

He foresees a long price decrease



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The US is only half way through its financial crisis and Europe has additional 4 years filled with problems on the real estate markets. That is what the Danish Economist Jens Kjaer Sorensen, who predicted the real estate crisis in his Masters Thesis in 2006.

He describes it as a tsunami from the West, which has rolled into Europe; First Great Britain, Ireland and Spain and then Denmark, Netherlands and Norway. These are some of the 5 countries, which have experienced the steepest increases in real estate, which is also where the bubble is biggest.

“The American housing bubble was not the biggest. It was the bubble that burst first, and we are now experiencing the effects being spread globally. Historically a financial crisis tends to be lead by a credit expansion. When credit is constrained the real estate bubbles burst”, Jens Kjaer Sorensen says.

Overvalued house prices

In his Masters Thesis he analysed that real estate prices was overvalued by 55% in Great Britain and the Netherlands, 35% in Norway and Denmark, and 22% in the US.

“The effects of the financial crisis is starting to affect the Swedish housing market, but Sweden will perform better than Denmark due to Swedish banks being less aggressive on credit giving and that the construction of new houses have been relatively mild”, explains Jens Kjaer Sorensen.

The Swedish export is however being killed, because of the countries that have the largest housing bubbles are amongst the countries that Sweden exports the most to.

Larger decreases in Copenhagen

Danish house prices have nationwide decreased by 4% and apartments by 13% since the top in 2006. But in Copenhagen the prices have decreased substantially more. The Government predicts that the house prices will decrease by 4% and 2% the next two years.

“I believe the decrease will be the double and that it will continue into 2010”, says Jens Kjaer Sorensen.