

E&J ESTATES
UPDATE ON LEASEHOLD REVIEWS
Last updated 26 September 2017

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. We have found evidence that these 10-year clauses are impacting on mortgage availability and therefore we have been working hard to change all of these leases at no cost to leaseholders with our objective being that ground rents 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 now reached agreement whereby all leaseholders will have the opportunity to have their lease changed such that ground rents rise by no more than inflation.

In respect of the 1,442 leases that we administer but where lease income is contracted to third parties, we are in advanced discussions with counterparties and developers in order to change the lease terms and remove the 10-year doubling of rent clause. Once concluded, we will be writing to all those leaseholders affected to offer the opportunity to have their leases amended.

We have not seen any specific evidence that leases containing a 15-year doubling ground rent clause, or longer, are impacting on mortgage availability and although we will continue to monitor this, we do not anticipate a similar situation to those with 10-year doubling leases. Notwithstanding this, we recognise that some leaseholders are concerned and we are therefore offering to change any 15-year leases where the lease income is under our control, such that ground rents rise by no more than inflation

We would encourage any leaseholder who has concerns or questions to email us at enquiries@eandjstates.co.uk.

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.

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. The Government and the media have played a key role in highlighting these issues and we are fully supportive of the Government's recent consultation into certain leasehold practices.

About E&J

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.

