



A short guide on how to buy a newly built condominium

Condominium

The ownership form called condominium (bostadsrättslägenhet) arose in Sweden in the 1930s as a result of an intense housing debate. The rules about housing cooperatives, however, can be traced back as far as to the first law of economic associations from 1895, when they were called housing associations.

At this time many Swedish homes were crowded and expensive, it was common to live as an inherent or renting from a private host, which is why the idea of joint ownership of accommodations began to take shape.

The model of owning and managing residential apartment buildings together, condominium associations, drew inspiration from consumer cooperatives and democratic popular movements, and were later regulated in the 1930 years housing law. The housing law has since been updated many times, most recently in 1991.

There are similar forms of ownership in other parts of the world, but not with the same element of joint management that condominiums in Sweden have.

What do I buy?

While we usually speak of buying a condominium, the truth is that it is a share in the condominium association that is being purchased. The share provides a membership in said association which owns all the apartments in the house, and as a member you have the right to use the building and hence the right to live in your apartment. However, as a member you also have the obligation to follow the association's rules and pay annual fees to the association.

In Sweden there are approximately 1,100,000 condominiums, and roughly 27,000 active condominium associations.

First, the association is founded, then land and houses are bought

Before building the house, the condominium association is formed. The newly formed association buys a piece of land which it then gives a construction company the task of building a house on. To afford to buy the land the association uses the money paid by the new members for their apartments, while it simultaneously borrows money from the bank.

It is called annual fee, but is payed monthly

In the same way a tenant pays rent to the property owner, a member of a condominium association pays an annual fee to the association. Yet, the fee is usually not paid annually, but divided into twelve and paid monthly.

This monthly fee has to cover the association's cost for water and heat, maintenance, repairs and management of common areas, as well as interest rates and amortization.

As a member it is important to know which costs are included in the fee and which ones you have to pay for yourself, as this often differs between associations. Television range, broadband, electricity and parking are costs that are ususally not covered in the fee but are paid by the members separately.

The size of your fee depends on the proportion of your share in the association, which in turn depends on the size of your apartment. It is the board of the condominium association that decides on the association's fees. The association should not go with profit or loss, the economy should be at break-even.



Your rights and obligations

As a member you have the right to make certain changes to your apartment. But you have to be careful and investigate in advance what changes are allowed, some changes require the board's permission.

Your obligations are caring for, and managing the apartment, as well as following the rules the association has established. The division of responsibility between you and the association is regulated partly in the condominium association's statutes, partly in the housing law.

These changes are allowed without the board's permission:

- Paint, wallpapering & lay floors
- Change refrigerator, freezer, stove, washing machine, and dryer
- Renovate surface layers in kitchen and bathroom, ex. Change tiles

These changes require the board's permission:

- Tear bearing walls in the apartment
- Change existing drainage pipes, heat, gas, or water
- Other significant changes to the apartment



The association

The association and its statutes

As a member, you have the opportunity to influence the association by submitting motions (proposals) to the board, which are then discussed at the next meeting. You can also participate in the board work as elected representative, meaning that other members vote you in on the board.

The association statutes (stadgar) state how its activities should be organized, how decisions about management should be taken, and the requirements made on you as a member. Take part of the statutes before you become a member, because as a member you agree to abide by them! As mentioned, you have the obligation to manage and care for your apartment, meaning that you have the responsibility to replace parts that may be expensive when damaged. We therefore recommend to have a home insurance, and additional insurance (bostadsrättstillägg), that covers damages you may need to reimburse according to the Housing law and the associations statutes. The later is usually included in Peab's associations, ask your contact person for more information.

The association board

The most important decision meeting the association has is the annual meeting (årsmöte) where all member have the right to participate and vote for who should be the elected nomination committee, board, and auditor. The main rule is that each member has one vote at the meeting. However, members with joint ownership of a condominium have only one vote together, and the same goes for a member with several condominiums in the association.

The nomination committee is tasked with finding people who are both willing and suitable to sit on the board during the year.

The board should represent the members and work for the association's best interest. Meaning that the board is responsible for the association's buildings and land, its technical functions and finances. The board has the right to make decisions concerning the current management, such as changes in fees, placement of loans, approval of invoices etc.

Administration and maintenance

The board commissions an economic administrator to manage the association's finances. The economic administrator (ekonomisk förvaltare) takes care of current accounting, financial statements, mortgage regulations, rental of premises, sending out fee papers, and loan management.

Additionally, the board commissions a technical manager (teknisk förvaltare) for the joint maintenance of buildings and land. This includes repairing/replacing broken things, cutting the grass, clearing weeds, cleaning of common areas, etc.



The value of owning

You might wonder what the advantages of purchasing a condominium are compared to accommodation. Here is a short list of the perks of buying a condominium.

Advantages a condominium ownership can provide:

- The monthly fee is often lower than rent for equivalent accommodation
- Repayments of mortgage mean a powerful saving
- The administration of the housing and land is done at cost price
- You get influence over the entire living environment, not just your apartment
- You have influence over the association's finances and administration

Advantages of a newly built apartment:

- You do not have to bid against other apartment buyers
- You know exactly what your home will cost
- You know long in advance which residence you are going to live in
- You usually get the opportunity to influence the interior of the apartment you choose



How to buy a newly built condominium

So, if you are interested in buying a newly built condominium, how do you go about it? This is the process used by Peab Bostad when buying a newly built condominium.



Expression of interest (Intresseanmälan)

If you are interested in a project, register via the project's website at peabbostad.se.



Grant agreement (Upplåtelseavtal)

This is signed with the association when the association's financial plan (ekonomisk plan) is registered with the Swedish Companies Registration Office and the authorities permit the association to lease condominiums. The financial plan is reviewed by the National Board of Housing, Building and Planning.



Entry (Tillträde)

On the day of entry we will meet you and you will finally get the keys to your new home. Before your entry, a final invoice will be sent home to you regarding the remaining part of the purchase price and chosen interior choices.



More information

Peab Bostad | www.peabbostad.se/att-kopa-bostad

Information about buying an accommodation from Peab.

Housing law

Information about and the legislative text of the Swedish Housing Law.

http://www.riksdagen.se/sv/dokument-lagar/dokument/svensk-forfattningssamling/bostadsrattslag-1991614_sfs-1991-614

Condominium | www.bostadsratterna.se

This is a nationwide organization for over 8,000 Swedish condominium associations.

Here you will find both news and information about condominiums, finances, laws and board work.

The National Board of Housing | www.boverket.se

The National Board of Housing is Sweden's central authority in the residential area.

Here is a lot of information about community planning, construction and housing.

Broker statistics | www.maklarstatistik.se

If you want to find statistics on sales prices for condominiums in different areas, you can visit this independent statistical service.

About accommodation | www.omboende.se

This is a website from the Swedish Consumer Agency in collaboration with the Swedish National Board of Housing, Building and Planning and contains, among other things, tips on buying condominium.

The Swedish Tax Agency "Skatteverket" | www.skatteverket.se/privat/fastigheterochbostad

If you want to know which tax rules apply to selling a house, you can read more here.

Safe Condominiums | www.tryggbostadsrattsmarknad.se

This is an organisation created by Peab Bostad and other players in the industry with the purpose of strengthening customers' rights in the market.