

Daniells Harrison

CHARTERED SURVEYORS

**Are You looking
to
Extend Your Lease
or
Buy Your Freehold?**



**A guide to Lease Extensions
and Leasehold Enfranchisement**

by

**DANIELLS HARRISON
CHARTERED SURVEYORS**

**The South Coast and
Isle of Wight Property Experts.**



Daniells Harrison

CHARTERED SURVEYORS

Daniells Harrison Chartered Surveyors is an independent partnership of residential and commercial property consultants and surveyors offering a full range of surveying, design, project and property management services across Southern England and the Isle of Wight.

The firm prides itself on its reputation for offering a professional service of the highest standards with all its Partners, Associates and senior staff being professionally qualified Chartered Surveyors.

More details on -

www.dhcs.co.uk

LEASEHOLDERS....

If you own a leasehold property, you have the right (subject to qualification) to either extend your lease (**lease extension**) or buy the freehold (**leasehold enfranchisement**).

LANDLORDS (FREEHOLDERS)....

Your leaseholders have the right to extend or purchase their lease. You must respond with a formal landlord's counter-notice within the specified timescale, (normally two months), or you will be forced to grant the lease extension or sell the freehold at the price set out in the tenant's notice.

What is a Lease Extension?

You have the right to extend the lease of your property by up to 90 years on top of the remaining term.

Why would I want to extend the lease of my property?

Your lease is a wasting asset, which means that as the length of the lease decreases, so does its value. The property may be difficult to mortgage and consequently sell. Bear in mind:

- You will pay more to extend your lease if your lease term has less than 80 years left. This could be significant and it is advisable to extend before your lease reaches this limit.



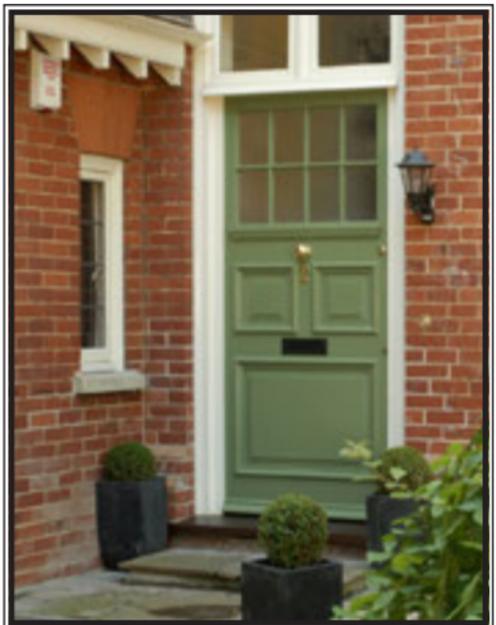
- Mortgage lenders do not like short residential leases. You are likely to encounter difficulties if you want to sell your flat if the unexpired term of your lease is less than the criteria set by most lenders (often an unexpired term of at least 80 years).
- The market demand for, and value of, your property, will be considerably lower if the unexpired term of your lease is short.

Do I qualify to extend my lease?

- When the lease was originally granted, it must have been for a term of over 21 years. It does not matter what the term remaining on the lease is now.
- You (the leaseholder) must have owned this lease for a minimum period of two years (subject to certain exceptions).

The lease extension process

- The tenant serves a Notice on the landlord stating a realistic figure which they are prepared to pay for the lease extension. (It is for this purpose that a valuation by a Chartered Surveyor is required).
- The landlord replies with a Counter-Notice within 2 months which will state the price at which they are prepared to extend.
- A six - month period is allowed for negotiations. If agreement on the premium cannot be reached there will be a referral to the First-Tier Tribunal.*



What is Leasehold Enfranchisement?

Leasehold enfranchisement is the term used to describe the legal process of helping owners to complete a freehold purchase of their property. It can be on an individual basis (in the case of a leasehold house) however more common is collective enfranchisement, where multiple tenants seek to own the freehold together, each having a share.

Why would I want to purchase the freehold of my leased property?

If you purchase the freehold, you will own your home. Leasehold enfranchisement also is likely to increase the value of your property and give you more control over its management, including repairs and alterations.

Do we qualify for Collective Enfranchisement?

- Your building must contain two or more flats with a minimum of two thirds of the total number of flats held by qualifying tenants. (A qualifying tenant has to hold a lease that, when it was granted, was for a term of more than 21 years).

The process of leasehold enfranchisement

- The tenant(s) serves a Notice on the landlord stating a realistic figure which they are prepared to pay for the leasehold enfranchisement.
- The landlord replies with a Counter-Notice within 2 months which will state the price at which they are prepared to sell.
- A six-month period is allowed for negotiations. If agreement on the premium cannot be reached there will be a referral to the First-Tier Tribunal.*

The Legal Bit

The Leasehold Reform Act 1967 and the Leasehold Reform, Housing and Urban Development Act 1993 are the two key laws governing lease extensions and leasehold enfranchisement.

How much will a Lease Extension or Leasehold Enfranchisement cost?

The amount a leaseholder should pay to extend or buy their lease is assessed in four main parts:

- The value of the ground rent income.
- The value of the freeholder's reversion at the end of the lease.
- 50% of the 'marriage value' i.e. the amount that the value of the flat increases when the lease is extended. This sum is not payable if the existing lease has more than 80 years unexpired.
- any other specific considerations applicable to the property.

In calculating the final cost there are other considerations such as the development value. An experienced Chartered Surveyor will be able to take into account all of the relevant factors to determine the Market Value.

In addition to the cost of the lease extension or purchase and their own professional costs, **the leaseholder must pay the freeholder's legal costs, valuation costs and any Stamp Duty.**

**If an agreement is not reached on value, the leaseholder must be in possession of a formal RICS valuation in order to be represented at a specialist court known as the First-Tier Tribunal. Calculations arrived at from any other source (such as online calculators) will not be considered.*

How can Daniells Harrison Chartered Surveyors help?

The lease extension and leasehold enfranchisement process not only requires an understanding of the complex regulations and procedures involved, but the ability to calculate the value of the lease extension or purchase of the freehold and negotiate with the other parties involved.

Daniells Harrison Chartered Surveyors regularly act for leaseholders and landlords. We aim to simplify the process, offer the best advice and provide accurate market valuations.

We will:

- Advise you of your legal rights.
- Tell you what you need to qualify (or how you should respond as a landlord).
- Prepare the complex calculations required and produce a Lease Extension or Leasehold Enfranchisement valuation report.
- Guide you through the process of serving notice on the landlord or responding to your leaseholders.
- Negotiate a final figure on your behalf.
- Represent you at the First Tier Tribunal (or, should it escalate, be an expert witness at a Court of Appeal) if a decision is not reached initially.





Are you:

- **Needing to extend your lease?**
- **Wishing to buy your freehold?**
- **A freeholder that has been served notice of a leasehold enfranchisement by your tenant?**

Speak to one of our friendly experts now. Not only will you benefit from our many years of experience in this area, you could also make substantial cost savings.

**Call Rob Hurlstone at our Fareham office
on 01329 221199.**

**For Isle of Wight enquiries please call
David Wiggins on 01983 821212.**

*We are always delighted to assist in your
property related matters.*

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