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'The Renaissance': What's Behind Big Law Push Into Munich?

Major firms like Shearman & Sterling are following a trail of dry powder into the Bavarian city, which is pitching a global private equity and tech hub.

By **James Carstensen** | March 18, 2021 at 11:26 AM



https://images.law.com/contrib/content/uploads/sites/378/2021/03/Capture_14-Article-202103170623.jpg) Munich's reputation as a tech hub exploded when Apple set up a research hub there earlier in 2021. Image: Apple

"Clients want to settle in a beautiful city, and you go where business goes," says one U.S. firm partner of the recent Big Law incursion into Munich.

The Bavarian city's growing reputation as a private equity hub and as 'Europe's next Silicon Valley' is driving a wave of Big Law hiring and launches in the city. Earlier in 2021, Shearman & Sterling underscored the importance of the city when it formally [reopened its Munich practice \(https://www.law.com/international-edition/2021/01/14/shearman-sterling-relaunches-munich-office-hires-two-finance-partners-from-linklaters/\)](https://www.law.com/international-edition/2021/01/14/shearman-sterling-relaunches-munich-office-hires-two-finance-partners-from-linklaters/) after nearly eight years. But it's hardly the only firm to have discovered the wealth of opportunities the city presents.

Law Firms Mentioned

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"In 2001, Munich was the number one venture capital city, and we are experiencing a renaissance now." — Florian Harder, Shearman & Sterling

Other major international firms to have recently augmented their capabilities in the region include U.S. corporate powerhouses **Milbank** (<https://www.law.com/international-edition/2020/10/28/milbank-takes-clifford-chance-munich-head-for-german-finance-launch/>), **Latham & Watkins** (<https://www.law.com/international-edition/2019/12/04/achtung-latham-is-taking-market-share-in-germany/>) and **Sidley Austin** (<https://www.law.com/international-edition/2017/02/15/sidley-austin-boosts-munich-with-eight-new-hires-including-seven-partner-team-from-kirkland/>), and globally-minded U.K. firm **Clyde & Co** (<https://www.law.com/international-edition/2021/01/14/clyde-co-raids-norton-rose-for-munich-office-launch/>), which launched its Munich office in January.

There have also been a number of **big hires among local firms** (<https://www.law.com/international-edition/2020/12/08/kirkland-munich-private-equity-partner-quits-for-local-rival/>) alongside a small burst of boutique launches by lawyers from firms such as **Allen & Overy** (<https://www.law.com/international-edition/2020/09/11/two-allen-overy-german-practice-heads-to-exit-and-establish-own-firms/>).

So what's behind the legal industry's recent fervour for the historic German city?

'Dry powder keg'

In simple terms, there are two key drivers: a surplus of private equity "dry powder", and of course tech. *Big* tech.

"In 2001, Munich was actually the number one venture capital city, and we are experiencing a renaissance now," says Florian Harder, Shearman's new Germany head, who, tasked with growing the U.S. firm's presence in Germany once again, joined the firm from Linklaters in January.

Other partners who spoke to Law.com International say the city, already a vital presence in the private equity world, is sitting atop a "dry powder keg" of funds; unallocated capital private equity firms have continued to build up during the pandemic.

And law firms want in on the action.

"A lot of things were on hold due to the pandemic," says Harder. "These investors have to spend money on transactions, and this is also an important factor. Private equity funds have done their homework and are prepared to pursue new opportunities. There's so much money on the market."

"With Munich being a key market for PE, and PE being a main driver for upcoming M&A activity, we deem it crucial to bolster our presence in Munich."

He adds that it is "more profitable to advise the borrower than the lender, so this also makes it much more attractive to be in Munich, advising private equity firms".

"And big firms are only able to handle and win matters with a capable team on the ground."

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Stefan Feuerriegel, Norton Rose Fulbright's head of Germany, too stresses the importance of Munich as a major centre for PE in Germany.

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"A lot of major international and German firms focus on private equity, so this may be driving recruitment activity generally in the corporate transactional space," he told Law.com International.

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His firm in January added equity and insurance M&A counsel Bernd Dreier to its Munich office – the former head of M&A at global insurance company AIG Europe – which follows the addition of corporate M&A lawyer Philipp Grzimek in 2020, who is active on private equity deals.

The view appears to be a pervasive one.

Daniel Kaut, head of KPMG's M&A office, says: "With Munich being a key market for PE, and PE being a main driver for upcoming M&A activity, we deem it crucial to bolster our presence in Munich.

But he stresses that "although legal advice is not locally bound", his company wants to be "present in one of the most important business locations in Germany with a dedicated partner for M&A", adding that KPMG plans to expand its Munich team further.

Big tech

With its spires and neo-gothic architecture, it's no surprise that those with money want to settle in Munich. And who has more money than the U.S. tech titans.

With increasing keenness, the city is being viewed as a major tech hub in Germany, and is currently **Europe's sixth largest startup destination** (<https://www.statista.com/statistics/763309/leading-start-up-cities-in-europe-by-number-of-investments/>) by number of investments. Its importance was further cemented in March when Apple announced it would **build its billion-dollar European Silicon Design Center** (<https://www.apple.com/uk/newsroom/2021/03/apple-to-invest-over-1-billion-euros-in-germany-with-new-munich-campus/>) there.

Over the last few years, Munich has managed to become a tech hub thanks in no small part to the burgeoning presence of tech giants such as Google, Amazon, and Siemens, not to mention Apple's new plans for the city.

This has helped the city attract young academics and businesspeople.

Meanwhile, its highly respected universities have also been focused on supporting startups and innovative hubs. In turn, Harder explains, a number of private equity firms keen on new business are choosing Munich as their home.

Germany's 'hub-like' nature

This combination of factors makes the city an important location for law firms. But there is also a key geographical reason behind the push.

Thomas Kaiser-Stockmann, a corporate and M&A lawyer at tkslegal and Council Member of the Legal Practice Division in the International Bar Association, says the importance of locating in Munich is heightened by Germany's traditional focus on hubs.

"Unlike the U.K., France and Italy, Germany is a regionally-orientated country with law firm's practices reflecting the focus areas of a particular region," he says. "Frankfurt is strong in banking and finance, Hamburg for shipping, Düsseldorf for industry, and Munich for private equity and technology.

"Most private equity players and DAX company headquarters in Germany are domiciled there, as well as many family offices and private investors."

A new world

Importantly, the timing of these Big Law movements coincides with the resolution of some major market uncertainties, particularly the development of COVID-19 vaccines.

With the end of the pandemic in sight, the reaching of a Brexit agreement in January, and the U.S. transition to the Biden Administration, firms can begin planning again.

Norton Rose's Feuerriegel says that the end of the pandemic would likely trigger activity.

"We already see more activity after the initial shock of the pandemic last year," he says, adding that the prospect of more and more vaccines would likely provide a positive outlook for investors.

"The U.S. law firm style is much more flexible [than the U.K.'s]."

"I also think there is hope that transatlantic relations will improve and provide more stability," he added.

Tkslegal's Kaiser-Stockmann agreed that, in addition to the end of the pandemic, improved transatlantic relations and Brexit could prove timely factors.

"With 'diplomacy back,' the U.S. is poised to become an even more important outbound market for Munich-based law firms/boutiques," he says. "As for Brexit, it can be expected that the trend of U.K. companies setting up or acquiring separate legal entities in Germany will continue."

US firms the busiest

A notable part of the current flurry of law firm activity in Munich, in an apparent bid to move early as the pandemic peters out, is that many of the recent key moves have been made by U.S.-headquartered rather than U.K. firms.

When asked about this apparent trend, Shearman's Harder agreed that this could come down to a difference in management style between U.K. and U.S. firms.

"It is my experience so far that, being with Shearman for just two weeks now, the U.S. style is much more flexible," he says. "My impression is that with this approach, one can be more creative and flexible in serving a client."

Harder suggests this could be a factor that allows U.S. firms to react rapidly to current trends.

"You have to perform, of course, but you have your own instruments, you have your own room to build a team and strategy, which makes it much easier to be successful."

Regarding his firm's own strategy, though he concedes that "we will never be as large as we were in 2013 – at that time being one of the biggest corporate M&A firms in Germany", he says the strategy now is to "grow in key fields", particularly "M&A, private equity, tax and corporate financing".

So the Munich secret is getting out. And Harder for one "fully agrees" that firms will now be clamouring to shore up their offerings ahead of the end of the pandemic to gain an early market advantage.

"There is a light at the end of the tunnel. Six to eight months ago, you had no view as to what would happen," he says.

"Now firms can be prepared to plan."

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