



# Memorandum

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DEPARTMENT: Financial Stability Department/Monetary Policy Department

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## ■ Proposal for a commission of inquiry into risks in the Swedish housing market

### Decision

It is proposed that the Executive Board of the Riksbank decides to give the Heads of the Monetary Policy Department and the Financial Stability Department the task of carrying out an investigation into risks in the Swedish housing market in accordance with the enclosed terms of reference.

### Background and considerations

Various international analysts have expressed concern over developments in the housing market over a long period of time, as house prices in many countries have risen rapidly. In the wake of the financial crisis, house prices have now fallen in many countries. In Sweden, too, house prices have risen sharply over several years. However, developments in Sweden after the crisis have so far taken a different form. There have been no major price falls and loan losses from households' mortgages have been very slight. There are several factors that indicate the price upturn in Sweden may be due to fundamental factors. However, there may nevertheless be risks within the Swedish housing market.

The commercial property market has recently been characterised by severe price falls and by an increase in the property companies' leverage ratios. The Swedish property companies are dependent on loans to be able to fund their activities. Moreover, the banks' lending to the property companies comprises a not insignificant share of their total lending. The commercial property market is therefore highly important to financial stability.

### Proposal

A commission of inquiry should be given the task of analysing the Swedish housing market. The inquiry should examine the relationship between the housing market and the Riksbank's tasks and objective. The task should include examining what risks exist in the Swedish housing market and what tools should be available to prevent such risks from building up. The commission should also take up developments in the commercial property market.

The commission of inquiry should present its final report no later than 31 January 2011.