



BUYING A HOUSE IN SWEDEN

A practical guide from Ödegårde Sverige AB

INTRODUCTION

On this page we provide a description of a typical transaction, from the moment you have seen a house you wish to buy, or begin negotiations to purchase, until the title deed is granted. We also describe what information we need from you as the buyer in order to draw up a contract and later, if applicable, apply for registration of title.

On this page we cover the following points:

- Core values and bidding.
- Brief overview of a typical transaction.
- Reserved – what does it mean?
- Buyer's inspection duty, seller's disclosure duty and "hidden defects".
- Formalising the agreement – contract and title deed.

CORE VALUES AND BIDDING

We are known and respected for always marketing properties at a fixed price, which one can actually also buy the property for. In our opinion it is unprofessional to ask for a lower price than the actual market value and then expose buyers to a more or less hidden auction. Especially as a buyer from abroad, one has no idea whether one is "bought or sold", or is being deceived. We are aware that most interested parties come from far away to view the properties and spend a great deal of time and money on the journey to find "their place in the forest", only to discover that the price was only "bait" and not at all related to what the property finally sells for. We often hear various versions of the above scenario, and we have chosen to be an alternative to this, with "straight talking", honest and detailed descriptions and a wealth of photos and films, which also show what is less good.

Our rule of thumb is that the first buyer who has viewed the property in person, has financing in place and declares that they wish to buy the property at the marketed price, shall be allowed to buy it. Should there be several buyers at the same time who meet this criterion, it is up to the seller to choose which buyer they prefer. What the seller bases this choice on is up to them, but usually sellers choose the buyer who comes "first come, first served", has the best finances, or where the personal chemistry fits best.

BRIEF OVERVIEW OF A TYPICAL TRANSACTION

When you see a house on our website that you are interested in viewing more closely, you contact us by telephone or email to arrange a day and time. As we mediate properties throughout southern Sweden, we

do not hold viewings in the normal way. In the vast majority of cases these are holiday homes where the owners are not at home, and instead we have a key either at our office, at the house or with a neighbour. To gain access to the key you as the buyer must inform us who you are, where you live and how we can contact you – i.e. name, address, telephone and email. This is so that we can show the seller who has had access to the property and when. Your personal data is of course processed in accordance with GDPR, and specific information about this processing is sent to you in that connection.

If you then after the visit have questions or wish to enter into negotiations about price and terms, you contact me, estate agent Jens Christian Nielsen, in the way that is easiest for you. When you and the seller are broadly in agreement on price and other terms, you can have the house reserved for a period so that you have time to get a surveyor out if you wish, talk to the bank about financing, or to have time to get all your questions answered and any doubts clarified. The reservation period is determined according to the circumstances, but is normally one to a couple of weeks. When the time is up and you have not agreed an extension, you must decide whether to proceed and sign the contract, or withdraw from the purchase – the reservation is then removed and the house is free for everyone again.

When both parties are satisfied and everything is agreed, we proceed to formalise the agreement in a purchase contract. When the contract has been signed by all parties and delivered to the counterparty or the agent, a binding agreement exists. In connection with signing the contract, normally 10% of the purchase price is paid as a deposit to the seller. Often the deposit is placed in the agent's client account. The parties then sign a deposit agreement which regulates how the money is to be handled and under what conditions it is to be paid out.

On closing day you and the seller meet and sign the title deed and a closing statement. Closing can take place at the house, at my office or – if a meeting is not practical due to long distances or similar – closing can also be carried out remotely by post.

In connection with closing, the remaining part of the purchase price must be paid to the seller, as their signature on the title deed is also a receipt that the entire purchase price has been paid. If the parties have different banks, or if one of the parties lives abroad, the transfer can take several days. In such cases it may be more appropriate for the money to be deposited with the agent, as Swedish banks do not wish to transfer directly abroad on closing.

On closing day the seller must hand over all relevant documents they have regarding the property (e.g. site plan, user manuals, easement agreements, title deeds and keys). In addition, fixed costs must be transferred to the buyer, e.g. insurance, electricity, water/drainage, chimney sweep, telephone etc. If the parties wish, we can help with the practicalities in this connection so that nothing is forgotten.

When everything is signed and the money has been paid/deposited, the buyer must apply for registration of title with Lantmäteriet (the Swedish Mapping, Cadastral and Land Registration Authority). We are happy to help the buyer with this, but if you are borrowing money for the purchase, the lending bank will usually handle the application for registration of title. The application is normally processed within 14-30 days, after which an invoice for stamp duty is issued, which you as the buyer must pay. This is 1.5% of the purchase price + SEK 825 in fixed fee for title registration and 2% of the mortgage deed amount + SEK 375 for new mortgage deeds. If you buy through a company (legal person), the stamp duty for title registration is higher, i.e. 4.25% of the purchase price + SEK 825. You then receive the title deed back from the registration authority together with notification of registration of title. The transaction is thereby completed.

RESERVED - WHAT DOES IT MEAN?

Reservation is not an established concept and there are no specific laws or regulations governing how it should be done. Reservation is not legally binding, but if the seller agrees to reserve a house, they are at least morally obliged not to sell to another during the reservation period. If the seller chooses to disregard morality and sell to another anyway, we can do nothing, as property purchases are formal agreements where verbal agreements are not binding. However, we will take a very dim view of a seller who does not stand by their word, and if one does not wish to commit, one should instead say no to granting a reservation. In the at least 20 years we have used this procedure, it has never happened that a seller has not stood by their word, and we assess that the risk of it happening is very small.

When you and the seller are broadly in agreement on price and other terms, you can have the house reserved for a period so that you have time to get a surveyor out if you wish, talk to the bank about details regarding financing, or to have time to get all your questions answered and any doubts clarified. As the buyer this means that you do not need to feel pressured to buy, but can investigate and assure yourself that everything is as you expect and that you have had good opportunities to fulfil your inspection duty before signing a purchase contract. Of course one can also make a purchase contract conditional on e.g. survey and loan clauses, but we believe it is best for all parties that all such matters are in place before you sign. In this way the risk of disputes after the purchase is minimised.

As the buyer you cannot demand to have the house reserved before you have viewed the property in person and are broadly in agreement with the seller on price/terms. It is therefore not a way to "lock" a property until you have time to view it!

During the reservation period new interested parties may of course appear, and we will present their possible bids to the seller, who then decides what to do. We list all new interested parties in "queue" in numerical order, who in turn may get the opportunity to have the house reserved if the first buyer does not complete a transaction.

BUYER'S INSPECTION DUTY, SELLER'S DISCLOSURE DUTY AND "HIDDEN DEFECTS"

The buyer's inspection duty is specifically regulated by law (see Chapter 4, Section 19 of the Land Code), and there is every reason to take this seriously. However, the inspection duty should not be understood to mean that one necessarily has to inspect the property one is buying, but rather that one cannot bring a claim against the seller and demand compensation for such defects as one ought to have discovered upon a thorough inspection of the property. If the seller additionally wishes to exempt themselves from liability, there is even greater reason to be thorough in one's inspection. However, the seller then also has a duty of disclosure regarding everything they know about the property.

You should therefore, in your own interest, make sure to find out as much as possible about the property by asking the seller, inspecting yourself, contacting the municipality and possibly engaging a surveyor or skilled carpenter. However, the law does not require you to engage a surveyor in order to be deemed to have fulfilled your inspection duty; it is sufficient with what you yourself can discover upon a thorough inspection – if you are a normally knowledgeable layperson. Precisely where the boundary lies is not easy to say, so if you are unsure of your own knowledge, we recommend that you engage a surveyor.

The inspection duty does not normally require you to carry out interventions in the buildings – other than if you suspect there may be an underlying problem (e.g. damp smell, discoloured wallpaper, sagging floor or similar). If you have such a suspicion, you must investigate the matter further, as the possible problem is then deemed to be discoverable and thus not a so-called "hidden defect" for which the seller is normally liable. Any interventions must of course be approved by the seller first.

How much should one inspect? Of course one must ask oneself what one can reasonably expect in relation to the age, standard and not least price of the house. You cannot set the same requirements for a doer-upper as for a newer house. If, for example, a roof is over 50 years old, you cannot expect anything other than that it will soon need replacing, and if perimeter drainage silts up after approx. 25 years the same applies. Such "defects" do not count as defects in a legal sense, even if they should be hidden from you as the buyer. This is important to bear in mind.

The points where problems most often arise and which should always be inspected more closely are ventilation, chimney and fireplaces, water well, separate drainage and associated installations. Especially if these are not in order, it is important to investigate what it would cost to get them into acceptable condition. The price often reflects the general condition, but neither the seller nor we know all conceivable defects that might exist, so our descriptions cannot be taken as a substitute for carrying out your own inspection.

What is meant by the seller's duty of disclosure?

As described in the introduction, the seller has an express duty of disclosure if they choose to exempt themselves from their normal liability for defects (which applies for up to 10 years after the purchase).

This duty of disclosure is extensive, and if the seller fails to inform about a defect known to them, the exemption does not apply to that defect – regardless of how the exemption clause has been formulated in the contract!

If, on the other hand, the seller has not exempted themselves, they are as a general rule liable for such defects as have been hidden from a buyer, i.e. which the buyer ought not to have been able to discover upon their inspection according to the above. In this case the seller has no absolute duty of disclosure, but by disclosing everything they know, they can effectively limit what you as the buyer could later claim as a defect. If you know about the defect it can never be "hidden" and then the seller is not liable. It is therefore often in the seller's interest to be as generous as possible with information about any defects.

For such defects as the seller does not know about and which also cannot be deemed discoverable upon the buyer's inspection, the seller is as a general rule liable – if the defect existed at the time of purchase and did not arise later. A prerequisite is however that it really is a defect in a legal sense (i.e. the technical service life has not yet expired). These are the defects popularly called "hidden defects". A final prerequisite for being able to claim such a defect is that you as the buyer notify the seller "within a reasonable time" from when you discovered or ought to have discovered the defect. It is therefore not enough just to ring and complain...

FORMALISING THE AGREEMENT - CONTRACT AND TITLE DEED

When all inspections and negotiations are in place, we are ready to formalise the transaction on paper. Often we start this already during the reservation period so that we can have a purchase contract ready for signature when the reservation expires – or earlier if the parties are ready for it. In this connection we need some information from you as the buyer which we describe below, first in bullet form and then in more detail underneath.

- Information about income, loan requirements etc. if you wish a housing cost calculation (alternatively information that you do not wish a calculation).
- Information about whether the property is to be purchased by private individual(s) or by a legal person (company).
- All buyers' names, postal address, personal identity number, telephone number and any email.
- The buyers' shares (e.g. 1/2 or 1/4, only if there is more than one buyer).
- Certified copy of passport/driving licence (only if the transaction is concluded remotely).
- Desired completion date.
- Any reservations or special circumstances to be included in the purchase contract.
- Information about whether the buyers are to borrow for the purchase against security in the property.
- Documentation of where you as the buyer have the funds for the purchase (due to rules regarding money laundering and terrorism financing).

Estate agents have a duty to offer all buyers a personal calculation of their housing costs. In this connection we need information about the buyers' income, expenses and current loan and housing situation in order to make as correct and detailed a calculation as possible. Often the bank also prepares a calculation, and if you therefore believe that yet another calculation is unnecessary, or if you have the money for the purchase in cash, you can instead notify that you waive a housing cost calculation. However, this waiver must be in writing, as the calculation is a legal requirement and we must show that you have been offered it but declined. It is important that we receive the information for the calculation, or information that you do not wish it, early in the process, i.e. before the purchase contract is signed. The purpose of the calculation is that you should be able to assess whether you can afford to buy the property.

The most common is that the property is purchased by one or two private individuals, but there is nothing to prevent there being many more co-owners or a company. With many co-owners it is often wise to draw up a co-ownership agreement which regulates what is to happen in the event of a co-owner's death, divorce or if disagreement or discord should arise among the co-owners. Please ask us about this possibility and we will tell you more.

Due to the money laundering regulations we must verify identification for all buyers and sellers. If we meet all parties in person we take a photo of your passport or driving licence. If the transaction is concluded remotely, we need a certified copy of your passport or driving licence and must then also ask some additional questions.

Reservations and conditions can be of all conceivable kinds, of which the most common are loan clauses and survey clauses. It may also occur that the parties agree that the seller shall repair damage within a certain time, that property formation (subdivision) shall take place, or agreement that fixtures and fittings shall be included or purchased separately. If possible we prefer that the buyer has been granted a loan before the contract is signed (loan commitment) and that a survey has taken place before the contract is signed (during the reservation period, see above).

When we have received this information, preferably by email or by telephone, we send a draft purchase contract (by post or email) together with a detailed covering letter in which we go through the transaction based on the specific conditions in precisely that transaction. When we have gone through the contract and it has been approved by all parties, it is ready to be signed. Where and how the contract is signed is individual and agreed in each individual transaction, but the best is of course if the parties can meet and sign. When the contract has been signed by all parties, the deposit has been paid and the contract has been delivered to the counterparty (or to us), the transaction is binding.

On closing day all parties meet again and sign the title deed, closing statement and also a journal of the steps the agent has carried out during the mediation work. In this connection the remaining part of the purchase price must be paid to the seller. Where and how closing takes place is also individual, but it often takes place at the house or at the agent's office. It is also possible to arrange closing remotely, but this should be seen as a last resort if nothing else is possible. On closing day the seller must redeem any loans and fixed costs must be transferred to the buyer (insurance, electricity, water, drainage, refuse collection, septic tank emptying, chimney sweep etc.).

When everything is signed and the purchase price has been paid (or deposited), the transaction is in principle completed. However, as the buyer you must apply for registration of title no later than three months after the purchase. If you have borrowed the money for the purchase, the bank ensures that registration of title is applied for at the same time as they apply for a mortgage. For cash purchases we offer to help with the application for registration of title on the buyer's behalf, included in our normal fee from the seller. The application normally takes between 14-30 days, and thereafter an invoice for stamp duty is issued, which you as the buyer must pay. Stamp duty is 1.5% of the purchase price + SEK 825 in administrative fee. If it is a legal person (company or association) that is buying, the stamp duty is instead 4.25%. Application for a mortgage (mortgage deed) costs 2% of the mortgage deed amount + SEK 375 in administrative fee. If there are old mortgage deeds in the property, you as the buyer take these over and only need to pay stamp duty on the amount that exceeds the existing mortgage deeds - up to what you need to borrow. Together with the invoice for stamp duty comes notification of registration of title from Lantmäteriet and the title deed is returned to you as the buyer.

The transaction is thereby completed and you are hopefully a happy owner with many good years on the property ahead of you.

Please contact us for further information or personal guidance. We mediate crofts, holiday homes and smaller farms with secluded and scenic locations in southern Sweden.

Ödegårde Sverige AB • www.oedegaarde.dk • Jens Christian Nielsen, estate agent