

Lease Extensions

The Leaseholder of a long lease of a property will be entitled, under statute, to extend the term of their lease, provided that the Leaseholder has been the owner of a qualifying tenancy for at least two years. The right is granted by the Leasehold Reform, Housing and Urban Development Act 1993 as amended ("the Act") and takes effect by granting an entirely new lease of the property, although this is often referred to as a lease extension.

Terms of the new lease

The new lease for a flat or maisonette, granted in accordance with the Act, will be on the following terms;

- The term will be the remaining term of the existing lease plus 90 years;
- The ground rent will revert to a peppercorn, if demanded. Essentially therefore no ground rent will be payable;
- The remainder of the lease terms will generally stay the same, although some provisions may require updating to meet the current requirements of mortgage lenders;
and
- A premium will be payable for the extended term.

Notice of Claim

In order to exercise the right to a lease extension a Notice of claim must be served, in accordance with the Act, on the competent landlord. The Notice must set out the proposed terms of the new lease and also the proposed premium.

Proposed Premium

The Act provides a number of elements to be considered when calculating the premium payable for a lease extension and it is always advisable to instruct a surveyor with expertise in this area to carry out the specialist valuation.

Counter-Notice

Upon receipt of the Notice of claim, the Landlord will have two months within which to carry out their own valuation and respond with a Counter-Notice. The Landlord may agree to the claim, dispute the claim, or dispute some of the proposed terms of claim. It is common for the Landlord to propose a higher premium for the lease extension, and this will then be negotiated between each party's surveyors.

Tribunal Application

If the premium, or the terms of the lease cannot be agreed then either party is entitled to make an application to the Tribunal for determination.

Costs

A Leaseholder exercising their right to a lease extension will be responsible for the Landlord's legal and surveyor costs, in addition to their own.

Assignment of the Claim

Once the initial Notice of Claim has been served upon the competent Landlord, the right to the lease extension can be assigned. The person with the benefit of the right to claim a lease extension must always be the same person as the owner of the property. Therefore, should a leaseholder be looking to sell their property with the benefit of the right to a lease extension, they may serve Notice of Claim upon the Landlord, and then assign the benefit of this to the purchaser of their property simultaneously at the time of sale. This allows the purchaser to benefit from the right to extend their lease without waiting the qualifying two years.

If you are considering extending your lease, or would like to talk to someone about the possibility of doing so, please do contact Bonnie Twiggs and her team on 01707 387072.

