

# Annex 1: Reforming the Commonhold Framework and Prohibiting the Use of Leasehold for New Flats

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## Part 1: Overall and stakeholder impacts

### 1.1 Overall impacts on total welfare

This table is a summary only. For full details about each impact, see Section 4.7.

(1) Overall impacts on total welfare		Directional rating
<b>Description of overall expected impact</b>	<p>Monetised impacts use 2025 prices and 2028 present value.</p> <p><u>Non-monetised benefits</u></p> <p>Reforms to reinvigorate commonhold and ban new leasehold flats will deliver long-term advantages for homeowners and businesses. These include greater tenure security, transparency, and consumer empowerment. The reforms create opportunities for fairer ownership models, improved governance, and better market predictability. Legal clarity and standardisation will support lenders, insurers, and professionals, while managing agents will be able to access new business opportunities, and developers that adopt commonhold early may benefit from reputational gains.</p> <p>All qualitative benefits are listed below.</p> <p><u>Monetised benefits</u></p> <p><b>Efficiency saving with the Commonhold Community Statement</b> – PV: £20.4m (£13.6m - £27.3m) across the 10-year appraisal period.</p> <p>Unlike leasehold, where each lease may be unique and requires individual review, commonhold uses a single core legal document, the Commonhold Community Statement (CCS), for each block. This reduces legal complexity and improves efficiency in conveyancing and property transactions.</p>	<b>Positive</b>

(1) Overall impacts on total welfare	Directional rating
<p>If savings are passed through by legal professionals, this will lower legal costs for consumers. If savings are not passed through, the benefit would accrue to legal professionals as efficiency gains.</p> <p><u>Non-monetised costs</u></p> <p>Businesses will incur modest ongoing costs from complying with new compliance obligations related to both the ban on new leasehold flats and the transition to commonhold. These costs will likely be greatest at the time of implementation and will diminish over time. Other costs that have been explored qualitatively include: the removal of traditional third-party freeholder investment opportunities in new flat supply; reduced post-sale control of developments for developers; operational costs of adapting business; valuation and insurance challenges.</p> <p>All qualitative costs are listed below.</p> <p><u>Monetised costs</u></p> <p><b>Familiarisation and implementation costs</b> - PV: £39.2m (£28.3m - £50.1m) across the 10-year appraisal period.</p> <p>Developers (and their sales staff), legal professionals, lenders, managing agents and professional directors, insurers, valuers and estate agents could incur costs to familiarise themselves with, understand and action the new legislation. We expect at least some of these costs might be passed onto consumers.</p> <p><u>Headline Metrics</u></p> <ul style="list-style-type: none"> <li>• The <b>net present social value (NPSV)</b> of the policy is -£18.8m (-£36.5m to -£1.0m). Despite this we have given this measure a positive directional rating as we expect that all benefits (including non-monetised benefits) will outweigh the costs. We have set out switching values</li> </ul>	

<b>(1) Overall impacts on total welfare</b>		<b>Directional rating</b>
	<p>in the sensitivities section to consider how great the value of non-monetised benefits would need to be for the net present value to equal 0.</p> <ul style="list-style-type: none"> <li>• The <b>equivalent annual net direct cost to business (EANDCB)</b> of the policy is £2.2m.</li> <li>• The <b>equivalent annual net direct cost to households (EANDCH)</b> of the policy has not been monetised.</li> </ul>	
<b>Monetised impacts</b>	<p>Monetised impacts use 2025 prices and 2028 present value.</p> <p><u>Monetised benefits</u></p> <p><b>Efficiency saving with the Commonhold Community Statement</b> – PV: £20.4m (£13.6m - £27.3m) across the 10-year appraisal period.</p> <p>Unlike leasehold, where each lease may be unique and requires individual review, commonhold uses a single core legal document, the Commonhold Community Statement (CCS), for each block. This reduces legal complexity and improves efficiency in conveyancing and property transactions.</p> <p>If savings are passed through by legal professionals, this will lower legal costs for consumers. If savings are not passed through, the benefit would accrue to legal professionals as efficiency gains.</p> <p><u>Monetised costs</u></p> <p><b>Familiarisation and implementation costs</b> - PV: £39.2m (£28.3m - £50.1m) across the 10-year appraisal period.</p> <p>Developers (and their sales staff), legal professionals, lenders, managing agents and professional directors, insurers, valuers and estate agents could incur costs to familiarise themselves with,</p>	<b>Negative</b>

<b>(1) Overall impacts on total welfare</b>		<b>Directional rating</b>
	understand and action the new legislation. We expect at least some of these costs might be passed onto consumers.	
<b>Non-monetised impacts</b>	<p><u>Benefits</u></p> <ul style="list-style-type: none"> <li>• Access to enhanced control and democratic governance with reformed commonhold, including: full freehold ownership; voting rights and improved democratic control; better predictability and fewer disputes around expenses; enhanced autonomy and community cohesion through resident-led governance; improved flexibility over leasehold, as making governance changes will be simpler and less burdensome with the standardised Commonhold Community Statement (prospective buyers of new flats)</li> <li>• Greater choice of tenure across new and existing flats (prospective buyers)</li> <li>• Potential for some existing freeholders to transition towards commonhold service provision (freeholders)</li> <li>• Full freehold ownership of commercial units (investors and developers)</li> <li>• Reputational opportunities for developers (developers)</li> <li>• New opportunities for management contracts with commonhold associations (managing agents)</li> <li>• Regulatory safeguards and legal clarity for lending (valuers and lenders)</li> <li>• Better predictability and standardisation under commonhold (insurers and legal professionals)</li> <li>• Opportunities for specialisation (legal professionals, valuers and estate agents)</li> </ul> <p><u>Costs</u></p> <ul style="list-style-type: none"> <li>• Compliance costs (developers, legal professionals, lenders, estate agents)</li> </ul>	<b>Positive</b>

<b>(1) Overall impacts on total welfare</b>		<b>Directional rating</b>
	<ul style="list-style-type: none"> <li>• Removal of traditional third-party freeholder investment opportunities in new flat supply (freeholders and investors)</li> <li>• Reduced post-sale control over developments (developers)</li> <li>• Operational costs of adapting business models (managing agents)</li> <li>• Potential short-term valuation caution, due to unfamiliarity with commonhold (valuers and lenders)</li> <li>• Insurance risks and governance challenges (insurers)</li> </ul>	
<b>Any significant or adverse distributional impacts?</b>	<p>The mechanisms of reform (legal changes) operate uniformly across England and Wales and will not systematically favour or disadvantage particular regions. Any variation in the distribution of impacts is not caused by the design of the policy, but rather by the geography of housing delivery. New supply data from MHCLG shows that new build supply of flats is concentrated in urban centres, especially London and large regional cities like Manchester and Birmingham (this reflects the geography of new flat delivery, not the design of the policy itself). Freeholders and investors, insurers, lenders, valuers, legal professionals, managing agents, estate agents and developers operating in these regions will be most impacted by this policy. Households in high-supply urban areas may gain benefits sooner, while homeowners and prospective homeowners in low-supply regions may face delayed access to the same benefits due to the geography of housing delivery as discussed below.</p> <p>Larger developers dominate residential development, though SMBs remain important in niche and regional markets. For these businesses, the administrative and legal burdens will have higher relative costs due to limited staff, resource and capital. However, these firms play a critical role in implementing the reforms (e.g. advising clients, managing commonhold associations, processing</p>	<b>Neutral</b>

<b>(1) Overall impacts on total welfare</b>		<b>Directional rating</b>
	<p>transactions) and exempting them would undermine the consistency and effectiveness of the tenure reform and create confusion in the market.</p> <p>Small legal and professional services firms are essential to reform implementation and may benefit from new market opportunities but will face training and compliance costs.</p> <p>Some commonhold associations are likely to be classed as SMBs and will be run by unit owners, and will face costs for registration, governance, insurance and legal advice. In the long run, commonhold offers financial benefits through a simplified and transparent ownership model.</p>	

## 1.2 Expected impacts on households

This table is a summary only. For full details about each impact, see Section 4.7.

(2) Expected impacts on households		Directional rating
<b>Description of overall household impact</b>	<p>Monetised impacts use 2025 prices and 2028 present value.</p> <p><u>Non-monetised benefits</u></p> <p>Reforms to reinvigorate commonhold and ban new leasehold flats will deliver long-term advantages for homeowners. These include greater tenure security, transparency, and consumer empowerment. The reforms create opportunities for fairer ownership models, improved governance, and better market predictability.</p> <p>All qualitative benefits are listed below.</p> <p><u>Monetised benefits</u></p> <p><b>Efficiency saving with the Commonhold Community Statement</b> – PV: £20.4m (£13.6m - £27.3m) across the 10-year appraisal period.</p> <p>Unlike leasehold, where each lease may be unique and requires individual review, commonhold uses a single core legal document, the Commonhold Community Statement (CCS), for each block. This reduces legal complexity and improves efficiency in conveyancing and property transactions.</p> <p>The benefits to households and consumers will be limited by the extent to which the savings are passed on by legal professionals.</p>	<b>Positive</b>
<b>Monetised impacts</b>	<u>Monetised benefits</u>	<b>Positive</b>

<b>(2) Expected impacts on households</b>		<b>Directional rating</b>
	<p><b>Efficiency saving with the Commonhold Community Statement</b> (if savings are passed through to consumers) – PV: £20.4m (£13.6m - £27.3m) across the 10-year appraisal period.</p> <p>Unlike leasehold, where each lease may be unique and requires individual review, commonhold uses a single core legal document, the Commonhold Community Statement (CCS), for each block. This reduces legal complexity and improves efficiency in conveyancing and property transactions.</p> <p>If savings are passed through by legal professionals, this will lower legal costs for consumers. If savings are not passed through, the benefit would accrue to legal professionals as efficiency gains.</p>	
<b>Non-monetised impacts</b>	<p><u>Benefits</u></p> <ul style="list-style-type: none"> <li>• Access to enhanced control and democratic governance with reformed commonhold, including full freehold ownership; voting rights and improved democratic control; better predictability and fewer disputes around expenses; enhanced autonomy and community cohesion through resident-led governance; improved flexibility over leasehold, as making governance changes is simpler and less burdensome with the standardised Commonhold Community Statement (prospective buyers of new flats)</li> <li>• Greater choice of tenure across new and existing flats (prospective buyers)</li> </ul>	<b>Positive</b>
<b>Any significant or adverse distributional impacts?</b>	<p>The mechanisms of reform (legal changes) operate uniformly across England and Wales and will not systematically favour or disadvantage particular regions. Any variation in the distribution of impacts is not caused by the design of the policy, but rather by the geography of housing delivery. New supply data from MHCLG shows that new build supply of flats is concentrated in urban centres, especially London and large regional cities like Manchester and Birmingham (this reflects the geography of new flat delivery, not the design of the policy itself). Households in high-supply urban areas may gain benefits sooner, while homeowners and prospective homeowners in low-supply</p>	<b>Neutral</b>

<b>(2) Expected impacts on households</b>		<b>Directional rating</b>
	regions may face delayed access to the same benefits due to the geography of housing delivery as discussed below.	

### 1.3 Expected impacts on business

This table is a summary only. For full details about each impact, see Section 4.7.

(3) Expected impacts on businesses		Directional rating
<b>Description of overall business impact</b>	<p>Monetised impacts use 2025 prices and 2028 present value.</p> <p><u>Non-monetised benefits</u></p> <p>Reforms to reinvigorate commonhold and ban new leasehold flats will deliver long-term advantages for businesses. Legal clarity and standardisation will support lenders, insurers, and professionals, while managing agents will be able to access new business opportunities, and developers that adopt commonhold early may benefit from reputational gains.</p> <p>All qualitative benefits are listed below.</p> <p><u>Monetised benefits</u></p> <p><b>Efficiency saving with the Commonhold Community Statement</b> (if savings are not passed through to consumers) – PV: £20.4m (£13.6m - £27.3m) across the 10-year appraisal period.</p> <p>Unlike leasehold, where each lease may be unique and requires individual review, commonhold uses a single core legal document, the Commonhold Community Statement (CCS), for each block. This reduces legal complexity and improves efficiency in conveyancing and property transactions.</p> <p>If savings are passed through by legal professionals, this will lower legal costs for consumers. If savings are not passed through, the benefit would accrue to legal professionals as efficiency gains.</p> <p><u>Non-monetised costs</u></p>	<b>Uncertain</b>

<b>(3) Expected impacts on businesses</b>		<b>Directional rating</b>
	<p>Businesses will incur modest ongoing costs from complying with new compliance obligations related to both the ban on new leasehold flats and the transition to commonhold. These costs will likely be greatest at the time of implementation and will diminish over time. Other costs that have been explored qualitatively include: the removal of traditional third-party freeholder investment opportunities in new flat supply; reduced post-sale control of developments for developers; operational costs of adapting business; valuation and insurance challenges.</p> <p>All qualitative costs are listed below.</p> <p><u>Monetised costs</u></p> <p><b>Familiarisation and implementation costs</b> - PV: £39.2m (£28.3m - £50.1m) across the 10-year appraisal period.</p> <p>Developers (and their sales staff), legal professionals, lenders, managing agents and professional directors, insurers, valuers and estate agents could incur costs to familiarise themselves with, understand and action the new legislation. We expect at least some of these costs to be passed onto consumers.</p>	
<b>Monetised impacts</b>	<p>Monetised impacts use 2025 prices and 2028 present value.</p> <p><u>Monetised benefits</u></p> <p><b>Efficiency saving with the Commonhold Community Statement</b> (if savings are not passed through to consumers) – PV: £20.4m (£13.6m - £27.3m) across the 10-year appraisal period.</p>	<b>Negative</b>

<b>(3) Expected impacts on businesses</b>		<b>Directional rating</b>
	<p>Unlike leasehold, where each lease may be unique and requires individual review, commonhold uses a single core legal document, the Commonhold Community Statement (CCS), for each block. This reduces legal complexity and improves efficiency in conveyancing and property transactions.</p> <p>If savings are passed through by legal professionals, this will lower legal costs for consumers. If savings are not passed through, the benefit would accrue to legal professionals as efficiency gains.</p> <p><u>Monetised costs</u></p> <p><b>Familiarisation and implementation costs</b> - PV: £39.2m (£28.3m - £50.1m) across the 10-year appraisal period.</p> <p>Developers (and their sales staff), legal professionals, lenders, managing agents and professional directors, insurers, valuers and estate agents could incur costs to familiarise themselves with, understand and action the new legislation. We expect at least some of these costs to be passed onto consumers.</p>	
<b>Non-monetised impacts</b>	<p><u>Benefits</u></p> <ul style="list-style-type: none"> <li>• Potential for some existing freeholders to transition towards commonhold service provision (freeholders)</li> <li>• Full freehold ownership of commercial units (investors and developers)</li> <li>• Reputational opportunities for developers (developers)</li> <li>• New opportunities for management contracts with commonhold associations (managing agents)</li> <li>• Regulatory safeguards and legal clarity for lending (valuers and lenders)</li> <li>• Better predictability and standardisation under commonhold (insurers and legal professionals)</li> </ul>	<b>Uncertain</b>

<b>(3) Expected impacts on businesses</b>		<b>Directional rating</b>
	<ul style="list-style-type: none"> <li>• Opportunities for specialisation (legal professionals, valuers and estate agents)</li> </ul> <p><u>Costs</u></p> <ul style="list-style-type: none"> <li>• Compliance costs (developers, legal professionals, lenders, estate agents)</li> <li>• Removal of traditional third-party freeholder investment opportunities in new flat supply (freeholders and investors)</li> <li>• Reduced post-sale control over developments (developers)</li> <li>• Operational costs of adapting business models (managing agents)</li> <li>• Potential short-term valuation caution, due to unfamiliarity with commonhold (valuers and lenders)</li> <li>• Insurance risks and governance challenges (insurers)</li> </ul>	
<b>Any significant or adverse distributional impacts?</b>	<p>The mechanisms of reform (legal changes) operate uniformly across England and Wales and will not systematically favour or disadvantage particular regions. Any variation in the distribution of impacts is not caused by the design of the policy, but rather by the geography of housing delivery. New supply data from MHCLG shows that new build supply of flats is concentrated in urban centres, especially London and large regional cities like Manchester and Birmingham. Freeholders and investors, insurers, lenders, valuers, legal professionals, managing agents, estate agents and developers operating in these regions will be most impacted by this policy.</p> <p>Larger developers dominate residential development, though SMBs remain important in niche and regional markets. For these businesses, the administrative and legal burdens will have higher relative costs due to limited staff, resource and capital. However, these firms play a critical role in implementing the reforms (e.g. advising clients, managing commonhold associations, processing</p>	<b>Neutral</b>

<b>(3) Expected impacts on businesses</b>		<b>Directional rating</b>
	<p>transactions) and exempting them would undermine the consistency and effectiveness of the tenure reform and create confusion in the market.</p> <p>Small legal and professional services firms are essential to reform implementation and may benefit from new market opportunities but will face training and compliance costs.</p> <p>Some commonhold associations are likely to be classed as SMBs and will be run by unit owners, and will face costs for registration, governance, insurance and legal advice. In the long run, commonhold offers financial benefits through a simplified and transparent ownership model.</p>	

## Part 2: Impacts on wider government priorities

This table is a summary only. For full details about each impact, see Section 4.7.

Category	Description of impact	Directional rating
<p><b>Business environment:</b></p> <p>Does the measure impact on the ease of doing business in the UK?</p>	<p>The reforms are expected to improve the UK's business environment in the long term by aligning with international property norms. While short-term domestic disruption may occur as professionals familiarise themselves with and adjust to the reforms, the overall effect is likely to be a more investor-friendly, competitive, and modernised market. We have explored the following key considerations:</p> <ul style="list-style-type: none"> <li>• International alignment and investor confidence</li> <li>• Consequences of standardised governance</li> <li>• Innovation in property management tools</li> <li>• Potential for short-term disruption</li> </ul>	<p><b>May work for</b></p>
<p><b>International Considerations:</b></p> <p>Does the measure support international trade and investment?</p>	<p>The proposed reforms to the commonhold regime and to ban new leasehold flats are domestic in scope and only apply to the ownership structures and governance of future properties in England and Wales (impacts of reforms to conversion of existing leasehold to commonhold are examined in <b>Annex 2</b>). As such, we do not believe that they conflict with the UK's international trade obligations nor impose discriminatory barriers. The reforms move the domestic legal framework closer to international norms for multi-unit property ownership models, which may facilitate cross-border investment in residential flat units and encourage entry of international firms, who already operate under similar frameworks abroad.</p> <p>These reforms do not restrict access or impose new compliance burdens on non-UK firms, and we see no evidence that the reforms will create regulatory barriers for trade partners.</p>	<p><b>Neutral</b></p>

Category	Description of impact	Directional rating
<p><b>Natural capital and Decarbonisation:</b></p> <p>Does the measure support commitments to improve the environment and decarbonise?</p>	<p>While not explicitly designed as an environmental intervention, the reforms to the commonhold regime and the ban on new leasehold flats may indirectly support the UK's broader commitments to environmental improvement and decarbonisation by empowering residents to make more proactive decisions on building maintenance and energy efficiency upgrades.</p> <p>Unlike leasehold where sustainability improvement (e.g. EV chargers and solar panels) often requires landlord consent and can be restricted by lease terms, commonhold allows residents to set local rules via the Commonhold Community Statement to support such building upgrades.</p>	<p><b>Neutral</b></p>

## Part 3: Summary: Analysis and Evidence

Price base year: 2025

PV base year: 2028

Category	1. Business as usual (baseline)	2. Preferred way forward - Reform the existing commonhold model to make it fit for purpose and ban the sale of new leasehold flats so that commonhold becomes the default tenure for new flats
<b>Net present social value</b>	Not applicable	<p>Monetised impacts use 2025 prices and 2028 present value.</p> <p><u>Monetised benefits</u></p> <p><b>Efficiency saving with the Commonhold Community Statement –</b>            PV: £20.4m (£13.6m to £27.3m) across the 10-year appraisal period.</p> <p>Unlike leasehold, where each lease may be unique and requires individual review, commonhold uses a single core legal document, the Commonhold Community Statement (CCS), for each block. This reduces legal complexity and improves efficiency in conveyancing and property transactions.</p> <p>If savings are passed through by legal professionals, this will lower legal costs for consumers. If savings are not passed through, the benefit would accrue to legal professionals as efficiency gains.</p> <p><u>Monetised costs</u></p> <p><b>Familiarisation and implementation costs -</b> PV: £39.2m (£28.3m to £50.1m) across the 10-year appraisal period.</p>

Category	1. Business as usual (baseline)	2. Preferred way forward - Reform the existing commonhold model to make it fit for purpose and ban the sale of new leasehold flats so that commonhold becomes the default tenure for new flats
		<p>Developers (and their sales staff), legal professionals, lenders, managing agents and professional directors, insurers, valuers and estate agents could incur costs to familiarise themselves with, understand and action the new legislation.</p> <p><u>Headline Metrics</u></p> <ul style="list-style-type: none"> <li>• The <b>net present social value (NPSV)</b> of the policy is -£18.8m (-£36.5m to -£1.0m).</li> <li>• The <b>equivalent annual net direct cost to business (EANDCB)</b> of the policy is £2.2m.</li> <li>• The <b>equivalent annual net direct cost to households (EANDCH)</b> of the policy has not been monetised.</li> </ul>
<b>Public sector financial costs</b>	Not applicable	<p>Public sector financial costs are not monetised in this IA. A New Burdens Assessment and Justice Impact Assessment will be undertaken to ensure that any regulatory costs are fully funded.</p> <p>Commonhold could reduce pressure on courts and tribunals over time by promoting aligned interests, shared decision-making and alternative dispute resolution mechanisms, leading to fewer and less complex legal disputes than leasehold.</p>

Category	1. Business as usual (baseline)	2. Preferred way forward - Reform the existing commonhold model to make it fit for purpose and ban the sale of new leasehold flats so that commonhold becomes the default tenure for new flats
<p><b>Significant un-quantified costs and benefits</b></p>	<p>For appraisal purposes, the Business-as-Usual scenario is treated as having zero fiscal cost.</p> <p>However, as detailed in <b>Section 4.5.1</b>, the Do-Nothing option entails significant ongoing costs for businesses and sustains inefficiencies that hinder market performance. These impacts should be considered alongside consumer disadvantage and public sector burdens when assessing the overall value for money of reform options.</p>	<p><u>Non-monetised benefits</u></p> <p>Reforms to reinvigorate commonhold and ban new leasehold flats will deliver long-term advantages for homeowners and businesses. These include greater tenure security, transparency, and consumer empowerment. The reforms create opportunities for fairer ownership models, improved governance, and better market predictability. Legal clarity and standardisation will support lenders, insurers, and professionals, while managing agents will be able to access new business opportunities, and developers that adopt commonhold early may benefit from reputational gains.</p> <p>All qualitative benefits are listed in <b>Part 1.1</b>.</p> <p><u>Non-monetised costs</u></p> <p>Businesses will incur modest ongoing costs from complying with new compliance obligations related to both the ban on new leasehold flats and the transition to commonhold. These costs will likely be greatest at the time of implementation and will diminish over time. Other costs that have been explored qualitatively include: the removal of traditional third-party freeholder investment opportunities in new flat supply; reduced post-sale control of developments for developers; operational costs of adapting business; valuation and insurance challenges.</p>

Category	1. Business as usual (baseline)	2. Preferred way forward - Reform the existing commonhold model to make it fit for purpose and ban the sale of new leasehold flats so that commonhold becomes the default tenure for new flats
		All qualitative costs are listed in <b>Part 1.1</b> .
<b>Key risks</b>	The current leasehold framework creates an imbalance of rights and obligations between freeholders and leaseholders, which can lead to economic inefficiencies and rent-seeking behaviour.	<p>The main risks to the delivery of the benefits from the new commonhold regime may arise if confidence in the new system is lacking, or if the proposed changes are poorly understood.</p> <p>This impact assessment assumes that market behaviour will respond predictably to the mandate and incentives. If the market response is different, slower or more resistant than expected, benefits may be delayed or reduced. To mitigate against this risk, behavioural assumptions are based on analogous reforms and stakeholder feedback. Monitoring and evaluation plans will be developed to track real-world impacts and allow for adaptive implementation if needed.</p> <p>Assumptions, risks and mitigations are set out in more detail later in this annex.</p>
<b>Results of sensitivity analysis</b>	Not applicable	<p>A large range of uncertainty is reflected in our low and high scenarios. However, for measures that have impacts related to the commonhold supply, we consider three scenarios of what the trajectory of supply will be.</p> <p>Switching analysis reflects the uncertainty of when reforms will come into place and are detailed in <b>Section 4.7.12</b>. To offset the monetised cost over the appraisal period, this analysis estimates that yearly benefits of</p>

Category	1. Business as usual (baseline)	2. Preferred way forward - Reform the existing commonhold model to make it fit for purpose and ban the sale of new leasehold flats so that commonhold becomes the default tenure for new flats
		<p>between £10 (if all reforms are implemented in Year 1) and £80 (if all reforms are implemented in Year 10) per new supply unit would be needed (rounded to the nearest £10).</p> <p>To explore the impact of the assumption on the year in which monetised impacts begin, sensitivity analysis demonstrates how the total NPSV changes when a different start year is assumed. If all monetised impacts begin in Year 1, NPSV is estimated as -£18.8m. If all monetised impacts begin in Year 10, NPSV is estimated as -£27.0m.</p> <p>Further sensitivity analysis is conducted to test how assumptions about the number of individuals in certain groups impact NPSV.</p>

## Part 4: Evidence Base

### 4.1 Policy background

1. In England and Wales, there are two main ways to own land and property: freehold and leasehold. Leasehold confers ownership for a time limited period, subject to terms and conditions contained in the lease, such as requirement to pay service charges which are set by the freeholder, that is the landlord. Whereas freehold provides ownership permanently and decisions about management and costs are agreed collectively by the homeowners, with no third-party landlord. Each year, an estimated 30,000-40,000 new flats are completed in England and Wales, per Ministry of Housing, Communities and Local Government (MHCLG) analysis of HM Land Registry (HMLR) Price Paid data<sup>1</sup>. The vast majority of those for sale, 98%, are sold as leasehold<sup>2</sup>.

#### The disadvantages of leasehold flats

2. The leasehold tenure has been criticised as a model for homeownership because it can involve a third-party holding unnecessary financial interests in, and control over, a person's home. Leasehold flats can come with:
  - **Time-bound ownership:** Leaseholders do not own their property outright but instead acquire a right to occupy it for a fixed term. As the lease term decreases the property's value declines, and when the lease expires, ownership reverts to the freeholder, regardless of the leaseholder's investment. This creates long-term insecurity and undermines the principle of homeownership. Leaseholders can pay to extend their lease for a further fixed period, but the cost is not always straightforward to calculate, often requires negotiation and can be prohibitively expensive, particularly if the lease is nearing expiry. This time-bound model is not an inherent requirement of flat ownership nor is it practically necessary.
  - **Lack of control:** The governance model often places decision-making with the freeholder – who might be an individuals or company who do not live in the building and may have limited interest in the living environment of the leaseholders. Freeholds can be sold repeatedly to other third parties without the leaseholder's consent, leaving some homeowners feeling the property is not truly theirs.
  - **Unpredictable service charges and major works costs:** Even with the transparency reforms legislated for through the Leasehold and Freehold Reform Act 2024 that the government is in the process of implementing, leaseholders may still face sudden, large bills for service charges or major works, often with limited ability to influence spending decisions. These costs can be poorly explained, inconsistently applied, and difficult to challenge, particularly where leaseholders lack access to relevant financial information

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<sup>1</sup> [HM Land Registry: Price Paid Data - GOV.UK](#)

<sup>2</sup> 98% of flat sales recorded by HM Land Registry in 2024 were leasehold: [Leasehold housing in England: Statistics - House of Commons Library](#)

or technical expertise. The financial impact can be severe, especially in older or poorly maintained buildings where major works may be frequent and expensive.

- **Potential mis-selling:** Leasehold structures can create challenges in aligning the interests of different parties. Numerous cases have emerged of leaseholders being misled about the terms of their lease, including escalating ground rents and other onerous terms. These terms can be buried in complex legal documents and poorly explained at the point of sale, leaving leaseholders exposed to long-term financial and legal risks they were unaware of at the point of purchase.
  - **Barriers to redress:** The design of leasehold arrangements, based on divergent interests and incentives of landlords and leaseholders, tends to entrench adversarial dynamics. Leasehold structures do not naturally encourage or facilitate alternative dispute resolution, such as mediation. The lack of accessible, low-cost pathways to resolving conflicts contributes to a culture where disputes can easily escalate to court proceedings, which can be complex and prohibitively expensive, which in turn can deter individuals from pursuing legitimate grievances. There is also a clear imbalance of resources and expertise. Professional landlords which operate at scale often have legal teams and deep procedural knowledge, while leaseholders often lack the experience and financial means to navigate complex frameworks. This can deter legitimate claims and skew outcomes in favour of landlords. Tribunal processes, though designed to be more accessible than formal courts, can see costs escalate quickly, especially when leaseholders must hire legal representation to match well-resourced landlords who might engage specialist solicitors and surveyors, or otherwise seek to represent themselves without external help. Delays are common, particularly when expert evidence or appeals are involved. This prolongs uncertainty and stress, especially in disputes over service charges, major works, or forfeiture.
3. These issues are not isolated. Investigations by the Competition and Markets Authority (CMA)<sup>3</sup> and the Housing, Communities and Local Government Committee<sup>4</sup> have found evidence of unfair contract terms, potential mis-selling, and consumer disadvantage in the leasehold system. Between 2019 and 2024, the Competition and Markets Authority secured undertakings, with over 30 companies, covering over 21,000 households, who committed to remove from leasehold contracts certain clauses which cause ground rents to double every ten or fifteen years. Separately, the Housing, Communities and Local Government Committee's 2019 *Leasehold Reform Report*, concluded that the system is "too heavily weighted against leaseholders"<sup>5</sup>, leaving them vulnerable to exploitation.
4. **Diagram 1** shows the traditional third-party freeholder model of leasehold, setting out the relationship between the freeholder, leaseholders and managing agent. The

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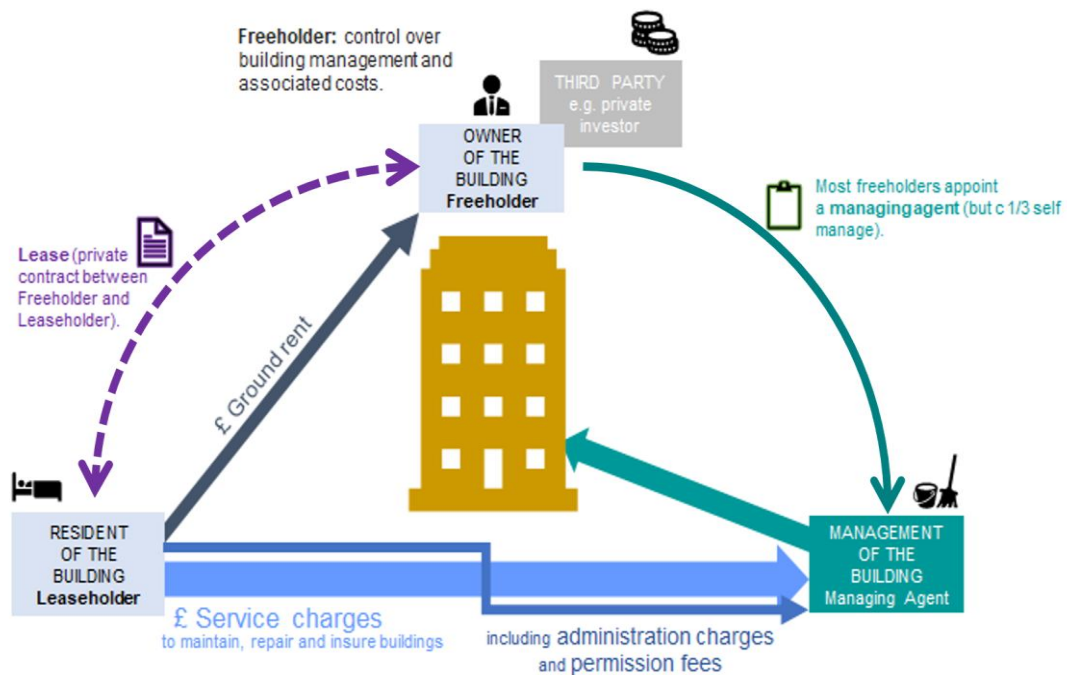
<sup>3</sup> [CMA frees hundreds more leaseholders from costly contract terms - GOV.UK](#)

<sup>4</sup> [Leasehold Reform - Housing, Communities and Local Government Committee](#)

<sup>5</sup> *Ibid.*, paragraph 25.

freeholder retains legal ownership of the building and land and appoints the managing agent. As such, the managing agent is accountable to the freeholder, giving the freeholder oversight of standards by which their performance is judged. Despite being appointed by the freeholder, the managing agent is funded through service charges paid by leaseholders. These charges are stipulated in the lease agreement and typically cover the full cost of building management, including maintenance, repairs, insurance, and administrative overheads. The freeholder does not contribute financially to these costs. This means that whilst the freeholder holds authority over the management of the building, including decisions that directly affect service quality and cost, the leaseholders bear the financial burden, without having a corresponding level of control over how the money is spent. Other types of freeholder-leaseholder arrangements are set out at **Diagram 2**.

Diagram 1: Key relationships in the traditional third-party freeholder leasehold model



5. Recent reforms including the Leasehold Reform (Ground Rent) Act 2022<sup>6</sup> and the Leasehold and Freehold Reform Act 2024<sup>7</sup> have made traditional, “third-party freeholder” models of residential leasehold less skewed in favour of landlords. The 2024 Act will make 990 year leases standard for lease extensions, and MHCLG analysis of HMLR Price Paid<sup>8</sup> and Registered Leases<sup>9</sup> data indicates that the proportion of new leasehold flats with terms that are at least 990 years increased from approximately 20% of new leasehold flats in 2011 to around 60% in 2023. The 2022 Act, by prohibiting ground rents on most new residential leases, has curtailed a key revenue stream associated with freehold retention. c These arrangements, along with the growing use of Right to Manage (RTM) companies, reflect a broader market shift toward structures that give the homeowners themselves greater control over their buildings. This trend suggests that key market players like developers, managing agents and conveyancers have already undertaken financial, legal, operational and cultural shifts towards a model with greater homeowner control and governance in multi-occupancy buildings. We expect that some sectors will undertake further shifts towards supporting resident-led

Whilst the third-party freeholder model is the most common form of freeholder-leaseholder relationship, there are also other common arrangements. These structures introduce additional layers of ownership, contractual obligations, and governance mechanisms that can significantly affect leaseholder experience.

Diagram 2: Alternative Leasehold Structures



<sup>6</sup> <https://www.legislation.gov.uk/ukpga/2022/1/contents>

<sup>7</sup> <https://www.legislation.gov.uk/ukpga/2024/22/contents>

<sup>8</sup> [HM Land Registry: Price Paid Data - GOV.UK](https://www.gov.uk/government/statistics/hm-land-registry-price-paid-data)

<sup>9</sup> [Registered Leases - Use land and property data](https://www.gov.uk/government/statistics/registered-leases-use-land-and-property-data)

management in contemplation of the next wave of reforms as the Leasehold and Freehold Reform Act 2024, such as reforms to make it easier for leaseholders to enfranchise and acquire their freeholds, or exercise the Right to Manage, are implemented.

### **Why delivering “share of freehold” is not enough**

6. While the share of freehold model is a more equitable alternative to traditional leasehold, particularly for new build flats, it does not provide the full advantages of freehold ownership. Despite the absence of a third-party freeholder, it presents leasehold in a different form.
7. First, leasehold law continues to apply in a share of freehold arrangement. Each flat is still held under an individual lease. Owners do not own their flat outright and instead own a lease and a share in a company. The lease can still expire, be forfeited, or contain onerous terms. Lease terms can vary widely, leading to inconsistent rights and obligations, even across a single development.
8. Second, complex and dispersed leasehold legislation, which was designed to protect leaseholders from external landlords, does not cease to apply because the landlord is now a company owned by the leaseholders. Owners managing their own building can easily fall foul of aspects of leasehold legislation which continue to apply to them, particularly in relation to consultation requirements or service charge disputes.
9. Moreover, the benefits of share of freehold are not always equally distributed. Whilst this is most pronounced in collective enfranchisements (where those leaseholders who did not take part see no change to their rights or obligations and may find themselves in a position where they have traded one unaccountable landlord for another) even in new builds where all owners are granted a share of the freehold from the outset, disparities can still emerge in terms of governance and decision-making. Typically, those who hold a share of the freehold become members of the freehold company and may be appointed as directors. This confers certain rights, such as attending annual general meetings and standing for election as a director. However, the actual power to make decisions about the building, including the appointment of managing agents, setting budgets, and commissioning major works, rests with the directors. While some directors may choose to involve fellow owners in these decisions, others may do so only to the extent required by leasehold law, such as conducting a section 20 consultation for major works. This may replicate some of the governance dynamics found in traditional leasehold arrangements.

10. Owners who are not the freehold company or directors, may have little ability to influence decisions, challenge budgets, and have limited recourse unless they can prove mismanagement or breach of lease/company law. This is compounded by the fact that leasehold law generally only permits challenges to be made to service charges after the costs have been incurred and demands issued, meaning owners have minimal opportunity to shape financial decisions in advance. This lack of proactive oversight can lead to disputes and dissatisfaction, particularly where transparency is limited or where decisions are made without broad consultation.

### **Learning from the advantages of leasehold and applying them to commonhold**

Leasehold flats can offer practical advantages in terms of financial support provided by freeholders/landlords, professional management including expertise and economies of scale, and a well-developed legal framework that defines the rights and responsibilities of both leaseholders and freeholders/landlords. However, these benefits often come at the cost of homeowner control and transparency. The availability of a third parties' capital to cover temporary shortfalls or manage emergencies is not universal that a landlord should either have it, nor if so, be relied upon to choose to use it in this way. The reformed commonhold regime is designed to retain the practical strengths of leasehold while empowering residents through democratic governance and modernised legal tools. Instead of relying on the potential availability of a freeholder's/landlord's capital, commonhold associations will maintain mandatory reserve funds, ensure costs remain affordable through votes on the annual budget, and may access loans to fund major emergency works. Professional management remains available, but with the key improvement that residents directly appoint and can replace managing agents. Governance is democratic, with all unit owners holding voting rights and participating in transparent budgeting and decision-making.

**Case study - a "new roof":** To illustrate the practical differences between leasehold and commonhold, consider a scenario where a building's roof requires urgent replacement. Under leasehold, the landlord typically recovers costs through service charges or sinking funds. Leaseholders may have limited influence over the timing of the work, the choice of contractor or quotes. Disputes can arise over cost transparency or quality of work. Under reformed commonhold, the commonhold association would plan for such works through owners contributing to a mandatory reserve fund over time and democratic budgeting. Owners would vote on the timing and scope of the works, and contractor selection. While this model requires greater resident involvement, it also ensures collective control and accountability. The financial burden is shared, but decisions are transparent, and resident led. Commonhold associations may also appoint a professional managing agent to act on their behalf in doing things such as securing quotes and overseeing the project, often with key decisions, like the appointment of the preferred contractor, taken by the associations or its directors.

## Commonhold: the alternative

11. Commonhold, introduced by the Commonhold and Leasehold Reform Act 2002, allows homeowners to own their flat or house outright as a freehold, while jointly owning and managing the wider building and estate through a commonhold association. This model is designed to give owners control of management of a block without a third-party landlord and aligns the interests of all unit owners through a democratic framework built around a single set of rules.
12. Despite its advantages, commonhold has been used for fewer than 20 developments in England and Wales, totalling fewer than 200 flats. This stands in contrast to the over 1 million new flats built since the passage of the 2002 Act.<sup>10</sup> There are a variety of reasons for why commonhold has failed to take off including flaws to the original legislation and a lack of incentive for industry to adopt commonhold. These are set out in detail below.

## Reinvigorating the commonhold regime

13. The UK Government's commitment to reforming leasehold and promoting alternative ownership models is not new. Since the Leasehold Reform Act 1967, successive statutes have sought to address the disadvantages faced by leaseholders, particularly around control, transparency, and financial fairness. These reforms have included the Leasehold Reform, Housing and Urban Development Act 1993<sup>11</sup> and the Commonhold and Leasehold Reform Act 2002<sup>12</sup>.
14. In 2017, the previous UK Government asked the Law Commission to review the commonhold model with a view to revitalising the tenure. This led to the publication of the Law Commission's final report in July 2020: *Reinvigorating Commonhold: The Alternative to Leasehold Ownership*<sup>13</sup>. The report identified key barriers to adoption and made 121 recommendations, including 102 on reform of the commonhold legal framework and support update (and 19 on the reform of the conversions process which are discussed in Annex 2 of this IA). Responding to this, the UK Government published a *Commonhold White Paper* in March 2025<sup>14</sup>, which provided both a formal response to the Law Commission's recommendations and a roadmap for reform. The White Paper reaffirmed the UK Government's intention to modernise the legal framework and make commonhold not only a viable alternative, but preferred alternative to leasehold across a range of development types. The 2024 King's Speech<sup>15</sup> announced the UK

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<sup>10</sup> Table 244 and 254: [Live tables on housing supply: indicators of new supply - GOV.UK](#)

<sup>11</sup> [Leasehold Reform, Housing and Urban Development Act 1993](#)

<sup>12</sup> [Commonhold and Leasehold Reform Act 2002](#)

<sup>13</sup> [Reinvigorating commonhold: the alternative to leasehold ownership](#)

<sup>14</sup> [Commonhold White Paper: The proposed new commonhold model for homeownership in England and Wales - GOV.UK](#)

<sup>15</sup> [The King's Speech 2024 - GOV.UK](#)

Government's intention to publish draft legislation on leasehold and commonhold reform. In a written ministerial statement issued in November 2024<sup>16</sup>, the housing minister confirmed that a central focus of the Bill would be the reinvigoration of commonhold through the introduction of a new, modernised legal framework.

### **Banning the sale of new leasehold flats**

15. Reforming the commonhold laws and boosting awareness and preparedness will not, on its own, be enough to ensure that commonhold is adopted at the speed and scale we desire to see it become the default tenure for new flats. The UK government is therefore taking decisive first steps to make commonhold the default tenure by putting into law a ban on the use of leasehold for new flats. In future all new flats for sale (unless subject to an exemption) will therefore need to be registered as commonhold, allowing buyers of new flats the chance to benefit from freehold homeownership via a modern and purpose-built tenure, and to do so as soon as is practical.
16. The UK government is conscious that this is a major change to property and land ownership, and in the 2024 King's Speech, committed to consulting on how we can best achieve this. The Draft Commonhold and Leasehold Reform Bill sets out the foundations for banning new leasehold flats and bringing forward commonhold as the default tenure for new flatted developments. We are concurrently consulting, through our *Moving to commonhold: banning leasehold for new flats* consultation<sup>17</sup>, on the mechanisms necessary to make the ban work, including transitional arrangements to protect housing supply and any justified exemptions. This will allow Ministers to best gauge consumer and market viewpoints as we go forward to finalise the provisions of the substantive Bill following pre-legislative scrutiny.

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<sup>16</sup> [Written statements - Written questions, answers and statements - UK Parliament](#)

<sup>17</sup> MHCLG (2025) [Moving to commonhold: banning leasehold for new flats - GOV.UK](#)

## 4.2 Problem under consideration

17. The UK Government's intervention to reform commonhold and promote it as the default tenure through a ban on new leasehold flats is a targeted response to correct a range of longstanding market failures<sup>18</sup>.
18. Despite the availability of commonhold since the commonhold regulations of 2004, which followed the 2002 Act, **market inertia and entrenchment** have prevented its adoption, alongside the lack of flexibility in the original legislation. Commonhold has seen almost negligible uptake with fewer than 20 developments existing in England and Wales.
19. A key driver of this is the maintenance of the status quo by key actors. As use of commonhold has remained voluntary, the long-established leasehold tenure has been in direct competition with commonhold. Leasehold is well understood by industry, if not necessarily always by the consumers that have bought it, giving leasehold an incumbency advantage. For instance, conveyancers and estate agents are familiar with leasehold's legal and transactional processes. At the same time, developers have continued to favour leasehold as a model that they know consumers will purchase, maintaining its dominance as the tenure for new flats. This preference has been further influenced by the possibilities of ongoing income through ground rents (until banned for new leases in 2022), permission, administration and commission fees, and control over building management which allow developers and freeholders to extract ongoing value from properties even after they are sold. Even with the decline of the scale of financial opportunities since 2022, the remaining incentive combined with the appeal of well-known processes and models has generated an incentive to resist change. Consumers, in turn, accept leasehold because it is perceived as the norm and alternatives remain unfamiliar, furthering the strong inertia. This familiarity perpetuates a cycle: leasehold is offered as standard, commonhold is rarely requested by consumers or promoted by industry, and its marginalisation is reinforced by the lack of adoption.
20. The Law Commission, in its 2020 report *In More Detail: The Future of Home Ownership*<sup>19</sup>, concluded that commonhold would not gain traction unless it was either made compulsory or supported by a strong framework of incentives. This reflects a classic case of **coordination failure** and a fear of first mover disadvantage. Individual actors, including developers, property professionals and consumers lack sufficient incentive to initiate widescale adoption unilaterally, as the perceived risks and uncertainties of an untested commonhold model outweigh the relative security and predictability of the entrenched leasehold system. Developers may be reluctant to build commonhold homes without clear market demand. Yet consumers cannot demand what

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<sup>18</sup> For clarity, the ban is intended to apply to both the use of leasehold for a new flat in a newly built building as well as the creation of a new flat in an existing building

<sup>19</sup> [In more detail: the future of home ownership](#), paragraph 1.80

they do not know exists, especially when commonhold remains poorly understood and virtually invisible in the market. Gaining control of a building requires coordinated action among diverse owners, which is often difficult to achieve. Even when legally permitted, additional barriers such as high costs, complex valuation requirements, and procedural hurdles further deter leaseholders from exercising these rights. The Leasehold and Freehold Reform Act 2024 will make these processes easier and cheaper when implemented, but there is no clear rationale for owners of new flats to continue to be subject to this outdated framework, when a better, simpler, more democratic model of ownership of multi-occupancy blocks will be available after these reforms.

21. In addition, prospective and current leaseholders face significant **constraints on choice and control**, both at the point of purchase and throughout ownership. Leasehold is the default tenure for flats accounting for 91% of owner-occupied and 74% of privately rented flats<sup>20</sup> in England in 2023-24, and in 2024, 98% of new-build flats for sale were completed as leasehold,<sup>21</sup> with buyers rarely offered a freehold alternative despite the availability of commonhold since regulations came in in 2004; even “share of freehold” flats are purchased as leasehold. Developers set the lease terms, which can be complex, opaque, and can vary even within the same building, making it difficult for buyers to assess long-term implications or compare properties. This lack of transparency limits informed consumer choice.
22. After purchase, leaseholders face a power imbalance: freeholders (or intermediate landlords) can block or charge for changes, including lease variations, extensions, or some property alterations. Leaseholders typically cannot renegotiate terms post-purchase unless the freeholder agrees, and even then, the process can be costly and complex. Leaseholders are bound by the lease for its duration, which can be decades or longer, and may face restrictions on use, alterations, and resale. This leaves many leaseholders locked into long-term obligations with restricted autonomy over their homes.
23. Another issue lies in the **misalignment of incentives** between leaseholders and those who manage their buildings. In typical leasehold arrangements, landlords appoint managing agents, who are accountable to them, not to the leaseholders who pay for and benefit from their services. This leaves leaseholders stuck with agents they did not choose and cannot easily replace, even when service is poor or costs are considered excessive. This disconnect can foster dissatisfaction and undermines transparency. For example, the Financial Conduct Authority’s *Report on Insurance for Multi-occupancy Buildings 2022*<sup>22</sup> report into multi-occupancy building insurance found that in 39% of their observations, brokers paid more than half of their remuneration on to freeholders or

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<sup>20</sup> Table 2: [Leasehold dwellings, 2023 to 2024 - GOV.UK](#)

<sup>21</sup> [Leasehold housing in England: Statistics - House of Commons Library](#)

<sup>22</sup> Financial Conduct Authority (2022) “Report on insurance for multi-occupancy buildings”, September 2022, accessible at: [Report on insurance for multi-occupancy buildings](#)

property managing agents. Although freeholders – or agents working on the behalf – do fulfil a role in the buildings insurance supply chain through managing and arranging insurance, the amounts involved and their value were poorly justified. Whilst recent FCA reforms have improved transparency and require insurers and brokers to act in leaseholders’ best interest, and the UK Government will bring forward secondary legislation to stop leaseholders being charged for commissions given to freeholders or property managing agents, the example is indicative of wider problems within the leasehold model, where the relationship structures can lead to a lack of transparency and accountability. This can be seen repeated through things like major works procurement, reserve fund management and opaque service contracts for things like cleaning or maintenance, potentially resulting in poor service, high service charges, and a lack of leaseholder input.

24. In addition, **regulatory oversight is weak**, undermining consumer protection and public confidence. Managing agents must be a member of a redress scheme, but beyond this, freeholders and their agents operate with minimal accountability. Oversight mechanisms such as the First-tier Tribunal (Property Chamber) are reactive in nature, relying on individual leaseholders to initiate proceedings and prove that charges are unreasonable. This places the burden of enforcement on leaseholders, many of whom lack the resources or expertise to challenge unfair practices. **Information asymmetry** has been identified as an issue in some cases. There can be a lack of understanding among leaseholders about the nature of their tenure, driven by inconsistency and opacity in lease contracts. Developers, freeholders and managing agents typically set, control and enforce the terms of leases, the management of buildings, and the setting of charges. Meanwhile, many prospective leaseholders lack a clear understanding of the tenure and are often unaware of ongoing financial liabilities such as ground rent and service charges. Even experienced leaseholders may not understand how service charges are calculated and what they cover, making it hard to assess whether charges are reasonable or justified.

25. Empirical evidence supports this. A 2020 study by the University of Cambridge Centre for Housing and Planning Research, *Leasehold and Freehold Charges*,<sup>23</sup> found that leasehold service charges varied widely and were poorly understood. According to the English Housing Survey 2023-24, among leaseholders paying a service charge, almost two thirds (62%) thought their service charge was too high<sup>24</sup>. Between 2019 and 2024, the Competition and Markets Authority (CMA) uncovered potential mis-selling of leasehold properties and unfair contract terms<sup>25</sup>. They found evidence that some buyers were not made fully aware of the implications of leasehold ownership, including cases where buyers were not being told upfront that a property is leasehold and what that

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<sup>23</sup> [Leasehold and freehold charges: summary of research findings](#)

<sup>24</sup> [English Housing Survey 2023 to 2024: leasehold experience fact sheet - GOV.UK](#)

<sup>25</sup> [Leasehold - GOV.UK](#)

means, only discovered after purchase that their ground rents would double every ten years, or that the freehold had been sold to a third-party investor.

26. Measures in the Leasehold and Freehold Reform Act 2024 are aimed at reducing information asymmetry and rebalancing the relationship between leaseholders and freeholders and improving redress. These include measures to improve transparency around service charges, by standardising forms, and buildings insurance, by ending insurance commissions, and make it easier for leaseholders to access redress. It will also introduce reforms to home buying and selling forms, helping homeowners of the future. These changes are designed to empower leaseholders with clearer, more accessible information. However, ultimately the system will remain reactive, with leaseholders only able to scrutinise and challenge spend after the fact, rather than proactively, where homeowners can review and influence upcoming budgets and take choices on things like appointing managing agents and procuring insurance.

### 4.3 Rationale for intervention

27. There is a robust and growing body of evidence which demonstrates that a reformed commonhold model offers a fairer, more transparent model of homeownership for flats built in the future.

1. Law Commission investigation into homeownership<sup>26</sup>

28. The Law Commission undertook a comprehensive review of commonhold as part of their 13th Programme of Law Reform on the future of home ownership. The project began with a call for evidence in 2018<sup>27</sup>, inviting stakeholders to share their experiences and concerns. This was followed by a consultation paper in 2019<sup>28</sup>, which laid out a series of provisional proposals for reform and sought detailed feedback. After extensive consultation and analysis, the Commission published its final report in July 2020, titled "*Reinvigorating commonhold: the alternative to leasehold ownership.*"<sup>29</sup> This report made 121 recommendations about commonhold, 102 on reform of the commonhold legal framework and support update (and 19 on the reform of the conversions process which are discussed at reforms in **Annex 2** of this IA), aimed at creating a workable alternative to leasehold ownership, with a view to its widespread use in the future. The Law Commission's recommendations paved the way so that in the future, the sale of new flats could be on a commonhold basis, rather than as leasehold.

29. The Law Commission concluded that it is not necessary for leasehold to be used as the mechanism for delivering home ownership<sup>30</sup>. Rather, commonhold can be used instead and once commonhold is made workable in practice, it should be used in preference to leasehold, because it offers an alternative structure with different characteristics to leasehold ownership.

30. Based on the evidence that the Law Commission gathered during their investigation, they concluded, in their *Future of Home Ownership*<sup>31</sup> report, that commonhold will not be used unless (a) it is made compulsory, or (b) adequate incentives are put in place to make it more attractive to developers than leasehold (or conversely that leasehold is disincentivised sufficiently to make it less attractive than commonhold). They made it clear that it would be for government to decide whether to reform the commonhold model and then whether it should be compulsory, incentivised or optional, but that commonhold will not take root on its own. Accordingly, while implementation of the Law

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<sup>26</sup> The Law Commission's work on commonhold can be accessed here: [Commonhold – Law Commission](#)

<sup>27</sup> The Law Commission (2018) [Commonhold Call for Evidence](#)

<sup>28</sup> The Law Commission (2019) [Law Commission Reinvigorating commonhold: the alternative to leasehold ownership](#)

<sup>29</sup> The Law Commission (2020) [Reinvigorating commonhold: the alternative to leasehold ownership](#)

<sup>30</sup> The Law Commission (2020) [In more detail: the future of home ownership](#), para 1.46.

<sup>31</sup> The Law Commission's work on the future of homeownership can be accessed here: [Commonhold – Law Commission](#)

Commission's recommendations on commonhold reform is necessary for the reinvigoration of commonhold, it will not be sufficient on its own to do so.

31. The Law Commission argued that the barriers to the uptake of commonhold all require government intervention if they are to be overcome. In their overarching report *The Future of Home Ownership*, the Law Commission set out that the government should decide whether there should be an equivalent of the leasehold house ban for flats, so that in the future new flats must be sold on a commonhold basis and that commonhold would be made compulsory.<sup>32</sup>

32. The *Commonhold White Paper*<sup>33</sup>, published in March 2025 confirmed that the government intended to implement most of the changes proposed by the Law Commission suggested for the new commonhold regime.

33. The Law Commission's authoritative investigation into commonhold reform represents a cornerstone of the evidence base underpinning this Impact Assessment.

## 2. Key Supporting reviews and investigations

*Housing, Communities and Local Government Select Committee (2019)*<sup>34</sup>

34. The Committee's inquiry into leasehold house sales and leaseholder charges found that:

- "Too often, leaseholders, particularly in new-build properties, have been treated by developers, freeholders and managing agents, not as homeowners or customers, but as a source of steady profit. [It should be noted that this observation was made in 2019, prior to the Leasehold Reform (Ground Rent) Act 2022 coming into force].
- The system is "too heavily weighted in favour of freeholders", with leaseholders lacking meaningful rights and protections. [Again, this observation was made before the Leasehold and Freehold Reform Act 2024].
- There is "no reason why the majority of residential buildings could not be held in commonhold".

35. The Committee made several recommendations, the first among them being:

*"We urge the Government to ensure that commonhold becomes the primary model of ownership of flats in England and Wales, as it is in many other countries".*

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<sup>32</sup> The Law Commission (2020) [In more detail: the future of home ownership](#) para. 1.85

<sup>33</sup> MHCLG, (2025), Commonhold White Paper, accessible at: [Commonhold White Paper: The proposed new commonhold model for homeownership in England and Wales - GOV.UK](#)

<sup>34</sup> House of Commons, Housing, Communities and Local Government Select Committee (2019) "Leasehold Reform: Twelfth Report of Session 2017-19", 11 March 2019, accessible at: [Leasehold Reform](#)

*Competition and Markets Authority (CMA) Leasehold Housing Reports<sup>35</sup> 2010<sup>36</sup> to 2024<sup>37</sup>*

36. The CMA's multi-year investigation uncovered:

- Potential mis-selling of leasehold properties, especially new-build flats, where developers allegedly misled buyers about the nature and implications of leasehold ownership.
- Unfair contract terms, including doubling ground rents and unfair restrictive covenants which impede reasonable use of the property.
- Developers and freeholders using exploitative practices leaving leaseholders trapped in unsellable homes.

37. The CMA secured commitments from over 30 major developers and freeholders to remove unfair terms. The CMA concluded this action alone would not fully address their concerns, and that further legislative reform was needed to shield homeowners from harmful practices. The government has addressed some of these concerns, including to enfranchisement through reforms in the Leasehold and Freehold Reform Act 2024, which government has committed to implement, and to the “Assured Tenancy Trap”, through the Renters’ Rights Act 2025, which came into force in December 2025.

*Financial Conduct Authority (FCA): Report on insurance for multi-occupancy buildings (2022)<sup>38</sup>*

38. The FCA's investigation revealed:

- Increases in absolute building insurance commissions received by brokers, freeholders and property managing agents.
- Concern by leaseholders and their representatives over unmanaged conflicts of interest in the building insurance supply chain leading to choices being made on the basis of remuneration rather than the leaseholder's interest.
- Leaseholders and their representatives had no control or visibility over insurance arrangements, including remuneration and commissions, despite bearing the cost.

*Public and political support for reform*

39. The All-Party Parliamentary Group (APPG) on Leasehold and Commonhold Reform has consistently called for the abolition of leasehold flats and the adoption of commonhold.

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<sup>35</sup> Details of the CMA's Leasehold Case can be found here: [Leasehold - GOV.UK](#)

<sup>36</sup> Competition and Markets Authority (2019) “Leasehold Housing: Update report”, 28 February 2020, accessible at: [Leasehold update report](#)

<sup>37</sup> Competition and Markets Authority (2024) “Modern leasehold: restricting ground rent for existing leases” – response of the Competition and Markets Authority”, accessible at: [Full text of the CMA's response](#)

<sup>38</sup> Financial Conduct Authority (2022) ‘Report on insurance for multi-occupancy buildings’, September 2022, accessible at: [Report on insurance for multi-occupancy buildings](#)

In September 2018, the APPG described leasehold as a “breeding ground for abuses”<sup>39</sup> and noted that it has been abolished in most comparable jurisdictions. Commonhold reform also enjoys cross-party support, with the Labour 2024 manifesto committing to make commonhold the default tenure for flats, and the Conservative 2024 manifesto committing to ‘make it easier to take up commonhold’ and the Liberal Democrat 2024 manifesto committing to “abolishing residential leaseholds”.

### International experience

40. This section draws on international evidence to understand how other jurisdictions have developed and sustained models similar to commonhold, and how those systems have evolved to support effective ownership and management of flats. While the legal and market contexts differ, these comparators provide valuable insights into the conditions, design choices and transition pathways that have enabled commonhold-type models to operate successfully at scale.

41. For the purposes of this Impact Assessment, the international review serves two functions: first, to identify specific international contexts and features that have and can inform the UK Government’s approach to modernising commonhold; second, to provide a wider perspective, demonstrating how successful tenure reform abroad has been sequenced, signalled and supported to minimise market disruption. This section does not assume direct transferability but instead tests what elements of international practice are relevant, adaptable, or require caution in the England and Wales context. The material that follows summarises the international landscape and highlights the characteristics of these systems that are most relevant to the modernisation of commonhold in England and Wales.

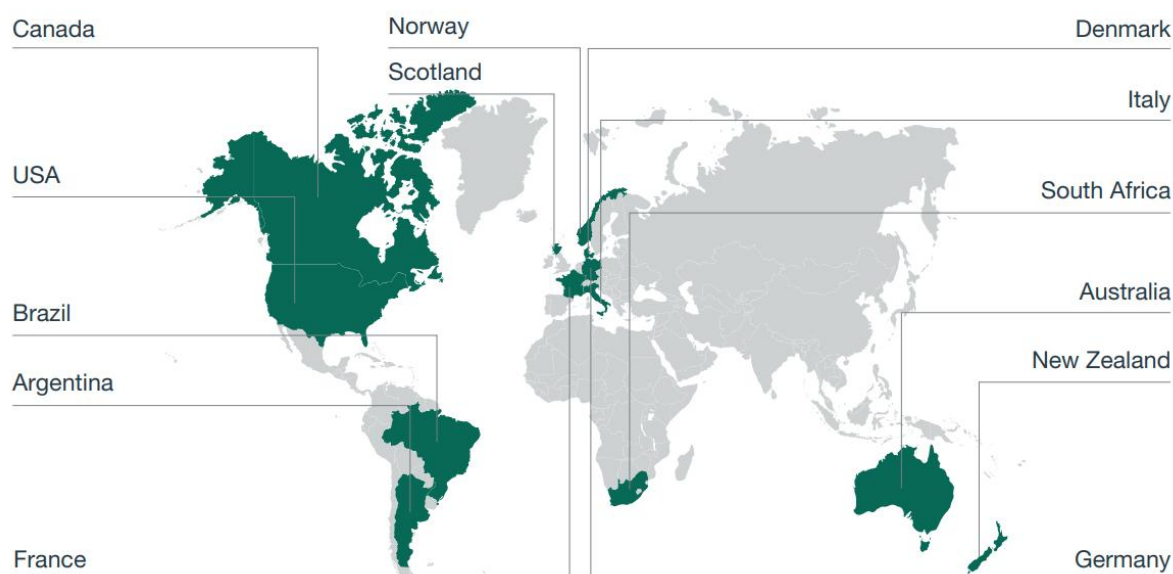
### *International adoption and functioning of commonhold-type frameworks*

42. While legal systems differ, many countries outside of England and Wales have frameworks similar to commonhold which enable the freehold ownership of flats. As the Law Commission highlighted as part of their review, forms of commonhold are the norm in many other parts of the world as the primary model of ownership for flats, as illustrated in the **Diagram 3** below. Where these models are in place, residential long leasehold often plays little to no role at all.

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<sup>39</sup> Written evidence submitted by the All Parliamentary Group on Leasehold and Commonhold Reform [LHR 668], September 2018, accessible at: [LHR0668 - Evidence on Leasehold reform](#)

Diagram 3: Examples of use of commonhold type models around the world



Source: Law Commission (2018), [Reinvigorating Commonhold: the alternative to leasehold ownership - Summary of Consultation Paper](#)

43. The high demand for housing following the Second World War in many countries was a catalyst for developers turning to the building of flats to seek to satisfy that demand. Countries such as Australia and the USA first introduced legislation in the 1950s and early 1960s to provide commonhold type ownership for flats. “Strata title” is the Australian equivalent of commonhold. It was developed in New South Wales and was one of the first forms of such homeownership for flats to be introduced in the world. Many of these are common law jurisdictions like England and Wales.

44. Since then, strata title (or an equivalent system) has been adopted in other Australian states and across the globe, from New Zealand, to Singapore. “Condominium” ownership is the North American equivalent to commonhold and is found across many parts of the USA and also in parts of Canada. Across parts of Europe forms of commonhold are known as “Condominio negli edifice” in Italy, “Copropriété” in France or “Wohnungseigentumsgesetz” (or “WEG” for short) in Germany, and the Scottish “tenement” model. This international evidence shows that successfully managing buildings is not premised on the presence of a leasehold arrangement. For further detail on the model used in these jurisdictions, we refer readers to the Law Commission’s *Commonhold Comparative Research - Global Comparison of laws 2018* report<sup>40</sup>, published in December 2018, and particularly Appendix 5 which sets out a policy comparison table of different jurisdictions.

45. Commonhold type models internationally have for many countries been the default for flatted development for well over fifty years. This includes use in buildings from small

<sup>40</sup> Law Commission (2018) [Comparative law accompanying research](#)

simple blocks of flats or flats in converted houses to complex large buildings with a mixture of residential and commercial units, as found in major cities across the world.

46. These countries have a head start and many years of experience upon which we can draw. The Law Commission, for example, have recommended that use of reserve funds should be mandatory for commonhold here. Evidence presented to them noted how reserve funds became mandatory for condominium developments in the United States in the 1990s and that this had proved to be invaluable in supporting the upkeep of buildings and mitigating the risks of large or surprise bills falling on homeowners.
47. For other issues, practices vary, and further consideration is required in an England and Wales context. For example, to provide the support necessary to homeowners, particularly for larger or more complex buildings, different Australian states take a different approach to the use of professional managing agents. In the state of Victoria, use of managing agents is required for certain larger buildings but in Western Australia for example, use of managing agents is optional at the discretion of the building owners.
48. Elsewhere, Scotland's tenure reforms from 1975 onwards show that enforceable obligations and shared governance can be sustained without leasehold. This works because Scotland combines outright (freehold) ownership with statutory tools such as real burdens and default tenement rules. Real burdens are legally binding duties attached to properties, for example, to contribute to maintenance, and default tenement rules set out basic rights and responsibilities for owners in buildings with shared parts. Together, they make sure owners can manage and maintain their buildings without a leasehold system.
49. Scotland's experience also illustrates that tenure reform alone does not guarantee effective building management. Evidence from the Working Group on Maintenance of Tenement Scheme Property<sup>41</sup> and the Scottish Government's subsequent response<sup>42</sup> suggests that voluntary coordination and the absence of mandatory reserve funds contributed to underinvestment, delayed major repairs, and barriers to energy-efficiency upgrades, prompting new proposals in Scotland for compulsory owners' associations and statutory reserve funds. Reinvigoration of the commonhold legal framework in England and Wales will address these risks from the outset of reformed commonhold through stronger governance and maintenance structures: transparent decision-making, improved budgeting processes, mandatory reserve funds, accessible routes for dispute resolution, and guidance for commonhold associations and their directors to ensure they understand and can meet their duties effectively.

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<sup>41</sup> [Working Group on Maintenance of Tenement Scheme Property 2019 - Final Recommendations Report.pdf](#)

<sup>42</sup> [Tenement maintenance report: Scottish Government response - gov.scot](#)

50. In most jurisdictions, property law evolves to reflect changing housing patterns, regulatory expectations, and consumer needs. Many countries, from Australia to Scotland, have refined and modernised their tenure and building management frameworks over decades. England and Wales are following the same trajectory of updating its legal frameworks. The Law Commission's proposed reforms to commonhold respond to developments since the 2002 Act, including the growth of complex mixed<sup>43</sup> use sites, the expansion of shared ownership, and insights drawn from international practice, including in their detailed research paper on the "*Global comparison of laws*"<sup>44</sup>, ensuring that the model is modernised before wider adoption.

#### *Contextual constraints and transferability*

51. Commonhold-like models work in other countries as mentioned above, and we do not believe there is anything unique about the property context in England and Wales that would prevent a revised commonhold taking off here once the model has been revised and updated. However, while systems such as strata title in Australia and condominium ownership in North America demonstrate that commonhold-type models can succeed at scale, they are not direct comparators for the reforms now proposed. Their housing stock, legal architecture, and market incentives can differ substantially, and many of these frameworks evolved in environments without an entrenched leasehold system. By contrast, England and Wales must introduce reformed commonhold into a market where leasehold remains dominant, with well understood practices and established developer, landlord and managing agent sectors. In addition, some countries have strong owner-led management cultures, whilst in England and Wales, management is often undertaken by professional agents and disputes are usually handled through tribunals, underpinned by statutory rules. As a result, behaviours and incentives seen overseas do not necessarily translate into the domestic context.

52. Alternative systems operate within different legal, financial and cultural environments, and many evolved without an entrenched leasehold market, direct transferability is limited. While international experience offers helpful illustrations of how commonhold-type systems can function, no existing model can be transplanted wholesale. England and Wales must reinvigorate commonhold within a legal, financial, and cultural environment shaped by centuries of leasehold practice, complex mixed-use development patterns, shared ownership schemes, and entrenched market norms. The draft Bill therefore aims to adapt lessons where appropriate while designing a regime tailored to domestic conditions. The international evidence in this section is used to illustrate concepts, not to generate numerical or monetised estimates. For this reason, no monetised assumptions in this impact assessment are derived from overseas data,

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<sup>44</sup> [Law Commission 2018 - Commonhold Comparative Research](#)

and the international evidence is applied qualitatively to support reasoning rather than to model quantitative impacts.

### **Why is government intervention necessary?**

53. Despite its historic dominance, the notion that leasehold is the only way to own a home which benefits from a shared external structure and communal space is wrong. A reformed commonhold provides a preferable alternative to leasehold for consumers, as well as offering advantages for other parts of the property market such as lenders and conveyancers.
54. However, the transition from leasehold to commonhold as the default will not occur as a natural market evolution. Without government action, leasehold flats will continue to be delivered as the main tenure of flats for sale, and future homeowners will not be provided with the best model of ownership that they could have.
55. The original 2002 legislation and accompanying 2004 regulations are not appropriate for modern development practices and are holding commonhold back. A combination of limitations and flaws in the law has made commonhold less flexible compared to leasehold and, therefore, harder to use in the same number and variety of settings, such as for mixed-use, mixed tenure, and large sites. For instance, the failure to accommodate shared ownership, or to provide an effective management structure for buildings that blend flats with commercial spaces has made it unviable for many developments. For example, the restrictions on certain types of affordable housing in commonhold can cause problems in securing planning permission and accessing public funding. Some parts of the existing legal framework are also untested and require updating to function in a modern property system, such as the ability to respond to emergencies, and procedures for dealing with insolvency and the voluntary termination of a commonhold. Given that these shortcomings are entrenched within the 2002 Act and its accompanying 2004 regulations, only reform to the legal framework - as recommended by the Law Commission in 2020 - will make commonhold a workable tenure for the modern housing market.
56. Recognising the benefits of commonhold as a model specifically designed for homeownership in shared blocks, which provides for the effective management and upkeep of buildings without a third-party landlord, government has committed to make the reformed commonhold regime the default for the new supply of residential flats and mixed-use blocks. To achieve this, the government will supplement the new legal framework with a ban on the sale of new leasehold flats. Reforming the commonhold model is necessary but not sufficient. A legislative ban on new leasehold flats is also necessary because the long-established leasehold tenure will highly likely continue to be the default tenure offered for new flats, unless government directly intervenes to adjust market behaviour.

57. Industry has had few incentives to shift away from established practices. Because commonhold remains voluntary, it competes with the long-standing leasehold system, which offers familiarity and operational certainty. This incumbency advantage means developers, property professionals, and consumers perceive greater risk in moving first: adopting commonhold involves stepping into a less familiar model without clear market signals or coordinated support or direction from government. In the absence of strong incentives or demand, maintaining the status quo has been the rational choice, leaving commonhold marginalised despite its potential benefits. While the Leasehold Reform (Ground Rent) Act 2022 has removed ground rents from new long residential leases, eliminating one of the most visible income streams for new builds, the leasehold model still enables a range of secondary revenue opportunities that commonhold does not. These include permission fees, administration charges and permitted fees. In a market driven by profit, developers are unlikely to voluntarily adopt a model that reduces their returns, particularly when leasehold remains central to business models, widely practiced by industry, legally permissible and financially attractive.
58. Consumers, meanwhile, are poorly positioned to drive market change. Most buyers are unaware of the differences between leasehold and commonhold, and even those who are informed almost never have a choice as virtually all new flats are sold as leasehold – approximately 30,000-40,000 new flats per year compared with a near zero average of new commonholds<sup>45</sup>. More fundamentally, as they can only buy what developers build, even if buyers are aware of and prefer commonhold, they do not have the option.
59. This is why a legislative ban on the sale of new leasehold flats is needed now. Without a clear legal signal, developers are likely to continue defaulting to leasehold, undermining the viability of even a reformed commonhold model and delaying meaningful change. Waiting to see whether the market shifts organically following commonhold legal reforms would risk entrenching the status quo to the detriment of future generations of homeowners of newbuilds. The ban is essential to reset market expectations, level the playing field, and ensure that commonhold becomes the default tenure for new flats. The Law Commission's 2020 report and the government's 2025 White Paper both concluded that only legislative reform could address these barriers, so that unless there is a clear reason otherwise, buyers of new flats benefit from commonhold homeownership.
60. The current effort to reinvigorate commonhold should be understood as the latest phase in this incremental and consistent policy trajectory, rather than a radical departure. It builds directly on decades of reform and reflects a continued commitment to rebalance

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<sup>45</sup> MHCLG analysis of HMLR Price Paid data indicates that around 30,000-40,000 new flats are sold in England and Wales each year [HM Land Registry: Price Paid Data - GOV.UK](#). The vast majority of those for sale are sold as leasehold

the relationship between property owners and managers, enhance consumer protections, and promote more democratic forms of ownership in England and Wales.

**Has a post-implementation review or evaluation of the existing regulations been undertaken?**

61. No post-implementation review of the Commonhold and Leasehold Reform Act 2002 and regulations which followed it has been conducted by government. However, the Law Commission have undertaken a thorough review in consultation with industry and consumers, recommending 121 changes to update commonhold law. Many of these reflect changing circumstances since the original 2002 legislation for England and Wales, such as greater prevalence of mixed-use developments, of use of shared ownership housing, as well as learning from best practice found internationally.

## 4.4 Policy objective

62. The government set out its objective to make commonhold the default tenure for new flats. This involves:

- Objective 1A – Reforming the existing commonhold legal framework; and
- Objective 1B – Ensure that new flats are no longer sold as leasehold.

### **Objective 1A – Reform the commonhold legal framework**

63. **Specific:** The objective is to ensure that the legal and operational framework for commonhold supports its use as a viable and attractive form of ownership across the full spectrum of multi-unit residential property settings in England and Wales. This includes creating conditions that allow commonhold to function effectively in more complex developments such as mixed-use buildings, or those with shared ownership homes, which the current legal framework is poorly suited to or not able to accommodate.

64. **Measurable:** The programme wide evaluation will determine key metrics and indicators. Progress toward this objective will be tracked using administrative data, primarily from HM Land Registry, Companies House and MHCLG data from the English Housing Survey. For example, this reform will be measured through quantitative indicators, including the number of commonhold associations, which are accessible through Companies House and HMLR data.

65. **Achievable:** The objective is achievable given the extensive policy development and evidence base, including detailed analysis of barriers to commonhold adoption and options for addressing them. Stakeholder engagement, market feedback, and international comparators all demonstrate that a workable framework enabling commonhold in complex developments can be delivered.

66. **Realistic:** The objective draws on extensive recent consultation by the Law Commission and government, and learnings from international best practice. Many jurisdictions operate successful equivalents to commonhold, demonstrating that such ownership models can function effectively in complex property settings. Any reforms can be tailored to the legal and market conditions of England and Wales, and align with broader policy goals to promote fairer, more transparent homeownership.

67. **Time-bound:** The reform is time-bound in that it aims for a reformed commonhold framework to be operational and available once new arrangements are in place and have been embedded. The effects of reform are expected to emerge as the new framework is taken up in practice, and the objective will be considered achieved once there is sufficient observable evidence that commonhold can operate effectively across a wide range of residential settings. Outcomes to be monitored and evaluated.

## **Objective 1B –Ensure that new flats are no longer sold as leasehold, so that commonhold becomes the default tenure for new flats**

68. **Specific:** The objective is that from a specific implementation date (or dates, if phased) the sale of new leasehold flats will be prohibited except in limited circumstances (“permitted leases”). This reflects the government’s commitment to end the sale of new leasehold flats. The objective assumes that reforms to enable commonhold as a viable alternative will be in place, so that commonhold will become the default homeownership tenure for new flats.
69. **Measurable:** The programme wide evaluation will determine key metrics and indicators. Progress toward this objective will be tracked using administrative data, primarily from HM Land Registry and MHCLG. Existing HMLR data sources such as the Price Paid Data<sup>46</sup>, which covers new build sales of freehold and leasehold flats, will be key. We will undertake further work with HMLR to establish what other data might be available related to the number of new residential leases for flats and commonhold flats sold. Compliance and enforcement will also be monitored. A low incidence of enforcement actions (e.g. against developers circumventing the ban) will indicate sector understanding and effective regulatory implementation.
70. **Achievable:** The objective is achievable given strong political and stakeholder support for ending new leasehold flats. Providing clarity, appropriate lead-in, and a viable alternative tenure is necessary to ensure that stakeholders can successfully adapt to any change.
71. **Realistic:** The objective is realistic within the context of wider leasehold reform and the government’s stated ambition to promote commonhold, including the government’s manifesto commitment and broad Parliamentary and stakeholder support for reform. It reflects a clear direction of travel and acknowledges the need for transitional arrangements and exemptions to accommodate market complexity. The objective assumes that the necessary legal, institutional, and market conditions can be created over time to support the shift from leasehold to commonhold for new flats.
72. **Time-bound:** The objective is time-bound in that any prohibition on selling new leasehold flats would come into force from a defined commencement date (or dates, if phased). The objective will be considered achieved once market behaviour has stabilised and new flats are predominantly delivered through commonhold, with only limited sales occurring under permitted exemptions. Outcomes to be monitored and evaluated.

### **What are the intended outcomes of intervention?**

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<sup>46</sup> [HM Land Registry: Price Paid Data - GOV.UK](https://www.gov.uk/government/statistics/hm-land-registry-price-paid-data)

73. Together, objectives 1A and 1B are intended to deliver the below outcomes.
74. **Freehold ownership** – These objectives will ensure that owners of new flats can benefit from full freehold ownership. They aim to provide a workable alternative to leasehold across different types of development and ensure a smooth transition from use of the incumbent leasehold model to commonhold is achieved so that more homeowners can benefit from it. Together, these objectives will enable more homeowners to benefit from freehold ownership, greater control over building management, and ownership in perpetuity.
75. **Voting rights and improved democratic control** – These objectives are intended to give homeowners direct voting rights on key decisions, such as budgets and management arrangements, replacing the current leasehold model where decision-making either rests with third-party freeholders or solely the directors of resident managed leasehold blocks. This democratic structure ensures that homeowners have meaningful influence over how their building is managed and associated costs.
76. **Better predictability and fewer disputes around bills** – These objectives aim to deliver a system where homeowners have greater transparency and control over shared costs. The outcome is a system where costs are transparent and predictable from the outset, reducing the scope for conflict and unexpected financial burdens. Homeowners should be able to plan confidently, with fewer surprises and fewer disputes about communal expenses.
77. **Enhanced autonomy and community cohesion** – These objectives aim to ensure homeowners have genuine control over decisions affecting their homes and shared spaces. The intended outcome is a tenure that promotes collective responsibility, alignment of interests, and a stronger sense of community, where owners feel empowered and connected in managing their homes.
78. **Flexibility to meet changing needs of buildings and their owners** - These objectives aim to create a tenure that adapts to evolving circumstances and supports the diverse needs of homeowners and their buildings. The intended outcome is a system that promotes clarity, confidence and responsiveness and foster conditions for fewer disputes and more constructive resolution when disagreements arise, leading to higher satisfaction.
79. **Greater choice of tenure** - Consumers experience an expansion in the availability of commonhold homes over time, reducing the current dominance of leasehold and improving overall tenure choice.
80. **Opportunities for the property sector** – These objectives aim to create reputational advantages for developers who adopt commonhold early, new opportunities for

innovation from managing agents and potentially for some types of existing freeholders to pivot their business models, as well as greater confidence for lenders and valuers. They also aim to improve predictability and standardisation, reducing complexity for legal professionals, insurers and valuers and creating opportunities for specialisation as commonhold becomes more mainstream.

**81. Maintain security and strengthen governance for existing commonholders –**

These objectives ensure that the current commonhold owners will benefit from a modernised framework that enhances clarity, resilience and consumer protection. The intended outcome is a transition that preserves certainty, improves governance standards and supports commonhold associations in adapting without disruption.

## 4.5 Description of options considered

82. This section sets out the shortlist of options considered for appraisal, in line with HM Treasury Green Book principles and the Better Regulation Framework. The appraisal focuses on qualitative assessment of expected outcomes, distributional impacts, risks, and alignment with SMART objectives, consistent with Green Book guidance on proportionality.
83. Options selected for Impact Assessment were done so to enable systematic comparison against a common baseline. The core policy direction is rooted in from the Law Commission's recommendations on commonhold (as set out in the government's 2025 Commonhold White Paper), which identified the need for active government intervention to address barriers and consumer disadvantage. A number of options were developed during the Impact Assessment process to support a complete and balanced appraisal under the BRF, notwithstanding that they did not form part of the earlier policy development work.
84. The shortlist excludes full non-legislative options because evidence from the Law Commission and government analysis shows that voluntary or market-led approaches cannot achieve the policy objectives. Known barriers to the use of commonhold, such as developer incentives, legal complexity, and coordination failures, require legislative intervention to deliver meaningful change. The shortlist therefore focuses on credible, feasible options aligned with SMART objectives, alongside the Green Book-required counterfactual (Option 0 – Do Nothing) and illustrative alternatives for comparison. This approach reflects proportionality under the Better Regulation Framework and ensures systematic appraisal against a common baseline.

### **Option 0 – Do Nothing (Non-Legislative) (Counterfactual)**

85. **Baseline comparator:** This option represents the status quo and serves as the counterfactual for appraisal purposes. It assumes no legislative or non-legislative action to reform the commonhold framework or ban the sale of new leasehold flats. Outcomes under this scenario provide the benchmark for assessing the impacts of alternative options.
86. **Description:** Under this scenario, the legal and market framework remains unchanged. Developers retain full discretion to sell new flats as leasehold, allowing leasehold to continue as the dominant tenure for newbuild flats. Third parties would still be permitted to take a financial interest in new build homes, as the freeholder, even when no such third-party is necessary. Commonhold remains marginal and constrained, unsuitable for complex developments. Consumers have little practical choice of tenure for flats.

### **87. Assessment against SMART objectives**

- **Objective 1A – Reform the commonhold framework:** *Not met.* No legislative or non-legislative reform is undertaken. Commonhold remains legally constrained and unsuitable for anything but the simplest of developments.
- **Objective 1B – Ensure that new flats are no longer sold as leasehold, so that commonhold becomes the default tenure for new flats sold:** *Not met.* Developers retain full discretion to sell new flats as leasehold, and leasehold continues as the dominant tenure for new flats.

88. **Expected outcomes:** Under the Do-Nothing scenario, leasehold remains the default tenure for new flats, with developers continuing to rely on this established model. Commonhold remains marginal and unable to accommodate complex developments. While developers may continue to adopt leasehold variants such as share of freehold or resident management company structures, these approaches still depend on leasehold law and fail to resolve key underlying issues of governance and consumer protection, which are unnecessary for new build developments, and do not provide consumers with the best possible tenure product.

### 89. Costs and benefits

Benefits	Costs
Consumers (future owners of new build properties): Continuity, avoids disruption from reform.	Consumers (future owners of new build properties): continue to be subject to limitations of leasehold ownership.
Businesses: No compliance or familiarisation costs. Developers retain flexibility in structuring their schemes.	Businesses: Sustained operational inefficiencies and reputational risks associated with leasehold. Missed opportunities for innovation.
Public sector: Avoids legislative drafting, guidance development, and implementation costs.	Public sector: Ongoing enforcement and judicial burdens related to leasehold disputes and the lack of emphasis on alternative dispute resolution, from new build properties adding to the leasehold stock.

90. **Small & micro business impact:** No change to current practices.

91. **Distributional impacts:**<sup>47</sup> The Do-Nothing option affects a specific sector of the economy, specifically residential property development and associated legal and conveyancing services. It does not have material impacts on businesses outside the residential property market. Impacts are concentrated among large and medium-sized developers, who we believe dominate the new-build flat market and so deliver leasehold structures. These firms maintain their current operating model without incurring

<sup>47</sup> Throughout, the consideration of distributional impacts includes whether the policy's effects vary across sectors, business sizes, regions, or specific groups (such as by household income), rather than being evenly spread across the economy and country. We only address those topics which impacts have been identified.

compliance or familiarisation costs. Consumers, particularly first-time buyers (49% of all owner occupier leaseholders are first time buyers<sup>48</sup>) continue to face limited tenure choice, with leasehold remaining the default for flats. This perpetuates governance and cost risks that disproportionately affect these households. The distributional impact is uneven across regions due to the geography of housing delivery. Areas with high volumes of new-build flats, particularly urban centres such as London, where 38% of dwellings are leasehold<sup>49</sup>, as well as Manchester, and Birmingham, see the greatest continuation of leasehold practices.

## 92. Risks and uncertainties

Risk	Description	Likelihood	Impact	Mitigation
Failure to realise intended benefits	Continuation of leasehold for new properties perpetuates known issues and market inefficiency into new build properties in the future.	High	High	<ul style="list-style-type: none"> <li>None – inherent to the Do-Nothing scenario.</li> <li>Serves as baseline comparator only.</li> </ul>
Optimism bias	Risk of underestimating cumulative societal costs of inaction, including reputational damage.	Medium	High	<ul style="list-style-type: none"> <li>Stress-test assumptions with stakeholders.</li> </ul>

**93. Public sector costs:** The public sector has enforcement and judicial burdens associated with leasehold disputes, which is a tenure structure which does not drive parties towards alternatives like Alternative Dispute Resolution. A do-nothing option represents an opportunity cost, as government forgoes the chance to modernise tenure governance for new build properties and reduce inefficiencies that affect both consumers and public services.

**94. NPSV: Qualitative assessment only.** The Do-Nothing option represents a **moderate negative impact overall**. Assumptions include no behavioural change by developers or consumers, stable leasehold prevalence in new builds (currently 98% of flat sales), and no external shocks. While it introduces no new direct costs and serves as the baseline for comparison, this does not equate to neutrality. Significant non-monetised societal impacts persist, including ongoing consumer detriment in new build leaseholds, sustained public sector burdens, and missed opportunities for tenure reform. These factors undermine fairness, transparency, and market efficiency, amplifying the opportunity cost of inaction.

<sup>48</sup> MHCLG (2023) ‘English Housing Survey 2021 to 2022: leasehold households’, published 13 July 2023, accessible at: [English Housing Survey 2021 to 2022: leasehold households - GOV.UK](https://www.gov.uk/government/statistics/english-housing-survey-2021-to-2022-leasehold-households)

<sup>49</sup> MHCLG (2025) ‘English Housing Survey 2023-24 Leasehold Dwellings’, published 22 May 2025, accessible at: <https://www.gov.uk/government/statistics/leasehold-dwellings-2023-to-2024/leasehold-dwellings-2023-to-2024#regional-results>

95. This baseline highlights provides a benchmark for evaluating the added value of alternative options against the objectives.

96. **Summary:** This option is **not taken forward as the preferred option** because it fails to deliver on the core objectives. It does not reform the commonhold framework or ensure that new flats are no longer sold as leasehold flats, leaving known problems for leasehold that there is no reason to subject owners of new build properties to. While it avoids short-term transitional costs, it would not deliver the benefits associated with freehold ownership and rather perpetuates market inefficiencies into new stock, where these things are not necessary, representing poor value for money and a missed opportunity to modernise flat ownership.

## **Alternative Option 1 – Introduce the reformed commonhold system without banning leasehold (legislative)**

97. **Baseline Comparator Statement:** Assessed against Option 0 – Do Nothing (status quo, where commonhold remains legally constrained and unsuitable for many complex developments). This option delivers the minimum necessary regulatory intervention, legislative reform to fix flaws in the commonhold framework, without banning leasehold or mandating tenure change. Developers retain discretion over tenure choice and any adoption of reformed commonhold would depend on voluntary behaviour and potential non-legislative supports deployed separately.

98. **Description:** This legislative option implements the Law Commission’s recommended reforms to commonhold, as set out in the government’s Commonhold White Paper. The reforms aim to make commonhold viable across all development types, including complex and mixed-use schemes, through measures such as phased conversion, protections for commercial units, compatibility with shared ownership, and improved governance and financing structures. These changes constitute the essential legal fix required to make commonhold a credible alternative to leasehold. This intervention minimises disruption by not compelling developers to switch tenure and by avoiding market-wide mandates. Leasehold remains permissible and therefore, market behaviour is expected to evolve voluntarily, with adoption contingent on commercial incentives, lender practices, and consumer demand.

### **99. Assessment against SMART Objectives**

- **Objective 1A – Reform the commonhold framework:** *Met.* The option delivers comprehensive legal reform, making commonhold viable across all settings.
- **Objective 1B – Ban the sale of new leasehold flats:** *Not met.* No prohibition or universal mandate. Developers retain discretion over tenure choice.

### **100. Expected outcomes:**

- Near term: Improved legal certainty and market confidence would likely result in limited adoption as developers test commonhold in suitable schemes.
- Medium term: Accumulation of case studies and operational experience and lender and financing confidence. Governance improvements reduce disputes where commonhold is used.
- Long term: A proven commonhold tenure acts as a platform for wider adoption and consumer demand, but full-scale change, like the end of new leasehold, would likely depend on complementary measures (e.g., fiscal levers, programme conditionality, or mandates).

### **101. Costs and benefits**

Benefits	Costs
Consumers (future buyers of new build properties): Long-term potential for improved tenure choice, transparency, and governance (where commonhold is adopted).	Consumers (future buyers of new build properties): Limited short-term impact. Leasehold issues persist for most buyers of new builds if uptake is slow.
Businesses: Flexibility retained. Reputational benefits for early adopters. Potential reduction in future management disputes under commonhold governance.	Businesses: Familiarisation and compliance costs for adopters. There is potential for operational complexity if offering both tenure types, and there may be greater reliance on specialist advice during transition.

102. **Small & micro business impact:** Small developers and conveyancers may face disproportionate familiarisation and process-change burdens, particularly if delivering dual-tenure portfolios. Larger firms can better absorb transition costs and may capture reputational and market advantages. Targeted templates, guidance, and technical assistance would mitigate some SME impacts.

103. **Distributional impacts:** Benefits will initially concentrate among consumers purchasing commonhold units in early-adopter schemes. Urban regions where most flats are built and are more likely to be complex developments (e.g., London, Manchester, Birmingham) may see minimal short-term change, as developers continue to favour leasehold where commercial familiarity, mixed uses, and financing practices persist. This may create regional disparities in tenure choice and governance quality until complementary levers are introduced.

Risk type	Description	Likelihood	Impact	Potential mitigation
Market inertia	Developers default to leasehold despite reforms.	High	High	Monitor uptake. Consider complementary incentives or mandates.
Reform fatigue	Lack of visible change undermines confidence in reform agenda.	Medium	Medium	Communicate benefits and engage stakeholders early.
Consumer confusion	Limited awareness of commonhold reduces demand.	Medium	Medium	Public awareness campaigns. Industry guidance.

104. **Public sector costs:** Moderate costs for legislative drafting, guidance development, and stakeholder engagement. Additional resource may be needed for market communications and lender engagement to support adoption. Long-term savings are possible if commonhold usage grows and leasehold-related disputes decline.

105. **Uptake assumptions:**

- Low uptake: Commonhold remains niche and leasehold dominance persists; expected consumer and market benefits do not materialise at scale.
- Moderate uptake: Early-adopter segments demonstrate viability and lender confidence improves. However, benefits remain partial and geographically uneven.
- High uptake (voluntary): Stronger consumer outcomes and governance improvements, but durability remains contingent on sustained market incentives and industry behaviour.

106. **NPSV: Qualitative assessment only.** Overall impact is moderately positive in the long term because the option delivers the essential legal reforms needed to make commonhold viable. This creates a robust foundation for tenure change and aligns with the strategic objectives to modernise property law. However, short-term benefits are limited. Adoption depends on voluntary developer behaviour and lender practices. Without complementary measures, commonhold may remain marginal, and anticipated consumer benefits (like greater transparency, governance improvements, tenure security) may not materialise at scale.

107. Opportunity costs could be significant if uptake is slow. Inefficiencies and consumer issues associated with leasehold would likely continue. Market inertia and entrenched commercial incentives compound this risk. While the option avoids transitional disruption and provides legal certainty, benefits to consumers are constrained by behavioural uncertainty and the absence of mechanisms to accelerate adoption at scale.

108. **Summary:** This option provides the do-minimum legislative fix to make commonhold viable across all development types, strongly aligning with Objective 1A and Better Regulation principles. It does not prohibit leasehold (Objective 1B not met) and therefore cannot secure a universal shift in tenure. Uptake is voluntary, with short-term benefits likely limited and uneven. As such, the option is necessary but insufficient to achieve the government's ambition for tenure reform on its own. It should be shortlisted as a legislative option, with success dependent on pairing the legal reform with other measures to unlock the full consumer and market benefits of commonhold.

**Alternative Option 2 – Reform the commonhold legal model and use non-legislative incentives to encourage take-up (Legislative) [Alternative Option 4 in the shortlist]**

109. **Baseline Comparator Statement:** Assessed against **Option 0 – Do Nothing**. This option introduces the minimum necessary regulatory intervention, legislation to implement the Commonhold White Paper reforms, to update the existing commonhold model, paired with non-legislative incentives (voluntary developer code, programme levers, land conditionality, and targeted grants/subsidies where justified) to encourage adoption. Unlike the baseline, this option creates legal capability for commonhold across complex/mixed-use settings but does not mandate tenure change, leaving uptake voluntary outside government-controlled programmes.
110. **Description:** This option combines **legislative reform** (implementing Law Commission recommendations to make commonhold viable for all multi-unit settings, as set out by the government in the Commonhold White Paper) with **non-legislative incentives** to accelerate adoption. The package could include:
- Voluntary developer code of practice, covering things like increased transparency on tenure for buyers, or discouraging new leaseholds except in specific cases, and, or;
  - Government programme levers, such as conditionality requiring commonhold on sites benefitting from public land/funding, preferential terms for commonhold developments or targeted buyer grants or developer-side subsidies where justified.
111. This approach delivers the legal fix (Objective 1A) but does not prohibit leasehold (Objective 1B). Adoption remains voluntary outside public programmes, so uptake will depend on incentives and market dynamics, and effects are likely uneven and vulnerable to reversion if incentives end.
112. **Assessment against SMART Objectives**
- **Objective 1A – Reform the commonhold framework:** *Met.* Legislates to fix the model and make commonhold viable across all development types.
  - **Objective 1B – Ban the sale of new leasehold flats:** *Not met.* No prohibition or universal mandate. This would likely result involuntary adoption and programme-linked conditionality only.
113. **Expected outcomes:**
- Short term: Targeted increases in commonhold within public programmes and among early adopters responding to reputational and conditionality incentives. Dual-tenure delivery likely and leasehold likely to remain dominant outside of incentivised segments.
  - Medium term: Accumulation of case studies, operational experience, and market acceptance means growing confidence of commonhold for conveyancing, finance, and consumers.

- Long term: Commonhold may become more commonplace, particularly if incentives are long-term oriented. This would depend on government’s fiscal position and ability to provide relevant incentives. Unlikely to become the dominant tenure of stock or new supply without a mandate to end new leasehold due to the entrenchment of the tenure.

114. **Costs and benefits**

<b>Benefits</b>	<b>Costs</b>
Consumers: Improved tenure choice and governance in incentivised through schemes. Clearer tenure disclosure boosts transparency and trust.	Consumers: Likely to result in patchy availability of commonhold. There is potential confusion in dual-tenure markets. Benefits would be concentrated where incentives apply.
Businesses: Reputational uplift for early adopters. Potential sales velocity improvements for commonhold units, particularly if supported by targeted buyer grants.	Businesses: Familiarisation/training costs. Overheads from dual-tenure delivery for companies working with leasehold and commonhold. Potential for limited pipeline friction due to complying with programme conditionality.
Wider market: Stronger governance and financing structure reduces dispute risk and improve attractiveness of new build flats. Supports lender engagement and market standardisation.	Wider market: Risk of fragmentation and uneven adoption. Benefits may be limited if support or incentives are time limited.

115. **Small & micro business impact:** SMBs (including developers, conveyancers, managing agents) may face disproportionate familiarisation and compliance burdens, especially under dual-tenure delivery where they accommodate both leasehold and commonhold models. Larger firms can better absorb costs and capture reputational and programme-linked benefits. Targeted technical assistance and template guidance could mitigate SME impacts.

116. **Distributional impacts:** The impacts would mainly appear in places where government has direct influence, such as through public land or funding programmes. In major urban centres like central London, Manchester and Birmingham, changes would likely be limited because developments there are often complex mixed-use schemes where the current model does not fit well and where leasehold is most established. The benefits would go to consumers who buy commonhold homes supported by the incentives, but most flat buyers – including new build buyers - would still have leasehold unless wider policy changes are made. This uneven uptake across the country could lead to regional differences in the types of tenure available and in the type of building management and governance in new builds. These distributional differences reflect the geography of new flat delivery, not the design of the policy itself, which applies uniformly across England and Wales.

117. Risks and uncertainties:

Risk type	Description	Likelihood	Impact	Potential mitigation
<b>Market inertia</b>	Developers default to leasehold despite incentives.	High	High	<ul style="list-style-type: none"> <li>• Ensure that it is reputationally attractive to use commonhold and adjust any incentives so that they meaningfully encourage developers to adopt it.</li> <li>• Engage lenders</li> <li>• Publish case studies to build evidence and confidence</li> </ul>
<b>Fragmentation</b>	Patchy adoption confuses consumers and complicates transactions.	Medium	Medium	<ul style="list-style-type: none"> <li>• Standardised templates/guidance</li> <li>• Ensure clear consumer-facing tenure disclosure.</li> </ul>
<b>Incentive fatigue</b>	Fiscal support or conditionality is time-limited meaning momentum fades.	Medium	Medium	<ul style="list-style-type: none"> <li>• Multi-year funding will build confidence</li> <li>• Tapered incentives will stop cliffs</li> <li>• Monitoring and evaluation informing adjustments.</li> </ul>
<b>Reversion risk</b>	Uptake recedes when incentives or conditionality end.	Medium	Medium	<ul style="list-style-type: none"> <li>• Build durable norms via best practice and showcasing.</li> <li>• Consider phasing out/tapering of programme requirements, rather than cliff edge removal.</li> </ul>
<b>SME burden</b>	Smaller firms face disproportionate compliance/familiarisation costs.	Medium	Medium	<ul style="list-style-type: none"> <li>• Targeted technical assistance</li> <li>• Model documents and templates</li> <li>• Capacity support via programmes.</li> </ul>
<b>Lender caution</b>	Slow update of lending policies for commonhold.	Medium	Medium	<ul style="list-style-type: none"> <li>• Early lender engagement</li> <li>• Explore pilot guarantees, where justified.</li> </ul>

118. **Public sector costs:** Public sector costs include legislative drafting, guidance, stakeholder engagement, and implementation. For any fiscal incentives, programme costs depend on incentive design: grants/subsidies entail fiscal outlay, so are contingent on the government's fiscal position. While costs are scalable and discretionary, sustained funding may be required to maintain momentum and prevent reversion once incentives are withdrawn. Monitoring and evaluation add administrative overhead but allow for government to be reactive to behavioural change. Resource will be needed for communications and support, including developer, SME and consumer guidance, and lender engagement.

119. **Uptake assumptions:**

- **Low uptake** (limited to programme-linked schemes): Benefits would remain localised and leasehold dominance would persist. This would create a modest evidence base on commonhold but have limited consumer impact.
- **Moderate uptake** (early adopters and programme footprint): Visible proof of concept would improve professional and consumer confidence. Tenure choice would improve in targeted segments, such as specific sites or geographical locations where incentives are applied. Dual tenure complexity might emerge but would likely be manageable with strong communications from government and professionals.
- **High uptake in incentivised segments:** There would be strong evidence generation and improved consumer outcomes in geographical or site-specific areas where incentives apply. Durability would remain at risk if incentives/conditionality were scaled back. Unlikely that full scale market change could be secured without broader levers (like a mandate).

120. **NPSV: Qualitative assessment only.** Overall impact is **moderately positive** where incentives are applied, as legal reform enables a reformed commonhold to operate effectively and non-legislative supports accelerate adoption in targeted segments. Value for money derives from using the minimum regulatory change to remove barriers, combined with scalable, discretionary non-statutory interventions to build evidence and market readiness. However, benefits are likely to be partial and uneven if uptake remains patchy or recedes when incentives end. Without a universal mandate, leasehold dominance continues, constraining consumer benefits and long-term VfM. Success depends on programme design quality, lender engagement, and sustained support

121. **Summary:** This hybrid option legislates only the minimum reforms needed to make commonhold workable and supplements this with non-legislative incentives to encourage uptake. It delivers Objective 1A (improving the commonhold legal framework) but fails to deliver Objective 1B (ending the sale of new leasehold flats and achieving a decisive switch to commonhold). Reliance on voluntary participation and programme-

linked levers would result in partial, uneven, and reversible adoption for new builds, with developers likely defaulting to leasehold in the absence of a ban or universal mandate. This option **has** not been taken forward as a primary solution. It may have a limited role in transitional support or evidence gathering, but it does not provide a complete or sustainable route to tenure reform for new build flats.

## 4.6 Summary of preferred option and implementation plan

**Preferred option: Reform the existing commonhold model to make it fit for purpose and ban the sale of new leasehold flats so that commonhold becomes the default tenure for new flats.**

122. The government's preferred option is to **reform the legal framework for commonhold** to make it a viable and attractive alternative to leasehold for flatted developments. The draft Commonhold and Leasehold Reform Bill sets out the necessary legislative changes to enable commonhold to accommodate a wider range of development, sales, and occupancy models so that it can be adopted by developers who have, to date, opted to use leasehold. Alongside legal reform, the government will promote greater awareness and understanding of commonhold among consumers and industry stakeholders. This will support market readiness and facilitate a smoother transition to commonhold as the default tenure.
123. However, given historic precedent and market inertia, reform of commonhold laws and boosting awareness and preparedness will not, on its own, be enough to drive adoption at the scale and pace required. To facilitate the transition to commonhold as the default, the government is also actioning its manifesto commitment to **ban the sale of new leasehold flats**, except in limited circumstances. This will ensure that most buyers of new flats benefit from commonhold homeownership from the outset.
124. The draft Bill provides the legislative foundation for this ban and for establishing commonhold as the default tenure for new flats. To inform final policy design, the government has concurrently published the *Moving to Commonhold* consultation seeking views on key implementation questions, such as exemptions and timelines. Feedback from the consultation will directly shape critical elements of implementation, including the scope of exemptions, transitional timelines, and the design of supporting guidance. This will help ensure the reforms are practical, effective, and responsive to consumer and market needs. This iterative approach ensures that stakeholder insights inform both legislative detail and operational delivery. Government is clear that it will only move ahead with the flat ban once new commonhold reforms are in place providing a viable alternative.
125. When the Bill is formally introduced to Parliament, this impact assessment will be revised to reflect the learnings from pre-legislative scrutiny and the consultation.

### **SMART objectives analysis for the preferred option**

#### **Objective 1A – Reform the commonhold regime**

126. **Specific:** The preferred option directly targets the legal disadvantages that have historically hindered commonhold adoption. It includes reforms to accommodate diverse development models (e.g. mixed-use, phased developments, shared ownership), and

improve governance structures, and financing mechanisms (such as mandatory reserve funds).

127. **Measurable:** Success will be tracked through key indicators and metrics to be decided as part of the programme-wide evaluation. As part of this, and wider ongoing departmental monitoring, progress can be tracked through metrics including number of commonholds and units registered and the market share of commonhold of new flats sold and lenders offering commonhold mortgages.
128. **Achievable:** This preferred option follows a comprehensive review of commonhold legislation by the Law Commission, including extensive stakeholder engagement, call for evidence and consultation, and drawing on international best practice.<sup>50</sup> Reviews of Law Commission recommendations have also been undertaken by the department with key stakeholders. The government's policy response to the Law Commission is set out in the Commonhold White Paper.<sup>51</sup>
129. The reforms are achievable through the draft Commonhold and Leasehold Reform Bill. The government has the legislative and administrative capacity to implement these changes. Pre-legislative scrutiny will help identify practical and implementation barriers along with ongoing input and consultation with stakeholders throughout the primary and secondary legislative stages. The government will work closely with industry and consumers to identify and remove legal and practical barriers to adoption, and to ensure that the reformed regime is supported by the necessary guidance, standardised documentation, and a robust governance framework. This will include updates to the Commonhold Community Statement, forms and other key documents to ensure clarity, flexibility, and enforceability.
130. **Realistic:** The approach is realistic given the political mandate and consensus, stakeholder support, and precedent for tenure reform nationally and internationally. However, success depends on effective implementation, industry cooperation, and consumer confidence. Transitional challenges (e.g. familiarisation) in the short-term are expected, but the government will seek to mitigate these with targeted support for industry and consumers.
131. **Time-bound:** The reform is tied to the legislative timetable; with the draft Bill published in January 2026. It is intended that the reforms will be implemented to make the reformed commonhold model available for use, including necessary secondary legislation, before the end of the parliament to meet the commitment of taking the first

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<sup>50</sup> [Commonhold – Law Commission](#)

<sup>51</sup> [Commonhold White Paper: The proposed new commonhold model for homeownership in England and Wales - GOV.UK](#)

steps to make commonhold the default tenure by the end of this parliament. See details of the monitoring and evaluation plan below (**Section 4.7.12**).

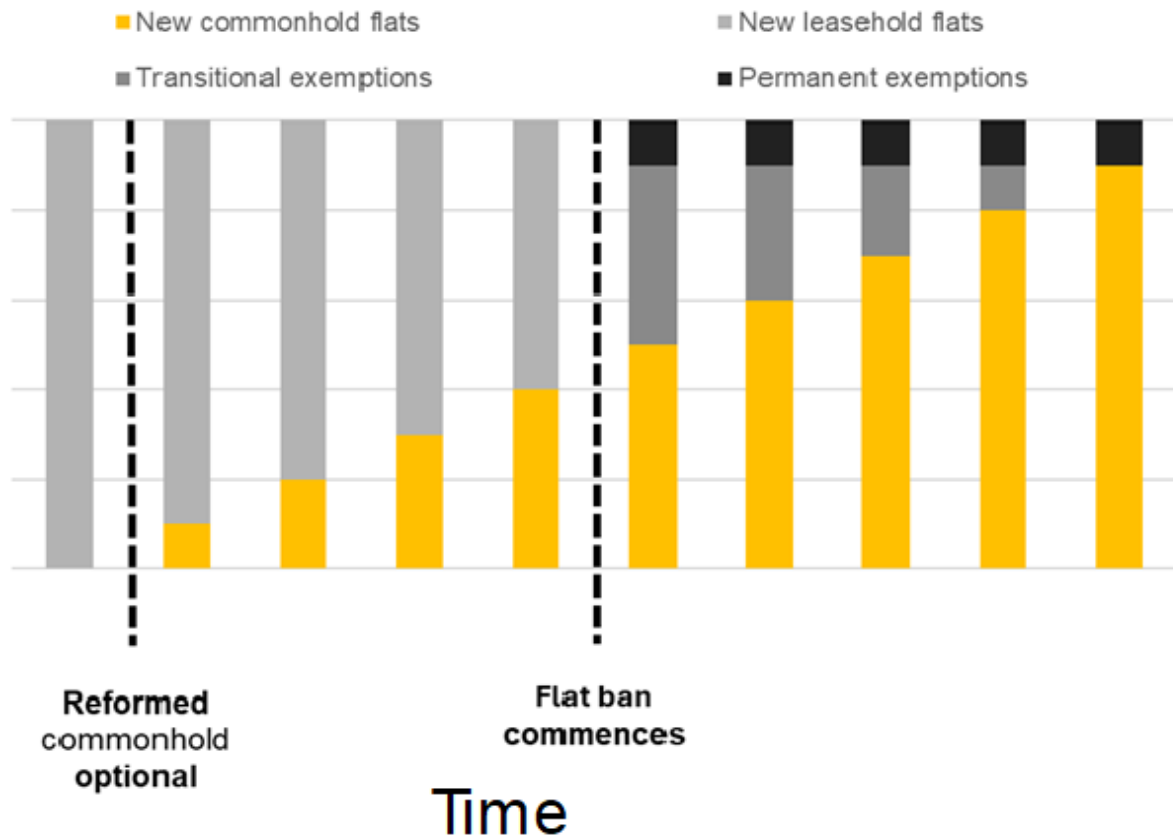
132. **Overall Fit: Strong.** This option is well-aligned with the objective to reform commonhold. It is specific, measurable, and achievable within a defined timeframe, and realistic given the current policy and market context.

**Objective 1B – Ensure that new flats are no longer sold as leasehold, so that commonhold becomes the default tenure for new flats sold**

133. **Specific:** The preferred option provides for a legislative ban on the sale of new leasehold flats, with limited exceptions which are subject to consultation. Commencement will be from a specific date (or dates) which are also subject to consultation. This directly addresses the government’s manifesto commitment and aims to make commonhold the default tenure for new flats.
134. **Measurable:** Success will be tracked through key indicators and metrics to be decided as part of the programme-wide evaluation. As part of this, and wider ongoing departmental monitoring, impact can be measured through the number and share of new flats sold as commonhold and sold as leasehold (exemptions compliant with the ban), as well as the number of enforcement actions against new leasehold flats wrongly sold as leasehold (i.e. not compliant with the ban).
135. **Achievable:** The ban is achievable through primary legislation and will be enforced via land registration restrictions, conveyancing checks, and robust compliance mechanisms including Trading Standards enforcement, financial penalties, and tribunal and court oversight. In addition, statutory redress rights will protect consumers by enabling acquisition of the freehold or conversion to commonhold where a lease is granted in breach of the ban.
136. The government will reform the commonhold framework and implement this ahead of commencing the flat ban. During this period, developers will have the choice to continue to provide new flats as leasehold flats or provide new flats using the reformed commonhold model. Government will work with stakeholders to determine an appropriate commencement date, identify any justifiable exemptions, and necessary transitional arrangements to protect the pipeline of new flat supply and ensure that developers, lenders, and other relevant industry professionals, as well as consumers, are prepared for the transition. This will be done through a formal consultation published alongside the draft Bill, and through direct discussions with key industry actors and consumer representatives. Guidance will be considered to support all actors in the property market understand their options, rights and obligations, and that in particular, consumers are clearly informed when a property is exempt from the ban and why, to provide assurance over compliance with the ban for their purchase and subsequent resale.

137. **Realistic:** While the ban is ambitious, it is realistic given the legislative foundation and public support for leasehold reform. The policy does not prohibit the construction of flats; rather, it seeks to change the tenure under which they are sold. It is intended that new flats, that previously would have sold as leasehold will, in most cases, be offered under the commonhold model, unless they fall within a defined exemption that a developer wishes to exercise. However, this is not guaranteed. Developers may opt for alternative approaches, such as retaining units for rental or altering development plans entirely (e.g., converting to commercial use). The below chart illustrates how we intend and expect the reforms to transpire. Industry resistance may arise, particularly from developers with entrenched leasehold business models, but the clarity of the legal mandate and market signals should help drive compliance. Developers we have spoken to suggest they are largely agnostic about tenure and don't have strong views about providing leasehold or commonhold, though do wish to be assured that the wider market, such as lenders, will support the switch. Lender bodies have suggested that as demand grows, so too will the availability of mortgage finance for commonhold. Implementation will be supported by public awareness campaigns and the necessary consumer guidance. Evidence gathered through the *Moving to Commonhold* consultation, pre-legislative scrutiny, and engagement with consumers and industry, including developers, lenders, conveyancers and financial institutions will be used to inform the final commencement and implementation timeline, the scope of the ban, and finer details needed to both maximise impact while minimising any unnecessary disruption. Pre-commencement, Government will monitor market and consumer readiness. Post-commencement, ongoing monitoring of compliance and enforcement will ensure the ban is effective, enforceable, and does not adversely impact delivery of new housing supply.

Chart 1: Illustrative example of transition to commonhold



138. **Chart 1** illustrates a stylised projected tenure mix for new flats under the preferred option to highlight certain policy assumptions underpinning the transition from leasehold to commonhold for new flats. First, it assumes that reformed commonhold model is introduced before the flat ban is switched on. The government has already committed in the Commonhold White Paper to not ban the use of leasehold until we are confident that a viable alternative, through reformed commonhold, is in place.

139. Second, it assumes there may be a gap between the commonhold reforms having been complete and the flat ban being switched on. We are consulting on when the flat ban will be commenced and directly ask how much time (if any) consumers and the proper market need to familiarise themselves with, and adapt to, a reformed commonhold before the flat ban is commenced. In anticipation that some adjustment period may be sought by consultees, during a period where commonhold is optional we would expect commonhold numbers to increase ahead of the flat ban as some developers seek first mover advantages. However, during this period it is entirely possible that leasehold remains the dominant tenure for new flats. Uptake during this period depends on market readiness, particularly lender confidence, conveyancer familiarity, and consumer awareness, and assumes sufficient lead time between reform and ban commencement.

140. Third, the government are consulting on transitional arrangements to minimise disruption to housing supply. We are assuming therefore that following commencement of the ban, there will be a period where certain buildings which have started selling new leasehold flats when the ban commenced would be able to continue to do so, via a 'transitional exemption' or similar arrangement. Final decisions will be made following the consultation. Once the ban is commenced, the proportion of commonhold flats rises sharply, though a residual share of leasehold persists due to transitional arrangements and small numbers of permanent permitted exemptions.
141. The pace and extent of this shift are highly sensitive to implementation details, including the timing of the ban, the scope of exemptions, and the effectiveness of supporting measures such as education campaigns and governance reforms. The final implementation details – including when the ban and how the ban will be commenced, as well as what those exemptions are - is subject to government consultation through the Moving to Commonhold consultation.
142. Chart 1 shows what we expect to happen in practice. However, the implementation date and details of the ban including any transitional arrangements remain subject to consultation, the modelling assumes **both** reforms commence in Year 1 of the appraisal period (2028), and sensitivity analysis is included to demonstrate how this assumption impacts NPSV. An updated IA will be published alongside a substantive Bill, to reflect any confirmed timings and transitional arrangements. Should the implementation date (or dates) of the flat ban be confirmed as later than Year 1 of the appraisal period, the onset of business impacts would likely be deferred in practice.
143. **Time-bound:** The ban on the sale of new leasehold flats will come into legal effect from a specific commencement date or dates, to be determined following formal consultation. The final timeline will be informed by consultation responses, stakeholder engagement, and pre-legislative scrutiny, but government has already given the certainty that it will only implement the ban on new leasehold flats only after the new commonhold framework has been brought into force. A phased implementation may be adopted to allow for transitional arrangements and market adjustment.
144. **Overall Fit: Strong.** This option is highly aligned with the objective to end new leasehold flat sales. It is specific, enforceable, and time-bound, with measurable outcomes and realistic implementation pathways.

### **The legal framework**

145. The government's preferred option does not constitute a simple extension of existing regulation. Instead, it represents a fundamental overhaul of the legal framework governing flat ownership in England and Wales. The Commonhold and Leasehold Reform Act 2002 first introduced commonhold as a new form of freehold ownership for

flats. It was supported by the Commonhold Regulations 2004, which set out detailed rules for registration, governance, and termination of commonhold communities.

146. The Draft Commonhold and Leasehold Reform Bill proposes a comprehensive new legal framework that addresses issues from the 2002 Act. When enacted, it will repeal and replace the 2002 Act. Secondary legislation will also be made to reform the existing commonhold regulations in accordance with the measures and powers in the bill.
147. The proposal to ban new leasehold flats, except in limited circumstances, also represents a new regulatory intervention. However, it builds on the precedent set by the Leasehold and Freehold Reform Act 2024, which will ban new leasehold houses when it comes into force. The 2024 Act introduces:
- A prohibition on granting long residential leases of houses, with exceptions for specific permitted leases.
  - Marketing and transactional, and registration restrictions to ensure compliance.
  - A redress regime to provide homeowners with what they should have acquired at the outset, namely a freehold house.
148. The flat ban creates a similar regime but applies to a different segment of the residential property market, predominantly apartment developments, which are more complex in terms of collective ownership, management, and financing.
149. While these reforms draw on lessons from previous legislation, they represent a step-change in tenure policy, involving:
- The repeal and replacement of the 2002 commonhold framework with a new legal and operational model for commonhold.
  - A ban on new leasehold flats, building on but going beyond the LFRA 2024 ban on use of leasehold for new houses.

### **Operation and enforcement**

150. Regarding the **new commonhold framework**, it is a simpler, and democratic model, where a community of homeowners (and which for a mixed-use site may also include commercial owners), collectively own and decide how to run their building.
151. The commonhold association is a limited company registered at Companies House, made up of all unit owners and run democratically. It manages the building directly or can appoint a managing agent, who remains accountable to the owners. As with resident management companies, the association requires at least two directors. Residents can volunteer as directors, but professionals can also be appointed if no owner is willing to take on the role. Unlike traditional leasehold, decisions on management, budgeting, and long-term maintenance reflect the collective will of the owners, who can also amend rules and management arrangements as needed. Unit owners can choose to be involved in managing the block but are not required to.

Participation is voluntary and typically reflects owners' interest in specific decisions. While many may only vote on the annual budget, they have the option to engage more, especially if concerns arise. Involvement may peak early as owners take control from the developer, then vary over time.

152. The new commonhold regime is designed to reduce the likelihood and impact of disagreements, ensuring that there are ways to mitigate and resolve disputes. Firstly, unlike leasehold, there is a clear and standardised rulebook, the Commonhold Community Statement or "CCS", which will set out how the block should be run, and this will be supplemented with any local rules a commonhold decides to implement. In addition, without a third-party landlord, the interests of all owners in the block should be more aligned from the outset, meaning fewer disputes in the first place.
153. Secondly, commonhold has alternative dispute resolution at its core. This means there are structures and processes built in and designed to allow parties to reach agreement without recourse to the courts.
154. Thirdly, there is the concept of minority protection which will apply within a commonhold to ensure that in certain, limited circumstances, the relevant tribunal will be able to consider whether unit owners in the minority have been unfairly impacted by a decision of the commonhold association. The commonhold association will also take this right into account when it is agreeing any rules.
155. Finally, if a dispute cannot be resolved through alternative dispute resolution, then unit owners will still be able to seek formal resolution by escalating their concerns to the relevant tribunal, who are well-placed with the appropriate expertise to adjudicate in such disputes. In commonhold, the greater alignment of interests, opportunity to meaningfully shape decisions and their associated costs, coupled with processes intended to avoid disputes from escalating should, in comparison to leasehold, minimise the use of courts and tribunals. Tribunals rightly remain available as a backstop where appropriate.
156. On the **ban on the use of leasehold for new flats**, alongside provisions in the draft Bill, the government is consulting on the structure and mechanisms of the ban. Subject to the outcome of this consultation, government anticipates that responsibility for the ongoing operation and enforcement of the proposed ban will be shared across several actors, with developers and vendors bearing the primary burden of compliance. Under the proposals, developers will be required to demonstrate that any leasehold flat they intend to sell complies with the ban. This must be done before any money changes hands, ensuring that consumers are protected from inadvertently purchasing a leasehold flat that they should not have been sold. Marketing materials must clearly reflect the exemption status, helping to prevent consumer confusion and misrepresentation. Those selling exempt flats as leasehold must issue a prescribed

'Warning Notice' at least seven days prior to the exchange of contracts. This notice must clearly outline the exemption being claimed and provide any necessary supporting evidence. A further element of compliance will occur at the point of registration with HMLR. As part of registration for exempt flats, a 'Prescribed Statement' confirming compliance will be required. If this is not provided, HMLR will apply a temporary restriction to the property's title, preventing resale until the issue is resolved. This mechanism ensures that compliance is maintained not only at the point of sale but also throughout the property's lifecycle.

157. Government also proposes that a system of fines will be introduced to enforce the ban, operated by a lead trading standards authority. Penalties will be scaled according to the level of harm caused to the consumer. For example, a fine of around £500 may apply for incorrect advertising, while a more substantial penalty of £30,000 could be levied if a developer successfully sells a flat in breach of the ban.

158. Consumers will have a right to redress, both individually and collectively. Where a flat has been sold in breach of the ban, or where exemption evidence has not been properly provided, the developer or vendor will be responsible for resolving the issue and covering any associated costs. This includes converting illegitimate leasehold flats to commonhold where appropriate, or rectifying documentation for legitimate exemptions.

159. Together, these measures ensure that the responsibility for compliance is clearly placed on those initiating the sale, while providing robust protections and remedies for consumers.

## **Exemptions**

160. Countries across the world have commonhold-type models by default. For example, France uses a model called copropriété, in Germany, Wohnungseigentumsgesetz. The USA and Canada's version of commonhold is called condominium, and in Australia and New Zealand, strata title.

161. Many of these same countries do, however, continue to use leases in certain narrow circumstances to cater for specific homeownership products, land ownership arrangements, or to accommodate wider public policy goals. For example, in 2014 the French government promoted a long leasehold model as a means to encouraging private investment into redeveloping existing homes into affordable housing. Australia has an advanced legal framework for freehold flat ownership under the Strata system, but in Australia's Capital Territory (ACT) to control how land is used and developed, the government retains the freehold and homes within the ACT are only sold on a leasehold basis (typically 99 years).

162. While our ambition is to make commonhold the default tenure for new flats, we recognise that there may be certain circumstances where a lease may be appropriate or even preferable for the benefit of particular consumers or to support certain policy objectives. This could be either a lease of a commonhold unit, or a leasehold structure instead of commonhold.
163. The reformed commonhold model is designed to accommodate all types of residential and mixed-use development. The *Moving to Commonhold* consultation is currently seeking views and evidence on where continued use of leasehold may be justified, and where adjustments can be made to the commonhold framework to support wider adoption.
164. There may be circumstances where long leases remain the best means of managing a specific relationship between two parties and are consequently an appropriate tenure for the consumer. For example, housing products may include or rely upon a level of services or facilities best provided by a third-party because of the complexity involved. An example of this is the live debate in the retirement housing sector about which parts of it could shift to providing retirement housing as commonhold in future, and which parts, due to the complexity of provider services and financing, may wish to make the case to continue using leasehold.
165. There may also be justifiable reasons to protect certain tracts of land from being sold on a freehold basis. In the UK, this is commonly termed ‘inalienable’ land, but preventing the transfer of freehold title is a feature of many countries where commonhold-type models are the default tenure. For instance, New Zealand, Canada, and Australia all have systems to protect the sale of certain categories of land on a freehold basis, whether to prevent land speculation, to protect wildlife and habitats, or to preserve land so that it can be enjoyed for wider public benefit in perpetuity.

### **How the reforms will be given effect?**

166. The preferred option will be implemented through primary legislation, as set out in the draft Bill. This legislation will repeal and replace relevant sections of the Commonhold and Leasehold Reform Act 2002, establishing a reformed legal framework that is more workable for developers, lenders and consumers. The new framework will automatically apply to existing commonhold associations without impacting their legal status or ownership rights. Their governance will be updated through the adoption of the revised Commonhold Community Statement (CCS) and compliance with new standards, such as reserve fund planning and enhanced transparency measures.
167. The Bill is currently published in draft form and is undergoing pre-legislative scrutiny, allowing Parliament, industry stakeholders, and consumers to suggest refinements. Once formally introduced and passed, the primary legislation will provide the statutory basis for the transition to commonhold.

168. In addition to primary legislation, secondary legislation and guidance will play a crucial role in operationalising the reforms. This includes:
- Commonhold regulations to clarify technical and procedural details, including the revised Commonhold Community Statement.
  - Updates to guidance, forms and procedures, such as revised gov.uk content, LEASE guidance, and land registration processes.
169. The draft Bill also contains clauses to ban the sale of new leasehold flats. However, there are still crucial details to clarify and steps to take ahead of moving to commonhold as the default for new flats. To support a smooth transition across the property market, the Government want to proceed carefully, and in a logical order, on the path to making commonhold the default tenure for flats. As set out above, government's *Moving to Commonhold* consultation paper asks a series of important questions so we can best gauge consumer and market viewpoints as we look to complete the drafting of the laws, in particular to consider the case for any exemptions as well as determine appropriate timing and transitional arrangements to safeguard the delivery of new supply.
170. After the new commonhold reforms are commenced, including any necessary regulations, the government will commence the leasehold flat ban, the exact timing and approach is subject to consultation.
171. Depending on the shape of the final primary legislation, the ban on the sale of new leasehold flats may also require secondary legislation to define its scope, exceptions, and enforcement mechanisms.

### **What does this mean for existing commonholders?**

172. The proposed reforms will repeal and replace the Commonhold and Leasehold Reform Act 2002 with a modernised legal framework. This change will not affect the security of ownership for existing commonhold blocks, or commonhold units within them. Their freehold title will remain valid and enforceable. The commonhold associations will continue to exist, and the transition will be managed so that these entities automatically fall under the new framework without requiring re-registration or risking property rights.
173. Under the new draft legislation, existing commonholders and association directors will acquire updated rights and responsibilities designed to strengthen governance and consumer protection. These include clearer financial management duties, such as maintaining reserve funds, enhanced transparency in decision-making, and improved mechanisms for resolving disputes. Owners will also benefit from more robust rights to participate in democratic governance and challenge decisions where necessary. These changes will be set out in the revised Commonhold Community Statement and accompanying regulations, which will provide a standardised rulebook for all commonhold developments. Existing owners will also benefit from strengthened dispute

resolution processes and minority protections, which should reduce the risk and cost of conflicts compared to the current commonhold framework.

174. The anticipated impact on existing commonholders is largely positive, offering greater clarity and resilience. However, some operational adjustments may be required, such as updating governance documents or setting up a reserve fund. To support this, transitional arrangements will be put in place. The period between Royal Assent and commencement will allow initial preparation and further phased compliance dates may be introduced through secondary legislation to ensure associations have sufficient time to adapt. Guidance on the new commonhold model will support existing commonholds in transitioning.

## **Implementation**

175. The Government's approach allows for flexibility and scope for refinement. The combination of consultation, scrutiny, and potentially staggered commencement provides a framework that supports learning before full rollout. Key features that support this include:

- Pre-legislative scrutiny of the draft Bill, which invites feedback from Parliament, industry, and consumers to refine the legal framework before formal introduction.
- A consultation process, through the *Moving to Commonhold* consultation, that seeks views on the mechanisms for the flat ban, including transitions and exemptions. This allows the Government to test ideas and gather evidence before finalising legislation.
- The Government is maintaining active engagement with developers, legal professionals, managing agents, and consumer groups. This ensures that the reformed commonhold model is practical, understood, and supported by those who will use it.
- In addition to pre-legislative scrutiny, the Bill will be subject to full parliamentary debate and amendment during its passage, providing further opportunities to refine the implementation approach.
- Specific transitional arrangements for existing commonhold associations, including phased compliance deadlines will ensure that these entities can adopt new governance standards without undue burden.
- The potential for transitional arrangements, which would allow reformed commonhold to be tested in practice before it becomes the default tenure.
- The Government will only mandate commonhold for new flats for sale once it is satisfied there is an effective replacement commonhold regime in place.

## 4.7 NPSV: monetised and non-monetised costs and benefits

### 4.7.1 Impact Assessment Approach

176. This annex examines the potential impacts of i) reforms to the existing commonhold legal framework, and ii) prohibiting the sale of new leasehold flats.

177. The approach is shaped by three key considerations:

1. The evidence base
2. The need to disaggregate reform components
3. Uncertainty around the timing of the mandate

#### **Evidence base**

178. Although commonhold has been legally available since 2004,<sup>52</sup> its uptake has been negligible. As a result, there are a lack of real-world examples, market data, and behavioural evidence to draw upon when assessing how businesses and consumers might respond to a reformed commonhold model or a mandated transition away from leasehold. In addition, key design features of the proposed ban on new leasehold flats, such as the timing of the ban and any transitional arrangements, are still subject to consultation. This creates uncertainty around when and how impacts will materialise, particularly for business stakeholders.

179. To address this, the impact assessment (IA) relies on a combination of direct stakeholder engagement to monetise costs where possible, alongside detailed qualitative analysis, and assumptions informed by historical precedent and existing policy reforms (e.g., the Leasehold Reform (Ground Rent) Act 2022 and the Leasehold and Freehold Reform Act 2024).

180. An updated IA will be published alongside a substantive Bill and will draw on insights gained through pre-legislative scrutiny of the draft Commonhold and Leasehold Reform Bill and the *Moving to Commonhold* consultation. These processes are expected to clarify key design features of the commonhold regime and the flat ban, including the timing of implementation, any transitional arrangements, and the scope of exemptions.

#### **The need to disaggregate reform components**

181. In assessing the impacts of the proposed reforms, it is important to distinguish between two interrelated but conceptually distinct policy components:

1. Reforming the existing commonhold legal framework
2. Ensure that new flats are no longer sold as leasehold

##### 1. Reformed commonhold model (voluntary adoption)

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<sup>52</sup> Commonhold was created by the Commonhold and Leasehold Reform Act 2002 which was enacted on 27 September 2004

182. The draft Commonhold and Leasehold Reform Bill sets out reforms to the commonhold tenure, aimed at improving its legal clarity and practical viability. These reforms are intended to address longstanding barriers to adoption and make commonhold a more attractive and functional ownership model. However, while these reforms may generate early benefits, such as improved consumer confidence, legal certainty, and lender assurance, they are unlikely to result in significant business costs during the voluntary phase. Commonhold has been available for use since 2004, yet uptake has remained negligible, so historical precedent suggests that, in the absence of an imminent and clearly defined mandate, businesses are unlikely to voluntarily incur costs or make significant operational changes to adopt commonhold.

183. As such, while the reformed commonhold model may improve the environment for future adoption, it is not expected to drive widespread behavioural change or cost impacts until a mandate is introduced.

## 2. Leasehold flat ban (mandated adoption)

184. The draft Bill includes provisions to ban the sale of new leasehold flats, thereby from a future point in time, making commonhold the default tenure for new supply. This is the point at which businesses, particularly developers, will be required to stop delivering leasehold and adopt commonhold as standard practice.

185. There is likely to be a behavioural response to the mandate timing. Clarity on this mandate will be the primary trigger for business costs, including familiarisation and compliance costs; many of these costs are unlikely to be incurred until it is clear when the ban on new leasehold flats will be implemented, which will be decided following the public consultation.

### **Uncertainty around the timing of the mandate**

186. The timing of the leasehold flat ban is therefore a critical determinant of when business costs will materialise. However, the implementation date and details of the ban including any transitional arrangements remain subject to consultation. Given this uncertainty, the modelling assumes both reforms commence in Year 1 of the appraisal period (2028). An updated IA will be published alongside a substantive Bill, to reflect any confirmed timings and transitional arrangements.

187. Should the implementation date (or dates) of the flat ban be confirmed as later than Year 1 of the appraisal period, the onset of business impacts would likely be deferred in practice.

188. For the purposes of this analysis:

- As set out in the Green Book, a ten-year appraisal period is assumed, which will commence from 2028 (Year 1).
- The introduction of the reformed commonhold model is assumed to occur in 2028 (Year 1).
- The mandate for the leasehold flat ban making commonhold the default tenure for new flats is assumed to commence in 2028 (Year 1) as a cautious assumption pending consultation.
- Sensitivity analysis on these assumptions has been conducted as set out later in this annex

### Counterfactual scenario

189. The counterfactual for this IA is a continuation of the **status quo**, in which businesses do not incur the costs associated with transitioning to commonhold, and neither they nor households experience the benefits of a reformed tenure system. It provides a baseline against which the impacts of the proposed reforms, both monetised and non-monetised, can be assessed over the ten-year appraisal period. In particular:

- Commonhold remains available but voluntary, under the existing commonhold model, with negligible uptake, as has been the case since it became available in 2004.
- Leasehold remains the dominant tenure for new flats, with developers continuing to build and sell leasehold units.
- Existing leasehold practices and revenue models would apply in the future to new build leasehold properties.
- No further legislative or regulatory changes are made to compel or incentivise the adoption of commonhold beyond those already enacted (e.g. the Leasehold Reform (Ground Rent) Act 2022) or where there is a commitment to implement reforms already on the statute (e.g., outstanding measures in the Leasehold and Freehold Reform Act 2024). This includes proceeding with the ban on new leasehold houses.
- Recent reforms are already reshaping the standard leasehold framework. For example:
  - a) The Leasehold Reform (Ground Rent) Act 2022 removed the right to charge ground rent on new leases in most cases. Therefore, most leaseholders who have purchased a new leasehold flat since 2022 will pay no ground rent; the same as homeowners who buy new commonhold flats.
  - b) The Leasehold and Freehold Reform Act 2024 (LFRA), once implemented, will increase the standard extension lease length to 990 years. Increasingly, new leasehold flats are being sold with these long leases from the start:

- i. MHCLG analysis of HMLR Price Paid<sup>53</sup> and Registered Leases<sup>54</sup> data indicates that leasehold flats with terms that are at least 990 years have, in recent years, become the most common group amongst new leasehold flats, at around 60% in 2023. In 2011, this group accounted for only approximately 20% of new leasehold flats, with most (c70%) having a term of between 100 and 199 years inclusive.
- ii. We understand from stakeholders in the legal and lending sectors that when they or their members now encounter new blocks of flats, 990-year leases are the standard for the large majority of new build flats.
- c) In parallel, some evidence suggests that practices are already evolving in response to recent reforms<sup>55</sup>. MHCLG understands that developers increasingly incorporate Resident Management Companies, (that may own the freehold as a ‘share of freehold’) into new leasehold schemes. These arrangements give leaseholders greater control over building management, including decisions on maintenance, contractor selection, and costs. In such cases, there is often little or no financial incentive for an external freeholder to be involved.

#### 4.7.2 Costs and benefits to households and businesses

190. **Table 4.1** sets out the breakdown of costs and benefits associated with the preferred option to reform the commonhold framework and prohibit the sale of new leasehold flats.

191. This IA has monetised where possible, otherwise impacts are assessed qualitatively. These monetised impacts are presented in 2025 prices with a present value of 2028 over a 10-year appraisal period. The net present social value of the policy is calculated as -£18.8m. To offset the monetised cost over the appraisal period, we estimate that yearly benefits of between £10 (if all reforms are implemented in Year 1) and £80 (if all reforms are implemented in Year 10) per new supply unit would be needed (rounded to the nearest £10).<sup>56</sup> The EANDCB is £2.2m and no costs to households have been monetised.

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<sup>53</sup> [HM Land Registry: Price Paid Data - GOV.UK](#)

<sup>54</sup> [Registered Leases - Use land and property data](#)

<sup>55</sup> The movement towards incorporating resident management companies (RMCs) into new leasehold schemes was not consistently recognised as a trend across all stakeholder groups consulted. Nevertheless, there is evidence that developers increasingly include RMCs in new developments, suggesting an emerging shift in business models.

<sup>56</sup> From switching values analysis in *Risks, assumptions and sensitivities*

Table 4.1: Costs and benefits to households and businesses

Impact	Groups impacted	Direct/indirect
<b>Benefits</b>		
Full freehold ownership	Prospective buyers of new flats	Direct
Voting rights and improved democratic control	Prospective buyers of new flats	Direct
Better predictability and fewer disputes around expenses	Prospective buyers of new flats	Direct
Enhanced autonomy and community cohesion	Prospective buyers of new flats	Direct
Flexibility with the Commonhold Community Statement	Prospective buyers of new flats	Direct
Efficiency saving with the Commonhold Community Statement (£20.4m)	Prospective buyers of new flats and/or legal professionals	Direct
Greater choice of tenure across new and existing flats	Prospective buyers	Direct
Potential for some existing freeholders to transition towards commonhold service provision	Freeholders	Indirect
Full freehold ownership of commercial units	Investors and developers	Direct
Reputational opportunities for developers	Developers	Indirect
New opportunities for management contracts with commonhold associations	Managing agents	Indirect
Regulatory safeguards and legal clarity for lending	Valuers and lenders	Direct
Better predictability and standardisation under commonhold	Insurers, legal professionals	Direct
Opportunities for specialisation	Legal professionals, valuers and estate agents	Indirect
<b>Costs</b>		
Familiarisation costs (£39.2m) <sup>(1)</sup>	Managing agents, Valuers and Developers, Legal Professionals, Estate Agents, Insurers and Lenders	Direct
Compliance costs	Developers, legal professionals, lenders, estate agents	Direct
Removal of traditional third-party freeholder investment opportunities in new flat supply	Freeholders and investors	Direct
Reduced post-sale control over developments	Developers	Direct
Operational costs of adapting business models	Managing agents	Direct
Potential short-term valuation caution due to unfamiliarity with commonhold	Valuers and lenders	Indirect
Insurance risks and governance challenges	Insurers	Direct
<b>Total benefits</b>	<b>£20.4m</b>	
<b>Total costs</b>	<b>£39.2m</b>	
<b>NPSV</b>	<b>-£18.8m (-£36.5m to -£1.0m)</b>	
<b>EANDCB <sup>(2)</sup></b>	<b>£2.2m</b>	

Notes:

- (1) Where estimates have been calculated using stakeholder evidence as well as by estimating reading costs, the former have been used when calculating the NPV.

#### 4.7.3 Costs and benefits to households

##### Benefits

192. **Access to enhanced control and democratic governance with reformed commonhold (direct)** – Through reforms to reinvigorate commonhold and make it the default tenure for new flat supply, homeowners will benefit from the range of structural improvements associated with the commonhold model. By banning new leasehold flats in most cases, the reforms will enable more homeowners to access the advantages of commonhold ownership:

##### i. Full freehold ownership

193. One of the core benefits of commonhold is that it provides homeowners with outright, freehold ownership of their property and freehold of the common parts of the building through automatic membership of the commonhold association. Unlike leasehold, which is a time-limited interest that depreciates and expires if no action is taken, commonhold offers perpetual ownership. This removes the uncertainty and financial pressure associated with lease extensions, enfranchisement and declining asset value. These changes improve tenure security and may enhance resale value. This applies only where owners retain the full interest in their unit, and not where owners buy a permitted lease in a commonhold unit (such as shared ownership, or home purchase plans).

##### ii. Voting rights and improved democratic control

194. In traditional, third-party freeholder models of leasehold, decisions about budgets, maintenance, and service contracts are typically made by a landlord or managing agent, often with minimal input from leaseholders and where leaseholders often only have the right to retrospectively challenge costs, once decisions have already been made and money spent. While Resident Management Companies (RMCs) can provide some degree of leaseholder involvement, their benefits are not always equally distributed. Many lack formal governance structures, and influence over decisions often depends on how the company is run and who holds power within it. This can result in inconsistent or opaque management practices, particularly in large, complex mixed-use developments.

195. Each commonhold unit owner will be a member of the Commonhold Association, which manages the building, guided by the Commonhold Community Statement. This framework ensures every homeowner has the right to participate in decisions on budgets, contracts, and long-term maintenance planning. Key decisions will be made before costs are incurred, embedding transparency and accountability and ensuring all homeowners are treated as equal stakeholders.
196. This will not only improve the quality of decision-making but also help to ensure that contracts and services are procured in the interests of residents. Under a third-party landlord model, the landlord controlling procurement does not have a clear incentive to maximise quality or value for money, as they can pass costs onto leaseholders with limited scrutiny. The participatory nature of commonhold may improve value for money by ensuring that services are better aligned with residents' priorities and delivered more efficiently as spending decisions reflect the priorities of those who live in and pay for the building. This is particularly relevant considering the Financial Conduct Authority's 2022<sup>57</sup> report into multi-occupancy building insurance found that brokers arranging multi-occupancy buildings insurance primarily work on a commission-based remuneration of the premium; in some extreme cases that we have seen this can be up to 62% of the premium. These are costs ultimately borne by leaseholders. Under a commonhold structure, where the decision-making body is composed of homeowners rather than profit-driven third parties, there would be no incentives for such practices, helping to ensure transparency and that expenditure genuinely serves residents' interests.
197. Evidence suggests that in many cases, commonhold associations will appoint professional managing agents.<sup>58</sup> This allows communities to benefit from expert support while retaining democratic control and accountability. Associations are more likely to scrutinise costs, demand higher levels of service and transparency, and terminate contracts if these standards are not met.

### **iii. Better predictability and fewer disputes around expenses**

198. Service charges are one of the most frequently contested aspects of leasehold, accounting for around one in three enquiries to the Leasehold Advisory Service.<sup>59</sup> Under the traditional leasehold model, charges are often set

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<sup>57</sup> Financial Conduct Authority (2022) "Report on insurance for multi-occupancy buildings", September 2022, accessible at: [Report on insurance for multi-occupancy buildings](#)

<sup>58</sup> [Perspectives on living in and looking after shared buildings - GOV.UK](#), discussed in fuller detail below

<sup>59</sup> [Commonhold White Paper: The proposed new commonhold model for homeownership in England and Wales - GOV.UK](#)

by landlords or managing agents with limited consultation and leaseholders typically only have the right to challenge costs after they have been incurred.

199. Commonhold offers a significant improvement in this regard. Its governance structure helps reduce disputes (relative to leasehold) and improve predictability around contributions to commonhold expenses. Unlike under the traditional leasehold model, where charges are often imposed with limited consultation and demands issued retrospectively, commonhold requires that a budget for shared costs is proposed and voted on by the commonhold association before costs are incurred. This collective and transparent process means that homeowners are better able to plan and budget.

200. The reforms will also enable the provision of a new Code of Practice on how costs should be apportioned in different types of commonhold, such as residential, commercial and mixed-use. This will help to provide consumers with transparency and clarity, and support developers to get allocations right at the outset, reducing the number of future disputes and assisting commonhold associations in resolving any disputes quickly.

#### **iv. Enhanced autonomy and community cohesion through resident-led governance**

201. Some individuals and households place a high personal value on being actively involved in the management of their building. For these consumers, the resident-led nature of commonhold offers an opportunity to participate directly in decisions that affect their living environment. This participatory model can lead to meaningful personal and wellbeing benefits, particularly for those who are motivated by autonomy, collaboration, and community engagement. Residents who value this form of involvement may experience a stronger sense of satisfaction with their housing arrangements. In addition, the shared responsibility and collective decision-making inherent in commonhold can foster stronger relationships among neighbours, contributing to improved community cohesion.

202. These benefits are not financial and may not apply to everyone. However, for those who value resident-led governance, commonhold offers a model that better reflects their preferences, even relative to resident-led leasehold models. This can lead to a higher quality of life compared to leasehold, where decision-making is often less transparent and responsive.

#### **v. Flexibility with the Commonhold Community Statement**

203. Commonhold offers a more adaptable framework for managing buildings compared to leasehold. The Commonhold Community Statement (CCS) sets out

the rules governing the block, and unit owners can agree to vary certain rules with more than 75% support. This balances the need for flexibility to respond to changing needs or preferences within the community while ensuring rules are not changed too frequently or without sufficient collective support. For more significant changes, such as the termination of a commonhold, a higher threshold will be required. This empowers residents to shape their living environment, and ensures governance remains relevant over time, whilst safeguarding stability through high thresholds for major decisions.

204. By contrast, varying the terms of two or more leases in a leasehold building (for example, to correct a common defect or make a consistent change across a block) is complex and burdensome. Under the Landlord and Tenant Act 1987, where 9 or more leases are involved<sup>60</sup>, the statutory route requires consent from at least 75% of the parties concerned (this includes all freeholders/landlords and all tenants whose leases are to be varied), no more than 10% of those parties opposing the change, and approval from the First-tier Tribunal (Property Chamber) in England or Leasehold Valuation Tribunal in Wales. The Tribunal can authorise the variation even if the freeholder does not agree, provided these thresholds are met. While voluntary variations are possible, they require unanimous agreement of all parties, including the freeholder, who is often a third-party freeholder/landlord, which adds further barriers. These requirements can make sensible updates difficult to achieve.

205. In addition to local flexibility, commonhold also allows for broader policy responsiveness. Because certain elements of the CCS and articles of association are prescribed by law via regulations, the government can also respond relatively easily to changing needs by amending these terms through secondary legislation. This means that improvements, such as improved fire safety or energy efficiency measures, can be introduced more quickly and uniformly than under leasehold, where changes have often required primary legislation. This flexibility will future-proof buildings, strengthen consumer autonomy, and accelerate responsiveness.

## **vi. Efficiency saving with the Commonhold Community Statement**

206. Unlike leasehold, where each lease may be unique and requires individual review, commonhold uses a single core legal document, the Commonhold Community Statement, for each block. This reduces legal complexity and improves efficiency in conveyancing and property transactions.

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<sup>60</sup> The thresholds are different depending on whether the application to the tribunal relates to 9 or fewer leases, or more than 9. If 9 or fewer than all or all but one of the parties involved must consent to it.

207. If savings are passed through by legal professionals, this will lower legal costs for consumers. If savings are not passed through, the benefit would accrue to legal professionals as efficiency gains.
208. Responses to a small stakeholder engagement exercise conducted by MHCLG suggested that the introduction of the CCS will save conveyancers or solicitors time when reviewing lease documents. From the responses, we assume a central estimate of 1.5 hours saved per transaction<sup>61</sup>.
209. As per the familiarisation cost methodology set out later in this IA, the present value of this time has been monetised by calculating the reading costs. The mean hourly wage for legal professionals per the 2025 Annual Survey of Hours and Earnings is assumed as a representative hourly wage (£34.80). This is uprated by 1.3 to reflect non-wage costs, in line with previous IA approaches. This gives a saving of £67.86 per transaction.
210. Assuming that sales of new flats continue at current rates (approximately 35,000 per year<sup>62</sup>), this equates to an efficiency saving of £2.4m per year and, after discounting, a PV of £20.4m across the appraisal period in 2025 prices.
211. There may be greater efficiencies if a legal professional is dealing with multiple flats in the same building. This saving would however likely arise in both leasehold and commonhold settings.
212. There are risks that come with improved self-governance. The effectiveness of commonhold self-governance depends on the active engagement of resident homeowners. Low participation rates or poor-quality decision-making could undermine these benefits, potentially leading to suboptimal outcomes, such as delayed maintenance, underfunded reserves or increased costs, such as higher insurance premiums due to inadequate risk management. These risks are particularly relevant where residents lack the time, expertise or willingness to engage in governance

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<sup>61</sup> The Conveyancing Association estimated that it currently takes conveyancers or solicitors 2.5-5 hours to review lease documents. They estimate that, once familiar with commonhold, this time will be reduced to 1-2 hours, citing the CCS as a reason for this. Taking the midpoint of these ranges gives an estimated saving of 2.25 hours per transaction.

The Society of Licenced Conveyancers estimated that conveyancers or solicitors currently spend 3-6 hours reviewing lease documents and estimate a reduction in the long term to 2-4 hours. Taking the midpoint of these ranges gives an estimated saving of 1.5 hours per transaction. They note that savings are likely to be negligible during the dual system period due to the increased complexity and risk management requirements, though these are costs captured elsewhere in this IA.

As this is more conservative than the saving estimate from the Conveyancing Association, we use 1.5 hours as the central estimate.

<sup>62</sup> Per MHCLG analysis of HMLR Price Paid data [HM Land Registry: Price Paid Data - GOV.UK](https://www.gov.uk/government/datasets/hm-land-registry-price-paid-data)

process. However, it is important to recognise that these risks are not unique to commonhold. They are inherent to any resident-led or self-managed model, including Resident Management Companies and Right to Manage companies under leasehold. Many of the same challenges, such as apathy, uneven participation, or reliance on a small group of active individuals, are already present in existing leasehold structures. What distinguishes commonhold is not the absence of these risks, but the strength of its institutional design to manage them. The reformed commonhold framework embeds formal governance structures that are specifically designed to promote inclusive, transparent, and accountable decision-making. This includes voting rights for all owners, mandatory governance rules, pre-emptive decision making on expenditure which will reduce the risks of retrospective disputes. Crucially, the reforms introduce additional safeguards including a statutory requirement for a reserve fund to ensure adequate provision for major works, minimum standards for repair and maintenance obligations, and measures to guarantee continuity of leadership by requiring a director to be in place. These features provide a more robust and standardised foundation than many existing resident-led leasehold structures, significantly reducing the likelihood of governance failure and protecting the long-term condition and value of buildings.

213. Moreover, as discussed above (and in greater detail later), it is expected that in many cases, commonhold associations will hire professional managing agents and directors. Their expertise will support effective governance and mitigate the risks associated with low homeowner engagement. This model allows for flexibility whilst maintaining accountability.
214. **Greater choice of tenure across new and existing flats (direct)** - Expanding the supply of commonhold will enhance consumer choice by offering a genuine alternative to leasehold, which currently dominates the market for flats in England and Wales. At present, the near-universal use of leasehold constrains buyers who value autonomy, transparency, and democratic control over property management. Expanding the supply of commonhold removes this barrier, allowing those buyers to act on their preferences.
215. These benefits are particularly relevant given the current lack of meaningful tenure choice. In most areas, buyers of flats have little or no option but to purchase leasehold properties, even if they would prefer a different model.
216. Although some prospective buyers may genuinely prefer leasehold for its familiarity, perceived simplicity or lack of expectation to participate, only those who would exclusively consider newly built flats will lose out. Existing leasehold properties will continue to dominate the market for many decades, ensuring that such preferences can be met within the existing stock. Reform is needed to ensure that choice is genuine rather than illusory, and this explains why a ban on new leasehold flats will deliver practical change.

## *Distributional benefits*

217. The benefits of reform are not evenly distributed across households in England and Wales. This variation is not caused by the design of the policy, but rather by the geography of housing delivery, particularly the concentration of new-build flats in urban centres. New supply data from MHCLG shows that new build supply of flats are concentrated in urban centres, especially London and large regional cities like Manchester and Birmingham. Homeowners and prospective homeowners in these areas will experience the earliest and most significant benefits most from the shift to commonhold because commonhold applies primarily to flats, and flats are disproportionately built in high-density urban markets. These distributional differences reflect the geography of new flat delivery, not the design of the policy itself, which applies uniformly across England and Wales.

- 72% of England's 4.83 million leasehold dwellings are flats, with London showing the highest concentration.<sup>63</sup> In fact, Savills analysis indicates that 2023-24, 96% of new homes built in London were flats.<sup>64</sup>
- The South East has a relatively large volume of new flats and 16% of homes held are leasehold.
- In contrast, the impact of flat-focused reform will be more limited initially in other regions. For example, in the Northwest and Yorkshire and the Humber, where leasehold dwellings make up 26% and 16% of stock respectively, most leasehold dwellings are houses (70% in the North West and 52% in Yorkshire and the Humber). The Savills analysis suggests that only 4-5% of new homes delivered in 2023-24 in the Midlands or North were flats.<sup>65</sup>
- In Wales, around 16.3% of dwellings (or around 235,000 homes)<sup>66</sup> are leasehold, mainly concentrated in urban areas like Cardiff and Newport, as well as some former industrial zones, a pattern aligned with northern England.

### *4.7.4 Costs and benefits to business*

#### **Freeholders and investors**

##### **Benefits**

218. **Potential for some existing freeholders to transition towards commonhold service provision (indirect)** - The transition to commonhold removes the traditional role of third-party freeholders in new residential and mixed-use developments. It does not, however, eliminate the ability to own investment property, whether that is used to lease to commercial tenants, or to rent to residential tenants. Nor does it remove

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<sup>63</sup> Annex Table 1: [Leasehold dwellings, 2023 to 2024 - GOV.UK](#)

<sup>64</sup> [Savills Blog | Flattened – the pressure on London meeting its housing targets](#)

<sup>65</sup> Ibid.

<sup>66</sup> Carr, H., Hunter, C., Owen, G., Makin, C., and Wallace, A.; (2021). Research into the Sale and Use of Leaseholds in Wales. Cardiff: Welsh Government, GSR report number 16/2021. Accessible at: [Research into the sale and use of leaseholds in Wales: summary \[HTML\] | GOV.WALES](#)

demand for professional management. Instead, it may create space for some existing freeholders which take an active, professional role in management and governance to adapt their business models for blocks built in the future, though this will depend on individual skills, resources, and commercial appetite.

219. We have heard arguments that the professional capacity found in current freeholder business models is not easily transferable to a service-provider role. Such arguments make the point that making the institutional freeholder model unviable for new supply will permanently displace the role played by traditional third-party freeholders in newly built blocks. Whilst we recognise this displacement, we distinguish between ownership and capability: while sole ownership oversight model is removed, the need for professional functions will persist, particularly in large or complex blocks. However, this distinction is unlikely to apply to all freeholders; many investor-only freeholders do not provide management services themselves and instead outsource functions to external managing agents, meaning they may have limited transferable skills or capability.

220. In a commonhold, building management is the responsibility of the commonhold association, which is democratically controlled by unit owners. However, many associations are expected to appoint professional managing agents or professional directors to support day-to-day operations, long-term maintenance planning, and compliance with legal duties. These functions can be delivered through contracted managing agents or professional directors accountable to commonhold associations. This creates the potential for a new market for professional services in commonhold governance or management.

221. Freeholders with experience in residential block management and governance support, including through providing services through in-house or affiliated managing agents, may be well-positioned to pivot into commonhold association governance and management services. Their existing expertise in building management and maintenance, block administration, and regulatory compliance could potentially be repurposed to serve commonhold associations, either as contracted managing agents or as appointed directors. However, as will be discussed below, under commonhold this position would be governed by contractual terms agreed with the commonhold association, with expertise provided as a service, accountability to the association, and it would not provide the same rights or income opportunities available to freeholders under leasehold. Importantly, freeholders who do not perform management functions directly and simply procure external agents are unlikely to have an equivalent service offer, limiting their ability to pivot.

222. It is unclear how many existing freeholders would be willing or able to make this transition. For some firms, this shift might represent a reconfiguration rather than a removal of professional roles. While the income streams and power dynamics differ from traditional third-party landlords in leasehold (e.g. no property rights or control through

the lease, an accountability shift, and a different income model), the demand for high-quality, professional building management remains. This demand will not automatically translate into opportunities for all current freeholders, particularly those whose current business model is limited to investment ownership.

223. The formal governance structures of commonhold, including transparent budgeting, collective decision-making, and legal duties on the association, may create a more stable and accountable environment for professional service delivery. There may be a first mover-advantage for firms that move into commonhold services quickly.
224. These opportunities are not monetised in this assessment due to uncertainty around market size and uptake and provider appetite and capacity. Nonetheless, they may become viable avenues for some existing freeholders who choose, and are able, to adapt to the evolving tenure landscape.
225. **Full freehold ownership of commercial units (direct)** – Reforms to the commonhold model will allow mixed-use buildings, meaning investors and developers will still be able to own commercial property in commonhold, and earn income from selling the property on a short- or long-term lease, as they do today in leasehold. However, under commonhold they will do so as a unit owner, when they would previously have purchased a leasehold unit without necessarily being the freeholder. As will be the case with residential commonhold units, investors in future commercial commonhold units will benefit from freehold ownership, rather than a wasting leasehold asset.

## Costs

226. **Removal of traditional third-party freeholder investment opportunities in new flat supply (direct)** - Under the leasehold system, freeholders (often investors) play a central role in the ownership and management of residential buildings. They can derive income from holding the freehold interest, including through permission fees, lease extensions, administration charges and management contracts. However, under commonhold, the landlord-tenant relationship no longer exists. Commonhold grants homeowners full freehold ownership of their individual units, with collective responsibility for the building managed through the commonhold association. As such, the concept of a third-party freeholder is not applicable in commonhold developments, which we expect to become the default tenure for new flats.
227. This represents a cost to existing freeholders compared to the counterfactual, as they are effectively removed from the ownership and management structure of future buildings, losing the opportunity for new investments. Investors may still acquire units within commonhold buildings, but they do so as unit owners, not as freeholders of the building. Where an investor owns units in the commonhold block, they may be appointed by the association to provide management services, but this role is subject to

democratic oversight and does not confer the same rights or income streams as traditional freehold ownership under leasehold. This represents a change to the business model for institutional freeholders, with the primary cost being the forgone opportunity to hold freehold interests in new residential supply.

## **Developers**

### **Benefits**

228. **Reputational opportunities for developers (indirect)** – Early adopters of reformed commonhold in new residential supply may gain reputational advantages by aligning with consumer expectations and distancing themselves from controversial leasehold practices. These benefits are likely to be most pronounced in competitive urban markets where flats comprise a large share of new housing delivery. As commonhold becomes more mainstream, reputational gains could translate into stronger brand value and marketing leverage for developers positioning themselves as leaders in tenure reform.

### **Costs**

229. **Reduced post-sale control over developments (direct)** – Under the leasehold system, developers who retain the freehold maintain a degree of control over the development after units are sold. This includes oversight of communal areas, approval of alterations and appointment of managing agents. Under a reformed commonhold, control is transferred to unit owners as sales progress, once they own over 50% of units in the block. Having a decreasing stake in the commonhold association as units are sold could have strategic and operational implications for developers, including that they may not be able to influence decisions that affect, for example, local rules of the commonhold site whilst they complete the rest of the development.

230. However, there are factors that mitigate this cost. Firstly, developers will be able to take development rights to enable them to develop, complete, and market a commonhold site, so long as those rights are exercised in line with statutory requirements. Developers will also remain as members of the commonhold association while the site is still being constructed and sold (for as long as they have units that are unsold), allowing them influence over key early decisions that could have reputational importance. Thirdly, as discussed earlier in this IA, some evidence suggests that developers are increasingly selling new leasehold flats with RMCs (that may own the freehold). Given the broad functional similarities between CAs and RMCs (both having resident-led governance which is responsible for management and maintenance), the shift to commonhold will likely represent a smaller operational change for many developers than it would have in the absence of recent reforms.

## **Managing agents**

### **Benefits**

231. **New opportunities for management contracts with commonhold associations (indirect)** - The shift to commonhold introduces a more decentralised model of property management compared to traditional leasehold arrangements. Under leasehold, managing agents are typically appointed by a third-party freeholder/landlord, often overseeing multiple blocks or estates which may be geographically dispersed under a centralised contract. In contrast, commonhold requires that each block or development is governed by its own commonhold association, which is responsible for appointing and overseeing managing agents. This decentralisation creates a larger pool of potential contracts for managing agents, particularly in multi-block developments and estates where each block may have its own commonhold association. While this decentralisation could increase the number of contracts, these may be smaller than large-scale freeholder portfolios, potentially requiring agents to adapt their business models
232. Further, research, commissioned by the Department for Levelling Up, Housing and Communities, and undertaken by IFF Research in 2022<sup>67</sup>, found that prospective and current leasehold flat owners can be reluctant to take on direct management responsibilities.<sup>68</sup> As a result, it is anticipated that many commonhold buildings would choose to employ a managing agent to undertake such functions creating sustained demand for professional agents.<sup>69</sup>
233. In a commonhold, a managing agent could also undertake a role in the governance of the building (e.g. being a director) as well as the management of it, if the owners so wished, and they would ultimately remain accountable to the owners. While some participants in the IFF study expressed concerns about costs, others saw professional management as a way to maintain control without the legal complexity and time burden of self-management. This suggests that commonhold associations – unlike third-party landlords, who may have the expertise to manage smaller blocks themselves – would be more likely to outsource these responsibilities, further increasing opportunities for managing agents.
234. This trend is likely to have already commenced as following the Leasehold Reform (Ground Rent) Act 2022, most new developments cannot charge a ground rent, and more flats are being delivered with RMCs (that may own the freehold). For these buildings as well as new commonhold blocks it is likely that a developer would typically

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<sup>67</sup> [Perspectives on living in and looking after shared buildings - GOV.UK](#)

<sup>68</sup> Concerns included lack of time, limited legal knowledge, and discomfort with managing communal relationships. Some participants viewed professional management as a way to retain control while avoiding some of the administrative responsibilities of self-management.

<sup>69</sup> Residents in smaller blocks are more likely to use a managing agent when compared to professional freeholders. The views expressed in the IFF report above show a reluctance amongst potential leaseholders to take on more management responsibility feeling that they lack the required skills and experience. This could make them more likely to seek external help rather than trying to do it themselves, which would create more opportunities for management contracts.

employ a managing agent from the outset, and as the units are sold to consumers and resident management company or commonhold association established, owners would then choose to retain or replace a managing agent to meet their needs.

## **Costs**

235. **Operational costs of adapting business models (indirect)** - Some managing agents may face increased operational costs as they adapt to a more consumer-focused model of service provision, where long-term retention depends more directly on performance.
236. While this represents a non-monetised indirect cost, it is partially mitigated by preceding leasehold reforms, which indirectly encourage the use of RMCs in new leasehold developments. RMCs, while sometimes lacking the formal governance structures of commonhold, function similarly in that they are resident-led and more likely to hold managing agents accountable. This shift has already started familiarising managing agents with owner-led governance models, again, reducing the scale of adjustment required under commonhold.

## **Valuers and lenders**

### **Benefits**

237. **Regulatory safeguards and legal clarity for mortgage lending (direct)** – Lenders who lend on residential units stand to benefit from the enhanced legal and financial safeguards associated with reformed commonhold in new supply of flats. Unlike in leasehold, where the asset devalues as the lease runs down, commonhold offers a perpetual ownership structure with rights and responsibilities set out in a standardised CC. This permanence enhances the legal clarity and predictability of property rights and provides a stable form of collateral with which to lend against, reducing risk and uncertainty for lenders.
238. In addition, reformed commonhold offers several other features which reduce risks and strengthen security for tenants. First, mandatory insurances and reserve funds, which reduce exposure to unexpected costs and resilience in the event of foreseen and unforeseen building works. Second, there are no forfeiture provisions in a reformed commonhold, meaning lenders do not face the same risk of losing their investment due to contract breaches. Third, commonhold facilitates democratic governance which promotes transparency and accountability in management which over time may improve property value. These features collectively create a more predictable and lower risk lending environment and potentially decrease default risk.
239. While these benefits represent a direct and material improvement in the lending environment, they are not monetised in this analysis due to insufficient evidence to isolate lenders' specific impact on lending practices. As reformed commonhold is

delivered and valuation of commonhold becomes more commonplace, these benefits are likely to become more measurable.

## **Costs**

240. **Potential short-term valuation caution due to unfamiliarity with commonhold (direct)** - Valuers, lenders and market participants are still relatively unfamiliar with commonhold. For example, there are currently fewer than 200 commonhold units across England and Wales, whereas there are approximately 3.5 million leasehold flats. This limited market presence means there is a lack of transactional data and valuation comparators, which can lead to cautious or conservative valuations of commonhold properties, particularly in early-stage developments after reform.
241. Valuers may face challenges in benchmarking commonhold units due to the absence of comparable sales and uncertainty around buyer demand. In addition, perceived legal complexity, especially around governance arrangements and resale processes, may compound this caution. If cautious valuation practices emerge, this may lead to cautious behaviour on the part of mortgage lenders. This dynamic could slow transaction times, while creating reputational risk for valuers operating in an unfamiliar tenure landscape.
242. However, this should not be overstated. Many lenders are already prepared to lend on the existing commonhold model even though it is a tiny fraction of the market, and any such costs which do materialise following reform (when the tenure model itself will be improved) are likely to diminish over time, as familiarity with commonhold improves. Risks will be mitigated through measures to familiarise market participants, such as guidance and broader awareness efforts. Increased supply and transactional volumes will generate market data and reduce uncertainty. As commonhold becomes more prevalent in new build developments, these mitigations will help reduce caution and increase market confidence.

## **Insurers**

### **Benefits**

243. **Better predictability and standardisation under commonhold (direct)** - Over time, as governance standards mature and commonhold becomes more widespread, insurers may benefit from the standardisation introduced by the reformed commonhold model, compared to the relatively variable, fragmented nature of leasehold arrangements and governance. Standardisation of rights and obligations through the Commonhold Community Statement (CCS) may reduce uncertainty in building-level risk assessment and simplifies underwriting processes. Specific features of commonhold, such as mandatory building insurance, reserve funds for major works, and transparent governance structures, help mitigate risks associated with unexpected costs and poor maintenance, which are common under leasehold. This could lead to more predictable

risk profiles, streamlined management practices, and reduced administrative and pricing complexity for insurers assessing building-level risks.

## **Costs**

244. **Insurance risks and governance challenges (direct)** - While insurers are generally familiar with collective block management under leasehold through Resident Management Companies (RMCs), the transition to commonhold introduces a different governance model that insurers have had limited exposure to. Under commonhold, legal responsibility for the block rests with the commonhold association, with all unit owners automatically members. Although the principle of collective management is well established, the statutory framework for commonhold differs from leasehold, and market experience is currently limited. As a result, insurers may respond cautiously during early adoption and may scrutinise factors such as maintenance standards, risk assessment processes, and claims management practices. Any such challenges are expected to diminish over time. Insurers already have frameworks for similar entities, and as commonhold becomes more commonplace, governance practices mature, and market data accumulates, insurers are likely to develop tailored underwriting standards. This should lead to greater confidence in the tenure.

## **Legal professionals**

### **Benefits**

245. **Efficiency saving with the Commonhold Community Statement (direct)** – The introduction of the CCS will save legal professionals time during property transactions. This efficiency saving (PV estimated to be £20.4m, above) could benefit consumers or legal professionals, depending on pass-through.

246. **Opportunities for specialisation (indirect)** - The introduction of commonhold as the default tenure for new flats creates an opportunity for legal professionals to develop specialist expertise in a growing area of property law. This may lead to increased demand for advisory services related to commonhold governance, dispute resolution and compliance. Over time, firms that invest in this expertise may differentiate themselves in a growing segment of the conveyancing and property law market.

247. Similar opportunities related to the standardised CCS, with its clear information about governance, financial arrangements, and property rights may also arise for valuers and estate agents, who will play a key role in interpreting, marketing and pricing commonhold properties as the model becomes more established. This could improve transparency, reduce uncertainty for buyers, and help prevent fall-throughs during the sales process. Over time, greater familiarity with commonhold may enable professionals to streamline transactions, improve client confidence, and differentiate their services in a growing segment of the market. In particular, this clarity might help valuers more confidently assess risk and value, reduce time spent interpreting complex terms, and

support more accurate and comparable valuations across developments (over the medium to long-term).

#### *4.7.5 Administrative, familiarisation and compliance costs for preferred option*

##### **Minimising administrative burdens of complying with the regulation**

248. To minimise the compliance costs to business of the ban, it is intended that those selling freehold or commonhold properties will not be affected or captured by the measure. There will be no additional compliance burden on those businesses that arise because of legislation, beyond transitioning their business models to using commonhold. Those using freehold, e.g., in Build to Rent buildings, or social rent blocks, will be able to continue to do so.
249. As it is expected that most new units in future will be sold as commonhold, and exemptions are to be kept to a strict minimum -subject to consultation – it is not anticipated that there will be high volumes of exemptions, and therefore few businesses will be expected to engage with the compliance regime established in legislation.
250. For those who do require an exemption, we intend to keep the compliance regime:
- A. **Simple:** evidencing exemptions will largely utilise self-declaration, with a set of standardised, simple compliance processes designed to be in keeping with how industry operates for other aspects of property market law (e.g. material information in property sales, and statutory warning notices).
  - B. **Transparent:** the processes will largely revolve around including the exemption in standard marketing materials, and use a single, standard form for the developer / vendor to produce to the buyer which will be consistent across industry and freely available for all to use.
  - C. **Predictable:** we will provide clear definitions for exemptions in statute (following consultation with industry), reducing any ambiguity and risk to either industry or consumer with respect to whether a lease is exempt or is not.
251. In summary therefore, we expect these compliance costs to be both highly concentrated amongst a small number of businesses, and the cost burden facing them to be very small in proportion to the wider administrative processes involved in building and selling new flats, and mitigated by design, through simple, transparent, and predictable compliance mechanisms.
252. We will be engaging in a series of steps to minimise the costs to industry and consumers of adapting to the new tenure, including:
- A. **Working with industry and consumer groups** to ensure that developers, lenders and property professionals are preparing for commonhold to become the standard tenure for new supply, including having the appropriate products, processes and guidance in place to manage a smooth transition to commonhold.

- B. **Promoting commonhold:** once the final bill is underway, we will start to engage consumers directly to make them aware of how commonhold works, what the opportunities and obligations are that come from it ahead of commonhold flats becoming available on sites across the country.

### **Familiarisation and implementation (direct)**

253. Developers (and their sales staff), legal professionals, lenders, managing agents and professional directors, insurers, valuers and estate agents could incur costs to familiarise themselves with, understand and action the new legislation. Where appropriate, familiarisation costs have been monetised and are estimated below.

254. When the new regulations are introduced, stakeholders will face some initial implementation costs. These may be incurred as familiarisation costs, for example:

- The time cost of reading and understanding the new legislation
- Costs of disseminating information through training materials and briefings
- Training courses to upskill in the area and to understand the new responsibilities

255. There will also be 'day-one' requirements and changes to business practices, including getting agreement to changes, testing and implementing them. For example:

- Changes to IT systems
- Revisions to company documents
- Updating websites
- Marketing and communicating changes to customers

256. Given the current extent of uncertainty around the nature of commonhold implementation, we have estimated this cost using one or both of two approaches:

**1. Targeted stakeholder engagement** to strengthen our evidence base on potential costs, savings and efficiencies of reforms. From this, we extracted indicative cost estimates that can inform our modelling of familiarisation and implementation costs.

**2. Estimating familiarisation costs based on time and cost of reading the legislation**

- Familiarisation costs can be monetised by calculating the total time individuals spend reading the new legislation and valuing time using a representative wage (either the average wage for their group or a wage at which they would be able to employ someone to do it for them). All wage data is from the 2025 provisional edition of Annual Survey of Hours and Earnings (ASHE).
- A reading time estimate has been derived based on the draft Bill – taking the total word count of clauses and schedules relating to *New Commonhold Regime and Prohibiting the Sale of New Leasehold Flats* (c. 48k). Applying an average

reading pace of 100 words per minute<sup>70</sup>, gives a reading time of 7.97 hours. We add an assumption of 30 minutes for other time costs (e.g., finding, acquiring, understanding, communication, etc.), leading to a total familiarisation time of 8.47 hours. For a low estimate of the reading time, we apply a 25% reduction (6.35 hours) and for a high estimate we apply a 25% uplift (10.59 hours).

- We update the wage estimates by 1.3 to reflect non-wage costs, in line with previous IA approaches. We assume familiarisation costs are transitory, one-off costs occurring in the first year of implementation. For new entrants into the sector, the familiarisation cost is assumed to be minimal as the new regulations replace the existing framework.
- Unless otherwise stated, familiarisation costs are calculated by multiplying this familiarisation time of 8.47 hours by the relevant representative wage, adjusted to 2025 price levels and inclusive of non-wage cost factors. This per-unit cost is then scaled by the applicable group size.
- No economies of scale are assumed, and costs may be lower if firms or trade bodies share guidance or training.
- The year of implementation of the reforms, and thus the year in which familiarisation costs are shouldered, has not been confirmed and is subject to consultation. As set out earlier in this annex, we assume this to be 2028.
- Taken together, the total familiarisation cost across this reform is **£39.2m**. The breakdown of this total by affected group is set out below and summarised in **Table 4.2**

257. **Table 4.2** summarises the costs of familiarisation and implementation by group, which are set out in more detail below.

*Table 4.2: Breakdown of monetised familiarisation and implementation costs by monetisation approach and group*

Familiarisation cost monetisation approach	Group	Cost
Stakeholder engagement	Legal professionals	£9.1m
	Estate agents	£11.2m
	Lenders (large)	£15.0m
	Lenders (other)	£2.3m
Reading costs	Managing agents	£1.0m
	Valuers	£0.5m
	Developers	£0.1m
	Insurers	£18k
	<b>Total</b>	<b>£39.2m</b>

<sup>70</sup> Using Microsoft Word, we determined the Flesch Reading Ease score of the draft Bill to be 38.9 and the Flesch-Kincaid Grade level to be 13.6. These measures are consistent with 'difficult' and 'technical' reading material. Therefore, a slower-than-average reading speed of 100 words per minute has been used in line with previous government IA approaches.

### *Leaseholders*

258. It is assumed that leaseholders will only fully familiarise themselves with relevant legislation when they encounter commonhold or a permitted leasehold property (either because they are buying a new flat or because they are considering conversion to commonhold, in which case reforms set out in **Annex 2** are also relevant). It is unlikely that many leaseholders will proactively read the full legislation itself and familiarise themselves with their new rights at the time it is implemented. It is more likely that leaseholders will only familiarise themselves at the same juncture they would have with their old rights, so there is no extra familiarisation cost that they would not have incurred in the counterfactual case.

### *Freeholders and investors*

259. We apply a similar assumption for freeholders of existing leasehold stock, who we expect will only fully familiarise themselves with new legislation relating to new supply if they choose to purchase a new flat under the commonhold regime. As such, we anticipate that familiarisation costs will be negligible for most freeholders.

260. However, investors, especially larger landlords and investment companies, who purchase commonhold flats for rental purposes, or who purchase exempted leasehold flats, may need to familiarise themselves earlier than owner-occupiers. Buy-to-Rent landlords may have recurring relationships with commonhold associations, and they will need to consider how commonhold affects their practices, such as dispute resolution and insurance obligations. Investors may continue to derive income from management contracts (for example, where they are a majority in the commonhold association), in which case they will also need to be familiar with the legislation.

261. In these cases, familiarisation costs may be non-negligible, but we have not monetised these due to insufficient evidence to support reliable modelling.

### *Developers*

262. We assume that developers working in the sector would need to familiarise themselves with the relevant parts of the legislation.

263. Analysis by the CMA in 2022<sup>71</sup> estimates that there are 4,500 small housebuilders and around 70 medium housebuilders in England, Scotland and Wales. Analysis is also conducted looking at the 11 largest housebuilders. For our modelling purposes, we assume that the figure of 4,581 broadly reflects the number of active developer firms in England and Wales, acknowledging that this is a simplification. Further, given that flat construction is concentrated among larger developers, we assume that small housebuilders are less likely to be engaged in building flats and therefore will not need to be familiar with the new commonhold legislation. We estimate that 10 staff per large

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<sup>71</sup> [Supporting evidence document](#) – Chapter 10, paragraph 10.2

firm and 2 per medium firm will require familiarity, giving a total of approximately 250 employees who will need to be immediately aware of the new framework.

264. We use the mean hourly wage for production managers and directors in construction per ASHE data (£28.03), as this provides a proxy for individuals working in the housebuilding sector. Applying the wage uplift gives a cost of £308.64 per individual. Multiplying this by 250 employees gives a present value of £77k.

### *Managing agents*

265. As discussed earlier in this IA, owner-occupiers may be more likely to seek external help with management responsibilities. As such, commonholders may be more likely to hire professional managing agents to take on these responsibilities. Therefore, we expect that managing agents will familiarise themselves with the legislation.

266. We use the mean hourly wage for property, housing and estate managers per ASHE data (£25.12). Applying the wage uplift gives a cost per managing agent of £276.60.

267. Using membership data provided by The Property Ombudsman (TPO) and the Property Redress Scheme (PRS)<sup>72</sup>, we estimate the number of managing agent firms in England and Wales. Based on stakeholder engagement with The Property Institute (TPI) which suggests an average of 15-22 employees per firm (we take 18.5 as a central estimate), this equates to approximately 25,000 managing agents.

268. We apply a further assumption that only a subset of managing agents that deal with new flat supply will need to be immediately familiar with the new commonhold legislation. As a proxy for this this number, we multiply 25,000 by the percentage of flat transactions that relate to new flat supply. MHCLG analysis of HMLR Price Paid<sup>73</sup> (data that covers property transactions in England and Wales) indicates that is around 15%. We therefore estimate that the number of managing agents that will need to initially familiarise themselves with the legislation will be 3,741.

269. Multiplying the cost per managing agent (£276.60) by 3,741 produces a total present value cost of £1.0m.

### *Valuers*

270. We assume that property valuers working in the sector would also familiarise themselves with the relevant parts of the legislation. We use the mean hourly wage for estimators, valuers and assessors per ASHE data (£23.03). Applying the wage uplift gives a cost per valuer of £253.58.

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<sup>72</sup> Since October 2014, all residential letting, managing and estate agents have been legally required to belong to one of two government-approved redress schemes (The Property Ombudsman and The Property Redress Scheme).

<sup>73</sup> [HM Land Registry: Price Paid Data - GOV.UK](https://www.gov.uk/government/datasets/hm-land-registry-price-paid-data)

271. The RICS website shows 12,352 entries for ‘registered valuer’ in the United Kingdom. While this analysis focuses specifically on England and Wales, we adopt this UK-wide figure as a proxy for the number of valuers in England and Wales. This is because valuers are not required to register with RICS, meaning the actual number is likely higher, and because reliable data specific to England and Wales is not readily available. In line with other groups, we assume that only 15% of individuals in this group will need to immediately familiarise themselves, giving a group size of around 1.9k. Multiplying the cost per valuer by the number of registered valuers produces a total cost of £470k.

### *Lenders*

272. While there are approximately 340 mortgage lenders and administrators in England and Wales<sup>74</sup>, the top 10 lenders cover around 83.2% of the market according to UK Finance’s (UKF) 2024 ranking of mortgage lenders by value of gross lending<sup>75</sup>. UK Finance provided MHCLG with an estimate that in 2022 there were 40 lenders that were able to lend on commonhold. Under the reinvigorated commonhold regime, more lenders will need to be familiar with commonhold and, even amongst those that already lend on commonhold, more employees will need to learn about new commonhold.

### Stakeholder engagement

273. We assume that all lenders that can currently lend on commonhold will need to be immediately familiar with the new legislation. Through stakeholder engagement, representatives from the lending industry noted that the cost of technology changes will likely be in the low millions when considering the infrastructure changes required to absorb the commonhold changes wholesale and enable quality service to customers from application stage all the way to redemption of the mortgage. Therefore, as a central estimate, we assume that a cost of £1.5m applies to the largest lenders.

274. Using the above evidence from stakeholder engagement, we assume that this cost estimate applies to the ten largest lenders by value of gross lending, as per UKF data—for whom the average gross lending amount is £20.1bn.

275. The next largest 30 lenders have an average gross lending amount of £1bn. Using the ratio of average gross lending amounts (£1bn/£21.1bn), we downrate the assumed costs of the largest 10 lenders to estimate the costs faced by the next largest 30 lenders. This produces a central estimate of £77k.

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<sup>74</sup> [Mortgage lending statistics - September 2025 | FCA](#): “Around 340 regulated mortgage lenders and administrators (banks, building societies, credit unions and other specialist lenders) are required to submit a Mortgage Lenders & Administrators Return (MLAR) each quarter, providing data on their mortgage lending activities and covering both regulated and non-regulated residential lending.”

<sup>75</sup> [Largest Mortgage Lenders | UK Finance](#)

276. For large lenders, the present value of familiarisation costs is £15 million. For the next largest lenders, the present value is £2.3m. For lenders as a group, the present value estimate is £17.3m.

277. Given the level of uncertainty and lack of empirical evidence, a second approach to monetising the familiarisation costs for lenders by estimating reading costs has been explored.

#### Reading Cost

278. As part of a targeted stakeholder engagement exercise, one high street lender suggested that reforms would mean they will expand their leasehold completion team from 2-3 people to 5 people. We assume that 5 employees from the 10 largest lenders in this group will need to be familiar with the legislation immediately, and that 2 employees from the other lenders will need to be so. This gives a total group size of 110. We assume the mean hourly wage for lenders, using financial accounts managers wage from ASHE data (£27.53). Applying the 1.3 wage uplift provides a cost of £per individual. Multiplying this by the total group size of 110 produces total net present value cost of £33k.

279. In summary, the two approaches produce the following estimates for familiarisation and setup costs:

<b>Approach</b>	<b>Cost</b>	<b>Includes</b>
Stakeholder engagement	£17.3m	<ul style="list-style-type: none"> <li>- System changes - lending infrastructure does not cater for it as a one-off transaction. Adopting a freehold lending infrastructure in a greater sense would need changes across all brands and systems. Biggest cost.</li> <li>- Guidance - (new business, servicing, litigation, repossession)</li> <li>- Supplier contractual updates (valuers and conveyancers)</li> <li>- Website updates &amp; staff training</li> </ul>
Reading cost	£33k	Reading time cost as an opportunity cost

#### *Insurers*

280. We assume that insurers working in the sector will familiarise themselves with the relevant parts of legislation.

281. Analysis by the FCA in 2022<sup>76</sup> found that 17 insurers constitute the majority of insurers active in the multi-occupancy buildings insurance market. We assume that 20<sup>77</sup> employees at each insurer firm will need to familiarise themselves with the policy, giving us a group size of 340. As with other groups, we assume that only 15% of individuals in this group will need to immediately familiarise themselves, giving a group size of 51. We therefore multiply the ASHE mean hourly wage for insurance underwriters (£31.43), as this provides a proxy for individuals working in the insurance sector. After applying the wage uplift and accounting for the time required to review new legislation and make adjustments, the estimated cost per insurer is £346.08. Multiplying this by 51 insurers gives a present value of familiarisation costs of approximately £18k.

### *Legal professionals*

282. We assume that legal professionals working in this area will also familiarise themselves with the legislation.

283. We assume there are approximately 8k lawyers in this sector per data from The Law Society. Lawyers must register with Solicitors Regulation Authority. Following this registration, the Law Society will then ask them to provide their speciality (this is not mandatory but in the interests of the lawyers to do so – so we assume that they do). The relevant speciality for this sector is ‘landlord and tenant – residential’<sup>78</sup> and searching for individuals “within 1 mile” of England and Wales separately yields 8,057 results.

284. As with other groups, we assume that only legal professionals working on new flat supply will need to initially familiarise themselves, and we therefore apply the 15% ‘new supply’ multiplier, giving a group size of 1,209.

### Stakeholder engagement

285. As part of our targeted stakeholder engagement exercise, the Conveyancing Association estimated that it will cost between £5,000 and £10,000 per medium sized firm for training, template development and IT updates, making our central cost assumption £7,500. We use this evidence as a range to scale up the costs to the subset of legal professionals who will be impacted by the reforms, which is 1,209. This has a total present value of £9.1m cost to legal professionals.

### Reading Cost

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<sup>76</sup> [Report on insurance for multi-occupancy buildings](#)

<sup>77</sup> This is taken from an impact assessment done by the FCA as part of a consultation: CP23/8: Multi-occupancy building insurance [CP23/8: Multi-occupancy building insurance](#)

<sup>78</sup> As lawyers are not mandated to name their speciality, there is a large degree of uncertainty regarding this number – particularly as lawyers in other areas (such as residential conveyancers) may occasionally do work that would cross-over with our area. However, we do not have a way of knowing how many do, as such we believe that using the ‘landlord and tenant – residential’ provides the best estimate, even if it is uncertain.

286. We use mean hourly wage for legal professionals per ASHE data (£34.43). Applying the 1.3 wage uplift, this provides a cost of £383.18 per lawyer.

287. Multiplying this per-person cost yields a total present cost of £463k.

Approach	Cost	Includes
Stakeholder engagement	£9.1m	Training, template development and IT updates
Reading cost	£463k	Reading time cost as an opportunity cost

## *Estate Agents*

### Stakeholder engagement

288. Propertymark, who are a professional body for property agents, provide costs for initial activities that members need to carry out to familiarise themselves with using commonhold instead of leasehold in practice. They estimate that the cost to Propertymark members could be £150 +VAT, and £205 +VAT for non-members. Assuming that VAT is 20% for estate agents, this is £180 for the low scenario, £246 for the high scenario, and £213 for the central scenario. Multiplying the central estimate by the number of estate agents in England and Wales – assumed to be 53k per ONS Annual Population Survey data<sup>79</sup> - gives a present value of around £11.2m.

### Reading Cost

289. We assume that all estate agents will need to familiarise themselves with relevant parts of the legislation in order to carry out their job accurately. We use the mean hourly wage for estate agents and auctioneers per ASHE data (£16.85), as this provides a proxy for individuals working as estate agents. Accounting for the wage uplift, the time taken to read new legislation gives a cost per estate agent of £185.54. Multiplied by 53k estate agents, the present value of familiarisation costs is £9.8m.

Approach	Cost	Includes
Stakeholder engagement	£11.2m	The cost of training which Propertymark estimate could be £150 + VAT and £205 + VAT for non-members.
Reading cost	£9.8m	Reading time cost as an opportunity cost.

<sup>79</sup> Figure extracted in January 2026 using Nomis, querying the dataset 'annual population survey - regional - occupation (SOC2020) by sex by employment type', on England and Wales, and SOC 3555: Estate agents and auctioneers. Nomis - Official Census and Labour Market Statistics

## Compliance costs (direct)

290. Beyond familiarising themselves with what will be permitted by the ban on new leasehold flats, and what will not, we expect that developers, legal professionals, lenders, and estate agents, will incur modest ongoing costs from complying with the new compliance obligations. These include:

- Marketing compliance - adding statutory wording to marketing materials for permitted leasehold flats. It is already a legal requirement to record tenure in marketing materials, so we expect that marketing compliance will amount to limited additional costs and will apply only to those permitted to sell new leasehold flats after the ban has commenced.
- Provision of a warning notice – issuing and processing a standardised notice for permitted leases, including buyer acknowledgement. This will be a short form, provided free of charge on the government’s website, based on information the vendor will already have available to them, and so the cost of completing this will be marginal. The warning notice will apply only to those permitted to sell new leasehold flats after the ban has commenced. Those selling flats as commonhold will not have to issue such a notice.
- Registration compliance – including a prescribed compliance declaration via a standard clause in all new leases granted for 21 or more years to enable HMLR (and subsequent buyers) to verify compliance. Prescribed clauses are already a standard part of new registrations of leases, which will be familiar to the legal profession, so compliance costs here again are likely to be marginal.

291. We further expect compliance costs, incurred by the same groups, related to the transition to commonhold. These might include the redesign of developments and adoption of legal and operational practices to accommodate the commonhold model.

292. Due to the limitations in the evidence base that are discussed earlier in this IA, compliance and recurring costs have not been monetised. However, through our stakeholder engagement exercise, we have been able to gather some views from industry on what these might be.

293. In our stakeholder engagement exercise we asked groups what, if any, recurring or ongoing costs or activities they, or the members they represent, would expect to arise from using the new commonhold framework.

- Most groups identified the need for ongoing updates to guidance, advice and training materials to educate staff and members about the new commonhold framework
  - Though the Conveyancing Association expect that this cost will be less than it is under leasehold, as there will not be multiple third parties to notify.
  - The Society of Licenced Conveyancers estimate ongoing training costs to be £500-£1000 per year per conveyancer.
  - Propertymark note that their members will need to pay for new courses at a cost of £150 for new employees or those looking to improve their knowledge of commonhold

- A high street lender told us that they will likely develop some Continuous Professional Development (CPD) to ensure that staff are fully equipped and suitably skilled
- UK Finance cite a 'huge knowledge gap on commonhold across the industry' and expect members to incur costs as each stage in the journey towards reformed commonhold to support the new changes and ongoing services.

It is worth noting that businesses will face CPD costs under a 'do nothing' approach, and so costs will only be incurred where more training than would otherwise be required is undertaken.

- Stakeholders may need to maintain expertise for both leasehold and commonhold during the transition period
  - The Society of Licenced Conveyancers cited the need to maintain expertise and compliance for both leasehold and commonhold and estimate the recurring cost of compliance under a dual system to be between £1,000 and £3,000 per year per firm.
- A high street lender cited increased supplier costs, valuation fees (which are consumer paid) due to greater liabilities and more knowledge required, and conveyancing fees, which will also initially require more specialised knowledge.

294. We also asked stakeholders if and how they expect costs are likely to change over time. While there is still uncertainty over what a transition period may look like, stakeholders generally agree that costs will be greatest at the time of implementation and will diminish over time. Explanations for this included:

- Improved familiarisation amongst sector and commonhold associations in the medium and long term. As such, risk management issues will diminish as commonhold becomes an established process.
- Costs will be highest during dual operation and will diminish once commonhold becomes the sole tenure.
- Standardisation of processes over time.

295. It is expected that compliance costs will be modest relative to the benefits of a simplified tenure system, reduced consumer harm, and improved market confidence. Transitional costs are time-limited and expected to decline as commonhold becomes standardised. Where costs are higher (e.g., dual-system compliance), these will likely be offset by long-term efficiencies and reduced complexity compared to the leasehold model.

#### *4.7.6 Impact on small and micro businesses*

296. Larger developers account for most residential development. The CMA's investigation into housebuilding highlights that the number of SME housebuilders has declined significantly since the 1980s. While SMEs continue to play an important role, delivering approximately 50,000 homes annually, the largest 11 housebuilders deliver

around 40% of all homes.<sup>80</sup> We do not believe that a significant number of small developers deliver blocks of flats, instead we believe that most flats are delivered by the volume builders who are better equipped to manage the financial and operational demands of multi-unit developments. Our analysis above assumes that small housebuilders are less likely to be engaged in building flats and therefore less likely to need to be familiar with the new legislation. However, where SMBs do, even if infrequently, deliver flats they will be subject to the same requirements as larger developers. In these cases, the relative burden may be greater due to their limited scale, capacity, and access to capital.

297. First, the process of familiarising with the new tenure rules and ensuring compliance, particularly the legal and administrative steps required to establish commonhold structures will likely be more challenging for SMBs. These businesses typically operate with smaller administrative teams than large developers and often have limited access to in-house legal expertise, meaning the relative cost of compliance is higher per unit compared to larger developers who can spread these costs across a greater number of projects.

298. Financing is another challenge. Early lender caution of commonhold as a tenure may result in higher interest rates or reduced lending options for developers during the transition period. SMBs can already face restricted access to capital and so may be disproportionately affected because they have fewer financing alternatives compared to large developers. These impacts are an indirect market effect of reform rather than direct compliance obligations. We believe these as transitional costs that should diminish as commonhold becomes established and lender confidence improves.

299. In addition, small and micro **legal and professional services firms**, particularly small solicitors' practices, conveyancers, and managing agents, will be directly affected by the transition to commonhold and the leasehold flat ban. Only those firms active in relevant markets (e.g., flats, commonhold transactions, or management services) will incur costs. These firms will incur the same types of familiarisation and compliance costs as the industry as a whole, but the relative burden may be higher due to limited scale and capacity.

300. However, these firms play a critical role in implementing the reforms (e.g. advising clients, managing commonhold associations, processing transactions). Exempting them would undermine the consistency and effectiveness of the tenure reform and create confusion in the market. All firms undertaking relevant work must comply.

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<sup>80</sup> Competition and Markets Authority (2024) 'Housebuilding Market Study Final Report', 26 February 2024, accessible at: [Housebuilding market study final report](#)

301. In addition, we see the reforms as an opportunity to create new market opportunities for SMBs to develop niche expertise in commonhold law, governance, and transactions. Early adopters could position themselves as specialists, attracting clients seeking guidance on the new tenure and offering services to commonhold associations. These benefits are expected to grow as commonhold becomes established and demand for specialist advice increases.
302. **Commonhold associations** are typically companies limited by guarantee, often run by unit holders themselves. Many will qualify as micro or small businesses under the Companies Act definitions, especially in smaller developments (e.g., blocks of fewer than 10 units). Existing commonhold associations are very rare (fewer than 20 in England and Wales), so most impacts relate to associations created in future through new supply. For clarity, we compare against the current commonhold framework. Obligations that already apply under the counterfactual, such as company registration, filing, and insurance are excluded from costs considered here because they would occur under a no reform scenario; the costs described below arise only from new governance requirements introduced by the reforms. New governance obligations introduced by the reforms include things like mandatory reserve fund planning and enhanced transparency measures (e.g., standardised reporting to unit holders).
303. For existing associations, these costs will be transitional and incurred directly, such as updating governance processes and adopting new templates. For future associations, these costs represent a slightly higher baseline than under the counterfactual, where governance requirements would have been lighter. These costs are expected to be modest and largely one-off for existing associations and embedded in baseline operating costs for future associations.
304. Legal and administrative costs may arise from implementing these new governance obligations. While the CCS will be standardised to reduce complexity, existing associations may seek professional advice to amend their CCS and comply with reserve fund and transparency rules. Future associations may also seek advice when setting up governance under the new model, but this is incremental compared to the counterfactual where such requirements would not exist.
305. Operational adjustments may be needed where managing agents are used. Existing associations may need to update contracts to reflect reserve fund obligations and transparency requirements. Future associations will incorporate these requirements from the outset, which represents an incremental cost compared to the counterfactual.
306. Mitigation measures will include templates and guidance on the new commonhold model to support existing commonholds in transitioning'.

307. While these costs represent new obligations, they are expected to be proportionate and offset by benefits introduced by the reforms, including simplified governance, standardised CCS, and improved transparency. Reforms will also reduce transaction complexity and the risk of costly disputes compared to leasehold. We treat these benefits qualitatively but note potential long-term savings in legal fees and dispute resolution.

#### *4.7.7 Business environment*

308. The reforms are expected to improve the UK's business environment in the long term by aligning with international property norms. While short-term domestic disruption may occur as business models are adapted across the sector, the overall effect is likely to be a more investor-friendly, competitive, and modernised market.

#### International alignment and investor confidence

309. The shift to commonhold as the default aligns England and Wales with internationally recognised property ownership models such as strata title in Australia, condominium ownership in North America and many others across continental Europe. This alignment addresses a key weakness of the current leasehold system, which is an international outlier, and may reduce perceived legal and operational risks for overseas investors compared to the counterfactual. While the scale and timing of any increase in foreign direct investment remain uncertain and will depend on wider market conditions, international comparability is a strong signal of regulatory stability.

310. International law firms, property managers, and conveyancers with experience in similar models abroad may find it easier to enter the domestic market. This could stimulate competition and innovation in these sectors. For example, international firms with experience in strata or condo governance may introduce tested frameworks, digital tools, and streamlined processes not yet widely adopted in England and Wales, accelerating professional standards and efficiency.

#### Consequences of standardised governance

311. The reformed Commonhold Community Statement introduces a uniform governance framework, replacing bespoke lease agreements for new flats after the ban has come in. This standardisation is likely to reduce legal drafting and negotiation costs, particularly for new entrants and small developers who may lack in-house legal capacity. It also creates a more predictable and transparent operating environment, which can improve investor confidence and facilitate the development of repeatable, scalable service models.

#### Innovation in property management tools

312. The expansion of owner-led decision-making within commonhold governance could drive demand for innovative tools that support budgeting, voting, maintenance tracking, and dispute resolution. Standardisation might also enable service providers to design

products and solutions that can be deployed across multiple developments without the need for customisation, improving efficiency and reducing costs.

#### Potential for short-term disruption

313. While the long-term outlook for commonhold is positive, the transition away from leasehold may introduce short-term risks that could restrict investment. Developers and investors who previously benefited from leasehold revenue streams may need to adjust their financial models. This shift may be particularly challenging for smaller firms that lack the capacity to absorb upfront costs or adapt quickly to new governance requirements, potentially affecting their viability. In addition, there is a risk of reduced sales values in the short term if consumers are unfamiliar with commonhold or uncertain about its implications. While commonhold will remain a voluntary option before the ban takes effect, early adopters may face slower sales or discounted pricing until market norms are established, and confidence grows. Buyers may hesitate to purchase homes under a new ownership model until they see evidence of successful developments and lender support, which could delay uptake. However, these risks will be mitigated through various measures. Having a viable commonhold model is the essential first step towards a ban, so government will not ban the use of leasehold until we are confident that a viable alternative through reformed commonhold is in place. We are consulting on this issue. In addition, targeted publicity and awareness campaigns, will help educate consumers, lenders, and professionals about the benefits and mechanics of commonhold. Clear communication and early demonstration projects could play a key role in building trust and accelerating market acceptance.

#### *4.7.8 Trade implications*

##### International trade obligations

314. The proposed reforms to the commonhold regime and to ban new leasehold flats are domestic in scope and only apply to the ownership structures and governance of future, as yet unbuilt, properties in England and Wales. As such, we do not believe that they conflict with the UK's international trade obligations nor impose discriminatory barriers or restrictions on foreign investors or service providers.

##### Regulatory environment

315. The reforms represent a modernisation of domestic property law. Whilst this is a divergence from England and Wales's historic leasehold model, it moves the domestic legal framework closer to international norms for multi-unit property ownership models, such as condominium and strata title systems. As discussed above, this may facilitate cross-border investment in residential flat units and encourage entry of international firms, who already operate under similar frameworks abroad.

316. These reforms do not encourage regulatory divergence across regions, sectors or developments. Some elements, such as the standardised governance framework

through the Commonhold Community Statement, simplifies legal structures and may reduce administrative burdens for both domestic and international businesses.

#### Impact on trade partners

317. These reforms do not restrict access or impose new compliance burdens on non-UK firms, and we see no evidence that the reforms will create regulatory barriers for trade partners.

#### *4.7.9 Environmental implications*

318. While not explicitly designed as an environmental intervention, the reforms to the commonhold regime and the ban on new leasehold flats may create governance conditions that indirectly support the UK's broader commitments to environmental improvement and decarbonisation.

#### Flexibility for environmental upgrades through local rules

319. By empowering flat owners through collective governance under commonhold, the reforms could lead to more proactive building maintenance and investment in energy efficiency measures. Leasehold arrangements, given the rigidity of leases once they are in place, can make it difficult for homeowners to implement sustainability improvements during the lifecycle of the building. In contrast, commonhold offers a more flexible governance model, allowing unit owners to collectively decide on upgrades that improve energy efficiency and environmental performance. Through the Commonhold Community Statement, residents can set local rules tailored to their development and embed sustainability into the ongoing management or long-term planning, should they wish to do so. These could include commitments to install EV charge points, rooftop solar panels, improved insulation or smart heating systems. Local rules could also cover recycling protocols, green procurement policies, or shared investment in low-carbon technologies. While the reforms do not mandate environmental improvements, they create a governance framework that makes them easier to pursue. This flexibility supports better building stewardship and aligns with the UK's net zero ambitions. However, uptake will depend on factors such as cost-sharing arrangements, access to finance, and owner priorities, issues that can present coordination challenges. Publicity and awareness campaigns can help ensure consumers understand these benefits, reducing hesitation and supporting market uptake.

#### *4.7.10 Wider impacts*

#### Housing supply and economic growth

320. The UK government has a commitment to delivering 1.5m new homes in England over the course of this parliament. The supply of new flats is a key part of that effort.

Flats account for approximately 15–20% of new housing annually<sup>81</sup>, with 30,000–40,000 new flats completed each year<sup>82</sup>. 98% of these available for sale are leasehold<sup>83</sup>.

321. The intention is that once reformed commonhold is in place, flats previously sold as leasehold will, other than in exceptional cases, be offered under the commonhold model.
322. Given this will be a significant change to market behaviour, there are a number of short-term considerations with respect to protecting housing supply while switching to commonhold tenure:
- A. Sequencing: The Government have committed to reforming commonhold first, so that it works for the fullest range of development models, before banning new leasehold flats. This will provide developers a viable alternative to leasehold, so that they can continue to build and sell flats with a viable property tenure. The draft bill includes the revised commonhold model.
  - B. Exemptions: It may be that certain development models cannot operate using commonhold, and so housing supply would be affected if they were required to use it. The consultation process will consider the case for legitimate exemptions.
  - C. Timing: Adopting a new tenure, through familiarisation with the new legal framework and adjusting business plans, will require an adjustment period. The consultation will invite feedback on what this period should be.
  - D. Transition: There may be situations where developers have half completed a leasehold building when the ban is commenced. Reprofiling the tenure of the flats at that point may cause significant disruption and delay the supply of flats to the market. The consultation invites feedback on how this should be addressed.
323. Given these considerations, a more detailed assessment of the interaction between the ban and housing supply impacts will be provided once the consultation has concluded and final policy design is complete. See **Section 4.7.1** for assumptions underpinning the transition and implementation sensitivities.
324. Over the medium term, reducing leasehold-related complexity and perceived unfairness could, over time, increase confidence in the flat-buying market and unlock latent demand and investment. Early signals suggest some developers are already adapting business models, for example, moving towards 990-year leases and delivering flats with Resident Management Companies (RMCs) owning the freehold from the outset, indicating sectoral flexibility. We do not yet have evidence that this is a market-wide trend, and further evidence will be gathered through consultation and pre-

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<sup>81</sup> Table 254: [Live tables on housing supply: indicators of new supply - GOV.UK](#)

<sup>82</sup> Per MHCLG analysis of HMLR Price Paid data, [HM Land Registry: Price Paid Data - GOV.UK](#)

<sup>83</sup> [Leasehold housing in England: Statistics - House of Commons Library](#)

legislative scrutiny. Transitional arrangements will also be considered to minimise disruption to housing supply during the switch to commonhold.

### Property values

325. Commonhold offers full freehold ownership in blocks of flats and in mixed-use or mixed-tenure buildings. There are no ground rents, and no diminishing terms.
326. Leasehold is characterised by a diminishing asset value over a finite tenancy and a relationship where certain rights and responsibilities sit with the freeholder. Under the traditional leasehold model, developers or freeholders can derive income from several sources, including ground rents (for leases granted before the Leasehold Reform (Ground Rent) Act 2022 came into force), administration and permission fees. Over time, the structural differences between leasehold and commonhold may influence market values.
327. In the short term, valuation uncertainty may affect accurate pricing of commonhold units as the market adjusts to an unfamiliar product, and the pool of lenders willing to lend on commonhold expands.
328. Similarly, as leasehold is phased out, there may be an effect on the market value of existing leasehold properties. Any such impacts are expected to be limited for several reasons, and directly mitigated by government actions:
- Tenure is just one of many attributes that buyers consider alongside key factors such as the size, location or quality of the property.
  - Commonhold currently represents a negligible share of the market<sup>84</sup>. It is likely to take decades before commonhold becomes the dominant tenure for flats and leasehold will continue to be the primary option for most buyers. As such, any impact on the second-hand market for leasehold properties is expected to emerge only gradually, well beyond the appraisal period<sup>85</sup>, making a significant drop in demand unlikely.
  - The market is already multi-tiered – including traditional leasehold properties, or the more recently available leaseholds with no ground rent, long leases and RMCs in place. Evidence indicates that leases of at least 990 years are already increasingly prevalent in the new build market.
  - The LFRA 2024 reforms will improve the functioning of the leasehold tenure going forward, for example via increased transparency of service charges, reforms to

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<sup>84</sup> Fewer than 200 individual flats today are commonhold, within fewer than 20 individual commonhold developments.

<sup>85</sup> Were all new flats to be sold on a commonhold basis in the future, at the current rate of supply (around 35,000 new flats annually) it would take over 100 years for the supply of commonholds to reach parity with the current stock of leasehold flats (about 3.5 million).

insurance, and reforms to make it cheaper and easier to enfranchise or to access Right to Manage, and reforms to the court system, and redress.

- Reforms in the draft Bill will make converting to commonhold easier for existing leasehold properties, as set out in **Annex 2**.
- Reforms to abolish leasehold forfeiture and replace it with a fairer enforcement system, as set out in **Annex 3**.
- A cap on existing residential ground rents at £250 per-year, changing to a peppercorn after 40 years, as set out in **Annex 5**.

### Market resilience and systemic risk

329. Issues around control, transparency and cost predictability for leaseholders have contributed to market friction, undermining buyer confidence and complicating lender risk assessments. By contrast, a reformed commonhold regime offers a more transparent, standardised, and consumer-friendly tenure. This is expected to reduce widespread risk, improve buyer and lender confidence, and enhance market resilience over time.

### Public sector impacts

330. We will undertake a New Burdens Assessment and Justice Impact Test for the substantive Bill, to calculate the net costs of new regulation and will ensure these are fully funded. Commonhold being the default for new flats could, over time, reduce pressure on public sector resources, particularly courts and tribunals. Unlike leasehold, there is no third-party landlord which may result in more aligned interests of unit owners. Commonhold is democratic where unit owners have a say on key issues, such as setting budgets. In addition, commonhold embeds alternative dispute resolution (ADR) mechanisms, enabling parties to resolve disagreements without formal litigation. Commonhold's emphasis on shared decision-making, transparency, and alignment of interests is expected to reduce the frequency and severity of disputes compared to leasehold, although evidence on this point is limited. Taken together, this might lower the volume of cases reaching the First-tier Tribunal, but this will be more fully explored through the Justice Impact Test. Where resolution via ADR is not possible, Tribunal access remains available. Over time, this could lead to efficiency gains for the public sector through fewer legal interventions and improved outcomes for consumers.

### Equalities impact

331. The reforms discussed in this annex primarily affect purchasers of new build flats. It is important to recognise that access to new build property is not evenly distributed across society. Factors such as income, geography, age, and other characteristics influence who can purchase new builds. While individuals from all protected groups are present among new build purchasers, representation varies. This uneven distribution introduces uncertainty about the precise equalities impact.

332. The best available demographic data relates to existing, self-identified, owner occupier leaseholders rather than new build purchasers. For appraisal purposes, we assume that commonhold will replace leasehold for new flats and that the demographic profile of new build flat purchasers broadly mirrors that of existing leaseholders. This assumption untested and in practice new build buyers may differ in income, age, and ethnicity. Key findings from the EHS (23-24)<sup>86,87</sup> include:

- Leaseholders are predominantly one-person households (50%), with higher prevalence of one person households among leaseholders living in flats (61%). Couples without children account for 26%, and couples with dependent children 13%. Leaseholders in houses are more likely to be families with children than those in flats.
- Marital Status: Single individuals make up 45% of leaseholders overall, rising to 53% among those in flats. Married individuals (including civil partnerships) represent 31%, with lower representation in flats (22%) than houses (45%).
- Religion: The majority of leaseholders report no religion (47%) or identify as Christian (43%). Leaseholders in flats are more likely to have no religion (52%) than those in houses (40%). Leaseholders living in houses are more likely than those in flats to be Christian (49% in houses, 39% in flats) or Muslim (8% in houses, 2% in flats).
- Sexual Orientation: While most household reference persons (HRPs) identify as heterosexual (92%), this proportion is lower among leaseholders in flats (90%) compared to those in houses (96%).
- Age: Overall, leaseholders had a younger age profile than other owner occupiers. Leaseholders are more likely to have a head of the household aged 24 to 34 (20%), compared with freeholder owner occupiers (9%). The trend reverses for households where the head of the household is over 55.
- Sex: There is no significant difference between whether the head of a household is male or female, depending on whether they own a freehold or leasehold property. 59% of freehold owner occupiers have a household which is headed by a male, whilst 57% of leasehold owner occupiers have a male head of the household.
- Ethnicity: The proportion of households with a white head of the household was 84% for leasehold households and 90% for other owner occupiers. The proportion of owner occupier households with an ethnic minority head of the household was 16% for leasehold and 10% for freehold.

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<sup>86</sup> MHCLG (2025) 'English Housing Survey 2023 to 2024: leasehold experience fact sheet', published 17 July 2025, accessible at: [English Housing Survey 2023 to 2024: leasehold experience fact sheet - GOV.UK](#)

<sup>87</sup> EHS data on leaseholders (2023-24), Table FT2232: Demographic and economic characteristic of owner occupiers in leasehold and freehold properties accessible at: [FT2232 Demographic and economic characteristics of owner occupier leaseholders and freeholders 2 .o ds](#),

- Long-term illness or disability: Leaseholders were less likely than freeholders to have anyone in their household with a long-term illness or disability (29% and 33% respectively).
- We do not have available data on pregnancy/maternity or gender reassignment.

333. Some protected groups, particularly younger people, single, widowed or divorced households, LGB+ individuals, and ethnic minorities, are overrepresented among leaseholders. This reflects who buys leasehold today, not any targeting or exclusion created by the reforms. As such, it is important to note that existing market patterns, rather than the reforms themselves, drive the uneven representation of protected groups among prospective purchasers.

334. Certain groups, such as older people, those with disabilities, or those with limited time or resources, may find it easier to participate in governance structures where information is standardised, decision-making processes are transparent, and residents have direct voting rights. The reformed commonhold framework is designed to support these features. While recent and upcoming leasehold reforms have strengthened control, transparency and redress, the commonhold model introduces a different approach to participation which may offer additional benefits for some groups.

335. There are notable gaps in the available data, particularly for protected characteristics such as pregnancy and maternity or gender reassignment, which limits the ability to fully assess equalities impacts. In addition, the analysis relies on the demographic profile of existing leaseholders rather than new build purchasers, introducing further uncertainty. These limitations mean that while the evidence provides useful indications, it cannot capture the full picture of how reforms will affect all groups.

336. While the reforms are expected to deliver positive outcomes overall, there is a risk of short-term, indirect negative impacts during implementation. Groups who are overrepresented in leasehold often correlate with first-time buyers and lower-income households, who are more sensitive to transaction costs and mortgage availability. If commonhold adoption introduces temporary complexity, perceived uncertainty, or delays to transactions, these groups may feel that impact. To mitigate these risks, government will work with industry and consumer groups to provide guidance and support awareness and education campaigns. Government will not ban the use of leasehold until we are confident that a viable alternative, through reformed commonhold, is in place as well as the supporting infrastructure necessary for it to work.

#### Geographical distribution of the leasehold tenure:

337. Leasehold ownership in England and Wales is unevenly distributed, driven by housing delivery geography and developer incentives. This is not by the design of the commonhold reform itself. Flats, where commonhold applies, are largely built in high-density urban areas, resulting in variation in when benefits will be realised.

338. According to the Leasehold Dwellings, 2023–24<sup>88</sup> statistical release, England has approximately 4.83 million leasehold homes, or 19% of the total housing stock. Of these:
- 54% (2.59 million) are owner-occupied, 41% (1.96 million) are privately rented, and 6% (277,000) are in the social rented sector.
  - Flats dominate this tenure, accounting for 72% (3.49 million) of leasehold dwellings, compared to 28% (1.35 million) houses.
  - Regionally, leasehold is most prevalent in London (38%), around 1.42 million dwellings, followed by the North West (26%, or approximately 889,000 dwellings). Other regions fall between 8% and 17%.
  - In the North West, the leasehold stock is heavily house dominated, 22% of houses are leasehold, significantly higher than other regions.
  - In contrast, flats are predominantly leasehold in London (63%), East of England (63%), South East (61%), and South West (62%), compared to 45% in the North West, 49% in the North East and 47% in Yorkshire & the Humber.
339. In Wales, around 16.3% of dwellings (or around 235,000 homes)<sup>89</sup> are leasehold, mainly concentrated in urban areas like Cardiff and Newport, as well as some former industrial zones, a pattern aligned with northern England.
340. Structural differences in housing delivery drive variation in reform impacts. Savills reports that in 2023-24, 96% of new homes built in London were flats, while just 4-5% of new homes in the Midlands or North were flats<sup>90</sup>. This highlights how heavily costs and benefits will initially skew to urban centres, particularly London.
341. Developers in urban markets have strong incentives to adopt commonhold early as it simplifies sales, mitigates reputational risk, and aligns with consumer expectations for fairer tenure. The result may be that businesses in high-supply urban areas will incur costs and gain benefits sooner. Likewise, households in these areas will gain benefits sooner, while homeowners and prospective homeowners in low-supply regions may face delayed access to the same benefits. These disparities reflect market geography and developer behaviour, not policy inequity.
342. Implications:
- Households in high-supply urban areas (e.g., London, South East) will gain from reform earlier.

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<sup>88</sup> MHCLG (2025) Leasehold Dwellings 2023-2024, published 22 May 2025, accessible at [Leasehold dwellings, 2023 to 2024 - GOV.UK](#)

<sup>89</sup> Carr, H., Hunter, C., Owen, G., Makin, C., and Wallace, A.; (2021). Research into the Sale and Use of Leaseholds in Wales. Cardiff: Welsh Government, GSR report number 16/2021. Accessible at: [Research into the sale and use of leaseholds in Wales: summary \[HTML\] | GOV.WALES](#)

<sup>90</sup> [Savills Blog | Flattened – the pressure on London meeting its housing targets](#)

- Lower-supply, house-dominated regions (e.g., North West, Yorkshire, Midlands) may see benefits later as commonhold adoption spreads.
- Over time, as commonhold becomes the standard tenure for flats, benefits will diffuse nationally and reshape development norms.

The variation in benefits does not compromise proportionality or fairness; it reflects long-standing housing delivery patterns and developer incentives, rather than policy design.

#### 4.7.11 Risks, assumptions and sensitivities

Table 4.3: Assumptions, risks and mitigations

Assumption description	Risk	Mitigations
Voluntary adoption is unlikely without mandate.	Conclusions drawn when comparing the preferred option to shortlisted options depend on this assumption.	We are confident that this assumption is correct and grounded in evidence. Despite commonhold being available since the 2004 regulations, uptake has been negligible. This suggests that, in the absence of a legal mandate or strong incentive, businesses are unlikely to adopt commonhold and incur transitional costs. The risk of not capturing associated costs is mitigated by assuming they fall in year 1 while we consult on timing.
Both the reformed commonhold model and the leasehold flat ban are assumed to take effect from 2028 (Year 1). Modelling assumes that transitional costs for businesses occur as a one-off in Year 1, although in practice these costs may be deferred until there is greater certainty about the timing and scope of the ban.	Year 1 impacts may be overstated, with costs potentially misaligned with actual business behaviour (i.e., if businesses defer transitional costs). This could affect NPV estimates and perceived burden.	Sensitivity analysis is included below to illustrate how this assumption impacts NPSV. Timings and cost phasing will be revised for the next Impact Assessment, to be published alongside a substantive Bill, once more implementation details are available.
Reasonable assumptions, drawing on publicly available data are applied, alongside feedback from stakeholder engagement that was carried out to build our evidence base.	Using stakeholder engagement feedback to inform assumptions may affect the accuracy of cost estimates. There is a risk of bias if responses are exaggerated or unrepresentative.	Sources have been clearly documented, and the limitations of the available evidence have been clearly communicated. We welcome further stakeholder feedback and additional evidence to strengthen analysis and validate assumptions.
Analysis is largely qualitative, and benefits have not been monetised.	Potentially reduces clarity on the scale of benefits and non-monetised costs when presenting NPV, though qualitative evidence still supports the policy rationale.	Switching analysis is applied to the monetised costs to identify breakeven thresholds. Qualitative costs and benefits are clearly articulated, and further evidence is invited ahead of the next IA.

Market behaviour will respond predictably to the mandate and incentives.	If market response is different, slower or more resistant than expected, benefits may be delayed or reduced.	Behavioural assumptions are based on analogous reforms and stakeholder feedback. Monitoring and evaluation plans will be developed to track real-world impacts and allow for adaptive implementation if needed.
There will be sufficient capacity and capability within the sector to support transition to commonhold.	If capacity is constrained (e.g. legal expertise, conveyancing systems), implementation may be delayed or uneven.	Early engagement with professional bodies is underway to identify gap.
Consumer awareness and demand will increase once reforms are enacted.	If consumer demand remains low, market shift may be limited even with legal reform.	Public information campaigns and stakeholder engagement are planned to support awareness and uptake and build confidence.

## Sensitivities

### 1. Assumption sensitivity analysis – implementation year

343. This annex assumes that monetised impacts begin in Year 1 of the appraisal period. To explore the impact of this assumption, we tested how the total NPSV changes when a different start year is assumed. The NPSV changes because a discount rate of 3.5%, as set out in HM Treasury’s Green Book, is applied to reflect the social time preference value of money. These scenarios are presented in **Table 4.4**:

Table 4.4: Total NPSV of reforms with different assumptions for the year in which costs are incurred

Year in which impacts begin	NPSV: Central estimate
1	-£18.7m
2	-£19.8m
3	-£20.8m
4	-£21.8m
5	-£22.7m
6	-£23.7m
7	-£24.5m
8	-£25.4m
9	-£26.2m
10	-£27.0m

### 2. Switching values

344. We have conducted switching analysis to consider how great the value of the non-monetised benefits would need to be for the NPSV to equal 0.

345. Here, we focus on homeowners that will benefit from the reformed commonhold framework and ban on new leasehold flats. The size of this group depends on the timing of implementation which, as discussed throughout this IA, is subject to uncertainty. For example, if all regulations, including a ban on most new leasehold flats, are implemented in Year 1, approximately 350,000 commonhold flats will be delivered across the appraisal period. Conversely, if implementation is in Year 10, approximately 35,000 commonhold flats will be delivered<sup>91</sup>. In this sensitivity analysis, we assess the breakeven value of benefits per new flat required to offset the monetised costs. These benefits include:

- Freehold ownership and preservation of homeowners' interests
- Voting rights and improved democratic control
- Better predictability and fewer disputes around bills
- Enhanced autonomy and community cohesion through resident-led governance
- Flexibility with the Commonhold Community Statement

346. The total non-monetised benefits to homeowners would need to be a total of £18.7m across the 10-year appraisal period for the NPSV to equal zero. Assuming full implementation in Year 1 (and therefore 350,000 new commonhold flats built across the appraisal period), this breakeven value would need to be around £50 at £5 per year.

347. This switching analysis considers monetised costs and non-monetised benefits. In this annex, all monetised costs (familiarisation and implementation costs) occur in one year only. Conversely, benefits will persist through, and beyond, the appraisal period. Therefore, if the appraisal period was longer than ten years the switching values would be lower. Working the other way, the analysis does not account for the non-monetised costs outlined in this annex, which may also persist beyond the appraisal period. Monetising these would yield higher switching values than those presented.

348. **Table 4.5** shows how these figures change with the implementation year assumption.

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<sup>91</sup> Based on the number of new flats sold in recent years, per MHCLG analysis of HMLR Price Paid data, [HM Land Registry: Price Paid Data - GOV.UK](#)

Table 4.5: Switching values analysis: value of benefits to homeowners required for NPSV to equal 0, by assumed year of full implementation

Implementation year	NPSV central estimate (from Sensitivity 1)	Assumed number of new flats delivered between implementation and end of appraisal period	Value of benefits required per homeowner for NPSV to equal 0
1	-£18.7m	350,000	£53.60
2	-£19.8m	315,000	£62.89
3	-£20.8m	280,000	£74.37
4	-£21.8m	245,000	£88.99
5	-£22.7m	210,000	£108.33
6	-£23.7m	175,000	£135.22
7	-£24.5m	140,000	£175.34
8	-£25.4m	105,000	£241.92
9	-£26.2m	70,000	£374.66
10	-£27.0m	35,000	£772.09

The number of new flats delivered per year includes flats in the rented sectors. No distinction between occupation type has been made for the purposes of this illustrative sensitivity analysis. 35,000 new flats per year is based on the number of new flats sold in recent years, per MHCLG analysis of HMLR Price Paid data

### 3. Assumption sensitivity analysis – % of flat sales that are new builds

349. When estimating the sizes of some groups that are impacted by reforms, we apply an assumption that only a subset of all employees in a given sector - those that deal with new flat supply - will need to be immediately familiar with the new commonhold legislation. MHCLG analysis of HMLR Price Paid<sup>92</sup> data indicates 15% of flat transactions relate to new flats, and this is multiplied by the 'total' group size to proxy the number of individuals that deal with new flat supply. However, there is uncertainty around this figure due to incomplete data because of reporting lags.

350. Here, we test this assumption by assessing the impact on NPSV of using a different multiplier. The results are set out in **Table 4.6**.

<sup>92</sup> [HM Land Registry: Price Paid Data - GOV.UK](https://www.gov.uk/government/datasets/hm-land-registry-price-paid-data)

Table 4.6: Impact on NPSV of different assumptions on the % of flat transactions that relate to newly built flats

Assumed % of flat sales that are newbuild	NPSV: Central estimate
5%	-£11.7m
10%	-£15.2m
15%	-£18.8m
20%	-£22.3m
25%	-£25.8m
30%	-£29.3m
35%	-£32.9m
40%	-£36.4m
45%	-£39.9m
50%	-£43.5m
55%	-£47.0m
60%	-£50.5m
65%	-£54.0m
70%	-£57.6m
75%	-£61.1m
80%	-£64.6
85%	-£68.2m
90%	-£71.7m
95%	-£75.2m
100%	-£78.7m

#### 4.7.12 Monitoring and evaluation plan

351. Monitoring and evaluation for this policy area forms part of a whole-programme evaluation covering the full suite of leasehold and commonhold reforms.

352. Due to the interconnected nature of the reforms, including the way commonhold reform and the leasehold flat ban interact with other measures, such as conversion provisions in the Draft Leasehold and Commonhold Bill (see **Annex 2**) and the leasehold house ban in the Leasehold and Freehold Reform Act 2024, or the move towards greater homeowner security and empowerment across the whole programme, it is not appropriate to separate out evaluation plans by annex.

353. This annex should therefore be read alongside the overarching monitoring and evaluation plan in the main **Impact Assessment (Section 2.6.4)**, which covers greater detail including design and questions, data strategy and governance and reporting arrangements. This unified approach ensures that cumulative impacts, cross-policy interactions, and stakeholder experiences are properly captured and assessed as part of our monitoring and evaluation plan.

### *Proposed Key Performance Indicators (KPIs) for assessing reform outcomes*

354. The indicators set out below are illustrative only and are intended to give an early sense of the metrics that we expect could support future programme-wide monitoring and evaluation of the reforms.

355. The draft indicators outlined in **Table 4.7** may change as the overarching policy, implementation planning, and evaluation design mature, and will be confirmed at the relevant phase of the evaluation. They are not designed to serve as a standalone evaluation framework for this annex, as monitoring and evaluation will take place at the level of the entire leasehold and commonhold reform programme. The proposed indicators should also not be read as placing new expectations on organisations such as HM Land Registry, Companies House, or Trading Standards at this time. Government will work collaboratively with stakeholders and delivery partners to shape a future monitoring arrangements in line with their responsibilities and operational capacity.

*Table 4.7 – Draft indicators for assessing the reforms to the commonhold framework and prohibiting the sale of new leasehold flats*

<b>Draft indicator</b>	<b>Description &amp; purpose</b>	<b>Data Source(s)</b>
Number of commonhold associations registered	Tracks uptake of commonhold after reforms and whether the new framework is viable in practice.	<ul style="list-style-type: none"> <li>• HMLR Registered Commonhold titles</li> <li>• Companies House Register of Commonhold Associations</li> </ul>
Number of commonhold units registered (new build)	Measures market adoption by developers and consumer demand for reformed commonhold.	<ul style="list-style-type: none"> <li>• HMLR Price Paid Data</li> </ul>
Number of lenders offering commonhold mortgages	Proxy for lender confidence following reforms.	<ul style="list-style-type: none"> <li>• UK Finance Lenders handbook</li> <li>• Engagement with lenders</li> <li>• FCA aggregator insights</li> </ul>
Number of mixed-use / mixed tenure / phased developments adopting commonhold	Tracks whether the revised legal model succeeds in enabling more complex developments.	<ul style="list-style-type: none"> <li>• Planning data</li> <li>• HMLR data</li> </ul>
Share (%) of new flats sold as commonhold vs leasehold	Primary KPI for the ban's effectiveness.	<ul style="list-style-type: none"> <li>• HMLR Price Paid Data</li> <li>• Land Registration restrictions</li> </ul>
Number of enforcement cases (breaches of ban)	Tracks compliance by developers and conveyancers.	<ul style="list-style-type: none"> <li>• Trading Standards enforcement data</li> <li>• Tribunal cases</li> </ul>
Reported consumer satisfaction with tenure, management and governance	Tests whether expected benefits (transparency, fewer disputes, empowerment) materialise.	<ul style="list-style-type: none"> <li>• EHS</li> </ul>