

Guide to Lease Extension

Definition of a lease extension

A lease extension is the granting of a new lease for a set term (usually 90 years) plus the present unexpired term, at a peppercorn rent.

Eligibility

Under the Leasehold Reform Act 1993 (as amended by the Commonhold and Leasehold Reform Act 2002), 100% Leaseholder's are entitled to apply to the freeholder of their building for a lease extension provided you meet the following criteria:

- The property is 100% owned
- The property has been owned for 2 years
- The leaseholder has no breaches in their lease
- The lease was granted for a fixed term initially for at least 21 years at a low rent
- Providing conditions are met under the terms of any headlease

The Hyde Group also allow Shared Owners to extend their lease if there is less than 90 years remaining on the lease term, and when requested as a simultaneous lease extension on completion of final staircasing. This is not however a legislative right for Shared Owners.

Cost or Premium

The cost of buying a lease extension will be made up of the following;

- Loss to the freeholder of the ground rent income for the remainder of the original term
- Loss to the freeholder of the reversion i.e. the entitlement to the flat at the end of the existing lease and any loss to the freeholder (if any)
- 50% of the 'marriage' value. The 'marriage' value is generally defined as the increase in the value of the property arising from the lease extension. There is no 'marriage' value payable on flats that have more than 80 years un-expired in the lease.

You will be responsible for paying:

Hyde's Administration Fee	£225
The Freeholders Solicitors costs	£1,200
The Freeholders Valuations costs	Between £350 - £600
The cost of the lease extension	Dependant on valuation
Stamp Duty	Dependant on value of extension

All costs are inclusive of VAT and are subject to change annually.

Process

1	<p>Initial Enquiries (optional)</p> <p>You may serve an initial Section 41 Notice or send a letter confirming an interest in extending the lease. The notice or letter may request standard information from The Hyde Group.</p> <p>The service of a Section 41 Notice does not formally start the application for a new lease and does not commit you in any way and there is no liability for costs.</p> <p>The Hyde Group must respond to the Section 41 Notice within 28 days.</p>
2	<p>Section 42 Notice (the Tenants Notice)</p> <p>The formal procedure is started by you when you or your solicitor serves a Section 42 Notice on the landlord. Hyde's administration fee must be paid at the same time as you serve the Notice.</p> <p>The Notice triggers the statutory procedures and you are liable for our reasonable costs as of the date we received the Notice.</p> <p>The service of the Notice also fixes the 'valuation date' as the date of the Notice. The valuation date is when the variables affecting the price are set, for example, the remaining number of years left on the lease, the present value of the flat and its assumed future value.</p> <p>The Section 42 Notice must include the following;</p> <ul style="list-style-type: none"> • The full name of the leaseholder and the address of the property • Sufficient information about the property to identify the property to which the application relates • Details of the lease including its date of commencement and its term • Proposed amount to pay for the lease extension • The date by which the landlord should serve a counter notice (2 months from date of the s42) • Other information as stated in the Section 42 <p>The leaseholder must send the Section 42 Notice with the following:</p> <ul style="list-style-type: none"> • Copy of lease <p>We may need to request additional information but must do so within 21 days of the Tenants Notice being served.</p> <p>You must respond to any request for additional information within 21 days.</p>
3	<p>Landlords Valuation</p>

	<p>Upon receiving the Section 42 Notice with the completed valuation request form, and copy of lease; we will instruct our Solicitors to act on our behalf. Our solicitors will instruct a qualified surveyor to carry out a valuation.</p> <p>The valuer will contact you to make an appointment and will carry out a valuation based on extending the lease. This is done to ensure a fair purchase price can be agreed. You will be responsible for payment of the valuation, which is usually collected with the premium upon completion of the extension – our Solicitor will liaise with your Solicitor regarding payment.</p> <p>We have the right to inspect the flat for the purposes of a valuation as long as we give 3 or more days notice.</p>
<p>4</p>	<p>The landlords Counter Notice</p> <p>Our solicitors will serve the Counter Notice by the date specified in your Section 42 Notice.</p> <p>Based on the figure proposed by the leaseholder and the figure given by the valuer, one of the following will be confirmed:</p> <ol style="list-style-type: none"> 1. the landlord agrees the right to the lease extension 2. the landlord refuses the right and gives reasons 3. the landlord claims right of redevelopment <p>In addition the Counter Notice will state:</p> <ol style="list-style-type: none"> 4. which (if any) of the proposals are accepted 5. which (if any) of the proposals are not accepted and give a counter proposal <p>Refusals – Offer amount</p> <p>We may refuse the right to a lease extension because the proposed figure is not agreed. Where this is the case we must respond with a counter offer.</p> <p>Refusals – Breach of lease</p> <p>We may refuse the right to the lease extension if the lease is being breached (for example if service charges are in arrears).</p> <p>Refusals – Right of redevelopment</p> <p>This clause only applies where the tenants lease is due to terminate within 5 years of relevant date.</p> <p>Should we claim right of redevelopment the application will be withdrawn. Should this happen you will not be liable to pay the administration fee and any fees paid to us should be refunded.</p>

<p>5</p>	<p>Extension Agreement / Withdrawal</p> <p>Agreement reached</p> <p>If agreement is reached our solicitors we will serve a Counter Notice on you or your solicitor confirming agreement. The legal formalities will then be completed and a new lease will be granted.</p> <p>No agreement reached</p> <p>If the parties cannot come to an agreement either part can apply to the LVT. This must be done no earlier than 2 months and not later than 6 months after the date of service of the Tenants Notice.</p> <p>Withdrawal of Notice</p> <p>You can withdraw your notice to acquire a new lease at any time before the new lease is entered into. You will however be responsible for our costs up to that date.</p> <p>If the notice is withdrawn (or deemed to be withdrawn), a new application cannot be made until 12 months after the initial one was made.</p>
<p>6</p>	<p>Additional Information</p> <p>Selling the property and extending the lease simultaneously</p> <p>Once the Tenant's Notice has been served (and registered) it may be assigned with the lease. This means that a leaseholder can serve the notice and then sell the flat with the benefits of the application. The purchaser will be able to proceed with the application immediately, without having to meet the two years ownership qualification. This can be of assistance in cases where a present short term of lease presents mortgage difficulties for a prospective purchaser.</p> <p>Personal representatives</p> <p>If a leaseholder who qualifies for the right to a new lease dies before making an application his personal representatives may exercise the right for a period of up to two years following grant of probate or letters of administration.</p>