

A simple guide to buying a leasehold



If you're thinking of buying a flat, it's almost certain that you'll be taking on a leasehold property. Although it's becoming more common for houses to be leasehold, too. So what does 'leasehold' mean exactly and how does it differ from buying a freehold?

We take a look at some of the key factors to consider when buying a leasehold home.

What does leasehold mean?

Leasehold means that you own the property, but the land upon which the property is built is owned by the freeholder. This gives you the right to occupy the property for as long as the lease is valid.

Freehold, on the other hand, means that you own the property AND the land upon which the property stands.

In general, most houses in the UK are freehold and most flats are leasehold.

What does it actually mean to be a leaseholder?

It means that you own, and are responsible for, the maintenance of everything within the property's four walls.

This includes floorboards and plasterwork, but normally excludes the exterior or structural walls.

What is a lease?

It's a contract between the leaseholder and the building landlord that gives you conditional ownership for a fixed period of time.

The lease is a legal document and outlines the rights, responsibilities and obligations of both the leaseholder and the landlord. It also details the services that you can expect the landlord to fulfil.

As part of your contractual rights, you would normally expect the landlord to manage, maintain and repair the building structure, common areas, i.e. staircases and hallways, and exterior grounds.

On the flip side, the lease will also outline your obligations as a tenant, and may include keeping the flat in good order, behaving in a 'neighbourly' fashion and not doing certain things – such as keep pets, for example – without obtaining the prior consent of the landlord.

What should I be aware of when buying a leasehold?

The thrill and excitement of buying and moving into your flat can be dampened by the need to pay inflated or hefty service charges for maintenance of communal areas.

Management companies, in particular, can often be a bone of contention for leasehold flat owners.

What are service charges?

Service charges are payable by the leaseholder to the landlord for the services they provide and can range from a few hundred pounds to thousands of pounds on an annual basis.

Whilst it will vary between leases, the service charge would normally cover maintenance and repairs, building insurance and cleaning of common areas. There will also be a charge for managing the building, and this is normally performed by the landlord or an external company.

You may also be required to pay into a reserve or 'sinking' fund each year to cover any major repairs, such as work to the drainage system or replacing the roof.

What services the landlord will perform and how the service will be split between individual leaseholders is set out and agreed in the lease.

Service charges are variable; you need to be aware that they can change each year and the only stipulation is that they are considered to be 'reasonable'.

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What about ground rent?

Leasehold is a tenancy; therefore it's also subject to payment of rent. This is often a nominal amount, but is also a requirement of the lease and must be paid on the due date.

Leasehold: a sound investment?

Many people would urge caution when buying leasehold property, but provided that there's a well-written lease and the building is properly managed, there's no reason why a leasehold flat shouldn't provide the basis of a good home AND a secure long-term investment.

The important thing is to ensure that the lease protects your own interests. No two leases are ever the same so it's important that you seek legal advice to clarify your rights and responsibilities as the leaseholder.

Further information

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