

EXTEND THE LEASE ON YOUR FLAT

UNDER THE *LEASEHOLD REFORM, HOUSING & URBAN DEVELOPMENT ACT 1993*

WE CAN EXTEND YOUR LEASE BY 90 YEARS



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What is a Lease Extension and Why Should a Lease be Extended?

Owners of a flat (*tenant*) on a long lease, i.e., 99years, 125 years etc, can extend their lease by a period of 90 years.

A lease is a diminishing asset, with the value falling each year that passes. 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 extending the Lease 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 Lease be Extended?

Yes, Under the *Leasehold Reform, Housing & Urban Development Act 1993 (LRHUD '93)*, **qualifying Leaseholders** can extend their lease by a period of 90 years.

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 'flat':

- A separate premise that forms part of a building.
- This includes ancillary areas such as gardens, garages and parking spaces.

Lease Extension Process

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

The notice will include a proposed premium, this is the amount that the flat owner would be prepared to pay to extend the lease.

The proposed premium must be a realistic offer, based on valuation advice. Failure to comply with this will invalidate the notice and the applicant will incur unnecessary costs.

Calculating the Premium

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.

Landlords' Counter Notice

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

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

Negotiations

It is usual for the landlords counter notice to include a counter offer for the price of the premium.

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

This is done using the facts of each individual case. Once negotiations for the premium have concluded, the legal advisers will finalise the new lease details.

Other costs

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

Our Advice

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

A formal valuation would be required before we can provide concise advice.

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

Kevin Broadhurst
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RICS Registered Valuer