

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

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Report description:

The Egyptian facility management market is anticipated to grow at a CAGR of 6.30% over the forecast period. The growth is majorly attributed to the infrastructural development in the country, along with the ever-increasing awareness among the people.

Key Highlights

The demand for integrated facility services increased due to the accelerated development of residential, commercial, and industrial buildings and the increase in foreign direct investment. Additionally, a changing economy that necessitates significant infrastructure development contributes to the increased demand for facilities management services.

Shopping malls are associated with the lifestyle of large cities. These malls contain many retail stores and outlets that provide a variety of goods and services, including clothing, food, beverages, gadgets, and everything else consumers require. These malls see hundreds of customers each week looking to buy something. Thus, it becomes crucial to provide efficient mall maintenance to give customers a pleasant shopping experience.

Business services such as corporate offices of manufacturers, IT and communication companies, and other service providers are included in the commercial end-user sector. Commercial investments frequently offer better returns on investment and show more considerable cash flow potential. Commercial buildings are a lucrative market with appealing investment opportunities, which would drive the expansion of the facility management market over the forecast period.

Even though outsourced FM has considerable revenue potential, the country's services are becoming more commoditized. FM services have become commodities, which compels vendors to innovate to sustain margins and growth. Additionally, as end-user sectors are highly price-sensitive, contracts are designed to be shorter in duration.

Due to the COVID-19, the Egyptian facility management market witnessed sluggish growth during 2020 and at the beginning of 2021. During the initial phase of the pandemic, the imposed lockdowns led to a workforce shortage across the FM companies as the majority were non-local workforce. The demand for soft FM services increased, particularly in public areas. This caused a

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significant increase in the workload and revenues of soft FM providers. Additionally, after a brief pause caused by the COVID-19 pandemic, the industry is expected to rise by 9% on average between 2020 and 2024. The Egyptian building industry is considered the healthiest option for Egyptians to invest in.

Egypt Facility Management Market Trends

Growing Construction Sector in Egypt Driving the Market Growth

The support provided by the Egyptian government has fueled the country's construction industry growth over the last four to six quarters. In the short to medium term, the industry is expected to experience strong growth due to the government's ongoing rollout of new infrastructure projects. Additionally, from a short- to medium-term perspective, the growing need for infrastructure from the expanding economy and population, particularly in terms of transportation and energy, would drive momentum in the Egyptian construction sector. Implementing public-private partnership financing frameworks would continue to fuel the momentum in the Egyptian construction sector.

The Egyptian government has made significant investments in the construction industry. A prominent instance is the construction by the Egyptian government of a sizable "New Administrative Capital" 30 miles east of Cairo. All government cabinet departments and authorities are included in the project's first phase, which is nearly finished. By the end of 2022, the government is anticipated to move. Additionally, the government is modernizing transportation systems, ports, and airports. The Ministry of Transportation is currently working on about 25 projects related to the railroad industry. The government's major objective is to build ports and highways for industrial development and to connect the cities with reliable transportation systems.

The French government's development agency, Agence Francaise de Developpement (AFD), is investing USD 2 billion in Egypt's infrastructure, including significant improvements to the Cairo Metro. Additionally, during the following four years, the Egyptian government intends to invest USD 32 billion in the Cairo Metro expansion project. In addition to the Cairo Metro project, funding from France's development agency will help Egypt expand its energy and water infrastructure. This creates significant demand for FM services in maintaining clean premises.

Further, Egypt intends to develop up to 14 additional smart cities around the nation. According to the Minister of Housing, Egypt completed infrastructure projects worth approximately USD 106.25 billion in less than two years. The New Urban Communities Authority (NUCA) intends to construct new communities with integrated educational, medical, retail, and recreational services. This organization oversees creating connections between these new cities and the existing infrastructure. By providing the fundamental infrastructure needed to make these new cities appealing to investors, NUCA is encouraging private investors to take part in their development. Smart buildings can offer a variety of benefits and opportunities for facility management. It is even asserted that the smart building will completely transform facilities management.

Therefore, the growing construction sector in the country and the growing adoption of smart technologies in Egypt, owing to the advantages and efficiency, are analyzed to contribute to the market's growth during the forecast period.

Commercial Segment to Hold Significant Share in the Market

The commercial sector includes buildings used for convenience stores, multichannel retailers, IT and telecommunication offices, corporate offices of manufacturers, and finance and insurance. Egypt's demand for facilities management services is rising due to the country's developing economy, which calls for significant infrastructure development.

The demand for offices in local and foreign businesses in Cairo increased in the first quarter, according to the JLL market overview study published in April 2022. JLL added that the completion of over 260,000 square meters of office space had been anticipated by the end of 2022. Additionally, the performance of the Egyptian economy was reassuring in 2022. In November 2022, the

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finance minister of Egypt stated that the country plans to attract USD10 billion in FDI yearly, including the green economy. Commercial entities are commercial office spaces, including manufacturing plants and corporate headquarters for IT and communication companies. The availability of appropriate furnishings, interior spaces, and commercial structures drives the growth of the facility management market in the region. For instance, according to the Ministry of Communications and Information Technology, among the several state sectors, the local ICT sector experienced a growth rate of 16.3% during FY2021/22.

Commercial buildings, including offices and shopping centers, are undergoing many transitions, including planned management of the energy, safety, and environmental systems, creating a demand growth for FM services in the country. For instance, in January 2022, GMG, a UAE-based retail distribution company, announced its plans to open more than 100 sports retail locations in Egypt within the next five years. As part of its broader worldwide expansion, the company would launch its portfolio of brands that are centered on personal wellness.

According to the Ministry of Finance of Egypt, as of the fiscal year 2021-2022, the government investment in Egypt was close to EGP 358 billion (USD 22.8 billion). Investment in construction and real estate was approximately EGP 255 billion (USD 16.24 billion), with infrastructure receiving the majority of the investment in this category.

The retail industry in Egypt is formalized due to the rise of mall culture. Sales at shopping centers, convenience stores, supermarket chains, and online retail platforms are being fueled by an emerging middle class, an expanding population, and growing secondary cities. For instance, in March 2022, MARAKEZ and SEOUDI Supermarkets collaborated to open two new stores at the Mall of Arabia and D5M in East Cairo.

Egypt Facility Management Market Competitor Analysis

The Egyptian facility management market comprises local and international players. The FM companies are incorporating technologies into their services, adding strength to their service portfolio. Quality certification, service offerings, costs, and technical capabilities are important factors in attracting new contracts. As the market is in the growth stage, the players in the market are opting for significant strategies to sustain the market. Overall, the intensity of the competitive rivalry is high in the studied market and is expected to be the same over the forecasted period.

In November 2022, DM Development Company signed an MoU with Apleona GMBH to establish the first destination for recreational medical tourism in Egypt, with investments estimated at EGP 300 million. Through this partnership, Apleona provides specialized services at The Grove Resort (Ain Sokhna-Al-Galala) and established the first health destination, with a private hotel attached to it, to meet the demands of people visiting the resort.

In November 2022, Eden Facility Management announced a new contract for Al Ahly Sporting Club's facility management. The scope of operations for Al Ahly SC Fifth Settlement comprises maintenance, housekeeping, pest control, and operations. Eden will offer soft services under a three-year contract for Sheikh Zayed, El-Gezira, and Nasr City branches. This project is a significant addition to the portfolio and reflects its partners' and clients' trust in the firm.

Additional Benefits:

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

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