



# Midsize law firms at the start of 2025

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No time to rest

# Executive summary

Midsize law firms<sup>1</sup> in the United States are enjoying a prolonged moment in the spotlight. Year-end results from 2024 found Midsize firms once again near the front of the pack in terms of demand growth among all segments of law firms tracked by the Thomson Reuters Institute.

At the same time, Midsize law firms have gotten much more aggressive in growing their hourly rates in recent years compared to historical standards, placing them in a more favorable revenue picture. This growth in rates has been tempered by a few factors, however.

First, Midsize law firms have not been as aggressive in growing their rates as their competitor segments. This has created a bit of a double-edged sword — Midsize law firms are potentially missing opportunities to push for stronger rate growth, but they are clearly maintaining a cost advantage over their larger peers.

Second, expenses have grown for the average Midsize law firm, dampening the prospects for further profit growth. The average Midsize law firm was still considerably more profitable at the end of 2024 than it was at the end of 2019; however, profit growth for Midsize firms was markedly below those firms in either the Am Law 100 or Am Law Second Hundred. And this negated some of the advantage Midsize firms had enjoyed from continued strong demand growth.

Even coming off of this prolonged period of growth, however, Midsize law firms should be careful not to get too comfortable in their success. The legal market is constantly evolving, and perhaps never more rapidly than now. Larger law firms have teams of people dedicated to driving innovation, both in their internal processes as well as in their client-facing functions. Midsize law firms that choose to rely on increasingly outdated ways of working could run the risk of being outcompeted by larger firms that have taken advantage of newer technologies to create service offerings that clients find both appealing and affordable.

Of course, that is not to say that Midsize law firms need to employ innovation teams of similar size or capability to be able to compete with larger rivals; however, Midsize firms would be well advised to do their own explorations of emerging technologies and learn how they might be employed to help Midsize firms maintain, if not grow, their existing competitive advantages.

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**Midsize law firms are enjoying a prolonged moment in the spotlight ... however they should be careful not to get too comfortable in their success.**

<sup>1</sup> For purposes of this report, Midsize law firms are defined as US-based law firms that submit data to the Thomson Reuters Financial Insights program but which are not ranked in the Am Law 200 rankings. This population consists of approximately 90 law firms.

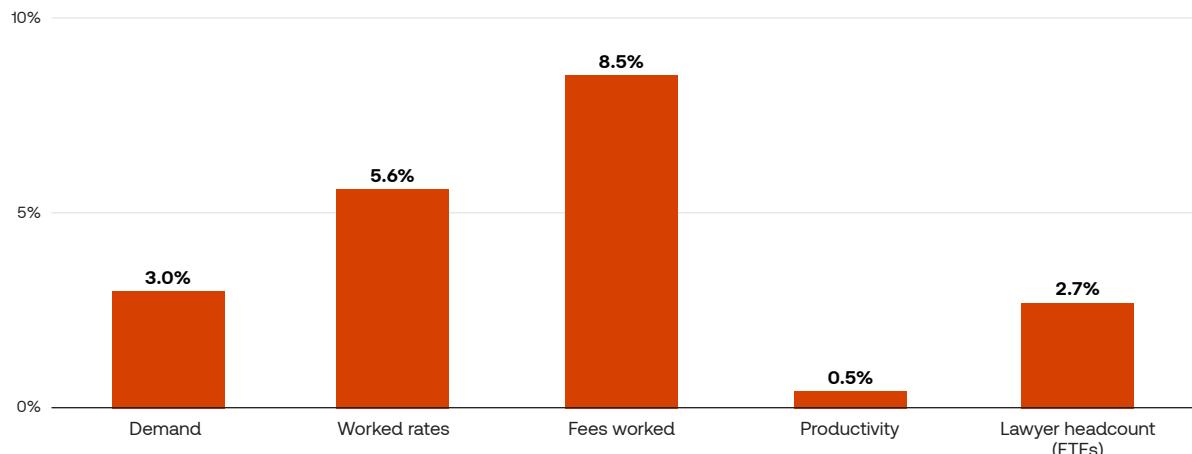
# How Midsize law firms stand, by the numbers

## Understanding the key measures

Law firm performance is tracked through a host of metrics, but a few key measures provide an effective overview of the overall health of any given segment of the market.

**FIGURE 1:**  
**Midsize law firm key performance measures**

2024 vs. 2023 | Year-over-year percent change



Source: Thomson Reuters 2025

Even absent comparative context, it is immediately noteworthy that all of the key performance indicators (KPIs) are in positive territory, including productivity. As was noted in the *2025 Report on the State of the US Legal Market*,<sup>2</sup> productivity is one of the key metrics that the average law firm has struggled to move into positive territory. In fact, the overall legal market has seen a nearly 15-year trend of declining productivity.<sup>3</sup> The fact that Midsize law firms were able to keep productivity in positive territory even in light of 2.7% growth in headcount over 2024 stands as a testament to the strength of demand growth for the segment.

However, some comparison of Midsize firms' KPIs to those in other segments provides important context.

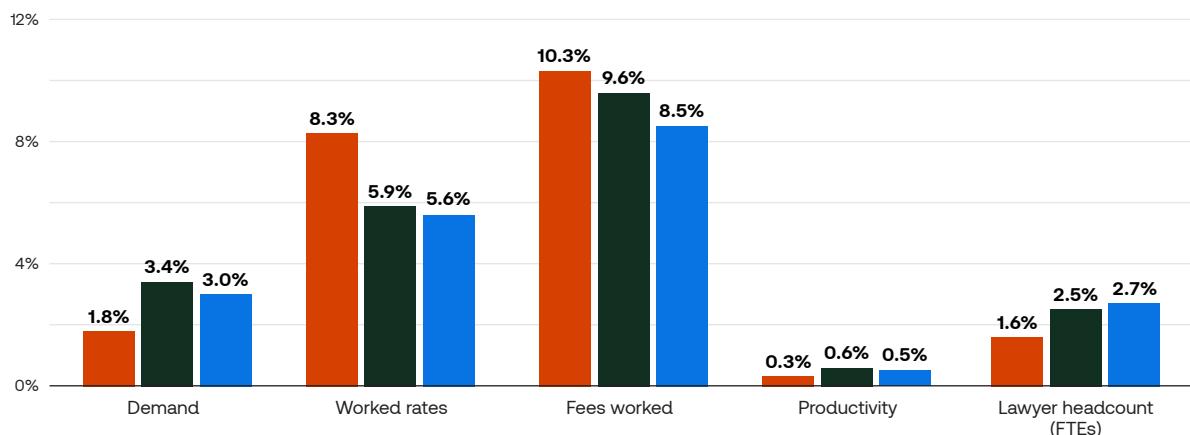
<sup>2</sup> *2025 Report on the State of the US Legal Market* (Thomson Reuters Institute; January 2025) is available at: <https://www.thomsonreuters.com/en-us/posts/legal/state-of-the-us-legal-market-2025>.

<sup>3</sup> See *id.* at 15-17

**FIGURE 2:**  
**Key performance measures by segment**

Year-over-year percent change

■ Am Law 100 ■ Am Law Second Hundred ■ Midsize



Source: Thomson Reuters 2025

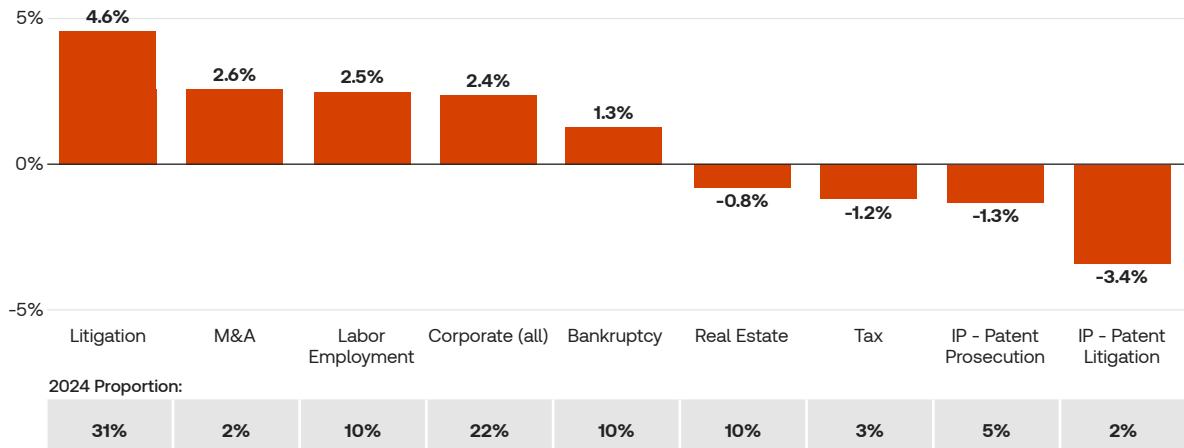
While the strength of demand growth for Midsize law firms is notable, particularly given the years-long pattern of growth these firms have enjoyed, Midsize law firms are still third in regards to growth of worked rates and fees worked.<sup>4</sup> The lag in these metrics, particularly fees worked, coupled with growth in expenses, contributed to the less-impressive growth in profits that Midsize firms experienced since 2019, which we will explore in more detail later.

## Demand

As demand measures total billable hours worked, it is worth exploring this metric in greater detail.

**FIGURE 3:**  
**Midsize law firm practice demand growth**

2024 vs. 2023 | Year-over-year percent change



Source: Thomson Reuters 2025

<sup>4</sup> For purposes of this report, worked rates refers to the average billing rate clients agree to pay to engage a matter with a law firm. Fees worked is an analogue for accrual-basis revenue calculated as worked hours multiplied by rates with growth calculated on a year-over-year basis.

The average Midsize law firm saw demand growth across a wide spectrum of practice areas. Importantly, Midsize law firms saw growth in both counter-cyclical and transactional practices.<sup>5</sup> Regarding the latter, while M&A demand grew by 2.6% and corporate work grew by 2.4%, the segment's overall average growth in transactional practices actually lagged behind larger firms, which saw their transactional practices grow more significantly.

The key driving force for growth among Midsize law firms in 2024 was undoubtedly litigation, which grew by 4.6%. While this scale of demand growth is impressive, it is a bit worrying. If, as some predict, litigation work experiences slower demand growth or even some contraction in 2025, Midsize law firms could find it difficult to continue their long streak of strong overall demand growth.

### The TR Institute's View:

Historically, Midsize law firms experience weaker growth for transactional practice demand than do their larger peers. In the event of a litigation slowdown, Midsize law firms will need to put considerable effort into winning transactional demand — no small task, given how much effort can be consumed in business development efforts to win new work. Those firms looking to position themselves for greater growth in transactional demand should be looking to better understand what drives favorability and buying behaviors in the eyes of key clients, including clients' increasing desire to measure and receive value from their outside law firms.<sup>6</sup>

## Billing rates

Given concerns over potential instability in demand growth for Midsize law firms going forward, even greater importance can be placed on the growth of law firm billing rates, particularly worked rates.

As is seen in Figure 2, Midsize law firms trail their peer segments in terms of the aggressiveness with which they have pursued growth in worked rates. While three-tenths of a percentage point may not seem significant, remember that the growth figure is expressed as a function of the prior year's billing rates. So, that means that the average Am Law Second Hundred law firm was growing three-tenths of a percent more on an already higher average hourly rate.

That is not to suggest, however, that Midsize law firms have not made progress in pushing their rates. The segment's year-end 2024 worked rate growth of 5.6% represents an improvement on 2023's 5.4% growth and a large improvement on the 3.8% growth seen by the average Midsize law firm at the end of 2022.

Midsize law firms have also done a good job of capturing those rate increases, closing out 2024 with average realization against worked rates of 91.8%, an improvement over the prior year.

<sup>5</sup> Counter-cyclical practices include litigation, bankruptcy, and labor & employment. Transactional practices include corporate, M&A, real estate, and tax.

<sup>6</sup> For more discussion on what corporate clients seek in terms of value, see the *2025 State of the Corporate Law Department Report* (Thomson Reuters Institute, March 2025), available at: <https://www.thomsonreuters.com/en-us/posts/corporates/state-of-the-corporate-law-department-2025>.

### The TR Institute's View:

Midsize law firms, and in particular partners in these firms, should work to become more comfortable with their billing rates, particularly around growing them. What might feel like very aggressive rate growth to the partners could actually still represent significant savings to clients who are new to the firm or are moving an increasing share of their work over from larger firms. Clients might be capturing savings of several hundred dollars per hour or more by shifting work from an Am Law 100 firm to a Midsize firm. Indeed, it's something clients have been doing with increasing frequency.

Additionally, many Midsize law firms have opted for a two-tiered rate structure: One set of rates that applies to existing clients on existing work and another that applies to new clients or even, in some cases, new work from existing clients. Frequently dubbed *national rate cards* or something similar, these structures have allowed Midsize law firms to push rates into territory that is more competitive with larger competitors but does not sacrifice the inherent price advantage most Midsize law firms enjoy. The key to such a strategy, however, is partner buy-in. Partners must be willing to implement and enforce such rate structures.

## Expenses and profits

As also seen in Figure 2, Midsize law firms were at a disadvantage in terms of anticipated revenue growth relative to their larger peers due to the slower pace of growth in their fees worked. When expense growth is added to that picture, the result is good, but far from leading growth in law firm profits.

FIGURE 4:  
**Expense growth**



Source: Thomson Reuters 2025

The average Midsize law firm experienced direct expense growth mostly in line with the average firm in the market. At the same time, Midsize law firms held overhead expenses in check compared to the market average. Similar to the overall market, technology and knowledge management expenses were the key drivers of overall expense growth for the Midsize segment, with the former growing by 8.6%. That sits on top of 9.6% growth in technology expenses for the same period the prior year, indicating continued strong investment in technology by Midsize law firms. In fact, these firms grew both their technology and knowledge management by larger percentages than the average Am Law 100 law firm.

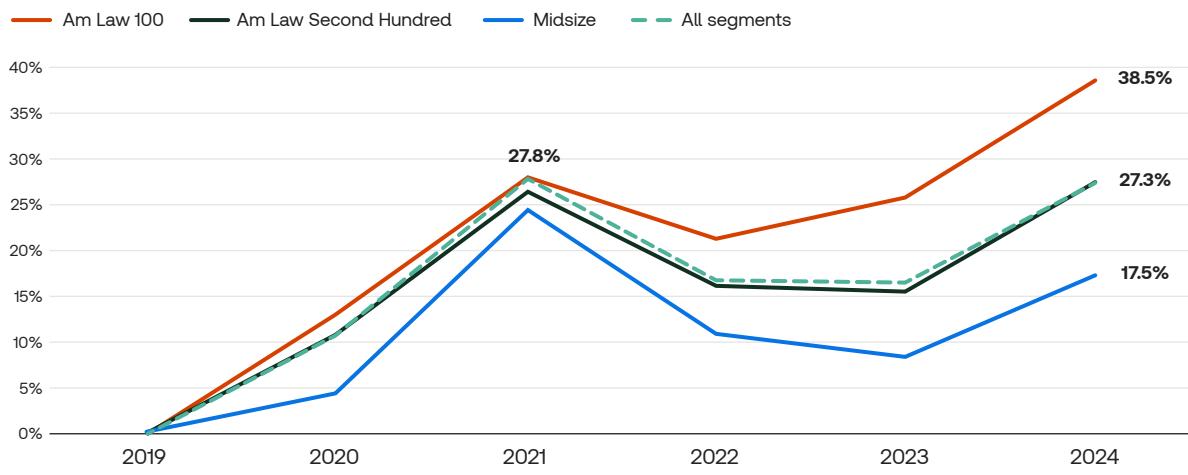
<sup>7</sup> Expenses are calculated on a rolling 12-month basis.

<sup>8</sup> Direct expenses include attorney-related expenses such as salary and benefits, but do not include equity partner compensation.

The combined effect of these increased expenses and slower growth in fees worked was slower overall growth in profits per lawyer. That's not to say that the average Midsize law firm has particularly struggled — they were, on average, 17.5% more profitable at the end of 2024 than they were at the end of 2019.

**FIGURE 5:**  
**Profit per lawyer by segment**

Profit per lawyer growth since 2019



Source: Thomson Reuters 2025

### The TR Institute's View:

Midsize law firm profit results should not be read as an indication that leaders of these law firms should forgo investments in technology upgrades that will yield long-term benefits in favor of short-term profit improvement. Such strategies do not tend to pay off in the long run.

Midsize law firms already find themselves at a disadvantage in terms of their rate growth. That will be a difficult hill to overcome, but the use of the previously discussed tiered rate structures has shown great promise in helping with that climb. Midsize law firms will not benefit from falling behind in the technology arena, but that is not to say that the average Midsize law firm needs to take the same steps that many large firms are by developing sophisticated AI tools or buying AI businesses to function as subsidiaries. However, Midsize law firms should be mindful not to avoid technologies that are gaining wide adoption in the hopes of boosting short-term profits. That type of tech debt creates its own challenges that rapidly compound.<sup>9</sup>

<sup>9</sup> For more on the concept of tech debt, see "State of the US Legal Market 2025" analysis: *Law firms and the challenge of tech debt*, available at: <https://www.thomsonreuters.com/en-us/posts/legal/legal-market-tech-debt>.

## No time for Midsize law firms to rest on success

There's no doubt that Midsize law firms have experienced a very successful period over the past several years. Increasing success in growing billing rates and improved profits demonstrate that thus far, the 2020s have been a good decade for Midsize law firms.

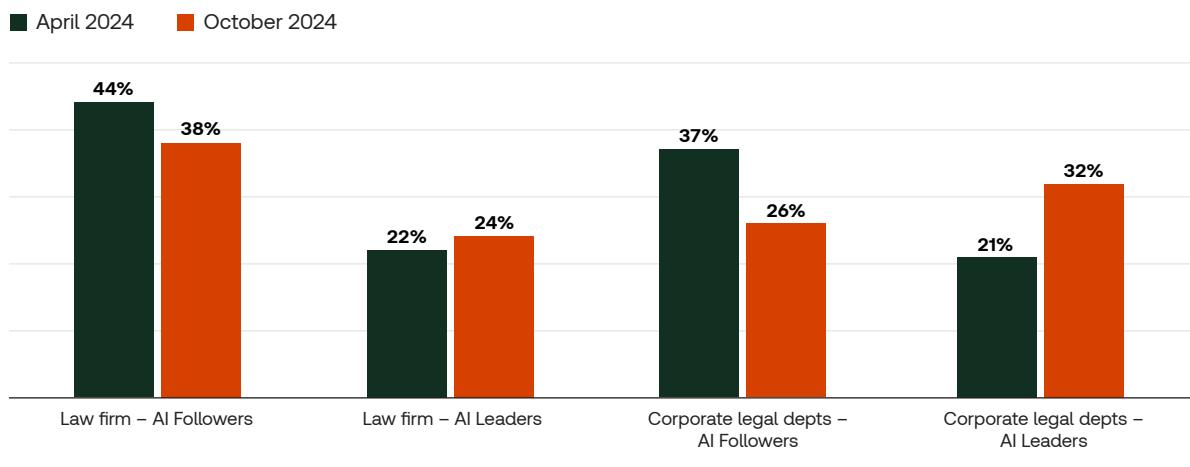
With that success, however, comes the risk of complacency.

As larger competitors seek to move more aggressively toward an AI-driven future, they will redefine how legal services are delivered and, ultimately, how they are priced. Given the promises of AI in terms of streamlining workflows, eliminating waste, and automating many low-value tasks, larger law firms may be able to start competing with Midsize firms on price much more effectively than they do now, jeopardizing a major go-to-market advantage for the Midsize segment. This is perhaps especially true for those Midsize law firms that have not yet built the capability to leverage similar efficiencies in service.<sup>10</sup>

Leaders of Midsize law firms should also be aware that other law firms are not the only threat. Corporate general counsel — the clients that nearly every Midsize law firms target as part of their strategic growth plans — are increasingly looking to move toward the front of the AI adoption curve. In the six-month period from April to October 2024, the number of GCs who described themselves as *followers* on the AI adoption curve decreased while the number seeking to be *early adopters* increased. As a result, more GCs now seek to be AI leaders than followers — a feat law firms in general have yet to fully accomplish.<sup>11</sup>

FIGURE 6:

### Clients are outpacing law firms in GenAI adoption



Source: Thomson Reuters 2025

Choosing to sit on the sidelines as the legal industry evolves would place Midsize law firms at risk of losing work not only to competitor law firms, but also to the very clients that law firms depend on to give them the work in the first place.

<sup>10</sup> For more discussion on how AI could help improve law firm service offerings in the future, see *The Future of the Law Firm: No time for bystanders amid AI's Increasing influence* (Thomson Reuters Institute, February 2025), available at <https://www.thomsonreuters.com/en-us/posts/legal/future-of-the-law-firm-2025>.

<sup>11</sup> It should be noted that Figure 6 is not specifically limited to Midsize law firms; however, there is no clear evidence that Midsize law firms have been any more likely to shift toward being AI Leaders than those firms in any other law firm segment.

### The TR Institute's View:

The move toward AI does not need to be substantial to start. Myriad articles, podcasts, and reports have discussed ways for law firms to move toward the adoption of advanced AI tools by targeting low-hanging fruit and avoiding negative impacts on revenue-generating work.<sup>12</sup>

However, it is becoming increasingly clear that the AI-driven evolution of the legal market is well underway. Midsize law firms that fail to recognize this shift run the risk of losing client favorability or being forced to comply with AI-workflow standards created by others, adopted by clients, and forced upon those firms that were playing the waiting game. The latter result would put slow-adopting law firms in a position of having to implement AI technologies much more rapidly than they would have chosen. However, that situation, ironically, would ultimately be one of their own choosing.

## Conclusion

Midsize law firms are in a strong position in the legal market. They command a large share of the lucrative litigation sector, which is still growing in 2025 based on early indications. They can offer clients a sizeable cost advantage compared to their peers, an attribute viewed as a valuable asset by increasingly cost-conscious clients. Midsize firms have enjoyed relatively healthy profits, potentially creating ready cash for needed investments in technology.

It seems safe to say that perhaps among the most damaging decisions Midsize law firms could make would be to become complacent. Short of that, any decision made toward a greater focus on business development that seeks more transactional work, increased pace of rate growth, or greater investment in the adoption and implementation of advanced technology will likely yield additional positive results.

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damaging decisions  
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<sup>12</sup> For a sample of this ongoing discussion, see <https://www.thomsonreuters.com/en-us/posts/topic/pricing-ai-driven-legal-services/>.

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