

FREEHOLD/LEASEHOLD

We are often asked "What's the difference between Freehold and Leasehold properties?" We say LOTS! Here are the basics:-

Freehold Property

You are basically free to do whatever you want with the property within the confines of the law. For example a freehold property may have restrictions on it as it's listed or in a conservation area. With a listed building there are Grades 1 listed, Grade 2 listed and Grade 2* listed, all of which have different criteria on the property and different requirements on the owners. Property can be listed in a conservation area, or just listed, or just in a conservation area. In a conservation area the council would also have limits on what you do for example the style at the front of the property such as putting plastic double glazed windows in rather than timber windows may be prohibited as often with a conservation area they are looking at keeping the look of the area.

Finally just to confuse matters with leasehold properties you can also have these limitations along with many others.

Flying Freehold

This is not owning the temporary right to a seat in an aeroplane and it is not a killer move in Jiu-Jitsu!

A flying freehold is in fact a bit of an anomaly in the UK. Legal system flying freehold is part of the freehold property which is built over land which is owned by someone else which for example does not form part of your freehold. The flying part need not be in mid-air, it can be over a part of someone else's freehold, or over a common part for example some semi-detached houses and terraced houses have rooms partly over a common passageway. The common part need not be enclosed for example the passageway just mentioned.

Flying freeholds can cause you difficulties when trying to get a mortgage. At worst, a home lender/mortgage lender will decide they are not prepared to lend. You will need specialist advice if you are considering buying a freehold property.

Leasehold Property

You lease the right to use the building for x number of years. X generally means 99 or 125 years. If it's less than 40 years then we need to know that. Risks that we typically see with leaseholds are, for example, in a block of flats/apartments you will be responsible for rising damp on the ground floor if you own the top flat or apartment. Equally if you own the bottom flat or apartment you will still have liabilities. A sinking fund is usually put together by the residents on instruction from the landlord to save for any repairs on the building. The landlord can take the residents to court if all people do not comply!

A long lease is common in industrial areas such as mill towns in the North of England. These are for 999 years and are as good as freehold.