



Lease extensions

Qualifying leaseholders

If you are a qualifying leaseholder you have the right to acquire an additional term of 90 years with the ground rent reducing to a peppercorn. All other terms of the lease are to remain the same as the current lease save for certain requirements set out in the legislation.

You may also be able to seek a lease extension from your landlord by agreement outside of the legislation. This will depend on your landlord but you should be aware that if you follow this route there is no prescribed time scale to follow.



Source: fotolia

It is important for all parties to understand the options open to them and to understand the many intricacies of the legislation to ensure that their rights are protected and the best outcome obtained. This is a complex area of the law and serving invalid notices or failing to abide by time limits can be fatal to a leaseholder's claim or a landlord's response.

Landlords

If you are a Landlord and the leaseholder serves a notice of claim on you, it is important that you seek legal advice quickly as the deadline for responding is a strict one and if you fail to comply the leaseholder can seek to make a claim to the courts for a lease extension on the terms they proposed in the notice of claim. If the leaseholder has not served a notice on you then you should also remember that you can agree to extend a lease by way of agreement and the legislative process does not need to be followed.

Why seek a lease extension?

As an owner of a long lease you have invested money in a property but a lease is a wasting asset. As a lease gets shorter it becomes less valuable. Obtaining a lease extension will ensure that the value of your asset is retained and if you come to sell your flat, it will assist you in obtaining the best price.

Once the term of a lease drops below a certain number of years you will find that mortgage lenders become reluctant to or refuse to lend on a lease without it being extended.

A lease becomes shorter, it becomes less valuable. As a result the shorter the lease becomes, the more expensive it is to extend. This is particularly the case if a lease drops below 80 years as at this point an additional element called "marriage value" is included in the valuation process increasing the amount payable for the lease extension.

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What are the legal requirements?

The first requirement is that you must be a qualifying leaseholder. A qualifying leaseholder must own a long leasehold interest in a flat which was, as it was originally granted, for a term of more than 21 years.

You must also have owned the leasehold title to the flat for at least 2 years (alternatively if you are buying a flat the previous owner must start the process and assign the benefit to you, but this must be done very carefully to ensure the legislative procedure is complied with).

If the above are complied with and you do not fall into one of the exceptions you will be entitled to acquire a lease extension.

What do you need to start the process?

Once you have decided that you want to extend your lease you should:

- obtain valuation advice from a valuer proficient in this area of work as to the premium that you are likely to have to pay to acquire the lease extension in accordance with the legislation.
- instruct solicitors to advise you on and prepare the Notice of Claim to serve on your landlord and any intermediate landlord.

See the flowchart below for the details of the process involved in obtaining a lease extension.

Before commencing the process you may also want to explore whether you can join together with your neighbours to seek to acquire the freehold as an alternative to acquiring a lease extension or whether you want to enforce your right to manage the block in addition to acquiring a lease extension.

What are the costs involved?

In order to acquire the lease extension, the landlord and any intermediate landlords are entitled to be compensated. The level of compensation is calculated in accordance with a formula set out in the legislation and includes considering the value of the flats, the ground rents and the length of term remaining on the lease. Further, the leaseholders are liable to pay the reasonable legal and valuation fees of the landlord and any intermediate landlord.

What if your landlord is missing?

There are procedures to follow set out in the legislation to acquire a lease extension of a flat even if the landlord is missing.

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Flat lease extension claim

