

# Private Market Resources

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**Erin McLaughlin**

*May 12, 2020*

The ACEC logo features the letters 'ACEC' in a large, white, serif font. A thin, curved line arches over the letters. The logo is positioned in the bottom right corner of the slide, set against a background of a modern building at dusk.

**ACEC**

AMERICAN COUNCIL OF ENGINEERING COMPANIES

# Introduction

## Erin McLaughlin

Vice President, Private Market Resources

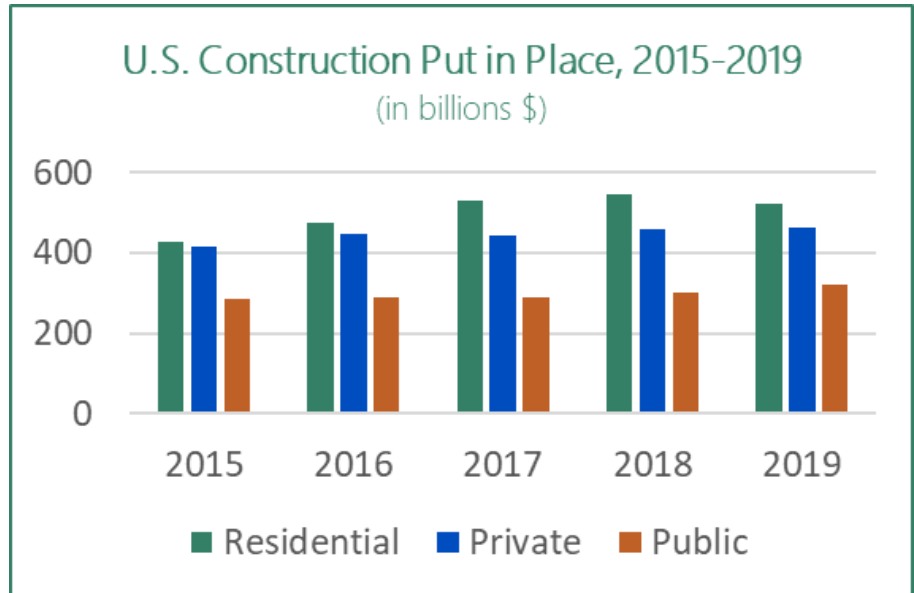
- Joined ACEC in 2017
- 18 years with engineering/architecture and commercial real estate firms
- 10 years with Dewberry - last 6 as Director of Business Development, Mid-Atlantic
- Former President (2015) and Programs Chair (2011-2013), of CREW (Commercial Real Estate Women) Northern Virginia



# Construction Spending

- 2019 about \$1.3T of construction put-in-place:

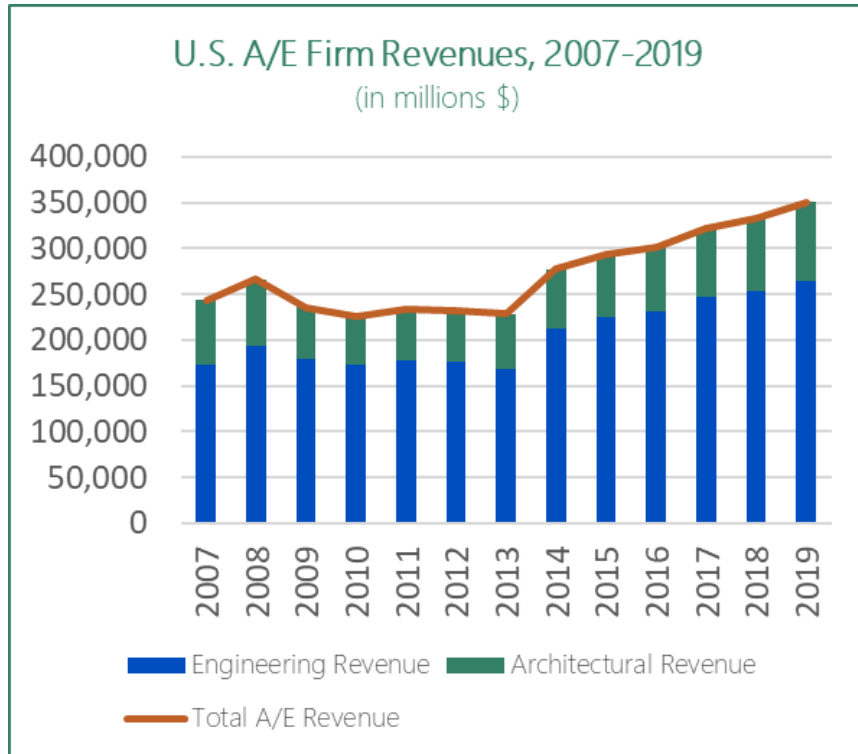
- \$522B - residential projects
- \$463B - private-sector projects; and
- \$322B - public projects



Source: U.S. Census Bureau

# Construction Spending

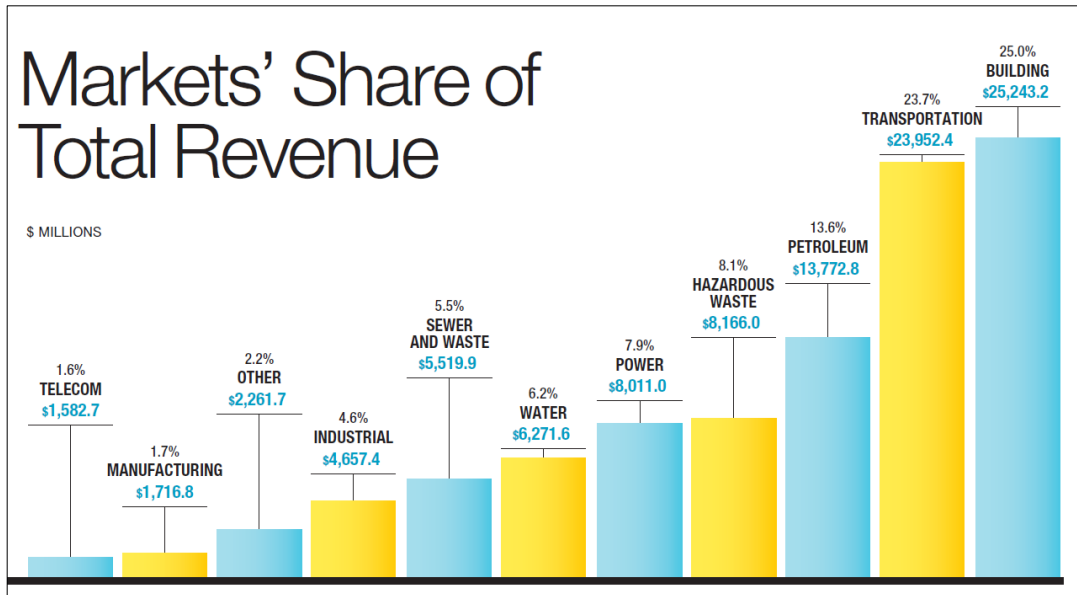
- A/E revenues steadily increased since last recession:
  - \$350.47B –total A/E revenues
  - \$263.85B – engineering revenue; and
  - \$86.62B – architectural revenue



Source: U.S. Census Bureau

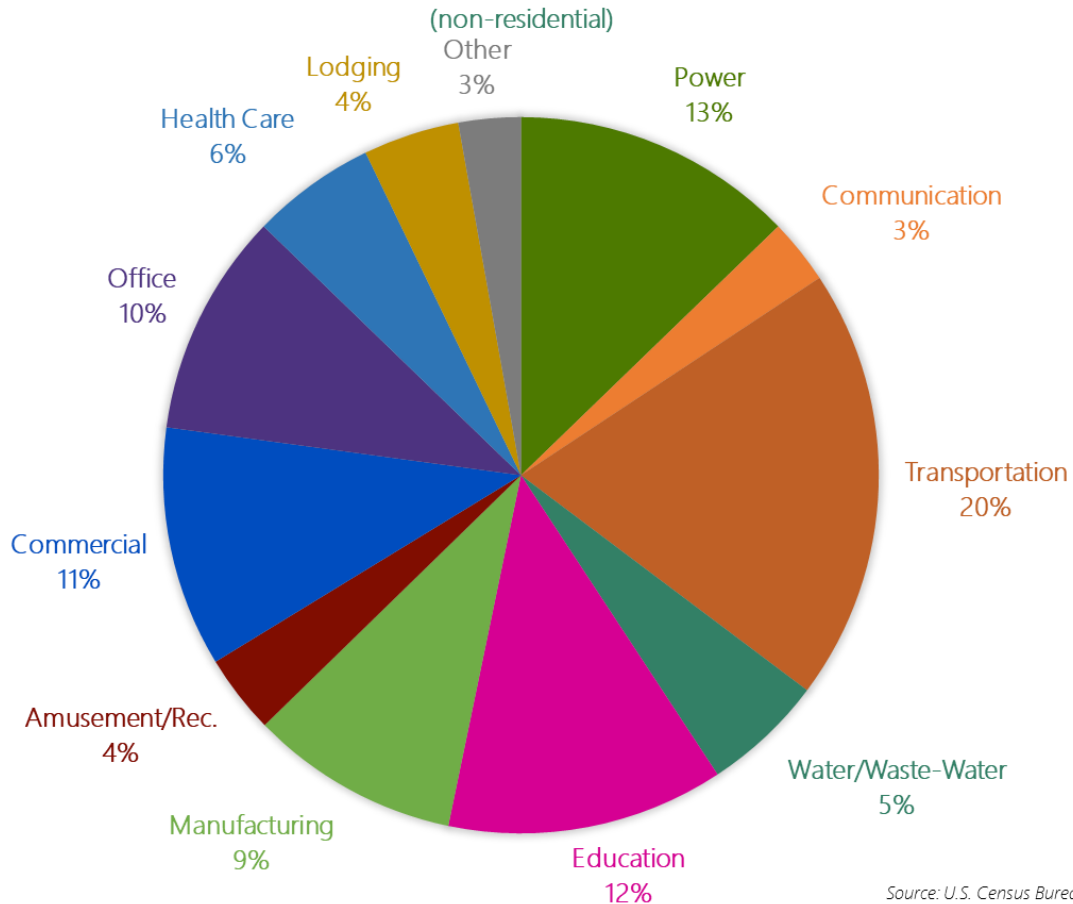
# Private Market Scope

- An estimated 63% of *Engineering News-Record's* Top 500 firms' design revenues are from private clients




Source: ENR

# 2019 U.S. Construction Put in Place by Project Type



Source: U.S. Census Bureau





**FOUR SUBMARKETS**

1. **Commercial & Residential Real Estate**
2. **Intermodal & Logistics**
3. **Energy & Utilities**
4. **Health Care & Science+Technology**

# Four Private-Market Sectors

## Commercial & Residential Real Estate



### *Client types:*

Real Estate Developers  
Home Builders  
Retailers

Example Clients	Fortune 2019 Ranking
Walmart	1
CBRE	146
D.R. Horton	194
Lennar	154
JLL	189

## Energy & Utilities



### *Client types:*

Energy  
Utilities  
Telecommunications

Example Clients	Fortune 2019 Ranking
Exelon	93
Duke Energy	126
PG&E	183
American Electric Power	192
Dominion Energy	238

## Intermodal & Logistics



### *Client types:*

Ports & Intermodal  
Railroads  
Logistics/Freight Delivery

Example Clients	Fortune 2019 Ranking
UPS	41
Fedex	47
Union Pacific	134
Waste Management	213
CSX	260

## Health Care & Science+Technology



### *Client types:*

Medical Facilities  
Laboratories/Pharma  
Universities  
Data Centers

Example Clients	Fortune 2019 Ranking
Johnson & Johnson	37
Procter & Gamble	45
Pfizer	61
Merck	76
Community Health Systems	223



# Key Drivers & Trends by Market

## Commercial & Residential Real Estate



- Rise of industrial/dist. market due to e-commerce
- ‘Retail apocalypse’ with stores closing and adaptive reuse of properties
- Impacts of natural disasters/catastrophes
- Continued demand for workforce housing
- Flattening of the multi-family market

## Energy & Utilities



- Growth of natural gas
- Need for additional pipeline capacity
- Solar and wind growing to meet electricity demand
- Focus on energy efficiency goals driven by ‘Green New Deal’-type city and state policies

## Intermodal & Logistics



- Increase of freight—estimated to grow in volume by 40% by 2045—largely due to e-commerce
- Panama Canal expansion resulting in port and intermodal/landside facility growth
- Focus on ‘last mile’ for freight delivery
- Trucking labor shortage puts some focus on freight rail
- International trade and tariffs of significant influence

## Health Care & Science+Technology



- Demographic drivers with growth of 65+ population due to aging baby boomers
- Focus on smaller facilities and not large hospitals
- Demand for medical office buildings outpacing supply
- ‘Retailing’ of health care through CVS Minute Clinics and adaptive reuse of mall space to healthcare space
- Increase of telehealth

# COVID-19 Pandemic Impacts

FMI CAPITAL ADVISORS

II. A/E/C INDUSTRY OUTLOOK

## IMPACT TO NON-RESIDENTIAL BY SEGMENT

Non-Residential construction segment recession risk: potential depth and length of decline  
Source: FMI Q1 2020 outlook trajectory



### OFFICE

- Slowed employment growth expected to weigh on future spending
- Demand for data center investment continues to expand rapidly alongside 5G deployment

### HEALTHCARE

- Demand and adoption for healthcare services and technologies (e.g., wearables, telehealth)
- ACA expected to be an important political platform through the 2020 election
- Actual decline in hospital visits and less elective surgery is affecting revenues and capital planning

### MANUFACTURING

- COVID-19 related supply chain disruptions, ongoing trade tensions and oil price collapse lead to decline in industrial production into 2021
- Argument to be made for uptick due to transition toward "made in USA"

# Private Industry Briefs

- 8+ issues a year
- Annual issue for each submarket
- Free electronic subscription
- Informative and timely content:
  - Top clients
  - 5 market trends
  - Government affairs update
  - Business development insights
  - Hot geographic areas



## Market Scope

For engineering firms, the health care (HC) and science+technology (S+T) markets are large with \$44 billion in HC construction anticipated for 2020, according to FHL. There are more than 500 Health Care systems and 4,000 hospitals in the U.S. American Hospital Association and the U.S. Agency for Healthcare Research and Quality. In addition to hospitals, facility types include outpatient centers and medical office buildings (MOB), as well as laboratories, production and administrative space for pharmaceutical, biotechnology, and university clients. A wide range of engineering services are provided to these clients, often with specialized needs related to mechanical, electrical, HVAC, and commissioning.

## Top Clients

The list below features the top 10 largest health systems, ranked by their number of hospitals. All of these systems also include other facility types that serve outpatient needs and support services. The list notes the headquarters location for each system.

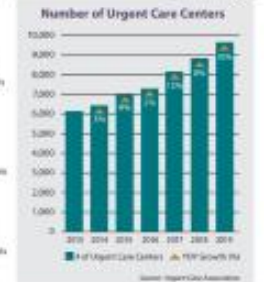
1. **HCA Healthcare** Nashville, TN: 185 hospitals
2. **Alexandria Health** St. Louis, MO: 101 hospitals
3. **CommonSpirit Health** Chicago, IL: 142 hospitals
4. **Community Health Systems** Franklin, TN: 305 hospitals
5. **Trinity Health** Lewis, MI: 92 hospitals
6. **LifePoint Health** Greenwood, IN: 86 hospitals
7. **Quest Diagnostics** Dallas, TX: 80 hospitals
8. **Veeva Healthcare** Madison, WI: 48 hospitals
9. **Providence St. Joseph Health** Portland, OR: 13 hospitals
10. **Abertus Health** Charlotte, NC: 30 hospitals

Source: Design & Hospital Network

## 5 Current Market Trends

1. **Outpatient Facility Growth** Health care facilities continue the trend of dynamic decentralization away from hospitals and inpatient settings. As the number of hospitals continues to decline, there has been a dramatic surge in outpatient facilities which serve a wider variety of treatments than ever before. These properties include urgent care centers (UCCs), which are defined as medical sites with ambulatory floors that are equipped to diagnose and treat a broad number of non-life-or- limb-threatening conditions. The chart below shows the dramatic increase in UCC's.

(Continued on next page)



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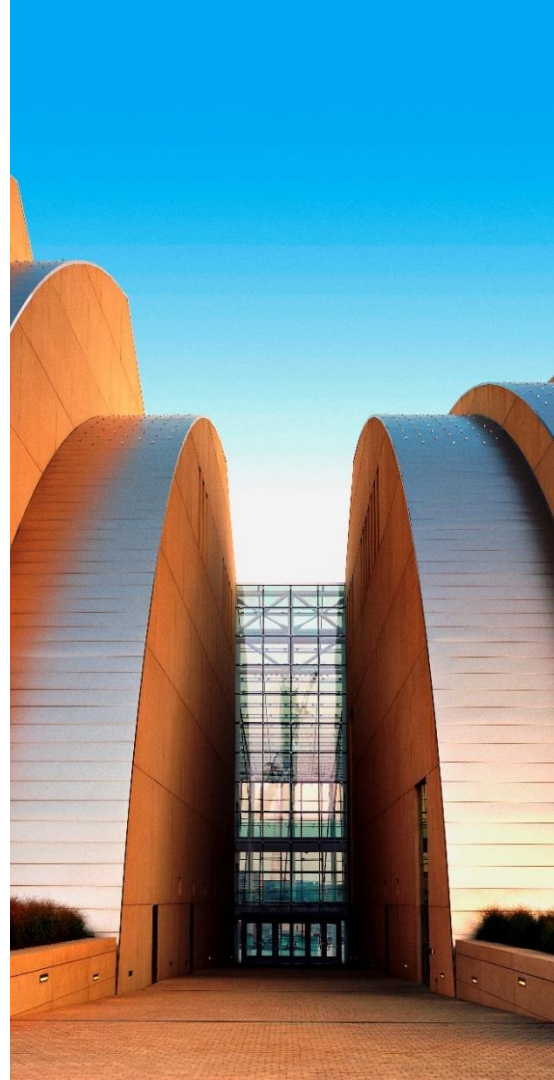
# Additional Resources

- Private Side column in *Engineering, Inc.* magazine
- Macro-Econ/Market updates each Monday on *Last Word* blog
- Webinars
  - Mass Timber on June 3<sup>rd</sup>
- Private/Vertical Roundtable Discussion on COVID-19 Impacts
  - First one on May 21<sup>st</sup>
  - Link to register:  
<https://education.acec.org/diweb/catalog/item?id=5203950>



# ACEC Ohio – *Discussion*

- How can I and ACEC national help?
- Private Markets Forum thoughts:
  - Programs
  - Resources
- Uniqueness of Ohio market





# Thank You

Erin McLaughlin  
Vice President,  
Private Market Resources



202-682-4352



[emcloughlin@acec.org](mailto:emcloughlin@acec.org)



[www.acec.org](http://www.acec.org)

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