

September 25, 2009

## **Downturn levels off, leaving A/E/C firms asking 'Now what?'**

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It is time for architecture, engineering and construction firms to change how they do business, speakers said at a panel discussion this week, because the old ways don't work now, and won't even when the economy picks up.

The panel was presented by the Society for Marketing Professional Services. They were Deanna Sihon, New Home Trends; Debi Frausto, a real estate consultant; Richard Kendall, AEC lead at Frause; Jim Hutchinson, Puget Sound Energy; and Spencer Cohen, Washington State Department of Commerce.

Brenda Nunes, panel moderator and executive director of the Sustainability Foundation, said more than 38,000 construction-related jobs have vanished in this state in the past year. The pain of the recession is still raw, but companies need to adapt to a new market.

“It you haven't been touched by it, you haven't been playing the game,” Nunes said. “Life after the recession will not be business as usual... You're not going to do business exactly the way you did it before.”

Nunes said the recession has created opportunities, if people know where to look. Here are some of her suggestions:

- Accept that the rules have changed.
- Be flexible and adapt quickly.
- Understand that integrity and trust are fundamental. In the age of social media, news travels fast so companies must be honest and operate with integrity.
- Do research. Look at trends like sustainability, technology, new communication tools, growing market sectors and demographics, and learn how they will impact your business.
- Don't pursue, be found.

### **Repositioning**

In recent years, Frausto said, business was good so firms expanded, becoming “one stop shopping” centers for all kinds of projects. Since the recession, firms have downsized and are

rethinking their operations. Success, she said, depends on understanding what your firm is good at and then collaborating — within a company, with other teams and even with competitors.

Kendall agreed: “There is absolutely no excuse, these days especially, for not collaborating.” When bidding on a project, Kendall said it is tempting to go for “the whole enchilada.” But often, he said, the best work comes when firms do the part they are best at on teams with other firms.

Firms also need to dig deeper. In sustainability for example, LEED is great but it must be more than just a list of green features. If a project gets people out of cars or helps support the local economy, that's sustainability, Kendall said. “It's not all about just having a checklist and making sure you get 18 of 20 points.”

Frausto said real sustainability must go beyond lip service. “This is a huge new economy here. It is more than the press releases, it's what's really behind that. Dig deeper, ask different kinds of questions.”

Another way to stay ahead, Frausto said, is get young people on your team so you can understand how that generation works.

## **Housing**

Sihon of New Home Trends, a company that analyzes new homes sales, spoke about the region's new housing market. Sales are down 60 percent since their peak in 2005 and prices are down 25 percent. She said the Puget Sound region typically trails California by 12 to 18 months and sales of new homes there began to pick up last spring. Though she anticipates only 7,500 sales of new homes in the region will close this year, it should rise to 9,000 next year and be 11,000 by 2011.

Lot development is a big concern. Lots that sold for \$250,000 in 2005 are selling for half of that today, causing banks to take back properties. There are deals available, but builders can't get financing.

“Right now the banks are the biggest issue out there and until the credit markets get corrected, we will not likely see our market recover completely.”

Generation Y, the children of baby boomers, will drive future housing and create strong demand for rentals and first-time home buying. But the design and construction market will have to adapt to provide what this generation wants.

Sihon said Generation Y wants to be in an urban environment. They are more informal and don't want their parents' house. They skip ads and don't read newspapers, so marketing must be creative to reach them.

Thurston County is a strong market and could be a high demand area, Sihon said, but mostly people want to live closer in. Before, she said, people were going further out to Kitsap or Skagit counties. “That's likely going to stop. That's not happening anymore.”

Baby boomers will also come back into the marketplace, boosting demand for more retirement communities.

Sihon said the days of “build it and they will come” are over. To attract young buyers, housing needs to be smaller but high quality and well designed. “Before you proceed with anything, know your market, know the buyer, know where the holes are, do your homework,” she said. “We're in the down cycle, plan for the future.”

### **Bigger picture**

Hutchinson of Puget Sound Energy said he has a fairly rosy outlook because his company plans for the next 20 years, and is busy anticipating what the next economic bubble will be. It would be helpful, he said, if more business sectors took the long view.

Over the next 20 years, PSE's projections show energy demand in the Puget Sound region, not counting major cities like Seattle or Tacoma, will be twice what Seattle consumes today. Infrastructure for stormwater, transportation and other sectors will also need to grow.

That mean a lot of infrastructure work will be needed in the coming years. New systems, he said, must be more efficient than today's.

“The architects, the engineers, the designers are going to need to figure out how to make things smarter,” he said. “You have to be prepared for this in the future.”

Cohen of the Department of Commerce said key sectors that will experience growth include information technology, advanced manufacturing, telecommunications, health care and life sciences, aerospace, and energy production and conservation.

He said there are opportunities overseas and firms should look at markets like China and Taiwan.

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