

Rural housing – a frozen market?

Søren Q. Eliassen, Nordregio

Based on:

Rural housing challenges in the Nordic Region. Eliassen, Vestergård, Sigurjonsdottir, Turunen and Penje, Nordregio report 2020:7

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Breaking the downward spiral. Funch, Nordregio Policy Brief 2020:4

Content

1. Project background
2. The challenges – a frozen market?
3. Examples of mitigation- thawing measures
 - Public (state) loans
 - Municipal activities and Bottom up
 - Other findings – rentals

The project

- Initiated by the Nordic Council of Ministers. The Rural development group under the Committee of Senior Officials for Regional Policy
- Desk research, interviews with officials at national level incl. autonomous areas.
- 5 case-studies – municipalities with rural challenges and examples of mitigation activities.



The challenge:

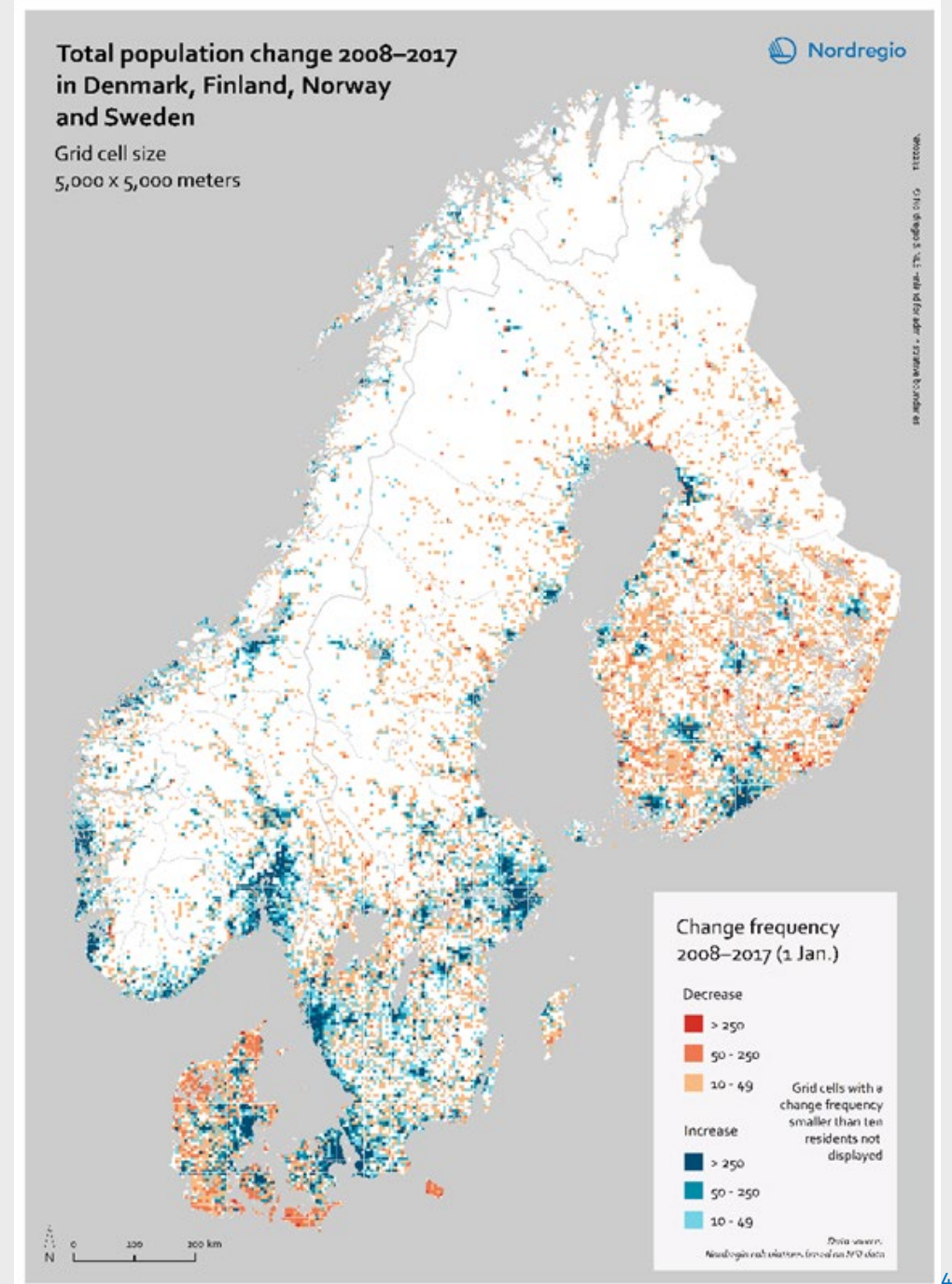
Dynamic development in rural areas

Main trend – urbanisation

Local growth areas

New needs due to ageing population, immigration etc.

Stjernberg M. 2019: Population Change Dynamics in Nordic Municipalities. Nordregio

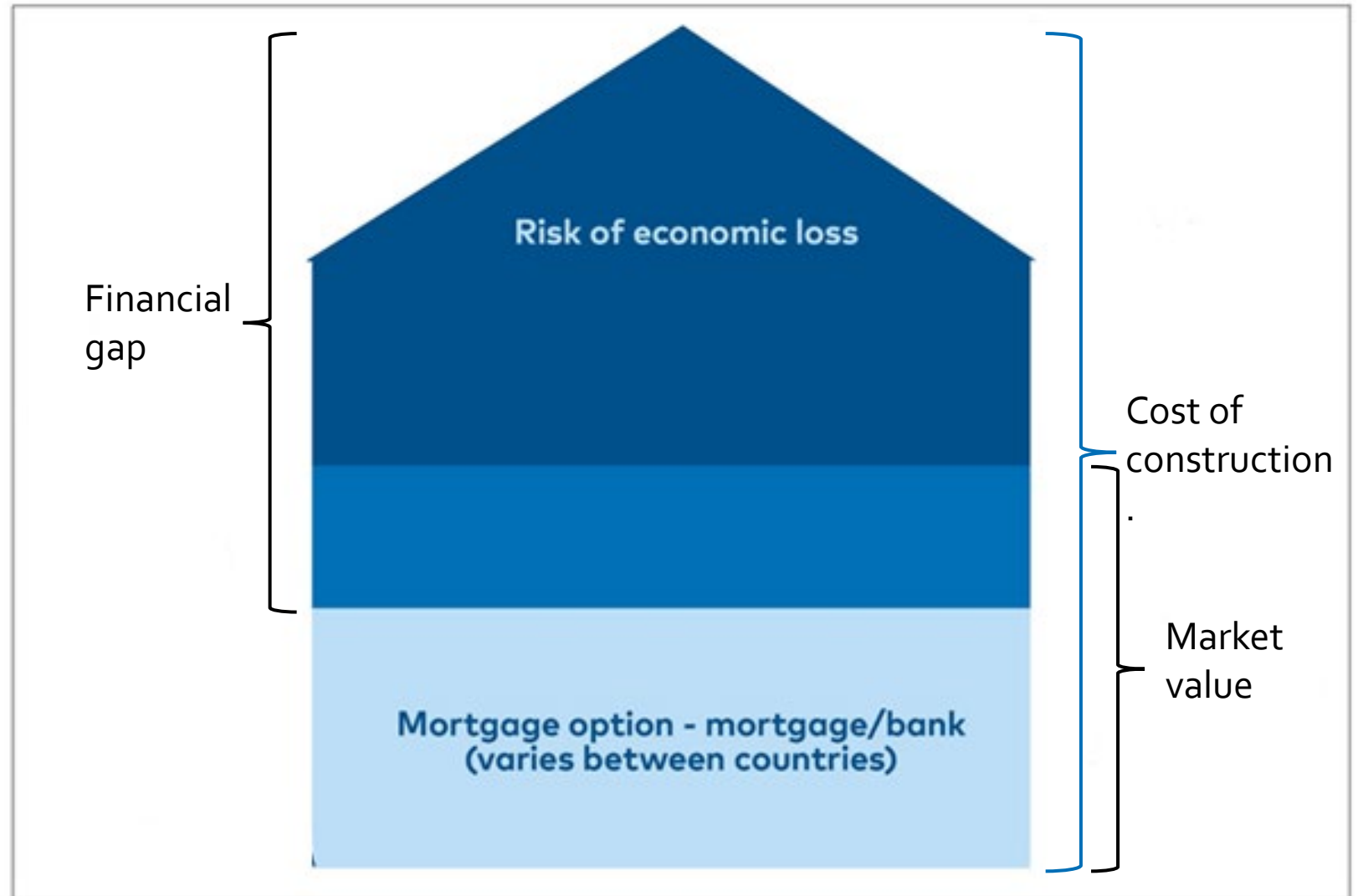


The financial gap – a cold market

Low market prices:
C. cost >> market value

Mortgage level =
80 % market value

Financial gap=
Cost of construction
- Mortgage level



Frozen market? Rural effects

- Empty, decaying houses – sad impression
- Financial barriers to move internally- or into the rural areas
 - Lack of housing for new needs in rural areas
 - Rural- interested persons wanting to try out are excluded – or trapped
- No capital generation in the rural houses
 - The house cannot function as your pension fund
 - Nor as security for loan for start up, new economic activities etc.

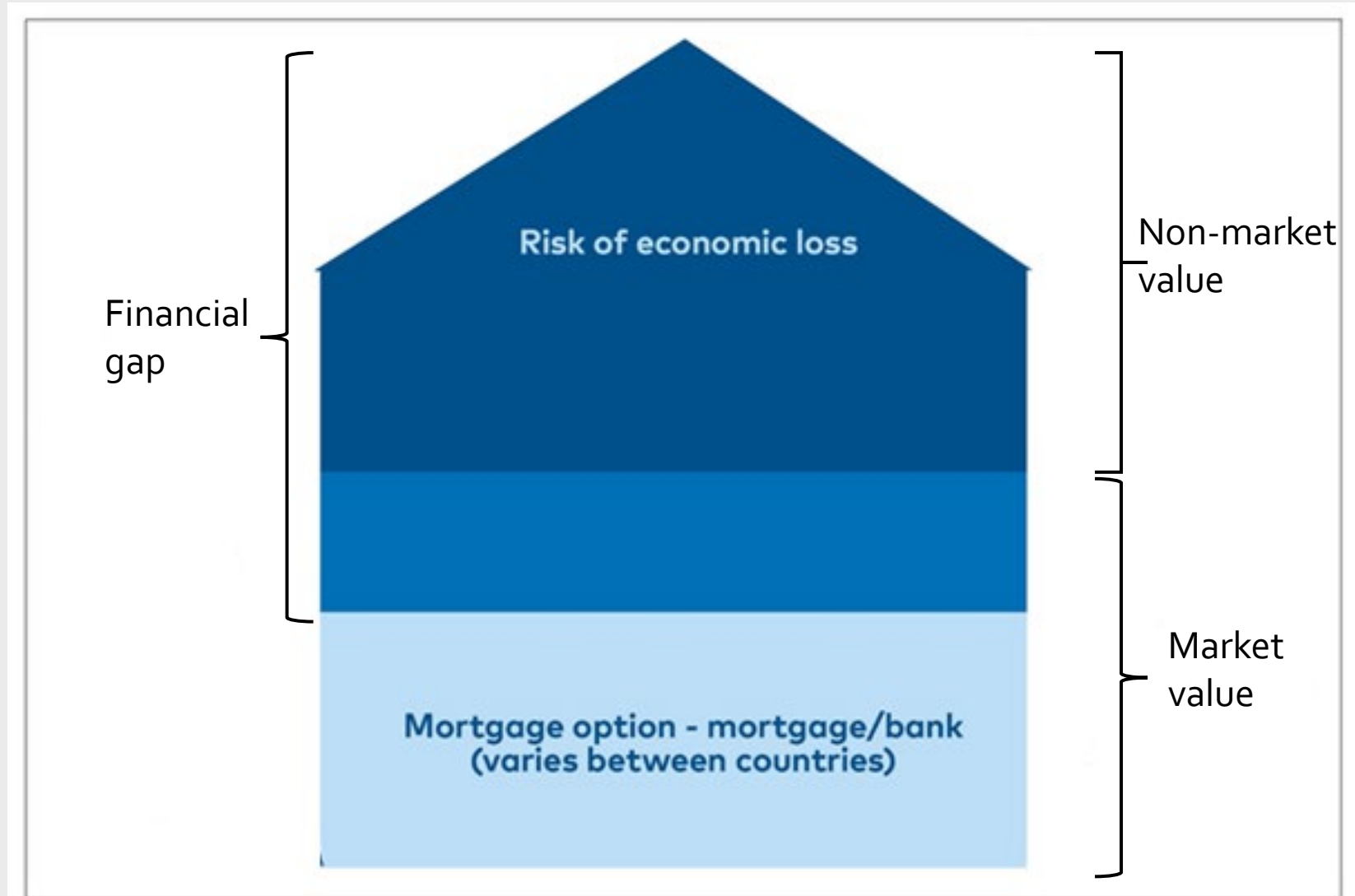
Non market values

Low market prices:
C. cost >> market value

Mortgage level =
80 % market value

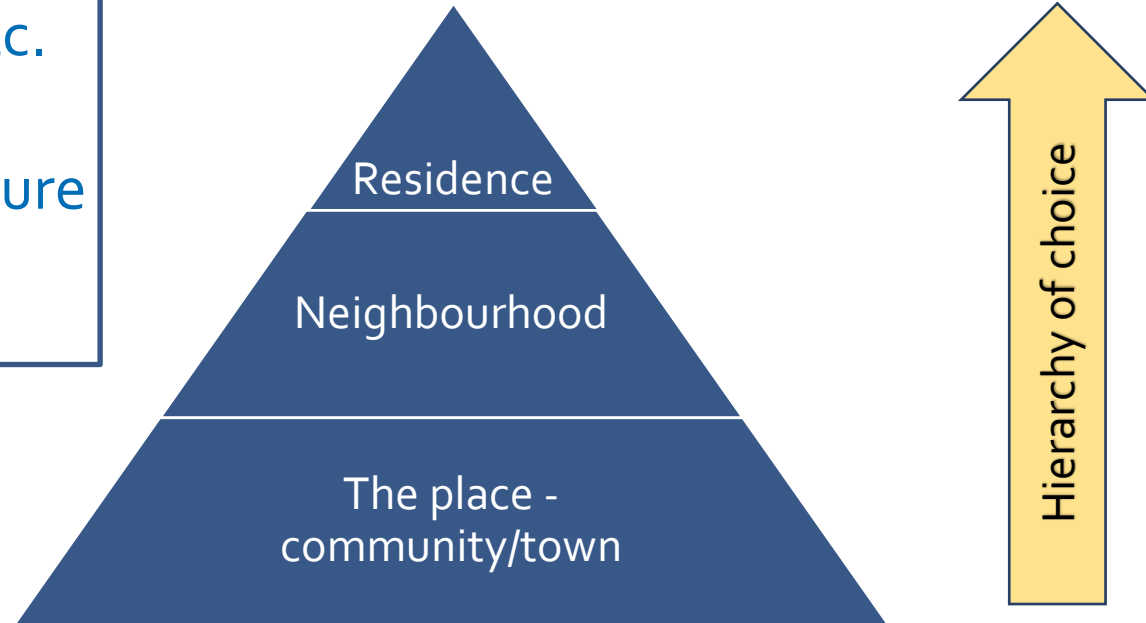
Financial gap =
Cost of construction
- Mortgage level

Non market values =
Cost of construction
- Market value



Hierarchy of choice of residence

- Requirements to place
- Livelihood, jobs etc.
 - Nature qualities
 - Service infrastructure
 - Social qualities



Examples of mitigation measures

Based on interviews and case studies

- Public measures in relation to the financial gap
- Local – municipal – steps for mitigating the housing challenge
- Differentiated housing needs

Public measures reg financial gap

Examples of measures directed towards rural areas

Supply-side	*Reduction of housing stock – demolition of houses (DK), and apartments (F)
Demand-side	*General investment subsidies for construction for e.g. elderly or youth *State “top-up loan” addressing loan need over the 80 % of market value *Top-up loan/guarantee from 80 % to 95 % of <i>market value</i> *Top-up loan to 80 % of <i>actual costs</i> (conditional)
Other	*Lifting residency requirement of empty houses (DK) (flexhousing) *Relocation of state institutions *Infrastructure constructions in rural areas *Liberalisation of general restrictions

Direct municipal role

Municipal role	Description
Planning - Reactive	*Adjusting local and municipal plans when applied for
Proactive	*Municipal housing plans to foresee future needs *Followed by buying and preparing areas for construction
Facilitation: Brooke demand/supply	*Brooking the relation between actors with need for construction and potential entrepreneurs- risk reducing.
Encourage norms of community activism	*Encouraging activist groups in communities for local development including housing – Nyköping/Stavsjö?
Financial role – Direct loan/subsidy	*Re-distribution of loans from state level *investment in demolishing houses
Indirect financial support	*Guarantees at different points of the construction process

Differentiated housing needs - Rentals

- Privat owned family houses dominant in rural areas
- Rental create new flexibility also in the rural areas

Time perspective	Social groups
Permanent tenants	*Elderly moving from own house - starting moving chains
Temporary – steppingstone	*Housing for new inhabitants *Labour – for shorter or longer stay *Rural-interested new comers to learn about the place *Young families while saving for investing in own house



Frozen market – Still opportunities

Frozen market?

- Strong indications
- Housing influences development of the rural communities

Thawing measures

- State interventions at the supply and demand sides
- Municipalities and locals to create non-market values

Thank you



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