



London, 1st June 2020

Dear Fellow Leaseholder,

Following publication of the Pipework newsletter, it has become apparent that many Rivermead Court leaseholders would appreciate an update on the proposed offer of lease extensions. This letter is to confirm that it is still very much our intention to make such an offer in the near future.

Not only should it be beneficial to you as leaseholders to have very long leases, but the anticipated premiums will allow Rivermead Court Limited (RCL) to fund renewing the pipework including installing Heat Interface Units (HIUs) to every flat. As stated in the Pipework newsletter, this project has progressed to the point where we have been able to commission Atlas, Quantity Surveyors to make detailed cost estimates on our drawings. Due to lockdown, we have less than usual certainty on the costs, and the same applies to the expected level of receipts. However, we are in the fortunate position of having significant reserves, and RCL is committed to using these reserves to mitigate any risk. You need only meet the cost of new connections within your own flat at any time so long as it is before 2034.

Some of you have expressed a concern that the delay in extending the leases will result in a higher premium. Equally, in the present circumstances, it is possible, and perhaps even more likely, that the property market will continue to soften, offsetting any increase due to the shortening term.

As to timing, the offer will be made well before 2025, the point at which the term drops to 80 years and premiums increase significantly due to "marriage value". On present expectations, the offer will be made during 2021, timed so that cash is available to cover the heavy construction period. In order to manage cash flows, RCL will draw on its reserves so that construction can proceed and not be held up for lack of funds. Over time, it is expected that all leases will be extended and reserves can be replenished.

There is, of course, no obligation to take up the offer, although we hope, and expect, that the majority of you will do so, particularly as the market value of the property will usually be enhanced by at least the cost of the premium. At present, the time remaining on leases is 85 years, already shorter than many mortgage lenders prefer, and this alone can make properties harder to sell.

The next step in the process of these linked projects is a ballot of all leaseholders on the pipework-related changes to our leases. This is to gain approval for RCL to approach the Tribunal to change the wording of the leases in order to facilitate the pipework project. As stated in the accompanying News Bulletin, RCL will shortly issue ballot papers to every leaseholder to gain the necessary 75% approval to make the application. Since there may be some delays in the court approval process due to the pandemic, the sooner you are able to cast your vote, the sooner RCL can make the application.

Following a successful ballot, the way will be clear for RCL to move ahead on all fronts, including determining the precise timing of the lease extension offer.

Yours sincerely,
Tom Hackett
Chairman of the Board,
Rivermead Court Limited