

# Fast Comment Sweden

## Shaky housing market in May; prices fell sharply

- Housing prices decreased by 1,2 percent in May (SA)
- Potential buyers hesitant; many housing units up for sale
- Mortgage rates on the rise; until inflation subsides

### Housing prices decreased by 1,2 percent in May (SA)

Following the increased hesitancy amongst potential buyers, housing prices in May decreased by 1,2 percent (m-o-m SA, 1,6 percent m-o-m), following slight decreases in March and April, according to Valueguard's HOX index. This was weaker than we had expected for this month. And the weak development seems to have continued in June, even though Valueguard signals that the decline appears to have been fastest in May. Apartment prices in the first two weeks of June decreased by 3,3 percent in Stockholm and 3,9 percent in Gothenburg (not adjusted for normal seasonal variation). The biggest drop was seen in Stockholm, see table below.

### Potential buyers hesitant; many housing units up for sale

Households' concerns are also visible in the activity on the housing market. The number of withdrawn sales has increased against the backdrop of increased hesitancy and decreased turnover. The proportion of houses and apartments sold below the bidding start price has increased. However, the effect on final sales prices is dampened by the fact that the bidding start prices have increased lately. Overall, we see a similar trend for houses and apartments.

### Mortgage rates on the rise; until inflation subsides

It is worth re-emphasising; the Riksbank will continue to raise interest rates – at the expense of growth and the housing market - until inflation slows. Last week we raised our policy rate forecast and now expect a more aggressive Riksbank move, with a 50 bp hike in June and in September (see <https://www.researchonline.se/document/WKsi5lyU1kKG-bnkVLTUg2>). This means higher variable mortgage rates. The uncertainty surrounding the inflation and interest rates going forward remains high. At present, the economy is largely strong, although sentiment amongst households is weak. Our forecast is that housing prices will decrease by a total of 10 percent from a 2022 peak to a 2023 trough. Today's figure could indicate a faster moving price correction.

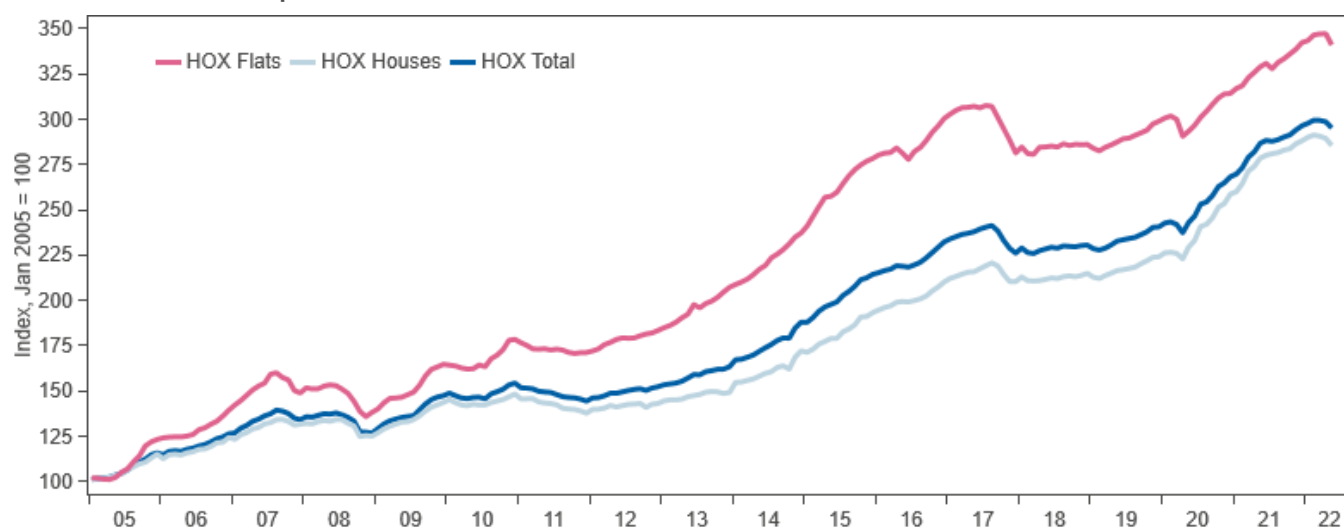
## Valueguard housing prices (HOX)

May		Percentage change since			
		1 month	1 month seasonally adjusted	3 month	12 month
HOX Sweden	↓	-1,6	-1,2	-1,4	2,9
<b>Flats</b>					
Sweden	↓	-2,1	-1,8	-1,6	3,6
Stockholm	↓	-3,0	-2,5	-2,4	3,9
Gothenburg	↓	-1,9	-1,5	-0,6	1,3
Malmö	↓	-2,2	-2,1	-0,6	3,7
Middle sized cities	↘	-1,1	-0,7	-1,1	4,1
<b>Houses</b>					
Sweden	↓	-1,3	-1,4	-2,0	2,5
Stockholm	↓	-3,2	-2,8	-2,0	2,2
Gothenburg	→	0,3	0,4	-2,0	2,5
Malmö	↘	-1,4	-1,5	-1,2	1,2
Middle sized cities	↘	-0,6	-1,2	-1,9	3,0

Note. Arrows represent seasonally adjusted monthly change in relation to the time series standard deviation, red arrow >1 stdev. Seasonally adjusted by Handelsbanken.

Sources: Macrobond, Valueguard and Handelsbanken

### Prices on houses and apartments



Sources: Macrobond

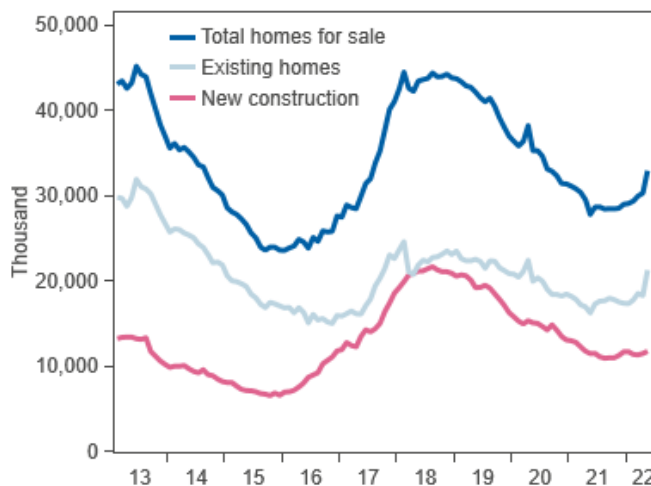
Note: Seasonally adjusted by Handelsbanken

### Activity decreased in May as potential buyers hesitated



Sources: Svensk Mäklarstatistik and Macrobond

### Increase in number of homes for sale



Sources: Booli pro

Note: Seasonally adjusted by Handelsbanken

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