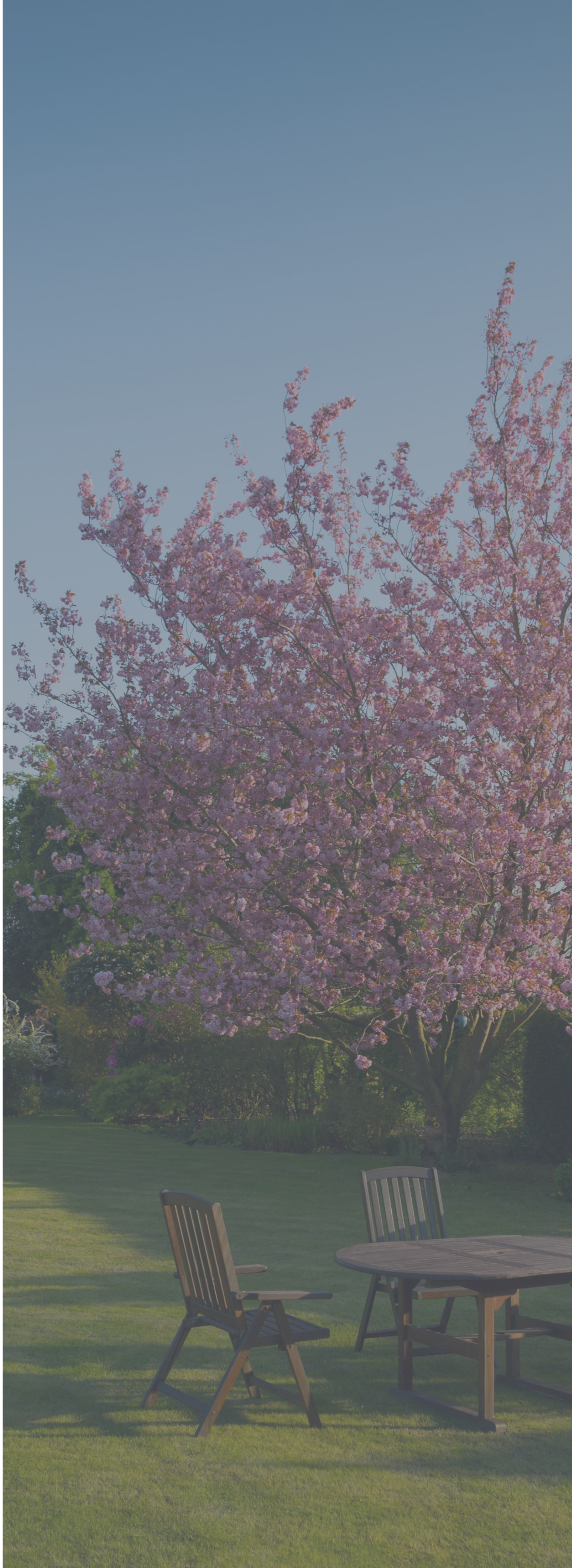
State of the Landscaping Industry: **2021**

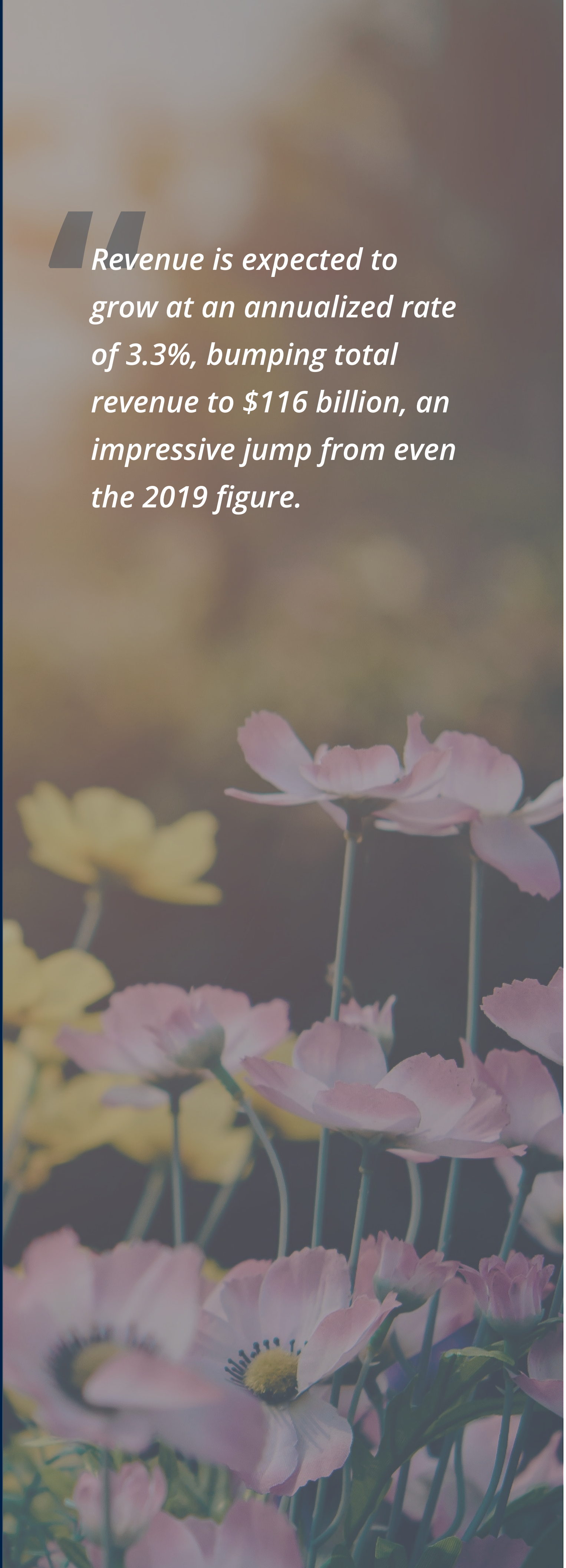
Executive Summary

The landscaping industry experienced an economic downturn due to the effects of the COVID-19 pandemic, mirroring the experience of many other industries. Landscaping services are discretionary, so the health of the industry is highly dependent on the disposable income of customers. National lockdowns led to the closures of nonessential businesses, many of whom contract landscaping services, which caused revenue to decrease by an expected 6.2% in 2020 compared to 2019, from $105.2 billion to $98.7 billion in total amounts.

In the five years prior to the outbreak of the virus, the demand for landscaping services had been steadily rising alongside the growth of the housing and property markets.

Between 2015 and 2020, the industry's annualized growth rate was expected to be 3.3%, resulting in $98.7 billion in revenue in 2020. This growth was largely fueled by homeowners, who invested in their properties as the value of the market increased.





> ***Revenue is expected to grow at an annualized rate of 3.3%, bumping total revenue to $116 billion, an impressive jump from even the 2019 figure.***

Despite the recent setbacks, the industry is expected to bounce back between now and 2025 and return to the level of growth it experienced before the pandemic. Revenue is expected to grow at an annualized rate of 3.3%, bumping total revenue to $116 billion, an impressive jump from even the 2019 figure. An increase in the per capita disposable income figures will likely help drive this growth, as well as nonresidential property construction.

However, new challenges are always around the corner, as the weather and energy crisis in Texas demonstrates. Inclement weather conditions and general hardships could have a negative impact on growth as property owners use their resources to focus on other priorities. Quality insurance is vital, especially in uncertain times. Working with an insurer that offers expert training to the landscaping industry can have a positive impact that enhances safety, reduces claims and supports overall growth.

The Landscaping Industry Today

Residential Demand Is a Key Factor

Residential demand is one of the primary drivers of growth in the industry and was expected to account for 48.3% of revenue in the five years up to 2020. The construction of residential properties over this period played a key part in this trend, boosted by a rise in disposable income.

Residential housing was expected to increase at an annualized rate of **3.7%** between 2015 and 2020.

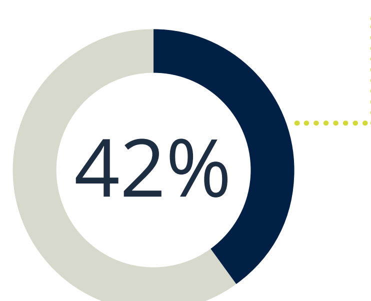
Per capita disposable income was expected to grow at an annualized rate of **1.5%** during the same period.

These external factors took a hit in 2020, which had a negative impact on landscaping services. Although the value of residential construction was expected to grow in 2020, per capita disposable income was expected to drop to $44,844 from $45,594 in 2019. Unsurprisingly, the total number of landscaping establishments was also likely to dip, falling to 505,989 from 509,321.

Institutional and Other Nonresidential Services

Businesses and government institutions offer some of the most lucrative revenue-generating opportunities for landscaping companies due to the large, high-cost projects they typically undertake. This market is volatile, however, and decreased overall in the five years up to 2020.

In 2020, nonresidential and public sector clients were estimated to account for 42.5% and 6.7% of industry revenue, respectively.



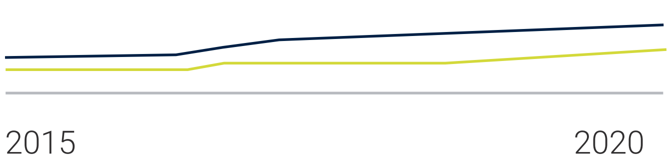
Partly due to statewide lockdowns and enforced business closures, the value of private nonresidential properties fell in 2020, driving the overall performance of the landscaping industry down.

Sole Proprietorships

The industry is relatively unique in that starting a landscaping company requires little capital investment. Individuals usually only need a lawnmower and reliable transportation to start a company, and the necessary skill set can be formed over time. For that reason, the total number of landscaping companies tends to grow as the market expands.

- **The number of enterprises** was expected to rise at an annualized rate of 1.2% between 2015 and 2020.
- **Industry employment** was expected to increase at an annualized rate of 2.2% between 2015 and 2020.

Annual Growth **2015-2020**

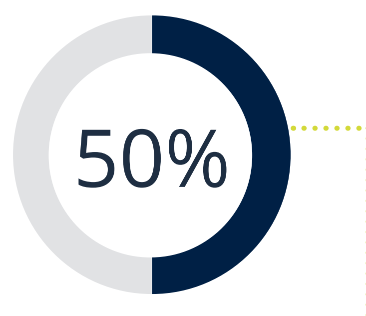


More than 75% of all landscaping companies in 2020 are sole proprietorships. They do, however, own a disproportionately small share of the market, due to their overreliance on small projects. Sole proprietors constituted just 15% of total industry revenue.

Potential Impact of Smart Mowers

Landscaping is a labor-based industry, and the tools and equipment typically used do not significantly change over time. The 2020 IBIS Industry Report found that there were no major technological innovations in the industry in the period between 2015 and 2020.

This presents a new obstacle for landscaping companies. Some technology firms are beginning to develop autonomous lawn mowers using artificial intelligence, which could eliminate the need for lawn maintenance services for many customers.



The Graze autonomous lawn mower eliminates 50% of the labor costs associated with lawn mowing.

Projections for the Landscaping Industry

The two most important external drivers of growth in the landscaping industry, disposable income and property construction, are expected to rebound in the five years after 2020.

The value of residential construction is expected to increase at an annualized rate of 7.4% in the period between 2020 and 2025.

Private nonresidential construction is also expected to increase at an annualized rate of 4% during the same period.

Per capita disposable income is expected to jump from $44,844 to $50,187 during this period.

The industry will likewise experience a rebound in the five years up to 2025. Revenue is expected to grow at an annualized rate of 3.3% to a total of $116 billion, and the total number of establishments is also expected to jump, from 505,989 in 2020 to 587,346 in 2025.

Immigration Policy and Its Effect

Landscaping services rely heavily on the labor of migrant and undocumented workers. The H-2B visa program allows employers to hire noncitizens for temporary or seasonal work, but recent policy changes have taken a toll. The cap set for H-2Bs in 2018 was hit in March, highlighting an important challenge for the industry.

Immigration policy tends not to change significantly between different presidential administrations, but it is still too early to tell if the current administration will adopt a new approach.

Residential Customer Volume Growth Potential

Landscaping companies stand to benefit from population increases in certain states due to the likely increase in residential property demands that a population boost can bring.

Idaho, Utah and Nevada also rank highest among U.S. states in terms of housing price increase. As residential property values rise, those states could draw buyers with higher and more disposable incomes. The rise in disposable income could then create a greater demand for landscaping services.

The top four states by percent population change:

2.9%
Idaho

1.78%
Arizona

1.5%
Nevada

1.5%
Utah

The top four states by the percent change in housing price:

17.2%
Idaho

10.9%
Nevada

14%
Utah

10.8%
Indiana

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Safety in the Landscaping Industry

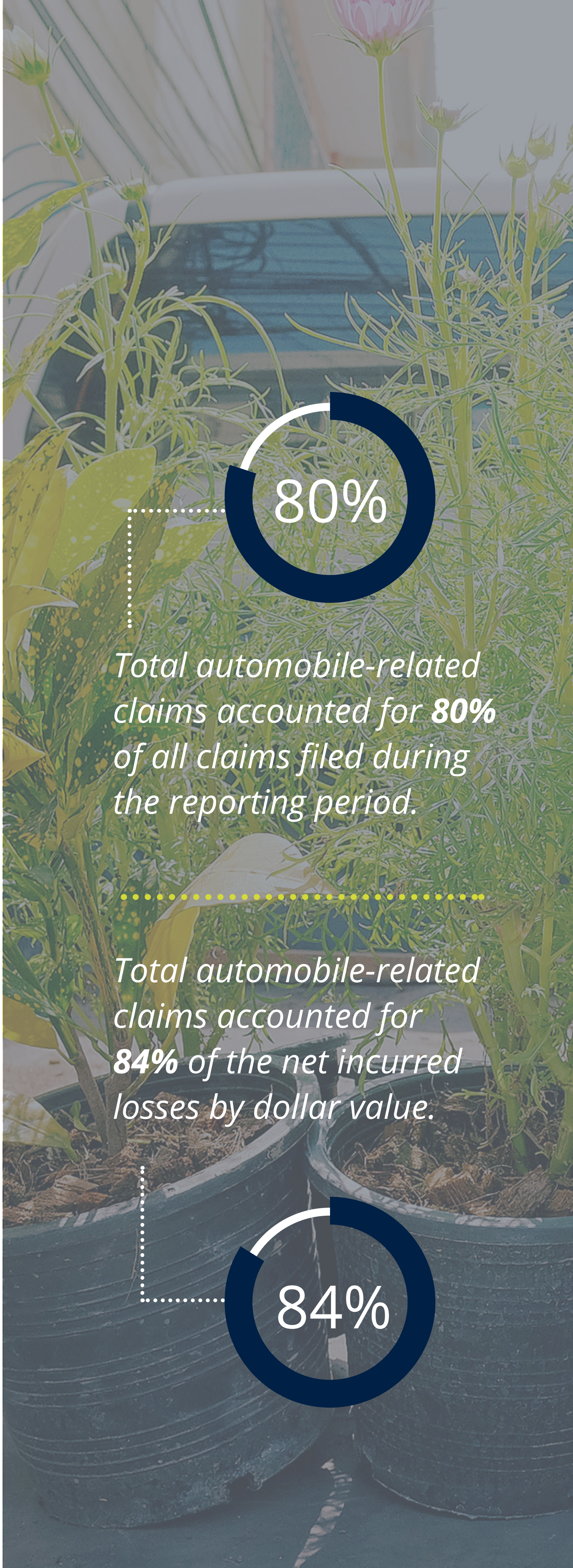
The Need for Insurance

Landscaping employees spend a considerable amount of time on the road driving between different project sites, making them especially vulnerable to motor vehicle accidents.

The leading category for the number of claims filed with LandPro was property damage in the automobile division, which accounted for over 34% of total claims filed in the reporting period.

Additionally, landscaping professionals have been subject to a growing number of theft cases in recent years. Claims for inland marine theft, in particular stolen landscaping equipment, have seen a spike in recent years.

Landscaping enterprises can sometimes be affected by changes in the construction industry, particularly those involved in tract housing development. In 2020, the casualty market for construction saw higher rates and deductibles. Landscaping professionals involved in building could find themselves subject to construction defect liability claims, meaning they could be impacted by this trend.



Telematics for Innovation

Telematic controls allow landscaping fleets to share critical information with their front office. In an industry that usually experiences little technological innovation, telematics has the potential to transform landscaping services. GPS tracking capabilities can help company operators manage their equipment, which can prevent theft and damage. Telematics can also help operators design accurate maintenance schedules, which helps keep workers safe and equipment undamaged.

The Importance of Employee Driving Standards

Erratic driving can be costly for companies and can endanger both employees and property, so it's important to institute a set of employee driving standards to maximize safety and protection.

Transportation-related incidents were the leading cause of injury in landscaping services in 2017.

Outlining basic driving standards ensures that only the most competent and careful employees are driving landscaping vehicles and that company assets remain safe and secure.

Employment Practices Liability Coverage for Contractors

Employment practices liability insurance provides coverage for employment-related claims from past, current and even future employees. Coverage can, but does not always, include contractors. Landscaping companies, however, are highly dependent on contracted workers, so companies should consider employment practices coverage for contractors in addition to their current plan.

Having the right insurance coverage is essential to future growth in the landscaping industry. Neither sole proprietors nor large companies can afford expensive damages in an industry that requires several pieces of equipment, contracted workers and large amounts of time spent on the road. Working with a qualified insurance partner can help you ensure the safety of your business assets.

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