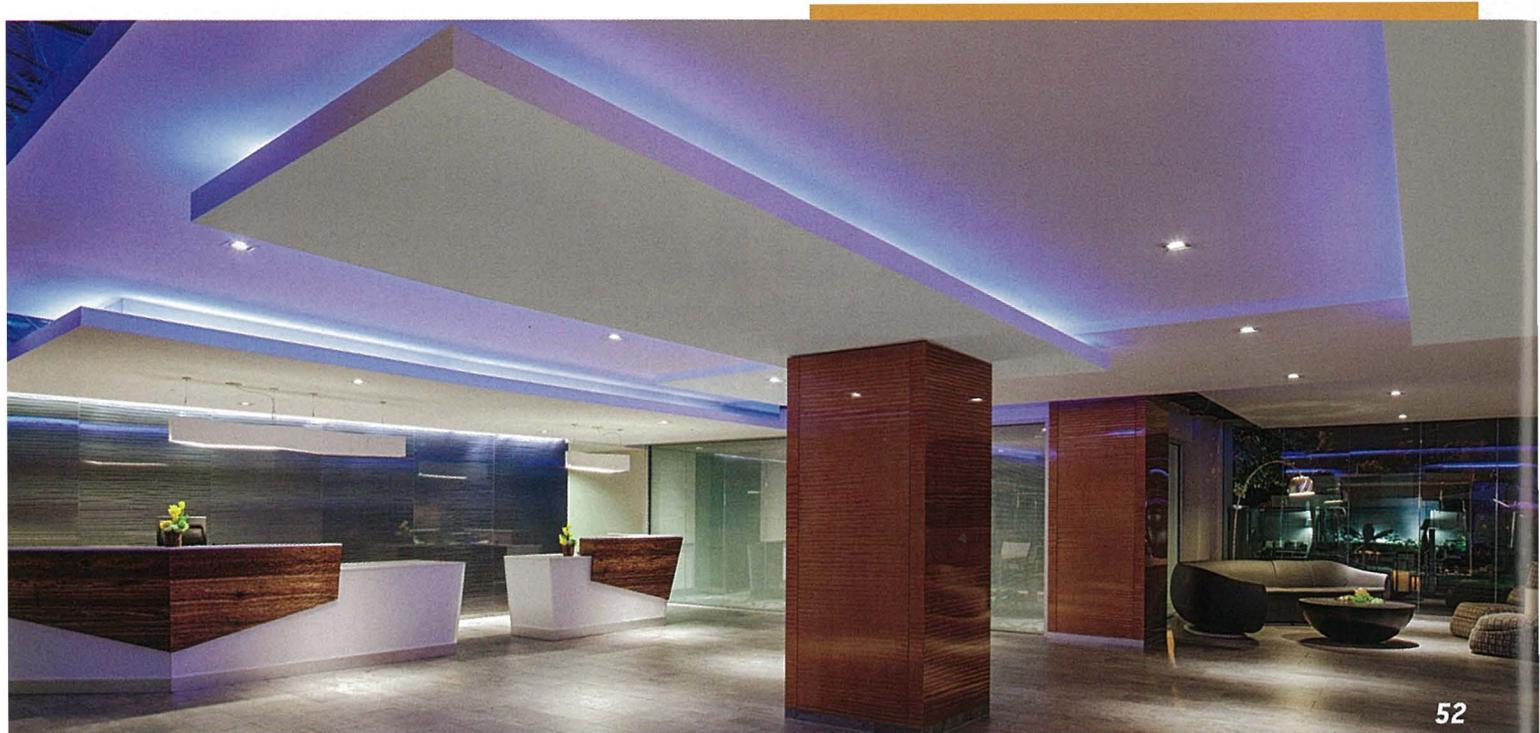


INTERIOR DESIGN[®]

A person is walking on a modern staircase with illuminated steps. The steps are white and have a perforated pattern that allows light to pass through, creating a glowing effect. The person is wearing a dark top and a black sandal. The background is a dark, textured wall.

OCTOBER
2014

let there be light



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HOSPITALITY

GIANTS

It's now safe to say, cliché or no, that the 75 firms that make up the *Interior Design* Giants in the hospitality sector have finally returned, after the Great Recession, to "business as usual." Firms have found both stability and growth—by all accounts consistent and sustainable. And almost all have a pleasant view of the future. Let's go to the numbers. As total design revenue hit \$1.6 billion, up a sweet 18 percent from last time, hospitality fees specifically reached \$701 million, a 14 percent rise and a continuation of the trend from the survey before. These Giants forecast another 10 percent jump in hospitality.

Hospitality work remains the design profession's biggest growth driver. Three surveys ago, 40 percent of revenue came from hospitality. Now, it's 44 percent, just a slight drop from 46 percent a year ago. For perspective, the next-in-line category was corporate, at 23 percent of revenue.

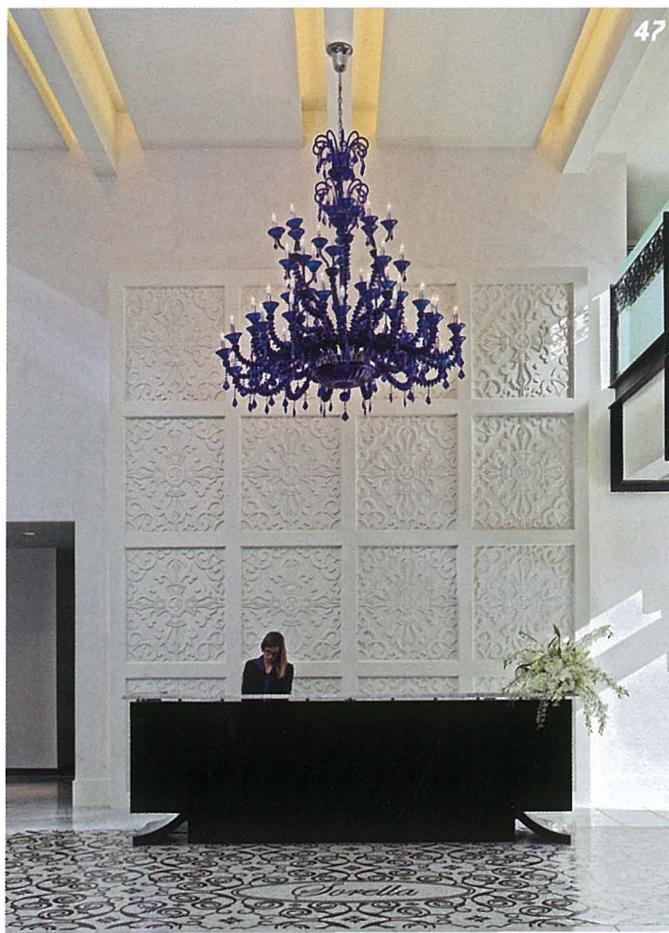
From top: Hotel MdR in Marina del Rey, California, is by Indidesign. Hotel Sorella Country Club Plaza in Kansas City, Missouri, is by Dawson Design Associates.

With work steady and cash flowing, firms have been bulking up to meet demand. Total interior design staff at these Giants cruised to 8,200, a more than 1,600-employee jump from last time and the highest number in five years. The firms forecast hiring another 550 designers. The average fees per staffer consequently dipped to \$128,724, as new hires diluted the numbers.

All those hires had plenty to do. The hospitality Giants continue to see explosive increases in the number of jobs: reaching 4,626, almost 1,000 more this time than last and nearly an identical jump from the time before. These Giants expect another big jump in jobs, up to 5,300. Job size was smaller, however, as square footage went down from 202 to 192 million. A rebound to 223 million is predicted.

What kind of hospitality jobs are firms doing? Like last time, a third of design revenue came from luxury hotels, which explains why 82 percent of the hospitality Giants do this kind of work. Mid/economy and boutique hotels, which provided 15 and 11 percent, respectively, also remain steady. These firms expect year-to-year earnings on hotels to increase 10 percent, to \$460 million. The hottest segments? Luxury and boutique hotels again. Six in 10 hospitality Giants tell us to watch restaurants and resorts as well.

Renovations continue to dominate the type of work firms take on. The current breakdown is 55 percent renovation versus 45 percent new construction. Half of the ➤



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FROM TOP: TAGGART SORENSEN, ALISTAIR TUTTON

HOSPITALITY GIANTS

RANK 2014	FIRM (HEADQUARTERS WEB SITE)	WORK INSTALLED			DESIGN STAFF	RANK 2013
		HOSPITALITY FEES (MILLIONS)	VALUE (MILLIONS)	SQ. FT. (MILLIONS)		
52	Indidesign (LOS ANGELES indidesign.com)	\$2.600	\$1,000.00	NR	13	58
53	Design Directions International (MARIETTA, GA ddi.cc)	\$2.505	\$17.25	1.62	7	57
54	Greymatters (SINGAPORE grey-matters.com)	\$2.500	\$110.00	0.75	20	--
55	S.K.I.N. Design Studio (SAN DIEGO skindesignstudio.com)	\$2.433	NR	NR	9	69
56	Areen Hospitality (LONDON areenhospitality.com)	\$2.370	\$17.00	0.81	17	68
57	DAS Architects (PHILADELPHIA dasarchitects.com)	\$2.303	NR	0.29	16	56
58	RPW Design (LONDON rpwdesign.co.uk)	\$2.293	NR	NR	20	53
59	Kay Lang + Associates (LOS ANGELES kaylangassoc.com)	\$2.240	NR	NR	23	55
60	RDH Interests (FRISCO, TX rdhinterests.net)	\$2.219	NR	NR	9	43
61	Heitz Parsons Sadek (WEST PALM BEACH, FL heitz-parsons-sadek.com)	\$2.184	\$35.00	0.38	12	50
62	Smith/Firestone Associates (SANTA BARBARA, CA sfadesign.com)	\$2.181	\$4.20	0.75	22	65
63	Smallwood, Reynolds, Stewart, Stewart & Associates (ATLANTA srssa.com)	\$2.156	NR	NR	31	47
64	Thomas Hamilton & Associates (RICHMOND, VA thomashamiltonassociates.com)	\$2.109	\$50.31	0.25	11	66
65	Bar Napkin Productions (PHOENIX bnp-llc.com)	\$2.090	\$50.00	0.75	18	62
66	Lawrence Group (ST. LOUIS thlawrencegroup.com)	\$2.083	\$48.00	0.32	53	67
67	K2M Design (CLEVELAND k2mdesign.com)	\$2.052	\$60.00	0.90	14	51
68	Rowland+Broughton Architecture and Urban Design (ASPEN, CO rowlandbroughton.com)	\$1.888	\$266.33	1.02	18	41
69	Puccini Group (SAN FRANCISCO puccinigroup.com)	\$1.860	\$6.20	0.21	15	73
70	Montgomery Roth Architecture & Interior Design (HOUSTON montgomeryroth.com)	\$1.833	NR	NR	18	52
71	Cleo Design (LAS VEGAS cleo-design.com)	\$1.649	NR	NR	13	70
72	Studios Architecture (WASHINGTON studios.com)	\$1.586	\$117.00	1.10	95	63
73	HVS Design (ROCKVILLE, MD hvsdesignservices.com)	\$1.360	\$27.50	0.92	14	--
74	Design Group Carl Ross (EL SEGUNDO, CA designgroupcarlross.com)	\$1.285	NR	NR	10	--
75	CMMI (ATLANTA cmmi-redlines.com)	\$1.220	\$14.47	1.50	16	--



respondents were over the 60 percent mark, and 12 firms said 90 percent or more of work was renovations, same as last time. Revenue from furniture, fixtures, and construction products grew 16 percent to \$20.9 billion, trumping the forecast by \$1.5 billion, and the total is expected to bloom 70 percent to \$35 billion. (Time will tell on that optimism!) Another interesting tidbit: Furniture and fixtures have taken a bigger chunk of the pie here—category revenue was up 33 percent to \$8.4 billion. It was a mere \$6.3 billion previously.

Globalism is still a factor, though the amount of overseas work, which grew steadily for years, has leveled off in the low-to-mid 30 percent range, specifically 33 percent now. Among the hospitality Giants, 23 do more than half their work overseas, while six of the top 10 firms aren't based in the U.S. to begin with. This nevertheless means that two thirds of the work is in the U.S., and 80 percent of firms expect this country to have the biggest growth potential. The question, as always, is where will future work come from? Last time, the predictions said the West Coast and South would be hot, and they've grown hotter. Only 27 percent say the Midwest will grow, but it's notable to point out that two years ago only 20 percent did.

So "business as usual," as defined by these numbers, is pretty darn good. And while it's true that everyone loves a "business is booming" period, that may yet be to come. The 75 hospitality Giants see even better days ahead, with 64 expecting growth. Which brings to mind one final cliché: "Numbers don't lie." —Mike Zimmerman

HKS designed Hotel El Ganzo in San José del Cabo, Mexico. ➤