

Warwick leaseholders in cores 1 to 3 – Urgent: Lease Extensions

Dear Resident,

This message is intended for leaseholders in Warwick building (cores 1 to 3: flats 1 to 166 approximately). If you are a tenant you should not be concerned but please pass this message to the leaseholder, if you are in touch with them.

1. Leaseholders should note:

Most (if not all) of the leases in Cores 1 to 3 run for 99 years from 1st July 2002 and will therefore hit the crucial '80 year remaining' mark on 1st July 2021, unless they have already been extended. (Core 4 have longer leases, and all should have well over 100 years remaining so there is no immediate issue there).

If your lease falls below 80 years remaining there are a number of important consequences:

- i) The cost of lease renewal will increase very significantly, as 'marriage value' will be part of the formula for calculating the extension price
- ii) You will find it more difficult to sell your property, should you wish to, since many lenders are reluctant to lend to buyers for purchasing properties with a short lease.
- iii) The value of your property will in effect be lowered until such time as you get a lease extension

2. What action should you take?

- i) Check your lease commencement date. If you do not have a copy of your lease you can usually get it from either L&Q or your mortgage provider.
- ii) If your commencement date is July 2002 and your lease has not been extended already we strongly recommend that you contact L&Q as soon as possible to discuss lease extension (**L&Q contact details at end of this letter**)
- iii) Read the L&Q online information about lease extensions <https://www.lqgroup.org.uk/en/your-home/homeowners/your-lease/extending-your-lease>

3. Informal and formal routes to lease extension

If you own less than 100% of the property (i.e. shared ownership) then you can only extend your lease via the 'informal route' as you have no statutory right to lease extension

3.1 Informal route

- i) Contact L&Q to start the process
- ii) The next step is to get a lease extension offer price. There is some expense involved with this (approximately £300 to £500 as you have to select and pay for a valuation using one of L&Q's approved valuers) but it is worth it because initiating this process 'stops the clock' temporarily and gives you thinking time and (if needed) time to raise funds for the lease extension.
- iii) When the valuation has been carried out, the valuer will report to L&Q and you will be sent a letter offering you a lease extension at a particular price.
- iv) The offer from L&Q is valid for six months.
- v) If you wish to accept the offer and proceed with the lease extension you need to engage a solicitor to take care of the lease extension process on your behalf (L&Q have an approved list but there are also others who offer to do this work at a fixed price so with doing some research online) and then to reply to L&Q (with their lease extension acceptance form) indicating that you accept the offer and wish to proceed with the extension process.

- vi) There is very limited ability to negotiate the price of the offer – as you have no statutory right to lease extension it is pretty much at L&Q's discretion.

3.1 Formal route

if you own 100% of your property, and have lived in the property for at least 2 years, you have a statutory right to a lease extension and can choose to use the informal process or the formal process. The formal process generally takes longer and may have higher legal costs but it does give you some ability to negotiate the extension cost

Further information is available here: <https://www.lease-advice.org/article/lease-extension-of-leasehold-flats-the-two-routes/>

4. Length of lease extensions

Whether formal or informal route, the length of the extension will be 90 years (e.g. if you have 80 years remaining, 90 will be added giving a total of 170 years remaining on your lease).

5. Cost of lease extension

The cost of the lease extension will vary from property to property and is mainly based on what the surveyor thinks will be in the increase in value to the property after lease extension. L&Q have stated that the cost of lease extension is not affected by the share of the property owned, but in practice (and based only on anecdotal evidence), it seems that a typical cost for lease extension (for a 1 bed property with shared ownership) is in the region of £6 - £7K (excluding surveyor and legal costs). Again, **based purely on anecdotal evidence** it seems that where 100% of the property is owned then a typical cost for extension would be about £20K for a 1 bed apartment (again excluding surveyor and legal costs). **However I must stress that the only way you can find out the actual price of your lease extension is via L&Q.**

6. Possible new legislation regarding leasehold

It is likely that the law will change with regard to many aspects of leasehold (see details below). However it is not clear how long this will take (many experts are estimating a minimum of 3 years before these changes come into effect) or exactly what benefits the changes will offer leaseholders. The abolition of marriage value in the calculation of lease extension prices has been recommended and if that happened then the 80 year milestone would cease to be so important - leases would not get much more expensive after the 80 year remaining mark. However, it is not certain if that will happen or if it will apply to shared ownership leases.

<https://www.lease-advice.org/advice-guide/government-announces-reforms-to-make-it-easier-and-cheaper-for-leaseholders-to-buy%E2%80%AFtheir-homes-and-to-prepare-homeowners-and-the-market-for-the-widespread-take-up-of-commonhold/>

If you have any queries please contact L&Q in the first instance (details at the bottom of this letter) – the RA wishes to make residents aware of this issue with lease extensions but unfortunately we do not have the capacity or expertise to help much further than the information provided in this letter. This advice is given without responsibility. Neither the Residents' Association nor the individual authors accept responsibility for any loss, howsoever caused, arising from this advice.

Best Wishes , Warwick representatives - Chelsea Bridge Wharf Residents' Association

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