

Economics—Work-On-the-Boards

Billings Continue to Ease, Inquiries Rebound in January

Given focus on recruiting clients, marketing has added importance this year



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Billings at architecture firms continued to slow in January, although the pace of the decline moderated substantially from the sharp downturn of the last quarter of 2001. For January, one out of five firms reported an increase in billings, the largest share since last August. Firms in all major regions reported declines in billings, although the steepest were among firms in the Northeast. Firms concentrating in the residential work were the only category reporting gains in January.

By contrast, inquiries for new projects shot up in January—the sharpest jump in almost two years. While the strongest gains in inquiries were among firms specializing in residential activity, firms of all specializations reported substantial improvement.

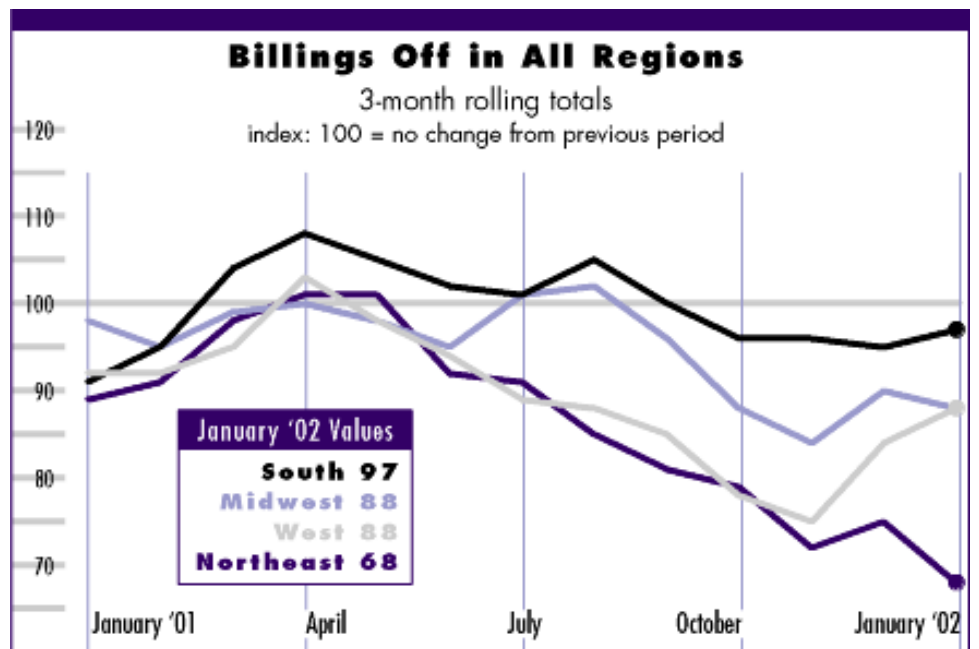
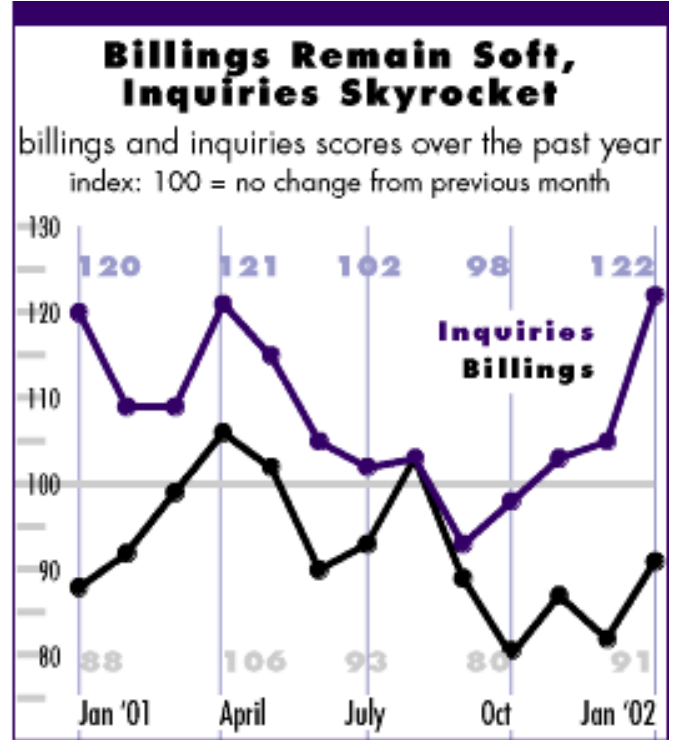
Recession with signs of recovery

The economy apparently remained in recession in January, although there are signs of impending recovery. Business payrolls declined by 89,000 in January, even though the national unemployment rate declined to 5.6% in January from 5.8% in December. Construction numbers continue to be weak on the commercial/industrial side (office vacancy rates have increased sharply over the past year) and strong for institutional sectors.

The early estimate of gross domestic product for the fourth quarter of last year was surprisingly strong. Although the 0.2% annualized rate of growth is miniscule, it is encouraging when you consider that most analysts were expecting another significant decline. Strong consumer spending—particularly for cars and homes at current low interest rates—was the major reason for the increase. However, unexpected gains in federal spending also helped fuel growth.

There is evidence that the economy is close to bottoming out. The Federal Reserve Board declined to lower interest rates at its late January meeting, the first meeting in

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over a year at which the board didn't lower rates. Most analysts feel that the economy will be back into recovery mode by the second quarter of the year, if not by the end of this current quarter.

Client recruitment especially important now

With the construction outlook so unsettled this year, firms are feeling the need to recruit additional clients. Over half of firms indicate that recruiting new clients is very important in meeting the firm's financial targets for the year. An additional 28% of firms rated new client recruitment as important.

In spite of the importance of client recruitment, almost a third of firms do not have a marketing plan in place. Of those firms with plans, more than half indicate that the plan is not a formal written document but rather a set of revenue goals and target markets. While all firms with annual revenues over \$5 million have a marketing plan in place, only about half of firms with annual billings under \$1 million report such a document. Over three-quarters of firms concentrating in the institutional sector have marketing plans.

