know what our margins need to be and we bill accordingly,” he says. “Maybe that’s affecting some clients’ decisions because they find someone cheaper, but I know what I need to make and I’m here to make it.”

When it comes to design/build pricing, smart contractors offer to scale back projects rather than reduce prices. “If we come in with a $5,000 project and they only want to spend $4,000, then we’ll shrink it down or phase it in over this year and next year,” Swano says.

John Newman, president of Classic Landscapes in Hampton, Ga., says the recession changed the way he sells design/build projects. “Before, I didn’t ask for a budget,” he says. “Whatever it cost, that’s what they’d pay. Now, with the economy being tight, I started asking for a budget and coming back with a proposal that meets it.”

On the maintenance side, he says his closing ratio has taken a hit because he doesn’t want to get into a bidding war. “Instead of doing something for almost no profit, we’d rather let them experience what they will with the half-price guy and then stand by and answer questions and be around for them when the phone call comes that says, ‘Hey, these guys aren’t doing XY and Z.’”

On the lawn care side of the business, Reindl says it doesn’t make sense not to raise your prices every year. “Customers are not likely to complain about a $1 or $2 increase a year, but if you wait a few years and try for $5, they are going to be shocked,” he says.

At a glance: RESIDENTIAL MARKET

GOOD  Consumer optimism is rising slightly.

BAD   Discretionary dollars are still tight for many homeowners, causing price shopping and negotiating.

UGLY  National unemployment only has dipped below 8 percent two times since January 2009 (April 2012 and May 2012).

Design/build backlog lengths

- One to two months: 85%
- Three to six months: 12%
- Seven to nine months: 1%
- Booked for the year: 1%

Customer retention rates

- 0-25%: 5%
- 26-50%: 4%
- 51-75%: 15%
- 76-100%: 76%

Pulse Profile

Burt DeMarche
President
The LaurelRock, Co.
Wilton, Conn.

2012 projected revenue: $5 million
Service mix: 50% maintenance; 50% design/build
Challenge: Spring cash flow
What are you doing about it? “For the last five years we spread out maintenance invoicing over 10 months. This year when we did renewals, we decided to make it a 12-month payment plan. I really expected push back from people who didn’t want to pay us in months we weren’t providing services, but people were happy it lowered their monthly payment. A few clients even prepaid their entire contracts.”
Even with a slowly improving economy, Green Industry firms that serve commercial clients fear the “damage has been done” when it comes to price undercutting and property managers’ habits of annually bidding out contracts.

“The industry has changed a lot over the last few years for the long term,” says Steve Rak, president of Southwest Landscape Management in the Cleveland area, explaining that many property managers are going out to bid much more often than they did prerecession.

Southwest subcontracts for national maintenance firms like Brickman Facility Solutions and Associated Grounds Management Group.

“Those guys are bidding properties across the country, and they say it’s not just happening in Cleveland; it’s across the board,” he says.

Some changes to the commercial maintenance landscape could be seen as an opportunity, says Steven Fine, manager of marketing and business development for Reno, Nev.-based Signature Landscapes.

“Because everything is going out to bid almost annually, we’ve had conversations with so many more property managers who a few years ago were just happy with who they always had,” he says.

Rak agrees that more frequent bidding has opened some doors “because people are shopping a bit more.”

Digging out?
Thankfully, another trend of the downturn—flat out asking for a price reduction—may be finally going away.

“I haven’t had one customer now for next year’s contracts ask for a reduction,” Rak says. “But I think the damage has been done. It’ll be a while before the market will get back to where it used to be, or maybe it never will.”

Fine agrees. “Our market has dug itself into such a horrible hole that it’ll take decades to get out of this undercutting,” he says. “It’s really hurt the industry as a whole.”

Dan Sohovecky agrees that margin pressure is at an all-time high.

“It’s more difficult to win new work that’s as profitable,” says the vice president of finance for New Way Landscape & Tree Services, San Diego.

“We’re finding we have to focus on our longer-term clients, so retention is No. 1 in our book.”

The good news for Fine is that some clients who’d left for lower-priced competitors returned this year.

“They’ve seen how that low dollar bid worked out for them, and it’s very clear you get what you pay for,” he says. “We’ve seen a number of high-profile clients come back to us, and we take them back with open arms. That’s the catalyst for us thinking we may see some bright lights for maintenance in 2013.”

Such tough competition over the past few years has caused companies to run more efficiently and often remove services to meet a client’s price requests.

“When a client said, ‘Everyone else is 20 percent or 30 percent lower,’ I said, ‘I can drop my price, but we
can’t mulch beds in the back or trim shrubs,’ and he was OK with that,” Rak says. “So we’ve had to get creative.”

Signature handles price reduction requests similarly, Fine says, adding it can be an opportunity to up-sell. “A lot of our clients switched to ET irrigation controllers,” he says. “We were able to say, here’s the initial cost, but you’ll see savings the first year and you’ll be blown away after five years.”

**Commercial construction outlook**

Despite challenges, the volume and high dollar levels of both commercial maintenance and bid/build work are an attractive area of the business for many contractors.

Although Fine is budgeting flat in 2013 for commercial construction (“there’s just no building going on here”), he says suppliers tell him other markets are doing well after so many years of stagnation.

Research shows there’s modest good news for nonresidential construction spending, according to the American Institute of Architects semiannual Consensus Construction Forecast, a survey of the nation’s leading construction forecasters.

A spike in demand for industrial facilities so far this year, along with sustained demand for hotels and retail projects, factors into what projects to be a 4.4 percent rise in spending this year for nonresidential construction projects. The forecast also projects a 6.2 percent increase of spending in 2013. Additional reporting by Beth Geraci. LM

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**Multifamily growth ahead?**

The commercial real estate market is seeing gains despite a sluggish economy, according to KPMG’s Commercial Real Estate Survey 2012. “While progress is slow going, bright spots are emerging,” the report says.

Executives expect to see continued development over the next year, especially in the multifamily sector, where more than 50 percent of executives say there will be significant development in 2013. (See chart below.)

More than two-thirds of commercial real estate executives say improving real estate fundamentals will be the biggest growth driver over the next one to three years, representing a 22-point increase in this category over last year’s survey.

More than half (58 percent) of executives believe the economy will improve over next year, while only 22 percent expect conditions to stay the same. These predictions are nearly unchanged over last year.

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**Commercial real estate:**

Expected areas of development in 2013

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**At a glance: COMMERCIAL MARKET**

**GOOD**

Multifamily development is expected to pick up in 2013.

**BAD**

Many property managers continue to bid maintenance contracts annually.

**UGLY**

Contractors say it will take years to overcome commercial maintenance price undercutting.
Finding and keeping high-quality employees is a perennial challenge for landscape contractors and lawn care operators. The overall economic situation and new regulations are playing a role in the availability of the labor force, as are local market conditions.

“Despite the fact that unemployment seems to be high, it’s gotten more difficult to hire people in the last couple of years,” says Lee Edwards, president and CEO of The Greenery in Hilton Head, S.C. “In South Carolina we have the E-Verify law, so immigrant labor has really changed a lot.”

As of Jan. 1 all employers in the state were required to enroll in the U.S. Department of Homeland Security’s system to verify the legal status of all new employees within three business days.

“I’m in favor of those laws, but it makes our job harder,” he says, explaining more employers are going after the same pool of legal workers. “It’s been more expensive to hire people.”

Keeping a legal workforce is a challenge nationwide. It’s a top concern for Ricardo Baldi, president and owner of Baldi Gardens in Arlington, Texas.

“We’re having a hard time finding qualified workers,” he says. You have a lot of companies after the Latino legal workers because they work really hard.”

The labor situation in Jeff Bowen’s market has been “funny” this year. “This year it’s been tough,” says the owner of Images of Green, Stuart, Fla. “We’ve talked to other companies and they’ve experienced it, too. I think we’re finding people in general know landscaping is a hard, hot job in Florida. You can make the same money at Walmart or McDonald’s, especially if you speak English. And folks that used to want to work in landscaping are finding there’s an easier way to make $8, $9 or $10 an hour.”

His solution has been to tap temporary workers. He hired two temps for the month of August and one for September. “By the fourth quarter all of our temp labor will be gone,” he says. “It’s only in the summer we need it. We do the same amount of work in the winter and summer, but it takes 30 percent longer to do it in the summer.”

Being aggressive
John Newman, president of Hampton, Ga.-based Classic Landscapes, rates his labor situation as “medium” in terms of difficulty lately.

“It’s still not easy, but because of the fact that we’re pretty aggressive, it’s not our biggest challenge,” he says. By aggressive, he means he’s forged relationships with instructors at a local technical college’s horticulture program, he’s been active with the chamber of commerce and he’s been involved in the community as part of his recruiting effort.

For Newman, sales positions are the toughest to fill. “There are people who are either very astute salespeople without as much technical background or there are great designers who are very talented but aren’t skilled in sales or don’t want to be,” he says. “I’ve been interviewing for that position.”

Rob Reindl, owner of Oasis Turf & Tree in Loveland, Ohio, names recruiting and retaining employees a top challenge. His solution is being
Late last year, the Department of Labor (DOL) issued two rules that could hurt the H-2B guest worker program, potentially making it unusable for members of the Green Industry. The two proposed regulations are known as the wage rule and the program rule.

The wage rule would artificially increase labor costs associated with the H-2B program to a level users call unmanageable. In September, Congress voted to extend the law that prevents the DOL from implementing the wage rule through March 27. It’s part of a stop-gap spending measure to keep the government funded beyond the start of the fiscal year, which began Oct. 1.

“PLANET [the Professional Landcare Network] will continue to fight for a longer term prohibition, but we are happy in the meantime our members will not be subject to unprecedented wage increases,” the association said in an alert to members.

The program rule seeks to impose new costs, burdens and complexities. It can’t be implemented due to a preliminary injunction issued against it in April in Florida’s Northern District. The injunction applies nationwide.

“After the legal maneuvering in the case concludes, PLANET hopes the judge will make the injunction permanent,” the alert said.

At a glance:

**LABOR**

Companies with creative, aggressive recruiting and retention programs report mild labor difficulties.

**GOOD**

**BAD**

Uncertainty remains about proposed rules that could render the H-2B guest worker program unusable.

**UGLY**

Contractors fear an overall change in workers’ attitudes makes landscaping an undesirable profession.

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**Wage report**

**Hourly**

<table>
<thead>
<tr>
<th>Position</th>
<th>0-5 years experience</th>
<th>% change from 2010</th>
<th>&gt; 5 years experience</th>
<th>% change from 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mower operator</td>
<td>$10.60</td>
<td>2% ▲</td>
<td>$12.73</td>
<td>7% ▲</td>
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<tr>
<td>Spray technician</td>
<td>$12.87</td>
<td>4% ▲</td>
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<tr>
<td>Construction worker</td>
<td>$11.72</td>
<td>1% ▲</td>
<td>$14.84</td>
<td>1% ▲</td>
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<tr>
<td>Irrigation technician</td>
<td>$13.05</td>
<td>3% ▲</td>
<td>$16.23</td>
<td>2% ▲</td>
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**Salary**

<table>
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<tr>
<th>Position</th>
<th>Current wage</th>
<th>% change from 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Crew foreman/team leader</td>
<td>$34,175</td>
<td>12% ▲</td>
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<tr>
<td>Salesperson</td>
<td>$46,214</td>
<td>1% ▲</td>
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<tr>
<td>Equipment mechanic</td>
<td>$34,762</td>
<td>6% ▲</td>
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<tr>
<td>Landscape designer</td>
<td>$41,496</td>
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<tr>
<td>Landscape architect</td>
<td>$56,837</td>
<td>7% ▲</td>
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<tr>
<td>Account manager</td>
<td>$42,034</td>
<td>3% ▲</td>
</tr>
<tr>
<td>Supervisor</td>
<td>$41,066</td>
<td>8% ▼</td>
</tr>
<tr>
<td>Operations manager</td>
<td>$53,151</td>
<td>3% ▼</td>
</tr>
<tr>
<td>Owner/president</td>
<td>$75,238</td>
<td>8% ▲</td>
</tr>
<tr>
<td>Branch manager</td>
<td>$67,321</td>
<td>n/r in 2010</td>
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</table>
landscape contractors and lawn care operators are affected by rising costs in seemingly every area of the business, from labor to equipment. Aside from labor, which always is a major expense, no two things are hitting contractors’ wallets quite as hard as fuel prices and insurance rates.

“I don’t think we’ve had a single expense that didn’t go up,” says Rob Reindl president of Oasis Turf & Tree in Loveland, Ohio. “Fuel has gone up, insurance goes up 15 percent a year. Fertilizer prices are going up every year. Herbicides. You name it. I think they’re all well above 5 percent.”

Dan Sohovecky is vice president of finance at New Way Landscape & Tree Services in San Diego. The company has a small tree service division, but 93 percent of the company’s work is maintenance.

“The challenge for a landscape maintenance company in this environment is rising costs,” Sohovecky says, “and work is being bid cheaper now. It’s affecting our margins … The bid price in general has gone down in the last couple years. It’s a sign of the times.” (For more on commercial contract prices, see page 14.)

With lower margins and rising costs, companies need to be creative and focus on their stable, long-term clients if they’re to remain profitable. “Retention is No. 1 in our book,” says Sohovecky.

Liquid gold
In 2012, New Way Landscape & Tree Services has felt the weight of rising fuel prices as much as anything. Over the last two years, California’s fuel prices have skyrocketed by 40 percent. The price of gasoline stands at $4.10 a gallon, up from $2.90 two years ago.

“Out here in California, we get hit by refinery charges,” Sohovecky says. “That’s definitely been a large impact costwise.”

Steven Fine can relate. At the mere mention of fuel prices, the first words out of his mouth are “Ugh. Awful.” The marketing manager and business developer for Reno, Nev.-based Signature Landscapes says Reno’s gas prices also just topped $4 per gallon.

Add to that the fact that in 2012 Signature committed to traveling farther to secure more work, and fuel costs are definitely hitting Signature’s margins. “As we speak, we’re working on solutions to rerouting and consolidating routes to see how we can stave off this fuel issue,” Fine says.

Fuel is always a big item for The Greenery in Hilton Head, S.C. The company anticipated the worst in 2012, budgeting more for fuel than it did in 2011.

“We budgeted just under $1 million for fuel this year,” says The Greenery President and CEO Lee Edwards. “We sent out a letter last winter saying if the prices go up to such and such levels then we will have to raise your price by X amount. Fortunately, we never had to do that. The prices never went up as we expected, so it ended up being very tricky.”
Rising insurance rates hurt, too

In California, business owners are getting hit by higher workers’ compensation costs, a result of both more claims and higher claim costs.

“I’ve heard that this year they’re looking at a 20 percent to 25 percent increase,” says Sohovecky. “In response, you can take on more of the risk yourself, and you have to do everything you can to minimize those losses.”

That’s one reason New Way ramped up its safety instruction in 2012. The company holds weekly safety meetings with each of its crews. Over the last year, the sessions have led to a drop in workers’ comp claims. “They have had an impact,” Sohovecky says, “especially in having everybody think about safety and be conscious of it, it puts it into everybody’s mind to think twice.”

Like workers’ compensation costs, rising health insurance costs are affecting landscape contractors’ margins. Companies across the board are experiencing rate hikes of 10 percent to 15 percent annually.

“Every year there’s an increase,” says Jeff Bowen, owner of Images of Green, based in Stuart, Fla. “Some things I’ll never understand. I used to supply benefits to all employees, even to laborers. I haven’t for six years, since everything started getting bad.”

Under President Obama’s health care plan, businesses that employ 50 people or more will have to provide health insurance for employees or be fined by the government.

“Where’s the sense in that?” asks Bowen. “They’re not going to take the money and give my employees health care.” The move will be problematic for business owners for many reasons, Bowen says, adding that it will make budgeting for 2014 a challenge.

Signature Landscapes long has provided health insurance to workers, and it takes pride in doing so. “It’s been our model at the beginning to have a generous insurance package and be the company people strive to work for,” Fine says, adding health insurance rates go up about 15 percent a year.

“There’s no way around that right now,” he says. “I don’t know what’s going to give in the near future, but everything’s on the table when we look at those expenses.”

Fine’s other insurance costs have remained stable, but the state of health insurance costs, he says, “is a little distressing. For us it’s important that we offer a package to keep the best and brightest.”

“I DON’T THINK WE HAD A SINGLE EXPENSE THAT DIDN’T GO UP. FUEL HAS GONE UP, INSURANCE GOES UP 15 PERCENT A YEAR. FERTILIZER PRICES ARE GOING UP EVERY YEAR. HERBICHIDES. YOU NAME IT. I THINK THEY’RE ALL WELL ABOVE 5 PERCENT.”

ROB REINDL, OASIS TURF & TREE

Stable fuel outlook

U.S. average gas prices—regular grade
retail price including taxes

At a glance: COSTS

GOOD

Though fuel prices in some regions are high, the overall outlook is stable.

BAD

Companies are bracing for Obamacare, which, starting in 2014, will require businesses that employ 50 people or more to provide health insurance or face a fine.

UGLY

Health insurance costs routinely go up 10 percent to 15 percent annually.
Green Industry purchasing habits

<table>
<thead>
<tr>
<th>Equipment type</th>
<th>% purchased in last 12 months</th>
<th>% will purchase in next 12 months</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mowers</td>
<td>49</td>
<td>46</td>
</tr>
<tr>
<td>Construction equipment/attachments</td>
<td>16</td>
<td>15</td>
</tr>
<tr>
<td>Sprayers/spreaders</td>
<td>48</td>
<td>29</td>
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<tr>
<td>Aerators</td>
<td>16</td>
<td>16</td>
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<tr>
<td>Handheld equipment</td>
<td>70</td>
<td>52</td>
</tr>
<tr>
<td>Trucks/trailers</td>
<td>47</td>
<td>45</td>
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<tr>
<td>Alternative fuel equipment/vehicles</td>
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<td>8</td>
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<tr>
<td>Trees/shrubs</td>
<td>69</td>
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<td>Annuals/perennials</td>
<td>67</td>
<td>64</td>
</tr>
<tr>
<td>Turf seed/sod</td>
<td>69</td>
<td>65</td>
</tr>
<tr>
<td>Hardscape</td>
<td>54</td>
<td>54</td>
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<tr>
<td>Water features</td>
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<tr>
<td>Landscape lighting</td>
<td>37</td>
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<tr>
<td>Irrigation products</td>
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<tr>
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<tr>
<td>Insecticides</td>
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<td>45</td>
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<tr>
<td>Fungicides</td>
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<td>37</td>
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<tr>
<td>Fertilizers and fertilizer/pesticides combos</td>
<td>64</td>
<td>59</td>
</tr>
<tr>
<td>Plant growth regulators</td>
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<td>15</td>
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<tr>
<td>Tree care chemicals</td>
<td>22</td>
<td>23</td>
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<tr>
<td>Snow/ice control equipment and products</td>
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<td>30</td>
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<tr>
<td>Computers and business/design software</td>
<td>49</td>
<td>39</td>
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<tr>
<td>Mobile phones/communication devices</td>
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<td>38</td>
</tr>
<tr>
<td>GPS systems</td>
<td>24</td>
<td>16</td>
</tr>
<tr>
<td>Consulting services</td>
<td>15</td>
<td>16</td>
</tr>
<tr>
<td>Subcontracted services</td>
<td>45</td>
<td>36</td>
</tr>
</tbody>
</table>

Signature Landscapes also is paying more for fertilizer and herbicides, driving the company to try buying in bulk and extrapolating the costs over several months. “We have to be creative and roll the dice to a certain degree,” Fine says.

But despite the higher costs of so much these days, Fine’s not about to stop spending where he needs to.

“Bottom line, we’re always on the lookout for new gear,” he says. “If we do buy new equipment, it’s because we got a smokin’ deal. If the deal’s there and it translates to better service for our customers, we’ll invest.” Additional reporting by Marisa Palmieri. LM

Jeff Swano
President/owner
Dig Right In Landscaping
Brookfield, Ill.

2012 projected revenue: $750,000
Service mix: 12% maintenance; 85.5% design/build, 2.5% misc. Challenge: Slowdown since June.
Solution: “We’re in a spending freeze. We were going to move into a larger facility, but I decided we’d just tread water for a while. I’m glad we didn’t move.”

15% Increase in operating costs from 2010 to 2011.
11% Anticipated increase in operating costs from 2011 to 2012.
Playing their cards right

Landscape professionals are taking their time on the M&A front, strategically crafting their next moves instead of taking risks.

With the economy still resting on a slowly spinning axis and with recent changes at the top for some of the Green Industry's largest players, a blockbuster merger in 2013 would come as a surprise, consultants say.

But that doesn’t mean businesses are sitting idle, either. The mergers and acquisitions (M&A) market simply is trending toward more small and mid-sized deals. And behind those deals is a greater amount of scrutiny and wisdom than in past times.

Ruppert Landscape, based in Laytonsville, Md., has made three acquisitions in the last four months. Among them, Raleigh, N.C.-based commercial grounds management companies Eco Scapes and New River Landscape, and site development project management firm the Watchman Group out of Kensington, Md.

The first two acquisitions have led Ruppert to grow by about $1.8 million and have brought it outlets for more diverse services, says company President Chris Davitt. The Watchman Group acquisition, meanwhile, will bring Ruppert millions of dollars more in opportunities.

With its Raleigh buy-ups, Ruppert acquired businesses that already were well established in the local market, giving it a foothold in the city and putting its Raleigh branch in the fast lane to profitability.

“It’s gotten us to size a lot sooner, it’s gotten us a group of partners who know the market and we now have more jobs to use as references,” says Davitt.

Raleigh is a strong market now for a couple reasons, says Ron Edmonds, a consultant at the Principium Group. “Not only is there built-in growth, but also in markets that are expanding, the competitive fire might not be as severe,” he says.

Being more selective

Before making its newest moves, Ruppert hadn’t made an acquisition in six years. And though it’s become more active lately, Davitt says it looks at eight or nine companies for every deal it strikes.

Edmonds says that selectiveness is in line with what he’s observed in the last couple years. “The predominant trend is playing it safe,” he says. “The process of acquiring companies is very disciplined now.”

Jeff Harkness, a landscape management consultant with 3PG Consulting, agrees, saying buyers’ due diligence is more focused today. “Buyers are more detailed and cautious in their analysis of a company,” he says, adding they’re taking a closer look at everything from job pricing to equipment condition.

Harkness also sees more discipline on the side of sellers. “Selling your business is becoming much more strategic,” he says. “You really plan for it over a 12- to 36-month period, if you’re wise. If you’re waking up and saying, ‘I want out of this,’ it
At a glance: GREEN INDUSTRY M&A

GOOD People can expect to see many deals involving small and mid-sized companies in 2013, and things will heat up regionally.

BAD M&A activity in 2012 to 2013 will be driven not by a strengthening economy, but by the fact that people are just tired of waiting.

UGLY A seller’s market is still two to four years away.

becomes more of a liquidation at that point.”

To bring stability to the company during the transition, buyers are asking sellers to stay involved in the business longer, Harkness says. So, sellers need to be prepared for employment agreements that keep them in the business for two or three years after the sale. “The days of taking money and heading to the beach are over,” he says.

Like Ruppert, Denver-based Swingle Lawn, Tree and Landscape Care looks at several companies for every deal it strikes. It made its most recent move in August, when it purchased Saratoga Ventures, a lawn services company in Boulder/Longmont, Colo.

Practicing patience and making the right buy is crucial, says Swingle CEO Tom Tolkacz. “The right acquisition enables us to eliminate a competitor and bring density to routes,” he says. “It also demonstrates to staff and customers Swingle’s commitment to growing the company.”

Edmonds believes the market will remain disciplined for the foreseeable future. “I doubt we’ll see a big change in it anytime soon,” he observes. “Nobody wants to repeat mistakes.”

Lessons learned is one reason for the discretion; the economy is another, says Kevin Kehoe, consultant at 3PG Group. “People’s appetite for taking risks is lower, and their profits are lower,” he says.

“I think people will rest on their pain a little bit more—not rest on their laurels but rest on their pain,” he adds. “They’re looking at their house in a good neighborhood and can’t sell it right now. I think the real estate industry right now is a good analogy for the landscape industry.”

Deals to learn from

Edmonds says he sees M&A movement most among mid-sized landscape companies and that more buyers and sellers are emerging from the recession. Among 2012’s most notable transactions, Edmonds says, is Austin Outdoor’s acquisition of Cornerstone Solutions Group’s maintenance operations in Florida and McKinney Capital’s investment in Landscape Workshop, Alabama’s largest landscape company.

“I believe there are several groups looking to do the exact same thing as McKinney in other markets,” Edmonds says. “I could see that kind of thing working in other areas that have long-term positive economic outlooks, such as Austin, Raleigh and Nashville. Those are all markets that attract attention.”

2013 predictions

Former CoCal Landscape co-owner Tom Fochtman now owns Arvada, Colo.-based consulting firm Ceibass Venture Partners, which helps prepare Green Industry owners to sell their companies. Fochtman says he is observing interest in the landscape business among private equity firms and wouldn’t be surprised if in 2013 they begin investing in landscape companies in a larger way.

Fochtman predicts firms will invest in the lawn care, irrigation and commercial landscape maintenance sides of this business.

“They like the reoccurring revenue part of the landscape maintenance business model and the predictability of the service side of our industry,” he says.

While Fochtman theorizes about potential interest among private equity companies in 2013, Edmonds says people can expect to see more regional transactions and activity among lawn care businesses.

But today’s sales are driven not so much by a rebounding economy as by retirement-ready owners looking for an exit.

“They’ve waited out the economy for quite a while, and now people are tired of waiting,” says Edmonds.