

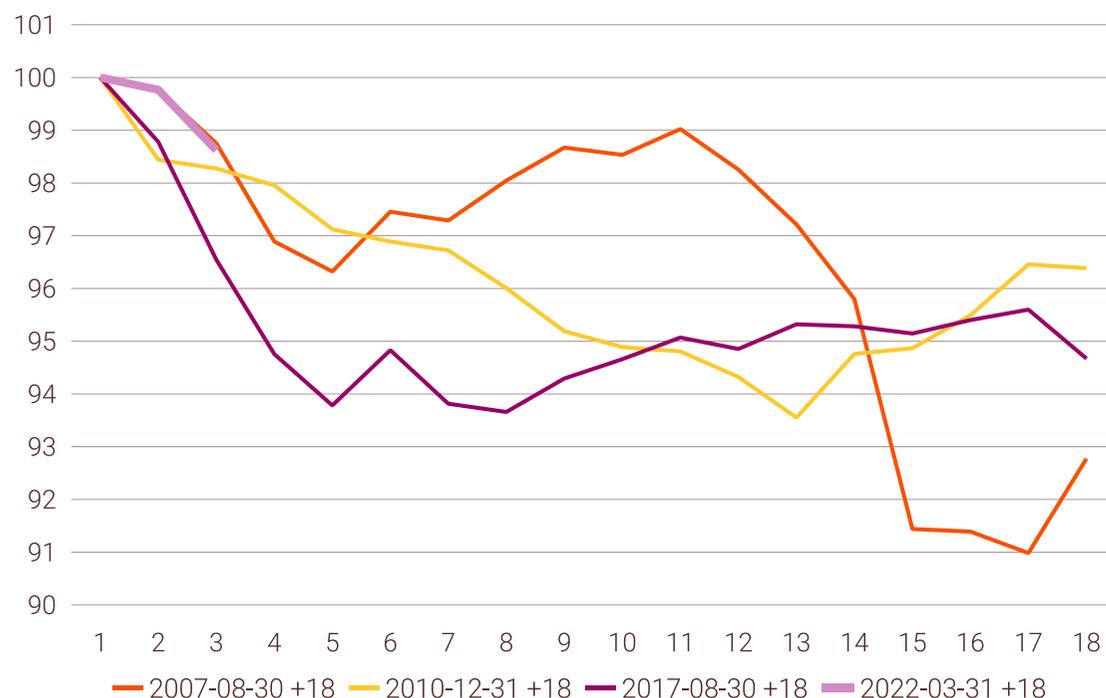
Short Comment

Swedish housing prices has started the descend

- Housing prices dropped by 1.2% m/m SA in May according to Valueguard, and the price drop continued in June
- Due to higher mortgage rates, weak income growth and higher supply prices are expected to drop by about 10% in 2022 and 2023

Valueguard Housing Price Index from top to bottom

Index=100 at top



Sources: Swedbank Research & Macrobond

According to Valueguard price growth have slowed from 6% y/y in April to 2.9% y/y in May and the price drop has continued so far in June. In May prices of single-family homes fell by 1.4% and prices of tenant-owned flats fell by 1.6%. Prices in metropolitan areas are slowing down faster than in the rest of the country. Prices of tenant-owned flats in Stockholm and Gothenburg have continued to slowdown markedly during the first two weeks of June and in total prices have dropped by about 7% since the end of April.

Indicators from Booli Pro and Svensk Mäklarstatistik paint the picture of very cautious home buyers. E.g. time on market has increased, the bid-premium has plummeted and the number of transactions have dropped substantially.

Although demographic factors and changing housing preferences since the start of the pandemic together a strong labour market could support demand for single-family homes and larger flats in the longer run, **home buyers have quickly revised their price expectations to the new much higher mortgage rates and high inflation environment with weak real income growth.** The previously hot housing market is cooling down fast. **We expect a price drop by about 10% during 2022 and 2023 but given the large amount of uncertainty and the large change in mortgage rates we cannot rule out a slightly larger price drop.** By the end of our forecast horizon the housing market will be supported by the fact that new supply of homes is likely to decrease significantly from the high levels this year.

Analyst:

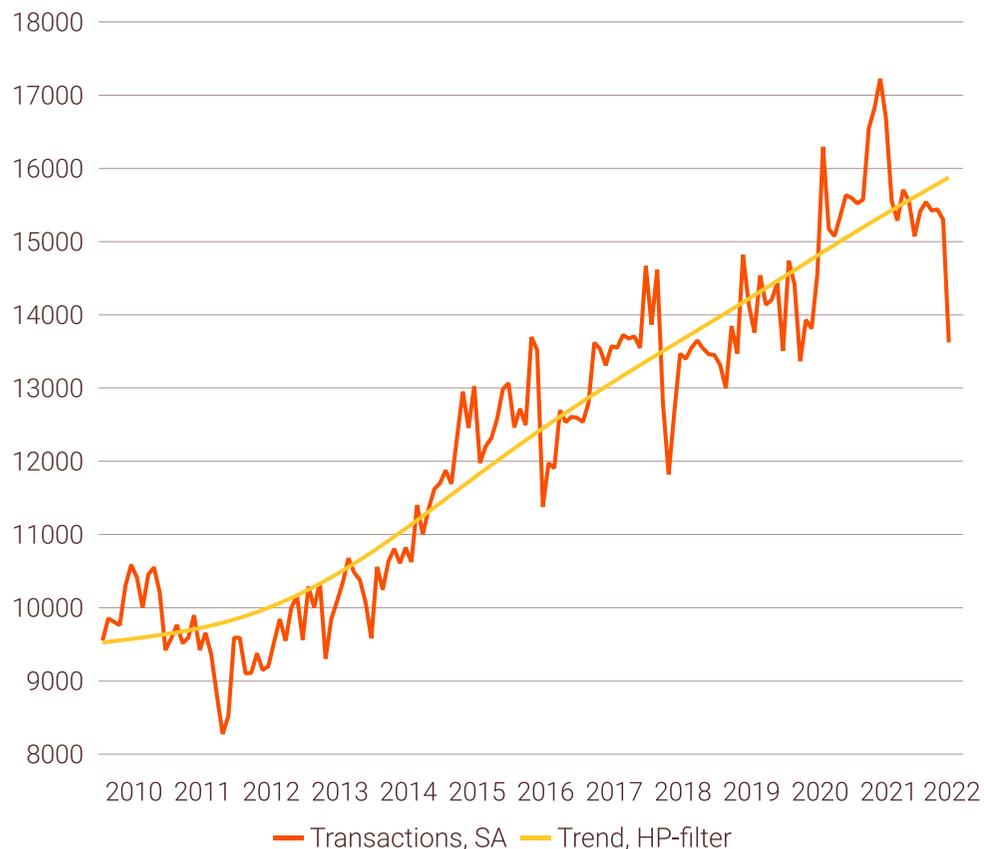
Maria Wallin Fredholm, maria.wallin-fredholm@swedbank.se, +46 8 700 92 87

The market is substantially slower than just a few months ago, with very low no. of sales

High indebtedness will quickly affect households' debt service expenditures

Housing transactions

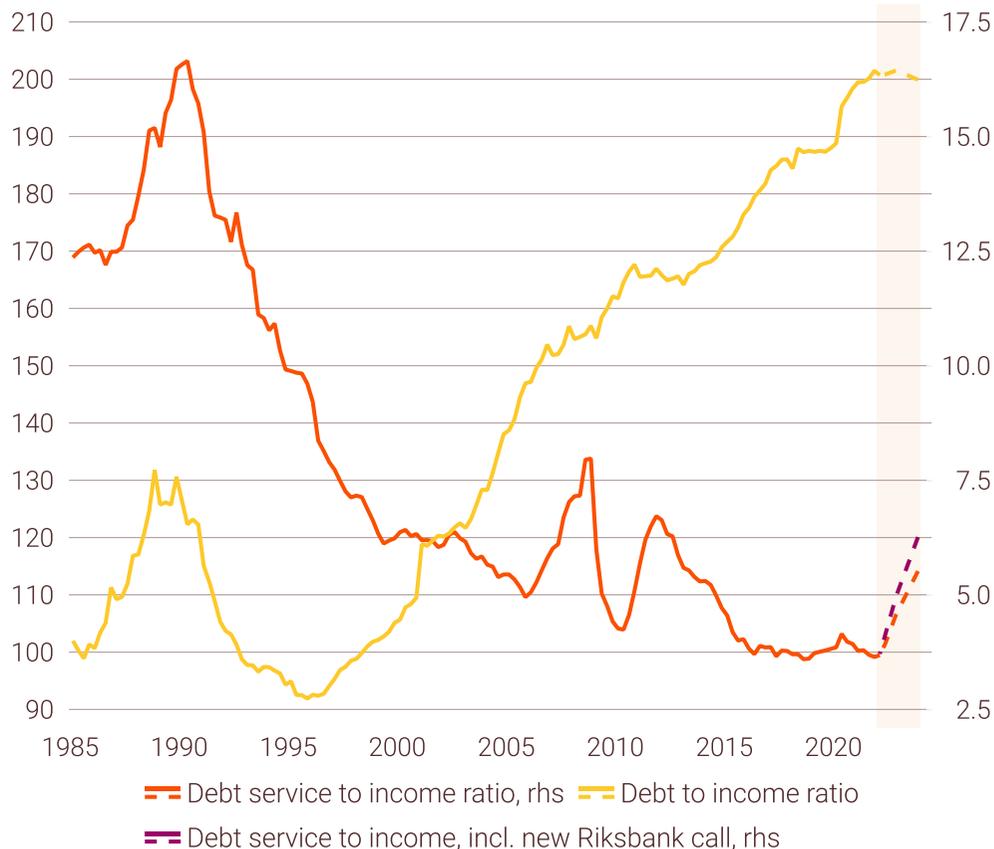
Number per month



Sources: Swedbank Research & Macrobond

Household debt and interest expenditures

% of disposable income



Sources: Swedbank Research & Macrobond

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Swedbank LC&I, Swedbank AB (publ), SE-105 34 Stockholm.

Visiting address: Malmkillnadsgatan 23, 111 57 Stockholm.