

20

Ref LON/LVT/626

LEASEHOLD VALUATION TRIBUNAL FOR THE LONDON RENT ASSESSMENT PANEL

Leasehold Reform Act 1967

Housing Act 1980

DECISION OF LEASEHOLD VALUATION TRIBUNAL ON AN
APPLICATION UNDER S21 OF THE LEASEHOLD REFORM ACT 1967

Applicant: The Eyre Estate

Respondent: Mrs C Levy

RECEIVED
23 JUL 1997

Re 52 Springfield Road, St John's Wood, London NW8

Date of tenant's notice (valuation date): 4 January 1994

Application to tribunal dated 6 September 1996

Heard 20 June 1997

Appearances:

Mr K G Buchanan BSc ARICS (Conrad Ritblat, chartered surveyors)
Mr P Levy

for the tenant

Mr J E C Briant BA ARICS
Mr T A Stotesbury BSc ARICS (Daniel Smith, chartered surveyors)

for the landlord

Members of the leasehold valuation tribunal:

Lady Wilson MA
Mr DR Stevens FRICS FRVA
Mrs M Cunningham MA JP

Date of the tribunal's decision: 17 JUL 1997

The facts

1. 52 Springfield Road is a three storey detached house built in the nineteen thirties. It has four bedrooms, two bathrooms and a shower room, a drawing room, dining room, study, family room and other living space, and an effective floor area, excluding bathroom and circulation space, of 193 square metres. It is held by the tenant under a lease for a term of 99 years from 24 June 1937, expiring on 23 June 2036 and thus with 42½ years unexpired on the valuation date, which is 4 January 1994. There is a fixed annual ground rent of £80.
2. A valuation prepared by Mr Stotesbury on behalf of the landlord is attached to this decision marked "A", and a valuation prepared by Mr Buchanan on behalf of the tenant is attached marked "B". Mr Stotesbury's proposed enfranchisement price is £190,331 and Mr Buchanan's £151,278. A schedule of the comparable properties relied on by one or both of the parties is attached marked "C".
3. On the afternoon of the hearing we inspected the property internally, and we were also able, at the request of the parties' representatives and by arrangement with its owner, to inspect internally 35 Loudoun Road to which both valuers referred. We also inspected externally all the comparables properties listed in appendix C.
4. It was agreed that the valuation is to be made under section 9(1C) of the Leasehold Reform Act, that the value attributable to the tenant's improvements, against both the freehold and leasehold values, is £50,000, and that the marriage value should be shared equally between the parties.

4. The issues are:

- (i) the value of the freehold,
- (ii) the value of the existing lease,
- (iii) yield.

Decision

(i) The value of the freehold

Mr Stotesbury proposed a value of £900,000 for the improved freehold interest, and Mr Buchanan £880,000. Mr Stotesbury relied on the transactions summarised in appendix C relating to 8 St John's Wood Park, 28 Carlton Hill and 43 Springfield Road, which he adjusted for factors such as size, facilities, layout, the costs of exterior redecoration, location and date of sale. Mr Buchanan also relied on 8 St John's Wood Park and 43 Springfield Road, and the sale of 64 year lease of 17 Springfield Road, which he adjusted for size, facilities, location and date of sale and on the basis that he would expect, from his experience and using settlement evidence, a 64 year lease to represent approximately 82½% of the freehold value. Mr Stotesbury and Mr Briant criticised Mr Buchanan's failure to take into account the effect of the right to enfranchise on the value of the 64 year lease.

The valuers for both parties agreed that their respective estimates of the freehold value were very similar and within valuation tolerance, and both agreed that it would be reasonable for us to split the difference between them on this issue. We concluded that in the circumstances of this case that was the proper course to take, £890,000 being a figure which appears to be appropriate on all the evidence before us.

(ii) The value of the existing lease

On this issue also there is relatively little difference between the parties, although they are slightly further apart on this issue than on the freehold value. Mr Stotesbury proposed a value for the existing lease, as improved by the tenant, of £592,000, and Mr Buchanan a value of £625,000. Both Mr Stotesbury and Mr Buchanan relied on the transactions listed in appendix C relating to 6 and 40 Springfield Road, which they adjusted for factors such as location, valuation date and size. Mr Buchanan also relied on 44 Springfield Road, which he adjusted for condition (the property having been modernised to an exceptionally high standard), layout, size and valuation date.

Mr Stotesbury and Mr Briant for the landlord urged us to have particular regard to the differential between the value of the freehold and of the 42½ year lease. They said that the differential of 65.78% which they proposed was more realistic and accurate than the 71.02% proposed by Mr Buchanan. None of the valuers could provide us with reliable statistics to enable us to form a firm view on the evidence before us as to which, if either, of the differentials proposed was the more accurate, nor do we consider that such a mathematical approach is necessarily an accurate guide to value. Mr Buchanan did, however, concede in his oral evidence that he would, from his experience of the market, expect a 42½ year lease to have a value of around 65% of the freehold, or within 5% either way, and we were influenced by the common ground between the valuers on this issue in this case. Applying that percentage to the freehold value we have determined gives a leasehold value which is lower than that contended for by either party's representatives, but suggests that the leasehold value proposed by Mr Stotesbury may be the more accurate, and we have, on all the evidence and the arguments, adopted £592,000 as being the improved value of the existing lease at the valuation date.

(iii) Yield

Mr Stotesbury contended for a yield of 6% and Mr Buchanan 7%.

Mr Stotesbury relied on a number of settlements of enfranchisement claims relating to houses on the Eyre and John Lyons Estates in St John's Wood which showed, according to the landlords' breakdowns, a yield of 6%, in relation to five of which breakdowns had been agreed and signed by the lessees' valuers showing that yield, and in relation to a further two of which the lessees' valuers had agreed informally that 6% was the correct yield. He also relied on the decision of the Lands Tribunal in the case of 43 Hamilton Terrace, where the tenant had taken no part in the appeal and where the member of the Tribunal had said that the decision should not be treated as a precedent, and on Mr Buchanan's agreement to a rate of 6% before a leasehold valuation tribunal in the case of 27 Springfield Road. He said that factors affecting yield were location, value and lease length, and he did not suggest that a 6% rate should be used to calculate the enfranchisement price on all properties in the locality. The Estate had agreed a 6½% yield on 35 Loudoun Road and a 7% yield on 70 Loudoun Road, but he considered Loudoun Road to be a poorer location than Springfield Road. 35 Loudoun Road was, he said, badly affected at times by traffic, and 70 Loudoun Road was a modern town house with a lower capital value than the Springfield Road houses. Mr Briant added that 35 Loudoun Road was a very nice house very closely situated to 52 Springfield Road, but contended that the location of the subject was "a little better" than that of 35 Loudoun Road. He said that in his opinion the lowest yield we should apply was 6½%.

Mr Buchanan relied on a number of leasehold valuation tribunal decisions in relation to houses in St John's Wood, in all of which the landlord had appealed to the Lands Tribunal, where the appeal had been either settled, heard in the absence of the tenant,

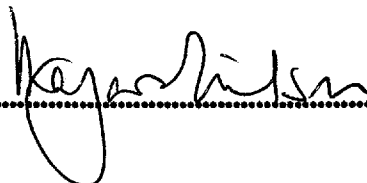
or not yet heard. He said that the settlements of these appeals were good examples of the *Delaforce* effect, and did not support a yield of 6%. He said that in the case of 27 Springfield Road he had agreed to a yield of 6% in order to avoid an appeal to the Lands Tribunal, a tactic which had failed because the Estate had appealed in any event against the capital values adopted by the leasehold valuation tribunal. He said in argument that he would not be averse to a yield of 6½% in the present case.

We agree that factors which may affect yield include location, value and lease length, as well as, in some instances, the terms of the lease. In the present case we do not consider that any meaningful distinction can be drawn between the property we are considering and 35 Loudoun Road, which we inspected both externally and internally and found to be closely comparable to 52 Springfield Road in all material respects. We did not consider that the locations differed significantly, whereas in our view the location of 1 Clifton Hill, recently determined by a leasehold valuation tribunal on a yield of 7%, was in our opinion significantly worse. In all the circumstances we have come to the conclusion that the correct yield to apply in this case is 6½%.

Determination

Accordingly, we have come to the conclusion that the price to be paid by the tenant for the freehold in possession of 52 Springfield Road is £178,500 (one hundred and seventy eight thousand five hundred pounds) in accordance with our valuation which is attached to this decision marked "D".

CHAIRMAN.....



DATE.....

12/17/97

Daniel Smith
 CHARTERED SURVEYORS

THE LEASEHOLD REFORM ACT 1967 (AS AMENDED)

PROPERTY 52 SPRINGFIELD ROAD

NOTICE DATE 04/01/94

LEASE DETAILS

DATE 23/11/38
 TERM 99
 EXPIRY DATE 24/06/36
 UNEXPIRED TERM 42.50
 GROUND RENT £80 p.a. fixed

VALUES

FHVP	£900,000	£850,000
UNEXPIRED TERM	£592,000	£542,000
LESSEE'S IMPROVEMENTS	£50,000	

VALUE OF FREEHOLD PRESENT INTEREST

<u>TERM</u>	GROUND RENT	£80
x YP	42.50 years @ 6.00%	15.27

		£1,221

<u>REVERSION</u>	FHVP	£850,000
x PV	42.50 years @ 6.00%	0.0840495

		£71,442

Lessors Interest £72,663

MARRIAGE VALUE

	FHVP	£850,000
Less	Lessor's Present Interest	£72,663
	Lessees Interest (less improvements)	£542,000

Marriage Value		£235,337

Take 50% Marriage Value £117,668

TOTAL £190,331

52 SPRINGFIELD ROAD, LONDON NW8

Valuation as at 4th January 1994

Under the provisions of the Leasehold Reform Act 1967 Section 9(1)c as amended by the Leasehold Reform Housing and Urban Development Act 1993

1. Value of Freeholders Interest

<u>Term</u>			
Ground Rent	£80 pa		
YP 42½ yrs @ 7%	13.47		£1,077
<u>Reversion</u>			
Unimproved Freehold vacant possession value		£830,000	
PV £1 42½ yrs @ 7%		.056	<u>£46,480</u>
			£47,557
<u>Marriage Value</u>			
Unimproved Freehold vacant possession value		£830,000	
Less (i) Freeholders Interest		£47,557	
(ii) Unimproved Leaseholders Interest		£575,000	
Marriage Value		£207,443	
Freeholders share at 50%			<u>£103,721</u>
			£151,278

In my opinion, the price payable for the Freehold under Section 9(1)c of the Leasehold Reform Act 1967 as amended should be determined at £151,278.

Jan B. ...
20/6/97

52 SPRINGFIELD ROAD, LONDON NW8

Statement of Agreed facts

Schedule of Comparables

ADDRESS	TYPE OF PROPERTY	APPROX. A' AREA	ACCOMMODATION / AMENITIES	TENURE / LEASE LENGTH	GROUND RENT	PRICE	DISPOSAL DATE
SUBJECT PROPERTY							
52 SPRINGFIELD ROAD	1930's detached house on three floors.	193 m ² 2078 sq ft	INTERNAL : 5 Bedrooms, 2 bathrooms, dressing room / shower, drawing room, dining room, kitchen, family room, cloakroom, conservatory. EXTERNAL : OSP 1, front and rear garden	99 year lease from 24/6/1937 expiring 24/6/2036, unexpired term 42 1/2 years.	£80 p.a. for the remainder of the term.		Valuation date: 4 January 1994
LEASEHOLD COMPARABLES							
6 SPRINGFIELD ROAD	1930's detached double fronted house.	202 m ² 2181 sq ft	INTERNAL : 6 Bedrooms, 4 bathrooms (2 en suite), Study, 3 reception rooms, kitchen, , guest cloakroom, Playroom / utility room. EXTERNAL : Garage, OSP 1,	99 year lease from 24/6/1937 expiring 24/6/2036, unexpired term 43 1/2 years.	£90 pa for the remainder of the term.	£530,000	26 February 1993
40 SPRINGFIELD ROAD	1930's detached double fronted low built house.	254 m ² 2730 sq ft	INTERNAL : 7 Bedrooms, 2 bathrooms, shower room, Study, 2 reception rooms, kitchen / breakfast room, guest cloakroom, utility, WC. EXTERNAL : Garage, OSP 2, landscaped garden, 2 tradesman's entrances, loft storage.	99 year lease from 24/6/1937 expiring 24/6/2036, therefore with 43 1/4 years unexpired term.	£90 pa for the remainder of the term.	£600,000	25th March 1993
44 SPRINGFIELD ROAD	Detached double fronted Georgian style house	213 m ² 2293 sq ft	INTERNAL : 5/6 Bedrooms, large dressing room, 3 bathrooms (1 en suite), sauna, Study, 3 reception rooms, kitchen / breakfast room, guest cloakroom, playroom. EXTERNAL : Garage, OSP 1	99 year lease from 24/6/1937 expiring 24/6/2036, unexpired term 43 years.	£90 pa for the remainder of the term.	£755,000	5th July 1993
17 SPRINGFIELD ROAD	A double fronted detached low built house.	264 m ² 2844 sq ft	INTERNAL: Entrance hall, guest cloakroom, drawing room, dining room, study, kitchen/ breakfast room, master bedroom with en suite dressing room and bathroom, 5 further bedrooms, 4 further bathrooms (3 en suite) EXTERNAL : Garage, OSP for one car, terrace and landscaped rear garden.	Lease dated 4th August 1960 for a term of 99 years from 29/9/1958 expiring 29/9/2057, unexpired term 64 1/2 years.	£125 for the residue of the term.	£710,000	20th April 1993

52 SPRINGFIELD ROAD, LONDON NW8

Statement of Agreed facts

Schedule of Comparables

ADDRESS	TYPE OF PROPERTY	APPROX. A' AREA	ACCOMMODATION / AMENITIES	TENURE / LEASE LENGTH	GROUND RENT	PRICE	DISPOSAL DATE
SUBJECT PROPERTY							
52 SPRINGFIELD ROAD	1930's detached house on three floors.	193 m ² 2078 sq ft	INTERNAL : 5 Bedrooms, 2 bathrooms, dressing room / shower, drawing room, dining room, kitchen, family room, cloakroom, conservatory. EXTERNAL : OSP 1, front and rear garden	99 year lease from 24/6/1937 expiring 24/6/2036, unexpired term 42 1/2 years.	£80 p.a. for the remainder of the term.		Valuation date: 4 January 1994
FREEHOLD COMPARABLES							
43 SPRINGFIELD ROAD	Double fronted detached house arranged primarily over 2 floors	193 m ² 2077 sq ft	INTERNAL : 5 Bedrooms, 3 bathrooms, WC, Study, 3 reception room, kitchen / breakfast room. EXTERNAL : Garage, OSP 3	FREEHOLD	N/A	£800,000	November 1992
8 ST JOHN'S WOOD PARK	A low brick built detached house arranged over three floors.	278 m ² 2992 sq ft	INTERNAL : 5 Bedrooms, Games room, Study, 3 reception rooms, kitchen, utility room, guest cloakroom, Games room. EXTERNAL : Double Garage, OSP 3.	FREEHOLD	N/A	£1,025,000	September 1993
28 CARLTON HILL	A detached double fronted period house with stucco fronted elevations and arranged over 4 floors.	219 m ² 2360 sq ft	INTERNAL : Drawing room , dining room, study, master bedroom with dressing area and en suite bathroom, 5 further bedrooms, 3 further bathrooms (1 en suite) utility room, guest cloakroom. EXTERNAL : Garage, 75' rear garden.	FREEHOLD	N/A	£875,000	May 1993

Valuation & Determination

Values

Freehold Vacant Possession	£890,000	£840,000
Leasehold Unexpired Term	£592,000	£542,000
Lessees Improvement	£ 50,000	

(a) Value of Freeholders Interest

Ground Rent	£80	
Y.P. $6\frac{1}{2}\%$ for 42.5 yrs	<u>14,326</u>	£ 1,146
Reversion to Freehold V.P.	£840,000	
P.V. £1@ $6\frac{1}{2}\%$ in 42.5 yrs	0.0688425	<u>£ 57,828</u>
		£ 58,974

(b) Lessors share of Marriage Value

Value of freehold interest in possession		£840,000
<u>Less</u> Value of Lessee's Interest	£542,000	
Value of Lessors current Interest	<u>£ 58,974</u>	<u>£600,974</u>
Gain of Marriage		£239,026
Allow 50% to Lessor		<u>£119,513</u>
		£178,487
But say		<u>£178,500</u>