



Q4 2022: RICS UK Facilities Management Survey

Demand still rising across most sectors, although deteriorating economic conditions appear to be dampening momentum somewhat

- Demand for FM services continues to grow across most sectors, albeit at a moderating pace
- Workloads still anticipated to rise in the year ahead although employment expectations turn much flatter than before
- Cost savings seen as the most significant driver of demand, with energy management the strongest area of growth

The Q4 2022 RICS Facilities Management Survey results are still indicative of a generally firm backdrop across the industry, even if demand growth and employment expectations have moderated of late. Shown in Chart 1, demand for FM services continues to rise across the vast majority of sectors covered, albeit the pace of growth (in net balance terms) has softened relative to the Q3 survey results. This slowing in momentum is most evident across manufacturing as the net balance of respondents reporting an increase in demand eased from +46% last quarter to +17% this time. Likewise, although still positive, the latest net balance regarding demand for serviced business space moderated to +28%, down from a recent high of +66% in Q2. In both cases, faltering economic growth is likely a large contributor to the loss of impetus. Nevertheless, the retail sector was the only category not to see at least some pick-up in demand, with the latest net balance of +3% indicative of a stagnant trend.

When looking at the main drivers of FM demand, 50% of respondents continue to see potential cost savings as the critical factor. Alongside this, 21% feel that hygiene and safety is key in driving interest from clients, likely linked to more rigorous disinfection protocols introduced since the pandemic. Another lasting legacy of the pandemic has been the rise in working from home. During Q4, respondents on average reported that only 44% of workers have returned to the workplace on the same schedule as pre-Covid. This share has not seen any increase from last quarter, when the estimate stood at 46%.

With respect to employment levels across the FM industry, a net balance of +46% of respondents cited an increase in headcount over the latest survey period (similar to last quarter's figure of +51%). Looking ahead however, employment expectations for next year have flattened out. Indeed, the latest net balance of +8% (down from +29% previously) is now pointing to only marginal growth in employment over the coming twelve months, representing the softest reading for this indicator going Q4 2020.

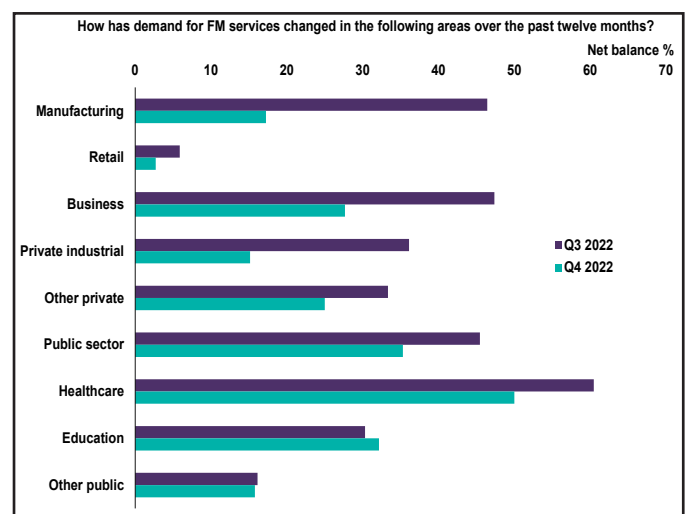
Further examining the feedback on recruitment over the Q4 survey period, 65% of respondents highlighted issues in sourcing workers for jobs in building operation and maintenance, with an equal share also citing difficulties in finding suitable candidates for support services roles.

Meanwhile, 58% of survey participants also report having trouble filling property management positions.

For the coming year, the outlook for workloads across the FM industry remains solid, with a net balance of +67% of contributors anticipating a pick-up. That compares with a reading of +85% last quarter, suggesting expectations are not quite as buoyant as beforehand but overall activity is still seen remaining on a solid upward trajectory nonetheless. That said, the outlook for profit margins appears more downbeat, evidenced by a net balance of -37% of survey participants now envisaging a deterioration in margins over the next twelve months (a further decline on last quarter's reading of -26%).

With high energy costs continuing to place significant pressure on businesses, 66% of respondents report that investment into energy management solutions has been the fastest growing area of sustainability over the past twelve months. What's more, this share has now increased in each of the last five quarterly reports. By way of contrast, whereas health and well-being was singled out as the fastest expanding area of sustainability by 42% of respondents back in Q3 2020, this has dropped to just 20% in the latest results.

Chart 1



Key indicators

Chart 2

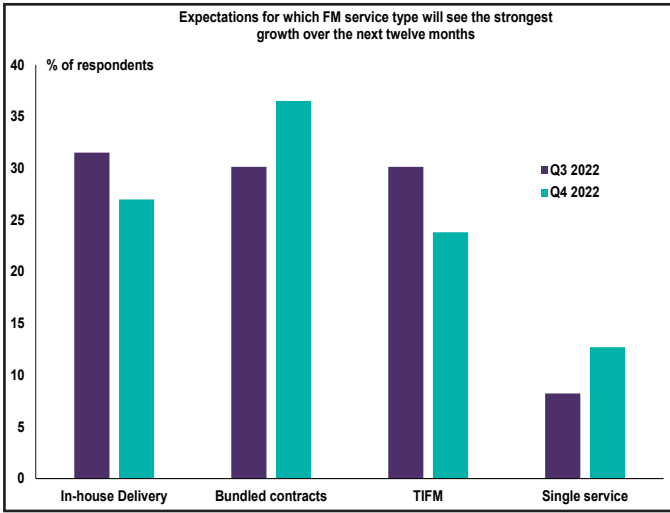


Chart 3

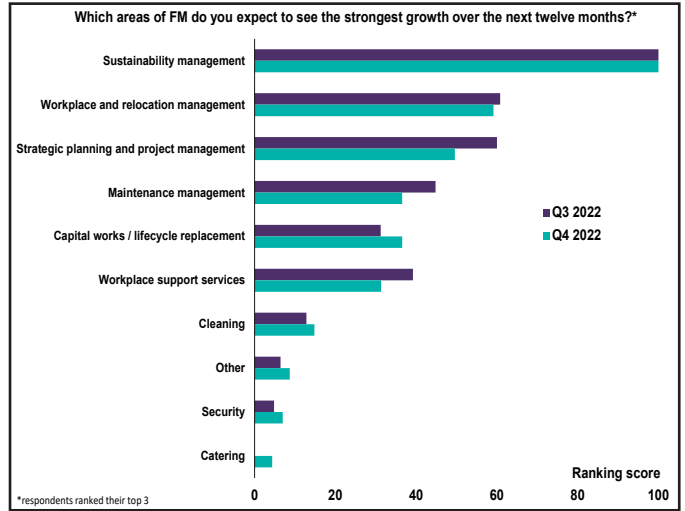


Chart 4

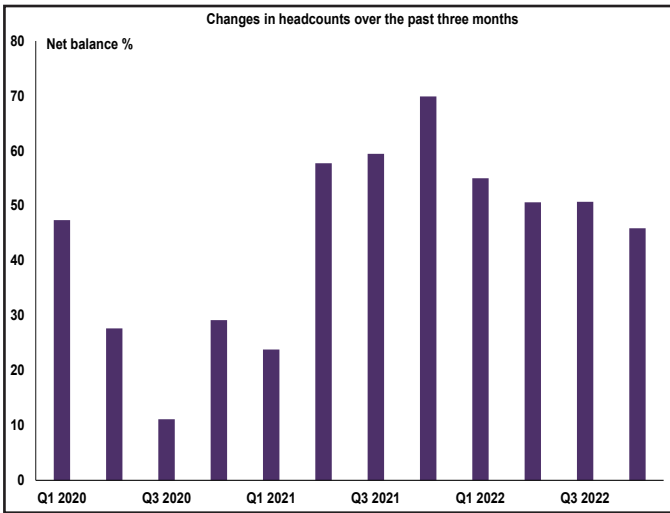


Chart 5

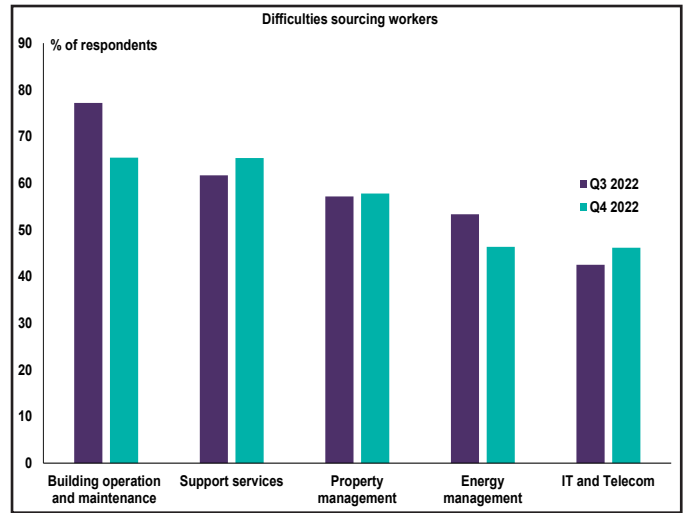


Chart 6

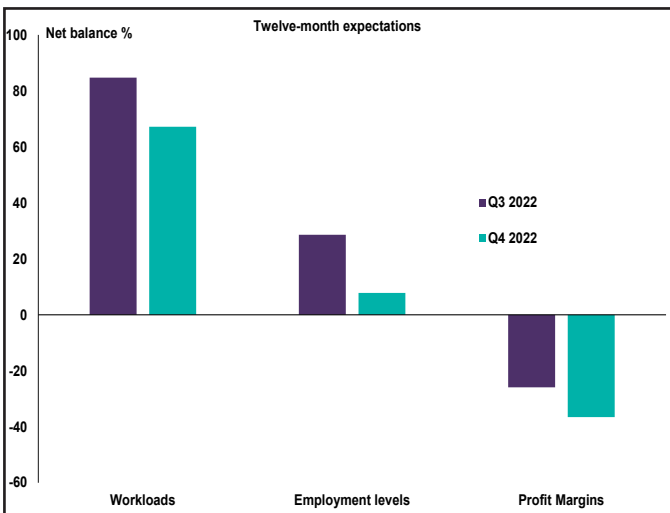
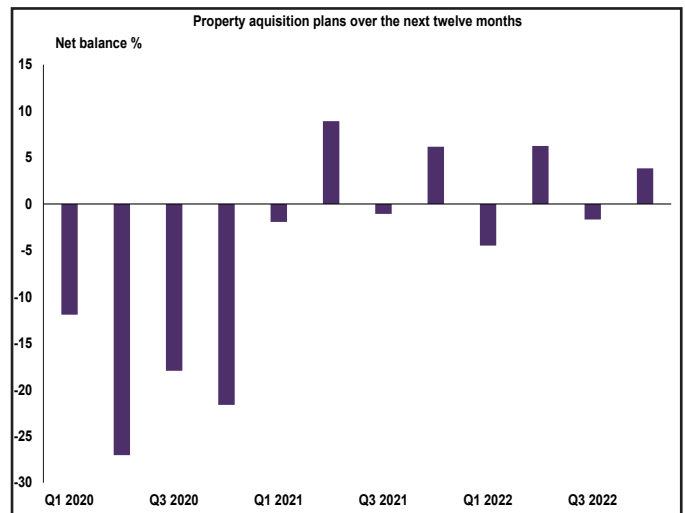


Chart 7



Key indicators

Chart 8

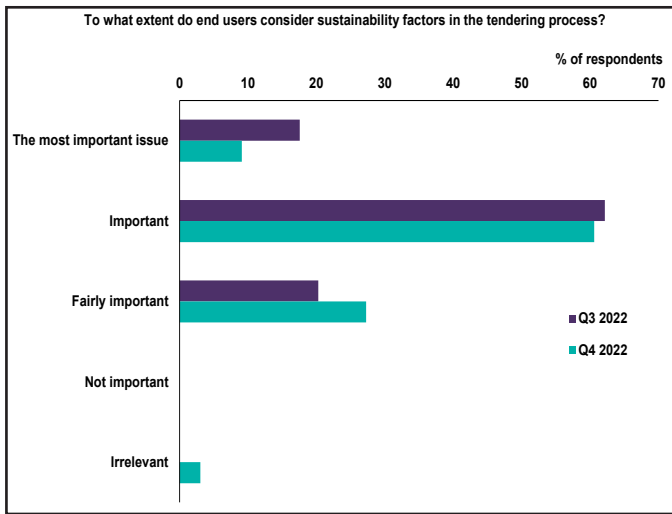


Chart 9

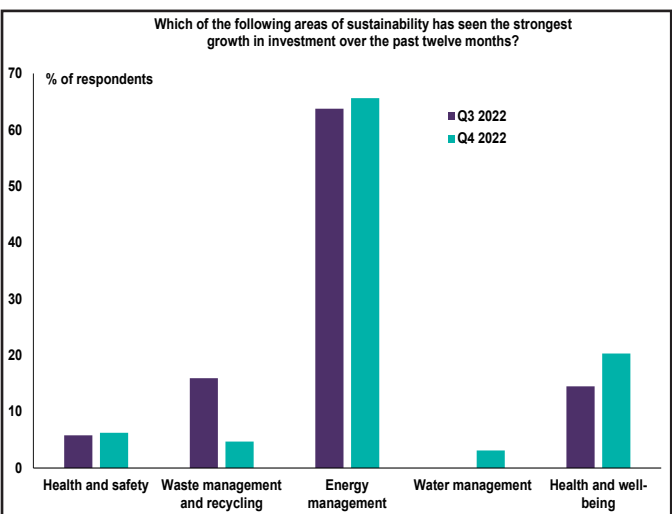


Chart 10

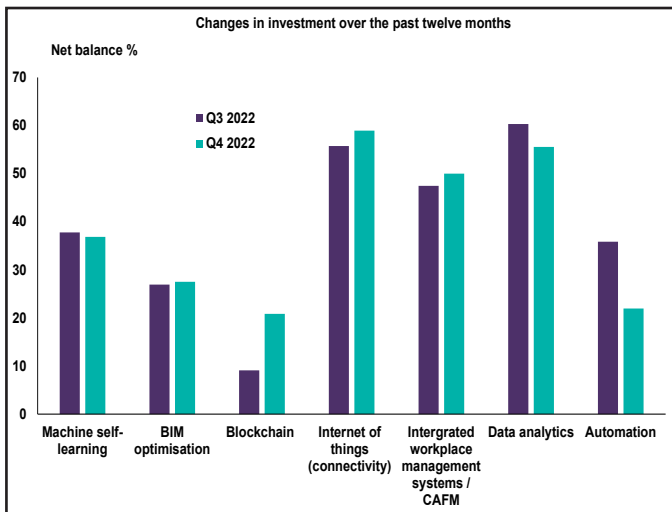
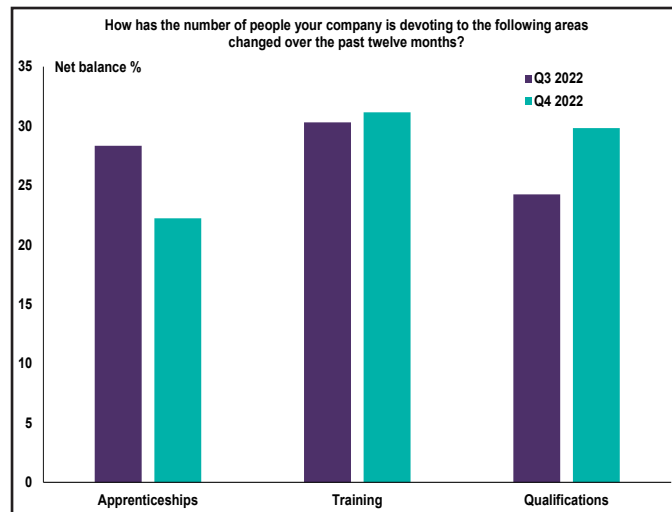


Chart 11



Methodology

About:

The RICS Facilities Management is a quarterly sentiment survey of Facility managers, service providers and FM consultancies who operate across the UK. Data collection began in 2020.

Net balance data:

- **Net balance = Proportion of respondents reporting a rise in prices minus those reporting a fall** (i.e. if 30% reported a rise and 5% reported a fall, the net balance will be 25%).
- The net balance measures breadth (how widespread e.g. price falls or rises are on balance), rather than depth (the magnitude of e.g. price falls or rises).
- Net balance data is opinion based; it does not quantify actual changes in an underlying variable.
- Net balance data can range from -100 to +100.
- A positive net balance implies that more respondents are seeing increases than decreases (in the underlying variable), a negative net balance implies that more respondents are seeing decreases than increases and a zero net balance implies an equal number of respondents are seeing increases and decreases.
- Therefore, a -100 reading implies that no respondents are seeing increases (or no change), and a +100 reading implies that no respondents are seeing decreases (or no change).
- In the case of the RICS price balance, a reading of +10 should not be interpreted as RICS saying that house prices are going up by 10%, but that 10% more surveyors reported increases rather than decreases in prices (over the last three months).
- A change from +30 to +60 does not mean that the variable grew by 30% in one period and by 60% in the next period, but it does indicate that twice as many surveyors reported an increase compared to a decrease than in the previous period.
- Likewise, if we get a reading dropping from +90 to +5, this still means that more respondents are reporting increases than decreases overall, but the breadth of those reporting increases has fallen dramatically; meanwhile, a shift in the reading from -90 to -5 still means that more respondents are reporting decreases than increases overall, but the breadth of those reporting decreases has fallen dramatically.

Questions Asked:

1. What is your occupation?
2. How has demand for FM services changed in over the past twelve months?
3. Which type of FM service do you feel will see the strongest growth over the next twelve months?
4. Which area of FM do you expect to see the strongest growth over the next twelve months?
5. Have you hired anyone new (additional) staff in the past three months?
6. Have you experienced any difficulties in sourcing workers in the following areas over the past three months?
7. How do you expect the following to change for your company over the next twelve months? (Workloads, Employment levels, Profit Margins)
8. Over the next twelve months, do you intend to? (Acquire more property, Retain the same level, Dispose of property)
9. To what extent do you sense end users consider sustainability factors in the tendering process?
10. Which of the following areas of sustainability has seen the strongest growth in investment over the past twelve months?
11. How has investment changed into the following technologies over the past twelve months?

12. How has the number of people your company is devoting to apprenticeships, training and qualifications changed over the past twelve months?

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Delivering confidence

We are RICS. Everything we do is designed to effect positive change in the built and natural environments. Through our respected global standards, leading professional progression and our trusted data and insight, we promote and enforce the highest professional standards in the development and management of land, real estate, construction and infrastructure. Our work with others provides a foundation for confident markets, pioneers better places to live and work and is a force for positive social impact.

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