

Ten things you need to know about Leasehold properties

Crosse Hermitage – ARMAC 21-08-2009

1. 99.99% of flats in England and Wales are purchased leasehold. This means that you do not own the property outright; instead you purchase the right to live there for the length of the lease these are often for 99 or 125 years, although some run for 999 years.
2. At the end of the lease period, ownership of the property reverts to the freeholder, but the tenant is permitted to stay in the property, paying a market rent.
3. There are more than two million leaseholder flats in England and Wales.
4. The laws governing property ownership in England and Wales date back to the Middle Ages, and are quite different from those in Scotland and as a result there are some anachronisms such as the whole leasehold system.
5. Though an odd system the legislation governing it has been updated often, most recently the 2002 Commonhold and Leasehold Reform Act.
6. The disadvantage of owning a leasehold property is that leases run down, to solve this problem legislation is in place that gives you the right to purchase an extension to your lease, or join up with other residents and purchase the freehold; This can be an important thing to do as it is difficult to get a mortgage for a property that has fewer than 50 years left to run on its lease.
7. Properties with short leases, say less than 30 years, are only common in the most expensive parts of central London, where you can get a discount of 50 per cent or more on the purchase price of a flat with fewer than 30 years left.
8. There is third form of property ownership other than freehold and leasehold, known as Commonhold, which may apply to new developments of flats (since 2004). With Commonhold, each flat owner has a freehold stake in the building. To date only about 20 schemes have been built under this type of ownership and it continues to be unloved by both developers and mortgagors alike.
9. Leaseholders are required to pay ground rent (which is usually between £100 and £300 per annum), as well as service charges (which can be a lot more £1000-£2000 pa on average. These are payable to the freeholder or to an intermediary, known as a managing agent, who looks after the property on the freeholder's behalf. Service charges include the costs of maintenance, repairs and buildings insurance, and may also include things like lifts, lighting, cleaning and gardening.
10. Leaseholder have an absolute right to take over the management of their property under "Right to Manage Legislation", except for the smallest block this would usually still involve the appointment of a managing agent, but the leaseholders get to choose the agent and not the freeholder