

## HOUSE PRICES

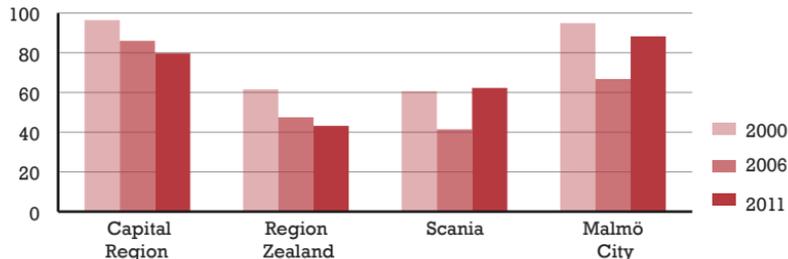
### Swedish house prices less attractive for Danes

When the Øresund Bridge opened in 2000, cheaper housing along with bigger and better value homes were the driving force behind the flow of Danes who began to move east to Scania, and especially Malmö and its environs. Most of them kept their jobs on the Danish side and commuted back across the Øresund.

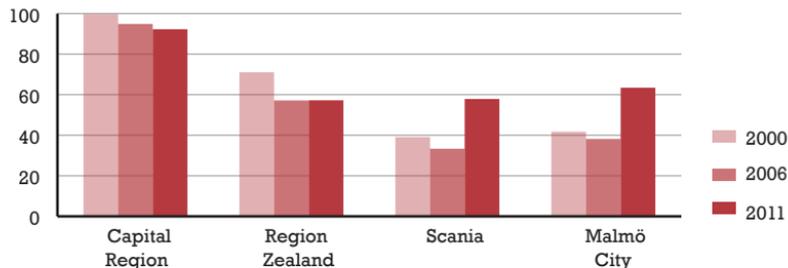
Around the turn of the millennium, the price of a single family house was significantly lower if outside the Capital Region. Prices in 2000, when compared to Copenhagen, were almost 40 per cent lower per square metre for a single family house in both Region Zealand and Scania.

Up until 2000, the price of a home in

### Square metre prices for a single family house (2000–2011)

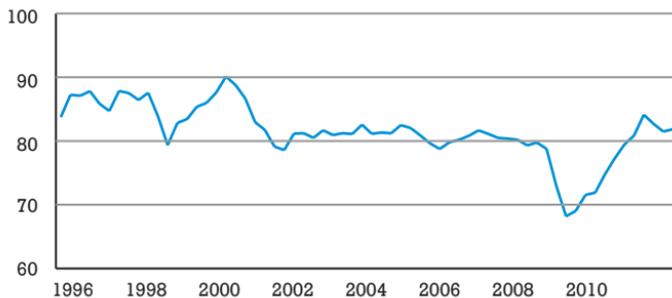


### Square metre prices for owner-occupied apartments (2000–2011)



Source: Realkreditrådet (Housing Market Statistics), Svensk Mäklarstatistik AB, Värderingsdata AB and Statistics Sweden. The Øresund Committee's calculations: Malmö 2011, partly estimated.

### The Swedish krona's exchange rate movements compared to the Danish krone



Source: Central Bank of Denmark.

the Capital Region and Malmö was only a few per cent lower than in Copenhagen. But after 2000, the price difference increased until it peaked in 2006, when house prices in Copenhagen had increased to twice those in Region Zealand and Scania, while prices in Malmö were about two-thirds of the Copenhagen prices.

The price difference between owner-occupied apartments is even greater than for single family homes. In both Malmö and Scania in general, the average square metre price in Danish kroner for owner-occupied apartments was about 40 per cent of the price in Copenhagen in 2000. Until the price bubble burst in 2006, this gap increased significantly, and house prices in Copenhagen

rose to three times more than Scania. After 2006, the difference reduced, so housing prices in Malmö, Scania and Region Zealand are now at about 60 per cent of the square metre price of an owner-occupied apartment in Copenhagen.

Price developments since 2006 have clearly meant that it is now less attractive for Copenhagen citizens and Zealanders to buy property on the Swedish side of Øresund.

The price differences across Øresund over the last 10–15 years have also been characterised by large fluctuations in the Swedish krona. But in addition, different loan options (including the special Danish bonds versus typical Swedish short-term loans), interest rates and property taxes have also had an effect on the price of homes. This is not clear from the statistics.

### Price increases after the housing price bubble

The property price bubble was a Danish phenomenon with an overheated housing market, which peaked in 2006 and was particularly marked in Copenhagen and the Capital Region. For instance, the square metre price for owner-occupied apartments in Copenhagen grew by 40 per cent in 2005 alone. One contributor in particular to the significant increases in house prices was the introduction of the interest-only mortgage with a flexible interest rate adjustment, which was introduced in 2003, when short-term interest rates were historically low.

After the price bubble burst, Danish house prices declined significantly, especially in the metropolitan area and during the years 2006–2008. This was until 2010–2011 when prices stabilised in general and the price of an owner-occupied home slightly increased; but then

there was another fall through 2011. The negative growth has hit Region Zealand hard but, in general, Danish prices are back to the level of 2004–2005. Compared to 2000, the price rises have been highest in Copenhagen, where single family homes increased by 81 per cent and owner-occupied apartments by 70 per cent. Both types of housing increased by only 35 per cent in Region Zealand over the same period.

In Scania, the average square metre price for housing has more than doubled compared to 2000, and the price of owner-occupied apartments especially has caught up with the Danish prices. In Malmö, there has been a tripling of the price of owner-occupied apartments alone. Prices in Sweden have increased steadily, have avoided the price bubble that hit Denmark and have only been interrupted by a temporary fall in late 2008. In Scania, however, prices stag-

nated to some extent over the last few years in relation to the general continued price increases in Sweden.

### Residential property turnover

The level of property supply and home sales give a good indicator of price levels.

In Scania, the volume of home sales has been stable for several years, and there has been a substantial turnover of owner-occupied apartments over the period 2009–2011.

Although prices on the Danish side of Øresund are back at 2004–2005 levels, the stagnant housing market is in a completely different situation to that in Sweden. In 2004, 30,000 owner-occupied homes were sold, but there were only 10,000 homes for sale at any one time. In contrast, only 17,000 homes were sold in 2011 but 21,000 were

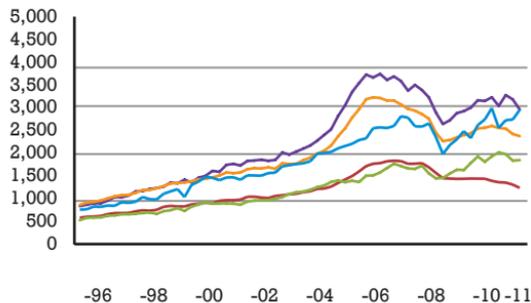
available for sale. The actual supply is in fact much higher because the prospect of incurring a loss and not being able to repay a large mortgage has led many to step back from selling their homes. In 2011, it took more than six months

to sell a home, whereas in 2004 it took three months.

Finally, coupled with the stagnant Danish owner-occupied housing market is the fact that demand is high

and growing in Greater Copenhagen, where there are many newcomers and a soaring population, while construction is almost at a standstill. This has forced rents up in many rental apartments and sublet owner-occupied housing. The

#### Single family houses etc.: Average m2 price in EUR (Q1 1996–Q4 2011)



— Copenhagen City

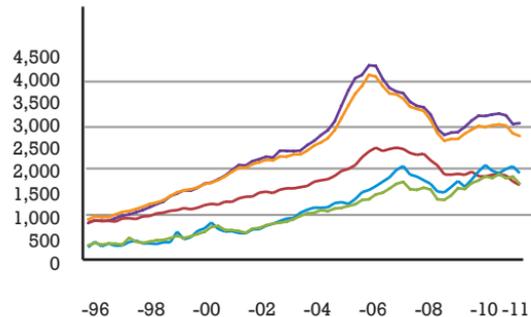
— Capital Region

— Region Zealand

— Malmö City

— Region Scania

#### Owner-occupied apartments: Average m2 price in EUR (Q1 1996–Q4 2011)



Source: Realkreditrådet (Housing Market Statistics), Svensk Mäklarstatistik AB, Värderingsdata AB and Statistics Sweden.  
The Øresund Committee's calculations: Malmö 2011, partly estimated.

**Price for an owner-occupied home of 120 m<sup>2</sup> in the centre of town (2011)**

	1,000 euro per m <sup>2</sup>	Total EUR million
<b>London</b>	15.2	1.8
<b>Paris</b>	13.4	1.6
<b>Zürich</b>	11.4	1.4
<b>Rome/Milan</b>	7.2	0.9
<b>Stockholm</b>	7.0	0.8
<b>Helsinki</b>	6.2	0.7
<b>Vienna</b>	5.1	0.6
<b>Amsterdam</b>	4.3	0.5
<b>Madrid/Barcelona</b>	4.0	0.5
<b>Copenhagen</b>	4.0	0.5
<b>Berlin</b>	3.7	0.4
<b>Dublin</b>	3.7	0.4
<b>Brussels</b>	2.8	0.3
<b>Malmö</b>	1.9	0.2

Source: *The Global Property Guide 2012*.

Note: Figures for Malmö have been estimated by the Öresund Committee.

frozen housing market is partly because many fail to put their homes up for sale as they have negative equity and are reluctant to realise the loss that a sale would cause them. It is also partly due to the fact that many families with children are living in the city, whereas previously they would have tended to move out of town into the country. This means a lower supply of available

housing, which in turn is likely to put upward pressure on prices, although of course there are many other factors that come into play in relation to house prices.

**International comparison**

Relative to other European cities, residential property prices in the Øresund Region's urban centres are inexpensive.

This is particularly because the prices of Copenhagen's owner-occupied housing market have fallen over a long period, while other cities have fared somewhat better in recent years. It is striking that while prices in Copenhagen are around the 2005 levels, they have increased in Stockholm by 40 per cent over the period 2005–2011; and prices per square metre in Stockholm are about 75 per cent higher than Copenhagen. Figures from Statistics Sweden suggest, however, that the price level provided by Global Property Guide for Stockholm is rather inflated.

### Owner-occupied housing

- Single family houses: in Denmark these include: patrician villas, detached houses, semi-detached houses and terraced-family homes and farmhouses. In Sweden these include *småhus* (small houses).
- Owner-occupied apartments: in Denmark, these homes are typically found in an apartment building that is subdivided into individual ownerships. In Sweden, it includes homes with a ***bostadsrätt***, which is in some ways similar to a Danish owner-occupied apartment, but not quite. An apartment with *bostadsrätt* means shared ownership in an apartment building through an owners' association.

### Cooperative housing / *hyresrätt*

Cooperative housing in Denmark and homes with *hyresrätt* in Sweden mean a joint ownership with the right to occupy a dwelling in a housing association, but these types of housing are regarded as rental units and are not covered by systematic price statistics.