

A GUIDE TO LEASE EXTENSIONS

The vast majority of flats are sold on a leasehold basis to ensure enforceability of covenants (including contributions towards service charge).

There are significant problems in obtaining mortgages on flats with remaining terms of less than 60 years. Many flats in this part of the world were constructed/converted in the 1960s and 1970s, and it follows that those properties in particular can cause significant problems when the owners come to sell. In fact some mortgage lenders will refuse to lend on properties with a lease of less than 75 years outstanding.

Legislation over the past 30 years has introduced various rights to assist leasehold owners of residential flats. This note deals with the lease extension.

Lease Extension: **Your Statutory Rights**

To qualify for this a flat must have been owned for two years or more although there is no requirement for the owner to reside in the flat. Indeed this facility is available to Executors who have the right to commence the process within two years of the issue of the Grant of Probate, so long as the deceased owner/tenant satisfied the two years ownership requirement. If the calculation is carried out on the statutory basis the Lease will be extended by 90 years, with ground rent payments ceasing from the date of completion of the lease extension.

Once the relevant notices have been served the flat owner can “assign” the right to a lease extension to a purchaser, although in practice most purchasers wish to see the extension concluded in advance of the sale being completed.

The cost of obtaining a leasehold extension increases significantly as the term reduces. It is unquestionably the case that if funds are available a leasehold extension constitutes a good “investment”, and is better carried out sooner rather than later.

Elements of the price of purchasing a lease extension include compensation to the landlord for the loss of ground rent and also the fact that the flat will not become available to him at the end of the term. The final element is known as “marriage value” being fifty percent of the calculated increase of the value of the property in consequence of the extension. The marriage value element is normally significant, but does not apply to leases with more than 80 years unexpired.

In addition to the price of the leasehold extension itself you will have to be responsible for the reasonable legal and valuation costs both of the freeholder and any intermediate superior leaseholders, together with your own legal and valuation costs. The website **leaseholdadvice.org** contains a useful preliminary indication of the probable cost of a lease extension. It is however important to note that the opinion of a professional valuer should be obtained at an early stage. Indeed he/she will also be able to assist in relation to negotiations with the freeholder.

Please ask for Anthony Harris

Our normal office opening hours are:- Monday to Friday 9.00 - 1.00 & 2.00 - 5.00
Anthony Harris & Company, 43 Old Milton Road, New Milton, Hampshire, BH25 6DJ
01425 638288 reception@harrisco.uk