

The moving house process - Leasehold

Leases come in a great variety of forms. They all have certain features in common.

A lease grants the Lessee (flat owner) a leasehold interest in their flat for a term of years.

The term of years is the length of time you “own” the flat, after that the lease comes to an end and the flat reverts to the landlord. A lease is described as a wasting asset.

Initial lease terms are commonly 99 or 125 years.

Leases with 75 years or more of lease term to run are usually quite saleable and acceptable to the vast majority of mortgage lenders.

An extension to a lease term can usually be purchased. In most cases a lessee (flat owner) has the right to purchase an increase in the lease term provided the lease term has not already been extended before. The lessee pays a premium to the landlord. Solicitors cannot advise on what would constitute a fair premium, this is the task of valuers. The premium is usually thousands not hundreds of pounds.

With leases of 65 years or less to run we would expect solicitors acting for a buyer to discuss the term of the lease with the buyer. If the buyer is paying a full price for the flat then it is likely that the seller will be asked to extend the term of the lease at their expense. This is so the Buyer then purchases a lease with a good number of years to run. Leases between 65 and 75 years to run are debatable and a buyer would be well advised to discuss the matter with their valuer. Buyers of such lease terms should always be aware that they are likely to be required to extend the term of the lease before they can in turn sell the property.

Ground Rent

The Lease will provide for the lessee to pay a ground rent to the landlord. These typically vary from £10.00 per annum to £100.00 per annum for older leases though we have seen a rent of £350.00 per annum on a recent lease.

Landlord’s Notice Fee

On the change of ownership of a lease there is provision for “notice to be served” on the Landlord, giving details of the new owner and their mortgage company (if any). The landlord charges a “notice fee”. Typically this varies between £50.00 to £200.00 plus VAT. This is paid by the buyer. Solicitors will not normally be able to advise as to the fee at the beginning of a transaction as it is one of the enquiries a buyer's solicitors will raise during the process.

Service Charge/Maintenance Charge

With blocks of flats (as opposed to most maisonettes) there will be a service charge or maintenance charge payable by the lessee. This covers the cost of maintaining the building and any common areas or facilities as well as insuring the building. The charge will be levied by the landlord or a separate management company. Such charges vary a lot between properties. Seller's solicitors will have to provide copies of the last three years accounts. In addition confirmation will be sought from the landlord or Management Company as to whether there are any exceptional expenses expected on the service charge account in the foreseeable future. The landlord or management company will charge for providing this information usually between £140.00 and £250.00. This cost is borne by the seller.

These notes are far from exhaustive. Many thousands of pages have been written in legal texts regarding leases. We hope however, they throw some light onto leases for you.