

Renting or Leasehold?

July 2014

When you are thinking about downsizing into retirement property one of your first decisions will be about renting or buying. There is a web site www.housingcare.org.uk run by the Elderly Accommodation Counsel that includes a directory of available property including which schemes offer property to rent and which offer property to buy.

If you currently rent the home you live in then the likelihood is you will be looking to rent the property you retire to. A range of providers including housing associations and charities offer excellent retirement property to rent but the number of private sector landlords that are offering retirement property to rent is more limited, and more limited still if you want to rent extra-care retirement property.

On the other hand, I suspect that most people who have bought their current property will want to buy their retirement property. After struggling to pay the mortgage over many years there will not be many people who will easily give up the security of owning the property they retire into.

Most retirement property that is 'for sale' is offered leasehold. That is, you buy a lease for 125 years if the property is new or, if you are buying a property that was previously occupied, then you buy the remaining term of the lease. The lease will contain certain obligations, for example it will set out ground rents, show how you contribute to the cost of building repairs and any service charge that will apply. Be sure to ask your solicitor to explain all the obligations in the lease – a reputable vendor will also set them out clearly in their literature but it is your solicitor who you should rely on for the full story.

Some leases will also contain a provision to pay a transfer premium. That is a percentage of the sale price that goes to the freeholder when you, or your estate, comes to sell the property. Make sure you know how much it is, what the freeholder is going to do for this money and that you think it is fair. For example, it may include a contribution to long term building maintenance so that you don't have to pay for this through the service charge or it may cover the cost of selling the property so you don't have to pay estate agency fees. On the other hand, if it is just additional income for the freeholder and no service is being provided for the fee then you need to take this into account when you agree the price you are paying for the property.

The bottom line is this. Make sure you know exactly what you are getting into. If in doubt take a friend or family member with you when your solicitor is explaining things and don't be afraid to ask questions.

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