

**!! This Code of Conduct is translated from its original Dutch version. The original Dutch version of this code is leading.**

## **IVBN**

### **Code of Conduct for the Sale of Rented Housing Complexes and Single Properties (2007)**

#### **1. Objective**

IVBN represents the interests of institutional property investors whose business (at least in part) is to invest, as professional landlords, in residential complexes. IVBN members have signed the IVBN Code of Conduct (see the IVBN website). IVBN and its members are fully conscious of the fact that enabling people to rent a dwelling meets a primary human need, and that in some cases residential tenants are in a dependent position vis-à-vis their landlord and are on this account in need of protection. IVBN and its members believe that landlords who operate in a responsible and ethical manner help to ensure a thriving and stable rental housing market.

IVBN members respect the interests of their tenants and seek to take these interests into account when selling rented accommodation, whether it is a single property being sold to a sitting tenant or an apartment building being sold to another landlord.

In the sale of a single property to a sitting tenant, it is important that the sales process is conducted with care and in a manner that is transparent to the tenant.

In the sale of a rented housing complex it is important for sitting tenants that the new landlord is acting in good faith and will manage the flats in a responsible and ethical manner, and that in the sale of any single rented property to sitting tenants, the sales process followed by this subsequent landlord is conducted with care and in a manner that is transparent to the tenants.

#### *Interests of sitting tenants or prospective buyers*

In the sale of rented housing complex to a buyer that is not an IVBN member, it is important for the sitting tenants that:

1. The new landlord will operate in a responsible and ethical manner;
2. The new landlord intends to meet the legal and contractual obligations of a landlord completely and correctly;
  - (a) and that, at the time of the sale, the new landlord is therefore sufficiently creditworthy to meet a residential landlord's maintenance obligations;
  - (b) and that the new landlord is in a position to arrange and execute the management of the rented accommodation in an adequate manner;
3. The sitting tenants are informed in good time of the buyer's plans for the complex (e.g., to retain the complex as a long-term investment property, or to undertake the legal sub-division of the complex and sell it off, in whole or in part);
4. In the case of any subsequent sale of the complex to a third party that is not an IVBN member, or in the case of the sale of a single rented property to the sitting tenant, the buyer will adhere to the same Code of Conduct as the IVBN member.

In the case of the sale of a single rented property to the sitting tenant, it is important for the tenant/buyer that:

1. The entire sales process is conducted with care and in a manner that is transparent;
2. The tenant is fully informed about the condition of the property to be sold (taking into account the

fact that, when the prospective buyer is the sitting tenant, the tenant/buyer is often better informed about the state of maintenance of the property than the selling landlord;

3. The tenant is not subjected to any pressure to proceed to buy, and that, if necessary, he/she is informed about his/her rights as a tenant, and that, should the tenant decide not to buy, the tenant will not indirectly be coerced to buy or to leave the property (e.g., by an extreme or abnormal policy regarding rent increases);
4. No unusual sales conditions will be imposed;
5. In the case of the sale of apartment rights, the tenant will be correctly and fully informed about the specific properties of an apartment right, including the associated membership of an owners' association and, in particular, how the owners' association works.

## **2. Scope**

IVBN members who own more than 500 rented dwellings are required to adhere to this Code of Conduct. IVBN members are able to call each other to account regarding their adherence to this Code of Conduct. This Code of Conduct applies to the sale of:

1. A complex of 20 or more rented dwellings to a single buyer who is not an IVBN member, and
2. A single rented property to the sitting tenant.

## **3. Rules of conduct governing the sale of a housing complex to a non-member of IVBN**

### **a. Selection procedure**

As part of the sales process of a block of rented flats, IVBN members shall carry out an internal, confidential selection procedure with respect to potential buyers, with the aim of finding a buyer whom they may reasonably expect will be a responsible and ethical landlord. In making this selection, the member shall take into account previous experience and information available to him which indicates that:

- The party is acting in good faith (i.e., has, to judge from public media, no criminal record and is not involved in any criminal procedure or investigation);
- If the party currently manages (or has previously managed) rented housing complexes, it is known to be a responsible and ethical landlord;
- The party is in a position to fully meet all legal and contractual financial obligations as a landlord; and that, at the time of the sale, the party is therefore sufficiently creditworthy to meet a residential landlord's maintenance obligations; and that the party is in a position to arrange and execute the management of the rented accommodation in an adequate manner.

In the event of a tender procedure (whereby several parties are invited to submit an offer in advance on fixed, non-negotiable terms of sale), before awarding the tender, the selling IVBN member, will also be required to test the potential buyer in the same manner and against the same criteria as described above.

### **b. Information provided to tenants' associations and tenants**

IVBN members shall keep the tenants' associations (residents' committee and or tenants association) of the housing complexes they own (and the overarching tenants' association for all the IVBN member's properties, if any) informed about their sales policy in general.

If an IVBN member proposes to sell a specific block of rented flats, the member shall notify the relevant tenants' association (if any, the residents' committee) of this fact in writing (as required by the Dutch WOHV – the Dutch Tenants and Landlords Consultation Act). At the request of the tenants' association and/or on its own initiative, the landlord shall send all individual tenants written notification of the proposed sale. In the absence of a functioning tenants' association in the property to be sold, the IVBN member shall send the tenants individual written notification of the proposed sale. The IVBN member shall also draw the attention of the tenants' association and individual tenants to the existence of this Code of Conduct and where it can be found on the IVBN website.

### **c. Sales process**

Before starting any sales negotiations, or in the conditions of any tender procedure, the IVBN member shall draw the attention of prospective buyers and other eligible parties to the existence of this Code of Conduct and where it can be found on the IVBN website.

In any complex-by-complex sale (and also in the event of a sale on the basis of a tender procedure), the IVBN member shall impose the conditions laid down in this Code of Conduct on the buyer, and shall impose on the buyer the obligation to impose the same obligation on any subsequent buyer, and so on and so forth in perpetuity.

The IVBN member shall sell the rented housing complex in its ownership solely to a party who meets the selection criteria laid down in the selection procedure, i.e., to a party of whom it may reasonably be expected that it will be a responsible and ethical landlord, observe its legal and contractual obligations as a landlord, adhere to this Code of Conduct and impose it on any subsequent buyer, and accept at least the terms listed below in the sales contract.

The IVBN member shall include in the sales contract with the buyer the following terms:

1. The buyer shall subscribe to this Code of Conduct and observe the agreements laid down in it and will in turn impose these agreements in perpetuity on any subsequent buyer that is not a member of the IVBN.
2. The buyer shall, within three months of conveyance of the purchased rented housing complex, inform the tenants and the relevant tenants' association about its business plans for the complex and the policy it will pursue with respect to the complex.

The IVBN member shall also include in the sales contract that, if the buyer wishes to sell the rented properties to the sitting tenants, it will observe the following rules:

3. The sitting tenants shall be notified in writing about the sales process to be followed and the timetable involved;
4. The tenant shall be sent a written offer of sale of the rented property on the basis of a generally accepted standard sales contract, with the terms of the sale (e.g., as prepared by Vereniging Eigen Huis, De Consumentenbond, De Koninklijke Notariële Beroepsorganisatie, or the estate agents' organisations, NVM, VBO or VastgoedPro);
5. The sitting tenant shall be given an opportunity to investigate the state of repair of the property.
6. If the landlord offers to sell the property to the sitting tenant, the tenant shall also be given written assurance that, if the tenant does not wish to take up the offer, the tenancy agreement will be continued.
7. No form of pressure shall be exerted on the tenant to buy the property that he/she rents or to terminate the rental agreement or otherwise to vacate the property. The following are inadmissible: an extreme or abnormal policy regarding rent increases that is unjustified in the light

of local and/or complex-related market conditions, and which consequently seems to be directed towards forcing the tenant to terminate the rental agreement and/or to vacate the property.

In addition, the IVBN member shall include in the sales contract that, if the seller wishes to sell the right to a rented apartment to a sitting tenant, it shall also observe the following rules:

8. The sitting tenant shall be notified of the existence of the legally required owners' association (VvE) and specifically of the financial state of the owners' association in question. The tenant shall be given an estimate (as realistic as possible) of the service charges that the owner of the apartment to be sold will owe the owners' association for the current financial year.
9. The sitting tenant shall be given an opportunity to investigate the state of repair of the complex as a whole and to estimate the maintenance costs for the complex as a whole, and the size of the maintenance reserve needed cover this, and of the apartment being bought. Before individual apartment rights are offered to individual buyers, an external expert or a manager of the community of property owners shall draw up a multi-year maintenance plan (with budget), covering a period of 10 years, to be handed to the sitting tenant when the written offer to sell is made.
10. The seller shall notify the sitting tenant whether it intends to retain a majority position in the complex (and consequently also a majority vote in the owners' association). The seller shall also notify the sitting tenant of its business plans for the complex and its policy with regard to the complex. If the seller retains a majority of the apartment rights in the complex, and, as a professional party, is therefore able to ensure that a maintenance plan is drawn up and a reserve created for major repairs and maintenance (notwithstanding the owners' association's continued responsibility for drawing up a multi-year maintenance plan and accumulating a maintenance reserve), the seller shall notify the sitting tenant in writing of its policy in this regard.
11. As long as it holds a majority position in the owners' association, the seller shall do its best to ensure that a delegation of its tenants of apartments in the complex can attend meetings of the owners' association (without voting rights), and that this delegation may make its opinions known about agenda items which are of interest to tenants of apartments in the complex.

Finally, the IVBN member shall also include in the sales contract a penalty clause and a perpetual clause with the following effect:

12. The buyer shall forfeit to the selling party a fine of 10% of the purchase price in the event that the buyer fails to observe the above-mentioned agreements laid down in 1 to 12, whereby the buyer undertakes, upon the sale of the complex, to impose these agreements (including the penalty clause) by means of a perpetual clause on subsequent buyers, notwithstanding the right of the seller to claim performance of the agreements and damages from the buyer.  
The penalty clause shall be limited to a period of two years following conveyance. After the expiry of the period of two years after conveyance, the buyer shall continue to meet all the obligations described in this Code of Conduct and imposed on it in the sales contract.

#### **4. Rules of conduct in the sale of a rented property to a sitting tenant**

In selling rented residential property to sitting tenants, an IVBN member shall observe the rules of conduct laid down in Section 3c (3-7 and 12) of this Code of Conduct.

#### **5. Rules of conduct for the sale of apartment rights**

In selling apartment rights to sitting tenants, an IVBN member shall observe, in addition to the rules of conduct laid down in Section 3c (3-7 and 12) of this Code of Conduct, the rules laid down in paragraph 3c under 8 to 11 of this Code of Conduct.

## **6. Enforcement**

On its own initiative, the Board of IVBN may request a report from every IVBN member about the process in the sale of one or more of the member's rented housing complexes and/or the sale by the member of an individual property to the sitting tenant. The Board may require the IVBN member to have the report prepared by an independent party (e.g., an accountant).

If a tenant in a rented housing complex owned by an IVBN member or sold by an IVBN member considers that the said IVBN member or subsequent landlord of the complex failed to adhere to this Code of Conduct in executing the sale, the tenant, during a period of two years after the sale by the IVBN member, may submit a complaint in writing to the Board of IVBN.

The Board shall immediately send the said IVBN member (and where relevant, the subsequent landlord) written notification that the complaint has been made.

Unless the Board immediately dismisses the complaint as blatantly unfounded, it will ask the IVBN member concerned for the report mentioned above in this section.

The IVBN shall immediately send the tenant confirmation of receipt of the complaint and inform the tenant about the internal procedure to be followed. When the procedure has been completed, the IVBN shall inform the tenant of the outcome and any penalties imposed on the member. Tenants cannot require IVBN or its Board to make this internal procedure public or to impose any penalties.

If an IVBN member has failed to adhere to this Code of Conduct, IVBN may decide to impose on the said member the penalties available to it (i.e., warning, reprimand or suspension).

If a buyer who buys a rented housing complex from an IVBN member (or a buyer who buys from that buyer) fails to adhere to this Code of Conduct, it shall be entirely at the discretion of the IVBN member who sold the complex to decide (depending in part on the nature, the seriousness and the degree to which the buyer and/or subsequent buyer were in breach of their obligations, and measures taken to make redress for the breach), whether to invoke the damages provisions included in the sales contract, and/or to sue for performance of the agreements made in the sales contract under civil law.

## **7. Concluding provision**

This Code shall be referred to as "IVBN Code of Conduct for the Sale of Rented Housing Complexes and Single Properties (2007)", abbreviated to "IVBN Code of Conduct Sales 2007". This Code of Conduct will be published on IVBN's website.

IVBN may decide to withdraw (permanently or temporarily) or change this Code of Conduct. Any suspension or change will be reported on the IVBN website.

This Code of Conduct only applies to the sale of a housing complex consisting of at least 20 rented dwellings (simultaneously), whereby the seller is an IVBN member and the buyer is not an IVBN member.

No rights can be derived from this Code of Conduct (except by IVBN and its members).

This Code of Conduct takes effect when signed by the IVBN members and published on the IVBN website (Members Only section), and replaces the “Letter of Intent regarding the Code of Conduct – Sale of Rented Housing (1999)”.

Sales transactions already in progress before the signing and publication of this present Code fall under the Code of 1999.

**8. Signing**

By signing the IVBN Code of Conduct for the Sale of Rented Housing Complexes and Single Properties (2007), the IVBN member declares to observe this Code of Conduct without reservation and to deal in the spirit thereof.

The undersigned, lawfully acting on behalf of:

[name company]

[name signatory]

hereby declares that he/she is familiar with the above Code of Conduct and will adhere to it for an indefinite period of time.

Place

Date

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