

Sweden

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IN A NUTSHELL

- Growth in residential mortgage lending slowed to 1.1%.
- Construction decreased due to rising costs and lower demand.
- Single family home prices decreased in 2023 by -9.9%.
- The share of new loans with variable interest rates increased to 76.5%.
- The average LTV for new mortgage loans decreased slightly to 64% in 2023.

MACROECONOMIC OVERVIEW

GDP decreased by -0.2% compared to an increase by 2.7% in 2022, according to Eurostat. High inflation and interest rates have particularly impacted rate-sensitive households. Housing construction and investment have in turn been affected by high financing costs and weak housing prices. Consequently, housing starts dropped by 53%.

Labour market conditions deteriorated although not as severely as in previous recessions. In the first half of the year employment grew but by year end the labour market weakened. Unemployment increased to 7.7% in 2023 compared to 7.5% the previous year.

Inflation, measured as CPI, came down from 11.7% at the beginning of the year to 4.4% at year end. Also, core inflation (without the effect of changes in the interest rates) decreased from 9.3% to 2.3%.

In contrast to the household consumption decrease, government consumption grew among other reasons due to defence and police and justice spending. However, the government have pursued a balanced fiscal policy to drive down inflation. Government debt¹ as a percentage of GDP decreased from 33.2% to 31.2%, a decrease of EUR -0.8 bn².

HOUSING MARKETS

There was a mixed development between housing completion and housing starts. Housing completion grew to 62,000 dwellings, the most in over 30 years, following several years of high demand and high numbers of housing starts and building permits. However, in the same period housing starts dropped by -53% to 27,000 dwellings due to increasing housing costs and decreasing demand.

The cost of housing began to increase in 2022 and continued to do so in 2023, which has affected demand. Prices of one-family homes decreased by -9.9% compared to an increase of 4.5% in 2022. One-family homes are most expensive in Stockholm region where prices decreased by 11.0%. Single-family house prices in the Gothenburg and Malmö regions decreased by -3.6% and by -11.4% respectively. In the beginning of 2024, the prices on one-family homes have

started to level out.

The price decrease for tenant-owned apartments was in general less than for one-family homes. The prices for tenant-owned apartments recovered during the year and by year end had increased by 0.7% on an annual basis.

The share of tenant-owned apartments among new construction of apartments had been relatively stable around 50%. However, in the last years the share of rental apartments has increased, in 2023 it was 63%. Overall, 38% of all apartments are tenant owned and the rest are rented. For all dwellings (single family homes and apartments), the share is reversed: 61% owner occupied and 39% rental in 2023.

MORTGAGE MARKETS

Variable mortgage interest rates continued to increase; the 3-month rate increased to 4.4% compared to 3.6% in 2022. Initial fixed rates, for 1 to 5 years, increased to 4.2% from 3.8% in 2022. However, Initial fixed rates over 5 years decreased slightly to 3.0% from 3.1% in 2022.

Even though the variable interest rate is higher than initial fixed rates, the share of variable interest rate in new lending increased during 2023. The share of variable interest rate in new lending was 76.5% compared to 63.7% in 2022. One explanation is that mortgage borrowers are expecting interest rates to decrease in the near future.

The average LTV for new mortgage loans is 64%, which is slightly lower compared to the previous year.

The credit loss ratio on mortgage loans remained close to zero, due to high credit standards, the social welfare system, and house prices that have been increasing for many years.

The growth rate in outstanding mortgage loans slowed further in March 2024 to 0.9% on an annual basis compared to 3.8% in March 2023.

Housing prices started to stabilise by the end of 2023 and in the first quarter 2024 prices on one-family homes decreased by -2.5% on an annual basis, compared with a decrease by -9.9 for the full year 2023.

MORTGAGE FUNDING

Covered bonds are the most common form of mortgage funding. During 2023 the nominal value of outstanding covered bonds increased by 4.4% (in SEK) to EUR 235 bn. Total outstanding residential mortgages was in comparison EUR 476 bn and new issuance was EUR 57 bn.

¹ Government consolidated Gross Debt, Maastricht definition.

² Eurostat.

GREEN FUNDING

Most Swedish mortgage institutions and banks offering mortgages also offer different kinds of green mortgages. Green mortgages typically have a 0.1% interest rate discount if the residential property fulfils certain energy standards. During recent years some institutions have issued green covered bonds to fund the green assets in the covered pool.

	SWEDEN 2022	SWEDEN 2023	EU 27 2023
MACROECONOMIC VARIABLES			
Real GDP growth (%) (1)	2.7	-0.2	0.4
Unemployment Rate (LSF), annual average (%) (1)	7.5	7.7	6.1
HICP inflation (%) (1)	8.1	5.9	6.4
HOUSING MARKET			
Owner occupation rate (%) (1)	64.2	64.9	69.2
Gross Fixed Investment in Housing (annual change) (1)	4.8	-22.2	-3.1
Building Permits (2015=100) (2)	104.4	53.4	94.0
House Price Index - country (2015=100) (2)	156.8	141.3	170.2*
House Price Index - capital (2015=100) (2)	142.7	127.0	165.1*
Nominal house price growth (%) (2)	4.3	-9.9	3*
MORTGAGE MARKET			
Outstanding Residential Loans (mn EUR) (2)	470,048	476,323	6,782,375
Outstanding Residential Loans per capita over Total Population (EUR) (2)	44,971	45,271	15,114
Outstanding Residential Loans to disposable income ratio (%) (1) (2)	173.9	181.6	71.3
Gross residential lending, annual growth (%) (2)	-5.7	-29.9	-26.6
Typical mortgage rate, annual average (%) (2)	2.3	4.3	4.7

* Please note that this value is a simple average of the available values in 2023.

Sources:

(1) Eurostat.

(2) European Mortgage Federation - Hypostat 2024, Statistical Tables.

SWEDEN FACT TABLE

Which entities can issue mortgage loans in your country?

There are no specific limitations as regards issuing mortgages. 99% of all mortgage lending in Sweden is issued by banks and credit market institutions. New non-bank actors like mortgage credit companies and AIF (Alternative Investment Funds) have entered the market since a couple of years and made up 1% of the mortgage market in 2023.

What is the market share of new mortgage issuances between these entities?

There is an approximate share of 75% for credit market institutions (mortgage credit institutions) and 25% for banks. Due to the increasing market interest rates, actors like mortgage credit companies and AIF (Alternative Investment Funds) had a shrinking new lending and a market share close to 0% of new mortgages in 2023.

Which entities hold what proportion of outstanding mortgage loans in your country?

Mortgage institutions have 76% of outstanding mortgages and banks 23%. Mortgage credit companies and AIF (Alternative Investment Funds) have 1% of outstanding mortgages.

What is the typical LTV ratio on residential mortgage loans in your country?

According to Finansinspektionen the average LTV for new mortgage loans in 2023 was 64%.

How is the distinction made between loans for residential and non-residential purposes in your country?

The distinction is made based on how the loan is secured. Residential loans are secured on residential property.

What is/are the most common mortgage product(s) in your country?

Ordinary mortgage loans. Variable interest is the most common interest rate on new mortgages (76.5%) in 2023.

What is the typical/average maturity for a mortgage in your country?

The expected average length of a mortgage loan is 7.5 years. Contractual lengths of mortgage loans vary normally between 30 to 50 years. However, for many different reasons, mortgage borrowers either terminate their mortgage permanently or terminate and get a new one before the contractual length is reached.

What is/are the most common ways to fund mortgage lending in your country?

Covered bonds.

What is the level of costs associated with house purchase in your country (taxes and other transaction costs)?

Different studies seem to indicate that the level of cost associated with a house purchase is very low in Sweden. Transaction costs in Sweden consist mainly of stamp tax (1.5%) and, if you need a loan, of a mortgage fee (2% of the new or increased mortgage). Normally, borrowers do not pay any fee to the mortgage lender. Notary is not needed in Sweden, thus there is no notary fee.

What is the level (if any) of government subsidies for house purchases in your country?

There are no direct subsidies in Sweden. However, borrowers are allowed to deduct the interest payments from their tax payments. Interest payments up to SEK 100,000 (around EUR 8,700) yearly can be deducted by 30% from borrowers' tax payments. Interest payments above SEK 100,000 can only be deducted by 21% from tax payments.