

Europe's construction industry is turning a corner as early signs of recovery point to strengthening medium-term prospects—Bain & Company

- *Europe's construction market has stabilized with signs of emerging momentum in key economies*
- *The recovery underway is fueled by pent-up residential demand and infrastructure investment*
- *The medium-term outlook is positive – but a full rebound remains contingent on economic stability*

LONDON—October 2025—Construction in Europe is set for a return to stronger medium-term growth from next year to 2028 as greater stability takes hold for the industry after a protracted slump, with stronger activity already emerging now for some key national markets, Bain & Company forecasts in its new [Building Blocks Construction Indicator](#), released today.

Further robust growth in the resilient infrastructure sector across most of Europe is set to combine with a revival of new residential construction projects after years of subdued activity, and further growth in office building, to drive the anticipated revival in European construction, Bain's analysis finds.

The forecast upturn in the industry is expected to be buoyed by the interest rate cuts made by the European Central Bank in the past year, as these now trigger increased spending on refurbishments by private households, as well as higher capital investment by commercial and industrial players. Alongside, years of pent-up unmet demand for new residential construction is also beginning to spark new building activity, while public infrastructure growth is boosted by the end of recent European election cycles, according to Bain's report.

With the worst of earlier, severe headwinds for most European construction markets now past, after what Bain described as a "perfect storm" for the industry in recent years, its analysis reports that activity in markets including the Netherlands, the Nordics, and likely the UK, is already seeing a turning point. But Bain cautions that some markets, including France and Germany, will see a more subdued near-term recovery, and a slower path back to growth, with this returning only during next year. Italy, meanwhile is an outlier, expected to see activity fall further due to phasing out of government incentive programs.

European construction's positive current outlook and nascent recovery through to 2028 is also vulnerable to potential disruption from sources of instability, such as a return to heightened economic uncertainty, Bain cautions.

"After a difficult few years, Europe's construction market is pivoting back to growth from 2025 through 2028, with early momentum already visible in several countries," said [Marc Jeker](#), partner in Bain & Company's Infrastructure, Construction and Building Products practice. "Resilient infrastructure, a revival in new residential building, and selective strength in office projects are set to drive the upswing – helped by ECB rate cuts, pent-up housing demand, and clearer public-program agendas.

"Companies should take advantage of the turning point as a key moment for their sales and operations planning. They should plan to rebalance toward the strongest demand pools, lock production schedules to realistic lead times and available labor capacity, secure labor and materials capacity, align pricing and procurement to a lower-rate environment, accelerate permitting readiness where bottlenecks persist, and maintain scenario plans to stay resilient if macro uncertainty returns."

Nordics and Netherlands in the vanguard of reviving prospects in key markets

The **Nordic countries and the Netherlands** are expected to lead Europe's emerging construction upturn, with near-term activity accelerating, fueled by new residential building, commercial construction and infrastructure projects. In **the Nordics** (Norway, Sweden, Finland, Denmark), overall construction activity is set to increase by a compound annual growth rate (CAGR) of 2% to 4% between 2025 and 2028, with industrial construction lagging. For **the Netherlands**, Bain projects a growth rate of 1.5% to 2.5%, skewing to new residential construction activity but with infrastructure and industrial as relative drags.

The UK is set to experience a steady broad-based strength with a 2.0% to 4.0% growth rate, overall and with residential, office, commercial and infrastructure construction all contributing, while industrial activity is set to be comparatively softer, Bain forecasts.

In **Germany**, Bain's analysis finds that construction activity is entering more stable territory and is expected to pick up activity through 2028, with a 2.5% to 4.5% CAGR. However, a residential rebound and the €500B infrastructure fund supporting investment will be key factors in achieving the projected growth.

France will only see a moderate construction sector growth of around 0.5% to 2.5% (CAGR) until 2028, Bain projects. The French residential building segment is set to lead the way with 3.0% to 5.0% projected growth. But alongside Bain also warns of potential stagnation in infrastructure spending, resulting from EU deficit reduction mandates.

Bain's analysis concludes that **Italy** will be the European market with the weakest prospects between now and 2028, with a forecast CAGR of 0.0% to 2.0% in the period resulting from incentive phase-outs that have spurred demand in previous years. Italy's residential construction segment is set to remain subdued, with its infrastructure sector expected to be a relative bright spot, with projected growth of 1.5% to 3.5% to 2028.

Labor shortages cap supply construction potential in Europe

Among the main challenges facing construction in Europe, Bain's analysis underlines how **widespread labor shortages** in the industry continue to cap supply potential across the region, with job vacancy rates for construction far higher than in other sectors. With an aging European workforce and limited inflow of younger workers, the report finds that leading companies in the industry are leaning on available practical productivity levers, such as digitally enabled sales journeys, field automation and robotics, connected jobsites, and industrialized or prefabricated delivery.

AI and digital technology advances unlocking value in engineering activities

Examining other key trends affecting construction across Europe, Bain's report also explores how construction players – and especially providers in the EPC (engineering, procurement and construction) segment – are harnessing digital technologies and AI. Early adopters of AI-engineering solutions are gaining significant advantage as these technologies start to redefine the ways in which engineering work is conceived and delivered, with gains emerging in cost, speed and project execution quality, Bain concludes. Intelligent AI agents also emerging as an important means to unlock value in the engineering arena, with use cases in the coordination of complex tasks, such as technical bid evaluations. Bain recommends that a pragmatic and effective path for AI implementation in the industry starts with priority target areas and a clear roadmap, building data and prioritized use cases in waves, scaling with change management, and hands-on support.

Improved trends for permit approvals pave the way for a residential construction upturn

The approval of **residential construction permits** is a key factor for the residential segment across Europe and Bain's report finds that conditions for these are stabilizing across countries in much of the region. Trends in permit approvals underline prospects for a recovery in new home construction by 2026. New residential construction is set to lead the industry's growth after years of pent-up demand, but a volatile environment marked by trade tensions and economic uncertainty could still pose a threat to the outlook in this particularly cyclical segment, Bain cautions.

Public-backed infrastructure activity and pent-up residential demand to bolster activity in key segments

Looking at key segments of the European construction industry, Bain's analysis emphasizes that **infrastructure** demand is set to continue growing robustly in the period through 2028, propelled by multi-year public programs. In **Germany**, infrastructure activity is expected to grow at a compound annual rate of 3% to 5%, thanks to the country's €500 billion *Sondervermögen* (special fund, with roughly €90 billion allocated to roads, bridges, and rail). Meanwhile, in **the UK**, a new 'NISTA framework' under the National Infrastructure and Service Transformation Authority is expected to streamline delivery of large-scale infrastructure projects.

In **Italy**, Bain notes that the upcoming August 2026 deadline for investments under the EU's Recovery and Resilience Facility (RRF) will boost near-term infrastructure activity, supporting a forecast growth rate in the segment of 1.5% to 3.5% to 2028. In the **Nordics**, infrastructure construction is projected by Bain to grow between 2.5% and 4.5% over the period. In **France**, however, infrastructure activity is expected by Bain to be hindered by local election-related spending cuts and EU deficit rules, capping the forecast growth rate through 2028 at minus 1.0% to 1.0%. In **the Nordics**, infrastructure construction is projected by Bain to grow between

2.5% and 4.5% over the period, while in Italy (1.5%-3.5% CAGR), the 2026 RRF deadline should drive near-term execution.

Europe's **office construction** activity is set to lead non-residential growth in selective segments and prime locations despite the continuing shift to remote work, supporting modest positive growth across 2025–2028. In **France**, however, elevated office vacancy rates and reduced permitting continue to weigh on new projects. Office construction activity in 2025-2028 is expected by Bain to see compound annual growth of 2% to 4% in the UK, 1.5% to 3.5% in **Germany** and **the Nordics**, and 0.5% to 2.5% in **France, Italy and The Netherlands**.

Residential new construction is expected to become among the main growth engines for European construction into 2028. Structural housing shortages – particularly in social housing – combined with stabilizing economic conditions are unlocking activity across much of Europe.

The **Nordics** lead the growth in this segment, with a 4% to 6% CAGR, though strengthening activity remains conditional on permit approvals as well as electricity connections. **Germany** shows improving order intake, while in **France** permit volumes are starting to recover, with activity set to pick up in both markets by 3% to 5%. Similarly, in **the Netherlands**, the country's Programma Woningbouw, a national housing development program, is anticipated to further release pent-up demand for new residential building.

In **the UK**, Bain finds that a meaningful recovery in new residential construction is not set to take hold until 2026, but from there it sees a growth rate of 2.5% to 4.5% through 2028. In **Italy**, meanwhile residential construction activity is forecast to stagnate, with growth from flat to 1% in the segment as the country's 'Superbonus' scheme, a tax incentive program to promote energy efficiency, renovations, and seismic upgrades in residential buildings, expires.

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