

THE SWEDISH HOUSING MARKET AND REAL ESTATE AGENTS INFORMATION AND KEY FIGURES 2016



MAY 2016



M-ANALYSIS

2016:2

The Swedish Housing Market and Real Estate Agents

Information and key figures 2016

Introduction

In Sweden, the estate agent profession is regulated by the Estate Agents Act; both as to the right to pursue agency activities and as to the estate agents' obligations, responsibilities and rights. An estate agent needs to register with a special government authority and the prerequisites for the registration is detailed in the Estate Agents Act.

Today, a two-or-three-year university education is required to qualify for registration; providing aspiring estate agents with a knowledge of Swedish property law, economics and construction technology. By way of this thorough education, the estate agent assumes responsibility for, and handles the entire ownership transfer, including the drawing-up of transfer agreements.

The Swedish estate agent is intended to be an impartial counsellor, both to the seller and the buyer, except in regard to the price issue where the estate agent has a special obligation to their (his, her or their) employer. If employed by the seller, the estate agent's primary obligation is consequently to try to get the best price for their employer, but still carries, concerning information about the property, a damages-sanctioned responsibility towards the buyer. In drawing up transfer agreements, the estate agent shall equally observe the interests of both buyer and seller, and with this in mind formulate the agreement in a way that enables both parties to understand its meaning.



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Publisher: Ingrid Eiken, CEO, Mäklarsamfundet
Writer: Caroline Berg
Pictures: Carina Vikarby, Caroline Berg, Mostphotos
Design: Carina Vikarby
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1. Information about the Real Estate Agent

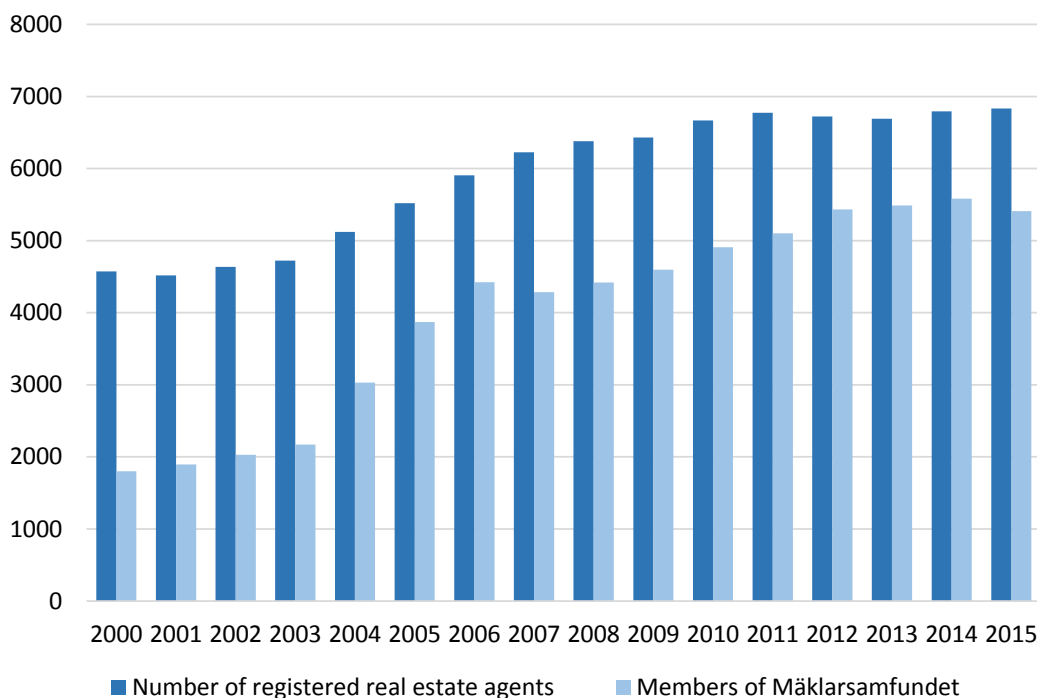
The real estate agent's job is to be an impartial intermediary between the parties in an estate transaction. The real estate agent is the one who controls formal requirements of home ownership structures, formulates advert and prospectuses, as well as draft contracting to guarantee a mutually agreeable and secure deal for both buyer and seller. Early regulations of the profession has always stressed the need for real estate agent to be honest and impartial. The introduction of the Estate Agent Act in 1984 (later revised in 1995 and 2011) added further controlling measures with the stipulation of the mandatory real estate agent registration at Fastighetsmäklarinspektionen, FMI (The Swedish Estate Agent Inspectorate). The Act prohibits further mediations of homes and other properties without proper education and training.

In 2015, the number of registered active real estate agents reached a record of 6 834 agents, of which, surveys from December 2015 show, 46 percent

were female. This compared to 1994, when only 17 percent of the real estate agents were women. Of the 7 309 new registrations made between 2005 and 2015, 56 percent were made by women and 44 percent by men, largely due to the female student majority at the country's real estate agent programmes. Similarly, female real estate agents make up a 63 percent share of all agents under 30 years, and in the largest age group of 30-39 years, distribution of gender is equal at 50 percent female and 50 percent male real estate agents.

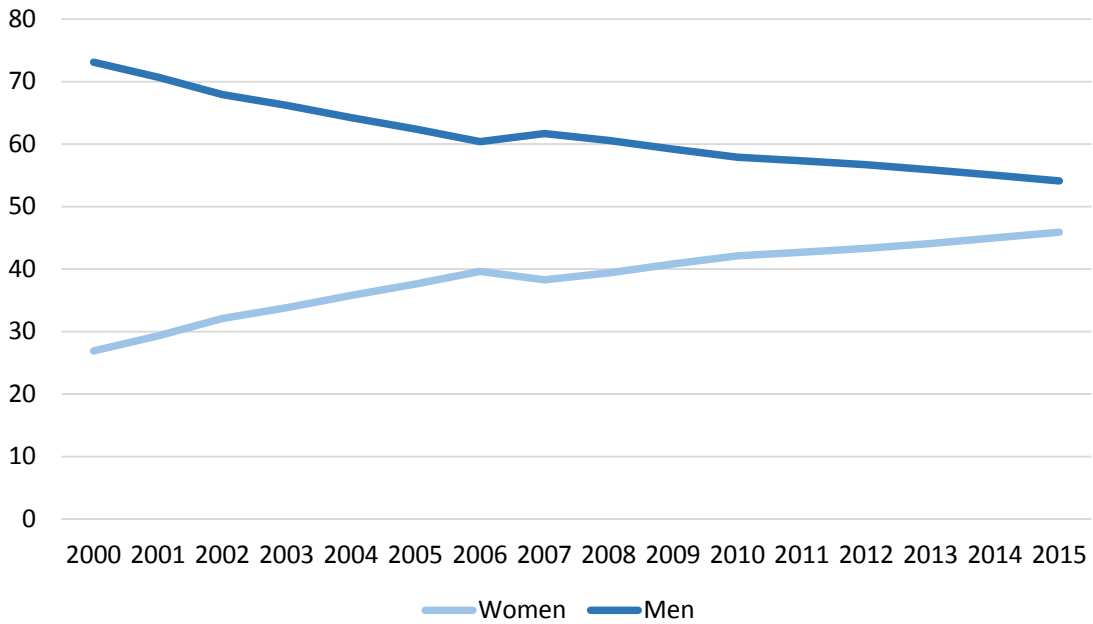
While there is no regulated retirement age for real estate agents, and 2.5 percent remain active after 70, the number of retirements in the next years is believed to have a positive effect on the overall gender ratio within the trade. Additionally, if the current rate of women joining the profession, the real estate agent trade could become equal in terms of gender distribution in 2020.

Diagram 1. Number of registered real estate agents, 2000-2015.



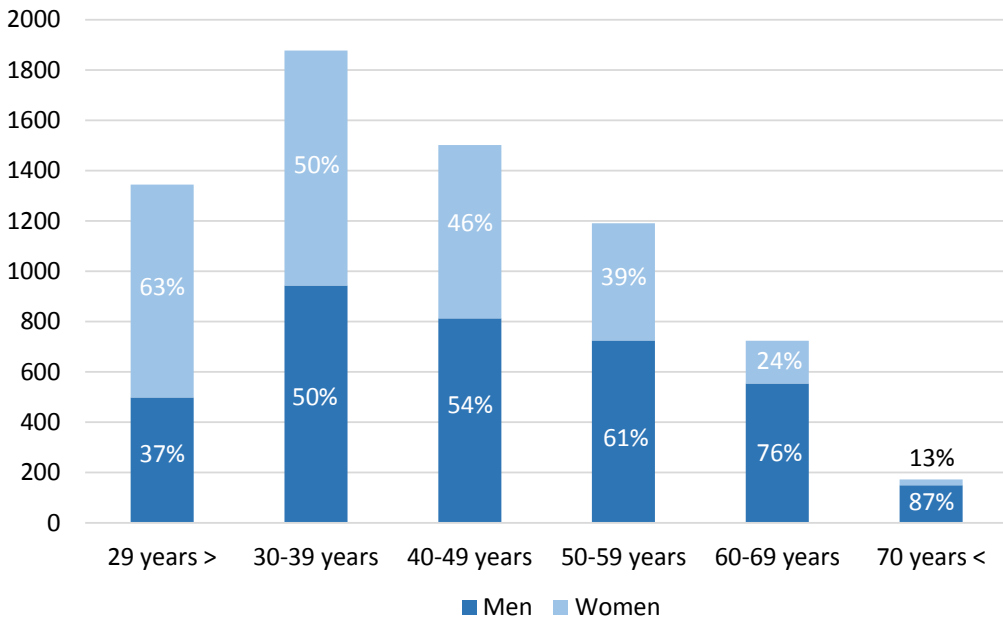
Source: FMI and Mäklarsamfundet (The Association of Swedish Real Estate Agents).

Diagram 2. The progress of the shares of women and men, 2000-2015. Percent.



Source: FMI.

Diagram 3. The age distribution among real estate agents.



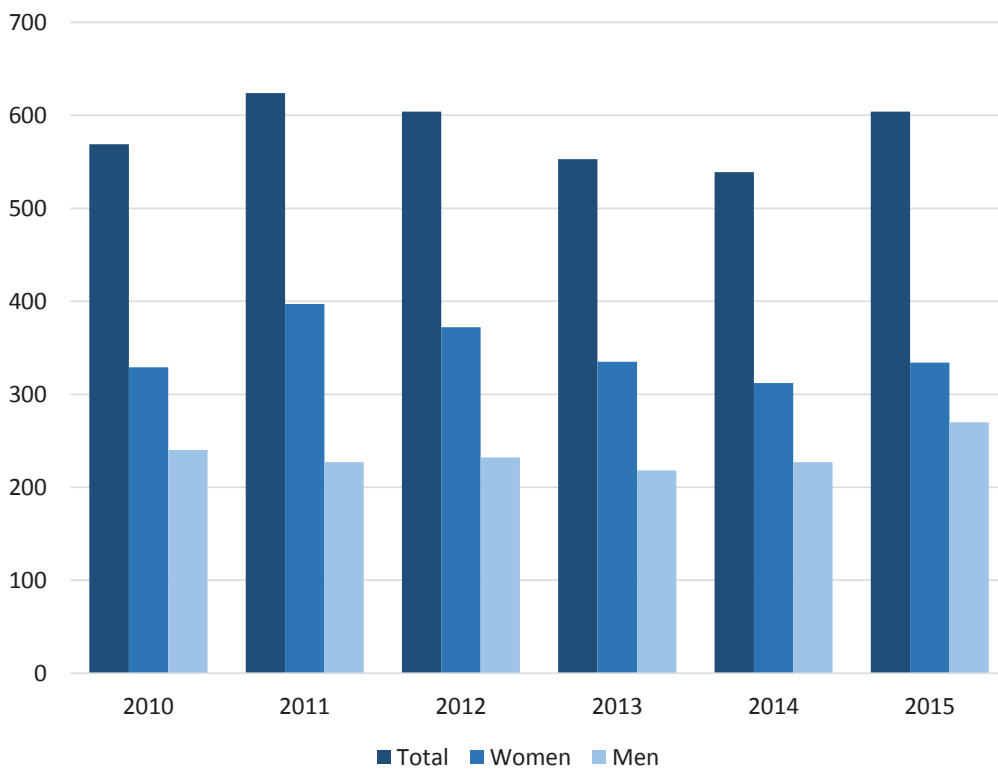
Source: FMI.

To work as a real estate agent, the law requires one to have a theoretical education from a university or college, as well as additional practical experience from an internship. The education needs to cover at least 120 ECTS, distributed knowledge areas such as property law, construction technology and property valuation. It is a popular university programme with an average of 10 applicants per seat, accepting between 530 and 630 students each autumn for the last five years; the largest share of enrolled students which were female. For example, in 2015, 604 students

were accepted; of which 334 were women and 270 men. The high number of real estate agents accepted into the programme contributes to the rejuvenation of the realtors corps, where more than 70 percent of the agents are under 50.

Since the end of the 90s, ASREA conducts a 7-month long educational programme for real estate agent assistants; tailored specially to fit the real estate market, and has since its start certified around 1 700 assistants.

Diagram 4. Number of accepted students, 2010-2015.



Source: Swedish Council for Higher Education, uhr.se.

For more information:
www.maklarsamfundet.se
www.fmi.se

2. The Swedish Housing Market

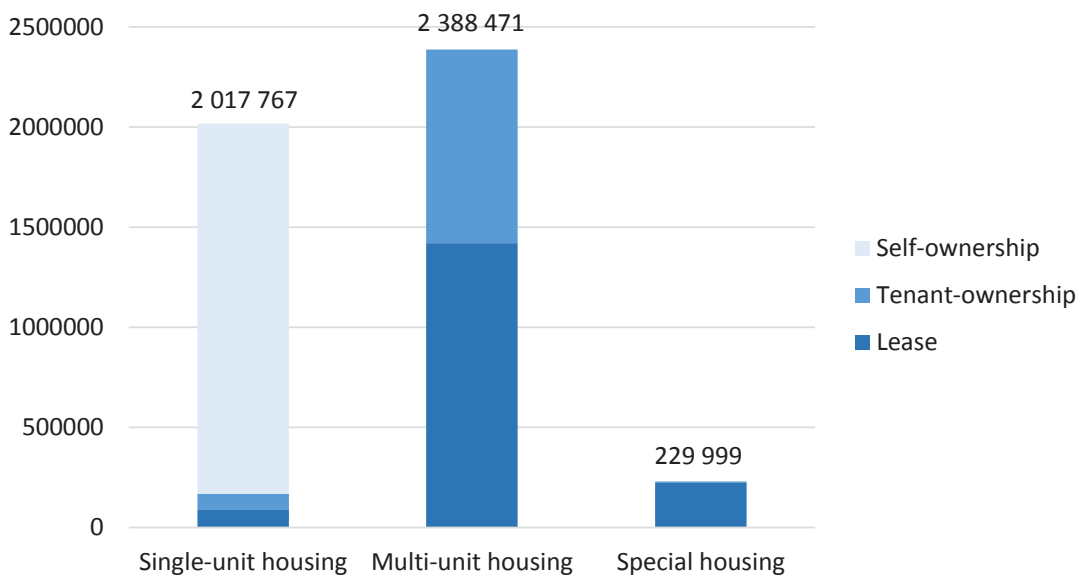
According to recent statistics, there were 4.6 million homes in 2015, of which 2.4 million were multi-unit houses, 2 million single-unit houses and around 200 000 special homes. The form of tenure of these depend on the type of housing, where single-unit houses tend to be owned by its tenants, and 60 percent of all multi-unit houses were leases and 40 percent tenant-owned. Special homes, with very few exceptions, were in general leases.

While the construction industry has seen an increase in the number of homes built and completed, an additional 700 000 homes need to be built until 2020. With Sweden's growing population and low housing,

residentially have become a scarce commodity, where the total of homes for sale on Hemnet have halved in less than three years.

In spite of the low supply of available homes, the number of sales of single-unit houses, second homes, and tenant-owned homes has been at its highest recorded figure (ca. 169 000), and a totalled value of SEK 374 billion. With this increase in sales and price levels, buyers and sellers seem more inclined to employ the services of the real estate agent as evident in the 14 percentile increase in the number of brokered sales, from 77 percent in 2001 to 91 percent in 2015.

Diagram 5. The housing stock's distribution according to type of housing and tenure, 2015.



Source: Statistics Sweden, April 2016.



3. The real estate agent, the agencies and the working conditions

The meeting with people and the time flexible job that offers variation, are some of the best parts about the real estate agent's profession, while some of the worse aspects include the sometimes uncomfortable working hours and the insecurity regarding one's salary. 50 percent of all real estate agents have only a commission-based salary, and earn between SEK 300K – 500K annually, but types of income and the amount varies according to age, gender and working experience.

The younger agents, as well as 73 percent of those who have been working 0-3 years, tend to more frequently receive a

purely commission-based salary. Likewise, 64 percent of female real estate agents receive their salary from sales commissions, and earn on average less than men.

It is important to note that the commission itself does not constitute as only a salary, but is meant to cover expenditures the agent has to pay to remain operational, such as registration fees and insurance. This amount may vary on type of employment, where those working for a real estate agency chain, tend to have a fee based on the agency's turnover in sales to cover such expenses.

Diagram 6. Types of payment, 2016. Percent.

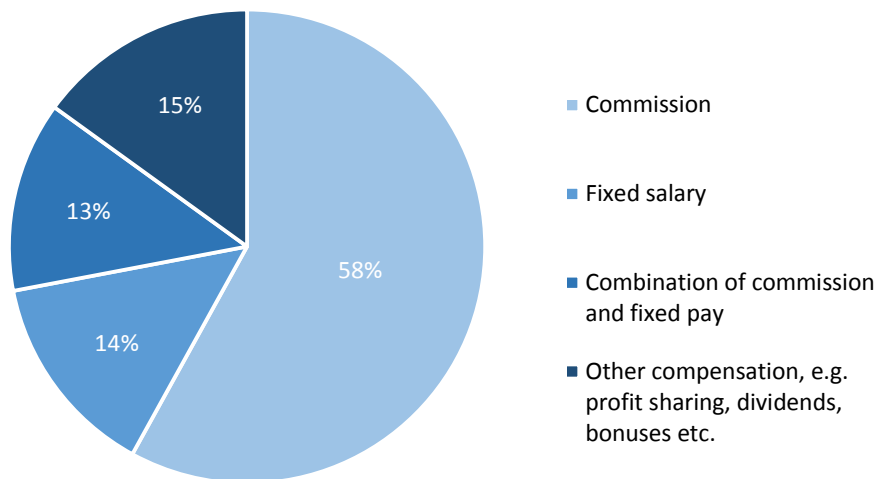
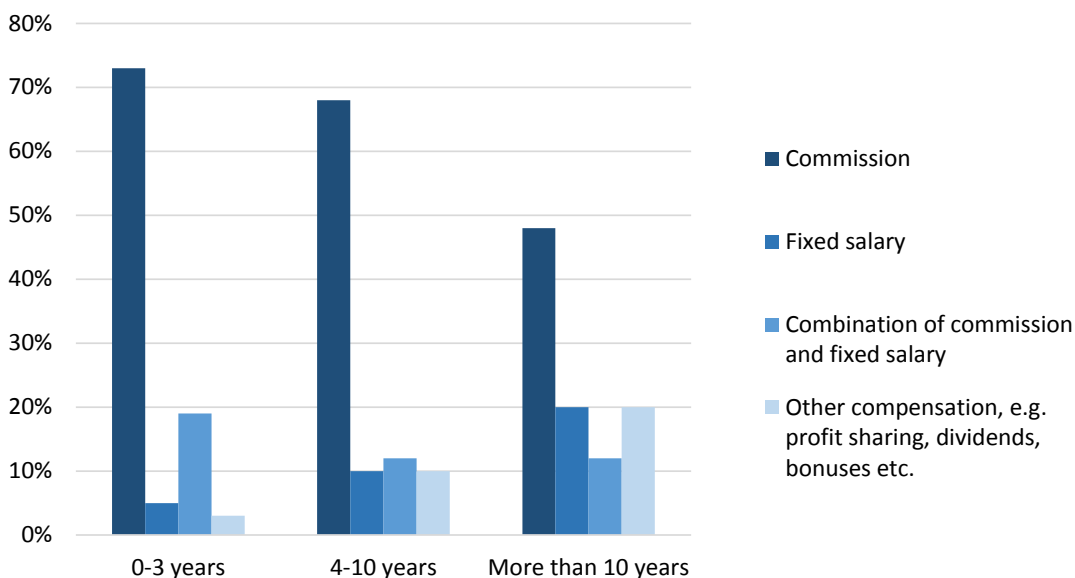
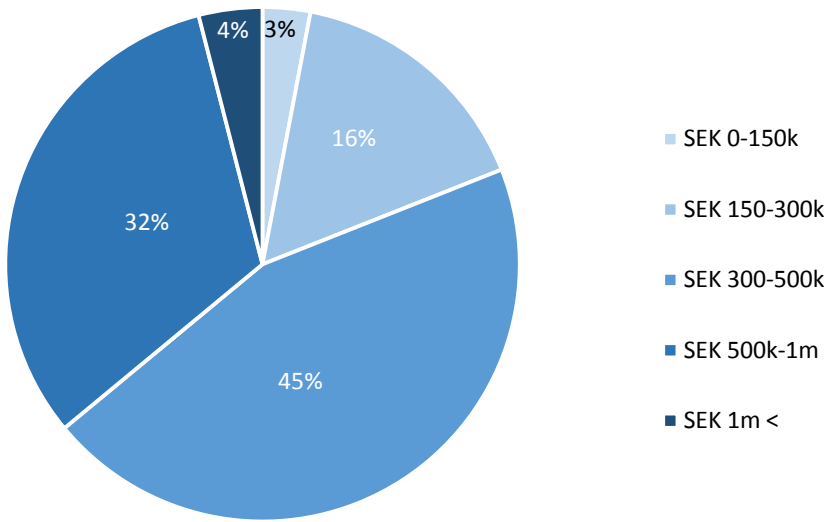


Diagram 7. Types of payment, number of years as a real estate agent. Percent.



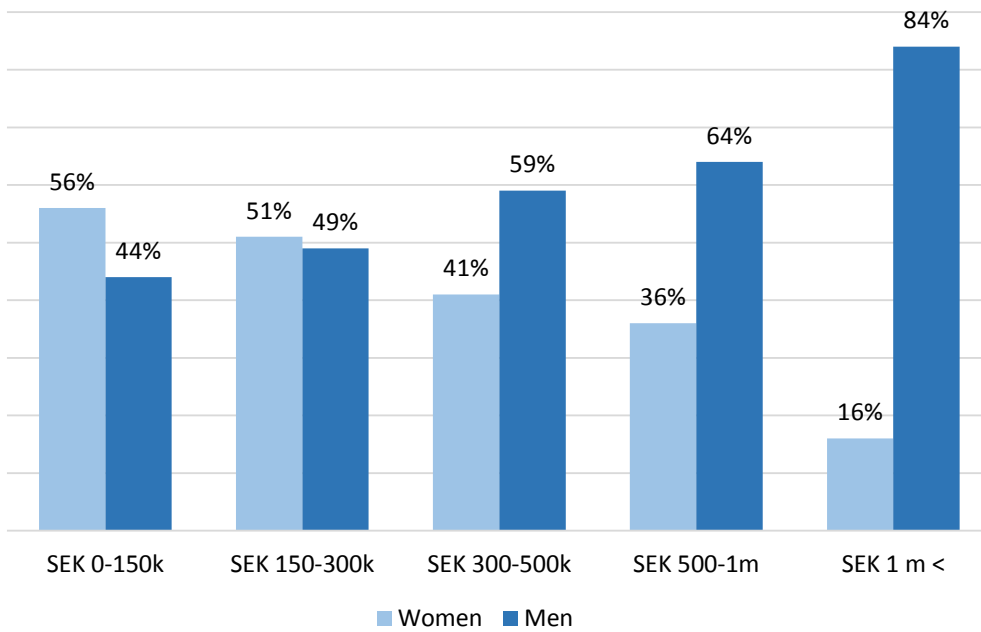
Source: Mäklarsamfundet, member survey, January 2016.

Diagram 8. Annual income. Percent.



Source: Mäklarsamfundet, member survey, January 2016.

Diagram 9. Annual income, women and men. Percent.

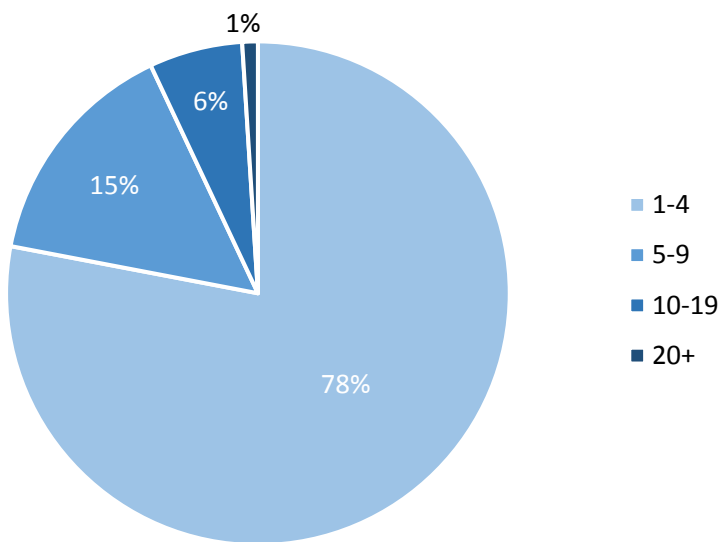


Source: Mäklarsamfundet, member survey, January 2016.

According to the UC's report on the real estate agency trade in 2015, there were 2 406 active agencies within the trade, and a majority of which have 1-4 employees. Around two thirds of all real estate agents, and 70 percent of ASREA's members, are connected to one of the nine largest

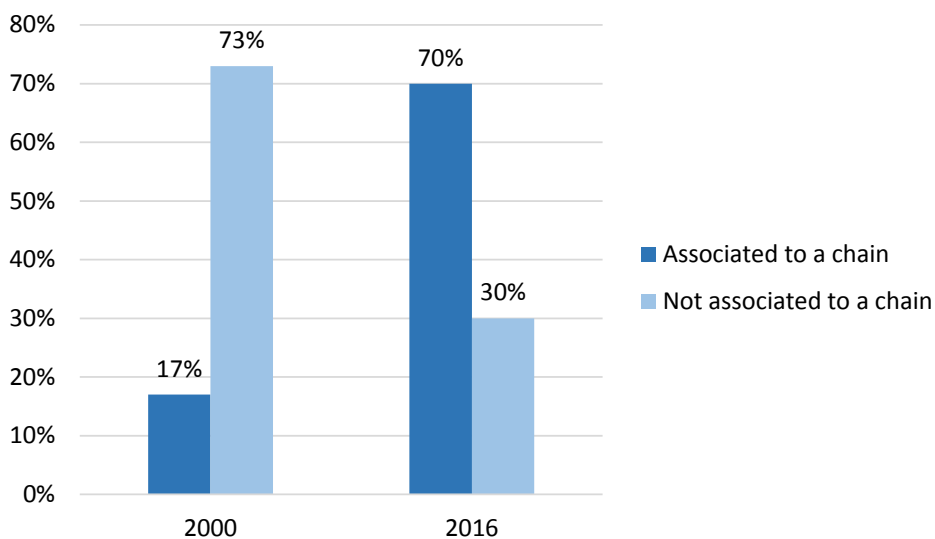
real estate agency chains in Sweden. This type of business organisation by chains has grown more common in Sweden as a result of, amongst others, increased competition and an awareness of the importance of brand marketing and concept development.

Diagram 10. Number of employed in the businesses, 2014. Percent.



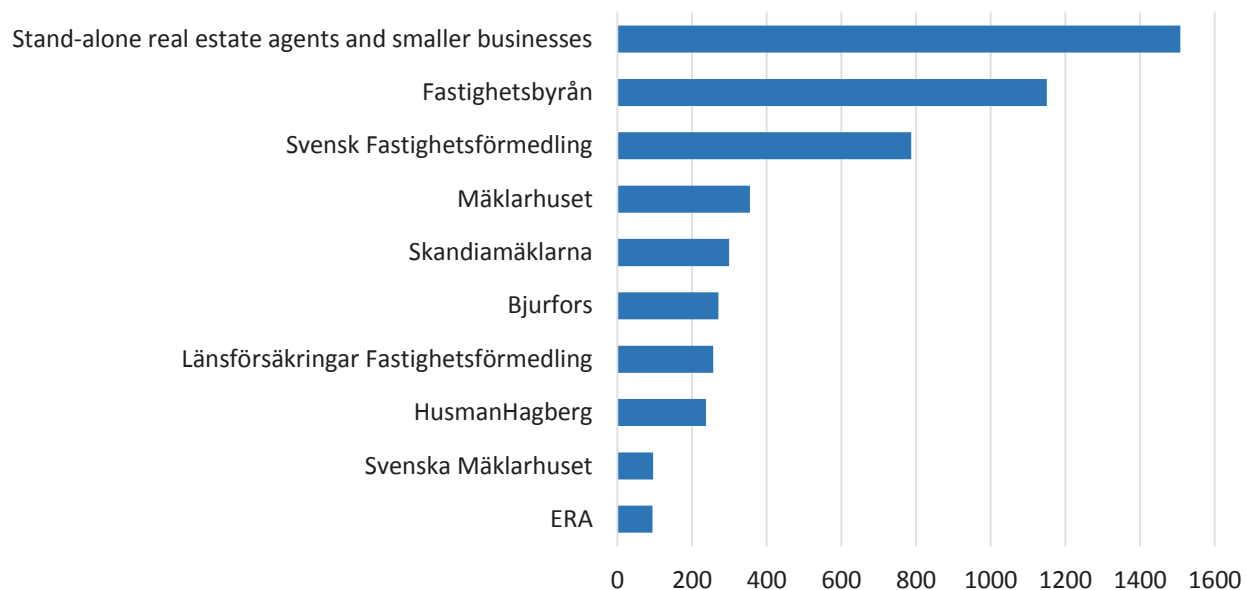
Source: UC Report Real Estate Agents 2016:1.

Diagram 11. Associated to a chain, 2000 and 2016 (percent of members of Mäklarsamfundet).



Source: Mäklarsamfundet.

Diagram 12. Chain-affiliation amongst ASREA's members, 2016. Number of members.^{1g}



Källa: Mäklarsamfundet, April 2016.



Hemnet

Hemnet is Sweden's largest site for home advertising, with around 2.3 million unique visitors each week, and displayed over 220 000 homes in 2015. Started in 1998, it is an exclusive sales platform for real estate agents, as well as servicing the potential buyer with additional information regarding the estate transaction process and other information about the purchasing of a home.

www.hemnet.se

¹ Chains refers to companies with more than 90 employees (members of Mäklarsamfundet).

4. Governmental review

In addition to registering real estate agents, the FMI function as a supervisory authority that oversee and review the individual real estate agent, to ensure they live up to their obligations as stipulated by the Estate Agent Act, and to contribute to the development of a good practice for real estate agents. While helping creating a sense of security and trust amongst the parties on the housing market, it may also pose a dilemma for the agent, who cannot always get an advance ruling or any advice on how to act in order to avoid sanctions. Inadequate documentation is amongst the most common reasons for disciplinary sanctions, or failure to take action on or document knowledge according to the Money Laundering Act. Sanctions for the real estate agent include receiving a warning or a reminder (Sve: erinran), or in serious cases revoke the registration, making it impossible for the agent to continue working; all of which the sanctioned agent has the right to appeal. Reviews can

be initiated by the FMI itself, as well as governmental- and private actors, and in addition to general prompted investigations, so called thematic reviews may be conducted from time to time, to highlight certain aspects of the real estate agent vocation, covering topics such as bait-and-switch prices and journaling practices.

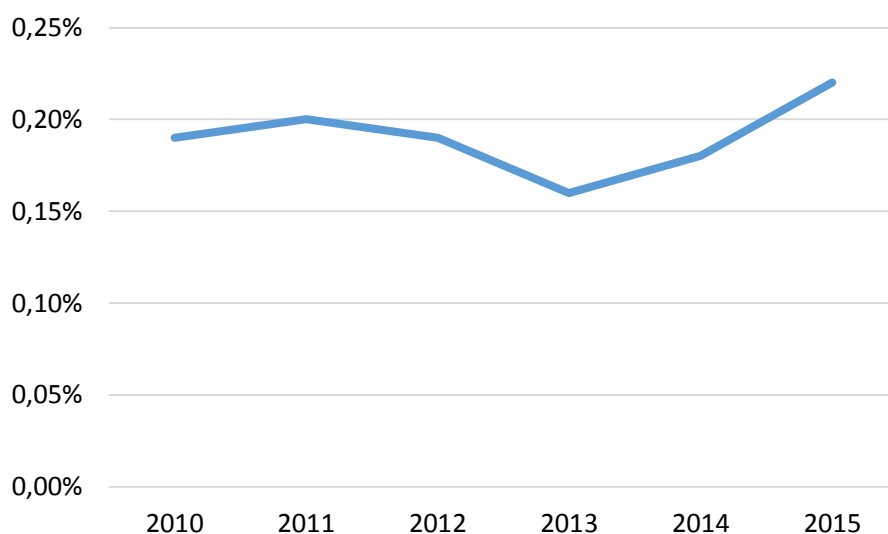
The number of received complaints in relation to the total number of sales have varied over the years. In 2015, 65 agents received a warning from the FMI, an increase in numbers compared to the previous year. Similarly, the number of complaints has risen from 303 in 2014 to 378 in 2015, the highest number of complaints recorded. Nevertheless, in spite of these increases, the total number of sales have also risen, and in general the number of complaints have only been 2 per mille of the total number of sales for the years compared in the survey.

Table 1. Number of sales, review and sanctions, 2010-2015.

	2010	2011	2012	2013	2014	2015
Sales	161 400	153 894	152 501	160 975	169 167	171 060
Real estate agents	6 667	6 772	6 724	6 689	6 792	6 834
Complaints	307	308	288	259	303	378
FMI, own notifications	84	62	45	17	33	24
Sanction/warning	59	87	86	45	62	65
Sanction/recall			24	22	20	32
Revoked registrations	2	2	1	4	1	2

Source: FMI, Statistics Sweden and Svensk Mäklarstatistik (Swedish Real Estate Statistics).

Diagram 13. Complaints in percent of the number of sales, 2002-2015.



Source: FMI and Statistics Sweden.

5. Mäklarsamfundet

Mäklarsamfundet (The Association of Swedish Real Estate Agents) is a member- and trade organisation, accounting for around 80 percent of all real estate agents in Sweden, and dates back to the 1919. A parallel trade organisation, Fastighetsmäklarförbundet (FMF) was founded in 1947 and enjoys a close collaborative relationship with Mäklarsamfundet.

Mäklarsamfundet work continuously to develop and improve the real estate agent profession by acting and advocating on behalf of our members' interests on various societal topics and issues affecting the real estate agents' everyday lives. Mäklarsamfundet conduct analyses and inquiries into working conditions and strive to highlight the role of the agent in the housing debate. As the industry's media spokesperson, Mäklarsamfundet works to ensure a public understanding about what is a part of the profession and the real estate agent's responsibilities – and what is not.

Furthermore, we act as a consultation body for regulatory law changes and revisions that affect the real estate agent, and work towards international cooperation with our sister organisations in the Nordic countries and the rest of Europe.

We support our members directly by offering education, seminars, legal advice from the country's most qualified jurists on real estate law, an advantageous liability insurance, our newsletter "Fastighetsmäklaren" (The Realtor), and more.

We believe in the importance of a housing market built on healthy and long-term sustainable foundations, and by our own analyses, we want to contribute to a fact-based debate.



Ingrid Eiken
CEO



Jonas Anderberg
General Counsel



Josefine Uppling
Head of communication
and analytics



Caroline Berg
Editor and communicator,
project manager for this report
"The Swedish Housing Market
and Real Estate Agents"

For more information and contact:

Mäklarsamfundet (The Association of Swedish Real Estate Agents, ASREA)

Box 1487, 171 28 Solna

Sweden

www.maklarsamfundet.se

+46 8 555 00 900