

## App. 7 Country reports

NBO board meeting March 2022

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# Denmark

## Housing for Ukrainian refugees

The tragic situation in Ukraine is expected to lead to significant flows of refugees. At the time of writing, more than two million people have fled Ukraine. The Danish Government has estimated very early on that 20,000 Ukrainians will head to Denmark as refugees, but it is very likely that this figure will be even higher.

There is a great willingness from the non-profit housing sector to help house Ukrainian refugees. We have carried out a detailed survey and asked the individual housing organizations how many empty dwellings they have that can be made available either on a permanent or temporary basis for housing Ukrainian refugees. Some are empty because, for example, they need to be mould renovated, some face demolition and may be used temporarily, and finally others are empty due to low demand especially in the more remote areas and can be housed on a permanent basis. The figures show that about 1,800 public housing units are available. Mostly family homes but there are also empty senior housing and youth housing.

Several housing associations have approached and requested a special rental agreement, which we made back in 2015 during the refugee crisis at the time, on the instruction and rental of refugees in the public housing sector. We have updated this special rental agreement and it can now be used either as a one-off agreement with the municipality or as an addition to a strategic rental and instruction agreement that has been made in advance.

In connection with the mapping, attention has been paid among housing organizations to the fact that housing Ukrainian refugees can lead to challenges in connection to certain residential areas, because Ukrainians are classified as non-Western citizens, and thus are covered by the parallel society legislation that applies in Denmark. This legislation implies, among other things, that the municipality is not allowed to assign non-EU and non-EEA nationals to housing located in *prevention areas* and *vulnerable areas*. We are discussing this issue with the authorities.

At the same time, we are aware that the forthcoming special legislation targeting Ukrainian refugees takes into account the fact that Ukrainian refugees will have access to both maintenance benefits, single benefits, etc., which ensure that they can pay a regular rent and establish a home in the housing provided, and that Ukrainian refugees at the same time receive the social support, necessary to settle into their new home.

## Prices on construction materials are challenging the housing sector

In November 2021 a political agreement to eradicate homelessness and construct 22.000 new affordable homes was adopted. Only a few months later the ambitious plan is facing severe challenges due to the current prices on construction materials.

The high prices are challenging builders and homeowners across the world, but for the non-profit housing sector in Denmark it collides with the rule of maximum costs with serious consequences. Many projects have

already been closed and more are parked in hope for lower prices coming up - but the reality is that many of these projects will be closed down unless a solution is found.

BL has worked to address this issue in two ways:

- The law requires builders to initiate the construction no later than 15 months after the construction permission has been granted by the local authorities. BL has impelled politicians to broaden the deadline hoping that prices will level out in the meantime. As a result, the deadline has been broadened to 36 months.
- The second approach is about a temporary increase of the maximum cost for new construction. Despite recognition of the problem across the political landscape, we are still awaiting a viable solution.

## Finland

### **Due to the war in Ukraine the economic outlook is very uncertain**

Russia's sanctions affect the Finnish economy slightly more than the economies of many other European countries, although the share of Russian trade in Finland has also decreased considerably in recent years. In the real estate and construction sector, the impact of sanctions is relatively small due to low imports of products and materials from Russia. Products can be replaced with domestic alternatives or another imported product.

Finnish companies have previously had a long-term business or at least sales to Russia. The outbreak of war and sanctions, as well as uncertainty about the functioning of the Russian economy, have led several companies to close their businesses in Russia and stop selling to the country.

The interest of foreign investors in the Finnish housing market can decrease as Finland's country risk may increase. This may change the market situation, as foreign parties have so far accounted for about a third of rental housing sales.

### **Current issues in Finnish housing policy in brief**

#### ***Housing Policy development program***

The 8-year development program for housing policy has been finally submitted to Parliament. The content of the program will be discussed in Parliament during the spring, after which the measures presented in the program can be implemented. Extensive research into the development program is based on the work of a working group conducted in 2020 and chaired by all parliamentary parties.

The aim of the development program is to provide good and affordable housing for all and to reduce the climate burden of housing. The housing policy development program will be implemented in 2021–2028 and will increase the sustainability of housing policy.

#### ***The reform of the co-decision Act continues***

As previously reported, the reform of the co-decision Act has begun in the spring of 2021. Requests for opinions on the reform of the Act are currently underway. KOVA, among others, has given its opinion on the bill, as have several members of KOVA. The conclusion is that we are not entirely happy with the proposed legislative reform, and we have proposed several changes to it. The law is expected to enter into force at the earliest in the beginning of year 2023.

The legislation to be reformed is intended to set a minimum level of co-decision - the law would determine, on the one hand, what the tenant is entitled to participate in, and, on the other hand, what obligations the rental housing companies must comply with.

The law would also provide for the right of rental housing companies and tenants co-operation committees to participate in the preparation of matters concerning the rental housing company as a whole. At the same time, the role of co-committees will be strengthened so that they can operate better in the current operating environment, where small real estate companies often merge into large rental housing companies.

#### ***The development of a long-term interest rate subsidy system has begun***

The Ministry of the Environment has begun preparing amendments to the law to develop an interest rate subsidy model for the production of rental and right-of-occupancy housing. Long-term 40-year interest subsidy loans support the construction, acquisition and renovation of affordable rental and right-of-occupancy housing. Residents of these apartments are selected on social grounds. In addition, a long-term subsidized loan is granted for the production of rental housing for special groups.

The ministry has asked stakeholders for comments on the guidelines for the reform. Based on the feedback received, draft laws and regulations are being prepared. The proposals will be published for comment in spring 2022 and the government's proposal is scheduled to be submitted to Parliament in autumn 2022.

According to the government program, a better long-term interest rate subsidy model will be developed to encourage the subsidy system. In a long-term interest rate subsidy model, the amount of aid could be increased by changing the factors affecting the amount of aid, such as the level of interest liability or the payment schedule for interest rate subsidies.

The aim is to improve ARA's (The Housing Finance and Development Centre of Finland) access to information on the background of the companies and their responsible persons at the application stage, as well as ARA's ability to impose fines or fees. This would allow ARA to better control the beneficiaries of the subsidized loan.

### ***Finland's position of the Revision of the Energy Performance of Buildings Directive will be decided soon***

The Finnish government is currently issuing a U-communication to submit a proposal for a new directive on the energy performance of buildings (EPBD) to Parliament. Parliament's position defines Finland's line in the EU in the further preparation of the directive.

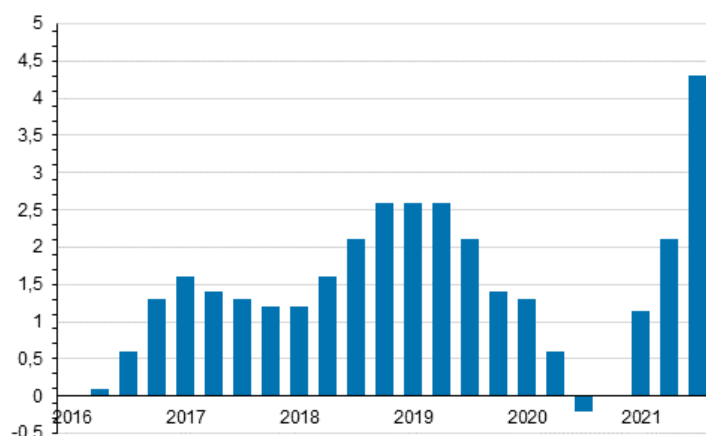
Buildings are one of the largest sources of energy consumption in Europe. Boosting their energy efficiency would cut emissions, tackle energy poverty, reduce people's vulnerability to energy prices and support the economic recovery and job creation. The Renovation Wave Strategy presented in October 2020 set out measures aiming to at least double the annual energy renovation rate by 2030.

The revision of the Energy Performance of Buildings Directive (EPBD) is an essential element of this Strategy. It upgrades the existing regulatory framework to reflect higher ambitions and more pressing needs in climate and social action while providing Member States with the flexibility needed to take into account the differences in the building stock across Europe.

### **Energy and real estate maintenance costs have rose rapidly in Finland**

Real estate maintenance costs rose by 4.3 per cent in the third quarter of 2021 compared to the corresponding period of 2020.

#### **Index of real estate maintenance costs 2015=100 annual changes by quarter, %**



Of the cost items of the index of real estate maintenance, insurance against loss or damage costs increased most, by 7.9 per cent. Water supply and sewage costs grew by 2.6 per cent, repair costs by 6.3 per cent, heating costs by 4.5 per cent, waste management by 5.6 per cent, administration costs by 1.5 per cent, use and maintenance costs by 4.3 per cent, and costs for maintenance of outdoor areas by 4.2 per cent. Cleaning costs increased by 3.5 per cent and electricity costs by 2.2 per cent.

Examined by type of building, maintenance costs of residential blocks of flats rose by 4.1 per cent.

The total index of real estate maintenance rose by 1.4 per cent from the previous quarter.

Energy costs will continue to rise in 2022. This is due to high energy demand, rising world market prices for raw materials and the sharp increases in EU allowance prices. For example, there are large city-specific differences in the pricing of district heating. The biggest concern is with local energy companies that use oil, coal, peat or natural gas as their energy source.

### **The rental housing market in transition**

Data published by Statistics Finland and various actors in the real estate sector show that the demand for rental housing is changing. Housing production in Finland has been at a high level in recent years, which has also increased the number of rental dwellings.

As a result of the corona pandemic, demand for larger rental housing has increased due to remote working and increased time spent at home. Corona pandemic has also reduced the need for labor in the service sectors of large cities and the demand for student housing. As a result, demand for small rental housing has declined. According to statistics, in the fourth quarter of 2021, rents fell nationwide by an average of 0.1 percent from the previous quarter. This is a historical change, there has been no corresponding change in the history of statistics collected since 2015. It is not yet known whether the market will recover or whether it will be a more permanent phenomenon.

Now in Finland we are also preparing receiving refugees from Ukraine. The preparations have begun in the beginning of March on national level.

### **KOVA joined FIGBC**

KOVA applied for membership in the Green Building Council Finland (FIGBC). Membership was officially confirmed in February 2022.

Green Building Council Finland is a non-profit association that supports the development of environmentally friendly construction in Finland. The association includes more than 240 real estate and construction companies and associations.

The goal of Green Building Council Finland is that the built environment is a key part of the solution to climate change and operates in accordance with the principles of the circular economy. The efficiency of the association's activities consists of participatory cooperation and the views of our experts and international network.

The Green Building Council Finland operates as part of the World Green Building Council's co-operation network and actively participates in European co-operation in particular.

We joined FIGBC to contribute to the principles of sustainable development of the built environment. We also want to share this information with our members and be involved in developing more ecological and sustainable housing in Finland.

### **Construction**

Production in the construction sector will continue to grow in Finland this year. About 40,000 homes are expected to be built this year, and in 2023 the number is expected to shrink to about 35,000 homes. The members of KOVA estimate that they will start the construction of a total of 5,300 new apartments during 2022 and will start renovation projects with a total of approximately EUR 380 million.

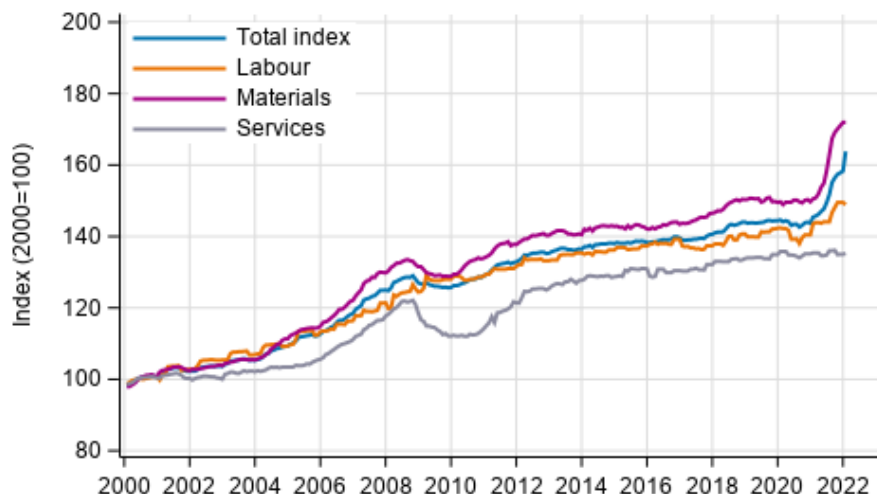
### ***Turnover of construction grew by 10.9 per cent in December***

According to Statistics Finland, working day adjusted turnover of construction enterprises grew by 10.9 per cent in December compared to the year before. The volume of sales, from which the impact of price changes has been eliminated, increased by 7.1 per cent. Seasonally adjusted turnover and sales volume in construction made a downturn in December compared to November.

### ***Building costs rose by 6,9 per cent in January year-on-year***

According to Statistics Finland, building costs rose by 6.9 per cent in January 2022 from one year back. The costs of materials went up by 10.8 per cent and labour costs by 3.6 per cent year-on-year. The prices of services fell by 0.4 per cent.

### **Long term development of the Building Cost Index**



From December to January, the total index of building costs fell by 0.1 per cent. The prices of labour inputs fell by 0.3 per cent. The prices of services grew by 0.1 per cent from the previous month. The prices of materials remained on level with December.

## Iceland

Over the past few months, the Icelandic economy has been bouncing back from the Covid-19 induced recession at a faster rate than expected, from GDP -6.6% in 2020 to 4.9% in 2021 with similar growth forecast for 2022. The slack in output that opened in the wake of the pandemic is estimated to have closed<sup>1</sup>. Significant uncertainty remains, however, and Russia's war on Ukraine is likely to have wide-spread effects on the global economy. The data has yet to include the recent attack on Ukraine by Russia, and the following unprecedented sanctions on Russia will have on the global economy.

### Economic situation

Iceland is now experiencing a great increase in inflation, measuring 5.7% in January. According to the Central Bank's forecast, the outlook for inflation is expected to be 5.8% in Q1/2022 and to remain above 5% well into this year. This is in large part due to the significant and rapid rise in housing prices over the past couple of years, as well as other domestic cost items, and also due to the increase in the global oil and commodity prices.

One of Iceland's main economic pillars, tourism, is well on its path to recovery from the Covid-19 pandemic and the Icelandic currency, ISK, has strengthened by almost 5% since beginning of the year, mostly recovering from its pandemic-related weakening<sup>2</sup>. Job numbers have mostly continued to rise, although the 5.2% unemployment rate in the first two months of the 2022 was up from 4.9% in December '21. The January unemployment rate was 5.4% for men or and 5,0% for women.<sup>3</sup>

### Affordable Housing

Social and affordable housing reached was around a third of new dwellings in 2021. The affordable housing model in Iceland 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**.

Reykjavík City has a clear long-term policy for housing developments, and aims for 25% of all new dwellings to be constructed by non-profit housing trusts, a goal that is being met according to construction projects that are now under way<sup>4</sup>. In 2021, 62% of all new dwellings entering the market in Reykjavík were developed by non-profit housing trusts<sup>5</sup>.

*Social Rental Sector & Housing Trusts* - As of end-of-year 2020, social rental housing encompasses around 4% of the rental apartments available in the country, and the percentage is rising. The majority of these belong to the capital area municipalities, mostly Reykjavík, and the second largest in the North. *Reykjavik Social Housing* owns 4.9% of all apartments in the capital, or about 3.000 dwellings, and are aiming for 5%. The rent for social housing is significantly lower than that of the general market, Reykjavík Social Housing rents are 30% lower than market rents, for example.

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<sup>1</sup> Central Bank of Iceland, February Monetary Bulletin

<sup>2</sup> Íslandsbanki analysis

<sup>3</sup> Directorate of Labour, labour market in January 2022

<sup>4</sup> Reykjavík City Housing Plan, October 202.

<sup>5</sup> Reykjavík Housing Plan, February 2022



Various non-profit housing trusts also exist, providing dwellings for specific groups. *Brynja*, the non-profit housing trust of the Iceland Disability Association, has over 800 rental units and the *Bjarg Housing Foundation*, established by the Icelandic Confederation of Labour and the Federation of State and Municipal Employees in 2018, has signed a declaration of intent with the municipalities for 1300 dwellings, with 552 completed. *Bríet*, a subsidiary of the HMS (the Icelandic Housing Administration) that was established in 2019, also rents out 250 apartments across the country.

*Cooperative Sector* - The non-profit housing cooperatives in Iceland are largely based on the Nordic Model to secure housing for the cooperative members. The largest, Búseti, takes care of approximately 1200 dwellings in the greater Reykjavík area, with 100 under construction, while smaller ones (Búmenn and Búfesti) operate close to 280 apartments in the North of Iceland. Various non-profit housing trusts are also a part of the cooperative sector, the largest being the associations of the elderly that 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.

## Rental Market

Compared with the property market, the rental market has been relatively stable over the past few months. The rental index went down steadily during the epidemic but is now rising slowly again. The twelve-month increase in rent was 4.6% in the capital area, which is less than the general increase in prices. In the areas surrounding the capital area, the rise was 6.6% and 7.6% in other locations.

Although the rental prices have increased more than the wages since the beginning of 2021, rent as a proportion of wages has seldom been as low in the capital area. The annual change in the number of registered leases per month remains negative, although it has slowed down since the 15% drop between July 2020 and July 2021.<sup>3</sup> This is partially explained by the fact that 30% of those who purchased houses last year were first-time buyers, buoyed by the government introducing an Equity Loan to aid first-time buyers below a certain income level.<sup>4</sup> Registered leases went down by 2.6% between 2020 and 2021<sup>6</sup>.

In a survey, published by the Housing Administration (HMS) in November 2021, among those who are on the rental market, the feeling of housing safety has remained similar between years, while those who feel they do not have housing safety increased from 16.1% to 18.9% in 2021.<sup>7</sup>

The government of Iceland has announced that it will be receiving a great number of Ukrainian refugees, up to 1000-1500 people, which is likely to have a large effect on the rental market.

## Property market

Housing prices continue to sky-rocket with an increase in demand as the supply of housing dwindles, with the number of properties on the market going down by 74% between May 2020 and February 2022. This, along with low interest rates and a fall in maximum mortgage ratio has had a significant effect on housing prices.

The nationwide house price index, published by Statistics Iceland in late January, rose by 1.7% month-on-month when adjusted for seasonality, and by 16.7% year-on-year. The capital area house price index,

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<sup>6</sup> HMS monthly report, February 2022.

<sup>7</sup> HMS Rental Survey, November 2021.

calculated by Registers Iceland, rose by 1.9% month-on-month in December, when adjusted for seasonality, and by 18.4% year-on-year.<sup>8</sup>

The supply for more affordable apartments in the capital area is particularly low now, or approximately 10% of what it was in May 2020.

### Construction market

The country is still dealing with a housing shortage across the country, and the Housing Administration has estimated that the country will need to build 27,000 dwellings until 2030 to meet demands, and at least 3,500 per years in the next few years<sup>9</sup>. Covid-19 had a part in slowing down construction, with cost of construction rising due higher prices of building materials, and similarly the construction time has in many cases lengthened due to delays within the supply chain.

However, the construction market does seem to be waking up. The number of contracts for new developments increased by 11.9%, year-on-year in 2021.<sup>10</sup> At the end of year 2020, apartments in the first stage of construction were 1,400 but by the end of 2021 they were around 3,000, thereof 2,691 in Reykjavík.<sup>11</sup> There are therefore expectations of an increase in supply of new apartments coming into the market in 2022, particularly in the capital.

### Future Prospects

The economy has recovered faster than expected, with GDP being almost 2% higher than forecast. How fast Iceland will recover from the Covid-19 crisis depends largely on how quickly they can rebuild one of its main economic pillars: the tourism industry.

The rental market has been improving over the last couple of years, largely through actions of the government and municipalities to encourage and support the building of affordable housing. Although the property market is by no means balanced at present, the great demand is also a marker of the good situations of Icelandic households, whose purchasing power grew by almost 4% last year.<sup>12</sup>

While only 1.6% of Iceland's export went to Russia and Ukraine in 2021, it is clear that the indirect effect of the war will have a large effect on the global economy. The rise in oil prices will have both short-term and long-term effects that will increase inflation – and in Iceland the imported inflation will add to the high domestic inflation.

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<sup>8</sup> CBS Monetary Bulletin, 7-8 February 2022: <https://www.cb.is/publications/news/news/2022/02/23/Minutes-of-the-Monetary-Policy-Committee-meeting-of-7-8-February-2022/>

<sup>9</sup> HMS Monthly report, December 2021.

<sup>10</sup> CBS Monetary Bulletin, 7-8 February 2022.

<sup>11</sup> Íslandsbanki analysis, March 2022.

<sup>12</sup> Íslandsbanki analysis, March 2022.

## Norway

### **A new one replaces a crisis**

The Covid 19-restrictions was removed in February, and Norway returned to a normal everyday life. The new government was finally able to implement its political agenda issued in October 2021.

However, the war in Ukraine is raising new imminent challenges such as approximately 30.000 refugees (so far). Municipalities are preparing for the arrival of refugees.

In the context of the Ukraine war, electricity and petrol prices are skyrocketing, and inflation is growing in an economy which is working at full steam. Unemployment is below 3 %, and there is a lack of labour.

On the other hand the European energy crises is generating extreme revenue in state pockets beyond what is polite to communicate beyond Norwegian borders. Moreover, extreme revenue understandably in the public eye depicts public finances able to accommodate most public needs. Interest rates is set to rise 1 to 1,5 % in two years.

In this challenging political situation housing policy is not on the national agenda except from housing for refugees. The consequence could be an even tighter housing market.

### **House price growth has accelerated**

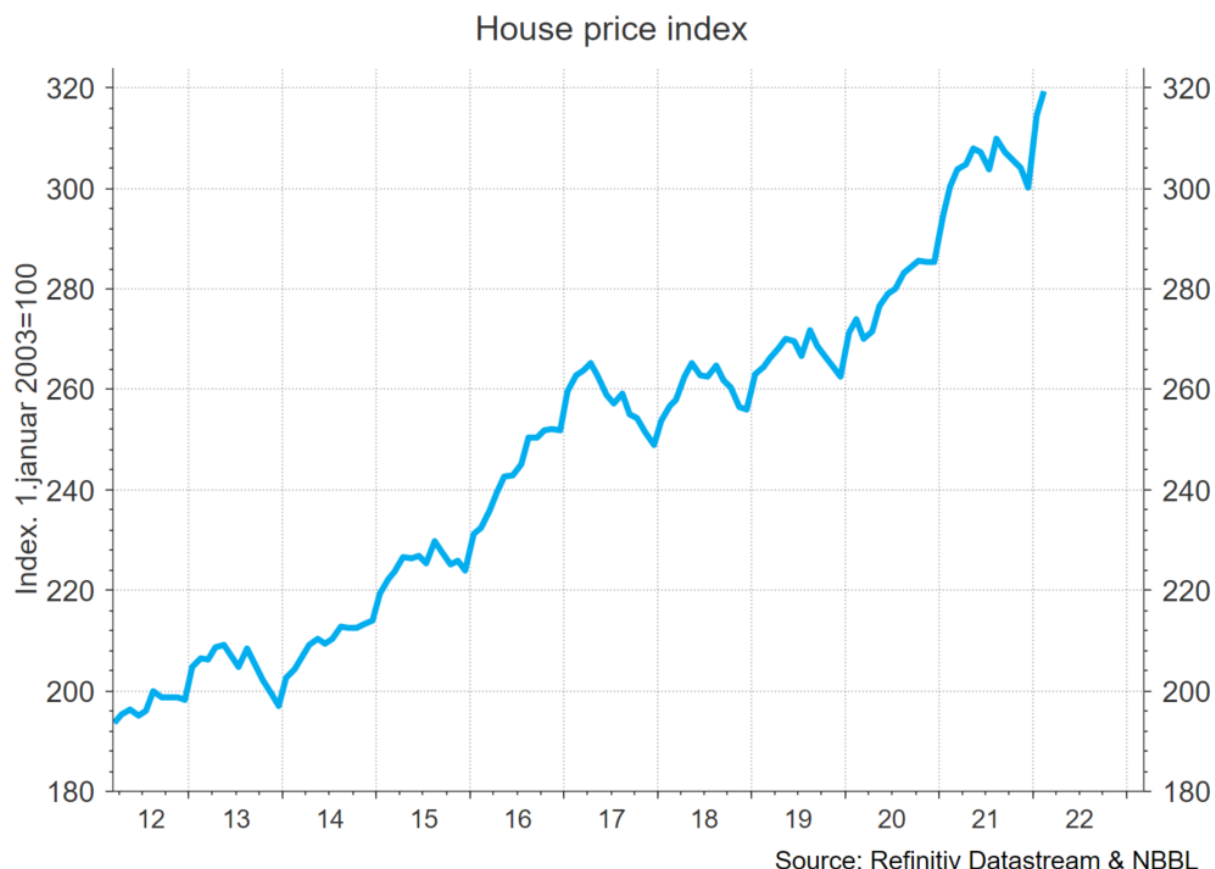
House prices have risen sharply the past two years. Economic data implies that demand remained robust or even increased during the pandemic. Thus, it is reasonable to assume that both low interest rates and expansionary fiscal policies have contributed to and fueled higher house price growth.

Furthermore, households have increased savings during the pandemic. Not by caution, but due the lock down. Hence, household spending power has increased in open sectors, such as housing.

House prices has increased 14.3 percent during 2020 and 2021.

Higher prices cause concern from both a social and financial stability perspectives. Firstly, data from Statistics Norway show that the proportion who own their own home - although still approximately 80 %, has fallen recent years. Secondly, from a financial stability perspective high price growth leads to increased indebtedness among Norwegian households. Statistics from OECD show that the debt-to-income ratio among Norwegian households has surpassed the Netherlands. Norway has the second most indebted households in the OECD area.

Going forward both Norges Bank and Statistics Norway expect that rate hikes and high building activity will dampen price growth. However, at the same time building costs has increased substantially adding pressure to house prices. In addition, increasing inflation pressure leaves real interest rates at historically low levels, adding room for further price growth.



### Electric power subsidies to households

The extremely high electricity price autumn and winter 2021/2022 came as a shock to both the country's households and the new government. The government presented a power support package to households in December 2021. It provided households with compensation for power prices above 70 øre / kWh for electricity measured via the home's individual electricity meter, and corresponding compensation for district heating with a connection obligation.

Measured electricity in cooperative housing was initially forgotten by the government. 1/3 of Norwegian electricity customers in cooperative housing companies from the outset received far less compensation than other households. Common electricity in cooperative housing include consumption in common areas, such as garage basements, electric car charging systems, stairwells, laundry, and outdoor areas. NBBL lobbied strongly to include all households. After a few weeks of intense work in dialogue with the ministry and the directorate, and with good support from the housing construction teams, NBBL succeeded in extending the scheme to include common measured electricity.

The support was first issued until March 2022, and prolonged until March 2023.

The energy crises and the demising hydro power surplus, which has been taken for granted and guaranteed low energy prices in a European context, prompted the government to establish the Energy Commission. NBBL is one of 14 members of the commission which will issue its report by December 2022.

# Sweden

## Housing market

Statistics Sweden [report](#) that preliminary figures show a 16 percent rise in housing construction 2021, with almost 64 000 new apartments started. 51 500 of these are in multi-family houses, and 63 percent of those are rental apartments. Uncertainty regarding building materials with regards to the pandemic might be a risk in 2022, says [Boverket](#), and budget cuts concerning the investment subsidies for rental apartments may affect rental housing construction.

## State Budget 2022

The Swedish parliament voted for a budget proposal made by the opposition, and that led to the Green Party leaving the government. Another effect is that the subsidies for rental housing and for energy efficiency measures were abolished and no new applications can be made since 31/12 2021.

## Climate declaration and limit values

Boverket, the National Board for Housing and Planning, are working on [proposals](#) in order to further reduce the climate impact of the housing and construction industry. They are looking at the possibility to make the roadmap for limit values for climate impact shorter as well as broadening the use of climate declarations for buildings.

## Proposed new legislation for cooperatives

New legislation to strengthen consumer protection when it comes to buying and living in a housing cooperative is being proposed. They include more detailed information when signing up for a newly built cooperative apartment, new rules for what could happen if a project is delayed, and more or clearer information about for example the financial situation of a housing cooperative. There is also a proposal aimed at reducing the risk of a housing cooperative being “hijacked”. And a number of easily understood KPI will be included in the annual reports of housing cooperatives. HSB and Riksborgen think that these proposals are well balanced.

## The Building Market Commission

As we wrote in the previous country report, a broad coalition of construction companies, property developers and trade unions formed a [commission](#) to investigate and propose actions against criminality and unfair conditions at the construction market. They have now issued their final report with proposals such as changed rules of secrecy so that control will be easier, strengthened rules aimed at protecting workers from unjust conditions and making it easier to exclude dishonest companies in procurements.

## Two important governmental enquiries will be published 30 March

In late March, two governmental enquiries (Statliga Offentliga Utredningar) will be presented, that are long awaited by the housing sector. One has been looking at the situation for first time buyers and making proposals in order to make it easier for them, including a model for “startlån”. There is also an SOU that has been looking into a socially sustainable housing policy and the different tools available.