

£3 Billion Sales Boost for FM Market in 2022

4 years ago



A new report on the UK Facilities Management market from MTW Research has found that whilst the cost of Covid-19 will exceed £11 billion in lost revenue by 2026, prospects for the market are positive with a £3 billion sales uplift in 2022.

The 100 page report reviews the legacy of Covid-19, highlighting near term labour, profitability and other operational challenges but places this into context within wider positive FM market trends and opportunities, forecasting double digit growth over the next 4 years.

Proptech represents a key positive FM market trend in 2022 according to MTW, with growth in disruptive technology boosting healthy sales opportunities. Discussing this trend, MTW's director Mark Waddy said *"Trends in FM technology and process innovation are enabling FM providers to develop an 'empathic response' to service provision, boosting added value by more closely integrating with the client and anticipating their needs."*

Public sector FM grew share of the FM market in 2020/21 as commercial demand slowed in response to the pandemic. MTW identify that this trend is now reversing in 2022 though public spending plans published in March 2022 were further revised upward by 2.8%, on top of a real terms increase of £150bn announced in 2021. This growth, coupled with a steadily strengthening private FM outsourcing sector underlines a fundamental strength in the FM market for the medium to longer term with MTW forecasting the market will reach 98% of pre-Covid sales in 2022.

Despite high inflation, real term growth is set to return in H2 2022 with full year 2023 growth expected to outpace inflation as international and domestic inflationary pressures steadily ease. However, MTW also

identify a number of issues dampening growth prospects. One example is the trend of insourcing, with caterers, cleaners, security and maintenance contractors having become so well integrated that they are viewed as the 'lifeblood' of the organisation and so are adopted as employees. This trend is often also supported by unions and so has gained further traction as a result.

The report also highlights growing challenges in the TFM market, with a growing trend of FM contractors focusing on specialism rather than broad spectrum service delivery in order to develop more defined brands and enhance margin opportunities. More selective tender submissions and enhanced margin protection continue to become increasingly evident across the FM market in 2022 as the quality of service rather than volume of contracts grows in significance. Nevertheless, bundled FM services continue to dominate the market in 2022, rising by more than 13% over the entire review period.

Best performing sectors in recent years according to MTW include the contract cleaning market and security sectors whilst the property maintenance and catering markets performed generally in line with the overall FM market. By 2026, sales from these 4 sectors alone will generate more than £55 billion of sales in cash terms.

The report also identifies some of the more recent mergers and acquisitions and forecasts M&A will grow rapidly in 2022, underpinned by private equity which continues to price trade buyers out of the market. As private equity continues to grow share of the FM market, M&A activity is set to rise by some 35% in 2022 compared to 2019 levels. The report is available to purchase from £595 from MTW Research's website www.marketresearchreports.co.uk where a free sample is available to download or by calling 08456 524324.