

Clairvoyant Dane: "A drop will soon hit house price in Sweden"

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He predicted the credit crisis before most other people. Now he predicts a long crisis for US and Europe, and that the house prices soon will drop, even in Sweden. Several years of credit expansion and booming house prices in great parts of the world at the same time, is what Jens Kjaer Sorensen found and realized and concluded in his Masters thesis in the spring of 2006 Jens Kjaer Sorensen that it was obvious that the bubble would burst.o

For the coming years he draws a picture of a long crisis.

"We are only halfway through the crisis. US was first in, so they will likely be first out of the crisis too. If we are looking for a clearing we will have to look at the states. But currently I don't see anything supporting such ", Jens Kjaer Sorensen states to di.se.

"The crisis is rolling in as the tide in the water and takes down real estate markets all over the world. First through Ireland, Great Britain and Spain. Now the crisis has hit Denmark and the nearby countries. Sweden will be next, Malmö has already been affected."

What is the outlook for the real estate market in Sweden?

"House prices will highly likely drop even there. Sweden is about a half a year to a year after the crisis we have seen in Denmark. A crucial factor of how the market is drowned in newly constructed homes. In the areas, which have experienced the wildest construction booms will also be the areas, which are going to be hit the hardest, due to an oversupply of houses."

Have you any calming words for the Swedish housing owners?

"No, not many. Unfortunately I have only studied the Swedish house prices. I am not fully aware of extend of the construction of new homes in Stockholm. But in Malmö I have witnessed how the downturn is now rolling in. There has been constructed a lot of new homes, and instead of Danes moving in, the Danes are now moving back across the bridge."

When will the US housing market reach the bottom?

"We are definitely talking about 2-2.5 years more in the US, as I see it. But it is hard to predict. FED is once again affecting the market with a negative real interest rate. It is hard to predict to what extent policy responses will be implemented in the future and they can appear abruptly."

How should a crisis like this be prevented in the future?

"Regulation is a great part of the solution. Central banks must overlook the markets and ensure that the risk taking in banks doesn't go too far."

"A credit expansion and the initiation of new loan types should only be given in times of economic downturns. When the credit expansion becomes too big it is necessary to tighten it again. This time we did exactly the opposite."