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Exploring How a Third Housing Sector Initiative Can Contribute To the Challenge of Housing Affordability in Oslo

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Abstract

Rising housing prices have been challenging to certain groups in the population of Oslo. Research has shown that the increase in wages has not been able to keep up with the increase in housing prices in Norway, especially in Oslo, the city with the highest increase in housing prices compared to other cities in Norway. This study aims to determine if initiatives of the third housing sector, such as OsloBolig, can help with the challenge of housing affordability for certain criteria of people in Oslo called the in-betweeners. Based on the review of secondary data, this research is a case study about OsloBolig in Oslo, focusing on in-betweeners that are first-time buyers. Thus, the secondary data is from Oslo Municipality's website on their initiative of OsloBolig, and articles that focus on housing affordability. The results indicate that there is an urgent need for projects with a higher number of housing units launched through OsloBolig. This research has illustrated how OsloBolig can contribute to the challenge of housing affordability for in-betweeners that are first-time buyers through discussion of the project Østensjøporten and through highlighting the importance of developing and innovating the third housing sector initiatives.

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1.0 Introduction

Oslo is one of the fastest-growing cities in Europe (Oslo Kommune, n.a). In 2022, Oslo had a total of 696,400 inhabitants (Statistics Norway, 2022a), and by 2030 this number is expected to reach 800,000 (Oslo Statistikkbanken, 2019). This predicted growth is problematic for the housing market, particularly in light of housing prices having increased by 5% in 23 countries, according to the IMF Global House Price Index for 2020 (IMF, 2021). In Norway specifically, housing prices increased by no less than 200% between 2004 and 2021 (Cavicchia, 2021), with Oslo experiencing the highest increase in housing prices compared to other Norwegian cities (Oslo Kommune, 2021). Seeing as the increase in wages has not been able to keep up with this growth (Cavicchia, 2021), housing prices in Oslo are increasingly challenging for citizens to accommodate.

Particularly vulnerable people, such as those belonging to low and middle-income groups, are naturally more affected by the disparity between housing prices and the wage increase than others. Because of this, the issue of housing affordability has often been studied through the lens of these vulnerable groups. However, a group that has not been afforded much attention in research on the topic of housing, is the so-called ‘in-betweeners’ – a term used by Oslo Municipality to refer to people who do not qualify for social housing and, at the same time, cannot enter the housing market for homeownership by themselves (Oslo Kommune, 2018). This research will explore the impacts of rising housing prices in Oslo on the particular group here referred to as ‘in-betweeners’- a term that will be explored in further detail in the following sections. The research question leading this study is:

How does OsloBolit contribute to the challenge of housing affordability for in-betweeners that are first-time buyers in Oslo?

In order to answer this question, the urban development policy followed in Oslo, i.e., ‘urban densification’, and its effect on land prices, is central. Indeed, while the urban densification policy has many positive implications and can help Oslo’s aspiration to become a fossil-free city by 2030 (Oslo Kommune, n.a), there are many negative implications of urban densification on

housing affordability, and these are explored in this paper. Moreover, this paper will discuss alternatives to the current housing market, such as the third housing sector, of which a primary goal is the social aspect of increasing housing affordability for target groups (Borgersen, 2022). This paper will also analyze the percentage of renters and the ‘nurse index’ in Oslo, in order to reflect on the demand for affordable housing. Finally, to answer the research question at hand, a case study of OsloBolig - an initiative of the third housing sector - is explored in relation to urban densification, housing affordability, and the municipality's lack of regulation of the housing market.

This present research is structured as follows: Section 2 will present a literature review, in order to introduce a theoretical framework for this paper. Sub-section 2.1 will discuss urban densification as a concept, Sub-section 2.2 urban densification in Europe, and Sub-section 2.2 urban densification in Oslo. Section 3 will introduce the conceptual framework for this paper, including housing affordability, the third housing sector, and in-betweeners. In section 4, the case study of this paper, i.e., OsloBolig, will be introduced, along with the housing sector in Oslo. Section 5 will then discuss the methodology of this paper. Section 6 will contain the results and discussion of this paper, with sub-section 6.1. discussing the relationship between OsloBolig and densification, sub-section 6.2 exploring the relationship between OsloBolig and the issue of housing affordability for in-betweeners that are first-time buyers, and sub-section 6.3 discussing the relationship between OsloBolig and the municipality's lack of housing market regulation. Lastly, section 7 will conclude in regard to the research question.

2. Literature Review

2.0 Context

2.1 Urban Densification

In 1987, the UN general assembly held a conference and published the report of the World Commission on Environment and Development (WCED) called the Brundtland Report, also

known as Our Common Future Report. The report proposed environmental strategies to achieve sustainable development and was an urgent response to environmental concerns and poverty in some parts of the world (WCED, 1987). The Brundtland Commission, led by Gro Harlem Brundtland, defined sustainability as meeting the needs of the present generation without compromising the ability of future generations to meet their own needs (WCED, 1987). After the Brundtland report was published, urban densification has been considered a sustainable way of developing urban cities internationally (Cavicchia & Cucca, 2021). This development method is intended to prevent cities from expanding into new urban areas, also known as urban sprawl, by reducing urban development in rural areas. Thus, resources remain intact and can be utilized in urbanized cities and not for developing new areas (Bibby et al., 2020).

Moreover, to have sustainable cities, there have been different urbanism models, such as compact cities, eco-cities, and green cities. The most recommended sustainable model is the compact city (Bibri et al., 2020). Thus, the compact city has no concrete definition, and one of the definitions for a compact city by Burton is: “a relatively high–density, mixed–use city, based on an efficient public transport system and dimensions that encourage walking and cycling.” (Burton, 2002, p.227). A compact city with this definition has many similarities to urban densification and its outcomes.

On the other hand, there are negative aspects to urban densification. With higher dense areas and mixed land used for different transportation methods, jobs, and housing, there is more air and noise pollution (De Roo, 2000). With densification and different transportation methods, transport congestion can happen. Finally, studies have also shown that densification causes an increase in land prices which causes housing prices to increase (Breheny, 1992, 1997; Neuman, 2005).

2.2 Urban Densification in Europe

In the 1990s, the European Commission recommended the Compact City model as a sustainable model of urban development (Commission of European Communities, 1990). The compact and densified city has favorable environmental, economic, and social outcomes of densification over urban sprawl (Cavicchia, 2021). Favorable outcomes of densification include preventing more land loss to urban development, decreasing biodiversity loss, commuting to work in less time

because of close proximity to work and amenities, and decreasing energy consumption (Næss, 2022). Thus, European cities apply urban densification in different methods. For instance, a land take limit is in place in Germany and Austria. Sixty percent of any new urban construction has to be located on a brownfield in Britain. Also, urban densification is Switzerland's and Norway's national urban development plan (Teller, 2021). Previous examples from different European countries show the impact of densification on European politicians and policymakers.

2.3 Urban Densification in Oslo

This section explores the application of urban densification in Oslo and the evolution of densification policy toward achieving this goal. Since the 1980s, Oslo municipality has had strict anti-urban sprawl strategies with a compact development from the inner to the outer city and densification around transportation hubs. The average distance of urban development and buildings should be within 16 kilometers of Oslo's city center (Oslo Kommune, 2018a). Then in 1984, Oslo's municipal plan used urban densification as the primary strategy for urban development in Oslo. At that time, Gro Harlem Brundtland was the prime minister of Norway. She directed the Ministry of Environment to develop national and local plans that align with the national environmental goals (Cavicchia, 2023). The government and municipal plans stated the positive outcomes of densification, like less energy consumption, less land loss and biodiversity loss, and less traffic in the transportation sector (Miljøverndepartementet, 1998; Oslo Kommune, 1991).

In the 2000s, densification evolved into a municipal policy that can make Oslo more attractive by being environmentally friendly, compact, and modern (Oslo Kommune, 2000). However, the evolution of the densification policy in Oslo throughout the years should have included the negative correlation between densified locations and the increase in land price (Cavicchia, 2023). Densification in Oslo occurs in central or semi-central locations, brownfields, and areas nearby a transportation node (Giddings & Rogerson, 2021). Moreover, such attractive locations have a higher value than non-central locations or locations far from a transportation node (Camagni, 2016). As well as, the municipality's land use restrictions make the land to be developed into housing complexes fewer in number and more valuable in price (Addison et al., 2013). In urban

development, the price of land is the most significant factor in the final cost of housing (Knoll et al., 2017). As a result, high prices of land create higher prices of homes in densified areas, which can cause issues with housing affordability for some groups in the population, for instance, in-betweeners.

3.0 Conceptual Framework

3.1 Housing Affordability

International literature has many definitions of housing affordability (Mulliner & Maliene, 2011). A popular definition of affordability is “concerned with securing some given standard of housing at a price or a rent which does not impose, in the eye of some third party (usually the government), an unreasonable burden on household incomes” (MacLennan & Williams, 1990, p.9). Thus, housing affordability is about a household having decent living conditions and enough money remaining after being spent on housing to live above the poverty standard (Bramley, 1990). Housing policies in several countries state that housing affordability correlates with a home's cost and a person's income. Furthermore, an affordable home requires a person to spend between 25 and 35 percent of their income on housing (Mulliner & Maliene, 2011). Examples of housing policies that are formed to provide affordable homes are in New Zealand (Housing New Zealand Corporation, 2005), Ireland (Affordable Homes Partnership, 2007), Australia (Affordable Housing National Research Consortium, 2001), and China (Hui, 2001). Another aspect to look into is the challenge of decreased housing affordability for young adults in Western countries. This trend creates a gap between older and new generations in buying a home. Housing prices have increased while young adults have low disposable income and high student loans (Fuller et al., 2020). Between the late 1970s and early 2010s, homeownership rates for people between the age of 25 to 34 years old fell by a quarter in France and nearly half in Germany, Spain, Denmark, the United Kingdom, and the United States (Flynn, 2019).

3.2 The Third Housing Sector

The third housing sector provides housing supply from organizations other than the public and private sectors. Such organizations are charities, social enterprises, and housing associations (Prosser, 2020). The main aim of the third housing sector is to ensure a social aim, such as increasing housing affordability for income groups that qualify for a third housing sector (Borgersen, 2022). Prosser states that different models of a third housing sector have common goals, such as promoting sustainable housing with low costs and high flexibility that does not create housing traps (Prosser, 2020). There has been a movement in Europe towards reducing funding for social housing and investing in alternative housing provision methods. To diversify the social housing sector (Czischke & van Bortel, 2018). Lastly, the concept of affordable housing can be correlated with the term the third housing sector (Oslo Byråd, 2019).

3.3 In-betweeners

In-betweeners are an important concept used in this paper to describe a specific group and its ability to access the housing market by buying a home. There are low-income and middle-income groups who have a hard time accessing the market. However, there lacks a term for those who fall in between those categories. Thus, 'In-betweeners' is a term used by Oslo municipality to refer to people who do not qualify for social housing and simultaneously cannot enter the housing market for homeownership by themselves (Oslo Kommune, 2018).

In-betweeners could also be first-time buyers or young adults who do not depend on their parents' financial support to purchase a home. In this paper, I will be using the term 'in-betweeners' in accordance with the municipality's definition, in order to explore the housing situation of a group that is not often considered.

4.0 Case Study: Housing Sector in Oslo and OsloBolig

4.1 The Housing Sector in Oslo

Before the 1980s and after World War II, the housing sector aimed to increase homeownership for different income groups in Norway (Nordahl, 2020). Furthermore, in the 1980s, before the deregulation of the housing market, the State Housing Bank (Husbanken) strictly regulated the housing market (Sandlie & Gulbrandsen, 2017). The State Housing Bank, the municipalities, and OBOS collaborated to form the Social Homeownership model that successfully made Norway currently have 77% of households own their homes (Statistics Norway, 2017). Another event happened in the 1980s within the housing sector: the deregulation of the housing market and a shift to neo-liberal policies. The deregulation indicates that the market and private urban developers provide housing with a pro-market housing policy. Such a decision no longer allows the state to regulate prices in the housing market.

The significant political emphasis in Norway on homeownership continued. In the 2000s, the housing sector focused on homeownership, but with high prices and strict down payment requirements, homeownership challenged some inhabitants in Oslo (Nordahl, 2013). At the same time, the rest of the housing sector falls under the rental method in Oslo, in which private landlords exploit renters to profit from them. For instance, the rent price of homes depends on the market price, and there is no rental cap or maximum amount of money a renter should pay for rent. The king of Norway is the one in control of specific periods, areas, or types of tenancy to impose a rent freeze and maximum rates for rents (The Tenancy Act, 2007, §4-6). On the other hand, in the Netherlands, a rental cap will be introduced for over 300,000 homes to provide more affordable homes for the middle-income group (Roach, 2022).

Lastly, there is a social housing sector consisting of less than 4% of the total housing market in Oslo (Nordahl, 2020). However, the third housing sector did not exist in Oslo until 2019 (Ekås, 2023), introducing it as an alternative to the private housing market (Cavicchia, 2023). Compared with other Scandinavian countries with a higher proportion of the third housing sector in the entire housing sector, such as 15% in Sweden, 18% in Finland, and 21% in Denmark (Tunström et al., 2020).

4.2 OsloBolig as One of the Initiatives of the Third Housing Sector in Oslo

In 2021, the city council of Oslo established, in collaboration with OBOS, NREP, and Bane NOR, a company offering alternative housing to the market housing called OsloBolig. Including a partnership with DNB aids finances for OsloBolig customers. Then OsloBolig was launched in the summer of 2022. The city council advisor, Raymon Johansen, describes OsloBolig as one of the pilot projects for the third housing sector the city council is trying to create. To create an initiative of the third housing sector, Johansen mainly refers to the increasing pressure of high housing prices, as housing prices increased by 100 percent in Oslo from 2011 to 2021. The city council's goal is to make Oslo a city for everyone, and people should own their homes. Thus, OsloBolig is a choice for families or single parents who are sometimes forced to move out of Oslo due to the high prices or small size of units (Oslo Kommune, 2021a).

Besides the city council, other actors are involved in OsloBolig. First, OBOS is a housing company in Norway with several housing models that can provide OsloBolig with homes to sell. Then there is Bane NOR Eiendom, a well-known real estate company in Norway that wants to contribute to urban sustainability and urban development by developing attractive locations around transport hubs to make people's commute to work easier. Also, there is NREP, a real estate company and a new company in Norway but well-established in Copenhagen and Stockholm. NREP is a company that believes access to housing properties fixes social issues, and NREP's foundation is achieving social and environmental sustainability (Oslo Kommune, 2021a).

The last collaborator of OsloBolig is DNB, which joined as a financial partner for customers who need a loan. Ingjerd Blekeli Spiten, head of the personal market at DNB, states that the housing loan to OsloBolig customers works similarly to a standard housing loan. However, it will be easier for an OsloBolig customer to receive a pre-qualification letter from DNB. A prequalification letter is a requirement when searching for a home because a buyer needs to show a real estate company that the bank approves a housing loan for a buyer (Oslo Kommune, 2021).

To understand why DNB is collaborating with Oslobolig to assist people needing a bank loan, it is essential to discuss the method home buyers in Norway pursue to buy a home. The majority of home buyers in Norway can buy a home by taking out a loan from the bank. Depending on their annual wage, the bank estimates the loan they can receive to finance buying a home. A buyer should meet three requirements for a mortgage: Ability to service, debt level, and repayment period. The most relevant to the discussion in this paper is the ability to service, in which the bank reviews the ability of a buyer to finance their loan. Through reviewing the buyer's income, all expenses, ordinary living expenses, installments on loans, and interest (Eiendom Norge, 2023).

The form of shared ownership (Deleie) OsloBolig offers customers lower equity and debt ratio requirements (Oslo Kommune, 2021a). Lubell defines shared equity home ownership, or shared homeownership, as a choice that gives the person some of the privileges of homeownership at a lower price which helps low and medium-income groups own a home. In shared homeownership, the home prices are shared between the buyer and an entity. This entity Lubell defines its role in shared homeownership as "to achieve a balance between the individual's interest in building wealth and the community's interest in ensuring long-term affordability" (Lubell, 2013, p.2). In the case study, the entity is OsloBolig. Lastly, a housing loan for shared ownership from DNB is cheaper than a full homeownership loan. Customers must still demonstrate the ability to pay higher rental costs if the loan's interest increases (Oslo Kommune, 2021a).

OsloBolig aims to target people who need help affording the down payment of 15 percent of a home. At the same time, the target group should be either first-time buyers with an annual gross income lower than NOK 600,000 or people who do not own another property with an annual gross income lower than NOK 750,000. OsloBolig will also purchase existing and new homes from private urban developers, then resell those units to the target group. Lastly, OsloBolig aims to provide 1000 homes in 5-7 years (Oslo Kommune, 2021a). The target group OsloBolig aims to provide accessible housing for has similar income and circumstances as in-betweeners. Due to its importance, the OsloBolig case study is used in this thesis to explore Oslo's recent introduction of third housing sector initiatives.

5.0 Methodology

Following the guidelines of this bachelor thesis, this is a qualitative research conducted through a literature review as secondary data. The research was done mainly on social sciences and urban planning topics. Thus, the type of research design is a case study about OsloBolig in Oslo focusing on in-betweeners. Sources used are grey literature through online publications from Oslo Kommune's, Oslo municipality in English, website on their pilot project OsloBolig, and the launch of the Østensjøporten project. A municipal policy published in 2018 that I use to define the term "in-betweeners" called KUNNSKAPSGRUNNLAG for en kommunal boligpolitikk. A disclaimer on the use of such resources in Norwegian that is translated into English by Google instant page translator. Also, several statistics are acquired about land prices in Oslo and details about homeownership through Statistics Norway's (SSB) website.

As well as the main articles used are Rebecca Cavicchia's articles: Housing accessibility in densifying cities: Entangled housing and land use policy limitations and insights from Oslo, and Are Green, dense cities more inclusive? Densification and housing accessibility in Oslo. Another article by Cavicchia and Roberta Cucca: Urban Densification and Its Social Sustainability. An article by Petter Næss: Compact urban development in Norway: Spatial changes, underlying policies and travel impacts. A report by Nordregio, a leading Nordic and European research center, called Building Affordable Homes, challenges and solutions in the Nordic Region.

Lastly, the discussed topics of urban densification and housing affordability are because of a personal interest that started from completing a course called CityStudio that had some urban planning, sustainability, and gentrification seminars. Also, a way of better understanding the issue of housing affordability for some groups. Urban densification has many positive impacts that can contribute to different aspects of sustainability in urban cities. However, I would like to have more insight into how it could negatively contribute to social inequality through the lens of housing affordability.

6.0 Results and Discussion

6.1.0 The Relationship Between OsloBolig and Densification

6.1.2 OsloBolig- Densification and the Land Price

In order to consider how OsloBolig contributes to solving the challenge of housing affordability for first-time buyers, specifically so-called ‘in-betweeners,’ it is first necessary to look at the relationship between OsloBolig and densification. For this, we might consider the example of *Østensjøporten*, the first project by OsloBolig, launched in 2022. The project consists of nine new apartments in Østensjø, built in collaboration with Neptune Properties. People are able to purchase the apartments through shared homeownership with OsloBolig (Oslo Kommune, 2022). This initiative by OsloBolig is essential for ‘in-betweeners,’ a group who have a high need for affordable homes, as it can assist them in buying homes through a third housing sector, saving them some of the difficulties associated with entering the housing market and the uncertainty of the rental market. However, the initiative is also necessary due to the units' relatively high pricing, making it difficult for first-time buyers to purchase homes on their own.

One central contributor to the pricing of the units built under this project is the chosen location. According to the densification policy in Oslo, urban development and buildings should be within 16 kilometers of Oslo’s city center (Oslo Kommune, 2018a). Østensjøporten falls under the densifying location category, considering it is 9.1 kilometers from the city center of Oslo. As previously mentioned in section 2.3, there is a negative correlation between densified locations and land prices; in densifying locations, land prices tend to increase (Cavicchia, 2023). Densification in Oslo occurs in central or semi-central locations, brownfields, and areas nearby a transportation node (Giddings & Rogerson, 2021). An example of this negative correlation between densified location and land prices can be seen in a 2021 study done by Oslo Municipality comparing the average total price of homes in districts of densified locations, such as Østensjø, Bydel Gamle Oslo, and Grünerløkka, and districts further away from the city center, such as Alna, Grorud, and Stovner. The average total price for homes in districts in densified locations was found to be: NOK 4,129,364 in Østensjø; NOK 4,750,000 in Gamle Oslo; and NOK

4,700,000 in Grünerløkka. Homes further away from the central districts, on the other hand, were found to be significantly cheaper: NOK 3,819,000 in Alna; NOK 3,524,000 in Grorud; and NOK 3,672,000 in Stovner (Oslo Kommune, 2021b). When comparing the prices of land in these densified and non-densified locations, the negative relationship between land and cost becomes clear. In other words, seeing as the price of land is the most significant factor in the final cost of housing in urban development (Knoll et al., 2017), it follows that densifying locations will have higher-priced homes, as illustrated by the high price of homes in the district of Østensjø or Bydel Gamle Oslo.

While the location selected for the pilot project by OsloBolig is an attractive and semi-central location, the high prices of homes in the district of Østensjø make the choice of location by OsloBolig problematic. That is, the project's main aim is to provide more affordable homes as an initiative of the third housing sector; however the location of the project contributes to making the project less affordable. From this, I might argue that future third housing initiatives would be more effective in non-densifying regions, as this would contribute to driving down the pricing of the projects. One good example of this is the first pilot project of the third housing sector in Ultsholtveien 31 (Kielland, 2021), which offered units at a relatively lower price compared with other housing units due to the non-central location of the project (Cavicchia, 2023).

6.1.3 Challenges for OsloBolig to Provide Affordable Homes Within Urban Densification

An important argument for the use of densification policies in Oslo, is the increased population growth in the city. The population of Oslo increased from 132,700 residents in 1989 to 184,500 residents in 2010, with the main population increase taking place in the central and Inner Zone (Næss, 2014). During this period, no new land was urbanized, meaning that the city experienced an increase of 39% in population density (Næss, 2014). The expected population by 2030 is 800,000 inhabitants in Oslo (Oslo Statistikkbanken, 2019). Seeing as densification policies involve positive outcomes such as less land loss to urban development, decreased energy consumption, and less time spent on commuting to work with close proximity to work and amenities (Næss, 2022). Densification in Oslo seems to be an alternative to tackle the expected

population growth. However, a challenge associated with population growth and corresponding densification is increased pressure on the housing sector; developing more housing in densification locations can challenge housing affordability in such locations.

Indeed, a challenge for the affordability of housing is the availability of land under densification policies. Densification policy involves development in specific areas of a city while other parts, such as agricultural land and natural areas, are protected. The specific city areas that can be densified include urbanized areas or brownfields (Westerink et al., 2013), central locations, and locations close to transportation nodes. These areas are expensive to develop due to their attractive location (OECD, 2012). Protected agricultural and natural areas and densification policies result in the restriction of land use, leading to decreased availability of land for development (Cavicchia & Cucca, 2021); as the land for development becomes scarce, it becomes more valuable (Addison et al., 2013). Moreover, less available land in central locations can create pressure and exclusionary markets, in which vulnerable groups such as first-time buyers, renters, and low-income groups are excluded from these locations (Haffner & Hulse, 2021). This also extends to ‘in-betweeners’, i.e., people who do not qualify for social housing and simultaneously cannot enter the housing market by themselves (Oslo Kommune, 2019a), seeing as this group can include first-time buyers and/or young adults with low to moderate income.

In order to ensure affordable housing in new development, the state or municipality can use land-use policies, such as land ownership, more actively. That is, a municipality with a significant amount of land ownership has the ability to negotiate with private urban developers to designate some affordable units in a newly built housing project (Debrunner & Hartmann, 2020; Nordahl, 2013). However, this is challenging in Oslo, as the municipality only owns 30% of the land, while 75% of the owned land is in the protected forest belt (Cavicchia, 2023). Because the municipality owns such a low percentage of land, and because of the deregulation of the housing market, the municipality no longer has the role of land provisioner - instead, private urban developers now have the role of land provisioner (Eika, 2020). As a result, the municipality is limited in its ability to demand conditions from private urban developers, such as affordable housing units (Barlindhaug et al., 2018). It is important to point out that there are other methods

that the municipality could employ in order to demand affordable housing from private developers that are not discussed in this paper. However, regardless of the approach, it is clear that Oslo municipality must accompany densification policies with tools and practices to provide affordable housing (Cavicchia, 2023).

6.2.0 The Relationship Between OsloBolig and the Issue of Housing Affordability for In-betweeners That Are First-Time Buyers:

6.2.1 Low Number of Homes in the First Project by OsloBolig

OsloBolig is one of several initiatives launched by the City Council in 2022 as part of the third housing sector (Oslo Kommune, 2021a). OsloBolig's target groups in the housing market are first-time buyers with an annual gross income lower than NOK 600,000 and people who do not own another property with an annual gross income lower than NOK 750,000 (Oslo Kommune, 2021a). This target group overlaps with my definition of in-betweeners, insofar as it contains people who do not qualify for social housing and simultaneously cannot enter the housing market for homeownership by themselves (Oslo Kommune, 2019a). In-betweeners could also be first-time buyers or young adults who do not depend on their parents' financial support to purchase a home. The set goal by OsloBolig in 2021 is to provide 1000 homes within 5-7 years (Oslo Kommune, 2021a) – an ambitious goal. OsloBolig's initiative can positively impact the in-betweener-group by assisting people who fall into this category with buying homes; however, their first project offers a relatively low number of units. As mentioned above, the first project by OsloBolig, *Østensjøporten*, offers only nine apartments that can be purchased as shared homeownership with OsloBolig (Oslo Kommune, 2022).

To examine whether the nine apartments launched in the first project by OsloBolig could meet the potential demand of people seeking affordable homes, two factors are crucial, i.e., the number of renters in Oslo and the Nurse Index explained in the following paragraph. First, the current percentage of renters in Oslo is 26.4% (Statistics Norway, 2022b). The 26.4% of renters translates into 179,936 inhabitants (Statistics Norway, 2022c). Given the Norwegian state's

promotion of homeownership, as well as the high percentage of Norwegians who own their home compared with other European countries, it is possible to assume that many renters would prefer homeownership to rent (Regjeringen, 2020) (Statistics Norway, 2017). Moreover, given the disproportionate relationship between homeownership in Oslo and other parts of the country, with 82% of families in Norway living in their own homes compared to 75% in Oslo (Statistics Norway, 2017), as well as the disproportionately high housing price in Oslo compared to the rest of the country, it is possible to assume that the pricing of housing in Oslo is a contributing factor to many renters not being able to enter into the housing market. A proportion of the 179,936 renters in Oslo who, given the current situation, could benefit from an affordable home through OsloBolig. This proportion of renters can likely belong to the group of in-betweeners, specifically in-betweeners who are first-time buyers with a good income. Given the large number of renters in Oslo who might want to purchase a home through this project, a more sizable project than *Østensjøporten* is likely needed.

In order to understand why there is a high demand for apartments like the ones offered through this project, it is also relevant to discuss the nurse index. The nurse index, *sykepleierindeksen* in Norwegian, measures the proportion of homes that can be bought with the salary of a single nurse (Eiendom Norge, 2023). For context, the nurse occupation in Norway has a good income that is above average for individuals and is a profession less dependent on the economic state (Eiendom Norge, 2023). According to this index, housing prices are low and housing is considered highly affordable if a nurse can buy a higher share of homes in a city. Conversely, housing prices are costly and housing is unaffordable if a nurse cannot afford to buy a high share of homes in a city (Ibid.). From 2005 to 2022, the nurse index in Oslo dropped dramatically from 13.8% to 1.5% (Ibid.). It is also worth mentioning that in 2005, the nurse index of 13.8% in Oslo was already rather low compared to other Norwegian cities. The nurse index indicates that a nurse or person with an average annual salary of 639,257, based on 2021, can only buy 1.5% of the share of homes in Oslo. To put this into perspective, a nurse can afford to buy 24 out of 100 homes in other municipalities in Norway, like Ålesund, Kristiansand, and Porsgrunn/Skien, while in Oslo, a nurse can buy 1 in every 100 homes as of 2022 (Eiendom Norge, 2023).

The dramatic drop in the nurse index of Oslo, indicating less ability to buy homes for stable and middle-income groups including those who fall in-between, is concerning – especially considering that the average income of nurses is better and more stable compared to, for instance, the annual average income before tax for people living alone in Oslo, which is NOK 466,000 (Statistics Norway, 2021). With a nurse index of 1.5%, and given the previously established want for homeownership among the population, there is a clear need for more affordable homes in Oslo for people who fall under the same income bracket as nurses or below. Thus, considering the low nurse index of Oslo, as well as the high percentage of renters and the presumed desire for citizens of Oslo to own their own homes, future projects by OsloBolig need to be more expansive. If OsloBolig were to continue at its current rate, launching nine homes yearly, this will likely not be a satisfactory solution to the assumed demand for affordable housing, also for those who fall into the group of in-betweeners. Indeed, at the current rate, more initiatives in the third housing sector alongside OsloBolig are required to meet the demand for affordable homes.

6.2.2 The Building in Hagegata 30

As previously mentioned, OsloBolig sells both existing and new homes from private urban developers (Oslo Kommune, 2021). Moreover, as established in the previous subsection, more initiatives launched by the municipality as part of the third housing sector are essential for higher accessibility of housing for different groups, including in-betweeners. An interesting example of an initiative that combines several different initiatives in order to contribute to the third housing sector is the building in Hagegata 30. This building, at 3,500 square meters and located in Tøyen, was intended to be a student dormitory, however, it was acquired by the city council six years ago. The city council plans to include Hagegata 30 in the third housing sector, renovating it so that it will be ready for people to move in by 2026. The council states that none of the apartments will be sold through OsloBolig. Instead, the apartments will be sold through two different methods as a part of a pilot project for a mixed-use building. The first method involves selling the apartments at a discounted price through the municipality, thus enabling the municipality to offer them below market price for disadvantaged groups. The second option involves selling the apartments through private urban developers, where the developers will sell the apartments through different purchasing models, such as the rent-to-own model at market price (Ekås,2023).

For instance, rent-to-own models have been introduced by OBOS in shared tenure condominiums, Borettslag, to offer affordable purchasing models (OBOS, 2021). To avoid other people taking advantage of such a model, apartments bought through these models have to be resold to OBOS at the price of purchase fixed in reference to the national price index (Cavicchia, 2021).

This on a surface level, is a good initiative for the third housing sector and might contribute to making affordable housing available to in-betweeners. However, the Oslo city council's plan for the building in Hagegata 30 seems to be problematic in two ways. Firstly, regarding the apartments planned to be sold at a discounted rate to disadvantaged groups, the disadvantaged group needs to be further specified. Is the disadvantaged group in question a lower income group, physically disabled group, in-betweeners seeking affordable homes, or perhaps even another target group? Secondly, the city council's decision not to sell the units in Hagegata 30 through OsloBolig seems negative as it detracts that OsloBolig is supposed to be an initiative of the third housing sector. Lastly, these apartments in Hagegata 30 could have contributed to OsloBolig's goal of 1000 homes in 5-7 years.

6.2.3 Potential Buyers of OsloBolig Might Face Some Competition

As previously discussed, OsloBolig's new project offers nine apartments (Oslo Kommune, 2021a) - a low amount which would likely create competition between potential buyers. Indeed, even though OsloBolig only started operating in 2021, and many people might still not know that the initiative exists, the current projects will likely be highly competitive, based on what we know of the competitiveness of the private housing market in Oslo. Moreover, seeing as buyers can purchase apartments with OsloBolig through shared homeownership, and people who own a home through shared ownership make up 31% of the housing market in Oslo in 2022 (Statistics Norway, 2022d), this might suggest that this kind of home ownership is sought after. In comparison, people who own homes with full homeownership, or freeholders, are 42.6% of the housing market in 2022 (Statistics Norway, 2022e). In other words, the low amount of units, in addition to the sought-after shared homeownership model in which they are sold, might make the purchase of these units competitive between potential buyers.

6.2.4 A Comparison Between the Price of an Apartment Sold Through OsloBolig and an Apartment Sold Through the Housing Market.

As previously mentioned, *Østensjøporten* is built in collaboration with the developer Neptune Properties. However, while OsloBolig disposes of nine of the units built under the project, Neptune Properties are developing an additional 36 apartments, amounting to a total of 45 units. In order to consider the potential economic benefit of this project for in-betweeners, it is helpful to compare the price difference between apartments sold through OsloBolig, and apartments in the same urban project sold through the private housing market. It is also important to note that the shared ownership model offered by OsloBolig allows a person to purchase a certain percentage of apartments while gradually paying down the remaining percentage until the apartment is fully owned by the buyer (Neptune Properties, n.a). Apartments sold through the private market, on the other hand, must likely be purchased in their entirety.

A detailed price list for the apartment available through OsloBolig in *Østensjøporten* is not yet published. The upfront amount is therefore not available, only the administrative cost of sale (Omkostninger) and the monthly estimated shared costs (Est. Felleskostnad. pr mnd. år 1) are published (Neptune Properties, n.a). Thus, it is difficult to make a financial comparison between OsloBolig and the private market involving more than the full price at this time. However, when considering the full price of the units, it is clear that the apartments sold through OsloBolig are considerably cheaper: The apartments sold through OsloBolig are 82 square meters, including three bedrooms and a balcony on the second floor. The price of these units is NOK 7,130,000. In comparison, an apartment with a similar layout sold through the private housing market in the same urban project has a price of NOK 9,800,000 (Neptune Properties, n.a).

Another factor to look at when the price list is published, is the yearly average of housing costs a person has to pay for the apartment bought through OsloBolig. The calculated annual average total housing costs in Norway, which was NOK 95,762 per year in 2018 (Statistics Norway, 2019). According to Mulliner and Maliene, an affordable home should consume between 25 and 35 percent of a person's income (2011). Currently, the average income after taxes of an individual living alone in Oslo is NOK 356,000 (Statistics Norway, 2021). If we assume that in-betweeners that are first-time buyers have the same income as an individual's average income,

then the yearly average total housing costs of NOK 95,762 would make up around 26 to 27% of the income of in-betweeners. As such, in order for the units sold through OsloBolig to be affordable for in-betweeners with an income equal to the average income of people living alone in Oslo, the total housing cost per year for OsloBolig apartments could be around NOK 95,762.

However, it is important to note that the housing costs percentage was last calculated in 2018 and that these costs likely have increased in 2023 due to inflation and an increase in housing prices. Indeed, an indicator of inflation is the Consumer Price Index (CPI) which measures the percentage of change in the price of goods and services purchased by private households in Norway (Statistics Norway, 2023), and in Norway, the annual change of CPI in 2018 was 2.7% (Statistics Norway, 2018a), while in 2023 it is 6.5% (Statistics Norway, 2023). It is, therefore, likely that the estimate above is too low for the current pricing, however it indicates a certain range within which the units must be priced to be considered affordable housing.

6.3.0 The Relationship Between OsloBolig and the Lack of Regulation of the Housing Market by the Municipality

6.3.1. Lack of Legal Tools for the Municipality to Provide Affordable Housing

There has been a dramatic increase in the gap between housing prices and wages. Statistics show wages increased by 74% between 2004 and 2021, while housing prices rose by more than 200% (Cavicchia, 2021). Nowadays, housing prices in Oslo are the highest compared to other cities in Norway (Oslo Kommune, 2021). Cavicchia describes housing accessibility as a massive issue in Oslo, and the conversation continues between the public, academics, and media (Cavicchia, 2023). This increase in housing prices has directly challenged lower and medium-income groups, which could also be “in-betweeners”, to access the housing market. For instance, 51.4% of the lowest income groups in Norway are renters, while the highest income groups have only 6.6% of renters. On the other hand, the lowest income group has 35.5% freeholders or full ownership. In contrast, the highest income group has 82.4 % of freeholders (Statistics Norway, 2017). The data illustrates the correlation between income and homeownership presented as groups with the

lowest income in Norway can rent homes more than owning homes. While the groups with the highest income in Norway are more capable of owning homes, and few tend to rent.

Moreover, access to the housing market in Oslo currently depends on a person's high average income, with wealthier and higher-income groups having an advantage in entering the housing market over other income groups. In addition, other groups that can access the housing market might own a previous property or receive extra financial support from their parents to buy housing (Cavicchia, 2023). For example, 5 out of 10 people in their 20's have received help from their parents to be able to buy a home (Statistics Norway, 2018b).

With the increase of prices of homes by more than 200% (Cavicchia, 2021), It is essential to explore the tools available to municipalities to provide affordable housing and aid the mentioned groups in buying homes. The Planning and Building Act has limited regulations to target developing buildings for low-income households or affordable homes (Tunström et al., 2020). Creating a housing policy on the national level starts with the Planning and Building Act (plan-og bygningsloven), which sets regulations for municipalities regarding housing policies (Nordahl, 2012). The local government adopts the regulations, and the municipalities decide how to utilize the housing policy to a certain extent because the economic interests of private developers are protected under the law (Nordahl, 2012). If, in some cases, the municipality decides to have a first refusal to the number of proposed housing units by a private urban developer. Then the municipality has to compensate the urban private developer at the current market price ("Plan- og bygningsloven– pbl", 2008, § 17-3). Municipalities in Norway can create zoning plans and decide what will be developed and the location of the development. However, proposals for zoning plans most commonly come from private urban developers. The city council is the primary planning authority to decide if the zoning plans will be accepted or rejected. (Nordahl, 2012).

As mentioned, regulations that the Planning and Building Act offers to target developing buildings for low-income households or affordable homes are limited (Liliegreen et al., 2020), and because of that, it is challenging to have direct regulations for providing affordable homes. Instead, there are other tools the municipality can use to sort of influence proposals initiated by

private urban developers indirectly. As such, the municipality can use tools through the housing policy to demand certain compositions and distribution of new homes developed by private urban developers. Deciding the composition of housing types in a housing project can be the number of detached and multi-family houses. As well as deciding the distribution of homes with different numbers of rooms, like the number of homes with one, two, or three bedrooms. Lastly, the municipality can use other tools to demand outer physical characteristics of new homes and neighborhoods, such as the height and volume of a building and the provision of a building facade (Tunström et al., 2020).

At the same time, the tools provided by the Planning and the Building Act do not allow the municipality to demand the financial plan and forms of tenure from private urban developers. Thus, municipalities cannot demand from the selling price or the proportion of rental units in a project by private urban developers. The municipality can recommend to developers to design a housing project for a group of inhabitants the municipality would like to see living in such locations. The authority of the municipality remains limited, which challenges implementing the goals for a housing policy, for example, a policy to include homes for low-income groups in a new housing project that has its housing units sold through the private housing market (Liliegreen et al., 2020).

6.3.2 Challenging the System and the Third Housing Sector

As established, providing housing for low-income and middle-income groups and extending to ‘in-betweeners’ is not linked to planning policies and new developments. Moreover, the law from the Planning and Building Act does not give any rights or direct tools for municipalities to create an inclusionary plan for such income groups (Tunström et al., 2020). Unlike the law in the United Kingdom that permits local governments to have inclusionary housing plans (Whitehead, 2007; Morrison, 2016). In addition, the municipalities in Norway cannot demand financial models and forms of tenure from private urban developers. On the other hand, the Danish Planning and Building Law allow their municipalities to ask for such demands (Liliegreen et al., 2020).

There is a lack of enough initiatives to challenge such housing policies that could fail the mentioned groups in the housing market. The initiative discussed in this paper is the third housing sector. However, movements such as “housing rebels” in Oslo are worth mentioning because the movement targets the failure of the housing system. The movement highlights issues that need to be addressed in housing policies and consists of tenants protesting over housing conditions and lacking tenure protection. Furthermore, the movement focuses on low-quality housing, and another aspect protested is the principle that municipal housing is temporary because tenants are encouraged to move out after three years of renting in municipal housing (Liliegreen et al., 2020).

OsloBolig is one of many initiatives under the third housing sector in Oslo. The third housing sector was first introduced to Norway recently through Oslo’s city government policy plan in 2019. The concept of affordable housing can be correlated with the term the third housing sector (Oslo Byråd, 2019). The policy plan suggests some strategies for affordable housing for in-between income groups. One of the goals in the strategy for the city government is to provide 1000 new homes through the third housing sector by the end of 2023. Thus, the target set by Oslo’s city government is similar to the set goal of OsloBolig in 2022 to provide 1000 homes within 5 to 7 years. However, based on the use of secondary data in this paper, the goal of 1000 homes can not be confirmed whether it has been achieved or not through the different initiatives of the third housing sector in 2023. Initiatives under the third housing sector, such as OsloBolig, launched in 2022 (Oslo Kommune, 2021a), could provide more affordable homes to target groups in the future. There are two possible outcomes with OsloBolig and other third housing sector initiatives consistently operating for the upcoming year. The first outcome is that there can be a higher proportion of the third housing sector in the housing market. Such as the third housing sector making up 15% in Sweden, 18% in Finland, and 21% in Denmark of the rest of the housing market. The second outcome of municipal initiatives might cause a change in national policy (Tunström et al., 2020).

7.0 Conclusion

This research aimed to identify contributions OsloBolig makes to the challenge of housing affordability in Oslo, specifically for the group here referred to as ‘in-betweeners’ that are also first-time buyers. Based on qualitative research through a literature review of secondary data and grey literature on affordable housing, this paper concludes that land price and assumed high demand for affordable homes by in-betweeners that are first time buyers are important factors to consider for OsloBolig when launching future projects. The results of this research indicate that national planning policies and new development are not linked to providing housing for low-income and middle-income groups, extending also to in-betweeners. This creates an exclusionary housing market in Oslo, and there is an urgent need for projects with a higher number of housing units launched through OsloBolig.

Guided by the research question:

How does OsloBolig contribute to the challenge of housing affordability for in-betweeners that are first-time buyers in Oslo?

This research has illustrated how OsloBolig can contribute to the challenge of housing affordability for in-betweeners that are first-time buyers through discussion of the project Østensjøporten, and through highlighting the importance of developing and innovating the third housing sector initiatives. Due to the current lack of regulation of the housing market, and the lack of tools allocated to the municipality, an initiative like OsloBolig has the potential to be an effective solution to providing affordable homes for in-betweeners. However, this research has also highlighted several challenges for OsloBolig, such as land prices and possible demand for OsloBolig apartments, by discussing the nurse index and percentage of renters in Oslo. Moreover, this paper has shown that the shared homeownership model is sought after, which can create competition for potential buyers of OsloBolig.

The methodology used in this paper, which is based on secondary data, brought together the concepts of urban densification, housing affordability, the third housing sector, and housing policies used by the municipality. However, when comparing the price of an apartment sold through OsloBolig and an apartment sold through the private housing market in the Østensjøporten project, it would likely have been more helpful to use primary data. It would indeed have been beneficial to use primary data based on the price details of the apartment sold through OsloBolig, seeing as this could help determine more precisely if the apartments are affordable for target groups. That is, with the exact information about the pricing of the units, it would be possible to assess whether this falls under the definition of an affordable home, insofar as it consumes 25 to 35 % of a person's income.

This research has argued that, seeing as the location of the first project by OsloBolig is in a densified location, the pricing of units is higher by consequence. The high home prices in central and semi-central areas of Oslo may push vulnerable groups, such as in-betweeners, low and middle-income groups, to live further away in non-central locations - or move to other cities altogether. This raises the question of whether in-betweeners, low and middle-income groups should have the choice to live in central densified locations. Will urban densification policies and the issue of increasing housing prices push these groups away from the city and negatively affect social equality? Further research is necessary in order to determine whether urban densification and national housing policies can provide affordable homes through methods other than the discussed alternative in this paper, i.e., the third housing sector initiative. For instance, is there a possibility of restructuring regulations in the Planning and Building Act, in order to give direct tools to the municipality for the inclusion of a proportion of affordable homes in a new housing project created by private urban developers?

Finally, this paper has aimed to explore OsloBolig as an initiative for the third housing sector in-depth and has provided insight into improvements that could be made in future projects. The importance of such initiatives and other third housing sector initiatives in providing affordable homes for in-betweeners is undeniable, and central in making homeownership more accessible in Oslo moving forwards. It remains to be seen whether this initiative, and others like it, live up to the challenge of providing affordable housing to vulnerable groups in one of the fastest-growing cities in Europe.

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