**Leasehold versus freehold property ownership**

## What are the implications of owning a leasehold property?

This worksheet will explain the common problems faced by leaseholders, by exploring issues such as high ground rent and service charges, the need to extend leases and the associated costs, and the difficulties leaseholders may encounter when trying to sell their properties. Additionally, we will look at common disputes between leaseholders and freeholders over maintenance responsibilities and property alterations. Examining these challenges will lead to a clearer understanding of the complexities involved in leasehold ownership and the financial and legal responsibilities it carries.

**Key definitions**

**Freehold:** Owning both the property and the land it stands on outright, with no time limit on ownership. A freeholder has full control over the property and land, allowing them to make decisions about maintenance, alterations or even selling the property. Freehold properties are typically houses, and the ownership lasts indefinitely, passing on to heirs or others when selling or transferring the property. The freeholder is responsible for the upkeep of both the building and the land, and there are usually no ongoing fees associated with the land, unlike in leasehold properties.

**Leasehold:** Owning the property for a fixed period, often several decades or centuries, but not the land it stands on. The land is owned by a freeholder, to whom ground rent and service charges may need to be paid. Leasehold properties are commonly flats or apartments, though some houses may also be leasehold. When the lease expires, ownership of the property returns to the freeholder unless the lease is extended or renewed. A leaseholder must adhere to the terms of the lease, which may include restrictions on making alterations to the property. Additionally, leaseholders often need to contribute to maintenance and repairs of shared areas in the case of flats or apartment buildings.

**Ground rent:** A regular payment made by the leaseholder to the freeholder as a condition of their lease. It is charged for the right to occupy the land on which the property is situated. Ground rent is specific to leasehold properties, where the leaseholder owns the property for a set number of years but not the land it stands on, which remains under the freeholder’s ownership. The amount of ground rent can vary depending on the terms of the lease, and in some cases, it may increase over time. It is important for leaseholders to stay up to date with ground rent payments, as failure to pay can result in legal consequences.

In England and Wales, its amount depends on factors like location, lease age and terms (amounts as of 2025):

1. Older Leases: Typically £50–£300 per year.
2. Modern Leases (Pre-2022): Usually £200–£500 annually.
3. London: Can reach up to £1,000 per year.
4. Escalating Rents: Some leases include clauses that increase rent periodically, causing financial strain.
5. 2022 Reforms: The Leasehold Reform Act reduced ground rent for most new leases to a nominal 'peppercorn' amount, but existing leases remain unchanged unless renegotiated.

Further reforms are being considered to address ground rents in existing leases.

**Service charge:** The fee paid by the leaseholder to the freeholder (or managing agent) to cover the cost of maintaining, repairing and managing shared areas and services of the building or estate. This can include expenses for cleaning, lighting, insurance, landscaping, security and structural repairs. The amount is typically set out in the lease agreement and may vary annually based on actual costs.

**Did you know?**

A leaseholder’s flat can be **forfeited** if they fail to meet the terms of their lease agreement, such as not paying ground rent, service charges or other significant costs related to the property. **Forfeiture** means the leaseholder could lose their rights to the property, and the freeholder can reclaim ownership, effectively evicting the leaseholder and potentially leaving them without their home.