



LAST

CAWTHRA FEATHER

SOLICITORS

AdairPaxton^{LLP}
Property Specialists ■ ■ ■ ■

Residential Leaseholders' Rights

A guide to Purchasing your
Freehold and Extending your Lease

For further information please call either Paul Burkinshaw or Paul Anderson
on 0113 2440876 or email pburkinshaw@lcf.co.uk or panderson@lcf.co.uk

About us



Last Cawthra Feather

Last Cawthra Feather is a commercial law firm based in West Yorkshire with offices in Leeds, Bradford, Ilkley and Shipley.

Paul Burkinshaw heads our specialist team of property solicitors who focus on enfranchisement and leaseholders' rights. Paul is recommended by the Leasehold Advisory Service, which is a public body funded by the government to provide advice to leaseholders.

We are also proud to say that our firm has recently been accepted as a member of the Association of Leasehold Enfranchisement Practitioners (ALEP), which acknowledges our expertise and experience in this area.



Adair Paxton

Adair Paxton is one of Leeds' oldest firms of Chartered Surveyors, established in 1870 and operating from three offices in Leeds and Horsforth.

As well as undertaking agency, management and a wide variety of professional work, both commercial and residential, we have a substantial flat service charge management department, with over 3500 flats under management which gives us a unique insight into both leaseholders' and freeholders' rights and requirements.

Allied to a specialist residential valuation and survey department headed by Bruce Collinson, we have significant expertise in valuing flats, leases and freeholds and have undertaken numerous enfranchisements and lease extension exercises.

A Guide to Purchasing Your Freehold or Extending Your Lease

Last Cawthra Feather and Adair Paxton have joined together to offer a full service to leaseholders in West Yorkshire wishing to purchase their freehold or extend their lease, making the process simpler, more efficient and more cost effective. As a rule of thumb any leaseholder with a term of 80 years or less should be seriously considering extending their lease or risk significantly reducing the value of their asset. The benefits of purchasing the freehold and extending your lease are set out clearly below so you can make an informed decision.

Purchasing your freehold

FLATS

Our property is commonly our greatest asset and as a leasehold interest, is a diminishing interest, it is essential to manage it wisely.

Qualifying tenants of leasehold property have the right in certain circumstances to purchase the freehold from their landlord. Tenants must have a lease which had an original term of over 21 years when it was granted.

The tenants set up a property holding company, which they control, and with which they purchase the freehold. This process is known as collective enfranchisement.

Enfranchisement has become more accessible to tenants in recent years with more tenants taking up this opportunity and reaping the benefits. The key benefits are:

1. Control - owning the freehold gives the tenant greater control over the management, maintenance and future of the building, which is particularly attractive where the current management company is inefficient, expensive and poorly manages the building.

2. Increased Value - research shows that tenants who own and control the freehold add value to their properties, making them more marketable and attractive to lending institutions which is of particular importance in the current economic climate.

3. Extension of Lease - once tenants have acquired the freehold they have the power to grant 999 year leases at no extra premium thereby increasing the value of their property.

HOUSES

A qualifying leaseholder of a house can purchase the freehold of their house. A leaseholder must hold a long lease, which was originally granted for a term of more than 21 years and have held the lease for the last two years. The procedure is similar to the procedure for flat owners.

The process has become simpler recently and more people are purchasing the freehold particularly where their lease requires them to obtain landlord's consent to alter, extend or sell the property for example.

The flow chart on page 4 provides an overview of the procedure for both flats and houses which we hope you will find useful.



Extension of Leases

Purchasing the freehold is not the ideal solution for everyone, but individual tenants can still take steps to prevent depreciation of their asset by management of the lease term.

Leaseholders can apply for a new lease adding an additional 90 years to the lease term at a peppercorn rent (i.e. rent free). A price will have to be paid to the landlord for the extension of the lease to compensate for the loss of ground rent, and any loss of value in their interest in the property.

An extended lease again offers significant benefits:

Increased value

A longer lease is a more valuable asset and more attractive to lenders. Mortgages are harder to come by once a lease has less than 50 years to run so causing difficulty on sale.

Marketability

Flats with longer leases are easier to market and sell, and the length of the lease is reflected in the value.

Why act now?

Acting now could save you money. The fewer years a lease has left to run, the more a leaseholder has to pay the landlord for a new extended lease.

And if your lease has less than 80 years to run the landlord will also be entitled to a 50% share of the potential increase in the property's value when the lease is extended.

The attached flowchart on page 5 gives an overview of the procedure which we hope you will find useful.

Surveyor's Valuation

Step 1 – We will need to see a copy of all the relevant legal documents so that we can ascertain the nature of the various legal interests in the property, the remaining length of the leases and the amount of ground rent payable.

Step 2 – We will then visit the site and inspect a sample of the flats and the grounds of the property.

Step 3 – Using local market knowledge and an extensive database, we shall provide a range of valuation figures representing a 'best' and 'worst' case scenario. The valuations are a starting point for negotiations with the other side and there is no fixed price until it has been agreed by both sides.

Step 4 – We will negotiate on your behalf until agreement is reached.

Purchasing your freehold

1. Qualification: Does your building qualify?

The building must contain at least 2 flats, two thirds of the building must be held on long leases and no more than 25% of the internal floor area must be used for non-residential purposes.

2. Qualification: Tenant

Each tenant must have a lease which had an original term of over 21 years when it was granted. A minimum of 50% of the qualifying tenants must participate.

3. Preparation

We recommend that all the tenants enter into a participation agreement, which governs the purchase of the freehold. It is advisable for tenants to set up a fighting fund to purchase the freehold. The solicitor obtains details of the landlord, any intervening leases, evidence of ownership and the tenant's leases and set up a private limited company to purchase the freehold.

4. Instructing a Surveyor – Valuation

The surveyor values the freehold

5a. Serving Initial Notice

A formal notice, is served on the landlord setting out the price offered to purchase the freehold. Once served the tenants are responsible for the landlord's costs. The landlord has 2 months to serve its counter notice disputing or accepting the claim.

5b. Approaching the Landlord Informally

The landlord may be willing to agree to sell the freehold. The parties would need to agree the valuation and terms of the sale between themselves.

6. The landlord can request the tenant to provide evidence of their ownership of the property within 21 days.

7. The tenants must provide the information within 21 days of receiving the request from the landlord.

8a. The landlord serves a counter notice within 2 months.

8b. The landlord fails to serve a counter notice within 2 months.

9a. The landlord admits the claim and accepts the price.

9b. The landlord admits the claim, but does not accept the price.

9c. The landlord doesn't admit or deny the claim, but intends to redevelop or occupy the property himself.

9d. The landlord doesn't admit the claim.

9. The tenant must apply to the county court for confirmation that their application is valid.

10a. The landlord and the tenants have up to 6 months to agree terms.

10b. The landlord must make an application to the county court.

11a. If the parties fail to agree the terms the tenants must apply to the LVT (Leasehold Valuation Tribunal) before the end of the 6 month period.

11b. If the court upholds the landlord's claim, the tenant's claim fails. If the tenants claim succeeds the landlord must serve a new counter-notice.

11c. The county court orders that the tenants acquire the freehold on terms set out in their notice.

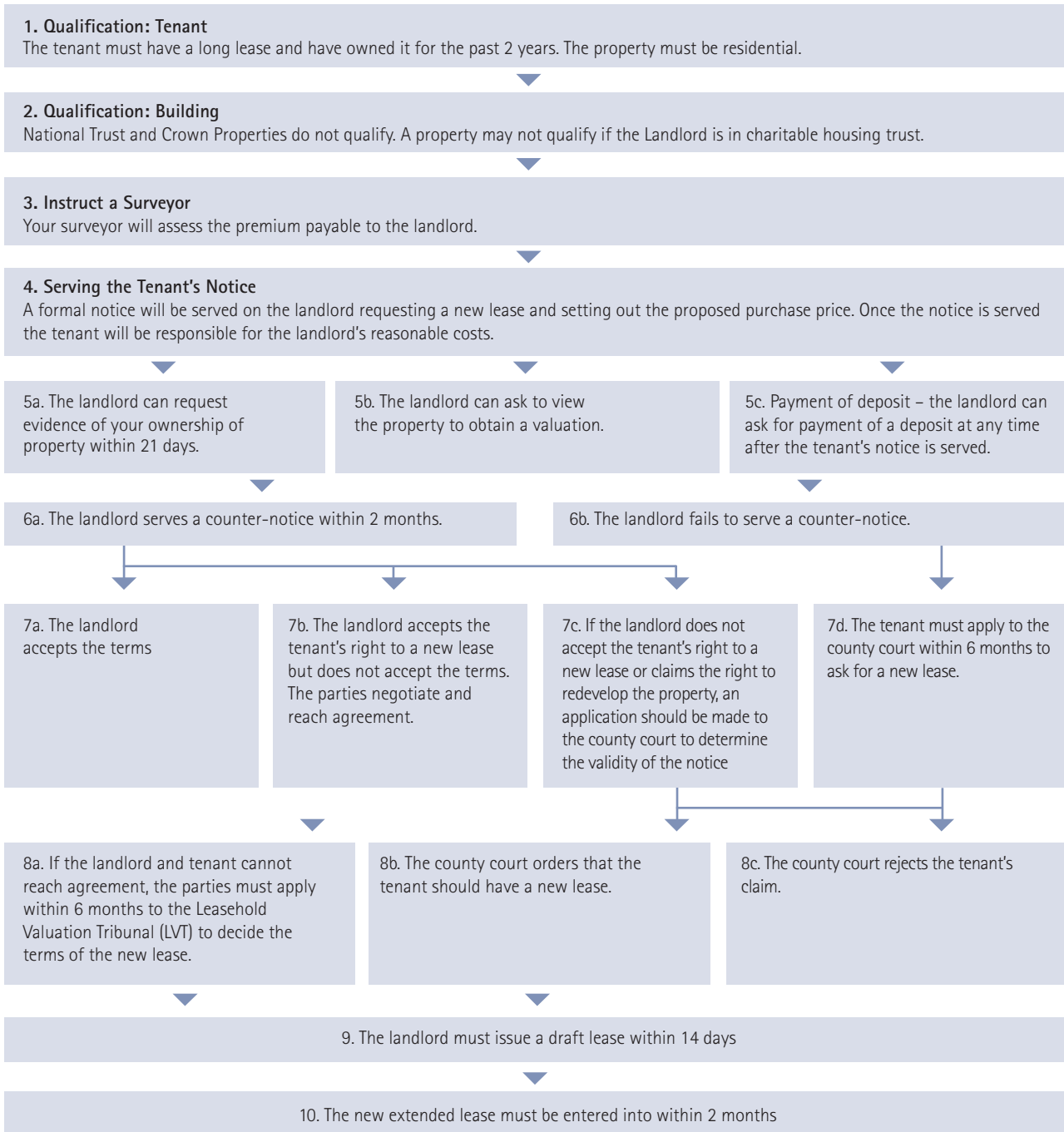
11d. The court orders that the notice is invalid and the claims fails.

12. The LVT determines the terms.

13. The terms of the sale are agreed. The parties must enter into a contract to purchase the freehold within 2 months.

14. The transfer of the freehold to the tenants is completed.

Lease Extension Overview



Fee Guidelines

Legal Fees

The legal fees are determined by how much work is involved. We have decided to charge on a step by step basis per flat as we think this works well for tenants allowing them to budget effectively and clearly see the costs involved at each stage in the process. So costs up to stage 2 will be £100 per flat, rising to £250 per flat at the end of stage 2 and so forth as the claim progresses. We set out below a general guide to the legal fees as at May 2009. An individual quotation will be provided to you at the outset once we have reviewed your lease. The cost estimates below are for purchase prices of up to £20,000.

Tenants are in addition responsible for the landlord's reasonable legal and surveyor's costs once the notice is served, along with any necessary land registry fees. Unfortunately, these are determined on a case by case basis although we will of course ask the landlord at the outset for an estimate of their costs.

	PROCESS	FEE (PER FLAT APPLICANT + VAT)
1	Determining qualification	£100
2	Prepare and serving the initial notice	£150
3	Dealing with landlord's response and agreeing terms. (excluding the LVT and court proceedings).	From £200
4	LVT and court proceedings	£400 + Court fees
5	Negotiating and entering into contract and transfer and registration at the Land Registry.	£300

Surveyors Fees

The surveyor will also provide a quotation at the outset detailing their fees.



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Last Cawthra Feather is
accredited with:

