

APRIL 21, 2014 - DUVAL & STACHENFELD IN THE NEWS - By Christine Simmons

Midsize Real Estate Firm to Offer Big Law Salaries



Terri Adler and Bruce Stachenfeld of Duval & Stachenfeld
NYLJ/Rick Kopstein

Duval & Stachenfeld, a 66-attorney real estate firm, is more than doubling its salary for starting associates to \$175,000—above the large law firm standard—to compete with its rivals in attracting and retaining top talent.

The firm says it is not planning to raise associate billing rates to make up for the extra cost.

Co-founder Bruce Stachenfeld said his firm represents the same clients and handles the same work as large New York firms. Meanwhile, firms and recruiters are relentlessly calling his firm's associates, he said.

"We put a lot of effort into our people. It's not only attracting, it's retaining them. So I don't necessarily want to have a salary differential when big law firms call our people," he said. "We have the same client base. If we're doing the same work with the same level of people, then we should be paying the same amount."

But, he said, "I don't like to kid myself. [We] don't have the brand name" of firms such as Skadden, Arps, Slate, Meagher & Flom or Cravath Swaine & Moore. Offering a higher salary than large firms will make "an appropriate statement," he said.

Generally, offering starting salaries above top law firms standards is unusual, said Ward Bower, an Altman Weil consultant, while boutiques that pay top dollar for associates are mostly in litigation or securities.

"For typical mid-market midsize firms, it would be insanity to do that," Bower said. "Unless you're going for top lawyers from top law schools, you can probably hire them for a lot less than \$175,000."

"That's a bold statement," Bower said. "That's coming out of partners' pockets."

Still, he said, "it's going to give them access to a talent pool that they otherwise wouldn't get."

Duval & Stachenfeld formed in 1997 with five lawyers, including partners Patrick Duval and Stachenfeld, who met while practicing at Latham & Watkins, and then-associate Terri Adler, now a partner.

Like any real estate firm, it suffered during the recession. But it managed to grow its head count in the last five years, and in 2013 handled more than 200 real estate transactions, such as acquisitions, recapitalizations, restructurings and debt originations, according to the firm.

Last year, Duval & Stachenfeld represented New York-based property investment company NorthStar Realty Finance Corp. in the closing of a \$340 million investment in RXR Realty, a large developer and owner.

The firm is responsible for leasing Pier 57, which is in redevelopment, and leasing the 6-million-square-foot Industry City project in Sunset Park, Brooklyn.

Stachenfeld listed Fried, Frank, Harris, Shriver & Jacobson and Greenberg Traurig as some of his firm's chief rivals. "We do seek to compete with every firm in real estate," he said.

Under its previous associate program, Duval & Stachenfeld paid first-years \$70,000, and after one year, \$100,000. If they entered a third year, their pay would catch up to compensation levels for large firm associates, he said.

Those steps were based on the firm's belief that it could not compete with large firms for law graduates from so-called "tier one" schools and sought highly-skilled graduates from "tier two" law schools instead.

Continued on page 2

Midsize Real Estate Firm to Offer Big Law Salaries

Under the old system, the lower associate salary reduced billing rates while bringing in lawyers who are now star junior partners, Stachenfeld said.

But that system is outdated, he said, because the firm is well known and its associates are just as skilled as those at large firms. "As one of the top players in the real estate world, we can compete for the top talent at the top law schools," he said.

Duval & Stachenfeld will pay all first-year associates \$175,000 by summer 2015, he said, while the firm will start recruiting from law schools this summer.

Stachenfeld said the firm likely won't change how many first-year associates are hired—usually about six each year—and won't change its \$228 hourly billing rates for first-year associates in real estate.

The firm will continue paying \$15,000 above large firm salaries for the next two years. By the associate's fourth year, the salaries will level out to roughly equal those at large firms. Bonuses will be separate and likely comparable to the scale set by Cravath each year, he said.

Stachenfeld said the firm will consider recruiting from New York University School of Law, Columbia Law School, Cornell Law School, Georgetown Law, George Washington University Law, University of Pennsylvania and Harvard Law School, as well as Fordham Law School and other New York City law schools.

Stachenfeld brushed off questions on how the firm could finance an additional \$600,000 or more in salaries for a first year class of six associates.

"We're not passing it on to our clients," Stachenfeld said, adding the firm has low overhead in other areas.

"Paying more to first years will likely reduce the profitability of the firm, but we think it's a price well worth paying, [to reduce] the risk of losing our talent," he said. "We are protecting the talent that we buy and train and put our hearts into."

"We also hope it enhances our brand and builds the reputation of the firm," he added.

Stachenfeld said his firm, with 22 equity partners, is as profitable as the bulk of the Am Law 100 but declined to offer details.

In New York, 75 percent of firms with more than 250 lawyers pay \$160,000 for first year associates, according to a September 2013 report by NALP. The median starting salary for firms nationwide with 51 to 100 lawyers was \$100,000.

Real estate attorneys at all levels are hearing calls from recruiters. With a recent upturn in the New York real estate market, "all of a sudden [real estate practices] are in high demand," said Sharon Mahn, principal of legal recruiting firm Mahn Consulting.

Duval & Stachenfeld's salary increases "will help because they can attract star quality real estate attorneys from big firms," Mahn said. "Overall, that will help their brand. Money talks, especially at the associate level."