

How to buy the freehold to your flat or extend your lease

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How to buy the freehold of your flat

1. Check if you are eligible to buy the freehold. In order to do so, the number of participating leaseholders (Flats) must represent at least half the total flats in the building; if there are only two flats, then both leaseholders must participate. The term of your original lease must be at least 21 years, and no more than 25 per cent of the building can be in non-residential use.
2. Once you have established how many Flats are needed to go ahead with the purchase, you will need to organise as a group. As cost will be involved from this point on it is advisable to have some form of written agreement from all participants as to how costs will be split (this could be equal, in proportion to the value of the flats, by number of bedrooms or any other mechanism you can all agree on).
3. Appoint a valuer and a solicitor to determine the likely cost of the freehold and to carry out the necessary legal work. Before appointing them do take references in relation to similar transaction they have done before. This is a fiddly bit of law and you don't want to be paying for them to learn what they are doing.
4. Select a nominee purchaser – which can be one person, or a company formed by the leaseholders for the purpose of the purchase – to serve notice on the freeholder of your intention to buy. It is usually considered better if it is a company then you can all own shares in it, this gets rid of the problems that would accrue if your nominated purchaser was to get hit by a bus.
5. The freeholder may then be happy to accept your offer and the transfer will be concluded. As well as your legal costs you will also pay the freeholders reasonable legal cost as well (these should be less than £500 for a simple conveyance).
6. However, the freeholder may reject your offer, in which case you will need to serve him with a legal notice stating the price you will pay. He will then come back with a counter-notice, and negotiations to find the right price will continue (and your costs will grow).
7. If you cannot agree a price with the freeholder, you will need to take the case to the Leasehold Valuation Tribunal (LVT) to have the matter settled. If you attend the LVT as well as your costs you will have to pay for the freeholders own valuation report (£1,000 is not usual).

How to extend your lease

1. It is possible to purchase an extension to your lease (in most cases although there are exceptions, such as if the majority of the leaseholders in your building are already applied to purchase the freehold, or if the term of the original lease was less than 21 years).
2. Get a surveyor to provide you with an estimate of the cost of an extension: you can then present the freeholder with a figure. Valuing a leasehold extension is a complex business: it depends on a number of variables, including the market value of the flat, the length of time left on the lease, the value of the landlord's interest (how much ground rent is received, how much the flat is likely to be worth at the end of the lease). As with ordinary house purchase, the cost of an extension is a matter for negotiation.
3. You can then either serve a formal notice of your intention to extend your lease, or you can open informal talks with the freeholder. Effectively you will then repeat stages 5-7 above.
4. Again if you and the freeholder cannot agree a price, you need to take the case to the LVT.