

Buying Your First Leasehold Property

Everything you need to know before you commit to a purchase

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INTRODUCTION

If you are buying a flat in England or Wales, you will almost certainly be buying a leasehold interest. Leasehold is the predominant form of flat ownership in the UK, and understanding what it means — before you commit to a purchase — is one of the most important steps you can take to protect your investment.

This guide explains what leasehold ownership involves, what to look for when buying, the key questions to ask your solicitor, and the ongoing costs and obligations you will take on as a leaseholder.

WHAT IS LEASEHOLD?

When you buy a leasehold property, you are purchasing the right to occupy the property for a fixed period of time — the lease term. You do not own the land or building itself; that is owned by the freeholder. At the end of the lease term, ownership of the property reverts to the freeholder — which is why a short unexpired lease term is a serious problem.

In contrast, freehold ownership means you own the property and the land it stands on outright, with no time limit. Some flat owners also hold a share of freehold — meaning they are one of a group of leaseholders who collectively own the freehold of their building.

Key Things to Check Before You Buy

THE LEASE TERM

The unexpired term remaining on the lease is one of the most critical factors when buying a leasehold property. As a general rule:

Remaining Term	Implications
90+ years	Generally acceptable to most lenders and buyers — no immediate action needed
80-90 years	Consider extending soon — below 80 years marriage value applies increasing extension cost
70-80 years	Extension advisable soon — some lenders may have concerns
Below 70 years	Significant concern — many lenders will not lend; extension strongly recommended
Below 60 years	Serious problem — most lenders will refuse to lend; remortgaging and resale very difficult

Under the Leasehold and Freehold Reform Act 2024, once the relevant provisions are commenced, the standard lease extension term will be 990 years — making lease extension even more valuable.

Service Charges and Ground Rent

SERVICE CHARGES — WHAT TO EXPECT

Service charges are the contributions you will make towards the costs of managing and maintaining the building and common parts. Before buying, you should:

- Ask for the last three years' service charge accounts — check the trend and look for large or unexpected items
- Ask for the current year's budget — understand what you will be paying from day one
- Ask whether there is a reserve fund and what the current balance is
- Ask your solicitor to enquire about any planned or anticipated major works
- Check whether any Section 20 consultation is currently under way
- Understand what the service charge covers — some leases are more inclusive than others

GROUND RENT

Check the ground rent provisions in your lease carefully:

- What is the current ground rent amount?
- Does it escalate? If so, how and when — doubling clauses and RPI-linked escalation can be very onerous
- Does the ground rent or its review mechanism create a mortgage problem? (Lenders typically require ground rent below 0.1% of property value)
- Note: Ground rent on new leases since June 2022 must be peppercorn — but existing leases are not yet affected pending commencement of 2024 Act provisions

Questions to Ask Your Solicitor

- Who is the freeholder and what is their track record?
- Is there a managing agent and are there any known complaints or disputes?
- Are there any service charge disputes, Tribunal applications or legal proceedings?
- Are there any known or anticipated major works planned for the building?
- Is the building insured and is the insurance adequate?
- Are there any consents or licences required under the lease for alterations, subletting or keeping pets?
- Are there any restrictions in the lease on use of the property?
- Does the lease contain an absolute prohibition on assignment or subletting?
- Are there any outstanding notices or demands from the freeholder?
- Is the building registered with the Building Safety Regulator (for buildings of 18m+)?

Ongoing Costs and Obligations as a Leaseholder

WHAT YOU WILL PAY

Cost	What it is	How often
Service charge	Contribution to building management, maintenance and insurance	Usually annually or quarterly — based on budget
Ground rent	Payment to freeholder — peppercorn on new leases since 2022	As per lease terms
Reserve fund contribution	Contribution to long-term fund for major works	Included in service charge or separately demanded
Buildings insurance	Usually included in service charge — covers the structure	Annual — included in your service charge
Contents insurance	Your own responsibility — not covered by buildings policy	Annual — arrange yourself
Consent fees	Fees for freeholder consent to alterations, subletting etc.	As and when required

Your Rights as a Leaseholder

KEY RIGHTS FROM DAY ONE

- The right to receive a written summary of service charge costs (Section 21, LTA 1985)
- The right to inspect accounts, receipts and documents (Section 22, LTA 1985)
- The right to challenge unreasonable service charges at the First-tier Tribunal (Section 27A, LTA 1985)
- The right to be consulted on qualifying works under Section 20
- The right to extend your lease under the Leasehold Reform, Housing and Urban Development Act 1993
- The right to join with other leaseholders to purchase the freehold (collective enfranchisement)
- The right to exercise the Right to Manage (if qualifying criteria are met)
- The right to request information from the Building Safety Regulator (for HRBs)

HOW BERGASON CAN HELP

Bergason Property Services Limited manages residential blocks across the Midlands. If you are buying into a development managed by Bergason, or if you have any questions about leasehold ownership, we are always happy to help.

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