

THE REAL DEAL

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With looming slowdown, architects branch out

Bracing for a slowdown, even small firms adopt broader focus

By John Celock

During the building boom, designing residential projects became the bread and butter for many of the city's architectural firms. Now, with residential construction slowing down, many firms are coping by embracing diversification.

Large firms like Skidmore, Owings and Merrill have always had multiple design specialties. Yet these days, medium-size and smaller firms are seeking new opportunities by bolstering their practices in other areas like health care and education, looking for work abroad and sometimes even developing their own projects.

Overall, the strategy seems to be working. A recent report by the American Institute of Architects forecasted that despite troubles in other fields related to real estate, job levels for architects in 2008 are expected to be similar to those from last year.

One area of growth has been designing health care facilities. The AIA study indicated that health care facilities presently account for about 14 percent of all domestic construction. The money spent building health care facilities has risen about 10 percent a year since 2004, according to the Census Bureau.

The study offered several rationales: First, there's the expectation that as the baby boomer generation ages, more medical space will be needed. Second, changing technologies are forcing older hospitals into exhaustive redesigns of space.

The current boom—about \$50 billion is being spent on hospital construction each year, according to the AIA—is expected to last until at least 2010. Accessing the market can be challenging, however. "For some fields like health care, you need people with expertise and a portfolio," said Joan Saba, a partner at NBBJ Architecture, a firm based in the U.S. with offices in China and the Middle East.

Designing new university buildings is also proving lucrative for architecture firms. According to the AIA, the construction contract value of academic projects each year is about \$25.2 billion.

"There's clearly a building boom happening on campuses across America," said Martin Vanderwerf, senior editor of money and management at the Chronicle of Higher Education.



Gary Silver is an architect turned developer with several projects in the works in New York City.

Kermit Baker, chief economist for the American Institute of Architects, said that diversification into health care and education buildings is a shrewd hedge against residential construction downturns because most of the buildings are backed by government entities, which do not experience the same slowdowns that the private sector may during a recession.

Some firms are also dealing with the slowdown in domestic residential construction by looking for commissions abroad. The number of firms nationwide that characterize their work as "international" rose from 4 percent in 1999 to about 10 percent in 2005, according to the most recent data available.

While no figures exist among the roughly 4,000 practicing architects in New York City, the number that work internationally is said to be considerably higher. In particular, projects in the Far East and the Persian Gulf are luring U.S. firms.

Bice Wilson, principal of Meridian Design Associates, a firm with offices in New York, Miami and Geneva, noted that his firm has been working to diversify by switching staff and resources out of the U.S. to regions that are still booming.

Jane Ayers, a partner with NBBJ, said her firm has been doing a lot of work in China and other parts of Asia, particularly in the commercial sector, which has been strong in the region.

Perhaps the busiest firm from New York City working abroad is Skidmore, Owings and Merrill, which has multiple projects in the Middle East and in China, including the Burj Dubai, the world's tallest office tower, going up in Dubai.

Finally, in addition to building specialty practices outside of the traditional residential and commercial markets, some architects have taken on the role of developer as they seek to diversify their business plans.

For instance, Studio MDA, a Manhattan-based firm, is developing an \$85 million high-rise in Fort Greene, Brooklyn. (See [Inside the open houses of Fort Greene](#)) Another architect turned developer is Gary Silver, principal of Gary H. Silver Architects, who has several projects in the works in East Harlem, including the Observatory, a 38,000-square-foot residential project going up on First Avenue and 104th Street. Silver is also developing a seven-story residential project at 227 East 111th Street in East Harlem.

Silver enthused about the creative control that being the developer gives him. Yet he swears on a stack of blueprints that the main reason he departed from just designing was to provide a buffer in case of a downturn in the market.

"I did it to insulate myself from upturns and downturns in the market," he said. "The architecture field is generally low-paying, considering other types of fields that have the same type of preparatory work."