

COLLECTIVE ENFRANCHISEMENT COST

In addition to your own costs, the Freeholder is allowed to charge for being compelled to sell the freehold. This includes 5 distinct costs which are described below:

Reversionary Value is the “share of freehold” value of each flat, discounted at an interest rate of 5% for each of the years that remain on the lease. This figure varies from approximately 1% of the “share of freehold” value at 95 years unexpired but increases to 95% at 1 years unexpired! Freeholders’ initially tend to inflate the value of each flat rather than adopt a fair valuation. Richard John Clarke argue for lower reversionary values on behalf of our clients.

Marriage Value, only payable for flats with 80 years or less unexpired, this is an extra payment calculated at 50% of the additional value created by enfranchising the building and giving each flat a “share of freehold”. This payment is between 1% and 11% of the “share of freehold” value of each flat. Richard John Clarke argue for a low marriage values on behalf of our leaseholder clients.

Development Value, payable only when the freeholder can show he will lose value by not being able to develop part of the freehold. Typically, freeholders claim development value for roof space and gardens, but the value will depend upon each building. Richard John Clarke often argue this value is zero for our leaseholder clients.

Professional Fees, known as Section 33 costs, represent the freeholders’ legal and valuation costs. The guiding principle is that these are limited to “reasonable costs” but very often amount to several thousand pounds. These costs vary as each Collective Enfranchisement is different with some blocks being quite small (minimum and most common block have just 2 flats) compared to others which are larger blocks (the largest block we have dealt with had 157 flats). However, the freeholders are not entitled to claim for the costs of negotiations or preparing/attending the First-tier Tribunal. These fees need to be checked and if necessary, challenged to ensure they are fair. Richard John Clarke and our Solicitor colleagues always check these costs are reasonable for our leaseholder clients.