

## Can we blame transport infrastructure?

Since the early 90-ties, Swedish transport infrastructure investments have on average accounted for less than one percent of its GDP (compared to around three percent during the 60-ties). Today, despite initiatives taken since the financial crises, the share has only reached just above one percent. Consensus calculations indicates that the share must approach two percent by 2025 in order to come to terms with neglected maintenance and meet future demands for new roads and railways.

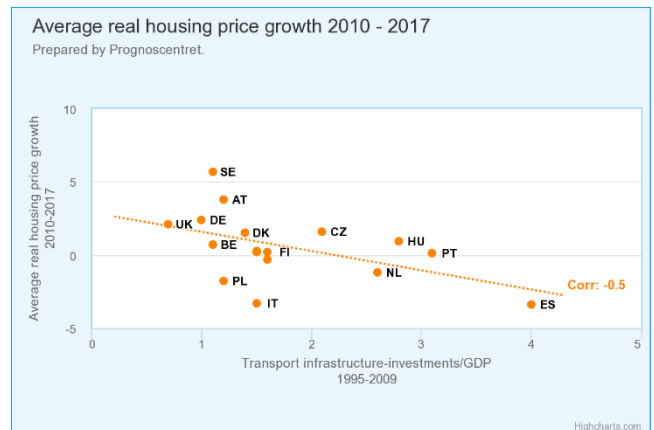
Investments in transport infrastructure is lagging despite a strong population growth and booming big city regions due to restrictive fiscal policies since the early 90-ties. Projects has become reactive, and not initiated until there is no other option. This has not only limited the ability to engage in long-term urban planning, it has also contributed to booming housing prices pushing household debts to new record levels. Affordable land is in short supply since new dwellings is built in connection to existing transport infrastructure. When demand grows, house prices are rising making land increasingly expensive. This has often made affordable housing impossible, why home developers have focused on the high-end segment pushing building costs upwards even more.

The need for “affordable housing” is huge but initiatives to enable the production of these dwellings has either been short lived or not comprehensive enough, or both. The cost for land is up 500 percent since 1998, (a lot more in attractive areas) increasing its average share of the total building costs from 11 to 23 percent.

Anyone who has flown to Sweden, even flying low over Stockholm, can see that there is no shortage of land. This is not Singapore, London, or even Copenhagen. The availability of buildable land is crucial to enable a cheap housing production, at least in the long run. During the last 10 years, house prices has been pushed upwards by a strong economic growth and low interest rates, but many years of insufficient investments in new transport infrastructure is another underlying driving force.

The subway in Stockholm was for instance built during 1950 – 1970 with minor complements in the 80-ties. The regional trains were introduced in 1960 – 1970. Since then, not much has happened. These investments opened for an extensive housing production since they enabled quick and comfortable transports from previously peripheral areas. Public loans and interest

subsidies together with cheap land made housing affordable. But to be honest, a high inflation writing off these loans was equally important for this model to work.



S: Prepared by Prognoscentret. – The diagram shows transport infrastructure investments as share of GDP 1995 – 2009 to real housing price growth 2010 – 2017. There seems to be a relationship all over Europe even if local conditions, like low population growth, also affects the development.

No railway, or even major road investment since the 70-ties has been able to give access to any large amounts of buildable land. “Tvärbanan” in Stockholm is one such example, connecting inner suburbs through a half circle around town. The railway is much appreciated but it came too late and from a housing perspective, it has mainly pushed prices upwards in the affected areas. Not even the recently started subway extension, (first phase: 11 new stations, put in traffic by 2026) will be able to open the amount of buildable land previous subways did.

Insufficient transport infrastructure investments have contributed to transfer debts, and risks, from the government to households. This is unfortunate with a strong public economy and household debts on record levels. The authority responsible for financial stability, (Finansinspektionen) has introduced credit limitations to curb the development in lending, which is not long term sustainable.

So, can we blame transport infrastructure for soaring housing prices? To some extent yes. Recent years of increased road and railway investments is a necessity to develop expanding big city regions, but they have come too late. It will take decades until Sweden reaches the point where new projects can give access to buildable land the way they did in the 60-ties. A large portion of available resources must also be used to deal with many years of neglected maintenance.

You can even argue whether we will see a return of any long-range planning in traditional transport infrastructure within our life span. Digitalization and new technology are quickly changing the conditions for teleworking and the ability to use the vehicle fleet more efficiently. This will steer more resources towards communication technology and IOT (internet of things), or just give decision makers new excuses to wait and see.



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