No Boost from Residential Construction

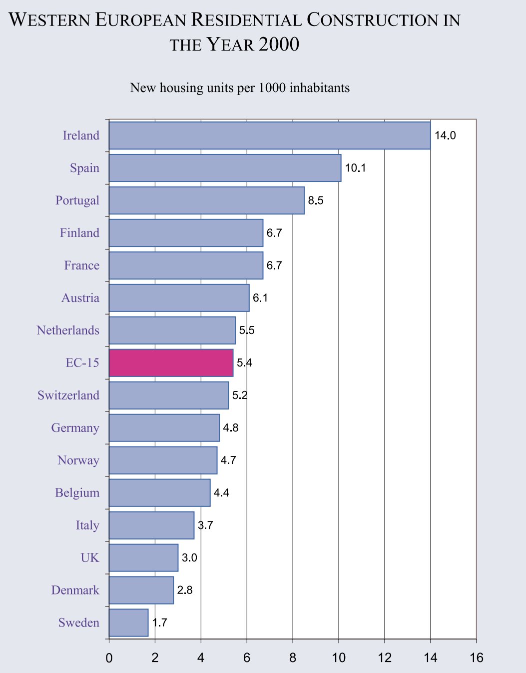
At its meeting in Cambridge on 6 and 7 January 2000, EUROCONSTRUCT – the European Study Group on Construction Research and Forecasting – supplied its biannual construction forecast for 15 Western European countries.

Total construction volume in real terms, which expanded by 3% in 1999, is expected to rise by 2¹/₂% in 2000. In the following two years growth will flatten to a rate of about 1¹/₂% p.a.

No boost can be expected from residential construction – accounting for as much as 47% of the total – as new housing will grow more modestly (6% from 1999 to 2002). The renovation of existing buildings, which had already provided an important stabilising element in recent years, will expand more strongly, however (10.5% from 1999 to 2002). The number of new housing units in one and two-family homes, which increased by nearly 8% in 1999, will stabilise at a lower level of just below one million units a year. This segment's development is slowing the decline in total housing completions (Figure 1). Its share in total new housing units is expected to rise from 50.5% in 1999 to 53% in 2002. Because building costs per housing unit are higher for single family homes than for multiple-story structures, they raise the total volume of new residential construction despite the decline in overall housing completions. The shift in the composition of residential construction is largely a consequence of developments in Germany which accounted for 20% of all new housing units built in Western Europe in 1999. In Germany, the share of owner-occupied homes rose to 57% in 1999, which compares to 80% in the United Kingdom at one extreme and to only 30% in Spain at the other.

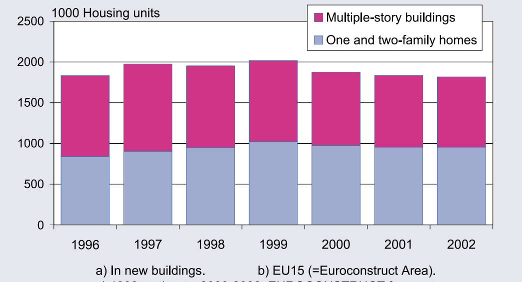
Not only the composition, but also the intensity of residential construction (completed housing units per 1000 inhabitants) differs widely among the European countries, with Ireland at the top and Sweden at the bottom (Figure 2). V.R.

Figure 1



Source: EUROCONSTRUCT .

Figure 2



a) In new buildings. b) EU15 (=Euroconstruct Area).
c) 1999: estimate; 2000-2002: EUROCONSTRUCT forecasts.

Source: 48th EUROCONSTRUCT-Conference, Cambridge (UK), January 2000.