



Sweden's public housing and rent control strategy

lessons for planners in a Canadian context

Ryan Fox

University of Manitoba
MCP Candidate

Jason Syvixay

PRINCIPAL PLANNER / City of Edmonton
MCP, BSc, BA

ABSTRACT

This Case-in-Point explores Stockholm's rental and affordable housing policies and strategies. In the last century, Sweden has been challenged with housing shortages and affordability. To respond to this, Sweden launched the Million Houses Policy. The goal of the policy was to build large quantities of universally available public housing units throughout the country.

Despite the efforts undertaken by Sweden's administration to provide affordable dwellings, the housing shortage in the country continues. This has consequently lead to numerous social and economic challenges within their large urban centres. To improve upon these challenges, Sweden has recently reinvested in its public housing stock and established new government initiatives to emphasize community building and good urban and architectural design.

City populations around the world are forecasted to dramatically increase within the next century. In most European cities, by 2045, an increase of 18.8 million inhabitants is expected (Eurostat, 2017). In Canada, by 2068, an increase of 33.1 million inhabitants is expected (Statistics Canada, 2015). These shifts in population, for many cities around the world, especially



FIGURE 1 | Aerial view of Stockholm, Sweden

the megacities like New York and Barcelona, have prompted housing crises. While many see housing supply as a condition of market forces, planners, developers, and city officials envision cities playing a more proactive role in developing strategies to support housing access and affordability.

Many municipalities are developing proactive strategies to accommodate people of various incomes and circumstances. These strategies might include significant regulatory and policy changes, increasing government subsidies and incentive packages for development, and providing public land for affordable housing. In Europe, cities have established price control and affordable housing policies to protect against the increasing housing prices caused by the growing market



FIGURE 2 | A busy street in Stockholm, Sweden

demands linked to population growth, the commodification of housing, and the presence of companies like Airbnb (Wetzstein, 2017). Maintaining the affordability of housing helps provide housing for medium to lower-income and at-risk demographic groups.

This Case-in-Point explores Sweden's long-lasting rental and affordable housing policies and strategies. Over the last century, Sweden has been actively trying to address its housing shortages and challenges throughout the country. Today, many believe the country is dealing with a significant housing crisis within the majority of its municipalities (Baeten et al., 2017) (Danell & Olausson, 2016) (Hananel et al., 2018) (Nylander, 2014). Of the various municipalities, it appears the housing shortage is primarily evident in the metropolitan cities, particularly in their nation's capital, Stockholm (Danell & Olausson, 2016).

As Canadian cities are expected to see large demographic shifts over the next few decades, a review of best practices for public housing might help inform our future public housing policies and strategies. What lessons can Canadian cities learn from Stockholm's public housing and rent control strategies? This Case-in-Point looks to answer four questions: 1) to what extent

It appears the housing shortage is primarily evident in [Sweden's] metropolitan cities, particularly in their nation's capital, Stockholm.

has Sweden's public housing and rent control system been a success in meeting their needs or housing goals; 2) what are the possible strengths of their public housing and rent control system; 3) what are the foreseen and unforeseen conflicts that arose amid as well as after the implementation of the public housing and rent control strategies; and 4) what are the current housing strategies proposed to improve the current housing challenges in Stockholm?



FIGURE 3 | Location of Sweden in relation to European Union (2018)

2.0 / BACKGROUND

The Kingdom of Sweden and its capital Stockholm

The Kingdom of Sweden is located in northern Europe. Throughout Europe, Sweden is viewed as the model of a democratic welfare state. Concerning its size, Sweden is the thirteenth largest country in the European Union with 10.34 million inhabitants ("Statistics Sweden," 2020). Of their entire population, nearly 85 percent of their inhabitants live in urban areas, most notably within their capital, Stockholm. Stockholm is by far Sweden's largest city, with 2.35 million people in the greater metropolitan area, and just under a million inhabitants (974,073) within the city limits ("Statistics Sweden," 2020). The city is built upon numerous islands as well as the parts of the mainland along the Baltic Sea, opposite the Gulf of Finland.

History of Million Houses Policy

In the mid 20th century, Sweden experienced a significant housing crisis, one of the worst in its recorded history (Danell

& Olausson, 2016). To address their housing shortages, they launched the Million Houses Policy. The goal of the policy was to build a million new high-quality public housing units throughout the country between 1965-1974 (Söderholm & Wihlborg, 2016). It successfully produced approximately 1,006,000 new dwelling units; however, the Million Houses Policy also created an oversupply of public housing, especially in the rural districts away from the metropolitan centres (Hananel et al., 2018). Of the million new housing units, many apartments were (and continue to be) in the most attractive areas of the main cities (Hananel et al., 2018). Once completed by the government, these units were

During this period of economic uncertainty, the inhabitants of Stockholm were faced with housing shortages and financial instability leaving many to either choose between public housing or continue searching the market.

offered to the public at an affordable rental price. Every citizen was entitled to public housing, it was a universalistic form of housing provision, one that avoided targeting the lower-income demographic (Baeten et al., 2017).

In the 1990s, the country experienced a severe debt crisis, causing an abrupt halt to the public housing construction. Faced with an economic crisis, Sweden continued with its rental policies and regulations for its public housing (Termer Center for Housing Innovation, 2017). During this period of economic uncertainty, the inhabitants of Stockholm were faced with housing shortages and financial instability leaving many to either choose between public housing or continue searching the market. Those who settled for the public housing were



FIGURE 4 | Example of public housing from the Million House Policy

forced to join the government's extensive waiting list for public housing, one which continues today.

The once-successful housing strategy is now described as a monstrous hybrid, one that works against the interests of the middle and lower-income inhabitants.

3.0 / HOUSING CRISIS

The current housing challenges in Sweden

Despite the efforts undertaken by Sweden's administration to provide affordable dwellings, the housing shortage in the country has continued to the present day. According to the Swedish National Board of Housing, Building and Planning, the current housing crisis in Sweden is the worst in the country's history (Danell & Olausson, 2016). The housing shortage is primarily evident in large metropolitan areas such as Stockholm. With Stockholm attracting many migrants around the world, housing demands, tenures, and prices have remained high. With the decreasing availability and affordability of Stockholm's housing market, the public housing offered to Swedish citizens has remained a popular option for the city's residents (Danell & Olausson, 2016). Paradoxically, the policy that looked to provide

housing for all and control the housing prices in high demand areas created advantages for higher-income inhabitants because even those who could afford to buy or rent in the private market could receive a less expensive public housing unit (Hananel et al., 2018).

Over the years, Sweden has maintained its rental policies, regulations, and control of its public housing throughout the country. Their housing system and strategies continue to remain committed to cheap high-quality housing through subsidized construction, strong tenant protections, high formal demands on quality standards and collectively negotiated rent levels (Baeten et al., 2017). Within Stockholm, the regulations and housing policies instilled by the former welfare state have collided with the city's ever-increasing neoliberal doctrines and market intrusion (Baeten et al., 2017).

In recent years, Stockholm has become increasingly reliant upon the private housing sector to address their housing needs. Unfortunately, as a result of the city's lofty property values, in an attempt to remain profitable, the majority of the new housing developments have consisted of expensive upscale housing units, especially in the core of the city (Baeten et al., 2017). After this recent building boom, many properties now stand empty as the majority of the locals are unable to afford them. The developers who looked to profit from the high housing prices are now being forced to offer deep discounts and other incentives to sell and recover some of their capital investments (Johnson, 2019). These unfavourable market conditions in Stockholm have significantly limited the construction of affordable public housing units within the city. The once-successful housing strategy is now described as a monstrous hybrid, one that works against the interests of

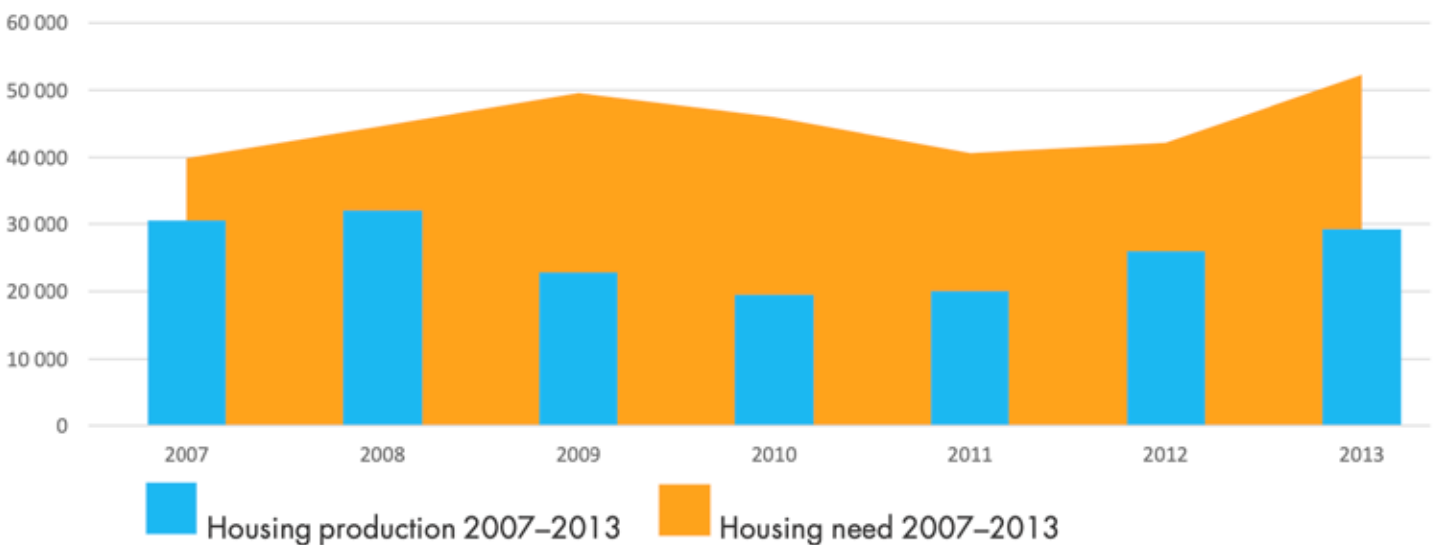


FIGURE 5 | Diagram of housing production and housing need based on the increase in population, for the period 2007 to 2013

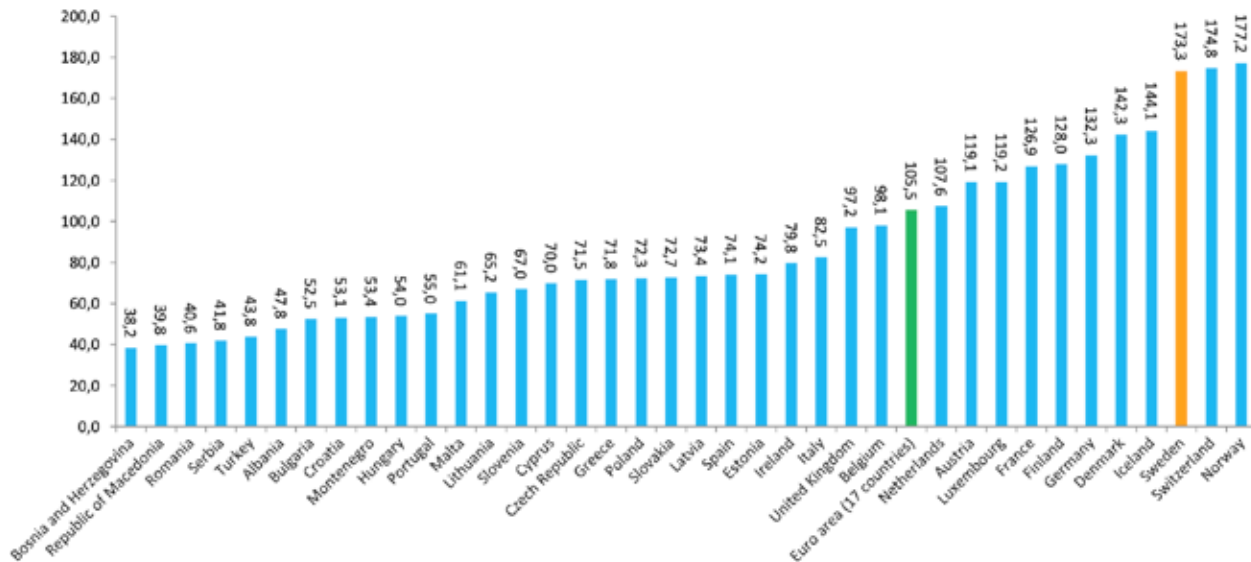


FIGURE 6 | Price level indices for construction in Sweden in 2013.

the middle and lower-income inhabitants (Baeten et al., 2017). With the majority of Stockholm’s residents unable to afford the housing in the city, many of their citizens regardless of their income and circumstance are turning towards the country’s public housing program. This has consequently led to absurdly long waiting lists for the housing units (Baeten et al., 2017). The lack of affordable housing developments throughout Stockholm has naturally lead to numerous unforeseen social and economic challenges for the municipal and federal governments.

Social challenges caused by the housing crisis

For the social challenges, the housing crisis and the prolonged wait-time for affordable housing in Stockholm (approximately 5–30 years) is forcing locals into alternative coping strategies like moving to less attractive neighbourhoods on the extremities of the city (Hananel et al., 2018), sharing communal units (Baeten et al., 2017), and not leaving their parental home (Nylander, 2014). The housing crisis has also established a black market in which people illegally buy rental contracts directly from tenants at inflated prices (Hananel et al., 2018). The government is now actively trying to stop the growth of the black market housing in an attempt to maintain the control, safety, and integrity of its public housing program.

The current housing situation has become even more difficult for non-locals. Migrants of various demographic backgrounds and income levels are currently having challenges finding permanent accommodations. For the new migrants that cannot afford the market houses in Stockholm, they typically have been forced towards the less-privileged and undesirable neighbourhoods on the extremities of the city, often far away from their employment (Baeten et al., 2017). These

neighbourhoods are increasingly becoming described by the locals as ghettos or blighted areas with significant crime and violence issues. Unfortunately, the growing ethnic and racial demographics in these challenged neighbourhoods have promoted racial and ethnic discrimination within Stockholm (Ahmed, 2014). Over the last decade, the residents within these rural ethnic neighbourhoods have started to riot in protest of the current housing challenges and living conditions (Ahmed, 2014).



FIGURE 7 | Riots inside Sweden’s immigrant neighbourhoods.

Economic challenges caused by the housing crisis

As for the unforeseen economic challenges, mortgage lending throughout Sweden has increased. Due to the housing shortage, the unaffordable rental market, and low monthly interest rates, a large portion of the country’s inhabitants are choosing to buy instead of rent (Turner Center for Housing Innovation, 2017). The cost of the housing units in many of the larger urban centres has lead to extended, sometimes life-long mortgages. Today, it is estimated that mortgage lending now accounts for three-quarters of all lending in Sweden at \$450 billion — close to the country’s annual GDP (Swedish Mortgages Market, 2019). Some fear that the large quantity of mortgage lending has highly

exposed Sweden's banks to the real estate market. Stefan Ingves, the chief of Sweden's central bank believes the real-estate and housing economy is the single biggest risk that exists in their economic system, it's a system that "relies on nothing going wrong, ever, anywhere" (Johnson qt. Stefan Ingves, 2019). If the economy falls, housing demand drops, unemployment rises, interest rates rise and people have problems paying their debts, their entire economy could potentially collapse.

Many large tech companies like Spotify who are based in Stockholm are now also threatening to leave the country if the housing crisis does not improve. The companies are becoming frustrated at their inability to attract foreign talent due to the current housing challenges in many of the large urban centres (Milne, 2016). If the companies decide to leave the country, their absence would likely shock Sweden's overall economy.

Stefan Ingves, the chief of Sweden's central bank believes the real-estate and housing economy is the single biggest risk that exists in their economic system, it's a system that "relies on nothing going wrong, ever, anywhere."

4.0 / ADDRESSING THE HOUSING CHALLENGES

Strategies used to mitigate the housing crisis

Over the past decade, Sweden has attempted to address its nationwide housing crisis. In 2011, a change in the legislation forced municipal housing companies to act on market-like terms in an attempt to create greater tenant turnover and movement in their public housing program (Danell & Olausson, 2016). The law also allowed the municipal housing companies to collect extra revenue to maintain and renovate their ageing housing stock (Danell & Olausson, 2016).

In 2016, the government heavily invested 11.1 billion SKR investment in their "million apartments" housing stock. The investment helped fund construction and renovations for their public housing program (Hananel et al., 2018). Also in the same

year, The Swedish National Board of Housing, Building and Planning reestablished their cooperative building program (Boverket, 2020). The cooperative Building Communities program looks to lower housing costs, enhance social stability, and facilitates construction with the municipality. It is a smart way to build low-cost, high-quality housing at the same time cutting costs in construction (Nylander, 2014). The cooperative building program is more affordable because it is not profit-driven like the private developers. Unfortunately, the program has been impeded by long municipal processing times, building permits, bank loans and land acquisition (Nylander, 2014).



FIGURE 8 | Model of Stockholm's enduring architecture and design style

Finally, in 2018, Sweden adopted a new, comprehensive policy for what is known as designed living environments. Simply put, the government has heavily invested in quality architecture and urban design (Boverket, 2019). Through this policy, Sweden looks towards innovative design and architecture to develop solutions for their housing crisis as well as create better conditions for their living environments. To do so, the Swedish government established a new national architect position to inspire and overlook the future development of the country (Boverket, 2019). The Swedish government has also entrusted their The National Board of Housing, Building and Planning to coordinate the policies, monitor developments, improve competencies and providing guidance to government agencies, county councils and municipalities (Boverket, 2019).

DISCUSSION AND CONCLUSION

Answering the Research Questions

What lessons can Canadian cities learn from Stockholm's public housing and rent control strategies?

1. In the 1960s, Sweden had successfully addressed their housing needs through the Million Houses Policy. As a result of the policy, the government quickly built over 1 million public homes with ten years. The social-welfare government also decided these public houses would be universally available to the public rather than targeting the underprivileged. Today, Sweden has not changed the general foundation of their public housing policies.
2. Sweden's continual large-scale investment in public housing remains the biggest strength as well as the biggest weakness in its public housing program. As a strength, the large quantity of public housing stock has given the government greater control of the affordable housing throughout the country. Within the highly competitive metropolitan housing markets like Stockholm, the dispersed and high-quality public housing has also effectively addressed housing needs while maintaining a certain degree of housing affordability in the urban centres.
3. Without an effective system of tenant prioritization, Sweden's universal housing system has adversely impacted the underprivileged. Within an inflated real estate market, a Liberal housing system is unlikely to naturally produce affordable housing through the market. Instead, to maintain housing affordability, the government must be responsible for the construction of public housing, either through direct funding and development or through market subsidies and incentives to entice developers to construct affordable housing. Otherwise, for Sweden's housing crisis created by their hybrid social-welfare and neo-liberal housing system, it has forced locals into alternative coping strategies like moving to less attractive neighbourhoods on the extremities of the city, sharing communal units, and not leaving their parental home. The hybrid housing system has also cultivated black markets and segregated underprivileged neighbourhoods. Economically, the challenges created by their housing system have deterred

businesses from their country and it has highly exposed the banks to the real estate market as mortgage lending now exceeds the country's annual GDP.

4. Recently, Sweden has established various housing strategies in an attempt to address and improve upon their housing challenges. First, Sweden has invested 11.1 billion SKR and modified its public housing policies to add and improve upon its current housing stock. Second, they have heavily invested in good architecture and design. Finally, they have reestablished their cooperative building program to lower housing costs, enhance social stability, and facilitates construction with the municipality. It remains highly unlikely these are the only affordable housing strategies being used throughout Sweden as some municipalities may have developed their own strategies to address their unique housing contexts.

Although still unproven in Sweden, the political investment in architecture and design along with cooperative building programs may serve as potential ideas and precedents Canadian cities could use to improve through their public housing stock. Even though it is unlikely Canada will experience similar housing challenges as Sweden, their housing crisis may provide insight into the potential social and economic challenges that may occur if Canada experienced a nationwide housing crisis. Today, it is uncertain how Sweden's housing crisis will unfold in the following decade. Hopefully, the economic challenges caused by the COVID-19 pandemic will not cause their entire economic system to completely destabilize to a point of total failure.

REFERENCES

- Ahmed, I. (2014). Multiculturalism in Sweden: Riots Spark Debates About Identity and Polly. *Georgetown Journal of International Affairs*, 15(1), 98–104. Retrieved from <http://search.proquest.com/docview/1813627718/>
- Baeten, G., Westin, S., Pull, E., & Molina, I. (2017). Pressure and violence: Housing renovation and displacement in Sweden. *Environment and Planning A: Economy and Space*, 49(3), 631–651. <https://doi.org/10.1177/0308518X16676271>
- Boverket. (2020, February 5). *Byggemenskaper Byggemenskaper*. The Swedish National Board of Housing, Building and Planning. <https://www.boverket.se/sv/samhallsplanering/bostadsmarknad/bostadsforsorjning/bygg-bogemenskaper/byggemenskaper/>

REFERENCES

- Boverket. (2019, July 10). With architecture and design we can create a better society. The Swedish National Board of Housing, Building and Planning. <https://www.boverket.se/en/start/about/about-boverket/with-architecture-and-design-we-can-create-a-better-society/>
- Danell, J., & Olausson, M. (2016). Affordable housing through inclusionary zoning - the case of Frihamnen, Gothenburg [Master's thesis]. <https://kth.diva-portal.org/smash/get/diva2:952106/FULLTEXT02.pdf>
- Eurostat. (2017, December). People in the EU - population projections. European Commission. Retrieved March 9, 2020, from https://ec.europa.eu/eurostat/statistics-explained/index.php?title=People_in_the_EU_-_population_projections&oldid=458863
- Hananel, R., Krefetz, S. P., & Vatury, A. (2018). Public Housing Matters: Public Housing Policy in Sweden, the United States, and Israel. *Journal of Planning Education and Research*. <https://doi.org/10.1177/0739456X18793702>
- Johnson, S. (2019, December 18). Sweden grapples with housing market reform as risks mount. Reuters. <https://www.reuters.com/article/sweden-economy-housing/sweden-grapples-with-housing-market-reform-as-risks-mount-idUSL8N28L43A>
- Milne, R (2016, 4 July) Sweden's housing crisis hits tech start-ups and migrants. *Financial Times*. <https://www.ft.com/content/8961b57c-3872-11e6-a780-b48ed7b6126f>
- Nylander, O. (2014). Lös bostadsbristen med mer kvalitet. *Arkitektur (Sweden)*, 114(7), 48-51. Retrieved from <http://uml.idm.oclc.org/login?url=https://search-proquest-com.uml.idm.oclc.org/docview/1694472942?accountid=14569>
- The Swedish Mortgages Market. (2019). Swedish Banker's Association. <https://www.swedishbankers.se/en-us/the-swedish-bankers-association-in-english/statistics-publications/the-swedish-mortgages-market-report-september-2019/>
- Söderholm, K., & Wihlborg, E. (2016, August 22). Striving for sustainable development and the coordinating role of the central government: Lessons from Swedish housing policy. MDPI. <https://www.mdpi.com/2071-1050/8/8/827/htm#cite>
- Statistics Canada. (2015, November 27). Population projections for Canada, provinces and territories. Retrieved March 9, 2020, from <https://www150.statcan.gc.ca/n1/pub/91-520-x/2010001/aftertoc-aprestdm1-eng.htm>
- Statistics Sweden. (2020). Statistiska Centralbyrån. <https://www.scb.se/en/finding-statistics/statistics-by-subject-area/population/population-composition/population-statistics/>
- Terner Center for Housing Innovation. (2017, November). Housing in Sweden: An Overview. UC Berkeley. https://ternercenter.berkeley.edu/uploads/Swedish_Housing_System_Memo.pdf
- Wetzstein, S. (2017). The global urban housing affordability crisis. *Urban Studies*, 54(14), 3159-3177. <https://doi.org/10.1177/0042098017711649> Image Resources

List of Figures

Cover image: Title. Retrieved from <https://i.ytimg.com/vi/DS6M3Nqh7k/maxresdefault.jpg>

1. Aerial view of Stockholm, Sweden. Retrieved from <https://images.squarespace-cdn.com/content/v1/>
2. A busy street in Stockholm, Sweden. Retrieved from <https://www.flickr.com/photos/purplerache/>
3. Location of Sweden in relation to European Union (2018). Retrieved from <https://www.nouahsark.com/data/images/infocenter/worldwide/europe/location/sweden.png>
4. Example of public housing from the Million House Policy. Retrieved from <https://upload.wikimedia.org/wikipedia/commons/6/6b/Rinkeby2009.jpg>
5. Diagram of housing production and housing need based on the increase in population, for the period 2007 to 2013. Retrieved from <https://s3.eu-central-1.amazonaws.com/sabo.se/protected/SABOs.pdf>
6. Price level indices for construction in Sweden in 2013. Retrieved from <https://s3.eu-central-1.amazonaws.com/sabo.se/protected/SABOs%20Kombohus%20-%20forcing%20construction%20prices%20down.pdf>
7. Riots inside Sweden's immigrant neighbourhoods. Retrieved from <https://i.dailymail.co.uk/i/pix/2017/02/23/08/3D7B69CB00000578-0-image-m-91487839117283.jpg>
8. Model of Stockholm's enduring architecture and design style. Retrieved from, <https://upload.wikimedia.org/wikipedia/commons/d/d5/005334Kulturhuset-ModelofthecityofStockholm.jpg>