Denmark

By Nicholas Gudmund Hansen, Kristoffer Fahnøe Lynggaard and Theis Scheuer Jansen, Finans Danmark

IN A NUTSHELL

- → The economy grew by 3.5%.
- → Mortgage interest rates have fallen.
- → Housing market activity is higher than last year.
- → House prices continued to increase over the year.

MACRO-ECONOMIC OVERVIEW

The economy grew by 3.5% in real terms, 0.4 pps less than 2024. Growth was again primarily supported by exports, while domestic demand contributed more than in the previous year. Consumer prices increased by 1.9%.

The employment rate remained at a high level throughout 2025, starting at 77.1% in Q1 2025 and ending at 76.6% in Q4. Unemployment was 6.4% according to Eurostat. The government had a budget surplus of 2.9% of GDP. Gross government debt was 27.9% of GDP, which remains low in Europe.

The deposit rate at Danmarks Nationalbank continued to follow the ECB during 2025 due to the fixed exchange rate policy between the DKK and EUR.

HOUSING MARKETS

Nominal house prices increased by 4.4% in 2025, continuing the upward trend from 2024. Prices increased markedly more in the capital region, and by the end of 2025 prices in Copenhagen were 13.2% higher than the year before for houses, and 15% higher for owner-occupied apartments. The national House Price Index reached 149.3 (2015=100), while the index for the capital region reached 196.4.

In total, 78,182 houses and owner-occupied flats were sold, significantly more than the 68,041 in 2024. Lower mortgage rates and continued resilience in the real economy have contributed to the rising housing market activity in 2025.

House completions fell by 7.9%, while commenced construction increased by 27.1% and the number of building permits issued increased by 15.8% compared with 2024. The pick-up in housing starts and permits suggests that supply is beginning to respond to the recovery in demand observed over the past two years.

MORTGAGE MARKETS

MARKET DYNAMICS

By the end of 2025, outstanding mortgage loans from mortgage banks[1] were DKK 3,123 bn (EUR 418 bn equivalent) of which approximately DKK 1,818 bn (EUR 243 bn) was for owner-occupied housing. Housing loans from universal banks amounted to DKK 327 bn (EUR 44 bn). In total, mortgage credit growth was 2.4% in 2025.

Mortgage lending activity in 2025 increased compared to previous years. Gross lending activity by mortgage banks was higher than in 2024. Total gross lending reached DKK 544 bn (EUR 73 bn). Residential mortgages were 65.3% of gross lending, 3.9 pps more than in 2024. Gross lending activity is up by 29%.

Outstanding mortgage loans issued by mortgage banks are split between fixed rate mortgages (33.1% by year end 2025), mortgages with an interest rate under 1 year (39.7%) and mortgages with an interest rate above 1 year (27.2%). In 2025 fixed rate mortgages (typically fixed for 30 years) were 36% of total gross lending, a change of 5 pps. Adjustable-rate mortgages and interest reset mortgages were 64%. The short-term interest rate for borrowers was on average 3.25% in 2025.

Interest rates have been falling throughout 2025 as inflation has moved closer to the ECB's target of 2% and central banks have continued to ease monetary policy. The drop in mortgage rates has supported borrower demand and contributed to the increased housing market activity. Borrowers continued to show a preference for adjustable-rate and interest reset mortgages, reflecting expectations of further rate declines 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 2024	DENMARK 2025	EU 27 2025
MACROECONOMIC VARIABLES			
Real GDP growth (%) (1)*	3.9	3.5	1.5
Unemployment Rate (LSF), annual average (%) (1)	6.2	6.4	6.0
HICP inflation (%) (1)	1.3	1.9	2.0
HOUSING MARKET			
Owner occupation rate (%) (1)	60.9	58.4	68.5
Gross Fixed Investment in Housing (annual change) (1)	-2.0	2.1	2.8
Building Permits (2015=100) (2)	18.8	20	86.9
House Price Index - country (2015=100) (1)	143.0	149.3	161.92
House Price Index - capital (2015=100) (2)	173.0	196.4	n/a
Nominal house price growth (%) (1)*	3.5	4.4	5.5
MORTGAGE MARKET			
Outstanding Residential Loans (mn EUR) (1)	278,687	286,384.47	5,617,435.11
Outstanding Residential Loans per capita over Total Population (EUR) (2)	46,750	47,493.28	12,472.10
Outstanding Residential Loans to disposable income ratio (%) (1)	149.99	134.78	81.39
Gross residential lending, annual growth (%) (1)	-43.4	n/a	2.8
Typical mortgage rate, annual average (%) (2)	4.73	3.25	3.31

(1) Eurostat Data
(2) European Mortgage Federation – Hypostat 2026, Statistical Tables
* Eurostat Reviewed
** EU 2025 to be confirmed

DENMARK FACT TABLE

Which entities can issue mortgage loans in your country?	Universal banks and mortgage banks.
What is the market share of new mortgage issuances between these entities?	Not available – the available data for residential mortgages reflect issuances by mortgage banks only (data for universal banks are not available).
Which entities hold what proportion of outstanding mortgage loans in your country?	Over the past twelve months, the proportion of outstanding mortgage loans for owner-occupied housing has been as follows: - 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 is normally up to 80%. For other new residential loans, the LTV is normally up to 60%.
How is the distinction made between loans for residential and non-residential purposes in your country?	The distinction depends on whether the borrower occupies the property as their residence.
What is/are the most common mortgage product(s) in your country?	There are three main types of mortgage loans: Fixed-rate loans. Interest reset loans. Variable-rate loans, with or without an interest rate cap.
What is the typical/ average maturity for a mortgage in your country?	For new housing loans, the maturity is normally 30 years.
What is/are the most common ways to fund mortgage lending in your country?	For mortgage banks, the primary source of funding is covered bonds. For universal banks, the main funding sources are covered bonds, deposits, and unsecured bonds.
What is the level of costs associated with house purchase in your country (taxes and other transaction costs)?	For new loans of DKK 1 million (EUR 134,000) with a fixed rate, the following costs apply: - Taxes paid to the State: Approximately DKK 17,000 (EUR 2,280). - Costs paid 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 does not play a role in financing house purchases and does not provide subsidies for house purchases.