This grain-silo from 1954, in the area of Grünerløkka in Oslo, was rebuilt in 2001 to be made habitable. It now serves as a dormitory for students. New floors were made, holes for windows were cut and custom furniture were made to fit correctly in 229 flats.

PHOTO: MAGNUS HAMMAR / IUT

Norway relies on the private rental sector

Norway escaped the global financial crisis relatively unharmed thanks to its massive offshore oil sector, stable government finances and a wealth fund which has accumulated more than €112,000 for each of Norway's 5.1 million people.

Still, many Norwegians have difficulties coping with the 71% price increases on homes since 2005.

"Norway's housing market remains on an unsustainable path and banks need to hold even more capital to cushion against risks from the property boom", said Morten Baltzersen to Reuters news agency in September. Baltzersen is the head of the country's financial regulator.

Norway is dominated by homeowners. Overall, three out of four Norwegians were homeowners in 2011, a little less in Oslo at 69%. This leaves the share of tenants to at just 23%. In Oslo one third of the households owned their homes through a housing cooperative, well above the national average of 15%.

Social housing, owned mostly by municipalities, represents just 4% of the dwelling stock. Even though relatively few dwellings are in public ownership there are large regional variations.

The private rental market is dominated by private individuals, owning just one to two properties. There are clear elements of "subsidised" tenancy agreements, as these landlords often let to family and friends at "subsidised" rents. The "non-subsidised" rental market consists of private individuals acting as professional landlords as well as private professional landlords and letting agencies.

The State Housing Bank, Husbanken, was a major player in the housing regime in the post-World War II period – and still is. Between 1945 and 2000 about half of Norway's two million dwelling had been built with low-interest loans granted to co-operatives and individuals alike.

Husbanken still provides potential homeowners with favourable loans. Furthermore, Norwegians who build a home today, often include a second separate unit *(sokkelbolig)* which they let. As a main rule, actual income from rental dwellings, net of operating costs, is taxed as normal capital income with a tax rate at 28%. However, owners of second units do not pay tax on the actual income as long as the second unit covers less than 50% of the dwelling they actually lives in. It is estimated that more than 10% of all rented dwellings are *sokkelboliger*.

Private sector rents are market based. The law says that the rent can be set as high as for similar flats in the area, and not more than 10% over the market rate. But in reality, rents are set according to whatever the tenant is ready to pay. Rents can be increased once a year, according to the consumer price level, and every third year for new market rent. The tenant then either agrees, moves out, or calls the rent tribunal, *Husleietvistutvalg*.

Leases in the private rental sector are either fixed or non-fixed. Fixed leases cannot be shorter than three years, but for *sokkelboliger* the minimum is one year. The period of notice is three months, or one month for *sokkelboliger*. If the landlord omits to give a written notice after the lease period and three months pass, then the lease shifts and becomes non fixed, and unlimited.

Deposits are high in Norway, up to six-month's rent. Disagreements on the return of the deposits are common issues for the rent tribunal, according to the Tenant Association, Lbf.

"We would of course like to see a shift from this one-eyed favouring of homeownership to more tenure neutral policies" says Lars Aasen chief executive at Leiboerforeningen (Lbf), the Tenant Association in Oslo. "But I guess that it would be political suicide for any politician to propose any major changes!"

Text Magnus Hammar / IUT