



LANDSCAPE DESIGN AN INDUSTRY STUDY

Things you will learn from this whitepaper:

1. How has consolidation affected the landscape design industry?
2. What are the current challenges facing the landscape design industry?
3. What is the current demand for landscape architects?
4. What other industries have a meaningful affect on the landscape industry?

This whitepaper will have special interest to:

1. Attorneys consulting with landscape architects considering mergers or acquisitions.
2. Judges presiding over business disputes & litigation cases.
3. Business mediators & arbitrators.
4. Those concerned with the valuation of landscape companies.

Notice & Disclaimer

In a forensic accounting setting, the purpose of an industry analysis is to allow a comparison of the subject company to its industry. This comparison is vital to assess the strengths and weaknesses of the subject company, as well as its industry and company specific risks.

The following study contains a brief, selected analysis of the specified industry. It is based upon a review of current economic statistics, articles in the financial press, reviews found in current business periodicals and information posted on numerous internet sites. It does not purport to be all-inclusive or to contain all of the information which a prospective investor or lender may require. Projections and opinions are based upon information provided by third parties. We make no representations or assurances that this information is complete or accurate. Neither Mark S. Gottlieb, CPA, PC nor any of its officers, employees, or representatives make any representation as to the accuracy of completeness of this report or its contents, nor shall any of the foregoing have any liability resulting from the use of the information contained herein or otherwise supplied.

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Industry Overview

The U.S. Landscape Counseling and Planning Industry consists of establishments providing a multitude of services relating to landscape design and stewardship. Such consultancies engage clients with respect to landscape analysis, design, construction and management of natural and built locales. The industry's customers include commercial, residential, and governmental entities.

Commercial entities hire landscape architects to work on large-scale projects such as shopping malls, golf courses, and resorts. On a smaller scale, commercial entities employ landscape architects for the design of water features, gardens, employee-areas and historic preservation and restoration. Governmental projects include parks, monuments, urban design, transportation facilities, academic campuses, reclamation and conservation projects. Residential projects represent one-quarter of the work performed by landscape architects, as owners strive to enhance their outdoor spaces.

Operations

Once given an assignment, a landscape designer makes detailed analyses of the slope, soil composition, vegetation and water drainage of the subject land. Next, initial outlines for the site are submitted for approval. If the client accepts, the landscape architect drafts a formal proposal including written reports, sketches, models, photographs, land use studies and cost analyses. At this point, the designer may begin working in conjunction with architects and engineers, combining engineering, horticultural and design skills to create intelligent and pleasant environments.

Typically, the landscape architect or architecture firm is present at the opening of the site and available for assistance or consultation through the first six months of existence. Most landscape architecture firms also supervise contractors during the installation of their plan.

Workforce

The landscape architecture profession grew slowly through the first half of the twentieth century. Demand and salaries were low until the profession experienced significant growth during the 1980s and 1990s. By 2003, almost 60 universities and colleges in the United States offered a total of 75 accredited baccalaureate and post-graduate programs in landscape architecture. Eventually, the demand for landscaping outnumbered the professionals available to execute them.

Today, landscape architects must study engineering and graduate from an accredited program in their field. Upon completion of studies, a two-year apprenticeship program is compulsory. According to the Gale Group, apprentice landscape architects can earn between \$45 and \$75 an hour, with licensed principals earning from \$90 to \$200 per hour. Across the board, salaries are on the rise: the American Society of Landscape Architects (ASLA) reported a 23.4 percent increase in wages for landscape architects over the past seven years. Recently, large-scale design firms offering landscape planning have begun to attract talented landscape architects away from private firms, though there seems to be plenty of work to go around. Employment of landscape architects is expected to grow faster than the average over the next ten years.



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Private landscape architecture firms and self-employed landscape architects make up the bulk of the landscape counseling and planning industry. According to the U.S. Department of Labor, Bureau of Labor Statistics, of the 25,000 landscape architects currently working, 26 percent are self-employed, a rate more than three times that of other industries. In addition, some architectural and engineering firms have begun offering in-house landscape architectural services. The federal government also hires landscape architects for projects similar to those done by private firms. Federal employment is prized in this field, as landscape architects providing government services earn more on average, annually, than their private sector contemporaries.

Competitive Landscape

Increased demand for services has promoted sharp growth in niche business opportunities; competition remains strong in the industry. While startups and part-timers compete vigorously at the smaller, residential end of the market, large firms have seen success in targeting retail, industrial and commercial accounts in major markets. Landscape design and build services now comprise the second-largest segment of the larger lawn and garden industry, accounting for 25.8 percent of all revenues. Locales such as malls, hotels and botanical gardens provide venues for expansion of services by established firms.

While larger companies may experience success in a variety of areas, many landscape counseling and planning firms offer highly tailored services. In competitive markets, successful firms typically gain a foothold in an area of strength, then attempt to parlay this competitive advantage into related or supporting services. Over the past decade, specialization has become a pronounced industry trend.

Consolidation at the local level is common, though regional and national syndication are not alien to the industry. As the nation's largest commercial landscaping business, ValleyCrest Companies of Calabasas, California has demonstrated such a capacity for industry growth via consolidation. Having purchased several large competitors over the last ten years, ValleyCrest Companies currently reports over \$700 million in annual sales. In addition to providing landscape consulting and planning services, the firm offers lawncare and nursery work. Other industry leaders include SWA Group of Sausalito, California, and Environmental Earthscapes Inc. of Tucson, Arizona.

Marketing & Advertising

Landscape counseling and planning firms solicit business in a variety of ways:

- “Piggybacking” on relationships with developers and contractors in building schemes;
- Project and contract bidding, particularly for large-scale development projects and municipal endeavors;
- Other traditional marketing techniques such as fliers and inserts in newspapers and magazines, television and radio spots, and door-to-door canvassing and word-of-mouth.



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Industry Opportunities

Industry Demand

Demand for landscape counseling is based upon several factors that include, but are not limited to private construction rates, building costs, interest rates, business and industry growth, and government funding of parks and other facilities. Recently, landscape architects have begun to displace engineers as leaders on projects like transportation corridors and urban planning. The recent passage of TEA-21, which authorizes federal funding for transportation projects, will continue to offer significant possibilities for landscape architects. Furthermore, residential projects are a dramatically growing source of demand for landscape counseling and planning. Many two-income households lack the time to care for their lawn and choose to retain maintenance professionals.

The Industry and the Environment

Environmental design and public projects should provide a significant opportunity for landscape architects in coming years. Clients are becoming increasingly concerned with the environment. As such, planners are asked to provide “green” solutions to their projects. Storm-water management options, energy-efficient lighting, use of recycled materials, native plantings and “green roofs” are just a few of the tools now used to address this interest. Furthermore, water quality issues demand specialized skills and landscape architects have become key players in adherence to waste disposal procedures, water quality protection and land preservation.

Environmental-oriented design has already proven profitable for many companies. Federal initiatives, such as the Environmental Protection Agency's (EPA) Sustainable Development Challenge Grant (SDCG) Program, have augmented these opportunities for landscape architects by providing seed money to encourage local projects that use sustainable environmental development strategies.

Industry- Technology

As with traditional architecture, the design component of landscape planning was realized entirely by hand through the end of the 20th century. Currently, customers constantly demand better products and services as technology improves and techniques become more sophisticated. Computer-aided design (CAD) systems are utilized to develop plans and utilize video simulation. Global positioning systems are also serviceable to landscape architects working on large-scale projects. In order to bid and pitch projects, video simulation is sometimes used by larger, sophisticated firms.

Industry- Other Challenges

Despite expectations of continued industry growth, challenges are rife in the landscape counseling and planning industry:

- A tight labor market decreases profitability by forcing firms to pay higher wages;
- Basic water availability poses a challenge for companies in many locales;
- Climate and seasonal factors dictate business operations throughout much of the U.S., serving to limit growth opportunities in many areas



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- Government budget cuts have been shown to have an adverse effect on the industry.

Trade Association- ASLA

As the industry's only significant trade organization, the American Society of Landscape Architects was formed in 1899. The Society was proposed by Frederick Law Olmsted's followers, in support of the trade of their teacher, who designed such keynote projects as New York City's Central Park. Beginning with 11 original members, the ASLA has grown into an international organization boasting 16,200 members from 48 chapters around the world.

The ASLA's stated goal is the promotion of the landscape architecture profession and advancement of landscape architecture through "advocacy, education, communication and fellowship". According to its website, the ASLA advocates at the local, state and national levels on public policy issues including licensure, livable communities, surface transportation, the environment, historic preservation, small business issues, and more.

Industry Outlook

Users of landscape architects often see a return on their investment far greater than inflation or the market appreciation of real estate. Furthermore, the market has seen increases in the construction of all types of buildings. These factors will drive the demand for landscape architects over the next decade. According to the U.S. Department of Labor, Bureau of Labor Statistics, employment of landscape architects is expected to grow faster than the average for all occupations.

The trend toward consolidation in the U.S. landscape counseling and planning industry should continue, as it has over the past decade. Companies will look for ways to maintain core services while seeking new venues for profit. Emerging technologies in horticulture and landscape design portend increased profits, particularly as companies expand in size. The enhanced project reach of landscape architects should also boost industry revenues.



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