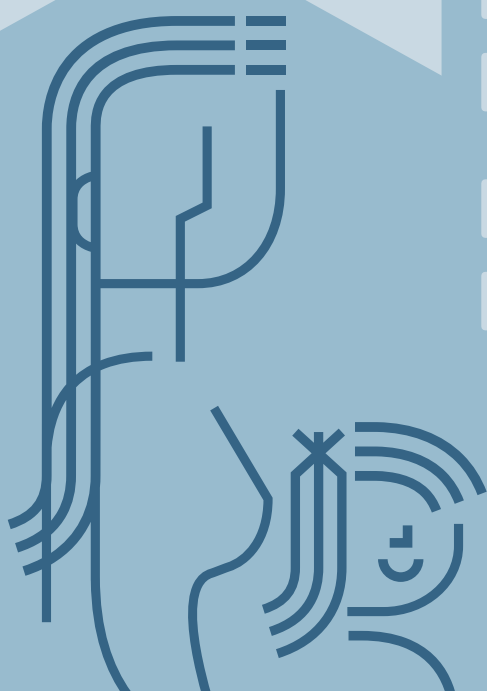


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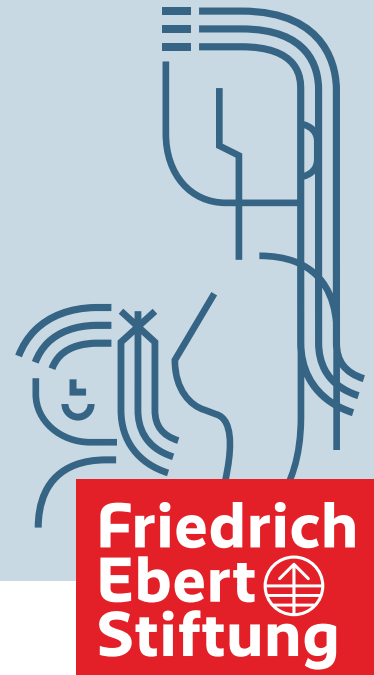
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Denmark's Non-Profit Affordable and Social Housing Model

When Denmark resumed centralized debt collection efforts in 2019 after a long administrative pause, thousands of citizens found themselves facing unexpected and unexplained financial claims. Charlotte was one of them.

In 2022, she was abruptly notified that she owed the state a substantial sum. When she asked for clarification, the Debt Collection Authority was unable to explain where the debt came from or how it had grown to such an amount. Nonetheless, they began garnishing her wages, up to 70% of her disposable income.

The financial pressure became unbearable. Charlotte, a single mother to six-year-old Olivia, was forced to make drastic cuts and search for more affordable housing. They applied to several non-profit housing cooperatives, but the waiting lists stretched as long as ten years.

Then, unexpectedly, her application was moved to the top of the list. Her academic background and professional career met the affordable and social housing diversity criteria, allowing them to relocate to a newly built apartment near Copenhagen's harbor.

Though the move brought some relief, Charlotte still loses the majority of her income to repayments she doesn't fully understand. The uncertainty remains, but at least now, she and Olivia have a stable roof over their heads.



Picture alliance / Westend61 | Lily Solopova

Abstract

Denmark's private non-profit housing model provides a sustainable alternative by reinvesting surpluses into rental reductions, maintaining long-term affordability without external subsidies. This self-governing and self-financing system not only ensures financial sustainability but also empowers tenants through democratic decision-making, fostering collective savings that support housing maintenance and future development.

By removing housing from market speculation and placing it under tenant-driven governance, this model demonstrates a scalable and adaptable approach for cities striving to balance economic growth with social responsibility.

Introduction

Municipalities are facing growing challenges in delivering affordable and social housing within a free-market framework that prioritizes high-return private investments over social needs. With limited public funds and competing infrastructure demands, cities must explore innovative solutions to ensure adequate housing for low- and middle-income residents.

Denmark's private non-profit housing model is designed to provide long-term affordability and social stability. Housing associations operate as self-governed entities, ensuring that surpluses are reinvested into maintenance and new developments rather than distributed as profit. A crucial component of this system is the National Building Fund (Landsbyggefonden), which secures financial support for renovations and new housing projects, contributing to the model's sustainability over time.

Despite its well-established strengths, the system is under increasing strain. Demand for affordable housing has outpaced supply, leading to long waiting lists and exacerbating access challenges. In densely populated urban areas, particularly Copenhagen and Aarhus, escalating land prices and market-driven pressures further limit the availability of affordable units.

Denmark has introduced municipal land trusts to remove land from speculative markets

In response, Denmark has introduced municipal land trusts to remove land from speculative markets, ensuring that housing remains affordable in the long run. Additionally, cooperative housing models and alternative financing mechanisms are being tested to support non-profit housing expansion. Regulatory safeguards, such as zoning laws and rent controls, are also being reinforced to protect affordability and sustain social housing investments.

While Denmark's non-profit housing sector remains a global benchmark, its future depends on expanding supply, adapting financial structures, and maintaining strong policy protections. Without continued reforms, the delicate balance between market forces and affordability may become increasingly difficult to sustain.

How Danish Affordable Housing is Financed

Denmark's private non-profit housing model is uniquely structured to provide long-term affordability and financial sustainability while ensuring housing remains accessible to low- and middle-income residents. The model operates through a combination of municipal loans, tenant contributions, and reinvestment mechanisms, making it largely self-financing and independent of ongoing government subsidies. It is precisely its financial independence that also shelters the affordable and social housing market from political interventions and party politics.

Flow of Funding in Danish Non-Profit Housing

Municipal Interest-Free Loans (50-Year Duration)

- When a new non-profit housing project is initiated, municipalities provide an upfront, interest-free loan covering 8-12% of construction costs, depending on unit size.
- This municipal loan allows housing associations to set lower initial rental prices, making the housing more affordable from the outset.
- The loan is repaid over 50 years, with payments beginning after the first 30 years once mortgage repayments are complete.

Fixed Mortgage Repayment (Years 0-30)

- The remaining construction costs (beyond municipal loans) are financed through fixed-rate mortgages capped at 3% interest, ensuring predictable and stable repayment terms for housing cooperatives.
- Tenants' rent payments contribute to repaying these fixed rate mortgages.

State Loans and Subsidy Repayments (Years 30-40)

- For the first 30 years, state subsidies help keep rents low for tenants. However, these are structured as repayable loans rather than permanent subsidies.
- Between years 30 and 40, tenants effectively repay these state loans through their rent payments.

Revenue Reinvestment and National Building Fund Contributions (Beyond Year 40)

- Once all mortgage and state loan repayments are completed, housing revenue is reinvested into Denmark's affordable housing sector.

The below table provides an overview over the source, share and timeline of financing for new housing projects:

Table

| Funding Source | Share of Total Cost | Repayment Timeline |
|--------------------------------|---------------------|--------------------|
| Mortgages (Fixed-Rate, 3%) | 84–85% | Years 0–30 |
| Municipal Interest-Free Loan | 8–12% | Years 30–40 |
| State-Backed Subsidies (Loans) | 3–4% | Years 30–40 |

After the mortgage and loans have been repaid, rent payments flow to the National Building Fund that allocates as follows:

- 1/3 for new housing construction
- 1/3 for renovations, upgrades, and infrastructure
- 1/3 for savings within individual housing cooperatives

Key Financial Mechanisms Ensuring Affordability

The National Building Fund (Landsbyggefonden)

This central fund accumulates surpluses from all non-profit housing associations, ensuring a continuous flow of financing for renovations, maintenance, and the development of new affordable housing units. Unlike many housing subsidy programs, it operates without relying on external government funding, as tenant contributions sustain the system over time.

The Danish Building Defects Fund (Byggeskadefonden)

This fund is designed to cover structural repairs and necessary renovations, ensuring the long-term quality and durability of Denmark's non-profit housing stock. It also serves as a financial safety net, providing resources for unexpected defects or damages that may arise in newly constructed or renovated buildings. It, too, operates without relying on external government funding, as tenant contributions sustain the system over time.

Cost-Based Rent Model

In Copenhagen, the average transaction price for new residential properties is approximately 6,000 euros per square meter, which is about 45,000 Danish kroner (DKK) per square meter. To prevent housing costs from escalating beyond affordability, the government sets a maximum

construction cost per square meter, such as the 24,000 DKK/m² cap (around 3,200 Euro/ m²) in Copenhagen. This regulation helps keep rental prices aligned with actual costs rather than speculative market fluctuations. Additionally, land purchases are strictly regulated, allowing non-profit housing associations to acquire land at below-market rates in urban areas, further ensuring the long-term affordability of housing developments.

The ownership and access to land for the construction of new built affordable and social housing remain a challenge in most European cities, including Copenhagen and other Danish large cities. Firstly, many cities own a lot more land than they may be aware of. This is because public land ownership is often spread out across a multitude of public authorities making ownership fragmented and unclear. Additionally, in Denmark, municipalities play a significant role in land ownership and management, particularly concerning affordable and social housing developments. They have the authority to acquire land at below-market prices, which they can allocate for such projects, ensuring long-term affordability and adherence to urban planning objectives. This proactive approach allows Danish municipalities to maintain substantial control over land use and housing policies.

In contrast, German municipalities often face financial constraints that limit their ability to retain or repurchase land. While they possess instruments like land readjustment (Baulandumlegung) to manage and develop land, the effectiveness of these tools can be hindered by budgetary limitations. Consequently, German municipalities may struggle to influence housing development and affordability to the same extent as their Danish counterparts.

Municipalities in Denmark set requirements for affordable and social housing in new developments. In Copenhagen and other major cities, 33% of all newly built projects are designated for affordable and social housing. Within this allocation, approximately 25% is reserved for social housing, with municipalities responsible for tenant allocation. However, in other smaller cities and town, the percentage is typically 25% of all new built projects of which 20 to 15% is reserved for social housing.

In Copenhagen and other major cities, 33% of all newly built projects are designated for affordable and social housing.

In Denmark, rents in affordable housing are typically around two-thirds of market rates, while social housing rents are even lower, often just one-third of the market rent, making both options vital for ensuring broad housing accessibility. On average, Danish households allocate approximately 23% of their gross adjusted disposable income to housing expenses, which include rent, mortgage

payments, utilities, and maintenance. Yet, for low-income households, the financial burden is more pronounced. A substantial share of tenants in the bottom quintile of the income distribution spends more than 40% of their disposable income on private rent.

This ensures a mix of income levels in new developments and helps to address growing housing inequality in urban areas. The aim is to promote social cohesion and prevent spatial segregation by integrating social and affordable housing into all parts of the city.

Key Challenges in Denmark's Housing Sector

Over 87% of Denmark's population lives in urban areas, and approximately 20–25% reside in affordable or social housing. Nonetheless, Denmark, like other European countries, is grappling with an escalating affordable and social housing crisis, primarily driven by rapid urbanization, shifting demographics, limited public resources, and mounting market pressures.

In general, individuals with the greatest need are prioritized for social housing allocation by the municipality. This includes people experiencing homelessness, single parents who have fled abusive relationships, young adults without stable housing, and others in vulnerable situations. However, it is not uncommon for municipalities to underutilize the allocation capacity available to them, either because social housing tenants are often locally subsidized and the municipality lacks the necessary funds, or because supply may temporarily exceed demand.

Over 87% of Denmark's population lives in urban areas, and approximately 20–25% reside in affordable or social housing

Affordable housing, on the other hand, is allocated by non-profit housing associations, typically through waiting lists. However, allocations may also consider factors such as income, education, ethnicity, and other aspects to promote social diversity within housing developments.

In the Greater Copenhagen area, housing supply needs to increase by 5,000 to 9,000 dwellings annually over the next 20 to 30 years to meet demand. This translates to approximately 110,000 new dwellings by 2035 and more than 150,000 by 2045. A significant portion of this demand is for small apartments suitable for young people in the city center. Thus, while municipalities are responsible for ensuring adequate housing, they often face significant financial constraints as high-return private real estate investments take precedence over affordable housing initiatives.

Furthermore, the availability of subsidized housing for students and young people is notably insufficient. Nationally, there is only enough subsidized housing to accommodate one in twelve students, highlighting a critical gap in affordable housing options for this demographic.

At the same time, demographic shifts, including the rise of single-person households and single-parent families, have further intensified the demand for smaller, cost-accessible housing units.

Financial Constraints and Market Pressures

- Municipal housing budgets are stretched thin, making it difficult to finance new developments while maintaining the existing stock of affordable housing.
- The rising dominance of private investors in Denmark's urban housing market has tilted development priorities toward high-profit luxury apartments rather than cost-based rental housing.
- Private sector speculation has significantly contributed to price inflation, creating a barrier to affordable rental options in major cities.

Growing Demand and Demographic Shifts

- Over 40% of Danish households now consist of a single person, leading to an unprecedented demand for smaller, affordable units. Yet Denmark's housing market still largely favors larger family-sized dwellings.
- 27% of Danish children live with a single parent, many of whom struggle to afford rising rental costs, as limited income streams make them particularly vulnerable to housing insecurity.

Severe Housing Shortages in Urban Areas

- In Copenhagen, waiting lists for affordable housing exceed 10 years, reflecting a critical mismatch between demand and supply. Even outside the capital, long waiting times persist, making it increasingly difficult for low-income residents to access stable housing.
- Urban property values have surged by 250% over the past two decades, making affordable rental options increasingly scarce, particularly for students, low-income workers, and pensioners.
- Rent burden is alarmingly high: 42% of Danish renters now spend more than 40% of their income on housing, far exceeding the EU affordability benchmark of 30–35%.

Implications for Denmark's Housing Policy

Without urgent intervention, these challenges threaten to exacerbate socioeconomic inequalities, further pushing vulnerable populations into housing precarity. Addressing these structural imbalances requires strategic policy adjustments, including land-use reforms, increased non-profit housing investment, and stronger regulatory measures to curb

speculative real estate practices. Denmark's housing model, long considered a beacon of social equity, must adapt to changing economic and demographic realities to preserve its commitment to affordability and social cohesion.

Best Practices in Denmark's Affordable Housing Model

Denmark's approach to affordable and social housing is internationally recognized for balancing long-term affordability, financial sustainability, and social inclusion. Central to this model is the private non-profit housing sector, which operates on a self-financing, self-governing basis. Surpluses are reinvested into maintenance and development rather than profit, helping to stabilize rents and support community well-being.

Self-Financing and Cost-Efficient Housing

Denmark's non-profit housing relies on a cost-based rent model, where rental income covers only operating expenses, maintenance, and reinvestment, shielding tenants from market-driven rent increases.

- The **National Building Fund (Landsbyggefonden)** supports renovation and new construction, ensuring long-term viability.
- The **Building Defects Fund (Byggeskadefonden)** covers structural issues in new or renovated buildings, maintaining quality and safety.

This financially resilient model allows Denmark's non-profit housing sector to expand and adapt, even amid growing urban demand and market pressure.

Tenant Empowerment and Housing Democracy

One of the defining features of Denmark's non-profit housing model is tenant participation in decision-making, which fosters a sense of ownership, responsibility, and long-term stability.

- Democratic governance structures ensure that tenants elect representatives to cooperative housing boards, giving them direct influence over housing policies, rent adjustments, maintenance priorities, and reinvestment decisions.
- Tenant-controlled housing associations create a built-in mechanism to resist privatization and external market pressures, ensuring that housing remains affordable and community-driven.
- Participatory decision-making processes foster social cohesion, encouraging residents to be actively involved in the well-being of their housing communities, strengthening civic engagement and mutual support.

This tenant empowerment model not only enhances affordability but also improves housing quality, as residents have a direct stake in maintaining and improving their living environments.

Long-Term Housing Stability

Denmark's affordable housing model is designed to provide long-term stability by preventing displacement, gentrification, and speculative pressures.

- A mixed-income allocation system ensures that social and middle-income tenants live side by side, helping to prevent concentrated areas of poverty or housing ghettos. This integration fosters stronger, more resilient communities. In practice, it means that individuals with affordable housing needs who hold higher education or professional jobs may bypass long waiting lists to support social diversity targets, resulting in even longer waits for those who do not meet these diversity criteria.
- Municipal land trusts are increasingly used to remove land from speculative markets, guaranteeing affordability for future generations. These trusts ensure that housing remains permanently affordable, regardless of market fluctuations.
- Preventative housing policies ensure that existing affordable housing remains protected from buyouts or conversion into private market rentals, maintaining a stable and predictable supply of cost-based housing.

The Path Forward: Policy Recommendations

For Social Democrats, this model offers a strong policy foundation to position affordable housing as a core social right rather than a market commodity. By advocating for similar policies, political leaders can broaden their electoral outreach, demonstrate commitment to housing fairness, and promote socially inclusive urban development. Moreover, embracing this approach allows Social Democrats to present a concrete, scalable solution to the global housing crisis, one that prioritizes long-term stability over short-term profit. By championing such policies, they can bridge the growing divide between economic classes, appeal to both urban and suburban voters, and reinforce their role as stewards of equitable and sustainable urban growth.

To ensure long-term sustainability and affordability, policymakers and housing associations should consider a multi-pronged approach that strengthens Denmark's non-profit housing model and fortifies it against external market pressures.

Expand the supply of non-profit housing through strategic land acquisitions and incentives.

By securing land for non-profit housing developments before it becomes subject to market speculation, policymakers can maintain long-term affordability. This can be achieved through municipal land banks, government land purchases, or partnerships with private developers willing to allocate a portion of their projects to non-profit housing.

Additionally, offering financial incentives, such as tax benefits or expedited permitting for non-profit housing projects, can encourage more investment in this sector.

Strengthen tenant governance and cooperative housing models to enhance local participation.

Tenant-driven governance is a cornerstone of Denmark's model, ensuring that residents have a say in the management and future development of their communities. Expanding cooperative housing models and increasing tenant education programs can further empower residents to actively participate in decision-making processes. Policymakers should also explore new digital tools and platforms to facilitate greater transparency and engagement in housing governance.

Establish a National Building Fund and expand alternative financing mechanisms.

Establishing a National Building Fund (Landsbyggefonden) is essential for ensuring long-term reinvestment in Denmark's non-profit housing sector. While the current fund has been instrumental, diversifying financing sources is crucial for long-term sustainability. Policymakers should explore alternative mechanisms such as impact bonds, land trust funds, and public-private partnerships to attract more capital. Engaging pension funds, ethical investors, and municipal funding pools would further strengthen financial stability, reducing reliance on a single funding source while securing affordable housing for future generations.

By reinforcing these key areas, Denmark can further cement its non-profit housing model as a resilient, adaptable, and scalable solution to the global housing affordability crisis.

Summary

Denmark's private non-profit housing model stands as a globally recognized approach to balancing long-term affordability and social stability. Housing associations operate as self-governed, cost-based entities, ensuring that surpluses are reinvested into maintenance and new developments rather than extracted for profit. A central pillar of this system is the National Building Fund (Landsbyggefonden), which provides financial support for renovations, new housing projects, and long-term maintenance, securing the model's sustainability over time.

Denmark's non-profit housing sector remains one of the world's most effective affordable and social housing models, but its long-term sustainability depends on continuous expansion, financial adaptation, and strong policy safeguards. Without proactive reforms, the delicate balance between market forces and affordability could erode, putting Denmark's tradition of social equity in housing at risk. By maintaining its commitment to affordability, tenant empowerment, and financial sustainability, Denmark can continue to set a precedent for cities worldwide seeking a viable alternative to speculative housing markets.

Further Readings:

"**Governing** and financing affordable housing at the intersection of the market and the state: Denmark's private non-profit housing system," Noring et al., Urban Research and Practice, 2022.

"**Financing** the inclusive city: A case study of the Danish model of affordable and social housing," Noring, ICLEI, 2018.

About the Author



Luise Noring is an expert in urban governance, financing models, and sustainable city development, with a strong focus on affordable housing and social infrastructure. She has worked with international organizations such as the OECD, the European Commission, and the Brookings Institution, contributing to research on municipal finance and innovative housing policies. With a Ph.D. and extensive experience in both academia and policy advising, Noring's work bridges theory and practice, offering actionable solutions for cities seeking to balance economic growth with social equity.

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