



Ministry of Housing,
Communities &
Local Government

Addressing unregulated and unaffordable ground rent

Policy statement

January 2026

INTRODUCTION

The government intends to introduce a legislative cap on ground rents of £250 a year, changing to a peppercorn after 40 years. This will apply to most long residential leases not already covered by existing legislation. It will deliver on the government's manifesto commitment to "tackle unregulated and unaffordable ground rent charges" and "finally bring the feudal leasehold system to an end". This policy will directly address cost of living pressures for leaseholders, and issues with buying, selling and mortgaging properties with high ground rents, before ending ground rents for good.

Ground rents are an annual or periodic charge that leaseholders are obliged to pay to freeholders under the terms of their lease. Unlike a service charge, there is no requirement to provide a service in return for this payment.

There are approximately 3.8 million leasehold properties with a ground rent obligation across England and Wales. Alongside the action we are already taking on strengthening service charge protections, a cap on ground rents will provide a tangible saving for hard-pressed leaseholders across the country.

Ground rents can vary significantly in their terms: some are fixed in value, while others increase significantly over time, and annual payments can range from a peppercorn (no financial value) to over £1,000 per year. We estimate around 770,000 to 900,000 leaseholders pay over £250 per year, of which 490,000 to 590,000 are in London and the South. In total, last year alone we estimate that leaseholders paid over £600m in ground rents. This measure will be included in the draft Commonhold and Leasehold Reform Bill (the draft Bill). It will deliver on the manifesto pledge to make commonhold the default tenure and take further steps to ban new leasehold flats. This is alongside major reforms to protect existing leaseholders; in particular, in addition to reforming ground rents, the draft Bill will protect leaseholders from the draconian practice of forfeiture – where a leaseholder can sometimes lose their home for even minor breaches of their lease.

Previous governments have committed to reform existing ground rents and failed. This government is determined to deliver on our commitments to leaseholders up and down the country, to act decisively on a significant cost of living pressure, and bring the feudal leasehold system to an end.

The policy of a £250 cap will deliver essential benefits for leaseholders now.

This policy is estimated to deliver savings for around 770,000 to 900,000 leaseholders during this Parliament. On implementation, this will immediately address the most significant ground rent problems that leaseholders face, both in terms of affordability and where ground rents undermine people's ability to sell, buy or mortgage properties.

Ground rents will end after a transitional period of 40 years.

This will deliver a modernised, more efficient housing market and support our wider plan to end the feudal leasehold system. Leaseholders in nearly 4 million properties across England and Wales will save as a result of these measures, with estimated total savings of £10.0bn-£12.7bn¹ when assessed over the entire lease term. It will be easier for leaseholders to take ownership of their buildings, with conversions to commonhold both cheaper and simpler.

Any additional evidence on impacts would be welcomed through the pre-legislative scrutiny process, and we will continue to develop our assessment of them.

¹ Assessed in 2028 present value assuming 2028 implementation, 2025 prices. This is assessed over the full lifetime of leases.

The design of this policy addresses the problems that ground rents cause for leaseholders and aims to strike a fair and socially just balance between the various interests that will be affected:

- **It is simple and will provide certainty to leaseholders, freeholders and property professionals.** Leaseholders will know that for 40 years they can only ever be charged up to £250 per year in ground rent, without the need for complex calculations or valuation of individual properties. This is crucial to delivering a fair and effective housing market – without unnecessary blockers and bureaucracy – on which our broader economic prosperity relies.
- **This approach will cap high ground rents, focusing on addressing the problems of unaffordable and continuously escalating ground rents.** Some leaseholders have always paid high ground rents, while the payments of others have rapidly escalated over time. In either case, high ground rents can lead to significant leaseholder harms. The government recognises that these represent contractual terms agreed between parties. However, the government also recognises that ground rent agreements are not necessarily negotiated between equal parties, and leaseholders can often have an imperfect understanding of their implications, finding out about ground rents late in a buying process where significant costs have already been incurred. This fundamental unfairness has guided the government’s approach to tackling high ground rents. Implementing a £250 cap ensures that our intervention will tackle all high and harmful ground rents.
- **It will address issues faced by leaseholders with getting a mortgage and buying and selling properties.** The point at which ground rents exceed either 0.1% of property value or £250 is a common standard at which mortgage lenders have traditionally started imposing additional checks. They can therefore slow, delay and derail people’s ability to move house and limit their access to competitive mortgage finance. This undermines the housing market, reduces UK labour mobility and creates additional cost and stress for consumers. By setting a ground rent cap at £250 (approximately 0.1% of the value of a typical flat in England and Wales),² current and future leaseholders will be protected from facing difficulties when it comes to moving home as a result of ground rents. This means hundreds of thousands of people with high ground rents will find it easier to move home and potentially millions of people will be free from the risk of ground rents collapsing their chain.
- **It will over time end the vast majority of residential ground rents, supporting our commitment to end the feudal leasehold system and delivering a modernised and efficient housing market.** Ground rents are not necessary and have already been eliminated for new leases entered into after the Leasehold Reform (Ground Rent) Act 2022 (GRA 2022) came into force. Changing the cap to a peppercorn after 40 years will ensure there is no longer a two-tier market between new and older leases. This will also support our goal of moving towards commonhold as the default model of ownership, with conversions to commonhold both cheaper and simpler.

This approach has been designed to strike a fair balance between the interests of different groups and maintain the UK’s reputation as a safe place for investment. This government is proud of the UK’s reputation in supporting investment in this country, and recognises that changes to the legal framework governing property transactions must be delivered in a measured way that does not undermine market stability.

Our approach sits within the context of over 50 years of government intervention to address the problems caused by the leasehold tenure. Leasehold reform is almost unique in the length of the

² Median price paid for a flat/maisonette in England and Wales was £245,000 in the year ending March 2025 (see [Median house prices for administrative geographies - Office for National Statistics](#)).

contracts involved – with leases lasting for hundreds of years. This means that successive governments have either been forced to accept the status quo for millions of leaseholders or to intervene in existing contracts.

The government agrees with the Competition and Markets Authority (CMA) that, from a leaseholder perspective, an immediate peppercorn would have the greatest impact, albeit with costs and consequences for freeholders and investors. An immediate peppercorn cap would result in freeholders and investors losing the entire value of their ground rent and being left largely with development and reversionary value.

Despite the fact that successive governments have signalled action on ground rents since at least 2017, and the long history of government legislation affecting the value in this area, the government is conscious of its responsibilities to both leaseholders and non-leaseholders alike, and the need to balance those interests carefully when considering and designing reform of this kind. These reforms will necessarily have effects on existing contractual arrangements and investments, something which this government does not undertake lightly. The government considers that our proposed approach of a £250 cap now, changing to a peppercorn cap after 40 years, strikes the right balance – dealing immediately with the key concern about unfairly high and increasing ground rents whilst also taking definitive steps to end ground rents.

This policy paper is designed to support scrutiny of the draft Bill. An Impact Assessment (IA) and response to the 2023 ground rent consultation will be published in due course.

BACKGROUND

There are approximately 3.8 million residential leasehold properties with a ground rent obligation across England and Wales. Ground rents are a payment with no clear service in return. Leases can include clauses that allow ground rents to increase at regular intervals, in line with inflation or other indexes. New ground rents have already been abolished by the GRA 2022, but ground rents in older leases still exist. The CMA have previously taken action under consumer protection legislation against terms that allowed ground rents to double more frequently than every 20 years but have been clear that legislation is required to tackle wider issues.³

Ground rents in a residential leasehold context

Ground rents have a long history in the leasehold context. However, their nature has changed significantly over time. Historically, they were often relatively small payments but in more recent years we have seen a change in their use. This has seen higher ground rents, and an increasing prevalence of those which rise substantially over time. Leaseholders facing higher ground rent payments have not generally seen a fall in the price of purchasing a home. Some individuals and institutions invested in ground rents, purchasing freeholds from freeholders or developers, or lending money to freeholders based on their expected future ground rent income, in order to create stable long-term sources of income.

At the same time, the nature of leasehold has been changing.

For over 50 years governments have been legislating to give leaseholders greater protection and security in their own homes, including rights to take over the property or its management, and protection from unfair charges. Given the length of leases, these changes have necessarily involved changing existing contracts, and successive governments have had to navigate the balance between protection of property rights and wider public policy objectives. Much of this legislation has been tested in the courts.

The move to charging higher ground rents, particularly those that rose substantially over time, led to increasing calls for action. In 2017 both the Conservative and Labour manifestos made commitments to address ground rents. In 2019, the House of Commons Select Committee published their report on leasehold reform, calling for the government to cap ground rents, noting the problems that ground rents over 0.1% of property value or £250 cause in buying, selling and mortgaging properties.

The CMA also launched an investigation into ground rent mis-selling and unfair terms in 2019 – driven by the evidence of harms to leaseholders. As a result of this, over 18,000 of the most egregious ground rent terms were addressed, with escalations removed and leaseholders refunded for past ground rents due to these terms. The CMA were clear that this was not the full extent of consumer harm, but they had focused on the most egregious terms with the greatest impact on consumers.

In 2022 the GRA 2022 was passed, mandating that the vast majority of new leases could not require payment of a financial ground rent. This stopped new ground rents being created but did not address issues for existing leaseholders. Leases can last for up to 1,000 years and without further action, generations to come will continue to have to pay ground rents, often in ever increasing amounts.

The previous administration then consulted in 2023 on proposals to address this issue, with a view to legislating. However, the Leasehold and Freehold Reform Act 2024 (LFRA) was passed without addressing ground rents in older leases. The LFRA did include important provisions on ground rents, including making statutory lease extensions for both flats and houses at a peppercorn ground rent and limiting the amount that ground rents could contribute to the cost of enfranchisement or lease extension, as well as creating a right for people to buy out their ground

³ [Leasehold - GOV.UK](#)

rents. These provisions were recently upheld by the High Court but have yet to be brought into force.⁴ But the LFRA did not directly address the challenges faced by existing leaseholders who pay unregulated and unaffordable ground rents.

KEY CONSIDERATIONS

The previous government consulted on five options to cap existing ground rents:

1. Capping ground rents at a peppercorn.
2. Capping ground rents at an absolute maximum value. The upper financial level mentioned in the consultation in this context was £250.
3. Capping ground rents at a percentage of the property value. The percentage mentioned in the consultation was 0.1% of the property value.
4. Capping ground rents at the original amount it was when the lease was granted.
5. Freezing ground rents at current levels.

The government recognises there are strong views on this issue: the consultation responses demonstrate that leaseholders overwhelmingly supported a rapid move to a peppercorn cap, while landlords and investors argued that all the proposals would represent an unjust interference in their property rights and suggested wider negative impacts if these proposals were taken forward.

The responses of all individuals and organisations who took the time to respond to this consultation have informed the government's policy decisions and provided important evidence on that way forward.

Beyond the options considered in the consultation document, the government has also considered a range of other options that were raised by consultees, including:

6. Capping increases in ground rents from the original lease date at inflation or 5% per year, whichever is lower (this policy was proposed collectively by industry representatives in response to the consultation).
7. Banning the most egregious ground rent terms, such as ground rents that increase in frequent, fixed increments, or ground rents rising by more than the rate of inflation.
8. Assessing individual ground rents, with powers to ban those deemed 'unfair'.
9. Capping ground rents at an absolute maximum value and freezing any ground rent below that value at current levels.

Further questions about whether a ground rent cap should change over time, and whether there should be any transitional period before implementing these reforms, were also considered and the impacts of these options fully examined.

Overall approach to addressing ground rents

Policy: The government will cap ground rents in cash terms, directly addressing the problem caused by high and escalating ground rents while providing clear and easily understood rules.

The government considers that a cash cap is the most appropriate way to immediately address the most significant harms leaseholders face as a result of ground rents. The choice of overall approach was guided by our assessment of the harms caused by ground rents and the need for a clear, easily understood and administratively efficient system. The government is clear that ground rents are undesirable from both a leaseholder and housing market perspective. This issue has already been settled going forward through the GRA 2022, which eliminated ground rents for the vast majority of new leases after the GRA 2022 came into force. However, there is a recognition that there is a significant difference between regulating the creation of new leases and intervening to affect existing contracts and investments.

⁴ *R (ARC TIME Freehold Income Authorised Fund) v Secretary of State for Housing Communities and Local Government* [2025] EWHC 2751 (Admin)

The level of ground rents both now and in the future determines the extent of harm faced by leaseholders. Higher levels of ground rent cause issues for leaseholders in terms of affordability, as well as when buying, selling and mortgaging properties. The three options which most directly target the level of ground rents now and in the future are a peppercorn cap (option 1), a cash cap (option 2), and a cap as a percentage of property value (option 3). Some more detailed considerations for this decision are set out below.

Option 1: an immediate peppercorn cap

A change to a peppercorn cap is attractive from both a leaseholder and housing market perspective. The government's view as set out above is that ground rents are undesirable and eliminating the two-tier market between new and older leases will support an improved and modernised property market. A change to a peppercorn cap would lead towards the elimination of ground rents in almost all residential leases.

While there are clear attractions to an immediate peppercorn cap (option 1), this approach would involve transferring the full value of ground rents from freeholders and investors to leaseholders. Though the government is of the view that interference in existing contracts is an appropriate course of action in this specific context, it considered that this would have a disproportionate impact on freeholders and investors.

The government is also conscious that higher levels of value transfer come with higher risk of negative effects, including those which could impact on leaseholders, for instance if a building is left without management. An immediate peppercorn cap would leave some freeholds with little or no financial value. This would create increased risks of freeholder insolvency, which would be particularly problematic where freeholders are responsible for building safety liabilities, with leaseholders potentially facing risks of slower remediation, additional costs and wider problems with building management.

By contrast, a £250 cap (changing to a peppercorn after 40 years) will ensure that some value is maintained, mitigating these risks and creating incentives for investors and freeholders together as they adjust to this new legal framework. All parties are expected to act responsibly, in line with both their own financial interests and their obligations to leaseholders.

Options 2 and 3: a cash cap versus a cap based on a percentage of property value

In considering the choice between a cash cap (option 2) and one that is a percentage of property value (option 3), the government recognises that a cap as a percentage of property value is likely often to most accurately reflect the problems caused by high ground rents. There is also an existing precedent in the LFRA which uses a percentage for the purpose of enfranchisement calculations. However, a ground rent cap is intended to apply to around 3.8 million leasehold properties, irrespective of whether the leaseholders wish to enfranchise. Implementation of option 3 would require an assessment of each property's value – presenting obvious financial and practical issues. Options to mitigate this by using a formula to calculate property values were considered, but this approach is inherently more complex and would be harder for leaseholders to understand and challenge. Issues include both the complexity, communication, and enforcement challenges of such an approach, where each individual property is subject to a different cap, and the fact that any formula would necessarily be unable to reflect the unique circumstances of every property.

On balance the government's view is that a cash cap (option 2) represents the most appropriate way forward. A single cash cap is more deliverable than one based on property value; it is easier for leaseholders to understand; and it is therefore easier to protect leaseholders from abusive practices. It provides everyone with clear rules which will help ensure that ground rents no longer undermine the efficient operation of the property market.

All other options that were considered were rejected because they failed to address harms. Some of the options are too complex and fail to provide certainty (option 8) or risk allowing high

and problematic ground rents to continue (options 4, 5, 6 and 7). With respect to option 9, the combination of freezing ground rents and a cap was considered to be unjustified since a cap alone would be sufficient to address the harms of ground rents. The ‘do nothing’ approach was also considered, whereby leaseholders would need to rely upon the provisions in the LFRA to buy out problematic ground rents. However, it is clear that such an approach would not be feasible for many leaseholders due to the costs involved in compensating landlords. This would risk creating a situation where only wealthy leaseholders could deal with problematic ground rents. There would also be very significant process costs in this approach⁵ – both leaseholders and freeholders would need to pay their own costs. It is also clear that if this was done for hundreds of thousands of leases, there would be risk of housing market disruptions due to the impact on availability of specialist skills for this purpose.

Consideration of the level of the cap

Policy: The government will set the ground rent cap at £250 per year. This is targeted at the level where ground rents start to cause increased harms for leaseholders.

A range of potential levels for the cap were considered. A higher cap would reduce impacts on freeholders and investors but would come at the cost of exposing more leaseholders to ground rents which cause increasing harm. For instance, a cap of £500 would see a typical flat potentially facing ground rent exceeding 0.2% of property value – with restricted mortgage choices – while a £100,000 flat could face ground rent as high as 0.5% of value, a point at which practically no lenders are willing to offer a mortgage. A lower cap would increase the benefits to leaseholders but the higher impacts on freeholders and investors would be difficult to justify, given the lower harms caused by more modest ground rents.

Lenders set their own policies on what ground rents are acceptable to them when considering mortgages. While there is variation between lenders, ground rent at 0.1% of property value is a common threshold at which lenders on leasehold properties start to become more restrictive; some will not lend above this level at all, while others subject lending to additional checks. These checks can include requiring more information in order to approve lending, which can slow down decisions and transactions. As a result, leaseholders with ground rents above this level have reduced choices about mortgages and in some cases no lending is available at all.

Ground rent at £250 is also a common threshold used by many lenders. This derives at least in part from the so-called ‘Assured Shorthold Tenancy Trap’, a situation in which leaseholders could risk losing their home for unpaid ground rents if the annual sums exceed £250 (or £1,000 in London). This issue has been addressed through the Renters’ Rights Act 2025 as part of our reforms to the private rented sector. The Renters’ Rights Act only came into force in December 2025 and £250 remains in use for many lenders. According to UK Finance data set out in part 2 of lending policies, only one of the 12 major lenders did not explicitly reference either £250 or 0.1% within their mortgage lending rules.⁶

Higher ground rents also impact on the saleability of homes – we have heard cases where this can result in leaseholders being unable to move home to start a new job or delaying decisions around starting a family. A survey from the Association of Leasehold Enfranchisement Practitioners found that 81.8% of members agreed that “*ground rents have a negative or undesirable effect on the sale of leasehold properties*”, with a majority agreeing this was driven by mortgage availability.

The government is clear that £250 is the appropriate level for a cap.

Consideration of changing the cap over time

⁵ According to the [2023-24 English Housing Survey](#), of those leaseholders who reported their savings amount, 29% held no savings, and a further 14% had less than £5,000.

⁶ MHCLG Analysis of UK Finance Lenders Handbook Part B – 12/01/2026.

Policy: The cap will remain at £250 fixed in cash terms for 40 years after which ground rents will change to a peppercorn.

From a freeholder and investor perspective, increasing the cap over time would be preferred. It would significantly reduce the value transfer associated with these reforms and would assist investors who use ground rents to match inflation-linked liabilities. However, from a leaseholder perspective, increasing the cap over time would be difficult to justify. The government notes the CMA's analysis that "*From a consumer perspective, if no service or other advantage is being provided in return for ground rent, it is hard to see the justification for any uplift in future ground rents.*" While there are many potential options for uprating, one of the most logical would be to link the cap to inflation. However, this would expose leaseholders to large increases in ground rent during periods of high inflation.

The government is further concerned that uprating a cap could lead to increased complexity, which would make it harder for leaseholders to understand what demands are lawful (compared to a fixed cap), lead to uncertainty for leaseholders about future payments and make it harder for purchasers to assess the overall impact of future ground rent payments. The impact of uprating is difficult for consumers to assess, particularly over the length of a lease which can often last for hundreds of years.

The government therefore concluded that uprating a cap over time was not desirable.

Change to a peppercorn cap

As set out above under option 1 of the consultation, a change to a peppercorn cap is attractive from both a leaseholder and housing market perspective. The government's view is that ground rents are undesirable, and that eliminating the two-tier market between new and older leases will support an improved and modernised property market.

A change to a peppercorn cap in the future would lead towards the elimination of ground rents in almost all residential leases after a period of time, with reduced impacts on freeholders and investors compared to an immediate peppercorn cap.

However, the government recognises that a change to a peppercorn has a greater impact upon freeholders and investors over and above the impact of the initial £250 cap. The case for this intervention is also lessened by the fact that a £250 cap alone will address the most significant problems that some leaseholders face with ground rents (those relating to buying, selling and mortgaging properties).

The analysis suggests that, compared to a 40 year transitional period, a 20 year period would increase the impacts on freeholders and investors by 12 to 13 percentage points. However, increasing the transitional period to 60 years would have a lower impact.

Table 1: Estimated impact of different transitional periods on value of transfer from freeholders to leaseholders

Transitional period	Estimated value transfer from freeholders to leaseholders
20 years	-68% to -73%
40 years	-55% to -61%
60 years	-50% to -57%

This shows that, while shorter transitional periods have significantly increased estimated impacts on freeholders, longer transitional periods do not benefit them to the same degree. Some investors will have lent to freeholders against future ground rent incomes, and the term for repayment of these loans will vary in length.

The government also noted that some institutional investors use ground rents to match liabilities relating to already closed pension schemes for retired individuals. In most cases these pension schemes will have significantly fewer members drawing pensions at the end of a 40 year transitional period. The government further notes that ground rents at a fixed cash value of £250 will, over time, become less valuable in real terms. However, the potential administrative and housing market costs associated with ground rents will not diminish. In extremis, a point could be reached at which the cost of collecting ground rents exceeds their value so, while many freeholders might choose not to collect ground rents, they would remain in place as a matter of law. Therefore, we are clear that there must be a point at which such payments should be eliminated entirely.

The government is therefore of the view that a transitional period is appropriate, having regard to all of the interests involved, and that 40 years is an appropriate length of transitional period before a peppercorn cap is introduced.

Further details

The government further considered a number of related questions on whether there should be exemptions from a ground rent cap and leases which might need to be treated differently.

- **Specific financial or social arrangements:** The GRA 2022 includes certain exemptions where the amount of ground rent as set out in a lease is permitted (instead of a peppercorn cap). These exemptions (business leases, community-led housing and home finance plans) allow for certain financial or social arrangements that rely on ground rent being charged to continue. As with the GRA 2022, this will not affect the rent that shared owners pay on the share of their property that is owned by their landlord. The draft Bill will mirror these exemptions to ensure those arrangements are not disrupted.
- **Leases granted for no premium:** Leases where people pay a rent on a long-term basis (analogous to a long-term rental) will be exempt from this policy. This is because they are not regulated leases under the GRA 2022. Under these leases, the sole payment for the home is the ground rent, and therefore capping this ground rent would be unjustified.
- **Negotiated (quid pro quo) leases:** There are examples of leases where the leaseholder agrees to pay a higher ground rent in exchange for a lower premium – for instance, if a leaseholder negotiated a £10,000 reduction in the purchase price in return for £250 extra ground rent payment per year. Provision for such leases was included in the LFRA and was determined to be lawful in judicial review proceedings in 2025. The government is considering whether the Bill on introduction should contain provision on this type of lease. We would welcome evidence on this as part of the pre-legislative scrutiny process. Such an exemption must not undermine the strategic benefits of these reforms and therefore must be limited to genuine cases where leaseholders have actively chosen to pay higher ground rents.
- **Intermediate leases:** The draft Bill includes provisions relating to intermediate leases. These concern situations where homeowners pay ground rent to an intermediate landlord who then passes this ground rent on to a superior landlord or freeholder. These provisions will reduce the obligations of intermediate landlords to pay ground rent when their income from ground rent is reduced. This will avoid unnecessary disruption to existing arrangements and is particularly important in retirement housing where many providers use intermediate landlords to provide services. These proposals will not affect the way the cap affects ordinary residential leaseholders.

Interaction with the LFRA: The LFRA included provisions relating to how ground rents should be considered when determining the price payable for enfranchisement, in particular limiting the value of future ground rents for this purpose to 0.1% of property value. This was a practical approach in this context since enfranchisement requires a property valuation. As set out earlier, this approach is not practical if replicated at scale for the purposes of an immediate cap on the amount of ground rent actually paid by leaseholders each year. The £250 ground rent cap and change to a peppercorn after 40

years will feed through into enfranchisement calculations, tending to reduce the price payable for enfranchisement. We would welcome views on this interaction as part of the pre-legislative scrutiny process.

- **Compensation for past ground rents:** Our proposals will not require landlords to compensate leaseholders for any past ground rent paid in excess of the cap. However, general consumer protection law will still apply to the use of ground rent terms before the cap takes effect, including for past ground rents. Where developers and freeholders have entered into undertakings with the CMA relating to doubling ground rents, we expect them to continue to meet these obligations.

CONCLUSION

Successive governments have failed to take comprehensive action on ground rents. This has left people continuing to pay charges that are unfair and in some cases unaffordable. It has left properties unmortgageable and unsellable, preventing people from getting on to the property ladder or making home moves that are essential for their family or work.

Capping all ground rents at £250 will deal with these issues. By capping all high ground rents – irrespective of whether they have always been high or escalated to become high over time – current and future leaseholders will be protected from unjust difficulties when it comes to moving house. At the same time, the government has been conscious of the need to intervene in existing contracts only where necessary and this intervention is targeted at the harms caused by high and escalating ground rents.

Capping all ground rents at a peppercorn after a transitional period of 40 years will improve the housing market. This will end the two-tier system between new and older leases, delivering a modernised housing market which is fairer and more effective. Buying and selling a leasehold property will involve less paperwork, less stress and reduced legal fees. The benefits of this extend beyond leasehold – an efficient housing market boosts housing supply and encourages growth. It also supports the long-term goal of moving to commonhold, by making conversion cheaper and easier by reducing the cost of acquiring the freehold.

This government committed to end the feudal leasehold system. This is another significant step towards that goal, delivering real homeownership for millions of people.

Alongside this policy paper, we have published a draft Bill for pre-legislative scrutiny by Parliament. We intend to enact these proposals through primary legislation and, subject to this process, aim to implement them in 2028.

ANALYSIS AND METHODOLOGY

The estimates presented above and summarised in the table below have informed the decisions made on this issue. Further details will be set out in the IA to be published in due course.

Table 2: Summary of key estimated impacts of £250 cap changing to a peppercorn after 40 years

Value transfer	Billions	£10.0-12.7bn
(over whole lease)	%	-55% to -61%
Freeholders retain	%	39% to 45%
Leasehold dwellings benefitting	Day 1	770,000 – 900,000
	Over policy lifetime	3.8m

The estimated impacts have been updated since the publication of the IA for the ground rent consultation in 2023. Full details will be set out in the IA to be published in due course. Briefly, the changes include:

Routine changes such as updating the price year to 2025 and the present value basis to 2028, updating data, such as Gross Domestic Product (GDP) deflators, inflation forecasts, His Majesty's Land Registry (HMLR) data on lease lengths, and using the latest data from the English Housing Survey (EHS).

Incorporating consultation feedback into the modelling assumptions. This includes consideration of the prevalence of variable ground rents and frequency of review, which increases the estimate of the impact of the transfer from freeholders to leaseholders.

Improvements to the accuracy of the underlying data. The analysis uses estimates of ground rents from the EHS. As noted in the IA for the ground rent consultation, and in the latest EHS leasehold experience fact sheet,⁷ there are limitations to this information.

To address this, the department has carried out an extensive exercise to verify a sample of self-reported ground rents in the EHS sample by checking against lease documents registered to the same address via HMLR. As a result of this work our overall estimate of ground rents paid in England has reduced, although the median ground rent is less affected. The most notable reduction occurs in the top 20% of ground rents.

Table 3: Average ground rents before and after adjustment methodologies applied, £ per annum, 2020-21 to 2023-24

	Mean		Median	
	Baseline EHS (£)	Adjusted (£)	Baseline EHS (£)	Adjusted (£)
Full sample	299	124-153	100	80-95
Top 20%	1,080	343-437	500	300-350
Bottom 80%	82	67-69	50	35-40

We welcome additional evidence through the pre-legislative scrutiny process and will continue to develop our assessment of the impacts. More detail will be set out in the IA, as well as extensive sensitivity testing to account for data uncertainties.

⁷ English Housing Survey 2023 to 2024: leasehold experience fact sheet - GOV.UK