A Financial Boost for Community-Based Housing Forms

– Recommendations for Banks and Investors

The recommendations were developed through the project 'Spectacular Communities – Spectacular Solutions', which is supported by the Realdania association and implemented by the National Association for Ecovillages (Landsforeningen for Økosamfund), represented by Dicte Frost and Camilla Nielsen-Englyst.

The project has analysed legal and financial models from other European countries and assessed their relevance in a Danish context. The work has been informed through collaboration with Helena Reumert Gjerding from Kontra Advokater, as well as through dialogue with interest organisations, researchers and other key actors in the field.

The focus has primarily been on grassroots ("self-grown") groups with a non-speculative approach. However, many of the recommendations can be applied more broadly.

Read more about the project here: https://okosamfund.dk/spektakulaere-faellesskaber

Community-Based Housing Forms (CBH)

The term CBH covers the part of the housing sector that is democratically governed and owned by the residents themselves. The term includes, among others, cohousing communities, ecovillages, cooperative housing associations and self-governing collectives. These housing forms are an important supplement to both the private and the social (non-profit) housing markets, as they can contribute to greater housing diversity, strengthened local communities, and constitute long-term and stable housing forms.

A growing housing and investment segment

At a time marked by rising housing prices, growing loneliness and an acute need for more sustainable and social housing solutions, more and more people are looking for new ways to organise housing and everyday life. Interest in community-based housing forms is growing across generations – among young people, families with children, singles and seniors – and points to a new and growing housing segment with considerable societal potential.

The financing gap in the early phases

Despite rising demand, only a small proportion of projects are realised in practice – only about 1 in 10 start-up groups succeeds in getting from idea to an established home.

The barrier is rarely a lack of vision, organisational strength or need, but rather a financial system that remains geared to standardised owner-occupied, rental and developer-driven models. Community-based housing projects often fall between existing categories and therefore encounter a financing gap, particularly in the early development phases, where projects are too mature for volunteer-run operation but do not yet fit into traditional credit assessment.

This gap arises particularly in the transition from idea to realisation, in the span between start-up, establishment and operation, where tools for start-up capital, guarantees, bridge financing and risk sharing are lacking. The result is that many projects never move from organised demand to a realised home.

Experience from Denmark and other European countries shows, however, that relatively simple financial measures can make a decisive difference in these barrier-prone phases. When risk is better distributed and credit assessment is adapted to the projects' actual organisation and stability, community-based housing forms can develop into a robust and long-term investment area with economic, social and societal value.

Danish analyses also indicate that homes in cohousing communities often have high stability, a low move-out rate and a strong payment culture, which supports the segment's investment robustness.

A new investment area for the financial sector

This is also in line with European ambitions in the EU's Affordable Housing Plan, where non-speculative and community-oriented housing models are highlighted as an important part of the future housing market.

Several of the early financing barriers can also be reduced through collaboration between banks, foundations and other capital actors, for example via guarantee schemes, start-up capital or investment funds. These options are explored further in the parallel memo with recommendations for foundations.

The timing is favourable: rising demand, political momentum and documented low speculative risk make this an ideal time for the financial sector to develop solid, scalable products in this area.

A proposal for new financial tools

This memo is aimed at banks, investors and other financial actors who have the opportunity to develop the tools, partnerships and investment frameworks that can close the inappropriate financing gaps. The purpose is to point to concrete measures where the financial sector can help mature community-based housing forms as a legitimate and scalable investment segment, and thereby make the path from a community's idea to a realised home significantly shorter.

Case: The large collective 'Sandagergård'

8 people, primarily young academics from Copenhagen (27–33 years old), found their dream home in November 2025 for a self-owned, non-speculative large collective: a farm outside Køge, for DKK 7.2 million.

The group had spent 2.5 years developing the concept and was in ongoing dialogue with Bank 1, which was initially positive and had helped establish an association at the group's request. However, when the actual purchase became relevant, the group was met by a new advisor with no experience of community-based housing forms. The process was marked by ambiguity and conflicting messages, including about both credit requirements and whether the case belonged to the private or business department.

After three months of dialogue, the bank could only offer financing for 40–50% of the property value, against joint and several liability and a requirement that the group itself provide the rest as equity. Private loans from family and network were discouraged, and all future residents had to be individually credit-approved. This stood in sharp contrast to a similar project in the same bank, which had shortly before obtained significantly better terms.

In December 2025, the group therefore contacted Bank 2, where they were from the outset connected to an advisor with 15 years of experience with community-based housing forms. The process was clear, fast and predictable, and three months later the project was approved with a loan of DKK 4.4 million, with the rest financed by the group itself.

Learning: Access to financing today depends heavily on the individual bank advisor's experience rather than the project's actual quality and risk profile. This makes the process unpredictable, dependent on the individual, and a structural barrier for community-based housing forms. It points to a clear need for internal knowledge building, shared credit principles and standardised financial products, so that access to loans does not depend on chance specialist knowledge held by an individual advisor. The case illustrates a broader systemic problem in the sector: financing often depends on individual specialist knowledge rather than institutional practice.

Building on this systemic challenge, the memo points to four strategic measures that can professionalise banks' approach to CBHs and make financing more predictable, scalable and less dependent on individuals. Below follow four concrete first steps that banks and investors can take now to translate this potential into practice.

Concrete recommendations

- Develop financial “off-the-shelf products” for community-based housing projects
- Recognise CBHs as an independent lending and investment segment with diversified risk
- Establish shared data and documentation on risk
- Strengthen collaboration between financial actors and civil society on project maturation

RECOMMENDATION 1: Develop new financial “off-the-shelf products”

– make financing of CBHs a standardised product

Today, financing of cohousing communities often depends on a single, dedicated bank advisor. This makes access to financing far too random, dependent on individuals, and difficult to scale.

Banks should therefore develop standardised financial products targeted at CBHs, so that financing is to a greater extent based on a proven model rather than individual specialist knowledge. This could, for example, include construction loans, bridge financing, loans for shared facilities, and structured products where risk is shared with foundations or other capital actors through guarantee schemes or co-financing.

An important element in developing new “off-the-shelf products” is recognising CBHs as a legitimate housing development model within a growing niche of the housing sector. In many CBHs, residents move in and out on an ongoing basis without this affecting the project's economic viability. The credit model should therefore be based on the legal construction, the governance model, and the project's overall cash flow and long-term operating economy – not on the individual residents' personal relationships or joint liability. For this type of project, it is the construction that should be creditworthy, not the individual.

A significant barrier today is that many advisors rarely encounter this type of project. This creates uncertainty in credit assessment and can make the decision-making process unnecessarily complex. Banks could therefore advantageously establish internal competence units or specialist tracks with particular knowledge of CBHs.

These units can gather experience from previous cases, develop internal credit principles, standardised risk assessment tools and guidance for both advisors and customers. An obvious first step is to develop 1–2 pilot products in collaboration with selected start-up groups and relevant foundations, so that credit models can be tested, documented and subsequently scaled internally within the bank.

The development of financial off-the-shelf products should take place in close collaboration with interest organisations and advisory networks in the field, so that the products reflect the target group's actual needs and the typical development trajectories from start-up to operation.

The project's review of Danish banks' websites shows that cooperative housing associations often appear as a well-known standard category, while CBHs are only rarely mentioned explicitly. The recommendation is therefore that CBHs achieve a similar status as a recognisable and legitimate product area in banks' advisory services, communication and credit structure.

This will strengthen expectation alignment between banks and start-up groups, reduce the number of immature enquiries, and make the credit process faster, more transparent and less resource-intensive for both parties.

> *"We need to create a new off-the-shelf product for housing communities."*
> *— Lars Pehrson, former director, Merkur Andelskasse*

RECOMMENDATION 2: Recognise CBHs as an independent lending and investment segment

– see CBHs as diversified rather than concentrated risk

Community-based housing projects are often assessed today as high risk in banks' credit models. A key reason is that the projects do not fit into existing standard categories for housing finance, which are typically developed for individual owner-occupied homes, traditional rental properties, or social (non-profit) housing. When a project falls outside these categories, it often triggers a more cautious risk assessment – not necessarily because the actual economic sustainability is weaker, but because the segment is under-examined in banks' existing models.

The design, construction and transformation phase in particular can be challenging, because many of the more complex CBHs are developed through renovation, conversion or extension of existing buildings rather than classic new-build. This requires credit models that can better accommodate stepwise development processes and mixed investment phases.

In practice, however, CBHs can constitute a relatively stable and diversified investment with several clear risk-reducing characteristics:

- lower move-out rates, because residents have actively chosen the community and have often invested significant time, capital and commitment in the project
- high payment discipline, because the economy is typically organised around shared responsibility, transparency and mutual obligation
- strong social capital, where the community actively contributes to solving challenges, recruiting new residents and ensuring continuity in payments and operations
- distributed exposure, because the economy rests on several households rather than a single owner or investor

When payment capacity, responsibility and turnover mechanisms are distributed across several households and anchored in a stable legal and governance structure, the risk becomes less vulnerable to individual move-outs or individual payment problems. CBHs should therefore in many cases be understood as diversified risk rather than concentrated risk.

The decisive dividing line in credit assessment is therefore whether the project is treated as a group of private individuals with joint or several liability, or as an independent legal entity within the housing sector – for example an association, foundation, cooperative (AMBA) or other organised structure with its own operations, governance and payment mechanism. For many CBHs, the latter approach is far more accurate.

The bank should therefore credit-assess the CBH as an independent legal and economic construction, where the focus is on governance, payment mechanisms, reserve capacity and long-term viability, rather than solely on the current residents' personal finances. This is not about turning CBHs into a business category, but about developing a distinct housing finance logic that better reflects the projects' actual structure and stability.

When credit assessment is based on the construction's viability rather than personal joint liability, CBHs become easier to compare with other established housing forms, where the economy rests on a robust legal structure rather than on whichever residents happen to live there at any given time.

Banks should therefore carry out a systematic internal analysis of their actual experience with this type of project and compare it with the risk frameworks they are assumed to fall within. In many cases, such an analysis will show that the perceived risk is higher than the actual risk. An obvious step is to review 3–5 previous CBH cases and compare the actual payment history with the original risk assessment.

An important next step is to develop specific credit models or internal segment categories for CBHs, so that projects are not automatically assessed against criteria developed for other housing forms. This will make it easier for advisors to place projects correctly within the bank's credit structure and reduce the uncertainty that often arises today in the assessment process.

In the longer term, a more data-driven and segment-oriented approach can help CBHs be recognised as an independent lending and investment segment in the housing market – on a par with other established housing types.

RECOMMENDATION 3: Build shared data and documentation on risk

– *strengthen the knowledge base*

A significant reason for the high risk assessment of community-based housing forms is the lack of systematic and comparable data on economics, default and long-term stability. This applies in particular to non-speculative CBHs, where the value lies not only in market tradability but also in stable operations, low move-out rates, robust organisation, and the community's ability to ensure continuity over time.

When the segment is under-examined in data terms, mistaken assumptions about high risk, low tradability or uncertain payment behaviour easily arise. In practice, credit assessment is therefore often based on caution, isolated experiences or general assumptions rather than documented knowledge.

Financial actors should therefore, together with research institutions, industry organisations and relevant authorities, build a more robust data foundation for the CBH segment. The aim is to make risk assessment more evidence-based and comparable with other established housing forms, without losing sight of the particular non-speculative logics that characterise the segment.

A shared data foundation should as a minimum include:

- default rates and payment history, including arrears, refinancing and any losses
- move-out and recruitment rates, which can shed light on the segment's stability and demand
- the effect of governance and organisation, for example the relationship between structure, payment discipline and operations
- projects' development phases, including which phases typically trigger the highest financial uncertainty
- long-term stability in non-speculative models, including how limited profit, shared ownership or anti-speculative mechanisms affect risk and continuity

Previous analyses from the Danish Housing and Social Agency (Social- og Boligstyrelsen) have already pointed to positive value-related effects in cohousing communities. This type of analysis should be expanded and operationalised so that it can also be used directly in banks' credit models and internal risk frameworks – particularly with a focus on the stabilising effects that arise in non-speculative community models.

An obvious first step is to establish a shared learning and data partnership between 3–5 banks, relevant interest organisations, research communities and possibly the Danish Housing and Social Agency. Here, existing cases can be anonymised, compared and analysed with a view to identifying the actual risk profiles in different types of CBHs.

A stronger data foundation will not only reduce mistaken assumptions, but will also make it possible to develop more precise credit models, lower risk premiums and more targeted financial products. In time, this can help CBHs be treated as a documented, comparable and legitimate segment in banks' portfolios – with credit models that reflect actual performance in long-term, non-speculative housing forms, rather than historical assumptions based on more market-driven models.

RECOMMENDATION 4: Strengthen collaboration between financial actors and civil society

– create better projects and better financing through maturation

A significant reason why community-based housing projects encounter financial barriers is that start-up groups, banks and foundations often work in parallel rather than in joint learning and development processes. This means that groups repeatedly start from scratch with organisation, documentation and financial understanding, while banks likewise have to build up knowledge from case to case. The result is unnecessarily high transaction costs, longer processes and greater perceived risk for all parties.

A better-functioning financing model for new, and particularly non-speculative, housing forms therefore requires a closer and more structured collaboration between banks, foundations, investors and the interest organisations that work to mature start-up groups.

Civil society actors play a central role here as bridge-builders between vision, organisation and credit-readiness. Financial actors can advantageously enter into partnerships with interest organisations on the development of shared off-the-shelf products, guides, tools and publications that clarify:

- how the economy in CBHs works

- what requirements apply for creditworthiness
- which governance structures strengthen robustness
- where typical barriers arise in the various development phases

This will contribute to better-prepared projects, more realistic expectations among start-up groups, and smoother credit processes at banks.

As part of the project, a small handbook ("pixi book") on housing finance in community-based housing forms is therefore being developed, which banks are invited to review, respond to and subsequently use in dialogue with new groups. The goal is to create a shared language between the financial sector and civil society, so that more projects meet the bank in a genuinely credit-ready state.

Financial tools in different phases of a CBH project

The establishment of community-based housing projects typically happens in phases, where both financing needs and risk profile change over time. Collaboration between civil society and financial actors should therefore also be based on a phase-divided financing logic.

1. Start-up phase – idea and project development

Financial need: process management, architect and advisor fees, legal assistance, and organisational development

Typical barriers: lack of equity, high perceived risk, and limited access to bank financing

Possible solutions: foundation guarantees for bank loans, revolving start-up capital funds, philanthropic or state support for start-up financing

2. Establishment phase – purchase, transformation and construction

Financial need: purchase of land or property, bridge financing, construction financing, and capital for transformation and renovation

Typical barriers: projects fall outside banks' standard categories, and organisation, ownership and anti-speculative mechanisms are often not presented clearly enough

Possible solutions: investment funds targeted at CBHs, partnerships between foundations, banks and investors, as well as specialised financial products from banks

3. Operating phase – stable and long-term housing operation

Financial need: mortgage credit, long-term financing, and any refinancing

For non-speculative CBHs, access to mortgage credit is often still difficult, which creates an inappropriate dependence on banks.

Possibilities: In this phase, many projects show high stability, low move-out rates and strong payment discipline. They could therefore often be financed through more traditional housing finance structures, if the sector recognises the segment's particular strengths.

An obvious next step is to establish a permanent dialogue forum between 3–5 banks, relevant foundations and interest organisations, where concrete cases, tools and phase-divided financing models can be developed, tested and translated into shared standards for the maturation and financing of CBHs.

RECOMMENDATION 5: Create access to mortgage credit and long-term refinancing for mature non-speculative CBHs

– open the mortgage-credit track for community-based housing forms in stable operation

A significant structural barrier for community-based, and particularly non-speculative, housing forms is that many projects – even after several years of stable operation – remain dependent on traditional bank financing. Whereas other housing forms can typically move on to cheaper and more long-term, mortgage-credit-like structures, there is today no equivalent refinancing track for mature CBHs. This keeps projects in a more expensive capital structure and limits both affordability, robustness and scaling opportunities.

For Danish banks, investors and mortgage-credit actors, this is therefore a key barrier if CBHs are to develop from niche projects into a legitimate and long-term segment of the housing market.

Targeted work should therefore be undertaken on models where mature, non-speculative CBHs can move from bank dependency to long-term housing finance on mortgage-credit-like terms. This applies in particular to projects that have over time documented:

- stable operations and professional governance
- low move-out rate and sustained demand
- documented cash flow and high payment discipline
- robust mechanisms for recruiting new residents
- reserve capacity and maintenance plans

When these parameters are present, the segment should to a greater extent be able to be assessed on a par with other long-term housing assets.

An important next step is to develop a genuine refinancing track, where projects can move from establishment and bank loans to cheaper and more predictable long-term financing after 3–5 years of stable operation. This could, for example, happen through:

- special mortgage-credit models for associations, foundations and other non-speculative structures
- bank products with a built-in transition to mortgage credit or bond-like financing
- partnerships between banks, mortgage-credit institutions and foundations
- state or top-tranche guarantees that reduce the risk in the transition

For non-speculative CBHs, this is particularly important because the long-term housing economy is based precisely on stable operation rather than value realisation through sale. Cheaper refinancing could therefore translate directly into lower housing costs, greater economic robustness, and better access for new target groups.

An obvious first step is to identify 3–5 mature Danish CBH cases that have already documented stable operations, and use these as pilot projects for the development of a mortgage-credit or refinancing track.

In the longer term, this type of model could be decisive for non-speculative CBHs achieving the same financial maturity as other established housing forms, and thereby becoming a genuine part of Danish housing finance infrastructure.

Conclusion

Community-based, and particularly non-speculative, housing forms hold considerable potential as part of the future housing market. They can contribute to increased housing stability, lower move-out rates, stronger social networks and new paths to affordable housing. Nevertheless, many projects still encounter significant barriers in meeting the financial system, particularly in the early development phases, where the financing gap between idea, organisation and realisation is greatest.

The memo's recommendations together point to the fact that this barrier is not primarily due to a lack of capital, but to a lack of accurate credit logics, a shared knowledge base, and structured forms of collaboration. When banks, foundations and investors develop standardised financial products, recognise CBHs as an independent and diversified segment, strengthen the data foundation, and collaborate more closely with interest organisations' maturation efforts, more projects can be brought from vision to a credit-ready reality.

The solution therefore does not necessarily require new funds, but a willingness to develop financial tools and collaboration models that better reflect CBHs' actual structure, stability and long-term, non-speculative character. Guarantees, revolving start-up capital funds, investment funds and targeted bank products can be decisive in the most vulnerable phases, while also making it easier for projects to later obtain more traditional forms of financing.

If this systemic adaptation succeeds, community-based housing forms can to a far greater extent become an integrated and legitimate part of future housing choices. This will not only strengthen a new housing and investment segment, but also contribute to a more diverse, stable and community-oriented housing development in Denmark.

The question is no longer whether the demand exists, but whether the financial sector will develop the tools that make community-based housing forms scalable as a legitimate part of Danish housing finance.