

## What to look out for when buying a leasehold property



Neville Rowles, an Associate at Boote Edgar Esterkin, looks at the pitfalls with buying leasehold properties.

Buying a property is probably the biggest investment most people make in their lives. It is therefore surprising that many do not carry out all necessary checks before committing to a purchase - this is all the more important when buying a leasehold property.

1. Bear in mind that the legal fees for purchasing a leasehold property are usually more expensive than the fees for freehold.
2. Make sure you inspect the property carefully and pay particular attention to its condition and the state of the communal parts. Leaseholders are often required to contribute to the common parts and you should check the condition of the building yourself.
3. Whilst lending on leasehold properties is commonplace, buyers need to be aware that mortgage companies do not, with very few exceptions, lend on freehold apartments.
4. Any lease of more than seven years must be registered at the Land Registry but bear in mind that mortgage companies will not generally lend on leasehold properties with less than 30 years to run.

5. Pay special attention to pre-contract enquiries. A solicitor would normally submit (if not provided by the seller's solicitors) a set of standard pre-contract enquiries addressed to the landlord/managing agents. These enquiries cover a multitude of matters such as the current name and address of the landlord, whether there are any disputes involving existing tenants, whether the rent for this particular apartment has been paid up to date, and very importantly, whether there are any items of considerable expenditure which are to be spent on the building by the landlord/managing agents and which will be apportioned pro rata between the tenants. Make sure that you inform your solicitor of any issues that, following your inspection causes you concern. The pre-contract enquiries are your chance to obtain information which the seller knows about the property, but which you may not.
6. It is becoming increasingly common for tenants to put leasehold properties up for sale when they become aware of expenditure, which will be required in due course. An example would be if a roof needs replacing or if re-wiring is required. Try and speak to another leasehold owner in the block to try and find out whether maintenance or repairs are planned.
7. Some leases require a Licence to Assign, i.e. permission to be obtained from the landlord for the assignment to the new buyer and again your solicitor will advise. The fee for such Licence to Assign is normally payable by the seller. These costs can be considerable and certain local authorities will charge in the region of £700 for fees for the provision of Licence to Assign.
8. Ask your solicitors questions - make sure that you understand precisely the terms that are applicable to you, not just on the purchase itself, but in relation to the landlord and the building as a whole. The purchase price may seem cheap, but the ancillary items of expenditure, which you would be liable for can make the monthly cost of a leasehold property more expensive than a freehold.
9. Consider whether there will be an opportunity to purchase the freehold from the freeholder, and at what cost. This is something that purchasers on new build developments may be interested in because it obviates the need to seek consent for certain external alterations or improvements to the property.
10. Make sure you understand the terms of your lease. Some solicitors send the lease to their clients, merely asking them to review the terms. This should not be accepted and you should ask your solicitor to take you through each clause carefully, preferably face to face.
11. If finance permits, solicitors will advise you to have a survey undertaken of the property in question. This is to be recommended. Solicitors do appreciate, however, that in these difficult times, many people do not wish to go to the expense of having an additional survey carried out, particularly if a survey/inspection in whatever form is being carried out on behalf of any proposed lender.
12. Do not be afraid to ask further questions. Make sure that before you commit to a purchase you are certain of all costs involved.