

# LEASEHOLD REFORM TEAM

Expert Leasehold Advice for Leaseholders



# Leasehold Reform team

Knight Frank's Leasehold Reform team is based in our head office in Baker Street. We provide valuation appraisal advice in connection with applications to extend leases or to buy the freeholds of houses or blocks of flats. We have a wealth of experience in the field of leasehold reform law and valuations which stem from the legislation. Coupled with our in-depth knowledge and support from our network of sales and lettings offices throughout London, we are uniquely placed to offer unparalleled advice and achieve the best results for our clients.

## The Rights Available

The leasehold reform legislation provides for three principal different rights:

1. If you own a lease on your flat, the individual right to extend your existing lease by 90 years at a nil ground rent.
2. If you own a lease on your flat and are in a position to co-operate with other leaseholders in the building, the collective right to buy the freehold of your building.
3. If you own a lease on your house, the right to buy the freehold.

## Extending the lease of your flat

This is governed by the Leasehold Reform, Housing and Urban Development Act 1993, as amended by the Commonhold and Leasehold Reform Act 2002.

### Qualification

In order to qualify, you must have a lease which, when it was granted, was for a term of over 21 years. It does not matter how long now remains.

You must have owned this lease for a minimum period of two years. The 'residence qualification' – i.e. the requirement to live in the flat as your main home for a minimum period of 3 years – which existed under previous legislation – has been abolished.

### Procedure

In summary, you serve a Notice on the freeholder, stating a realistic figure which you are prepared to pay for the lease extension. The freeholder replies with a Counter-Notice which will put forward the price at which he is prepared to sell. There is then a period for negotiations. If it is not possible to reach agreement, the matter is referred to a tribunal for them to determine the figure.

## Buying the freehold of your building – Collective Enfranchisement

This piece of legislation, which gives qualifying tenants in a block of flats the collective right to purchase the freehold of their building, is governed by the Leasehold Reform, Housing and Urban Development Act 1993 (as amended).

### Qualification

The building must be a qualifying block (self-contained unit) consisting of at least 2 flats held by qualifying tenants. A qualifying tenant is an individual or a company who holds a long lease (defined as being one granted for a term in excess of 21 years). There is no minimum period of ownership and you do not have to occupy the flat, which can be let. In order to proceed, at least one half of the total number of qualifying tenants in the building must agree to participate in a claim.

### Procedure

The procedure is broadly the same as for extending an individual lease except, of course, the Notice is served by the nominee purchaser instead of the individual leaseholder.

## Premium (The Price Payable)

Most tenants want some indication of the likely premium before instructing a valuer to prepare a formal valuation report. There are many factors that influence the valuation of the premium payable under a claim; some of these are statutory requirements (e.g. the assumption that the value of improvements carried out by the tenant or his predecessor in title is to be disregarded), whilst others would include the location of the property and the terms of the lease under which you occupy the property. Generally, whether you own a house or a flat, the valuation bases are similar. The following figures summarise the approximate percentages of the unimproved freehold value you might expect to pay for a lease extension or enfranchisement claim. It is assumed that the property is located in a prime residential location in Central London, and has a low or nominal ground rent:

Term remaining on lease, followed by the premium as a percentage of freehold value with vacant possession.

5 years	82%	45 years	21%
10 years	69%	50 years	18%
15 years	57%	55 years	15%
20 years	48%	60 years	13%
25 years	41%	65 years	10%
30 years	34%	70 years	8%
35 years	29%	75 years	7%
40 years	25%	80 years	5%



## Buying the freehold of your house

This is governed by the Leasehold Reform Act 1967, as amended.

### Qualification

In order to qualify, the building must be 'a house' in the ordinary sense of the word. You must have owned the lease for a minimum period of 2 years. You no longer have to have lived in the house as your main home, so the lease can be in the name of a company and the house can be let.

### Procedure

The process is started by serving a Notice on the freeholder and any head leaseholder. This fixes the valuation date. The freeholder serves a notice in reply, usually 2 months later. This accepts or denies the claim, and is usually accompanied by a letter which proposes a price at which the freeholder is prepared to sell. At any time after the notice in reply, either party may refer the matter to a tribunal, although negotiations can continue up until the date of the hearing, which is usually some three months after the referral.

### General

In all cases, the valuation date is fixed on the date of service of the Notice of Claim and you will have to pay the reasonable costs incurred by the landlord in a) dealing with the Notice of Claim, b) valuing the premium payable and c) undertaking the conveyancing work. There is no right for the landlord to recover any other costs, for instance those relating to the time spent in negotiations or those relating to a hearing before a valuation tribunal.

Upon agreeing the premium and other terms you are allowed a period of two months to complete the purchase of the lease extension or freehold interest. If you fail to do so, then the landlord may serve a

completion notice requiring you to complete within a further 28 days. Should you fail to complete after this time, then the Notice of Claim may be deemed to have been withdrawn. You will then have to wait a minimum of 12 months before you can serve a Notice again.

## Landlord and Tenant Act 1987 – Right To Buy

Under the Landlord and Tenant Act 1987, tenants are given the right to purchase their landlord's interest in circumstances where he seeks to dispose of it.

The circumstances under which this right is available are wide ranging, and include those where:

- ♦ The landlord proposes to sell to a third party by private treaty or,
- ♦ The landlord seeks to dispose of his interest at auction

We can advise you on the implications of this legislation.

## Fees

Our role can be broadly split into 3 categories:

1. Valuation
2. Negotiation
3. Representations before a tribunal

We would be pleased to quote fees upon request.

## Solicitors

You will need a solicitor to serve the Initial Notice, draw up an agreement between the leaseholders (if you are buying a block of flats), attend to the conveyancing and, if it is necessary to go to a tribunal and help prepare for the hearing. We can recommend firms which are knowledgeable in this area.

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## Our team

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**Jeremy Dharmasena**  
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Jeremy heads up our Leasehold Reform team, having joined Knight Frank from Gerald Eve in 2010 as a Partner. He specialises in carrying out statutory and capital valuations of prime central London residential properties and has nearly 20 years' experience in this field. He has previously advised several major central London landlords including The Cadogan, Grosvenor, Howard de Walden and Ilchester Estates and currently advises the Church Commissioners for England. He has also acted for numerous private tenants and head lessees in all parts of prime central London. Jeremy works with many of the leading solicitors and barristers in the leasehold reform arena and appears as an expert witness at Tribunals.

Jeremy was Highly Commended as an expert witness at the 2014 Enfranchisement and Right to Manage Awards.

Jeremy is a member of the Royal Institution of Chartered Surveyors (since 1996) and is an Accredited RICS Valuer, affiliated with their Residential and Valuation Groups.



**Robert Orr-Ewing**  
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Robert was called to the Bar in 1976 and practised as a barrister for six years in the Inner Temple before setting up his own firm which specialised in the letting and management of property. In 1990, the firm was bought out by Knight Frank. Since 1993 he has been specialising in leasehold reform work. Robert has represented both tenants and landlords in claims made both within and outside the Act and has appeared in many leasehold valuation tribunals and upper tribunals including several test cases.

Robert was Winner of the 2014 ERMA Outstanding Achievement Award.



**Riccardo Carrelli**  
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Riccardo joined Knight Frank from Cluttons LLP in June 2005, where he acted principally for The Wellcome Trust in connection with The South Kensington Estate. Since qualifying as a Chartered Surveyor in 2006, he has developed his knowledge and experience in leasehold reform work acting on behalf of both landlords and tenants and was made a Partner in 2011.

Riccardo is a member of the Royal Institution of Chartered Surveyors (since 2006) and is an Accredited RICS Valuer, affiliated with their Residential and Valuation Groups.



**Vanda Kelsey**  
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Vanda completed an MA in Law and Property Valuation at City University in 1998 and qualified as a Chartered Surveyor the same year. She is also an Accredited RICS Valuer. After qualifying, she dealt with hotel and leisure related sales, acquisitions and professional work, providing valuations for various purposes including finance. Since 2004 Vanda has specialised in leasehold reform work throughout Central London, acting for both landlords and tenants in statutory and voluntary claims. She has also appeared on several occasions as an expert witness at Tribunals.

Vanda is a member of the Royal Institution of Chartered Surveyors (since 1998) and is an Accredited RICS Valuer, affiliated with their Residential and Valuation Groups.



**Vanessa Griffiths**  
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Vanessa graduated from Edinburgh's Heriot-Watt University with a Bachelor of Science degree in Real Estate Management in 2009. Prior to joining Knight Frank, Vanessa specialised in leasehold reform work with South East Leasehold Chartered Surveyors. Vanessa qualified as a Chartered Surveyor with Knight Frank in 2012 and acts for both landlords and tenants.

Vanessa is a member of the Royal Institution of Chartered Surveyors (since 2012) and is an Accredited RICS Valuer, affiliated with their Residential and Valuation Groups.

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