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From the St. Louis Business Journal:

<http://www.bizjournals.com/stlouis/blog/2014/06/architects-eye-health-care-as-viable-market.html>

Architects eye health care as viable market

Jun 16, 2014, 2:03pm CDT

The American Institute of Architect's Consensus Construction Forecast, released in December 2013, predicted that non-residential building activity in 2014 will improve by 5.8 percent and commercial facilities activity will see a double-digit gain.

AIA predicts the upward trend will continue through 2015 with spending increasing 8 percent overall and 6 percent for institutional buildings. The AIA's Architecture Billings Index (ABI) has risen during the last 16 months, due largely to the residential sector. But firms working in the commercial and industrial sector also reported positive results for most of 2013. The *Business Journal* spoke with five St. Louis architecture firms about the current and future state of



Louis Chiodini, president, Chiodini Associates

the architecture industry.

Louis Chiodini, president at Chiodini Associates

2013 revenue: \$4 million

Is the St. Louis area desperate for work?

St. Louis is in need of work, but it's not desperate. For a couple of years St. Louis did well. 2011 and 2012 were good years, and I think that '13 was a little less and '14 will be about the same.

Where are local architects finding work?

Contractors are simply finding more work outside of the St. Louis area. One-third of our work is out of town, and some is coming from government agencies such as the garage we just competed in Dallas for the VA (Dallas Veterans Affairs Medical Center). There are a lot of areas where we have done work outside of St. Louis for several national retail clients. We have ongoing university work and research facility work as well, having just finished a U.S. Food and Drug Administration testing laboratory for national drug testing here in St. Louis.

What industries are performing the best right now?

I think the medical area is probably the most active right now: university projects and health care related projects. They have been able to save (money) in the past years, and now I think that they are able to spend more than any other professional areas do normally.

Where will future work come from?

Government and health care. I think that's where the money is right now. Hospitals near Dallas, Houston and Chicago. The biggest area of work is probably going to come from the 10 largest cities and the most progressive cities in the country right now. St. Louis, Cleveland, Kansas City and Cincinnati are all second tier cities. I would say we would still

have work locally, but about a third will still come from outside the St. Louis area.

Are you making changes to your workforce? Why?

Yes and No. We've learned we can do more work with less people and are always trying to refine ourselves. We keep our core group of architects together and selectively add to that. If we see someone specialized in another industry, then we would consider hiring.

Philip Durham, founder/owner at Studio

Durham Architects

2013 revenue: declined to disclose

Is the St. Louis area desperate for work?

I've been busy for years now, but it seems to me from people — especially people who are relying on commercial clients — that they are having trouble finding business. We do small commercial and nonprofit stuff that interests us such as the William Shearburn Gallery. Office, retails and restaurants are a broadening real estate market so there isn't a lot of demand for newer buildings.

Where are local architects finding work?

I would think a lot of work is in residential right now, mostly in renovations. It seems people are afraid to invest in residential property after the crash. Even if clients weren't affected by the economic downfall, they held off because they were worrying about the economy. I think the residential section is going to pick up and we need more affordable and rental housing. There is a lot of incentive to build single-family homes and there is very little incentive to build low-income housing despite the high demand.

What industries are performing the best right now?

I see a lot of private companies doing well. There are a lot of high-end residential clients wanting high-end design.

Where will future work come from?

There is a demand in infrastructure and multi-family housing that needs to be met, but whether or not it does will be is another question. There is a high demand, but there's just no one there to pay for it.

Are you making changes to your workforce? Why?

We are very selective. I like to keep my employees for a long period. I don't have a lot of turnover. I prefer to get them out of school and teach them my own habits.

Thomas Bergmann, principal at Cannon Design

2013 revenue: \$17 million

Is the St. Louis area desperate for work?

The St. Louis area has struggled recently, but has stabilized and is slowly regaining some momentum. The recession was really tough on the design and construction community beginning in 2008, with 2009 and 2010 the worst years for many firms. We were lucky, and during those years we didn't have as much of a problem due to our diversity in expertise and geography.

Where are local architects finding work?

No single industry is thriving. However, some individual businesses and institutions are doing better than others. The gradually improving tax base and deferred construction needs have increased the level of work for general and educational projects (in Missouri). Municipal projects have increased during the last few years with investments by St. Louis County and local municipalities. The private universities continue to develop with a number of new projects underway. Overall, health care has been

dampened by changes in reimbursement combined with political choices regarding health funding; however, some institutions are making major investments to improve efficiency and replace aging facilities. St. Louis has experienced an increase in corporate commercial work as well with some of our corporations making major investments.

What industries are performing the best right now?

The commercial market has been slow, largely due to uneven vacancy rates and overbuilding in many markets. Institutional is doing better due to repressed demand and improved funding structures at both state and local levels.

Where will future work come from?

As with most businesses, I think architecture will kind of follow the money. Institutional work will continue; however, it will evolve. For example, health care as an industry will continue to change to meet its situational needs. The whole industry became increasingly competitive during the recession as we were under intense pressure to cut costs just to stay in business. The pressure to maintain low fees has continued which has changed how we approach our work. I think in general, clients are getting much more sophisticated in how they buy their services and appreciate design firms who understand the needs of their particular businesses. Architects, engineers and designers often provide more than typical basic services and can be more involved in the strategic and operational aspects of the companies. As an industry, we can offer value beyond conventional design through advisory services to make sure the right project is being designed to meet their needs, and to make sure the outcome will fulfill their business and institutional goals.

Are you making changes to your workforce? Why?

We definitely want people with years of experience, different areas of experience and interests, business and research skills and more science based background. All of these individual skills are very important in our

evolution and enable us to provide better insight for our clients. In the past, architects were basically generalists. We continue to look for people with more background and interest in specific areas (individual markets, science, engineering, design).

John Reeve, managing principal, president and CEO of Christner Inc.

2013 revenue: \$12 million

Is St. Louis area desperate for work?

In the last year, there have been signs in St. Louis and other parts of the country of rebounding from what has been a historic recession of the professions of architecture and construction. Both were significantly impacted, about a 40 percent national drop in employment from 2008 to 2012 and early 2013.

Where are local architects finding work? Where will future work come from?

We are seeing an upward trend in opportunities in the corporate market, with more corporate activity compared to during the recession when the corporate market was at an all-time stand still. There is a slight backing off in what has been our strongest market, health care, both as an industry and as a system. As they adjust to the new economic pressure that the new health care reforms represent, they are needing to be more careful in their investments.

What industries are performing the best right now and why?

The institutional market, higher education and education in general, science and technology and corporate. Some of those markets overlap. For example, you could have very complex scientific technology project that is part of the corporate sector. The institutional market behaves on a different level than say commercial. We are working on a laboratory for the Washington University School of Medicine, but we also do work at

Botanical Gardens, some of the local museums and the Butterfly House out in Chesterfield, which we consider civic projects. We just completed an addition to the Donald Danforth Plant Science Center and are working on a six-building project for the VA complex on the south side of town.

Are you making changes to your workforce? Why or why not?

We are always looking for talent to selectively add. The overall dynamic also has to do with sort of generational things. We have eight people that share ownership and all are active in the firm, but we have invited some next generation owners into the firm as well and that's evolution. The firm leadership will eventually turn over, so it's important to plan for the future and find the right people to bring into the firm to grow strategically in order to help the firm be successful.

Rebecca Nolan, principal at HOK

2013 revenue: \$409 million

Is the St. Louis area desperate for work? Why?

While St. Louis has some challenges, developing great ideas in its diverse markets is not one of them. Cambridge Innovation Center's decision to locate its first community of entrepreneurs outside of the Boston area here in St. Louis is just one example of our region's strength. The Cortex Innovation Community is energizing innovation and technology in the city's central corridor. We're excited because the ideas coming forth are particularly well suited to HOK's diverse skills in thoughtful design. Wexford Science & Technology's @4240 building, designed by HOK, has strong leasing momentum and just earned LEED Platinum certification. It's our third project in Cortex. The vision of improving healthcare is taking shape in the BJC HealthCare and Washington University School of Medicine Campus Renewal project, which we are designing.

Where are local architects finding work and what is the typical revenue range on these projects?

It's not about the size of projects, it's about a creative response that delivers at every scale. We certainly have large projects like BJC HealthCare and Washington University School of Medicine Campus Renewal. But there are also small projects, such as **Monsanto's** green roof at Chesterfield Village Research Center. Donated services for community betterment are also part of the range of projects, including a recent redesign of Clifton Heights Park in the City of St. Louis.

What industries are performing the best right now?

We are actually seeing a nice consistency across all industries. There is renewed strength in commercial, corporate, high-rise residential and institutional work including higher education, research and development and health care. St. Louis is a great hub for HOK's work locally and regionally. From St. Louis, we are currently engaged in projects for **Rockwell Collins** in Cedar Rapids, Iowa, **Tyson Foods** in Springdale, Arkansas, **Humana** Inc. in Louisville, Kentucky., the University of Wisconsin - Stevens Point and **Phillips 66** in Houston.

Where will future work come from?

We believe a number of current trends will continue to drive work in the future. Companies are shrinking their real estate footprint with more functional space for a mobile workforce. Wellbeing in the workplace is driving designs for healthier and more stimulating workplaces to attract and retain the best and brightest. Higher education seeks more collaborative space and space to engage students across multiple academic disciplines.

Are you making changes to your workforce? Why?

We are filling positions for a broad range of opportunities. We've hired five more staff members this year and are searching to fill another 10 positions. We are particularly excited to be adding Shelly Beckemeier, former senior director of corporate real estate for **Express Scripts** to our staff. She brings a valuable perspective to HOK, as someone who has

been in the trenches through mergers, acquisitions and managing change at sites across the country. We have also hired five interns. This is a particularly opportune period of time for new graduates and emerging talent to demonstrate their skills.

For more insight into the local architecture industry, check out this week's edition of the Business Journal.

Sarah Bricker is a St. Louis freelance writer.