FM in Saudi Arabia -
an Emerging Giant
The current FM market in the Kingdom is worth around $20B – larger than previous estimates as a high proportion of FM services are delivered using basic manpower supply companies rather than FM service suppliers.

Even taking this into account, the market is small relative to the scale of the country’s building infrastructure, reflecting the historic low cost, low quality approach to building maintenance.

We estimate that just under one third of the market –predominantly in the public sector - is currently outsourced.

The UAE is the leading FM market in the GCC region, with most FM firms based there. Dubai has been the focus of the market, but FM outsourcing rates are increasing across the whole region. The Saudi public sector is highly outsourced, but the private sector tends to insource or use simple manpower supply companies, rather than procure full FM solutions.
However it remains unsophisticated, with much of the market served by labour supply companies

As FM markets mature, we typically see development along four key axes:

1. Contract structures evolve from single service or basic manpower contracts through bundled multi-service contracts to fully outsourced “total FM”

2. Contract performance measurement develops from the use of input-based measures (no of men supplied) towards outcome-based performance contracts

3. Customer / supplier relationships move from transaction-based, short-term contracts towards long-term collaborative partnerships with shared rewards

4. Delivery moves from simple man-power based services with high degree of subcontracting towards an increased use of technology to deliver high quality / high value services, typically with limited or no subcontracting

At present Saudi Arabia remains at the starting gate of industry development, trailing the UAE – arguably the most advanced FM country in the region – as well as the more developed industries in Europe and the US.

The current position of Saudi market evolution against the four key axes relative to the UAE and UK markets is illustrated below:
Customers and suppliers in our survey point to five key reasons for the lack of industry development

1. **Cost-driven customers**
   - Contracts are awarded to the lowest-cost contractor
   - Clients are often unaware that quality FM lowers the lifetime cost of an asset
   
   “*It’s very much a cost-driven market - we struggle to convince customers of the value of good FM*”

2. **Unsophisticated approach to asset management**
   - FM is not well understood and is considered only as “preventive” maintenance under O&M
   - Major projects do not consider FM / O&M during the design phase
   
   “*There is no input from maintenance engineers at the early stages of construction projects*”

3. **Workforce lacks training**
   - Education is not aligned to fulfill training requirements of the FM sector
   - There are no recognized FM qualifications
   
   “*It’s a real struggle to find qualified staff capable of delivering high-quality FM, as a result of the lack of education*”

4. **Lack of regulation**
   - There is minimal O&M - specific regulation currently in place
   - Current contractor certifications provide little assurance of quality
   
   “*The MOMRA classifications for suppliers are inadequate at identifying contractors with the right skills or experience to operate effectively in specialist sectors, e.g. hospitals*”

5. **Unattractive as a career to Saudi nationals**
   - FM is seen as an unattractive career by Saudis
   - FM companies have difficulty meeting the minimum Saudi employment percentage, set by the Saudization programme
   
   “*At present, no Saudi nationals want to work in the FM sector because wages are poor, contracts are short and there is little job security*”
With FM relatively small compared to the Saudi economy and outsourcing relatively low, growth drivers are in place.

Industry participants believe that conditions are right for a major change in the market

- There is a huge amount of new infrastructure due to be completed in the next 3 – 5 years, much of it highly sophisticated buildings that need more than just breakdown repairs. Only international firms will have the capabilities to manage these buildings”
- “Many Saudis have experienced Dubai and have seen the level of customer satisfaction that good FM can bring and they want to have the same in Saudi Arabia. The big UAE developers are investing here and will bring their approach to FM with them. Local developers will need to take a similar approach or else they will not survive”
- “International suppliers are bringing a smarter approach and increased quality with them. International developers – such as those used for Smart Cities – are also driving this change.”
- “4 years ago there were no notable international FM companies in the region. Now I can count around 10.”
- “If the Government is serious about changing the way it buys O&M services it will make a huge difference. The Government is by far the largest customer and if it starts to require proper FM approaches the market will have to change”
Major new infrastructure, built in conjunction with international developers, will come on stream in the next 3 – 5 years

**King Abdullah Financial District**
- Providing over 3m sq. m of space
- Huge supply of offices in high-quality and sophisticated infrastructure

**King Abdullah Economic City**
- Providing 1m jobs and homes for 2m residents by completion
- Will also contain a sea port and industrial districts

**Jizan Industrial City**
- Will cover 117m sq. m
- Around 300k residents by completion and 500k new jobs
- Provides commercial and residential as well as industrial space

**Kingdom City**
- Will cover over 5m sq. m in Jeddah
- Will be home to Kingdom Tower
- Hosts both residential and commercial development
We forecast growth of 13% over the next 3 years; higher in some sectors, e.g. real estate and health

In the past few years we have seen market growth in the region of 10 - 12% per year and this is set to accelerate going forward with new infrastructure coming on stream and a major new Government initiative launched to improve the standards of FM across its estate.

With sophisticated new infrastructure projects reaching completion in both sectors we expect the real estate and healthcare to experience the highest growth rates. Industrials should also benefit from continued efforts to diversify the economy away from Oil and Gas.

Growth of FM Market in Saudi Arabia

Saudi Arabia has the potential to be far and away the largest FM market in the region, and trends in both private and public sectors suggest that it is now poised to realize that potential and shed its historic low-cost low quality image.

The fundamental economic drivers, coupled with the Government’s ambitious regulatory plans suggest to us that after many years of failing to deliver on its potential, the Saudi market is about to emerge into the giant it has always promised to be.
About Credo

Credo is the leading strategy consultancy to the FM sector, with international experience across a full range of hard and soft FM, energy services and broader business services. We have worked for many of the leading companies in FM, supporting them in issues ranging from corporate strategy and M&A support, bid engine optimization and major bid support, through to target operating model implementation, restructuring and cost reduction.

We operate globally and have carried out assignments in over 40 countries. We now employ a team of over 50 world-class professionals. Our commitment to growth is further supported by the opening of our Dubai office, cementing our position in the middle East and Asia and strengthening our ability to serve our clients’ global needs.

Example Credo FM Clients.

Contact

Alistair Stranack
alistair.stranack@credoconsulting.com
+971 56 350 7895 (UAE)
+966 55 152 3938 (KSA)

Richard Lomer
richard.lomer@credoconsulting.com
+971 52 934 5999 (UAE)
+966 59 041 3341 (KSA)

Simon Bones
simon.bones@credoconsulting.com

London Office
12 Arthur Street
London EC4R 9AB
United Kingdom

Dubai Office
2908 Platinum Tower
Cluster I, Jumeirah Lakes Towers
Dubai, UAE

For additional information, please contact:
P.O. Box 126732 Dubai, UAE
Tel: +971 4 454 9844
info@mefma.org
www.mefma.org

A registered member of:

Official Partners

Global FM

MEFMA
Middle East Facility Management Association
جمعية الشرق الأوسط لإدارة المرافق

RERA
The Real Estate Regulatory Agency

DUBAI REAL ESTATE INSTITUTE

THE LEADING REAL ESTATE INSTITUTE IN THE U.A.E.