

## **The living conditions in the Nordic countries are the world's top class - why building of new dwellings is still the most intensive in Europe**

Nordic well-being, democracy and equality are well-known and appreciated in the world. The same issues are also related to housing conditions in these countries. There are no major differences in housing conditions in different income categories, but good living conditions are being sought for all citizens. The housing stock size is already now quite large reviewed both in living space or dwelling units per capita.

The Nordic countries support their citizens' living in many ways. Housing allowance helps with rental payments, the state and the municipalities support the construction of housing with affordable housing plots and favourable terms and conditions of mortgages for special groups (e.g. disabled people or students) and for those with scarce resources. Everyone can still for now deduct part of the housing loan interest rates in tax purposes. Preventing segregation is of great importance in the housing policy objectives of the state and cities and has also succeeded reasonably.

Household expenditure's share of total disposable income is aimed to keep reasonable for everyone with various support measures. The Nordic climate requires that the buildings and equipment of the dwellings must be in order. The aforementioned points mean that a lot of resources are being spent on supporting housing. Equitable and good housing is one of the main reasons why the Nordic tax rates are among the highest in the world.

Although housing conditions are good, the number of new dwellings built has increased enormously in recent years in all the Nordic countries. Where does the need and stimulus for new housing construction come from, when both indicators housing units per capita and average floor area (m<sup>2</sup>) per inhabitant show top situation compared with rest of Europe.

Euroconstruct countries have an average of about 500 dwellings per 1,000 inhabitants and in the Nordic countries around 540, 8 percent more than the average. In the Nordic countries, the need to build new homes on this meter is lower than on the Euroconstruct countries on average.

The average living space in Europe is about 40 square meters per inhabitant. In this comparison, the Nordic countries are also

in Europe's top ten. Norway, Denmark and Sweden are among the top four. The average figure in the Nordic countries is 47–48 m<sup>2</sup>, i.e. more than 15 per cent higher than the Euroconstruct average. The figures are indicative, as their calculation might be based on slightly different criteria.

According to Euroconstruct's November 2017 report, an average of 3.4 new dwellings per 1,000 inhabitants were completed last year in the member states. The corresponding figure for the Nordic countries was 5.0, nearly 50 % more than the average of EUROCONSTRUCT countries. The largest number of dwellings in Euroconstruct countries were completed in three Nordic countries, Finland, Norway and Sweden. Denmark was much closer to the Euroconstruct country average, but the number of completed housing units is growing steadily. The figures for the Nordic countries were 2017 Finland 6.6 units per 1,000 capita, Norway and Sweden both 6.5 and Denmark 3.8 units per 1,000 capita.

Although the Nordic countries are a fairly homogeneous group of countries in Europe, the reasons behind the growth in housing construction vary by country.

In Finland, the economy has turned to growth later than in the other Nordic countries and is now growing at a rapid pace. Confidence in the future is solid. Interest rates on mortgages are the lowest in Europe and the availability of financing is good. Powerful migration to major cities and urbanization are also important factors in increased housing demand. Housing investors have been very active in responding to the growing demand for rental housing. The rental housing stock in Finland is smaller than in the other Nordic countries and its creation has increased the need for construction. Housing price development has been moderate.

Norway's good economic development attracted plenty of new residents, who were in need of housing. After the fall of world market prices for oil in 2014, population growth has slowed down. In Norway, as in Sweden, the rise in housing prices has been strong and began to slow down the housing trade last year. Perhaps the slowdown in population growth also facilitated demand pressure. These all have reflected in construction starts that began to decline at the end of last year. In Sweden, housing construction has long been under the need or demand for construction, taking into account long-standing immigration, domestic migration and urbanization. The regulated prices did not interest builders or developers. Now the situation has changed and demand for housing has increased along with long lasting solid economic development. The strong

rise in housing prices has, however, started to obstruct the demand increase. State's interference with citizens' large housing debts has had similar negative effect.

Housing production in Denmark has been down since 2008. In 2008, the housing output in units per capita was nearly as much as in the other Nordic countries but has faded away ever since. Population growth is strongly emphasized in Copenhagen and is reflected in housing construction. The number of completed new dwellings has started to grow and is forecasted to grow further.

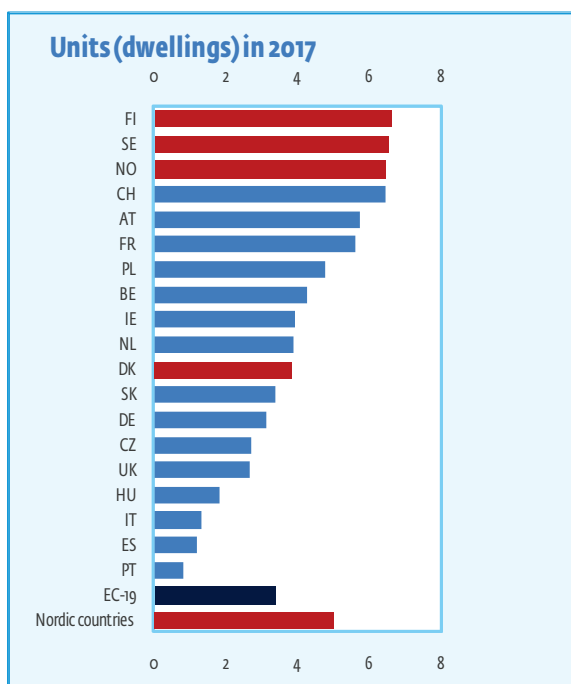
After the Euroconstruct report in November, there have been major changes in the housing trade, sales volumes, prices and new construction starts in the Nordic countries. In Sweden and Norway, the construction starts and prices have fallen sharply at the end of 2017 and the beginning of 2018. In Finland, the construction starts' growth has been higher than was forecasted in Munich. Only in Denmark the development has progressed roughly as forecasted. Residential construction is at a clear turning point currently in the Nordic countries. New, updated forecasts will be published at the next EUROCONSTRUCT conference in Helsinki from 7 to 8 June 2018.



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Housing completions per 1,000 inhabitants



Source: EUROCONSTRUCT, November 2017

Dwelling floor area (m2) per inhabitant

