

## **South Africa Facility Management - Market Share Analysis, Industry Trends & Statistics, Growth Forecasts 2019 - 2029**

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### **Report description:**

The GCC facility management market was valued at USD 9.71 billion the previous year and is expected to grow at a CAGR of 4.62%, reaching USD 13.09 billion by the next five years. The rising commercial real estate sector in South Africa is anticipated to create a significant demand for professional facility management services. As businesses expand, relocate, or upgrade their facilities, they might seek comprehensive facility management solutions to ensure their properties' efficient operation and maintenance.

#### Key Highlights

- Increasing demand for outsourced facility management, infrastructural developments, and investments in the private sector are some of the key drivers responsible for market growth. Services in the FM industry have been commoditized to a great extent. Also, end-users are very price-sensitive, and contracts are thus aimed at shorter terms. A real estate over-supply has been creating pressure on rent yields, thus leading the customers to cut costs on FM services.
- South Africa's population growth, economic dynamism, and rapid urbanization are also expected to generate business opportunities, provided that investments are made to enhance infrastructure and regional connectivity, in line with the Africa Union's Agenda 2063.
- Moreover, South Africa's facility management industry operates with integrated contracts provided by significant global vendors and small local players, focussing on single contracts and single-service solutions. Such diverse capability of meeting various clientele requirements could further drive market growth.
- However, the shortage of skilled personnel in specific areas of facility management in the country, such as specialized maintenance or sustainability services, could be a potential barrier to market growth.
- Further, with the outbreak of COVID-19, the facility management market in South Africa would have witnessed a slight decline in growth. During the initial phase of the virus outbreak, the imposed lockdown led to a workforce shortage across the FM

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companies, as the majority were non-local.

-A significant trend in adopting Specialized area-based services has been recorded instead of the unprecedented demand for computing capacity following a sudden and significant shift to online working due to the COVID-19 pandemic. Domestic vendors have observed a rise in specialized cleaning for the booming data center business.

## South Africa Facility Management Market Trends

### Outsourced FM is Expected to Hold a Significant Market Share

- The outsourced facility management sector in South Africa is supported by integrated contracts from major international suppliers and small local businesses that concentrate on single contracts and single-service solutions. The main factors influencing the overall market growth include rising demand for outsourced facility management, infrastructure improvements, and private sector investments.
- The demand for contracts, single, bundled, and integrated FM services is growing in South Africa. The South African government is developing new construction plans to increase demand for outsourced facility management services.
- The growing application of facility management in commercial buildings, infrastructure, and industrial projects drives the market's growth. One of the major factors driving the facility management market is growing construction activity. For Instance, South Africa invested heavily in constructing ports, railways, roads, and airports. For large-scale projects, outsourced facility management services will bring new opportunities to the market studied.
- Moreover, the recent launch of FM Solutions Technical, a new specialized division dedicated to providing technical maintenance services that cater to their client's needs, has allowed FM Solutions to increase its range of services. The key strategy is ensuring the service offering is more value-based and aligned to operational efficiency. This strategy is especially applied in client environments and the company's business for both sides' betterment of the services.
- Further, according to Statistics South Africa, in Gauteng, there were 333,000 South Africans engaged in the construction sector as of Q3 2022, a 26,000-person increase from the previous year. There is an abundance of people working in the industry in the states of KwaZulu-Natal and Western Cape, with 243,000 and 176,000 people employed there, respectively. Such substantial employment in the construction industry could indicate potential growth opportunities for facility management companies. As construction projects are completed and facilities become operational, there will be a growing demand for outsourced FM services to effectively manage these buildings and infrastructure.
- Furthermore, as more businesses adopt digital technologies into new workplace cultures, there is an increase in the demand for technology-enabled FM solutions, particularly from the banking, financial services, insurance, and healthcare sectors.

### Public/Infrastructure Segment is Expected to Hold Significant Market Share

- According to the Construction Review Online, the government of South Africa recently gazetted details of 51 top-priority infrastructure projects in South Africa that have been declared strategically important and will be fast-tracked to secure the necessary approvals before August 2022. The projects are expected to start upon the issuance of the relevant tenders.
- Some of the approved projects under waste & sanitation, energy, and transport sectors include the Vaal River System Phase 2 of the Lesotho Highlands Water Project: Gauteng, Phase 2A of the Mokolo Crocodile River (West) Augmentation Project: Limpopo, Emergency/Risk Mitigation Power Purchase Procurement Programme (after installation, these sustainable energy producers should deliver 2000 MW in power), etc.
- Moreover, the South African government has a portfolio of more than 93,000 buildings, and its traditional approach to property management has been to steer funds towards upgrading derelict buildings at huge capital costs instead of directing enough funds

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towards the preservation of assets.

- According to the International Monetary Fund, the GDP of South Africa took a hit in 2020 amounting to USD 337.52 billion but quickly bounced back to USD 405.70 billion in 2022. IMF also forecasts that the country's GDP is expected to cross USD 468.56 billion by 2028. As the country's GDP is expected to cross USD 468.56 billion by 2028, it indicates a positive economic outlook that can drive further investments in infrastructure, leading to an increased demand for facility management services.
- Infrastructure segment is one of the prominent segments that contributes a good share in facility management of South Africa. This segment is owing to the rapid infrastructure development and rising demand from hotels, retail outlets, malls, and office buildings in the country.
- Moreover, in March 2023, the world's tallest skyscraper built of industrial hemp announced plans to open in South Africa, with 12 stories, a stunning view of the towering Table Mountain in Cape Town, and a small ecological imprint.
- Further, the Boardwalk Mall is a new shopping centre being constructed within the Boardwalk precinct in Port Elizabeth, South Africa. The new shopping mall is being developed in two phases with an investment of USD 36.2 million. The mall's official opening is scheduled for September 2022, marking the completion of the second phase. Such developments are boosting the country's economy and providing new opportunities for the domestic facility management companies.

## South Africa Facility Management Industry Overview

The facility management market in South Africa is relatively fragmented due to the presence of local players and small to medium-sized firms. These players are focusing on adopting various growth strategies, such as new product launches, expansions, joint ventures, partnerships, and others, to strengthen their position in this market. A few prominent players in the market include Matrix Consulting Services, SGS SA, Facilities Management Solutions (Pty) Ltd, Chiefton Facilities Management (Pty) Ltd, and Tsebo Facilities Solutions.

- December 2022 - Dr. Blade Nzimande, Minister of Higher Education, Science Innovation, acknowledged the decision to grant South Africa the SKA-Mid infrastructure contract as part of the development of the mid-frequency part of the Square Kilometre Array (SKA) telescope in Carnarvon, Northern Cape. According to the ministry, Power Adenco Joint Venture (Pty) Ltd has been chosen as the successful bidder for the contract to construct the significant civil infrastructure, which includes a rollout of power, fiber, and roads. This contract, worth close to R890 million, will be the largest given by SKAO to a South African-based business. Additionally, it is anticipated that leasing newly constructed structures and continued technical maintenance and operations of the SKAO for a further fifty years will bring sustainable, long-term foreign investment to South Africa.
- September 2022 - Servest, a South Africa-based facilities management company, announced to provide its commercial and residential clients with an innovative and long-lasting anti-microbial coating called INVISI Smart, which has been scientifically shown to provide a protective barrier on any surface by eliminating 99.99% of germs for a year after just one application. Servest collaborated with cricket stars to give the INVISI Smart solution, opening opportunities for cleanliness and hygiene in the facilities management sector.

### Additional Benefits:

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

### Table of Contents:

#### 1 INTRODUCTION

##### 1.1 Study Assumptions and Market Definition

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## 1.2 Scope of the Study

## 2 RESEARCH METHODOLOGY

## 3 EXECUTIVE SUMMARY

## 4 MARKET INSIGHTS

### 4.1 Market Overview

### 4.2 Industry Attractiveness - Porter's Five Forces Analysis

#### 4.2.1 Bargaining Power of Suppliers

#### 4.2.2 Bargaining Power of Consumers

#### 4.2.3 Threat of New Entrants

#### 4.2.4 Intensity of Competitive Rivalry

#### 4.2.5 Threat of Substitute Products

### 4.3 Assessment of COVID-19 Impact on the Market

## 5 MARKET DYNAMICS

### 5.1 Market Drivers

#### 5.1.1 Increasing Infrastructural Developments and Growing Retail Sector

#### 5.1.2 Rising Developments in Public and Private Infrastructure

### 5.2 Market Restraints

#### 5.2.1 Fragmented Market with Several Local Vendors

## 6 MARKET SEGMENTATION

### 6.1 By Type

#### 6.1.1 Inhouse Facility Management

#### 6.1.2 Outsourced Facility Management

##### 6.1.2.1 Single FM

##### 6.1.2.2 Bundled FM

##### 6.1.2.3 Integrated FM

### 6.2 By Offering Type

#### 6.2.1 Hard FM

#### 6.2.2 Soft FM

### 6.3 By End-user

#### 6.3.1 Commercial

#### 6.3.2 Institutional

#### 6.3.3 Public/Infrastructure

#### 6.3.4 Industrial

#### 6.3.5 Others

## 7 COMPETITIVE LANDSCAPE

### 7.1 Company Profiles\*

#### 7.1.1 Matrix Consulting Services

#### 7.1.2 SGS SA

#### 7.1.3 Facilities Management Solutions (Pty) Ltd

#### 7.1.4 Chiefton Facilities Management (Pty) Ltd

#### 7.1.5 Tsebo Facilities Solutions

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- 7.1.6 Excellerate Services
- 7.1.7 Akweni Group Property Solutions (Pty) Ltd
- 7.1.8 Integrico (Pty) Ltd
- 7.1.9 Akweni Group Property Solutions (Pty) Ltd
- 7.1.10 SSG Holdings
- 7.1.11 TROX South Africa (Pty) Ltd.
- 7.1.12 AFMS Group (Pty) Ltd
- 7.1.13 Bidvest Facilities Management

## 8 INVESTMENT ANALYSIS

## 9 FUTURE OF THE MARKET

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