

Consumer market study on the functioning of the real estate services for consumers in the European Union

Country fiche – ICELAND

General information

Country	Iceland
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Main Sources Used	Legislation, regulations and public statistics

1. Regulatory background

1.1 Level of regulation in the country

Table 1: Level of regulation			
	Describe the level of regulation	Source of relevant legislation	Ongoing discussion on regulation/deregulation (if applicable): current state of affairs and main arguments in the debate
Real estate transactions ¹	Strictly regulated	Real Estate Transactions Act (No. 40/2002) ² Tenancy Act (No. 36/1994) ³ Real Estate and Ship Sale Act, (No. 70/2015) ⁴ The Consumer Mortgage Loan Act (No. 118/2016) ⁵	The field of real estate transactions lacked unified legislation for many years, which contributed to many disputes. After the passing of the Real Estate Transaction Act in 2002, disputes have been fewer and less frequent.
Notary system (or lawyer/conveyancer system) ⁶	There is no notary system in Iceland and no licenced conveyancers besides licenced real estate agents		
Profession of estate agents	Strictly regulated	N/A	

¹ E.g. limitations or prohibitions of certain transactions; specific formality requirements etc.

² <https://www.althingi.is/lagas/nuna/2002040.html>, No English translation available.

³ <https://www.althingi.is/lagas/nuna/1994036.html>, No English translation available.

⁴ <https://www.althingi.is/lagas/nuna/2015070.html>, No English translation available.

⁵ <https://www.althingi.is/lagas/nuna/2016118.html>, No English translation available.

⁶ Only in countries where notaries do not exist or do not have a monopoly on conveyancing.

1.2 National legislation

Table 2: List of national legislation

List of national legislation	Classification of national legislation	Content of the national legislation
Real Estate Transaction Act (No. 40/2002)	Consumers and professionals	The act concerns the sale of real estate for both consumers and professional entities, such as companies.
Tenancy Act (No. 36/1994)	Consumers and professionals	The act concerns the renting of property for consumers. It also concerns the renting of property for professional entities, in cases where more specific legislations are not applicable.
Registration Act (No. 39/1978) ⁷	Consumers and professionals	The act concerns the registration of property at the District commissioner's office. It is necessary mainly for the protection of property rights against other similar rights of third persons.
Property Registration and Valuation Act (No. 6/2001) ⁸	Real Estate Transactions	The act concerns the registration and valuation of various real properties.
Real Estate and Ship Sale Act (No. 70/2015)	Real Estate Transactions	The act concerns the regulation of real estate agent licensing, the codes of conduct in the real estate market, and consumer protection.
Multi-Owners Buildings Act (No. 26/1994) ⁹	Rights and obligations of property owners	The act concerns the rights and obligations of the owners of multi-owners buildings (apartments).

⁷ <https://www.althingi.is/lagas/nuna/1978039.html>, No English translation available.

⁸ <https://www.althingi.is/lagas/nuna/2001006.html>, No English translation available.

⁹ <https://www.althingi.is/lagas/nuna/1994026.html>, No English translation available.

1.3 Implementation of relevant EU legislation

Table 3: Implementation of relevant EU legislation					
EU legislation	Implementation achieved	Implementation of EU legislation at the national level (e.g. the name of the law)	Source of the national implementation legislation	Content of the national legislation in keywords	Which parts of the EU legislation have <u>not</u> been transposed?
Directive 2005/29/EC on unfair commercial practices (UCPD)	Yes	Addition of clauses to the European Consumer Cooperation Act (No. 56/2007) and the Consumer Judicial Protection Act. (No. 141/2001)	See column on the left	Marketing law, consumer law	None
Directive 93/13/EEC on unfair terms in consumer contracts	Yes	Addition of clauses to the General Contracts Act (No. 7/1936)	See column on the left	Consumer, marketing and private law	None
Directive 2008/122/EC on the protection of consumers, in respect of certain aspects of timeshare, long-term holiday product, resale and exchange contracts	Yes	Referenced as regulation with basis in the Consumer Judicial Protection Act (No. 141/2001)	See column on the left	Consumer and private law	None
Directive 2010/31/EU of Energy Performance of Buildings Directive ¹⁰	No				

¹⁰ Iceland got an exemption from implementing Directive 2002/91/EC because of special circumstances regarding energy production and consumption. The ratio of renewable energy in Iceland is high. For example only 0,5% of Iceland's greenhouse emissions come from the heating of houses, compared to an average of 36% in EU countries. Moreover, building regulations in Iceland guarantee quite efficient use of energy. When Directive 2010/31/EU replaced Directive 2002/91/EC, the government of Iceland requested the same exemption as it would not guarantee that its aim could be fulfilled. It has yet to be decided whether Iceland will get a similar exemption. The Commission seems to reject that idea, but no steps have been taken in Iceland towards the implementation and the matter is still under discussion. For further readings, see the Icelandic Foreign Ministry's remarks on the topic: <https://www.stjornarradid.is/media/utanrikisraduneyti-media/media/ESB/samningskaflar/15/15.-kafli-samningsafstada.PDF>.

Directive 2005/36/EC on Recognition of Professional Qualifications, as last amended by Directive 2013/55/EU	Yes	The Professional Qualification Recognition Act (No. 26/2010) Note that the amendments by Directive 2013/55/EU have not been implemented.	See column on the left	Real estate brokerage and labour law	None
Mortgage Credit Directive, 2014/17/EC	Yes	The Consumer Mortgage Loan Act (No. 118/2016)	See column on the left	Consumer finance law	None

1.4 Communications and strategy papers

Table 4: Communications and strategy papers

Communication or strategy paper	Have the following communications and strategy papers been referred to in national documents?	Name of document	Source	Content	Differences with respect to communications and strategy papers listed in the first column
COM(2015) 550 final Communication of the Commission Upgrading the Single Market: more opportunities for people and business	No				
COM(2013)676 Communication from the Commission on evaluating national regulations on access to professions	No				
COM(2016)820 Communication from the Commission on reform recommendations for regulation in professional services	No				
European Consumer Agenda	No				
Consumer Programme 2014-2020	No				

2. General market information

2.1 Key market data

Table 5: Key market data		
<p>General market situation (e.g. trends in the market, recent developments in the market, price fluctuations, etc.)</p>	<p>A severe housing shortage is affecting the price of both the real estate and rental market. In the years leading up to 2008, housing price increased quite rapidly, but this trend cooled down after the financial crisis of 2008, due to an influx of properties and shortage of credit.</p> <p>However, after the stabilization of the market, the price began to rise again. The combined factors of years of low levels of construction, currency controls 2008-2017, dramatic increase in tourism (Airbnb), large-scale investments of investment funds in private home apartments and some other factors have led to a huge increase in housing and rent prices. The State and municipalities have committed themselves to solve the problem, but nothing has been materialized yet.</p>	
<p>Total value of residential transactions for buying and renting for the year 2015 (2014 or 2013 depending on the latest available data) expressed in EUR</p>	<p>Total value of real estate transactions in 2016: 462, 6 billion ISK = (3, 72 billion EUR).</p> <p>Total value of real estate transactions in 2015: 370 billion ISK = (3 billion EUR).</p> <p>Total value of for rental market = data not available.</p>	
<p>Ratio house owners – tenants (i.e. the percentage of households that are owners resp. tenants of dwelling units)</p>	<p>Numbers from 2017¹¹</p> <ul style="list-style-type: none"> • Home owners: 70.1% • Tenants: 17.1% • Living with parents: 9.6% • Other: 3.2% 	
<p>Usage of land (Quotas for built land, agricultural land, “wild land” (forests, lakes etc.)</p>	<ul style="list-style-type: none"> • Grown land – 23.1% • Tundra – 62.7% • Glaziers – 11.6% • Lakes – 2.6% 	
<p>Average prices of residential property</p>	<p><i>According to the type of property</i></p> <ul style="list-style-type: none"> • Average flat of ca. 70 sqm 	<p>Prices are an average of the value of purchase contracts nationwide October 2016 to October 2017;</p> <ul style="list-style-type: none"> • Average flat of ca. 70 sqm: 28,643,750 ISK = (232,630 EUR) • Terrace house of ca. 100 sqm: 36,026,128 ISK = (292,586 EUR)

¹¹ <http://www.ils.is/library/4-Hagdeild-skrar/Manadarskyrslur/H%C3%BAsn%C3%A6%C3%B0ismarka%C3%B0urinn%20-%20n%C3%B3vember%202017.pdf>

	<ul style="list-style-type: none"> • Terrace house of ca. 100 sqm • Detached (one family house) of ca. 150 sqm 	<ul style="list-style-type: none"> • Detached (one family house) of ca. 150 sqm = 37,028,022 ISK = (300,722 EUR)
	<p>According to the type of location</p> <ul style="list-style-type: none"> • Capital city • Urban areas • Rural areas 	<p>Apartment</p> <ul style="list-style-type: none"> • Capital city/Urban areas: 3,434 EUR per m² • Rural areas: 1,947 EUR per m² <p>Detached house</p> <ul style="list-style-type: none"> • Capital city/Urban areas: 2,802 EUR per m² • Rural areas: 1,648 EUR per m²
Price development of residential property	<p>According to the type of property</p> <ul style="list-style-type: none"> • Average flat of ca. 70 sqm • Terrace house of ca. 100 sqm • Detached (one family house) of ca. 150 sqm 	<p>All Iceland</p> <p>Average prices from October 2015 to October 2016 compared to average prices from October 2016 to October 2017; percentual increase:</p> <ul style="list-style-type: none"> • Average flat of ca. 70 sqm: 21% • Terrace house of ca. 100 sqm: 15,65% • Detached (one family house) of ca. 150 sqm: 15,6%
	<p>According to the type of location</p> <ul style="list-style-type: none"> • Capital city • Urban areas • Rural areas 	<p>Average prices from October 2015 to October 2016 compared to average prices from October 2016 to October 2017; percentual increase:</p> <p>Apartments</p> <ul style="list-style-type: none"> • Reykjavík/Greater Capital Region: + 18,48% • Rural areas : + 22,52% <p>Detached Houses</p> <ul style="list-style-type: none"> • Reykjavík/Greater Capital Region: + 18,42% • Rural areas : + 19,68%
Development of price index (Housing price index if existing, otherwise Consumer price index)	<p>Consumer price index = 2000 (195) 2010 (356,8) 2017 (436,5)</p> <p>Consumer price index (excluding housing prices) = 2000 (195) 2010 (337,9) 2017 (388)</p>	

2.2 Service providers

Table 6: Service providers						
	Total number of firms	Total number of professionals	Total number of employees	Branch offices per firm	Market concentration in % of turnover	Average turnover per firm (expressed in EUR)
Estate agents	Approx. 50-100	Approx. 400 ¹²	Approx. 400-500 ¹³	Rarely more than 1	N/A	N/A
Lawyer/Advocates/Solicitor	Lawyers play a minor role in real estate transactions.	Approx. 750 ¹⁴	N/A	Rarely more than 1	N/A	N/A
Notary (n.e.)	There is no notary system in Iceland					
Licensed conveyancers (n.e.)	The profession of licensed conveyancer does not exist in Iceland					
Architects (usually not relevant)	N/A					
Surveyor (usually not relevant)	N/A					
Engineers (usually not relevant)	N/A					

¹² According to the Real Estate Agent Association's website, 275 estate agents are members of the organization. Some estate agents are not members of that organization. Due to the introduction of stricter regulation in recent years, some former practicing estate agents have lost their right to work as licensed estate agents until they fulfill the new requirements (e.g. education). Due to these factors, the total number of estate agents is hard to establish.

¹³ No official or public numbers available regarding the number of employees. The numbers are a general estimate.

¹⁴ According to a list of practicing lawyers registered at the Icelandic Bar Association.

3. Roles of professionals and services in the real estate market

Table 7: Role of professionals in the real estate market					
	Estate agent	Property valuator ¹⁵	Lawyer/Advocate/Solicitor	Bank	Technical expert (architect, engineer, surveyor)
Main function: does the professional typically work independently or as part of a firm or another organisation?	Usually part of a firm. Sometimes independent	Independent or part of a firm.	Works both independently and as part of a firm. Involvement is rare, except when acting as an estate agent.	N/A	Independent or part of a firm.
Extent of engagement (at which point(s) does each professional intervene in the process?)	Deals with the entire process.	Before the property is announced for sale.	Involvement is rare, except when acting as an estate agent. Intervention is possible at all stages of a sale.		Early stages, before sale announcement
Mandatory involvement	No	No	No		No
How are their fees/charges structured	Commission that varies between agents, typically 1-3% of the sale price + VAT and other smaller charges.	Fixed price	Hourly rate when acting as a lawyer. Commission, if acting as an estate agent, (see estate agent column)		Fixed price

¹⁵ In some EU countries, the real estate property valuers are regulated as a profession that is separate from estate agents (e.g. Hungary, Lithuania, Latvia); their services might be obligatory, especially when taking mortgage loans.

4. Land registration

Table 8: Land registration

Responsible authority(ies) dealing with land registration	The District Commissioner's Offices (Sýslumannsembættin).
Actors involved in the registration procedure and their main functions	<p>The estate agent, buyer, or any competent actor on behalf of the estate agent/buyer, completes the registration of a title deed when the sale is complete.</p> <p>The relevant actor hands the title deed over for registration at the relevant district commissioner's office, where registration is performed. The title deed has to meet certain objective standards listed in the Registration Act (39/1978).</p>
Intermediate steps of the registration procedure, if applicable	N/A

5. The process to buy or sell a property

5.1 Main steps in the transaction process to buy or sell a property

Table 9: Main steps of the process to buy or sell a property			
Main steps	Main function	Applicable	National specificities/additional functions/main actors
Estate agent services	Matching the parties	Usual	N/A
Alternative matching devices	Matching the parties	Unusual	N/A
Preliminary contract	Securing the transaction before the final contract is concluded	No	N/A
Preliminary checks (land register, administrative permits)	Ensuring that the buyer knows all legal obligations and relevant features related to the property	Usual	Part of an estate agents services according to the Real Estate and Ship Sale Act (No. 70/2015)
Drafting the sales contract and/or deed of conveyance	Summarising the agreement of the parties	Yes	Part of an estate agents' services according to the Real Estate and Ship Sale Act (No. 70/2015)
Legal advice or counselling	Ensuring that the transaction is valid and that the parties know about their rights and duties	Unusual	N/A
Certification of signatures	Ensuring the validity of the agreement	Yes	Part of an estate agents' services according to the Real Estate and Ship Sale Act (No. 70/2015)
Contract execution (transfer of payment)	Executing the contract (and securing that both parties perform their obligations)	Yes	N/A

Contract execution (transfer of property)	Executing the contract (and securing that both parties perform their obligations)	Yes	N/A
Registration	Making the transaction visible to third parties and the public	Usual	N/A
Taxation (esp. transfer tax)	Creating revenue for the state	Yes	Stamp tax. Percentage of property value. 0,4% for individuals as first time buyers, 0,8% as a main rule for individuals and 1,6% for legal entities. Other small fees may incur.
Post-transaction controls (if applicable)	Securing that the contract is duly executed.	No	N/A

5.2 Sale contract and transfer of ownership

Table 10: Contract of sale and transfer of ownership				
Main steps	Actors involved per intermediate step	Payment details ¹⁶		Typical risks associated to these steps, if relevant
		Payments expressed : • In EUR as % of total purchase price <u>and</u> • As a fixed amount if available (add if VAT applies)	When is the payment made	
Estate agent services or alternative matching devices	Estate Agent	1-3% of sale price + VAT Fixed amount depends on price of property.	When a binding agreement is reached about the sale of a property between a seller and a buyer.	N/A
Preliminary contract (usual)	N/A	N/A		N/A
Preliminary checks (land register, administrative permits)	Estate agent	Included in the commission		N/A
Drafting the sales contract and/or deed of conveyance	Estate agent	Included in the commission		N/A
Legal advice or counselling	Lawyer, but very unusual	Hourly rate (160-200 EUR average)		N/A
Certification of signatures	Arranged by the estate agent	Included in the commission		N/A

¹⁶ Payment shall be considered as the 'discharge of an obligation by its settlement equal to the monetary value of the debtor's obligation' while fees can be defined as 'a charge for services rendered' (Retrieved from: <http://www.investorwords.com/3634/payment.html>, <http://www.investorwords.com/1922/fee.html>). Payment, therefore, includes both the cost of the service and the fees for the service in question.

Contract execution (transfer of payment and registration; transfer of property)	Estate agent	Included in the commission		N/A
Registration in land register or similar device	Estate agent, buyer	Included in the commission 2000 ISK (16 EUR) if estate agent is not involved		N/A
Taxation (esp. transfer tax)	The District Commissioner's Office	Stamp tax. Percentage of property value. 0,4% for individuals as first time buyers, 0,8% as the main rule for individuals and 1,6% for legal entities. Other small fees may incur	When deed is registered	N/A

▲ Legal position of a tenant occupying the dwelling to be sold. In particular: Does the rule *emptio non tollit locatum* apply?

The sale of a rented property is not subject to approval of the tenant. Landlords can therefore sell or hand over their property rights in other ways. As a result of a sale, the previous property owner/landlord is usually free from all obligations towards the tenant, and the new property owner/landlord assumes all the obligations. The legal position of a tenant is therefore usually unchanged when the dwelling is sold, and his/her obligations will not be increased or changed as a result of a sale alone.

The rent contract can be terminated by the new property owner/landlord in accordance with the provisions of the rent contract.

Exceptions may apply to the aforementioned if case of bankruptcy and/or forced sale of property.

However, it must be noted that, according to the Registration Act No. 39/1978, Art. 31, registration is a means of protection for a long-term contract.

5.3 Professional services performed in the real estate market related to buying and selling a property

Table 11: Professional services performed in the real estate market related to buying and selling a property

Services in the real estate market	Minimum standards for information provided by law, if applicable	Service providers involved	Quality of involvement (mandatory, optional; if optional, indicate whether usual or not)	Fees expressed: <ul style="list-style-type: none"> In EUR as % of total purchase price <u>and</u> As a fixed amount (if available)
Estate agent services or alternative matching devices	<p>A written contract must be made before an estate agent can start working for a buyer/seller.</p> <p>The contract must specify the scope of the estate agents' assignment, the fee, and other expenses.</p> <p>See Art. 9 of the Real Estate and Ship Sale Act, (No. 70/2015)</p>	Estate agent	It is optional to use an estate agent, but if used it is mandatory	Estate agent commission (1-3% of sale price + VAT)
Provision of mandatory information before starting the transaction, if applicable	<p>An estate agent must, when selling a property, write a sale overview document that must contain certain mandatory information listed in Art. 11 of the Real Estate and Ship Sale Act (No. 70/2015)</p> <p>Mandatory information:</p> <ul style="list-style-type: none"> Sale price; Position, size, property value, insurance value, building material and year of construction of the property; Information about the state of the property, including faults that the seller or estate agent are aware of; 	Estate agent	Mandatory if an estate agent is used.	As above

	<ul style="list-style-type: none"> • Mortgage debts, third party property rights, legal obligations and other equivalent legal obligations connected to the property; • The cost that the buyer will incur from buying the property. • Planned construction connected to the property; • Other necessary information. <p>The estate agent must be sure that a prospective buyer has received the information mentioned here above</p>			
Preliminary contract (usual)	N/A	N/A	N/A	N/A
Preliminary checks (land register, administrative permits)	<p>The estate agent must make sure that the prospective seller has the right to dispose of the property, and must check for any mortgages, easements or other encumbrances</p> <p>See Art. 12 and 13 of the Real Estate and Ship Sale Act (No. 70/2015)</p>	Estate agent	Mandatory if estate agent is used.	As above
Drafting the sales contract and/or deed of conveyance	<p>The estate agent is obliged to handle the drafting of all documents, see Art. 16 of the Real Estate and Ship Sale Act (No. 70/2015).</p> <p>The estate agent must make sure that both seller and buyer are fully informed about the contents of the contract, see the same Article</p>	Estate agent	Mandatory if an estate agent is used.	As above

Legal advice or counselling	An estate agent is obliged to provide information, including legal information, but is not obliged to provide general legal advice	Estate agent or lawyer	-	As above
Certification of signatures	The estate agent must attend the signing of a sale contract and verify its validity with his/her signature. (see Art. 16 of the Real Estate and Ship Sale Act (No. 70/2015))	Estate agent	Mandatory if estate agent is used.	As above
Contract execution (transfer of payment; transfer of property)	The estate agent is not obliged to oversee the execution of the sale contract. However, an estate agent often supports that part of the transaction	Estate agents can assist with the contract execution	Optional	As above
Registration in land register or similar device	The estate agent is not obliged to oversee the registration of a title deed. However, an estate agent often supports that part of the transaction.	Estate agent can assist with registration	Optional ¹⁷	As above
Taxation (esp. transfer tax)	N/A	N/A	N/A	N/A
Other services	N/A	N/A	N/A	N/A

¹⁷ No public information available regarding how usual it is for buyers to ask for the intervention of estate agents to register sales contracts.

5.4 Creating a Mortgage

Table 12: Mortgage requirements

Main steps to create a mortgage	Actors/institutions involved	Minimum standards for information	Additional requirements for consumer mortgages, if relevant	Fees expressed: • In EUR as % of total purchase price <u>and</u> • As a fixed amount (if available)	Typical risks associated to these steps, if relevant
Conclusion of credit and mortgage agreement with a lender (bank)	Bank or other financial institution	Minimum standards for information vary but the provisions of the Consumer Loan Act (No. 33/2013) gives an idea of minimum standards. See also Chapter III of the Consumer Mortgage Loan Act (No. 118/2016).	N/A	Fees vary between banks and financial institutions. The Consumer Mortgage Loan Act (No. 118/2016) bans proportional fees. Therefore, fees are no longer 0,75-1% of the total amount, but rather a fixed amount. An example of a fixed amount is the fee collected by Landsbankinn; 52,500 ISK, (424 EUR) There are also no fees for first time buyers.	N/A
Insertion of mortgage in the land register, usually at first rank	Bank, financial institution, estate agent and District Commissioner's Office.	N/A	N/A	2000 ISK (16 EUR)	N/A
Credit sum paid to mortgagor (buyer) or seller	Usually paid to seller via estate agent.	N/A	N/A	N/A	N/A

6. The process to rent or let a property

6.1 Main steps in the transaction process to rent and let a property

Table 13: Main steps of the process to rent and let a property	
Main steps	Process involved¹⁸
Finding and matching landlords and tenants	<p>Private sector rent brokers do exist, but are uncommon. Estate agents may provide such a service, but rarely.</p> <p>The vast majority of tenants find landlords online and make a contract without outside help. Tenants and landlords can write up their own rental agreement, but it is most common to use the standard form, see footnote.¹⁹</p> <p>It is very unusual for tenants to find landlords on websites like <i>facebook.com</i>, or sales sites like <i>bland.is</i>. Word of mouth, advertisements on news websites and advertisements by real estate agents can also help connect tenants and landlords.</p> <p>Rental companies have become more prevalent in recent years. Some of those companies own hundreds of apartments and connect with tenants through their websites.</p> <p>Municipalities do own some social housing, and rent out to people who need it. The state, municipalities or state-institutions help connect people with suitable housing in these cases.</p>
Information search by landlords or tenants (e.g. about salary, outstanding debts)	Landlords can ask for information or search for publicly available information.
Inspection of the property by tenants (in some cases with the help of professionals)	Inspection is usual. The landlord and tenant inspect the rented property together. Tenants may bring other people with them for the inspection as a witness but professionals are rarely involved.

¹⁸ Explain more precisely to what extent each step is relevant and how the step is performed

¹⁹ https://eng.velferdarraduneyti.is/media/acrobat-enskar_sidur/leaseFormEN.pdf

<p>Delivery of mandatory information to tenants prior to the conclusion of the contract (if relevant)</p>	<p>The Tenancy Act (No. 36/1994) does list up mandatory information that must be included in a written rental agreement.</p> <p>Otherwise very little mandatory information.</p>
<p>Delivery of energy performance certificate to tenant</p>	<p>Iceland got an exemption from implementing Directive 2002/91/EC. Iceland has also not implemented Directive 2010/31/EU. Therefore, energy performance certificates do not apply in Iceland.</p>
<p>Provision of additional guarantees to landlord, if relevant</p>	<p>Depends on the rental agreement. Security deposits are usually 1-3 months' rent.</p>
<p>Conclusion of the contract in the usual form (e.g. oral, written, preformulated)</p>	<p>A valid rental agreement must be written, see Art. 4 of the Tenancy Act (No. 36/1994).</p> <p>Oral agreements about rent do exist, despite the rule in Art. 4, and are valid, see Art. 10. Such an agreement does depend on proof, and could not enjoy third party protection due to the fact that an oral agreement cannot be registered.</p>
<p>Rent payment and deposit (e.g. bank account)</p>	<p>Depends on the rental agreement, usually monthly deposits.</p>
<p>Registration of the contract in the land register (e.g. excluded, optional or mandatory; if optional)</p>	<p>Registration is optional, but highly recommended and usual, due to the fact that most social benefits connected to housing are subject to such a registration.</p>

6.2 Rent contract

Table 14: Rent contract				
Main steps	Actors involved per intermediate step	Payment details²⁰		Typical risks associated to these steps, if relevant
		Payments expressed : • In EUR as % of total purchase price <u>and</u> • As a fixed amount if available (add if VAT applies)	When is the payment made	
Finding and matching the parties	Some kinds of broker could be involved, but most often only the tenant and landlord.	Payment varies. Tenancy brokers are known to charge 1-month rent for their service.	When the rental agreement is made.	Fraud can be a problem.
Information search by landlord on tenant (e.g. about salary, outstanding debts)	Tenant, landlord	-	-	
Inspection of the property by tenant (in some cases with the help of professionals)	Tenant, professionals rarely involved.	-	-	
Delivery of mandatory information to tenant prior to the conclusion of the contract (if relevant)	Landlord	-	-	
Delivery of energy performance certificate to tenant	Not applicable ²¹	-	-	

²⁰ Payments shall be considered as the 'discharge of an obligation by its settlement equal to the monetary value of the debtor's obligation' while fees can be defined as 'a charge for services rendered' (Retrieved from: <http://www.investorwords.com/3634/payment.html>, <http://www.investorwords.com/1922/fee.html>). Payment, therefore, includes both the cost of the service and the fees for the service in question.

²¹ See discussion about energy performance certificates as a footnote to Table 3. Icelandic building codes and regulations include provisions regarding energy performance and other related issues and European standards apply where Icelandic standards end.

Conclusion of the contract in the usual form (e.g. oral, written; if written, indicate whether preformulated are usual)	Landlord and tenant make a written agreement. Usually preformulated, but not necessarily	-	-	
Rent payment and deposit (e.g. bank account)	Rent usually paid by tenant directly to a landlord's bank account	-	-	
Registration of the contract in the land register or other device (excluded, optional or mandatory)	Registration by the tenant is very usual due to the social benefits connected to the registration. These benefits include housing benefits paid by the state	-	-	

6.3 Professional services performed in the real estate market related to renting and letting a property

Table 15: Professional services performed in the real estate market related to renting and letting a property

Services in the real estate market	Minimum standards for information provided by law, if applicable	Service providers involved	Quality of involvement (e.g. mandatory; exclusive rights)	Fees expressed: <ul style="list-style-type: none"> • In EUR as % of total purchase price <u>and</u> • As a fixed amount (if available)
Finding and matching landlords and tenants	Some minimum standards are to be found in the Tenancy Act (No. 36/1994), but tenancy brokers are rare.	Tenancy broker, real estate agent.	Voluntary	Various Tenancy brokers are known to charge one-month rent for their service.
Information search by landlords or tenants (e.g. about salary, outstanding debts)	Not required by law	Landlord, tenancy broker, estate agent.	Voluntary	-

Inspection of the property by tenants (in some cases with the help of professionals)	Not required by law	-	Voluntary	-
Delivery of mandatory information to tenants prior to the conclusion of the contract (if relevant)	As a main rule, a rental agreement must be in writing. See Art. 4 of the Tenancy Act (No. 36/1994). Such a contract must contain some minimum information listed in Art. 6 of the same act. By definition, the tenant would receive this information before signing the agreement. However, since an oral agreement is also valid, this is hardly mandatory	Landlord, tenancy broker, estate agent.	Somewhat mandatory provisions	-
Conclusion of the contract in the usual form (e.g. oral, written, preformulated)		Landlord, tenancy broker, estate agent.	Somewhat mandatory, but with exceptions	-
Rent payment and deposit (e.g. bank account)	Rent payment made monthly, deposit is common	-	-	<p>Rent payment is usually made monthly. Tenants pay directly into the landlords' specified account.</p> <p>Deposits are common. A tenant deposits into a bank account, specified by the landlord. Deposits are usually tied to the price of rent, typically a 1-3 months rent.</p>
Registration of the contract in the land register (e.g. excluded, optional or mandatory)	<p>A rental agreement must contain certain information in order to be eligible for registration. See Registration Act (No. 39/1978).</p> <p>Registration is not mandatory, but recommended</p>	-	Voluntary	-

7. Professional services regulation: notaries

7.1 Market entry and structure regulation

Table 16: Market entry and structure regulation

	Regulation	
Subjective requirements	<i>Qualifications (diplomas, exams, concours) required to become a notary in your country:</i>	There is no notary system in Iceland.
Objective requirements	<i>Do numerus clauses and other objective requirements exist?</i>	
Citizenship requirements	<i>Are foreign candidates admitted de iure and also de facto under the same conditions as nationals?</i>	
Inter-professional cooperation	<i>Are forms of collaboration between notaries and other professionals allowed and usual?</i>	
Business structure	<i>Are notary associations/corporations allowed?</i>	
Geographical limitations	<i>Are there limitations with respect to the area in which the notary can exercise his/her activities (e.g. at the regional or municipal level)?</i>	
	<i>Are these limitation restricted to specific tasks?</i>	

7.2 Market entry and structure regulation

Table 17: Market conduct regulation

	Regulation	
Exclusive rights	<i>Specify for which transactions or parts of them only notaries may act against payment.</i>	There is no notary system in Iceland.
Duty to provide services	<i>Are notaries allowed to refuse a request to act?</i>	
Professional standards	<i>How are professional standards regulated? What are the tasks of the professional representation (e.g. Chamber of Notaries) in this context?</i>	
Mandatory intervention	<i>The intervention of a notary is required for the registration procedure?</i>	
Compulsory indemnity insurance	<i>Is indemnity insurance compulsory? If yes, what is the indicative amount of the insurance?</i>	
Continuing education	<i>Do forms of continuing education exist? If yes, is continuing education mandatory?</i>	
Advertising restrictions	<i>Are there limitations on advertising?</i>	
Fee regulation	<i>Notarial fee system</i>	

8. Professional services regulation: lawyers or other licensed conveyancers (only relevant if legally admitted to perform real estate transactions and/or to assist the conclusion of tenancy agreements)

8.1 Market entry and structure regulation

Table 18: Market entry and structure regulation		
	Regulation	
Subjective requirements	<i>Conditions (diplomas, exams, concours) required to become a lawyer in your country</i>	To become a lawyer one must first complete a five years law degree (3 years bachelor's degree, 2 years master's degree). After that a person must pass the bar exam
Objective requirements	<i>Do numerous clauses and other objective requirements exist?</i>	Yes. A lawyer must for example have a "spotless reputation" and must never have become bankrupt
Citizenship requirements	<i>Are foreign candidates admitted de iure and also de facto under the same conditions as nationals?</i>	Yes. They must however display knowledge of Icelandic law before they can be admitted to the bar
Inter-professional cooperation	<i>Are forms of collaboration between lawyers and other professionals allowed and usual?</i>	No
Business structure	<i>Are lawyer associations/corporations allowed?</i>	Yes
Geographical limitations	<i>Are there limitations with respect to the area in which the lawyer can exercise his/her activities (e.g. at the regional or municipal level)?</i>	No
	<i>Are these limitation restricted to specific tasks?</i>	Recent changes in regulations and law stripped away from lawyers' parts of the ability to act as an estate agent without any other qualifications. Therefore, lawyers do no longer get automatically qualified as an estate agent when they pass the bar Lawyers must get a license to act as estate agents, and once they have such a license they can just as easily be considered estate agents, and not lawyers.

		<p>Lawyers may however still assist with tenancy agreements, without any licensing.</p> <p>Lawyers occasionally may assist to the selling or buying of real estate according to their duties as lawyers, but not as their main occupation</p>
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8.2 Market conduct regulation

Table 19: Market conduct regulation

	Regulation	
Exclusive rights	<i>Transactions or parts of them only lawyers may act against payment</i>	None in relation to the sale or lease of property
Neutrality	<i>Is the lawyer allowed to act on behalf of both parties involved in the transaction? In this case, what type of fees apply and which party has to bear them?</i>	<p>Yes, if s/he is acting as an estate agent. In that case, the neutrality clause applies (see Art. 15 of the Real Estate and Ship Sale Act, (No. 70/2015). Real estate commission (1-3% of sale price + VAT) applies.</p> <p>If a lawyer is providing any other assistance in relation to the sale/lease of property, then the lawyer is bound to serve his/her clients interests</p>
Duty to provide services	<i>Are lawyers allowed to refuse a request to act?</i>	Yes, in the field of private law
Professional standards	<i>How are professional standards regulated? What are the tasks of the professional representation (e.g. Chamber of Lawyers/Advocates) in this context?</i>	<p>The professional standards of lawyers are regulated by laws, regulations and codes of conduct. The main body that handles the supervision is the Icelandic Bar Association</p> <p>When a lawyer is acting as an estate agent (licenced), his/her activities are still are however supervised by the Estate Agents Associations Supervision Committee.</p>

<p>Compulsory indemnity insurance</p>	<p><i>Is indemnity insurance compulsory? If yes, what is the indicative amount of the insurance?</i></p>	<p>It is compulsory. The minimum indemnity insurance is 15,850,000 ISK (128,000 EUR).</p> <p>It is usual that the insurance of lawyers is significantly higher than the minimum, since the minimum amount was set in 1999. See Regulation No. 200/1999.</p>
<p>Continuing education</p>	<p><i>Do forms of continuing education exist? If yes, is continuing education mandatory?</i></p>	<p>Yes, but not mandatory.</p> <p>Examples: The Icelandic Bar Association holds multiple seminars each year on various topics. Lawyers are also known to study abroad and acquire L.L.M. degrees in specialized fields</p>
<p>Advertising restrictions</p>	<p><i>Are there limitations on advertising?</i></p>	<p>None specific to lawyers or the practice of law</p>
<p>Fee regulation</p>	<p><i>Lawyer fee system</i></p>	<p>If a lawyer is acting as an estate agent commission applies, (1-3% sale price + VAT) This fee is not regulated</p>

9. Professional services regulation: estate agents

9.1 Market entry and structure regulation

Table 20: Market entry and structure regulation

	Regulation	
Subjective requirements	<i>Qualifications (level and duration of education and training, diplomas, exams, traineeships or professional experience requirements, concourse) required to become an estate agent in your country. Other access requirements for a professional (such as compulsory membership in professional bodies/compulsory registration, minimum age requirements, clean criminal record, etc.)</i>	An estate agent must: <ul style="list-style-type: none"> • Be a resident in Iceland. • Be in charge of his/her finances and must not have become bankrupt. • Be insured. • Have completed a 90-credit course designed for estate agents
Objective requirements	<i>Numerus clauses and other objective requirements</i>	No
Licence requirements	<i>Are estate agents licenced or do they work as employees?</i>	A licence is obligatory
Citizenship requirements	<i>Is unlimited access to the profession granted to foreign professionals de iure and de facto?</i>	Not unlimited. It is subject to conditions. A national of an EEA state can practice as an estate agent if s/he either fulfils the conditions needed by law to become an estate agent, or has worked as an estate agent within the EEA for 12 months in the last 5 years before applying for Icelandic qualification. Other foreign nationals must fulfil the same conditions that are applicable to Icelandic nationals
Inter-professional cooperation	<i>Are estate agents allowed to exercise another profession or business activity? Is inter-professional cooperation regulated?</i>	Some limitations. Inter-professional cooperation is regulated
Business structure	<ul style="list-style-type: none"> • <i>Share of estate agent acts acting as sole practitioners and as companies (if data are available)?</i> 	The general rule is that an estate agent must own his/her business, and the business is usually set up as a limited liability company

	<ul style="list-style-type: none"> • <i>Can the agent be employed by another agent or establish a partnership with other agents?</i> • <i>Are there any restrictions on the corporate structure of a real estate enterprise (such as voting rights reserved to qualified members of a profession, shareholding requirements etc.)?</i> 	<p>An agent can be in the employ of another agent and can establish partnerships.</p> <p>There are some restrictions on ownership shares(e.g. licenced estate agents must be the owners of the majority of an estate agency)</p>
Geographical limitations	<i>Are there limitations with respect to the area in which the estate agent can exercise his/her activities (e.g. at the regional or municipal level)?</i>	No
	<i>Are these limitation restricted to specific tasks?</i>	No

9.2 Market conduct regulation

Table 21: Market conduct regulation

	Regulation	
Neutrality	<i>Is neutrality regulated? Is the agent allowed to act on behalf of both parties involved in the transaction? In this case, what type of fees applies and which party bears these?</i>	<p>An agent must be neutral and serve both parties interests, see Art. 15 of the Real Estate and Ship Sale Act, (No. 70/2015).</p> <p>Commission applies as always, and it is usually paid by the seller of the property.</p>
Professional standards	<i>How are professional standards regulated? Are entities or associations ensuring the professional representation and respect of rules of good practice (e.g. association of real estate professionals)?</i>	The professional standards are regulated by laws, regulations and codes of conduct. The Estate Agents Association plays a big part in following up on those standards and the Real Estate Agent Supervision Committee follows up on any and all complaints regarding improper or illegal conduct.

<p>Compulsory indemnity insurance</p>	<p><i>Is indemnity insurance compulsory for estate agents? If yes, what is the indicative amount of the insurance? Listing of the different types of indemnity insurance (if applicable).</i></p>	<p>It is compulsory.</p> <p>The minimum amount is 19,5 million ISK (158,000 EUR), but in reality the amount is usually higher.</p>
<p>Continuing education</p>	<p><i>Do forms of continuing education exist? If yes, is continuing education mandatory? What are the requirements related to the content and duration of continuing education? What are the consequences of non-compliance?</i></p>	<p>Yes, education exist but it is not mandatory.</p> <p>The Icelandic Estate Agent Association together with associations and companies involved in continuing education offers some courses and seminars for estate agents each year. A recent example is a seminar on dispute resolution held earlier this year by the Estate Agent Association.</p>
<p>Advertising restrictions</p>	<p><i>Are there limitations on advertising?</i></p>	<p>Not specific to estate agents. Usual business advertising restrictions apply.</p>
<p>Fee regulation</p>	<p><i>Real estate agents' fee system</i></p>	<p>Commission is usual, and not regulated</p>
<p>Compulsory membership in professional bodies/compulsory registration</p>	<p><i>Is membership in professional bodies compulsory? If so, what are the membership conditions and the membership fees? Does the professional body have a supervisory or another important regulatory role?</i></p>	<p>Membership to an estate agent association is not mandatory, but most estate agents are members of the Estate Agent Association</p>

10. The real estate market

10.1 Transaction costs for sample transactions

Table 22: Transaction costs VAT excluded

	Estate agent ²²	Technical services (if usual)	Legal services	Land register fee	Transfer tax/stamp duty	Total usual transfer costs
€100,000 sales price (no mortgage)	2000 EUR	N/A	N/A	16 EUR	800 EUR	2816 EUR
€100,000 sales price + 100.000€ mortgage	2000 EUR	N/A	N/A	16 EUR	800 + 424 EUR	3240 EUR
€250,000 sales price (no mortgage)	5000 EUR	N/A	N/A	16 EUR	2000 EUR	7016 EUR
€250,000 sales price + 250,000€ mortgage	5000 EUR	N/A	N/A	16 EUR	2000 + 424 EUR	7440 EUR
€500,000 sales price (no mortgage)	10,000 EUR	N/A	N/A	16 EUR	4000 EUR	14,016 EUR
€500,000 sales price + €500,000 mortgage	10,000 EUR	N/A	N/A	16 EUR	4000 + 424 EUR	14,440 EUR
%VAT applicable	Included					

²² An agent usually receives a percentage of the transaction value.

10.2 Transaction features

Table 23: Transaction features			
Transaction / service	Party bearing the costs of intermediation service (buyers or sellers, landlords or tenants) Costs expressed: • In EUR as % of total purchase price <u>and</u> • As a fixed amount (if available)	Indicate fees as expressed in the contract: • In EUR as % of total purchase price <u>and</u> • As a fixed amount (if available)	Possible hidden costs faced by buyers or tenants, if applicable
Estate agents	Usually the seller. Rarely the buyer. Depends on who contracted the estate agent.	1-3% of sale price + VAT	N/A
Technical services	Borne by whomever hires the service	Various prices, usually fixed or hourly. Technical services may be requested for a number of reasons. No public data is available to what extent or what the price is, since technical services vary greatly, and so does price.	N/A
Legal services	Borne by whomever hires the service	Hourly. Average hourly rate is 160-200 EUR.	N/A
Land register fees	Borne by buyer	16 EUR	N/A
Taxes on conveyancing	N/A	N/A	N/A
Transfer taxes	Borne by buyer	0,4% (individuals as first time buyers), 0,8 (main rule for individuals), or 1,6% (legal entities) of the property value.	N/A

10.3 Taxes during the process of buying and selling a property

Table 24: Taxes related to buying and selling a property			
	Relevance of the tax	When to pay the tax as part of the process of buying or selling	Tax amount (expressed in EUR as % of total purchase price <u>and</u> as a fixed amount if available)
Registration tax²³	No		
Mortgage tax	No		
Cadastral tax	No		
Stamp tax	Yes	When the purchase agreement is signed.	0,4-1,6% of property value
Transfer tax (tax on the acquisition of property)	No		
Archives tax	No		

²³ Registration taxes are public levies associated with the registration act. They are not to be confused with registration fees, i.e. the payment required by the registration office to carry out the registration. Registration fees are contained in Table 10.

10.4 Taxes during the process of renting and letting a property

Table 25: Taxes related to renting or letting a property

	Relevance of the tax	When to pay the tax in the process of renting or letting	Tax amount (expressed in EUR as % of total purchase price <u>and</u> as a fixed amount if available)
Registration tax	No		
Stamp tax	No		
Other taxes concerning the use of the property, if applicable	No		

11. Consumer situation in the market

11.1 Consumer rights

Table 26: Consumer rights		
Specific consumer rights in the context of real estate transactions and residential tenancies in the Country? In particular: are residential tenants treated as consumers?	<i>With respect to buyers</i>	Yes, primarily according to the Real Estate Transaction Act (No. 40/2002) and the Real Estate and Ship Sale Act (No. 70/2015)
	<i>With respect to sellers</i>	Consumer protection is inherent in the Real Estate Transaction Act (No. 40/2002) and the Real Estate and Ship Sale Act (No. 70/2015)
	<i>With respect to tenants</i>	Yes, primarily according to the Tenancy Act, (No. 36/1994). <ul style="list-style-type: none"> • The Tenancy Act cannot deviate from to the detriment of the tenant. A rental contract cannot therefore offer less protection to the tenant than is listed in the act, nor can such a contract place more obligations on the tenant, with the exceptions of additional obligations allowed by the act; • The tenant is entitled to have a written tenancy contract, although a verbal contract is also valid; • The act specifies a term of notice in case of termination; • The act places an obligation on the landlord to maintain a reasonable standard on the rented unit; • A tenant may terminate a tenancy contract if certain conditions are met, (e.g. if the landlord does not fulfil his obligations); • Other rules in the tenancy act may also serve to protect the tenant. Consumer protection is inherent in the act
	<i>With respect to landlords</i>	A few provisions according to the Tenancy Act, (No. 36/1994)
Which existing marketing practices are non-compliant with national consumer legislation?	Marketing might go against advertising legislation on occasion, but not in a way that could indicate systemic problems	

Which existing marketing practices are non-compliant with EU consumer legislation?	-
Are there existing marketing practices detrimental to consumers, even if not necessarily illegal, in both domestic and cross-border transactions?	It is difficult to point to specific issues. There are no pressing systemic problems but only isolated cases

11.2 Consumer complaints

Table 27: Consumer complaints

How often do <u>buyers and sellers</u> complain due to arising legal issues (e.g. invalid contract, missing information, hidden defects, missing building permit, and delay in payment)?	Not often. It used to be quite frequent that buyers sued the seller for defects and other related issues, but the trend in recent years seems to be the opposite. This is most probably the effect of the Real Estate Transactions Act, passed in 2002 (No. 40/2002)
How often do <u>tenants and landlords</u> complain due to arising legal issues (e.g. invalid contract, missing information, increase of rent, termination of the contract without proper notice)?	No data available. It is quite rare that a dispute between a landlord and tenant reaches courts, but it does happen occasionally. Furthermore, relatively few cases are submitted to the Housing Complaints Committee. See Art. 85 of the Tenancy Act (No. 36/1994) ²⁴

²⁴ Article 85 lists the procedure for complaints before the Housing Complaints Committee. The procedure is quite normal. Article 85 is as follows:

“If a dispute arises between the parties to a lease regarding its contents and/or its application, they may, individually or jointly, seek the assistance of the Housing Complaints Committee, which shall deliver a ruling in writing at the first opportunity, normally within two months of its receipt of the request.

Requests submitted to the complaints committee shall be made in writing, stating clearly the matter of dispute, the party’s demands and the reasoning on which they are based. The complaints committee shall give the opposite party an opportunity to express his/her views and state his/her demands. The party shall be granted a suitable amount of time for this purpose. Furthermore, the complaints committee may call for all necessary information and evidence regarding the matter if this is necessary.

The complaints committee shall normally deal with the matter in writing, though it shall be able to summon the parties to the dispute, or their agents, to a meeting. In other respects, processing of the matter before the committee shall be in accordance with the provisions of the Administrative Procedure Act and further rules issued by the Minister after receiving proposals from the committee.

<p>Are consumer complaints against a professional service provider frequent, in particular as regards the fees and quality or service?</p>	<p>Not frequent</p>
<p>To whom can consumers complain (e.g. local or national administration, consumer protection agencies), and through which means (e.g. formal letter, online form)? Is the procedure effective (in particular, average time needed for reply, solutions available for redress)?</p>	<p>The Consumer Association, The Consumer Agency and The Real Estate Agent Supervision Committee.</p> <p>Complaints are made via letter or online</p>

Rulings by the complaints committee shall be binding for the parties and no appeal may be made against them to a higher authority. The parties may refer a ruling by the complaints committee to the courts within eight weeks of delivery of the ruling, in which case its legal effect shall be deferred until the court has delivered its judgment. If a case is brought before a court involving a ruling by the complaints committee, the committee may defer the processing of comparable cases under its examination until judgment has been delivered in the case.

If, in the opinion of the complaints committee, a complaint is evidently groundless, the committee may order the plaintiff to pay the opposite party's costs in connection with the matter. An attachment may be made, without a prior court judgment, in order to collect the costs of the case.

Rulings by the Housing Complaints Committee are enforceable without a prior court judgment.

The complaints committee shall publish its rulings.

The Minister shall, by means of a regulation, issue further provisions on applications to the complaints committee, its functions, tasks, the scope of its powers, its working conditions, etc."