

THE REGULAR NATIONAL REPORT ON HOUSING DEVELOPMENT IN SWEDEN 2005

Housing policy is formally not a question for the EU. The responsibility falls strictly under the competence of the Member States. However, the importance of these questions has led the Housing Ministers to state the need for debate on the problems at hand and an exchange of information as to solutions. To create an opportunity for such discussions informal Housing Ministry meetings are held yearly. These meetings are hosted by the country then in charge of the EU Presidency.

In advance of the EU meetings information on the development of public policies and the housing markets is collected from the Ministries in each country in the form of national reports. The Swedish National Board of Housing, Building and Planning contributes to this work. The national reports are then compiled and summarized in a synthesis report which is presented at the Informal Meeting of the European Union Housing Ministers. This year the synthesis report is being prepared by France.

The Swedish contribution is presented in the following report.

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REGULAR NATIONAL REPORT ON HOUSING DEVELOPMENTS IN EUROPEAN COUNTRIES

- 2005 QUESTIONNAIRE -

1 Introduction (overview of the political and administrative context for housing policy and the main principles underlying housing policy)

Housing policy has been an essential government issue since WWII. It has played a large role within the general social welfare policy (the standard of housing), the economic policy (a motor for growth, housing where labour-power is needed) and as part of labour market policies (the employment situation of the construction workers).

Housing policy in general is carried out on two levels. Legislation and financing conditions are state issues. In principle however, housing is the responsibility of the municipalities. According to the Swedish Constitution the municipalities have a strong right to self-government and to a large degree receive their financing through municipal taxes that are locally determined. Their policies and actions are however at times quite heavily influenced by central government policy requirements and the conditions stated for some of the state-to-municipality funding.

Housing policy has had a strong general character. The goal has been, and still is, good housing for all. The policy has been not to point out certain target groups. The standpoint of the Swedish welfare system as a whole has been that if the situation is bettered for all, it is also bettered for those that are worse off. Within housing policy this came to mean that most of the policy measures were directed towards all kinds of households, irrespective of tenure and income.

The subsidy system was mainly directed towards production. It has thus been supply-oriented and has had the explicit goal of being neutral in relation to forms of tenure and ownership. As a consequence property subsidies (i.e. interest subsidies) were available for virtually all new production and rehabilitation (see below about later changes). As for owner-occupiers interest subsidies were linked with the conditions of tax deductions (the right to deduction of part of the interest expenditures) so that the total effect should be neutral in relation to the other types of tenure.

The rent-setting system (replacing rent control) was also made an important component of housing policy. The goal being to secure reasonable housing costs and security of tenure to all tenants. Not only in the non-profit municipal rental sector, but also in the private rental sector.

Housing policy has not, however been totally general, there have been certain selective, demand-oriented subsidies: the housing allowances.

Households of all tenure forms (rental, co-operative and owner-occupied) are eligible for housing allowances. If their incomes are below a certain level the following groups are eligible: households with children, households without children if the applicant is between 18 and 29 years of age and pensioners. The level of allowance is dependant of the income of the individuals in the households, the housing costs and the number of children.

During the 90s the level of the subsidies for production were strongly cut down. For owner-occupiers they were done away with, both for new production and rehabilitation. However, the right to deduction of part of the interest expenditures remained, since this right, from a tax theoretical point of view, is not considered to be a form of subsidy, but rather a part of the existing uniform and coherent system of capital taxation. For the other tenure forms the level of the interest subsidies/ interest grants were cut down. The level was set, at least theoretically speaking, to equalise the effects of the tax subsidies for the owner-occupiers. The interest subsidies for rehabilitation were restricted as to the kinds of work that may be taken account of.

What has been described above are the general (historical) outlines of housing policy as such. At times certain measures (often temporary) have existed/exist connected to the field of housing. The aims of these have not always originated within housing policy but within other

policy fields, i.e. labour-market policy, social welfare policy, energy policy, environmental policy, or educational policy.

By the end of the 80s/beginning of the 90s Sweden had reached a very high average standard of housing. There was even a surplus with more dwellings than households and a growing rate of vacancies. By this time the costs for the state had become extremely high. There was also a growing state budget deficit. This situation, in combination with a generally more market-oriented political climate led up to far-reaching changes of housing policy (some of which have already been mentioned above).

In the beginning of the 90s the political question of housing policy was tuned down. There has been no specific Ministry of Housing since 1991. Housing standards had become high. Housing politics were directed towards cut of subsidies, deregulation of planning and housing allocation and towards more of market forces. Together with the simultaneous effects of a tax reform (higher disposable incomes which were to a large extent to be financed by the housing sector through higher taxes and lower tax deductions), economic recession (with extremely high unemployment by Swedish standards), low inflation and high real interest rates this led to a steep rise in housing costs (especially within the rental sector), a large number of vacant rental flats, extremely low levels of housing construction (especially rental dwellings), a low level of maintenance and upgrading/rehabilitation, a sharpening of regional inequalities and a deepening of residential segregation in the three metropolitan cities.

There was a steep decline in national government expenditure within the housing sector. Spending on the most extensive form of support, interest subsidies for new construction and rehabilitation, having been SEK 33 000 million (approx. € 3 538 million) in 1993, thereafter went down to barely SEK 4 000 million (approx. € 428 million) in 2000 and down to approx. SEK 1 400 million (approx. € 150 million) in 2002, and thereafter SEK 1 403 million (€ 150 million) in 2003, 1 571 million (€ 168 million) in 2004 and 1 603 million (€ 171 million) in 2005. It should be noted that a considerable part of the decrease in government expenditure has been due to lower interest rates and a low level of housing construction.

Towards the end of the nineties housing policy returned as an important political question. A main problem was the rising shortage of housing (especially rental dwellings) in the expanding regions, with the danger of impeding economic growth, both regionally and nationally. In 1998 the Vice Minister of Finance became acting Minister of Housing. A number of state commissions on different housing questions were also appointed during the following years.

As of 2005 housing questions have been placed in the newly formed Ministry of Sustainable Development. This new ministry is responsible for a wide range of policy fields. On its homepage it is described in the following words:

“The Ministry of Sustainable Development has a proactive role in work to reorient and modernise Sweden for the sake of sustainable development and growth, using new technology, construction, planning and pursuing an active energy and environmental policy. The Ministry is responsible for issues relating to energy and climate, housing and construction, chemicals, ecocycles, nature conservation and the environmental quality objectives. The Ministry is also responsible for coordinating government work to promote sustainable development. An important dimension of the Ministry’s activities is Sweden’s sustainability and environmental work in the EU and other international forums.”

The new ministry has two ministers. The Minister for Sustainable Development, who heads the ministry, has the responsibility for housing and energy issues. In addition there is a special minister responsible for environmental issues.

In the last few years two different time-limited subsidies have been introduced in order to stimulate construction in regions where there is a shortage of housing. Their aim is to stimulate construction of affordable rental dwellings, this tenure form considered especially important to stimulate in the short run. Subsidies were also introduced to stimulate construction of housing for students. These different subsidies are of a one-off kind and are given in addition to the general interest subsidies directed towards all rental and co-operative dwellings.

By direction of the Government the National Board of Housing, Building and Planning in 2004 carried out an evaluation of some of the main housing subsidies since 1993. The conclusion was that most of these subsidies have had an impact on housing construction in terms of increasing total quantities and – where this has been aimed at – also directing housing construction towards rental dwellings. But they have for the most part not been sufficient in relation to the need for new dwellings. And the interest subsidies, which mainly aim at compensating rental dwellings for the tax-relief that other tenure forms can take advantage of, have not been sufficient in doing so. It was also clear that other measures than merely production subsidies must be used if one is to reach such overall housing policy goals as dignity and equality for all. For example there is a need for a closer connection between the overall housing policy goals set up by the Parliament and the responsibility of the municipalities to meet different kinds of housing needs at the local level.

2 Major recent government policy and institutional changes in the field of sustainable housing and urban development (as the last National Report covered the period to September 2001, recent changes described should generally cover the past 2 years, however, changes before that time which are having significant impacts currently may also be indicated)

2.1 What are the principal questions which currently concern the Minister?

There are a number of issues that are addressed by the Minister of Housing (who is also Minister for Energy and Sustainable Development):

- Housing shortage in metropolitan regions and other areas of population growth,
- Housing surplus in large parts of Sweden due to decreasing population, caused by internal migration,
- Working of the housing market, allocation mechanisms, allocation rules of property owners, non-discriminatory rules; a draft bill is expected before this summer,
- The situation of youths and young adults and the possibility for them to enter the housing market,
- The reformation of rent legislation, a bill is expected before the end of February,
- Housing finance: the present housing finance system has been under review and will be subject to changes; a bill is to be expected during the spring,
- The modernisation and refurbishment of old housing stock, especially with regard to the Million Dwellings Program Housing Areas, many which are segregated insofar as average household income is lower than average, the share of immigrants and asylum seekers is high,

the degree of unemployment is higher than average, the share of households dependent on benefits is high, etc. A Government White paper is expected before this summer.

- Modernisation also includes measures to reduce energy consumption, but also to increase accessibility, especially – but not only – with regard to the needs of disabled and elderly,
- An Action Plan for energy efficiency and energy smart buildings will be presented in Spring 2006.

2.2 Subjects of debate (white papers, discussions papers...)

Obvious subjects are those mentioned in 2.1 above. For instance, early 2005 a Commission of Inquiry on young peoples housing conditions was set up by the Government. This Commission shall work for three years and look into the housing conditions of young people, causes and hindrances, and propose actions.

Another subject is the situation and role of not-for-profit public housing, and a Public Inquiry (Committee) was set up by the Government in October last year.

Still another, very important and politically “loaded” issue is the relationship of national housing policy to EU legislation and rules. This subject has grown in political importance due both to two complaints concerning Swedish housing policy to the Commission, in 2002 and 2005 and to awareness that traditional housing policy instruments have become hard to use as any such measures must be notified to and approved by the commission with regard to state aid rules (article 87).

Legislation concerning planning and land use (The Planning and Buildings Act) has been subject to review by a Public Inquiry. This Committee has delivered a voluminous report, proposing a number of changes in order to modernise legislation but also to facilitate housing production, though without compromising democratic values. This Report has been referred to a large number of bodies for consideration; a bill is expected not earlier than autumn 2006, possibly spring 2007.

During the autumn 2005 a Government White Paper on measures to encourage energy savings in housing was referred to a number of municipalities, organisations and companies for consideration. A bill is to be expected during this spring.

The situation of youths and young adults have come into focus, as the average age of entering the housing market has increased during a number of years, and the financial situation has been lagging behind compared to other groups. In order to address these issues a number of measures are considered and some proposals are expected in connection with the Government Financial Bill in April.

2.3 Recent policy and institutional changes

Very few policy changes have been implemented in the last years. One important institutional change (interpreting this concept widely) is the legislation in 2003 concerning threedimensional (3D) property registration, enabling a building or construction to be divided into more than one estate. However, legislation does still not allow you to get the legal title to individual flats; homeownership/owner-occupation is only possible in singlefamily houses (including terraced houses and the like).

Another such change is the implementation in 2002 of a permanent legislation allowing rental housing co-operatives, a form of housing that has existed by exemption from traditional legislation that, until now, only recognised homeownership, tenant-ownership co-operatives, and rental housing.

2.4 New laws or regulations

See 2.3

2.5 Budgetary changes and changes in fiscal and financial instruments

In 2003 a temporary VAT related investment support to the production of rental housing in areas of growth with housing shortage, as well as students' homes in university regions, was implemented, with the approval of the EU Commission.

2.6 Other changes

2.7 Developments expected in the medium term

2.8 Relevant international (European) developments which have implications for housing and urban development (new proposals for EU Directives, difficulties in implementing existing EU Directives and decisions of the European Court)

The Altmarkt ruling of the European court and the EC proposal concerning social housing undertakings and state aid, according to which state aid is really only acceptable when it conforms to the Altmarkt ruling, i.e. if it's not state aid.

The increasing applying of state aid rules to the housing sector, reducing the scope of actions of national housing policy.

3 Principal economic indicators and background developments concerning housing

3.1 Demographic trends and indicators (including average household size), internal and external population migration

Sweden has a population of 9 million. A third (36 percent) of the inhabitants lives in one of the metropolitan areas of Stockholm, Gothenburg and Malmö. The population density is 22 inh./sq.km. In 2003 there were approximately 46 percent one-person households (housekeeping units) and 23 percent households with children (housekeeping units). Approximately 22 percent of the population is younger than 18 years of age and 17 percent 65 years or older (5 percent 80 years or older and 2 percent 85 years or older) (2004).

Of the total population 2004 12.2 percent were foreign-born. (4.4 % coming from Europe other than the Nordic countries, 3.0 % from Asia, 3.1 from other Nordic countries, 0.7 % from Africa, 0.6 % from South America and 0.3 from North America)

The fertility rate in Sweden is low, 1.75 children per woman, but has been creeping upwards since 1999 when it was down to 1.5 (after a boom of 2.1 both 1990 and 1991). Population growth is almost entirely due to immigration. In 2002 excess of births was 1.16, emigration was 4.07, immigration 6.90 and increase of population 3.97 (all per 1000 of the mean population).

According to population projections from Statistics Sweden the increase of the population up until 2020 will be approximately 650 000 or 7 percent. Three quarters of the total increase (approx 500 000) is projected to be within the age group 65 years and older. This group is estimated to have increased by 31 percent by 2020 (those 80 years and older by 8 percent and those 85 years and older by 14 percent). The increase of the group under 20 years of age is projected to be 2 percent. - The group being of working age (20 – 64 yrs) is expected to increase by 2 percent (approx. 121 000).

In 2004 the number of immigrants was roughly 62 000. They consisted mainly of the following groups. Swedish citizens: 39 percent, from Europe (other than the Nordic countries): 36 percent, from Asia: 25 percent, from the Nordic countries: 21 percent, from Africa: 7 percent and from North America 6 percent.

The largest number of residential permits (more than 23 000) was granted to people who were close relatives to someone already having residence in the country. It should be noted that within the immigrant group the citizens of the Nordic country may move freely throughout the Nordic countries and therefore need not apply for a residence permit when moving to Sweden. Other EU citizens have to apply for a residence permit after three months.

In 2004 there were approximately 23 000 asylum seekers. The number of persons granted residence permits as refugees (or similar) was approximately 5 000. Among those granted residence permits as refugees (or similar) the largest groups were citizens of the following countries: Iran: 682, Serbia and Montenegro: 636, Afghanistan: 498, Stateless: 448, Somalia 372: Iraq: 305.

During a longer period the increase of population has been highly concentrated to the three metropolitan areas and to some of the other towns/municipalities that offer university education. Most other municipalities have lost inhabitants. But since 1999 there is a clear tendency that the increase of the metropolitan areas is decreasing. "Other municipalities" (i.e. not offering higher education) have as a group not been losing as many inhabitants as before, even though their total population decreased. In 1999 only approximately one fourth of all the municipalities increased their population, in 2004 there was an increase in a third of all the municipalities.

3.2 Economic trends and outlook in the medium term including mortgage interest rates, unemployment rates, state of public finances

After a temporary recession around the turn of the year the Swedish economy grew stronger in 2005. The National Institute of Economic Research expects that a strong growth of exports, investments and household consumption will lead to a high growth of GNP growth during the next few years.

Some key indicators:

	2002	2003	2004	2005	2006	2007
GNP	2.0	1.7	3.7	2.7	3.6	3.1
Inflation (consumer price, Dec-Dec)	2.1	1.3	0.3	1.0	1.7	2.3
Inflation HICP	1.7	1.8	0.9	1.4	1.3	1.5
Disp inc (% change yearly)	3.4	1.2	1.3	2.5	3.7	2.6
Open unemployment (16-64 yrs)	4.3	5.3	6.0	5.9	5.0	4.4
In labour-market	2.6	2.1	2.4	2.6	3.3	2.9

programs (KI/SCB)						
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Interest rates in general and for housing are very low, even from a historical perspective, even if the bottom line seems to have been passed. In June the Central Bank set its key interest rate at 1.5 percent, which historically was a very low level. The interest rates are expected to gradually rise to normal levels. This can come to mean that e.g. the flexible interest rate for housing loans will be rising by two thirds or maybe more in a few years time, compared to the situation at the end of 2005, when the rate of interest was approx. 2.5 percent.

According to the latest Government Bill (Sept. 2005) the consolidated gross debt within the public sector for the year 2005 is estimated to be 50.7 percent of GNP. In 2008 it is estimated to be 45.8 percent of GNP.

3.3 Other factors

4 Market trends of housing

4.1 Housing needs and demand (give a progress report about the general current situation)

During the 90s the number of unlet flats in the rental sector increased dramatically. From only 3 500 vacant rental flats available for immediate occupation in 1990, the situation changed, peaking in 1998 with over 60 000 vacant flats, somewhat more than 70 % belonging to the non-profit municipal housing companies. Since then the figure has fallen to around 25 500 in 2004, slightly less than 55 % owned by municipal housing companies. Most unlet flats are in municipalities outside the metropolitan regions. Approximately one fourth of the municipalities report the situation to be problematic (2005).

During the middle of the 80s when there was also a high rate of unlet rental flats they were mostly concentrated to housing-areas built during the period 1965 - 1975 (the so-called Million Dwelling Program). Today, even though many of the unlet flats are still to be found in these areas, they are more evenly spread over the entire rental housing stock.

Statistics (from 2004) show that 18 800 dwellings (rental flats) have been demolished during the last five years down, due to difficulties to let. This has been done in altogether 43 % of the municipalities and is related to diminishing populations.

From 1994 housing shortage began to appear and slowly rise, at first mainly in the metropolitan areas but since the end of the nineties also in other regions and at a quicker pace. This being to a large degree an effect of the very low rate of construction in combination with net migration to the metropolitan areas and to some of the towns/municipalities offering university education. In 2005 38 % of the municipalities reported having a shortage of housing. - However, there is still a surplus of dwellings in 28% of the municipalities.

It can be noted that, due to the uneven geographical distribution of the population, as many as 61 percent of the population live in municipalities where there is a shortage of housing (2005). Only 12 percent of the population live in municipalities with a surplus of dwellings.

A majority of the municipalities report that they are specifically trying to offer housing in especially attractive localities. Trying to attract new inhabitants to the municipality, in competition with other municipalities, has become an important question.

4.1.1 Urban and regional needs and demand

See 4.1.

4.1.2 Expected changes in needs and demand for housing in the medium-term

See 4.1.

4.1.3 Information on the different segments of stock (owner-occupied/home ownership, social rented [or rented by public authorities if this is a more appropriate description], private rented, cooperative housing and other forms) or for special needs of specific sections of the population (elderly, disabled and homeless), the relative proportion of households in each segment, information on schemes operating in the country to support different tenure options e.g. house purchase for low-income groups, and any other relevant issues

There has been no regular census since 1990. Therefore figures concerning the whole stock are rough approximations, the estimations mostly based on surveys where the population is not always the total housing stock. The next census will not as hitherto, be carried out by questionnaires sent to all the households, but will be based on different official registers/records being combined. The figures are to be continuously brought up to date. As of today there is no date set for when the next census will be carried out. (See also EU Housing Statistics 2004, p 104)

As explained above the following figures are estimations. There are roughly 4.4 million dwellings in total. By international standards a large proportion of the housing stock, more than a half, consists of flats in multi-family buildings (approx. 54 %). The Swedish housing stock is also characterised by a large proportion of rental tenure (42 %), a relatively small owner-occupied sector (39 %) and a considerable proportion of the distinctive Swedish cooperative tenure called tenant-ownership (19 %). It is typical for Sweden that owner-occupation can only exist in single-family houses (see 2.3) and that rental and cooperative tenure is mostly found in multi-family housing. Approximately half of the rental sector (52%) is non-profit, and locally owned by the municipalities. The remainder is privately owned (and for profit).

Specific information concerning different types of dwellings and tenure forms.

In Sweden:

- virtually all non-profit housing companies are owned by the local municipality.
- owner-occupation exists only in single-family houses. According to the Swedish Property Formation Act it has not been possible to parcel out an individual flat in a multi-family building.
- the cooperative sector consists of two different forms. - Most of the sector consists of the distinctive Swedish “co-operative tenant-ownership” which is unique in the sense that it is an independent tenure of its own, it is a clear alternative to both renting and ownership. One makes a down payment for the right to live in a certain flat/dwelling that the cooperative association owns, and continues to own. A prerequisite is that you are accepted (and continue to be accepted) as a member by the association. In addition to the down-payment one pays a

monthly fee covering the running costs to the association. The first-time down-payment for the right to a certain dwelling is made directly to the association, the price being determined by the production costs. Thereafter this “right” is sold to a market-price from one occupier to the following, providing that also the new occupier is accepted as a member by the cooperative association. – In 2002 “co-operative rental housing” also became an official form of tenure. One rents ones flat/dwelling form the cooperative association of which one is a member. The main difference compared to the “co-operative tenure” described above is that when one occupier moves the flat/dwelling always goes back to the co-operative association, i.e. the occupier can not put it on the market. The down-payment (giving the right to rent) is thus always made to the cooperative association, at a price determined by this association (not a market-price).

In the municipalities with a housing shortage some groups are especially reported as having difficulties. These include young people, older people who want to move to a smaller dwelling, households wanting to move into the municipality and families with children.

But then there are other groups that are reported as having difficulties more in general, among these are the elderly and/or disabled who need special help, students, families with many children (often refugee families) and homeless people.

As an overview one can distinguish between four more or less different groups that often are unable to secure their own housing by themselves: persons with financial problems, often combined with social problems e.g. homeless ; persons with mental disorders, evicted persons, persons released from prison ; persons with special needs (physically disabled, the oldest elderly people) and persons with temporary housing problems (students, asylum seekers, refugees etc).

No statistics are available, but an increasing number of households are having difficulties in obtaining rented housing due to more rigid criteria for accepting new households in rented housing. Tenants often have to prove minimum income, no history of eviction, no payment complaints from banks or other payment failures.

According to the latest report from the National Board of Health and Welfare (2006) there were at least 17 800 homeless people in 2005. This is estimated to be 2000 to 3000 more than in 1999, when the last survey was done. Comparisons are however difficult because in 2005 the definition of homelessness has been expanded. In 2005 there were homeless people in 86% of the municipalities, but the problems were greater in the three metropolitan areas. Of the total number some 3 600 (20%) were roofless or sleeping out of doors or in different shelters for the night. 8 400 (47%) were in different kinds of institutions or in special housing, combined with housing support, without a dwelling of their own to return to. Some 4 700 (26%) were involuntarily staying with relatives or friends or had very short-term second-hand contracts. For the remaining 1 100 (6%) the situation was unknown.

4.1.4 Rates of vacancy in housing stock (sector and area), describing any specific situations where the number of vacant/unoccupied dwellings are concentrated in particular parts of the country

See 4.1.

The officially used definition and the available statistics only concern rental dwellings. The definition used is: rental dwellings without a contract for immediate letting. Dwellings not for immediate letting, because of repair, demolition etc, are not included.

Statistics concerning vacant rental dwellings in the public (municipal) non-profit sector was earlier collected twice yearly (by Statistics Sweden) through an inquiry to all municipal housing companies, but this is now done only once a year and coordinated with the estimation done once a year on the basis of a survey-concerning vacant dwellings in the private rental sector. The figures from the two sectors are added together, giving an estimate for the whole rental sector.

There are no statistics on vacancies or empty dwellings in owner-occupied housing or in co-operative housing.

4.2 Housing supply (give a progress report on the general current situation)

Housing construction was very low in the middle of the 90s, due partly to a long recession with large budgetary cuts which under a number of years hit the households economies, also a markedly increased taxation of the housing sector and a heavy reduction of subsidies to production were introduced in the beginning of the 90s (see also 1). During the years 1994 – 1998 on average 16 000 dwellings per year were added by new production or by reconstruction, which equalled 1.8 dwellings per 1000 inhabitants. Thereafter housing construction has gradually increased. The National Board of Housing, Building and Planning have as a preliminary estimate that in 2005 construction of 33 500 dwellings was started, of which fully 30 000 was by new construction and fully 3000 by reconstruction of attics and other kinds of localities. This will equal 3.7 dwellings per 1000 inhabitants. The National Board of Housing, Building and Planning estimates that construction of housing will continue to increase somewhat during the next few years, the condition for the estimation being that the subsidies for production remain unchanged.

There is reason to mention here that a report commissioned by the Ministry and presented in 2005 has suggested changes concerning the subsidies to production of housing. The suggestions are now being circulated among different concerned parties. See 2.1.

4.2.1 Factors impacting on matching supply with demand and actions being taken to address supply requirement

See 1 and 2.5 regarding special time-limited subsidies introduced during the years 2000 - 2003 to stimulate specific kinds of construction in specific parts of the country.

4.2.2 Trends in the construction of new housing, by type of financing or tenure and by urban and regional area, including the construction rate per 1,000 inhabitants

See 4.2

Since 1992 all financing of housing is from the open market, in combination with certain interest-rate subsidies. The effect of the changes in policy and economic development during the 90s was not only an extreme drop of construction. It also meant that the relations between what was being produced changed.

After the middle of the 90s the construction of cooperative tenant-ownership dwellings as well as of owner-occupied dwellings gradually increased. Of the 19 900 that were completed in 2002 32 percent were owner-occupied single-family houses, 28 percent were with cooperative tenure (mainly tenant-ownership), and 40 percent rental dwellings. Most of the rental housing consisted of dwellings for special groups (meaning built not for «ordinary» households, but for special purposes/groups like elderly, disabled or students).

Of the 25 300 dwellings completed in 2004 owner-occupied single-family houses had gone up to 41 percent, 25 percent were co-operative tenure (tenant-ownership) while rental dwellings had gone down to 33 percent. A large part of the rental dwellings were still for special groups (see above), almost 50 percent.

The level of housing construction has increased in many parts of the country during the last few years. Not however in the greater Stockholm region, where the level has remained practically the same during the last three years. In the other two metropolitan regions, Gothenburg and Malmö, the levels are estimated to have gone up in 2005 by some 33 percent and 24 percent respectively. In municipalities in other parts of the country the level went up in 2005 on average 10 percent. In northern Sweden the level has been generally low, with exception for Umeå which is a university city.

According to most of the municipalities that had a shortage of housing 2004, high costs of production were a main obstacle to a higher level of construction. Efforts to press the costs of construction have become a high-priority question. The Government has especially commissioned the National Board of Housing, Building and Planning to work with questions concerning how to press construction costs in multi-family housing, while at the same time retaining a high level of quality.

In the beginning of year 2004 the municipalities expected more than half of the construction in to be in the three metropolitan areas, with an additional 30 percent in other university towns. That implied that the remaining parts of Sweden – actually 75 percent of the 290 municipalities – were expected to account for less than 20 percent of all housing construction in the year 2004.

4.2.3 Describe any difficulties arising for the construction of new housing

A study was initiated in 1999 by the Government to analyse the need for housing construction, especially in the expansive areas. Possible difficulties for production were also to be analysed. The study (finished in 1999) showed that production must rise by in average 50 percent in these regions. Otherwise there would be difficulties for economic growth in these regions. The study also pointed to difficulties. For one-two family houses mainly shortage of land in these areas. For rental housing where the problems were more severe the main obstacle was that there are no incentives for the housing companies to invest in new production, profitability not considered sufficient. As to multi-family housing (both rental and co-operative) production is also held back by insufficient planning by the municipalities,

shortage and high prices of land and unwillingness among some municipalities to increase their population in fear of rising costs for municipal services etc.

According to an inquiry in 2003 to the municipalities the reasons for the low rate of construction, in spite of housing shortage, were the high costs of production, lack of land in attractive localities, conflicts in relation to public interests (according to the National Planning and Building Act), lack of readiness in planning and/or appeals having been made.

4.2.4 Developments in housing stock maintenance and improvements

In a study carried out in 2003 by the National Board of Housing, Building and Planning it was concluded that a considerable part of the dwellings built during the 60s and 70s (many as part of the so-called Million Dwellings Program) have now reached a stage when substantial measures of maintenance and reconstruction need to be carried through. The average yearly number of dwellings being rehabilitated should need to increase from about 20 000 to 65 000. Roughly 75 000 staircases in multi-family houses with 3 or more storeys are without a lift.

There is already today a neglect of maintenance and upgrading/rehabilitation. (See also 4.4.1) Many housing companies have had economic difficulties during the 90s due to high rates of interest and vacant flats. The possibilities for subsidies for rehabilitation were also cut down as part of the changes in housing policy in the 90s (see 1).-In many cases it may be difficult for the housing companies to increase rents to levels necessary for sufficient economy.

But not only the rental stock is concerned. Many cooperative housing associations are expected to run into difficulties. There are problems also among the large number of owner-occupied single-family houses from the 60s and 70s (especially concerning wet rooms, i.e. bathrooms and the like, and basements).

A growing problem is the supply of construction workers with appropriate skills. Competition is growing.

In 2005 the National Board of Housing, Building and Planning carried out a study of the need for extensive renewal in different kinds of housing areas. The study was focused on three types of housing areas: the multi-family housing areas from after WWII up to the 50s, the multi-family housing areas from the 60s and the first part of the 70s and the single-family dwelling areas from the 70s. The task was to look into the need for special measures to obtain a sustainable development, in all aspects of the concept, in these areas, where more than half of the households in Sweden live. It is not only a matter of maintenance and upgrading, but also of maintaining or often resuming an acceptable level of services and transportation/communications and to adapt to the needs and wants of new target groups. In most of these areas there is e.g. an increasing part of elderly people in the population. A big issue is also to counteract social exclusion and promote integration by linking large scale housing areas in the outskirts of towns more closely to the main parts of the city. In addition to this there are environmental issues, first and foremost a growing need for reducing energy consumption and stop using electricity and fossil fuels for heating.

4.2.5 Sale of social rental housing units

It is to be noted that almost all non-profit dwellings are flats in multi-family-blocks, and as such cannot become individually owned, i.e. cannot be converted to home-ownership (see 4.1.3). When non-profit dwellings have been sold out of the non-profit sector (some are sold to other non-profit municipal companies) they have mostly been converted to privately owned rental dwellings or to co-operative tenant-ownership.

According to an inquiry made directly to the municipalities some 55 000 flats in non-profit, municipally-owned rental housing have been sold off during the period 2000-2004 to owners outside the non-profit rental sector. After a peak (almost 24 000 dwellings) in 2000 the number has gone down substantially, to 5 700 in 2004. The estimate made by the municipalities for 2005-2006 was about 3 300, which indicates that the decrease continues. At first most of the sales took place in the Greater-Stockholm area. Since 2002 there has been a change. In 2004 most of the sales were outside the Stockholm region.

In the Stockholm area most of the flats have converted to co-operative tenant-ownership, whereas most of the sales outside the Stockholm region were to private landlords, and thus remained within the rental sector. In 2002 in total the proportion sold off to co-operative tenure was 46 percent and to the private rental sector 54 percent. In 2004 these proportions had changed to 14 percent and 86 percent.

In relation to the sell-outs from non-profit sector it should be noted that the Government has, since 2002, restricted the possibilities for the municipal housing companies to sell off all or parts of their non-profit housing stock. Permission is only given if this will not disturb the rent-setting process in the municipality. According to the Swedish rent-setting system ("the use value system") it is the costs of the municipal non-profit housing companies that are to provide the point of departure for the general level of rents. The rent for a privately owned rental dwelling may not substantially exceed the rent for an equivalent dwelling (with the same "use value") rented from a non-profit housing company in the same locality.

Earlier most of the abovementioned sales took place in the Greater Stockholm area but since 2002 there has been a change. During 2004 most of the sales were outside the Stockholm region.

4.3 Housing finance (describe the key facts in this area)

4.3.1 Investment in housing (housing as share of national public expenditure, and housing as a share of household income i.e. expenditure on mortgages and rents and it should not include expenditure such as water, gas, property taxes and insurance)

Housing investments as proportion of GNP has gone up during several years, but the share is still historically low. In 1995 housing investments were only 1.5 percent of GNP. By 2004 they added up to 2.5 percent of GNP. Housing investments consisted of 63 percent for new construction and 37 percent for rehabilitation.

Of the investments for new construction 52 percent were for multi-family housing and 48 percent for single or two-family houses. Of the investments for rehabilitation 42 percent were for multi-family housing and 58 percent for single or two-family houses.

In 2004 imputed rental housing accounted for 19.1 percent of disposable household income (National Accounts).

4.3.2 Public expenditure for housing: detail grants and subsidies and their annual total (distinguishing grants and subsidies for capital investment and fiscal or other allowances/incentives to households for housing expenditure)

In 2004 the total public expenditure for production subsidies (consisting mainly of interest subsidies for the rental and cooperative sectors) and consumption subsidies (i.e. housing allowances) was SEK 16 700 million (approx. € 1 830 million), 0.6 percent of GNP. Housing allowances accounted for 87 percent of this expenditure.

The value of tax reductions and the income from property taxes and other taxes are not included.

4.3.3 Trends in housing prices and rents (by category)

Trends according to index (1990 = 100)

	Owner-occupied	Rents
1990	100	100
1991	107	126
1992	97	137
1993	86	149
1994	90	155
1995	91	160
1996	91	166
1997	98	171
1998	107	172
1999	117	173
2000	130	175
2001	140	177
2002	149	183
2003	159	188
2004	174	193

4.3.4 Housing expenditure of households as a percentage of household income by income decile

The net expenditure (= minus subsidies, housing allowance and tax reductions) as percentage of disposable income:

	Rental	Cooperative	Owner-occupancy	Total (est.)
1985	20	18	20	20
1987	21	20	23	22
1989	20	20	24	22
1991	22	19	22	22
1993	25	22	24	24

1995	26	23	23	24
1997	27	23	22	25
1999	26	23	20	23
2000	26	21	20	22
2002	26	21	20	22
2003	26	21	20	22

4.3.5 Housing construction costs (average cost per m², construction price inflation rate)

Costs of production for new multi-family housing increased by 64 percent from year 1995 to year 2004 (current prices), while consumer price index only increased by 9.6 percent. One of the main reasons for these rising costs was the large proportion of extra high standard flats (mostly cooperative but also some rental) being built in Stockholm and other of the most expansive areas. In Greater-Stockholm costs of production increased by 96 percent from year 1995 to year 2004.

In 2004 the average building cost in multi-family housing was SEK 22 264 (€ 2 439) per sq.m.. In Greater-Stockholm the cost was SEK 28 306 (€ 3 100). (Average exchange rate 2004 : 1 € = SEK 9,13)

4.3.6 Mortgages (number, type and rates of interest)

Financing of housing is done entirely on the open market and mainly by special mortgage banks.

The usual length of contract is 30-45 years. The estimated average LTV ratio is 80-95 percent. Almost all loans have an interest rate which is either floating or fixed for one to five years.

At the end of 2005 the interest rate for a single-family house with a first mortgage loan for 5-years was around 4.10 percent, for a 2-year term around 3.40 percent and with a floating /flexible interest rate around 2.60 percent.

4.4 Housing quality (describe the major recent government policy and institutional changes in the area of sustainable housing and urban development)

4.4.1 Quality of housing stock (age of dwellings, number of rooms, number of bathrooms, number of persons per room, and basic equipment available in dwellings such as mains electricity connection, central heating, gas supply, water supply, and sewerage connection)

Approximately 12 % of the Swedish housing stock was built before 1921, 20 % during the years 1921 – 1950, 33 % during the years 1951 – 1970, 17 % between 1971 – 1980, 10 % between 1981 – 1990 and 7 % between 1991 – 2003. Where this puts Sweden relative to other countries, see EU Housings Statistics (table 2.4F). Virtually all housing in Sweden is fully modern.

The number of room units (including kitchen but excluding halls and bathrooms) per dwelling was estimated to be 4.2 year 2003, and the number of persons per room 0.5. The same year the number of dwellings in the housing stock was estimated to be 485 per 1000 inhabitants.

It should be noted again that Sweden has had no regular Housing Census since 1990 (see 4.1.3).

As mentioned virtually all housing in Sweden is fully modern. There is however a great need for rehabilitation of the stock built before 1970 and also among dwellings from the 70s. (See 4.2.4). This can be considered an important question from the standpoint of sustainability of the housing stock. But it is also a special threat to the goal of sustainability in its social aspects. The risk of deterioration is especially great in already deprived housing areas, where further segregation effects may result.

4.4.2 Technical developments and new initiatives, including the minimum standards of building regulations (or building codes) that apply to all housing construction

As mentioned in chapter 2 the Planning and Building Act is currently under revision. One of many important questions being looked into is that the existing system does not sufficiently secure that the building process actually ends in a product/building that fulfils the stipulated minimum regulations.

An overview is also being made to make sure that it is possible to verify the existing different regulations, rules and instructions within the building and construction sector, that they conform to EU regulations and that they promote the environmental goal “A Good Built Environment” (see 4.4.3).

4.4.3 Recent initiatives and trends in sustainable housing construction and urban development (energy, water consumption and saving, new demonstration projects, eco labelling of building materials...)

The Swedish Government has as one of its main goals to change the country into a sustainable society. The goal includes ecological, social, and cultural dimensions as well as economic sustainability. The strategy has changed from working with specific environmental problems into taking a comprehensive view of sustainable development, from detailed regulations to direction and goals.

An important example is The Environmental Code, which combines (fifteen) previously independent laws into one.

In 1999 the Swedish Parliament adopted 15 national environmental quality objectives, describing what quality and state of the environment and the natural and cultural resources of Sweden are ecologically sustainable in the long term. A 16th environmental quality objective was adopted in 2005, as well as some alterations to the original 15. All are subject to a thorough evaluation every four years.

The 16 objectives that have been singled out are to serve as guidelines for community planning and in the application of the Environmental Code. They are also the basis for the forming of sector objectives and the environmental management systems now being developed in industry and in society in general. A number of central government authorities have been commissioned to compile proposals for sub-goals, action strategies and evaluation. For example The National Board of Housing, Building and Planning was given the major responsibility for the objective “A Good Built Environment”. Different central government authorities will thus have their own ‘special sector responsibility’, meaning that they are responsible for furthering environmental developments in their particular field of responsibility and doing this together with groups of business representatives and associated authorities.

To guild efforts to achieve these objectives, the Government in 2001 proposed interim targets for each of them. In a series of decisions in 2001 and 2002, Parliament adopted a total of sixty-nine such targets, indicating the direction and timescale of the action to be taken. It also approved three strategies for implementing the objectives which highlight a need for cross-sector measures. In 2004 a report was presented to the Government evaluating progress so far towards the interim targets, and some alterations were adapted in 2005 based on this report.

Concerning the environmental quality goal “A Good Built Environment” the evaluation of the interim targets pointed out that some of the targets would be difficult to attain by the dates stipulated. The three interim targets thus pointed out concerned protection of the cultural heritage, traffic noise in dwellings in excess of the guide values approved by Parliament and ill health related to problems in the indoor environment.

As to traffic noise around 10 percent of the population is exposed, indoors inside their homes, to road traffic noise exceeding the adopted guide values. Despite action taken, traffic noise increases, this being due to urban development generating more traffic, an increase in heavy vehicle traffic and a combination of wider tyres and noisy road surfaces.

As to the indoor environment around 10 percent of the population are estimated to have various symptoms of ill health related to problems in their indoor environment. Studies point to a link between inadequate ventilation and ill health. Compliance with testing and inspection requirements of ventilation systems are found to be poor and legislation does not cover all parts of the housing stock. High levels of radon are especially pointed out. At the present rate of measures taken it would take at least one hundred years before the target of 200 Bq/m³ would be attained. Monitoring of radon levels in schools and pre-schools is under way, the target for these types of premises is judged to be attainable (i.e. by 2010). However the evaluation of the interim targets estimated that it would be very difficult to achieve the other aims expressed in the interim target: problems such as damp, moulds and emission of chemical substances from building products and furnishing also need to be tackled. In connection with this a report ordered by the Government was presented in 2005.

Related to the goal for a sustainable society are the Local Investment Programmes that were introduced by the Swedish Government to further employment and speed up Sweden’s transition into a sustainable society and to contribute to growth of employment. Parliament allocated SEK 6 300 million (approx € 675 million) for the period 1998 – 2002, to be granted to municipalities that present and carry out good ecological programmes. The effects aimed at were among others to reduce environmental impact, make the use of energy and other natural

resources more efficient, promote the use of renewable resources and to preserve biological diversity.

Intense work with the implementation of the directive on energy performance of buildings (2002/91/EG) is being done (2005-2006). E.g. development of methods for evaluation of building energy performance.

A Climate Investment Programme has been introduced for the years 2003 – 2007, with a funding of almost SEK 850 million. Its aim is to decrease the carbon dioxide emissions.

The Eco-Cycle Council, a NGO of the Swedish building sector (a network consisting of some forty branch organisations within the field of building and property) has further developed its plan of action “The Environmental Programme for the Building Sector 2003” (for the period 2003-2010). The programme contains environmental goals for energy conservation, economising with building materials, gradual decrease of hazardous substances and encouragement of sound indoor environments.

The project “The Building/Housing Dialogue for a Sustainable Building and Property Sector” is a unique cooperation between private companies, municipalities and the Swedish Government. The result has been a voluntary agreement to take tangible measures for a sustainable development. The project has three areas of priority: a healthy indoor environment, effective use of energy and effective resource management. In 2005 some focus has been on education of construction workers and maintenance personnel.

Several questions concerning the indoor environment have been on the agenda during the later years. As to radon subsidies have been given for counter measures. Campaigns have been conducted regarding radon as well as the legionella bacteria due to water with too low a temperature, removal of PCB from the large high-rise housing estates of the 60s and 70s and also questions concerning noise and insufficient noise isolation. Brominated flame retardants may become a new health problem. How to work to prevent allergy problems stemming from building materials is another problem that is likely to be focused on.

Regarding ventilation Sweden has, since 1992, had a compulsory check system, that includes most buildings. The aim is to check that the ventilation system functions according to the requirements stated when the (latest) building permit was given. In spite of this compulsory system there are still ventilation deficiencies in around 60 percent of the buildings, which very often are schools and day nurseries. As an attempt to find other ways and means the Government has commissioned the National Board of Housing, Building and Planning to test an alternative way of working with quality assurance in connection with housing maintenance and management.

Issues of sustainability in construction are becoming more apparent in the ongoing alterations to Swedish planning and building laws. The allocation of wind power structures, more stringent regulations about the use of natural resources for building purposes are examples of this development.

As mentioned above the 16 national environmental objectives have passed through Parliament and are in the process of being implemented into the daily work of the national government authorities concerned. Ways and means for evaluating these how these goals and their sub-goals are being fulfilled are the concern of various central government authorities. Within the

construction sector several such goals, e.g. PCB and HG removal, have been nationally set and also worked on from a voluntary basis.

The government agency responsible (The National Board of Housing, Building and Planning) is contemplating if rules should be developed concerning the running and maintenance period of buildings. It is important to stress that this is the period during which most energy is used, and most resources are needed (water, waste, electricity etc). Being able to reduce the amounts of non-renewable materials etc used during the service lifetime of the buildings, i.e. 40 – 80 years, will in the end be what is necessary to obtain those reductions that are needed within all fields if Sweden is to become the sustainable society that has been agreed upon as a political goal.

As to use of energy electricity-certificates have been introduced to increase the use of renewable resources. More and more dwellings are being connected to distant heating networks, that are increasingly using biological fuels. During the next few years a large concentration on spreading information will be made. All municipalities have special energy advisors and resources will be invested in their further training.

As to sustainability a joint UK – Sweden Sustainable Building Initiative was set up by the UK and Swedish Governments was set-up 2005. This is an initiative to encourage sustainable construction, management, renovation and demolition of buildings through shared best practice with an international partner (see www.constructingexcellence.org.uk/uksweden/).

4.4.4 Principal problems encountered as regards health in buildings (e.g. asbestos, radon, lead poisoning, etc.) and policies developed to solve these problems

See 4.4.3.