

Annex 2: Commonhold Conversions

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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 |
|---|--|---------------------------|
| Description of overall expected impact | <p>Monetised impacts use 2025 prices and 2028 present value.</p> <p>All qualitative benefits are listed below.</p> <p><u>Non-monetised benefits</u></p> <p>Reforms to the commonhold conversion process will significantly broaden access to conversion, especially in cases where a minority are opposed, allowing more willing leaseholders to transition to commonhold. Once converted, households will benefit from the advantages that commonhold offers, including greater ownership security and democratic control over property management.</p> <p>The reforms will also benefit businesses by providing regulatory safeguards and legal clarity for lenders, new opportunities for management contracts with commonhold associations, and enhanced market opportunities and an expanded caseload for other professional services.</p> <p><u>Non-monetised costs</u></p> <p>Businesses will incur modest ongoing costs from complying with the new legal, technical and operational requirements associated with delivering commonhold conversion. Costs may be higher in cases involving mixed-tenure blocks, where leasehold and commonhold coexist, which are likely to require more complex advice and operational adjustments,</p> | Positive |

| (1) Overall impacts on total welfare | Directional rating |
|--|--------------------|
| <p>increasing time and resource intensity. Other costs that have been explored qualitatively include: costs to freeholders, in particular the loss of their freehold interest when conversion occurs; costs faced by non-consenting leaseholders in a converting block; costs (such as delays) related to development value for converting leaseholders; and the loss of business model where managing agents are accountable to freeholders.</p> <p>All qualitative costs are listed below.</p> <p><u>Monetised costs</u></p> <p>Familiarisation and implementation costs - PV: £3.7m (£3.4m - £4.0m) across the 10-year appraisal period.</p> <p>Freeholders, lenders, managing agents, valuers and surveyors, legal professionals and insurers could incur time 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"> • The net present social value (NPSV) of the policy is -£3.7m (-£4.0m to -£3.4m). 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 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. • The equivalent annual net direct cost to business (EANDCB) of the policy is £0.4m. | |

| (1) Overall impacts on total welfare | | Directional rating |
|---|--|---------------------------|
| | <ul style="list-style-type: none"> The equivalent annual net direct cost to households (EANDCH) of the policy has not been monetised. | |
| Monetised impacts | <p>Monetised impacts use 2025 prices and 2028 present value.</p> <p><u>Monetised costs</u></p> <p>Familiarisation and implementation costs - PV: £3.7m (£3.4m - £4.0m) across the 10-year appraisal period.</p> <p>Freeholders, lenders, managing agents, valuers and surveyors, legal professionals and insurers could incur time 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> | Negative |
| Non-monetised impacts | <p><u>Benefits</u></p> <ul style="list-style-type: none"> Improved access to commonhold benefits (leaseholders) Regulatory safeguards and legal clarity for mortgage lending (lenders) New opportunities for management contracts with commonhold associations (managing agents) Enhanced market opportunities and an expanded caseload for other professional services (valuers and surveyors, legal professionals, insurers, estate agents) <p><u>Costs</u></p> <ul style="list-style-type: none"> Compliance costs (legal professionals, lenders, valuers, insurers) Living arrangement impacts and deferred conversion costs for non-consenting leaseholders (leaseholders) Front-loaded development value costs (participating leaseholders) | Positive |

| (1) Overall impacts on total welfare | | Directional rating |
|---|--|---------------------------|
| | <ul style="list-style-type: none"> • Loss of freehold interest for existing freeholders for any additional enfranchisement (freeholders) • Costs to freeholders because of “unit-backs” (see paragraph 218) (freeholders) • Loss of business model where managing agents are accountable to freeholders (managing agents) | |
| Any significant or adverse distributional impacts? | <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 leasehold flats. Uptake of conversion, and the associated costs and benefits are expected to be higher in urban areas with dense leasehold stock, particularly London, Manchester, and Birmingham.</p> <p>As such, the impacts of the proposed reforms to commonhold conversion on households and businesses are likely to be more concentrated in these areas.</p> | Neutral |

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 | | |
|--|---|------------------|
| Description of overall household impact | <p>Monetised impacts use 2025 prices and 2028 present value.</p> <p>All qualitative benefits are listed below.</p> <p><u>Non-monetised benefits</u></p> <p>Reforms to the commonhold conversion process will significantly broaden access to conversion, especially in cases where a minority are opposed, allowing more willing leaseholders to transition to commonhold. Once converted, households will benefit from the advantages that commonhold offers, including greater ownership security and democratic control over property management.</p> <p><u>Non-monetised costs</u></p> <p>Costs to householder that have been explored qualitatively include costs faced by non-consenting leaseholders in a converting block; and costs (such as delays) related to development value for converting leaseholders</p> <p>All qualitative costs are listed below.</p> | Positive |
| Monetised impacts | N/A | Uncertain |
| Non-monetised impacts | <p><u>Benefits</u></p> <ul style="list-style-type: none"> Improved access to commonhold benefits (leaseholders) | Positive |

| (2) Expected impacts on households | | |
|---|---|----------------|
| | <p><u>Costs</u></p> <ul style="list-style-type: none"> • Conversion costs for participating leaseholders (leaseholders) • Living arrangement impacts and deferred conversion costs for non-consenting leaseholders (leaseholders) • Front-loaded development value costs (consenting leaseholders) | |
| Any significant or adverse distributional impacts? | <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 leasehold flats. Uptake of conversion, and the associated costs and benefits are expected to be higher in urban areas with dense leasehold stock, particularly London, Manchester, and Birmingham.</p> <p>As such, the impacts of the proposed reforms to commonhold conversion on households are likely to be more concentrated in these areas.</p> | Neutral |

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 | | |
|---|---|------------------|
| Description of overall business impact | <p>Monetised impacts use 2025 prices and 2028 present value.</p> <p><u>Non-monetised benefits</u></p> <p>The reforms will benefit businesses by providing regulatory safeguards and legal clarity for lenders, new opportunities for management contracts with commonhold associations, and enhanced market opportunities for other professional services.</p> <p>All qualitative benefits are listed below.</p> <p><u>Non-monetised costs</u></p> <p>Businesses will incur modest ongoing costs from complying with the new legal, technical and operation requirements associated with delivering commonhold conversion. Costs may be higher in cases involving mixed-tenure blocks, where leasehold and commonhold coexist, which are likely to require more complex advice and operational adjustments, increasing time and resource intensity. Other costs that have been explored qualitatively include costs to freeholders, in particular the loss of their freehold interest when conversion occurs; and the loss of business model where managing agents are accountable to freeholders.</p> <p>All qualitative costs are listed below.</p> <p><u>Monetised costs</u></p> <p>Familiarisation and implementation costs - PV: £3.7m (£3.4m - £4.0m) across the 10-year appraisal period.</p> | Uncertain |

| (3) Expected impacts on businesses | | |
|---|---|------------------|
| | Freeholders, lenders, managing agents, valuers and surveyors, legal professionals and insurers could incur time costs to familiarise themselves with, understand and action the new legislation. We expect at least some of these costs might be passed onto consumers. | |
| Monetised impacts | <p>Monetised impacts use 2025 prices and 2028 present value.</p> <p><u>Monetised costs</u></p> <p>Familiarisation and implementation costs - PV: £3.7m (£3.4m - £4.0m) across the 10-year appraisal period.</p> <p>Freeholders, lenders, managing agents, valuers and surveyors, legal professionals and insurers could incur time 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> | Negative |
| Non-monetised impacts | <p><u>Benefits</u></p> <ul style="list-style-type: none"> • Regulatory safeguards and legal clarity for mortgage lending (lenders) • New opportunities for management contracts with commonhold associations (managing agents) • Enhanced market opportunities and an expanded caseload for other professional services (valuers and surveyors, legal professionals, insurers, estate agents) <p><u>Costs</u></p> <ul style="list-style-type: none"> • Compliance costs (legal professionals, lenders, valuers, insurers) • Loss of freehold interest for existing freeholders from any additional enfranchisement (freeholders) • Costs to freeholders because of unit-backs (freeholders) | Uncertain |

| (3) Expected impacts on businesses | | |
|---|--|----------------|
| | <ul style="list-style-type: none"> Loss of business model where managing agents are accountable to freeholders (managing agents) <p>We expect some business costs to be passed onto consumers.</p> | |
| Any significant or adverse distributional impacts? | <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 leasehold flats. Uptake of conversion and the associated costs and benefits are expected to be higher in urban areas with dense leasehold stock, particularly London, Manchester, and Birmingham.</p> <p>As such, the impacts of the proposed reforms to commonhold conversion on businesses are likely to be more concentrated in these areas.</p> | Neutral |

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>Business environment:</p> <p>Does the measure impact on the ease of doing business in the UK?</p> | <p>Conversion will be voluntary and initiated by leaseholders. Any effects on the business environment are expected to be modest and proportionate to the number of blocks that choose to convert, with impacts focused in sectors directly engaged in leasehold property management, freehold investment, and residential legal and professional services. Wider residential and commercial investment decisions are not expected to be materially affected by these reforms. We have explored the following key considerations:</p> <ul style="list-style-type: none"> • Incentives, behaviours and innovation • Effects on service procurement and management • Competition, barriers to entry and market structure | <p>May work for</p> |
| <p>International Considerations:</p> <p>Does the measure support international trade and investment?</p> | <p>The proposed reforms focus on creating a workable legal framework which makes converting an existing leasehold building to commonhold more accessible. These changes are domestic in scope, applying only to England and Wales, and concern property ownership structures rather than the regulation of goods or cross-border services. Consequently, the measure is not expected to have material impacts on international trade in goods or services, nor does it introduce technical barriers to trade.</p> <p>The conversion framework will apply uniformly to all property owners and service providers, regardless of nationality, ensuring that foreign businesses face no additional requirements compared to UK-based firms. Governance standards for converted commonhold properties will be consistent and transparent, supporting a level playing field.</p> | <p>Neutral</p> |

| Category | Description of impact | Directional rating |
|---|---|--------------------|
| | While the measure does not directly affect UK exporters, it may generate indirect benefits for UK-based legal, surveying, and property management firms by stimulating demand for professional services associated with conversion projects. | |
| Natural capital and Decarbonisation: Does the measure support commitments to improve the environment and decarbonise? | While not explicitly designed as an environmental intervention, the reforms to the commonhold conversions can 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. 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. | Neutral |

Part 3: Summary: Analysis and Evidence

Price base year: 2025

PV base year: 2028

| Category | 1. Business as usual (baseline) | 2. Preferred way forward - Legislate to streamline and improve the process for conversion from leasehold to commonhold |
|--|---------------------------------|---|
| <p>Net present social value</p> <p>(with brief description, including ranges, of individual benefits and costs)</p> | <p>Not applicable</p> | <p>Monetised impacts use 2025 prices and 2028 present value.</p> <p><u>Monetised costs</u></p> <p>Familiarisation and implementation costs - PV: £3.7m (£3.4m - £4.0m) across the 10-year appraisal period.</p> <p>Freeholders, lenders, managing agents, valuers and surveyors, legal professionals and insurers could incur time 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"> • The net present social value (NPSV) of the policy is -£3.7m (-£4.0m to -£3.4m). • The equivalent annual net direct cost to business (EANDCB) of the policy is £0.4m. • The equivalent annual net direct cost to households (EANDCH) of the policy has not been monetised. |

| Category | 1. Business as usual (baseline) | 2. Preferred way forward - Legislate to streamline and improve the process for conversion from leasehold to commonhold |
|---|--|--|
| Public sector financial costs | Not applicable | <p>Public sector financial costs are not monetised in this IA. A New Burdens Assessment and Justice Impact Test will be undertaken to ensure that any regulatory costs are fully funded.</p> <p>Conversion to 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 legal disputes than leasehold.</p> |
| Significant un-quantified benefits and costs | <p>For appraisal purposes, the Business-as-usual scenario is treated as having zero fiscal cost.</p> <p>However, as detailed in Section 4.5.1, the Do-Nothing option entails significant ongoing costs for businesses and sustains systemic inefficiencies, with unanimous leaseholder consent being required. These impacts should be considered alongside consumer detriment and public sector burdens when assessing the</p> | <p><u>Non-monetised benefits</u></p> <p>The reforms will benefit businesses by providing regulatory safeguards and legal clarity for lenders, new opportunities for management contracts with commonhold associations, and enhanced market opportunities and an expanded caseload for other professional services.</p> <p>All qualitative benefits are listed in Part 1.1</p> <p><u>Non-monetised costs</u></p> <p>Businesses will incur modest ongoing costs from complying with the new legal, technical and operation requirements associated with delivering commonhold conversion. Costs may be higher in cases involving mixed-tenure blocks, where leasehold and commonhold coexist, which are likely to require more complex advice and operational adjustments, increasing time and resource intensity. Other costs that have been explored qualitatively include: costs to freeholders, in particular the loss of their freehold interest when conversion occurs; costs faced by non-consenting</p> |

| Category | 1. Business as usual (baseline) | 2. Preferred way forward - Legislate to streamline and improve the process for conversion from leasehold to commonhold |
|--|---|---|
| | overall value for money of reform options. | leaseholders in a converting block; costs (such as delays) related to development value for converting leaseholders; and the loss of business model where managing agents are accountable to freeholders. All qualitative costs are listed in Part 1.1 |
| Key risks | The current conversions framework requires unanimous consent in order to convert to commonhold. | The main risks to delivery of benefits from the new conversion regime may arise if confidence in the conversions process is lacking, or if the proposed changes are poorly understood. Assumptions, risks and mitigations are set out in more detail later in this annex. |
| Results of sensitivity analysis | Not applicable | A large range of uncertainty is reflected in our low and high scenarios. Switching analysis reflects the uncertainty of when reforms will come into place and are detailed in Section 4.7.11 . To offset the monetised cost over the appraisal period, this analysis estimates that total value of non-monetised benefits to converting blocks would need to be around £50 per converting block per year. 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 -£3.7m. If all monetised impacts begin in Year 7, NPSV is estimated as -£3.0m. |

Part 4: Evidence Base

4.1 Policy background

1. The government has made a commitment to take steps to bring the feudal leasehold system to an end. A key route to achieving this will be to ban the sale of new leasehold flats, which will end the flow of new leasehold properties onto the market. The government will also support existing leaseholders who wish to convert their existing leasehold flats to commonhold by providing a more accessible route away from leasehold.

The Commonhold and Leasehold Reform Act 2002

2. The Commonhold and Leasehold Reform Act 2002¹ created the legal framework for commonhold in England and Wales. Commonhold allows for freehold ownership of individual flats and collective ownership and management of shared areas through a commonhold association.
3. Conversion is the process by which existing leaseholders can take advantage of the commonhold structure, by collectively replacing their existing leasehold structure with commonhold. However, the conversion process set out in the 2002 Act has been criticised as being unworkable in practice. It requires unanimous consent from all leaseholders, the freeholder, and any mortgage lenders. This is a very high bar that can create a coordination deadlock, where progress stalls because a single non-consenting party can block the entire process, making conversion prohibitively difficult to achieve, especially in larger or more complex buildings. This makes conversion virtually impossible except in the smallest and simplest of blocks.
4. Conversion is generally a two-stage process of 'acquire *and* convert' the block. Where the freeholder does not agree to setting up the commonhold voluntarily, the leaseholders must first acquire the freehold compulsorily under the collective enfranchisement rules to obtain the freehold of the block and any common parts (i.e., acquire). Secondly, they must establish a company to enable them to collectively manage the common parts and register the new commonhold at HM Land Registry (convert). When applying to register the commonhold, they must demonstrate that the necessary consent requirements have been met.
5. Collective enfranchisement is therefore a crucial enabling step and, under the current system all leaseholders must participate in the conversion for it to proceed. The direct costs associated with the "convert" part of the process are modest. To register a commonhold, consenting leaseholders need to set up a Commonhold Association (as company limited by guarantee) through Companies House, for a fee of £50 (for online incorporation). Registering the land as commonhold land with His Majesty's Land

¹ [Commonhold and Leasehold Reform Act 2002](#)

Registry (HMLR), where there are unit owners already in place - as is the case with conversions - costs £40 per unit.

6. Conversion is currently made difficult by the requirement for unanimous consent. Every leaseholder in the block must agree to surrender their lease and adopt commonhold, as must the freeholder and any mortgage lenders. This means that all parties remain aligned across every stage of the process and the withdrawal of even one, at any point before acquisition is complete can cause the entire process to fail.
7. This fragility is compounded by the financial and practical demands of the “acquire” stage. To convert, leaseholders must collectively purchase the freehold, incurring valuation fees, legal costs and a premium payable to the freeholder. Participation in this acquisition is voluntary, and some leaseholders may be unwilling or unable to join. For example, those planning to sell their property in the near future, those with other financial priorities, or investor-owners’ content with the status quo may all be less inclined to participate. In practice, this means that for a conversion to go ahead, leaseholders who do wish to convert will almost certainly need to agree to cover the costs of those who do not wish to or are unable to do so, in order to secure their consent and enable conversion to go ahead. Taken together, the requirement for unanimity and the need to fund non-consenters makes conversion exceptionally difficult to achieve in practice.

Recent reforms to enfranchisement

The Leasehold and Freehold Reform Act 2024 aims to simplify and support the enfranchisement process (these reforms did not change the commonhold conversion process). Reforms to enfranchisement included:

- Immediate eligibility – abolishes the two-year qualifying period for enfranchisement and lease extension claims (commenced in January 2025)
- Repeat claims allowed – removes restrictions on making multiple enfranchisement attempts (not yet implemented).
- Cost reform – eliminates the requirement for leaseholders to pay the landlord’s non-litigation costs (not yet implemented).
- Expanded eligibility – raises the non-residential limit, allowing more mixed-use buildings to qualify (not yet implemented).
- Streamlined leasebacks – introduces a right to require leaseback by the freeholder for certain units (not yet implemented).

Together, these reforms make enfranchisement more accessible. Government has committed to implement these reforms as soon as possible.

8. As a result, the current commonhold legal framework does not support the uptake of commonhold through conversion, even where the majority want to move away from leasehold structures.

The case for conversion

9. There is no compelling reason why flats in England and Wales should remain leasehold once leaseholders have collectively acquired the freehold, however, as is the case now and following these reforms, leaseholders would still have the choice to remain as share of freehold.
10. Leasehold operates on a long lease structure, which shortens over time and may require renewal to maintain long-term security. Even in buildings where leaseholders have taken control, they remain governed by leasehold structures that reflect its long-established legal framework, which may differ from the collective governance arrangements available under commonhold.
11. Conversion to commonhold offers a clear solution. It enables flat owners to hold their homes outright, with a perpetual title, and to manage shared areas collectively through a commonhold association. This removes the need for leases to govern relationships between owners and replaces them with a single, transparent legal framework that supports democratic decision-making and long-term stewardship and has been specifically designed to manage a building without a third-party landlord.
12. Reforming the legal process for converting existing leasehold flats to commonhold would unlock these benefits for millions of existing leasehold homeowners. It would allow resident-controlled buildings to move beyond the limitations of leasehold and adopt a tenure that better reflects their ownership status, governance needs and long-term interests.

Commonhold's advantages over 'share of freehold'

13. Some stakeholders have argued that enfranchisement, whereby leaseholders acquire a 'share of freehold', provides effectively the same benefits as commonhold. This is wrong. For some existing leaseholders, enfranchising to a share of freehold represents a significant benefit as it allows them to take over the ownership and management of the building and remove a third-party landlord. However, it may not solve the problems of leasehold but rather present them in a different form.
14. In a share of freehold, the absence of a third-party landlord should mean the interests of the owners are more closely aligned and provided with more control. Yet many of the characteristics of leasehold that differ from those offered under commonhold will remain, as owners will continue to occupy their flats under the terms of a lease and be bound by leasehold legislation. Moreover, as so much of leasehold legislation was originally designed with external landlords, it may not always align with the governance needs of resident-led buildings.
15. The two key advantages of commonhold over a share of freehold arrangement are its inbuilt democracy and its inherent flexibility.

16. Commonhold has been specifically designed to manage a building without a landlord. That is not the case with 'share of freehold'. We have spoken to many leaseholders to whom collective enfranchisement and share of freehold has brought them the security and control that they wanted. But others have said that it has simply replaced one unaccountable decision maker for another, and they feel no better off. Democratic decision-making is at the heart of commonhold. Within a commonhold, a representative from each unit is automatically a member of a 'commonhold association' which confers upon them the opportunity to exercise voting rights and participate, should they wish, much more fully in the running and management of the building. By contrast, while leaseholders do have the right to challenge their service charges after the fact, and those who act as directors in a share-of-freehold company will normally participate in approving the annual budget and service charge demands, this involvement is not guaranteed for all owners. Commonhold unit owners, however, will enjoy the opportunity to take part in the budget setting in the first place. Commonhold will also give a route to freehold ownership to those leaseholders who have been excluded in blocks which have already enfranchised. One of the drawbacks of share of freehold is there is no automatic right for people who didn't take part to join later. The new commonhold conversion process is designed to ensure all leaseholders enjoy the benefits of commonhold right away as well as fully convert over time.
17. Commonhold's second advantage is its flexibility and ability to accommodate change and be future proofed. On day-to-day matters, we have heard examples of directors in enfranchised blocks having to use their own credit cards to tide the building over when faced with surprise bills for the whole building because the rigid lease terms only allowed them to seek service charge payments at set times of the year. Commonhold provides much more flexibility to support the day to day, medium and long-term running of a building. In commonhold it is much easier for unit owners to amend the Commonhold Community Statement's (CCS) local rules than it would be for the owners of a share of freehold to amend their leases.
18. For existing leaseholders, the value of enfranchisement and a move to a share of freehold arrangement should not be underestimated. Many existing leaseholders may decide that this works for them. But in future, our reforms will make it easier to convert an existing leasehold building to commonhold. To do this, enfranchisement is also the first crucial step. We believe that the benefits of taking the next step to commonhold rather than stopping at a share of freehold will become compelling as the market matures, but as it is their home, it should be the homeowners' choice.

4.2 Problem under consideration

19. The leasehold system for flats in England and Wales has inherent characteristics that persist even after leaseholders collectively enfranchise and acquire the freehold. Leasehold was originally designed to manage relationships between leaseholders and external landlords. However, once the landlord is removed through enfranchisement, the legal and practical rationale for retaining leasehold tenure disappears. Even without a third-party landlord, residents remain bound by leasehold rules that are poorly suited to communal living and self-management, limiting autonomy and complicating governance.
20. Commonhold provides a more suitable structure for resident-led buildings, offering freehold ownership of individual flats and shared democratic control over common areas. However, conversions from leasehold to commonhold have been extremely rare since 2002, due to legal barriers, market failures, and behavioural challenges.
21. Most developed countries use commonhold-type models for flat ownership. England and Wales remain outliers in relying on leasehold, even where residents already own the freehold.
22. There is a clear policy case for creating a workable legal framework which makes converting an existing leasehold building to commonhold more accessible. Doing so would allow existing leaseholders to transition to a more sustainable and empowering form of ownership, aligning domestic practice with international norms and unlocking the full benefits of collective freehold ownership for existing stock.

Market failures and legal barriers explaining why commonhold conversions have not taken off

23. Although commonhold has been available since the regulations came into force in 2004, we are aware of only one conversion having taken place. The core reason, as explained above, is that the legal framework is impractical for conversion at scale. It requires unanimous consent from all leaseholders in a block, along with their lenders and the freeholder with no statutory mechanism to resolve deadlock or compel participation. This makes achieving consent impossible in most cases.
24. Beyond this legal flaw, several market failures have reinforced the problem:
 - Developers continue to deliver new homes as leasehold, rather than commonhold, which has historically shaped the range of tenure options available to consumers. As explained in “*Annex 1: Reforming the commonhold framework and prohibiting the sale of new leasehold flats*”, for a variety of behavioural and commercial reasons developers have continued to choose to build leasehold instead of commonhold. This has led to commonhold being an extremely niche tenure, reducing both its visibility in the market and reducing awareness among existing leaseholders looking to enfranchise; many leaseholders simply do not know that commonhold is an option and thus may be less familiar with commonhold as an alternative tenure, given its

limited market presence to date. This has meant that even when leaseholders are able to secure agreement to acquire their freehold, they will typically choose a share of freehold model over converting to commonhold.

- Second, and linked to the above is status quo inertia. Leaseholders face a strong behavioural barrier: understandably, few are likely to want to be early adopters of a model almost no one else is using. Commonhold remains an unfamiliar tenure, and its limited market presence creates uncertainty about future saleability and mortgage availability, even though lenders can and do already lend on commonhold. This lack of precedent reinforces inertia, many leaseholders prefer to stick with the status quo or adopt share of freehold, even when conversion is legally possible.
- Third, enfranchisement is necessary but not sufficient. This has two distinct aspects. Initially, enfranchisement is a procedural prerequisite. Leaseholders must acquire the freehold before they can convert to commonhold, so it is a hurdle that must be overcome. Without enfranchisement, conversion is not possible. Second, enfranchisement has historically been difficult for many households to access. The process has long been complex and costly, and qualification rules have excluded significant numbers of leaseholders from participating. Even where forthcoming reforms aim to simplify and reduce these barriers, enfranchisement still represents a substantial undertaking before any conversion can occur. Taken together, enfranchisement remains an essential first step, but it is only a stepping stone, not a solution in its own right.
- Finally, there is coordination failure. Conversion depends on collective action: every leaseholder must be willing to take part, and each must obtain consent from their lender, as well as agreement from the freeholder to transfer the freehold (where a collective enfranchisement has not already taken place). In practice, this is extremely difficult in anything other than very small blocks due to varying levels of engagement, financial capacity, and understanding. Even where there is broad support, a single hold-out can prevent progress. With no legal mechanism to overcome partial opposition, even small pockets of resistance can make conversion difficult or impossible to achieve in practice.

4.3 Rationale for intervention

25. Evidence from stakeholder consultation, including the Law Commission's review, highlights persistent barriers preventing existing leaseholders from converting to commonhold. These include legal complexity and the requirement for unanimous consent among flat owners. As a result, existing leaseholders remain locked into a tenure that offers limited control over management decisions and costs, and limited security.
26. The current legal framework fails to provide an accessible and practical pathway for leaseholders in multi-occupancy buildings to convert to commonhold and legislative reform is needed to resolve this.

Why government intervention is necessary

27. If left unaddressed, the current barriers to commonhold conversion will continue to entrench an outdated leasehold system outside of new builds, that undermines the long-term interests of homeowners and impedes the development of more democratic, resident-led housing governance. Market forces alone cannot overcome these systemic issues. The conversion to commonhold requires legal reform, and confidence-boosting measures that are beyond the capacity of private actors to deliver alone.
28. We are mindful that as new supply moves to commonhold, its visibility and appeal to consumers will grow. But without reform to the conversion process, existing leaseholders will be trapped in a legacy system which does not offer the same advantages of commonhold. Over time this may influence purchaser preferences as commonhold becomes more established, with more commonhold homes available for purchase.
29. We are not compelling conversion to commonhold through these reforms; existing leaseholders will still need to decide if and when to make a change, but we are making the process easier and more accessible, so that buildings which are able to convert can do so, once that majority support emerges.

Why government is best placed to resolve the issue

30. While it is theoretically possible that market innovation such as stakeholder-led initiatives could improve awareness and see some modest uptake of commonhold conversions, in practice, these efforts are unlikely to succeed at any more than a marginal level without government intervention. The unanimous-consent requirement creates a barrier that private actors cannot overcome. The barriers to commonhold adoption are not simply technical, they are legal, and behavioural. Private organisations lack both the authority and the incentives to resolve these issues.
31. Leaseholders themselves face significant coordination and procedural challenges within the existing conversion model, that cannot be overcome through voluntary action alone.

Lowering the consent threshold is essential to making conversion accessible for many more leaseholders.

32. Government is uniquely positioned to address the legal and behavioural barriers that have stifled the uptake of commonhold. Only government can reform the legal framework; reform the conversion process and introduce mechanisms to resolve coordination deadlock. Reducing the consent threshold requires primary legislation and this is the key to unlocking conversion at any meaningful scale.
33. Importantly, government has a public interest mandate to promote fairness, housing security, and sustainable homeownership. Unlike private actors, it is accountable to the broader social and economic goals of the residential property system and is therefore best placed to intervene where market failures and legal defects prevent progress.

What gaps or harms would occur if government doesn't intervene?

34. Without government intervention, the high bar for conversion will remain and so take up of conversions will remain low and confined to smaller blocks, or to blocks with affluent leaseholders who can afford to cover the costs of non-consenting leaseholders making consent easier to obtain. This would entrench inequity: the only buildings able to convert would be those with the resources and unanimity to do so, leaving the majority of leaseholders without a route to access to the benefits of commonhold.
35. At the same time, if new housing supply shifts to commonhold while existing stock remains leasehold, this could split the market into two parallel systems: modern commonhold developments and older leasehold buildings. Over time, this dual system could slow overall uptake, depress value or market confidence in older leasehold stock, and dilute the wider benefits of reform for buyers and the housing market.

Has there been a post implementation review of recent legislation?

36. No post implementation review of the Commonhold and Leasehold Reform Act 2002 and regulations which followed has been conducted by government. However, the Law Commission have undertaken a thorough review of the commonhold legislation as well as consulting with industry and consumers. In July 2020, the Law Commission provided 121 recommendations to government to make the necessary changes to update commonhold law. This included 19 recommendations to improve the conversions process so that it is easier and more accessible.²
37. The Law Commission outlined two options to make conversion more workable in their report which they titled Option 1 and Option 2. Both were based upon operating conversion with a lowered consent threshold (from 100% of owners down to 50%, to be consistent with the approach used in enfranchisement and to remove the high bar for

² Law Commission (2020) [Reinvigorating commonhold: the alternative to leasehold ownership](#)

agreeing to proceed with a conversion), but which consequently had different implications for any non-consenting leaseholders.

Law Commission Option 1 (non-consenting leaseholders retain lease)

38. A key feature of this option was that non-consenting leaseholders would keep their lease. Under this approach, leaseholders who choose not to participate in conversion continue owning their homes on a leasehold basis, remaining on their original lease terms with existing statutory protections. The commonhold association would own the freehold of the building, but the former freeholder would retain a continuing role as the intermediate landlord for these non-consenting units, including receiving ground rent, holding any leasebacks granted at conversion, and retaining leasehold rights and obligations until each lease is eventually extinguished.
39. Leasehold interests would be phased out gradually. These leases would then be replaced with commonhold over time, when specific trigger events occur, including a resale, a voluntary purchase by the leaseholder, or in place of a lease extension. At that point, the leasehold interest is replaced with a freehold commonhold unit.
40. As on a collective enfranchisement, the consenting leaseholders could require the former freeholder to take a leaseback (i.e., remain the landlord in lieu of compensation, reducing the cost of conversion) and become the head-lessee, through a 999-year lease, for these non-consenting leaseholder's properties.
41. No further lease extensions would be allowed for non-consenting leaseholders and any ground rent due would continue to be paid to the original freeholder (who would become an intermediate landlord sitting between the leaseholder and the commonhold association). The former freeholder would also receive an appropriate payment when the freehold is purchased as part of the later conversion of that flat to commonhold.
42. As leaseholders, neither the former freeholder nor the non-consenting leaseholder would be allowed to participate in the commonhold's decision making, they would remain bound by their lease terms.
43. Depending on the length of unexpired leaseholder leases, and the behaviour of non-consenting leaseholders, it could take a long time for all leases to be phased out, for the former freeholders' interests to be bought out and for the block to be completely owned as a commonhold. During this period, the commonhold association would need to manage two parallel legal frameworks, the Commonhold Community Statement for unit owners and pre-existing lease terms for non-consenting leaseholders, which would create additional governance and operational complexity.

Law Commission Option 2 (non-consenting leaseholders acquire unit)

44. Under this approach, the Law Commission proposed that all non-consenting leaseholders would be required to convert by being given an upfront equity loan funded by the government to pay for the acquisition of their commonhold unit and subsequent conversion. The Law Commission suggested that the loan be placed as a charge

against the property and paid back to the government when the property is sold. This loan would need to be offered on a voluntary basis to all leaseholders participating in a conversion (not just the non-consenting leaseholders – where many of them may not be able to afford to convert). This approach would mean that all homeowners in the building were unit owners and members of the commonhold association from the point of conversion avoiding any difficulties in managing a block with a mix of both leasehold and commonhold tenures. Option 2 was the Law Commission's preferred approach as it meant that all leaseholders became commonhold unit owners from the outset.

45. Both options would allow the consent requirement to be reduced from 100% to 50% to make conversion easier, but they also both have practical drawbacks.
46. Option 1 would leave newly converted blocks containing a mix of commonhold unit owners and non-consenting leaseholders. This would create operational complexity because the block would be governed by two distinct legal frameworks - the Commonhold Community Statement, and commonhold law, for unit owners and the terms of individual leases, and leasehold law, for non-consenting leaseholders. The coexistence of separate rules, rights and enforcement mechanisms would make governance, budgeting and dispute resolution significantly more complex for the association and managing agents. This could be very difficult for the commonhold association to manage given that there will be some fundamental differences between leasehold and commonhold arrangements. For example, commonhold unit owners have the opportunity for direct, proactive control over spending, as they approve the annual budget before costs are incurred, whilst leaseholders typically only received a service charge demand after the budget is set and money spent, which could be up to 18 months after the cost has been incurred, leaving them limited to retrospective challenge. It is likely that ensuring that the existing lease terms for non-consenting leaseholders are adhered to would significantly constrain the ability of unit owners to introduce and benefit from new rules and requirements, which is one of the main attractions of commonhold. For example, a lease might specify that a building must be painted and financial contributions to cover the costs for it provided every 5 years whereas unit owners may wish to repaint only every 8 years. It may be difficult for the commonhold association to effectively reconcile these differences and meet its obligations to maintain the building.
47. When government talked to expert stakeholders representing both industry and consumers, they were particularly concerned that this approach could make operating the commonhold very difficult. They suggested that the lived experience and complications that might arise in a converted commonhold with a mix of non-consenting leaseholders on remaining lease terms and unit owners on commonhold arrangements might prove worse than the leasehold it replaced. They also expressed concerns about the ability of these converted blocks to recruit professional managing agents as they

may not wish to put themselves in a position of trying to manage two different regimes in the same building.

48. Law Commission Option 2 avoids the issue of residents having different rulebooks by ensuring that no leases remain, so there is no involvement from the former freeholder who will exit the building at the point of conversion (unlike Option 1 where the former freeholder retains ongoing interests as an intermediate landlord) and all residents become unit owners. But this is only achieved at significant financial cost. The Law Commission envisaged this funding coming through a loan from central government which would be made available to all those wishing to convert not just those who could not afford it. We do not believe that it would be an appropriate use of taxpayer money given that the benefit accrues to individual homeowners, rather than the wider public.
49. It is possible that commercial lenders may emerge once commonhold has become a more mature tenure, but we do not believe that this can be relied upon in the short term. It has been suggested that commonhold associations might one day be able to borrow money to cover the cost of conversion with borrowing secured against the common parts or against future commonhold contributions, but this borrowing facility does not currently exist.

Government's proposed approach: Option 1A

50. The government has acted upon this feedback and has developed its own Option 1A which is a refinement of the Law Commission's Option 1. As with Law Commission's Option 1, the government's Option 1A would see the consent threshold reduced from 100% to 50%, with the post conversion block containing a mix of non-consenting leaseholders and commonhold unit owners, but with additional measures to simplify the management of the building and harmonise the rights and obligations of the two tenures.
51. Like the Law Commission's Option 1, non-consenting leaseholders would lose their right to extend their lease, and this would be replaced by a right to acquire the freehold of their commonhold unit. They would also be required to sell their flat as a commonhold unit. These measures ensure that the block becomes fully commonhold over time.
52. Unlike the Law Commission's Option 1, the consenting leaseholders can require the former freeholder to take the freehold of the commonhold units let to non-consenters and become the unit owner (rather than use a leaseback) and would continue to receive any ground rent payments which were due. The non-consenting leaseholder would become a member of the Commonhold Association and given the same voting rights as full members of the commonhold.
53. The key change is that active steps will be taken to ensure that the difference between the CCS and non-consenting leaseholders leases will be minimised when the CCS is

first being prepared with regards to things such as repair periods. In addition, the rights and responsibilities of non-consenting leaseholders will be harmonised with that of the commonhold rules and non-consenting leaseholders will get the same voting rights access to information and means to challenge decisions as commonholders. For example, under this approach, non-consenting leaseholders will lose their ability to challenge a service charge but will be given voting rights within the commonhold which will allow them to vote on the setting of the annual budget. We believe that bringing non-consenting leaseholders more firmly into the commonhold community post conversion, will lead to more harmonious living arrangements.

4.4 Policy objective

54. The policy objective is:

- **Objective 2 – Create a workable legal framework to make commonhold conversion more accessible**

55. **Specific:** The objective is to create a workable legal framework which makes converting an existing leasehold building to commonhold more accessible.

56. **Measurable:** Progress can be tracked using a combination of quantitative and qualitative metrics. The most notable of these new indicators will be:

| Indicator | Data Owner |
|--|------------|
| Number of leasehold properties converted to commonhold | HMLR |

57. **Achievable:** The objective is achievable through changes to the legal framework, supported by clear processes, guidance, and awareness-raising for consumers and industry

58. **Realistic:** The objective is realistic within the context of wider leasehold reform and the government's commitment to promote commonhold and avoid the emergence of a two-tier housing market. It reflects a clear policy direction and acknowledges the complexity of transitioning existing buildings. The approach assumes that legislative changes can remove key barriers. It also recognises that market adaptation will take time and that supporting guidance and institutional capacity will be needed to ensure effective implementation.

59. **Time-bound:** The effects of reform are expected to emerge as leaseholders begin to use the new conversion pathway in practice. The objective will be considered achieved once there is sufficient observable evidence that conversions can take place effectively across a range of existing leasehold settings. Outcomes will be monitored and evaluated over time.

What are the intended outcomes of intervention?

60. We want to enable existing leasehold blocks to convert to commonhold where there is majority support from leaseholders. We want to move away from the existing position where conversion cannot take place if a single leaseholder in the block does not want to. Aligned to this, we also want conversion to result in a block which can be effectively run and managed even if there are non-consenting leaseholders. We also want a process that will eventually mean that the remaining leasehold interest in a partially converted block can be phased out over time (so that it becomes fully commonhold). The intended outcomes are given below.

- 61. Improved access to commonhold tenure benefits including freehold ownership and improve democratic control:** Government seeks to ensure that more existing leaseholders can access the benefits that commonhold offers over leasehold, including greater ownership security and democratic control over property management (see **Annex 1** of this IA for more details about the benefits of commonhold as a tenure). Reforming the conversion process will remove barriers that have historically prevented leaseholders from converting to commonhold and deliver a viable pathway to commonhold for those living in existing leasehold blocks.
- 62. Increased uptake and market visibility of commonhold:** Objective 2 will accelerate the adoption of commonhold by enabling conversions in existing buildings, rather than relying solely on new supply. This will help increase the number of commonhold properties, and help make the tenure more visible, trusted and understood. Successful conversions will serve as proof of concept to others considering conversion, demonstrating that commonhold works in practice and across a range of building types. A growing number of commonhold buildings will also further help normalise the tenure, encouraging lenders, insurers, and professionals to adapt their practices or expand their products to support its wider use. This outcome supports the government's ambition to make commonhold the default tenure for flats, not just a niche alternative.
- 63. Strengthened legal clarity and improve lending environment through commonhold conversion:** Government aims to reduce lending risk and improve the stability and predictability of mortgage lending by enabling more existing leasehold blocks to convert to commonhold. Converted blocks replace a time-limited, depreciating leasehold interest with a perpetual freehold, removing valuation uncertainty associated with shortening leases and eliminating exposure to forfeiture. Conversion also brings buildings under a standardised governance framework through the Commonhold Community Statement and introduces stronger financial safeguards that support long-term protection of investments. This will make the legal and financial framework of converted leasehold buildings more stable and predictable for lenders, lowering collateral risk. By enabling more of these blocks to convert, government aims to increase the number of existing mortgaged leasehold properties that benefit from conversion to commonhold, thereby reducing lender uncertainty.
- 64. New opportunities for management services:** The objective will expand opportunities for managing agents by increasing the number of existing leasehold blocks able to convert to commonhold. Conversions are expected to create additional and sustained opportunities for professional management services. As more blocks transition, demand will grow for agents who can operate within commonhold's more transparent, resident-focused management framework, where agents are directly accountable to Commonhold Associations rather than third-party freeholders.

65. Increased market opportunities for professional services through higher volumes of commonhold conversions: Government aims to expand opportunities for professional services by increasing the number of existing leasehold blocks able to convert to commonhold. By making conversions more accessible, reforms are expected to generate additional demand for legal, valuation, surveying, insurance and enfranchisement services associated with the conversion process. Reforming the consent threshold will also create a continuing pipeline of work, as non-consenting leaseholders may require professional support should they later choose to join the commonhold, or with regards to resale or lease extension. Over time, easier access to commonhold may encourage leaseholders who would not otherwise have pursued collective action, supporting a broader and more sustained market for professional services.

4.5 Description of options considered

66. 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 a qualitative assessment of expected outcomes, distributional impacts, risks, and alignment with SMART objectives, consistent with Green Book guidance on proportionality.
67. Much of the groundwork for identifying viable options drew on the Law Commission's detailed recommendations. Their analysis provided a strong foundation for assessing strategic fit and feasibility, particularly around the challenge of reducing the consent threshold for conversion from 100% to a more workable level. The Commission proposed two core models:
- **Law Commission Option 1** – Mandatory leasebacks to the former freeholder: Non-consenting leaseholders remain on their existing leases, with phased conversion over time.
 - **Law Commission Option 2** – Equity Loan: All leaseholders convert immediately, supported by a government-backed equity loan to cover costs.
68. Although both options informed our thinking, neither was taken forward to the shortlist because each presented critical barriers to deliverability, proportionality, and strategic fit. For **Law Commission Option 1**, the principal difficulty was the creation of a dual-regime in a single block, where some residents would operate under existing lease terms while others would be governed by the Commonhold Community Statement. Evidence from stakeholders highlighted that these mixed arrangements would create significant operational friction, including conflicting repair obligations, different service charge rules, and separate rights frameworks. These divergences would materially constrain the Commonhold Association's ability to run the building effectively and were seen as posing a risk of producing outcomes worse than leasehold in converted blocks. In practice, such complexity was viewed as likely to deter managing agents and undermine homeowner confidence. As a result, Option 1 was assessed as not viable for progression to shortlist. For **Law Commission Option 2**, although the approach avoided the governance complexity inherent in a mixed-regime block, it relied on substantial upfront public expenditure through a government-funded equity loan. This would shift the cost of enfranchisement-equivalent benefits onto general taxpayers, despite the financial gain accruing directly to individual homeowners. The need for government to finance acquisitions at scale also carried material fiscal and delivery risks. Given these concerns, Option 2 was judged not to represent an appropriate or proportionate use of public funds, and therefore unsuitable for shortlisting.
69. The core policy direction is rooted in from the Law Commission's recommendations on commonhold conversion – as set out above. In light of this, the shortlist focuses on options that are feasible, proportionate, and aligned with the Governments strategic objectives for commonhold conversion, while recognising the barriers, that require

legislative intervention. Some options, including piloting conversions, 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.

Option 0 – Do Nothing (non-legislative) (counterfactual)

70. Alternative Option 0 – Do Nothing (non-legislative) (counterfactual) This option serves as the baseline counterfactual against which all reform options will be assessed. It represents the continuation of the current legal and policy framework without intervention.

71. Description: No legislative or policy change is introduced. The existing framework requiring unanimous leaseholder consent, lender approval, and freeholder agreement remains in place. Conversion to commonhold continues to be rare, complex, and inaccessible for most leaseholders. Commonhold tenure remains marginal, and leaseholders remain subject to the limitations of leasehold ownership.

72. Assessment against SMART objectives

- **Objective 2 - Create a workable legal framework to make commonhold conversion more accessible:** This option does not meet the objective. The current legal framework remains unchanged, and leaseholders continue to face the same complex and costly process for converting to commonhold. No legislative or procedural reforms are introduced to remove barriers or make conversion easier. As a result, conversion rates are expected to remain negligible, and the status quo persists without any improvement in accessibility or uptake.
 - Specific: Maintains the status quo; does not reform conversion.
 - Measurable: Conversion rates remain negligible.
 - Achievable: Fully achievable as it requires no action.
 - Realistic: Not aligned with Objective 2 (Create a workable legal framework to make commonhold conversion more accessible).
 - Time-bound: No change expected over time without reform.

73. Expected outcomes: Under this option, commonhold conversion would remain rare and largely inaccessible. Leaseholders would continue to face significant barriers to changing tenure, with no reforms to reduce complexity or cost. The market would see no improvement in dynamism or consumer confidence, as the status quo persists. In addition, the government could face reputational risks for perceived inaction on a widely recognised area of concern.

74. Benefits and costs

| Stakeholder | Benefits | Costs |
|---------------------|--|--|
| Government | Zero direct cost and no implementation burden. | Policy credibility risk and failure to meet strategic objectives. |
| Leaseholders | Predictable environment with no transitional disruption. | No access to commonhold benefits via conversion for existing leaseholders. |
| Businesses | Short-term stability and no compliance burden. | Lost growth opportunities. Leasehold inefficiencies persist. |

75. **Small & micro business impact:** Small and micro firms in conveyancing, property management, and legal services experience no immediate compliance burden but miss out on potential growth opportunities from commonhold conversion services. Market inertia limits innovation and diversification.

76. **Distributional impacts:** Leaseholders in complex developments remain disproportionately affected by barriers to conversion. No improvement in tenure outcomes for vulnerable groups seeking greater control over their homes.

77. Risks and uncertainties

| Risk | Description | Likelihood | Impact | Mitigation |
|--------------------------|---|------------|--------|----------------------------------|
| Policy credibility | Government faces criticism for perceived inaction amid consumer and stakeholder pressure. | High | High | No mitigation under this option. |
| Market inertia | Lack of reform perpetuates inefficiencies and limits innovation in tenure models. | High | Medium | |
| Litigation risk | Leasehold disputes continue, imposing costs on courts, businesses, and leaseholders. | Medium | Medium | |
| Uncertainty in demand | Future appetite for commonhold remains unknown. However, under this option, negligible uptake expected. | Low | Low | |
| Indirect fiscal pressure | Reputational risk may lead to lobbying and future reform costs outside current planning horizon. | Medium | Medium | |

78. **Public sector costs:** No direct fiscal cost to government. However, reputational and policy credibility risks may lead to indirect costs through increased lobbying and pressure for future reform.

79. **NPSV:** Assigned NPSV: £0, reflecting the absence of monetised costs or benefits from policy change. *Analysis is qualitative and non-monetised*; non-monetised impacts are negative overall due to strategic misalignment, market stagnation, and reputational risks.
80. **Summary:** Alternative Option 0 – Do Nothing should not be taken forward beyond its role as a baseline comparator. While it avoids transitional disruption and imposes no direct cost, it perpetuates weaknesses in the leasehold system, fails to meet strategic objectives, and offers no improvement in tenure outcomes. This option risks leaving existing leaseholders in flats stuck in leasehold properties because they cannot meet the 100% consent threshold needed to convert to commonhold. We believe that this is unacceptable given the government’s manifesto commitment to bring leasehold to an end.

Government Alternative Option 1 – Legislative reform of the commonhold regime without reforming the conversion process (non-legislative)

81. **Description:** This option involves legislating to improve the core commonhold framework, as proposed in the government’s White Paper, without making any changes to the legal process by which leaseholders convert existing blocks to commonhold. The reforms would enhance the attractiveness, clarity, and functionality of commonhold as a tenure, but retain the current statutory requirements for conversion, including 100% leaseholder consent, freeholder agreement, and lender approval. While the improved model may encourage voluntary conversions over time, the government recognises that existing legislative barriers are significant, and uptake is likely to remain low without reform of the conversion process.

82. Assessment against SMART objectives

- **Objective 2 – Create a workable legal framework to make commonhold conversion more accessible:** This option does not meet the objective. While legislative improvements strengthen the commonhold tenure model, they do not reform the conversion process. Statutory barriers remain unchanged, meaning conversion continues to be rare and inaccessible for most blocks.

- **Specific:** Improves tenure model but does not reform conversion.
- **Measurable:** Limited impact on conversion rates.
- **Achievable:** Fully achievable within current legislative plans.
- **Realistic:** Reflects current legal constraints but does not address conversion barriers.
- **Time-bound:** Applies only to tenure reform within the wider programme.

83. **Expected outcomes:** The improved commonhold model may enhance clarity, governance, and market appeal, supporting gradual cultural change and uptake in new developments. However, conversion of existing blocks will remain rare and complex, as statutory consent requirements persist. There may be a slight increase in the number of blocks which convert but not at the scale required to meet the government’s overall objective to bring the benefits of commonhold to existing as well as future homeowners. Leaseholders seeking tenure reform will see no immediate benefit, and widespread change will be delayed. Stakeholder expectations may rise without corresponding improvements in conversion processes, creating reputational risks.

84. Benefits and costs

| Stakeholder | Benefits | Costs |
|--------------|--|--|
| Leaseholders | Improved tenure model for new developments and | No improvement in conversion accessibility. Continues existing barriers. |

| | | |
|-------------------|--|---|
| | provides clearer governance. | |
| Businesses | Incremental opportunities in new build commonhold projects. Allows gradual professional readiness. | Limited commercial opportunity for conversion services. Reputational risk if expectations are unmet. |
| Lenders | Greater confidence in commonhold for new developments. | No widespread alignment for existing blocks. Allows for continued complexity in mixed-tenure lending. |

85. Small & micro business impact: Small and micro firms may benefit from advisory work on new build commonhold projects and gain experience with the improved tenure model. However, widespread growth opportunities remain constrained as conversion reform is not addressed. Firms reliant on leasehold management avoid immediate disruption but miss opportunities for diversification.

86. Distributional impacts: Benefits accrue primarily to developers and leaseholders in new-build projects, while existing leaseholders, particularly those in complex or mixed-use developments, see no improvement in tenure outcomes. Vulnerable groups remain disproportionately affected by barriers to conversion, perpetuating tenure inequalities.

87. Risks and uncertainties

| Risk | Description | Likelihood | Impact | Mitigation |
|-----------------------------------|--|------------|--------|---|
| Policy credibility | Risk of criticism for failing to address conversion barriers despite legislative reform. | High | High | <ul style="list-style-type: none"> Clear communication of scope and limitations essential. |
| Stakeholder disappointment | Expectations for conversion reform may rise, leading to dissatisfaction. | High | Medium | <ul style="list-style-type: none"> Manage expectations through transparent messaging. |
| Market stagnation | Conversion remains rare and widespread change is not achieved. | High | Medium | <ul style="list-style-type: none"> Use tenure reform as a foundation for future conversion reform. |
| Indirect fiscal pressure | Lobbying for conversion reform may increase following tenure improvements. | Medium | Medium | <ul style="list-style-type: none"> Anticipate and plan for future reform costs. |

88. **Public sector costs:** Moderate legislative cost for tenure reform. No direct cost for conversion reform, but reputational and policy credibility risks may lead to indirect costs through lobbying and pressure for widespread change.

89. **Uptake assumptions:** Outcomes are moderately sensitive to assumptions about market response to tenure improvements:

- **Best case:** A gradual uptake in existing developments and improved confidence in commonhold. The improved tenure model encourages adoption in new developments, builds professional readiness, and signals government commitment to modernisation. Whilst the conversion remains rare and numerically low, a cultural shift begins.
- **Worst case:** Negligible impact on conversion rates. Stakeholder confidence in leasehold to commonhold declines.

90. **NPSV:** *Qualitative only.* Monetised benefits would be negligible for conversion outcomes but positive for tenure reform. Non-monetised impacts would be mixed:

- **Positive:** Improved governance, clarity, and professional readiness for future reform.
- **Negative:** Strategic misalignment with Objective 2, reputational risk, and delayed widespread change.

91. **Summary:** Alternative Option 1 delivers legislative reform to the commonhold framework, improving tenure clarity and governance as proposed in the White Paper. However, it leaves the conversion process untouched, meaning statutory barriers remain in place. As a result, this option does not meet Objective 2, which requires reform of the conversion process. While it may support long-term cultural change and market readiness, it is not sufficient to enable meaningful conversion at scale. This option has not been taken forward for shortlisting.

Government Alternative Option 2 – Pilot conversion projects in selected blocks (non-legislative)

92. **Description:** This option involves funding or facilitating conversion projects in selected leasehold blocks to test the existing legal framework and showcase successful transitions to commonhold. It assumes legislative reform to the commonhold model has been enacted (as per the Commonhold White Paper and **Annex 1** of this IA), but conversion process reforms have not been included.

93. Pilots could be selected from willing blocks through expressions of interest, with government offering light-touch support such as legal guidance or limited funding for professional fees. Participating buildings would follow the existing statutory route, securing unanimous consent and approvals, forming the commonhold association, and completing the transfer of interests, while government observes delivery and produces case studies on timelines, costs and barriers. The aim is to build market confidence and generate case studies illustrating the benefits of commonhold to existing leaseholders. However, pilots would still face the same legislative hurdles that have historically limited conversion and would not reflect a reformed process.

94. Assessment against SMART objectives

- **Objective 2 – Create a workable legal framework to make commonhold conversion more accessible:** This option does not fully meet the objective. While pilots may demonstrate the viability of commonhold and build market confidence, they do not reform the conversion process. Statutory requirements remain unchanged, meaning conversion continues to be complex and costly and unachievable for many blocks. Success in pilots is unlikely to be replicable at scale without significant government funding or legislative reform.
 - **Specific:** Targets selected blocks to test conversion under existing law.
 - **Measurable:** Success measurable via pilots completed, lessons learned, and feedback.
 - **Achievable:** Feasible but constrained by statutory requirements.
 - **Realistic:** Supports Objective 2 indirectly by helping pilot blocks convert but does not reform conversion to create a workable legal framework.
 - **Time-bound:** No specific timebound requirements beyond pilot delivery.

95. **Expected Outcomes:** Pilot projects may generate useful insights and case studies, helping to build professional experience and consumer confidence in commonhold. However, conversion will remain rare and inaccessible for most leaseholders, as legislative barriers persist. Market dynamism will see only marginal improvement, and widespread uptake will not occur without further reform. There is a risk of stakeholder disappointment if pilots raise expectations that cannot be met.

96. Because pilots would deliver direct benefits only to a handful of leaseholders in participating blocks, the overall impact of this option would be minimal relative to the size of the leasehold population. With no changes to the statutory conversion process, pilot projects would not unlock conversion for the wider market, making this a comparatively resource-intensive way of assisting only a very small group. This raises concerns about proportionality and whether deploying government resource in this manner would represent value for money compared to alternatives capable of benefiting a far greater number of existing leaseholders.

97. Benefits and costs

| Stakeholder | Benefits | Costs |
|---------------------|---|--|
| Government | Builds evidence base to inform future action and is a low-risk initial option. | Limited impact on strategic objectives, which comes with reputational risk if pilots fail or expectations rise. |
| Leaseholders | Opportunity for conversion in selected blocks. Improved awareness. | Conversion remains inaccessible for most leaseholders. Potential frustration if pilots create false expectations, or if pilots cannot be made to work in certain settings. |
| Businesses | Market stability and predictable operating environment as processes remain unchanged and demand likely small. This will allow for incremental professional readiness and niche opportunities in pilot blocks, and evidence gathering. | Missed opportunities for widespread new business in conversion. Reputational risk if pilots fail. Potential for continued inefficiencies. |

98. **Small & micro business impact:** Small and micro firms in conveyancing, property management, and legal services may benefit from voluntarily pursuing niche opportunities in pilot blocks and gain experience with commonhold. However, growth remains constrained, and firms cannot scale services without broader reform. Market inertia caused by lack of demand for commonhold conversion limits innovation and diversification.

99. **Distributional impacts:** The benefits of this option would be highly concentrated among leaseholders in the selected pilot blocks, creating a disproportionate advantage for those who meet any necessary eligibility criteria. Due to the enfranchisement and administrative costs associated (if the pilot did not provide financial support), these blocks are likely to be in relatively affluent communities, meaning that socio-economic disparities could be reinforced.

100. As only leaseholders in the small number of pilot blocks would receive any direct benefit. Given the millions of existing leasehold households, pilots would reach only a

negligible share of the sector, delivering concentrated gains to a few while offering no improvement for the vast majority who would remain unable to convert under the unreformed statutory framework. Most leaseholders outside of the pilots, particularly those in complex, mixed-use, or large developments, would remain unable to convert, perpetuating existing tenure inequalities. Vulnerable groups, including older leaseholders and those with limited financial resources, would be less likely to see improvement in their ability to convert and access the benefits of commonhold. Geographic disparities may also emerge if pilots are concentrated in certain urban regions, leaving others without access to the benefits or lessons learned from conversion.

101. Risks and uncertainties

| Risk | Description | Likelihood | Impact | Mitigation |
|---|---|------------|--------|---|
| Pilot failure | Practical or legislative barriers may prevent successful conversion even in selected blocks. | Medium | High | <ul style="list-style-type: none"> • Clear communication of pilot scope and limitations essential. • Careful block selection and stakeholder engagement required. |
| Limited impact | Broader market remains unchanged. Pilots have limited widespread effect. | High | Medium | <ul style="list-style-type: none"> • Pilots useful for learnings |
| Stakeholder disappointment | Leaseholders and professionals may expect wider applicability. | High | Medium | <ul style="list-style-type: none"> • Manage expectations through transparent messaging. |
| Pilots could be viewed as inequitable or inefficient | Given that all resource is dedicated to a small number of benefiting leaseholders, it may be considered unfair or inappropriate use of resource, particularly if the pilots are in better resourced or more capable blocks. | Medium | Medium | <ul style="list-style-type: none"> • Consider pilot design with this in mind and ensure that evaluation of pilot considers this. |

102. **Public sector costs:** Cost for funding and managing pilots would likely be moderate but would be dependent on pilot design. No direct legislative cost.

103. **Uptake assumptions:** The outcomes of this option are moderately sensitive to assumptions about pilot success, stakeholder engagement, and the ability to generate credible evidence for future reform. If pilots are well-executed and widely publicised, they could marginally improve market confidence and professional readiness, but these effects would remain highly localised. Conversely, if pilots fail to be replicable or encounter significant operational barriers, risks for government and industry could

increase, undermining confidence in conversion from leasehold more broadly. However, even under optimistic assumptions, widespread change is highly constrained because the statutory requirements for conversion remain unchanged. This means that the overall impact of this option is largely insensitive to variations in pilot performance. Conversion rates will remain negligible without legislative reform. The main uncertainty lies in the degree to which pilots influence perceptions and future policy decisions, rather than in their direct effect on tenure outcomes.

- **Best case:** Pilots succeed in converting selected blocks, generating positive case studies and professional learning. Consumer interest in conversion improves. Evidence informs future legislative reform. However, conversion remains limited and barriers persist, limiting overall market impact.
- **Worst case:** Pilots fail in themselves or fail to be replicable due to operational hurdles, leading to negative publicity and reinforcing perceptions that commonhold conversion is impractical. Stakeholder confidence declines, and risks for industry increase. No meaningful evidence is generated to support future reform.

104. **NPSV: Qualitative only.** This option is assessed qualitatively, as monetised benefits are negligible due to the limited scale in the nature of pilot projects. While pilots may generate positive impacts, such as delivering commonhold to pilot blocks (benefiting those leaseholders), building an evidence base, improving professional readiness, and marginally increasing consumer confidence, these benefits are highly localised and do not translate into widespread market change. Conversely, negative impacts include strategic misalignment with the core objective of reforming conversion, reputational risk if pilots fail or raise unrealistic expectations, and potential opportunity costs if resources are diverted from more impactful reforms. Overall, the net non-monetised impact is mixed, with modest positive effects balanced against the lack of widespread progress and the persistence of known barriers.

105. **Summary:** Alternative Option 2 offers a practical way to test and showcase the reformed commonhold model, in targeted blocks which can be identified and supported through the existing conversion process, but it does not reform the conversion process, which is central to Objective 2. Benefits would be highly localised, reaching only a very small number of leaseholders in participating blocks, while the vast majority of existing leaseholders would see no improvement in their ability to convert. As such, this option risks allocating public resource to a specific set of beneficiaries, raising questions about proportionality and overall value for money when considered against the millions of leaseholders who would remain unaffected. While pilots may support learning, market readiness and professional development, they are constrained by existing legal barriers and unlikely to deliver widespread change.

4.6 Preferred option and implementation plan

4.6.1 Summary

Preferred Option: Legislate to streamline and improve the process for conversion from leasehold to commonhold.

106. We intend to use legislation to streamline and improve the process for converting from leasehold to commonhold. In particular, we want to reduce the consent threshold from the current 100% requirement down to 50% (in line with enfranchisement rules) so that many more blocks can convert and we want to include a mechanism which will reduce the number of non-consenting leaseholders who remain in the commonhold block over time, until eventually the block is fully commonhold. This means that for some period a newly converted block will comprise of a mix of commonholders and non-consenting leaseholders on their original leases with some terms changed to align with the CCS. It is important that we provide a framework which allows us to balance this tension between the different frameworks and still have a block which can be managed effectively.
107. We believe that an improved conversion process, with a lower consent threshold, will allow more existing leasehold blocks to convert to commonhold. This will challenge the perception that we are creating a two-tier housing market by requiring all new builds to be commonhold but not providing an accessible route out of commonhold for an existing leasehold block.
108. This approach is based on recommendations made to government by the Law Commission in their report on Reinvigorating Commonhold. We have refined the proposals considering feedback from experts to address concerns expressed by stakeholders that the Law Commission's original proposals would result in a block which was difficult to manage because it allowed two tenures with different rules and legal frameworks within the same block which undermine the flexibilities afforded by commonhold and make the building complicated to run and manage.
109. Government will make changes to the legislation to deliver this change.

SMART objectives analysis of the preferred option

110. **Objective 2 – Create a workable legal framework to make commonhold conversion more accessible**
111. **Specific:** The proposed approach focuses on removing the key barrier that currently makes conversion complex and impracticably reducing the leaseholder consent threshold from 100% to 50%, thereby making collective action more achievable. To address situations where some leaseholders do not participate in the initial conversion, a phased mechanism would be introduced to gradually transition these leases into commonhold ownership over time at key events, such as in place of a lease extension

or at resale. In addition, the legislation would create a process to harmonise the rights and obligations of non-consenting leaseholders with those set out in the Commonhold Community Statement, ensuring consistency and reducing conflict. A clear legal framework would also be established to bring the interests of commonholders and non-consenting leaseholders closer together to facilitate effective management of mixed-tenure blocks which include commonholders and non-consenting leaseholders. Finally, the existing commonhold legislation would be repealed and replaced with new primary legislation including these changes, designed to deliver a modern, coherent, and workable system for commonhold conversion.

112. **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 HMLR data on the number of leasehold properties converted to commonhold, and qualitative evidence of conversion being used in varied building types (e.g. mixed use). See the monitoring and evaluation plan at **Section 4.7.12** for more details.
113. **Achievable:** The objective is considered achievable through a combination of legislative and practical measures. Delivery would be underpinned by primary legislation introduced via the Commonhold and Leasehold Reform Bill, supported by secondary legislation and detailed guidance to ensure clarity and enforceability. Expert input has played a critical role, with input from bodies such as the Law Commission and industry and consumer stakeholders shaping the technical design. Future engagement with key stakeholders, including leaseholders, legal professionals, lenders, and managing agents, will help address operational challenges and build confidence in the new framework. Finally, targeted training and awareness campaigns will support uptake by improving understanding among practitioners and consumers, ensuring the reforms are implemented effectively in practice.
114. **Realistic:** The preferred option supports the wider objective to phase out leasehold and expand commonhold adoption. The approach is realistic because:
- It builds on Law Commission recommendations, refined through expert feedback.
 - It addresses concerns about block manageability post-conversion.
 - It avoids compulsion, allowing voluntary uptake aligned with leaseholder readiness.
115. **Time-Limited:** The reforms will come into effect from a specific commencement date, to be determined following primary legislation. Monitoring and evaluation, as set out in **Section 4.7.12**, will assess uptake and impact.
116. **Overall Fit: Strong.** This option is well-aligned with the objective to create a workable legal framework which makes converting an existing leasehold building to commonhold more accessible. It is specific, measurable, and achievable, and realistic given the legal and policy context.

Legislative framework, enforcement and implementation

117. The proposed changes will require new primary legislation, introduced through the Commonhold and Leasehold Reform Bill, to establish a statutory framework for commonhold conversion. This legislation will repeal and replace the existing commonhold provisions to avoid duplication and ensure clarity. It will set out the new consent requirements, and the evidence that must be provided to support the conversion process. The new regime will align with existing tenure reform mechanisms, such as enfranchisement, by adopting a 50% consent threshold, creating coherence across property law.
118. Conversion will remain entirely voluntary. Leaseholders will retain the freedom to decide whether and when to convert their block to commonhold, ensuring that the reforms provide an accessible route without imposing compulsion.
119. To support delivery, the Government will provide clear guidance for leaseholders, and other relevant parties such as lenders, and managing agents. Public awareness campaigns will be launched to encourage voluntary uptake and build confidence in the new process. Government may wish to delay activating the conversions provisions for existing leaseholders until the new commonhold model is established and working effectively for new supply.
120. While this approach cannot be tested in advance, we expect that it is a workable proposal and likely to increase conversion rates compared to the counterfactual, particularly if commonhold adoption becomes widespread in the newbuild market and is proven as a tenure, and if a market premium emerges for commonhold properties.

4.7 NPSV: monetised and non-monetised costs and benefits

4.7.1 Impact Assessment Approach

121. Commonhold conversion is a voluntary process led by leaseholders. Under the preferred option, it can only happen if at least 50% of qualifying leaseholders agree to convert. While steps are being taken to make the process simpler and more accessible, reaching this threshold will still require proactive effort.
122. The small number of existing commonholds limits the available evidence on which to assess the impacts of the preferred option. Some leaseholders may be motivated by the democratic structure and improved control commonhold offers, while others may consider conversion when facing specific financial pressures such as facing short leases and the cost of extending them which leads them to consider alternative ownership arrangements. This variability makes it difficult to forecast uptake or monetise impacts on groups in the sector. There may be some early adopters who have been waiting for a revitalised commonhold system and improved conversion process to convert. However, more widespread interest is likely to grow once the flat ban of new leasehold supply comes into force and commonhold and its benefits become more visible. This is more likely to emerge once a significant stock of new build commonhold is available in the market and either a clear price advantage of commonhold flats emerges in the resale market, or public awareness of its benefits becomes strong enough to influence buyer behaviour. As discussed in detail in **Annex 1**, this is a shift that is not expected until beyond the appraisal period of this impact assessment (IA).
123. In addition, some operational details are subject to finalisation, for example, what a preferred 'acquire and convert' package might look like – we expect a clearer picture to emerge as we progress through parliamentary scrutiny. This creates further uncertainty around when and how impacts will materialise for stakeholders.
124. As outlined in Part 1, to address this, the IA relies on a combination of direct stakeholder engagement to monetise impacts where possible alongside detailed qualitative analysis, and assumptions informed by historical precedent and existing policy reforms.
125. We welcome feedback on the assumptions made and encourage the submission of any further evidence or observations that could strengthen the analysis. 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.

Evidence base and assumptions

126. This assessment draws on a combination of published research, stakeholder feedback, and proxy estimates to assess the risks and assumptions underpinning the preferred option. Key sources include:

- Law Commission’s report on *Reinvigorating Commonhold* (2020), which provides the foundational rationale for reform.
- Stakeholder feedback and feedback from legal/property professionals, which informed refinements to the original proposals.
- English Housing Survey data, used to estimate the number of leasehold households and potential conversion uptake.

127. Where precise data is unavailable (e.g. on future conversion rates), reasonable and proportionate assumptions have been made.

128. These uncertainties may affect the scale and timing of benefits, and the distribution of impacts across regions and socio-economic groups.

Uncertainty around timing of the reforms

129. As set out in **Annex 1**, monetised impacts of the reform are assumed to be incurred in **Year 1 (2028)**. This modelling choice differs from the behavioural assumptions outlined earlier, but is a proportionate assumption given the current level of uncertainty around implementation timings. An updated IA will be published alongside a substantive Bill, to reflect any confirmed timings. Should the implementation date be confirmed as later than Year 1 of the appraisal period, the onset of business impacts would likely be deferred in practice.

Future updates to the analysis

130. An updated IA will be produced to support the substantive Bill, reflecting other emerging evidence from stakeholder feedback as well as insights gained through pre-legislative scrutiny of the draft Commonhold and Leasehold Reform Bill.

4.7.2 Costs and benefits to households and businesses calculations

131. **Table 4.1** presents the breakdown of costs and benefits associated with the preferred option for commonhold conversions reform.

132. While this annex assesses most impacts qualitatively, familiarisation and implementation costs have been monetised. These 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 -£3.7 million.

133. By way of illustration, we can use switching analysis to calculate the what the value of non-monetised benefits would need to be if monetised to exactly equal the monetised familiarisation costs. These are very small, equivalent to for each converting block around £50 per converting block per year.³ The EANDCB is £0.4m. No costs to households have been monetised.

³ From switching values analysis, below.

Table 4.1: Costs and benefits to households and businesses

| Impact | Groups impacted | Direct/indirect |
|--|---|-----------------|
| Benefits | | |
| Improved access to commonhold benefits | Leaseholders | Direct |
| Regulatory safeguards and legal clarity for mortgage lending | Lenders | Indirect |
| New opportunities for management contracts with commonhold associations | Managing agents | Indirect |
| Enhanced market opportunities for other professional services | Valuers and surveyors, legal professionals, insurers, estate agents | Indirect |
| Costs | | |
| Familiarisation costs (£3.7m) ⁽¹⁾ | Freeholders and investors, lenders, valuers and surveyors, legal professionals, managing agent (non-monetised) and insurers (non-monetised) | Direct |
| Compliance costs | Legal professionals, lenders, valuers, insurers | Direct |
| Living arrangement impacts and deferred conversion costs for non-consenting leaseholders | Non-consenting leaseholders | Indirect |
| Front-loaded development value costs from acquiring the common parts | Participating leaseholders | Indirect |
| Loss of freehold interest for existing freeholders from any additional enfranchisement | Freeholders | Indirect |
| Costs to freeholders because of unit-backs | Freeholders | Indirect |
| Loss of business model where managing agents are accountable to freeholders | Managing agents | Indirect |
| Total benefits | Non-monetised | |
| Total costs | £3.7m | |
| NPSV | -£3.7m (-£4.0m to -£3.4m) | |
| EANDCB | £0.4m | |
| EANDCH | Non-monetised | |

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' calculations

Benefits

134. **Improved access to commonhold benefits (direct)** – Commonhold offers enduring advantages over leasehold, including greater ownership security, flexibility and

democratic control over property management (see **Annex 1** of this IA for more details about the benefits of commonhold as a tenure). These benefits apply whether commonhold is adopted through new build or conversions. However, reforming the conversion process – specifically by lowering the qualifying leaseholder consent threshold to allow conversion to proceed from 100% to 50%, thereby removing barriers where there are one or more non-consenting leaseholders and eliminating the need for lender and freeholder consent - would significantly broaden access to conversion, especially in cases where a minority are opposed, allowing more willing leaseholders to transition to commonhold.

135. Evidence from the existing leasehold model demonstrates that there is demand from leaseholders for more control and ownership over their properties. Two mechanisms, collective enfranchisement and Right to Manage (RTM), illustrate this. Reforming commonhold conversion requirements will empower more owners to enjoy the benefits of the commonhold tenure - a fairer, more democratic system of property management. This will appeal to leaseholders' demand for a best-in-class option for resident-led control and ownership.

Collective enfranchisements – HM Land Registry

136. HMLR have provided MHCLG with figures on the number of notifications of intention to collectively enfranchise in England and Wales⁴, as shown in **Table 4.2**. Notices of intention were broadly stable between 2014 and 2019 (with upper estimates around 650 – 800 collectives per year). Reduced figures from 2020 may be unusually low due to COVID lockdowns, and/or because recent governments announcements about reforms to collective enfranchisements are impacting leaseholders' behaviour, encouraging more people to wait for their implementation.

⁴ These notifications prevent the freehold being sold elsewhere during the process, so it is in leaseholders' interests to register with Land Registry. However, it is voluntary to register this interest, so it is likely to be an underestimate in terms of those who start on the journey to collectively enfranchise. Working in the opposite direction, HM Land Registry do not record which of those notifications of intention continue all the way through to completion so we cannot be sure this is a totally reliable estimate. Additionally, multiple register entries counted may actually have been applied for to protect a single claim against multiple titles held by relevant landlord(s). There is scope for error by HM Land Registry caseworkers in not completing the standard notice entry correctly or not allocating the correct internal code to it. HMLR use internal codes when interrogating their database for counts of particular types of entry.

Notices in the register of title are not possible, so will not be revealed, where the relevant landlord's ownership is not registered, though that is probably a rare situation.

HMLR figures on the number of notifications of intention to collectively enfranchise were also used in the Leasehold and Freehold Reform Bill Impact Assessment, and these differ to the ones presented in this IA due to changes in methodology.

Table 4.2: HMLR data on the number of collective enfranchisements notifications (Section 13 Notices) over time

| Calendar Year | Lower Estimate of Section 13 Notices | Upper Estimate of Section 13 Notices |
|--------------------------|--------------------------------------|--------------------------------------|
| 2013 | 344 | 476 |
| 2014 | 572 | 785 |
| 2015 | 551 | 738 |
| 2016 | 642 | 812 |
| 2017 | 665 | 761 |
| 2018 | 636 | 718 |
| 2019 | 586 | 646 |
| 2020 | 413 | 460 |
| 2021 | 400 | 439 |
| 2022 | 322 | 354 |
| 2023 | 306 | 329 |
| Average all | 494 | 593 |
| Average 2015-2019 | 616 | 735 |

This is presented as a range because there were some applications for which HMLR were unable to determine from data extracted from the register alone, whether the notice relates to section 13 or 42 of the Act. These cases are included in the Upper Estimate column and not include in the Lower Estimate column.

Collective enfranchisements – HM Revenue & Customs

137. HM Revenue & Customs publish the number of reliefs from Stamp Duty Land Tax (SDLT) claimed in collective enfranchisement transactions,⁵ which can also be used as a proxy to estimate the number of collective enfranchisements per year. The relevant data is shown in **Table 4.3**, showing 100 claims per year⁶ where data is available.

Table 4.3: Number of reliefs from Stamp Duty Land Tax claimed in collective enfranchisements per year, HMRC

| Relief code | Relief | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 | 2023-24 | 2024-25 |
|-------------|--|---------|---------|---------|---------|---------|---------|---------|
| 25 | Collective Enfranchisement by Leaseholders | 100 | 100 | [X] | 100 | 100 | [X] | [X] |

138. This is a lower estimate for the number of collective enfranchisements compared with using HMLR notifications data (see relevant caveats, above). SDLT only applies to transactions whose value exceeds the SDLT threshold. Where it does apply, relief is not available if the higher rate applies.⁷

⁵ [UK Stamp Tax statistics - GOV.UK](https://www.gov.uk/government/statistics/uk-stamp-tax-statistics)

⁶ Numbers are rounded to the nearest 100 transactions. Entries shown as [X] means less than 50 transactions or the data is not available.

⁷ [SDLTM28505 - Reliefs: Exercise of collective rights by tenants of flats - HMRC internal manual - GOV.UK](#)

139. In this analysis, an estimate for the annual number of collective enfranchisements is used to monetise familiarisation and implementation costs to businesses. As a cautious approach, **the highest estimate (735 – the 2015-2019 average number of Section 13 notifications, per HMLR) is used.** For the purpose of this assessment, analysis assumes that conversions to commonhold will displace collective enfranchisements (that do not immediately precede a conversion), and so this is also the assumed rate at which conversions to commonhold occur over the appraisal period. Beyond the appraisal period it is expected that this conversion rate will increase, either because there emerges a clear price advantage for commonhold flats or because public awareness of its benefits becomes strong enough to influence buyer behaviour.

Right to Manage companies – Companies House

140. Subject to meeting the minimum participation requirements, RTM allows leaseholders to assume responsibility for the management of their building without purchasing the freehold, while the right to collective enfranchisement enables them to acquire the freehold outright. Both processes require significant coordination, legal engagement and financial commitment, yet thousands of leasehold blocks have pursued them. Data from Companies House suggests that there are 9,746 active RTM companies (as at February 2026)^{8,9} and, as shown in **Table 4.4**, the number of RTM companies incorporated per year is generally trending upwards.

Table 4.4: Number of RTM companies incorporated annually per Companies House, 2020 to 2025.¹⁰

| Year | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|--------------------------------|------|------|------|------|------|------|
| No. RTM Companies Incorporated | 641 | 686 | 569 | 703 | 728 | 1089 |

Distributional benefits

141. Uptake of conversion is expected to be higher in urban areas with dense leasehold stock, particularly London, Manchester, and Birmingham. This reflects the existing distribution of leasehold properties rather than any deliberate targeting by the policy.

Costs

⁸ It is mandatory for Right to Manage companies to include ‘RTM Company Limited’, or its Welsh equivalent, in the company name. Searching Companies House data for current active companies that are “Private Limited Company by Guarantee without Share Capital” or “Private Limited Company by Guarantee without Share Capital, use of Limited Exemption” and that contain “RTM Company Limited” or “RTM Company LTD” or “Right to Manage Company Limited” or “Right to Manage Company LTD” Or "Rtm Co Ltd" Or "RTM Co Limited" Or "Right to Manage Co Ltd" in the company name yields 9,746 results.

⁹ This spans from the earlier recorded incorporation of an RTM company per Companies House records in 1982 up to the present day.

¹⁰ This table uses the same filters as in footnote 7 to get a complete dataset on how many RTM companies are incorporated each calendar year. This search was undertaken in February 2026.

142. **Living arrangement impacts and deferred conversion costs for non-consenting leaseholders (indirect)** – In developments where a majority (i.e. 50% or more) of leaseholder’s support conversion to commonhold but do not want to pay for non-consenting leaseholders to convert, the original freeholder will hold the freehold to the commonhold units belonging to non-consenting leaseholders. Under this arrangement, non-consenting leaseholders would face several direct costs.
143. First, they may be required, to accept changes to their shared living arrangements that they did not ask for, to ensure consistency with the Commonhold Community Statement (CCS) but they will get voting rights in exchange. So, for example, a leaseholder may find that they are now living in a commonhold block which allows pets, although they purchased that leasehold home on the understanding that leases explicitly prevented pets.
144. This cost would be mitigated by commonholders’ requirement to have regard for the existing lease terms in non-consenting leaseholders’ leases when drafting the CCS in the first instance and further mitigated by giving non-consenting leaseholders the opportunity to seek a judgment from the First-Tier Tribunal if they feel that the proposed CCS fails to do this.
145. Furthermore, non-consenting leaseholders do not avoid the costs of conversion, they are delaying payment and this may work out to be more expensive for them because their lease continues to shorten. Non-consenting leaseholders must continue paying ground rent to their freeholder and are prevented from extending the term of their lease and would instead be required to buy out their unit’s freehold and fully convert to commonhold, which may involve higher upfront costs. They are also required to sell their flat as a commonhold unit which may mean that the process of moving home takes longer and is more expensive than it otherwise may have been (because they have to buy out their lease and become part of the commonhold association). On the other hand, the property may be easier to sell and may be worth more because it is a commonhold unit in a commonhold block rather than a leasehold property in commonhold block – particularly once commonhold becomes desirable and the dominant tenure for new build developments.
146. **Front-loaded development value costs from acquiring the common parts (indirect)** – Development value refers to the value associated with the potential to develop the building or land.¹¹
147. Under the conversion process, leaseholders must acquire the freehold title in order to register the block as commonhold. This typically requires buying out any remaining leases or rights over the common parts, including any associated development value.

¹¹ [Development value - The Leasehold Advisory Service](#)

Under a share-of-freehold arrangement following collective enfranchisement, leaseholders may in some cases be able to leave some intermediate leases or development-related rights in place. This means that where the development value is in the freehold the position is the same on a collective enfranchisement and a conversion, the difference arises from being required to buy out leases over the common parts on conversion that may have development value that can potentially be left in place on a collective enfranchisement. Where such development value exists, conversion may in some specific circumstances therefore create an additional, one-off cost that arises specifically because the block is moving to commonhold rather than enfranchising. Where development value exists, it may represent a real cost to leaseholders when they convert.

148. We have not monetised this cost to converting leaseholders, as we expect this to be an edge case, only applicable in areas where potential profit makes development rights economically viable. In addition, we have not yet determined the precise mechanism by which development value will be allocated to leaseholders in the cost of conversion, this will be set out in the final bill.

4.7.4 Costs and benefits to businesses calculations

Freeholders and investors

Costs

149. **Loss of freehold interest for existing freeholders from any additional enfranchisement (indirect)** – Under the Leasehold Reform, Housing and Urban Development Act 1993 – and as amended by the Leasehold and Freehold Reform Act 2024 - leaseholders have the right to acquire the freehold of their building. The 2024 Act, once implemented, will make this process cheaper and easier. On 31 January 2025, provisions to remove the 2-year qualifying rule in relation to enfranchisement and lease extensions came into force. Government has committed to implementing the remaining enfranchisement measures as quickly as possible.
150. When leaseholders collectively enfranchise, the freeholder receives a premium. This is to compensate them for the loss of their right to receive the property back at the end of the lease and for the loss of any future ground rent. Enfranchisement therefore does not represent an uncompensated loss to freeholders; rather, it is a transfer of ownership in exchange for compensation. The main economic effect of the enfranchisement process from the point of the freeholder is that it results in a shift from a long-term income stream to a lumpsum one-time (equivalent) payment. This may influence investment strategies for freeholders but does not constitute a net financial loss under the statutory framework. Whilst freeholders lose the ability to earn long-term income and exercise control over the property, the lump-sum payment can be reinvested.
151. Reforms to commonhold conversions do not alter the statutory compensation mechanism for enfranchisement. If commonhold reform increases the rate of

conversions beyond current enfranchisement levels, freeholders will experience a faster transition from long-term income streams to one time lump-sum payments. However, over time, as commonhold becomes more attractive and if, as a result, conversions accelerate beyond current collective enfranchisement levels, freeholders will lose control over more freeholds – though they will receive statutory compensation in line with the LFRA 2024

152. When a block converts to commonhold, ground rent income streams from converting leaseholders are capitalised and paid as part of the upfront premium, but ground rents from **non-consenting units remain**. These will only end when that unit converts, typically at point of lease extension or the next sale, at which point the landlord receives compensation equivalent to the cost of tenant enfranchisement. For investors, this means a more gradual transition than if they lost all income at the point of transition, mitigating short-term disruption, but leading to a longer-term decline in ground rent revenue, offset by enfranchisement premiums.
153. **Costs to freeholders because of “unit-backs” (indirect)¹²** – In a scenario where a majority of leaseholders support conversion to commonhold, the original freeholder can be required to take the freeholds of any units owned by non-consenting leaseholders – referred to in this document as “unit-backs”. This arrangement would give rise to several direct costs.
154. The enfranchisement followed by the transition to commonhold removes the landlord’s ownership of the freehold of the building. As such they would lose access to associated income streams and they are required to delegate their decision making powers to the non-consenting leaseholders, even though they retain a property interest in the unit. The first cost associated with unit-back arises from the freeholder’s loss of influence over building management whilst still retaining an interest. Under the current enfranchisement regime, freeholders typically exit the block once leaseholders collectively acquire the freehold, meaning they are no longer involved in the property and its governance.¹³ By contrast, under the proposed commonhold conversion reforms, the freeholder can be required to take a unit-back for non-consenting leaseholder units, creating a position where the freeholder remains invested in individual units but loses all decision-making powers over the wider block. These decision-making powers would transfer to the members of the commonhold association (including the non-consenting leaseholder) immediately upon conversion, leaving the freeholder unable to influence day to day decisions that affect the value or condition of their retained interest. In practice, this could include decisions on repairs and renovations, reserve fund

¹² The previous costs associated with the loss of freehold interest for existing freeholders from any additional enfranchisement occur within the existing enfranchisement framework and are influenced by leaseholder behaviour. In contrast, this cost arises only because of the new conversion provisions and therefore should be treated as a conversion-specific impact

¹³ The Leasehold and Freehold Reform Act 2024 introduces new provisions for leasebacks in enfranchised blocks. Government has committed to implement these provisions as soon as possible.

contributions, or policies on issues such as pets or subletting, all of which would be determined collectively by the association rather than by the freeholder. This introduces governance risk, as the freeholder remains exposed to decisions that could impact their interests without any ability to mitigate them although they will be involved in any proposals to terminate the commonhold voluntarily.

155. Further, this reform introduces a significant element of financial uncertainty for freeholders. While non-consenting leaseholders will ultimately pay the premium to acquire their freeholder interest, there is no guarantee as to when the freeholder would receive this compensation. During this period, the freeholder retains a residual financial stake in the block, but this asset cannot easily be monetised, nor do they have the means to protect or enhance the value of their interest as they have very little say over how the block is managed. This creates a stranded asset risk: the freeholder holds an interest that is relatively illiquid and vulnerable to decisions made by others. Although unpredictability around enfranchisement income exists under the current regime, the proposed reform could exacerbate this by extending the duration of the uncertainty for individual units (because all units are not required to act simultaneously, the freeholder may have to wait for the sale of all individual units held by non-consenting leaseholders, before they are fully compensated for their interest in the block) and removing any governance influence. This leaves the freeholder holding an interest that is financially exposed yet difficult to realise, creating a stranded-asset risk that goes beyond the timing uncertainty inherent in enfranchisement. This dynamic would not arise if the consent threshold for conversion remained at 100%.

156. Like non-consenting leaseholders, the freeholder may face changes to the lease terms that they did not ask for, if required to align with the CCS. These changes could affect their retained interests, potentially reducing control and expected future income. For example, they may have previously charged a permission fee to consider whether a leaseholders would be able to keep a pet. This permission will not be sought if the Commonhold Association has voted through a ban on pets.

Lenders

Benefits

157. **Regulatory safeguards and legal clarity for mortgage lending (indirect)** - When a block converts to reformed commonhold, each unit becomes a freehold interest that does not expire and is governed by a standardised Commonhold Community Statement (CCS). This is expected to reduce governance complexity associated with leasehold and share of freehold arrangements and avoids reliance on statutory processes for lease extensions. These changes are expected to improve collateral quality and reduce legal uncertainty for lenders compared to the counterfactual.

158. Additionally, conversion to reformed commonhold supports property values over time for existing blocks. Mandatory reserve funds and insurance requirements improve the

financial resilience of the building and reduce exposure to unexpected costs. Democratic governance may also promote better management and improved transparency.

159. Reforms to make conversions to commonhold easier are expected to facilitate more conversions, thereby increasing the number of properties with commonhold features that benefit lenders. While these benefits represent a 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 conversions to commonhold occur more frequently, these benefits are likely to become more measurable.

Managing agents

Benefits

160. **New opportunities for management contracts with commonhold associations (indirect)** – As outlined in **Annex 1**, commonhold introduces a more transparent and accountable framework for property management, with managing agents directly answerable to the Commonhold Association (CA) rather than a third-party landlord. For blocks converting from leasehold, this shift requires switching existing arrangements tied to freeholders and replacing them with contracts to CAs. While this disrupts traditional leasehold business models which rely on centralised contracts with freeholders (as discussed below), it also opens new opportunities for agents who can adapt to a more consumer-focused model of service provision.
161. Reforms to make conversions to commonhold more accessible to leaseholders will likely increase the number of blocks transitioning from leasehold, generating a conversion-specific uplift in demand for managing agents. While this growth may be more incremental than the supply of new commonhold developments, it is nonetheless a conversion benefit that is expected to expand the market for managing agents who can deliver high-quality, transparent services aligned with the expectations of their resident employers. In contrast to third-party landlords, who may have the expertise to manage properties themselves, CAs are more likely to outsource management responsibilities, particularly in larger and more complex buildings.
162. Evidence¹⁴ presented in **Annex 1** suggests many leaseholders are reluctant to take on direct management roles due to time constraints, limited legal knowledge and discomfort with managing communal relationships. In the context of conversion, professional management may be seen as a way to retain control while avoiding the burdens of self-management. Agents who demonstrate strong performance, build trust with CAs and compete on service quality rather than legacy relationships with freeholders may benefit from conversion-driven demand and longer-term retention under reformed commonhold.

¹⁴ [Perspectives on living in and looking after shared buildings - GOV.UK](#)

Costs

163. **Loss of business model where managing agents are accountable to freeholders (indirect)** – In **Annex 1**, it is noted that reforms to the commonhold model and a ban on most new leasehold flats would disrupt the traditional business model of managing agents, who typically operate under contracts with third-party freeholders. The lack of accountability to leaseholders in this model, despite them often paying for these services, have led to misaligned incentives. Such arrangements have allowed some managing agents to maintain contracts with their landlord for long periods with limited scrutiny or competition, which reduces their incentives to improve service quality. Examples of poor service quality can include excessive buildings insurance commissions and administration charges, as well as poor oversight of projects and contracts and a lack of responsiveness to leaseholder enquiries. While implementation of reforms to improve transparency and accountability of charges in the Leasehold and Freehold Reform Act 2024¹⁵ will start to curtail these practices, the shift to commonhold represents a further move towards owner-led accountability.
164. This dynamic is also relevant for conversions reforms. Reforms to make commonhold more accessible for existing blocks will result in more blocks transitioning to commonhold, where managing agents are directly accountable to the Commonhold Association. Associations we think are more likely to scrutinise costs, demand higher levels of service and transparency, and terminate contracts if these standards are not met because the costs are ultimately borne by the unit owners. As a result, 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.
165. The baseline against which this cost is assessed is the current leasehold model, in which leaseholders can achieve better control and accountability through collective enfranchisement. Since collective enfranchisement requires 50% participation from qualifying leaseholders, this mitigates the scale of adjustment under conversion reforms. However, as discussed earlier, in the long run as commonhold becomes the preferred tenure for homeowners, there may an increase in the number of leaseholders seeking to enfranchise in order to position themselves to convert to commonhold. This will increase the overall prevalence of owner-led governance, representing an indirect cost to managing agents in securing future contracts.

Valuers and surveyors, legal professionals, estate agents and insurers

Benefits

166. **Enhanced market opportunities and an expanded caseload for other professional services (indirect)** – Earlier, enhanced market opportunities for

¹⁵ [Leasehold and Freehold Reform Act 2024](#)

managing agents are explored. Reforms to improve commonhold conversions are expected to stimulate growth in other markets. By making the route to commonhold more accessible, reforms are likely to increase the volume of conversion activity, thereby expanding the caseload for other professional services.

167. While some of this demand may substitute for leaseholders who would otherwise have converted to a share of freehold, it is expected that the overall market for conversions will grow. In the long run, access to commonhold may encourage leaseholders who may not have previously considered collective enfranchisement, thereby increasing the total number of transactions and associated professional services. It is likely that this effect will be minimal until after the appraisal period, during which time public familiarisation with the benefits of commonhold will be developing.
168. In addition, because the consent threshold is set at 50% there are likely to be non-consenting leaseholders in a significant proportion of blocks which convert. These non-consenters will be required to convert to commonhold at the point of sale or if they want to extend their lease which will provide more business. Unlike share of freehold arrangements, commonhold allows excluded parties to join later, creating a more dynamic and sustained market for professional services to support them through the process.
169. This will, in turn, create new and sustained demand for professional services (both through the initial transition process and beyond, in the ongoing management and evolution of commonhold arrangements). The impact will be beyond the direct participants, offering indirect benefits to professionals such as valuers, surveyors, legal professionals and leasehold enfranchisement practitioners, insurers and estate agents.

Valuers and surveyors

170. The process of enfranchisement ahead of converting to commonhold requires accurate valuation of the freehold interest and apportionment of costs among participating leaseholders. Valuers will be central to this process, providing expert assessments that inform negotiations. Surveyors will support CAs in understanding the condition of the building and identifying maintenance needs. As conversion activity increases, the demand for valuation and surveying services is expected to grow.

Legal professionals (leasehold enfranchisement practitioners)

171. Reforms to commonhold conversions may stimulate new demand for legal services, particularly in the areas of advisory services and dispute resolution. Legal professionals will play a key role in advising leaseholders and freeholders on their rights, obligations and options under the new framework. In the transitional period, as stakeholders continue to familiarise themselves with commonhold and with the reforms, there may be an uptick in demand for legal expertise in dispute resolution advice.

Insurers

172. Expansion of commonhold through conversions will create new opportunities for insurers, particularly in the development and marketing of insurance products tailored to CAs. As more blocks convert, CAs taking on responsibilities that have traditionally been managed by freeholders will require insurance solutions to cover shared responsibilities, including building maintenance and public liability. The increased volume of conversions will contribute to a sustained market for insurers to support new and developing CAs. However, balanced against this is a need for insurers to develop models and processes to evaluate the quality of self-management in a commonhold and determine the risks associated with each block because they are no longer dealing with a single freeholder with responsibility for a number of blocks.

Estate agents

173. The reforms to commonhold conversions will create a need for estate agents to adapt their marketing strategies, particularly in blocks where partial conversion has occurred. Agents will play a key role in explaining commonhold tenure and its benefits to prospective buyers, helping to normalise it as a viable and preferable alternative to leasehold. While this may not immediately increase overall sales volumes, it offers agents an opportunity to differentiate themselves through expertise in a new tenure model.

174. The scale of these indirect impacts will depend on the pace of adoption and will likely be most pronounced in urban areas with high concentrations of leasehold flats and mixed-consent outcomes.

Other affected groups

175. Indirectly, these reforms will generate opportunities for training, consultancy, and technology providers as the sector adapts to an increased rate of conversion to commonhold. In stakeholder engagement we have had as part of producing this impact assessment, lenders noted that there will be a large technology cost associated with changing systems to be updated to account for commonhold properties. 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.

4.7.5 Administrative, familiarisation and compliance costs for preferred option

Minimising administrative burdens of complying with the regulation

176. The preferred option introduces a new legal pathway for converting leasehold flats to commonhold. While this represents a procedural shift, the reforms are designed to minimise administrative burdens for both individuals and businesses by building on existing conveyancing and property management practices.

177. There is no significant ongoing administrative burden expected from the conversion process as it is a one-off event. The reforms do not introduce new reporting or compliance obligations for households or businesses. They will most likely impact on professionals (e.g. conveyancers, managing agents) who are already active in leasehold transactions and well-positioned to facilitate conversions and use existing infrastructure, such as HM Land Registry, to process registrations and documentation. The conversion process is a one-off event for each block.

Familiarisation, implementation and compliance costs

178. Freeholders, lenders, managing agents, valuers and surveyors, legal professionals and insurers may incur time costs to familiarise themselves with, understand and action the regulations. Where appropriate, familiarisation costs have been monetised and are estimated below.

179. 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

180. There will also be 'day-one' compliance 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

181. Given the current extent of uncertainty around the nature of commonhold implementation, we lack the data that would enable full confidence in cost estimates of the above. However, where we suspect substantive familiarisation and/or implementation costs will fall on a group, 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 policy 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 provisional 2025 Annual Survey of Hours and Earnings (ASHE).

- We have produced an estimate based on the draft Bill – taking the total word count of clauses and schedules relating to *Commonhold Conversions* (c.8k). Taking an average reading pace of 100 words per minute¹⁶, gives a reading time of 1.34 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 1.84 hours. For a low estimate of the reading time, we apply 25% reduction (1.38 hours) and for a high estimate we apply a 25% uplift (2.30 hours).
- As per other sections of this IA, all costs are presented in 2025 prices. 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 a standard familiarisation time of 1.84 hours by the relevant representative wage 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. For this analysis, we assume this to be 2028.
- Taken together, the total familiarisation cost across this reform is £3.7m. The breakdown of this total by affected group is set out below and summarised in **Table 4.5**.

Familiarisation and implementation costs (direct)

182. **Table 4.5** summarises the costs of familiarisation and implementation by group, which are set out in more detail below.

¹⁶ 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.

Table 4.5: Breakdown of monetised familiarisation and implementation by group (over the 10-year appraisal period)

| Familiarisation cost monetisation approach | Group | Cost |
|---|---------------------|--------------|
| Familiarisation cost - stakeholder engagement | Legal professionals | £3.6m |
| Familiarisation cost - reading | Freeholders | £44k |
| | Valuers | £40k |
| | Lenders | £7k |
| | Total | £3.7m |

Leaseholders

183. It is assumed that leaseholders will only familiarise themselves with the details of commonhold conversion at the point they actively choose to convert. Familiarisation is therefore expected to occur at the same juncture it would have under the counterfactual (e.g. during collective enfranchisement), meaning no additional familiarisation cost is incurred.

184. Furthermore, it is assumed that, during the appraisal period, conversions to commonhold will not be significantly more frequent than collective enfranchisements have been prior to the Bill's enactment. This reflects the time needed for the benefits of commonhold over leasehold and share of freehold to become widely acknowledged, and for any divergence in property values between commonhold and leasehold to become sufficiently established to influence behaviour. As such, familiarisation costs for leaseholders are not monetised.

Freeholders and investors

185. Freeholders are directly involved in the commonhold conversion process. They are required to surrender their freehold interest to participating leaseholders and must understand how the new arrangements (particularly those involving non-consenting leaseholders) may affect their rights, obligations and interests.

186. Data presented earlier shows that there was an average of 735 collective enfranchisement notifications per year between 2015 and 2019. As set out before, it is assumed that, during the appraisal period, conversions to commonhold will not be significantly more frequent than collective enfranchisements have been prior to the Bill's enactment. Applying this assumption gives a central estimate of 735 conversions to commonhold in Year 1, each requiring engagement from the relevant freeholder.

187. It is therefore reasonable to assume that around 735 freeholders will need to familiarise themselves with commonhold conversion legislation in Year 1. This figure may overestimate the number of unique freeholders affected, as some (particularly investors with larger portfolios) may be involved in multiple conversions and would only need to familiarise themselves once. However, acting in the opposite direction, some freeholders may choose to familiarise themselves with conversions legislation in

anticipation of future conversions, even if they have not yet been approached. Additionally, where the freeholder is an investment company, multiple staff members may need to learn about commonhold conversions.

188. We do not have data for the average wage of a freeholder. As a proxy, we use the mean hourly wage for property, housing and estate managers per ASHE data (£25.12), in line with the approach taken in the Leasehold and Freehold Reform Act Impact Assessment. Multiplying this by the reading time, applying the 1.3 wage uplift gives a cost of £60.09 per freeholder. Assuming a group size of 735 freeholders produces a total cost of £44k.

Lenders

189. As set out in **Annex 1**, we assume that all lenders that currently lend on commonhold will need to immediately familiarise themselves with the new commonhold legislation. An additional consideration for commonhold conversions is that lenders who do not presently lend on commonhold may find themselves affected if leaseholders they have lent to are in a property that undergoes conversion. In such cases, these lenders will need to develop an understanding of the commonhold and conversions framework to manage their exposure appropriately. While we assume that lenders outside of those currently lending on commonhold will need to build general awareness of the reforms, we expect that this can be achieved through internal advice or sector-wide guidance (for example, from UK Finance), and therefore we do not attribute the same level of familiarisation costs to them.

190. Our latest estimate, based on engagement with UK Finance is that 40 firms currently lend on commonhold. As per the assumptions set out in **Annex 1**, we model this group as comprising 10 large lenders, each requiring 5 employees to familiarise themselves with the reforms, and 30 other lenders, each requiring 2 employees. This gives a total group size of 110 individuals expected to incur familiarisation costs.

191. We assume the mean hourly wage for lenders, using financial accounts managers wage from ASHE data (£27.53). Applying the 1.3 wage uplift gives a cost of £65.85 per individual. Multiplying this by 110 produces total cost of £7.2k.

Valuers and surveyors

192. Valuers are expected to play a key role in the commonhold conversion process. As such, we assume that they will need to familiarise themselves with the reforms to commonhold conversions.

193. For consistency, the same group size assumption used for freeholders is applied here. Per HMLR data, there were an average of 735 collective enfranchisement notifications per year between 2015 and 2019. It is assumed that, during the appraisal period, conversions to commonhold will not be significantly more frequent than this

baseline. Therefore, 735 valuers are assumed to require familiarisation with the conversion legislation in Year 1. This figure may overestimate the number of professionals affected, as some valuers may be involved in multiple cases. However, it may also underestimate the broader familiarisation required across the profession: as commonhold conversions become more prominent, professionals may seek to familiarise themselves proactively, even if not directly involved in a case, to respond to client queries and maintain professional competence.

194. We assume a mean hourly wage for estimators, valuers and assessors per ASHE data (£23.03), as this provides a proxy for individuals working in the property sector. This gives a cost per valuer of £55.09. Multiplying by 735 produces a total cost of £40.5k.

Legal professionals

Stakeholder engagement

195. Responses to our stakeholder engagement exercise estimate that training costs may be an average of £600-£700 per day of 4-5 hours. Responses also indicate that 10 CPD hours per individual may be a reasonable estimate of training time required for conversions. Using the midpoint of these costs (£650) and assuming that 2 days of training are needed, we take a central estimate of £1,300 (10 hours at £650 per 5 hours of training) per legal professional.

196. As above, we assume that 735 legal professionals will require immediate familiarisation. Stakeholder feedback states that this figure would be on-going for 3-5 years, and possibly longer. We take the central estimate, and model these costs for 4 years, giving a total cost of £3.63m over the appraisal period.

Reading Cost

197. Legal professionals will play a central role in the conversion process, so they will need to familiarise themselves with the new legislative framework and its practical implications.

198. The same assumptions about group size apply that applied for valuers. We assume 735 legal professionals will require immediate familiarisation, in line with the historical number of collective enfranchisement notifications per year. As with valuers, this may be an overestimate, if legal professionals are involved in multiple conversions, or an underestimate, if more professionals proactively familiarise themselves even if not directly involved in a conversion.

199. We use the mean hourly wage for legal professionals per ASHE data (£34.80). Applying the 1.3 wage uplift provides a cost of £83.24 per legal professional. Multiplying this per-person yields a total cost of £61.2k.

| Approach | Cost | Includes |
|------------------------|--------|---|
| Stakeholder engagement | £3.63m | CPD training which would go on for 3-5 years. |
| Reading cost | £61.2k | Reading time cost as an opportunity cost |

Insurers

200. Unlike other groups in this section, insurers are unlikely to need immediate, across-the-board understanding of the commonhold conversion reforms. They only need to apply the new framework when underwriting or renewing policies for converted properties, which will occur gradually as conversions take place. However, when conversion does occur, insurers will need to assess how the change in ownership structure affects the risk profile of the existing building and the management arrangements in place.
201. This is particularly relevant where converted buildings differ in governance or maintenance practices from newly built commonhold developments. Insurers will need to understand how the Commonhold Community Statement, reserve funds and democratic structures operate in practice. Insurers may rely on sector-specific guidance, such as updates from industry bodies.
202. Because we assume that insurers will not need immediate familiarisation with the legislation, this cost has not been monetised in the same way as for the other stakeholder groups. However, some insurers, particularly large firms, may prepare early to stay competitive and manage risk. This could lead to higher early costs for some firms, even if most adopt a gradual approach.

Managing agents

203. Managing agents will need an understanding of commonhold in general. As discussed in **Annex 1**, owner-occupiers may be more likely to seek external help with management responsibilities, and commonholders may be more inclined to hire professional managing agents. **Annex 1** monetises familiarisation costs associated with this shift. However, we do not consider that the same level of familiarisation is required specifically for reforms to commonhold conversions.
204. While there are nuances associated with mixed-tenure blocks, where there are commonholders and non-consenting leaseholders, that managing agents will need to understand, we do not expect these to require detailed knowledge of the specific sections and schedules relating to the legal process of conversion. As such, we do not consider this level of familiarisation necessary for managing agents in the context of conversion reform, and therefore this cost has not been monetised.

Compliance costs (direct)

205. Beyond familiarising themselves with the reforms to commonhold conversions, we expect that practitioners, in particular legal professionals and valuers, will incur ongoing costs from complying with the new legal, technical, and operational requirements associated with delivering commonhold conversion. Costs may be higher in cases involving mixed-tenure blocks, where leasehold and commonhold coexist, which are likely to require more complex advice and operational adjustments, increasing time and resource intensity. These costs are not limited to initial training but will continue over time as the market adapts. Some business may need to ensure that staff maintain continuous professional development specific to conversions.
206. For example, responding to our stakeholder engagement, Conveyancing Association noted that ongoing costs may include periodic updates to client advice on the conversion process - though they noted that ongoing costs relating to commonhold reform in general are likely to be less than those associated with leasehold, as there will not be multiple third parties to notify, and the amount of legislation impacting the commonhold tenure is less, reducing the risk of negligence and the need for advice and training.
207. Compliance costs will vary across the sector. For example, while legal professionals and valuers face recurring costs due to updates in practice and liability risks, other groups like lenders and insurers will incur costs related to revising internal policies, risk models and documentation to align with the new conversions process. Businesses in urban areas with dense leasehold stock will be more likely to incur conversion related compliance costs during the appraisal period.
208. As outlined in **Annex 1**, stakeholders tended to report that they expect recurring compliance costs to diminish over time, citing improved familiarisation amongst the sector, and the standardisation of process as potential reasons for this.
209. Due to the limitations in the evidence base that are discussed earlier in this IA, compliance costs have not been monetised.

4.7.6 Impact on small and micro businesses

210. The preferred option may impact small and micro businesses, particularly small managing agents who operate in leasehold blocks and may need to adapt to new governance structures under commonhold, small freeholders (e.g. resident-owned companies or small landlords) who may lose existing control over blocks post-conversion, small legal firms who may need to update their practices and advise clients on the new conversion framework.

211. SMBs may be subject to potentially disproportionate burdens relative to larger organisations. These costs might include things like administrative and legal adaptation costs, particularly for small managing agents and legal firms, and training and compliance costs for SMBs involved in property management or conveyancing. These costs are expected to be modest and transitional, and outweighed by long-term benefits such as reduced conflict, clearer governance, and improved client satisfaction.
212. Exempting SMBs from the policy would undermine the core objective of enabling conversion across a wide range of building types, including those managed, supported or owned by small entities. Instead, mitigation measures to support SMBs might include things like clear guidance and training for managing agents, legal professionals, and leaseholders to support transition and stakeholder engagement during the development of secondary legislation and guidance, support from professional bodies (e.g. TPI, Law Society) to disseminate best practice and templates. These measures would ensure that SMBs are not excluded from the benefits of reform, while minimising disruption and supporting capacity-building.
213. In addition, the proposed reforms are expected to deliver several non-monetised benefits for small and micro businesses operating in the leasehold and property management sectors. While these benefits are not easily quantifiable, they are important for understanding the broader value of the intervention. For example, small legal firms and managing agents will benefit from a clearer legal framework for commonhold conversion, reducing ambiguity and improving the quality of advice and services they can offer. In addition, replacing outdated legislation with a streamlined process will reduce the risk of disputes and improve operational efficiency for SMBs involved in property transactions and management.
214. Elsewhere, reforms may create new service demand for SMBs, including legal advice on conversion, commonhold association setup and governance and training and compliance support for leaseholders and managing agents. This could help diversify revenue streams for small firms, carve out niche and specialist revenue avenues, and encourage innovation. Early adopters among SMBs may be seen as leaders in the transition to modern tenure models, improving their market reputation.

4.7.7 Business environment

215. Conversion will be voluntary and initiated by leaseholders. Any effects on the business environment are expected to be modest and proportionate to the number of blocks that choose to convert, with impacts focused in sectors directly engaged in leasehold property management, freehold investment, and residential legal and professional services, as discussed above. Wider residential and commercial investment decisions are not expected to be materially affected by these reforms.

Incentives, behaviours and innovation

216. In the longer term, the increased feasibility of conversion may gradually shift incentives within the residential property sector. As more blocks choose to convert, firms that rely on leasehold-specific revenue streams may need to adapt their business models, while property management and professional service providers may respond by developing more customer (resident and CA) facing, service-based offerings. Any such changes are expected to emerge slowly over time, and detailed sector-specific impacts are set out elsewhere in the assessment. Wider investment impacts are expected to be limited.

Effects on service procurement and management

217. Under the reformed model of commonhold conversions, a significant number of converting blocks may be those that would have chosen to collectively enfranchise under the counterfactual and so would have adopted resident-led governance under leasehold. These buildings would already appoint and oversee managing agents directly, so conversion to commonhold does not change how they procure or manage services. The main difference is that these arrangements would operate under a different legal structure. This may slightly reduce some of the bespoke contractual work associate with leasehold management and make service expectations more standardised for the buildings that convert. Any such effects are expected to be limited to those blocks and are not expected to affect competition or market concentration at a national level.

Competition, barriers to entry and market structure

218. Lowering the barriers to conversion and simplifying post conversion governance may over time reduce information asymmetries that previously impeded entry for smaller legal, property management, and accounting firms. Standardisation of processes and governance frameworks in converted buildings may allow SMEs to compete more effectively against large incumbent providers. We do not consider there will be any significant adverse impacts to competition. Commonhold governance in converted blocks may over time reduce information asymmetries that previously impeded entry for smaller legal, property management, and accounting firms. Standardisation of processes and governance frameworks in converted buildings may allow SMEs to compete more effectively against large incumbent providers. We do not consider there will be any significant adverse impacts to competition.

4.7.8 Trade implications

219. The proposed reforms focus on creating a workable legal framework which makes converting an existing leasehold building to commonhold more accessible. These changes are domestic in scope, applying only to England and Wales, and concern property ownership structures rather than the regulation of goods or cross-border services. Consequently, the measure is not expected to have material impacts on international trade in goods or services, nor does it introduce technical barriers to trade.

220. The conversion framework will apply uniformly to all property owners and service providers, regardless of nationality, ensuring that foreign businesses face no additional requirements compared to UK-based firms. Governance standards for converted commonhold properties will be consistent and transparent, supporting a level playing field.

221. While the measure does not directly affect UK exporters, it may generate indirect benefits for UK-based legal, surveying, and property management firms by stimulating demand for professional services associated with conversion projects.

4.7.9 Environmental implications

222. While not explicitly designed as an environmental intervention, the reforms to commonhold conversions may create governance conditions that indirectly support the UK's broader commitments to environmental improvement and decarbonisation.

223. Under leasehold, fragmented ownership and reliance on external freeholders can create barriers to collective investment in energy efficiency and sustainability measures. Leaseholders can face delays, vetoes, or high permission fees for improvements to buildings or upgrades such as solar panels, heat pumps, insulation, EV charging points, or smart metering. By contrast, enabling conversion to commonhold empowers homeowners to make democratic decisions about building improvements, including green infrastructure. This shift is expected to:

- Remove governance barriers to resident-led investment in energy efficiency and sustainability measures.
- Facilitate collective decisions on upgrades such as insulation, renewable energy installations, and EV charging.
- Potentially encourage longer-term ownership horizons, incentivising investment in environmental performance.

224. These outcomes align with the Environmental Principles Policy Statement, particularly integration and long-term stewardship. While the reforms do not directly affect land use or biodiversity, improved governance could also support better maintenance of communal green spaces and resident-led environmental initiatives.

4.7.10 Wider impacts

225. The proposed reforms to enable conversion from leasehold to commonhold may generate wider positive impacts beyond the core appraisal, primarily through improved governance and ownership structures that empower residents and support long-term stewardship of multi-unit buildings, relative to the counterfactual.

Equalities Impacts

226. The conversion reforms primarily affect existing leaseholders in multi-unit buildings who may participate in or be affected by a transition from leasehold to commonhold. Individuals from all protected groups under the Equality Act 2010 are present within the leaseholder population, and therefore all groups will be represented among those directly impacted by the reforms. The main body of the IA, **Section 2.6.3** sets out information about the demographics of leaseholders, per the EHS.
227. Some protected groups, particularly younger people, single, widowed or divorced households, LGB+ individuals, and ethnic minorities, are statistically overrepresented among leaseholders. Any differential impacts arise from existing demographic patterns in the leasehold sector and wider socio-economic factors, rather than from the conversion reforms themselves. While the conversion process applies equally to all leaseholders, its practical effects may differ across groups because of factors unrelated to the policy itself, such as differences in income, household composition, and decision-making power. For example, groups which might have lower average incomes (e.g., younger or single households) may face greater challenges in meeting any costs associated with conversion. These disparities arise from the current leasehold system and market conditions, not from the reforms themselves.
228. By simplifying the conversion process and reducing consent thresholds, the reforms aim to overcome coordination failures that currently prevent commonhold adoption. These changes are expected to improve democratic control and transparency for all owners relative to third-party leasehold and make participation in conversion more accessible and less dependent on unanimity or high financial thresholds. This directly supports the objective of creating a workable legal framework which makes converting an existing leasehold building to commonhold more accessible, ensuring that the benefits of commonhold are not limited to those with greater financial resources or influence.
229. Analysis relies on the demographic profile of leaseholders rather than those specifically involved in conversions, introducing uncertainty. Data gaps for some protected characteristics (e.g., pregnancy/maternity, gender reassignment) further limit the ability to fully assess equalities impacts. On balance, the reforms are expected to have a positive equalities impact on owners by reducing barriers to commonhold conversion and improving governance fairness, particularly benefiting groups overrepresented among leaseholders, while promoting inclusive decision-making.
230. The department does not hold demographic data on the protected characteristics of individual freeholders affected by conversion reforms, and a substantial proportion of freehold interests in multi-unit buildings are held by companies rather than individuals. Where individuals do hold freeholds, it is reasonable to assume they span the full range of protected characteristics. We have not identified evidence that the conversion reforms would create disproportionate impacts, positive or negative, on freeholders with

particular protected characteristics. Where freeholders experience impacts, these result from the reform itself and any behavioural impact it drives among leaseholders, not because the policy affects people differently based on protected characteristics. On this basis and given the relatively small number of individual freeholders compared with the leaseholder population, the reforms are not assessed to generate adverse equalities impacts for this group.

Public sector impacts

231. Leasehold disputes over service charges, permissions, and lease extensions are a major source of casework for the relevant tribunals, ombudsman services, and advisory bodies. By removing the landlord-tenant dynamic, conversion to commonhold is expected to reduce the volume of these disputes over time.

232. In addition, a standardised commonhold framework simplifies legal interpretation and enforcement, supporting more efficient oversight and regulatory clarity.

Market resilience

233. Reforms that make the existing conversion route workable in practice are expected to support market resilience. A more predictable framework for undertaking conversion is likely to reduce frictions, improving confidence among lenders, insurers and conveyancers when dealing with buildings transitioning away from traditional leasehold. Enhanced predictability in title arrangements and governance following conversion may contribute to greater stability and reliability in transactions across affected segments of the housing market.

234. There are no expected impacts on defence, national security, or animal welfare.

Pension funds

235. Some pension funds have invested in residential leasehold developments, either directly or more commonly through financing loans to freeholders. These investments provide a steady, often inflation-protected return via ground rents paid by leaseholders, (in instances where the escalation terms are linked to inflation). Pension funds use this revenue to meet index-linked liabilities.

236. As outlined throughout this IA, recent reforms have already reduced opportunities for new leasehold income streams, for example, by banning ground rent for most new leases since June 2022 (or April 2023 for leases for retirement homes). As a result, pension fund exposure is largely limited to existing stock.

237. We have heard arguments that reforms could reduce these existing leasehold-related income streams and potentially lower asset values for investors such as pension funds. However, it is important to distinguish between the acquisition of the freehold (through collective enfranchisement) and conversion. The loss of investor revenue

occurs at the point the freehold interest is acquired, not at the point of conversion, and is compensated. As noted earlier, the number of conversions post-reforms is likely to mirror collective enfranchisements within the counterfactual. Therefore, we expect the short-term impact to be minimal and anticipate that pension funds are unlikely to experience material impacts during this period from conversion reforms. Where similar arguments are made in relation to the ground rent provisions in the draft Bill, they are set out in **Annex 5** of this IA.

238. In the longer term, if reforms make commonhold more attractive and conversions (and thus freehold acquisitions) increase beyond today's enfranchisement volumes, pension funds with ground rent exposure will experience a gradual reduction in income. However, this would be accompanied by statutory compensation under the LFRA 2024. Investors will need to reallocate capital over time to meet index-linked liabilities.

239. A further consideration is that conversion is not always simultaneous for all units. When a block converts to commonhold, income streams from consenting leaseholders are extinguished at the point the freehold is acquired, but income from non-consenting leaseholders continues. These ground rent flows end only when the remaining units convert, typically at the next sale, at which point the landlord receives compensation equivalent to the tenant's enfranchisement premium. For investors, this creates a phased reduction in income rather than a sudden loss, mitigating short-term impacts but still leading to a long-term decline in ground-rent revenues, offset by enfranchisement receipts.

4.7.11 Risks, assumptions and sensitivities

Table 4.6: Assumptions, risks and mitigations

| Assumption description | Risk | Mitigations |
|--|---|---|
| <p>Conversions to commonhold will occur at a rate comparable to collective enfranchisements in recent years. A high estimate of 735 per year is used, based on HMLR data on Section 13 notifications</p> | <p>Conversion appetite among leaseholders is uncertain, particularly in blocks with complex ownership structures.</p> | <p>Switching values analysis is conducted using a high and low estimate for the expected number of conversions over the appraisal period</p> <p>Public information campaigns are planned to support awareness and uptake.</p> |
| <p>Reasonable assumptions, drawing on publicly available data are applied, alongside feedback from stakeholder engagement that was carried out to build our evidence base.</p> | <p>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.</p> | <p>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.</p> |
| <p>Analysis is largely qualitative, and benefits have not been monetised.</p> | <p>Potentially reduces clarity on the scale of benefits and non-monetised costs when presenting NPV, though qualitative evidence still supports the policy rationale.</p> | <p>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.</p> |
| <p>Market behaviour will respond predictably to the changes around commonhold conversions.</p> | <p>If market response is different, slower or more resistant than expected, benefits may be delayed or reduced.</p> | <p>Behavioural assumptions are based on analogous reforms and stakeholder feedback. Monitoring and evaluation plans will be developed to track real-world impacts.</p> |
| <p>Consumer awareness and demand will increase once reforms are enacted.</p> | <p>If consumer demand remains low, market shift may be limited even with legal reform.</p> | <p>Public information campaigns and stakeholder engagement are planned to support awareness and uptake.</p> |

Sensitivities

1. Switching values analysis

240. As benefits from the policy have not been monetised, we have conducted switching analysis to calculate value that the non-monetised benefits would need to be for the NPSV to equal zero, in other words to exactly equal the monetised familiarisation costs included in this assessment.
241. In monetising costs, this IA uses the average number of notifications of intention to collectively enfranchise between 2015 and 2019, per HMLR data, as a proxy for the estimated number of commonhold conversions annually. Assuming full implementation in Year 1, this means that there will be 7,350 conversions over the 10-year appraisal period.
242. The total non-monetised benefits to converting blocks would need to be a total of £3.7m across the appraisal period for the NPSV to equal zero (if all reforms are implemented in Year 1). Per converting block, this breakeven value would need to be approximately £510 or around £50 per year.
243. Earlier in this annex, HMRC data on reliefs from Stamp Duty Land Tax (SDLT) claimed in collective enfranchisement transactions is described as a lower estimate for the number of collective enfranchisements per year. Using this figure (100) as the assumed number of conversions per year over the appraisal period, the total NPV of monetised costs would be £509k. Per converting block, the total non-monetised benefits over the appraisal period would therefore need to be approximately £510, or around £50 per year.

Table 4.7: Switching values analysis: value of benefits to converting blocks required for NPSV to equal 0

| Assumed number of conversions over the appraisal period | NPSV: Central Estimate | Value of benefits required over the 10-year appraisal period per converting block for NPSV to equal 0 (nearest £10) |
|---|------------------------|---|
| 7,350 | -£3.7m | £510 |
| 1,000 | -£513k | £510 |

2. Assumption sensitivity analysis – implementation year

244. This annex assumes that monetised costs will initially be incurred in Year 1 of the appraisal period. To explore the impact of this assumption, we tested how the total NPSV changes when monetised costs are assumed to be incurred in different years. The NPSV is lower in later years because a discount rate of 3.5% is applied to reflect the social time preference value of money, per HM Treasury's Green Book. These scenarios are presented in **Table 4.8**.

Table 4.8: Total NPSV of reforms with different assumptions for the year in which costs are incurred

| Year in which familiarisation costs are incurred | NPSV: Central Estimate |
|--|------------------------|
| 1 | -£3.7m |
| 2 | -£3.6m |
| 3 | -£3.5m |
| 4 | -£3.4m |
| 5 | -£3.2m |
| 6 | -£3.1m |
| 7 | -£3.0m |

* Stakeholder feedback that informed modelling for legal professionals specifies that costs will span over 3-5 years. Modelling assumes these costs persist over 4 years. Therefore, after Year 7, the full cost for legal professionals would not be captured within the 10-year appraisal period.

4.7.12 Monitoring and evaluation plan

245. Monitoring and evaluation for this policy area forms part of a whole-programme evaluation covering the full suite of leasehold and commonhold reforms. In line with the Better Regulation Framework, this will allow the evaluation to reflect interdependencies and cumulative impacts. Due to the interconnected nature of the reforms, including the way reform to commonhold conversions interacts with other measures, such the reforms to the commonhold model set out in the draft Commonhold and Leasehold Bill (see **Annex 1**), the enfranchisement measures 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.

246. 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. A unified M&E approach provides a proportionate and coherent assessment of how the reforms collectively affect market functioning, consumer outcomes and long-term tenure resilience.

Proposed Key Performance Indicators (KPIs) for assessing reform outcomes

1. 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.
2. The draft indicators outlined in **Table 4.9** may change as the overarching policy, implementation planning, and evaluation design mature, and will be confirmed at the relevant scoping 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 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 4.9: Draft indicators for assessing the reforms to commonhold conversions

| Draft indicator | Description & purpose | Data Source(s) |
|--|---|---|
| Number of leasehold properties converted to commonhold | Tracks the update of conversion after reforms, to inform us how many existing leasehold properties have moved to commonhold. | <ul style="list-style-type: none"> • HMLR data on conversions |
| Conversions occurring across varied building types (e.g., mixed-use, mixed-tenure, complex blocks) | Evaluates whether the reformed process works for a broader range of block types, not only simple or small buildings. | <ul style="list-style-type: none"> • Case studies • Stakeholder feedback (e.g., legal professionals, managing agents) |
| Unit owner satisfaction with governance post-conversion | Measures whether households in converted blocks report improved control, democratic decision-making, or better management outcomes. | <ul style="list-style-type: none"> • Survey research • Qualitative interviews |