

GOOD NEWS FOR LEASEHOLDERS

If you are a flat owner with a long lease now is the ideal time to take advantage of lower property values and extend your lease or investigate buying the freehold. The majority of leases run for 99 years, but once they have less than 80 years left to run the cost of buying a lease extension increases significantly. However, if you have owned your property for at least two years, it is possible to extend the lease and it is cheaper to do so when the market values are low, as the cost of extending is partly determined by the value of the property. Therefore, as a flat owner you could actually benefit from the lower prices in the market. However, there are circumstances whereby extending the leasehold might not be possible so it is important to consult a property solicitor.

Even if you are not planning on selling straight away by extending your lease now you could make your flat more saleable when you do come to sell. However, by delaying you could be hit with a double whammy because when property prices do go up and the length of time left on the lease has gone down, it will be more expensive to extend it.

Another factor to consider is lending. Banks and Building Societies are reluctant to lend to a buyer purchasing a short lease, as mortgages tend to require the lease to be at least two-and-a-half times the length of the loan. A lender is unlikely to offer a 25 year loan on a lease that has only, say, 60 or 65 years to run.

The other advantage is that sellers with longer leaseholds could see more interest from potential buyers who stand a much greater chance of obtaining a loan.

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