

Freehold v Leasehold fact sheet

Freehold (The Standard Home Ownership Model)



In a typical “freehold” scenario, the buyer will own the entire building, and land on which the building stands. This will include the structure of the building and the garden. The buyer will be responsible for the repair of the whole of the building, arranging buildings insurance and in making sure all cables, wires, pipes and drains are all connected to the building.

The purchaser will typically have no need to make contributions towards any other shared costs (such as shared driveways, gardens or for maintenance of the building).

Leasehold (The Typical “Flat” Ownership Model)



In a typical “leasehold” scenario, the buyer of a “flat” will own one floor / part of a floor within a larger building. He will be called a “tenant”.

The “landlord” will own the “freehold” and will thus own the structure of the building (to include roof, foundations and structural walls), the garden and any access ways or passages leading to the building.

The building will comprise a series of leases of each flat, normally granted on the same date for a long period of time (90+ years) and the tenants (who own the leases) will usually pay a small annual rent to the landlord (usually not more than £200 p/a).

Some unique features of a Leasehold property (a “Flat”)

Because the landlord will own the structure of the building, he will typically be responsible for repairing and maintaining the structure of the building, decorating communal hallways, stairs and lifts and for arranging buildings insurance for the whole building. Each tenant will pay an annual “service charge” to the landlord towards these costs. The total costs will usually be split between all tenants.

A leasehold property will typically only comprise the inside of the flat. So, a flat owner will usually not own the structural walls within their flat, the floor or ceiling joists. A leasehold property tends only to comprise the wall, floor and ceiling surfaces, together with any pipes, wires, cables or drains serving only that flat.

A lease will contain a series of “rights” (things a tenant can do), “reservations” (rights other flat owners and the landlord have over the flat) and “regulations” (things a tenant cannot do): usually very standard.

Leases which have less than 80 years remaining can be difficult to sell or buy. A tenant who has owned their flat for 2 + years has a legal right to extend their lease by 90 years (plus whatever is remaining at the time it is extended), subject to paying the landlord a “premium” – a sum of money – to be granted the extension. Extending the lease when it has less than 80 years to run can be costly. Extending it when it has 85+ years to run is sensible.

Sometimes, the owners of the flats also, together, own the entire building or “freehold” and are their own landlords. This situation is sometimes called a “leasehold with share of freehold” arrangement.

