December 2024

Architecture Industry Insights

This month's report highlights the trends and strategies architects need to address today's challenges. From AIA leadership updates to key market data, it provides actionable, must-read insights to guide your practice and decisions.

Topics

AIA Architectural Billing Index (ABI)

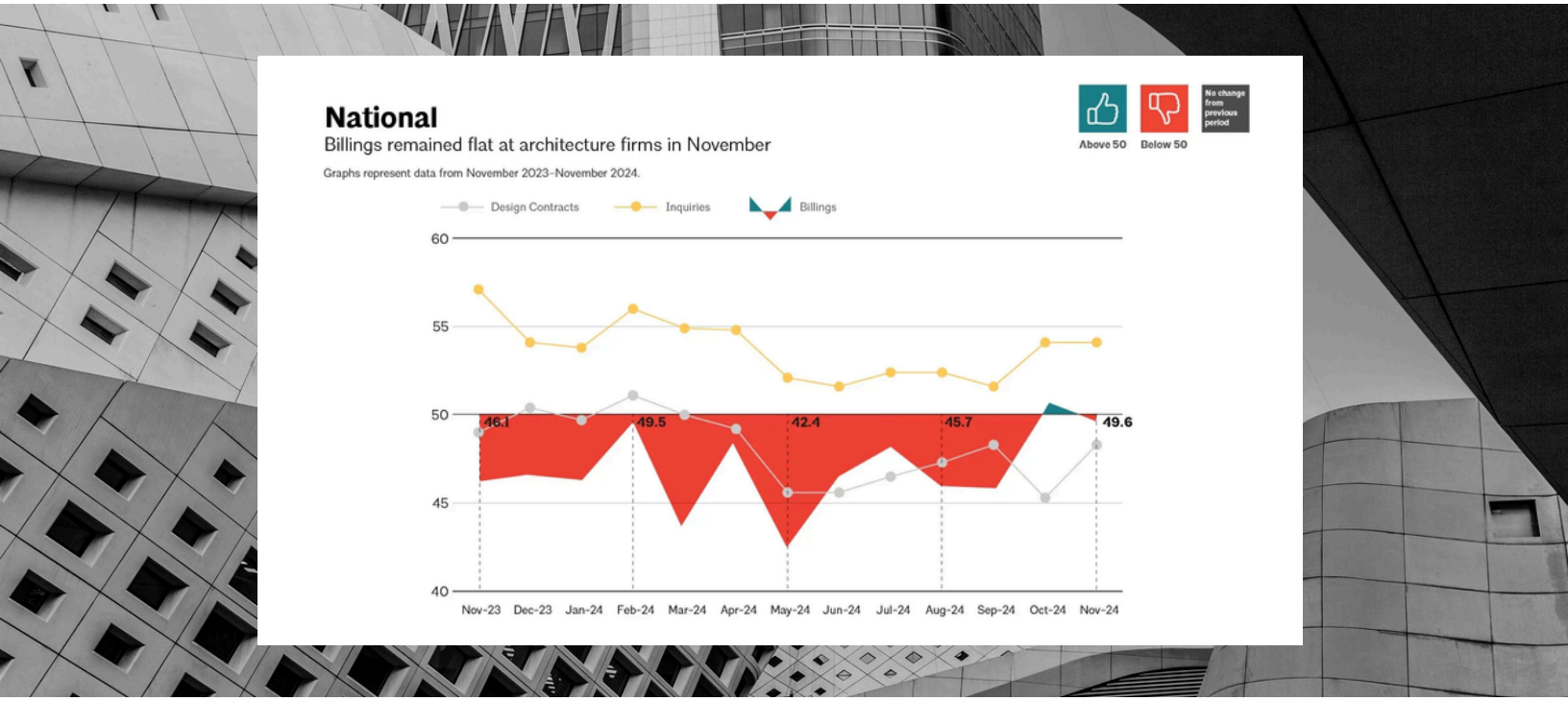
1. November 2024 ABI Highlights
2. Mapping Out 2025
3. Practice Challenges

What People Are Reading: Deloitte Research

Looking Ahead: AIA Leadership

Curated by Ed Akins II, AIA, LEED AP
Principal Architect, cove

1 November 2024 AB Highlights



KEY INSIGHTS

- National billing score: 49.6, effectively flat for the second consecutive month.
- As project Inquiries stabilized, a continued increase in Design Contracts is expected as the year ends.
- Commercial / Industrial, Institutional and Multifamily sectors converged in November to show that markets are stabilizing, with specific opportunities emerging in office adaptive re-use and some companies increasing office usage.

REGIONAL PERFORMANCE

- Southern and Western region firms showed billing growth with the Western region leading.
- The Northeast and Midwest regions showed slower rates of decline, and there are indications that they are nearing a pattern of stabilization and growth.

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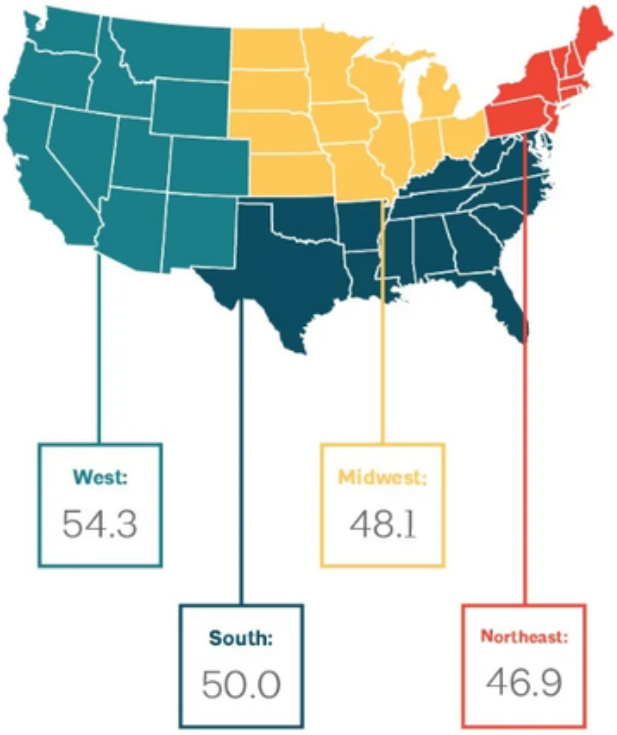
2 Mapping Out 2025



FUTURE WATCHPOINTS

Just like last month... keep an eye on tariffs, cost of goods, immigration policy, and labor impacts as the top 2025 uncertainties.

Despite potential destabilizing factors, optimism continues and is supported by easing economic pressures, strong project inquiries, and regional growth potential.

The ABI November 2024 reveals improving architectural market conditions and key trends as the year ends, and we enter 2025:

BILLINGS STABILIZING

- Billings are mostly FLAT for a second month.
  - *After 20+ months of declines in billing, this continues to be good news for the AEC.*

- Construction project billings should continue to grow in the South and West regions based on the ABI and anecdotal public RFP data (Bidnet).

SECTORS TO WATCH

- Multifamily/residential projects are expected to rebound with interest rate reductions and funding sources opening up.

- The Institutional sector remains strong; Commercial/Industrial continuing on an upward path as a return-to-office trends take shape.

- All sectors seem to be trending to baseline and are hinting at an increase of contracts/work.

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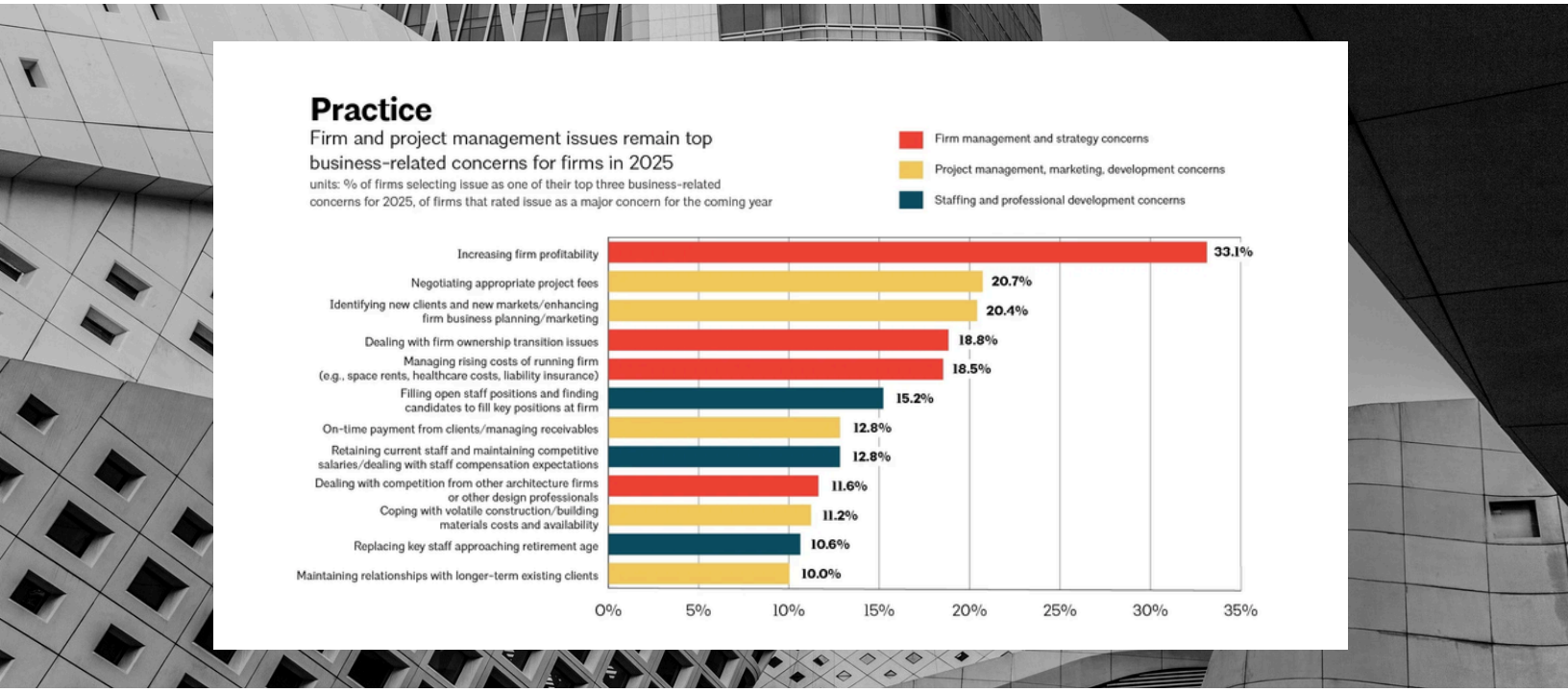
3 Practice Challenges



Firm Management & Strategy

- Top concerns: Firm/project management, project development, and marketing strategies.
- Firms should stay focused on Talent, Technology, Markets, and Policy.

Profitability Drivers

- Increased attention should be placed on staff utilization, project fees, and the cost-efficiency of completing tasks. Firms might leverage partnerships, technology, and overhead reductions.
- Expansion into new markets and an expansion of services could bolster firm profits.

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What people are reading

2025 Engineering and Construction Industry Outlook

Published by Deloitte Research Center for Energy and Industrials in November of 2024, the report presented an optimistic outlook. Reflecting on 2024, the authors cited federal initiatives and investments as the impetus for construction spending and employment trends that fuel growing positivity for 2025.

For firms to capitalize on future growth, the report isolated areas of focus:

- Labor management and building agile teams (including partnerships)
- Technology integration (particularly within operations)
- Driving financial growth using 3 strategic methods.
  - Selling off underperforming or non-strategic interests and investments
  - Targeting strategic capital investments from 2024 successes
  - Consideration of private equity
- Remaining aware and responsive as policies evolve and change

Read More

Looking Ahead: AIA Leadership

Kim Dowdell, AIA, NOMAC

Kim Dowdell, AIA, NOMAC concluded her historic presidency as the first Black woman to lead the Institute and 100th president. Under Dowdell, membership grew to over 100,000 and increased focus on the value that AIA brings to communities and the environment.

Evelyn Lee, FAIA, NOMA

As the 101st president of the AIA, Evelyn Lee, FAIA, NOMA brings diverse experiences to the professional organization and plans to build on the growth and value of architects during her presidency (with specific areas of focus in technology integration and affordable housing).

Explore AIA Leadership

Click Here

In Summary

The architectural market shows signs of stabilization as firms prepare for cautious growth.

2025 MARKET OUTLOOK

- Stabilizing interest rates and material costs may offer relief.
- Firms are adapting to shifting client demands and exploring equitable, profitable projects.
- Opportunities to leverage efficiency gains, responding to firm concerns and market needs.

REGIONAL HIGHLIGHTS

- Southern Regions | Billing growth for the first time in two years.
- Western and Midwest Regions | Slower rates of decline, nearing stabilization.

STRATEGIC ACTIONS

- Policy | Stay updated on federal regulations affecting tariffs, labor, and material costs.
- Profitability Focus | Align firm strategies to reduce overhead and enhance operational efficiency.
- Service Expansion | Integrate new offerings to diversify market appeal and drive competitiveness.

Architects can approach 2025 with cautious optimism by leveraging these insights to align strategies with market conditions, ensure resilience, and capitalize on recent economic recovery opportunities.

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Meet the Expert

Ed Akins II, AIA

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Ed Akins II, AIA is an architect and educator with a passion for sustainable design and innovative thinking. A former Sustainable Fellow and Interim Chair of the College of Architecture and Construction Management at Kennesaw State University, he holds a Master of Architecture from Georgia Tech and has earned multiple industry accolades.