

January/February/  
March 2011

ASTBERRYS

Newsletter

We are property specialists for:

- Lettings
- Short Let Apartments
- Sales
- Block Management

We operate in:

- South Kensington
- Gloucester Road
- Earls Court
- Knightsbridge

#### WHO ARE WE?

We are letting and managing agents for individual flats and blocks of flats in Kensington and Chelsea. We will also let to you our own properties and excellent short term apartments. We carry out all building works, refurbishment and maintenance of flats and blocks. We offer in-house legal advice on all aspects of the letting business and property law. We also carry out valuations and property sales.

We are members of the Association of Residential Letting Agents and we are authorised as appointed representative by the FSA to conduct insurance mediation activities. One of our directors is a barrister. We have a clear and transparent fee structure. We only bill for work we do, for example we do not charge second year letting commission on properties, which we do not manage. We offer a straightforward pricing menu for maintenance and building services.

Our regular Newsletter covers areas of interest concerning the management and legal aspects of property, the sales and letting markets.



#### ***Redcliffe Square, SW10***

**Sold at £780,000**

(Equivalent to £720 per ft<sup>2</sup> )

Lower ground floor flat with garden. 101 m<sup>2</sup>. Located on the Western side of the Square. Perfect condition. If you are looking to sell a property in Kensington and Chelsea, then please come and speak to us or telephone 0207 370 0123. We have cash buyers ready to purchase similar properties.



## **Royal Crescent Mews, W11**

**To let at £425 pw**

One bed mews house in a quiet cul de sac. Approx 61 m<sup>2</sup>, open plan loft style living space, one bedroom, en suite bathroom, cloak room, all appliances, wooden floors. By separate negotiation large garage.

We always have a selection of good quality flats to let. Visit [www.astberrys.co.uk](http://www.astberrys.co.uk)

### **THE ROOF TO YOUR BUILDING LEAKS. HOW DO YOU GO ABOUT HAVING IT REPAIRED? A COMPLEX ANSWER TO AN EASY QUESTION - “MAJOR WORKS” AND YOUR BUILDING. THE LAW AND PRACTICE**

**What do you do when the building in which you live requires significant capital expenditure, such as a new roof, new lift or re decoration?** The management of such projects, often called “major works” involves a more complex process than you might imagine.

**If you have a lease of a flat and you want “major works” carried out to the building,** [perhaps because you are on the top floor and the roof leaks or in the basement and there is rising damp or simply the outside of the building looks tatty], **how are you going to have the works carried out?**

**The starting point is your lease. Does it require the freeholder of the building to carry out the “major works” you think necessary?** If your window frames are rotten do not assume that the cost of repair or replacement is the responsibility of the freeholder. The responsibility may be yours; you need to look at the lease. Balconies, terraces and even roofs do not always belong to the freeholder. Sometimes these areas are granted to an individual flat owner under the terms of the lease. In such a case the responsibility for upkeep falls on the individual flat owner not the freeholder of the building. Nevertheless the freeholder may be able to force the flat owner, at your request to maintain properly these areas.

However let us assume that the “major works” you think need carrying out are the responsibility of the freeholder. Let us also assume that the freeholder agrees that the work needs doing. This is not always the case and any difference of opinion can lead to serious disputes, especially where the freeholder is a company in which you and all the other leaseholders own shares [For further information on this difficult area please go to [www.astberrys.co.uk](http://www.astberrys.co.uk) and click of the Newsletter for February/March 2010].

The cost of the “major works” will in most cases be paid for by you and all the other flat owners in the building. Most leases are drawn up so as to provide for this. However **generally the freeholder should not first carry out “major works” and then expect to bill you and the other flat owners through the service charges.** The law requires the freeholder to go through a number of steps before he can have “major works” carried out.

To start with, the freeholder should obtain an idea of the cost of the “major works”. Where the cost is below the limit laid down in the Landlord and Tenant Act 1985 then the freeholder can go ahead, carry out the works and then recover the costs through the service charges. The limit is £250 per flat. **As a general rule no flat owner can be expected to pay, by way of service charges more than £250 in respect of major works unless the freeholder first takes steps to inform and consult with each flat owner.** So, assuming each flat had to contribute to any item of “major works” in equal percentages and assuming that there were 10 flats in a building the limit would be £2,500. If a freeholder wanted to spend more than this sum then, he would be wise to follow the procedures laid down by law.

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thirty three  
**Bedford  
Row** Barristers'  
Chambers  
33 Bedford Row  
London WC1R 4JH  
t: 020 7242 6476  
f: 020 7831 6065  
LDE 75  
www.33bedfordrow.co.uk

Our specialist property law team deals with  
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We are delighted to accept instructions from Astberrys  
and their clients and will be pleased to advise in relation  
to all areas of property and landlord and tenant law.

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**The Property Law** Website

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updating service'*

Assuming the cost of the “major works” is in excess of the limit what must the freeholder do? **First, he must send a letter to all the flat owners in the building setting out a simple description of the works which need to be carried out.** The letter should also ask each flat owner for their comments in relation to the proposed works and also whether they would like to nominate a contractor from whom the freeholder should obtain an estimate for the works. The replies to the freeholder’s letter must be received within 30 days. During this period the freeholder should not commence the works.

**Secondly, but after the end of the 30 day period, the freeholder must obtain at least two estimates for the works.** If the flat owners have nominated a contractor then the freeholder must try to obtain an estimate from this contractor. What is more at least one estimate must always come from a contractor wholly unconnected with the freeholder.

**Thirdly, the freeholder must send a second letter to all the flat owners summarising the quotes and setting out any observations previously made by any of the flat owners together with his reply.** The flat owners must be given another 30 days within which to consider the second letter, look at the estimates and make any further observations. During this period the freeholder should not commence the works.

**Finally and after the second period of 30 days has expired the freeholder may carry out the works using the contractor who provided the cheapest quote.** If the freeholder uses a contractor who did not provide the cheapest quote then he must send a letter to the flat owners explaining why but he may nevertheless use this more expensive contractor.

The scheme of managing “major works” set out in the Landlord and Tenant Act 1985 provides some protection to flat owners. The freeholder must follow the scheme and respect the time limits. If he does not then the law will limit the amount he can recover for the cost of the “major works” to £250 per flat. In addition the freeholder cannot just choose his own contractor and expect the flat owners to pay. **However, the flat owners cannot impose their contractor on the freeholder either, even if this contractor is cheaper. The freeholder is free to use a more expensive contractor provided he can justify it.** In cases where the difference in price is small and where the work of the contractor chosen by the freeholder is well known to the freeholder this may not be very difficult. Ultimately, if a flat owner felt aggrieved he should take legal advice and consider withholding part of his service charge payments and referring the dispute to the Land Valuation Tribunal. However this may prove to be an expensive and joyless experience.

**It will be appreciated that the appropriate procedures for managing “major works” will vary from building to building and will depend on the nature of the works and the likely cost.** In addition to the legal requirements there are issues relating to the detailed specification of the works and health and safety legislation. **Overall this is a process which should be handled carefully. At Astberrys we are experienced in this and all other aspects of block management. One of our directors is a barrister and we are members of ARLA. To talk to us about block management email us at [management@astberrys.co.uk](mailto:management@astberrys.co.uk) or telephone 0207 370 0123.**



## **Offices, Hogarth Rd, SW5**

**To let at £15,000 p.a.**

Charming studio style lower ground floor office with bay window and private entrance. Approx 40 m<sup>2</sup> including a self contained kitchenette, bathroom and storage. Suitable for a professional practice or small business. Brand new. Guide price £15,000 pa inclusive of all service charges. Rates to be assessed approx £2,500 p.a.

### **MARKET UPDATE - WHERE TO IN 2011?**

**The market indicators point in conflicting directions.** We look at some of the key factors below.

Interest rates are not expected to rise until later in the year. Even if they increased to between 1% and 2% this is still historically very low. Few people in Kensington and Chelsea are under pressure to sell. The mortgage market remains tight, although the nadir of early last year is past. As a result some people will still find it hard to buy. **We think that the volume of sales transactions in Kensington and Chelsea will continue to remain low, this in turn is likely to keep prices buoyant.**

**What about inflation and currency appreciation?** Both the CPI and RPI are showing significant increases. On any view inflation is now running at 3%, at least and predictions are as high as 5%. Some commentators suggest that this is a temporary blip and that the rate will moderate over the second half of the year. However what if they are wrong? Investors cannot have cash sitting in the bank earning derisory rates of interest while inflation gathers pace; instead they may choose to invest in prime property as a hedge. **What will happen to sterling?** If you are a foreign investor and take the view that it will appreciate, especially against the euro over the coming year then, now is the time to purchase. **These two factors suggest continuing support for the market in 2011.**

**The alternative view is that a collapse of the euro, spiralling interest rates, decreased public expenditure and increased taxes may tip the economy into a double dip recession.** There can be little doubt that major financial upheaval will adversely affect the property market. The destruction of the European single currency would probably cause sterling to appreciate sharply at a time when European investors [an important purchaser group] would be less likely buy. However the prospect of a purely UK recession is likely to affect the price of property in Kensington and Chelsea very much less than in the rest of the country.

**Another view is that the property market in Kensington and Chelsea, with its high level of investment interest will move in tandem with other investment markets. What is predicted for shares and commodities through 2011?** Take the FTSE as an example, predictions of a 10% rise over the closing level of December 2010 are not uncommon. Is that the growth to expect in 2011? Perhaps not but in the year to December 2010 prices in Kensington and Chelsea rose by around 18% for the top 25% of property by value. The lower end of the market also recorded price rises, albeit more moderate ones. This was at a time when many forecasters, including us were neutral or negative about market prospects. What do the commentators say now? They disagree, as always. Some are bullish for 2011. Others predict a drop in value of up to 25% in central London.

**Our view is that the cooling off we expected in 2010 may well occur in 2011 but prices will not collapse in Kensington and Chelsea unless there is a major worldwide or European economic disaster. On balance we think growth is likely to be moderate, in the range of 3%. However the resilience of the market in 2010 surprised us so maybe 2011 will as well.**



ASTBERRYS  
36a Kenway Rd, London SW5 0RA  
0207 370 0123  
business@astberrys.co.uk  
www.astberrys.co.uk

