

GCC Facility Management Market - Growth, Trends, Covid-19 Impact, and Forecasts (2023 - 2028)

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Report description:

The GCC Facility Management Market is expected to reach a CAGR of 8.6% over the forecast period owing to the developments in countries such as the United Arab Emirates and Qatar. Factors such as the increasing tourism sector, rising investments in the construction industry, and surging use of advanced technologies, including robotics, artificial intelligence (AI), and infrared/thermal scanning, are expected to drive the growth of the GCC facility management market.

Key Highlights

The boom in construction activities, led by the government, and the rising emphasis on green building practices are increasing the demand for facilities management in Middle East countries, especially in UAE and Qatar. The construction sector is projected to record strong growth during the forecast period, with various projects in the tender/bidding phase.

According to Qatar's Ministry of Finance, Qatar has a budget of 210.5 billion Qatari Riyal (USD 58 billion) to complete the infrastructure projects. The increased awareness among the buyers, such as Qatar's residential, commercial, industrial, and public infrastructure sectors, is prompting facility management operators to invest more. In addition to the transport projects, the government aims to rapidly expand tourism, education, and real estate, to maintain its competencies under the Qatar National Vision 2030 (QNV 2030). Further, as the FIFA World Cup deadline is coming this year, the region is witnessing a rise in construction activities and is upgrading its infrastructure. Such developments made Qatar one of the GCC's key investment destinations.

Growing emphasis on the outsourcing of non-core operations is a significant factor in the growth of the GCC facility management market. Large organizations use independent contractors or vendors to outsource their work. Such a shift enhances access to talent and offers cost and time zone advantages. Firms can invest in new technology and training at GCC offshore captive centers to develop internal knowledge and take advantage of outsourcing.

Working hours are governed by the labor law of the country where the firms operate and are paid in compliance with local labor

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laws, ensuring that social taxes and allowances are part of the package. These stringent labor laws could restrain the market. Other factors, such as growing dependence on existing clients and the growing presence of global firms collaborating with regional entities, pose a challenge for local firms.

With the onset of COVID-19 and the growing safety concerns among businesses during the pandemic, facilities management services acted as an effective solution for creating a safe work environment. Moreover, facility management vendors focus on product innovations to overcome the pandemic challenges. The presence of significant facility management vendors and the growing adoption of emerging technologies boost the market growth. Post-pandemic, there is an increase in the demand for FM Services; however, the focus shifts from residential to commercial property services as the employees return to work and firms focus on healthy workspaces.

GCC Facility Management Market Trends

Outsourced services to Witness Significant Growth

As facility management accounts for 30 percent of a company's expenses, outsourcing this to a third-party certified vendor is a way to optimize end-user costs. Use cases that suggest an optimized 20-30 percent cost on FM due to outsourcing generating a positive impact on the company's income between 6 percent and 9 percent have been evident in the region.

Moreover, the influx of technology has been evident in the global FM scenario, where the emphasis on building automation (monitoring equipment and surroundings to plan scheduled maintenance, etc.) is increasing. In Qatar, vendors, such as Sodexo, are equipped to help a business reduce its energy costs by six-figure amounts enabling the end-users to contribute to reducing carbon emissions.

Additionally, Qatar Green Building Council was launched to increase awareness and knowledge of green building practices in Qatar. Owing to this, several IT companies and corporate offices of manufacturing companies in the region have invested in sustainable development, which has driven the facility management solution demand in the country.?

From a vendor perspective, Qatar's FM landscape is more concentrated with vendors offering single or bundled services than those offering integrated services. As high concentration levels are indicative of highly competitive forces, the integrated service space is expected to provide scope for new entrants or those looking to expand their service offerings.

Over the years, outsourcing more FM functions has coincided with a shift from service bundling to service integration or integrated facility management, sustainability management, and workplace management. However, the lack of a consistent regulatory framework for the Facility Management industry has been cited as one of the critical challenges FM providers face with the steady rise in large-scale conglomerates.

Qatar is Expected to Witness Significant Growth

Qatar is among the leading FM markets in the GCC region, according to IWFM. Infrastructural solid development and the focus on "green building" have driven the market for FM services in the region. The market in Qatar can be categorized as a "high customer awareness" market, considering the changing lifestyles and the increasing demand for outsourced FM services. Qatar is reported to be one of the regions with the highest construction spending worldwide, keeping the industry in steady growth year-over-year. The region's construction sector has maintained its growth trajectory in the last two years with continued infrastructural spending. The Qatar facility management is expected to grow quicker in the hard services category in the coming years because of the country's rapidly growing construction industry. These services ensure optimum comfort and convenience for residents, employees, and visitors. These services include plumbing and HVAC maintenance, which require technical knowledge.

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The process of sustainable business practices, as promoted by QGBC, aims at enhancing the capacity of organizations to become more sustainable while simultaneously strategically improving their ability to achieve their primary objectives by optimizing environmental, financial, and social factors.

The government invests heavily in infrastructure development to enhance its economic growth prospects. In its recent budget, Qatar's Municipality and Environment Sector allocated \$7.0 billion to many significant infrastructure projects, including water and electricity networks and roads. For instance, The USD 5.5 billion Msheireb Downtown Doha project is a venture by Msheireb Properties, a subsidiary of the Qatar Foundation, as part of a broader mission, the National Vision 2030 plan. The project aims to reduce energy consumption and the nation's carbon footprint, among other goals. Therefore, these green initiatives provide scope for FM services, primarily outsourced, as the organization can entirely concentrate on its business operations by handing over the building maintenance to third-party vendors.

Furthermore, Ashghal (Public Work Authority) plans to invest USD 380 million to ramp up the country's national highway network. With this highway plan, the authority planned to build a 195 Km long direct road to connect AL Khor in the north and Masaieed in the south. Moreover, recently, railways have experienced a demand for facility management. The Qatar Integrated Railways Project covers four metro lines in Doha, tram routes in West Bay, Lusail high-speed line, and dedicated freight airways.

GCC Facility Management Market Competitor Analysis

The GCC facility management market is fragmented due to the presence of regional and international players. The major players, such as Sodexo Qatar Services, G4S Qatar SPC, Al-Awsat United Real Estate Co., Interserve plc, EMCOR Group Inc, and many others, have adopted various growth strategies, such as mergers and acquisitions, new product launches, expansions, joint ventures, partnerships, and others to strengthen their position in this market.

In August 2022, Kuwait's Agility, one of the largest Gulf logistics companies, signed a new credit facility of 1.4 billion euros to pay for the company's growth plans, including financing its acquisition of British aviation services company John Menzies.

In June 2022, UAE-based ServeU, a facility management solutions provider subsidiary of Union Properties, partnered with Microsoft to upgrade its Computer-Aided Facilities Management system using Microsoft Dynamics 365 Field Services.

Additional Benefits:

The market estimate (ME) sheet in Excel format
3 months of analyst support

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