

Information on leasehold properties

Why are we selling houses as leasehold on this development?

For many years, it has been commonplace for local authorities, certain land owners and the majority of housebuilders to sell homes and development sites on a long-leasehold basis. Sale by way of a leasehold structure is a very common form of property ownership. As part of a leasehold tenure, the homeowner will pay a modest ground rent which they will be made aware of upon enquiry or at the point of reservation. The benefit of us receiving this annual ground rent allows us to sell leasehold homes at a very competitive price and at a lower cost to the purchaser than a freehold sale. In addition, the sale of houses on a leasehold basis gives us a greater degree of control in relation to compliance by occupiers with covenants imposed in the interests of all occupiers through good estate management.

How long is the lease term?

Your lease is for a term of 999 years from the term commencement date. This date will be stated on the draft lease supplied to your solicitors.

What is ground rent and how much will it be for my property?

Ground rent is an annual payment by the homeowner to the person who owns the freehold, payable on 1st of August in each year. The amount of this payment will differ from development to development and will be communicated to you by the Sales Advisor upon enquiry and will also be within your contractual documentation issued by our solicitors following your reservation. After a period of 8 years from the term commencement date the ground rent will increase in line with the retail prices index (RPI). Following this, it will increase by the rate of RPI every five years thereafter for the duration of the 999 year lease term. The reason for this is to ensure that the ground rent remains at the same value, in real terms, as at the time when the lease was granted.

Do I need to notify the freeholder of any changes?

You will be required to notify the freeholder if you re-mortgage or if you wish to make alterations to the property. Consent for alterations to the building (including extensions, loft conversions and the erection of conservatories) will need to be granted before you may start any works. In both instances, there will be a reasonable fee payable and it is important that you seek consent under the lease prior to any alterations as otherwise fees for retrospective consent could be higher. These conditions apply to all of our purchasers on both freehold and leasehold sales and ensure that the development you purchase upon retains the original character intended. Prior to commencing any works you will also need to liaise with NHBC to make sure that your new home warranty will not be affected.

What covenants apply to my property?

For the ongoing enjoyment of the development by all who live there, for both freehold and leasehold properties, we impose a number of restrictions on the terms in which you can occupy your property. These include, but are not limited to, a prohibition on using the property for business use, not allowing commercial vehicles to be parked at the property and the occupation of the property by one family only. You will receive a copy of these details within the information supplied to you by our solicitors. These covenants apply to all of our purchasers and are imposed in the interests of good estate management so that all home owners can enjoy living in the neighbourhood in which their property is situated.

Does the sale of my property under a long-leasehold interest impact on the future saleability of my home?

Our processes and procedures with regards to the tenure of a home are well established and have been in place for many years. The terms of the Bellway standard lease are acceptable to the Council of Mortgage Lenders and we are therefore confident that the long leasehold interest of 999 years is adequate security for a mortgage and also gives you security of tenure in your property that will be marketable for many generations to come. Unfortunately, there have been stories within the media of non-Bellway properties where the annual ground rent doubles every ten years causing concerns in relation to the value or saleability of the property. As we have explained above our leases are not reviewed on this basis and we are therefore confident that leases sold on our standard terms do not impact on marketability or value.

What happens to the freehold interest once we have purchased our property?

Bellway specialise in the development of high quality homes to meet a variety of tastes and budgets. As such, we recognise that while we may be experts in home building, there are other companies who are better equipped to handle the long-term management of a freehold and it is therefore likely that we will sell our freehold interest in the development at which your property is situated at some stage. The sale of the freeholds is carried out in accordance with all legal requirements and is a practice which we have undertaken for many years without negative impact to our customers' long-leasehold interests in their properties. The companies which we sell our freehold portfolios to are reputable institutional investors, typically pension funds. You will be notified in writing, via a letter from our solicitors, if the freehold is sold and you will be provided with information about the new owner. This will include contact details for enquiries and payment of the ground rent. This letter is sent by the agents who act for the purchasing pension/investment fund.

Can I purchase the freehold when I purchase the property?

Although there is no need for you to do so, where Bellway own the freehold on a development, we may be able to sell your property to you on a freehold rather than leasehold basis. This should be discussed with a Sales Advisor at the development and will incur a purchase price for the freehold in addition to the property price. The price offered will apply only to the sale being on a freehold basis on exchange of the property. Any terms agreed would not be available once you have completed and will not apply to any future owner of the freehold interest. However, as the leasehold we will grant you is perfectly marketable, you may wish to consider whether purchasing your freehold is necessary.

Can I purchase the freehold of my property at a future date?

Again, although there is no need to do so, if you do desire to own the property freehold in the future, you are able to do so. Statutory protection ensures that after two years of ownership and occupation within the property, you have a protected right to buy the freehold at any time during the remainder of the lease period. This legislation is well established and has been in place for almost fifty years. As part of the legislation, a valuation mechanism is in place to determine the price which the freehold can be sold at. The government body the Leasehold Advisory Service has published a useful guide for owners of leasehold houses which can be viewed at www.lease-advice.org. You would need to seek legal advice from your solicitors in relation to the exercise of these statutory rights. Again, as the leasehold we will grant you is perfectly marketable, you may wish to consider whether purchasing your freehold is necessary.

Do tenants have a right of first refusal before the freehold is sold?

Leasehold homeowners do not have a right of first refusal but do have the statutory protection to acquire the freehold once they have owned the house for two years or more (see above). As we usually sell our freehold interests in completed developments as a group portfolio, we do this through the sale of a subsidiary company which holds our ground rents. It is therefore not practicable for us to first offer the freehold reversion to each customer, but as there is legislative protection in place to protect long-leasehold tenants, there is no detriment to our customers regardless of the identity of the freehold holder (which may change further from time to time during the term of your lease).

IMPORTANT: These details are issued for information only. They are not intended to be, nor can they be, relied on as legal advice. You are strongly advised to take independent legal advice in relation to the purchase of your property including all matters covered by this leaflet and to rely upon the advice of your solicitors.

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