

Twin speed housing market

While house prices in most of the country are developing moderately, they have increased by up to 20 per cent over the past year in and around Copenhagen. The development in the capital also differs from other European capitals, which have not experienced the same high increases in house prices. Periods of rapidly rising house prices have previously led to over-optimism and have been followed by significant price falls. Over-optimism, fuelled by developments in the housing market, amplifies fluctuations in borrowing and consumption, with consequences for the overall economy and individual homeowners. Although households are currently pessimistic about the economic outlook and credit growth is moderate, the currently high increases in house prices in the capital call for continued attention.

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Homebuyers have higher income and make larger down payments than before

Over a number of years, homebuyers have made larger down payments, and owner-occupied homes have increasingly been purchased by higher income households. This points to increasing competition for existing owner-occupied homes – especially in and around Copenhagen, where supply is relatively limited. The significant house price increases in Copenhagen in 2025 indicate continued strong competition.



High house price increases can influence expectations

High increases in house prices can contribute to higher price expectations, which may drive prices even higher. Fluctuations in house prices affect borrowing among homebuyers and existing owners, who have previously converted higher home equity into higher consumption by borrowing against their home equity. Such developments can occur suddenly, as was the case in the mid-2000s – a period followed by sharp declines in house prices and consumption.



Homebuyers have become more resilient

Since the global financial crisis, targeted measures have helped set limits on buyer borrowing and interest rate exposure. This is reflected in more moderate borrowing levels among homebuyers in recent years compared to the years leading up to the financial crisis, despite rising house prices. As a result, buyers are better positioned overall to withstand a situation with significant house price declines.

Why is it important?

The housing market plays an important role for financial stability and the macroeconomy in Denmark. On the one hand, housing demand reflects developments in financial conditions and the economy as a whole, and on the other hand, developments in the housing market affect financial and macroeconomic activity through homeowners' consumption and borrowing behaviour. When house prices rise sharply, there can be a risk to financial and macroeconomic stability in the longer term.



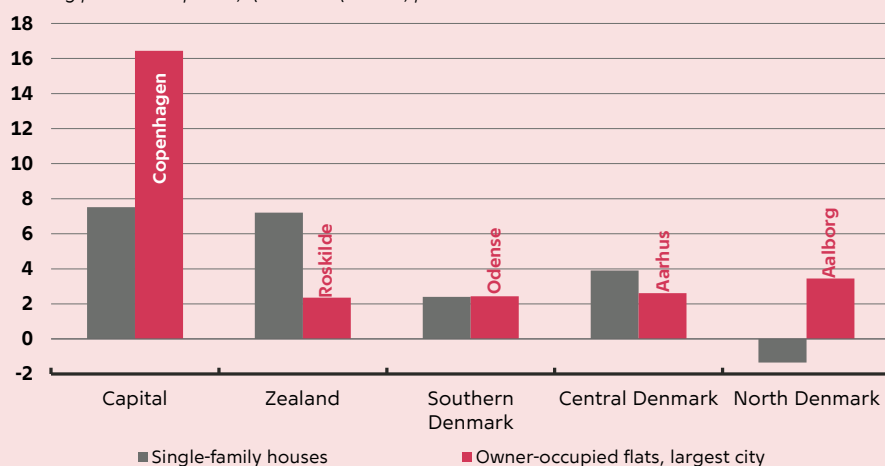
What will be truly unfortunate is if people start buying owner-occupied flats in Copenhagen expecting them to increase by 15–20 per cent every year.

— Ulrik Nødgaard,
Governor of Danmarks
Nationalbank, September 2025

Main chart

High house price increases in and around Copenhagen point to a twin speed housing market

Housing price development, Q2 2024 - Q2 2025, per cent



Note: The chart shows price increases from Q2 2024 to Q2 2025. Data are seasonally adjusted.
Source: Statistics Denmark, Finance Denmark and Macrobond.



Keywords

- Housing market
- Home financing
- Danish economy
- Financial stability

01

Summary

The Danish housing market has experienced moderate growth since 2023, following several years of major shocks to the economy and house prices. Rising incomes and falling interest rates have boosted house prices and homebuyers are generally making larger down payments.

In and around Copenhagen, however, house prices have increased significantly more than in the rest of the country. This should be seen in light of a slowdown in new housing construction in Copenhagen, while population growth has continued, primarily driven by immigration. Homebuyers in Copenhagen are increasingly from higher income brackets and they are making larger down payments than in the rest of the country. This reflects increased competition for the relatively few owner-occupied homes in the capital region and thus the high price increases. Purchase prices have also risen more than incomes, especially in the capital, and first-time buyers are increasingly making down payments that exceed their own savings, which may reflect financial support from, for example, parents.

Sharp increases in house prices can be addressed by increasing supply or reducing demand. In either case, fuelling demand by improving access to the housing market for some or all groups is undesirable. High house price increases can reinforce expectations of further price rises, which can lead to a self-reinforcing development where prices rise even more. However, expectations for future house price increases have not risen significantly over the past year despite the higher price increases. On the other hand, the housing considerations of first-time buyers are increasingly influenced by expectations of future house price increases.

Price developments typically spread from the largest cities to the rest of the country. This is a stabilizing mechanism that acts as a safety valve for areas where demand increases the most. However, that can also mean that an undesirable regional development can become a national problem if general over-optimism about future house prices spreads.

Homebuyers' debt-to-income ratio has remained stable since the global financial crisis and they have become more financially resilient. This should be seen in light of a number of targeted measures regarding homebuyers' financing that have been implemented in the years since the financial crisis. Credit growth in the first half of 2025 has remained subdued despite the high increases in house prices – including in the capital. However, financing data for the most recent housing transactions is still not available.

The economic outlook of households is currently pessimistic, with consumption and borrowing growing more slowly than income. Nevertheless, there are factors that could accelerate events if house price growth continues and pessimism subsides. Continued rising house prices that increases home equity can lead to increased consumption and credit growth, for example in conjunction with gradually falling interest rates.

The rise in house prices in and around Copenhagen therefore calls for continued attention. If significant price increases continue and a self-reinforcing dynamic spreads to the rest of the country, the risk of macroeconomic imbalances increases, which could also challenge financial stability.

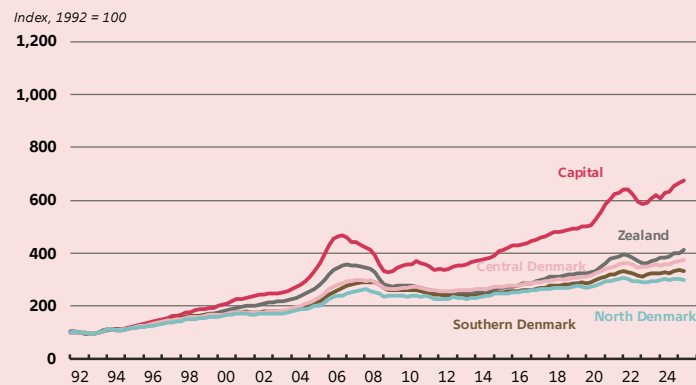
02 Developments in the housing market

The Danish housing market has generally been on an upward trajectory since the beginning of 2023. Prices for single-family homes nationwide have increased moderately, in line with rising incomes among Danish households and falling interest rates, while prices for owner-occupied flats have risen at a faster pace. This development follows several years of significant shocks to the economy, which have led to considerable fluctuations in house prices.¹ While the nationwide trend has been moderate, the rate of price increases in the Capital Region and especially in the owner-occupied flat market in Copenhagen² has been higher, see chart 1 and 2. This continues to indicate that the housing market is operating at two speeds, distinguishing between the capital and the rest of the country. This has been the general tendency over the past 25 years, although the difference has been particularly pronounced in the last one to two years.³

CHART 1

Prices for single-family homes have increased moderately since the beginning of 2023

Nominal price index for single-family homes

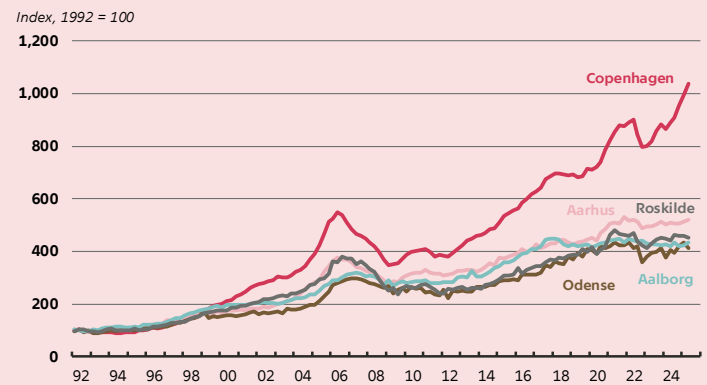


Note: Prices are shown at regional level. Latest observations are for Q2 2025.
Source: Statistics Denmark and own seasonal adjustment.

CHART 2

Owner-occupied flat prices in Copenhagen have increased more than in other major Danish cities

Realised nominal transaction prices for owner-occupied flats



Note: Prices are shown at municipal level. Latest observation is Q2 2025.
Source: Housing Statistics, Finance Denmark and own seasonal adjustment.

The trend on the Copenhagen owner-occupied flat market is also striking when compared internationally. The rate of price increases in Copenhagen over the past year is higher than in the owner-occupied flat markets of many other major cities, see chart 3. This trend warrants attention regarding the sustainability of

¹ See Kim Abildgren, Simon Juul Hviid, Asbjørn Westmose Klein, Thomas Krause, Andreas Kuchler, Stine Louise von Rüden and Amy Yuan Zhuang, Big shocks to the economy have fuelled house prices, *Danmarks Nationalbank Analysis*, no. 14, September 2024.

² In this analysis, 'Copenhagen' means the City of Copenhagen and Frederiksberg municipality.

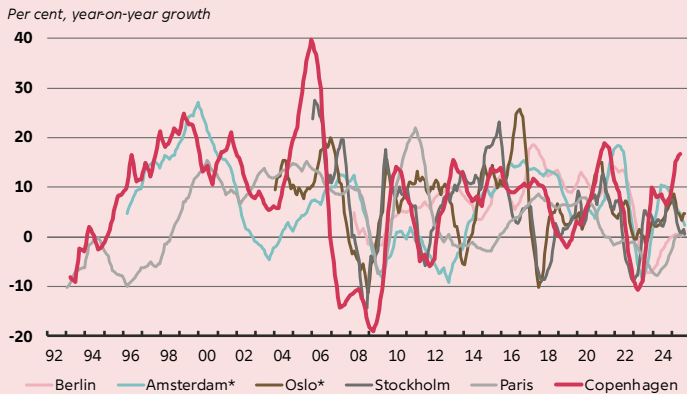
³ See Niels Arne Dam, Tina Saaby Hvolbøl and Morten Hedegaard Rasmussen, A multi-speed housing market, *Danmarks Nationalbank Monetary Review*, 3rd quarter, 2014.

price developments, although in absolute terms, the price level in Copenhagen is not higher than in many other European capitals, see chart 4.

CHART 3

Owner-occupied flat prices in Copenhagen have increased significantly more than in other major cities over the past year

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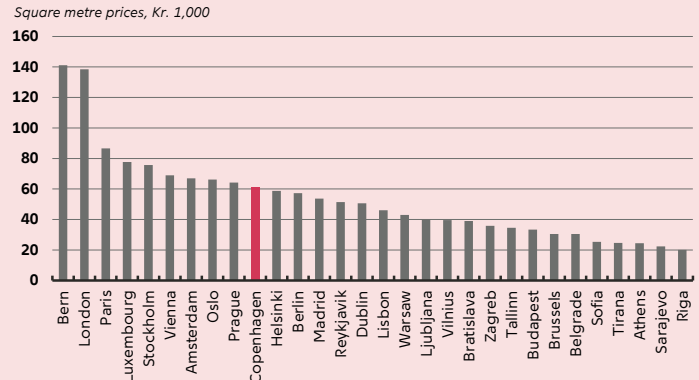


Note: Annual growth rate of owner-occupied flat prices. Copenhagen covers the City of Copenhagen and Frederiksberg Municipality, weighted by the number of multi-storey properties owned by private individuals. For Amsterdam and Oslo, the charts cover all types of dwellings.

Source: Macrobond, Statistics Denmark and Finance Denmark.

CHART 4

... but are not higher than in many other European capitals



Note: Latest available observation for each capital. For Copenhagen, the latest observation is Q2 2025.

Source: Finance Denmark and Numbeo.

To understand the rise in house prices, it is essential to consider the factors driving the market. House prices reflect the balance between supply and demand in the housing market. The supply of housing is understood here as the total housing stock, which evolves slowly since planning and building new homes takes time. In the short term, it is therefore predominantly demand that determines house prices.

The relationship between house prices and the balance of supply and demand applies regardless of the factors that have led to the current price level. High house prices can thus be addressed either by increasing supply or reducing demand. In a situation where house prices are considered too high, it becomes inappropriate to further increase demand, for example, by improving access to the housing market for certain groups, since this would only drive prices even higher.⁴

Few owner-occupied dwellings in Copenhagen compared to the rest of the country

Despite the slow adjustment of the housing supply, the composition and development of the housing stock play a significant role in determining price developments in the housing market. The construction of new dwellings increases the total number of homes, which in turn helps to reduce demand for the existing stock. Different types of housing function to some extent as substitutes; for example, an increase in the number of rental dwellings can draw some demand away from the market for owner-occupied dwellings.

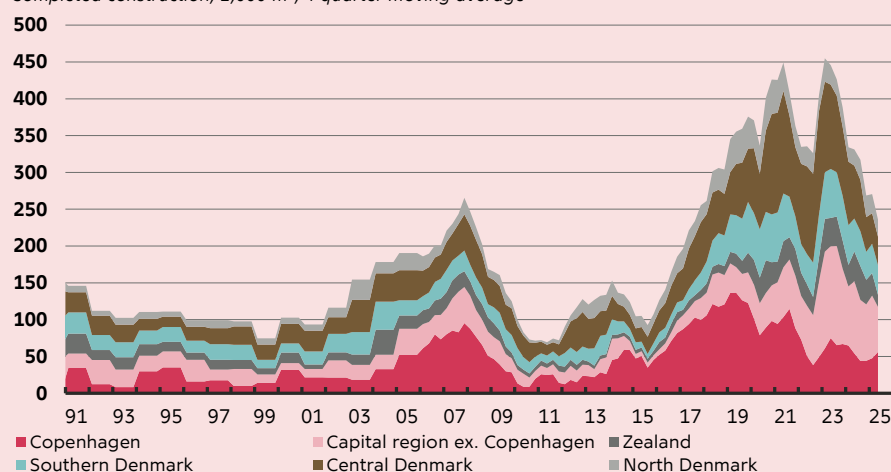
⁴ See Henrik Yde Andersen, Simon Juul Hviid, Rikke Rhode Nissen, Jens Skovsted Halsnæs and Birger Buchhave Poulsen, Access to the housing market for younger people with targeted easing of financing, *Danmarks Nationalbank Analysis*, no. 3, February 2025.

There has been relatively high construction activity over the past ten years. However, the construction of multi-storey buildings has slowed in recent years, with completed construction in Copenhagen, for example, peaking in 2019, see chart 5.⁵ There was a significant decline in construction activity in 2022 across the country, partly as a result of rising prices for building materials – including energy. After a rebound in 2023, a slowdown occurred in several parts of the country, but especially in Copenhagen. This reflects volatile input prices in the construction sector and subsequently rising interest rates, which reduce the incentive to build new homes. The slowdown in construction activity helps to keep house prices high as long as demand for more housing persists.

CHART 5

The construction of multi-storey buildings has slowed down in recent years

Completed construction, 1,000 m², 4 quarter moving average



Note: The chart shows total construction of residential apartment buildings, including rental and owner-occupied dwellings. The data are not adjusted for reporting delays, which means that construction activity over the past 1.5 years is underestimated. This underestimation has been approximately 20 per cent at the national level since 2018. Adjusting for this does not change the fact that construction activity has declined in recent years. Data are annual from 1991 to 2006 and quarterly thereafter. Copenhagen covers the City of Copenhagen and Frederiksberg Municipality. The latest observation is for Q2 2025.

Source: Statistics Denmark.

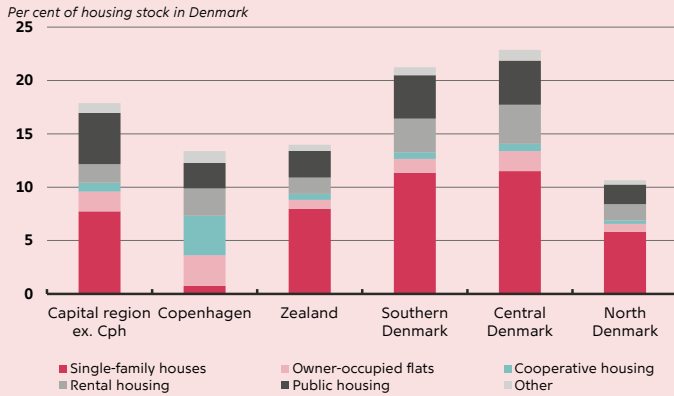
Despite new housing being built in and around Copenhagen in recent years, owner-occupied dwellings account for a relatively small share of the housing stock in Copenhagen compared with other parts of the country, see chart 6. This means that only a relatively small portion of the housing stock is available to absorb any short-term demand shock for housing, and such a shock will therefore have a relatively large impact on prices. This segment of the population also has a relatively high income, see chart 7. This contributes to intensified competition for the existing owner-occupied dwellings and leads to higher house prices than in other parts of the country.

⁵ The construction statistics are not adjusted for delays, which means that construction activity over the past 1.5 years is underestimated. Since 2018, this underestimation has been around 20 per cent nationwide. Correcting for this does not change the fact that construction activity has declined in recent years.

CHART 6

There are relatively few owner-occupied dwellings in Copenhagen ...

Owner-occupied dwellings in Copenhagen account for 3.5 per cent of the national housing stock



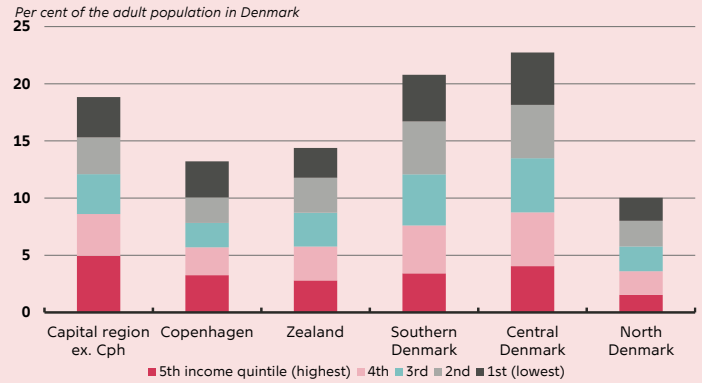
Note: Single-family houses (detached houses and terraced, linked and semi-detached houses) and owner-occupied flats are homes owned by private individuals. Cooperative dwellings are all homes owned by private housing cooperatives. Rental dwellings are all homes owned by limited liability companies and other corporations. Social housing refers to dwellings owned by non-profit housing associations. 'Other' covers publicly owned dwellings as well as the aforementioned types where ownership is unknown or classified as other. Holiday homes, residential institutions, etc. are not included in the calculation. Copenhagen covers the City of Copenhagen and Frederiksberg Municipality. Data as of 2025.

Source: Statistics Denmark and own calculations.

CHART 7

... and a relatively larger share of high-income residents live in Copenhagen

The top and bottom of the income range are represented to a relatively greater extent in the capital



Note: Based on microdata for individuals aged 18 and above. Calculated using 2023 data and based on total pre-tax income. The fifth income quintile consists of the 20 per cent of the population with the highest incomes, while the lowest income quintile consists of the 20 per cent with the lowest incomes. Copenhagen covers the City of Copenhagen and Frederiksberg Municipality.

Source: Statistics Denmark and own calculations.

Fundamental factors have driven housing demand in recent years

On the demand side, the housing market is influenced by developments in fundamental cyclical and structural factors as well as expectations regarding the same. Cyclical factors include income, interest rates and inflation, while factors such as regulation, taxation and demographics primarily affect structural demand. Changes in demand are reflected in fluctuations in transaction activity, see chart 8.

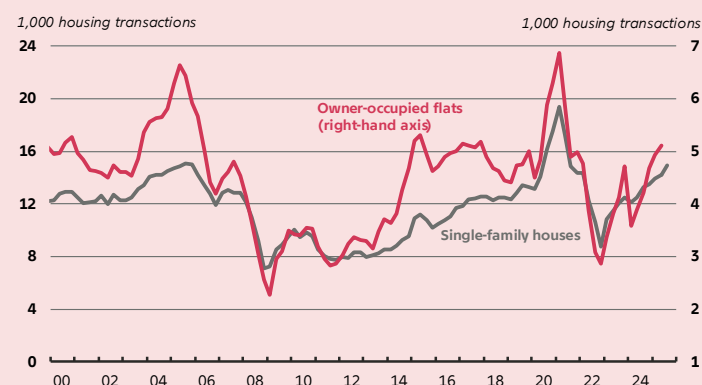
Over the past five years, the housing market has been affected by a series of shocks. First, the covid-19 pandemic in 2020 led to a marked increase in housing demand, partly due to more people working from home and subdued consumption. Subsequently, rising inflation and, consequently, higher interest rates eroded purchasing power and made it more expensive for homebuyers to take out loans, causing transaction activity to decline.⁶ Since then, household incomes have increased significantly. This trend has broadly affected housing demand across the country. Transaction activity has risen steadily since 2022 as household incomes have increased and interest rates have edged down again, see chart 9.

⁶ For further discussion on the recent shocks to the housing market, see Kim Abildgren, Simon Juul Hviid, Asbjørn Westmose Klein, Thomas Krause, Andreas Kuchler, Stine Louise von Rüden and Amy Yuan Zhuang, Big shocks to the economy have fuelled house prices, Danmarks Nationalbank Analysis, no. 14, September 2024.

CHART 8

Rising and falling transaction activity reflects developments in housing demand

Number of quarterly housing transactions



Note: Sales of single-family houses and owner-occupied flats. Based on aggregate data from Statistics Denmark and therefore not limited to property transactions between private individuals. Latest observation is Q2 2025.

Source: Statistics Denmark.

CHART 9

After substantial increases, interest rates have edged down slightly in recent years

Development in yearly mortgage interest rates



Note: The chart shows the effective bond yield on long and short-term mortgage bonds received by investors. Contribution margins are not included in the rates, nor are they adjusted for tax deductibility. The long rate refers to 30-year fixed-rate callable bonds, while the short rate refers to non-callable bullet bonds with a remaining maturity of less than two years, which underpin adjustable-rate loans. Latest observation is October 2025.

Source: Macrobond, Finance Denmark, Statistics Denmark, Danmarks Nationalbank and own calculations.

Immigration contributes to higher housing demand in Copenhagen

Population growth in Copenhagen has been relatively high since the late 2000s, see chart 10. This has contributed to increased housing demand, although it has also been partly facilitated by the construction of new dwellings.

In recent years, an increase in net migration combined with a persistently high natural increase has sustained population growth in Copenhagen despite net outmigration to other parts of the country. This indicates that demographic developments – particularly immigration – have boosted housing demand in Copenhagen in recent years and thus contributed to rising house prices. All forms of immigration add to housing demand, even if the immigrants do not necessarily purchase a home.⁷ Immigration for jobs with high incomes, however, exerts the strongest impact.

Rising incomes support higher house prices

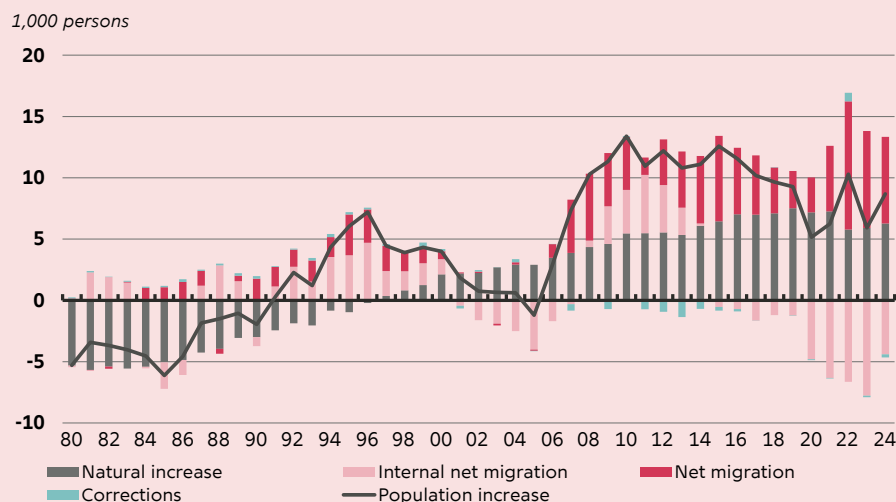
Income developments are one of the factors behind movements in house prices. In recent years, higher nominal wage growth – particularly following high inflation – combined with rising employment has caused household income to increase at a faster pace than in previous decades, see chart 11. This has contributed to higher housing demand and, in turn, higher house prices in nominal terms. Real household income has also increased, and for most households, has returned to the level seen before the sharp rise in inflation. However, purchasing power remains below the previous trend.⁸

⁷ See, for example, Anna Piil Damm, Ahmed Hassani, Anil Kumar and Juan Carlos Parra-Alvarez, Medium-Run Impacts of Immigration on the Housing Market: Evidence from a Quasi-Experimental Shift-Share Instrument, *Rockwool Foundation Berlin Discussion paper series*, no. 78/25, September 2015.

⁸ See Danmarks Nationalbank, Weaker global trade slows growth in Denmark, *Danmarks Nationalbank Analysis*, no. 14, September 2025.

CHART 10

Immigration and a natural increase drive population growth in Copenhagen



Note: Data are compiled on an annual basis and cover the City of Copenhagen and Frederiksberg Municipality combined. Internal net migration refers to people moving to or from other municipalities in Denmark, while net migration refers to people moving to or from Denmark. Latest observation is 2024.

Source: Statistics Denmark.

While overall income developments drive housing demand, it is ultimately the negotiation between homebuyers and sellers that determines prices in the housing market. It is therefore relevant to examine income developments among homebuyers, which may differ from trends in the economy as a whole. This is partly because homebuyers already constitute a selected group and partly because ongoing selection may occur, causing the composition of buyers to change over time. Such selection may be a response to movements in house prices or reflect other factors, such as longer expected lifespans or shifts in household composition, for example changes in the share of single-person households.

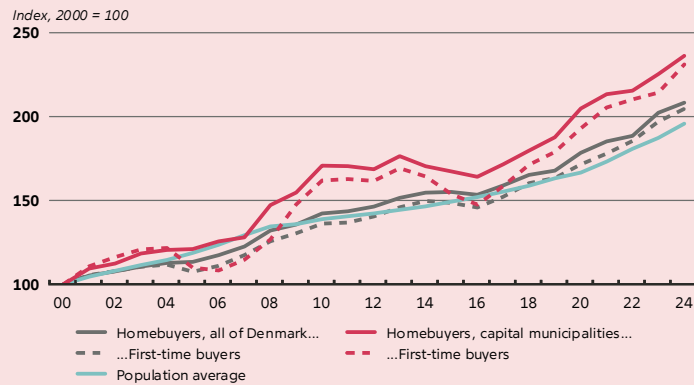
The incomes of actual homebuyers have increased slightly more than those of the rest of the population over the past 25 years, see chart 11. Homebuyers are also at the upper end of the income distribution – a pattern that has become even more pronounced in recent decades, see chart 12. In the capital municipalities, this trend is even more marked. Higher income over the past 25 years also aligns with the fact that the average age of buyers has risen and that the share of single-person households among homebuyers nationwide has declined.⁹

⁹ The median age of homebuyers was 35 years in 2000, compared with 39 years in 2024, while the share of homebuying single-person households declined from 42 to 36 per cent over the same period.

CHART 11

The income of homebuyers is increasing ...

Median household income (wages and social transfers before tax) for homebuyers



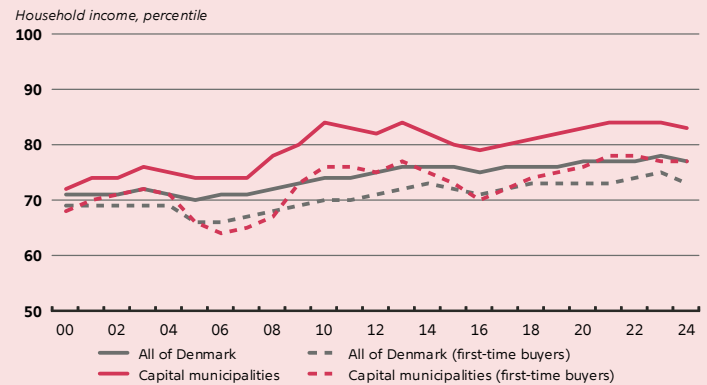
Note: The red and grey series are limited to homebuyers of single-family houses and flats. The population average refers to the average wages and social benefits for the entire population. See definition of homebuyers in box 1. Capital municipalities follow Statistics Denmark's municipality groups.

Source: Statistics Denmark and own calculations.

CHART 12

... and homebuyers are higher in the income distribution

Median percentile of household income (wages and social benefits before tax) for homebuyers



Note: See note to chart 11. Percentiles are calculated based on household incomes (wages and social benefits before tax) nationwide in the year of the home purchase. Capital municipalities follow Statistics Denmark's municipality groups.

Source: Statistics Denmark and own calculations.

Homebuyers purchase more expensive homes relative to their incomes

Housing demand is supported by rising incomes – but also by other factors. Purchase prices have therefore been able to increase more than buyers' incomes, see chart 13. The widening gap between purchase prices and incomes has been most pronounced in the capital municipalities, where house prices have also risen the most. In the rest of the country, developments in the ratio of purchase prices to incomes have been more subdued, in line with the more moderate increase in house prices. Among first-time buyers, purchase prices relative to incomes have broadly followed the trend among other buyers. Since 2018, however, first-time buyers in the capital municipalities have purchased cheaper homes relative to their incomes compared with repeat buyers, who sell another property in connection with the purchase.

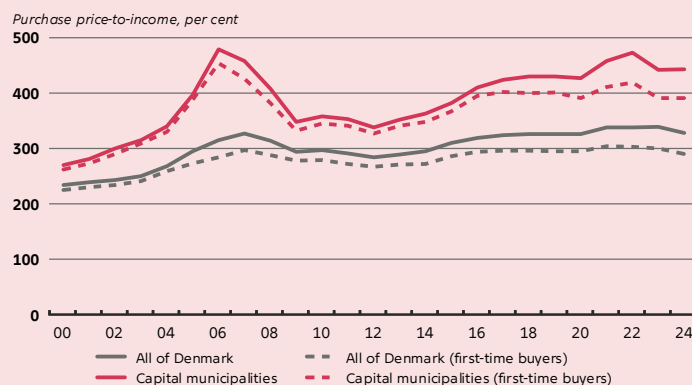
When purchasing a home, households are credit-assessed partly based on the share of their disposable income that will go towards housing-related expenses, primarily financing and taxes. This actual housing cost burden can be calculated for each homebuyer based on detailed microdata. For single-family houses, the actual housing cost burden has been on a slight downward trend since 2009, when data became available. For owner-occupied flats in Copenhagen, however, the housing cost burden has increased in recent years, see chart 14. To compare housing cost burdens in recent years with those before the financial crisis, it is necessary to calculate a stylised housing cost burden that reflects total housing costs for a fully mortgaged average home relative to average disposable income nationwide, see chart 14. Over an extended period, the stylised housing cost burden has generally increased more than the actual housing cost burden in Copenhagen. This may reflect a shift in the composition of buyers, with an increasing share of high-income buyers purchasing homes in Copenhagen, as noted earlier. In addition, the actual housing cost burden reflects composition effects, such as choices of housing type and loan-to-value ratios.

The high housing cost burdens in Copenhagen do not necessarily imply that house prices are overvalued. For example, an increased preference for living in the capital area may shift the balance between housing supply and demand, pushing house prices up to achieve equilibrium in the housing market.

CHART 13

Rising purchase prices relative to buyers' income

Median purchase price relative to household income (pre-tax) for homebuyers



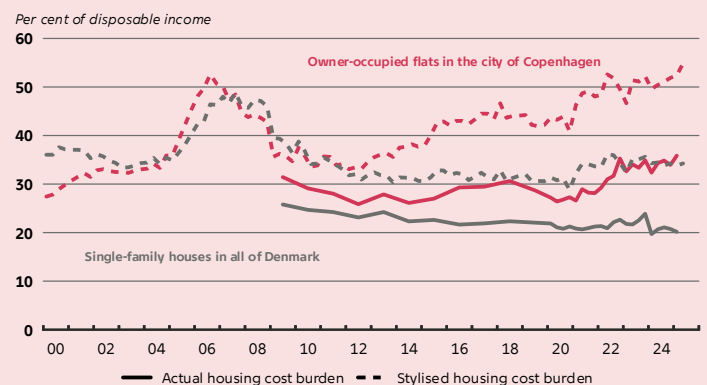
Note: Income is measured in the year of the home purchase. See population definition in box 1. Income is defined as the household's total annual wages and social transfers before tax. Capital municipalities follow Statistics Denmark's municipality groups.

Source: Statistics Denmark and own calculations.

CHART 14

The actual housing cost burden for homebuyers in Copenhagen is increasing, while it remains stable for house buyers nationwide

Stylised and median actual housing cost burden for homebuyers with a fixed-rate mortgage loan with amortisation



Note: The *stylised housing cost burden* shows the cost of purchasing an average house/owner-occupied flat with full financing as a percentage of average disposable income. The maturity of mortgage and bank debt is set at 30 and 10 years, respectively. The *actual housing cost burden* is total payments on bank and mortgage loans plus property taxes as a share of homebuyers' disposable income. For the actual housing cost burden, only home purchases where the majority of mortgage debt is fixed-rate and with amortisation are included. See further population definition in box 1. Latest observation is Q1 2025 for the actual housing cost burden and Q2 2025 for the stylised housing cost burden. Due to a change in data source in Q1 2020, comparisons across this period should be made with caution. Until and including 2019, the actual housing burden is compiled on an annual basis, whereas from 2020 onwards it is compiled on a quarterly basis, reflecting the frequency of the underlying income data.

Source: Statistics Denmark, Danmarks Nationalbank and own calculations.

Rising down payments are associated with rising house prices

One contributing factor to house price developments is homebuyers' down payments, which in 2024 were significantly larger than previously, both relative to income and to the price of the home. Since the financial crisis, down payments have increased steadily and in 2024 amounted to roughly a typical annual income for homebuyers in the capital municipalities, see chart 15 and 16.¹⁰ A down payment may come from savings, the sale of a previous home or other sources, most notably loans and contributions from close family. Higher down payments are partly a consequence of rising house prices, but they may also contribute to price developments, particularly for homebuyers who are

¹⁰ The down payment on actual home purchases is calculated as the difference between the purchase price and any loan proceeds from mortgage and bank financing. The actual down payment may be larger than the calculated amount due to costs associated with taking out a loan, such as fixed administrative fees, registration charges and exchange losses.

constrained by down payment requirements.¹¹ Down payments are especially high in the capital municipalities and, across geographies, higher for repeat buyers than for first-time buyers. It is also noteworthy that while the typical first-time buyer in 2006 made no down payment at all, the down payment for the typical first-time buyer in 2024 corresponded to around 25 per cent of their annual income.

CHART 15

Down payments on home purchases have been rising across the country, both relative to buyers' income ...

Median down payments relative to household income for homebuyers

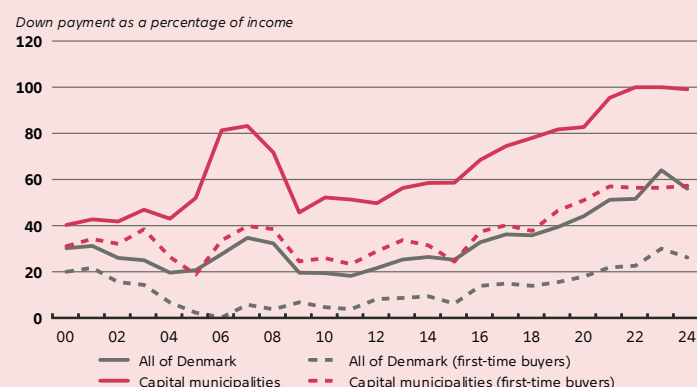
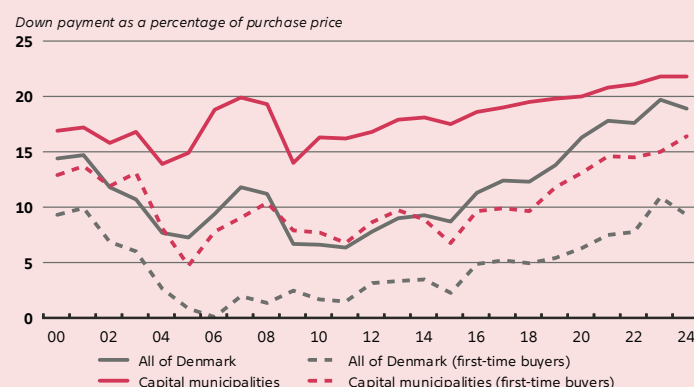


CHART 16

... and relative to the purchase price of the home

Median down payments relative to purchase price for homebuyers



BOX 1

Definition of the analysis population

This analysis presents a range of characteristics of homebuyers over the past 25 years. Characterisation is based on linking several different microdata registers from Statistics Denmark and Danmarks Nationalbank. To ensure consistency over time, a number of restrictions on the analysis population have been necessary.

Homebuyer borrowing before 2009 was recorded based on the income register. The income register contains information on homebuyers' total bond and bank debt, without the possibility of linking the debt to specific properties. To ensure that bond and bank debt prior to 2009 is linked to the actual home purchase, the analysis population is therefore restricted throughout the period to homebuyers who own only one property. This condition mainly excludes homebuyers who already own a holiday home. After 2023, homebuyers can only be identified through the Credit Register. The Credit Register contains information only on home purchases that are wholly or partly debt-financed, which is why the analysis population is further restricted to debt-financed home purchases. Finally, the population is limited to homebuyers with positive wage or benefit income, as this is the only subset of total personal income that can be consistently recorded from 2000 to 2024.

Continues ...

¹¹ With a down payment requirement of 5 per cent, each krone of down payment can potentially allow an additional 19 kroner to be borrowed for a home purchase, provided there are no other factors limiting borrowing capacity.

... continued

The population restriction results in almost one-third of home purchases being excluded each year. The main reason for this high exclusion rate is the restriction on homebuyers who own more than one property. The impact of this restriction has been examined for the most recent period, where it is possible to link the debt to the specific property. This enables a consistent comparison of developments when buyers with multiple properties are either excluded or included. The comparisons show that the conclusions of the analysis are not sensitive to whether buyers with multiple properties are excluded or included.

Repeat buyers' relatively higher down payments should be viewed in light of the fact that they are generally wealthier than first-time buyers. This can partly be explained by repeat buyers being older and thus having had more years to save. However, the difference is largely due to repeat buyers having experienced price gains on their previous home, which they have been able to realise and use as a down payment on the new home. The majority of repeat buyer down payments consist of home equity, including from the sale of an existing property, see chart 17.

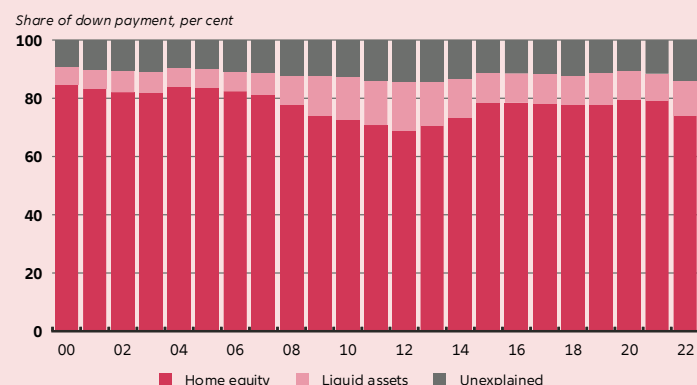
First-time buyers typically make down payments that exceed their wealth

The rising down payments among first-time buyers in recent years indicate that this group increasingly has greater wealth available prior to purchasing a home. This may reflect several factors, including composition effects within the group of first-time buyers, who generally have higher incomes. It may also reflect a growing tendency to save before buying – a behaviour that, in isolation, could contribute to a lower consumption ratio.

CHART 17

Repeat buyer down payments primarily come from the sale of an existing home

Composition of down payments for repeat buyers nationwide



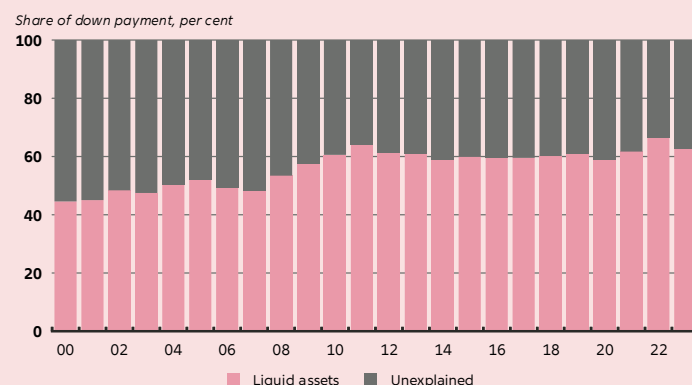
Note: Averages across all repeat buyers. *Home equity* refers to the total equity in the previous home, recorded at year-end prior to the sale, and reflects factors such as house price increases, principal repayments or the home not being fully mortgaged initially. *Liquid assets* is the reduction in buyers' liquid assets in the year of purchase. *Unexplained* denotes the remaining part of the down payment that cannot be accounted for by home equity or liquid assets. See population definition in box 1. Further restricted to include only homebuyers with a positive down payment who sold another owner-occupied home in the same year as the purchase and did not own a cooperative dwelling in the year prior to purchase. Note that there are significant fluctuations in the number of homebuyers without a down payment over the period. Due to incomplete sales information, the latest available year is 2022.

Source: Statistics Denmark, Danmarks Nationalbank and own calculations.

CHART 18

First-time buyer down payments typically exceed the savings they have at the time of purchase

Composition of down payments for first-time buyers nationwide



Note: Averages across all first-time buyers. See explanation of *liquid assets* and *unexplained* in the note to chart 17. Restricted to include only homebuyers with a positive down payment. Note that there are significant fluctuations in the number of homebuyers without a down payment over the period.

Source: Statistics Denmark, Danmarks Nationalbank and own calculations.

For many first-time buyers, the decline in their liquid wealth cannot explain the entire down payment on the home purchase, see chart 18. In other words, the down payment exceeds the reduction in liquid wealth that buyers experience in the year of the transaction. While part of this discrepancy may reflect measurement error, for several buyers it is substantial enough to suggest that loans or gifts from, for example, parents are involved, see box 2.¹² On average, around 40-50 per cent of first-time buyers' down payments remain unexplained after accounting for changes in their own liquid wealth. Given rising house prices and down payments, this indicates that the extent of financial support received by first-time buyers is also increasing – measured in nominal terms.

¹² A potential source of measurement error is that the wealth calculation excludes child savings accounts, private pension schemes and index-linked contracts. Homebuyers may have cashed-in one of these schemes early against a fee, which would underestimate the share of the down payment financed by the buyer's own savings. In addition, homebuyers may have saved further during the year of purchase or received extraordinary income. All these factors contribute to overestimating the share of the down payment not financed by the buyers themselves. Offsetting this, however, is the fact that other costs associated with home purchase and moving are not taken into account, including deed registration, moving expenses, renovation and possible furniture purchases.

BOX 2

High unexplained down payments are likely financial support from parents

Homebuyers' down payments are decomposed using information on the size of the down payment, the change in their liquid assets in the year of purchase, data on purchase and sale prices and any outstanding debt on previous properties. That part of the down payment that cannot immediately be explained by these elements is referred to as the unexplained down payment.

For most homebuyers, the unexplained down payment – measured in kroner – is relatively modest and likely reflects measurement uncertainty. When calculating the share of the down payment accounted for by buyers' liquid wealth, measurement error arises because the calculation is based only on wealth at the beginning and end of the year, without accounting for any savings during the year. Offsetting this, however, is the fact that home purchases are typically associated with a range of expenses, such as costs for deed registration, moving, renovation and furniture purchases.

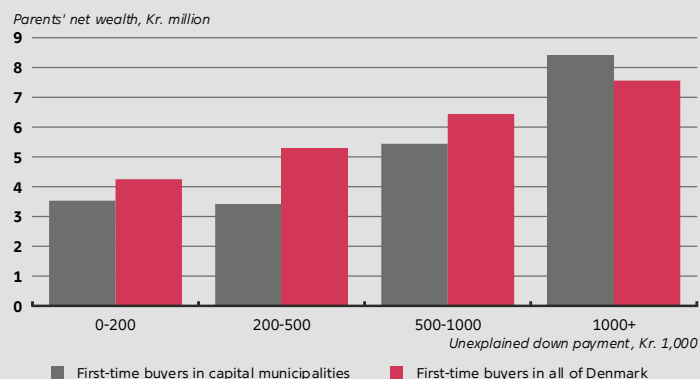
But for some homebuyers, the unexplained down payment is so large that it can no longer be attributed to measurement uncertainty. For example, around 11 per cent of first-time buyers in 2023 had unexplained down payments of kr. 500,000 or more. Among first-time buyers in the capital area, the corresponding share was 20 per cent in 2023.

These high unexplained down payments may, for example, reflect financial support from parents. Chart A shows that first-time buyers with large unexplained down payments generally have parents with significantly higher net wealth. Homebuyers with the largest unexplained down payments have parents whose total wealth is roughly twice that of parents of buyers with the smallest unexplained down payments. The relationship is even stronger among first-time buyers in the capital municipalities, where parents of those with the largest unexplained down payments have almost three times the wealth of parents of those with the smallest unexplained down payments.

CHART A

Homebuyers with the largest unexplained down payments also have the wealthiest parents

Median net wealth of parents of first-time buyers, broken down by the size of first-time buyers' unexplained down payment



Note: Bars show the median net wealth of parents of first-time buyers purchasing a home in 2023, broken down by the size of the first-time buyers' unexplained down payment. 'Unexplained down payment' is defined as that part of the down payment that cannot be explained by changes in the first-time buyers' own liquid assets, see charts 16 and 17. Restricted to include only homebuyers with a loan-to-value ratio below 100 per cent. For further restrictions, see box 1. For first-time buyers nationwide, there were approximately 6,700, 1,500, 600 and 400 transactions respectively in 2023, ranging from the lowest to the highest interval of unexplained down payment. For first-time buyers in the capital municipalities, there were approximately 1,700, 500, 300 and 250 transactions in the respective intervals.

Source: Statistics Denmark, Danmarks Nationalbank and own calculations.

03

High house price increases can raise house price expectations

House price developments should be understood in the context of changes in housing supply and demand. Changes in fundamental factors such as the number of properties, incomes, and financing opportunities, including interest rates, are decisive long-term for where house prices are headed. In some periods, however, there may be a risk that house price movements deviate from what the fundamental factors alone can explain.

The housing market is characterised by being predominantly a market for used and highly heterogeneous properties. That said, all homebuyers are different in terms of preferences and finances. Since it is also costly to buy and sell a home, both in terms of time and money, there is a high degree of friction in the housing market. This means that small deviations can easily arise between actual changes in house prices and what the fundamental factors would strictly suggest.

However, a more systematic deviation in house price movements can occur if expectations for future prices rise. Higher house prices in the future mean that it becomes relatively cheaper to own a home, as house price increases can compensate for the ongoing costs associated with home ownership. Potential homebuyers may therefore be willing to pay a higher price today, either in the hope of a capital gain or due to fear of not being able to afford to buy a home in the future. Existing homeowners considering leaving the housing market, moving to other areas, or buying a smaller home may also be inclined to postpone selling, which is equivalent to higher housing demand. Overall, the expectation of future house price increases therefore causes house prices to rise, which in the worst case can become self-reinforcing and lead to even higher house price expectations. Such a situation can continue for some time but will eventually end when there are no longer enough people who believe in it. Either because prices have risen so much that owners want to realise the gain, or because a shift in one or more of the fundamental factors pulls sufficiently in the opposite direction, for example in connection with an economic downturn.

When house price movements are driven by self-fulfilling expectations that do not reflect developments in fundamental factors, they will at some point have to adjust to the fundamental level, which can result in a significant decline in prices. In the years leading up to the financial crisis, house prices in many countries developed in line with self-fulfilling expectations.¹³ In Denmark, this led to housing prices increasing by up to 40 per cent year-on-year. Many factors contributed to that, and at the time, it could, among other things, be explained by previous years' financial liberalisation in the form of the spread of deferred amortisation and variable-rate loans as well as a freeze on property taxes, which no longer stabilised the development.¹⁴ The economic downturn, and in

¹³ See Tom Engsted, Simon Juul Hviid and Thomas Quistgaard Pedersen, Explosive bubbles in house prices? Evidence from the OECD countries, *Journal of International Financial Markets, Institutions and Money*, vol. 40(C), January 2016.

¹⁴ See Kim Abildgren, Monetary History of Denmark 2005-2020, *Monetary History of Denmark*, vol. 7, January 2023.

Denmark's case, rising interest rates, deflated expectations, which led to a significant decline in house prices.

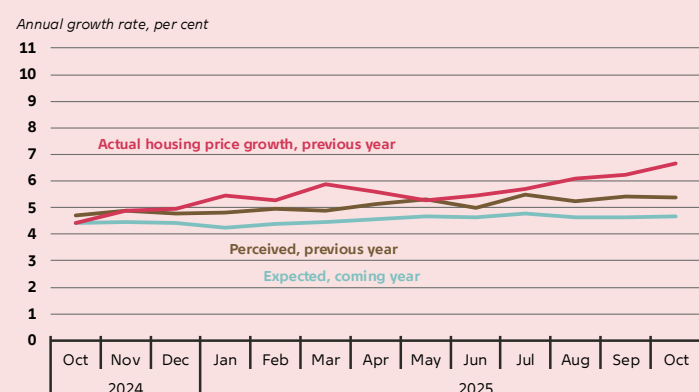
Expectations for developments in house prices unchanged over the past year

When house prices rise significantly, it is natural to ask whether it may be driven by expectations. Despite rising house prices, the expectations of households have not increased significantly. This is evident from the responses to Danmarks Nationalbank's expectations survey, which asks households about their perceived and expected house price increases.¹⁵ For the country as a whole, households' perception of how much house prices have risen over the past year is in line with the actual increase, see chart 19. Households also expect that house prices will rise slightly less in the coming year than the current actual trend. This has been the case since October 2024 when data collection began, since when house prices and perceptions thereof have increased slightly, while expectations have increased only very modestly.

CHART 19

For the country as a whole, households expect house price growth in line with actual growth

Perceived and expected house price growth for all of Denmark



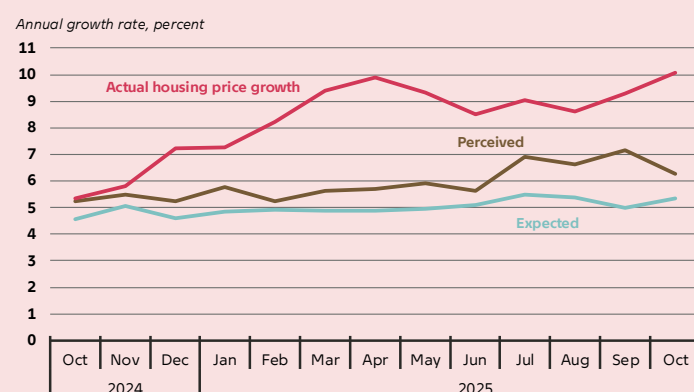
Note: The chart covers respondents in Danmarks Nationalbank's expectations survey. Responses in the survey are weighted based on socioeconomic characteristics. Due to rounding among respondents and heavy tails in the distribution, an interpolated median is used. Respondents are asked about house prices in their municipality over the past and coming year.

Source: Boligsiden, Danmarks Nationalbank and own calculations.

CHART 20

Expectations in the capital have remained stable over the past year despite increasing house price growth

Perceived and expected house price growth for the Capital Region



Note: See note to chart 19.

Source: Boligsiden, Danmarks Nationalbank and own calculations.

The trend differs somewhat for the Capital Region, but the conclusion remains the same.¹⁶ Despite a higher pace of increase in the capital than nationally, which has raised households' perception of house price movements by about 2 percentage points, there has been only a very limited increase in their expectations for house price increases in the coming year, see chart 20. This in itself suggests that there is currently no self-reinforcing house price dynamic underway in the Capital Region as a whole.

¹⁵ Danmarks Nationalbank has invited randomly selected individuals to participate in a survey each month about their expectations for the future since October 2024. One of the things they are asked is how much they think house prices have increased in their municipality over the past year, and how much they think they will increase in the coming year.

¹⁶ As there are about 1,100 responses for the whole country each month, it is not possible to zoom in more closely on Copenhagen and still maintain reliable precision.

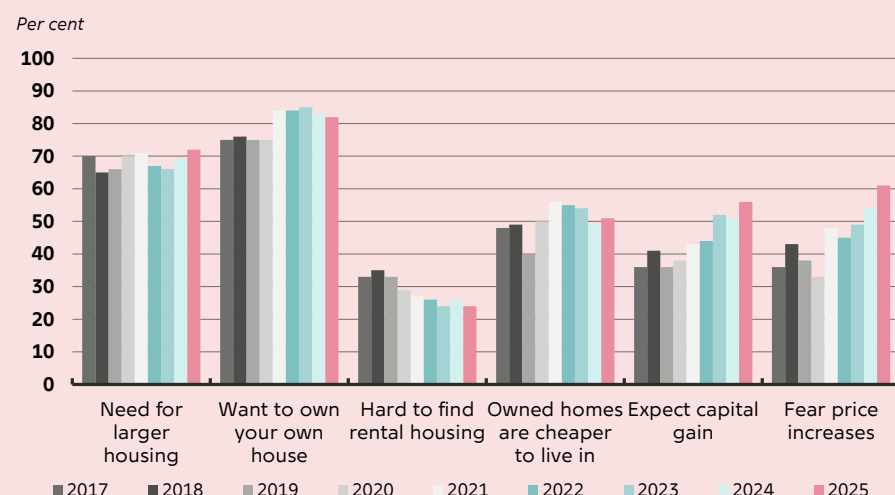
Increasing weight on house price expectations in first-time buyers' housing considerations

According to a survey by The Knowledge Centre for Housing Economics, the primary reason for considering a first home purchase is the need for more space or a desire to 'own one's own house'. In the most recent period, during which house prices have also increased significantly, there has also been growing emphasis on expectations of capital gains and fear of house price increases when it comes to the reason for considering a purchase, see chart 21. As house price increases have historically been higher than average income growth, which is also expected in Danmarks Nationalbank's latest forecast for the coming years, this is not unnatural. However, the increase entails a risk that it may affect house price trends, as potential first-time buyers also act on the basis of such expectations. Data is only available at the national level, and it cannot be ruled out that the trend is stronger in areas where house prices have increased the most, such as Copenhagen.

CHART 21

Expectations of house price increases play an increasing role in housing considerations among first-time buyers

Reasons for considering a first home purchase, Q1–Q3



Source: The Knowledge Centre for Housing Economics's expectation surveys XIV–LIX, questions E11–E16.

House prices are diverging across the country

House prices are currently highest in and around Copenhagen, followed by the largest cities, see chart 22. There is also a tendency for prices to rise first and by the most in the largest cities, especially Copenhagen, while increases occur later and to a lesser extent in the rest of the country.¹⁷ The further away from the capital a property is located, the longer it takes before the effect spreads and the smaller the impact.¹⁸ Since 2019, before the major demand shock associated with the covid-19 pandemic, house prices have increased the most in and around the capital and by gradually less moving away from the larger cities, see chart 23. This trend may be consistent with the aforementioned divergence. However,

¹⁷ See Simon Juul Hviid, Tina Saaby Hvolbøl and Erik Haller Pedersen, Regional aspects of the housing market, *Danmarks Nationalbank monetary review*, 4th quarter, December 2016.

¹⁸ See Simon Juul Hviid, A regional model of the Danish housing market, *Danmarks Nationalbank Working Paper*, no. 122, November 2017.

there may be several reasons for the development, such as differences in the speed of price adjustment or shifts in the business cycle between urban and rural areas. At the same time, house prices in different areas are also linked via a 'substitution effect'; if it becomes more expensive to buy and live in one area, there will be a tendency for some homebuyers to want to move to another area that has not become correspondingly more expensive. This leads to a geographical divergence in house price developments known as 'the wave effect'.

In normal times, when there may be geographical differences in the housing demand, this geographical divergence has a stabilising effect on prices, as demand is distributed over a larger area.¹⁹ This applies as long as housing demand is not driven by high expectations, as the spread of self-reinforcing expectations has the potential to challenge economic stability.

In the years leading up to the financial crisis, when house prices could be driven by expectations, there was an outflow from the capital to most of Zealand, for example, which meant that the expectation-driven price development spread to larger parts of the country.²⁰ This contributed to a geographically broad-based decline in house prices during the financial crisis, especially in Zealand and around the capital, where the effect had been strongest, see chart 24. House prices in parts of the country remained below pre-crisis levels until 2022, when factors related to the covid-19 pandemic significantly boosted housing demand.²¹

¹⁹ See Simon Juul Hviid, Tina Saaby Hvolbøl, Asbjørn Klein, Paul Lassenius Kramp and Erik Haller Pedersen, Housing price bubbles and the advantages of stabilising housing taxation, *Danmarks Nationalbank monetary review*, 3rd quarter, September 2016 and Simon Juul Hviid, Tina Saaby Hvolbøl and Erik Haller Pedersen, Regional aspects of the housing market, *Danmarks Nationalbank monetary review*, 4th quarter, December 2016.

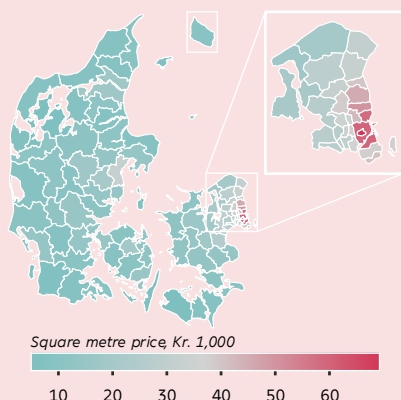
²⁰ See footnote 19.

²¹ See Kim Padkjær Abildgren, Simon Juul Hviid and Andreas Kuchler, Working from home and housing demand during the pandemic, *Danmarks Nationalbank Working Paper*, no. 210, April 2025.

CHART 22

House prices are highest in and around Copenhagen

Municipal price per square metre, kr. 1,000



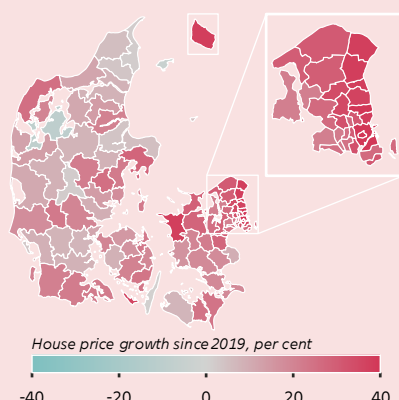
Note: Prices per square metre for owner-occupied flats and single-family houses for Q2 2025, weighted by share of the owner-occupied housing stock. Missing values are filled in with values from the previous quarter.

Source: Finance Denmark, Statistics Denmark and own calculations.

CHART 23

House price increases have been most pronounced around the capital

Municipal house price growth since 2019, per cent



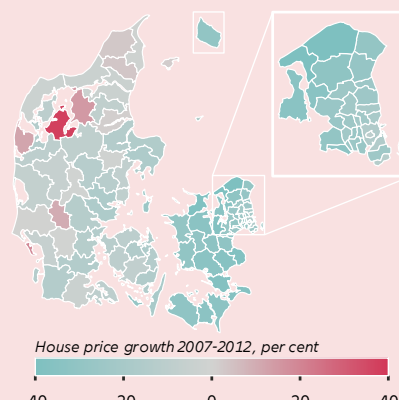
Note: Growth in the price per square metre for owner-occupied flats and single-family houses from Q2 2019 to Q2 2025, where the price per square metre is weighted by share of the owner-occupied housing stock and calculated as an average over the past four quarters.

Source: Finance Denmark, Statistics Denmark and own calculations.

CHART 24

Five years after the financial crisis, house prices had fallen the most in Zealand municipalities

Municipal house price growth 2007–2012, per cent



Note: Growth in the price per square metre for owner-occupied flats and single-family houses from Q4 2007 to Q4 2012, weighted by share of the owner-occupied housing stock and calculated as an average over the past four quarters.

Source: Finance Denmark, Statistics Denmark and own calculations.

04

Potential consequences of high house price increases

When house prices rise, it naturally follows that homeowners become and feel better off financially. Gradual increases in house prices thus help to strengthen the resilience of the economy. House price increases raise home equity, which can, to some extent, be borrowed against or realised through sale of the house. That means demand for other goods and services may also increase. Overall, about 3–5 per cent of a house price increase is converted into consumption within a year, which is especially driven by younger homeowners with relatively high loan-to-value ratios.²² Furthermore, house price increases can stimulate construction activity, as the return on investing in new housing increases all else being equal. There is therefore a direct link between the housing market and the real economy, and this conversion of housing wealth into consumption and investment should ideally occur at a pace aligned with the structural development of the economy.

However, developments in the housing market have been volatile and have influenced the business cycle over recent decades. This is particularly true with the housing bubble in the years leading up to the financial crisis. At that time, developments in house prices led to a sharp increase in household debt and private consumption, as it was among homeowners that consumption significantly exceeded income, for example.²³ Back then, it was especially the most optimistic households that became more inclined to invest in housing, and they were more likely to debt-finance the purchase.²⁴ This put pressure on the business cycle and thus contributed to the build-up of large imbalances in the Danish economy, which amplified the downturn when the financial crisis hit in 2008.

Declines in house prices can also have major consequences for individual homeowners. If home equity has been borrowed against more than what the home subsequently turns out to be worth, homeowners risk becoming technically insolvent. This has always been a risk to be taken into account for homeowners, and especially for first-time buyers unable to make a large down payment. It is a risk for the individual homeowner, but if that risk materialises for many homeowners at the same time, it can challenge the stability of credit institutions and thus result in a broader societal problem.

So far, house price increases are only high in and around Copenhagen. And there are no signs at national level that rises in house prices have had a significant impact on optimism about the Danish economy. On the contrary, households have almost never been as pessimistic about the outlook for their own finances as they are today, see chart 25. Likewise, expectations for the Danish economy as a whole are low, although expectations here more often reach relatively low levels. The same pessimism is reflected in the share of income that households consume, known as the 'consumption ratio'. Over the

²² See Henrik Yde Andersen and Søren Leth-Petersen, Housing wealth or collateral: How home value shocks drive home equity extraction and spending, *Journal of the European Economic Association*, vol. 19, February 2021, and De Stefani and Simon Juul Hviid, Housing collateral and home-equity extraction, *Danmarks Nationalbank Working Paper*, no. 135, February 2018.

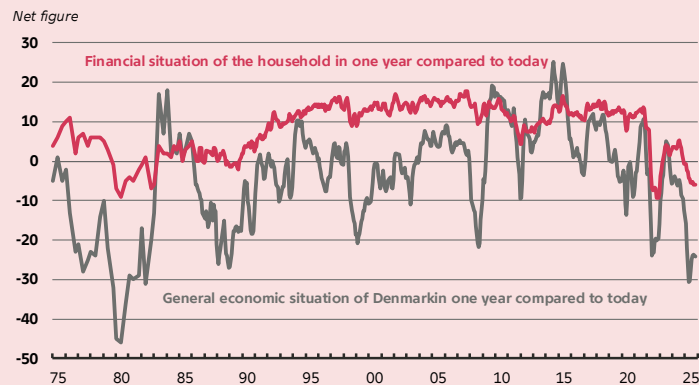
²³ See Simon Juul Hviid and Andreas Kuchler, Consumption and saving in a low interest-rate environment, *Danmarks Nationalbank Working Paper*, no. 116, June 2017.

²⁴ See Kim Padkjær Abildgren, Niels Lynggaard Hansen and Andreas Kuchler, Overoptimism and house price bubbles, *Journal of Macroeconomics*, vol. 56, June 2018.

past 50 years, the consumption ratio has never been lower than it is today, see chart 26. Real credit growth has also been very low for many years when it comes to mortgage debt, while growth in other debt plummeted during the pandemic and has since remained roughly flat.

CHART 25

Households most pessimistic in over 40 years



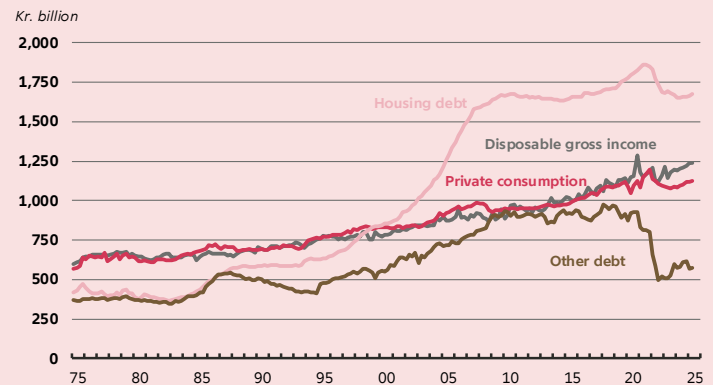
Note: Before 1986, data is generally only available for January, May and October. From and including 1986, data is shown as a 3-month moving average. Latest observation is October 2025.

Source: Consumer expectations, Statistics Denmark.

CHART 26

The consumption ratio is very low and real credit growth is close to zero

Real values for all of Denmark



Note: The chart covers the household sector for the whole country. Other debt covers all debt except mortgage debt. Stated in 2020 prices.

Source: Statistics Denmark and own calculations.

Despite rising house prices, credit growth remains moderate in Copenhagen

Rising house prices can lead to credit growth in the form of existing homeowners taking out new loans against their home equity, and homebuyers typically taking on more debt than the previous owner had. In recent years, however, credit growth has primarily been driven by increased borrowing in connection with home purchases.²⁵ Over the past year, there has been a correlation between house price growth and credit growth across municipalities, see chart 27. Municipalities in the capital region, especially Copenhagen, where house price increases have been greatest, have also experienced credit growth that is slightly higher than the average growth rate. However, there is no municipality where credit growth exceeds income growth at the national level, and even though house prices have increased by up to 20 per cent in Copenhagen over the past year, credit growth in itself is not alarming.

Over the past year, developments in optimism, consumption, and credit growth at national level have been far from the worrying character that high house price increases have previously brought with them. But if the rise in house prices were to continue at the same pace in and around Copenhagen and potentially spread to larger parts of the country, sharp and rapidly increasing credit and consumption growth could occur.

There are several reasons why events can quickly gain momentum. Firstly, a shift from pessimism to optimism about the future in a situation with significant home equity can lead to substantial credit and consumption growth. Secondly, interest

²⁵ See chart 4 in Danmarks Nationalbank, Neutral monetary policy in times of global uncertainty, Danmarks Nationalbank Analysis (Monetary and financial trends), no. 21, September 2025.

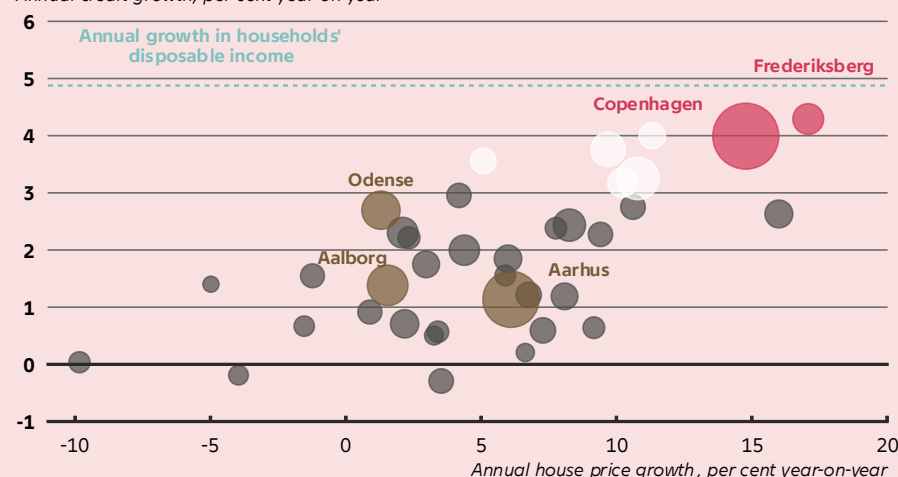
rate fluctuations can amplify credit and consumption growth among homeowners. The relatively widespread use of fixed-rate loans in Denmark insures borrowers against adverse interest rate developments. But the prevalence of fixed-rate loans also means that many homeowners typically refinance their mortgage loans at the same time when interest rates either rise or fall. It has previously been observed that home equity has been partially converted into consumption when homeowners have refinanced their loans, as they have simultaneously taken out additional loans collateralised by their owner-occupied property.²⁶ Credit growth can therefore occur suddenly when interest rates change, especially after periods of rising house prices. A transfer period is usually associated with a home purchase, and it therefore takes time from when the purchase agreement is signed to when the debt is incurred. There can therefore be some uncertainty about the most recent developments in 2025.

CHART 27

Credit growth is not greater than income growth, even in Copenhagen where house prices are rising the most

Nominal growth rates

Annual credit growth, per cent year-on-year



Note: Annual house price and nominal mortgage credit growth to households from Q2 2024 to Q2 2025. Prices per square metre for owner-occupied flats and single-family houses are weighted by their share of the owner-occupied housing stock. Dots are proportional to the size of lending in Q2 2025. White dots represent municipalities in the capital region, while grey dots indicate the remaining municipalities. The chart only includes municipalities with at least 150 homes sold in Q2 2025. The dashed line indicates the annual growth in household disposable incomes of 4.9 per cent in Q2 2025.

Source: Finance Denmark, Statistics Denmark, Danmarks Nationalbank and own calculations.

Homebuyers have more moderate indebtedness than previously

The debt-to-income ratio among homebuyers, which indicates the ratio between a household's total debt and total income, has been stable nationwide since the financial crisis, see chart 28. Even in the capital municipalities, where prices have increased the most, the debt-to-income ratio has remained at a moderate level,

²⁶ See Henrik Yde Andersen, Stine Ludvig Bech, Alexander Meldgaard Otte and Ida Rommedahl Julin, Mortgage refinancing supports private consumption, *Danmarks Nationalbank Analysis*, no. 17, September 2019, and Rikke Rhode Nissen, Erik Axel Grenestam and Henrik Yde Andersen, Refinancing fixed-rate mortgages and homeowners' financial resilience, *Danmarks Nationalbank Economic Memo*, no. 2, Maj 2025.

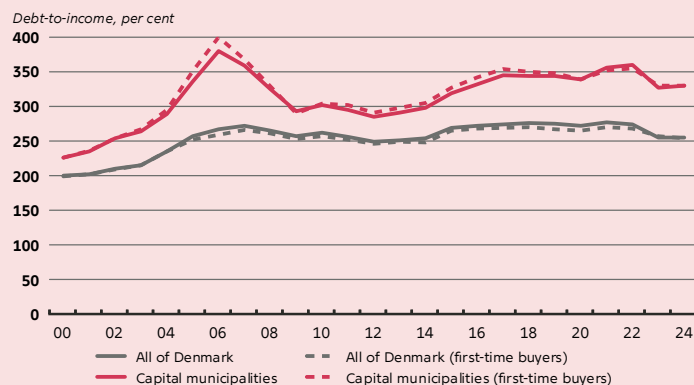
albeit higher than in other areas. A high debt-to-income ratio means, all else being equal, that homebuyers are more sensitive to negative shocks, such as interest rate increases, unemployment, or falling house prices. If many homeowners have a high debt-to-income ratio, it can pose a risk of losses on loans among lenders and, in extreme cases, affect financial stability. The risk to financial stability can materialise if negative shocks cause many homeowners to have problems repaying their loans at the same time.

Zooming in on home buyers with high debt, here defined as those with the 10 per cent highest debt-to-income ratios, the picture is roughly the same, see chart 29. It is even clearer here that the debt-to-income ratio has been stable nationwide, including in the capital, despite persistent house price increases. Moreover, the interest rate level has been low in the years following the financial crisis. This, in isolation, supports increased borrowing and higher debt-to-income ratios, as housing costs are reduced when interest rates fall, but overall, the debt-to-income ratio has remained at a moderate level, even for those homeowners who take on the most debt. This is also reflected in the housing burden, cf. the previous section.

CHART 28

Debt-to-income has remained stable for several years, even in the capital, where prices are rising the most

Median housing debt relative to household income (before tax) for homebuyers



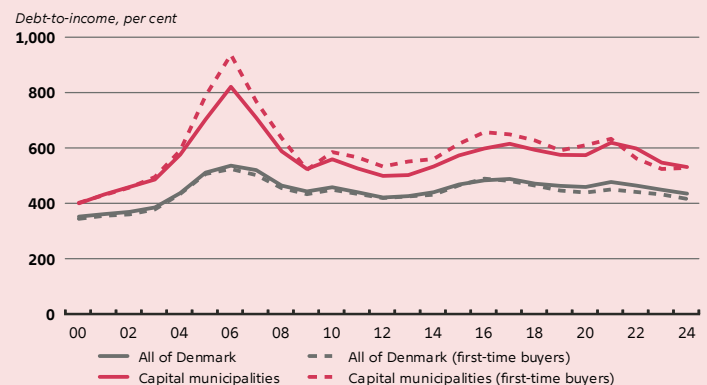
Note: Housing debt is stated at the end of the year of purchase, while income is stated for the entire year of purchase. Income is defined as the household's total annual wage and benefit income before tax. See definition of the population in box 1. Capital municipalities follow Statistics Denmark's municipal groupings.

Source: Statistics Denmark, Danmarks Nationalbank and own calculations.

CHART 29

Homebuyers' debt-to-income ratio, for the 90th percentile, is at a lower level than before the financial crisis

90th percentile housing debt relative to household income (before tax) for homebuyers



Note: See note to chart 28.

Source: Statistics Denmark, Danmarks Nationalbank and own calculations.

Homebuyers have become more robust since the financial crisis

Housing demand is directly affected by the opportunities homebuyers have for financing, and in the wake of the financial crisis, a number of measures have been implemented to contain the consequences of future shocks to the economy, such as house price declines, interest rate increases, or unemployment. Some of these measures have been implemented with the aim of consumer protection, but they have also contributed to strengthening financial stability.

The measures include borrower-based initiatives introduced in *the Executive Order on governance* and *the Executive Order on Good Practice for Mortgage Lending*, hereafter referred to as *the lending rules*.²⁷ These are measures based on the individual borrower's financial situation, such as loan-to-value ratio, debt-to-income ratio and disposable income, by introducing indicative guidelines in the form of thresholds. Their purpose is to protect homeowners from taking excessive risk. This is particularly relevant in periods of high-income growth and low interest rates, where there is a risk of overextending, leading to excessive indebtedness or interest rate exposure.²⁸ This benefits homeowners by enabling them to withstand rising interest rates or falling house prices, but it also contributes to a more robust economy, as the financial system is better able to withstand major shocks.

Since the financial crisis, there has been a decline in the share of loans for home purchases that exceed the lending rule thresholds, see chart 30. This indicates that homebuyers have become more financially robust. The development should be seen in light of the implementation of the lending rules but may also reflect a behavioural change among homebuyers and lenders. The same applies to the moderate development in the debt-to-income ratio, cf. the previous section.

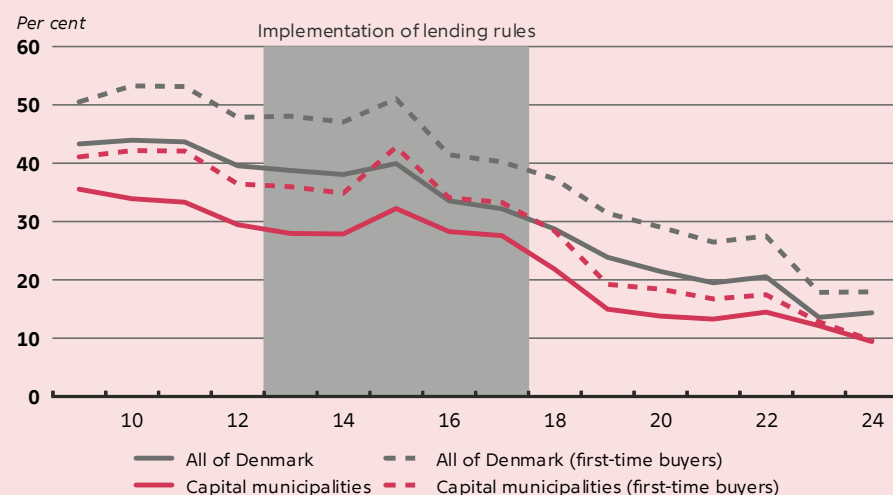
²⁷ The Executive Order on governance refers to the 'Growth Area Guidelines', which only apply to Greater Copenhagen and Aarhus. The Executive Order on Good Practice for Mortgage Lending includes a 5 per cent down payment requirement, requirements for disposable income, and restrictions on certain loan types at high loan-to-value ratios and debt-to-income ratios. The measures in the two executive orders are not strictly regulation, although the Danish Financial Supervisory Authority can issue an injunction to credit institutions that do not comply with the lending rules.

²⁸ See Christian Sinding Bentzen and Cecilie Walsted Gaarskær, Lending rules in light of higher interest rates, *Danmarks Nationalbank Analysis*, no. 10, May 2024.

CHART 30

A declining proportion of loans exceeding the current lending rule thresholds

Proportion of loans for home purchases exceeding the thresholds in the lending rules



Note: Loans above the thresholds in current regulation are defined as loans being granted above the 5 per cent down payment requirement or loans with a high loan-to-value ratio (above 60 per cent) and a high debt-to-income ratio (above 4) in combination with interest-only and variable-rate loans. For further details on which loan combinations that exceeds the thresholds in the current regulation, see chart 8 in "Economic implications of interest-only mortgages combined with high leverage", *Danmarks Nationalbank Analysis*, no. 8, May 2024. The Executive Order on governance (the Growth Area Guidelines) also includes an interest rate stress test and requirements for positive wealth in the event of a house price decline, which are not included in the chart. The current lending rules have been gradually implemented from 2013 to 2018, which means that loans may have been granted according to the rules in force at the time. Note that home purchases with a loan-to-value ratio above 100 per cent are included, why the levels are higher than in the otherwise similar chart 11 in Christian Sinding Bentzen and Cecilie Walsted Gaarskær, "Lending rules in light of higher interest rates", *Danmarks Nationalbank Analysis*, no. 10, May 2024. Capital municipalities follow Statistics Denmark's municipal groupings.

Source: Statistics Denmark, Danmarks Nationalbank and own calculations.

When loans are granted beyond the established limits even after the introduction of lending rules, it is not necessarily an indication that credit institutions are violating the rules. The lending rules allow institutions to deviate from the limits based on an individual assessment of the customer. This may be the case, for example, if the customer is facing a known increase in income or, for other reasons, does not represent a relevant risk.²⁹

Declining loan-to-value ratios should be seen in light of the down payment requirement

Since 2015, a down payment requirement of 5 per cent has been in effect in Denmark, and the loan-to-value ratio for purchased properties has been declining since then, see chart 31. The loan-to-value ratios in 2024 differ from the levels seen in the years leading up to the financial crisis for the country as a whole and in the capital region. For the capital, the guidelines in the Executive Order on governance (the Growth Area Guidelines) regarding the requirement

²⁹ There is also a degree of measurement uncertainty in the available data, as it is not necessarily clear exactly which income has formed the basis for the credit assessment in the individual credit institution.

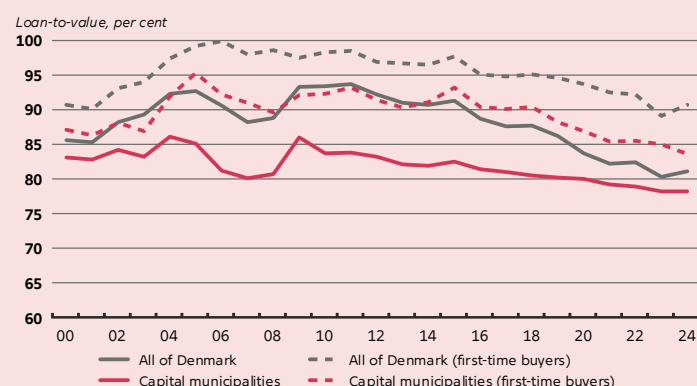
for positive net wealth³⁰ may also have contributed to reducing loan-to-value ratios.

After the introduction of the down payment requirement, homebuyers generally borrow a smaller share of the property's value when purchasing a home. Prior to the financial crisis, many loans were granted with a total loan amount exceeding the value of the property, see chart 32. In recent years, there has been a greater tendency for many homebuyers to position themselves around the current down payment requirement when buying a home, i.e., with a loan-to-value ratio of 95 per cent.³¹ There is also a higher concentration around a loan-to-value ratio of 80 per cent and, albeit to a lesser extent, around 60 per cent. This reflects the maximum loan limit for mortgage loans, as well as the fact that the 60 per cent loan-to-value ratio, together with a debt-to-income ratio above 4, are thresholds in the lending rules that determine in principle whether the homebuyer has full freedom of choice among all loan types. In addition, the contribution expenses on mortgage loans decrease around a loan-to-value ratio of 60 per cent.

CHART 31

Loan-to-value ratios are falling in the capital municipalities, especially for repeat buyers

Median loan-to-value for homebuyers



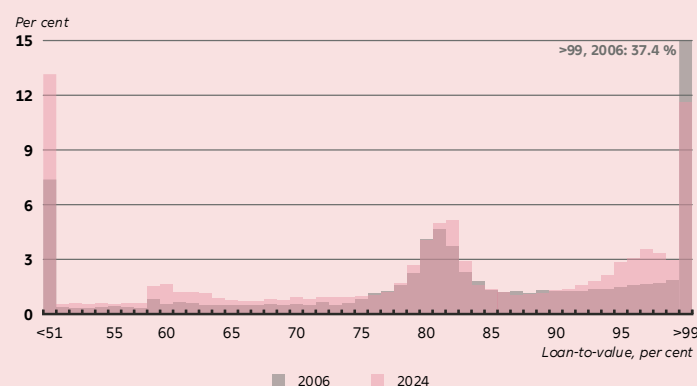
Note: Housing debt is stated at the end of the year. See definition of the population in box 1. Capital municipalities follow Statistics Denmark's municipal groupings.

Source: Statistics Denmark, Danmarks Nationalbank and own calculations.

CHART 32

Reduced prevalence of the highest loan-to-value ratios since 2006

Loan-to-value distribution in 2006 and 2024



Note: Distribution of housing debt relative to purchase price (loan-to-value) for homebuyers in 2006 and 2024. The secondary axis is cut at 15 per cent, and values outside this range are indicated with text. See definition of the population in box 1.

Source: Statistics Denmark, Danmarks Nationalbank and own calculations.

³⁰ The requirement for positive housing wealth in the event of a fall in house prices stipulates that if the debt-to-income ratio is between 4 and 5, borrowers must have sufficient wealth to remain solvent after a 10 per cent drop in house prices. If the debt-to-income ratio exceeds 5, the wealth must be able to withstand a 25 per cent drop in house prices. Borrowers with high job security may be exempted if they choose a fixed-rate and amortising loan. Young borrowers in education who have high job security after graduation may also be exempted if their debt-to-income ratio after graduation is reduced to below 4, see Danish Financial Supervisory Authority, Vejledning nr. 9299 af 20. april 2023 om forsigtighed i kreditvurderingen ved belåning af boliger i vækstområder mv. (guide no. 9299 of 20 April 2023 on caution in credit ratings for collateral in homes in growth areas etc, in Danish only), June 2023.

³¹ Housing debt is stated as the nominal amount at the end of the year of purchase and may therefore be underestimated for homebuyers who make repayments on the debt. The statement as a nominal amount means that the size of the debt is not sensitive to any interest rate changes since origination. The nominal amount is usually higher than the market value of the debt on fixed-rate loans due to the loss at origination, and establishment costs are also usually debt-financed.

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