

E&J ESTATES and E&J CAPITAL PARTNERS

UPDATE ON LEASEHOLD REVIEWS

Last updated 01 May 2018

In June 2016 we launched a review of lease terms across our entire portfolio and found 1,973 leases, representing about 3.9% of the portfolio, had been drafted by developers to contain a 10-year doubling of ground rent. We have found evidence that these 10-year clauses are impacting on mortgage availability and therefore we have been working hard to change all of these leases at no cost to leaseholders with our objective being that ground rents rise by no more than inflation. This has been a complex process.

The Taylor Wimpey Ground Rent Review Assistance Scheme gives leaseholders who purchased their property from Taylor Wimpey the opportunity to have their lease changed at no cost such that ground rents rise by no more than inflation. We are pleased that over 50% of eligible leases are currently undergoing or have completed these changes.

Any leaseholder who purchased their property from Taylor Wimpey and who wishes to change their lease can do so by visiting <https://www.taylorwimpey.co.uk/leaseholdfaq>.

Where leaseholders did not purchase their property from Taylor Wimpey, either purchasing from a different developer or a previous leaseholder, we are pleased to have reached agreement with all counterparties to change the lease terms such that ground rents rise by no more than inflation. A programme of communication and legal work is underway in respect of this.

We have not seen any specific evidence that leases containing a 15-year doubling ground rent clause, or longer, are impacting on mortgage availability and although we will continue to monitor this, we do not anticipate a similar situation to those with 10-year doubling leases. Notwithstanding this, we recognise that some leaseholders are concerned and we are therefore offering to change any 15-year leases where the lease income is under our control, such that ground rents rise by no more than inflation.

We would encourage any leaseholder who has concerns or questions to email us at enquiries@eandjestates.co.uk.

Leaseholds have grown rapidly in the UK since the turn of the century as housebuilders have sought to meet the needs for housing. The leaseholder structure is highly effective where multiple dwellings share common services, such as in new build flats, and there is also clear legislation to protect leaseholders. But there are also examples of unnecessary leasehold structures, for example in new build houses which share only limited common services or none at all. There have also been examples where leases containing ground rents that double every 10 years have prevented the proper value or sale of an affected property. The Government and the media have played a key role in highlighting these issues and we are fully supportive of the Government's recent consultation into certain leasehold practices.

About E&J

E&J is a specialist group of companies that collectively source, own and administer freehold ground rent assets. E&J owns or administers approximately 40,000, primarily residential, ground rent assets across the UK. The majority of these are administered leases, where ground rent income is due to third parties, typically institutions, annuity providers and pension funds which are attracted to the long-term income stream.

