



Housing
Executive

EXTENDING YOUR FLAT LEASEHOLD TERM

A Guide for Leaseholders

INTRODUCTION

The Housing Executive sells flats to its tenants under the House Sales Scheme by way of a Flat Lease which gives new owners (the Leaseholder) a leasehold title to their property.

The leasehold title gives you ownership of the property for a set period of time or number of years known as the leasehold term. This leasehold term will decrease over time, for example, if you are sold a flat with a leasehold term of 125 years it will have decreased to 115 years in 10 years' time and 95 years in 20 years' time.

As the leasehold term of your flat reduces, some banks and other lending institutions may be less willing to lend on the security that your flat offers. This may mean that you find it harder to remortgage your flat or that purchasers face difficulties raising finance if you try to sell your flat.

The Housing Executive's Extension to the Leasehold Term of Sold Flats Policy allows Leaseholders of former Housing Executive flats to apply to purchase an extension to their leasehold term to bring it up to a term of 125 years to ensure flats remain marketable and afford good security for mortgage purposes.

ELIGIBILITY CRITERIA

To be considered for an extension to your leasehold term you must meet the following eligibility criteria as at the date a fully and properly completed Leasehold Extension Application is received by the Housing Executive:

1. You must be the full registered owner of the flat and, where there is more than one registered owner, all must be party to the application.
2. You must be in full compliance with all of the leasehold covenants and conditions contained in your existing Flat Lease. However the following provisions will apply in the case of the particular breaches of leasehold covenant and/or condition listed below:-
 - a) If at the date the application to extend is received you are in breach of any of the leasehold covenants and/or conditions contained in your existing Flat Lease (other than those pertaining to the payment of service charges and/or other monies) but the nature of the breach is such that the Housing Executive considers that it is not, in all the circumstances of the case, appropriate or reasonable for it to take any action in relation to the breach, you will be considered eligible for a leasehold extension.
 - b) If at the date the application to extend is received you are in breach of any of the leasehold covenants and/or conditions pertaining to the payment of service charges and/or other monies payable under the existing Flat Lease, you will be considered eligible for a lease extension on the strict condition that all service charges and/or other monies due are paid to the Housing Executive on or before the leasehold extension is granted.
3. Your flat must not be subject to or affected by any Housing Executive business case, strategy, plan or proposal which would, in the opinion of the Housing Executive, make the grant of a leasehold extension inappropriate or unreasonable in all the circumstances of the case.

Your Local Office will carry out an internal inspection of your flat to confirm that you are not in breach of any leasehold covenants and conditions contained in your Flat Lease (for example, to make sure that no unauthorised alterations or structural works have been carried out).

CONDITIONS BEFORE A LEASE EXTENSION IS GRANTED

If a leasehold extension is approved by the Housing Executive, the approval will be strictly subject to the following conditions being met before the leasehold extension is granted to you:

1. You must pay the appropriate premium assessed by the Housing Executive based on the market value of your flat.
2. You must pay in full all service charges and/or any other monies payable by you under the provisions of your Flat Lease as at the proposed date of completion of the grant of the extension (including any monies due by you but not billed).
3. Where the grant of your leasehold extension is taking in place in tandem with the onward sale of your flat, you must pay to the Housing Executive all statutory discount repayable to it as a consequence of that onward sale;

4. Your solicitor, once instructed by you, must provide the Housing Executive with certain personal legal undertakings required in connection with the grant of your leasehold extension.

The final amount of all service charges and/or other monies due by you under your Flat Lease will be confirmed at completion stage to take account of any payments received or further charges incurred or accrued in the period between the date of your application and completion. All monies owed by you to the Housing Executive must be paid in full on or before the leasehold extension is granted.

Please contact the Housing Executive's Leasehold Unit if you have any queries or require further advice or assistance with your service charge payments.

CONSULTATION ON YOUR APPLICATION

When your application is received, the Housing Executive's Leasehold Unit will be asked to confirm that you are the registered Leaseholder and are up to date with payment of service charges and/or any other monies payable by you under the terms of your Flat Lease, e.g. Planned Works charges.

If you are not the registered Leaseholder with the Housing Executive, the information on your application form will be used to update our records and calculate any service charges and other monies you are due to pay.

You should contact the Housing Executive's Leasehold Unit if you are not sure that you are the Leaseholder registered with us as

any change in ownership that the Housing Executive has not been advised may delay your application.

The Housing Executive Local Office will be asked to confirm that you are in full compliance with the covenants and conditions contained in your Flat Lease.

The Housing Executive's Asset Strategy Team will be asked if your flat is affected by any Housing Executive business case, strategy plan or proposal, which would in the opinion of the Housing Executive make the grant of a leasehold extension inappropriate or unreasonable.

THE LEASE EXTENSION

When granting a lease extension the Housing Executive will extend the term of your lease to a new term of 125 years. There is no limit to the number of times you

can apply to extend your leasehold term, however, it will only be extended on each occasion to a term of 125 years.

HOW MUCH WILL IT COST?

THE VALUATION FEE

If you meet the eligibility criteria, you will be required to pay a valuation fee of **£100** to the Housing Executive to value your flat. We will write to you at the appropriate time to request payment of the valuation fee.

However, the valuation fee will be deducted from the final premium you will have to pay if your application is approved and a leasehold extension is granted.

The valuation fee is non-refundable if, after payment, you decide not to proceed with your application.

THE PREMIUM

The premium is the amount you will have to pay the Housing Executive for granting an extension to your lease. The amount of the premium is based on the market value of your flat assuming a lease for the new term of 125 years is in place.

The way the premium will be calculated will depend on the length of the unexpired term of your Flat Lease. All leasehold extension premiums will be calculated using the following methods:

The market value of your flat will be assessed by the Housing Executive's appointed independent valuer. The valuer will inspect your flat and provide the Housing Executive with a report on their assessment of the market value.

METHOD 1

FLATS WITH A LEASEHOLD TERM OF 80 YEARS OR MORE REMAINING

If you have a current leasehold term with more than 80 years remaining, it is unlikely that extending it to the new term of 125 years will impact significantly on the market value of your property. If this applies to you, the premium you will be required to pay will be 2.5% of the market value of the flat, assessed as if the new term of 125 years is in place, or a minimum Equitable Value Premium of £2,500, whichever of these is higher.

Table 1 below shows some examples:

FLATS WITH 80 YEARS OR MORE UNEXPIRED LEASE TERM REMAINING	
FLAT A	
Current unexpired leasehold term	95 years
New leasehold term to be created	125 years
Market value of flat assuming leasehold extension to 125 years granted	£85,000
2.5% of market value	£2,125
Minimum Equitable Value Premium	£2,500
Premium to be charged	£2,500
FLAT B	
Current unexpired leasehold term	90 years
New leasehold term to be created	125 years
Market value of flat assuming leasehold extension to 125 years granted	£110,000
2.5% of market value	£2,750
Minimum Equitable Value Premium	£2,500
Premium to be charged	£2,750

METHOD 2

FLATS WITH A LEASEHOLD TERM OF LESS THAN 80 YEARS REMAINING

If you have a current leasehold term with less than 80 years remaining, it is more likely that extending it to the new term of 125 years will increase the market value of your property. If this applies to you, the Housing Executive will use an approved formula to calculate the premium you will be required to pay.

$[M - \{(UT/80) \times M\}] \times [1 - (UT/125)]$

- (a) Where M is the market value (assuming the extended term of 125 years is in place)
- (b) Where UT is the remaining unexpired term on the existing lease
- (c) 80 being the unexpired leasehold term in years at or above which there is no adverse effect on market value
- (d) 125 being the extended leasehold term in years to be granted

The premium you will pay will either be the premium calculated using the formula or 2.5% of the market value of the flat, assessed as if the new maximum term of 125 years is in place, or the minimum Equitable Value Premium of £2,500, whichever is the highest.

Table 2 below shows some examples:

FLATS WITH LESS THAN 80 YEARS UNEXPIRED LEASE TERM REMAINING	
FLAT C	
Current unexpired leasehold term	70 years
New leasehold term to be created	125 years
Market value of the flat assuming an extension to 125 years is granted	£85,000
Release Value $M - (UT/80 \times M)$	£10,625
Percentage Share $[1 - (UT/125)]$	44%
Calculated Premium $[M - \{(UT/80) \times M\}] \times [1 - (UT/125)]$	£4,675
2.5% of market value	£2,125
Minimum Equitable Value Premium	£2,500
Premium to be charged	£4,675

Table continues

FLATS WITH LESS THAN 80 YEARS UNEXPIRED LEASE TERM REMAINING

FLAT D

Current unexpired leasehold term	65 years
New leasehold term to be created	125 years
Market value of the flat assuming an extension to 125 years is granted	£110,000
Release Value $M - (UT/80 \times M)$	£20,625
Percentage Share $[1 - (UT/125)]$	48%
Calculated Premium $[M - \{(UT/80) \times M\}] \times [1 - (UT/125)]$	£9,900
2.5% of market value	£2,750
Minimum Equitable Value Premium	£2,500
Premium to be charged	£9,900

FLAT E

Current unexpired leasehold term	75 years
New leasehold term to be created	125 years
Market value of the flat assuming an extension to 125 years is granted	£85,000
Release Value $M - (UT/80 \times M)$	£5,313
Percentage Share $[1 - (UT/125)]$	40%
Calculated Premium $[M - \{(UT/80) \times M\}] \times [1 - (UT/125)]$	£2,125
2.5% of market value	£2,125
Minimum Equitable Value Premium	£2,500
Premium to be charged	£2,500

CAN I CHALLENGE THE MARKET VALUE OF MY FLAT?

If you disagree with our valuer's assessment of the market value of your flat, you can ask for a redetermination of the market value by Land & Property Services. You will be required to pay the redetermination fee of £500 which Land & Property Services charges the Housing Executive for this service.

The LPS redetermination fee is non-refundable even if, after payment, you decide not to proceed with your application. The redetermination fee, however, will be refunded if after redetermination your new premium is lower than the original premium.

Please note that, while you can request a redetermination of the market value of your flat, you cannot challenge the **method** used to calculate the premium you must pay for a leasehold extension.

It is important to note that a redetermination by Land & Property Services may result in a higher market value which may in turn increase the premium you are required to pay.

Table 3 below shows the impact of a redetermination on the calculated premium for a flat with a leasehold term of 80 years or more remaining:

FLATS WITH 80 YEARS OR MORE UNEXPIRED LEASE TERM REMAINING	
FLAT B	
Current unexpired leasehold term	90 years
New leasehold term to be created	125 years
Market value of the flat assuming an extension to 125 years is granted	£110,000
2.5% of market value	£2,750
Minimum Equitable Value Premium	£2,500
Premium to be charged	£2,750
FLAT B redetermination	
Current unexpired leasehold term	90 years
New leasehold term to be created	125 years
Market value of the flat assuming an extension to 125 years is granted	£85,000
2.5% of market value	£2,125
Minimum Equitable Value Premium	£2,500
Premium to be charged	£2,500

Table 4 below shows the impact of a redetermination on the calculated premium for a flat with a leasehold term of less than 80 years remaining:

FLATS WITH LESS THAN 80 YEARS UNEXPIRED LEASE TERM REMAINING	
FLAT C	
Current unexpired leasehold term	72 years
New leasehold term to be created	125 years
Market value of the flat assuming an extension to 125 years is granted	£85,000
Release Value $M - (UT/80 \times M)$	£8,500
Percentage Share $[1 - (UT/125)]$	42%
Premium to be charged $[M - \{(UT/80) \times M\}] \times [1 - (UT/125)]$	£3,604
FLAT C Redetermination	
Current unexpired leasehold term	72 years
New leasehold term to be created	125 years
Market value of the flat assuming an extension to 125 years was granted	£80,000
Release Value $M - (UT/80 \times M)$	£8,000
Percentage Share $[1 - (UT/125)]$	42%
Premium to be charged $[M - \{(UT/80) \times M\}] \times [1 - (UT/125)]$	£3,392

If you are thinking about requesting a redetermination, please contact your Regional Place Shaping Team who will be able to advise you on the impact higher or lower valuations may have on the premium you will have to pay. However, you will have to decide if you wish to proceed with a redetermination.

Please note that the redetermination by Land & Property Services is final and their valuation will be used to calculate the premium you will have to pay.

ADDITIONAL COSTS

In addition to the premium, you will be required to cover all other expenses incurred by you for obtaining a leasehold extension. This is likely to include, but may not be restricted to, your own solicitors fees, costs and outlays and Land Registry fees. You may incur some of these costs even if, for whatever reason, your application is not approved or a leasehold extension is not granted.

We advise that you discuss the full cost of the leasehold extension when instructing your solicitor before deciding if you wish to proceed.

TERMS OF YOUR NEW EXTENDED LEASE

Your new lease with the extended leasehold term of 125 years will be granted on terms and conditions similar to those contained in your existing Flat Lease. You will still have to pay Ground Rent if you do so now.

WHAT WE NEED YOU TO DO

If you wish to apply for a leasehold extension, you will need to:

- 1) Fully complete the Extension to Flat Leasehold Term Application Form;
- 2) Arrange with your solicitor at the appropriate time to provide a Certificate of Title;
- 3) Pay all fees and premiums associated with the leasehold extension.

FURTHER ADVICE AND ASSISTANCE

If you need any further advice or assistance on how to apply for a leasehold extension please contact:

**Place Shaping (Belfast),
2 Adelaide Street,
Belfast BT2 8PB.**
Tel: 03448 920 900

If you live in Belfast and Lisburn and Castlereagh City Council areas.

**Place Shaping (North),
Richmond Chambers, The Diamond,
Londonderry BT48 6QP.**
Tel: 03448 920 900

If you live in Antrim and Newtownabbey, Causeway Coast and Glens, Derry and Strabane and Mid and East Antrim Council areas.

**Place Shaping (South),
Marlborough House, Central Way,
Craigavon BT64 1AJ.**
Tel: 03448 920 900

If you live in Ards and North Down, Armagh, Banbridge and Craigavon, Fermanagh and Omagh, Mid Ulster, and Newry, Mourne and Down Council areas.

**Leasehold Unit
9 Lanyon Place,
Belfast
BT1 3LP**
Tel: 03448 920 900

Calls will be charged at 3 pence per minute from a BT landline. Calls from mobiles and other networks may vary.

THE LEASEHOLD EXTENSION PROCESS

