

Report - June 2011

Growth by Design

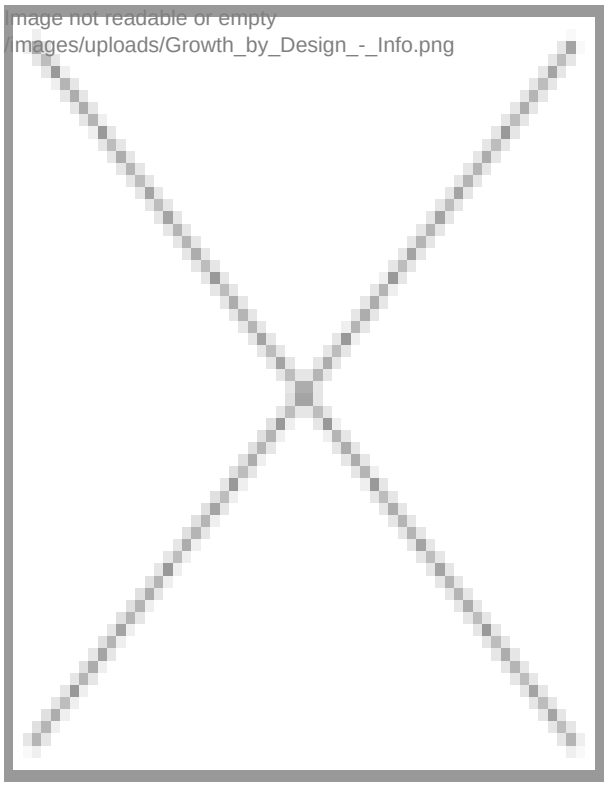
This report details the powerful economic impact of New York's architecture and design sectors. It shows that New York has far more designers than any other U.S. city, but concludes that far more could be done to harness the sector's growth potential.

by David Giles

This is an excerpt. Click here to read the full report (PDF).

Facing the possibility that New York City's financial services sector will never again reach the job levels of 2007, city economic development officials are moving aggressively to identify ways to grow and diversify the economy. Policymakers have embraced sectors from digital media and biotechnology to clean tech. But thus far little attention has been paid to a part of the economy that has experienced phenomenal growth over the past decade and for which New York holds a significant competitive advantage: design.

Though fewer and fewer products are actually made in high-cost cities like New York, the Big Apple has cemented its status as one of the few global hubs for where things are designed. In 2009, the New York metro-region was home to 40,470 designers, which is far and away the largest pool of design talent in the country and among two or three of the largest in the world. In addition, no other American city has strengths in so many design fields—from architecture to fashion design, graphic design, interior design, furniture design and industrial design.



The design sector has also been expanding at a rapid clip. Between 2000 and 2009, design sector jobs in the New York metro area grew by 75 percent, with especially large jumps in the number of interior designers (which increased by 223 percent), graphic designers (139 percent) and industrial designers (127 percent). Moreover, increasing numbers of the city's designers are now exporting their products, a huge plus for the city's economy. Fashion design may be the best example of this, but there has also been a significant growth in the number of New York-based architects working on major building projects in Dubai, Abu Dhabi, Shanghai, Beijing and other fast-growing international cities. A number of New York graphic designers, interior designers and landscape designers are working internationally as well.

There is tremendous potential for future growth in design, and New York is well positioned to capture this growth. Yet, the sector also faces real challenges and growing competition, particularly from overseas cities. And as we document in this report, city and state economic development agencies have thus far barely begun to think about how to strengthen and support New York's design industries.

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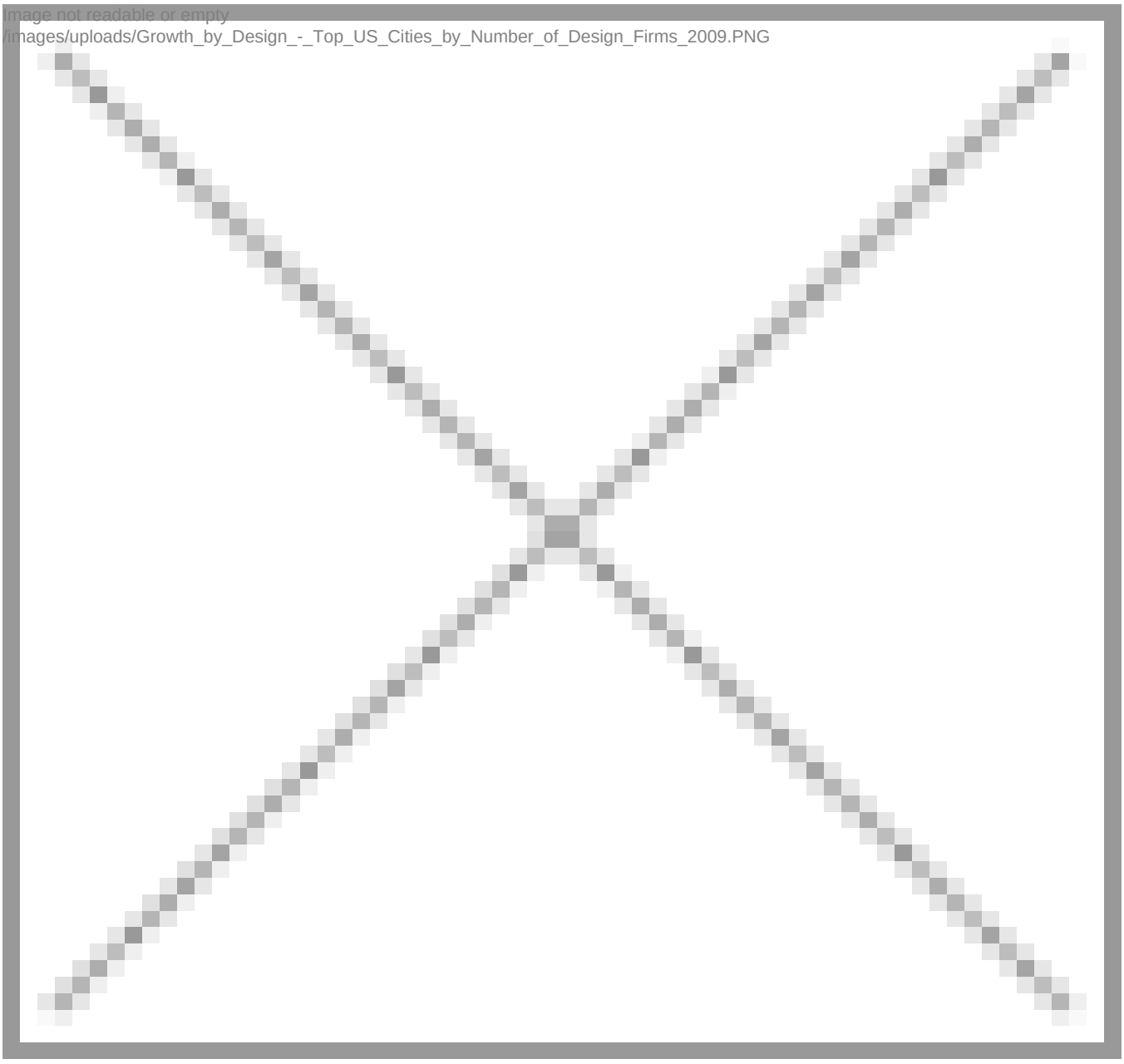
The latest in a long line of Center for an Urban Future reports focusing on opportunities for New York City to grow and diversify its economy, this study documents the powerful and growing economic impact of a range of design fields in New York, including architecture, graphic design, fashion design, industrial design, interior design, and furniture design. The report concludes that design has become even more of a competitive advantage for New York in recent years and shows where New York stands in each design field among other leading cities. Based on interviews with more than two dozen designers, architects, representatives of design industry associations, academic leaders and government officials, as well as a focus group we held with seven young designers, the study also makes recommendations on what should be done to better support and grow this important, but often overlooked, part of the economy.

In some ways, technology has made geography less important for designers than it used to be. With the aid of the Internet and overnight courier services like FedEx, designers can now send mock-ups or floor plans to clients on the other side of the globe. They can build prototypes in their studios using sophisticated milling machines and 3D printers, and send the

specifications to a manufacturer in China for mass production. However, in another sense, geography is just as important to designers and the design process as it has ever been.

Like other creative professionals, designers want to be near the production of art and culture in order to be inspired to produce new, cutting-edge ideas. They want to be near like-minded collaborators to join (or form) collectives, put on exhibitions, give lectures and teach at schools. Even completely informal gatherings at cafés and bars can turn into a future opportunity as Requests for Proposals (RFPs) are passed along or an unexpected brainstorming session leads to further collaboration. Economists have argued that such face-to-face interactions among creative professionals are an extremely important source of growth in a modern, post-industrial economy that depends heavily on innovation.

If so, New York has a lot to be optimistic about.



No other city in the country has as many leading firms in architecture, landscape architecture, fashion design, interior design, and graphic design. In 2009, for instance, the five boroughs of New York had 40 percent more architectural firms than the next closest U.S. city (Los Angeles) and two thirds as many as the third closest (Chicago). In Architectural Record's annual list of top architecture firms by revenue, New York had more high grossing companies than any other U.S. city in the last five

years. In 2010, New York had 18 firms in the top 250, while Chicago had 12 firms, Houston 11, Atlanta 9, and San Francisco 7. And that's just measuring firms that are headquartered here; many of the largest firms that are based elsewhere have major offices here; for instance, Gensler, the number 2 firm on the list, is based in San Francisco but has its largest office in New York.

Similarly, over 800 fashion companies are headquartered in New York, more than double its next closest competitor (Paris). New York also has 50 percent more interior design firms than Los Angeles, and nearly three times as many members in AIGA (formerly known as American Institute of Graphic Arts), an industry association for graphic design.

Landscape design is an area where New York lags in terms of its overall number of practitioners, but in this case the city is a clear leader in terms of innovation and influence. Several of the country's most accomplished landscape design firms are headquartered in New York, including Thomas Balsley Associates, Michael Van Valkenburgh Associates, and Field Operations.

"New York is probably the global center for architecture, urban planning, urban design and landscape architecture," saysTom Balsley, who has been practicing in New York for 35 years. "A friend of mine is a talent agent for Korean developers looking for New York-based architects. A lot of his clients may interview someone from Chicago or someone from San Francisco or L.A., but those places haven't established themselves as global centers for architectural design like New York has."

New York doesn't just have more design firms than any other U.S. city; it has far and away more designers. Not all designers work at design firms. In fact, the number of practicing designers working in the city far exceeds the sector's industry employment. In 2009, for example, New York City's design firms employed 21,586 people—including office staff—while in the same year there were 33,780 designers working at a variety of different companies in the five boroughs. New York's 1,049 graphic design firms employed 4,484 people, but during the same period there were approximately 13,000 graphic designers working not just at design firms but ad agencies, publishing houses, magazines, and even financial companies. Architects commonly work at engineering firms, while industrial designers and fashion designers are often employed in the design departments of larger manufacturing companies.

"There's not a single publishing house in New York that doesn't have a designer on staff. Random House, Knopf, FSG, and several others have a lot of them," says Bill Drenttel, a partner at Winterhouse, a design consultancy, and co-founder of Design Observer. "Every magazine in the Condé Nast stable has at least five designers. The New York Times has around 40 or 50 designers. But also every finance firm has a marketing department with five or ten financial designers in it. For instance, Citibank has a huge design staff. Someone designs every store, every bank. It's huge when you put it all together."

New York's design sector has never received as much attention as other key parts of the city's creative economy, such as advertising, film, music or the performing arts. But, as we show in this report, there are actually more firms in the city's applied design sector (2,554, not including architecture) than in any of the eight other sectors in the city's creative core, a designation that includes publishing (1,028), film and video (1,855), music production (442), broadcasting (299), architecture (1,415), advertising (1,417), performing arts (1,048) and visual arts (805).

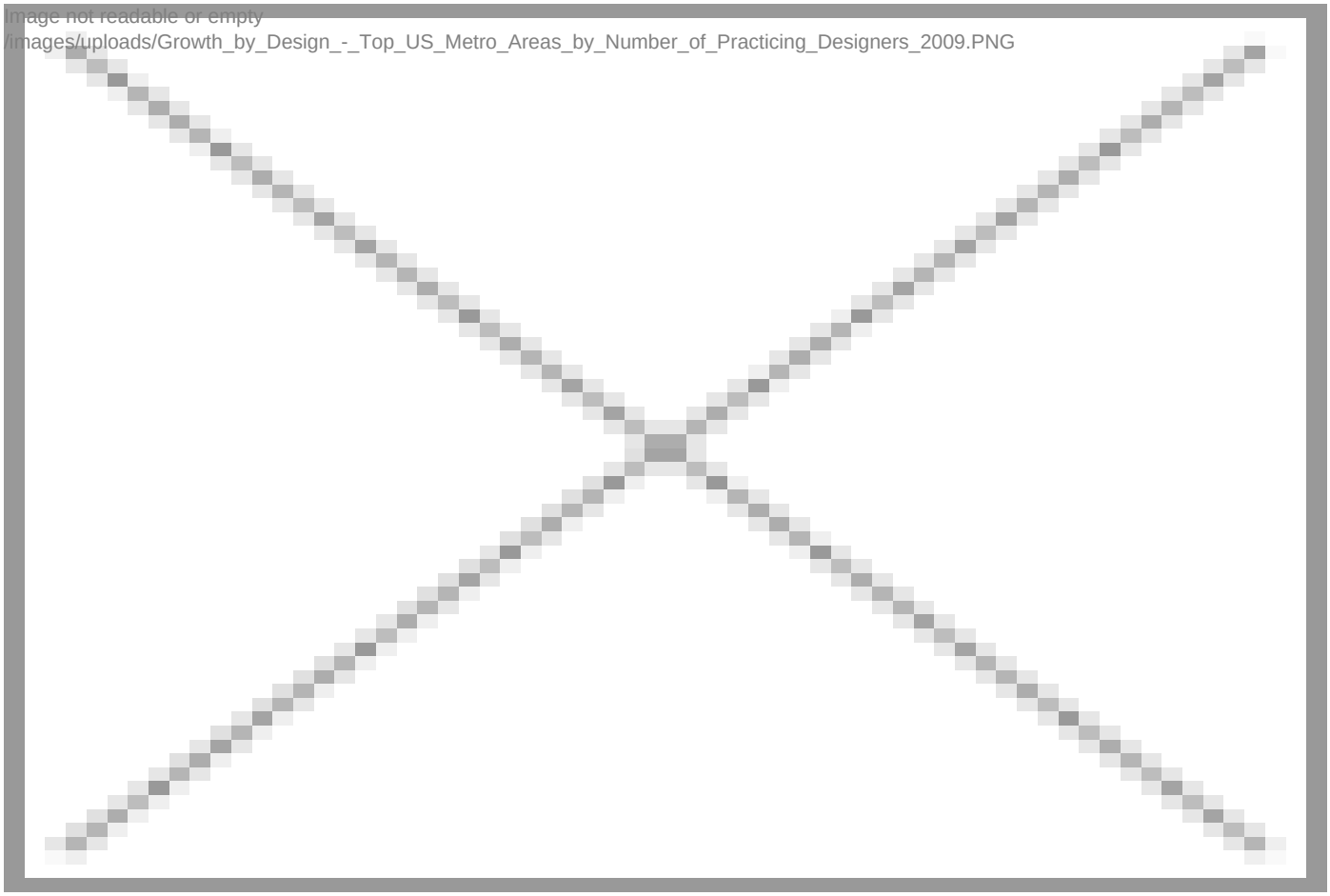
Perhaps even more importantly, design has been growing over the past decade. Both industry employment and occupational employment in design saw big gains during New York's boom years between 2003 and 2008. Employment at design firms increased 45 percent in that time. But the growth in the number of designers working in the city was even greater (and more resilient in the face of the downturn that followed). In 2000, according to the U.S. Bureau of Labor Statistics' Occupational Employment Survey, there were an estimated 23,143 designers working in the New York metropolitan area. By 2008, that number had almost doubled to 44,400.

The number of design occupations decreased in 2009 due to a weak economy, but even with that drop the city still saw a 75 percent gain in the period from 2000 to 2009, an astronomical increase by any measure.

Although total employment closely tracked the broader city economy—there was a steady decrease after the tech bubble burst in 2001, a steep increase during the building boom, followed by a precipitous drop in 2008—the growth in the number of design firms in the city also showed surprising resilience, with a 19 percent gain between 2003 and 2008 and less than one percent loss thereafter.

When the design industries begin to pick up steam again, there's little doubt that New York will be at the center of the recovery. Simply put, no other place has the concentration of design jobs as New York. This is clear when examining New York City's location quotient, which measures the relative strength of a region's industry cluster compared to the nation. A location quotient of 1.00 shows that an industry makes up the same share of a local economy as it does of the national economy. High location quotients (for instance, Las Vegas has a high location quotient in the hospitality and entertainment sector) show that a local area has a much greater share of workers in a particular sector than the nation, indicating a competitive advantage. The data shows that the New York metro area has a particularly strong industry cluster in design.

When looking at all design fields, New York has a higher location quotient (1.92) than any other major metro area with the exception of San Francisco, which has an equivalent location quotient but a much smaller pool of designers. Boston (1.5) and Los Angeles (1.4) have the next highest location quotients. New York is also a clear leader in architecture and graphic design, but its greatest comparable advantage is in fashion design—the city's location quotient in this field is 10.8, compared to 5.8 for Los Angeles and 2.3 for San Francisco.



The numbers suggest that New York design firms are not only serving clients locally, but nationally and internationally. This was confirmed in our interviews. Even furniture designers and interior designers, who rely to an uncommon degree on

wealthy local clients, exported their services to other parts of the country—in the case of Brooklyn's budding furniture design community, for instance, Southern California is an important and growing consumer market. Graphic designers who work at New York-based publishing houses and media companies are more often than not developing products meant for a national audience.

Increasingly, New York-based architects are finding the fastest growing markets for their services to be in Asia and the Middle East. Among New York's top grossing architecture firms, more than a third of their almost $1 billion in revenue in 2009 came from overseas clients. New York-based Kohn Pedersen Fox (#22 on Architectural Record's list of top firms by revenue), for example, designed the Shanghai World Financial Center, the tallest building in China, and is currently working on designs for a new airport for Tianjin—China's fourth largest city—in addition to four skyscrapers in Marina Bay, Singapore. Rafael Viñoly (#24) is the principal designer behind three major new developments in Abu Dhabi, including the master plan for a New York University's new campus there.

Pentagram, which is working in nearly a dozen countries, is just one of many New York-based graphic design firms that have experienced an increase in global projects. And a number of industrial design firms we spoke to said they were getting work from overseas manufacturers. For example, Smart Design, a large firm with 150 employees, recently completed hardware designs for a new laptop computer for Acer Inc., desktop organizational software for Toshiba, and a new MP3 player for a South Korean electronics company called iriver. Pensa, a comparatively tiny Brooklyn-based firm, has partnered with a variety of large multinational companies like Samsung and Pepsi to do consumer experience research and identify opportunities for product development and innovation.

Typically, overseas companies will look to New York-based designers for ideas and strategies on how to tap the U.S.market, but not always. New York's pool of fashion design talent, for example, is unrivaled anywhere in the world, so it's not uncommon for foreign companies to open studios here to capitalize on the city's deep pool of talented designers even when they're marketing to consumers on the other side of the globe. For example, according to Tim Marshall, provost of Parsons School of Design, a South Korean holding company called SK Networks recently opened a studio in Chelsea to produce fashion brands meant for Chinese consumers. "A fashion studio for the building of these Chinese brands," marvels Marshall. "They didn't have the talent there."

New York isn't the only city to have experienced significant growth in the design fields over the last decade, but in nearly every field New York's growth outpaced the nation's, in some cases by large measures. While it only has 3 percent of the nation's total occupations, New York has 42 percent of its fashion designers, 8 percent of architects, 8 percent of graphic designers, and 6 percent of industrial designers.

Many of the experts we interviewed say there are good reasons for that dominance. New York has an unparalleled numberof universities and museums that serve as important venues for the circulation and exchange of ideas, including Parsons School of Design, the School of the Visual Arts, the Fashion Institute of Technology, the Pratt Institute, the Museum of Modern Art, and the Smithsonian's Cooper-Hewitt Museum, to name only a few of the most prominent. Moreover, the city's deep pool of talent is a huge draw for design studios and other companies that employ designers, which leads not only to job opportunities but the chance to apprentice with established, cutting-edge firms. Also, a large congregation of creative talent supports a wide variety of specialized services that are important—and in some cases pivotal—to the design process. Fashion designers in the Garment District, for instance, will sometimes work with pattern makers to come up with designs that look and feel right on the fit models; architects will work with engineers to make use of new materials and create complicated surfaces; industrial designers will work with product photographers to create promotional materials; and so on. Other big cities offer similar services, but not many can offer the sheer number and variety that New York does.

While the design industries offer incredible promise for New York, the city's future growth in this area is not guaranteed, especially since global competition will only increase in the years ahead. Yet, to a large extent, this part of the economy has

floated under the radar of local economic development officials.

While the Bloomberg administration has admirably launched several new initiatives to support the city's fashion industry, the city's economic development agencies have not devoted any meaningful attention to other design industries. And the city has also done little to promote the city's designers. Other cities like London and Milan go to great lengths to brand their products at both local and foreign trade shows. London's nine-day long design festival is a huge event with over 350,000 visitors from all over the world; the city's tourism agency promotes the event in other countries, and the UK Trade and Investment does significant outreach to foreign clients (see London's Design Initiatives, page 27). Yet New York's chief economic development agency (the New York City Economic Development Corporation) and the main tourism agency (NYC & Company) have only partnered to promote Fashion Week, leaving the city's architects, interior designers, furniture designers and industrial designers to fend for themselves during their local trade shows.

A vast majority of the designers we interviewed thought New York was far too complacent about its status as a design hub. "New York has become a much friendlier place for design in the last decade," says Vishaan Chakrabarti, an architect and former executive vice president at The Related Companies, a major New York City real estate development company. "But I still think we have a long way to go in terms of having a true design sensibility in this city. Cities like London and Tokyo have a far greater respect for design and each could make their own claim about being a design capital."

As it is, there are clear obstacles to the continued strength of New York's design sector. One is high real estate and living costs. Young designers, like young artists and writers, are fleeing to other creative hubs where studio and living spaces can be had for a fraction of the cost. Also, compared to Boston or Silicon Valley, New York has very little venture capital funding for design and technology teams developing new products in electronics and digital media. Industrial designers on the West Coast have started to play a much larger role at the beginning of the development process for new technologies, designers say. But, in New York, start-ups find it more difficult to connect with locally-based designers.

While some of the best opportunities for growth in New York's design sector lie overseas, in fast-growing emerging markets, the city has no real export assistance strategy, and the state's export promotion programs have focused almost exclusively on assisting manufacturers—not designers and architects, and other service providers.

In the years ahead, as consumer markets in Brazil, India, and China continue to heat up, New York's cutting-edge design firms could prove to be a huge competitive advantage. But for New York to capitalize on this opportunity—and help diversify its economy—policymakers at the city, state, and even federal level will need to develop a strategic plan to harness New York's one-of-a-kind design expertise, evaluate the potential of design as a growing service export, and connect firms with new clients abroad.

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