

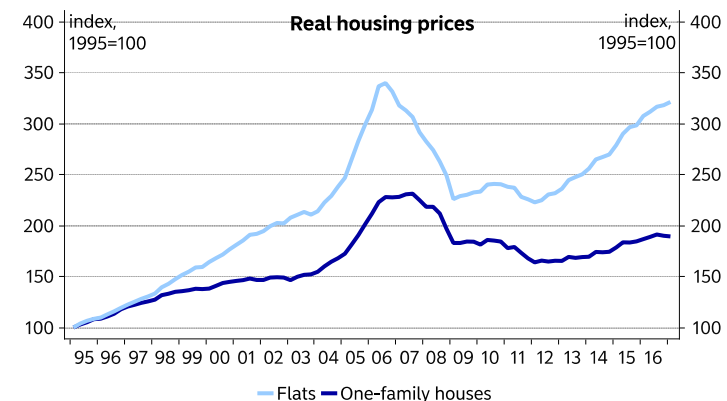
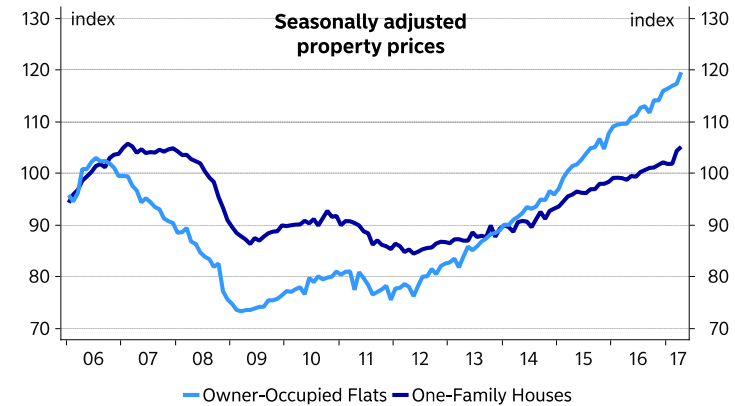
Danish housing market



6 July 2017

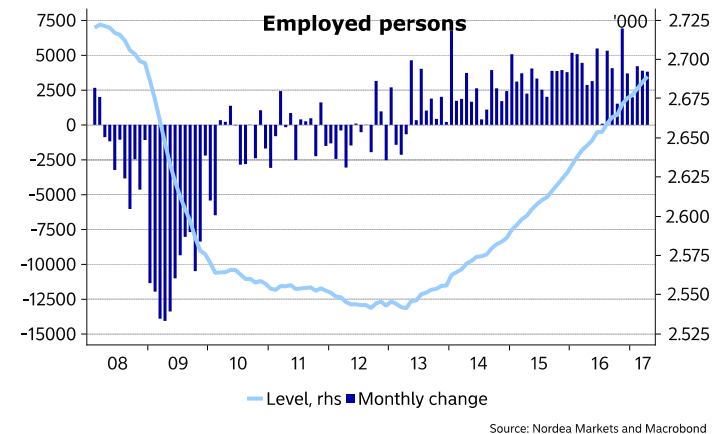
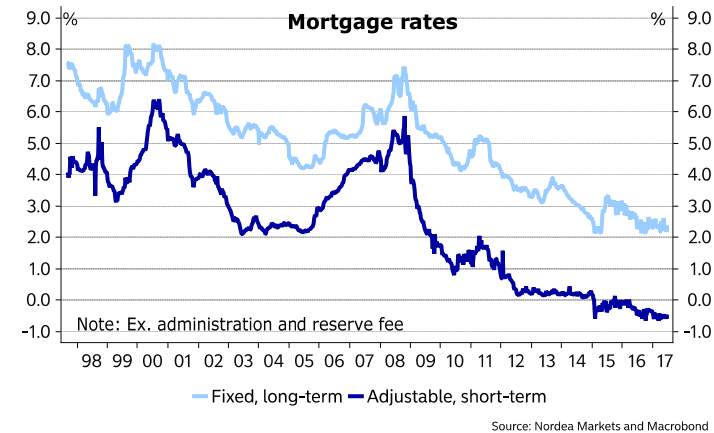
Property prices on the rise

- In April, prices of single-family houses rose by 1.1%, equivalent to 4.8% y/y. Since mid-2012 prices have increased by close to 25% and are now back at the historical peak just before the housing bubble burst.
- Prices of owner-occupied flats rose by 3.2% m/m in April, thereby continuing the upward trend that has pushed prices higher by 6.9% over the last year. Measured since 2012 prices of owner-occupied flats are up by more than 50%.
- Measured in real terms the trend looks more restrained as the peaks from 2007 have not yet been reached. However, for flats the level of change is currently only slightly smaller compared to the boom years.



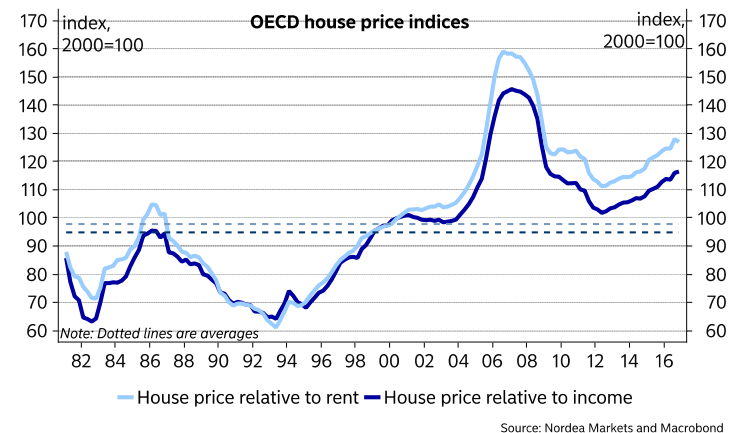
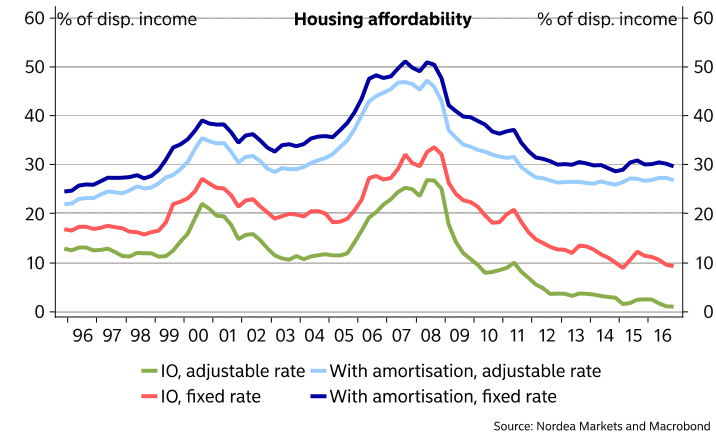
Higher employment and historically low financing cost are pushing prices higher

- The higher prices in the Danish housing market have been well supported by historically low financing costs and a solid increase in employment.
- The largest price increases have occurred around the biggest cities. Here large net immigration has helped push up demand while supply has been restricted by a scarcity of land.
- We expect housing prices to continue to rise in the years ahead and that this trend to an increasing extent will spread to all parts of the country. But the pace of price rises will most likely slow down a bit as a result of slightly higher interest rates and stricter requirements regarding credit quality for mortgages on homes in growth areas.



Is this a new housing bubble?

- On a fundamental view, we do not see the current situation in the Danish housing market as a new bubble.
- The reason is that most of the price rises can be explained by the low financing costs and the increase in disposable income. Therefore, compared to 2007 housing affordability today is much better and prices relative to income are lower.
- However, with the outlook for the coming years of continued very low interest rates and higher employment, the risk of a new housing bubble has increased markedly.
- To prevent a new bubble, we see the tighter regulation implemented as a good way to halt the price increases in the biggest cities. At the same time the tighter regulation supports the housing market in the rest of the country.



Tighter regulation of housing market

1 November 2015

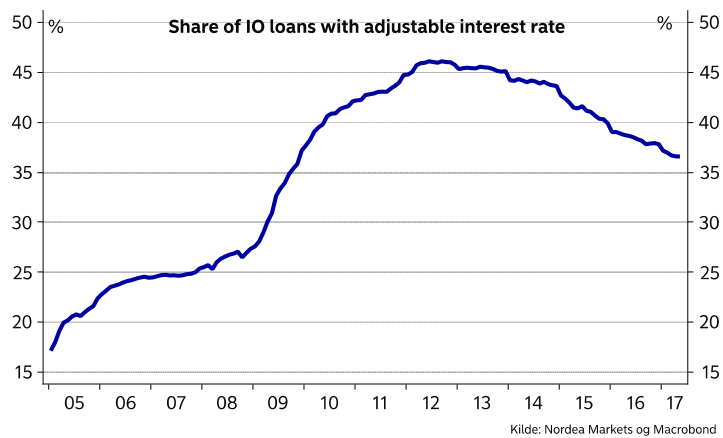
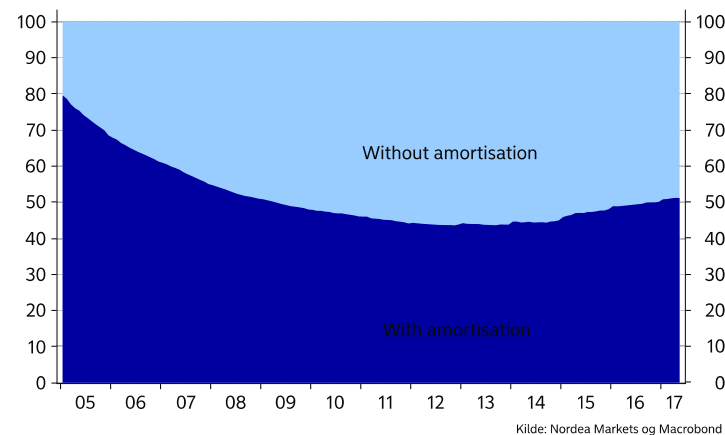
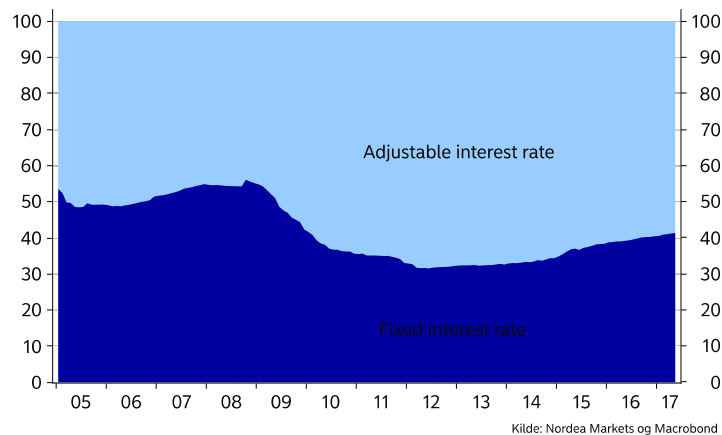
Home buyers will generally have to make at least 5% down payment when purchasing a home

1 February 2016

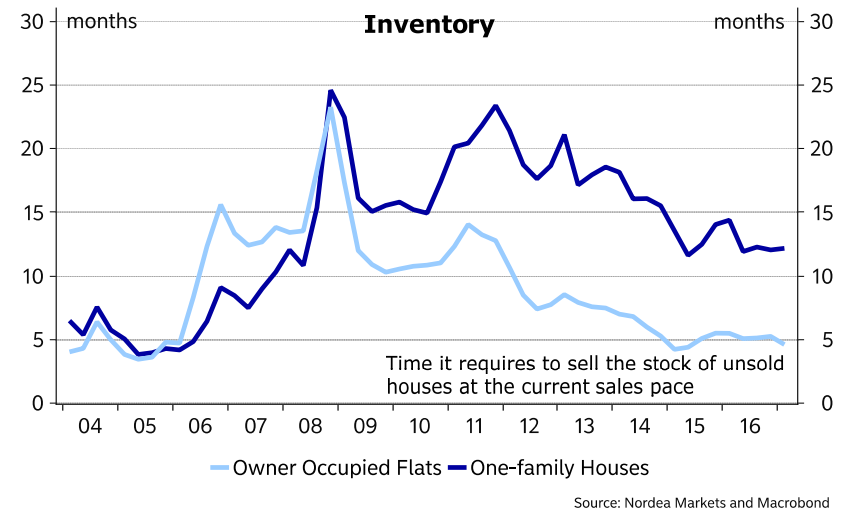
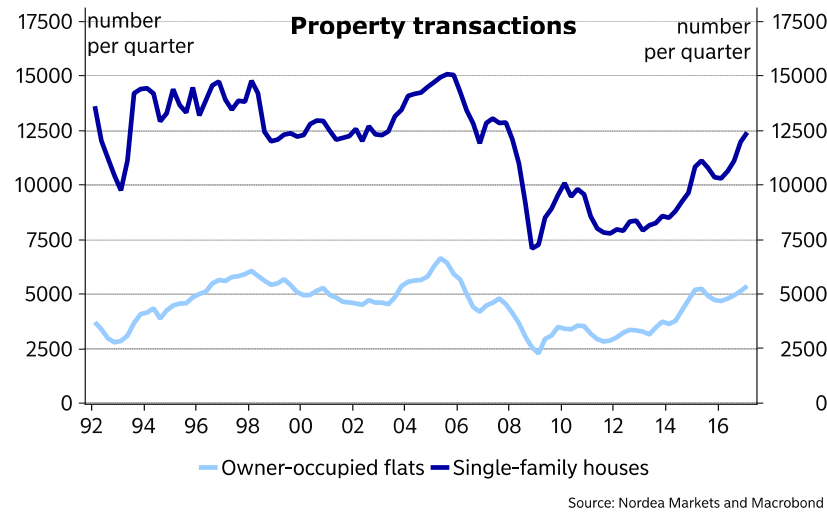
Growth areas (Copenhagen and Aarhus)

- *In case of adjustable rates the credit assessment must be based on a fixed rate that **exceeds the current fixed rate by 1% point, 4% as a minimum**, though, and with repayment over a maximum period of 30 years.*
- ***At a debt to income ratio/gearing between 4 and 5**, the value of assets should be positive even if the value of the property declines by 10%. At a debt to income ratio above 5, the value of assets should in general be positive if the value of the property declines by 25%. This, however, does not apply to young people undergoing further and higher education and with a high degree of job security.*
- ***If the property has not been sold** prior to the signing of the purchase agreement of a new home, the customer's finances should generally be sufficiently robust for the customer, after having taken over the property, to be able to make the agreed interest and principal payments on both homes for at least six months.*

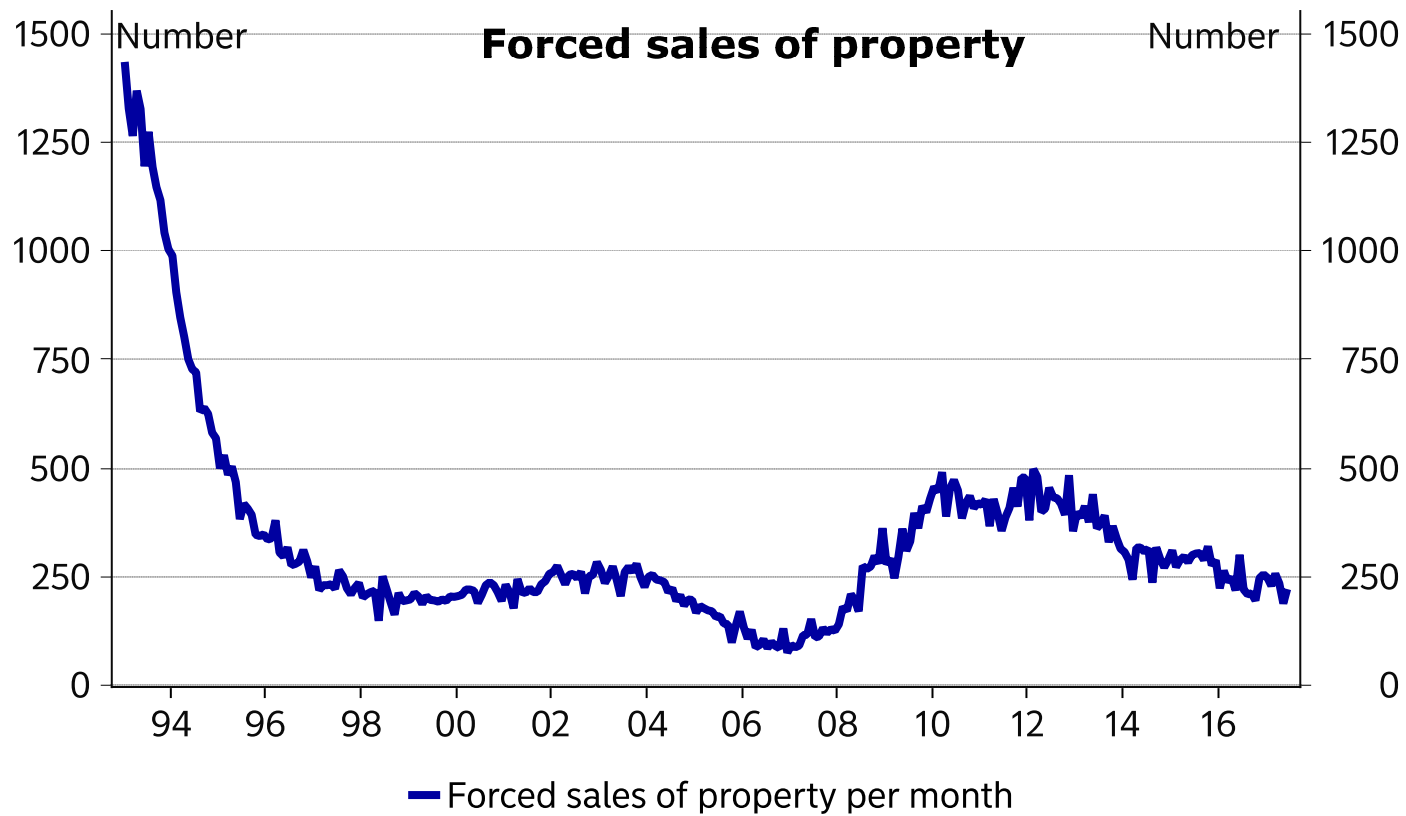
Households are becoming less interest rate sensitive



Turnover is increasing and inventory is coming down

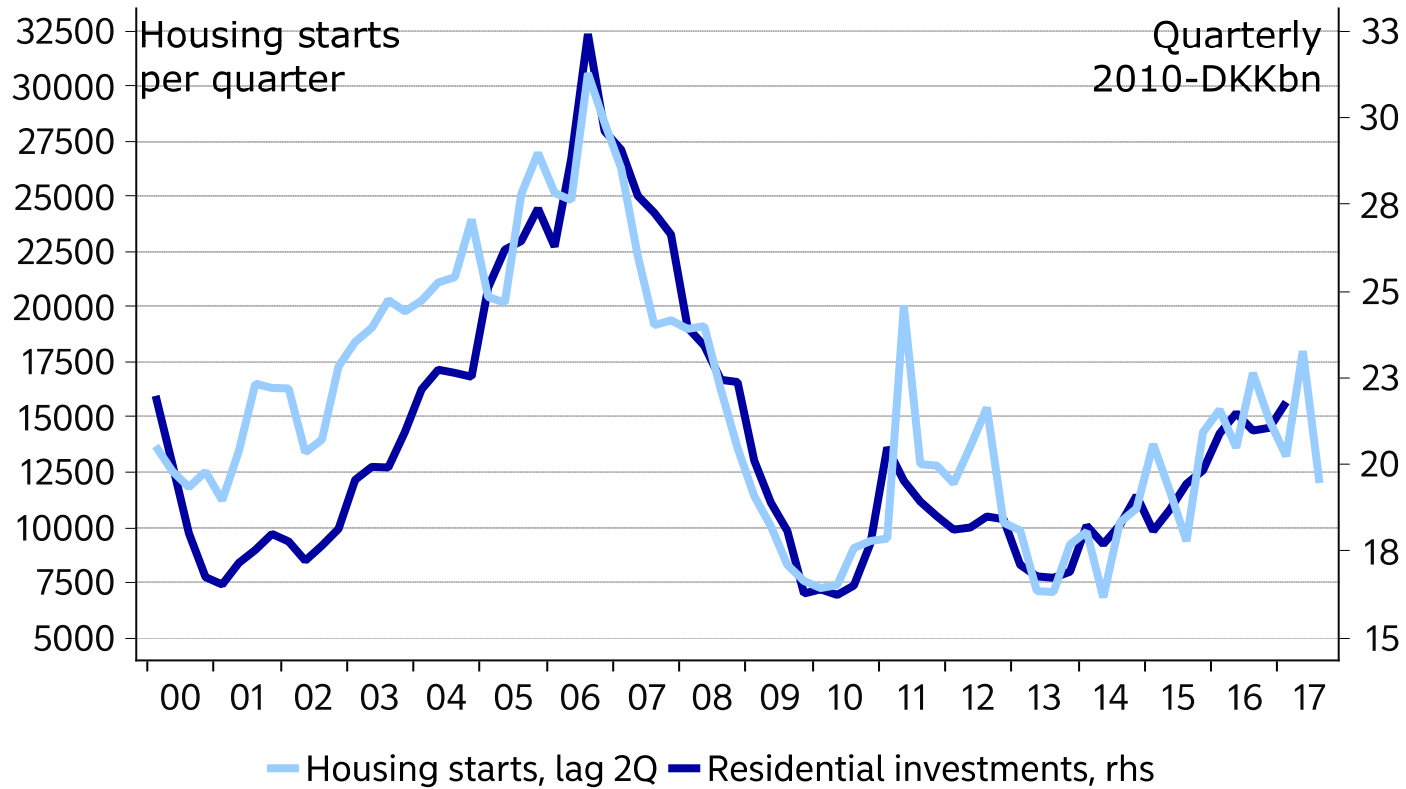


Forced sales of property are a very low level



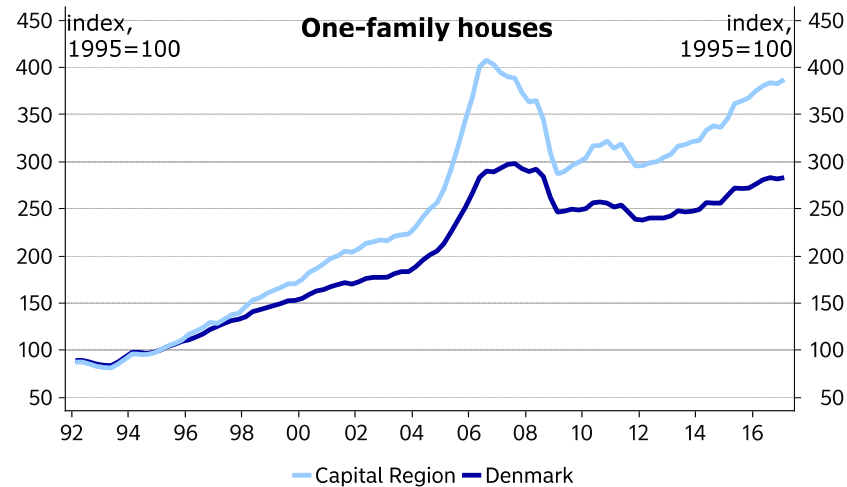
Source: Nordea Markets and Macrobond

Residential investment is picking up

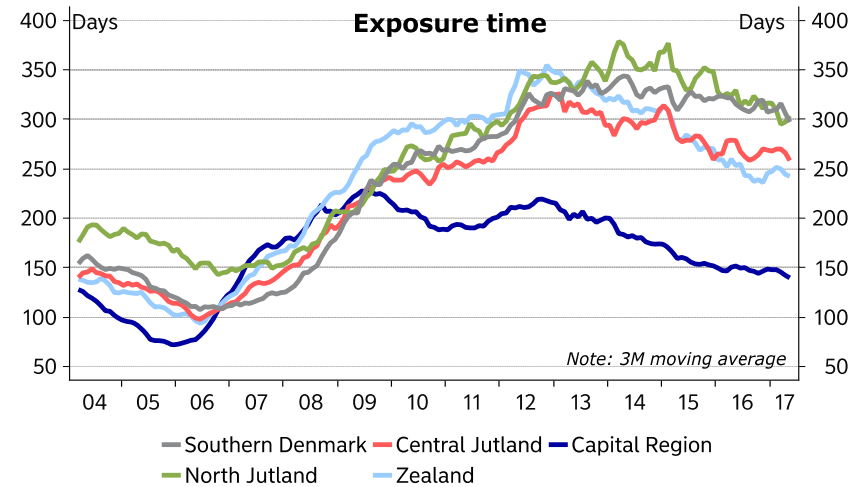


Source: Nordea Markets and Macrobond

A regional perspective



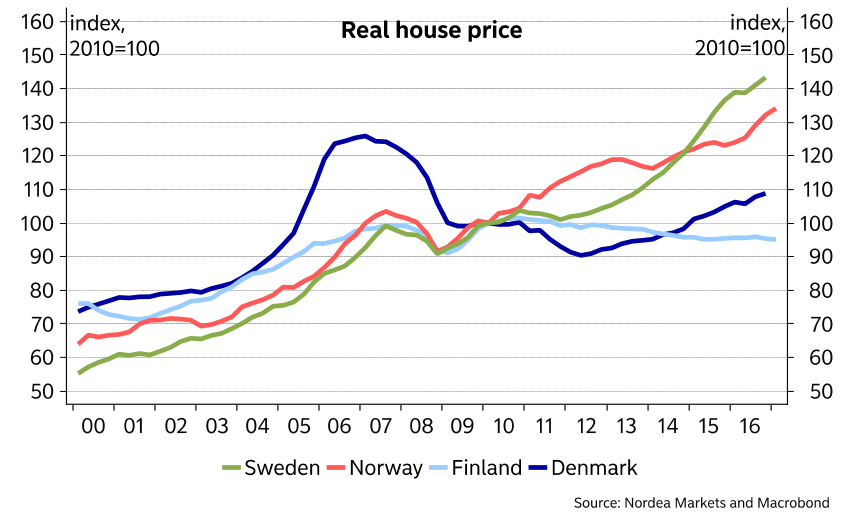
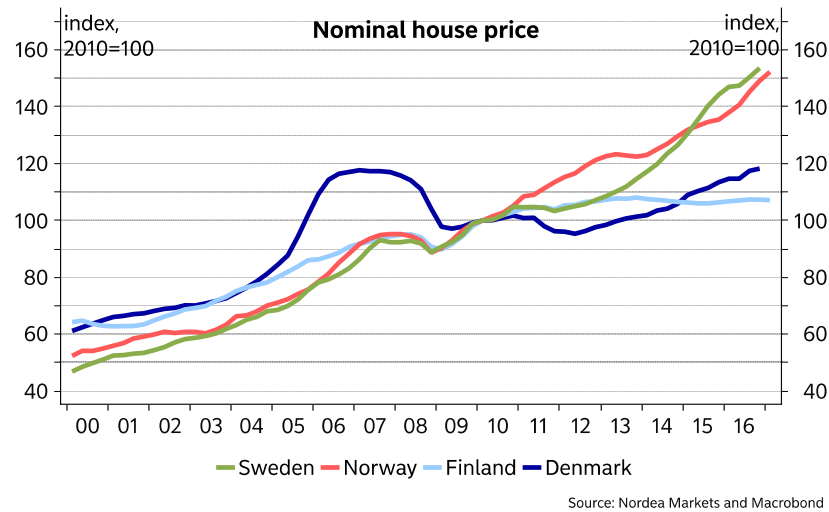
Source: Nordea Markets and Macrobond



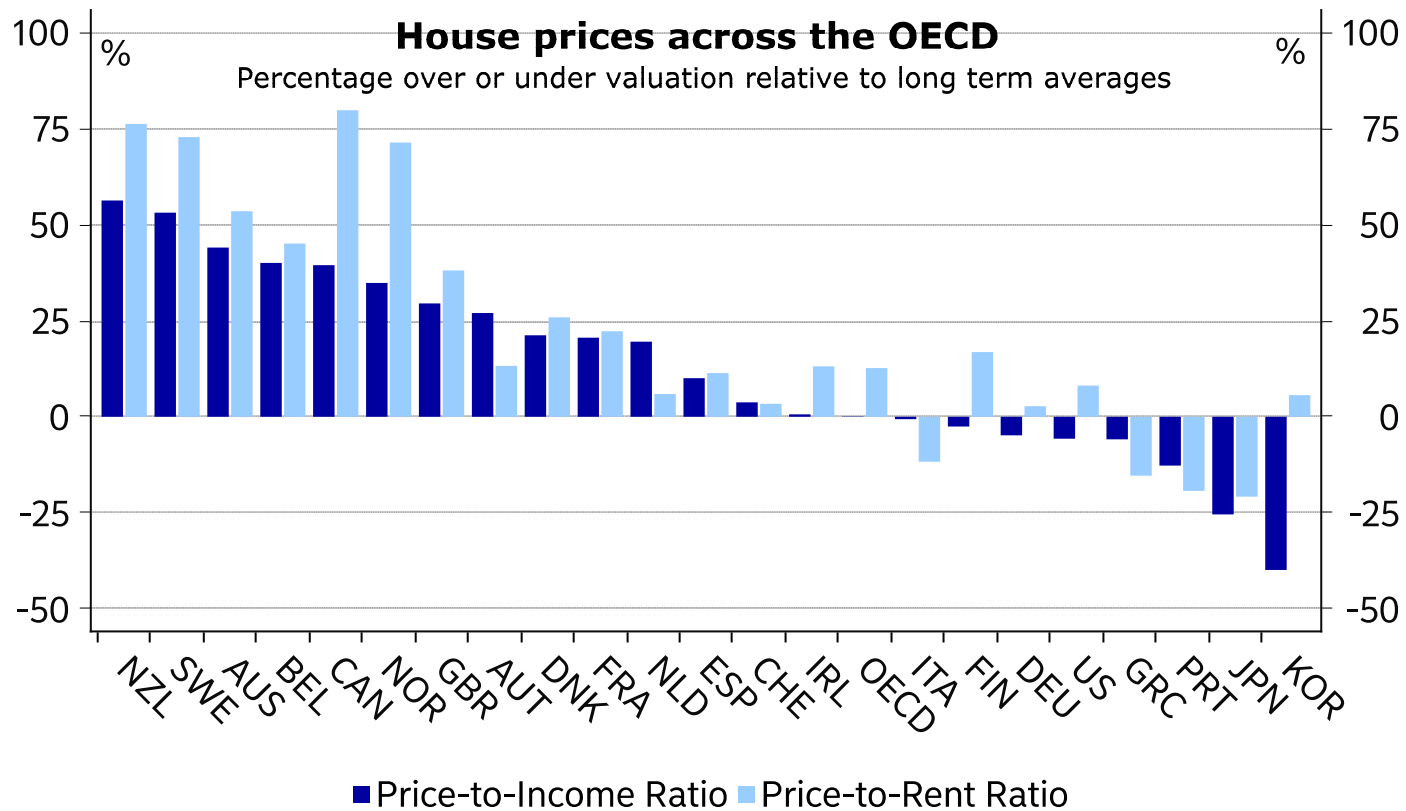
Note: 3M moving average

Source: Nordea Markets and Macrobond

An international perspective



An international perspective (continued)



Source: Nordea Markets and Macrobond



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