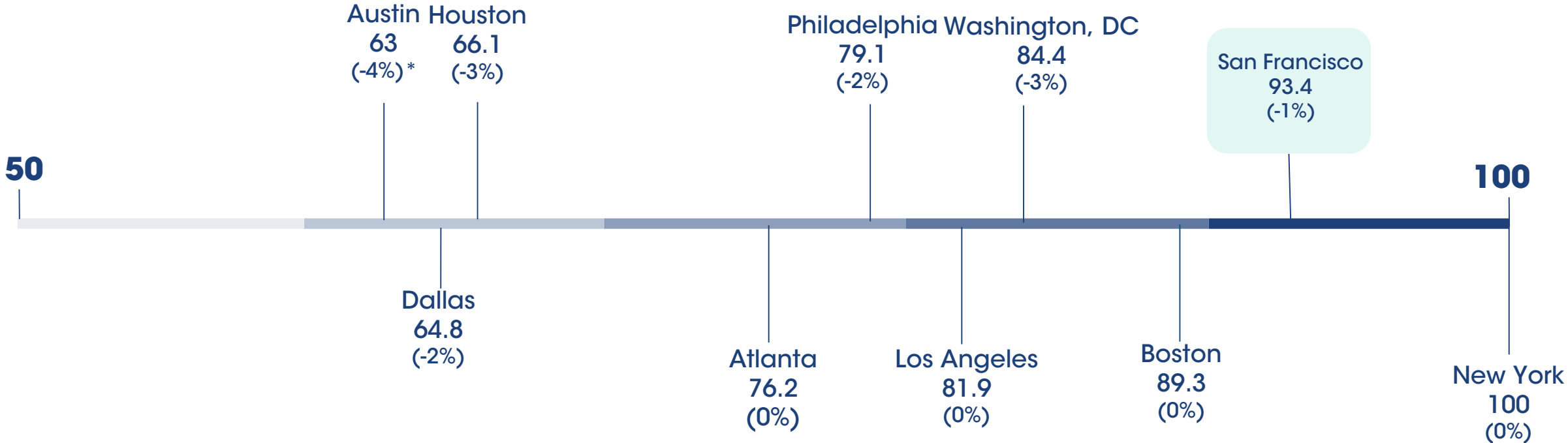
San Francisco's population growth ranks lower on the Surge rankings scale, while Austin boasts the number one spot. This data point could reflect a rise in the relocation of Bay Area residents and businesses to Austin. Austin also has the highest job creation rate out of the selected cities, which has led to growth in net business creation and high-growth company density.

Miami and Denver ranked higher than San Francisco in the rate of entrepreneurship despite San Francisco's notorious entrepreneurial culture



*Data sourced from Inc.com – Start-Up Genome (rankings show top 30 only)

Economy & Business Environment



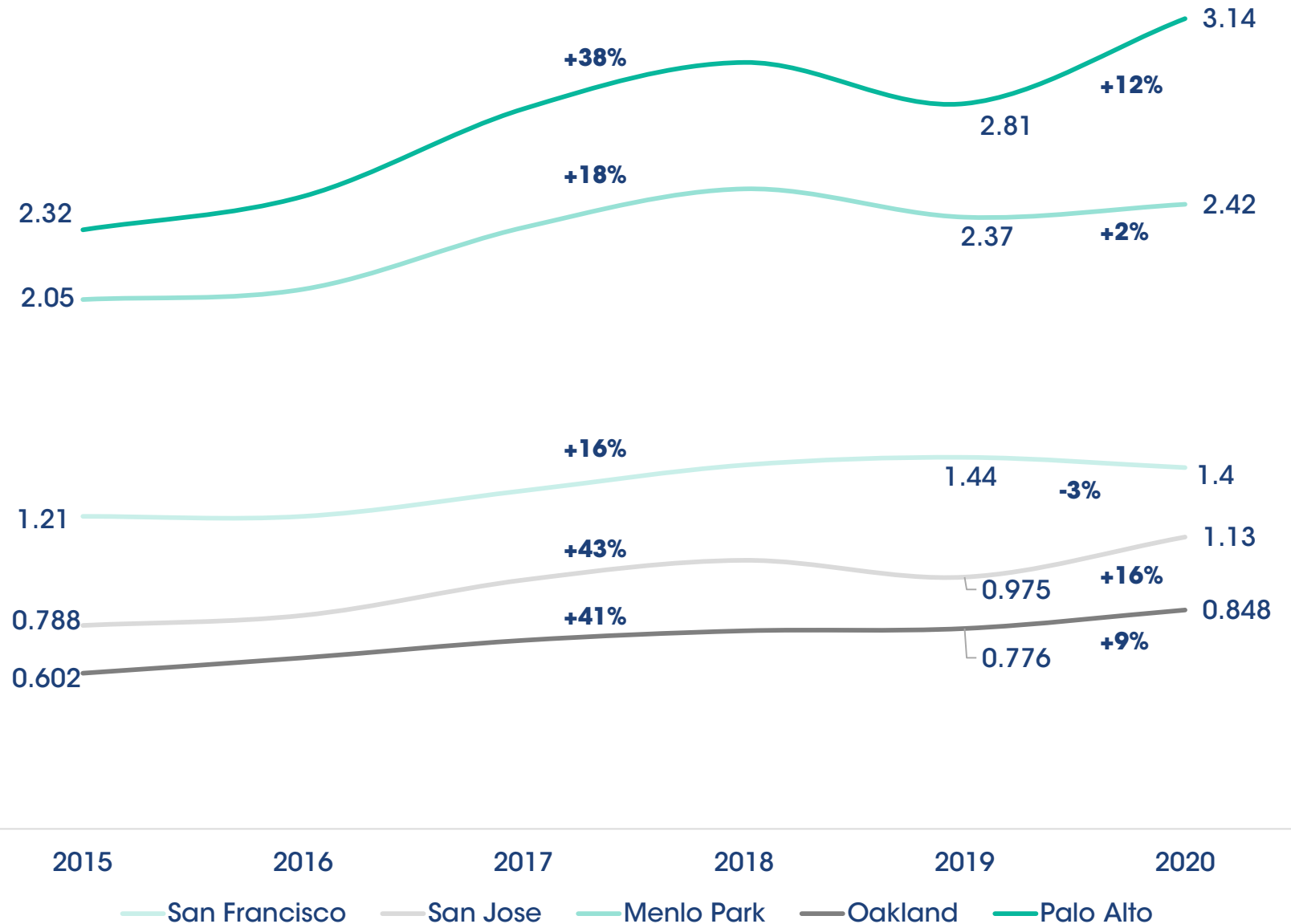
San Francisco is one of the most expensive places to live, ranking **93.4** on the cost-of-living index in 2019. San Francisco is so expensive that it is hard to afford to live in the city, even for high-income individuals. San Francisco dropped 1% on the index scale over the past five years on average, while New York remained flat. **When factoring in housing costs, San Francisco ranks above 100.**

The median home purchase price is **\$1.4 million**, which is over **five times the national average**.

Prices have climbed in the surrounding Bay Area counties as well. Therefore, although wages in San Francisco are among the highest in the country, San Francisco's high cost of living offsets high salaries.

*Data sourced from Numbeo. Percentages represent average annual five-year growth in index number

Housing Cost Increases: 2015-2020 (\$M)



While housing costs in San Francisco grew 16% in the past five years, housing prices in the city dropped 3% in 2020

Other parts of the Bay Area, such as Palo Alto, realized double-digit housing cost increases amid the pandemic

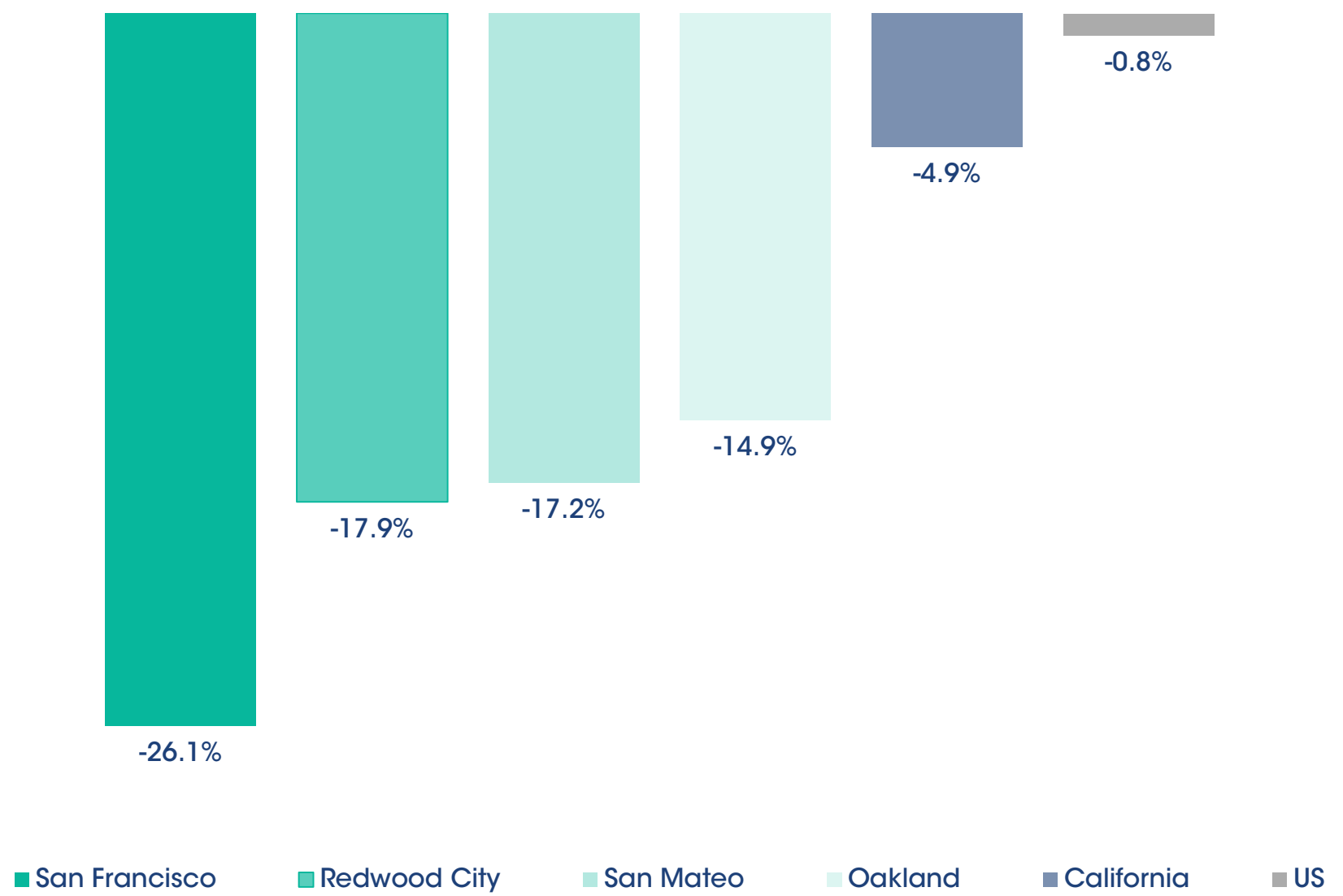
*Data sourced from Zillow

Rent prices realized a deeper plunge than housing prices in four Bay Area cities, **more than tripling the California decline**

San Francisco saw a significant drop in rent prices, which was perhaps influenced by the COVID-19 pandemic in that **location now plays less of a role in everyday life**

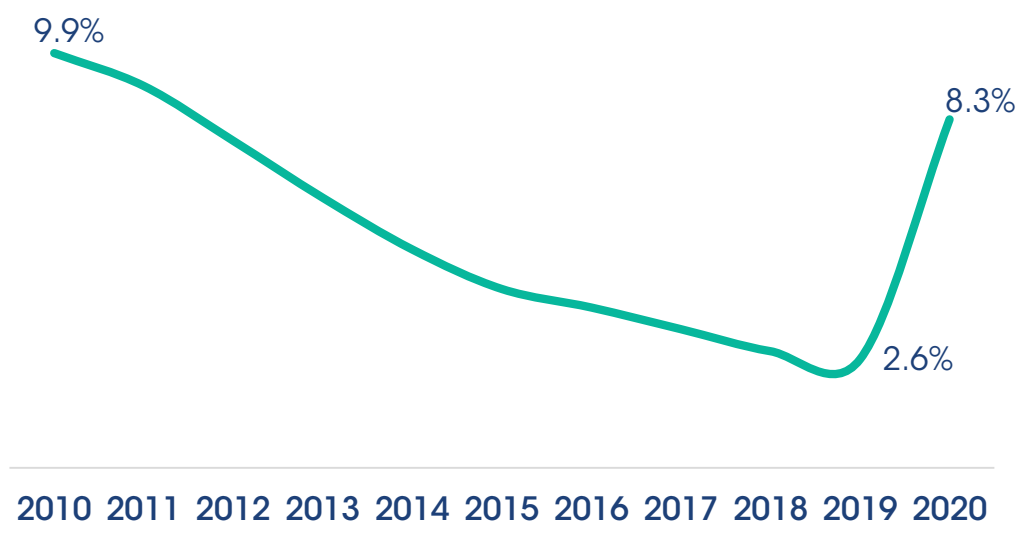
This factor rings truer as more companies continue to introduce remote work as a full-time option, causing employees to **relocate to cities with a more affordable lifestyle**¹⁰

2020 Rent Growth Comparison

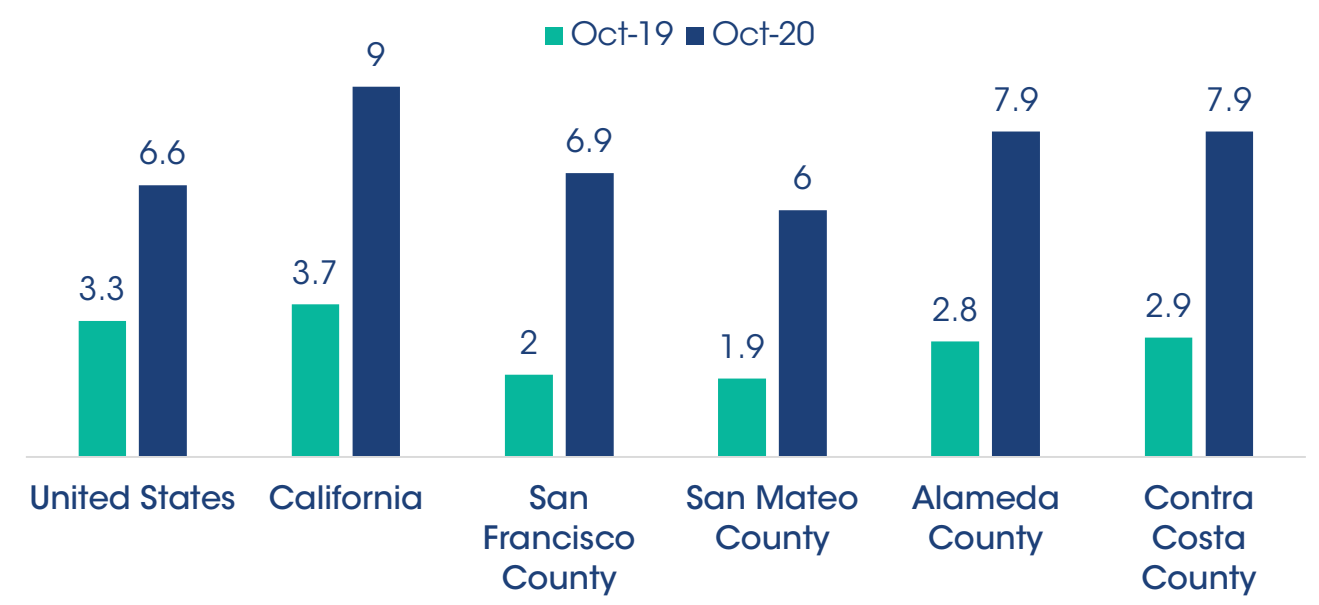


*Data sourced from Apartmentlist.com Rent Report

Unemployment Annual Averages*
San Francisco Metropolitan Area, 2010-2020



Unemployment Percentages
US and California, 2019-2020



The Bay Area’s unemployment rate was on a steady decline from 2010 until COVID-19, which increased unemployment percentages across the US and San Francisco. California’s unemployment rate spiked noticeably higher than the US average in response to the COVID-19 pandemic due to layoffs made in certain professions, including those within the tourism and hospitality industry.

A Bloomberg report published in June 2020 stated that the San Jose and San Francisco metropolitan areas are likely to recover from the pandemic the fastest. The region is home to industries and companies that have benefited from the pandemic, such as Zoom Video Communications, Netflix and Instacart¹¹.

The analysis provided by Wallet Hub in January 2021 concluded that **California is recovering the fastest** in terms of the number of first-time jobless claims among all US states and Washington, DC¹². California’s recovery from an unemployment surge is encouraging for law firms since this indicates the market remains attractive for new legal talent and businesses.

*Data sourced from US BLS, Local Area Unemployment Statistics

Although San Francisco is known for having a strong entrepreneurial climate, cities like Miami and Denver rank higher in the rate of entrepreneurship, according to the **Surge Cities report published by Inc.com and Start-Up Genome**. Population growth has slowed in San Francisco while cities like Austin continue to take in more residents

However, San Francisco outpaces most cities in net business creation and early-stage funding

ECONOMY & BUSINESS ENVIRONMENT TAKEAWAYS





MARKET SCORECARD

MARKET SCORING

METHODOLOGY

ALM Intelligence analyzed various criteria for major US legal markets broken down by two major divisions: **Comparative General Business Climate** and **Comparative Business of Law Climate**

The purpose of the exercise was to determine strengths and weaknesses in the Bay Area market to other markets throughout the US to evaluate the potential for expansion for firms that do not currently have a presence within the state

The **Comparative General Business Climate** contains 11 categories, including but not limited to the *cost of living, local tax rates, net job creation, transportation infrastructure, and accessibility to potential clients*

The **Comparative Business of Law Climate**, also containing 11 categories, explores variables more tailored to the legal industry, including *attorney saturation, talent availability, legal demand, competition, and diversity*

Markets received a score of 1–10 on each of the 22 categories based on national averages, where appropriate

Various resources, including the American Bar Association, Bureau of Labor statistics, and proprietary ALM information, provided data points for the scoring

The business climate comparison of leading legal markets yielded potentially surprising results. On average, major Texas cities collectively scored above the Bay Area despite the Bay Area's dominant position in venture capital funding and wage growth.

The scoring model highlights factors such as income tax rates, net job creation, and cost of living that enabled Texas, notably Austin, to produce higher overall scores than the Bay Area.

BAY AREA – MARKET SCORECARD

The Bay Area market scored exceptionally high in several categories, making it attractive to legal professionals. **The region’s level of VC funding will continue to drive demand for legal services, contributing to the market’s high placement on the scorecard.** The average pay at law firms and other entities remains higher than most cities; however, high state income taxes make the Bay Area less desirable than other lower-cost markets with growing VC funding. This has led to the departure of major corporations and investors. The Bay Area market is heavily saturated with out-of-state firms, and growth of new firms expanding into the market is slowing.

The chart on the following page compares the Bay Area market with other significant markets throughout the US

Despite unfavorably tax conditions, the continuous influx of VC funding secures the Bay Area’s spot as an attractive market to do business

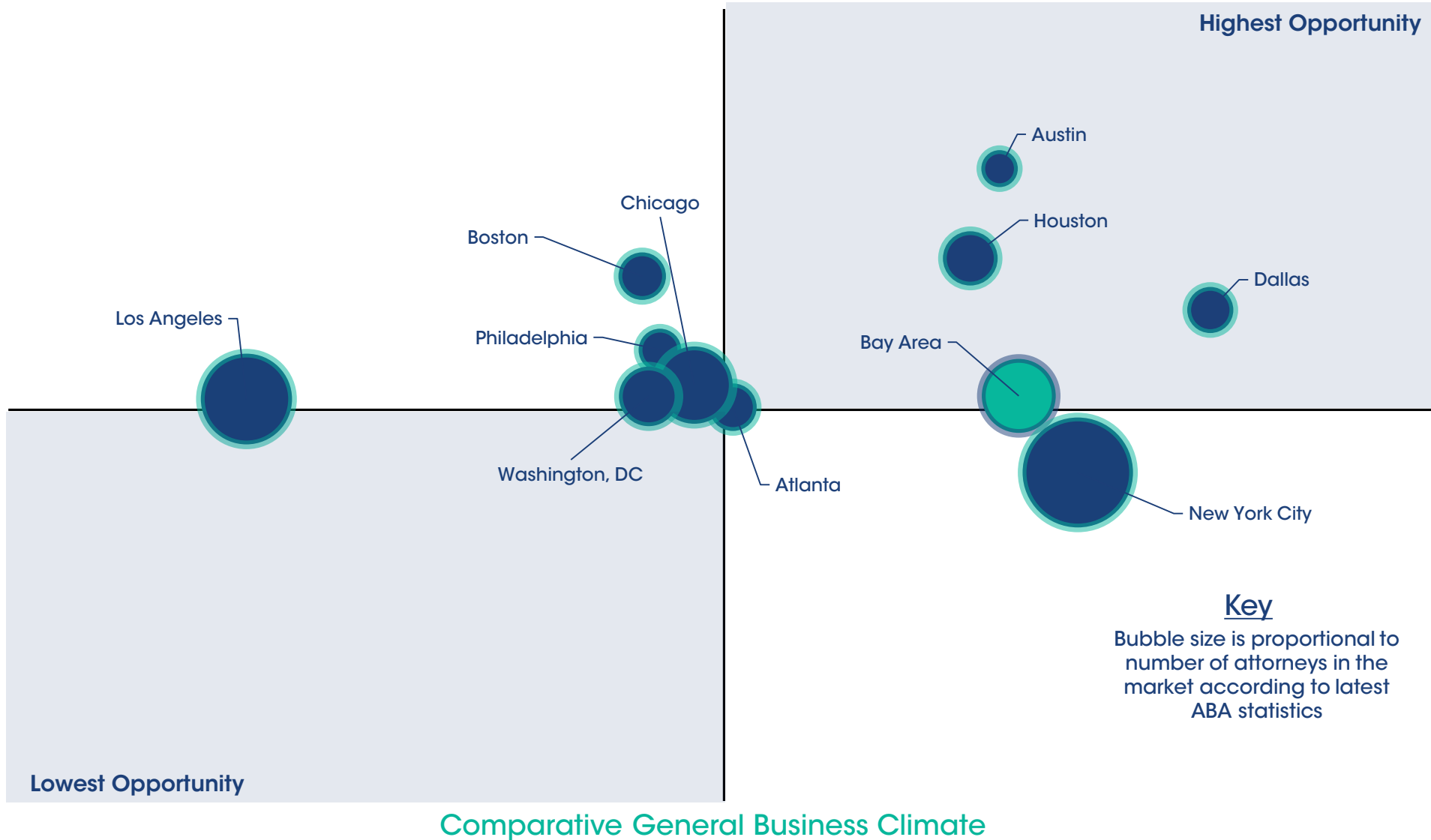
Comparative General Business Climate Strengths			Comparative General Business Climate Weaknesses		
VC Funding 	Average Salary 	Weather Comfort 	State Income Tax 	Local Tax Rates 	Transportation
Comparative Business of Law Climate Strengths			Comparative Business of Law Climate Weaknesses		
Market Saturation 	Gender Diversity 	Average Pay 	Growth of Non-HQ Firms 	Number of State Law Schools 	Saturation of Out of State Firms

Key: Excellent Good Average Fair Poor

Scoring based on averages for Bay Area

Comparative Climates for Expansion

Comparative Business of Law Climate



Key
Bubble size is proportional to number of attorneys in the market according to latest ABA statistics

The **general business climate** in the Bay Area is favorable compared to other major legal markets, scoring higher than all markets except for New York and Dallas

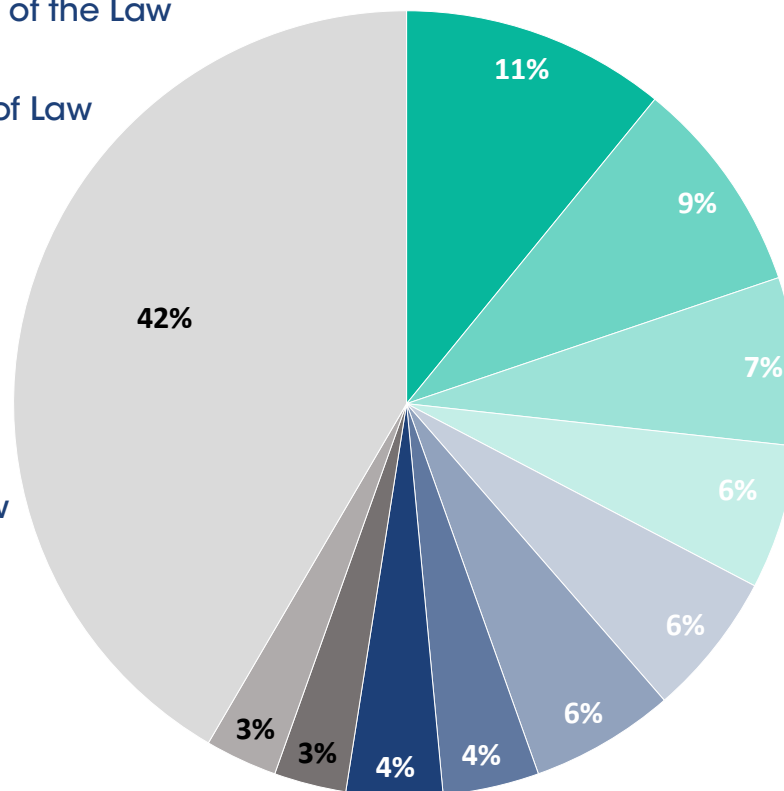
Its **business of law climate** is not as strong, although it ranks higher than New York



APPENDIX

Attorneys by Law School*
San Francisco Bay Area, 2020

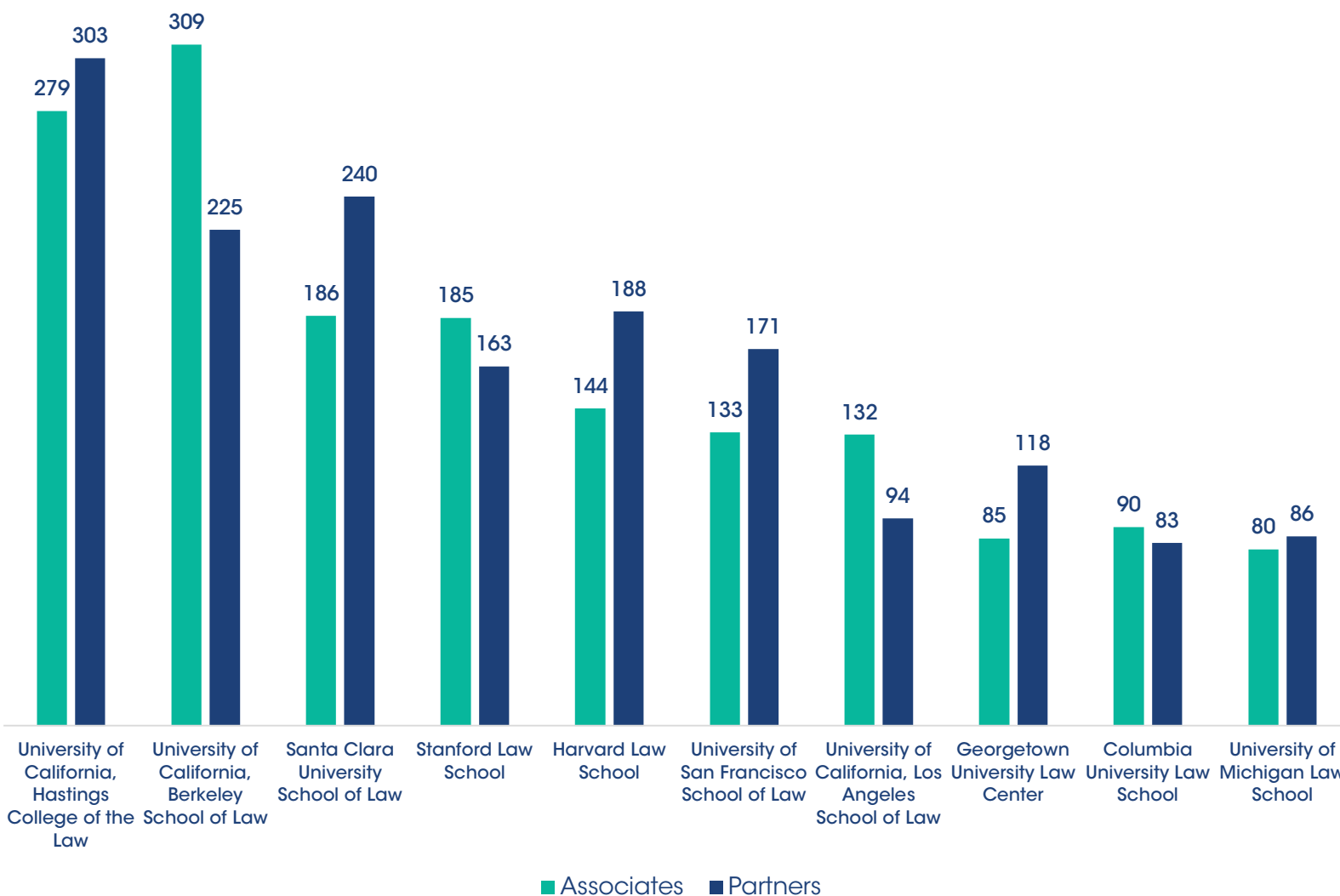
- University of California, Hastings College of the Law
- University of California, Berkeley School of Law
- Santa Clara University School of Law
- Stanford Law School
- Harvard Law School
- University of San Francisco School of Law
- University of California, LA School of Law
- Georgetown University Law Center
- Columbia University Law School
- New York University School of Law
- Other



Many lawyers in the Bay Area legal market graduated from law schools in California or from Harvard Law School. A sizeable portion of associates graduated from the University of California, Berkeley School of Law

*Sourced from Legal Compass Law School Data

Associates and Partners by Law School*
San Francisco Bay Area, 2020



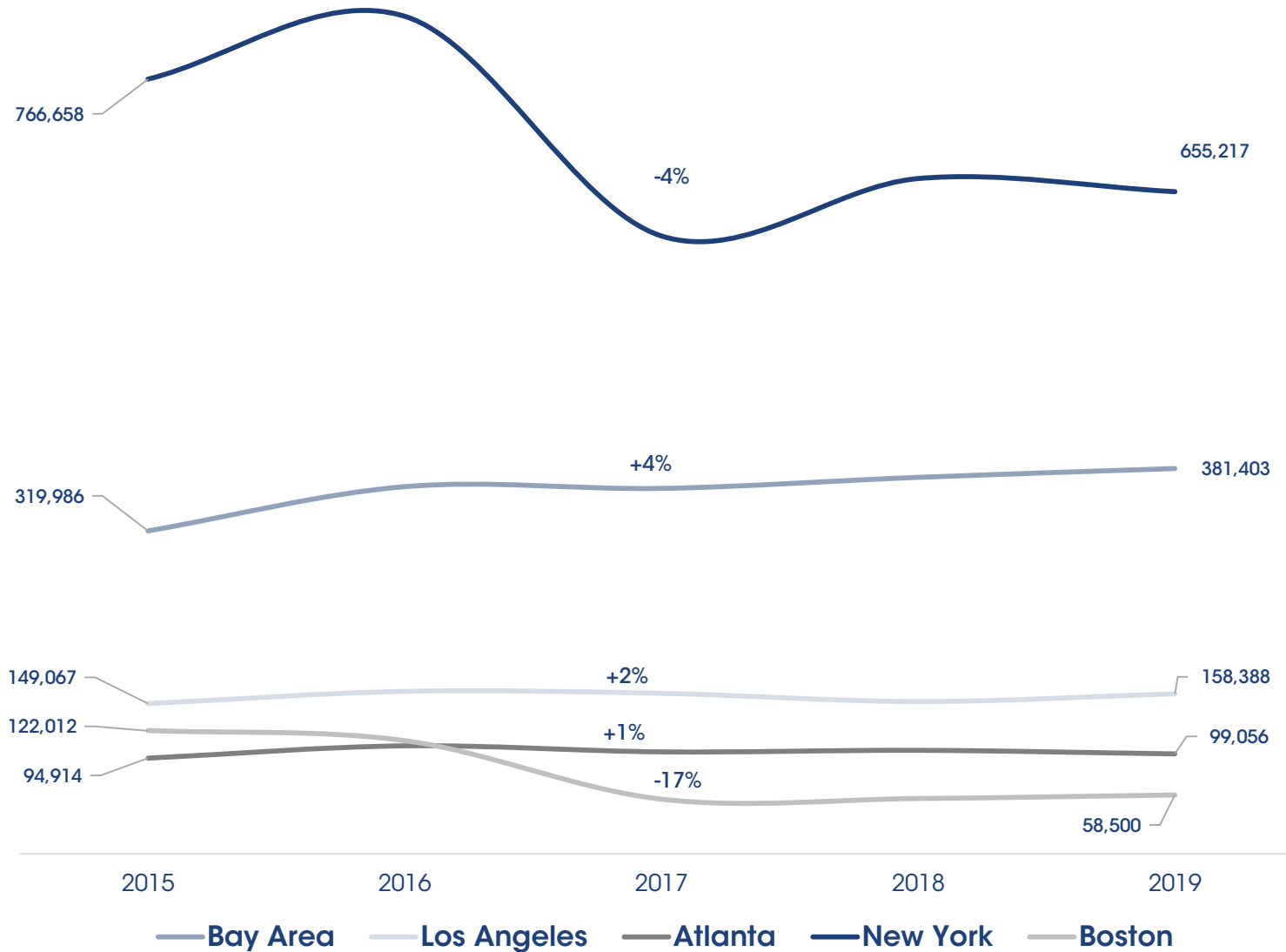
Over 300 Bay Area associates were brought on from the **University of California Berkeley School of Law** in 2020, suggesting that Bay Area law firms recruit heavily from that university.

However, a sizeable portion of those associates is not promoted to partner.

With over **300 partners** in Bay Area firms, the **University California Hastings College of Law** has by far produced the most partners among law firms based in the Bay Area.

*Sourced from Legal Compass Law School Data

Total Pro Bono Hours by Market*
2015-2019



Bay Area pro bono hours increased quicker than other major legal markets.

This trend could reflect issues such as the Bay Area’s growing homeless population that has fostered a need for charitable contributions.

There were 35,005 people experiencing homelessness in the Bay Area in 2019— with 8,011 located in San Francisco¹³.

The number of people experiencing homelessness jumped 14% from 2017 to 2019 in San Francisco.

Cooley, Morgan Lewis, and Orrick all grew pro bono hours by 8% or more over the past five years, suggesting top firms in the Bay Area market remain committed to ensuring their attorneys prioritize logging pro bono hours.

*Data Sourced from ALM’s 2020 Pro Bono Survey



2021

The 2021 COMPOSITE RANKINGS INDEX

The Composite Rankings Index (CRI) from ALM Intelligence is a weighted index built on data from the Am Law 200 & NLJ 500 surveys

The index contains seventeen rankings, including the current year ranking for a metric and the ranking for year-over-year growth percentage of a specific metric

The goal of the Composite Rankings Index is to measure and compare current and year-over-year performance regardless of law firm size

The index measures how firms rank compared to Am Law 200 peers in revenue, profit and diversity metrics

The 200 firms are then divided into four tiers, each containing up to 50 firms based on their performance



The 2021 CRI

The index does not include new entrants to the Am Law 200 or firms that merged in 2020. As a result, there are only 192 firms included in the CRI

The index is like traditional rankings, where higher rankings reflect a lower number

Firms ranked 1-50 in any metric are in Tier 1;
Tier 2 includes firms ranked 51-100;
Tier 3 consists of firms ranked 101-150;
Tier 4 is comprised of firms ranked 151-192



¹They Got Rich off Uber and Lyft. Then They Moved to Low-Tax States

<https://www.nytimes.com/2019/05/09/technology/uber-lyft-low-tax-millennials.html>

²Facebook Starts Planning for Permanent Remote Workers

<https://www.nytimes.com/2020/05/21/technology/facebook-remote-work-coronavirus.html>

³They Can't Leave the Bay Area Fast Enough

<https://www.nytimes.com/2021/01/14/technology/san-francisco-covid-work-moving.html>

⁴Ignore the tech naysayers — San Francisco isn't dying (24 December 2020)

<https://www.cnbc.com/2020/12/24/san-francisco-isnt-dying-despite-tech-departures.html>

⁵Orrick launches interactive platform for in-house lawyers to compare legal tech (13 November 2020)

<https://www.globallegalpost.com/big-stories/orrick-launches-interactive-platform-for-in-house-lawyers-to-compare-legal-tech-56734773/>

⁶Little appoints diversity head with mission to foster 'culture of empowerment' (20 January 2021)

<https://www.globallegalpost.com/big-stories/little-appoints-diversity-head-with-mission-to-foster-culture-of-empowerment-79222955/>

⁷List of companies leaving California grows, citing high tax burden, cost of living (22 February 2021)

https://www.thecentersquare.com/california/list-of-companies-leaving-california-grows-citing-high-tax-burden-cost-of-living/article_b0add24a-753b-11eb-97bc-5bb1b2df1e43.html

⁸Global VC Report 2020: Funding And Exits Blow Past 2019 Despite Pandemic Headwinds (13 January 2021)

https://news.crunchbase.com/news/global-2020-funding-and-exit/?utm_source=cb_daily&utm_medium=email&utm_campaign=20210119&utm_content=intro&utm_term=content

⁹Californians Could Ruin Texas—But Not the Way You Might Think

<https://www.texasmonthly.com/politics/californians-could-ruin-texas-but-not-the-way-you-might-think/>

¹⁰Remote Work in the Bay Area (16 December 2020)

http://www.bayareaeconomy.org/wp-content/uploads/2020/12/BACEI_RemoteWork_12.16.20.pdf

¹¹These U.S. Cities Are Likely to Recover Faster From Lockdown (19 June 2020)

<https://www.bloomberg.com/news/articles/2020-06-19/these-u-s-cities-are-likely-to-recover-faster-from-lockdown>

¹²States Whose Weekly Unemployment Claims Are Recovering the Quickest (28 January 2021)

<https://wallethub.com/edu/states-unemployment-claims/72730>

¹³Global Bay Area homelessness: 97 answers to your questions (28 July 2019)

<https://projects.sfchronicle.com/sf-homeless/homeless-questions/>

About the Author



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Caitlin is a Legal Analyst at ALM Intelligence. Prior to joining ALM, she worked at an Am Law 100 firm where she provided competitive intelligence to attorneys to help them secure new business. Before entering the legal field, she worked at two of Washington, DC's most prestigious boutique management consulting firms, where she focused on analyzing and forecasting military and commercial aerospace and defense funding. Caitlin received her B.S. from Lafayette College in 2011

About ALM Intelligence

ALM Intelligence provides proprietary data, analysis, tools, and knowledge that empower our clients to succeed. The product suite and vast data repository arm professionals with the critical business information required to make the most impactful and informed decisions possible. The exhaustive data repository and product functionality enable professionals to combat competitive challenges head-on with the confidence to remain ahead of the field. The depth of ALM Intelligence's expertise across the benefits, insurance, consulting and legal industries provide a broad spectrum of actionable intelligence to facilitate and execute strategy. Visit alm.com/intelligence for more information

