Summary
Both Germany and Sweden are currently experiencing affordable housing shortage, mainly in cities and university towns, and central and local governments are investigating reform initiatives that could help alleviate the situation. This article outlines four reform initiatives that are currently being investigated in Sweden and draws parallels to the situation in Germany. The four reforms are related to urban planning, the building code, local government policy related to housing construction and inclusionary zoning (Baulandmodelle). Parallel German and Swedish case studies show that reforms aiming at expanding the overall housing supply are transferable between Germany and Sweden. However, initiatives targeting lower-income households, which are implemented in Germany i.e. through inclusionary zoning, are difficult to implement in Sweden due to its unitary housing system which does not allow reserving certain housing for lower-income groups.

Key words: Affordable housing, housing policy, urban planning, building law, institutional change

1 Common German and Swedish experiences of housing shortage and institutional reform

In recent years, both Germany and Sweden have experienced population growth, changing demographics and housing supplies unable to meet demand, foremost in the affordable segment in larger cities and university towns (BMUB 2016, Regeringskansliet 2016a). House prices have risen substantially (Empirica 2017, Valueguard 2017).
and many low- and mid-income households have had difficulties meeting their housing needs (for example, Kalbro and Lind 2017, von Einem 2016).

Housing shortage is known to have severe social effects as well as negative impacts on economic development (SOU 2015:48). Social effects include limited mobility, restrictions on household formation, overcrowding and potential homelessness. The economy might be negatively influenced by low population mobility, as students and employees cannot move to education and employment opportunities and employers cannot find suitable employees (Webster and Lai 2003). Housing shortage is usually expressed in relation to political norms, rather than market demand, in both countries (BMUB 2016, Boverket 2016).

Housing policy has received increasing attention by the central governments of both Germany and Sweden in recent years. To ease the pressure on housing markets, central governments have aimed to expand the housing supply and have presented programmes of prioritised measures (BMUB 2015, Regeringskansliet 2016b). The need for new housing units has been calculated to be 70,000 a year in Sweden (Boverket 2016) and 350,000 a year in Germany (BMUB 2016). Fig. 1 shows the difference between calculated needs and present construction. If needs are to be met, housing construction must increase considerably in both countries.

Construction has increased in both countries since 2010 due to generally good economic conditions and low interest rates. Neither country was hit hard by the 2008 recession, but the economic expansion has not reached all layers of society. New housing has largely been built for households having above average incomes (Lind 2016, Mense 2016). Measures to increase housing construction directed towards low- and mid-income households have increasingly come into focus, both in public debate and in policy. The situation reached a critical stage after the massive influx of asylum seekers into both countries in 2015.

Besides addressing income-weak parts of the electorate, national governments and especially municipalities must also consider the impact of the housing shortage on the economy (for example, von Bodenschwingh and Gilewski 2016). Recruitment of mid-income employees deemed important for welfare provision and economic development, such as recent graduates in professions in short supply and public employees in healthcare, schools and the police, is dependent on an accessible housing market. Furthermore, municipalities have the responsibility to accommodate households unable to do so on their own, a task that has grown increasingly difficult and expensive.

This article outlines four reform initiatives related to housing development that have been investigated and partly implemented in Sweden in recent years and draws parallels to the equivalent German institutions. The institutions in focus are planning law, building law and housing policy related to construction.

2 Solutions to the housing shortage suggested in academic literature

Housing shortage can be defined as a market shortage or a needs-based shortage. From a political perspective, a needs-based shortage prevails when the housing standards of one or more households are lower than their needs, as defined by certain norms (Bengtsson 1992). From a market perspective, a shortage prevails when households would like to rent or buy a certain type of home but cannot find such a home at the going price or rent, instead having to queue (Stiglitz 1993). Affordable housing has a multitude of definitions (e.g. Gibb 2011, Glaeser and Gyourko 2003). Worthington (2012, p. 235) chose to define it as housing with “acceptable relationships between household income and expenditure on housing costs for housing market participants”, which much reflect the approach of the here investigated countries and cities. Affordability drivers are income and wealth, access to and price of financing, demographic change, taxes and charges, as well as government policy (Worthington 2012). Furthermore, the definition of affordability is based on norms, often related to housing policy. Means to overcome affordable housing shortage are the effective allocation of existing dwellings and an increase in affordable housing supply (Lind 2016).
Today, many researchers see increased total housing supply as the major means to overcome housing shortage and increase affordability (for example, Bramley 2007, Cars et al. 2013). This view assumes that a larger housing stock will reduce pressure on the housing market, reducing affordability problems through reduced prices and rents as well as through filtering. Price elasticity, that is, the responsiveness of the housing supply to changes in prices, is crucial as it determines the extent to which the housing market responds to increased demand with more construction or higher prices (Caldera Sánchez and Johansson 2011). An increase in the responsiveness of the housing supply to housing demand presupposes the elimination of obstacles to new construction.

Over the last two decades, obstacles to new construction in the form of land use regulations have received great attention from researchers and policymakers. Researchers argue that increasing prices accompanied by an inelastic housing supply can be explained not by lack of land, but by lack of buildable land due to land use regulation (for example, Bramley 2007, Glaeser and Ward 2008) and that land use regulation can prevent the construction of affordable housing (Knaap et al. 2007). Compared with constructing limited amounts of public or subsidised housing, planning reform is argued to be more effective, creating larger amounts of affordable housing through cheaper new construction and through filtering (Glaeser and Gyourko 2003).

Planning reform has been seen as a possible remedy to restricted housing supply in countries such as Australia, Sweden, the UK and the USA (Cars et al. 2013, Gurran and Phibbs 2013). There seems to be consensus that planning reform affects the elasticity of supply, though the magnitude of the impact is uncertain (Caldera Sánchez and Johansson 2011). However, the limited ability of planning policies to promote affordability objectives has been stressed by others (Beer et al. 2007). Further, new restrictions on land in the form of affordable housing planning practices (or inclusionary zoning) have become widespread in the western world. Such policies seek to promote construction of affordable housing and create mixed-income housing areas within otherwise market-rate housing developments through municipal demands in the planning process. Such policy constitutes the main tool for providing affordable housing in the UK (Gurran and Whitehead 2011).

In addition to expanding the overall housing supply, policies targeting the construction of affordable housing have been introduced in many countries. The instruments chosen to implement such projects vary between countries, but some main trends are apparent (Gibb 2011; country examples by the author): 1) the introduction of inclusionary zoning practices (for example, in Germany, the UK and the USA); 2) a focus on project cost-cutting through large-scale development and industrial concepts (for example, in Scotland, Sweden); 3) municipal housing provision, including grants and the use of internal resources (for example, in Germany and Scotland); and 4) initiatives to support lower-income buyers (for example, in Australia, the UK and the USA).

Municipal housing policy plays a decisive role in relation to both supply elasticity and targeted measures. Apart from direct municipal housing provision, municipal organisation, urban planning, land allocation and subsidies might play key roles. The organisation of and interaction between government bodies in implementing affordable housing policies might have crucial impacts on the effectiveness of these policies (Cars et al. 2013, Worthington 2012). In countries where local governments own land, land policy also plays a key role in housing supply (Caesar 2016, Chiu 2007).

### 3 Housing shortage and political choices

Libecap (1989) identifies three drivers of institutional reform: shifts in relative prices, shifts in preferences and other political parameters and changes in production and enforcement technology. The three identified drivers are all present on the German and Swedish housing markets: The price of housing has increased substantially in both Germany and Sweden in recent years, while production costs have not risen to the same extent, creating larger development surpluses (shifts in relative prices). Political attention to the growing housing shortage, especially for no-, low- and mid-income households, has increased substantially, especially since the 2015 immigration
wave, which highlighted the tightness of the existing housing supply (shift in preferences and other political parameters). To increase affordable housing supply, new enforcement technologies are tested, for example, inclusionary zoning. A certain change in production technology, especially in serial housing techniques, can also be observed (changes in production and enforcement technology). As all three reasons are present, the drive for change is expected to be large.

Furthermore, it has been argued that when existing institutions are unable to perform important social functions and some agents believe that institutional change might improve results, renegotiation of the institutional set-up tends to occur (North 1990). Governments tend to create institutions to address the perceived inadequacies of private institutions (Webster and Lai 2003). German and Swedish governments perceive the housing shortage to stem from insufficient private market housing development, especially in the affordable segment (BMUB 2016, Regeringskansliet 2016a). To increase housing output, reforms to increase housing supply elasticity and the introduction of targeted affordable housing policies are considered. The aim of supply-elasticity measures is to improve the investment conditions of both public and market-rate development such that housing supply can be expanded in relation to demand. The aim of targeted policies is to provide incentives to agents to develop affordable housing and hence provide certain societal groups with appropriate housing that is affordable to them. For effective targeting, allocation is often based on income and/or social parameters.

Sened (1997) argues that before a property rights institution is created (or reformed), the scope of the new institution is formally or informally negotiated between governments and involved agents. The resulting institutions reflect the conflicting economic and bargaining strengths of the agents involved. This study covers ongoing negotiations and the resulting contracts associated with four institutions: urban planning, inclusionary zoning, municipal policy related to housing construction and the building code in relation to serial housing construction.

4 Measures to increase housing supply elasticity

Three areas in which there is potential for policy transfer between Germany and Sweden have been identified. All three areas, that is, urban planning, building law and city policy relating to housing construction, are measures intended to increase housing supply elasticity. Supply elasticity reflects the time elapsing between the observation of changes in demand and alteration of production volume. To increase housing supply elasticity, more effective urban development processes are needed. The role of governments is to be enablers, providing an adequate legislation and creating favourable economic preconditions, but cities also have a limited role as providers. Some of the supply-elasticity measures described below might also influence affordable housing supply through better investment conditions; however, the housing supply thus created will not be explicitly targeted towards low-income households, but will be accessible to a broader range of the population.

4.1 Urban planning reform

Under the former Swedish liberal government, in power 2006–2014, urban planning reform was seen as the major remedy to Sweden’s housing shortage. Higher planning levels were strengthened and additional measures for further strengthening those levels were proposed with the aim of decreasing time and cost of development plans. In this context, German planning law was brought forward as a good example, e.g. by the Housing Minister Stefan Attefall and the construction company NCC. However, a bill of the former liberal government proposing the omission of the development plan under certain circumstances, inspired by the German BauGB § 34, was rejected by parliament in 2014.

Based on the discourse on German planning law, a study of the various German paths to building permit was conducted. Whereas the Swedish system contains three rather extensive paths to building permit, the German urban planning system has one standard procedure, complemented by three alternative processes: 1) private initiative in development planning (BauGB § 12); 2) facilitated procedures in the development planning of already built-up areas (BauGB § 13a); and 3) omission of the development plan under certain circumstances (BauGB § 34). The study concluded that all three alternative German paths could be of interest in the Swedish context and should be further investigated.

The present Swedish “red–green” government has the continuation of planning reform on its agenda. In January 2017, the government initiated a new government inquiry tasked with investigating opportunities to develop municipal planning, reduce the need for development plans and introduce private initiative in planning (Kommittédirektiv 2017:6). An interim report presented in June 2017 (SOU 2017:64) suggests introducing legislation similar to BauGB § 34, although the report notes that the impact in Sweden will be limited, as development planning encompasses most land to which such legislation could be applied. The inquiry results related to private initiative in planning are due in November 2018.

For the full research results, please refer to the article Promoting planning for housing development: What can Sweden learn from Germany? (Land Use Policy, 64, 470–478, 2017).
4.2 Building code reform

Central governments in both Germany and Sweden have identified the potential of serially produced housing construction and pointed to type approval of multi-family housing as one way to increase provision of affordable housing (BMUB 2015, Regeringskansliet 2016b). Serial housing construction and type approval are expected to create a more cost-efficient housing production and quicker building permitting. The possibility of engaging other groups of workers and thus maintain housing production levels, at times when certain categories of construction workers are in short supply, has also been pointed out. Both central governments have the introduction of a facilitated building permit process for serially produced housing on their housing policy agendas.

However, although the central governments have identified the potential of serially produced housing, they are also aware of its history and the negative experiences especially from the 1960s and 70s that characterise the public image of serial housing production and influence debate on potential reform. Especially on the local level, resistance against serially produced housing has been voiced. Local governments weigh this resistance against the negative effects of the affordable housing shortage and budgetary restrictions.

Currently, type approval of serially produced multi-family housing is not practised in either Germany or Sweden. However, in Germany, such legislation existed in most states until the 2000s and was included in the federal recommendations on prototypical building regulations (Musterbauordnung) until 2002 (MBO 1997). Today such approval exists only in Hamburg and North Rhine-Westphalia. The use of type approval in multi-family housing has been very limited (DIBt 2016).

Although central and local governments are ambivalent to reform it is probable that shifts in relative prices, technology and preferences will lead to the reintroduction of type approval of serial housing or a similar system in both countries.

For the full research results, please refer to the article Boosting affordable housing supply: Could type approval of serially produced housing be a piece in the puzzle? (Zeitschrift für Immobilienökonomie, 3:1, pp. 49–68, 2017).

4.3 City policy in relation to housing construction

The four cities of Berlin, Hamburg, Stockholm and Gothenburg all suffer from housing shortage and have introduced measures to alleviate it. Market analysis indicates that the character of the housing shortage differs between the four cities, the shortage being concentrated in the affordable segment in the German cities but affecting all market segments in the Swedish cities. The larger housing shortage per capita in the Swedish cities is reflected in substantial construction goals corresponding to the doubling of present output. Construction goals in the German cities are more modest and there is the specific aim of increasing output in the affordable segment, reflecting the perceived lack of affordable housing. Housing policies in the four cities basically rely on implementing the same four policy instruments, namely, city organisation, urban planning, land allocation and subsidies. The German cities generally have more active housing policies, using the above tools for policy implementation more consistently.

The main policy difference between the four cities is organisation. Political pressure and active communication between all parties involved in housing construction are clear components of the German case. The cities of Berlin and Hamburg have set up housing construction programmes with explicit goals for the numbers of housing units to be built every year. To support these goals, agreements with interest organisations of public and private housing developers and between the central city administration and local planning authorities have been signed. Under these cooperation agreements, the cities assume a number of duties to improve urban development processes in order to achieve housing construction goals. Follow-up mechanisms have been established to assure that goals are met.

The construction goals of the Swedish cities span over and beyond election periods and are thus more difficult to analyse and follow-up on. Further, the Swedish cities are large land owners and have planning monopoly, but only use these to create affordable housing to a very moderate degree, based on efficient allocation of funds under the unitary housing system.

In Germany, the dominance of rental housing and the more market-oriented rent-setting principles create incentives for the electorate and politicians to favour active housing policy. In the Swedish cities, the share of homeowners who are potential losers should house prices decrease due to an expanded housing supply is substantially larger. Moreover, rents are not affected by an increase in housing supply due to the rent negotiation system. As a result, the housing shortage receives far less political attention in Sweden than in Germany.


5 Targeted affordable housing policy

Effectively targeted housing policy should assure that the housing created under the policy is occupied by lower-income households and that targeting is guaranteed through an allocation system taking income into consideration. In the German housing system, income
group targeting is of long standing and uncontroversial, although the scope of affordable housing policies is under constant discussion. In the Swedish unitary housing system, current housing policy norms do not allow the income targeting of households, as housing policies are expected to encompass all households with the aim of reducing segregation. Nevertheless, inclusionary zoning policies have been tested in both countries.

5.1 Inclusionary zoning

Several cities in Germany practise inclusionary zoning (Baulandmodelle), a term that summarises municipal ambitions to spur the inclusion of affordable housing in otherwise market-rate projects through planning restrictions. The two main aims of such policy are to expand the affordable housing supply and to create mixed-income housing areas. This targeted measure is expected to counteract the supply-elasticity measures outlined above, but is regarded by many cities as one of the few ways to create affordable housing in mixed-income areas. However, the extent of its impact is uncertain and depends on market prerequisites, as proven by, for example, British experiences (Mulliner and Maliene 2013, Whitehead 2007).

A case study comparing the inclusionary zoning policy of Stuttgart with a pilot project in Gothenburg, revealed that allocation methods of low-rent apartments are crucial to policy effectiveness. In the German case, income limits for access to social and affordable housing are of long standing. In the Swedish unitary housing system, resistance against income-targeting might prevent efficient use of inclusionary zoning policies. Further, the extent of public land ownership might make introduction of such policy unnecessary in the Swedish context.

For the full research results, please refer to the up-coming article Inclusionary zoning policies in Germany and Sweden: The importance of underlying institutions (Submitted to the Journal of Housing and the Built Environment).

6 Conclusions

Measures intended to increase housing supply elasticity are deemed transferable between Germany and Sweden. Three such measures have been identified: urban planning reform, building code reform and changes to city policy related to housing construction. As demonstrated in the fourth study, targeted affordable housing measures are not transferable between Germany and Sweden. Current resistance to targeted policies, which many agents in Sweden see as part of an undesirable dual housing system including social housing, must be seen as part of a larger discourse on the survival of the Swedish unitary housing system.

The study has confirmed that the underlying norms of institutions and housing systems have an immediate impact on the choice between measures intended to increase supply elasticity and targeted affordable housing measures. In the Swedish case, underlying norms currently make targeted affordable housing measures impracticable. In the short term, Swedish housing policy should therefore concentrate on housing supply elasticity-enhancing measures to ease pressure on housing markets. However, as yearly housing development volume is only a fraction of the existing stock and the housing stock at present levels of construction can only be expanded at a lower rate than the expected increase in demand, supply-elasticity measures are arguably only part of the solution to the affordable housing shortage.

In Sweden, public debate on norms related to affordable housing and housing policy, based on both the individual welfare of inhabitants and pressures on public budgets, could be useful. As there seems to be general agreement that affordable housing is important for the welfare of the population and it is clear that supply-elasticity measures are unlikely to solve all the problems related to its provision, new alternative solutions different from those used today should be discussed. In this context, knowledge on how other European countries have solved similar problems could be helpful, especially experiences from countries that have a similar institutional structure which facilitate comparison and a similar view on housing as a part of the welfare state, such as Germany.

Literature


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