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DUCKER CARLISLE

Q4 2025

Building & Construction Quarterly Report – Europe

March 2026

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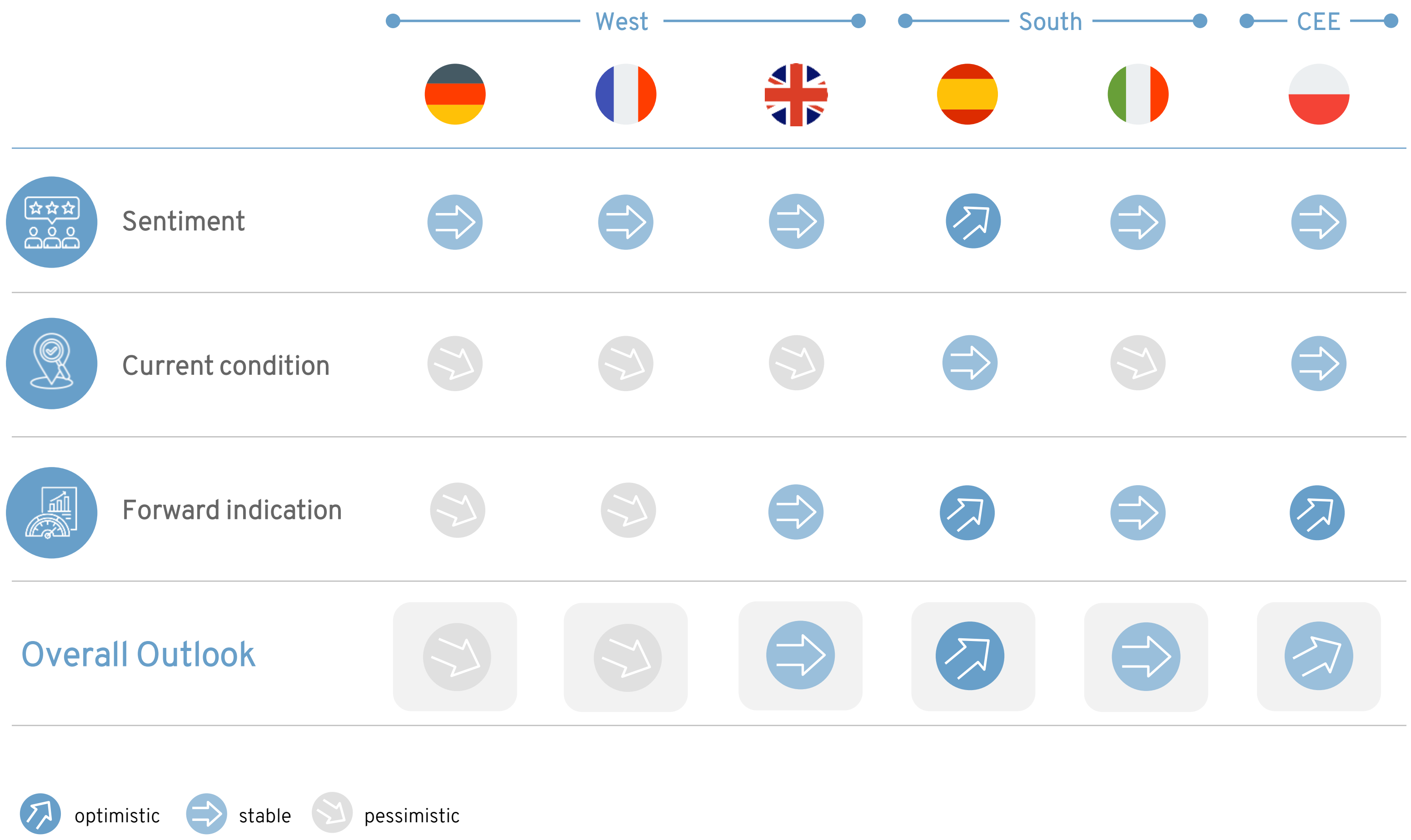
Business Climate Update

Business Climate: Sentiment stabilizes in Q4 2025 as building output falls amid macroeconomic uncertainty.

Business Climate Heatmap across selected EU countries [indicative]



Summary

1. **Sentiment:**

   Construction confidence remains broadly stable across Europe with Southern Europe moving more in-line with broader trends in Q4 2025.

2. **Current condition:**

   Pessimistic situation in most markets; despite modest increases in labor productivity, building output posts continual decline as labor costs tick up.

3. **Forward indication:**

   Outlook for 2026 cautious, but stable as both building permits and fixed capital in construction show a mixed outlook.

Overall Outlook: Europe's construction sector enters 2026 stable, but fragile. Growth in Southern Europe's employment has failed to result in growth in building output and broadly raised costs, while western Europe shows persistent weakness. Rising permits signal a positive forecast however weak pipelines and declining productivity cap near-term prospects.

Source: Munich Strategy & Ducker Carlisle Research

Market Observation: Several trends are reshaping the construction industry.

Overview of current trends [non-exhaustive]

Volatile energy markets reintroduce cost uncertainty for energy-intensive construction materials, slowing procurement decisions and reinforcing cautious project planning across the construction value chain.

Public sector capital increasingly stabilizes construction demand amid private investment caution.

Supply chain resilience and regional sourcing gain importance amid geopolitical disruptions.

Energy security concerns triggered by geopolitical tensions are pushing European governments to accelerate investments in energy generation capacity, grid expansion and storage infrastructure.

Strategic industrial construction is accelerating as Europe strengthens semiconductor sovereignty, fueled by the European Chips Act.

Rapid expansion of digital infrastructure construction driven by demand for AI and cloud computing, e.g., data center and energy supply and cooling systems.

Increasing competition among contractors limits the ability to pass through cost increases (given the backdrop of increasing raw material costs).

Deep renovation mandates driving shift from new build to high-value retrofit projects.

Policy Landscape: Q4 actions focused on policy rewrites and financial stimulus to boost construction activity.

Country-specific measures across Europe [non-exhaustive]

Government subsidies and policy rewrites boost demand

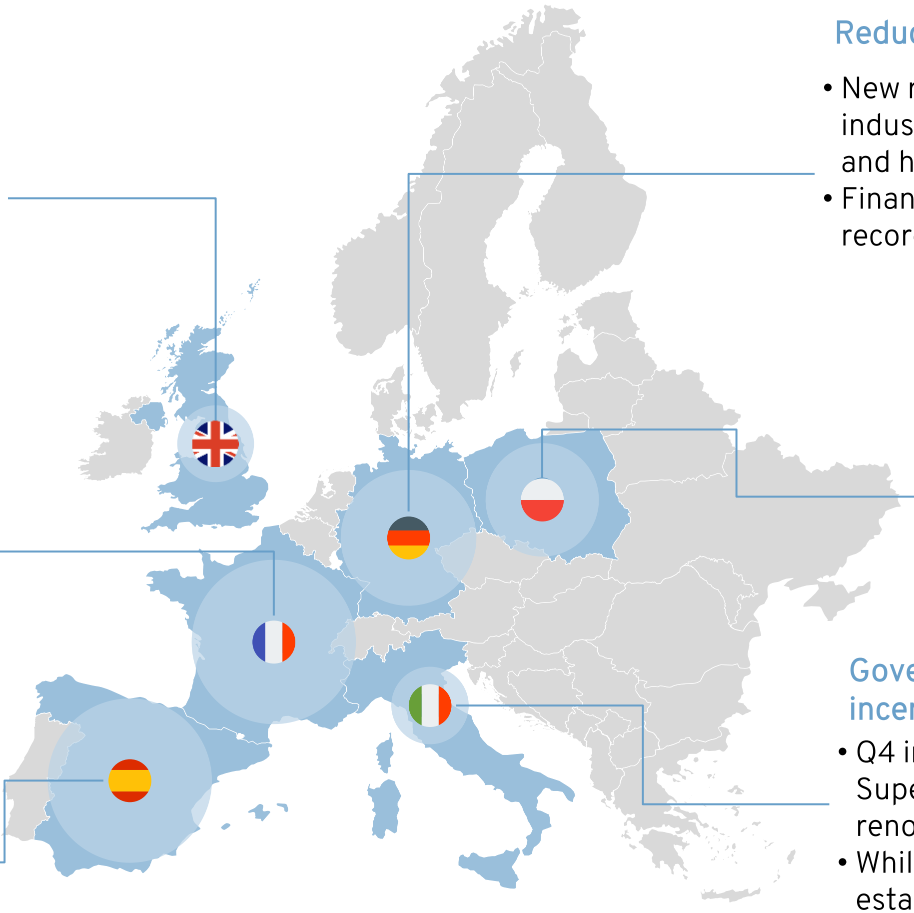
- Royal assent of Planning and Infrastructure Act and rewrite of NPPF (planning rules) aim to stimulate infrastructure and residential builds.
- Social and affordable homes programs kick off bidding, aiming to boost overall construction demand over the next 10 years.

Renovation focus to counteract new-build slowdown

- Regulations such as the "Simplification Law" streamline conversion of offices and brownfield sites for residential use.
- Updates to renovation financing regulations boost R&R activity as land constraints tighten, muting greenfield development.

Stimulus support and cost reduction initiatives

- PERTE for Housing regulation prioritizes industrialized and modular construction, aiming to reduce costs for developers and investors.
- EU subsidies are being directed to support ~500,000 residential retrofits by the end of 2026.



Reducing bottlenecks and sustaining affordability

- New regulations such as the Bau-Turbo aim to target industry-specific bottlenecks such as zoning delays and high costs.
- Financing for social and affordable housing reaches record highs.

Mixed outlook on delivery of affordability measures

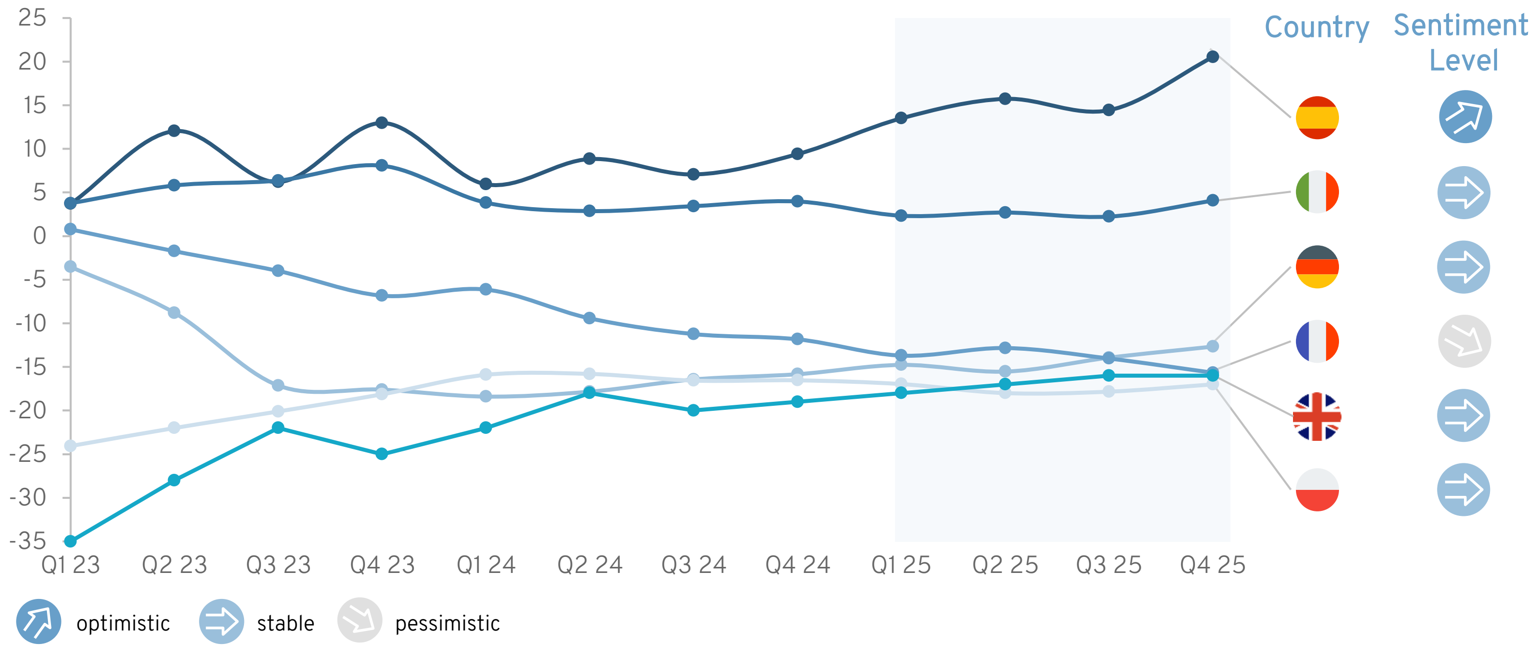
- Government programs aiming to improve affordability and stabilize demand moved to implementation phases.
- Support for first-time home buyers remained in limbo during Q4 and new price disclosure rules triggered price corrections by developers.

Government focus on managed wind-down of incentives

- Q4 introduced the managed wind-down of the Superbonus and Ecobonus policies slow new renovation starts.
- While Sismabonus and Architectural barriers bonus establish an incentive floor, public investment from RRP provides some counterbalance.

Sentiment Dynamics: Construction confidence remains broadly stable, but fragile in Q4 2025.

Construction Confidence & Sentiment Indicator by country, Q1 2023 – Q4 2025 [in Balance Points]



MCX[1] Stock Price Performance [Index, 2019=100]

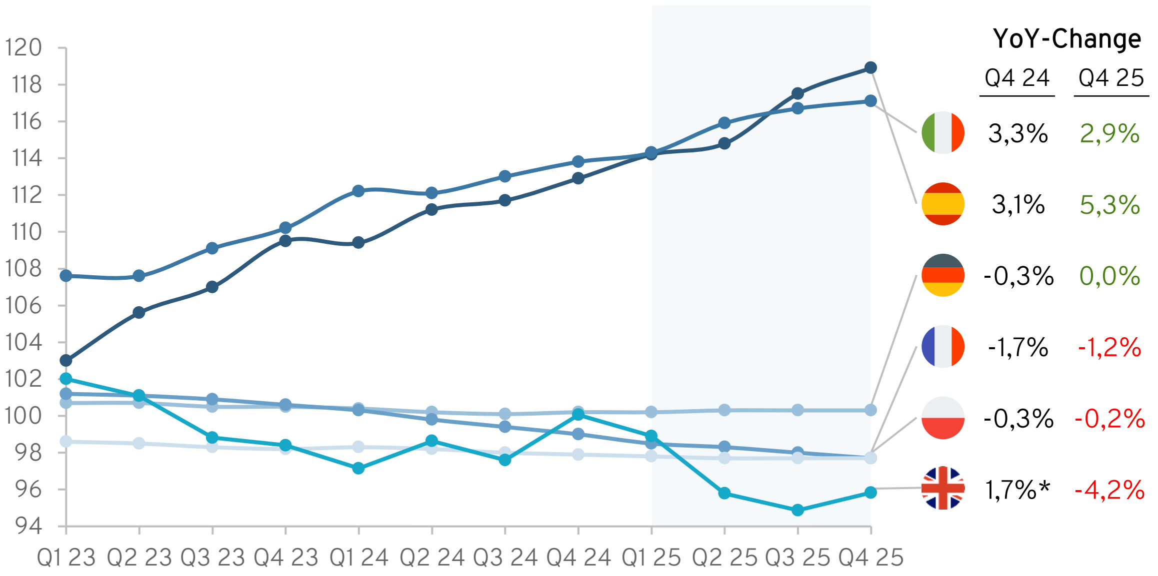
European construction sentiment maintained its cautious outlook in Q4 2025.

While labor markets and easing material shortages support minor gains, insufficient demand keeps sentiment subdued. High interest rates and geopolitical uncertainty constrain the near-term outlook.

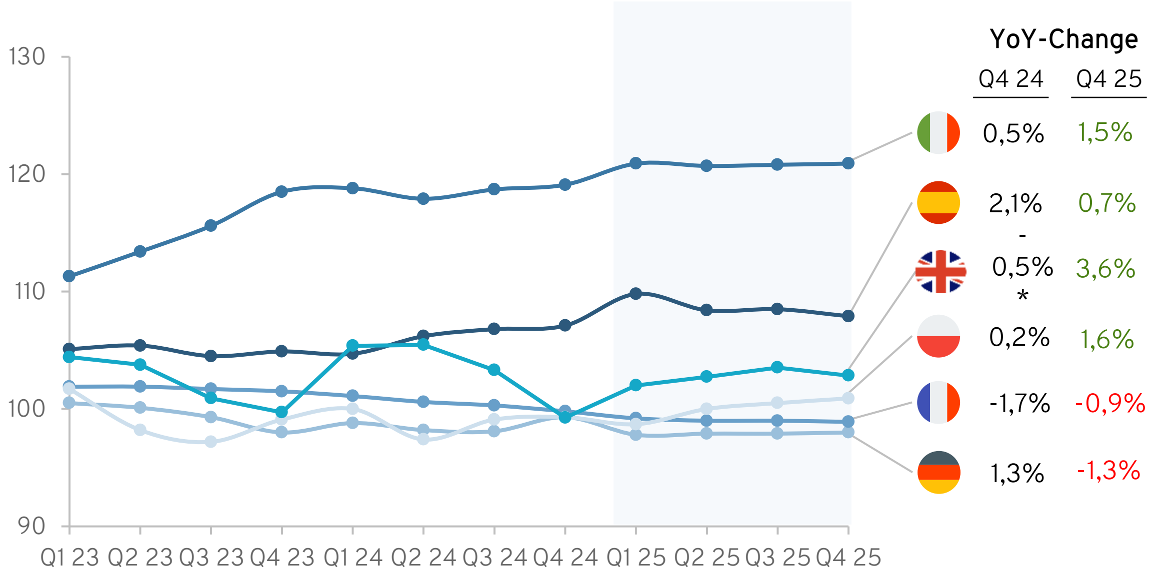
1) Munich Strategy Construction Index of >100 handpicked publicly traded construction companies
Source: Eurostat, Munich Strategy & Ducker Carlisle Research

Labor Dynamics: Effective capacity declines as employment increases despite slightly lower hours worked.

Persons employed Q1 2023 – Q4 2025 [Index, 2021=100]



Hours worked Q1 2023 – Q4 2025 [Index, 2021=100]



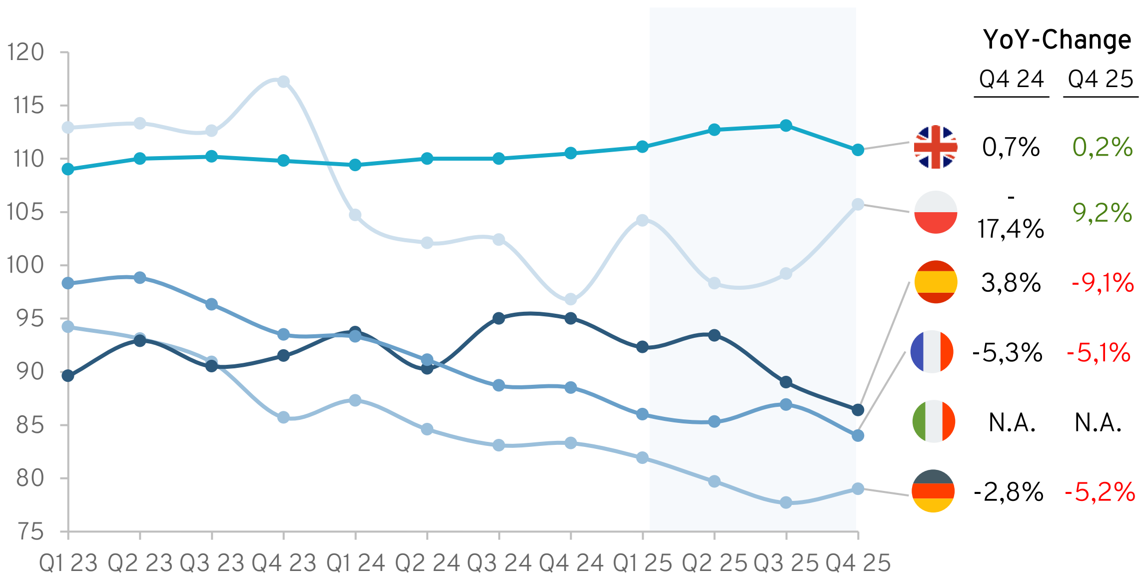
European construction employment ticks higher, but overall labor input remains constrained.

Employment edged higher from Q3 2025 figures in most markets while wage pressures eased slightly, however, effective labor input stayed limited due to persistent subdued hours worked and supply chain restrictions.

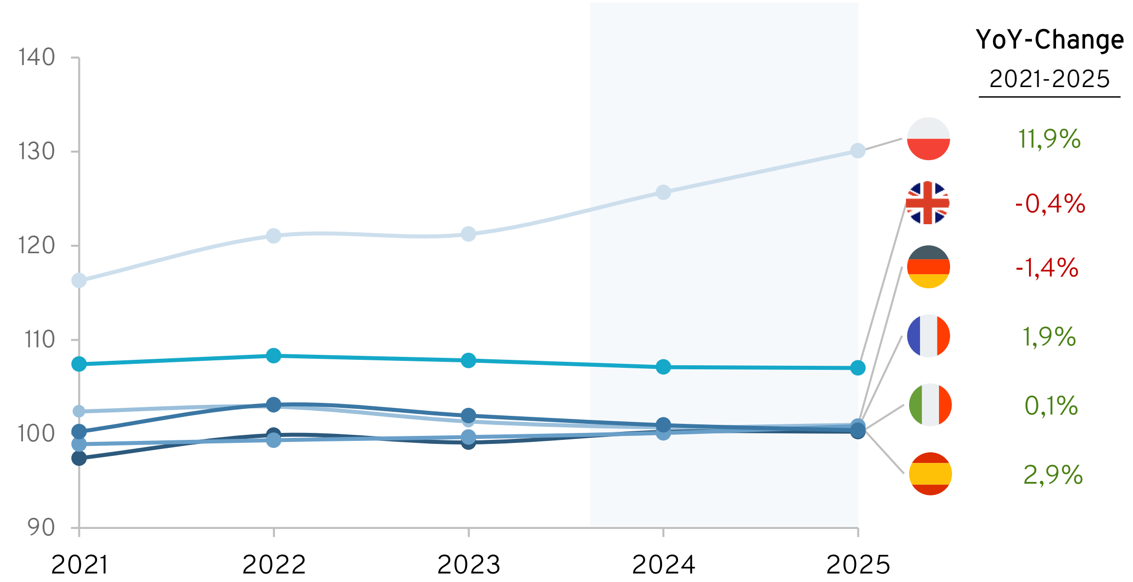
Source: Eurostat, Munich Strategy & Ducker Carlisle Research
*UK – Data is not seasonally adjusted

Output Dynamics: Construction output declines across Europe in Q4 2025.

Production in construction of buildings Q1 2023 – Q4 2025 [Index, 2021=100]



Labor productivity 2023 – 2025 [Index, 2015=100]



Output declines across Europe, despite labor productivity increasing.

Poland rebounds modestly in Q4, as France stalls its mild recovery. Germany and Spain showed continuous decline, while the UK edged slightly downward. While civil engineering provided minor offsets, residential and non-residential buildings drove the downturn.

Source: Eurostat, Munich Strategy & Ducker Carlisle Research

Sustainability Dynamics: Sustainability certifications continue gaining traction in Europe.

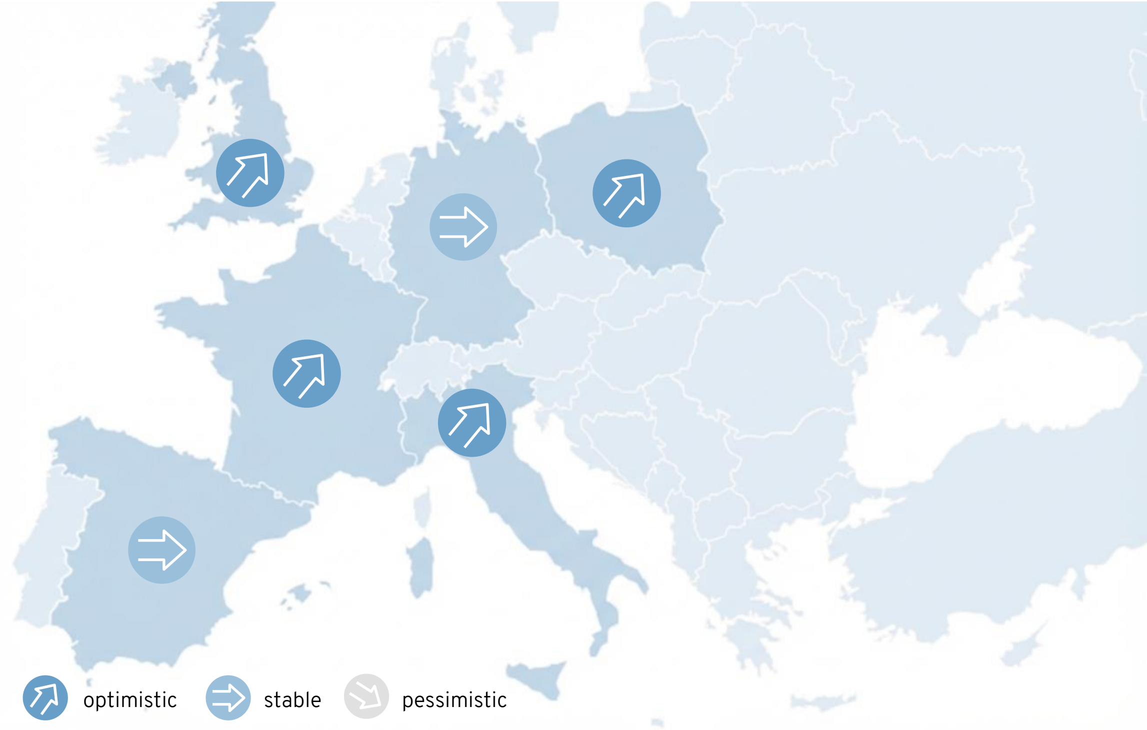
LEED and BREEAM adoption across selected European countries

LEED (Leadership in Energy and Environmental Design) is a globally recognized green building rating system and a symbol of sustainability leadership supported by a community driving market change.

BREEAM (Building Research Establishment Environmental Assessment Method) is a sustainability assessment system that measures how well buildings meet environmental goals and ensures their performance remains high over time.

	Poland	Germany	France	Spain	Italy	UK
LEED Projects[1]	297	655	154	1,097	792	198
BREEAM Projects[1]	2,589	1,701	5,807	3,160	1,165	20,034

Sentiment Level [Indicative]



EU regulatory pressure continues to boost adoption of sustainable building materials and practices.

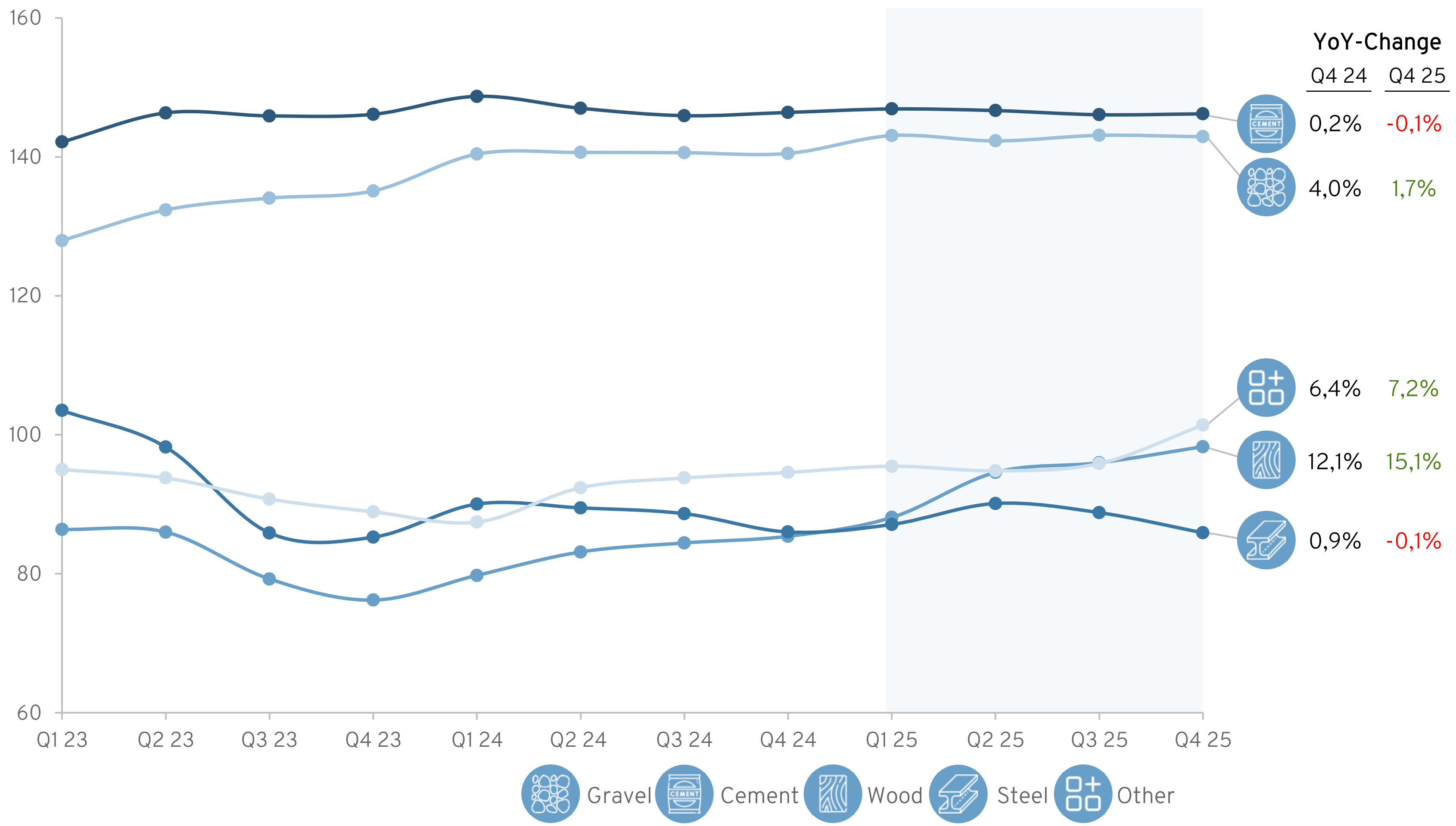
Western Europe continues to dominate LEED projects, accounting for ~81% of LEED projects, whereas the UK accounts for 80% of BREEAM projects globally.

1) Total

Source: Munich Strategy & Ducker Carlisle Research

Price Dynamics [1/2]: Material prices remain largely stable in 2025.

Price Development for Building Materials Q1 2023 – Q4 2025 [Index, 2021=100]

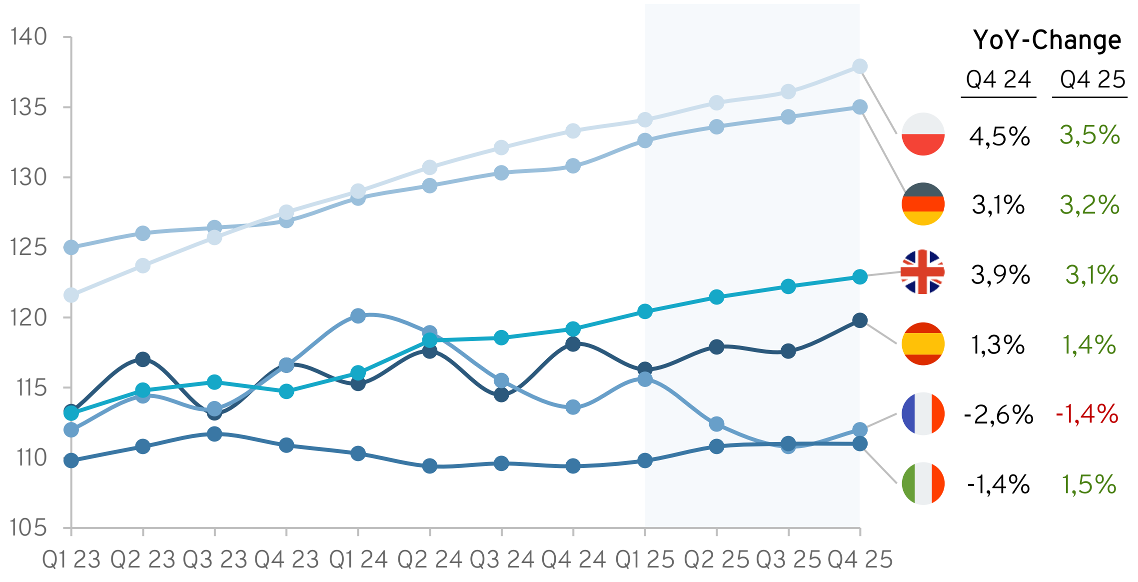


- Building material prices stabilized in 2025, continuing the trend of elevated prices since 2023.
- Gravel, cement and steel prices have declined, while wood and other product prices remain stable amid persistently subdued output.

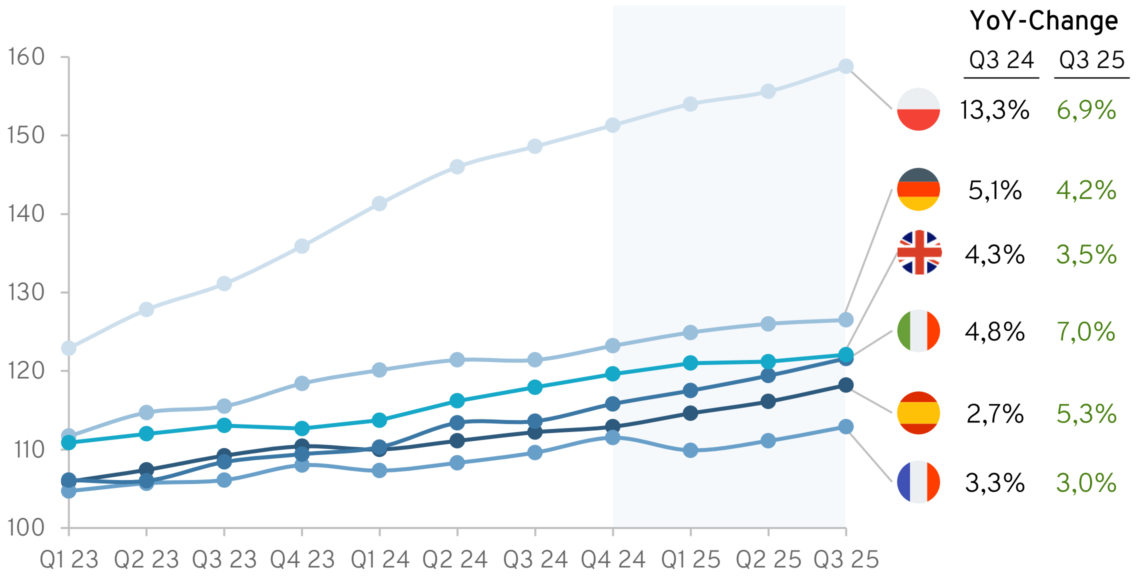
Source: Destatis, Munich Strategy & Ducker Carlisle Research

Price Dynamics [2/2]: Construction prices have increased uniformly across Europe.

Producer Prices for New Residential Building Q1 2023 – Q4 2025 [Index, 2021=100]



Labor Costs Q1 2023 – Q4 2025 [Index, 2020=100]

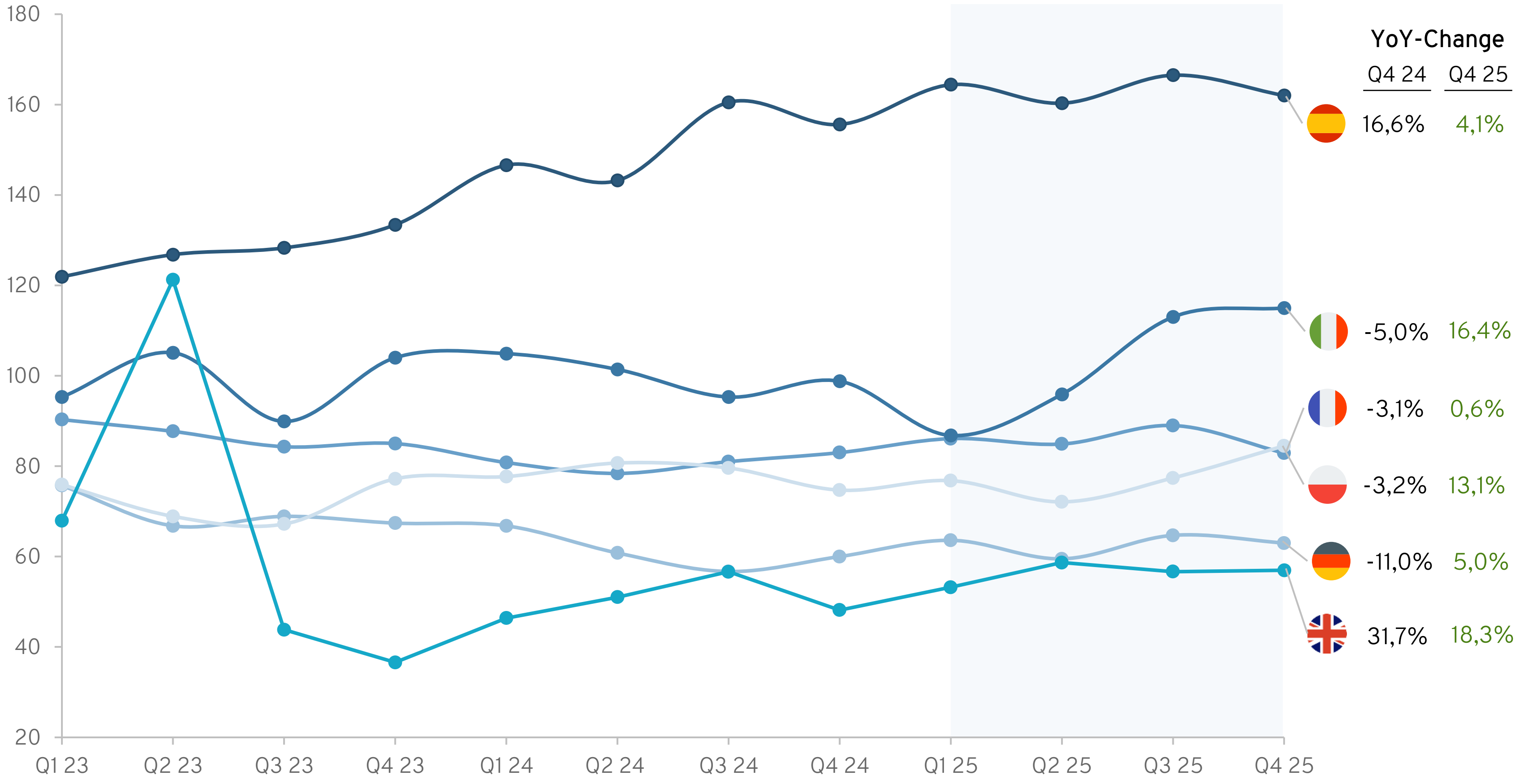


Labor cost increases outpace material cost stabilizations, increasing producer prices for new buildings.

Labor costs increase EU-wide, driven by wage inflation and minimum wage hikes as well as subdued productivity.

Permits Dynamic: Permits offer a cautiously positive signal despite weak market dynamics.

Building Permits for both Residential and Non-Residential by Country [Index, 2021=100]



In the new construction sector, a general upturn is evident, albeit at a low level.

Spain is stabilizing at a high level, and a similar trend is emerging in Germany and the U.K., although from a relatively low base.

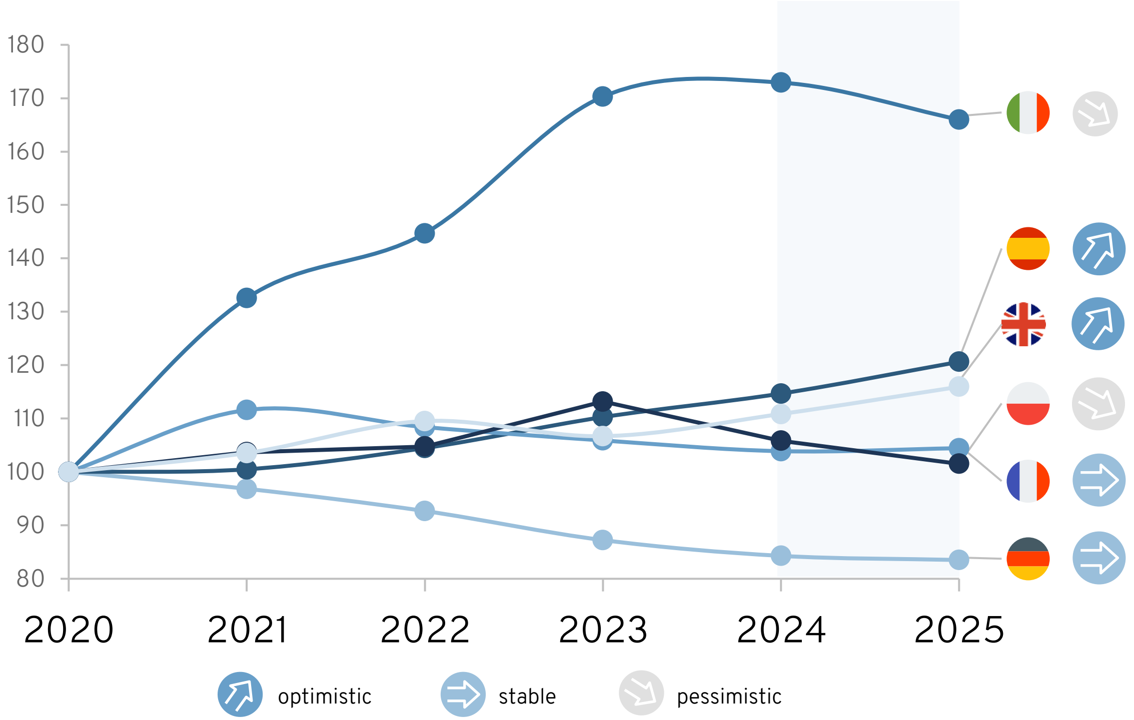
Poland and Italy are once again showing positive growth rates.

There is not yet a clear positive trend in France.

Source: Eurostat, Munich Strategy & Ducker Carlisle Research
*UK – Value has been indexed to Q2 2022

Investment activity: Uneven growth in investments across Europe.

Gross Fixed Capital in Construction 2020 – 2025 [Index, 2020=100]



Key Market Insights

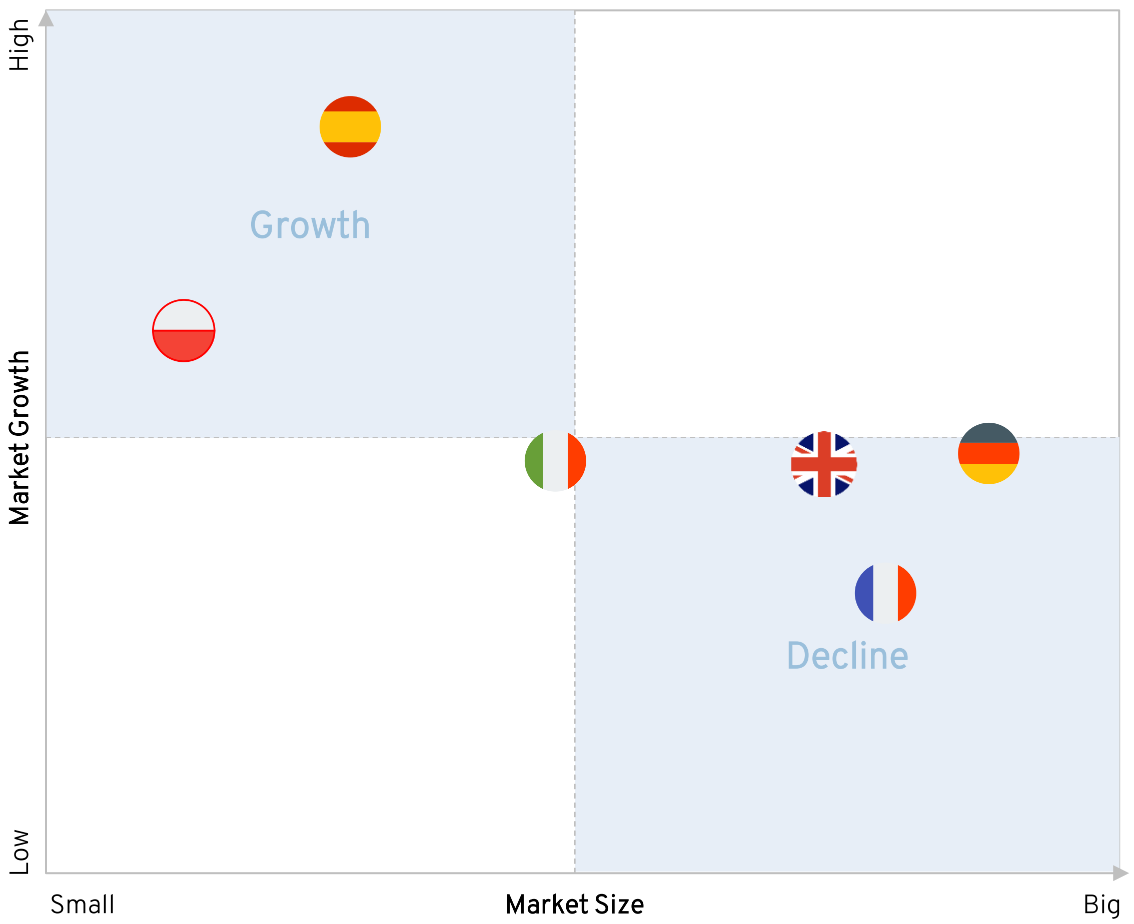
Country	Total % Change (2020-2025)	Explanation
	65,99%	Trend reversal in 2025, as index value contracts ~4% year-on-year.
	20,63%	Consistent annual gains, reaching ~20% above 2020; continual gains heading into 2025 as fixed capital in construction grows ~5% year-on-year.
	15,95%	Fluctuations post pandemic move to stable growth post 2023, posting a ~4.5% year-on-year gain in 2025.
	1,52%	Rising through 2023, then dropping 7 points in 2024, decline of ~4% year-on-year in 2025
	4,45%	Peaked in 2021 (+11.6%) but has since retreated, now only ~4% above baseline, modest growth of 0.5% in 2025
	-16,49%	Only country below its 2020 baseline, declining ~15% cumulatively, slower decline in 2025 of ~1%

Mixed outlook on investment growth as growth of 4-5% is counterbalanced by declines and trend reversals.

Investment patterns remain uneven: Spain, the UK and Poland are seeing modest growth; Germany continues to decline, France shows signs of stabilization and Italy is beginning to reverse its trend.

Growth Matrix: Europe's larger markets are declining as they head into 2026.

Construction Growth Matrix: Market size & Market growth [Indicative]



Spain
Strong sentiment & investment (+15% since 2020) signal early recovery.
Employment, permitting and investment growth boost industry outlook.

Italy
Trend reversal in 2025 as investment slows and Superbonus winds down.
Mean reversion as declining subsidies expose builders to higher labor costs.

UK
Full year output (y-o-y) increased, while Q4 output declined compared to Q3 as new orders fell. Hours worked increased y-o-y and capital investment continues to rise.

France
High financing, material and labor costs continue to put pressure on growth.
Decline in building permits mutes near term growth outlook.

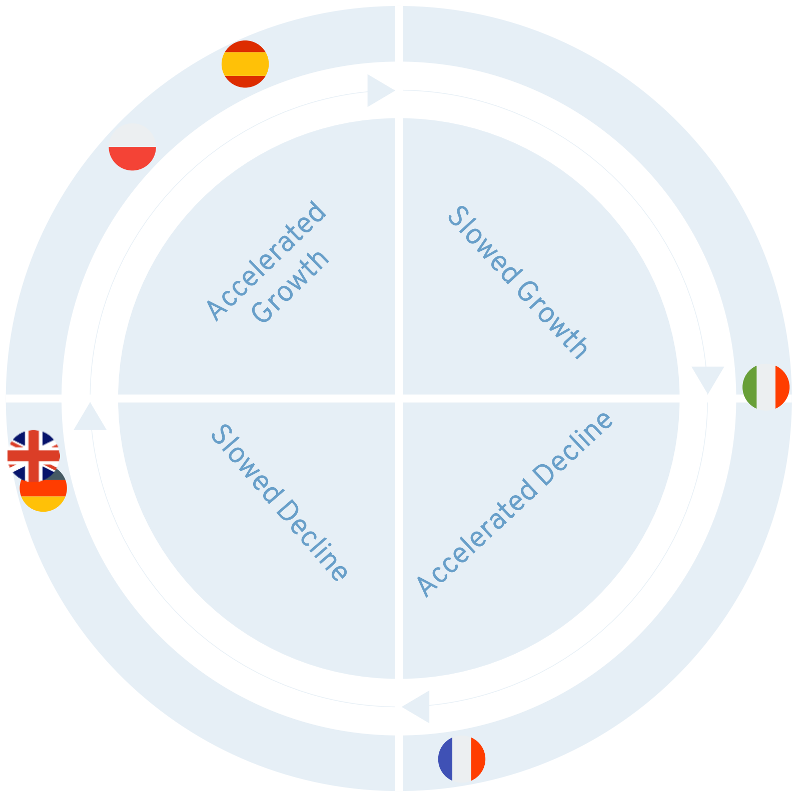
Germany
Labor costs continue to increase amid declining labor productivity.
Initial signs of stabilization as building permits rise and construction output recovers slightly.

Poland
Uncertainty persists as subsidy programs remain in limbo.
Rate cuts ease some cost pressures, but growth remains policy-dependent.

Construction Clock: While Germany and the UK show moderate improvement, France tracks slow-downs.

European Construction Clock [illustrative]

By comparing core drivers – costs, labor, permits & investment – European countries can be positioned within four corridors of the Construction Clock.



Strategic Implications

Country-specific strategies remain essential in an evolving landscape: Germany and Poland show early signs of stabilization offering opportunities to unlock incremental value, whereas Spain continues to offer growth opportunities.

Success Factors

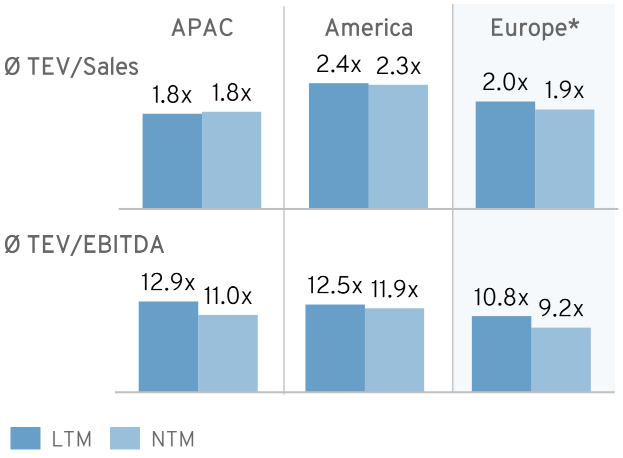
The Q4 shift reinforces the distinction between markets with structural growth and those driven by stimulus. While Spain's growth is increasingly self-sustaining, Italy requires careful pipeline tracking to distinguish between legacy Superbonus activity and true new builds.

Europe shows mixed momentum.

Spain continues to grow; however, Italy and France are deteriorating. Poland and Germany show signs of bottoming out, while the UK is declining but offers a clear recovery narrative.

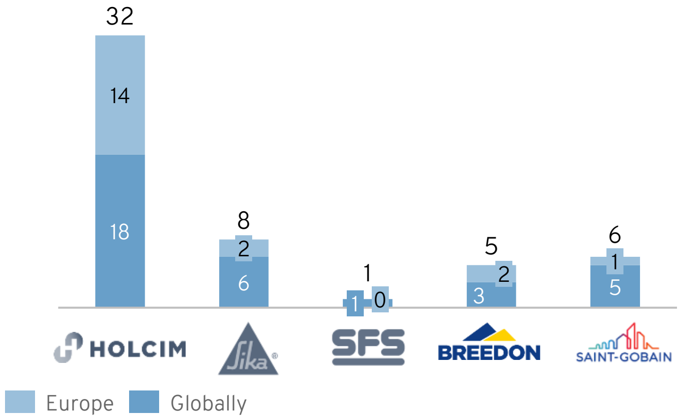
M&A Activity: Current market conditions are opening pathways for inorganic growth.

Building and Construction Peer Group valuation by region [LTM vs. NTM][1]



Entering the European B&C sector in 2026 presents a timely opportunity, as current market valuations remain highly attractive for strategic investors.

Number of Transaction from Highly Active Acquirers in 2025



Strategic M&A remains a strong and well-supported path for market expansion and cross-selling.

Selected Transactions in Q4 25

Date	Target	Buyer	Buyer Group	Strategic Rationale
Oct-25	mercor	Kingspan	Strategic	Access to new geographies
Oct-25	MARLON	Sika	Strategic	Market expansion & cross-selling
Oct-25	FLS	PACIFIC AVENUE CAPITAL	PE	Strategic realignment
Oct-25	mcavoy	DUKE STREET	PE	Investment focus on essential social infrastructure services
Nov-25	FARRANS	SISK	Strategic	Sector & geographical expansion
Dec-25	ALKERN	HOLCIM	Strategic	Potential cross-selling opportunities & product differentiation
Dec-25	HUISKAMP	HWP HANDWERKSPARTNER GOLDBECK	Strategic	Capacity expansion
Dec-25	MUCH GRUPPE	ANCALA	PE	Highly proactive asset management approach
Dec-25	BRANDL	SCHMID BAUGRUPPE	Strategic	Strengthen regional coverage

M&A activity is strengthening.

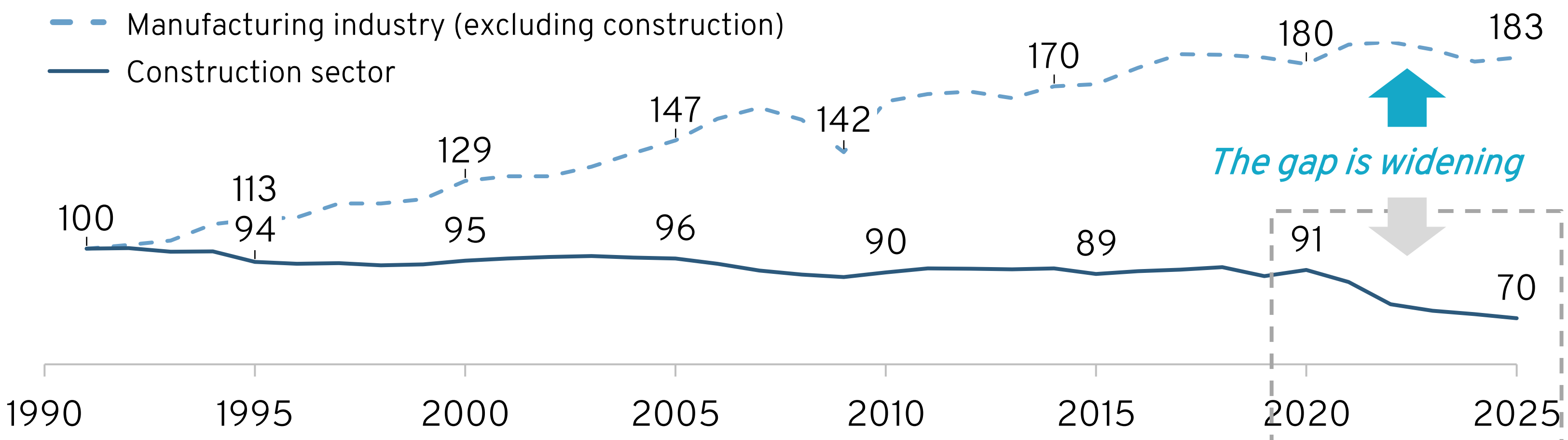
Lower valuations are currently providing a strategic window for PE and strategic buyers to capitalize on growth potential through geographic expansion, cross-selling opportunities and business realignment.

1) LTM = Last Twelve Months; NTM = Next Twelve Months; Note: Valuation based on handpicked publicly listed companies in the regions
Source: Capital IQ as of 11th March 2026, Company annual reports *Europe: Includes the UK ^Rebranded as Fuller Technologies post acquisition

Spotlight Topic:
Solving the Productivity Problem

Productivity problem: While productivity in the manufacturing sector has steadily increased, it has declined in the construction industry, with serious effects on construction prices.

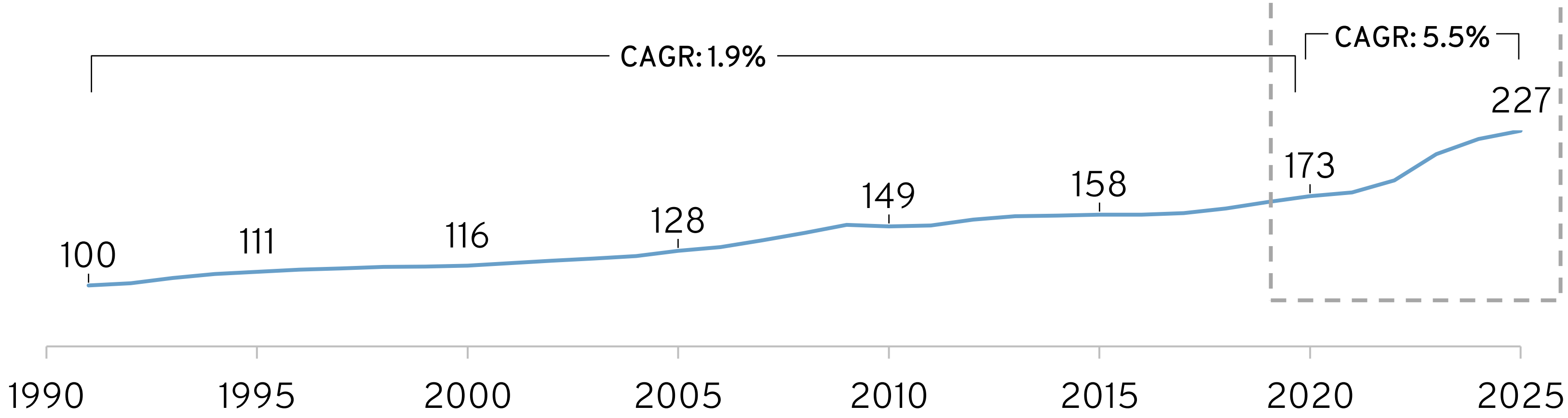
Development of labor productivity [indexed, 1991=100; exemplary DE[1]]



Comment

- While productivity in manufacturing has continuously improved over the past 30 years (+1.8% p.a., which compensates the natural increase in prices),
- at the same time the construction sector declined constantly (-1.0% p.a.).

Development of construction prices in the EU [indexed, 1991=100] 1)



Comment

- Historical price development + 1.9% CAGR
- Since 2020 price increase 3 x higher than historical development (5.5% CAGR)
- Especially against the backdrop of current geopolitical conflicts and the emerging developments on the commodity markets, a further increase in prices is to be expected

1) The perspective presented here can be applied to almost all developed economies in Europe. 2) For residential buildings,
Source: Eurostat, Statistisches Bundesamt, Munich Strategy & Ducker Carlisle Research

Most of the drivers of this development are industry-driven and less socio-economic in nature.

Why is productivity declining?

Productivity in construction

Construction industry problems

Skilled labor shortage	Difficulties finding qualified workers slows production / productivity
Supply chain disruptions	Material delays create idle time and inefficiency
„Claim / contract amendment“ approach	On construction sites, margins are more often driven by inefficiencies and additional work than by efficiency gains.
Project complexity increase	More sophisticated buildings require more collaboration
Technology adoption lag	Slower implementation of automation and digital tools

Aging workforce	Knowledge transfer gaps and reduced physical capacity
Fragmented industry structure	Poor coordination across multiple stakeholders
Regulatory requirements	Increase of admin. overhead and increase in material cost for more advanced systems

Declining productivity indirectly reduces construction volumes by making projects less economically viable.

Demand and supply gap by housing segment

Housing segment	Demand level	Supply coverage	Opportunity for productivity improvement
Luxury housing		Demand is largely met	Low
Premium housing			Low
Standard housing			Medium
Affordable housing		Demand is increasingly unmet	High

Low productivity, combined with high construction costs, makes affordable housing projects increasingly uneconomic for developers and investors.

As a result, supply is falling short of demand most sharply in the affordable housing segment, putting downward pressure on construction volumes.

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Source: Munich Strategy & Ducker Carlisle Research

Why becoming a productivity enabler matters

Competitive differentiation

- In commoditizing markets, productivity enhancement creates defensible competitive advantage

Customer retention

- Customers who realize measurable productivity gains become sticky, loyal partners

Market share growth

- As your business proves its ability to enhance productivity, you will win more business from current customers and attract new prospects

Premium pricing

- Reducing labor requirements in customer processes provides substantial cost savings, value for which you can charge a premium, thereby increasing revenue and profit margins.

There are 4 actionable steps to partner with your customers, improve productivity and create mutual value.

Action Required

1 Understand your customers business processes

- Develop a comprehensive understanding of how your customers operate, execute critical processes and create value for their customers
- Map where your offering integrates into their critical processes
- Conduct detailed value stream mapping for your key customer segments

Key Questions

- Where does your product or service plug into your customer's operations?
- How does your offering help them create value downstream?
- What metrics do they use to manage their business?

2 Identify critical customer productivity challenges

- With full understanding of customer processes, identify bottlenecks or challenges that limit effectiveness and productivity
- Establish close partnerships and open conversations to uncover their pain points
- Look beyond your immediate transaction to understand the full customer journey

Key Questions

- Where are the inefficiencies in their operations?
- What keeps your customer's operations manager awake at night?
- How might these challenges be overcome?

3 Determine if/ how you can address productivity challenges

- Synthesize your understanding of customer processes, pain points and integration points
- Honestly assess whether your company's processes are causing bottlenecks or issues for customers
- Identify services you could provide that would address customer challenges, improve productivity and create tangible value

Key Questions

- Where does your product or service plug into your customer's operations?
- How does your offering help them create value downstream?
- What metrics do they use to manage their business?

4 Implement processes and services to enhance productivity

- Determine which new or refined processes/services are most impactful and create the most value
- Quantify the value provided to customers (time saved, cost reduced, errors eliminated)
- Communicate this newly created value to ensure customers understand the advantage
- Expect and demand enhanced compensation for this value, sharing the surplus with customers

Companies that worked to improve their productivity were able to achieve the following results:

Business impact

- More consistent, open communication across project stakeholders
- Reduced errors and rework
- Simpler, less time-consuming installation on job sites
- Positioned as a strategic partner, not just a product supplier

It is time to be less inward looking and consider:

- The challenges customers face downstream from your offering
- How your company may be limiting their productivity
- How you can help enhance productivity

The opportunity is real

There are likely a multitude of opportunities for those serving complex B2B building, construction and industrial markets to create value by helping customers enhance productivity.

The companies that act now will:

- Differentiate in commoditizing markets
- Command premium pricing
- Win market share
- Build lasting customer partnerships
- Create defensible competitive advantage

? The question is not whether productivity enhancement is important, the data proves it is critical. The question is: Will your company lead or follow?

About us

60+

Years of experience

8

Global offices

350+

Annual projects

225+

Team members

A valued partner for our clients.

We are the partner for profitable growth and long-term competitive advantage in the construction industry. With more than 225 consultants, we support companies across all segments and continents in strategy, growth and resilience. **We create market leaders!**

We serve corporate executives, business owners and private equity professionals as well as industry associations across industries and regions. Our work combines deep industry insight with strategic rigor – creating **clarity**, **confidence** and **impact** for our clients.

Our focus: Building, construction & infrastructure

Thought leadership and end-market expertise.

At Munich Strategy & Ducker Carlisle, we are dedicated to shaping the future of our clients.
Our analytical approach and entrepreneurial mindset enable clients to outperform in complex, technically driven markets – and to secure lasting competitive advantage.

With deep Industry expertise, decades of consulting experience and hands-on collaboration, we design growth strategies, transformation programs and M&A initiatives that deliver measurable impact.

Building components

Building materials

Construction chemicals

Building Services (TBS)

Our services

Lasting impact at every stage.

We guide our clients through every stage of their journey — with insights to action. Our integrated consulting approach combines market intelligence, strategic insight and hands-on implementation to unlock opportunities — whether you're looking to grow, optimize, transform, buy or sell.

- Organic growth
- Business improvement
- Inorganic growth

Strategy & market intelligence

We define growth strategies and identify new market opportunities through deep industry insight, analytics and strategic frameworks.

Insights & benchmarks

We turn data into direction – using proprietary benchmarks and performance analytics to drive better business decisions.

Business performance & transformation

We help clients optimize structures, supply chains and commercial processes to achieve measurable performance gains.

Mergers & acquisitions

We guide clients through the full deal cycle – from target screening and due diligence to post-merger integration and value creation.

Our business model

Tailored to your needs.

We listen to our clients' needs and challenges. Together, we design solutions that foster competitiveness and strategic dominance. We create market leaders!

Mgmt. and board of directors | Shareholders & owners | Investors

Clients

Organic growth | Business improvement | Inorganic growth

Business Needs

- Strategy & market intelligence
  - Corporate strategy
  - Market research
- Business performance & transformation
  - Supply chain optimization
  - Inventory management
  - Pricing
- Insights & benchmarks
  - Sales & service excellence
  - Performance benchmark /VoC
- Mergers & acquisitions
  - Value creation
  - Commercial DD / VDD

Service Portfolio

- Primary data research (>2.000 expert interviews p.a.)
- Secondary data research
- „Hidden Champion Mittelstand" database (>12.000 companies)
- MCX (Munich Strategy Construction Index)
- 50.000 datapoints of worldwide proprietary benchmark data

Database

Our edge

Industry expertise

We combine decades of experience in the construction industry with a deep understanding of market mechanics.

Entrepreneurial mindset

We think like business owners and investors – combining strategic vision with operational pragmatism to identify growth opportunities and accelerate performance.

Analytical excellence

Our projects are grounded in facts and data – built on proprietary benchmarks, proven frameworks and 500+ successful projects.

Partner-led collaboration

Every project is personally driven by our partners – ensuring senior attention, pragmatic judgment and entrepreneurial sparring to create substantiated value.

Industry deep-dive

Sectors

- Building envelope
- Building services
- Construction chemicals
- Construction tools
- Heavy infrastructure
- Interior & fit-out
- Light infrastructure & civil components
- Structural building systems
- Technical equipment

Selected project experience

Access controls	Door glass	Infra. composites	Precast construction	Roofing services
Adhesives and sealants	Doors/hardware	Insulation contractors	Precast enclosures	RTA cabinets
Asphalt, Aggregates	Drywall/Gypsum	Interior glazing	Precast products	Sanitary Ware
Architectural coatings	Electrical housings	Landscape stone	Prefab glass	Self-storage doors
Architectural glass	Electrochromic glazing	Large format glass	PVC trim	Surfaces
Brick, block, masonry	Fiberglass door	Locksets and security	Residential paint	Skylights
Building coatings	Flat glass	Lumber distribution	Residential trim	Smart glass
Commercial ceilings	Gate operators	Manufactured housing	Residential windows	Structural Steel
Commercial doors	Hardwood products	Metal roofing	Roof coatings	Spray foam insulation
Commercial interiors	Hollow metal doors	Office furniture	Rental Communities	Stone veneer
Framing systems	HPL panels	Pipe distribution	Road Construction	Stormwater products
Commercial glazing	HVAC components	Pipe fittings	Roofing materials	Trim products
Concrete accessories	HVAC contractors	Precast accessories	Roofing membranes	Water Infrastructure

Building, Construction & Infrastructure team

Experts shaping the future.

Our international Building, Construction & Infrastructure team unites deep industry expertise with strategic and operational excellence. We support manufacturers, suppliers and investors across the entire construction value chain – from materials and systems to building technology and equipment.

With a proven track record in strategy development, transformation and M&A, our team combines analytical precision, entrepreneurial mindset and hands-on collaboration to help our clients achieve measurable growth and lasting market leadership.

Dr. Sebastian Theopold
President Europe
theopold@munich-strategy.com
+49-89-1250-1590

Audrey Courant
Head of Building, Construction & Infrastructure Europe
acourant@duckercarlisle.com
+33-622-08-4407

Chris Fisher
Managing Principal
cfisher@duckercarlisle.com
+1-248-396-9956

Dr. Constantin Greiner
Co-Head Building, Construction & Infrastructure Europe
greiner@munich-strategy.com
+49-89-1250-1590

Marco Fernandez Meijide
Co-Head Building, Construction & Infrastructure Europe
mfernandez@duckercarlisle.com
+33-612-34-49-73

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Unrivaled experience, worldwide coverage.

E U R O P E

Munich, Germany | European Headquarters
Türkenstraβe 5
Tel. +49.89.1250.1590

Paris, France
110 Avenue Victor Hugo 92100
Tel. +33.1.46.99.59.60

London, United Kingdom
info@duckercarlisle.com
Tel. +44.204.6002.245

A M E R I C A S

Troy, Michigan, USA | Global Headquarters
1250 Maplelawn Drive
Tel. +1.248.644.0086

Boston, Massachusetts, USA
One Lincoln Street, Suite 2400
Tel. +1.800.929.0086

A S I A - P A C I F I C

Bengaluru, India
Ground Floor, Indiqube Sapphire, 73/1, St. Marks Road

New Delhi, India
2A-123, WeWork Eldeco Center, Malviya

Shanghai, China
108 Yuyuan Road, Suite 903
Tel. +86.21.6443.2700