

Clear signs of recovery for Dutch new housing market in 2025

Higher turnover in project development, more building permits and increasing new home sales are all signs of a recovery in the Dutch construction sector in 2025

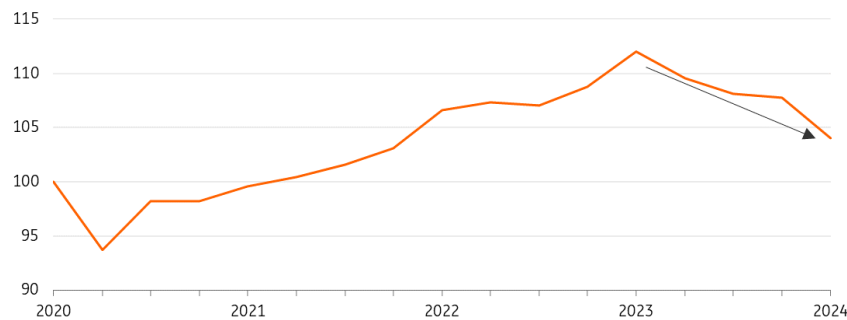


Expected decline in construction volume in 2024

ING Research expects that Dutch construction output will shrink by around 3% in 2024, mainly due to a sharp decline in the first quarter. New construction production in 2024 will still be affected by earlier declining permitting and declining new home sales in 2023. In 2025, there will be a recovery for the Dutch construction industry, mainly due to the upswing in new build production of homes.

Construction production shrank in four consecutive quarters

Dutch construction production volume in added value (index Q1 2020= 100)



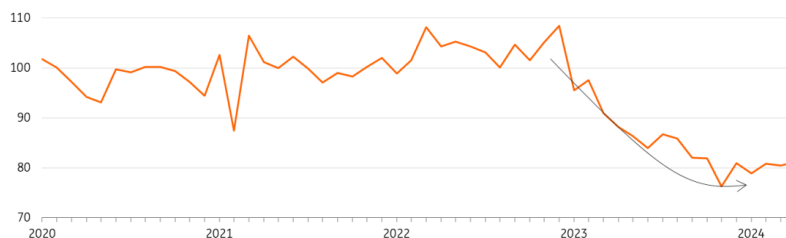
Source: CBS, ING Research

Clear signs of upcoming recovery

At the beginning of the construction value chain, clear signs of recovery are visible. Turnover of project developers is increasing and the number of building permits issued has increased in the first months of 2024. In addition, sales of new build homes are on the rise due to the improving housing market again. In addition, the production of concrete, cement and bricks increased slightly again in the first four months of 2024, after a contraction of more than 15% in 2023.

The contraction of the building materials industry has ended

Production of the Dutch building materials industry, seasonally & working days adjusted (index 2021=100 until April 2024)



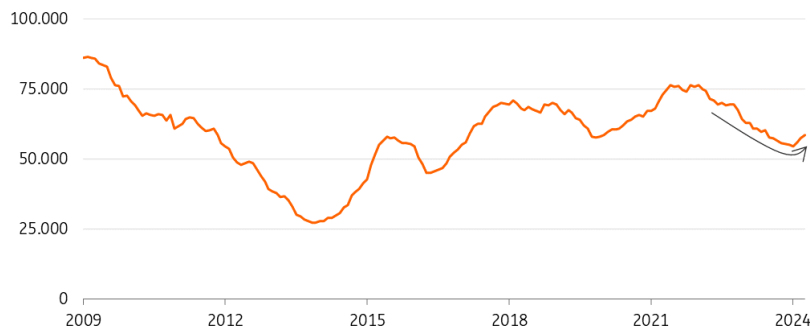
Source: CBS, ING Research

Building permits are on the rise again, but new environmental law could have an impact

In May 2024, 6,753 building permits were issued for new build homes. That's a 23% increase compared to the same month in 2023. Substantial increases were also reported by Statistics Netherlands (CBS) in February and March. This could be positive for housing construction. However, the introduction of the new Environment and Planning Act (Omgevingswet) and the Quality Assurance Act (Wet Kwaliteitsborging) as of the beginning of 2024 cloud the picture. It is possible that builders and project developers submitted applications just before 2024 so that they still fell under the old (familiar) legislation. As a result, there may now be an additional increase in the granting of permits.

The number of building permits issued is increasing again

Building permits issued for new build homes (moving annual total per month until April 2024)



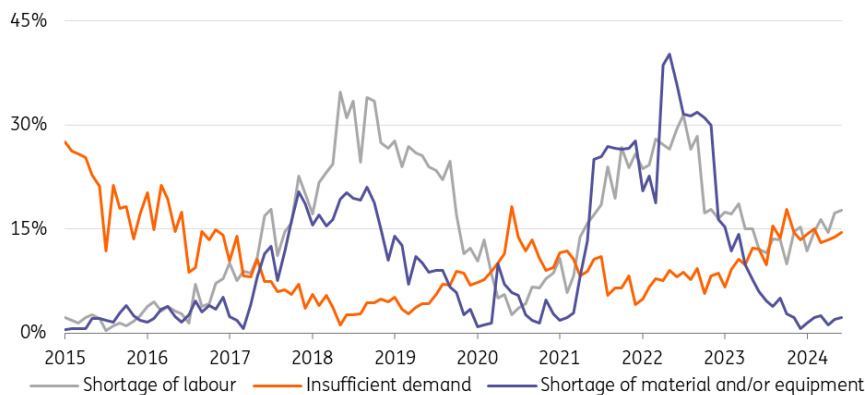
Source: CBS, ING Research

Low growth in the infrastructure sector

We expect small positive growth for the infrastructure sector in 2024 and 2025. This is mainly due to the much-needed reinforcement of the electricity grid, investments in infrastructure for new housing construction and a small impulse from the new Dutch cabinet.

Staff shortages still main obstacle

% of Dutch builders with production obstacles due to: (seasonally adjusted until June 2024)



Source: European commission, ING Research

Structural staff shortages are the biggest obstacle in the construction industry

Despite the drop in demand, staff shortages remain the biggest obstacle for Dutch construction companies to keep production going. In June, 18% of contractors indicated that they were mainly limited by a lack of (well-trained) staff. Despite the decline in production volumes, this remains a structurally pressing problem. On the other hand, 15% of companies in the sector indicated in this month that they did not have enough orders to keep their construction volume going.

Slight increase in construction bankruptcies appears to be over

Number of bankruptcies at construction companies per month up to and including May 2024 (three-month moving average, excluding sole proprietorships)



Source: CBS, ING Research

Few bankruptcies

All in all, most Dutch construction companies are in good shape after years of high growth. We expect that most companies should be able to weather the volume contraction of 2024 relatively well. The number of contractor bankruptcies did increase in 2023, but historically it is still low. And in the first months of 2024, they actually dropped again slightly. Structurally, the prospects for construction after 2024 are good with the tight housing market and sustainability challenges. We also expect some growth in construction volumes in 2025 (1.5%). However, it remains important for construction companies to stay future-orientated and to invest in digitalisation, attractiveness as an employer and sustainability.

Author

Maurice van Sante

Senior Economist Construction & Team Lead Sectors

maurice.van.sante@ing.com

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. (“ING”) solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by

the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit <http://www.ing.com>.