In Denmark, interests of retirees and urban renters collide

By Editorial Staff *Mon, Mar 2, 2015*

A new law requiring 25% of construction land in Denmark to be used for "social housing" could hurt the value of real estate investments by pension funds and disrupt existing projects.

Urban planners and architects worldwide have been jazzed by the prospect of turning the site of the old Carlsberg Brewery, two kilometers from the center of Copenhagen, Denmark, into a 140-acre, carbon-neutral, people-friendly, multi-use 21st century cityscape.

Danish pension provider PFA, labor-market fund PenSam and insurer Topdanmark are financing half of what's called the Carlsberg City Project (see project layout below). But their hopes for significant gains—and more secure incomes for future retirees—may be jeopardized by a new law requiring a big chunk of the site to be reserved for not-for-profit or "social" housing.

The Danish pensions and insurance industry association, Forsikring & Pension (F&P) has warned that the new law requiring 25% of construction land in Denmark to be used for "social housing" will hurt the value of real estate investments by the pension funds and disrupt existing projects.

In Denmark, social housing is rental housing offered at at-cost prices by not-for-profit housing associations, according to HousingEurope.com. Based on the principle of "tenants' democracy," it involves management of the housing by the tenants themselves. Not-for-profit housing currently accounts for about 20% of Denmark's housing stock.

The new planning law could lead to lower returns on investment in urban development and, potentially, to lower incomes for current and future pensioners, said F&P. The new law "cast doubt on whether the government wholeheartedly wanted the insurance and pensions sector to participate in solving Denmark's growth challenges," said F&P's CEO, Per Bremer Rasmussen, according to a *IPE.com* report.

Despite his "great respect" for the political desire for more mixed residential composition, he said the new law would have a cost. "If 25% of construction stock is now suddenly reserved for public housing, the price will be lower than the market value that was the original condition for the investment."

The retroactive nature of the law was "unacceptable," he added. "It is totally unacceptable that the law also applies to current residential projects," Bremer Rasmussen said. "Pension companies went into projects with full confidence in the existing detailed local planning frameworks."