Bloomberg Adria

Construction report

Still solid demand – are we at the pricing peak?

Authors:

Mihael Blažeković, Chief Analyst

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Key messages

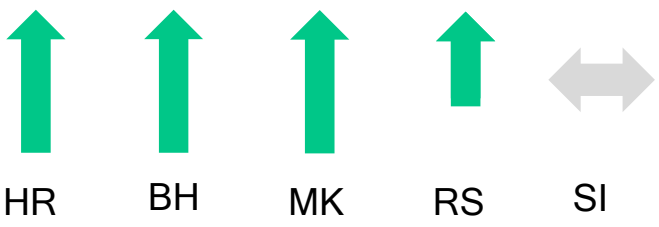
Construction remains one of the key pillars of the Adria region's economies, accounting on average for 5.5% of GDP, with Croatia leading at 6.7% in 2025, supported by EU funds, post-earthquake reconstruction and strong infrastructure investment. In recent years, the sector has strengthened its macroeconomic importance and productivity, with average value added per construction worker rising to €32,000 in 2024, €9,000 more than in 2019, lifting regional productivity to 52% of the EU27 average.

Construction activity remains resilient, driven by infrastructure projects, logistics and retail developments, reconstruction and solid residential demand, despite temporary weakness in Serbia during Q1-Q3 2025 and a slowdown in Bosnia and Herzegovina in Q2-Q3 2025. At the same time, the average property price increased by 71% in Bosnia and Herzegovina, 68% in Croatia, 58% in Slovenia, 54% in North Macedonia, and 41% in Serbia. Despite significant price growth, housing affordability has improved in North Macedonia, Croatia and Serbia supported by strong real wage growth and robust employment dynamics. On other side, affordability remained broadly stable in Bosnia and Herzegovina and deteriorated in Slovenia.

Structural factors continue to underpin demand, including a strong preference for homeownership (around 80% compared to 68% in the EU27), high shares of cash purchases, and €110 billion in household deposits that may increasingly flow into real estate.

Looking ahead to 2026, we expect average real estate prices in the region to increase by a further 10%, with continued double-digit growth in North Macedonia, Bosnia and Herzegovina and Croatia, more moderate growth in Serbia, and price dynamics in Slovenia gradually converging toward inflation-level rates.

Housing prices expectations

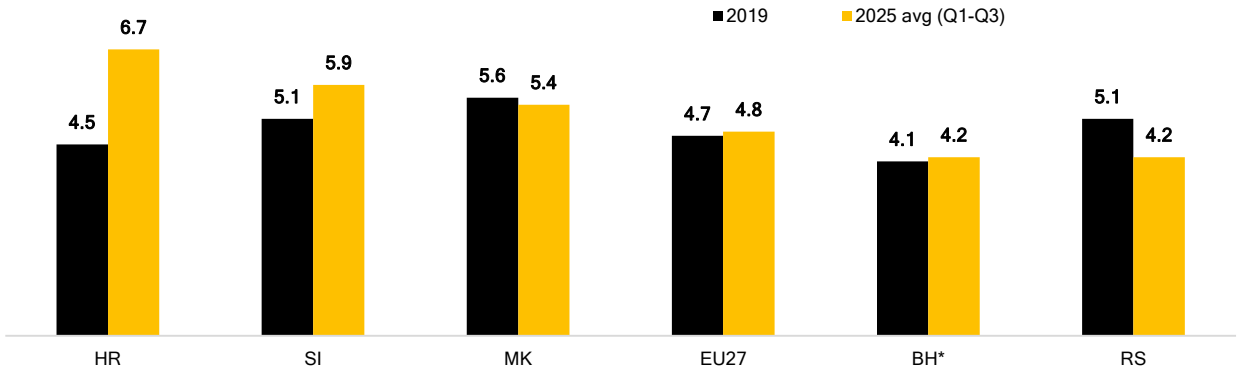


Construction sector

Construction is one of the most important sectors of the economies of the Adria region with a strong multiplier effect that construction has on the overall economy, as well as its role in employing many workers. In the region, the importance of construction has been growing in recent years, driven by demand for real estate, post-earthquake reconstruction in Croatia and EU funds. Also, large infrastructure projects likewise roads, ports, railways and hospitals within Adria region are driver of civil engineering construction growth.

On average, gross value added (GVA) of construction accounts for 5.5% of the region's GDP. Croatia leads with 6.7% in 2025, given the strong wave of EU funds, reconstruction and the National Recovery and Resilience Plan (NRRP). Growth compared to 2019 has been recorded in Croatia, Slovenia, and B&H, while Serbia and North Macedonia have seen a decline in the share of construction (Q1-Q32025). Serbia experienced three weak quarters in 2025 due to weaker sentiment in the economy, while in North Macedonia we nevertheless see a recovery in Q2-Q3 2025 compared to Q1 2025.

Share of construction gross value added in GDP (%)

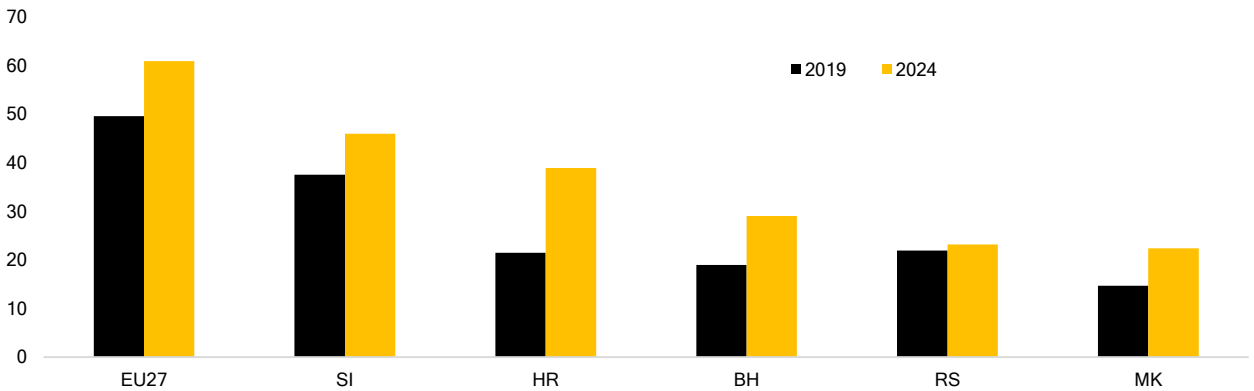


*Q12025
Source: BBA Analytics, Local statistical offices, Eurostat

In addition to GVA, it is worth noting that construction has become more productive over the past five years in all countries of the Adria region. There has been strong growth in the number of construction workers in the Adria region by around 90 thousand more (2015/2019), however GVA has grown even more strongly. Croatia recorded the strongest growth in new construction workers, with an increase of 34% (approximately 40 thousand), driven by strong economic growth, extensive infrastructure investments, and post-earthquake reconstruction. Slovenia and Serbia also experienced employment growth of around 20%, while N. Macedonia and B&H, due to slower economic growth, recorded only around 6% growth in construction employment.

When we look at value added, one construction worker generated on average around €32,000 in value added in 2024, which is €9,000 more than in 2019. Consequently, the region's average construction productivity now stands at 52% of EU27 average, compared to 46% in 2019. The largest increase was recorded in Croatia (an additional €17,000 per employee), while the smallest increase was recorded in Serbia (around €1,300).

GVA per employee in construction sector ('000 EUR)

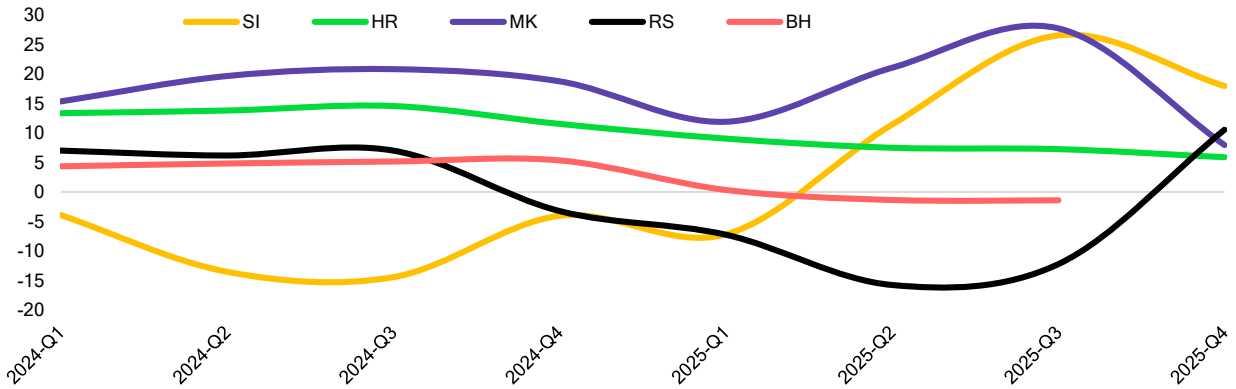


Source: BBA Analytics, Local statistical offices, Eurostat

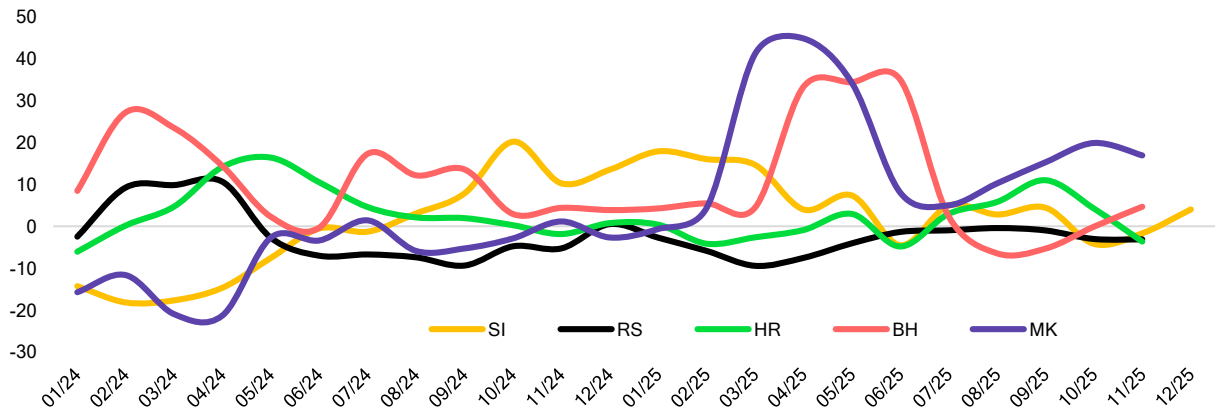
Construction activity

Currently, **construction is being driven by infrastructure projects, logistics centers, retail parks, reconstruction activities, as well as the construction of residential real estate, for which demand shows no signs of weakening.** These trend is also confirmed by construction activity, which remains in positive territory while in Bosnia and Herzegovina activity slowed in the third quarter of 2025. Serbia construction activity comebacks in Q42025 because of stronger pace of works and favourable weather. The total value of construction works increased by 10.6% yoy, with buildings growing by 13.3% and other construction buildings by 8.8% yoy. On the other hand, future growth in construction can be assessed by looking at newly issued building permits. The most positive trends are seen in North Macedonia, where permit growth rates are in the high double digits, which further supports an increase in the supply of real estate as well as a stronger GDP multiplier effect. In the first eleven months, the only country recording a decline in the number of permits is Serbia, due to the previously mentioned reasons.

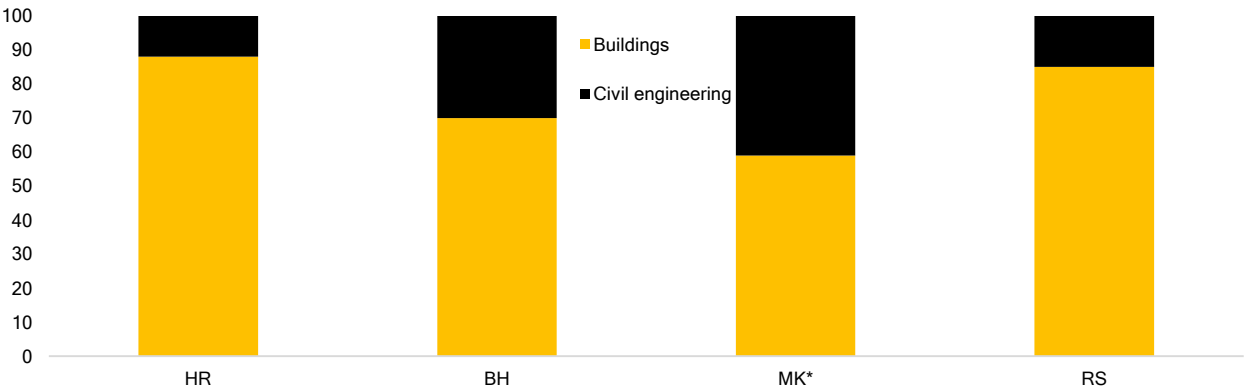
Construction activity (3-month moving average, %)



Growth in issued building permits (3-month moving average, %)



Building permits by type, % of total building permits **



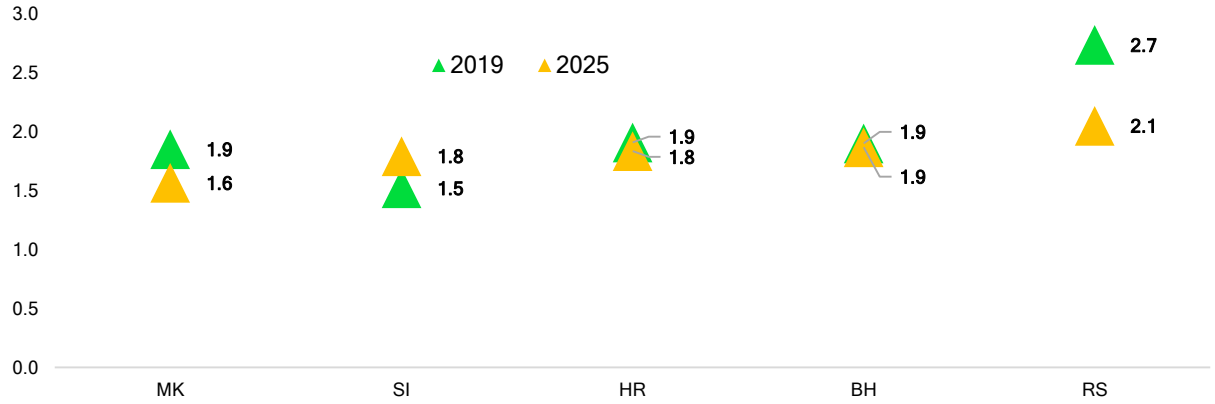
*MK civil engineering consist also reconstruction permits, **for SI data N/A
Source: BBA Analytics, Local statistical offices, Eurostat

Affordability

Given strong demand, rising input costs, and increasing labour costs in construction, real estate prices have risen significantly. In 2025 compared to 2019, the average property price increased by 71% in Bosnia and Herzegovina, 68% in Croatia, 58% in Slovenia, 54% in North Macedonia, and 41% in Serbia. **However, despite the strong growth in property prices, average net wages have also increased. Wages have been rising because labour markets in the region are practically depleted, with only a very small number of qualified unemployed workers available to fill vacancies.** As a result, employers are forced to raise wages (often even above productivity growth) to meet demand. Unemployment rates are at historic lows across the Adria region, averaging 5.3pp lower than at the end of 2019. Current unemployment rates are: Croatia 4.2%, Slovenia 4.2%, Serbia 8.2%, B&H 11.1%, and N. Macedonia 11.5%. Employment growth is also stronger than in previous periods. As a result, Slovenia and Croatia are increasingly dependent on the import of workers from third countries. At the same time, B&H, Serbia, and N. Macedonia are also experiencing growing inflows of foreign workers, as their labour markets are affected by structural unemployment caused by a mismatch between the skills of job seekers and the needs of employers.

By comparing the average price of real estate (both new builds and existing properties) with average net wages, we arrive at the conclusion that housing affordability has increased in North Macedonia, Croatia and Serbia, while it has remained unchanged in B&H, and decreased in Slovenia. Of course, this refers to the average across the economy, and there will always be individuals whose wages have grown less or for whom purchasing a property remains unaffordable.

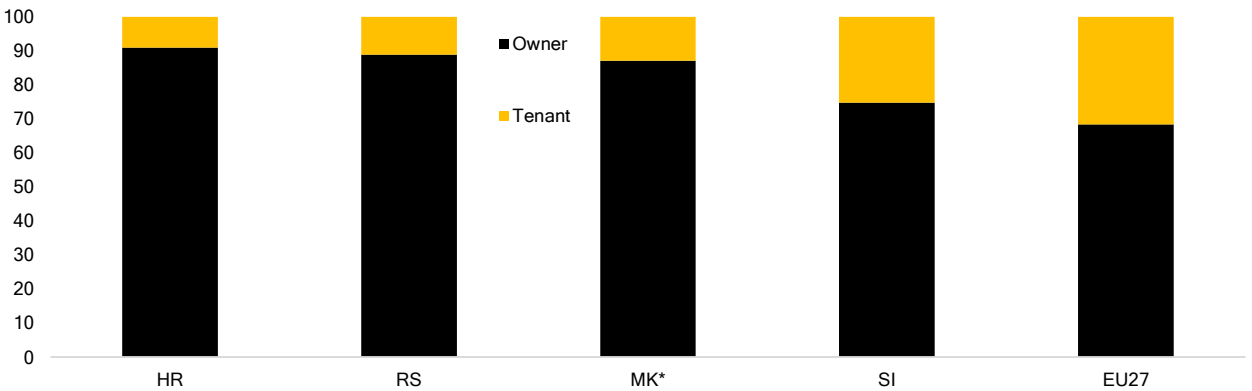
Housing affordability (number of average net wages per one square meter)



Source: BBA Analytics, Local statistical offices, Eurostat, Global Property Guide

The silver lining of high real estate prices is that, historically, citizens in the Adria region tend to own the property they live in. **On average, 80% of the region's population lives in owner-occupied housing, while the rest rent the space they live in. In the EU27, this average is 68%, while in Western countries it falls to below 50%. Due to high real estate prices, young people who are just starting their professional careers and independent lives are the most affected.** As a result, in this region young people typically leave their parental home only in their early thirties, whereas in the EU this usually happens in the early twenties.

Homeownership rate (share of population owning the dwelling they live in, 2024)

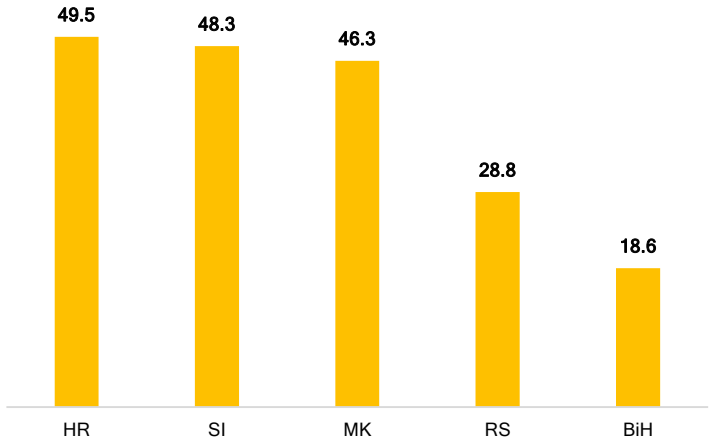


Source: BBA Analytics, Eurostat

Outlook

As for 2026, we expect real estate prices to continue rising, but at somewhat slower growth rates than in recent years. Demand remains present, and the number of apartments being built is still lower than during the record period of 2007-2008. We continue to see real wage growth, rising employment, improved corporate profitability, and, ultimately, faster economic growth than in Western Europe. Additionally, the share of the shadow economy remains noticeable in the region, which supports cash purchases of real estate. For example, in Croatia around 55% of properties are purchased in cash, while in Serbia this figure is as high as 75%. It is also important not to overlook the growing household savings in the region, which could, in the future, be used to purchase a second or third property. **Currently, citizens of the Adria region hold €110 billion in bank accounts, mostly in transaction accounts, i.e. demand deposits.** Financial (il)literacy plays a role in investment decisions, which is why most citizens with surplus funds still prefer to invest in additional real estate rather than diversify their portfolios and invest in capital markets through stocks, government bonds, or other asset classes.

Households' deposits as % GDP (end of 2025)

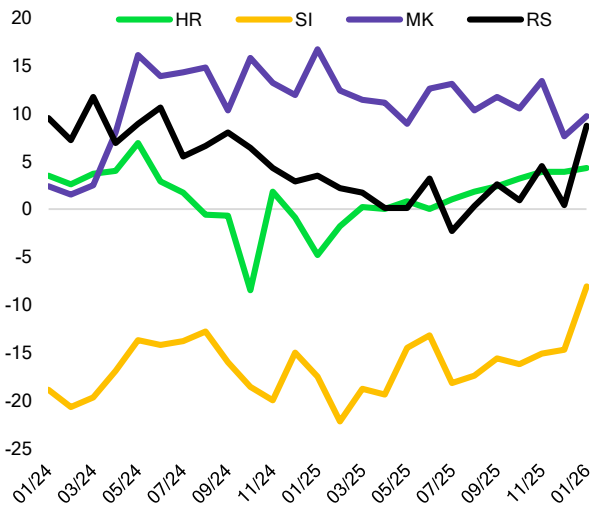


Source: BBA Analytics, Local central banks

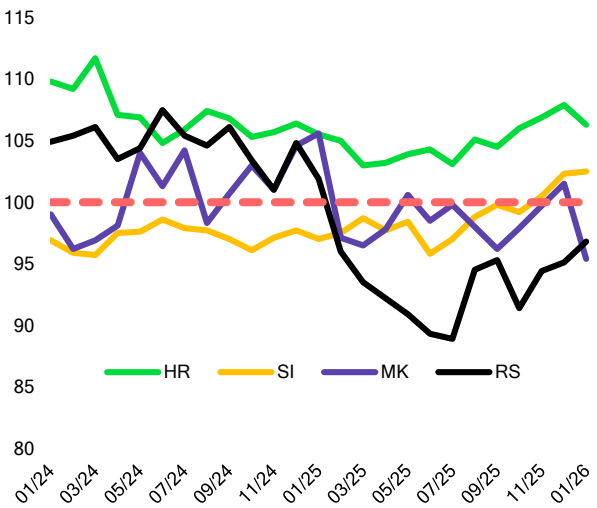
Regarding interest rates, the housing sector is highly sensitive to changes, which impacts affordability. **Following the strong expansionary monetary policy over the last decade and the improved economic conditions, the cost of housing loans has declined significantly**. Housing loan interest rates decreased in all countries in the region between 2015 and 2025, except for Slovenia. Slovenia already had relatively low rates in 2015, as it was a member of the euro area and had achieved stronger convergence with the EU. Currently (Dec-2025), average housing loan interest rates in Slovenia are slightly higher, at 2.9%, compared to 2.6% in 2015. Other countries recorded larger declines in interest rates. Croatia experienced the most significant decrease (due to euro introduction), from 5.6% to 3%. North Macedonia saw a decline from 4.8% to 3.7%, Serbia from 5.5% to 4.8%, and B&H from 5.3% to 3.85%. For Serbia, North Macedonia, and B&H, the data include loans denominated in local currency, foreign currency-indexed loans, and FX loans.

In conclusion, for the reasons mentioned above, we expect average real estate prices in the region to increase by an additional 10% in 2026, especially in North Macedonia, Bosnia and Herzegovina, and Croatia, where there is strong demand for this form of saving/investment and where we therefore expect the continuation of double-digit growth rates. In Serbia, given the somewhat slower pace of economic growth, we expect lower rates of real estate price growth, while in Slovenia, due to sluggish growth and lower average wage growth than in the rest of the region, we expect a slowdown in price growth on average toward inflation-level rates (2-3%).

Consumer financial expectations in next 12m (>0=positive)



Economic sentiment (>100=positive)



Source: BBA Analytics, European Commission

Team Analytics

Mihael Blažeković, Chief Analyst
mihael.blazekovic@bloombergadria.com

Matej Vujanić, Markets Lead
matej.vujanic@bloombergadria.com

Marina Petrov Savić, Senior Markets Analyst
marina.petrov@bloombergadria.com

Rudi Lukačić, Markets Analyst
rudi.lukacic@bloombergadria.com

Silvana Milić, Corporate Analyst
silvana.milic@bloombergadria.com

Dino Stipić, Junior Markets Analyst
dino.stipic@bloombergadria.com







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