

COMPARISON BETWEEN FREEHOLD, LEASEHOLD AND SHARED OWNERSHIP LEASEHOLD

This is just a basic comparison, not intended to be comprehensive and detail the intricacies of each type of ownership, but will give you a general idea of the sorts of issues (in red on the far left) that arise or may cause you to consider whether you wish to proceed with the purchase of a particular property. Some of the terms are 'legal speak' and there is a glossary below explaining some of the legal terms. (There is an * where a legal term has been referred to)

Tenure (type of Ownership)	Freehold	Leasehold (Flats, not houses)	Shared Ownership* Leasehold (Flats & Houses)
OWNERSHIP LENGTH	Unlimited	Restricted to term of years set out in lease. Can be anything from 99 to 999 years. Think of it as a very long tenancy agreement for 'renting' a property.	Restricted to term of years set out in lease. Initial grant of lease is normally for 99 years or 125 years.
COVENANTS*	This is normally set out on the title or within documents mentioned on the title. Typically seen: <ul style="list-style-type: none"> To use only as a private residence To maintain and repair certain boundaries Not to make changes to the property without consent of a previous owner 	Typically seen: <ul style="list-style-type: none"> Consent required to keep pets Not to make alterations without the consent of the Landlord Use only as a private residence Reimburse the Landlord for any costs and expenses for taking legal action against you 	Typically seen (in addition to the 'normal' leasehold covenants to the left here): <ul style="list-style-type: none"> No underletting permitted (including renting out a room); 1% + VAT (or similar administration fee) payable for Landlord to find you a purchaser when you wish to sell (bit like an estate agent's fee)
GROUND RENT	Not payable on freeholds, though you may come across something called a 'Rentcharge'* or an 'Estate Rent Charge'*.	Can be anything from zero to a few hundred pounds. Typically they should be less than £250 per year outside of London and around £1000 per year or less in London. This is a 'hot topic' where you come across ground rents that increase every so often and you will be advised accordingly should a ground rent increase be included in your lease.	Not usually chargeable where it is a house. If buying a flat, and the Housing Association's title is leasehold (i.e. someone else owns the freehold), this is called an 'Underlease'*. The Housing Association may have to pay ground rent under their lease and the cost of this is usually passed down to you.

<p>SERVICE CHARGES</p>	<p>Not usually payable, unless there is a party management company on of the with new builds) communal areas. Details for maintenance of common areas.</p> <p>You may be frequently required to contribute towards maintenance and repair on an 'as and when required' to pay basis – e.g. where there is a shared accessway or drain pipe.</p>	<p>Charges payable for maintenance and repair structure of the building and left) save that the details of what can be with a breakdown of service claimed are set out in the lease.</p> <p>Where it is a large block of flats, it is typically managed by a company who will require you property in its entirety (including structure) as if you owned it 100%. e.g. roof repairs, boiler repairs, general maintenance will be your responsibility. There may be For smaller divisions (for example 2 or 3 flats in one building) maintenance and repair may be 'as and when required'.</p> <p>We will investigate the nature of collection and advise you of the same. Some people like to know what they have to pay every month whereas others are content with an informal arrangement.</p>	<p>Flats only: Same as for normal leaseholds (see to the third Housing Association will provide you site (frequently seen charges you are required to pay every month (in addition to rent).</p> <p>Houses: You are expected to maintain and repair the property in its entirety (including structure) as if you owned it 100%. e.g. roof repairs, boiler repairs, general maintenance will be your responsibility. There may be service charges for maintenance and repair of communal areas on the estate (see Estate Rent Charges).</p>
<p>SPECIFIED RENT</p>	<p>Not applicable</p>	<p>Not applicable</p>	<p>This is the rent that you pay for the part you don't own. It is set at 'affordable housing' rates rather than market value rates. Your rent can be reduced by Staircasing (purchasing further shares in the property). The Specified Rent is normally increased annually in line with a set formula.</p>
<p>RIGHT TO REPOSSESS</p>	<p>Applies where you have a mortgage and the lender needs to repossess if you do not keep up with repayments on your mortgage.</p> <p>As above</p> <p>The Landlord also has a right to repossess where you have breached the terms of the lease. You will still be liable to repay your mortgage should the Landlord repossess the property.</p>		

MORTGAGEE PROTECTION PROVISIONS	Not applicable	Not applicable	Given to a mortgage lender of a shared ownership lease to help sort out any issues with arrears if there are any problems. Clear guidelines given in the lease regarding selling the shared ownership lease if repossession is the only option.
RIGHT TO BUY FREEHOLD	Not applicable	There is a statutory right to join with your fellow leaseholders to purchase the building from the Landlord. This is called Leasehold property. Enfranchisement and specialist provisions apply. There is a lot to managing your own building, specialist advice must be sought before taking on such responsibility.	Houses: Staircasing* rights will provide for you to take a transfer of the freehold upon acquiring 100% of the ownership of the property, though you may have to start paying a 'ground rent'. Shared ownership provisions will fall away. As an individual you would <u>not</u> acquire the freehold.
RIGHT OF RE-ENTRY	Sometimes seen where the property has previously been owned by the local authority, or where your neighbour might need to come onto your land to maintain and repair their own.	The Landlord will have the right to enter the property for the purposes of inspection and repair, though it will depend on each Landlord how frequently this right is exercised.	
LEASE EXTENSIONS	Not applicable	Two options to extend the lease – (1) Statutory Provisions or (2) by Agreement. (1) Statutory route follows a set procedure and reduce the ground rent to zero and you will need to have owned the property for at least 2 years. The lease will be extended by another 90 years from the original term. A Professional Valuation* will need to be carried out. (2) The alternative is to agree a price with the Landlord. You will most likely need to also pay the Landlord's solicitors fees.	Statutory Provisions DO NOT apply. However, a price according to a professional valuation will still need to be agreed. The prices/costs involved are at each individual Housing Association's discretion: some will apply common sense and only charge you according to the percentage that you own. Otherwise, you will most likely be charged the full price for the premium. Again, you may be charged administrative fees and be required to reimburse the Housing Association for their solicitors fees.

<p>BUILDINGS INSURANCE</p>	<p>This is for you to put in place and keep insured throughout your ownership.</p>	<p>The Landlord will insure the building structure and you are normally required to contribute towards the Landlord's insurance as this is not covered by the Landlord's policy (for example if there is damage caused to your belongings due to water ingress or fire, this would not be covered under the Landlord's policy).</p>
<p>Which is the right option for me?</p>	<p>Freehold is normally the best form of ownership although prices do reflect the advantages of being a freehold owner.</p>	<p>This will depend on your circumstances. This will depend on your circumstances. Some may not be able to afford a property at its open market price. Freehold prices may be too high where you are located and/or depending on your Shared ownership is meant to be a form of 'affordable affordability options, the properties available housing' designed to assist you with acquiring a legal within your price range may just be leasehold. ownership to a property you can call 'home'. Just a note to say that there are additional (Sometimes working out to be a little more cost effective costs with purchasing and selling a leasehold than renting a property depending on the rental prices in property. For a sale this will include fees for the area you are buying in). You don't have to staircase legal information from the Freeholder and/or to 100% to be able to sell your lease and you benefit Management company (or both!). For a should the value of your home increase when you come purchase this will include various fees for to sell. The additional costs associated with a normal notices and associated documents to leasehold will also apply. correctly convey the legal title.</p>

Glossary: Covenants: Covenants are obligations or promises in relation to the land that you are required to comply with during your ownership of the property. Failure to comply may result in legal action being taken against you.

Estate Rent Charges: This is where you have a group of freehold houses (typically new build) and a management company has been formed to maintain and repair communal areas (for example, grassed verges, private roads, play areas). You may also come across this on leasehold property where a separate management company has been appointed to look after a wider communal area. **Professional valuation for lease extensions:** not to be confused with a

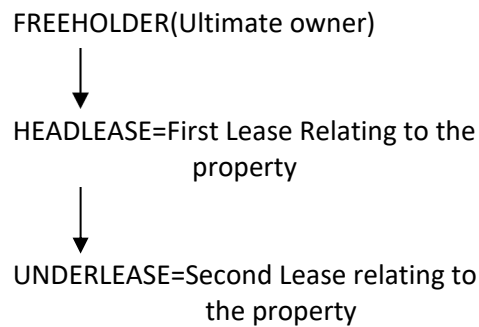
'market valuation' for your purchase of the property. The price payable for a lease extension is called a 'premium'. The value payable for the premium is calculated by a specialist surveyor considering all sorts of factors including whether or not the Landlord will lose ground rent as a result of the lease extension. **Rentcharge:** A rentcharge is an annual sum paid by the owner of freehold land to another person who has no other legal interest in the land. The person who receives payment from the rentcharge is known as the 'rentowner'. Rentcharges have existed for many centuries, but since the Rentcharges Act 1977 no

new rentcharges can be created. Rentcharges provided a regular income for owners of land who were prepared to release land for development. Sometimes the land was released without a capital sum being paid with the rentcharge being the only payment. Where you have a rent charge that is still being collected, there is an option to buy this out. Where there is a missing rent charge owner, we will advise you accordingly.

Shared Ownership: This is where you can purchase an initial share in the property that belongs to you – you are given a ‘lease’ of the property with a right to acquire 100% ownership in the property (unless exceptional circumstances, where the property is required to remain as shared ownership in rural areas). Please don’t confuse Shared Ownership with Shared Equity – Shared Ownership is offered by Affordable Housing providers following strict guidelines from the government. Shared equity is normally offered by private developers where they offer you % of the property by way of a loan.

Staircasing: For shared ownership leases only - this is when you purchase further shares in the property increasing your share of the ownership and reducing the amount of rent payable.

Underlease: This means that there is one other party with rights of ownership that come before yours. If I can explain it in simple terms below:



* Freeholder owns the property ultimately after the Head Lease expires (Head Lease means the first lease relating to the land). If you imagine a lease as a rental agreement, when the ‘rental’ or ‘tenancy’ ends, the property goes back to the original owner.

* A Head Lease will specify the terms that the owner agrees to you occupying the property. This may include payment for maintenance and repair of the building, insurance, covenants* and anything specified on the freehold title.

* An “underlease” is a second lease of the Property which means that there is a lease that takes priority over yours. There is normally a provision in the Underlease that the terms of the Head Lease need to be observed (see above). Additional conditions may be imposed by the owner of the First Lease (who will be the Landlord of the person taking the Second Lease). Special consents may be required if you need to do work to the property or have the lease extended.