



GUIDE

concerning the purchase and sale of industrial property in Denmark

This guide includes a brief review of the normal process and the basic rules, which are valid in connection with the purchase and sale of industrial property in Denmark. If you need further information you may contact the Law firm Dahl, Koch & Boll, Viborg, Denmark.

The real estate is put up for sale

In stead of handling the sale himself a seller will normally contact an estate agent, who will then put up the real estate for sale.

Between the seller and the estate agent a consignment agreement is entered into concerning the estate agent's sales work. Among other things the sales work consists of a valuation of the real estate, the drafting of a sales proposal, advertising and marketing.

Furthermore, the consignment agreement includes provisions describing the fee to the estate agent, which fee is often a percentage of the purchase price, at which the real estate is sold.

When selling an industrial property the sales proposal must include a financial statement as well as a budget of the revenues and expenses of the real estate. The estate agent drafts this accounting material on behalf of the seller and is responsible of any miscalculations in the accounting material. When receiving the financial statement and the budget any buyers are able to get an insight of the operating and trade opportunities.

The closing and completion of the deal

When an interested buyer has been found a purchase agreement is entered into between the seller and the buyer. The purchase agreement is drafted by the estate agent and contains standard provisions as well as individual provisions.

Normally, in the purchase agreement a reservation is made that the lawyers of both the seller and the buyer can accept the purchase agreement. Consequently, the parties sign the purchase agreement provided that their lawyer may subsequently accept the deal.

Upon signature the estate agent forwards the purchase agreement to the lawyers of the seller and the buyer for review. Often, these lawyers will then ask for further information to be forwarded and various items to be clarified before the lawyers can accept the deal.

When the lawyers have accepted the deal and any possible conditions have been fulfilled a deed of conveyance is drafted for signature of the seller and the buyer.

Normally, it will be agreed upon in the purchase agreement, which of the lawyers shall complete the deal and who shall therefore draft the deed of conveyance and any other documents such as foreclosure documents and statement of repayments covering the current revenues and expenses, real estate tax etc.

Normally, it is the buyer's lawyers, who makes this work.

The new owner of the real estate is registered with the local authority and the deed of conveyance is then registered in the land register. Upon payment of the purchase amount and the fulfilment of any other conditions the deed of conveyance will have an endorsement that the deed of conveyance is final and then the deal is closed.

Seller's liability for defects

According to normal Danish legislation the seller is responsible of any defects, which the buyer may subsequently find by the real estate.

The Danish legislation concerning consumer protection when purchasing real estate contains an arrangement with the following characteristics:

If before selling the real estate the seller has handed out an inspection survey drafted by an appointed building expert as well as information on a change-of-ownership

insurance including an offer to pay half of the insurance premium and has finally inserted a general exemption of liability clause in the deed of conveyance then the seller is not liable towards the buyer in case of any defects by the real estate.

On the other hand the building expert, who has drafted the inspection survey is responsible towards the buyer in case of any defects.

However, there are certain exceptions and the arrangement is not valid by all sales.

The arrangement is only valid when selling real estate, which the seller has mainly used for residential purposes or which will mainly be used by the buyer for residence.

Therefore, when selling industrial property the seller may not use the arrangement described above including the drafting of an inspection survey and the submission of an offer for a change-of-ownership insurance.

Viborg, May 10th 2005