

SWEDEN

Organisation: Swedish Union of Tenants, Hyresgästföreningen

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Tenure structure, in % of total stock, SCB 2012

Owner occupied housing: 64%

Public, municipal, housing: 18%

Private rental: 18 %

a. Initial rent - free or regulated?

Rents in Sweden are set through collective bargaining between the SUT and the landlords, both private and public. Rents for about 3 million tenants are negotiated this way each year covering over 90 percent of *all* rental flats.

The rent-setting is based on a number of variables reflecting the utility value of the flat to local tenants at market equilibrium. This may include the actual quality, standard and situation of the flat in the building as well as the geographic location and quality of the actual property and the adjacent area.

It is possible for landlords and tenants to agree to a lower rent compared with the one determined within the collective bargaining - but not higher.

For newly constructed flats, rents can be set higher compared to rents in 'older' houses. This means that rent-levels can reflect higher costs for construction, land purchase, etc. The duration of time during which such rents can differ from the overall system is currently 15 years. After that they would need to be lowered/increased in order to reflect rents within the utility value system.

Direct rent-setting by the landlord is possible but landlords run the risk that they can be challenged in one of the eight local Rent Tribunals in Sweden.

Can the tenant challenge the initial rent?

Yes, it is possible, but after the first 6 months. The case is then brought, by the tenant, to the Rent Tribunal - but this rarely happens.

How often can the landlord increase the rent?

Once a year is most common, but twice a year is possible.

Are there any limitations to increases?

No, but the new rent cannot be higher than rents of flats of similar standard and location; not more than 5%.

But, if the rent is considerably lower than the utility value, then rent increases can be high. In such cases, the rent is increased gradually.

Annual rent increases are determined in negotiations between the three parties; reps of SUT, and reps of public and private landlords, according to inflation, cost of energy, possible renovations.

Challenge rent increases?

There are two ways to challenge a rent increase:

First: If the landlord has an agreement with the SUT for collective bargaining, the tenant has to challenge the increase to a Rent Tribunal latest 3 months after the new rent has become effective.

Secondly: If the tenant does not accept a higher rent, and the landlord lacks a collective bargaining agreement with the SUT, the landlord must bring the case to the Rent Tribunal.

Tenant should not pay the new increased rent, until the Rent Tribunal has decided on the new rent. For members of the SUT, the membership fee covers all advisory costs.

Duration of lease

Indefinite in most cases.

Notice periods

1. Indefinite lease, or more than 3 months: 3-months for tenant, and landlord.
2. Time limited leases:
 - between two weeks and three months' lease: 1 weeks' notice (for tenant)
 - more than 3 months' lease: 3-months' notice.

Reasons for termination, before the end of the lease period

A landlord must have a legal ground, such as rent arrears (one week's delay*), anti-social behavior (disturbing behavior) or illegal activities in the dwelling.

* but if tenant pays the rent within three weeks, after having received the notice, he is ok.

Security deposit

Generally there are no deposits for first-hand contracts, but occurs often for sub-letting.

Generally, no problem to regain the deposit for first-hand contracts but an increasing problem for sub-lettings.

Other - information

In the Swedish context of rent-setting through collective bargaining, the system has produced stable and high yields over time and in fact at a much higher rate of return than office rentals which are entirely market-based. The construction of own homes has not been sufficiently large despite "free" price-setting which seems to suggest that the price-setting mechanism is not what is restraining the supply of new homes. It is more likely that low levels of supply are a reflection of market failures and well as of households' limited ability to pay. Overcoming these failures thus necessitates some form of public response.