Global Corporate Real Estate Guide - Sweden

Leases

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# What are the usual forms of leases?

Commercial leases

Commercial leases refer to the leasing of premises for business or other non-residential activities.

Residential leases

Residential leases refer to the leasing of residential spaces, typically apartments or houses. Residential leases are subject to a stricter compulsory regulation than commercial leases.

# Are lease provisions regulated or freely negotiable?

There are compulsory regulations on lease provisions, and these are found in the Land Code. It is important to bear in mind that these compulsory regulations are beneficial to the tenant and they apply to both commercial and residential leases. They are especially strict when it comes to residential leases.

The provisions of the lease agreement are only freely negotiable to the extent that they are as good as or more beneficial to the tenant than compulsory law. Provisions that are less beneficial for the tenant than the provisions stipulated by law are unenforceable.

In general, compulsory provisions include regulation on rent, lease termination, notice periods and the tenant’s rights to prolongation.

It should be especially noted that rent is not freely negotiable between the parties in residential leases. Sweden does not allow market rent for residential leases and the landlord may be liable for damages should the rent be too high in comparison with similar apartments. Usually, the rent is negotiated collectively between a tenant’s association and the landlord or an association of property owners.

Commercial leases are also subject to compulsory regulation, but less so than residential leases. For example, the parties may freely regulate the responsibilities for maintenance and repairs and the landlord may charge a market rent. However, there are a number of compulsory provisions regarding notice periods, indirect security of tenure, etc., which must be complied with in the lease.

# Is there a maximum term for leases? Can these be extended?

There is a maximum term of 50 years on leases with a specified lease term, unless the leased property is located in an area where a detailed development plan (Sw. Detaljplan) has been adopted, in which case the maximum term is 25 years. Commercial leases typically have specified lease terms and residential leases are normally entered into until further notice.

# What are the usual lease terms?

Residential leases typically have an indefinite lease period, meaning the lease continues until either party gives termination notice. If a fixed lease period supersedes nine months, it has to be terminated in order to cease, otherwise it is prolonged automatically. The normal notice period is three months.

The tenant has a strong protection against the termination of the lease. The landlord may only terminate or choose not to prolong a residential lease under certain circumstances provided by law.

For commercial leases, the most common lease periods are between three to five years, but may be longer depending on the premises and/or the character of the business performed in the premises. For instance, if the landlord has made substantial investments in the premises the tenant may agree to a longer lease period. The notice period is normally nine to 12 months, depending on the scope of the lease period. If the lease is not terminated, it will typically be automatically extended for another three to five years.

# Are there instances where tenants may demand an extension of the lease?

Under residential leases, the tenant has a so-called direct security of tenure (Sw. Direkt besittningsskydd). If the lease is terminated, the regional rent tribunal may, if the grounds for termination or refusal to prolong do not meet the statutory requirements, decide that the lease shall be extended.

Under commercial leases, the lease term is usually prolonged automatically, unless terminated by either party. The tenant has a so-called indirect security of tenure (Sw. Indirekt besittningsskydd). This means that the tenant cannot force an extension of the lease, but the landlord may be liable to pay compensation of not less than one year’s rent, if the reasons for termination or refusal to prolong are not in correspondence with statutory requirements.

# On what grounds may a lease be terminated?

Regarding residential leases, the grounds for termination include the tenant’s refusal to pay rent, serious disturbances in the property or if the tenant damages the apartment or house. If the circumstances are serious, the lease may be forfeited and terminated to expire immediately. The tenant may terminate the lease whenever, as long as the notice period is respected.

The above examples of grounds for the landlord’s termination also applies to commercial leases. However, material breaches of the contract from either party may also constitute grounds for termination.

The various circumstances under which a lease may be terminated are numerous. However, as a general principle, if the tenant’s misconduct is of minor importance, the lease may not be terminated.

# Must rents be paid in local currency?

The parties are free to agree that rent shall be paid in any currency.

# Is rent paid on a monthly basis? Is it required to be paid in advance?

Rent is normally paid in advance on a monthly basis or every calendar quarter. These matters are freely negotiable between the landlord and the tenant.

# How is rent reviewed? Are there limits to the increase in rent?

The base rent is usually fixed for the lease period. Rent for commercial premises is almost exclusively subject to annual indexation, generally in accordance with the Consumer Price Index.

In order to renegotiate the base rent, either party needs to terminate the lease agreement for a change of terms (Sw. Uppsägning för villkorsändring) within the agreed notice period, otherwise the lease will be prolonged for another lease period on the existing terms. The termination also needs to clearly state the new terms that the terminating party wishes to implement to prolong the lease.

# What are the basic obligations of landlords and tenants?

The following is usually required of landlords:

Hand over the leased space in the agreed condition

Repair and maintain the exterior part of the building

The following is usually required of tenants:

Pay the rent on time

Maintain and repair the premises

# What provisions or restrictions typically apply to the transfer of the lease by the tenant? May a tenant sublet the leased premises?

The tenant may typically not transfer or sublet the lease without the landlord’s consent. However, in certain instances, a tenant can circumvent the landlord's consent by obtaining the regional rental tribunal's approval for the transfer or sublet.

# What happens in the event of destruction of the leased premises?

Normally, the tenant is only responsible for damage occurring as a consequence of the tenant’s negligence. If the premises are destroyed, the lease agreement will be terminated.

# Who is usually responsible for insuring the leased premises?

The tenant is usually responsible for insuring the leased premises and the landlord is responsible for insuring the building.

# Will the lease survive if the owner sells the leased premises?

Yes, lease agreements will survive and be binding in relation to the new real property owner.

# Will the lease survive if the leased premises are foreclosed?

Yes, lease agreements will survive even if the premises are foreclosed.

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