

Strata titles are introduced in Sweden

FIG Congress 2010 in Sydney

Lars Jansson
Deputy Director General
Göran Eriksson
Real Property Consultant

LANTMÄTERIET

The formation of multi-dimensional properties



The Act of 2004-01-01

2004-2008: 240 multi-dimensional properties formed
Trend: slightly upward

Lantmäteriet's evaluation 2007 indicates that the Act has functioned well.

...although not possible to create tenant-owned apartment properties

LANTMÄTERIET

Tenant-owned apartment properties (3D)



Tenant-owned
apartment properties
(Alby 12:2-12:11) with
joint facility (Alby ga:8)

LANTMÄTERIET

Tenant-owned apartment properties – timetable

The government report 2002:21: "Att äga sin lägenhet (Owning an apartment)" is the basis for the Act

A political issue in Sweden:

- Social Democratic Government: no legislation concerning tenant-ownership 2003
- Coalition Government (from 2006): positive and proposal presented in December 2008

Parliamentary bill during the spring of 2009
Came into force 2009-05-01

LANTMÄTERIET

Purpose and reason

- A political issue in the housing sector
- The value of diversity and freedom of choice: tenant-ownership, tenancy and co-operative tenancy and now – freehold
- Increased owner- influence – fewer restrictions
- Additional newly produced apartments, more capital injected into the building sector
- Increased number of apartments for renting

LANTMÄTERIET

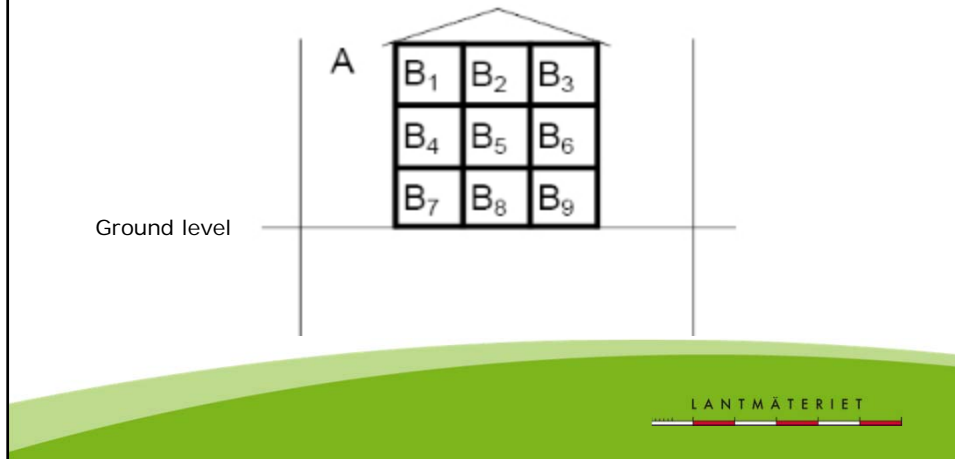
Tenant-owned apartment properties

- In Sweden this is a new form of ownership for apartments
- Direct ownership – not indirect
- Changes in Real Property Formation Act, Land Code and tax legislation
- Tenant-owned apartment: a 3D property comprising a single dwelling unit
- Pre-condition 1: at least three such property units in the apartment building
- Pre-condition 2: only be possible to form tenant-owned apartment properties in newly constructed apartment blocks

LANTMÄTERIET

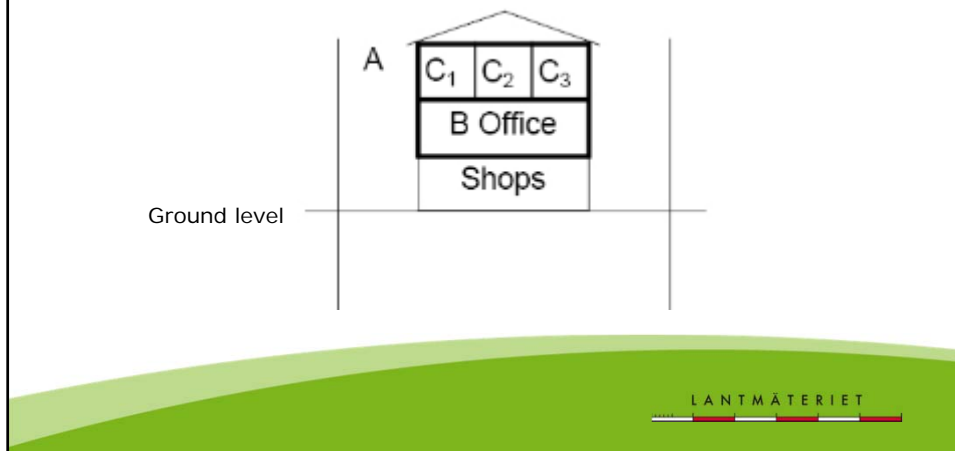
Example 1 – new building

Tenant-owned apartments (B1-9)
in a newly constructed building



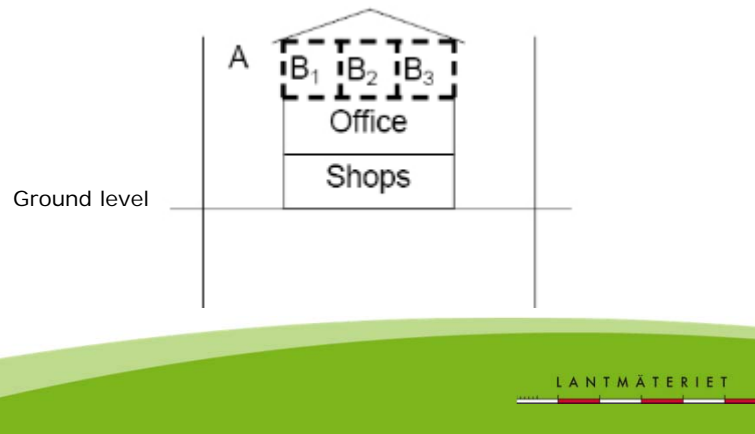
Example 2 – mixed purposes

Tenant-owned apartments (C1-3) in a newly constructed
building which is divided into several different types of
properties



Example 3 – additions

Tenant-owned apartments (B1-3)
with an addition built onto an existing building



The structure of the legislation and restrictions

- Tenant-owned apartment properties are formed that contain only a single dwelling unit
- There must be at least three such property units in the apartment building
- Only possible in new production
- Behavioural regulations in order to reduce conflicts between neighbours
- Tenancy regulations
- Joint facilities are formed and managed by a joint property association

What is meant by new production?

- Newly constructed buildings from the foundations upwards
- Additions on top of existing buildings
- Older buildings, such as offices, that are rebuilt to form apartment blocks. In this case the following applies:
 - "The 8-year-rule": the building must not have been used as an apartment building during the eight year period prior to the property formation
 - Thus: in an existing residential unit – not in tenant-owned apartments

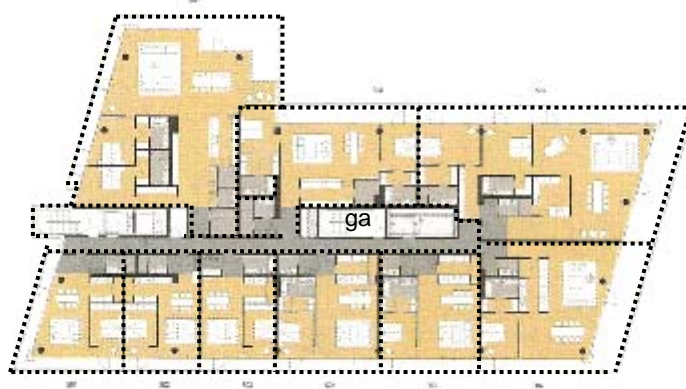
LANTMÄTERIET

Implementation of the legislation

- Extent: "The middle of a wall or the middle of the joists" – entails shared responsibility whereby each individual is responsible for the surfaces on his/her side
- Load-bearing structures, roof etc. that can be erected as a joint facility
- There must be a joint property association
- References to basic layout drawings and verbal descriptions, plane and cross-sections
- The building/apartment is normative
- Real property formation decision as an early decision in the cadastral procedure

LANTMÄTERIET

Property boundaries



9 tenant-owned apartment properties and ga: joint facilities

LANTMÄTERIET

Market assessments and consequences

- Great interest shown by building and real estate management companies and financing bodies
- Interest shown by foreign companies
- Assessment: 3 000-5 000 tenant-owned apartment properties will be formed every year
- The cadastral procedures are somewhat more complex
- A need for real property commissions for a consultant and planning and technical building investigations
- Calls for experienced cadastral surveyors

LANTMÄTERIET

Housing market

- Letting is possible – the owner decides
- First-hand letting is expected to increase
- Utility value (55 § The Tenancy Bargaining Act) is the basis for setting rents
- Security of tenure is the same as for single-family housing units

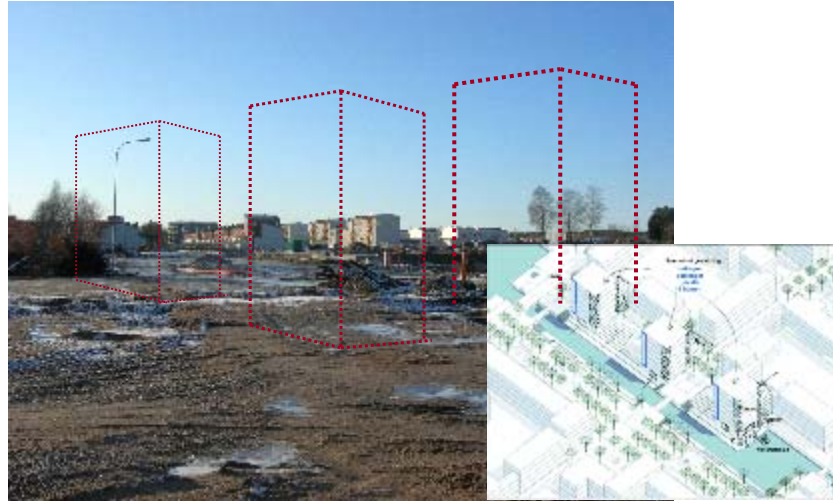
LANTMÄTERIET

Practical example



LANTMÄTERIET

Practical example



LANTMÄTERIET

Practical example



LANTMÄTERIET

Practical example



LANTMÄTERIET

The international situation

Tenant-owned apartment properties are found in:

- Australia (strata titles), Japan
- USA (condominiums)
- The Netherlands, Israel, Germany, Spain and several other countries
- The Nordic countries: Denmark (*ejerlejligheder*), Norway (*ejerseksjoner*) Finland (*aktielägenheter, bostadsaktieföretag*) and Iceland

LANTMÄTERIET

What is the difference between tenant ownership and ownership?

- **Tenant ownership** – right of use related to a share in tenant-owner association that owns the apartment building.
Restricted right of disposition e.g. permission is required for sub-letting
When ownership is transferred the new owner must be granted membership in the ownership association
- **Ownership** – direct freehold
Independent right of disposition e.g. by transferring, mortgaging and letting
Right of occupation is the same as for single-family housing units

A welcome change in the Swedish legislation!

Thank you for your attention!

LANTMÄTERIET

The logo for Lantmäteriet, the Swedish Land Surveying Authority, featuring a stylized red and white measuring tape.