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Commercial leases and rents

Swedish commercial leases tend to be standardized and for relatively short periods, providing flexibility to business tenants. The physical standard of premises is high and fee structures are generally cost-effective, while the regulatory system is business-friendly with high transparency.

LEASE LENGTH

Commercial leases are typically for terms of three to five years. Rents are negotiated based on production cost or market rent and linked to changes in the consumer price index to keep pace with inflation.

Most landlords provide standardized contracts for commercial leases. These normally consist of a four-page document with appendices regarding index adjustments and property tax. Many contracts, for retail premises in particular, have extensive special provisions attached. Commercial leases are subject to the Swedish Land Code (*Jordabalken*).

PAYMENT TERMS

Rents for premises are generally quoted in Swedish kronor (SEK) as a total sum for the space agreed. Rental statistics and comparisons are quoted in SEK per square meter and year. The rent payable is generally turnover based or fixed. However, agreements with retail tenants often stipulate a sales based rent with a minimum (base) rent chargeable.

A standard agreement involves quarterly payment in advance. Rent adjustments during the term of the lease are normally based on changes in the consumer price index.

IN BRIEF

- Short standardized contracts widely used
- Key money rarely charged for commercial properties
- Landlord bears day-to-day property management costs

ITEMS INCLUDED IN THE RENT

Leased office space is normally fitted to the tenant's needs (insofar as these are reasonable and have been agreed between the parties). Retail and industrial space is usually provided without fittings. In general, rent includes heating and water but not electricity, cooling, ventilation or telecommunications. Rent also often includes cleaning of common areas and snow removal.

Property tax

Property tax is usually payable on top of the rent and is generally charged in relation to the leased area. The property tax rate is 1 percent for commercial office space and 0.5 percent for industrial premises. Tax amounts are calculated using an assessment value set by the Swedish Tax Agency (*Skatteverket*) that is supposed to correspond to 75 percent of the estimated market value of the property.

VALUE ADDED TAX (VAT)

If VAT (*moms*) is payable, depending on the tenant's type of business, contracts generally contain a provision under which the tenant pays VAT on top of the rent.

OFFICE RENT LEVELS

For information on how much it costs to rent property in Sweden's major cities, please see the Invest Sweden fact sheet "Business costs and prices of key services".

LANDLORD BEARS DAY-TO-DAY MANAGEMENT AND MAINTENANCE COSTS

The landlord usually bears the costs of day-to-day management and exterior maintenance, as well as insurance. The tenant is responsible for maintaining the interior space rented. Generally, landlords in Sweden are required to bear a larger share of operating costs than in other countries. This is changing, however, particularly for retail premises, as foreign real estate investors are introducing a more international standard under which the tenant pays for all added costs.

KEY MONEY AND DEPOSITS

Key money is rarely charged in the office segment but is common in the retail segment, particularly in attractive locations. A security deposit or bank guarantee equivalent to between three and six months' rent is normal.

IMPROVEMENTS

Construction work carried out by the tenant in the rented unit needs express approval from the landlord. Such work is generally performed at the tenant's expense and includes an obligation to return the unit to an acceptable standard at the expiry of the lease. Construction work performed by the landlord on behalf of the tenant usually does not have to be reversed at the end of the lease.

CONSULTING SERVICES

Whether leasing or buying a property, the process is managed either by a broker or by the client directly. It is advisable to consult a local real estate specialist to help find and negotiate the best possible rental agreement in respect of factors such as location, rental conditions, size of premises and expansion possibilities.

FURTHER INFORMATION

at www.investsweden.se

- Running a business in Sweden - an introduction
- Buying and building commercial and industrial property in Sweden
- Business costs and prices of key services