

# DENMARK

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**Table 1: Danish housing stock, by tenure (primary residences)**

Tenure	# of Dwellings	% of total
Non-profit housing	561,969	20.1
Cooperative Housing	197,407	7.0
Private Rental	574,829	20.5
Owner Occupiers	1,342,874	48.0
Other	123,210	4.4
Total	2,800,289	

Source: BL estimates, based on Statistics Denmark. Notes: Housing stock on the 1st of January, 2024. Excludes vacant dwellings. "Other" includes some specially adapted state/municipal owned housing, such as age adapted and student accommodation. 'Cooperative' (*andelsboliger*) is a form of collective ownership with shared building costs. The official number of privately owned dwellings is somewhat misleading, as apartments purchased by parents and rented to their children with tax benefits (so-called '*forældrelejlighed*') are treated as ordinary private rental apartments.

### Origins and brief historical overview

In Denmark, the part of the housing sector known locally as "*almene boliger*" would be best translated into English as 'non-profit housing'; as opposed to 'social housing'. This reflects the fact that, as in the case of neighbouring Sweden, the ethos of the sector has historically been based on the idea that everyone deserves a good home at an affordable price. Thus, in theory at least, non-profit housing in Denmark is for everyone, regardless of income. The reality of the sector is, of course, much more nuanced and complex and we will elaborate on this later in the chapter.

In terms of how it is that Denmark has arrived at a 'universalist' model of housing provision by entities that are "institutionally independent from the state",<sup>1</sup> as in most other parts of Europe, we must go back to the latter part of the 19<sup>th</sup> century. At that time, urban hubs like Copenhagen were growing quickly, as workers were attracted to textiles and other emerging economic sectors. One impact of this was a rapid spread of disease from overcrowded and unsanitary housing conditions. This led medical professionals to push for improved housing, especially for lower-income workers.<sup>2</sup> Early examples of Danish non-profit housing projects still exist today, including the emblematic *Brumleby* (officially called *Lægeforeningens Boliger*) project built between 1854 and 1872 by the Danish Medical Association, and *Kartoffelrækkerne*, built between 1873 and 1889 by the Workers' Building Society; linked to the strong trade union movement.

In the following decades, the Danish Unions continued to play an important role, with some of the first non-profit housing associations being established by them in order to provide homes for the workers they represented.<sup>3</sup> As such, a key element of these housing schemes was a focus on the empowerment of the residents. This has remained a cornerstone of the non-profit sector that survives till today, with the majority of the seats on the boards of management of housing associations being reserved for tenants.

<sup>1</sup> Noring, L., Struthers, D., & Grydehøj, A. (2022). Governing and Financing Affordable Housing at the Intersection of the Market and the State: Denmark's Private Non-profit Housing System. *Urban Research & Practice*, 15(2), 258-274. <https://doi.org/10.1080/17535069.2020.1798495>

<sup>2</sup> *Ibid.*

<sup>3</sup> Tornow, B. (2017). Zur Entwicklung gemeinschaftlichen Wohnens in Dänemark [*On the development of communal living in Denmark*]. Kiel: Institut Wohnen und Umwelt.

In 1919, *Danmarks Almene Boliger* (BL), the national federation that brings together and advocates on behalf of the non-profit housing associations, was founded.<sup>4</sup> This was prescient, as a boom in construction following two world wars led to a sharp increase in the number of non-profit housing providers in Denmark, and a related increase in the number of non-profit homes. The first major legislative efforts to regulate the emerging non-profit housing association sector were passed in 1933. The Danish Housing Ministry was first created in 1947, which helped to boost the level of construction by the housing associations. Indeed, in the period 1948-1958, over 90,000 new non-profit homes were built; around 45% of the total national production of new homes in this period.<sup>5</sup> Furthermore, according to historical Census data, the number of non-profit dwellings rose precipitously from 68,000 in 1950 (5.4% of the national stock), to around 145,000 in 1960 (9.8%), and 255,000 in 1970 (14.1%).

As will be explained in greater detail later, the non-profit housing sector in Denmark uses a cost-based rent setting model (i.e., cost-rental). This also helps housing associations build up reserves to reinvest in new construction and renovations. The key moment in the development of this approach came in the 1960s, when the mortgages used to build many non-profit schemes in the previous decades were being paid off, meaning that the costs of provision fell sharply. This led to a similarly dramatic decrease in rents for tenants. The result was a situation in which the rents in older centrally located homes were very low when compared to the newer suburban non-profit schemes. This meant that demand for the latter was low, which in turn was undermining the solidity and the business model of some of the housing associations.<sup>6</sup>

As a result, an agreement between the non-profit housing associations and the Government was reached in 1966. This stipulated that rather than the unencumbered parts of the housing stock continuing to apply a strict cost-rent model, rents would be ‘stabilised’ and the resulting surpluses would be used to reinvest in maintenance of the existing stock and the development of new homes. This is essentially the model that has survived till today. A further financial support was developed in 1975, with the advent of a system of interest- and instalment-free 50-year municipal loans to help keep down production costs, and support affordability for tenants.

In the intervening decades, ‘stability’ and ‘predictability’ have become bywords for the framework that underpins the non-profit sector with—other than some incremental tweaks to the way that the state supports the repayment of loans<sup>7</sup>—no fundamental reworkings of the basic model of provision. This means that the core foundations of the Danish model have been in place largely unaltered now for several decades. In that time, the non-profit sector has increased in relative importance, with the percentage of homes owned by the housing associations having risen from about 14% at the start of the 1980s, to around 20% today.

Having said that, the non-profit sector has somewhat ‘plateaued’ in recent years. This reflects struggles to find a balance between the cost of new production and providing rents that remain affordable; i.e., because of a growth in construction costs that has outpaced that of household disposable incomes. The Government has taken some steps to try and deal with this, such as the provision of special grants. However, these have been quite modest in scale. These measures will be discussed in further detail later in this chapter.

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<sup>4</sup> See: <https://bl.dk/om-os/hvad-er-den-almene-sektor/>

<sup>5</sup> Author’s calculations, based on ‘Residential Construction by phase of construction, builders and time’ data-series from Statistics Denmark.

<sup>6</sup> Noring, L., Struthers, D., & Grydehøj, A. (2022).

<sup>7</sup> For example, the annual fixed repayment today is equivalent to 2.8% of the original development cost, whereas it was previously 3.4%.

## The role of government and other actors in the provision of non-profit housing

In Denmark, primary responsibility for the development of national housing policy is vested in the Ministry of Social Affairs and Housing (*Social- og Boligministeriet*). This includes setting the legislative framework for the non-profit housing sector. It is, however, important to re-emphasise that the housing associations are institutionally independent, meaning they are not directly or indirectly part of the Danish state, at any level. The legislation and guidelines produced by the Ministry is important in defining the ‘limits’ of their activities, and helping to support good governance in the sector.

The ‘Danish Authority of Social Services and Housing’ (*Social- og Boligstyrelsen*) is a national agency that falls under the auspices of the Ministry and has as its core mission: “*to promote new development and initiatives in social services while also supporting and counselling local authorities in implementing the political social initiatives to citizens such as disadvantaged children, young people and their families, people with disabilities and socially marginalised groups*”<sup>8</sup>.

In practice, the Authority plays an important supervisory role in the area of housing. This includes providing consultancy services to municipalities to support better local outcomes on housing. It also plays a role in producing data and analysis to support the development of more informed policymaking. Thus, the Authority is akin to a national housing agency, though with a broader remit that also includes elements of social policy.

Another entity to briefly mention is the *Center for Boligsocial Udvikling* (CFBU), the ‘Centre for Housing and Social Development’. It was established in 2009 in the context of perceived socio-economic challenges in certain areas with high concentrations of non-profit housing. The Centre was co-funded by the state and the National Building Fund. The CFBU was tasked with producing informed and nuanced research, to better inform debate on the future of many marginalised communities. Due to budget cutbacks at the Ministry for Social Affairs, the CFBU ceased to officially exist as a separate legal entity at the start of 2025, with the withdrawal of public funding. However, its knowledge, resources, and some of its functions have been transferred to the *Landsbyggefonden* (National Building Fund), which will fund it—though with an understandably reduced budget and resources—for at least 2025 and 2026. It is not yet clear if the work of the former CFBU will continue in some form after the end of 2026.

Turning to the important role of municipal government, Denmark operates a relatively decentralised public sector, with its 98 municipalities (*kommuner*) playing a crucial role in welfare services (including in housing welfare), urban planning, and community development. Each municipality is governed by a directly elected council. Denmark does not have directly elected mayors, with municipal councils electing a mayor (*borgmester*) from among their members.

Municipalities are central to the planning and implementation of non-profit housing policies. For example, as already mentioned, they provide direct financing to housing associations in the form of 50-year interest- and instalment-free loans. This support equates to 8-12% of the capital required to develop a new non-profit housing project. Interestingly, with the first of these loans having been given in 1975, 2025 is the first time that these loans will have to be repaid. Indeed, when the system of municipal loans was first devised, no clear instruction or plan was given on what should happen at the end of the 50-year period.

In return for support with financing, the local municipalities have what is known as the ‘*anvisningsret*’ (allocation right). This means that they have the right to directly allocate tenants to up to 25% of vacant non-profit housing.<sup>9</sup> General direct allocations by municipalities usually go to those experiencing

<sup>8</sup> See : <https://www.sbst.dk/om-os/about-the-danish-authority-of-social-services-and-housing>

<sup>9</sup> The housing association must legally make available one in four vacant dwellings to the municipality. This means that in a given department the number of households who have been allocated housing based on the municipal allocation right could

urgent need for housing who cannot wait in the queue-based system administered directly by the individual housing associations. This can include those experiencing homelessness or the victims of domestic abuse, amongst others. However, each municipality can develop its own allocation criteria when making use of its allocation right.<sup>10</sup>

However, the municipality can also use its allocation right to promote greater social mix<sup>11</sup> in areas that are variously referred to in legislation as “vulnerable residential areas” (*udsat boligområde*), prevention areas (*forebyggelsesområde*), parallel societies (*parallelsamfund*), or transformation areas (*omdannelsesområder*).<sup>12</sup> These concepts will be explained more completely later in this chapter, but broadly speaking they are areas with high levels of the working age population currently outside the labour market, or low levels of educational attainment or household incomes. In such areas, the local council can make an application to the Ministry for Social Affairs to increase its allocation right. In these cases, the municipality will try to use its allocations not only to ensure that homes are available for the most vulnerable (i.e., those who cannot afford to wait in the queue), but also to increase the number of households in employment or from less disadvantaged backgrounds.

Another role of the municipalities in Denmark is in the direct provision of non-profit housing. However, this activity is confined to the provision of what is called ‘elderly housing’. These are homes that must be rented out to the elderly, or to people with disabilities who have a clear need for a specially adapted dwelling. These homes are directly owned and allocated by the municipalities. Non-profit housing associations, though, also deliver and manage elderly housing and are responsible for around half of the total elderly housing stock in Denmark.

Finally, significant powers are divested to the municipalities under the Danish ‘Planning Act’ (*Planloven*).<sup>13</sup> Since 2016, this has included provision for municipal councils to insert into their local development plans certain ‘inclusive zoning’ type measures, to support the development of non-profit housing. Under the Act municipalities can set a “requirement that up to 25 percent of the housing stock” in a given area—which in practice is usually a new development or redevelopment area—must be “*almene boliger*”.<sup>14</sup> A good example of this is the City of Copenhagen. In its 2019 “Municipal Plan” it states that it wants to “ensure that non-profit housing constitutes a minimum of 20% of housing in Copenhagen and that a minimum of 25% of the new housing in the city is non-profit”.<sup>15</sup> At the start of 2024, non-profit housing constituted 19.3% of the primary residences in Copenhagen.<sup>16</sup>

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be above or below 25%, depending on the degree of ‘churn’ or turnover of the different allocation cohorts. At the same time, it can also happen that in some areas the waiting lists for non-profit housing are not so long, and as a result, the municipality does not avail of its full 25% allocation right, as those in urgent need can be housed quickly through the usual queue-based allocation system. Even if they do not use the full 25% allocation, the financial contribution (i.e., the municipal loan) of the municipality is not impacted.

<sup>10</sup> Given that municipalities must provide rental allowances to the tenants they allocate to the non-profit homes, assuming that they have difficulty paying the rent on their own, there is a temptation for them to try to allocate within the older and less expensive parts of the stock. This has, in some cases, led to an overconcentration of lower-income and more vulnerable households in some areas.

<sup>11</sup> See: Article 51b and Article 59 of the ‘Public Housing Act’ for a more detailed explanation - <https://danskelove.dk/almeboligloven>

<sup>12</sup> For a brief overview, see: <https://bl.dk/politik-og-analyser/temaer/her-er-listen-over-parallelsamfund/>

<sup>13</sup> See : <https://www.retsinformation.dk/eli/ta/2024/572>

<sup>14</sup> Section 15, subsection 2, point 10

<sup>15</sup> The plan is available in English: <https://kp19.kk.dk/copenhagen-municipal-plan-2019>

<sup>16</sup> Housing Europe (2025). Unlocking Potential - A Comparative Analysis of Approved Housing Body Models in the European Union.

## The financing of non-profit housing, and public housing supports

**Table 2: Typical financing structure for new non-profit housing developments**

Type of funding	% of total	General comments
Public loan	8-12%	<ul style="list-style-type: none"> <li>The municipality pays a portion of the cost up front in the form of an interest-free and instalment-free, 50-year loan; though it will be repaid after 50 years.</li> <li>The exact percentage of costs paid by the municipality depends on the size of the individual social housing unit being constructed.<sup>17</sup></li> </ul>
Private loan	86-90%	<ul style="list-style-type: none"> <li>Loan from a mortgage institution. Lending is currently primarily based on a 30-year adjustable-rate mortgage loan</li> <li>State subsidies can be given to aid with the payment of these loans,</li> <li>Although, the National Building Fund and tenants refund these state subsidies</li> <li>The state also guarantees the bonds behind the mortgage loans used to finance social housing. This reduces the costs for both providers (repayments) and tenants (rents).</li> </ul>
Tenant/resident contribution	2%	<ul style="list-style-type: none"> <li>They are paid by tenants upon taking up residence</li> <li>Repaid to the tenants at the end of their tenancy, minus expenses for normal repairs and any violation of their rental agreement.</li> </ul>

Source: BL

The funding model for Danish non-profit housing is both diverse and complex, with many actors involved, providing different types of support, i.e., loans, grants, guarantees, equity contributions.<sup>18</sup> As will be outlined below, the Danish state is also heavily involved, via a complex procedure for the repayment of the outstanding debts of the non-profit sector.

The “public loan” (i.e., municipal loan) and “tenant contribution” financing components are quite straightforward. However, one point to take note of is that the current system for municipal loans was only established in 1975, with the first loans provided in the same year. Given that these loans are both interest- and instalment-free during the first 50 years, it means that no servicing of this debt actually took place until 2025. However, at the time of writing no agreement has yet been reached between the NBF and the Danish state regarding exactly how these loans will be repaid. However, it is also the case that just one municipal loan was granted in 1975, meaning that the lack of an agreed repayment framework is not immediately a significant issue, and final agreement between the housing associations and the government can be delayed somewhat.

In terms of the “private loan” component of the capital required to develop a typical new non-profit housing scheme, this accounts for 86-90% of the total financing envelope, depending on the size of the municipal loan. Unlike in some neighbouring countries like Sweden or Finland, where nominally private loans are in fact provided by a publicly owned credit institution (i.e., Kommuninvest in Sweden; MuniFin in Finland), the private loans in Denmark are truly private, being sourced from commercial financial institutions (e.g., specialist mortgage banks).

However, the situation is more complex than this. This is because while the housing associations access credit from private institutions, the bonds that these institutions issue in order to raise the

<sup>17</sup> Municipal governments provide 8% loans for units under 90m<sup>2</sup>, 10% loans for units between 90m<sup>2</sup> and 105m<sup>2</sup>, and 12% loans for units over 105m<sup>2</sup>.

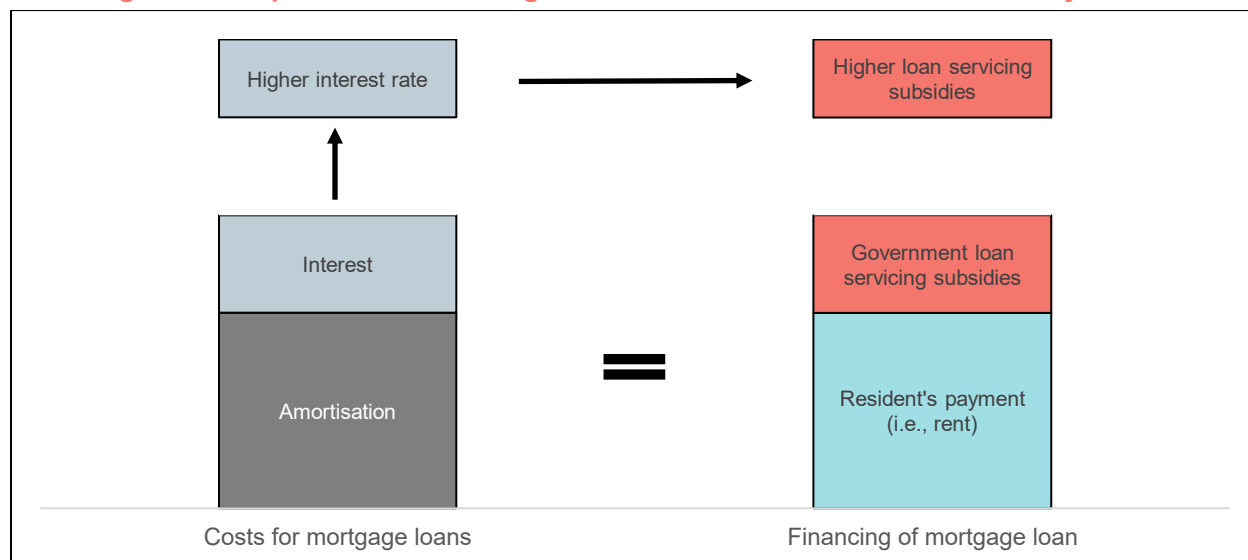
<sup>18</sup> The discussion here of the complex funding arrangements used by non-profit housing associations in Denmark is somewhat curtailed in terms of the depth and breadth of detail. For a more in-depth explanation, see: Housing Europe (2025). *Unlocking Potential - A Comparative Analysis of Approved Housing Body Models in the European Union*.

capital to be lent are specifically earmarked for exclusive use by non-profit providers. In addition, these special bonds benefit from a state guarantee. The guarantee has successfully “*lowered the cost of loans..., highlighting the role of the state in setting the framework and providing guarantees for otherwise independent actors*”.<sup>19</sup> This is due to the high creditworthiness of the Danish state, which effectively ‘de-risks’ the bonds in the eyes of investors. The state guarantee has never been called upon. In other words, a non-profit housing provider has never been unable to repay its debts to a degree that would require a public intervention.

However, to add an additional degree of complexity, the Danish state has itself been the sole purchaser of the non-profit housing linked bonds being issued by the mortgage banks in recent years.<sup>20</sup> As the Danish Central Bank summarises it: “*Effectively, this corresponds to issuance of mortgage bonds in the market being substituted by increased sales of government bonds*”.<sup>21</sup>

The primary reason for this complex approach is the fact that in reality loan repayments are not directly managed by the non-profit housing providers. Rather, they make an annual payment to the state equal to 2.8% of the initial capital acquisition cost, adjusted for inflation.<sup>22</sup> The state then covers the extra cost of servicing the debt in a given year. The idea is that when the annual repayment exceeds 2.8%, any ‘excess’ is effectively a public subsidy being paid by the state to the benefit of the housing provider.

**Figure 1: Simplified overview of government interest rate subsidisation dynamics**



Source: Reproduced from Bindslev Agerholm, J. (2018).

To provide a simple example, if the annual debt servicing for a hypothetical non-profit housing development in a given year was equal to 3.2% of the initial capital acquisition cost, then the housing association would still pay 2.8% and the state would provide a subsidy equal to the ‘excess’ 0.4 percentage points. Therefore, the lower the borrowing costs for the housing providers, the lower the potential state subsidy. Indeed, the Danish Government estimated in 2017, when it was introducing it

<sup>19</sup> OECD (2023). Strengthening Latvia’s Housing Affordability Fund. Available at:

[https://www.oecd.org/en/publications/strengthening-latvia-s-housing-affordability-fund\\_84736a67-en.html](https://www.oecd.org/en/publications/strengthening-latvia-s-housing-affordability-fund_84736a67-en.html)

<sup>20</sup> As of the end of 2024, the Danish state had an outstanding non-profit housing mortgage bond portfolio of 158 billion DKK (approximately €21bn). Initially other market participants did bid for the bonds, but at a discount to Danish government bonds, thus not getting an allocation from the sale.

<sup>21</sup> Bindslev Agerholm, J. (2018). New financing of social housing strengthens the market for Danish government securities. Copenhagen: Danmarks Nationalbanks.

<sup>22</sup> It is adjusted annually for the first 20 years after the loan is taken up, based on the increase in the net price index or the wage index for the private sector, whichever has increased less. After the first 20 years, the amount is adjusted by 75% of the increase in the aforementioned indices. The final adjustment is made in the 45th year after the loan is taken, after which it remains fixed at the nominal level reached at that point.

new social housing mortgage bond concept, that the lower interest rates paid by housing associations would “yield the government a saving of more than kr. 9 billion by 2025, primarily because interest costs will be lower”.<sup>23</sup> This would equate to around €1.2 billion.

Interestingly, in the pre-COVID period, when interest rates were stuck at historic lows, the annual cost of servicing many loans related to the development of non-profit housing was actually below 2.8% of the development cost. This meant that the Danish state was in some cases making a profit off of the servicing of the debt of the housing associations.<sup>24</sup> In the current climate of higher interest rates, the 2.8% annual payment is maintained. This means that the Danish state is conversely now making a ‘loss’ on the servicing of many new loans, and is thus effectively providing a public subsidy.

However, there is in fact an additional degree of complexity in the Danish system. In reality, when new mortgage finance is being granted to develop a non-profit housing project, the state will estimate how much of a subsidy it will need to provide. When the present value of the total public subsidy that has been paid is equal to 75 per cent of the total forecast subsidy, the National Building Fund will start to reimburse the state for its subsidy contribution.

To explain this in slightly more straightforward terms, if we imagine that a subsidy of 1 million DKK will have to be provided over the 30 year repayment period of the loan, in order to keep the 2.8% repayment cap, once the state has allocated 750,000 DKK (in present value terms), the final 250,000 DKK will be reimbursed to the state by the NBF.

#### CASE STUDY / KEY POLICY FEATURE

##### **Landsbyggefonden (The National Building Fund)**

Despite what its name might suggest, the National Building Fund (*Landsbyggefonden*) is collectively owned by the Danish non-profit housing providers and is therefore not a public entity. However, the Danish government determines limits for multi-annual funding programmes that will be supported by the Fund, meaning that despite not being a public entity, the NBF is not completely free to decide how much of its reserves it will allocate in a given year.<sup>25</sup>

The National Building Fund was founded in 1967 through a broad political agreement. Its main purpose was—and still is—to function as a solidarity fund for the non-profit housing sector. The fund is a good example of ‘circular’ finance, or a revolving fund, and acts as a savings account for the entire non-profit sector.

The NBF is used to balance surpluses with deficits (e.g., in relation to supporting renovations in the older part of non-profit housing stock) across all the housing estates using the fund as an equalisation mechanism, by taking a portion of the rents paid by tenants in debt-free parts of the non-profit housing stock. This ensures a fiscally solid sector, which can self-finance many of its investments.

In the coming years, an increasing part of the mortgages used to build Danish non-profit housing in the past will be fully paid off. This will enhance access to capital in the fund and allow it to play a larger role, and reinforce the financial independence of the sector.

<sup>23</sup> Bindslev Agerholm, J. (2018).

<sup>24</sup> All government receipts from the subsidy scheme are booked as general government revenue, and all outlays as general expenditure. Surpluses in one year therefore reduce the net borrowing requirement of the whole Danish state, while deficits in another year increase it; i.e., there is no ‘ringfencing’ of funds in ‘surplus’ years.

<sup>25</sup> For more information, see the Annex of: Housing Europe (2021). Cost-based social rental housing in Europe. <https://www.housingeurope.eu/resource-1651/cost-based-social-rental-housing-in-europe>

Historically speaking, the NBF has also played an important counter-cyclical role, by allowing non-profit providers to increase investment during moments of economic decline in Denmark. This has helped to, for example, buffer employment in the construction sector, and avoid an exodus of skilled workers. It was, therefore, important in supporting jobs during the recent COVID pandemic.

This somewhat complicated approach will likely mean that there is a mismatch between what the state pays in subsidies and what it receives in reimbursement from the NBF and the housing associations, i.e., the repayments will almost certainly be either greater or less than the present value adjusted state subsidy. The idea is that over time and the entire non-profit housing stock of the country, the Danish state subsidy-reimbursement model will be broadly balanced. In other words, the non-profit sector may be a net contributor in one year, and a net beneficiary in another.

Unfortunately, a long-term data series that shows if the state pays more in subsidies than it receives back in reimbursements from the NBF each year is currently lacking. However, we do have some *ad hoc* analysis from the Danish Government for the year 2022 that tries to look at this issue.<sup>26</sup> It also provides figures for the various supports it provides for the non-profit housing sector.

	Gross spend	Income from the NBF and credit institutions	Funding from the 'Mixed Cities Fund' <sup>27</sup>	Net expenditure
<b>Central Government Spending</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4=1-2-3</b>
Benefit support for social housing	223.8	126.4		97.4
Grant support for the renovation of youth housing	2.4			2.4
Housing subsidy for youth housing	92.2			92.2
Grants for furnishing service areas in connection with senior housing	28.2			28.2
Differential interest rate regarding renovation loans supported by Landsbygefonden		646.2		(646.2)
Interest on government loans to Landsbygefonden		0.3		(0.3)
Mixed cities	1.2		1.2	
Support for the creation of homeless housing	6.5			6.5
Guarantees for refugee relocation expenses	4.4			4.4
Subsidies for the construction of non-profit housing on islands	0.2	0.2		
Amortisation of irrecoverable amounts, social housing	18.8			18.8
Guarantee commission on public housing bonds		208.5		(208.5)
<b>Total (Central Government)</b>	<b>377.7</b>	<b>981.6</b>	<b>1.2</b>	<b>(605.0)</b>
<b>Municipal Government Spending</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4=1-2-3</b>
Grant support for renovation of youth housing	0.6			0.6

<sup>26</sup> See (in Danish): <https://www.ft.dk/samling/20222/almindel/bou/spm/105/svar/1980042/2753296.pdf>

<sup>27</sup> The 'Mixed Cities Fund' is in fact a special fund that draws its resources from the National Building Fund (NBF). Thus, it does not represent an allocation of public money.

Housing subsidy for social housing	23.0			23.0
<b>Total (Municipal Government)</b>	<b>23.6</b>			<b>23.6</b>
<b>Total Government Spending</b>	<b>425.1</b>	<b>981.6</b>	<b>1.2</b>	<b>(581.4)</b>
<b>Total Government Spending (excluding interest differential and guarantee commission)</b>	<b>425.1</b>	<b>126.9</b>	<b>1.2</b>	<b>273.3</b>

	Lending	Instalments	Funding from the Mixed Cities Fund	Net lending
<b>Central Government Lending</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4=1-2-3</b>
Government loan to Landsbyggefonden	104.1			104.1
Financing of interest on government loans	0.3			0.3
Support for the acquisition of unsubsidised residential properties	129.4		129.4	
Support for tenant deposits	6.4	6.0		0.4
Loan guarantees		1.2		(1.2)
Government loans for student halls		81.0		(81.0)
<b>Total (Central Government)</b>	<b>240.2</b>	<b>88.2</b>	<b>129.4</b>	<b>22.6</b>
<b>Municipal Government Spending</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4=1-2-3</b>
Municipal land capital contribution	569.4			569.4
<b>Total (Municipal Government)</b>	<b>569.4</b>			<b>569.4</b>
<b>Total Government Lending</b>	<b>809.6</b>	<b>88.2</b>	<b>129.4</b>	<b>592.0</b>

Source: Danish Government

Notes: The original source is in Danish, so the text has been translated to English by the authors. All figures are in millions of Danish Krone (DKK)

There is a lot of detail in the above tables. However, the key points to take note of are that in terms of government spending, in 2022 the Danish state had a negative 581 million DKK spend on non-profit housing (€79 million). This largely reflects the fact that it received 982 million DKK (€133 million) in payments from the NBF and credit institutions.<sup>28</sup> However, on the other side of the ledger, the government committed to providing 592 million DKK (€80 million) in loans to the non-profit sector; which primarily consisted of the aforementioned 8-12% 50-year municipal loans.

While we will not provide further insights on all of the spending lines included above, we can still describe some of the main public supports for the non-profit sector:

1. **Benefit support for social housing (Ydelsesstøtte til almene boliger):** This is the main interest rate subsidisation payment made by the Danish state. In other words, it is the subsidy that must be paid if repayments exceed the aforementioned 2.8%. However, when the subsidy exceeds 75 percent of the amount that has been earmarked, the NBF refunds the government. This means that there is a difference between the gross government spend and its net spend, as shown in the table above. In addition, as will be explained in greater detail later, between the 30<sup>th</sup> and 40<sup>th</sup> years of a non-profit development, the rent paid by tenants also goes to the government.

<sup>28</sup> For the credit institutions this primarily reflects a fee that they must pay to the government in return for the government guarantee given to their bond issuances.

2. **Housing subsidy for youth housing (*Ungdomsboligbidrag til almene boliger*):** Since 1997, rents in non-profit housing for young people ('youth housing') have been calculated in the same way as the rest of the non-profit housing stock; based on the cost of provision. This may mean that new youth housing could be quite expensive,<sup>29</sup> acting as a barrier to entry to education or training for some young people. To avoid this possibility, the state pays an annual subsidy (calculated on a per square metre basis) to the housing associations in order to effectively cover a part of the rent. In 2024, this was set at 216 DKK per m<sup>2</sup> (€29).<sup>30</sup> Indeed, analysis of rents from 2024 shows that in high demand areas, students living in non-profit youth housing pay about 42% less each month in rent than those living in the private rental sector.<sup>31</sup>
3. **Differential interest rate regarding renovation loans supported by Landsbyggefonden (*Differensrente vedrørende renoveringslån støttet af Landsbyggefonden*):** Since 2018, when housing associations take out loans to finance building renovations or upgrades, the private credit institution providing the loan benefits from a 100% government guarantee. This means that the housing association benefits from a much more favourable interest rate. However, in order to facilitate this scheme, the NBF is required to pay a fee to the government in the form of the 'differential interest rate' on the borrowing. In practical terms, this is the difference between what the housing associations paid in servicing their renovation loans and what they would have paid had they not benefited from the state guarantee.
4. **Guarantee commission on public housing bonds (*Garantiprovision af almene boligobligationer*):** In return for the public guarantee that the private credit institutions benefit from when they issue non-profit housing linked bonds on capital markets, they must pay a commission to the Danish state.
5. **Support for the acquisition of unsubsidised residential properties (*Støtte til erhvervelse af udstøttede boligejendomme*):** This is a new scheme aimed at expanding the stock of non-profit housing in Denmark by allowing housing associations to acquire existing properties to convert them for use as non-profit housing. It comes in the form of a 50-year interest- and instalment-free loan covering up to 20 percent of the property value. Repayment must begin no later than 50 years after the property is put into use. In this respect, the loan is a substitute for the usual municipal loan that is granted in the case of newbuild housing. As shown in the table above, while funding is originally provided by central government, this money is effectively refunded in full by the 'Mixed Cities Fund' (*Fonden for blandede byer*). This is a 10 billion DKK (c.€1.34 billion) fund, which was announced in late 2021 to support a number of government initiatives on non-profit housing. This includes an objective to incrementally increase the relative share of non-profit housing in the largest Danish cities.<sup>32</sup>
6. **Municipal land capital contribution (*Kommunalt grundkapitalindskud*):** This is the 8-12% municipal loan provided to support capital investment by non-profit housing associations in Denmark. It is important to re-emphasise that the figures in the above table represent the amount of money that has been committed to in a given year, not the actual funding provided. For example, the 569 million DKK recorded in 2022 may not actually be drawn down until 2023 or even later, if at all. Indeed, higher construction prices have acted as a headwind to new non-profit construction in the last few years, meaning that some

<sup>29</sup> For example, because they are smaller units where the cost of rather costly elements like bathrooms and kitchens have to spread over fewer square metres.

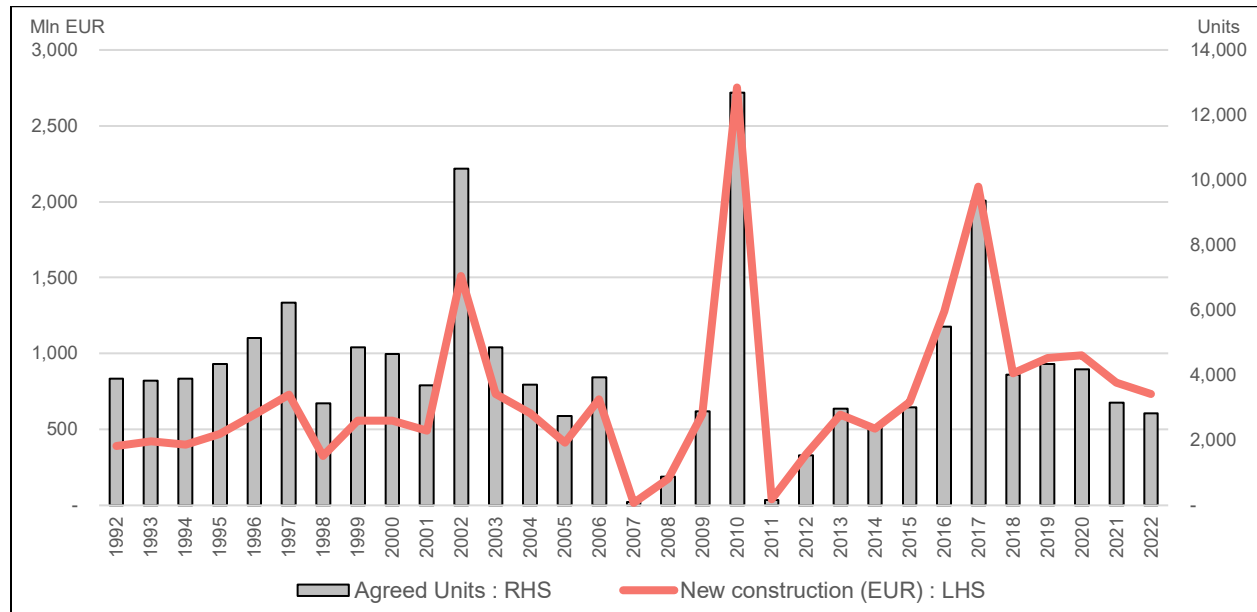
<sup>30</sup> See : <https://fm.dk/media/0rwn4dxk/fl24a15.pdf>

<sup>31</sup> See: <https://bl.dk/viden-kartotek/ungdomsboligrapporten-2024/>

<sup>32</sup> Huynh, D., Lidmo, J., and Bogason, A. (2022). Discussion Paper: Nordic overview of national support initiatives in urban planning. Stockholm: Nordregio.

projects that had been planned have now stalled,<sup>33</sup> and some money allocated by municipalities to provide loans has not been drawn down.

**Figure 2: Annual allocation of funding for new non-profit housing development**



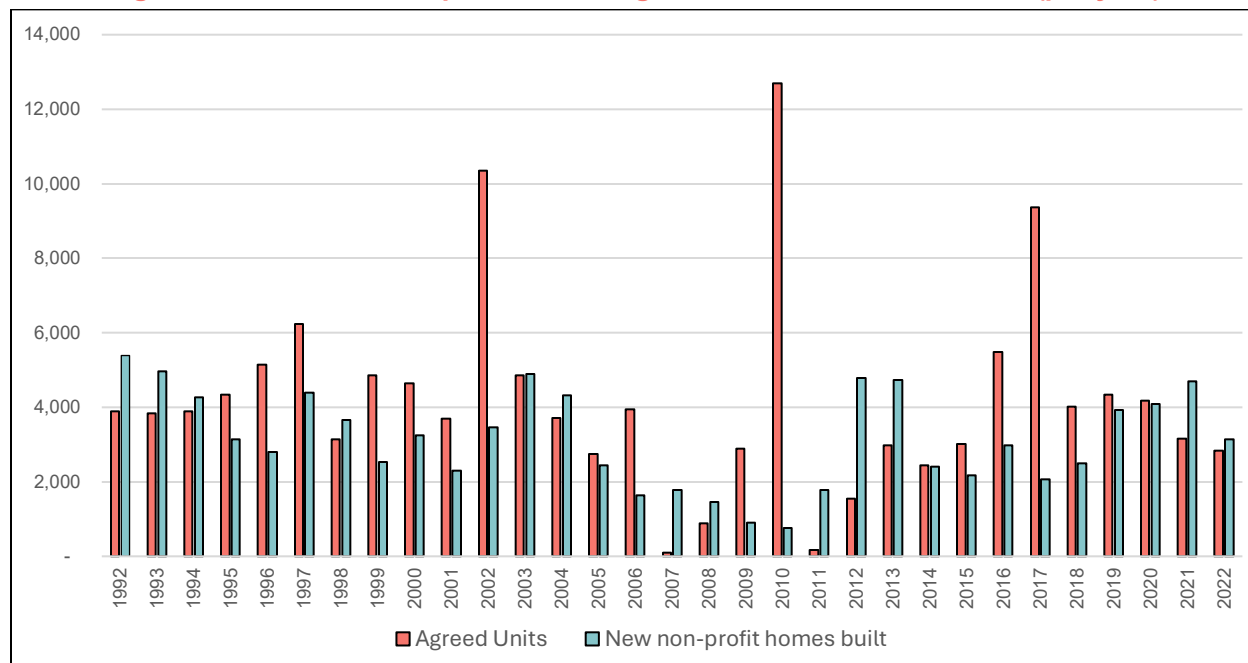
Source: BL

Notes: 'Agreed units' represents the number of homes that are proposed to be built based on the agreed funding. The EUR/DKK conversion is based on the average annual rate for each calendar year.

In addition to the spending by the government to support non-profit housing development, we must also consider the spending of the non-profit providers themselves. This is off balance sheet from the point of view of the calculation of public debt and government budget deficit rules. Therefore, it is separate from government spending.

The figures on annual investment by members of BL are based on 'allocations' of funding, rather than actual spending. As shown in the figure above, this can lead to dramatic peaks and troughs in recorded investments in new non-profit housing. While recording capital spending in this way may perhaps seem unusual to housing experts in most other countries, given the system of government guarantees and interest rate subsidies in Denmark, future investment should be agreed in advance to try and avoid a scenario in which national and municipal government budgets could not maintain the current funding model. The risk that initially planned construction costs would rise, leading to unsustainable cost overruns for public budgets versus what was initially agreed is not really an issue. This is because of the presence of construction cost 'caps' (see below).

<sup>33</sup> Housing Europe (2025). Unlocking Potential - A Comparative Analysis of Approved Housing Body Models in the European Union.

**Figure 3: Number of non-profit homes agreed, number of homes built (per year)**

Source: BL, Statistics Denmark

While we do not necessarily know how much is actually spent by the non-profit providers on new construction in each individual year, we do know how many new homes they build. When comparing the number of homes built and the number of homes that have been agreed with the state, we see an interesting dynamic. In general, fewer homes are actually built than what have been agreed. If we take 2010 as an example, we see that 12,691 new non-profit homes were agreed. However, in the following years this did not result in a like-for-like outturn in terms of actual new non-profit homes delivered. Similar situations can be observed in the period after 2002 and 2017.

This suggests that there are some difficulties in following through in terms of housing development. In recent years, for example, there has been a 'friction' between the cost of new construction and legally imposed construction cost caps placed on the housing associations. The caps dictate the maximum cost per square metre in new non-profit developments, with different levels based on location. The idea is that by limiting construction costs, the final cost-based rents will be kept at an acceptable level for tenants.<sup>34</sup> However, this has effectively meant that even if the housing providers have access to funds, they can be unable to draw them down, leading to a mismatch between the number of homes that have been approved and the actual level of new construction.<sup>35</sup>

In this context, it is important to emphasise again that the non-profit housing associations are independent from the Danish state. While individual non-profit providers need to maintain a strong working relationship with the municipal authorities in their area of operations, the latter is not empowered to place legally binding delivery targets on the former. As such, we cannot consider that the number of homes that has been 'agreed' is analogous to a government 'target' for the delivery of new non-profit housing. No such strict public targets currently exist in Denmark. In addition, it is also

<sup>34</sup> Information on the construction cost cap can be found (in Danish): <https://www.sbst.dk/bolig/almene-boliger/etablering-og-renovering/etablering-af-almene-boliger/maksimumsbeloeb-for-stoettet-boligbyggeri>

<sup>35</sup> Cognisant of the impact of the sudden increase in construction costs in recent years, but also being unwilling to dramatically increase the cost cap too much, the Government did agree to a limited programme of allowing homes already in an advanced stage of development or planning to proceed with a cost per square metre of up to 20% above the usual cost cap. This offered some short-term relief for the sector, but is not a long-term solution to the higher construction costs. See: <https://www.ft.dk/samling/20241/almedel/bou/spm/52/svar/2124119/2995478/index.htm>

well understood now that homes which are agreed in principle may not actually advance through all stages of development to completion, due to various factors like unexpected increases in costs, planning issues, or other technical factors.<sup>36</sup>

### Accessing non-profit housing in Denmark

As mentioned earlier, non-profit housing in Denmark is based on a ‘universalist’ model. This means that income is not a factor in determining eligibility. Thus, access is based on a queuing system, which in most cases is managed by each individual housing association.<sup>37</sup> However, while income is not a factor in terms of eligibility, there are still some household characteristics that can play a role in allocations.

For example, there are three different types of non-profit housing in Denmark. These are ‘family housing’, which is in reality the ‘standard’ form of non-profit housing. It is accessible to anyone, not only families. ‘Youth housing’ is primarily reserved for those in education or those who will soon start in education, those pursuing an apprenticeship or internship, or other young people who can show a special need for it (e.g., those ageing out of the child protective custody system). The minimum age to apply for youth housing varies, but is usually either 17 or 18. There is also often an upper age limit for renting youth housing, but this too can vary from housing association to housing association. In the case of students, once education is finished, the non-profit housing has to be vacated. As already mentioned, this housing also receives a special government subsidy to make sure that rents are even below the ‘true’ cost-rent level. Finally, there is the aforementioned ‘elderly housing’, which is for older people and others who can show a need for specially adapted homes.

In addition to the three types of non-profit housing mentioned above, there is also an additional sub-category of housing, which is specifically targeted at those experiencing homelessness, or who otherwise have an urgent need for housing and who may struggle to access ‘conventional’ non-profit housing. This may, for example, include people with addiction or certain other mental health issues. These people can be housed in the growing ‘*skæve boliger*’ housing sector. In English this translates as ‘unstable’ or ‘crooked’ housing; terminology that even in its original Danish is confusing, with BL noting that “the solutions behind the name are clearly better than the name itself, which is often misunderstood”.<sup>38</sup> In practice, the homes are largely analogous to the concept of ‘Housing First’ seen in other parts of Europe.

While it has technically existed since the early 1990s, via a small number of pilot schemes, *skæve boliger* has only really come to prominence in the housing policy terms since 2020, when the system was overhauled<sup>39</sup> and new special national and municipal financial supports were developed to support housing associations to provide it on a larger scale.<sup>40</sup> This includes public subsidies per unit of new *skæve boliger* built (up to 500,000 DKK per unit, or €67,000<sup>41</sup>), and funding to hire support staff and social workers. That being said, as of 2023, commitments for the establishment of just 655 *skæve*

<sup>36</sup> This is based on an interview between the author and a representative from the Danish non-profit housing sector (April, 2025).

<sup>37</sup> A small “enrolment fee” and an annual “administration fee” may be paid to maintain a household’s place on the waiting list. Waiting lists can be managed by each individual housing association, meaning that if there are multiple non-profit providers in a given area, a prospective tenant may need to submit multiple applications. However, in some cases the housing associations can choose to develop a common waiting list. For example, this is the case in the city of Aarhus, and it means that one application is sufficient to access housing from any of the providers present in the city.

<sup>38</sup> <https://bl.dk/viden-kartotek/bl-boliger-til-hjemloese-er-grundlaget-for-en-blandet-by-og-skaeve-boliger-hjaelper/>

<sup>39</sup> New legislation was passed to better describe this housing type: <https://www.retsinformation.dk/eli/ta/2020/75>

<sup>40</sup> See: <https://bl.dk/viden-kartotek/hjemloeshed/>

<sup>41</sup> See: <https://www.sbst.dk/puljer-og-tilskud/bolig-og-byggeriomraadet/aktuelle-puljer/tilskud-til-skaeve-boliger>

*boliger* had been made<sup>42</sup>, meaning it remains a very marginal part of the overall non-profit housing stock.

For the 25% of homes that are (or at least can be) allocated by the municipalities, these homes are attributed based on locally determined criteria, and subjectively assessed urgency of need. Those experiencing homelessness or housing precarity (which is very often linked to income), victims of domestic abuse, or those seeking asylum can be given priority in these municipal allocations.

It is important to note that municipalities are required to provide rental allowances to the tenants they allocate to the non-profit homes in their area, assuming that they have difficulty paying the rent on their own. As a result, municipalities may prefer to allocate to older non-profit homes with comparatively lower rents. Of course, as outlined elsewhere in this chapter, such allowances are also available to other non-profit tenants, not just those allocated by municipalities.

The issue is that the general rule is that rental allowances in Denmark are ‘capped’ at 60% of the rent. As a result, and so as to avoid many municipally allocated tenants ending up in rent arrears, the practice of allocating disproportionately to the cheaper parts of the non-profit stock has emerged. The obvious issue with this is that it can lead to situations in which more vulnerable households are concentrated together, rather than being evenly represented throughout the non-profit stock.

**Table 1: Average rent for non-profit housing, based on year of construction**

Average rent (per m <sup>2</sup> ) per year	DKK / EUR
Pre-1968	851 / 111
1968-1982	887 / 115
1983-1999	996 / 129
2000-2023	1,075 / 140
<b>Total</b>	<b>927 / 121</b>

Source: NBF

Notes: Based on an exchange rate of 1 DKK = 0.13 EUR, and rounded to the nearest euro.

As already mentioned, in certain areas of the country where there are high concentrations of households with low-incomes and related socio-economic disadvantages the municipalities must not use the usual ‘urgency of need’ criteria to assign homes from their 25% share. In these areas, so-called “*særlige anvisnings*” (special instructions) are given in municipal allocations. These forbid the allocation of homes to tenants who meet certain criteria. This includes recent convicts, non-EU/EEA citizens, or those in receipt of certain social welfare payments.<sup>43</sup> Housing associations are also required to apply some similar criteria when allocating from the queue-based system they manage in these areas.

There is, however, also an option for what is known as “internal advancement”. This means that a housing association can give preference in allocations to their existing tenants. This might see, for example, a growing household be allocated a larger non-profit home, or a shrinking household downsize within the same housing association.<sup>44</sup> If a household that might otherwise be excluded from

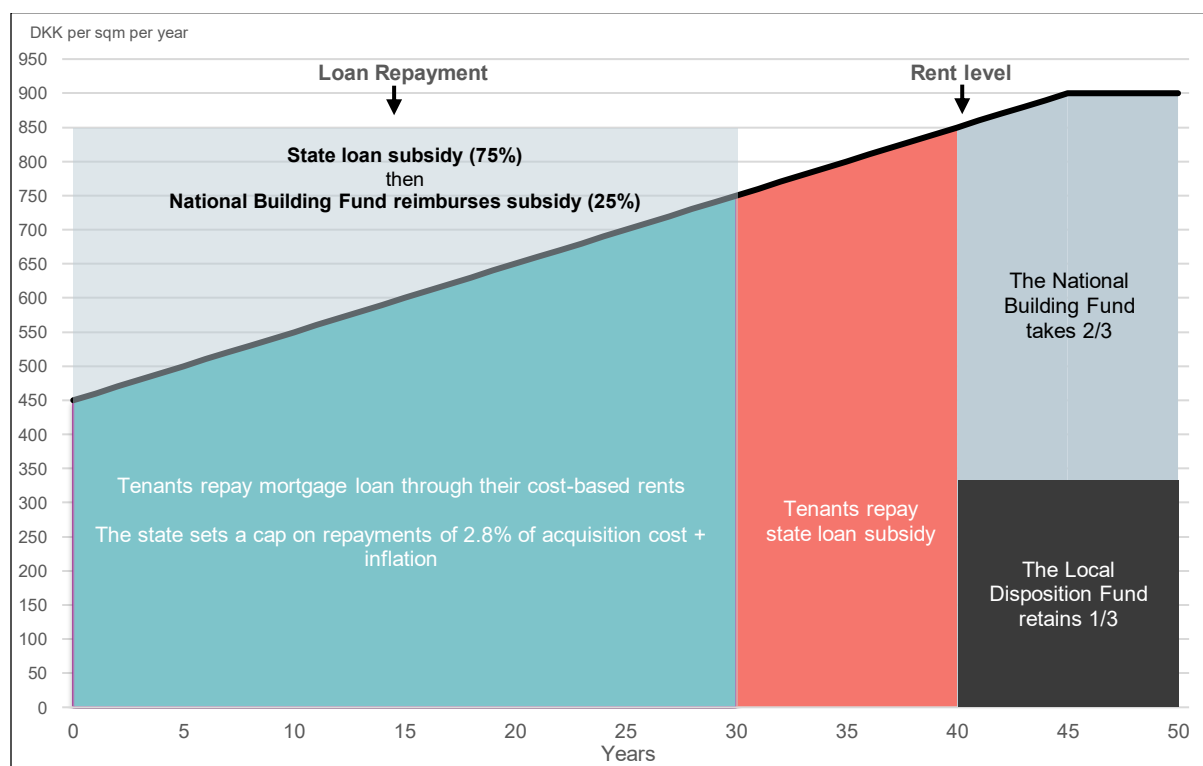
<sup>42</sup> <https://www.sbst.dk/bolig/almene-boliger/boliger-til-socialt-udsatte-borgere/skaeve-boliger>

<sup>43</sup> A more complete list of ‘special instructions’ can be found online at: <https://www.sbst.dk/bolig/udsatte-boligomraader-og-parallelsamfund/saerlige-anvisnings-og-udlejningsregler->

<sup>44</sup> A households cannot be compelled to downsize. However, there are some mechanisms built into the housing allowance scheme that encourage downsizing. Under the scheme, there is a maximum number of square metres per person that are allowed for. This is currently 65m<sup>2</sup> for one person, with an additional 20m<sup>2</sup> per additional resident. Additional space allowances are made in cases of residents with certain mobility or care issues. See: <https://www.borger.dk/bolig-og-flytning/Boligstoette-oversigt>

a particular neighbourhood because of the ‘special instructions’ already lives there, then internal advancement is still possible, meaning that it could be argued that there is now an ‘insider’ ‘outsider’ dichotomy in allocations in transformation areas. This will be explained more fully later in this chapter.

While there are cost-caps in place for new non-profit construction to limit final rents for tenants, the newest homes being produced may still have cost-based rents that are not accessible for some of the prospective new tenants who come through the queue-based allocation system. In order to account for this, the Danish state can provide rental allowances to non-profit tenants. Housing benefits (*boligstøtte*) are managed by the Public Benefits Administration (*Udbetaling Danmark*). The benefit is a monthly payment for rental households (in both non-profit and private rental sectors), which can cover a part of the rent payment. The payment each household receives is related to their household income, household size, assets, and the cost of their rent. The Danish state has developed an online calculator that allows households to estimate their monthly benefit.<sup>45</sup> According to analysis by BL, around half of all tenant households receive a housing benefit, rising to three-fifths of non-profit tenant households.<sup>46</sup>



Source: BL

Notes: For a more in-depth explanation of the rent setting model, see: *Housing Europe (2025). Unlocking Potential - A Comparative Analysis of Approved Housing Body Models in the European Union.*

As already outlined, the rents in non-profit housing in Denmark are based on the costs of provision, rather than the income of the tenant. In this way, the Danish system is comparable to the systems in Austria and Finland. However, the Danish cost-based model has also had to be aligned with the aforementioned financing model. As a result, the relatively simple cost-based model of rent setting includes several additional elements that need to be understood.

<sup>45</sup> See (in Danish): <https://www.borger.dk/bolig-og-flytning/Boligstoette-oversigt>

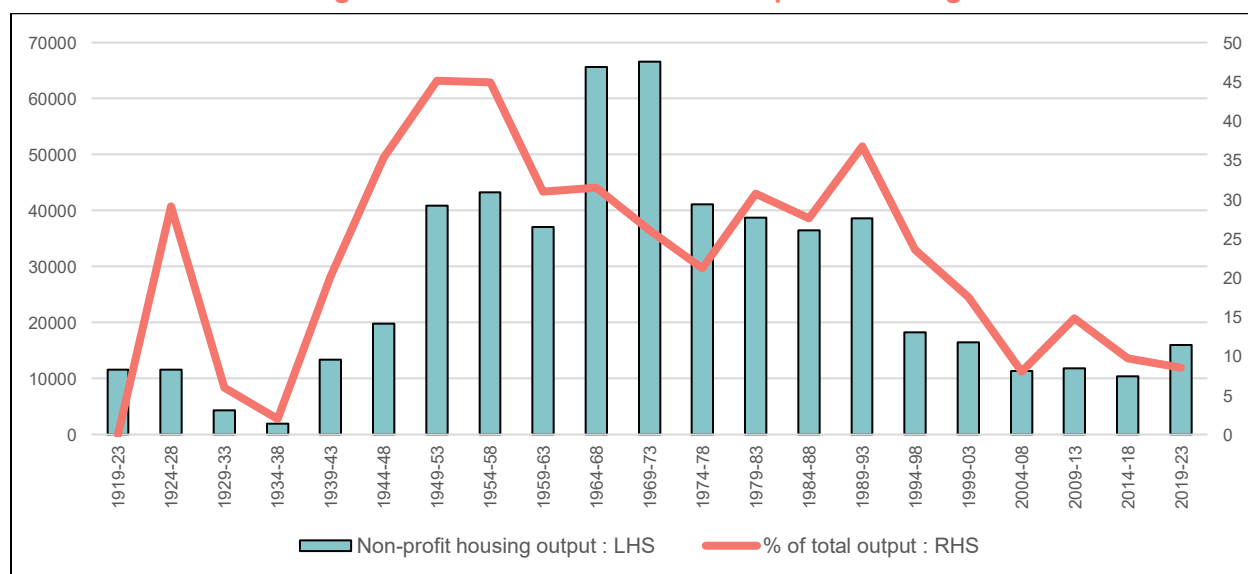
<sup>46</sup> See: <https://bl.dk/viden-kartotek/boligydelse-og-boligsikring-blandt-almene-lejere/>

- Year 0:** The cost-rent is calculated for the first time three months after the development loans are taken up (based on the 2.8% annual repayment). In the hypothetical example set out above, this (cost-based) rent is 450 DKK per square metre.
- Year 1-20** They are then adjusted once a year for the first 20 years. These price readjustments are based on the change in the 'Net Price Index' (NPI)<sup>47</sup> or, if it has risen less, changes in the 'Private Sector Average Earnings Index'.
- Year 21-44** After the first 20 years, the amount is adjusted by only three-quarters of the increase in prices. For example, if the index rises by 1%, then the rent would rise by 0.75%.
- Year 45** The rent is adjusted for the final time in year 45, after which point it is maintained at this level in perpetuity. In the example above, we see that the rent holds at 900 DKK per square metre between years 45-50. In practice, though, if new costs emerge (e.g., major building works are required, and the local disposition or National Building funds are not sufficient to cover this, new debt may have to be taken on) it could result in changes to the rent even after the 45<sup>th</sup> year<sup>48</sup>.

As outlined above, in the typical non-profit housing development, the rents increase—in nominal terms at least—during the first 45 years of the building's service life. This is to take account of inflation, which has an impact both on the 2.8% repayment cap, which is indexed, but also on the cost of maintenance and general management of the buildings; e.g., as a result of higher wages for staff or the cost of materials. Rents in the non-profit housing sector increased by an average of 2.16 percent annually in the five years to 2024.<sup>49</sup>

## Developing new social housing and meeting targets

**Figure 4: Construction of new non-profit housing**



Source: Housing Europe calculations, based on Statistics Denmark

<sup>47</sup> The NPI is a Danish price index, similar to Consumer Price Index (CPI), which measures changes in prices less indirect taxes and duties, and including price subsidies. The NPI is important in Denmark for regulating (indexation) contracts, pensions, wages and salaries, rents, etc.

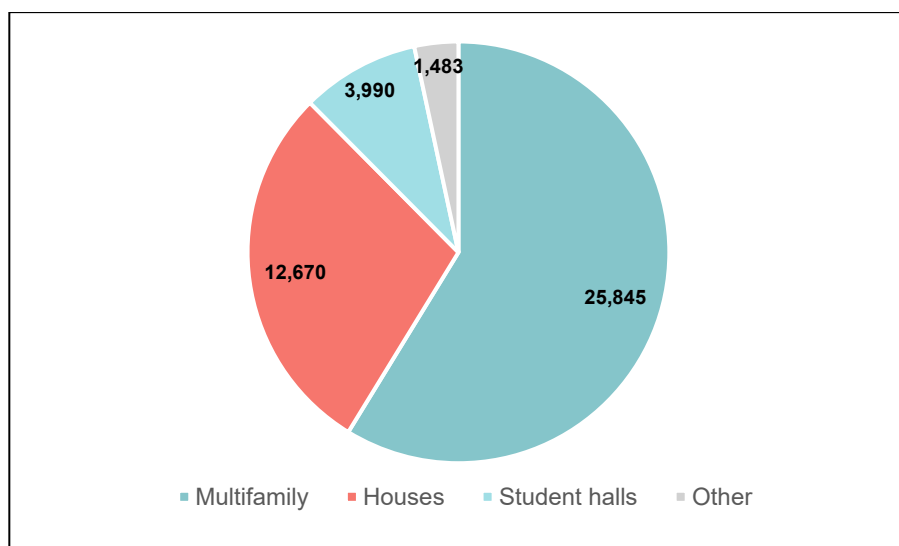
<sup>48</sup> In the case that new borrowing is required for major renovations, this is 98 per cent financed through a mortgage loan, and 2 per cent by tenant contributions, with support from municipalities to guarantee the loans. The annual repayment rate of the loan is capped, and is determined each January, so as that with the resident payment percentage is, with the applicable interest and inflation assumptions, no positive or negative support is provided for the additional investment over a period of 40 years after the loan was taken out. See (in Danish): <https://www.sbst.dk/bolig/almene-boliger/etablering-og-renovering/etablering-af-almene-boliger/totaloekonomiske-investeringer-i-lavenergibygninger>

<sup>49</sup> <https://bl.dk/viden-kartotek/fakta-og-tal-om-husleje/>

When it comes to building new non-profit housing, typically housing associations use the so-called “delegated developer” model, which is a cooperation with private developers to plan and build new housing. This is based on an open tendering process, as despite being independent from the state, the housing associations are still required to apply EU law on public procurement.

If the housing providers do not wish to build new homes themselves, they can buy both private residential property or commercial properties (particularly hotels, hostels, office buildings, and public buildings), with the purpose of converting them into non-profit housing. However, such acquisitions of existing properties are noted by BL to not always be quicker or more affordable than simply developing projects directly. Indeed, overall, the direct development of new homes is by far the preferred approach by housing associations. Therefore, turn-key developments are not popular at present, with the construction cost caps being one reason for this; i.e., adding developers’ margins to the cost of providing housing could increase costs above allowable levels, and result in higher rents for non-profit tenants.

**Figure 5: Breakdown of completed non-profit housing, by type (Q1'06-Q3'24)**



Source: Statistics Denmark

Looking at the breakdown of the new homes being built by non-profit providers in Denmark in recent years, output has been dominated by the construction of apartments, accounting for around 60% of new homes. Houses of various types (e.g., terraced, semi-detached, detached) account for just under 30%, while student halls accounts for nearly 10%.

When it comes to the purchase of existing properties, which can be converted to non-profit housing, this has gained more traction in recent years, as the Government has set a goal of increasing the supply of such homes in large cities. Reaching such a goal in a timely manner will require some building conversions, as a result of there being limited green- or brown-field sites for new development.

The aforementioned ‘Fund for Mixed Cities’ (*Fonden for blandede byer*) has a key role to play in acquiring existing buildings. Firstly, it will provide 675 million DKK (around €91 million) in the coming years for the conversion of existing and suitable commercial properties into new non-profit housing. The subsidy goes to cover the conversion costs in order to make sure that they do not exceed the legal ‘cap’. Secondly, the fund will provide 870 million DKK (€117m) in the period 2022-2031 to support the purchase of existing and suitable rental properties for use as non-profit housing. The support is

given as a 50-year interest- and instalment-free loan,<sup>50</sup> to cover up to 20 per cent of the value of the property.<sup>51</sup> As this programme is quite new, few homes have actually been delivered as of the end of 2024, though it is hoped that several thousand new non-profit dwellings will be provided during the lifetime of the funding initiative.<sup>52</sup>

Turning to the topic of the ‘need’ for non-profit housing in Denmark, and its intersection with financing policy: the first benchmark to mention is the government ambition to increase the overall supply of non-profit homes in the coming years, especially in Denmark’s largest cities. Agreed by the Government in October 2021, the *‘Tættere på II - Byer med plads til alle’* document (‘Closer to II - Cities with room for everyone’) states that: “[The Government] will therefore boost the construction of non-profit housing in cities - especially in places where land and property prices are highest and where it is most difficult to build new non-profit housing”.<sup>53</sup>

The Government agreement is backed up by the aforementioned ‘Mixed Cities Fund’, which will provide 10 billion DKK (€1.3bn) from the NBF up to 2035 for a variety of initiatives, many of which have already been mentioned.<sup>54</sup> The Fund is expected to support the construction of approximately 22,000 additional ‘family’ non-profit homes; i.e., over and above what had already been committed to or planned. 70 percent of the ‘additional’ growth in non-profit housing will be in the Copenhagen metropolitan area, where the demand for additional affordable homes is most acute. At least 4,000 additional ‘youth’ housing units will also be developed. Overall, the Government wants certain municipalities to go further than the current planning legislation, allowing them to mandate that 33 percent of homes in new development schemes be reserved for non-profit housing.

One key spending measure that needs to be mentioned in relation to this policy objective is the new 2.5 billion DKK (€333m) ‘State land purchase loan scheme’ (*statslig grundkøbslånsordning*), which consists of 1.8 billion DKK from the state, with co-funding of 700 million DKK from the municipalities. The idea is that the funding scheme will provide a long-term low-interest loan to bridge the gap between what housing associations can afford to pay for land, whilst respecting construction cost controls, and the market price demanded for the land. As of the start of 2025, the scheme has been little utilised. This seems to reflect that in many parts of Denmark the price of land is still at a level that allows for new development without additional financial support. At the same time, the aforementioned land use zoning powers afforded to municipalities (i.e., the 25% of new homes requirement) seem to mean that land can be made available for non-profit providers at acceptable prices.

In terms of the need for additional non-profit housing, as already mentioned at present the Danish government does not produce such estimates or impose any binding targets on the country’s non-profit housing providers. However, there have been some ‘independent’ efforts to consider this question. The most prominent example is the work of the DREAM research institute.<sup>55</sup> Their research predicts that in the future “owner-occupied homes are expected to constitute a decreasing share of

<sup>50</sup> The housing association must repay the loan after 50 years, paying nothing in the meantime. Therefore, it is in fact only interest- and instalment-free for the first 50 years.

<sup>51</sup> A detailed overview of the Fund can be found (in Danish) at: <https://www.regeringen.dk/media/10834/afaletekst-af-tale-om-etablering-af-fonden-for-blandede-byer.pdf>

<sup>52</sup> This is based on discussions between the authors and representatives from the non-profit sector in Denmark (December, 2024).

<sup>53</sup> The document is only available in Danish, and can be downloaded from: <https://www.regeringen.dk/media/10728/taetere-paa-ii-byer-med-plads-til-alle.pdf>

<sup>54</sup> A legislative amendment giving force to the Mixed Cities Fund was passed in June, 2022. It is available at: [https://www.retsinformation.dk/eli/ta/2022/888?utm\\_source=chatgpt.com](https://www.retsinformation.dk/eli/ta/2022/888?utm_source=chatgpt.com)

<sup>55</sup> Frank Hansen, M., Zangenberg Hansen, J., Markeprand, T., Kargo, A., and Sønderby, M. (2021). Demografi, socioøkonomi og boligstruktur i danske Kommuner En fremskrivning med mikrosimulationsmodellen SMILE på et opdateret datagrundlag [Demographics, socio-economics and housing structure in Danish municipalities A projection with the microsimulation model SMILE on an updated data basis]. Copenhagen: Danish Research Institute for Economic Analysis and Modelling (DREAM).

the total housing stock”, with an increased demand for non-profit housing. This shift partly reflects an ageing population, which favours an increase in the demand for elderly housing. Added to this is the increase in the number of single adults, and the increased trend towards urbanisation.

Overall, the research indicates that, in the most likely scenario, about 46,000 additional non-profit dwellings will be required by 2040. This is in addition to 36,000 additional ‘public rental’ homes; which primarily consists of municipally supplied housing for the elderly. While BL does not have its own more robust estimates, it does concur that there will be a significant increase in demand for housing that is well-adapted for older people in the coming decades.

### Integration with social policy and community development initiatives

As already discussed, the non-profit housing sector plays an important role in a number of aspects of social policy in Denmark. This includes the housing of vulnerable households, primarily via the municipalities’ 25% allocation right. In addition, the role of the sector in housing young people, primarily students, and the elderly or those with personal mobility issues who need specially adapted housing is crucial.

One additional important social aspect of the non-profit housing sector is the system of so-called ‘tenant democracy’. This means that key decisions about the operation, maintenance, and future development of non-profit housing estates must be approved by the residents.<sup>56</sup> Each housing estate, or “department”, has a local management board. These boards must approve the annual budget and accounts, and must also approve all works and activities to be carried out, and the resulting rent increases, which must respect the cost-based rent setting approach.

If the board of a housing department does not approve a renovation project the board of the housing association, of which the department is a part, can still decide to carry out major renovation works, larger energy-saving measures, and futureproofing of the buildings without the department’s consent. Although, while a department can be ‘overruled’, given that the Board of Management of each housing association must also be majority made up of tenants,<sup>57</sup> the decision is still taken by a board that understands very clearly the lives and financial constraints of non-profit housing residents. In any case, overruling of the department board is only possible in cases where renovations are deemed to be urgent and essential (e.g., in the case of structural faults in a building).

The closeness of non-profit tenants to the management structures of the housing associations is also important in terms of developing locally specific social policy measures, as it supports a ‘by us, for us’ ethos. In other words, the policies aimed at improving the lives of tenants are being strongly influenced and guided by actual future beneficiaries.

#### CASE STUDY / KEY POLICY FEATURE

##### **Tenant democracy in action in ‘Aalborg Øst redevelopment’**

One well-known example of this dynamic in action, though there are others, is the redevelopment in recent years of the *Aalborg Øst* neighbourhood.<sup>58</sup> It is a socially vulnerable

<sup>56</sup> This helps to promote a strong dialogue between tenants and non-profit housing associations. The tenants unions are also very strong at the national level in Denmark, and they can provide additional support to tenants. The LLO (Lejernes Landsorganisation), which translates to the “National Association of Tenants” is a tenant advocacy organisation that provides support and advice to tenants regarding their rights and obligations. The organisation provides support to all tenants, both those living in non-profit housing and those renting in a private market. See: <https://llo.dk/om-llo>

<sup>57</sup> Indeed, at least half of the board members of every housing association must be tenants, including either the Chair or the Vice-Chair. Employees of the housing association, or representatives from the municipalities can also be present on these boards, depending on the statutes of the particular housing provider.

<sup>58</sup> See: <https://bl.dk/viden-kartotek/fra-udsat-omraade-til-blandet-by/>

district in Denmark's fourth largest city, with a high concentration of non-profit housing tenants. Many social indicators such as the unemployment and crime rates were historically high in relative terms. The broader economic issues meant that local shops and businesses were closing down. As a result, it was challenging to attract new residents to the area, which resulted in it becoming increasingly marginalised. Housing vacancy was also, therefore, an issue.

To improve outcomes for residents, the decision was taken by local stakeholders, led by the non-profit housing provider *Himmerland Boligforening*, to try a new approach to district renovation that went above and beyond simple repairs to homes or other cosmetic measures. The planning started in 2008 and the first step was taken by tearing down three residential blocks to create a new medical centre and a community centre. The plan was endorsed by the community in a vote, gaining the support of the vast majority of residents. The medical centre was an important step to make the city district accessible to all people and to show the residents that investments were being made in improving the area.<sup>59</sup>

Concurrently, a new overall spatial plan for the district was made, and three building committees were created with residents being on an equal level with the local non-profit housing organisation, investors, architects, policymakers, and other advisors. Strategic partnerships with research institutes helped to ensure that the latest building techniques were used in the renovation of buildings, and other changes to the local urban environment. The overall district renovation project was split into three phases, and works were completed between 2014 and 2021.

In terms of the impacts of what has been achieved in Aalborg, the numbers speak for themselves. There have been significant increases in employment rates and educational attainment levels, aided by linkages made with local companies to provide internships and other opportunities for residents. Crime rates have also dropped significantly, with criminal charges for local residents falling sharply.<sup>60</sup> Finally, the collaborative framework developed between the residents and other stakeholders during the project has been maintained, and participation in local decision making remains strong.<sup>61</sup>

The Aalborg East experience, spearheaded by the local housing association and its tenant-led board of management, shows the potential importance of the Danish tenant democracy approach; not least in terms of getting the buy-in of local residents. The decision to put local services and facilities at the heart of the plan was also important, as it helped to inspire new confidence in the future of the area and attract additional footfall to the centre of the district. Finally, the decision to provide 'wrap-around' services for residents, such as additional educational and training opportunities, has been linked to a change in the economic fortunes of the area, which can in turn help to support the local economy and make the area more attractive for new residents. In this regard, the leading role played by the local non-profit housing association was essential.

However, the experience in Aalborg stands in stark contrast to the broader political narrative regarding areas assessed by the state as having high levels of socio-economically disadvantaged residents. Internationally, these areas became quite well known, primarily due to the language often used to refer to them. Senior Danish policymakers used the highly stigmatising term '*ghettoområder*' (ghetto areas)

<sup>59</sup> p.44, [https://www.responsiblehousing.eu/files/ugd/8ac5c3\\_2e3d4168a7eb441c84a934ce7548ad39.pdf](https://www.responsiblehousing.eu/files/ugd/8ac5c3_2e3d4168a7eb441c84a934ce7548ad39.pdf)

<sup>60</sup> <https://bl.dk/nyheder/2019/11/analyse-fra-udsat-omraade-til-blandet-by/>

<sup>61</sup> For example, this video contains testimony from local tenant representatives in Aalborg East : [https://www.youtube.com/watch?v=2hELri6TmLw&t=2s&ab\\_channel=HousingEurope](https://www.youtube.com/watch?v=2hELri6TmLw&t=2s&ab_channel=HousingEurope)

in legislation, official government documents and accompanying guidelines. However, given the controversy over this 'ghetto' policy, and the stigmatisation of residents that came with it, the current Government amended the terminology in March 2021, while maintaining the general policy approach.<sup>62</sup> The areas concerned are now referred to by a number of different terms, depending on local factors.

Currently there are four different types of non-profit housing areas that are subject to legislative requirements to tackle concentrations of social and economic disadvantage; primarily through the use of adapted housing allocation policies. An area is only assessed if there are estimated to be more than 1,000 non-profit housing residents. At present there are 198 such areas in Denmark, with 63 of these meeting at least some definition of the current Government's conceptualisation of disadvantage.<sup>63</sup>

Type of area	Number of non-profit housing areas in this category <sup>64</sup>	Classification criteria
Prevention areas (Forebyggelsesområde)	63	<p>A prevention area is a public housing area that has more than 30 percent of residents who are non-Western immigrants or their descendants and also meets at least two of the following four criteria:</p> <ol style="list-style-type: none"> <li>1) The proportion of residents aged 18-64 who are neither employed nor in education <b>exceeds 30 percent</b>, calculated as the average over the past two years.</li> <li>2) The proportion of residents convicted of violating the Criminal Code, the Weapons Act or the Act on Euphoriant Drugs is <b>at least twice</b> the national average calculated as an average over the past two years.</li> <li>3) The proportion of residents aged 30-59 who only have a basic education <b>exceeds 60 percent</b> of all residents in the same age group.</li> <li>4) The average gross income for taxpayers aged 15-64 in the area (excluding those seeking education) is <b>less than 65 percent</b> of the average gross income for the same group in the region.</li> </ol>
Vulnerable residential areas (Udsatte boligområder)	12	<p>A vulnerable residential area is defined as a non-profit residential area with at least 1,000 residents where at least two of the following four criteria are met:</p> <ol style="list-style-type: none"> <li>1) The proportion of residents aged 18-64 who are neither employed nor in education <b>exceeds 40 percent</b>, calculated as the average over the past two years.</li> <li>2) The proportion of residents convicted of violating the Criminal Code, the Weapons Act or the Act on Euphoriant Drugs is <b>at least 3 times</b> the national average calculated as an average over the past two years.</li> <li>3) The proportion of residents aged 30-59 who only have a basic education <b>exceeds 60 percent</b> of all residents in the same age group.</li> <li>4) The average gross income for taxpayers aged 15-64 in the area (excluding those seeking education) is <b>less than 55 percent</b> of the average gross income for the same group in the region.</li> </ol>

<sup>62</sup> The detailed government policy document can be read (in Danish) at: [https://www.sm.dk/media/24475/Pjece\\_Blandede%20boligomr%c3%a5der.pdf](https://www.sm.dk/media/24475/Pjece_Blandede%20boligomr%c3%a5der.pdf)

<sup>63</sup> BL has developed a clear and concise overview of this: <https://bl.dk/viden-kartotek/udsatte-boligomraader/>

<sup>64</sup> As of the 1<sup>st</sup> of December, 2024.

Parallel communities ( <i>Parallelsamfund</i> )	8	Parallel communities are designated vulnerable residential areas ( <i>Udsatte boligområder</i> ) that have <b>more than 50%</b> residents who are immigrants or descendants from non-Western countries. To be designated as a parallel community, a housing area must also meet the definition of 'vulnerable' area. These areas were previously referred to as "ghetto" areas.
Transformation areas ( <i>Omdannelsesområder</i> )	7	Transformation areas are public housing areas that have been designated as parallel communities for <b>5 consecutive years</b> . These areas were previously referred to as "hard ghetto" areas.

The implications of being designated in one of the four above categories varies. The designation of 'Prevention area' requires the least drastic intervention, right the way down to 'Transformation area', which requires municipalities and housing associations to take more forceful and controversial measures.

Type of area	Actions that are required
Prevention areas ( <i>Forebyggelsesområde</i> )	<p>When an area is designated as a prevention area, the municipality must immediately establish new criteria for who can rent a non-profit home via its own 25% allocation right. The criteria must include requirements based on employment-status and educational attainment.<sup>65</sup></p> <p>Homes must also not be allocated to households in receipt of certain welfare payments or public supports.</p> <p>The requirements apply for four years at a time, or until the area is removed from the list established by the government each December.</p>
Vulnerable residential areas ( <i>Udsatte boligområder</i> )	<p>In line with the actions that must be taken in the case of a 'Prevention area'. However, in these areas the municipality can also require the housing associations to adapt their own allocation procedure (i.e., via the queue-based system) to prioritise certain households (e.g., those in employment, students). There are no fixed criteria in this regard.<sup>66</sup></p> <p>Some additional rules also apply; which primarily relate to the residents already living in the area. These include:</p> <ul style="list-style-type: none"> <li>• rules on how many children from the area can attend the local kindergarten or nursery school;</li> <li>• the need to take language tests, which can be a prerequisite for children to be promoted to a new grade in schools where more than 30% of the children come from a disadvantaged residential area;</li> <li>• rules that say that residents of these residential areas cannot, as a general rule, obtain family reunification (i.e., they cannot obtain a residence permit for a spouse or family member from a non-EU member state currently living abroad)</li> </ul>
Parallel communities ( <i>Parallelsamfund</i> )	<p>Parallel communities are placed under the same basic restrictions and requirements for action as vulnerable residential areas.</p> <p>The main difference is that once a community is designated as a parallel community, it effectively starts a five year countdown. During this time, if there is not a marked transformation, then once the five year period is up, then far more drastic action will be required.</p> <p>As a preliminary measure, the municipality and the housing association must begin the process of drawing up local area development plans that will be implemented in the event that the 'Parallel community' becomes a 'Transformation area'.</p>
Transformation areas ( <i>Omdannelsesområder</i> )	The restrictions on who can rent a home in these areas are very strict. Both municipalities and housing associations are generally not allowed to allocate homes

<sup>65</sup> For a more complete overview of the adapted allocation rules, see: <https://www.sbst.dk/bolig/udsatte-boligomraader-og-parallelsamfund/saerlige-anvisnings-og-udlejningsregler->

<sup>66</sup> This practice is known as 'flexible letting' (*fleksibel udlejning*). For more information, see: <https://www.sbst.dk/bolig/almene-boliger/familieboliger/fleksibel-udlejning>

to households who receive various forms of social benefits<sup>67</sup>. These typically apply to people who are outside the labour force. The rules do not apply to those already living in a given housing estate, meaning that local residents maintain some mobility.

The municipality and the housing association are required to concretise a local area development plan. The plan shall have as its objective, by 1 January 2030, to reduce the proportion of non-profit family housing to a maximum of 40% of all housing in the area in question.

- When calculating the total number of housing in the residential area in question, housing that has been demolished after 2010 and that has not been replaced by other non-profit family housing may be included.
- Commercial space is included in the calculation of the number of housing, so that every 75 square metres of commercial space is calculated as one housing unit.

Given that the requirements only apply to 'family' housing, one approach is to simply convert family housing into either 'elderly' or 'youth' housing. Other options for reaching the 40 percent target are demolition of existing homes, building new private residences, or privatisations.

If the housing association and the municipality cannot agree a plan to reach the legislatively mandated target, then the Ministry for Social Affairs can approve a plan developed by the municipality by itself, which the housing association is then required to implement.

It is possible for the Ministry to grant an exemption from the requirements to reduce the amount of family housing. This can occur, for example, in cases where, based on local market conditions, homes would have to be sold at a loss for the housing association; the proportion of non-profit family housing exceeds 12 per cent of the public family housing in the municipality; and when new construction cannot significantly contribute to reducing the proportion of public family housing to 40 percent.

All possible exemptions are outlined in Section 168a of the 'Public Housing Act'.

Source: BL<sup>68</sup>

As can be easily understood, the measures to change the mix of residents in certain non-profit housing areas have been quite controversial. The fact that the legislation makes repeated reference to the nationality or origins of residents, or those of their ancestors, is particularly controversial. In this regard, it is important to note that on the 13<sup>th</sup> of February 2025 the Advocate General of the Grand Chamber of the Court of Justice of the EU issued her opinion on the compliance of the Danish Government's scheme with EU law.<sup>69</sup>

The primary take away from the opinion, which still needs to be confirmed in the final judgement of the Court, is that "non-Western" background (as referred to repeatedly in the 'Public Housing Act') constitutes a reference to "ethnic origin" and that the scheme requiring the reduction of non-profit housing on this basis is directly racially discriminatory. This is contrary to the Council Directive on the 'Equal treatment between persons irrespective of racial or ethnic origin' [Council Directive 2000/43/EC].<sup>70</sup> If this opinion is confirmed and then upheld, it should mean that the existing practice of labelling non-profit housing estates based on the ethnic origin of residents will not be able to

<sup>67</sup> This practice is known as 'combined letting' (*kombineret udlejning*). For more information, see: <https://www.sbst.dk/bolig/almene-boliger/familieboliger/kombineret-udlejning>

<sup>68</sup> BL has developed a comprehensive overview of the different requirements in the four different types of area. It is available (in Danish only) at: <https://bl.dk/viden-kartotek/lovgivningsmaessige-forskelle-paa-boligomraader/>

<sup>69</sup> Opinion of the Advocate General Capeta, 13 February 2025 [Case C-417/23]

<sup>70</sup> See: <https://eur-lex.europa.eu/eli/dir/2000/43/oj/eng>

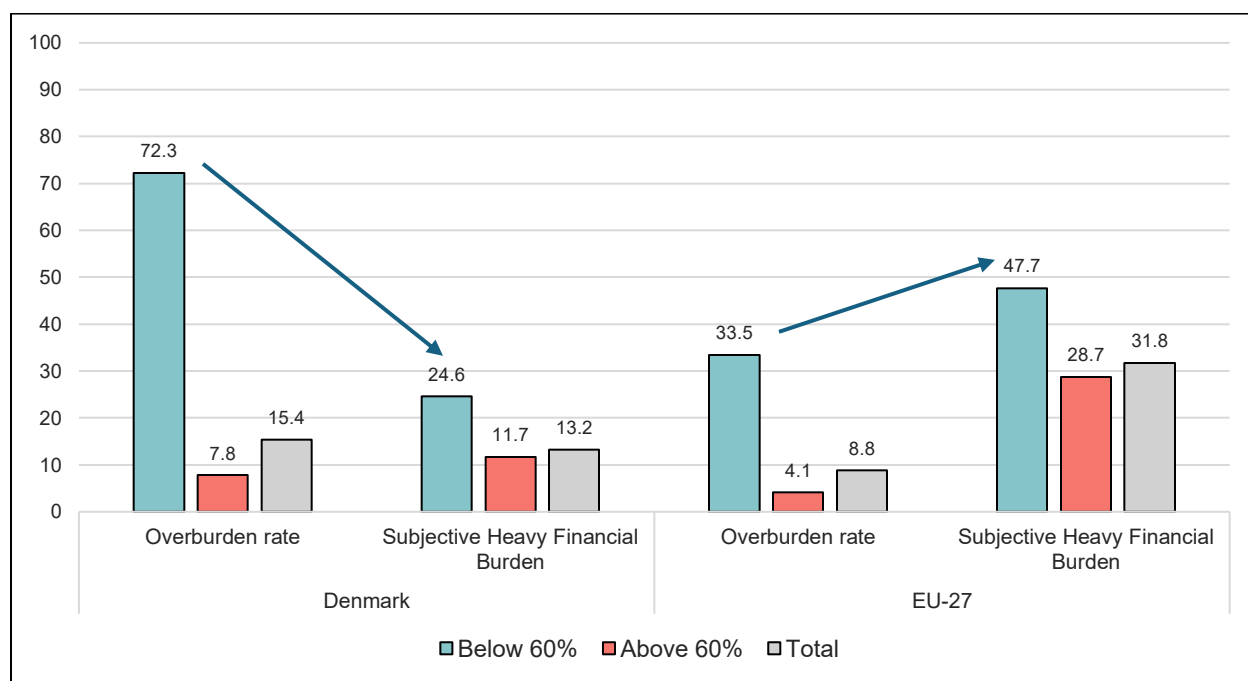
continue.<sup>71</sup> The final judgement is expected in the second half of 2025. There are several on-going legal cases in Denmark that will hinge on the final judgement.<sup>72</sup>

The final topic that we will consider in this section is the non-housing investments of housing associations. Given the resources and influence of the non-profit housing providers, it begs the question of their capacity to go beyond housing in terms of their community development remit. As the construction of non-profit housing requires approval from the local municipal council, which must provide the 50-year loans, new construction is often part of a larger municipal urban strategy and a local area development plan; within which other public actors are responsible for amenities. For example, in Denmark schools, transport, and healthcare facilities are the remit of local policymakers only. While the housing associations can have an input, financing and management are ultimately not their decision.

A non-profit housing association can, though, build small community centres for its residents, while most residential buildings they develop have common rooms or shared spaces.<sup>73</sup> It is also common for the non-profit providers to develop commercial units within their housing developments; though, these commercial spaces must be used for limited purposes, such as small supermarkets, creches, or other “socially necessary” enterprises. Non-profit providers typically own parking facilities as well as basic green spaces, and they are responsible for their upkeep and management.<sup>74</sup>

### Additional local context, and conclusions

**Figure 6: Subjective and objective burden of housing costs (2023)**



Source: Eurostat

<sup>71</sup> For a more complete analysis of the opinion of the Advocate General, and its possible implications, see: Math, S. (2025). A Victory Against Denmark’s “Ghetto Package” and ‘Area-Based Discrimination’. Brussels: Human Rights Watch.

<sup>72</sup> For an overview of these, see: Boligen (2025). Foreløbig vurdering: Dansk lovgivning om omdannelsesområder er direkte forskelsbehandling på grundlag af etnicitet [Preliminary assessment: Danish legislation on transformation areas is direct discrimination on the basis of ethnicity]. Copenhagen: Fagbladet Boligen.

<sup>73</sup> For an overview of the governance of these communal facilities, see: <https://bl.dk/viden-kartotek/brug-af-faelleshuse-og-lokaler/>

<sup>74</sup> See: ‘Order on the operation of public housing’ – available at: <https://www.retsinformation.dk/eli/lt/2023/1642>

Assessing the overall housing situation in Denmark can be a challenge, especially when making comparisons with other countries in Europe. This is because of the very particular welfare regime in Denmark and how housing fits within it. If not careful, this could lead a researcher to draw incomplete or inaccurate conclusions on the Danish case and how it fits in the broader European context.

For example, based on the standard measure of households being ‘overburdened’ by their housing costs (i.e., dedicating 40% or more of disposable income) more than 70% of the population living in low-income households (below 60% of the median income) in Denmark were overburdened in 2023. This is the second highest level in the EU and is significantly above the EU-27 average of 33.5%. However, when we look at the ‘subjective’ concept of whether housing is a financial burden or not, we see a very different picture emerge. 24.6% of low-income households in Denmark judge that they have a heavy financial burden related to meeting their monthly housing costs. This is significantly below the EU-27 average level of 47.7%.

One of the reasons for this large discrepancy is likely to be the comprehensive Danish welfare state. This means that many households pay high levels of personal income tax, leading to lower levels of disposable income. However, this can be compensated for with lower out-of-pocket spending on things like healthcare, childcare, education, and transport, as well as income transfers via the social welfare system. As a result, spending a large amount of disposable income on housing may not be seen as a “burden”, as the residual income (i.e., disposable income minus housing costs) is sufficient to cover other necessary and discretionary expenses.<sup>75</sup>

This is important for the functioning and popularity of the cost-rental based non-profit housing sector in Denmark. For example, the latest analysis shows that the average rent in the ‘family’ non-profit housing segment is equal to 24% of household disposable income; 29% in ‘youth’ housing; and 34% in ‘elderly’ housing.<sup>76</sup> However, there are wide divergences in this based on the composition of the household and geography, and the location of the non-profit dwelling. While the average burden for ‘family’ housing is 24% of disposable income nationally, this ranges from 19% to 34% depending on the municipality.

Likewise, there is a considerable spread in the rents depending on the year of construction and the size of dwellings. Certain types of households, such as single person households receiving low levels of welfare supports and individuals transitioning out of homelessness might experience rent overburden, even in the non-profit sector and even with the help of additional support from the Danish welfare state.<sup>77</sup>

Looking ahead to the coming years, various demographic issues are likely to be of key importance for the non-profit sector. As already discussed, the ageing population and their housing needs is a key priority for the housing associations. In this regard, the Danish Government announced at the end 2024 that non-profit providers list of approved activities will be amended in order to allow them to also develop healthcare facilities in the communities in which they operate.<sup>78</sup> This will be particularly necessary in the context of a greater share of older non-profit tenants in the future.

Tangentially related to this point on the ageing population is the issue of vacant non-profit housing. Changing demographics can lead to shrinking populations, and thus a decline in demand for non-profit

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<sup>75</sup> For a broader discussion of the difficulties in comparing abstract measures of housing affordability between different countries in Europe, including between the specific cases of Denmark and Ireland, see: Housing Europe (2023). Delivering on Housing in Ireland – A European Policy Perspective, p.29-33.

<sup>76</sup> <https://bl.dk/viden-kartotek/boligbyrde/>

<sup>77</sup> Based on discussions between the authors and representatives from the Danish non-profit sector (December, 2024)

<sup>78</sup> Asp Nielsen, N. (2024, December 4). Boligminister fjerner juridiske snubletråde for byggeri af sundhedshuse i almene boligområder [*Minister of Housing removes legal stumbling blocks for construction of health centres in public housing areas*]. Copenhagen: Boligen.

housing. Another factor may also be competition from private landlords in areas where demand and supply are more in balance.<sup>79</sup> The result of this will likely be the conversion of some existing non-profit homes, i.e., from ‘family’ into ‘elderly’, as well as the sale or restructuring of parts of the existing non-profit stock.

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<sup>79</sup> Reflects discussions between authors and a representative from the non-profit sector, January 2025.