

Residential Real Estate Market In Scandinavian Countries - Growth, Trends, Covid-19 Impact, and Forecasts (2023 - 2028)

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Report description:

The residential real estate market in Scandinavian countries is expected to register a CAGR of more than 5% during the forecast period (2023 - 2028).

The coronavirus (COVID-19) outbreak is hurting the Scandinavian housing market in many ways. Consumer confidence in the economy has plummeted as the economic activities in the countries have slowed down. Banks, real estate brokers, and clients are all affected by the state of emergency's restrictions on their activity and financial situation. Home sales are down, and sales times are getting longer.

Scandinavian countries are growing rapidly and are projected to be among the fastest-growing cities in Europe in the future. Rising house demand has not been matched by construction over a long period due to taxes, regulation, and lack/mismatch of incentives. However, the increase in population and immigration is expected to bring growth in the housing market in countries such as Sweden and Norway.

In Norway, during the first three quarters of 2021, dwelling starts rose by 2.6% Y-o-Y to 21,968 units, while completions dropped 1.5% to 20,511 units. According to Statistics Norway, Norway's GDP expanded by 6.2% Y-o-Y in Q2 2021 and by another 5.1% in Q3 2021, following four consecutive quarters of Y-o-Y declines, despite the lifting of pandemic-related restrictions.

In terms of transaction volume in Sweden, residential properties were the second-largest asset class after office properties, with a share of 22%. Residential real estate ranks among the most popular low-risk segments in the current market environment, both in the Nordic region and the rest of Europe.

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According to Statistics Denmark, the price index for one-family houses in Denmark increased by 14% (12.1% when adjusted for inflation) from a year earlier in May 2021, following increases of 4.8% in 2020, 3% in 2019, 3.9% in 2018, and 4% in both 2016 and 2017. It was the third month in a row that the index rose by double digits, and it was one of the largest year-over-year rises ever recorded. In the first quarter of 2021, sales of detached/terraced houses rose strongly by 40% to 13,632 units from a year earlier, following annual growth of 15.4% in 2020. Likewise, sales of owner-occupied flats rose by 37% y-o-y to 4,980 units in Q1 2021, while holiday home sales almost doubled to 3,662 units over the same period.

Scandinavian Countries' Residential Real Estate Market Trends

Growing Housing Market in Norway to Drive the Market

Norway's housing market is making a return after a poor performance in 2020. The inflation-adjusted countrywide house price index increased 6.83% Y-o-Y in Q3 2021, a significant gain over the 2.89% increase in Q3 2020. House prices, on the other hand, fell 1.76% quarter-over-quarter in Q3 2021. The slower growth of the housing market in recent years can be linked in part to the implementation of stiffer mortgage laws on January 1, 2017, which were designed to keep house prices in Oslo under control. Norway's residential property sales increased by 11.1% to 77,992 units in the first three quarters of 2021. According to Statistics Norway, the first three quarters of 2021 saw a 3.6% increase from the previous year.

Despite high demand, construction activity is still low. Dwelling starts are expected to increase by 2.6% Y-o-Y to 21,968 units, while completions decreased by 1.5% to 20,511 units in the first three quarters of 2021. In 2021, a total of 54,175 first-time buyers bought homes in Norway. It is expected that in 2022, there may be more first-time buyers. Prices of existing detached houses in Oslo rose by 193% between 2002 and 2020 (105% inflation-adjusted), to NOK 60,603 (USD 7,023) per sq. m. In Norway, existing detached house prices rose 135% over the same period. An existing detached house in Norway cost an average of NOK 26,449 (USD 3,065) per sq. m. in 2020, up 3% from a year earlier, according to Statistics Norway.

Demand for Holiday Homes Driving the Market

In 2021, cabin prices in Norway rose by 7.2%, according to figures from Real Estate Norway (Eindom Norge). High price rises followed the previous year when demand for holiday homes exploded due to the pandemic. This increase in prices and sales of the property in the cabin market, which started in 2020, continued through 2021. The average price of a holiday home in Norway is around NOK 2.68 million, according to a real estate firm. In 2021, cabins up in the mountains saw the most significant price increases. The prices for these holiday homes rose by 10.1%. Holiday cottages by the coast saw a more modest increase of 2.6%, while cabins found more inland saw their values rise by 10%. More than 8,500 cabins were sold in 2021, a small reduction compared to 2020 of 3.9%. However, the lower sales figures may be due to interest rate hikes. The fact that interest rate increases were introduced and that society began to reopen in the autumn probably reduced the volume of sales a lot.

In Sweden, one of the obvious trends has been the increased demand for a holiday home, providing you with that urban escape from city life. The square meter price has increased by roughly 50% from the second quarter of 2019 to the corresponding quarter in 2021. The number of deals also increased a lot, in particular, during the off-season.

In 2021, the supply of owner-occupied flats and holiday homes also showed a more marked increase in the supply. According to figures from Finans Danmark show that at the end of May 2021, there were 22,397 houses for sale, which was 28.4% fewer houses than at the same time a year ago but still 0.44% more than in April 2021. In the same period, there were 5,004 owner-occupied flats for sale, which was 5.3% more than in April, but still 28.2% less than a year ago. The supply of holiday homes increased from April to May by as much as 10.1%, which was 34.7% fewer holiday homes on the market compared to a year ago.

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Scandinavian Countries' Residential Real Estate Market Competitor Analysis

The residential real estate market in Scandinavian countries is competitive. Competition and pricing have increased strongly, and new investors and developers have entered the market. Moreover, both the demand and supply of real estate are increasing. The residential real estate market consists of regional and international players. Some of the key players operating in the market include Riksborgen, Fastighets AB Balder, Danish Homes, Dades AS, and Veidekke ASA.

Additional Benefits:

The market estimate (ME) sheet in Excel format
3 months of analyst support

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