



## CHECKLIST: Are You Disaster Ready?

Linda DeTienne, vice president of business development and ISO quality management for NCRI (National Catastrophe Restoration, Inc.) provides an essential checklist that addresses the question: "Are You Disaster-ready?".

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ISSUE 11 - SEPTEMBER 2009

A EuroFM Publication

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insight



## In Brief

### The Future of Property Lies in Services

The important relationship between Property Services and Facility Management has become even more apparent during the economic crisis. In order to understand the way in which the property sector is changing and to anticipate the effects these changes might have on the FM market, Mariantonieta Lisena from Gestire interviewed the Chairman of Assoimmobiliare (the Italian Real Estate Industry Association), Gualtiero Tamburini.

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### FM Market Size in Europe

What is the size of the FM market in Europe? Sven Teichmann has adopted a systematic approach in line with a market development model and a range of variables in order to determine the market size of the FM market within Europe.

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### Greening the Desert

The Middle East Centre for Sustainable Development (MECS D) was initiated to assist developers in the region in obtaining green building certification. Frank Booty reviews what is being done to initiate conformity in UAE with environmental legislation.

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### The Future: Working with Generation Y

Iwan van Eldijk MSc and David Stillebroer explore the concept "My workplace is wherever I am" created by the technological revolution in communications systems over the last decade.

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### How to Evaluate Usability?

Following on from the article published in EFMI No. 10 entitled "What is a building's usability?" the authors now address the question of "How to evaluate usability?"

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### The Future Looks Brighter for Maintenance of Copenhagen's Buildings

I B Christensen discusses how a major financial investment in building maintenance in Copenhagen will benefit municipal schools and sports facilities which have suffered from previous lack of investment.

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## Research

### EFMC 2009: Will an FM Action Agenda Succeed?

Wim Pullen, Chair of the Scientific Committee EFMC Research Symposium 2009 reviews how FM can benefit from a closer association between FM practise and FM research.

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## Education

### FM Education in Switzerland: a Research-Based Master's Degree in 2010?

In the next few weeks the Swiss government will decide whether a research-based Master of Science degree in facilities management will be offered in Switzerland or not. If the application is accepted it will be the first program of its kind in Switzerland.

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# Property: From a Restricting Liability to Part of the Business Plan

By François Pingéot

**A survey carried out among property managers of French industrial and service companies highlights several key points, including a significant change in the status of corporate real estate. Traditionally seen as a constraint, property is increasingly seen as an integral part of companies' business plans - sometimes even becoming a catalyst.**



Property is the second or third business expenditure category after staff and IT. As a consequence, it tends to be the focus of much attention and a regular source of financial, organizational and functional concern. The interviews carried out in 2008 as part of the survey of property managers of industrial and services groups confirmed that property does not, in fact, always enjoy a good reputation: it can appear to be a rather secondary item and be seen as a restricting liability. However, we are increasingly seeing that this expense can be transformed into a strategic asset within the company's business plan. Where this is the case, the role of the property manager increases in importance and legitimacy - provided that he or she has a strong, direct link

with central management.

### Seven Main Organization Modes

There is no standard profile for property management departments - and certainly not in each of the sectors researched. Taking a "cut and paste" approach can be risky. In all sectors, practices can be divided into three main categories of organization that operate under several different modes.

The first of these is the simplest: no property management across the group. This is seen in mutual and cooperative organizations and in the numerous industrial or services groups that have independent subsidiaries. Typically, in this category we find companies like Crédit Agricole, Caisses d'Épargne, Lagardère, Vinci and so on.

In the second mode, property management is centralized, but with no ownership responsibilities. Four

approaches can be identified:

- Decentralized management, where historical and cultural constraints are often the decisive factors: Bolloré, Capgemini, Veolia...
  - A "compact" management team working only on major projects, driven by control and profitability: Alcatel-Lucent, Ineo Endel, Danone, Alstom...
  - An integrated management approach - mostly due to historical importance and a desire for end-to-end control: GE, Rexel, France Télécom, Société Générale, BNP Paribas...
  - Asset outsourcing dictated by financial constraints or strategy: Thales, ABN Amro, Deutsche Bank...
- The third and final mode of organization is a centralized property management department with a specific subsidiary dealing with ownership issues or an integrated holding operating

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## "Bienvenue Arseg Info!!"



Arseg Info is the only French publication entirely dedicated to facilities managers and has been in publication since 1994. Its main purpose are to give a very large overview of the actuality of the profession, strong and up to date information on big issues related to FM, Real Estate, purchasing or services to the occupiers fields and to help spreading best practices.

The Editorial Board of EuroFM are also delighted to welcome **Mr Lionel Cottin** as the Editorial Board member for zone 3 representing all the French speaking countries. Lionel is the general manager of Arseg (Association des Directeurs et Responsables de Services Généraux).

# FM Market Size in Europe

By Sven A. Teichmann MBE

The total size of the European FM market is difficult to quantify. However, a systematic assessment is possible on the basis of a market development model and by using varying parameters.

Despite the huge demand for (FM) services in the context of adjusting value chains in many companies and industry sectors, the actual knowledge of the not easily quantifiable size of the European FM market is comparatively modest. For example, already in the year 2005, the size of the Facilities Management market in the five European countries with the strongest economies (UK, Germany, France, Italy and Spain) was estimated at almost 218 billion euros, this survey only taking into account external services [1]. For Germany alone, a range of differing information on the size of the Facilities Management market can be found in leading studies by renowned market research and consulting companies. The total size is estimated at between 40 and 55 billion euros [2]. Consequently, the size of the European FM market will probably be in the order of several hundred billion euros.

Even though many market surveys on Facilities Management provide information about the market size in individual countries, there is, however, no systematic and pan-European market model in place, which is based on standardized reference parameters. The underlying problem here is the fact that the different market size figures cannot be compared in an objective manner, partly as a result of insufficient differentiation between internal and external services, imprecise definition

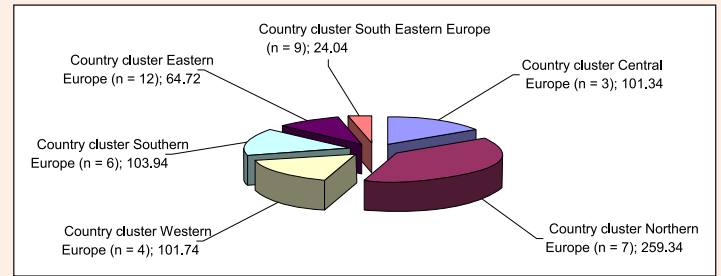
and scoping of the products and service areas [3] considered, and partly due to non-transparency and differences as regards the underlying methodology and the length of the data collection periods. In light of the above and taking into account the incomplete data base for the European market, among other things, the question about the actual size of the market for FM services in Europe was explored in the context of an international research project supervised by Professor Dr. Karl-Werner Schulte HonRICS CRE at the International Real Estate Business School of the University of Regensburg.

### Calculation of the market size

From above, it could be concluded that the size of the European FM market cannot be determined exactly by the business practice or the research community. Yet, a systematic approach to these is to take place on the basis of a general market development model with characteristic market types and the use of different parameters. The aim of this study was to obtain data on the total expenditure on FM services as well as the ratio between internal and external services.

### Pre-emerging and pioneer markets

In an international market structure analysis of the FM sector from a previous empirical study, numerous renowned European companies provided an assessment of the



Distribution of the calculated FM market size in different countries

development of structural competitive forces in accordance with the five forces model by Michael E. Porter. The analysis covered a total of 41 countries: 27 members of the European Union and an additional 14 countries for comparison. Moreover, geographical market segmentation into six country clusters was carried out: Central, Northern, Western, Southern, Eastern and South Eastern Europe [4].

After the country-wise data collection and evaluation and the subsequent transnational data concentration, the comparison between countries leads to the conclusion that in the European Facilities Management market a clear development is taking place with four main phases and characteristic market types, which the individual countries follow in the same or in a similar fashion despite national peculiarities.

According to the general market development model, individual markets usually start up as not yet developed "pre-emerging markets", continue as "emerging markets" and "developed markets" to finally be part of the most developed "pioneer markets".

In the above model, the development of regional markets in Facilities Management from a particular phase or market type to another is merely time shifted. Over time, the different European countries, with their present market maturity, have been allocated to individual market types on the basis of different criteria such as the development of specific supplier and product types. In a market development model, these market types can be characterized in a systematic manner by way of relevant competitive forces [5].

### Correlation to the GDP

The most important methodical steps, a small number of selected parameters, and key results of a simplified determination of the size of the Facilities Management market in the European countries are presented below. For this calculation, two essential questions are important: First, what are the relevant parameters for a country-wise, systematic determination of the size of the Facilities Management market, and, second, what characteristics and assumptions with respect to reference values are suitable? The research project focuses on four key parameters:

- Correlation to the gross domestic product (GDP) at market prices (in euros)
- Market types (classification in types in accordance with market development model)

- Degree of outsourcing for different market types (percent)
- Growth rates for different market types (percent)

The first step is to take the GDP at market prices in each individual country, since this figure is an important market parameter that correlates with the total expenditure in Facilities Management [6]. In order to get a first indication of the total expenditure in Facilities Management, the aforementioned data for the European Top 5, which quantify the FM market size with respect to external services for the year 2005 were used [7]. For the Top 5 countries, this market's share of the GDP in 2005 was on average 2.48 %, while, in the same year, the FM market's share of the GDP as regards external and internal services was on average 4.92 %. These two references make it possible to calculate the size of the FM market in individual countries if we assume the same correlation to the GDP.

The next step was to conduct expert interviews with three representatives of renowned and internationally active market research and consulting companies, in which they were asked to provide an estimate of the degree of outsourcing in the Top 5 countries as well as the degree of outsourcing and growth rates of external services between 2005 and 2008 for the defined market types as a basic indicator of maturity (see Table 1).

In order to achieve the highest possible accuracy, the following calculations use the average estimated degrees of outsourcing of the Top 5 as a basis. For all the remaining countries, the average estimated degree of outsourcing and growth rates are related to the market types to which the individual European countries have already been assigned. In this way it was possible to determine the ratio between internal and external services. Finally, we took into account the development of external services from 2005 to 2008 by way of estimated growth rates of the FM market size.

### Total volume of 655 billion euros

This simplified calculation resulted in a total size of the European FM market of approx. 655 billion euros in 2008, with approx. 331 billion euros going to internal services and approx. 324 billion euros to external services. Of the total volume, approx. 422 billion euros can be attributed to the Top 5 countries alone, with internal services accounting for approx. 190 billion euros and external services for approx. 232 billion euros. Table 2 lists the size of the Facilities

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Market (development) model Estimate of degree of outsourcing and growth rates of external services for different market types in the market development model		
Countries / Market types	Mean values of expert estimates (n = 3)	
<b>Estimate of degree of outsourcing in the European TOP 5 countries</b>	[%]	<b>Ranking</b>
United Kingdom (UK)	59.2	1
Germany (DE)	47.7	2
France (FR)	45.0	3
Italy (IT)	41.0	4
Spain (ES)	40.2	5
<b>Estimate of degree of outsourcing in the market types</b>	[%]	<b>Ranking</b>
Pre-Emerging Markets	17.5	4
Emerging Markets	32.5	3
Developed Markets	43.6	2
Pioneer Markets	56.3	1
<b>Estimate of growth rates of external services from 2005 to 2008 in the market types</b>	[%]	<b>Ranking</b>
Pre-Emerging Markets	21.5	1
Emerging Markets	12.3	2
Developed Markets	8.0	3
Pioneer Markets	6.0	4

Table 1: Expert estimate of the degree of outsourcing and growth rates in FM

## FM Market Size in Europe

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Management markets of the individual European countries as calculated using this method. The results of the calculation were evaluated and checked for consistency against market sizes of different countries available from various market studies (see Table 2).

If we finally examine the distribution of the FM market size in the year 2008 with regards to internal and external services, e.g. across the previously defined clusters of European countries, we obtain the following picture (see Fig. 1).

If the different European country clusters were examined (after allocating individual countries to respective clusters), Northern Europe has by far the largest Facilities Management market, with the United Kingdom accounting for the largest share in this market. It is followed by Central, Western and Southern Europe, with very similar market sizes, while Eastern and South Eastern Europe follow at a certain distance. It is interesting to note that this sequence roughly follows that of the market maturity of the individual countries or, on aggregate, the different market types. Furthermore, a north-south-divide with respect to the market size distribution is also evident.

### Conclusion and outlook

In view of the information deficit found with respect to the European FM market and the database of available market studies, characterized by a selective and to some extent inscrutable and inconsistent data collection, this study aims to systematically estimate the size of the Facilities Management market in Europe.

The key parameters used for the country-wise determination of the market size were the correlation to the GDP as well as the degree of outsourcing and growth rates in the respective countries, which, seen as phases of the typical market development, relate to defined market types to which the individual European countries were first allocated. It is possible to increase the detail of the model and, accordingly, the precision of the calculation for determining the size of the Facilities Management market in each country by including further general economic and FM-specific parameters such as, for example, the size and distribution of the economic sectors or the volume and distribution of the assets and facilities.

The study concludes by confirming the enormous demand for and considerable potential of Facilities Management services. The findings can be useful for market participants for obtaining a qualitative view of the maturity of different markets when carrying out a quantitative assessment of the size of the FM market in individual countries or of geographical market segments in Europe.

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Country		Market segmentation		GDP	FM market size 2008 in relation to GDP			Ranking
Country	ID	Country cluster allocation	Market type allocation	GDP at market price 2005 [billion EUR]	Market size FM 2008 external services [billion EUR]	Market size FM 2008 internal services [billion EUR]	Market size FM 2008 internal and external services [billion EUR]	
United Kingdom	UK	Northern Europe	Pioneer Market	1,859.05	128.26	76.13	204.39	1
Germany	DE	Central Europe	Developed Market	2,360.06	37.80	35.58	73.38	2
France	FR	Western Europe	Developed Market	1,795.75	28.62	30.27	58.89	3
Italy	IT	Southern Europe	Developed Market	1,488.29	21.60	27.18	48.78	4
Spain	ES	Southern Europe	Developed Market	949.66	16.20	21.11	37.31	5
Russia	RU	Eastern Europe	Emerging Market	645.55	11.59	20.17	31.76	6
Netherlands	NL	Western Europe	Pioneer Market	527.08	15.48	10.46	25.93	7
Belgium	BE	Western Europe	Developed Market	313.13	7.25	8.15	15.41	8
Switzerland	CH	Central Europe	Developed Market	309.92	7.18	8.07	15.25	9
Turkey	TR	South Eastern Europe	Pre-Emerging Market	306.83	3.21	11.89	15.10	10
Sweden	SE	Northern Europe	Emerging Market	302.03	5.42	9.44	14.86	11
Austria	AT	Central Europe	Developed Market	258.45	5.99	6.73	12.72	12
Poland	PL	Eastern Europe	Emerging Market	255.99	4.60	8.00	12.59	13
Norway	NO	Northern Europe	Emerging Market	249.53	4.48	7.80	12.28	14
Denmark	DK	Northern Europe	Developed Market	218.46	5.06	5.69	10.75	15
Greece	GR	Southern Europe	Pre-Emerging Market	190.17	1.99	7.37	9.36	16
Ireland	IE	Northern Europe	Developed Market	170.42	3.95	4.44	8.38	17
Finland	FI	Northern Europe	Emerging Market	163.11	2.93	5.10	8.02	18
Portugal	PT	Southern Europe	Emerging Market	154.78	2.78	4.84	7.62	19
Czech Republic	CZ	Eastern Europe	Emerging Market	104.69	1.88	3.27	5.15	20
Hungary	HU	Eastern Europe	Emerging Market	93.19	1.67	2.91	4.59	21
Rumania	RO	South Eastern Europe	Pre-Emerging Market	83.47	0.87	3.23	4.11	22
Ukraine	UA	Eastern Europe	Pre-Emerging Market	72.73	0.76	2.82	3.58	23
Slovakia	SK	Eastern Europe	Emerging Market	40.04	0.72	1.25	1.97	24
Croatia	HR	South Eastern Europe	Pre-Emerging Market	32.84	0.34	1.27	1.62	25
Luxemburg	LU	Western Europe	Developed Market	30.79	0.71	0.80	1.52	26
Slovenia	SI	Eastern Europe	Emerging Market	29.01	0.52	0.91	1.43	27
Belarus	BY	Eastern Europe	Pre-Emerging Market	24.97	0.26	0.97	1.23	28
Bulgaria	BG	South Eastern Europe	Emerging Market	22.96	0.41	0.72	1.13	29
Lithuania	LT	Eastern Europe	Pre-Emerging Market	21.66	0.23	0.84	1.07	30
Serbia	RS	South Eastern Europe	Pre-Emerging Market	20.40	0.21	0.79	1.00	31
Latvia	LV	Eastern Europe	Pre-Emerging Market	13.55	0.14	0.52	0.67	32
Iceland	IS	Northern Europe	Emerging Market	13.35	0.24	0.42	0.66	33
Cyprus	CY	Southern Europe	Pre-Emerging Market	13.02	0.14	0.50	0.64	34
Estonia	EE	Eastern Europe	Pre-Emerging Market	11.61	0.12	0.45	0.57	35
Bosnia & Herzegovina	BA	South Eastern Europe	Pre-Emerging Market	8.38	0.09	0.32	0.41	36
Albania	AL	South Eastern Europe	Pre-Emerging Market	7.08	0.07	0.27	0.35	37
Macedonia	MK	South Eastern Europe	Pre-Emerging Market	4.87	0.05	0.19	0.24	38
Malta	MT	Southern Europe	Pre-Emerging Market	4.70	0.05	0.18	0.23	39
Moldova. Republic of	MD	Eastern Europe	Pre-Emerging Market	2.52	0.03	0.10	0.12	40
Montenegro	Unit	South Eastern Europe	Pre-Emerging Market	1.77	0.03	0.07	0.09	41
<b>Europe TOP 5: Total</b>					<b>232.48</b>	<b>190.27</b>	<b>422.75</b>	<b>Σ</b>
<b>Europe total (n=41)</b>					<b>323.93</b>	<b>331.19</b>	<b>655.13</b>	<b>Σ</b>

Table 2: Calculated FM market size in individual European country clusters

## FM Market Size in Europe

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### Bibliography

[1] The external size of the FM market was estimated to approx. 121 billion euros for the UK, approx. 35 billion euros for Germany, in excess of 25.5 billion euros for France, nearly 20 billion euros for Italy and more than 15 billion euros for Spain. See InterConnection Consulting Group: Facility Management - Ein €218 Mrd. Markt in Großbritannien, Deutschland, Frankreich, Italien und Spanien, Pressemitteilung im Rahmen der Berichterstattung über die Studie IC Market Tracking Facility Management in Europa TOP 5 2006, Internet source: <http://www.interconnectionconsulting.com>, date: 11 September 2007.

[2] See, e.g. the regularly published market studies by, amongst others, Lünendonk, InterConnection Consulting, MSI Marketing Research or also Frost & Sullivan.

[3] A precise definition of and differentiation between the different service types is difficult in view of the constantly changing scope of services in the property market. An example thereof are commercial services, where data collection is problematic and inaccurate due to certain overlap between building, facility and property management.

[4] See Teichmann, Sven A.: IREBS-Studie Teil 3: Marktstrukturanalyse der FM-Branche in Europa - Frühe Pioniere und noch unberührtes Neuland, in: Immobilien Zeitung, No. 50, 20. December 2007, p. 10

[5] More detail in Henzelmann, Torsten / Teichmann, Sven A.: FM in Europa - Von Pre-Emerging zu Pioneer Markets, in: Der Facility Manager, No. 12, 2007, pp. 38-43. The evaluation of the maturities of different countries was slightly modified.

[6] The GDP at market prices for the 41 European countries evaluated here, with 2005 being the reference year used for the market size data of the European Top 5 countries originate from the World Bank Group and were requested from the Federal Statistical Office. See Destatis, Statistisches Bundesamt Deutschland: World Development Indicators 2007, The World Bank Group, data requested from the Federal Statistical Office in Germany, International Statistics, date of request: 12. November 2007

[7] The FM market size data for the Top 5 European countries provided by the market research and consulting company InterConnection Consulting were the only data available at the time of the study that had been obtained using the same methodology and published in a study. See InterConnection Consulting Group: Facility Management - Ein €218 Mrd. Markt in Großbritannien, Deutschland, Frankreich, Italien und Spanien, Pressemitteilung im Rahmen der Berichterstattung über die Studie IC Market Tracking Facility Management in Europa TOP 5 2006, Internet source: <http://www.interconnectionconsulting.com>, date: 11 September 2007. An own survey of similar reference data was not carried out within the framework of this study.

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