



## LANDSCAPING SERVICES IN THE US

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Bloom anew: A rebounding economy and nonresidential construction will likely drive demand for landscaping  
Dmitry Diment, August 2021

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Information provided by IBISWorld Inc. directly to Dan Altom of Sunbelt Texas.  
US Industry (NAICS) Report 56173, Dmitry Diment, August 2021.



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## ABOUT SUNBELT TEXAS

**Sunbelt Texas Business Brokers**, purchased in 1996 by Dan Elliott, has expanded from 1 broker to 12 business broker experts in Houston. Our brokers are a talented mix of industry professionals, business owners, real estate experts and community leaders. We have over two decades of business sales history and a great deal of experience working with all types of buyers – from strategics to private equity, and family offices to high net worth individuals.

Sunbelt Texas Business Brokers is the world's largest business broker specializing in the confidential sale of privately held businesses in Texas. We have sold over 600 businesses in the local Houston area alone, creating numerous jobs, helping business owners successfully retire, and giving new buyers the opportunity to achieve their entrepreneurial dreams.

We take pride in providing quality services to all buyers and sellers. This ensures that both the buyers and sellers will be left fully satisfied with the transaction whenever Sunbelt Business Brokers is involved. We've worked with all types and sizes of businesses, in a variety of industries and we walk our clients through the steps of how to buy a business.



## ABOUT THIS INDUSTRY

### INDUSTRY DEFINITION

This industry primarily provides landscape care and maintenance services, including planting trees, shrubs, flowers, lawns or gardens. Industry companies may also design landscape plans or construct walkways, retaining walls, decks, fences, ponds and similar structures. The design of large-scale landscaped areas, such as the campuses of hospitals or schools, is included in the Landscape Design industry (IBISWorld report 54132).

### MAJOR PLAYERS

There are no major players in this industry.

### MAIN ACTIVITIES

#### The primary activities of this industry are:

- Providing arborist services
- Fertilizing lawns
- Landscape care and maintenance
- Landscape installation
- Lawn mowing
- Planting trees, shrubs and other plants
- Spraying lawns
- Basic landscape design (excluding full landscape architecture)
- Pruning
- Turf installation (except artificial turf)

#### The major products and services in this industry are:

- Maintenance and general services, commercial
- Maintenance and general services, residential
- Design-build-installation services
- Arborist services and other services



## EXECUTIVE SUMMARY

### BLOOM ANEW: A REBOUNDED ECONOMY AND NONRESIDENTIAL CONSTRUCTION WILL LIKELY DRIVE DEMAND FOR LANDSCAPING

The Landscaping Services industry alters, maintains or enhances the visible components of land and property. Demand for industry services is dependent on the health of the housing and property markets, both of which have grown steadily over the five years to 2021. Additionally, since landscaping services are often discretionary, industry demand is dependent on levels of per capita disposable income and, thus, the high-income demographic, which generates a healthy portion of its revenue. The industry also relies on demand from institutional and commercial clients, which generally lead to higher per-service revenue.

Steady growth in the domestic housing market has underpinned the industry's growth over the five years to 2021. Residential markets are expected to account for 42.7% of industry revenue. **Sunbelt Texas** estimates the value of residential construction to increase during the current five-year period and confidence in the housing market remains strong. A healthier housing market has encouraged current homeowners to invest in their properties to increase their value amid growing disposable income. Demand from commercial clients and government markets, which account for an estimated 47.6% and 6.3% of revenue respectively, has endured more volatility in recent years. The global outbreak of the COVID-19 (coronavirus) pandemic has disrupted operations, as states across the country ordered nonessential businesses to close and many office workers have worked from home since 2020, reducing the need for commercial landscaping services. As a result, industry revenue decline 0.8% in 2020. On aggregate, industry revenue is still projected to rise during the period, aided by strong government stimulus, with revenue growing an annualized 5.1% to \$114.6 billion over the five years to 2021. As the coronavirus pandemic subsides and economic activity continues to rise in 2021, industry revenue is expected to increase 5.3% in 2021.

After a brief dip, the industry is expected to continue growing over the five years to 2026 as residential and nonresidential construction grow steadily. Favorable economic conditions will benefit the industry, such as rising per capita disposable income that will boost households' ability to purchase industry services. Nonresidential construction activity, which declined overall between 2016 and 2021, is expected to recover and climb steadily, making this market a point of emphasis for growth over the five years 2026. During the period, industry revenue is anticipated to grow at an annualized rate of 2.4% to \$129.2 billion. Profitability, which declined to 5.4% in 2020 but recovered in 2021, is expected to following suit. By 2026, average industry profit, measured as earnings before interest and taxes, is expected reach more 9.0% of industry revenue.



# INDUSTRY PERFORMANCE

Key External Drivers 2013–2026



## KEY EXTERNAL DRIVERS

### Value of private nonresidential construction

The construction of resorts, schools, retail centers, corporate campuses and other spaces that incorporate green areas drives demand for landscaping services. As nonresidential construction activity increases, demand for landscaping services increases as well. The value of private nonresidential construction is expected to decrease in 2021, posing a potential threat to the industry.

### Value of residential construction

The value of residential construction, which includes multifamily structures such as apartment buildings, incorporates landscaped outdoor areas; this drives demand for maintenance services provided by this industry. As the value of residential construction rises, including spending on privately owned home improvements, the need for lawn, tree and garden care increases. The value of residential construction is expected to increase in 2021, representing a potential opportunity for the industry.

### Households earning more than \$100,000

Households with above-average disposable incomes are more likely to spend



## INDUSTRY PERFORMANCE

on landscaping services to improve the attractiveness of their homes. While their higher incomes enable them to spend more on discretionary services, including those provided by this industry, households earning more than \$100,000 annually still tend to reduce nonessential spending and become more price-conscious during economic downturns. Still, they remain a more consistent market for residential landscapers than households with lower incomes. The number of households earning more than \$100,000 is expected to increase in 2021.

### **Per capita disposable income**

Changes in household disposable income have a direct effect on demand for landscaping services. Because gardening and landscaping services are discretionary expenditures, they can be readily canceled or deferred when households want to decrease spending. As a result, demand for industry services typically correlates with levels of per capita disposable income. Per capita disposable income is expected to increase in 2021.

### **Government consumption and investment**

Government spending on the maintenance of parks, schools, hospitals, community centers and other public areas drives demand for landscape services provided by this industry. Other niche services in this industry, such as tree pruning and snowplowing, benefit from government spending as well. As governments aim to balance their budgets, services provided by this industry could suffer.

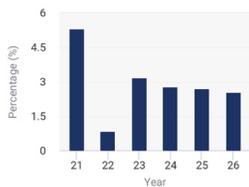


# INDUSTRY OUTLOOK

## OUTLOOK

**The Landscaping Services industry is expected to continue to recover from the late-period setbacks experienced as a result of the COVID-19 (coronavirus) pandemic.**

Industry Outlook  
2021-2026



As economic activity rebounds and Americans return to workplaces, businesses will have renewed ability and need to pay for professional landscape maintenance. Moreover, the residential housing market is expected to remain strong, fueling growth from consumers for industry services. An aging population is expected to benefit the industry, too, as senior citizens seek landscaping professionals to maintain their yards. As a result of increased demand, industry revenue is projected to rise at an annualized rate of 2.4% to \$129.2 billion over the five years to 2026. Greater construction activity will also drive industry growth as new single-family homes, shopping centers, corporate and institutional campuses and hotels are built and require industry services.

## DEMAND REMAINS STRONG

**Over the five years to 2026, demand from residential and nonresidential construction markets will grow due to an increasing number of clients in need of landscape maintenance and installation.**

The number of housing starts and per capita disposable income are both expected to grow over the five years to 2026, benefiting demand for industry services. Residential markets are expected to expand, with the value of residential construction expected to increase at an annualized rate of 0.6% over the five years to 2026. As demand rebounds from the coronavirus pandemic, industry profit, measured as earnings before interest and taxes, is forecast to increase to more than 9.0% of industry revenue by the conclusion of the next five-year period.

The commercial market, which includes lucrative projects, such as resort and hotel grounds installation and maintenance, is projected to benefit the largest industry operators that have the resources to undertake multimillion-dollar contracts. The value of private nonresidential construction is forecast to grow at an annualized rate of 3.6% over the five years to 2026; as nonresidential construction increases, so does the need for landscape services. Aside from new construction, maintenance on existing college, business and hotel campuses, for example, will provide work for large landscaping companies. For example, industry player BrightView Landscapes LLC (BrightView) does work on college campuses, such as Georgia Institute of Technology and University of California Berkeley, and hotels, such as the Las Vegas-based Bellagio. With improving economic conditions, contracts with campuses and hotels will increase as these institutions aim to make good



## INDUSTRY OUTLOOK

first impressions on potential consumers. These projects are expected to drive industry growth as residential markets begin to cool.

As demand conditions improve, nonemployers and small-scale businesses are projected to enter the industry quickly. The industry's makeup will largely remain the same; sole proprietors will continue to comprise a significant portion of all establishments, with the average employer only staffing between two and three workers. The number of industry enterprises is forecast to rise at an annualized rate of 3.6% to 733,373 enterprises over the five years to 2026. Additionally, employment is projected to increase an annualized 2.8% to 1.4 million workers during the same five-year period.



# INDUSTRY OUTLOOK

## INDUSTRY LANDSCAPE

**The use of both legal migrant workers and undocumented laborers is common in the Landscaping Services industry.**

Currently, the H-2B program, a certification issued by the US Department of Labor, enables operators to hire noncitizens to work in heavier seasons, such as summer. However, the 2018 cap for H-2B visas was met in March; in an interview with the Wall Street Journal in March 2018, the CEO of BrightView stated that the company was only awarded 500 visas out of the 3,500 requested in 2018, compared with 1,600 visas awarded in 2017. In response, the company has rebranded its vehicles to indicate that it is hiring in an attempt to find employees. While immigration policies always have the potential to change, industry operators such as BrightView are being hampered by the current administration.

Industry employment may also be affected as more states require employers to use the E-Verify program. E-Verify is an internet-based verification system that checks an employee’s documentation against a large government database to determine the employee’s legal status. As of January 2021, 24 states required the program’s use in some form, with more projected to adopt the system over the five years to 2026. The program is expected to benefit employers by reducing the likelihood of unknowingly hiring ineligible workers, which can yield fines and a damaged reputation. Employers typically do not verify the legitimacy of documentation provided by workers; however, they are still held responsible if an audit finds undocumented workers at the company.

### Performance Outlook Data

Year	Revenue (\$m)	IVA (\$m)	Establishments (Units)	Enterprises (Units)	Employment (Units)	Exports (\$m)	Imports (\$m)	Wages (\$m)	Domestic Demand (\$m)	Per Capita Disposable Income (\$)
2021	114,575	51,476	621,733	615,458	1,236,537	N/A	N/A	38,058	N/A	49,531
2022	115,581	52,495	642,130	636,249	1,259,990	N/A	N/A	38,736	N/A	48,558
2023	119,302	54,537	666,799	660,738	1,302,946	N/A	N/A	40,166	N/A	50,299
2024	122,652	56,531	691,193	685,090	1,343,267	N/A	N/A	41,499	N/A	52,110
2025	125,977	58,658	716,068	709,469	1,383,321	N/A	N/A	42,827	N/A	54,044
2026	129,224	60,721	740,274	733,373	1,422,564	N/A	N/A	44,130	N/A	56,056
2027	131,606	62,400	763,073	756,073	1,454,982	N/A	N/A	45,178	N/A	57,528



# COMPETITIVE LANDSCAPE

## MARKET SHARE CONCENTRATION

### Concentration in this industry is **LOW**

The Landscaping Services industry has a low level of market share concentration, with the top four largest operators expected to account for 5.0% of industry revenue in 2021. The industry is characterized by a large number of small operators. According to the latest Economic Census, 94.0% of establishments employ fewer than 20 workers. Several companies have the resources to operate on a national scale and are typically integrated with landscape architecture departments, which enables them to bid for lucrative design-build-installation projects for commercial clients such as hotels and resorts. Nevertheless, the sheer volume of small-scale, low-value work conducted by nonemployers and small companies in the single-family housing market prevents these larger companies from capturing a substantial portion of revenue. Over the past five years, many of the large landscaping companies have grown primarily through acquisition. By acquiring other companies, landscape companies can increase the number of services that they offer and move into new markets. Despite these acquisitions, the industry's low barriers to entry have continued to permit smaller operators to enter. Consequently, the percentage of operators that are nonemployers has generally increased over the past decade. The industry's large number of nonemployers causes establishment and enterprise figures to move fairly in step with one another.

**Sunbelt Texas** identifies 250 **Key Success Factors** for a business. The most important for this industry are continued on the following page:



# COMPETITIVE LANDSCAPE

## KEY SUCCESS FACTORS

### **Ability to compete on tender:**

Much of the commercial and municipal work generated in this industry is determined through the tendering process, and industry participants must be able to successfully tender for contracts while ensuring sufficient profit and cash flow.

### **Providing services to groups with high disposable income:**

In the residential segment, it is essential to specifically target geographic areas with a concentration of high-income households, which are better able to afford lawn care and maintenance services.

### **Access to multiskilled and flexible workforce:**

Operators need to have access to a large pool of available workers who can be trained and used on a seasonal basis.

### **Appropriate climatic conditions:**

It is important to be aware of the effect that climate shifts, events and seasons can have on business demand, including excessive snow, rain, heat and drought.

### **Effective quality control:**

Operators need to ensure that all landscaping and gardening standards are consistently high and always to the client's satisfaction; this will ensure ongoing work and good word-of-mouth recommendations.

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