

Affordable housing processes

Investigating the housing shortage in Sweden



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1 Introduction

That there is a lack of housing in many parts of Sweden with effects on big parts of the society is not breaking news and it has resulted in a dominating discussion of how to build cheap and small housing. This strategy, unfortunately, does not seem to hold much potential in meeting the sustainability measures that we need our current and future housing production to achieve. Socially, we would continue to segregate different social group and increase the class division. Ecologically, we would fail to take in consideration the changing climate and its effects on how we can and should build. Economically, we would miss the lessons from the million program of the 1960's, of which we are still unable to balance the costs as a result of the high need of maintenance, even though the production costs where at an extreme low. Now, it seems relevant to shift the focus from how to achieve the cheapest units possible at the production stage to instead focus on how to promote long-term methods



Images of political messages relating to the housing conditions. 1 st image from left: Our homes are not goods. 2 nd image: Housing for all. (Taken by the author in Malmö, March 2020)

and building to make it last. By looking at housing projects as a process we can explore different ways of producing housing and develop the potential of promoting the usage of sustainable material to positively affect the economy over time and achieve more affordable solutions.

2 Literature Review

The Swedish housing stock

Historical Context

In the beginning of the 1900's, Sweden had some of the worst housing conditions in Europe and to help provide better affordable housing the Swedish government launched *Egnahemsrörelsen*, a self-building movement and introduced the tenure of cooperative owning as a tool for accessing sufficient finances since the housing cooperative, could take a part of the production loans. (Crona, 2018)

In the early 1900's, the newly formed tenant association SKB and HSB made a shift from the markets driven housing strategy to a focus on the actual need of inhabitant and by building based on own assignments and without profit motivation, they were able to raise the living standard in their projects. In the following years, the Social democrats would develop this idea on a broad scale under the banner of *Svenska Folkhemmet*¹. One action was to improve the situation for the most needing in the society- the poor families with children. *Barnrike hus* was developed and can be described as a Swedish version of social housing where the authorities sold the land at a low cost and subsidized up to 50 % of the rent for families with five children or more. Soon, critique was directed towards the method meaning that it created stigma around its inhabitants as they were labelled as poor. This was something that did not resonate well with the socialist agenda and soon the direction of the housing production was focused towards raising the standard for all.

A holistic view of the housing market was adopted where the process of building created job opportunities at the same time as the housing shortage would disappear. Communal housing companies were formed with the goal of building without an interest of profit but with high architectural standards, subsidized by government loans. In around 1950, the result was that Sweden was an international precursor in the category of housing but

¹ A metaphor for a political organisation that takes care of all its members of society.

despite the massive efforts, as the beginning of the 1960's approached, it was clear that the housing shortage would not be built away using the current method. The political agenda shifted, moving the focus from quality to quantity, leading to the start of the Swedish million program. (Nylander, 2014) In the years between 1965-1975 the Swedish government set out to build one million new housing units to get ahead of the housing shortage. About one third of the units built during this period was the product of the municipal housing companies (SABO) and major finances came from the newly formed AP- fonds². (Allmännyttan, 2020) This ambitious increase of building led to a growing scale, not only in the physical output of the project- a result of an industrialized process based on the building units and efficient production layout, but also on the municipal housing companies, the building companies and architect offices.

Similar housing politic was continued until 1991, during the financial crisis, when it was dismantled under the centre-right government to be replaced by a market driven approach (Nylander, 2014)

Types of tenure

According to The Swedish housing Authorities we have four different types of tenure in Sweden. Because of different regulations for loans, accounting and taxing these different types do not operate on an equal economic base and will have different economical situations and possibilities as a result. These economic opportunities, their possible profits and losses, as well as their demand is controlling what is getting built and where. (Crona, 2018)

Äganderätt,- Individual ownership

As an individual owner you are free to pawn your unit, sell it or rent it out without any of your neighbours' permission. In new constructions the entire loan is taken out by the individual owner of the house or unit. Since 2009 it is possible for this type of tenure in multi-family buildings, this has not yet made a breakthrough on the market since there are costs that makes it less profitable than cooperative ownership. In cities with high costs for housing, this type of tenure risk becoming investment objects that are part of transforming inner cities into housing for tourism.

² Public pension funds

Bostadsrätt - Cooperative ownership

As an owner of a cooperative ownership unit you are part of a cooperative housing association that owns the property and its apartments. You, and your fellow members have the right of using the apartments, but you cannot take out a mortgage or rent it out without your association's approval. In new constructions the division of the associations loan and the individual loans are part of the economical plan and become the loan conditions from the bank. The pricing of cooperative ownership units is market driven making it hard to provide more affordable solutions in a valuable location, as well as less viable to provide the tenure in less attractive parts of town.

Hyresrätt- Rental housing

Rental units are rented out by a public or private landlord that owns one or more properties with rentals. Rental buildings are controlled by the rental law and the land code meaning there is no free pricing, but instead new productions need to be priced correspondingly to its surrounding, this is negotiated by the property owner and the tenant compound, *Hyresgästföreningen*. Rental housing is often the tenure that is named when speaking about housing for the less financially strong in the society but according to *Hyresgästföreningen*, it is approximately 2000 SEK/month more expensive to live in a newly produced rental apartment unit compared to a individually owned unit. This development has taken place during the 21st century as a result of the removal of the interest- and investment grant, the reforming of the real estate taxes, as well as the introduction of ROT deduction³ for cooperative and individual owning. Rentals are often the dominating tenure in less attractive parts of cities, but it becomes hard for rental production to respond to quality and sustainability since these locations put higher demand on the balance sheet. This means that there is a risk of impairment when production costs exceed the value of the finished building leading to economic loss. The same is true for the depreciation spanning over 100 years, where sustainable material selection is not taken in consideration, thus effecting the balance sheet. (Crona, 2018)

Kooperativ hyresrätt- Cooperative rental housing

This is an old type of tenure that has re-entered the market as middle ground between rental housing and cooperative owning, priced by the market demand. An association own or rents a

³ A financial stimulation program effecting renovation and improvements of existing buildings.

property and the individual members rents the apartments from the association. Upon moving in, you pay a deposit that you will get back when you move out. The rent covers depreciations, impairments and management and the board of the association is responsible for the economy and management. Initially the rent is equal to a newly produced traditional rental unit but over time it will lower as the association can cut costs with management and amortisation. If this type of projects is developed and kept by municipalities and not placed in public housing companies, the economy could be significantly improved since they could become tax-free.

3 Argument and Discussion

Profiting and suffering from the housing shortage

In the world, there has only been a higher price-increase of housing in South Africa and Hong Kong compared to Sweden between the years 1999-2009 and one of the reasons why this has not yet led to a crash of the Swedish housing market is that there is no excess of housing units, at least in our bigger cities. Keeping the prices at a stable height has become an important factor for the strong actors of the housing market and the economy. Besides homeowners, this includes institutional actors that create a base, keeping the market up, and consequently making sure the demand of housing will not be met. (Andersson, 2014)

The big developers

The primary motif of the dominant housing developers in Sweden is to achieve a stability on the market, building just enough to not cause a fall in prices by providing an excess of available units. This sector often requests actions such as a change in the building and planning code, *Plan och Bygglagen*, making the process from plan to construction shorter, as well as making changes to the building code and trying to find ways to lower the production cost. These examples can be debated to what extent they would in reality help the housing shortage compared to how they would help the developers to secure bigger profits (Andersson, 2014), profits that are already reaching levels of up to one third of the production cost. (Nylander, 2014) For example, the slow pace of housing production is keeping down demand and thus price of material and labour. At the same time, the prices of the housing units are set by demand on the housing market, resulting in higher profits to be made by developers. (Andersson, 2014)

Banks

Since we entered the new millennia the mortgages of Swedish families have increased and was in 2014 making out 60% of the Swedish BNP, much related to increased subsidising of mortgage conditions put in place for individually and cooperatively owned housing. The pricing of housing is important for the banks, higher prices means more debt and more interest paid to the bank. (Andersson, 2014) Because we are mortgaging individuals and not the state, the bank is a major component in deciding what projects will get build. In order to lend money to developers, they have the authority to demand guaranties, something that smaller developers and more unusually organised projects often struggle to provide. (Crona, 2018)

Real estate owners

Real estate owners can be divided into two groups: individual and cooperative ownership and landlords. Both have a lot to profit from housing prices continuing to rise and a lot to lose if they do not. The two groups have different financing models, but both would suffer if prices would decrease resulting in a less valuable asset (Andersson, 2014)

Who is excluded from the housing market?

According to the constitution, the Swedish government is obligated to provide a public access to work, education and housing, the idea originating from *Svenska Folkhemmet*. In reality, Sweden has transferred much of the responsibility of economically accessible housing to the market, something that does not belong in their commercial agenda. It can be question whether Sweden currently has a housing policy directed towards the younger population struggling to enter the market, the elder population with low pensions and other socio economically vulnerable groups like migrants or structurally homeless. (Saksi, Weiss, 2017) Groups that are not eligible to enter the housing market are instead forced to take insecure solutions like, unofficial second-hand rental contracts, house-mate agreements, overcrowded living spaces, living in hotels/hostels or homelessness. (Nordfedt, Olsson, 2006) The public housing companies, whose purpose is to provide affordable rental housing, was during the early 2000's reviewed all over Europe, including Sweden. The public housing companies were reported for unfair advantages in the rental housing market by private companies and was deemed to violate the EU's regulations of competition and free market. Because of the deeply rooted notion of the public, Sweden ended up not modifying its system towards a

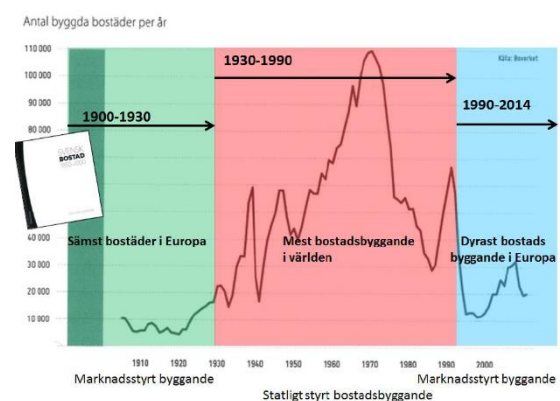
social housing model, like most other EU countries, but instead made its public housing companies commercial, meaning that they have to operate with a commercial motif ensuring sufficient profits. This has impacted the public housing companies' role and because of the increased demand of yield the pricing of rents has risen and the risk tendency tightened. Prospective tenants need to provide proof of a relatively high income in relation to rent and are never able to take government grants in consideration. This reform of the public housing companies has ultimately resulted in a loss of share in the rental housing market. For the public housing companies to be able to afford to build new units, many had to sell from their current housing stock to the private sector. Since the new organisation of the public housing companies have yet to provide affordable units within their newly produced projects, they have to rely on their shrinking, current housing stock to offer housing for less economically strong groups. (Grander, 2017)

4 Urban Shelter Design

Looking back at the eras of Swedish housing one can identify a clear decrease in the amount of housing being built during the two eras of market-driven building, between 1900-1930 and 1990-2014 compared to the amount built during government-controlled period of 1930-1990 (Nylander, 2014) However, this does not necessarily mean that we should recreate the

same circumstances, instead there is a lot to profit from collaboration between actors, both private and public, creating understanding and interest between the financial and the architectural (Saksi, Weiss, 2017) coming together over what the goal is for building and then creating the legal framework to promote it. An example could be the system of impairment and depreciation that holds the potential of promoting better, more affordable, and sustainable solutions instead of enabling cheaper methods at the construction stage. (Crona, 2018) By choosing more sustainable materials the initial cost is higher comparing a traditional method summing up to a construction cost of, for example, 2 400 000 SEK compared to one with certain sustainable materials reaching 2 800 000 SEK. However, this means that the depreciation pace can decrease from, 2% in the traditional process to 1 % in the one with more sustainable material qualities, decreasing the rent controlling costs by half and achieving a

Fig. 1. The production of housing during the 1900's



rental price of around 2000 SEK less per month. A strengthening of the public housing companies could make them the forerunners of this method (Nylander, 2014). By making it possible to pawn cooperative rental housing and defining risk assessment guidelines for the banks, this type of tenure has the potential of filling the same function that cooperative ownership had in the 1930's and provide housing that decreases in cost over time while being suitable for both commercial and public housing- companies.(Crona, 2018)

Like in the beginning of the 20th century when SKB and HSB, as housing consumers, took it into their own hands to build based on own assignment, today's corresponding organisation of cooperative building or *byggemenskap* can help provide more affordable housing. This is a method where 30-50% of the profit of the traditional process is instead gained by the actual inhabitants building and thus enabling a lower rent. The costs of maintenance can be presumed to also be lower than in traditional housing. (Nylander, 2014) Today there are many obstacles for cooperative building and some changes that would effect this is to place the payments of the plots late in the process since it's hard for self-builders to have a sufficient economic stability until very late in the project. Also, the plots need to be small to make it possible for cooperative builders to utilize them and the land allocation need to happen after the detail plan is finished and be based on qualitative values. Since the bureaucracy of building processes is hard to understand, the municipalities could also provide building pilots to guide along the way. (Schartner, 2019) A hybrid form could also be interesting when it comes to discussing the obstacles for cooperative building. This would be a 3D- real estate coalition where a developer would be responsible for the shell of the building, while the cooperative would develop the inside. There is an interest from the Swedish government for cooperative building and in 2019 they declared the intent to introduce a start-up contribution for self-and community built small scale apartment complexes in order to broaden the range of housing for different types of households. (Arell, 2019)

One could hope for a solution as clear as the issue of the currently insufficient housing policy not being able to provide to less financially strong groups, but that is not the case. In order to address the situation a mix of initiatives and reforms needs to be put in place including changing the financial conditions to promote long term solution for some actors and the conditions of loans for others. Maybe there needs to be a shift in how to define value, including time as an asset alongside the traditional financial form. We might also need to investigate how inspiration from the Philippines using the law to force production of affordable housing as a part of every project, collaboration with NGO's and targeted efforts

towards the most needing in the society, could fit into Swedish systems and values. What is clear is that it seems to be a need for many different actions to sum up to a major change.

5 The Role of Architects

As architects we are part of the building industry and thus, a part of effecting people's everyday life through the environments they experience. This is a big responsibility and even though we might not be in the position of directly affecting all the relevant parts of the industry, we should still use our voices to influence the relevant discussion. I believe that we should see it as our responsibility to stay informed to the best of our ability and use our agency to promote the issues of those who have lesser possibilities to effect. Affordable housing is one example of this and is often viewed as an economic and political issue. Ola Andresson lifts this problem of this in his book *Hitta hem*, meaning that the result is a discussion much based on the economist and politician's insight of the problem, but lacking an enriched knowledge of actual building conditions. As I see it, we have the potential of affecting this by informing ourselves to the point where we can be part of setting the agenda and finding the solutions. Of course, the issue of the housing shortage is such a complex problem, spanning over housing production, economy, urban patterns, legislations, history and politics, it makes it hard to not be aggressively aware of our roles limitations, but it would be a missed opportunity to not see the potential of extending our role, simply based on an unwillingness to get involved.

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Images

Fig 1: The production of housing during the 1900's (Nylander, O) *Svensk bostad 1850- 2009*.