

- Owners of flats can collectively elect to buy their freehold from the landlord under the Leasehold Reform Housing and Urban Development Act 1993.

- In order to qualify:-

i. The building must contain two or more flats

ii. 66.6% of flats in the block must be held on long leases

iii. At least 50% of the long leaseholders in the block must participate

iv. The block must not be in more than 50% commercial use

The price payable will depend on

i. the length of flat leases still to run, and

Ii. The amount of annual ground rent

- Other costs will include the Landlords reasonable valuation and conveyancing costs.

- We are happy to provide a free initial appraisal of the cost of collective enfranchisement and the likely costs. Our contact details are:-

Orme Associates
78 Mount Pleasant
Liverpool
L3 5SL

M/WhatsApp: 07553 343 365
E: andreworme@orme-associates.co.uk
W: orme-associates.co.uk



Orme Associates
Property Advisers

COLLECTIVE ENRANCHISEMENT
BUYING THE FREEHOLD OF A BLOCK OF FLATS
UNDER THE
LEASEHOLD REFORM HOUSING AND URBAN DEVELOPMENT ACT 1993

What We Do
Orme Associates Property Advisors can advise on and effect the purchase of the freehold of your block of flats from your Landlord under the Leasehold Reform Act 1993 on behalf of a group of leaseholders, at a price determined by statutory valuation formulae.

Collective Enfranchisement of Flats
Collective Enfranchisement is the process of a group of leaseholders through a nominee purchaser usually a tenants company acquiring the freehold of their block of flats compulsorily from their landlord.

Why Buy the Freehold of a Block?
Collective Enfranchisement gives to the flat owners control over the ownership and management of the building through the tenants company rather than a third party investor. (since 2002 there is also a right to manage, see our other leaflet "Right to Manage")

The leases of the individual flats can be extended with long terms by the tenants company. This solves the problem of a lease being a depreciating asset. In particular the value of a lease will not depreciate in a linear fashion. From 80 years still to run the value of a lease will start to fall away more quickly.

Raising mortgage finance against a leasehold property approaching 80 years to run becomes progressively more difficult as time goes on due to mortgagees lending policies.

Many mortgage companies will not lend on properties that have a ground rent of more than £200 per annum.

These factors limit the number of buyers in the market.

The old leases can be renewed with a more modern lease.

The building and the estate can be managed and developed according to the flat owners preference, e.g., collective enfranchisement can be used to prevent a landlord commencing inappropriate development.

Qualifying Criteria
Premises Qualifying
In order to qualify for collective enfranchisement:-

a. The building must contain two or more flats held by qualifying tenants

b. 50% of qualifying tenants must agree to participate (where there are 2 flats in the building both qualifying tenants must participate) and additionally;

c. 66.6% of the flats in the building must be owned by qualifying tenants whether or not they decide to participate

d. No more than 50% of the building must be designed for commercial use and occupation

Tenants Qualifying
A qualifying tenant must:-

e. Have a lease with an original term of at least 21 years. Note that the lease may have less than this period still to run at the time of enfranchisement.

f. Not own three flats or more in the building, lest they are countered as owning just one.

The Participating Tenants
Those qualifying tenants that form a minimum of 50% of tenants of a qualifying block who decide to participate are able to make a claim. The participating tenants will be required to buy the landlords reversions to non-participating flats as well as theirs and any commercial space (although subject to landlords right to take a leaseback). Other tenants may join later if the original tenants agree. The more tenants that participate will mean a lower share of the overall cost for each party.

The Nominee Purchaser
A nominee must be appointed to conduct proceedings with the freeholder (and any intermediate landlords) on behalf of participating tenants. The nominee purchaser is often best being a limited company.

The Process of Collective Enfranchisement
The process is effected through the service of an Initial Notice on the landlord and any head lessors.

The Initial Notice will include an offer to the landlord as to the amount the participating tenants are prepared to pay for the freehold.

Your landlord must then serve a Counter Notice within two months either admitting your right to acquire the freehold or not. A refusal must be based on facts that exclude you from qualification.

A Counter Notice admitting the right must either accept the price proposed or state a realistic counter offer. It is then down to the respective parties and their surveyors to agree upon a price for the freehold. Either party can apply to the First-tier Tribunal for determination of the price.

A failure by the Landlord to serve a Counter Notice or to specify a realistic price leaves the nominee purchaser free to apply to court for an order effecting the transfer of the freehold on the terms in the Initial Notice.

Upon agreement on price the freehold is transferred to the tenant company and the price is paid to the landlord.

The Cost of the Freehold
The price payable for the freehold is found using the prescribed statutory valuation method.

The valuation is the aggregate of:-

a. *The Ground Rent*
The capitalized (rolled up) ground rent is payable usually 16 times the rent.

The Leasehold and Freehold Reform Act 2024 ("LAFRA 2024") expected in 2027 proposes to change this method of valuation.

b. The Landlords Reversions
The landlords compensation for reversions to the flats will depend upon the length of the leases still to run. For instance where leases have less than 100 years still to run the price payable for the reversions will be more than nominal.

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Past Enfrachisements



Description
6 no. flats and 9 no. houses at Old Mill Court, Chester, CH2 1DW

Lease length still to run
91.5 years (average)

Ground rent
£40 pa x 15 flats

Freehold purchase price
£15495 + landlords costs



Description
13 flats at Napier Court, Outram Road, Croydon, CR0 6XE

Lease length still to run
63 years

Ground rent
£150 pa (rising)

Freehold purchase price
£133500 + landlords costs



Description
2-48 and 50-72 Howton Place, Bushey, WD23 1HX plus car parking

Lease length still to run
949 years

Ground rent
£15.75 pa x 46 flats

Freehold purchase price
£90000 + costs



Description
4 flats at 2 Marine Park, West Kirby, Wirral, CH48 5HW

Lease length still to run
65.6 years (average)

Ground rent
£15 pa x 4 flats

Freehold purchase price
£33120 + costs



Description
2 flats at 49 Houston Road, London, SE23 2RJ

Lease length still to run
987 years

Ground rent
£250 pa doubling every 25 years

Freehold purchase price
£15500 + costs



Description
3 flats at 7-8 Remington Street, London, N1 8DH

Lease length still to run
103 years

Ground Rent
£10 pa x 3 flats

Freehold purchase price
£6500 + costs

c. The level of Marriage value
For properties having less than 80 years to run at the date of the claim, a marriage value will be payable. This is the increase in value created above the purchase price because of the claim and is shared 50/50 between the parties.

LAFRA 2024 proposed to abolish marriage value which we hope will commence in 2027.

Landlords Costs
It is necessary to pay the Landlords reasonable valuation and conveyancing costs. Where those costs are not agreed, an application to the First-tier Tribunal can be made to decide those costs.

Stamp Duty
From April 2009 Stamp Duty is not longer payable on freehold purchases by way of collective enfranchisement.

Valuation Estimate
We can provide a free estimate of the price likely to be payable before you decide to proceed.

Missing Landlord
Where the landlord is missing it is possible to ask the County Court to vest the freehold estate in the nominee purchaser.

Bona Vacantia
Where the landlord was a company which is now dissolved, the freehold is likely owned by the Treasury Solicitor or the Duchy of Lancaster. In these circumstances it is possible to achieve a sale by agreement on the same terms of the 1993 Act.

Further Information / Appraisal
For further information and advice on Collective Enfranchisement contact:-

Andrew Orme BSc(Hons) PgDip(Law) PgDip(EU Comp Law) PgDip(Proj Man)
Orme Associates
78 Mount Pleasant
Liverpool
L3 5SL

M/WhatsApp: 07553 343 365
E: andreworme@orme-associates.co.uk
W: orme-associates.co.uk
Linkedin.com/in/andreworme

Notes

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