



Orme Associates

Property Advisers

BUYING THE FREEHOLD OF YOUR BLOCK UNDER THE LEASEHOLD REFORM ACT 1993

• 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 initially participate

• The price payable will be (a) the capitalization of the ground rent and (b) the reversionary value depending on the length of flat leases still to run.

• Other costs 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 provided below:-

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What We Do

Orme Associates Property Advisers can purchase the freehold of your block of flats compulsorily from your Landlord using the Leasehold Reform Act 1993.

Why Buy the Freehold of our Block?

1. Collective Enfranchisement gives to the flat owners in a block control over the management of the building through the tenants company rather than a third party investor. It is particularly useful where tenants are dissatisfied as to how the block is managed. There is also a "right to manage", as an alternative, see our sister leaflet "Right to Manage"

2. 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. Notably the value of the flat will depreciate more quickly after 70 years still to run, and particularly quickly where there is 25-30 years still to run. (see graph overleaf).

3. Raising mortgage finance against a leasehold property with less than 70 or 80 years still to run becomes progressively more difficult due to mortgagees lending policies. This limits the number of buyers in the market to those purchasers buying with cash, which in turn affects value hence the progressive steepening decline in value as time passes.

4. 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 one with modern terms.

Qualifying Criteria

Premises Qualifying

In order to qualify for collective enfranchisement:-

a. The building must contain two or more flats held by tenants by qualifying tenants (see below)

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

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 25% of the internal area 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

Lease Extension

The alternative to Collective Enfranchisement is the Individual Right to Lease Extension which gives a flat owner the right to an additional 90 year term. For further information on the right to Individual Lease Extension see our sister leaflet "Extending the lease of your flat under the Leasehold Reform Act 1993".

The Participating Tenants

The participating tenants will be required to effectively buy the landlord reversions to non-participating tenants flats as well as theirs and any commercial space (although in the latter case subject to landlords right to take a lease-back). 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.

Participation Agreement

This is an internal contractual agreement between the participating tenants will ensure that the costs of the enfranchisement are met by all concerned and there are no withdrawals later.

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 a limited company set up by the participating tenants.

The Process of Collective Enfranchisement

The process is effected through

the service of an Initial Notice served 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 new lease.

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 under the Act.

The Counter Notice 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 freehold. Either party can apply to the Leasehold Valuation Tribunal (LVT) during this process for determination of the price.

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

Stamp Duty

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

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. Peppercorn rents are valued at zero.

b. The Landlords Reversions
The landlords reversions to the flats must be purchased, and their 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). Below is a relativity graph showing approximate % of the property value against the years still to run. NB A lease of 100 yrs is considered near

Past Enfranchisements



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

Lease length still to run
63 years

Ground rent
£150 pa (rising)

Freehold purchase price
£133500 + landlords costs shared between 10 tenants



Address
6 no flats and 9 no houses at Old Mill Ct, Chester, CH2 1DW

Lease length still to run
91.5 years (average)

Ground rent
£40 pa (rising)

Freehold purchase price
£15495 + costs (overall) shared between 15 tenants



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

Lease length still to run
65.6 years (average)

Ground rent
£15 pa (fixed)

Proposed purchase price
£33120 + costs (overall) shared between 4 tenants

equal to a freehold in 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 has a share of the freehold over that paid for the reversions. This is split 50/50 between the Landlord and the Tenant.

Landlords Costs
It is also necessary to pay the Landlords allowable costs.

These are:-
a. the landlords reasonable valuation costs (but not the costs of negotiation)
b. the landlords reasonable conveyancing costs
c. the costs of investigating the tenants right to enfranchise (but not service of a Counter Notice or taking advice)

Costs must be reasonable and are subject to challenge at a Tribunal.

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

Resume
Orme Associates have acted for clients in respect of Leasehold Reform since 2002. We have acquired numerous freeholds to blocks of flats in Liverpool, Manchester and London. We regularly represent leaseholders of flats and houses at the First Tier Property Tribunal and at the Upper Tribunal.

Andrew Orme is the appointed officer for Leasehold Reform and has 16 years' experience. Andrew has a first-class degree in Estate Management from City University, Birmingham (1997), a PgDip in English Law from the College of Law in Chester (1999), and a PgDip in EU Competition Law from Kings College, London (2016). Andrew's LinkedIn profile is at <https://www.linkedin.com/in/andreworme/>

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

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 @OrmeAssociates



Description
10 flats at Alvon Court, Mottram Road, Hyde, SK14 2SY

Lease length still to run
91 years

Ground rent
£50 pa (rising)

Freehold purchase price
£20000 inc. landlords costs shared between 8 tenants



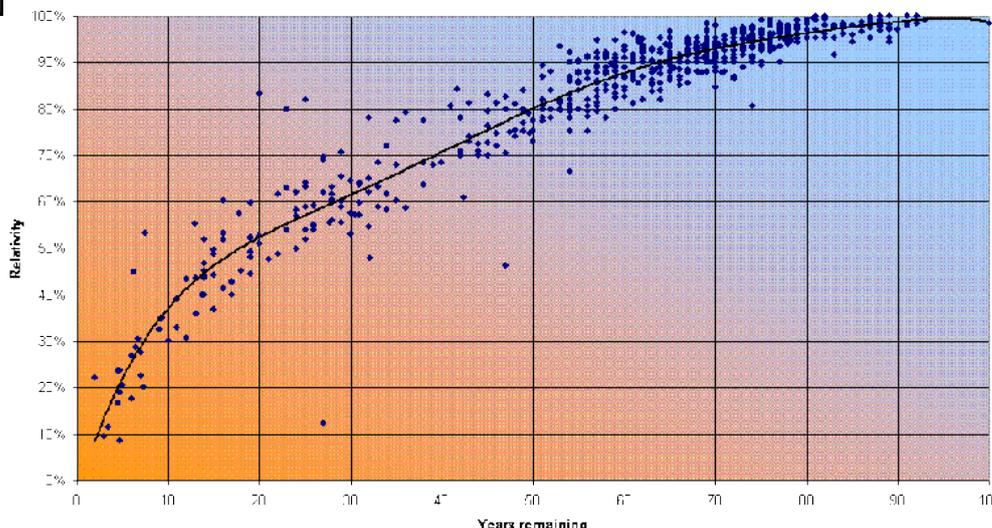
Description
3 flats at Gubyon Avenue, Herne Hill, London, SE24 0DU

Lease length still to run
83.5 years

Ground rent
£30 pa (rising)

Freehold purchase price
£28000 plus landlords costs shared between 3 tenants

Relativities derived from LVT determinations 1994-2007



NB: The Relativity Graph above shows the flats' value at 100 years still to run. At 30 years still to run for example approximately 60% of the flats value belongs to the leaseholder and 40% has been lost to the Landlord.

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