

# COMMERCIAL LEASES AND RENTS

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Swedish commercial leases are standardized and offer flexibility to business tenants on a short term. Rent levels are generally cost-efficient and the regulatory system is business-friendly with high level of transparency.

## LEASE LENGTH

Commercial leases typically vary between three to five year terms, but can also be longer depending on the type of property and operation. Rent levels are negotiated based on production cost or market rates and linked to changes in consumer price index. In practice, office rents are typically market-based, while industrial and logistics rents may reflect a combination of market conditions and construction or operating costs.

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.

### IN BRIEF

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

However, agreements with retail tenants often stipulate a sales-based rent with a minimum (base) rent chargeable. A standard agreement typically involves a three-month advance payment. Rent adjustments during the term of the lease are normally based on changes in the consumer price index.

**ITEMS INCLUDED IN THE RENT** Leased office space is normally adapted to tenant needs (as long as these are reasonable and have been agreed upon 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. For certain types of properties, cleaning of common areas and snow removal is included in the rent. In other cases, this can be offered as a paid service or handled completely by the tenant.

## 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) corresponding to 75 percent of the estimated market value of the property.

## VALUE ADDED TAX (VAT)

If VAT 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 regarding rental variations in Sweden's major cities, please see the Business Sweden's guide "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 rental space. Generally, landlords in Sweden are required to bear a larger share of operating costs compared to other countries. This is however changing to a larger extent, particularly for retail premises, as foreign real estate investors are introducing a more international rental standard under which the tenant pays for additional costs.

## KEY MONEY AND DEPOSITS

Key money is rarely charged for offices but is common for retail businesses, particularly in attractive locations. A security deposit or a bank guarantee equivalent to three to six months' rent is common.

## IMPROVEMENTS

Construction work carried out by the tenant in the rented unit needs expressed 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



Photo by Mia Baker on Unsplash

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. Consulting a local real estate specialist is recommended in order to receive support in finding and negotiating the best possible rental agreement with regards to factors such as location, rental conditions, size of premises and expansion possibilities.

# USEFUL CONTACTS

## TRADE ORGANISATION

### Swedish Property Federation

(Fastighetsägarna)

Drottninggatan 33, SE-103 23 Stockholm

+46 8 613 57 00

[www.fastighetsagarna.se](http://www.fastighetsagarna.se)

The Swedish Property Federation is a trade organization promoting an efficient real estate market in Sweden. Almost 15,000 property owners are members covering entire spectrum of the property industry.



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