

Freedom just got a lot easier

Liberate yourself from your freeholder, says **Chris Partridge**. Enfranchisement is the way forward

If you think leasehold enfranchisement is just a boring technical issue of interest only to lawyers, consider this. Flats in a block in Tedworth Square, Chelsea, used to sell at £500 a square foot. The first flat to go on sale since it was enfranchised a few months ago is under offer at £820 a square foot. With figures like that beginning to emerge, leaseholders are getting very interested in banding together to liberate themselves from the freeholder.

The process is now simple. Broadly, tenants can set up a company to buy the block at a price agreed with the landlord. If they fail to agree, the case goes to a Leasehold Valuation Tribunal, which can impose a price. Once the block has been enfranchised, the new company can award its members new 999-year leases, again at the market price.

Peter Haler, chief executive of the independent but government-funded Leasehold Advisory Service (Lease) has seen a massive increase in business since the passing of the Leasehold and Commonhold Act in 2002. "We are now getting 28,000 enquiries a year despite practically no coverage in the media," he says. "Of those enquiries, 80 per cent come from the leaseholders, and the rest from landlords, surveyors, valuers and other professionals."

Enfranchisement has been possible for some time, but the 2002 Act removed the requirement for all the participating tenants to be real residents – part-timers with main homes in the country and corporate owners had been excluded. "Interest has suddenly increased because enfranchisement has become so much easier," Haler

says. "Originally it was mind-bogglingly complex – the 2002 Act reduced the requirements a lot."

The new interest in enfranchisement is giving Kat Callo a spot of déjà vu. Callo, originally from New York, now runs Rosetta Consulting, a firm that helps groups of tenants through the enfranchisement process. "The situation is very similar to that in New York in the 1970s, where blocks could be dominated by powerful individuals, and this is a risk on both sides of the Atlantic," she says. "We teach directors that they are accountable to the tenants."

In fact, the biggest obstacle faced by many tenants is persuading their neighbours to join in. "Certainly we get people who say they don't want to be in a business arrangement with their neighbours," she says. "One of the things we do is explain the responsibilities of directors – in the UK people have to do a lot of homework but it isn't rocket science."

Tenants also need to realise that when the landlord has been deposed, they will have to shoulder the burden themselves. "It is in some ways convenient to have a big, bad, absent landlord to blame everything on," Callo points out.

Tedworth Square North in Chelsea was enfranchised a couple of months ago in one of the biggest operations so far, the freehold being worth about £5m. Solicitor Mark Ridley, who acted for the tenants, said that getting the tenants together was difficult after years of demoralising disputes. "There was a lot of scepticism initially, because the block had a long history of disputes with the landlord over issues such as non-residents using the parking spaces, attempts to put mobile



On the up: Tedworth Square in Chelsea

phone masts on the roof and unwanted development proposals," he says.

The old residents' association was revived, and 28 tenants out of 47 voted to buy the freehold and oust the management company as well. The participating tenants now have new 999-year leases and a share in the freehold. Their boldness is being rewarded by an enormous hike in value, according to Marina Collett of John D Wood, who has sold two flats in Tedworth Square North since enfranchisement, one on behalf of a non-participating tenant and the other for a tenant with a new 999-year lease. "The first flat was one of the largest in the block, but was unmodernised and had only a 48-year lease and no parking space,"

she says. "It sold for about £1.75m, which works out at about £500 a square foot."

The second flat was startlingly different. It is much smaller, just 820 sq ft in area, unmodernised, but with both a parking space (worth £45,000) and a new 999-year lease and a share of the freehold. "We had it on the market at £695,000 and have an offer on it at the asking price," Collett says. That works out at about £820 a square foot – a very attractive return.

The benefits of enfranchisement are more than just price, however. "It will greatly enhance the block, because mortgages are easier to get on long leases," Collett points out. "And the replacement of the management company will help – the first thing they need to do is redecorate the common parts, which are currently painted a revolting orange colour."

Tenants who are thinking of enfranchising themselves should act quickly, however, as the Government may be about to take a step backwards, according to surveyor Michael Boyle of Boyle & Co, who acted as the valuer for the tenants at Tedworth Square. "The next stage is the 'second commencement order', expected to be issued by the Office of the Deputy Prime Minister next year," he says. "The new legislation proposes consultation with everybody, which is nice in theory – but there's a lunatic in every block."

And lunatic tenants are not the only problem. Consultation could unwittingly unveil all the tenants' secrets to the landlord. "I have dealt with two or three blocks where the landlord owns flats through a subsidiary, so you would have to show him your valuation," Boyle points out.