

ABEL ON PROPERTY



Leasehold — Extend Now or Wait?

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Chartered Accountants — 40 years' experience

A WORD FROM HARISH & AWAIS JAWAID

Over forty years as a chartered accountant I have sat at kitchen tables and across boardroom desks with hundreds of landlords who own leasehold flats. And nearly every one of them has asked me the same question: should I extend my lease now, or wait?

It is a good question, because the answer costs real money either way. Extend too late and you pay more. Wait for a new law that never quite arrives and you pay in worry — and sometimes in lost value.

I wrote this short book to give you the plain-English picture: what a lease is, why the years left on it matter so much, what extending involves, what waiting involves, and the tax angles most landlords miss. No jargon. Just what I would tell you over coffee.

Tax rules change, and every landlord's position is different. This book is general guidance, not personal advice — please take advice for your own situation.

1. What a lease really is

When you buy a leasehold flat, you are not buying the flat for ever. You are buying the right to live in it — or let it — for the number of years left on the lease. The building and the land belong to the freeholder.

Think of it like a very long rental agreement that you paid for up front. A new flat might come with 125 years, or 99. An older flat you buy second-hand might have 85, 70, or fewer.

Every year that passes, the lease gets one year shorter. And as it gets shorter, two things happen: the flat gets harder to sell, and harder to mortgage. That is why the number matters.

2. Why the years left matter so much

A lease with plenty of years left is barely an issue. Buyers are happy, lenders are happy, and the value holds up.

But as the years drop, buyers get nervous. They know that one day the lease will need extending, and that it will cost money. So they offer less — or they walk away.

Lenders have their own quiet rules about how short is too short. I have seen sales fall through at the last minute because the buyer's mortgage lender looked at the lease and said no. The seller had done nothing wrong. The lease was just too short.

So the years on your lease are not just a number on a document. They are part of what your flat is worth.



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3. Extending now: what it really involves

Extending a lease means paying the freeholder a lump sum — called a premium — in return for more years added to your lease.

The premium is the big cost. On top of it come legal fees — yours and, usually, a contribution to the freeholder's — and a surveyor's fee to work out what is fair. It is not a small undertaking, and you should go in with your eyes open.

But what you buy is certainty. A longer lease protects the value of your flat, keeps it mortgageable, and takes the question off the table for decades. For many of my landlord clients, that peace of mind is worth the price.

Start the process with a solicitor who does lease extensions every week — not once a year. And talk to your accountant before you agree anything, because of the tax points in chapter five.

4. Waiting: the case for patience — and the risk

Leasehold reform has been talked about by governments for years. The promise is simple: one day, extending your lease should become cheaper, simpler and fairer.

If that day comes, those who waited could pay less than those who extended early. That is the honest case for waiting.

But here is the other side, and I say this as someone who has watched many reforms come and go: nobody knows the timetable, and nobody knows the final rules. Waiting is a bet — a bet that the new law arrives soon, and that it helps you.

Meanwhile the clock keeps ticking. Every year you wait, your lease is a year shorter, and if you need to sell or remortgage in the meantime, you may find the market less kind than you hoped.

5. The tax angles most landlords miss

This is the part people forget, and it is why I wanted an accountant's name on this book. A lease extension is not just a legal deal — it can have tax consequences.

Stamp duty can apply to lease premiums, just as it does to purchases. If you are a landlord dealing with an additional property, the 5% additional-dwellings surcharge can come into play on larger premiums. It is easy to be caught out.

Then there is capital gains tax. The premium you pay to extend usually becomes part of your costs, which can reduce your gain when you eventually sell. Keep every receipt and every piece of paperwork — your future self will thank you.

And remember the 60-day rule: when you sell a UK residential property, you must report the disposal and pay the capital gains tax within 60 days of completion. A lease extension changes your cost base, so the figures need to be right.

None of this means you should not extend. It means you should take tax advice before you sign — not after.



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6. My decision framework: five questions

When a client asks me “extend now or wait?”, I do not answer straight away. I ask five questions. Answer them honestly and the decision usually makes itself.

How many years are left? If the number is comfortable and you have no plans to sell, waiting costs you little. If it is getting short, every year of delay can cost you.

Do you plan to sell or remortgage soon? If yes, a short lease can shrink your buyer pool or trouble your lender. Extending first can pay for itself in the sale price.

Can the numbers work? Add up the premium, the legal fees and the surveyor. Then ask: does the rent cover it? Does the protected value justify it? Put it on paper.

What is your freeholder like? Some freeholders deal fairly and quickly. Others drag things out. Your solicitor will know the local reputation — ask them.

What would waiting actually win you? Be specific. If reform arrives soon and saves you money, waiting may be wise. If you are waiting on a hope with no date, that is not a plan.

7. My honest advice

In forty years I have seen landlords lose money both ways: paying too much by rushing, and losing value by waiting for a rescue that came too late.

So here is my honest advice. Do not wait for a law that is not here yet. Do not rush into a premium you have not had checked. Get the lease valued, get the tax position checked, and then decide with clear eyes.

A lease extension done properly is one of the most boring, sensible things a landlord can do. Boring and sensible is how wealth survives.

What to do next

If anything in this book has made you think about your own properties,
don't leave it as a thought. A short conversation now can save you
real money later — and it costs nothing to start.

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We look after landlords across Surrey, Middlesex and West London — and we would be glad to look after you.

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