

GGI Practice Group Real Estate launches new publication

In the brand new publication called FYI, GGI Real Estate Practice Group members, who are international experts in the field of real estate, report on the latest developments in the real estate sector, successful mandates, trends, changes in legislation and will discuss further interesting case studies and stories from the real estate sector. In addition to comprehensive information published in the Real Estate Handbook, this newsletter shares newsworthy and concise information.

The first edition can be found on www.ggi.com. If you would like to subscribe for the newsletter, please register at info@ggi.com.



GENEVA GROUP INTERNATIONAL

Great opportunities for international investors

The Danish property market: the knot is untied

By Per Harsom

Admitted: the Danish property market has never been at the centre of interest for international property investors. Nevertheless, it is and has for many years been an attractive option.

For decades, Denmark has had a strong economy with political stability, fast growth, low inflation, low interest rates and a high employment rate. But even so, when the financial crisis hit Denmark in 2008, it did so with considerable weight and sent the property market into a limbo which still lingers.

The creation of a price bubble

During the early 2000's, property prices, the construction industry and property markets boomed and property prices rose at an increasing speed, due to the ever lower interest rates and a generally booming economy. As in many other countries, not only the traditional property investors and the construction companies thrived on this boom, but so did a lot of newcomers including the adventurers who are always attracted to any booming industry.

The Danish banks were profiting highly from this and by the mid 2000's a number of smaller and local banks decided to expand their activities into the property market. To get into the market, many of them financed adventurous newcomers - initially with great success. In that market, so one could really fail.

The banks, exhilarated by their instant success in the property market, granted senior and junior loans well in excess of what the yields could justify, counting on an ever rising price spiral. Prudent investors insisting on matching their investments with the yields were forced out of the market, giving way to the adventurers and their piggyback deals where the same properties were traded in closed circles at ever increasing prices, all being not only financed but even cleared on by the banks.

The bubble bursts

When the financial crisis hit Denmark, it hit the property market particularly ... next page

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