

## **Guide to buying leasehold property**

There are two main ways that property can be bought – freehold and leasehold.

Owning the freehold means that you own the property outright.

Owning the leasehold means that you have the right to occupy the property and land, for a set period of time. That length of time will form part of the legal agreement you have with the landlord (the freeholder) called a 'lease'.

### **Length of lease**

The length of the lease is a very important consideration. Generally, properties with less than 70 years remaining on the lease can be difficult to mortgage. Most lenders will specify that there must be at least 25-30 years remaining on the lease beyond the term of the mortgage.

It is worth noting that once a lease has less than 80 years left the value of the property can start to drop quite significantly.

### **Extending the lease**

If you are considering buying a property with a short lease the safest option would be for you to ask the seller to extend the lease before you buy. When the lease has 80 years remaining, it usually becomes increasingly more expensive to extend the lease the longer it is left.

Failing that, you can ask the landlord to extend the lease after you buy, although there is no obligation for them to do so until you have owned the property for two years. After this period, providing you qualify.

There will be a charge for extending the lease which will be dependent on a number of factors.

### **Service charges**

Some leasehold properties, such as flats, will be subject to a service charge. These charges cover the communal aspects of the building, such as maintenance of the grounds, lifts and exterior walls and cleaning and upkeep of communal hallways. Service charges can be very expensive and can be subject to frequent reviews. It is essential that you are aware of these charges and conditions before you make an offer to buy.

You might also be expected to pay into an additional fund called a reserve or sinking fund that is set aside for any unexpected maintenance work, such as replacing the roof. Ask if there is any work planned or anticipated.

You may also be required to contribute towards costs associated with communal lighting, buildings insurance arranged by the landlord and administration charges.

It is advisable to ensure you are fully aware of all potential charges at the outset.

### **Ground rent**

You may be charged ground rent which can vary greatly depending on the lease. The lease will state when, if at all, the ground rent will increase and how that increase is calculated.

### **Repairs and maintenance**

The exterior of the property will generally be covered by the service charge/reserve fund. Inside the property will generally be your responsibility, unless otherwise stated in the terms of the lease. You will also normally need the landlord's permission to carry out certain works.

### **Your rights as a leaseholder**

You have the legal right to a summary of what the service charges are spent on, and to see receipts for any works carried out.

You also have the right to see a summary of the buildings insurance.

The landlord must consult you before carrying out work that will cost you more than £250, will take more than a year to carry out or work with an ongoing cost to you of over £100 a year.

### **Buying the freehold**

You can ask the landlord to sell you the freehold at any time. If the property is a flat you may only be able to buy a share of the freehold (as other flat owners are also entitled).

Where a landlord decides to sell the freehold, they usually have to give you first refusal before they offer it to anyone else, although this can differ depending on various factors.

### **How we can help**

Our property experts will advise on the terms of your lease and make sure that you are fully aware of all the associated costs, along with all your legal rights and responsibilities. We can also negotiate lease extensions, freehold purchases and handle all types of property disputes.

**Contact our Property team on 01302 320621 or email [info@athertongodfrey.co.uk](mailto:info@athertongodfrey.co.uk)**