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

Market Report | 2023-01-23 | 120 pages | Mordor Intelligence

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Report description:

The Europe Facility Management Market is expected to grow at a CAGR of 6.32% during the forecast period. Europe is supposed to be one of the biggest outsourced markets for facility management services in terms of maturity and sophistication.

Key Highlights
The small local companies concentrate on single contracts and single-service solutions, whereas the region's facilities management business operates with integrated contracts from prominent vendors across continents and countries. It majorly includes multinational companies choosing service providers with a presence in multiple countries because of the convenience offered under a single contract for various branches. However, given the regional dynamics, there are more options than ever to combine facility management and corporate real estate.
Additionally, facility management (FM) covers infrastructure management for an organization, strategies and procedures for managing buildings, and general harmonization of the workplace. For an organization, this system standardizes services and streamlines procedures, with the facility management service provides taking care of the rest.
Several service providers with operations in the region have been concentrating on growing their presence over the past decade to leverage the rising demand for facility management, particularly given the current trend of outsourcing non-core functions. In October this year, Acacia, one of the prominent indigenous integrated facility management providers in Ireland, was acquired by a German counterpart, Apleona, helping Apleona in its market position and service offerings in Ireland.
According to the RICS UK Facilities Management Survey of Q2 this year, the demand for FM services increased in most industries except retail, with healthcare and business segments showing the most growth in the past twelve months. Over the following year, a net balance of more than 77% of respondents foresaw workloads across the FM industry increasing, signifying an overall increase in demand for the services in the region.
However, the survey also highlighted the profit margins to have deteriorated amid the intense inflationary pressures across the

broader economy. A net balance of -8% of contributors envisaged margins narrowing in the coming year, down from a reading of +1% back in Q1. The decreasing profit margins and ongoing changes in Macro-environment continue to haunt the facility management market in Europe.

The outbreak of COVID-19 had a mixed business impact on facilities management firms. The limitations on people's freedom of movement led to a fall in project work and activity levels across numerous client sites. The pandemic lockdown has harmed the major market players due to lesser physical contact and attendance for client requirements. Although, the post-pandemic world also encouraged more European organizations to explore service amenities for added hygiene, ensuring employee satisfaction and safety, and enhanced customer experience as offline working resumed.

Europe Facility Management Market Trends

Commercial Buildings Segment to hold Significant Market Share

Investment firms typically focus on the European residential or commercial property markets. Commercial buildings offer lucrative opportunities, making them an appealing form of investment in the region. As a result, it will aid the region's growth in the Facility Management Market during the forecast period. Commercial investments suggest higher cash flow potential and frequently provide better returns on investment.

The Facility Management market is witnessing multiple partnership activities between vendors and commercial entities in Europe. For instance, this year, BNP Paribas Real Estate (BNPPRE) was selected by the Government Property Agency (GPA) as its new strategic partner for national real estate and financial services. This new strategic agreement with BNPPRE supports the agency's continuous growth, which provides quality financial management services for real estate and property-related matters. The GPA added that the organization aspired to attract top-tier strategic partners to guarantee that the agency offered a modernized, shared, sustainable, and cost-effective government estate, enabling civil servants to function effectively throughout every country and region of the UK.

Similarly, in October last year, Siemens Energy, recently separated from Siemens AG to operate as another company, extended its collaboration with Parisian Company for the Railways and Electric Tramways industry (SPIE SA). This collaboration is for three years to ensure technical facility management for Siemen's office and production space, which totaled about 385,000 sq mt. Such long-term agreements also shape the secure service portfolio for commercial services, encouraging other companies to opt for such schemes.

The gaining interest in establishing smart buildings and other IoT technologies provides various opportunities for the vendors in the market to introduce IoT-based facility management and accelerate the growth of smart commercial buildings in Europe. In September this year, Ericsson partnered with Nordic property technology company Kiona and Arthur D. Little to release the Connected Building Energy Management Report. The report highlighted how IoT could save about 10% of the energy costs in Europe. Also, Kiona utilizes cellular connectivity under the Ericsson IoT Accelerator program to digitalize more than 5,500 buildings, with a vision of influencing more than 55,000 commercial, industrial, residential, and public facilities in Europe.

Such digitalization trends of turning new and old commercial buildings into smart buildings help boost property values and support facility managers and property owners. Similarly, the growth of the German facility management service attributes to the increasing demand for customized solutions for different in-house and outsourced facility management. Moreover, the rising number of commercial and residential buildings in major cities pushes the need for facility management services across the country. Rapid infrastructure development and the increasing focus on integrated facility management services will influence the studied market positively.

Modern offices with long-term tenants remain highly sought-after by investors despite all the discussions surrounding hybrid working. The growing business acumen among industry leaders and diversification of the economy from automobile industries to other avenues will increase the demand for facility management services in the region.

Big Data Allows Facility Management Teams to Drive for Efficiency, Sustainability, and Cost Savings

Facility management has been evolving rapidly over the past several years, resulting in widespread changes to Europe's industry. Facility management is undergoing a paradigm shift in the region as trends related to data, disruption, evolving amenities, and new workplace concepts are gaining traction and becoming more popular.

Further, various sectors have successfully used the outsourced FM, including the public sector, retail, professional services, healthcare, technology, logistics, manufacturing, and education. The areas that FM services look after vary widely and primarily depend on their type, the size of the company, and the sector in which it operates. It is not a one size fits all approach. Some organizations only require a single service solution provider, whereas other big organizations look for bundled services offering complete facilities management solutions. It also alters the type and amount of data generated by the client organizations, with data analytics tools like Big data helping almost all sizes of organizations and their contracts.

According to the Q2 2022 RICS UK Facilities Management Survey, approximately 80% of the respondents reported increased investments in data analytics in the second quarter of 2022, compared to around 60% of investments in the first quarter. The survey also highlighted about 65% of respondents reporting energy management as one of the sustainability areas, recording the highest investments in facility management. It could be due to the deployment of intelligent building management systems, generating a plethora of data leveraging several sensors as a part of IoT solutions, which requires active data analytics tools like Big Data for real-time and long-term outputs.

The survey also highlighted 35% of the respondents got contracts for bundled services in the first quarter. The trends in the European market are for a progression from in-house delivery of services to bundled services and further toward the integrated facilities management approach with single contracts. It offers a broad scope of services and longer-term contracts, adding value, driving better quality and economies of scale, and increasing the demand for outsourced services where specialist expertise is required.

Future significant data investments by FM organizations will increase as they develop advanced and innovative technologies. The respective companies would enhance BDA investments by creating complete IoT systems, establishing analytical skills, and utilizing augmented reality and artificial intelligence (AI). FM organizations must collaborate with technology companies, consultants, and higher education institutions to scale up the applications for enterprise-level usage.

According to Cloudscene, as of October 2022, Germany had 487 data centers, accounting for one of the highest numbers of data centers in Europe. Also, the internet literacy rate in Germany accounted for 89.6%. Such facts indicate the potential development of data processing capabilities, which is driven majorly by tools like Big Data. Facility managers ensure that a data center is always accessible and secure and operates optimally. The emergence of technologies like Big Data, etc., necessitates the deployment of ample data center storage.

Europe Facility Management Market Competitor Analysis

The Europe Facility Management Market is highly competitive, with diverse firms of different sizes. This market will encounter several partnerships, mergers, and acquisitions as organizations continue to invest strategically in offsetting the present slowdowns they are experiencing. The clients in this region are employing FM services to increase the ease of their business operations and tackle the energy crisis through energy-efficient facility management services.

October 2022 - ISS A/S announced acquiring the facility management company Livit FM Services AG in Switzerland from its parent company, Livit AG. The integration of the acquired company would be completed in the first quarter of 2023, taking over 670 employees and critical account contracts within the cleaning and technical services.

June 2022 - Mitie Group plc agreed to acquire Custom Solar Ltd to strengthen its decarbonization offering. The company would initially pay GBP 8 million (USD 10 million or EUR 9.3 million) and a further up to GBP 4.4 million (USD 5.36 Million) by the end of the 2025 financial year. It is regarding performance targets to take over Custom Solar, which developed, designed, installed, and maintained solar power systems for public and private sector customers. The company would acquire the business on a cash-free, debt-free basis.

March 2022 - A new, multi-million pound, five-year contract with Mitie has been given to the company to supply BAE Systems with a fully integrated facilities management (FM) service. The contract unifies various agreements for four of BAE Systems' divisions under one roof and encompasses 26 BAE Systems sites throughout the UK. Mitie will offer various FM services as part of the contract, including catering, pest control, mechanical, electrical, building fabric maintenance, cleaning, reception, waste management, gardening, and mailroom.

Additional Benefits:

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

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