

LEASEHOLD AND FREEHOLD REFORM BILL ("The Bill")

SUBMISSION OF VIEWS

Submitted By;

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FOREWARD

This submission is in response to the “Call for Evidence” in relation to the Leasehold and Freehold Reform Bill. It is made by Henley Holdings Limited, a funder of capital to UK ground rent investors. Management of Henley have been involved in the Ground Rent Sector for more than 35 years and previously consulted with the Government on both the Leasehold Reform Housing and Urban Development Act 1993 and the Commonhold and Leasehold Reform Act 2002. In addition submissions were made to the recent Law Commission Review, whilst a very detailed 96 page submission was made in November 2023 to the Department of Levelling Up in relation to the proposed Bill.

For reasons that are unclear, we have not been asked to provide evidence to the Select Committee.

The subject is complex and involves a complete overhaul of the present Leasehold system, including a compulsory transfer of property rights, in some cases without compensation. The amount of time allowed for a response to the many headings, certainly puts a lot of pressure on Respondents. There may well be parts of this Response which would have benefitted from more time.

From the outset, it is important to remember that Commonhold Ownership has been available for more than 20 years, yet the traditional form of Leasehold appears to still be overwhelmingly preferred by both lenders and the legal profession. It has developed over several centuries, but especially in the 20th century to provide security of tenure, an ability to enfranchise and/or extend a lease, rights to control management and management costs of a Building and a low cost system of appeal to the Property Tribunal in respect of unreasonable costs. A form of tenure that has been steadily evolving, can hardly, in our view, be called anachronistic.

From our point of view, much of the drafting of the Bill appears to be based upon a number of erroneous assumptions.

With reference to Ground Rents, all of the evidence accumulated, and referred to later herein, indicates that they are nearly all reasonable and affordable. Undoubtedly in the past there were a few doubling rents that

could have been onerous, but the actions of responsible Freeholders and the CMA has seen these largely eliminated.

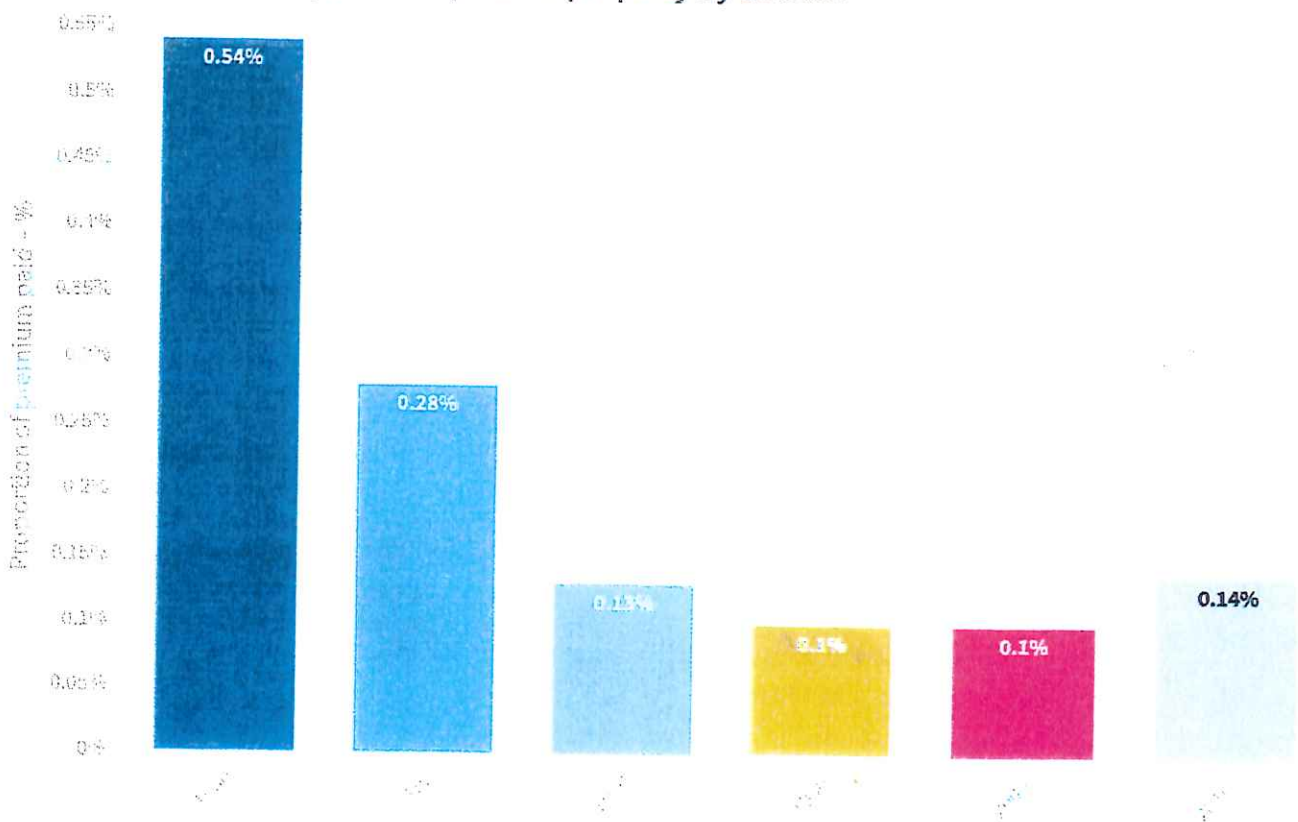
The Secretary of State in his Foreward to the Consultation Document states;

“For centuries ground rents were typically small sums even a peppercorn. But in this century, we have seen an increase in these rents, often rising at frequent intervals. This can blight people’s homes and lives. Leaving them facing ever rising costs, yet unable to sell the property easily due to these charges”

Yet a graph published by the Leasehold Advisory Service, a body funded by the Government shows an entirely different position with ground rents as a proportion of the premium paid for the property falling from the middle of the last century.

Average ground rents 1960-2010

As a proportion of the premium paid for property by decade



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The Secretary of State goes on to say;

“We must act now to provide broader support for those with existing anachronistic leases which are not suitable for the modern housing market”

Yes there is no evidence in the Consultation Document to support this view, indeed the evidence from the English Housing Survey 2022 suggests that the market is working well for the vast majority of leaseholders.

The Secretary of State says further;

“They are often paying hefty service charges to cover the costs of maintaining and managing their homes “

And

“At present the most financially vulnerable leaseholders are let down most by the system- these are families that cannot afford to buy their freehold or extend their lease and remain stuck paying ground rents they can ill afford”

Yet the above flies in the face of data from the English Housing Survey 2022 that states;

Average ground rents in England but excluding London	£298pa
Average Service Charge in England excluding London	£1,384
Average Service Charge in London	£2,207
Mean weekly household income of all owner occupiers	£876 (£45.552pa)

We would suggest that these figures indicate that the leasehold market is operating efficiently, and providing value for money that is within the affordability of the vast majority of owner occupiers.

We believe that much of that market efficiency arises from the long term approach adopted by the majority of Freeholders and Investors, and their time in providing management oversight of sometimes complex building structures, leads to a higher quality of the built Estate in the UK. Any actions which drive long term Freeholders and Investors from the market will undoubtedly, in our opinion, be detrimental.

We recognise that there may well be owner occupiers that may have problems meeting their commitments, but this will inevitably be due to external factors such as divorce or losing their job, and nothing to do with the form of the leasehold market.

Yes there will always be occasions when a Leaseholder suddenly faces a large service charge but this will be when a major repair falls due, and no reserve fund to bear the brunt of the costs. But this would be payable under any alternative system as well. The real problem (as reported by the English Housing Survey 2022 is that outside of London only 26% of Leaseholders contribute into a Reserve Fund).We will make suggestions to alleviate these problems, later herein.

We hope that the Responses, Suggestions and Comments, coming from an industry source with more than 35 years experience in this market sector will prove helpful and constructive.

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DETAILS OF RESPONDENT

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Business Henley Holdings Limited is principally a Lender to owners of Freeholds.

Involvement 80% of Henley's income derives from this type of lending.

Approach Henley has not changed its approach to such lending since the Government announced its intention to reform the leasehold system. The Law Commission Report which focused principally upon making lease extensions cheaper, did not propose a ban on ground rents, indeed they suggested that a continuing ground rent could assist in making lease extensions cheaper.

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Amount of household income spent on mortgage	19%	EHS
Average mean weekly household income of all owner occupiers (£45.552 annually)		EHS
Average length of ownership for owner occupiers	14 years	EHS

DETAILS OF LEASES

Average Term – Number of Years remaining

More than 125 years	37%	EHS
Between 99 and 125 years left	37%	EHS
Between 80 and 98 years left	22%	PF*
Less than 80 years left	4%	PF*

AVERAGE GROUND RENT (excluding London) £ 283 EHS/GRIF*

TYPES OF RENT REVIEWS

RPI or similar	68%	see note
Doubling every 21, 25 or 33 years	17%	see note.
Fixed or other	15%	see note

SERVICE CHARGES

Average service Charge in London 2022	£2,207	EHS
Average Service Charge in rest of England	£1,384	EHS
Number of lessees who contribute to a Reserve fund		
London	38%	EHS

Rest of England

26%

EHS

OVERALL SIZE OF THE GROUND RENT MARKET

Based upon the above, we can reasonably estimate the current size of the market using the total number of flats, the average rent, a 3.5% average yield on current rents (excluding reviews), taking an average reversionary value of £4,500 per flat and a 3 times uplift for units in Greater London to reflect higher prices and ground rents.

The net result of some £63 Billion is somewhat higher than some have attempted to portray.

Yield 4 Million flats with average ground rent of £283 = £1'132Billion
On an average 3.5% yield
= £32'342 Billion

Reversion 4 Million flats with average reversion of £4,500
= £18'000Billion

Add Higher rent and reversion in Greater London
= £13'000Billion

Total size of market (excluding development value) £63,342,000

SEE NOTES ON FOLLOWING PAGE

NOTES ON SUMMARY OF PRESENT LEASEHOLD FLAT MARKET IN ENGLAND.

-The above analysis has been drawn from 3 key sources;

The English Housing Survey 2021-22 (EHS)

The published Accounts of The Ground Rent Income Fund PLC 2022.

Information from a leading Ground Rent Investment Group with 9000 flats throughout Southern England and the Midlands. (PF)

The English Housing Survey 2021-22 is comprehensive and is drawn from a sample of 13,000 units across England

The Ground Rent Income Fund PLC (GRIF) is a publicly quoted Fund investing solely in Ground Rents. Its 2022 Accounts are very useful as they provide a very detailed breakdown of its portfolio of 19,000 flats, and thus as a sample is 50% bigger than the EHS. However nearly all of its portfolio has been leased since 2000 and are predominantly in the North of England. So it provides a lot of useful statistics on modern rent, whereas the EHS will encompass leases issued both before and after 2000.

The private Ground Rent Investment Group has some 9,000 flats, has been in existence for 35 years and has leases ranging from the 1970's to present. It does assist in providing information as to remaining terms under 99 years which was not addressed by EHS

-Details of Lease Terms ; EHS only addresses leases over 99 years which accords very closely with PF, but for terms 98 years or less, reliance has been placed on information from PF

-Average Ground Rents ; EHS has a marginally higher figure than GRIF, for these purposes, an average of both has been used.

-Average type of review ; This was not addressed by EHS. GRIF has a figure of 72.5% for RPI reviews but as nearly all of its portfolio was built since 2000, it is likely to be greater than the overall market, the figure of 68% has

been obtained from the PF figures (RPI or similar will include reviews linked to house price inflation or average earnings inflation)

-Time between Reviews; This was not addressed by EHS. GRF only gives 40.9% as the total of rents due to be reviewed within the next five years. Figures from PF which has a much larger time spread are 18.2 years and range mostly from 15 to 33 years.

RECENT LANDLORD AND TENANT LEGISLATION

Over the past 40 years, there has been a huge volume of Legislation to protect Leaseholders and give them powerful rights and it might be useful, in the context of this Consultation, to remind everyone that much that is complained about has already been legislated for.

Landlord & Tenant Act 1985	<ul style="list-style-type: none"> Disclosure of Landlords identity Repairing obligations Meaning of Service Charge and Relevant Costs Reasonableness Consult on Relevant Costs Recognition of Tenants Associations
Landlord & Tenant Act 1987	<ul style="list-style-type: none"> Leaseholders right of first refusal to buy Freehold Appointment of a Manager by FTT Variations to Leases Service charge monies to be held in trust.
Leasehold Reform, Housing And Urban Development Act 1993	<ul style="list-style-type: none"> Right for Leaseholders to purchase freehold or extend Lease. Estate Management Schemes Right to a Management Audit
Commonhold and Leasehold Reform Act 2002	<ul style="list-style-type: none"> Created Commonhold Leaseholders Right to Manage Leaseholders right to challenge Landlords Insurance

DEVELOPMENT OF GROUND RENTS SINCE THE 1960's

In the 1960's and early 70's residential flats in England were typically sold on 99 or 999 years leases with ground rents that were fixed or commonly doubled every 33 years. As a % of the Sale Price they were on average much higher than now, the Leasehold Advisory Services graph shows ground rents in the 1960's averaging 0.54% of the premium paid for a property. Such rents were commonly held by the original developer or might be part of a portfolio owned by a local surveyor or solicitor. Some were purchased by Leaseholders

The term was often dictated by the original owner, many local authorities would only sell land on a 99 or 100 years lease, which meant that the developer could not offer anything more than 99 years.

In the later 1970's, a longer term started to emerge along with rents that escalated more quickly, so a 125 year lease with rents doubling every 25 years became much more common. Rents crept up to £15 or £25 but not as quickly as inflation with the result that ground rents in the 1970's averaged 0.28% of the premium paid.

By the 1980's Freeholders found that rents were not keeping up with inflation and did not adequately reward them for their involvement. Accordingly, although the 125 year lease was now the favoured length of lease, a number of different reviews were tried, linked to house price inflation or average earnings, or even a % of rental value. As a % of premium paid, rents continued to fall, averaging 0.13% of the premium in the 1980's.

At the same time, we also saw the introduction of the TriPartite Lease with both Freeholder, Leaseholder and Leaseholder-owned Management Company all being parties. Many Leaseholders were then able to have complete control over the management of their Block of Flats

In the 1980's we also saw the introduction of the Landlord & Tenant Acts 1985 and 1987 which brought considerable regulation to the market. Whether it was a result of such regulation or the attraction of a rising rent, but large professional investors started to enter the market, a trend that was to continue for the next 25 years. There is no doubt in the author's mind that their involvement was responsible for a large improvement in the quality of

management, these were often investors who were already used to managing large commercial estates.

Local Authorities quickly followed, they already had a significant portfolio, but seeing this as a source to generate income for the Borough, they quickly upped the rents and the types of reviews.

At the end of the day, rents had to be both acceptable to Mortgage Lenders and affordable to Purchasers, and this must never be forgotten in this discussion, the idea that there are a vast number of onerous or unaffordable ground rents is simply not supported by available data.

By the 1990's AMEC's Fairclough Homes division and later St James Homes had a standard formula with a 125 year lease, 15 years RPI reviews and a Leaseholder owned MANCO, which very much set the industry standard. It became popular with Lenders as being no increase in real money terms, and actually a falling rent when wage inflation was greater than RPI. Investors liked it as it enabled them to fund rising liabilities.

The introduction of the Leasehold Reform Act 1993 which gave leaseholders the right to acquire their freehold or extend their lease, over time had a significant effect on the market. Although some freeholds were already owned by Leaseholders, it had a dramatic effect on the market so that by 2022;

21% of All Leasehold Flats are owned by Leaseholders

37% of All Leasehold Flats still have more than 125 years left on their lease and another 37% have more than 99 years left

In the early 2000's the 125 year lease with a 10 or 15 year RPI review became very much the norm, Some criticism has been made of 10 year reviews but leaseholders often liked it, little and often being more favourable than suddenly facing a big rise. This form of lease has continued to be favoured right up to the present time.

It was in the 2000's that more and more Leaseholders undertook informal lease extensions, using an ongoing or even a higher rent as a funding tool (see later herein)

It was very much in the period 1990-2019 that we saw the huge increase in flat construction. Housing Data Figures (attached) show all Private Enterprise completions in the period 1990 to 2019 as follows;

1990 – 1999	1,247,040 (Av 124,704 pa)
2000-2019	2,355,840 (Av 117,792pa)

Using the CMA 2020 Leasehold Update which estimates 36% of all private enterprise were leasehold flats, we can confidently estimate a total of nearly 1.3 million flats were built by private enterprise in the 30 years from 1999 to 2019. Add to this construction by Housing Associations and Local Authorities likely pushes the figure above 1.5 million or 37.5% of all leasehold flats have been built in the last 30 years.

Some mention needs to be made of the 10 year doubling rents which were introduced by certain developers in the 2008-2012 period. At the time they were mostly found acceptable by solicitors and Lenders. They garnered huge adverse publicity and it became a convenient weapon to attack the market, without any serious effort to truly determine the scale of the problem.

The CMA in its Leasehold Housing Update published in February 2020 reported that they thought that the number of leases that double more frequently than 20 years is approximately 13,000 of which there are about 10,000 which double every 10 years (page 6 of the CMA Update is annexed hereto).

Based upon 4,000,000 leasehold flats that is just 0.0025% of the total market or 1 in every 400 flats.

And it has to be remembered that not all 10 year doublers were necessarily onerous, a £250 rent doubling every 10 years for first 40 years might be onerous on a £200,000 flat but not on a £2,000,000 London flat.

Since the 2020 Update, the CMA has worked with developers and freeholders to eliminate such rents and replace them with fixed or RPI rents at no costs to leaseholders. We have no up to date figures but believe that nearly all of the onerous doubles have now disappeared. There will be a small fraction who for various reasons have not taken up Offers made to them.

Amongst the other “outliers” will be the Persimmon Lease which had fixed reviews which were increasingly shrinking. So £200 rent with a £100 rent after 10 years would be a 50% increase, but another £100 increase 10 years later would only be a 33% increase and 10 years later only a 25% increase.

Based upon available data we believe that the current ground rent market can be broken down as follows;

- 68% with RPI (or similar reviews)
- 17% less than present RPI, mostly 21, 25 or 33 year reviews.
- 14.999% Fixed or other, majority less than current RPI
- 00.001% Onerous, estimated now at 4,000.

PRICING/GROUND RENT YIELDS

In discussing the development of the Ground Rent Market, it might be useful to consider recent prices paid by Freehold Investors/Pension funds.

In this respect we are attaching as an Appendix, a summary prepared by a well known firm of London Valuers, of Auction Ground Rent Sales which formed part of an overall Market Summary.

The Summary ranges from December 2021 to June 2022 and comprises 14 purpose built blocks, all with long leases, so the price paid will almost entirely reflect the income yield. Block No 8 has a note indicating a discrepancy between the quoted rent and the leases, whilst Blocks 12 and 13 relate to houses. Excluding Blocks 8, 12 and 13, we are able to arrive at the following information relating to Ground Rent Yields in respect of Flats;

Number	259 Flats
Blocks	11.
Total Rents	£75,412
Average Ground Rent	£291.17
Yields based upon current rent	Range from 3.23% to 6.99%
Mean average yield	3.72%
Reviews	233 Flats (89.96%) had reviews that reviewed every 20 years or more, mostly doubling every 20, 21 or 25 years, so less than current inflation. 18 Flats (6.95%) had 3 or 10 year RPI reviews. 8 Flats (3.09%) had reviews that could not be located

This supports our figures as to the size of average Ground Rents and the fact that the vast majority of all flats have reviews of 20 years or more and most are at RPI or lower.

CAUTION; A note of caution needs to be inserted here, Auction Sales may not accurately reflect the price paid by a Willing Buyer and Seller in the open market, due to 3 key reasons;

- i. Frequently Blocks go to Auction which have not sold elsewhere, there may be factors within the leases which are not apparent in Auction Particulars
- ii. Most Auctions will include a Buyer's Premium which may be a fixed sum or a % which can range up to 5% or more + VAT. Any bid will take that into account
- iii. There is usually insufficient time to carry out all the Enquiries that would be made during an open market transaction, so any experienced Buyer will factor in a risk percentage.

It is generally agreed in the industry that Auction Yields will be a little higher than yields in normal open market negotiations.

The key here however, is that all of these sales took place against a backdrop of Government intentions for Leasehold Reform, as well as rising interest rates.

These would, in our opinion, have been mostly bought by Freeholder Investors/Pension Funds, buying on a 50-75 year time frame, who did not regard an average rent of £291 as onerous and who had every intention of working with the Government to improve management standards. But even in 2022 the idea of seeing their income reduced to a peppercorn simply did not enter into their thinking.

RESPONSIBILITIES OF FREEHOLDER.

The implication in the Consultation Document that Ground Rent is a pure income stream for Freeholders who do not do any work or provide any services for it, does not hold up to scrutiny. We understand that the research by Savanta, has been provided to the Department some time ago and sets out at least some of the services Freeholders provide.

Contrary to the Consultation Document, the responsibilities of a Freeholder are considerable and the majority of Private Investors, Pension Funds, Local Authorities and Housing Associations take them seriously.

They will fall under 4 key headings.

LEGAL AND HEALTH AND SAFETY.

1. Liabilities under each Lease, these will be positive covenants such as insurance and maintenance, rights of access and quiet enjoyment, as well as adequate accounting. Some leases may include much more, such as provision of staff and their accommodation, or maintenance under an Estate Management Plan.
2. Liabilities under Statute, such as reasonableness of service charges, consultation, billing on correct dates, providing statutory information to Leaseholders etc.
3. Health and Safety, and Fire Risk obligations.
4. Providing Responsible Person for purposes of Building Safety Act.

OTHER INTERESTED PARTIES

5. Principally Insurance where there is an implied term in nearly all Buildings Insurance that the Property will be maintained in good condition.
6. Bank or Mortgage lending may rely on the Freeholders covenants
7. Accuracy in conveyancing enquiries

FINANCIAL

8. Slow Payer collection.
9. Funding of Service Charge

LESSEE CONTENTMENT

10. Breaches of lease.
11. Resolve Disputes
12. Improvements.
13. Variations to Leases.
14. NHBC or other Claims.
15. Improving Energy Efficiency

For Blocks of Apartments in the UK, oversight of Building Management and Building Safety has always been complex irrespective of whether undertaken by Freeholders or Leaseholders. A long term Freeholder takes a 70-120 years view on the longevity of a Block, as opposed to the average Leaseholder whose term of occupation is 14 years and who may have a powerful incentive on minimising the costs that they pay. For a Freeholder there may well be a need to balance differing views, but the EHS 2022 Survey showing an average Service Charge for leasehold flats outside of London of £1,384 and £2,207 in London suggests that overall that such a balance is being achieved.

Much of what the Freeholder does is NOT recoverable from Lessees and is funded out of ground rent income. So;

-Appointment and oversight of a suitable qualified Managing Agent. The fees of the Agent may be paid from the Service Charge Fund, but the Freeholder's appointment and oversight functions are not recoverable. This should not be underestimated, one freeholder we are familiar with, has 2 staff costing approx. £120,000pa, solely to maintain its oversight function. They attempt to visit every single one of their 700 Estates at least bi-annually.

-In addition to physical inspection many Freeholders will seek Budget and Service Charge Account inspection which may throw up potential problems at an early stage. Again not remunerated.

-They may need to enforce lease covenants to ensure quiet enjoyment for all leaseholders.-Not remunerated from Service Charge.

-They provide independent resolution of disputes between Leaseholders, noise, inadequate parking, anti social behaviour and short term letting. This

can be very time consuming and involve site meetings, often with different groups.- Not remunerated from Service Charge.

-In order to resolve disputes, they may need to apply to the FTT, prepare for Hearing and actually attend. – It is rare that the FTT award costs

-Inevitably they will be asked to assist with slow payers, in many leases action can only be progressed by the Freeholder.- Again barely remunerated as Small Claims Court award only minimal costs.

-In newer buildings where there are snagging or structural problems they will often be asked to assist in NHBC or Other Property Indemnity Claims.

Although Claims are personal to each Leaseholder it inevitably falls to a third party to bring the group together, and the Freeholder with its knowledge is usually the “third party”.

-Lender of Last Resort; This receives no mention at all in the Consultation Document but it is key to adequate maintenance. The Freeholder will be asked for funding usually on the following occurrences.;

Emergency Works when insufficient funds in Service Charge Fund

When leases do not adequately provide for on-account payment

When a number of Leaseholders are in arrear.

The Freeholder has a legal obligation to maintain, lack of service charge funds is not an excuse, also many such loans are interest free unless there is an interest clause in lease (usually there is not).

-And now increasingly, Freeholders are looking at ways to improve energy efficiency. This may be driven by Leaseholders, it may be part of the Freeholders internal policy, and it may also be driven on by Lenders to the Freehold segment who, for their own ESG obligations, need their borrowers to address these issues.

CURRENT SERVICE CHARGES

“We recognise that the existing statutory requirements do not go far enough to enable leaseholders to identify and challenge unfair costs”

This rather extraordinary statement in the Consultation Document, seems to us to indicate a remarkable lack of understanding of the very detailed levels of protection provided to Leaseholders by successive Governments over the last 35 years.

Any Leaseholder who wishes to challenge unfair costs has a plethora of ammunition to help them.

1. Free advice from the Leasehold Advisory Service as to the avenues available.
2. The requirement to be consulted on any item of costs exceeding £250 per flat.
3. The ability in respect of any works exceeding £250 per flat to nominate suitable contractors, and a requirement for the Freeholder to seek a quotation from those contractors for such works.
4. The right in respect of any proposed works to challenge such works by applying to the FTT to determine if such works are reasonable.
5. The right to apply to the FTT to determine if a Service Charge or any particular items in it are reasonable.
6. The right to apply to the FTT to determine if any administration charges made by an Agent of the Freeholder are reasonable.
7. The right to a full Management Audit.
8. The right to challenge the choice of Insurer.

All of the above are either at nil cost or very little cost to the Leaseholder. An application to the FTT will have a nominal filing fee, but there will be no liability on the Leaseholder for the Freeholders costs. Indeed the Leaseholder can even in its application ask the FTT to determine that the Freeholder cannot charge any of its costs to the Service Charge. (The FTT does have the ability to allow Freeholders costs to be charged to the Service Charge but only where the Leaseholder has behaved maliciously or unreasonably, such cases are very rare.)

And for Leaseholders who want to remove the present Agent;

9. Under the “Right to Manage” provisions, in most cases a simple majority of qualifying Leaseholders can take over the management of their block on a No-Fault Basis with no compensation payable.
10. OR if they do not want to manage themselves, they can apply to the FTT to appoint a Manager.

Effectively Leaseholders can challenge every item in the service charge, nominate contractors for major works, have a management audit and challenge Insurers, and if they are still unhappy they can take over management themselves or ask the FTT to appoint a fresh agent. With all of the above available to them, it is hard to see how any Leaseholder can feel that legislation does not go far enough to challenge unfair or even unreasonable costs. Indeed it is hard to see what more can be legislated for.

Of course there will be occasions when Leaseholders may get an unusually high bill, but that does not mean it is unfair. It will usually arise;

-When an unexpected item of repair suddenly becomes necessary, such as the failure of a roof or replacement of a lift, and inadequate reserves to fund it. This can happen in a freehold just as much as a leasehold tenure, and whether managed by Leaseholders or by Freeholders.

-Where the wishes of a majority of Leaseholders takes precedence over a minority. So a majority may wish to get major redecorations all done in one year, whilst the minority want them spread over several years. Such a minority may feel a single bill unfair.

In the majority of cases where there may be an unusually high bill, it will be caused by lack of building up a reserve fund. This may be due to a lack of provision in the leases to create a reserve fund or from resistance from Leaseholders who want to keep Service Charges down

We would remind the reader of the results from the EHS 2022 which showed;

: Only 28% of Service Charges in England (outside of London) had a Reserve Fund.

: Only 38% of Service Charges in London had a Reserve Fund.

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Data from the Leasehold Advisory Services website shows;

: In the 2 years from QTR2018/19 to QTR 2023/24 there were 6930 enquiries on reasonableness of Service Charges, averaging 3,465pa.

: Of these only 77% related to leasehold flats.

: And of that 77% only 57.6% related to private freeholders and investors.

These are however only Enquiries, a study of all actual FTT Hearings relating to Reasonableness shows just 20 Cases determined in the period 20/6/22 to 23/5/23 (11 months), a figure which seems to show that in a market of 4,000,000 leasehold flats in England, that the number of Leaseholders unable to resolve a dispute as to reasonableness and felt the need to apply to the FTT was minute.

In the light of the above data, we would suggest that the various protections provided to Leaseholders by Government over the past 35 years have been extremely successful. The few very high bills that do occur will almost always be due either to unexpected works, that could apply to a freehold as well as a leasehold property, or a lack of a reserve fund, or a combination of both.

(It might be worth pointing out that The Treasury has also contributed to Service Charge cost increases, with VAT rising from 17.5% to 20% in 2011, Insurance Premium tax rising from 3% to 12% and the decision to exclude Residential Service Charges from the cap on energy price rises, on a typical £1400 Service Charge we estimate that these extra costs to The Treasury added £161 to the Service Charge total! – and that is before The Treasury's insistence that costs involved in Building Safety must bear VAT.)

RPI AND AVERAGE WEEKLY EARNINGS

It may be useful to consider the long term relationship of RPI in relation to average weekly earnings.

Looking over a 15 year period we see;

Index of Non-Seasonally adjusted Regular Pay.

July 2008	105.4	
July 2023	208.4	+ 97.72%

RPI Index

Office of National Statistics

July 2008	854.1	
July 2023	1,476.2	+ 72.84%

With an estimated 68-70% of all leases now on an RPI review or similar, those rents over the 15 year term have become cheaper in real money terms as a % of earnings. From the point of view of a typical Leaseholder, an RPI review appears to offer the most fairness, and an equitable balance between Leaseholder and Freeholder.

GROUND RENTS AS A FINANCIAL MODEL

This is touched on at 1.99 B of the Consultation Document, which suggests that any cap should not apply to;

“A long residential lease where the current freeholder can prove that they have negotiated an agreement resulting in the current leaseholders not having to pay a premium.”

An on-going ground rent has been an important source of financing for many Lessees seeking a Lease Extension or otherwise.

With Lease Extensions running at 45-55,000pa, we estimate that some 1,500,000 flats have undertaken enfranchisement since the 1993 Act came into force. (The number is slowing down now as the number of flats with shorter leases is rapidly diminishing)

At an early stage following the implementation of the Act, solicitors and Valuers familiar with leasehold matters quickly realised that to keep costs down for their clients, it made sense to see if the landlord would negotiate informally and thus avoid the somewhat slow statutory process, whilst still paying a similar premium to the statutory route. Most responsible landlords would usually agree.

However the statutory process only provided a 90 year extension to the existing lease with a return to a peppercorn ground rent.

Early on, Lessees were willing in an informal process to keep the present rent and reviews if it would reduce the overall premium payable. A rent valued at 20x would typically reduce the premium by £2000 for every £100 of on-going rent.

It was only a question of time before Lessees started to ask if they could actually increase their rent to reduce the premium even further and many landlords acceded to such requests. The effect could be quite dramatic;

Premium for a Lease Extension reducing present rent of £100 to a peppercorn = £15,000

Premium for the same Lease Extension with a new rent of £300 = £9,000

Of course mortgage lenders had to give approval and many encouraged such transactions (a longer lease improved their security) and solicitors would advise their clients to only choose an increase option that they could afford.

For the Leaseholder;

- It materially reduced the premium payable.
- The higher rent chosen would be affordable
- And in effect financing from the freeholder at 5% was a lot cheaper than paying 7% to a mortgage lender.

For the Freeholder

- It lost on the capital premium receivable, which was not available for re-investment
- It received an increased income and future reviews in 15 or 20 year's time.

We are annexing extracts from such a lease extension. This was a flat with only 52 years remaining and a rent of £50. The resulting premium was agreed at £21,860. The Lessee then negotiated an ongoing rent of £350 which had the effect of reducing the premium payable by £6,360.

It would certainly seem inequitable to cap or make any other changes to such rents and reviews which have been freely negotiated between Freeholders and Leaseholders acting with legal advice, and frequently with the Leaseholder urging for a higher rent.

Ground Rents Owned by Leaseholders / Local Authorities.

As can be seen from the earlier Summary , 21% of ALL Ground Rents in England are owned by Leaseholders. (English Housing Survey 2022)

In the majority of cases, these will arise from a Purchase of their Freehold by a majority of Leaseholders. This will normally be effected via a Company formed for the purpose, which will be owned solely by Participating Leaseholders. In some cases after acquisition the rents are reduced to a peppercorn but often an on-going rent is required

For smaller blocks, finance for the purchase will be provided by the Leaseholders, for larger blocks it is common to have some sort of financing in place, both to reduce the overall costs and make it more affordable, and to cover the share of any non participating Leaseholders.

Any financing is secured over the freehold and is funded by an on-going ground rent. If the funding is significant it is likely that a future projected increase is required to provide for the eventual repayment of capital.

Example ; A £1,000,000 purchase with £25,000 rent, funded by a £300,000 loan at 7.25% is barely going to cover interest payments it needs a rent increase to £35,000 or more to start paying down the capital.

If financing not required to finance a purchase, the freehold may still be used to secure a loan to help fund major works

Even for smaller blocks with no financing, on-going rent is still required to pay expenses of the corporate vehicle used for the purchase. It can easily cost £1500-2000 pa to keep a UK company operating, preparation and filing of accounts, bank charges, registered office facilities etc. An income flow is needed for these. AND if there are non participating leaseholders, these expenses cannot be charged to the Service Charge.

Any significant cap on ground rents or a severe restriction on reviews could adversely affect up to 21% of Leaseholders.

Consideration also needs to be given to Local Authorities , some of whom may have large portfolios, these may arise from land and property sold Leasehold or Low Cost Housing sold on joint equity where the joint equity has been bought in. With an estimated 600,000 flats owned in this manner and taking an average rent of £283pa, there is an estimated £169 Million of rising income collected by Local Authorities with a potential capital value based upon an income yield alone of 4% of £4.225 Billion. Any cap on such rents would likely incur huge write-downs in capital value.

00002?

LENDERS

From the point of view of ALL Freeholders (even one's owned by Leaseholders), there are legal restrictions on variations to a Lease. Nearly all leases when issued will contain a covenant by the Freeholder that all other leases within the Block will be issued on the same or similar terms.

So whilst a Freeholder can amend the length of the lease or the rent and its reviews, there will be other terms in a lease which it cannot arbitrarily alter without being in breach of its covenants to other leaseholders. It most certainly cannot make an amendment that gives a preference to one Leaseholder over the others.

There is also a practical problem, that no Freeholder wants a Block of 30 flats with 30 different forms of lease, it will make management a nightmare.

In the past, most Lenders followed guidance from the Council of Mortgage Lenders which recommended leases should have adequate maintenance and insurance provisions and rents that did not review more frequently than every 10 years and with reviews to a figure that is easy to ascertain. However in recent years there has been the entry of many more participants into the residential mortgage market and some have chosen to adopt their own requirements.

The result is that investment decisions are now frequently being made by algorithms rather than by a sensible risk assessment by an individual. So a typical lease that is 30 years old and has been through 3 Leaseholders and 3 lots of previous Mortgage Providers who were all perfectly satisfied with its terms, may now be rejected by a present Provider, who may throw up objections that may be out touch with reality.

It has been suggested that some Lenders may use their "unhappiness" with the lease terms, to get out of a mortgage obligation that they are committed to !

We have not been able to glean any accurate statistical information as to the extent of the problem, apart from it to be relatively small..

However it is a problem made by the Lenders not by the Leasehold Market, and will occur whoever owns the Freehold. Either the FCA insists that Lenders stick within the CML guidelines or the CMA needs to investigate. We believe that most Freeholders will agree to any reasonable minor variations, but as set out above, cannot agree to changes which might give a preference over other Leaseholders.

We can understand how frustrating it must be for a selling Leaseholder to have a sale held up by changes required by the Buyers Lender, and the Freeholder will be the easiest person to blame. The real culprits here however are the legal profession who, in our opinion, are frequently too cowardly to stand up to unreasonable demands. It is perhaps timely to remind Government that the doubling rents could only have occurred with the agreement of the legal profession, who after all acted for some 13,000 Leaseholders (based upon CMA figures in Appendix attached) and allowed them to enter into those leases, and who remarkably seem to have escaped criticism.

GENERAL COMMENTS

1. The present Freehold/Leasehold system has been with us for hundreds of years, and although described as “feudal” by its critics, it is a system that has been steadily evolving. The substantial legislation referred to earlier has dramatically changed the rights of residential leaseholders for the better.

Whilst Commonhold was introduced in 2022, there has been very little take-up, most lenders and solicitors prefer the present system with its checks and balances and substantial case law.

Whilst this Bill seeks a radical overhaul of the present system, to an experienced practitioner, it appears in many cases to be reinventing the wheel, when recent legislation has already provided the required protection.

2. The considerable involvement of the Pension Funds and other Institutions and Long Term Investors over the last 30 years has undoubtedly led to improvements in both maintenance and management generally. We would urge legislators to ensure that the Bill is not so radical as to persuade these investors to depart from the market. It is sure to lead to a deterioration over the long term in the quality of the UK Housing market.
3. The Law Commission Report, in its brief to look at ways to make enfranchisement easier and less expensive, came up with a number of suggestions/options, but these were always selective options, and it is hard to see that it was ever intended that all of them would be adopted in a single Bill. Making enfranchisement less expensive surely does not mean making it at virtually nil cost.
4. Having regards to the original consultation it appears that the Bill is very much directed to the institutional investor, and ignores the fact that the majority of long leasehold flats (59%) are owned by Leaseholders themselves, Local Authorities, Housing Associations etc, whilst more than 50% of all long leasehold flats are managed by Leaseholders themselves either through ownership (20%) or by

Right to Manage or via Lessee owned Management Companies. The Bill needs to consider;

- Freeholds owned by Lessees who have completed Enfranchisement
- Right to Manage Companies controlled by leaseholders.
- Leaseholder owned Management Companies where the directors will usually be Leaseholders.

5. The Bill appears to contemplate overturning existing contracts for property without (in some cases) compensation. This is certainly a radical departure for recognised rights, especially in the case of a market which is operating fairly efficiently at present and where only 4% of the market have what is generally regarded as short leases (under 80 years).
6. Perhaps one of our most fundamental concerns, is the intention to allow Investment Companies and Buy To let Investors take equal advantage of the Bill alongside genuine Leaseholders. In effect the Bill proposes to transfer value from one set of commercial investors (present freeholders) to another set of commercial investors (Corporate investors and Buy to Let investors.) This seems inequitable.
7. It is quite extraordinary that the people most likely to benefit from the Bill as drafted are the fat cat City lawyers and non-dom Fund Managers in their £5M riverside penthouses. Surely this must be pretty obvious on any sensible review of the Bill. Yet no exceptions are proposed re high value flats!
8. Another concern is that the Bill seems to have been drafted without any input from industry professionals. An example is that no thought has been given to circumstances where the rent includes not just the demised flat but also includes other premises such as a garage or demised parking space or other appurtenant property. – as opposed to having a separate lease for a garage etc. These rents surely need to be excluded from the notional rent limitations.
9. There can be little objection to improvements in management although it appears to be working well as is, nor in speeding up the

enfranchisement process, although it is often the acquiring leaseholders who are the laggards.

10. The Law Commission in its Consultation made it clear that any material financial loss to existing Freeholders could be subject to compensation. In the light of the size of the market which is considerably larger than estimated by the Treasury, it surely makes sense to limit change to that which assists genuine leaseholders (and not speculators or overseas investors) and where such change does not adversely fall too much on present Freeholders. As the English Housing Survey 2022 makes clear, average rents on leasehold properties in England are certainly affordable at the present time.

The Proposals later herein are intended to provide a degree of tidying up and provide a more level playing field for both sides.

RECOMMENDATIONS

ELIGIBILITY FOR ENFRANCHISEMENT AND EXTENSION.

Historically the 2 year holding period, prior to Enfranchisement or Extension, was designed to eliminate speculation and thus make the market more available to genuine home buyers and/or long term investors. As far as we are aware it has worked well, most lease extensions are negotiated by a vendor prior to sale, and where this is not the case, a 2 year holding period is not going to worry a genuine home buyer.

Is this a case of creating a potential problem where none exists at present?

Once there is no holding period, there will become a market for speculators to buy a short lease at a discount, obtain a lease extension and then sell on at a profit, all the greater if the costs are less than at present. – The activities of such speculators may well push out or compete with genuine home buyers, why would the Government encourage this, it is likely to work against the interests of genuine home buyers?

We cannot see any logic in changing something that is not causing a problem, simply to provide a market for speculators.

CHANGE OF NON RESIDENTIAL LIMIT ON COLLECTIVE ENFRANCHISEMENT CLAIMS.

The proposal to increase the non-residential proportion from 25% to 50% is somewhat dramatic. This will no longer be the case of the odd shop unit below 4 or 5 flats, but in city areas might include substantial office or retail premises which subsist in their own right. To allow Leaseholders to acquire the freehold of such premises is a huge transfer of property rights, which on basis of leaseback provisions will be undertaken with no premium paid to the present freeholder.

The Proposals appear to exclude much of the 33% of all Leasehold Flats owned by Local Authorities, Housing Associations and Charities/Church's (source EHS) so it is rather a case of creating a two tier system, we will still have a situation where some Leaseholders will be able to enfranchise and

others not. For the Acquiring Leaseholders they may be taking on maintenance obligations of a complex nature which they may not properly understand whilst the Selling freeholder is left with a Leaseback which may not make any sense without the adjacent flats.

Please remember that all Lessees in such a building will have been advised by their solicitor on purchase that they would not have Enfranchisement Rights, so there is no prejudice to them. They will still be able to extend leases, challenge management etc.

RIGHT TO REQUIRE LEASEBACK BY FREEHOLDER AFTER COLLECTIVE ENFRANCHISEMENT

This too is something of an artificial construct, designed presumably to make Enfranchisement easier. The problem is that is wholly one sided.

The Bill as presently drafted requires a landlord to accept the leaseback of a flat or other unit if required to do so. There is no negotiation, it is wholly at the discretion of one side.

One could easily arrive at a situation where in a block of say 30 flats there might be 3 or 4 empty flats, the acquiring leaseholders could decide to keep the 3 best but require the selling landlord to take a leaseback on the one with worst outlook or with lower rents.

Or the acquiring Lessees might just require a transfer of all of the odd non residential units that they don't wish to maintain, notwithstanding that they have been maintained in the past.

More common might be a storage area which might technically have some value but where there is no rent, just part of the facilities of the block. It's very likely that the acquiring leaseholders will require a leaseback, so that the selling landlord ends up with property that he is required to maintain but which produces no income.

If there is to be a "forced" leaseback position it surely has to be a flat or unit which is material (more than 10% of overall square footage of all of the flats), can be capable of complete separation from the other residential

parts, not subject to any form of control by the acquiring Leaseholders and something which is not used or available for use by the acquiring Leaseholders. Any Leaseback would need to give the Selling Freeholder complete and unfettered control over the premises leased back.

DETERMINING AND SHARING MARKET VALUE.

Schedule 2 is a complex section which effectively eliminates “marriage” and “hope” value, and at the same time seeks to further reduce the costs of any lease extension by introducing the concept of a “notional value” for the ongoing rent by limiting it to 0.1% of the freehold value, even if the rent is more than that figure.

S23(7) does exclude from the “notional value” leases which have been granted at a nil premium or where the premium would have been higher if not for the ongoing rent.

There are 3 key matters here, namely;

- The concept of the 0.1% figure which seems to have little regard to the actual market.
- Whether there need to be other exclusions in S23(7) to achieve fairness and discourage speculators.

Notional value 0.1%: Whilst we presume that this provision is designed to punish abnormally high rents (even if agreed at the time the lease was entered into) this appears to be a wholly arbitrary figure that has no relevance to either the present average rents as per the English Housing Survey 2022 or the average rent as a percentage of sale value, determined by the Leasehold Advisory Service. Nor is there any evidence to suggest that a figure in excess of 0.1% is either outrageous or unaffordable.

Firstly the problem of limiting to 0.1% is of course one of inconsistency, over the period of a year one might have a wide variety of different figures for the same Lease. One only has to look at the last 12 months where house prices have fallen on average 2.5% whilst inflation has risen in excess of

4%. – A £200 RPI rent in January 2023 on a £200,000 flat would need no adjustment, a £208 RPI rent on the same flat in December 2023, now worth £192,000 would need adjustment!

Secondly the figure of 0.1% is too arbitrary and should be more relevant to current rents. With an average ground rent in England of £283 (EHS) and an average ground rent of 0.14% of the premium paid in the last decade(Leasehold Advisory Service), there is a presumption that most rents will exceed the 0.1% figure.

Thirdly in any calculation, simplicity is always preferred, if we can limit the number of rents which need adjustment to “notional rent” then the whole process gets a little bit easier.

Our own suggestion is that the adjustment to “notional rent” be the lower of;

The present rent

Or

0.15% of long lease value with a minimum of £250.

Additions to S23(7); This Section sets out leases that are excluded from the notional value concept. We believe that other leases should also be excluded namely

-Leases in corporate names (including partnerships and all other forms of similar registration)

Reason; To avoid transfer of value without compensation from one investor to another.

-Leases where the flat is not the principal home of the owner or where the owner has not been in occupation for 24 months prior to the valuation date.

Reason; To avoid transfer of value without compensation from one investor to another (Buy to Let investor) or second home owner.

-Leases which include not just a right to park a motor vehicle but which specifically demise a garage or particular space to the Leaseholder.

Reason ; If there are separate leases for the garage, it will not be subject to limitation, so where the garage is included in a single lease we need to ensure that it still is not subject to limitation.

-Leases where the Long Leasehold market value is more than £500,000.

Reason ; The purpose of the Act is generally to make enfranchisement easier and more affordable, and in doing so there will undoubtedly be loss of value to present Freeholders. There cannot however be any public interest in simply transferring additional value to those fat cat lawyers and non-dom fund managers in their riverside London penthouses.

The Government only gives a nil rate of stamp duty up to £250,000, and regards it as reasonable that SDLT is paid over that figure, so logically it is reasonable on same basis that such flats be excepted from the notional rent provisions.

Review of Deferment Rate: S 24((9) provides that the Secretary of State may review the Deferment rate every 10 years.

This seems a bit arbitrary and means that the Deferment rate may be fixed during periods of intense volatility in the interest rate market.

We would suggest that this can be covered by fixing it to the interest yield on a Government long dated index linked stock at the Valuation date. So the Deferment rate could be determined as;

1.5% above the average yield on UK Government long dated (over 15

years) index linked stock, on the valuation date, where yield is the published interest yield and not the redemption yield.

Costs of Enfranchisement or Extension.

It has always been the case that in the case of compulsory purchase, the reasonable costs of the Seller are borne by the Acquirer and that should surely still be the case here.

If the Seller is going to lose both marriage value, and see rents reduced to a notional rent, it is facing a significant loss in value, and it seems inequitable that it should suffer further loss as a result of its inability to reclaim reasonable costs.

One of the suggestions by the Law Commission was to have a cap on the Seller's costs and we suggest that that should apply here, as opposed to a blanket ban.

Of course the ban on costs affects smaller lease extensions more unfavourably. If we assume typical valuation and legal costs at £1250 + VAT we can see;

Premium on L/E	Freeholder Costs	Net Received	% Received Of Premium
£2000	£1500	£500	25%
£3000	£1500	£1500	50%
£10,000	£1500	£8500	85%

We would suggest that;

-On Enfranchisement Claims of less than £20,000, the landlord is entitled to recover costs up to a maximum of £1500.

-On Enfranchisement Claims of more than £20,000, each side bear their own costs.

Right to Vary long lease to replace rent with a peppercorn ground rent.

In Schedule 7 dealing with when a Claim is deemed withdrawn, we suggest that it is automatically deemed withdrawn in the event of “the Premium not being paid within the Payment Period”.

Reason; Avoid application to Tribunal to deem Claim withdrawn, last thing Tribunal wants is to be booged down with hundreds of little applications to determine if Claim is deemed withdrawn.

Service Charges

In light of the surprising evidence from the English Housing Survey that outside of London only 26% of Leaseholders contribute to a Reserve/Sinking Fund (explains why some get unusually high one-off bills from time to time) we should encourage the creation of reasonable reserve funds.

In the definition of costs included in a Service Charge, we suggest the addition of

“together with reasonable provision for anticipated future expenditure”

Service Charges ; Standard Format

May we suggest that there is now a standard format for Service Charge Accounting. – It was included in the 2002 Act but never implemented by the Secretary of State.

(please don't ask one of the big firms or even ICEAW to advise, last time we saw a draft it left out key information)

Service Charge ; Accountants Report

For a little block of 3 or 4 flats that own their own freehold, or RTM, the need to have an accountants Report costing £700-1200 + VAT seems unduly onerous, why in the current climate load an extra £300/400 per flat onto the Service Charge?

We suggest that the need for an Accountants Report only apply to;

- Blocks of 12 or more flats
- Or where total Service Charge expenditure exceeds £10,000 in the year in question.

Service Charges ; Annual Reports

As presently worded the Annual Report is to be provided within one month beginning with the day after the final day of the Accounting Period.

The problem here is that it is highly unlikely that all of the required information be available with one month of year end, draft accounts will not be ready, indeed many creditors may not have sent in final bills, and there will typically be delays over Christmas period.

We suggest that it be provided within 3 months of year end.

Limitation on ability of landlord to charge insurance costs.

The use of the word “manage” has a particular connotation when used by the Financial Conduct Authority in relation to insurance, and can mean “conduct insurance business” as opposed to manage insurance business.

It might makes sense to think about wording.

We do need to remember that over the last couple of decades, Insurers have become increasingly particular in relation to claims and often protracted negotiations involving experienced professionals, are necessary to determine the sum due in respect of a claim, especially the case in respect of “consequential loss”. In order to keep their own costs down, Insurers frequently throw a lot of the work onto the client, so typically they may require the Insured to get at least 2 quotes for the work and undertake a lot of the liaison work with Leaseholders.

There is no clear definition of “Permitted Payments” but it should include;

- Payments to Loss Adjusters handing claims for the Service Charge
- Costs payable to Surveyor or other to determine Rebuilding Costs
- Expert evidence in relation to disputed claims.
- Costs of getting quotations when required by Insurer.

For the avoidance of doubt, it should be made clear that this only involves Building Insurance and other claims such as Building Indemnity Claims (NHBC) are not covered by this.

S 30 (3) Penalties re failure to include all required information.

The proposed damages of up to £5000 that may be sought by a leaseholder in the event of a non-compliant service charge demand seem unduly harsh

for what might be a minor technical offence, a missed sentence or even a typing mistake.

In the case of tenant owned freeholds or even RTM, it could bankrupt the company.

We do not see any reason for damages anyway, the offended Leaseholder already has his remedy insofar as he does not have to pay the demand. The idea that he can then claim a windfall of up to £5000 (presumably tax free) seems somewhat bizarre.

We would suggest no damages be due, as no loss suffered or alternatively limited to £100.

APPENDIX 1.

Extract from Leasehold Advisory Services Data.

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Open Data from the Leasehold Advisory Service

This page shows data from LEASE enquiries and the LEASE website, collated over the past five years. LEASE firmly believes that in sharing the data we will be helping to educate, inform, and empower leaseholders. This data will be published every quarter. The offering will be shaped by continuing collaboration with our stakeholders. Please send feedback to feedback@lease-advice.org.

26%

Enquiries relating to Service Charges

11%

Enquiries relating to Repair

10%

Enquiries relating to Management

000071

459K

Total visits (UK only) to website, Q1 2023/24

44k

Total pageviews of Service Charges advice guide, Q1 2023/24

42%

Enquiries from clients in London, Q2 2018/19 - Q1 2023/24

45%

Enquiries from clients outside London, Q2 2018/19 - Q1 2023/24 (13% from unknown location)

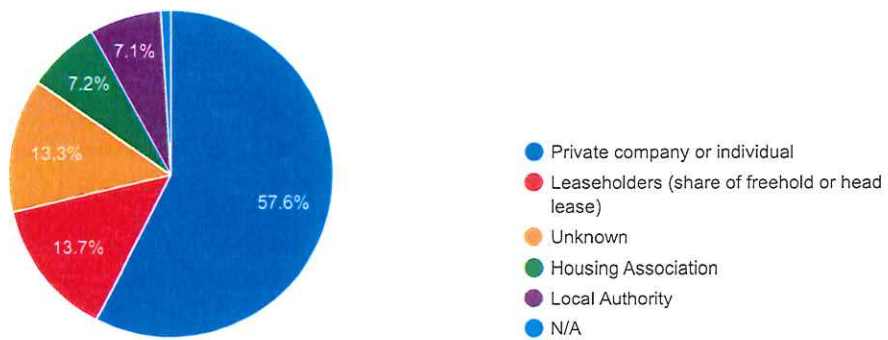
77%

Enquiries where the property concerned is a flat, Q2 2018/19 - Q1 2023/24

6%

Enquiries where the property concerned is a leasehold house, Q2 2018/19 - Q1 2023/24 (17% unknown or mixed)

Who is the freeholder of the building? 18/19 - Q1 23/24



000072

APPENDIX 2.

Extract from CMA 2020 Report.

000073

severe for homeowners creating difficulty in selling or mortgaging their homes, but the justifications for it given to us seem at best limited.

4. Ground rents that double more frequently than every 20 years, and escalating ground rents that raise the prospect of a lease becoming an assured tenancy with the leaseholder consequently enjoying diminished security of tenure are likely to have the worst consequences for consumers. We also have significant reservations about RPI based increases to ground rent. Moreover, lease provisions imposing ground rent and providing for its escalation can be obscure and hard to understand.
5. We estimate that the total number of new-build long leasehold homes sold between 2000 and 2018 is approximately 778,000. On a conservative approach we think the total number of leases with ground rents that double more frequently than every 20 years is approximately 13,000, of which there are around 10,000 which double every 10 years. There are at least 57,000 homes where levels of ground rent are already over the threshold for an assured tenancy.
6. The most comprehensive way to tackle problems in ground rent is through legislation, and we support the government's proposal effectively to abolish ground rent in most future leases. However while this will prevent problems arising in future it will not alleviate existing problems. The CMA is preparing to take enforcement action to address the difficulties faced by homeowners from high and increasing ground rents.
7. The problem of assured tenancies is both very serious and one that can also be dealt with through legislation. We would support amendments to the Housing Act 1988 to provide homeowners with leases that are longer than 21 years with greater protection⁴. One approach would be to remove such leases from the scope of the Act completely. Alternatively, leases of more than 21 years could be excepted from provisions of the Act that are inconsistent with long term home ownership such as Grounds 7, 7A, 7B and 8 of Schedule 2.

Mis-selling

8. We have received numerous complaints about the mis-selling of leasehold properties. Many of the complaints raise very serious concerns that

⁴ We recognise that there may be concerns about shared ownership leases that will bear on the solution finally adopted.

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APPENDIX 3.

Extract from Ground Rent Income Fund REIT 2022 Annual Report.

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Portfolio at a Glance

Top 10 assets by value

Asset	Location	Valuation at 30 September 2022 (£million)	(%)	Asset type
1 Lawrence Street Student Village	York	9.4	8.6	Student
2 One Park West	Liverpool	3.3	3.0	Residential
3 Wiltshire Leisure Village	Royal Wootton Bassett	3.3	3.0	Residential
4 First Street	Manchester	3.1	2.8	Student
5 Rathbone Market	London	3.1	2.8	Residential
6 Brentford Lock West	London	3.0	2.8	Residential
7 Masshouse Plaza	Birmingham	2.9	2.7	Residential
8 Brewery Wharf	Leeds	2.4	2.2	Residential
9 Richmond House	Southampton	2.3	2.1	Student
10 The Portland	Hull	1.7	1.6	Student
Total		34.5	31.6	

Number of assets

392

Number of investment units

19,000+

Total portfolio value

£109 million

Percentage of the portfolio value comprised of top ten assets

31.6%

Percentage of the ground rent income to be reviewed in the next five years

40.9%

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The Company's approach to its insuring responsibilities, including commission levels, compares favourably with the FCA's findings. Neither Schroders as Manager nor R&R receive any commission in connection with the insurance responsibilities of the Company, which are effected on the Company's behalf.

Looking forward, we support the FCA's objectives of fair value for leaseholders, fair remuneration of all parties involved in the insurance process and information sharing. Lockton and their trade body, BIBA, have responded to the FCA's consultation and we will continue to review the Company's processes in light of the consultation and best practice more generally.

Managing legacy issues

Having resolved the highly complex legacy litigation at Beetham Tower in Manchester in 2021, the Board and Manager are continuing to deal with a range of legacy issues relating to historical transactions and portfolio activity carried out prior to our, and the current Board's, involvement with the Company.

Whilst we do not expect these legacy issues to have a material impact on value, they are granular, time consuming, and generally relate to disputes concerning legal title, disrepair and property management.

The rent review profile is shown in the table below, with 40.9% of the ground rent income due for review over the next five years:

Years to next review	Ground Rent Roll (£000)	Ground Rent Roll (%)	Valuation at 30 September 2022 (£million)	Valuation at 30 September 2022 (%)
0-5	2,077	40.9	47.1	42.8
5-10	1,577	31.0	32.9	29.9
10-15	668	13.1	14.9	13.5
15-20	178	3.5	3.8	3.5
Over 20	257	5.1	5.7	6.1
Flat (no review)	323	6.4	4.6	4.2
	5,080	100.0	109.0	100.0

The chart below demonstrates the forecast income performance based on various levels of RPI inflation, which was 3.6% per annum over the 10 years to and including October 2022.

Real estate portfolio

Key points:

- Portfolio valuation of £109.0 million as at 30 September 2022, reflecting a gross income yield of 4.7% or an average Years Purchase ('YP') of 21.5
- 93.6% of ground rent income subject to upwards only increases, with portfolio ground rent income forecast to outperform RPI inflation over the next five years
- Portfolio remains heavily weighted to apartment blocks in the North East and North West of England

As at 30 September 2022, the portfolio comprised approximately 19,000 units across 400 assets valued at £109.0 million. The portfolio produces ground rent roll of £5.1 million per annum, reflecting a gross income yield of 4.7% or an average Years Purchase ('YP') of 21.5.

The portfolio's weighted-average lease term as at 30 September 2022 was 392 years, with 93.6% of ground rent income subject to upwards only increases, primarily index-linked reviews. This is set out in the table below:

Review mechanism	Ground Rent Roll (£000)	Ground Rent Roll (%)	Valuation at 30 September 2022 (£million)	Valuation at 30 September 2022 (%)
RPI	3,682	72.5	85.9	78.8
Doubling	743	14.6	12.2	11.3
Fixed	332	6.5	6.3	5.7
Flat	323	6.4	4.6	4.2
	5,080	100.0	109.0	100.0

Assuming future RPI inflation of 3.6% per annum, ground rent income should increase approximately 2.3% over the year to end September 2023, 1.3 percentage points below the forecast RPI. On the same basis, ground rent income should increase approximately 23.1% over the next five years or an annualised figure of 4.3%, 70 basis points ahead of the RPI inflation assumption.

As noted previously, RPI will be aligned with the Consumer Prices Index, including owner occupiers' housing costs ('CPIH'), no earlier than February 2030. CPIH is a measure of consumer price inflation that includes the costs associated with owning, maintaining, and living in one's own home. In recent years, CPIH has been between 60 and 100 basis points less than RPI on an annual basis. This means rental growth following the change may be smaller but this will impact all RPI-linked assets, including other ground rent portfolios and index-linked gilts.

APPENDIX 4.







Analysis of Ground Rent Auction Sales December 2021 to June 2022.

Summary of Auction Ground Rent Sales

Comp Front/External Image	Property Address	Date	Sold Price	Ground Rent/annum	Gross Initial Yield %	Multiplier	Average Ground Rent Per Unit	Review Type	Lease Remaining yrs	Auctioneer	Description
	Albany House, 41 Judd Street, Bloomsbury, London, WC1H 9QS	Jun-22	£985,000	£31,800	3.23%	31.0	£300	Ground Rent doubles every 20 years (Next Increase 1st Jan 2031)	988	Allsop	Freehold Ground Rent on 106 self contained flats.
	Stephenson House, The Grove, Gravesend, Kent, DA12 1BF	Jun-22	£136,000	£7,500	5.51%	18.1	£260	Doubles every 25 years. Next increase 25th March 2041	119	Allsop	Freehold Ground Rent(s) on 30 self contained flats. Each flat has the right to a parking space. Although not on separate leases
	Henry Chester Building, Barnes, London, SW15 1LY	Jul-22	£171,700	£12,000	6.99%	14.3	£500	RPI review every 21 years. Next review, 2038	120	Allsop	Freehold Ground Rent on 24 self contained flats.
	181-163 North Road West, Plymouth Devon, PL1 5BY	Jun-22	£62,551	£2,500	4.00%	26.0	£100	£50 pound increase every 20 years for four terms, £300 for the remainder. Next increase October 2026	109	Clive Emson	Freehold Ground Rent(s) on substantial block arranged as 25 flats.
	66-60 Upper Tulse Hill, Brixton, London, SW2 2RW	May-22	£66,000	£2,800	4.31%	23.2	£360	£355 doubling every 25 years. Next increase August 2039	117	Savills	Freehold Ground Rent(s) on detached block of 8 Self-Contained Flats
	2 Kents Place, New Southgate, London, N11 2DU	Apr-22	£66,000	£3,062	4.71%	21.2	£383	Rising. Intervals cannot be located.	128	Auction House London	Freehold Ground Rent(s) on detached block of 8 Self-Contained Flats with development potential subject to planning permission.
	Park House, 38 Station Road, Louisa Water, High Wycombe, Buckinghamshire, HP10 8UN	Feb-22	£95,000	£5,325	5.61%	17.8	£266	Increasing £275 on twenty fifth anniversary of lease. Next increase December 2040.	143	Allsop	Freehold Ground Rent(s) on Detached Building Arranged As 20 Self-Contained Flat. Roof area at peppercorn
	54 Cavell Street, Whitechapel, London, E1 2HP	Feb-22	£24,000	£2,250	9.38%	10.7	£250	Uncertain. Auction site says £250. Lease dated 2002 says £50, no mention of increases.	979 & 993	McHugh & Co	Freehold Ground Rent(s) On 9 Self-Contained Flats

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Summary of Auction Ground Rent Sales

Comp Front External Image	Property Address	Date	Sold Price	Ground Rent/Minimum	Gross Initial Yield %	Multiplier	Average Ground Rent Per Unit	Review Type	Lease Remaining Yrs	Auctioneer	Description
	3 King Street Mews, East Finchley, N2 8EQ	Mar-22	£43,000	£1,800	4.19%	23.9	£300	£300 until 31.12.24 £600 till 31.12.29 £1000 for remainder of term.	123	McHugh & Co	Freehold Ground Rent(s) on 6 Self-Contained Flats Permission granted for 1 additional flat.
	Flats 6-15, Heathlea Gardens, Hindley Green, Wigan, Lancashire, WN2 4UE	Dec-21	£24,000	£1,178	4.91%	20.4	£196	Three yearly RPI linked rent reviews. Next 1/1/24	109 & 108	Allsop	Freehold Ground Rent(s) on detached block of 8 Self-Contained Flats
	Flats 1-10 The Bourne and Office Unit, 119A Guildford Street, Chertsey, Surrey, KT16 9BB	Dec-21	£73,000	£3,950	5.41%	18.5	£395	RPI linked 10 year. Next december 2024.	118	Allsop	Freehold Ground Rent(s) on 10 Self-Contained Flats. Office space at peppercorn rent.
	Housing estate, Leigh, WN7 1UE, WN7 1UA & M46 ORG	Dec-21	£88,500	£4,627	5.29%	19.1	£171	Three yearly RPI linked rent reviews. Next 1/1/23 & 1/1/24	982	Allsop	Freehold Ground Rents on 27 Houses
	Housing estate, Ottereye view, Scarsbrick, Southport, Merseyside, PR8 5BH	Dec-21	£71,000	£3,987	5.62%	17.8	£235	Three yearly RPI linked rent reviews. Next 1/1/23	984	Allsop	Freehold Ground Rents on 17 Houses
	1-14 Eden Lodges, Eden Avenue, Chigwell, Essex, IG7 5JE	Dec-21	£87,500	£3,500	4.00%	25.0	£250	Doubling every 25 years. Next increase 2041.	119	Auction House London	Freehold Ground Rent(s) on block of 14 Self-Contained Flats

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APPENDIX 5.

Example of a Lease Extension where an on-going high ground rent
has been used to pay part of the premium.

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H.M. LAND REGISTRY
LAND REGISTRATION ACTS 1925 TO 1986

LEASE OF WHOLE

COUNTY : SUFFOLK
DISTRICT : ~~FRINCON~~
TITLE NUMBERS : ~~921233 (leasehold)~~
~~921244 (leasehold)~~
~~921345 (Common Parts Lease)~~
PROPERTY : ~~11 Henley Court, Henley Road,~~
~~Frincon and Garage, 11 Henley Court,~~
~~Frincon~~

THIS LEASE is made the 10th day of February 2017

BETWEEN

- (1) ~~FRINCON LIMITED~~ LIMITED whose registered office is at ~~11 Henley Court, Henley Road, Frincon~~
~~Frincon~~ (Company Registration No. ~~02570143~~) ("the Lessors")
- (2) ~~FRINCON MANAGEMENT LIMITED~~ whose registered office is at ~~11 Henley Court, Henley Road, Frincon~~
~~Frincon, Suffolk, IP27 2JX~~ (Company Registration Number ~~02570143~~) ("the Management Company")
- and
- (3) ~~FRINCON CHAIRMAN~~ and ~~FRINCON CHAIRMAN~~ of ~~11 Henley Court, Henley Road, Frincon, IP27 2JX~~
("the Lessees")

NOW THIS DEED WITNESSETH as follows:

1. DEFINITIONS AND INTERPRETATION:

In this Deed:

- (A) "the Existing Flat Lease" means a lease dated 23rd January 1970 and made between (1) Flintvil Investments Limited and (2) Frincon Limited
- (B) "the Common Parts Lease" means a lease dated 28th June 1993 and made between the Lessors (1) and the Management Company (2)
- (C) "the Term" means the term granted by the Existing Flat Lease

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- (D) "the New Term" means a term of 100 years from the 24th June 2016
- (E) "the Premises" means the Flat, the Bin Store and the Garage as described in and demised by the Existing Flat Lease
- (F) "the Rent" means the rent reserved by this Lease in substitution for the rent reserved by the Existing Flat Lease
- (G) "the Lessors" where the context so admits includes the person for the time being entitled to the reversion immediately expectant on the determination of the Term
- (H) "the Lessees" where the context so admits includes the Lessees' successors in title
- (I) "the Management Company" where the context so admits includes the Management Company's successors in title or such other party who shall become responsible for the burden and entitled to the benefit of the provisions covenants and conditions contained in the Common Parts Lease
- (J) words importing one gender shall be construed as importing any other gender
- (K) words importing the singular shall be construed as importing the plural and vice versa
- (L) where any party comprises more than one person the obligations and liabilities of that party under this lease shall be joint and several obligations and liabilities of those persons
- (M) save where otherwise stated references to numbered clauses and schedules are references to the clauses and schedules in this Deed which are so numbered
- (N) the clause headings do not form part of this Deed and shall not be taken into account in its construction or interpretation

2. RECITALS:

- (A) The Premises are now vested in the Lessees for all the unexpired residue of the Term subject to the Rent and to the Lessees' covenants and the conditions contained in the Existing Flat Lease
- (B) The reversion immediately expectant on the Term is now vested in the Lessors in fee simple

- (C) The Lessees have requested the Lessors to grant a lease of the Premises to them for the New Term on the terms expressed in this Deed and Subject to the Lessees surrendering the Existing Flat Lease the Lessors have agreed to do so
- (D) The Lessees confirm that this lease extension has been granted in line with the provisions of section 56 of the Leasehold Reform Housing and Urban Development Act 1993 ("the 1993 Act"). It is further confirmed that but for this agreed lease extension the Lessees would have been required to serve a Notice in accordance with section 42 of the 1993 Act
- (E) The Lessees confirm that the Lessor shall be entitled to the benefit of the rights granted under Section 61 of the 1993 Act to the same extent as the Lessors would have been had this lease been granted under Section 56 of the 1993 Act

3. DEMISE:

In consideration of the sum **TWENTY ONE THOUSAND EIGHT HUNDRED AND SIXTY POUNDS (£21,860.00)** of which **FOURTEEN THOUSAND FIVE HUNDRED POUNDS (£14,500.00)** is now paid by the Lessees to the Lessors (the receipt of which the Lessors hereby acknowledges) and of the balance of **SIX THOUSAND THREE HUNDRED AND SIXTY POUNDS (£6,360.00)** paid by way of the rents hereby reserved and of the surrender of the Existing Flat Lease by the Lessees to the Lessors the Lessors demise to the Lessees with full title guarantee the Premises together with the benefit of the same rights and easements and subject to the same exceptions and reservations (if any) as are expressed in the Existing Flat Lease save where varied as set out in the Second Schedule **TO HOLD** to the Lessees for the New Term **SUBJECT** as mentioned in the Existing Flat Lease and **SUBJECT TO** and with the benefit of the Lessees' and Lessors' covenants and the provisos declarations and conditions contained in the Existing Flat Lease **YIELDING AND PAYING** to the Lessors throughout the New Term the following yearly Rent:

- (A) Until the 24th June 2026 the yearly rent of **THREE HUNDRED AND FIFTY POUNDS (£350.00)**

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(B) For the remainder of the New Term such sum as shall be calculated and determined in accordance with the First Schedule payable by an annual payment in advance on the 24th day of June in every year

the first of such payments to be made on the date of this Lease in respect of the period commencing on the date of this Lease to the 23rd June Two Thousand and Seventeen

4. In pursuance of the obligation set out in Clause 4EE of the Common Parts Lease the Management Company with full title guarantee hereby grants and confirms unto the Lessees the rights set out in the Existing Flat Lease as if the same were herein set out in extensor but as varied by the provisions of the Second Schedule hereto **TO HOLD** the same unto the Lessees from the date hereof until the date of expiration or earlier determination of the Common Parts Lease and until such date the Management Company will observe and perform all of the covenants and conditions on its behalf contained in the Common Parts Lease

5. **AGREEMENTS AND DECLARATIONS**

5.1 It is hereby agreed and declared that as from the expiry date of the Common Parts Lease of 28th June 2065 or its earlier determination the Lessors will re-assume the burden and benefit (as the case may be) of the covenants contained in the Existing Flat Lease (as hereby varied) in relation to which the Management Company is presently subject or of which it enjoys the benefit by virtue of the Common Parts Lease **PROVIDED THAT** the Management Company shall indemnify the Lessors against any antecedent breach of its obligations contained in the Common Parts Lease

5.2 Notwithstanding the provisions of sub-clause 5.1 if the Lessors shall agree with the Management Company at any time after the date hereof that the Management Company shall continue to assume the burden of the covenants referred to above then the Lessors shall not be obliged to observe the agreement and declaration set out at sub-clause 5.1 and the effect of sub-clause 5.1 shall be null and void

5.3 If the Management Company should go into liquidation or is struck off the Register of Companies or ceases to carry on business for whatever reason then the Lessors will observe and perform

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its covenants contained in the Existing Flat Lease subject to the prior payment to the Lessors by the Lessees of the maintenance contribution referred to in the Existing Flat Lease

6. It is agreed and declared that all the provisions (including the proviso for re-entry) contained in the Existing Flat Lease shall apply hereto save insofar as the same are inconsistent herewith as though set out verbatim

7. SURRENDER:

In consideration of the demise hereinbefore contained the Lessees hereby surrenders the Existing Flat Lease to the Lessors

8. COVENANTS:

8.1 The Lessors and the Lessees mutually covenant that they will respectively perform and observe the several covenants provisos and stipulations contained in the Existing Flat Lease (save as where the Lessors' covenants are now carried out by the Management Company by virtue of the Common Parts Lease) as if they were repeated in full in this Deed with such modifications only as are necessary to make them applicable to this demise or are set out in the Second Schedule hereto and as if the names of the parties to this Deed were respectively substituted for those of the Lessors and the Lessees in the Existing Flat Lease

8.2 The Lessors and the Management Company mutually covenant that they will respectively perform and observe the several covenants provisos and stipulations contained in the Common Parts Lease until its expiry date of 28th June 2065 or its earlier determination

9. SERVICE CHARGES

9.1 In complying with its obligations covenants and provisions contained in the Existing Flat Lease (as hereby varied) the Lessors (or the Management Company as the case may be) shall be entitled:-

9.1.1 to engage the services of managing agents but if the Lessors (or the Management Company as the case may be) do not appoint such agents they shall be entitled to add a sum not exceeding 10% to the total of any expenditure incurred or to be incurred by the Lessors (or the Management Company as the case may be) in carrying out their obligations

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9.1.2 to employ a chartered accountant for the purpose of auditing the Lessors' (or the Management Company's as the case may be) accounts arising out of and in connection with any expenditure by the Lessors (or the Management Company as the case may be) under the Existing Flat Lease (as hereby varied)

9.1.3 to carry out any other services or incur any other expenditure including professional fees which the Lessors (or the Management Company as the case may be) reasonably deem necessary to enable the Lessors (or the Management Company as the case may be) to manage the Building (as defined in the Existing Flat Lease) and to carry out its obligations contained in the Existing Flat Lease (as hereby varied) provided that such expenditure shall extend to all professional and other fees properly and reasonably incurred by the Lessors (or the Management Company as the case may be) directly in connection with the management and administration of the Building and/or in dealing with any statutory or other notices served by the Lessees

9.2 Any expenditure arising under the provisions of the Existing Flat Lease (as hereby varied) hereof shall be deemed part of the Service Charge

9.3 The amount of service charge in each year referred to in Clause 2 of the Existing Flat Lease shall include such appropriate additional sum (as necessary) as the Lessors or the Lessors' Agents consider reasonable or necessary by way of reserve to meet future liability from time to time in the carrying out the works referred to in the Second Schedule of the Existing Flat Lease.

10. INTEREST

The Lessors shall be entitled to charge interest at 4% above the Base Rate of Barclays Bank PLC on any monies owed under the Existing Flat Lease that are more than 14 days overdue or if it shall cease to be practicable to ascertain the interest rate in this way the interest rate shall mean such rate as the Lessors and the Lessees may from time to time agree or as may in default of agreement be determined by a surveyor appointed by both the Lessors and the Lessees

11. EXCLUSION OF THIRD PARTY RIGHTS:

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APPENDIX 6.

Example of a 1960's lease with ground rent as a high proportion of price.

Dated 25th November 1957

A. F. K. PHILLIPS, Esq.

— TO —

Miss A.C. Collingwood

COUNTERPART

Lease

— OF —

Flat No. 2 at 5, The Beacon,
Exmouth, Devon.

Arthur G. Evans
JAMES & SNOW

Solicitors,

Exeter,

Newton Abbot.

Electric Lin Press Ltd., Ltd & Company, Printers, Warwick, Covent, N.G.L. 1
28169

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This Lease

is made the *Twenty fifth*
 day of *November* *seven*
 One thousand nine hundred and fifty-four
 Between ARTHUR FRANK KNOWLES PHILLIPS of
 "Queenswood" Cranford Avenue Exmouth in the County of Devon
 (hereinafter called "the Lessor" which expression shall where the
 context so admits include the person for the time being entitled
 to the reversion immediately expectant on the determination of the
 term hereby created) of the one part and ADELAIDE COWLES
 COLLINGWOOD of Number 78 Lyndhurst Road Exmouth in the
 County of Devon Spinster



(hereinafter called "the
 Lessee" which expression shall where the context so admits include
 his/ her successors in title) of the other part.

Witnesseth as follows:—

1. IN consideration of the sum of one thousand nine
hundred pounds now paid to the Lessor by
 the Lessee (the receipt of which sum the Lessor hereby acknow-
 ledges) and of the rent hereinafter reserved and of the covenants
 on the part of the Lessee hereinafter contained the Lessor hereby
 demises unto the Lessee ALL THAT tenement or flat on the
 ground floor
 and being Number 2 Flat (hereinafter called "the said flat")
 in the block of flats known as Number 5 The Beacon Exmouth in
 the County of Devon TOGETHER with the right in common with
 the tenants of the other flats in the said block of flats and all others
 having the like right to use for purposes only of access to and egress
 from the said flat the main entrance door and the entrance hall rear
 entrance path staircases and landings in the said block of flats and
 such of the passages therein as are not included in any of the other
 flats TOGETHER ALSO with the right over the courtyard belonging
 to flat Number 1 for the purpose only of access to the refuse container
 thereon TO HOLD the same unto the Lessee from the *twenty fifth*
 day of *November* *seven*
 One thousand nine hundred and fifty-four
 for the term of ninety-nine years Subject

YIELDING AND PAYING during

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the said term the yearly rent of Five Pounds on the Twenty-fifth day of November in each year and the said rent to be paid clear of all deductions whatsoever except landlord's property tax and land tax if any.

2. THE Lessee for himself/herself and his/her assigns hereby covenants with the Lessor as follows:—

(a) To pay the said rent on the day and in manner aforesaid.

(b) During the said term to pay all existing and future rates taxes assessments and outgoings of every description imposed upon or payable in respect of the said flat (landlord's property tax and land tax only excepted) and to pay one-third of the cost of lighting the stairways.

(c) During the said term sufficiently to repair uphold and cleanse and keep in good repair and condition the said flat and the internal walls thereof and all the fittings and fixtures therein including the coal bins and dust shuttes and all glass in the windows and doors thereof and the landing used therewith and the flight of stairs below the same leading thereto.

(d) In every ninth year of the said term and in the last year thereof to repaint redistemper varnish stain and repaper with paper of a good quality as there previously used all inside parts of the said flat which are now painted distempered varnished stained and papered.

(e) During the said term to keep all the windows cisterns boilers fues and chimneys in the said flat properly cleansed and not to affix or exhibit or paint on any door of the said flat or of the said block of flats or at or near to any of the entrances thereto respectively (except only in the space assigned for that purpose at the front entrance to the said block of flats a plate or card bearing only the name of the Lessee) and not to exhibit in any window or upon any external part of the said block of flats or on any part of the common entrance hall staircases landings or passages any trade professional or business notice or advertisement whatsoever.

(f) To use the said flat as a private residence only and not to do or permit or suffer anything in or upon the said flat or any part thereof which may at any time be or become a nuisance or annoyance to the tenants or occupants of any other flats or injurious or detrimental to the reputation of the said block of flats as private residential flats nor to permit any

singing or instrumental music therein between the hours of eleven p.m. and seven a.m. nor to use or permit or suffer to be used a wireless set so as to be audible in any adjoining premises if the occupier objects thereto.

(g) Not during the said term to make any addition or alteration to the said flat without the consent in writing of the Lessor first obtained.

(h) To pay a fair proportion to be conclusively determined by the surveyor for the time being of the Lessor (including the reasonable fee of such surveyor for such determination) of the insurance against fire and tempest (including architect's fees in connection with rebuilding and reinstatement) of the said block of flats and of the expense incurred by the Lessor in performing his covenant hereinafter contained regarding the repair and maintenance of the said block of flats (except as regards damage caused by or resulting from any act or default or negligence of the Lessee his/her servants or licensees to any pipes or sanitary or water apparatus or electric and gas installations and dust shuttes within the said flat which damage the Lessee shall make good at his/her own expense).

(i) That it shall be lawful for the Lessor or his agent with or without surveyors and workmen at all reasonable times in the daytime during the said term to enter into and upon the said flat or any part thereof to examine the condition of the same and of any want of repair and amendment or other defect there found (for which the Lessee shall be responsible under the foregoing covenants) to give or leave notice in writing upon or at the said flat.

(j) Within three calendar months next after every such notice well and sufficiently to supply and make good all such wants of repair and amendments and defects whereof notice shall be so given or left and all other necessary reparations.

(k) No to do or suffer to be done anything whereby any insurance of the said block of flats against loss or damage by fire or tempest may become void or voidable or whereby the rate of premium for any such insurance may be increased and to repay to the Lessor all sums paid by way of increased premiums and all expenses incurred by him in or about any renewal of any such policy rendered necessary by a breach of this covenant and all such payments shall be added to the rent hereinbefore reserved and recoverable as rent.

APPENDIX 7.
UK Construction Data.

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Table 244 House building: permanent dwellings started and completed, by tenure^{1,2}
 England historical calendar year series

Year	Starts						Completions						All Dwellings
	Private		Housing		Local		Private		Housing		Local		
	Enterprise	Associations	Enterprise	Associations	Authorities	Local	Enterprise	Associations	Authorities	Local	Authorities	Local	
1946	28,760	100	20,400	49,250			
1947	38,630	860	81,370	120,860			
1948	30,370	1,820	161,400	193,590			
1949	23,800	1,330	136,980	162,110			
1950	25,310	1,500	136,530	163,340			
1951	20,170	1,610	140,510	162,290			
1952	30,500	1,800	164,620	196,930			
1953	58,270	7,200	198,210	263,680			
1954	85,380	14,020	193,710	293,110			
1955	106,800	4,350	158,860	270,010			
1956	115,940	2,400	137,750	256,100			
1957	118,820	1,880	135,660	256,360			
1958	119,910	1,120	110,120	231,150			
1959	141,510	1,100	95,990	238,600			
1960	156,020	1,650	99,950	257,620			
1961	163,350	1,560	91,250	256,160			
1962	159,520	1,550	102,490	263,560			
1963	160,630	1,930	94,020	256,580			
1964	200,670	2,850	114,020	317,540			
1965	196,750	3,620	127,290	327,660			
1966	187,890	4,100	138,140	330,120			
1967	183,720	4,520	154,500	342,740			
1968	203,320	5,540	143,680	352,540			
1969	164,070	7,100	135,700	306,860			
1970	153,440	8,180	130,180	291,790			
1971	170,820	10,170	113,680	294,680			
1972	173,990	6,900	91,630	272,520			
1973	163,460	8,340	77,920	249,710			
1974	121,490	9,260	98,610	229,360			
1975	131,480	13,650	116,330	261,460			
1976	130,900	14,440	118,090	263,430			
1977	121,570	24,190	115,840	261,600			
1978	133,580	17,950	75,150	226,680			127,490	20,570	93,300	241,360			

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1979	121,140	14,250	55,200	190,580	118,390	16,280	74,790	209,460
1980	83,300	12,900	33,540	129,740	110,230	19,300	74,840	204,370
1981	99,610	9,860	21,660	130,760	98,900	16,820	54,880	170,600
1982	122,470	14,320	28,870	165,650	108,790	11,180	31,660	151,630
1983	147,830	11,750	29,420	189,010	129,490	14,340	29,900	173,720
1984	133,410	11,210	24,110	168,720	138,970	13,920	29,190	182,080
1985	141,110	10,170	18,650	169,920	135,460	11,300	23,280	170,040
1986	154,000	10,880	16,840	181,760	148,890	10,620	19,630	179,140
1987	171,200	9,580	16,020	196,800	161,740	10,940	16,620	189,300
1988	193,480	10,370	13,450	217,290	176,020	10,780	16,130	202,930
1989	141,450	11,000	12,770	165,220	154,000	10,650	14,700	179,360
1990	112,720	14,110	6,640	133,470	136,060	13,820	14,020	163,900
1991	114,310	16,440	3,060	133,800	131,170	15,300	8,130	154,600
1992	99,590	28,110	1,600	129,300	119,530	20,790	3,510	143,830
1993	116,460	33,570	1,200	151,230	116,630	29,780	1,420	147,840
1994	131,400	33,590	450	165,440	122,700	30,850	1,090	154,640
1995	110,410	25,230	590	136,230	125,470	30,890	790	157,140
1996	121,590	22,630	490	144,710	121,550	27,030	510	149,090
1997	136,070	21,190	310	157,570	128,240	20,970	290	149,490
1998	131,810	17,490	100	149,400	122,510	19,900	240	142,650
1999	130,290	17,920	170	148,370	123,180	17,780	50	141,010
2000	128,480	14,030	110	142,610	118,330	16,680	90	135,100
2001	133,320	13,270	180	146,770	114,850	14,500	160	129,510
2002	135,970	14,560	160	150,700	123,320	13,310	180	136,800
2003	145,380	15,590	300	161,280	131,060	12,820	180	144,060
2004	157,140	19,360	170	176,680	137,330	16,600	130	154,070
2005	152,800	20,920	180	173,900	141,740	17,540	180	159,450
2006	149,210	21,110	290	170,610	139,910	20,660	280	160,850
2007	159,910	23,540	150	183,600	154,210	22,180	250	176,650
2008	82,370	24,150	370	106,890	121,100	26,470	430	148,010
2009	64,990	20,460	140	85,600	97,620	26,990	360	124,970
2010	84,850	24,350	1,460	110,660	83,280	22,650	790	106,720
2011	87,790	23,800	1,700	113,260	85,870	25,940	2,230	114,020
2012	80,250	19,260	1,510	101,020	88,740	25,440	1,410	115,590
2013	98,820	24,900	1,070	124,790	87,010	21,590	840	109,440
2014	111,800	26,340	2,630	140,760	92,850	23,780	1,180	117,810
2015	120,580	25,890	1,670	148,150	110,710	30,120	1,650	142,470
2016	128,160	25,340	1,650	155,150	115,350	24,430	2,100	141,870
2017	135,320	27,010	1,820	164,160	133,490	27,300	1,750	162,530
2018	137,990	27,500	2,330	167,820	134,400	27,350	2,640	164,390
2019	124,240	25,000	1,780	151,020	144,670	31,980	2,150	178,800

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1. For detailed definitions of all tenures, see definitions of housing terms on Housing Statistics

Sources:

home page

2. These figures are for new build dwellings only. The Department also publishes an annual release entitled 'Housing Supply: net additional dwellings' which is the primary and most comprehensive measure of housing supply.
3. Figures from October 2005 to March 2007 in England are missing a small number of starts and completions that were inspected by independent approved inspectors. These data are included from June 2007

Totals may not equal the sum of component parts due to rounding to the nearest 10

- Less than 5 dwellings
- P Figure provisional and subject to revision
- R Revised from previous release
- .. Not available

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P2 returns from local authorities

National House-Building Council (NHBC)
Approved inspector data returns

Data for earlier years are less reliable
and definitions may not be consistent
throughout the series

Latest update: 26 March 2020
Next update: June 2020

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