March 2025

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)

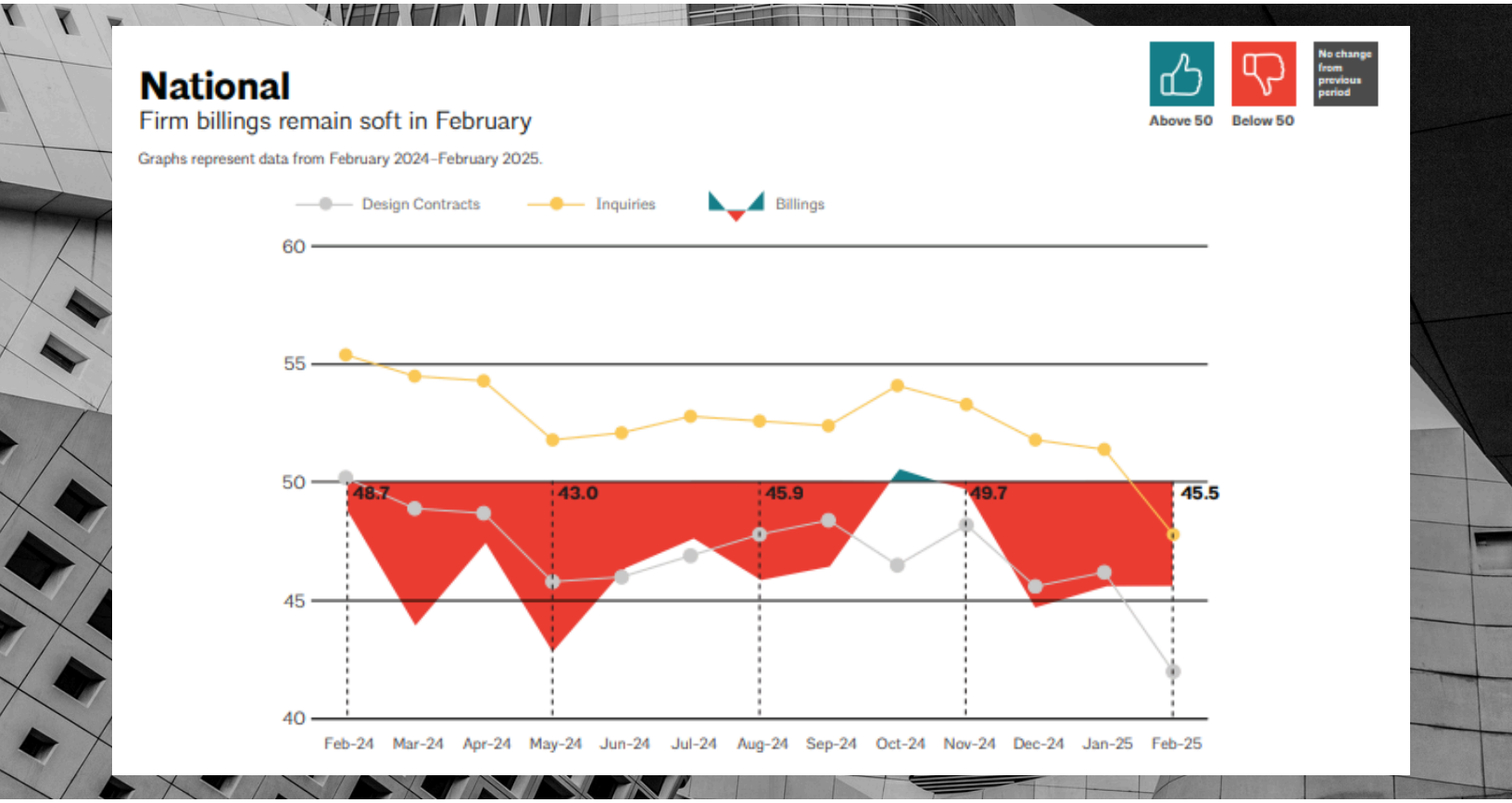
1. February 2025 ABI Highlights
2. Mapping Out 2025
3. Practice Challenges

Construct Connect "March Construction Economy Brief"

Overall Insights Summary

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

1 February 2025 ABI Highlights



FIRM BILLINGS REMAIN SOFT IN FEBRUARY

The AIA March report on Architecture firm billings continued to show contraction in February, with the national ABI score dropping to **45.5.** Project inquiries and design contracts both dropped noticeably, reflecting hesitancy and delay from clients as they also attempt to navigate and anticipate the economic environment. Firms continue to stay somewhat upbeat but describe the market as “soft” and “tentative” through February.

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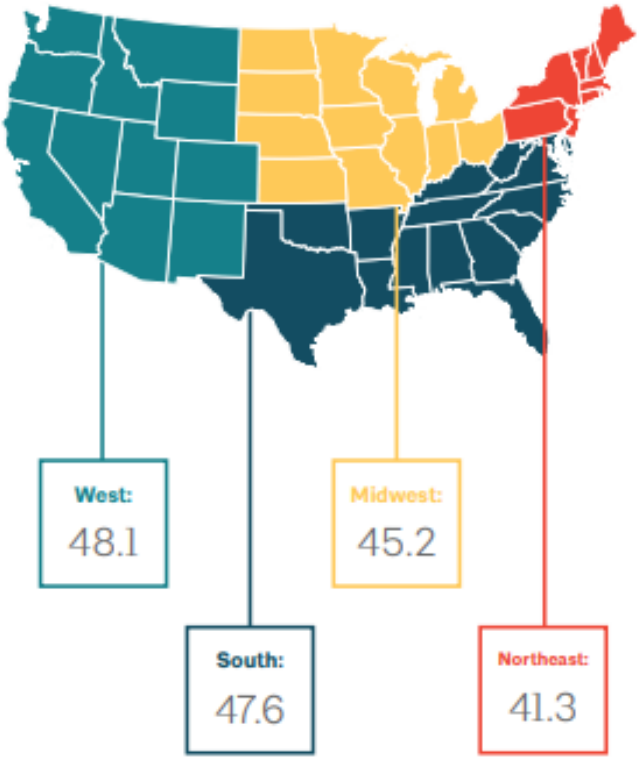
2 Mapping Out 2025 | AIA ABI



HIGHLIGHTS

- **Key Trend:** Billings remain below neutral (50) across all sectors and regions, indicating ongoing softness in the market.
- **Outlook:** Firms continue to report weak conditions; Inflation declines help but tariff impacts are being watched closely.

BILLINGS CONTINUED DISPARITY

- The West and the South had the least declines in billing.
- The Midwest remained soft at 45.2, while the Northeast saw the sharpest decline this month at 41.3, indicating a potentially prolonged downturn in that region.
- With all regions remaining below the 50-point threshold, subdued demand and tighter project pipelines continue.

SECTORS TO WATCH

- **Multifamily/Residential:** Interest rate reductions may ease financing challenges, helping to unlock demand for new housing, especially in affordable segments.
- **Institutional:** Investment in healthcare and education continues to provide work with fewer cyclical disruptions.
- **Commercial/Industrial:** Industrial sectors like data centers and warehousing, may continue to be a bright spot.

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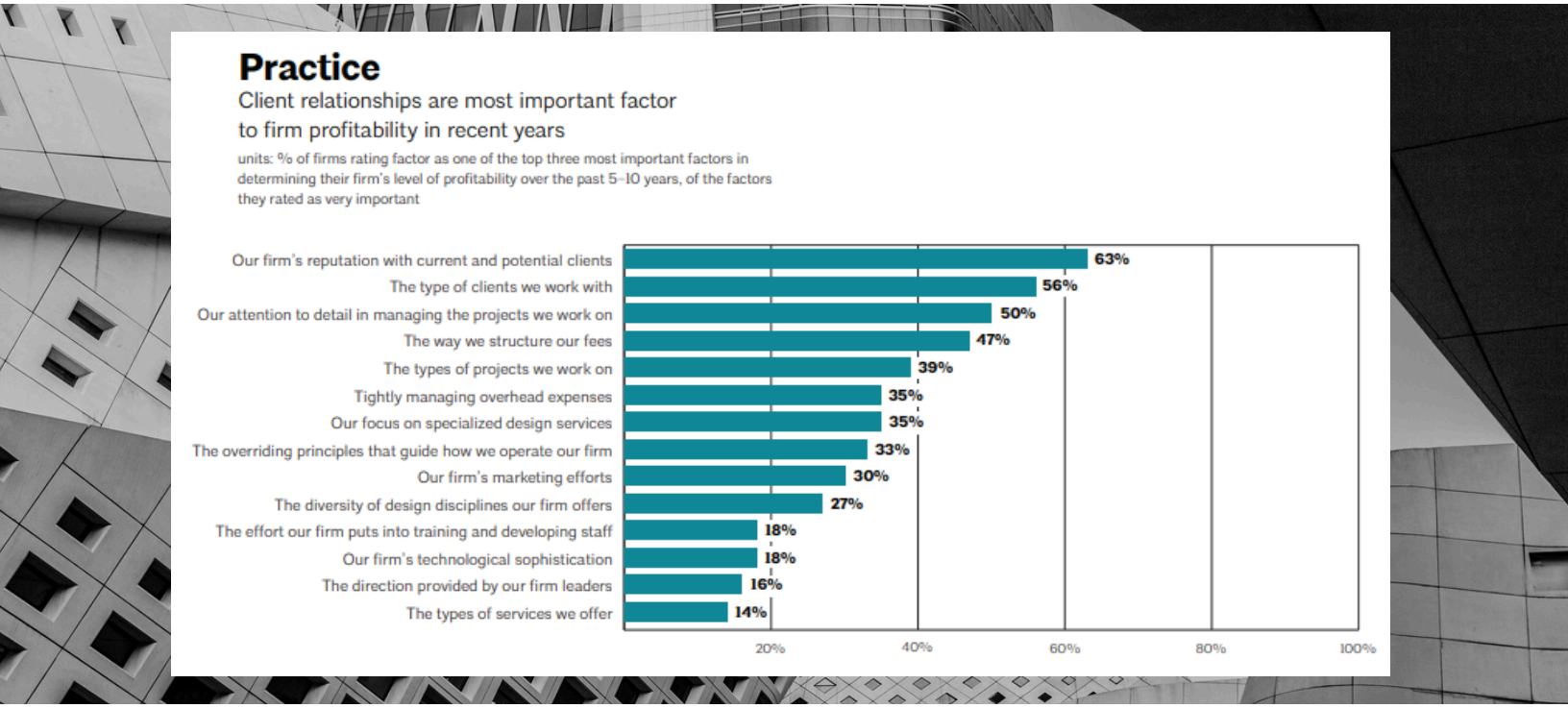
3 Practice Challenges | AIA ABI



CLIENT RELATIONSHIPS DRIVE FIRM PROFITABILITY

- 63% of firms prioritizing client relationships.
- Technological sophistication and staff development also play key roles.
- Overhead management and service offerings are also critical to firm profitability.

Recent data reveals that maintaining a credible and dependable reputation with current and potential clients is top of mind. As markets shift, type of clients served and project management practices (two areas ranked highly) may be called to question. Technological sophistication (18%) and types of services offered (14%) were viewed to have the lowest impact on profitability and reflecting the value firms are placing on human connections and operational excellence.

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Construct Connect Economy Brief

U.S. CONSTRUCTION OUTLOOK

- US: 3.5% decline in 2023; The 2024 forecast shows 5.2% growth.
- Top sectors: Industrial (+13%), residential, warehouses, retail, nursing homes.
- Canada: 2023 grew 6.6%, but 2024 expected to contract 2.9%.

TARIFFS & MATERIAL COSTS

- Renewed attention on steel/aluminum tariffs in particular.
- Past 25% tariffs (2018–2019) caused metal prices to rise 15–23%; construction costs went up 5.5% (1-year lag after previous tariffs).
- Domestic production rose, and prices fell by late 2019—lower than pre-tariff levels.

FINANCING UPDATE

- CRE lending growth <1% YoY, lowest since Great Recession.
- Lending flat at $3 Trillion
- Hope for easing regulations; in the meantime, explore private/alternative funding.

Watch the Video

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In Summary

AIA ABI (February) - Some predictive takeaways

- Notable that Architecture Project Inquiries are down for the first time since the pandemic
- Design contracts showed additional decline as well, showing a synergy of forces that are creating soft and hesitant project starts in the market.

Construct Connect (March) - Some current indicators

- Highlighted Market sectors: Industry and Residential with construction lending holding at $3Trillion
- U.S. expects growth over 5% while Canada is not predicted to see growth
- Regulatory "lightening" will potentially support projects and result in construction rebounds in 2025 (this typically helps infrastructural and industrial project permitting and construction projects).

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Meet the Expert

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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.