



Institutional Prerequisites for Housing Development:

A comparative study of Germany and Sweden

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Licentiate Thesis

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Abstract

The housing shortage in Swedish growth regions has been heatedly debated for a number of years. Extensive reform proposals have been made by market actors and academics. The former center-right government in power until 2014 emphasized reform of the urban planning process. The current “red-green” government has ongoing planning reform on its agenda, but has instead emphasized investment subsidies. In the debate, the German housing market has been put forward as a positive example.

This licentiate thesis compares the early stages of housing development in Germany and Sweden to find any differences that could provide interesting points of discussion related to further housing market reform in Sweden. As the scope of such an analysis could be very wide, this thesis is restricted to urban planning law and implementation, and to city initiatives to increase housing supply, including the affordable housing segment.

The first step of the research project was to identify the major problems related to Swedish planning law and its implementation and to map the current state of reform. The identified problems encompassed issues related to municipal strategies for housing construction, the urban planning process, the appeal process, areas classified as of national interest, regulations, development agreements, and municipal land allocation. The article “The Planning Process in Sweden: current debate and reform proposals” summarizes the government inquiries, bills, and reforms introduced to date and gives an outlook on possible future urban planning reform in light of recent political developments.

Second, the urban planning and appeal processes in Germany and Sweden were compared. The article “Promoting Planning for Housing Development: what can Sweden learn from Germany?” discusses three alternative processes in German local planning (i.e., private initiative, facilitated procedures in built-up areas, and omission of the local plan under certain circumstances) as well as the organization of planning authorities and city demands for affordable housing. The conclusion includes a proposal for a facilitated local housing plan, the introduction of private initiative in planning, and ways to improve planning authority organization in Sweden. When it comes to planning-related city demands for affordable housing, more research drawing on extensive international experience is required.

Third, city strategies for housing construction were compared in the article “City Strategies for Affordable Housing: the approaches of Berlin, Hamburg, Stockholm and Gothenburg.” Although the housing shortages in these four cities differ somewhat in structure, the tools for implementing housing policy related to construction are similar and address organization, urban planning, land allocation, and subsidies. The German cities have a more active housing policy, cooperating with developers and using tools more consistently, than do their Swedish counterparts. They are also more likely to reach their construction goals.

The overall findings of the research project stress the importance of political incentives in the formation of active housing policy.

Sammanfattning

Bostadsbristen i de svenska tillväxtregionerna har debatterats livligt de senaste åren. Omfattande reformförslag har lagts fram av marknadens aktörer och akademien. Den tidigare borgerliga regeringen som var vid makten till 2014 la tyngdpunkten på reform av planprocessen. Den nuvarande röd-gröna regeringen har fortsatt planreform på sin agenda, men har lagt tyngdpunkten på investeringsbidrag. I debatten har den tyska bostadsmarknaden lyfts fram som ett positivt exempel.

Syftet med denna licentiatavhandling är att jämföra de tidiga skedena i bostadsutvecklingen i Tyskland och Sverige och undersöka om det finns skillnader som skulle kunna utgöra intressanta utgångspunkter i en diskussion om vidare bostadsmarknadsreform i Sverige. Då en sådan analys skulle kunna bli mycket omfattande, begränsar sig denna studie till planlagstiftningen och dess tillämpning samt kommuners initiativ för att öka bostadsutbudet, inklusive utbudet i de lägre prissegmenten.

Det första steget i forskningsprojektet var att identifiera huvudproblemen i den svenska planlagstiftningen och dess tillämpning samt att kartlägga innevarande reformsituation. De identifierade problemen omfattade frågor relaterade till kommunala strategier för bostadsbyggandet, planeringsprocessen, överklagandeprocessen, riksintressen, regleringar, exploateringsavtal och kommunal markanvisning. Artikeln ”Planprocessen i Sverige- aktuell debatt och reformförslag” sammanfattar de statliga utredningar, lagförslag och reformer som gjorts hittills och ger en utblick när det gäller möjlig framtida planreform i ljuset av den politiska utvecklingen.

I ett andra steg jämfördes detaljplane- och överklagandeprocesserna i Tyskland och Sverige. I artikeln ”Att främja planering för bostadsbyggande: vad kan Sverige lära av Tyskland?” diskuteras tre alternativa processer i den tyska detaljplaneringen (privat initiativrätt, förenklade processer i tätbebyggt område och utelämnande av detaljplan i vissa fall), samt planmyndigheters organisation och kommuners krav när det gäller bostäder i de lägre prissegmenten. Slutsatserna inkluderar ett förslag till en förenklad bostadsdetaljplan, införande av privat initiativrätt i detaljplaneringen samt möjliga organisationsförbättringar hos planmyndigheter i Sverige. När det gäller kommuners planrelaterade krav på bostäder i de lägre prissegmenten behövs ytterligare forskning baserad på den omfattande internationella erfarenhet som finns på området.

I ett tredje steg jämfördes kommuners strategier när det gäller bostadsbyggandet i artikeln ”Kommunala strategier för överkomliga bostäder: tillvägagångssätt i Berlin, Hamburg, Stockholm och Göteborg”. Trots att bostadsbristen delvis har olika struktur i de fyra städerna, är de verktyg städerna använder för att genomföra sin bostadspolitik liknande och omfattar organisation, stadsplanering, markanvisning och subventioner. De tyska städerna har, i jämförelse med de svenska, en mer aktiv bostadspolitik, där de samarbetar med projektutvecklare och använder fler verktyg mer konsistent. Sannolikheten att de når sina mål för bostadsbyggandet är också högre.

Den övergripande slutsatsen av forskningsprojektet betonar vikten av politiska incitament vid utformningen av en aktiv bostadspolitik.

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First, I would like to thank my Doktorvater and supervisor Hans Lind whose research persuaded me to return to academia. The open atmosphere you encourage and our many discussions have been an inspiration. Your ability to combine theory and practice is something I value highly and will bring with me in my future research.

Furthermore, I would like to thank my co-supervisor Jenny Paulsson for introducing me to the academic world, including her international network. She deserves special thanks for thoroughly reading my work and giving constructive feedback and encouragement.

To all the representatives of the German and Swedish property developers and municipalities whom I interviewed for this study, I would like to express my special gratitude for the time and effort you put into answering my questions and discussing housing policy. In this context, I would especially like to mention Mr. Kunze, Mr. Kallies, and Mr. Theissen at NCC in Fürstenwalde who answered the thousand questions I had at the outset of my study, Mr. Messemer at BPD Frankfurt for his enthusiasm, many ideas, and encouragement, and Professor Manssen at the University of Regensburg who introduced me to the literature on German planning law and encouraged me to read Faust.

Finally, I would like to thank the Development Fund of the Swedish Construction Industry (SBUF) for funding the project and the reference group for many interesting discussions and the insight they provided into their work. The reference group consisted of Thomas Kalbro, professor of real estate law at KTH, Per-Anders Bergendahl, senior advisor, previously at the National Board of Housing, Building and Planning (Boverket), Björn Wellhagen of the Swedish Construction Federation (Sveriges Byggindustrier), Jan Byfors and Torbjörn Karlsson of NCC, Kyösti Tuutti and Inger Olsson of Skanska, and Lennart Weiss of Veidekke.

Stockholm, November 2015

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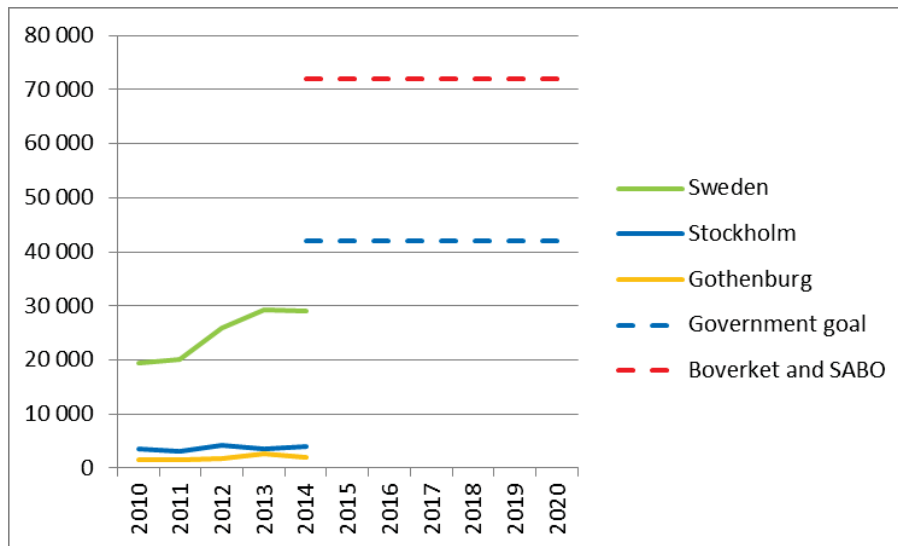
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1 Background

Over the last twenty years, the housing shortage has rapidly worsened in Swedish growth regions, notably in Stockholm and Gothenburg. Restrictions on access to the existing housing stock and the limited construction of new housing are generally considered the major causes of the shortage. The housing shortage is apparent in all market segments, but most obviously in the affordable segment. Groups deemed essential to economic development, such as students, young professionals, and key workers, are facing difficulties finding housing, especially affordable housing. Moreover, a large proportion of new households consists of immigrants with restricted budgets.

The restricted access to the rental stock caused by the Swedish rent-control system has been identified as a major reason for the housing shortage (Boverket 2013). The lack of access can be illustrated by the number of persons listed on the central waiting list for public and private rental flats¹. Housing construction has increased substantially over the 2010–2014 period in Sweden as a whole. However, construction in the two largest cities, Stockholm and Gothenburg, which are facing the largest housing shortages, has remained more or less constant. The government has set a goal for the construction of 250,000 apartments by 2020. The Swedish National Board of Housing, Building and Planning (Boverket) has estimated the need to be 426,000 apartments within the same timeframe and has been supported in this estimate by SABO, the interest organization of municipal housing companies. To reach the national and municipal construction goals, a drastic increase in construction rates is needed, as illustrated in Figure 1.

Figure 1. Number of completed apartments per year versus construction goals.



¹ In Stockholm, 472,000 persons were registered on the waiting list at the end of 2014. In the same year, approximately 12,000 apartments were let via the waiting list, which should be contrasted to the 80,000 households in immediate need of apartments and the additional 80,000 households in need of apartments within one year (Bostadsförmedlingen Stockholm 2014). In Gothenburg, 131,512 were registered on the waiting list in 2014 while 8,299 apartments were let (Boplats Göteborg 2015).

Conditions on the Swedish housing market have been heatedly debated for a number of years. The housing shortage greatly affects the welfare of many citizens, as it leads to overcrowding and restricts household mobility and household formation. At least in Stockholm, the housing shortage is deemed a threat to continued economic growth, due to its effects on labor mobility (SOU 2015:48).

Reform of the housing market that would increase supply and promote effective use of the existing housing stock has been slow. With few exceptions, there is consensus across the political spectrum not to liberalize the rental market. Instead, the political priority is increasing the construction of new housing. In 2014, the new “red–green” government declared its intention to promote the construction of 250,000 new apartments by 2020, following up on a similar goal of the former center–right government. However, a national housing policy, describing how this goal is to be achieved, has not been presented.

Under the former center–right government, the various obstacles to the construction of new housing were the subject of a number of state and private investigations. Reforms were made to the Planning and Building Act, sub-letting regulations, building regulations, etc. The new government has proposed to introduce subsidies for the construction of small apartments for young households. However, these measures have had, or are expected to have, only limited effects. Additional, more radical reform is advocated by the public, politicians, representatives of construction and real estate companies, and academics. Several reform proposals have been made related to, for example, the urban planning process, municipal land distribution, construction costs, construction law, corporate and real estate taxation, infrastructure, and financing. As the debate continues, the need for reform becomes increasingly pressing.

The thesis is structured as follows: the research questions are identified in section 2, the theoretical frame of reference is outlined in section 3, and the methods used are described in section 4. Each research question is then answered by presenting summaries of the related findings in section 5. Finally, concluding remarks are made and possible future research described in section 6.

2 Research questions

2.1 The comparison between Germany and Sweden

Comparative research often seeks to reflect on institutions in one country through researching those of others. In this thesis, Germany was chosen as a complement to Sweden for two major reasons: the state and cities in Germany, as in Sweden, play a comparatively large role in housing provision, and the German urban planning system and tradition are similar to their Swedish counterparts.

Furthermore, Germany has been identified as an interesting country for comparative research in housing construction by construction market actors as well as state representatives. The planning and construction process is claimed to be less time consuming and costly in Germany (NCC 2012). A government inquiry noted that the German rental market functions better than does its Swedish counterpart (SOU 2012:88), though this claim was contested by the Swedish Association of Public Housing Companies (SABO 2014).

The debate on German planning law, as well as comparisons with British planning reform, resulted in reform proposals from the center–right government of 2010–2014. Much of the debate on the German planning process concerned a single paragraph, paragraph 34, allowing for the omission of the local plan in certain cases. A Swedish version of such a paragraph, however, failed to be accepted by the Swedish parliament in June 2014.

This study investigates the institutional prerequisites for housing development in Germany, comparing them with their Swedish equivalents and identifying possible interesting points of discussion for future reform in Sweden. In addition to measures leading to an increase in housing supply, housing affordability is also a focal point of the study.

The author of this thesis completed her Master of Science in Real Estate Economics at KTH in 1995 and thereafter worked in the real estate and construction industries in Sweden and continental Europe for a number of years. After having lived in Germany for nine years, she returned to Sweden to start this research project in 2014. Major reasons why she was entrusted with the project were her knowledge of the German and Swedish housing markets as well as her language abilities, demonstrated by her Bachelor of Arts in German.

2.2 Derivation of the research questions

To derive the research questions, the following method was used; first, the problems related to Swedish housing development were listed and a selection was made according to certain criteria; then a preliminary study of the selected problems pointed to what questions needed further study. Below the process is described in more detail.

First, the major problems related to the housing shortage with possible influence on housing construction as perceived by the Swedish state, municipalities, and professional housing market actors in Sweden were identified. This was done by screening reports and seminars on the topic. The screened reports are listed in Table 1, while Table 2 lists the attended seminars.

Table 1. Reports screened in order to identify the research questions.

Title	Initiator	Year
Government Inquiry SOU 2012:87: A new Planning and Building Act in the right way ²	The Swedish Government	2012
Government Inquiry SOU 2012:88: The rental housing inquiry ³	The Swedish Government	2012
Government Inquiry SOU 2012:91: More effective planning implementation ⁴	The Swedish Government	2012
Government Inquiry SOU 2013:34: A more effective planning and building permit process ⁵	The Swedish Government	2013
Government Bill 2013/14:126: A simpler planning process ⁶	The Swedish Government	2014
Civil Committee Report 2013/14:CU31: A simpler planning process ⁷	The Swedish Government	2014
Land, housing construction, and competition: an examination of the municipal land allocation process ⁸	The Swedish Agency for Public Management (Statskontoret)	2012

² SOU 2012:87: Ny PBL- på rätt sätt

³ SOU 2012:88: Hyresbostadsutredningen- Från en rätt för allt färre till en möjlighet för allt fler

⁴ SOU 2012:91: Ett effektivare plangenomförande

⁵ SOU 2013:34: En effektivare plan- och bygglovsprocess

⁶ SOU 2013/14:126: En enklare planprocess

⁷ Civilutskottets betänkande 2013/14:CU31: En enklare planprocess

The housing shortage and the rent-setting system: a knowledge basis ⁹	The Swedish National Board of Housing, Building, and Planning (Boverket)	2013
An ESO report on housing construction and municipal land allocation ¹⁰	The Expert Group on Studies of Public Economy, the Ministry of Finance	2013
A housing policy agenda for Sweden: sixty-three proposals to increase housing construction ¹¹	The commission for new construction (Nybyggarkommissionen), financed by NCC, Nordea and Tyréns	2014
A functioning housing market: a reform agenda ¹²	The housing crisis committee (Bokriskommittén), financed by the Swedish Property Federation and the Chamber of Commerce	2014
Increased housing construction: a shared responsibility ¹³	Swedish Association of Local Authorities and Regions (Sveriges Kommuner och Landsting)	2014
Ten points for increased housing construction ¹⁴	The Swedish Property Federation (Fastighetsägarna)	2013
Put an end to the housing shortage ¹⁵	Skanska (property developer)	2014
Catch the time thieves and build away the housing shortage ¹⁶	NCC (property developer)	2012
The homeowner country ¹⁷	Veidekke (property developer)	2014
New rules for increased housing construction and better infrastructure ¹⁸	Cars, G., Kalbro, T. & Lind, H. (professors at KTH), SNS Förlag	2013
How to increase housing construction ¹⁹	Arenagruppen, KTH, SABO, and Veidekke, Premiss förlag	2013

⁸ Mark, bostadsbyggande och konkurrens- en granskning av den kommunala markanvisningsprocessen

⁹ Bostadsbristen och hyressättningsystemet- ett kunskapsunderlag

¹⁰ Bäste herren på täppan? En ESO-rapport om bostadsbyggande och kommunala markanvisningar

¹¹ En bostadspolitisk agenda för Sverige: 63 förslag för ökat byggande

¹² En fungerande bostadsmarknad- en reformagenda

¹³ Ökat bostadsbyggande- delat ansvar

¹⁴ 10 punkter för ett ökat bostadsbyggande

¹⁵ Avskaffa bostadsbristen

¹⁶ Fånga tidstjuvarna och bygg bort bostadsbristen

¹⁷ Bostadsägarlandet

¹⁸ Nya regler för ett ökat bostadsbyggande och bättre infrastruktur

¹⁹ Så ökar vi bostadsbyggandet

Table 2. Seminars attended in order to identify the research questions.

Seminar	Arranger	Year
Housing crisis committee I	Stockholm Chamber of Commerce	2014
Housing crisis committee II	Stockholm Chamber of Commerce	2015
The Housing Day	Real Estate World (<i>Fastighetsvärlden</i>)	2014
Business Arena	Real Estate News (<i>Fastighetsnytt</i>)	2014
Housing Index	MSCI	2014

The problems discussed in these reports and seminars were divided into four groups, each representing a different stage of the development process:

- 1) Problems related to the initial phases of housing development:
 - the Planning and Building Act and its application
 - municipal land allocation
 - investment in infrastructure
 - processes in implementing public policy
- 2) Problems related to construction:
 - building regulation
 - prerequisites for affordable housing concepts
- 3) Problems related to regulation in the existing housing stock with possible spillover effects on construction:
 - rent-setting systems
 - taxes affecting household mobility
- 4) Economic factors that steer housing construction:
 - taxation related to different forms of tenure
 - financing

A preliminary literature review was then conducted to exclude areas already or soon to be covered by other researchers, requiring expertise outside the fields of real estate economics and real estate law, or where the German system did not seem to provide potential solutions to the Swedish problem.

The following areas were accordingly excluded:

- investment in infrastructure (already covered by extensive research)
- taxation (requires expertise outside the fields of real estate economics and real estate law)
- financing (might be covered by a separate research project at KTH)

The identified problems not excluded were divided into two groups. This licentiate thesis covers phase 1 and a future doctoral thesis is intended to cover phase 2.

PHASE 1	PHASE 2
Problems related to the initial phases of housing development: <ul style="list-style-type: none"> - The Planning and Building Act and its application - Municipal land allocation - Processes in implementing public policy 	Problems related to construction: <ul style="list-style-type: none"> - Building regulation - Prerequisites for affordable housing concepts Problems related to regulation in the existing housing stock with possible spill-over effects on construction: <ul style="list-style-type: none"> - Rent-setting systems

Next, a preliminary study of the identified problems in the initial phases of housing development (the Planning and Building Act and its application, municipal land allocation and processes in implementing public policy) was used to derive the research questions.

The preliminary study of the identified problems, revealed a need for a summary of the problems related to the Swedish Planning and Building Act and its implementation and an up-date on the current state and direction of reform, which resulted in research question one: What are the major identified problems related to Swedish urban planning law and its implementation?.

Then, the Swedish situation was to be contrasted to the German, resulting in research question two: What parts of German urban planning law and implementation could provide interesting points of discussion in relation to further urban planning reform in Sweden?.

Processes in implementing public policy encompass state and municipal exercise of authority. As housing development is mainly a local issue, greatly influenced by housing policy, including land allocation, city processes for implementing housing policy were chosen, which resulted in research question three: How is housing policy implemented in larger German and Swedish cities? What are the major tools for policy implementation related to housing construction and how are they used to achieve goals?. The choice of cities is described below.

3 Theoretical frame of reference

Housing researchers have debated whether theory should be applied to housing or, as housing is a unique phenomenon, whether there is a “theory of housing”. Furthermore, a call has been made to abandon the widespread positivist approach to housing research (Clapham 2009). Nevertheless, this licentiate thesis applies economic theory to housing using a distinctly positivist approach. This has been done in a desire to build on previous research and to reach objective conclusions related to some particular aspects of a wider problem, i.e., the malfunction of the Swedish housing market. The main theoretical concepts used in the thesis are housing shortage, housing supply, and affordable housing.

A partly constructivist approach could, however, prove useful when analyzing the housing market as a whole. Institutional theory and institutional economics, represented, for example, by Douglas C. North and Itai Sened, have also been identified as interesting approaches in relation to future research. A next step of the research project should investigate how these concepts might be used to develop the theoretical framework.

3.1 Housing shortage and housing supply

Housing shortages can be cyclical and/or structural in character. Cyclical housing shortages typically occur in markets with rapidly increasing prices and rents that are not met by an increase in supply in the short term. Structural housing shortages occur in markets where the housing supply is smaller than demand in the long term and/or where the size and qualities of existing dwellings do not match demand. Housing shortages are closely linked to affordable housing supply as price is a major determinant of demand. Means to overcome housing shortage are the effective allocation of existing dwellings and a general increase in housing supply.

Many regard a general increase in housing supply as the major means to overcome housing shortage and increase affordability (e.g., Bramley 2007; Cars et al. 2013). This argument assumes that a larger housing stock will reduce pressure on the housing market and hence reduce affordability problems through reduced prices and rents, as well as by filtering.

Housing supply is determined by a number of factors (Gyourko and Saiz 2006; Meen and Nygaard 2011; Caldera Sánchez and Johansson 2011; Worthington 2012), for example:

1. geographic conditions and historical land use
2. demographic conditions
3. provision of infrastructure and other public services
4. land use regulations
5. rent regulation
6. competition in the construction industry
7. wages and the extent of unionization in the construction industry (in the USA)
8. taxes related to real estate

Price elasticity, i.e., the responsiveness of 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 housing supply to housing demand presupposes the elimination of obstacles to new construction.

Over the last ten years, 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 (e.g., 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 subsidized housing, planning reform is argued to be more effective, creating larger amounts of affordable housing through cheaper new construction and through filtering (Glaeser and Gyrko 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).

3.2 Affordable housing

There is a multitude of definitions of affordable housing, for example:

1. housing that is not “expensive relative to its fundamental costs of production” (Glaeser and Gyrko 2003)
2. “shorthand for sub-market social rented housing” and “the intermediate housing market for rent and low-cost home ownership models” (Gibb 2011)
3. housing with “acceptable relationships between household income and expenditure on housing costs for housing market participants” (Worthington 2012)
4. housing with acceptable relationships between household residual income and expenditure on housing (Stone 2006)

In this thesis, affordable housing is defined as housing directed toward low- and mid-income citizens, reflecting the approach of the investigated cities. However, this approach, which reflects Worthington’s (2012) definition, has inherent problems as it ignores the fact that households with identical incomes may have varying expenditures depending on household size and composition (Hulchanski 1995). Recent research often uses a combination of income-to-housing cost and residual income-to-housing cost measures (Li 2014).

Target groups in affordable housing policies can be defined strictly according to income or cost criteria, as described above, but it should also be noted that affordable housing policies in many cities also aim at attracting and retaining citizens deemed crucial to the stable development of the city, such as educated young professionals and key workers in public services (Fingleton 2008; Marom and Carmon 2015).

Reasons for affordability problems might be both cyclical, with short-term effects, and structural, with medium- and/or long-term effects. Affordability drivers are income and wealth, access to and price of financing, demographic change, taxes and charges, as well as government policy (Worthington 2012).

Across the Western world, there has been a general shift away from traditional ways of providing affordable housing, involving mainly public actors and including supply-oriented grants, toward market solutions including private financing and demand-oriented support (Gibb 2011; Marom and Carmon 2015). However, renewed engagement in supply-side measures can be noted in some cities (Marom and Carmon 2015). Social mix receives great attention in housing policies in, for example, the UK and the USA (Gurran and Whitehead 2011; Marom and Carmon 2015).

As mentioned above, many regard a general increase in housing supply as the major means to overcome housing shortages and increase affordability. 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 (e.g., Germany, the UK, and the USA)
2. focus on project cost-cutting through large-scale development and industrial concepts (e.g., Scotland and Sweden)
3. municipal housing provision, including grants and use of internal resources (e.g., Germany and Scotland)
4. initiatives to support lower-income buyers (e.g., Australia, the UK, and the USA)

Inclusionary zoning has been defined as land use regulations requiring that developers of market-rate residential development set aside a small portion of their units, usually 10–20 percent, for households unable to afford housing in the open market. Alternatively, developers can choose to pay a fee or donate land in lieu of providing units (Calavita and Mallach 2010). A more specific definition also includes municipal land provision at below market price in areas where mixed-income housing is envisaged as well as the subsidy of projects out of development gains (de Kam et al. 2013).

Inclusionary zoning programs should be seen as an alternative to traditional public or social housing schemes. In the UK, inclusionary zoning is the main tool for providing affordable housing (Gurran and Whitehead 2011), although it is noted that the system cannot deliver the needed amounts of affordable housing, especially during recessions (Mulliner and Maliene 2013). In the USA, the policy has been seen as a tool for governments to take advantage of increased land values in strong housing markets (Schuetz et al. 2009).

Municipal housing policy plays a decisive role in housing provision, especially in the affordable segment. Apart from direct municipal housing provision, municipal organization, urban planning, land allocation, and subsidies might play key roles. The organization of and interaction between government bodies in implementing affordable housing policies might have crucial impacts on the effectiveness of affordable housing 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 2015; Chiu 2007). The fear that public control might be lost when relying on private agents to implement affordable housing policies is contradicted by US research (Graddy and Bostic 2009). Some researchers rule out subsidies as part of housing policy, claiming that they are inefficient, distort preferences for different tenure types, and lead to housing being constructed in low-demand regions (Warsame et al. 2010). Others argue that cutbacks in subsidies negatively affect housing supply and are skeptical as to whether demand-oriented support is effective (Turner and Whitehead 2002).

4 Methods used

This research project is a comparative study of institutional prerequisites for housing development in selected German and Swedish cities. The project is based on qualitative research methods encompassing four basic principles: the epistemological principle applied is that of *verstehen* (an approach to understanding the studied phenomenon from within); reconstructed cases are used as a starting point; the construction of reality is the basis of the study; and text and interviews are used as empirical data (Flick 2014).

The research is based mainly on documents presented by stakeholders in the planning and construction process as well as on academic research. Interviews were conducted to complement the document study, in order to gain in-depth knowledge of certain issues mainly related to municipal policy and to relate the identified process problems to practice. Interviews for the former purpose were conducted with municipal representatives and for the latter purpose with public and private project developers. The interviews were semi structured, as this facilitates the conceptualization of questions and allows interviewees to contribute their own reflections. To better structure the interviews and formulate effective questions, interview techniques were studied (Häger 2007).

The research project started with an exploratory phase the goals of which were to identify the stages of Swedish housing development deemed problematic and to formulate the research questions. A descriptive phase followed, documenting how the problematic stages identified in the Swedish development processes were handled in Germany and relating the two systems to each other. In a final explanatory phase, conclusions were drawn from comparing the two systems with the aim of explaining their differing outcomes.

The methods used in the various stages of the research project are described in more detail below.

4.1 Method related to research question one

- What are the major identified problems related to Swedish urban planning law and its implementation?

To answer question one, the problems identified in the Swedish planning process, as evident in the discourse of state bodies, developers, and interest organizations, were analyzed. The problems were identified through screening the materials listed in Tables 1 and 2 and by studying reports written by researchers at KTH. A wide range of problems emerged related to municipal housing provision strategy, regional cooperation, the urban planning process, the appeal process, areas of national interest, building regulation and development agreements, and municipal land allocation. Next, both proposed and implemented solutions to the identified problems were screened and contrasted to the problem descriptions. Municipal housing provision strategy, land allocation, and the urban planning process, including the appeal process and affordable housing aspects in development agreements, were selected for further analysis as they relate to the remaining two research questions.

4.2 Method related to research question two

- What parts of German urban planning law and implementation could provide interesting points of discussion in relation to further urban planning reform in Sweden?

As regional planning and housing strategy in municipal and regional planning are currently the subject of ongoing state investigation and/or have recently been subject to reform, the focus of this thesis is local planning, as it has been much debated but so far not subject to major reforms. Research addressing question two will therefore relate to the local planning process only. To start with, German planning law (Baugesetzbuch, parts 1 and 3, as of 2014) was compared with its Swedish equivalent (Plan- och bygglagen, chapters 3–6, as of 2014) in order to understand how the different planning levels relate to one another and what weight the local planning process has in the planning system. The various processes leading to a local plan or its equivalent under the two systems were then identified. It was concluded that the standard local planning procedure was similar in the two countries, but, while the Swedish procedure has two similar standard processes, the German system also includes alternative processes. The paragraphs in the German system that relate to these alternative processes, i.e., Baugesetzbuch paragraphs 12, 13, 13a, and 34, were chosen for deeper analysis. To understand how the alternative processes work in theory and practice, several academic papers (e.g., Hagebölling 2013; Krautzberger 2008; Tomerius 2008) and commentaries (Battis 2014; Ernst et al. 2015)

addressing the identified paragraphs were read. Semi-structured interviews were conducted with the project developers listed in Table 3. Finally, the German alternative processes were related to the Swedish planning process in an attempt to identify steps that might prove useful in the Swedish planning system. The potential for time and cost savings in the process was chosen as a key parameter in the evaluation, as long and costly processes have been identified as the key overall problem in Sweden.

Table 3. Interviews related to urban planning.

Institution	Date
BPD, developer active in the Netherlands, Germany, etc.	2014, 2015
NCC, developer active in Sweden, Germany, etc.	2014, 2015
Baywobau, German developer	2014
Degewo, German developer	2014
Technical University of Berlin	2015
University of Regensburg	2015

4.3 Method related to research question three

- How is housing policy implemented in larger German and Swedish cities? What are the major tools for policy implementation related to housing construction and how are they used to achieve goals?

Berlin and Hamburg, as well as Stockholm and Gothenburg, were chosen for case studies. When choosing what cities to study, the following parameters were taken into account: population growth, existence of housing shortage, rank among the largest cities in each country, political and economic characteristics indicative of regional centers, and comparable average incomes.

Sweden has three large cities: Stockholm, Gothenburg, and Malmö. The two first fulfill the above criteria. Malmö, however, has a decidedly lower average income and the housing debate there is more concerned with affordability than general housing supply; Malmö was therefore excluded.

In Germany the “Big 7,” i.e., Berlin, Düsseldorf, Frankfurt, Hamburg, Munich, Köln, and Stuttgart, all fulfilled the three first criteria. Hamburg was found to have comparable economic parameters to Stockholm and Berlin to Gothenburg; the other cities did not fulfill one or both of the two last criteria.

To answer research question three, several documents were analyzed (Table 4). Interviews related to housing policy were conducted with interviewees from the institutions listed in Table 3 and with four representatives of the central land bank of Berlin (Liegenschaftsfonds), including the managing director, head of valuations, and head of sales, and a representative of the municipality (Senatsverwaltung für Stadtentwicklung und Umwelt). In addition, a series of interviews was conducted concerning a Swedish social housing pilot project (Table 5).

As interviewees in both Germany and Sweden stressed the importance of the implementation of urban planning law as key to planning outcomes, city initiatives to facilitate and expedite the urban planning process were also screened.

Furthermore, the importance of easing land restrictions was stressed both in the academic literature and in the texts and interviews providing background for this study. Therefore, new restrictions on

land in the form of inclusionary zoning practices were also included in the study. A Swedish inclusionary zoning pilot project was studied in detail by interviewing all stakeholders and was contrasted to inclusionary zoning as practiced in Germany.

Table 4. Documentation of housing policy, statistics, and markets.

Topic	Documentation used
Housing policy	<p>Alliance for Housing Construction in Berlin, 2014²⁰ Concept for a transparent land policy in Berlin, 2013²¹</p> <p>Alliance for Housing, Hamburg, 2011²² Agreement for Hamburg: Housing construction, 2011²³ Housing construction for the big city, Hamburg, 2014²⁴</p> <p>Housing potential in Stockholm, City of Stockholm, 2013²⁵ Land lease and land lease fees, City of Stockholm²⁶</p> <p>Housing provision in Gothenburg: current status and future direction, Property Management Department, Gothenburg, 2014²⁷</p> <p>Websites of the studied cities Websites of the investment banks of the federal states of Hamburg and Berlin</p>
Housing statistics	<p>Statistisches Bundesamt, Germany Statistiska centralbyrån, Sweden Berlin Open Data Statistikamt Nord (Hamburg) Statistik om Stockholm Statistik Göteborg</p>
Housing Markets	<p>IBB Housing Market Review, 2014, Berlin (in German) JLL Residential City Profile, 2014, Berlin (German version) Vdp Housing Market Review, 2014, Berlin (in German)</p> <p>The Real Estate Paper (<i>Immobilienzeitung</i>), Germany JLL Residential City Profile, 2014, Hamburg (German version) Vdp Housing Market Review, 2014, Hamburg (in German)</p> <p>Real Estate News (<i>Fastighetsnytt</i>), Sweden Real Estate World (<i>Fastighetsvärlden</i>), Sweden</p>

²⁰ Bündnis für Wohnungsneubau in Berlin, 2014

²¹ Konzept zur “Transparenten Liegenschaftspolitik” für Berlin, 2013

²² Bündnis für das Wohnen , Hamburg, 2011

²³ Vertrag für Hamburg- Wohnungsneubau, 2011

²⁴ Wohnungsbau für die große Stadt, Hamburg 2014

²⁵ Bostadspotential i Stockholm, Stockholms Stad, 2013

²⁶ Markanvisningspolicy, Stockholms Stad; Tomträtt och tomträtsavgäld, Stockholms Stad

²⁷ Bostadsförsörjning i Göteborg- nuläge och framtida inriktning, Fastighetskontoret Göteborg, 2014

Table 5. Interviews related to a Swedish social housing pilot project in Gothenburg, Feb. 2015

Institution	Theme
Älvstranden Development Corporation	Project prerequisites: land allocation, land pricing, demands on developers, for example, in terms of number of apartments, rents, and allocation systems
Botrygg (private developer)	Financial prerequisites for their participation in the Älvstranden project
Framtiden (municipal housing company)	Financial prerequisites for their participation in the Älvstranden project
Rikshem (public pension fund-owned developer)	Financial prerequisites for their participation in the Älvstranden project
The Property Owners' Association	Efficiency of policy measures
The Tenants' Association	Allocation principles

4.4 Limitations and reliability of data

This study is based mainly on interviews with and texts written by stakeholders in the development process, which raises questions regarding data reliability. To overcome this problem as much as possible, the material was chosen with the distinct aim of reflecting the opinions of various types of stakeholders. The stakeholders were identified as the involved states and municipalities, public and private developers, and related interest organizations.

Texts were at the center of the study, interviews being used as complementary sources. Interviews were conducted with several developers, as their perceptions of the situation might have varied significantly depending, for example, on whether they were small or large market participants, new or established on the market, and financially strong or weak. The main aim of interviewing developers was to learn how the studied practices were perceived in practical implementation. The positions of municipalities were covered by examining policy documents and by interviewing representatives of selected municipal departments when policy documents did not cover all topics of interest.

The laws considered in this thesis were analyzed partly by studying commentaries and articles written by academics in real estate law and partly by interviewing university professors of real estate law from various universities, to ensure a multifaceted and, as far as possible, third-party approach to the paragraphs of interest. Interviews with developers contributed knowledge of how planning law implementation is perceived in practice.

5 Research questions and findings

5.1 What are the major identified problems related to Swedish urban planning law and its implementation?

The housing shortage in Swedish growth regions, generally believed to originate from limited construction of new housing and from rent control, reduces the welfare of many citizens and is deemed a threat to continued economic growth. The role of urban planning in housing supply has been intensely debated in Sweden. The center-right government of 2010–2014 emphasized reform of the urban planning process as the major means to overcome the housing shortage and proposed a number of reforms, some of which were implemented. The new “red-green” government (2014–) has announced its intention to continue reform, but has so far not presented any proposal.

The article “The planning process in Sweden: current debate and reform proposals” summarizes the problems identified in the Swedish urban planning process and reviews the government inquiries, bills, and reforms to date. In addition, it provides an overview of possible future urban planning reform in light of recent political developments. The identified problems include municipal housing strategies, the urban planning process, appeals, areas of national interest, regulations, development agreements, and municipal land allocation, all of which will be outlined in more detail below.

Many municipalities lack a well-founded strategy for residential construction and hence are not well prepared to conduct rapid urban planning. Moreover, regional cooperation is lacking, as is especially evident in Sweden’s three largest city regions. Two amendments to existing legislation were made in 2014 to strengthen the importance of housing in municipal planning. First, the Law on Housing Provision was changed such that all municipalities must have a program for housing construction, including a plan for implementing the goals. Second, a new provision was added to the Planning and Building Act stating that the municipal plan must contain information on how the municipality intends to satisfy the long-term demand for housing. In addition, one parliamentary committee will investigate how regional planning can be strengthened and another will identify necessary steps to intensify urban planning for residential purposes and to increase the number of municipal land allocations.

The urban planning process is often claimed to be complicated and the local plans are often very precise, which prolongs the process and reduces flexibility over time. The former government discussed the possibility of reducing the importance of local plans in favor of municipal plans. However, a proposal to limit the use of local plans and to allow some building permits to be granted directly, based on municipal plans, was rejected by parliament.

Long and frequent appeal processes against local plans have been much criticized. A government committee set up to investigate possible changes to the appeal process suggested eliminating the first instance in the appeal chain for local plans, reducing it to two instances.

The County Administrative Boards assign a large number of so-called national interests to protect certain areas, preventing the land from being used for housing. The former government initiated an investigation of what could be done to coordinate the interests of various state bodies and control the growth in the number of national interests.

Several necessary regulations, for example, concerning noise and protecting areas near water, limit the construction of new housing due to their formulation and strict application. A question meriting

investigation is whether these regulations can be modified so that they still fulfill their intentions without creating unnecessary barriers to housing development.

Previously, municipal building regulations could go further than the state regulations, creating different conditions for housing development in different municipalities. A government bill of June 2014 abolished the widespread use of municipal building regulations that are more restrictive than state regulations.

The process of negotiating development agreements between municipalities and developers often lacks predictability and transparency. In June 2014, the Swedish parliament decided that municipalities must adopt non-binding guidelines for development agreements. A decision was also made to regulate by law the possibility that a development agreement could stipulate that a developer is to build or finance streets, roads, public places, water and sewage infrastructure, and other amenities. Furthermore, requests that developers should finance social infrastructure such as kindergartens and schools were prohibited.

Many municipalities have land banks and use these to steer housing construction through land allocation. The process of allocation often lacks transparency and clear price-setting methods. On 1 January 2015, a law on guiding principles for land allocation came into effect. The law stipulates that the guiding principles should state the municipality's basis and goals, handling routines, necessary conditions, and pricing principles for land allocation. The new law contains neither sanctions nor provisions for enforcement, which will probably reduce its effectiveness.

In his government declaration of 2014, the new prime minister Stefan Löfven proclaimed the goal of increasing the housing supply by 250,000 new apartments by 2020. However, the new government is facing a difficult parliamentary situation. In this uncertain political climate, it is clear that urban planning reform will at least initially come to a standstill. Urban planning reform will also likely face major competition for attention from other issues on the housing reform agenda in the future.

5.2 What parts of German urban planning law and implementation could provide interesting points of discussion in relation to further urban planning reform in Sweden?

As Sweden has experienced a worsening housing shortage over a number of years, there is consensus across the political spectrum to increase the housing supply. The former center-right government emphasized urban planning reform as the major means to overcome the housing shortage, assuming that less uncertainty as well as time and cost savings in the urban planning process would lead to an increase in housing supply. Several reform proposals were made and some were implemented. However, the major goal of reform, which was to increase the importance of the higher planning levels and reduce the importance of local planning, inspired by British and German planning law, was not achieved. The new government has ongoing reform on its agenda, but so far has only accepted a proposal to eliminate one instance in the appeal chain. Instead, other housing policy measures, such as investment subsidies, have been introduced. In light of the uncertain future course of urban planning reform, possible future steps should be discussed.

The article "Promoting planning for housing development: what can Sweden learn from Germany?" investigates whether German urban planning law and implementation could provide interesting points of discussion for further urban planning reform in Sweden and, if so, what parts should be the focus of attention. The article outlines three aspects of German planning that influence the uncertainty as well as the time and cost of residential planning.

A. Planning law

Under German planning law, there are three alternative processes to the standard local planning procedure:

- a) private initiative in local planning (paragraph 12)
- b) facilitated procedures in the local planning of already built-up areas (paragraph 13a)
- c) omission of the local plan under certain circumstances (paragraph 34)

The major reasons for not using the standard planning procedure are the need for speedy construction of complementary structures in existing settlements, the preservation of unexploited land through developing existing settlements, and the enhancement of projects deemed important, for example, for creating housing and workplaces.

Under the former Swedish government, higher planning levels were strengthened and additional measures for further strengthening those levels were proposed. However, a bill proposing the omission of the local plan under certain circumstances, as in the German paragraph 34, was rejected by parliament in 2014. As the local plan enjoys a very strong position in Sweden, an alternative route would be to introduce a facilitated local plan for housing projects, inspired by certain facilitating aspects addressed in the German paragraph 13a.

A limited form of private initiative in planning has been practiced in Germany since the 1980s. As there is interest in formally regulating the private initiative in planning in Sweden already practiced by some municipalities, it could prove useful to draw on German experience, especially as the German interpretation of private initiative does not deviate substantially from Swedish planning practice and would therefore not be that controversial to implement.

B. Measures taken in the organization of planning authorities with the aim of making local planning more effective

The cities of Berlin and Hamburg have set up housing construction programs with explicit goals for the numbers of housing units to be built every year. To support these goals, agreements with interest organizations 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 planning processes in order to achieve housing construction goals. Measures include increasing the number of planning personnel, establishing construction coordination centers, introducing follow-up mechanisms to ensure that goals are met, introducing indicative time limits for certain stages of the urban planning process, providing economic incentives to urban planning departments, improving municipal planning processes, and reducing regulation.

C. City demands for affordable housing

Several cities in Germany practice inclusionary zoning, a term that summarizes municipal ambitions to spur the inclusion of affordable housing in otherwise market-rate projects through planning restrictions aiming to create mixed-income housing areas. Although such initiatives are relatively new in Germany and German experience of them is limited, assessment indicates, for example, that sufficient planning capacity is required as inclusionary zoning is dialogue based, public subsidies are still a basic requirement for increasing the supply of affordable housing, regional cooperation in metropolitan areas is necessary, and it is uncertain whether such policies lead to lower land prices. Inclusionary zoning of this type has so far not been used in Sweden, but a pilot project is now being planned in Gothenburg. In several other countries, various forms of inclusionary zoning have long been practiced and the various set-ups have been extensively assessed.

The conclusions drawn from the three abovementioned areas encompass two proposals for further reform of the Swedish planning process: the introduction of a facilitated and accelerated local planning procedure for housing projects, as well as the introduction of private initiative in local planning. Further improvements to the organization and incentives of planning authorities are also proposed. Regarding municipal demands for affordable housing in the form of inclusionary zoning, there is a need for more research drawing on extensive international experience of such zoning, relating it to the Swedish pilot project.

5.3 How is housing policy implemented in larger German and Swedish cities? What are the major tools for policy implementation and how are they used to achieve goals?

Affordable housing, here defined as housing directed toward low- and mid-income households, has in recent years emerged as a key concept in housing policy in a wide range of countries. An increase in housing supply is generally seen as the major means to overcome housing shortage and increase affordability.

Private developers are expected to account for most construction volume in Germany and Sweden. The volume of private housing construction is determined by household demand, defined largely by household financial power, and by access to financing for developers and households, which is largely beyond city control. However, cities do have decisive power over the opportunities to realize projects through controlling the planning process and allocating municipal land. Furthermore, cities have the ability to increase the housing supply in specific market segments via municipally owned housing companies, by supporting non-profits, and by steering production through subsidies.

The article “The quest for affordable housing: the approaches of Berlin, Hamburg, Stockholm, and Gothenburg” compares housing policy in the four cities as it relates to the construction of new housing. 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. These differences imply that housing policies should differ between the German and Swedish cities as they address somewhat different problems. 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 distinct aim of increasing output in the affordable segment, reflecting the perceived lack of affordable housing. Whereas the Swedish construction goals have not been formulated in cooperation with market participants and the Swedish cities do not have clearly defined strategies for reaching their goals, the German cities have formulated their more realistic goals jointly with market participants and have more clearly defined strategies for reaching their goals, which are also more modest and likely to be achieved.

However, housing policies in the four cities basically rely on implementing the same four policy instruments, namely, city organization, urban planning, land allocation, and subsidies. The German cities generally have more active housing policies, using the above tools for policy implementation more consistently.

Regarding city organization, political pressure and active communication between all parties involved in housing construction seem to be basic requirements for any active housing policy. The cooperation agreements between cities and developers in Hamburg and Berlin have proven to be useful in terms of improving the dialogue between the parties, identifying realistic housing construction targets, and formulating the measures needed to reach them. Furthermore, city housing construction coordination

centers and central land banks seem to be strong tools for effectively promoting and steering housing construction.

German urban planning law provides alternative ways of working that might help save time and costs and reduce uncertainty, with the result that more projects might be viable. The cities of Berlin and Hamburg have also put their own organizations under pressure to perform well in order to meet city goals, for example, by providing resources and incentives for planning authorities. To optimize output, cities must ensure that planning capacity is sufficient, as desired projects might otherwise be crowded out.

Municipal methods for allocating land and setting land prices greatly affect housing output, especially in Sweden where the cities of Stockholm and Gothenburg are land market makers. In terms of creating affordable housing, concept competitions and leasehold land are strong tools. Budget restrictions, however, play a major role in the choice between selling and leasing land. Cities should therefore maintain stringent control over how much land can be allocated as leasehold and/or based on concept competitions, so that financial resources are allocated to the most desirable projects. Furthermore, such policies should be clearly communicated so that developers are aware of the “rules of the game.”

In Germany, subsidies are used mainly by municipal companies and non-profits and are provided to produce low-rent apartments for specific income groups with a strict income-related distribution policy. In Sweden, subsidies target young people, irrespective of income, and the question of need is not addressed.

To conclude, it should be noted that the effects of an active housing policy are difficult to measure. However, the understanding that reforms must be made in many areas, resulting in a package of measures, seems to be vital for a housing policy to be perceived as effective when housing supply is to be substantially increased. The first step toward such a policy is to identify realistic goals and the main obstacles to reaching them. In this sense, the German cities have come further than their Swedish counterparts in creating an active housing policy.

6 Concluding remarks and future research

The main aim of present Swedish housing policy is to increase housing supply and thus reduce the housing shortage. To reach municipal construction goals in Stockholm and Gothenburg, a doubling of the present output is needed. As the present output has been achieved under positive market conditions and has remained stable for a number of years, it must be concluded that any drastic increase in output must be preceded by extensive changes to market conditions and/or housing policy. As of yet, no such major changes have been realized. However, politicians, interest organizations, developers, and academics have made a number of proposals for increasing present construction volumes and making more effective use of the existing housing stock. An effective housing reform program should encompass all these areas. Although it is questionable whether even such extensive reforms would suffice to reach the ambitious goals set, they would definitely bring housing construction closer to targeted levels or maintain construction levels should market conditions deteriorate.

In this thesis, proposals related to the early stages of the housing development process, drawn from comparisons with German housing policy and planning law, have been made as a contribution to the ongoing debate. Although the aim of the research project was to find reform proposals targeting specific issues in the planning and development process, one of the main findings is the large

difference in the political climate in which housing is developed between the studied German and Swedish cities.

The cities of Berlin and Hamburg both have active housing policies promoted by their mayors. Housing is high on the political agenda and naturally features in election campaigns. Construction goals are set in cooperation agreements with the interest organizations of public and private developers. These agreements include specific yearly construction targets with follow-up mechanisms to ensure that the goals are met. The cities support the achievement of their goals by improving the development process; moreover, national planning legislation provides alternative processes that facilitate this process improvement.

Such active housing policy results in utility increases for most of the involved actors in the German cities. Politicians potentially gain increased political support and increased taxes and fees through greater housing investment (which must, however, be balanced against increased costs). Citizens get a larger housing supply, which benefits the many households living in rented housing through greater choice and more stable rents, as well as home buyers through more stable prices. However, potential losses to home owners and rental housing investors caused by lower prices and rents are not considered. Developers and other types of investors get an attractive investment climate, which incentivizes them to maintain or even increase investment volume. Furthermore, improved investment conditions are likely to attract new entrants to the market.

The electoral situation in the Swedish cities differs from that in the German cities as homeowners, who might be affected by lower house prices, form a much larger group. Moreover, tenants cannot expect lower rents due to an increased housing supply because of the rent-control system. Consequently, investors in rental housing are not affected either. This distinct difference in the distribution of utility in relation to an increase in housing supply might partially explain why Swedish politicians do not as actively pursue housing politics as do their German peers, as their potential gain in political support is smaller. In addition, effects on the tax base of new housing might not be deemed favorable or large enough.

Political will and initiative play central roles in housing supply, as politicians determine the institutional prerequisites for housing provision. However, politicians are likely to evaluate their potential utility from investing time and effort in housing politics. In this context, Swedish politicians face difficult choices between the interests of different parts of the electorate. Housing supply is one such issue and housing taxation and financing two other interrelated issues. As addressing these issues is likely to dissatisfy parts of the electorate, the strategy of many politicians to date seems to have been inactivity or opposition to suggested reforms. In this context, setting goals that cannot be met is likely evaluated as less risky. However, when the effects of the housing shortage are serious enough to affect a sufficiently large share of the active electorate as well as the tax base, utility will likely be reevaluated, inducing politicians to introduce an active housing policy. Only then will reform proposals, including those made here, come into play on more than an occasional basis.

Future research could address phase 2 of the problems identified in the Swedish housing development process, as described in section 2. The literature review has found a gap in the Swedish context related to prerequisites for constructing affordable housing. Areas of interest include affordable housing models, cost-cutting through industrial concepts, and initiatives to support low-income buyers. Moreover, the impact of the rent-control system on the effective use of the existing housing stock could be analyzed further. Comparisons could be made with Austria, Germany, Holland, the other Nordic countries, the UK, and the USA.

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