

Core activities:

Building design
Planning approval
Production information

2 Architecture

Related activities:

Structural environmental,
landscape and other
specialist design
Urban planning
Construction cost planning
and control
Heritage building conservation
Brief writing
Feasibility studies
Project Management
Appraisal of tender
documentation
Construction monitoring
Internet/e-commerce

Related industries:

Construction
Structural engineering
Quantity surveying
Building services

SOLAR POWERED
THIN CEILING

RED
LEVEL

2 ARCHITECTURE

REVENUES £1.7 billion (1998)^a
EXPORTS £59 million (1998) £68 million (1999)^b
EMPLOYMENT 24,000 (1998) 20,900 (2000)^c

^a Mirza & Nacey 2000: *Architects' Performance 1999*. ^b ONS, 2000: *UK Balance of Payments Pink Book 2000, Table 3.9*.
^c RIBA, 2000: *Architects' employment and earnings 2000*.

INDUSTRY REVENUES

Fee earnings from private practices totalled £1.7 billion in 1998, an increase of 43% in relation to 1997, when fee earnings were £1.2 billion. Earnings from private practice exports were estimated at £59 million in 1998.

Private practice earnings are estimated to account for 90% of the entire market.¹ The remaining 10% relates to other organisations which provide architectural services, such as local authorities, but no data are available on earnings from these activities.

Subsidies and grants awarded to a number of architectural initiatives by the Arts Council of England totalled nearly £200,000 in 1998/99.

UK MARKET SIZE

There are some 6,000 private practices in the UK.² Market size is measured in terms of fee earnings of private architectural practices.

In 1998 large practices accounted for the highest share of the market; practices with 11+ staff earned 64% of all the fee earnings of the sector. Medium and large practices have consistently managed to widen their market share since 1995 and their percentage of earnings increased faster than that of smaller practices.

This is due to the fact that larger firms have a capacity to diversify their product line which sole practitioners

cannot compete with. In 1998 building design represented 83% of a sole practitioner's income, whereas for large practices design brought in around 67% of total income, other lines of work including feasibility studies, planning consultancy and interior design. The number of salaried architects in practices increased twice as fast as the number of principals between 1996 and 1998 (by 27% between 1995 and 1998, and a further 15% to 2000).

The facts suggest that there is a tendency for a polarisation between large practices and sole practitioners/micro-practices and that this is occurring across the UK. As the number of architects remained constant during the 1990s it appears that the structure and the marketing of the sector may be changing. Regional market shares have generally remained stable since 1995, this implies that these changing patterns are occurring across the UK. However, given the concentration of large practices in London, this polarisation might be more visible in London.

Fee earnings from private practices have risen in parallel with the boom of the construction industry in recent years, steadily increasing at a rate of 4%/year between 1994 and 1997. But, again, fee earnings per architect increased faster in bigger practices, from a median figure of £24,600 for a micro-practice to £62,832 for practices with 31+ architectural staff.

¹ Mirza & Nacey, 2000: *Architects' Performance*.

Comment: In the 1998 Creative Industries Mapping Document the total £1.5 billion turnover reported related to the SIC group 74.20 as a whole, comprising "Architectural and engineering activities and related technical consultancy". If the same definition was applied in this case the total turnover for the industry in 1998 would be £2.4 billion, covering 52,500 businesses.

Source: ONS Annual Business Inquiry.

² Mirza & Nacey, 2000: *Architects' Performance*.

BREAKDOWN OF PRACTICES BY SIZE AND FEE EARNINGS BY SIZE OF PRACTICE, 1998

SIZE OF PRACTICE	PRACTICES (%)	FEE EARNINGS (%)
1-2 ARCHITECTURAL STAFF	26	6
3-5 ARCHITECTURAL STAFF	19	11
6-10 ARCHITECTURAL STAFF	16	19
11+ARCHITECTURAL STAFF	39	64

Source: Mirza & Nacey, 1999.

EVOLUTION OF MARKET SHARE* BY SIZE OF PRACTICE, 1995-1998

SIZE OF PRACTICE	1995 (%)	1998 (%)
1-2 ARCHITECTURAL STAFF	9.0	5.8
3-5 ARCHITECTURAL STAFF	13.3	11.2
6-10 ARCHITECTURAL STAFF	19.6	19.1
11+	58.1	63.9

* As percentage of total fees invoiced. Source: Miza & Nacey, 1999.

BALANCE OF TRADE

In 1999 the value of UK exports increased to a new high of £68 million (it was estimated at £59 million in 1998),³ with the value of imports £14 million. The net trade balance was £54 million.⁴

Mostly, it is larger practices which are involved in international projects; some firms have their own offices in other countries.

Procurement rules are harmonised in the EU so there are no barriers in the tendering and competition for projects. Outside Europe such barriers may exist.

Nevertheless significant international markets exist for British architects in the US and countries in the Pacific rim: Japan, Hong-Kong, Malaysia, South Korea.

EMPLOYMENT

In 2000 there were 20,900 architects in full-time employment, a 2% increase since 1995, which mirrors the fall in the workforce to 23,600 over the same period. In March 2000 it was estimated that 88% of architects worked on a full-time basis and 10% part-time.⁵ Unemployment in this segment is estimated at 1%.

Under-employment is a feature of employment in the sector: it is estimated that on average 5% of architects are under-employed. The higher rate of under-employment occurred in micro-practices of 1 and 2 architectural staff in 2000 (mostly sole principals); 18% and 11% respectively. There may be a correlation here with the fact that fee earnings per architect in small practices are significantly lower (2.5 times) than in larger practices, as the latter continue to increase their share.

³ DETR, *Construction Statistics Annual, 2000*.

⁴ ONS *Pink Book 2000, Table 3.9*.

⁵ RIBA, 2000: *Architects' Employment & Earnings*.

Architecture is still a male-dominated profession: only 12% are women. Despite the fact that the number of women students continues to rise – 34% in 2000 compared to 26% in 1995 – the number of women entering the profession is still small.

Ethnic minorities are also under-represented. The Royal Institute of British Architects (RIBA) is backing a series of initiatives, for example, Architects For Change, to encourage children from diverse backgrounds to engage in their built environment and consider careers in the architectural profession.⁶

In 2000 it was estimated that 79% of all full-time architects worked in a private practice, either as principals, associates or salaried; 15% were working in the public sector while 7% worked in-house outside the sector.⁷

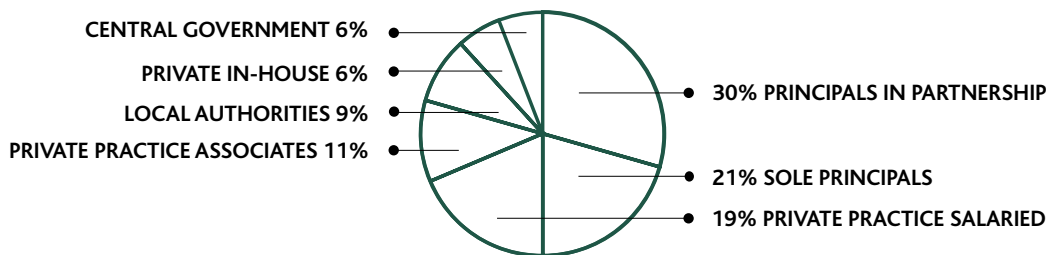
Market segments: core architectural services accounted for 85% of 1998's architects' fee earnings, building design alone accounting for nearly three-quarters of all earnings.

EMPLOYMENT STRUCTURE, 1990-1995-2000

NUMBER OF ARCHITECTS	1990	1995	2000
ON ARB REGISTER	31,400	30,500	29,800
OVERSEAS	8%	9%	9%
RETIRED	12%	13%	13%
IN WORKFORCE	25,400	24,100	23,600
UNEMPLOYED	1%	3%	1%
NOT WORKING FOR OTHER REASONS	2%	2%	1%
PART-TIME	7%	10%	10%
IN FULL-TIME EMPLOYMENT	22,900	20,500	20,900

Source: RIBA, 2000.

ARCHITECTS BY FIELD OF EMPLOYMENT, 2000



Base: All full-time architects. Source: RIBA, 2000.

⁶ Hilary Clarke, Head of Press, RIBA.

⁷ RIBA, 2000: Architects' Employment & Earnings.

PRIVATE PRACTICE FEE EARNINGS BY TYPE OF SERVICE, 1998

CORE SERVICES	TOTAL FEES (%)	CONSULTANCY	TOTAL FEES (%)
BUILDING DESIGN	<u>74</u>	PLANNING CONSULTANCY	<u>10</u>
INTERIOR DESIGN	<u>5</u>	PLANNING SUPERVISION	<u>2</u>
FEASIBILITY STUDIES	<u>6</u>	OTHERS	<u>3</u>

Source: Mirza & Nacey, 1999.

INDUSTRY STRUCTURE

In 2000, 61% of architectural staff worked in micro-businesses while nearly half the total of the UK's 6,000 practices had 5 or fewer staff.⁸ 16% of all micro-businesses (representing one-quarter of all architectural staff) employed 1 or 2 staff (3% more than in 1999); 12% were large firms.

There is evidence in the last few years of a steady increase in the number of salaried architects⁹ while sole principals remained static. This may have to do with the growth of larger practices and marketing development, and can perhaps be seen in the context of the current healthy state of the construction industry.

There has been a steady decline in the number of architects working for public sector departments, although some 15% are still employed by, for example, government departments, county councils or housing associations.

A number of other activities use the work of architects, most commonly town planning, landscape architecture and lecturing. A growing number of architects are also involved in a range of consultancy services in fields such as historic buildings.

EVOLUTION OF PRINCIPALS AND SALARIED ARCHITECTS IN PRIVATE PRACTICES, 1996-2000

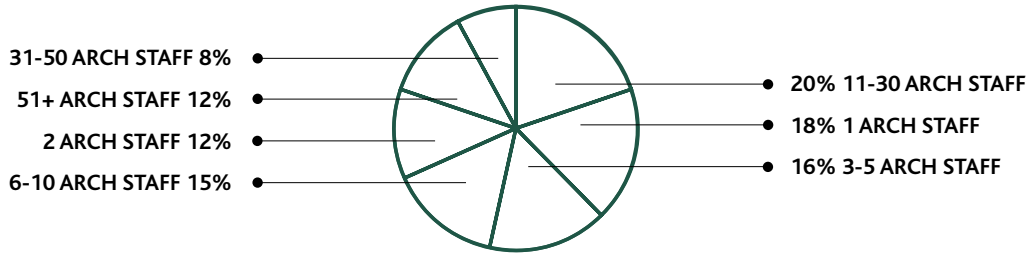
STAFF TYPE	1995	1998	2000
SOLE PRINCIPALS	10,455	10,500	10,659
% CHANGE		+0.4	+1.5
PRINCIPALS IN PARTNERSHIP	5,330	5,670	6,270
% CHANGE		+6.4	+10.6
SALARIED ARCHITECTS	4,305	5,460	6,270
% CHANGE		+28.8	+15.0

Source: RIBA, 2000.

⁸ RIBA, 2000: *Architects' Employment & Earnings*.

⁹ RIBA, 2000: *Architects' Employment & Earnings*; Connaughton, 1999: *Employment and Earnings Survey*. RIBA Journal, July 1999.

PRACTICE SIZE BY NUMBER OF ARCHITECTURAL STAFF, 2000



Source: RIBA, 2000.

REGIONAL DIMENSIONS

There is a concentration of architects and private practices in London, where 28% of the profession is based; 44% of all architects operate from London and the South East region.

In 1999 the value of fee earnings in London alone was £615 million, representing 36% of total UK earnings.

The highest proportion of sole practitioners, however, can be found in England in East Anglia and the South West.¹⁰

FIELD OF EMPLOYMENT BY REGION, 2000

FIELD/EMPLOYMENT (%)	NORTH WEST	NORTH WEST	Y&H	EAST MIDS	WEST MIDS	EAST ANGLIA	SOUTH EAST	GREATR LONDN	SOUTH WEST	WALES	N.I.	SCOTLAND
PRIVATE PRACTICE												
SOLE PRINCIPALS	28	16	14	24	28	31	28	20	31	23	23	23
PRINCIPLES IN PARTNERSHIP	23	32	30	21	25	35	30	30	31	33	22	22
ASSOCIATES	3	15	10	7	10	6	7	14	5	6	8	12
SALARIED	18	18	17	16	14	13	16	23	17	13	16	22
PRIVATE IN-HOUSE	5	8	7	9	9	6	7	6	7	4	3	5
LOCAL AUTHORITIES	13	9	13	14	10	8	7	4	6	13	8	11
CENTRAL GOVERNMENT	8	2	10	8	4	0	5	4	3	8	19	6

Source: RIBA, 2000.

10 RIBA, 2000: Architects' Performance.

INTERNATIONAL CRITICAL ACCLAIM

British architects are well known for the aesthetic quality and forward-looking nature of their design. There are many British flagship projects in the US, the Far East and Europe, including the highly acclaimed new German Parliament built within the walls of Berlin's former Reichstag by Foster and Partners (inaugurated in April 1999).

It is estimated that in 2000 around 3,800 British architects were working abroad, a rise of 80% on the 1998 figure of 2,100; the most important destinations are the EU, British Commonwealth nations and the US.¹¹

SECONDARY ECONOMIC IMPACT

The value added by the architecture industry to the UK economy in 1998 was estimated at £13.7 billion¹² (gross, at basic prices).

Workloads: the total value of construction in which architects were employed in 1999 totalled £8.4 billion (at 1999 prices), an increase of 100% on the figure of £4.2 billion in 1995. New commissions from the public sector represented 23.5% of total new orders in 1999.

The spectacular rise in new commissions for leisure and cultural

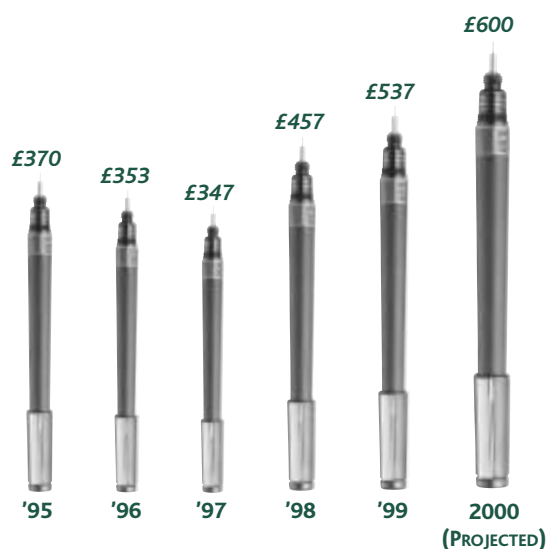
buildings in the second half of the 1990s is a good example of the buoyant state of the construction industry. New commissions (at 1999 prices) increased from £285 million to £435 million in 1999 and continued in an upward trend in the first quarter of 2000 while the value of contractors' output for public sector cultural buildings reached a projected £600 million in 2000.¹³

The National Lottery capital funding programme and the Millennium Fund are responsible for a significant proportion of investment in this

sector, and this relates to both new commissions and refurbishment of buildings. In the year-end June 2000 the contracts tendered for/signed relating to National Lottery capital funding for arts/cultural projects alone were worth over £380 million.¹⁴ English local authorities invested over £180 million in new construction and conversion of cultural buildings in the same period, an increase of 45% on 1998.

VALUE OF CONTRACTORS' OUTPUT: NEW PUBLIC CULTURAL BUILDINGS (£ MILLIONS)

Source: *Construction Forecasting and Research, 2000.*



¹¹ RIBA, 2000: *Architects' Employment & Earnings*; Keith Snook (RIBA).

¹² ONS, 2000: *Input-Output Annual Supply and Use Tables, 1998.*
 Comments: This figure relates to the SIC group 74.20 as a whole; a lower figure (£12.8 billion) is estimated for 1998 for the same SIC group in ONS, 2000 *Sector Review, The Economy, Service Trades* (Data for 1998).

¹³ *Construction Forecasting and Research Limited, 2000: Construction Forecasts 2000-2001-2002, summer 2000, vol. 6, issue 3.*

¹⁴ RIBA, 2000: *Architects' Performance.*

LOCAL AUTHORITIES NEW CONSTRUCTION AND CONVERSION FOR LIBRARIES, CULTURE AND HERITAGE, 1998-2000

ENGLISH REGIONS	TOTAL CAPITAL EXPENDITURE 1998/99 (£000)	TOTAL CAPITAL EXPENDITURE 1999/00 (£000)
NORTH EAST	12,713	28,379
NORTH WEST	10,505	20,533
MERSEYSIDE	3,061	11,756
YORKSHIRE AND HUMBERSIDE	5,156	10,384
EAST MIDLANDS	5,345	3,856
WEST MIDLANDS	33,909	27,811
EAST	7,320	15,526
LONDON	10,018	18,502
SOUTH EAST	32,347	34,621
SOUTH WEST	6,359	12,742
TOTAL	126,733	184,110

Source: DETR, Local Government Finance Division.

POTENTIAL FOR GROWTH

A feature of the late 1990s housing market boom – partly a result of low interest rates, increased spending power and the developing interest of consumers in “contemporary styles of living” – was the refurbishment and conversion of lofts and old warehouses into apartment buildings in former industrial areas. In the three months to December 1999, for example, production drawings from new commissions increased 40% and refurbishment rose by 39% in the same period.¹⁵

Demographics and life style trends also play a role in the future of the industry. The UK population is expected to grow by 0.2% annually¹⁶ in the next decade. In other European countries the population trend is negative.

In the UK there is a significant rise in single-person households and single-parent households; the number of

households is therefore growing faster than the rise in population. In 1998 one-person households accounted for 29% of households (which compares to 17% in 1971). Growth has been particularly marked among households consisting of one person aged between 16 and 59: 13% of households in 1998.¹⁷

Population household trends which may have an impact on housing:¹⁸

- *the average size of households of 2.48 people in 1991 fell to 2.36 in 1998 and is expected to fall further to 2.35 in 2001;*¹⁹
- *smaller households result in greater resources to spend on each person per household;*
- *the number of owner occupations is also increasing and owner occupiers tend to spend more on their properties, in terms of repairs, maintenance and improvements and decoration;*

- *average UK weekly household incomes grew by over 21% between 1993 and 1998 with an average weekly disposable income of £360.00 per household. In 1999-2000 average weekly disposable income was £379.40 per household.*²⁰

Future developments in information technology (enabling, for example, more effective home-working environments) are likely to have an increasing influence on people's choices in the areas of jobs, home location and design.

The home is increasingly a centre of activity for every-day learning, work and leisure and will require expert design to accommodate this variety of functions in terms of high levels of space and energy efficiency.

A consequence of the identified increase in the market share of larger firms is a diversification of their

¹⁵ *Stungo, N., 2000: Architects' Workload Survey. RIBA Journal, April 2000, pp.88-93.*

¹⁶ *Population growth used to be a reliable indicator of future housing needs.*

^{17, 19} *ONS, 1999: General Household Survey, Living in Britain.*

¹⁸ *Mintel, 2000: UK vs US Online Shopping.*

²⁰ *ONS, 2000: Family Spending.*

products and services. This enables practices to serve a larger number of market segments, which generates economies of scope; this in turn has the potential to enhance business growth.

In the 1990s British architecture abroad achieved major success; the growth in the value of exports from £56 million in 1996 to £68 million in 1999 should ensure a range of significant new international commissions in the future.

IMPACT OF E-COMMERCE/ INTERNET/TECHNOLOGY

By 2003 the construction industry expects to handle 10% of its £56 billion output via the Internet.²¹ At present e-commerce is employed mainly for ordering building products, but in the near future it is envisaged that it will enable companies to network the participants of construction projects – clients, contractors, professionals, tradesmen and suppliers – more effectively. The use of e-commerce and e-business processes by architects is at an early stage but during 2000 there were significant developments.

The Internet and new technologies will not replace the creative process but will support better project management, improving the productivity and efficiency of design and construction processes.

Key barriers to the use of information and communication technologies and the Internet by the industry are the current slow downloading times (i.e. low bandwidth) of the Internet and the incompatibility of building design software.

GROWING THE SECTOR – POINTS FOR CONSIDERATION

New technologies – such as ICT, prefabrication, intelligent materials, energy-efficient ventilation, combined heat and power – will undoubtedly have a significant impact on the activities and work of architects in the future.

Currently digital services are inconsistently employed across the construction sector's supply chain. This is most likely to be the result of concern over digital technology inefficiencies (e.g. software still at a

development stage, slow download speeds) and the need to develop more familiarity with and confidence in the opportunities technology can generate.

Real estate online operators are increasingly prevalent, and architects in the near future may be required to produce web pages and sites to accompany their building designs to enable real estate businesses to retail properties online.²² The training of architects should accommodate these evolving requirements.

The increased concern for the environment requires that architects pay closer attention to the environmental qualities of buildings and to their impact on the landscape.

British architecture has been consistently recognised abroad for its quality and innovative design and there is a need to build on these achievements through improved exports promotion.

21 Delargy, 10 March 2000: *Building*, "IT E-commerce: Reeling Them In."

22 Novitski, September 1999: *Architectural Record*, "The future. Consumers are buying goods on the Internet in growing numbers. Will e-commerce doom retail architecture?"