Sweden

By Christian Nilsson, Swedish Bankers' Association

IN A NUTSHELL

- → Growth in residential mortgage lending increased to 2.4%.
- → The sharp decline in construction since 2023 levelled out and increased slightly in 2025.
- → Single-family house prices increased by 3.5% in 2025.
- → The share of new loans with variable interest rates decreased to 78.5%.
- → The credit loss ratio on mortgage loans remained close to zero.

MACRO-ECONOMIC OVERVIEW

GDP increased by 1.5% in 2025, compared with 1.0% in 2024, according to Eurostat. Demand in the economy strengthened broadly during the second half of 2025. Key drivers of the recovery included rising real wages and expansionary fiscal policy. Tax cuts targeted at households and extensive debt-financed investment in defence, together with earlier interest rate reductions, boosted domestic demand. In addition, exports made a significant contribution to growth.

Gross fixed investment recovered during 2025. Housing investment declined sharply following the period of high inflation and rising interest rates in 2022 and 2023, but recent developments indicate a modest recovery. A temporary increase in the tax deduction stimulated renovation activity in single-family homes, and housing investment continued to increase towards the end of 2025. Over the longer term, the sector faces a gradual decline in demand due to demographic factors, which is expected to restrain residential construction.

Weak labour market developments led to an increase in the unemployment rate to 8.8% in 2025. Since the beginning of 2025, the increase in unemployment has primarily been driven by full-time students seeking work, which was also the case in the third quarter of the year.

Inflation, measured by the Consumer Price Index (CPI), declined from 0.8% at the beginning of the year to 0.3% at the end of the year. Core inflation increased from 1.5% at the beginning of the year to 2.1% at year-end. Core inflation measures underlying price pressures by excluding the effect of interest rate changes from the Consumer Price Index.

General government debt increased from 34.2% to 35.1% of GDP in 2025. The increase in government debt amounted to EUR 22.2 billion.

LOOKING AHEAD

The Swedish housing market in 2026 is expected to be shaped by two competing forces. The Riksbank's monetary policy easing cycle is expected to remain the main driver of a moderate recovery in house prices, particularly in the major metropolitan areas. The April 2026 amortisation rule change provides an additional stimulus by increasing households' monthly disposable income and modestly expanding borrowing capacity, although its overall impact is expected to be limited.

The main downside risk remains the macroeconomic environment. A further escalation of US tariffs or a broader slowdown in the European economy could weaken Swedish employment more than expected, reducing household confidence and slowing the recovery in the housing and mortgage markets.

HOUSING MARKETS

Housing completions and housing starts continued to follow different trends in 2025, as in 2024. Housing completions continued to decline to around 29,000 dwellings, representing a decrease of 56.0% compared with the previous year. Housing starts have declined considerably over the past three years but recovered slightly in 2025, increasing by 20.0%.

Prices for single-family homes continued to recover in 2025, increasing by 3.5%, compared with an increase of 0.3% in the previous year. Single-family homes remained most expensive in the Stockholm region, where prices increased by 10.4% in 2025. Prices in the Gothenburg and Malmö regions increased by 11.7% and 2.7%, respectively.

Prices for tenant-owned apartments remained broadly unchanged in 2025.

The share of tenant-owned apartments in new apartment construction has remained relatively stable at around 50.0%. However, in recent years, the share of rental apartments in new construction has increased, reaching 71.0% in 2025. Overall, 37.0% of apartments are tenant-owned, while the remaining 63.0% are rented. Across the entire housing stock (single-family homes and apartments), the pattern is reversed: 61.0% of dwellings were owner-occupied and 39.0% were rental properties in 2025.

MORTGAGE MARKETS

MARKET DYNAMICS

By 2025, the Swedish residential mortgage market had entered a cautious recovery phase following the turbulent interest rate cycle of 2022–2024. Outstanding residential mortgage loans increased by 2.4% to SEK 5,486 billion.

Variable mortgage interest rates declined slightly during 2025. The variable rate (interest rate fixation of less than one year) decreased to 2.7% at the end of 2025, compared with 2.9% at the end of 2024. Initial fixed rates with fixation periods of one to five years remained unchanged at 2.9%, while initial fixed rates with fixation periods of more than five years increased to 3.2% from 2.8% at the end of 2024.

The share of variable-rate mortgages in new lending declined to 78.5% in 2025, compared with 85.0% in the previous year.

The credit loss ratio on mortgage loans remained close to zero, reflecting high lending standards, the social welfare system, and house prices that, with few exceptions, have increased over many years. The annual growth rate of outstanding mortgage loans increased further to 2.6% in March 2026, compared with 1.7% in March 2025.

Prices for single-family homes increased by 1.5% year on year in the first quarter of 2026, compared with an increase of 3.5% for the full year 2025.

MORTGAGE FUNDING

Covered bonds remain the dominant source of mortgage funding in Sweden. During 2025, the nominal value of outstanding covered bonds increased by 1.7% (in SEK) to EUR 242 billion. By comparison, total outstanding residential mortgages amounted to EUR 507 billion. New covered bond issuance totalled EUR 55 billion in 2025.

GREEN FUNDING

Most Swedish mortgage institutions and banks offering mortgages also provide green mortgage products. These mortgages typically offer an interest rate discount of 0.1 percentage points where the residential property meets specified energy-efficiency standards. For several years, Swedish institutions have also issued green covered bonds to finance eligible green assets within their covered bond pools.

	SWEDEN 2024	SWEDEN 2025	EU 27 2025
MACROECONOMIC VARIABLES			
Real GDP growth (%) (1)*	1.0	1.5	1.5
Unemployment Rate (LSF), annual average (%) (1)	8.4	8.8	6.0
HICP inflation (%) (1)	2.0	0.7	2.0
HOUSING MARKET			
Owner occupation rate (%) (1)	64.8	64.6	68.5
Gross Fixed Investment in Housing (annual change) (1)	-14.2	-4.5	2.8
Building Permits (2015=100) (2)	81.9	85.7	86.9
House Price Index - country (2015=100) (1)	141.9	144.4	161.92
House Price Index - capital (2015=100) (2)	127.0	129.8	n/a
Nominal house price growth (%) (1)*	0.43	0.25	5.5
MORTGAGE MARKET			
Outstanding Residential Loans (mn EUR) (1)	466,458.56	507,000	5,617,435.11
Outstanding Residential Loans per capita over Total Population (EUR) (2)	44,230.03	47,800	12,472.10
Outstanding Residential Loans to disposable income ratio (%) (1)	172.79	167.71	81.39
Gross residential lending, annual growth (%) (1)	1.7	2.4	2.8
Typical mortgage rate, annual average (%) (2)	4.14	2.93	3.31

(1) Eurostat Data
(2) European Mortgage Federation – Hypostat 2026, Statistical Tables
* Eurostat Reviewed
** EU 2025 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 in Sweden is issued by banks and credit market institutions. New non-bank actors, like mortgage credit companies and AIFs (Alternative Investment Funds), have entered the market since a couple of years and made up 1% of the mortgage market in 2025.
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 AIFs (Alternative Investment Funds) had a shrinking new lending and a market share close to 0% of new mortgages in 2025.
Which entities hold what proportion of outstanding mortgage loans in your country?	Mortgage institutions hold 76% of outstanding mortgage loans, while banks 23%. Mortgage credit companies and AIFs (Alternative Investment Funds) account for 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 2025 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?	Standard mortgage loans are the most common mortgage product in Sweden. Variable-rate mortgages remain the dominant product, accounting for approximately 78% of new mortgage lending in 2025.
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 are the primary source of funding for mortgage lending in Sweden.
What is the level of costs associated with house purchase in your country (taxes and other transaction costs)?	Various studies indicate that the costs associated with purchasing a home are relatively low in Sweden. Transaction costs consist mainly of stamp duty (1.5%) and, where mortgage financing is used, a mortgage registration fee of 2.0% on the new or increased mortgage amount. Borrowers generally do not pay any fees to the mortgage lender. As notaries are not required in Sweden, there are no notary fees.
What is the level (if any) of government subsidies for house purchases in your country?	There are no direct government subsidies for house purchases in Sweden. However, borrowers are entitled to deduct mortgage interest payments (excluding interest on unsecured loans) from their taxable income. Interest payments of up to SEK 100,000 (approximately EUR 8,700) per year are eligible for tax relief at 30%. Interest payments exceeding SEK 100,000 are eligible for tax relief at 21%.