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## TRENDS IN HOUSING MARKETS AND POLICY DEVELOPMENTS IN SCANDINAVIAN COUNTRIES

### TRENDY NA TRHU S REZIDENČNÝMI NEHNUTEĽNOSŤAMI A POLITIKA VÝVOJA V ŠKANDINÁVSKYCH KRAJINÁCH

#### Abstract

*The topic of trends in housing markets and policy developments is a often mentioned topic nowadays. In this article, we focus on the Scandinavian countries. They share a common geographical location and we investigated whether they also follow a similar trend in housing. Because from these countries Norway is not part of the European Union, not all statistics are available regarding flats and houses – housing stock. For the other three countries, Denmark, Finland and Sweden, we have investigated the housing stock by ownership and compared these data.*

#### Introduction

Scandinavian countries is the common name for the Nordic countries: Denmark, Finland, Sweden and Norway. Norway, as one, unlike its neighbors is not a member of the European Union. Fifty years ago, these countries were relatively poor, but for today's standards of living their population is among the highest in the world. The Nordic countries are known by the general social security system and have much in common – starting with history, through linguistic affinity to the tax system. The Nordic countries, which are, thanks to their generous social welfare system considered as so called welfare states, are characterized by a high degree of solidarity, but also a high level of taxation.

Country	Capital city	Area	Population	Currency
DENMARK	Copenhagen	42 926 km <sup>2</sup>	5 707 251	Danish krone (DKK)
FINLAND	Helsinki	338 424 km <sup>2</sup>	5 488 543	Euro (EUR)
SWEDEN	Stockholm	450 295 km <sup>2</sup>	9 954 420	Swedish krone (SEK)
NORWAY	Oslo	385 178 km <sup>2</sup>	5 214 900	Norwegian krone (NOK)

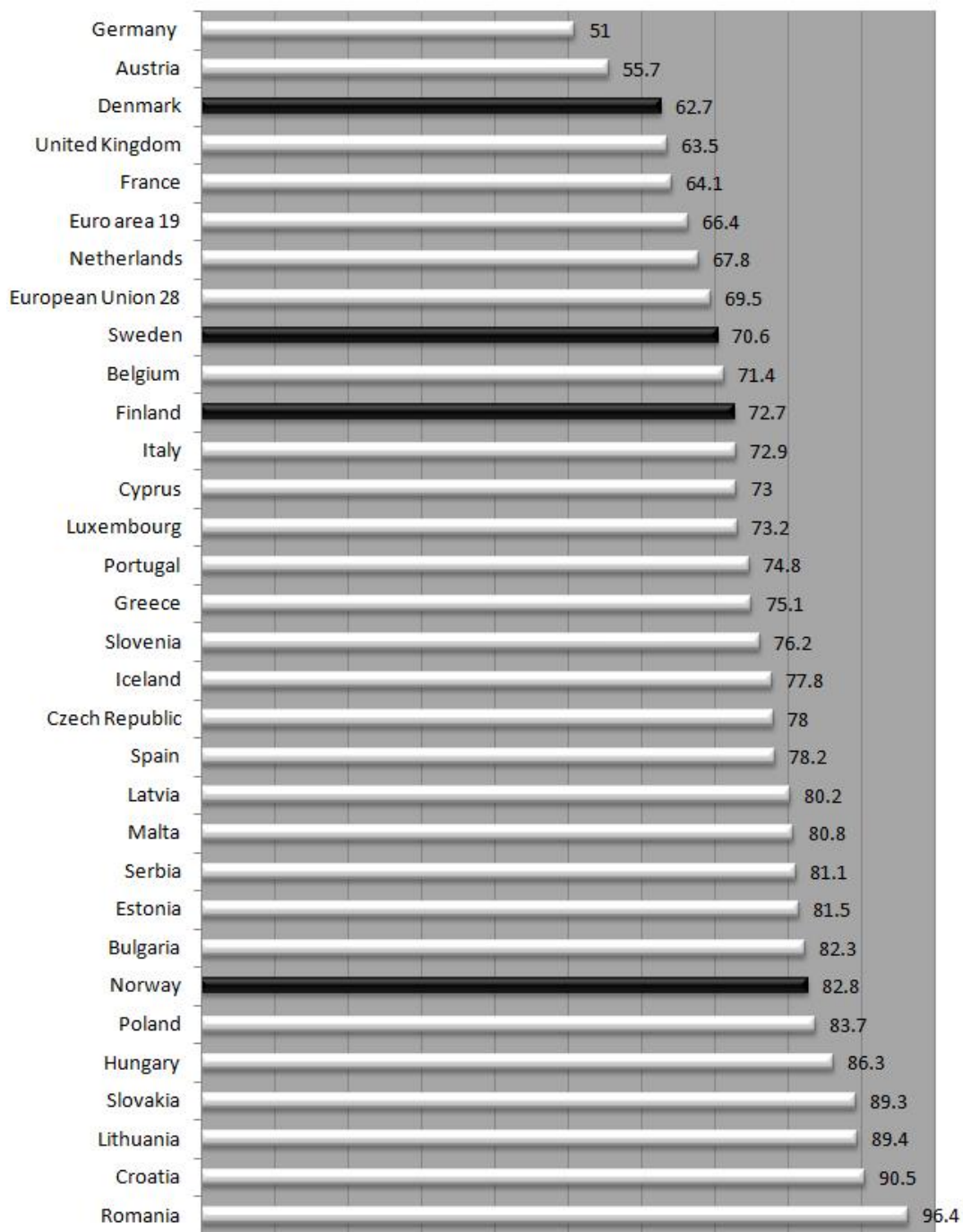
**Table 1:** Basic information about the Nordic countries

(Source: Eurostat, 2015)

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### Housing statistics by ownership in Europe

Sweden and Denmark belongs among the European countries with the smallest proportion of dwellings ownership, in addition to Germany, Austria, France and the Netherlands. The highest share (approx. 90%) of ownership is in the countries of Bulgaria, Estonia, Lithuania, Hungary, Slovakia and Romania.



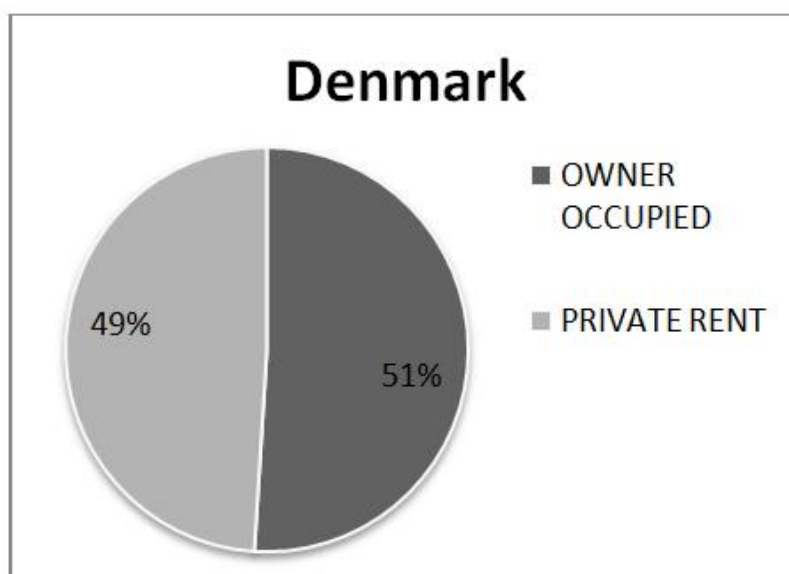
**Figure 1:** The share of flats by ownership of the total housing stock in 2015 in %

(Source: Eurostat, 2015)

## Denmark

Average housing in Denmark, compared to disposable income and the rate of housing overburden, costs the second highest price in the EU. According to the Statistical Office of Denmark, in 2013 there were 2 762 444 dwellings in the country, out of which 2 597 968 were occupied dwellings. According to the Statistical Yearbook 2014, approximately 51 % are owner-occupied dwellings and 49 % are rented. (Statistics Denmark, 2014)

Municipalities in Denmark have a considerable degree of autonomy in providing social housing. Loan guarantee, participate in the financing of housing, whether directly or indirectly, provides general land for building. (Ivanička, 2006)



**Figure 2: Housing by ownership in Denmark**

(Source: PITTINI, A.-GHEKIERE L.-DIJOL, J.-KISS, I., 2015)

Based on a number of sources could be estimated, that social housing rented by not-for-profit housing associations, represents roughly 20% of the total housing stock. Tenants both in private and social rented housing are entitled to housing allowances, depending on their income. The problem of concentrations of socially deprived and ethnic communities on social housing estates has been on the political agenda over the past two decades and different solutions were implemented. Currently social housing associations have been increasingly active promoting initiatives aimed at local community regeneration such as among others establishing schools, running local employment initiatives, implementing crime prevention measures, etc. (VESTERGAARD, H.-SCANLON, K., 2014)

Another recent debate concerns the use of the National Building Fund. This Fund was set up in 1967 and collects part of the surplus generated by rents in the social housing sector, once the construction loans are paid off. Its level of investments and the concrete focus areas can be supported within social development plans, which are laid down in political agreements by the Danish Parliament. Its resources have been used for renovations and repairs of existing social housing, but its income is set to grow in the coming years and the government and

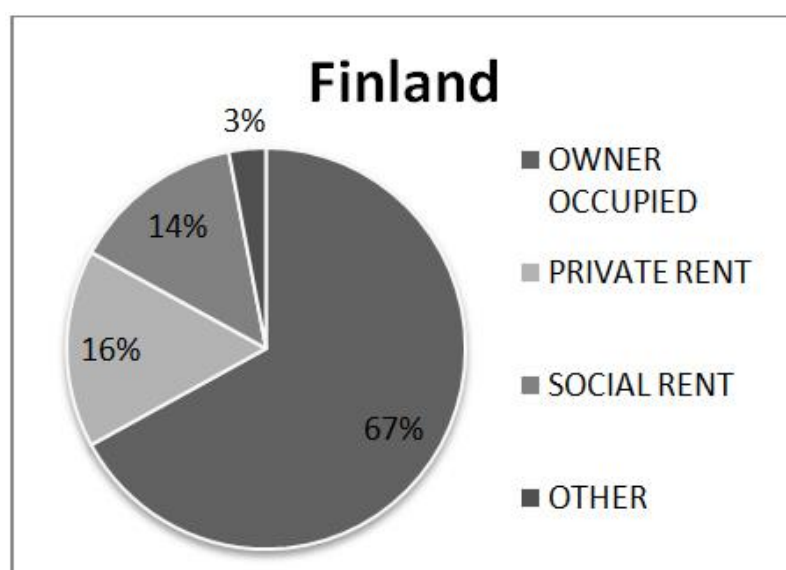
housing associations are discussing the best balance in the use of the fund between renovation and new construction. (VESTERGAARD, H.-SCANLON, K., 2014)

Recently there has been in general a strong policy shifts towards the environmental and energy efficiency of housing. In early 2014 an energy renovation program was launched under the name of “Better Housing – Better Savings”. The main goal of this program is to make it easier for homeowners to get qualified advice regarding to energy saving issues. The expectations are that the energy renovation strategy will lead to a 35% reduction in the energy consumption for heating and warm water by 2050. A new strategy for the building sector was also introduced in 2014, aiming at increasing growth, productivity and employment in the building sector and addressing some of the structural challenges in construction industry. (PITTINI, A.-GHEKIERE L.-DIJOL, J.-KISS, I., 2015)

## Finland

According to Statistics Finland, at the end of 2013, there were 2 906 000 dwellings in the country of Finland, of which 306 000 were without permanent occupation. At the same time 44 % of all dwellings were in block of flats. About 67% of occupied dwellings are owner-occupied, and 30% rented (about half private rental and half state-subsidized social housing). Other types of tenures include 1.4% right of occupancy, whereby the buyer purchases an up-front payment corresponding to 15% of the value of the dwelling and pays a monthly charge. This type of tenure receives state subsidies and there are permanent restrictions on the use of the dwelling and sale price. There is also a form of partial ownership with an option to buy. The demand for rental housing has been growing significantly over the past two decades. In 2013, a total of 32 000 dwellings were completed, out of which 43% were dwellings for rent in blocks of flats. (Statistics Finland, 2015)

The majority of Finns (70%) live in their own homes. Prices of housing vary widely in different regions of the country. Finding of an appropriate and affordable accommodation can be a slow process, especially in the large cities. The rent on average in 2012 for the whole of Finland was € 10.73 / m<sup>2</sup> and € 13.37 / m<sup>2</sup> in the Helsinki metropolitan area. The rent per square meter is higher for studio apartments. (PITTINI, A.-GHEKIERE L.-DIJOL, J.-KISS, I., 2015)



**Figure 3: Housing by ownership in Finland**

(Source: PITTINI, A.-GHEKIERE L.-DIJOL, J.-KISS, I., 2015)

In Finland, a foreigner can freely buy property or shares in a housing cooperative. Buying housing typically includes savings and taken out a loan for at least 10-20 years. Buying a share in a housing cooperative is confirmed either deposit or agreeing to a standard compensation in case of cancellation. It is generally not possible to cancel the purchase of a housing without any costs. If a 18-39 years old buyer buys a property for the first time, if the property is used for housing and the buyer was not previously owned at least the half of the purchased property, he does not have to pay the transfer tax.

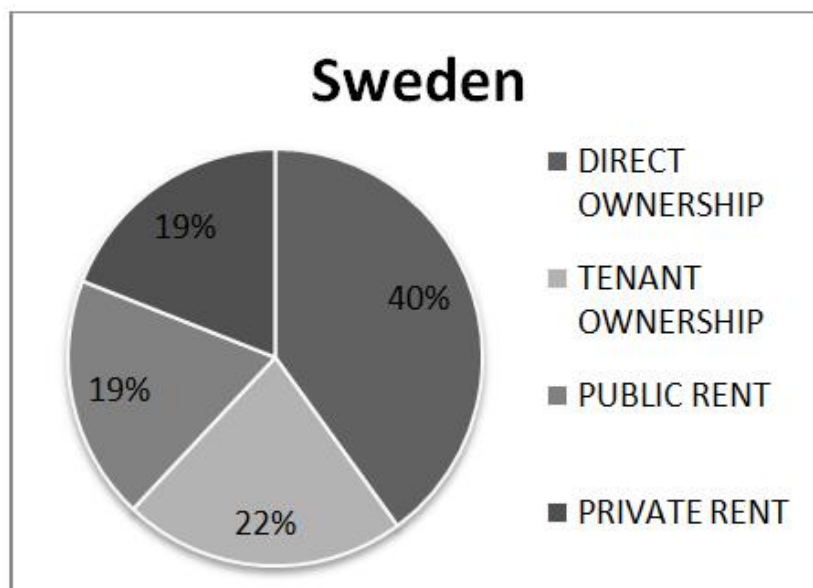
Housing association is an alternative to renting or owning a property. The right for the property is protected by the formation of a contract of permission for housing and by paying a portion of the sale price of the property as a fee for the right use. The maintenance costs are paid during the period of use. The homeowner cannot withdraw from the contract. The rights of the property may be sold or exchanged for other property by the owner.

Most often it is possible to obtain partial ownership of the property. Occupant of such property initially pay a proportion (10-15%) and will continue to pay rent for the property. Later this citizen can buy the whole property. (EURES, 2013)

Social housing in Finland consists of dwellings financed through subsidized loans by the Housing Finance and Development Centre of Finland (ARA), and rented to tenants selected on the basis of social and financial needs. Rent is determined on the cost coverage principle for the duration of the loan, then rents become in principle deregulated. The main providers of social housing are municipalities and municipal housing companies. Limited-profit housing organizations and housing trusts also play a role in social housing provision. The sector is relatively large and is characterized by a high level of social mix. Housing allowances are also available helping beneficiaries to pay for rent, maintenance, heating and water supply. In 2012 they amounted to 8.5% of the total of social transfers for the year; and benefitted 160,000 households. Furthermore, Finland has introduced a series of reforms within the framework of the national strategy to end long term homelessness which has proven to be particularly successful. Based on the 'housing first' model, places in shelters and hostels were reduced and, with substantial investment, new apartments with rental contracts and social support for the formerly homeless clients were built. The number of long-term and recurrently homeless people with high support needs fell very significantly between 2009 and 2013. However, the number of homeless people sharing with friends and relatives, particularly younger people, has actually increased. (ANDRÉ, C.-GARCIA, C., 2012)

### **Sweden**

Sweden's advantage is that it offers/has a diverse housing market with different options for rent, home ownership and cooperative housing. Four different regulatory types of tenure exist in Sweden: direct ownership represents 40 %, tenant ownership (in housing cooperatives) 22 %, public rental 19 % and private rental 19 %. Sweden has by definition no social housing, i.e. there's no part of the housing stock that benefits from special subsidies to the builder/owner, and reserved for low-income households. (LIND, 2014)



**Figure 4: Housing by ownership in Sweden**

(Source: PITTINI, A.-GHEKIERE L.-DIJOL, J.-KISS, I., 2015)

Almost half of the rental sector is owned by municipally owned housing companies, whose goal is to provide housing for all, regardless of gender, age, origin or incomes. The rents don't differ much between private and public rental housing as the 'utility value' principle applies to both sectors. Sweden has one of the lowest house building rates in Europe along with the Netherlands and the UK. Partly responsible for this is the fact that the Swedish housing construction prices are the highest in the EU, at around 55% above the EU average, and they have increased significantly more than the general price levels over the past two decades. Building a multi-dwelling building currently costs almost two and a half times more than it did in the mid-1990s. (Statistics Sweden, 2015)

Much of Sweden is facing a housing shortage, primarily in its metropolitan regions as the country has one of the highest levels of urbanization in the EU. The level of additional new homes has been very low, while population growth has been high and, according to forecasts, this will continue. Expert calculations based on information from Statistics Sweden, show an acute shortage of housing. Approximately 150,000 dwellings were built in Sweden between 2008 and 2013, falling short of the 276,000 dwellings needed to match the increase in population over the same period. (Statistics Sweden, 2015)

The Swedish tax system strongly encourages house purchase. For owner occupiers, 30% of mortgage interest can be deducted. It is also possible to get a tax rebate on 50% of the cost of repair, renovation and extension work. Furthermore, in 2008 the national real estate tax was abolished and replaced by a lower property fee. (Eurostat, 2015). While households living in owner-occupied properties and tenant ownership have retained favorable fiscal conditions, on the contrary support for public housing started to be phased out in the 1990s. One consequence is that rental housing is disadvantaged compared to other forms of tenure in Sweden. In 2011, a new law was introduced defining that the municipal housing companies receive no specific subsidies and they have to act in a business-like way and at the same time take social responsibility. This went hand in hand with reform to the rent negotiation system: Until 2011 negotiations between municipal housing companies and their tenants would set the

reference also for the private sector, but this system has been reformed and private landlords were granted equal status in the rent negotiation process. Households with social problems who cannot find suitable housing on the market refer to social authorities to get assistance in finding a home, and social authorities can in turn negotiate solutions either with private or municipal landlords. Furthermore, housing allowances are available for low income households, more specifically for elderly people and households with children. (LIND, 2014)

The new Government has proposed that SEK 3.5 billion will be allocated to support municipalities with increased housing construction, improvements to the efficiency of administrative processing, energy efficiency improvements to homes built under the Millions Homes Programme, city environment agreements and support for the construction of homes for the elderly.

Chances of finding an accommodation for rent are in terms of different regions vary considerably. In general, the offer is significantly lower in urban areas, especially in large cities, while the local prices are substantially above the Swedish average. Housing segregation is increasing and some residential areas of Stockholm, Gothenburg, Malmö and other major cities tend to show a high proportion of rented apartments with a high concentration of tenants of non-Swedish origin.

The average monthly price of rent for two-bedroom apartment with kitchen in 2014 was around 6 257 SEK. The rental price usually includes the cost of renting appliances, as well as charges for heating and electricity.

A small house in Sweden costs an average of 2.333 million SEK (January 2015). Prices in Stockholm are about twice as high.

### **Cooperative apartments with perpetual right to housing (Bostadsrätt)**

Private cooperative housing society is an economic association whose members jointly own and manage residential buildings, land and other common areas. If a buyer buys from this society a living, after the approval of application for admission could become its member. The seller will pay the amount of the capital injection and the association to pay monthly operating fees and maintenance fees.

In January 2015, the cost of this form of housing was under the national average, at around 1.922 million SEK. Prices in Stockholm were more than twice as high.

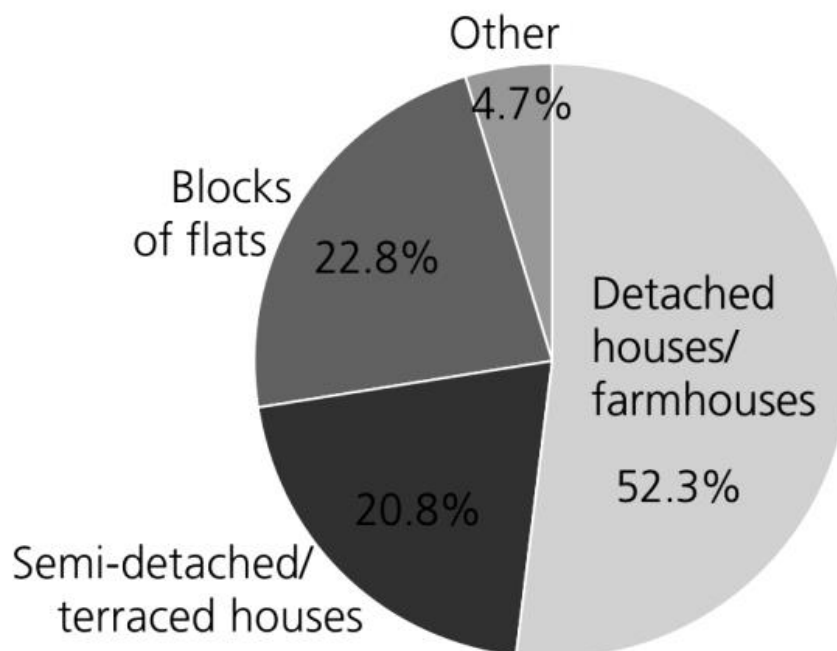
Regarding the purchase of a small house in Sweden costs an average of 2.131 million SEK (about € 230,268). Prices in Stockholm are about twice as high (January 2014). Mortgage interest payments can be deducted from taxable income. (EURES, 2013)

### **Norway**

Norway is the only Scandinavian country that is not a member of the European Union. In Norway, there are several housing options: living in rented accommodation, in the Community or residing in their own homes respectively house. In Norway, the market of rental flats is small, as most Norwegians own house or apartment.

For Norway goes "my home is my castle". Eight out of ten live in small houses There are approximately 2 466 000 dwellings in Norway. This unsurprisingly corresponds roughly to the number of households (household = to hold a house together). 52 per cent of the dwellings are detached houses (or farmhouses). 21 per cent are semi-detached houses, terraced houses and other small houses, while 23 per cent are blocks of flats or tenements. More than eight out of ten households have a home with a garden or a site. Eight out of ten own their own home. A total of 78 per cent of households own their homes, while 17 per cent are tenants. The share

of tenants has increased since 1990, especially in the cities. Compared with, for example, Denmark and Sweden, the percentage of home ownership in Norway is high. Young people and people living on their own are becoming increasingly likely to rent accommodation, a development that is partly due to higher property prices, especially in the large cities



**Figure 5: Dwellings in Norway, 2014**

*(Source: This is Norway 2015)*

If you own a property in Norway, you pay less tax. By this form, the State encourages people to purchase private housing. It supports families with children (in the form of tax deductions for child what they pay for such. kindergardens). The community - the municipality where you live, supports people who want to buy housing, and have saved up the required 15% of the capital, in the form of start-up loans – Starlån, that has more favorable interest rates.

The cost of housing throughout the territory of Norway vary widely. The highest prices are in Oslo and the surrounding area and in other major cities, but more affordable accommodation to buy or rent can be found outside the central area. Based on market research to the lease (Rent Market Survey - RMS) average monthly rental price of apartments with one or two bedrooms in the fourth quarter 2013 in Oslo and Bærum was 9 000 NOK and 11 370 NOK. In Bergen, it was 6 830 NOK and 8 750 NOK, in Trondheim 7650 NOK and 9 110 NOK. In smaller towns with population between 2 - 20 000, rents are cheaper, about 5 350 NOK and 6 460 NOK per month for the same type of accommodation. (EURES, 2013)

## Conclusions

We have examined the housing situation in the Scandinavian countries. About the Nordic countries which are members of EU, were more available statistics and data. Based on these acquired information we have summarized the data about the housing stock, including social rented housing for Denmark, Finland and Sweden.



	Denmark	Finland	Sweden
<b>Total number of dwellings (thousands):</b>	2 762	2 906	4 634
<b>Number of dwellings per 1000 inhabitants:</b>	491	534	480
<b>Total housing completions in 2013:</b>	13 851	32 000	29 225
<b>Total number of social rental dwellings:</b>	553 600	11 780	-

**Table 2: Dwellings in Denmark, Finland and Sweden in 2015**

(Source: Statistics Denmark, EMF Hypostat, Statistics Finland, Statistics Sweden, 2015)

In northern Europe the municipality is usually the most important founder or shareholder of non-profit housing organizations, and provides control of financial management. The role of social housing in individual EU countries are quite different. While in other countries, social housing is inhabited mainly for those with low incomes, in Denmark and Sweden it's almost for all income categories of people (Ivanička, 2006).

Only for Denmark was available the information about the yearly completed social housing and for 2012 it was 1,250 dwells. In Denmark the providers are not-for-profit housing associations and in Finland are in charge the municipalities, municipal housing companies, to a lesser extent limited-profit housing organizations and housing trusts.

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