

8 The Oslo Metropolitan Housing Market

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8.1 Introductory Remarks

Housing is both a consumption good and an asset that has many characteristics. This complicates analyses of housing markets. We shall here give an overview of the situation in the Oslo metropolitan housing market. Within the given framework it is of course not possible to give any complete analysis that covers all the special features of housing markets in general and the Oslo metropolitan housing market specifically. Rather we shall present some relevant empirical facts and structures from the Oslo metropolitan housing market. In this context a relevant fact or structure is something that is important for the housing conditions of the population, or some empirical fact or structure where the Oslo market differs from other metropolitan areas in Europe.

The presentations are based upon data from many different sources. Unfortunately the most interesting data sources are not available at the time this is written. In the autumn 2001 both a survey of living conditions and a census were undertaken. The data sets from these are not yet available for research purposes. On the other hand, a recently published report on housing policy and markets (NOU 2002:2) prepared for the government offers an extensive mass of relevant empirical information.

We shall not dwell too much on the list of special features of the housing market. Readers interested in this topic are referred to general housing market texts such as Smith et al. 1988; Pitkin et al. 1991 or Miles 1994. However, for a start one feature should be pointed out: the durability of housing capital. An important implication of this is that the housing conditions and housing market opportunities of the population to a very large extent depends on the existing housing stock. The existing housing stock is a result of decision made in the past. A consequence of this is that the housing conditions at any present point in time to a very large extent depend on the housing policy of the past.

The empirical relevance of the durability dimension becomes evident when the

age structure of the Norwegian housing stock is considered. Around five per cent of the housing units in use in 1995 were built before the year 1900. Every fifth housing unit in the country was more than fifty years old. The housing stock in Oslo is even older. Eight per cent of the Oslo-stock was built before 1900 and slightly more than 30 per cent of the housing units are more than fifty years old. This can probably be found in most large cities throughout Europe.

As a background for the description of the housing market in Oslo at the turn of the century, two dimensions of the Norwegian housing policy after the World War II are therefore worth a brief discussion. Following the World War II, one of the prime tasks was to rebuild and build the country. This was done during a time with severe constraints on the supply of credit and also many other goods. As an instrument in the 'building-policy', The State Housing Bank was established. Secondly, as a means in the housing policy Norway chose to establish a quite strongly regulated co-op sector rather than a public rental sector. This stands in contrast to most of our neighbouring countries that chose to build up a very much larger public rental housing sector than was done in Norway.

The State Housing Bank was established in order to allocate credit to new construction. The interest on these loans was politically determined, and it involved a substantial element of subsidisation. Loans of this type were given for construction of housing units within a medium quality segment. Scarce public funds were not to be used for construction of in the highest quality brackets, but one did want to stimulate a 'good housing quality'. This system of subsidised loans for new construction was, with some modifications, continued up to 1996. Some simple figures illustrate the significance of this system. In 1995 the Norwegian housing stock consisted of 1.9 million housing units, since 1946 the State Housing Bank had financed more than one million housing units.

In Norway as opposed to many other North-European countries there was not established any large public rental sector through the post-war years. Instead a co-operative sector was stimulated. Municipalities provided inexpensive land for new construction, and the government provided credit through the State Housing Bank. New co-ops were allocated to the members of housing societies and in accordance with municipal waiting lists. The second-hand prices were strongly regulated and allocated to the members of housing societies according to the length of their membership. During the 1980s the regulations came under political pressure, and most of them were gradually phased out. In consequence, the co-op sector in most respects today functions as a part of the ordinary owner-occupied market.

Even if both the regulations of the co-op sector and large subsidies through the State Housing Bank now are history, these policy measures to a large extent affected the size and composition of the housing stock of today. This has influenced strongly on the price structure observed in the Norwegian housing market today.

Two other factors should be noted. First, the area of Norway is large compared to the size of the population. Even if there is a discussion of whether new construction in the metropolitan Oslo area is constrained by lack of land, this is true also for part of the country. It is sometimes claimed that inside the borders of Oslo the population of Paris could be housed. Second, Norway is a quite rich society, and this affects the housing market and the housing conditions of the population.