



Global Facilities Management Market Report 2018

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Executive Summary

Global Facilities Management Market

In 2017, the total global facilities management (FM) market* was estimated to be worth \$1.15 trillion.¹ Of this, the outsourced FM market was valued at \$466.5 billion, with integrated facilities management (IFM) accounting for 11.5% of the segment.

Figure 1: Global FM Market, 2017



*Global FM market refers to the aggregate of the 41 countries profiled in this study.

Note: All figures are rounded. The base year is 2017. Source: Frost & Sullivan analysis

¹ All figures in US\$

Executive Summary

Wider Coverage in this 2018 Report

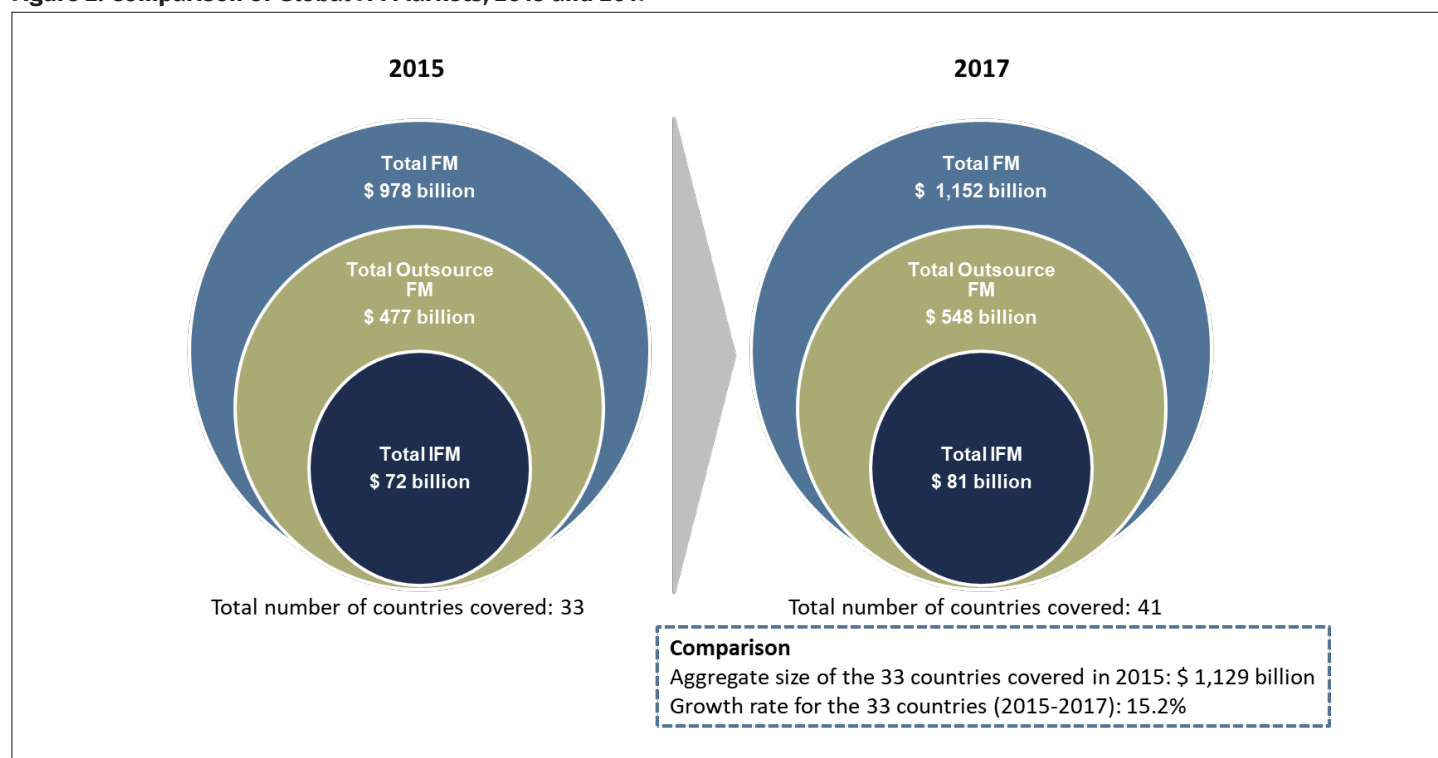
When compared to the 2015 Global FM study, a number of additional countries have been included in the scope:

- i. South America: Chile, Argentina, Panama
- ii. Middle East: Oman
- iii. Asia-Pacific: Indonesia, Thailand, Vietnam, Philippines

In addition, further insights provided include FM percentage split by:

- i. Public sector versus private sector for each country
- ii. Major verticals (commercial, industrial, institutional, public/infrastructure, and others) for each country

Figure 2: Comparison of Global FM Markets, 2015 and 2017



Note: All figures are rounded. The base years are 2015 and 2017. Source: Frost & Sullivan analysis

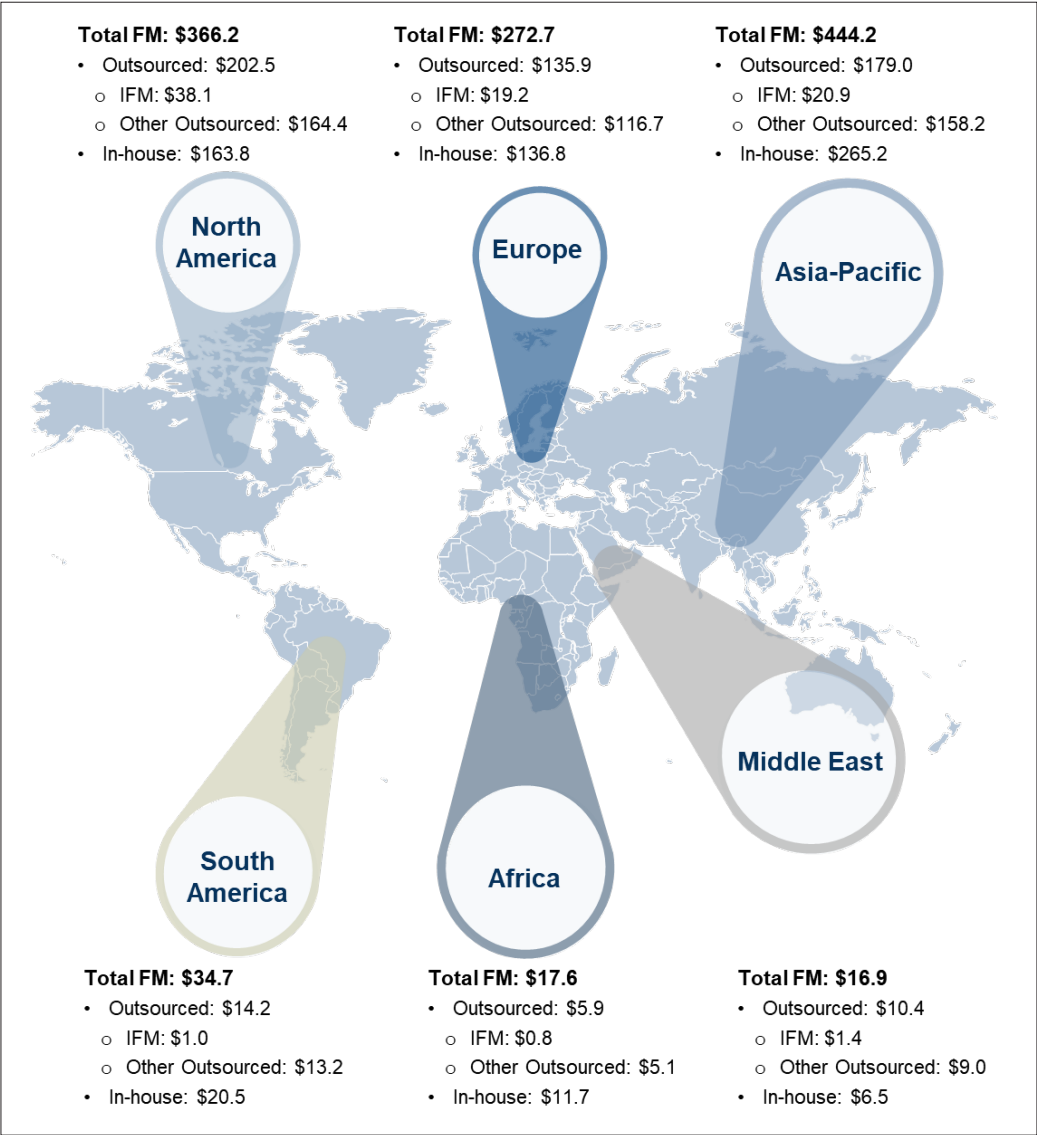
Executive Summary

Market size by region & type

North America and Europe are the most mature markets for FM outsourcing and IFM adoption, with many global service providers originating from these regions. Demand for service integration and the inclusion of value-add services are key factors driving growth in these established markets. While in developing markets, growth is still mainly linked to demand from multinational corporations (MNCs).

Asia-Pacific stands out in terms of growth potential in FM services, given the higher awareness and appreciation of the industry, increasing presence of global FM participants, greater demand for outsourcing, and availability of comprehensive solutions.

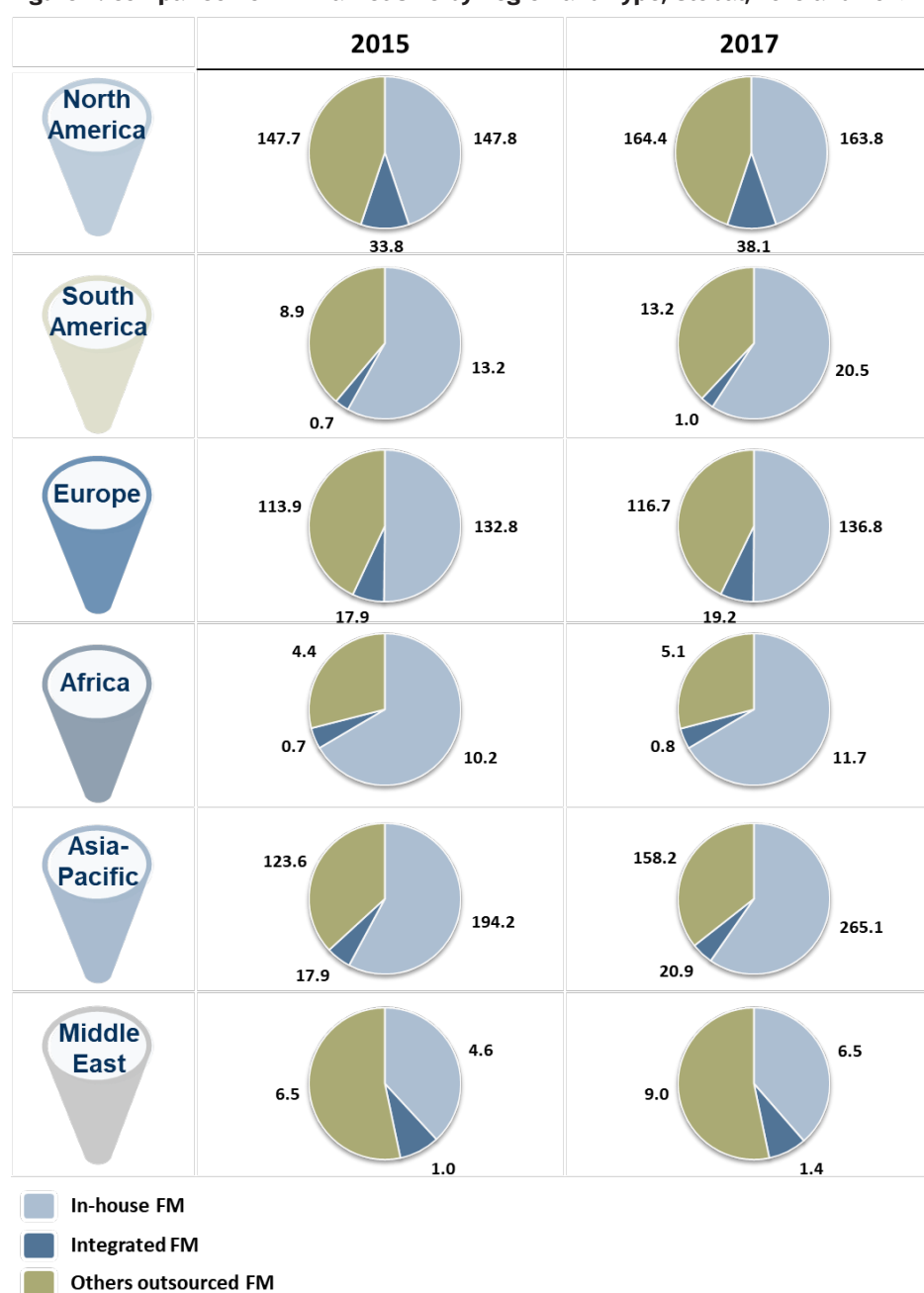
Figure 3: Market Size by Region and Type, 2017



Note: All figures are rounded. Unit measurement is in billion. The base year is 2017. Source: Frost & Sullivan analysis

Executive Summary

Figure 4: Comparison of FM Market Size by Region and Type, Global, 2015 and 2017



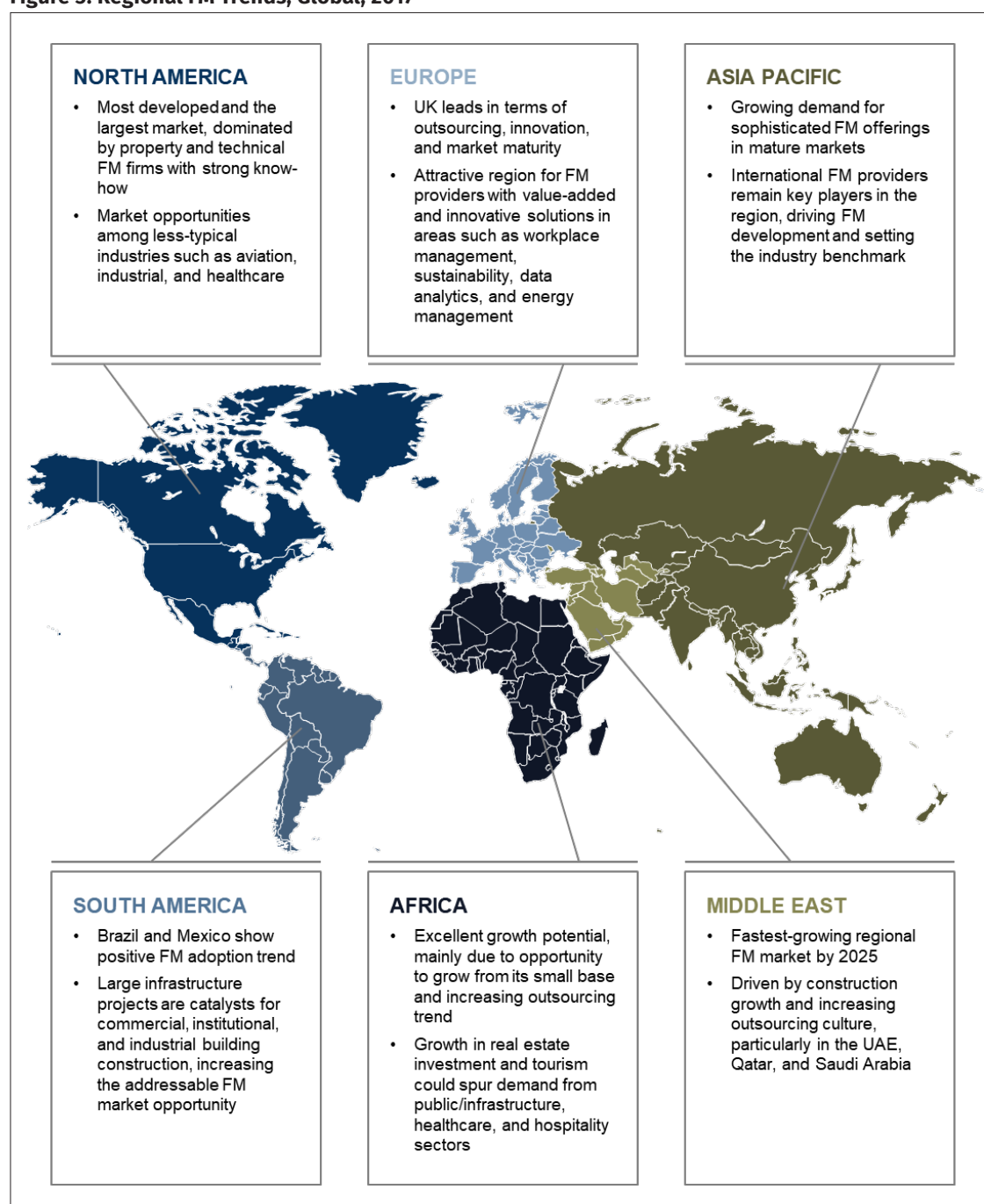
Note: All figures are rounded. Unit measurement is in billion. The base years are 2015 and 2017. Source: Frost & Sullivan analysis

Region wise, the Middle East has experienced the highest growth based on the aggregate size of the 5 countries covered in the 2015 report, followed by Asia-Pacific (11 countries covered in 2015).

Executive Summary

Key regional trends

Figure 5: Regional FM Trends, Global, 2017



Source: Frost & Sullivan analysis

Introduction

Contract globalization and service integration are expected to accelerate growth in the FM market, in particular, the IFM sector, given the increase in penetration of IFM services throughout the forecast period. The market is forecast to record good growth, particularly in the Middle East and Asia-Pacific.

Figure 6: Global Outsourced FM Market Forecast, 2025



Note: All figures are rounded. The base year is 2017. Source: Frost & Sullivan analysis

Introduction

Transformation trends of FM

FM is becoming more critical to businesses due to evolving workplace culture, heightened appreciation of the benefits of outsourcing, and demand for technical skills and industry know-how. Frost & Sullivan expects the following trends to have an impact on FM markets across the globe.

Figure 7: Transformation Trends of FM, 2017



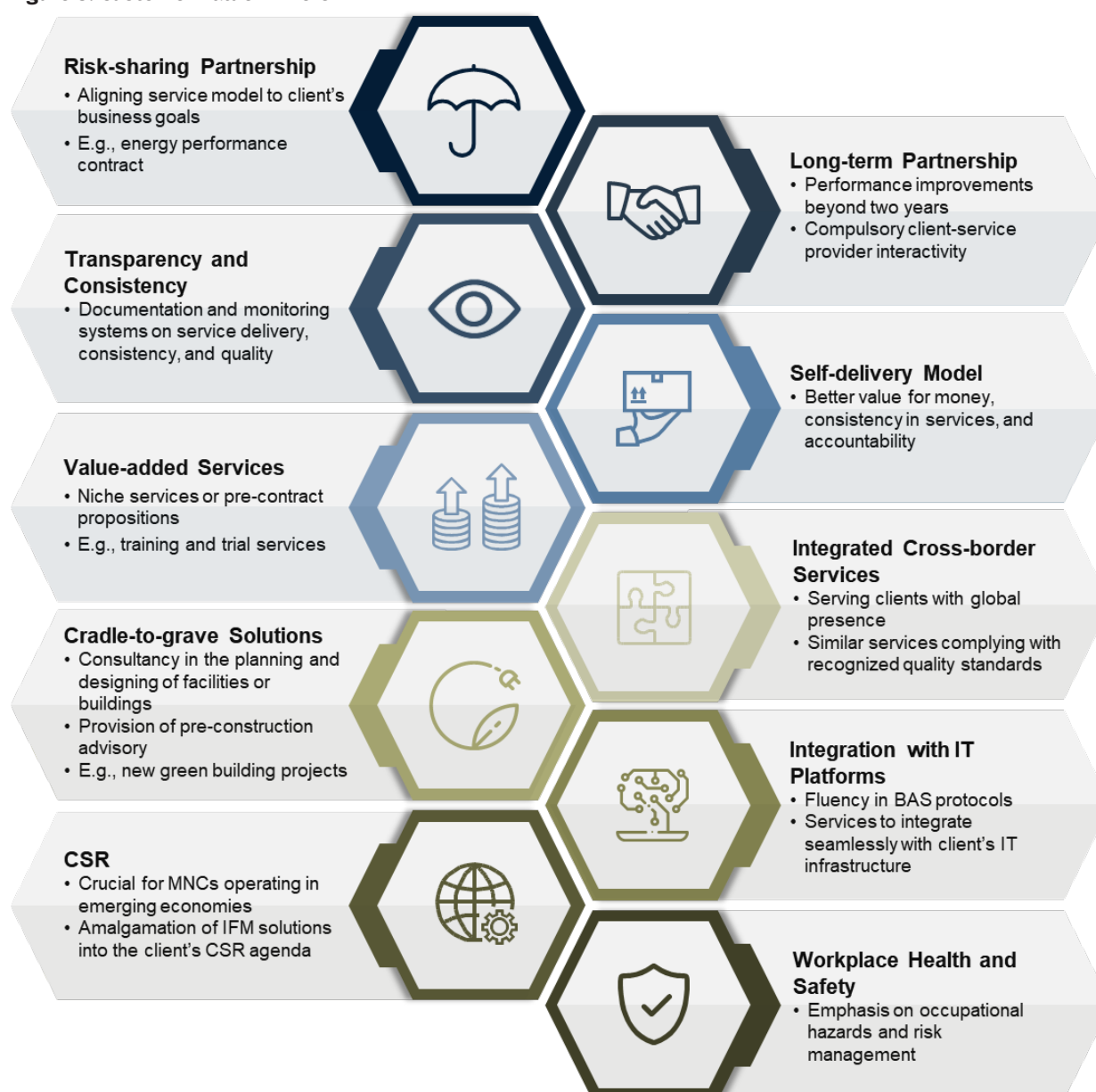
Source: Frost & Sullivan analysis

Introduction

Customer Value Drivers

To stay ahead of the competition, global FM firms need to develop targeted strategies around these customer value drivers:

Figure 8: Customer Value Drivers



Source: Frost & Sullivan analysis

Introduction

The future of FM

The global FM outsourcing market is forecast to surpass \$1 trillion by 2025, including bundled and integrated services that are expected to account for 35% share of global revenue. Figure 7 highlights key areas that are likely to boost the potential of the FM market.

Figure 9: Future of FM

2017		2025
Europe had the most mature overall FM market in 2017. North America was the biggest opportunity for IFM.	 Region	Highest growth forecast for the Middle East and Asia-Pacific. Asia-Pacific predicted to become the largest overall FM market by 2025.
Government and critical infrastructure sectors – the pioneers of outsourcing models.	 Segment	Private sector expected to drive growth; technology and connectivity to realize concept of “no customer is too small”.
Strong growth in contract-based outsourced services in service bundling, integration, and internationalization.	 Business Model	Technology-led and outcome-based circular business models, e.g., XaaS, likely to open new and diverse opportunities.
Customers' capital improvement programs were the predominant funders of technology.	 Technology	Technology to gradually transfer to OPEX via PC and XaaS models.
Labor and services strongly focused on cost optimization.	 Supply	Expecting higher customer intimacy, selling outcomes, and business improvements with focus on value creation.
Customers focused on process and asset efficiency and problem-solving.	 Customer	Customers likely to focus on human and building/facility assets to drive business productivity and profitability.
Incumbent suppliers with long market history and focus on international expansion consolidate and dominate market environment.	 Competitive Environment	Further consolidation expected in the top tiers of supply and collaboration with multiple new entrants, especially technology and XaaS companies.

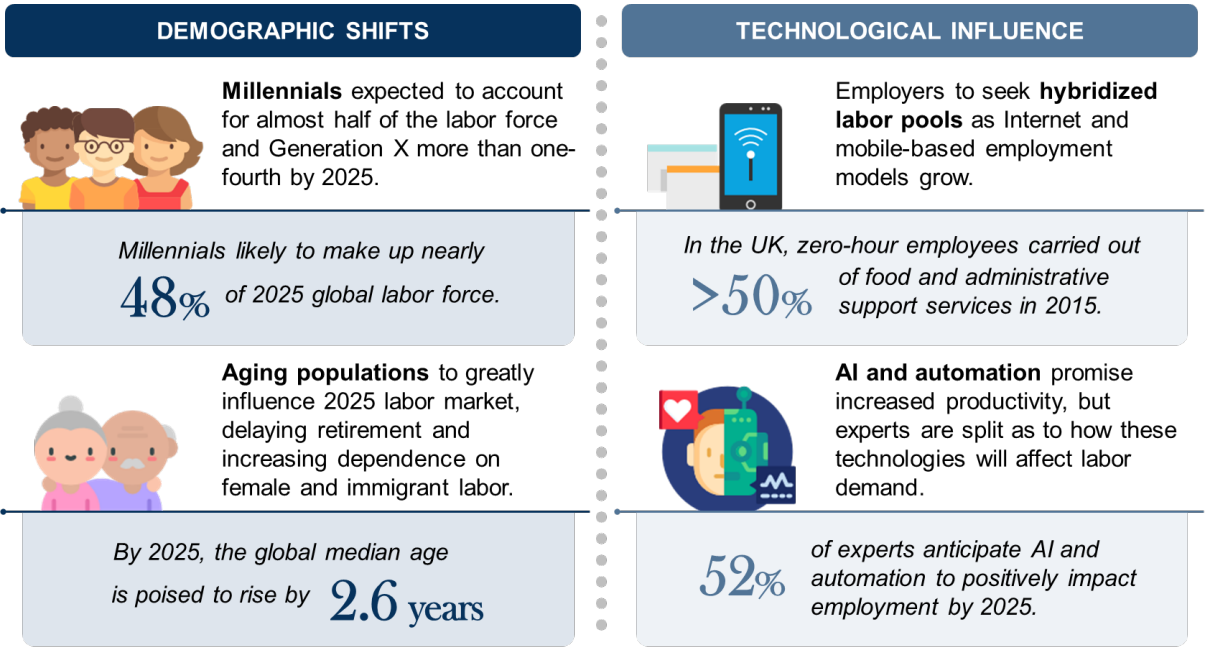
Source: Frost & Sullivan analysis

Megatrends Impacting Facilities Management

Key Shifts in Demographics and Technology

The rise of the millennial/Gen Y workforce and technology facilitating new employment models and enhanced productivity are anticipated to transform labor markets by 2025.

Figure 10: Key Workplace Shifts in Demographics and Technology



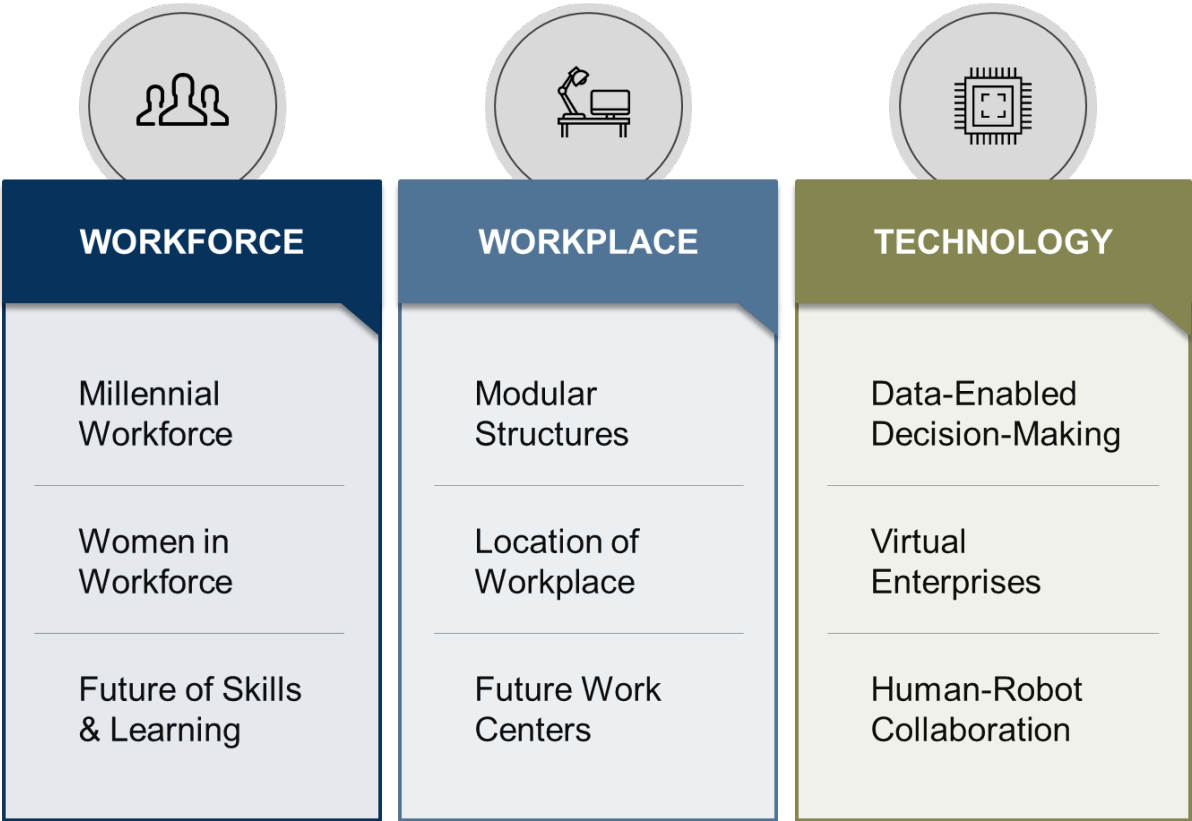
Source: Frost & Sullivan analysis

Introduction

Future of Work

Convergence of FM with workplace design and optimization requires FM firms to innovate with services to address workforce, workplace, and technology requirements.

Figure 11: Future of Work



Source: Frost & Sullivan analysis

Future workplace structures will integrate various mobile infrastructure and technologies, devices, and smart work concepts that allow employees to function with a higher degree of flexibility, collaboration channels through anytime, anywhere work, and better productivity leading to increased revenue generation.

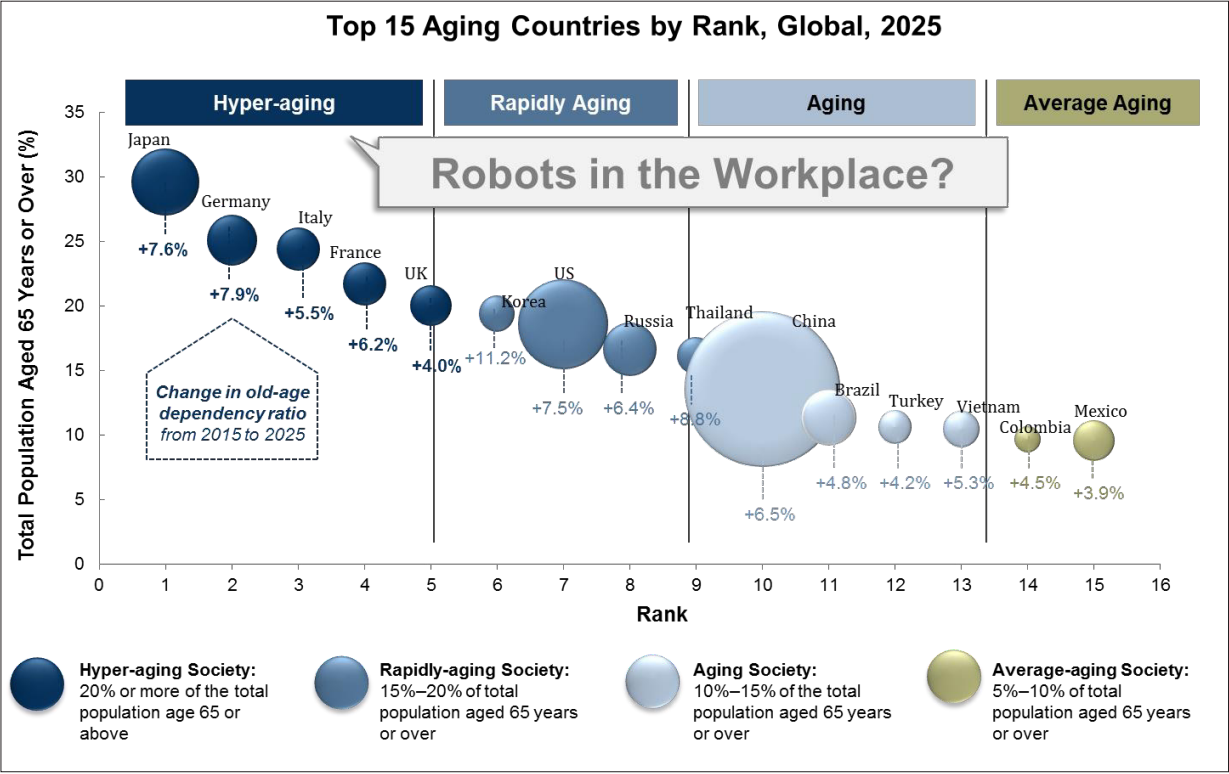
The trend of office on-demand (or Office-as-a-Service) is on the rise, thanks to the growth of the 'sharing economy', and is welcomed by highly mobile workers and lean start-up companies. Workplace occupancy patterns are likely to be more volatile as there will be an increasing number mobile or remote workers and property owners contemplating workplace on-demand concepts, which will prompt FM providers to become more nimble in their service offers. At the other extreme, a number of large multinational companies have moved away from the commercial high-rise headquarters approach to the office 'campus' structure, which promotes various work-life balance facilities such as sports complexes, recreational parks, mini retail, body therapy and reflexology, and even medical care. These campuses have made FM services more complex than before and triggered demand for advanced FM solutions especially around green technologies or energy management optimization.

Introduction

Aging Population

Japan, Asia-Pacific, and many European countries are forecast to have hyper-aging societies by 2025, necessitating technological innovation and immigration to meet the demands of an older demographic.

Figure 12: Aging Population Forecast by Rank, Global, 2025



Source: Frost & Sullivan analysis

This trend is likely to drive demand for aged care facilities, retirement villages and support living services, and consequently drive demand for FM services at such facilities. Significant sector reform, increased compliance obligations, a shift to a more market-based competitive environment, and the aging of the care workforce are likely to challenge the status quo for the aged care industry in many regions.

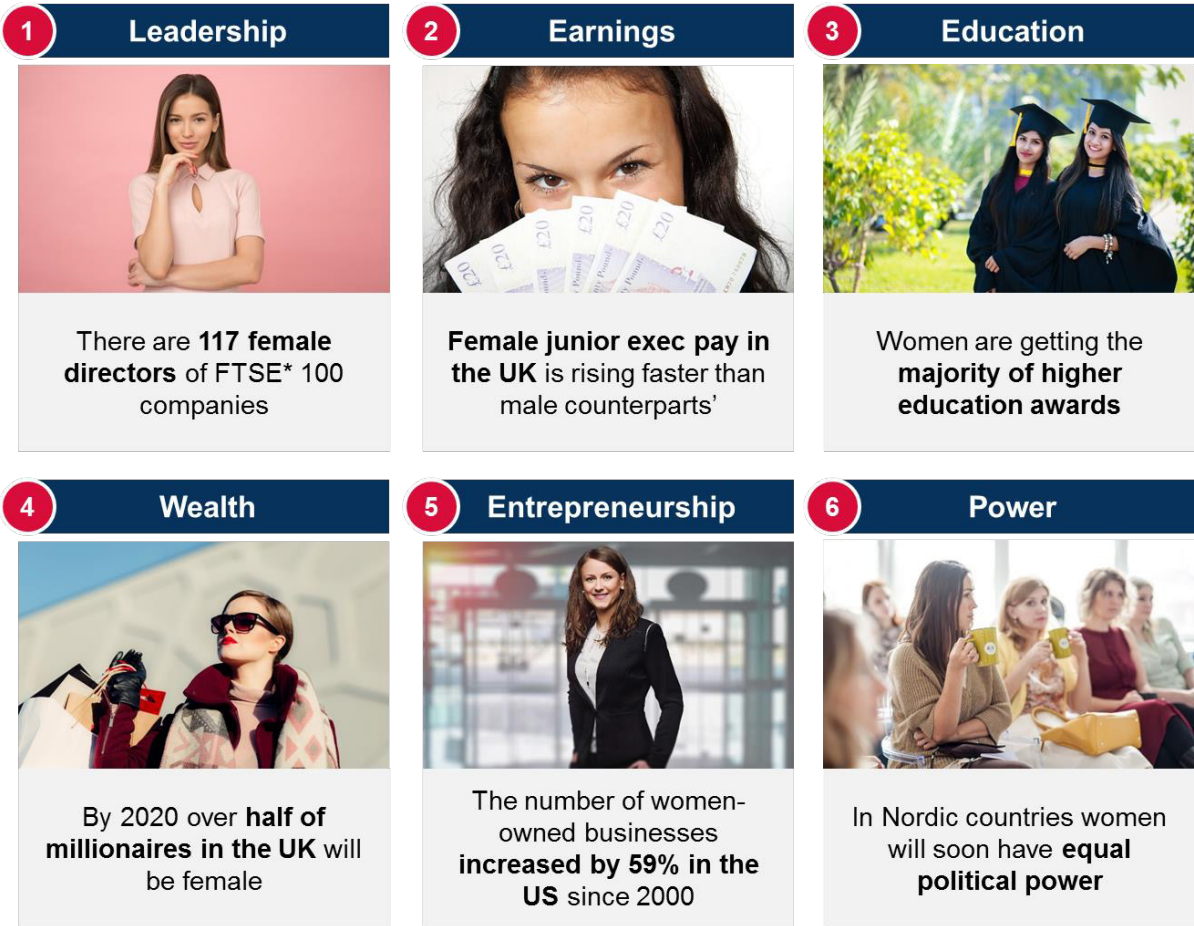
Future facilities will be characterized by increased use of voice activation, monitoring systems, telehealth systems, automation for lighting and electricity, gait/fall detection alarms, as well as more dementia-friendly features.

Introduction

Female Empowerment

Women are expected to play a major role in the workplace of the future, changing the nature of engagements with FM and other service companies.

Figure 13: Women at Work



*Note: FTSE = Financial Times Stock Exchange

Image Source: PIXABAY, PEXEL

Source: Frost & Sullivan analysis

Improved female tertiary education rates, as well as the overall increase in part-time labor is likely to open more doors for women to participate in the workforce. Proactive policies to prevent sexual harassment in the workplace and reduce the gender pay gap will ultimately increase the overall female management pipeline. Initiatives that create gender equality, equal career opportunities, and a balanced corporate culture will have the greatest impact in increasing the number of women in upper management roles. In addition, female entrepreneurship continues to rise with the support of government initiatives, networks, and programs.

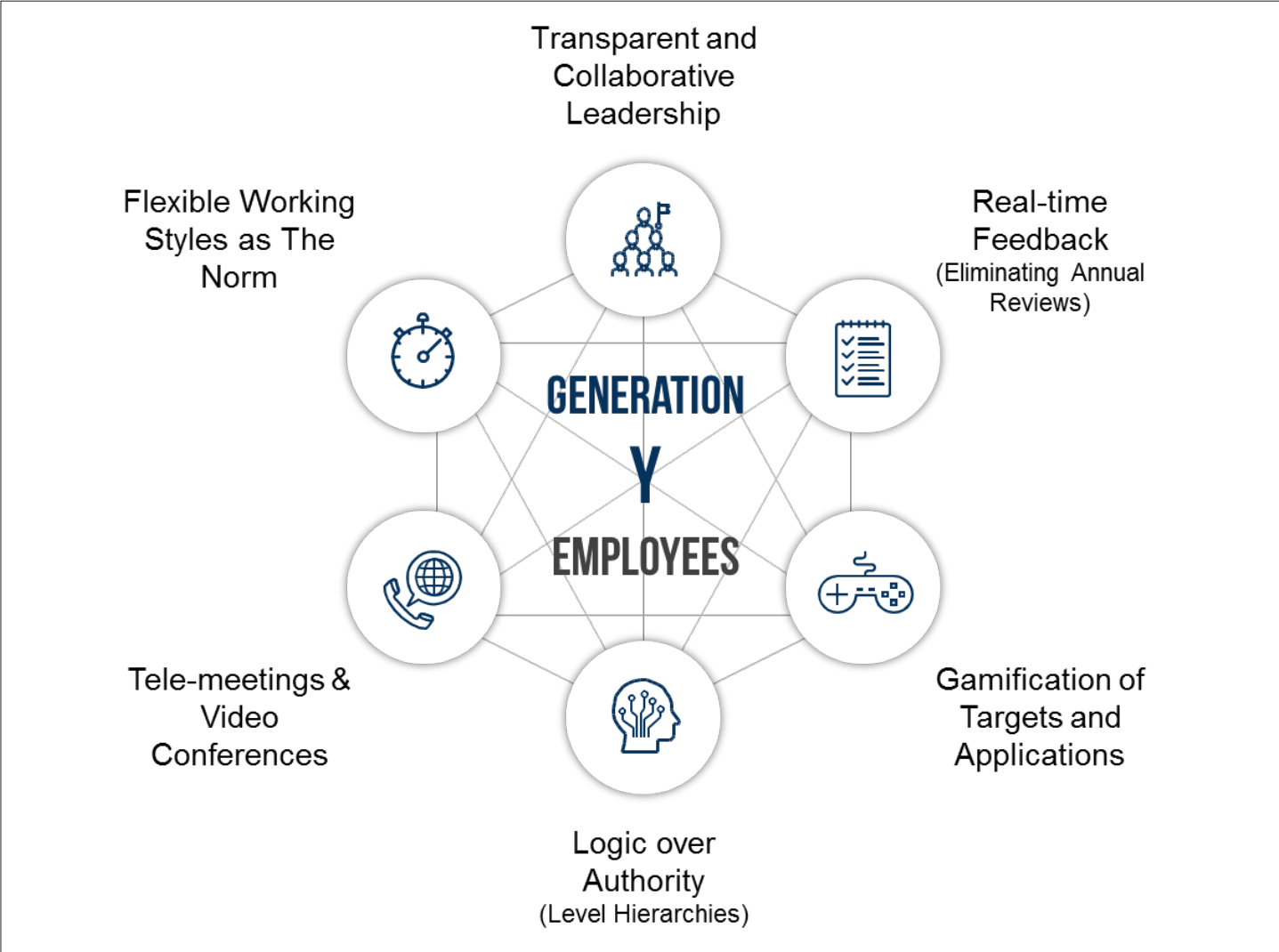
Currently, the retail sector has the most female employees; followed by the financial, hospitality, and healthcare sectors.

Introduction

Generation Y Employees

Increasing Gen Y representation in the labor force and a surging middle-class economy are set to transform cultural values and practices in future workplaces.

Figure 14: Generation Y Employees

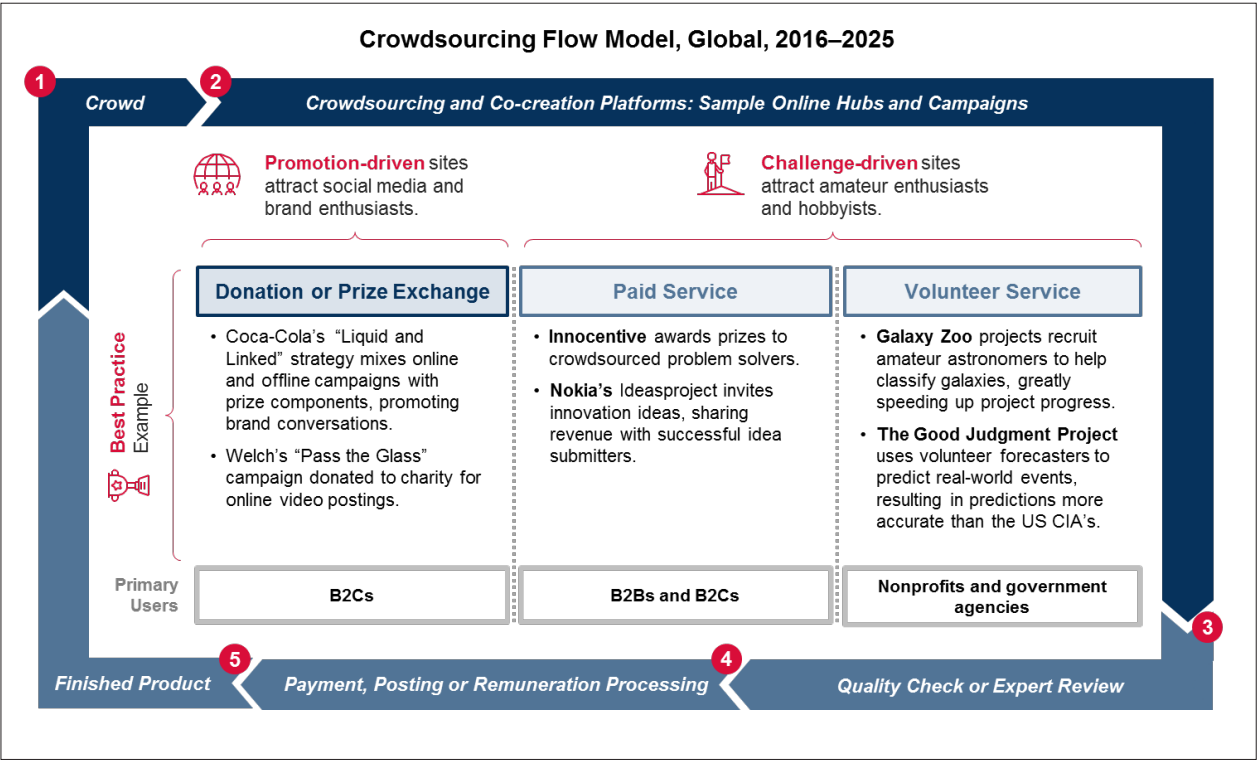


Source: Frost & Sullivan analysis

Crowdsourcing as the New Outsourcing

Crowdsourcing is expected to be stimulated by both internal and external enthusiasts to drive research and development (R&D), marketing and service delivery. By 2025, it will seamlessly integrate online and offline components. Building IoT solutions will enable real-time crowdsourcing of facility and occupant data to improve the feedback loop to FM providers and help reduce FM response times to breakdowns or safety issues. In addition, there are likely to be initiatives looking to leverage the crowdsourcing of subcontractors or single service providers.

Figure 15: Crowdsourcing as a New Outsourcing Approach



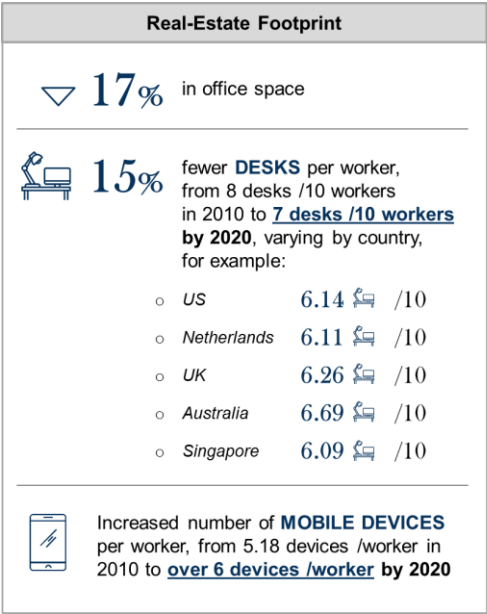
Source: Frost & Sullivan analysis

Introduction

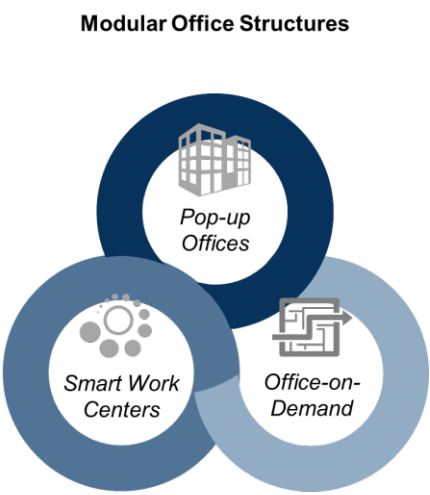
Modular Work Structures

Modular workplace frameworks could have a direct impact on the real estate footprint, as firms with mobile workstyles predict an overall decline in office space by 17% by the end of 2020.

Figure 16: Modular Work Structures



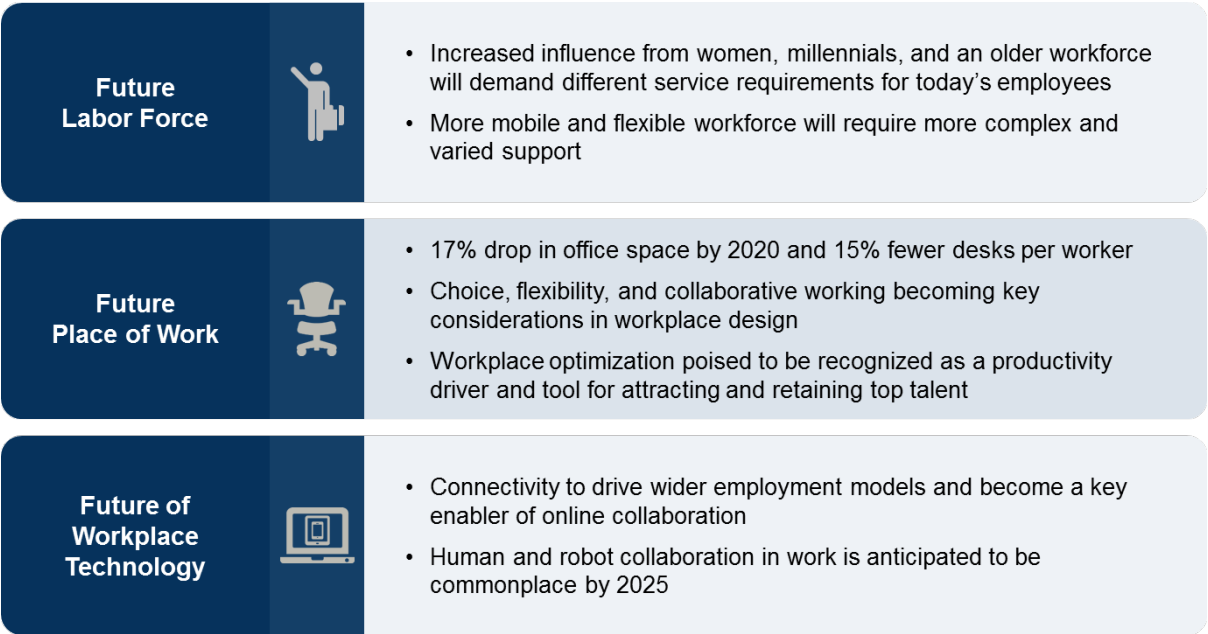
Source: Frost & Sullivan analysis



Introduction

These key trends are forecast to impact the FM market significantly.

Figure 17: Impact of Megatrends on FM Market



Source: Frost & Sullivan analysis

Introduction

ISO Standards

The introduction of the ISO 41000 – Standards in Facilities Management¹ is a key enabler of FM market growth. The standards encompass:

- ISO 41011: Facility management – Vocabulary (provides FM practitioners with a common, consistent global language)
- ISO 41012: Facility management – Guidance on strategic sourcing and the development of agreements (guidance on elements, roles, and responsibilities in FM sourcing processes, as well as processes and structures for agreement models)
- ISO 41013: Facility management – Scope, key concepts, and benefits (outlines the FM scope)
- ISO 41001: Facility management – Management systems – Requirements and guidance for use (overarching standard on FM context and operation)

The standards, while not compulsory, could facilitate improved consistency across regions, ensure better performance, and more strategic thinking on FM and its role.

¹ International Organization for Standardization (ISO) (2018), *ISO 41001:2018 Facilities Management: Management Systems – Requirements with Guidance for Use*

Scope and Definitions

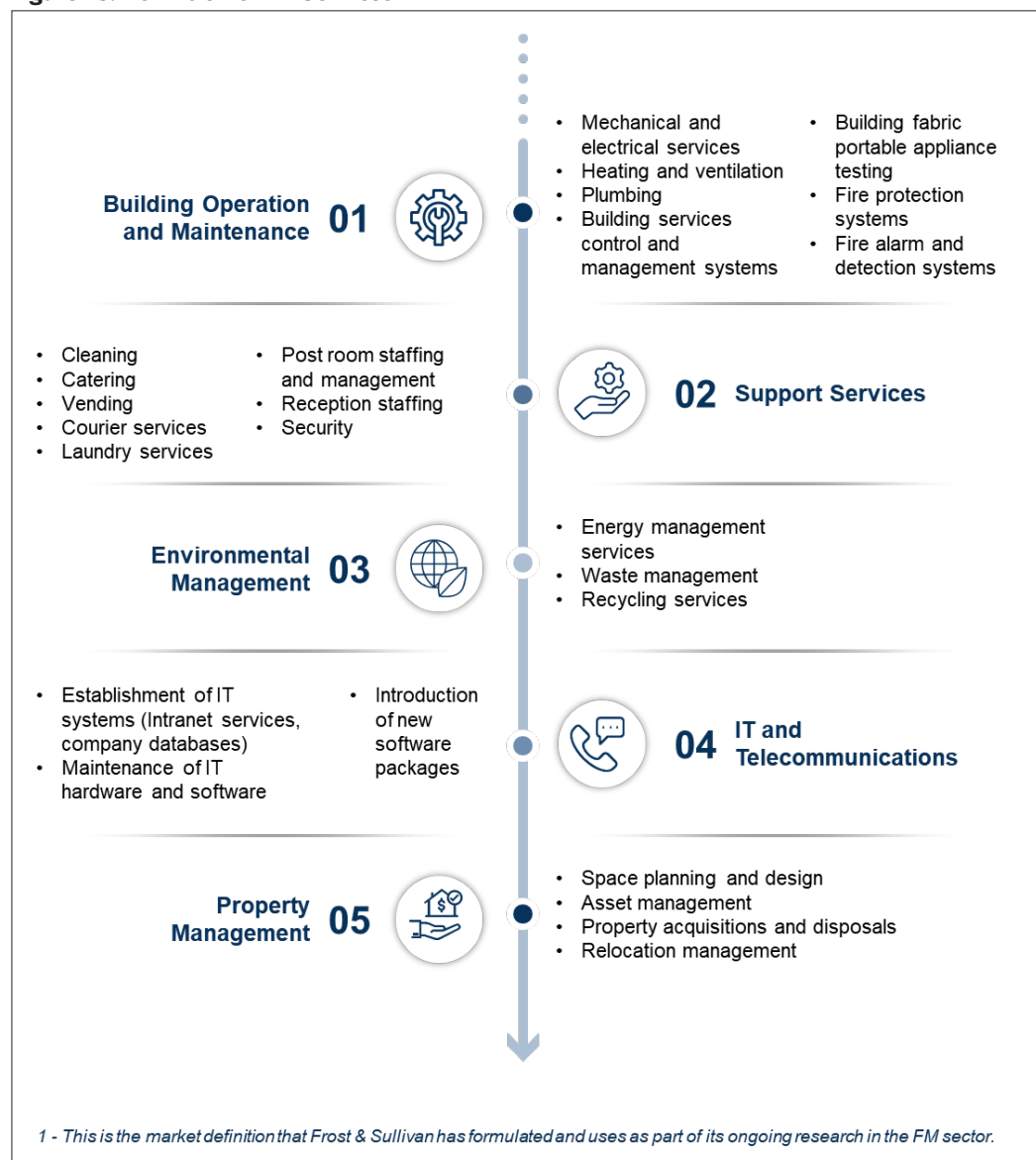
Scope of the study

Definition

FM Service Definition

FM comprises five main service spheres as defined below.

Figure 18: Definition of FM Services



Source: Frost & Sullivan

Scope and Definitions

Glossary of FM Terms

Common FM terms used in this study are explained below.

Figure 19: Definition of FM Terms

Term	Acronym	Definition
In-house FM	–	Refers to the management of facilities of the company
Outsourced FM	–	A complete transfer of specific FM functions to an external firm.
Integrated Facilities Management (IFM)	IFM	The provision of services from (at least) two distinct service spheres by the same company. The provider may either deliver the services or outsource and manage sub-contractors.
Other FM	–	Delivery of a single service such as janitorial, environmental, and M&E services or a bundled package (integrated package of services that fall within only one of the FM service spheres).
Public-Private Partnership	PPP	Business relationship between a private company and a government agency to complete a project that will serve the public. PPPs can be used to fund, build, and manage projects such as public transport networks, parks, and convention centers.
Gross Domestic Product	GDP	Monetary value of all finished goods and services produced within a country's borders in a specific period. Covers all private and public consumption, government outlays, investments and exports minus imports that occur within a defined territory. In short, GDP is a broad measurement of a nation's overall economic activity.
Mergers & Acquisitions	M&A	Refer to the consolidation of companies. A merger is a combination of two companies to form a new company, while an acquisition is the purchase of one company by another in which no new company is formed.

Source: Frost & Sullivan

Scope and Definitions

Definition of Vertical Segments

Vertical segments covered in this study are defined below.

Figure 20: Definitions of Vertical Segments

Vertical Segment	Definition
Commercial	<p>Covers office buildings occupied by business services (e.g., corporate offices of manufacturers, communication and IT, finance and insurance, property, and other service providers.</p> <p>Also covers shopping centers that include retail stores, restaurants, cafes, and factory outlets, wholesale stores in both central business district (CBD) and non-CBD locations, and warehouses.</p> <p>Government administration and defense, education, health and community services, and cultural and recreational services are excluded from this study.</p>
Institutional	<p>Healthcare covers public and private hospitals and aged care facilities; includes small- and mid-sized facilities that are intended to preserve mental and physical health by preventing or treating illnesses through services offered by health professionals.</p> <p>Education covers public and private education providers (e.g., universities, higher education colleges, primary/secondary schools, and other small- and mid-sized education facilities); kindergarten, pre-school, or daycare facilities are excluded from this study.</p>
Public/ Infrastructure	<p>Public covers government office buildings at federal, state, and local levels; only office buildings for the performance of administrative work, defense facilities, social housing, justice department, and prisons are included in this market definition. Parks, hospitals, schools, and other public properties and facilities administered by government departments are excluded from this study.</p> <p>Infrastructure refers to facilities that cover land, air, and water transportation such as airports, ports, roads, or rail works, as well as public and private utilities such as water supply and wastewater treatment, electricity and gas, and related operations and maintenance.</p>
Industrial	<p>Covers small, medium, and large manufacturing businesses (e.g., industrial, food and beverage, metal, automotive, and chemical); includes equipment and parts manufacturers, paint producers, or sales representations of general industry with showrooms, laboratories, storage areas, and warehouses.</p> <p>Also includes primary energy and resource sector (e.g.; coal, iron ore, other metal ore, or mineral mining, as well as oil and gas exploration); operations in remote mining camp sites and mining villages used to accommodate the workforce near mine sites are also included</p>
Others	<p>Include leisure, sport, and entertainment facilities that provide a venue for public sports events (e.g., sports grounds, aquatic pools), and event and entertainment complexes (e.g., cinemas, theatres, exhibition or show grounds); includes theme parks and gardens that are accessible to the public.</p>

Source: Frost & Sullivan

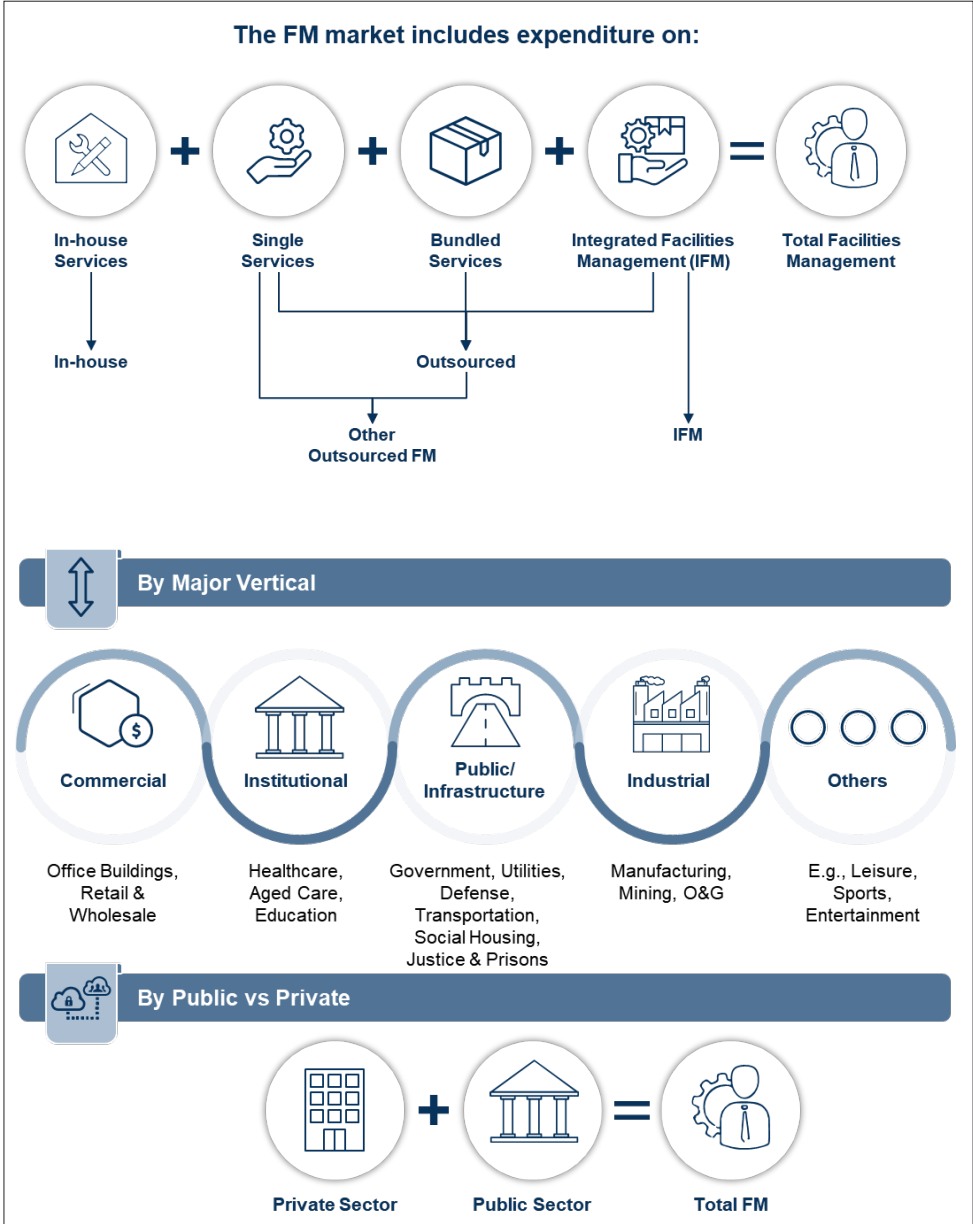
Scope and Definitions

Scope

By FM Expenditure

The FM market includes the expenditure given below.

Figure 21: FM Market Scope of this Study



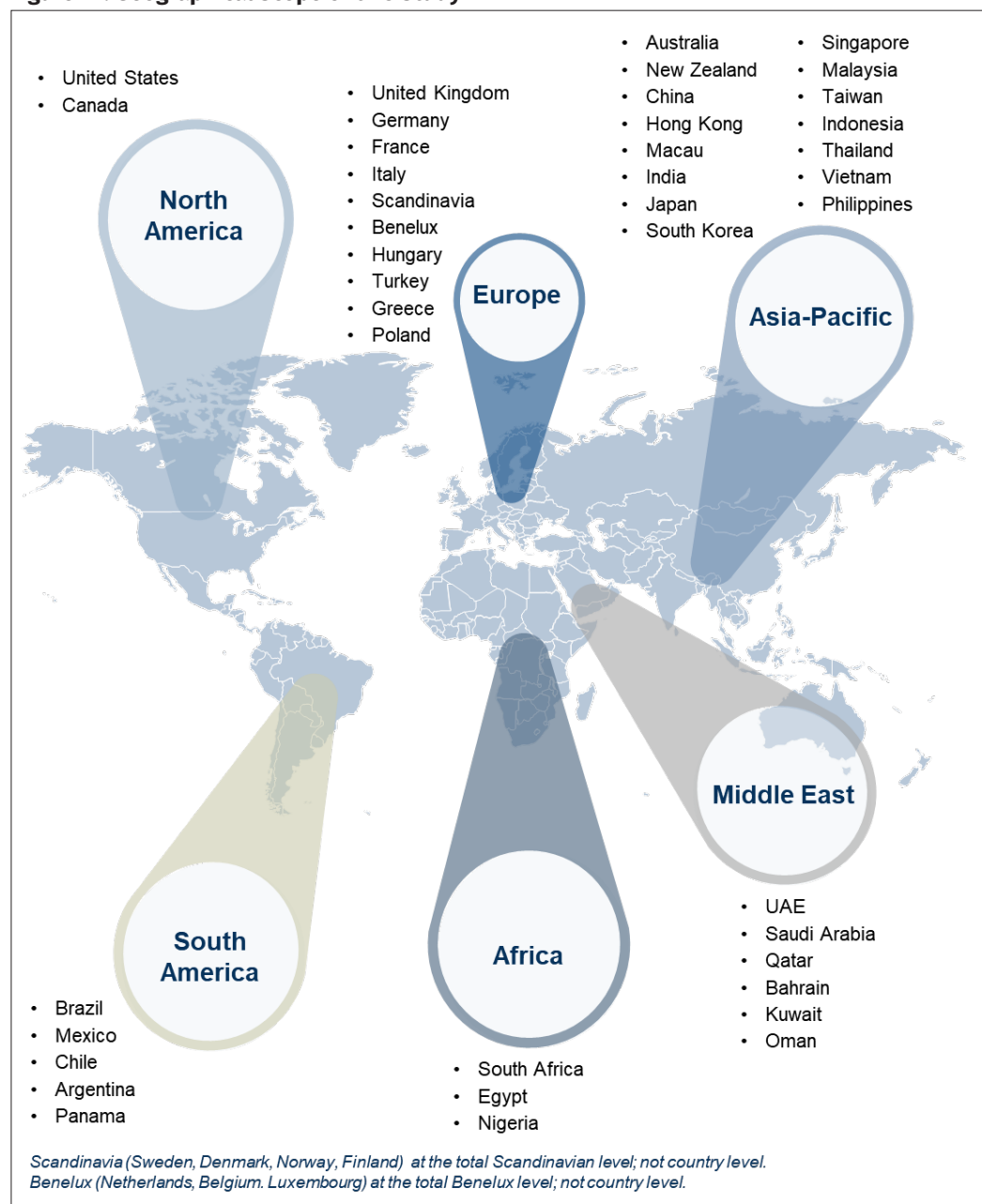
Source: Frost & Sullivan

Scope and Definitions

By Geographical Segment

Data on the following 41 countries are presented in this study.

Figure 22: Geographical Scope of this Study



Source: Frost & Sullivan

Country profiles

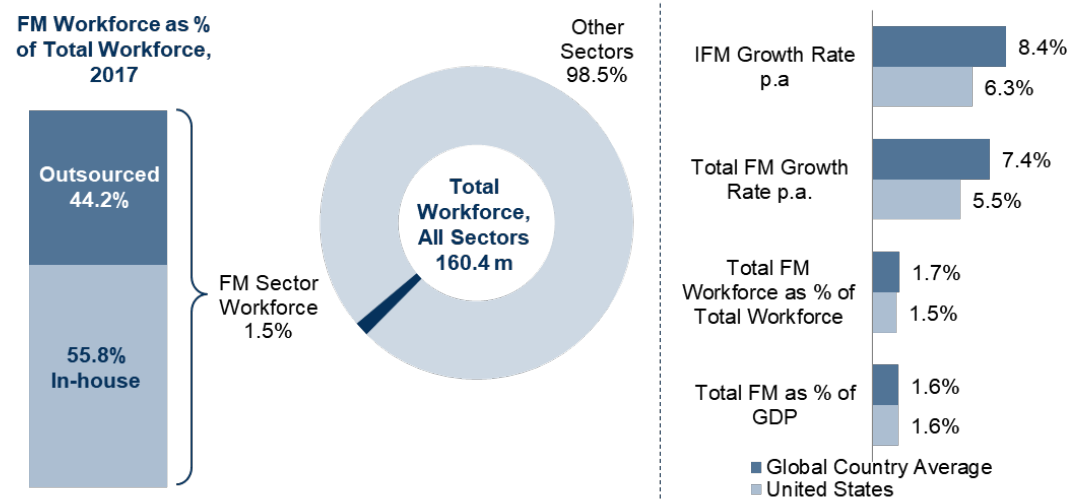
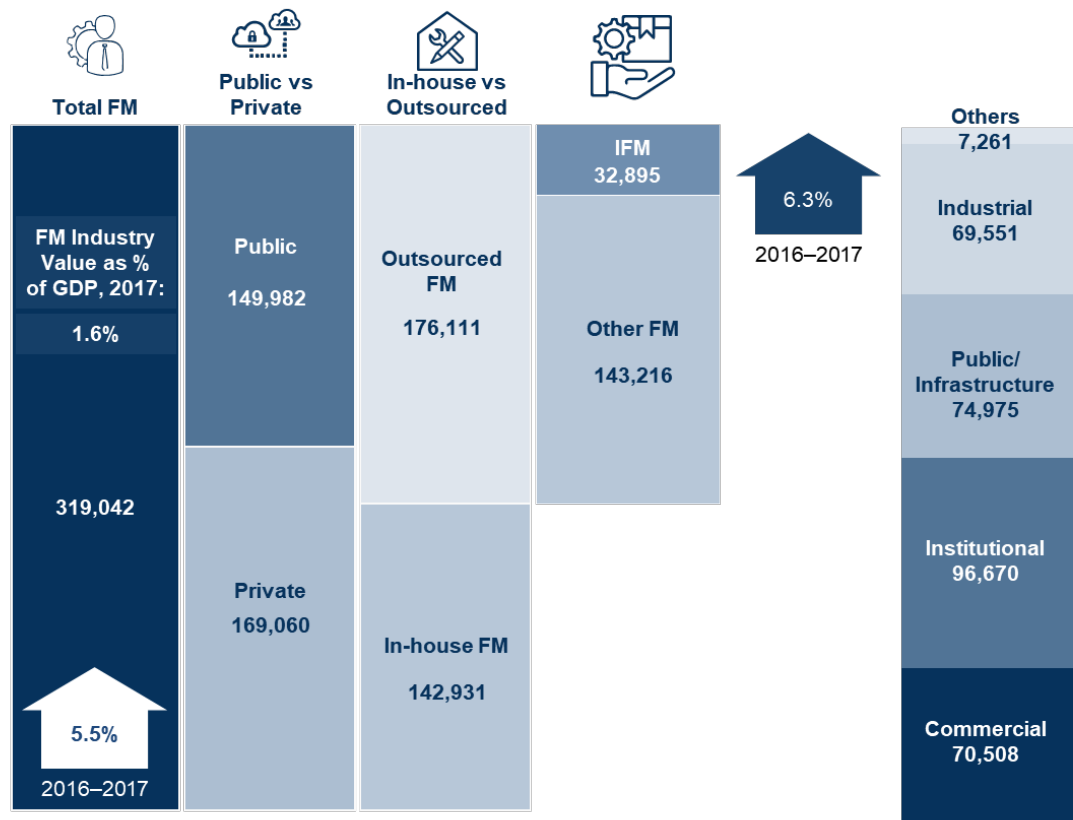
North America



United States

Figure 23: Facilities Management Market, United States, 2017

Unit: \$ million, unless stated otherwise



Note: All figures are rounded. The base year is 2017. Source: Frost & Sullivan analysis

Country profiles

North America



Country Commentary

With consumer confidence the highest since 2000 and unemployment at its lowest in 17 years, the United States (US) economy regained momentum in 2017, at 2.3% GDP growth rate.² The increase in federal government spending, especially in defense, and solid consumer spending were key contributors.³

However, spending in the construction sector did not echo overall economic growth, with the segment reporting the least growth in the past six years. This was largely the result of:⁴

- Slow non-residential building construction: Private non-residential construction rose by 0.6% in 2017, compared to 10.6% growth in residential construction. The low growth is attributed to the decreasing number of construction projects in the power and manufacturing sectors.
- Cuts in government outlays: Public construction spending fell by 2.5% in 2017, affecting the construction of highways and streets, power, water, and wastewater facilities.

High consumer confidence was reflected in FM industry growth during the year, with the total FM market up by 5.5% and IFM at a higher rate of 6.3%. An intrinsically high outsourcing culture and mature end users are key growth drivers.

Market opportunities from first-time clients are difficult to come by in the country due to overall market maturity. Most new contracts signed by leading participants typically involve shifting from one provider to another. As most contracts are available at renewal dates, clients use tenders more often, with price being a key determinant.

In terms of IFM adoption, the gradual extension of IFM outside the commercial sector is increasing overall revenue, with growing interest from industrial, public, and healthcare sectors. That stated, the commercial sector continues to dominate IFM market revenue. Equally, the shift from large to mid-market organizations is generating growth, particularly from second-tier commercial companies.

The cost pressures on real estate and FM functions are expected to create opportunities for FM providers. In education, opportunities exist in the tertiary education subsector. However, budget constraints place considerable pressure on current FM contracts in the public sector.

Most FM companies provide hard and soft FM services, but their involvement in offering value-added services vary. Value-added services represent a small share of FM revenue, comprising property management, IT and telecommunications (telecoms), environmental management, and energy management.

² The World Bank (2018), *Global Economic Prospects | June 2018*

³ The World Bank (2018), *Global Economic Prospects | June 2018*

⁴ Bloomberg (2018), *US Construction Spending Rose in 2017 by Least in Six Years*

Country profiles

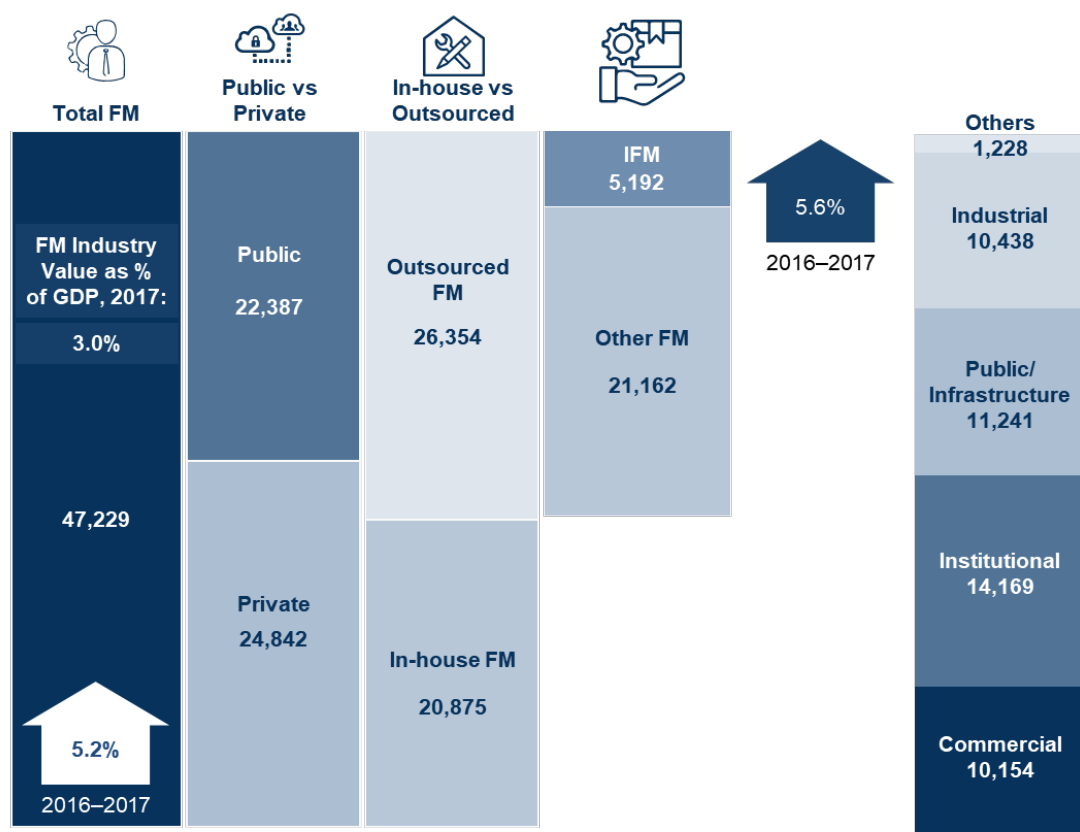
North America



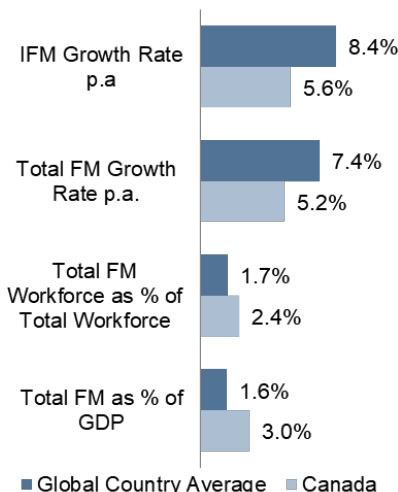
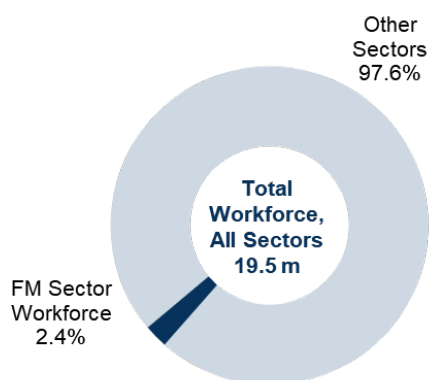
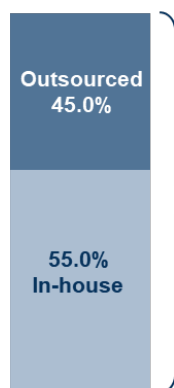
Canada

Figure 24: Facilities Management Market, Canada, 2017

Unit: \$ million, unless stated otherwise



FM Workforce as % of Total Workforce, 2017



Note: All figures are rounded. The base year is 2017. Source: Frost & Sullivan analysis

Country profiles

North America



Country Commentary

The Canadian economy recorded 3.6% growth from mid-2016 to mid-2017 – the fastest pace of growth since 2011. This is largely attributed to household spending, followed by inventory and business investment. However, the economy has since fallen to pre-July 2016 growth levels, hovering at an average of 2.0%. The increasingly unstable trade environment is likely due to the North American Free Trade Agreement (NAFTA) talks and announcement by the US on steel and aluminum tariffs restraining growth.⁵

The local construction sector has slowed post-2013 due to price declines in oil and other commodities, slowing resource industry expansion and cancellations or delays in numerous oil and gas and mining projects. The sector outlook is projected to remain soft as declines sustain in new residential activity, coinciding with the completion of various major projects.⁶

The Canadian FM market is mature and supported by the country's quick economic recovery from recession in recent years, as well as increasing interest in outsourcing by private and public organizations. Although smaller in size than the US, the Canadian IFM market is, in some ways, more advanced as a result of stronger public sector activity in this space. Growing interest from industrial, government, and healthcare verticals is stimulating demand for IFM services beyond the commercial market. An increasing number of mid-sized enterprises are also moving toward FM integration.

The FM growth in commercial, healthcare, and public-private partnership (PPP) projects has ensured Canada's position as a sizeable market in its own right. Going forward, growth is set to accelerate, as companies seek to reduce their spending on non-core items further. The development of value-added service (environment and IT) is a crucial theme in this market.

The Canadian market is expected to face challenges due to demographic changes affecting the number of active skilled workers. The aging population (with the proportion of people over 65 growing from 17.9% in 2016 to an estimated 22.8% by 2026) is expected to fuel demand for aged care facilities, and consequently, related FM services.⁷

In terms of competitive landscape, new entrants in the North American FM market are concentrating on Canada, which appears to have a stronger regional IFM component compared to the US.

⁵ Globalnews.ca (2018), *Canadian economy grows at 3 percent in 2017, fastest pace in 6 years*

⁶ BuildForce Canada (2017), *Construction & Maintenance Looking Forward – National Summary*

⁷ BuildForce Canada (2017), *Construction & Maintenance Looking Forward – National Summary*

Country profiles

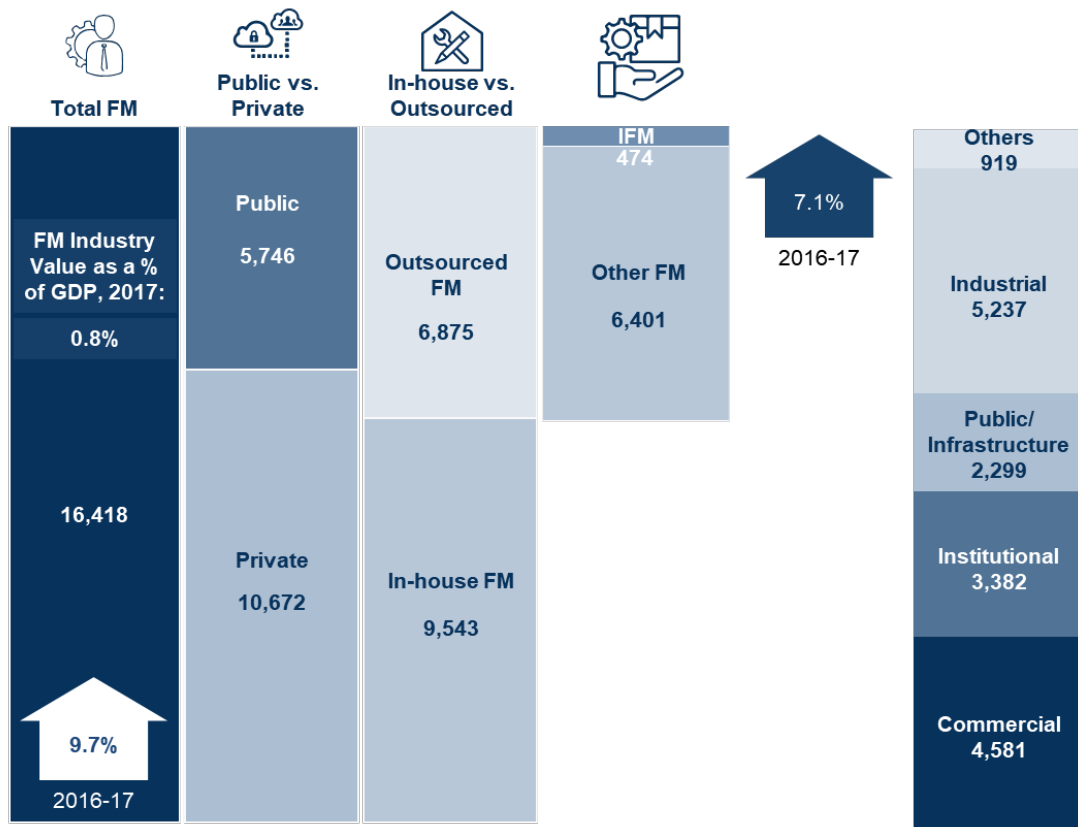
South America



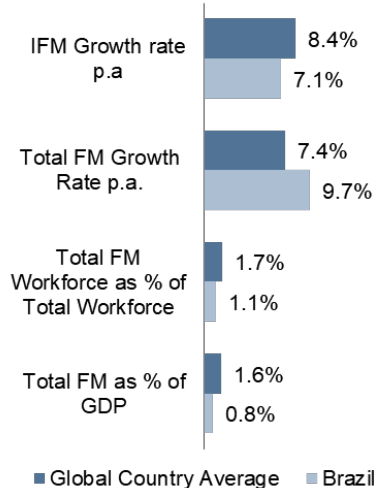
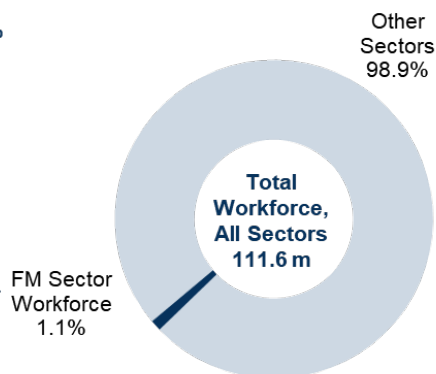
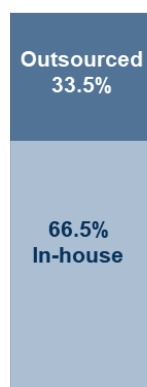
Brazil

Figure 25: Facilities Management Market, Brazil, 2017

Unit: \$ million, unless stated otherwise



FM Workforce as % of Total, 2017



Note: All figures are rounded. The base year is 2017. Source: Frost & Sullivan analysis

Country profiles

South America



Country Commentary

Brazil recorded strong domestic construction activity prior to 2016. However, political uncertainty, corruption, slow economic recovery from recession, and lackluster consumer and business confidence are restraining growth of the FM market.⁸

High foreign direct investment (FDI) in Brazil, the presence of MNCs and large local corporations operating in Brazil are vital drivers of FM demand, particularly in the commercial office segment. The segment has relatively better awareness and willingness to outsource and adopt innovative solutions, which is a key driver of IFM growth.

Social and demographic changes are also expected to have a positive impact on FM market opportunities:

- In 2015, 12.5% of the population was over 60 years old. In 2050, the elderly population is forecast to reach nearly 30%.⁹ In addition, roughly 58 million people, or 40% of the adult population, have at least one category of chronic disease. This is expected to drive demand for health and aged care services and consequently, FM in those sectors.
- The number of Brazilian high net-worth individuals or HNWIs (net worth of \$1 million to \$30 million) is forecast to grow by 20.7% to reach 0.5 million individuals by 2020. There will be 5,819 ultra-high net-worth individuals or UHNWIs (net worth over \$30 million) by 2020.¹⁰ This is faster growth than the global average. Brazil's HNWIs, expected to increasingly impact the property market, are concentrated mainly in Rio de Janeiro, São Paulo, and Belo Horizonte.

The rise of green or energy-efficient buildings is anticipated to benefit the country's FM sector as well. Brazil is the fourth largest market globally for Leadership in Energy and Environmental Design (LEED) outside of the US. A total of 1,226 buildings in Brazil have registered for LEED certification, and 410 buildings have been certified.¹¹ Government support, for example, tax breaks for green development in São Paulo, is predicted to drive green building registrations, particularly in the retail and residential segments.

⁸ OECD (2018), *OECD Economic Surveys: Brazil*

⁹ The World Bank (2018),

¹⁰ Credit Suisse Global Wealth Databook

¹¹ Green Building Council of Brazil

Country profiles

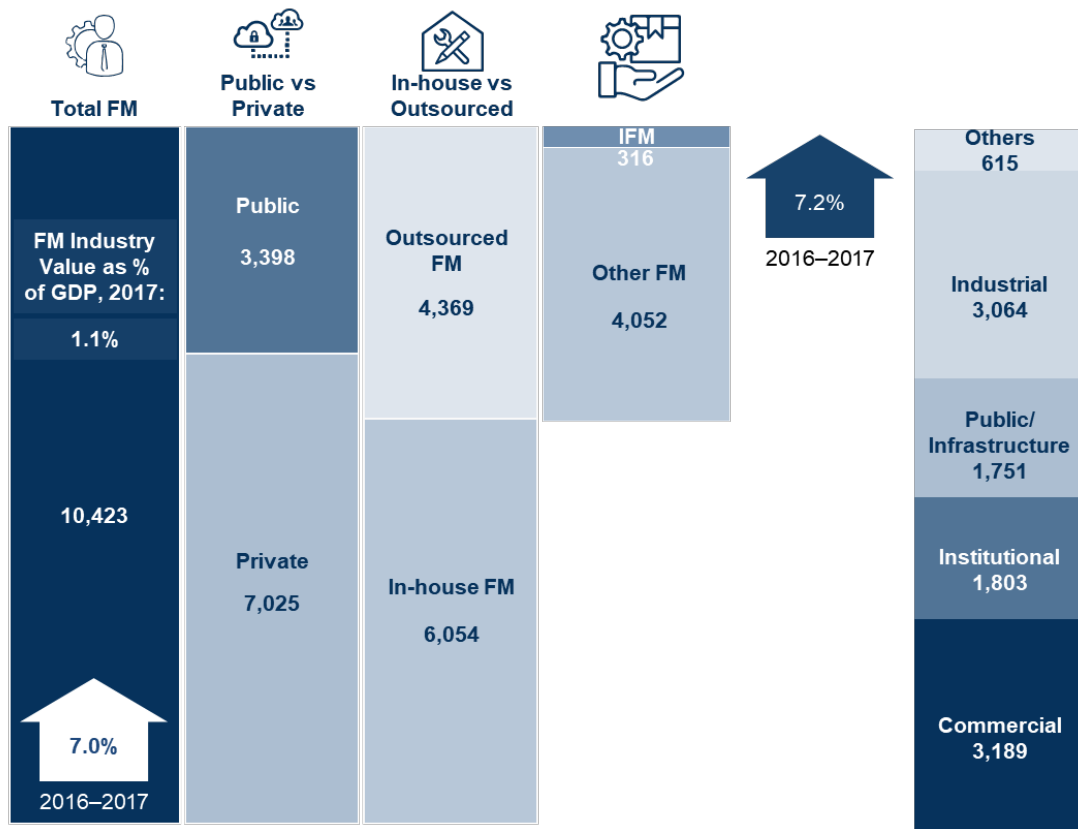
South America



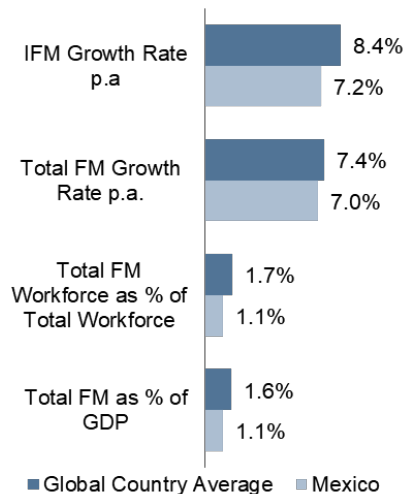
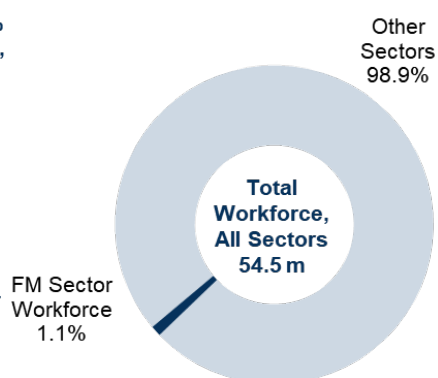
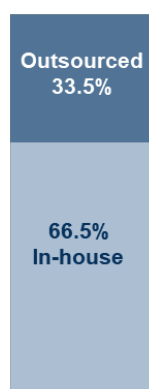
Mexico

Figure 26: Facilities Management Market, Mexico, 2017

Unit: \$ million, unless stated otherwise



FM Workforce as % of Total Workforce, 2017



Note: All figures are rounded. The base year is 2017. Source: Frost & Sullivan analysis

Country profiles

South America



Country Commentary

In Mexico, the introduction of the National Infrastructure Program (PNI) in 2013 for the 2014 to 2018 period, with a planned investment of \$586 billion,¹² has been the backbone of the country's recent phase of infrastructure development. Majority of the infrastructure projects carried out under the PNI are through PPPs. A 2012 modification to the PPP Law allows the Mexican government to enter into infrastructure and service provision contracts with private companies for up to 40 years.¹³ These PPPs create long-term FM opportunities for large FM providers.

In the private sector, there is continuous investment in mixed development buildings, logistics and distribution centers, and industrial hubs across the country. Proximity to the US has resulted in significant industrial development in Mexico, benefitting service providers with technical expertise.

Mexico, like other emerging economies in the region, is moving toward energy-efficient or green buildings. As part of the World Green Building Council, Mexico is learning green building best practices from more developed neighboring nations. The recognition and use of LEED certification allow foreign FM providers with strong green building management and consultancy skills to excel.

Domestic FM demand is slowly evolving from single solutions to more specialized services. Changes in facility design and end-user expectations are encouraging service delivery improvements among FM providers. However, pricing remains a key competitive factor in the country.

The high number of large projects and exposure to overseas markets are pushing corporations to obtain international certifications to stay relevant and competitive. This creates market opportunities for FM providers with consulting capabilities to guide clients in meeting and maintaining the required standards.

IFM adoption in Mexico is similar to other South American countries. The low IFM penetration within the outsourced market is reflective of the preference for individual or bundled services, often the result of price-sensitive end users not seeing the value in IFM propositions that can come at a higher price.

¹² Export.gov (2017), *Mexico – Construction*

¹³ Export.gov (2017), *Mexico – Construction*

Country profiles

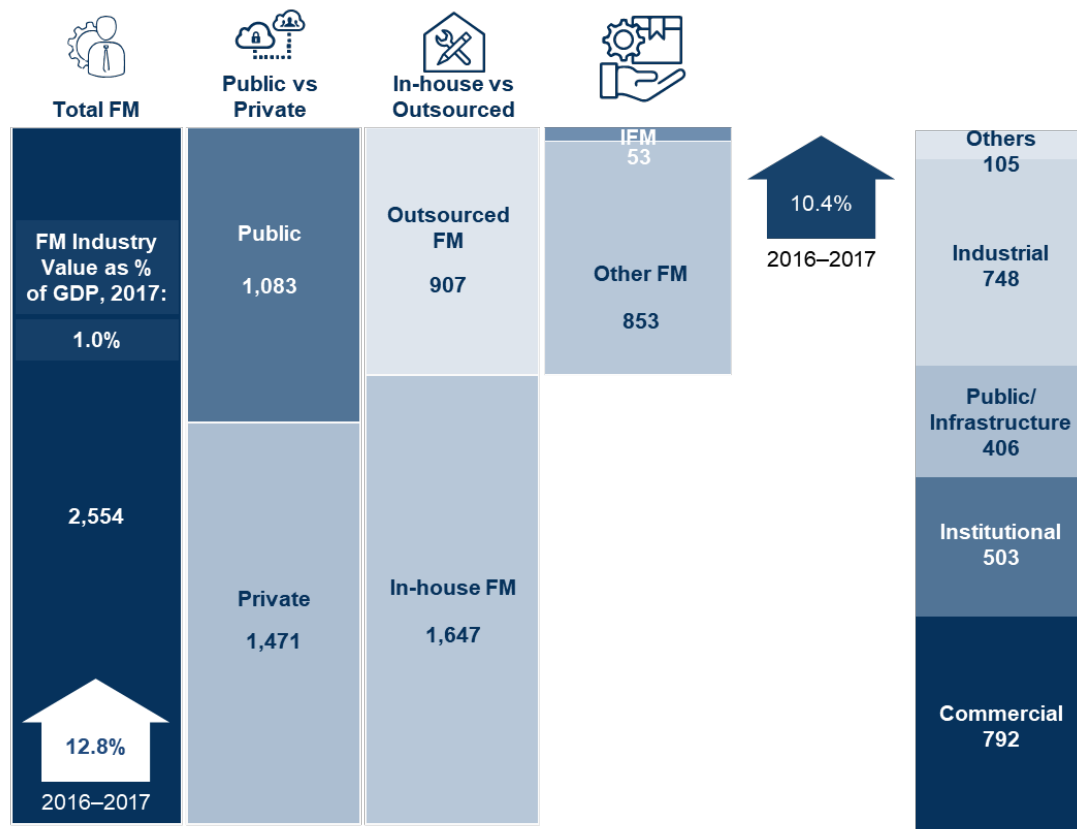
South America



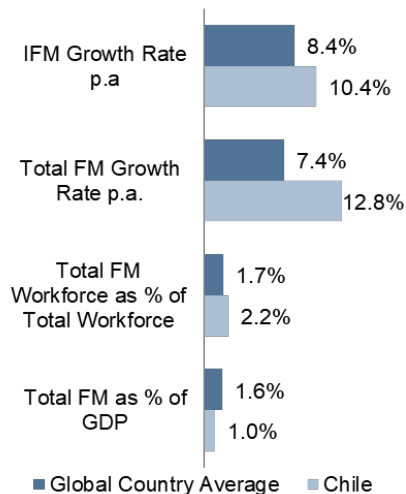
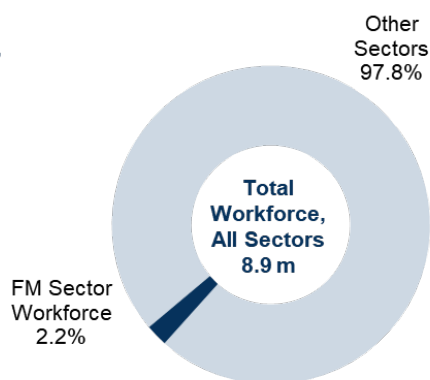
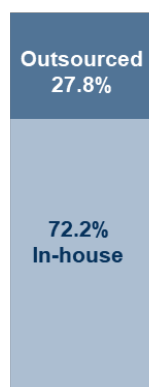
Chile

Figure 27: Facilities Management Market, Chile, 2017

Unit: \$ million, unless stated otherwise



FM Workforce as % of Total Workforce, 2017



Note: All figures are rounded. The base year is 2017. Source: Frost & Sullivan analysis

Country profiles

South America



Country Commentary

The Chilean business environment has outperformed others in the region owing to government support for foreign investment. However, the drop in copper prices and lower demand from China coupled with strikes in the mining sector and weak domestic demand have affected the Chilean economy,¹⁴ with GDP growth declining to 1.3% in 2016 from 2.3% in 2015.¹⁵

Strengthened consumer confidence by the end of 2017 was due to a more favorable outlook for the Chilean economy, lower unemployment, and robust real wage growth.¹⁶ The Chilean construction sector registered negative growth in 2016 and has since grown modestly over the 2017 to 2018 period. GDP growth is expected to record 3.3% in 2018 and 3.4% in 2019;¹⁷ banking on a supportive external environment and continued improvement in business and consumer confidence.

As South America's most stable economy, Chile is an attractive market for Western FM suppliers in both private and public facilities. Most global FM brand names are present in the country with strong contract wins observed in 2017. Regional FM providers are establishing their presence in Chile as well.

In terms of public sector participation, Chile is considering private financing initiatives to fund new infrastructure projects in transport, healthcare, education, and correction facilities. The country has an extensive portfolio of outstanding transportation infrastructure projects, indicating strong potential for established FM providers in the country and the possibility of PPP participation by FM providers.

The small outsourcing base translates to future FM market opportunities as outsourcing awareness in the institutional, public, commercial, and industrial sectors grow.

The Chilean FM market is also fueled by increasing public demand for sustainable practices and green facilities or infrastructures. In 2016, Santiago was ranked as the most sustainable city in South America. Chile was ranked 9th among countries outside of the US for LEED certification, with 321 projects.¹⁸

Overall, economic recovery, robust wage growth, and positive consumer and business sentiments in 2018 and 2019 are likely to boost future FM development.

¹⁴ OECD (2018), *OECD Economic Outlook, Volume 2018 Issue 1*

¹⁵ The World Bank (2018), *Global Economic Prospects | June 2018*

¹⁶ The World Bank (2018), *Global Economic Prospects | June 2018*

¹⁷ Export.gov (2017), *Chile – Construction*

¹⁸ Export.gov (2017), *Chile – Construction*

Country profiles

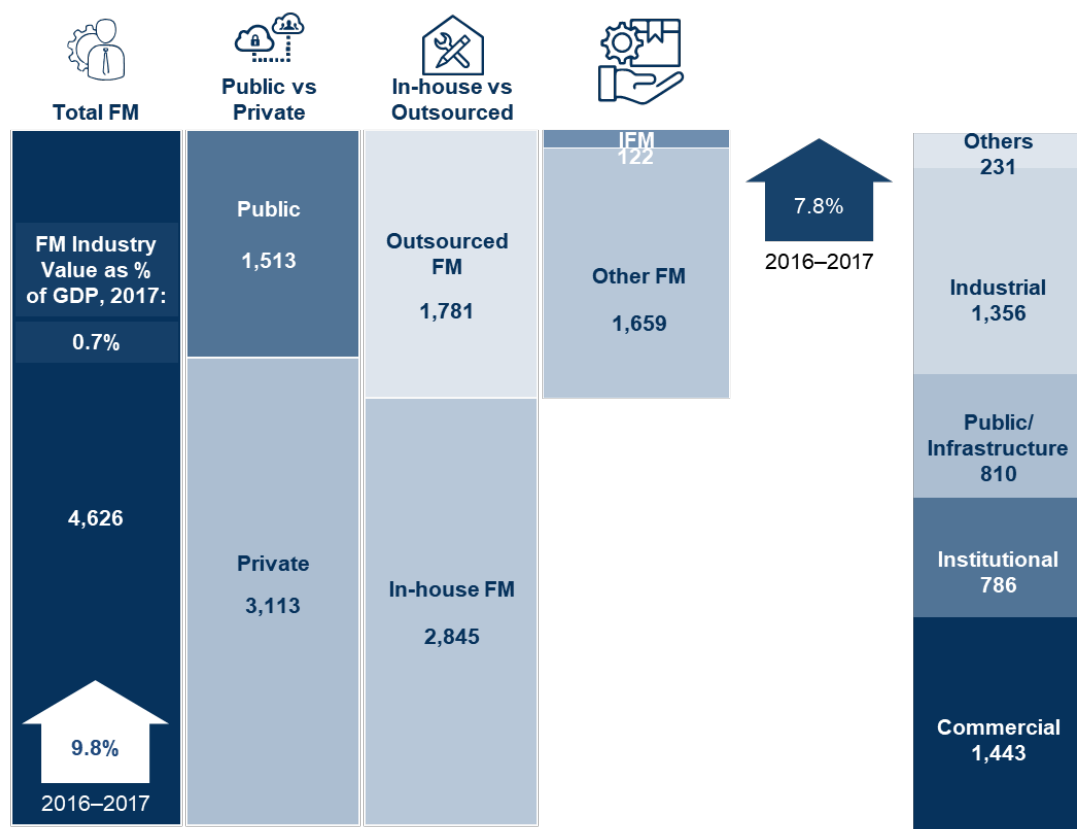
South America



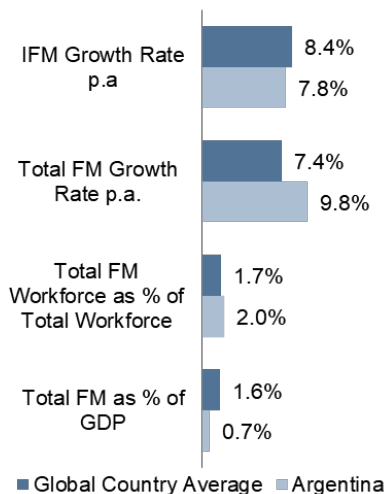
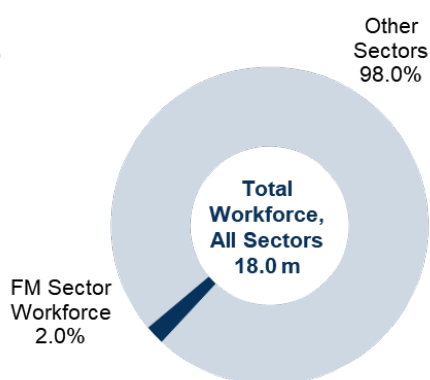
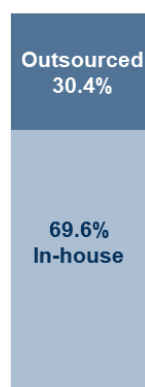
Argentina

Figure 28: Facilities Management Market, Argentina, 2017

Unit: \$ million, unless stated otherwise



FM Workforce as % of Total Workforce, 2017



Note: All figures are rounded. The base year is 2017. Source: Frost & Sullivan analysis

Country profiles

South America



Country Commentary

Prior to political changes in Argentina as a result of the 2015 presidential election, the country had been troubled by high inflation, which remains a risk that can undermine profitability. Political change has led to key amendments to existing policies and initiatives by the previous government.¹⁹ Initiatives implemented to reverse economic imbalances inherited from the previous administration resulted in negative short-term impact on the economy and welfare, affecting small- and mid-sized enterprises (SMEs) operating in the FM space.²⁰

From mid-2016 to 2017, the new government initiated various programs including public infrastructure projects and reduced taxes for SMEs affected by the government's import liberalization policy. Market participants believe the political change may have brought positive outcomes in contract engagement through greater transparency and business logic.

Growth in the construction sector is being stimulated by increased economic activity, new public sector projects, and availability of real estate loans,²¹ fueling FM demand over the medium term. In addition, the low vacancy rates among Class A buildings in Buenos Aires since 2015, can be attributed to the influx of large or foreign corporations establishing a presence in the city.

The increasing presence of global FM providers in the Argentinian market is noticeable. Outsourcing is apparent in the commercial sector, with public/infrastructure and industrial sectors gaining traction over the past two to three years.

However, IFM adoption remains low as the demand is currently limited to MNC clients. There is still a preference for individual services and low customer awareness in the value proposition of integrated solutions.

The domestic FM market is expected to record faster growth in FM outsourcing and IFM adoption in the near term, with the growing presence of MNCs and improving stability due to the political change.

¹⁹ The World Bank (2018), *The World Bank in Argentina*

²⁰ Bertelsmann Stiftung (2018), *BTI 2018 | Argentina Country Report*

²¹ Argentina's National Public Administration, *Infrastructure Funding: Argentina's PPP Plan*

Country profiles

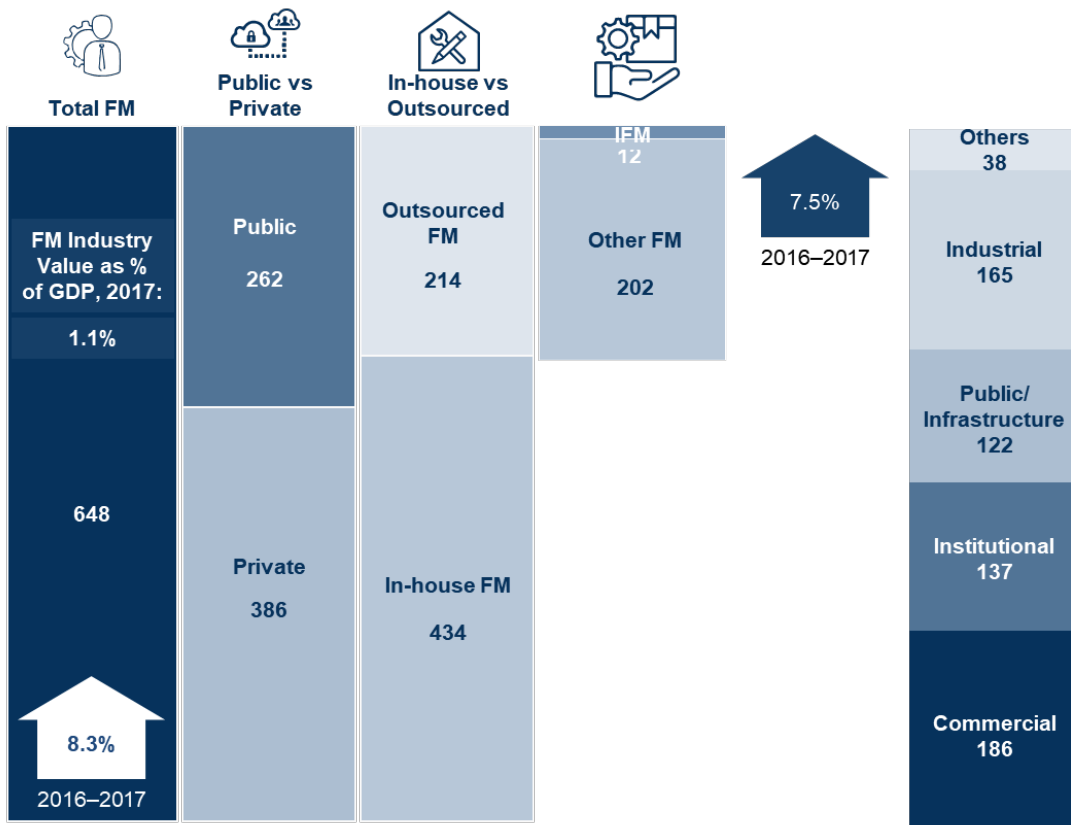
South America



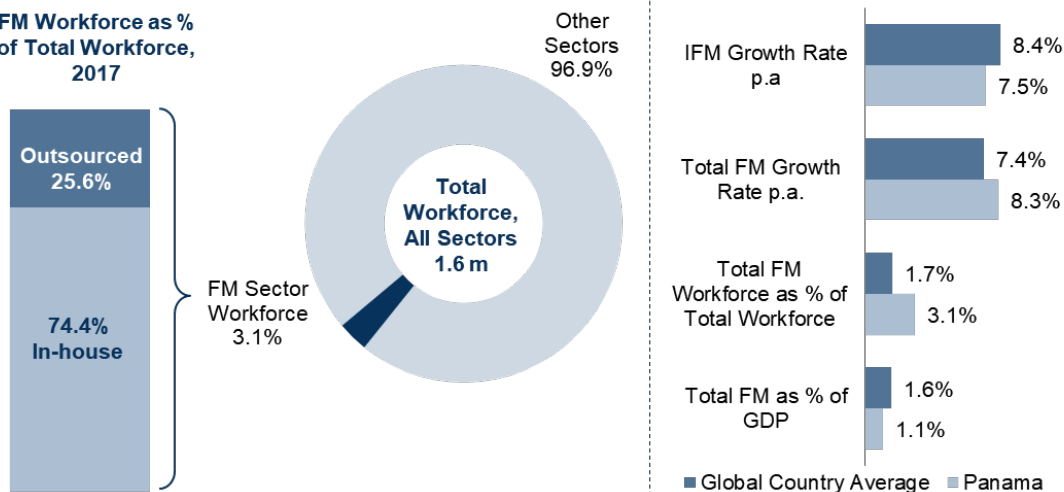
Panama

Figure 29: Facilities Management Market, Panama, 2017

Unit: \$ million, unless stated otherwise



FM Workforce as % of Total Workforce, 2017



Note: All figures are rounded. The base year is 2017. Source: Frost & Sullivan analysis

Country profiles

South America



Country Commentary

Panama has one of the fastest-growing economies in South America, with high reliance on export-based services sectors revolving around the Panama Canal, logistics, banking, and tourism. The transportation and logistics sectors, together with large infrastructure development projects, are supporting economic growth.²²

The over 5% GDP growth in 2017, coupled with key infrastructure investments on the widened Canal, the expanded Tocumen Airport and Panama City metro indicate Panama's positive growth outlook.²³

However, Panama City has one of the highest commercial office vacancy rates in the region due to excessive levels of real estate investment based on unrealistic expectations of economic growth.²⁴ The slow absorption of new office stock has raised concerns, particularly in relation to the expected positive impact from the widening of the Canal.

The FM market is significantly smaller than the other South American countries discussed in this study. With the lowest outsourcing rate in the region, the Panama FM market centers on outsourcing individual services.

FM market growth is driven by consistent demand for FM services from the commercial and industrial sectors, particularly corporate offices for businesses operating in the transportation and logistics sectors.

IFM adoption is minimal compared to the overall outsourced market, with demand driven by MNCs that prefer service quality standardization across regions. The overall FM market is expected to register higher growth in single and bundled services outsourcing compared to integrated solutions.

Sluggish economic activity in 2018, coupled with widespread labor union strikes and delay in completion of large-scale infrastructure projects have resulted in lower business confidence. Although Panama is expected to record higher GDP growth rate of 5.6% in 2019,²⁵ its economy is vulnerable to escalation in global trade tensions due to the country's high dependence on export-oriented sectors.

The sluggish market environment is likely to adversely affect FM growth. However, demand for operational maintenance is projected to support the FM market over the medium term.

²² The World Bank (2018), *The World Bank in Panama*

²³ PanamáToday (2018), *Panama's economy grows 4.2% in first quarter of 2018*

²⁴ Hausmann, Ricardo; Santos, Miguel Angel; Obach, Juan; and the President and Fellows of Harvard College (2017), *Appraising the Economic Potential of Panama: Policy Recommendations for Sustainable and Inclusive Growth*

²⁵ The World Bank (2018), *Global Economic Prospects | June 2018*

Country profiles

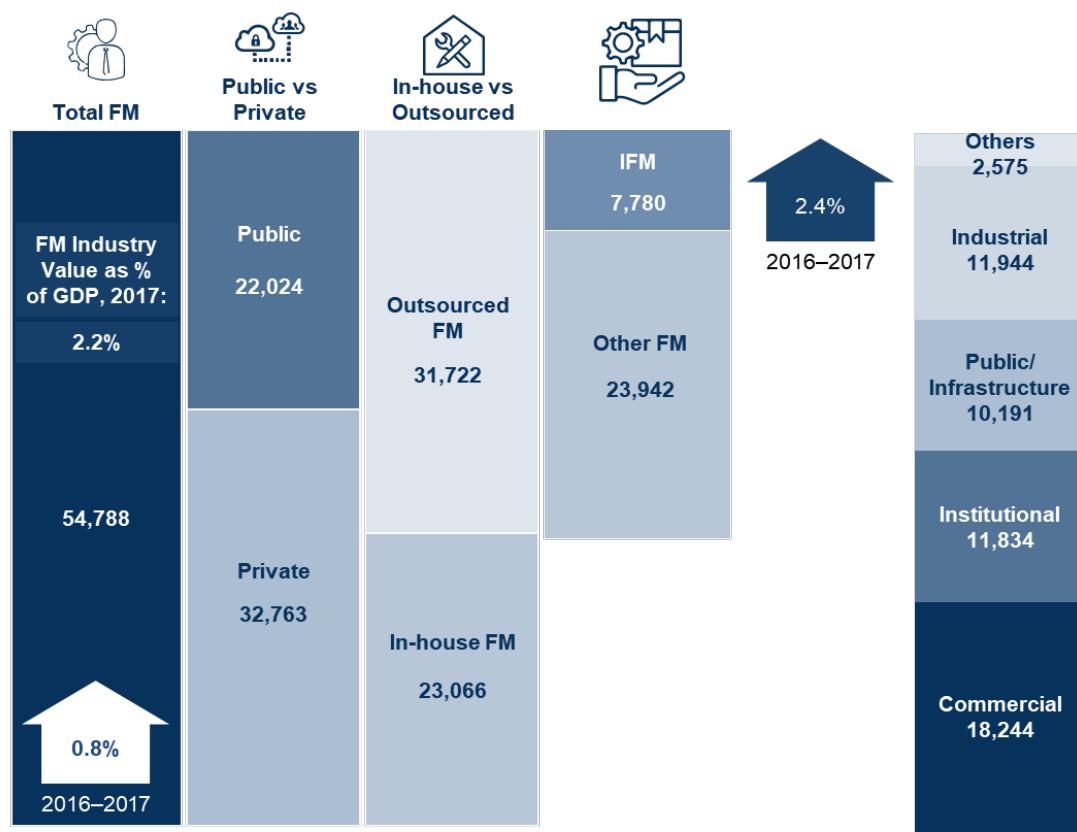
Europe



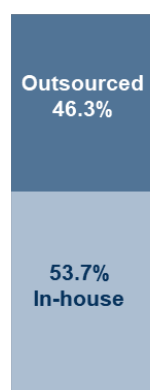
United Kingdom

Figure 30: Facilities Management Market, United Kingdom, 2017

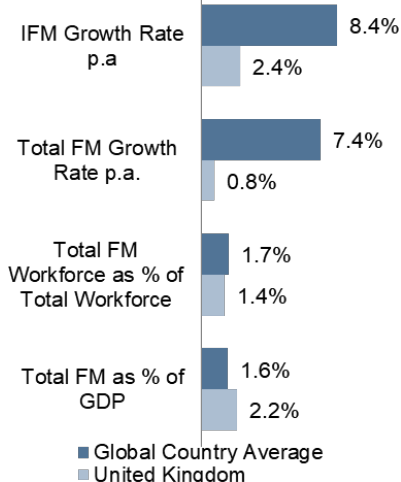
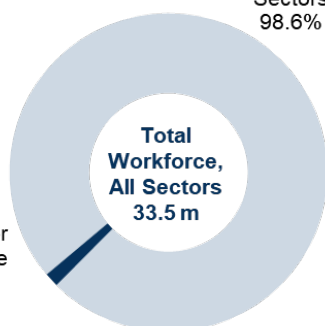
Unit: \$ million, unless stated otherwise



FM Workforce as % of Total Workforce, 2017



FM Sector Workforce 1.4%



Note: All figures are rounded. The base year is 2017. Source: Frost & Sullivan analysis

Country profiles

Europe



Country Commentary

The United Kingdom (UK) has the largest outsourced FM market and IFM market in Europe. It leads in terms of sophistication and maturity. However, broadening demands of FM users in the UK looking beyond cost considerations are likely to impact the market significantly.

Due to the market's maturity, revenue growth is slowing, with new opportunities becoming more limited. FM demands are increasingly focused on more specialized services. These include IT, energy, and environmental management, and opportunities not traditionally covered by FM providers.

The public sector's contribution to the IFM market is significantly higher compared to other parts of Europe, driven by continued interest in outsourcing from this sector where available finance continues to be constrained. However, the private sector leads in overall FM and IFM contribution, where there is growing demand for top-class commercial facilities in major cities, increasing hard/technical service demands, as well as emerging interest in support services focused on areas such as sustainability and business productivity.

With already high IFM penetration, and even higher FM outsourcing, service providers are increasingly looking at innovations to retain and develop new areas of business. Current themes proving to be popular include workplace design and workplace optimization, increased interest in sustainability and energy management, as well as growing demands for data gathering, analysis, and reporting.

The industrial sector is one area where FM is set to record growth. However, as with all established markets, innovation and the ability to work with clients on novel solutions are likely to be critical to attracting business.

There are concerns around the impact of the UK leaving the European Union (EU), with a decision expected by March 2019. Despite the looming uncertainties due to Brexit, the UK registered 1.8% GDP growth in 2017, with the rate forecast to ease to 1.4% in 2018 and 1.3% in 2019.²⁶

Construction sector performance weakened nearer the end of 2017. With an average sector growth of 2.7% over the previous three years, the 1.4% sector growth in 2017 reflected the shift in business confidence. The sector is expected to be sustained by several large projects and increased regeneration spending in major cities such as Birmingham and Manchester.²⁷

As for FM providers, commercial clients are set to be most affected by an adverse outcome, resulting in a possible decrease in the penetrable market. On the other hand, sustained M&A activity in the country since 2014 has been part of the growth strategy for international FM clients in expanding their portfolio in the UK.

²⁶ The World Bank (2018), *Global Economic Prospects / June 2018*

²⁷ Atradius (2018), *Market Monitor Construction UK 2018*

Country profiles

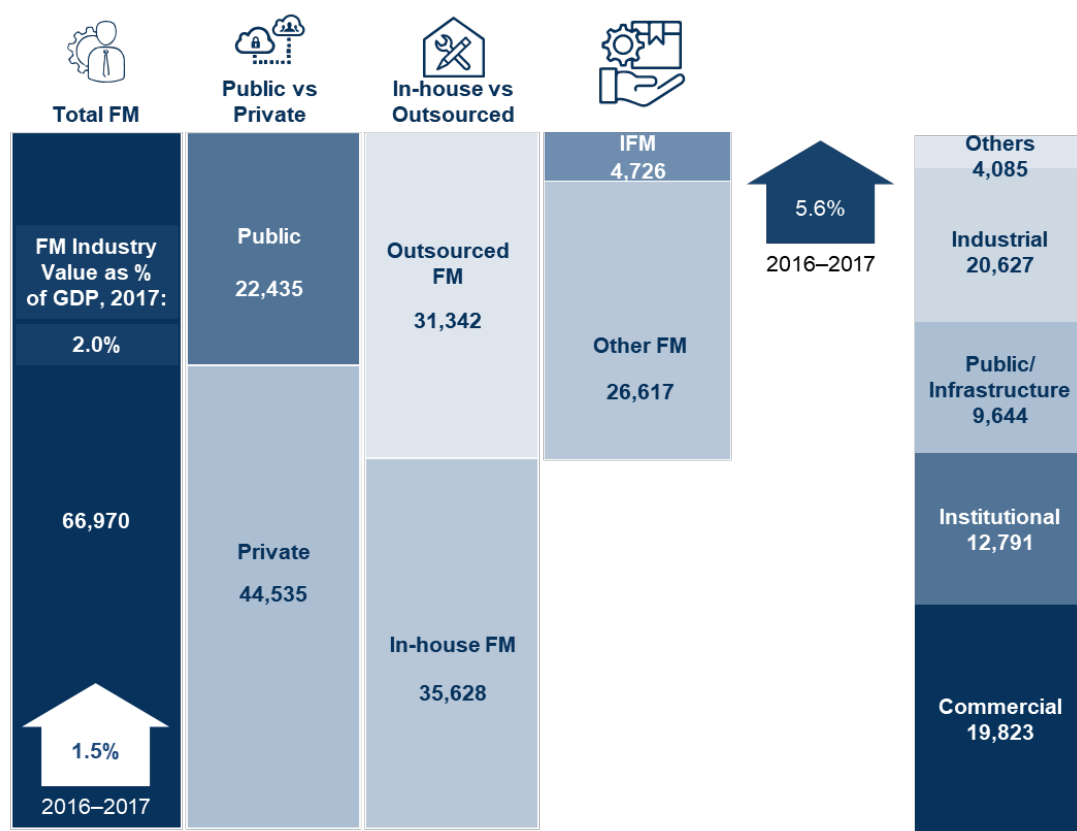
Europe



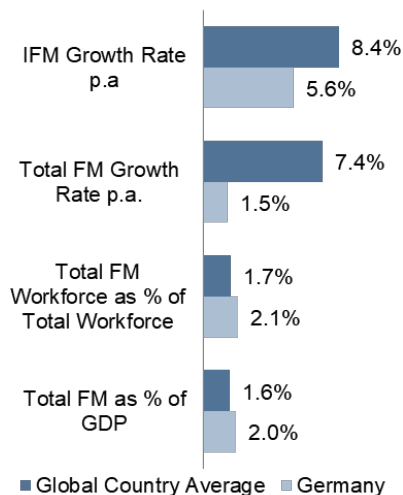
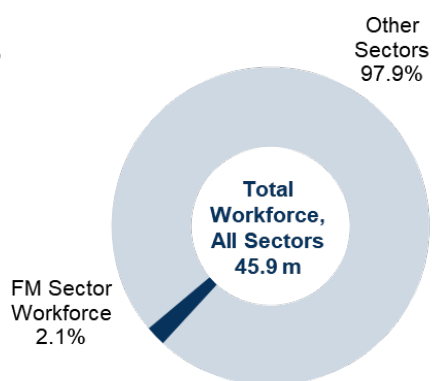
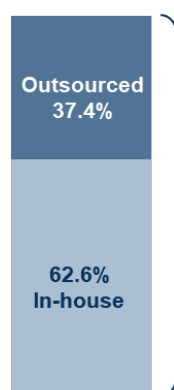
Germany

Figure 31: Facilities Management Market, Germany, 2017

Unit: \$ million, unless stated otherwise



FM Workforce as % of Total Workforce, 2017



Note: All figures are rounded. The base year is 2017. Source: Frost & Sullivan analysis

Country profiles

Europe



Country Commentary

Germany's robust economic performance at 2.5% in 2017 supported by solid jobs growth boosting private consumption, positions the country ahead of other EU nations.²⁸

Germany is the second-largest FM and IFM market in Europe backed by strong economic growth and high digitalization and automation across businesses. The IFM segment is already sizeable within the FM market and continues to grow. Despite the size and maturity of the market, IFM demand is dominated by the private sector with limited interest from the public sector, likely due to the minimal use of funding mechanisms such as PPPs.

The German FM market is fragmented, comprising a small group of large multi-service providers and SMEs specializing in single services or sectors. Large national players currently dominate the market, with multinational providers strengthening their presence.

In terms of end-users, there is increasing FM demand from the industrial sector, especially for specialized or technical FM services. Initially focused on cost reduction and improved efficiency, German companies are now looking more at value-added services, e.g., relating to technology, productivity, and sustainability. The growing sophistication of services is reflected in the increasing number of second- and third-generation contracts shifting the focus from cost reduction and efficiency to technical improvements, workplace management, and sustainability.

The construction sector is also likely to contribute to the expansion of the FM market, given its continued growth in 2017, with a turnover of approximately \$130 billion. The industry previously posted 6.1% growth over the 2008 to 2015 period.²⁹

Public investment in infrastructure and healthcare sectors are forecast to increase due to population aging. Similarly, the heightening focus on education to boost overall worker productivity is also likely to bolster FM demand over the long term.

²⁸ International Monetary Fund (2018), *Germany's Economic Outlook in Six Charts*

²⁹ German Federal Statistical Office (2018)

Country profiles

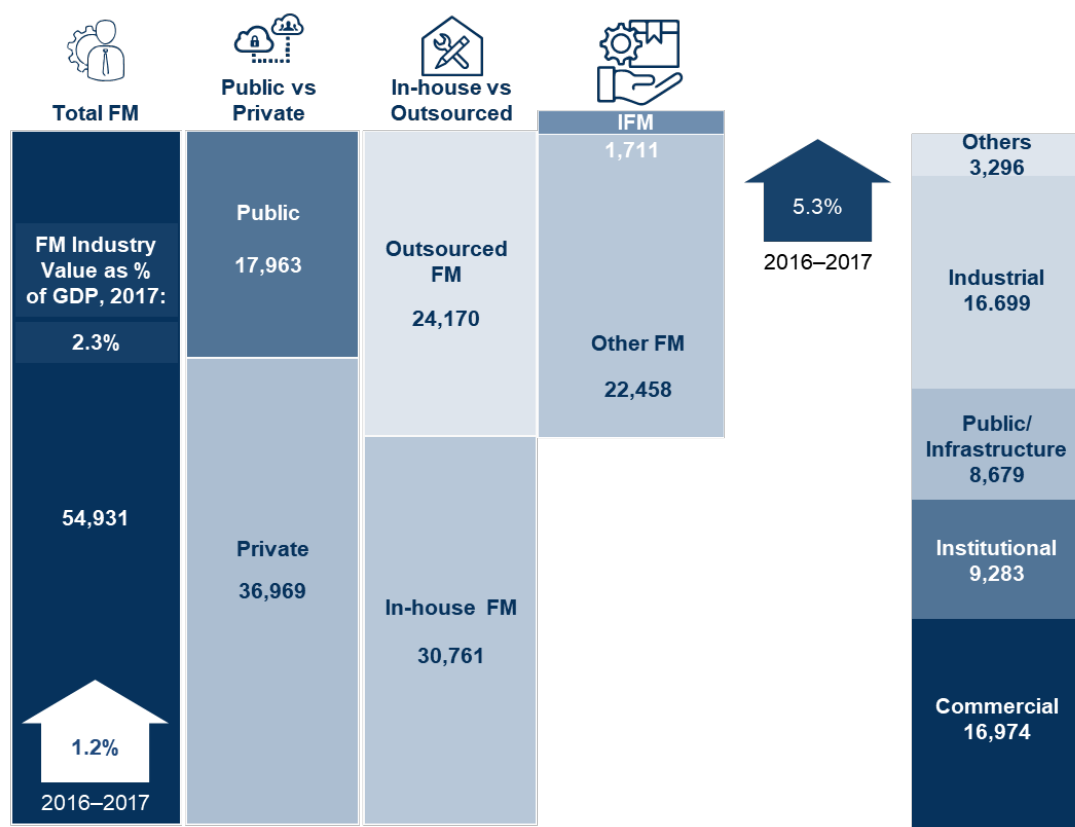
Europe



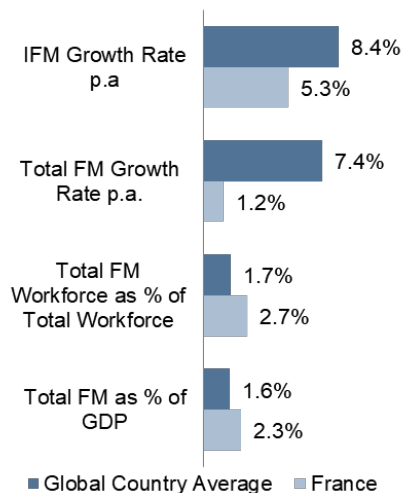
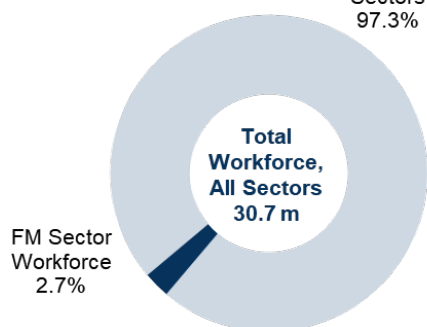
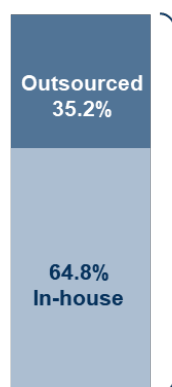
France

Figure 32: Facilities Management Market, France, 2017

Unit: \$ million, unless stated otherwise



FM Workforce as % of Total Workforce, 2017



Note: All figures are rounded. The base year is 2017. Source: Frost & Sullivan analysis

Country profiles

Europe



Country Commentary

The French economy recorded 2.3% GDP growth in 2017.³⁰ However, GDP growth is forecast to fall to 1.7% in 2018 due to budgetary constraints in a cost-cutting environment.

The stabilization of the construction sector, together with the EU fund injection, is expected to contribute positively to the overall economic sentiment in the country. EU funds play a crucial role in contributing to the country's economic development – more than \$1 billion from the European Regional Development Fund (ERDF) was allocated for energy and transport infrastructure for the 2014 to 2020 period.³¹

The French market has seen some underperformance in the domestic FM market, in comparison to similar markets in the region, with demand for single and bundled FM services overshadowing IFM needs. The French IFM market is smaller than other comparable markets mainly because of its preference for single or bundled FM outsourcing, labor law controls, and unions' long-held partiality for self-delivery.

Nevertheless, organizations' focus on cost optimization is evident from the growing demand amongst FM clients and adoption of international management practices. Adopting solutions to address escalating costs, workplace management, and innovation are likely to elicit interest from both sectors. In the private sector, an increasing number of France's large corporations are seeking to upgrade from bundled services to more integrated or cost effective solutions in pursuit of cost reduction and improved performance. Similarly, public sector agencies are also likely to resort to more outsourcing to deal with mounting debt.

The market supports a number of large FM service providers, many of which have significant interests outside of France.

³⁰ French National Institute of Statistics and Economic Studies (2018), *French GDP rose by 0.2% in Q2 2018*

³¹ European Commission (2018), *European Construction Sector Observatory: Country profile France*

Country profiles

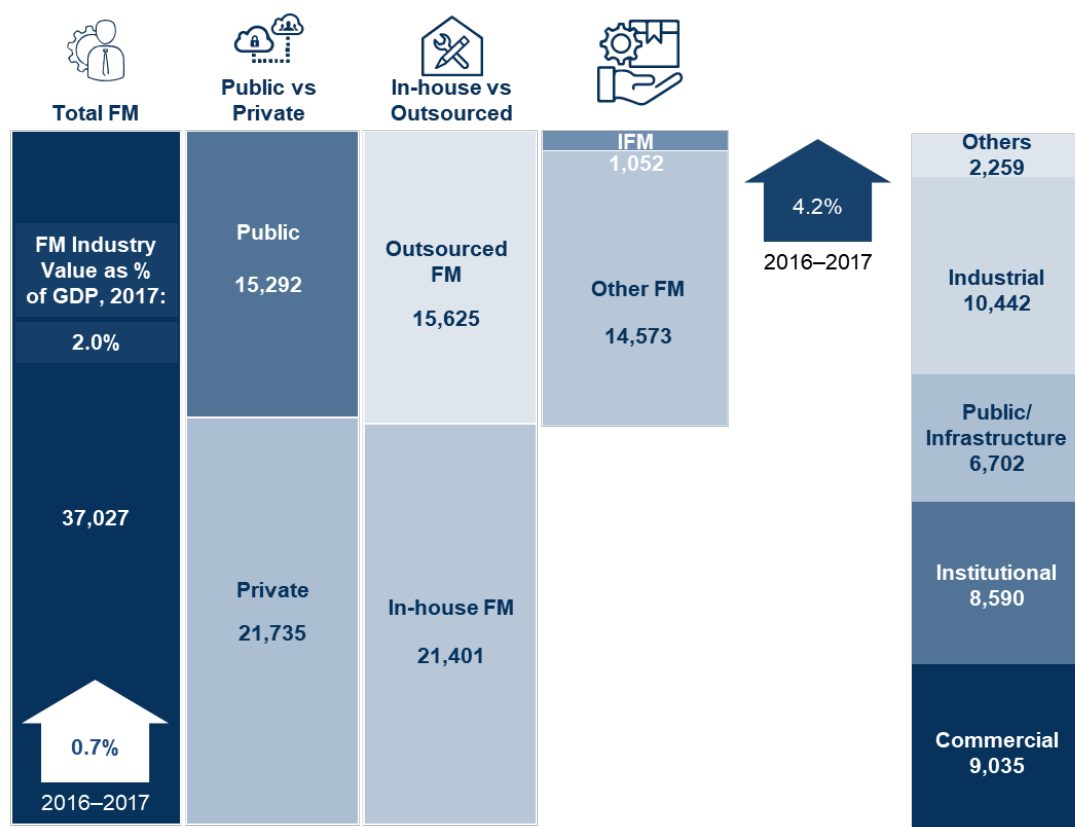
Europe



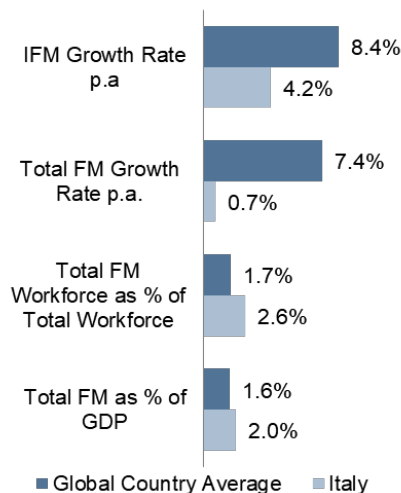
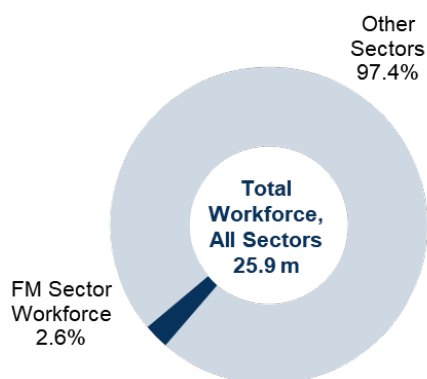
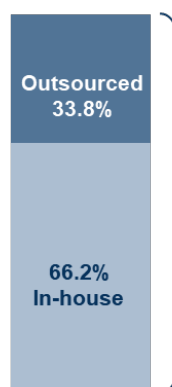
Italy

Figure 33: Facilities Management Market, Italy, 2017

Unit: \$ million, unless stated otherwise



FM Workforce as % of Total Workforce, 2017



Note: All figures are rounded. The base year is 2017. Source: Frost & Sullivan analysis

Country profiles

Europe



Country Commentary

The Italian FM market is among the most complex in Europe, with considerable fragmentation in the delivery of FM services. Despite Italy being one of the larger economies in Western Europe, IFM adoption has failed to achieve a significant share of the FM outsourcing market. The under-penetration of IFM largely reflects the conditions in Italy, especially the reluctance among many organizations to vest control of critical services to an external provider. Structural difficulties also exist. These include a tendency to source external services regionally and locally, a preference for outsourcing services individually, and labor law and trade union barriers. The total FM market growth rate has been sluggish; at only 0.7% in 2017.

Demand for more comprehensive solutions is projected to expand, boosted by awareness of the benefits of bundled packages among both private and public sector clients. A key feature of the Italian market is its focus on cost savings; expected to remain a critical issue going forward. However, private sector opportunities will stay focused on international companies, with little evidence of any significant trickle-down of FM to mid-sized local firms. While the public sector is likely to present several good opportunities, much will depend on the promotion of funding models such as PPPs.

The FM market consists of a small number of national and international companies, alongside a larger number of mid-sized suppliers of services. Meanwhile, the supply base for IFM is fragmented.

The construction sector is a vital part of the Italian economy, with its gross value added contributing to 18.7% of GDP. The 8.9% drop in the number of construction companies from 2010 to 2016 has had a negative bearing on output, which fell by 32.3% during the same period. The impact was apparent in the 17.3% decline in turnover and 17.2% drop in gross operating surplus in 2016 compared to 2010. Employment in the sector was affected as well, with the number of workers declining by 22.4% over the same period.³²

In terms of demographics, the proportion of people aged 60 and over accounted for 27.2% of the total population in 2013. This proportion is expected to grow to 38.7% by 2050,³³ resulting in greater market opportunities in the healthcare sector, including aged care, over the long term.

³² European Commission (2018), *European Construction Sector Observatory: Country profile Italy*

³³ United Nations, Population Division of the Department of Economic and Social Affairs (2013), *World Population Prospects: The 2012 Revision*

Country profiles

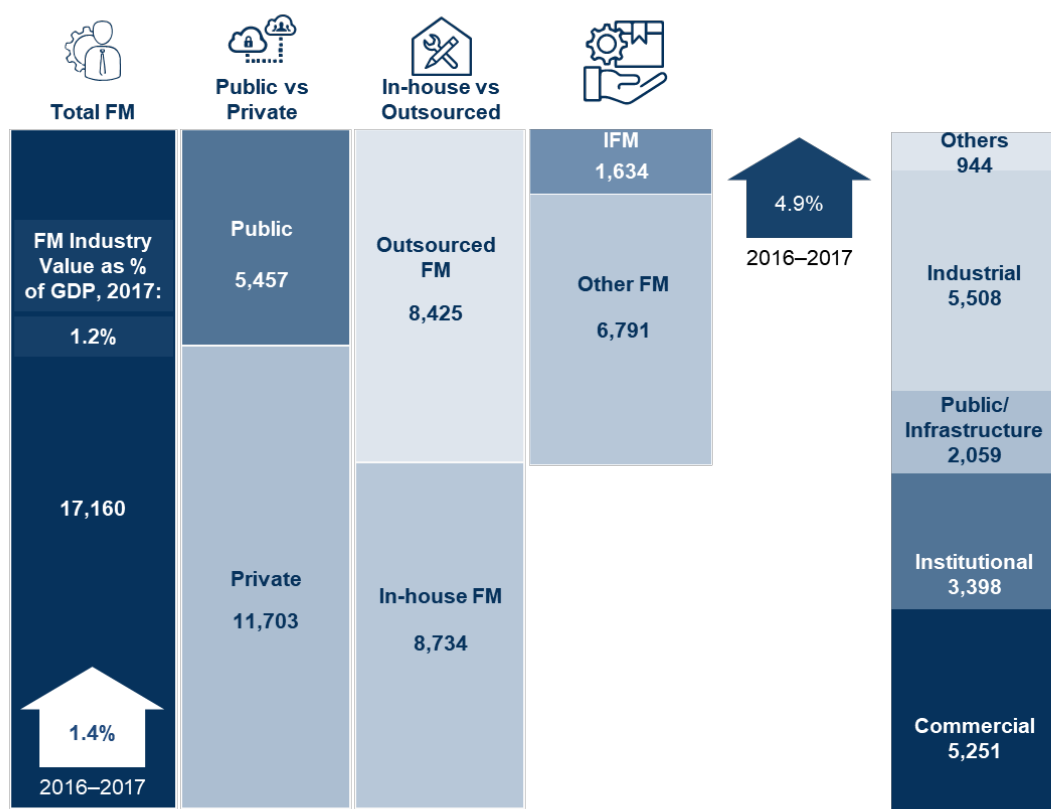
Europe



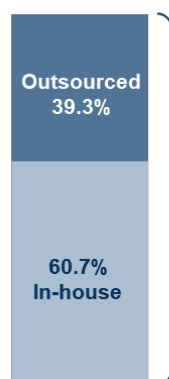
Scandinavia

Figure 34: Facilities Management Market, Scandinavia, 2017

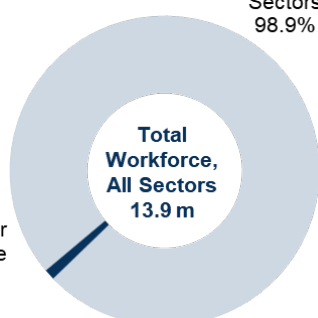
Unit: \$ million, unless stated otherwise



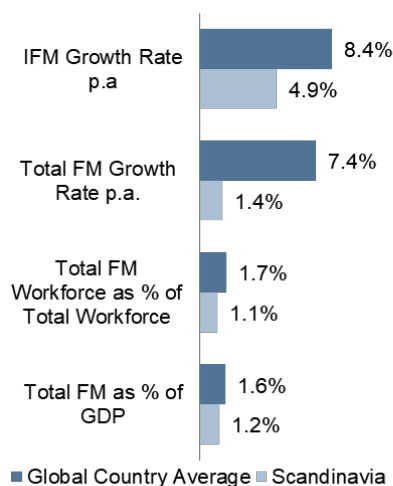
FM Workforce as % of Total Workforce, 2017



FM Sector Workforce 1.1%



Other Sectors 98.9%



Note: All figures are rounded. The base year is 2017. Source: Frost & Sullivan analysis

Country profiles

Europe



Country Commentary

Scandinavian economies reported robust growth in 2017. Monetary policy, rising government spending, and strong overall growth are among the factors driving economic projections for the region.³⁴ The positive economic outlook is reflected in the construction sector as well, with major infrastructure projects under development.³⁵

Although Scandinavia is one of the more mature FM markets in Western Europe, it is a region of contrasts. While Denmark and Sweden have well-developed IFM outsourcing markets, the situation differs in Norway and Finland. Norway offers opportunities; however, Finland has proved a challenging market with the continued dominance of in-house and outsourced single/bundled FM services.

FM growth is primarily driven by the increasing shift from in-house FM delivery to outsourced solutions as reflected in the close to 50:50 split of outsourced versus in-house FM currently. The region is also seeing greater adoption of integrated solutions, with the sub-segment growing at 4.9% over the 2016 to 2017 period.

Established markets are seeing broadening interest in sophisticated FM services. Workplace and property management solutions are in high demand, while energy, environmental support, and productivity improvements are garnering increased attention as well.

Future FM growth is expected to be driven by a growing customer base in private and public sectors, which realize the benefits of a single point of contracting for all FM needs or value added FM services (including cost savings through service delivery synergies, decreased complexity, and improved service delivery quality).

The market supports several national and multinational FM service providers. Favorable prospects for Scandinavian countries backed by a mature end-user base and a high awareness of the FM value proposition are forecast to contribute to the stability of the FM market.

³⁴ Thomson Reuters (2017), *Scandinavian economic growth forecasts raised again: Reuters poll*

³⁵ Aggregates Business (2017), *Major infrastructure projects lead to growth in Scandinavia/Nordic region*

Country profiles

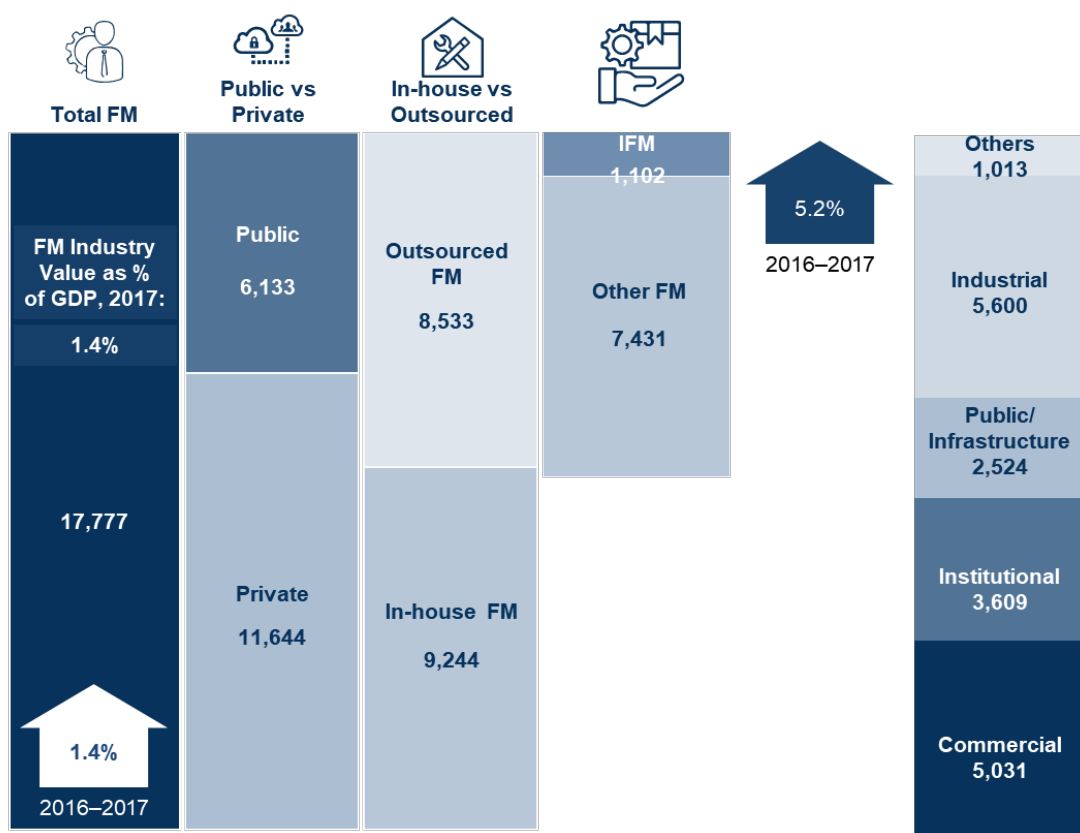
Europe



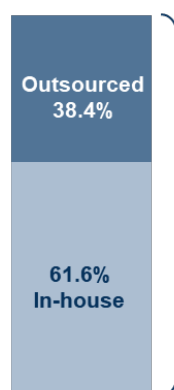
Benelux

Figure 35: Facilities Management Market, Benelux, 2017

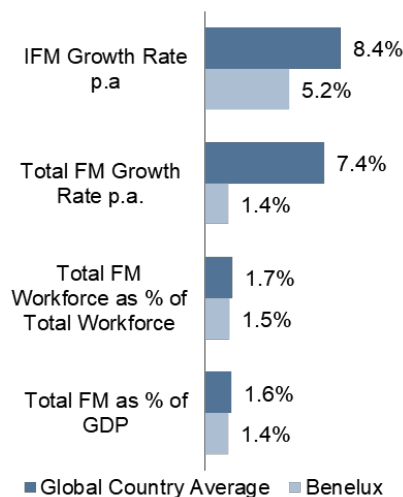
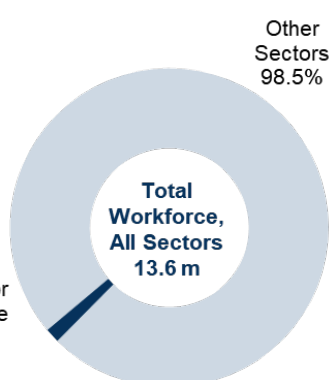
Unit: \$ million, unless stated otherwise



FM Workforce as % of Total Workforce, 2017



FM Sector Workforce 1.5%



Note: All figures are rounded. The base year is 2017. Source: Frost & Sullivan analysis

Country profiles

Europe



Country Commentary

The Belgian construction sector, particularly relating to public sector projects, has faced challenges in recent years. However, in 2017, increasing infrastructure development activity in the run-up to the October 2018 municipal elections, has helped bolster growth.³⁶ GDP growth was 1.7% in 2017 and is forecast to increase to 1.8% in 2018, and 1.7% in 2019.³⁷

Despite disappointing results among leading market participants, opportunities are expected to arise from major international companies in the region that are increasingly outsourcing non-core components and are interested in innovation.

In the Netherlands, GDP growth rose by 3.2% in 2017, and is expected to record 3.0% in 2018 and 2.6% in 2019.³⁸

In terms of FM maturity, the Netherlands is the most developed market in the Benelux region, particularly in IFM adoption.

In the Benelux market, public sector customers display a keen interest in outsourcing, with segments such as government and healthcare exploring PPP possibilities.

Many contracts here are second- and third-generation, with clients looking at IT, real estate services, and energy as areas requiring greater focus. The Benelux market, especially in the Netherlands, attracts several multinational providers and has a significant number of local suppliers as well.

Population aging in the Netherlands is creating market opportunities for service providers with experience in serving facilities catering to an older demographic. However, the industrial and commercial sectors remain the largest end markets for FM. Demand from the commercial sector in terms of cost efficiency and digitalization to support effective workplace management as well as the emphasis on environmental sustainability are expected to fuel FM growth in the region.

³⁶ Atradius Collection (2018), *Market Monitor Construction Belgium 2018*

³⁷ European Commission (2018), *European Economic Forecast, Spring 2018: Belgium*

³⁸ European Commission (2018), *European Economic Forecast, Spring 2018: The Netherlands*

Country profiles

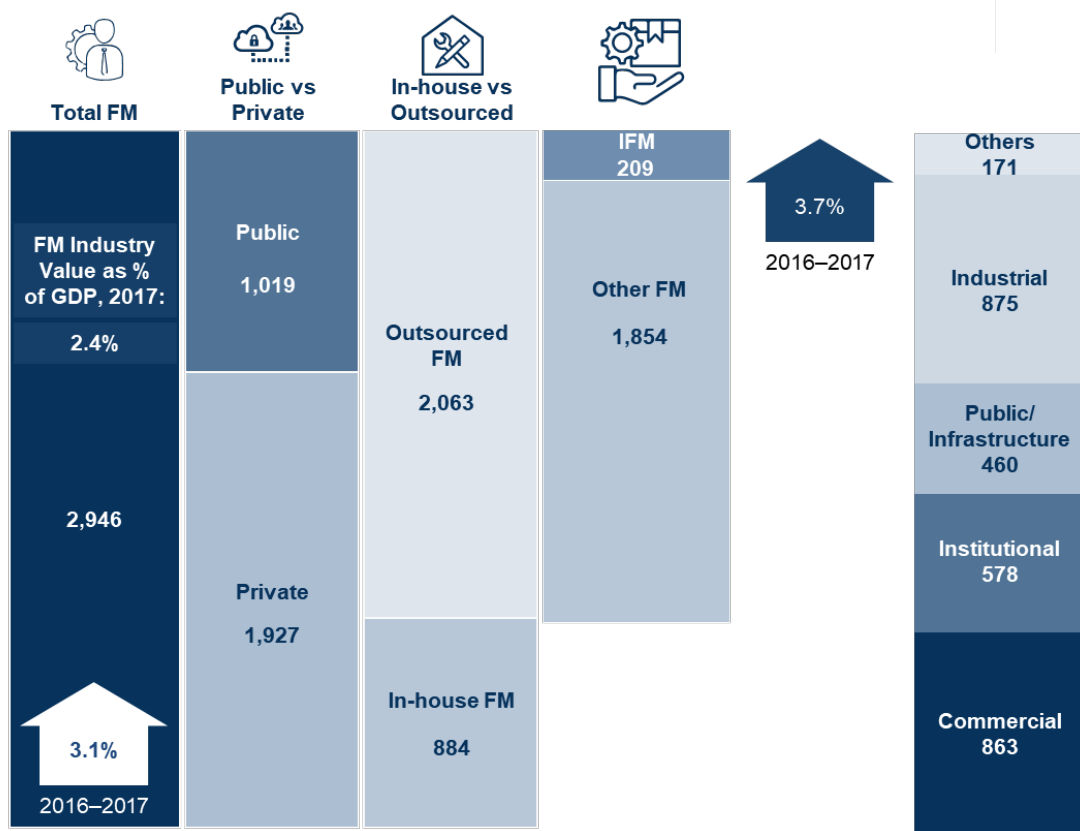
Europe



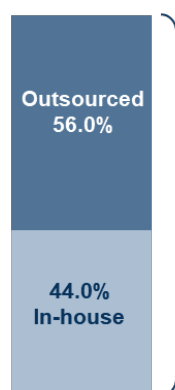
Hungary

Figure 36: Facilities Management Market, Hungary, 2017

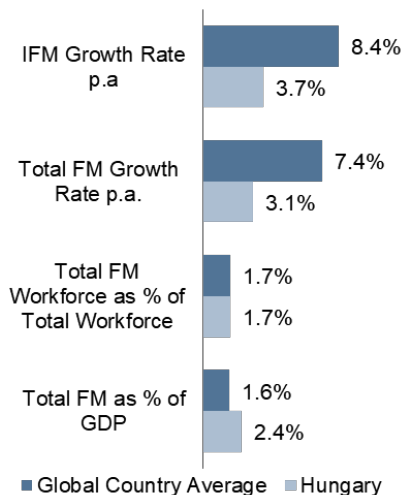
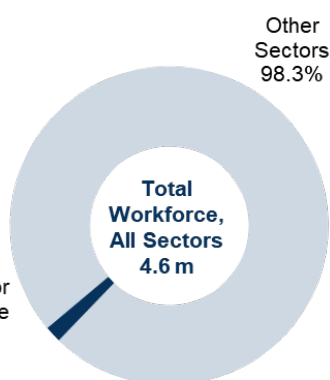
Unit: \$ million, unless stated otherwise



FM Workforce as % of Total Workforce, 2017



FM Sector Workforce 1.7%



Note: All figures are rounded. The base year is 2017. Source: Frost & Sullivan analysis

Country profiles

Europe



Country Commentary

Robust growth across multiple sectors in 2017 contributed to a strong year for the Hungarian economy. GDP grew at a rate above the EU average. Several industries saw substantial improvements, particularly the industrial sector. This was backed by a significant increase in the volume of investments in the country.³⁹ The country's GDP growth was 4.0% in 2017 and is forecast to post 4.1% in 2018, and 3.2% in 2019.⁴⁰

In May 2017, construction output volume grew by 35.4%, totaling approximately \$724 billion in value.⁴¹ Construction activities were primarily supported by the rising number of industrial and storage facilities, as well as educational and sports complexes.

The majority of deals in the Hungarian FM market are single service contracts. The increase in minimum wages – 15% for unskilled workers and 25% for skilled workers – has significantly pushed up costs for FM providers.

The private sector is the principal contributor to total FM demand; mainly from the commercial and industrial verticals. Economic growth in the industrial sector has been encouraging for outsourcing, with end users outsourcing a broader scope of FM services.

The presence of international FM providers in the country contributes to market competitiveness, and subsequently, more subcontracting for service providers with suitable capabilities and strong track record to secure large contracts.

³⁹ European Commission (2018), *European Economic Forecast, Spring 2018: The Netherlands*

⁴⁰ The World Bank (2018), *Global Economic Prospects / June 2018*

⁴¹ Hungarian Central Statistical Office (2017), *Hungary's construction sector boom continues*

Country profiles

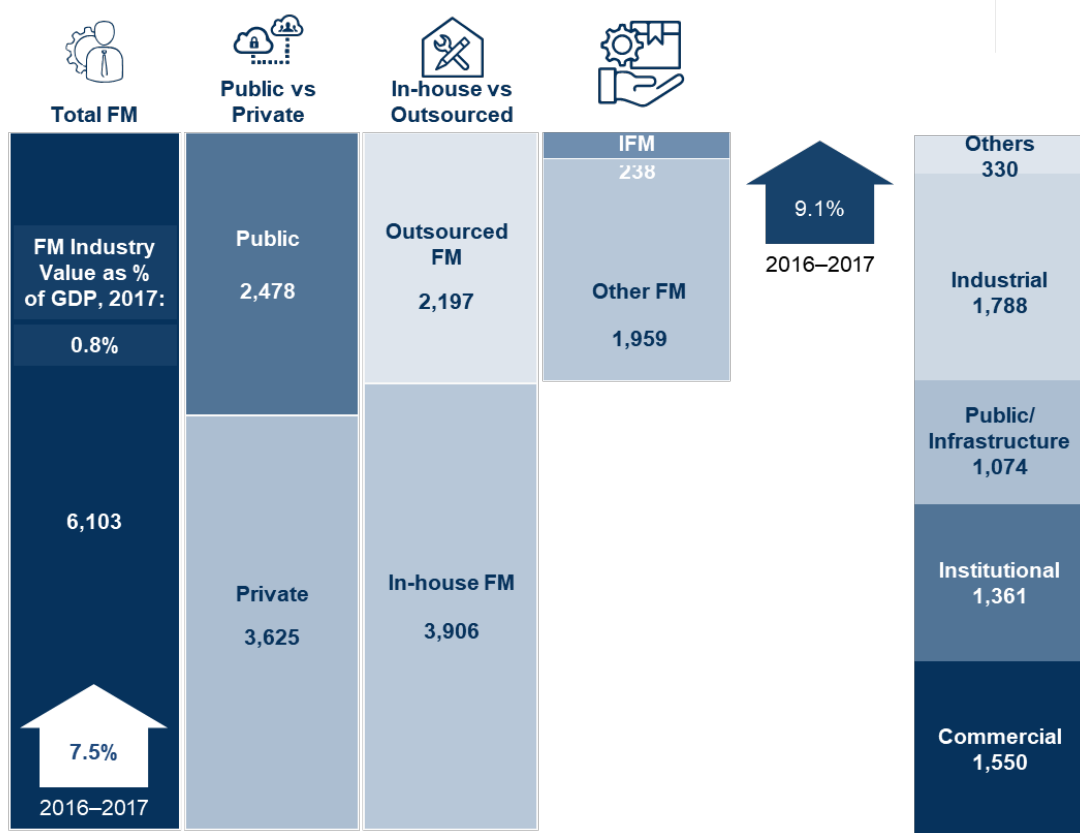
Europe



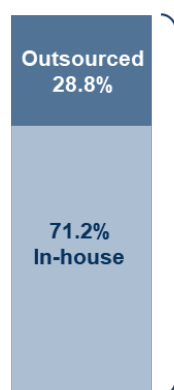
Turkey

Figure 37: Facilities Management Market, Turkey, 2017

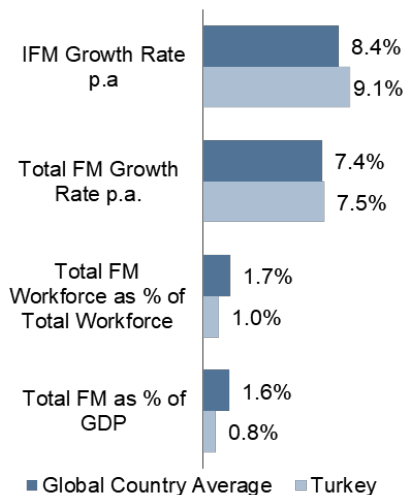
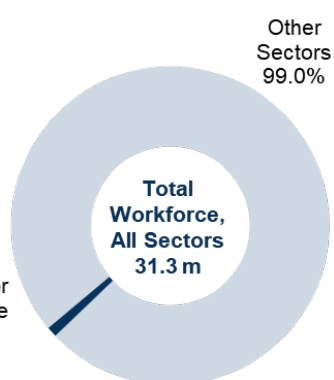
Unit: \$ million, unless stated otherwise



FM Workforce as % of Total Workforce, 2017



FM Sector Workforce 1.0%



Note: All figures are rounded. The base year is 2017. Source: Frost & Sullivan analysis

Country profiles

Europe



Country Commentary

The Turkish economy grew by 7.4% in 2017,⁴² its fastest growth in the past four years, with industry, services and construction sectors as key contributors. Government incentives to increase investments, production activities, and employment have resulted in substantial economic growth.⁴³

The value added for the construction sector rose by 8.9%.⁴⁴ Prior to 2017, the country faced stagnant growth in its non-residential construction sector (e.g., shopping malls, office spaces, and accommodation facilities). Recovery in European and oil-exporting nations and a rebound in the Turkish tourism sector have boosted overall business confidence, further contributing to its economy and construction sector growth.

While macroeconomic weakness dampened the overall propensity to outsource (due to cost considerations) in previous years, strong growth in 2018 is likely to support the outsourcing trend.

In terms of segment opportunities, the new public-private city hospital initiative, in line with the current government's neoliberal privatization policies, has seen an increase in private hospitals in Turkey. Hospital projects currently under construction represent high potential for outsourced FM. Demand for value-added FM solutions (e.g., energy efficiency and technical FM requirements) could increase as well given that these hospitals are designed as modern, campus-style facilities.

The government's efforts to increase the share of private schools as part of its formal education system are also anticipated to drive outsourcing demand, particularly for single services such as cleaning and food services.

Acquisitions of local service providers by international FM groups since 2000 reflect the potential of the domestic market. The influx of foreign FM providers into the market could also help reinforce end-user confidence in large-scale FM outsourcing.

⁴² The World Bank (2018), *Global Economic Prospects | June 2018*

⁴³ Hürriyet Daily News (2018), *Turkish economy grows 7.4 percent in 2017, exceeds forecast*

⁴⁴ Hürriyet Daily News (2018), *Turkish economy grows 7.4 percent in 2017, exceeds forecast*

Country profiles

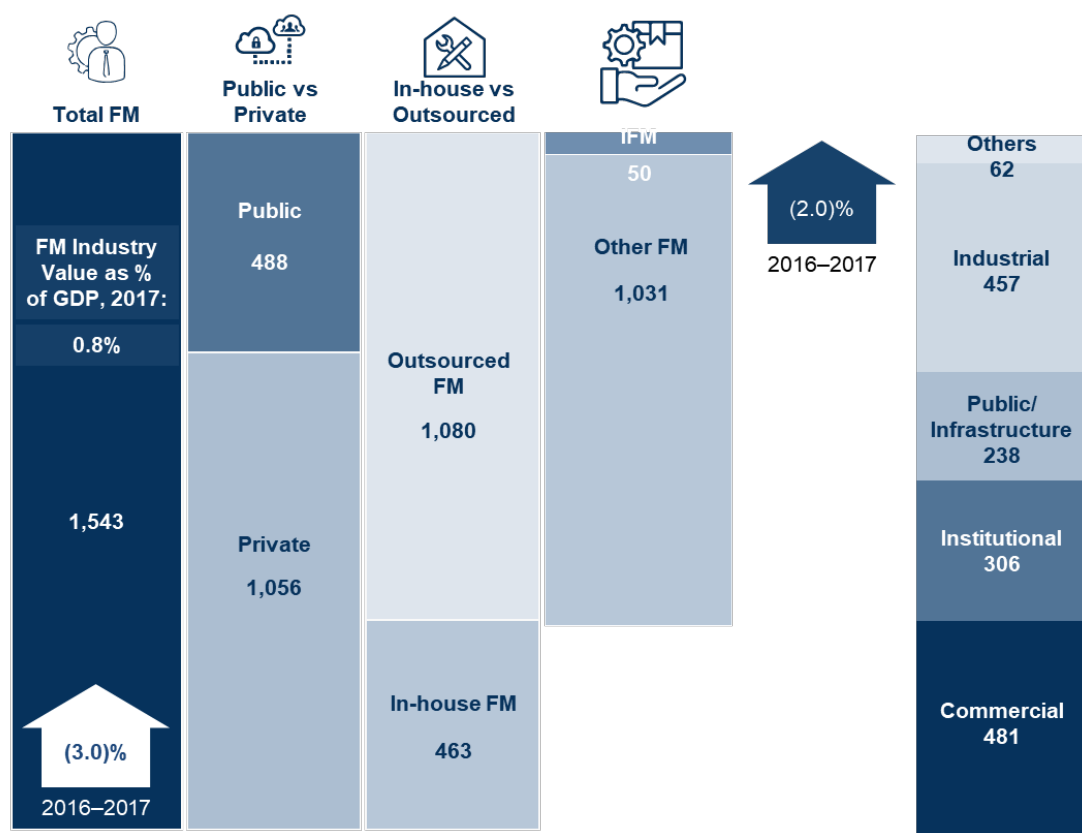
Europe



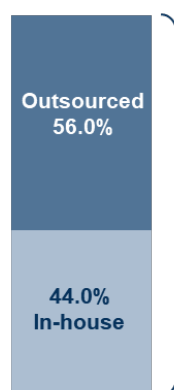
Greece

Figure 38: Facilities Management Market, Greece, 2017

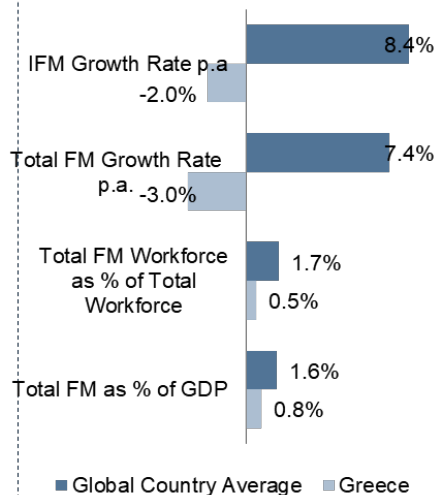
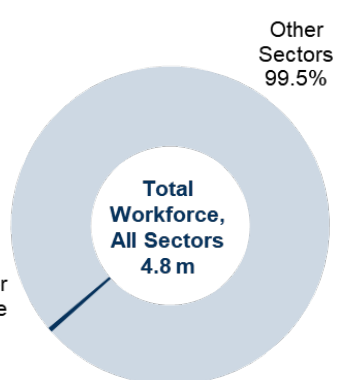
Unit: \$ million, unless stated otherwise



FM Workforce as % of Total Workforce, 2017



FM Sector Workforce 0.5%



Note: All figures are rounded. The base year is 2017. Source: Frost & Sullivan analysis

Country profiles

Europe



Country Commentary

Greece's weak economy is underscored by the consumer confidence indicator being at -68.0 in 2016 – drastically lower than the -6.3 average levels for EU member states.⁴⁵

Government efforts to revitalize the country's economy coupled with substantial financial aid from major organizations such as the EU and the International Monetary Fund (IMF) have resulted in market stabilization and revival. GDP recorded 1.4% growth in 2017, is forecast to rise to 1.9% in 2018 and 2.3% in 2019.⁴⁶

Increased activities in the construction sector, with gradual improvements in business confidence, as well as public and private sector investments in transportation, residential, and commercial development projects through to 2020.⁴⁷

In the FM market, the recent FM contract acquisition by ENGIE Hellas, a subsidiary of French group ENGIE, for the new Stavros Niarchos Foundation Cultural Center (SNFCC) in Athens, is the largest contract of its kind in Greece. The deal, involving services ranging from technical maintenance to energy services, is expected to create more than 250 new jobs. The improving business confidence in the country could open additional FM market opportunities.

While the country's FM market did not report positive growth in 2017, recovery from 2018 onwards is expected. FM outsourcing demand comes primarily from the commercial and public/infrastructure sectors, and to a certain extent, the institutional segment as well.

However, IFM adoption remains weak. Economic recovery, with a likely increase in market attractiveness for foreign investors, could boost foreign or MNC penetration into the Greek market, strengthening IFM adoption rates.

⁴⁵ European Commission (2018), *European Construction Sector Observatory: Country profile Greece*

⁴⁶ European Commission (2018), *European Economic Forecast, Spring 2018: Greece*

⁴⁷ European Commission (2018), *European Construction Sector Observatory: Country profile Greece*

Country profiles

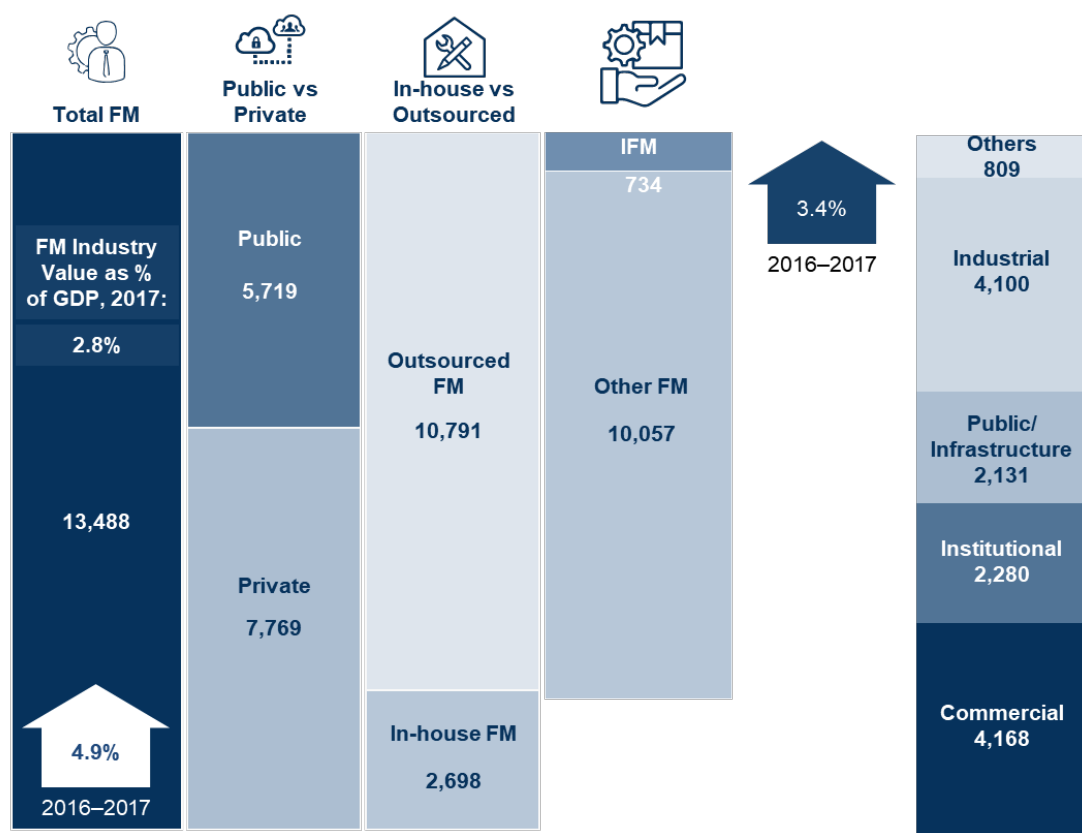
Europe



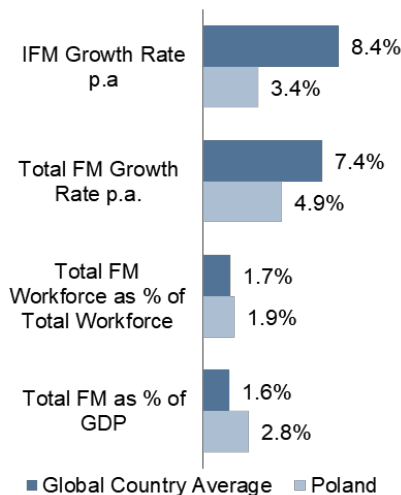
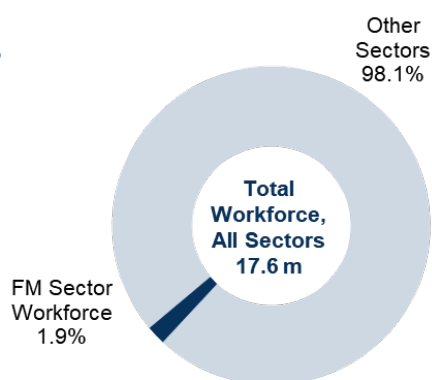
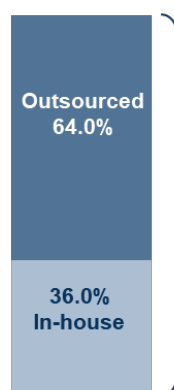
Poland

Figure 39: Facilities Management Market, Poland, 2017

Unit: \$ million, unless stated otherwise



FM Workforce as % of Total Workforce, 2017



Note: All figures are rounded. The base year is 2017. Source: Frost & Sullivan analysis

Country profiles

Europe



Country Commentary

Poland's economy posted 4.6% growth in 2017,⁴⁸ its strongest since 2011, primarily driven by higher domestic demand and economic activity with its main trading partners from the EU. GDP growth was above the forecast 4.5% and significantly higher than 2.9% in 2016. Household consumption expenditure, accounting for 61% of GDP, grew by 4.7% in 2017, supported by generous social spending and higher wages. Similarly, the construction industry recorded 4.7% growth in 2017.⁴⁹

Encouraging office tenancy levels in Warsaw, where vacancy rates have fallen to their lowest point since 2013 (11.7% by the end of 2017) have pushed FM demand as well.⁵⁰ New corporate players entering the Polish market coupled with changing workplace trends are fueling the need for office space, and subsequently, FM services. Trends such as consolidation by tenants of leased office space across multiple buildings and development of flexible/co-working spaces herald the start of a new phase in the evolution of the Polish office market, translating into demand for innovative FM solutions.

Other areas seeing strong FM market potential are the retail and hospitality sectors, particularly from retail space currently under construction and the booming hotel industry. The burgeoning foreign and domestic tourism and improvements in transport infrastructure quality driven by income and wealth growth among Polish consumers are likely to shift the FM focus toward the hospitality sector.

Overall, construction activity is likely to spur long-term FM market opportunities. The number of permits granted for construction projects has grown at a double-digit rate since 2014, with 18.6% growth in permits from 2016 to 2017, and 16.7% growth in permits granted to private construction during the same period.⁵¹ The expected increase in construction activities in the coming years will contribute to FM demand in the mid-term.

The trend toward increased outsourcing remains a crucial driver for FM market growth well into 2020.

⁴⁸ The World Bank (2018), *Global Economic Prospects / June 2018*

⁴⁹ Statistics Poland, Enterprises Department (2017), Construction results in 2017

⁵⁰ Eurobuild (2018), *Vacancy rates lowest in four years*

⁵¹ Statistics Poland, Enterprises Department (2017), Construction results in 2017

Country profiles

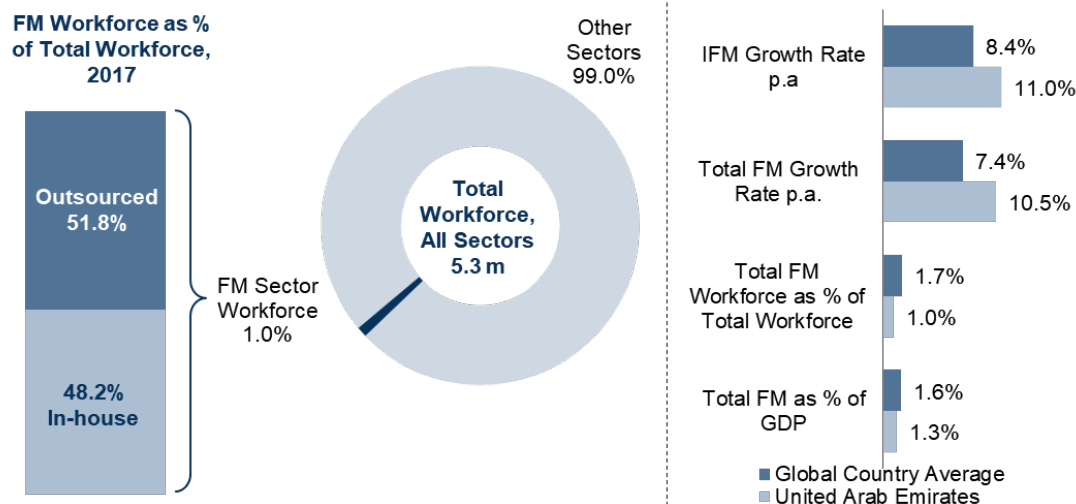
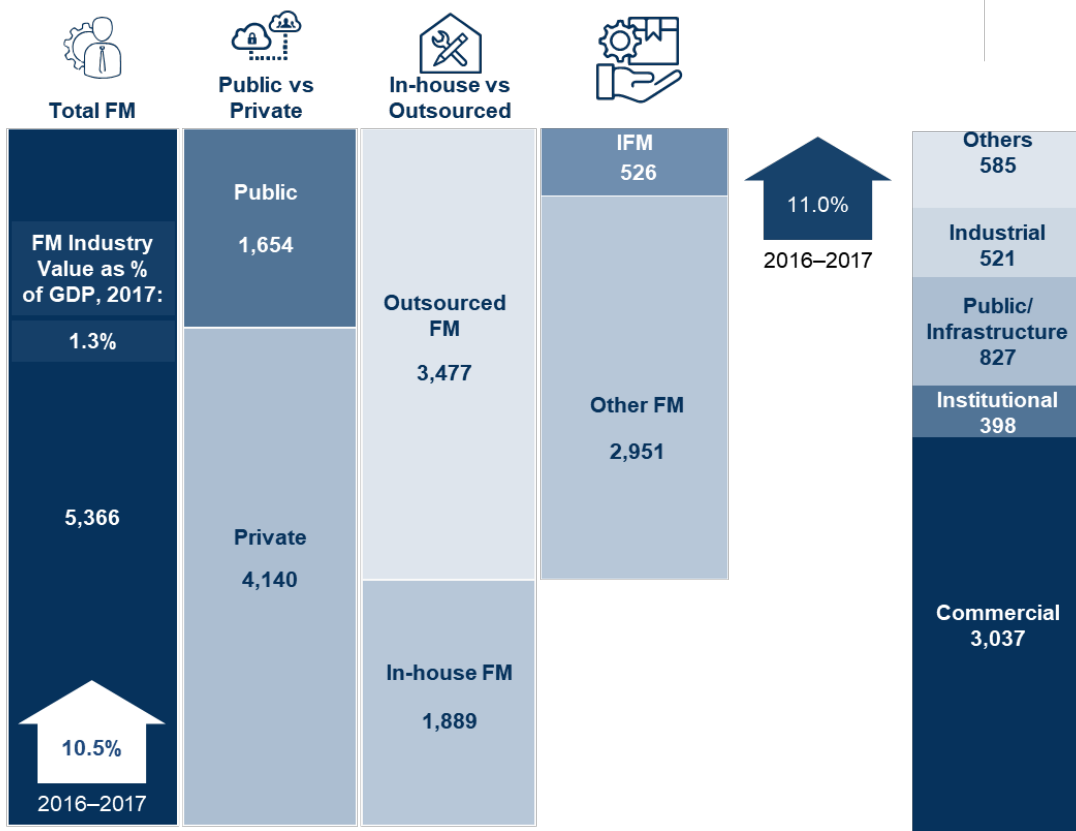
Middle East



United Arab Emirates (UAE)

Figure 40: Facilities Management Market, United Arab Emirates, 2017

Unit: \$ million, unless stated otherwise



Note: All figures are rounded. The base year is 2017. Source: Frost & Sullivan analysis

Country profiles

Middle East



Country Commentary

UAE's 2017 economy has grown by 2.0% in real GDP terms,⁵² while oil GDP contracted by 1.6% due to volatile oil prices since 2014. In 2017, non-oil GDP became the real engine of growth (at 3.0%) and is likely to hover at 3.6% in 2018 and 4.3% in 2019,⁵³ suggesting the importance of economic diversification in paving the way toward recovery in the country.

With the UAE government being the largest sponsor of construction activities, in particular, infrastructure projects, oil price uncertainties could adversely impact construction activity. More than \$34.6 billion worth of urban, industrial, transport, utilities, and oil and gas projects at the tender phase and robust activity in the construction sector in 2017 are expected to boost overall economic growth in coming years.⁵⁴

In terms of the FM market, the UAE is hugely competitive with highly price-sensitive customers. Most developers have in-house FM divisions to cater to the FM requirements of their properties and also bid for FM contracts of other properties.

The use of advanced technology service delivery and IFM adoption remain low in the market. With competition largely focusing on pricing and low-profit margins, there is a clear need to push for differentiation in service offerings and delivery.

The healthcare sector prefers to perform operations and management (O&M) services in-house due to existing capabilities. However, healthcare does offer niche FM opportunities in areas such as green cleaning (i.e., environmentally friendly cleaning tools and materials).

Expansion of opportunities in non-oil segments and an increase in both domestic and foreign investments in the commercial sector are leading to a higher supply of office buildings in the UAE, signaling growth potential for the FM market.

The upcoming World Expo 2020 is also expected to stimulate tourism and retail sales, increasing the supply of retail malls and hotels in the country.

As large conglomerates typically have operational bases in the UAE or Gulf Cooperation Council (GCC), FM companies could benefit through single contracts to manage their facilities across multiple locations.

⁵² The World Bank (2018), *Global Economic Prospects* | June 2018

⁵³ ICAEW (2018), *Economic Insight: Middle East*

⁵⁴ Export.gov (2018), *UAE – Construction*

Country profiles

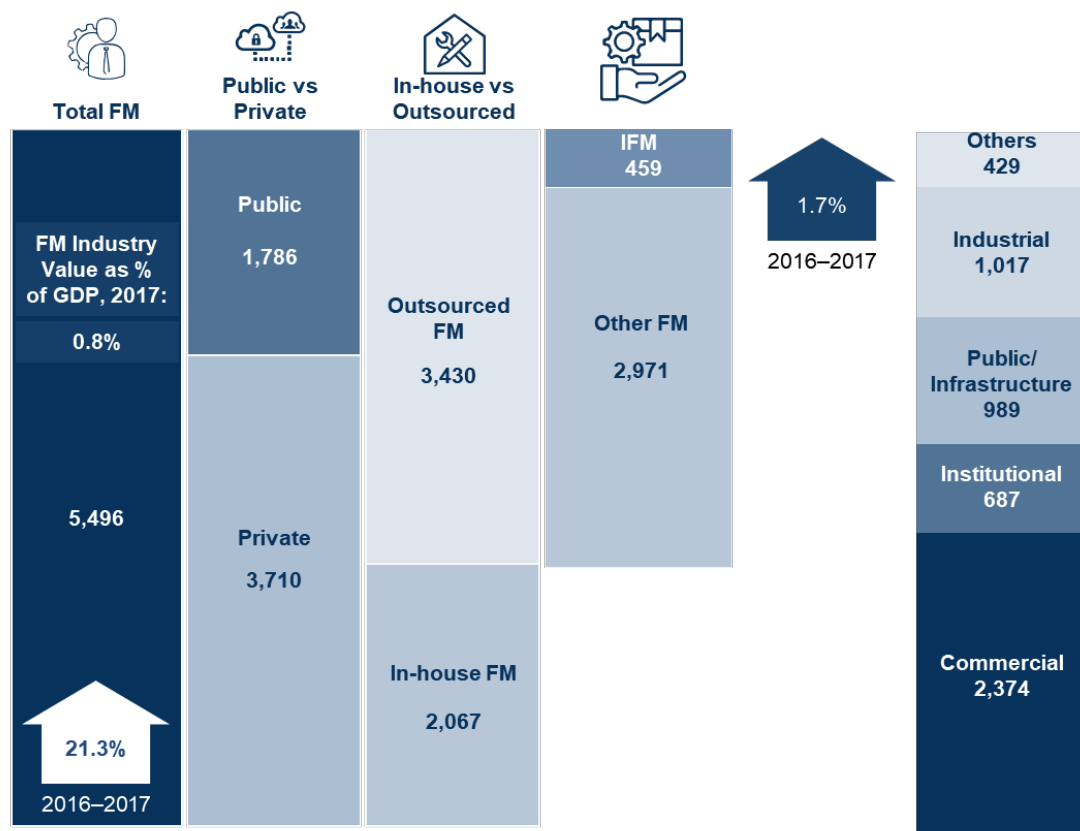
Middle East



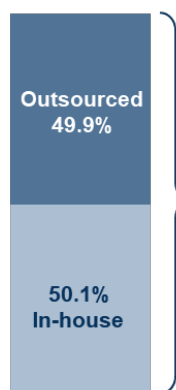
Saudi Arabia

Figure 41: Facilities Management Market, Saudi Arabia, 2017

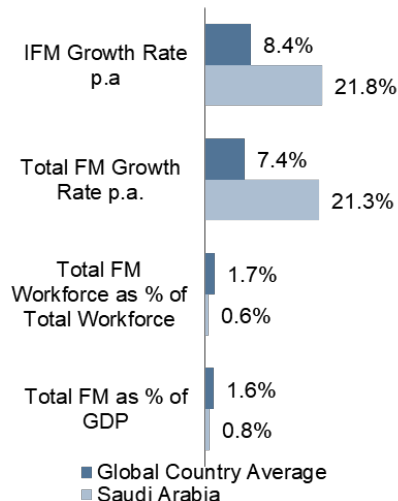
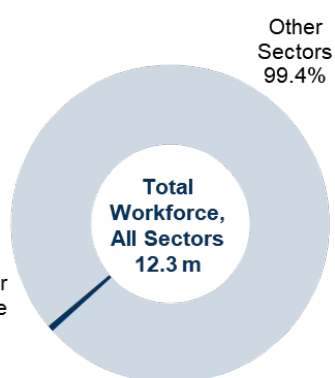
Unit: \$ million, unless stated otherwise



FM Workforce as % of Total Workforce, 2017



FM Sector Workforce 0.6%



Note: All figures are rounded. The base year is 2017. Source: Frost & Sullivan analysis

Country profiles

Middle East



Country Commentary

Saudi Arabia's 0.7% GDP growth in 2017 is projected to rise to 1.8% in 2018 and 2.1% in 2019 from recovering oil prices.⁵⁵ Implementation of National Transformation Program (NTP)-related reforms and strong government initiatives targeting the private sector are driving domestic growth opportunities, backed by ramped up capital spending.⁵⁶

Construction sector growth dipped in 2016, following a decision to halt the awarding of new contracts for major government projects until the establishment of new program management offices. However, in 2017, Saudi Arabia emerged as the GCC market with the highest potential in terms of construction, with more than \$250 billion worth of projects in the pipeline.⁵⁷

Besides the residual impact of volatile oil prices on the FM market, other key challenges include the shortage of skilled local workers, stiff competition between domestic and global companies, and escalating labor and operational costs.

Saudi Arabia (and Qatar) are considered regional growth hubs. There is increasing penetration of building technology, in line with Saudi Arabia's ambitious plan to improve overall connectivity and convergence across the nation. Investment aiming to improve communication networks could have a positive spillover effect on the FM market in the long term, particularly in IFM, with enhanced connectivity and broader acceptance of technology-based support solutions. Government-led construction projects are expected to drive demand for sophisticated and value-added FM in the country.

Success in UAE's FM landscape is also expected to attract overseas FM providers into Saudi Arabia seeking growth opportunities.

⁵⁵ The World Bank (2018), *Global Economic Prospects | June 2018*

⁵⁶ The World Bank (2018), *Saudi Arabia's Economic Outlook – April 2018*

⁵⁷ The National (2017), *Saudi's \$250 billion construction market still offers greatest potential, says Meed*

Country profiles

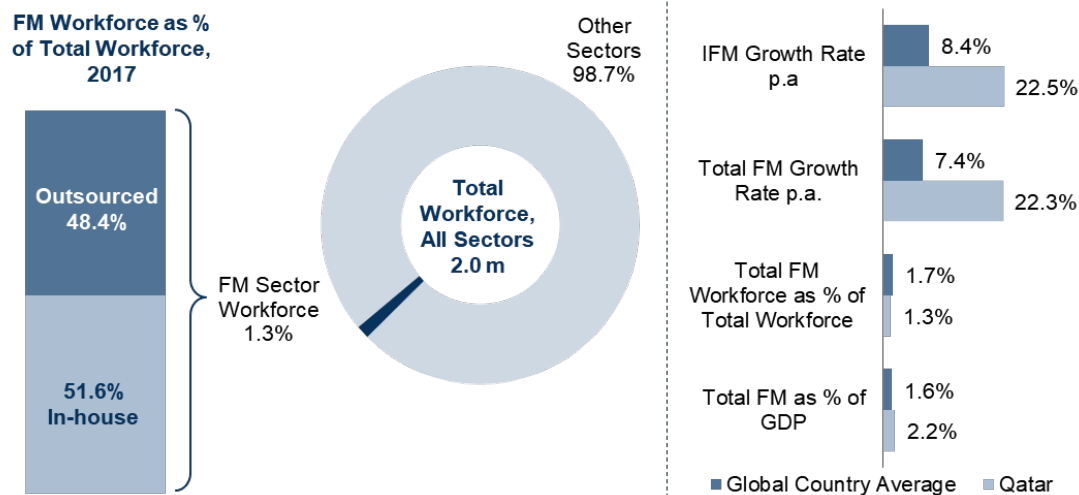
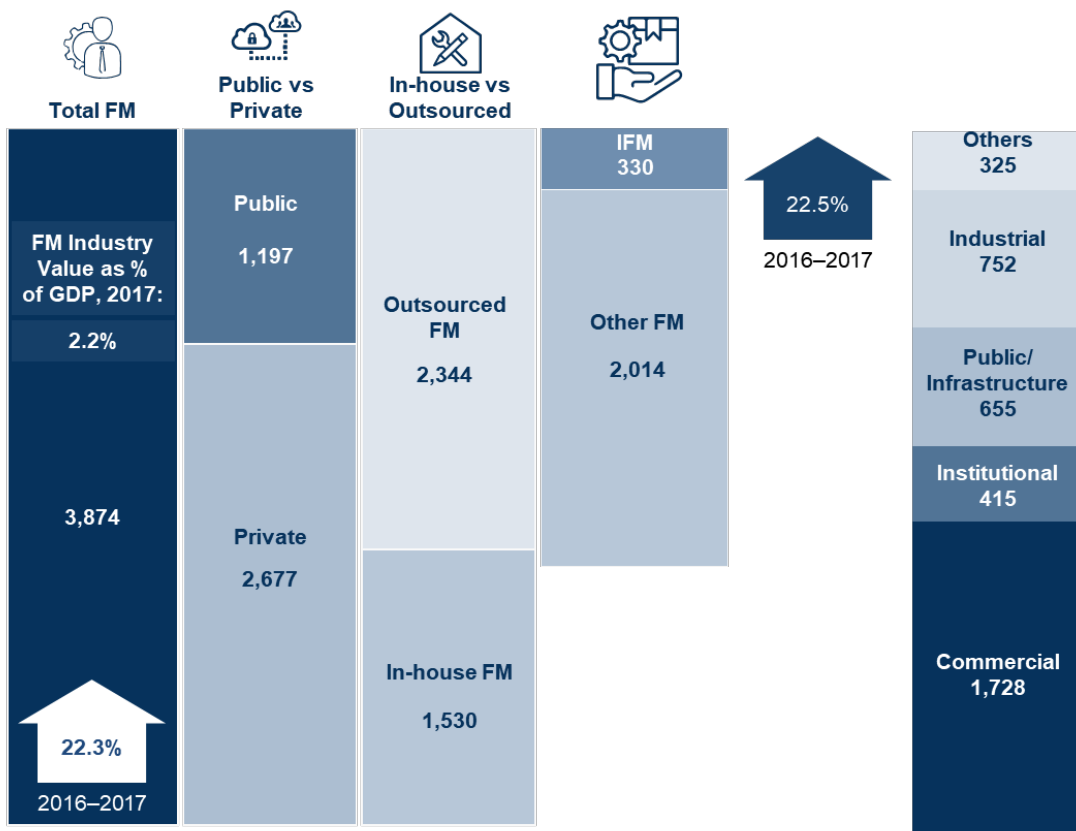
Middle East



Qatar

Figure 42: Facilities Management Market, Qatar, 2017

Unit: \$ million, unless stated otherwise



Note: All figures are rounded. The base year is 2017. Source: Frost & Sullivan analysis

Country profiles

Middle East



Country Commentary

Despite the economic blockade in mid-2017, Qatar recorded average growth of 1.8% in H2 2017.⁵⁸ The country ended the year with 1.6% GDP growth, with 2.8% and 3.2% GDP growth forecast for 2018 and 2019, respectively.⁵⁹ Improving oil prices and Qatar's economic diversification policy are new growth drivers likely to stimulate non-hydrocarbon sectors such as construction, manufacturing, retail, and wholesale trade.

In 2017, the construction sector maintained its momentum due to continued expenditure on large infrastructure projects. The economic outlook for Qatar is forecast to be positive for 2018 due to favorable developments globally and domestically.⁶⁰

Among GCC countries, Qatar is one of the leading FM markets, behind the UAE and Saudi Arabia. Together, the three nations generate more than 85% of the total FM market in the region.

Similar to Saudi Arabia, Qatar uses UAE's more developed FM market as a benchmark. High growth in both FM and IFM markets reflect the strong push for outsourcing and expansion of existing FM participants in the country.

The rapid advancement of Qatar in overall market development is evident from the high number of certified green buildings, second only to the UAE in the Middle East. Despite Qatar having a much smaller country GDP compared to UAE and Saudi Arabia, its FM market is characterized by high levels of customer awareness and maturity.

While Qatar remains an attractive market to foreign participants due to the number of high-profile projects, the penetration of international FM participants is often via partnerships with local providers.

The commercial sector accounts for the largest share of Qatar's FM market. The vast number of MNCs with offices in the country underpins stable FM growth. The country's hosting of the 2022 FIFA World Cup is likely to drive tourism infrastructure projects as well.

High growth of comprehensive FM demand is the result of an influx of foreign investors in the country and region.

⁵⁸ Qatar Tribute (2018), *Qatar's economy expected to grow 3% in 2018: QCB*

⁵⁹ The World Bank (2018), *Global Economic Prospects | June 2018*

⁶⁰ Qatar Tribute (2018), *Qatar's economy expected to grow 3% in 2018: QCB*

Country profiles

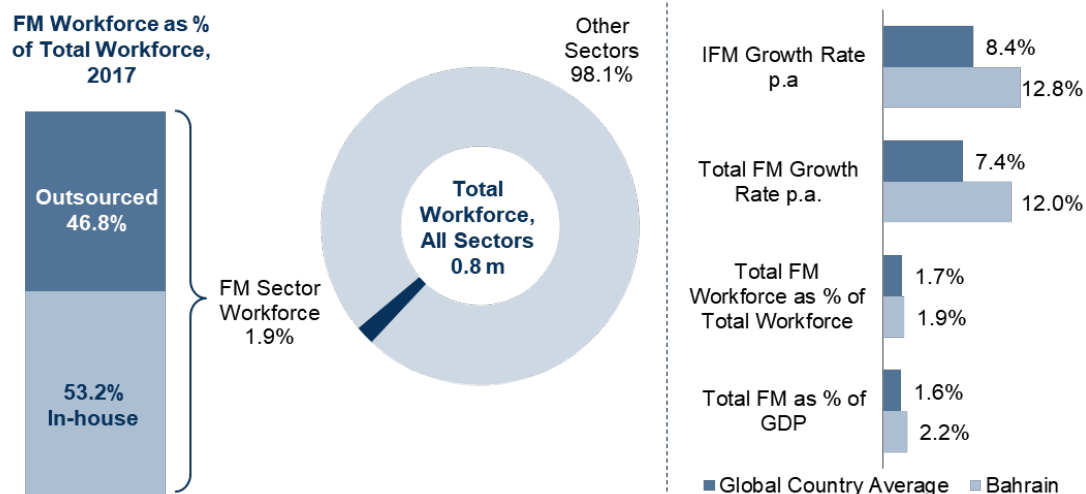
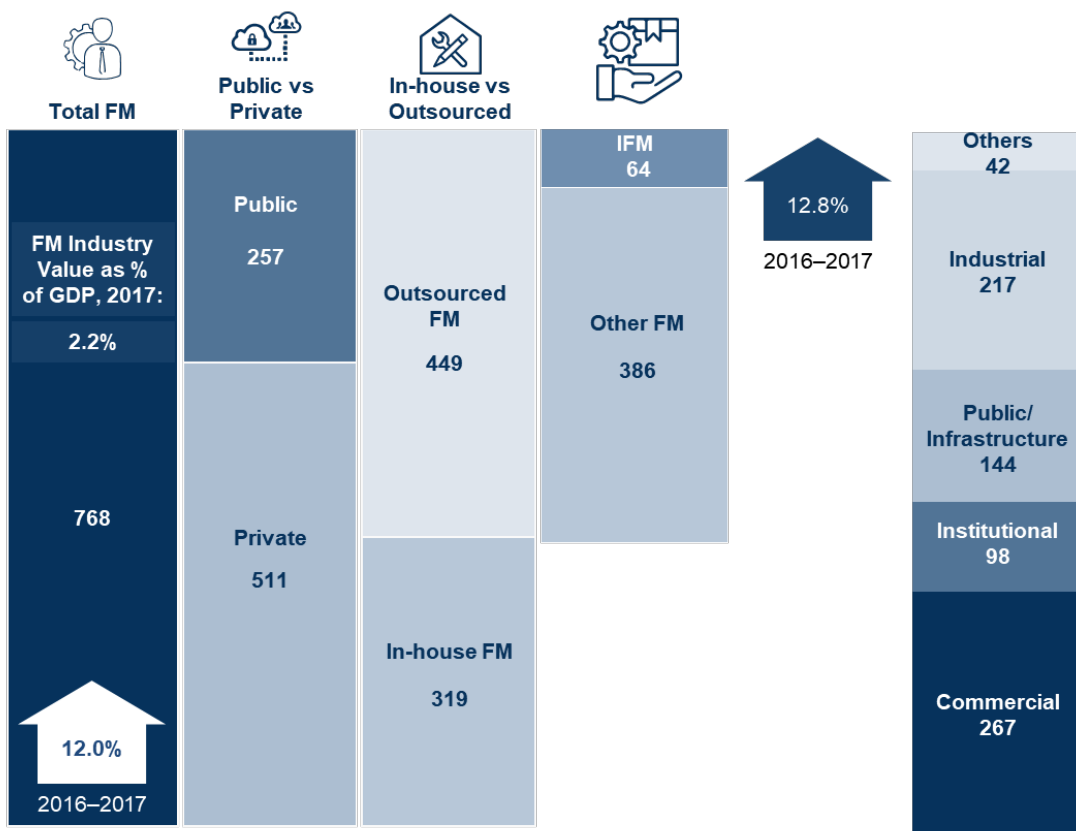
Middle East



Bahrain

Figure 43: Facilities Management Market, Bahrain, 2017

Unit: \$ million, unless stated otherwise



Note: All figures are rounded. The base year is 2017. Source: Frost & Sullivan analysis

Country profiles

Middle East



Country Commentary

Similar to the other GCC countries, oil price uncertainties have pushed Bahrain to diversify and reduce its economic reliance on oil. The construction sector has seen a pick-up in activity, particularly from rail infrastructure projects. With transport infrastructure identified as one of the key pillars in Bahrain's billion-dollar investment plan, the country's regional competitiveness is likely to improve. Apart from large infrastructure projects, the expected new growth phase in construction is supported by PPP projects and government-led initiatives.

The Bahrain Economic Development Board forecasts non-oil sector growth at 4.3% in 2018. Besides the expansion of the construction sector, other businesses are also likely to benefit from favorable regional conditions together with improved oil prices in the year.⁶¹ GDP growth for Bahrain is expected to be at 1.7% and 2.1% for 2018 and 2019, respectively.⁶²

Although Bahrain is the smallest GCC country by area, and has a relatively small GDP, it is an active market for FM outsourcing services. Single service contracts dominate a large percentage of the outsourced market with substantial market opportunities in the private sector. Public sector participation is expected to be minimal due to limited government projects in Bahrain.

Vital end-use sectors such as banking, commercial, and retail continue to drive the outsourcing trend and IFM adoption in the country.

The overall high acceptance of third-party managed solutions and significant digitalization promoting the adoption of advanced building technologies, position Bahrain attractively among local and foreign FM participants.

Low entry barriers have resulted in a highly fragmented market. The presence of FM service providers in Bahrain is common since it has a business environment similar to the rest of the GCC. However, a shortage of skilled labor challenges the market.

⁶¹ Arabian Business (2018), *Bahrain's non-oil private sector forecast to grow 4.3% in 2018*

⁶² The World Bank (2018), *Global Economic Prospects / June 2018*

Country profiles

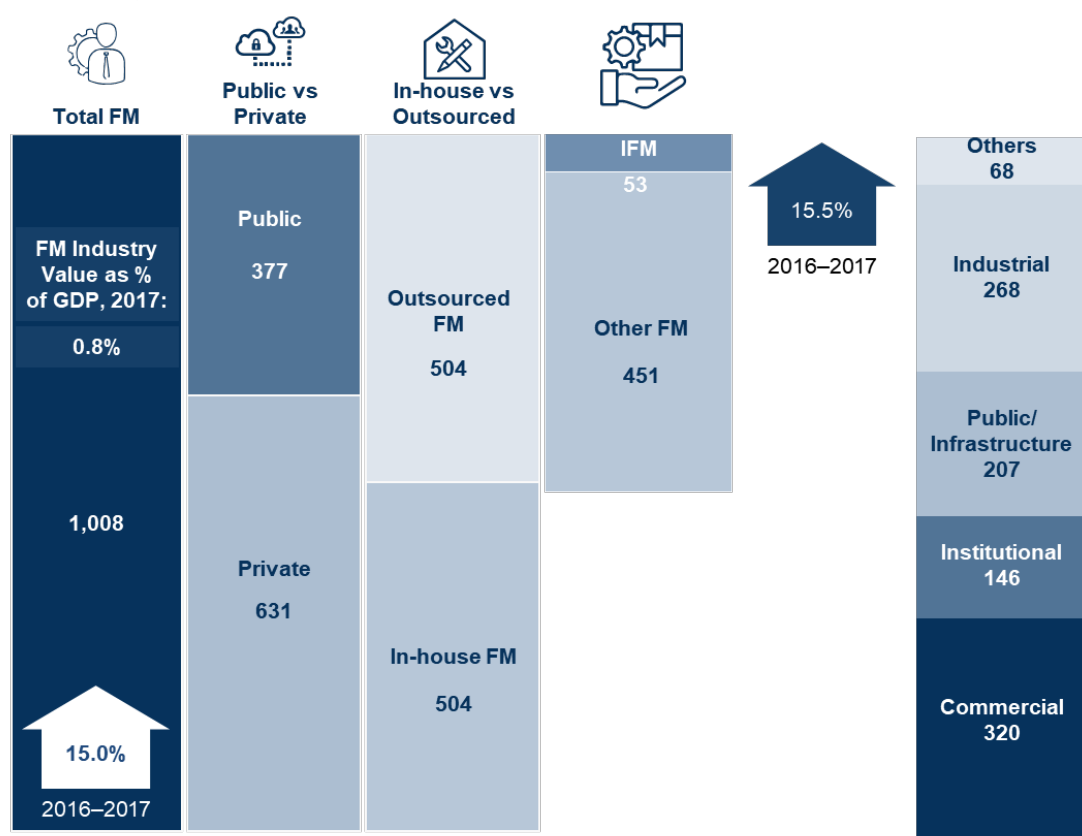
Middle East



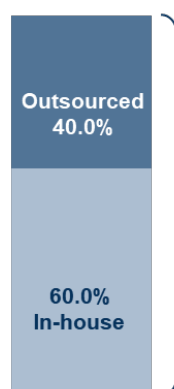
Kuwait

Figure 44: Facilities Management Market, Kuwait, 2017

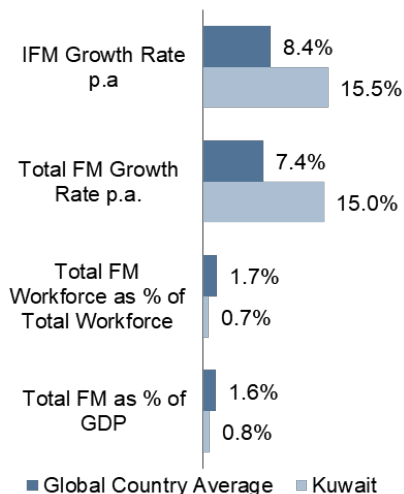
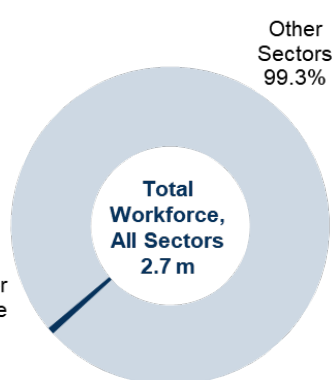
Unit: \$ million, unless stated otherwise



FM Workforce as % of Total Workforce, 2017



FM Sector Workforce 0.7%



Note: All figures are rounded. The base year is 2017. Source: Frost & Sullivan analysis

Country profiles

Middle East



Country Commentary

In 2017, Kuwait, together with Bahrain, had a keen focus on rail infrastructure projects alongside other initiatives in the industrial, utilities, and airport sectors to support economic growth. A lucrative deal with China could lead to trade worth \$3.8 billion between Kuwait and Beijing.⁶³ This is expected to push Kuwait toward positive GDP growth of 1.9% and 3.5% in 2018 and 2019, respectively, following a significant contraction of 2.9% in 2017.⁶⁴

For 2018, the National Bank of Kuwait expects the value of projects to remain the same as 2017 levels, mainly from construction projects.⁶⁵ Completion of projects initiated in 2018 will contribute to overall FM market opportunities in the coming years.

The Kuwait market has only recently opened up for privatization, and hence, lags in terms of smart building technologies adoption. However, private properties such as hotels and commercial developments contribute to FM market growth.

The low barriers to entry have resulted in creating a high degree of competition, particularly in the soft services segment. Despite the low awareness of bundled or integrated solutions, Kuwait remains a high-potential FM market, with the possibility of double-digit annual growth.

The comparatively high IFM growth rate is attributed to growth from a small base, with clients for IFM primarily from the private sector.

The country-wide shift toward the adoption of highly advanced technologies could encourage FM providers to offer digitally-enabled solutions. FM providers from other GCC countries with experience and relevant portfolios stand to benefit the most.

⁶³ Construction Week Online (2017), *Kuwait-China construction ventures top \$8 bn in 2017*

⁶⁴ The World Bank (2018), *Global Economic Prospects | June 2018*

⁶⁵ Oxford Business Group (2018), *Kuwait: Year in Review 2017*

Country profiles

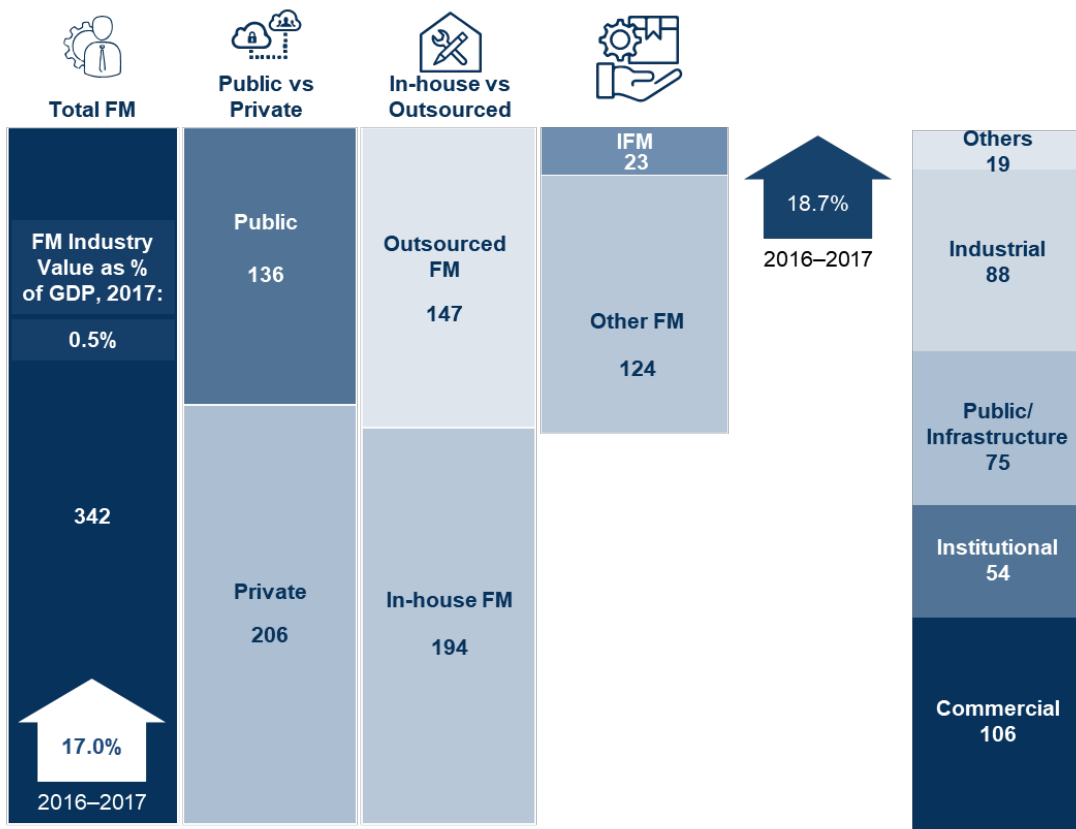
Middle East



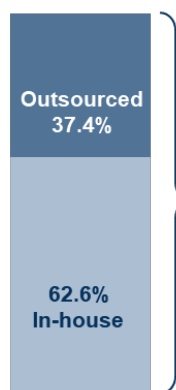
Oman

Figure 45: Facilities Management Market, Oman, 2017

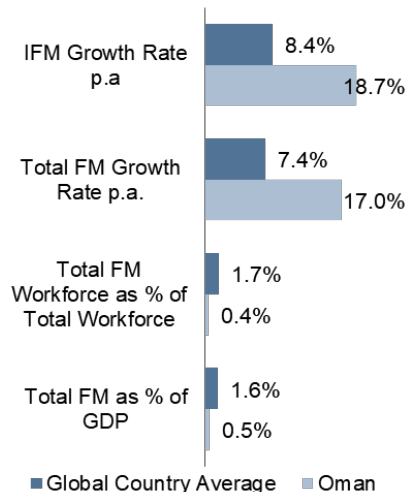
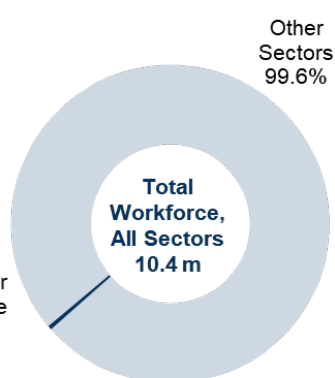
Unit: \$ million, unless stated otherwise



FM Workforce as % of Total Workforce, 2017



FM Sector Workforce 0.4%



Note: All figures are rounded. The base year is 2017. Source: Frost & Sullivan analysis

Country profiles

Middle East



Country Commentary

Oman, like other GCC countries, seeks to reduce its reliance on oil production as part of its government's ninth five-year development plan (2016–2020), with a shift in focus toward industrial and tourism sectors.⁶⁶ This is likely to support Oman to achieve 2.3% and 2.5% GDP growth in 2018 and 2019, respectively (2017 GDP growth was 0.7%).⁶⁷

Oman is an attractive regional construction market as a result of its ambitious economic diversification agenda and favorable regulatory environment. It is forecast to become one of the best performers in construction sector growth (10.1% in 2017, and a projected annual increase of 10.7% over the next five years).⁶⁸

Compared to other GCC countries, the Oman FM market is in its infancy. Low market awareness about the benefits of outsourcing, wide prevalence of reactive maintenance, high price sensitivity, and the absence of organized FM participants are challenges hampering the quality of FM service delivery and outcomes in the country.

Currently, the government and oil and gas companies mainly drive outsourcing demand, with mostly individual contractor services engagements. However, the government's economic diversification plan involving a move toward industrial and tourism sectors present outsourcing opportunities for hospitality facilities. Development of mining and transport and logistics facilities is also widely regarded as high potential growth opportunities for FM services.

Muscat is anticipated to become an attractive market for FM services in the future given the improvements in its infrastructure and construction development. With the GCC as a unified commerce zone, FM development in the UAE and Saudi Arabia, and to a certain extent Bahrain, is likely to have a positive influence on the Oman FM market.

That stated, manpower issues continue to trouble the domestic FM market. Omani nationals tend to favor the attractive employment terms in the public sector compared to the private sector. As the country remains focused on individual FM solutions, often soft or hard services, the FM industry's reliance on manpower coupled with low technology adoption could exacerbate workforce challenges further, limiting market development.

⁶⁶ The Business Year (2017), *Oman Made*

⁶⁷ The World Bank (2018), *Global Economic Prospects / June 2018*

⁶⁸ Oxford Business Group (2018), *Omani construction sector weathers external forces to continue posting solid growth*

Country profiles

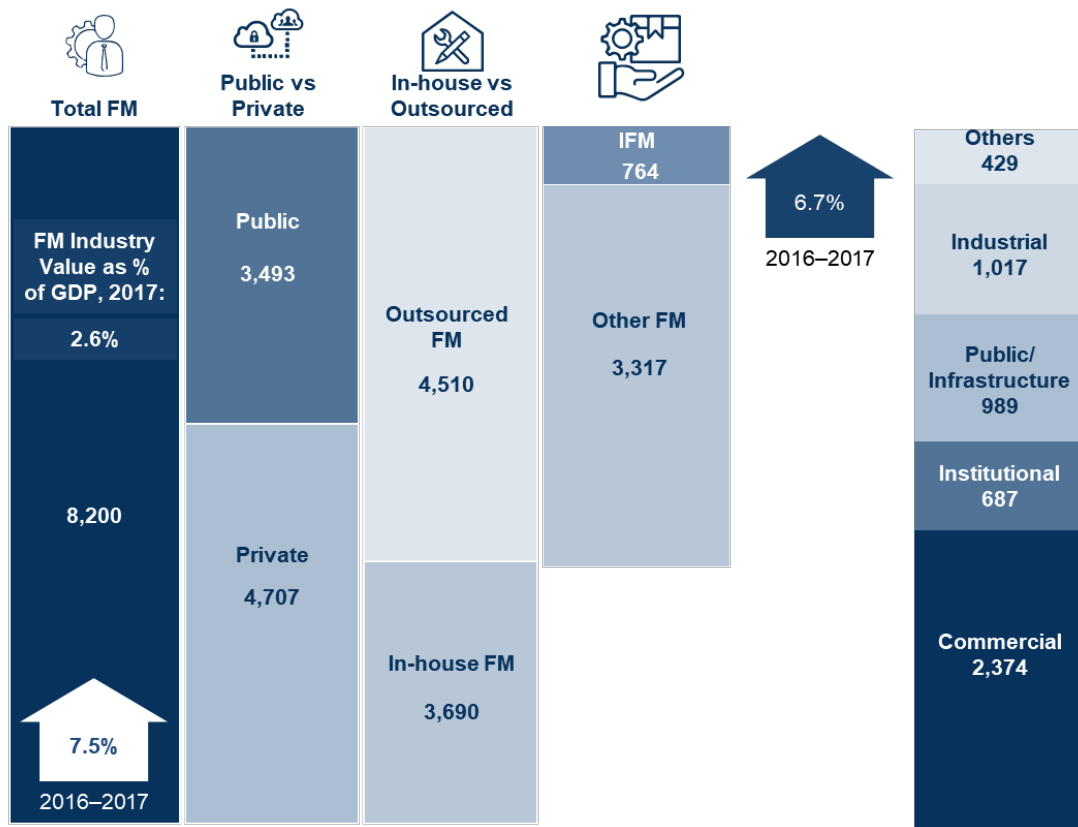
Africa



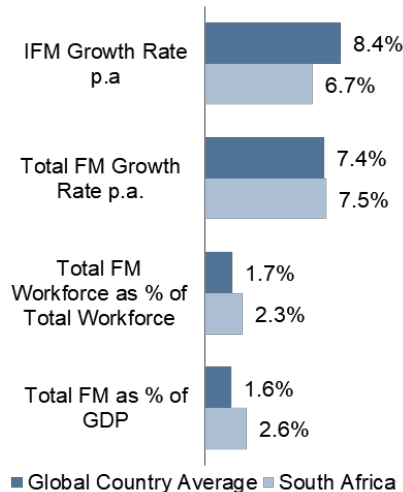
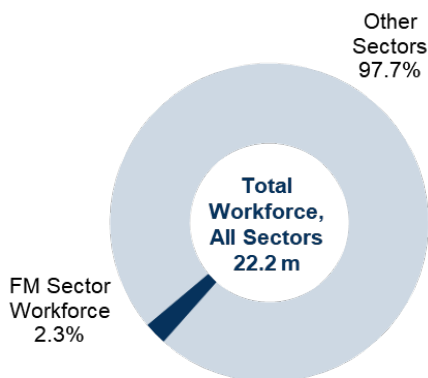
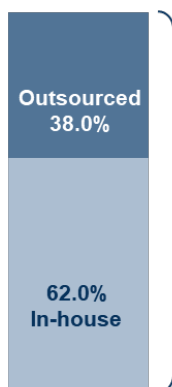
South Africa

Figure 46: Facilities Management Market, South Africa, 2017

Unit: \$ million, unless stated otherwise



FM Workforce as % of Total Workforce, 2017



Note: All figures are rounded. The base year is 2017. Source: Frost & Sullivan analysis

Country profiles

Africa



Country Commentary

Fluctuations in the rand and volatile economic conditions are key factors slowing the FM market in South Africa. However, the market is expected to see a slight recovery in 2018, with economic growth projected at 1.4%, compared to 0.6% in 2016 and 1.3% in 2017.⁶⁹ The World Bank forecasts GDP growth to reach 1.8% in 2019.⁷⁰

Economic uncertainties are leading a growing number of businesses to consider outsourcing FM components to reduce operational costs while they focus on revenue-generating opportunities. The impact is likely to be greater on mature end users that have a better awareness of the exponential benefits of outsourcing.

Single and bundled services contracts utilizing one or more suppliers dominate the FM outsourcing market in South Africa. The domestic market is led by local FM providers that have strong brand recognition among organizations from both the public and private sectors.

Organizations are increasingly outsourcing a larger part of their FM services supporting the growth of the domestic FM market and development of local FM providers.

The government's efforts in the development of integrated transport networks and large-scale infrastructure projects are expected to not only stimulate the country's economy in the short run, but also create FM market opportunities in the medium to long term.

Demand for technology-enabled FM solutions is on the rise, specifically from the banking, financial services, insurance, and healthcare industries as more organizations' integrate digital technologies into the new workplace culture.

To stimulate further expansion in domestic FM development, independent bodies such as the South African Facilities Management Association (SAFMA) actively promote awareness and growth of the industry. The recently introduced SANS 1752: Strategic Facilities Management System also puts the spotlight on South Africa as one of the first developing countries to introduce local FM standards to guide organizations in improving FM efficacy.⁷¹

⁶⁹ The World Bank (2018), *Global Economic Prospects | June 2018*

⁷⁰ The World Bank (2018), *Global Economic Prospects | June 2018*

⁷¹ South African Facilities Management Association (SAFMA) (2018), *Latest News*

Country profiles

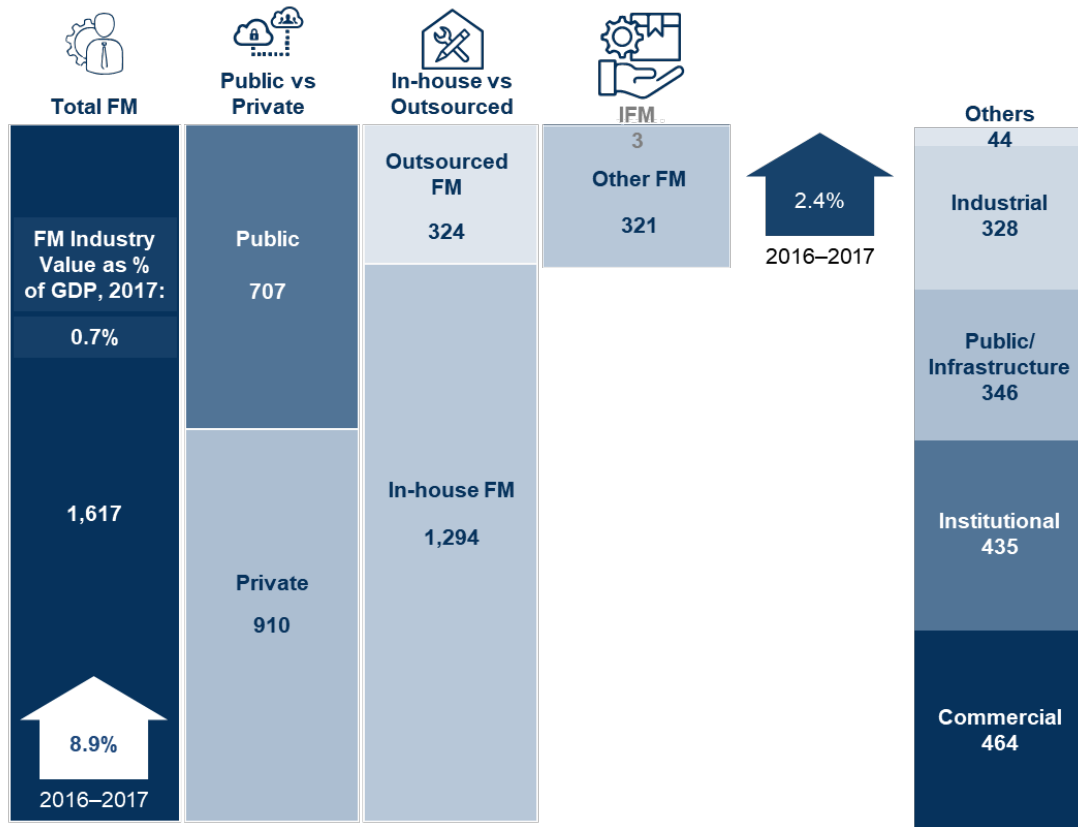
Africa



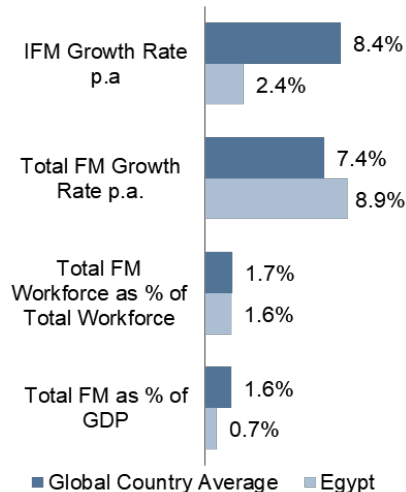
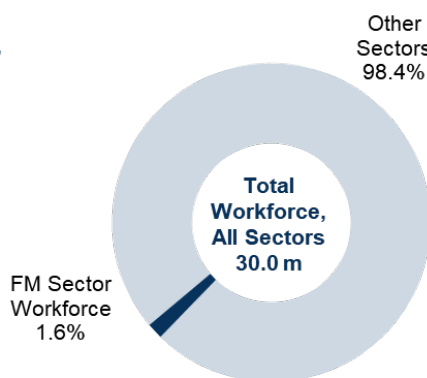
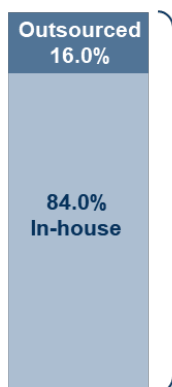
Egypt

Figure 47: Facilities Management Market, Egypt, 2017

Unit: \$ million, unless stated otherwise



FM Workforce as % of Total Workforce, 2017



Note: All figures are rounded. The base year is 2017. Source: Frost & Sullivan analysis

Country profiles

Africa



Country Commentary

Following several years of political and economic volatility, Egypt's economy appears to be gradually picking up pace. The Egypt Economic Development Conference (EEDC) in 2015 saw Egypt inking nearly 40 new investment agreements and memorandum of understanding (MoUs) with multiple countries amounting to approximately \$163 billion. The foreign direct investment (FDI) was estimated at \$6.7 billion in 2015, with the forecast trending upwards.⁷²

From 4.2% in 2017, the GDP growth is expected to rise to 5.0% and 5.5% in 2018 and 2019 respectively.⁷³ Increase in economic output and population are likely to stimulate private sector investments in construction and building activities, creating huge demand for FM services in Egypt. However, expansion in the FM market could be restricted by the government's inability to ensure favorable investment conditions to developers, reducing demand from the construction sector.

Other high-potential industries for FM outsourcing services include tourism, hospitality, healthcare, and infrastructure. Customers increasingly recognize the benefits of outsourcing FM services to reduce operating costs and concentrate on core business activities. The willingness to outsource FM services among customers/end users could positively impact market growth in Egypt.

The FM market in Egypt is a mix of both international and domestic companies. Established companies are well-positioned to harness the market potential and attract large- and medium-scale customers through their strong brand identity, competitive pricing, wide range of services and capabilities supported by skilled technical expertise/qualified manpower to stay competitive.

Large FM service providers offer comprehensive hard and soft FM services sought out by leading developers. However, the market shows ample room for improvement given the lack of providers able to provide end-to-end FM services. It is common for providers to outsource certain services or use sub-contractors. Only a handful of subsidiaries of major developers such as Emaar Hospitality, Key- Mountain View, and Sodic Edara offer a complete array of services.

Economic recovery and improved spending on infrastructure projects entering the execution phase from commitments inked with multilateral organizations such as the United Nations (UN) and World Bank and countries such as the US, UK, Russia, and China during the EEDC represent significant market opportunities for FM market service providers.

⁷² Frost & Sullivan (2016), *Opportunities in the Facilities Management Services Market in North Africa*

⁷³ The World Bank (2018), *Global Economic Prospects | June 2018*

Country profiles

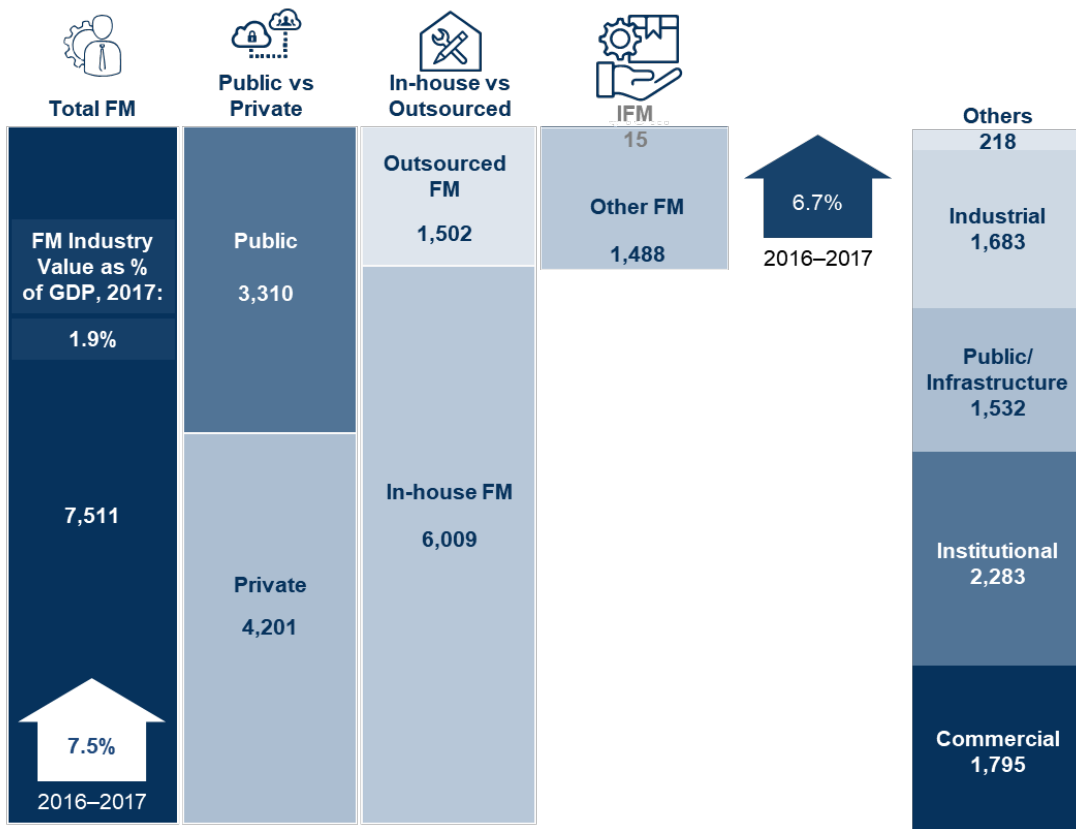
Africa



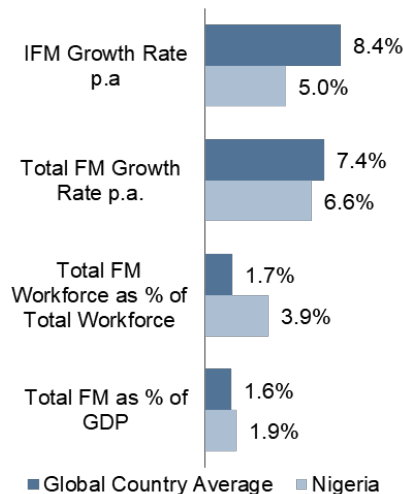
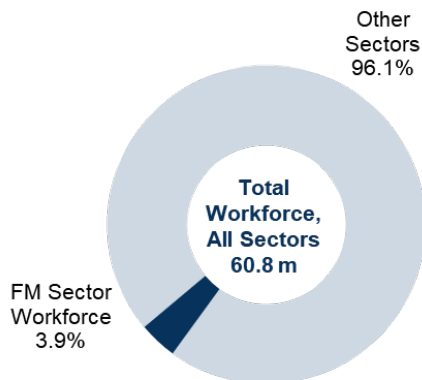
Nigeria

Figure 48: Facilities Management Market, Nigeria, 2017

Unit: \$ million, unless stated otherwise



FM Workforce as % of Total Workforce, 2017



Note: All figures are rounded. The base year is 2017. Source: Frost & Sullivan analysis

Country profiles

Africa



Country Commentary

Nigeria has overtaken South Africa and emerged as the largest economy in the African continent after rebasing its GDP calculation,⁷⁴ factoring in changes in output to provide a more accurate view of its economy. From negative GDP growth of (1.6%) in 2016, it has improved slightly to 0.8% in 2017. The overall economy is forecast to strengthen further to 2.1% and 2.2% in 2018 and 2019 respectively.⁷⁵

The federal government is initiating reforms to tackle the economic challenges in the Nigerian economy, i.e., oil price volatilities, sluggish economic growth, and inadequate investments in infrastructure. Efforts include facilitating better access to high-quality living standards through improvements in education, healthcare, and infrastructure services. The Economic Recovery and Growth Plan (ERGP) 2017–2020 released in 2017 is expected to propel growth in infrastructure development activities. Over the ERGP period, the government aims to restore degraded sections of the national road network, complete ongoing construction of major railway projects, and grant concessions for the country's four main airports.⁷⁶ The steady increase in foreign inflows through growing export revenue and government borrowings could also help in reducing foreign currency shortages in non-oil verticals, and support the expansion of the financial services and industry sectors.

As an emerging market in Africa, Nigeria offers healthy FM growth from a very low base. Outsourcing of FM services is on the rise, with demand largely from the private sector. Price is a key purchasing determinant for FM services alongside a preference for individual services with multiple vendors.

Integrated solutions currently attract low acceptance among domestic end users in the country. However, the entry of MNCs into the country could subsequently accelerate the outsourcing trend and implementation of integrated solutions, promoting greater awareness among local end users.

FM outsourcing opportunities are limited to the commercial sector while some other industries prefer in-house FM. The commercial sector will continue to fuel outsourcing growth over the near-term, with demand gradually coming from end users in the industrial segment.

Lagos displays enormous potential for the FM market and outsourcing growth in the coming years, given the estimated increase in its GDP growth and dynamic property market. In addition, the newly-established local chapter of the International Facility Management Association (IFMA) promoting standards and best practices for FM and integrated solutions are anticipated to play an essential role in driving FM outsourcing and IFM adoption.

⁷⁴ Thomson Reuters (2014), *Update 2 – Nigeria surpasses South Africa as continent's biggest economy*

⁷⁵ The World Bank (2018), *Global Economic Prospects | June 2018*

⁷⁶ The World Bank (2018), *Nigeria Affordable Housing Project (P165296), Project Information Document/ Integrated Safeguards Data Sheet (PID/ISDS)*

Country profiles

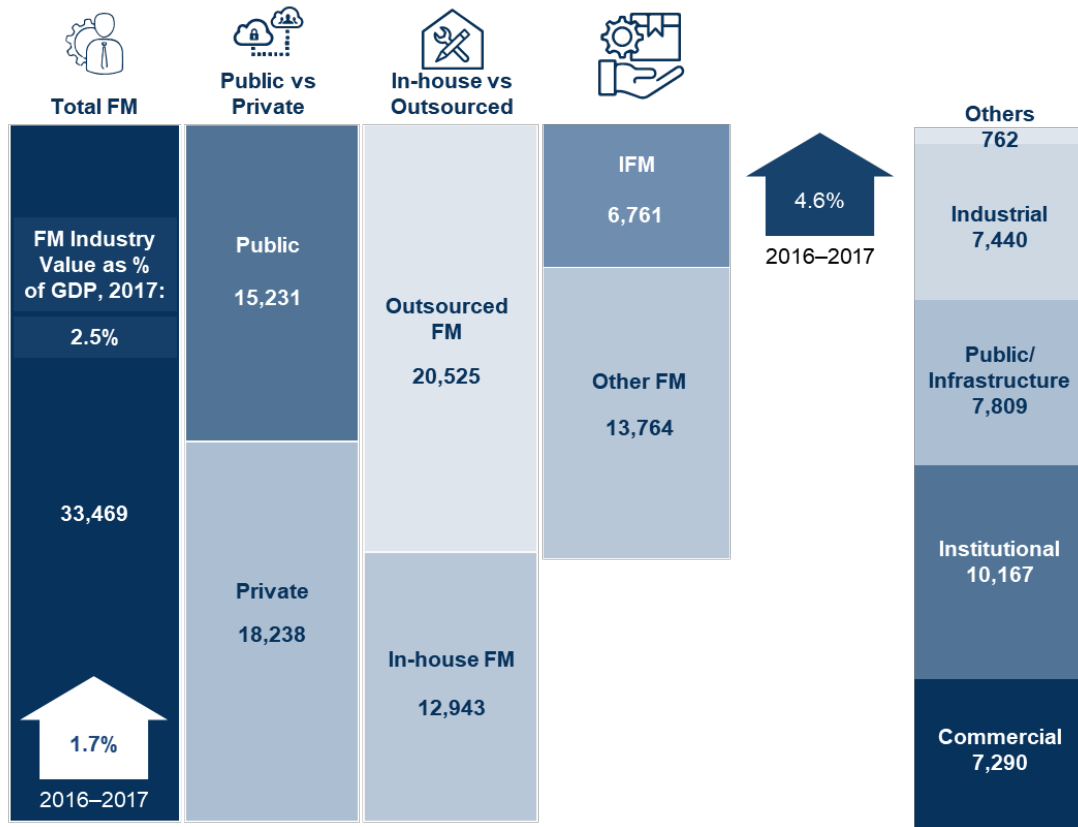
Asia-Pacific



Australia

Figure 49: Facilities Management Market, Australia, 2017

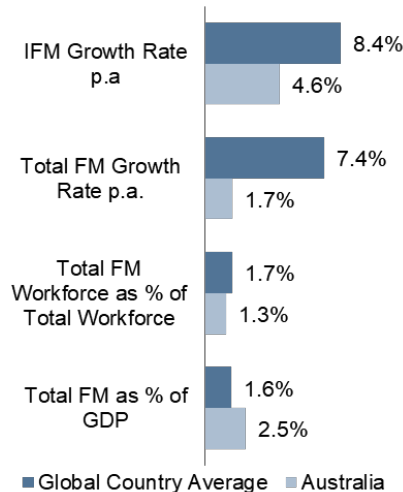
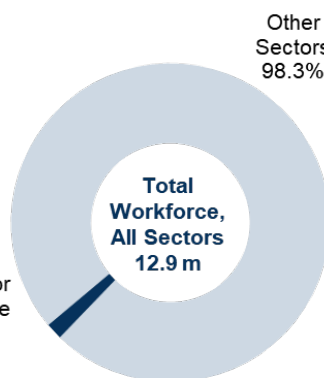
Unit: \$ million, unless stated otherwise



FM Workforce as % of Total Workforce, 2017



FM Sector Workforce 1.7%



Note: All figures are rounded. The base year is 2017. Source: Frost & Sullivan analysis

Country profiles

Asia-Pacific



Country Commentary

GDP growth in Australia is forecast to strengthen over the 2018 to 2019 period driven by increases in household income and consumption, as well as non-mining business investments. In terms of building construction, continued improvements in the non-residential sectors such as industrial, healthcare, and hospitality are expected to be key engines of growth for the FM segment.⁷⁷

The FM landscape in Australia is mature and highly competitive, with many large corporations having clear guidelines in place to ensure quality services from providers. The high outsourcing rate and mature end-user sectors position Australia as a highly favorable market to service providers.

While there is increased market saturation in several end-user industries, data centers, manufacturing, and infrastructure represent non-conventional facilities with high growth potential for the FM sector. Budgetary constraints in certain industries such as healthcare (e.g., budget cuts affecting in-house engineers) could also negatively impact FM outsourcing. The increased focus on cost-efficiencies is spurring demand for integrated concepts and strategic public-private partnerships (PPPs). Australia is one of the most established PPP markets globally, with the public and institutional sectors continuing to foster such partnerships. Apart from budgetary concerns, other challenges in the FM market include inadequate process frameworks and inconsistencies in terms of FM approach and practices among market participants.

Domestic and foreign players consider the Australian FM sector as highly potent due to its maturity and overall market attractiveness. However, competition among key participants remains high. Often, competitive advantages are based on the positioning and value propositions of the industry vertical. The competitive nature of the sector is pushing service providers toward consolidation and restructuring exercises to remain viable and desirable since growth opportunities are often linked to contract renewals and adoption of advanced building technologies or management tools.

The Australian market leads in terms of IFM adoption (percentage of IFM to overall outsourced market). Encouraging demand from public sector clients and strong awareness among end users across all sectors are expected to sustain IFM adoption. The organized FM scene, reflected through FM associations and the introduction of various FM guidelines, are set to steer IFM implementation.

Australia's GDP growth is forecast to remain strong according to the World Bank, which could likely result in positive effects in public infrastructure investment, and potentially public FM demand. The increase in non-mining investments supported by growing infrastructure activity and diminishing impact of falling mining investment, are leading to improvements in overall FM development and outsourcing.

⁷⁷ Reserve Bank of Australia (2018), *Statement on Monetary Policy – February 2018*

Country profiles

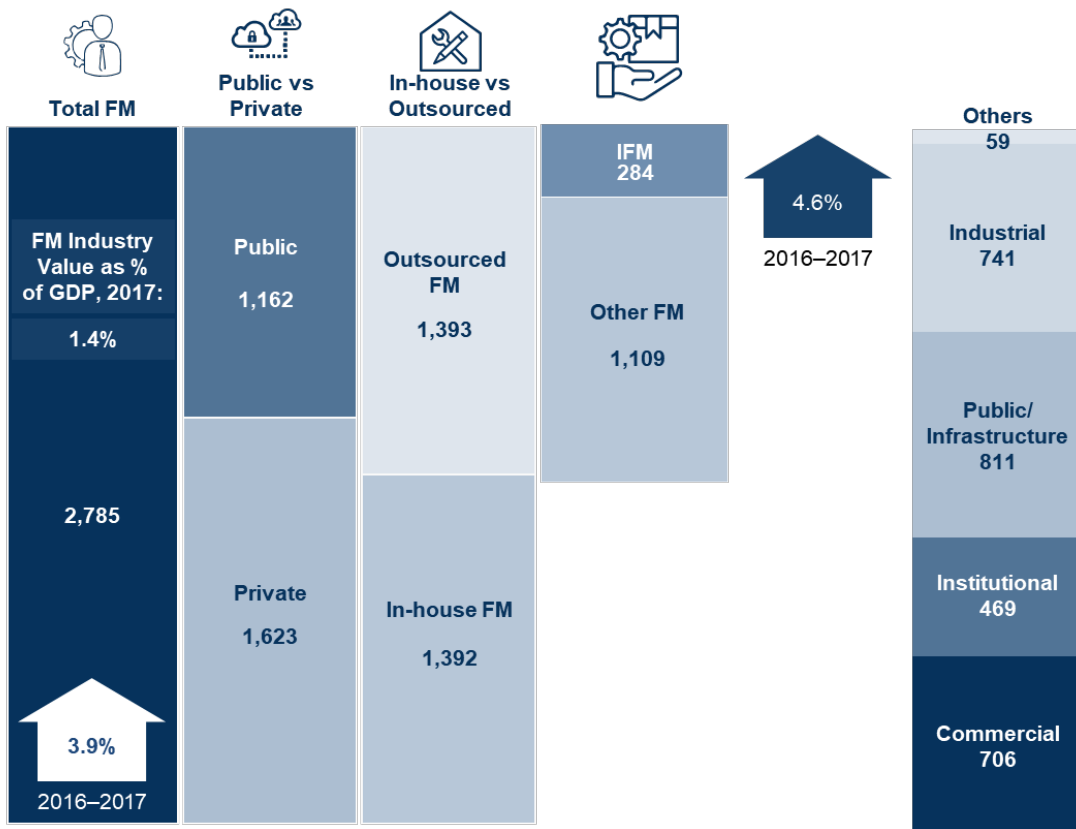
Asia-Pacific



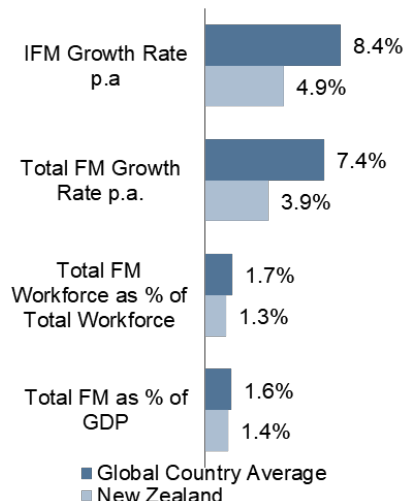
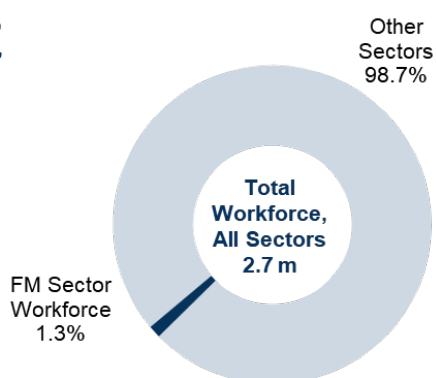
New Zealand

Figure 50: Facilities Management Market, New Zealand, 2017

Unit: \$ million, unless stated otherwise



FM Workforce as % of Total Workforce, 2017



Note: All figures are rounded. The base year is 2017. Source: Frost & Sullivan analysis

Country profiles

Asia-Pacific



Country Commentary

New Zealand's economy is forecast to sustain robust growth at 3% in 2018 and 2019, supported by increased investments in residential projects and government infrastructure spending following business recovery from late 2017.⁷⁸ The shift in fiscal policy under the new government is expected to increase spending across the education, infrastructure, and healthcare sectors.⁷⁹

Backed by a surge in net migration, accommodative monetary policy, and economic activity, the building boom in New Zealand is likely to continue. The promising economic outlook over the medium term is set to drive dynamic population growth and boost construction activities.

The New Zealand FM market trails behind its neighboring Australian market, with IFM penetration rate remaining flat due to cost pressures. This is prompting FM service providers to develop cost-saving tools and solutions that are in high demand. Service providers are also actively pursuing segment-specific penetration as well. The strong outsourcing culture mirroring the Australian trend is projected to drive FM outsourcing and IFM adoption in the country.

In terms of end-user sectors, the government is increasing demand for FM outsourcing given its focus on service delivery quality and cost efficiency requirements. However, commercial office buildings remain the highest adopter of IFM implementation.

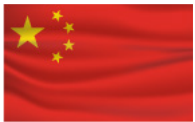
The competitive landscape in New Zealand has a good mix of foreign and local players. Australian service providers are looking at new opportunities in the New Zealand FM market due to the similar business environment and culture in both countries.

⁷⁸ OECD (2018), *New Zealand – Economic forecast summary (May 2018)*

⁷⁹ NZ Herald (2018), *New Zealand's 'solid' economic growth seen continuing*

Country profiles

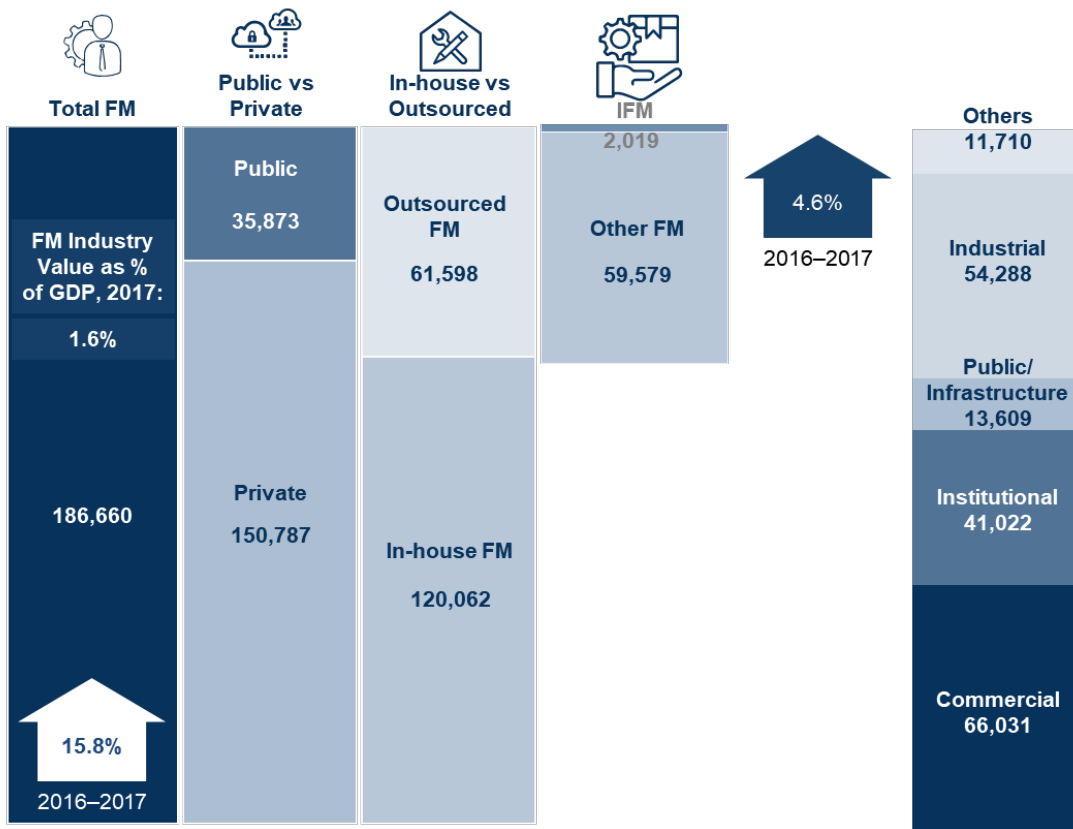
Asia-Pacific



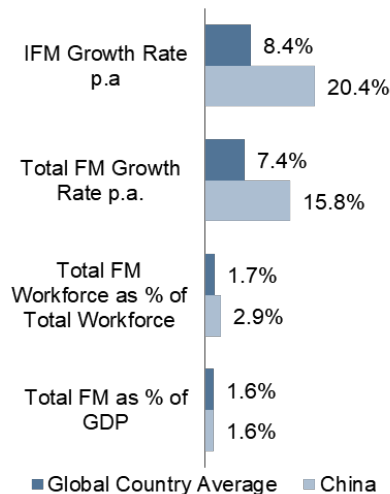
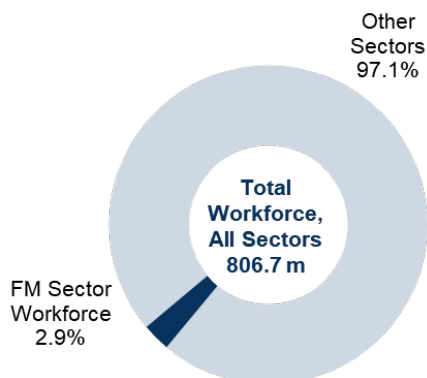
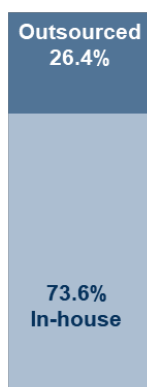
China

Figure 51: Facilities Management Market, China, 2017

Unit: \$ million, unless stated otherwise



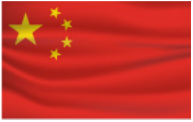
FM Workforce as % of Total Workforce, 2017



Note: All figures are rounded. The base year is 2017. Source: Frost & Sullivan analysis

Country profiles

Asia-Pacific



Country Commentary

China hosts some of the most dynamic construction markets in the world. An increase in the development of high-end commercial facilities alongside large investments on infrastructure projects such as airports, hospitals, and educational institutions make China an attractive market for FM penetration.⁸⁰ Increasing end-user awareness around the benefits of FM outsourcing and service integration are also expected to contribute to FM market development.

Currently, the FM market, in particular, building operations and maintenance are often in-house. Considering the size of China's economy and its vast new property space available, the outsourced FM market remains small, reflecting tremendous market potential. At present, FM outsourcing is limited to commercial hubs such as Shanghai and Beijing.

Demand for IFM among Chinese end users is rudimentary. Companies in China typically focus on rapid growth and often view IFM as non-core to their business. Professional FM is often associated with additional costs, and as such, is favored for prestige and quality reasons rather than for cost savings. Moreover, the quality of construction of many existing buildings in China is considered too low to justify this investment.

The influx of MNCs into China through M&A activities and partnerships with local companies are likely to boost acceptance of more comprehensive or sophisticated solutions in China. These participants approach China's FM outsourcing market as part of a global or regional procurement strategy requiring service providers that can offer a broader scope of services, integrated delivery model, and economies of scale to drive greater value.

Awareness of modern FM concepts is low in China. However, this trend is likely to improve with the emergence of institutions and associations in China promoting standards, compliance certifications, and development of commercial talent to optimize service delivery.

The Chinese FM competitive landscape is highly fragmented, with a high number of localized, small-scale FM providers focusing on single services and the increasing presence of regional providers.

China's vast market potential and increasingly educated end users present lucrative opportunities for FM outsourcing to thrive, while IFM growth is anticipated to be primarily supported by foreign entities operating in China.

⁸⁰ Export.gov (2017), *China – Green Building*

Country profiles

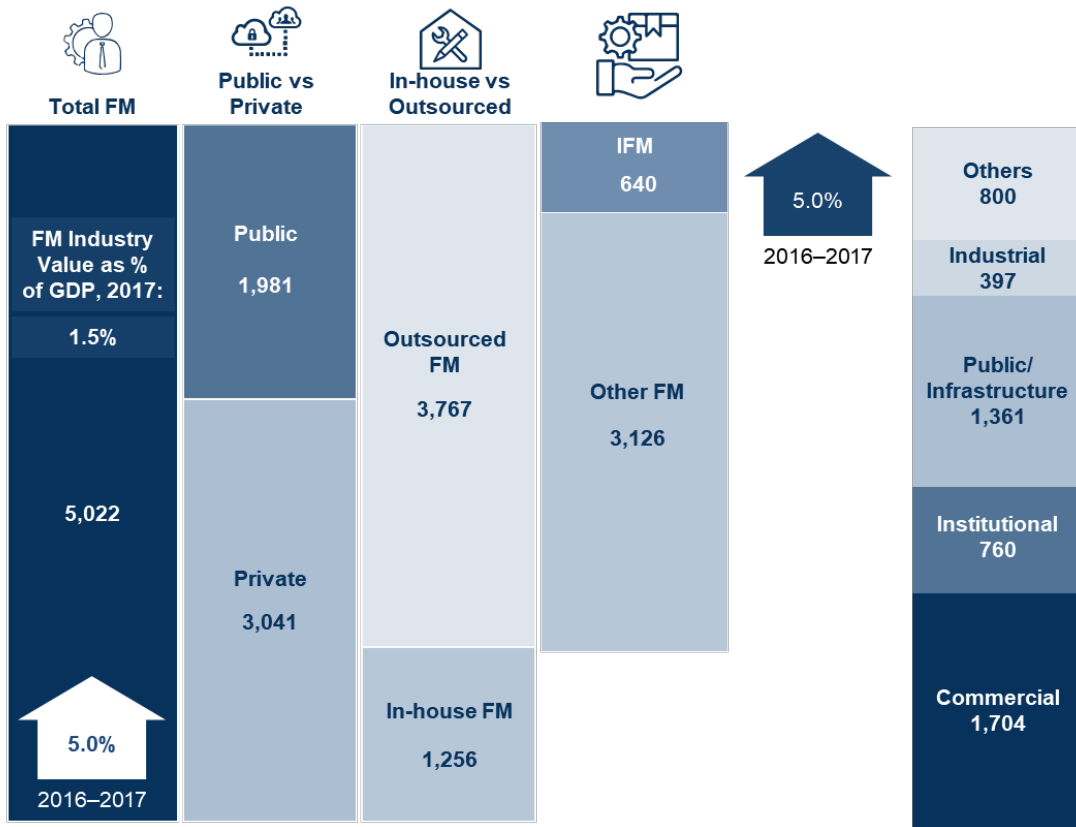
Asia-Pacific



Hong Kong

Figure 52: Facilities Management Market, Hong Kong, 2017

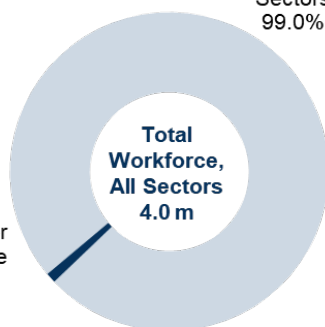
Unit: \$ million, unless stated otherwise



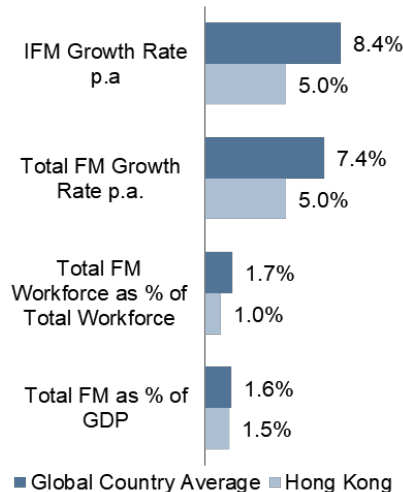
FM Workforce as % of Total Workforce, 2017



FM Sector Workforce 1.0%



Other Sectors 99.0%



Note: All figures are rounded. The base year is 2017. Source: Frost & Sullivan analysis

Country profiles

Asia-Pacific



Country Commentary

Hong Kong posted strong economic performance in 2017, with GDP growth at 3.8%.⁸¹ The market eased in 2018, aligning with slower consumption growth amid a softening housing market, higher interest rates, and heightening external uncertainties.⁸²

Due to the city's legacy as a free market outpost and leading global financial center, the local FM market has high availability of experienced FM professionals. This is also reflective in the local chapter of the International Facility Management Association (IFMA), which has the largest membership outside of North America.

FM outsourcing practices in Hong Kong are moving away from contracting individual service providers to integrated solutions through innovative service delivery models, triggering a new wave of partnership agreements and strategic alliances. Evolving workplace trends, such as short-term workspaces (e.g., serviced offices and co-working spaces), are altering FM service delivery and contracting models as well.

Pricing pressures remain a challenge in Hong Kong's FM market due to the high labor costs. Service providers need to find a good balance between providing cost-efficient solutions to satisfy clients without compromising on service quality.

The vast number of MNCs and leading brands operating in Hong Kong are critical drivers for outsourcing and the adoption of advanced integrated services. Market opportunities are high among business and IT services sub-sectors, with retail following closely as a key contributor to FM demand. Government, transportation, and infrastructure sectors in Hong Kong also offer relatively high demand compared to other Asia-Pacific countries due to their greater awareness of FM outsourcing benefits.

Most global FM service providers are present in Hong Kong as a local arm; subsidiaries of reputable local property developers hold a significant share of the market as well. The value propositions of global FM service providers appeal to most MNCs operating in the territory, while local FM providers target local clientele, including the public sector.

⁸¹ The World Bank (2018), *GDP growth (annual %)*

⁸² CNBC (2018), *'Unaffordable' Hong Kong home prices could fall by double digits'*

Country profiles

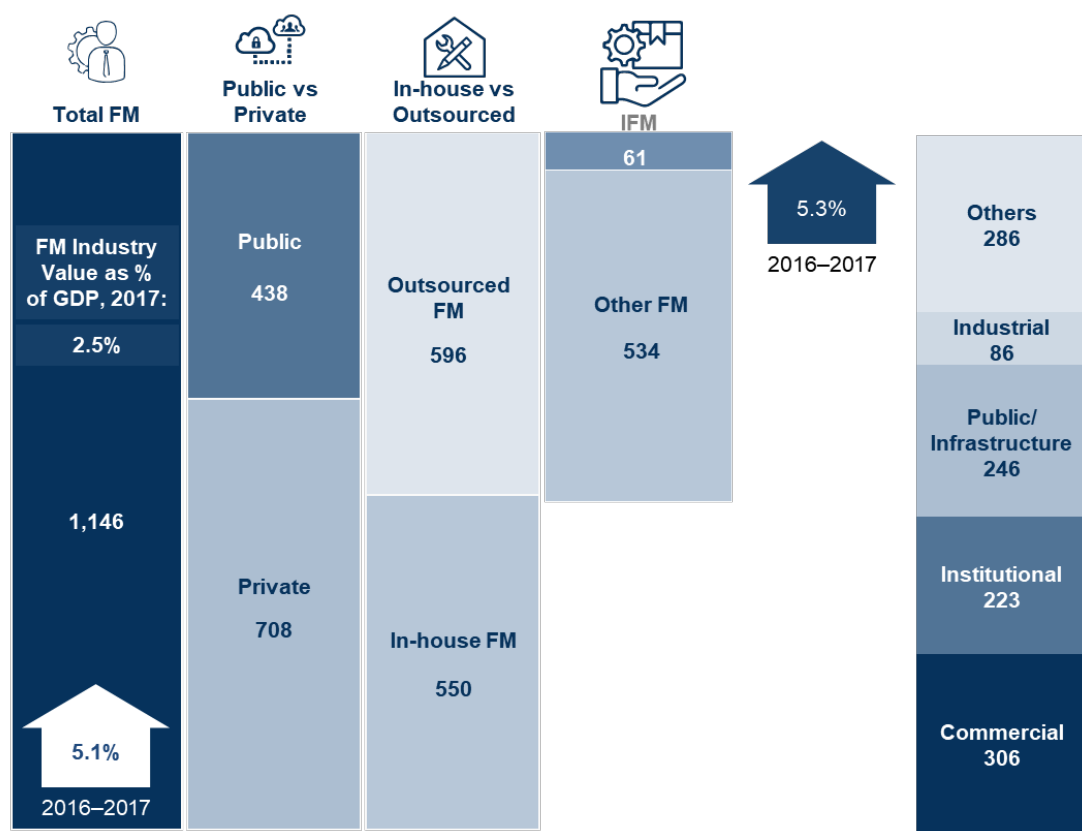
North America



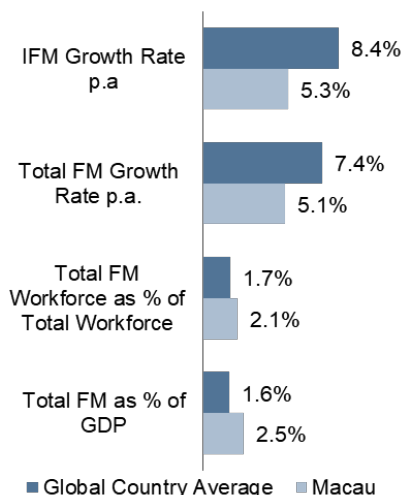
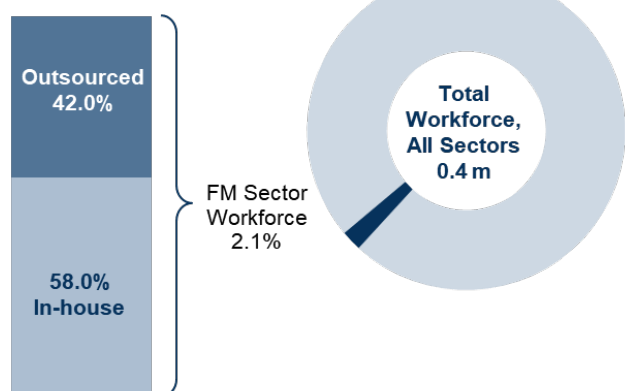
Macau

Figure 53: Facilities Management Market, Macau, 2017

Unit: \$ million, unless stated otherwise



FM Workforce as % of Total Workforce, 2017



Note: All figures are rounded. The base year is 2017. Source: Frost & Sullivan analysis

Country profiles

Asia-Pacific



Country Commentary

Macau's economy grew by 91% in 2017,⁸³ an improvement following three consecutive years of economic contraction. Increase in private and government consumption expenditures have primarily driven growth.

Completion of most hospitality projects with minimal large-scale projects expected in 2018 onwards is likely to be challenging for the construction sector.⁸⁴ The involvement of large Chinese companies in Macau's construction sector has led to a reduction in average wages for local workers since construction projects awarded to Chinese firms tend to use more workers from Mainland China.⁸⁵

Macau has a unique business environment and culture, and vastly diverse buildings and facility types. Being largely dependent on tourism, the country has many high-end, luxurious entertainment and hospitality complexes, such as casinos, retail outlets, and hotels. The increasing presence of foreign property owners and businesses in Macau's entertainment and hospitality industries have pushed for service standardization and greater integration of service offerings to meet and maintain facility standards and international requirements.

End users in the hospitality sector dominate outsourcing demand due to their higher awareness compared to other industries, and necessity for quality, efficiency, and professional services, particularly among large high-end luxurious complexes. The commercial sector follows closely due to its need for consistent, efficient services. Other verticals typically manage FM in-house, particularly among institutional end users.

IFM adoption in Macau is minimal, with demand primarily from the commercial sector. Despite the higher outsourcing rate among entertainment and hospitality facilities, the contracted services are often limited to single services.

⁸³ The World Bank (2018), *GDP growth (annual %)*

⁸⁴ Maxim Recruitment (2016), *Construction in Macau: Past, Present and Future*

⁸⁵ Macau News Agency (2018), *Macau | Coming years to be hard for local construction companies and workers – Contractor*

Country profiles

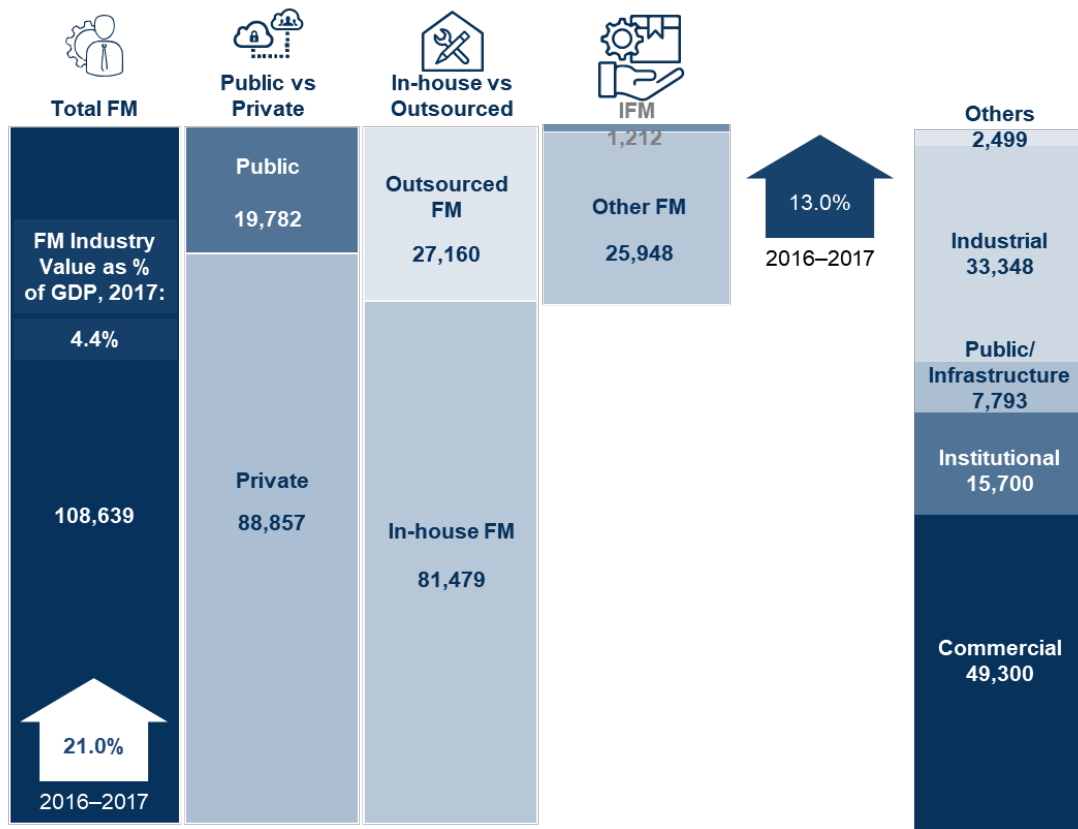
Asia-Pacific



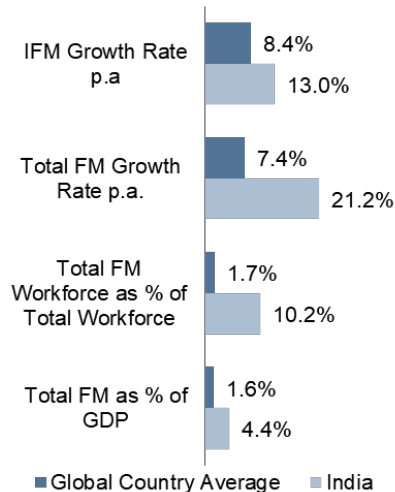
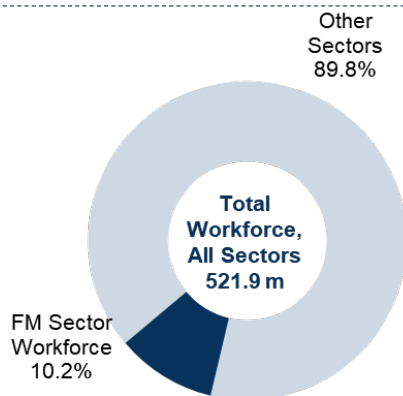
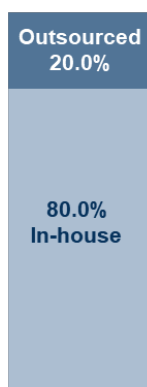
India

Figure 54: Facilities Management Market, India, 2017

Unit: \$ million, unless stated otherwise



FM Workforce as % of Total Workforce, 2017



Note: All figures are rounded. The base year is 2017. Source: Frost & Sullivan analysis

Country profiles

North America



Country Commentary

Being the world's seventh-largest economy, India is estimated to post GDP growth at 7.5% in 2018, growing at the fastest rate among the top 10 largest economies.⁸⁶ The country has the largest youth population globally and is forecast to overtake China as the world's most populous nation by 2024.⁸⁷ This significant demographic shift is expected to transform the country's economy and working environment.

FM demand in India is primarily driven by a booming real estate sector and emphasis on urban development and modernization. The facility management concept is well accepted in the commercial sector with its rate of FM outsourcing services outpacing other industries. Apart from the need to focus on core business activities, businesses are also considering outsourcing to leverage energy-efficient solutions due to the frequent energy supply shortfalls, need to reduce pollution, and the sheer scale of new buildings in main cities. In terms of integration solutions, FM providers are integrating project management and other real estate services under one roof.

FM service providers are keen to provide specialized services as core differentiators to maintain a sustainable competitive advantage. The presence of global and Indian MNCs offers huge growth opportunities for FM service providers. However, the market is increasingly price sensitive and competitive, given the rising consumables, manpower, and operations costs.

Like the Chinese market, awareness of modern FM concepts and IFM acceptance in India remains low. These segments are likely to stay comparatively small in the short and medium terms. Low adoption of IFM is partly due to the shortage of FM professionals equipped with the commercial skill sets necessary to devise and implement integrated FM concepts.

FM providers compete in terms of pricing, good performance record (technically and financially), brand reputation, ability to attract and retain skilled human resources, technology adoption, and proactive marketing strategies to understand and anticipate customer needs.

Joint ventures between international and domestic suppliers and several local FM suppliers beginning to offer integrated concepts characterize India's FM market. Financially secure service providers leveraging local partnerships or M&A activities are likely to thrive in this highly competitive environment. Continued service portfolio expansion based on customer demand, broad geographic presence, ability to offer solutions across multiple lines are key areas of focus for service providers to respond to customers and attract regional contracts.

⁸⁶ The Times of India (2018), *What India's return as fastest growing emerging economy really means*

⁸⁷ United Nations – Department of Economic and Social Affairs (2017), *World Population Prospects: The 2017 Revision*

Country profiles

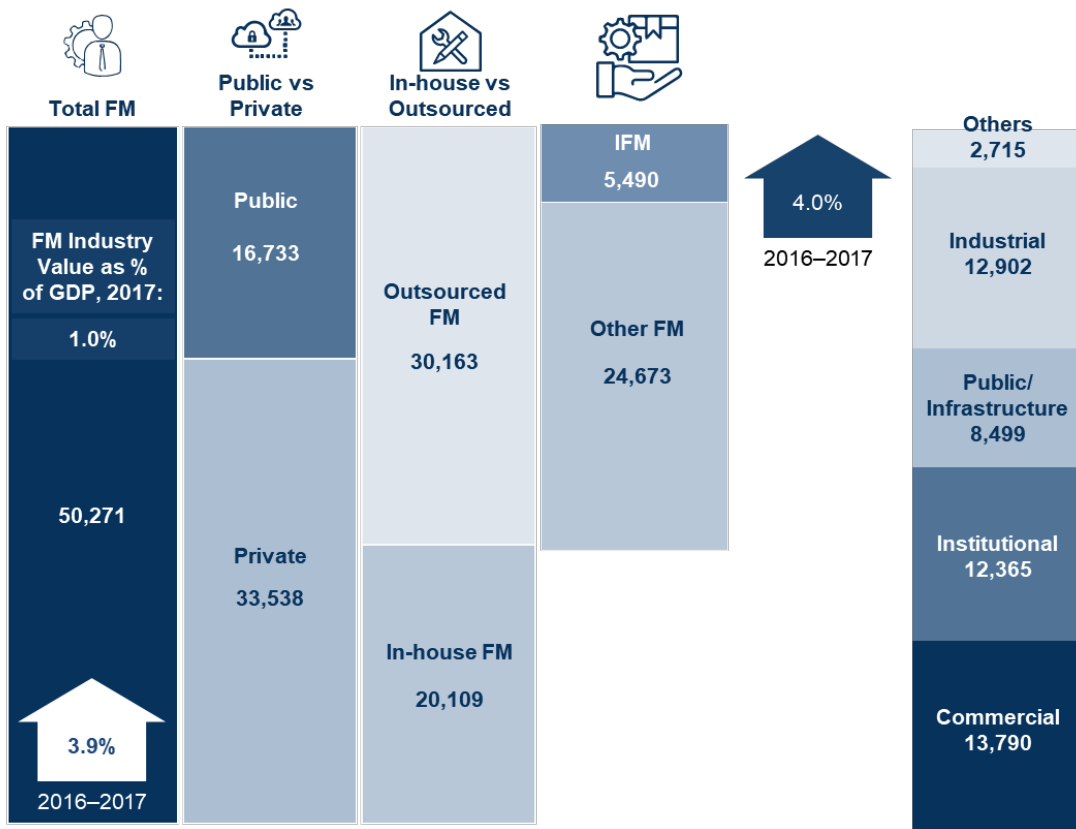
Asia-Pacific



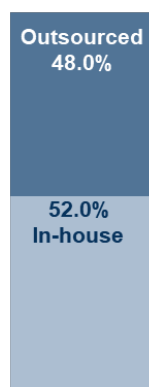
Japan

Figure 55: Facilities Management Market, Japan, 2017

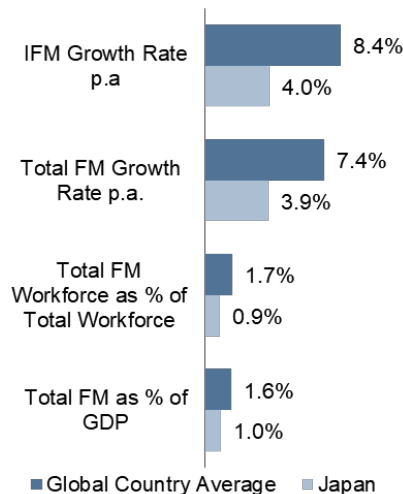
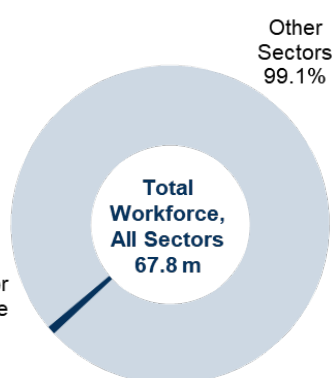
Unit: \$ million, unless stated otherwise



FM Workforce as % of Total Workforce, 2017



FM Sector Workforce 0.9%



Note: All figures are rounded. The base year is 2017. Source: Frost & Sullivan analysis

Country profiles

Asia-Pacific

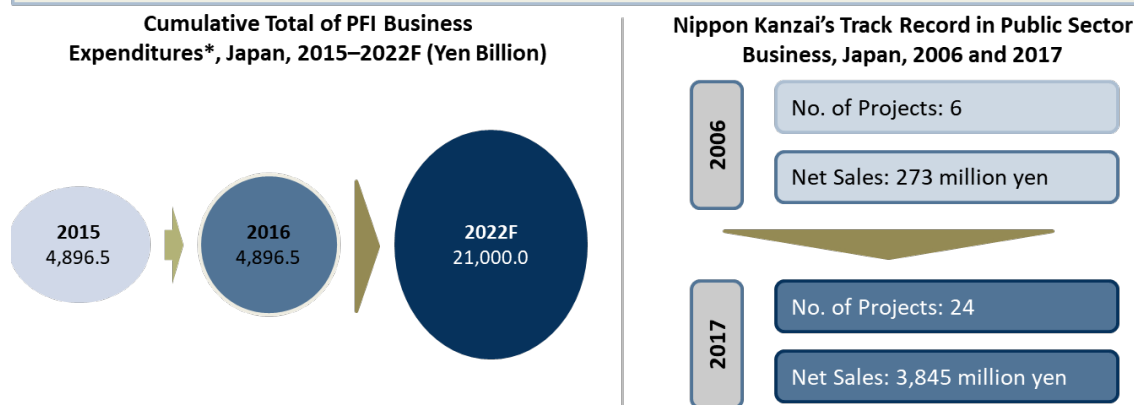


The FM market in Japan is highly competitive, particularly in the commercial office segment. Given its frequent natural disaster incidences, the FM market in Japan has a growing emphasis on high-level building maintenance and need for disaster preparedness. The complexity involved in managing critical functions or sites cost-efficiently are motivating facility owners or managers to outsource.

The 2011 revision of the Private Finance Initiative (PFI) Act allows for greater participation in infrastructure projects by the private sector.⁸⁸ One such key initiative enables private providers to operate and manage existing infrastructure facilities and collect service fees from facility users. This is in line with strategies to lessen the financial burden on the government and municipalities while maintaining facility ownership.

Figure 56: PFI-supported Market Environment, Japan

- Establishment of the Cabinet Office PFI Promotion Council and announced action plan (Action Plan for Fundamental Reform of PFI/PPP) have led to FM service providers mapping strategies to target public facilities. PFI aims to enable economic revitalization and lessen the government's financial burden by involving the private sector in key projects, promoting effective management of facilities while sustaining public interest.
- FM companies such as Nippon Kanzai Co Ltd and Tokyu Community Corp are benefitting from this economic reform.



* Note: Business expenditures refer to the original contract amounts for projects where the public expense sum was determined through the selection of contractors for forthcoming projects, ascertained by the Cabinet Office.

Note: All figures are rounded. Source: Nippon Kanzai; Frost & Sullivan analysis

Concern about costs is another factor driving the outsourcing trend. Service providers, in particular, foreign FM participants, with the capability to offer cost-efficient solutions appeal to end users.

Together with upcoming infrastructure and facility projects ahead of the 2020 Tokyo Olympics, demand for maintenance is expected to stimulate outsourcing demand in coming years.

⁸⁸ The World Bank (2017), *Resilient Infrastructure Public-Private Partnerships (PPPs): Contracts and Procurement – The Case of Japan*

Country profiles

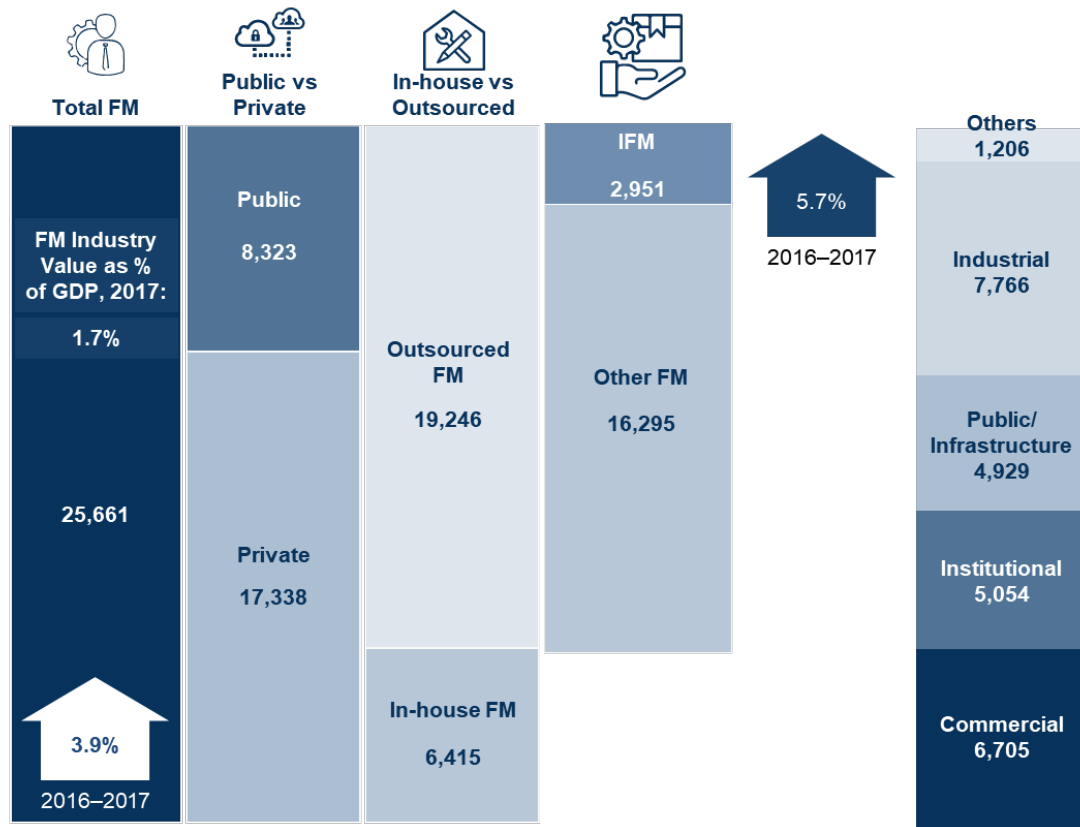
Asia-Pacific



South Korea

Figure 57: Facilities Management Market, South Korea, 2017

Unit: \$ million, unless stated otherwise

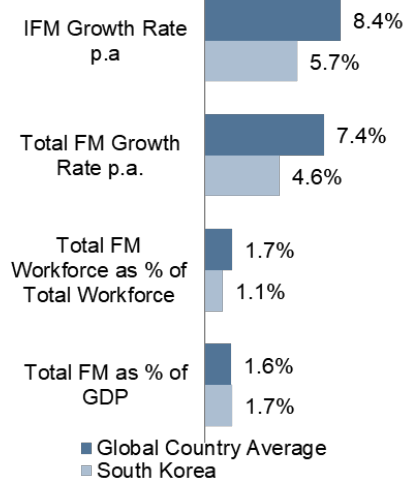


FM Workforce as % of Total Workforce, 2017

Outsourced
60.0%

40.0%
In-house

Total Workforce, All Sectors
27.5 m



Note: All figures are rounded. The base year is 2017. Source: Frost & Sullivan analysis

Country profiles

Asia-Pacific



Country Commentary

South Korea's central bank estimates the country's GDP growth in 2018 at 3%, from 3.1% in 2017.⁸⁹ The continued outsourcing trend alongside rising awareness about high-level building maintenance and quality FM services are critical drivers to FM growth in South Korea. Efforts to control costs and a growing focus on energy efficiency and sustainability, are spurring demand for more sophisticated FM services.

However, South Korea's mature FM market shows some level of saturation, albeit on a lower scale compared to Japan. Conglomerates generate high demand for FM services either managed using in-house teams or via subsidiaries. Large corporations such as Samsung and LG have set up FM subsidiaries to serve both the parent company's facilities and their external clients. Their significant brand presence allows them to secure major public sector projects, providing these conglomerates' FM subsidiaries a competitive advantage in the domestic FM market.

The dominance of FM subsidiaries of large corporations potentially limits the penetration of pure-play and foreign FM service providers. Pure-play FM service providers in South Korea usually serve as sub-contractors of larger FM providers or target SME clients. Foreign providers offering comprehensive services, geographical reach, and best practice implementation, on the other hand, appeal to MNCs operating in South Korea. However, this trend is likely to change as more local corporations indicate a keen interest in the value proposition foreign service providers offer, particularly in integrated solutions. Existing clients that engage providers for a single point of services are primarily attracted by the cost-efficient component often provided by major service providers.

The industrial sector is projected to record the fastest growth due to the sizeable penetrable segment and high level of technology acceptance in South Korea. Large-scale development and activities in central business areas, such as Seoul, remain key contributors to FM demand. While development of logistics infrastructure for online shopping/retail outlets is the main focus area in suburbs and regional areas for service providers. FM demand in both commercial and industrial sectors can be attributed to the relatively larger scale of MNC operations.

⁸⁹ Xinhuanet (2018), *Bank of Korea forecasts S. Korea's economic growth at 3 pct in 2018*

Country profiles

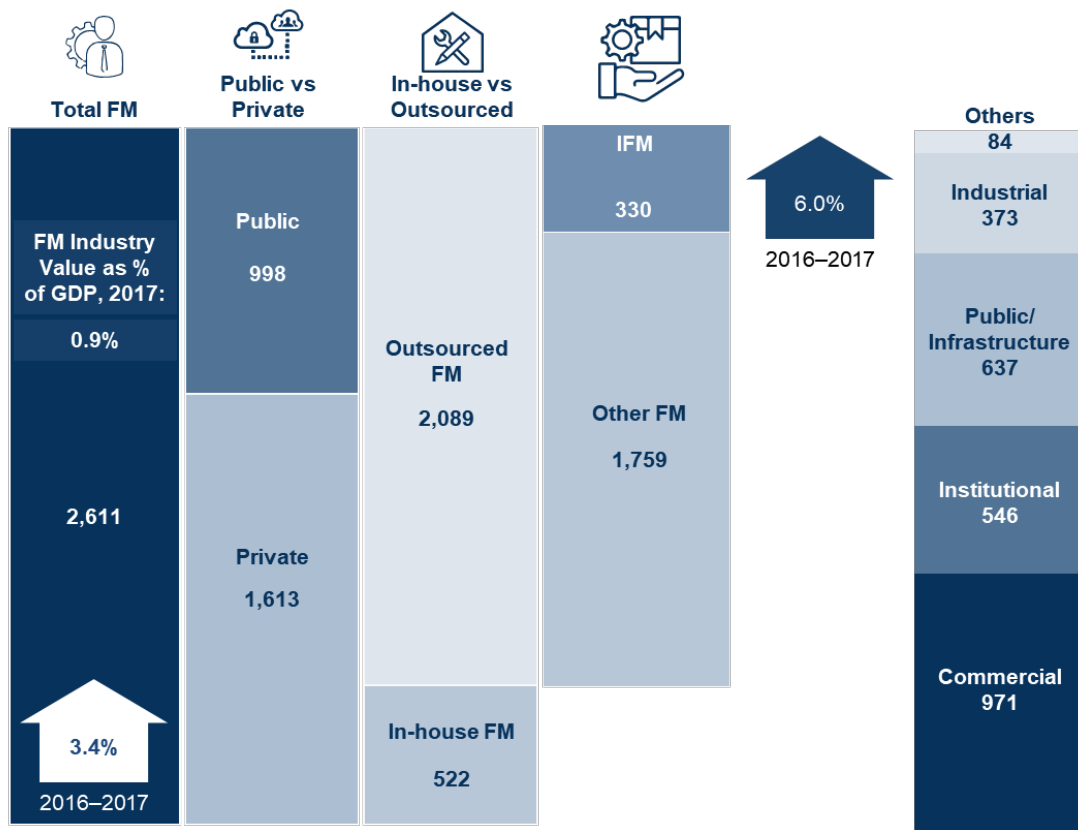
Asia-Pacific



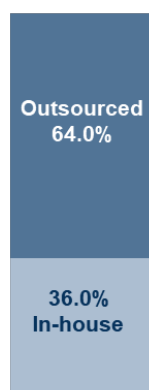
Singapore

Figure 58: Facilities Management Market, Singapore, 2017

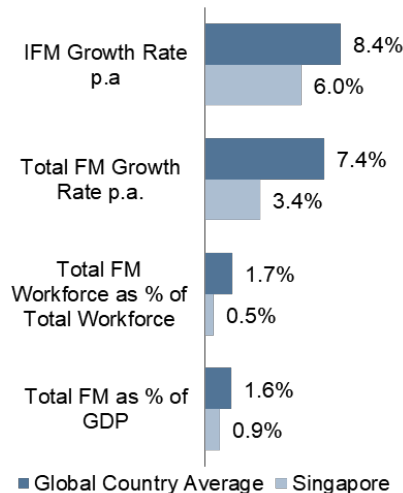
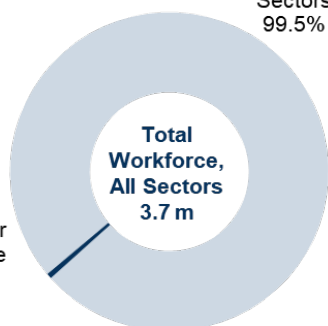
Unit: \$ million, unless stated otherwise



FM Workforce as % of Total Workforce, 2017



FM Sector Workforce 0.5%



Note: All figures are rounded. The base year is 2017. Source: Frost & Sullivan analysis

Country profiles

Asia-Pacific



Country Commentary

Singapore's favorable business environment and high adaptability to new technologies and innovation offer an enabling ecosystem for FM service providers to operate in the country. Its business maturity is evident from the recent large-scale business continuity exercise involving the country's vast financial sector. In August 2017, Singapore's financial sector conducted its fifth annual industry-wide business continuity exercise involving 139 financial institutions.⁹⁰ The exercise created simulated terrorist and cyber attack scenarios disrupting operations and financial services. The high level of preparedness among various industry stakeholders reflects the overall maturity of the Singaporean economy.

Many foreign and international FM participants view Singapore as an attractive base for their first market penetration into the region or to set up regional headquarters. Among the top economies in the Ease of Doing Business rankings for the past 12 years, Singapore has a strong regulatory support framework and high maturity among end users in terms of FM outsourcing and IFM adoption.

Major international and large domestic FM providers dominate the Singaporean FM market targeting significant market opportunities from the country's sizeable base of MNCs. Despite being a market with one of the highest outsourcing rates across multiple sectors, Singapore's FM penetrable base is limited. Providers need to compete for opportunities from contract renewals and expansion of project scope. The commercial sector leads in demand for FM outsourcing followed by the public/infrastructure industry. Integrated solutions are expected to be the next phase of growth in the domestic FM segment.

The FM market in Singapore shows increasing consolidation and M&A activities. Recent acquisitions of reputable local FM providers by foreign entities demonstrate the quality portfolios and capabilities of local participants. Besides acquiring their client portfolios, most M&A activities aim to obtain highly-skilled teams with expertise and technical knowledge or technologies targeting multiple sectors.

⁹⁰ The Association of Banks in Singapore (ABS) (2017), *Financial Sector Tests Response to Cyber and Physical Attacks in Fifth Industry-wide Business Continuity Exercise*

Country profiles

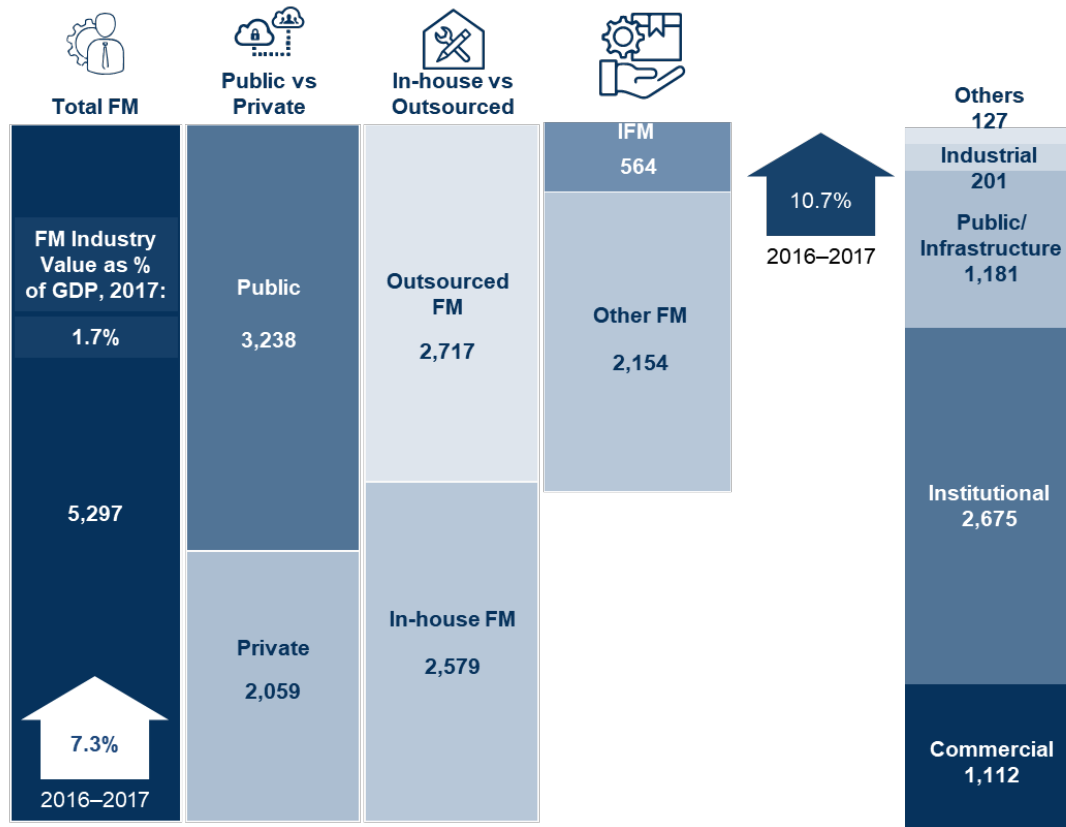
Asia-Pacific



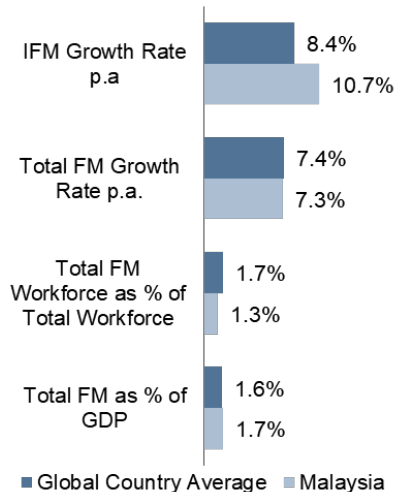
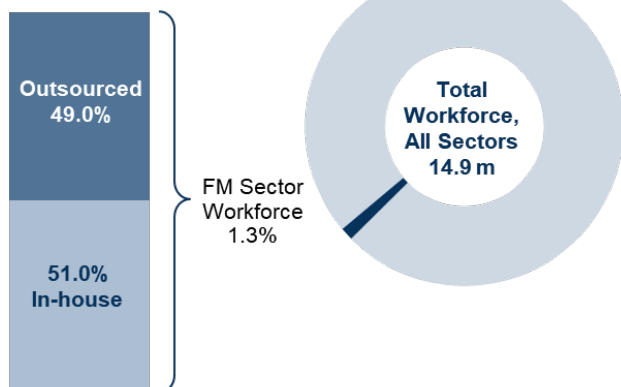
Malaysia

Figure 59: Facilities Management Market, Malaysia, 2017

Unit: \$ million, unless stated otherwise



FM Workforce as % of Total Workforce, 2017



Note: All figures are rounded. The base year is 2017. Source: Frost & Sullivan analysis

Country profiles

Asia-Pacific



Country Commentary

Support for Malaysia's FM market comes primarily from long-term contracts with institutional and government clients, driving consolidation of multiple FM services under one contract or management team, and growing focus on technology-enabled or value-added FM solutions.

A review of most large infrastructure development projects and deals is expected following the change in government in May 2018, triggering concern among investors. A GDP growth of 5.4% and 5.1% is forecast for 2018 and 2019, respectively (from 5.9% in 2017),⁹¹ mainly due to external factors such as the depreciating yuan and China's economic slowdown impacting Malaysia's exports and domestic construction and property industries.⁹² However, these factors are unlikely to influence the FM market in 2018, in terms of existing projects and contract renewals.

The strong outsourcing trend among private and public clients continues to foster FM market development. Institutional clients are major contributors, with the public healthcare system employing long-term concession contracts and the adoption of PPP projects in the education sector. The high maturity levels of end users in the commercial sector are spurring greater acceptance of integrated FM solutions compared to other industries.

The domestic FM market in Malaysia is unregulated with little standardization in service quality or adherence requirements. However, security services or sustainability-focused offerings, involving green buildings and energy-efficient structures are governed by stringent standards and guidelines. Malaysia is an emerging market in Asia-Pacific's green building segment. As of December 2017, the country has 435 Green Building Index (GBI) certified projects, an increase of 15.4% from December 2016. In terms of square footage, there has been a 30% increase in gross floor area certified as green in Malaysia, from 152.5 million square feet as of December 15, 2015, to 200.9 million square feet as of December 15, 2017.⁹³ The government recognizes the need for more green buildings in the country and actively promotes the disbursement of tax benefits and other incentives for energy efficiency.⁹⁴ The anticipated growth in the green building market could encourage facility owners to seek FM outsourcing to achieve and maintain green certification.

The public sector requires FM providers to be certified to participate in government tenders or projects. Large corporations also need FM providers to be certified to be part of their preferred list of service providers and sub-contractors.

Growth of the FM sector in Malaysia is likely to continue at high single-digit rates, leveraging the outsourcing trend and demand for energy-efficient green buildings.

⁹¹ The Star (2018), *Daim tipped for advisory role*

⁹² The World Bank (2018), *Global Economic Prospects | June 2018*

⁹³ Green Building Index (2018), *Executive Summary as of 31 December 2017*

⁹⁴ Green Building Index (2017), *Green Rating Tools in Malaysia – Are we spoilt for choice?*

Country profiles

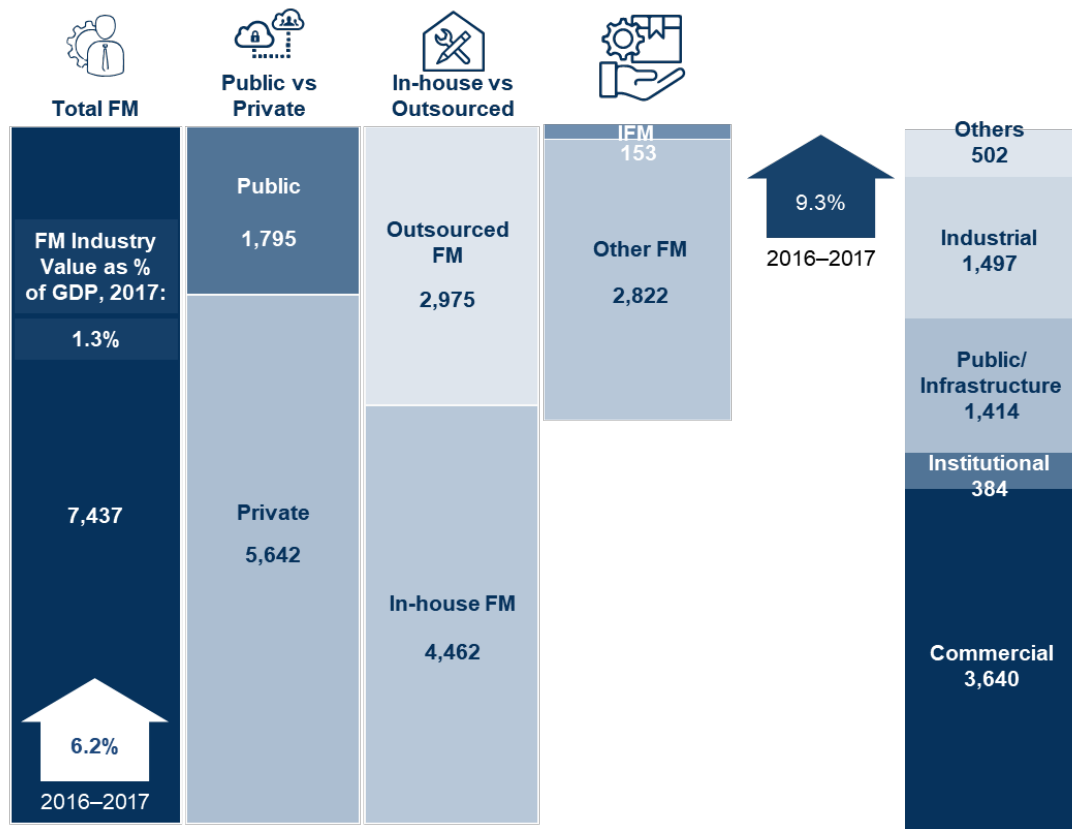
Asia-Pacific



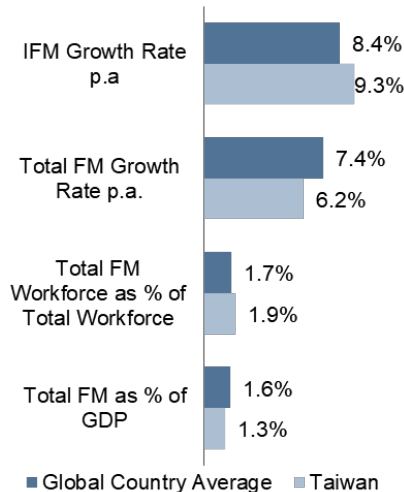
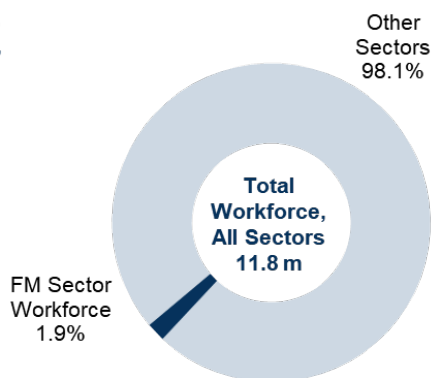
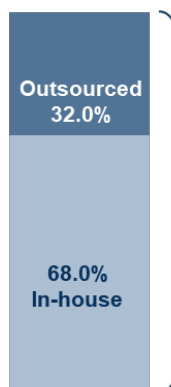
Taiwan

Figure 60: Facilities Management Market, Taiwan, 2017

Unit: \$ million, unless stated otherwise



FM Workforce as % of Total Workforce, 2017



Note: All figures are rounded. The base year is 2017. Source: Frost & Sullivan analysis

Country profiles

Asia-Pacific



Country Commentary

Taiwan's advanced industrial economy is on a moderate growth path, fueled by steady export volumes and consumer spending.⁹⁵ The country's high GDP per capita, regulatory transparency, and market-friendly policies are proving conducive for increasing foreign investment.

As China is Taiwan's largest trading partner, a slowdown in the Chinese economy from stricter monetary policies and uncertainties stemming from the US-China trade war, could pose significant risk to Taiwan's economy.⁹⁶

Taiwan's highly progressive technology industry translates into higher awareness among clients about outsourcing and the adoption of technology-enabled service offerings. The country's aging population also offers considerable market opportunities, with the proportion of people aged over 65 projected to rise from 10.9% in 2011 to 20.6% of the total population by 2026.⁹⁷

However, the outsourcing culture is limited to larger corporations in main cities. SMEs operating in Taiwan typically manage FM services in-house. The market is challenging for international FM participants to penetrate due to the high preference for local participants. The lack of networking would be a disadvantage to foreign FM service providers.

The commercial sector is a key contributor to FM outsourcing, followed by the industrial sector. With Taiwanese companies manufacturing a large portion of the world's consumer electronics and manufacturing facilities advancing in technical sophistication, FM service providers with a strong industrial portfolio and proven know-how have a competitive advantage over others.

Healthcare is another high-potential sector due to its rising outsourcing trend and service quality requirements. Population aging is another driver for FM market opportunities in the healthcare sector.

In comparison, IFM adoption is low despite a greater awareness among end users and high concentration of high-tech industries on the island. Provision of integration solutions is limited to foreign service providers, which has yet to record successful penetration among the local clientele.

⁹⁵ National Statistics Republic of China (Taiwan) (2018), *GDP: Preliminary Estimate or 2017Q4 and Outlook for 2018*

⁹⁶ National University of Singapore – Lee Kuan Yew School of Public Policy (2018), *Are Trade Wars Spiralling into Currency Wars?*

⁹⁷ Lee, H. F. and Yang, T. H. (2007), *Meeting the Challenges of Aging Economy – Taiwan Experience*

Country profiles

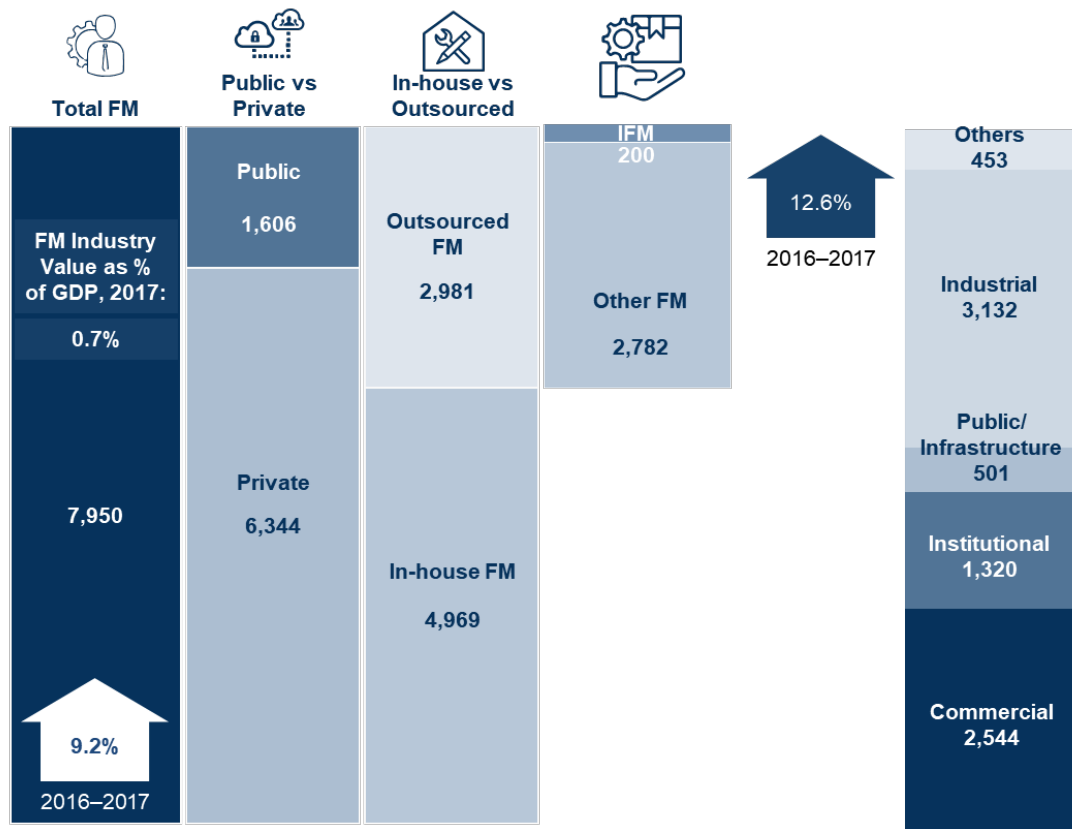
Asia-Pacific



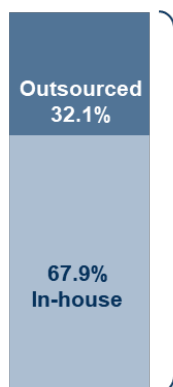
Indonesia

Figure 61: Facilities Management Market, Indonesia, 2017

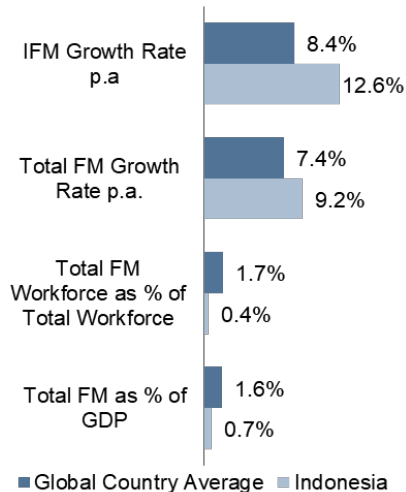
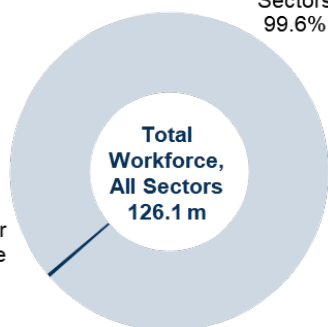
Unit: \$ million, unless stated otherwise



FM Workforce as % of Total Workforce, 2017



FM Sector Workforce 0.4%



Note: All figures are rounded. The base year is 2017. Source: Frost & Sullivan analysis

Country profiles

Asia-Pacific



Country Commentary

Indonesia shows better growth than other Asia-Pacific countries. The 5.1% GDP growth in 2017 and expected 5.2% and 5.3% in 2018 and 2019, respectively are reflective of its fast-developing economic potential.⁹⁸

Demand from commercial and industrial sectors drive the current outsourcing. The large and growing base of MNCs in the country not only leads to the creation of new offices and malls being developed, but also boosts outsourcing culture. A recent example is the five-year \$130 million BPO contract signed by Samsung with Aditya.⁹⁹ The developing BPO industry presents the need for sophisticated FM services to manage facilities that require adherence to high standards and requirements.

Indonesia is also fast-becoming a manufacturing hub for global brands alongside Vietnam in the region. The complexity and increasing sophistication of industrial facilities demand capable FM service propositions, subsequently fueling demand for outsourcing.

IFM penetration is relatively low due to a preference for large domestic single service providers and engagement of multiple service providers. Market opportunities are often limited to MNC clientele and facilities in Indonesia.

Given that Indonesia is an emerging market, the risk associated with regulatory changes could impact foreign providers planning to penetrate the market, as observed in the 2016 ruling limiting foreign MNCs to specific activities or businesses. This has forced a shift in operating and service delivery models, specifically by foreign service providers to comply with regulations.

The government plans for all cities and regions to have 4G network access by 2019.¹⁰⁰ The 4G network access could enable the country to leapfrog to digitally advanced FM services, including cloud solutions, digital analytics, Internet of Things (IoT), and AI adoption.

Another market opportunity is the rising green or energy efficient buildings in Jakarta. The local green building association is working closely with FM participants to promote green building awareness and initiatives. The growing focus on energy efficiency among existing clients is expected to drive adoption among other end users as well.

⁹⁸ The World Bank (2018), *Global Economic Prospects / June 2018*

⁹⁹ Business Korea (2017), *Samsung SDS Accelerates Logistic BPO Business in Indonesia*

¹⁰⁰ Indonesia Investments (2017), *By 2019, 4G Network Available in All Indonesian Cities & Districts*

Country profiles

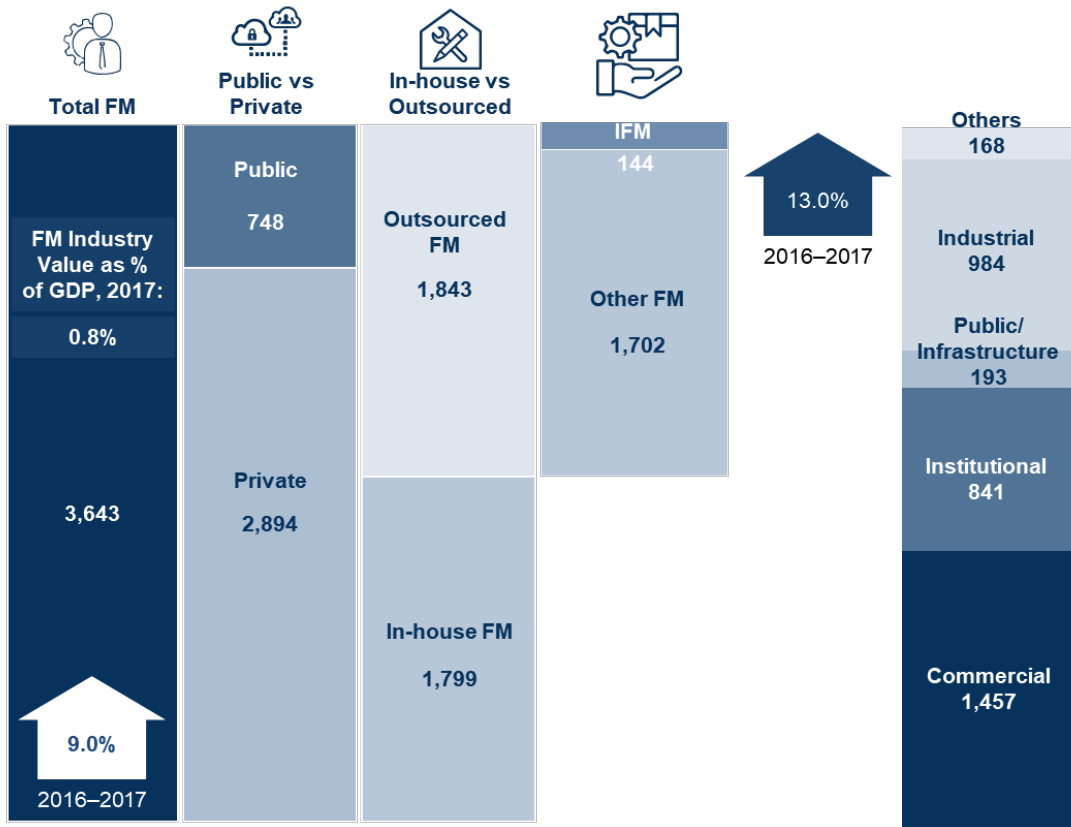
Asia-Pacific



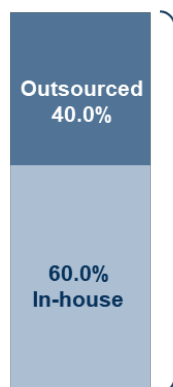
Thailand

Figure 62: Facilities Management Market, Thailand, 2017

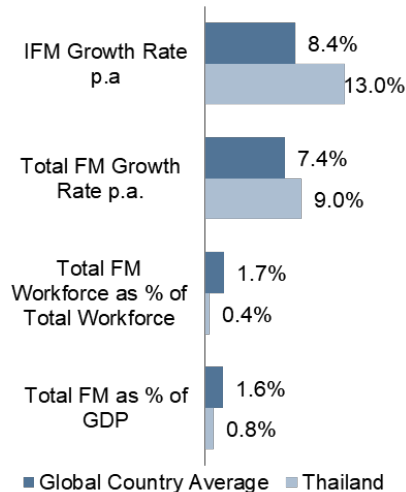
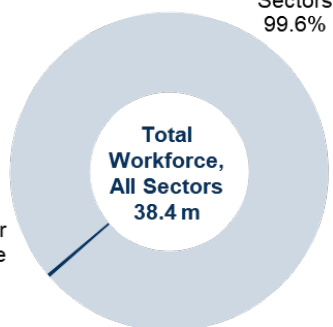
Unit: \$ million, unless stated otherwise



FM Workforce as % of Total Workforce, 2017



FM Sector Workforce 0.4%



Note: All figures are rounded. The base year is 2017. Source: Frost & Sullivan analysis

Country profiles

Asia-Pacific



Country Commentary

The Thai GDP grew by 3.9% in 2017;¹⁰¹ marking its fastest expansion since 2012, spurred by export recovery, improving global economy, and booming tourism. The positive outlook is stimulating construction activity with large infrastructure projects involving the expansion of ports and roads, and the construction of an elevated train line in Bangkok.

The fast-growing commercial, private healthcare, and industrial sectors in Thailand offer opportunities for FM providers. The rapidly growing medical tourism industry in the country positions service providers with relevant portfolios and expertise attractively.

Like Indonesia, the Thai FM market is highly dependent on human resources due to the preference for single service outsourcing. However, the extremely low unemployment rate translates into potential labor constraints in the domestic FM market; however, FM providers are exploring innovative ways to ensure sufficient workforce in place.

As a developing market, there is a high possibility of legislation change as observed in the recent requirement imposed on specific service delivery or skill development. Although the implementation of stricter standards on skills and service delivery are encouraging for overall market development, lack of monitoring mechanisms by the authorities and cost implications, especially for FM providers, could prove challenging. The introduction of regulations affecting security service delivery in 2016 and increase in minimum wages in 2017 are other factors potentially hindering FM growth.

In terms of management, large service providers are shifting from geographic management to sectoral management. This allows company-wide sharing of best practices and leverage structural management. Higher acceptance of new offerings is also enabling local and foreign service providers to introduce technology-driven offerings or innovative delivery models that may be difficult to implement in neighboring markets.

The overall outsourcing trend is skewed toward individual services. IFM adoption remains low due to misconceptions about pricing and poor awareness about the benefits of integrated solutions.

¹⁰¹ The World Bank (2018), *Global Economic Prospects* / June 2018

Country profiles

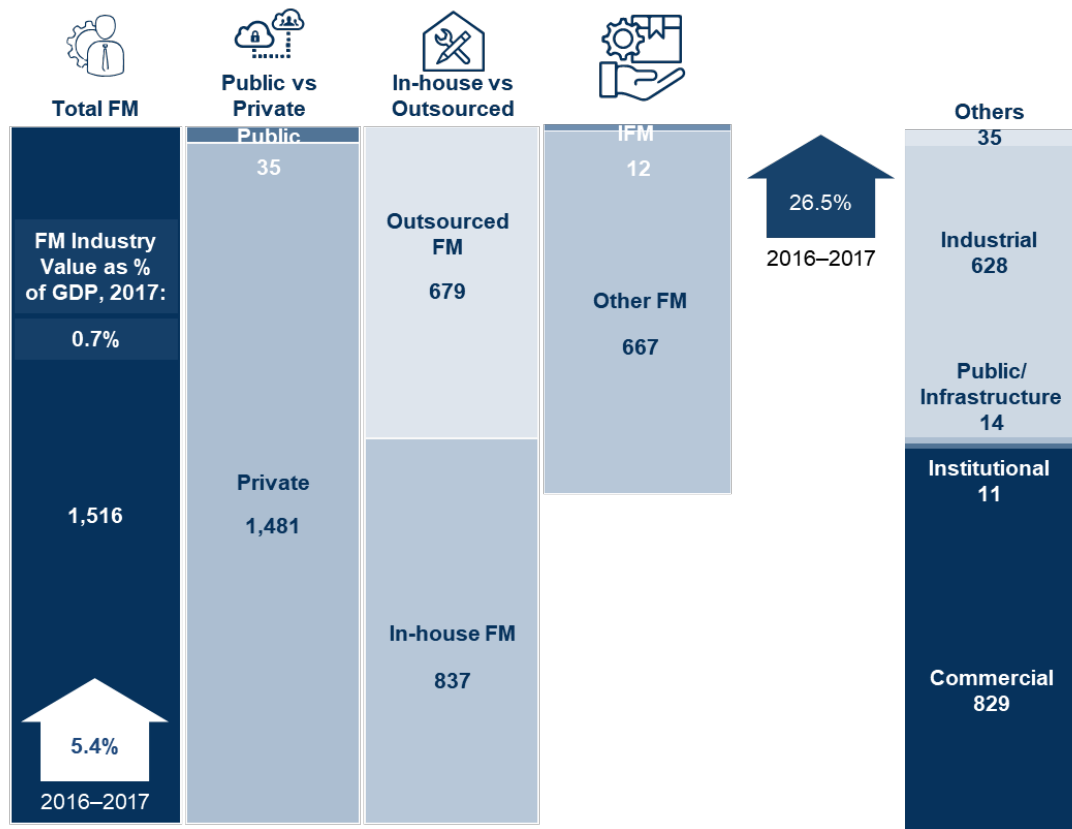
Asia-Pacific



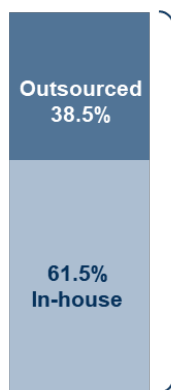
Vietnam

Figure 63: Facilities Management Market, Vietnam, 2017

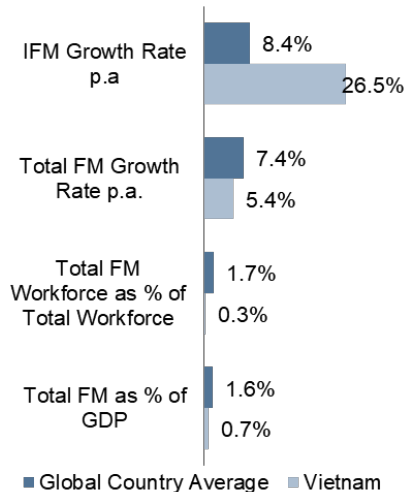
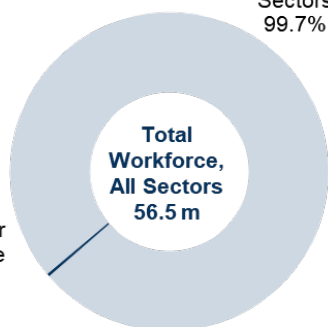
Unit: \$ million, unless stated otherwise



FM Workforce as % of Total Workforce, 2017



FM Sector Workforce 0.3%



Note: All figures are rounded. The base year is 2017. Source: Frost & Sullivan analysis

Country profiles

Asia-Pacific



Country Commentary

Rapid GDP growth rates, evolving work culture, and increasing acceptance of outsourcing are key factors leading to increased adoption of FM and new opportunities in Vietnam. The 6.8% GDP growth in 2017 and expected 6.8% in 2018 position this emerging economy favorably in development potential.¹⁰²

Currently, Vietnam has the smallest FM and IFM markets among Southeast Asian and Asia-Pacific countries, respectively. However, its small base offers tremendous opportunity to the FM sector owing to increasing industrial and commercial activities in the country.

Foreign providers are increasingly showing keen interest in penetrating the FM market as evident from the recent M&A activities in the country. In 2017, Ademco Security Group and International Enterprise (IE) Singapore acquired a 60% stake in TNT Technologies Joint Stock Company (TNT), a security solutions provider in Vietnam.¹⁰³ Japanese FM conglomerate, AEON Delight, has entered the Vietnamese market as well.¹⁰⁴ In late 2016, French Group, Atalian, took over Unicare in Vietnam as part of its multiple acquisitions in Southeast Asia to expand its footprint.¹⁰⁵

The capital city, Hanoi, is taking the lead in attracting investment capital by launching a plan to support the development of industrial clusters for the 2017 to 2020 period, with the aim to attract the growth of enterprises within the industries by 2025.¹⁰⁶ This includes developing support programs to match the ability of local enterprises to meet the international production management and quality standards MNCs require. The higher focus on quality management is likely to boost demand for better managed industrial facilities.

The growing presence of industrial end users, particularly from Japan and China, are likely to spur FM demand, even if limited to single services.

¹⁰² The World Bank (2018), *Global Economic Prospects | June 2018*

¹⁰³ The Straits Times (2018), *Ademco partners IE Singapore to buy Vietnam security firm, aims to grow overseas revenues*

¹⁰⁴ Aeon Delight Co., Ltd. (2017), *Financial Results for the Fiscal Year Ended February 28, 2017*

¹⁰⁵ ATALIAN (2016), *ATALIAN accelerates its development in South East Asia*

¹⁰⁶ Viet Nam News (2017), *Hà Nội to promote development of support industry in 2017-20*

Country profiles

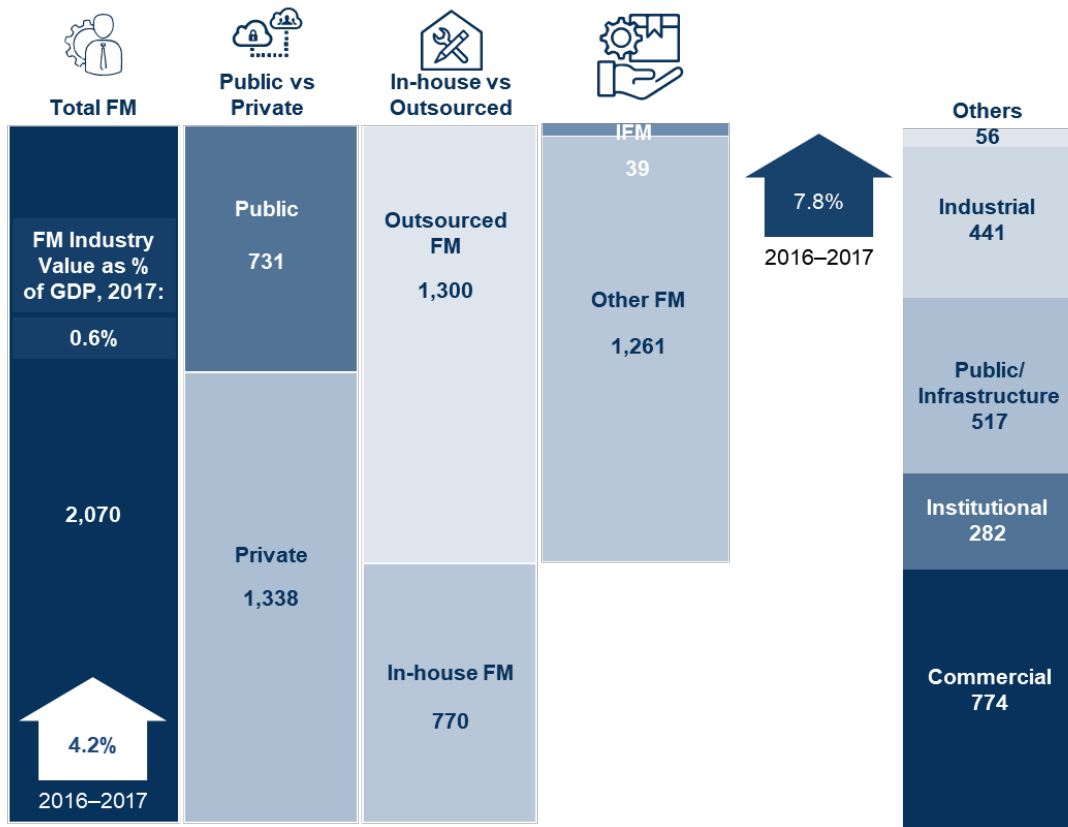
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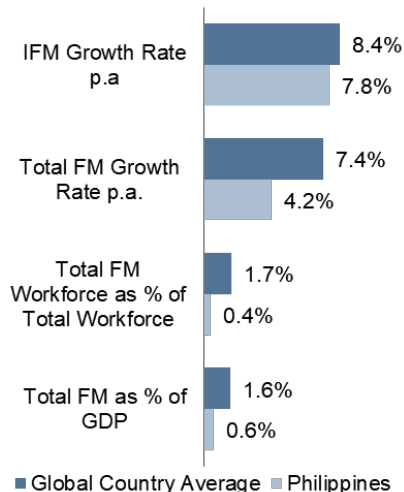
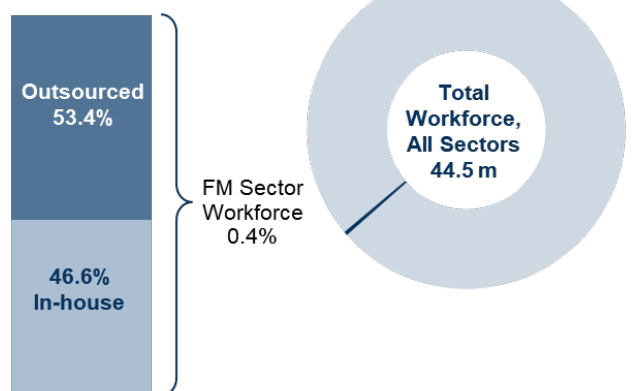
Philippines

Figure 64: Facilities Management Market, Philippines, 2017

Unit: \$ million, unless stated otherwise



FM Workforce as % of Total Workforce, 2017



Note: All figures are rounded. The base year is 2017. Source: Frost & Sullivan analysis

Country profiles

Asia-Pacific



Country Commentary

The economic outlook in the Philippines remains positive with the country posting a healthy 6.7% GDP growth in 2017, which is expected to sustain throughout 2018.¹⁰⁷ The robust growth momentum is fueling the FM market due to the influx of MNCs into the country and expansion of high-growth industries such as business process outsourcing (BPO).

Philippines' strong language advantage coupled with the relatively well-educated labor force, has led to the growth of high-value fields such as engineering and legal BPO services. Its leadership in voice work is reaffirmed by the fact that the country was ranked 16th among the top 20 offshore call center projects in 2016.¹⁰⁸ These facilities need consistent management to adhere to high standards or requirements in security, data protection, and governance.

Clients from high-value fields typically focus on service and operational excellence, which positions global FM providers competitively, particularly providers with the required expertise. For example, a major global FM provider earns 70% of its local revenue from BPO clients. The BPO industry is forecast for robust growth until 2020, signaling lucrative market potential for FM providers.

Global FM service providers have centralized command centers in the Philippines to serve its clientele across Asia-Pacific.

However, IFM adoption across the nation remains low, despite the high number of global service providers in the market due to clients' preference for multiple single service vendors. FM providers are seeking to improve acceptance of comprehensive FM packages by actively building awareness among clients on the benefits of integrated solution adoption, mainly through cost-savings success stories as a result of integrated solution implementation.















¹⁰⁷ The World Bank (2018), *Global Economic Prospects / June 2018*

¹⁰⁸ Site Selection Group, LLC (2017), *Largest onshore, nearshore & offshore call center projects of 2016*

Summary and conclusions

Impact of region dynamics – North America

Figure 65: Impacts of Trends on Value Proposition of FM Service Providers, North America

Trends Affecting FM Value Proposition	United States	Canada
Key Shifts in Demographics and Technology		
Future of Work		
Aging Population		
Female Empowerment		
Generation Y Employees		
Crowdsourcing as the New Outsourcing		
Modular Work Structures		

Impact:

Low  Medium  Medium-high  High 

Source: Frost & Sullivan analysis

Companies increasingly see sustainability as not just a responsibility, but an opportunity for competitive advantage. Historically, the public sector presented more extensive opportunities for solutions focused on sustainability, however, increasing awareness of the benefits to the private sector signal greater potential for expansion to all client types.

The trend toward sustainability is driven mainly by stricter regulatory oversight and legislation. Outsourcing demand for regulatory compliance is expected to become more commonplace, representing more significant opportunity for the FM market.

The North American FM market is likely to benefit from the demand for outsourced energy management services, with revenues forecast to post a CAGR of 7.0% from 2016 to 2020. Innovative FM firms in the region are projected to continue placing sustainability at the core of their services to respond to clients' economic, environmental, and social requirements.





Summary and conclusions

Impact of region dynamics – South America

Figure 66: Impacts of Trends on Value Proposition of FM Service Providers, South America

Trends Affecting FM Value Proposition	Brazil	Mexico	Chile	Argentina	Panama
Key Shifts in Demographics and Technology					
Future of Work					
Aging Population					
Female Empowerment					
Generation Y Employees					
Crowdsourcing as the New Outsourcing					
Modular Work Structures					

Impact:

Low  Medium  Medium-high  High 

Source: Frost & Sullivan analysis

The open environment in Brazil, Chile, Mexico, and Argentina is promising for FM outsourcing. Cities in Brazil are perceived to have FM development comparable to the top developed FM markets worldwide. The supportive legislation toward outsourcing and FM operations is a crucial driver for high outsourcing in the region.

With the São Paulo–Rio de Janeiro Corridor expected to become a future mega corridor and home to more than 50 million people by 2050, the change in urban configurations could become the new engines of growth and development for regional economies. Besides having high demographic concentrations, the mega corridor is expected to have massive economic capacity supported by significant innovative activities and a large number of skilled workers.

Service integration and IFM adoption are expected to increase in Brazil given its strong outsourcing culture in certain parts of the country and high acceptance of innovative solutions; while in Chile, Mexico, and Argentina, the outsourcing trend is set to sustain.

Summary and conclusions

Impact of region dynamics – Europe

Figure 67: Impacts of Trends on Value Proposition of FM Service Providers, Europe

Trends Affecting FM Value Proposition	United Kingdom	Germany	France	Italy	Scandinavia	Benelux	Hungary	Turkey	Greece	Poland
Key Shifts in Demographics and Technology										
Future of Work										
Aging Population										
Female Empowerment										
Generation Y Employees										
Crowdsourcing as the New Outsourcing										
Modular Work Structures										

Impact:
 Low Medium Medium-high High

Source: Frost & Sullivan analysis

The UK's decision to leave the EU, or Brexit, in 2016, is anticipated to be the most significant change bringing uncertainties to businesses and the region's economy. A Chartered Institute of Personnel and Development (CIPD) study has shown that more than one-quarter of employers believe that their employees who are EU nationals are considering leaving their positions in the near future.

Brexit is expected to adversely impact the FM market due to its labor-intensive nature and high reliance on migrant labor. With the country's current dependence on low-skilled migrant workers, especially for the delivery of soft FM services, demand for workers could result in wage increases, and subsequently, higher costs. Workforce concerns could also encourage FM service providers to focus on talent development and the use of technologies to enhance productivity.

Besides the impact of Brexit, the growing importance on workplace wellness among end-users and demand for energy management service outsourcing are likely to raise the bar for FM service providers in the EU.

Summary and conclusions

Impact of region dynamics – Middle East

Figure 68: Impacts of Trends on Value Proposition of FM Service Providers, Middle East

Trends Affecting FM Value Proposition	UAE	Saudi Arabia	Qatar	Bahrain	Kuwait	Oman
Key Shifts in Demographics and Technology						
Future of Work						
Aging Population						
Female Empowerment						
Generation Y Employees						
Crowdsourcing as the New Outsourcing						
Modular Work Structures						

Impact:

Low Medium Medium-high High

Source: Frost & Sullivan analysis




















The key trends influencing the FM value proposition is likely to have little impact on the Middle East, in large part, due to the nascent stage of segment in the region. While the emphasis in this market is aimed at increasing outsourcing, hard FM services are gaining prominence in UAE, and to a certain extent, Saudi Arabia and Qatar. The fairly mature real estate industry in these countries is strengthening utilization of FM-related software, such as computer-aided FM (CAFM) and computerized maintenance management system (CMMS) in high-rise buildings, where managing large volumes of data is a challenge. The adoption of automated building solutions is rapidly expanding in UAE, albeit, still in its infancy. This encourages FM service providers to capitalize on building specific data to effectively manage facilities and attain quicker decision-making.

The year-on-year 35% investment increase in communication infrastructure is forecast to contribute toward improving IT infrastructure and, ultimately, promoting mobility in the Middle East. FM service providers in the region are taking advantage of mobile communication devices to transfer real-time data, such as energy usage, security issues or maintenance schedules to their customers, increasing customer confidence on FM outsourcing.



Summary and conclusions

Impact of region dynamics – Africa

Figure 69: Impacts of Trends on Value Proposition of FM Service Providers, Africa

Trends Affecting FM Value Proposition	South Africa	Egypt	Nigeria
Key Shifts in Demographics and Technology			
Future of Work			
Aging Population			
Female Empowerment			
Generation Y Employees			
Crowdsourcing as the New Outsourcing			
Modular Work Structures			

Impact:

Low  Medium  Medium-high  High 

Source: Frost & Sullivan analysis

The low penetration rate of FM outsourcing in Africa is resulting in a market focus skewed toward the provision of basic services and raising FM awareness. With the region's stringent labor laws and practices, most customers prefer in-house management, making it challenging for FM service providers to introduce more sophisticated solutions.

Among the African nations, South Africa is one of the more mature markets due to its more conducive market environment for businesses to flourish and presence of larger FM service providers. Industry participants are actively contributing to the development of local FM standards and pushing for formal training and skills development through active participation in the local South African Facilities Management Association (SAFMA) to improve the quality of service delivery and promote FM outsourcing among local end users.

Summary and conclusions

Impact of region dynamics – Asia-Pacific

Figure 70: Impacts of Trends on the Value Proposition of FM Service Providers, Asia-Pacific

Trends Affecting FM Value Proposition	Australia	New Zealand	China	Hong Kong	Macau	India	Japan	South Korea
Key Shifts in Demographics and Technology								
Future of Work								
Aging Population								
Female Empowerment								
Generation Y Employees								
Crowdsourcing as the New Outsourcing								
Modular Work Structures								

Trends Affecting FM Value Proposition	Singapore	Malaysia	Taiwan	Indonesia	Thailand	Vietnam	Philippines
Key Shifts in Demographics and Technology							
Future of Work							
Aging Population							
Female Empowerment							
Generation Y Employees							
Crowdsourcing as the New Outsourcing							
Modular Work Structures							

Impact:

Low Medium Medium-high High

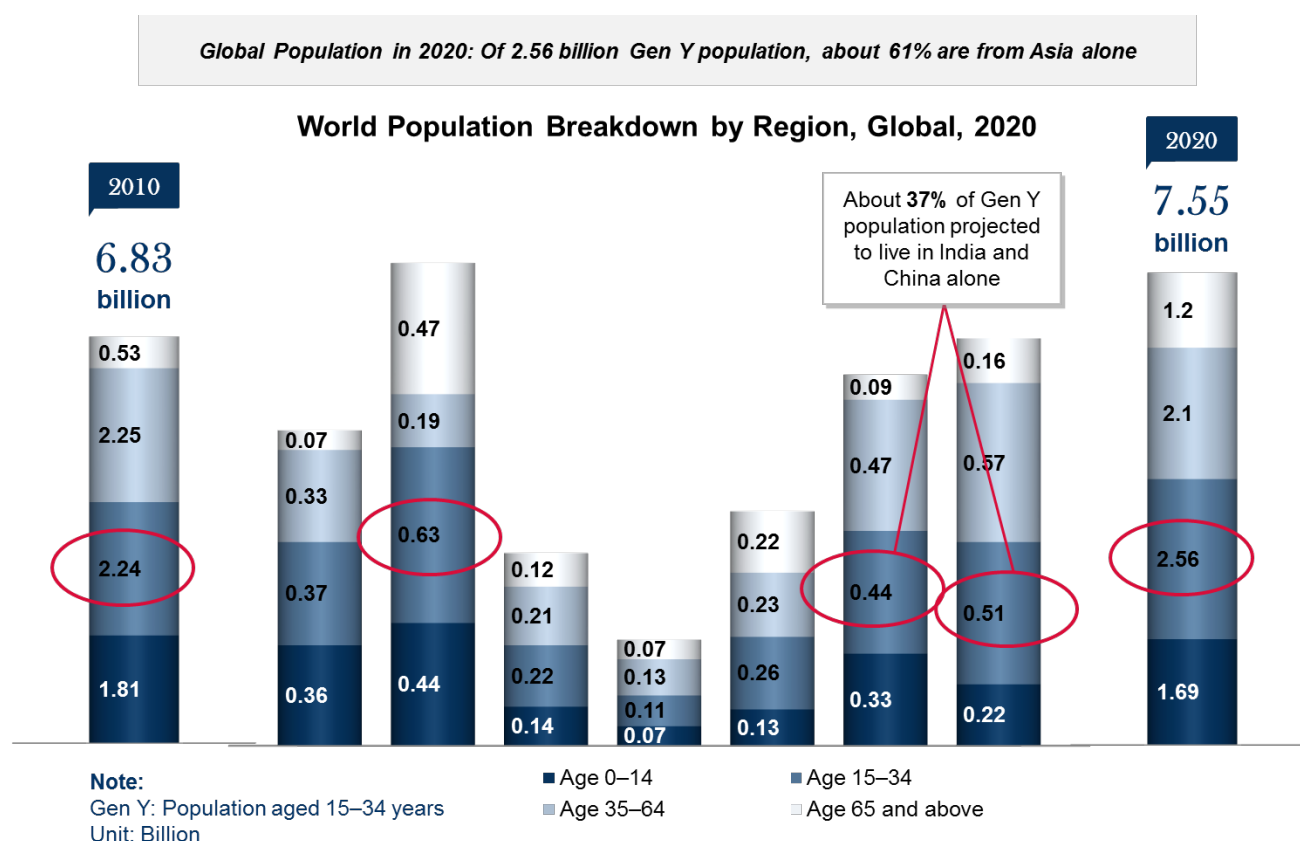
Source: Frost & Sullivan analysis

Summary and conclusions

Of the projected 7.5 billion global population by 2020, about 2.56 billion will be aged between 15 and 34 years, with 61% coming from Asia alone. Asia's Gen Y population, mainly from India and China, will together constitute nearly 37%, becoming one of the most significant groups.

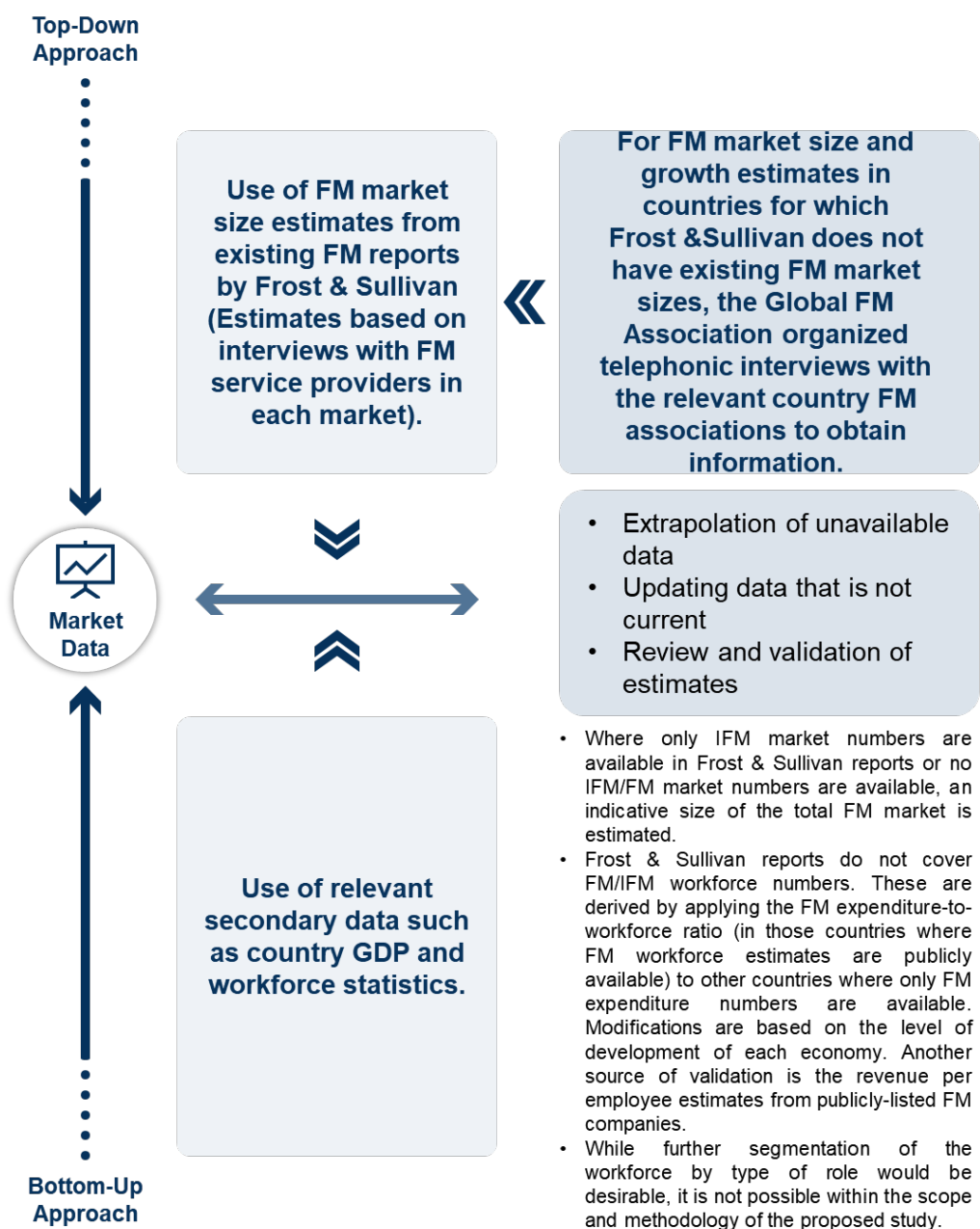
As this age group is most adaptive to change, most willing to experiment given their familiarity with communication media and technology platforms, and prefer real-time access to information or services, these workers are more likely to steer technology adoption and demand for digitally-enabled solutions in the FM market.

Figure 71: Global Population, 2020



Source: US Census Bureau, 2010 and Department of Economic and Social Affairs of the United Nations

Research Methodology



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