Orme Associates
Property Advisers

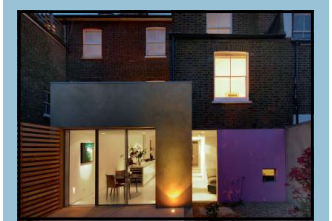
PURCHASING THE FREEHOLD OF YOUR HOUSE UNDER THE LEASEHOLD REFORM ACT 1967



- Leaseholders of houses can purchase their freehold compulsorily from the landlord under the Leasehold Reform Act 1967.
- To qualify the property must be a house, although shops/workshops with flats above will qualify, as well as houses converted to flats.
- A claim for the freehold estate can be made regardless of the length of ownership.
- The price payable will comprise of a multiple of your ground rent, usually about 16 times (with adjustments for the rent review cycle)
- Also where the property has less than 100 years still to run a portion of the freehold value is payable.
- Other costs will include the Landlords reasonable valuation and conveyancing costs.
- We are happy to provide an initial appraisal of the possibility of enfranchisement and a free valuation. Our contact details are provided below:-

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What We Do
Orme Associates Property Advisors can advise on and effect the purchase of your freehold from your Landlord under the Leasehold Reform Act 1967.

Why Buy my Freehold?
1.Leases are a depreciating asset and ultimately expire with a low value. Buying your freehold provides an asset in perpetuity.

Also 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 more quickly and at 40 years still to run the value of a lease will depreciate more steeply than before.

Raising finance against a leasehold property with less than 80 years still to run becomes progressively more difficult due to mortgagees lending policies.

Where the ground rent is over £200 per annum there will be fewer mortgage lenders willing to lend on leasehold properties making the property more difficult to sell.

This limits the number of buyers in the market which has a downward effect on property value.

Renovation, alteration and improvement works almost invariably require landlord consent. The landlord may have the unqualified right to refuse consent, or where it must consent, legal fees will be payable. Buying your freehold leaves you free to undertake whatever works you please subject to planning consent.

All other restrictions in a lease can be extinguished such as an obligation to repair, pay service charges, landlords surveyors fees and prohibitions on use such as residential use only.

The need to obtain consent to sub-let or transfer the lease and the fees usually payable for consent no longer apply.

For houses with shorter leases (less than 100 years), often a profit will be realised through the process of buying your freehold.

The Leasehold and Freehold Reform Act 2024 ("LAFRA 2024") proposes to make buying a freehold cheaper. This Act will be particularly useful for houses with ground rents above £200.

Qualifying Criteria
In order to purchase the freehold estate to a leasehold property it must be a house, or a shop and a flat, or a large house converted to flats.

Also the lease must have been granted for an original term of at least 21 years. Note that the lease may have less than this period at the time of enfranchisement.

The Process of Enfranchisement
The process is effected through the service of a Tenants Notice to have the Freehold on the Landlord.

The freeholder must then serve a Landlords Notice in Reply within two months either admitting or refusing the Notice. A refusal however must be based on facts that exclude you from qualification under the Act (such as the property is not a house).

The price for the freehold is agreed between the parties surveyors. Either party can apply to the First-tier Property Tribunal (FTT) during this process for determination of the price and terms of purchase.

Upon agreement on price and the terms of transfer the freehold is transferred to the tenant.

Note that Stamp Duty may apply to higher value purchases.

The Valuation of the Freehold
The price payable to the Landlord will be the sum of the following:-

A. *The Ground Rent*
The capitalization of the ground rent, which is often 16x the ground rent, adjusted to take account of any rent reviews (this will change following commencement of LAFRA 2024).

B. *The Reversion*
The reversion is the time it will take before the property reverts back to the Landlord. For houses with over 100 years still to run the reversion will most likely be nominal.

For properties with less than 100 years to run, there will be a reversionary value which will increase as the lease depreciates, i.e., the shorter the lease the greater the Landlords reversion will be worth.

Usually the Tenant need only pay for the reversion on the land value, rather than on the building and land taken together. As the price payable is based upon land value only a profit will usually accrue to the tenant.

Landlords Costs
The tenant will have to pay the Landlord reasonable legal and valuation fees. The government are likely to fix these fees in 2027.

Costs incurred in a Tribunal application are not claimable save in exceptional circumstances.

Valuation Estimate
Orme Associates can provide an estimate of the price likely to be payable and the landlords costs before you decide to proceed at no cost.

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

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