



Orme Associates

Property Advisers

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

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

- In order to qualify:-

i. You must have owned the lease for the last 2 years.

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

- The price payable will depend on the length of term still to run, see relativity graph overleaf as a guide

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

- Orme Associates appear on the leasehold enfranchisement practitioners list for the North West by LEASE the enfranchisement advisory service (www.lease-advice.org)

- We are happy to provide a free initial appraisal of the cost of lease extension and the likely costs. Our contact details are provided below:-

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What We Do

Orme Associates Property Advisers 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 zero 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 and at 25 years still to run the value of a lease will depreciate even more steeply than before. (see relativity graph overleaf).

2. Raising 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 cash purchasers, which in turn affects value hence the progressive steepening decline in value as time passes.

3. 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.

4. For flats with shorter leases (less than 90 years), often a profit will be realised through the process of extending your lease (this may also apply to leases over 100 years but it can be less demonstrable).

Qualifying Criteria

In order to extend the lease of a flat you must have:-

a. Owned the flat for the last 2 years;

b. 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 or the old lease is extended and the price is paid to the landlord. Note that Stamp Duty will apply where the purchase price exceeds £125000.

You are free to withdraw at any time after the service of the Initial Notice, although this right will expire 1 month following an agreement on the purchase price.

The Cost of the Lease Extension

The price payable for the lease extension is found using the prescribed statutory valuation method.

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 20 to give a price payable for the ground rent.

b. The Landlords Reversion

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 equal to freehold 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.

d. Outstanding service charges

All outstanding rents, service charges and insurance premiums must be paid up.

Landlords Costs

Also you will have 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 acquire a new lease (but not service of a Notice in Reply or taking advice)

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

For Collective enfranchisement see our sister leaflet "Collective Enfranchisement — Purchasing Your Block of Flats".

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

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Resume

Orme Associates have acted for clients in respect of Leasehold Reform since 2002. We have transacted lease extensions to 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. Andrew has 16 years experience in Leasehold Reform, he has a first-class degree in Estate Management from City University, Birmingham (1997), a PgDip in Law from the College of Law in Chester (1999), and a PgDip in EU Competition Law from Kings



Address
Parliament Street, Liverpool, L8

Lease length still to run
64 years

Ground rent
Peppercorn

Price for 90 year extension
£5500 + landlords costs

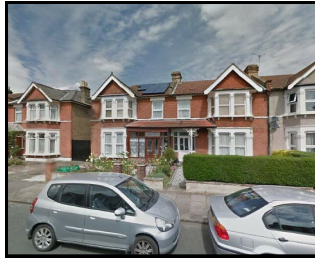


Address
Hamilton Court, Sale, M33

Lease length still to run
71 years

Ground rent
Peppercorn

Price for 90 year extension
4600 + landlords costs



Address
Lansdowne Road, Ilford, Essex, IG3 8NF

Lease length still to run
68 years

Ground rent
£50 pa (rising)

Freehold purchase price
£15500 + costs



Address
Chesterton Road, Plaistow, E33 8BB

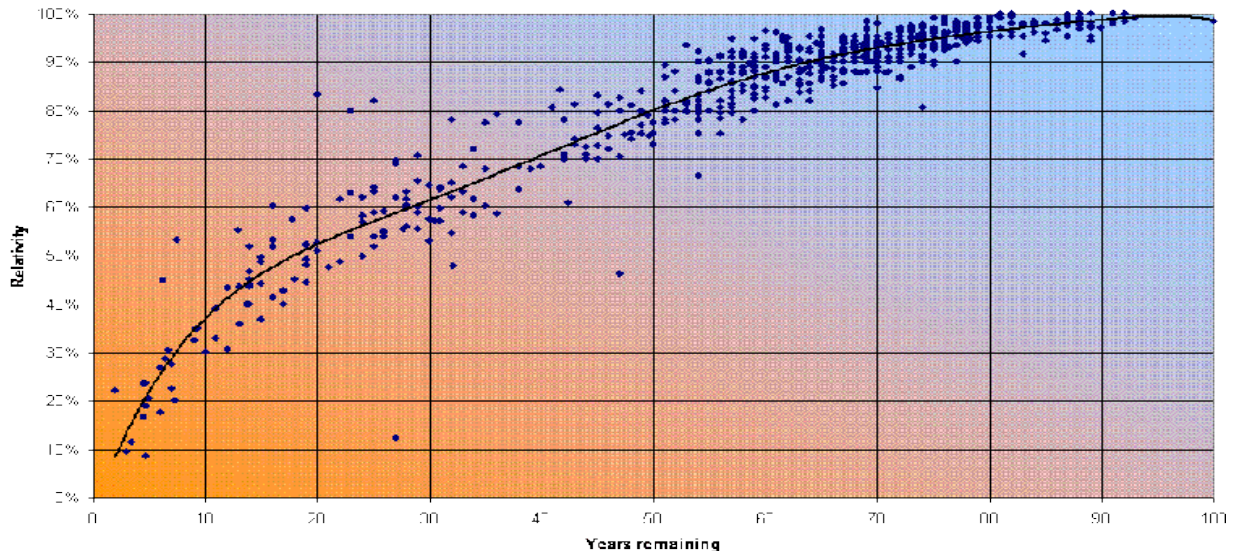
Lease length still to run
69 years

Ground rent
£50 pa (rising)

Freehold purchase price
£12500 + costs

College, London (2016).

Relativities derived from LVT determinations 1994-2007



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

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