In 2025, Sweden received a country-specific recommendation on private debt and the housing market. In particular, Sweden was recommended to improve the efficiency of the housing market, including by introducing reforms in the rental market.; to stimulate investment in residential construction to ease the most urgent shortages; to remove structural obstacles to facilitate residential construction; and to address risks related to high household debt by gradually reducing the tax deductibility of mortgage interest payments or increasing recurrent property taxes, while developing appropriate tools to better assess and target policies.

The supply of housing continues to be insufficient, particularly in the biggest cities of Stockholm and Gothenburg. The supply issues stem essentially from credit incentives and rental regulation. Average zoning and permitting lead times have increased, reflecting administrative complexity and varying local requirements that push up land and property prices ([317]). Addressing such issues was partly the aim of the 2025 country-specific recommendations for Sweden. The resulting delays, together with strict rent controls, constrain new rental construction and lead to misallocation within the existing housing stock. These factors contribute to overcrowding, long rental waiting lists in major cities and subdued mobility for both tenants and homeowners, intensifying the urban housing shortage.

Tax incentives in Sweden continue to favour high-income homeowners, contributing to a demand-driven increase in property prices, especially in urban areas where supply cannot easily expand, as well as creating high levels of private debt. These policies exacerbate inequality between homeowners and renters and addressing this is among the 2025 Country Specific Recommendations. Household lending, consisting primarily of housing loans, forms the largest component of Swedish banks' portfolios and is nearly twice the EU average in relative terms. Swedish households have become increasingly indebted, ranking among the highest in the EU relative to income. This uptake of loans reflects low recurrent property taxation, coupled with tax deductibility of mortgage interest. These forms of tax incentives often take the form of mortgage interest tax relief for owner-occupied housing and hence are more likely to benefit households in higher income deciles. Tight regulation of rents leads to rationing and misallocation and increases pressures on the purchase segment. The high level of household debt, often financed with housing loans at short maturities, implies a high interest sensitivity and has made the economy more vulnerable to housing market stagnation or marked price declines which also affect aggregate domestic demand and the business cycle. Mortgage interest deductibility and low recurrent property also affect public finances to the extent that it implies foregone revenue and a higher dependence on a more distortive tax base. More lenient borrower-based macroprudential rules for mortgages have taken effect from 1 April 2026. The Swedish FSA expects this relaxation to spur house price and credit growth ([318]). Detailed statistics on household balance sheets and their distribution are lacking. Developing better statistical measures of household assets and liabilities and their distribution as recommended in the CSR would help to better assess such vulnerabilities and develop calibrated tools and policy measures. A proposal to that effect was not followed up on, however ([319]).

Limited labour mobility is made worse by the shortage of affordable and available housing in growth centres. The prices in a large part of the rental market are set through collective bargaining, a process intended to promote fairness and stability across regions. Rent levels are determined by different factors such as the size and condition of the unit, rather than by the market demand for specific areas. While this has helped keep rents more affordable for those able to access such properties in the most dynamic cities, it has also created scarcity and rigidities in allocation adding to the distortions created by degressive fixed property taxation. The system leads to people often remaining in homes that do

([317]) Matching housing supply and demand: OECD Economic Surveys: Sweden 2025 | OECD.

([318]) Swedish FSA, Stability in the Financial System, FI 25–30190.

([319]) En ny statistik över hushållens tillgångar och skulder, Statens Offentliga Utredningar 2022:51. As an alternatvie it is proposed to expand Statistics Sweden's microsimulation model to include sample-based data on a limited set of household sector debt and debt servicing variables, but that would be an imperfect substitute to comprehensive household balance sheet data .

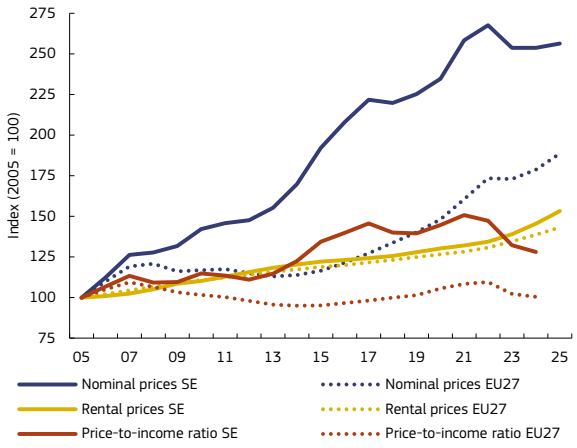
not match their job location, family size or income level, while low-income and marginalised groups are disproportionately locked out or pushed into informal arrangements. As a result, geographical mobility, especially the ability to move for work, is significantly constrained. The absence of social housing also makes it difficult to allocate housing to those most in need. Therefore, a reform of the rental market to address these challenges was a country-specific recommendation in 2025.

Housing market developments

Nominal house prices in Sweden remain high. House prices peaked in 2022 following a decade of strong growth. They have adjusted somewhat notably in response to the peak in inflation, with nominal house prices declining in 2023–2024 before stabilising, with 1% year-on-year growth recorded in 2025. Nevertheless, house prices remain overvalued by around 18% in 2025 (according to the standard European Commission methodology) ([320]). Furthermore, eased borrowing costs coupled with improving real incomes and looser macroprudential requirements are expected to induce additional house price and mortgage growth in future. This could help reverse the net effect of recent movements in house price and income growth, where affordability had improved somewhat, with the price-to-income ratio declining. In all, housing remains expensive relative to incomes and affordability challenges persist.

Rental prices and house prices have diverged over the past decades. About one third of residents live in rental accommodation. The rental market is characterised by a dual structure, consisting of a regulated segment (including existing and new rental contracts) and newer units with market-aligned rents ([321])**.** Rental controls in Sweden are the strictest in the OECD ([322]). This structure continues to generate long waiting lists for regulated housing and restricts labour mobility. Related affordability problems, most acute in economically stog urban areas, are aggravated in their interaction with the impact of distortions emanating from debt bias in the ownership segment. Rents follow inflation with a lag. Thus, as inflation eased after 2023, rents rose faster than overall inflation, increasing the burden on tenants. High living costs relative to incomes and subdued household confidence thus contributed to hold back private consumption growth.

Graph A16.1: **House prices, rents and price-to-income evolution in SE and EU27 since 2005**



Source: Eurostat

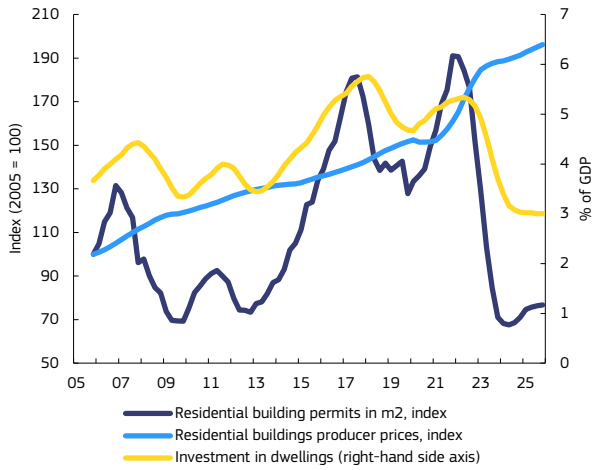
Housing supply has weakened significantly in recent years. After expanding throughout the second half of the 2010s and peaking in 2021–2022, residential housing investment declined sharply and has stabilised at relatively low levels in line with the high interest sensitivity and high land prices and increases in costs that are restraining construction (Graph A16.2). This trend is mirrored by residential building permits, which declined by more than 50% in 2023 after a historic peak in 2021-2022. Permit levels remain far below pre-pandemic averages, pointing to a persistently constrained housing supply pipeline (Graph A16.2)**.** Construction costs have continued to rise despite the downturn in activity. Producer prices for residential buildings increased steadily in 2020-2025, weighing on profitability and investment incentives (Graph A16.2).

([320])See European Commission (2026), *In-depth Review 2026 Sweden*, May 2026.

([321])See European Commission (2025), *In-depth Review 2025 Sweden*, May 2025.

([322])OECD Economic Surveys: Sweden 2025 | OECD.

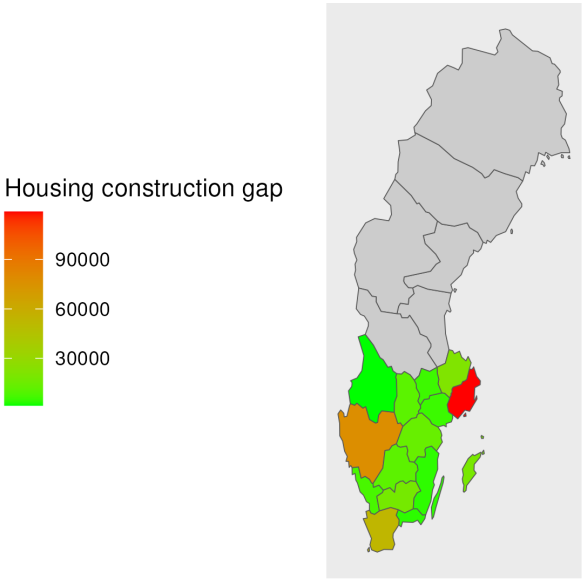
Graph A16.2: **House supply indicators in SE since 2005**



Source: Eurostat

Housing supply has failed to keep pace with demographic growth in the largest cities and economically dynamic areas, while a rising number of municipalities report a surplus of housing. The Swedish National Board of Housing, Building and Planning reports that only about 40 000 dwellings were completed in 2024 ([323]). New housing starts in 2025 are estimated to have declined somewhat further less than 30 000, with only a marginal pick-up foreseen for 2026 and 2027 ([324]). Expected shortfalls in housing supply due to demographic changes over the coming decade are more pronounced in the metropolitan areas, especially in greater Stockholm, Göteborg and Malmö (see Map A16.1) ([325]). Insufficient housing supply in larger cities and economically dynamic centres has been one of the key factors behind rising house prices. In addition, long zoning and permitting approval times coupled with increasing construction costs have contributed to mismatches ([326]). Consequently, housing supply growth is expected to remain subdued in the near term. Against the backdrop of demographic trends construction needs relates mainly to urban areas. As overall conditions in the housing market mirror to a large extent demand conditions that are unlikely to be solved only by increased supply, reforms with respect to housing taxation and credit and rental regulation, as recommended in the CSR would be needed to balance supply and demand conditions.

Map A16.1: **Housing construction gap**



Housing construction gap: accumulated shortfalls of housing due to demographic changes, reduced by the projected constructions over 2025–2035, are indicators of future housing needs, see Balouktsi et al. (2026), Housing investment needs in the EU. JRC Technical Report 144419..
Source: ECFIN-JRC calculations

Public housing accounts for around 20% of the Swedish housing stock and represents roughly half of the rental segment. The mostly municipally owned public housing companies therefore control a substantial portion of the national housing market. However, their mandate notably concerns not social housing, but provisions which must function on market terms. However, these companies face serious challenges, as a significant proportion of their existing housing stock was built several decades ago and now requires large-scale renovation and modernisation. The need for energy-efficient upgrades, accessibility improvements and maintenance add to financial challenges.

([323])Boverket – the Swedish National Board of Housing, Building and Planning.

([324])See *Swedbank Economic Outlook*, January 2026.

([325])In Stockholm County, where the annual net increase in population averaged around 35 000 between 2007 and 2019, an average of only about 11 000 dwellings were started per year over the same period. *Source: Finance Sweden, The Mortgage Market in Sweden*, September 2025.

([326])For example, average time from land acquisition to construction for a residential development can be 49 months in Sweden, compared with 24 months in Germany. Source: Fredrik Kopsch (2025), *Byggindex*, Timbro, October.

Structural policies

Despite a long-standing and well-established tradition of modular and off-site construction, local regulations still hinder this building method from reaching its full potential. Municipal self-determination complicates the creation of a large-scale, functioning industry capable of rapid deployment, as the difference in rules complicate standardised production. The need for simplification is pointed out in the 2025 country-specific recommendations. Various models and solutions are being developed, tested and proposed to address this bottleneck, including the 'Kombohuset', 'Sverigehuset' and 'Stockholmhuset' initiatives. While each pursues a somewhat different approach, they share the goal of delivering a blueprint for a housing type that can be implemented across Sweden with little or no need for amendments to existing laws or regulatory frameworks.

Swedish municipalities enjoy a high degree of self-determination, but recent changes to the Housing Provision Act require increased cooperation on housing matters. Municipalities are now expected to consider more coordinated planning and implementation of housing strategies that cross administrative boundaries. This shift is especially relevant in larger cities, where the functional urban area often extends beyond a single municipal jurisdiction and where housing needs do not align neatly with municipal borders.

Rents in Sweden are set through collective bargaining, a system that helps maintain more affordable rent levels in sought-after urban locations, while weighing on supply. On the one hand, the rent-setting arrangement reduces increases in rents, making renting more affordable. On the other hand, it constrains the supply of rental units and leads to longer waiting times for tenants seeking housing, particularly in high-demand markets. The balance between affordability and supply remains a central policy issue, influencing where and how quickly new rental housing can be brought onto the market. There has not been significant progress with rental reforms as recommended in the CSR.

Sweden does not have a dedicated programme for social housing. While the country does not have a formal social housing sector comparable with that in other EU Member States, the country operates a system of social contracts, where municipalities rent apartments from property owners and sublet them to tenants who are unable to find affordable housing. Long waiting lists for municipal and cooperative rental housing point to severe supply bottlenecks, particularly in high-demand urban areas, resulting in an average waiting time in the Stockholm Region of 8.8 years in 2024([327]). These constraints contribute to housing exclusion and have increased pressure on municipalities, which often resort to temporary subletting arrangements for households unable to access the regular market.

Vulnerable groups

Housing shortages in Sweden disproportionately affect specific population groups and highlight significant urban-rural disparities. In 2024, 16.7 % of the population lived in overcrowded homes, which is near the EU average of 16.%. However, the rate rises to 42.3% among people at risk of poverty, which is well above the EU average of 28.9 %. Disparities are particularly pronounced by country of birth, with 47.0% of non-EU-born residents living in overcrowded conditions compared with 12.3% of those born in Sweden. There are also notable geographic differences, with 22.0% of people in cities living in overcrowded households, which is nearly twice the 11.2% recorded in rural areas, emphasising the need to increase the supply of suitable and quality housing, and to distribute housing according to needs.

Housing affordability pressures persist, with vulnerable groups being the most affected. In 2024, 10.6% of the population faced a housing cost overburden, defined as housing costs exceeding 40% of disposable household income, compared with an EU average of about 8.2%. The impact is significantly more pronounced among people at risk of poverty, who experienced a housing cost overburden rate of more than 47.7%. This is well above the EU average of 31.1% and is one of the highest rates in the EU, indicating disproportionate affordability challenges for

([327])OECD Economic Surveys: Sweden 2025.

Graph A16.3: **Housing affordability selected indicators**

		EU27				SE							
	unit	2000-25 avg.	2023	2024	2025	2000-25 avg.	2023	2024	2025	unit	2023	2024	2025
House price to income ratio	*2000-25 avg = 100*	100.0	102.0	100.2		100.0	112.0	108.5		YoY%	-10.2	-3.1	
Rent to income ratio	*2000-25 avg = 100*	100.0	85.1	83.5	84.5	100.0	82.5	83.7	85.5	YoY%	-2.1	1.4	2.2
Overburden rate, total	%	9.9	8.8	8.2		9.2	10.9	10.6	10.8	PPS/y	1.8	-0.3	0.2
Overburden rate, tenant with market rent	%	23.8	20.3	19.2		18.9	19.4	17.9	18.4	PPS/y	1.7	-1.5	0.5
Overvaluation gap	%					9.1	27.5	22.1	17.7				
Deflated construction production price	*2010 = 100*	102.2	112.2	111.8	110.5	102.4	117.6	117.0	117.0	YoY%	-1.9	-0.5	0.0
Building permits	*m^2 per ths persons*	483.5	376.9	362.9	379.9	552.4	330.2	329.2	365.4	YoY%	-51.7	-0.3	11.0
Residential construction investment	*% GDP*	5.5	5.8	5.1	5.0	4.0	3.7	3.0	3.0	YoY%	-28.8	-18.9	0.0
Share of ownership	%	70.0	69.1	68.4		65.9	64.9	64.8	64.6	PPS/y	1.1	-0.2	-0.3
Share of people living in overcrowded homes	%	17.7	16.8	16.9		13.6	16.4	16.7	15.7	PPS/y	0.5	0.3	-1.0

Source: Eurostat and European Commission indicators. The overburden rate should be read together with the tenure structure (homeowner, tenants), that may differ across country and regions.

vulnerable groups. Households in Sweden allocate a relatively high proportion of disposable income to housing, with average housing costs (including rent, water, electricity and other fuels) among the higher end in the EU at 25% of disposable income in 2024. This is above the EU average of 19% and on par with countries with strong housing demand. Housing cost overburden rates are considerably higher in cities than in rural areas (13.2% vs 8.2%) which could be partially explained by a lower share of owners in cities, for whom the housing overburden is lower (17.9% for tenants at market price compared to 4.7% for owners with a mortgage or loan). There are notable regional disparities, with housing cost overburden much higher in the southern region (13.6%) compared with the northern region (9.0%) ([328]). These dynamics underscore ongoing barriers to suitable and affordable housing, particularly in high-demand urban areas, and highlight the importance of policies that support inclusive access to quality housing.

The use of social contracts has declined sharply, even though there has been no formal change to the underlying legal provisions that allow them. Municipalities can still support vulnerable people by acting as guarantors and by providing deposits for rental agreements, but the practical application and uptake of this tool have fallen markedly and more abruptly in recent years, with no identified reason currently. This trend raises concerns about the availability of temporary protections for households at risk of losing housing stability during periods of economic stress. The government has presented a proposal to make the use of this provision obligatory.

Low-income and marginalised groups in Sweden face barriers to gaining formal access to housing, primarily because they lack the financial means to provide deposits and income guarantees required for rental contracts. This means people in this group can be excluded from the regulated rental markets and forced to seek alternatives, such as subletting, on the secondary market. There seems to have been a rise since 2017 in the number of people subletting, although no exact numbers are available in the 2023 mapping of homelessness ([329]). Subletting arrangements offer fewer legal protections and typically involve higher rents. Alternatively, the people in these groups stay in overcrowded dwellings, sharing limited space with multiple households, which can strain both social and physical wellbeing. The combination of financial exclusion, limited availability of affordable housing, and weak tenant protections places these groups at risk of homelessness.

Despite an extensive welfare system, homelessness remains significant. Homelessness remains a challenge, with around 27 383 people experiencing homelessness in 2023, including 1 800 children living with their parents in emergency or temporary accommodation ([330]). The figure includes rough sleepers, people in emergency accommodation and those in temporary or transitional housing. The 2022-2026 national homelessness strategy, including implementation of the Housing First

([328])The overburden rate should be read together with the tenure structure (homeowner, tenants), that may differ across country and regions.

([329])Kartläggning av hemlösheten 2023.

([330])National Board of Health and Welfare - Homelessness remains at a high level .

approach, currently provides more than 1 000 tenancies and aims to expand this to 2 000 units. This will support people with complex needs and uphold rights to housing and social inclusion. To extend and strengthen the initiative, the government has allocated additional funds in the 2026 budget bill equivalent to around EUR 14 million per year in 2027-2031. Sweden does have a national strategy to combat homelessness, which is currently set to expire in 2026. A formal revision and renewal of that strategy is expected, with a particular focus on preventing evictions of families with children and supporting the implementation of the Housing First approach.

Students face housing challenges, as they mostly compete for accommodation on the open housing market. While the average age of young people leaving their parental home is still among the lowest in the EU, it rose by two years between 2012 and 2024 to reach 21.9 (Eurostat: yth_demo_030). This upwards trend could be caused by the increased difficulty in accessing affordable housing in the biggest cities, which are also education centres. At the same time, students do receive generous benefits and possibilities for loans during their studies.