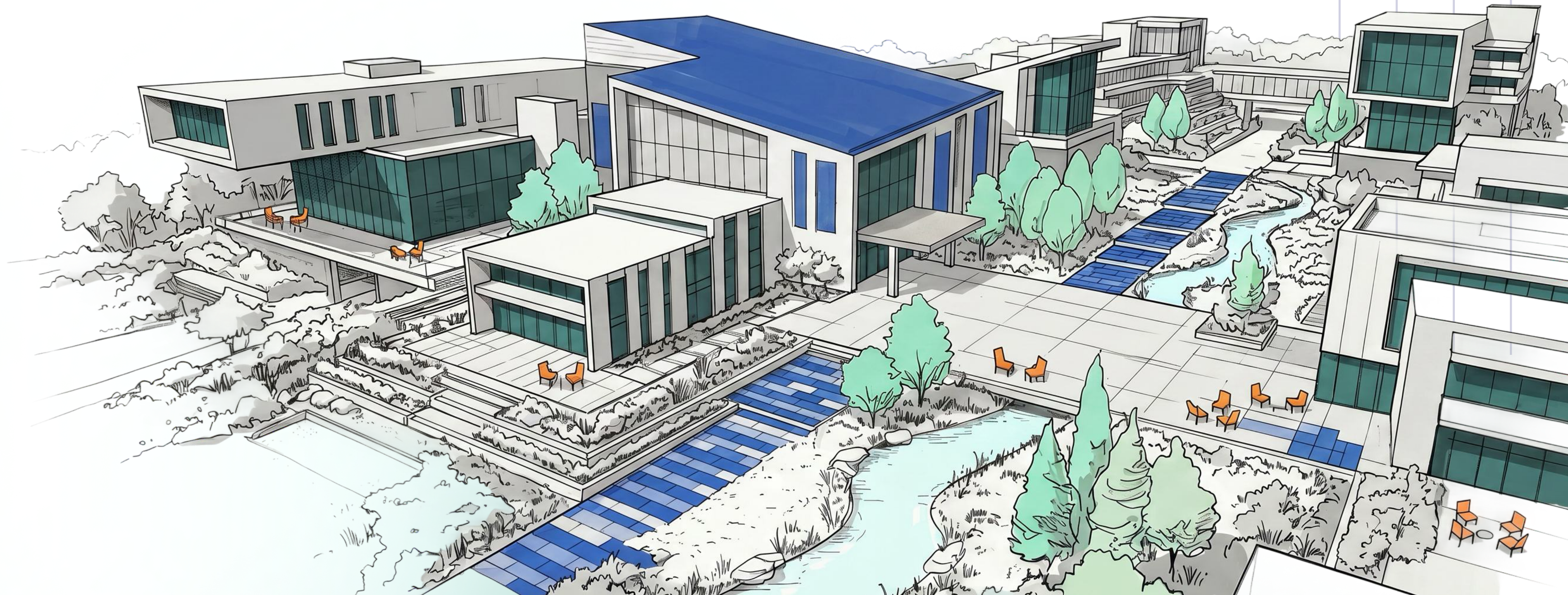
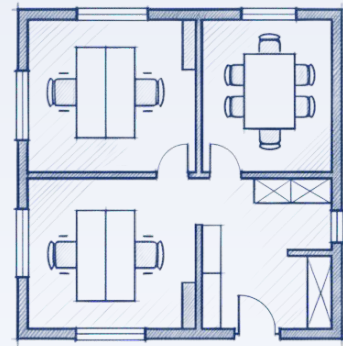


2026 Architecture & Engineering Industry Benchmark Report

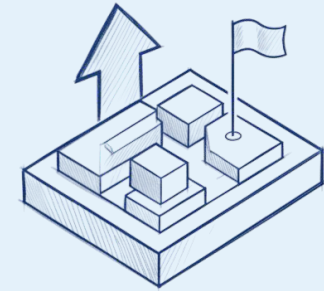


Key Findings



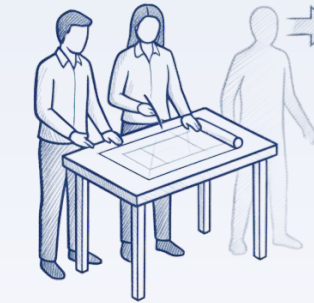
54%

of firms operate on a hybrid model



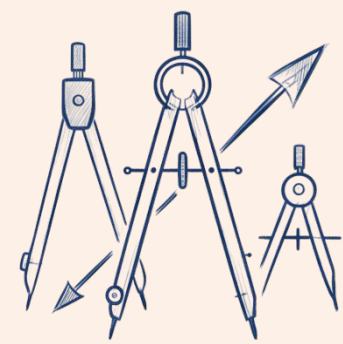
58%

of firms report utilization rates of 71% or higher



40%

of firms say managing project demand with current staff is their #1 people challenge



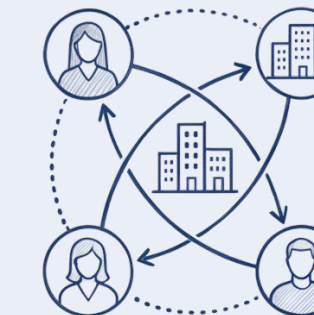
44%

of firms say project management tasks are the #1 thing pulling teams away from design



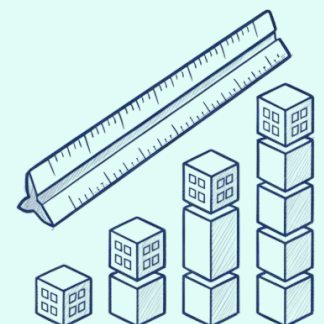
73%

of firms name scope creep as the #1 budget killer, yet 40% don't track project profitability in real time



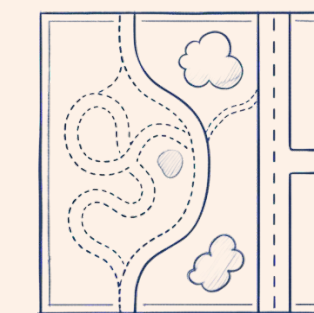
3 in 4 firms

say at least half their clients are repeat customers



1/3rd

of firms that track their profit margins report net margins above 11%



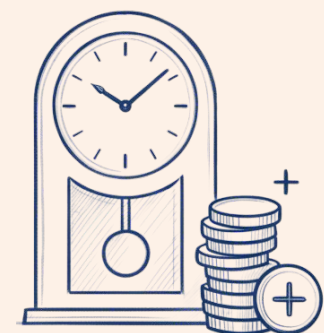
60%

of firms have no formal method to measure client satisfaction



#1

Industry-specific project management software is the #1 tool firms say has had the biggest impact on their efficiency.



31+ days

70% of firms wait 31+ days to collect client payments after invoice is sent



40%

of firms say clients demanding lower fees is the biggest challenge in winning new projects

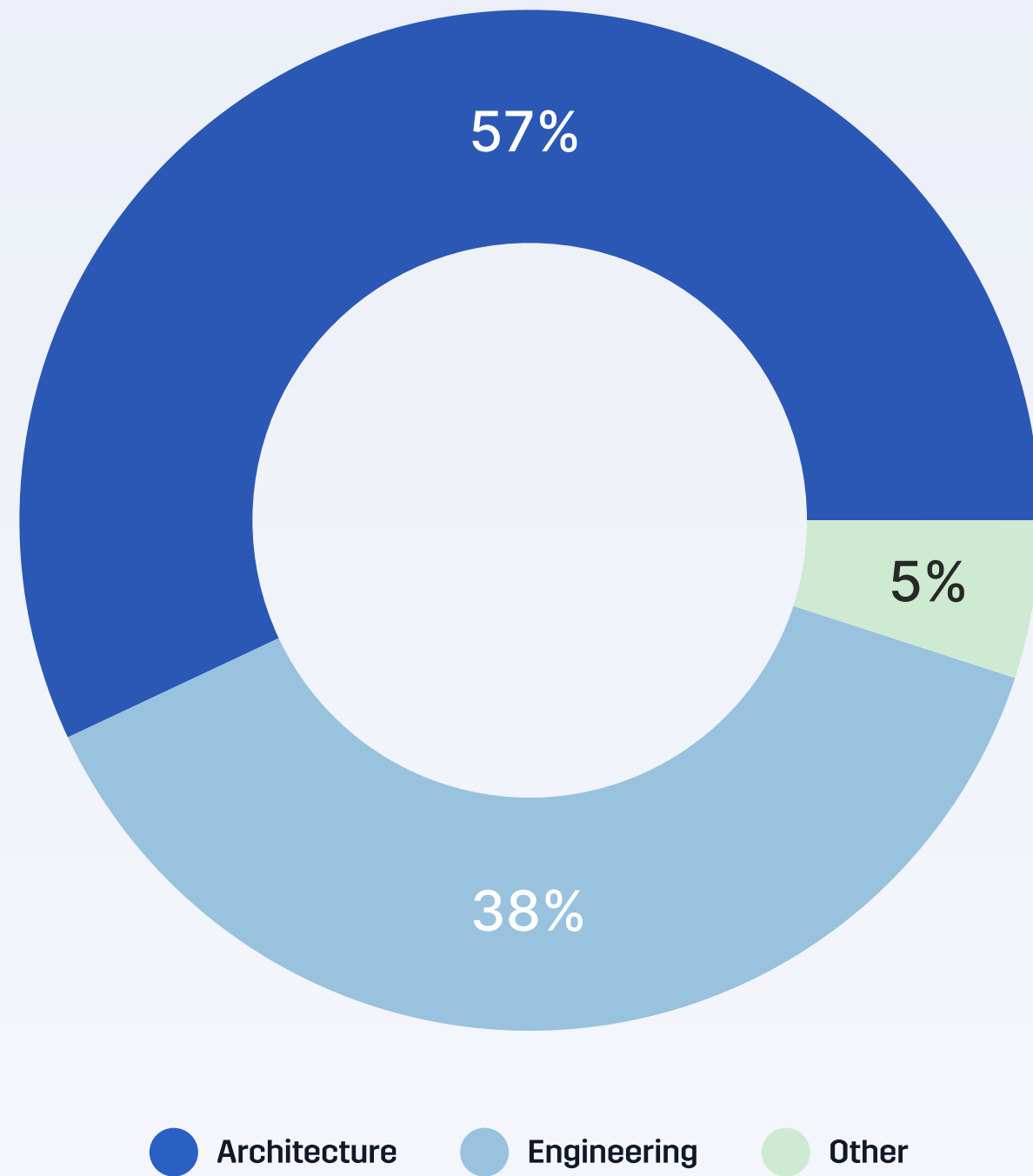
Contents

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02	Key Findings	15	Business Development & Client Relations
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The Firms Behind the Data

Before we get into the findings, here's a quick look at who we heard from and where these insights come from.

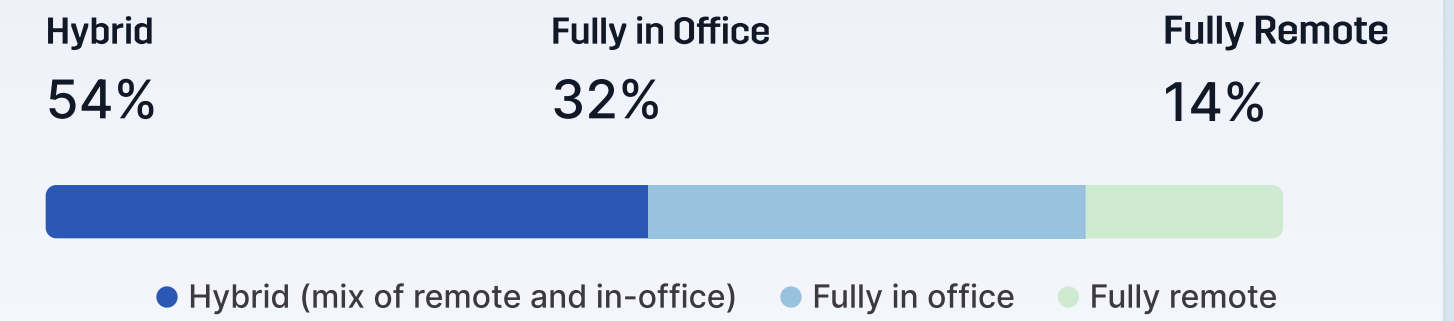
Industry Breakdown



Company Size by Employees

0-10 EMPLOYEES	49%
11-20 EMPLOYEES	31%
21-30 EMPLOYEES	9%
31-40 EMPLOYEES	5%
41+ EMPLOYEES	6%

Current Work Model



Project Fee Breakdown

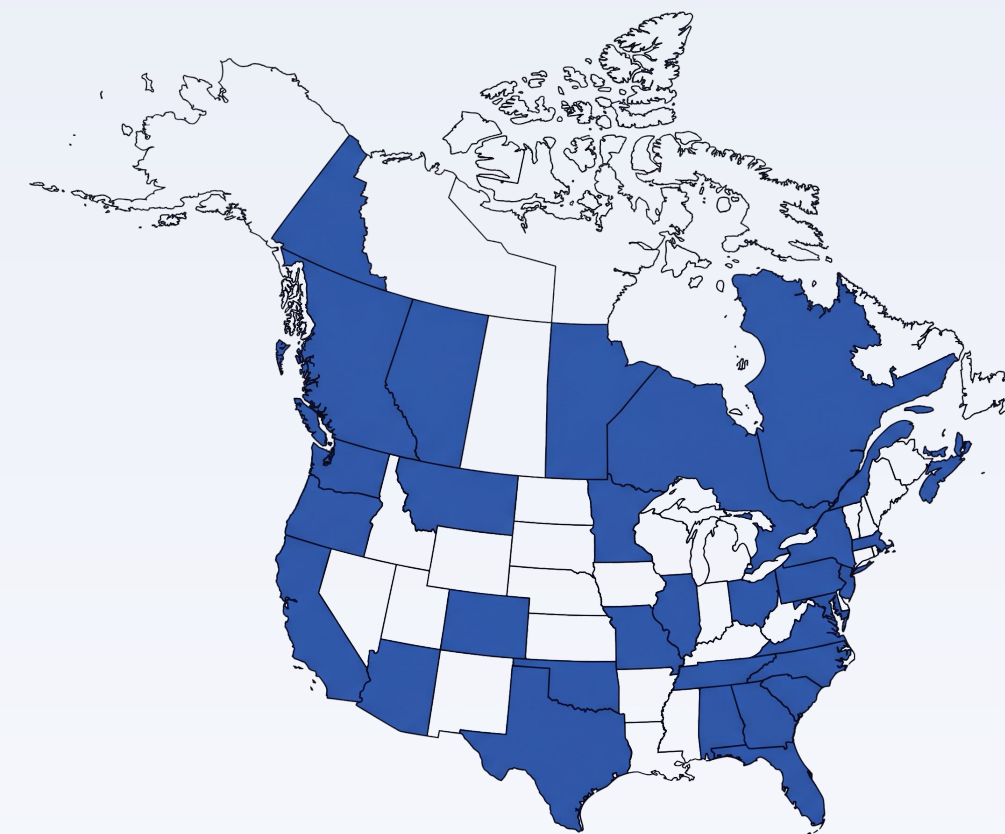
Average
\$218,000

Max
\$1M+

Median
\$50k-\$100k

Min
Under \$50k

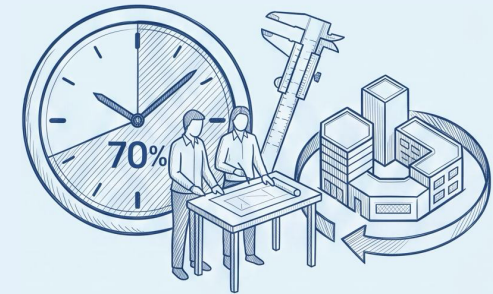
Location of Firms



Operational Efficiency & Workflow

Key Stats Snapshot

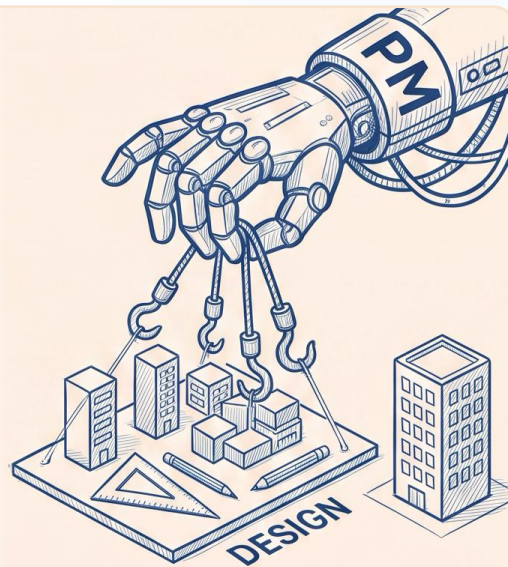
1/2



Nearly half of firms spend more than 70% of their time on design

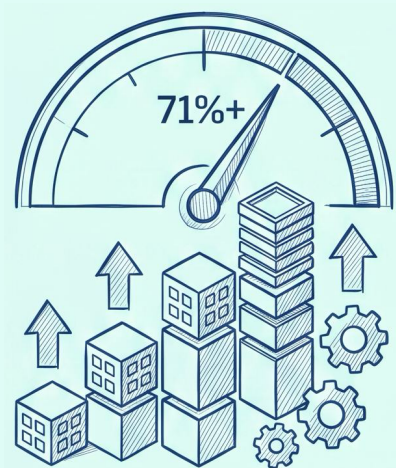
44%

of firms say project management tasks are the #1 thing pulling teams away from design



58%

of firms report utilization rates of 71% or higher



The Battle for Billable Time

Nearly half of firms are holding onto meaningful design time, but the pressure is real.

Project management tasks top the list of what pulls teams away from billable work, followed closely by client communication and approvals. For many firms, especially smaller ones where principals are often doing multiple jobs at once, this creates a compounding problem.

Every hour spent on coordination or admin is an hour that is not going toward the work clients are actually paying for.

What is worth noting is that the firms losing the most design time are not necessarily the least talented or the least motivated. They are often simply the ones without systems in place to manage the operational side of the business efficiently. The drag is structural, not personal, and that means it is also fixable.

38%

of firms say client communication and approvals is the second biggest task taking them away from design

Utilization: Strong Numbers, but a Gap Worth Watching

A majority of firms are reporting utilization rates above 70%, which is a healthy signal.

Teams are busy and billable hours are largely being captured. But the 42% of firms below that threshold or unsure whether they are tracking it at all tells a different story.

Utilization is one of those metrics that tends to reveal more than just productivity. Low utilization often points to deeper issues like poor resource

allocation, uneven project distribution, or time being spent on non-billable work that never gets flagged.

For firms that are tracking utilization but still falling short, the question is not just how busy the team is, but whether the right people are on the right projects at the right time.

42%

of firms are operating below a 70% utilization rate or are not tracking this metric at all

The Tools Firms Are Using to Work Smarter

Software plays a central role in how the most efficient A&E firms operate, and adoption across the industry is broad.

Operational Efficiency & Workflow

Here is how the most common tool categories break down and what they are doing for firms.

Project Management Software

67% of firms are using project management software, and it ranks as the single biggest driver of efficiency across the survey. These tools help firms track project progress, manage budgets and timelines, assign tasks, and get real-time visibility into how projects are performing.

For firms still relying on spreadsheets or disconnected tools, purpose-built project management software tends to be where the most meaningful operational improvements happen.



#1 tool

Industry-specific project management software is the #1 tool firms say has had the biggest impact on their efficiency.

Time Tracking and Resource Management Software

The most widely adopted tool category in the survey at 76%, time tracking and resource management software gives firms visibility into how hours are being spent across projects and teams.

For a business where billable time is the core product, capturing it accurately is one of the most direct levers a firm has on profitability.

BIM Software

65% of firms use BIM software, with the strongest adoption among architecture firms. Beyond design coordination, BIM tools help reduce errors early in a project, which has a downstream effect on both timelines and budgets.

Financial and Invoicing Software

63% of firms use dedicated financial and invoicing software. For firms still handling billing manually, this is often where the most immediate time savings can be found.

Faster, more accurate invoicing means faster payment, which has a direct impact on cash flow.


Takeaway

The firms protecting their design time and keeping a close eye on utilization are the ones building practices that are sustainable, not just busy. The right tools play a big role in that. Small improvements in how time is tracked, resources are allocated, and projects are managed can have a meaningful impact on profitability without requiring a single new hire.

Project & Resource Management

Key Stats Snapshot


73% of firms name scope creep as the #1 budget killer, yet 40% don't track project profitability in real time



7 in 10 firms manage resources manually through meetings, spreadsheets, or no formal process at all



50% of firms match staff to projects based on gut feel alone



Profitability Tracking: The Gap Between Knowing and Doing

Firms know that tracking profitability matters. But understanding it and doing it in real time are two different things. 40% of respondents do not track project profitability in real time, which means that by the time a problem becomes visible, there is often little room to course correct.

The firms that do track profitability in real time are in a much stronger position to catch scope drift early, have informed conversations with clients about changes, and protect their margins without it becoming a crisis conversation at the end of a project.

40%

of firms say client communication and approvals is the second biggest task taking them away from design

Resource Management: Still Largely Manual

Managing people across multiple projects remains one of the most consistent pain points in the industry. 7 in 10 firms manage resources manually through meetings, spreadsheets, or no formal process at all.

Of the firms that have moved away from manual coordination, dedicated project management software is the most common solution, pointing to a clear opportunity for the majority of the industry to gain better visibility into how their teams are actually being utilized.

The downstream impact is real. Without visibility into who is working on what and how much capacity the team has, firms are more likely to overbook, underutilize, and miss early warning signs that a project is getting off track. It also makes it harder to plan ahead, particularly for firms carrying healthy backlogs of 7 months or more.

Skill matching tells a similar story. 50% of firms rely on gut feel when deciding who goes on which project, and another 24% do not track skills at all. That kind of intuition works when a firm is small and everyone knows each other well. But as firms grow, it becomes a bottleneck and a risk.

Budget Overruns: Common, Costly, and Largely Preventable

Going over budget is not a rare event in the A&E industry. For a project-based

Project & Resource Management

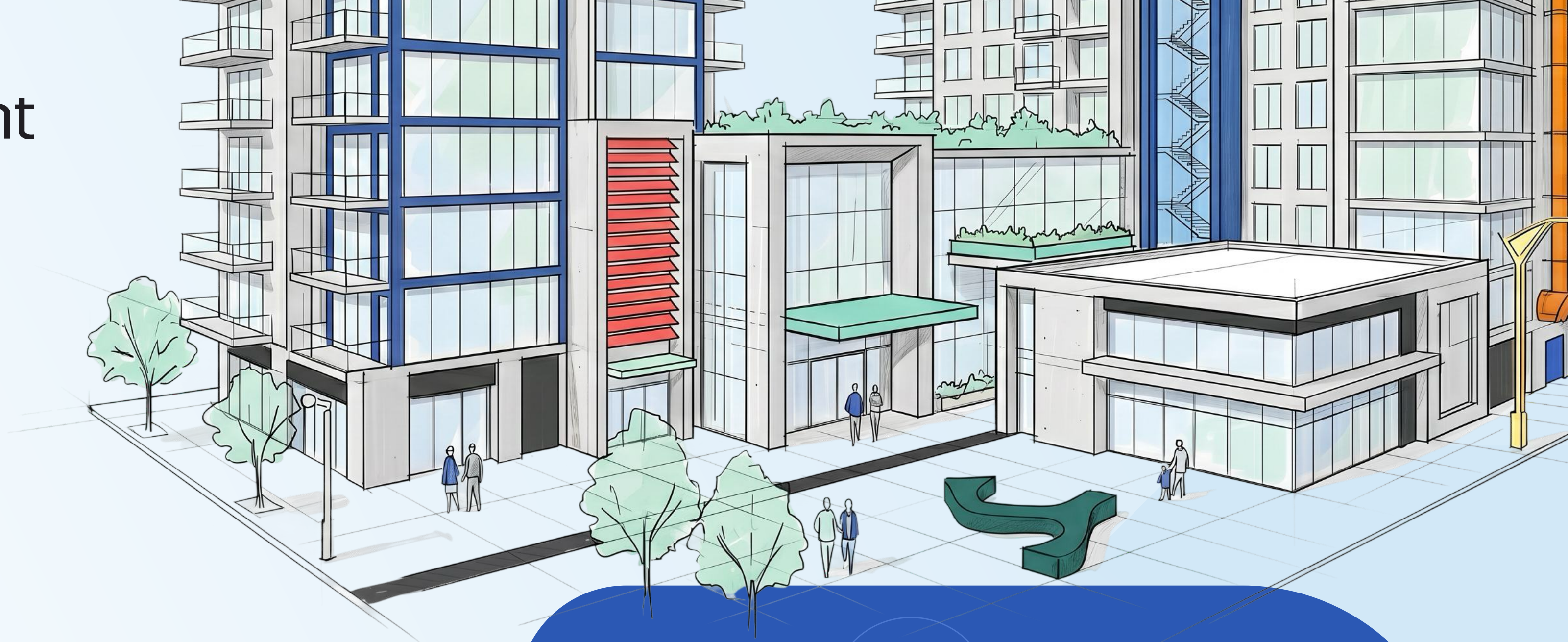
business operating on tight margins, that is a meaningful hit.

56%

of firms report budget overruns on more than 10% of projects

The top reasons budgets go off track, in order, are scope creep, underquoting the initial project fee, and poor project tracking.

What is striking about this list is that all three are interconnected. Underquoting creates a thin buffer from day one. Scope creep erodes whatever buffer exists. And without real-time project tracking, neither problem gets caught until it is too late.



Top Reasons Budgets Go Off Track



#1 Scope creep



#2 Underquoting the initial project fee



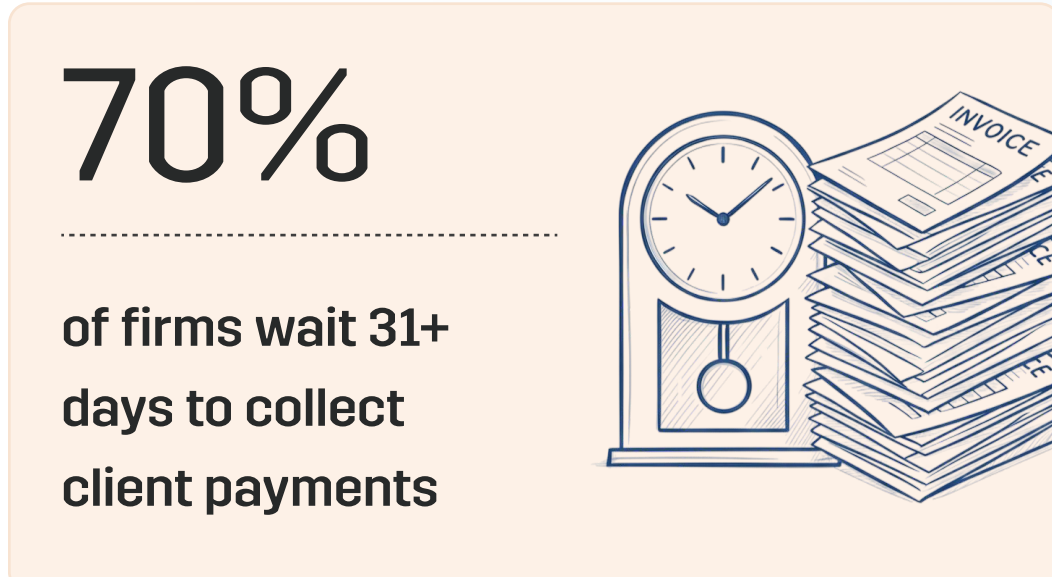
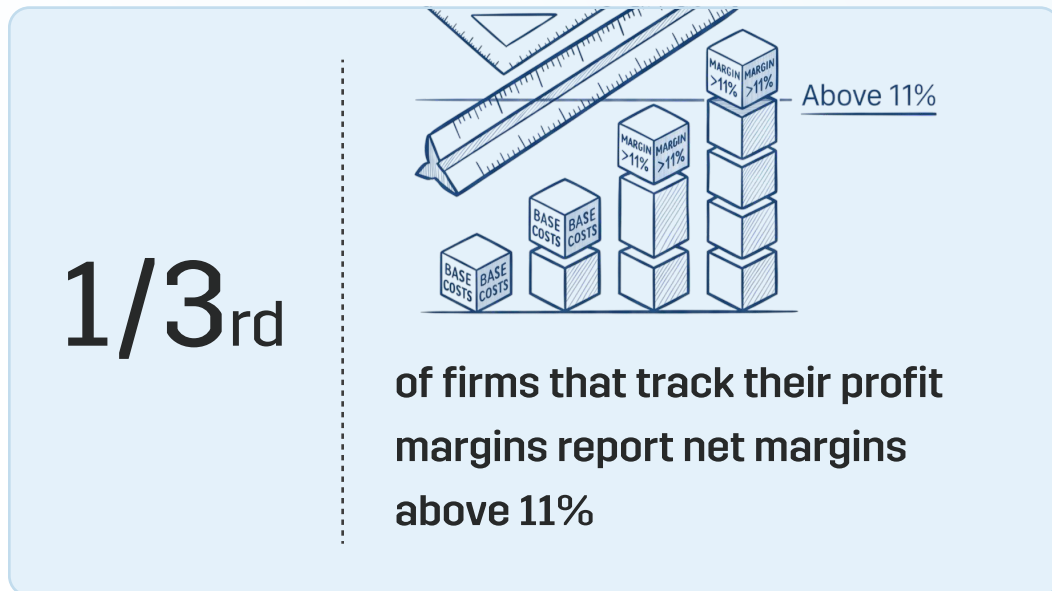
#3 Poor project tracking

Takeaway

The firms best positioned to stay on budget are the ones that have built profitability checkpoints into how they run projects, not just how they close them. Real-time visibility into project performance, combined with clearer processes for managing scope and resourcing, gives firms the ability to make small adjustments before they become expensive ones. The data here is a reminder that most budget problems are not surprises. They are patterns, and patterns can be managed.

Financial Performance & Metrics

Key Stats Snapshot



Profit Margins: A Clear Picture for Some, a Blind Spot for Many

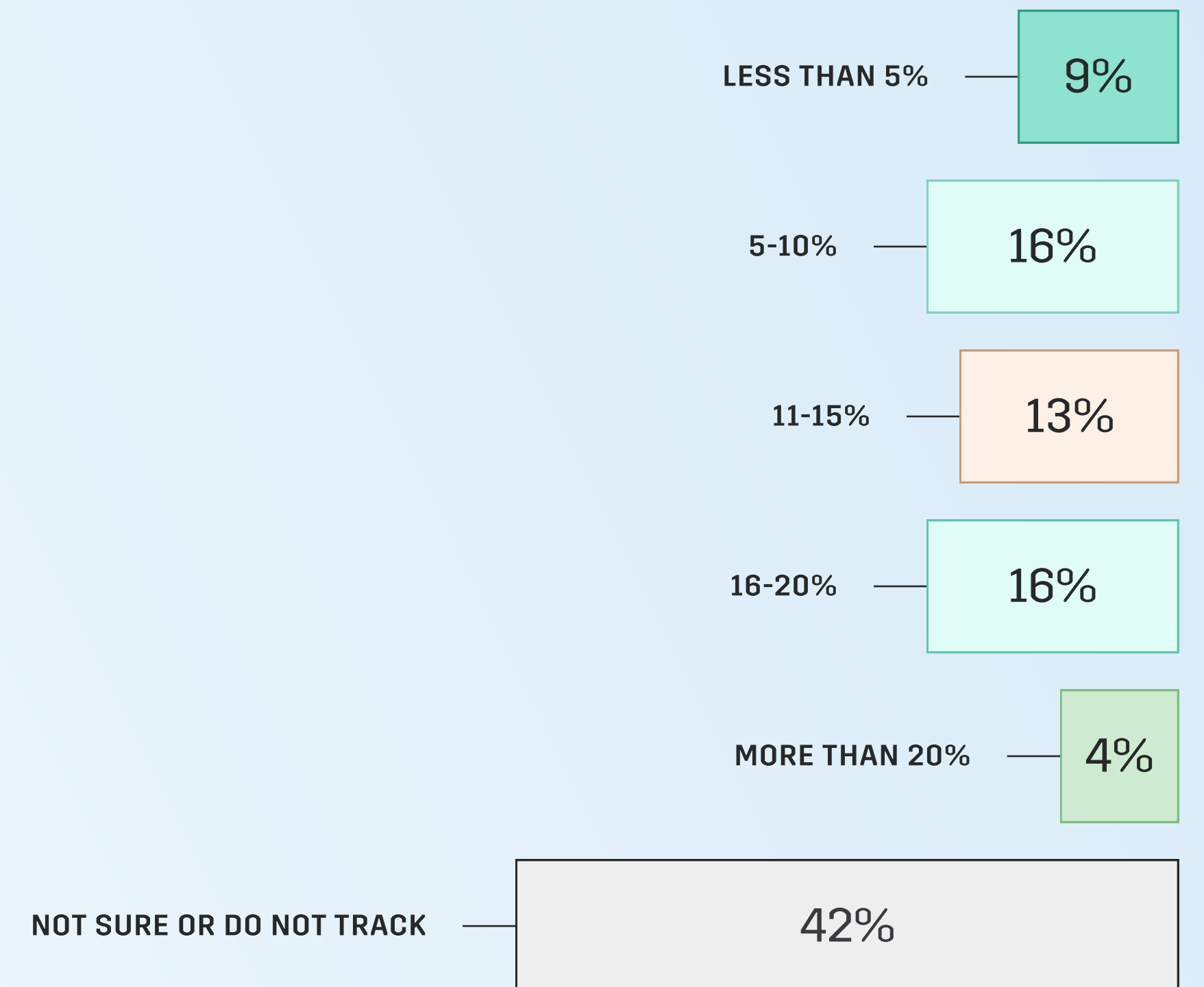
For the firms that track their net profit margins, the results are encouraging. A third of firms report margins above 11%, which is a reasonable benchmark for the industry. But the more striking finding is how many firms simply do not know.

42% of respondents could not report their own profit margin, which makes it very difficult to make informed decisions about pricing, staffing, or growth.

Profit margin is not just a financial metric. It's a signal. It tells you whether your fees are right, whether your projects are being managed efficiently, and whether the business is moving in a healthy direction. Firms that track it regularly are better equipped to have honest conversations about where they are leaving money on the table.



Net Profit Margin Breakdown



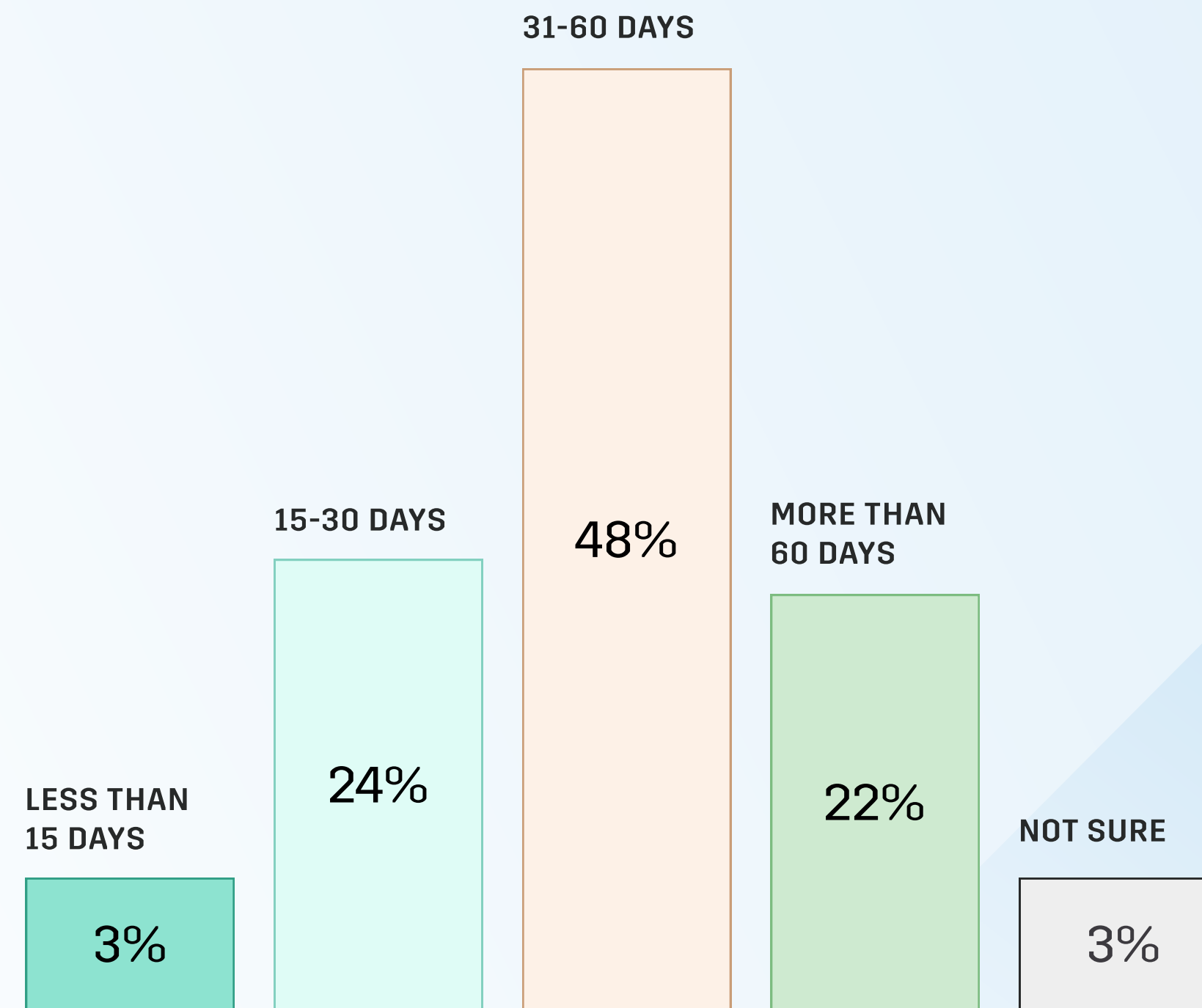
Financial Performance & Metrics

Getting Paid: The Cash Flow Reality

48% of firms are waiting 31-60 days to collect payment after invoicing, and 22% are waiting more than 60 days. For smaller firms in particular, that kind of lag can create real strain, especially when project costs are being absorbed upfront.

What makes this particularly worth addressing is the relationship between payment speed and invoicing practices. Firms that invoice promptly and consistently tend to get paid faster. Delays in sending invoices almost always extend the time to payment, which compounds the cash flow pressure further down the line.

Average Invoice Payment Time



Realization Rate: The Metric Most Firms Are Missing

Realization rate, the percentage of billable time that actually turns into collected revenue, is one of the most direct indicators of financial health in a services business. It is also the most overlooked.

60%

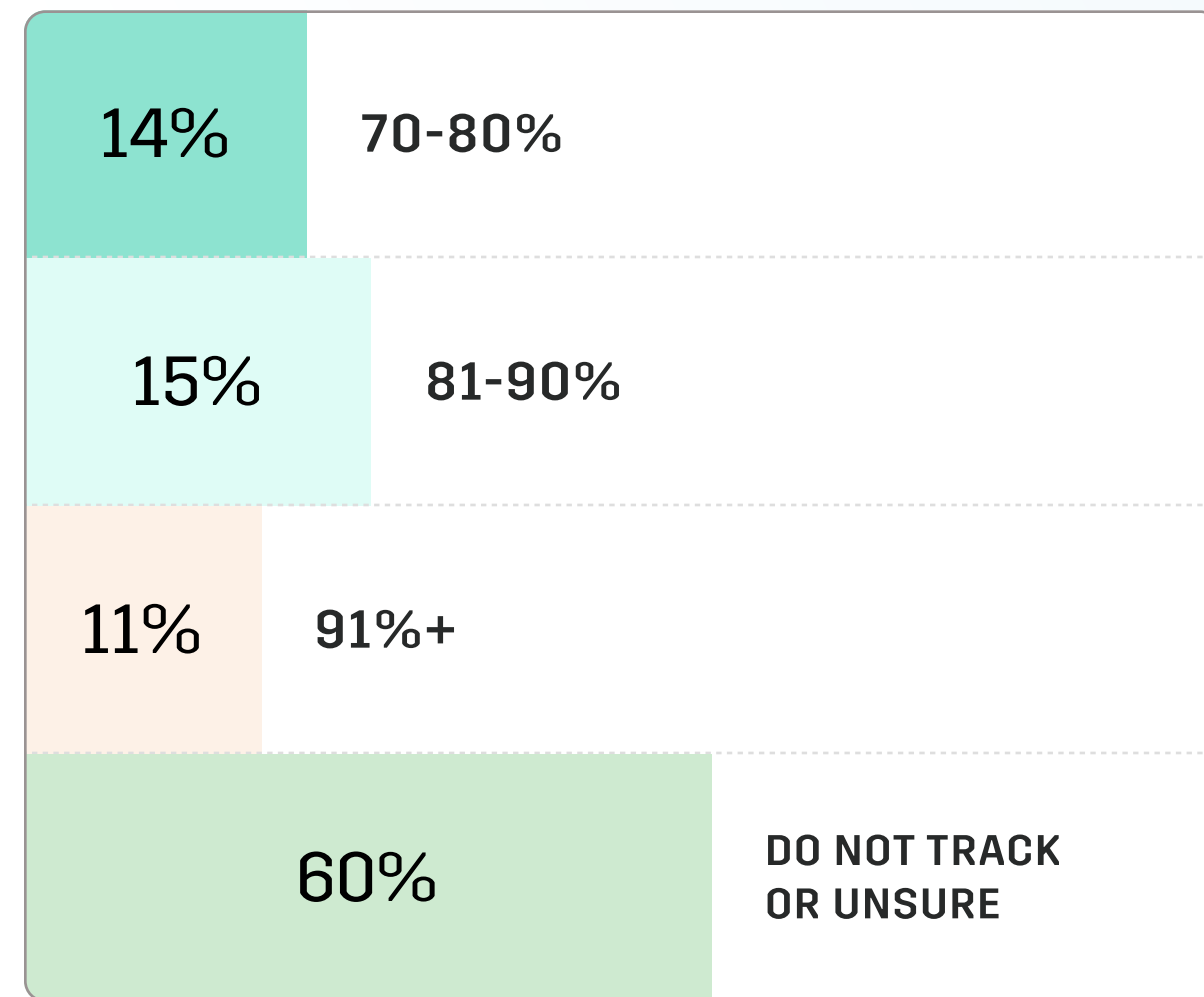
of firms do not track their realization rate or are unsure of their number.

Without this metric, firms have no way of knowing whether their pricing is working, where revenue is leaking, or how efficient their billing process really is. For firms focused on improving profitability, this is often one of the highest-impact areas to start.

The good news is that among firms that do track it, the majority are reporting realization rates above 80%, which suggests that the firms investing in this visibility are generally in a healthy position.

Financial Performance & Metrics

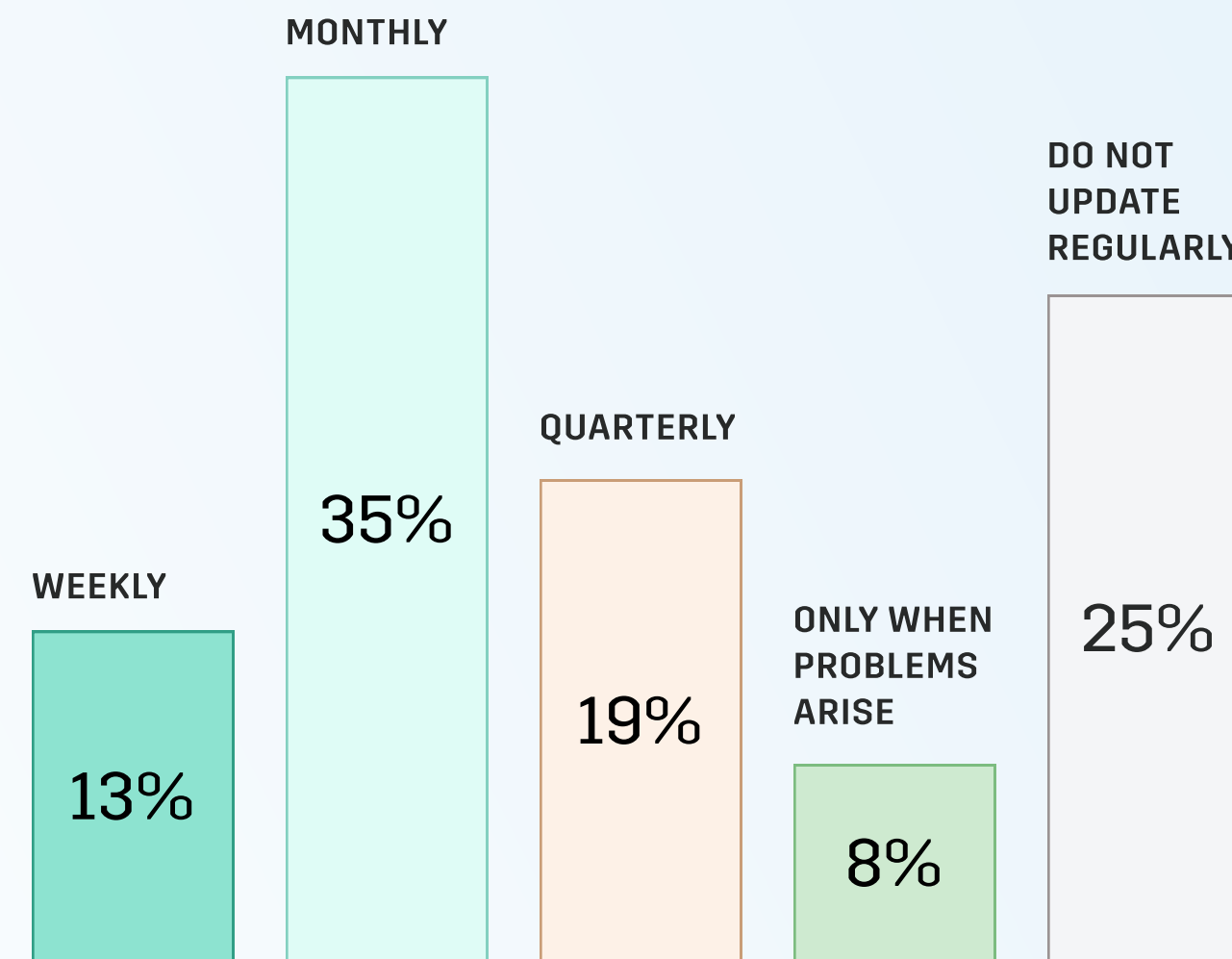
Realization Rate Among Firms That Track It



How far ahead a firm can see its revenue pipeline has a direct impact on the decisions it can make about hiring, project selection, and business development. The data shows a wide range of forecasting approaches across the industry.

Revenue Forecasting: Planning Ahead vs. Reacting

How Frequently Firms Are Updating Their Forecast



35% of firms update their revenue forecasts monthly, which is a healthy cadence, but 25% do not update forecasts regularly at all. For those firms, financial decisions are being made largely on instinct rather than data, which increases risk and limits the options available when things get uncertain.

The firms with the longest planning horizons, those forecasting 7 months or more ahead, tend to be better positioned to make proactive staffing decisions, pursue the right projects, and avoid the kind of revenue gaps that catch firms off guard.

Takeaway

Financial health in an A&E firm is not just about setting the right fees at the start of a project. It is about maintaining visibility throughout. The firms that track margins, monitor realization, forecast regularly, and invoice promptly are the ones that can weather uncertainty and make proactive decisions rather than reactive ones. For firms that are not yet tracking these metrics consistently, starting with even one or two of them can make a meaningful difference.

Human Resources & Talent Management

Key Stats Snapshot

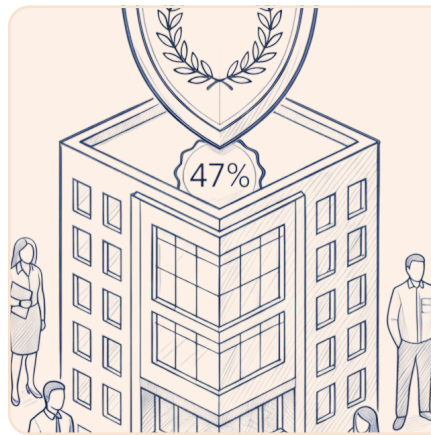
40%

of firms say managing project demand with current staff is their #1 people challenge



47%

of firms report annual staff turnover under 5%



67%

of firms allocate 3% or less of their budget to professional development



54%

of firms operate on a hybrid model, making distributed workforce management a permanent part of running an A&E firm



The Top People Challenge: Capacity, Not Just Headcount

The number one personnel challenge across the industry is not finding people. It is having enough of the right people to keep up with the work. 40% of firms cite managing project demand with current staff levels as their biggest people challenge, followed by finding experienced architects and engineers at 33%.

This distinction matters. Capacity challenges are often a systems and planning problem as much as a hiring problem. Firms that have better visibility into their pipeline and workload are better positioned to anticipate when they will need more support and what kind, rather than finding themselves stretched thin in the middle of a busy period with no runway to hire or plan ahead.

Top Personnel Challenges

- ① Managing project demand
- ② Finding experienced architects/engineers
- ③ Attracting young professionals
- ④ Retaining top talent



Retention: What Firms Are Getting Right

The turnover picture across the industry is relatively healthy. 47% of firms report annual staff turnover under 5%. When asked how firms approach retention, the leading strategies were competitive salaries and benefits at 72%, work-life balance initiatives at 66%, professional development opportunities at 58%, and strong company culture and engagement at 55%.

72%

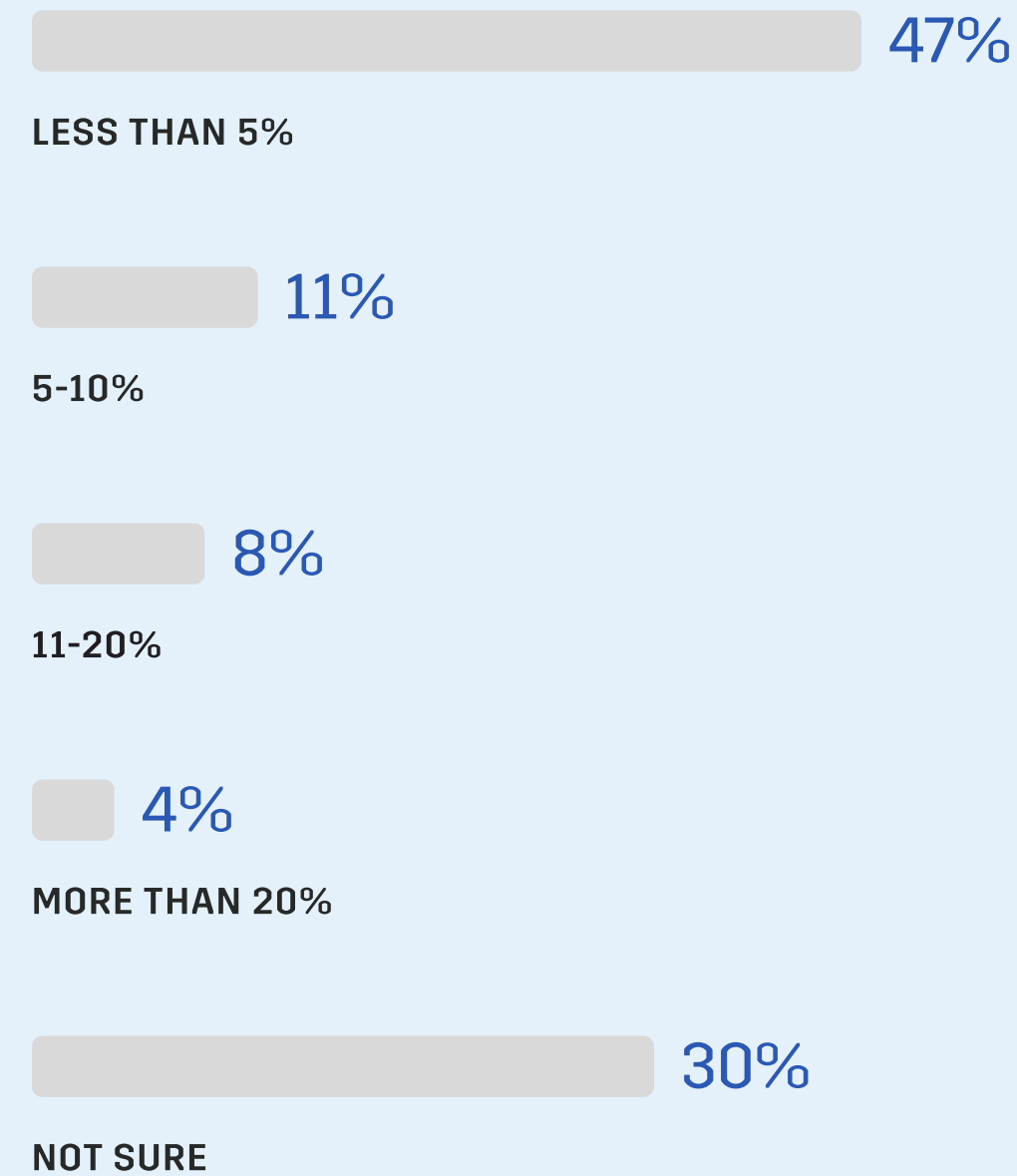
of firms list competitive salaries and benefits as their primary retention strategy



What is worth noting is that the top two strategies, compensation and work-life balance, are table stakes in most competitive hiring markets. The firms that build lasting loyalty tend to go further, investing in career development, meaningful work, and a culture that makes people feel like they belong to something worth staying for.

Human Resources & Talent Management

Annual Staff Turnover Rate



could be. 67% of firms allocate 3% or less of their budget to professional development, and only 8% have a formal mentorship or career development program in place.

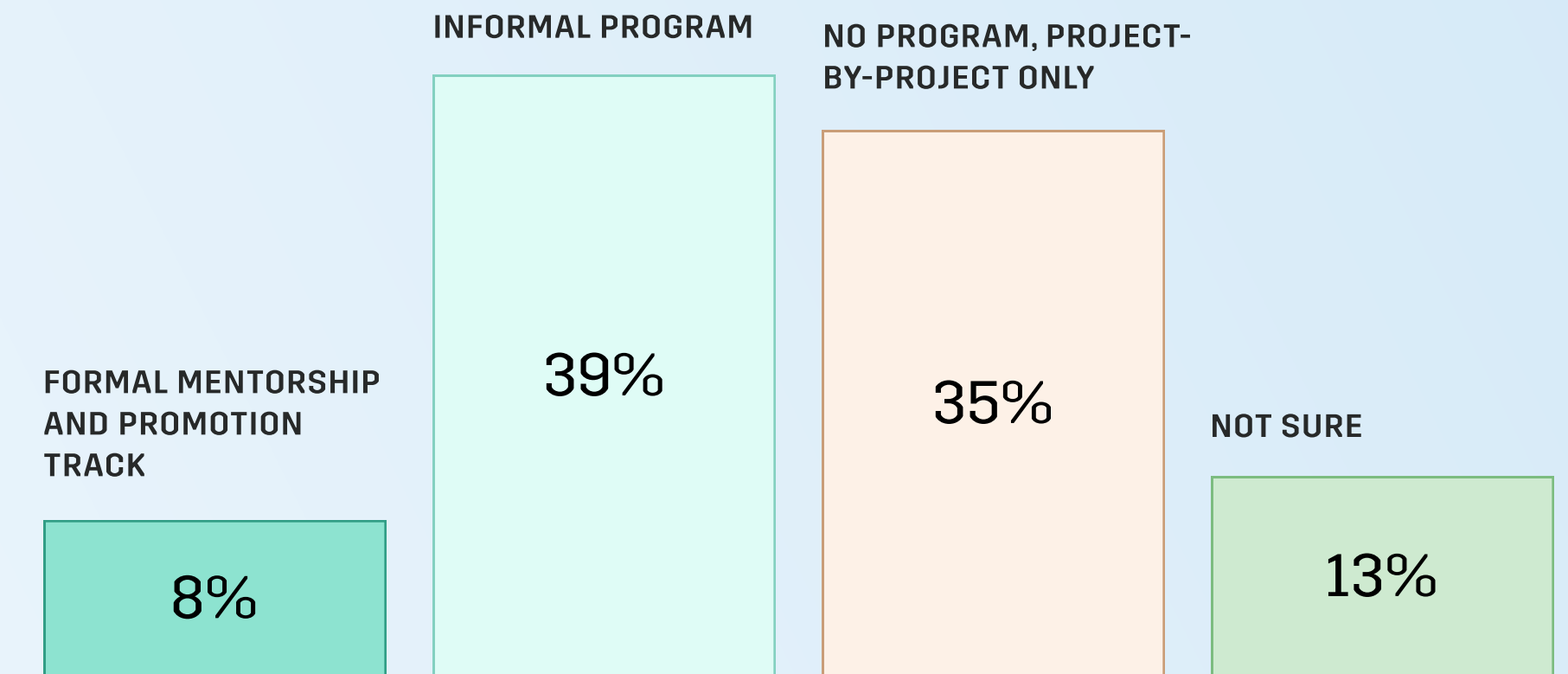
Informal learning and on-the-job growth absolutely have value. But they depend heavily on individual managers and can be inconsistent across a firm. As the industry faces increasing pressure to develop the next generation of experienced practitioners, firms with structured development pathways will have a meaningful advantage in attracting and keeping talent.

16%

Only 16% of firms have a formal succession or leadership development plan in place

The succession picture tells a similar story. Only 16% of firms have a formal succession or leadership development plan in place, while 37% have none at all. For firms where a significant portion of institutional knowledge sits with one or two senior people, that is a real business risk that often goes unaddressed until it becomes urgent.

Career Path and Mentorship Programs



Takeaway

The firms best positioned for long-term growth are the ones investing in their people intentionally, not just when a vacancy opens up. You do not need a large HR department to make progress here. Consistent check-ins, a clear promotion framework, and a modest but dedicated professional development budget can go a long way toward building a team that grows with the business rather than outgrowing it.

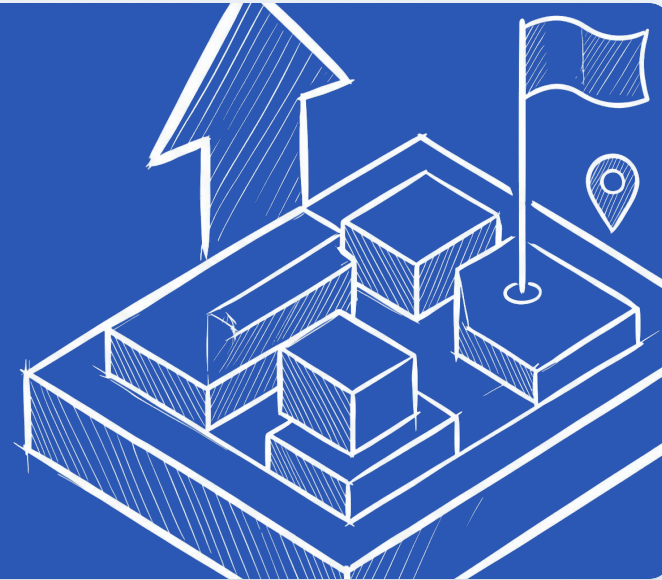
Development and Planning: The Long Game

While retention numbers look healthy on the surface, the data suggests that many firms are not investing as deeply in the future as they

Business Development & Client Relations

How Firms Generate New Business

- ① Referrals and word of mouth
- ② Networking and industry events
- ③ Partnerships and collaborations



Repeat Business and Client Satisfaction: A Strength Worth Protecting

One of the most encouraging findings in this section is how strong repeat business is across the industry. 3 in 4 firms report that at least half of their clients are returning customers, which is a meaningful signal about the quality of work being delivered and the relationships firms are building.

60%

of firms have no formal method to measure client satisfaction, despite 3 in 4 relying heavily on repeat business

But the data tells a more complicated story. If repeat business is so strong, how do firms actually know what is driving it? Winning on reputation and relationship momentum is a real asset, but without a formal way to gather feedback, it is difficult to know what is working and what might be quietly costing you future work.

Client feedback is one of the most direct inputs a firm can have into how it improves its processes, positions its services, and identifies new opportunities. Firms that create regular touchpoints to gather that feedback are not just managing relationships, they are building a competitive advantage.

How Firms Measure Client Satisfaction

- ① No formal tracking method
- ② Follow-up calls or emails
- ③ Customer satisfaction surveys
- ④ Net Promoter Score



Takeaway

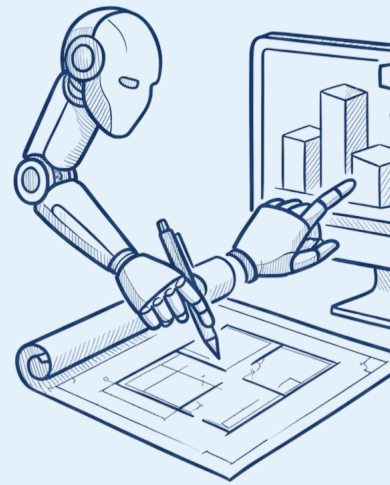
Business development in A&E has always been personal, and that is a genuine strength. But personal relationships alone are not a sustainable growth strategy. The firms building the most resilient pipelines are the ones adding light structure around their efforts, staying in touch with past clients, gathering feedback consistently, and making sure great work leads to the next conversation. The data shows that repeat business is strong across the industry. The opportunity is in understanding why, and building on it intentionally.

Future Outlook & Strategy

Key Stats Snapshot

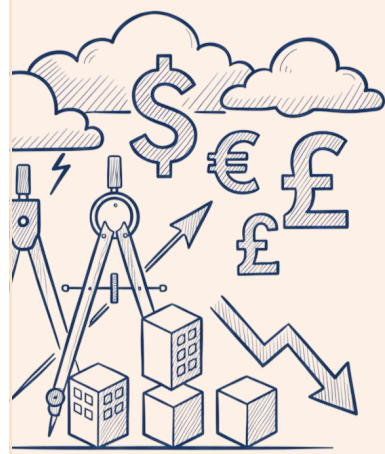
78%

of firms say AI and automation will have the biggest impact on the A&E industry



48%

cite economic uncertainty as their biggest challenge in the next 5 years



54%

of firms plan to expand services or enter new markets in the next 12-24 months



Challenges and Opportunities Ahead

The A&E industry is heading into a period of real uncertainty, and firms know it. About half of firms cite economic uncertainty and its impact on project funding as the biggest challenge they anticipate in the next five years. Talent shortages and hiring challenges came in second, followed by keeping up with emerging technology.

Biggest Anticipated Challenges in the Next 5 Years

6%

INCREASING CLIENT DEMANDS AND COMPETITION

18%

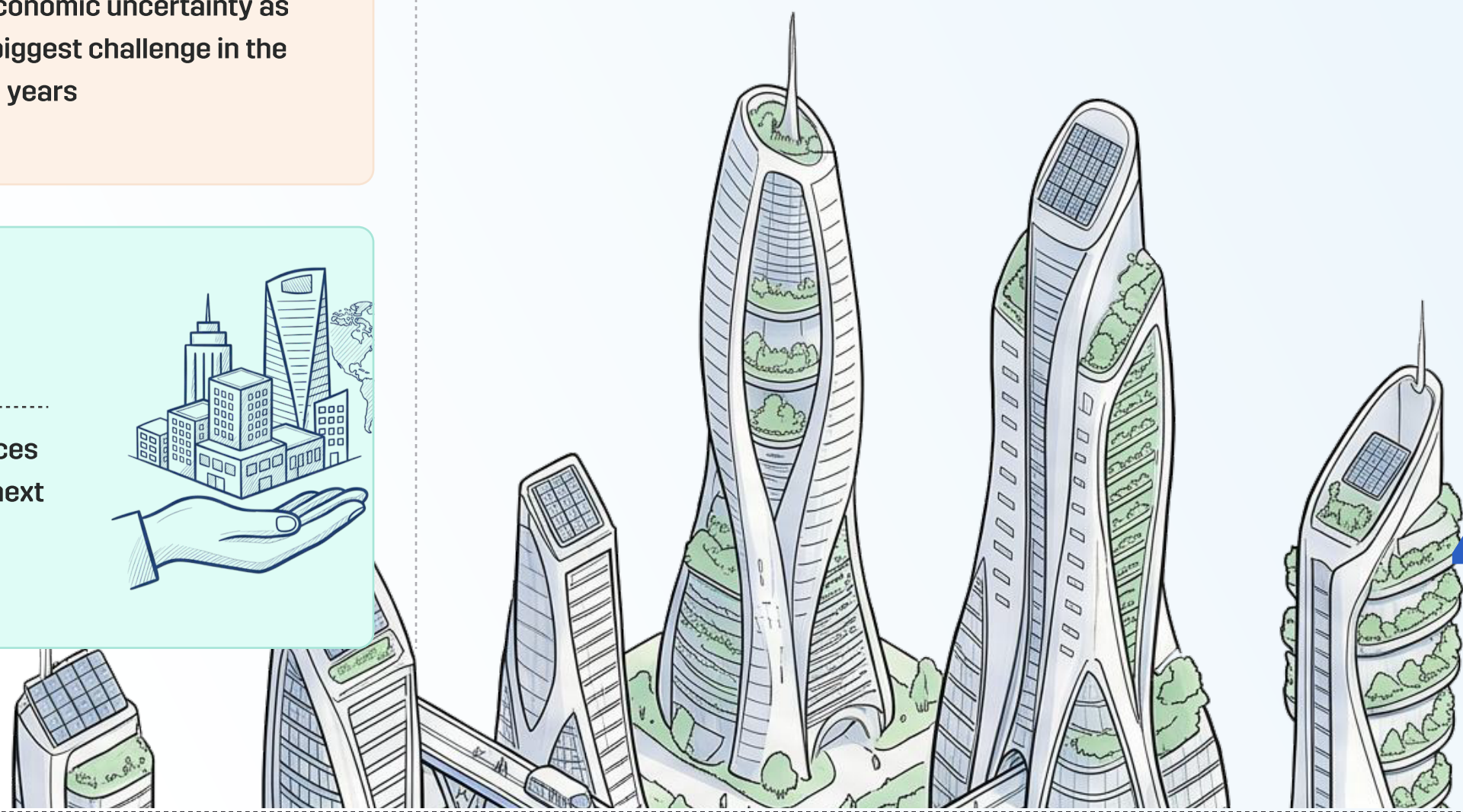
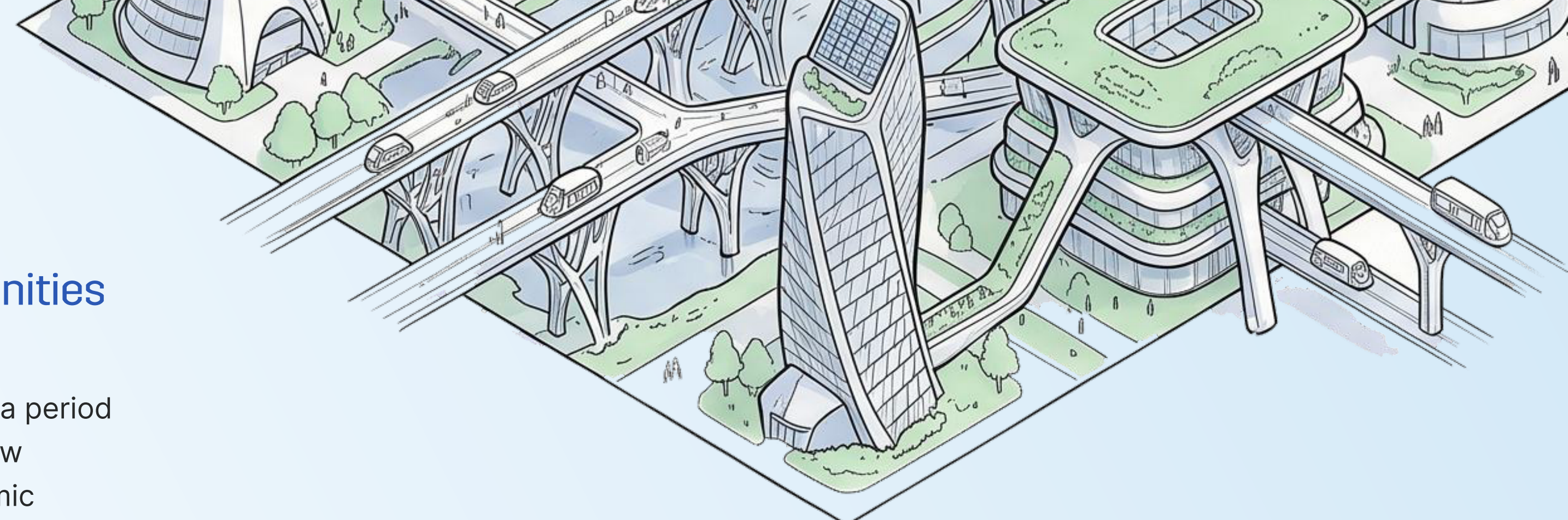
KEEPING UP WITH EMERGING TECHNOLOGY

28%

TALENT SHORTAGES AND HIRING CHALLENGES

48%

ECONOMIC UNCERTAINTY IMPACTING PROJECT FUNDING



Future Outlook & Strategy

What is worth noting about this list is the relationship between the challenges firms are worried about and the actions many are taking to prepare for them. Firms that are not forecasting regularly, not tracking key financial metrics, and not investing in their people are the least equipped to weather the kind of turbulence the industry is anticipating. Awareness of a challenge is only useful if it translates into action.

AI: The Industry Sees it Coming

78% of firms believe AI and automation in design processes will have the most significant impact on the A&E industry moving forward, making it by far the most cited trend in the survey.

The consensus is clear. AI is not a distant possibility for this industry, it is an approaching reality that most firms are already thinking about. The question is not whether AI will change how A&E firms operate, but whether individual firms will be in a position to take advantage of it or be caught off guard by it.

What the data also suggests is a gap between awareness and readiness. Firms that are still relying on manual processes, disconnected tools, and gut feel decision

making will find the transition to AI-assisted workflows significantly harder than firms that have already built a foundation of structured data and connected systems. Getting the operational basics right now is not just good practice. It is preparation.

78%

of firms say AI and automation will have the biggest impact on the A&E industry in the years ahead

Trends Expected to Have the Most Impact on A&E

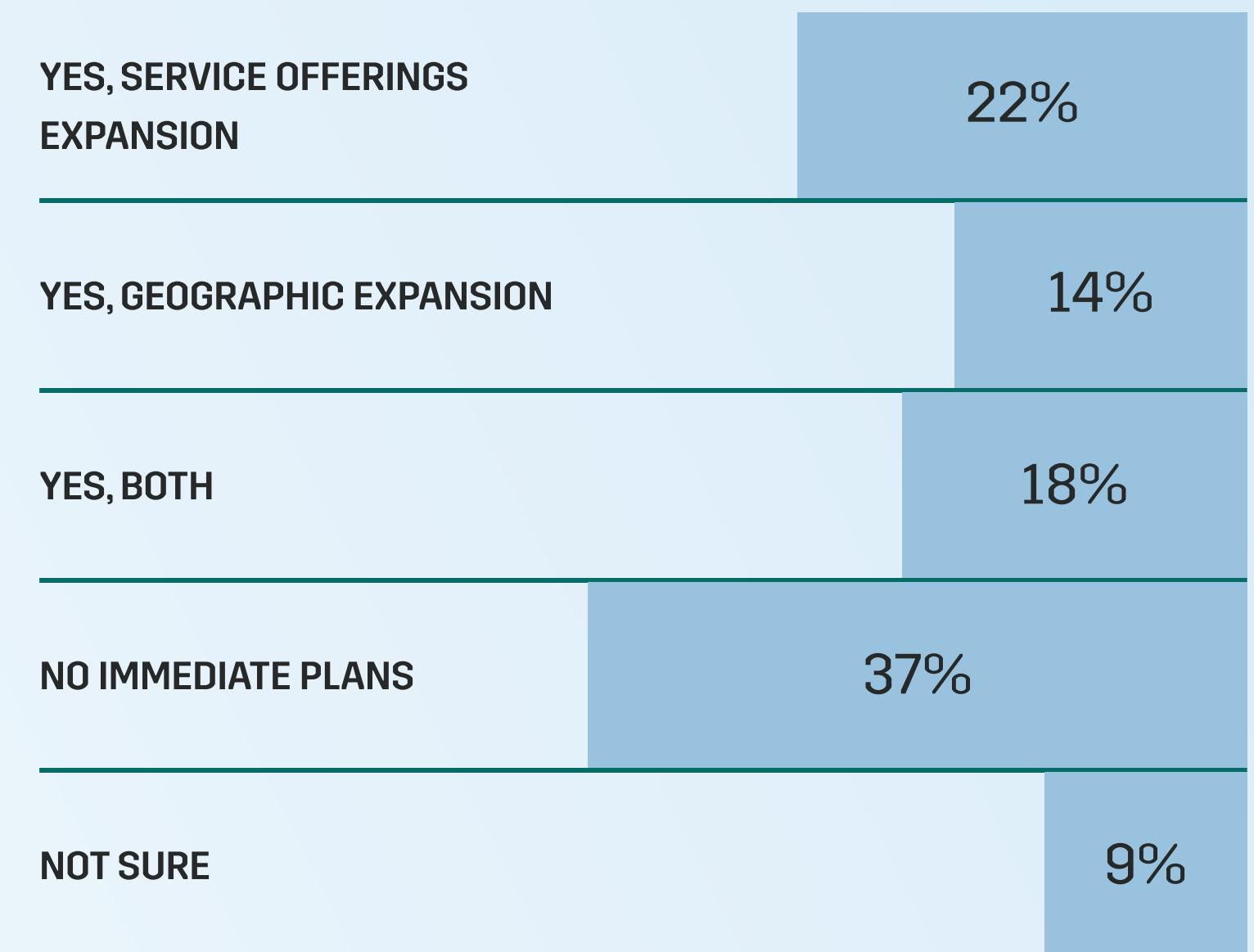
- ① Automation and AI in design processes
- ② Increased adoption of BIM and digital workflows
- ③ Sustainability and green building initiatives

Growth Plans: Cautious but Forward Looking

Despite the uncertainty, a meaningful portion of firms are

planning to grow. 54% plan to expand their services or enter new markets in the next 12-24 months, with service expansion being the most common direction. 37% have no immediate plans to expand, and M&A activity remains limited with 53% not actively pursuing any mergers or acquisitions.

Expansion Plans in the Next 12-24 Months



Future Outlook & Strategy

Thoughts and Insights from Industry Leaders

What do you believe will be the biggest opportunity for your firm in the next 5 years?

“Automation of tasks, allowing for growth without needing to hire a lot more people.”

“Stay in front of technology and use it to build our brand and continue to offer excellent services to our clients.”

“To be able to track projects effectively and measure the costs.”

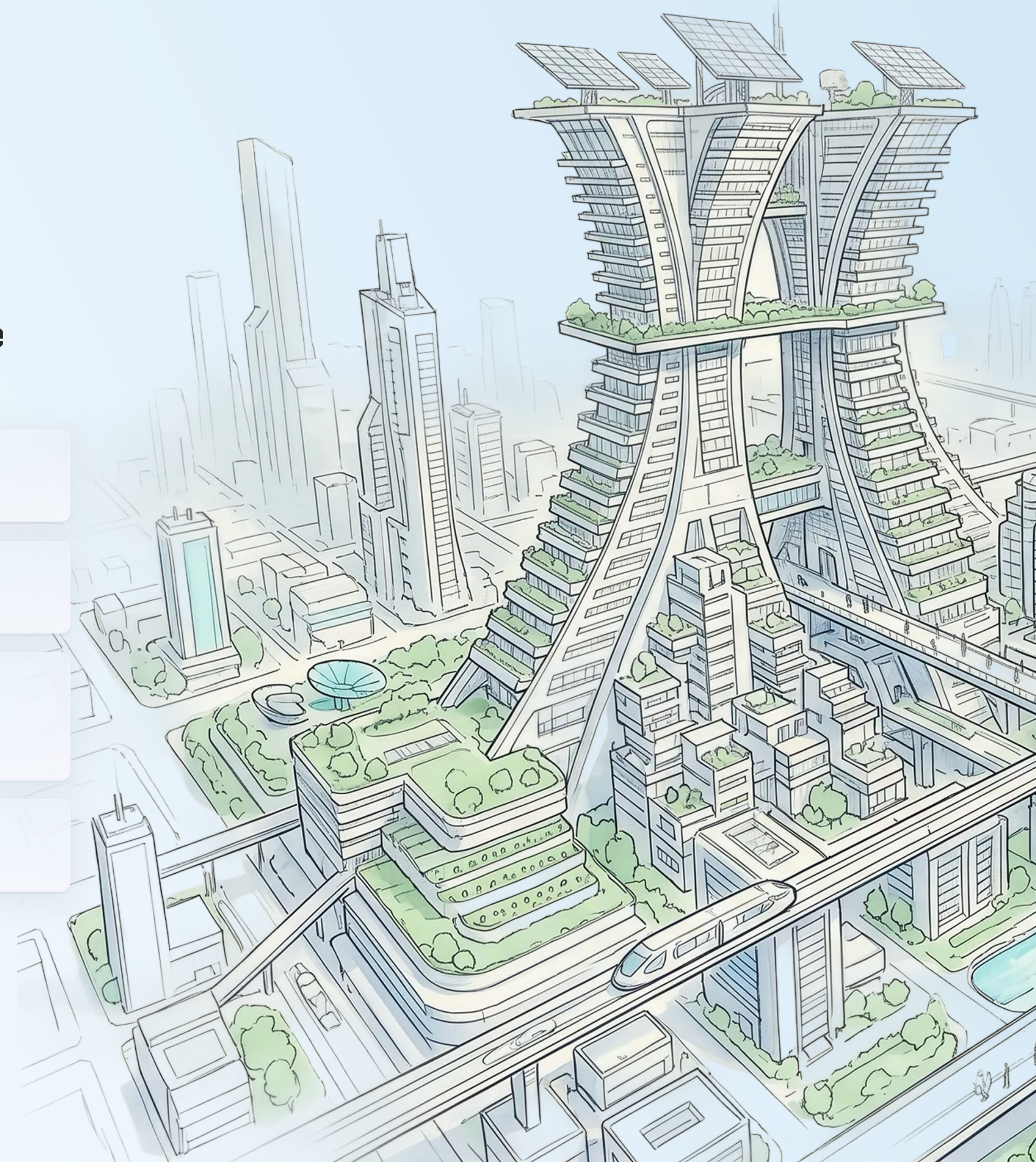
“Harnessing existing client base and becoming their preferred partner in projects we have expertise in.”

“Simplifying processes.”

“Transfer of knowledge to junior staff.”

“Acquisitions and potential sale of company.”

“Getting Factor!”



Future Outlook & Strategy

Thoughts and Insights from Industry Leaders

Share one lesson learned or best practice your firm has discovered in the past year.

“Be open to the unknown.”

“Forecasting is key!”

“Track scope of work and stages with clients tracking modifications.”

“If you cannot measure it, you cannot improve it.”

“Taking breaks to recharge is more important than working late.”

“Factor continues to be amazing!”

“Adding value by being service oriented is always a good thing.”

“Not to be afraid of AI taking our jobs. We are experimenting with ways to utilize AI for administrative tasks.”

“Better project tracking = increased profitability.”

Takeaway

The firms that will thrive over the next five years are not necessarily the biggest or the most established. They are the ones building the operational foundations now that will allow them to move with the industry rather than scramble to catch up. That means getting financial visibility in place, investing in people with intention, embracing the right technology at the right pace, and staying close to clients in a way that creates lasting loyalty. The data in this report points to where the gaps are. The opportunity is in closing them.

Factor cuts the busywork so you can focus on billable work.

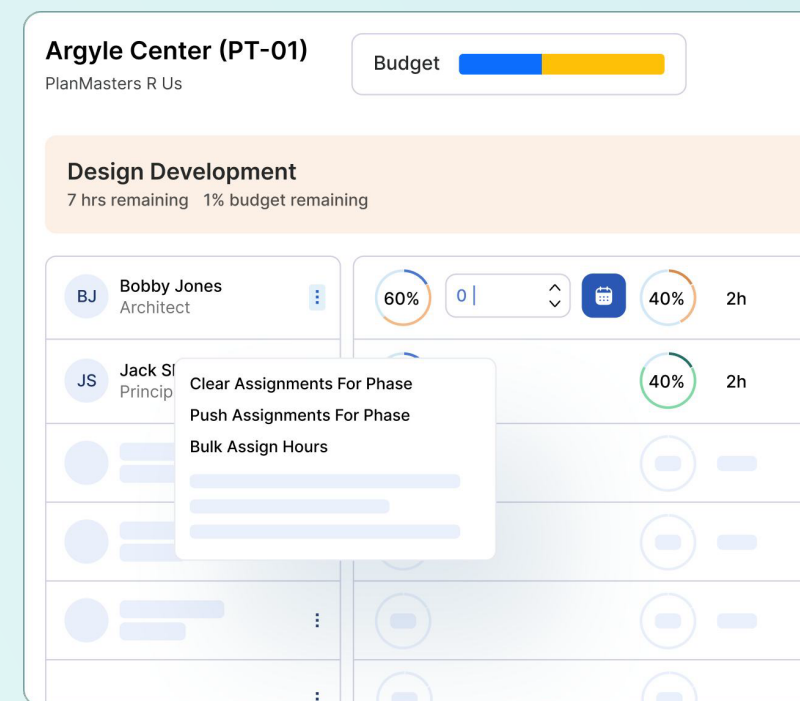
Every Project Phase Connected. Every Detail Under Control.

Factor is built for the way A&E teams really work. One platform that makes planning, tracking, billing, and reporting easier so firms can focus on great projects and healthy profits.

Planning

Set projects up for success from day one. Create budgets, schedule resources, and build timelines that keep every phase organized, aligned, and profitable.

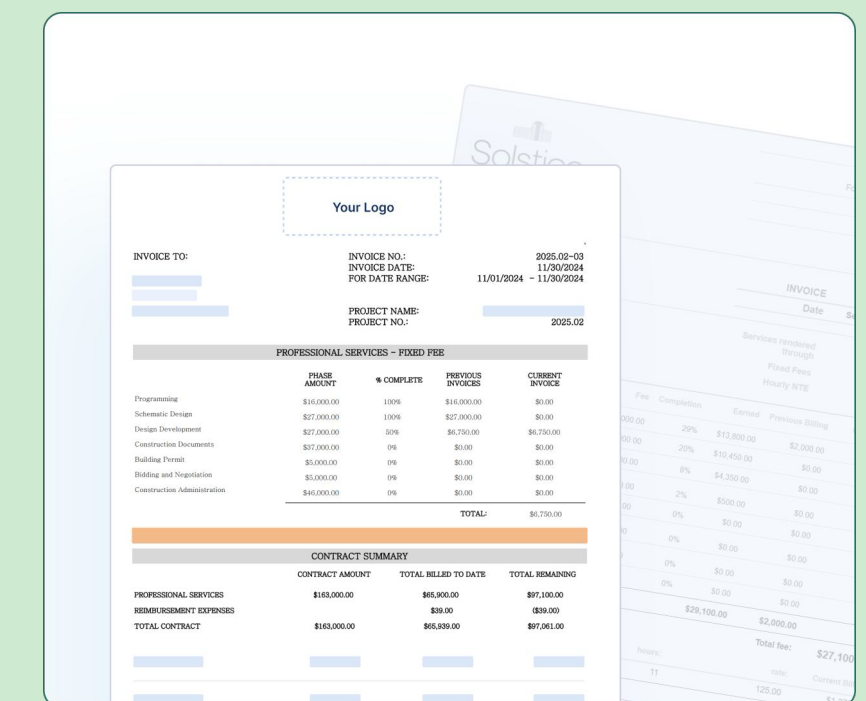
- Budget Setup
- Resource Scheduling
- Project Timelines



Billing

Turn project data into accurate invoices in less time. Quickly bill with flexible options that match your clients needs and keep cash flow steady.

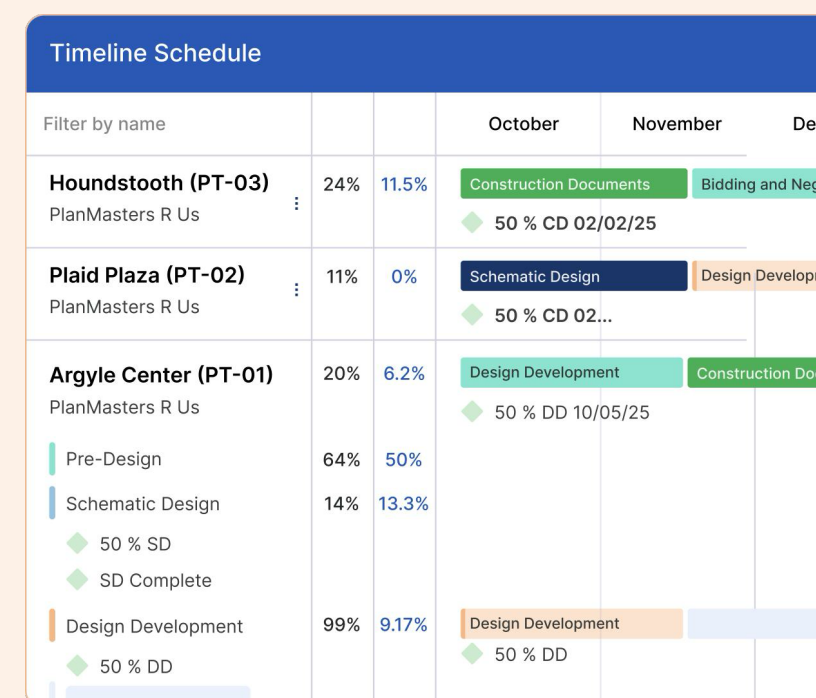
- Subconsultant Management
- Customizable Invoicing
- FactorPay



Tracking

Set projects up for success from day one. Create budgets, schedule resources, and build timelines that keep every phase organized, aligned, and profitable.

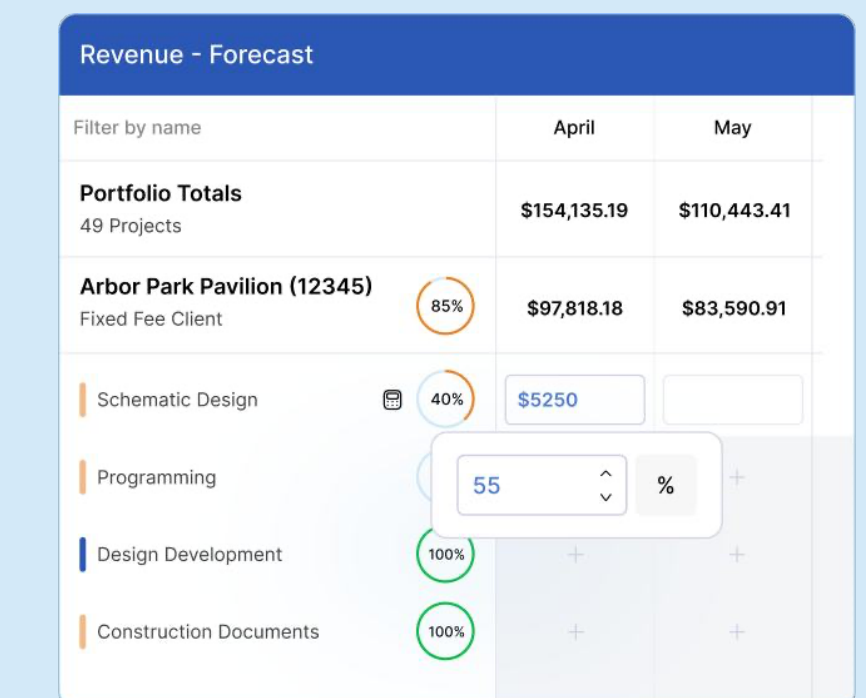
- Firm-Wide Visibility (The Pulse)
- Time and Expense Tracking
- Task Management



Reporting

Get the clarity you need to make smart decisions. Real-time dashboards and custom reports show performance, profitability, and what is next for your firm.

- Real-Time Dashboards
- Revenue Forecasting
- Opportunity Tracking



Simple software. Simple pricing.

\$30
Per user/month

No complicated tiers or confusing add-ons. Just straightforward pricing that gives your team everything they need.

- ✔ Unlimited invoicing templates and custom reports
- ✔ Consultative onboarding from A&E industry experts
- ✔ Implementation in weeks not months

Take a guided tour
with an A&E expert

Get Demo



"I would recommend Factor for anyone in the industry."

Betsy Koch, Operations Manager



"Our billing cycle went from 20 days to 4 hours."

Ken Dixon, COO/CFO



"We love Factor and so do all our team members."

Jennifer O'Connor, Office Manager



"8 hours saved every invoicing cycle."

Kristina Hebert, Sr. Project Manager