



Rented accommodation
in Sweden
– a unique set-up

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The Swedish housing market consists of around 4.4 million households. 43% of the households live in rented accommodation, 15% in co-operative or joint owned properties and 42% are home-owners.

The rented sector differs from the rest of Europe in two ways: there is no social housing and there is no rent regulation. Despite this, one in five households rents a publicly owned home and there is a ceiling on rents.

Sweden has housing companies owned and run by local municipalities as public utilities. At present there are some 800 000 apartments in 320 municipally owned public utilities and roughly one in five households rents these housing units. These utilities are run primarily to guarantee that everyone has access to housing accommodation and not to provide a profit to their owners. The idea is basically the same as that underpinning social housing in the U.K., *logement sociale* in France and *Sozialwvohnung* in Germany and they all came into being at roughly the same time.

The Swedish public housing utilities differ in one significant way from their European counterparts: the public housing utilities in Sweden have no upper income limit for those wishing to rent an apartment. On the contrary, the idea is that both rich and poor can live in the same apartment block. This reinforces social cohesion and counteracts segregation. At the same time the public housing companies have a special responsibility to provide housing for those who lack the means to purchase a home of their own or who are unable to obtain a tenancy in some other form of rented accommodation. In spite of this the public housing companies have the same tax status and obligations as the privately owned housing companies.

The public housing utilities are run on the basis of covering costs. This means that the municipal owners are not allowed to charge more than a reasonable interest on the capital funding provided by the municipality. In general the amount involved is fairly limited; the public housing companies have been funded mainly through state subsidies and rental income. These public housing companies are popular

among Swedes and studies have shown that tenants in these companies are more satisfied with their landlords than are those who have private landlords. The level of rents is nevertheless lower in public housing companies than in the privately rented sector.

Rent norms

The public housing companies have more than a social function. They play a central role in the process of rent determination. The rent level in the public housing companies sets the norm for rents in the private sector. This implies that they set in effect a ceiling on rents charged by private landlords. The ceiling is based on the costs for that publicly owned company which has the highest real costs and rental income in the local market and not on the basis of an assessment made by a civil servant.

In setting the rent level, the publicly owned company must base their assessment on the common values determined by the tenants. In order to determine these values careful studies are made of the values expressed by the tenants and rent levels are adjusted in accordance with these values: the value of the living area, the standard, the location of the home, access to public transport local services and suchlike.

Profit

Can private landlords make any profit? The public housing companies set the ceiling for rents in the private sector. Legislation however, allows for a higher level of rents in the private sector. Published statistics show that the private sector has somewhat lower costs and between the higher rent level and the lower costs there is a clear margin for profits. The private landlords have no social obligations and service and maintenance are not so good as is the case in the publicly owned companies*. On top of this there is the increase in property values which means that the overall return on capital can be fairly high. Today private property in the rented sector is an attractive investment for those who are interested in long term capital investment.

* according to av recent study

Rent negotiations

Generally rents are set in annual negotiations between landlords and representatives of the tenants. The landlord will meet the tenants' local association. The largest association is the Swedish Union of Tenants with approximately one million members (half a million households) with 16 000 elected representatives and 800 fulltime employees. The Swedish Union of Tenants has negotiated rents since the middle of the 1900s.

By law the local association also negotiates on behalf of those who are not members. The tenant covered by the terms of the negotiations is bound by a special clause in the agreement made with the landlord to follow the agreement. Any tenant who does not wish to be represented by the association in the negotiations is free to leave the system at any time. Roughly ten percent of the tenants in Sweden are outside the collective system for negotiations. A tenant, who regards the rent agreed by the association as unreasonable in some way, has the right to request that the rent be reassessed by a rent tribunal.

Negotiations begin with the publicly owned com-

pany and an assessment of the rental income required by the company to cover costs and to provide sufficient reserves for future maintenance. The costs are then spread over the different housing areas within the company and then broken down to the individual housing unit. Rent increases can therefore vary from area to area depending on the values determined by the tenants. Within the Swedish Union of Tenants it is the tenants themselves in the public housing companies, who decide as to whether the offer made by the landlord should be accepted or rejected.

Negotiations are then taken up with the private landlords who are often members of an owners' association that conducts negotiations on their behalf. Negotiations with the private landlords should in principle follow on from the negotiations with the publicly owned companies.

Right of appeal

There is in principle freedom for the individual tenant to negotiate the rent with landlord on his or her own. In order to secure the right of tenancy and avoid a situation where a landlord can withdraw tenancy



because he or she demands an unreasonable rent, which the tenant has no wish to agree to, tenants have the right to appeal to a state rent tribunal which is part of the court system. Landlords also have the right to appeal to the tribunal. The task of the tribunal is to determine if the rent for the apartment can be deemed “reasonable”. The tribunal has three members, a magistrate, a representative for the tenants and a representative for the private landlords. The decisions of the tribunal are normally unanimous.

The tribunal normally bases its judgement on a comparative case study or on an assessment of the reasonableness of the case, the latter in nine out of ten appeals. This means that the tribunal determines the rent on the basis of their knowledge of the public sector rents set locally. The level of rents in the private sector is included in the assessment.

A comparative case study is carried out in cases where there are apartments in the publicly owned housing companies that bear a rough comparison with those under appeal from the private sector. In such cases the rent in the public sector will provide the grounds for determining the rent level. The apart-

ment in the private sector is then judged in terms of living area, standard, location, access to public transport, local services and suchlike with a comparable housing unit in the publicly owned company. The rent for the privately owned unit may well be set higher, though no more than is deemed “substantial”. In practice the margin is accepted as around five percent. The rent level in the public utilities is not accepted in disputes on rents where public subsidies have a direct effect on rents in publicly owned housing companies or in cases where price dumping occurs in the case of individual rent setting.

A popular system

Regular surveys show that public utilities, the rent ceiling and the collective negotiations are popular not only with the tenants but also within other types of tenancy and ownership. Those who choose to negotiate for themselves regard the system of collective negotiations as valuable for those who choose to use the system.



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