

**T**he building sector in the Netherlands is flourishing, thanks to a healthy economy and low mortgage rates encouraging the Dutch to trade rental payments for down payments on their own homes. Stimulated by this growing demand for home ownership and its associated infrastructure, production in the building sector increased by 4% in 1999, with commercial and institutional building increasing by 7.5%. The number of companies operating in the sector now stands at 86,000. Growth is expected to decline in the near future however, due in part to a shortage of skilled labour, rising costs and capacity problems.

## Sector profile

# The Netherlands: Construction and building products

### Market overview

Recent figures published by the Central Bureau for Statistics (CBS) indicate sales by Dutch construction companies increased, on average, 10% in 2000, reaching 132 billion florins (Fl.), up from Fl. 119 billion in 1999 [1 florin = C\$0.64]. Of these companies, installation firms reported less than average growth, while companies specializing in hydraulics and road construction saw their sales rise by 13%. Medium-sized companies account for 42% of construction sales; large companies 38%; and small firms make up the remaining 20%.

The sector currently employs an equivalent of 485,000 (based on full-time employees) but there is a shortage of skilled labour. The number of employees in the sector has grown continuously in recent years but a gradual decrease is predicted between now and 2005, when the sector is expected to employ 472,000.

The European Investment Bank (EIB) economic institute forecasts a leveling-off in growth over the next few years — to 2.5% in 2001 and 1% each year thereafter — due mainly to

rising costs and capacity problems. Construction of utility and office buildings will suffer most, with growth in 2001 falling to approximately 1%. New home construction is expected to remain buoyant, rising 4% this year. However, once large-scale "Vinex" housing developments are completed in 2002, home building will likely level off as well. As is often the case, "when a door closes a window opens" and so this reduced building demand will be off-set by an increased demand for home renovation and maintenance work.

The construction of roads and waterways also grew in 1999, by 9.7%, and is expected to rise to 11.4% this year. This growth is mainly due to expenditures on the rail infrastructure, including a number of large-scale projects such as the high-speed rail links and the "Betuwe" freight line. Growth in this segment will likely level off after 2002 as well.

The Dutch do-it-yourself (DIY) market is also buoyant, reporting retail sales in 2000 almost 5% higher

than in 1999. The DIY market is worth some Fl. 8 billion annually, with Dutch consumers spending Fl. 2.6 billion a year on building and wood products for home improvement. The Dutch also buy plenty of paint, wall and window materials (Fl. 1.32 billion); sanitary ware and tiles (Fl. 1.0 billion); ironmongery (Fl. 543 million); tools (Fl. 388 million, with a clear preference for "Grade A"); and adhesives and fillers (Fl. 155 million) as well. A healthy economy and a turbulent housing market have contributed to this sector's continuing growth, up 29% between 1995 and 1999.

New homes need gardens, and so the well-established garden centre market in the Netherlands is booming as well.

### Opportunities

Traditional Canadian exports to the Netherlands in construction lumber — specifically Canadian Lumber Standards (CLS) spruce/pine/fir (SPF) — dovetail nicely with this growth in the Dutch building sector. Canada lumber exports of hemlock and hemfir are used mainly in the carpentry and wood-working industry and western red cedar is used as exterior siding.

Canadian lumber exporters can expect continuing opportu-

nities in view of the strong Dutch wood-working industry which produces such items as door- and window-frames, and the lack of standardization in sizes for such items. There will certainly be a market for Canadian wood-based building materials and products, from construction lumber and sheet materials to higher priced hardwood lumber and added-value products such as flooring, both pre-finished and ready-to-lay.

In sheet materials, Canadian plywood has declined in importance as the Dutch have moved toward oriented strand board, including Norbord's Scottish "Sterlingboard". However, a market remains for specialty plywood.

In addition to western red cedar, there are opportunities for innovative and attractive "composite" products

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