



Sweden - November 2022


REPORT
Savills Research

Residential Market Overview





1st

The residential sector is the largest in terms of transaction volume per Q3 2022.

“Due to its extraordinary resilience and ability to withstand most economic crises, the residential sector’s advantage is its strong supply and demand fundamentals.”

Maryrose David

Back to basics: supply & demand

The beginning of this decade has been eventful, to say the least. Two-three months into the twenties, the world had to adjust to the pandemic and many feared the consequences of this adjustment. While some governments conducted total shutdowns, others had very few or no restrictions. Yet the effects of the pandemic were seen worldwide. When the vaccination rate started to speed up, the global demand increased heavily and indicated that the return of economic growth was ahead of us. This didn't turn out to be the case though, instead the world had to face the consequences of an outbreak of a war.

The current situation with high inflation and policy rates hikes in combination with rising prices in electricity, gas and other fuels have led to supply shortages and a decreased purchasing power for the households. The economic contraction is affecting real estate markets worldwide. Investors tend to turn their focus to stable and low-risk assets during uncertain times which also was the case during the pandemic. High investment volumes within the residential sector were seen throughout Europe, not the least in Sweden where the Swedish investment volume for residential properties rose by 150% in 2021 compared to 2020 (+32% excluding M&A deals).

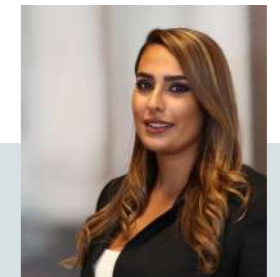
Due to the residential sector being low yielding, the increasing interest rates seen since the turn of the year makes it impossible for investors to purchase on the previous price levels. Buyers and sellers were not able to reach a common ground and therefore the investment volume during the third quarter declined.

This report describes the Swedish residential market, and highlights its current trends, strengths, and uncertainties. It's, however, of importance to remember that the fundamentals for growth and demand within the Swedish residential market are still very much intact. The most distressed part of the sector is the construction activity which has slowed down. In H1 2022, the new construction of apartments decreased by 23% in comparison to the same period in 2021 (-11% compared to the five-year average).

Despite a decreasing demand for tenant owned homes as well as a decreasing number of residential apartments in construction, the residential market is expected to remain strong.

One must discern the good with the bad.

I hope you enjoy the read!



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Residential hot topics - Sweden

Rent-setting and two legal cases from Svea Court of Appeal

In 2022, the presumption rent has been discussed in two legal cases, both disputed in the Svea Court of Appeal. The conclusion presented in the verdicts was that for apartments with presumption rent, the rents may only be increased by half as much as regular rents on a regional level. Since the possibility to increase the rent is now more limited, investors will have to adjust their calculations. This might lead to a reduction in production of new buildings.

The abolished investment subsidies

The investment subsidy for rental apartments and student housing was abolished 1st of January 2022. Due to market interest rates and higher construction costs the number of construction starts have decreased dramatically. The latest movement on the market might lead to the investment subsidy being reintroduced, however in another form. This might happen even though the new government was previously against the subsidy.

A new political environment

The change of government after the September-election will affect the housing market. The spotlight is on the new Housing Minister regarding his view on the housing investment subsidies and whether the politicians will prioritise the housing issue over the amount of prisons in the country.

Increasing costs and decreasing construction

In the current environment of rising interest rates, high inflation, labor and material shortages, construction activity will continue to decrease. The decline in new constructions will resultantly depress new housing supply over the coming years. Therefore, it is likely that Sweden will fail to build the estimated 64,000 new homes per annum that are needed, a level which hasn't been met in the past three decades. This will further exacerbate the structural undersupply in the market, especially in the larger urban areas where the supply is already tight.

Land prices

One of the main factors restricting the development of apartments in the metropolitan areas is the increased construction costs and high land prices. Current negative or nearly zero margins for investors calls for decreased land prices for rental apartments caused by increasing construction costs and high market interest rates.

The expected rental growth

Rental apartments in Sweden are strongly regulated by statute and leases cannot be allotted to the tenant through payment. While the CPI-index for October amounted to 10.9%, Savills assess that the average rental growth for apartments will amount to 3%-5% for 2022 and that it will take 3-5 years for the rental development to match the level of inflation rate the coming years.

The households' purchasing power

High inflation and rising interest rates will continue to affect the purchasing power of households and private consumption will clearly be subdued both this and next year. If the inflation keeps increasing and the labor market turns around and unemployment rate starts increasing, the households purchasing power will further decrease. This could potentially mean that the ability to pay for newly built apartments will decrease.

Increasing interest rates

Increasing interest rates have affected the investors' appetite, especially for forward funding and forward commitment residential deals. As we are awaiting interest rates to remain at high levels for the remainder of this year and in the beginning of next, the future path of the policy rates will depend on how the economy evolves.

Furthermore, increasing interest rates do not only affect investors within the real estate sector, but also households living in co-op apartments. These households are affected by increased interest rates both reflected in their private residential loans and in their monthly fee to the tenant owned association.

Yields and property values

Increasing interest rates must equal softening yields. Since the residential sector is the most low-yielding in Sweden, the yield increase will be relatively high and of course affect the property values more than the -3% in Q3 2022.

ESG

Investors are putting sustainability at the top of their agendas and to a larger extent aligning their investments with today's environmental, social and governance (ESG) criteria. With the large number of early constructions and its tangible impact on people's lives, the residential sector plays an important role in the transition towards a more sustainable world. As regulatory pressure continues to build, it will be crucial for companies to keep up with new legislations as they are being put in to effect.

Headwinds are causing investors to take stock across Europe

There has been a major shift in the economic and geopolitical backdrop across Europe during 2022. Inflation has reached multidecade highs across the continent, driven by soaring energy costs, which have been exacerbated by the ongoing war in Ukraine.

This has driven a dramatic change in monetary policy. The European Central Bank (ECB) increased their interest rate again in October 2022, the third time that they have done so this year. This means that their deposit facility rate has risen from -0.5% at the start of the year to 1.50%. As a result, there has been a marked shift in the debt markets, with the five-year Euro swap rate over 300bps higher in October, compared with the start of the year – underpinning an upward repricing of debt.

In spite of these headwinds, residential investment across the continent reached a record level in H1, with over €27 billion of capital deployed across the 13 markets we track.

But, there were signs in Q2 that economic uncertainty and the rising cost of financing were starting to impact the market. This has continued into Q3 where only €6.9 billion of capital was invested in residential in total across Europe, which is the around half the five year quarterly average and the lowest quarterly volume in over five years.

Interestingly however, the fall in investment activity in Q3 2022 was not evenly spread across Europe. Our data suggest that it has been primarily driven by a continued slowdown in the larger markets, such as Germany and the Netherlands. However, other markets such as the UK and Spain have seen robust levels of activity.

Yields are under pressure

Given the headwinds facing Europe it is unsurprising to see that prime yields across many markets have moved out since the start of 2022. The initial softening started during Q2 in some markets, such as the Netherlands, Spain and Norway. These have been joined by Germany, Denmark, Finland and the Czech Republic in Q3. As a result yields in these markets are between 25bps and 75bps softer than they were at the end of Q1.

The continuing high cost of financing mean that we expect that yields will remain under pressure in the near term.

Investor appetite remains strong, but headwinds will cause a lull in short-term activity

With the current economic and political uncertainty, we are seeing a more cautious approach from investors.

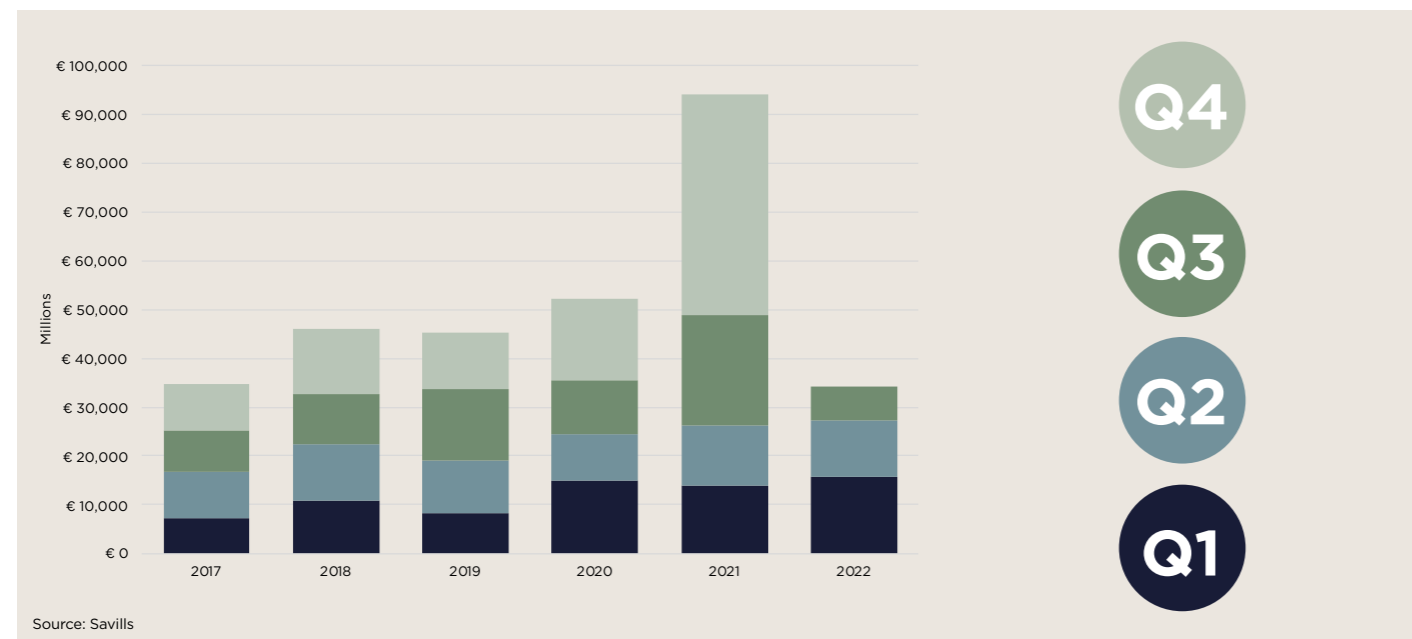
Highly leveraged investors have temporarily withdrawn from the market, waiting to see what happens over the next few months with interest rates, inflation and construction costs. Yet others remain active, although some are taking longer to scrutinise deals before completing. The net effect is likely to be that the drag on total transactional activity seen during Q3 will continue to the end of the year.

Nevertheless the strong demand and supply fundamentals across European residential mean that investors continue to target the sector. Therefore, as markets adjust to the new dynamics, we expect investment activity will pick up into the new year, bolstered by the dry powder that many investors have ready to deploy.

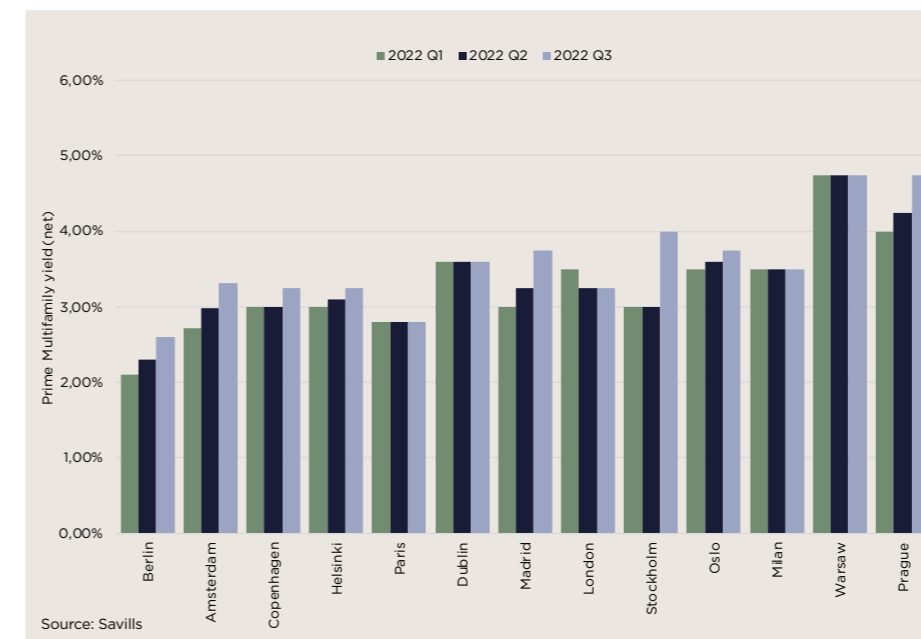
“While inflation, construction and financing cost increases are impacting all property sectors, residential is in a strong position to weather these headwinds. The supply and demand imbalance in many markets across Europe means that the sector is still seeing rental growth and it is also one of the few sectors that is able to regularly rebase rents in order to capture that growth.”

Richard Valentine-Selsey, Head of European Living Research & Consultancy, Savills UK

European residential investment volumes



Prime residential yields



The Swedish residential investment market

The transaction market Q1-Q3 2022

Year 2021 was undoubtedly the record year for the Swedish real estate transaction market. The residential sector accounted for just over a third of last year's high investment volume, which is the second highest noted share for the sector. Volumes in 2021 were influenced by many M&A-deals as well as by Heimstaden's acquisition of Akelius' residential portfolio across Sweden, Denmark and Germany, which included homes across Stockholm (5,934 apartments) and Malmö (4,107 apartments). Furthermore, Sweden had the second highest investment volume in Europe during 2021, following Germany.

As of the third quarter of this year, the total investment volume in the market amounted to SEK 144 billion, which is a significant decline compared to the five-year average of SEK 153 billion. This downturn in the market was also underlined by the number of completed transactions during the period which reached 450, compared to the five-year average of 670.

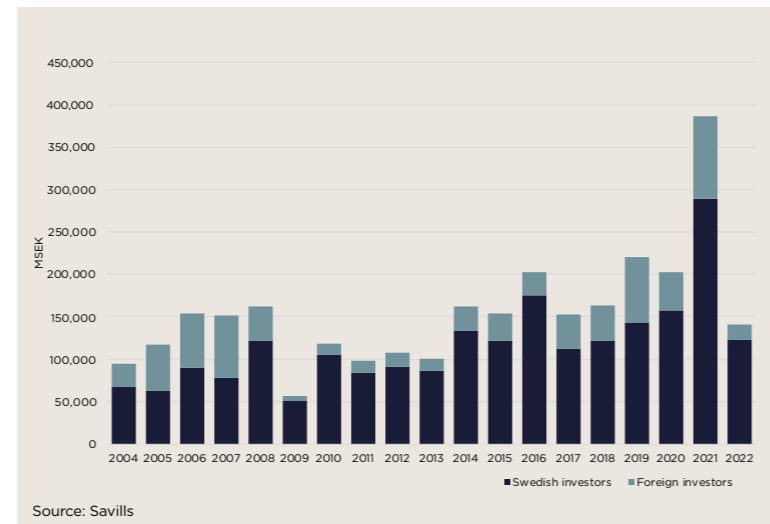
The transaction volume for the year's third quarter amounted to SEK 23 billion, which corresponds to a decrease of 81% compared to the same quarter last year (SEK 119 billion). Moreover, the number of completed transactions amounted to 97 compared to last year's whopping 179. Notable for this period is that buyers and sellers were not able to reach common ground regarding price levels.

Residential properties are still seen as a safe haven for many investors during tough times due to their stable cash flows. As of the third quarter of this year, the residential sector dominated the investment market, accounting for 27% of the total transaction volume. This corresponds to a volume of approximately SEK 38 billion. Noteworthy is that the number of M&A transactions conducted throughout this year is also led by the residential sector. As of the third quarter, the total volume generated from M&A transactions within the residential sector amounted to SEK 5 billion.

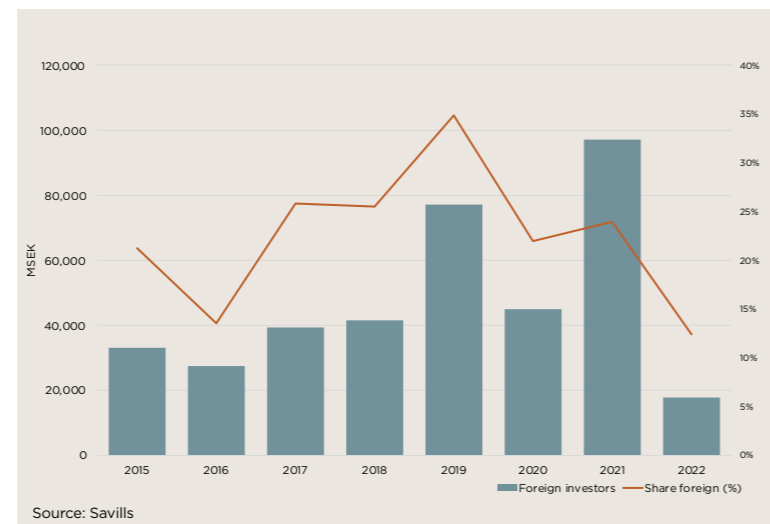
Foreign investors' activity in the Swedish market has decreased significantly, which has been reflected in the share of international capital invested in the market. For the period, foreign investors accounted for 12% (approximately SEK 12 billion) of the total transaction volume, which is lower than the five-year average of 26%. The same trend was noted within the residential sector, where foreign investors accounted for 12% of the total transaction volume, compared to the five-year average of 38%.

Even though the sector is on track to become the most preferred asset class among investors for the sixth year in a row in terms of investment volume, the sector is heavily burdened by the high financing costs. This has been noted especially during the third quarter and has resulted in a great decrease in number of residential transactions.

Transaction volume



Transaction volume foreign buyers



31%

Portfolio transactions of the total number of residential transactions.

64%

Portfolio investment volume of the total residential investment volume.

Residential portfolio investments

In terms of the deal structure, the number of portfolio transactions corresponded to 31% of the total number of residential transactions, while the residential portfolio investment volume reflected almost 64% of the sector's total volume up until the third quarter of 2022.

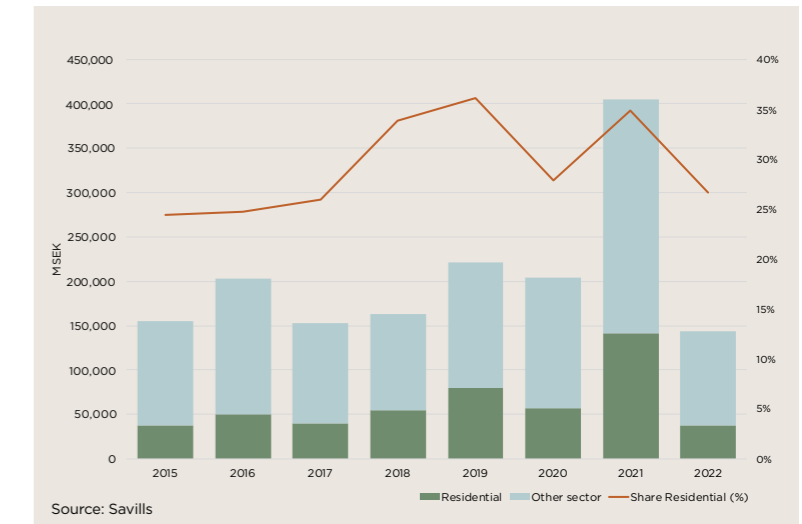
Residential forward funding deals

Residential forward funding deals saw a boom in activity during 2020. Since then, the activity has decreased. The relatively high share of forward funding deals of the total investment volume as of the third quarter of this year, is due the forward funding deal done by Patrizia. Aros divested a residential portfolio amounting to a price of SEK 3.6 billion to Patrizia in June. The purchase included four residential properties with approximately 880 apartments.

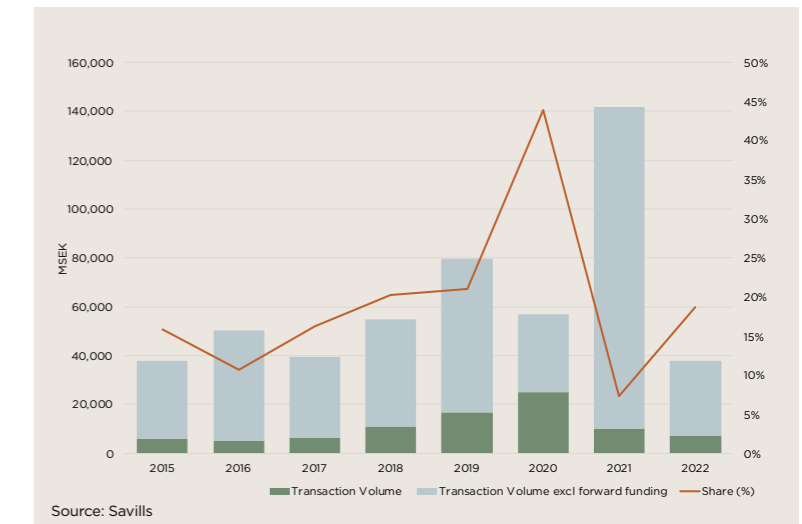
Institutional investors

Institutional investors (pension funds, etc.) are some of the most active in the residential sector, acquired for approximately SEK 9 billion as of the third quarter this year. Regarding forward deals, institutional investors accounted for 44% of the total forward deal transaction volume, reflecting a value of SEK 4 billion. Currently, institutional investors are the most active in the Swedish transaction market since the level of competitiveness between all-equity buyers and investors with debt requirements has increased.

Transaction volume residential properties



Residential forward funding and commitment



The residential sector's "edge"

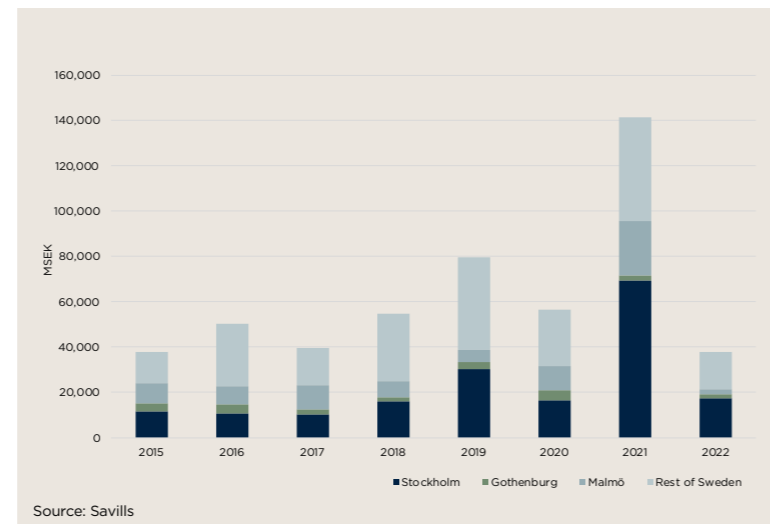
As previously mentioned, residential properties have throughout the years been perceived as an asset class that generates an attractive risk adjusted return due to its low vacancy risk and the predictable Swedish rental system. Rents being adjusted to inflation over time allows them to generate a long-term positive real rate of return, this is especially attractive in the current climate with major economies battling the record high inflation rates throughout the world. The rental system provides predictable conditions regarding an asset's future net operating income for investors.

Residential assets can for the most part be divided into two different subsectors based on their rental potential: newly developed and existing buildings. The "edge" with newly developed buildings is the higher rental levels and thus a computable cash-flow. For existing buildings, the "edge" is the need for refurbishments (this can be said for the most part of the Million Programme housing stock) and improvements. Such expenditures can generate a significant rental potential. In this low economic growth environment, the somewhat defensive characteristics of residential properties is seen as an advantage.

"The inflation peak is expected to be reached during Q1 2023 and the Riksbank is said to make the last increase of the policy rate in February. When the inflation rate has peaked, the market interest rates have stabilised and property valuations have adjusted to new market conditions, the investment activity is expected to resume, which will probably be during the first half of 2023."

Maryrose David

Transaction volume residential major cities



Outlook



After several years of strong growth in the Swedish real estate market, we are now seeing a slowdown caused by increased financing costs, reduced consumption and high inflation figures, which have affected the investment activity. As the financing costs have doubled during the year, buyers and sellers are finding it difficult to meet at previous price levels across all sectors, especially in the most low-yielding sectors such as the residential sector and logistics sector. However, with the duality of the low economic growth environment, residential properties will still be seen as secure assets.

Real estate as a real asset class does not decrease in value when the monetary value decreases, which is an advantage for property owners during times of low economic growth. The October index, that amounted to 10.9%, and its impact on CPI-indexed leases is welcomed by property owners as operating costs have steadily increased during the year, mainly due to more expensive electricity prices. In the long run, real estate has been a good long-term investment and will continue to be so.

Residential real estate has been the backbone of the Swedish economy since the second world war. With the decrease in supply from material shortages leading to postponements of development projects in the residential market, demand for housing will remain high which will result in continuous relatively high property prices. However, yield softening is likely to occur, and property values will decrease in the near future across all sectors. The stabilisation of the market interest rates will have a positive impact on the investment market. Also, Savills assess that appetite from international capital will regain once the expected price shift has become evidential, and yields have softened.

The status of Swedish listed property companies

The third quarter of this year was an exceptionally volatile quarter for the global stock markets, and not the least for the Stockholm Stock Exchange. During the month of September, the Swedish central bank scheduled their next interest rate notice (20th of September) which would end up further shaking the already sensitive stock market, resulting in a record decline in the Swedish real estate index.

Global stock markets were seen plunging to low levels reaching bear market status. Lately, the spotlight has been on listed property companies, which historically have had high loan-to-value ratios.

In the beginning of the third quarter, the property sector was one of the weakest performing sectors in the European stock exchange. The

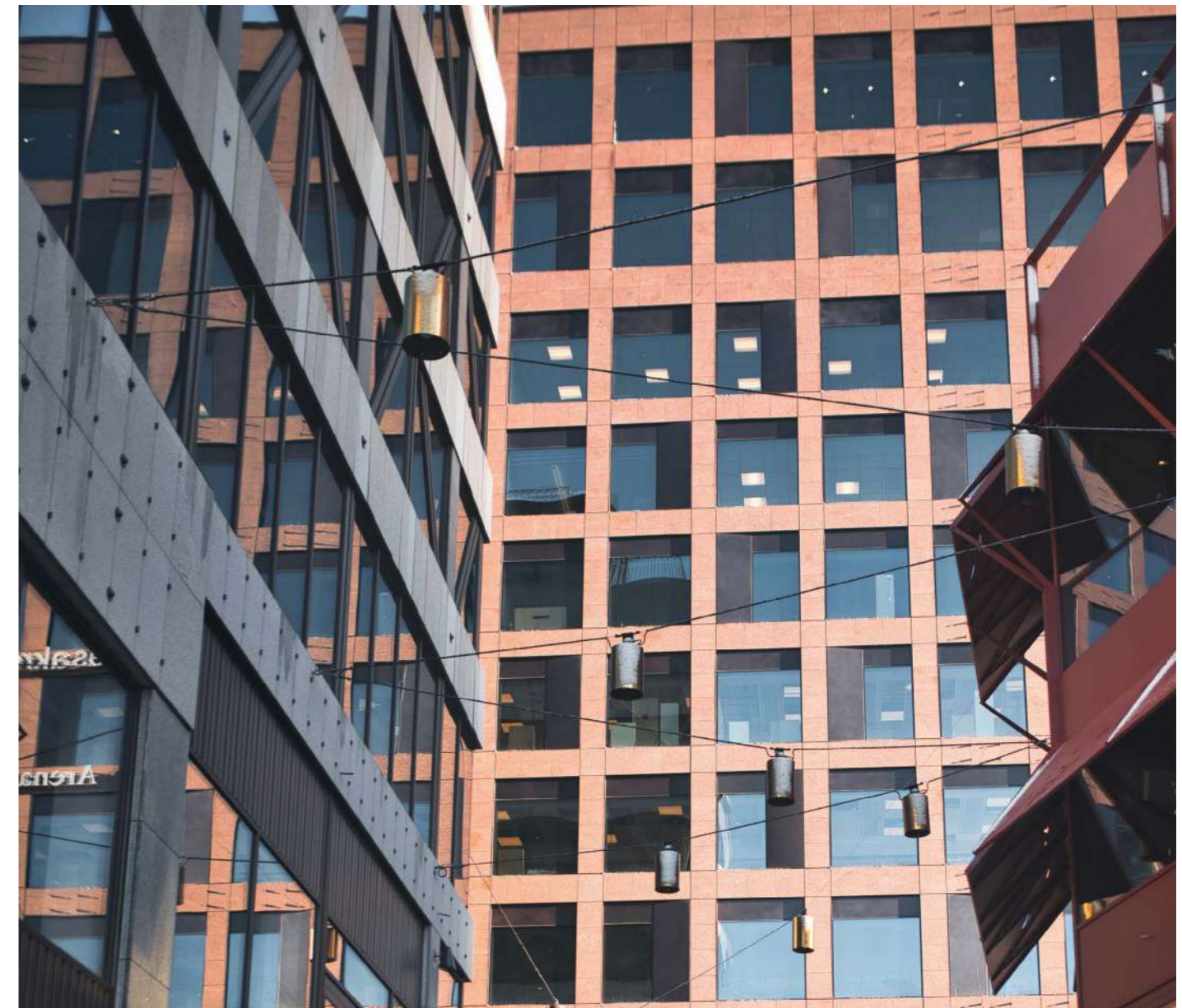
month of September was described as the toughest month for property funds who topped the list for the most sold mutual funds among investors. From a historical point of view, listed property companies perform higher than the main index of the Swedish stock exchange OMXS30, which is visualised in the graph below. Despite the bleak development on the stock market, the real estate index still generates a higher return than OMXS30.

In order to gain further understanding of the current state of the property sector, an extensive analysis was conducted to compare key figures. The table on the next page showcases the average loan-to-value ratios, interest rates and maturities for all listed Swedish property companies between the third quarter of 2022 and the fourth quarter of 2021. Moreover, the change in property values between the second and third quarter of 2022 is presented. It is important to note that the presented value change does not take purchases or sales of properties into consideration.

“The increasing financing costs indicate that the residential yield levels must further soften. However, due to lack of transactions during the past quarter, the full extent of the upward yield adjustment is yet not known.”

Marcus Kindbom, Co-head of Valuation, Savills Sweden

Property Index



Sector	LTV Q3 2022 (Q4 2021)	Interest rate Q3 2022 (Q4 2021)	Maturity Q3 2022 (Q4 2021)	Average yield level Q3 2022 (Q4 2021)	Value change Q2-Q3 2022
All	49.0% (47.0%)	2.7% (2.0%)	2.4 (2.6) years	4.6% (4.5%)	-0.6%
Commercial	48.0% (46.0%)	2.8% (2.1%)	2.3 (2.5) years	-	-
Residential	52.0% (50.5%)	2.2% (1.6%)	2.9 (2.8) years	3.7% (3.5%)	-3.1*

As basis for the value change calculation, Savills has studied four listed residential property companies and the change in booked underlying property values (Q2-Q3 2022)

As presented in the table above, the loan-to-value ratio has increased across all property sectors with residential topping at slightly over 50%. However, significantly higher loan-to-value ratios have been noted historically, for instance during the 90's crisis where commercial property companies could have a loan-to-value ratio up to

100%. Looking forward, the loan-to-value ratios will keep increasing due to decreasing property valuations. On the positive end, the residential sector has had an increase in average maturity. Moreover, due to a lack of transactions in the past quarter, difficulties with assessing property values have been noted.

The average value change for the residential sector amounted to -3.1%, which is a greater decrease than the average for all property sectors (-0.6%). In contrast to commercial properties, the rents for residential properties are not CPI-indexed, thus causing a greater negative impact on property values within the residential sector.

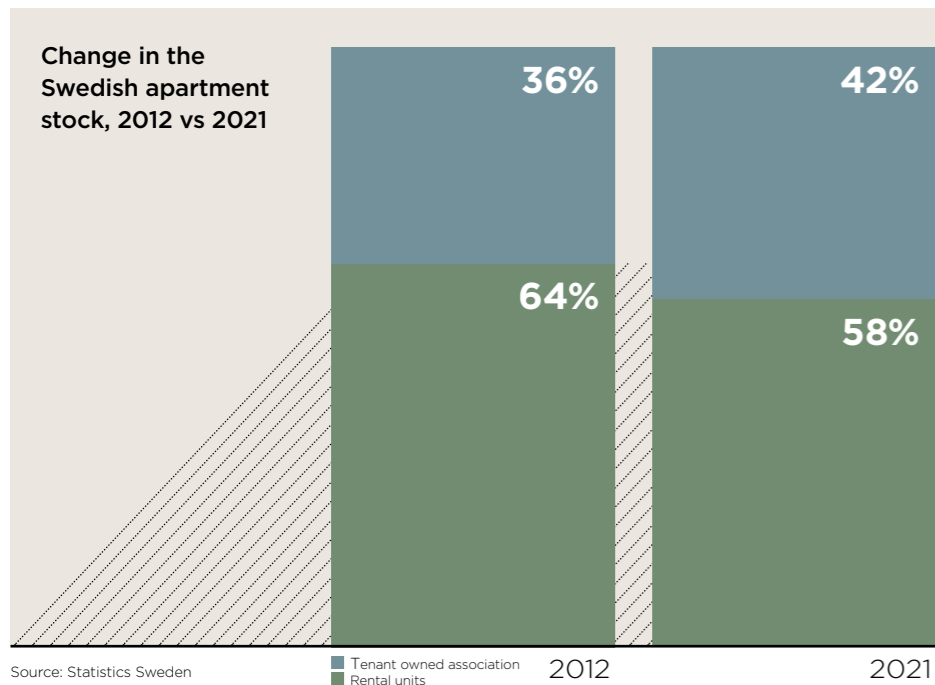
The Swedish housing stock

The Swedish housing stock is broadly dominated by home ownership. In 2021, 66% of the housing units were homeowner occupied, while 34% of the residential stock was attributable to the rental market. Other market characteristics include a high share of residential apartments in the housing stock. The share of apartments amounted to 55%, while the share of households in detached or semi-detached houses amounted to 45%. The rate of home ownership within these two markets amounted to 42% and 96%, respectively.

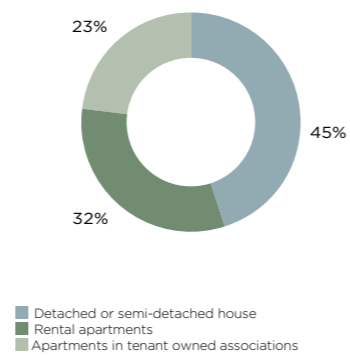
In 2021, rental units accounted for 58% of the apartment stock, while apartments in tenant owned associations accounted for 42%. Over the past ten years, the number of rental units has decreased by 9%. Moreover, the share of rental

units in the total stock has decreased from 64% in 2012 to 58% in 2021, while the number of apartments in tenant owned associations has increased from 36% to 42% during the same period.

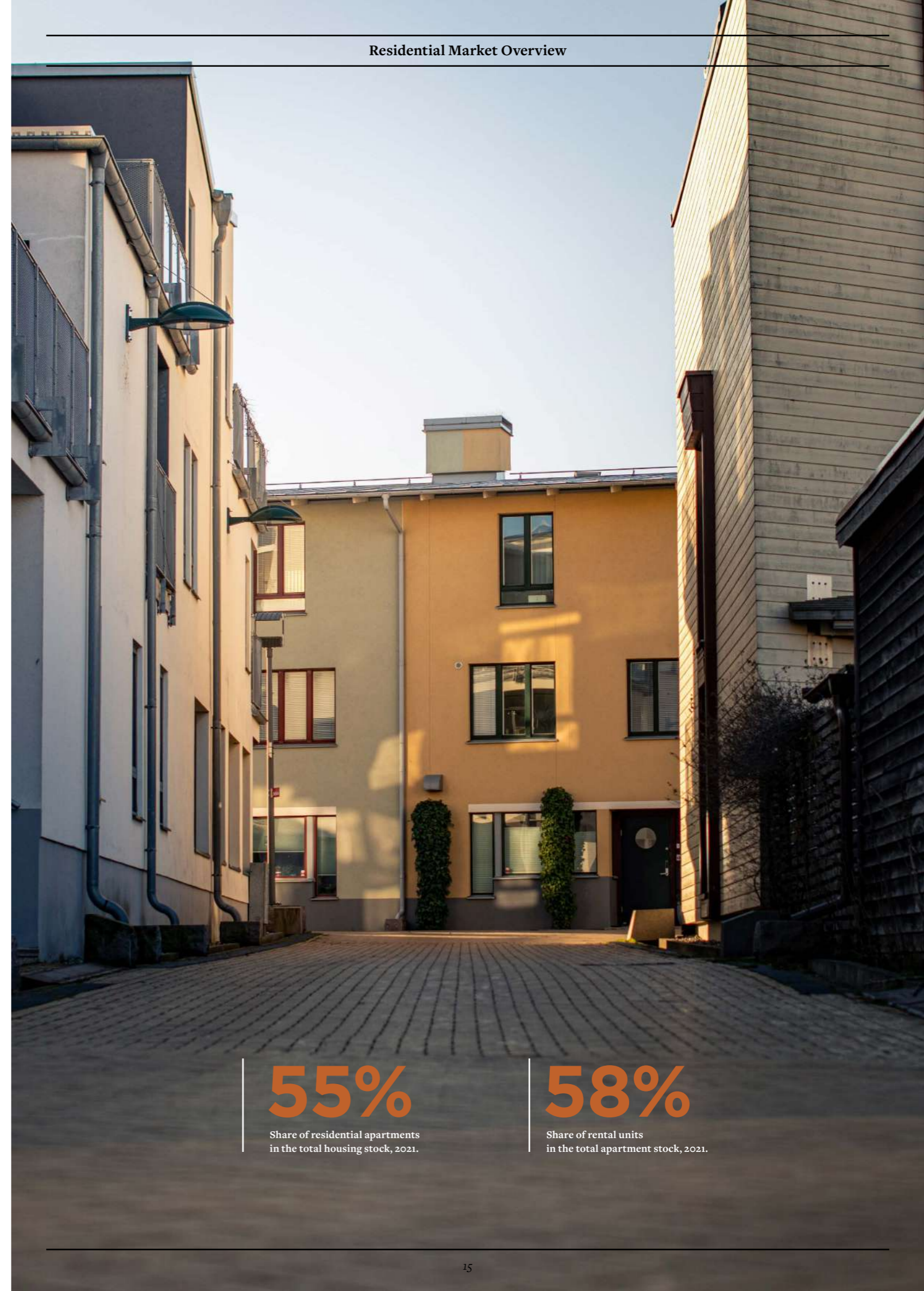
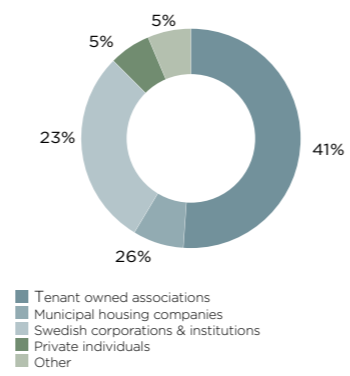
Forms of ownership in the Swedish apartment stock vary, however, in line with the Swedish housing market as a whole the apartment stock is characterised by a high degree of home ownership. In 2021, the share of apartments in tenant owned associations amounted to 42%. The apartment market is further characterised by a high presence of municipal housing companies, which in 2021 accounted for 26% of the ownership. Swedish corporations and institutions accounted for 23% of the ownership in the stock, private individuals for 5% and other investors for the remaining 5%.



Housing stock, 2021



Apartment stock Ownership, 2021



55%
Share of residential apartments in the total housing stock, 2021.

58%
Share of rental units in the total apartment stock, 2021.

The Million Programme

Following the Second World War, Sweden saw a significant housing shortage. In order to address this issue, the Swedish parliament decided to build one million new homes between the years 1965 and 1974. The project was called 'The Million Programme' and was a unique investment in the country at the time since the total population of Sweden was only approximately 8 million.

The Million Programmes' housing portfolio consisted of equal parts (one-third shares) highrise apartment blocks, low-rise multi-residential areas and single-family houses. Remarkably was the Million Programmes' exception to Sweden's typically high construction standard, which was neglected because of the prioritisation of speed over quality. In an attempt to increase the affordable housing stock for low-to-mid income households, the buildings were typically constructed in suburban areas where private investments were limited. The growing residential areas were heavily criticised while the Million Programme was still in its infancy because the tenants had no influence on the design of the

buildings or the local area. Whilst the Million Programme reduced housing queues, mass production came with negative impacts on the local area, which decreased the demand for the apartments.

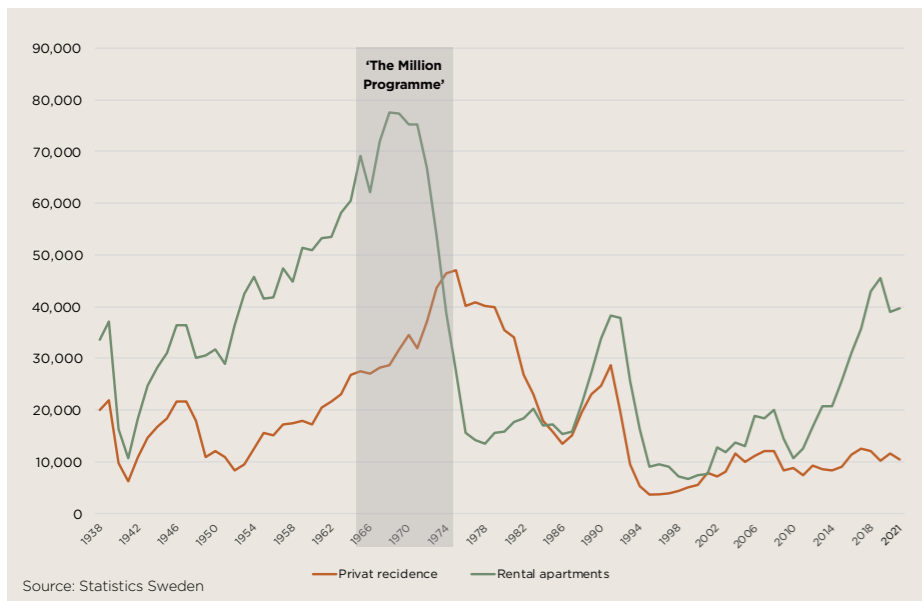
In 2010, it became a fact that all buildings that had been delivered as part of the Million Programme needed modernisation and renovation. In particular energy efficiency and plumbing needed to be improved. The realisation led to municipality-owned companies conducting a thorough renovation of approximately twenty percent of their Million Programme stock during 2010. Although renovations continued after 2010, just over half of all residential units in the Million Programme areas are still in need of refurbishment today.

Rising focus on energy efficiency, and the need for improved indoor and outdoor environments will have a great impact on the future of the Million Programme. The older stock will need to be torn down or undergo full-renovations in order to reach the standards that are expected by today's prospective tenants. If improvements are not implemented, high tenant turnover and increased vacancies is likely to be expected in some areas.

The Million Programmes' housing portfolio is considered a value-add investment for many investors and therefore the interest for these properties has increased during the past year. This has resulted in a hardening yield levels and increasing property values, especially in the major metropolitan areas (Stockholm, Gothenburg and Malmö) over the past decades.

In a high-interest environment that we are currently in, rental apartments is expected to become more attractive than co-op's among household. The increasing inflation eroding the households' purchasing power further contributes to the increasing demand for rental apartments with lower rental levels, such as for apartments built within the Million Programme.

Number of completed apartments in apartment building and detached or semi-detached houses



“Due to the long-term trend of ever-increasing demand conflicting with a limited supply of housing, residential apartments, especially in large cities, are highly sought-after. The stable cash flows and opportunity to realise rent potential through investments, offers the investors an attractive risk-adjusted return.”

Lena Sylvén, Co-head of Valuation, Savills Sweden



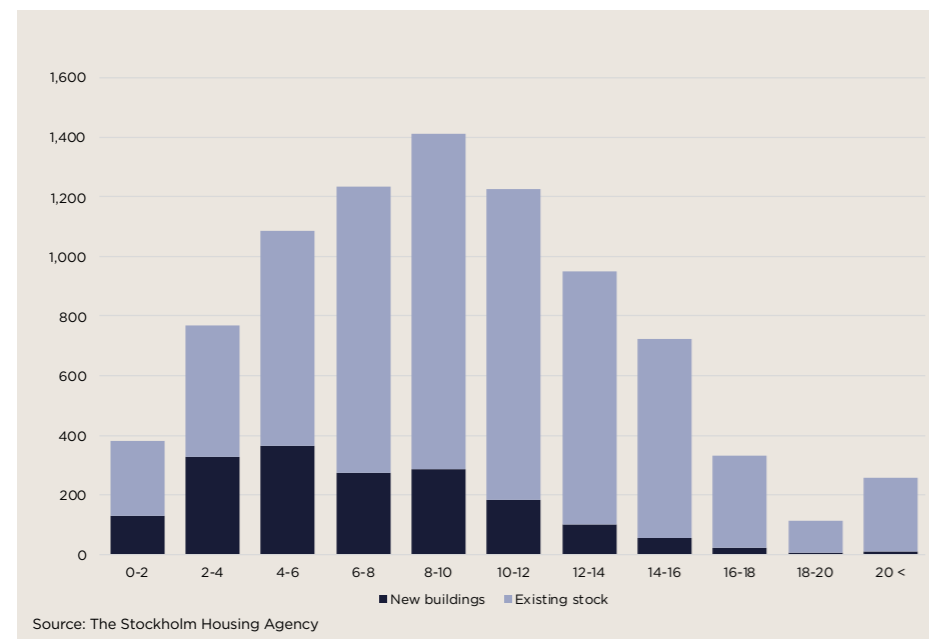
Rental queue

In order to obtain a rental apartment, most municipalities have a queuing system and an agency service which distributes vacant rental apartments to prospective tenants. Rental apartments in the system can be owned by either the municipality or a commercial landlord. The apartments are allocated on the basis of time spent in the housing queue. Some private landlords have their own queuing system, but the distribution system is fundamentally the same.

On average, it takes nine years to be granted a rental apartment in Stockholm, six years in Gothenburg and almost three years in Malmö. For apartments located in attractive locations, the queue can be significantly longer; for example, the housing queue for apartments in the existing stock situated in the inner city areas of Stockholm have an average waiting period of 17.7 years.

Rental apartments in Sweden are strongly regulated by law, and leases cannot be allocated to the tenant through payment. The tenant pays no financial deposit to secure the lease and the tenant is allocated to the apartment through the earlier mentioned queuing system and pays monthly rent only. The lease applies until further notice, with the tenant being able to provide three months' notice to leave the property at any time. In contrast, the landlord cannot terminate the lease unless there are special grounds.

The average queue time (years) for allocated rental apartments, Stockholm region 2022 Q1-Q3



9 years

It takes nine years to be granted a rental apartment in Stockholm.

6 years

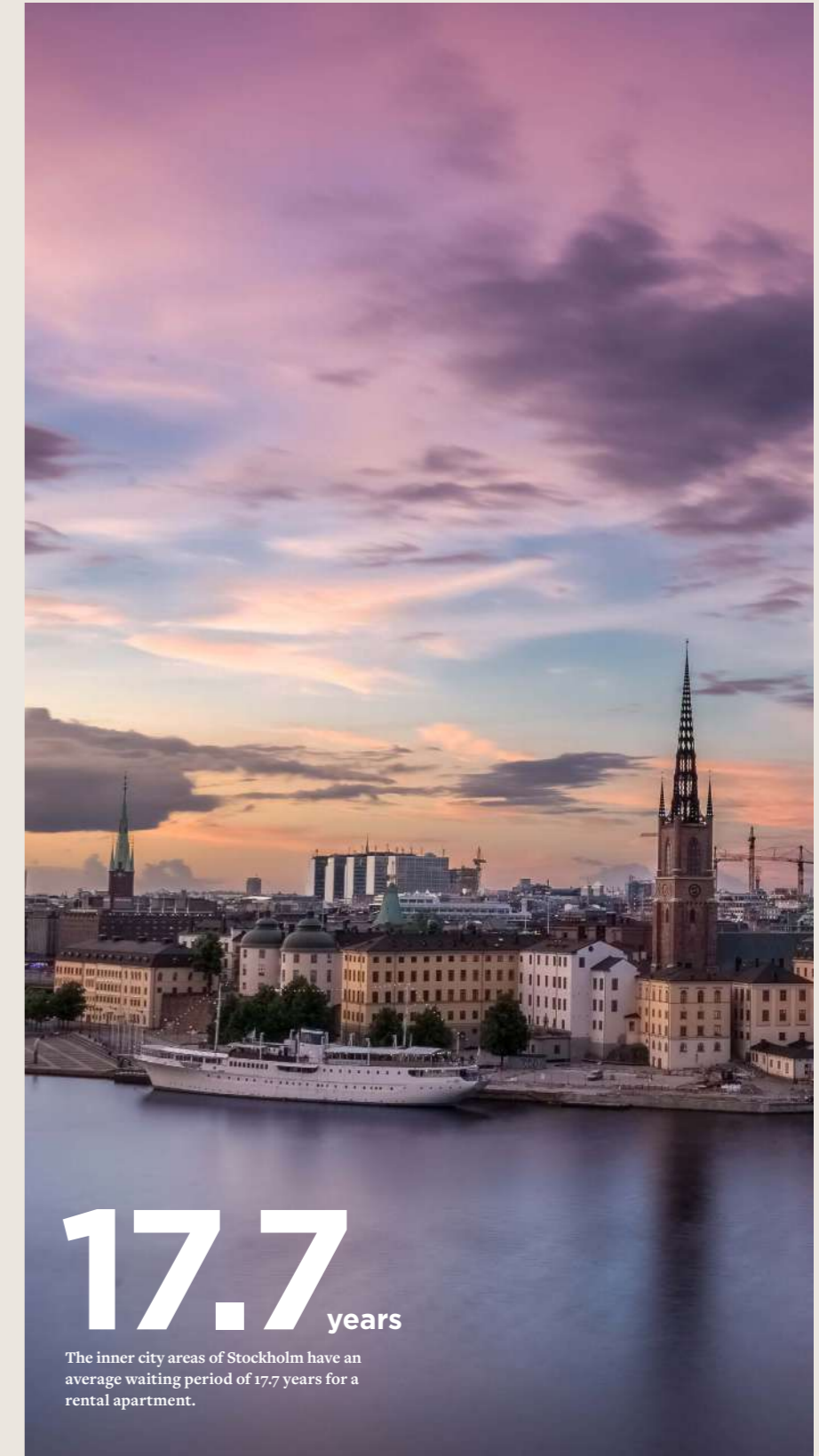
It takes six years to be granted a rental apartment in Gothenburg.

3 years

It takes almost three years to be granted a rental apartment in Malmö.

Average queue time for allocated apartments per area

STOCKHOLM	Existing stock	New buildings
Stockholm's inner city	17.7	17.5
Bromma	12	10.2
Enskede-Årsta-Vantör	12.2	9.2
Farsta	12.6	9.1
Hägersten-Ålvsjö	13.6	11.3
Hässelby-Vällingby	10.7	-
Kungsholmen	16.5	-
Norrmalm	18.0	-
Rinkeby-Kista	9.3	3.6
Skarpnäck	15.3	-
Skärholmen	10.2	-
Spånga-Tensta	9.6	-
Södermalm	18.4	17.5
Östermalm	14.5	-
Botkyrka	7.2	-
Haninge	7.1	4.8
Huddinge	9.5	-
Järfälla	8.7	5
Lidingö	8.6	-
Nacka	7.8	-
Norrtälje	9	6.6
Nynäshamn	6.6	5.2
Salem	-	2.4
Sigtuna	5.7	2.7
Sollentuna	9.7	-
Solna	13.3	-
Sundbyberg	7.6	6.5
Södertälje	4.4	2.9
Tyresö	6.5	-
Täby	8.1	6.3
Upplands Väsby	6.9	4.4
Upplands-Bro	6	-
Vallentuna	6.9	-
Värmdö	7.9	-
Österåker	3.5	4



The inner city areas of Stockholm have an average waiting period of 17.7 years for a rental apartment.

Queue times, Stockholm region, 2021
Source: The Stockholm Housing Agency

The assessed housing shortage

According to a survey made by the National Board of Housing, Building and Planning, 204 of the Swedish municipalities are currently experiencing a housing shortage. Moreover, 178 municipalities assess that they will experience a housing shortage within the coming three years.

On a three-year basis, approximately 70% of the municipalities assess that there is a high demand for detached or semi-detached houses in the municipality. Moreover, high demand for rental apartments has been noted in 60% of the municipalities, while high demand for apartments in tenant owned associations have been noted in almost 50% of the municipalities. Noteworthy is that the survey also suggests that the share of municipalities that will experience a high demand for apartments in both forms amount to approximately 39% and that the share of municipalities that will experience a high demand for residential units in all forms (rental units, co-op units and detached or semi-detached houses) amount to 35%.

Breaking down demand – crucial for sustainable construction

During the period 2019-2021, 99 Swedish municipalities experienced a negative population growth. According to the survey made by the National Board of Housing, Building and Planning, 45% of these municipalities are at the same time experiencing a housing shortage today and 49% report an assessed housing shortage within the coming three years. The number of municipalities that both have experienced a negative population growth over the past three years and report a housing shortage today and within the coming three years amount to 39. This highlights the importance of understanding the demand on a deeper level.

Borlänge municipality for instance is, although a decreasing population over the past three years and a modest population growth prognosis, experiencing a high demand for residential units in all forms. The studying of the share of overcrowded households of 10.2% in combination with the share of overcrowded households

with strained household economy of 2.2% and the share of households living with grown up children of 3.3% further emphasises the need for breaking down the demand.

Cases across the country where property owners have had troubles with renting out newly produced apartments in municipalities with increasing population also raise the issue with basing the need for new apartments solely on population growth.

When studying these municipalities, Savills found that some municipalities that received a relatively large number of refugees during the refugee crisis in 2015/2016 received an adjusted population growth prognosis which was based on the historical migration stream (which included the abnormal inflow of people during those years). Some of these municipalities adjusted their housing demand prognosis in accordance with the population prognosis and thus got a skewed picture of the municipality's future housing demand and struggled with an oversupply some years after the crisis. These types of events highlight the difficulties in estimating the demand and further underlines how difficult it is for politicians and officials at municipal level to assess the future housing need.

Another example include Örebro region which despite a strong population growth has encountered several cases where property owners have had difficulties of renting out newly produced apartments.

Going forward it will be crucial for decision-makers at municipal level to identify whether the housing shortage is instantaneous or long term. There is also a need for a more thorough analysis, which goes beyond identifying which ownership form that is needed including more measurement parameters (almost on a postal code level).

Regional overview

Region	Total number of municipalities	No. of municipalities with..				
		"..a housing shortage today"	"..an assessed housing shortage within 3 years"	"..an assessed high demand for rental units within 3 years"	"..an assessed high demand for co-op units within 3 years"	"..an assessed high demand for detached or semi-detached houses within 3 years"
Blekinge	5	3	2	3	2	4
Dalarnas	15	10	11	10	11	11
Gotlands	1	1	0	1	1	1
Gävleborgs	10	5	6	3	2	5
Hallands	6	5	6	4	3	5
Jämtlands	8	3	3	3	1	4
Jönköpings	13	11	7	9	7	11
Kalmar	12	6	8	6	6	9
Kronobergs	8	4	3	2	1	6
Norrbottnens	14	8	7	7	5	6
Skåne	33	28	23	22	19	24
Stockholms	26	24	24	18	18	19
Södermanlands	9	8	4	6	5	7
Uppsala	8	7	5	6	5	7
Värmlands	16	7	7	7	6	8
Västerbottens	15	8	7	8	3	4
Västernorrlands	7	5	5	4	5	6
Västmanlands	10	6	7	6	2	6
Västra Götalands	49	37	30	34	26	36
Örebro	12	8	7	5	6	8
Östergötlands	13	10	6	6	6	11
Total	290	204	178	170	140	198

Source: The National Board of Housing, Building and Planning.



204

of Sweden's 290 municipalities report a housing deficit.

c.39%

of Sweden's municipalities report a high demand for both rental and co-op apartments within the coming three years.

The number of land sales has decreased

The number of municipal land sales in Stockholm's suburbs has decreased compared to 2021. Since August 2022, there has only been one land plot allocated, which underlines the downturn in activity. Another observation is an increase in non-competitive sales (*Sw. Direktanvisning*) where the municipality appoints the land plot to developers present within the site area.

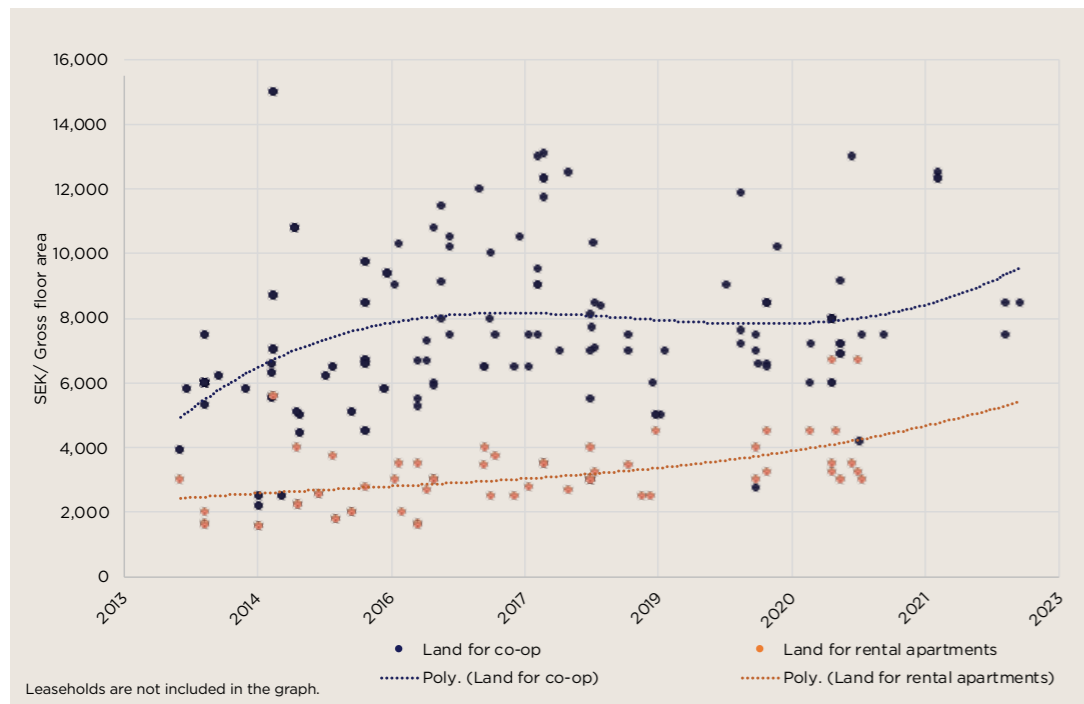
The latest data of municipal land dedicated to rental apartments in Stockholm's suburbs, remarkably shows that the number of leaseholds being allocated to developers have been record high. During the past twelve months, the majority of the municipal land plots have been allocated as leasehold properties. Furthermore, all the lease-holds have been allocated without any charge for the land.

Another observation is that the price of municipal land in the greater Stockholm dedicated to apartments in tenant owned associations has decreased since 2017.

This is mainly due to regulatory changes made by the Financial Supervisory Authority (*Sw. Finansinspektionen*), which imposed a mortgage cap and amortisation requirements for private mortgagors.

Since the amount of land sales has decreased and the land for rental apartments has been allocated through leasehold properties without any additional fee, the current land prices in Stockholm's suburbs are hard to define.

Land sales in Stockholm suburbs



August 2022



The number of municipal land sales has decreased since August 2022 compared to 2021.



Construction starts

The last few years have been something of a roller coaster in many ways and not the least in the construction sector. Large long-term industrial investments, expansion of sustainable energy production and an increasing need for housing creates favorable underlying conditions for the residential sector. The pandemic initially led to great uncertainty in 2020, which quite soon shifted to a boom in demand for larger housing. The increased demand led to higher prices for co-op apartments, which in turn led to the clear trend of households moving from metropolitan cities, such as Stockholm and Gothenburg, to nearby suburbs with cheaper housing and good communications into the cities.

International logistics problems and lack of intermediate inputs led to rising construction costs. As the pandemic started to settle in early 2022, Russia's invasion of Ukraine led to continuous problems with logistics, financing as well as labor and material costs.

According to Bygghälsa's recent construction survey compiling answers from approximately

700 projects in Sweden for the first half of 2022, the estimated construction costs increased for 52% of the projects. Contributing factors are increased prices for steel, wood, concrete and fuel/energy. Out of the projects that were supposed to start this year, 3% were cancelled and 35% were postponed. 33% of the developers stated that the interest in their projects has decreased

Among residential developers, this share is even higher, and 41% of the developers have noted reduced interest from customers. The impact of the war is most evident among the private residential developers, where 49% of the reported projects had been either moved forward or cancelled. In addition, 59% of the respondents stated the consequences of the war as the main reason.

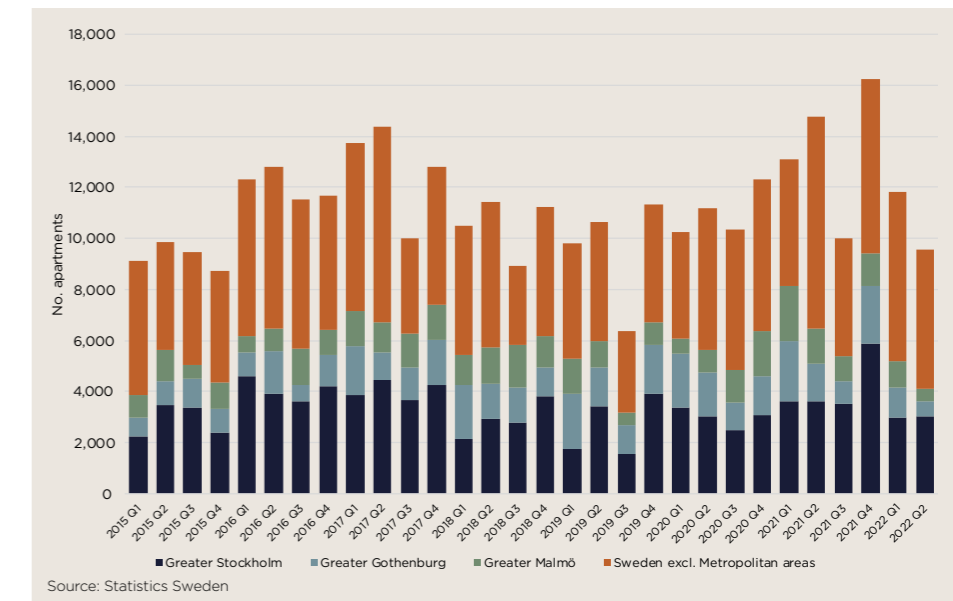
Not only are these trends visible in Sweden, throughout Europe, the same trend has been noted. In London for example, several office projects that were scheduled commencement this year has been postponed due to the current climate.

The construction of apartments

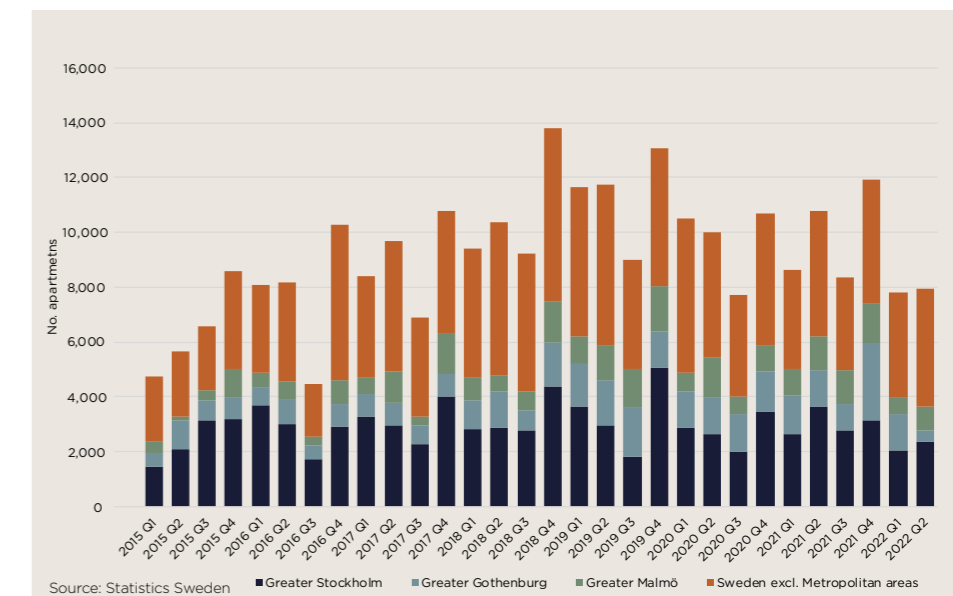
For the first half of 2022, the construction of approximately 21,000 apartments was initialised, according to recent statistics from Statistics Sweden. This is a decrease of 23% compared to the same period in 2021, when 28,000 apartments were started. The number of completed apartments in Sweden for the first half of 2022 amounted to approximately 16,000 compared to 20,000 the same period last year. The metropolitan areas accounts for approximately 60% of the initialised construction of apartments and 50% of the completed construction of apartments for the first half of 2022.



Total number of apartments under construction



Total number of completed apartments



“The decrease in constructions will instantly affect the construction industry. However, the residential market will be affected in the long-term where the amount of completed apartments in 2024/2025 will decrease dramatically.”

Maryrose David, Head of Research, Savills Sweden

The abolished investment subsidy

The investment support was implemented in 2017 as an attempt to increase the stock of affordable housing for low- to mid-income households and to pressure residential developers to minimise building costs by putting a cap on rent levels. The subsidy could be granted for both student housing and regular rental apartments. When the budget of M, KD and SD was voted through in the Swedish Parliament (*Sw: Riksdag*) in November 2021, it meant that the investment subsidy for rental apartments and student housing was abolished, and that no new application would be processed as of 1st of January 2022.

During 2017–2021, subsidy for approximately 46,000 rental apartments was realised. Roughly half of them were completed in 2021, and a total of SEK 8.5 billion were attributable to these subsidies. In addition, roughly 6,500 student housing apartments were granted support during the same period.

During the first years, developers' interest for the investment subsidies was rather cool in regional cities. But increased subsidy contributions and changes in legislation led to the regional cities in both 2020 and 2021 having the heaviest weight in the distribution. The region that has really taken off in the last two years is Stockholm. In 2021 alone, support was granted for over 4,000 new homes in the Stockholm region.

How does this affect the market?

Without the investment subsidies, housing construction is expected to decline sharply across the country. The main reason for this is that there are too few households that are able to pay the rents that newly produced apartments without investment support require, especially in times where the household purchasing power keeps decreasing. The increasing construction costs and market interest rates takes a further toll on the new construction, which will have an impact on the upcoming project starts. A reduction in construction might lead to increased unemployment rate in the construction industry. A part of the current problem with the availability of labor is due to Russia's invasion of Ukraine.

From a political point of view, the investment subsidy will probably not be reintroduced due to the parties that are included in the parliament formation after the election in September 2022 (M, KD and L). However, it is most likely that subsidies in a different form might be considered.

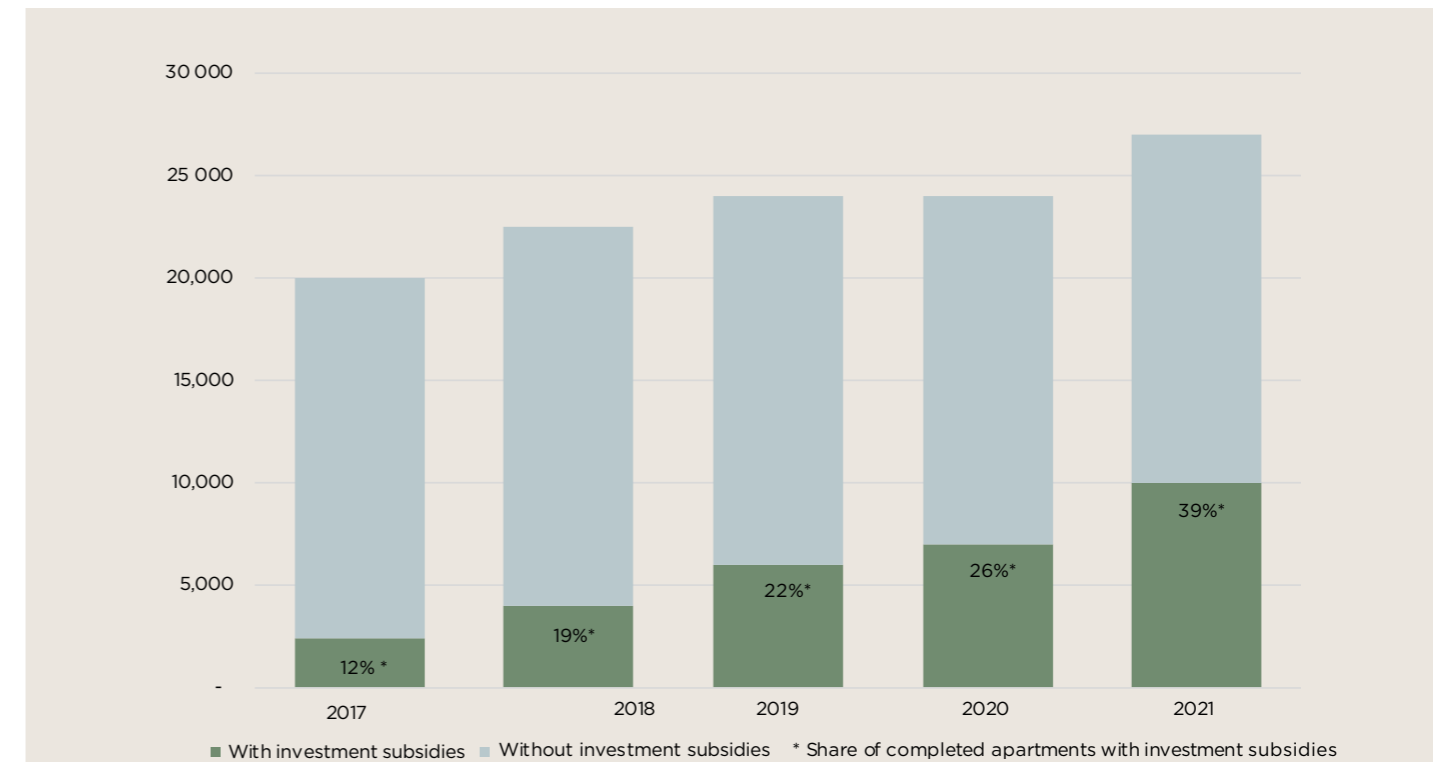
Granted investment subsidies 2017–2021, in regional cities and the rest of the country

Region	Rental apartments	Student apartments	Granted investment subsidies (MSEK)	Support paid (MSEK)	Number of apartments granted investment subsidies per 1,000 inhabitants
Stockholm	9,220	1,557	4,581	1,226	4.0
Gothenburg	5,255	1,017	2,313	1,036	5.0
Malmö	7,952	998	2,930	1,641	7.4
Sum of all three cities	22,427	3,572	9,825	3,903	5.1
Rest of Sweden	23,440	2,984	8,939	5,607	5.0
Sweden (total)	45,867	6,556	18,764	9,510	5.1

Source: The National Board of Housing, Building and Planning



Number of newly built rental apartments with and without investment subsidies (2017-2021)



Source: The National Board of Housing, Building and Planning

Change in rent-setting for newly built apartments



Changes to rental growth for new apartments

In 2022, the balance of presumption rent has been discussed in two legal cases, both disputed in the Svea Court of Appeal. The decisions were upheld after a lack of clarity in the rent-setting of a property in Karlstad and two properties in Umeå. The primary aim of the court cases was to provide clarity on how the presumption rent is to be set. The conclusion of the verdict will only affect future rents as the rent cannot be changed retroactively. The conclusion presented in the verdicts was that for apartments with presumption rent, the rent may only be increased by half as much as regular rents. Moreover, if the general rental growth in a given area is greater than 3%, the presumption rent may be increased by a maximum of half of the general rental growth in the surrounding area. If the rent is higher than 3%, the presumption rent may be increased by three-quarters of the amount exceeding 3% up to 4% in total.

The court cases will surely have an impact on the property market. It may facilitate the negotiations with the tenants' association party, where landlords previously struggled with obtaining approval for rent increases in new properties in some areas. It was also decided that newly produced apartments will have lower rental growth compared to apartments in older buildings which will affect a lot of areas. Since there is a lack of transparency regarding the difference between presumption and utility rents, the long-term effect of the Court's outcome is not possible to determine.

Moreover, the limited possibility to increase the rents for newly built apartments imposes adjusted investment calculations, which might lead to a further reduction in production of new buildings.



The tripartite agreement



In May 2022, it was announced that a tripartite agreement had taken place between the Tenants' association, Public Housing Sweden (*Sw: Svergies Allmännytt*) and the organisation Property owners (*Sw: Fastighetsägarna*). The three parties have together established five factors that will be the starting point for negotiations between the property owners and their tenants regarding rent setting.

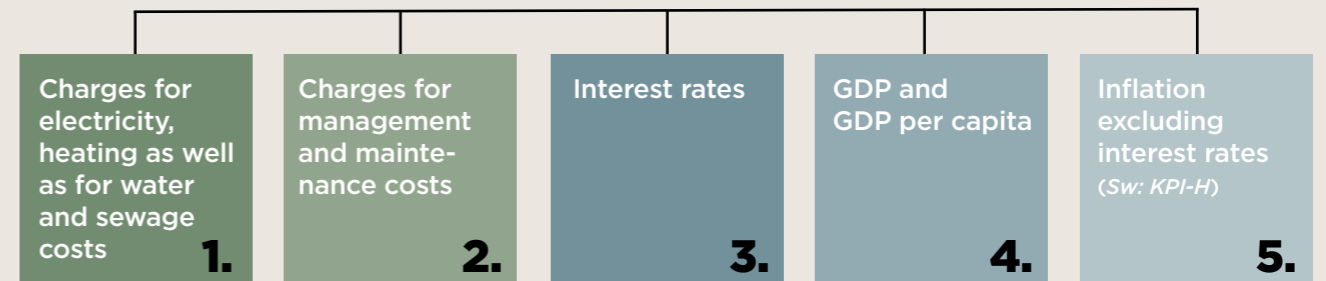
Starting with the negotiation year 2023, five different factors are recommended as a basis for the annual negotiations. Two of the factors reflect local conditions and three factors national conditions. Consideration should also be given to the socio-economic development in the area.

The parties also agreed on developing a joint model for systematic rent setting that simplifies the process and will easily be adapted to the conditions of each location. The model, also known as the Malmö-model, is designed to take tenants' values into account when setting a rent, such as geographic and micro location as well as floor level.

Furthermore, the tripartite agreement also concludes that a national model for measuring and evaluating property management quality should be developed since the management quality is a utility value parameter, that should not be confused with the basis of the annual rent negotiations, and will be negotiated separately.

For 2023, the property owners in Stockholm have claimed a rental increase amounting to 9.3%. The tenants' association responded with a counteroffer amounting to 2.4%, just below the national average of 2.5%, and referred the suggested small rental increase to the increasing cost of living for the households.

The five factors for rent negotiations



“The annual rental negotiations will become tough this year since the costs for property owners and the cost of living have increased. If the rental tenants' well-being isn't taken into consideration, it might result in tenants' not being able to afford their rent.”

Gitte Magnusson, Senior Property Manager, Savills Sweden

Conversion of rental apartments

Over the past years, the Swedish residential market has experienced a high building pace – a necessity in order to meet the national housing shortage. During the period 2013-2021, approximately 300,000 newly built apartments were completed, of which 55% were rental apartments and 45% were co-op units.

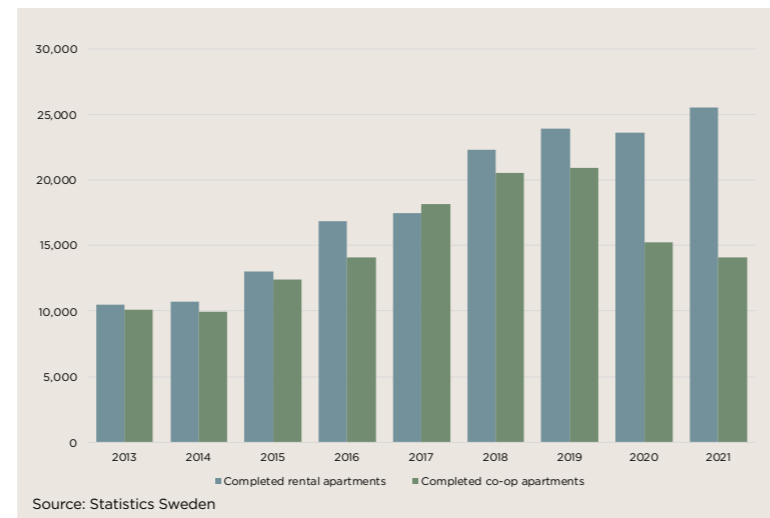
Rental apartments, which for a long time has constituted the backbone in the Swedish apartment stock, accounts for 58% of the apartment stock today. Although a higher building pace has been noted within the rental segment over the past years, the stock for co-op apartments has on average had a significantly higher growth rate than rental apartments. During the period 2013-2021, approximately 164,000 rental apartments were completed, while the rental stock only grew by approximately 126,000 apartments. At the same time, c. 136,000 co-op apartments were completed, while the co-op stock grew by c. 168,000 apartments. This development can to a large extent be explained by the conversion of rental apartments to co-op apartments.

Conversion of rental apartments to co-op apartments became increasingly noticeable in the late 90's and grew to larger volumes in the early 00's along with the significant price increase on the co-op market that took place during the same period. One of the contributing factors to the high number of conversions over the period was political decisions that led to many municipal housing companies selling their rental apartments to its tenants. Driving factors for conversions were predominantly the increasingly strong co-op market, which made conversions particularly attractive in the central parts of the larger cities.

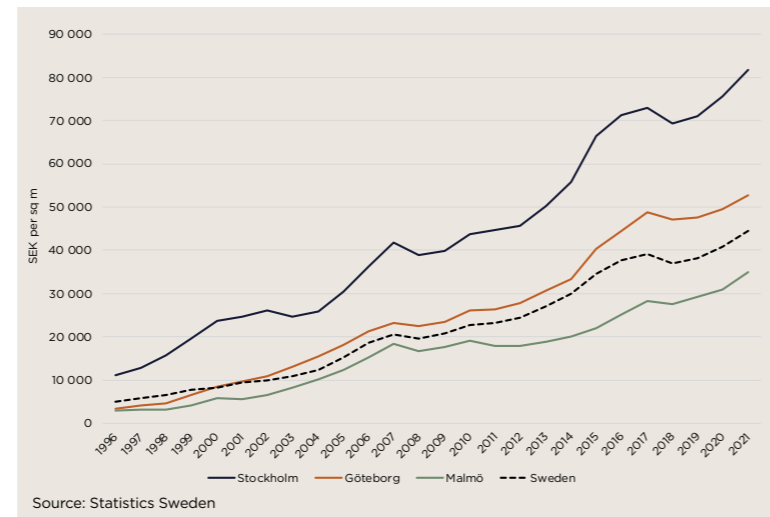
Because of the fact that private individuals obtained a discount to market price when they bought their apartment through a conversion, tenant owned associations were particularly competitive in bidding processes during the early 00's. One of the main contributing factors to their competitiveness was less restrictive banks, which by then in some cases even accepted seller reverses and top loans in the events where the prerequisites of the number of tenants willing to go through with the conversions wasn't met.

Besides, being a driving factor for growth in the co-op stock, conversions have had a significant impact on the residential investor market over the years, which is highlighted by its noteworthy share of transactions within the market. During the period 2006 – 2017, co-op deals accounted for between 11% and 54% of the total transaction volume within the segment. During this time it became more common for private and institutional investors to focus more on the price per sq m as opposed to the yield when it came to pricing the properties – partly in order to compete with the tenant owned associations but also because the steep price increase could be seen as a yield compensation.

Completed apartments 2013-2021



Price development co-op apartments



“Going forward, the tightened financial conditions for investors in combination with a slowdown of the construction pace, might imply that co-ops could regain competitiveness and thus that the market might see a slight upswing in conversions.”

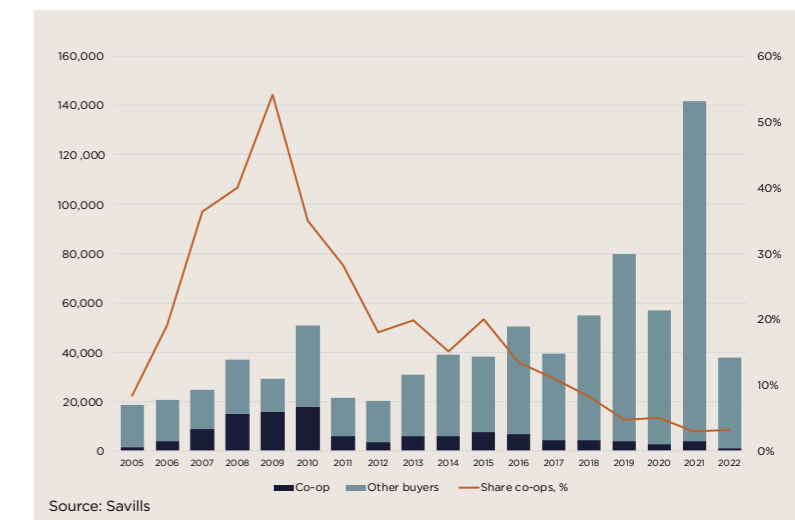
Daniel Albrektson, Director, Investment, Savills Sweden



In 2016, when banks became more restrictive, and a number of bank regulations (including mortgage caps and amortisation requirements) were imposed it became harder for private individuals to obtain loans, and thus for associations to go through with a purchase of a rental dwelling. Meanwhile, the low interest rate environment favored private and institutional investors, which in comparison gained a stronger position in bidding processes.

Today's tightened financial conditions caused by hikes in interest rates have however neutralised the playing field between tenant owned associations and other investors. Going forward, this in combination with a slowdown of the construction pace, might imply that tenant-owned associations could regain competitiveness and thus that the market might see a slight upswing in conversions. A slight upswing would predominantly be relevant in suburbs near larger cities with a socio-economic strong population and attractive co-op market. This is however dependent on either an equally declining co-op and rental dwelling market or a rental market declining more than the co-op market. Moreover, the financial market and the banks willingness to lend to tenant owned associations will be of great significance.

Transaction volumes residential



Political matters affecting the Swedish residential market

1.

Presumption rents become even less attractive in terms of rental risk mitigation

The two legal cases in Svea Court of Appeal clarified that for apartments with presumption rent, property owners may only increase rent by half as much as regular rents. The limitation in rental growth has affected investment calculations and valuations of newly built apartments. Property owners are increasingly putting more on the potential risk of rental adjustments when applying presumption rents – a trend expected to continue and become even more important in an uncertain market.

2.

Decreasing amount of upcoming apartments and the abolishment of investment subsidies

Arguably, the removal of the investment subsidies for newly built apartments might have come at a bad time considering the current economic situation which has had a negative impact on the number of constructions starts. One way to increase the construction pace is by providing developers economic aid which the previous investment subsidies did. However, the investment subsidies arrangement and distribution between larger and smaller municipalities has been criticised by many, especially by the currently ruling parties, and might be overseen if the subsidies were reintroduced again.

3.

Safe neighbourhoods – a shared responsibility between property owners and politicians?

While some argue that property owners should take a larger responsibility for the safety in neighbourhoods that they are present in, there are many who argue that politicians should be responsible for providing them the right tools to do so. But what the industry and the general opinion agrees on is the social issues that needs to be addressed – such as providing homes for victims of domestic violence or creating safe and welcoming neighbourhoods in all residential areas regardless of geographic- and socioeconomic factors. For this to happen, both property owners and local politicians needs to come together.

4.

The Government's handling of pressured households

How the new Swedish government chooses to address the issue of pressured households during these uncertain times will be crucial for the residential property market. Pausing or removing the amortisation requirements for instance, which all ruling parties expressed positivity towards before the elections, could on one hand help households regain some of their purchasing power, but at the same time counteract the purpose of increased policy rates.

5.

Climate change mitigation

Many property owners have ambitious goals set to mitigate their carbon footprint – some suggest that they have strategies that are far more ambitious than the imperative law within the field, and that they have adopted these strategies because green-strategies lead to better results. However, more legislations are likely to come, which will put higher pressure on property owners. It is not unlikely that regulations similar to the ones seen across Europe will be implemented in Sweden.

6.

Understand the demand

The reported housing deficit in 204 of Sweden's 290 municipalities emphasises the importance of understanding the demand for housing on a deeper level. To identify the demand, whether it is overcrowding due to a shortage of smaller apartments or demand for semi-detached houses in a specific micro location, requires a well-established understanding and collaboration between state, municipality, local property owners and inhabitants.



Residential property's role in the ESG agenda

Investors are putting sustainability at the top of their agendas and to a larger extent aligning their investments with today's environmental, social and governance (ESG) criteria. With the large number of constructions yearly and its tangible impact on people's lives, the residential sector plays an important role in the transition towards a more sustainable world. To achieve net-zero carbon emissions have become a priority for many residential developers in the Swedish market, and so has increasing social value commitments.

Old stock will require significant investment to meet new proposed standards
Over the past decade, the European Union has committed to progressive energy and climate goals and introduced significant legislation to achieve them.

On an EU level, there are several initiatives of importance for the residential property sector. One of the most recent and important initiatives is the Green Deal, which encompasses the Renovation Wave communication and the Fit for 55 package.

The European Green Deal strategy introduced in 2019 by the European Commission is a key strategy driving the EU towards a sustainable and climate-neutral economy – a goal which is set to be reached by 2050.



England & Wales

Currently require an EPC E for a residential property to be legally let. There are proposals to tighten this to EPC C by 2027.



France

From 2023, there will be a ban on letting out the "worst performing" homes (yet to be defined), and by 2028, EPC F and G buildings will have to be renovated.

A selection of ESG incentives

- **ESG progressions goes hand in hand with better performance.**

The importance of sustainability and ESG credentials, which have a positive impact on financing, have continued to grow. Not only have better financing conditions become a potential for positive impact on properties net operating income, but so has implementations of energy saving measures as well as sustainable and longer lasting materials.

- **Attract and retain tomorrow's talent**

Several studies suggests that the new workforce generation, millennials and gen-Z, are more value-driven when choosing workplace than their parents. Having a clear purpose and being able to align company values with investments is expected to be of great significance when attracting and retaining talent.

- **Keep up with the increasingly maturing ecosystem of financial investments**

As regulatory pressure continues to build, it will be crucial for companies to keep up with new legislations as they are being put in to effect. For instance, the Sustainable Finance Disclosure Regulation (SFDR), effective as of 10th of March 2021, imposes sustainability disclosure and transparency requirements on financial market participants at both entity- and product level.

Swedish buildings account for approximately 40% of the country's energy use.

40%

Moreover, from a life cycle perspective, Swedish buildings account for just over a fifth of Sweden's greenhouse gas emissions.

Source: The Swedish Environmental Protection Agency.

Important measures for climate change mitigation include

- choice of sustainable building materials
- minimised and more environmental-friendly transportation
- sustainable heating and energy use
- recycle friendly waste handling

Some of the most important issues to address within the building sector in order to reach the Net-Zero target are measures within heating and the choice of building material.

Source: The Swedish Environmental Protection Agency

Investments beyond buildings include

- affordable housing as well as in socio-economically weak areas, including investments in surrounding environments and involvement of the local community.
- encouraging and enabling purpose-driven work, such as volunteering or community investments, for employees.

A selection of needs within the sector:

Transportation calls for efficiency solutions

The residential sector is one of the most demanding when it comes to property management in terms of administration, such as key handling and time spent on transportation. Not only does this call for environmentally friendly travelling options but also for prop-tech solutions which for instance streamlines key handling or generate optimised routes.

The S in ESG goes beyond the buildings

Investing in socio-economically weak neighborhood aligns with many of today's investors strategies. That said the social aspect goes beyond the physical building's presence in a neighborhood. And in order to stay ahead of the curve and to really make an impact, companies will need to increase community engagement by for instance hiring or supporting local businesses within the neighbourhoods.

Climate declaration for new buildings

Developers' responsibility to produce climate declarations for new buildings – a regulation which came into force 1st of January 2022 with the purpose to reduce the climate impact from the construction phase. This regulation applies to new buildings that require building permits in Sweden.

Prop-tech's role in the ESG-agenda

Sweden is often referred to as the capital of start-ups in Europe or Europe's unicorn factory. Stockholm is the second most productive technology hub in the world per capita, after Silicon Valley. The country is also placed in high regard for being at the forefront of high technological development and innovation in Europe, such as in prop-tech.

How prop-tech can contribute to the common ESG implementation goal
 As the ESG investment trend progresses, property owners may want to consider prop-tech solutions to deliver more equitable, environmentally friendly properties. Between cloud applications, real-time sensors and dashboards, prop-tech poses a unique opportunity to streamline data gathering, auditing, reporting and the daily management in residential properties. Various prop-tech start-ups sprawl the Swedish business climate with innovative solutions to the residential sector's ESG agenda. From water management to optimal ventilation systems, there are innumerable ways to tackle the inefficiency of residential properties and help companies achieve a net-zero carbon goal.

120hours

Wasted on travel time for key handover per year.

Source: Unloc

Below are some ESG solutions to the day-to-day management of residential properties:

Solution for key handling



Key handling leaves a heavy carbon footprint for property managers: 120 hours on average per year is wasted in the transportation of keys. Various prop-tech start-ups provide solutions that mitigate the hassle of key handover with apps that enables users to have one main storage system for all keys. This makes access and sharing more efficient for all parties as well as cuts down on costly trips and ultimately reduces carbon emissions.

Solution for water management

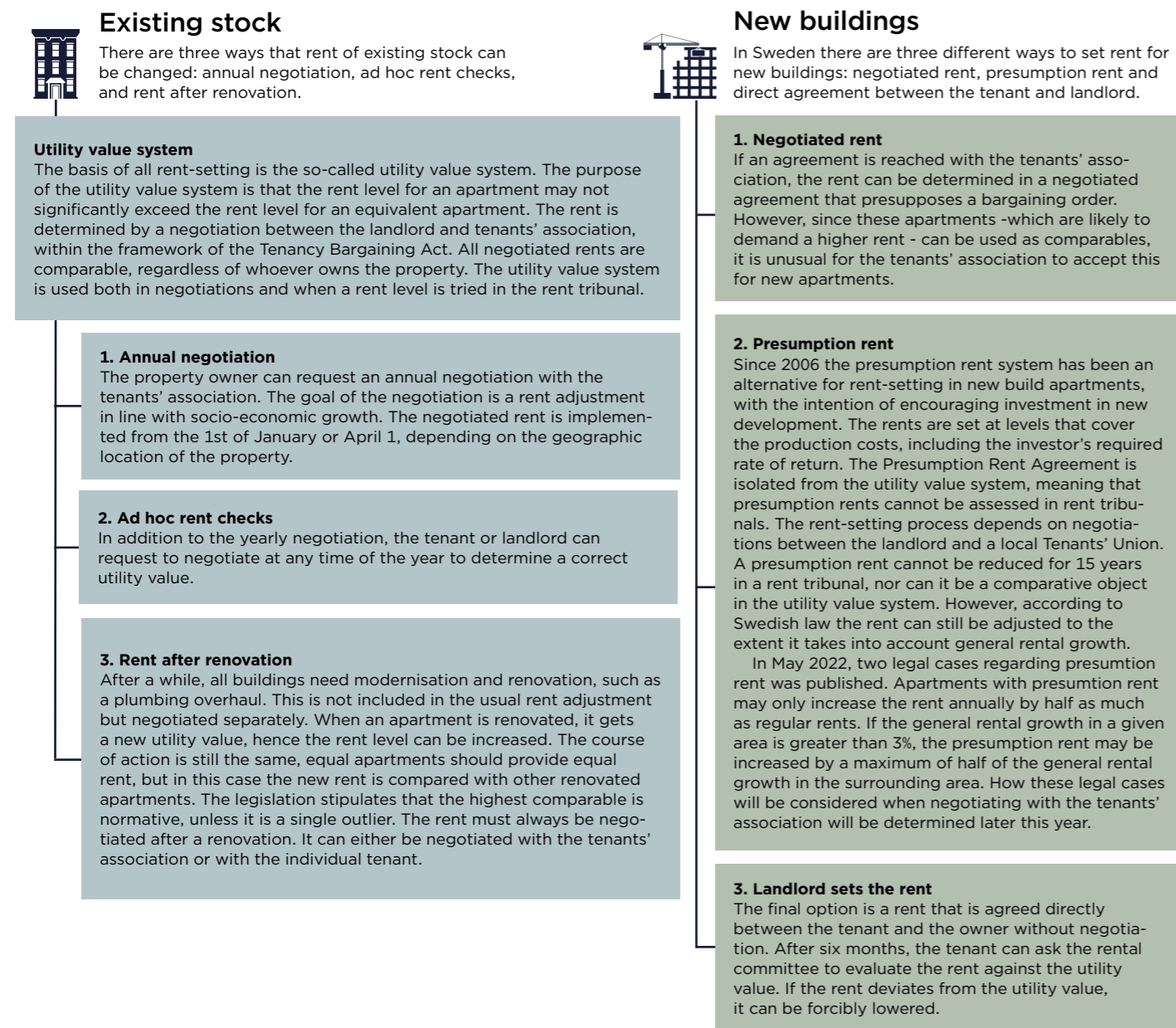


The changing climate leads to weather extremes around the world and both floods and droughts can create serious water damage to properties leading to further costs going for refurbishments. Not only weather extremes, water as a resource is becoming increasingly scarce throughout different parts of the world. These factors place further emphasis on the management of water usage. Prop-tech start-ups provide such solutions to help monitor and analyse water usage through main meters and sub-meters. Water management systems can help minimise the water consumption of residential properties and at the same time help create a sustainable water efficiency strategy.



Appendix: Rent-setting in Sweden

The basis of all rent-setting is the so-called utility value system. The purpose of the utility value system is that the rent level for an apartment may not significantly exceed the rent level for an equivalent apartment. The rent is determined by a negotiation between the landlord and a tenants' association, within the framework of the Tenancy Bargaining Act. All negotiated rents are comparable, regardless of who owns the property. The utility value system is used both in negotiations and when a rent level is tried in aren't tribunal.



Appendix: Ownership forms

Residential housing in Sweden can be divided in five different forms of tenure:

Form of Tenure	Rental Apartment	Cooperative rental right	Co-op / Tenant owned associations	Ownership right	Detached or semi-detached house
Ownership / Right of tenure	The apartment is let to a tenant on a long-term basis by a landlord that owns the property. The tenant has a one-sided 3-month rolling termination period. The landlord is responsible for all upkeep and maintenance, including the apartment's equipment such as appliances and fixtures. Utilities are covered by the landlord, apart from household electricity consumption and in some case water consumption.	A cooperative rental apartment is something in-between a rental apartment and a tenant-owner right. An association owns or rents the property and the association members rent their apartments from the association.	The property is owned by a housing cooperative, of which the tenants is a member and owns a share in the co-op. The share grants the owner the right of use to a specific apartment in the property owned by the housing co-op. The members/owners are responsible for the internal maintenance of the apartment while the housing co-op is responsible for essentially all other property maintenance.	The regulation for ownership apartments in multi-family houses was passed in 2009. Each apartment is a separate property to which the owner holds the title. Unlike ownership of a detached or semi-detached house, an apartment has a share in a joint-property unit, including facades, roofs, stairs and other common facilities.	The owner holds the title to the property and is responsible for all upkeep and maintenance.
Sale	A tenant may not sell the apartment. The property owner can sell the property, whether it is freehold or leasehold, but individual apartments cannot be traded.	A tenant may not sell the apartment to another tenant for consideration. Upon moving in, some form of deposit is paid to the association, which is refunded when moving out.	A co-op apartment can be sold or bought on the open housing market. Market supply and demand impact the price.	An apartment with ownership right can be sold or bought on the open housing market. Market supply and demand impact the price.	A house can be sold or bought on the open housing market. Market supply and demand impact the price.
Rent/monthly fee	The tenant pays a monthly rent to the landlord. The rent is usually negotiated with the tenant's association and is set using the utility value system. For newly built apartments, a presumption rent can be negotiated, where the rent is set based on the property construction costs.	The tenant pays a monthly rent to the association. The association decides the rent without the need to negotiate with the tenant's association.	The owner of the co-op apartment pays a monthly fee to the housing co-op. The fee is set yearly by the board of the housing co-op and must be approved through majority decision. The fee covers items such as the interest for the loans in the housing co-op and operating & maintenance costs. In addition to the fee many apartments owners have bank loans on the apartment.	The owner pays a fee to the joint-property management association, which manages the common areas. In addition to the fee many apartments owners have bank loans on the apartment.	No fees. The house owner covers all costs.



Savills Research

We provide bespoke services for landowners, developers, occupiers and investors across the lifecycle of residential, commercial or mixed-use projects. We add value by providing our clients with research-backed advice and consultancy through our market-leading global research team.

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