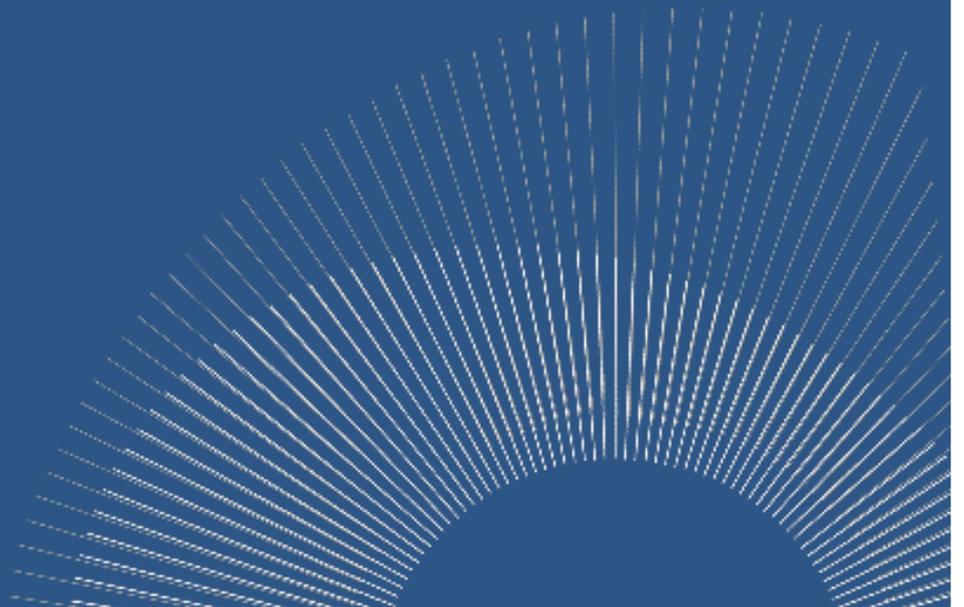


A retrospective ground rent cap: Economic risks and unintended consequences

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Overview

While the aim of supporting leaseholders is understandable, the proposed £250 cap on ground rents for existing leases would deliver limited and uneven benefits, while risking conflict with wider government objectives on housebuilding, growth and productive investment.

Government analysis suggests up to £18.7 billion could be wiped from the value of ground rent investments, much of it held by UK pension funds, while lower ground rents are likely to be built into higher property prices, benefiting current leaseholders but raising barriers for first-time buyers.

By increasing policy risk and financing costs, a retrospective cap could weaken investment and viability, with higher required returns potentially reducing annual housing starts by up to 15,000–20,000 homes – undermining the Government’s housebuilding ambitions – and cutting total business investment by up to £9 billion.

Meanwhile, rewriting existing contracts risks damaging confidence in the UK’s policy framework, with potential spillovers beyond housing if investors fear that other long-term rules and commitments could also be retrospectively changed.

About the author:

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Transparency and declaration of interest:

We have been commissioned by The Residential Freehold Association to undertake this study and retain full editorial independence. The analysis and conclusions are our own.

The author has held senior roles across both the public and private sectors, advising government and major private sector stakeholders. The report also draws on the breadth of expertise within WPI Strategy's economics and public policy team, with extensive experience in housing, regulation and investment analysis.

Our interest is to ensure that reform is proportionate, legally robust and consistent with sustaining housing supply, investment confidence and long-term growth in the UK economy.

Summary

The Government has announced plans for a £250 cap on ground rents on existing leasehold properties in England and Wales. While the goal of protecting leaseholders is understandable, the economic evidence suggests that retrospectively capping ground rents would deliver limited benefits to households while creating significant and unintended costs.

Drawing on the Government's own impact assessment, independent research, and established economic evidence, this report finds that:

- A retrospective £250 cap would impose large economic costs, including an estimated reduction in ground rent investment values of up to £18.7 billion (around 0.6% of annual UK GDP), concentrated in a single asset class.
- The impacts would be highly concentrated in London and the South East, the regions with the most acute housing shortages, highest construction costs, and greatest reliance on private and institutional capital.
- Lower ground rents could make millions of eligible homes more expensive, benefiting current leaseholders but raising barriers for future buyers, particularly first-time buyers.
- There is little evidence that tenants would benefit, since ground rents are paid by landlords, not renters, and cost reductions in supply-constrained markets are not typically passed through into lower rents. Moreover, some benefits of a cap would flow to overseas landlords.
- Rewriting existing contracts cuts across the Government's goal of providing a stable and predictable investment environment. If investors come to fear that other rules could also be changed retrospectively, confidence could fall across the economy.

Our analysis suggests that the resulting increase in perceived policy risk could reduce annual housing starts by up to 15,000–20,000 and cut overall business investment by up to £9 billion per year.

- UK pension funds hold a significant share of ground-rent assets, meaning a fall in asset values could lead to multi-billion-pound write-downs and make trustees more cautious about UK investment, precisely when government is trying to encourage the opposite.
- By creating barriers to development, restricting ground rents risk worsening the underlying housing shortage that has given rise to concerns about housing costs in the first place.

Our central conclusion is that a retrospective ground rent cap risks worsening housing affordability and supply while undermining investor confidence, with limited evidence of benefits to tenants or future buyers.

If the policy objective is to prevent harmful practices in future, this can be achieved through targeted regulatory reform. Further, more stringent changes could be made for new leases only, without rewriting existing contracts or introducing the economic, legal and investment risks inherent in retrospective intervention.

1. Introduction and policy context

Ground rent refers to annual or periodic payments made by leaseholders to freeholders under a leasehold arrangement, reflecting the latter's residual property interest. In 2023-24, there were an estimated 4.83 million leasehold dwellings in England, representing almost one-fifth of the housing stock.¹ Not all leasehold properties pay meaningful ground rent, particularly where leases have been extended or reformed. Overall, 3.8 million residential leasehold properties are estimated to have a ground rent obligation.²

In recent years, ground rents have attracted increased political scrutiny. Much of this concern has centred specifically on a very small subset of leases containing 10- or 15-year doubling clauses, which in some cases led to rapid escalation in ground rents and, as a consequence, impeded sales or access to mortgage finance.³ These issues have emerged alongside wider inflation and cost-of-living pressures and a broader debate about the sustainability and fairness of the leasehold system in England and Wales.⁴

Parliament addressed future leasehold practice through the Leasehold Reform (Ground Rent) Act 2022, which banned ground rents above a nominal "peppercorn" for most new long residential leases.⁵ In 2023, the Department for Levelling Up, Housing and Communities consulted on options to restrict ground rents in existing leases, supported by a detailed impact assessment.⁶ However, the Leasehold and Freehold Reform Act 2024 did not include provisions affecting existing ground rents, instead focusing on strengthening leaseholder rights more broadly.⁷

In the run-up to the 2024 General Election, the Labour Party committed to tackling "*unregulated and unaffordable*" ground rents, including for existing leaseholders.⁸ On 27 January 2026, the Government published a draft Commonhold and Leasehold Reform Bill which includes a provision to cap ground rent at £250 a year before ultimately reducing it to a peppercorn after 40 years.⁹

This report assesses the economic consequences of retrospectively capping ground rents, drawing on official analysis, academic evidence and market experience. It goes beyond the public debate by:

- quantifying the scale and regional concentration of impacts using the last government's own Impact Assessment
- explaining price and rent effects using established evidence from housing economics
- linking policy risk directly to housing delivery and investment behaviour and quantifying the potential impact of a rise in policy risk on UK housebuilding and business investment
- assessing second-order effects on solvency, financing structures and market stability; and
- identifying distributional consequences often overlooked in policy discussions.

The policy debate is often framed as a choice between action and inaction. In practice, it is a choice between retrospective intervention – rewriting existing contracts – and regulatory reform, which prevents future harm while preserving investor confidence. The economic costs identified in this report arise from the former, not the latter.

2. What the government impact assessment shows

The last government's 2023 impact assessment provides the most authoritative estimate of the scale of intervention implied by a retrospective ground rent cap.

It estimated that capping ground rents on existing leases at £250 would result in (at 2019 prices):

- £2.3 billion of lost income to freeholders over ten years (present value), and

- £14.6 billion of reduced asset values, reflecting the loss of long-term income streams.¹⁰

After adjusting for inflation since 2019, these figures rise to £3 billion in lost income and £18.7 billion in reduced asset values in 2025 prices.¹¹

The Government's January 2026 policy statement on "*Addressing Unregulated and Unaffordable Ground Rent*" estimates that a £250 cap on ground rents could deliver total savings to leaseholders (and corresponding losses to freeholders) of between £10.0 billion and £12.7 billion in 2025 prices, assessed over the entire lease term.¹²

However, reasons for the substantial difference between this estimate and the previous 2023 projection are unclear.

Applying these numbers would not be a marginal adjustment. For example, a £18.7 billion shock to asset values is equivalent to around 0.6% of annual UK GDP or approximately 0.2% of the total value of the entire UK housing stock, concentrated in a single asset class through retrospective legislation.¹³

Such a scale of intervention warrants careful consideration of distributional, affordability and investment effects, not merely the direct redistribution between leaseholders and freeholders.

3. Regional and distributional consequences

The 2023 impact assessment shows that the effects of a £250 cap would be highly unevenly distributed geographically. 55% of the total ten-year benefit to leaseholders/loss to freeholders would accrue to leaseholders in London and the South East, compared with only 6% to leaseholders in the North East, Yorkshire and Humberside and Wales combined (**Table 1**).

Table 1: Regional and national impact of capping ground rents at £250

Region	Estimated impact over 10 years (present value, 2019 prices)	Share of total impact	Median ground rent per year in 2023-24
London	£872 million	37.8%	£240
South East	£407 million	17.6%	£147
East of England	£223 million	9.7%	-
South West	£218 million	9.4%	£200
North West	£213 million	9.2%	£14
West Midlands	£147 million	6.4%	-
East Midlands	£91 million	3.9%	-
Yorkshire and the Humber	£88 million	3.8%	£29
North East	£50 million	2.2%	£56
Wales	£0	0.0%	-
Total (average)	£2,309 million	100%	(£120)

Sources: Department for Levelling Up, Housing & Communities, 'Consultation Impact Assessment - Modern leasehold: restricting ground rent for existing leases', Page 33; and Ministry of Housing, Communities & Local Government, 'English Housing Survey 2023 to 2024: leasehold experience fact sheet'

According to the Government's January 2026 statement, of the 770,000 to 900,000 leaseholders estimated to be paying ground rent of over £250 per year, 490,000 to 590,000, or almost two-thirds, are in London and the South.¹⁴

This concentration reflects underlying differences in ground-rent levels and the geographical distribution of leasehold properties. According to the English Housing Survey, median annual ground rents range from £14 in the North West to £240 in London (**Table 1**).¹⁵ While 19% of housing stock in England is owned on a leasehold basis, this figure rises to 38% in London.¹⁶

A uniform national cap would therefore have minimal impact in lower-cost regions, offering limited support to households outside London and the South East. Moreover, a median annual rent across England of £120 implies that a £250 cap will be of benefit to only a small minority of leaseholders, living in generally high-value properties. This sits uneasily with wider government objectives to rebalance economic outcomes across the country.

4. Capitalisation effects: higher prices, not lower costs

At first glance, capping ground rents appears to transfer value from freeholders to leaseholders. In practice, the economic effects are more complex.

Property buyers do not consider only the purchase price; they also consider the expected cost of owning the property over time, including ground rent and other recurring charges. Lower expected future costs increase what buyers are willing to pay upfront. Higher future costs reduce it.

As a result, reductions in ground rents are capitalised into property prices. The savings do not disappear; they are reflected in higher property values for existing owners. This logic is implicitly acknowledged by critics of high ground rents, who frequently argue that when ground rents exceed certain thresholds, they depress resale values.¹⁷

Modelling by the UK Collaborative Centre for Housing Evidence (CaCHE) supports this conclusion.¹⁸ Its analysis finds that reducing future leasehold obligations would:

- increase the value of short leasehold properties by around 9.9%, and
- raise leasehold market prices by 1.0% in the short term, rising to 3.2% in the long run.

While this benefits existing leaseholders, it also raises prices for future buyers, intensifying affordability pressures and barriers to entry, particularly in already high-cost markets.

5. Implications for housing affordability and first-time buyers

By increasing property prices, a ground-rent cap risks:

- worsening affordability for first-time buyers
- increasing required deposits
- reinforcing wealth advantages for incumbent owners.

This highlights the importance of considering not only redistribution between leaseholders and freeholders, but also inter-generational effects and 'access effects' – the impact of a policy on the ability of new or marginal households to enter the housing market.

6. Investment, housebuilding and development viability

The Government's ambition to deliver 1.5 million new homes by the end of this parliament requires stable financing conditions, institutional capital and a predictable policy environment. Capping ground rents carries risks for all three.

The Competition and Markets Authority's Housebuilding Market Study highlights that the cost of capital – the minimum rate of return a business must earn on its investments to satisfy investors – is central to development incentives.¹⁹ Retrospective interventions that increase perceived risk will raise the cost of capital, reduce how much developers can pay for land, and push marginal property development schemes below investment hurdle rates.

When banning ground rents on new leases in 2022, Parliament explicitly exempted community-led housing, acknowledging that "*the inability to recover ground rents could threaten the growth of community-led housing*".²⁰ This was a clear recognition

that eliminating or capping ground rents can, in some circumstances, undermine development viability.

It is difficult to argue that such effects would be confined to a single subsector. Ground rents form part of the financial structure of some developments, particularly residential schemes focused on flats, and changes to expected cashflows affect viability.

Crucially, any additional pressure on viability from higher financing costs would come on top of an already growing burden of regulatory and policy-driven costs. Developers are already absorbing significant new requirements, including Biodiversity Net Gain, water and nutrient neutrality, Section 106 obligations, the Community Infrastructure Levy, and more stringent energy-efficiency standards.

Further cost pressures are already in the pipeline, including the Future Homes Standard, the Building Safety Levy, and the doubling of the lower rate of Landfill Tax from April. Taken together, these cumulative pressures risk tipping otherwise deliverable sites into non-viability, slowing housing delivery at precisely the moment when increased supply is most urgently needed.

Policies that focus on redistributing value within the existing housing stock risk diverting attention from the crucial challenge of increasing housing supply. Furthermore, by creating barriers to development, a ground rent cap could exacerbate the very housing shortage that gave rise to concerns about ground rents in the first place.

Any policy affecting residential investment should be assessed against a simple question: does it make it easier or harder to finance and deliver new homes at scale?

By increasing policy risk and raising the cost of capital, a retrospective ground rent cap fails this test, particularly in London and the South East, where high-density residential development is capital-intensive and margins are already thin.

7. Retrospective legislation and UK policy risk

Stable and predictable rules are critical to long-term investment and maximising productivity and living standards. While retrospective legislation is not unknown in the UK, it has traditionally been constrained by constitutional principles.

Such interventions are a particularly salient form of uncertainty. Investors do not price only the immediate impact of retrospective measures, but what the intervention signals about the stability of the wider policy environment. Higher perceived policy risk raises required returns, which in turn delays or reduces investment. Over time, a higher cost of capital weakens the viability of housing and infrastructure projects and undermines the UK's attractiveness as a destination for long-term investment.

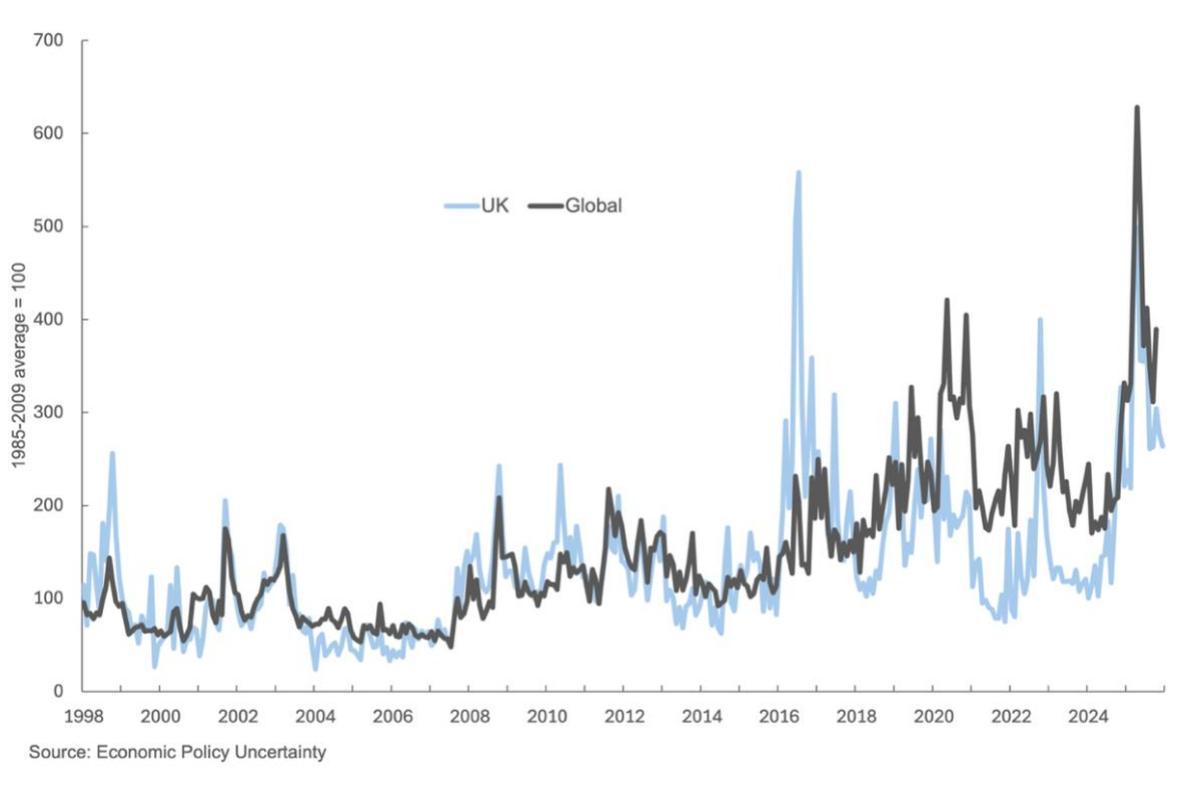
8. Evidence that policy uncertainty reduces investment

There is strong UK and international evidence linking policy uncertainty to weaker investment:

- Sendstad (2022) finds that retrospective subsidy changes in EU renewable-energy schemes were associated with 45% lower solar investment and 16% lower onshore wind investment.²¹ In the authors' words, "*once the seed of mistrust is sown, it is likely to have a lasting impact*".²²
- Baker, Bloom and Davis show that higher economic policy uncertainty is associated with lower investment and weaker macroeconomic performance.²³
- Bank of England analysis using corporate survey data finds that firms reporting higher uncertainty, notably during the Brexit period, experienced lower investment growth.²⁴
- Survey evidence analysed by Devereux shows that policy and tax uncertainty materially influence firms' investment and location decisions.²⁵

These findings are directly relevant to long-term residential investment, where returns depend on confidence in long-term policy stability. With UK and global measures of economic policy uncertainty already well above long-term norms, this is a particularly inopportune moment to introduce retrospective legislation (**Figure 1**).

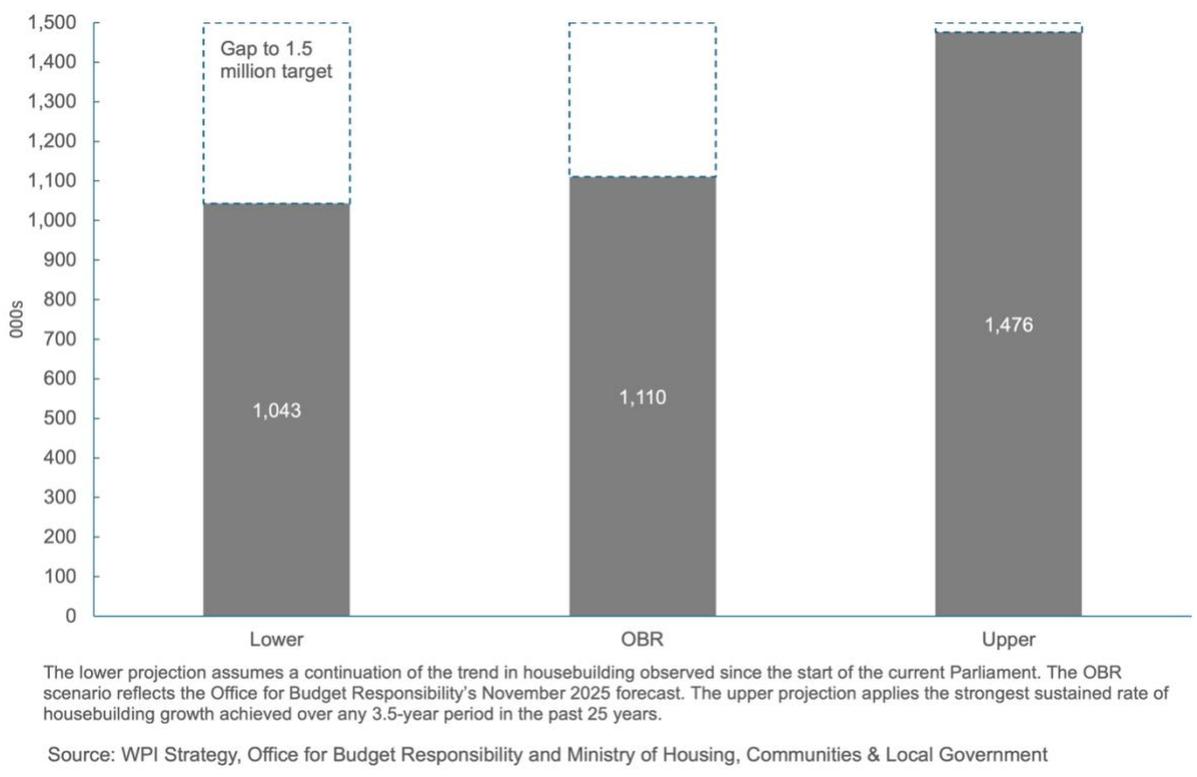
Figure 1: UK and global economic policy uncertainty



This timing risk matters. UK business investment has been weak by international standards since 2016, global capital markets remain volatile, and housing delivery is already well below target and will require a significant ramp-up if the 1.5 million goal is to be met (**Figure 2**).

Introducing retrospective intervention when uncertainty is already so high risks compounding existing headwinds, rather than being absorbed in a benign macroeconomic environment.

Figure 2: Projected new homes built over current parliament – thousands

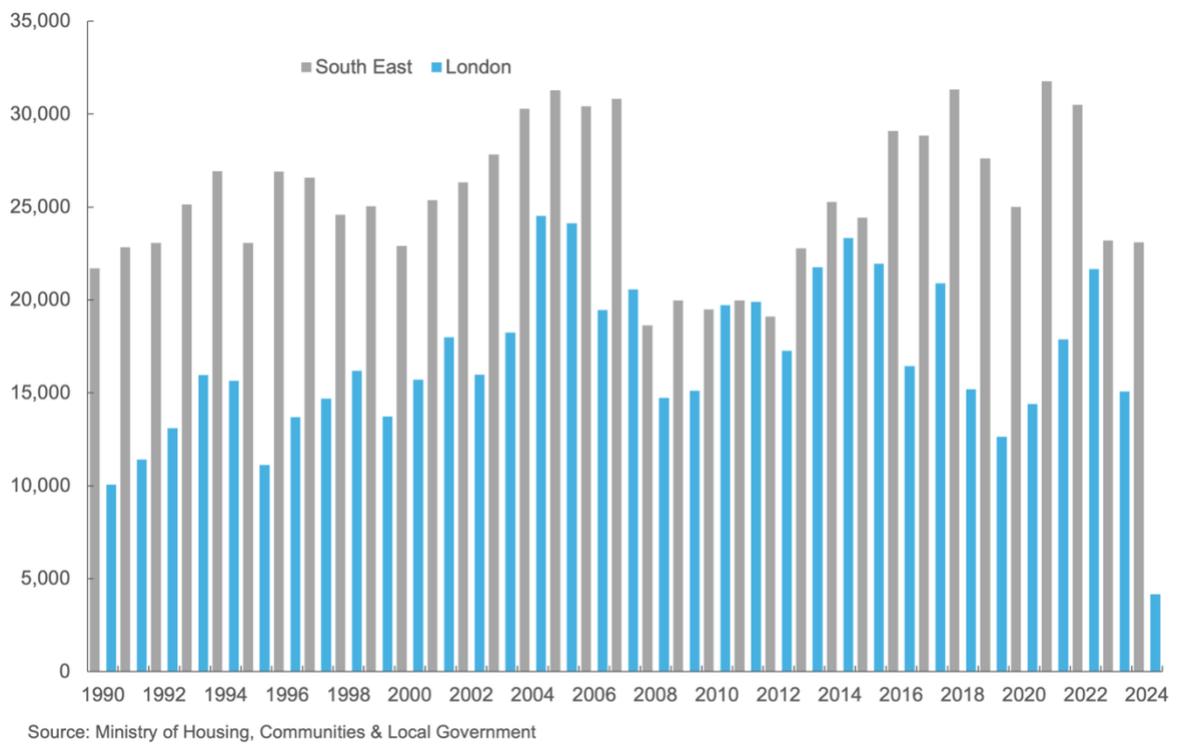


9. London, the South East and housing supply risks

The concentration of impacts in London and the South East is particularly concerning. These regions are already significantly under-delivering new housing relative to need. Despite acute demand pressures and nationally high prices, only 4,170 homes were started in London in 2024-25, less than 5% of the Mayor of London’s target of 88,000 homes per year. Housing starts in the South East fell to a ten-year low in the same year (**Figure 3**).²⁶

Forward-looking data suggests that housing completions in London over the next few years will be the lowest since at least 1946²⁷, falling 94% short of the Mayor’s targets over 2027 and 2028.²⁸ This underscores the fragility of housing supply at precisely the point where additional risk to investment would be most damaging.

Figure 3: Annual housing starts in London and the South East



London and the South East also face:

- the most acute housing shortages²⁹
- the lowest supply responsiveness³⁰
- the highest construction costs³¹; and
- the greatest reliance on complex, capital-intensive development models.³²

These regions also have a higher share of flat-led development, where projects are typically more capital-intensive and financing structures are especially sensitive to changes in required returns.³³ In this context, even modest increases in perceived policy risk can be enough to render schemes unviable.

Evidence from the property consultancy Molior underlines how finely balanced development economics already are in London. It estimates that, due to high construction and compliance costs, new residential development is already unviable across around half of the capital, particularly in boroughs where average achieved

prices are below £650 per square foot.³⁴ This leaves little headroom for additional cost or risk before schemes are delayed or cancelled altogether.

The Government's ambition to deliver 1.5 million new homes depends critically on the willingness of private investors and developers to commit long-term capital at scale. Housebuilding is highly sensitive to financing conditions, and even modest increases in the cost of capital can be enough to push marginal schemes below viability thresholds, particularly in higher-cost and more complex developments.

By increasing perceived policy risk and required returns, a retrospective cap on ground rents therefore risks slowing build-out and undermining progress towards the Government's housing delivery target. This holds particularly in London and the South East, where much of the additional supply is expected to come from and where additional supply would have the highest economic and social value by improving affordability, enabling labour mobility, and supporting productivity.

10. Quantifying the effect on housebuilding

In practical terms, if policy risk were to drive a modest increase in the return required by property investors – say, a rise of 10–30 basis points (roughly one-tenth to one-third of a percentage point) – this would be well within the range typically seen when policy uncertainty increases.³⁵ While such changes may sound small, they can have real consequences in a sector where many developments already operate on tight margins.

It is not possible to say with certainty how many homes would not be built if investors become more cautious and required returns rose as a result of policy changes. However, housing development decisions are often simple binary “go or no-go” choices. If expected returns fall even slightly below what is needed to make a scheme viable, projects are delayed, scaled back or do not proceed at all.

This matters because the return investors require is a central test of whether new housing is built. Official guidance recognises this³⁶, and wider evidence shows that when financing conditions tighten, even modestly, housing approvals and starts fall quickly, even where demand for homes remains high.³⁷ In practice, small changes in perceived risk can therefore have a disproportionate effect on new supply.

Looking at how housing activity has responded to similar changes in financing conditions in the past³⁸, and applying cautious assumptions, suggests that even modest increases in the cost of capital could reduce the number of homes built each year. Illustratively:

- a 10 basis point increase in required returns could reduce annual housing starts by **around 1–2%** (approximately **1,700–3,400 fewer homes**, based on recent building levels)
- a 20 basis point increase could reduce starts **by 3–5%** (around **5,000–8,300 fewer homes**); and
- a 30 basis point increase could reduce starts **by 6–10%** (around **10,000–17,000 fewer homes**)

These figures are not forecasts, but they highlight how sensitive housebuilding is to changes in financing conditions. Sustained over several years, effects of this scale would make it harder to meet the Government's ambition to deliver 1.5 million new homes, particularly in areas where building new homes is already most difficult.

11. A cap will disproportionately weigh on specialist housebuilding

The impact of a higher cost of capital on housebuilders is likely to weigh disproportionately on specialist projects, such as retirement housing, which typically have higher construction and operational costs than 'conventional' housing.

The UK already faces a significant shortfall in specialist housing for older people, including retirement and accessible homes, relative to both current and future needs. For example, less than 1% of over-60s in the UK live in specialist retirement housing, compared to 17% in the US and 13% in Australia.³⁹ This gap is driven by long-standing undersupply and viability constraints on building such homes.⁴⁰

As a result, many older people remain in larger family-sized homes due to the lack of affordable and appropriate housing options. This contributes to under-occupation, further exacerbating mismatches in the housing market and reducing the availability of homes for younger households.

A reduction in housing investment driven by higher perceived policy risk would exacerbate this undersupply. In turn, this could slow older people's mobility into suitable accommodation, adding to mismatches in the property market and mean the public finances forgo the potentially substantial savings in health and social care spending from more older people in the UK having access to specialist housing.⁴¹

12. Higher policy risk would hit investment across the economy

The empirical research and academic evidence cited finds that economic policy uncertainty raises the cost of raising investment funds and increases risk premia on assets, depressing investment by firms across the economy.

Bank of England research using UK firm-level data also shows that investment responds negatively to uncertainty and cost-of-capital shocks⁴², while cross-country evidence shows that policy uncertainty can lower fixed investment overall.⁴³ These studies support the view that even modest increases in required returns, whether due to higher financing costs or heightened policy risk, could materially reduce investment, including in infrastructure and other long-term capital projects.

Applying the modelling approach taken by the Office for Budget Responsibility (OBR), a modest increase in firms' required returns could translate into a meaningful reduction in business investment. On the OBR's calibration, a 10–30 bps increase in the cost of capital (roughly a 2–6% increase if the underlying cost of capital is around 5%) could be consistent with a reduction in annual business investment of around 1–3% during the adjustment period.⁴⁴

With UK business investment roughly £300bn a year, this equates to spending by firms on capital equipment like vehicles, machinery and technology being around £3–9 billion per year lower. These figures are illustrative, and outcomes depend on the persistence of any policy risk premium and on how far higher required returns feed through to firms' financing costs.

13. Impact on pension fund savers and investment

Pension funds and insurers have become investors in the residential ground rent market over the past two decades, either through direct ownership of freeholds and ground rent portfolios or through lending secured against such assets. The last government acknowledged in its consultation documents and impact assessments that institutional investors, including pension funds, value residential ground rents as long-dated, predictable and often inflation-linked cashflows that can help match pension liabilities.⁴⁵

While there is no official estimate of pension fund exposure, industry bodies have suggested that pension schemes may have in excess of £15 billion invested in residential ground rents, around half the total value of the UK ground rent market.⁴⁶ This exposure reflects the role ground rents have played as a niche but important component of UK long-term investment portfolios.

Under the option of capping ground rents at £250, the 2023 impact assessment estimated a £14.6 billion reduction in asset values, equivalent to £18.7 billion in current

prices. If pension funds account for half of the market, consistent with industry commentary on institutional participation, this implies a potential valuation impact of £9–£10 billion for pension sponsors and savers. In practice, this means a policy framed as protecting households risks imposing losses on millions of pension savers, including members of defined benefit and defined contribution schemes with no direct connection to leasehold ownership.

In addition to direct write-downs, restricting ground rents would remove a source of inflation-linked income, increasing asset–liability mismatch and requiring schemes to reallocate into scarcer or more expensive alternatives. Where ground-rent portfolios are held in leveraged structures, sudden repricing could also trigger covenant stress and forced deleveraging.

Such impacts are unlikely to pose a systemic risk. But they are likely to make pension fund trustees and investment committees more cautious about similar UK contractual and regulatory exposures, especially if a retrospective ground rent cap is perceived as setting a precedent. UK evidence shows pension funds’ asset allocation has already been shifting over time, including a decline in UK equity allocations and rising global diversification.⁴⁷ A retrospective cap could reinforce this drift away from UK assets, precisely when government is trying to encourage the opposite by mobilising more pension capital into UK productive investment.⁴⁸

14. Who actually benefits? Landlords, not households

According to Government data, 41% of leasehold properties are privately rented. Excluding social housing, this share rises to 43%.⁴⁹

In these cases tenants do not pay ground rent, landlords do. The direct benefit of a ground rent cap would therefore flow to buy-to-let landlords, not tenants. Taking the 2023 Impact Assessment estimate and uprating for inflation, the direct gain to

landlords would amount to an estimated £8.7 billion. Some of these landlords are based overseas. While comprehensive statistics are limited, available evidence shows:

- around 182,000 residential titles in the UK are registered to individuals with overseas correspondence addresses ⁵⁰
- close to 92,000 properties are owned by overseas companies, nearly double the number a decade ago ⁵¹
- 20% of new buy-to-let companies formed in 2025 involved foreign ownership, up from 13% in 2016⁵², rising to 27% in London.⁵³

Where leasehold properties are owned by overseas investors, a retrospective cap will not benefit UK households and may increase the value of UK-based property assets. This complicates claims that the policy is a household-focused or cost-of-living intervention.

Meanwhile, economic theory, along with empirical evidence, suggests that landlords are unlikely to pass savings from a ground rent cap to tenants in supply-constrained markets. Studies suggest that in such markets, improvements in expected net cash flows (arising, for example, from reduced ground rents) are capitalised into higher property prices rather than passed through to tenants as lower rents.⁵⁴ This is because rents are usually determined by market demand and local supply conditions, so a reduction in ground rent for the landlord does not alter these core market fundamentals.

As a result, restricting ground rents is unlikely to reduce rents, but likely to increase property prices to the benefit of existing property owners and landlords.

By contrast, the groups most often cited in support of reform – tenants, first-time buyers and younger households – are least likely to benefit. Tenants do not pay ground rent, first-time buyers will face higher prices, and future cohorts will inherit a more constrained supply environment.

15. Risks to investor solvency and market stability

Ground-rent portfolios are often managed by large institutions and treated like long-term investments, similar to bonds. If a cap on ground rents significantly reduces the expected income:

- Investors who use borrowed money may breach their loan agreements
- This could lead to forced sales of assets to reduce debt, possibly in a thin market where few buyers are available.

While the leases themselves wouldn't be cancelled, the process could cause operational disruption, creating uncertainty about how the properties are managed, as well as higher service and insurance costs. Ultimately, these costs would be passed on to leaseholders and tenants.

While service charges are a common complaint of leaseholders, research by the Association of Residential Managing Agents (ARMA), now part of The Property Institute, comparing developments managed under a third-party freeholder with those run by leaseholder-controlled structures, such as Right to Manage (RTM) companies or Resident Management Companies (RMCs), finds minimal difference in overall service charge levels between the two models.⁵⁵ In other words, the underlying costs of maintaining and insuring complex residential buildings appear largely structural, rather than a function of the ownership model.

Financial distress among investors could also undermine the contracts that support vital government programmes, such as building safety remediation. This could lead to delays or the collapse of these programmes, leaving buildings without a clear party responsible for safety-critical repairs and maintenance.

16. Conclusions and policy recommendations

Capping ground rents on existing leases at £250 would deliver limited benefits to households, while imposing significant economic, distributional and investment costs.

The evidence suggests it would:

- raise property prices for future buyers
- impose a policy risk premium and raise the cost of finance, so weakening housing investment and threatening the government's housebuilding ambitions
- concentrate risk in regions where housing supply is already under most pressure
- undermine confidence in the UK's policy environment, hurting economy-wide investment; and
- impair both inflation-linked income streams relied on by pension schemes and the Government's ambition for more UK investment by pension funds.

These economic costs arise from the retrospective nature of the proposed policy, not reform itself. If the policy objective is to prevent harmful practices, better regulation of current and future leaseholds offers a far more proportionate and economically sound approach. This would protect leaseholders while supporting housing supply, investment confidence and long-term savings.

A clear commitment to prospective reform, combined with a further strengthening of leaseholder rights, action to tackle excessive rises in service charges and moves to accelerate delivery of new homes, would allow the Government to honour its commitment to leaseholders while avoiding the economic and investment risks set out in this report.

Endnotes:

¹ Ministry of Housing, Communities & Local Government, 'Leasehold dwellings, 2023 to 2024', 22 May 2025.

<https://www.gov.uk/government/statistics/leasehold-dwellings-2023-to-2024/leasehold-dwellings-2023-to-2024>

² Ministry of Housing, Communities & Local Government, 'Addressing unregulated and unaffordable ground rent: Policy statement', January 2026, Page 4.

https://assets.publishing.service.gov.uk/media/697799daf909df76c5e71f5b/Draft_Policy_Statement_on_Ground_Rents.pdf

³ The Competition and Market Authority's investigation into ground rents highlighted that 778,000 new-build long leasehold homes were sold between 2000 and 2018, only 13,000 of which had ground rents that doubled more frequently than every twenty years. Following work between industry and government, the Public Pledge for Leaseholders, introduced in 2019, led to the vast majority of these leases being successfully varied to remove clauses considered onerous. According to RFA data, the number of remaining leases (4,430 as of 2023) continues to fall and represents less than 0.1% of all leases. All remaining leaseholders have been written to and offered the opportunity to remove the clauses deemed onerous.

⁴ Melissa York, 'Leasehold reform delays leave homeowners in financial limbo', The Times, 7 July 2025.

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⁵ UK Parliament, 'Leasehold Reform (Ground Rent) Act 2022', <https://bills.parliament.uk/bills/2864>

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