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Well planned: Industry operators are expected to offer more value-added services, boosting demand

IBISWorld Industry Report 54131
Architects in the US

July 2019

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About this Industry

Industry Definition

Architects plan and design residential, institutional, recreational, commercial and industrial buildings and structures by applying their knowledge of design, construction procedures, zoning regulations, building codes and building materials.

Main Activities

The primary activities of this industry are

- Architectural (except landscape) consulting services
- Architectural (except landscape) design services
- Architectural (except landscape) services
- Building architectural design services

The major products and services in this industry are

- Office building projects
- Architectural services for residential building projects
- College and university school projects
- Hospitals and clinical buildings
- Primary and secondary school projects
- Retail and restaurant projects
- Architectural services for all other projects
- All other nonresidential building projects

Similar Industries

23 Construction in the US
Operators in this industry design and erect buildings, highways or other structures. They also manage construction projects according to the type of project.

54132 Landscape Design in the US
Operators in this industry plan and design the development of land areas.

54133 Engineering Services in the US
Operators in this industry are responsible for the design and management of construction, industrial and civic projects.

54136 Geophysical Services in the US
Operators in this industry gather, interpret and map geophysical data, often for oil, gas and mining companies.

54142 Industrial Designers in the US
Operators in this industry plan and design interior spaces, taking into consideration building codes, aesthetics and the special needs required for a client's project.

About this Industry

Additional Resources

For additional information on this industry

www.architecturalrecord.com
Architectural Record

www.naab.org
National Architectural Accrediting Board

www.ncarb.org
National Council of Architectural Registration Boards

www.sara-national.org
Society of American Registered Architects

www.aia.org
The American Institute of Architects

www.census.gov
US Census Bureau

Industry at a Glance

Architects in 2019

Key Statistics Snapshot

Revenue
$46.4bn

Annual Growth 14–19
4.1%

Annual Growth 19–24
1.5%

Profit
$3.6bn

Wages
$16.8bn

Businesses
70,384

Market Share

There are no major players in this industry

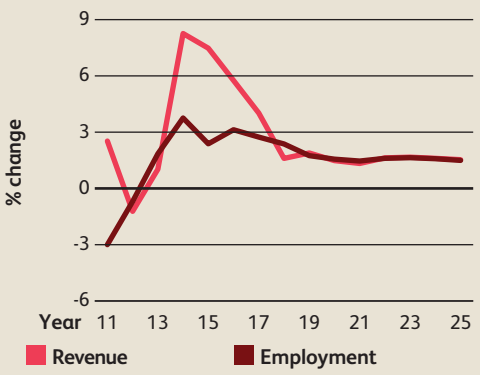
p. 24

Key External Drivers

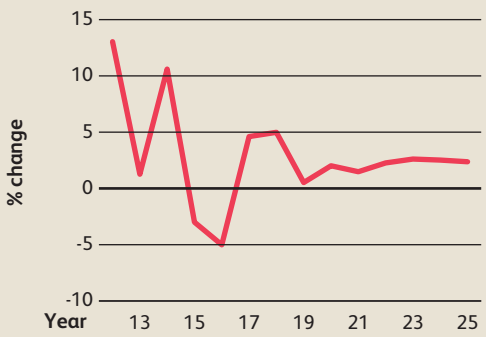
- Value of private nonresidential construction
- Value of residential construction
- Access to credit
- Corporate profit
- Consumer Confidence Index
- Housing starts

p. 5

Revenue vs. employment growth

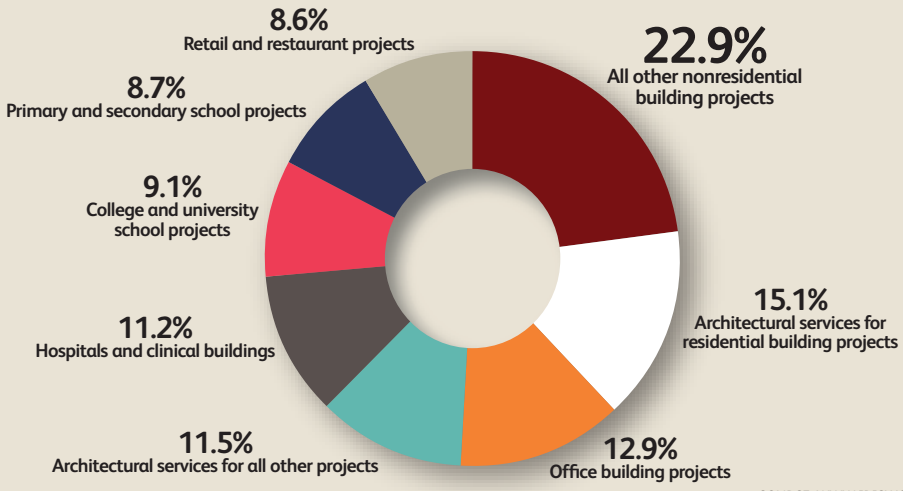


Value of private nonresidential construction



SOURCE: WWW.IBISWORLD.COM

Products and services segmentation (2019)



SOURCE: WWW.IBISWORLD.COM

Industry Structure

Life Cycle Stage	Mature	Regulation Level	Medium
Revenue Volatility	Low	Technology Change	Medium
Capital Intensity	Low	Barriers to Entry	Medium
Industry Assistance	Low	Industry Globalization	Low
Concentration Level	Low	Competition Level	Medium

FOR ADDITIONAL STATISTICS AND TIME SERIES SEE THE APPENDIX ON PAGE 30

Industry Performance

Executive Summary

The Architects industry derives the bulk of its revenue from nonresidential building design. Revenue is generated from fee-based contracts for pre-planning and design services related to construction and building projects. A much smaller share of industry revenue is generated from contracts related to housing construction; however, for small firms and nonemployers the residential construction market makes up a larger portion of their revenue. Over the five years to 2019, IBISWorld estimates that industry revenue has increased at an annualized rate of 4.1% to $46.4 billion, including an estimated rise of 1.9% in 2019 alone.

Industry operators will likely continue to benefit from demand from nonresidential and residential construction projects

The construction market has been the principal driver for revenue growth during the current period. The values of both nonresidential and residential construction have expanded over the past five years, resulting in an increased need for architectural design services. Alongside low interest rates, rising per capita disposable income and corporate profit have encouraged individuals and companies to invest in new structures that require architectural services. Increased demand for services has driven employment gains, with the number of industry employees having grown at an annualized rate of 2.5% to 233,303 workers over the past five years. However, growth in total wage expenditure and competitive pricing pressures have put downward pressure on industry profit during the current period.

Over the five years to 2024, industry operators will likely continue to benefit from demand from nonresidential and residential construction projects. The values of both types of construction are anticipated to continue growing over the next five years, although at slower rates compared with the current period. Construction activity is anticipated to slow to a normal level of growth following higher-than-average demand. Access to credit, per capita disposable income and corporate profit are all projected to expand during the outlook period, supporting steady demand for architectural services. Ultimately, industry revenue is forecast to increase at an annualized rate of 1.5% to $50.1 billion over the five years to 2024. Industry operators are expected to offer more value-added and environmentally friendly design services as demand for LEED-certified buildings and integrated project management services rises.

Key External Drivers

Value of private nonresidential construction

Trends in institutional and commercial development are major drivers of industry revenue. The value of private nonresidential construction measures demand for commercial and industrial developments. Demand for this type of construction is sensitive to fluctuations in employment, consumer spending, corporate profit margins and interest rates. The value of private nonresidential construction is expected to increase in 2019, presenting a potential opportunity for the industry.

Value of residential construction

Demand for the construction of single and multifamily residential units influences demand for industry services. Demand for residential construction is sensitive to economic and financial

Industry Performance

Key External Drivers continued

conditions like changes in employment, consumer disposable income and interest rates. The value of residential construction is expected to decrease in 2019, posing a potential threat for the industry.

Access to credit

Access to credit refers to the borrowing capacity advanced by a commercial bank to an individual, firm or organization in the form of loans, cash credit and overdrafts. Credit enables households and firms to invest in new construction projects that require architectural services. Construction projects are rarely undertaken without a line of credit. In 2019, access to credit is expected increase.

Corporate profit

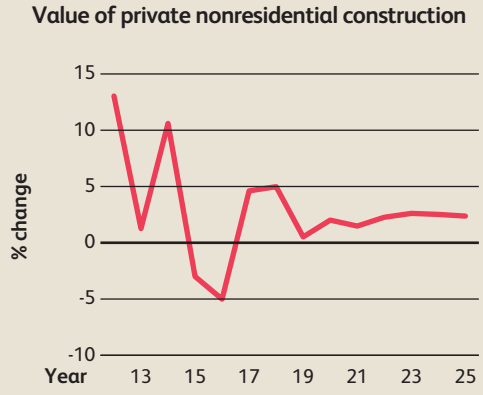
Corporate profit measures the value of profit earned across all corporate industries. Higher levels of corporate profit drive demand for the Architects industry because businesses and corporations have more capital available for expenditure on new structures. In 2019, corporate profit is expected to increase.

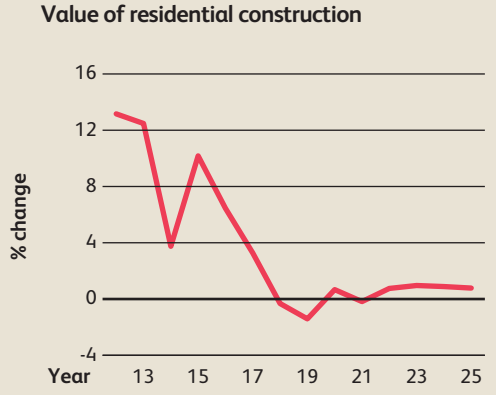
Consumer Confidence Index

The Consumer Confidence Index is calculated through a survey that ask questions about household finances, business conditions, employment, income and economic outlook. When consumer confidence is high, businesses and households are more likely to demand industry services. In 2019, the Consumer Confidence Index is anticipated to decrease.

Housing starts

Housing starts measure the number of new, privately owned housing units built in a given year. The total number of housing starts directly influences industry revenue, with an increase in the number of housing starts positively affecting the industry. Housing starts are expected to increase strongly in 2019.





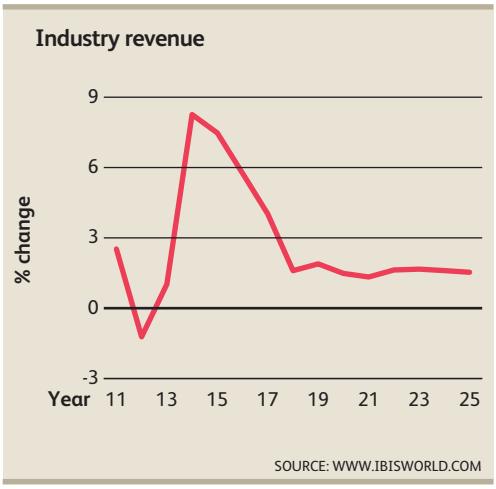
SOURCE: WWW.IBISWORLD.COM

Industry Performance

Current Performance

The Architects industry is composed of establishments engaged in the planning and design of residential and nonresidential structures. The industry has performed well over the five years to 2019, as it has benefited from increased demand. During the current period, industry revenue has expanded at an annualized rate of 4.1% to $46.4 billion, including estimated growth of 1.9% in 2019 alone. Industry growth over the past five years can be attributed to strong growth in the residential and nonresidential construction markets and increases in both corporate profit and access to credit for individuals and firms.

Industry revenue is largely derived from professional fees related to predesign, advisory and design services. While many operators also provide project management services, this task typically contributes less to revenue as it is the main responsibility of the hired construction and property development companies. Industry operators also provide drafting services, which involve the drawing of detailed layouts, plans and illustrations of buildings, structures, systems and components.



Steady revenue growth

Over the past five years, industry revenue has grown due to the rising value of nonresidential construction. Industry operators typically generate the majority of revenue from office building and hospital project contracts. Overall, nonresidential construction contributes the most to revenue and is therefore largely responsible for industry revenue growth. During the current period, the value of nonresidential construction has grown an annualized 0.3%. This value has benefited from an increase in corporate profit and low interest rates, which has led to higher spending on institutional and industrial structures.

Although comprising a smaller portion of industry revenue, planning and design services related to residential construction projects have also contributed to revenue growth during the current period. Over the five years to 2019, the value of residential construction has increased an annualized 3.5%. This increase is especially important for smaller firms and nonemployers that rely on revenue generated from design services provided to the housing and residential market, since they generally do not have the capacity to take on larger institutional and commercial projects. Historically, new construction projects have generated the majority of industry revenue. However, renovations and rehabilitations have recently increased as a proportion of revenue due to more projects that concern the improvement of existing homes and neighborhoods. In addition, as the US population ages, it is expected that renovation projects will be contracted for accessibility issues related to a greater need for in-home care.

Industry Performance

LEED and energy efficiency

The topic of sustainability has become an increasingly important issue for cities and societies around the world. This has spurred growing demand for building construction and renovations that are more energy efficient and constructed with recycled or sustainable materials. While costlier to design and construct, green buildings provide companies with relatively substantial future utility cost savings and goodwill. The Architects industry uses the Leadership in Energy and Environmental Design (LEED) Green Building Rating System for certification.

Over the past five years, client demand for LEED-certified buildings has increased, offering an additional source of revenue and basis for competition among industry operators. This is especially true for larger firms, since most LEED-certified contracts are nonresidential and large, and therefore awarded to top firms. For example, construction was completed on the Tower at PNC Plaza in October 2015, which is located in Pittsburgh and designed by industry operator Gensler. This 32-story office building also achieved LEED-Platinum certification. Other industry operators, including HOK, generate more than one-quarter of total revenue from these sustainable projects. Although larger firms are better equipped for LEED building and large sustainable building projects, the trend toward sustainability still generates increased demand among smaller operators that are contracted for new energy-efficient residential construction projects and renovations that aim to increase the energy efficiency of older structures.

Client demand for LEED-certified buildings has increased

Industry structure and profit

Over the five years to 2019, steady growth in demand for architectural services has driven a slight increase in both the number of companies and establishments in the Architects industry. During the current period, the number of industry enterprises has increased at an annualized rate 0.3% to 70,384 companies. Moreover, to take advantage of growing demand for architectural services, industry operators have increased the number of professionals they employ, thus raising the number of contracts they are able to take on. Overall, industry employment has expanded at an annualized rate of 2.5% to 233,303 workers over the past five years.

The average industry profit margin, measured as earnings before interest and taxes, has declined an annualized 5.5% over the past five years to comprise an estimated 7.8% of revenue in 2019. Comparatively, industry profit accounted for 10.3% of revenue in 2014. Growth in total wage expenditure and competitive pricing pressures have put downward pressure on industry profit during the current period. As the industry's largest cost component, wage expenditures have a significant influence on the average industry profit margin.

Industry Performance

Industry Outlook

Revenue growth for the Architects industry is projected to decelerate over the five years to 2024; however, it is still expected to maintain modest growth. During the outlook period, industry revenue is forecast to increase at an annualized rate of 1.5% to $50.1 billion. Moving forward, growth will likely be determined by the level of activity in the residential and nonresidential construction markets. Continued increases in corporate profit and access to credit are anticipated to enable firms and individuals to secure the financing necessary to embark on construction projects and cover the cost of architectural services. However, continued increases to the federal interest rate will likely temper construction activity, and thus demand for industry services.

New companies and firms are expected to enter the industry during the outlook period, with the number of industry enterprises forecast to rise an annualized 0.9% to 73,702 companies. Likewise, industry employment is forecast to expand over the next five years, albeit at a much slower rate. Over the five years to 2024, the number of industry employees is projected to increase at an annualized rate of 1.6% to 252,193 individuals.

Growth in downstream markets

Similar to the five-year period to 2019, activity in the nonresidential construction market will likely be one of the most important determining factors influencing industry revenue growth moving forward. In 2019, over 70.0% of industry revenue comes from nonresidential design projects. Over the next five years, IBISWorld forecasts nonresidential construction to be one of the fastest-growing construction segments. Planned interest rate hikes by the Federal Reserve, which raise the cost of borrowing, are expected to put downward pressure on nonresidential construction activity. However, continued corporate profit gains, tax advantages and increasing access to credit will likely continue to enable businesses and institutions to invest in new buildings and structures, or invest in the remodeling of existing ones. As a result, the value of nonresidential construction is forecast to grow at an annualized rate of 2.2% over the five years to 2024, driving demand for the Architects industry.

Residential construction is expected to continue expanding over the five years to 2024, although at a much slower pace compared with the previous period.

The value of residential construction is anticipated to increase

Although unemployment is anticipated to grow over the next five years, the rate is still projected to remain at or around the natural rate of unemployment. This will likely continue to foster growth in disposable income and wages, which is expected to drive continued economic growth. Therefore, per capita disposable income is expected to increase an annualized 1.5% over the next five years, and will likely drive consumer spending and corporate profit. This combination of factors is forecast to lead more individuals to invest in new home construction or renovation projects. However, a projected increase in the 30-year conventional mortgage rate will likely temper some of this growth by increasing the cost of borrowing for homeowners. Overall, the value of residential construction is anticipated to increase at an annualized rate of just 0.6% over the five years to 2024, contributing to a slowdown in industry revenue growth.

Industry Performance

Competitive conditions

The industry's structure will likely continue to evolve to favor a more integrated approach over the next five years. Rising revenue is forecast to bring more sole proprietors into the industry. However, a general movement toward integrated architecture and engineering firms is projected to continue as these multiskilled businesses offer clients more value-added services and will likely be able to provide turnkey solutions that are increasingly favored by clients. These integrated operators will likely vie for large-scale projects as property developers increasingly opt for larger firms that have the capacity to offer a broad range of services, including predesign, planning, interior design and engineering services. More firms are expected to form strategic alliances to increase their involvement across the entire building cycle and increase their volume of contracts. In addition, larger operators are anticipated to continue to seek opportunities for international expansion into emerging economies, particularly in Asia and South America.

An increasing number of industry operators will likely offer Leadership in Energy and Environmental Design (LEED)-certified green building designs because of increased demand from clients. An increasing number of clients are anticipated to request LEED certified designs due to the energy cost savings and reduced impact on the natural environment. Architects are commonly contracted for environmental or green renovations, including the design of installations for solar panels, electric-vehicle docking stations and automated energy-management systems for homes and commercial buildings. The savings offered by green designs will likely lead to increased prices for services, providing an opportunity for further industry growth during the outlook period. For instance, a recent trend in architecture has been designing buildings that attain zero net energy, meaning that these structures produce as much as they consume through the use of renewable resources. In the United States, a total of 482 building projects in 2018 were zero-energy verified or aiming to achieve zero-net-energy standards, according to the New Buildings Institute. As a result, firms that are able to expand their green offerings ahead of the broader industry will likely find greater success over the next five years, as this trend is anticipated to accelerate.

An increasing number of clients are anticipated to request LEED certified designs

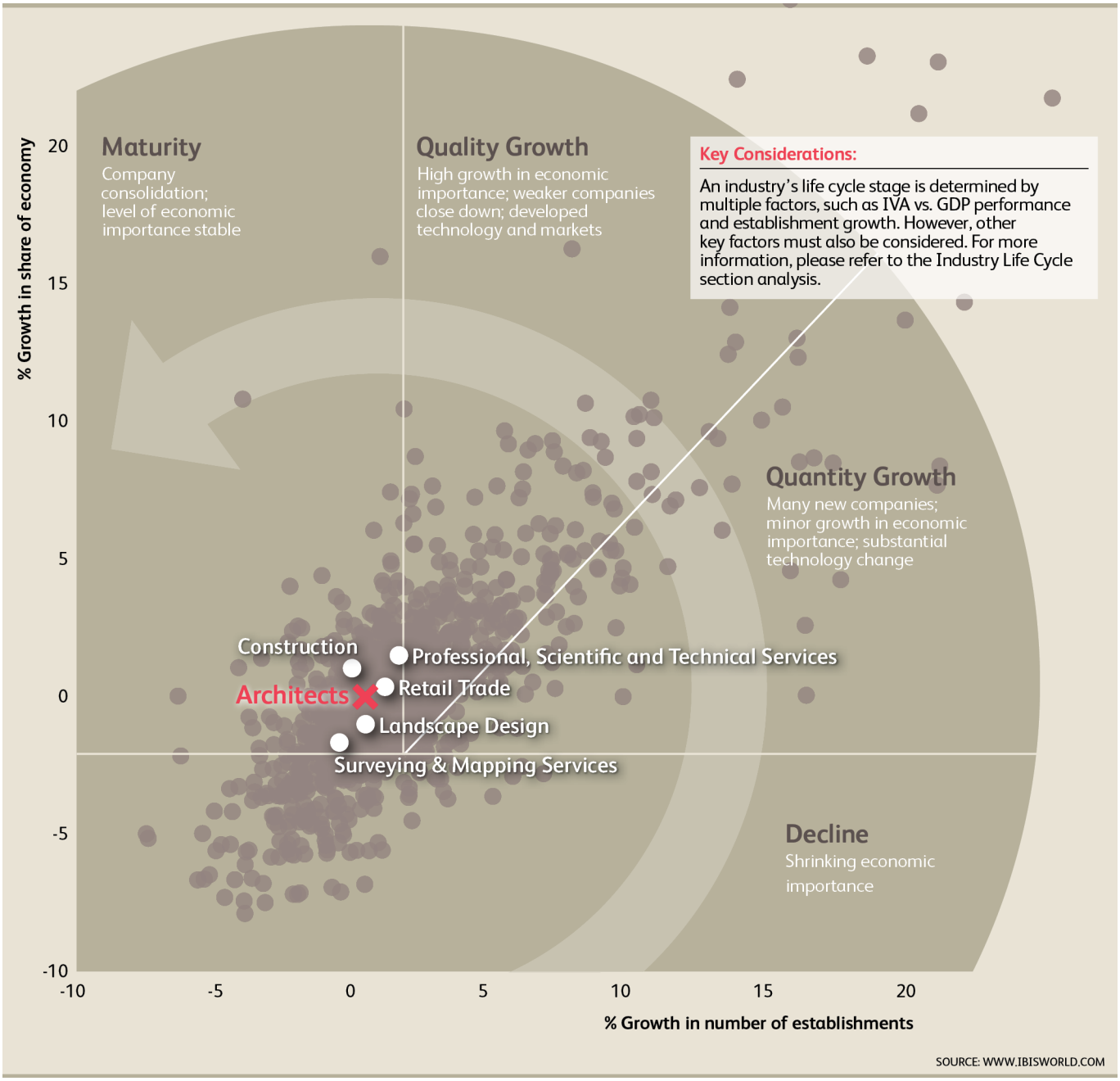
Industry Performance

Life Cycle Stage

Industry growth is tied closely to trends in nonresidential building investment

Growth in the number of industry enterprises has slowed

The core service provided by industry operators remains unchanged



Industry Performance

Industry Life Cycle

This industry is **Mature**

The Architects industry is in the mature phase of its industry life cycle. Over the 10 years to 2024, IBISWorld expects industry value added (IVA), which measures the industry's contribution to the overall economy, to grow at an annualized rate of 2.0%. This is in line with US GDP growth, which is also expected to grow an annualized 2.0% during the same period. Although such growth is high enough to be characteristic of an industry in its growth phase, other characteristics exhibited by the industry are more indicative of a mature lifecycle phase.

Growth in the number of enterprises operating in the industry is anticipated to be slow over the 10 years to 2024, which is characteristic of an industry in the mature phase of its lifecycle. During the 10-year period, the number of industry enterprises operating in the industry is only anticipated to grow an annualized 0.6% to 73,702 companies. In addition, although some firms are beginning to offer new services surrounding LEED designed and sustainably designed buildings along with changing design trends over time, the core service offering has not changed. This is also characteristic of a mature industry. The wholehearted acceptance and market saturation of industry services also points to a mature lifecycle stage. This is evidenced by the fluctuation of industry revenue in line with macroeconomic factors and the level of construction activity.

Products & Markets

Supply Chain | Products and Services | Demand Determinants
Major Markets | International Trade | Business Locations

Supply Chain

KEY BUYING INDUSTRIES

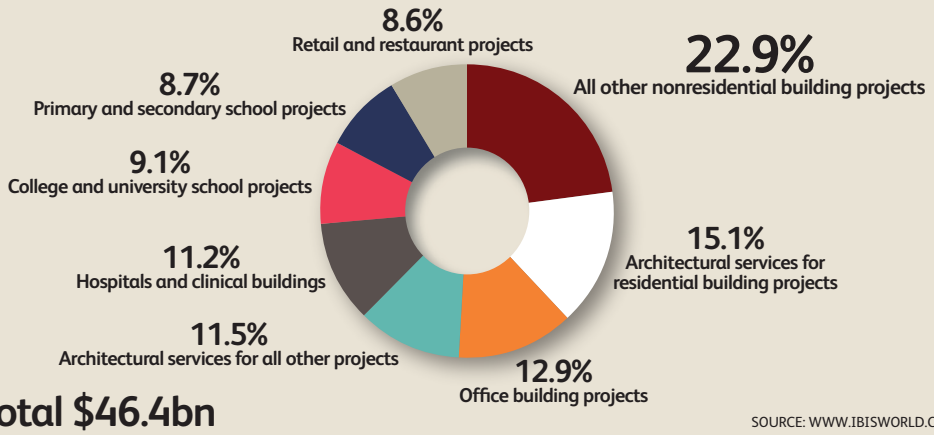
23	**Construction in the US** Construction companies outsource design services to this industry.
44-45	**Retail Trade in the US** Malls and department stores generate a significant amount of work for this industry.
54	**Professional, Scientific and Technical Services in the US** Professional service companies require creative office spaces in which to engage clients.
61	**Educational Services in the US** Schools and universities use this industry when designing campuses and new buildings.
71	**Arts, Entertainment and Recreation in the US** The arts, cultural and sporting sector of the economy generates work in the design of arenas, stadiums and theaters.
72	**Accommodation and Food Services in the US** Hotel and restaurants use architects to make spaces more compelling.
92	**Public Administration in the US** Architects are used to design public hospitals, schools, prisons and colleges.

KEY SELLING INDUSTRIES

54132	**Landscape Design in the US** Firms in this area provide inputs to this industry on a subcontracted basis.
54133	**Engineering Services in the US** Firms in this industry provide subcontracted work to the industry.
54137	**Surveying & Mapping Services in the US** Firms in this industry provide subcontracted services to the industry.

Products and Services

Products and services segmentation (2019)



The Architects industry derives the bulk of its revenue from nonresidential building design contracts. Services provided by industry operators include predesign and design services, drafting services, advisory services and construction phase services and advisory. Subcontracting is conducted for specialist

Products & Markets

Products and Services continued

services required in other areas, including surveying, planning applications and engineering.

Since a single project can require nearly all of these services, it can be difficult to segment them in terms of their proportion of revenue. IBISWorld estimates that basic design services account for the clear majority of industry revenue, as they require the most creative work, and must incorporate knowledge of structural development, engineering and construction in harmony with the principles of creative design. Drafting services represent the preliminary stages of design work and have been streamlined through the widespread use of computer design software. Construction and maintenance services include routine inspections and some oversight of the construction process. The following is breakdown of the types of projects that represent the largest shares of revenue at the industry level.

Architectural services for nonresidential building projects

Nonresidential building projects contribute the highest share to the Architects industry. In 2019, it is estimated that 73.4% of industry revenue will be generated through architectural services provided for nonresidential building projects. Within this market segment, office building projects were the highest contributors to revenue, generating an estimated 12.9% of the total revenue from nonresidential projects. Closely following, projects surrounding the design and construction of hospitals and clinical buildings that are used for active healthcare were the second largest contributors to the segment, generating 11.2% of revenue. Other important types of projects that generate a notable portion of revenue for this segment include college and university school projects (9.1%); primary and secondary school projects (8.7%); retail and restaurant projects (8.6%); and entertainment, recreational and cultural building projects (3.8%).

Given the size and intended use of these projects for the public or large groups, it is not surprising that they make up the bulk of industry revenue. Further, considering the spending ability of private and commercial entities in comparison with government agencies, it follows that most revenue within this segment comes from projects on office buildings, private hospitals, clinics and colleges and universities that tend to make large investments in their facilities to attract people to their companies and institutions.

Nonresidential building projects which contribute significantly less to revenue, but are still important to note, include those for hotels and convention centers (2.6%), nursing homes and similar buildings used for medium and long-term care (1.5%), industrial buildings (2.7%), transportation and distribution facilities (2.0%), religious buildings (1.4%), and justice buildings (1.5%). Other nonbuilding projects not falling into a specific category represented 7.5% of industry revenue.

Architectural services for residential building projects

Residential building projects are estimated to account for 15.1% of industry revenue in 2019. This can be broken down, almost evenly, into single-family and multi-family residential projects, which are estimated to generate 7.7% and 7.4% of segment revenue in 2019, respectively. Typically, residential projects are less common, as it is less likely for individuals, on average, to have the level of disposable income necessary to obtain industry services. In addition, the construction of new homes and residential buildings is slightly more commoditized when it comes to their design. As a result, most new housing construction can be managed under a

Products & Markets

Products and Services continued

general contractor or homebuilder and does not typically require architectural design services.

Further, in comparison with large nonresidential projects, residential projects are smaller in scale and generate less revenue per contract, meaning that they ultimately make-up a smaller portion of revenue for large firms. This segment makes up a larger portion of revenue for smaller firms and nonemployers since these operators perform fewer large-scale institutional and commercial nonresidential design services.

Other projects

Firms and individuals work on a variety of other design projects that do not fall into the nonresidential and residential categories. Industry operators also provide services and project support to historical restoration projects, interior design consultations, architectural consultations, engineering projects, and landscaping projects. All of these services and projects are estimated to contribute 11.5% of industry revenue in 2019, with the largest component of this segment being interior design services at 3.5% of total industry revenue.

Demand Determinants

The largest markets for services offered by the Architects industry are businesses and corporations who require architectural services for private nonresidential construction projects. Private nonresidential construction includes expenditure on a wide variety of remodeling and new construction projects including, but not limited to office buildings, hospitals, factories, power plants, and schools. Therefore, demand for this industry is largely determined by the health and activity among the nonresidential construction industry.

Demand for nonresidential construction is typically determined by macroeconomic trends, although the effects appear after a lag of about one or two years. Specifically, private investment, the level of corporate profit and access to credit are the main macroeconomic drivers that affect the performance of the nonresidential construction industry, and therefore demand for the Architects industry. An increase in the overall level of private investment indicates that businesses and corporations; and local, state and federal governments, are more likely able and willing to invest in their facilities and structures and begin projects that require industry services. Further, private investment is generally driven by an increase in corporate and business profit which supply the funds for an increase in investment in structures and facilities. During periods of high corporate profit, government consumption and investment also tends to increase due to growth in tax revenue and reduced expenditure on welfare programs. However, of course, policies surrounding corporate taxes and welfare policies mediate the relationship between corporate profit and government revenue and expenditure.

Demand for the Architects industry is also, to a lesser extent, determined by the activity within the residential construction sector. The value of residential construction also closely follows trends in the macroeconomy, even more so than the nonresidential sector as it does not typically express as much of a time lag. Access to credit underlies the ability of people or entities seeking industry services to achieve the level of capital necessary to begin nonresidential or residential projects. Access to credit refers to the borrowing capacity advanced by a commercial bank to an individual, firm or organization in

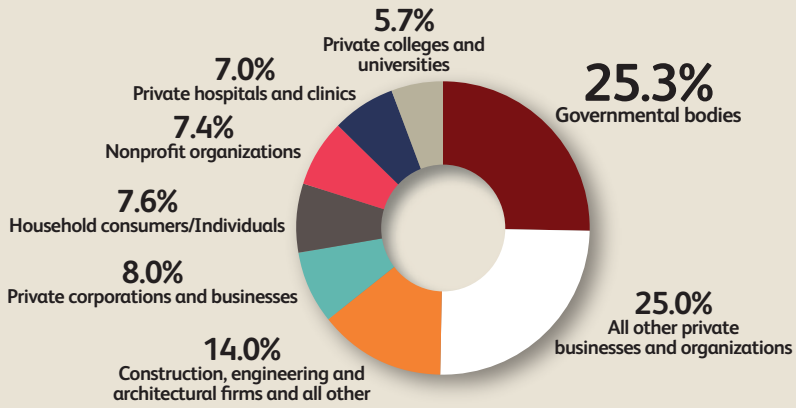
Products & Markets

Demand Determinants continued

forms encompassing loans, cash credit and overdrafts. Generally, construction projects are funded through credit, so access to credit affects demand for construction, and therefore demand for the Architects industry. Access to credit is dependent in general on the economic climate and the overall level of risk. More specifically it is also determined by the interest rate set by the Federal Reserve and the sizes of reserves of financial institutions.

Major Markets

Major market segmentation (2019)



Total $46.4bn

SOURCE: WWW.IBISWORLD.COM

Private organizations

Private organizations represent the largest market segment for the Architects industry by far, comprising 45.7% to industry revenue in 2019. Broadly this market segment can be defined as all private corporations and entities. However, it is more difficult to define it in more specific terms due to the sheer variety of organizations contained in the segment. Based on data from the US Census Bureau, IBISWorld estimates that 8.0% of this segment consists of project contract revenue from private corporations and businesses. Further, private hospitals and healthcare customers are estimated to make up another 7.0% of this customer segment, followed by private colleges and universities who make up 5.7%.

The rest of the segment includes, but is not limited to, projects for industrial operators, religious organizations, nursing home and long-term care facility operators, multi-family residential builders, private primary and secondary schools, and projects for retail and restaurant businesses. These private organizations and businesses form a composite 25.0% of the total customer market.

Governmental bodies

This market segment encompasses all projects commissioned by government bodies, whether they be federal, state or local government entities. In 2019, this market segment is estimated to account for 25.3% to industry revenue. This segment contains a wide range of institutional construction projects. Using past projects as examples, projects can range from city police academies to public school and university buildings, airports, and department buildings at the city, state or federal level.

Products & Markets

Major Markets continued

This segment is driven by a variety of factors, including population growth and budgets at the respective government levels. The rising popularity of public-private partnerships (PPPs) will help to bolster demand for architectural services related to public spending. PPPs are unique funding structures, whereby the private sector is responsible for the design, engineering, construction and overall financing of public infrastructure projects through partnership with the public sector. The government later leases these assets from the private sector for long durations, often lasting up to 30 years.

Household consumers and individuals

Project revenue from individuals is estimated to generate 7.6% of industry revenue in 2019. This market segment generally demands industry services for single-family residential construction projects, as evidenced by the similarity between the size of this market segment and the size of the single-family residential product segment. This market segment is particularly influenced by the level of per capita disposable income and access to credit.

Other construction, architectural and engineering firms, nonprofits and customers

Services provided to other construction and architectural firms are estimated to represent 6.1% and 6.4% of revenue, respectively. Oftentimes, a construction company or architectural firm might employ industry services for consultations or design expertise on a specific aspect of a larger project. Nonprofit organizations account for 7.4% of client revenue, while engineering firms are estimated to account for 1.5% of total industry revenue in 2019.

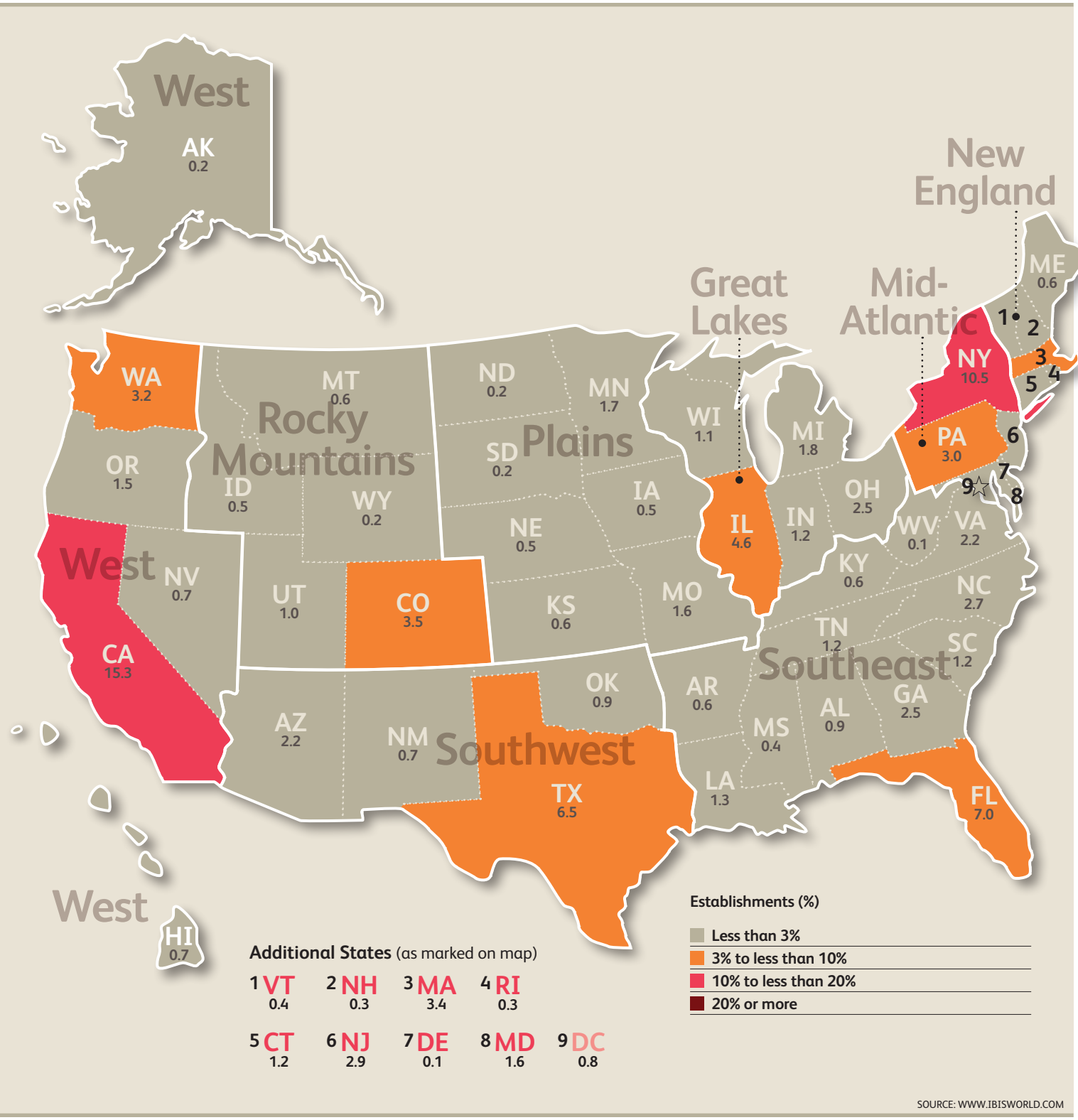
International Trade

While the Architects industry does not participate in trade, the largest US firms regularly bid for foreign contracts, typically large-scale or specialist design projects. Similarly, few foreign-based firms operate in the US market due to restrictive qualification requirements and strong local competition.

Varying international registration procedures, state-based licensing and registration requirements and a required knowledge of local building codes tend to confine architectural work to the local market. Under the North American Free Trade Agreement (NAFTA), however, architects registered in the United States, Canada and Mexico can freely practice in either country. Several of the largest European firms compete for major projects in the US market, such as UK-based AEDAS Architects Group and Foster & Partners Ltd., typically through branch offices or strategic alliances with domestic firms.

Products & Markets

Business Locations 2019



SOURCE: WWW.IBISWORLD.COM

Products & Markets

Business Locations

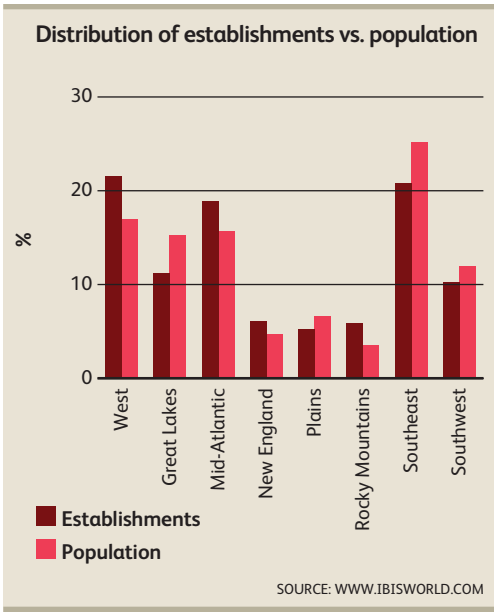
The geographic spread of establishments in the Architects industry generally corresponds with the distribution of economic and construction activity across the United States, although there is a skewed representation of consulting activity in major metropolitan areas.

West

The West region accounts for an estimated 21.6% of industry establishments, making it home to more architectural offices than any other region. This region has a high share of the US population as well as a large proportion of economic and construction activity. In addition, substantial building markets in the metropolitan areas surrounding Los Angeles, San Francisco and San Diego have bolstered the number of architecture firms in the region. California has the largest number of architecture establishments of any US state, accounting for an estimated 15.3% of all industry offices.

Southeast

The Southeast accounts for a large share of industry activity, comprising an estimated 20.8% of establishments. In the Southeast, more architectural services are directed toward residential projects, which tend to generate lower revenue for firms. Florida is the highest populated state in the region and contains a high concentration of architecture firms, accounting for an estimated 7.0% of industry establishments.



Mid-Atlantic

The Mid-Atlantic region accounts for 18.9% of industry establishments, which is substantially above the region's roughly 15.2% share of national population. The Mid-Atlantic is a powerhouse because several of the leading players are headquartered in major metropolitan areas within the region, including New York City and Philadelphia. Architecture firms tend to locate in this region due to its high levels of residential, commercial and industrial construction. New York, as a state, has the second-highest share of industry establishments, accounting for an estimated 10.5% of the nation's architecture firms.

Competitive Landscape

Market Share Concentration | Key Success Factors | Cost Structure Benchmarks
Basis of Competition | Barriers to Entry | Industry Globalization

Market Share Concentration

Level
Concentration in this industry is **Low**

The Architects industry is characterized by many small-scale consultants, often individual proprietors and partners who operate in narrow geographic markets. Although a majority of industry establishments do not have a payroll, nonemployers are estimated to generate only 7.3% of total industry revenue in 2019. The fragmented nature of this industry is also evident when comparing the size of employing enterprises. In 2019, an estimated 66.7% of firms with a payroll employ fewer than five employees and only an estimated 1.0% of firms employ more than 100 workers.

The industry's low level of concentration means that no firm holds a dominant position in the market; IBISWorld estimates that the four largest players account for only 5.1% of industry revenue in 2019. Moving forward industry concentration is expected to remain low. Over the five years to 2024, the number of industry enterprises is anticipated to grow slowly, thus slightly increasing the level of fragmentation and competition.

Key Success Factors

IBISWorld identifies 250 Key Success Factors for a business. The most important for this industry are:

Having a clear market position
Having a clear market position with niche areas of expertise and a reputation in certain areas of architecture is key for industry firms.

Ability to compete on tender
Since many projects are tendered, firms need to be able to compete for tenders for work, as well as generate ongoing and repeat, nontendered work, which may be less price-sensitive.

Ability to quickly adopt new technology
Companies must be able to offer clients the latest in technology using CAD and 3D computerized models, if required.

Willingness to outsource when appropriate
Successful companies have strategic alliances with several specialist building and construction-related services firms to outsource any highly specialized areas.

Must have license
Architects are required to hold appropriate state licenses.

Ability to accommodate environmental requirements
Successful industry operators must be able to incorporate and consider the surrounding environment when providing design and project management services to clients.

Cost Structure Benchmarks

The cost structures of firms in the Architects industry vary based on several factors. For example, profit between operators is likely to differ based on factors such as the provision of value-added services and the types of clients served. Large companies are more likely to serve high-value clients and offer additional services, including engineering and construction, which offer more opportunities for income.

Wages
This industry's largest cost component relates to payments for skilled labor, due to the professional design and planning skills that architectural work requires. Total industry labor costs are expected to account for 36.2% of industry revenue in 2019. Industry wages decreased over the five years to 2019, falling from 37.3% in 2014. This is due to increased investments in technologies

Competitive Landscape

Cost Structure Benchmarks continued

such as computer-aided design and increases in other costs which helped temper growth in wage costs over the past five years. Strong revenue growth over the period is estimated to outpace growth in total wage expenditure, thus resulting in a decrease in wages as a share of revenue.

Purchases

Purchases are estimated to account for 4.4% of industry revenue in 2019. This segment does not constitute a significant expense for industry operators. It primarily consists of the cost of temporary employees, travel expenses, computing and photocopying costs and courier services.

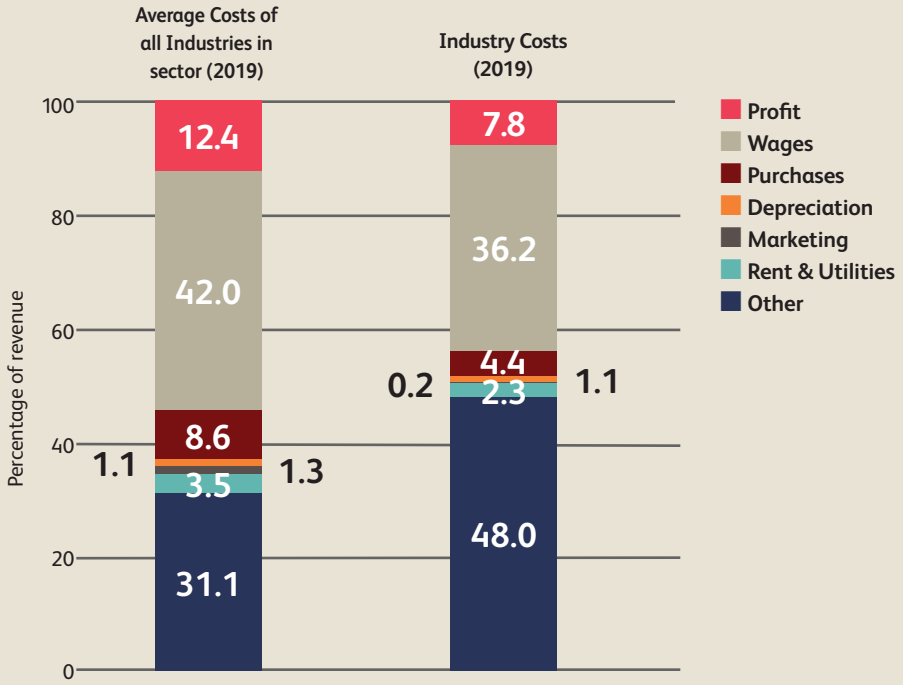
Profit

The average industry profit margin, measured as earnings before interest and taxes, is expected to account for 7.8% of revenue in 2019. While profit varies based on company size, the industry's high average profit margin is largely the result of the partnership structure of most firms. Partners receive most or all of their income as a share of profit, rather than as a salary. As a result, a significant portion of this industry's wage costs are reported as profit. However, proprietors and partners of architectural services firms do not use profit solely to compensate themselves. A survey by the American Institute of Architects (AIA) found that about two-thirds of firms reinvested a portion of their profit into the company, and almost one-half of firms distributed profit to equity holders.

Depreciation

In 2019, depreciation accounts for an estimated 1.1% of total revenue. This segment has not changed significantly during the current period. Industry operators do not rely significantly on capital investments in specialized machinery or equipment.

Sector vs. Industry Costs



SOURCE: WWW.IBISWORLD.COM

Competitive Landscape

Cost Structure Benchmarks continued

Marketing
In 2019, marketing and promotional expenses are estimated to represent 0.2% of total industry revenue.

Rent
Rent, which primarily consists of building lease expenses, is anticipated to account for 2.1% of industry revenue in 2019. This driver has increased slightly during the current period, up from 1.9% in 2014.

Utilities
Utility costs are estimated to account for 0.2% of industry revenue in 2019, and are not a significant expense for industry operators.

Other
Other expenses are dominated by professional and business-related fees, which are estimated to comprise 48.0% of industry revenue in 2019. Architecture enterprises can split a project with another architecture firm, where one firm operates as a lead architect and the other is compensated as a temporary consultant. For some specific design elements, this industry also relies on the consultation of engineering and construction firms.

Basis of Competition

Level & Trend
Competition in this industry is **Medium** and the trend is **Increasing**

Internal competition
The first and foremost basis of competition between operators in the Architects industry centers around their ability to incorporate the client's vision into a design that is both functional and visually appealing. This applies to both the interior of the structure, as it applies to those who will be using it, as well as the exterior of the structure and how it fits in to its surrounding environment. To distinguish themselves from other firms, industry operators rely largely on their reputation, which is dependent on past projects that are similar to a client's needs. Company websites provide documentation of all past projects to communicate to potential clients of their reliability, design expertise, and ability to service clients in a variety of industries and areas. In addition, industry awards such as those for design, sustainability, or innovation are important in helping operators distinguish themselves from competitors. Likewise, being chosen for large projects that significantly affect a city's landscape are of high importance.

Secondly, projects are generally awarded based on a tender process, wherein a potential client will invite several firms or individuals to submit bids for a project. Being selected to submit a bid is generally based on the reputation of operators. However, winning a bid for a project is ultimately largely dependent on who can provide the services requested by the client at the lowest price. Therefore, industry operators also compete to a certain extent based on price. Generally, however, when compared with other industries, this industry is not considered to be characterized by a high amount of price competition. Industry operators that are able to provide a variety of services along the project timeline obtain a higher level of competition because they can act as a turnkey solution provider and generally obtain more revenue per project. Increasingly, those requesting industry services are demanding that designs be LEED certified or at the least incorporate some sustainable technologies. So, competition among firms has begun to transpire around their ability to produce sustainable designs as well.

External competition
External competition exists from general contractors, home builders and other construction companies. These construction providers are more likely to

Competitive Landscape

Basis of Competition continued

use off-the-shelf building plans that replace the need for services from the Architects industry. As a consequence, external competition from the residential construction market is higher since the use of an existing blueprint offers substantial savings and replaces the need for architectural services. Housing design remains relatively standard, and less any needs for something luxury or highly artistic, most individuals or builders are looking for a structure that can be completed using already designed plans or the knowledge and expertise of a contractor or homebuilder.

Barriers to Entry

Level & Trend
Barriers to Entry in this industry are **Medium** and **Steady**

Barriers to entry for the Architects industry are moderate due to the required level of skill, technical knowledge and level of education. Architects must obtain state-based registration and the profession is regulated by state-level registration boards that have the sole authority to register members and oversee professional conduct standards. Generally, registration requires candidates to hold an accredited tertiary qualification and undertake written tests of skills, knowledge and abilities, however, these may vary between states. Many architects are sole proprietors and operate businesses from home or in a shared office environment. Limited capital costs are associated with establishing a practice and are similar to the costs of establishing any small business.

Barriers to Entry checklist

Competition	Medium
Concentration	Low
Life Cycle Stage	Mature
Capital Intensity	Low
Technology Change	Medium
Regulation and Policy	Medium
Industry Assistance	Low

SOURCE: WWW.IBISWORLD.COM

Industry Globalization

Level & Trend
Globalization in this industry is **Low** and the trend is **Increasing**

The Architects industry is primarily confined to domestic contracts due to variations in international registration requirements for professional architects and the lack of uniform building codes between countries. Most small firms generate the majority of their revenue from domestic residential buildings. However, the industry's largest players generate a significant portion of design-related revenue from projects outside the United States. There are only a few major international architectural practices within the US industry. For example, Gensler, Perkins and Will, HKS Inc. and HOK all have offices located in different countries and continents throughout the world. In 2019, an estimated average of 19.7% of revenue for these four large companies comes from international design projects.

Major Companies

There are no Major Players in this industry | Other Companies

Other Companies

The Architects industry consists mostly of small-scale consultants and small- to medium-sized firms. These firms are often individual proprietors and partners that operate within narrow geographic markets. The largest firms operating in the industry have expanded into international markets. Many operators have also started providing more value-added services to attract clients that are looking for one-stop design and construction companies. Still, despite expanding geographically and increasing the number of services offered, no company holds a dominant position in the market.

Other Company Performance

Gensler
Market Share: 2.5 %

Gensler, formerly known as M. Arthur Gensler Jr. & Associates Inc., is a global architecture, design and planning firm. The company operates in 48 locations and employs more than 6,000 professionals throughout Asia, Europe, Australia, the Middle East and the Americas. The firm was founded in 1965, and is currently headquartered in San Francisco. In the United States, Gensler is the top architecture firm in the United States, measured by annual revenue. In 2018, the company generated $1.4 billion in total company revenue (latest data available).

The company provides various services alongside architectural services, such as brand design, consulting, interior design, urban design and planning, product design and sustainability design. Gensler projects include, but are not limited to, the Shanghai Tower, NVIDIA's Silicon Valley corporate headquarters, Etsy's headquarters in Brooklyn, Incheon International Airport, Tower at PNC Plaza, Fourth Presbyterian Church of Chicago, home of the Washington Post and Jackson Hole Airport. In 2019, IBISWorld estimates that Gensler will generate $1.2 billion in industry-specific revenue.

Other Company Performance

Perkins and Will
Market Share: 1.0 %

Perkins and Will is an interdisciplinary, research-based architecture and design firm established in 1935. The company operates 24 offices with more than 2,200 professionals. It provides interior design services, branded environments, urban design, and landscape architecture and specializes in creating built environments focused on sustainability, resilience, health and wellness and mobility. In addition, the firm operates a research lab with the goal of participating in the innovation of design technologies. Since 2009, the company has published a twice-a-year peer-reviewed publication that documents and presents practice-related research associated with the Architects industry. In 2018, the firm generated $608.0 million in total company revenue (latest data available).

Some examples of international projects include the Shanghai Natural History Museum, Jumeirah Emirates Hotel in Dubai, Hotel Porto Maravilha in Rio de Janeiro and Greater Accra Regional Hospital at Ridge in Ghana. Domestic projects include improvements to the Red Rocks Amphitheater and visitor's center in Colorado, Northwestern University's Ryan/Walter Athletics Center, US Coast Guard headquarters in Washington, DC, National Bio and Agro Defense facility in Kansas and Johns Hopkins Hospital in Baltimore. In 2019, IBISWorld estimates that Perkins and Will will generate $471.8 million in industry-specific revenue.

Major Companies

Other Company Performance

HKS Inc.
Market Share: 0.8 %

Founded in 1939 and now operating 23 offices worldwide, HKS Inc. has projects located in over 1,500 cities and 92 countries. Offices are located throughout Asia Pacific and India, Europe, Latin America, the Middle East and North Africa and North America. The company employs more than 1,400 architectural professionals. HKS Inc. offers planning and development, architectural, project management, structural engineering, interior design, graphic design, branding, research and sustainable design services to clients. In 2018, the company generated total revenue of $400.2 million (latest data available).

Examples of recent projects include Phoenix Sky Harbor International Airport, Urumqi International Airport, Fidelity Investments data center in Texas, the Dallas County Southwestern Institute of Forensic Sciences, US Bank stadium in Minnesota, Walter Reed National Military Medical Center in Maryland, US Census Bureau headquarters in Maryland and US Naval Academy Wesley Brown. In 2019, IBISWorld estimates that HKS Inc. will generate $363.2 million in industry-specific revenue.

Other Company Performance

HOK
Market Share: 0.7 %

HOK is a global design, architecture, engineering and planning firm. The company employs 1,700 people and operates 24 offices located in Asia, Europe and North America. The company provides architectural design services, consulting, engineering, interior design, landscape architecture, planning and urban design and project management services among various other services. Project examples for the company include the Hamad International Airport in Qatar, Indianapolis International Airport in Indiana, Dalí Museum in Florida, National Center for Civil and Human Rights in Georgia, Nile Valley Aquaponics Facility in Missouri, modernization of the Harlem Hospital in New York and Internal Revenue Service Center in Missouri. Overall, HOK is expected to generate $311.6 million in industry-specific revenue in 2019.

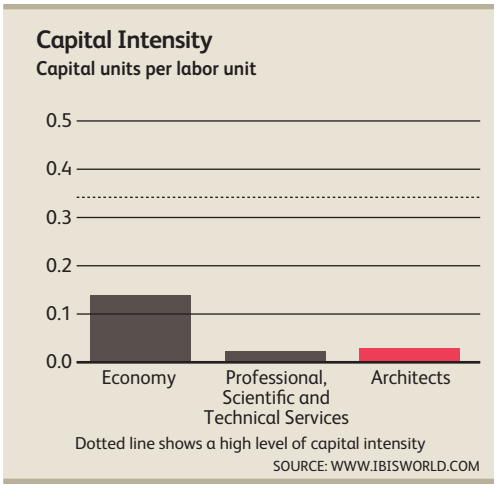
Operating Conditions

Capital Intensity | Technology & Systems | Revenue Volatility
Regulation & Policy | Industry Assistance

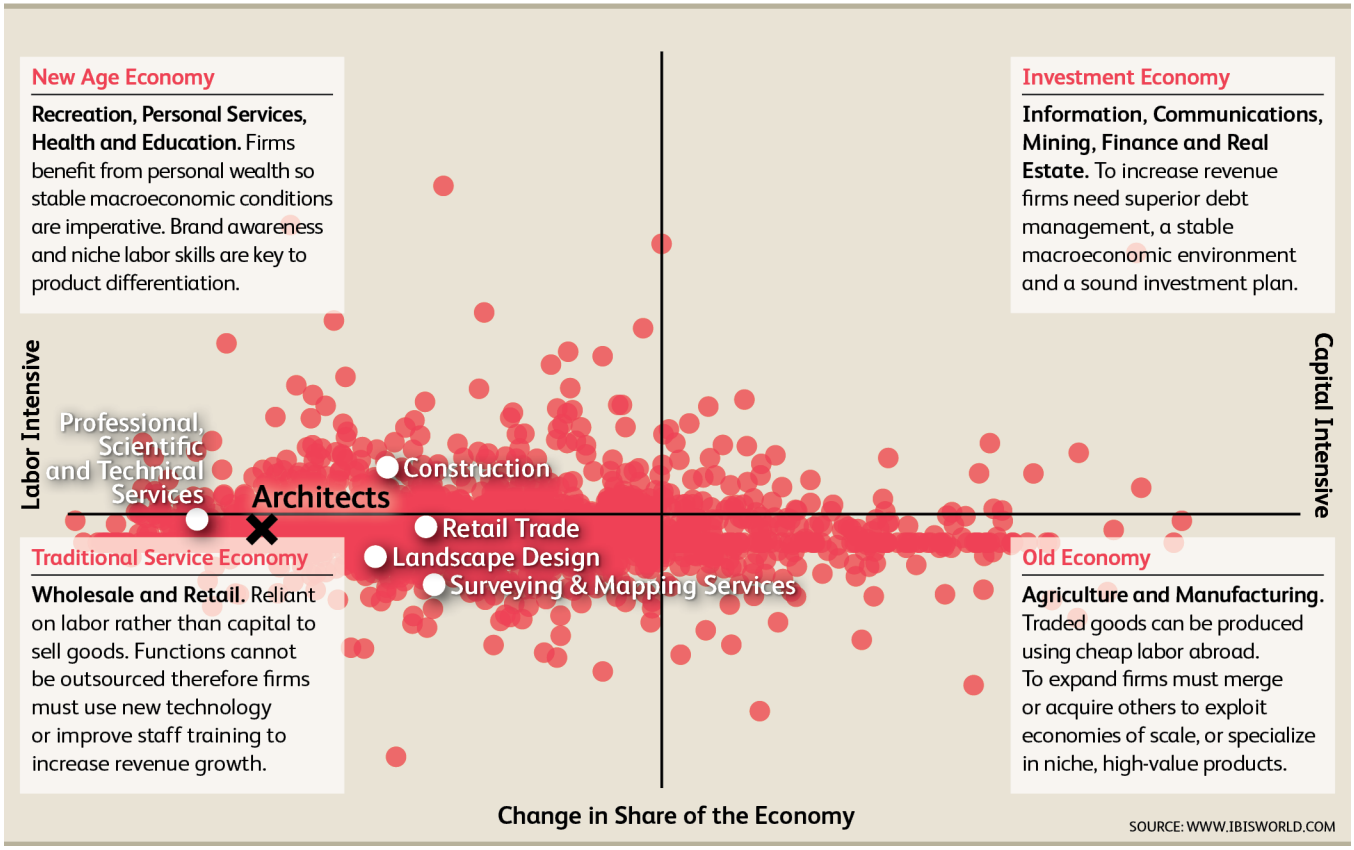
Capital Intensity

Level
The level of capital intensity is **Low**

The Architects industry is characterized by a low level of capital intensity. In 2019, IBISWorld estimates that firms in the Architects industry will spend $0.03 on investments in capital for every $1.00 spent on wages. The Architects industry is knowledge-based and uses specialized professional skills and creativity to provide clients with satisfactory design and planning solutions. Over the past five years, wage costs have decreased slightly as a portion of industry revenue, as the increasing use of computer-aided design (CAD) and building information modeling (BIM) software have increased purchase and capital costs. However, labor remains integral to industry operations and technological advancements have benefited productivity without resulting in automation. As a result, capital intensity is expected to remain quite low. Industry



Tools of the Trade: Growth Strategies for Success



Operating Conditions

Capital Intensity continued

professionals are highly trained and skilled, putting upward pressure on wages, which further contributes to a low level of capital intensity for the industry.

Technology and Systems

Level
The level of technology change is **Medium**

The Architects industry is influenced by a medium degree of technological change. Technology is evident in the computerization of many office activities, particularly in the area of computer-aided design (CAD) and building information modeling (BIM), which enable architectural firms to develop increasingly complex 3D models. Often, technological investments are made to increase labor productivity. CAD and BIM speed up the design process and give clients an accurate representation of an architect's vision before construction begins. According to the 2015 Firm Survey Report by the American Institute of Architects (AIA), roughly 43.0% to 96.0% of large architecture firms currently use BIM software.

Green building design has become increasingly important throughout the past five years. In 1998, the Leadership in Energy and Environmental Design (LEED) Green Building Rating System was developed by the US Green Building Council (USGBC). The system provides standards for sustainable designs. Sustainability has become a strong marketing point considering growing concerns about climate change and energy costs. In 2009, more than half of the buildings designed by the largest two architecture-only firms were green. According to a USGBC report, up to an estimated 48.0% of new nonresidential construction was expected to be green by 2015. This proportion is expected to have continued increasing during the remainder of the period and increase over the next five years as energy-efficient designs become more affordable.

Revenue Volatility

Level
The level of volatility is **Low**

Over the five years to 2019, the Architects industry has exhibited a low level of revenue volatility. Demand for architectural services is dependent upon building and construction activity. Growth in commercial construction is driven by a strong economy, high employment and high corporate profit rates. Residential construction is also dependent on economic growth, high employment, and rising levels of disposable income. Interest rates are also a key factor, as they determine the affordability of borrowing money to finance the projects.

Over the past five years, as commercial and residential construction picked up, so did demand for architects. Consequently, steady growth in office, retail, institutional and residential construction has led to consistent annual revenue growth over the period. In 2014, revenue for the Architects industry grew by 8.3% and was followed by equally strong growth in 2015 of 7.5%, which contributed significantly to the overall level of revenue volatility. Similarly, strong growth of 5.8% in 2016 is estimated to have been followed by similar growth in 2017 of 4.0%, putting downward pressure on the level of revenue volatility. The value of private nonresidential construction activity primarily underlies these fluctuations and exhibits similar growth patterns. Since nonresidential projects constitute the largest source of revenue for the Architects

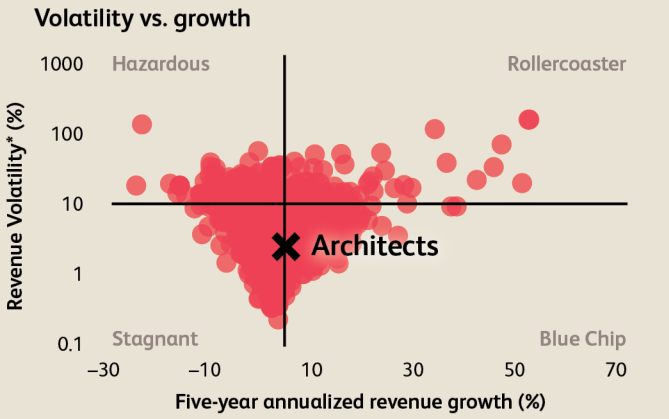
Operating Conditions

Revenue Volatility continued

industry, the level of nonresidential construction activity is a significant determining factor in revenue growth.

A higher level of revenue volatility implies greater industry risk. Volatility can negatively affect long-term strategic decisions, such as the time frame for capital investment.

When a firm makes poor investment decisions it may face underutilized capacity if demand suddenly falls, or capacity constraints if it rises quickly.



SOURCE: WWW.IBISWORLD.COM

Regulation and Policy

Level & Trend
The level of Regulation is **Medium** and the trend is **Steady**

The Architects industry is subject to a moderate degree of regulation. Firms offering industry services and using the title "architect" must be adequately qualified and registered; no one can practice architecture without registration. State-level architecture boards govern architect registration; the federal government has little involvement in the laws governing architects and their practices.

State boards of architecture usually comprise architects and community representatives appointed by the governor. Each board has the sole authority to register and discipline members who do not meet the minimum professional conduct standards within their own jurisdiction. However, the National Council of Architectural Registration Boards (NCARB) represents the state boards and works with them to establish common registration and licensing policies. It is not a government agency, but a federation of the state boards that establishes national standards recognized by each jurisdiction. Therefore, the boards can register NCARB-registered members in their respective states without further examination.

Each jurisdiction uses the NCARB Architect Registration Examination as its written test of skills, knowledge and abilities of applicants; candidates for registration must pass this exam. The registration process also requires the candidate to have completed an internship that includes specific accomplishments. The candidate must also hold a degree accredited by the National Architectural Accreditation Board. Twenty-two states currently require continuing education for a person to maintain their license. Usually, this process involves completion of a minimum number of hours each year in recognized workshops, seminars or university courses.

Rules of conduct are recommended by the NCARB, but each state uses its own official rules. The NCARB is also involved in the continuing development programs of architects. Several states now have this

Operating Conditions

Regulation and Policy continued

as a requirement for their ongoing registration processes. It publishes some legislative guidelines and white papers on important regulatory issues that affect architects. The NCARB also serves as the representative organization for discussions with other countries with relation to mutual recognition and certification of architectural qualifications. One such agreement currently exists with Canada. Architects from other countries can be granted the opportunity to practice in the United States by affiliating with a domestic firm.

About one-half of all practicing architects are members of the American Institute of Architects (AIA). The association is involved in legislative matters that affect architecture and the environment. The AIA also publishes standard building contract forms. It has established a national system for advising and mentoring interns and undertakes research into the profession.

Industry Assistance

Level & Trend
The level of Industry Assistance is **Low** and the trend is **Steady**

At the national level, the North American Free Trade Agreement enables the mutual recognition of architects in the United States, Canada and Mexico. This practice may extend to other countries under other free trade agreements, including Australia. Such free trade agreements permit architects to practice and bid for projects more freely in these countries. The Architects industry also receives advocacy, research, marketing, continuing education and a variety of other services through the American Institute of Architects (AIA). The AIA is a leading professional membership association, with more than 90,000 members nearly 260 local, state and global chapters, providing standards and licensing for architects, emerging professional and affiliates.

Key Statistics

Industry Data

	Revenue ($m)	Industry Value Added ($m)	Establish-ments	Enterprises	Employment	Exports	Imports	Wages ($m)	Domestic Demand	Value of private non-residential construction ($b)
2010	34,231.0	15,154.7	69,654	68,640	202,868	--	--	12,827.0	N/A	98.6
2011	35,095.5	15,617.7	70,220	69,202	196,784	--	--	12,634.6	N/A	114.3
2012	34,666.8	15,910.9	69,968	68,956	195,409	--	--	12,894.8	N/A	128.5
2013	35,021.1	16,764.8	70,116	69,105	199,015	--	--	13,367.9	N/A	139.9
2014	37,913.7	18,503.4	70,398	69,370	206,489	--	--	14,143.4	N/A	148.7
2015	40,748.4	19,567.7	69,746	68,717	211,401	--	--	15,126.2	N/A	127.9
2016	43,093.8	19,946.3	69,269	68,297	218,015	--	--	15,680.0	N/A	112.6
2017	44,825.8	20,094.2	70,459	69,366	223,983	--	--	16,149.5	N/A	113.8
2018	45,543.4	20,571.6	70,981	69,839	229,294	--	--	16,507.6	N/A	112.9
2019	46,404.1	20,930.5	71,585	70,384	233,303	--	--	16,800.8	N/A	108.4
2020	47,092.1	21,238.2	72,151	70,906	236,944	--	--	17,060.4	N/A	111.5
2021	47,719.0	21,529.0	72,714	71,430	240,404	--	--	17,305.1	N/A	115.6
2022	48,496.7	21,870.4	73,392	72,060	244,260	--	--	17,583.5	N/A	119.5
2023	49,304.6	22,231.0	74,204	72,826	248,261	--	--	17,872.6	N/A	123.0
2024	50,095.3	22,591.6	75,120	73,702	252,193	--	--	18,156.3	N/A	127.0
Sector Rank	**11/35**	**11/35**	**12/35**	**12/35**	**14/35**	**N/A**	**N/A**	**11/35**	**N/A**	**N/A**
Economy Rank	**212/694**	**146/694**	**96/694**	**91/694**	**156/694**	**N/A**	**N/A**	**114/694**	**N/A**	**N/A**

Annual Change

	Revenue (%)	Industry Value Added (%)	Establish-ments (%)	Enterprises (%)	Employment (%)	Exports (%)	Imports (%)	Wages (%)	Domestic Demand (%)	Value of private non-residential construction (%)
2011	2.5	3.1	0.8	0.8	-3.0	N/A	N/A	-1.5	N/A	15.9
2012	-1.2	1.9	-0.4	-0.4	-0.7	N/A	N/A	2.1	N/A	12.4
2013	1.0	5.4	0.2	0.2	1.8	N/A	N/A	3.7	N/A	8.9
2014	8.3	10.4	0.4	0.4	3.8	N/A	N/A	5.8	N/A	6.3
2015	7.5	5.8	-0.9	-0.9	2.4	N/A	N/A	6.9	N/A	-14.0
2016	5.8	1.9	-0.7	-0.6	3.1	N/A	N/A	3.7	N/A	-12.0
2017	4.0	0.7	1.7	1.6	2.7	N/A	N/A	3.0	N/A	1.1
2018	1.6	2.4	0.7	0.7	2.4	N/A	N/A	2.2	N/A	-0.8
2019	1.9	1.7	0.9	0.8	1.7	N/A	N/A	1.8	N/A	-4.0
2020	1.5	1.5	0.8	0.7	1.6	N/A	N/A	1.5	N/A	2.9
2021	1.3	1.4	0.8	0.7	1.5	N/A	N/A	1.4	N/A	3.7
2022	1.6	1.6	0.9	0.9	1.6	N/A	N/A	1.6	N/A	3.4
2023	1.7	1.6	1.1	1.1	1.6	N/A	N/A	1.6	N/A	2.9
2024	1.6	1.6	1.2	1.2	1.6	N/A	N/A	1.6	N/A	3.3
Sector Rank	**18/35**	**24/35**	**30/35**	**30/35**	**28/35**	**N/A**	**N/A**	**26/35**	**N/A**	**N/A**
Economy Rank	**183/694**	**300/694**	**399/694**	**399/694**	**322/694**	**N/A**	**N/A**	**294/694**	**N/A**	**N/A**

Key Ratios

	IVA/Revenue (%)	Imports/ Demand (%)	Exports/ Revenue (%)	Revenue per Employee ($'000)	Wages/Revenue (%)	Employees per Est.	Average Wage ($)	Share of the Economy (%)
2010	44.27	N/A	N/A	168.74	37.47	2.91	63,228.31	0.10
2011	44.50	N/A	N/A	178.35	36.00	2.80	64,205.42	0.10
2012	45.90	N/A	N/A	177.41	37.20	2.79	65,988.77	0.10
2013	47.87	N/A	N/A	175.97	38.17	2.84	67,170.31	0.10
2014	48.80	N/A	N/A	183.61	37.30	2.93	68,494.69	0.11
2015	48.02	N/A	N/A	192.75	37.12	3.03	71,552.17	0.11
2016	46.29	N/A	N/A	197.66	36.39	3.15	71,921.66	0.11
2017	44.83	N/A	N/A	200.13	36.03	3.18	72,101.45	0.11
2018	45.17	N/A	N/A	198.62	36.25	3.23	71,993.16	0.11
2019	45.10	N/A	N/A	198.90	36.21	3.26	72,012.79	0.11
2020	45.10	N/A	N/A	198.75	36.23	3.28	72,001.82	0.11
2021	45.12	N/A	N/A	198.50	36.26	3.31	71,983.41	0.11
2022	45.10	N/A	N/A	198.55	36.26	3.33	71,986.82	0.11
2023	45.09	N/A	N/A	198.60	36.25	3.35	71,991.17	0.11
2024	45.10	N/A	N/A	198.64	36.24	3.36	71,993.67	0.11
Sector Rank	**25/35**	**N/A**	**N/A**	**11/35**	**22/35**	**14/35**	**11/35**	**11/35**
Economy Rank	**181/694**	**N/A**	**N/A**	**430/694**	**104/694**	**547/694**	**169/694**	**146/694**

Figures are in inflation-adjusted 2019 dollars. Rank refers to 2019 data.

SOURCE: WWW.IBISWORLD.COM

Industry Financial Ratios

	Apr 2014 - Mar 2015	Apr 2015 - Mar 2016	Apr 2016 - Mar 2017	Apr 2017 - Mar 2018	Apr 2017 - Mar 2018 by company revenue: Small (<$10m)	Medium ($10-50m)	Large (>$50m)
Liquidity Ratios							
Current Ratio	1.6	1.6	1.7	1.6	1.6	1.7	1.5
Quick Ratio	1.4	1.3	1.5	1.4	1.4	1.5	1.1
Sales / Receivables (Trade Receivables Turnover)	5.6	5.5	5.5	5.6	9.5	4.5	4.8
Days' Receivables	65.2	66.4	66.4	65.2	38.4	81.1	76.0
Cost of Sales / Inventory (Inventory Turnover)	n/c	n/c	n/c	n/c	n/c	n/c	n/c
Days' Inventory	n/a	n/a	0.4	0.4	0.4	0.4	0.4
Cost of Sales / Payables (Payables Turnover)	10.5	11.1	9.3	10.5	20.2	6.8	8.7
Days' Payables	34.8	32.9	39.2	34.8	18.1	53.7	42.0
Sales / Working Capital	11.7	11.1	10.5	10.4	17.8	7.8	10.3
Coverage Ratios							
Earnings Before Interest & Taxes (EBIT) / Interest	15.1	14.3	16.1	14.8	13.6	18.8	14.3
Net Profit + Dep., Depletion, Amort. / Current Maturities LT Debt	2.9	3.0	3.9	3.1	n/a	4.0	2.8
Leverage Ratios							
Fixed Assets / Net Worth	0.3	0.3	0.3	0.3	0.3	0.3	0.5
Debt / Net Worth	1.8	1.8	1.7	1.6	1.5	1.6	2.7
Tangible Net Worth	26.1	27.9	29.7	23.7	22.7	23.7	28.1
Operating Ratios							
Profit before Taxes / Net Worth, %	34.7	30.5	36.2	30.8	45.3	19.4	19.3
Profit before Taxes / Total Assets, %	12.8	10.8	11.9	10.2	18.6	9.1	5.7
Sales / Net Fixed Assets	29.7	32.7	30.7	28.4	37.8	28.1	16.3
Sales / Total Assets (Asset Turnover)	2.7	2.8	2.8	2.8	3.3	2.4	1.9
Cash Flow & Debt Service Ratios (% of sales)							
Cash from Trading	50.8	47.2	48.6	50.2	57.8	47.9	45.5
Cash after Operations	5.2	4.7	5.4	5.0	4.2	5.2	4.4
Net Cash after Operations	4.6	4.1	4.7	4.4	4.6	4.6	2.3
Cash after Debt Amortization	1.2	1.0	1.5	1.1	0.4	1.8	1.6
Debt Service P&I Coverage	4.8	3.7	3.9	5.3	5.8	6.2	3.0
Interest Coverage (Operating Cash)	13.1	15.0	10.3	17.1	15.0	19.3	14.7
Assets, %							
Cash & Equivalents	18.2	19.6	17.3	18.0	21.3	14.9	12.4
Trade Receivables (net)	44.6	42.5	45.9	42.4	34.8	52.9	43.9
Inventory	2.9	2.4	2.5	2.3	3.6	1.1	0.8
All Other Current Assets	6.0	6.0	6.3	6.2	3.9	7.1	14.0
Total Current Assets	71.8	70.5	72.0	68.9	63.5	76.0	71.1
Fixed Assets (net)	15.0	15.1	14.5	16.0	18.2	12.9	15.8
Intangibles (net)	3.4	3.3	4.2	5.8	6.8	4.6	5.5
All Other Non-Current Assets	9.7	11.0	9.2	9.2	11.4	6.5	7.6
Total Assets	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Total Assets ($m)	3,635.4	3,494.0	3,037.5	3,494.3	197.9	1,034.3	2,262.2
Liabilities, %							
Notes Payable-Short Term	14.4	10.8	10.5	11.4	14.0	10.3	3.2
Current Maturities L/T/D	2.2	2.1	1.9	3.0	3.7	2.0	2.4
Trade Payables	15.9	14.3	16.3	15.2	12.3	19.5	14.7
Income Taxes Payable	1.3	1.4	1.0	1.2	0.5	1.8	2.0
All Other Current Liabilities	20.4	22.4	19.3	23.2	20.0	26.3	28.3
Total Current Liabilities	54.3	50.9	49.0	54.0	50.5	60.0	50.7
Long Term Debt	7.8	8.4	9.1	10.4	13.2	6.5	10.0
Deferred Taxes	1.1	0.9	1.2	0.8	0.4	1.3	1.1
All Other Non-Current Liabilities	7.4	8.6	6.8	5.3	6.4	4.0	4.6
Net Worth	29.5	31.2	33.9	29.5	29.5	28.3	33.6
Total Liabilities & Net Worth ($m)	3,635.4	3,494.0	3,037.5	3,494.3	197.9	1,034.3	2,262.2
Maximum Number of Statements Used	316	306	280	282	147	103	32

Source: RMA Annual Statement Studies, rmahq.org. RMA data for all industries is derived directly from more than 260,000 statements of member financial institutions' borrowers and prospects.

Note: For a full description of the ratios refer to the Key Statistics chapter online.

Jargon & Glossary

Industry Jargon

AMERICAN INSTITUTE OF ARCHITECTS (AIA) The national professional association of architects.

COMPUTER-AIDED DESIGN (CAD) The use of computer technology to aid in the design and drafting of a part or product using software tools that can create two-dimensional drawings or three-dimensional models.

GREEN BUILDING A building designed to reduce environmental impact and be resource efficient.

LEADERSHIP IN ENERGY AND ENVIRONMENTAL DESIGN Also known as LEED, an environmental building certificate program established under the US Green Building Council that certifies buildings that meet energy-efficiency and green requirements.

IBISWorld Glossary

BARRIERS TO ENTRY High barriers to entry mean that new companies struggle to enter an industry, while low barriers mean it is easy for new companies to enter an industry.

CAPITAL INTENSITY Compares the amount of money spent on capital (plant, machinery and equipment) with that spent on labor. IBISWorld uses the ratio of depreciation to wages as a proxy for capital intensity. High capital intensity is more than $0.333 of capital to $1 of labor; medium is $0.125 to $0.333 of capital to $1 of labor; low is less than $0.125 of capital for every $1 of labor.

CONSTANT PRICES The dollar figures in the Key Statistics table, including forecasts, are adjusted for inflation using the current year (i.e. year published) as the base year. This removes the impact of changes in the purchasing power of the dollar, leaving only the "real" growth or decline in industry metrics. The inflation adjustments in IBISWorld's reports are made using the US Bureau of Economic Analysis' implicit GDP price deflator.

DOMESTIC DEMAND Spending on industry goods and services within the United States, regardless of their country of origin. It is derived by adding imports to industry revenue, and then subtracting exports.

EMPLOYMENT The number of permanent, part-time, temporary and seasonal employees, working proprietors, partners, managers and executives within the industry.

ENTERPRISE A division that is separately managed and keeps management accounts. Each enterprise consists of one or more establishments that are under common ownership or control.

ESTABLISHMENT The smallest type of accounting unit within an enterprise, an establishment is a single physical location where business is conducted or where services or industrial operations are performed. Multiple establishments under common control make up an enterprise.

EXPORTS Total value of industry goods and services sold by US companies to customers abroad.

IMPORTS Total value of industry goods and services brought in from foreign countries to be sold in the United States.

INDUSTRY CONCENTRATION An indicator of the dominance of the top four players in an industry. Concentration is considered high if the top players account for more than 70% of industry revenue. Medium is 40% to 70% of industry revenue. Low is less than 40%.

INDUSTRY REVENUE The total sales of industry goods and services (exclusive of excise and sales tax); subsidies on production; all other operating income from outside the firm (such as commission income, repair and service income, and rent, leasing and hiring income); and capital work done by rental or lease. Receipts from interest royalties, dividends and the sale of fixed tangible assets are excluded.

INDUSTRY VALUE ADDED (IVA) The market value of goods and services produced by the industry minus the cost of goods and services used in production. IVA is also described as the industry's contribution to GDP, or profit plus wages and depreciation.

INTERNATIONAL TRADE The level of international trade is determined by ratios of exports to revenue and imports to domestic demand. For exports/revenue: low is less than 5%, medium is 5% to 20%, and high is more than 20%. Imports/domestic demand: low is less than 5%, medium is 5% to 35%, and high is more than 35%.

LIFE CYCLE All industries go through periods of growth, maturity and decline. IBISWorld determines an industry's life cycle by considering its growth rate (measured by IVA) compared with GDP; the growth rate of the number of establishments; the amount of change the industry's products are undergoing; the rate of technological change; and the level of customer acceptance of industry products and services.

NONEMPLOYING ESTABLISHMENT Businesses with no paid employment or payroll, also known as nonemployers. These are mostly set up by self-employed individuals.

PROFIT IBISWorld uses earnings before interest and tax (EBIT) as an indicator of a company's profitability. It is calculated as revenue minus expenses, excluding interest and tax.

Jargon & Glossary

IBISWorld Glossary continued

VOLATILITY The level of volatility is determined by averaging the absolute change in revenue in each of the past five years. Volatility levels: very high is more than ±20 %; high volatility is ±10 % to ±20 %; moderate volatility is ±3 % to ±10 %; and low volatility is less than ±3 %.

WAGES The gross total wages and salaries of all employees in the industry. The cost of benefits is also included in this figure.