

# TOP DESIGN FIRMS

**ENR New York** Ranks the Largest Design Firms in the Last Year

## REVENUE RISES 20% FOR DESIGN FIRMS IN NEW YORK REGION

Merger and acquisition activity propels firm growth, but some gain organically from active sectors such as high-end residential **BY PETER MALONEY**

**Revenue for architects and engineers** in the New York-New Jersey region rose just over 20% in 2014, according to the ENR New York survey of Top Design Firms.

The top 100 firms in this year's ranking had \$4.7 billion in aggregate regional revenue, up from the \$3.9 billion that the group posted for calendar year 2013 in last year's survey.

In part, the rise in revenue reflects an uptick in merger and acquisition activity for design firms working in the region. That activity factored significantly in the revenue of the list's top three firms.

Different firms have different reasons for engaging in acquisition transactions, but in general it is an indication that a company sees enough economic strength to take advantage of the opportunity to move into a new region or market sector, according to Kermit Baker, chief economist for the American Institute of Architects.

AECOM, which retained its top spot in the ranking with regional revenue of \$595 million, completed its \$6-billion acquisition of URS Corp. in October 2014 and earlier in the year closed on its purchase of Hunt Construction.

Those acquisitions propelled AECOM far ahead of its second-ranked peer, WSP | Parsons Brinckerhoff, which itself is the result of a combination that also



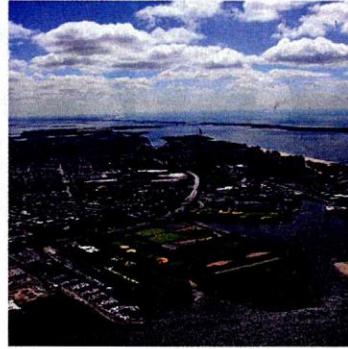
took place last October. The firm reported \$274 million in regional revenue. ARCADIS ranked third, with regional revenue of \$225 million, benefiting from its purchase of architect Callison. It bought architecture firm RTKL in 2007.

Other top firms participating in the survey also raised the bar. Fourth-ranked STV had \$183 million in 2014 revenue compared with \$115 million the previous year, moving it up from seventh place on last year's list. HNTB Corp. increased its total and was ranked

**BURIED INTEREST**  
AECOM is providing structural engineering and architectural design for the East Side Access project, which will create an LIRR terminal within Grand Central Terminal.



**OPEN AIR** The Fulton Street Transit Center in lower Manhattan, which connects nine subway lines, opened in November 2014.



**ON THE EDGE** ARCADIS is doing a feasibility study for the Coney Island Creek Tidal Barrier and Wetlands project.

**“Resiliency is a doorway to sustainability.”**

—Peter Glus, Director of Business Development for New York City, ARCADIS

fifth this year, up from sixth, booking \$147 million in regional revenue compared with \$118 million in 2013.

M&A activity aside, the New York region saw strong market growth last year, particularly in the Big Apple real estate sector.

**High-End Towers Hot**

“New York City is stronger than it has ever been,” says Richard Anderson, president of the New York Building Congress. Construction activity hit \$36 billion in 2014 for the first time, a number that he says accounts for more than one-third of activity for the region. “Back in October, our forecast was \$32 billion. It surged past that on the back of the high-end residential sector, but all sectors did well,” Anderson says.

A few years ago, the high-end residential sector was only about 5% of the market, but that niche has tripled more recently, says the Building Congress. Between 2013 and 2014, it grew from \$7 billion to \$12 billion.

Demand for high-end residential buildings “is coming from around the world, and there is seemingly no end to it,” Anderson says. “The question is when and where are we going to see the slowdown.”

Other sectors contributing to the region’s strength were public works from agencies such as the Metropolitan Transit Authority and the Dormitory Authority of the State of New York. Relief work related to Hurricane Sandy has also bolstered the region, but it is “not as big as you would think,” Anderson contends. “In any single year, it is not more than \$1 billion or \$2 billion,” but there is always ongoing capital expansion, he says, noting that New York City’s capital budget is about \$10 billion and the MTA’s is about \$5 billion.

The outlook in New Jersey is also strong. The private sector and public agencies in the Garden State expect construction spending for 2015-2016 at a new high of \$39.8 billion, according to an analysis by the New Jersey Alliance for Action, a construction industry advocacy group.

However, that forecast is vulnerable to funding decisions by Gov. Chris Christie (R) and the state legislature, according to Philip Beachem, president of the alliance. In particular, he cited funding for the State

Transportation Trust Fund that has yet to be renewed.

Marcos Diaz Gonzalez, senior vice president and New York metro executive for AECOM, sees strong demand in the water, transportation and facilities markets on the design side. On the construction side, “Our commercial and sports sectors have been particularly strong,” he says.

AECOM was the architect of record and the construction manager for the Barclays Center, the sports and entertainment complex in downtown Brooklyn. It also is working on the National Tennis Center stadium roof upgrade in Flushing, Queens.

Regionally, Diaz Gonzalez expects growth in the private commercial buildings market and the public facilities sector as well as in the infrastructure markets where resiliency plays a role.

“The current investment trends go above and beyond infrastructure hardening and climate adaptation and into the realm of asset management, cybersecurity, economic resiliency and integrated, resilient city-making,” he said.

**Staying Sustainable**

Peter Glus, ARCADIS director of business development for New York City, also sees that shift as a major trend in the region and the city.

Although there is a lot of talk about the need to replace or refurbish the nation’s aging infrastructure, a lot of the post-Sandy funding does not address longer-term sustainability issues, Glus says.

Momentum is still increasing from Sandy funding, but he sees it peaking in 2015 and then stabilizing.

When that funding reaches the end of its cycle, Glus sees the momentum being carried by sustainability projects such as Mayor Bill de Blasio’s One City: Built to Last program for New York City.

“Resiliency is the doorway to sustainability, Glus contends. “Resiliency is driven by federal funding. Sustainability is about savings and efficiency.”

ARCADIS is now engaged in the feasibility work for the Coney Island Creek Tidal Barrier and Wetlands Feasibility Study. The project would erect barriers to prevent future flooding. But the real job, Glus says, is



**TWO INTO ONE** Gensler is the architect for the One Soho Square that will join buildings on Sixth Ave. and Spring Street.

what the project could do to enhance the ecology and economy of the Coney Island region.

“It is a broader vision of resiliency,” Glus says. “Resiliency is just a way to get into the conversation.”

The study transitions resiliency into sustainability and includes elements such as better and more accessible waterfront space, better community connectivity, enhanced water quality and improved ecological habitats.

Broadly speaking, Glus says economic conditions in the construction sector have gotten progressively better since 2009, but they still have not returned to pre-downturn levels. Part of the problem is lack of action in Washington, which has created uncertainty around issues such as water use and wetlands, he adds.

Overall, Glus expects strong organic growth with some M&A activity for ARCADIS this year. He sees a stable market in the metro area north of New York in places such as Yonkers and Westchester County because of the population density and public clients that continue to spend money.

In Nassau County, Sandy reconstruction work has driven much of the activity. And like Anderson at the Building Congress, Glus sees the New York City residential market as a bright spot.

“Globally, investors have put a lot of money to work in the New York market,” he says. “There are 12 high-rise residential towers going up now. That shows the market can handle” that amount of work.