

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:

Greg Rowland MRICS (E) gjr@jaggardmacland.co.uk
(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.

Jaggard Macland LLP
McBride House
32 Penn Road
Beaconsfield
Bucks
HP9 2FY

01494 677755
info@jaggardmacland.co.uk
www.jaggardmacland.co.uk





Jaggard Macland
Professional
Property Services



Landlord Property Services	Tenant Property Services	Residential Property Services
Property Management Graham Atkinson	Search & Relocation Simon Harper	Residential Building Survey Phil Pearcey
Rent Review & Lease Renewal Steven Macdermott	Rent Review Negotiation Simon Harper	New Home Snagging Phil Pearcey
Property Investment Steven Macdermott	Lease Expiry Negotiation Simon Harper	Residential Property Investment Greg Rowland
Sale & Letting of Commercial Property Bill Harrington	Lease Restructuring & Variation Simon Harper	Residential Lease Extension Greg Rowland
Commercial Valuation Steven Macdermott	Building Survey Phil Pearcey	Block Management Greg Rowland
Project Management Phil Pearcey	Portfolio Management Simon Harper	Residential Property Management Greg Rowland
Commercial Building Survey Phil Pearcey	Tenant Dilapidations Steven Macdermott	Residential Valuation Greg Rowland
Landlord Dilapidations Steven Macdermott	Schedule of Condition Phil Pearcey	

Partners			
	Graham Atkinson	(T) 01494 689603	(M) 07802 765662 (E) gra@jaggardmacland.co.uk
	Simon Harper	(T) 01494 689614	(M) 07801 109649 (E) srh@jaggardmacland.co.uk
	Steven Macdermott	(T) 01494 689619	(M) 07764 476931 (E) srm@jaggardmacland.co.uk
	Greg Rowland	(T) 01494 689616	(M) 07843 054770 (E) gjr@jaggardmacland.co.uk

