

REPORT

The Swedish Mortgage Market

7 mars 2024

Summary

Inflation continued to be high in 2023, and mortgage rates continued to rise. The Swedish economy was in a recession. The atmosphere on the housing market was cautious, and activity was low. In this report, we analyse the developments on the mortgage market using a sample of borrowers who took out a new mortgage during the early autumn of 2023. The number of new borrowers in the sample was significantly smaller than in previous years, which reflects the economic development. At the same time, household finances continued to be pressured by both higher interest rates and higher costs in general.

Home buyers bought slightly less expensive homes and borrowed slightly less in 2023 than they did in 2022. Overall, the average loan-to-value (LTV) ratio for home buyers decreased. At the same time, the share of borrowers with a loan-to-income (LTI) ratio of more than 450 per cent decreased to 5.3 per cent compared to 9.1 per cent in 2022.

The new borrowers spent on average 10.8 per cent of their income on interest payments after interest rate deductions. Every tenth borrower spent at least 17.5 per cent of their income on interest payments. This is a clear increase compared to the years up to 2021 and even a continued increase compared to 2022. When we add amortisation payments, new mortgagors on average spent almost 18 per cent of their income on loan payments. For every tenth borrower, this figure was almost 30 per cent. Of the new mortgagors who made amortisation payments, the average payment was SEK 4,200/month. Every tenth borrower amortised more than SEK 7,900/month. The bank may grant a mortgagor an exemption from the amortisation requirements for a given period if special grounds exist. If this sum is released, a borrower with special grounds could significantly boost their monthly cash flow. The number of exemptions granted due to special grounds began to rise in Q3 2022 and has since then stabilised at a higher level.

For borrowers who purchased tenant-owned housing, their monthly costs were also impacted by the level of the tenant-owners association fee. In the 2023 sample, the annual fee per square metre was on average 8 per cent higher than in 2022. These associations' loans represent an indirect debt for owners of tenant-owned housing. In 2023, the median loan was SEK 6,900 per square metre. This was an increase of around 5 per cent compared to 2022.

In the calculation of discretionary income that banks perform as part of their credit check, the median surplus was approximately SEK 7,700 per month in 2023 compared to SEK 8,900 in 2022. This surplus has not been adjusted for inflation, which means that the lower amount for 2023 in reality represents an even larger real deterioration in buying power. The share with a low surplus increased: 19 per cent had a surplus in the calculation of less than SEK 2,000/month compared to 15

per cent in 2022. To adapt the calculation of discretionary income to the changed economic climate, the banks made adjustments in 2022 to the stressed interest rates and standardised expenses they use. In 2023, the banks continued to make adjustments but to less of an extent than in 2022.