

# SABOS KOMBOHUS

**FORCING CONSTRUCTION PRICES DOWN BY 25%**



**SABO** SWEDISH ASSOCIATION OF PUBLIC HOUSING COMPANIES



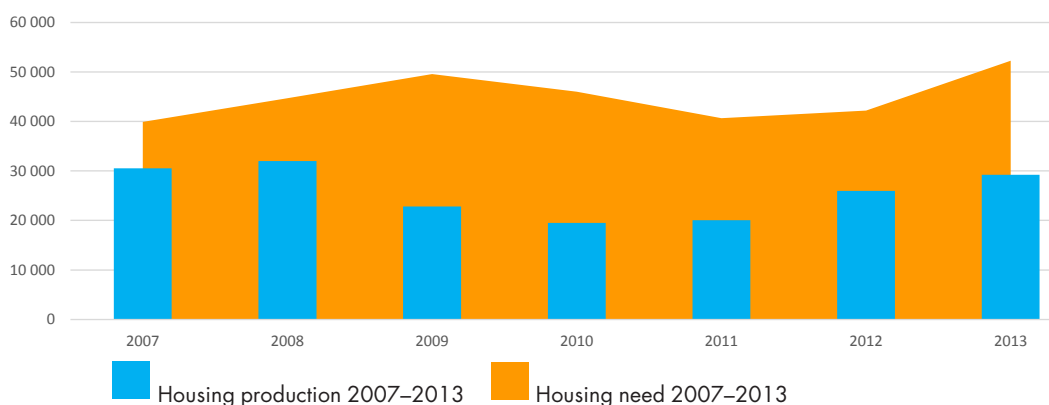
# SABO's Kombohus – Forcing construction prices down by 25%

**Sweden has approximately 9.7 million inhabitants** and 4.6 million homes, of which about 1.4 million are rental properties. SABO (Swedish Association of Public Housing Companies) is the organisation for municipally owned public housing companies in Sweden. Our approximately 300 member companies manage around 725,000 dwellings together. The public housing sector represents almost 20 per cent of the total housing stock in Sweden and half of the rental sector. One in seven Swedes lives in public housing, which is universal and open to everyone.

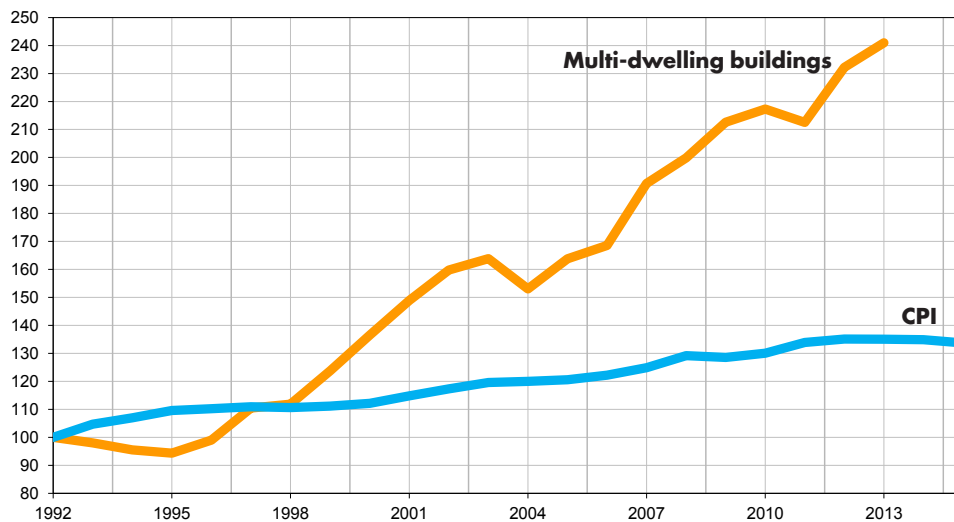
Municipal housing companies can be found throughout Sweden and are important players on the Swedish housing market, both locally and nationally. The annual turnover for SABO companies is SEK 52 billion and they have approximately 12,000 employees. Most of the public housing companies are limited companies and are owned by the municipal authorities.

## SWEDISH HOUSING MARKET

The municipal authorities are responsible for providing housing for residents in Sweden. The municipally owned housing companies are the natural tool for the municipal authorities to ensure that those living in the municipalities have access to good housing. The municipal companies have continually produced housing over the years and, alongside private stakeholders, have constructed housing for all markets.



**Figure 1.** Diagram of housing production and housing need based on the increase in population, for the period 2007 to 2013. Source: Statistics Sweden, revised: SABO



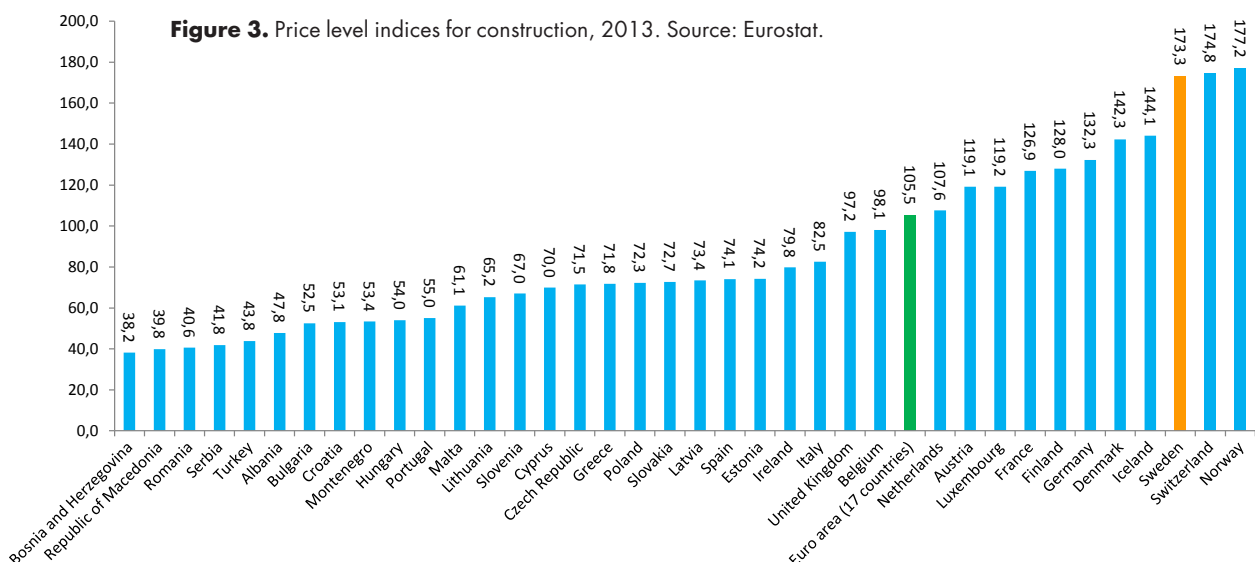
**Figure 2.** Diagram of price trends for the construction of new apartment blocks, and also Sweden's general price trends in the form of the Consumer Price Index (CPI). Source: Statistics Sweden.

There is significant pressure within the Swedish housing market. Much of Sweden is facing a housing shortage, primarily in its metropolitan regions. Sweden has one of the highest levels of urbanisation in the EU.

The level of additional new homes has been very low, while population growth has been high and, according to forecasts, this will continue. Calculations made by SABO, using supporting information from Statistics Sweden, show an acute shortage of housing. Approximately 150,000 dwellings were built in Sweden between 2008 and 2013. This should have been 276,000 considering the increase in population over the same period. In this context it should be borne in mind that the financial crisis suppressed the construction of new housing. However, regardless of reason, there is a construction deficit of 126,000 houses that need to be added to the future construction need. We also need to build a further 310,000 dwellings to match the forthcoming increase in population over the next six years. In aggregate this calls for 436,000 new homes up to and including 2020.

However, Sweden's construction market suffers from very high prices, prices that from the mid-1990s have increased significantly more than general cost levels for society. Building a multi-dwelling building currently costs almost two and a half times more than it did in the mid-1990s, while other price trends were just over 30 per cent for the corresponding period.

According to statistics from Eurostat, construction prices in Sweden are the highest in the EU. It is approximately 70 per cent more expensive to build housing here than the European average. Only Norway and Switzerland have higher construction prices in Europe.



**Figure 3.** Price level indices for construction, 2013. Source: Eurostat.

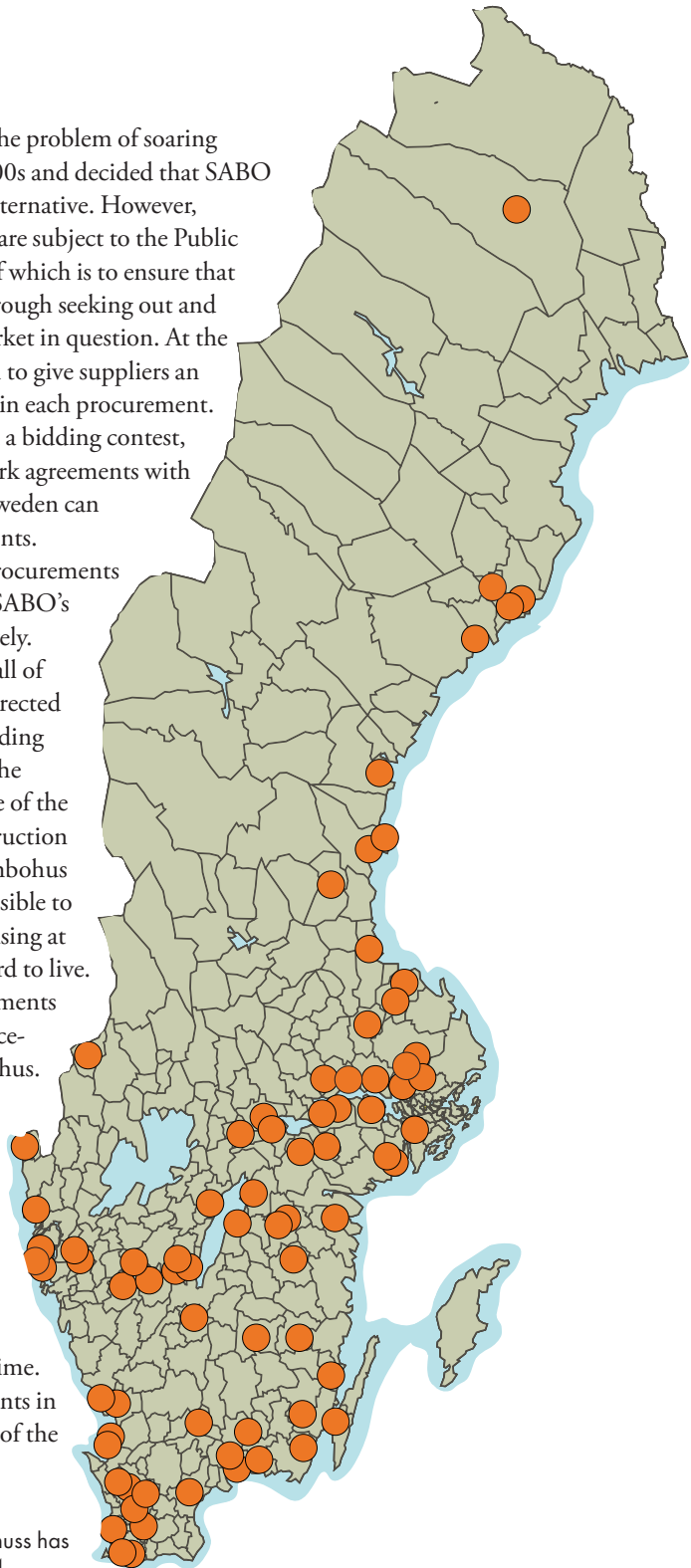
## SABO'S KOMBOHUS

SABO's member companies identified the problem of soaring construction prices at the end of the 2000s and decided that SABO should produce a good and affordable alternative. However, municipally owned housing companies are subject to the Public Procurement Act (LOU), the purpose of which is to ensure that public funds are used in the best way through seeking out and benefitting from competition in the market in question. At the same time, the rules and regulations aim to give suppliers an opportunity to compete on equal terms in each procurement. SABO's Kombohus is procured through a bidding contest, where winners must enter into framework agreements with SABO, and SABO's members around Sweden can make contract calls under these agreements.

SABO has implemented three such procurements for ready-to-occupy apartment blocks: SABO's Kombohus Bas, Plus and Mini respectively. The quality and energy performance of all of the buildings are good and they can be erected anywhere in Sweden at a set price (excluding VAT, site and foundation work costs). The prices have already been set in the course of the procurement and correspond to a construction price that is 25-per-cent lower. The Kombohus demonstrates to the market that it is possible to reduce construction costs and build housing at a lower cost where more people can afford to live. SABO has imposed high energy requirements (65 kWh in Climate Zone 3) for the price-pressured, framework-procured Kombohus. This is a very stringent requirement and construction companies have shown that they are coping with this while still delivering buildings at a lower price.

SABO's Kombohus has been very well received throughout Sweden and has facilitated new building work to be carried out by member companies that have not built anything for a very long time. The forecast is that 11,000 new apartments in total will be built within the framework of the three procurements.

Locations where the construction of Kombohus has started or been completed, December 2014.





## KOMBOHUS BAS

Kombohus Bas is intended to constitute supplementary housing, i.e. multi-dwelling buildings that can be built in existing residential areas to enable co-use of essential functions. The building may be erected with two to four floors, accommodate 8 to 16 apartments and have a lift. Buildings can be erected throughout Sweden at a fixed price of SEK 12,000 per m<sup>2</sup> of useful floor space, excluding VAT, site and foundation work costs. The forecast is that approximately 3,000 new apartments will be built throughout Sweden.



SABO's Kombohus Bas in Trelleborg from the contractor JSB AB.



SABO's Kombohus Bas in Halmstad from the contractor JSB AB.

### **KOMBOHUS PLUS**

SABO's Kombohus Plus is a small tower block of five to eight floors, with the potential to locate business premises on the ground floor. The intention here is to facilitate the wishes of member companies to build close to urban centres. The building comprises a mix of apartment sizes, from one room and kitchen to four rooms and kitchen. Framework agreements have been drawn up with three different contractors to supply these buildings at a fixed price of SEK 13,000 per m<sup>2</sup> of useful floor space, excluding VAT, site and foundation work costs. The forecast is that approximately 5,000 new apartments will be built throughout Sweden.



SABO's Kombohus Plus in Sundsvall from the contractor NCC.



## KOMBOHUS MINI

SABO's Kombohus Mini has been produced based on the need for small, space-efficient apartments that could suit many different target groups, everyone from students to pensioners. The building may be erected with two to six floors and have apartments with one room (35 m<sup>2</sup>) or two rooms (45 m<sup>2</sup>). Framework agreements with three different contractors give SABO's member companies the opportunity to construct a new building at a fixed price of SEK 14,000 per m<sup>2</sup> of useful floor space, excluding VAT, site and foundation work costs. The forecast is that approximately 3,000 new apartments will be built throughout Sweden.



SABO's KombohusMini from the contractor Peab PGS AB.

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