

# Affordable Housing Models in the Nordic Countries 2020





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# FOREWORD

NBO - Housing Nordic is an association of housing organizations in the Nordic Region that represent nearly 2.5 million homes and 4.7 million residents. The members consist of eight cooperative and public housing associations in Denmark, Finland, Iceland, Norway and Sweden.

The members share a common vision of a Nordic Region that consist of economically, environmentally and socially sustainable housing for all. This creates the conditions for safe and lively housing areas and freedom of choice for the residents, while being able to influence their living conditions and social circumstances.

Access to good-quality and affordable housing is fundamental to achieving several of the Nordic Council of Ministers' 2030 policy objectives concerning the economic and growth agenda. The policy objectives consist of enhancing equality of opportunity, increasing social inclusion and mobility as well as greening the economy to promote sustainable cities with diverse populations. The work of NBO is based on the same values and support this vision.

This publication provides an overview of the different affordable housing models provided by the NBO members in Finland, Iceland, Norway, Sweden and Denmark. It describes how NBO members contribute to the welfare states, in large parts by delivering affordable housing, construction of a substantial part of new homes in the respective countries and managing residential buildings and areas with a special focus on sustainability. In a post-corona Nordic Region, sustainable housing will be paramount to ensure coherence and welfare for Nordic citizens. NBO believes that the affordable, public and cooperative housing sector should now, more than ever, continue to be an integrated part of the strong welfare model across the Nordic Region.

Bent Madsen  
Chairman of NBO – Housing Nordic



#### **BL — Danish Social Housing**

- 510 member organizations
- 500,000 non-profit dwellings
- 1,000,000 residents



#### **KOVA — Association for Advocating Affordable Rental Housing**

- 68 member organisations
- 215,000 state-subsidized rental dwellings
- 340,000 residents



#### **Büseti**

- 1,200 cooperative housing dwellings
- 3,600 residents
- 5,400 members



#### **Félagsbústaðir — Reykjavík Social Housing**

- 2,800 municipally owned non-profit social housing dwellings
- 7000 residents



#### **NBBL — The Cooperative Housing Federation of Norway**

- 41 member cooperative housing associations
- 13,400 housing cooperatives and condominiums
- 530,000 dwellings
- 1,050,000 members



#### **HSB**

- 26 HSB associations
- 4,000 housing cooperatives
- Owned by 650,000 members
- 140,000 HSB home savers
- 340,000 housing cooperative apartments
- 25,000 rental apartments



#### **Riksbyggen**

- Owned by building unions, 1,700 (local) housing associations and other national cooperative associations.
- 200,000 condominiums in 4,218 housing cooperatives
- 100,000 rental dwellings
- 500,000 residents



#### **Public Housing Sweden**

- 312 municipally owned member companies and private companies
- 860,000 dwellings
- 1,400,000 residents

# SUMMARY

## Denmark | Non-profit Housing

Non-profit housing covers 20% of dwellings in Denmark and provides rental housing which works within the triangular of social, economic and environmental sustainability. It is an integrated part of the welfare society and stands on three pillars: being non-profit which keeps rents low, having tenant-democracies where the residents influence their own housing, and having a financial model where the State and municipalities support the construction of non-profit housing, but do not contribute to operating costs. The waiting lists are accessible to anyone but the municipalities have the right to dispose over minimum 25% of vacant apartments for acute social matters.

## Finland | Affordable Housing

The purpose of the affordable housing system is to provide housing for low and medium-income people in attractive locations and of good quality, to tackle segregation in cities and to promote businesses in the areas. The financing of the Finnish affordable housing system today is based on 40-year interest subsidy loans, but the system is lacking actual support. To enhance long-term planning in housing policy, an eight-year development program in housing will be drafted.

## Iceland | Social and Cooperative Housing

The housing market has historically been that of home ownership, with 72% of Icelanders owning their own homes and 17% renting in 2019. The main aim of social rental housing in Iceland is to provide affordable housing for individuals and families that are below a certain annual income. There has been increased

emphasis on establishing affordable housing opportunities supported by the state, municipalities and the Unions. In 2019 rental housing encompassed 3.9% of the rental apartments available in the country and the percentage is rising.

## Norway | Cooperative Housing and Home Ownership

After WW2 the housing cooperative system was expanded in close collaboration with the municipalities, with financial support from the Norwegian State Housing Bank. The aim was to create affordable housing based on ownership and price control. A fundamental liberalisation of the entire housing marked in the 1980s forced cooperative housing to a reorientation towards the free market. The 350,000 cooperative dwellings still represent an important housing supply - especially for small households with low and medium income. In Norway nearly 80% of all households are owner occupied and the difficulties for young people to get in to this market are dominating the housing policy debate.

## Sweden | Cooperative Housing and Public Housing

The housing market is facing challenges of housing shortage, high construction costs and credit restrictions for consumers, making it hard especially for young people, newly arrived and the elderly population. The municipally-owned housing companies, are a tool for the authorities to ensure that those living in the municipalities have access to good housing. And the Swedish cooperative housing companies are working in different ways to make it easier to access the domestic housing market.



# DENMARK | *NON-PROFIT HOUSING*

## BL—Danish Social Housing

### The basic principles

Social housing or non-profit housing, which may be a more accurate definition, is an integrated part of the Danish welfare society. At the same time, it is detached from public institutions and works as a separate legal entity.

The Danish affordable housing sector provides non-profit rental housing and works within the triangular of social, economic and environmental sustainability. Law regulates every aspect, from financing new construction and renovation of the existing stock, to the size of apartments and the activities the housing organizations may engage in.

The housing organizations fall under municipal supervision. Consequently, they work in close cooperation with the local authorities. The municipalities have the right to dispose over at least one in every fourth vacant apartment, for acute social matters. Moreover, the municipalities estimate the actual housing need regarding new construction. This means that each municipality decides when to construct new non-profit housing and what type of housing it should be (family-, youth- or homes for elderly or disabled people).

### Purpose and role in society

The aim of the non-profit housing sector is legally defined as affordable and decent housing for all in need hereof, and to give tenants a legal and decisive right to influence their own living conditions.

The non-profit housing sector in Denmark stands on three pillars, all rooted in this purpose and tied to the Danish welfare society:

**Non-profit.** The rent covers operating and maintenance costs, capital expenditure, as well as taxes and duties. This is known as the rental balance principle and means that rental income and expenditures must break-even.

**Tenant Democracy.** All housing organizations are based on the principle of tenant democracy. This derives from the legal right of self-determination over one's own housing. The residents have the majority on the housing organization's board and at other levels of the tenant democracy system.

**Financial Model.** The State and municipalities support the construction of non-profit housing, but do not contribute to operating costs.

### Finance and funding

New construction of non-profit housing is partly funded by the municipalities and the state. The municipality provides 8-12% as an interest-free loan, and the residents provide 2% as a deposit when moving in. The remaining 86-90% of the total construction costs is financed by a state guaranteed mortgage loan on market terms. In addition to this, the state guarantees that the total capital costs for residents are set at 2.8% plus annual inflation of the total construction costs. The state covers



the difference between the set capital costs for residents and the payments on the mortgage loan. This amount becomes negative in favor of the state at times when interests are low.

Large renovations, developments in the existing stock and social development plans are usually co-funded by the National Building Fund. This is a 50-year-old solidary savings fund composed by tenant payments through rent and is directed towards the social housing sector. As such it works as a savings account and insurance for the entire social housing sector in Denmark. The system is a closed circuit and ensures that future renovations are considered from the startup phase of financing new social housing.

Grants from the National Building Fund are obtained through applications submitted by the housing organizations and are allocated on objective criteria. Allocation follows the “emergency room principle” where the estates in the worst constitution are renovated first.

However, the Fund’s level and areas of investment are defined by political agreements made typically every four years by the Danish Parliament. The National Building Fund is thus funded by the tenant payments but regulated by law.

### Size and scale

In 2020 the social housing sector in Denmark counts some 510 organizations covering around 7000 individual housing estates across the country. This amounts to more than half a million dwellings and 1 million residents. As such, social housing covers 20% of the total stock of dwellings in Denmark.

All housing organizations in Denmark have the same basic structure but vary in size. Some count several hundred housing estates while others consist of only one or two.

### The residents

The main part of dwelling allocations happens



through waiting lists. The basic concept of the non-profit housing sector is one of inclusion and therefore the lists are accessible to anyone. Despite this inclusive policy, low-skilled, low income, unemployed, singles and one-parent families characterize the residents as individuals with social challenges and have a general priority within the municipal allocation system. A system that grants municipalities access to one in every four dwellings for people in urgent need of housing. The social mix of tenants is also affected by the legal limits regarding construction costs, rent and size.

One of the main characteristics of this housing sector is affordable housing costs. The average housing expenditure as a percentage of disposable income is 23% in Denmark. The average rent level in non-profit housing is generally lower than rent levels in private rental housing. At a national level, the rent on a newly built family home averages to DKK 932 per. m<sup>2</sup> while the rent in private rental housing is DKK 1,221 per m<sup>2</sup>.

The average family dwelling in the non-profit housing sector is 79 m<sup>2</sup> and has 1,8

residents. Compared to the average living space per person in Denmark of 52 m<sup>2</sup> this is somewhat small. Families with more resources may seek homes that are more spacious within the private housing market. Hence, these limits also affect the residential mix.

There is a majority of women living in non-profit housing with a distribution of 47% men and 53% women. Furthermore 41% of these women are single while 26% of men are single. In total 67% of residents are single while 26% live with a partner. 10% are single parent households. 30% of all residents are immigrants or decedents of immigrants while 22% are senior citizens over 65 (2019 figures). The average personal income in 2017 was 230,397 DKK which is 32% less than outside social housing.

The inclusive approach allows housing organizations and municipalities to create a more balanced mix of residents in the housing areas. A natural balance of residents across the social and economic scale is considered important as it contributes to social cohesion and prevents segregation in society.



# FINLAND | AFFORDABLE HOUSING

KOVA—Association for Advocating Affordable Rental Housing

## The basic principles

The goal of Finland's long-term government housing policy is for housing conditions to meet people's housing needs and for the real estate market to function properly. In growing areas, the goal is to increase the supply of a wide variety of housing.

Housing is a core element in ensuring welfare in Finland because the private housing market does not provide housing for all. Therefore, in Finland KOVA has a long history of providing affordable housing to the Finnish people. The history of affordable (social) housing starts in 1949. Since then more than 1 million apartments have been built with state subsidy in Finland. Part of those are owner-occupied apartments but the majority are affordable rental apartments. Of those, 375,000 dwellings are now under state restrictions. Nowadays affordable housing focuses especially on guaranteeing housing for people with low income and for specific population groups, e.g. students, elderly and disabled people.

The Finnish affordable housing sector has a limited profit by design. It is based on the self-cost covering principle, which means rent levels must be based on capital costs and maintenance costs. The legislation is set by the state. Legislation and governmental authorities regulate rent levels, building costs, prices of building lots and tenant democracy. Regulations ensure that subsidies are channeled back to the residents and that dwellings maintain their

intended use. Municipalities play a big role in housing planning and supervising tenant selection.

The Finnish affordable housing model is compatible with EU state aid regulations.

## Purpose and role in society

The purpose of the Finnish affordable housing system is to provide housing for low and medium-income people in attractive locations and of good quality, to tackle segregation in cities and to promote businesses in the areas.

Finland has also adopted the Housing First principle that has helped reduce homelessness as the only European country, even during the financial crisis. The current government has set a goal to reduce homelessness by half over the course of four years and end it in eight years.

The system has so far had quite a broad support among different political parties. Although it should be mentioned that especially the right-wing parties would like to see the system targeted even more towards specific population groups. A huge amount of housing allowances is paid to people living in rented market priced apartments. Building affordable rental dwellings reduces the amount of housing allowances needed.

Some improvements are needed regarding the 40-year interest subsidy loan system. There is no actual support (except the state guarantee)

integrated in the system on current interest rates. The lack of support in the system does not encourage developers to build affordable rental dwellings.

There has also been a lack of long-term planning in housing policy. To enhance long-term planning an eight-year development program in housing will be drafted.

## Finance and funding

The financing of the Finnish affordable housing system today is based on 40-year interest subsidy loans. The loans are granted from financial institutions. The biggest lender is Municipality Finance Plc which is a financial institution owned by the municipalities and the state. Before 2007 the financing was based on state (ARA) loans.

The state (The Housing Finance and Development Centre of Finland, ARA) gives a state guarantee for interest subsidy loans. Also, the properties are collaterals for the lenders. The loan-to-value is up to 95% both in new construction loans and in renovation loans (taken after 01.07.2018). So, only 5% of equity is needed from the developer. There is a possibility to get a maximum of 4% return on equity.

The interest subsidies for loans cover a certain proportion of interest payments over 1,7% (until 2023). Interest subsidies are paid for 23 years (30 years for new loans taken after 01.07.2018). Interest subsidy is highest at the beginning and declines gradually over time (23 or 30 years).

For building dwellings for specific popula-

tion groups such as homeless people, students and disabled people there is a possibility to apply investment grants from ARA. Those grants are linked to interest subsidy loans only. There are four categories of grants, from 15% up to 50% of the total cost of a project.

The rent levels of our members compared to the rent levels of non-subsidized rental dwellings are usually lower. However, the situation varies between regions and organizations. The benefit for the residents is the biggest in the growing city areas such as Helsinki. In Helsinki, the benefit of the residents of our members can be up to 50% compared to the rents of non-subsidized dwellings in the same area.

## Size and scale

KOVA has 56 members that own, maintain and build reasonably priced and state subsidized rental houses all over Finland. Our members' ownership covers over 210,000 rental apartments – almost 70% of all state subsidized rental dwellings which have state restrictions in Finland. They provide homes for about 340,000 residents.

In Finland there are around 375,000 affordable rental dwellings which are under state restrictions. This amount also covers the stock of the right of occupancy dwellings which is around 50,000 dwellings. That number of affordable dwellings covers around 12% of the total housing stock in Finland. These are divided between some 800 organizations.

Around 75% of all affordable rental dwell-

ings under statutory limitation are owned by municipal housing companies. All housing organizations in Finland have the same basic structure but vary in size. The biggest company owns 50,000 dwellings and the smallest only a few dozen of dwellings. There are also about 150,000 rental dwellings which are no longer under state restrictions.

KOVA's members are municipally owned rental housing companies and foundations and other non-profit rental housing companies and foundations. Some of our members also offer affordable housing for special population groups such as elderly people and handicapped people. Our members have around 18,000 affordable dwellings for special population groups.

## The residents

The selection of tenants to affordable rental dwellings is based on a housing need assessment of the applicants and there is no waiting list. Affordable rental dwellings are allocated to the households that are in the most urgent need of housing. The focus in tenant selection is to allocate dwellings especially to low-income, low-asset households. To avoid segregation social diversity is also considered in tenant selection.

Based on a survey among residents of KOVA's member organizations, nearly 50% of the households that participated earn a maximum of € 20,000 per year.

In Finland affordable dwellings are a bit larger than market price dwellings. The average size of affordable rental dwellings is around 50-55 m<sup>2</sup>.





# ICELAND | SOCIAL AND COOPERATIVE HOUSING

Búseti and Felagsbustadir Hf.—Reykjavík Social Housing

## The basic principles

The housing market in Iceland has historically been that of home ownership, with 72% of Icelanders owning their own homes and 17% renting in 2019. 9% live with their parents while 1% is classified as “other”. The idea of social housing was slow to take root in Iceland compared to other Scandinavian countries, and to this day remains a relatively small part of the housing stock with 3.9% of the rental apartments available in the country.

The labour movements and workers’ associations were the main proponents of establishing social housing in the early 20<sup>th</sup> century, with a focus on building owner-occupied apartments that could not be sold on the open market. Later the initiatives became the responsibility of the municipal authorities, although the state participates by providing endowment capital for social housing.

Following the economic crisis of 2008 construction came to a standstill, resulting in a sharp rise in housing prices and subsequently rents. The situation was aggravated by an upswing in tourism, where a great many rental apartments on the open market were used as Airbnbs rather than being rented to long-term inhabitants. The Airbnb market went from 600 apartments in 2013 to 4000 in 2018, or 5% of the housing stock. 60% of these Airbnb apartments are in the Reykjavík city centre. An ongoing concentration of ownership of private rental companies has also resulted in rents

reaching unsustainable levels for lower income groups, putting pressure on the state and municipalities to provide affordable housing. The situation has also called back an old player in providing affordable housing: Workers’ Unions establishing housing trusts to provide affordable rental apartments.

Today, the affordable housing model is non-profit and largely based on two pillars:

- Municipality-operated **social rental housing**, along with rentals provided by non-profit housing trusts.
- The **cooperative housing sector**

## Social rental housing

Social housing developed quite slowly until the 1960s and social rental flats were from the beginning a much smaller sector than the owner-occupied Workers’ Housing sector. They were mostly seen as an instrument of the municipal social services to alleviate the direst housing conditions of low-income families in Iceland. The municipalities responsibilities to procure and maintain adequate social housing are proscribed in Laws on Social Services of Municipalities nr. 40/1991.

The main aim of social rental housing in Iceland is to provide affordable housing for individuals and families that are below a certain income a year, as defined in the Laws on General Housing nr. 52/2016.

As of end-of-year 2018, social rental housing encompasses 3.9% of the rental apartments available in the country, or 5,454 apartments, and the percentage is rising. The majority of these belong to the capital area municipalities (3,493) and the second largest in the North (715).

The capital, Reykjavík, has established a separate, non-profit company, Reykjavík Social Housing (Félagsbústaðir) that owns, runs and maintains close to 3,000 social apartments with the aim of providing affordable housing for individuals and families that are below a certain income per year, as well as those with special needs and the elderly. In 2020 the company owns 4.7% of all apartments in Reykjavík, aiming for 5%.

Various non-profit housing trusts also exist providing dwellings for specific groups. For example, Brynja, the non-profit housing trust of the Iceland Disability Association, has 810 rental units and in 2018 the Bjarg Housing Foundation was established by the Icelandic Confederation of Labour and the Federation of State and Municipal Employees, marking the

return of the unions into the affordable housing model. Bjarg plans on completing the construction of 1400 dwellings in the next three years.

## Cooperative housing sector

The cooperative sector in Iceland had its start in a 1932 building cooperatives legislation. The cooperative aspect only pertained to the building phase, after which the flat became a part of the ordinary home ownership sector. A handful of non-profit housing cooperatives, that are also owned and run by cooperative associations, were established in the 1980s, and the legislation regulating their activities came into being in the years around 1990. They are largely based on the Nordic Model to secure housing for the cooperative members. The largest, Búseti, takes care of approximately 1,200 dwellings in the greater Reykjavík area while smaller ones (Búmenn and Búfesti) operate close to 280 apartments in the North of Iceland, and Mörk, an association that is a housing cooperative for the elderly, offers close to 20 service apartments.

Various non-profit housing trusts are also a





part of the cooperative sector, the largest being the associations of the elderly who construct apartments and sell to its members at cost, a continuation of the older model of assisting with the construction phase of houses that are then sold at a lower price than on the market.

## Finance and funding

Although Iceland is currently experiencing a building boom, the country is still dealing with a housing shortage, with an unfulfilled need for 3,300 apartments across the country in 2019. The greatest need is for smaller and more economic apartments, as well as affordable rental flats.

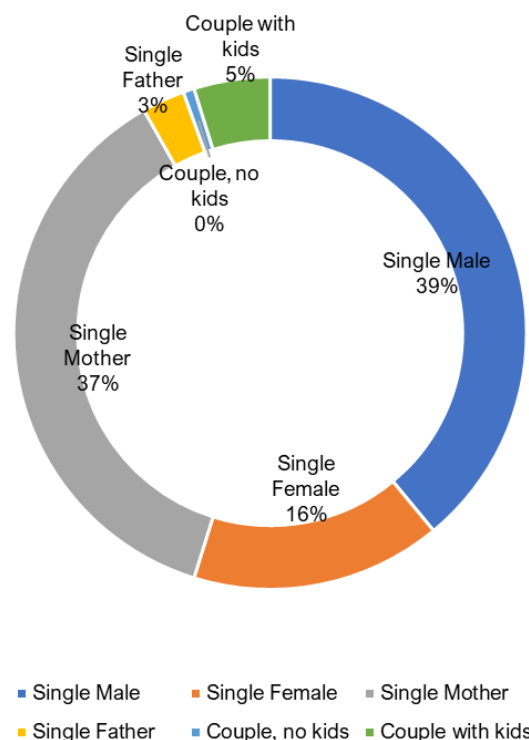
A 2016 legislation changed the financing system of the social sector, to facilitate the construction of social housing. The State Housing Fund and municipalities can provide 30-40% of the project cost as a long-term interest free loan. Only non-profit housing trusts or companies owned by municipalities can apply for these loans and they are restricted to social housing.

According to the Laws on General Housing (Is. Lög um almennar íbúðir 52/2016) the rentals for apartments are decided so that the owners' operation cost is sustainable. The goal of providing these State Housing Fund's loans is that the cost of housing is in accordance with the inhabitant's ability to pay and should in general not be higher than a quarter of their income.

## The residents

The largest group in the social renting sector is that of low-income groups, or approximately 65% of social rental flats. Around 18.5% are for the elderly and 11% for people with spe-

Social Housing in 2018



cial needs. 5.8% classify as “other”.

If we look at residents according to family type, the largest group within social rented flats in Reykjavík is that of single males with 39%. Single mothers and their children follow at a close second at 37%. Single females occupy 15.8%, followed by couples with kids at 4.8%, single dads at 2.7% and couples without kids at 0.7%.

22% of those who rent on the open market are experiencing housing cost overburden, where over 40% of the income goes to the total housing cost, and 8.5% say they pay more than 70% of their disposable household income for rent.

Iceland's municipalities owned 5,454 rental apartments in 2019 but there are many more planned and under construction: The waiting list for social rentals is long: 2,488 people by the end of 2018.



# NORWAY | COOPERATIVE HOUSING AND HOME OWNERSHIP

NBBL—The Co-operative Housing Federation of Norway

## The basic principles

The housing cooperative movement started to grow in Norway in the 1920s and in 1929 the first cooperative housing association (building cooperative) was established in Oslo (OBOS). The chosen model was strongly inspired from HSB in Sweden. However, it was not before after the Second World War that the housing cooperative system expanded through numerous local associations. A national umbrella organisation was founded in 1946 (NBBL - The Cooperative Housing Federation of Norway).

The Norwegian housing cooperative model related to NBBL is based on membership and ownership both in:

- **Cooperative associations:** i.e. the housing developing mother or secondary cooperatives that sell the housing units to:
- **The housing cooperatives:** i.e. daughter or primary cooperatives that consist of a specific number of dwellings owned jointly by the residents. Also known as tenant ownership cooperatives/coops.

This double membership model is regulated through two sets of laws: The Cooperative Housing Association Act and the Housing Cooperatives Act. The two laws go under the joint name of Housing Cooperative Laws. The laws were first established in 1960 and went through major revisions in 2005.

During the first three decades after the Second World War, the authorities very much used the housing coop system as a “tool” as they carried out a “social housing policy” in close partnership with local authorities and the central government. The cooperative model had the benefit of easy access to community-land and finance through the State Housing Bank. Up to the mid-1980s purchase and sale of coop dwellings were subject to public price-control. This price-control-system had various “gaps” and weaknesses and was abolished by political authorities.

The change in housing policy from the 1980s forced the cooperative housing system to a fundamental reorientation towards the free market and more competition. While the housing developing activity in the cooperative associations historically was carried out in collaboration with the municipalities, they now must adapt to a fluctuating market – characterized by a high degree of economic risk. This implies that new housing projects initiated by cooperative associations generally are offered at market prices. However, the surplus from projects is put back into the core businesses in the best interest of their members.

The vision of the Norwegian Cooperative Housing Movement is to offer its members the opportunity to acquire a decent home in a sustainable living environment. NBBL believes in the ethical values of honesty, openness, social responsibility and caring for others, thus ad-

hering to the cooperative principles stated in the International Cooperative Alliance (ICA).

## Finance and funding

Historically financing of housing coops were almost exclusively financed through The State Housing Bank, whereas today financing is primarily done through private banks. There is no governmental financial assistance to the construction of housing cooperatives, except in cases when projects are aimed towards people with disabilities or other specific population groups.

For the housing coop the collective loan covers up to 75% of the price of a new housing project and its dwellings. The rest is covered by initial capital paid by the members of the coop. The members finance their individual initial capital by a loan from a bank and/or own savings.

Members pay a monthly fee that covers interest and amortisation expenses of the cooperative's loan, as well as the operating expenses

and scheduled future maintenance. The monthly fee is related to the size of the unit the member occupies. Members are responsible for the repairs and maintenance of their own units and the cooperative is responsible for the maintenance of common areas and facilities.

Every member has a tenant owner's right to a certain apartment in the building. This can be sold at market price but is linked to a system of pre-emption right for other owners/residents in the same housing coop and for members in the cooperative housing association (the mother org.).

## Size and scale

With one exception, all major cooperative housing associations are members of NBBL. The 41 member associations of NBBL are scattered throughout the country but play a major role primarily in the larger cities. During the last twenty years, the number of associations has more than halved due to comprehensive merger-processes. On the other hand, the numbers of individual members have

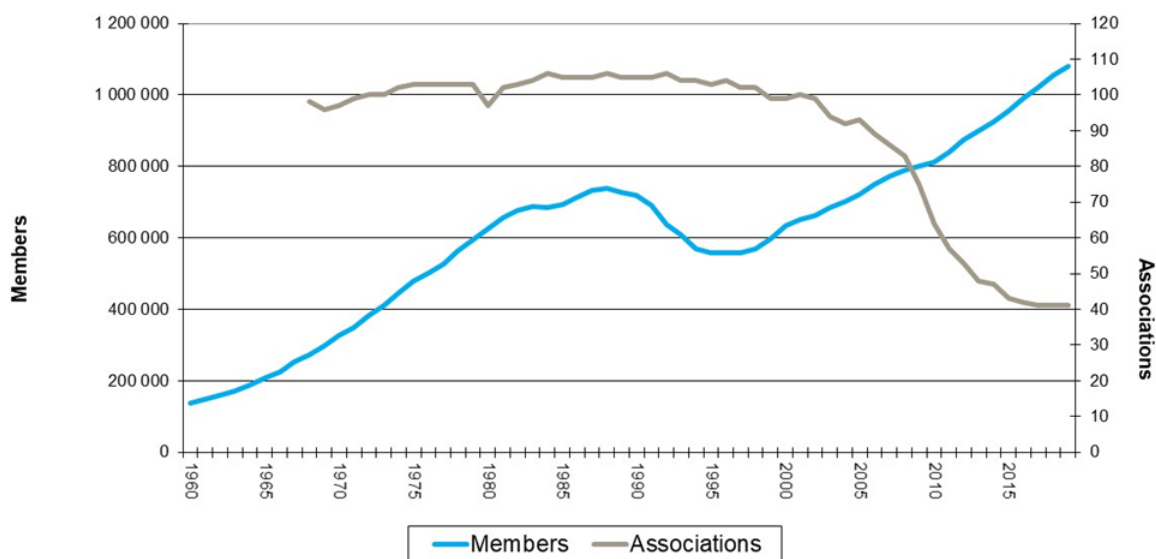


Figure 2: Members and associations 1960-2019

grown substantially: Today the 41 cooperative housing associations have more than 1 million individual members. The largest one (OBOS), that has merged with several other associations in different parts of the country, is in 2020 approaching half a million members. However, most of the 1 million members in the 41 housing associations are not living in a housing coop. They are just members of “the mother” organisation, that gives pre-emption to buying both new and second-hand dwellings (in affiliated housing coops).

The total number of cooperative dwellings in Norway is approximately 350,000 (13-14% of the total stock of dwellings). Nearly 270,000 of those are established by the NBBL-connected associations distributed in 5,700 so called affiliated housing coops. The cooperative housing associations are major players in the market of facility management, and the completely dominant ones concerning housing coops:

Tenure	Facility management	
	Companies	Dwellings
Affiliated housing coops	5,694	267,358
Non-affiliated housing coops	1,745	58,613
Condominiums	5,229	181,650
Rental	60	2,475
Other	698	22,030
Total	13,426	532,126

Table 2: Facility management, by ownership, 2019

## Purpose and role in society

Even though the social role of housing coops was reduced following the reduced public economic support and the liberalisation of the

housing market, the housing coop sector still plays a very important role in the Norwegian housing sector:

- As a group, the cooperative housing associations represent a major housing developer in Norway. In the period of 2015-2019 the cooperative housing associations developed approx. 4,000 housing units pr. year, which is 10-15% of the total number being built. A good proportion of these dwellings are in a Norwegian context considered “affordable housing” – even though the housing cost can be rather high compared to average levels in the existing housing stock.
- NBBL is therefore fighting for better conditions for both the development of new houses, and for ordinary people’s ability to acquire a decent home. For the time being quite a few cooperative housing associations are involved in new projects that aim for an easier way to enter the housing market – especially for young first-time buyers (rent-to-own projects).
- Cooperative housing associations are engaged in quite a few new housing projects in close connection with municipalities, even though the number has diminished over time. This will typically be projects (partly) aimed towards disabled and/or elderly people, but in some cases also the youth.
- The 350,000 cooperative dwellings in Norway represents an important housing supply - especially for small households with low and medium income. The yearly turn-over rate for coop dwellings is close to 10%.
- Especially concerning apartment buildings,



the cooperative housing associations are the dominant player in the market of facility management. To provide good maintenance services to housing coops and condominiums is a major task and a social mission for the cooperative housing associations. We are

facing huge challenges connected to making the existing housing stock more sustainable – socially, economically and environmentally – and the cooperative housing sector in Norway wants to play an important role in this transition.



# SWEDEN | COOPERATIVE HOUSING AND PUBLIC HOUSING

HSB, Riksbyggen and Public Housing Sweden

## The basic principles

The Swedish NBO members are the two cooperative housing organizations HSB and Riksbyggen, and the public housing organization Public Housing Sweden (Sveriges Allmännytta).

## Cooperative housing

Cooperative housing, also known as a tenant ownership cooperative, was a response to extreme housing shortages and severe housing speculation in the 1920s. HSB's aim when it started in 1923 was to improve the living conditions by providing members with healthy and affordable homes, and give everyone a way to control their housing situation as well as to provide good housing to large groups in society. The tenant ownership system, using the mother-daughter development model, was successfully developed. With this model, large cooperative associations (mother or secondary cooperatives) build and sell the units to the cooperatives (daughter or primary cooperatives).

Even though housing cooperatives have the freedom to choose their management service, many buy their administrative and maintenance service from HSB or Riksbyggen, which also contributes to keeping close links between the housing cooperatives and their umbrella organisations.

After the Second World War the cooperative housing organisations became a key player in

housing development. Riksbyggen was founded by trade unions for construction workers in 1940.

Key characteristics of housing cooperatives:

- The cooperative has no profit-making purpose of its own; it works in the economic interest of its members on a self-cost principle. Members pay a monthly fee that covers interest and amortisation expenses of the cooperative's loans as well as the operating expenses and scheduled future maintenance. The monthly fee is related to the size of the units the member occupies.
- The cooperative owns and manages the land and building.
- Every member has a tenant owner's right to a certain apartment in the building. This right can be sold at market price and is giving them unlimited occupancy rights if they fulfil their obligations.
- When a tenant's owner's right is sold to someone, the new owner must apply for membership in the cooperative. The application will be decided by the board of the cooperative.
- Members are responsible for the repairs and maintenance of their own units and the cooperative is responsible for the maintenance of common areas and facilities.



## Public housing

Public housing companies form part of the welfare society in Sweden that emerged after the Second World War. Their mission was to offer good housing to everyone at a reasonable cost, regardless of income, origin, age and type of household. This was a conscious decision in favour of integration and opposed the poor/rich divide where those who were unsuccessful in the housing market were referred to social housing of the simplest standard.

## Neutrality between tenures

In 1945, the first governmental housing committee made a historic decision: Sweden was to provide the same kind of subsidies regardless of the housing tenure, whether it was rental housing, cooperative housing or private ownership. This neutrality between tenures would give people the capacity to choose the best suited housing for their family. Several mechanisms were then put in place to prevent speculation and public housing companies and housing cooperatives got access to direct subsidies maintaining affordability to any citizen regardless of their economic situation. The direct housing subsidies were abolished in the 1990s and the financing system was reorganized. Since then Swedish housing policy has been more market oriented.

## Determining rent levels for rental apartments

For rental apartments, rents are normally determined through negotiations between landlord and tenant representatives. There is no role in these proceedings for public stakeholders, such as the central government and the municipalities. The negotiation system is supplemented by national consumer protection for

private tenants.

The negotiations are conducted between two local parties; the landlord and a tenant organisation, usually affiliated to the Swedish Union of Tenants. This system has advantages for both. Individual tenants negotiating on their own would be in a weak position. For the landlord this is an effective way of handling rent increases for a large number of tenants.

Negotiations generally have two points of departure: the utility value of the apartments and changes to the cost of building and managing the housing. The utility value is based on how tenants generally value various characteristics such as the nature of the apartment, benefits, location, environment, quality of property management etc. Collective negotiations are normally conducted once a year. Sometimes the parties do not reach an agreement. If the landlord is a public municipal housing company the dispute is then referred to the Rental Market Committee for mediation or ultimately a decision on the amount of the rent increase.

## Purpose and role in society

The national housing policy in Sweden aims for long term well-functioning housing markets, where consumer demands are met with an adequate supply of housing that meets their needs.

Recent surveys state that 94% of Swedes live in a municipality with a lack of housing. Young people, newly arrived immigrants and the elderly population have a particularly difficult situation in the housing market. Swedish municipalities state that their main problem when handling lack of housing is high construction costs followed by credit restrictions for consumers, making it harder to access

mortgages, and a lack of land in attractive areas.

The municipal authorities are responsible for providing housing for residents in Sweden. The municipally-owned housing companies, members of Public Housing Sweden, are a tool for the municipal authorities to ensure that those living in the municipalities have access to good housing.

Most housing statistics are available by dwelling type rather than tenure in Sweden, and statistics are separated between one or two dwelling houses and multi-dwelling houses. Furthermore, there are four different regulatory types of tenure in Sweden: direct ownership represents 39%, tenant ownership (in housing cooperatives) 23%, public rental 19% and private rental 19%.

Sweden, by definition, has no social housing,

i.e. there is no part of the housing stock that benefits from special subsidies to the builder/owner and is reserved for low-income households. But almost half of the rental sector is owned by municipally owned housing companies whose goal is to provide housing for all regardless of gender, age, origin or incomes. The rents don't differ much between private and public rental housing as the "utility value" principle applies to both sectors. This means that rents and rent increments are decided through collective bargaining at local level between tenants and landlords.

Furthermore, since 2011 municipal housing companies must apply business-like principles and directly compete with the private sector without any specific public funding. However, they are bound to act based on social responsibility, which translates into municipal housing companies increasingly working on enhancing



social integration, especially in areas facing segregation.

Households with social problems who cannot find suitable housing refer to social authorities to get assistance in finding a home. Social authorities can in turn negotiate solutions either with private or municipal landlords. This is usually referred to as the “secondary housing market” in Sweden. The number of homes concerned is increasing, albeit from relatively small numbers, and they are usually let on a temporary basis.

There is a growing debate concerning social housing at the moment, given the challenges that the housing market faces, especially in relation to households that are new to the market such as young people, persons with low income and newly arrived immigrants. Furthermore, housing allowances are available for low income households, more specifically for elderly people, people below the age of 29 and households with children.

As in many other EU countries, Swedish regulators have introduced mortgage lending restrictions with the aim of preventing loan takers from becoming overleveraged. However, in effect, they have disproportionality impacted young people, who now find it difficult to loan enough money to afford purchasing a home. This has also affected the construction of new apartments with a rapid decrease in the number of new projects. Indeed, after showing some improvement in the middle of the current decade, construction of new residential dwellings has seen a significant slowdown in the last couple of years.

Housing cooperatives and municipal housing companies have initiated different projects to

try to lower costs and facilitate the entrance into the housing market. They include low-cost apartments for young adults that cannot be resold at a higher price, low-cost cooperative ownership for first time buyers, establishment of ready-to-occupy apartment blocks which can be erected anywhere in Sweden at a set price 25% lower than the average.

## Finance and funding

- Commercial banks provide loans to rental housing companies, public or private, and to cooperatives.
- Loans for rental housing companies up to approximately 70% of the market value of the estate. The rest is to be covered by capital from the owner.
- For cooperatives the loans cover 15-25% of the market value. The rest is covered by initial capital paid by the members of the cooperative.
- The members finance their individual initial capital by a loan from a bank and/or own savings.
- The bank’s security is a mortgage deed in the real estate.
- The bank’s security for the loan that members in a cooperative take, is a type of mortgage deed in the tenant’s owner’s right, granted by the cooperative.

The high construction costs have negatively impacted housing construction. As a result, in 2017, the state began to offer subsidies to rental housing projects that agree to charge tenants a rent per square meter below a certain thresh-

old. To date these subsidies have been given for the construction of approximately 35,000 new affordable apartment units.

There is no governmental financial assistance to the construction of housing cooperatives. The coop shares have been sold on the open market since the 1970s, without any internal stabilisation mechanisms. However, it should be noted that even with more expensive coop shares, housing cooperatives often remain the most long-term price-worthy tenure. Housing cooperatives are known for good quality housing and good maintenance which makes them cheaper in the long run.

HSB has set up a saving mechanism whereby individuals can save up to buy their future cooperative housing shares. Individuals who use this mechanism receive priority on new developments. It is also possible for members, upon positive credit assessment, to get a loan from a financial institution to pay for his/her shares using the value of the shares as collateral. Housing cooperators – homeowners – benefit from a 30% tax reduction of interest expenditures for loans either for coop shares in the open market or for new flats.

## Size and scale

### Public Housing Sweden (Sveriges Allmännytt)

The Swedish public housing companies account for almost 20% of Sweden's housing stock – half the rental sector. Public Housing Sweden has 312 public and private companies with 860,000 apartments in total, found in virtually all municipalities. They are mainly owned by the municipalities and managed as limited companies.

### HSB

- Is owned by 650,000 members
- 340,000 housing cooperative apartments
- 25,000 rental apartments
- 140,000 home savers
- 4,000 housing cooperatives

### Riksbyggen

- Is owned by building unions, 1,694 housing associations, 30 local housing associations and other national cooperative associations.
- Manages 200,000 apartments in 4,218 housing cooperatives and 100,000 rented apartments of which 5,300 Riksbyggen own.



