

How do leaseholds work in the UK?

Most flats in the UK are held by their owners on a lease – a contract under which the leaseholder possesses the flat for a specified number of years, at the end of which it reverts back to the landlord.

Rights and obligations.

It is vital for a leaseholder to thoroughly check the terms of any lease. The most important rights and obligations contained in a UK lease are:

The term. This is the number of years remaining of the lease. In prime central London leases often have a *term* as short as 10 years. Elsewhere, a *term* of 70 years may be considered short. A leaseholder is legally entitled to extend any lease by 90 years. So a lease with 30 years remaining, for example, could be extended to a *term* of 120 years.

Ground rent. Most leases require the leaseholder to pay an annual *ground rent* to the landlord of a few to many thousands of pounds. Some leases include review provisions for the *ground rent* to be increased, either by fixed amounts or by reference to other formulae.

Repairs and service charges. The lease will set out who is responsible for keeping the flat

and the building in repair. Generally, the leaseholder is responsible for maintaining the interior and the landlord for maintenance and repair of the building, including lifts, common parts, and the provision of porterage and other services. The landlord recovers these costs from the leaseholders through a regular *service charge*. Well-maintained blocks usually have higher *service charges*, but this also helps to retain and enhance the leasehold value.

Alterations. Leases usually permit minor non-structural works such as decoration and refurbishment, but landlords almost always have to give consent for major works, especially structural alterations. In most cases that consent cannot be 'unreasonably withheld'. Sometimes the lease may contain a total prohibition, though in practice this is usually a means of exercising greater control (perhaps to protect neighbours) more than as a way of preventing any works at all.

Selling and underletting. Selling the flat, known as *assigning* the lease, often requires the landlord's consent, which usually cannot be withheld or delayed. Likewise, leases can contain controls over letting the flat out, and the landlord's consent is normally

required as well – an important consideration if the flat is being bought as a rental investment.

Use. Most leases prohibit business use. A landlord is unlikely to object to a leaseholder working from home, but they would do so if the flat were to be used as a fully operational office with staff and visitors coming and going.

Short lease or long lease?

A property with a short lease will be less valuable than a long one, so two identical flats can be priced differently. This could suit a buyer who is unwilling or unable to commit to the higher-priced property at this moment in time.

Leaseholders have a statutory right to extend their lease after two years. This means you could purchase the lower-priced, but identical, flat and effectively defer part of the payment until a time of your own choosing.

Middleton advice.

It's essential to fully understand the rights and obligations contained in a lease before committing to purchase.

Thanks:

Timothy J Martin MRICS, Partner, Marr-Johnson & Stevens.