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Dutch construction recovers, but growth remains fragile

After a sharp contraction in early 2024, Dutch construction output is growing again. However, the recovery is fragile due to falling building permits, lagging commercial investments and structural bottlenecks

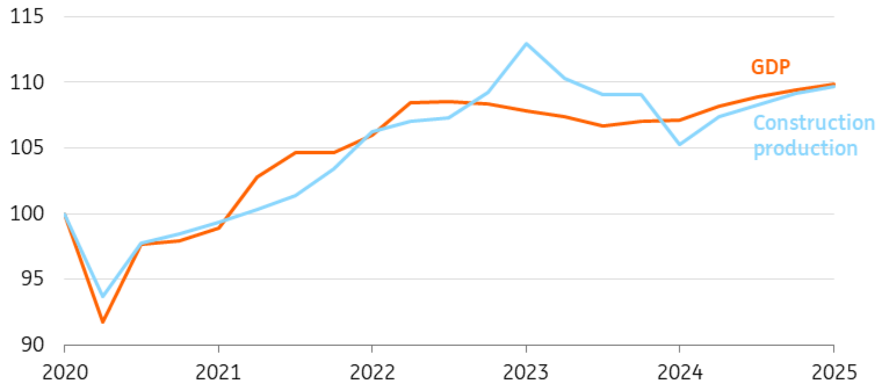
Dutch construction is rebounding after a dip in 2024

Dutch construction sector set for recovery after 2024 downturn

In 2024, Dutch construction output fell by 2.9%, primarily due to a decrease in building permits and weak residential sales from the previous year, resulting in a sharp contraction in early 2024. However, construction volumes started to recover, increasing by 0.5% in the first quarter of 2025 compared to the previous quarter.

Dutch construction production follows GDP growth

Volume per quarter (index Q1 2020=100)



Source: CBS, ING Research

Low growth in construction volume expected in 2025 and 2026

The increase in construction volume over the past four quarters has mainly been driven by the construction of new houses. Higher general wages and a slightly lower interest rate have made it possible for consumers to borrow more for the purchase of a house.

The outlook is only moderately positive, however, so we expect low growth in construction production in 2025 (1.5%) and 2026 (2%). The number of building permits for new housing construction started to decrease at the beginning of 2025, preventing the supply from growing further. The reduced interest in housing investments, particularly among international investors, due to government measures, also plays a role.

The Dutch construction industry is also struggling with structural bottlenecks, such as a shortage of building land, lengthy and complex development processes, legal delays and power grid congestion. The government is working on solutions. However, the problems are complex and require a lot of time and effort to solve.

Plan benefit levy or alternative

On 20 June, the Dutch Minister of Housing sent a letter to parliament proposing the introduction of a plan benefit levy or an alternative method. This would allow a municipality to pass on more public investments in new developments to the project developer. The advantages indicated by the minister are that no new regulations for a planning benefit levy need to be set up and market parties are already used to the current system, which is only now being expanded.

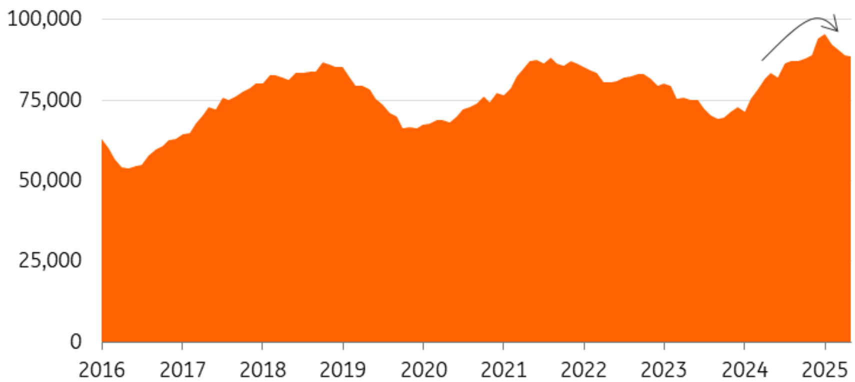
Expanding cost recovery is a positive step towards limiting excessive profits on land.

Additionally, the benefits of avoiding the introduction of yet another scheme are also evident.

On the other hand, the final yield is likely to be lower, especially for projects with a high excess profit on the land, but with few options for public investment that can be passed on to the project in question. Cross-subsidy with proceeds from such a project for another housing project where financial shortages are not possible.

Decline in the issuance of building permits

Issuance of building permits for new housing



Source: CBS, ING Research

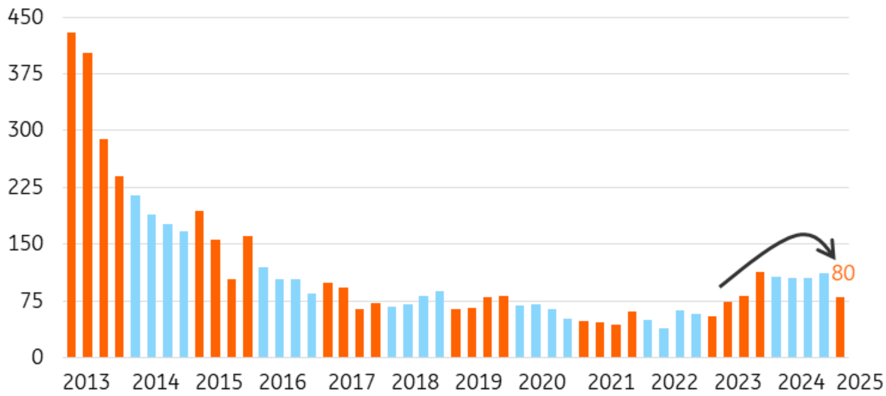
Number of bankruptcies already falling again

Lower construction volumes have had an impact on the number of bankruptcies. In 2024, the number of bankruptcies increased – mainly in specialised construction – from 224 in 2023 to 337 in 2024. This includes companies that installed solar panels. However, many Dutch construction companies are in good financial condition after years of growth, which means that the total number of bankruptcies remains limited.

Additionally, the resurgence in production at the beginning of 2025 has contributed to a decline in bankruptcies.

Few bankruptcies in the construction industry

Number of bankruptcies of Dutch construction companies per quarter



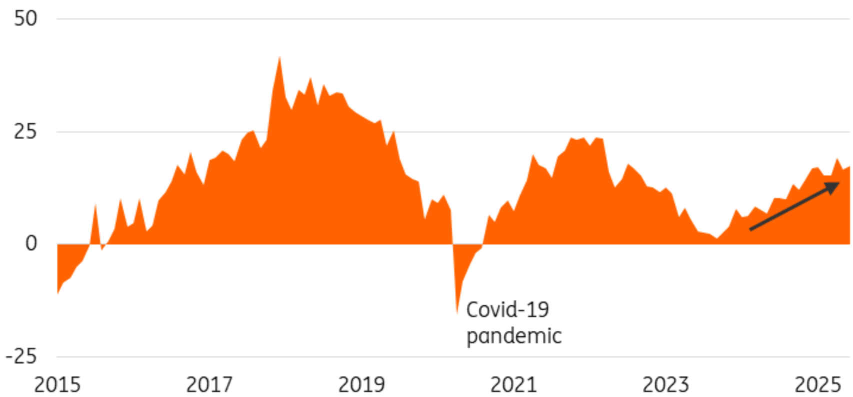
Source: CBS, ING Research

Contractors look ahead with more confidence

The growing confidence among Dutch builders signals that the contraction experienced in 2024 is now behind us, and the sector is on an upward trajectory once again. This renewed optimism suggests that contractors are feeling positive about the development of their order books and are more inclined to hire staff. At the start of 2024, business confidence was nearly negative, but it has been steadily increasing since then, reflecting a renewed sense of optimism in the construction industry.

Confidence indicator for construction moving in the right direction

Confidence indicator for Dutch builders (seasonally adjusted until June 2025)



Source: European commission, ING Research

More plans to raise prices

More Dutch builders are planning to raise their sales prices in 2025. In June 2025, 34% of all construction companies reported their intention to implement price increases. This decision is driven by a slight uptick in demand and increased volumes, which have reduced competition. While material costs are remaining relatively stable, wage costs are increasing considerably and there is sufficient demand to be able to pass them on to customers.

You can find the full version of this study in Dutch here.

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