

Commonhold Reform and the impact on later living

This year the draft Commonhold and Leasehold reform bill was published to set out the proposed new model which is intended to bring the centuries-old leasehold system to an end. This is one of the most significant recent housing policy developments in England and Wales, which seeks to replace the leasehold system with a form of ownership that gives homeowners greater control over their properties and shared buildings.

Commonhold was first introduced in 2002 as an alternative to leasehold ownership. It allows residents to own their properties on a freehold basis while collectively managing the shared parts of the building through a commonhold association. Despite its advantages, commonhold failed to win much uptake in the market after its introduction, largely because the legal framework was seen as insufficiently flexible for developers, lenders and homeowners.

Commonhold reform has significant implications in the context of the later living sector, where developments often combine private ownership with extensive shared facilities, support services and long-term management arrangements. While the proposal to make commonhold the default tenure aims to provide greater resident control and eliminate the drawbacks of leasehold ownership, its application to retirement housing presents both opportunities and challenges.

One of the principal benefits of commonhold for retirement communities is the provision of perpetual ownership. Unlike leasehold properties, which diminish in value as leases shorten, commonhold units are owned on a shared freehold basis. This could enhance the attractiveness and long-term value of retirement properties, providing greater certainty for older homeowners and their families. In addition, commonhold places decision-making powers in the hands of residents through a commonhold association, potentially increasing transparency around service charges and building management.

However, retirement living schemes differ from conventional apartment buildings. Many developments include communal lounges, restaurants, wellness facilities, landscaped gardens and, where needed, care or support services. These amenities require professional management and long-term financial planning. Under a commonhold model, residents would have greater responsibility for governance and budgeting, which may prove challenging in communities where the demographic profile is older and this level of responsibility for decision making may be unwanted. Retirement operators therefore argue that robust management frameworks are essential to maintain service quality and building standards.

Financial sustainability is another key consideration. Developments often require substantial sinking funds or reserve funds to cover future major works, accessibility improvements and replacement of specialist

equipment. While commonhold could improve transparency over how these funds are managed, there is also a risk that resident-controlled associations may be reluctant to approve significant expenditure, particularly where costs fall on fixed-income retirees. Effective safeguards and professional support would be necessary to ensure adequate long-term investment in buildings and services.

The reform agenda may also affect the business model of retirement housing providers. Many operators currently rely on leasehold structures that include event fees, service charges or management arrangements to support ongoing operations. A transition to commonhold could require new approaches to funding, governance and resident engagement. The reforms seek to create a model capable of supporting complex developments, but later living is likely to require specific carve-outs recognising its unique operational requirements.

Overall, commonhold reform presents an opportunity to modernise ownership within the later living sector by increasing resident control, improving transparency and removing concerns around lease depreciation. Nevertheless, the need for specialist management and long-term stewardship means that the success of commonhold in the sector will depend on balancing resident empowerment with professional oversight. As the reforms progress, recognising that our (much-needed) retirement communities must remain financially sustainable, well-managed and attractive places to live will be critical to achieving the policy's objectives.

Lara Hourihan is a Partner in our Real Estate team, based in our London office.

Lara has extensive experience in acting for investors, developers, funders and operators in the care, later living, health and housing sectors.

[Lara Hourihan | RWK Goodman](#)