

**Propertymark briefing – Leasehold and Freehold Reform Bill– Second Reading (House of Lords) –
Wednesday 27 March 2024**

Background

Leasehold is a significant and increasing tenure for new homeowners. The Department for Levelling Up, Housing and Communities (DLUHC) estimates that there are around **4.98 million leasehold homes** in England, of which **3.5 million are flats** and **1.5 million** are houses. This equates to **20%** of the English housing stock.¹

Key statistics

In September 2018, Propertymark’s report ‘Leasehold: A Life Sentence?’² highlighted the concerning reality of how leaseholders have been treated when purchasing their properties.

- **60% of those leaseholders currently trying to sell their home report that they are struggling to sell** because it is leasehold.
- **62% of leaseholders felt they were mis-sold** when they bought their home.
- **70% of leaseholders are worried they will not be able to sell their homes** because they are leasehold.
- **94% of leasehold homeowners regret buying a leasehold.**

Understanding the impact

- **Long-term scandal** - the issue of escalating ground rent on leasehold homes has been a long-term scandal which has left many owners trapped and unable to sell their homes.
- **Low consumer awareness** - Propertymark’s research found that almost half of leaseholders (46%) said they might not have purchased their property if they knew their ground rent would increase.
- **Create a level playing field** - the UK Government must extend the legislation to those who already own a leasehold property and retirement properties to create a level playing field.

The current state of leasehold in 2023

Five years on from ‘Leasehold: A Life Sentence’, Propertymark published a follow-up report³ which explored the impact of recent legislation and work to inform homebuyers on leasehold.

- **54% of agents who sell property on behalf of developers report that they do not always provide the pertinent leasehold information.**
- **60% of buyers ask for information about the lease** before they view a property.
- **72% of agents believe homebuyers are more aware of issues surrounding leasehold property.**

Ground rent - Peppercorn rents are the only option to align new and existing leaseholders

It tackles one of the larger barriers to selling leasehold properties, reigniting the property sector to increase the number of homes bought and sold.

- **78% of Propertymark agents reported that leasehold properties with escalating ground rent will struggle to sell**, even if priced correctly.

It brings existing leaseholders on par with new leaseholders, bringing much needed parity for those who already pay what they believe to be excessive ground rent.

- **48% of leaseholders were unaware of escalating ground rents attached to their lease** when they purchased the property.

¹ <https://www.gov.uk/government/statistics/leasehold-dwellings-2021-to-2022/leasehold-dwellings-2021-to-2022>

² <https://www.naea.co.uk/lobbying/leasehold-properties/>

³ <https://www.propertymark.co.uk/resource/leasehold-2023-has-anything-changed.html>

Estate agents

Estate agents have a level of responsibility, and the Consumer Protection Regulations require agents to pass on all material information in respect of a lease.⁴

- Due to increased awareness of leasehold properties, property agents report that many solicitors and mortgage lenders refuse to work on or finance leasehold properties – this further exacerbates the difficulties in buying and selling leasehold properties.

Our key recommendations to strengthen the Bill

To improve the UK Government's proposals and give more rights and protections to homeowners, the House of Lords must introduce measures not currently included in the Bill, to ensure the legislation is workable and evidence-based:

- **Introduce overarching statutory regulation of property agents** - for sales, lettings, managing agents and sales staff selling property for building developers there are no minimum standards to work in the sector and there are no statutory rules to ensure those buying, selling, and managing leasehold property are suitably qualified.
- **Introduce a mechanism to identifying and contact freeholders with offences for failing to respond** - property agents report difficulties in getting hold of the freeholder during sales processes or when leaseholders need to get in contact with the freeholder to approve home alterations or to discuss issues with the lease which slows down the sales process.
- **Implement a code of practice and disclosure document concerning Event Fees in specialist retirement developments as drafted by the Law Commission in March 2017⁵** - companies that own or manage specialist retirement properties, usually flats owned on a long leasehold basis, often include a clause in their lease agreements requiring owners to pay an "exit" or "transfer" fee when they wish to sell or rent out their homes.
- **Ensure all developers sign up to the Consumer Code for Home Builders⁶** - the UK Government need to consider the consistency across warranties and guarantees provided by home builders so all consumers can be guaranteed a fair and transparent process and experience.
- **Developers should not build on land that they do not own the freehold to** - because the 'right of first refusal' only applies to flats and not houses, developers selling new homes as leasehold are not legally obliged to tell the purchaser if they have sold the freehold to an investment company.
- **Phase out leasehold on new flats** - if the UK Government is serious about doing away with leaseholds, they need to ban leaseholds on all new flats and all new houses.

Propertymark

Propertymark is the UK's leading professional body of property agents, with over 17,800 members representing over 12,800 branches. For further information and to arrange a meeting please contact Timothy Douglas, Head of Policy & Campaigns via timothydouglas@propertymark.co.uk or telephone 07920 588936.

⁴ <https://www.nationaltradingstandards.uk/work-areas/estate-agency-team/material-information/>

⁵ <https://lawcom.gov.uk/project/event-fees-in-retirement-properties/>

⁶ <https://consumercode.co.uk/>