

SQUEEZE DESIGN: Architectural firms will feel the pressure for the rest of the year. . . 8

Survey: Hub architecture firms feeling the pressure

Business decline since Q3 2008 keeps pace as firms make choices

BY MICHELLE HILLMAN
JOURNAL STAFF

Boston architectural firms will have to keep a close watch on expenses as the recession threatens the financial viability of the city's top firms.

Firms will continue to be under pressure for the remainder of this

year and will have to remain vigilant, according to a new study from **DiCicco Gulman & Co.**, an accounting firm in Woburn.

The 2009 Architectural Study is based on interviews with representatives from 30 firms in Greater Boston with gross billings between \$1 million and \$65 million each. The firms submitted 2008 financial and operational data anonymously.

The decline in business that began in the third quarter of last year as the recession took hold has contin-

ued and forced firms to make difficult decisions. By the end of last year the average firm saw net fee and profit per direct hour decline by nearly 14 percent and 30 percent respectively, according to the survey. Firms shed 16 percent of their workforce at the end of last year.

Another troubling finding is design firm's utilization rates — a statistic used to determine firms' profitability — decreased to 60.4 percent last year. In a good year the rate needs to be above 63 percent, said **George Trem-**

blay, a principal at **Arrowstreet Inc.** in Somerville.

"If you're below 60.4 percent you're sucking wind," said Tremblay, whose firm participated in the survey.

Firms have adjusted expenses and head count to balance a lack of projects as corporations, developers, universities and institutions put the brakes on development. Arrowstreet has laid off 60 people since January of last year — about half its staff. Tremblay said the firm has recently hired back a handful of people as it has begun picking up work again as once-stalled projects like the redevelop-

'Our projects can only reliably go out to the end of the year, which is pretty good. I think there was a point where we were worried we had work only projected out three to four months.'



Nancy Ludwig
President, ICON Architecture Inc.

opment of the Wonderland Station in Revere gain traction. The project is in line to receive federal funds for the construction of a garage needed to move the project forward.

Despite a slight pickup, the architectural industry will suffer for years to come as billing rates recover from continued downward pressure. The study found billing rates are decreasing this year due to increased competition for fewer projects.

While there is still a dearth of new projects, firms are beginning to rebuild their backlogs.

"Our projects can only reliably go out to the end of the year, which is pretty good," said **Nancy Ludwig**, president of **ICON Architecture Inc.** in Boston. "I think there was a point where we were worried we had work only projected out three to four months."

Projects like the 15-acre Hamilton Canal District in Lowell, for which ICON was hired to create a master plan, are restarting, but Ludwig remains cautious. She laid off three people in June and switched to a four-day workweek in July and August. She expects to finish this year with about 10 percent less revenue than last year.

MICHELLE HILLMAN can be reached at
mhillman@bizjournals.com.