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Buying and Selling Real Estate in Norway

ILN REAL ESTATE GROUP



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## KEY FACTS OF REAL ESTATE ACQUISITIONS UNDER NORWEGIAN LAW

### I. STANDARD FORMS OF AGREEMENT

- A. Offer to Purchase sets forth Buyer's offer of price and date for closing. Seller may accept or reject.
- B. The purchase contract sets forth the terms of purchase and sale, including among other things, price, allocation of costs of the transaction, date for closing, encumbrance, insurance and default provisions.

### II. BROKERS

- A. Buyers and sellers are not required to use a real estate broker or agent, but normally the settlement is carried out by a real estate broker or a lawyer. The broker or the lawyer shall be independent. Both the real estate broker and the lawyer must be licensed.
- B. The seller pays the broker's commission.

### III. BUYERS INSPECTION

#### A. Residential:

Inspection is not mandatory, but the buyer will normally examine the property before purchasing. Defects that the buyer discover or should have discovered before buying the property cannot be claimed. After taking possession of the property, the buyer is obligated to examine the property. Time of allowed claims starts running from the point of time the buyer detect defect or should have detected defects, so it's important that the buyer examine the property after taking possession of it.

#### B. Commercial:

Before buying the property the buyer will normally conduct due diligence on the

property, including investigation and analysis of the property for potential problems, below here a inspection of the property.

### IV. FORMS OF OWNERSHIP

- A. Residential property is typically held in an individual's name. The property might also be held by a company, a trust or the municipality.
  1. Freehold housing – typically houses, row houses, freehold flats, and holiday houses.
  2. Cooperative housing - an arrangement in which an association or corporation owns a group of housing units and the common areas for the use of all the residents. The individual participants own a share in the cooperative which entitles them to occupy an apartment.
  3. Ground lease – a leased property is a plot that is rented out to the person using the plot. The person using the plot only owns the residence.
  4. Commercial property is normally held in a company's name but might also be held in an individual's or trust's name.

### V. DEED

- A. At the same time as the buyer pays for the property, the seller is obligated to issue the deed. By issuing the deed, the buyer gets the title to the land. To get legal protection from competitive acquisition the buyer must register the deed in the Register of deeds.



VI. CLOSING COSTS/ADJUSTMENTS

- A. The buyer pays the documentary stamp duty. The fee is 2.5 per cent of the value of the property at the time of registration.
- B. Among other things this do not apply to the following transfers:
  - 1. transfers between spouses,
  - 2. transfers which is a consequence of separation,
  - 3. transfers which is a consequence of inheritance,
  - 4. transfers which is a consequence of legacy,
  - 5. transfers of properties which is not used earlier,
  - 6. transfers of buildings under construction,
  - 7. transfers of a leased property,
  - 8. transfers which is a consequence of termination of co-ownership,
  - 9. transfers which is a consequence of termination of cooperative housing and
  - 10. transfers after mergers, demergers and restructuring of businesses.
- C. The buyer also pays the registration fee to the government. The registration fee is NOK 585.
- D. The general rule is that gains/losses made on the sale of residential property are taxable/deductible. Gains made on the sale of residential property are tax-free if certain occupancy and ownership conditions are met. The following conditions must be met:

- 1. The sale must take place or be agreed upon more than one year after the property was acquired and
- 2. The owner must have used the property as its own home for at least one year during the two-past year before the sale takes place.
- E. Gains made on sales or other realization of plots of land will always be tax liable, and any loss will be deductible.
- F. Commercial properties are also taxable/deductible.

VII. ANNUAL COSTS FOR PROPERTY OWNERSHIP

- A. Property insurance
  - 1. Property insurance is not obligated, but most people sign up for a property insurance.
- B. Property tax
  - 1. Municipalities can opt to introduce property tax. The fee differs between the municipalities within the country.