

- Owners of flats can extend their lease by an additional term of 90 years with a new peppercorn rent under the Leasehold Reform Housing and Urban Development Act 1993.

- In order to qualify:-

i. The property must be a flat

ii. The lease must have had an original term of more than 21 years

- The price payable will depend on—

(i) the length of term still to run, and

(ii) the level of ground rent reserved by the lease

- The price payable may change following the introduction of the Leasehold and Freehold Reform Act 2024 (expected in 2027)

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

- Reducing the ground rent to a peppercorn will often make the property more mortgageable

- We can provide a free initial appraisal of the cost of lease extension and the likely landlord costs.

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Orme Associates
Property Advisers

EXTENDING THE LEASE OF YOUR FLAT UNDER THE LEASEHOLD REFORM Etc ACT 1993

What We Do
Orme Associates Property Advisors can advise on and effect a lease extension of your flat by a further term of 90 years from your Landlord under the Leasehold Reform Housing and Urban Development Act 1993.

Why Extend my Lease?
1.Leases are a depreciating asset and ultimately expire with a low value. Extending your lease provides an asset that is comparable in value terms to a freehold.

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 away more quickly.

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

Having a flat with a ground rent above £200 per annum reduced the number of mortgage companies willing to lend. This limits the number of buyers which in turn affects value.

The terms of the new lease will be the same as before unless the tenant and landlord propose different terms or a new lease. This right can substitute an old lease which may be out dated for a new modern one.

For flats with shorter leases (less than 90 years), often a profit will be realised through the process of extending your lease.

Qualifying Criteria
In order to extend the lease :-

(i) The property must be a flat, and

b. It must 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.

The Process of Lease Extension
The process is effected through the service of an Initial Notice on the landlord.

The Initial Notice will include an offer to the landlord as to the amount the flat owner is prepared to pay for the new lease.

Your landlord must serve a Notice in Reply within two months either admitting your right to extend your lease or not. A refusal must be based on facts that exclude you from qualification under the Act.

The Notice in Reply if admitting your right must either accept the price you propose or state a counter offer.

It is then down to the respective parties and their surveyors to agree upon a price for the new lease. Either party can apply to the First-tier Tribunal during this process for determination of the price.

Upon agreement on price a new lease is granted and the price is paid to the landlord. Please note that Stamp Duty will apply where the purchase price exceeds £125000.

The Cost of the Lease Extension
The price payable for the lease extension is found using prescribed statutory valuation guidelines.

The valuation is the aggregate of:

a. *The Ground Rent*
The ground rent payable is capitalized (rolled up) for the time still to run. The ground rent is usually multiplied by 16 to give a price payable for the ground rent.

The way the price payable for the ground rent is calculated will change following the commencement of the Leasehold and Freehold Reform Act 2024 ("LAFRA 2024").

b. The Landlords Reversion
The landlords reversions to the flats must be purchased, and its value will depend on the time still to run. Leases having over 90 years still to run will not attract a great cost under this head (between 0% and 5% of the flat value).

c. The level of Marriage value
For properties having less than 80 years to run only, a marriage value will be payable. There is an uplift in value created when the flat lease is extended, which is shared between the landlord and tenant 50/50.

LAFRA 2024 proposed to ban marriage value, perhaps due in 2027.

Landlords Costs
The Landlords reasonable valuation and conveyancing fees are payable. LAFRA 2024 proposes to fix these costs.

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

Collective Enfranchisement
The alternative to Individual Lease Extension is Collective Enfranchisement where at least 50% of leaseholders in the block who are qualifying tenants can collectively buy the freehold from their landlord. For further information on Collective enfranchisement see our other leaflet "Collective Enfranchisement — Purchasing Your Block of Flats".

Further Information / Appraisal
For further information and advice on Lease Extension contact:-

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