

Sweden

By Christian Nilsson, Swedish Bankers' Association

IN A NUTSHELL

- The economy grew by 1% and CPI fell to 0.8%
- Residential mortgage lending increased by 1.4%.
- House prices increased slightly across all types
- The share of new loans with variable interest rates increased to 85.0%.

MACROECONOMIC OVERVIEW

The GDP increased by 1.0% compared to a decrease of 0.1% in 2023, according to Eurostat. Activity in the economy increased slightly by year end, in particular in retail sales and industrial production.

Due to the weak economic conditions in general, fixed gross investments have slowed down in recent years. However, after nine consecutive quarters of declining housing investment, it increased in H2.

Unemployment increased to 8.4 percent from 7.7 percent in 2023.

Government consumption continued to grow including in defence expansion and healthcare. Government debt¹ as a percentage of GDP increased from 31.6% to 33.5% in 2024. The increase in government debt is equivalent to EUR 11.4 bn in 2024².

LOOKING AHEAD

According to different forecasts Sweden is experiencing an economic downturn where uncertainty about future economic developments is holding back both consumption and investments which increases the risk that the weak economic trend will continue longer than forecasted. Forecasts are difficult due to uncertainties about US tariffs, however the consequences of the tariffs themselves are expected to be limited both on inflation and growth in Sweden.

HOUSING MARKETS

There was a mixed development between housing completion and starts. Completions decreased to around 42,000 dwellings, (-35% y-o-y) but housing starts only decreased by 2% in 2024 to 28,350 dwelling, after a 50% fall in 2023 due to increasing housing costs and decreasing demand.

Prices of one-family homes recovered slightly increasing by 0.4% after a decrease of 9.9% in 2023. One-family homes are most expensive in Stockholm region (unchanged y-o-y) and increased in Gothenburg and Malmö by 0.7% and by 0.8% respectively.

Prices on one-family homes continued increasing in Q1 2025 to 2.9% on an annual basis.

The prices for tenant-owned apartments³ increased by 2%.⁴

The share of tenant-owned apartments among new construction of apartments has been relatively stable around 50%. However, in the last years the share of rental apartments has increased to 62%. Overall, 37% 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 2024.

MORTGAGE MARKETS

Variable mortgage interest rates (<1 year) decreased to 2.9% by year end (4.4% at year-end 2023). Initial fixed rates, for 1 to 5 years, decreased to an average of 2.9% (4.2%) and for over 5 years to 2.8% (from 3.0%).

The share of variable interest rates in new lending was 85.0% even though variable interest rate and initial fixed rates was almost at the same level. It is assumed that borrowers are expecting interest rates to decrease as variable interest rates share is high.

The average LTV for new mortgage loans was 64.5%, almost the same as in 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 with few exceptions have been increasing for many years.

[The growth rate in outstanding mortgage loans increased further in March 2025 to 1.7% on an annual basis compared to 0.9% in March 2024.]

MORTGAGE FUNDING

Covered bonds are the most common form of mortgage funding. During 2024 the nominal value of outstanding covered bonds decreased by -1.3% (in SEK) to EUR 225 bn equivalent. For comparison total outstanding residential mortgages were EUR 467 bn. New issuance was EUR 44 bn in 2024.

GREEN FUNDING

Most Swedish mortgage institutions and banks offering mortgages, also offer different kinds of green mortgages typically with a 0.1 percent interest rate discount if the residential property fulfils certain energy standards. For several years institutions have issued green covered bonds to fund the green assets in the cover pool.

¹ Government consolidated Gross Debt, Maastricht definition.

² Eurostat.

³ That is, apartments in blocks legally owned by tenant-owner associations.

⁴ The properties in which tenant-owned apartments are located are formally owned by tenant-owners' associations. A resident in a tenant-owned apartment is entitled to live in one of the tenant-owners' associations' apartments. The resident can sell and buy the right to live in the apartment on the open market. The resident can take a loan to finance the purchase.

	SWEDEN 2023	SWEDEN 2024	EU 27 2024
MACROECONOMIC VARIABLES			
Real GDP growth (%) (1)	-0.2	1.0	1.0
Unemployment Rate (LSF), annual average (%) (1)	7.7	8.4	5.9
HICP inflation (%) (1)	5.9	2.0	2.6
HOUSING MARKET			
Owner occupation rate (%) (1)	64.9	64.8	68.4
Gross Fixed Investment in Housing (annual change) (1)	-22.2	-15.0	-4.3
Building Permits (2015=100) (2)	53.4	52.5	136.9
House Price Index - country (2015=100) (2)	141.3	141.9	179.8
House Price Index - capital (2015=100) (2)	127.0	127.0	171.5
Nominal house price growth (%) (2)	-9.9	0.4	4.9
MORTGAGE MARKET			
Outstanding Residential Loans (mn EUR) (2)	476,323	467,822	6,879,667
Outstanding Residential Loans per capita over Total Population (EUR) (2)	45,271	44,336	15,311
Outstanding Residential Loans to disposable income ratio (%) (2)	181.6	172.8	71.3
Gross residential lending, annual growth (%) (2)	-29.9	16.8	3.9
Typical mortgage rate, annual average (%) (2)	4.3	4.9	4.34

(1) Eurostat Data

(2) European Mortgage Federation – Hypostat 2024, Statistical Tables

* Eurostat Reviewed

** EU 2024 to be confirmed

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 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 2024.

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 2024.

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 2024 was 64,5%.

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 (85%) in 2024.

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. A notary is not needed.

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.