



**FREEHOLD
PURCHASE
SPECIALISTS**

Chartered
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Why Should the Freehold be Purchased?

Leasehold owners of a house (**tenant**) on a long lease, i.e., 99 years, 999 years etc, can purchase the freehold of their property.

A lease is a diminishing asset, with the value falling each year that passes. Purchasing the freehold will give you the full value of the asset. Furthermore, raising mortgage finance on a lease with less than 70 years remaining will become progressively more difficult.

As well as the value of the Leasehold interest falling year on year, the cost of purchasing the freehold will increase. The lower the remaining term, the higher the cost to extend, with short leases running to tens and even hundreds of thousands of pounds (relative to the property value).

Can the Freehold be Purchased?

Yes, Under the *Leasehold Reform Act 1967* **qualifying Leaseholders** have the right to purchase the freehold interest.

What is a Qualifying Tenant?

A qualifying tenant will have:

- owned the lease for 2 years;
- Have a long lease, the original term being at least 21 years;

The tenant will also have to satisfy the criteria of owning a 'house' as defined within the Act.

Freehold Purchase Process

As agents on behalf of the tenant, we effect the process by serving notice to the Landlord which outlines his/her right to purchase the freehold.

The landlord must serve a counter notice within two months of the initial notice, either accepting the rights to purchase the freehold or not.

Refusal of the notice by the Landlord must be based on facts that exclude your rights from the Act.

Calculating the Premium

The basis of the valuation is determined by the rateable value of the property.

The premium calculation can be very complex and is reliant upon a number of variable factors.

We therefore suggest a range of figures to our clients, providing a best and worst case scenario for the final price.

Negotiations

It is usual for the landlords' surveyor to calculate the premium at a higher rate than the tenants' surveyor, thus allowing negotiations.

As agents for the tenant, we would negotiate the cost of the premium with the landlords' valuer to ensure you pay the minimum amount possible for the freehold.

This is done using the facts of each individual case. Once

negotiations for the premium have concluded, the legal advisers will finalise the purchase of the freehold.

Other costs

As well the purchase price of the freehold, the tenant will also be liable to incur the landlords' reasonable valuation and legal costs.

Extending the Lease

As an alternative option, under the Act, the tenant can choose to extend his/her lease by a period of 50 years rather than purchase the freehold.

The initial advantage of this is that there is no premium payable. Should you not have then finances to purchase the Freehold, this may be an alternative option, although other costs will still apply.

This is not the answer for everyone as the extended lease will be at a higher, modern annual ground rent. The long term costs of this will be significantly higher than purchasing the Freehold.

Our Advice

Our initial advice is free of charge, during which we would give you guidance as to the likely price of the premium.

For further information and advice, contact our Leasehold Enfranchisement specialist,

Kevin Broadhurst

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RICS Registered Valuer