

NUTSHELL GUIDE: LEASEHOLD EXTENSION

- All long leaseholders who have held their lease for at least 2 years may have the individual right to buy a new lease, adding 90 years to the time left on their existing lease.

- Qualifying Conditions

In order to qualify, you must be a long leaseholder, and have held your lease for at least 2 years at the date you give your notice.

- Landlord's grounds of opposition

A Landlord can obtain a Court Order declaring that the tenant's right to acquire a new lease is not exercisable, where the Court is satisfied that:

1. The tenant's existing lease is due to expire within 5 years from the date of the tenant requesting a new lease; and
2. The landlord intends to demolish or reconstruct the whole or a substantial part of the premises once the lease expires.

- The cost of buying a new lease

The price paid for a new lease includes three elements:

1. The reduction in value of the landlord's interests in the tenant's flat affected by giving the tenants a new lease;
2. Half of any marriage value that may be payable (the combined value of the freehold and leasehold interests being owned by the same person) NB this will not be payable if the lease has over 80 years to run; and
3. Compensation for the Landlord's losses.

A leaseholder should consider engaging a surveyor to ascertain the value of the new lease.

In addition, the leaseholder must pay the Landlord's reasonable costs.

- The procedure

The leaseholder must serve a Notice on the Landlord specifying the premium that they are prepared to pay for a new lease. The Notice must provide the Landlord with a period of at least two months in which to respond. The Landlord must respond with a Counternotice by the date specified in the leaseholder's Notice stating whether he is prepared to grant a new lease on the terms specified by the leaseholder. If he is not, he should state the terms on which he would be prepared to grant a new lease. This may lead to a period of negotiation over the terms. If no agreement is forthcoming, either party can apply to the Leasehold Valuation Tribunal who will determine the terms.

This note is intended as a brief overview only and is no substitute for obtaining specific detailed advice.