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How Will Lease Length Change The Worth Of A Flat?

In essence the shorter the time left on a lease, the less a property is valued at.

An unexpired time of lease of a hundred or more years has very little influence on the price. In the instance of leases higher than 100 years, the price of the property is much the same, whatever the years remaining. The length of the lease is much longer than the natural life of most people so this is not an issue for mortgage lenders in particular.

Fall below around 90 years and the hypothetical value of your flat falls ever faster each year, although at the outset only gradually. Without wanting to concern apartment owners, the unexpired period contracts in time to zero, at which point the freeholder can take possession of the flat. The positive side is this is exceptionally unlikely ever to come to pass. The down side is that you might have to invest in the [extension of the lease](#) to be certain it does not.

A hypothetical suburban flat with a lease left over of a year will be just about worthless compared with a comparable property with 100 years. After all, who would wish to procure a flat that they would have to hand over to someone else in approximately a year?

Leasehold professionals agree that a typical apartment having 80 years remaining on its lease will be valued at 5% less than one with a lease well over 100 years. (The figures will differ based on plenty of factors however these can be used as a guide - you should consult a specialist surveyor and you can reach them on the web site of the Association of Leasehold Enfranchisement Practitioners, ALEP). 10 years later, with 70 years left over, it would have lost another 8% of its value so that it will be worth 13% less than a long-lease neighbour. Wait another 10 years until the unexpired term is 60 years and it will have lost 20% of its peak value. Looking at a flat of £200,000 with a long lease in suburban London, this would be worth £40,000 less when the lease has 60 years.

These figures do not yet take into consideration the marketability of the flat. If you've got a neighbour with an indistinguishable flat with a short lease and your lease has been extended, any would-be buyers would without a doubt rather view the one that won't necessitate the hassle and cost of getting the lease extended.

You will find several chief milestone years in relation to the unexpired term:

80 years - as soon as the lease length drops below 80 years a definite ingredient, called marriage value, will become built-in in the technical valuation of a home. To appreciate how an apartment is valued, look at our article on that, but you should try to understand that marriage value becomes included in how surveyors work out how much lessees pay for a longer lease.

70 years - a lot of mortgage lenders will not make loans on properties with leases this short. Lender guidelines vary on acceptable lease length; a few are longer, some are shorter. Not only might it have an effect on you if you are looking to buy such a flat, but it has a substantial impact if lessees are selling one. In view of the fact that a lot of properties are obtained with mortgages, when loads of your buyers cannot obtain one then the quantity of people that can buy your apartment falls. Having a smaller market, the price might be forced lower.

60 years - the minority of solicitors will advise that their clientele purchase a flat with a lease this short. If you are selling, your market decreases further, dragging the price down considerably. If lessees are selling, you may want to put aside the funds to make longer the lease in order that you can attract buyers.

A note of caution regarding where flat owners get guidance with reference to lease length. Whilst there are many admirable managing agents and estate agents who appreciate leasehold matters, anecdotal experience suggests that several do not. Rather than admitting a lack of understanding, a considerable number may possibly be concerned about their private self interest and undertake to convince buyers and sellers that a short lease may not be a big problem. This is an expert matter and blunders are costly: lessees should think about getting advice from a qualified leasehold surveyor, solicitor or intermediary if you have any doubts or issues as regards residential property leases.

About the author

Andy Szebeni is part of the management team of the Association of Leasehold Enfranchisement Practitioners. ALEP has in excess of 100 members, each vetted ahead of joining. They consist of solicitors, surveyors, intermediaries, managing agents and other professionals specialising in the area of leasehold enfranchisement. Have a look at the searchable list of vetted members at <http://www.alep.org.uk/membership/>.

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