

Mike Stapleton & Company

Chartered Surveyors

Experts in the field of lease extension and collective enfranchisement
Covering London and Southern England

LEASE EXTENSIONS

Lease extensions are necessary for two main reasons. Firstly they will protect the value of your property. Secondly, subject to the length of the term, the lease may not be saleable in the open market for a fair price.

Property owners having leases with over 100 years to run need not worry. Indeed a lease in excess of 90 years is still perfectly saleable. However once a lease has slipped to a term remaining of 80-85 years it is imperative that a lease extension is negotiated. The reason for this is quite simple. Once a lease has less than 80 years unexpired, the costs of obtaining the lease extension will rise significantly. In the immediate years before the lease decreases to 80 years the impact starts to be felt. Purchaser's naturally become nervous and it is entirely common for conveyancing lawyers acting on behalf of prospective purchasers to deter their Clients from

purchasing until a lease extension has been obtained.

The lease extension may be

The valuation process is complex, but broadly speaking the landlord is entitled to compensation for:

Loss of the ground rent (the rent reverts to a peppercorn)

Loss of the right to recover the property at the end of the existing lease

A 50% share of "Marriage Value" if the lease has less than 80 years remaining

* Marriage Value arises when the value of the extended lease is greater than the sum of the value of the flat (with its existing lease) and the landlord's investment interest.

determined on either the statutory basis, whereby the provisions of the 1993 Leasehold Reform, Housing & Urban Development Act (as amended) are followed or alternatively by informal negotiation. Whichever method is used it is vital at the outset to obtain sound valuation advice from an experienced Chartered Surveyor.

At Mike Stapleton & Co we carefully explain the most cost-effective way of obtaining a lease extension. The statutory process provides for a ninety-year extension to be added to the existing unexpired term, although it is possible by informal negotiation to agree a lease extension of an alternative length. It is always our policy to try and negotiate terms at an early stage, however should the need arise, we will happily provide representation at the Leasehold Valuation Tribunal, who in the absence of agreement, will determine the price to be paid.

COLLECTIVE ENFRANCHISEMENT

Collective enfranchisement (freehold purchase) offers an alternative to obtaining a lease extension by providing a route for the leaseholders to become joint owners of the freehold. To qualify to "enfranchise" at least two-thirds of the flats must be leasehold and no more than 25% of the internal floor area can be allocated to non-residential use. At least 50% of the leaseholders must agree to participate in the purchase. The purchaser is referred to as the 'Nominee Purchaser'. The nominee purchaser may be a RTE (right to enfranchise) Company or named individual(s).

The valuation process follows a not dissimilar format to that employed to deal with lease extensions, albeit with some subtle differences. The landlord is likewise entitled to compensation for loss of the

ground rent income and reversion. The landlord is also once again compensated for marriage value, if the lease has less than 80 years to run.

The landlord may also be entitled to compensation for loss of land or property not demised under the leases. Roof space or garden areas are typical examples.

At Mike Stapleton
& Co we recognise
the need to
provide strategic
cost-effective advice
in order to seek
acquisition of the
freehold in the
least possible time
at the most
competitive price

WHAT ELSE DO WE DO

At Mike Stapleton and Company, our experience and knowledge stretches beyond leasehold reform matters. We undertake a variety of other professional work, including

Residential and commercial surveys

Valuations for all purposes

Party wall advice

Schedules of condition

Rent reviews

Right to manage schemes

Please call our office to discuss your requirements



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