

MARCH 2012

## SWEDEN

### STRUCTURE OF HOUSING INDUSTRY

#### GOVERNMENT HOUSING POLICY

##### Social Housing

Social Housing does not exist in Sweden. However, there are different kinds of housing allowances which are available through the social insurance system. Families with children and young people aged between 18 and 28 with a low income can receive housing allowance. The amount of the allowance depends on income level, housing costs, the size of the flat and the number of children.

Retired persons (over 65 years) and persons with sickness compensation can also get housing allowance, depending on their income and housing costs.

Other individuals in need can apply for financial help at the social authorities of their own municipality.

##### Taxation

Property fee: it amounts to SEK 6,512 (EUR 700) or cannot exceed 0.75% of the assessed value of the property.

Capital gain tax: it is levied on homes sold with a profit. It amounts to 22% of the profit.

Fee on postponed capital gains: the capital gain tax can be postponed when a new home is purchased. The sum of the postponed capital gain is maximised to SEK 1.45 million (EUR 157,000) and a yearly tax of 0.5% is levied on the postponed sum.

##### Subsidies

Almost all subsidies regarding constructions have been abolished or are phasing out. The remaining subsidies apply to energy saving or radon-clearing works.

However, there are two kinds of tax relief on housing. The first is a general tax reduction on interest rates on all kinds of loans in Sweden, which is also applicable on mortgage loans. The tax reduction amounts to 30% of the interest paid on the loan.

The second is the exemption for homeowners with newly-built houses from full property fees over the first ten years. The first five years homeowners with new built houses pay no property fee and the following five years they only pay half of the property fee.

EMF Links	<a href="#">Study on the Cost of Housing 2010</a>
National Links	<p>Försäkringskassan (Public social insurance)</p> <p><a href="http://www.forsakringskassan.se/sprak/eng/help_with_the_cost_of_housing_(bostadskostnad)">http://www.forsakringskassan.se/sprak/eng/help_with_the_cost_of_housing_(bostadskostnad)</a></p> <p>Pensionsmyndigheten (Swedish Pensions Agency)</p> <p><a href="https://secure.pensionsmyndigheten.se/HousingSupplement_en.html">https://secure.pensionsmyndigheten.se/HousingSupplement_en.html</a></p>
External Links	Structural Factors in the EU Housing markets, March 2003 at <a href="http://www.ecb.int">www.ecb.int</a>

## HOUSING STOCK and TENURE

### Trends

The owner occupation rate has increased slightly over the last 15 to 20 years. This is due to the fact that most of the new residential buildings consist of one-family homes and tenant-owned apartments. The production of houses with rented apartments has been limited.

Even if the construction figures have increased in the last years, they are comparatively low in Sweden and have been so since the beginning of the 1990s. 27,000 dwellings were started and 23,000 dwellings were completed in 2010, and this has to be compared to a population with over 9 million inhabitants.

### Data

*Total Dwelling Stock: 4,508,000 in 2010*  
*Owner occupation rate: 67% in 2010*

<b>EMF Links</b>		<a href="#">Hypostat Tables</a>
<b>National Links</b>	Statistics Sweden	<a href="http://www.scb.se/Pages/Product_5581.aspx">http://www.scb.se/Pages/Product_5581.aspx</a>

## DEMOGRAPHY

### Trends

Population growth has been higher for several years in Sweden compared to other EU countries. Net migration but also natural growth (due to high birth rate) have resulted in a relatively high population growth.

Total population is expected to increase at least throughout the next 50 years and Sweden is expected to reach 10 million inhabitants in about 10 years.

### Data

*Population: 9,471,000 inhabitants in September 2011*

<b>EMF Links</b>		<a href="#">Hypostat Tables</a>
<b>National Links</b>	Statistics Sweden	<a href="http://www.scb.se/default_2154.aspx">http://www.scb.se/default_2154.aspx</a>
<b>External Links</b>		Population and Social Condition at <a href="http://www.epp.eurostat.ec.europa.eu">www.epp.eurostat.ec.europa.eu</a>

## HOUSING SUPPLY

### Trends

In the beginning of the 1990s construction figures fell dramatically as Sweden was hit by a severe economic crisis. Although construction figures started to increase from around the year 2000, they have not yet reached the pre-crisis level.

Due to the uncertainty caused by the financial crisis, which started in 2008, construction figures fell on a year-on-year basis in 2009. Figures then recovered in 2010 and in early 2011. However, continued instability in the international macroeconomic environment (also due to the sovereign debt crisis) has made this recovery uncertain. The National Board of Housing expects that housing start figures will decrease in 2011 and 2012.

### Data

*Housing Starts*  
*Housing Completions*  
*Building Permits*  
*Residential Investment*

<b>EMF Links</b>		<a href="#">Hypostat Tables</a>
<b>National Links</b>	Statistics Sweden	<a href="http://www.scb.se/Pages/Product____5581.aspx">http://www.scb.se/Pages/Product____5581.aspx</a> <a href="http://www.scb.se">www.scb.se</a>

## HOUSE PRICES

### Trends

Between the end of the 1990s and 2007, house prices have increased between 6 and 11% on an annual basis. As the financial crisis started in 2008 house prices slowed down and therefore increased by 2% to 3% in 2008 and 2009. Due to - among other things - interest rates at their record lows, house prices increased by 7% in 2010. Renewed uncertainty in the global macroeconomic scenario and increasing interest rates have then impacted prices during 2011 and in Q3 2011 house prices increased by 1% year-on-year.

### Data

*Real estate price index for one- and two-dwelling buildings (1990=100) by county. Year 1990-2007*

*Real estate price index for one- and two-dwelling buildings for permanent living by region. Quarter 1986K1-2008K3*

<b>EMF Links</b>		<a href="#">Hypostat Tables</a> <a href="#">Quarterly Review Statistics</a>
<b>National Links</b>	Statistics Sweden	<a href="http://www.scb.se/Pages/Product____10966.aspx">http://www.scb.se/Pages/Product____10966.aspx</a> <a href="http://www.scb.se/Pages/TableAndChart____39158.aspx">http://www.scb.se/Pages/TableAndChart____39158.aspx</a>

## TRANSACTIONS

### Transaction Costs

Transaction costs in Sweden are relatively low and consist of a stamp duty tax and a mortgage registration fee.

Stamp duty: it has to be paid when purchasing a house or property, and amounts to 1.5% of the purchase value plus a fixed amount of approximately EUR 90.

Mortgage registration fee: it amounts to 2% of the mortgage value and it applies on new mortgages associated with the purchase of a property. This means that if there are mortgages already registered on a property, the fee is due only for those mortgages exceeding the value of the old mortgages. An additional fixed cost of approximately EUR 40 has also to be paid on every new mortgage.

### Trends

The turnover rate of one-family houses was 3% of the total housing stock in 2010.

### Data

EMF Links	<a href="#">Study on Cost of Housing 2010</a>	<a href="#">Hypostat Tables</a>
National Links	<a href="#">Statistics Sweden</a>	<a href="#">Sold one- and two-dwelling buildings for permanent living by region. Quarter 1998K1-</a> <a href="#">Sold one- and two-dwelling buildings for permanent living by region. Year 2000-</a>

# STRUCTURE OF MORTGAGE MARKET

## SIZE AND GROWTH

### Trends and Interest Rates

Outstanding residential loans grew by over 10% on yearly average from 2004 until mid 2008. At the end of 2008, as the financial crisis started, the growth rate in outstanding residential loans started to slowly decrease. In 2009 and in the beginning of 2010 this growth rate accelerated slightly due to low market interest rates. However, since interest rates have started to increase again in 2010, growth rate in outstanding mortgage loans continued to decelerate. In September 2011 residential mortgage lending increased with 5.5% on an annual basis.

Other factors influencing the mortgage market growth rate are the guidelines released by *Finansinspektionen* (the Swedish FSA) in October 2010, stating that lenders should not grant new mortgage loans with Loan-to-Value (LTV) ratios above 85%. In addition, the Swedish Bankers' Association published recommendations which say that borrowers should amortise mortgage loans exceeding 75% LTV.

Mortgage borrowers in Sweden usually prefer variable interest rates. Slightly more than half of the outstanding mortgage loans are with variable interest rates.

### Data

*Total Outstanding Residential Loans*

*Gross lending*

*Net lending*

*Representative Interest Rates on New Mortgage Loans*

EMF  
Links

[Hypostat Tables](#)  
[Quarterly Review Statistics](#)

## INDUSTRY STRUCTURE

### Type of Lenders

Mortgage institutions hold a large share of the mortgage market. Nonetheless, the majority of mortgage institutions are owned by banks. There are also a number of banks which do not own any mortgage institution and which directly offer mortgages.

### Top 5 Lenders

Based on figures from 2011:

- ▶ Swedbank Hypotek;
- ▶ Stadshypotek (Handelsbanken);
- ▶ Nordea Hypotek;
- ▶ SEB;
- ▶ SBAB

### Regulation

Not Available.

### Distribution Channels

Mortgages are distributed directly by mortgage institutions or by the banks owning the mortgage institution. Swedish borrowers normally contact their bank to get a mortgage or a couple of mortgage institutions in order to find the best offer.

## PRODUCT TYPES

Mortgage Products	Interest-Rate Types as a Percentage of Mortgage Lending Market	Breakdown by Loan Maturity Type
<p>Mortgage loans (secured on residential property) with variable or initial fixed interest rates (from one year to around 10 years) are the most common mortgage product.</p> <p>Other mortgage products are capped variable interest rates and equity release.</p>	<p><b>New loans</b> (Jan.-Sep. 2011):</p> <p>Variable: 53% Initial fixed 1-5 years: 42% Initial fixed =&gt;5 years: 5%</p> <p><b>Outstanding</b> (Sep. 2011):</p> <p>Variable: 51% Initial fixed: 49%</p>	<p>Not Available.</p>

## FUNDING

Funding Methods and Trends	Data
<p>Swedish banks and mortgage institutions started to issue covered bonds in 2006 and already in 2008 all mortgage bonds have in practice been converted to covered bonds. Mortgage bonds were the main funding instrument prior to the introduction of covered bonds on the Swedish market. Like covered bonds, Swedish mortgage bonds were traded on a liquid market.</p> <p>The value of outstanding covered bonds backed by mortgages amounted to SEK 1,834 billion (EUR 198 billion) in September 2011. Over the last four quarters (from Q3 2010 to Q3 2011) covered bonds worth SEK 646 billion (EUR 71 billion) have been issued.</p>	<p><i>Total Covered Bonds Outstanding (backed by mortgages)</i> <i>Total Covered Bonds Issuance (backed by mortgages)</i> <i>Total RMBS Issues</i></p>
<p><b>EMF Links</b></p>	<p><a href="#">Hypostat Tables</a></p>
<p><b>National Links</b></p>	<p>ASCB, Association of Swedish Covered Bonds <a href="http://www.ascb.se">http://www.ascb.se</a></p>

## DEFAULTS

Safety Nets	Repossessions
<p>There are different types of public safety net in Sweden. For example, social insurance in case of absence due to illness or unemployment compensation in case of job loss. Public safety nets normally allow people who suffer from illness or unemployment to keep their dwelling until recovery or new employment.</p> <p>It is also common to have complementary private health and life insurances. Many lenders also offer different kinds of mortgage loan insurances in case of unemployment, illness or decease.</p>	<p>Not Available</p>

## AFFORDABILITY

### Loan to Value Ratios

The average LTV on new loans was 75% for apartments and 68% for one-family homes. These figures are according to *Finansinspektionen* and refer to February 2010.

### Debt Servicing Costs

One of the major Swedish banks, Swedbank, publishes an index on housing affordability). The index is 100 when the household uses 15% of its income before taxes (approx. 25% of disposable income) to meet loan costs (interests and amortisation). When the index is higher than 100, it means that households are better placed to afford their own houses.

In 2011 the index has slightly increased, reaching 118 in Q3 2011. Affordability has increased due to lower mortgage interest rates and falling house prices. However, in 2009 and 2010 the index had indicated much higher affordability, due to - among other factors - very low mortgage interest rates.

### House Price to Income Multiple (Average house price/Average disposable income per worker)

Not Available

<b>EMF Links</b>	<a href="#">Study on Cost of Housing in Europe 2010</a>
<b>External Links</b>	Structural Factors in the EU Housing Markets, March 2003 at <a href="http://www.ecb.int">www.ecb.int</a>

## CONTACTS

Alessandro Sciamarelli  
Head of Statistics  
European Mortgage Federation  
[asciamarelli@hypo.org](mailto:asciamarelli@hypo.org)

Christian Nilsson  
Senior Adviser, Statistics and Reporting  
Swedish Bankers Association  
[christian.nilsson@swedishbankers.se](mailto:christian.nilsson@swedishbankers.se)