Markets

Market snapshot: The state of facilities management contracting in the Gulf

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The genesis of facilities management (FM) can be traced back to the 1970s when it was a little more than a janitorial and caretaker service focused on building maintenance and cleaning. Then, cost-cutting by businesses in the 1970s and 1980s led to the outsourcing of non-core services such as lighting, heating and plumbing.

In the 1990s, services like property management, space planning and relocation were added to FM services and a decade later business processes including payroll and human resources also made it to that growing list. These 'integrated facility management' (IFM) service contracts gained increasing market share over providers of single services.

A final concept of what FM entails is still evolving and becoming more complex as companies seek to add more services and revenue to contracts, and this evolution is particularly visible in the Gulf states.

Different levels of maturity

Mature markets have a greater understanding of their needs and have set up robust service level agreements (SLAs) driven by key performance indicators that are typically performance-based and output-driven.

In the less mature FM markets, contracts tend to be input-driven, setting out required numbers of people and types of equipment, with little focus on the outputs of an FM contract.

In the Gulf Co-operation Council (GCC) states, Oman and Bahrain are on the less mature end of the scale.

The UAE's more mature FM market is becoming fiercely competitive and price sensitive, further compressing already thin margins.

This can have adverse effects on the quality of FM service delivery as smaller maintenance companies call themselves FM providers and bid low to win work. Clients should query bidders' experience and the technical competence of their staff.

Other GCC states are catching up. The Saudi government is leading the way with new asset and facility management standards, called "Mashroat".

These came into being in 2015 and typically cover asset, condition, operations, maintenance, contracts and supply chain management, besides financial planning and HSE, to name a few.

As an indication of Saudi Arabia's embrace of FM, last summer Hill was awarded a contract to manage 2,500 schools by the Tatweer Building Company (TBC). Such a contract was rare in terms of its size.

TBC's portfolio consists of 7,000 schools and several hundred office administration buildings. It will oversee the construction of new schools and provide asset management for the Saudi Ministry of Education.

Looking into the future

With crude oil prices reaching US$65/barrel, growth is expected in the Gulf's FM sector.

The prime source of Gulf states' earnings, oil prices were hovering at around US$80/barrel five years ago but have since seen a downward slide due to Covid-19, reaching as low as US$20/barrel.

Saudi Arabia's giga-projects, like Neom and the massive Red Sea tourism development, should boost the FM market considerably.

In the UAE, eyes are on the delayed Expo 2020, due in October this year, with hopes that it will help revive the Dubai property market, giving a downstream boost to the country's FM market.

FM has definitely taken hold in the region. In the UAE, Hill International had just one dedicated FM staff member in 2016, but now has 200.

Growth has been even faster in Saudi Arabia, where Hill had just one FM specialist in 2019, with between 50 and 60 today.

- *Brian Murphy is FM sector lead and Rami Elbadawi is FM director for the UAE at Hill International*

Image: Aerial view of Dubai (Thanzi Thanzeer/Unsplash)