

# A simple guide to lease extensions

For leaseholders of flats with a lease term of 85 years or less remaining.

KEMPTON

CARR

CROFT

PROPERTY CONSULTANTS

From Chartered Surveyors  
specialising in lease extension matters.



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This guide is intended as a brief overview to some of the issues to be considered when extending a lease under the Statutory procedure outlined by the Leasehold Reform Housing & Urban Act 1993. It is essential in all cases that leaseholders seek their own advice specific to their individual circumstances, as options other than extending the lease may need to be considered. These options are beyond the scope of this guide.

# What is a lease extension?

## Leasehold property

Leasehold property is property - usually a flat – held under lease for a fixed term without owning the land on which the property stands.

It's an ownership structure used when there are several self-contained residences inside one building.

Leases are typically granted for 99 or 125-year lease terms.

## What is a lease extension?

The Leasehold Reform, Housing and Urban Development Act 1993 gives the leaseholder – also known as the tenant or lessee – the right to extend their lease by a further 90 years, without payment of any further ground rent.

The freeholder (often referred to as the landlord) is legally obligated to comply with this request, depending on three criteria:

1. The property must be a flat
2. The leaseholder has owned their flat for at least 2 years
3. The lease has an original term of at least 21 years



# Why do I need a lease extension?

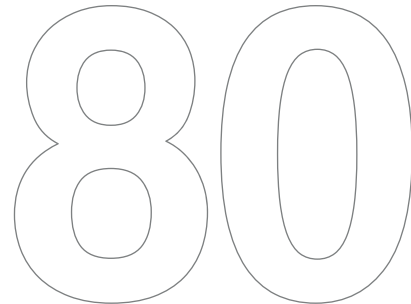
## Diminishing asset

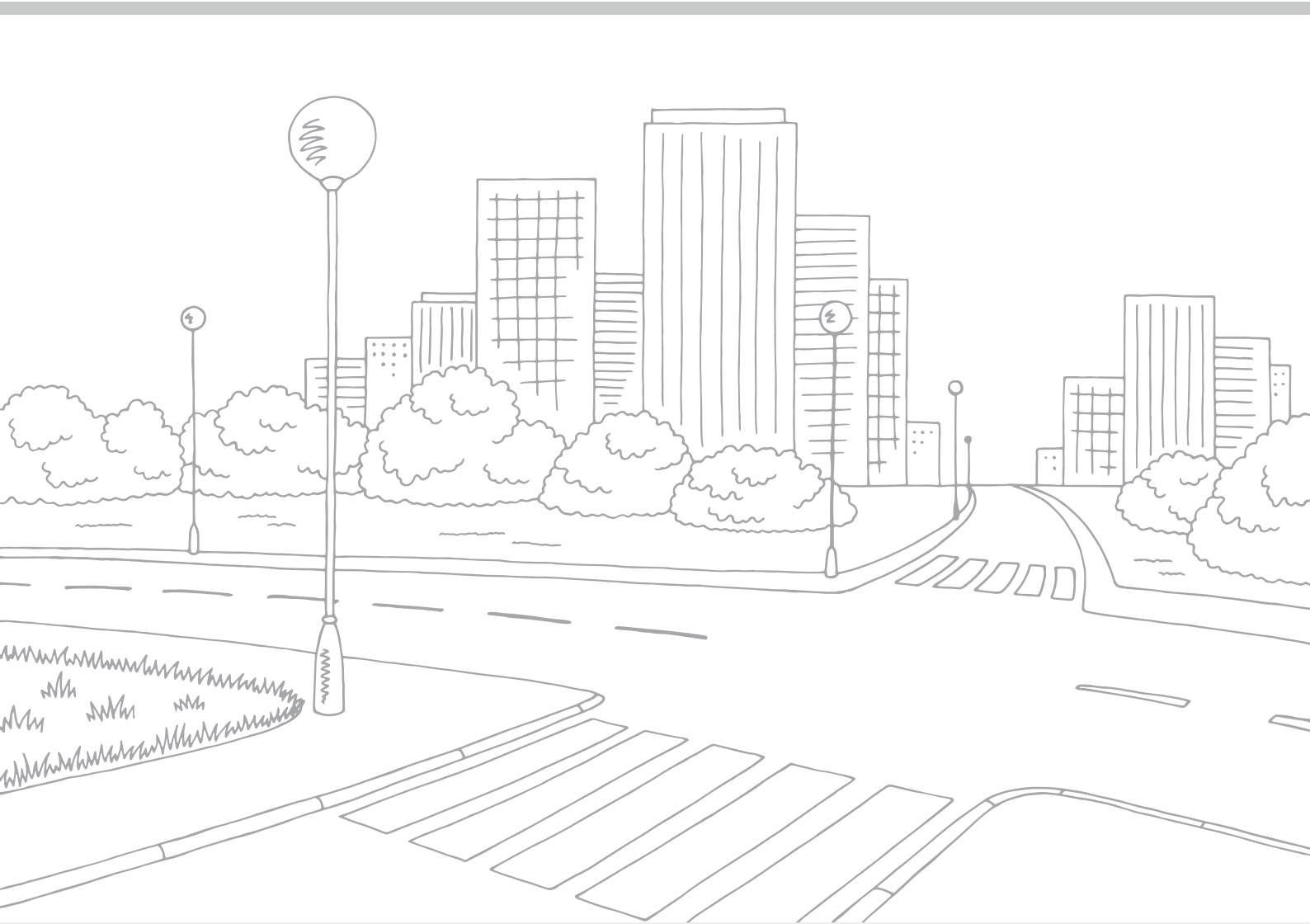
One of the drawbacks of owning a long leasehold flat or maisonette is that it is a diminishing asset. The fewer the number of years that remain on the lease, the less valuable it becomes and the harder it is to sell.

## 80 years or less remaining?

The tipping point is 80 years because historically banks required at least 50 years left on a lease after a mortgage term comes to an end (typically 25 to 30 years), although the lending threshold has increased from lender to lender in the last decade. It is also at the point of 80 years remaining that the leaseholder will have to pay 'marriage value' to the landlord in addition to the extension premium, which increases the cost that will need to be paid to the landlord for a lease extension.

**“It is especially important for leaseholders to act upon extending their lease when the unexpired lease term is approaching 80 years as this is when the costs involved begin to escalate.”**

A large, hollow outline of the number 80, centered on the page. The number is composed of two digits: an 8 and a 0. The 8 has two loops, and the 0 is a simple oval shape.



# Two options for extending your lease

## Informal procedure

If your landlord is willing to negotiate an informal extension of your lease, there are no restrictions on the terms which can be agreed, including an increase in ground rent.

If for any reason it is not possible to negotiate an extension of your lease informally, the statutory procedure will have to be invoked in order to proceed.

**It is always recommended that you seek advice from a surveyor and a solicitor before agreeing to a new lease, whether formal or informal. Agreeing to onerous terms can make your property unmortgageable should you come to sell at a later date.**

## Statutory Lease extension

A surveyor uses a formula outlined in the Leasehold Reform Housing & Urban Development Act 1993 (as amended) to calculate how much you need to pay the landlord to extend your lease.

This price is included in a formal notice which is then served on the landlord. This is called a 'Section 42' notice.

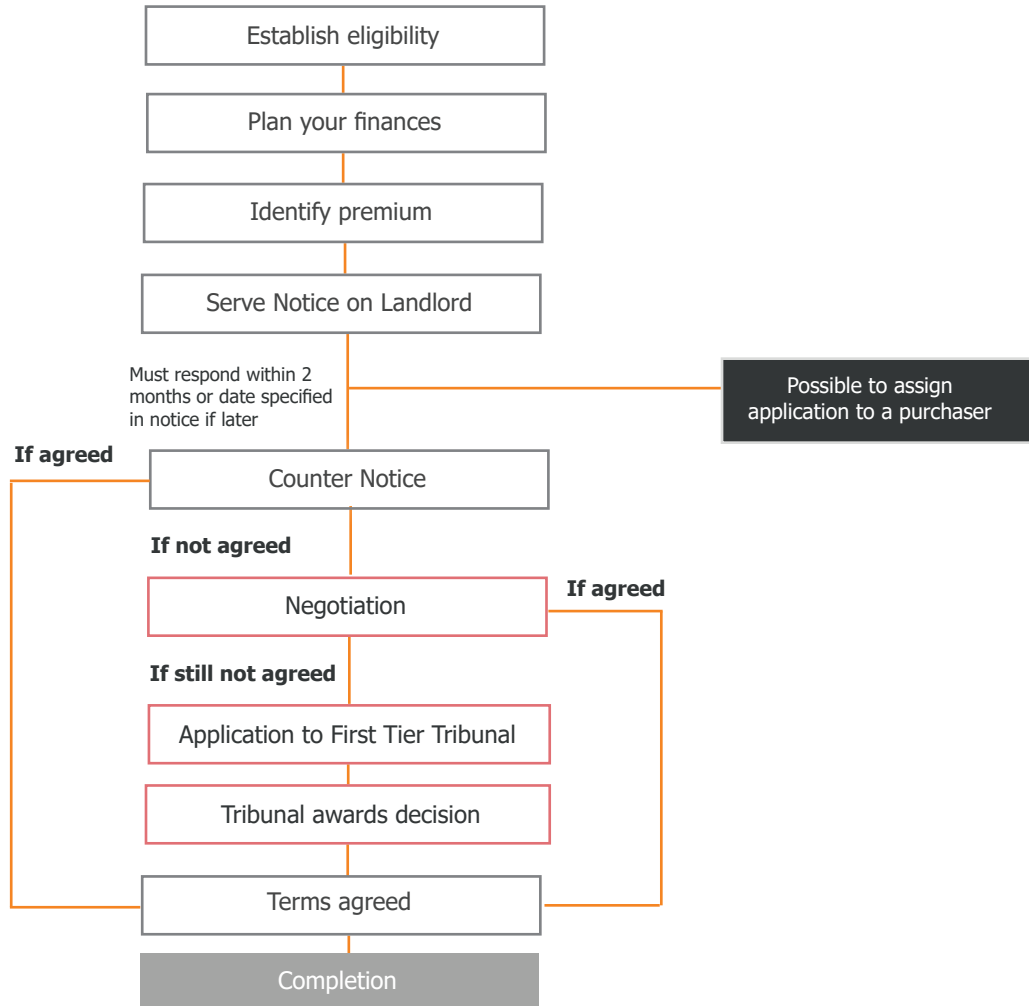
This initiates a time-line for the landlord to serve a counter notice and a deadline which must be met in order to agree the premium payable and finalise the new lease.

**See our lease extension time-line on page 7.**





# Statutory lease extension time-line



# Key stages of a Statutory Lease Extension

## 1. Checking eligibility

To qualify as a Leaseholder, you must own a long lease (must have been at least a term of 21 years from the date it was originally granted) and have owned it for at least two years. The Landlord cannot be a charitable housing trust and the lease cannot be a business or commercial lease.

## 2. Assignment of the application

Once the Tenant's notice has been served, it may be assigned to a purchaser at the time of completion. This means that a Leaseholder can serve the notice and then sell the flat with the benefits of the notice. The purchaser will be able to proceed with the application immediately without having to meet the two year ownership qualification criteria.

## 3. Financial planning

Lease extensions can be costly so you should know how you will finance the process before you begin. If you withdraw your application after serving Notice, you are required to pay the Landlord's reasonable legal and surveyor costs to the date of withdrawal, in addition to your own, whether the lease extension completes or not. Depending on the premium agreed, Stamp Duty Land Tax may be payable on the new lease

## 4. Identify Premium

Instruct your surveyor to calculate the likely premium payable to the landlord in exchange for the lease extension.

## 5. Serve Notice on Landlord

Your Solicitor will serve Notice on the Landlord proposing the figure you are willing to pay for the lease extension and other terms. This is called a Section 42 Notice.

## 6. Counter Notice

Your Landlord has to serve a counter notice by the date shown on the notice served on them which cannot be less than two months from receipt. The Landlord can either admit or deny your right to a lease extension and either agree with the figure you have suggested or make a counter offer.

## 7. Negotiation

Your Surveyor can negotiate on your behalf to agree the final premium. If the premium cannot be agreed, it can be referred to a tribunal for determination. Your surveyor and solicitor can represent you at the tribunal hearing

## 8. Terms agreed

Your Solicitor will document the terms of the lease extension and once the lease has been approved, it will need to be signed by all parties and completed within two months of the terms being agreed, otherwise it will be necessary to make an application to the County Court to secure your right to a new lease.



# Our professional role in your lease extension

## Kempton Carr Croft

Your Surveyors for lease extension



Lease extension specialists will calculate the premium payable to the Landlord in exchange for the lease extension using a formula set out in the Leasehold Reform Housing Urban & Development Act 1993.

It takes into consideration:

- The number of years remaining on the lease (the cost goes up quickly, with less years remaining)
- The value of the property
- The ground rent and review procedure

We aim to provide you with the best and worst case scenario when it comes to the premium payable to the Landlord, advise you of the possible outcome of negotiations and advise on the amount of the offer to be made in the Notice.

Once you receive the Landlord's Counter-Notice, we can negotiate and settle on the price and other terms of the lease, including representing you at the Tribunal if this is required.

# Kempton Carr Croft

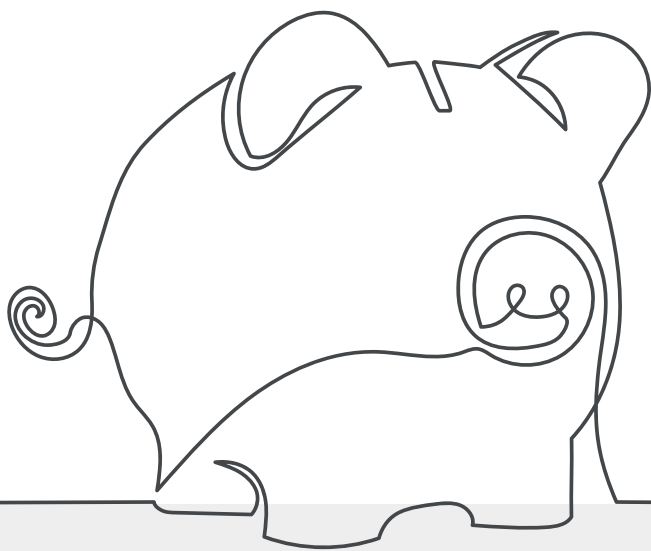
**Our lease extension specialists work with leaseholders to achieve the best price possible for their lease extension premium.**

In short, our team provide the expert knowledge you need with the personal service you expect and believe that when dealing with property, it's people who matter the most.

Founded in 1986, we're a trusted and established, independent property consultancy with eight offices in the South of England.

By trade we're Chartered Surveyors, RICS registered valuers and property consultants, but ultimately, we're just people who want to help other people get the most from their investment, take advantage of new opportunities and make sound financial decisions relating to property.





# How much does a lease extension cost?

## Costs using Statutory procedure

As the leaseholder, you are required to pay your Landlord a premium if you wish to extend your lease.

The Surveyor working on your behalf is instructed to calculate what this premium will be and you are also required to pay for both yours, and your Landlord's Solicitor and Surveyor's reasonable professional fees for the valuation and legal costs in serving a counter notice and preparing/completing the new lease.

We cannot give you an exact figure in this document for the cost of extending your lease as every property is different but the professional fees payable will reflect the particular requirements of your property and the time which it is anticipated will be devoted to the matter.

**To give you an indication, a straight forward Statutory Lease extension with no Tribunal Costs, should be budgeted for as detailed on page 16.**



# Example costing

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## Your fees

### Lease extension premium:

This is entirely dependent on the individual property

### Your surveyors valuation fee:

between £600 & £900 plus VAT

### Your surveyors fee for negotiating the premium

At an hourly rate usually totalling between £400-£800 plus VAT

### Your solicitors fee:

£1,600 including VAT and disbursements. Subject to the premium being below £30,000 and there being no complicating factors).

## Landlord's fees that you are responsible for

### Your landlord's surveyors fee:

Valuation element between £600-£900 plus VAT

### Your landlord's solicitors fee:

£1,600 including VAT and disbursements. Subject to there being no complicating factors.

# Case study comparison: 85 vs 65 years remaining

## When 85 years remain on lease

A Flat in Reading with an approximate value of £250,000 and 85 years remaining on the lease was extended by 90 years under the Statutory Lease Extension guidelines.

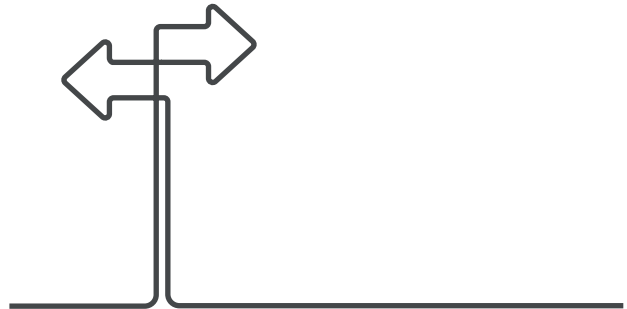
- The premium payable was **£8,000**
- Leaseholder's Surveyors fees **£800**
- Leaseholder's Solicitor's fees **£1,200**
- Landlord's Solicitors & Surveyor's fee **£2000**

**Total paid by the Leaseholder: £11,600**

The prices above are indicative only and we cannot give you an exact figure in this document for the cost of extending your lease. Every property is different and the total cost to extend your lease may be more or less than the example given but generally speaking, the less years that remain on your lease, the most expensive the lease extension premium will be.

### Did you know...

If there are any other leaseholders in your block that may be interested in extending their lease at the same time as you, this can be combined to save costs for all involved.



# 85 vs 65 years remaining on your lease

## When 65 years remain on lease

A Flat in Reading with an approximate value of £250,000 and 65 years remaining on the lease was extended by 90 years under the Statutory Lease Extension.

- The premium payable was £20,000
- Leaseholder's Surveyors fees £800
- Leaseholder's Solicitor's fees £800
- Landlord's Solicitors & Surveyor's fee £2000

**Total paid by the Leaseholder: £23,600**

The prices above are indicative only and we cannot give you an exact figure in this document for the cost of extending your lease. Every property is different and the total cost to extend your lease may be more or less than the example given but generally speaking, the less years that remain on your lease, the most expensive the lease extension premium will be.

## Cost saving

It will never be cheaper to extend your lease than if you act now.

**Get in touch to discuss your options today.**





# Do you know about collective enfranchisement?

## You could buy your building with collective enfranchisement

It may also be possible for the majority of long leaseholders in a block of flats to join together to purchase the freehold of the entire building.

This can be advantageous as it can give leaseholders control over their building and those that have contributed to the purchase of the freehold can then grant themselves free lease extensions.

**Please contact Nathan Hall at Kempton Carr Croft if you would like to learn more about this.**





## Next steps and contact

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To extend your lease you will need the skills of Chartered Surveyor and a Solicitor experienced in the Leasehold Reform Housing and Urban Development Act 1993.

As specialists in this area, the lease extension Surveyors from Kempton Carr Croft will be able to make the process as simple as possible and recommend a suitable local firm of solicitors to assist.

**Contact our lease extension specialists to discuss any questions you may have.**



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