FMI Consulting

Nonresidential Architecture

PRIVATE EQUITY SECTOR BRIEF

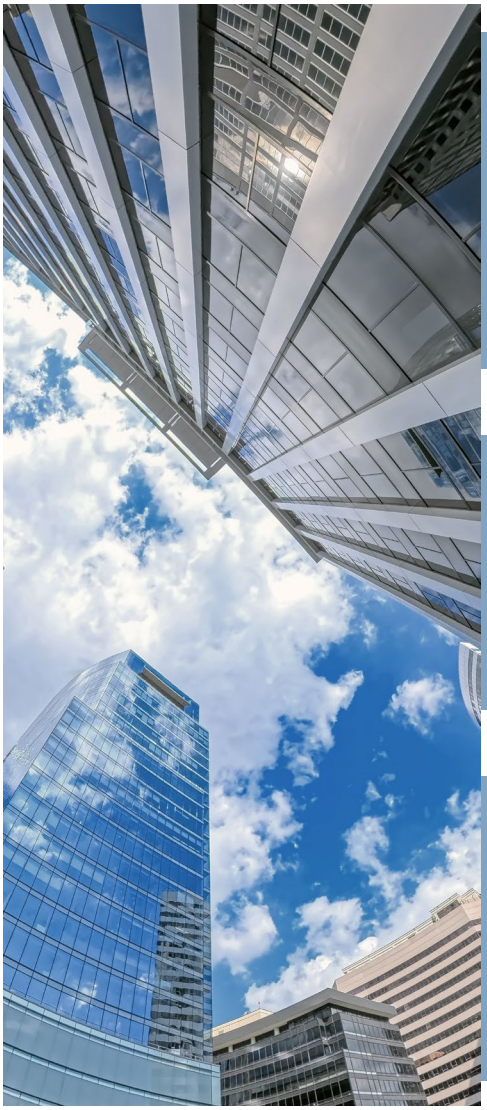
MAY 2026

Architecture services involve the planning, design and coordination of buildings and related facilities across nonresidential markets. Firms support projects with programming, conceptual design, and construction documentation and administration, while coordinating with engineering and construction teams.

This brief focuses on the U.S. nonresidential architecture market, highlighting the market opportunity, key demand drivers and competitive landscape relevant to private equity investors. It is intended to serve as a roadmap for developing an investment thesis or targeting an acquisition.

STRATEGIC CASE FOR ARCHITECTURE SERVICES

The U.S. architecture sector presents an attractive investment opportunity supported by three factors:



Fragmented industry structure enables platform creation.

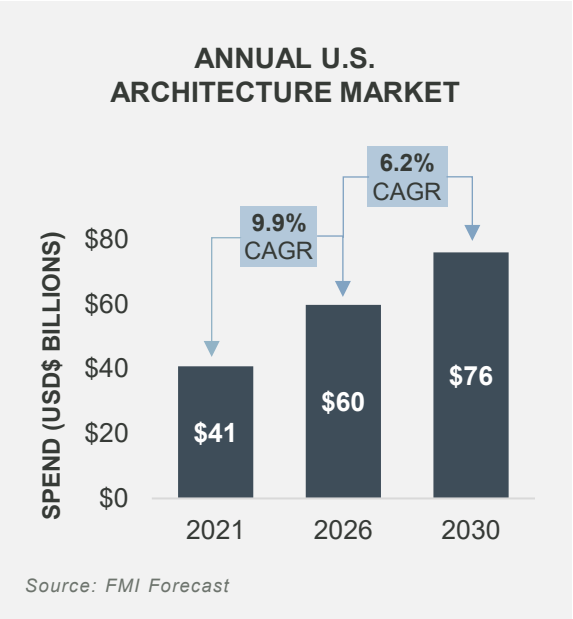
The architecture industry remains highly fragmented, with a large base of independent, founder-led firms, many of which lack clear succession plans. This dynamic creates a significant opportunity for consolidation through roll-up strategies, allowing investors to aggregate regional players, centralize back-office functions and implement technology-enabled efficiencies. Scaled platforms also benefit from multiple arbitrage through improved margins, enhanced service offerings and increased valuation, as businesses transition from local practices to integrated, multidisciplinary firms.

Integrated Architecture, Engineering & Construction (AEC) platforms support scaled service offerings.

The broader AEC industry is increasingly shifting toward multidisciplinary platforms that combine management capabilities across disciplines. Integrated firms offer more project lifecycle services, improve coordination across design disciplines and compete for larger, more complex institutional and infrastructure projects.

Early lifecycle involvement expands project capture.

Architects are typically engaged at the earliest stages of project development, which includes programming, master planning and conceptual design. This allows firms to shape project scope and maintain involvement through design development, documentation and construction administration, enabling deeper client relationships and multi-phase revenue opportunities. Early engagement also forms sticky, enduring relationships that deliver recurring revenue.



MARKET SIZE AND GROWTH POTENTIAL

The U.S. nonresidential architecture market represents a large and steadily growing segment of the design services industry, supported by continued investment in commercial facilities, institutional infrastructure and industrial development.

- The U.S. nonresidential architecture market is approximately **$60 billion** and projected to reach roughly **$76 billion by 2030**, representing a **6.2% CAGR** over the forecast period.
- Demand is concentrated in **commercial/office** (29%); **institutional**, including education and healthcare (26%); **manufacturing** (21%); and **transportation** infrastructure (10%).
- **Manufacturing** has been the **fastest-growing segment**, expanding at a 28% CAGR from 2021 to 2025, driven by accelerated domestic industrial investment.

KEY GROWTH DRIVERS

Demand for architectural services is driven by a combination of structural factors tied to demographic growth, infrastructure needs and regulatory requirements, along with secondary factors that influence project starts, funding visibility and service delivery. These dynamics support both new construction and reoccurring renovation activity across nonresidential end markets.

PRIMARY DRIVERS

Population Growth	This continues to support sustained new construction activity for education facilities, healthcare campuses, transportation infrastructure and commercial space, directly increasing the need for architectural planning and design services at the front end of project development.
Aging Infrastructure	Public and institutional facilities require ongoing renovation, expansion and replacement that creates recurring demand for architectural services tied to long-term capital improvement cycles.
Regulatory and Code Requirements	Evolving building codes, accessibility standards and life-safety requirements increase project complexity and push recurring compliance-driven upgrades, particularly for healthcare, education and public facilities.

SECONDARY DRIVERS

Funding and Capital Availability

Public funding mechanisms, including municipal bonds and federal/state programs, support construction and modernization across institutional end markets, giving visibility into long-term project pipelines.

Technological Advancements

Innovations in building information modeling (BIM), parametric design and digital collaboration tools improve coordination and enable firms to expand into planning, visualization and advisory services.

COMPETITIVE LANDSCAPE AND ACQUISITION OPPORTUNITY

The U.S. architecture industry remains highly fragmented, with more than 68,000 firms nationally. Most operate at a local or regional level, with composition centered on client relationships, sector specialization and familiarity with area permitting and regulatory environments.

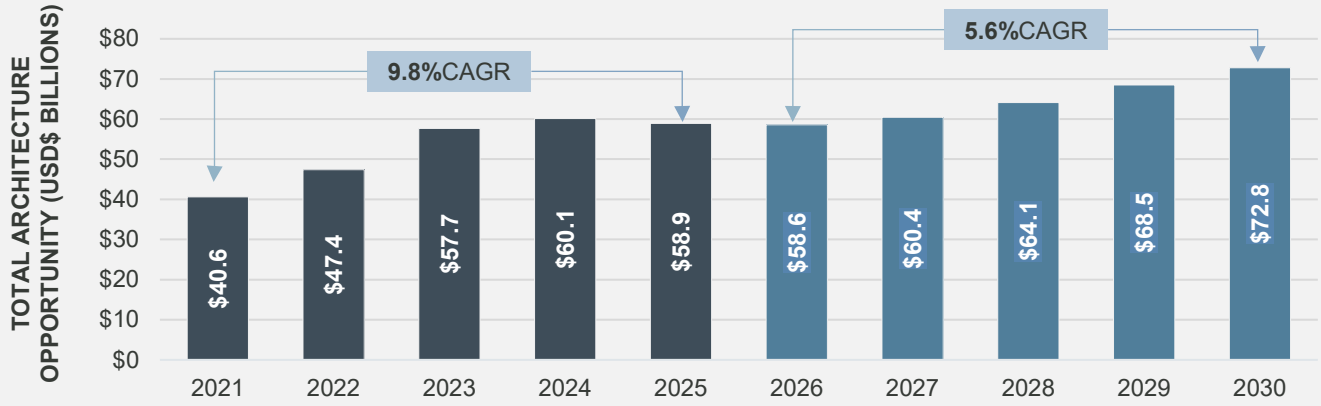
Private equity investment in the broader AEC sector has accelerated, as sponsors pursue platform strategies to scale local/regional firms, expand service offerings and build multidisciplinary providers. The fragmented market structure and large base of independent firms makes a compelling opportunity for continued consolidation.

TOTAL U.S. NONRESIDENTIAL ARCHITECTURE MARKET DEMAND

The total addressable market for nonresidential architecture expanded 45% from 2021 to 2025, increasing from $41 billion to $59 billion. Growth is expected to moderate near term, with the market remaining relatively flat in 2026 before expanding 24% to approximately $73 billion by 2030.

Demand is primarily concentrated on institutional, including education and healthcare, (27%), commercial and office (26%), manufacturing (23%) and transportation (10%). Over the 2021-25 period, data center was the fastest-growing segment, delivering a 43% CAGR and materially outpacing the broader market.

ANNUAL U.S. TOTAL ADDRESSABLE MARKET[1]

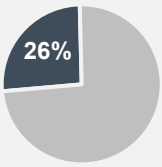


Annual Growth (%)	16.7%	21.7%	4.3%	-2.0%	-0.6%	3.2%	6.1%	6.8%	6.3%

AVERAGE ANNUAL ARCHITECTURE SPEND IN TOP SEGMENTS

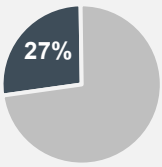
COMMERCIAL/OFFICE

	2021-25	2026-30
Avg. Spend	$15,416M	$16,808M
CAGR	4%	7%
Total Growth	17%	30%



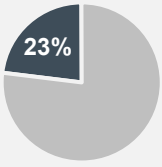
INSTITUTIONAL (EDUCATION + HEALTHCARE)

	2021-25	2026-30
Avg. Spend	$14,099M	$17,185M
CAGR	8%	4%
Total Growth	37%	15%



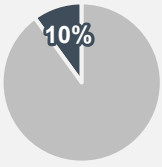
MANUFACTURING

	2021-25	2026-30
Avg. Spend	$10,388M	$14,942M
CAGR	28%	8%
Total Growth	169%	34%



TRANSPORTATION

	2021-25	2026-30
Avg. Spend	$5,108M	$6,192M
CAGR	4%	6%
Total Growth	16%	25%



Source: FMI Forecast

[1] Forecast end markets include all nonresidential segments: office (including data centers), commercial, healthcare, educational, manufacturing, transportation, public safety, lodging, religious, recreation and communication.

LOCAL AND REGIONAL FACTORS DRIVE ATTRACTIVENESS

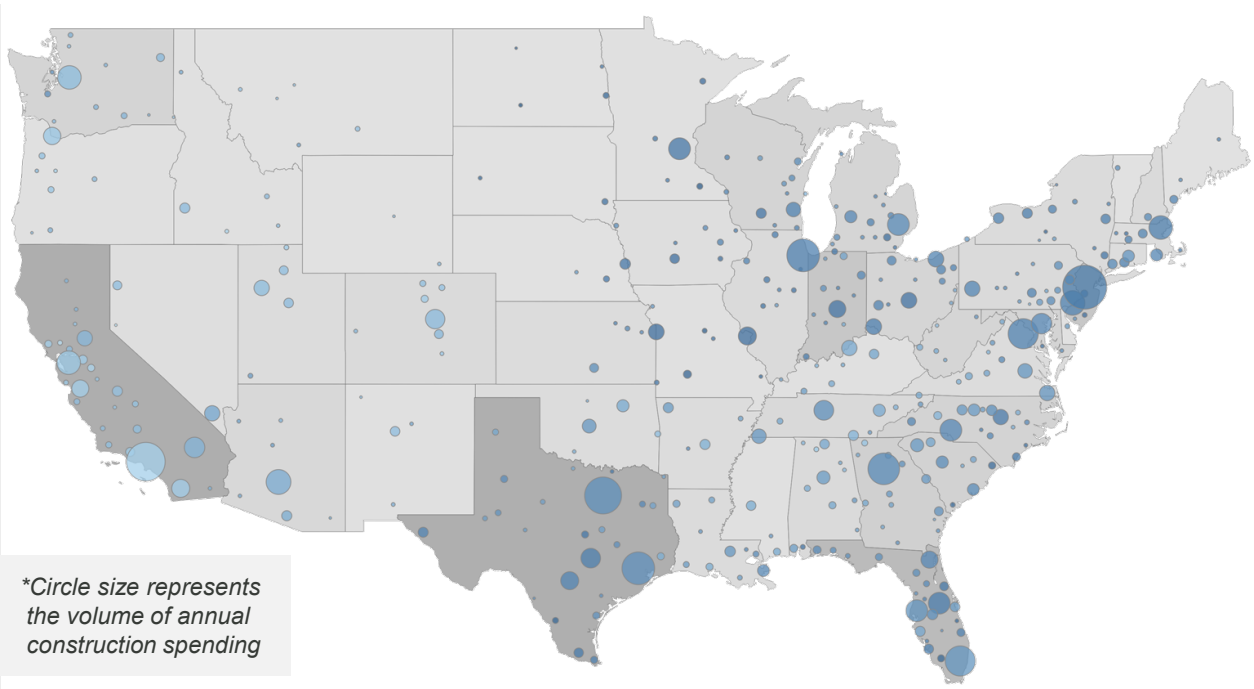
National forecasts point to a moderation in spending for 2026, but this trend masks a fundamentally local-demand environment shaped by municipal funding capacity, population shifts, regional demographic trends and local/regional capital priorities.

As a result, national spend and rates understate the importance of identifying where capital is being deployed.

This dynamic is evident in the concentration of spend in the South. The region represents approximately 45% of forecasted activity through 2030, supported by sustained in-migration and ongoing investment in education and healthcare infrastructure. At the same time, other regions are seeing targeted pockets of accelerated growth, with the Midwest and Northeast each projected to grow at ~7%+ CAGR despite smaller overall share. At the state level, demand is concentrated and dynamic: Texas leads total spend at around ~$675 billion and New York represents one of the fastest-growing markets at 8.3% CAGR.

FORECASTED (2026-30) NONRESIDENTIAL BUILDING CONSTRUCTION SPENDING PUT IN PLACE*

Forecasted Growth Across Metropolitan Statistical Areas.



*Circle size represents the volume of annual construction spending

CENSUS REGION	SPEND[2] (26-30)	CAGR (26-30)	% OF TOTAL
South	$2.1T	6.1%	45.4%
West	$1.0T	3.9%	21.2%
Midwest	$0.9T	7.1%	19.6%
Northeast	$0.6T	7.2%	13.8%

TOP STATES BY SPEND	SPEND[2] (26-30)	CAGR (26-30)	% OF TOTAL
Texas	$675B	7.2%	14.3%
California	$365B	4.6%	7.7%
Florida	$300B	5.7%	6.4%
New York	$235B	8.3%	5.0%
North Carolina	$170B	5.3%	3.6%

Source: FMI Forecast

[2] Figures represent total nonresidential construction spending put in place (2026–30) and do not reflect architecture total addressable market (TAM).

WHY NONRESIDENTIAL ARCHITECTURE HAS ATTRACTIVE FUNDAMENTALS

Nonresidential architecture is supported by long-term demographic trends, infrastructure reinvestment and evolving regulatory standards that drive both new construction and modernization/retrofit activity across diverse end markets.

Within this landscape, institutional segments (including education and healthcare) benefit from public funding cycles and mandated facility upgrades that provide structurally durable demand relative to purely private development.

Firms offering end-to-end architectural services — from programming and master planning through construction administration — are involved across the entire project lifecycle, enabling deeper client relationships, multi-phase project capture and greater backlog visibility.

PRIMARY DRIVERS

Population Growth

The U.S population is expected to continue growing at an average annual rate of 0.6% through 2030, fueling the need for schools, healthcare facilities, transportation infrastructure and commercial space. Architectural services are engaged at the earliest stage of these projects.

Aging Infrastructure

The American Society of Civil Engineers gave U.S. infrastructure a C in 2025, citing a need for investment to support economic growth. The federal government is funding modernization via initiatives like the Infrastructure Investment and Jobs Act, which distributed $1.2T to states and local governments. Architects play a central role in modernization planning, code compliance and facility replacement.

Regulatory and Code Requirements

Stricter building codes, accessibility standards, energy efficiency mandates and life-safety requirements call for amplifying the project scope and complexity. Compliance with evolving federal, state and local regulations requires architectural planning, documentation and design oversight, particularly for healthcare, education and public facilities.

SECONDARY DRIVERS

Funding and Capital Availability

Public funding, bond initiatives and federal/state capital programs support a meaningful share of nonresidential construction in institutional end markets. Public capital cycles ensure backlog visibility and reduce exposure to short-term private development volatility.

Technological Advancements

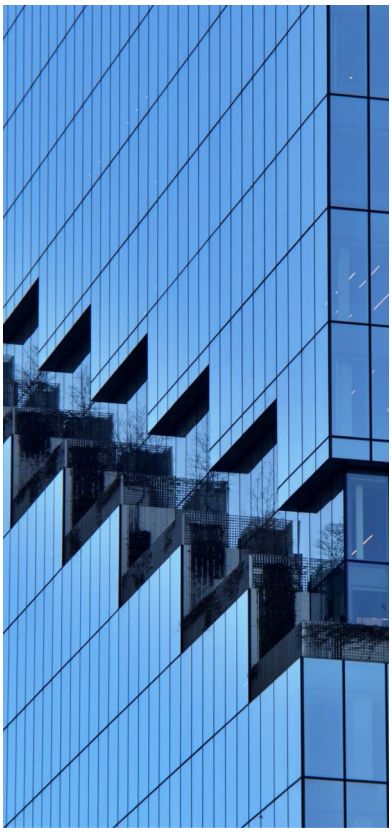
New developments in BIM, parametric design and collaborative platforms are transforming architectural delivery. Improved design precision and integration with construction workflows reduce inefficiencies and enable firms to offer expanded modeling, planning and advisory capabilities.

INSTITUTIONAL END MARKETS ARE MOST ATTRACTIVE

Demand is supported by stable end markets, complex project requirements and recurring renovation needs that create consistent project flow and nurture long-term client relationships.

Government-backed financing and compliance mandates underpin new construction and ongoing modernization, supporting visible pipelines and recurring repair and renovation (R/R) demand.

	EDUCATION	HEALTHCARE
FUNDING MECHANISMS	**Voter-approved GO bond financing drives school construction.** Because districts must define scope, budgets and capital plans prior to bond elections, architects are often engaged at the planning stage, which frequently converts into multi-year design programs once funding is approved. **The higher education capital stack is more mixed.** While we still see public issuance, higher education projects often blend revenue backed debt, philanthropy and auxiliary income from housing, dining services and student centers that can shift priorities toward student experience and program differentiation.	**Tax-exempt 501(c)(3) bonds anchor nonprofit hospital capital.** These bonds remain the primary financing tool for nonprofit hospitals, funding replacement, expansion and modernization. **American Rescue Plan Act (ARPA) funding remains deployable.** Approximately $350 billion in ARPA state/local fiscal recovery funds is deployable through the end of 2026, sustaining near-term facility investment.
REGULATORY ENVIRONMENT	**Accessibility compliance creates recurring retrofit demand.** Under Title II of the Americans with Disabilities Act, schools must ensure newly constructed and altered facilities are fully accessible. With ~54% of public-school districts needing to update or replace multiple building systems or features, accessibility- and compliance-driven modernization represent a structural R/R driver. **Code standards raise renovation thresholds.** K–12 facilities must meet stringent egress, fire and life-safety requirements alongside evolving building codes and standards — all of which often require significant upgrades. Renovation costs can reflect replacement economics, structurally supporting periodic new-build cycles in addition to steady modernization work.	**Life-safety requirements propel recurring upgrades.** Hospitals must comply with the Centers for Medicare & Medicaid Services' Conditions of Participation to maintain reimbursement, including adherence to NFPA 101 and NFPA 99 standards. Facilities that fall short must complete upgrades to remain eligible, embedding recurring, non-discretionary capital projects into hospital spending. **Evolving standards shape modernization cycles.** The Facility Guidelines Institute sets minimum design standards for healthcare facilities. As guidelines evolve, older departments often require reconfiguration or full replacement, infusing periodic redesign and modernization into long-term hospital capital planning.



HIGHLY FRAGMENTED MARKET

The U.S. architecture market is highly fragmented, with over ~68k firms nationally and no single firm holding more than ~5% of market share.[3]

Most firms operate locally or regionally, driven by relationship-based project sourcing and familiarity with local permitting and zoning regulations.

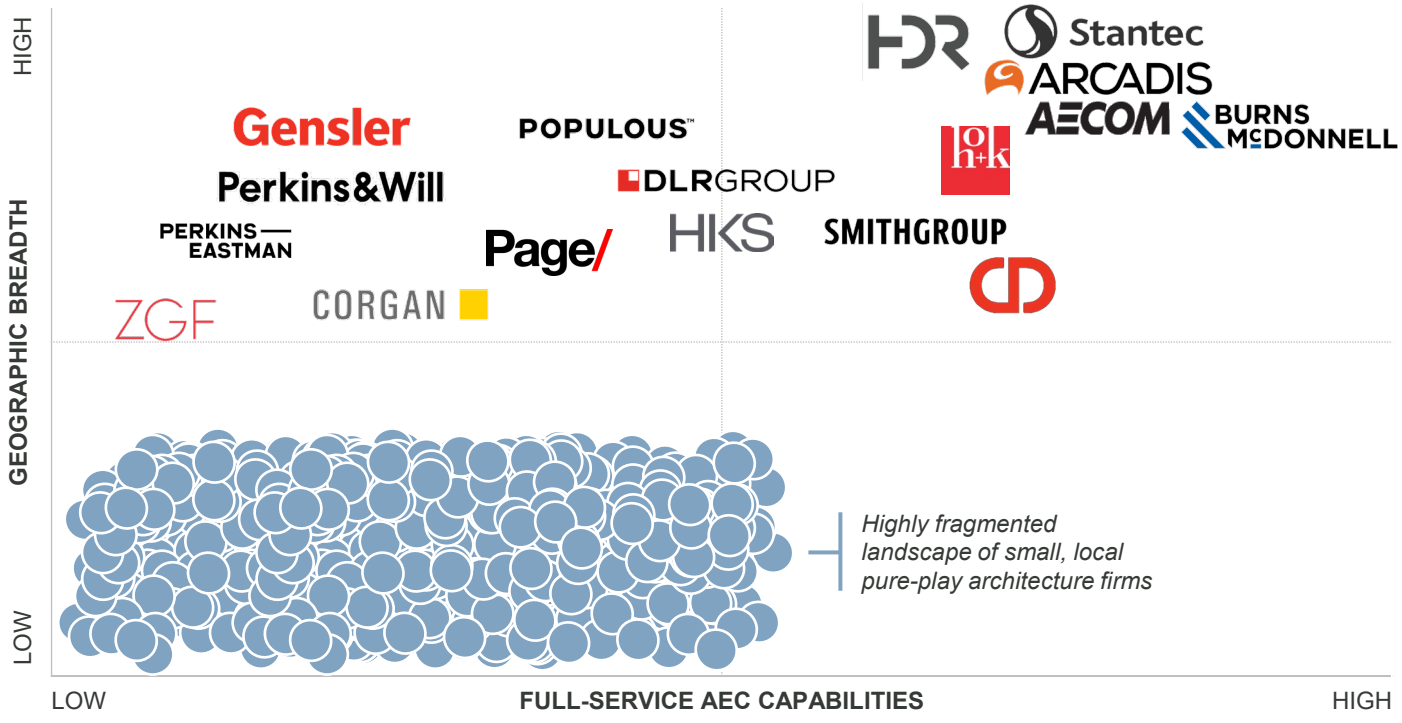
Large multidisciplinary design platforms are capturing an increasing share of complex institutional and infrastructure projects through integrated architecture, engineering and project management capabilities.

RANGE OF SERVICE OFFERINGS & FIRM TYPES

The competitive landscape includes:

- **Architecture-led design firms** that typically compete through design specialization and sector expertise.
- **Integrated architecture-engineering practices** that provide broader technical capabilities and project coordination.
- **Large global AEC platforms** that deliver multidisciplinary project capabilities and increasingly compete for complex institutional and infrastructure projects, leveraging their engineering depth, program management and global delivery capabilities.

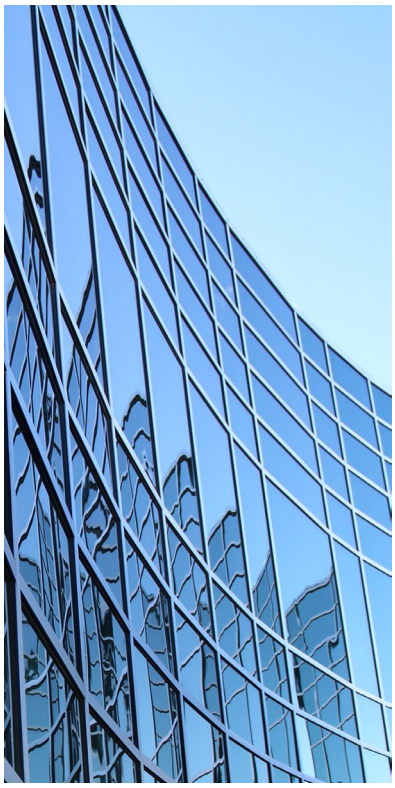
AEC CAPABILITIES AND GEOGRAPHIC FOOTPRINT MATRIX



3. IBISWorld

EMERGING CONSOLIDATION AND SERVICE LINE INTEGRATION TRENDS

- M&A activity has accelerated in recent years, as firms expand geographic reach and broaden multidisciplinary and multisector capabilities to compete for larger institutional and infrastructure projects.
- Private equity investors are increasingly active in the sector, backing integrated design platforms and pursuing add-on acquisitions to scale regional firms and broaden service offerings.
- Private equity investment in AEC historically focused on engineering firms and is now moving into architecture, since many of the same fundamentals — fragmentation, relationship-driven revenue and exposure to resilient public and institutional end markets — apply.
- This shift is in the early stages, but recent transactions center on multidisciplinary firms that combine AEC management capabilities, reflecting investor preference for integrated service offerings, enhanced cross-sell opportunities and more recurring revenue profiles.
- The industry's highly fragmented, founder-led structure continues to produce consolidation opportunities, enabling sponsors to aggregate regional firms, professionalize operations and build scaled platforms with expanded geographic reach and client density.



RECENT TRANSACTIONS IN THE NONRESIDENTIAL ARCHITECTURE SPACE

The table below depicts a small subset of example transactions within the nonresidential architecture landscape.

FIRM	ACQUIRER	YEAR	SERVICES OFFERED
CPL Architects	GHK Capital Partners	2026	Multidisciplinary firm providing architecture, engineering and consulting
Wold Architects & Engineers	Providus Capital Partners	2025	Full-service architecture and engineering firm focused on public-sector clients
Lathan Associates Architects	Hidden Harbor Capital Partners	2024	Architecture and design firm specializing in public-sector end markets
CSArch	Signal Hill Equity Partners	2024	Education sector-focused architecture, engineering and design firm
Stratus Team, LLC	Brightstar Capital Partners	2024	Multidisciplinary engineering, architecture and consulting firm working across the full project lifecycle
MOREgroup	Wind Point Partners	2024	Sector-focused architecture, design and engineering brands firm

CASE STUDY

Providus Capital Partners

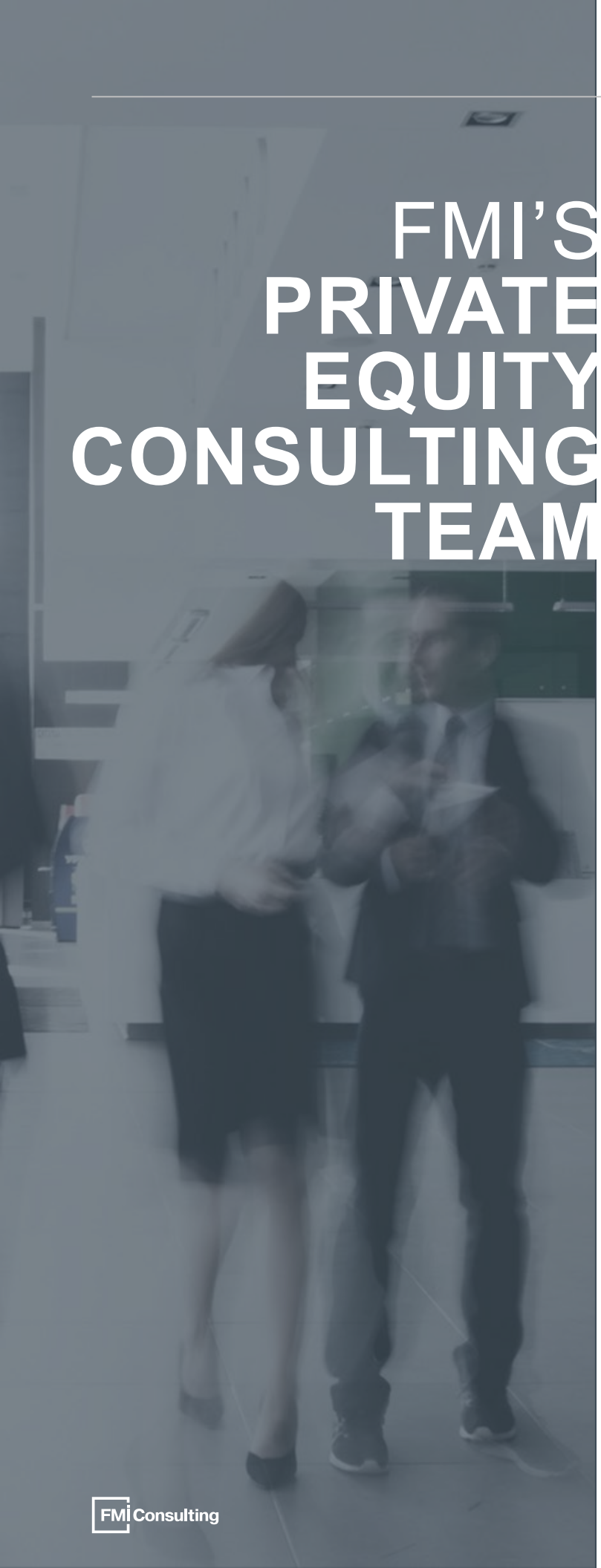
PROVIDUS CAPITAL PARTNERS → mcmillan pazdan smith ARCHITECTURE →

01 Jumper Carter Sease ARCHITECTS
02 FUQUA & PARTNERS ARCHITECTS
03 Hecht Burdeshaw Architects, Inc.
04 MCA ARCHITECTURE

Providus Capital Partners invested in **McMillan Pazdan Smith** (MPS), an **architecture firm** headquartered in Greenville, S.C., with a multi-office presence across the region.

- In June 2025, MPS acquired **Jumper Carter Sease** to strengthen its presence in South Carolina and deepen institutional relationships.
- In July 2025, MPS acquired **Fuqua & Partners** to expand into Northern Alabama and Southern Tennessee.
- In September 2025, MPS acquired **Hecht Burdeshaw Architects** to broaden its Alabama presence to Auburn-Opelika and establish a footprint in the Columbus, Georgia, market.
- In March 2026, MPS acquired **MCA Architecture** to augment its industrial design capabilities.

These acquisitions tie directly to the themes highlighted in this report: adding geographic and sector breadth to generate internal synergies, a greater ability to fully penetrate markets and a more diversified platform.



FMI'S PRIVATE EQUITY CONSULTING TEAM

Our dedicated Private Equity Consulting team delivers highly customized and targeted commercial due diligence, operational diligence and sell-side market studies across all areas of the built environment. Our team's sole focus on this sector provides unrivaled insight into markets and the ability to uncover areas of value and risk that others cannot.

Meet with the team to learn how we help clients create and realize long-term value.

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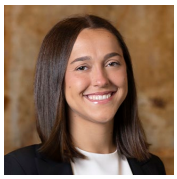

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