Strangford Management Podcast Ep 3 - Colin Horton and Leasehold Reform

**Michael Paul:** [00:00:00] All right. Good morning. Welcome out to the podcast Strangford Management podcast. We have got a very special guest with us today. I'm gonna go through his credentials very quickly because he has got a lot of them. So he's the owner of Horton's Valuers. Director of Project and Co Surveyors, founder of Leasehold Social, Founder of the 1000 Club, RICS registered valuer, entrepreneurship mentor, property investor, apple top 10 podcaster, original online property influencer, multi award winner, and someone I consider a close friend of mine, Mr. Colin Horton.

**Colin Horton:** Thank you mate.

**Michael Paul:** After all that, thank you for coming in. I dunno how you find the time.

**Colin Horton:** I dunno. Bit if I'm every single again, you can write my dating profile. You're welcome. So that would be lovely.

That would be

**Michael Paul:** good. Yeah. I dunno if I can fit that into sort of a hundred words on, on some apps.

**Colin Horton:** So would you swipe right?

**Michael Paul:** We'll talk about that later. We'll talk about that. So, good to know. Pass.

So today we're gonna talk about leasehold reform. There's lots and lots of changes going on in the industry at the [00:01:00] moment, the government being wonderful about things, and obviously being very open, saying lots of great things and then retracting on them.

So I think if we talk about some of the ideas and, and something that's coming down the, down the pipeline it'd be good because I think a lot of people don't really know about it. So first and foremost let's talk about lease extensions. Yep. So what the government has said at the moment is they're going to allow 990 year leases as a right, and they're going to abolish marriage value.

I know you work with a lot of developers, a lot of free holders. I know you work on the lease holder side as well, but I think just from this sort of perspective. It'd be amazing to get your, your thoughts on mainly what free holders and I guess developer investors are looking at when they're seeing things like a right to automatically have 990 year, leases and the abolition of marriage value.

So what do you, what's your perspective, I guess, with your knowledge of, of your clients? What are they thinking at this point with this?

**Colin Horton:** So, I'm actually Freeholder myself. Okay. So I can speak [00:02:00] quite,

**Michael Paul:** sorry, I didn't add that to the list.

**Colin Horton:** Oh, no. And we're actually working with the Residential Freeholders Association.

Mm-hmm. At the moment. So just so you guys know my background was actually working in-house at one of the largest freeholders in the country. And my opinions potentially may be deemed as ever so slightly biased towards the freeholder cause. Okay. But that's only because I probably sit on a more capitalist mentality than I do on kind of everything should be equal and fair.

So the Freeholders as it stands have all been pretty good with helping the government as much as they can mm-hmm. To get to this current situation. The thing that people don't seem to understand is that most of the Freeholders grant portfolios mm-hmm. Are actually now owned by pension funds.

Yeah. So, when everyone just assumes that these freeholders are being ultra greedy and, you know, not necessarily cooperating with people, it's. Actually because their hands are pretty much tied. Yeah. Without getting too much into it, they, they would've [00:03:00] been how ground rent, how the investments tend to work is there's, there's two prongs.

There's the lease extension income. Mm-hmm. There's grammar, rent, income. And what the majority of these freeholders did is they refinanced their, their ground rent, rent income. And the simplest way for, the easiest way to explain it, would be a price that someone, price someone has paid to have that ground rent income in perpetuity.

Mm-hmm. Most these pension fund deals between 30 and 70 years. Right? And they got paid this massive lump sum up upfront at rates that discount rates that were far beyond what you'd maybe see as standard lease extensions. Yeah. So what, so what's happened now? I hope you people are still listening cause the maths I did switch off at school discounting cash flows.

That that's but fundamentally the issue we've got very simply is that when the three olds are now doing these extensions, they need to fundamentally fill the hole. That will occur. By getting rid of that, by extending that lease to a 90 year or 990 year term of a peppercorn ground rent, it's fundamentally gonna wipe the value out of that asset.

Mm-hmm. So they need to a, adequately [00:04:00] compensate themselves and subsequently the funds to make sure that they're getting where they can put, basically fill the hole. Not every Freeholders done this but what's happened is the cases that tend to go to tribunal now would be generally the ones backed by ,

the bigger pockets. Right. And those decisions over the last few years, I'm a bit of a well, a bit of a skeptic and I'll explain why in a sec. But the decisions will pretty much gone in favor of the freeholder. So a lot of case law now support freeholder's decisions. Okay. I, up until very recently especially impact marriage value which is a point you touched on, marriage value is arguably the biggest.

Part of a lease extension, premium sub 80 years. Okay? So above 80 years, there's no marriage value. You're simply compensating the freeholder for their loss of reversionary value, which is how much has someone paid today to get that flat at the end of the lease and their loss of ground rent income. So how much was someone paid today for that ground rent income for the rest of the lease term when it goes below 80 years, you get marriage value.

[00:05:00] And that tends to probably make up probably 50 odd percent of the premium right now, Mr. Gove. Mm-hmm. I think he was the, one of the housing ministers at the time that came out of it. Came out of this you know, very, actually, no, it wasn't gove. This is been age ago now. Click bait status saying we're gonna get rid of marriage value.

Now, fundamentally, by doing that, It would hemorrhage the value of, I'm sitting here, Mike's sitting here. We've probably got pension funds, actually actively investing ground rents. I'm sure the listeners will have that as well. So by doing that, you're actually hemorrhaging the value of these people's assets.

Yeah. Subconsciously without actually realizing so, I completely went off on a tangent there actually. I don't actually know what,

**Michael Paul:** well, how, how are freeholders gonna try and fill that gap, it sounds like. Okay. It sounds like this runs slightly deeper than, oh, we want to make it fairer for leaseholders, which Michael Gove has come out and said, which is, which is fair.

You know, I think it's a fair comment, however, If this runs a few layers deeper and it runs to pension funds and people's investments, how do you [00:06:00] think, or what, what do you know that free holders are, are, what ideas are they coming up with to say, actually we're gonna fill that gap by doing x, Y, and Z?

**Colin Horton:** So, so the original cause of all this court controversy, lobbying at least, so was the 10 year doubling requirements and 10 year RPIs.

Yeah. And all the freeholders now signed a pledge to fundamentally remove that doubling clause. Yeah. Massive make whole payments. The pension funds haven't agreed to that. Generally, it's generally the Freeholders themselves and the house builders. So that's, that was the first stage that came in, and I actually thought that would've been enough really to placate the, the lobbyist groups.

**Michael Paul:** I think everyone sort at that point, everyone sort of said, This is right. Yeah. Like that was insanity. And, and looking at the numbers that were coming out saying, oh, well, you know, in X amount of years this person's gonna have to pay 1.2 million in ground rent. It was just, it was insanity.

**Colin Horton:** There is logic though, Mike, to that.

Right? So if you look back at, say you had a ground rent and a house price in 19, I think 1950 works. Mm-hmm. And you ran them up together. The percentage increase on the [00:07:00] house prices compared to the 10 year doubling ground rent is far more right? So house prices have actually outstripped doubling. Yeah. Over every 10 years, over the last 70 years.

Right? That's why that logic was initially put in place. Okay. But obviously when you look at it, far field. I mean, how much can things double? You know? It's, but

**Michael Paul:** you could argue that's apples and oranges, really. You could slightly argue. It's, it's, it's comparing two different things.

**Colin Horton:** It is a bit, yeah.

It's sort of an investment. There is a, there is a logic, but see,

**Michael Paul:** yeah, I can see at the time when it was first written, and bear in mind, we are talking like 50 years ago now, like plus, At the time it was written, it probably seemed, actually this is quite a logical, this is quite a logical step. So, and you can see both sides.

**Colin Horton:** And I think with the doubling ground rent, the reason they became so prominent was when freehold ground rent investment became very lucrative. Mm-hmm. Cause ultimately any debt over 300, 350 quid, 300 you can forfeit the flat. Yeah. So's bloody secure assets. You can see what three were going nuts. Trying to buy these ground assets and then refinance them.

But in terms of moving forward, I mean there's gonna be huge human rights issues. Yes. And. [00:08:00] Fundamentally, you can't, you know, I've got freeholder, I've got a freeholder. There's nothing major, it's two little reversion units. They've got rid of marriage value. That was half the value of that freehold. Sure. I'm not, I'm not a greedy landlord.

I'm, I've just like, I accumulated that freehold by luck in a purchase. And there's gonna be thousands if not hundreds of thousands of people in the same boat. I do not think it's fair to actively take, you know, Robinhood rob from Rich and give the poor. I'm saying I'm rich. I'm not saying they're poor, but, I don't that shift in well, but I don't think's fair.

**Michael Paul:** Sure. But I think that's, that's also, it's, it's a good point to bring up. Cause I think it's a narrative that's possibly media driven. Correct. And I'm not gonna fire that at all the media, but I think it's a very, every leaseholder is poor, every landlord is rich. And actually you could, we could almost argue that the, the opposite is slightly more true.

Certainly in London, you know, you could say, actually, hang on a sec. There's a lot more freeholders that are. Just average people and there are leaseholders that are extremely wealthy. So I think this narrative is very one dimensional from, from the media, and [00:09:00] that's feeding into this sort of frenzy of we need to abolish everything.

We need to abolish leasehold, we need to abolish this and get rid of, of, of any cost involved in, in extension, and get rid of marriage value and, and without. Looking a little few layers deeper and saying, actually, hang on a sec. This is gonna destroy pension funds. It's gonna destroy assets for companies.

It's gonna have human rights issues. You know, it's gonna have company issues, it's gonna have people's job issues coming through cuz they're not gonna exist anymore. So, Yeah, I think it's a, I think it's a, a slightly naive narrative being, being pushed by the media on this one.

**Colin Horton:** Yeah. I think you've gotta look at the circumstances, the gov, the government are failing at the moment.

Sure. They need some votes. Yeah. They may be looking at, the lobbyist groups tended to start up north. They're now all over the country and they've done a great job in raising awareness for these. So, but at the same time, yeah, it's actually had a pretty detrimental impact on leasehold because, no. Nobody wants to buy a leasehold flat anymore.

Yeah. Cause they just Google it and it looks horrific. And couple that with the Building Safety Act which I sure might touch on. And obviously Grenfell. Yeah. There's a lot of issues [00:10:00] with leasehold that have created this perfect storm. Yeah. Of God leasehold is horrific. Yeah. So the government I know are working with the freeholders as much as they can.

Are they speaking to the right people? I don't know. I sometimes think the government are speaking to the loudest voices. Not necessarily the wisest voices. The freehold, I'm, well, I'm hope or helping the RFA out on the PR side of things. Mm-hmm. Cause I think, unfortunately there is an impression that the RFA is just an old, male, pale, stale association, fundamentally.

Sure. It's not, you know, it's not necessarily someone that's down on the ground knows what's going on, so I'm trying to help him a little bit on that front. But there's people that seem to be getting in front of the mps are the ones on these lobbyist groups, you know, and I worry that the government at the moment aren't actually forward thinking and planning what will happen after legislation comes in.

So have to get rid of marriage value.

**Michael Paul:** So just reacting to the loudest voices as opposed to actually

**Colin Horton:** having court court cases, loads of. Appeals. Sure. Everyone's sales are subsequently gonna be in jeopardy and waiting around. So the market's just

gonna, [00:11:00] some, it's a time bomb really as well. Yeah.

It's gonna affect everything. Yeah. And it's not just lease, that's not gonna affect people's houses, cuz the bottom of the chain. Yeah. Mortgages. So it is just, yeah, I don't know. It's a bit frustrating sitting there especially as a an RICS, you know, practitioner, I don't necessarily know how much involvement they're having.

Yeah. Again, it's that very much that old male pale stale mentality. I don't think there's enough voices out there. I think everyone out there is trying to protect themselves.

**Michael Paul:** Of course. Yeah. And that's, that, I guess that's human nature

as well.

**Colin Horton:** People trying to actually think of the big picture. I don't know.

**Michael Paul:** Sure. Yeah. I mean, the, the next point I have is discuss ground rents. You know, I know it's abolished for, for ground rents, for, you know, new new leasehold. But I suppose we've touched upon that slightly in what we've just been talking about. So I don't know if we need to sort of go into that. I think it's the same, the same cause, same effect I think.

I think. The abolition of, of ground rents has had a detrimental effect on the, the value of assets. And I think the extension of that, I, I mean, it was more speculation. I was thinking would they possibly extend that backwards in some way, retro respectively, but I [00:12:00] don't

yeah.

**Colin Horton:** The only thing it has done, mate, also, we, I mean we, I work probably 50 50, leaseholders, Freeholders, is a lot of leaseholders would've taken what's called the nons statutory lease extension, essentially Informal one.

Yeah. Where they would've taken an improved ground rent. In, in return for an adjusted premium you know, decrease. And obviously if you're moving, you don't really care too much what the ground is. If you move and you might have saved some money, sure. They've now taken that away. And I do think that was perhaps a little bit shortsighted.

I think they could have implemented. You know, restrictions on types of reviews, but yeah, I mean, don't just need to keep going over the grammar

**Michael Paul:** again, I suppose it's, we always sort of, we seem to harp back in the last couple of minutes of the government again, have listened to the loudest voices, which is, you know, I, I don't disagree with some of the voices they've listened to, but I think you're right.

There's no, there's no long-term strategy to it. It's, this sounds like a problem. What's the best solution we can think of right now? Yeah. Rather than saying, let's try and talk to all the voices and come up with something that. You know, it, it can exist for, [00:13:00] for a very long period of time.

**Colin Horton:** Yeah. I mean, controversy, mate.

I don't actually think ground rents are a problem now at all. Okay. We, we've made them a problem. Right. Banks and, I mean, realistically we're talking about you know, it say there's a flat of 250 grand and a ground rent 400 pound a year. Right. That's now apparently deemed as a problem cause it's above 0.1%. Yeah. We're not really addressing the fact that, you know, mortgage rates are through the roof.

Yeah. I mean, we're talking at 160 quid a year or whatever, and I know, you know, it's not a lot of money. Sure. I mean, sure. It's, you know, it's, it's a night out. It's around the drinks, you know, so I do think there's a hell of a lot more important things in the property sector that we do need to be focusing on for sure.

And you know, it comes down to property management regulating that and not, obviously not every agent's as good as you and has the same, you know, protocols. It's a lot of people coming in and saying they doing it. They can't actually do it. I think it's, other things need to be focusing on, but is it sexy?

I don't know. I'm not sure. So, so I did, I did tell you I was gonna be quite open on this podcast.

**Michael Paul:** No, no, no, you're good. No, no. You know, I appreciate it for it as well. And I think just one thing that wasn't really on my list to talk about was the [00:14:00] regulation of, of property management. And I think I'm, for one, put on record, I'm for it.

I can see that the, the benefits of having some sort of license regulation type system in place. I think a lot of the. Problems that are highlighted in the media or by, by highly vocal individuals stem from poor management or poor systems and regulation management. Yeah. As opposed to poor structure of the industry.

You know, I, I know, I know a lot of my sort of fellow owners in, in, in block management feel quite similar and they've been very vocal about saying, this is something we need, we want it. Please come and regulate us and, and license us and, and whatever you want. But we just never get, seem to, we never seem to get heard enough and I don't think it's even that difficult to put that into like, into play.

I think these things that we're talking about are a lot more complicated than regulating an industry. You know, we've got ARMA, which is, which is great, but it's self-regulatory and I think, you know, a lot of leaseholders have maybe relied on ARMA [00:15:00] for regulating or enforcing regulation on, on property management companies.

When. It's just not strong enough to do so. You know, you hear all these horror stories of, because they take membership money from us from property management companies. You hear these horror stories of something bad will happen and ARMA should be enforcing X, Y, and Z, but they don't necessarily go to the extent that they should because then they will lose membership money.

And it's, it's, you know, I don't want to reach out and say, Hey, ARMA are corrupt. I think ARMA are doing the best job that they can do. But it's a very, very big difference between an actual formal, regulatory independent body. I think that's something that really needs to come in and maybe ARMA can transition into that.

I, that would be probably the easiest way to do it. But I think something is definitely needed and I think, I think it's, it's time to do that and time to focus on that. And I think that would genuinely solve a lot of problems. You know, I think I saw, I saw I think I saw a post on LinkedIn the other day and, and someone was saying how he found it so terribly.[00:16:00]

Insane that you could just wake up one morning and start a block management company and that's it. You don't necessarily need that much money. You don't need, mate, I literally, that much intelligence, they say they're doing that and I'm sitting there, you know, it's it. You just sit there and think, here we go again.

And you know, that's when you start to get these bad reputations. I'm like, but there needs to be a barrier of entry. And we're not saying let's make it insane, but let's. Do something, let's have some sort of entry exam, you know, go to the American model. You can't do anything to do with like property over there or you know, on a very, very low level.

You can't really do anything unless you're licensed. Great. And you've gotta put in certain amount of hours before you can take hours A license. Yeah. You've gotta get your brokerage license. And it's almost a case of, okay, well let's make people do 30 hours of training minimum, and then take a short exam just to have an entry into, into the industry.

There's no harm in that. That doesn't take a lot of

**Colin Horton:** getting the IRPM stuff. I mean, it's.

**Michael Paul:** It's, yeah, I mean, again, they're, they're doing the best they can out. It's, it's, you know, it's, yeah. You see a lot of people and, and from my perspective as well, I would love [00:17:00] to bring in something like that. I don't wanna go off on this wholly, but, you know, we're you know, I, I would love to see that cuz it, a lot of the times when you.

Sort of recruiting people. It's actually really hard to see the difference in people. You're almost, you are almost solely basing it on length of time served and character of person. You know, we do tests now to try and test people and see where they are on different sort of levels, but, It would be so much easier if there was a licensing structure cuz then we could say, oh actually you are at this level.

You're at this particular banding, you've had exposure to X, Y, and Z because you're licensed to have exposure to X, Y, and Z. So I think there's, you know, there's just a lot that can easily be brought in. I say easily so flippantly like, yeah, just do it tomorrow. But you know, I think if there was some dedication to, to a particular cause, like licensing, I think it would make a big, big difference.

Agree. So yeah, that's my take anyway. Next point, change of the qualification for enfranchisement claims. Now just people don't know at the moment, if you, if a building has 25% of non-residential use, so generally commercial use [00:18:00] they as a building don't qualify to enfranchise. I think the idea.

Well, speculation is to possibly move that to 50%, which would capture so many more buildings. I would, first and foremost, I'd be very interested to see the difference, the numbers, see actually how many buildings can't qualify, and then how many buildings would that encompass. So I think it's, it's something that the government.

Bring in to allow enfranchisement to be a lot easier. And enfranchisement is, is the lease holder effectively buying the freehold to the property to, to the development. So again, that would be an asset transferring from a freeholder to a lease holder body corporate. Is there any discussion at all with your clients about we're nervous about this, or is it purely

**Colin Horton:** No. I mean we still get money from that.

I think most freeholders accept the fact that now. Change is coming Sure. And they do generally want to work with these others. Yeah. Like despite what people may think Sure. They do generally want to work with them. So in terms of the, cause there was two elements wasn't there?

On, this was the e it's about [00:19:00] 25% participation. Mm-hmm. So that makes sense for me cause I, I do feel it can be very prohibitive to 50%, especially on some of the bigger blocks. Sure. And I don't think the freeholders would have any objection to that. Ultimately, it's not necessarily something that is gonna financially affect them too much.

Sure. The only place it would affect them is of, of the loophole where it's discussed that if a non, if that is non participating in the enfranchisement and there's no. Inverted bracket intention for them to do a lease extension now? Well, we know that's often just a ruse that there's no marriage value payable or a small percentage is payable.

Mm-hmm. So if you look at it that way, there may be the chance where these freeholds might not be as worth as much as it would be right. Under, under the 50% rule. But on the whole, I don't think freeholders are gonna have an objection to that. I mean, some of the blocks are on the non-commercial side of things.

You know, that. Lot of, I remember some of the blocks we've worked on were designed purely to make an unenfranchisable. Right. You know, I've been on stuff where we, we've had to measure the building to like the [00:20:00] millimeter because it's been so, oh really? It's to make it, it's very specific to make it non-qualifying.

Wow. So. But again, the, that was a few years ago. The world's changed now, you know, and a lot of these freeholders are now changing their, their business model and shifted them into other assets and, you know, I think they're looking more where, where else they can generate income from or even look at other things.

You know, and I, you won't go off, I've just, I've, I won't go off on other subjects, but there's, sure. There's so many other things. I think the freeholders are more concerned about. I think it's great. I think it's one of the best ones that the government will come out with. Sure. In terms of the potential, it makes sense.

It's actually a logical thing to do and it's fair. Yeah. Thing we wouldn't want is just to have blocks. I, I live in a block of nine, so we'd need, as it currently stands, five to Enfranchise. But unless you'd need what, three. Mm-hmm. It's just whether or not you get people to take over, then everyone has the right to join in.

So, yeah, it's, it's, I think on the hold mate. I think it's a good shout.

**Michael Paul:** Yeah. I think, yeah, I think you're probably right. Just it's an, it's an easy fix that's, you know, it sounds like free holders aren't against, I, [00:21:00] I, I want to echo as well, what you said about free holders. Generally don't mind working with lease holders to have these particular rights and, and you know, whether it's lease extensions or, or taking over the building and franchising it and such.

You know, I've certainly been on the other end where I've been working with say, you know, an RTM company that have had, you know, all bloody murder with a free holder to try and get that. So I've kind of seen both sides of it. But I would say I've seen more so freeholders saying, That's absolutely fine.

Let's just work the process and, and, you know, we can sell the asset to you. So, you know, I'd, I'd say it's, it's, it's more so a positive than a negative. And I think it is an easier thing to say, let's just relax the qualification measurements. And that's sort of good for everyone really. The last one and probably the one that.

I would say it's probably caused, certainly in my sphere, the most controversy is commonhold. Yep. Again, for those who haven't heard about this yet, I'm sure load of you have, but common hold is a different type of, of tenure. So [00:22:00] leasehold and common hold. Leasehold is where there's a separate freeholder.

Common hold is typically where the owners of the apartments, the leaseholders are also the owners of the freehold. There is no third party freeholder. It's, it's seen across the world in Australia and, and. You see it in sort of America and places. It's, it's the more common one. I think the UK is pretty much the only ones that have this leasehold sort of structure.

So the government, I think it was February this year, Michael Gove came out and said he wants to abolish leasehold. And then quickly ran back in on that comment a few months later and started ducking, ducking that confirmation. But it's has caught a lot of momentum to say actually is least is commonhold the solution to this.

Lease hold issue that everyone seems to be sort of talking about. And again, I would love to sort of hear your perspective and, and supported by, you know, your clients of, of what they're thinking about commonhold. Is it good? Is it bad pitfalls? What can we think about it?

**Colin Horton:** So common hold [00:23:00] itself is a lovely idea.

It's a lovely idea. Of course it is. Let everyone have been in perfect harmony. Mm-hmm. Wonderful. I'm all for that. However, I know how difficult it is to organize a large holiday. to kavos with six of my best friends all have a shared goal. Imagine having a block of a hundred units where we, some are owner occupied, some are not.

Some have money, some don't. Having no. Top tier body on top of us to kind of control it. I just don't think it's gonna work. I think the idea is lovely. It's, it's a wonderful, holistic idea, which of course it would be a beautiful place to be if everyone was on board. And I, it works other country, but unfortunately we are, I just don't think it will work here.

In terms of finances freeholders. Of, of course they're not gonna want common hold, you know? But ultimately, what if something goes from free out to common hold? There's gonna be a lot of money transferring to make these things happen. And also what I do think these [00:24:00] guys forget is you can't just enfranchise and buy the block.

Like it's not actually that big of a deal. And you know, it's, again, I just think it's an idea which, oh, let's get rid of leasehold. Let's get rid of leasehold. That's like this, just the click bait statement from the government again. And logistically it's never gonna happen. It's not possible. It won't work.

And it is, there's literally no point in even putting any money on it happening. You might see more and more commonhold blocks come on, but I think of 2002, the commonhold Reform Act, and since then, I think there's a handful of blocks. I'd love to speak to someone that lives in one of the blocks. Yeah, they're getting on.

But you've gotta think of a logistic, getting a mortgage pain in the ass. I mean, how many lenders are they? They're gonna lend on these, on these common hold. 10 years.

**Michael Paul:** I spoke to, just on that point, I spoke to, I spoke to a lawyer a couple of weeks back and they were mentioning if the government were to bring in commonhold, it then creates a two-tier system where you might have different premiums for mortgages, for commonhold and leasehold.

And then it's all of a sudden, hang on, you've just created this real problem. Yeah. In the [00:25:00] mortgage, you know, in the mortgage sector. So I think a lot of people don't necessarily comprehend that. I think it's a nice idea. I agree. I think it's a really nice idea and I think it's something that could be worked towards.

But at times I think it's maybe using a sledgehammer for a nail. Yeah. I think working with, so, so I'd say the predominant, our portfolio is resident led, leaseholder led companies, and I see the ones that are highly functioning and I see the ones that are not highly functioning and. The lack of leadership from someone in, in the body in the company has a real detrimental effect because it stops us from getting proper instruction on what to do in the building or, or which decision to make in the building.

We can make suggestions, but we need, you know, we need input from those companies. I think having. Having lease hold, transfer to common hold is a real serious issue, I think. I think people don't understand, hang on a sec. There needs to be proper leadership and then people fall back and say, well, actually we need education [00:26:00] in order to have leadership.

And then we sort of go down the point of, well, how many good managing agents out there have enormous resources for educating directors? But it just falls on deaf ears. You know, we have significant amounts of PDFs and, and all sorts of documents booklets that we, we hand out half the time. We just, we just say, well, you haven't read it, you, you don't understand because we are saying we do X, Y, and Z and you think we do A, B, and C and we are the ones that gave you the booklet to say what, what we do and what we don't do.

And. You know, it, it's, I, I know, I remember all these ideas that came out probably around 2010, I think it was, of Oh, okay. Well, before you buy a leasehold flat, there should be like an online course, like a home buyer's online course that someone has to sit and get a certificate for that they've listened to, I don't know, six hours of this is what, you know, leasehold is.

I'm kind of going back to that thinking maybe this is not the worst idea in the world. I know [00:27:00] it's boring and I know a lot of people wouldn't do it, but I. At the same time, you know, it might be quite useful to say actually I now I do understand the basics of of leasehold or commonhold. I know what my responsibilities are.

Cause I don't think people will take on a responsibility of commonhold. Certainly where we do buildings in London. People are exceptionally busy and trying to get hold of someone to say, Hey, can we sit down and make a decision on this? It's very, very hard at times. So then to say, well now you are the ultimate party responsible for you know, dealing with, if you're then saying, you are the ultimate party responsible for this, I think it's gonna cause.

It's gonna cause problems. Agreed. And I don't think buildings will then be maintained to a standard that perhaps a free holder can enforce an agent to maintain. I think that's gonna be a big pitfall. Not saying it's the same for everyone, like we're not saying, we're not sitting here and triggering saying this is gonna be the case in all blocks are gonna be awful.

It's not the case.

**Colin Horton:** This is the thing. [00:28:00] Speaking to people on the ground, I know, obviously I know the government are chatting to people, but again, they may be talking to. You know, the head of ARMA or the head, the IRPM great. You know, they had practical experience to get to that point. Sure. Be lots of think they would.

But speaking to guys like yourself who are actually actively working with Right to manage companies is, it is an absolute no-brainer. They have to do that. So it'd be interesting to see what happens. And as of anything there will people think they're gonna be escaping all these inserted. Clauses to pay fees and stuff that's still gonna be there no matter.

There's always gonna be opportunity for people to make money outta these situations.

**Michael Paul:** I think I saw you post a comment on our post a couple of weeks back maybe, and someone was saying something about common hold and I think you stepped in and said, hang on, the case that you are citing here. Seems to be poor management rather than a structural leasehold versus common policy issue.

**Colin Horton:** It's, you're, you're correct. You're completely correct

**Michael Paul:** and I, I, I should have said something, I just skimmed over it, but sorry, I was doing something else, but at the same time it was more, [00:29:00] hang on, he's not wrong. Like I was sitting there thinking, Colin is not wrong here. Your particular case was more of a point of this is just awful management and regulation of managing agents sorts that.

In part, but you know, there needs to be, there needs to be more understanding about it, rather than saying, here, right now, you're all responsible for it. The freeholder, you know, has a human rights case against you, against, against the government for this. But you know, now you are ultimately responsible. We've had buildings where it's hard enough to get a director to step in.

Yeah. So, you know, we've had buildings where they say, well, can you just be a third party corporate director of the company? And we're like, well, not really. You know, we, we don't really want to go down that route. We'd much rather you guys take responsibility if your own, if your own building, all of a sudden, if they're common hold.

What do we do? No one wants to take any responsibility. So, you know, there, there's definitely, there's definitely cases for it, saying, okay, yes, in an ideal world, having everyone as sort of a free holder is wonderful and we work with, with lease holder freehold companies and it is. Wonderful [00:30:00] because there is a really proactive chairperson, a really good solidified board that's that, you know, work, know the memo arts.

They know the inside and out of the lease and they work with us to to, to make it the best possible and that's fantastic. The other side of the coin is, Where we can't even get a director to step in for the building, and all of a sudden you are now saying, okay, well the solution to this problem is to make everyone responsible and all the best agents.

Mm-hmm. It's it, there's, there's a gap. There's a gap, and it's sort of one size doesn't fit all. And I keep saying this to everyone. I'm like, just because it was for you in that particular case doesn't mean it's gonna work for everyone else in that particular case. So stop then saying, right, everyone's gonna now be common hold, and then you kind of have all the human rights issues, then you have all the mortgage issues, the two tiers and all sorts coming out of it.

So, I don't know. I don't know if that's, I dunno if this, I dunno if this particular government or I, I know the Labor Party have said a lot about it as well. I don't know if either government have the right structure or have listened to enough people in order to make the best [00:31:00] strategy to try and make something like this work there.

Agree. And I think there's smaller steps I think build up to it guys, whether it's common hold or leasehold. Regulate managing agents. It will work for both. So why not just do that as an, as a, as a first step, then like bed it in a little bit, see what happens, and then we can kind of come back and say, okay, well we've taken the first step.

It's done something better, but it's not quite to where we wanted to go to and let's take the next step. My opinion.

**Colin Horton:** Agreed. And especially just the last note, obviously I'm all very much aware of, I keep my finger on the pulse. Yeah. What's happening in property management and obviously I know there's big companies pretty much buying everyone at the moment, almost getting to a point.

Almost like a monopoly. Yeah. Amount companies are, amount companies are buying. Sure. And the amount of salaries now that property managers are now being able to, you know, agree cuz they're so competitive. Yeah. That matters how they probably should be regulated. Yeah, agree. You know, you really agree.

Agree. You really should be regulated. So I guess a lasting comment for myself is government. Yeah. Yeah. I completely agree. It makes small steps. It hasn't gotta be overtly complicated and unfortunately in [00:32:00] life, not everyone's always going to be perfectly happy. Yeah. So just actually speak to guys like me, like Mike, but not, you know, similar people.

And actually find out what's going on the ground and actually just do a bit of forward planning. Yeah. But if you are thinking about buying a flat that has a lease sold, that has short lease, don't stress. It's not the end of the world. Yeah. In all my years of every bike working for short leases, I've never ever seen the purchase price of a short lease under eight years.

When you add it to the lease extension, cost, exceed what it would worth with a long lease. Yeah. So it's designed to be profitable. Don't stress always speak to us about, it doesn't have to be me, but there's other guys around there. Just take advice, do your research and if you're an RTM, make sure you you're Strangford cause they're the best.

**Michael Paul:** Yeah, no, I think, look, it's, it's, yeah, it's, it's this, this particular podcast, I think has probably been or maybe quite triggering to some people and. Good. It's, it's supposed to be. And one might gets the comments going. Yeah. I mean, look, it's supposed to be thought provoking and that's good if it is thought provoking and we're trying to provoke people's thoughts so we can have a bigger and better [00:33:00] conversation.

So, you know, don't, don't hold back. I think there's lots of comments and, you know, everyone's, everyone has the right to be heard and, and we're certainly, you know, in enforcing that right. To, to bring this podcast to you guys. So Colin, thank you so much for the coming in today and having this chat. No worries mate.

It's yeah, it's been really, really good and we've covered. A lot in a very short space of time. So you know, I'll pull some clips off so people can see the highlight reel. And we'll take it.​