

Denmark

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IN A NUTSHELL

- The economy grew by 3.7%
- Mortgage interest rates have risen
- Housing market activity is higher than last year.
- House prices increased over the year, reversing their decrease in 2023.

MACROECONOMIC OVERVIEW

The economy grew by 3.7% in real terms, 1.2 pps more than 2023. The rise was mainly driven by increasing exports of goods and services, which rose by 7.5%. Also, consumer prices increased by 1.4% in 2024.

The employment rate has been stable throughout 2024. Starting at 77.4% in Q1 and ending at 76.9%. Unemployment increased by 0.8 %-point in 2024 from 5.9% in the first quarter to 6.7% by year end. The government had a budget surplus of 5.6%. Gross government debt was 31.1%, which is low in a European context.

The deposit rate at Danmarks National bank, has been falling throughout the last half of the year. Between January and May it was 3.6% and has been falling since to 2.6% by year end. The fall in the deposit rate should be seen in context to a lower euro area inflation and the Danish central bank following the ECB's deposit rate drops due to the fixed exchange rate policy between the DKK and EUR.

HOUSING MARKETS

Nominal house prices increased by 7.4%, reversing their decrease of 2.6% in 2023. Prices increased more in the capital region, and by the end of 2024 prices of houses in Copenhagen were 10.9% higher than the year before, and prices on owner occupied apartments were 7.6% higher.

In total, 67,147 houses and owner-occupied flats were sold, slightly more than the 62,950 in 2023. Lower mortgage rates and other developments in the real economy have contributed to the increasing housing market activity in 2024, compared to the last two years.

House completions fell by 20.5%. Commenced construction decreased by 3.8% and the number of building permits issued increased by 4.4% compared with 2023.

MORTGAGE MARKETS

By the end of 2024, outstanding mortgage loans from mortgage banks¹ were DKK 3,145 bn (EUR 421bn equivalent) of which approximately DKK 1,786 bn (EUR 239bn) was for owner occupied housing. Housing loans from universal banks amounted to DKK 292 bn (EUR 39bn). In total, mortgage credit growth was 1% in 2024.

Mortgage lending activity in 2024 changed marginally compared to previous years. Gross lending activity by mortgage banks was lower than in 2023. Total gross lending reached DKK 418.2 bn (EUR 56bn). Residential mortgages were 61.4% of gross lending, 1.6 % pps less than in 2023. Gross lending activity is down by 1.7%.

Adjustable-rate mortgages have gained slightly more market share. Outstanding mortgage loans issued by mortgage banks are split between fixed rate mortgages (37.4% by year end 2024), mortgages with an interest rate under 1 year (32.2%) and mortgages with an interest rate above 1 year (30.4%). However, in 2024 fixed rate mortgages (typically fixed for 30 years) were 41% of total gross lending, a decrease of 11.4 pps. Adjustable-rate mortgages and interest reset mortgages were 59%. The interest rates on fixed mortgage loans stabilized during 2023 and 2024 after rising from a historically low level in 2021. The short-term interest rate for borrowers was on average 4.73% in 2024.

Interest rates have been rising and are now at a higher level than in 2021 and previously for several reasons – including central banks trying to control inflation. Possible reasons for borrowers preferring adjustable-rate mortgages include their expectations of future rate decreases as inflation is closer to the ECB's target of 2% and, the possibility to lower monthly payments compared to those on fixed rate loans.

MORTGAGE FUNDING

Mortgage loans issued by mortgage banks are solely funded through the issue of covered bonds. Mortgage banks continuously supply extra collateral on a loan-by-loan basis if the value of cover assets (properties) deteriorates.

The funding mix – for the main part bullet bonds or callable long-term bonds – adjusts continuously according to borrower demand. Bonds are tapped and bullet bonds behind interest reset loans are refinanced by the month end in March, June, September and December. December remains traditionally the largest refinancing date, however new bullet bonds have not been issued with maturity in December for the past years, spreading refinancing activity and hence the point risk more evenly across the year.

¹ Mortgage banks are financial institutions specialized in a narrow range of activities. They provide loans secured by mortgages on real property. These loans are exclusively funded through the issuance of covered bonds. Deposits are not allowed. There is a direct match between each loan and the corresponding bond issued to finance it. Borrowers may prepay their loans at any time by repurchasing the bonds at their current market value.

Universal banks operate across a broad spectrum of financial services. Loans may be funded through customer deposits, short-term borrowing, or the issuance of bonds. Deposits are allowed. Unlike mortgage banks, there is no direct match between individual loans and the instruments used to fund them. In the case of loan prepayments, the universal bank determines the applicable terms and pricing.

	DENMARK 2023	DENMARK 2024	EU 27 2024
MACROECONOMIC VARIABLES			
Real GDP growth (%) (1)*	2.5	3.7	1.0
Unemployment Rate (LSF), annual average (%) (1)	5.1	6.2	5.9
HICP inflation (%) (1)	3.4	1.3	2.6
HOUSING MARKET			
Owner occupation rate (%) (1)	60.0	60.9	68.4
Gross Fixed Investment in Housing (annual change) (1)	-10.2	2.0	-4.3
Building Permits (2015=100) (2)	94.6	93.7	136.9
House Price Index - country (2015=100) (2)	133.6	143.0	179.8
House Price Index - capital (2015=100) (2)	156.3	173.0	171.5
Nominal house price growth (%) (2)	-2.3	7.0	4.9
MORTGAGE MARKET			
Outstanding Residential Loans (mn EUR) (2)	277,743	278,687	6,879,667
Outstanding Residential Loans per capita over Total Population (EUR) (2)	46,816	46,750	15,311
Outstanding Residential Loans to disposable income ratio (%) (2)	155.3	150.0	71.3
Gross residential lending, annual growth (%) (2)	-12.9	-43.4	3.9
Typical mortgage rate, annual average (%) (2)	4.6	4.7	4.34

(1) Eurostat Data

(2) European Mortgage Federation – Hypostat 2024, Statistical Tables

* Eurostat Reviewed

** EU 2024 to be confirmed

DENMARK FACT TABLE

Which entities can issue mortgage loans in your country?

Retail banks and mortgage banks.

What is the market share of new mortgage issuances between these entities?

Not available – data for residential reflect mortgage banks issuance only (not available for retail banks).

Which entities hold what proportion of outstanding mortgage loans in your country?

Over the past twelve months, the proportion (for owner-occupied housing) has been the following:

Retail banks 15%

Mortgage banks 85%

What is the typical LTV ratio on residential mortgage loans in your country?

For new loans for owner-occupied housing the LTV will normally be up to 80%.

For other new residential loans, the LTV will normally be 60%.

How is the distinction made between loans for residential and non-residential purposes in your country?

The difference is whether you live in the house or not.

What is/are the most common mortgage product(s) in your country?

We have three typical types of loans:

Loans with Fixed rate.

Interest reset loans.

Loans with variable rate with and without cap.

What is the typical/average maturity for a mortgage in your country?

For new housing loans, the maturity is normally 30 years.

For business loan, the maturity is typically 20 years.

What is/are the most common ways to fund mortgage lending in your country?

Covered bonds

What is the level of costs associated with house purchase in your country (taxes and other transaction costs)?

For new loans at DKK 1 million (EUR 134,000) with fixed rate the following apply:

Taxes going to state: Approximately DKK 17,000 (EUR 2,280).

Costs going to the Mortgage bank: Approximately DKK 10,000 (EUR 1,340).

What is the level (if any) of government subsidies for house purchases in your country?

The government doesn't have any role in house purchases.