



Architect Michael Malinowski is down from six employees to one full-timer at his Applied Architecture Inc. in Sacramento. "We took a hit, along with everyone else," he said. Nationally, monthly billings and new-business inquiries fell to record lows in January.

## Sacramento-area architects struggle with downturn

By Nicole Williams

Visions of stylish home remodels, contemporary condos and high-end office centers line the lobby of Michael Malinowski's Applied Architecture office. But for now that's all they are: drawings on a wall.

Last December, Malinowski's firm was so busy he had to hire extra help to keep up with the workload. But shortly after the calendar turned to 2009, the phones at his X Street offices in midtown Sacramento stopped ringing.

"We took a hit, along with everyone else," he said.

Hammered by the economy and pinched by the credit crisis that has dried up financing for new development, architecture billings hit an all-time low in January, according to the American Institute of Architects.

That's playing out in layoffs, hiring freezes and belt-tightening for design firms locally and nationally. And it's making it tougher on new architecture graduates trying to land their first job.

Malinowski has laid off most of his employees and stopped taking home a salary about six months ago.

Anova Architects, whose Sacramento and Placerville offices specialize in designing school facilities, has cut its 80-person work force by 25 percent since January. At the urban architecture firm of Ron Vrilakas, 80 percent of his design projects have been put on hold by builders.

The current downturn has been the most dramatic in the last 30 years, said the AIA's Central Valley chapter president, Matthew Shigihara.

About 50 percent of the local AIA's 800 members are struggling, he said, with those specializing in residential design the most severely affected. Many have had to lay off about 25 percent of their staff.

"Just like any cycle, we will get through it," he said. But losing talented staff to cutbacks "takes five to 10 years to rebuild," said Shigihara, also a principal at Lionakis Beaumont Design Group Inc.

Malinowski is down from six employees to just one full-time paid employee. Deciding who had to be let go wasn't easy.

"I tried to be rational about who could stand the pain," he said.

The rest are on-call for small jobs, and he hopes to eventually rehire them.

One of Malinowski's on-call employees, architectural designer Nitisha Gilra, has used the time off to visit family in Australia and to rethink her career options. "I'm better off being optimistic rather than pessimistic," she said. "And I hope in six months I'll be back rolling here."

That remains to be seen.

The Architecture Billings Index, which has tracked the industry's economic trends for 15 years, hit its lowest point ever in January, said Kermit Baker, AIA's chief economist.

The index, which monitors monthly billings and inquiries for new business, fell to the low 30s, a stark measure of how slow business has become for architecture firms across the country. An index score of 50 means business growth is considered neutral.

In recent months, there's been an uptick in the number of new-business inquiries reported by firms nationally, attributed partly to stimulus spending for nonresidential projects. And Baker said it appears the worst may be over.

Architects like Charles Downs, president of Anova Architects, thinks it will be 2011 before business rebounds.

"There's just one giant reset button being pushed on society right now," he said.

Next year will be the year to survive, said Downs, whose firm laid off seven more employees last week.

"It's heart-wrenching," he said. "Being a small business, you get to know people and where they are with their families ... it's just very painful."

Aside from layoffs, Anova has implemented pay cuts, canceled its summer internship program and sharply reduced the amount of work it does for nonprofit groups.

Anova specializes in school facilities, such as its current projects on the campuses of Sierra College and Chico State. But a number of projects have been postponed.

Traditionally, companies whose jobs are focused on the public sector, such as higher education and government projects, fare better in economic crises than residential and commercial sectors, the AIA's Baker said.

Baker predicted the South will begin recovering first, with the West – largely driven by California – and the Midwest the last to recover.

California's lag in recovery may be attributed to state budget problems and the housing crisis, Baker said.

The credit crunch that has dried up lending for developers and homeowners alike has contributed to the architects' slump.

Vrilakas has seen even the most financially sound developers have trouble securing loans, he said.

"It's the basic hangover system," Vrilakas said of the excessive real estate lending practices. "When you drink too much, there's a price to be paid."

He has laid off two of his eight employees and his billable accounts are down 40 percent.

"We don't want to go under, and we don't expect to soar," he said. "Our goal is to just tread water."

For new architecture graduates, it's been a rude awakening.

Sacramentan Emily Pappalardo, who graduates today with an architecture degree from California Polytechnic State University in San Luis Obispo, feels lucky. She has a job waiting for her at a small Walnut Grove-based engineering and architecture firm, DCC Engineering Co. Inc. Many of her architecture peers aren't so fortunate.

"Students used to say, 'Should I take this \$70,000 job with no benefits or this \$60,000 one with benefits?' " she said. "They'd have three or four offers. Now there's none."

Even for veteran architects like Malinowski, a survivor of several recessions over the 30 years he has been in business, this downturn trumps them all.

"This one feels different – there's more fear," he said.

Survival means scaling back, hanging on and hoping things will turn around in the next year or so.

Malinowski and others said they see signs of increased optimism, such as homeowners taking advantage of lower building costs to remodel or expand their residence. But it could be well into 2010 or beyond before things start to recover.

"A few firms are probably still thriving," Malinowski said, but "I don't know of any."

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