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On the search for hot spots in North of Sweden

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DRAFT TO A RESEARCH APPLICATION

On the search for hot spots in North of Sweden

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Abstract

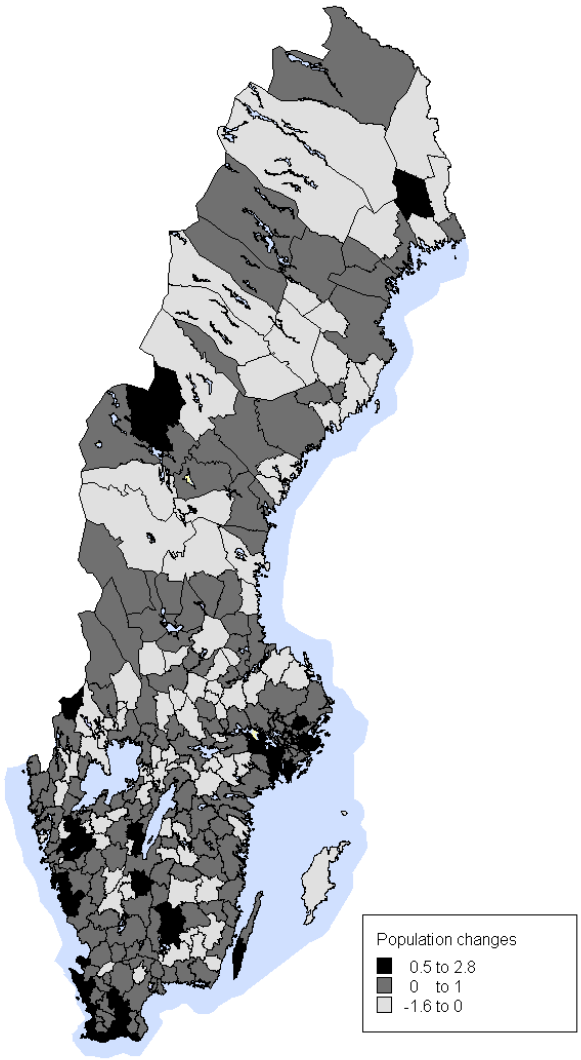
Sweden is a divided country where economic activity and progress differ between north and south. But polarization does not follow a simple north-south dimension. In the northern part of Sweden there are an obvious gap between costal municipalities winning inhabitants and inland municipalities losing inhabitants through migration. The pattern can be even more complex when focusing on place. The object for this study is to analyse occurrence of hot spots in the northern part of Sweden, and thereby dissolve the fairly pointless average values describing the housing market. A general definition of hot spots is places with great natural beauty on the countryside, far away from metropolitan areas. In extreme cases the process is initiated in a place characterized by loss of population, decreasing prices on the housing market. But suddenly something happen and the place is transformed to an attractive hot spot. Are there hot spots in the northern part of Sweden? Which factors explain this development? And is the development of hot spots in weak regions long-standing sustainable? To address these questions the longitudinal database Geoswede will be used together with interviews. Of importance are physical and socioeconomic transformations of places. Tobin's q will be used for analysis of prices on single family houses. The method will be multi level analysis. Results will add knowledge to planning about dynamic on housing at a geographical lever where people live there everyday life.

Introduction

Sweden is a divided country, where the economic activity and progress differ between north and south. The natural recourses are to a large extent found in the northern part, but industrialization and the subsequent urbanization are more prevalent in the south. These development processes are well depicted in research and in recent years by Nutek, the Swedish Agency for Economic and Regional Growth, (Yearbook 2006). Nutek concludes that the economic growth in Sweden during the period 1995-2002 has been weak, and especially in comparison with rest of Europe. In addition, the growth has been unequal distributed in the country.

There are an evident polarization concerning GDP and level of employment between the northernmost so called NUTS-regions[1] and the rest of Sweden. However, Nutek points out a favourable economic growth in Sweden after year 2002, but at the same time calls in question if the growth is long-standing sustainable. The polarization and regional differences in Sweden concerning employment and economic activity and progress can be illustrated by the population development in municipalities (Magnusson and Turner 2003). The mobility pattern (net migration) is one useable proxy for economic activity (map 1).

[1] Övre Norrland, Mellersta Norrland och Värmland/Dalarna/Gävleborg.



Map 1 Population changes, 2005-2006 (percent)

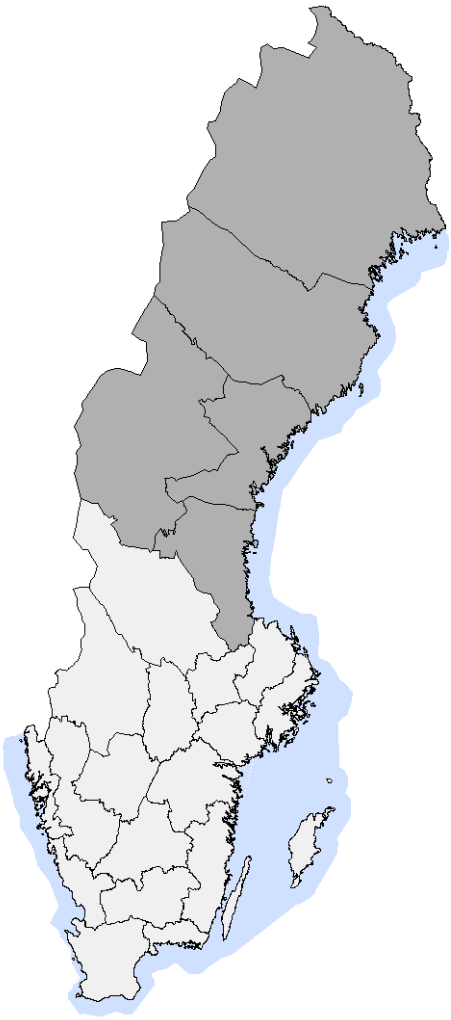
Well illustrated by the map above - light grey indicates loss, dark grey and black indicates win - the polarization does not just follow a simple north-south dimension. The pattern is more complicated. The southern part of the country consists of a mosaic of municipalities losing population and winning inhabitants through migration. And in the northern part of Sweden there are an obvious gap between coastal municipalities winning inhabitants and inland municipalities losing inhabitants through migration. A loss of population has a strong impact on the social and economic conditions in these municipalities. That has certain relevance for the housing sector. Prices of owner occupied houses and cooperative dwellings decrease and vacant dwellings become a problem to the municipal housing company (Magnusson and Turner 2000).

Nevertheless, within one and the same municipality huge variations in population growth can be found and as subsequent consequences, the huge variations in the economic conditions. Without any doubt, the coastal municipalities are ‘strong’ places resting their success on a growing labour market. But are there other promising places or *hot spots* in the northern part of Sweden? Places with a positive net migration and increasing prices on housing market. If these places occur, which factors explain this

development? And is the development of hot spots in weak regions long-standing sustainable?

Objectives

This study has two objectives. The *first* is to analyse the occurrence of hot spots or promising places in the northern part of Sweden, and thereby dissolve the fairly pointless average values describing the housing market. The geographical definition of Northern Sweden has a longstanding history and is well established in the Swedish context. The grey area in Map 2 marks the study area.



Map 2 Study area

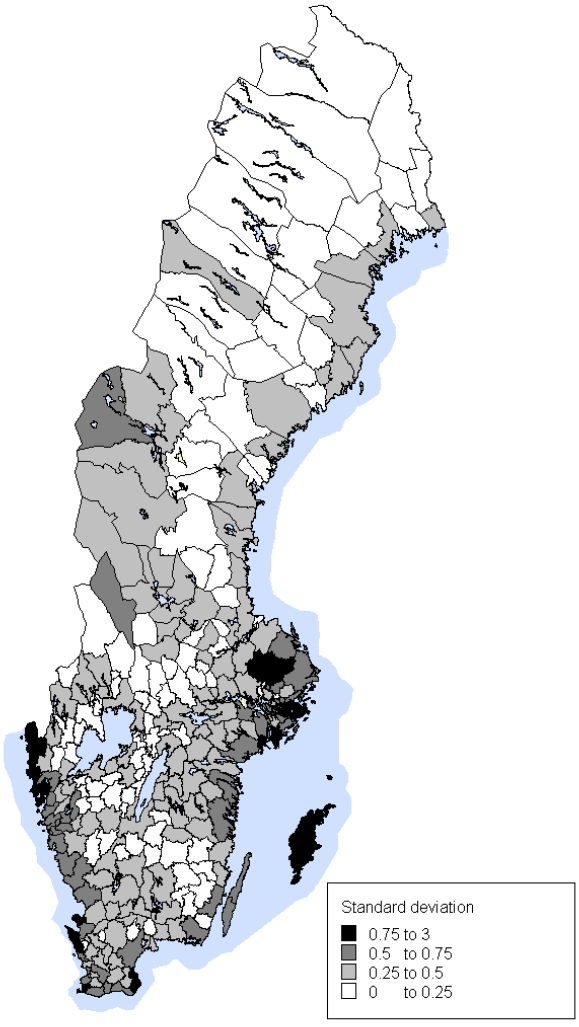
Central here is prices and the socioeconomic dynamics at different places, and in that respect the mobility pattern. This first part of the study is a quantitative analysis of the interplay between the structure of the housing market, physical structure and household mobility.

The purpose of the *quantitative part* is answers questions about socioeconomic structure and changes in that structure by way of household mobility. Important variables

are related to the housing market (type of building, type of owner, geographical location, the environment, price, Tobin's q etc.) and the households' resources (disposable income, education, previous location, etc.).

The second objective follows the first one. There are strong reasons to expect hot sports in the north of Sweden. The second object is to explain the prevalence and development of hot spots in terms of place characteristics, for example physical and socioeconomic qualities. The second part is a qualitative analysis of the decision making process within the households. That includes the search and selection of a sample of new residence at a 'hot spot'.

Price on single family houses and household mobility are central variables in this study. The price will be used as an indicator of the economic activities going on in different geographically defined places. The polarization between north and south in prices on single family houses is evident. Standard deviation for standardized prices on single family houses in municipalities, 2001-2005 (Map 3) implicate variation even in north.



Map 3 Standard deviation for standardized prices 2001-2005

The lowest geographical lever hot spots can be search for is neighbourhood level. Prices that will be used are standardized prices, so called *Tobin's q*. Tobin's q is a measure of housing market affordability and is the quota selling price in relation to basic value. Prices on single family houses and alterations in prices will be analyzed from 1990 until today and also used as one indicator for hot spots (Berg and Berger 2006).

To summarize, this study aims at answering a number of research questions:

- Are there promising placers or hot spots in the northern part of Sweden? If so, where?
- How can hot spots be explained? How important are the local business cycle and an inmigration of new groups of inhabitants?
- And is the development of hot spots in weak regions long-standing sustainable?

Theoretical background

The concept hot spot occurs in different contexts, but mainly in British and American literature and research. In general, hot spots on the housing market stands for attractive places. But it is rarely a designation for the attractive inner city area, but a living close to the nature. The amenities and non-economic factors are central for the decision to move to a hot spot. Every now and then these hot spots appear side by side with places termed as degenerated or deprived. A general definition of hot spots is places with great natural beauty, located on the countryside, far away from metropolitan areas. There is significant parallel between the concept hot spot and the better known urban process suburbanisation.

Since 1960s many of the major cities in the western world have lost population thru mobility, while suburban areas have grown rapidly. The population present in the cities are mostly low income families and the city has become a place for new comers. A corresponding process is a depreciating housing stock. The suburbanisation process implies a transfer of the spending power from cities to the suburbs. This process has been most evident in USA. From an American perspective there is a substantial growth of housing through suburbanisation or urban sprawl.

Suburbanisation describes a process with increasing prices on housing in cities and a trend among young families with children to move out from the cities, not to the rural countryside but to the countryside close to metropolitan areas. Often the move goes to places that prior have been characterized as a depressed area with loss of population, but in recent times once again has been built on. These places have a vast environmental potential and every so often, good commuting opportunities.

Urban sprawl is a tendency to spreading out of a city and its suburbs over rural land at the fringe of an urban area. The traditional image of a city as a dense area change dramatically. Residents of sprawling neighbourhoods tend to live in single-family homes and commute by car to work. Low population density is an indicator of sprawl. Sprawl is of decisive importance in the changes in urban land use in Western world. The countryside become urbanized, the urban population are sprinkling and the physi-

cal distance between different functions as housing, culture, workplaces, service etc are increasing. Urban sprawl is considered as having a negative effect on urban every day life. Key concepts are ecological impoverishment, increasing commuting, segregation, life stile changes, depleted CBD and growing infrastructural expenditure. Most of these transformations can be found in U.S. cities. American cities are sometimes described as doughnut cities – empty buildings, tumbledown quarters, crime and vandalism (Priemus 2004).

The establishment of hot spots is a process. A British study analyzing the social changes in 22 hot spots in Great Brittan, identified five factors influencing that process (The Royal bank of Scotland Group, 2006). The most important factor was, initially, low prices on the housing market. The other four factors was a significant increase in housing construction, an over time increase in prices on the housing market, urban renewal, a young population and finally good transports. In the most extreme cases the process is initiated in a place characterized by loss of population, decreasing prices on the housing market. But suddenly something happen and the place is transformed to an attractive hot spot (Meen and Meen, 2003). The question is how to explain these expected phenomena.

Data and Methods

The proposed research will use the Geoswede database, which includes micro-data for the resident population of Sweden during the years 1990-2005 but yearly updated. Geoswede was built from databases maintained by Statistics Sweden for the production of official statistics. Four of the databases are updated annually: (1) education, income and employment; (2) child academic performance; (3) personal details of all people registered with the tax authority; and (4) geographic coordinates for all legally registered resident/dwelling unit combinations. A fifth database, a property tax register, is updated every fourth year; it has data which refer to the state of affairs in 1990, 1995, 2000 and 2004. Geoswede includes data for select variables for the period 1990-2005 for all 10 million plus individuals who at some point during the period resided in Sweden and were registered in the Swedish social security system. The database has geographical resolution to the level of 100-meter cells. Given its geographical variables, it is possible to characterize the physical and social residential environment of a given individual. It is also possible to work across levels of analysis (e.g., individuals within households; residences within neighbourhoods) and so to use multi-level analytic methods, as called for by some of the research questions.

Several geographical levels are represented in Geoswede. Of particular interest here are municipalities and Small Area Market Statistics (SAMS) areas, devised by Statistics Sweden. SAM's units are defined with respect to the similarity of housing development in terms of tenure form and house type. The SAMS units have been used previously to represent housing areas and the units have been found to correspond well with resident conceptions of the geographical limits of their neighbourhood. Thus, Geoswede allows the creation of "neighbourhood" variables suitable for questions addressed here. The existence of hot spots will be investigated on SAM's level.

The register based study shall also be supplemented by a qualitative study. This study is an interview survey with households that have moved to hot spots. The plan is to conduct personal interviews with in total 10 households at two hot spots.

Ethical aspects of this study

All statistical data used in this study – quantitative data as well as qualitative data is micro data. All results are however given as aggregates and it will not be possible to identify individuals. No other ethical aspects are raised in this study.

Gender Issues

This study does not raise any important gender-related issues. Genus will dealt with in the same way as other important demographic variables, as e.g. age and household composition.

Publications

The result from this study will be published in refereed scientific journals and in international conferences. Results will also be discussed on domestic and applied meetings with politicians and planners and other decisions makers within the urban and planning field.

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