Europe Construction Market Report 3Q/4Q 2025

Path to Progress

Contents

Executive summary 03
At a glance 04
Austria 10
Czechia 16
France 22
Germany 29
Hungary 35
Italy 41
Poland 47
Portugal 53
Romania 59
Slovakia 65
Spain 71
Contact us 78

Our values


Professionalism with personality


Excellence with humility


Innovation with agility

Executive summary

Path to Progress

With the first two quarters of 2025 now concluded, Europe's construction sector has continued to navigate uneven economic conditions, shifting policy frameworks, and sector-specific headwinds.

Edna Benavides
Associate Director, Intelligence Lead for Europe
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While growth remained positive across most markets, its pace differed country by country. Several economies demonstrated renewed momentum, while others struggled with weak private investment and the lingering effects of higher financing costs, each following a distinct path shaped by domestic investment, labour dynamics, and policy measures. Public programmes and EU-backed infrastructure spending once again played a central role in sustaining sector resilience.

In the first half of 2025, macro trends pointed to a modest, uneven recovery: GDP expanded in most countries despite weak industrial output and restrained private capital formation. Poland continued to benefit from a tight labour market and firm consumer demand, while Austria and Germany remained weighed down by slow investment and fragile sentiment. European Commission forecasts point to a gradual pickup through 2025–26, underpinned by stabilising inflation, modest real wage gains, and continued deployment of Recovery & Resilience Facility funds.

Inflationary pressures eased across most markets, with euro-area headline inflation broadly around the 2% mark in mid-2025, supporting consumption and confidence — although country-level divergences persist. Hungary and Slovakia recorded temporary inflationary upticks in early-to-mid 2025 linked to energy-price dynamics and policy measures; both economies are expected to see inflation moderate again into 2026. Unemployment remained broadly stable in the euro area (around 6%–6.5%), with higher endemic rates in France and Spain relative to many Central and Eastern European countries.

Construction performance was mixed and sector specific. In Czechia and Romania steady activity was underpinned by public investment and solid project pipelines, while Italy faced subdued residential activity amid high borrowing costs and elevated input prices. Portugal stood out for relatively strong order books and positive construction output, supported by tourism-linked investment and urban redevelopment.

Government intervention continued to be pivotal. Targeted public investment in transport, energy transition and housing remained the primary support in the near term, while sustainability and efficiency considerations continued to shape project design and regulation. As H2 2025 progresses, the sector must balance persistent uncertainty in private demand with longer-term opportunities from EU funds, green transition priorities, and any further easing in financing conditions. The following country reports provide a roadmap for the sector's Path to Progress, connecting current performance with future potential.

Towarowa 22, Warsaw, Poland

At a glance

At a glance

Figure 1

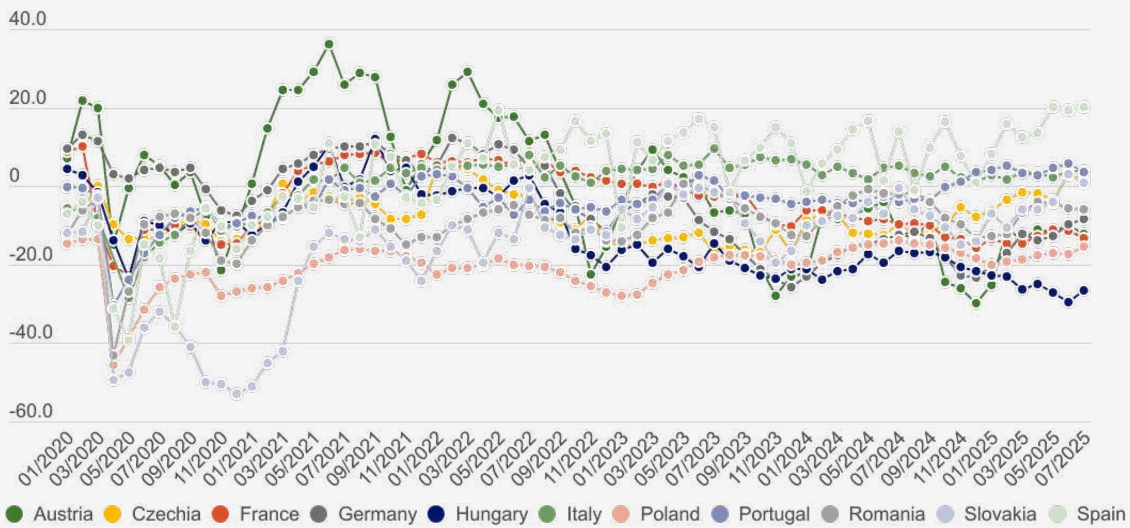
Broad economic indicators comparison table

Indicator	Austria	Czechia	France	Germany	Hungary	Italy	Poland	Portugal	Romania	Slovakia	Spain
Gross domestic product growth (quarter-on-quarter (QoQ) 2Q 2025)	0.1%	0.2%	0.3%	-0.1%	0.4%	-0.1%	0.8%	0.6%	1.2%	0.1%	0.7%
Harmonised Index of Consumer Prices (July 2025)	3.6%	2.5%	2.6%	1.8%	4.2%	1.7%	2.9%	2.5%	1.2%	4.5%	2.7%
Euribor (August 2025)	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Construction confidence indicator (July 2025)	-12.2	1.7	-13.3	-8.3	-26.7	3.9	-15.4	3.6	-5.9	1.0	20.2
Unemployment rate (1Q 2025)	5.4%	2.5%	7.4%	3.6%	4.2%	6.3%	3.1%	6.3%	6.0%	5.3%	10.9%
Exchange rate (MoM)	1.17	0.05	1.17	1.17	0	1.17	0.28	1.17	0.23	1.17	1.17

Source: Eurostat (ec.europa.eu)

Figure 2

Construction confidence indicator



Source: Eurostat (ec.europa.eu)

At a glance

(continued)

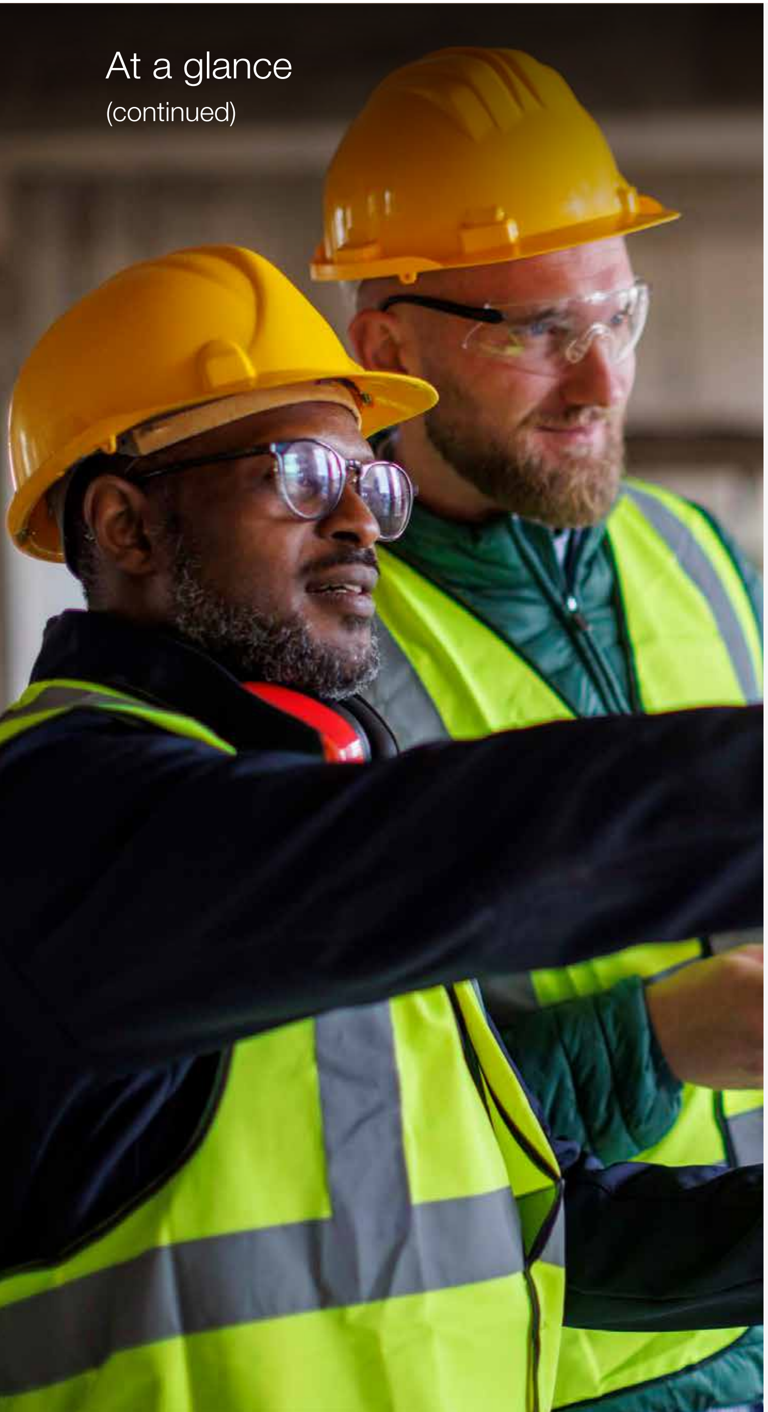
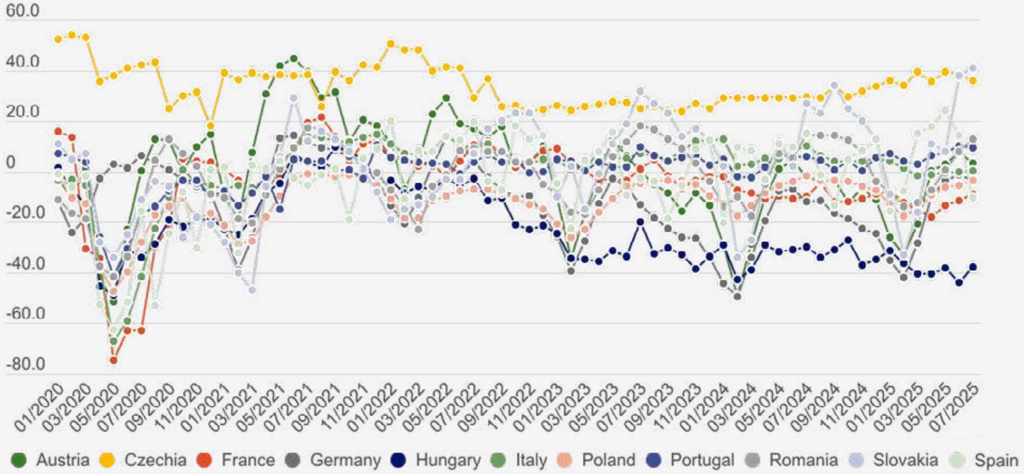


Figure 3

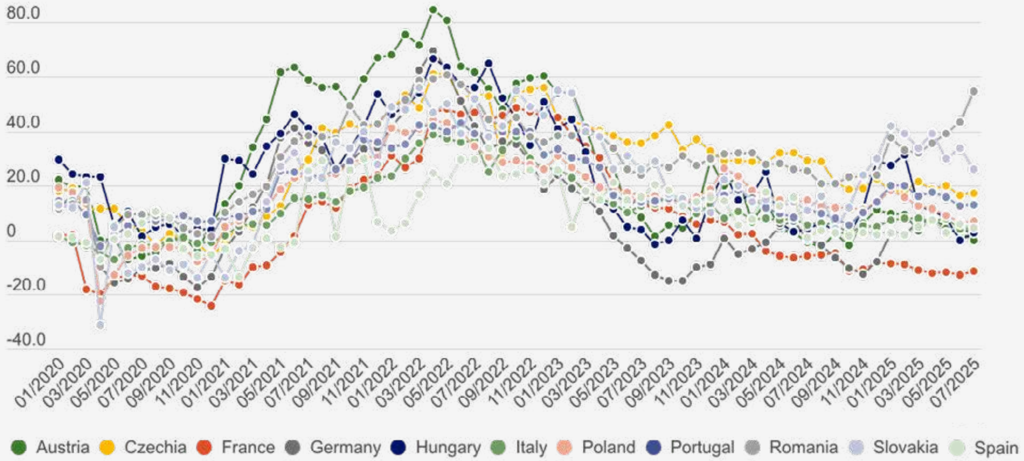
Building activity development over the past three months



Source: Eurostat (ec.europa.eu)

Figure 4

Price expectations next 3 months

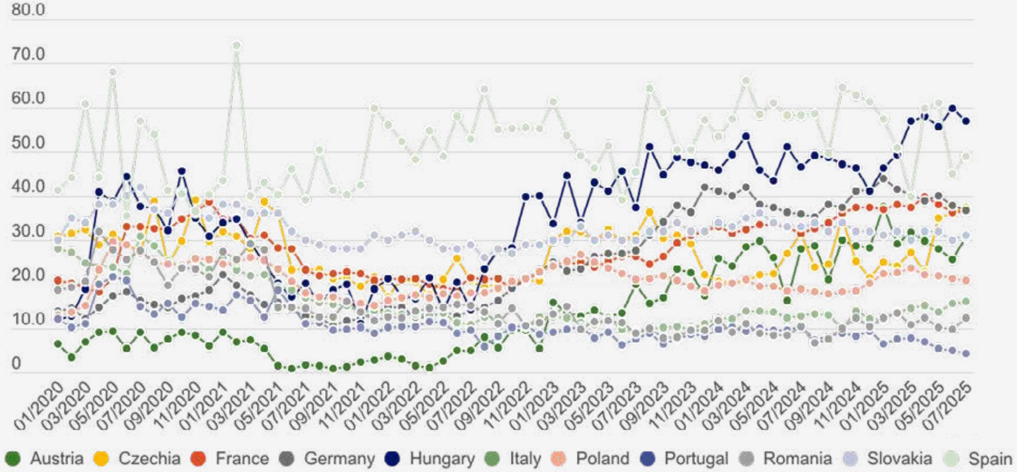


Source: Eurostat (ec.europa.eu)

At a glance
(continued)

Figure 5

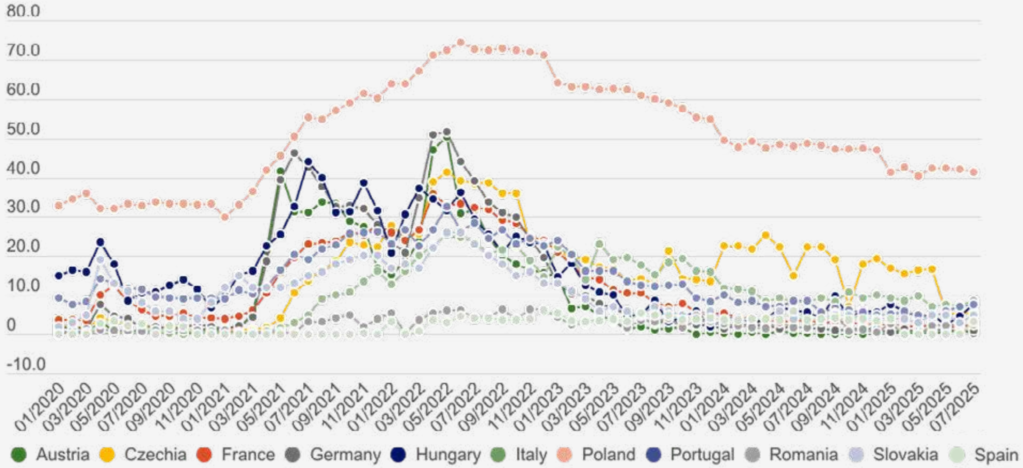
Factors limiting building activity, insufficient demand



Source: Eurostat (ec.europa.eu)

Figure 6

Factors limiting building activity, shortage of material and/or equipment

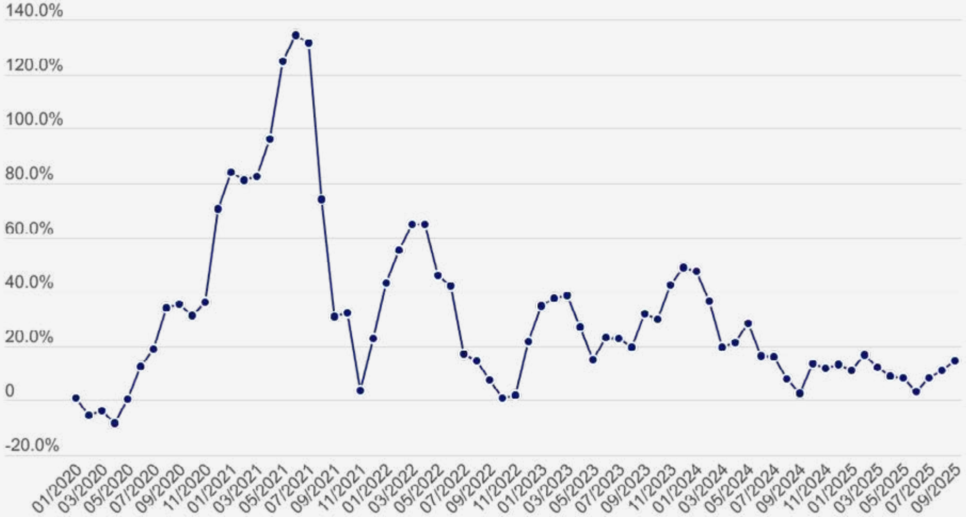


Source: Eurostat (ec.europa.eu)

At a glance
(continued)

Figure 7

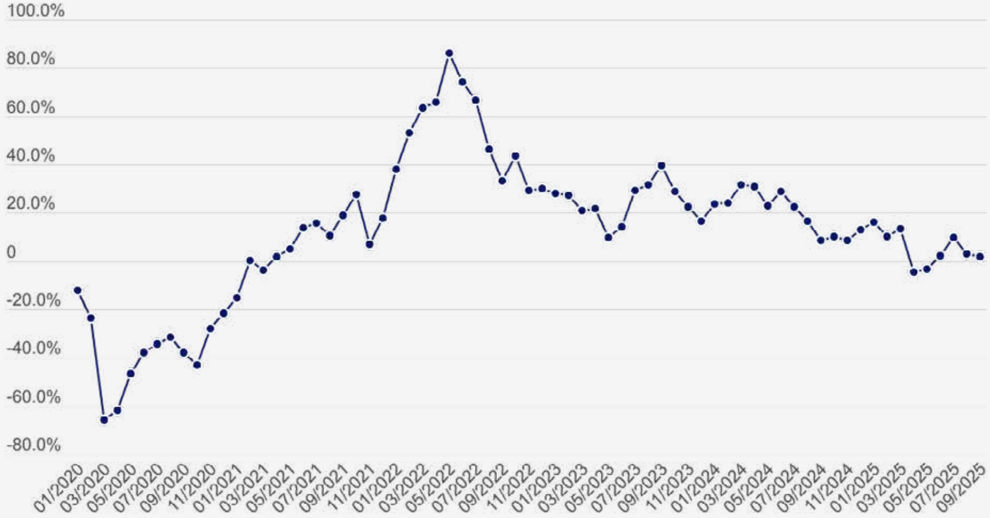
Iron ore monthly price index, 12/2019 = 0%



Source: World Bank (worldbank.org)

Figure 8

Brent crude oil monthly price index, 12/2019 = 0%

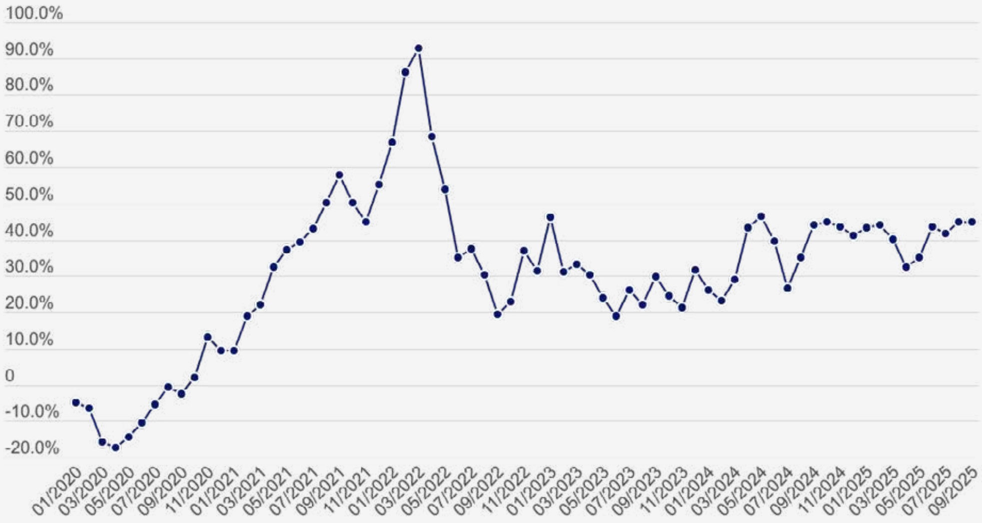


Source: World Bank (worldbank.org)

At a glance
(continued)

Figure 9

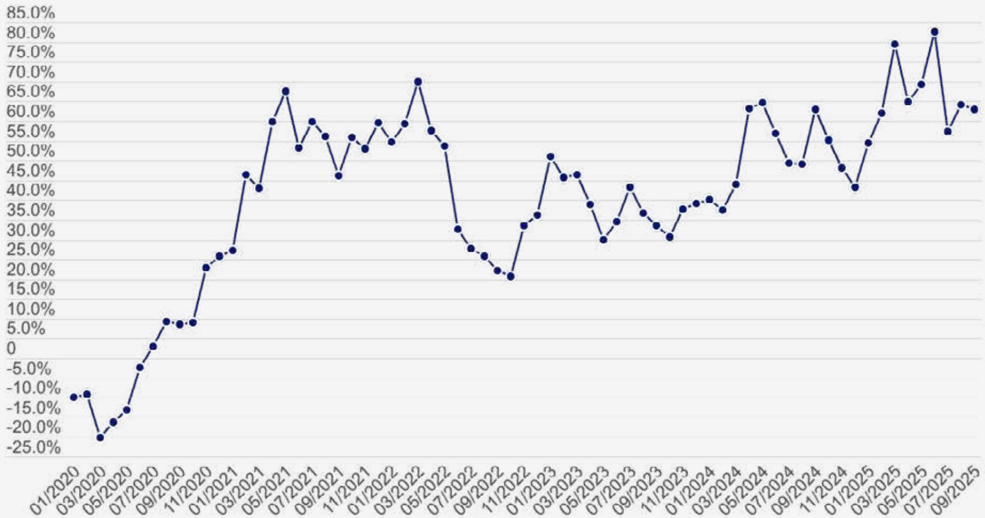
Aluminium monthly price index, 12/2019 = 0%



Source:
World Bank
(worldbank.org)

Figure 10

Copper monthly price index, 12/2019 = 0%



Source:
World Bank
(worldbank.org)

Austria

Spotlight :

Austria

Olaf Mücke
Managing Director, Germany
Contact →

Felix Behrndt
Managing Director, Germany
Contact →

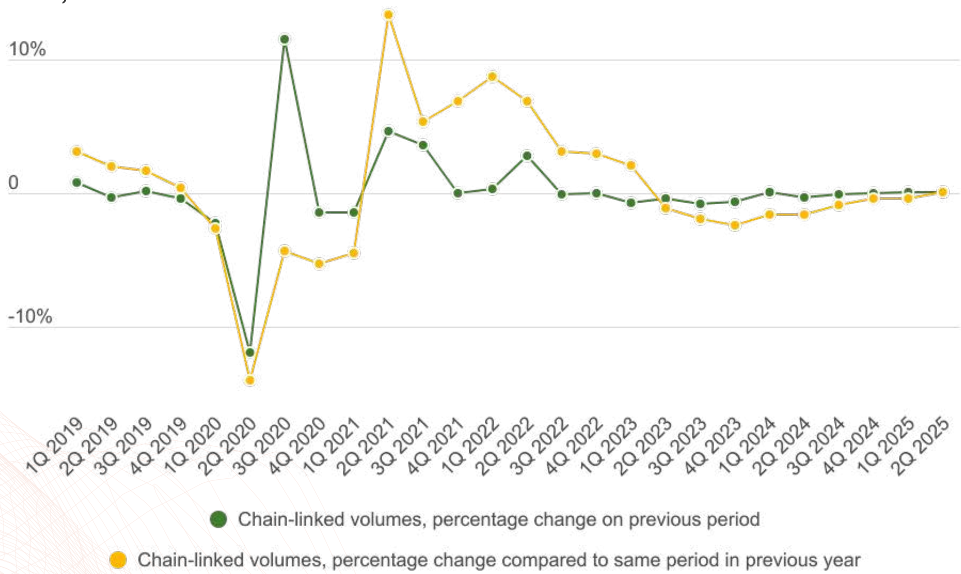
Local economic indicators

The European Commission reports Austria's year-over-year (YoY) gross domestic product (GDP) contracted by 1.0% in 2023 and 1.2% in 2024, with a further decline of 0.3% expected in 2025. A return to growth, however, is projected for 2026, with GDP forecast to expand by 1.0% on the back of stronger consumption and a rebound in investment. While private consumption is set to grow modestly in 2025 – supported by real income gains and a gradual unwinding of high savings – investment is expected to fall further as factories continue operating below capacity. In the construction sector, a slow recovery is anticipated as housing loan rates begin to ease, though trade tensions and weak industrial demand across Europe will continue to weigh on exports. Quarter-over-quarter (QoQ), Austria's GDP grew slightly by 0.1% between Q1 and Q2 of 2025.

Eurostat also reports that in 1Q 2025, the construction industry's gross value added, which measures its contribution to Czechia's overall GDP, fell to 5% from 6.3% in 4Q 2024.

Figure 1

GDP, Austria



Source: Eurostat (ec.europa.eu)

Spotlight :

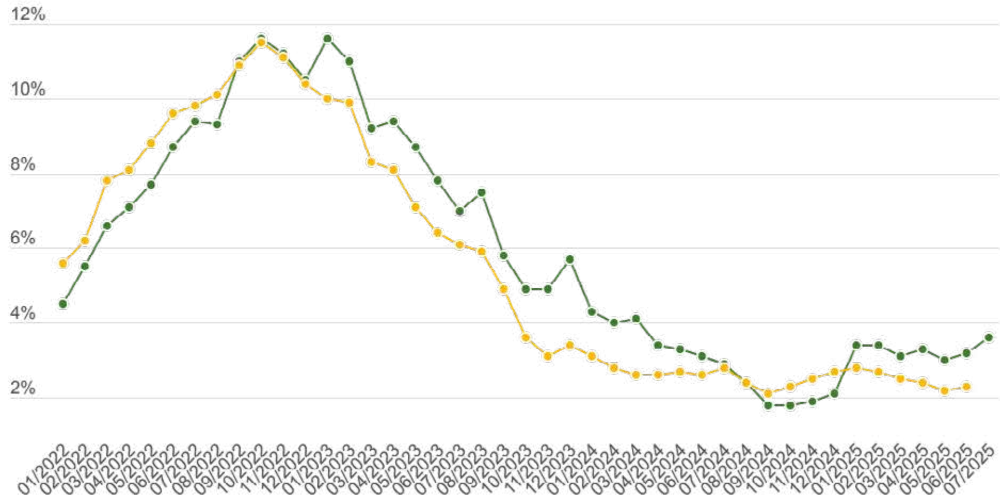
Austria (continued)

Inflation, as given by Eurostat's harmonised index of consumer prices (HICP), was reported at 3.3% in the1Q 2025 primarily driven by a sharp increase in retail energy prices. This surge was linked to the expiration of energy relief measures, alongside high wholesale oil and gas prices at the start of the year. Persistent services inflation also kept the overall rate elevated, reaching 2.9% for 2025. Looking ahead, inflation is projected to decline to an average of 2.1% in 2026, supported by lower energy commodity prices and a slowdown in unit labour costs. The latest inflation figure reported was 3.7% for July up from 3.2% in June.

Unemployment in Austria has risen gradually since its post-COVID-19 low of 4.8% in 2022 and is projected to peak at 5.3% in 2025. As economic conditions improve, the rate is expected to edge down to 5.2% in 2026.

Figure 2

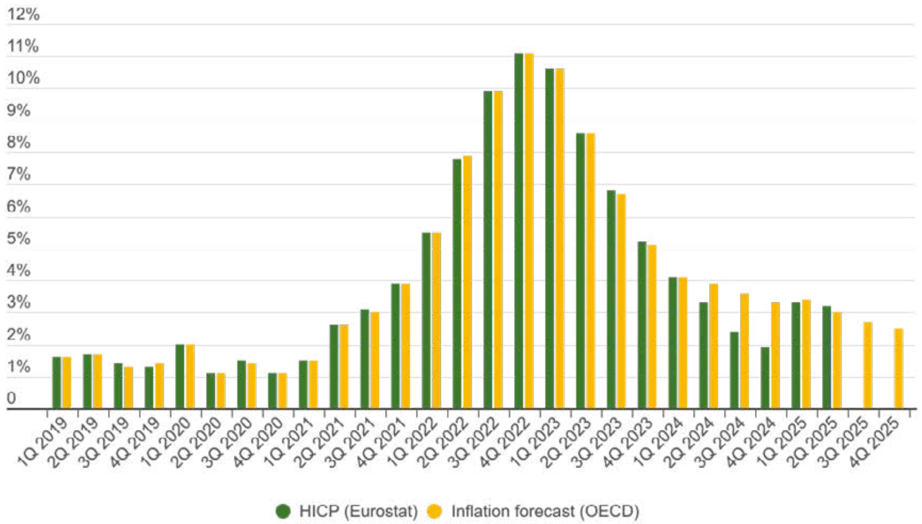
HICP



Source: Eurostat (ec.europa.eu)

Figure 3

Inflation forecast



Source: OECD (oecd.org) and Eurostat (ec.europa.eu)

Spotlight :

Austria (continued)

Construction materials

Eurostat's June update on Austrian industrial producer prices shows overall stability across most construction materials. Electrical distribution prices eased slightly, falling 0.3% month-over-month (MoM), down 2% year-over-year (YoY) and 12.5% since the 2022 oil price peak, indicating continued softening. Wood prices remained steady, rising 2.8% YoY, while steel tubes continued their gradual recovery, with a 1% MoM drop and a 4.9% YoY decline and recording a 14.5% fall since 2022. Flat glass also showed relative stability on both MoM and YoY measures yet has recorded a notable 11.7% increase since 2022. Regular updates to project allowances are deemed essential to ensure alignment with evolving market conditions. See the following table for MoM, YoY and indexed pricing inflation:

Figure 4

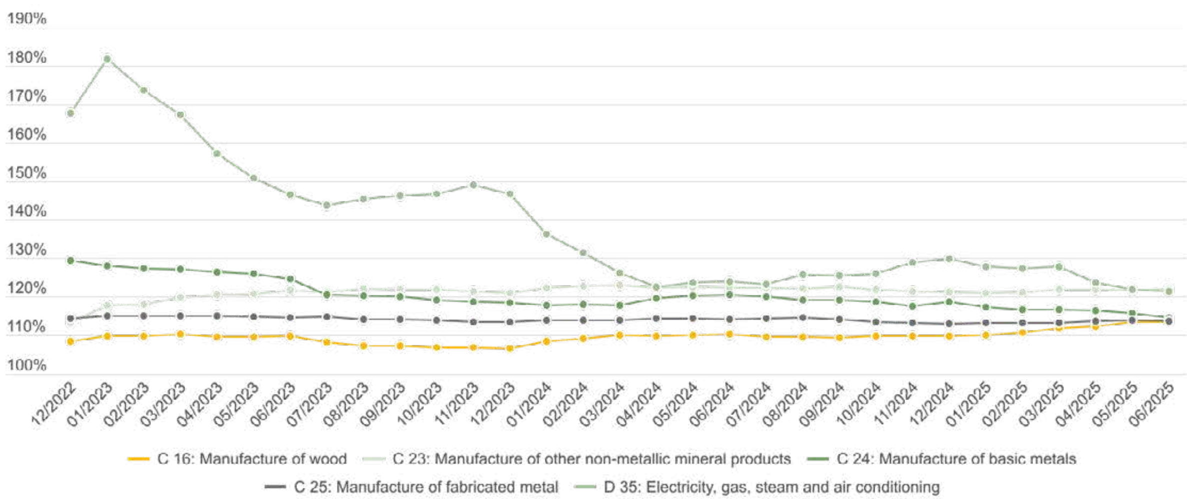
Industrial producer price indices

	MoM	YoY	Index (06/2022) = 0%
C 16: Manufacture of wood	0.0%	2.8%	4.8%
C 23: Manufacture of other non-metallic mineral products	0.3%	-0.3%	11.7%
C 24: Manufacture of basic metals	-1.0%	-4.9%	-14.5%
C 25: Manufacture of fabricated metal	-0.2%	-0.4%	0.7%
D 35: Electricity, gas, steam and air conditioning	-0.3%	-2.0%	-12.5%

Source: Eurostat (ec.europa.eu) (06/2025)

Figure 5

Industrial producer price index, domestic market (NACE), 12/2019 = 0%



Source: Eurostat (ec.europa.eu)

Spotlight :

Austria (continued)

Market outlook

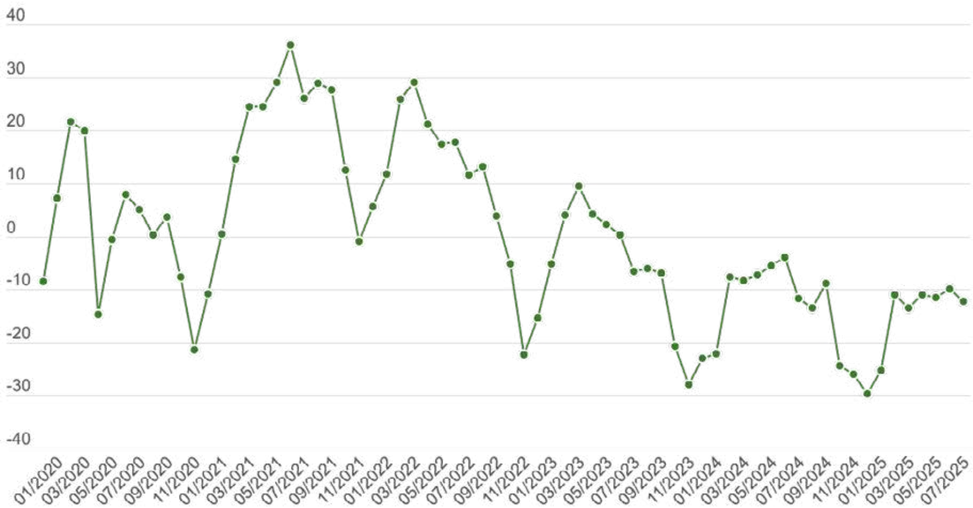
In January 2025, Austria's construction confidence indicator (CCI) was reported at -25.3, reflecting significant sectoral challenges, however had improved to -12.2 by the latest July figure, slightly above the year-to-date (YTD) average of -13.5, indicating recovery.

This recovery can be attributed to an improvement in current order books, which while still negative, improved from -37.2 in January to -19.1 in July, significantly above the YTD average of -26.2. Employment expectations on the other hand experienced a sharp MoM swing early in the year, rising from -13.3 in January to 8.7 in February, before settling at –5.3 in July. Insufficient demand also eased from a peak of 37.7 in January to 30.7 in July but continues to weigh on the sector.

Overall, the first half of 2025 has shown a slow recovery from early-year lows, with improved CCI and order book figures highlighting a slight easing of pressures, however large MoM swings in employment expectations underline ongoing volatility in Austria's construction market.

Figure 6

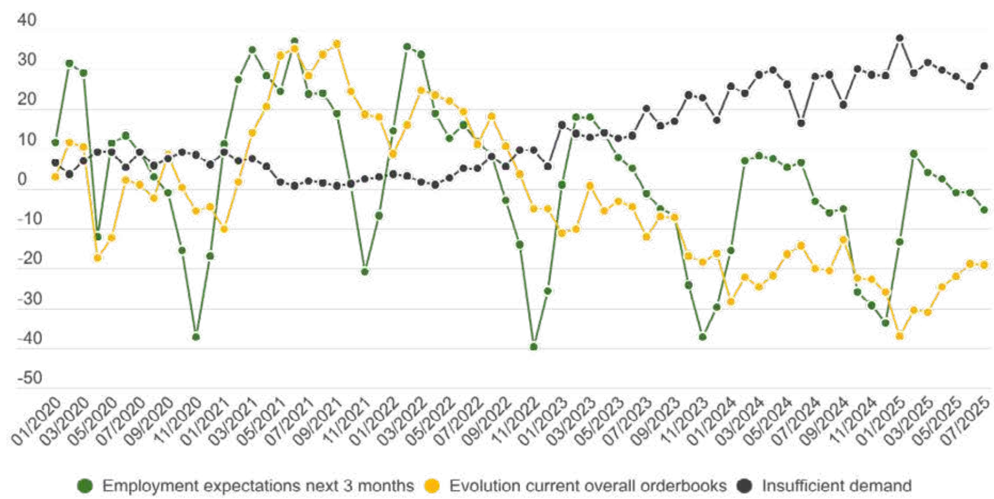
Construction confidence indicator



Source: Eurostat (ec.europa.eu)

Figure 7

Employment expectations next 3 months, evolution of current overall order books and insufficient demand



Source: OECD (oecd.org) and Eurostat (ec.europa.eu)

Spotlight :

Austria (continued)

Local insights

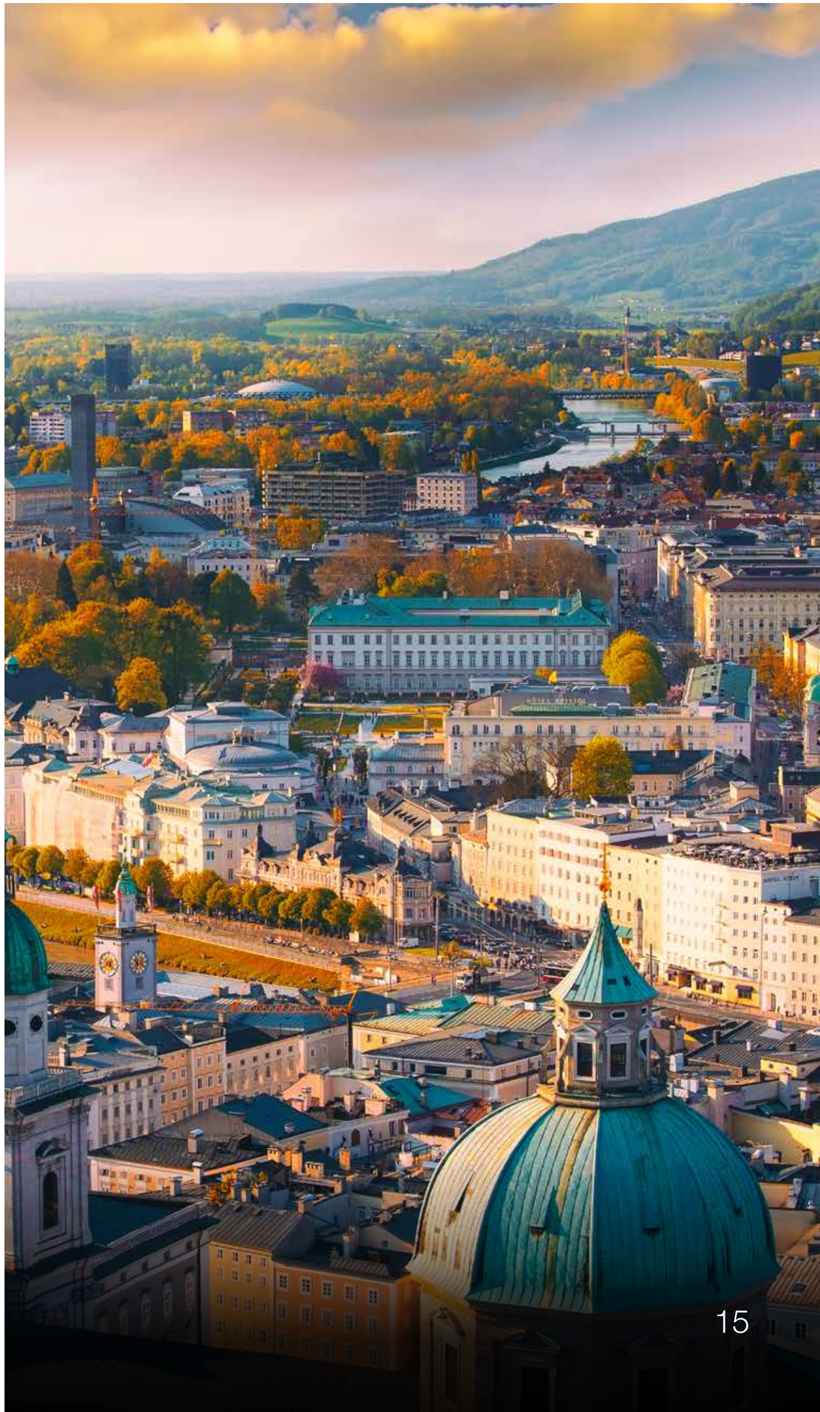
The Austrian construction market appears to have passed its low point, with the WIFO survey – conducted by the Austrian Institute of Economic Research – projecting stable growth of around 0.4% in 2025. Residential space is increasingly scarce, mirroring trends in Germany, and shortages are expected to peak in 2026. This growing scarcity is driving prices upward, yet overall residential activity this year is likely to remain largely stagnant, indicating both persistent challenges and potential for renewed development as the market adjusts.

Hospitality however is emerging as a standout sector with hotel occupancy rates having returned to pre-COVID levels, supporting strong operator turnovers projected at approximately €2.4 billion in 2025. Despite this positive performance, construction and development activity in the sector have lagged behind, suggesting opportunities for future growth that could help absorb the rising demand for accommodations.

Material costs have also posed a significant challenge in recent years with inflation for construction materials recaching up t0 50% between 2020 and 2023, partly due to Austria's close pre-war supply ties with Russia. Although supply chains have since been reorganised, prices have not fully normalised, continuing to impact project budgets and timelines. At the same time, infrastructure investment is expected to support long-term growth, with the Austrian railway authority approving a €19.7 billion plan for 2025–2030 focused on upgrading existing infrastructure, though this excludes new railway systems or track expansions.

Nonetheless, the sector faces persistent constraints, most notably a shortage of skilled workers, which limits the pace at which projects can be executed. Taken together, these factors paint a picture of a market that is stabilizing but still navigating structural challenges, creating both opportunities and hurdles for developers and investors alike.

As always, Gleeds advises regular project budget updates that consider recent market pricing and local risk factors that may impact project programmes and costs. Undertaking risk analysis studies enables better evaluation and preparation of appropriate contingencies for your project conditions and risk exposure.



Czechia

Spotlight :

Czechia

Tomas Homola
Managing Director, Czechia
Contact →

Local economic indicators

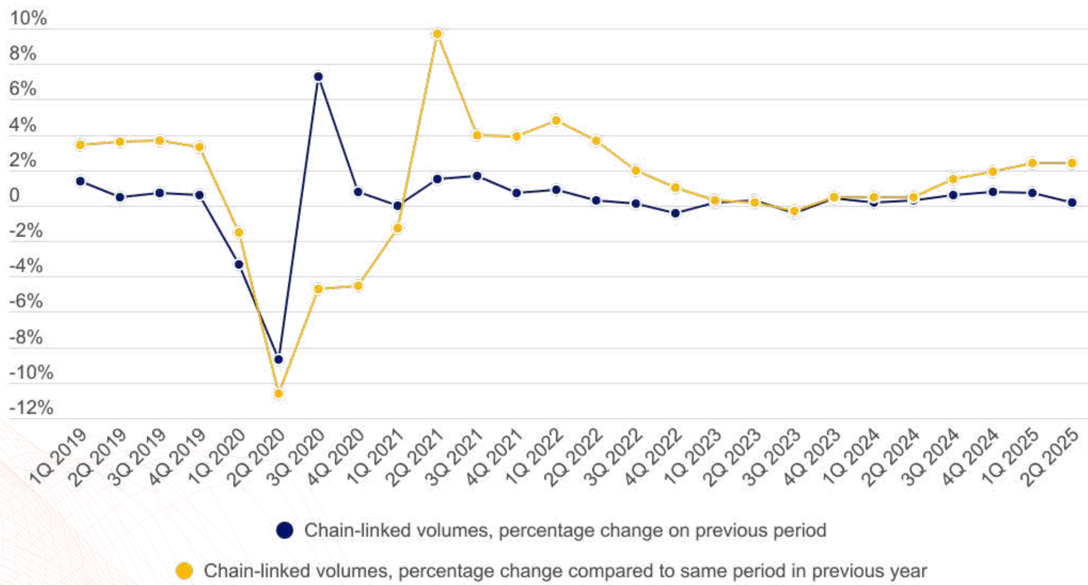
The European Commission forecasts Czechia's gross domestic product (GDP) to grow by 1.9% in 2025 and 2.1% in 2026, following 1.1% growth in 2024, driven mainly by improving domestic demand despite a challenging external environment. Household consumption, supported by rising real wages, is the key growth driver, although consumer confidence remains weak and spending is still below pre-pandemic levels. Investment is set to recover after contracting in 2024, aided by increased EU funding, through their recovery and resilience programme (RRP), and a rebound in residential construction.

Net exports however are expected to weigh on growth due to strong imports and ongoing trade tensions. Quarter-over-quarter, Eurostat reports a 0.2% GDP increase between Q1 and Q2 of 2025.

Eurostat also reports that in 1Q 2025, construction's gross value added (GVA) fell to 4.2% of Czechia's GDP, down from 5.5% in 4Q 2024. The decline reflects fewer project starts, particularly in the residential sector, and is reinforced by seasonal factors, as construction typically accounts for a smaller share of GDP in Q1. Delays in permit issuance and the slow pace of digitisation are also limiting new project initiations, while many previously approved schemes near completion.

Figure 1

GDP, Czechia



Source: Eurostat (ec.europa.eu)

Spotlight :

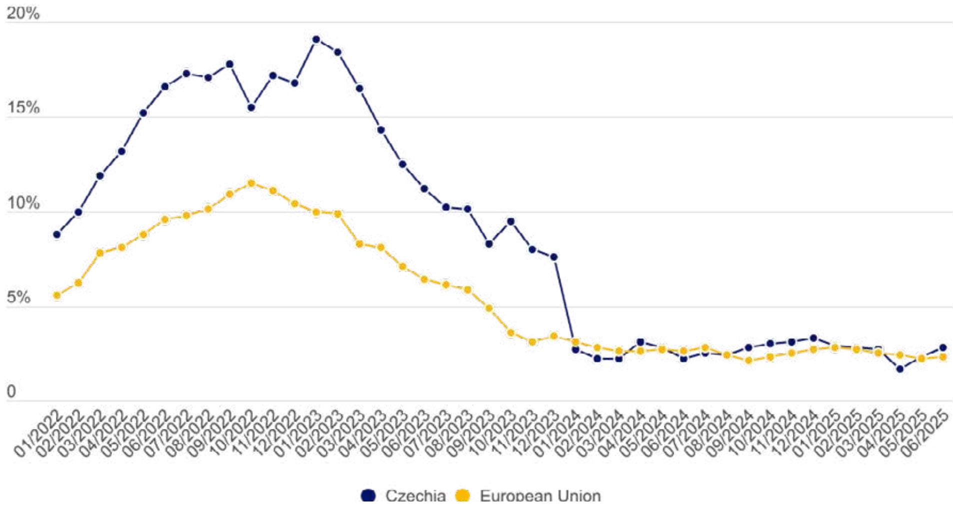
Czechia (continued)

Eurostat's Harmonised Index of Consumer Prices (HICP) for Czechia averaged 2.7% in 2024, with declines to 2.2% in 2025 and 2.0% in 2026 predicted. This improvement follows a period of elevated inflation, supported by declining wholesale energy prices in 2025. However, persistent service inflation, driven by wage growth, is expected to continue moderating the overall decline, while food inflation may add upward pressure due to rising agricultural commodity prices. The latest HICP figure for July 2025 was 2.5%, down from 2.8% in June.

Unemployment in Czechia is expected to remain unchanged at 2.6% in both 2025 and 2026, continuing to be among the lowest rates in the EU, reflecting a persistently tight labour market.

Figure 2

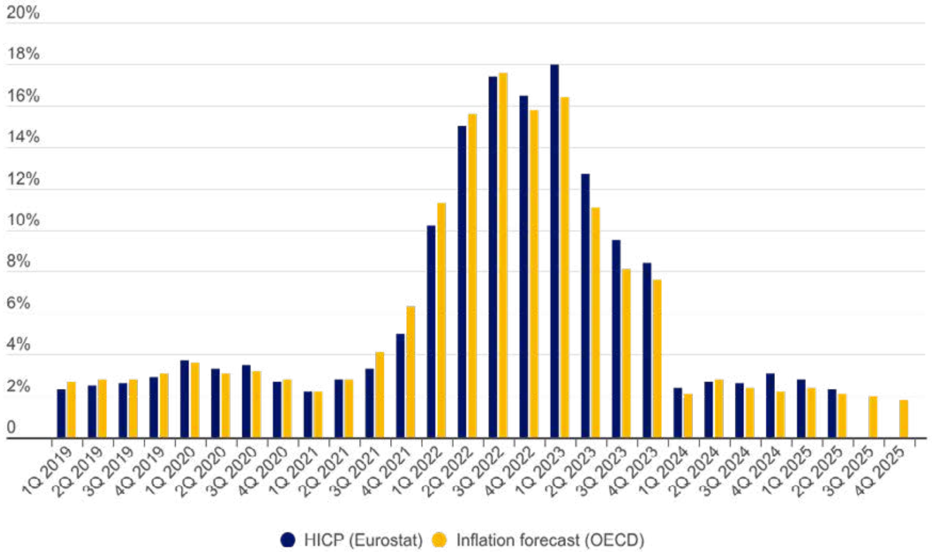
HICP



Source: Eurostat (ec.europa.eu)

Figure 3

Inflation forecast



Source: OECD (oecd.org) and Eurostat (ec.europa.eu)

Spotlight :

Czechia (continued)

Construction materials

Eurostat's June data for industrial producer prices in Czechia showed mixed movements in construction materials. Electrical distribution recorded the steepest month-over month (MoM) decline at 1.1%, continuing a YoY fall of 6.9%. Steel tubes also experienced a moderate YoY recovery with a 3.7% fall and a 33% drop since their June 2022 peak. Wood showed the strongest price growth YoY of 7.6%, while concrete, cement, and plaster posted steady growth with an increase of 14.1% since their 2022 peak. Regular updates to project allowances are deemed essential to ensure alignment with evolving market conditions. See the following table for MoM, YoY and indexed pricing inflation:

Figure 4

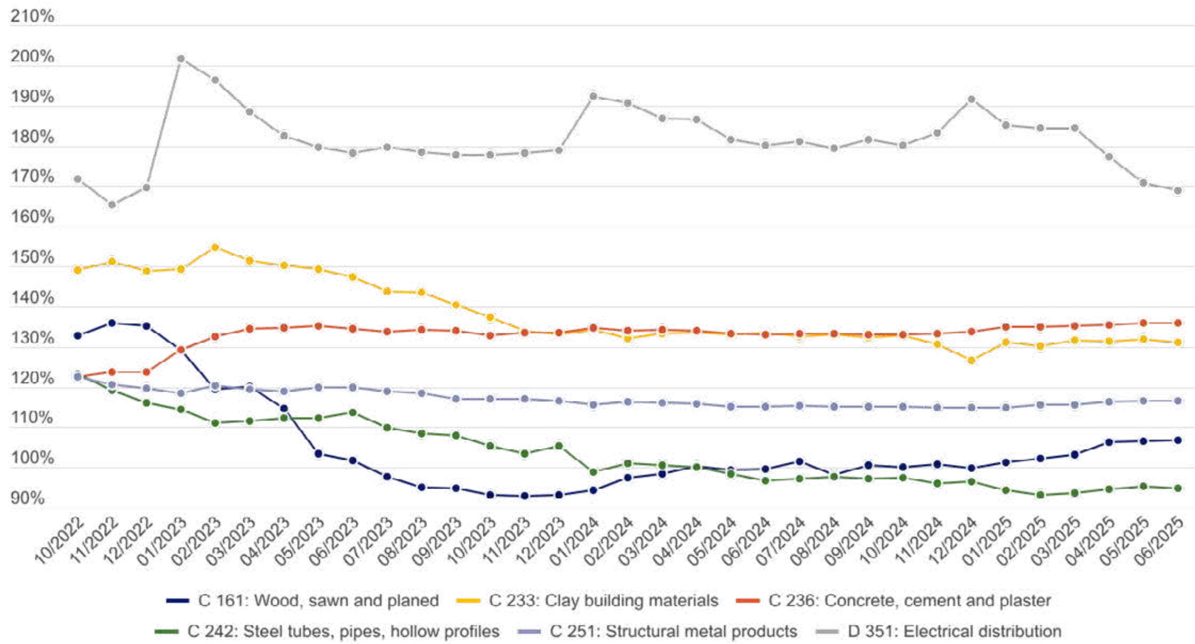
Industrial producer price indices

	MoM	YoY	Index 06/2022 = 0%
CC 161: Wood, sawn and planed	0.2%	7.6%	-19.6%
CG 233: Clay building materials	-0.5%	-1.4%	-9.8%
CG 236: Concrete, cement and plaster	0.0%	2.0%	14.1%
CH 242: Steel tubes, pipes. hollow profiles	-0.5%	-3.7%	-33.0%
CH 251: Structural metal products	0.0%	1.3%	-10.5%
D 351: Electrical distribution	-1.1%	-6.9%	9.7%

Source: Czech Statistical Office (vdb.czso.cz) (06/2025 data)

Figure 5

Industrial producer price index, 12/2019 = 0%



Source: Eurostat (ec.europa.eu)

Spotlight :

Czechia (continued)

Market outlook

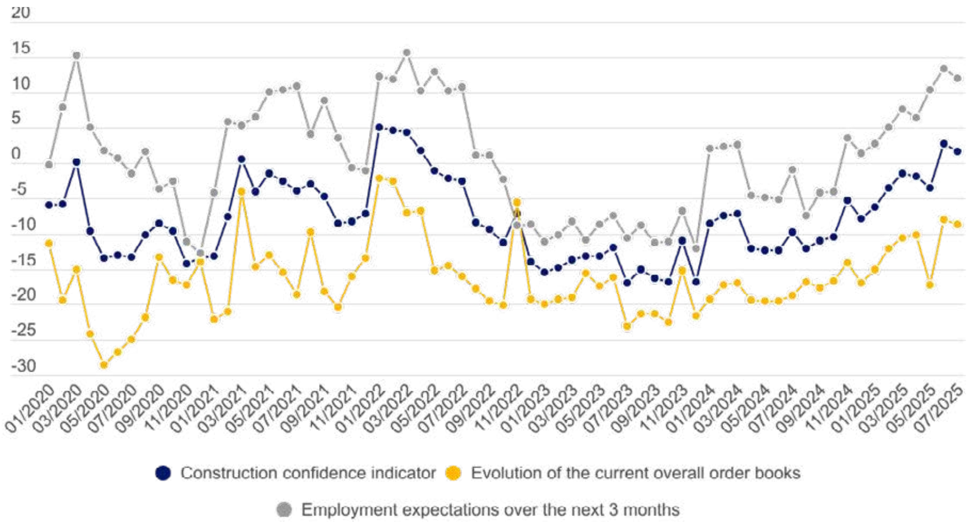
In January 2025, Czechia's construction confidence indicator (CCI) was reported at -6.2, reflecting some sectoral challenges, but had improved to 1.7 by the latest July figure, slightly above the year-to-date (YTD) average of -1.7, indicating a modest recovery.

This improvement was primarily driven by a strong increase in employment expectations, which rose from 2.7 in January to 12 in July, above the YTD average of 8.2. Current order books also improved, moving from -15.1 in January to -8.7 in July, above the YTD average of -11.7, supporting the overall CCI recovery. Insufficient demand, however, increased from 25.0 in January to 37.4 in July, well above the YTD average of 29.6, indicating continued challenges with market demand.

> Overall, the first half of 2025 shows a gradual recovery in Czechia's construction sector, with rising employment expectations and improving order books highlighting easing pressures.

Figure 6

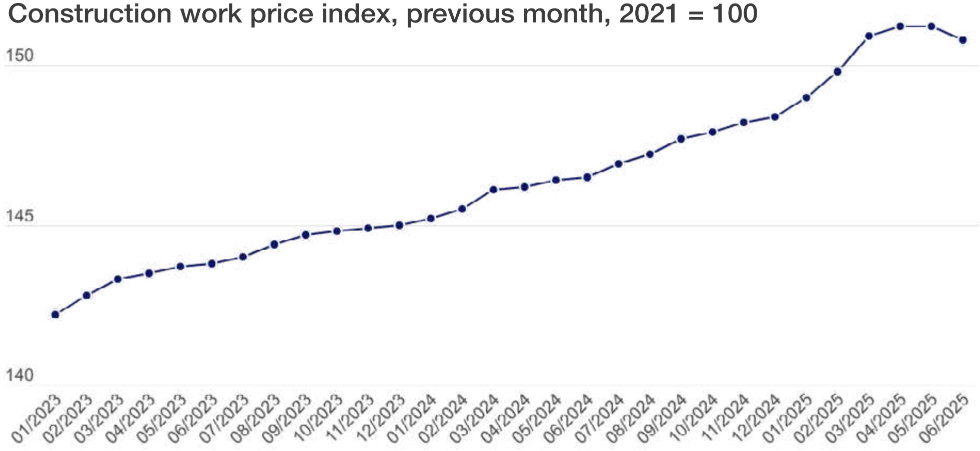
Construction confidence indicator, evolution of the current overall order books and employment expectations over the next 3 months



Source: Eurostat (ec.europa.eu)

Figure 7

Construction work price index, previous month, 2021 = 100



Source: Czech Statistical Office (vdbo.czso.cz)

Spotlight :

Czechia (continued)

Local insights

Skilled labour shortages remain a persistent challenge in the construction sector, particularly across the trades, despite an increase in contractor participation in the tendering process compared to the previous year. Although labour availability continues to be constrained, construction costs are expected to track general inflation trends, indicating a period of relative pricing stability.

Project timelines, however, are still hindered by lengthy and complex permitting procedures, which continue to delay the start of construction activities. These administrative hurdles represent a significant barrier to progress.

Looking ahead, recently issued Requests for Proposals (RFPs) signal a growing pipeline of office building developments anticipated to commence in the latter half of 2025 or into 2026. At the same time, construction management is increasingly emerging as the preferred procurement method, reflecting a broader shift toward more flexible and collaborative delivery models.

In parallel, local banks have reported a rise in consumer demand for mortgage lending. This trend may act as a catalyst for renewed momentum in the residential sector, potentially accelerating the launch of new housing projects in the near term.

> As always, Gleeds advises regular project budget updates that consider recent market pricing and local risk factors that may impact project programmes and costs. Undertaking risk analysis studies enables better evaluation and preparation of appropriate contingencies for your particular project conditions and risk exposure.

Fragment House, Prague, Czech Republic

France

Spotlight :

France

Kevin Braund
Country Director, France
Contact →

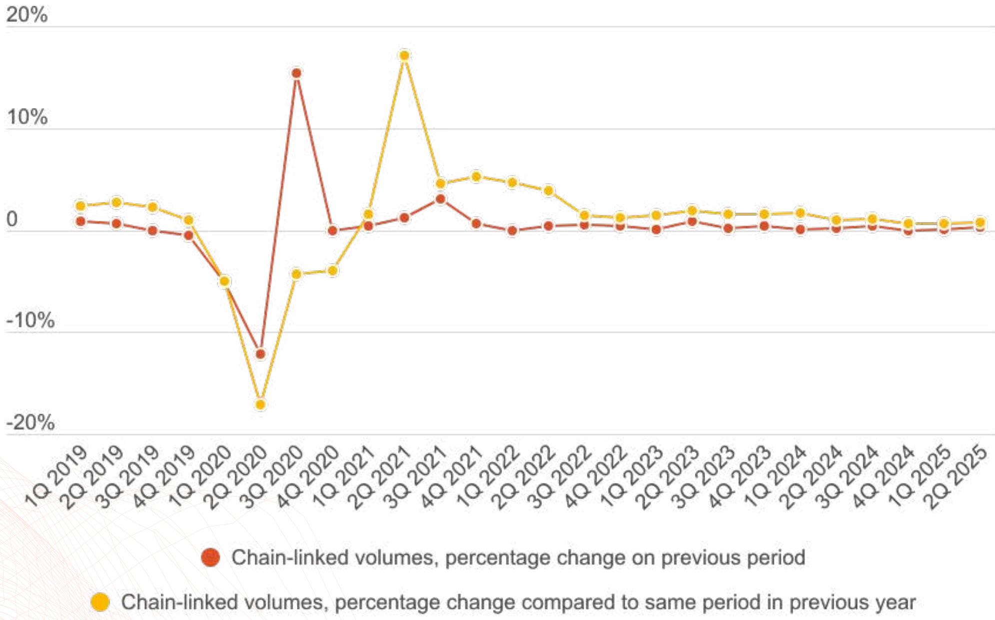
Local economic indicators

The European Commission projects France's year-over-year (YoY) GDP growth at 0.6% in 2025, a sharp slowdown from previous years driven by fiscal tightening, weak investment, and trade-related uncertainty, however, predicts an increased growth of 1.3% in 2026. Net exports are expected to weigh on growth in 2025, while modest consumer confidence should keep the household saving rate high despite rising real wages. Quarter-over-quarter (QoQ) GDP growth between 1Q and 2Q 2025 was reported at 0.3%.

Eurostat also reports that in 2025, the construction industry's gross value added (GVA), which measures its contribution to France's overall GDP, remained stable at approximately 5% of the total GDP.

Figure 1

GDP, France



Source: Eurostat (ec.europa.eu)

Spotlight :

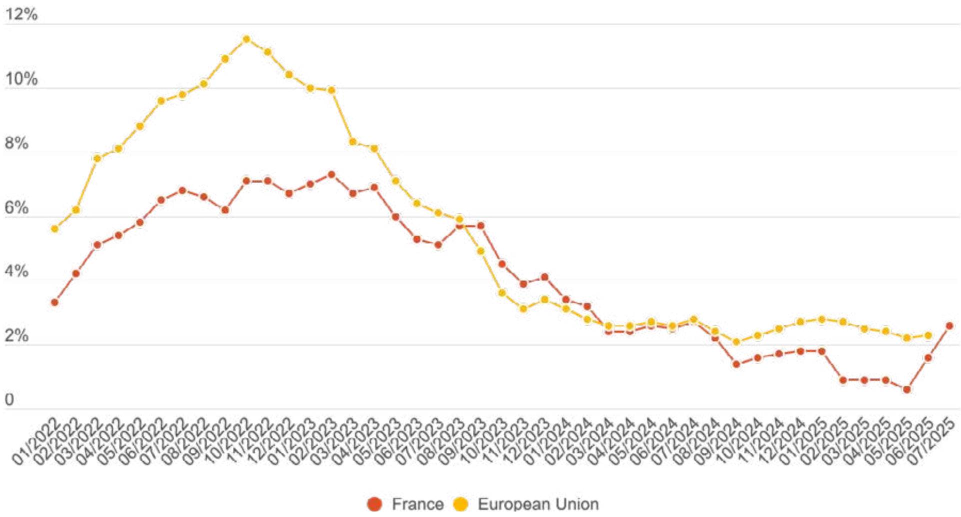
France (continued)

Eurostat's Harmonised Index of Consumer Prices (HICP) for France held steady at 0.9% between June and the most recent figure for July. Inflation is also expected to remain broadly stable across 2025, supported by a projected 5.0% fall in energy commodity prices. Consumer price inflation is forecast to ease to 0.9% in 2025, down from 2.3% in 2024, before rising slightly to 1.2% in 2026.

Unemployment in France remained close to historic lows at 7.4% in 1Q 2025, marking one of the lowest levels since 2008. However, this rate is forecast to rise to 7.9% towards the end of 2025 amid a cooling labour market and weaker policy support, before recovering slightly in 2026.

Figure 2

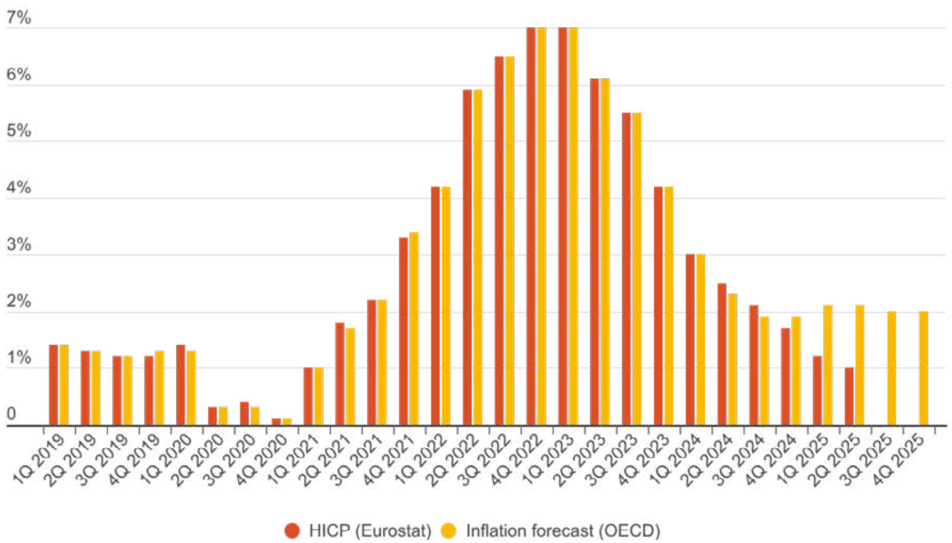
HICP



Source: Eurostat (ec.europa.eu)

Figure 3

Inflation forecast



Source: OECD (oecd.org) and Eurostat (ec.europa.eu)

Spotlight :

France (continued)

Construction materials

Eurostat's June data for France shows a robust 5% month-on-month (MoM) rise in flat glass manufacturing, driving a 13.7% increase YoY. In contrast, the supply of electricity, gas, steam, and HVAC declined by 2.3% MoM and 4.8% YoY, continuing its downward trend since prices peaked in June 2022 due to the Ukraine-Russia conflict. Beyond this, the other reported producer prices have remained relatively stable on both a MoM and YoY basis. Regular updates to project allowances are deemed essential to ensure alignment with evolving market conditions. See figure 4 for MoM, YoY and indexed pricing inflation.

The French All Trades Index (BTO1) in May indicated overall stability in construction costs both on a MoM and YoY basis. When indexing for June 2022, we can see relative stability across the majority of sectors apart from framework and metal frames which saw a price reduction of 17%.

Figure 4

Industrial producer price indices

Industrial producer price indices — Eurostat (06/2025)	MoM	YoY	Index 06/2022 = 0%
C 161: Wood, sawn and planed	0.1%	2.9%	-10.0%
C 2311: Manufacture of flat glass	5.0%	13.7%	-7.4%
C 233: Clay building materials	0.1%	0.2%	12.8%
C 236: Concrete, cement and plaster	-0.4%	0.8%	16.2%
C 242: Steel tubes, pipes, hollow profiles	-0.2%	-1.1%	-5.9%
C 251: Structural metal products	0.8%	1.4%	-0.5%
D: Electricity, gas, steam and HVAC supply	-2.3%	-4.8%	-16.4%

Source: Eurostat (ec.europa.eu) (06/2025)

Figure 5

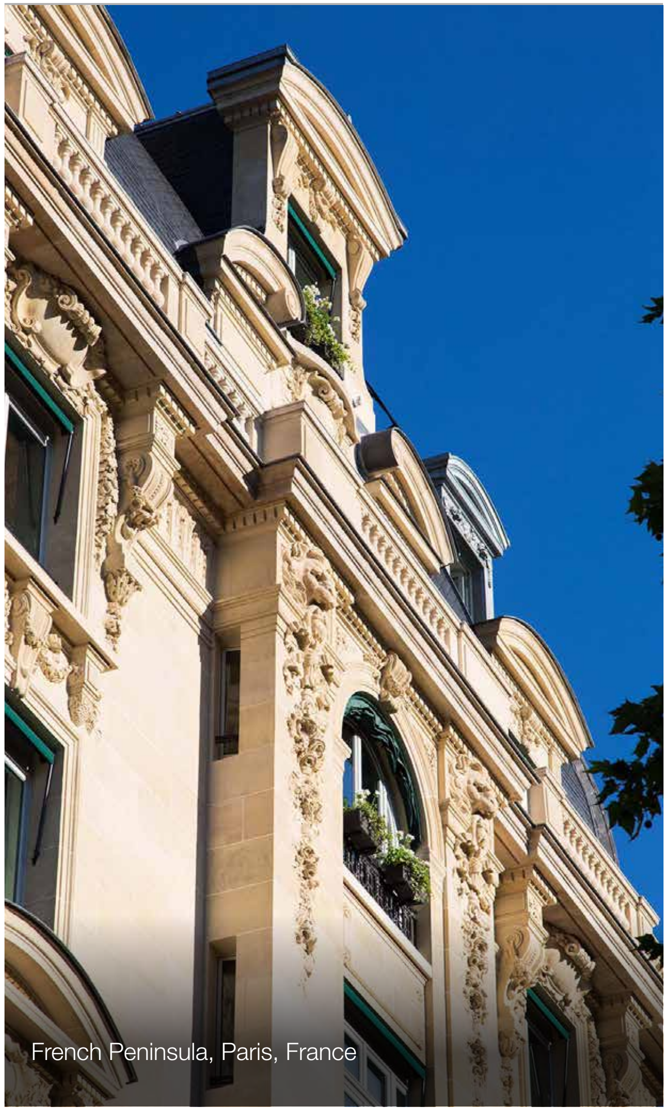
Building trades cost index (BT01), all trades, 12/2019 = 0%

Building index, all trades — French National Institute of Statistics and Economic Studies (insee.fr)	MoM	YoY	Index 06/2022 = 0%
BT01: All trades works	0.8%	2.0%	5.3%
BT06: Framework, reinforced concrete structures (base 2010)	0.0%	1.1%	4.5%
BT07: Framework and metal frames	1.2%	1.0%	-17.0%
BT16b: Wood frame	-0.5%	1.5%	3.8%
BT40: Central heating, excluding electrical heating (base 2010)	0.1%	1.3%	7.4%
BT41: Ventilation and air conditioning (base 2010)	0.2%	1.3%	8.8%
BT45: Glazing and mirror works	0.3%	-0.1%	8.1%
BT47: Electricity (base 2010)	0.8%	2.0%	6.6%

Source: French National Institute of Statistics and Economic Studies (insee.fr)

Spotlight :

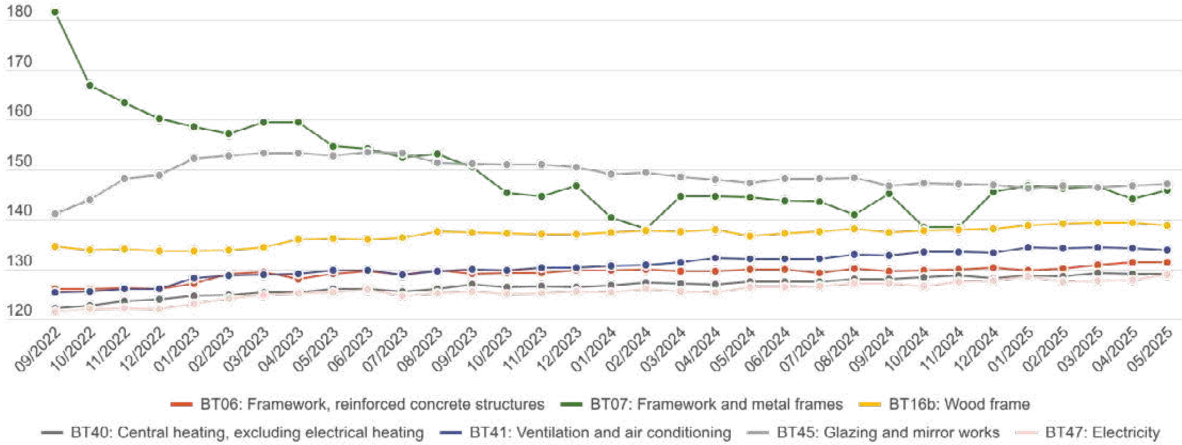
France (continued)



French Peninsula, Paris, France

Figure 6

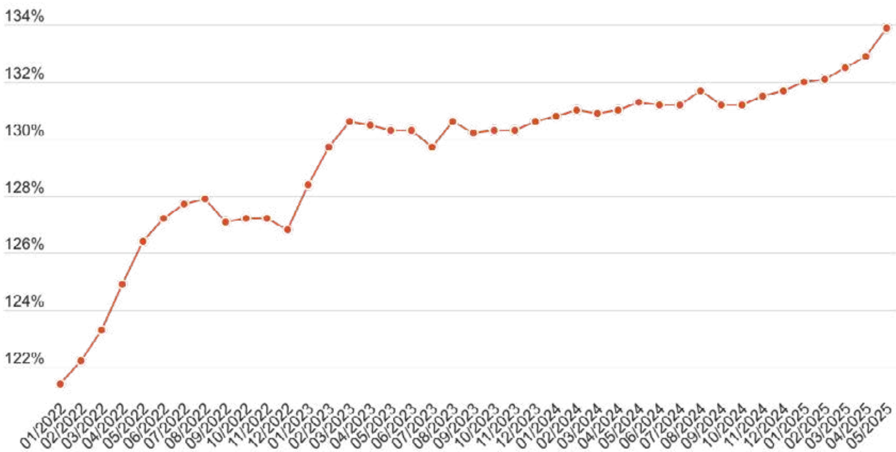
Building Trades (BT) Index, 2010 = 100



Source: French National Institute of Statistics and Economic Studies (insee.fr)

Figure 7

Building trades cost index (BT01), all trades, 12/2019 = 0%



Source: French National Institute of Statistics and Economic Studies (insee.fr)

Spotlight :

France (continued)

Market outlook

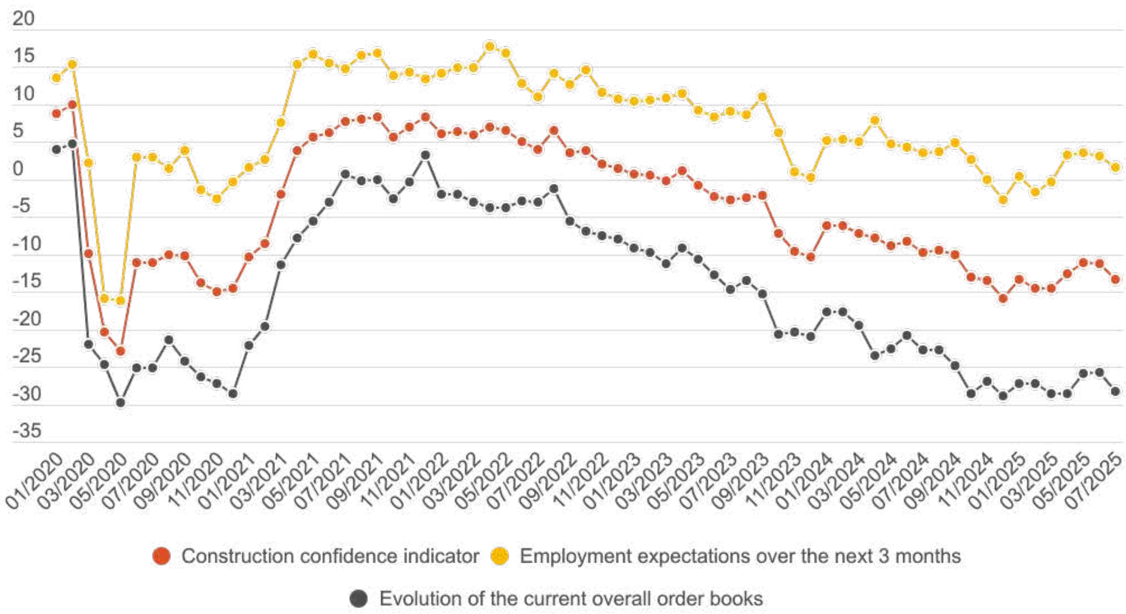
In January 2025, France's construction confidence indicator (CCI) was reported at -13.4, reflecting sectoral challenges, and stood at -13.3 in July, slightly below the year-to-date (YTD) average of -13.0, indicating a very stable trajectory over 1 & 2Q 2025.

This stability in the CCI was primarily driven by a modest improvement in employment expectations, which increased from 0.4 in January to 1.6 in July, and a comparable but opposite movement in current order books, which fell from -27.2 in January to -28.2 in July. Insufficient demand also remained elevated, with a slight improvement over the period from 37.0 in January to 36.6 in July.

> Overall, France's construction sector in the first half of 2025 shows limited recovery but relative stability, with small improvements in employment expectations partially offset by weak order books and sustained high levels of insufficient demand, highlighting ongoing pressures and modest sectoral volatility.

Figure 8

Construction confidence indicator, evolution of the current overall order books and employment expectations over the next 3 months



Source: Eurostat (ec.europa.eu)

Spotlight :

France (continued)

Local insights

In early 2025, France's construction sector continued to face persistent headwinds. Following an annual decline of –3.64% in the Cost-of-Construction Index (CCI) in Q1, activity stabilised in Q2, with sector GDP growth at +0.0%. By Q3, a modest rebound was anticipated, although production costs remained under pressure, as reflected by the Producer Price Index for construction (INSEE).

Housing permits showed encouraging signs: between July 2024 and June 2025, 352,400 permits were granted, up +1.1% YoY. In June alone, housing starts surged +26.4% compared with May, though overall volumes remained 19% below pre-COVID averages. In the non-residential segment, authorised floor space increased by +3.2%, while new project starts fell slightly (–1.6%).

In 2025, France introduced a favourable legal framework to support large-scale conversions of office buildings into housing, including regulatory simplifications (PLU exemptions, reversible permits) and financial incentives such as reduced VAT and tax breaks in Île-de-France. This initiative is backed by strong political commitment, with the government aiming to promote urban regeneration and address housing shortages.

Despite these mixed signals, market prospects are gradually improving. The French Building Federation (FFB) and INSEE forecast a –2.6% decline in construction activity for 2025, significantly less severe than the –5.5% drop recorded in 2024. While a full recovery is not expected before 2026, the slowdown in the pace of contraction already represents a meaningful improvement for the industry.

Overall, 2025 remains a challenging year for French construction, characterised by cost stabilisation, early signs of recovery in housing permits, new opportunities from office-to-housing conversions, and cautious optimism for the future. However, labour shortages, financing constraints, and regulatory pressures continue to weigh on growth, postponing a full rebound until the following year.

Gleeds recommends revising previously set project budgets to present-day figures based on local statistical information and our own internal data. Additionally, we advise investors to consider inflation contingencies in their budgets as materials and labour shortages remain unpredictable.

352,400
housing permits granted between July 2024 and June 2025

26.4%
surge in housing starts in June compared with May

3.2%
increase in authorised floor space in the non-residential segment

Germany

Spotlight :

Germany

Olaf Mücke

Managing Director, Germany

Contact →

Felix Behrndt

Managing Director, Germany

Contact →

Local economic indicators

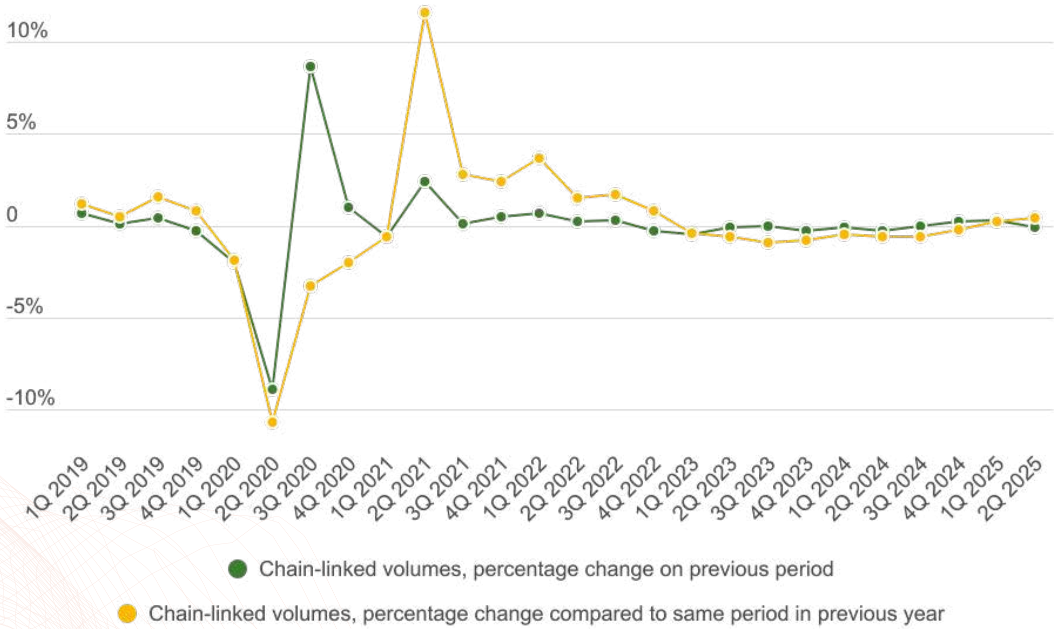
The European Commission forecasts Germany's year-over-year (YoY) gross domestic product (GDP) to be stagnant in 2025, before rebounding to 1.1% in 2026, as domestic demand strengthens and investment gradually recovers. This follows contractions of 0.3% in 2023 and 0.2% in 2024, as exports remain weak amid trade tensions and elevated global uncertainty. Construction however shows early signs of recovery, particularly in non-residential activity driven by public investment, while residential construction is expected to bottom out.

Exports are projected to decline by 1.9% in 2025, weighing on growth for a third consecutive year, due to structural challenges in key industries and tariff-related disruptions. Quarter-over-quarter, Eurostat reports a 0.1% GDP decline between 1Q and 2Q of 2025.

Eurostat also reports that in 1Q 2025, the construction industry's gross value added (GVA), which measures its contribution to Germany's overall GDP, fell to 4.1% from 5.4% in 4Q 2024.

Figure 1

GDP, Germany



Source: Eurostat (ec.europa.eu)

Spotlight :

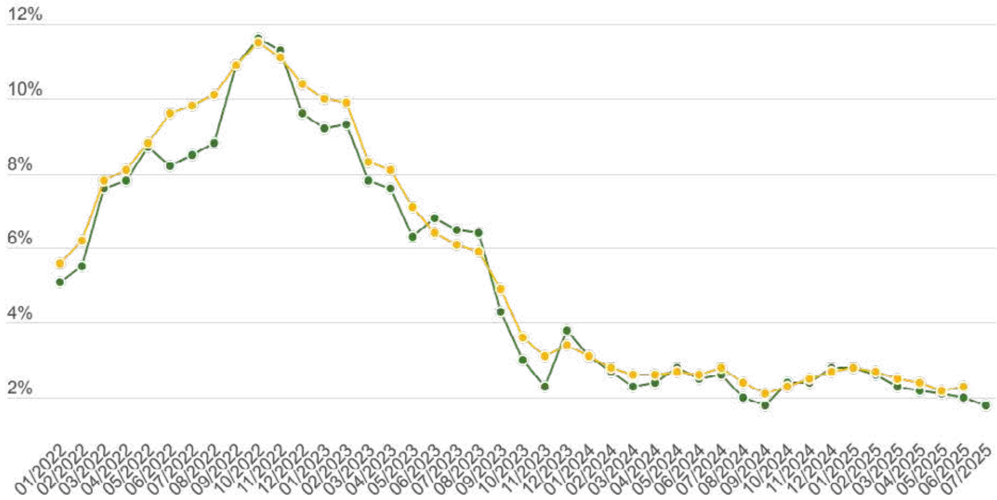
Germany (continued)

Eurostat's Harmonised Index of Consumer Prices (HICP) for Germany declined to 2.5% in 2024 and is projected to ease further to 2.4% in 2025 and 1.9% in 2026 with strong declines in wholesale energy prices in early 2025 expected to exert a deflationary effect on retail energy prices throughout the forecast period. However, wage negotiations influenced by past inflation are likely to sustain overall wage growth, contributing to persistent service inflation. The latest reported inflation figure was for July 2025 and stood at 1.8%, down from 2.0% in June.

Unemployment in Germany is projected to rise to 3.6% in 2025 amid a mild contraction in employment, before declining to 3.3% in 2026 as job growth resumes.

Figure 2

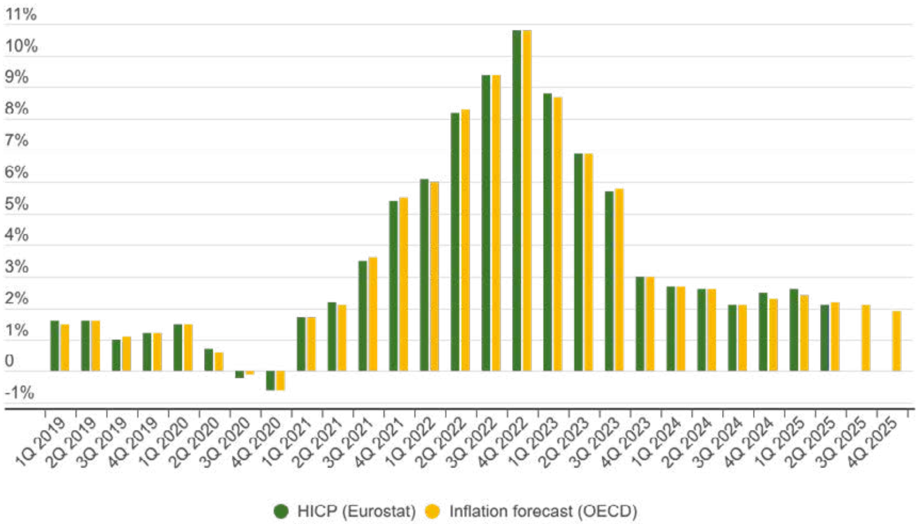
HICP



Source: Eurostat (ec.europa.eu)

Figure 3

Inflation forecast



Source: OECD (oecd.org) and Eurostat (ec.europa.eu)

Spotlight :

Germany (continued)

Construction materials

Eurostat's June data for Germany shows very significant month-over-month (MoM) and YoY gains in flat glass of 7.9% and 32.5% respectively however when indexed for June 2022, when oil prices peaked as a result of the Ukraine-Russia conflict, prices are still 18.5% down. HVAC prices remain notably elevated, with a 46.7% rise since June 2022 however electrical distribution declined 0.3% MoM and 7.3% YoY, continuing its downward trend. Despite minor declines in clay, steel tubes, and concrete, their indexed values remain high. Regular updates to project allowances are deemed essential to ensure alignment with evolving market conditions. See the following table for month-over-month (MoM), YoY and indexed pricing inflation:

Figure 4

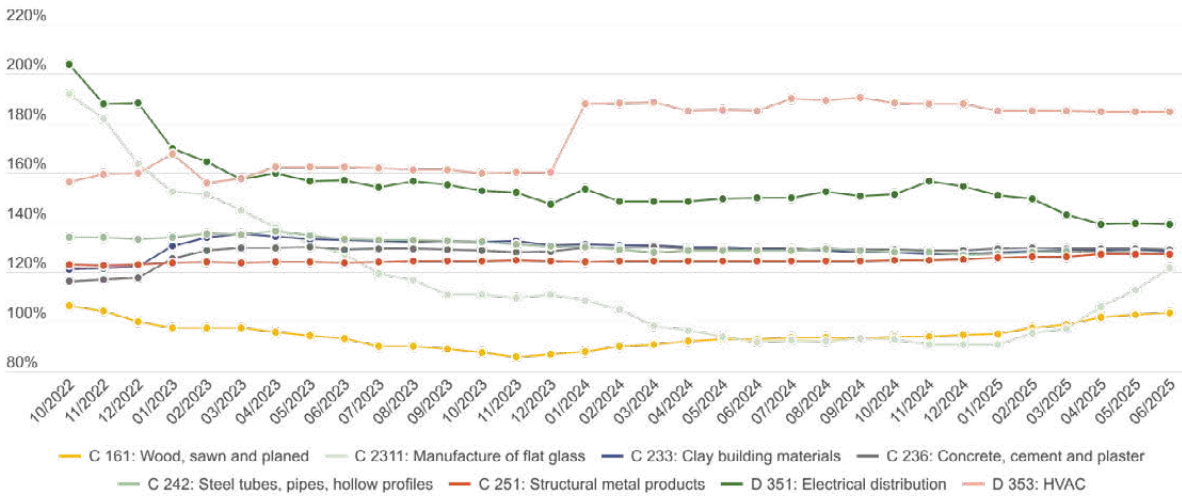
Industrial producer price indices

	MoM	YoY	Index (06/2022) = 0%
C 161: Wood, sawn and planed	0.5%	11.4%	-19.4%
C 2311: Manufacture of flat glass	7.9%	32.5%	-18.5%
C 233: Clay building materials	-0.5%	-0.9%	14.7%
C 236: Concrete, cement and plaster	-0.1%	0.3%	15.2%
C 242: Steel tubes, pipes, hollow profiles	-0.5%	-0.9%	-3.6%
C 251: Structural metal products	0.1%	2.3%	5.4%
D 351: Electrical distribution	-0.3%	-7.3%	14.0%
D 353: HVAC	0.0%	-0.3%	46.7%

Source: Eurostat (ec.europa.eu) (06/2025)

Figure 5

Industrial producer price index, domestic market (NACE), 12/2019 = 0%



Source: Eurostat (ec.europa.eu)

Spotlight :

Germany (continued)

Market outlook

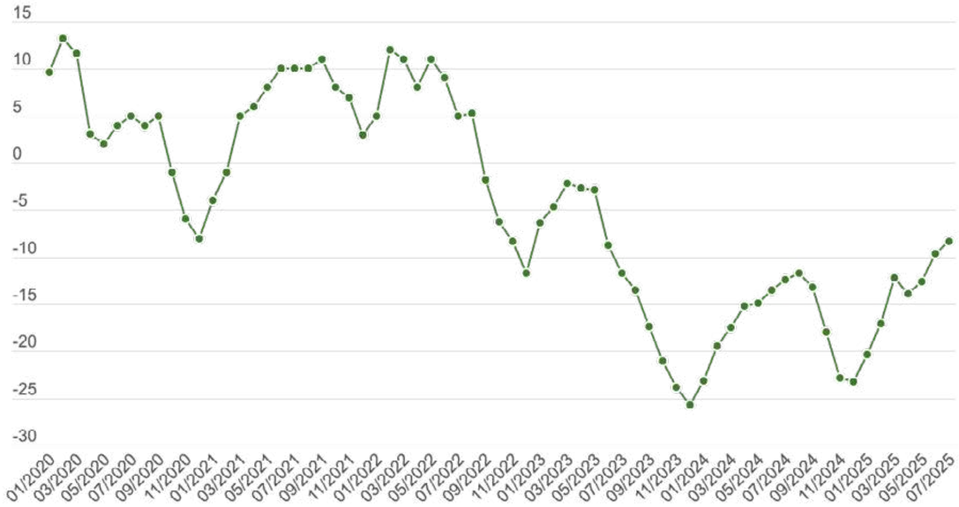
In January 2025, Germany's construction confidence indicator (CCI) was reported at -20.4, reflecting significant sectoral challenges, but had improved to -8.3 by July, well above the year-to-date (YTD) average of -13.4, indicating a steady recovery over 1 & 2Q 2025.

This improvement was primarily driven by rising current order books, moving from -36.4 in January to -20.6 in July, far above the TYD average of -28.3. Employment expectations, also improved from -4.4 in January to 4 in July, supporting the overall CCI recovery. Insufficient demand eased over the period but remained elevated, improving from 44.0 in January to 36.7 in July suggesting persistent structural demand challenges.

Overall, the first half of 2025 shows a clear recovery in Germany's construction sector, with strong improvements in employment expectations and order books easing pressures, although elevated insufficient demand indicates ongoing market constraints.

Figure 6

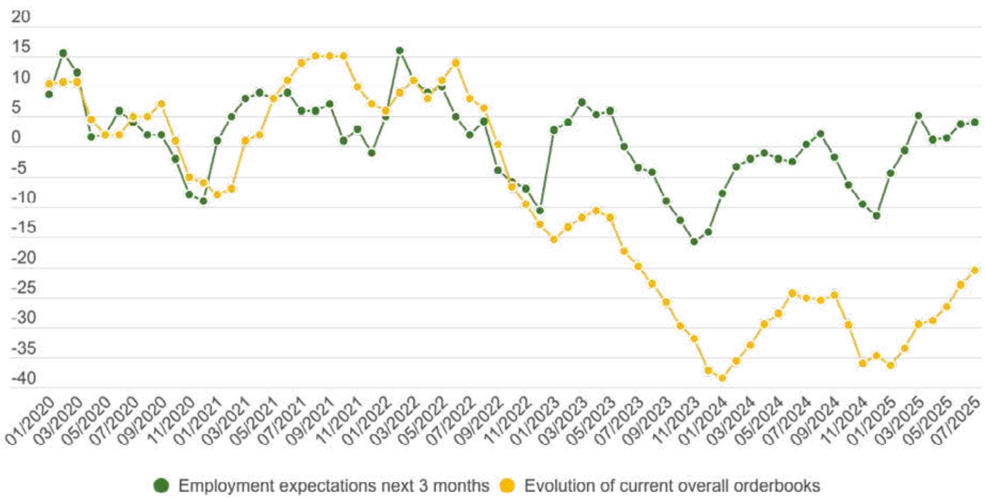
Construction confidence indicator



Source: Eurostat (ec.europa.eu)

Figure 7

Employment expectations next 3 months and evolution of current overall order books



Source: Eurostat (ec.europa.eu)

Spotlight :

Germany (continued)

Local insights

The German construction market is expected to remain under pressure in 2025, with overall activity projected to decline by around 1.4%. Residential construction continues to face challenges, though housing prices are rising, supported by recent ECB rate cuts, and are expected to increase by about 2.5% this year. Early signs of stabilization include improvements in the S&P PMI, ifo survey indicators, and a modest production index uptick. The new government has reaffirmed its 400,000-unit annual housing target, though this remains ambitious. The "Bauturbo" initiative aims to streamline permitting and reduce bureaucratic hurdles. Favourable mortgage conditions and government support through tax incentives and social housing subsidies should sustain momentum toward broader market stabilisation in 2026.

Non-residential construction is recovering after its 2024 correction, with modest growth expected in 2025. Office leasing in Germany's top seven cities reached about 1.4 million m² in H1 2025, with Frankfurt accounting for roughly 350,000m². Growth is partly driven by modern, ESG-compliant offices. These figures cover only rentals and exclude industrial company-owned offices, a substantial but separate segment.

Vacancy rates in the top seven cities have risen to around 8%, mostly in older, non-ESG-compliant buildings. While a challenge, this presents an opportunity: these properties will require refurbishment or repositioning, boosting CapEx and supporting industry growth.

Looking ahead, the sector is projected to grow at an average annual rate of 2.4% from 2025 to 2028, fuelled by transport infrastructure and renewable energy projects. The government's 70 GW offshore wind target by 2045 is expected to support long-term demand, particularly in civil engineering segments such as energy, telecommunications, and public transport. Structural challenges – high energy costs, regulatory hurdles, and labour shortages – remain, but stabilizing inflation and improved financing conditions should ease investment constraints. Non-residential construction is expected to return to 2023 levels by 2026, though still below the 2020 peak. Political uncertainty and weak economic sentiment could slow progress.

The retail sector, long neglected, is also rebounding. Prices have corrected, and H1 2025 investment reached just under €3 billion, making retail the leading sector by transaction volume. Monthly contract data indicate the decline is slowing after an 8% drop in May, it moderated to 2.6% in June, suggesting a likely rebound in the second half of 2025.

> As always, Gleeds advises regular project budget updates that consider recent market pricing and local risk factors which may impact project programmes and costs. Undertaking risk analysis studies enables better evaluation and preparation of appropriate contingencies for your particular project conditions and risk exposure.

Innenaufnahmen 34, Hamburg, Germany

Hungary

Spotlight :

Hungary

Janos Virag

Managing Director, Hungary

Contact →

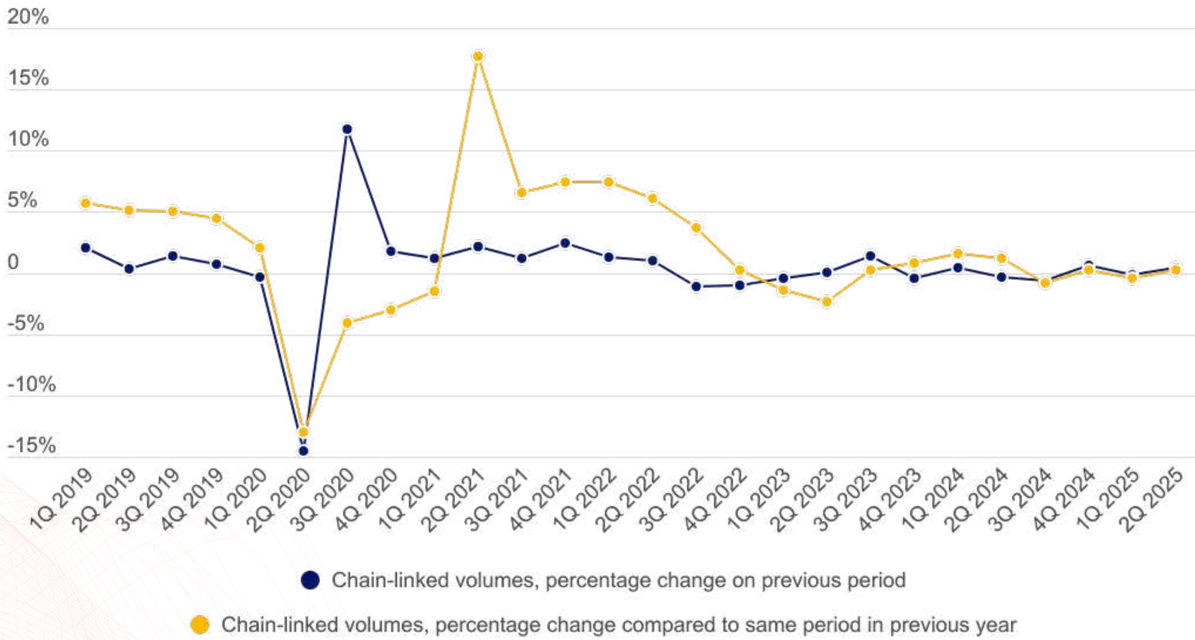
Local economic indicators

The European Commission forecasts Hungary's year-over-year (YoY) gross domestic product (GDP) to grow by 0.8% in 2025 before accelerating to 2.5% in 2026, supported by private consumption, a gradual recovery in investment, and improving exports. This follows a 0.5% growth in 2024, driven by rising real incomes and reduced household savings, though investment declined amid policy uncertainty and cuts to public spending. While consumption remains the key growth driver, further supported by tax exemptions and wage increases, corporate investment is expected to stay limited in 2025 before rebounding in 2026 and exports are set to recover as external demand improves, and new production capacity comes online. Quarter-over-quarter (QoQ) GDP grew by 0.4% between 1Q and 2Q of 2025.

Eurostat also reports that in 1Q 2025, the construction industry's gross value added (GVA), which measures its contribution to Hungary's overall GDP, fell significantly to 3.3% from 6.1% in Q4 2024.

Figure 1

GDP, Hungary



Source: Eurostat (ec.europa.eu)

Spotlight :

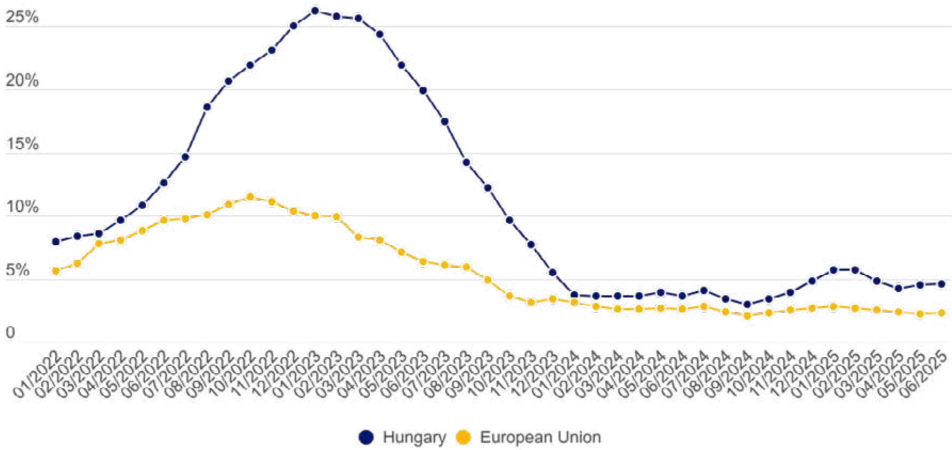
Hungary (continued)

Eurostat's Harmonised Index of Consumer Prices (HICP) for Hungary averaged 3.7% in 2024, with core inflation excluding energy and food reaching 5.9%. Inflation rose in the first quarter of 2025 due to excise duty increases, a rebound in food prices, and sustained service inflation, with strong domestic demand and rising food costs expected to keep inflation elevated throughout 2025. While price regulations and government negotiations with major service providers may temporarily ease inflation, prices are likely to adjust upward once these measures expire in 2025 and 2026. Inflation is forecast to rise to 4.1% in 2025 before declining to 3.3% in 2026, supported by lower commodity and energy prices and easing wage pressures. The latest inflation figure for July 2025 was 4.2%, down from 4.6% in June 2024.

Unemployment in Hungary rose to 4.5% in 2024 but is expected to ease slightly over 2025 to reach 4.3% by 2026. This movement is to be supported by a gradual economic recovery and a persistently tight labour market.

Figure 2

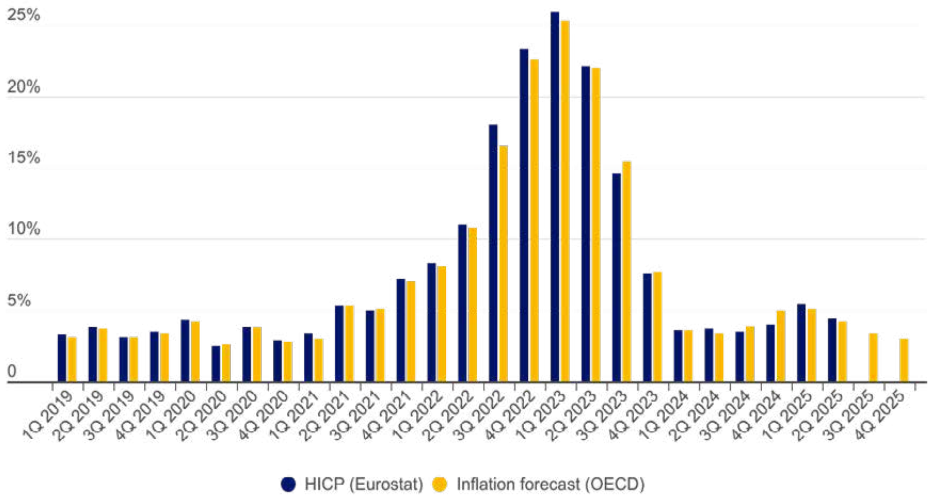
HICP



Source: Eurostat (ec.europa.eu)

Figure 3

Inflation forecast



Source: OECD (oecd.org) and Eurostat (ec.europa.eu)

Spotlight :

Hungary (continued)

Construction materials

Eurostat's June data on local industrial producer prices in Hungary showed some notable movements amid generally stable trends. Month-over-month (MoM), structural metal products increased by 4.4%, representing the largest monthly rise. On a YoY basis, glass and glass products recorded the highest growth at 7.5%. When indexed to June 2022 (the peak of oil prices amid the Russia-Ukraine conflict) concrete, cement, and plaster registered a 28.6% increase, while clay building materials have increased by 23%. Conversely, wood prices continued their decline with an 11.5% decrease since June 2022. Electricity, gas, steam, and air conditioning supply remained notably elevated, with an 80.1% increase since June 2022. Regular updates to project allowances are deemed essential to ensure alignment with evolving market conditions. See the following table for MoM, YoY, and indexed pricing inflation:

Figure 4

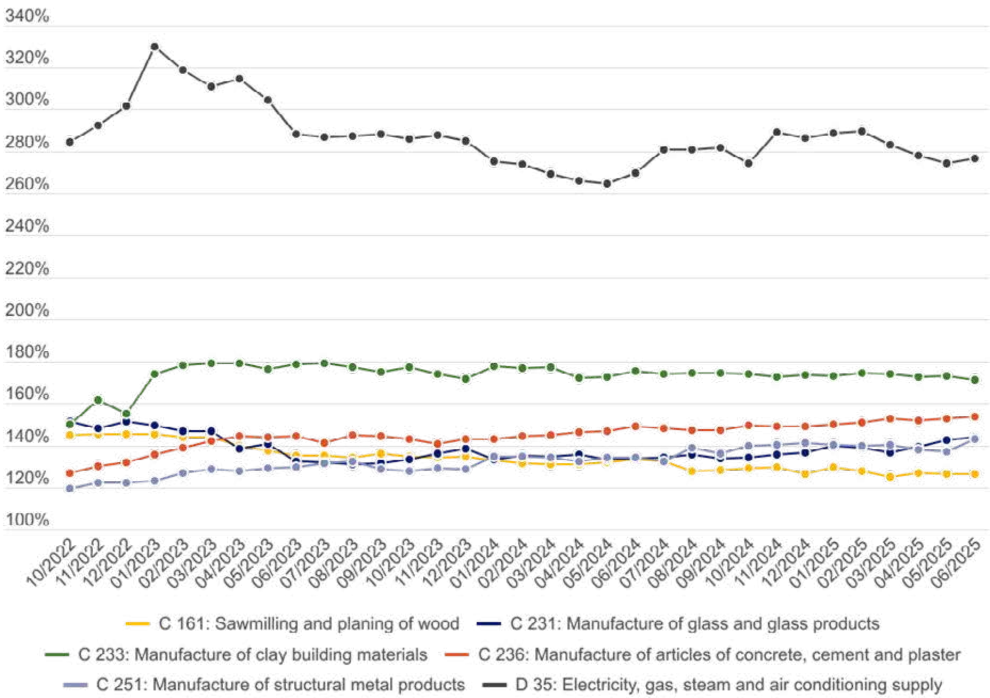
Industrial producer price indices

	MoM	YoY	Index 06/2022 = 0%
C 161: Wood, sawn and planed	0.2%	-5.0%	-11.5%
C 231: Glass and glass products	1.1%	7.5%	11.9%
C 233: Clay building materials	-1.0%	-2.3%	23.0%
C 236: Concrete, cement and plaster	0.5%	3.0%	28.6%
C 251: Structural metal products	4.4%	6.6%	18.5%
D 35: Electricity, gas, steam and air conditioning supply	0.8%	2.7%	80.1%

Source: Eurostat (ec.europa.eu) (06/2025)

Figure 5

Industrial producer price index, 12/2019 = 0%



Source: Hungarian Central Statistical Office (ksh.hu)

Spotlight :

Hungary (continued)

Market Outlook

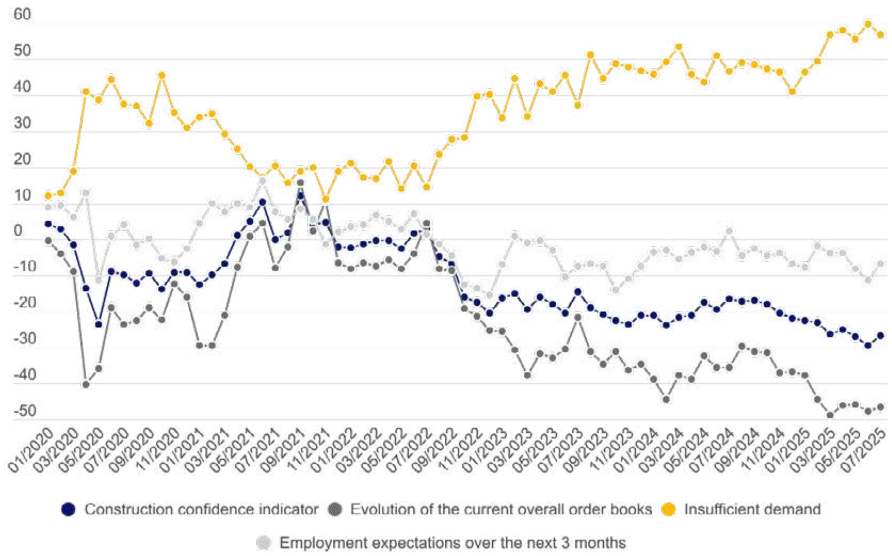
In January 2025, Hungary's construction confidence indicator (CCI) stood at -22.7, reflecting severe sectoral pressures, and has slightly worsened to -26.7 in July, below the year-to-date (YTD) average of -25.8, indicating continued stress in the market.

This persistently low CCI is largely due to extremely weak current order books which worsened from -37.8 in January to -46.6 in July. Employment expectations however tempered this downward movement, improving significantly from -11.3 in June to -6.7 in July. Insufficient demand has been a major constraint throughout the first half of 2025, rising from 46.2 in January to 56.9 in July, above the YTD average of 54.7, highlighting ongoing structural challenges limiting building activity.

> Overall, Hungary's construction sector shows little recovery, with weak order books and employment expectations alongside persistently high insufficient demand, indicating sustained pressures and volatility in the market.

Figure 6

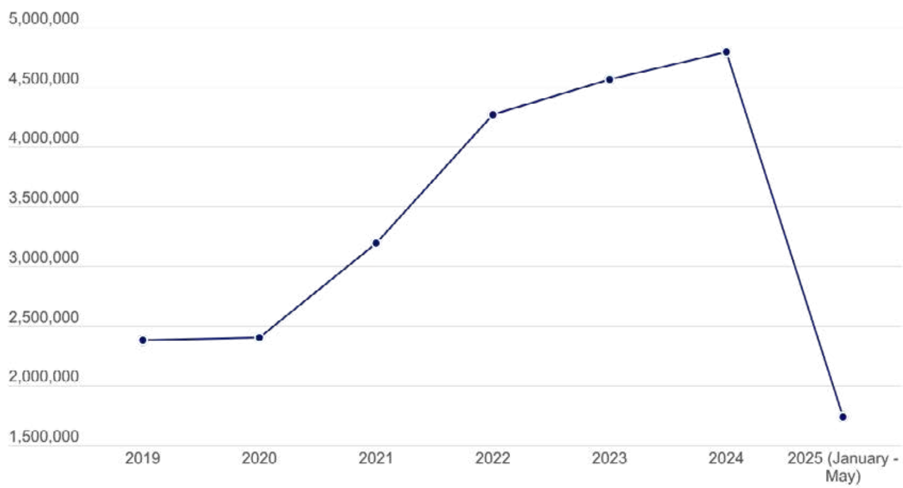
Construction confidence indicator, evolution of the current overall order books, insufficient demand and employment expectations over the next 3 months



Source: Eurostat (ec.europa.eu)

Figure 7

Annual cumulative building production value, million HUF



Source: Hungarian Central Statistical Office (ksh.hu)

Spotlight :

Hungary (continued)

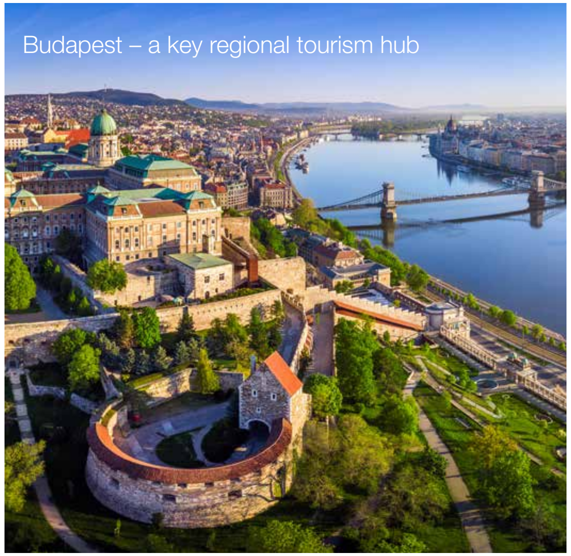
Local insights

As the Hungarian construction industry enters the third quarter of 2025, the sector is increasingly shaped by the dual pressures of weaker private demand and subdued government-led activity. The decline in new private-sector orders observed earlier in the year has translated into fewer project launches, particularly in the office and retail segments. Companies are therefore prioritising liquidity management and tailoring their bids to public tenders, where demand remains more stable.

In Q3, transport infrastructure and industrial projects continue to dominate, with major road and rail schemes progressing from planning into execution. Government-backed investments in the automotive and battery supply chains show slower on-site activity, although several large-scale supplier facilities are now breaking ground. The residential sector remains active but cautious, as lending conditions tighten slightly compared to earlier in the year. Developers are adjusting unit sizes and pricing to stay competitive, particularly for first-time buyers.

New regulatory measures on energy efficiency and sustainability, introduced in the first half of the year, are now directly shaping tender specifications and design requirements. Renovation and retrofitting projects in both the public and private sectors are gaining momentum, with municipalities allocating funds to modernise schools, upgrade healthcare facilities, and improve energy performance in line with EU sustainability targets.

Meanwhile, the office and hotel segments remain subdued. Developers are focusing on refurbishment and adaptive reuse rather than speculative new builds. An oversupply of Class A office space continues to weigh on rents, and investors are adopting a “wait-and-see” stance, delaying commitments until absorption improves. Hotel development remains limited to boutique refurbishments in Budapest and key regional tourism hubs, as international operators remain cautious.


Budapest – a key regional tourism hub

At the same time, labour market constraints and volatile input costs are creating bottlenecks. Skilled labour shortages are driving wages higher, while fluctuations in material prices—particularly for imported products—are adding uncertainty to project budgets. Contractors are increasingly turning to flexible contracting models and indexation clauses to mitigate these risks.

Overall, Q3 2025 highlights a sector shifting towards resilience and consolidation. Growth remains modest but steady in government-backed infrastructure, industrial expansion, and sustainability-driven retrofits. While challenges persist in financing and labour supply, public demand and regulatory momentum are providing a stabilising force, laying the groundwork for a cautious but sustained outlook into Q4 and beyond.

Gleeds recommends revising previously set project budgets to present-day figures based on local statistical information and our own internal data. Additionally, we advise investors to consider inflation contingencies in their budgets as materials and labour shortages remain unpredictable.

Italy

Spotlight :

Italy

Giorgio Conrater

Country Director, Italy

Contact →

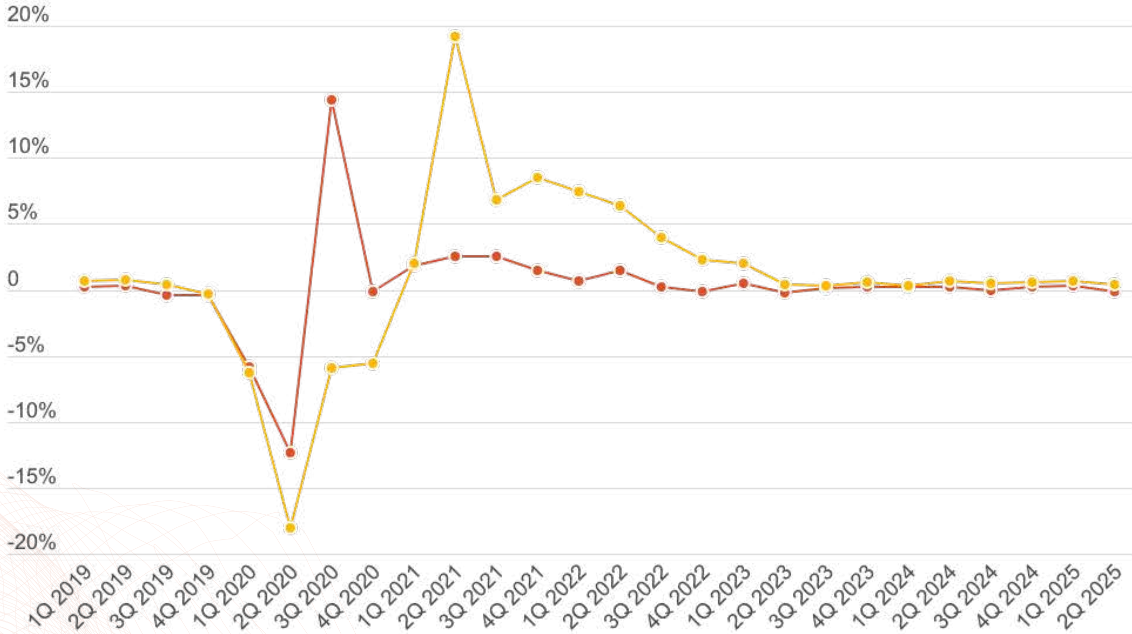
Local economic indicators

The European Commission reports Italy's year-over-year (YoY) gross domestic product (GDP) is projected to grow by 0.7% in 2025 and 0.9% in 2026, driven by stronger domestic demand and private consumption. Investment is expected to recover, supported by lower financing costs and expanding infrastructure construction, though uncertainty and tighter financial conditions are limiting the pace of the rebound. In the construction sector, non-residential activity will benefit from the EU's Recovery and Resilience Facility grants, while residential investment is set to contract sharply due to the end of renovation incentives. Trade tensions, particularly with the US, are expected to weigh on exports through 2026, although some of the impact may be offset by diversification into other export markets. Quarter-over-quarter (QoQ), Eurostat reports that Italy's GDP fell slightly by 0.1% between 1Q and 2Q of 2025.

Eurostat also reports that in 2025, the construction industry's gross value added (GVA), which measures its contribution to Italy's overall GDP, remained stable at approximately 5% of total GDP.

Figure 1

GDP, Italy



Source: Eurostat (ec.europa.eu)

Spotlight :

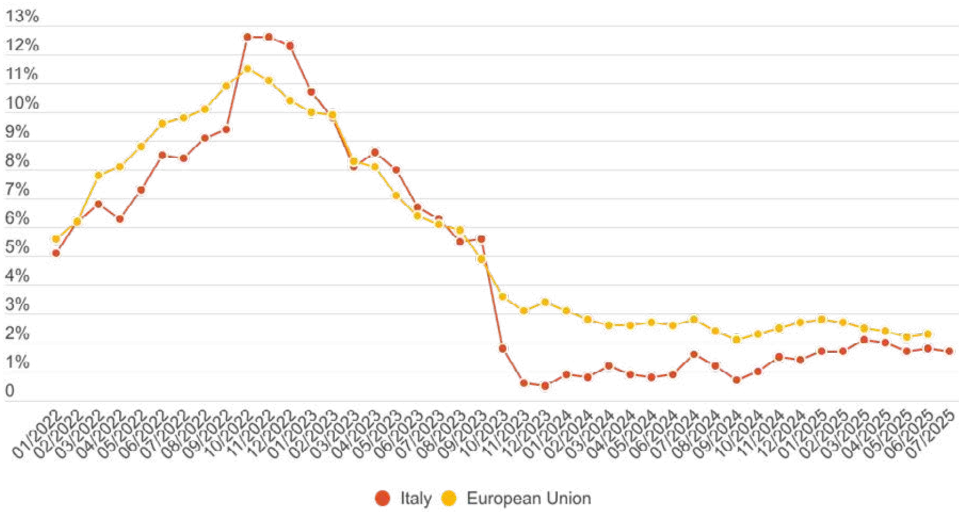
Italy (continued)

Eurostat's Harmonised Index of Consumer Prices (HICP) in Italy is expected to remain below 2% in 2025, driven by falling energy prices and the appreciation of the Euro, which continue to exert strong downward pressure on headline inflation. In 2026, wage restraints, rising productivity, and further declines in energy prices are forecast to reduce inflation further to 1.5%. The latest inflation figure for July 2025 decreased to 1.7%, from 1.8% in June.

Unemployment in Italy is projected to decline further over 2025 & 2026, as employment growth continues to outpace the expansion of the labour force despite a slowdown in job creation, with the most recent figure for 1Q 2025 being reported as 6.3%.

Figure 2

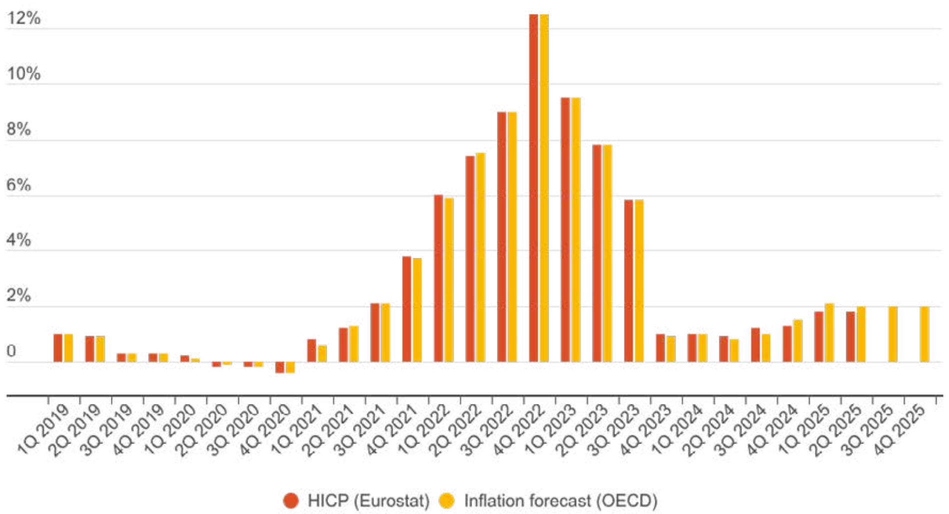
HICP



Source: Eurostat (ec.europa.eu)

Figure 3

Inflation forecast



Source: OECD (oecd.org) and Eurostat (ec.europa.eu)

Spotlight :

Italy (continued)

Construction materials

Eurostat's June data on local industrial producer prices in Italy showed overall stability with some notable exceptions. Month-over-month (MoM), electrical distribution led with an 8.7% increase, followed by HVAC at 2.6%. YoY, manufacture of flat glass recorded the highest rise at 12.8%, while wood, sawn and planed also posted a significant increase of 9.2%. Indexed to June 2022, when oil prices peaked amid the Russia-Ukraine conflict, wood experienced the strongest price increase with a 28.7% increase. Conversely, electrical distribution and steel tubes showed substantial declines, decreasing by 33.8% and 22.1%, respectively. Regular updates to project allowances are deemed essential to ensure alignment with evolving market conditions. See the following table for MoM, YoY, and indexed pricing inflation:

Figure 4

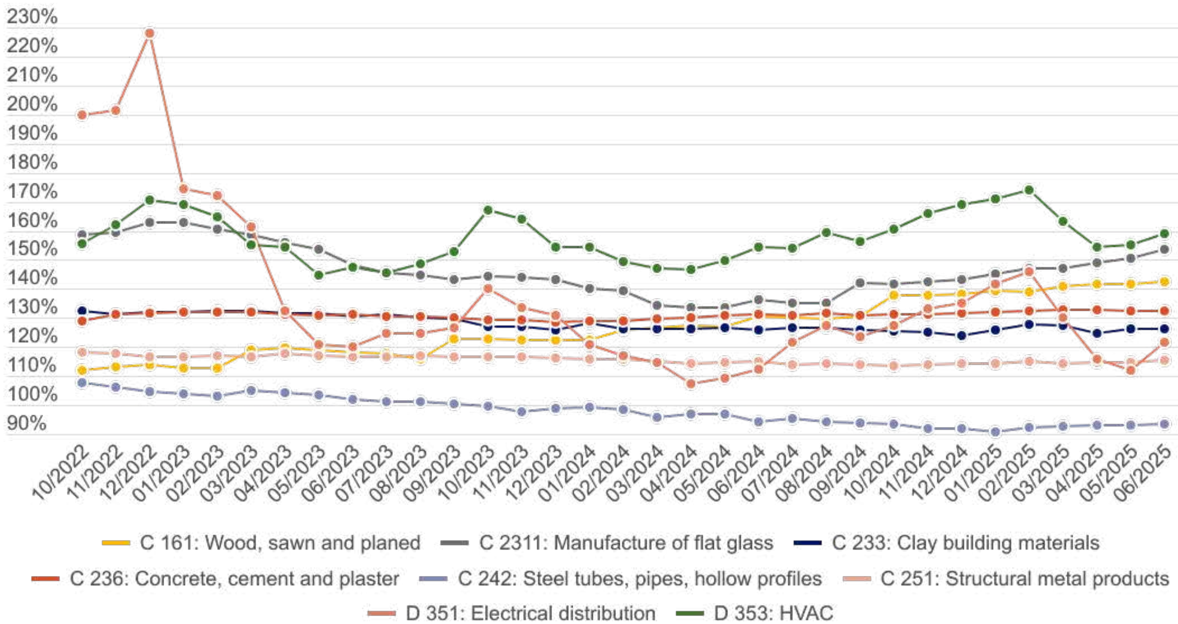
Industrial producer price indices

	MoM	YoY	Index 06/2022 = 0%
C 161: Wood, sawn and planed	0.5%	9.2%	28.7%
C 2311: Manufacture of flat glass	2.1%	12.8%	5.3%
C 233: Clay building materials	0.0%	0.3%	2.0%
C 236: Concrete, cement and plaster	0.0%	1.1%	6.5%
C 242: Steel tubes, pipes, hollow profiles	0.5%	-0.7%	-22.1%
C 251: Structural metal products	0.6%	0.4%	-0.9%
D 351: Electrical distribution	8.7%	8.4%	-33.8%
D 353: HVAC	2.6%	2.9%	4.3%

Source: Eurostat (ec.europa.eu) (06/2025)

Figure 5

Industrial producer price index, domestic market (NACE), 12/2019 = 0%



Source: Eurostat (ec.europa.eu)

Spotlight :

Italy (continued)

Market Outlook

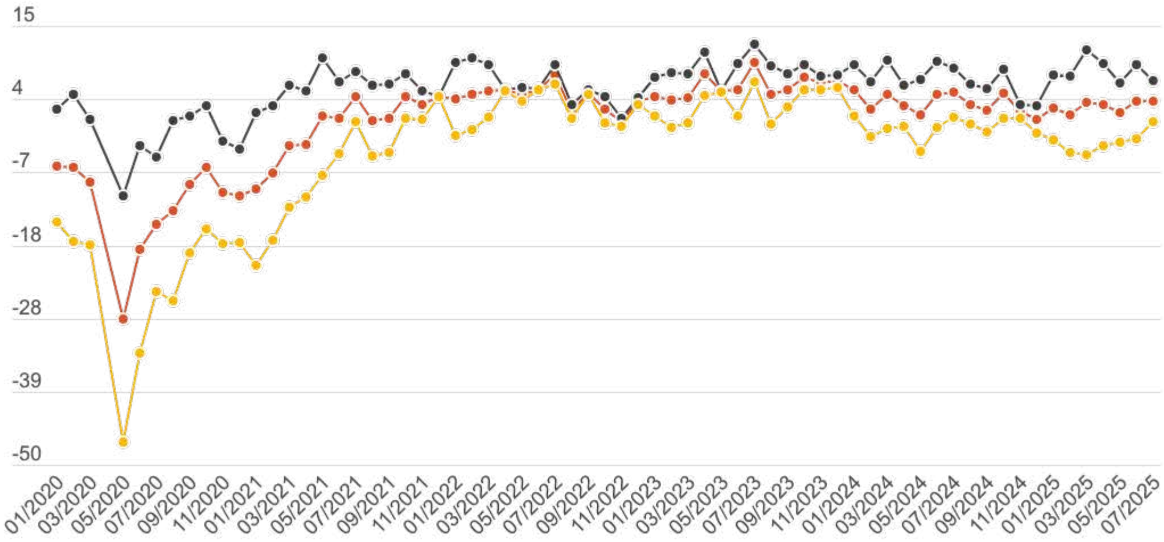
In January 2025, Italy's construction confidence indicator (CCI) was recorded at 2.9, reflecting a positive start to the year, and has since improved slightly to 3.9 in July, above the year-to-date (YTD) average of 3.1.

This improvement has been primarily driven by current order books which moved from -1.9 in January to 0.9 in July, well above the YTD average of -2.2, supporting the small gain in overall confidence. This improvement to the CCI however was tempered slightly by employment expectations, which fell from 7.7 in January to 6.9 in July. Insufficient demand remains a moderate constraint, rising gradually from 11.9 in January to 16.1 in July, indicating some ongoing pressures on demand activity.

> Overall, Italy's construction sector shows steady but modest improvement, with positive employment expectations and stronger order books offsetting moderate demand constraints.

Figure 6

Construction confidence indicator, evolution of the current overall order books and employment expectations over the next 3 months



Source: Eurostat (ec.europa.eu)

Spotlight :

Italy (continued)

Local insights

The construction sector remains a pillar of national growth, despite some signs of transition in Q1 and Q2 2025. After the boom in recent years, driven in particular by tax incentives and the National Recovery and Resilience Plan (RRP), residential market production has contracted with the latest figure for June being -5%. This decline is mainly due to a reduction in subsidies for home maintenance and renovation, which have fallen to 50% in 2025 and are set to decrease further to 36% in 2026. These percentages refer to first-time homes, with lower rates applicable to second properties.

National accounting data shows no decline in overall investment, which is still expected to accelerate to 1.2% in 2025 and 1.7% in 2026, supported by the final phase of the RRP, whose investment plan is scheduled for completion in August 2026 and for which many activities are still ongoing.

Public works are therefore experiencing strong growth, with a 21% increase compared to 2024 and forecasts pointing to a further 16% growth in 2025. The private sector also continues to show vitality, with investments primarily focused on hospitality, student accommodation, logistics, and data centres.

> As always. Gleeds advises regular project budget updates that take into account recent market pricing and local risk factors which may impact project programmes and costs. Undertaking risk analysis studies enables better evaluation and preparation of appropriate contingencies for your particular project conditions and risk exposure.

21%
increase in public works compared to 2024

16%
growth forcasted for public works in 2025

In 2015, inflation expected to settle at
1.8%


Data Centre Campus in Milan, Italy

Poland

Spotlight :

Poland

Jacek Kostrzewski

Managing Director, Poland

Contact →

Andrzej Kozak

Deputy Director, Poland

Contact →

Local economic indicators

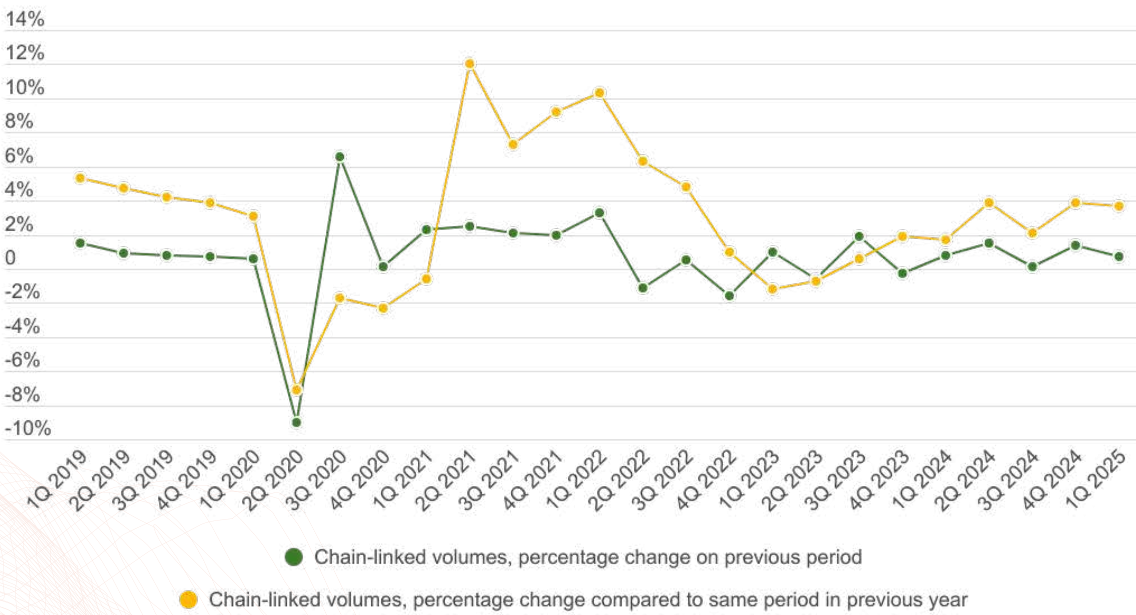
The European Commission forecasts Poland's year-over-year (YoY) gross domestic product (GDP) to grow by 3.3% in 2025 and 3.0% in 2026, following a 2.9% expansion in 2024. Growth is expected to remain robust, driven primarily by strong private consumption—underpinned by rising real wages, increased government support for families, and moderating inflation—as well as a rebound in investment, supported by higher EU-funded public spending. Net exports however are projected to continue weighing on growth, though the negative impact is expected to narrow over time.

Quarter-over-quarter (QoQ) GDP growth between 1Q and 2Q 2025 was reported at 0.8%.

Eurostat also reports that in 1Q 2025, the construction industry's gross value added (GVA), which measures its contribution to Poland's overall GDP, fell sharply to 4% from 6.6% in 4Q 2024. Nevertheless, the total market value of the construction sector is projected to reach PLN 394 billion in 2025 and surpass PLN 400 billion in 2026, suggesting higher relative growth when compared to overall GDP.

Figure 1

GDP, Poland



Source: Eurostat (ec.europa.eu)

Spotlight :

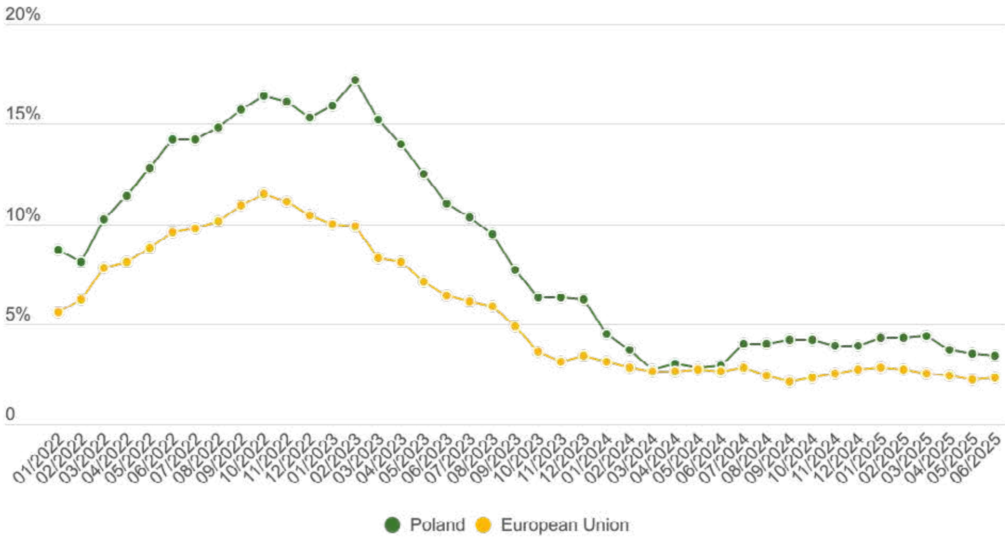
Poland (continued)

Eurostat's Harmonised Index of Consumer Prices (HICP) in Poland decreased to 3.7% in 2024 and is projected to edge down slightly to 3.6% in 2025. This forecast accounts for legislated changes in energy support measures in the second half of 2025, though their impact is expected to be limited by a recent sharp correction in energy commodity prices. Service inflation is anticipated to ease only gradually due to ongoing wage pressures. Headline inflation is forecast to moderate further to 2.8% in 2026, supported by a projected decline in energy inflation and weak growth in imported non-energy goods prices. The latest inflation figure for July 2025 was 2.9% down from 3.4% in June.

Unemployment in Poland is expected to remain broadly stable, with 3.1% recorded in Q1 2025 and a projected decline to 2.8% in 2026, as employment growth continues to benefit from rising labour demand despite a shrinking working-age population.

Figure 2

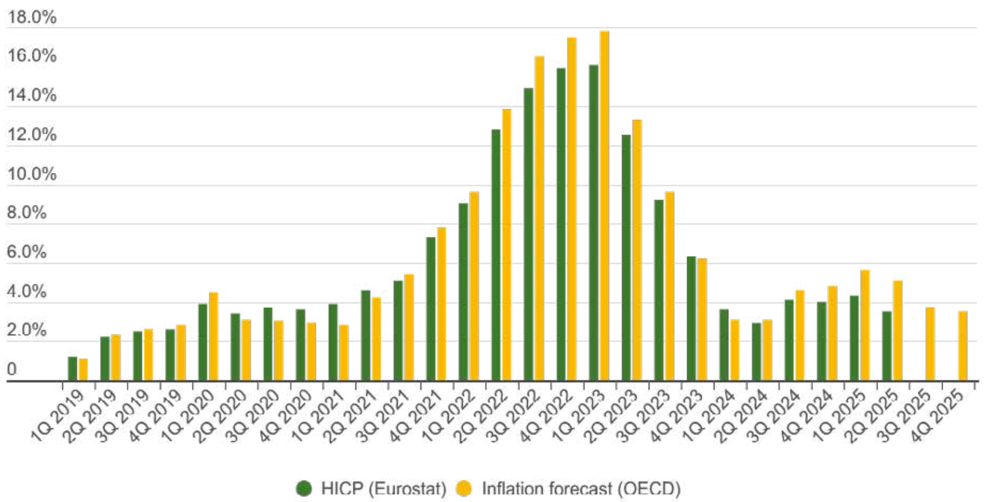
HICP



Source: Eurostat (ec.europa.eu)

Figure 3

Inflation forecast



Source: OECD (oecd.org) and Eurostat (ec.europa.eu)

Spotlight :
Poland (continued)

Construction materials

In 2024, the growth rate of construction material prices showed a notable slowdown compared to 2023, and this trend has largely continued through the first half of 2025. Price increases have remained moderate or close to zero for many key materials, reflecting a combination of lower construction activity, fewer new orders, and the stabilisation of supply chains that had previously been disrupted by the war in Ukraine. While material price inflation has largely aligned with overall inflation, wage pressures have continued to build due to persistent labour shortages, with unemployment in Poland averaging around 3%. The following table of Gleeds prices has been updated to reflect these changes from previous reports.

Zlota 44, Warsaw, Poland

Figure 4

Gleeds' materials price table

	January–December 2023	January–December 2024	January–June 2025
Earthworks	-2% – -5%	+5% – +10%	+/- 0%
Masonry materials	+/- 0%	+2% – +5%	+2% – +5%
Concrete	+5% – +10%	+2% – +5%	+/- 0%
Reinforcing steel	-15% – -20%	-2% – -5%	+2% – +5%
Roofing materials: roofing felt	+2% – +5%	+/- 0%	+/- 0%
Polystyrene	-2% – -5%	-2% – -5%	-2% – -5%
Insulation wool	+/- 0%	-2% – -5%	-2% – -5%
Wood-like materials	-5% – -10%	+5% – +10%	+1% – +2%
Shaped steel	-5% – -10%	+/- 0%	+2% – +5%
Doors	+5% – +10%	+2% – +5%	+1% – +2%
Gypsum plasterboards	+5% – +10%	-2% – -5%	+1% – +2%
Aluminium façades and doors	+/- 0%	+2% – +5%	+1% – +2%
Glass	+2% – +5%	+2% – +5%	+1% – +2%
Ceramic tiles	-2% – -5%	+/- 0%	+/- 0%
Electric cables	+/- 0%	-2% – -5%	+2% – +5%

Source: Gleeds Polska

Spotlight :

Poland (continued)

Market Outlook

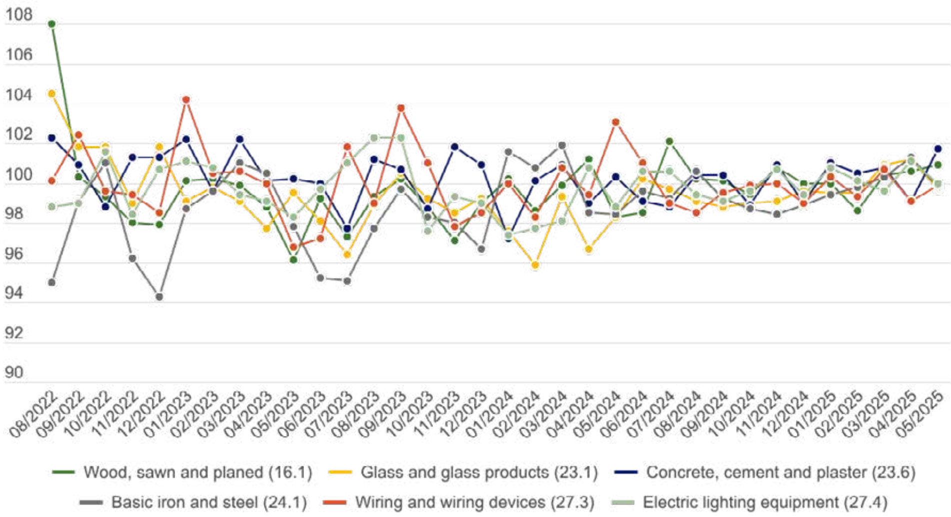
In January 2025, Poland's construction confidence indicator (CCI) was -20, reflecting significant sectoral challenges but had improved by July to -15.4, slightly above the year-to-date (YTD) average of -17.9, indicating a gradual recovery.

This recovery was primarily driven by a modest improvement in employment expectations, which rose from -7.0 in January to -4.3 in July, slightly above the YTD average of -4.8. Current order books also strengthened, moving from -33.0 in January to -26.5 in July, further supporting the small gain in overall confidence. Insufficient demand also eased slightly over the period, falling from 22.5 in January to 20.9 in July reflecting a small relief in one of the key constraints on activity.

> Overall, Poland's construction sector shows slow but steady improvement, with better employment expectations and stronger order books partially offsetting ongoing demand pressures.

Figure 5

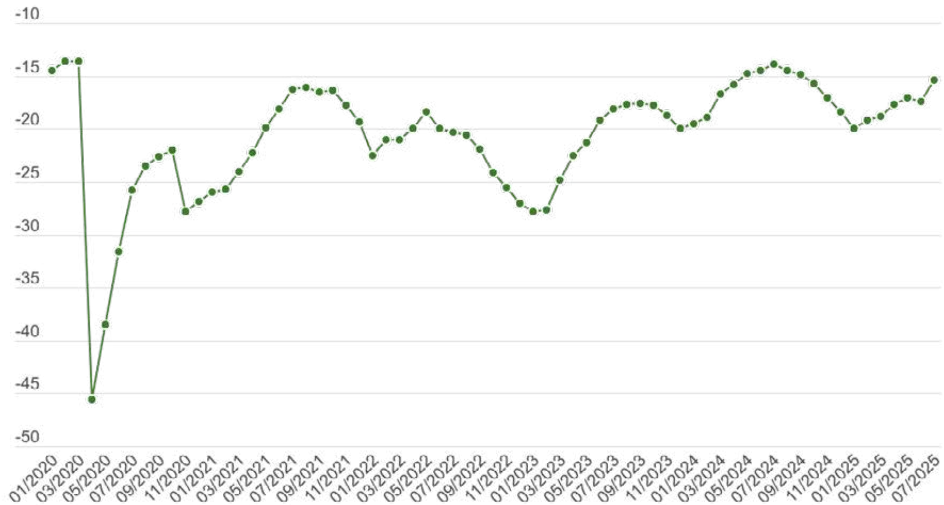
Industrial producer price index, 12/2019 = 0



Source: Statistics Poland (swaid.stat.gov.pl)

Figure 6

Construction confidence indicator



Source: Eurostat (ec.europa.eu)

Spotlight :

Poland (continued)

Local insights

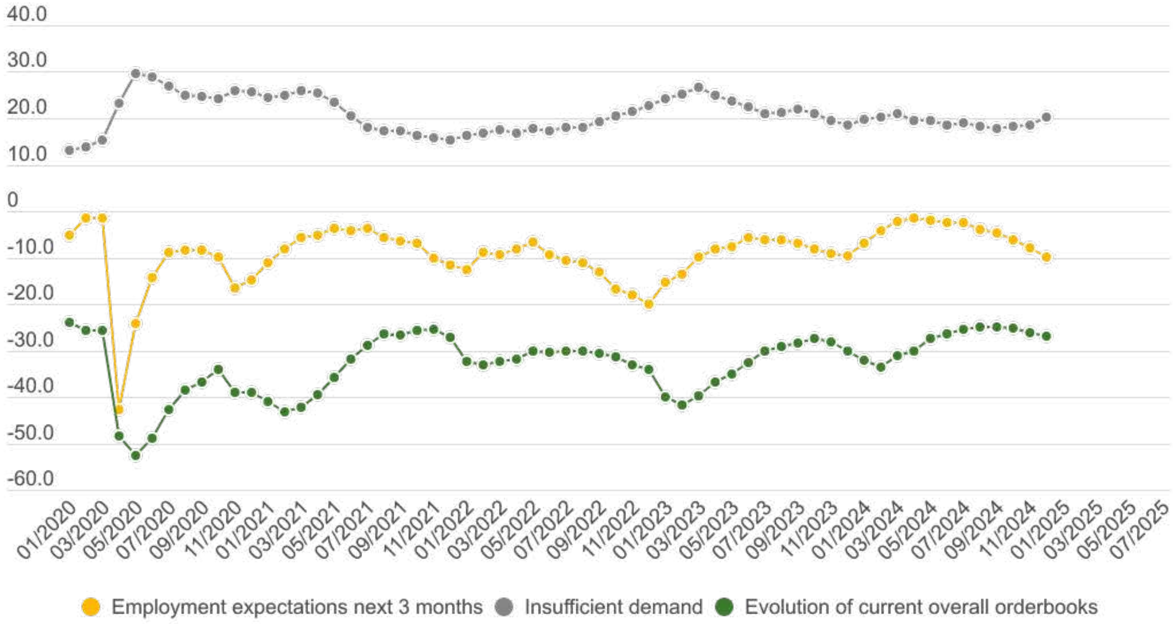
At the start of the year, forecasts expected Poland to benefit from EU funds and a rebound in consumption, supporting investment and growth. While the economy continued to expand, GDP growth was lower than initially anticipated, prompting a downward revision of full-year expectations. Early-year data indicate steady expansion, though not at the pace originally projected.

The construction market, however, is showing a strong rebound. Construction GDP rose to a record PLN 354.4 billion in 1Q 2025, confirming the sector's dynamic growth. While initial forecasts projected annual growth of 7.9%, current data suggests slightly lower growth—still exceeding 6–7%—keeping Poland among the leaders in European construction.

> Gleeds recommends revising previously set project budgets to present-day figures based on local statistical information and our own internal data. Additionally, we advise investors to consider inflation contingencies in their budgets as materials and labour shortages remain unpredictable.

Figure 7

Employment expectations next 3 months, insufficient demand and evolution of current overall order books



Source: Eurostat (ec.europa.eu)

in Q1 2025, Construction GDP rose to a record PLN **354.4bn**

6-7% forcasted annual growth in construction

Poland keeping among the leaders in European construction

Portugal

Spotlight :

Portugal

Mario Costa
Country Director, Portugal
Contact →

Local economic indicators

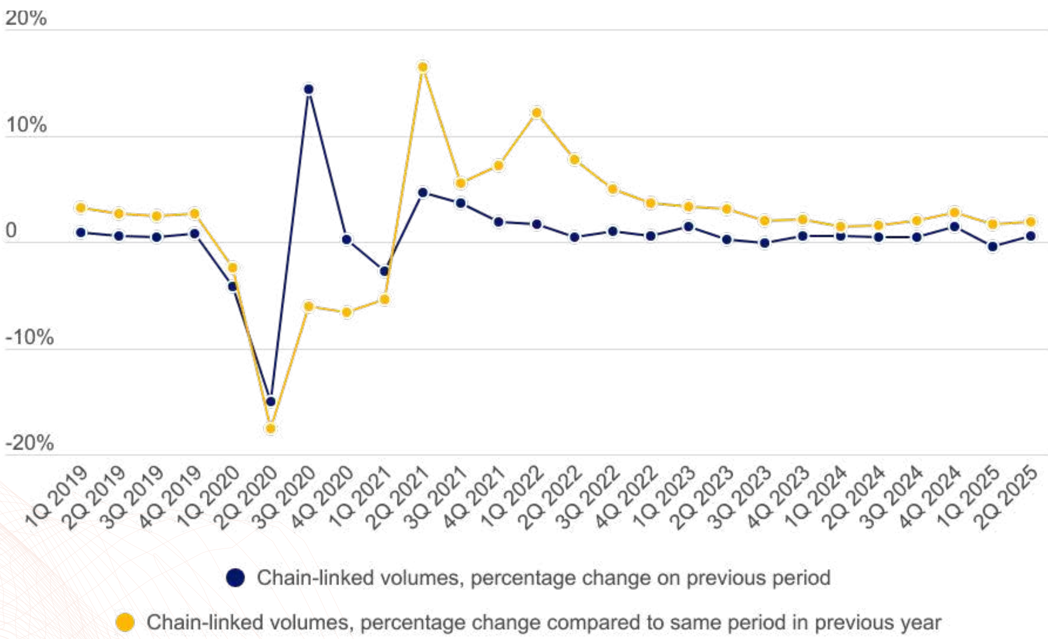
The European Commission forecasts Portugal's year-over-year (YoY) gross domestic product (GDP) growth to moderate from 1.9% in 2024 to 1.8% in 2025, before picking up to 2.2% in 2026. Domestic demand is expected to continue supporting growth, despite significant headwinds facing goods exports amid global trade tensions. Investment is set to benefit from accelerated Recover and Resilience Plan (RRP) implementation and major private projects, while imports are projected to outpace exports.

Quarter-over-quarter (QoQ) GDP growth was also reported at a 0.6% increase between 1Q and 2Q of 2025.

Eurostat also reports that in 1Q 2025, the construction industry's gross value added (GVA), which measures its contribution to Portugal's overall GDP, remained stable at around 4.5%.

Figure 1

GDP, Portugal



Source: Eurostat (ec.europa.eu)

Spotlight :

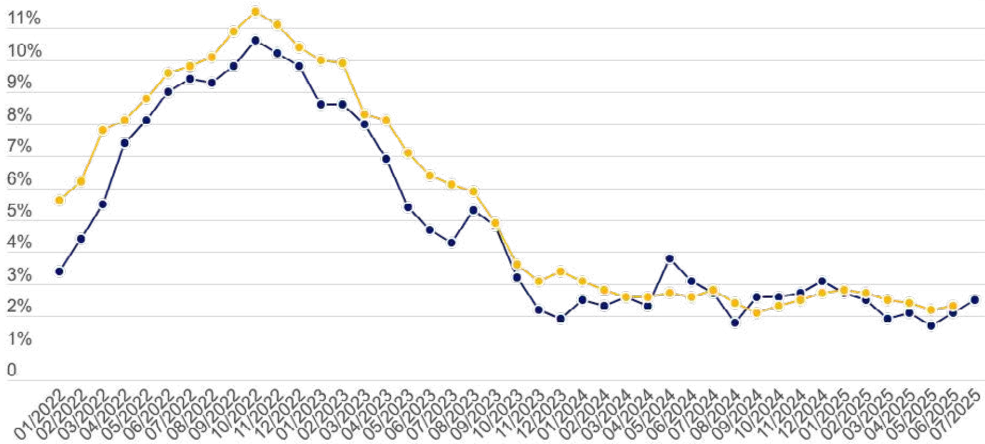
Portugal (continued)

Eurostat's Harmonised Index of Consumer Prices (HICP) for Portugal eased from 2.7% in 2024 to a projected 2.1% in 2025 and 2.0% in 2026, supported by falling crude oil and commodity prices. Core inflation remains elevated due to wage growth and strong domestic demand, while tourism-related price pressures persist. The latest inflation figure rose to 2.5% in July 2025 from 2.1% in June.

Unemployment in Portugal remained stable at 6.5% in 2024 and is projected to decrease slightly to 6.4% in 2025 and 6.3% in 2026, supported by continued employment growth and strong labour supply boosted by migration.

Figure 2

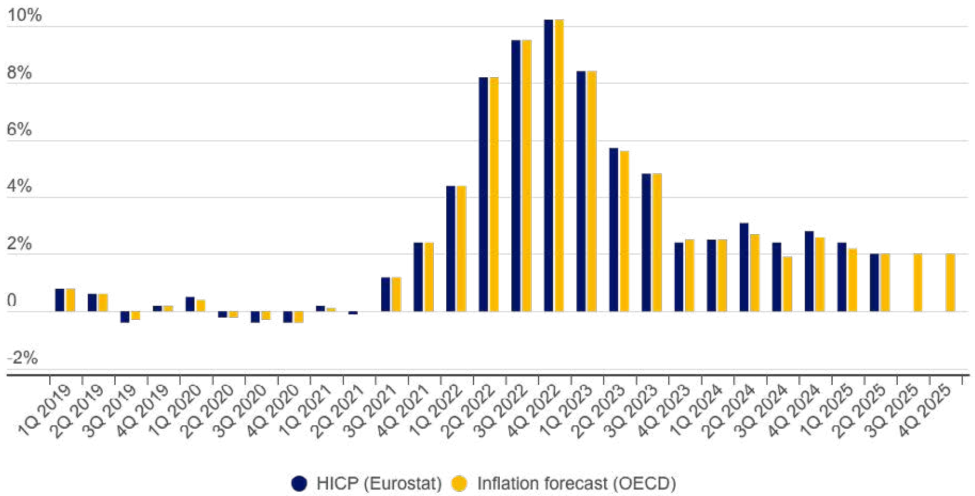
HICP



Source: Eurostat (ec.europa.eu)

Figure 3

Inflation forecast



Source: OECD (oecd.org) and Eurostat (ec.europa.eu)

Spotlight :

Portugal (continued)

Construction materials

Eurostat's June data on local industrial producer prices in Portugal, showed general month-over-month (MoM) stability across most sectors in June 2025, except for significant increases in electrical distribution and electricity, gas, steam, and HVAC supply, which rose by 14.2% and 14.6%, respectively. YoY, glass and glass products registered a notable increase of 10.6%. When indexed to June 2022, the peak of oil prices amid the Russia-Ukraine conflict, concrete products and electrical distribution stood out with a 19.3% increase and a 14.8% decrease respectively, while other sectors remained relatively stable. Regular updates to project allowances are deemed essential to ensure alignment with evolving market conditions. See the following table for MoM, YoY and indexed pricing inflation:

Figure 4

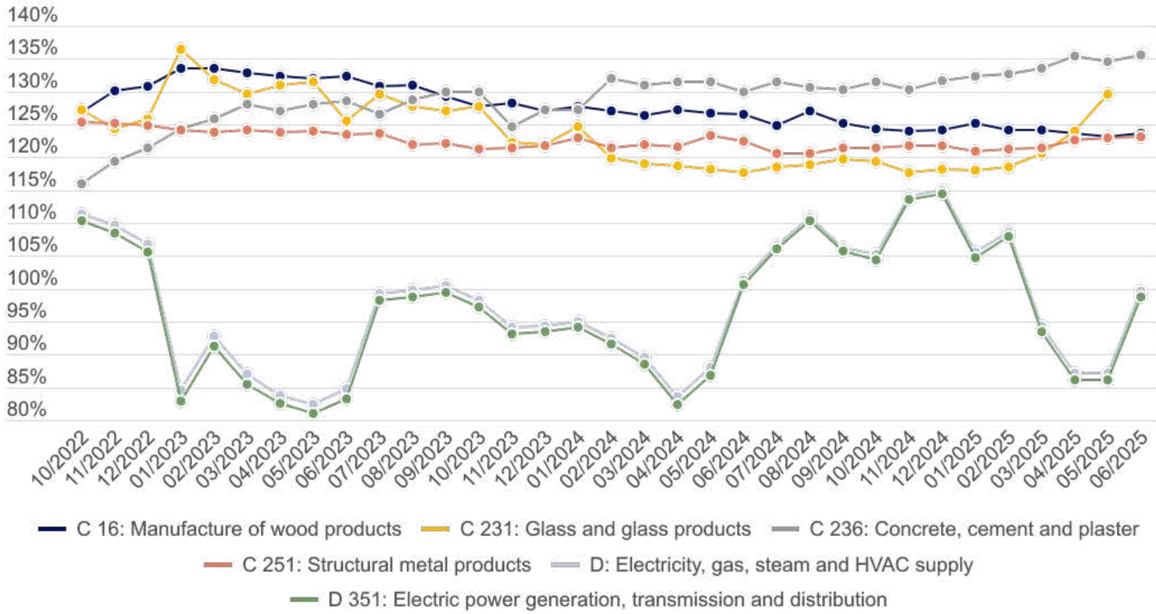
Industrial producer price indices

	MoM	YoY	Index 06/2022 = 0%
C 16: Manufacture of wood products	0.4%	-2.3%	4.4%
C 231: Glass and glass products	0.4%	10.6%	5.8%
C 236: Concrete, cement and plaster	0.4%	4.1%	19.3%
C 251 Structural metal products	0.1%	0.6%	1.1%
D: Electricity, gas, steam and HVAC supply	14.2%	-1.7%	-14.8%
D 351: Electrical distribution	14.6%	-2.0%	-15.7%

Source: Eurostat (ec.europa.eu) (06/2025)

Figure 5

Industrial producer price index, domestic market (NACE), 12/2019 = 0%



Source: Eurostat (ec.europa.eu)

Spotlight :

Portugal (continued)

Market Outlook

In January 2025, Portugal's construction confidence indicator (CCI) was reported at 4.2 but by July, this had fallen to 3.6, below the YTD average of 4.3, indicating a modest worsening in sentiment over the first half of 2025.

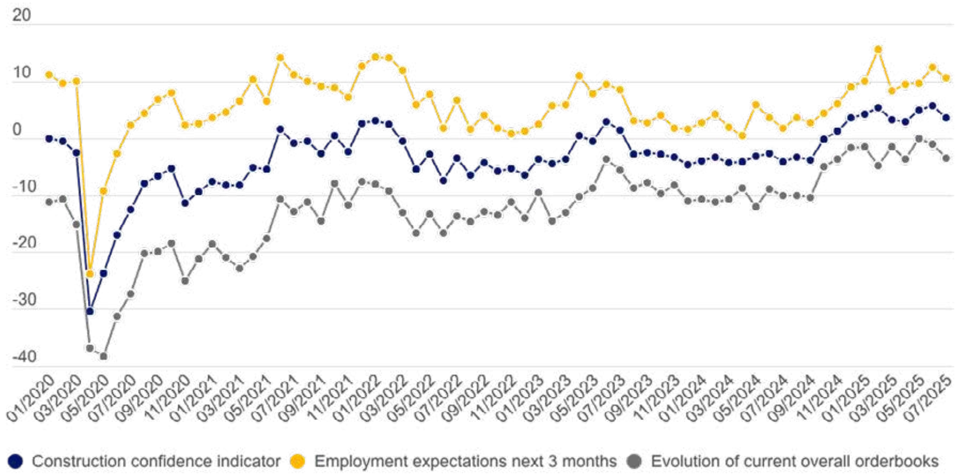
Evolution of overall order books were the main contributor to this trend moving from -1.6 in January to -3.5 in July, suggesting a slight weakening in demand from earlier in the year. Employment expectations moved from 10 in January to their YTD high of 15.5 in February before falling steadily to 10.7 in July showing some upside volatility but little overall improvement.

Insufficient demand constraints continued to ease, declining steadily from 6.5 in January to 4.3 in July, below the YTD average of 6.2, marking a steady yet modest improvement in market conditions from the perspective of available work.

> Overall, Portugal's construction sector maintains a generally positive outlook in 2025, supported by robust employment expectations and reduced demand constraints, despite some softening in order book levels.

Figure 6

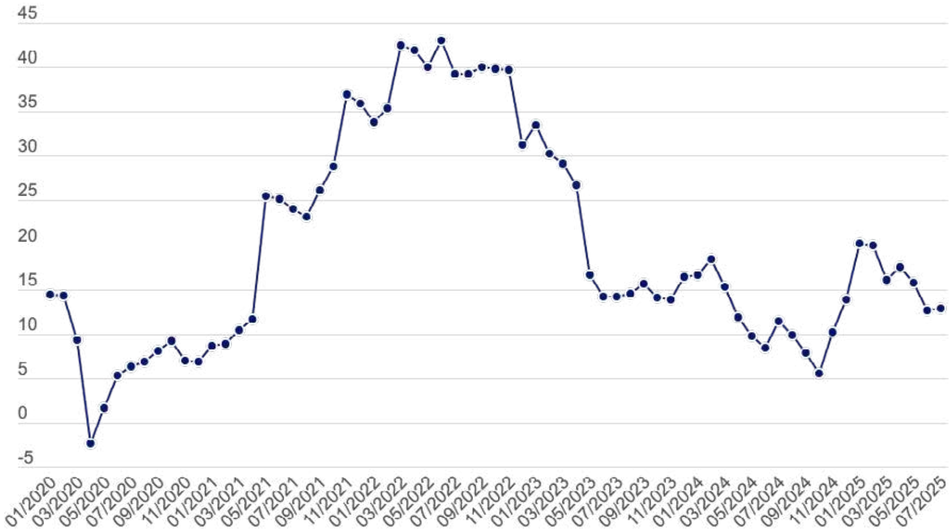
Construction confidence indicator, evolution of the current overall order books and employment expectations over the next 3 months



Source: Eurostat (ec.europa.eu)

Figure 7

Price expectations over the next three months



Source: Eurostat (ec.europa.eu)

Spotlight :

Portugal (continued)

Local insights

The Portuguese construction sector will encounter both challenges and opportunities in the second half of 2025 with Gleeds recognising several key trends and factors shaping the industry. Market uncertainty is leading developers to adopt fixed-price contracts to ensure cost predictability, while prices for materials such as steel and timber continue to fluctuate. At the same time, a shortage of skilled labour and rising wage costs may result in project delays and additional budget pressures.

In terms of business trends, innovative project management approaches such as design-and-build and collaborative contracts are gaining traction. Demand for cost management services is also increasing, driven by the need for strict budget control in a volatile environment. These strategies are helping to distribute risk and enhance efficiency. Investors, meanwhile, are exercising caution and prioritising sustainable projects that meet robust ESG standards. As a result, sustainability has become a central focus, with modern construction methods such as modular building, prefabrication, and mass timber growing in prominence. While these techniques reduce environmental impact and accelerate delivery, they can face challenges such as supply chain constraints and higher upfront costs.

Despite these pressures, demand remains strong in housing, logistics, and data centre projects, while public works and infrastructure continue to support sector growth. Gleeds is actively involved in numerous transactions and remains committed to supporting stakeholders as the market evolves, notably contributing to the Entrecampos project, where Banco de Portugal is securing a portion of the office towers for its future headquarters. Gleeds continues to assist clients by leveraging digital tools and market insights to achieve the best possible outcomes.

> Gleeds recommends revising previously set project budgets to present-day figures based on local statistical information and our own internal data. Additionally, we advise investors to consider inflation contingencies in their budgets as materials and labour shortages remain unpredictable.


Start Campus, Sines, Portugal

Romania

Spotlight :

Romania

Adrian Budarescu
Country Director, Romania
Contact →

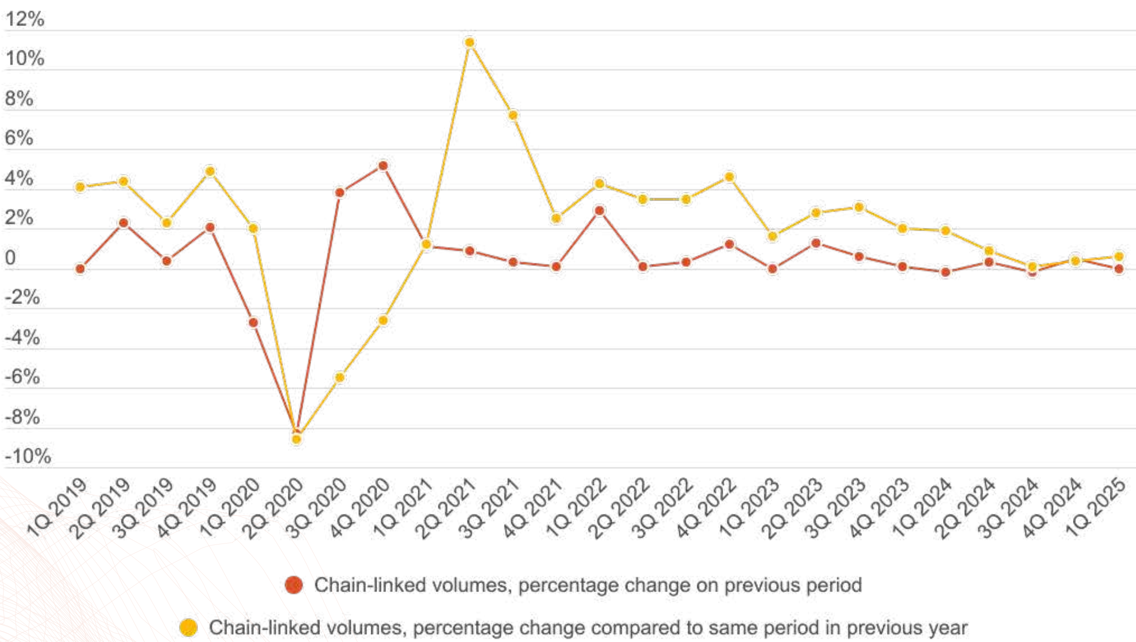
Local economic indicators

The European Commission forecasts Romania's year-over-year (YoY) gross domestic product (GDP) growth to reach 1.4% in 2025, strengthening to 2.2% in 2026, following a subdued 2024. Growth is expected to be supported by construction, agriculture, services, and improved export prospects, though US tariffs, domestic political uncertainty, and fiscal volatility weigh on exports, investment, and consumption. The general government deficit, driven by large public wage and pension increases, is forecast to narrow modestly from 9.3% of GDP in 2024 to 8.6% in 2025. Despite headwinds, positive economic sentiment and EU-funded infrastructure investment is predicted to support a gradual recovery. Quarter-over-quarter (QoQ), Romania's GDP growth between 1Q and 2Q 2025 was 1.2%.

Eurostat also reports that in 4Q 2024, the construction industry's gross value added, which measures its contribution to Romania's overall GDP, increased sharply to 12.7% from 6% in 3Q 2024 before falling to a more standard level 4.6% in 1Q 2025. The volatility can largely be attributed

Figure 1

GDP, Romania



Source: Eurostat (ec.europa.eu)

Spotlight :

Romania (continued)

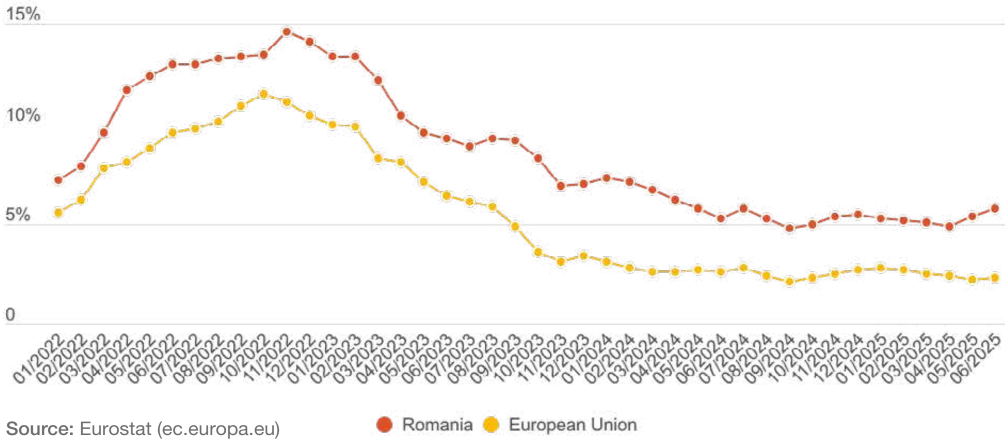
to uncertainties surrounding elections and the fiscal reforms introduced by the new government.
The cancellation of tax incentives for construction workers, combined with maintaining a high minimum wage in the sector, has further increased pressure on investments and constrained growth.

Eurostat's Harmonised Index of Consumer Prices (HICP) for Romania declined to 5.8% in 2024 and is projected to ease slowly to around 5% in 2025, before falling below 4% in 2026. Persistent inflation in services and the planned removal of the electricity price cap are expected to keep energy prices elevated, while falling agri-food and international energy prices may help lower inflation. The latest inflation figure for July 2025 was 6.6% up from 5.8% in June.

Unemployment in Romania, which stood at 6% in the first quarter of 2025, is projected to decline to around 5% by the end of 2026, supported mainly by continued job growth in the private sector. Wage growth, which was double-digit in 2024, is expected to have moderated significantly due to a public wage freeze and new minimum wage regulations.

Figure 2

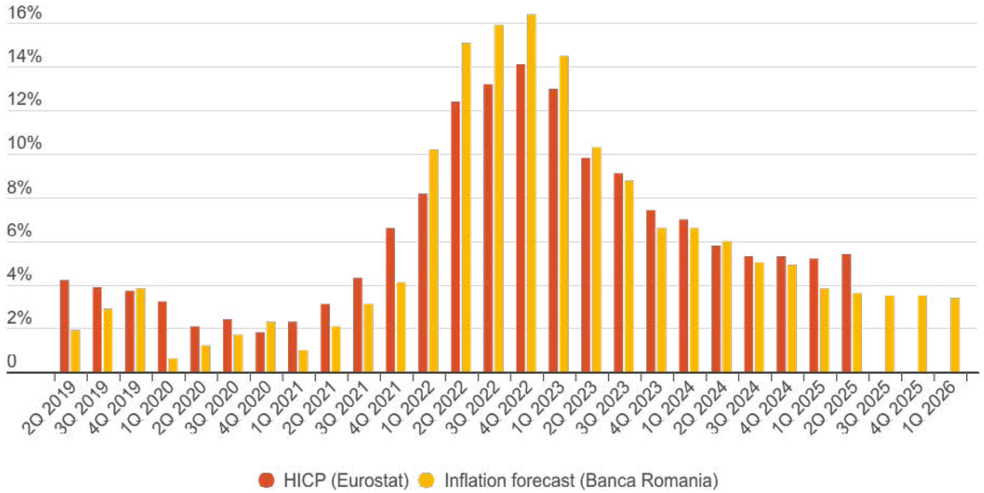
HICP



Source: Eurostat (ec.europa.eu)

Figure 3

Inflation forecast



Source: Banca Romania (bnro.ro) and Eurostat (ec.europa.eu)

Spotlight :

Romania (continued)

Construction materials

The local industrial producer price index for Romania, showed overall month-over-month (MoM) stability across most prices in the construction sector, with the largest monthly movement being a 4.4% decline in tubes and pipes. YoY, steam and air conditioning supply experienced a significant decrease of 18.2%, while distribution of electricity recorded the highest increase at 10.2%. When indexed for June 2022, the peak of oil prices amid the Russia-Ukraine conflict, distribution of electricity and tubes and pipes stand out with a 35.6% increase a 22% decrease respectively. The table below, with data from the Insse shows the change in cost indices MoM, YoY and indexed:

Figure 4

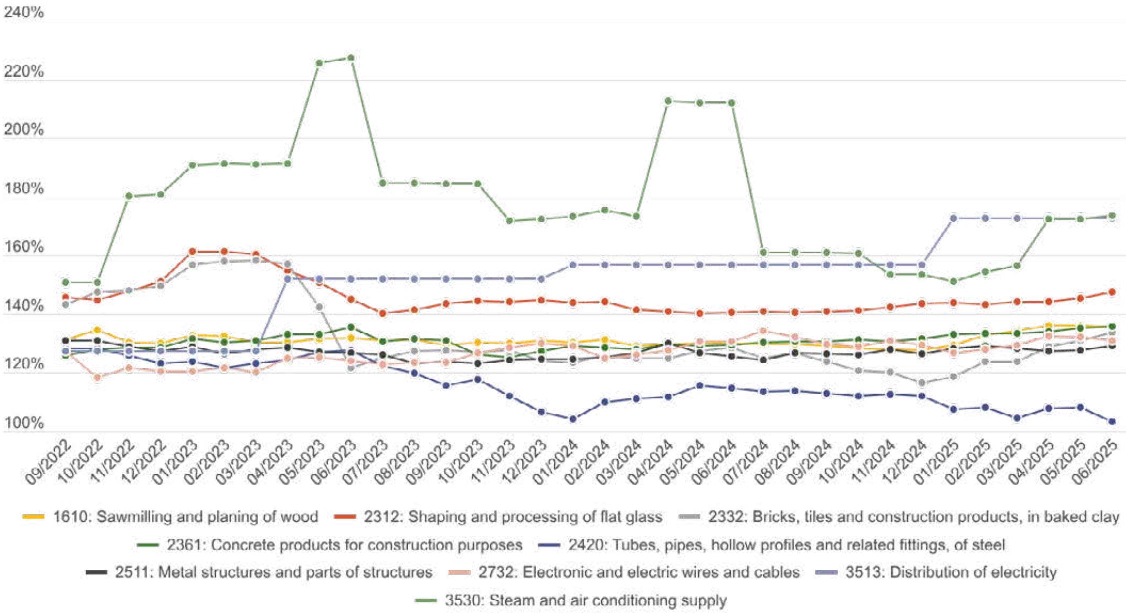
Industrial producer price indices

	MoM	YoY	Index 06/2022 = 0%
1610: Sawmilling and planing of wood	-0.4%	4.3%	3.7%
2312: Shaping and processing of flat glass	1.3%	4.9%	9.8%
2332: Bricks, tiles and construction products. in baked clay	2.2%	4.0%	-6.2%
2361: Concrete products for construction purposes	0.4%	4.9%	9.7%
2420: Tubes, pipes, hollow profiles and related fittings of steel	-4.4%	-9.8%	-22.0%
2511: Metal structures and parts of structures	1.1%	2.8%	-0.8%
2732: Electronic and electric wires and cables	-0.7%	0.3%	-0.6%
3513: Distribution of electricity	0.0%	10.2%	35.6%
3530: Steam and air conditioning supply	0.6%	-18.2%	-10.2%

Source: National Institute of Statistics (statistici.insse.ro) (06/2025 data)

Figure 5

Industrial producer price index, 01/2020 = 0



Source: National Institute for Statistics Romania (statistici.insse.ro)

Spotlight :

Romania (continued)

Market Outlook

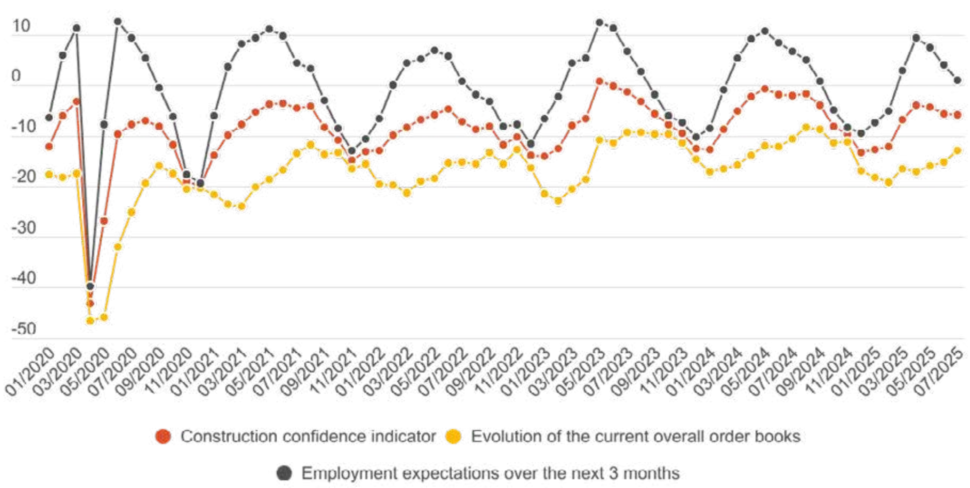
In January 2025, Romania's construction confidence indicator (CCI) stood at -12.8, reflecting a challenging start to the year however by July, the CCI had improved to -5.9, with a year-to-date (YTD) average of -7.4, signalling a gradual recovery in the sector.

This improvement was driven by employment expectations, which rose from -7.3 in January to 1.0 in July however a YTD high of 9.3 reported in April shows high volatility as opposed to steady improvement. Current order books also moved from -18.2 in January to -12.9 in July supporting this increase in confidence. Insufficient demand remained stable reported at 12.3 in both January and July, with fluctuations around a YTD average of 11.6, indicating stability yet ongoing moderate constraints on activity.

> Overall, Romania's construction sector shows a measured improvement, with stronger employment expectations and firmer order books gradually offsetting persistent but moderate demand pressures.

Figure 6

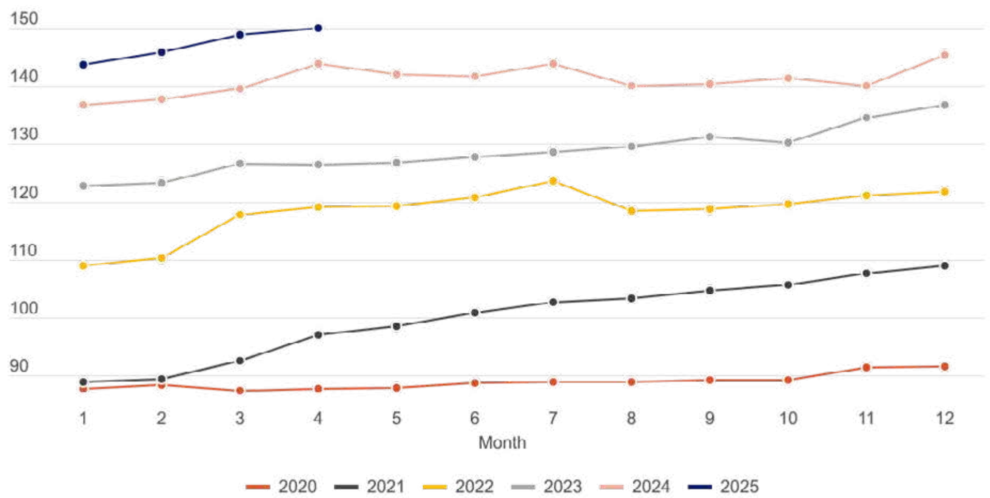
Construction confidence indicator, evolution of the current overall order books and employment expectations over the next 3 months



Source: Eurostat (ec.europa.eu)

Figure 7

Indices of new construction works, working day and seasonally adjusted series, 2021 = 100



Source: National Institute for Statistics Romania (statistici.insse.ro)

Spotlight :

Romania (continued)

Local insights

The construction sector continues to face significant challenges, particularly in private development, where high financing costs and weak demand across office, retail, logistics, and residential markets have slowed investment. The private sector remains in turbulent waters, with very few projects on the horizon due to a lack of trust in the local government, which frequently changes fiscal conditions and provides limited support for private business.

The public sector, which has been the most dynamic segment in recent years, has experienced a sharp decline due to investment cancellations or reprioritization of projects. This downturn affects unemployment rates and has broader implications for GDP. The decline in the public sector is expected to have a major economic impact, with EU-funded projects being closely scrutinized by both EU and local authorities, and significant pressure to complete them by mid-2026.

Looking ahead, rising material and labour costs, ongoing workforce shortages, and elevated energy prices are likely to place further pressure on the industry. Successfully navigating these challenges will require adaptability and strategic planning to maintain resilience in the sector.

> Gleeds recommends revising previously set project budgets to present-day figures based on local statistical information and our own internal data. Additionally, we advise investors to consider inflation contingencies in their budgets as materials prices and labour shortages remain unpredictable.

Slovakia

Spotlight :

Slovakia

Miroslav Lapunik
Country Director, Slovakia
Contact →

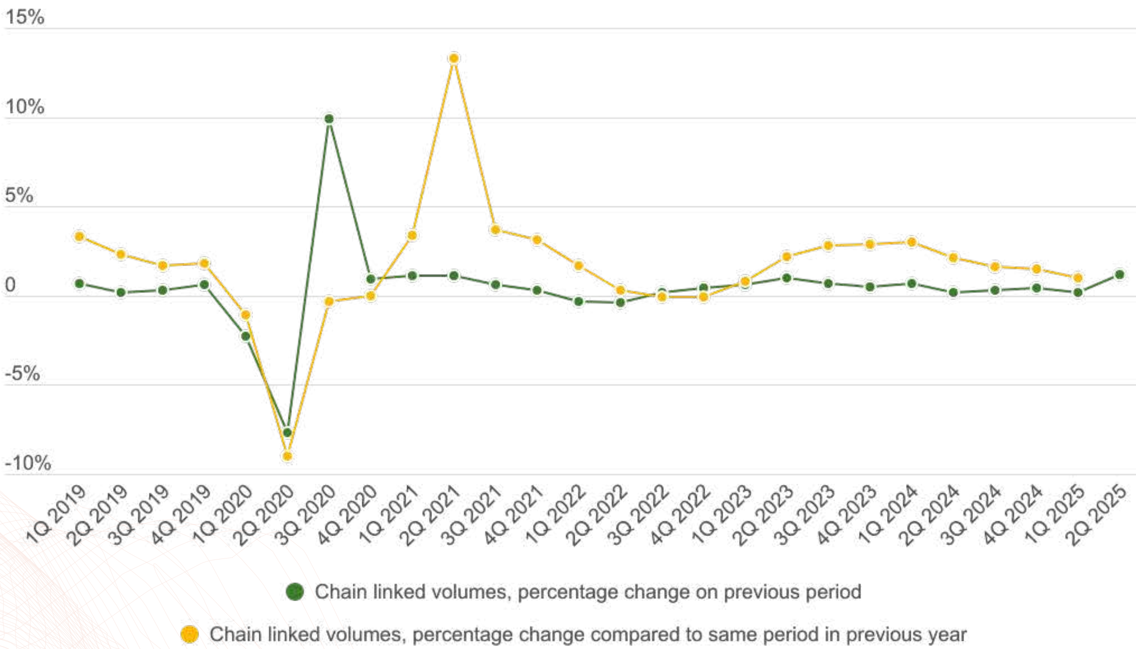
Local economic indicators

The European Commission forecasts Slovakia's year-over-year (YoY) GDP growth at 1.5% in 2025, supported mainly by private consumption, investment funded by the EU, and defence spending, before slowing slightly to 1.4% in 2026 as net exports decline. Exports remain sluggish due to rising trade restrictions and uncertainty, with the automobile sector being affected by US tariffs. Despite economic slowdown, tight labour markets are expected to sustain real wage growth. The public deficit is set to fall to 4.9% of GDP in 2025 before increasing to 5.1% in 2026. Quarter-over-quarter (QoQ) GDP growth was also recorded to have increased by 0.1% between 1Q and 2Q 2025.

Eurostat also reports that in 2024, the construction industry's gross value added (GVA), which measures its contribution to Slovakia's overall GDP, increased steadily from 4.8% to 10.4% before falling to a more typical level of 4.8% in 1Q 2025. Local insights indicates that the temporary surge in construction GVA in 2024 was primarily driven by accelerated

Figure 1

GDP, Slovakia



Source: Eurostat (ec.europa.eu)

Spotlight :

Slovakia (continued)

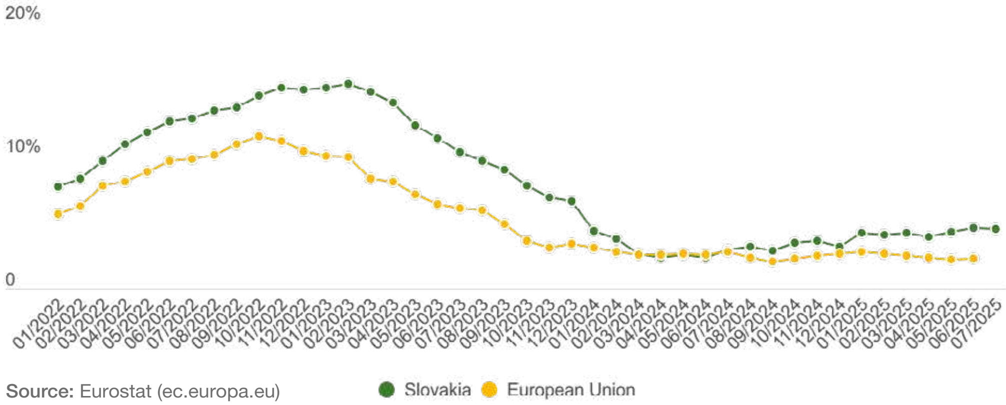
drawdown of EU funds for public infrastructure, robust residential completions ahead of tighter mortgage rules, and elevated investment in industrial and logistics facilities. As these one-off factors subsided, the sector's contribution normalised to around 4-5 % of GDP in early 2025.

Eurostat's Harmonised Index of Consumer Prices (HICP) for Slovakia had eased to 3.2% in 2024, supported by government energy price interventions extended into 2025. However, VAT and tax increases led to price rises early in 2025, with strong wage-driven service inflation expected to push headline inflation up to 4.0% before moderating to 2.9% in 2026. The latest inflation figure remained stable at 4.6% in both June and July 2025.

Unemployment in Slovakia is expected to remain stable at 5.4% in 2025 and 2026, supported by robust labour demand and a shrinking labour force. Despite slower employment growth, wage increases are projected to outpace inflation, leading to modest real wage gains.

Figure 2

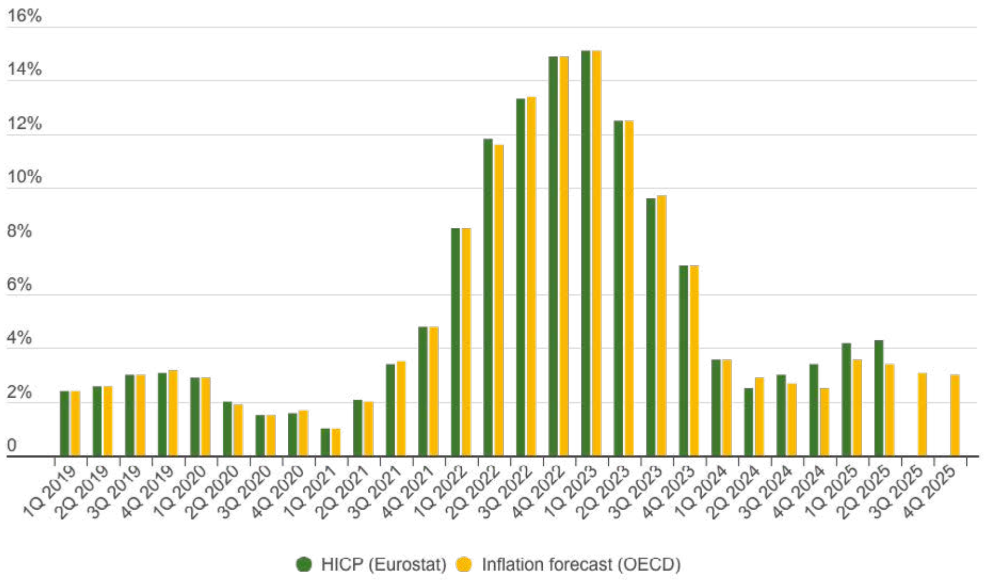
HICP



Source: Eurostat (ec.europa.eu)

Figure 3

Inflation forecast



Source: Eurostat (ec.europa.eu) and OECD (oecd.org)

Spotlight :

Slovakia (continued)

Construction materials

According to the Statistical Office of the Slovak Republic, June 2025 industrial producer price index data shows mixed month-over-month (MoM) movements, with the largest movements seen in clay building materials at 5%, followed by glass products falling 3.1%. Glass products, however, also recorded the sharpest YoY rise of 43%, the largest change across all sectors, while structural metal products increased by 8%. When indexed to June 2022, the peak of oil prices amid the Russia-Ukraine conflict, glass has seen a substantial 176% price increase driven by rising energy, raw-material, and logistics costs, decarbonisation-related investments, occasional supply shocks, and capacity constraints in the European flat-glass network. Notable gains were also seen in clay building materials, 21.7%, and concrete, cement and plaster 16.9%, in contrast, wood prices remained 15.2% lower than in June 2022, and steel tubes fell by 11.5%. Regular updates to project allowances are deemed essential to ensure alignment with evolving market conditions. See the following table for MoM, YoY and indexed pricing inflation:

Figure 4

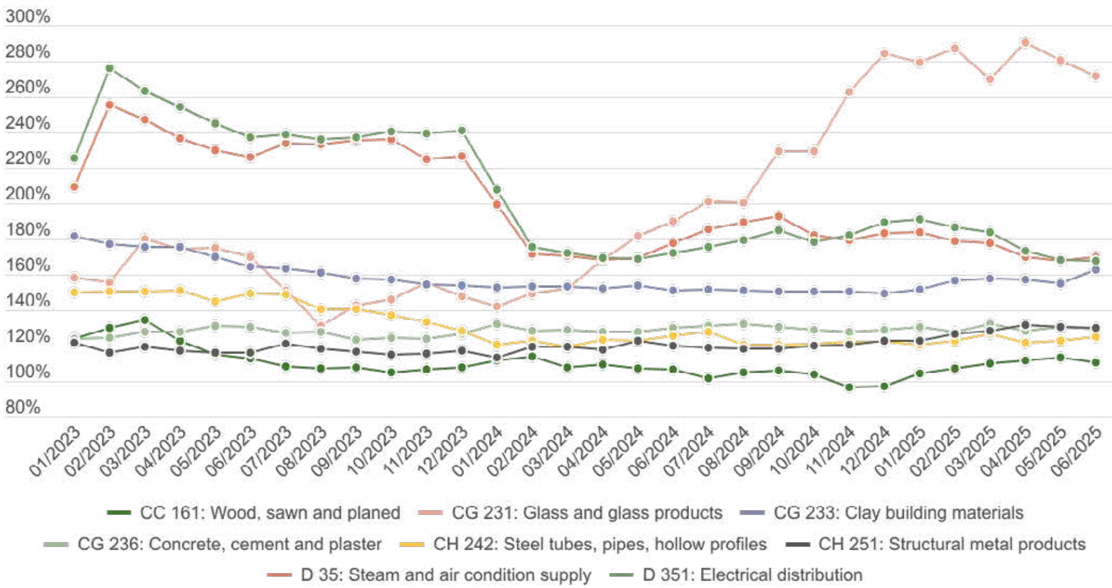
Industrial producer price indices

	MoM	YoY	Index 06/2022 = 0 %
CC 161: Wood, sawn and planed	-2.4%	3.5%	-15.2%
CG 231: Glass and glass products	-3.1%	43.0%	176.0%
CG 233: Clay building materials	5.0%	7.6%	21.7%
CG 236: Concrete, cement and plaster	-0.8%	-0.3%	16.9%
CH 242: Steel tubes, pipes, hollow profiles	1.9%	-0.3%	-11.5%
CH 251: Structural metal products	-0.8%	8.0%	3.2%
D 351: Electrical distribution	-0.4%	-2.7%	-4.4%
D 35: Steam and air condition supply	1.3%	-4.6%	-1.1%

Source: Statistical Office of the Slovak Republic (statistics.sk) (06/2025 data)

Figure 5

Industrial producer price index, 01/2020 = 0%



Source: Statistical Office of the Slovak Republic (datacube.statistics.sk)

Spotlight :

Slovakia (continued)

Market Outlook

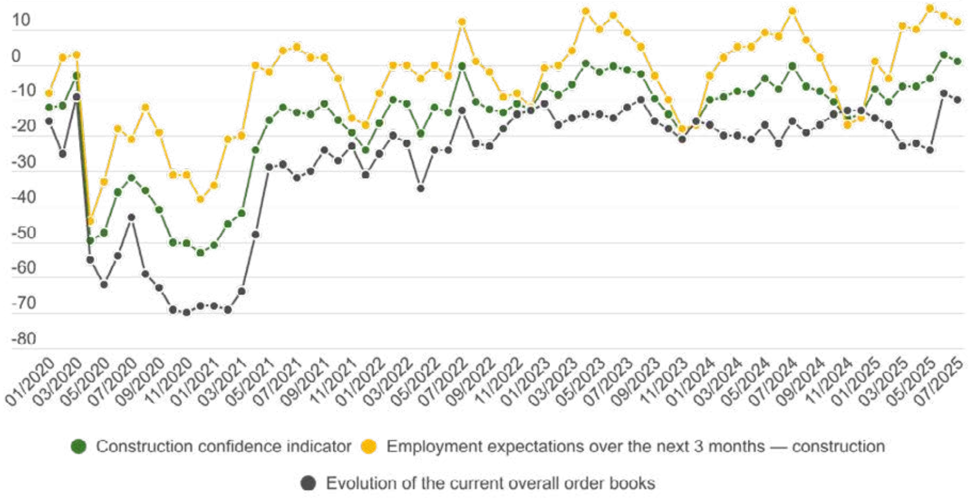
In January 2025, Slovakia's construction confidence indicator (CCI) stood at -7.0 but by July, had improved significantly to 1.0, signalling a moderate recovery in sentiment.

This improvement was driven primarily by stronger employment expectations, which rose from 1.0 in January to 12.0 in July. This was supported by a complimentary movement in current order books from -15.0 in January to -10.0 in July, however with a year-to-date (YTD) average of -17 and a YTD low of -24 in May we can see this indicator has experienced a lot of volatility in 2025. Insufficient demand remained elevated but steady and reported a figure of 31 in both January and July.

> Overall, 2025 so far has seen sentiment in Slovakia's construction sector shift into positive territory, supported by robust employment expectations and improved order books, despite demand pressures remaining elevated.

Figure 6

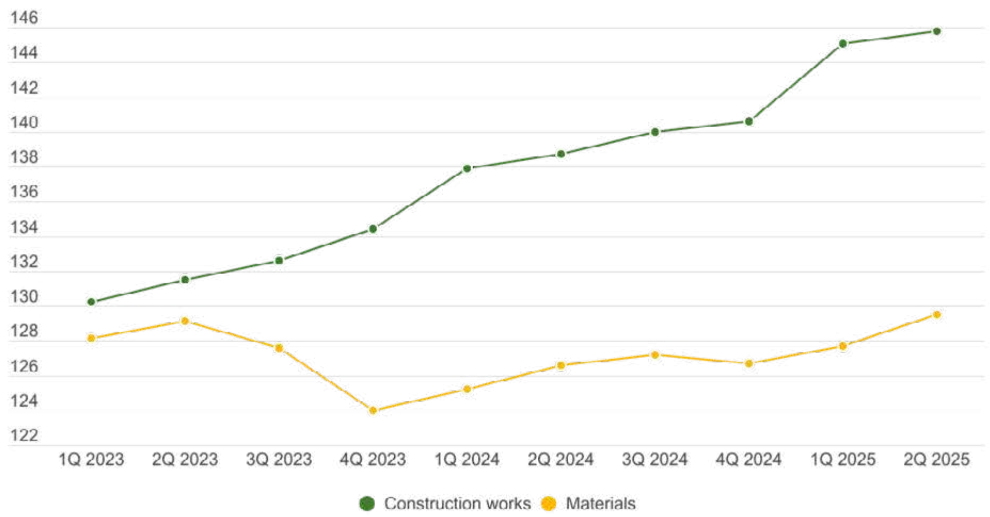
Construction confidence indicator, evolution of the current overall order books and employment expectations over the next 3 months



Source: Eurostat (ec.europa.eu)

Figure 7

Construction works and materials price index, 2021 = 100



Source: Statistical Office of the Slovak Republic (slovak.statistics.sk)

Spotlight :

Slovakia (continued)

Local insights

The transaction tax was established by law, effective January 1, 2025, with the first taxable period commencing on April 1, 2025. In the short term (April–September 2025), the tax has imposed additional administrative and financial burdens on companies, while generating new revenues for the state budget, albeit lower than initially expected.

The new construction law, effective April 1, 2025, aims to streamline and accelerate the permitting process by integrating zoning and construction proceedings into a single, fully electronic system. While the law provides a modernized legal framework, its practical benefits have so far been constrained by transitional challenges, including technical issues and administrative adaptation. In the medium to long term, once these hurdles are resolved, the more efficient permitting system could support growth in the Slovak construction sector.

Beyond legislative changes, the Slovak construction market in 2025 is influenced by several broader economic and structural factors. Inflation and high building-material costs continue to pressure construction expenses and reduce profit margins, while relatively high mortgage interest rates limit housing affordability and dampen residential demand. Although demand for new housing remains strong, particularly in urban areas such as Bratislava, developers face challenges in financing and phasing projects. Public investment in infrastructure partially offsets weaker residential activity, but the sector also contends with labour shortages and rising wages. Additionally, growing emphasis on energy efficiency and sustainable building practices increases upfront costs, although it may enhance competitiveness and long-term value.

> Gleeds recommends revising previously set project budgets to present-day figures based on local statistical information and our own internal data. Additionally, we advise investors to consider inflation contingencies in their budgets as materials and labour shortages remain unpredictable.

Eurovea City project, Bratislava, Slovakia

Spain

Spotlight :

Spain

Ernesto Fernández
Country Director, Spain
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Local economic indicators

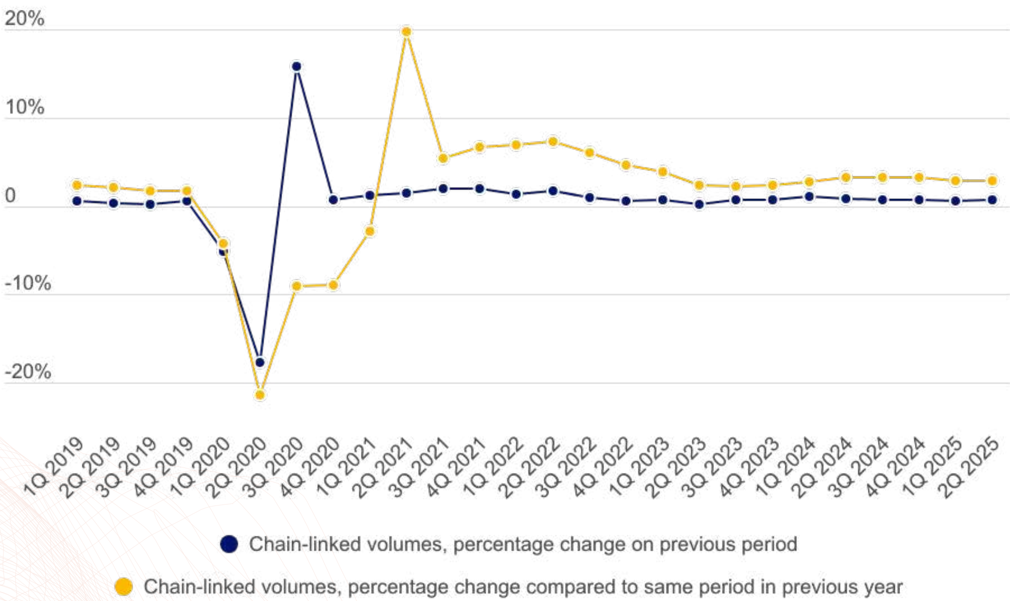
The European Commission forecasts Spain's year-over-year (YoY) gross domestic product (GDP) growth at 2.6% in 2025, supported by strong domestic demand driven by private consumption and investment linked to the Recovery and Resilience Plan (RRP). Growth is expected to moderate to 2.0% in 2026 as net exports turn negative amid rising trade tensions. The government deficit is set to decline to 2.8% of GDP in 2025 and 2.5% in 2026, while public debt falls to 100.9% of GDP in 2025 and stabilises thereafter. Quarter-over-quarter GDP growth between 1Q and 2Q 2025 was reported at 0.7%.

Eurostat also reports that in 2025, the construction industry's gross value added, which measures its contribution to Spain's overall GDP, remained stable at approximately 5.5% of the total GDP.

Eurostat's Harmonised Index of Consumer Prices (HICP) for Spain averaged 2.9% in 2024 and is projected to slow to 2.3% in 2025, driven mainly by falling energy prices with service-related inflation is expected to ease more gradually. Headline inflation is forecast to decline further to 1.9% in 2026. The latest inflation figure rose to 2.7% in July 2025 from 2.3% in June.

Figure 1

GDP, Spain



Source: Eurostat (ec.europa.eu)

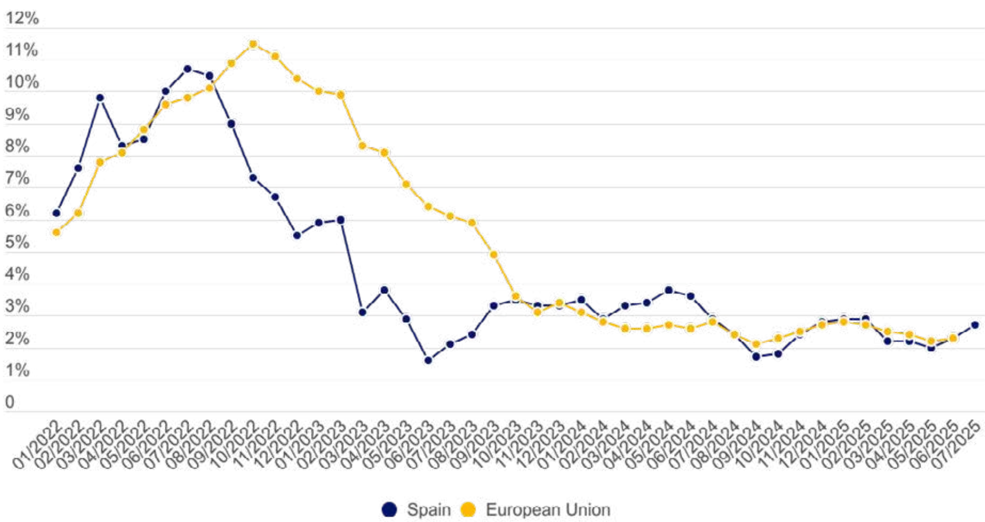
Spotlight :

Spain (continued)

Unemployment in Spain is projected to decline steadily from 11.4% in 2024 to just below 10% in 2026, supported by strong employment growth and continued immigration flows however it remains one of the highest unemployment rates in Europe.

Figure 2

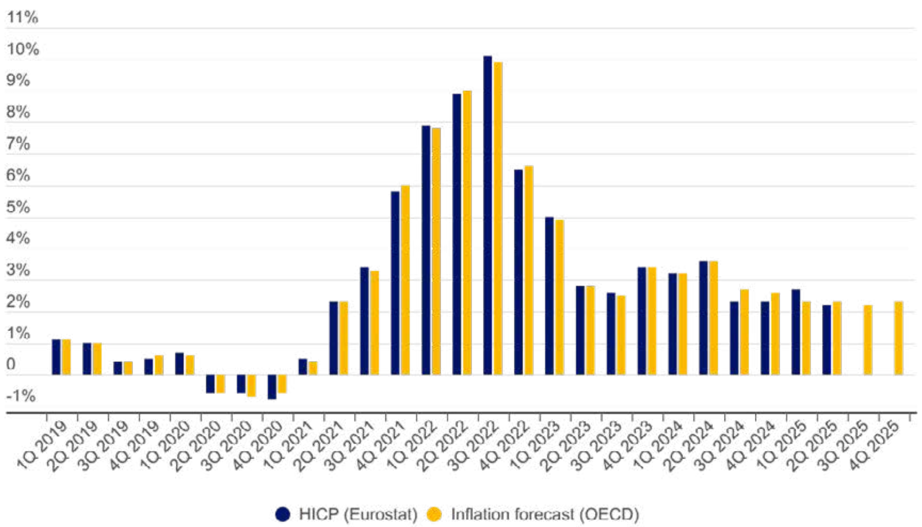
HICP



Source: Eurostat (ec.europa.eu)

Figure 3

Inflation forecast



Source: Eurostat (ec.europa.eu) and OECD (oecd.org)

Spotlight :

Spain (continued)

Construction materials

Eurostat's June data on industrial producer prices in Spain showed relative stability across most sectors, with the most notable month-over-month (MoM) movement being a 25.3% increase in electrical distribution. YoY, the manufacture of flat glass recorded the largest rise at 20.2%, followed by a 13.4% increase in electrical distribution. When indexed to June 2022, the peak of oil prices amid the Russia-Ukraine conflict, concrete, cement and plaster showed a 18.4% increase, while flat glass rose 10.9%. In contrast, steel tubes and electrical distribution remained well below their June 2022 levels, at –14.1% and –33.1% respectively. It is paramount to regularly update project allowances as market pricing and conditions are changing weekly. See the following table for MoM, YoY and indexed pricing inflation:

Figure 4

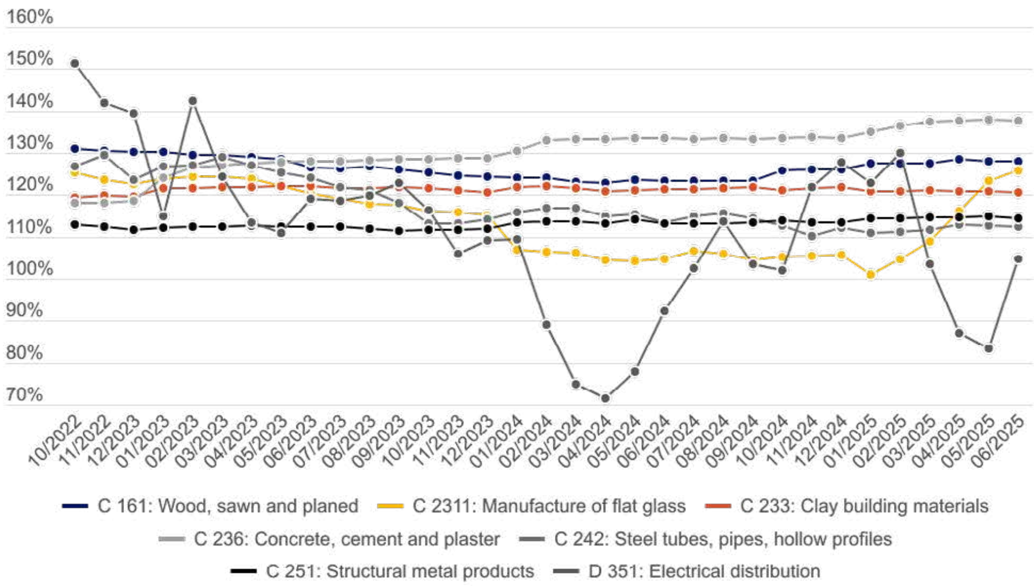
Industrial producer price indices

	MoM	YoY	Index 06/2022 = 0%
C 161: Wood, sawn and planed	0.0%	3.7%	-0.5%
C 2311: Manufacture of flat glass	1.9%	20.2%	10.9%
C 233: Clay building materials	-0.2%	-0.6%	4.1%
C 236: Concrete, cement and plaster	-0.1%	3.2%	18.4%
C 242: Steel tubes, pipes, hollow profiles	-0.4%	-0.9%	-14.1%
C 251: Structural metal products	-0.4%	1.0%	0.9%
D 351: Electrical distribution	25.3%	13.4%	-33.1%

Source: Eurostat (ec.europa.eu) (06/2025)

Figure 5

Industrial producer price index, domestic market (NACE), 12/2019 = 0%



Source: Eurostat (ec.europa.eu)

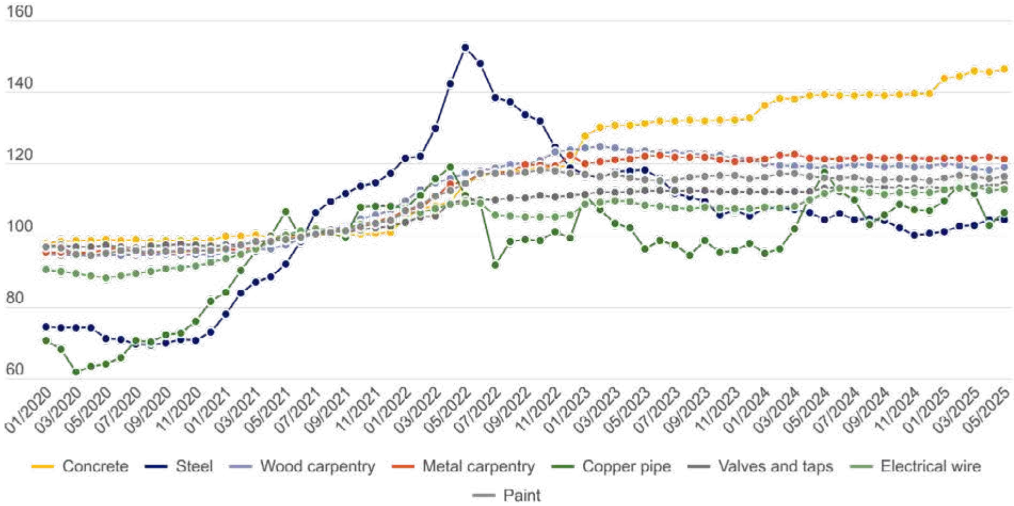
Spotlight :

Spain (continued)

Castellana 81, Madrid, Spain

Figure 6

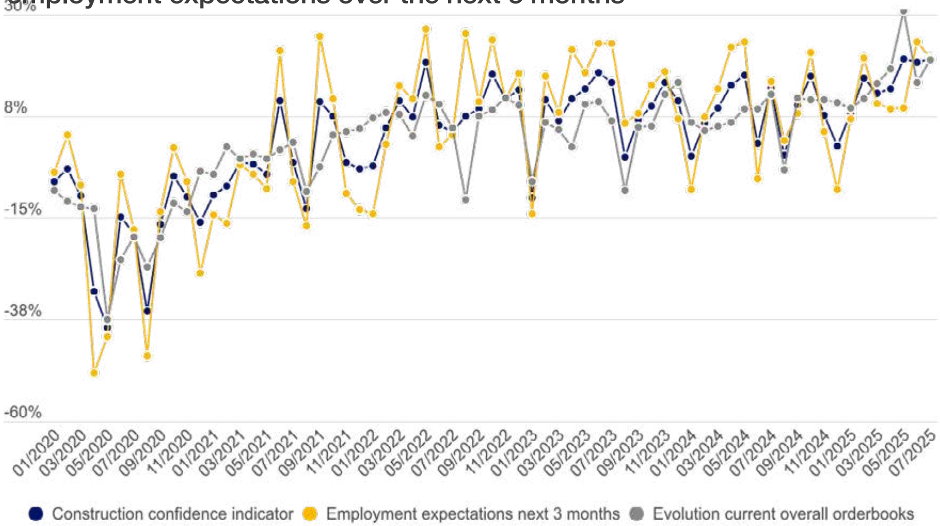
Construction material cost index, 12/2019 = 0%



Source: Spanish Ministry of Transportation, Mobility and Urban Agenda (fomento.gob.es)

Figure 7

Construction confidence indicator, evolution of the current overall order books and employment expectations over the next 3 months



Source: Eurostat (ec.europa.eu)

Spotlight :

Spain (continued)

Market Outlook

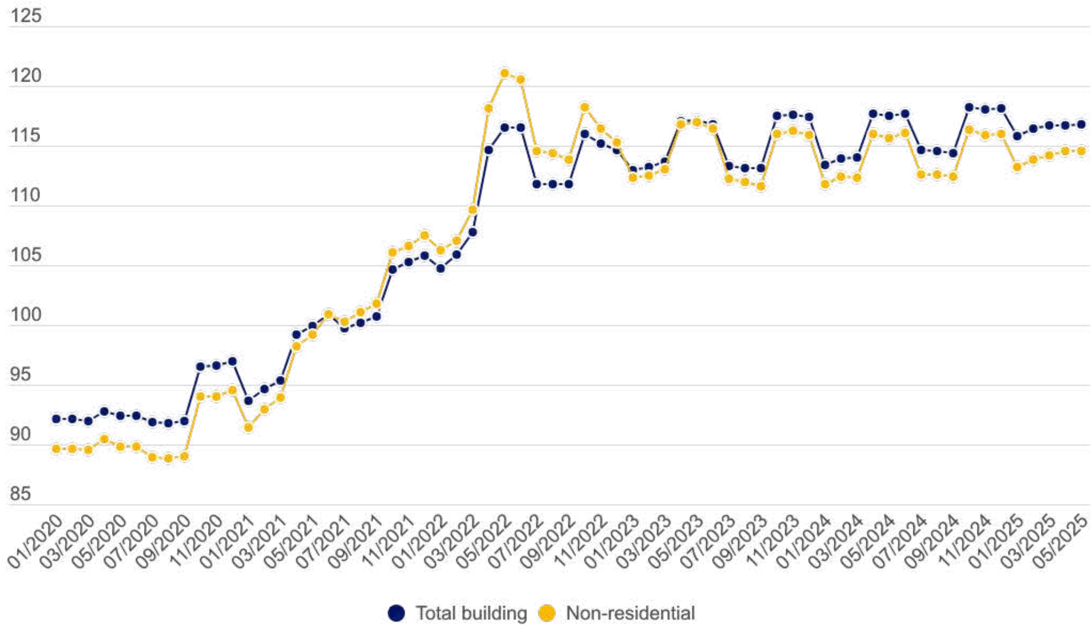
In January 2025, Spain's construction confidence indicator (CCI) was recorded at 8.1 but by July, it had risen sharply to 20.2, well above the year-to-date (YTD) average of 15.7, indicating strong and stable sector momentum across 1Q and 2Q 2025.

This improvement was led primarily by employment expectations, which increased from 6.8 in January to 20.4 in July, and was supported by a complimentary and comparable movement in order books which rose from 9.4 in January to 20.0 in July. Insufficient demand declined from 57.5 in January to 48.9 in July however remains highly elevated showing persistent demand pressures in the sector.

> Overall, Spain's construction sector in 2025 has shown robust growth in sentiment, supported by strong employment expectations and healthier order books, alongside some easing of demand pressures.

Figure 8

Construction cost index, 2021 = 100



Source: Spanish Ministry of Transportation, Mobility and Urban Agenda (fomento.gob.es)

Spotlight :

Spain (continued)

Local insights

The Spanish government is still expected to implement measures aimed at revitalising the residential sector in response to growing housing demand, however, while these measures are still pending, the short-term construction market will continue to be driven largely by private investment. Consequently, the projects currently leading the market—particularly Data Centres and battery production Gigafactories, as well as hotels and other tourism-related developments—are expected to remain at the forefront of activity.

Traditionally, construction hotspots across all project types have been concentrated along the coasts, the islands, Madrid, and Barcelona, however, this pattern is shifting, with the focus for Data Centres and Gigafactories increasingly moving toward emerging regions such as Zaragoza and Extremadura. These sectors and locations are likely to continue driving market growth until government-led residential initiatives begin to take effect.

> Gleeds recommends revising previously set project budgets to present-day figures based on local statistical information and our own internal data. Additionally, we advise investors to consider inflation contingencies in their budgets as materials and labour shortages remain unpredictable.

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About Gleeds

We're not just a construction consultancy, we're a catalyst for change.

Since 1885, we've been bringing to life new ideas and big visions for the built environment. In today's fast-changing world we're continually connecting people, places, ideas and possibilities to make every day another step towards a better future.

Europe

With over 45 years of experience, over 600 dynamic professionals, offices, and a presence in 35 European countries, we combine true pan-European reach with local expertise to deliver tailored client-centric solutions.

We embrace Europe's diversity, and our pan-European approach reflects a commitment to understanding and respecting the unique cultures and ways of working across the continent. Our multicultural team adapts to the specific requirements and expectations of each region, fostering strong relationships built on trust, integrity, and shared goals. This approach allows us to deliver exceptional service and results, whether in Western, Central, or Eastern Europe.

Driven by innovation, we are continuously evolving to enhance and update our service offerings. Our ESG principles guide every decision made and reflect our commitment to excellence and sustainability.

Our Europe presence

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