



Stockholm at night in summer © Alamy

Hugo Cox SEPTEMBER 7, 2018

It has been a hair-raising 18 months for Stockholm's housing market. Last spring, as the city approached a crisis of affordability following years of climbing prices, and with Sweden's leading tech firms threatening to abandon the capital because their employees could find nowhere to live, prices in Stockholm went into freefall.

Between April and November last year prices for flats in the city fell 9 per cent, according to Svensk Maklarstatistik, which collects national estate agent data. Falls have continued this year. JM, one of Sweden's largest listed developers, has been cutting prices by between 15 and 20 per cent in its main projects across Stockholm, says Peter Wiman, head of research at Savills' Stockholm office.

Headlines lamenting a housing crisis gave way to those announcing widespread price cuts and heralding the collapse of the country's construction industry. As building firms' share prices tumbled, the slowdown claimed its first victims: Axxonen, the top-end developer specialising in penthouses, went bankrupt in May. The cause of the carnage, says Wiman, is a building boom that hit its stride at precisely the time that new regulations designed to cool the market overshot their target, strangling demand.

The changes include a shift in amortisation rules — which stipulate the rate at which the principal amount must be repaid as part of a mortgage — with particularly tough repayment requirements for those with mortgages exceeding 4.5 times gross income.

Agents serving the city's super-prime market protest that this rarefied sector has, so far, ducked the worst of the trouble. They point to the city's booming tech scene — another \$1.2bn was invested in the industry last year across 442 firms — which they say continues to mint new super-rich, who in return remain keen to shop for Stockholm's finest homes.



Four-bedroom house in Stocksund, SKr17.5m

The Swedish capital has earned the nickname “the unicorn factory” for the speed with which it has churned out the mythically named tech start-ups valued at \$1bn or more. Only Silicon Valley boasts a larger number of unicorns per capita, according to Industrifonden, the Stockholm-based venture capital firm.

The unicorns of mythology are shy, jumpy woodland dwellers who are hard to tame. If recent transaction data are anything to go by, high-end property sales in the city are similarly elusive.

During 2017 there were 36 homes sold for more than SKr20m (\$2.2m), according to Svensk Maklarstatistik. In the first six months this year, there had been only five. Average sale prices in the smart houses of Djursholm, one of the city's best-heeled suburbs where Sotheby's International Realty is selling a six-bedroom home for SKr35m, have fallen 17 per cent in the year to July. In nearby Stocksund, the same agent is selling a four-bedroom house for SKr17.5m.

At the very top end, picky buyers are stretching out what is already a lengthy process. One might think that Stockholm's super-affluent techies were quick on the draw when it comes to buying their high-end Stockholm home. “In fact, they are slower than average in our experience,” says Harald Ericsson of Wrede, a local agent. In their tastes, too, they appear to be a different breed to the high-rolling tech barons of Silicon Valley or Shenzhen. “They absolutely don't want to buy something where people will think they are showing off.”

The most desirable streets in the city centre are in what estate agents call the “Golden Triangle”, a patch of the neighbourhood of Ostermalm above the westerly stretch of the waterside street of Strandvagen. Successful 19th-century merchants from Sweden’s mining and forestry industries built many of the houses, typically occupying two floors and rented the other one or two floors out, says Wiman. “While many have been subdivided further, this is one of the few neighbourhoods where you can still find a good stock of really large apartments.”



Prices for flats in the Golden Triangle typically range between SKr120,000 and SKr150,000 per square metre, he says — well above the average for Ostermalm or neighbouring Norrmalm. In Ostermalm, Wrede is selling a 182 sq m flat with three bedrooms for SKr18m.

Those seeking a detached home will venture further out into one of the *Grosshandlarvillor* houses — typically three or four floors with large gardens — scattered along the seafront of the Stockholm archipelago in areas such as Lidingo, Nacka and Varmdo. Most were built as summer houses to escape the crowds and grime of Stockholm.

Today, dolled up and insulated to battle Stockholm’s stiff winters (February lows average -3C), what rare sales there are typically fetch anything between SKr25m and SKr100m, says Wiman. Even still, when the next one comes up, you sense Stockholm’s tech titans won’t be fighting over it.

Buying guide

- In the year to July, average sale prices for flats in Norrmalm, the city’s priciest neighbourhood, were SKr94,818 (\$10,370) per square metre
- Average apartment prices in Sweden have fallen 10 per cent since August 2017
- Direct flights connect Stockholm to New York in 8 hours and to London in 2 hours 20 minutes

What you can buy for . . .

\$550,000 A small two-bedroom apartment with balcony in Ostermalm

\$1.5m A three-bedroom apartment with a roof terrace in Vasastan

\$3.3m A four-bedroom detached villa in Lidingo

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