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The biggest law firms in Portugal are experiencing substantial growth, but managing partners are well aware that a downturn in the economy may not be too far away

Given that Portugal's leading law firms reported substantial increases in revenue in the last year – up to 15 per cent in some cases – there is considerable optimism in the sector. Foreign investors, including venture capital funds, are pumping money into the country as they sense an opportunity to get some healthy returns on investment.

The real estate sector is proving particularly attractive – greenfield investments are on the rise, with hotel and residential developments proving particularly popular. Meanwhile, in the financial sector, sales of non-performing loans are generating substantial work for law firms.

However, there are some clouds on the horizon. Firms may be receiving plenty of instructions now, but law firm leaders know that an economic downturn may hit the country in the next two or three years. It's not something managing partners want to think about too much, because, as some privately acknowledge, their firms are simply not yet ready to deal with any contraction in the economy.

For some firms, the future looks very uncertain indeed, and it's anticipated that there will be mergers among some of the smaller firms in the market as they try to reach a scale that will enable them to adequately compete.

Artificial intelligence (AI) could potentially give some firms the impetus they need by enabling them to increase efficiency and provide a more streamlined service to clients. However, managing partners face the problem of having to decide which type of AI to invest in and when to make such an investment.



Lawyers in demand, but smaller firms may need to merge

The legal services market in Portugal is growing, but for some law firms, keeping up with the market leaders will be a struggle, so mergers between smaller players are sure to follow

Event: Iberian Lawyer Global Roundtable

Host: CCA Ontier

Demand for legal services has been on the rise in Portugal for the last two or three years, participants in the Iberian Lawyer Lisbon

Roundtable said. Indeed, this assertion is backed up by data that shows the three biggest firms in Portugal – MLGTS, Vieira de Almeida and PLMJ – all experienced double-digit growth last year. The country's real estate sector has been a key driver of growth, while tax, antitrust, labour and finance are other practice areas that are generating an increasing amount of work for law firms. However, law firms still face the challenge of having to attract the best talent in a very competitive market, while the issue of artificial intelligence is also creating a great deal of uncertainty, with firms often unsure about what type of technology to invest in.

There has been substantial activity in the Portuguese real estate sector, while there has also been an increase in litigation, said **CCA Ontier managing partner Domingos Cruz**. He added that venture capital funds are showing

a strong appetite for investment in Portugal, while changes to shareholder structures in the banking sector has also generated a lot of work for lawyers. In addition, there have been some major 'greenfield' real estate developments, particularly in the residential and hotel sectors, according to Cruz. He said that Portuguese law firms are becoming increasingly sophisticated, and that this is grounds for optimism; however, there is a level of uncertainty as to when the country will experience its next economic downturn.

Cuatrecasas Portugal managing partner

Maria João Ricou said that, while traditionally, Spanish clients have shown little interest in investing in Africa, this is changing and now there is interest among businesses in Spain which see potential in Portuguese-speaking parts of the continent, such as Angola. Consequently, this presents an opportunity for law firms such as Cuatrecasas that have offices in both Spain and Portugal. Meanwhile, Ricou added that there are a lot of Chinese clients investing in both Portugal and Lusophone Africa. Despite the fact these trends are generating significant work for lawyers, Ricou expects there will be mergers among law firms in the Portuguese market. She added:



Garrigues Portugal managing partner João Miranda de Sousa says technology will help to make legal work more stimulating for young lawyers

What are the biggest challenges Lisbon law firms face?

"Dealing with competition based on low prices. Furthermore, the retention of talent is a challenge, and this is presenting new demands in terms of management."

António Soares, Lisbon managing partner, Linklaters

"Conveying to clients how best to interpret and implement changes in tax law. For example, the urban rehabilitation tax benefits regime has evolved in the last decade leading to many questions on its application."

Catarina Belim, partner, Belim

"The need for lawyers to adjust to working on matters in non-traditional areas like crowdfunding, and the need to provide a better price, and a higher quality and faster service."

Nuno Pereira da Cruz, partner, Cruz, Roque, Semião e Associados

"The foreign residents market, due to our legal tax system, which is much more favourable for foreign residents. From Brazilians to French nationals, Portugal represents a very good option in terms of retirement and investment, and law firms can benefit from that by providing counselling in those areas."

Mónica Gonçalves Nunes, partner, SPS

"It's a small market, there is limited capacity for more large firms entering the market."

There are currently significant opportunities for investors to make money in Portugal, said **PLMJ managing partner Luís Pais Antunes**. Major investment in Portuguese real estate has created substantial work for lawyers, while there has also been an increase in tax-related matters. Pais Antunes added that the life sciences sector is also emerging as a more important source of work for law firms. There has been more arbitration in Portugal in the last year, as well as an increase in antitrust, finance and labour-related matters, according to Pais Antunes. However, the issue of technology, and specifically artificial intelligence, is posing a challenge for law firms. "I don't think European firms have enough money to invest in artificial intelligence, but I don't think it is a problem," said Pais Antunes. "The key is how you teach the machine and this is a challenge." Pais Antunes adds that law firms will probably employ more people to teach such machines in future. He said that competition is fierce in the legal market and this is positive, but world politics is a concern, especially the current turmoil in Europe.

Sales of non-performing loans are a major source of work for

law firms, while deleveraging by banks also generates a significant number of instructions, said **Paula Gomes Freire, group executive partner at Vieira de Almeida**. Meanwhile, regulatory work – especially matters related to the General Data Protection Regulation and privacy – is also on the rise. "The Portuguese economy is doing well and Portuguese law firms are growing partly due to an increase in international work, particularly in Lusophone Africa and Francophone Africa," Gomes Freire said. However, she added that law firms are under pressure to provide a "top quality service, more efficiently". This is partly due to the fact that alternative legal services providers are emerging and the 'Big



Paula Gomes Freire, group executive partner at Vieira de Almeida, says sales of non-performing loans are a major source of work for law firms

Four' have legal arms, and this means competition for law firms. Gomes Freire said: "Law firms are based on a growth model – growth drives us and the concern is where will growth come from? Another concern is to what extent will AI impact on the business of law



Investors are targeting Macao's real estate and gambling sectors, according to MLGTS partner Tomás Vaz Pinto

firms?"

Demand for legal services in Portugal has grown in the last two or three years, said **Caiaado Guerreiro lawyer Jorge Ribeiro Mendonça**. He added: "There has been an increase in demand for legal services related to real estate, M&A and technology, and in particular, blockchain."

Ribeiro Mendonça also said individual investors from China are investing in Portugal, largely as a result of the 'golden visa' programme, while there are also companies investing in the country's energy sector. He added that the legal profession is changing, and that law firms have to adapt to new technology and also invest in it because firms have to deliver their services more quickly. Ribeiro Mendonça said law firms have to adapt to the needs of foreign investors, while the lack of economic stability at international level is a concern.

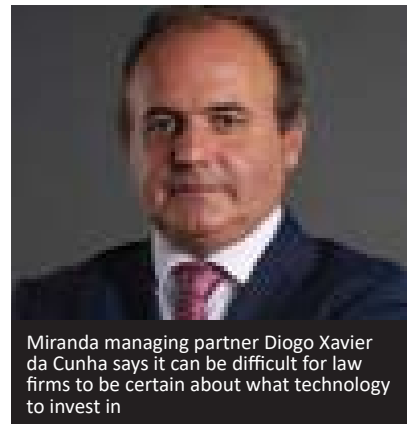
There are significant opportunities for Portuguese law firms in Macao with investors targeting the real estate and gambling sectors in particular, according to **MLGTS partner Tomás Vaz Pinto**. Meanwhile, he added that the Portuguese

economy is benefitting from a lot of foreign investment, while there are also a lot of wealthy individuals moving to the country. Vaz Pinto said that technology will be an important driver of law firm growth and that the legal arms of the 'Big Four' are making a lot of investment in technology. He also said that the current international political environment had led to a great deal of uncertainty.

Attracting the most talented young lawyers is a major challenge for law firms, according to **Uría Menéndez's Lisbon office managing partner Bernardo Ayala**. He added that one of the best ways of tackling this issue is to offer young lawyers the opportunity to work abroad with different law firms. "Send them abroad, send young lawyers to other firms," he said. "Give them international experience."

Miranda managing partner Diogo Xavier da Cunha said the Portuguese natural resources sector is generating a lot of new

opportunities for law firms, particularly in the lithium mining and oil and gas sectors. He added: "While incoming investment and related M&A work has been growing, outgoing investment from Portugal is in decline." With regard to the issue of law firms and technology, Xavier da Cunha said that while law firms generally acknowledge that it is "time to invest", it can be difficult to be



Miranda managing partner Diogo Xavier da Cunha says it can be difficult for law firms to be certain about what technology to invest in

What are currently the biggest opportunities for law firms in Lisbon?

"Foreign direct investment – particularly from Asia and the US – has been driving growth and law firms have been among the beneficiaries. The Portuguese legal market's revenue is growing as transactional work increases and prospects are improving. Law firms, in particular, have experienced an increase in data protection, employment, M&A and real estate work. Also, uncertainty related to Brexit presents an opportunity for law firms."

Pedro Rebelo de Sousa, managing partner, SRS Advogados

"Real estate work, related to the purchase of property by foreign investment funds, as well as the leisure and entertainment industry, including hotel and casino business."

Nuno de Oliveira Garcia, partner, Andersen Tax & Legal Portugal

"There is a high level of foreign investment, notably from Brazil, EU countries and Asia. Portugal is an attractive country to invest in because of its climate, safety record, reduced labour and living costs, international access, and simple procedures for the incorporation of companies. We believe we will continue to see an increase in major financial groups interested in Portugal that require advice on the real estate, IT, renewable energy, logistics and tourism sectors."

Alberto Galhardo Simões, partner, Miranda

"Public law – we advise public bodies (such as central government, local authorities, autonomous regions and public companies), as well as private entities. We advise on urban planning, town and country planning, real estate and public construction. Also litigation – we advise companies in the pharmaceutical, renewable energy and hotel sectors, as well as governmental bodies, on contentious matters."

Paulo de Moura Marques, managing partner, AAMM

certain about what is the best type of technology to invest in and the scale of investment required.

He added that technology could impact on the way law firms are leveraged, and also pointed out that firms face stiff competition from the legal arms of the 'Big Four', partly because they are offering lawyers higher levels of remuneration. Such an environment could pose considerable challenges for independent law firms in Portugal,



Cuatrecasas Portugal managing partner Maria João Ricou says there are a lot of Chinese clients investing in both Portugal and Lusophone Africa

Xavier da Cunha said.

Industries such as e-commerce, as well as blockchain technology, could create significant opportunities for law firms, though lawyers face the challenge of fully understanding such businesses, said **Garrigues Portugal managing partner João Miranda de Sousa**. He added that technology will help law firms a lot in that it provides lots of tools that will help to make legal work more stimulating for young lawyers. Miranda de Sousa said another opportunity for law firms will be integrating international teams, adding that one way this could be made easier for law firms in Iberia is by having more Spanish-Portuguese dual-qualified lawyers. "Around three or four Portuguese lawyers become dual qualified (in Spain and Portugal) each year," he added. Meanwhile, a key issue for law firms is the fight for talent, according to Miranda de Sousa. "People like to have different experiences, so mobility is key [for young lawyers]", he added.



Law firms must offer investors business-oriented advice



Nuno Azevedo Neves

International investors are increasingly targeting Portugal and it is vital that law firms are able to offer them business-oriented advice, says Nuno Azevedo Neves, partner at DLA Piper ABBC.

According to Azevedo Neves, there is an abundance of opportunities for law firms in the Portuguese market, with M&A, banking and finance, real estate and technology driving growth. "Private equity houses and global funds are looking for opportunities in the market, and this has led to an increase in the volume and value of transactions, both on the transactional and financing side," he explains. "Real estate and hospitality are also extremely hot sectors that are bringing a lot of work in – meanwhile, technology-related work is also developing significantly in Portugal, with several key players growing their presence." With increasing numbers

of international investors entering the market, law firms need to focus on fully understanding "their needs, their business, problems and dramas, as well as the markets they operate in", says Azevedo Neves. "If you lack understanding of these issues you won't be able to differentiate yourself in the market."

Internationalisation is another challenge for law firms, according to Azevedo Neves. "This is often interpreted exclusively as opening an office abroad, but that's a limited understanding of what it means – we need to understand what global investors think, what they need, and the best way for legal advice to be provided." He continues: "Client demands are changing, they want added value, and not just people who prepare the contract. We must also provide valuable advice to the business."