

RIVERMEAD COURT

SPECIAL NEWSLETTER ON THE LEASE EXTENSION



12 AUGUST 2021



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Intentions Form

Introduction

Most of us living at Rivermead Court are owner-occupiers and value our flat as our home. But it is also a major financial asset and as such it is natural to be concerned to uphold and enhance its market worth for our own benefit or that of our family. As the original leases near 80 years this becomes increasingly important for the resale value of our flats. Mortgage companies and those offering equity release will be unhappy at leases of less than 80 years. At present, the time remaining on leases is 84 years, already shorter than many mortgage lenders prefer, and this alone can make properties harder to sell. Furthermore, once the term drops to 80 years, the premium charged to extend a lease increases significantly.

For a long time, it has been the intention of your Board to extend the leases, it has simply been a question of timing. We are all leaseholders as well as shareholders in the freehold company so we want valuations which are fair and reasonable between landlord and leaseholder.

If all goes to plan, the formal offer to extend the length of the lease will be made in October this year. It will consist of:

- A cover letter from the Chairman, Tom Hackett.
- The Offer letter from Rivermead Court Limited (RCL) with a formal offer of extension, the premium required, details of how to accept and proceed, and the deadline for acceptance.
- A letter from Fanshawe White, RCL's appointed valuer, addressed to each leaseholder, setting out the premium (i.e. the amount to be paid) for the extended lease and the principles followed to arrive at that figure.
- The Acceptance Form to be returned to Bishop & Sewell (B&S), the solicitors acting for RCL in this matter. It will ask if you will be acting for yourself or using a solicitor. If the latter, it will ask for your solicitor's name; if not it will ask you to authorise B&S to register the new lease with the Land Registry when it is completed.

This newsletter describes in some detail the process that the Board has gone through, explains the principles of the calculation of the premiums and the process to be followed to extend your lease. It also gives some indication of the likely sum it will cost. We hope it provides enough information to enable you to make your decision in principle and to be ready to respond when the offer is made.

Background

First, some history. In 1979, the Prudential Assurance Company, which then owned Rivermead Court, decided that owning these flats no longer accorded with its investment requirements and offered to sell the entire freehold to the then tenants. A small group of tenants saw the opportunity and came together with a view to acquiring the freehold, funding the acquisition by offering to sell long leases to each tenant at a fixed price determined as a percentage of the assessed value of the property. This was achieved by the formation of a company – Rivermead Court Limited – in which each leaseholder would have a single share. The entire transaction was completed in March 1980 when 181 of the tenants purchased 125 year leases on their flats. This very positive response, along with the sale of a further 13 then vacant flats, realised sufficient funds to buy the freehold and undertake some badly needed maintenance.

Over the succeeding years, most of the few remaining flats have become vacant and then sold on long leases. The sales proceeds have enabled RCL to run and maintain the entire property to a high standard, while placing the company on a sound financial footing.

Although we, as leaseholders, are customarily described as “owning a share of the freehold”, technically and legally, what each of us actually owns is one share in the freehold company, Rivermead Court Limited.

As you know, it is the Board’s intention to use the lease extension income (i.e. the premiums) to pay for the pipework project in its entirety up to and including the heat exchanger unit (HIU). This means that only the internal works of each flat would be the responsibility of the owner.

When will the offer be made?

The timing of the lease extension offer is being closely managed to co-ordinate with the funding requirement of the pipework project. On our current plans, and all being well, RCL will write to every leaseholder in early October 2021 with the formal offer to extend their lease. **The offer will be open for acceptance for four weeks.** There will be a significant administrative workload in completing the extension transactions but we would expect many of the extensions for leaseholders without mortgages to complete before the year end, while those with mortgages will take rather longer and are likely to carry over to the beginning of 2022.

If you are planning to extend your lease it would be prudent to assume that you will need to have funding ready before the end of this year.

The offer letter will come from Rivermead Court Limited , the freeholder.

Will this be my only opportunity?

We emphasise that the offer to extend your lease is made to all leaseholders. Not everyone will wish to extend at this time and that is entirely your choice. If you decide not to take up the extension offer at this time, there will remain the future opportunity either by statutory right or in the event of a future offer from the Company. But as each year passes the premium expressed as a percentage of the market value will increase by about 5%. The premium will also vary with changes in market values. It is important to bear in mind that once the lease shortens to 80 years there will be a further and significant increase in the premium as 'marriage value' is taken into account. This is where the current relevant legislation provides for the advantage gained by extending the lease to be shared with the freeholder.

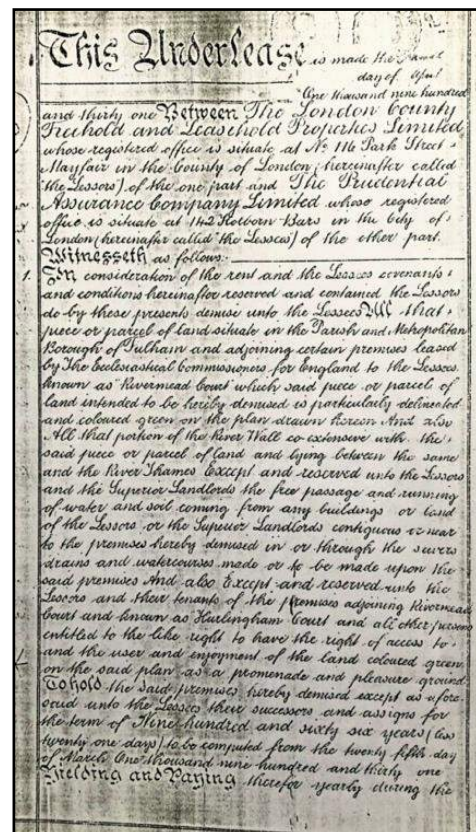
Please also note that on this occasion RCL, as the freeholder, is bearing the valuation fees and its own legal costs which would normally be paid by the leaseholder under the statutory provisions. There is also the opportunity for those who so choose to deal direct and avoid incurring the fees of their own solicitor (although by law we shall be obliged to advise you to seek legal advice).

Thereafter, any leaseholder not wishing to take up this offer, and who then wishes to extend at a later date, would need to make a formal application and negotiate an updated valuation. They will also have to pay both their own and the freeholder's valuation and legal costs.

Length of the new lease

The lease extension will be for 875 years which we think should be long enough for most of us!

You may think we have chosen a rather odd number to extend the lease by, but we are not able to offer the usual 999-year lease as, although Rivermead Court itself is built on freehold land, part of the land comprising the river frontage and the garden to the east of the East Block is leased from Hurlingham Court on a lease of 966 years (less 21 days) from 25 March 1931 (see right).



Form of the new lease

Legally, the process is the surrender of the 'old' lease and the grant of a 'new' lease.

This is achieved through a *Deed of Surrender and Lease*, to which are annexed copies of the original lease and the First Tier Tribunal (FTT)'s decision on the lease variations that have recently been implemented.

A version of this document will be prepared for each flat that is having a new Deed granted. It will be in 2 parts, one for signature by RCL and a counterpart for signature by the leaseholder.

Since the 'new' lease will incorporate the original lease, the terms will be identical in every way to the old except for the new final date and the reduction of the ground rent to a peppercorn.

Although a more modern lease might be drafted somewhat differently from our original lease dating from 1980, the current version continues to serve us well and from the beginning we have considered that to open the detailed wording to changes would result in endless debate – so there is no change.

How is the premium arrived at?

The Board appointed Angus Fanshawe of Fanshawe White¹ to carry out the valuations of the different flats for the purpose of establishing the premiums for extending the leases. He is a Chartered Surveyor and Valuer specialising in lease extension and freehold enfranchisement cases. He lives locally, and all his work is around central and south-west London.

Angus inspected a sample of flats covering all the different layouts in Rivermead Court and researched all flat sales over recent years. As you will be aware, the flats vary considerably and the Valuer takes a number of factors into account:

- Size (square feet)
- Floor (higher floors attract higher values)
- Aspect and outlook
- And market prices

On the other hand, any improvement or alteration to a flat carried out by the leaseholder is

¹ <https://www.fanshawewhite.co.uk/>

disregarded in the valuation, which is based on “good tenantable repair”. This is so that the freeholder does not benefit from improvements made by the leaseholder. He then calculated the premium to be paid for extending the lease, in accordance with current leasehold legislation. The principles governing calculation of premiums for lease extension are relatively simple provided the lease has over 80 years unexpired at the date of extension. The premium represents the loss to the freeholder in the value of its holding as a result of the extension. This comprises two factors:

- Since our offer will include reducing ground rent to zero, the loss of income to the freeholder from ground rent from each flat.
- Reduced value of the ‘reversion’ of the flat as a result of an extended term of lease – the flat will no longer revert to the freeholder in 84 years.

The majority of premiums for flats in the East and West blocks lie in the range £20,000 to £32,000 and more for flats in the Centre block. A simple summary of expected premiums, by flat type, is given below to give leaseholders some early notice of the likely cost.

Range of figures payable for different flat types

East Block

Mid building £17,000 to £23,000

North Corner Flats £22,000 to £32,000

South Corner Flats £28,000 to £37,000

West Block

Mid building £14,000 to £23,000

North Corner Flats £21,000 to £26,000


South Corner Flats £27,000 to £35,000

Centre Block

£26,000 to £43,000

Offer Letter

In October each leaseholder will receive a letter from Rivermead Court Ltd similar to this:


To [Leaseholder] Flat number [.]
Dear [Name],
Lease Extension of Flat Number [.] Rivermead Court
As set out in our Special Newsletter dated 12 August 2021, it has for some time been the intention of Rivermead Court Limited (the freeholder) to grant extensions to all leases in the form of a Deed of Surrender and Lease. This letter is the formal offer of that extension.
RCL is offering to grant a new lease on the following terms:-
Premium to be paid: [£]
Term: 875 years from September 2021
Rent: peppercorn
Other terms – identical to the terms of your existing lease, dated 31 March 1980 as varied by the Order of the First-Tier Tribunal dated 2 December 2020
This offer is open for acceptance until [.]. If you would like to accept the above offer, please return the enclosed form to RCL's solicitors, Bishop & Sewell LLP, either in hardcopy to 59-60 Russell Square, London WC1B 4HP or by email to the following email address: rivermead@bishopandsewell.co.uk .
We look forward to hearing from you.
Rivermead Court Limited
Fiona Fowler Peter Green Michael Stevens
Directors and members of Lease Extensions group

Acceptance and process

Bishop & Sewell, the solicitors who acted for Rivermead Court over the recent lease variations, will be dealing with the legal formalities on behalf of RCL.¹ If you wish to take up the offer, the Acceptance Form included in the October pack should be returned to them as soon as possible. We shall be asking that your acceptance (not legally binding at this point) be returned within four weeks.

At this point, there are two different routes for leaseholders depending on whether or not you instruct a solicitor. If there is no third-party interest, the leaseholder can sign and return the form. Those with mortgages or other third-party interest, or those who *prefer* to use a solicitor, should be consulting a solicitor (see next section).

The process, in brief, will be:

1. Return the acceptance form to B&S
2. B&S issue lease extension documentation to the leaseholder or their solicitor for the leaseholder's signature
3. Signed documents are returned to B&S, and funds remitted to a client account at either Faraday or the solicitor
4. Faraday or the solicitor notify B&S that they are holding the funds
5. B&S complete the transaction on behalf of RCL, issues final Extension document to the leaseholder and tell Faraday or solicitor to release the funds to RCL
6. B&S or solicitor completes the form to register the extension at the Land Registry

Using a solicitor

It is our plan to make it as simple as possible for leaseholders without mortgages or other complications to complete the process without external help from a solicitor. If they so choose, leaseholders can simply sign and return the form and they will receive the necessary paperwork.

Where there is a mortgage or other third-party interest, a leaseholder needs to instruct a firm of solicitors to deal with the matter as the lender or other party will not be prepared to proceed unless their interests are also represented. Or you may simply prefer to take independent advice.

If you do not have a family solicitor, we are making arrangements with a solicitor introduced by, but separate from, B&S who have agreed a fixed fee arrangement. Details are not yet finalised but we will be letting you know in the near future. If you do decide to instruct them, you will be responsible for their fees.

¹<https://www.bishopandsewell.co.uk/>

Lease Acceptance Form

If you wish to accept the offer, you should return the Acceptance Form included in the pack to B&S. It will be similar to this:

LEASE EXTENSION OFFER ACCEPTANCE FORM	
TO:	RIVERMEAD COURT LIMITED c/o Bishop & Sewell LLP, 59/60 Russell Square, London WC1B 4HP rivermead@bishopandsewell.co.uk
NAME of Leaseholder:
FLAT NUMBER:
CORRESPONDENCE ADDRESS:
(if different)
CONTACT EMAIL ADDRESS:
CONTACT PHONE NUMBER:
I would like to accept the offer of an extension to the lease of my property by a Deed of Surrender and Lease. By return of this acceptance form I accept the terms of offer as set out in the letter dated [].	
Please note that if you have a mortgage or other third-party interest over the property you will have to instruct an independent solicitor and will not be able to deal with the grant of the Deed yourself.	
I have a mortgage	YES/NO
If you need, or simply prefer, to appoint a solicitor, please provide their contact details	
Solicitor contact details.....	(firm)
.....	(solicitor)
.....	(contact email)
Your solicitor will be required to register the Deed at the Land Registry on your behalf and confirm to Bishop and Sewell that they have done so.	
If you neither need nor choose to appoint a solicitor, you need to authorise Bishop and Sewell to register the Deed at the Land Registry. There will be no charge to you for this service:	
I authorise Bishop & Sewell to register the Deed of Surrender and Lease at the Land Registry on my behalf:	YES/NO
Signed:	Dated:

Can I challenge the premium?

If you would like to have a second opinion of the premium, you can ask a local leasehold enfranchisement specialist valuer. To find a valuer, go to: <https://www.alep.org.uk/find-a-practitioner>, enter your postcode and you will find a list of local specialist valuers. You will be charged a fee for this service.

Because of the cost to RCL (and thus to all leaseholders) of responding to an appeal on valuation, RCL will only respond to formal appeals made on behalf of an individual leaseholder by an appropriately qualified valuer appointed by the leaseholder. The leaseholder will be required to pay the freeholder's reasonable valuation and solicitor's costs in addition to their own fees and costs for valuer and solicitor

Alternatively, a leaseholder has a right under the *Leasehold Reform, Housing and Urban Development 1993* (as amended) to serve at any time a statutory notice on the freeholder to extend the lease by 90 years, and reduce the ground rent (currently £10 pa) to zero. The premium can normally be agreed, or failing that, can be determined at a Tribunal. We are advised, however, by Angus Fanshawe that the premium for a 90 year extension will be very little less (a few hundred pounds) than the premium for the longer extension we shall be offering and, again, the leaseholder will be required to pay the freeholder's reasonable valuation and solicitor's costs in addition to their own fees and costs for valuer and solicitor.

If selling or buying a flat in Rivermead Court

In order to provide the necessary information to buyers, a copy of this Newsletter will be included in the *Management Information Sales Pack* provided to vendors' solicitors by Faraday as part of the LPE1 enquiries process. You can of course share this newsletter yourself with prospective purchasers. Whether the vendor or the buyer accepts the offer of extension should be agreed between vendor's and purchaser's solicitors, and will depend on your required timing. Your solicitor will advise.

Drop-in for questions

We regret that because of the sheer number of leaseholders we cannot respond to queries or questions from individual leaseholders. However, we do plan to run a couple of 'drop-in' sessions from the Board Room, COVID permitting, in the second half of September when we will attempt to give answers to questions of understanding, but not, of course, advice!

Conclusion

There is, of course, no obligation to take up the offer although we hope, and expect, that the majority of you will do so. It is for you to decide in the light of your own circumstances.

The next page of this newsletter includes a tear-off form with some questions about your intentions. Your responses will help us with the detail of the planning the process and will be much appreciated.

Intentions survey

Please would you complete these few questions. It will not commit you but It will help us enormously with the planning process. It will only take a few moments.

Please return the completed form to Fiona Fowler, either via the Porters' Lodge or by email to ffowler@rivermeadcourt.co.uk

Fiona Fowler
Peter Green
Michael Stevens
The Lease Extension Group

Questionnaire on Lease Extension

Flat number:

Do you intend to accept the lease extension offer? YES/NO

Are you likely to be using a solicitor? YES/NO

If so, your own solicitor or the solicitor suggested? OWN/SUGGESTED

If you would like details of the suggested solicitor, please, tick here -----

If you are **not** using a solicitor, will you be happy to authorise Bishop & Sewell, to register the lease extension at the Land Registry on your behalf? (There will be no charge for this additional service.) YES/NO

