

13 The Stockholm Housing Market

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13.1 Introduction

Stockholm is the administrative and cultural capital of Sweden, but Stockholm is also a central hub in a region (Mälardalen region) with rapid economic growth. Some 40 per cent of the Swedish GDP is produced here. Economic growth is positive for Sweden as a nation but it also has generated problems and debate. Much of the debate focuses on the escalating regional differences inside Sweden. Some of the discussion boils down to questions about housing.

Sweden is currently divided into at least three different economic, as well as housing regions:

1. The Stockholm and Mälardalen region with fast economic growth, high house prices, low construction and an escalating housing shortage.
2. The Göteborg and Malmö–Lund regions together with major region cities that in general have balanced housing markets.
3. The rest of Sweden with 225 out of 289 municipalities that have a decreasing population, weak economic base and consequently, low transaction prices in the housing market, high vacancies in the rental market and no housing construction.

An increasingly divided housing market obstructs all efforts to introduce nation-wide housing policies. It also makes the public housing debate more fragmented and local. When it comes to Stockholm, the following issues are frequently discussed:

- How should infrastructure and housing be provided for the extra 500,000 people that are expected to live in the region by 2030? This is a strategic question concerning the balance between public and private transportation, density of the city and its suburbs as well as environmental issues. Much of the debate is about federal versus local responsibility for financing of new infrastructure.

- Historical low numbers of new construction is a fact at the same time as there is a housing shortage with increasing house prices and no vacancies at all in the rental sector within a distance of 100 km from Stockholm CBD. This situation occurs when a supply oriented federal housing policy is phased out and replaced with market-oriented policy. The question then is, if the institutional framework already is adapted to this recently new situation with local and market oriented solutions of housing issues?
- In the inner city of Stockholm there is a very quick transformation of rented apartments to tenant-ownership (co-operatives). Given the current speed of transformation there will be in ten years almost no rented apartments at all in the inner city. The transformation, and the prevalence of a black market for rental contracts, is mainly dependent on an increasing difference between contractual rent levels and market rents.
- Several of the Stockholm suburbs are heavily segregated from ethnic, social and economic point of view. Neighbourhoods with high unemployment and crime rates are a wider problem in society, but the problems are also housing issues, as they seems to be almost exclusively limited to housing companies owned by the municipality.
- Land prices for housing in the city of Stockholm have since the beginning of 1990s risen from some 1,000 SEK per square metre of building area to about 10,000 SEK. This marked price increase is partly due to a shortage of land and partly due to the fact that land prices are no longer subsidised by the city. Another circumstance is that an increasing part of new construction is undertaken on old, but centrally located, industrial land that in several aspects can be contaminated. Land prices set on the market clearly hamper new construction of rented apartments as they are regarded by investors as having a regulated income side.

It is obvious that an increasing and long lasting housing shortage in the Stockholm area can have a huge effect on the economic growth in Sweden and the position of the Mälardalen region as one of the most attractive regions for new enterprises in northern Europe. A well functioning housing market is regarded as key for further economic growth and prosperity.

The Stockholm housing market will, first, be described by analysing the inter-regional differences in Sweden as well as intra-regional differences. Second, the most important changes on the housing market and housing policy will be discussed.

13.2 Inter-regional Differences

Sweden's administrative structure is made up of 21 counties and 289 municipalities. Approximately 30 per cent of the entire population lives in the three metropolitan areas (Stockholm, Göteborg and Malmö) and almost 20 per cent of all households live in the greater Stockholm area. There is also a clear trend that the