

Europe Residential Construction - Market Share Analysis, Industry Trends & Statistics, Growth Forecasts 2020 - 2029

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Report description:

The Europe Residential Construction Market size is estimated at USD 1.08 trillion in 2024, and is expected to reach USD 1.43 trillion by 2029, growing at a CAGR of 5.67% during the forecast period (2024-2029).

Key Highlights

-During the COVID-19 pandemic, the European residential construction market saw an unprecedented boom. As the initial restrictions eased, the strong demand for housing led to house prices soaring. In Estonia, Czechia, Hungary, and Lithuania, house prices rose by over 20% between the second quarter of 2021 and the second quarter of 2022. In the Netherlands, Slovakia, and Latvia, price growth was between 15 and 20%. Mortgage rates in Europe had hit a record low during the coronavirus crisis as nations dealt with the pandemic's economic impacts. The cost of borrowing money for a home increased due to central banks raising interest rates in response to skyrocketing inflation. In Poland, the typical mortgage interest rate rose from 2.9% in the previous year to over 8% in the second quarter of 2022.

-The trend toward sustainable construction is expanding in Europe due to growing concerns over accelerating climate change and greater knowledge of how the construction industry contributes to greenhouse gas emissions. Furthermore, top construction firms and regional governments are using sustainable and bio-based building materials to improve the energy efficiency of construction activities. For instance, the French government announced in February 2020 that it would introduce a sustainability law requiring new public buildings to use at least 50% wood or other bio-based materials. In Germany, the volume of investments in green buildings reached EUR 12 billion (USD 13.17 billion) in 2021. It is expected to foster the demand for green buildings, which is projected to fuel the growth of the residential construction market in Europe.

-Building information modeling (BIM) and other cutting-edge technologies are being used more frequently in the European residential construction market to increase the effectiveness of construction operations. Integrating augmented and virtual reality with building information modeling will make it easier to manage and carry out construction projects and improve worker safety. It

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is anticipated to impact the market's growth throughout the forecast period positively. However, the need for more building materials raises the overall construction cost, which is projected to hamper the residential construction market growth during the forecast period.

Europe Residential Construction Market Trends

Increasing in Investments in Multifamily Residential Construction

Demand for high-quality rental accommodation is increasing across Europe, driven by rising house prices, urbanization, and changing consumer preferences. Furthermore, multi-family is one of the few asset classes where landlords can regularly rebase rents to capture growth, driving strong income returns. Over EUR 27 billion (USD 29.64 billion) was allocated to multi-family real estate in Europe in the first quarter of 2022.

Germany was Europe's largest multi-family market, with approximately 28% of the investment value. Denmark and France ranked second and third with approximately 18 and 13%, respectively. According to the industry association, investment volumes grew significantly between the first half of 2020 and 2021 in some surveyed countries, such as Finland, Poland, Denmark, and the UK.

Many multi-family housing construction projects are commenced to meet the increasing demand in Europe. For instance, the Sackville Road Residential Community project (USD 332 Million) involves the construction of a residential community comprising six blocks ranging from 2 to 15 stories on 3.59 ha of land in Hove, the UK. Construction work started and is expected to be completed in Q2 2025. The project aims to transform the Sackville Trading Estate and Hove Goods Yard site to provide better regional housing facilities.

Additionally, Clapham Park Regeneration Phase II project (USD 2,039 million) involves the construction of a residential community comprising 2,400 multi-story homes ranging up to 14-story on 36 ha of land in South London, Greater London, The UK. Construction work started in Q2 2022 and is expected to be completed in Q4 2025. The project aims to demolish 864 residential homes.

Germany is Gaining the Significant Growth in the European Market

The market in the country is driven by the huge number of immigrants residing in the country demanding new homes. Furthermore, the market is driven by government initiatives to provide affordable housing and fulfil the housing demand increasing in the country.

Germany's robust economic growth has fuelled demand for housing, and the country's stable political and social environment has made it an attractive destination for investors and residents. Germany has Europe's strongest economy and clear urbanization trends, making it especially receptive to NREP's expertise in improving city-built environments. It is capable of developing more customer-focused products and implementing ESG initiatives more broadly, which has proven to be a successful strategy when expanding into new Northern European territories.

NREP has formed a long-term joint venture with Artisan Group, a major Swiss real estate developer operating across European markets, for its first German investment. The joint venture intends to deliver 5,000 co-living apartments by 2025, with the first investment consisting of the purchase of two co-living assets totaling 314 individual apartments. One of the assets located near Berlin's new business district Mediaspree will be DNGB Gold certified once completed in 2024.

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The green transition is one trend that will have an impact on the German real estate market in the future. The German government is strongly encouraging energy-efficient housing because the building sector accounts for 16% of total greenhouse gas emissions in Germany. Recent plans to reduce reliance on Russian oil and gas could hasten the green transition in housing. The "Immediate Action Program 2022" will add five billion euros to promote energy-efficient building refurbishment and new construction, including social housing.

Europe Residential Construction Industry Overview

The Europe residential construction market landscape is fragmented with a mix of global and local players. Some of the major players present in the market include Bellway p.l.c., Skanska AB, Persimmon Plc, Barratt Developments plc, and Taylor Wimpey plc. Some of the European players are actively growing their presence on the market by developing new projects, not just in Europe but also in other regions. For instance, in November 2022, Skanska AB (a multinational construction and development company based in Sweden) invested about USD 296 million in a multi-family development project in Seattle, Washington, USA. Skanska will design and construct a 31-story, 324-unit Class A apartment complex in Seattle's Belltown. The construction is expected to be finished in the second quarter of 2025.

Moreover, key players are expanding their businesses through mergers, acquisitions, strategic partnerships, etc., to meet the increasing demand from end users. For instance, in January 2023, Crest Nicholson (a British housebuilding company based in Chertsey) announced that it had acquired land for a new site Rowden Gate, on the edge of Chippenham, Wiltshire. As part of a wider 126-hectare garden village development, Crest Nicholson secured 42.6 acres of land to deliver 453 high-quality new homes to the area.

Additional Benefits:

- The market estimate (ME) sheet in Excel format
- 3 months of analyst support

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