

GUIDE TO LIVING IN A LEASEHOLD PROPERTY

A leasehold flat is usually a property in an apartment block, converted house, or above a commercial unit. When you buy a leasehold property, effectively you are buying the lease. You are leasing the property from the freeholder for years, decades - even centuries.

Tenant and landlord

Once you buy the leasehold, you become the “tenant” and the freeholder becomes the “landlord”. However many modern lease also have a third party to the lease and that is the Residents Management Company (RMC).

This can all seem confusing due to the terminology crossover with renting. However, this terminology will be used in your lease and other documentation, so it’s important to be aware of it.

The role of the freeholder

The structure and common parts of your building plus the land it is built on are usually owned by the freeholder. The freeholder or RMC is responsible for the maintenance and repair of the building. These costs are recovered through the service charge. A managing agent is usually appointed to manage the maintenance and repairs, and collect the service charge.

What does the leaseholder own?

The leaseholder owns everything in the four walls of their flat, as deep as the plaster and floorboards. In some blocks and converted houses, this might also include an outdoor space such as a balcony, terrace or garden.

Service charge

The service charge keeps your building well-maintained, safe and compliant. It funds insurance, repairs, maintenance, cleaning, inspections, security and much more. Your lease will tell you more about what is included.

Budget and payments

Your building runs in financial years, similar to a business. Before the start of the financial year, a budget is set for the service charge. This is agreed by the managing agent with the freeholder or RMC. This is distributed to the leaseholders, and the funds collected are kept in a separate bank account for the service charge. At the end of the financial year, the end of year accounts are prepared.

Managing agent

Whoever runs your building; developer, freeholder or resident management company, will usually appoint a managing agent. They are responsible for:

- Collecting the service charge and managing the budget
- Liaising with leaseholders and attending meetings
- Arranging repairs, maintenance, insurance and inspections
- Ensuring the building is safe and compliant

Ultimately the managing agent can only do their job if there is sufficient money in the service charge paid by the leaseholders.

More information

Please contact our team on 01489 296000 or email info@afpartnership.co.uk