

DANMARKS NATIONALBANK

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BANKING AND MORTGAGE LENDING, BALANCES, 2ND QUARTER 2022

Large regional differences in loan-to-value ratios

Loan-to-value ratios for Danes' homes (sum of bank and mortgage loans relative to the value of the home) vary considerably across the country. The loan-to-value ratio is a measure of how exposed homeowners are to falling prices in the housing market.

At the end of the second quarter of 2022, the average loan-to-value ratio in Denmark was 55.6. The Capital Region of Denmark pulls down the national average with a loan-to-value ratio of 48.8 per cent. Average loan-to-value ratios vary considerably; from homes where almost all the debt has been paid off, to first-time buyers with generally higher loan-to-value ratios.

Debt in the capital is usually greatest in money terms

Every tenth home in the Capital Region of Denmark has a loan-to-value ratio of more than 75.3 per cent. By comparison, every tenth of the Danes' homes in the remaining 4 regions outside the capital have a loan-to-value ratio of more than 86.5 per cent.

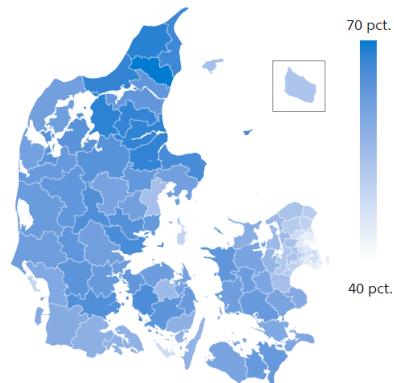
In money terms, however, the debt itself will most often be significantly higher in the Capital Region of Denmark for a similar loan-to-value ratio, because the house price level is generally higher. Therefore, a fall in house prices – and thus an increasing loan-to-value ratio – will also entail a greater reduction in home equity in money terms for property in the capital.

Rising prices have contributed to regional differences

The differences in loan-to-value ratios across regions are ascribable to several factors, including the development in house prices. For homeowners, rising house prices will – all else being equal – reduce the loan-to-value ratio and thus increase their home equity.

In recent years, the importance of the development in house prices has been particularly marked in the capital area. Here, house prices have historically varied more compared to the national level. For example, the price development over the past 2 years has, among other things, contributed to a 6.3 percentage point fall in the average loan-to-value ratio in the Capital Region of Denmark compared to, for example, a 2.8 percentage points in the North Jutland Region.

Lower loan-to-value ratios in major cities reflect years of rising house prices



Note: The figure illustrates average loan-to-value ratios at municipal level for housing located in Denmark owned by households. The loan-to-value ratio is defined as total bank and mortgage loans relative to the home's value. Summer cottages are not included. Find figure data here ([link](#)).

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