

“Unveiling the Immediate Future: Projections and Insights from 11,200 FM Contracts”

3 years ago



Insight from Baskar Sundaram, Director, Baachu Works Limited

The shadows of conflict in Ukraine has engulfed the economies across the globe with businesses struggling to keep their growth momentum going. With soaring energy bills and high inflation, UK has had its share of adverse impact.

The business community is constantly innovating to stay buoyant in these disruptive times, coming as it did after back to back pandemic years.

The FM industry in UK through the use of technology is trying to pull all stops to keep growing in these turbulent times.

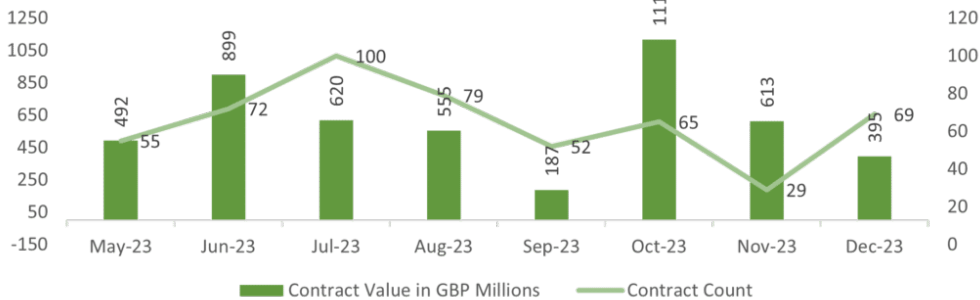
What does 2023 hold for the FM industry?

Through an objective and data-driven approach, we aim to explore the possibilities that lie ahead for industry players. Based on Baachu's extensive database of more than 11,200 contracts, we have uncovered some promising insights.

In the remainder of this year, the FM market is poised to offer significant opportunities to suppliers through contract renewals, with an estimated contract value exceeding £4.8 billion. By analyzing the month-wise breakdown of the number of contracts and their respective values, as depicted in the graph, we can gain a better understanding of the vast prospects awaiting stakeholders.

According to our database, approximately 521 contracts across various services and market sectors are set to expire in the coming months of this year. Notably, the largest 100 contracts are scheduled for renewal in July, while the highest total contract value of approximately £1.1 billion will be up for fresh bidding in October 2023.

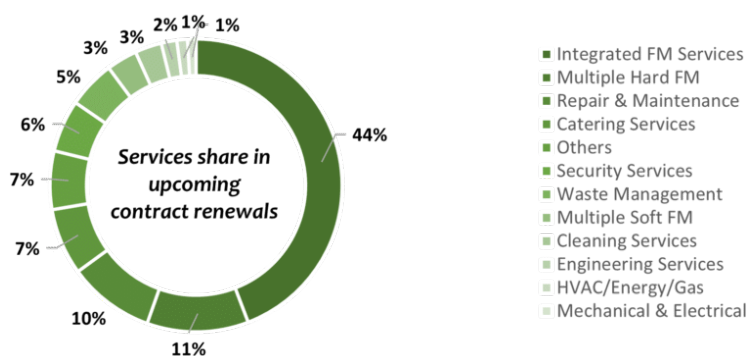
Upcoming Contract Renewals



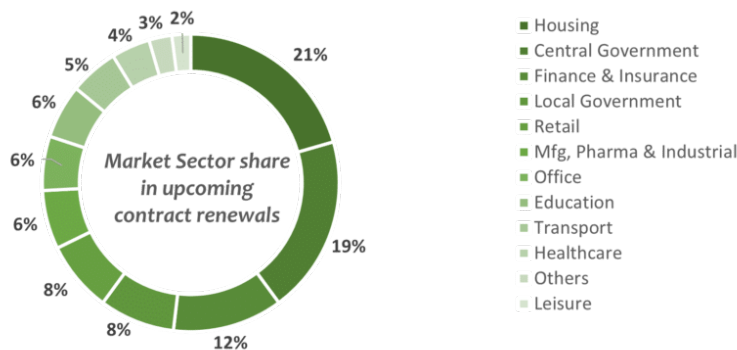
The data comes with 80% robustness on the contract value as the information on all contracts is not publicly available. Baachu uses hypothesis based on sectoral & services averages of contracts similar in nature.

Out of the 521 contracts, the contract value information is not available on 86, for which the above mentioned assumptions have been made.

Services share shows Integrated FM services will supersede others in terms of demand during the year. With a share of 44% and a TCV of ~£2.1 billion, buyers will look for suppliers providing a bouquet of FM services for sheer convenience of dealing with a single partner for all outsourcing needs.



The Market Sector scenario shows Housing Sector will take the lead with 21% share in the TCV, however, Local government authorities will offer the maximum contracts numbering to 113 during the year. The central government authorities will put up 59 contracts worth ~£943 Million up for bidding cornering 19% share.



In addition to the prospects emerging from the renewal business, the industry will also see growth opportunities emerging from new contracts.

Looking at the overall potential that the market holds for the industry from the insights that can be inferred from the data, some key elements can be summarized as:

- The UK FM Market sizes up to 48 billion USD (excluding PFIs, Projects, Waste and IT) annually as per Baachu's contract based valuation relying on its database.
- The estimates are based on the data of more than 11,200 contracts that Baachu maintains as on date in both Public and Private sectors.
- The Public sector contributes 32 billion USD to the total market while Private sector holds contracts worth 16 billion USD
- Soft FM which includes Catering, Cleaning, Security, Waste Management, etc is among the most sought after among the services with a 32% share.
- Among the Public sector buyers Central Government authorities take the lead to outsource FM services with a 21% share closely followed by Healthcare.
- Office Category among the private sector takes the lead with a 14% share of all FM spends.

The overall information is based on the 11,294 contracts available with Baachu. Out of these, 1833 contracts (1109 Public & 724 Private) contract value is not publicly available and 4,945 contracts (4710 Public & 235 Private) where contract duration is not available. To plug these data gaps, Baachu has used Sectoral & Services averages of contracts similar in nature.

The FM industry is expected to witness consolidation as suppliers seek growth through both organic and inorganic means, such as mergers and acquisitions. These strategic moves aim to create synergies and enhance profitability for the companies involved. Additionally, such consolidation allows suppliers to meet the comprehensive FM needs of their clients, aligning with the growing preference for integrated FM services among buyers.

Despite the challenging economic climate, the FM industry shows promising signs of resilience, with projections indicating robust growth in the coming period.