



CAPITAL PARTNERS LIMITED

JET/jmn

Jim Fitzpatrick MP  
House of Commons  
London  
SW1A 0AA

4 August 2017

Dear Mr Fitzpatrick,

I am writing to you in your capacity as Co-Chair of the APPG on Leasehold Reform in relation to the Government's leasehold reform consultation and to outline the actions that E&J is taking to address the issues which the consultation and the media have recently highlighted.

By way of background, E&J is a specialist group of companies that collectively source, own and administer freehold ground rent assets. E&J owns or administers approximately 50,000, primarily residential, ground rent assets across the UK. The majority of these are administered leases, where ground rent income is due to third parties, typically institutions, annuity providers and pension funds which are attracted to the long term income stream.

In June 2016 we launched a review of lease terms across our entire portfolio and found 1,961 leases, representing about 3.9% of the portfolio, had been drafted by developers to contain a 10-year doubling of ground rent. Since then we have been working hard to change all of these leases such that the ground rents will rise by no more than inflation. This has been a complex process. In respect of the 519 leases where the lease income is under our control, we have agreed amendments with 423 leases such that ground rents will not go up by more than inflation. We have contacted every other leaseholder affected and hope to have completed the changes shortly.

In respect of the leases that we administer but where lease income is contracted to third parties, we are in advanced negotiations with counterparties in order to change the lease terms such that ground rents will not go up by more than inflation and expect to reach a conclusion in the coming weeks. We will then be contacting affected leaseholders to seek their consent to make these changes.

In addition, since our review we have also amended our internal investment procedures and criteria to ensure no further leaseholds containing similar 10-year doubling of ground rents can be acquired or administered by E&J.

As you know, Leaseholds have grown rapidly in the UK since the turn of the century as housebuilders have sought to meet the needs for housing. The leaseholder structure is highly effective where multiple dwellings share common services, such as in new build flats, and there is also clear legislation to protect leaseholders. But there are also examples of unnecessary leasehold structures, for example in new build houses which share only limited common services or none at all. There have also been examples where leases containing ground rents that double every 10 years have prevented the proper value or sale of an affected property. We believe that the Government and the media have played a key role in highlighting these issues and we are fully supportive of the recent consultation into certain leasehold practices.

If it would be helpful to meet and discuss any leasehold issues I would be delighted to come and see you.

Yours sincerely



*R* James Tuttiett – Managing Director  
E&J CAPITAL PARTNERS LIMITED