Navigating Leasehold vs Freehold Transactions

Complete ASAP

Why It Matters?

Leasehold transactions involve more parties, more paperwork, and more risk, which can directly impact timescales to completion. Understanding the differences early helps reduce delays and manage client expectations.

Freehold

The owner owns the land and everything on it.
Legal work usually focuses on:

- Title
- Searches
- Seller's information (e.g. alterations)

Can still be complex in certain cases and have management companies (e.g. drainage issues in rural locations), but investigations are generally more contained.

Leasehold

The seller owns a lease with a right to occupy a property for a period of time.
The legal investigation is widened to:

- Title, searches & sellers information
- Lease & management information (service charges, Ground Rents, planned maintenance, Fire risk, lender requirements)

Common Causes Of Delays in Leasehold Transactions

Delays obtaining Management Packs / LPE1 forms
Management information and the cost of obtaining it
Old/poorly drafted leases that no longer meet lender requirements
Deeds of Covenant
Deeds of Variation
Licenses to Assign
Freeholder consent
Ground rent clauses that concern lenders
Short lease terms that may require extension
Extra documentation to comply with the Building Safety Act 2022

Government Reforms:

Building Safety Act 2022
Places stricter fire safety requirements on sellers.
Applies to buildings:

- Over 11 meters tall
- With two or more dwellings



Renters' Rights Act 2025
Removes long leases (over 7 years) from the assured tenancy system
This reduces the need to vary leases purely because of ground rent levels, however:

- Lenders do not yet take a consistent approach
- Some still cap acceptable ground rent for lending purposes

Are All Leasehold Transactions the Same?



Leasehold flats
Can be affected by the Building Safety Act dependent on the size and number of dwellings.
The freeholder is usually responsible for:

- Insurance
- Building maintenance

Leasehold houses
The leaseholder is usually responsible for:

- Insurance
- Maintenance

Freeholder involvement is usually limited to:

- Ground rent
- Consents

Typically faster through the pipeline, though not lower risk.

Share of Freehold
This is still a leasehold transaction, with an additional freehold element.
The seller owns a leasehold property and a share of the freehold.
Both leaseholders are usually responsible for maintenance and insurance, and the lease will still set out rights and obligations.

What Agents Can Do to Reduce Delays?



Before marketing:

- Check the remaining lease length is below 85 years, as this may limit lender options.
- Review the ground rent provisions.

Before SSTC:

- Establish who collects ground rent and service charge.
- Reduce the cost and speed of sourcing management packs.
- Identify whether the property falls under the Building Safety Act, if so, recommend a specialist conveyancer.
- Ask sellers for previous ground rent or service charge receipts.

Ongoing good practice:

- Keep a record of managing agents on local developments.
- Build working relationships with them where possible.

Find out more

NB This information is purely for guidance . You should always contact a solicitor for legal advice.