

# Chapter 12

## HOUSING:

### Demand exceeds supply in Nordic markets

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**H**ow we choose to build our cities and regions forms the basis for our everyday lives. The built environment is also an important factor in future social, ecological, economic and spatial development. The character of this future development is however dependent upon the types of housing that are available, what is being built and at what price. Can migrants from other cities, regions or countries afford to move into the area assuming there are homes available to buy or rent? Is affordable student housing available? Answers to questions such as these, and the comparative Nordic approach can, for example, function as indications of social sustainability and integration, i.e. where can people with different resources actually settle and stay in the Nordic countries? Nordic cities are segregated and housing and construction are key factors in this development, influencing the spatial relations between different socio-economic groups.

#### **Nordic property prices rising rapidly**

Housing data is of relevance to several actors; developers, buyers and sellers on the housing market, tenants, the homeless, policymakers, and local as well as regional planners. The first indicator in respect of the current situation regarding housing in the Nordic countries presented here is the House Price Index, an index referring to the cost of housing on the property market, i.e. housing as a good up for sale. This illustrates the relationship between supply and demand. It is also an aspect that is highly dependent on financial market fluctuations, illustrating the financial risks residents in the Nordic countries are willing to take when it comes to housing.

Figure 12.1 shows the changes in the prices of residen-

**The built environment is an important factor in future social, ecological, economic and spatial development.**

tial property purchased by households (HPI) between the first quarter of 2005 and the first quarter of 2015, i.e. during a ten year period. The index, where 100=first quarter of 2005, is based on Eurostat's final market price data for all types of residential properties (apartments, detached houses, terraced houses etc.). In all of the Nordic countries HPIs have increased more than the EU average. As an example housing prices in Norway have increased by 400 percent in the period 1992-2014. During the same period prices overall have increased by only 55 percent (Statistics Norway 2015, p.19).

Prices fell as a result of the financial crisis in 2008 – this was true for all countries although the decrease was most visible in Denmark and Iceland. Sweden has however subsequently seen a rapid increase in house price levels. According to Eurostat, in European terms only Estonia has witnessed a more rapid increase.

Increasing property prices imply that property is a scarce and attractive resource. The effects of a steady price increase over a period of time can however vary. For example, high prices and competition in a national

context where housing ownership is a positive norm and rental housing is negatively stigmatised can emphasise socio-economic differences. Whether there are measures in place to provide loans at attractive rates is also an important factor in terms of the socio-economic effects of rising housing prices.

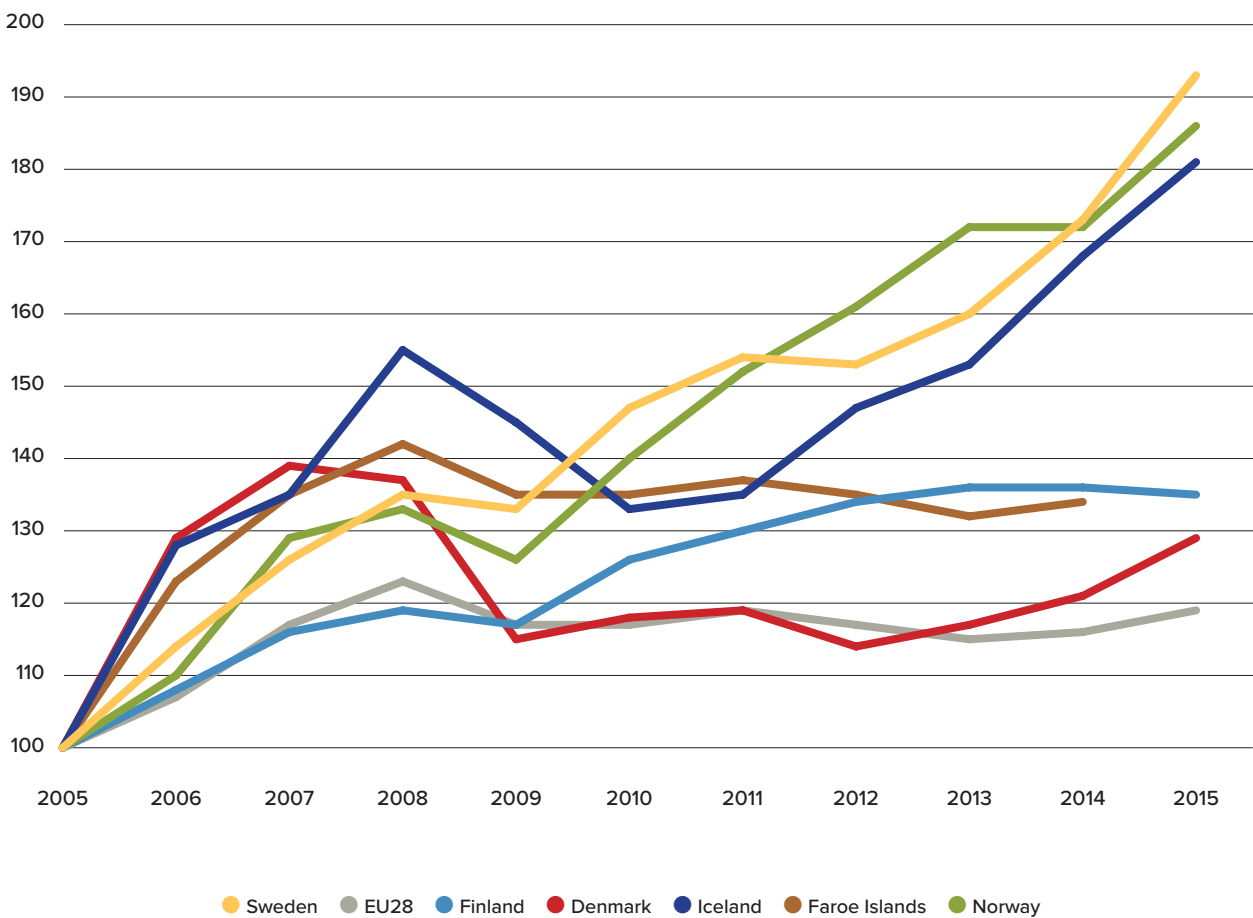
### Building sector recovery fails to meet housing need

House prices are of course related to what is available, what is being built and how this relates to existing demand. However, the housing construction sector is also strongly dependent on state support measures and international market trends. In the Nordic countries there are different views on what the role of the state should

be in housing production. In Norway and Finland state institutions exist for the financing of housing construction and to support households to get onto the property ladder particularly in respect of different forms of owner-occupied housing, while in Denmark and Sweden stronger public housing companies exist instead (Boverket 2011).

The effects of international dependencies are visible in the two charts below (figures 12.2 and 13.3). Since the year 2000 the development of residential construction has followed a broadly similar pattern in Sweden, Norway, Denmark and Iceland. The socio-economic effects of the development of housing construction are however difficult to interpret from these charts since the data does not take tenure form into account. Whether the completed dwellings in the chart below (figure 12.2)

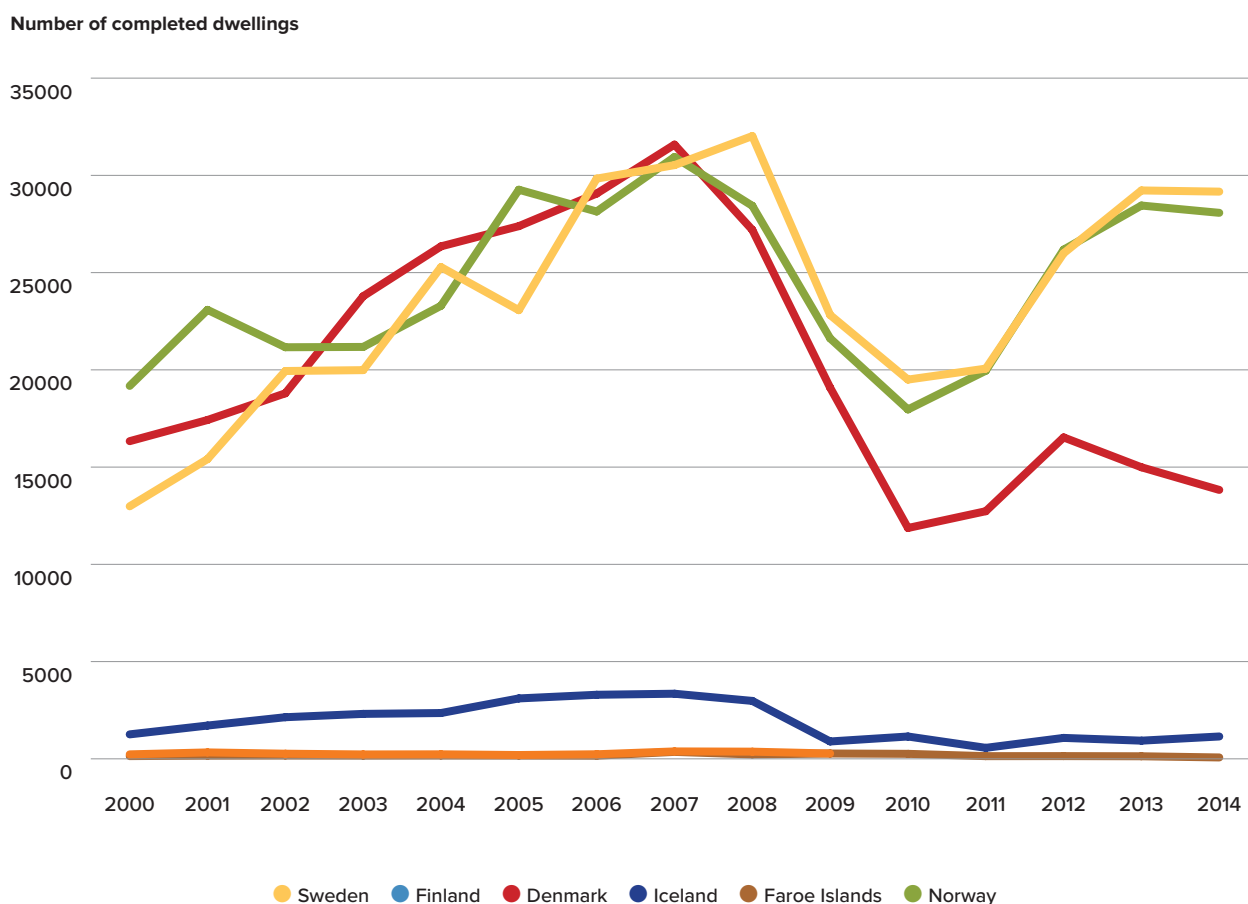
Figure 12.1: National house price index (HPI), 2005-2015



Data source: Eurostat. Finland: Includes Åland. Greenland: No data

Refers to the first quarter of each year. NB: HPI refers to final market price of residential property purchased by households

**Figure 12.2: Development of residential construction 2000-2014: number of completed dwellings**



are rental or owner-occupied has a significant impact in terms of their socio-economic effects on the ground. Who can afford the homes, who can access them and how, where in the urban landscape are they located etc.?

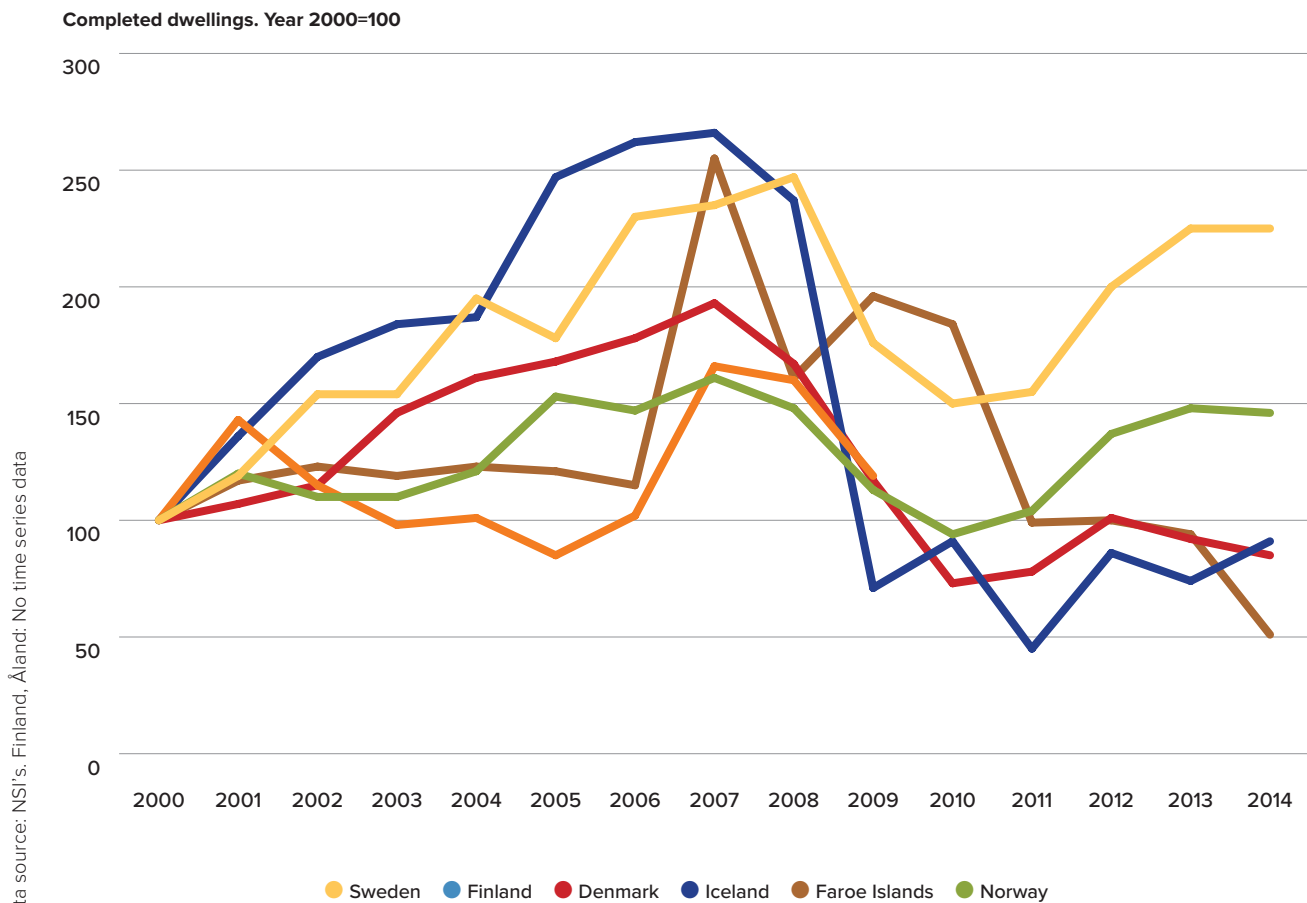
House building declined significantly after the financial crisis. In Sweden and Norway the number of completed dwellings has however subsequently increased, but the big cities are still experiencing a housing shortage. This is particularly so in Sweden, where housing construction also fell in the early 1990s, and since then has remained on a comparatively low level. As a consequence of these historic downturns in house building, in 2012, almost half of Sweden's municipalities suffered from a lack of housing and thus young people in the larger urban regions in particular where finding it increasingly hard to find suitable accommodation (Statistics Sweden 2012, p.8-9). As can be seen in the charts below, Denmark has faced even greater problems in recovering than Sweden or Norway. It should moreover

be emphasised that Sweden's increase is still relatively minor, both from a long term perspective and in relation to the general lack of housing.

The data for Finland was only available for the combined period 2010-2014 and has not therefore been included in the charts. In the map (figure 12.4) Finland is presented with the average from the period of 2010-2014. Looking, however, at the available data from a long term perspective (since 2001) on the national level for the volume of approved building permits, Finland's situation remains broadly similar to that of Sweden and Norway. Finland saw a rise in approved building permits up to 2008 and has thereafter witnessed a reduction in the rate of approved permits in relation to historic levels (Statistics Finland 2015).

Figure 12.2 shows absolute numbers for completed dwellings. These numbers must however be interpreted in relation to population size, while Figure 12.3 is indexed with 2000 as the index year. It is striking that ba-

**Figure 12.3: Development of residential construction, index 2000-2014: number of completed dwellings**



sically all of the Nordic countries are either stagnant or in real decline in 2013-2014, except Iceland which saw a minor increase. Iceland's property market was booming up to the financial crisis in 2008, but, the decline was severe after the onset of the crisis, and the small increase between 2013 and 2014 must be viewed in relation to the fact that new construction had reached rock-bottom in 2011 with the lowest index value for all of the Nordic countries during the 2000's.

Housing construction data on the national level is actually more of an indicator for the construction and business sector than for the actual spatial development of a country. Indeed, as noted previously, tenure forms are important in terms of the spatial development consequences new residential construction has, but also the location of new housing. In the map (figure 12.4) below housing construction is mapped on the municipal level providing some more information of the effects on the ground – in cities and regions. If it would be possi-

## Comparing statistics on residential dwellings construction

There are no EU regulations in respect of the statistics on the construction of residential dwellings. The definitions do however seem to be fairly comparable between the Nordic countries and comparisons have been made in other studies, e.g. by Boverket (2011). The selected data in figures 12.2-12.5 show the number of new completed dwellings (on the municipal level). It should thus only include residential buildings (and not other kinds of new construction) and the unit is the "number of dwellings". All kinds of residential dwellings are included.

## The challenge of housing data

Challenges exist both in terms of finding comparable data and in choosing the best explanatory level when it comes to using the data found in relation to housing and construction in a Nordic perspective. This is of course related to differences in policies between countries, as well as to specific historical contexts. For example, what are the available tenure forms in the different countries and cities? Is there an extensive endowment of 'social' housing? Who are the most prominent builders and landlords – public or private actors? All of these factors influence how housing develops in a country or city, and differences such as these can make statistical comparisons difficult. A good starting point in the search for information here is Eurostat, since their data is comparable between countries. They do not however have much data on housing, and the data that they do have is on the national level. National data can describe national policies, but when it comes to housing and construction in the Nordic perspective, municipal or even district level data is much more useful. If housing statistics are to be used as an indicator of spatial development, in an attempt to understand the spatial consequences of market trends, segregation or urban-rural relations, this would only be possible with access to comparable data on the municipal or district levels for all of the Nordic countries.

A second important remark to make in relation to the presented data is that the theme of this chapter, housing, is a general variable that can cover many aspects of housing. As such, this chapter is focused on property prices, residential construction, tenure forms and overcrowding.

ble to zoom in on this map and see the differences between urban and suburban areas in single municipalities illustrating the importance of land value, it would be even more instructive. Nevertheless, this map still has two striking characteristics. Firstly, the low level of construction in Swedish municipalities outside of the urban regions or larger cities is apparent. Overall, new construction especially in Norway and Finland is

**It is striking that construction in basically all of the Nordic countries was either stagnant or in real decline in 2013-2014, except Iceland which saw a minor increase.**

in general higher and more spread out geographically. Secondly, construction is relatively lower in Denmark, and the Copenhagen region stands out in comparison to the other Nordic capital regions. This is also in line with figure 12.2 and figure 12.3, which show a substantially lower new construction pace in Denmark in recent years when compared to Norway and Sweden. It is also notable that large parts of the rather rural island of Åland have recently seen a high share of newly completed dwellings. The municipality of Jomala near Mariehamn stands out in particular, indicating that the capital region on this small island is currently growing. The data on the map in figure 12.4 can be interpreted overall as an indication of urbanisation and the enlargement of cities, since many of the municipalities with the largest construction per capita are those on the edges of urban regions or just next to larger cities.

## Home ownership dominant across the Nordics

This chapter has concentrated on the housing market for buyers, owners and developers. This section will however move the focus onto rental tenure. Across the Nordic countries several forms of tenure currently exist. As a resident you can rent or own your dwelling, individually or co-operatively, and in some cases there are also mixed tenure options. Housing policies regulate the role of public and/or social housing in relation to the dwellings bought and sold on the property market. The development each of these two main housing forms is then, in a sense, dependent on the other.

In addition, the role and organisation of the public housing companies differ within the Nordic context

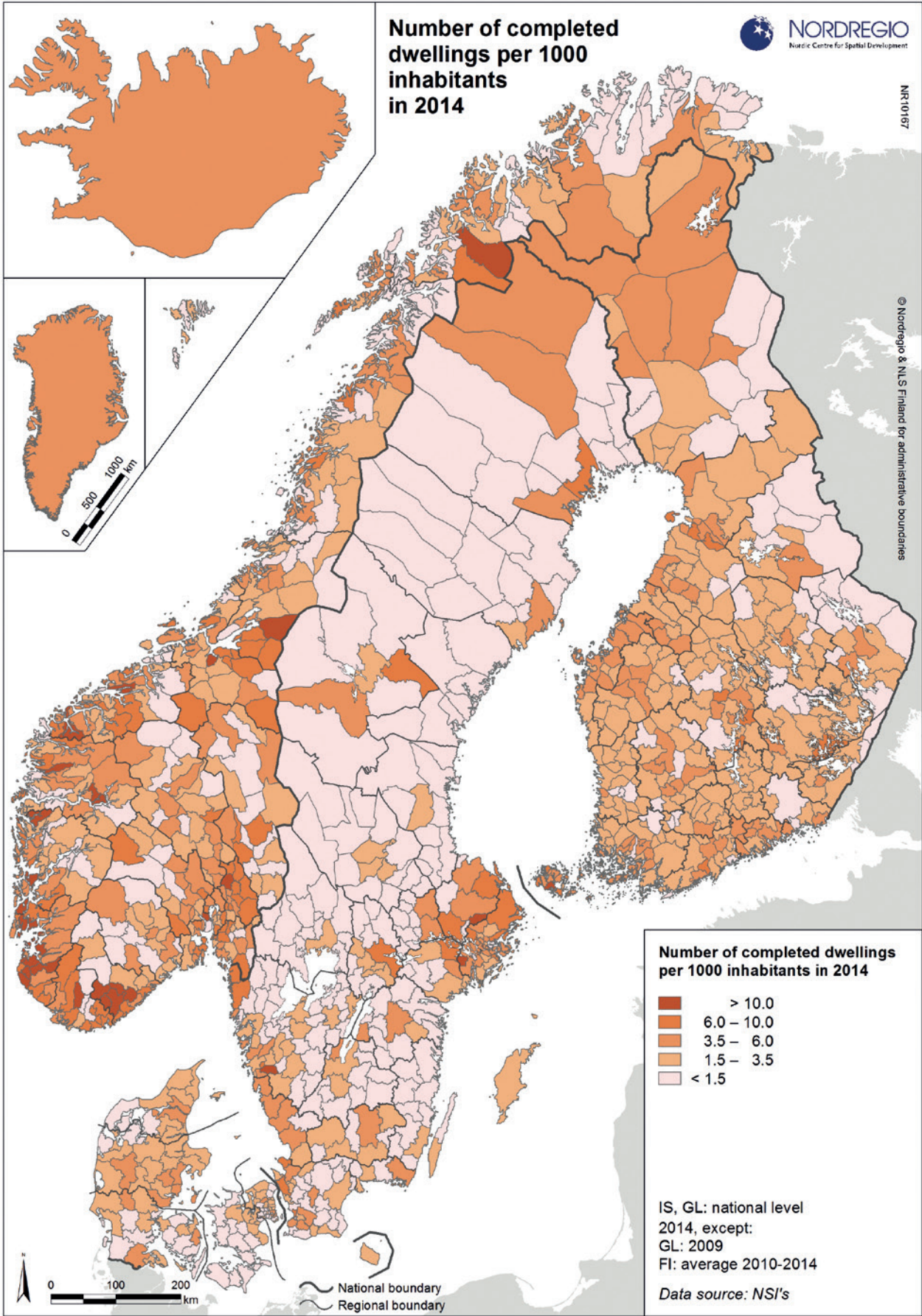


Figure 12.4: Number of completed dwellings per 1000 inhabitants in 2014

and the role and importance of social housing in the different countries significantly influences their housing markets (Bengtsson 2013, Boverket 2011). In Denmark and Sweden public housing companies providing rental housing (“almene boliger” and “allmännyttan”, respectively), while in Norway the central actor building ownership dwellings for economically weaker groups is Husbanken. In Finland rental housing is made available with support from the state (ARA) (Boverket 2011).

Consequently, in order to be able to compare, generalisations have to be made. The table on forms of tenure in 2014 (table 12.1) shows the relationship between rented and owner-occupied housing, but in order to show this several sub-categories have been merged. Rental housing includes state subsidised rental housing as well as all other public and private housing under rental tenure while the ownership category also includes co-operative ownership forms. On the national level a rather similar picture occurs across most of the Nordic countries with owner-occupied housing of different kinds making up the largest share, around two-thirds of all households with housing for rent making up the other one-third. In Denmark a small share of the ownership category is termed “andelsboliger” which is the Danish

form of co-operative ownership dwellings. In Sweden the largest share is ownership, followed by rental and co-operative ownership (“bostadsrätt”). This includes all forms of housing (apartments, detached houses, terraced houses, etc.).

As can clearly be seen Greenland provides a rather different model than the other countries as public, and thus rental, housing is the dominant form. Rental housing in Greenland is often owned by public organisations, for instance the national government or the municipalities, and in a few cases also by large companies (Rasmussen 2011, p.128). With its sparse population and harsh landscape, Greenland’s towns and settlements have often been described as islands, creating relatively limited and distinctly separate labour and housing markets (OECD 2011, p.71). In the Faroe Islands almost all dwellings are privately owned (Rasmussen 2011, p.128), as they are also in Iceland (though this not represented in table 12.1). In Iceland, housing ownership is seen as a secure investment in an otherwise “boom and bust economy” (Karlsdóttir 2013, p.48).

Regarding the generally smaller share of rental properties in all countries except Greenland there are important aspects of this issue that are not immediately visible in the table. In Denmark and Finland state subsidies plays a much stronger role, making it possible for these two countries to provide housing at lower cost. In Finland the private rental market was around 20 percent in 2014 and the share of state subsidised dwellings around 13 percent. Tenants in state subsidised dwellings are selected on the basis of social appropriateness and financial need, i.e. social housing. In Sweden there is, instead of social housing, a system of needs-tested rent grants to households in place with a similar function of lowering rent levels for social groups lacking adequate resources. In Norway, on the other hand, there is basically no public housing at all. Rental apartments (around 23 percent in 2011) are mainly owned by private persons, making the position of rental tenure very different from countries where it is public and/or state subsidised, or where landlords are the municipalities themselves, unions or other associations (see Bengtsson 2013 for a comparative discussion on this).

Figure 12.5 shows the number of rental dwellings per 100 owned dwellings in 2014. It is again a simplified division of all the housing types where the category rental includes state-subsidised, public and private rental dwellings and the category ownership includes co-operatively owned dwellings as well as individual ownership. According to this map – with the exception of Greenland - rental housing predominates or is strong mainly in municipalities in or near the bigger cities in Sweden, Denmark and Finland, for example in municipalities around Copenhagen such as Brønd-

**Table 12.1: Forms of tenure in 2014.**

<b>2014</b>	<b>Rental * %</b>	<b>Ownership** %</b>	<b>Other %</b>
Denmark	38.7	57.8	3.4
Finland	32.8	67.1	0.0
Sweden	38.2	61.8	0.1
Norway	22.8	77.3	0,0
Faroe Islands	13.5	80.8	5.8
Greenland	59.1	31.0	9.9

\* (including social housing, public as well as private rental)

\*\* (including co-operative ownership)

Source: NSI’s. Harmonisation by Nordregio. Note: Faroe Islands and Norway: 2011. Greenland: 2010

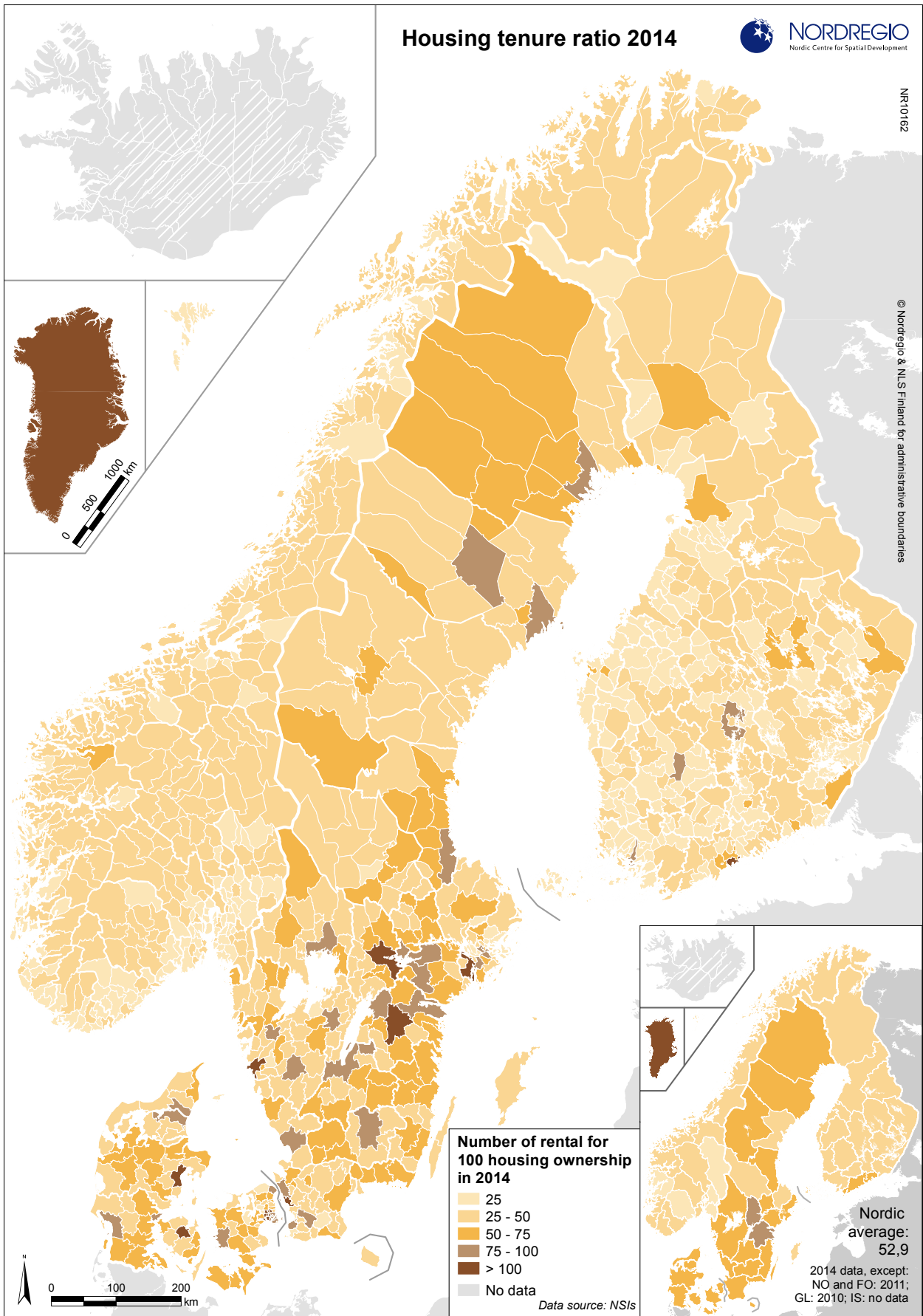


Figure 12.5: Housing tenure ratio 2014

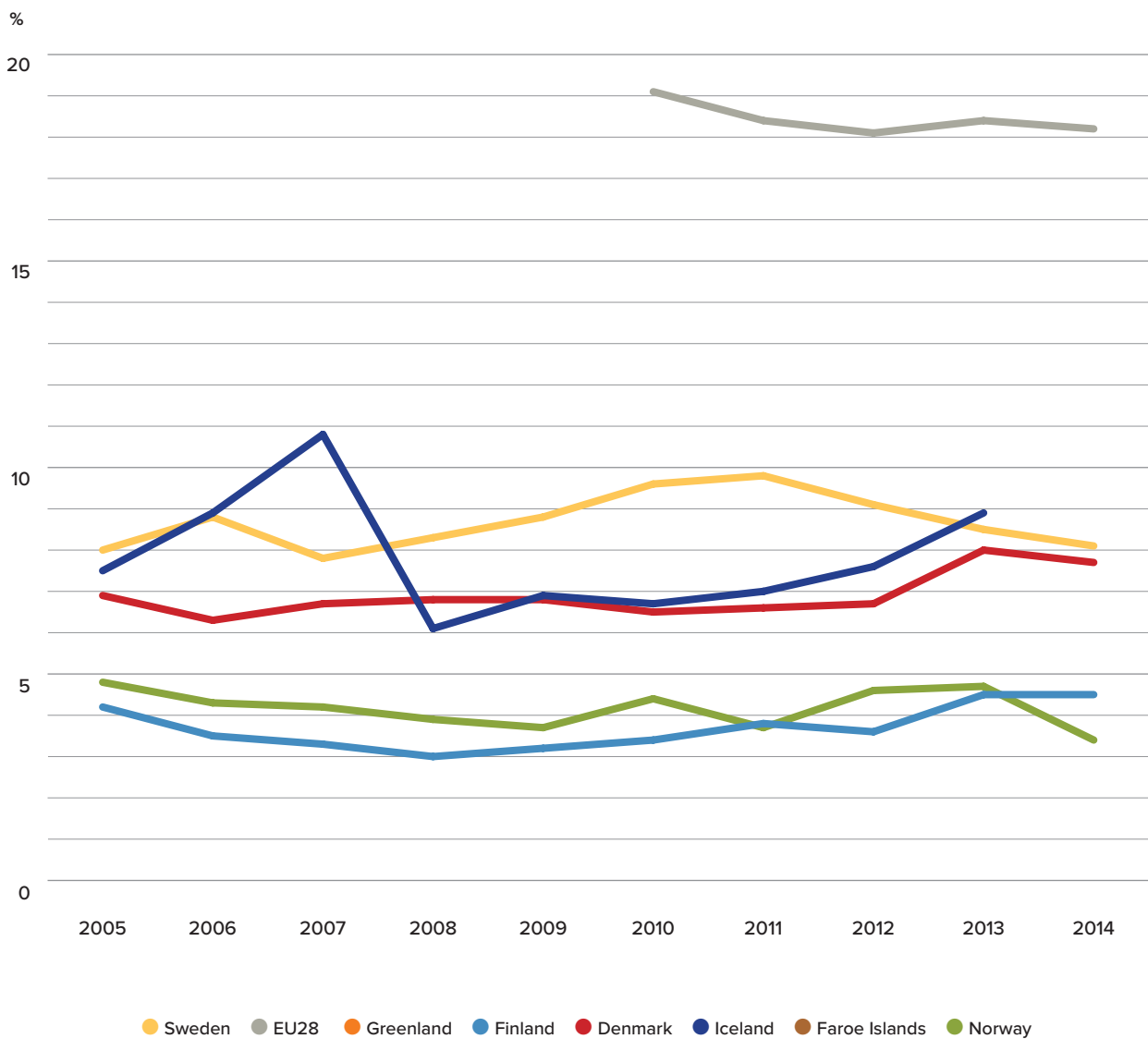


by and Albertslund, in Södertälje and Sundbyberg in the Stockholm region and in Helsinki municipality. However, rental tenure is also dominant or strong in municipalities like Århus (Denmark), Fredericia (Denmark), Landskrona (Sweden), Turku (Finland) and Lycksele (Sweden). Overall however, housing ownership in different forms is strong in the Nordic countries. And although the map illustrates the entrenched position of housing ownership, it also illustrates the relatively stronger position of rental tenure in Sweden and Denmark in comparison to the other Nordic countries. In Norway, renting is primarily for the young and single, particularly in the cities (Statistics Norway 2015, p.18).

## A strong relationship between overcrowding and poverty

A final variable presented here to illustrate the housing situation in the Nordic countries is that of overcrowding. As figures 12.6 and 12.7 illustrate there is a small gap between Norway and Finland with the smallest share of overcrowded population and Sweden, Denmark and Iceland with a somewhat larger share. The general picture of the Nordic countries is that crowding is much less of a problem here than in the European Union overall. It should however be emphasised that despite overcrowding being a relatively small problem nationally in the

**Figure 12.6: Share of overcrowded households (excluding single-person households) 2005-2014**



Data source: Eurostat. Note: Finland: includes Åland. Faroe Islands, Greenland: No data

Nordic context it is, according to Statistics Sweden for example, more common among the foreign-born population in Sweden, and particularly those foreign-born from outside Europe (Statistics Sweden 2014a). This could be seen as an indication of segregation, in the sense that overcrowding is a consequence of the difficulties faced by ethnic minorities in getting into the regu-

lar housing market (Ahmed & Hammarstedt 2008). Note also in Figure 12.7 how overcrowded households correspond with those at risk of poverty (defined as the persons with less than 60 percent of the median income), clearly illustrating a very vulnerable group (i.e. often immigrants from outside Europe, living in crowded conditions and at risk of poverty).

## What counts as an overcrowded household?

Following Eurostat, an overcrowded household is defined as one which has fewer rooms than the sum of:

- one room for the household;
- one room per couple in the household;
- one room for each single person aged 18 or more;
- one room per pair of single people of the same gender between 12 and 17 years of age;
- one room for each single person between 12 and 17 years of age and not included in the previous category;
- one room per pair of children under 12 years of age.

Crowding can however be an indicator both of actual crowding due to the lack of affordable and/or adequate housing, and of a chosen “compact” lifestyle. In the data presented below single-person households have been excluded in order to gain a better picture of actual crowding due, perhaps, to the lack of affordable and/or adequate housing.

Figure 12.7: Share of overcrowded households (excluding single-person households) at-risk-of-poverty in 2014

