

LAYOFFS SPREAD AS ECONOMIC  
CRISIS WORSENS

# GATHERING GLOOM

As the financial crisis continues to deepen and expand, West Coast architects are preparing for a sustained battering. Layoffs are sweeping through an increasing number of firms as they struggle to weather the worsening storm—with no apparent end in sight.

According to a recent AIA Work On The Boards survey, billings plummeted in October, in sync with the distress felt in international credit markets. The Architecture Billings Index (ABI) score fell to 36.2, a new low **continued on page 12**



**GATHERING GLOOM** continued from front page for the survey. To put that number in perspective, an ABI score below 50 is symptomatic of a slowdown.

In September, inquiries remained relatively consistent at 51.0, but fell to 39.9 in October. Not surprisingly, many of those participating in the survey pointed to difficulties in client financing as the primary factor affecting new projects.

The inevitable rash of layoffs has spread to every sector of the business, as firms reorganize in response to the crisis.

Among recent cuts, Johnson Fain is reported to have laid off six architects over a finance-related construction halt. Calls to the firm's Los Angeles office were not returned. An official at Skidmore, Owings & Merrill would only confirm that there have been layoffs at the firm's West Coast offices. SB Architects, which specializes in high-end hospitality projects, has cut staff by 20 percent in their San Francisco and Miami offices. The collapse of financial services firm Lehman Brothers scuttled a number of the firm's most significant projects, including a Southern California Ritz-Carlton. According to SB president John F. Eller, when the announcement was made that Lehman had failed, the contractor simply walked off the job.

While SB has sustained damage from the downturn, Eller said the firm has new projects on the boards. "We're holding our own, relative to current staff levels and workload," he said. Eller notes that SB's conservative staffing prognosis extends to the end of the firm's fiscal year in June 2009. "With the volatility of the current situation, we will expect some additional pieces of bad news, we're just not sure where it's coming from next," he said.

Carrier Johnson, a San Diego-based firm that averages between 18 and 24 million dollars per year in gross fees, has seen a ten percent loss of volume since last year, resulting in a 15 percent decrease in staff. Company principal Michael C. Johnson considers his firm's cutbacks modest in comparison with others in the region. "Some firms in town are almost gone," he said.

As construction has recessed over the last year and a half in California, Johnson has witnessed larger firms increas-

ingly undercut smaller outfits to weather the downturn. "I think you're going to see some of the bigger firms competing in areas where they weren't competing," making it even harder for smaller firms to survive, Johnson added.

The institutional sector has largely remained behind the downward curve, experiencing its first statistical weakening in four years this September, according to the AIA. CO Architects, a Los Angeles-based firm with an institutional specialization, laid off 15 percent of their staff midway through 2008, the result of stalled projects in the U.C. system. While the firm has re-staffed in response to a strong backlog, Scott Kelsey, managing principal of CO, sees an uncertain future. "We're not sure what will happen in 2009. The farther we move out, the less sure we are."

Both Eller and Kelsey express guarded optimism, largely because their firms are not tied exclusively to the California economy (SB is active in the Middle East, while CO's practice is national), but others sound a more pessimistic note.

Paul Milton, CEO of Hart/Howerton, a firm with offices across the country, sees no regional safe harbor from the economic storm. "We've got the benefit of looking at this from a global perspective, and there is nowhere that is immune," he said. To illustrate, Milton points out that Dubai home prices were off 19 percent in October. His 250-person firm has undergone a 15 percent staff reduction in the last three months—half of which are in the architectural realm, with the additional cuts being made among the firm's landscape architects, planners, and interior designers.

Milton sees his firm's bulwark against the current financial spasms not in geographic diversity, but in the economic resilience of its "ultra-high-net-worth" clients. He notes that many of these clients can afford to move ahead with construction projects. "We're working on a private island in the Persian Gulf," he said. "Gone are the days of master planning communities in Scottsdale."

With the financial tempest growing ever more complex, and industry-wide staff cuts likely to last well into 2009, Milton's pessimism is well-founded. "I don't think anyone knows the full effect of what's happening," he said. **MS**