



Denmark - Institutional 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.

Parameters for decision taking in Denmark:

- The professional landlords are estimated to be less than 40 per cent of the landlords, but they own 75 per cent of the flats and more than 60 per cent of the properties. The largest group of owners are the 'small investors', but they only own 15 per cent of the properties. 'Users' and 'non-profit' landlords are a total of 20 per cent of the owners, but they only have 10% of the properties. Especially those owners, who bought the properties also to use as their own home, have only a small number of the housing stock - 1 per cent.
- The small investors have a higher net return (4%) than professionals, due to a combination of higher rent income and a lower property value. This higher performance is partly achieved, because the small investors hold significantly less maintenance costs, so that the yield can be achieved by a deterioration of the properties. This is perhaps why the total return for small investors is less than for the professionals' due to smaller gains.
- The net return has been quite low in the larger cities (1.4%), while it has been high in the smaller towns (7.5%). This is due to a combination of both higher net income (as a result of significantly less maintenance) and lower property values. All in all, the total return has been slightly higher in small cities.

Types of investors and stakeholders in Denmark:

Private natural landlords

- Regarding the energy concept and the potential energy efficient measures, private natural landlords tend to require external services. Regarding the technical matters, the majority have personally no information, knowledge and capacities.
- Housing cooperatives, social housing firms, municipal housing companies and housing companies.
- Their core business is to provide an affordable and comfortable housing. These investors manage daily the running maintenance and the operation of a large housing stocks. They have a precise knowledge of their actual energy consumption as they charge their tenants with the heating and domestic hot water costs. They have generally a technical department in charge of the investments and the extraordinary maintenance which has a precise knowledge of the energy concept and the potential energy efficient measures, of their corresponding economic and technical impacts. As these departments are also in charge of the refurbishment projects and to organise the tenders, generally they only subcontract to energy consulting firms and architects the detailed design of the project and the corresponding specifications to be included in the technical books when organising the tenders to select the building companies. It's rather an assistance to mastery of work of specifications, choice of the solutions and on-site project management.
- An additional important point: Their departments have generally developed social competences to negotiate with tenants a rent increase or a savings sharing.

Institutional investors

- More financially oriented investors generally subcontract the daily management of their estates to property managing firms. They do not have direct relations with their tenants. As they own housing stocks which are geographically more dispersed, this investor type has a significant higher need of technical out-sourcing and external resources.

Constellations for decision making in Denmark:

Private natural landlords

- Private landlords consider tax and fiscal incentives as the 1st motivation to invest in rental housing estates. Nevertheless, they need an additional external support to have a global understanding of these incentives and to calculate their benefits.
- Housing cooperatives, social housing firms, municipal housing companies and housing companies
- These investors generally have a strong financial department to control the economic balance of the investment before their validation. All the fiscal and tax aspects (e.g. V.A.T.- reduced rate, tax on properties, tax on benefits, depreciation ...) are already included in the calculation of the profitability of the rental residence before and after the retrofitting works to measure the evolution of the rental yields. Before the "green light", the acting out, the economic balances are validated either at the top level by the executives or by the board.

- The expertise varies according to the housing stock size, in the smaller enterprises there is a need for some outsourcing when special situations occur, in the largest none whatsoever.

Institutional investors

- Mainly financially oriented, the main objective of this investor type is to get the highest rental yields. The fiscal optimisation is an entire part of their core business especially when banks or insurance companies propose to their richest customers financial packages with a tax exemption plan designed to strengthen the financial viability of their investments.