

Paper prepared for the ENHR seminar on "Affordable Housing" in the Department of the Environment and Local Government, Custom House, Dublin 1 on the 6 December 2002
Dublin, Ireland

Danish housing system, policy trends and research

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Abstract

This paper gives a short overview of the housing system including social housing, current issues in the Danish housing policy debate and an outline of a housing research strategy formulated in 2001. The background for this is mainly recent research carried out at Danish Building and Urban Research with the objective to reformulate and strengthen Danish housing research and to enhance the relevant research infrastructure.

Background

In the spring of 2000 Danish Building and Urban Research initiated a project *Strategi for boligforskning* (Strategy for housing research). The objective was to focus on housing research and on the need for research-based knowledge in the field of housing as a prerequisite for housing policy.

The outcome of this project was twofold. One was a proposal for a strategy for housing research including a thematic description of the housing research field, cf.

http://www.by-og-byg.dk/forskning/center_for_boligforskning/index.htm. This proposal is being discussed with active housing researchers and research commissioners in order to reach a decision on strategy.

The other outcome was a publication presenting thematic analyses and discussions of problems and challenges related to housing policy (Vestergaard 2001). These issues are already in focus or expected to be in focus within the next five years. The analyses were based on interviews with 35 key persons who were selected either because they hold positions in relation to implementing housing policy or because they are experts in this field. The interviewees were employed in ministries, municipal authorities and supply-side housing organisations. To some degree they represented established as well as potential research commissioners.

Danish housing and social housing system

Denmark has a total housing stock of 2.5 million housing units (Table 1). 19 per cent - close to 480.000 housing units - belong to social housing associations, and about 1 per cent to public authorities (government/local authority). But in practice only the social housing association stock functions as social housing. Most social housing was built after 1950.

51 per cent of the total Danish housing stock is owner-occupied, 45 per cent are rented dwellings and in 4 per cent of the stock there is no occupiers registered (Table 2). About 43 per cent of all rented dwellings belong to social housing associations.

Social housing

Around 700 social housing associations are located all over Denmark, but with most of their housing stock in and around larger cities. The associations consist of around 7,500 local sections or departments. An association can be just one or many sections. The sections collectively own the properties of the association. Each housing section - usually an estate - is economically independent from the other sections in the association. The sections are governed by democratically elected local boards, though the definitive legal and economic responsibility rests with the board of the association. See Engberg 2000 for more information on Danish social housing.

The housing sections are subsidised by the government and municipalities (in 1998 a reform lowering the level of subsidy was introduced). The subsidies cover a part of the interest and mortgage repayments. There are also subsidies in the form of loan guarantees. Also the residents - as in other rented housing - receive individual rent subsidies related to income, size of household and size of apartment.

Danish social housing associations do not build or let to any particular sector of the population. Everyone can apply for a dwelling and in practice this is administered by the individual social housing association through a waiting-list system.

The status of the social housing associations is formally that of “private organisations”. But because they receive economic subsidies, they are legally regulated and monitored by the government and municipalities. Moreover, the municipalities can allocate at least 25 per cent of the dwellings for social purposes. No other part of the Danish housing market has direct social obligations. Neither the social housing associations nor the independent housing sections – as a rule –make profits, as rents are set according to costs; expenses and income should balance.

Social housing has become an increasingly prominent form of tenure in Denmark growing from about 5 per cent of the housing stock in 1950 to 20 per cent in 1995 (Table 5). The reason for the growing percentage of dwellings in the social housing associations is that building activity of this kind has been maintained at a relatively stable level, whereas private rental construction has been negligible since the middle of the 1960s. At the same time many privately owned buildings no longer provide accommodation for rent and since the middle of the 1980s new private house building has also decreased drastically. Only a relatively modest number of new housing for owner-occupation has been built since that time. And at present the total house building activity is at a historic low level. After the 1998 reform of social housing financing and later year focus on problem estates new building activity in this sector has fallen off too. In order to boost the house building activity the stricter demands on local financing of social housing introduced in 1998 was abolished again in 2002. In line with this, more favourable financing conditions for institutional private investors and for converting attics in private rented property into new housing is being introduced at the moment.

Since the beginning of the 1980s there has been a concentration of problems in social housing areas due to increased housing market segregation. Ethnic minorities have been concentrated on certain estates in the social housing sector together with households on temporary social benefits. This has resulted in a concentration of people having a weak position in the labour market. Even though only around 10 percent of the Danish social housing stock is in troubled housing estates this concentration gives a negative image to the whole sector and might be an explanation for the experienced municipal resistance to new local social housing projects.

Housing market developments

Troubled social housing estates must also be located in the context of changes in the general housing market. Between 1950 and the mid-1980s, the steady increase in social housing played an extremely important and stabilising role in the relationships between social rented and private rented housing, on the one side, and between rented housing and owner occupied housing, on the other side. In the middle of the 1980s, the balance between rented housing and owner occupied housing shifted dramatically, partly as a consequence of tax reforms which reduced the value of deductions for interest payments on mortgages in the calculation of taxable income and which contributed to the crisis in owner occupied housing. This was the beginning of a larger strategy to cut the very high level of direct and indirect subsidy in the housing market and has been reinforced by further tax reforms. At the same time, the older private rented housing market is virtually immobilised by rent regulations introduced during the Second War. The sector is characterised by very low rent levels, by an unwillingness of tenants to move out and by landlords who let their property deteriorate. Three years of committee work to change the regulations governing rented housing did not lead to any politically feasible proposals for change in the older private rented sector (Boligministeriet 1997). This is creating a major obstacle to reducing subsidy levels generally in the housing market. Finally, the financial arrangements for social housing mean that rent levels in the older stock are very much lower than in the newer stock. These imbalances

throughout the housing market mean that households who will never be in a position to pay their own housing costs often are trapped in the newest and most expensive housing in the social sector. The general aim of welfare state, housing and taxation reform in Denmark is to fundamentally alter a situation in which very high taxation levels feed a high level of direct and indirect subsidy. In housing, the specific aim is to move to a system in which households are subsidised according to their social needs and not according to the type of tenure that they happen to occupy. An aim that has been very difficult to handle politically without risking political mandate at Election Day. However, it is clear that this specific aim for housing cannot be achieved without more general reforms in the welfare state and taxation structures.

In the last five years the housing market has been difficult to enter. Prices on owner-occupied apartments have increased in pressure areas, and this has caused a high pressure on the housing market in the greater metropolitan area of Copenhagen. It is very difficult to rent private rented dwellings, and waiting lists to get a social housing apartment are long. Thus, the mobility at the housing market is very low, and at present the social housing estates have a very low turnover of residents compared to earlier times. See also: Statens Byggeforskningsinstitut, & Amternes og Kommunernes Forskningsinstitut (2001).

Current issues

Until January 2001 housing and housing policy questions was a rather neglected subject in the Danish policy debate. For a number of years focus was mainly on urban and urban policy questions. But increasing difficulties for households getting access to affordable housing in economic pressure areas like Copenhagen spurred a heated press debate. The non-availability of private rented housing, long waiting lists in front of social housing and the house prices in the owner occupied sector came to debate. Simultaneously a publication (Vestergaard 2001) listing current problems and challenges at the Danish housing market pointed at the following key issues:

- Concentration of socially deprived and ethnic minorities on social housing estates
- Difficulty in providing housing for maladjusted persons
- Lack of physical accessibility
- Inefficient house building of low technical and architectural quality
- Poorly functioning rent market and utilisation of the housing stock
- Lack of maintenance, deprivation and decay
- Low equity in the owner-occupied housing stock
- Lack of political initiative

These issues were expected to gain increased importance within the next five years.

In November 2001 a national election was held and a Liberal-Conservative government replaced the former Social Democratic-Social Liberal government, that had been in office for nearly 10 years. The Liberal-Conservative government has changed priorities as regards to the public sector's role in participating to sustain and to improve the welfare state. Municipalities and counties are still to anchor means of effort to maintain a social responsibility, but private and voluntary organisations are to be incorporated much further in the solution of social tasks than they have been, previously. As such private-public partnerships are seen as a pivotal point, and the sitting government wants to encourage these partnerships for instance in relation to urban and housing programmes.

At present the housing situation especially in the metropolitan area of Copenhagen is very tight, as it may take more than 10 years to get a rented apartment. Also due to rent regulations there are no open supply of private rented dwellings for households in middle and low-income brackets.

This has resulted in legal as well as illegal subletting, lettings on short-term contracts and black market situations as well as hoarding of relatively inexpensive rented dwellings (only formal occupation) with a permanent contract. The extent of these problems is unknown. The victims of this situation are housing and job mobility in general and especially young people and households that cannot afford to buy a dwelling for owner occupation. This has e.g. made it more difficult to recruit young teachers, nurses etc. in pressure areas.

People in acute need of housing can turn to the municipality for help if they are without possibilities to solve their own housing problem. In later years many municipalities have sold out their own housing properties, and, subsequently, municipalities have increasingly difficulties to find housing solutions for those individuals in acute need of a place to stay. Hence, criteria for getting municipal assistance are tightened up, and now municipalities are very dependent on their legally disposal of every fourth dwelling that becomes available on social housing estates and on making temporary arrangement such as hotels and campgrounds.

Likewise, pressure has been put on the housing market because a number of large social housing estates with a concentration of feeble residents have been allowed to disregard the normal external and internal waiting lists. These estates are then in a position to offer specific target groups such as locally employed and elderly people above 50 without children an apartment prior to people on the waiting list.

Also, actors on the social housing scene have changed and been replaced by other actors since the current government took office. First, the Ministry of Housing and Urban Affairs was abolished, and housing and urban matters became a subdivision under a number of ministries of which the most important is *The Danish Ministry of Economic and Business Affairs*. Second, in reality housing politics has been a subject non grata (a looser subject) in Danish politics, and any proposal to change conditions on the housing market is at risk for any political coalition to win a national election. Thus, the present Prime Minister promised in the election campaign not to increase the rents if he got to form government. This has meant that the most logical way to loosen up the stock rented housing market; a rent setting closer to market prices has been ruled out. Furthermore, the National Social Housing Organisation has been very powerful as regards to influence the general housing politics, as the organisation has had long term strong and direct ties to the Social Democratic Party and to the Ministry of Housing and Urban Affairs. When the ministry was closed down and a new government became in charge the organisation's influence on housing politics was diminished. This new situation created quite a lot of insecurity about future conditions for social housing. This insecurity was intensified in the beginning of 2002 when the government announced its intention to make it possible for residents in social housing to buy their apartment as owner-occupied housing or as an apartment in a private housing societies. At present, an internal inter-ministerial committee is developing a plan for how to realise this in practice and to estimate the possible impact. The results of this committee work are announced to be presented in the beginning of 2003.

Research

Danish Building and Urban Research has a central position in Danish housing research as it is responsible for monitoring the need for housing research in general and making research policy recommendations as well as having an own housing research programme. As already mentioned, housing has for a number of years been less in focus in Denmark. Parallel with this housing research has been concentrated on special and often acute problems like troubled estates, housing for the elderly, the handicapped, youth, maladjusted people etc. A more comprehensive picture of the housing situation and related issues as well as initiating more long-term research was requisite. Thus in 2000 it became important to look into current problems and challenges at the Danish

housing market (as listed above), to translate these issues into housing research themes and to develop a housing research strategy.

Research themes

The following 10 housing research themes have been formulated, cf www.by-og-byg.dk/forskning/boligomraader_og_velfaerd/strategi_for_boligforskning.htm:

1. *Housing in a social context - housing and welfare state*
2. *Housing tenures - housing sectors, local housing markets, mixed tenures*
3. *Effects of housing policy - subsidies and regulation*
4. *Mobility and housing preferences*
5. *Governance and housing*
6. *Housing and social exclusion*
7. *Housing consumption and identity*
8. *Housing and care for special groups*
9. *Architecture - housing design and site plans*
10. *Sustainable development of the housing sector*

The aim is to develop a research programme for each theme and attract resources to start strategic research projects.

Danish housing research have in recent years been focused on the following themes:

Housing and social exclusion - troubled estates
Housing and care for special groups
Architecture - housing design and site plans
Sustainable development of the housing sector
Governance and housing

But the focus on research within these five themes has often been a consequence of ad hoc demand for research results on a short-term basis in relation to acute housing policy initiatives. Decisions on research projects have not been based within the context of a programme formulated in relation to more long-term needs or a pro-active research strategy. Short-term research management often resulted in very specialised projects that could not benefit from each other. This malady was noted in relation to an evaluation of the research in Danish Building and Urban Research in 1995 (Statens Byggeforskningsinstitut 1995). One of the consequences of this is that the current housing policy debates are founded more on beliefs than on research-based knowledge. There is especially a need for more housing market research and knowledge on the interplay between housing and economic development. The situation calls for more priority to research initiatives under the following themes:

Housing in a social context - housing and welfare state
Housing tenures - housing sectors, local housing markets, mixed tenures
Effects of housing policy - subsidies and regulation
Mobility and housing preferences
Housing consumption and identity

At present the short-term challenge is:

- to strengthen the simultaneously sparse and often specialised Danish housing research,
- to keep and develop its position in the international research cooperation like ENHR,
- to train and to create research jobs for a new generation of housing researchers and
- to raise funding for realising a more long term and strategic housing research programme.

Strategy of Danish Building and Urban Research: A centre for housing research

Danish Building and Urban Research has as a consequence of the above-described situation decided to take the lead in establishing a centre for housing research.

The objective of this centre is

- to strengthen housing research across disciplines and institutions in Denmark,
- to maintain participation in international research networks and projects
- to develop a national housing research strategy in cooperation with housing research actors and commissioners and
- to supply an infrastructure for coordination and communication and thus enhancing collaboration between housing researchers.

On the longer term important tasks for the centre will be to ensure

- a sufficient basis for updating and redefining the housing research strategy
- a dialog between housing researchers and research commissioners
- that research results are available and communicated to housing policy actors as well as producers and consumers.

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Table 1 Housing stock by type and ownership. As of 1 January 1999

Type of building	Ownership							Total	Per cent
	Private person, ltd. company	Social housing Association	Housing Society	Other association, foundation etc.	Municipality	Other public authority	Other		
Farm houses	133.867	11	4	733	590	555	80	135.840	5
One-family houses - detached	985.372	8.964	6.104	4.129	2.210	2.254	1.297	1.010.330	41
One-family houses - semi- or undetached	131.787	116.347	29.548	11.061	7.213	916	13.801	310.673	13
Multi-storey buildings	265.841	347.250	119.903	51.056	19.612	5.224	154.595	963.481	39
Student hostels	2.305	5.312	6	22.597	263	2.118	723	33.324	1
Other	15.958	880	197	2.010	1.391	713	790	21.939	1
Housing stock total	1.535.130	478.764	155.762	91.586	31.279	11.780	171.286	2.475.587	100
Per cent	62	19	6	4	1	0	7	100	

Source: Boligtælling pr. 1. januar 1999, By- og Boligministeriet 1999

Table 2 Housing stock by type of building and type of tenure. As of 1 January 1999

Type of building	Type of tenure				Total	Per cent
	Rented housing	Owner occupied housing	Not occupied	Not stated		
Farm houses	15.599	112.695	7.429	117	135.840	5
One-family houses - detached	71.838	910.910	25.820	1.762	1.010.330	41
One-family houses - semi- or undetached	185.025	117.953	6.599	1.096	310.673	13
Multi-storey buildings	797.494	123.099	41.899	989	963.481	39
Student hostels	29.045	7	4.184	88	33.324	1
Other	8.964	5.902	5.190	1.883	21.939	1
Total housing stock	1.107.965	1.270.566	91.121	5.935	2.475.587	100
Per cent	45	51	4	0	100	

Source: Boligtælling pr. 1. januar 1999, By- og Boligministeriet 1999

Table 3 Housing stock by type of building and tenure, per cent. As of 1 January 1999

Type of building	Type of tenure				Total
	Rented housing	Owner occupied housing	Not occupied	Not stated	
Farm houses	11	83	5	0	100
One-family houses - detached	7	90	3	0	100
One-family houses - semi- or undetached	60	38	2	0	100
Multi-storey buildings	83	13	4	0	100
Student hostels	87	0	13	0	100
Other	41	27	24	9	100
Total	45	51	4	0	100

Source: Boligtælling pr. 1. januar 1999, By- og Boligministeriet 1999

Table 4 Ownership of housing stock 1950-2000, 1.000 dwellings

Ownership	1950	1975	1995	1999	2000
Social housing Association	68	320	460	479	481
Public authorities	40	60	64	43	40
Private landlords	750	670	553	356	422
Housing Society	-	-	-	156	159
Owner occupied	413	1.100	1.224	1.270	1.272
Other or not stated	-	-	-	171	115
Total housing stock	1.271	2.150	2.301	2.475	2.489

Source: Boligministeriet 1987, Danmarks Statistik, Statistical Yearbook 1996, tabel 83, Boligtælling pr. 1. januar 1999, By- og Boligministeriet 1999, Statistikbanken, Byggeri og boligforhold, Danmarks Statistik and estimates.

Table 5 Ownership of housing stock 1950-2000, per cent

Ownership	1950	1975	1995	1999	2000
Social housing Association	5	15	20	19	19
Public authorities	3	3	3	2	2
Private landlords	59	31	24	14	17
Housing Society	-	-	-	6	6
Owner occupied	32	51	53	51	51
Other or not stated	-	-	-	7	5
Total housing stock	100	100	100	100	100

Source: As in table 4