
Leasehold enfranchisement valuation rates – consultation

Real Estate:UK response

About you questions

Question 1 - Are you responding to this consultation as an individual or on behalf of an organisation?
Organisation

Question 4 - If you are responding on behalf of an organisation, please provide the following details:

Real Estate:UK

Contact: Kate Butler, Assistant Director of Policy – kbutler@realestateuk.org

Type of organisation: Trade association

General comments

Real Estate:UK (RE:UK), the representative body for the UK real estate sector, brings together global and domestic capital, world-leading expertise and forward-thinking policy to drive growth. With over 500 member organisations spanning investors, developers, advisers and operators, we represent the full breadth and diversity of the market, including those investing in and providing homes for leaseholders.

Formerly as the British Property Federation, we have constructively engaged with successive governments on reforms to the leasehold sector for many years, and support many elements of the Leasehold and Freehold Reform Act 2024 (**Act**) and the forthcoming Commonhold and Leasehold Reform Bill (**Bill**).

However, we consider it challenging to respond to this consultation given the narrowness of its scope, which is predicated a choice between already decided-upon policy proposals that are largely unrepresentative of the sector, prioritise simplicity over valuation accuracy, and provide little room for meaningful discussion. Our responses to any questions within this consultation should not be taken as implicit endorsement of relevant policies, but as direct responses to questions as they are proposed.

We are particularly concerned about consultation on elements of the Bill, which the Prime Minister has indicated will be introduced before Christmas. We consider that that rates should not be assessed relying on historic evidence and in isolation from the other elements of reform, including the removal of marriage value, the changes to ground rents, the proposed £250 cap, the proposed 40-year transition period and the lease extension reforms. Taken together, these changes would materially alter the compensation freeholders receive, and we question how the Government can expect reliable feedback on rates when future income streams are subject to such material uncertainty.

Our response references independent modelling and analysis commissioned by the Residential Freehold Association (RFA), supported with data from RFA and RE:UK members responsible for over 1 million leasehold

properties. This modelling covers 447,129 residential units of relevance and analyses observations across over 7,800 deferment and capitalisation transactions between January 2015 and July 2026. We strongly urge the department to engage with the RFA, and our members, on this evidence and give it the due weight it deserves – we understand to be the largest evidence base relevant to these reforms – to properly understand market practices and the consequences of changes to deferment and capitalisation rates, before implementing any policy changes.

Section 2: Options for the deferment rates

Question 10

Have you come across situations where, in a successfully completed enfranchisement claim, there has been an adjustment to the rates in *Sportelli*?

Yes

- a. How many claims per year were adjusted for property specific obsolescence? What were the adjustments in those cases?
- b. How many claims per year were adjusted for the reversionary interest of a mid-term intermediate lease? What were the adjustments in those cases?
- c. Were adjustments made for any other reasons? Please provide further details, including the number of cases per year and the value of the adjustments.

Independent modelling commissioned by the RFA provides that, while adjustments do occur, these are extremely rare; are almost entirely concentrated in one region (the West Midlands); and follow the decision in *Zuckerman and others v Trustees of the Calthorpe Estates*¹ – which related to a property in Birmingham.

They are not reflective of general market practice but an adherence to a specific, appellate-affirmed Tribunal decision relating to a specific region.

Option 1: Continuing the rates set in Sportelli (4.75% for leasehold houses and 5% for flats)

Question 11

What impacts (positive or negative) would Option 1 have?

Leaseholders - neutral

Freeholders / intermediate landlords – neutral

Other relevant parties to enfranchisement (e.g. professionals) – neutral

Sportelli represents long-established market practice over the past two decades – as we note above, departure from it occurs in specific circumstances supported by appellate decision. While this is not evidence necessarily that the *Sportelli* rates remain fit for purpose, they are well-adopted and retention would not represent a significant change for any parties involved.

¹ [2009] UKUT 235 (LC).

Option 2: Update Sportelli

Question 12 - Under Option 2, which components of the Sportelli rate should be updated and how? Please provide details.

We agree that no rates should remain immutable over time, and that changing circumstances over the past 20 years since the *Sportelli* decision warrant review of the elements that make up its formula – the Tribunal in its judgment noted that the rate should be considered stable over time unless a movement in components could be identified, and there is a strong argument that, over the past twenty years and following various shifts including the Global Financial Crisis and Covid-19 pandemic, the *Sportelli* rates are no longer reflective of economic conditions.

However, any updates to the rates will need to be carefully considered so as to not disrupt the relative certainty that the *Sportelli* and *Mundy*² decisions provided to valuers, which have to a considerable degree narrowed the areas of serious dispute in negotiations over the past two decades. Deconstructing inputs to the rates is challenging, and updating them even more so – the Government Actuary (GAD) Report, provided alongside the consultation, illustrates this, with the GAD unable to conduct a mechanistic update, and producing a range of 1.6% - 6.05% depending on the choice of inputs.

We do not agree with GAD's conclusions, nor its choice of inputs – its reliance on growth assumptions from five-year OBR forecasts and a 40-year spot yield averaged over six months are both too limited and reliant on historic data. We instead set out below the approach taken in independent modelling commissioned by the RFA, which draws from many of the same sources as the GAD but which is more reflective of both current economic conditions and the direction set down by the Tribunal in *Sportelli*, and updates all three components with current evidence, in line with GAD's own recognition of the need for consistency.

The real risk-free rate

RFA's analysis also draws on index-linked gilts and the spot rate, with a long-term maturity, similar to the GAD analysis. However, it uses instead the 30-year real spot rate averaged over 20 years – following the direction in *Sportelli* that the deferment rate should not respond to short-term movements in gilt yields. This results in a range between -0.18% to -0.07% and a point estimate of -0.10%.

The risk premium

GAD retained the *Sportelli* premium without validation – the independent analysis of UK insurer disclosures and long-run market estimates produces ranges between 2%-3.2% and 2.6%-3.1%, with an adopted point estimate of 3.1%, at the top of these ranges and above GAD's own mid-point, in recognition of its observation that the risk premium for residential property may be slightly elevated.

The real growth rate

RFA's independent analysis agrees with GAD that the 2% in *Sportelli* is no longer representative and suggests a rate of 0%, drawn from the OBR's forecasts (which imply a 0% to 0.2% against RPI or a 0.5% against CPI) and testing this against 20-year moving averages of UK house prices since 1969 (which sits -0.57% against RPI).

We support retention of the 0.25% addition for flats, however on the basis of volatility and liquidity, not additional maintenance costs – which, following the passing of the Building Safety Act 2022, are largely recovered through service charges.

² *Mundy v Trustees of the Sloane Stanley Estate* [2018] EWCA Civ 35.

Question 13 - What would be your preferred rates for Option 2? Please set out your reasoning.

Preferred deferment rate houses. Please explain your reasoning and any reasonable ranges around your preferred rate.

3%, as is the central estimate of RFA's independent analysis described above.

We note that several RE:UK members have chosen to model possible rates based on their own portfolios, and this has naturally resulted in differing rates to the ones we propose here.

Preferred deferment rate flats. Please explain your reasoning and any reasonable ranges around your preferred rate.

3.25% - this is the rate for houses with the additional 0.25% as supported in our response to Question 12.

We note that several RE:UK members have chosen to model possible rates based on their own portfolios, and this has naturally resulted in differing rates to the ones we propose here.

Question 14 - What impacts (positive or negative) would Option 2 have?

Leaseholders – Moderate negative

Freeholders / intermediate landlords – Moderate positive

Other relevant parties to enfranchisement (e.g. professionals) – Moderate negative

This is based on the proposed rates generated by independent analysis and as set out in our response to Question 13. For other relevant parties, changes to settled rates used in enfranchisement proceedings would increase dispute risk and require re-valuation of portfolios, irrespective of the final rate.

Option 3: Alternative approaches

Question 15 - Under the LFRA 2024, should there be an adjustment to the deferment rates for property specific factors such as an increased risk of obsolescence?

No.

Question 16 - Under the LFRA 2024, should there be an adjustment to the deferment rates where there is a mid-term intermediate lease with a reversionary interest? Under the LFRA 2024, intermediate leases would still be treated as merged with the superior interests, regardless of any adjustments to the deferment rate.

No.

Paragraph 17 of Schedule 4 to the Act requires valuation to proceed on the basis that all intermediate interests are merged with the superior interest, so that the only interest valued is a single notional freehold, unencumbered save for the claimant's lease. An adjustment to the deferment rate for a mid-term intermediate lease would be inconsistent with the Act in pricing a deferral that the Act treats as non-existent.

We also note that the consultation itself identifies the difficulty at paragraphs 46 and 47 – because of merger, any adjustment would apply to the whole reversion and could not replicate the stepped approach in

Voyvoda.³ A replacement would be technically complex, would need more valuer input, and would invite disputes, undermining the Government's central aims.

Question 17 - What further alternative approach or factors do you think should be considered when setting the deferment rates?

Please provide details.

We consider that there should be separate rates for those leases with between 5 and 20 years remaining, given that the *Sportelli* rates do not apply to leases of under 20 years, that they are bought and sold on the basis of their length, and that they involve different economic considerations.

As the British Property Federation, we advocated in our submission to the Law Commission for an independent group of experts to monitor valuation inputs which are likely to change over time, and we would recommend this specific body be established to determine rates for these shorter leases. Such a body could draw on valuers, economists and actuaries, publish the evidence and reasoning behind each recommended input, and monitor those inputs against economic shifts between reviews. This would give the rates a degree of expertise and independence that a policy or departmental prescription cannot, and would make clear to leaseholders and freeholders how each figure was reached. It would thus strengthen the credibility of the system and the confidence of all parties that rates are kept in line with the evidence as they are reviewed on a ten-yearly basis.

We would welcome the opportunity to work with the department on an approach for this specific group of leases, and note that further consultation is required before determinations are made.

Question 18 - What would be your preferred rates for Option 3? Please set out your reasoning.

Preferred deferment rate houses. Please explain your reasoning and any reasonable ranges around your preferred rate.

Preferred deferment rate flats. Please explain your reasoning and any reasonable ranges around your preferred rate.

We do not propose rates under Option 3 as our suggestion is for further rates for leases of between 5 and 20 years, decided by an independent group of experts.

However, if the Government looks to adopt another methodology following consultation, we request a further consultation on this for RE:UK and the sector to respond to.

Question 19

What impacts (positive or negative) would Option 3 have?

Leaseholders – don't know

Freeholders / intermediate landlords – don't know

Other relevant parties to enfranchisement (e.g. professionals) – don't know

There is no alternative additional methodology to review under Option 3, and we have not suggested one.

³ *Voyvoda v Grosvenor West End Properties & 32 Grosvenor Square Ltd* [2013] UKUT 0334 (LC).

Question 20 - Considering the options, please rank the following in order of preference (1 being your most preferred option and 3 your least).

1. Option 2: Update Sportelli.
2. Option 1: Continuing the rates set in Sportelli.
3. Option 3: Alternative approaches.

We would note that our support for Option 2 is based on the rates we propose in our response to Question 13, not those based on parameters we believe are insufficient, such as the GAD proposals. If the components of *Sportelli* are not updated on a sound basis, we believe they should be retained as is and would thus prefer Option 1.

While Option 3 is our least preferred – as there is no alternative methodology proposed for RE:UK to take a position on, nor have we suggested one – we believe that Option 2 should be implemented with specific adjusted rates for shorter leases, with an independent body to review and set these for transparency, as noted in our response to Question 17.

Section 3: Options for the capitalisation rates

Question 21 - Please provide details about the range, or specific values, of capitalisation rates that are presently used for the following lease terms on ground rent (A, B and C). Where a capitalisation rate is associated with a particular approach to modelling the ground rent, please explain the valuation approach used when selecting that rate.

A. Rents with no increases

Most often used rate:

Lowest percentage on the range:

Highest percentage on the range:

Please provide any further details and examples.

B. Rents with fixed increases

Most often used rate:

Lowest percentage on the range:

Highest percentage on the range:

Please provide any further details or examples.

C. Rents that increase by other means e.g. inflation

Most often used rate:

Lowest percentage on the range:

Highest percentage on the range:

Please provide any further details or examples.

As noted above, independent analysis commissioned by the RFA provides the most comprehensive evidence base available across market practice here – we refer the department to their response and strongly encourage engagement with them on that evidence.

3.1 Impact from the 0.1% cap

Question 22 - When the LFRA 2024's 0.1% cap is implemented, how will this affect the range of current rates for the three rent review types listed below (A, B, and C)?

- A. Rents with no increases
- B. Rents with fixed increases
- C. Rents that increase by other means e.g., inflation

We note that once a rent is limited to 0.1% of freehold value for valuation purposes, any growth built into the lease beyond that ceiling no longer counts, so whether a rent is flat, subject to fixed uplifts or tied to an index has much less bearing on the income being valued. For that reason, rates across the three categories will not be substantially affected.

The effect of the 0.1% will instead be to render Category C largely obsolete by turning many ground rents rising on an index-linked basis into fixed income streams – i.e. moving them into Category A. Because an index-linked rent moves with inflation, its value is naturally assessed using a real yield. A cap removes that inflation protection and effectively turns it into a fixed-money income, which is a change in what the asset is, not just in how much it pays. The exception to this are those ground rents that are sufficiently removed from the 0.1% cap at the enfranchisement date, such that even with index-linked increases over the term of the lease, they will not reach it.

3.2 Options and 3.3 Capitalisation rate options - question scenarios

SCENARIO A - it is only the LFRA 2024's 0.1% cap on ground rent in calculation that is in force

Option 1: A single capitalisation rate

Question 23 - What would be your preferred rate for Option 1? Please set out your reasoning.

We reject the premise of this question, that a single rate is appropriate for all ground rent capitalisations. While we accept that a single rate would bring simplification, it would present a concerning oversimplification of a diverse market, and we do not believe that it is possible to find a rate that is representative or proportionate of even the majority of cases. The consultation itself acknowledges this at paragraph 54 (emphasis added):

The capitalisation rate is intended to reflect the “quality” of the income stream from the recipient’s point of view and the rate adopted in an enfranchisement calculation **may currently vary depending on the facts of the case**. When considering the appropriate capitalisation rate to use, valuers look at market evidence about how investors are investing their money and the returns that they receive from those investments to arrive at a rate that is **appropriate for the particular income stream** that they are valuing.

This is reiterated in setting out the *Nicholson v Goff*⁴ factors at paragraph 55, four of which are property specific.

We also note that the department has presented an entirely insufficient evidence base upon which to suggest even a range of rates – its analysis of Tribunal data, which it acknowledged as a limited exercise given the majority of enfranchisement claims are negotiated independently, is not a reliable data source and should not be relied upon, for the very reasons the Government sets out.

⁴ *Nicholson v Goff* [2007] 1 EGLR 153.

Question 24 - What impacts (positive or negative) would Option 1 have?

Leaseholders – don't know

Freeholders / intermediate landlords – significant negative

Other relevant parties to enfranchisement (e.g. professionals) – moderate positive

Whether a single capitalisation rate brings benefits or otherwise to leaseholders depends on their ground rent – those leaseholders with escalating or index-linked ground rents may see benefits, while others will have their situation worsened.

For freeholders with index-linked portfolios, they will be undercompensated.

Generally, simplification is likely to be of benefit to other relevant parties such as professionals.

Option 2: Three capitalisation rates differing by rent review type

Question 25 - For each of the rent review types given below (A, B, and C) what would be your preferred rate?

Please set out your reasoning.

A. Rents with no increases

Preferred capitalisation rate: 7%

B. Rents with fixed increases.

Preferred capitalisation rate: 6%

C. Rents that increase by other means e.g. inflation

Preferred capitalisation rate: 4.50%

These rates have been informed by RFA's independent modelling, and we refer to their consultation response for further details of these.

However, as we note above in our response to Question 23, capitalisation rates are inherently property-specific, and while we recognise the Government's preference for simplicity and certainty, the proposed categories inevitably ignore variation between leases even within a decided category, and would create arbitrary 'cliff edges'.

Question 26 - What impacts (positive or negative) would Option 2 have?

Leaseholders – neutral

Freeholders / intermediate landlords – moderate positive

Other relevant parties to enfranchisement (e.g. professionals) – neutral to moderate negative

As within Option 1, whether a leaseholder benefits or otherwise from a categorisation approach depends on their lease and accompanying ground rent – however, under this approach, payments are much more closely aligned with a leaseholder's specific property.

Compared to a single capitalisation rate, further variation of prescribed rates is an improved position for freeholders and intermediate landlords.

For relevant other parties, classification (as the consultation acknowledges) will occasionally be contested – though evidence provided for RFA analysis suggests this is uncommon.

Option 3: Alternative approaches

Question 27 - Should specific capitalisation rates be set for leases excepted from the 0.1% cap?

Yes

Please explain your reasoning and any rates that should apply:

The Government's rationale for prescription of capitalisation rates is that the 0.1% cap will already simplify the process in reducing the difference between different ground rent income streams, because most rents will not be able to breach the 0.1% cap. It further acknowledges that, for cases where the cap does not apply, some of the current factors for adopting a rate could influence on the capitalisation rates.

It necessarily follows from this logic then that specific – or, in fact, no – rates should be set for leases excepted from the 0.1% cap, as more significant differences in income streams for freeholders would return in these circumstances and the *Nicholson* factors apply without distinction, rendering a prescribed single or grouped rate even more inappropriate.

Question 28 - What further alternative approach or factors do you think should be considered when setting the capitalisation rates?

Discounted cash flow approach

We suggest that the Government also consider whether a discounted cash flow (DCF) approach might offer a clearer and more consistent framework, particularly as challenges in applying rates across leases and ground rent mechanisms arise from cashflows being valued, not differences in discount rates. A single prescribed discount rate could be applied to every valuation, with the specific terms of each lease captured in its projected cashflow.

This would more accurately reflect the diversity of lease structures encountered in practice while preserving the simplicity and clarity of a standardised framework (as is the Government's ambition in this area) by letting different lease structures, review frequencies, fixed uplifts and index-linked provisions feed directly into the valuation, instead of being approximated by choosing between several prescribed capitalisation rates.

For inflation-linked rents, the Government could prescribe a long-term inflation assumption – this would give a consistent, visible input and spare parties disputes over differing views of future inflation.

On this basis, the outcome of each valuation would follow from the lease terms and the prescribed assumptions, not from trying to find one capitalisation rate that fits a broad mix of income streams. The implied capitalisation rate would be a product of the DCF analysis and not its starting input.

We would be happy to work with the Government on developing such an approach, where pursued.

Other factors and considerations

We draw the Government's attention to those factors raised in the RFA's consultation response, which we endorse – notably, the period of which evidence is assessed and the consultation's failure to address this.

For both the prescribed rates grouped by rent review type and any rates set under a DCF approach, we reiterate our suggestion to the Law Commission, and our response to Question 17, that an independent

body of experts should be responsible for setting the capitalisation rates, which are then prescribed by the Secretary of State. Such a body could draw on valuers, economists and actuaries, publish the evidence and reasoning behind each recommended input, and monitor those inputs against market data, including gilt yields, inflation expectations and observed transaction evidence, between reviews. This would give the rates a degree of expertise and independence that a policy or departmental prescription cannot, and would make clear to leaseholders and freeholders alike how each figure was reached. It would also strengthen the credibility of the system and the confidence of all parties that rates are being kept in line with the evidence as they are reviewed on a 10-yearly basis.

More broadly, we would reiterate our point under the 'General comments' section, that we consider that capitalisation rates should not be assessed in isolation from the other elements of the Act, including the removal of marriage value, the changes to ground rents, the proposed £250 cap, the proposed 40-year transition period and the lease extension reforms.

Question 29 - Under the alternative approach you described, what are the capitalisation rates that the government should take forward?

If your approach would result in different rates in different circumstances, please explain which rates you consider most important and how other rates would vary.

If adopting a DCF approach as mentioned under Question 28, it is not necessary for us to prescribe separate rates – instead, the Government could consider prescribing a single discount rate for valuations along with any necessary assumptions regarding future inflation.

Question 30 - What impacts (positive or negative) would Option 3 have?

Leaseholders – don't know

Freeholders / intermediate landlords – don't know

Other relevant parties to enfranchisement (e.g. professionals) – don't know

As we have not suggested rates under a DCF approach, it is not appropriate for us to speculate on impacts to different parties.

Question 31 - Considering the options, please rank the following in order of preference (1 being your most preferred option and 3 your least):

1. Option 2: Three capitalisation rates, differing by rent review.
2. Option 3: Alternative approaches.
3. Option 1: A single capitalisation rate.

SCENARIO B – both the 0.1% cap and the ground rent cap (£250 p.a. leading to a peppercorn in 40 years' time) are in force

Question 32 - If both ground rent caps were in force at the same time, would this change your previous answers about the capitalisation rates to be used?

Yes, it will change the rates to be used

Please explain your response

We reiterate here that we are strongly opposed to the £250 ground rent cap proposed in the forthcoming Commonhold and Leasehold Reform Bill for the reasons set out in our [submission](#) to the Housing, Communities, and Local Government Select Committee's pre-legislative scrutiny, and our answers below should not be read as acceptance or endorsement of this proposal.

Where the Government decides to implement a specific rate or group of rates, the imposition of 0.1% cap alongside a £250 cap and a 40-year sunset clause will materially change the nature of the income stream being valued. As we note above in our response to Question 22, implementation of relevant provisions in the Act would result in many Category C rents becoming fixed income streams falling into Category A, changing not the rates but the income streams' classification – again, with the exception of those ground rents that are sufficiently removed from the cap at the enfranchisement date, such that even with index-linked increases over the term of the lease, they will not reach either the 0.1% or £250 cap.

Nonetheless, the proposed £250 cap, and the move to a peppercorn rent after 40 years, are the more significant factor for capitalisation rates. These measures go further than the 0.1% cap in turning the income into a fixed nominal sum, with no real prospect of growth and a definite end date. The impact is therefore greater than a plain reduction in income, because the legislation alters both the amount of the income and how long it lasts. That changes the character of the asset as an investment and, in our view, justifies revisiting the capitalisation rates.

There is also the position at the end of the 40-year period. The freeholder may still carry the responsibilities and liabilities of ownership while receiving no ground rent and holding an asset of little or no economic value. In practice, the legislation risks leaving freehold interests that cannot be sustained economically. This is a separate effect, on top of the loss of income, and should be taken into account both in setting the capitalisation rate and in assessing the compensation framework as a whole.

More fundamentally, the 0.1% cap, the £250 cap and the 40-year sunset should be assessed together. The real question isn't whether a given capitalisation rate is appropriate on its own, but whether the compensation that results is fair and reasonable measured against the property rights being acquired and the policy objectives being pursued.

Scenario B – if answer to Question 32 is “yes”

Question 33 - What would be your revised preferred rate for Option 1: A single capitalisation rate?

Please see our response to Question 23.

Question 34 - What would be your revised preferred rates for Option 2: Three capitalisation rates differing by rent review type (A, B and C)?

A. Rents with no increases.

Preferred capitalisation rate:

B. Rents with fixed increases.

Preferred capitalisation rate:

C. Rents that increase by other means e.g. inflation.

Preferred capitalisation rate:

Under this scenario all three categories would largely converge (with the exception of those ground rents sufficiently removed from both caps), because the capped rate will be the same cash sum irrespective of the review mechanism. The remaining differences are those of duration, not escalation.

Our preferred approach here, then, is that the three rates converge towards Category A as they will become, in essence, a fixed rent. However, we note that precise revised figures would require further modelling of the interaction, and we encourage the department to engage with RE:UK and the sector on this.

Question 35: Option 3

a. What alternative approach or factors do you think should be considered when setting the capitalisation rates under Option 3?

Nothing in addition to those raised under Question 28, as our points in response to this question remain relevant even with an imposed £250 ground rent cap.

b. Under the alternative approach you described, what are the capitalisation rates that the government should take forward? If your approach would result in different rates in different circumstances, please explain which rates you consider most important and how other rates would vary.

See response to Question 35(a).

Question 36 - Would your ranking preferences change? Please explain any answer given and, if you answer "yes" provide a new ranking.

No

While the margin between the options provided would narrow, for those reasons we set out above, it is not sufficient to change our preferences.

Scenario B – if answer to Question 32 is "no"

Question 37 – You said that both the 0.1% cap and the ground rent cap (£250 p.a. leading to a peppercorn in 40 years' time) being in force would not change your previous answers. Please explain why.

Please explain your reasoning.

Not applicable, as we responded 'Yes' to Question 32.

Section 4: Other information

Question 38 - Speaking about your preferred option for the deferment rates (which you selected in Question 20), what impacts do you expect it to have on individuals who share protected characteristics, where those individuals are:

- A. Leaseholders
 - B. Freeholders/landlords
 - C. Other relevant parties involved in enfranchisement
-

For each group below, please indicate whether you consider the impact to be positive, neutral or negative and provide your reasoning.

Leaseholders

Those leaseholders with shorter terms are typically older, as short leases are more common in older stock and longer-held interests. A lower deferment rate would increase premiums for this group; a higher deferment rate would lower premiums. We would note, however, that the abolition of marriage value under the Act reduces premiums substantially especially for short leases, so leaseholders here will pay less irrespective of the deferment rate prescribed.

Freeholders

Where the freehold interest is held by pension funds, insurers, charities and/or trusts and supports charitable activity or funding pensions, beneficiaries may be impacted who share protected characteristics.

Question 39 - Speaking about your preferred option for the capitalisation rates only under Scenario A: 0.1% cap in force (answered in question 31), what impacts do you expect it to have on individuals who share protected characteristics, where those individuals are:

- A. Leaseholders
- B. Freeholders/landlords
- C. Other relevant parties involved in enfranchisement

For each group below, please indicate whether you consider the impact to be positive, neutral or negative and provide your reasoning.

Freeholders

Where the freehold interest is held by pension funds, insurers, charities and/or trusts and supports charitable activity or funding pensions, beneficiaries may be impacted who share protected characteristics.
