



DON'T LET THE REMAINING LENGTH OF YOUR LEASE FALL BELOW 80 YEARS – IT AFFECTS THE VALUE OF YOUR FLAT

In certain circumstances tenants of flats with long leases have the right to apply for an extension of the lease. This usually involves the creation of a new lease, for which a cost will be payable. What are the rules?

The new lease is likely to include:

- A term of 90 years plus the remainder of the term of the existing lease.
- A peppercorn rent (a very low or nominal rent.)
- The rest of the new lease's terms will generally be the same as the existing lease.

If you are a Qualifying tenant i.e. you fulfil the requirements, you have the right to apply for a lease extension.

You should check the remaining term of your lease. If the remaining term is just above 80 years then in order to avoid paying what is called the "Marriage Value" (an additional fee) to the freeholder you should act promptly and apply to extend your lease. If you decide to extend the lease when you have 80 years or less remaining on the term then you will have to pay a "Marriage Value" to the freeholder.

This could be significant and you will end up paying your landlord more to extend your lease.

To be a qualifying tenant you must:

- Have a residential lease for a fixed term of at least 21 years; and
- Have been the registered proprietor of the lease for at least two years prior to serving the notice requesting a new lease.

However, there are exceptions. You can't force the freeholder to extend a lease if:

- Your lease is a business lease.
- The majority of the leaseholders have applied to purchase the freehold.
- The freeholder is a charitable housing trust, the National Trust, the Crown (although they may agree), or the property is in a cathedral precinct.
- If your freeholder wants to demolish or redevelop the property (in which case you would be entitled to compensation).

“ You will have to pay a premium to extend your lease. You are able to obtain an estimate of what the amount will be. ”

This is generally calculated by using the length of the unexpired lease, ground rent payable and the eventual value of the property at the end of the lease when ownership transfers back to the landlord (the reversion value).

There is a handy calculator on the Leasehold Advisory Service website which will give you an estimate of the premium for you to use as a guide.

However, we always advise our clients to obtain a formal valuation from a valuer specialising in lease extensions.

In addition to the premium you will have to pay your own legal fees and surveyor's fees, and you will also have to pay the freeholder's reasonable costs occurred in connection with investigation, valuation and the negotiation of the new lease.

If you think you are eligible for an extension, do please contact us to get advice on how to make the application to extend your lease.

At Mackrell.Solicitors we handle all the legal process for you to extend your lease, please contact us for more information.



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