



Denmark - Financial and Market Framework

When considering an energy efficiency retrofit within your national housing market, a wide plethora of consideration needs to be made. Below, we list key findings to facilitate your analysis of the retrofit investment. More details and backgrounds can be found on the website www.rentalcal.eu.

The analysis of investment barriers, split incentives and policies in Denmark show

- Residential property prices in Denmark have been growing in recent years, after a slow recovery from the financial crisis of 2008. Particularly, since the middle of 2012, the Danish central bank has been pursuing negative interest rates to, among other objectives, defend the krone's peg to the euro. This has fuelled house prices in major cities across Denmark, for example, according to Bloomberg, apartment prices per square meter in Copenhagen soared to 43 percent between the start of 2010 and the end of 2015. East Jutland have also seen high growth rate of property prices. While the rural areas of Denmark experienced stagnant or slightly increasing property prices.
- Likewise, in recent years, rental prices have grown in major cities as low vacancies (national average of 2.7% over the last five years) and strong demand have boosted rental prices. For example, since 2008 rents have increased by more than 30% in Copenhagen and the most recent average rental yield is estimated to be at 4.91%. In other major cities, favourable rental yields of 8.18% in Herning, 6.28% in Helsingør and 5.81% Odense are found.
- Electricity, gas, heating oil and wood pellets are the most common energy sources in Denmark. In the past 5 years, both electricity and gas prices have experienced a low or negative growth. Despite this, for medium-size households, electricity prices during the second semester of 2015 were higher than any other EU country at 0.304 Euro per kWh (Eurostat 2015). This is not surprising as Danish energy taxes are relatively high and make up more than 69% of the final price.
- In terms of running costs, the average utility bill for an average 85 square meter apartment with two persons household was about €170 per month in 2015. This is about 9% of the average rental price for such apartment in Denmark (Numbeo, 2015).

The analysis of "green premiums" for energy efficiency in Denmark show

- In Denmark there is no information on empirical rental premium or lower vacancy rates due to improved energy efficiency standards. Yet, a recent study by Jensen et al., (2016) reports that energy performance rating of properties plays an important role in relation to sale price.
- Particularly, properties with an A/B rating are reported to have an average green sales premium of 6.6 per cent relative to properties with a D rating. While properties in the C category are found to achieve a green sale premium of 5.1 per cent relative to those in the D category.

The analysis of grants and other subsidies in Denmark

- The Green Urban Renewal Scheme (Ministry of Immigration, Integration and Housing 2016) creates the opportunity for private homeowners (or landlords) to negotiate rent increases beyond the ordinary rent increase process, which arise due to energy efficiency improvements, with the occupying tenants. A total of 50 million DKK has been allocated annually for the purposes of the green urban renewal for rental buildings. This is estimated at around 150 DKK/100m² flat per year, or between 1 and 2% of the annual heat energy bill.
- The housing benefit scheme subsidizes tenants' rent costs for households with relatively low incomes. Eligibility and the amount of the grant are based on the cost of rent, size of the house, household composition and income from assets. The subsidies take the form of a housing allowance. The rules for housing allowance (boligyldelse) are less stringent than for rent subsidies (boligsikring).
- With the so called BoligJobordning 2015-2017 (Residence Job Scheme 2015-2017), a deduction of up to 12,000 DKK per person (18 years old or more) for craft services is possible. This includes energy efficiency improvements to homes (Skatteministeriet 2015). This scheme is however only available for private landlords as the deduction is per person and social housing associations acts as an umbrella organization.
- price of 0.4 - 0.7 DKK/kWh, which is around 5% of the investment required for energy conservation.

- It is possible to sell energy conservations to the large energy companies for a Some possibilities for free energy consultancy exist, as municipalities have an opportunity to subsidize energy conservation activities.
- The government has initiated an energy advisor education and certification of consultants called Better Homes (ENS 2014b). The Better Homes advisors sell their consultancies on market conditions. But at the evaluation in 2014, there were many complaints that revolved around The Energy Agency using 15 Million DKK for advertising, but nothing for support (ENS 2014a). The main focus of Better Homes is on private owners of single family houses who will have to pay between 2000 and 3.000 DKK for a report. This is difficult to promote and sell.

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The analysis of financing conditions in Denmark show

- In Denmark energy efficiency retrofits are normally financed by either real estate mortgages (Realkredit lån) and / or private mortgages (bank loans)
- Most private house owners are members of the Landowners Investment Fund (Grundejernes Investeringsfond), and can access favourable loans through it. The Landowners Investment Fund seeks to improve and better sustainability of private rental housing in Denmark. It allows private landlords to deposit savings into its GI Account and by doing so preferential loans of up to 15 million Dkr are offered. This is to enable landlords to maintain and improve rental properties as well as to provide a good economic foundation. GI offers loans up to 100 % of the cost of preserving properties of certain value and for other properties loans up to 90 % of the renovation costs. On the other hand, real estate mortgages are loans secured in real property. These loans tend to be the most favourable for landlords, as interest rates tend to be lower than standard unsecured loans.
- Mortgage banks offer fixed-rate loans, adjustable-rate mortgages and floating-rate loans (with or without interest rate cap) as the main types of mortgage loans. All loan types are offered with interest-only periods. The typical LTV limit for a mortgage loan is 80% of the property value with an interest rate of 2.5 % over 30 years` loan term (RD, 2016).
- Furthermore, in recent years several banks have developed a number of energy retrofitting loans, but the interest rates on these loans are somewhat higher than mortgage loans and ranges between 5% and 7 % (Bolius)

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