

Extending the Lease on a Flat / Apartment

A Brief Guide



Legislation

A Leaseholder of a flat / apartment has a right to an extended or renewed lease under the Leasehold Reform Housing and Urban Development Act 1993 (as amended).

This entitles the Leaseholder to:

- An extended term of 90 years plus the current unexpired term
- This extension will be at a peppercorn ground rent

In order to qualify a Leaseholder must have owned their flat / apartment for 2 years.*

Extension Process

Once the Freeholder has been identified, a formal notice under Section 42 of the above Act can be served requiring the Freeholder to propose their terms for an extension. Within the notice the Leaseholder is required to propose a figure for an extended lease, if this figure is deemed unreasonable then it could invalidate the notice.

The Freeholder's counter notice cannot be requested sooner than two months after the date of the Section 42 notice. On receipt of the Freeholder's counter notice it is usual that further negotiations will take place to settle the terms and premium.

These must be agreed within 6 months, otherwise an application should be made to the First Tier Tribunal (Property Chamber) to reach settlement.

Other Points

- The Leaseholder is responsible for the Freeholder's reasonable valuation and legal fees on service of a Section 42 notice.
- An extension before the unexpired term falls below 80 years will usually cost significantly less as no marriage value is payable.

To reduce the premium payable, the Lease can be extended for a lesser term with a future ground rent included. This however can only be achieved by agreement between both parties; neither has a right to this. Careful consideration must be given to any agreement to continue to pay ground rent to make sure that the level of rent agreed, or the review mechanism would not be considered onerous and cause an issue in the future.

Please contact:

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(T) 01494 689616 (M) 07843 054770

- The Leasehold Reform Housing and Urban Development Act 1993 (as amended) only applies to flats / apartments.

Options for Leaseholders Intending to Sell

- Complete the extension prior to sale.
- Complete the extension on completion of the sale – this will however require the Freeholders agreement.
- A Section 42 notice can often be served and assigned to the new Leaseholder removing the requirement for them to have owned the property for 2 years. The new Leaseholder can then deal with the extension.

Indicative Premium

Below is an indicative scale of the possible premium to be paid for a Lease extension of a hypothetical flat / apartment outside Prime Central London with a vacant possession value of £200,000 and a nominal ground rent on the assumption that no short lease transactions have taken place locally:

Unexpired Term (Years)	Possible Premium Payable (Excluding costs)
81	£4,000.00
79	£7,300.00
77	£8,500.00
75	£9,700.00
73	£11,000.00
71	£12,300.00

For further advice, or an indication as to a suitable premium, please contact Jaggard Macland Surveyors.

The above are only indicative figures and should not be relied upon or used for service of any formal notice or used in a tribunal or court proceedings. You should not take any further action based on the above without obtaining professional advice.

This is a brief guide as to the Leasehold Reform Housing and Urban Development Act 1993 (as amended), however professional advice should be obtained before progressing further.

*There are additional qualifying criteria; please contact Jaggard Macland Surveyors for further details.

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