

LEASEHOLD VALUATION TRIBUNAL FOR THE LONDON RENT ASSESSMENT PANEL

Leasehold Reform Act 1967

Housing Act 1980

DECISION OF THE LEASEHOLD VALUATION TRIBUNAL ON AN APPLICATION UNDER

S21 OF THE LEASEHOLD REFORM ACT 1967

Applicant: Mr & Mrs Gifford

Respondent: The Earl Codogan & Codogan Estates Ltd

RE: 8 Hans Street/15 Hans Place, London, SW1

Date of Tenant's Notice: 18 December 1997

Application to the Tribunal dated: 29 April 1998

Heard: 11 & 12 May 1999

Appearances:

Mr E Johnson (of Counsel)
 Mr J Stephenson (Bircham & Co, solicitors)
 Mr J Shingles (Strutt & Parker)
 Mr B Milburn MA (Arch) RIBA (The Douglas Stephen Partnership)

for the Tenant

Mr A Radevsky (of Counsel)
 Mr D Greenish (Lee & Pembertons, solicitors)
 Mr M Yardley (Cadogan Estates Ltd)
 Mr K Gibbs FRICS (Gerald Eve)
 Mr D Wiggin)
 Mr A McGillivray) (W A Ellis)

for the Landlord

Members of the Leasehold Valuation Tribunal
 Mrs J McGrandle BSc (EstMan) ARICS MRTPI (Chairman)
 Mr W J Reed FRICS
 Mr J J Tomalin

Date of the Tribunal's decision: 24 June 1999.

1. Introduction

1.1 This is an application made by Mr and Mrs A. Gifford ("the applicants") for the determination of the enfranchisement price as at 19th December, 1997, the date of the notice of claim, for the freehold interest under S.9 (1C) of the Leasehold Reform Act, 1967 ("the 1967 Act"), as amended by the Leasehold Reform, Housing and Urban Development Act, 1993 ("the 1993 Act"), in respect of the house and premises at 15 Hans Place/8 Hans Street, SW1 ("the property").

1.2 The lessees, who acquired their interest in May, 1994, hold under a lease from the freeholders, Earl Cadogan/Cadogan Estates Ltd. ("Cadogan"), dated 12th February, 1957 for a term of 50.25 years from 25th December, 1956, expiring on 24th March, 2007. The unexpired term at the date of valuation is therefore 9.25 years. At the valuation date the rent payable under the lease was £20 per annum with no provision for review.

1.3 The statutory basis of valuation is as set out in Appendix 1.

1.4 Following the hearing, the Tribunal made an internal inspection of the property and of 6 Hans Street, a comparable; external inspections were made of a number of other comparables in the area quoted by the parties.

2.0 The Property

2.1 This comprises a substantial six - storey (basement, ground, three upper floors plus attic) end - terraced house fronting Hans Place with a return frontage to Hans Street. Originally Georgian, but with later attic and rear extensions, the property is not listed but is situated within the Hans Town Conservation Area. To the rear, and not part of these proceedings, is a two - storey cottage, 6 Hans Street, part of the original 1956 demise but transferred out in 1970.

2.2 The subject property's prime location in Knightsbridge is described in the evidence which is on file. Hans Place itself is a garden square of special character comprising a range of architectural styles from Georgian to post - war infill. In the centre of the square is a secluded and leafy garden available by key to residents. The square is almost wholly residential. Hill House school is adjacent to the property.

2.3 Following planning permission granted in 1956, the property was converted into two maisonettes (with 6 Hans Street comprising a third maisonette) on 2/3/4 floors (the upper maisonette) and g/1 floors (the lower maisonette) together with a caretaker's basement flat; the

entrance to the flat and upper maisonette and, separately, to the lower maisonette is by two front doors on the Hans Street frontage. The applicants occupy the upper maisonette with the basement flat; the lower maisonette is let by them separately. Following enfranchisement, it is the applicants' intention to convert the property back to a single dwelling house.

2.4 Following the applicants' acquisition of the lease in 1994, the property was subject to extensive repairs and improvements by them. These works, which were to an architect's specification, were primarily but not solely directed at improving and extending the basement (the subject of a Closing Order) and, separately, the attic floor and attic itself.

3.0 Agreed Facts

3.1 The appendices provided on behalf of Cadogan included a Statement of Facts. This is attached as Appendix 2. In particular:

- The valuation date is 19th December, 1997
- The property is to be valued as unimproved ie disregarding any improvements carried out by the applicants during their lease
- The marriage value is to be split 50:50

Prior to the hearing, agreement had been reached between the parties on all items in this statement apart from, critically, the scale of improvements, as opposed to repairs, carried out in 1995. During the course of the hearing, agreement was also reached on the following:

- The value of the unimproved freehold interest in the upper maisonette (£437,500)

4.0 Issues

- 4.1
- The value of the unimproved freehold interest in the subject property
 - As but one aspect of that valuation, the value of the unimproved freehold interest in the lower maisonette and in the basement flat
 - The capitalisation and deferment rates

4.2 Amended valuations prepared by Mr Shingles for the applicants and by Mr Gibbs for the respondents are attached respectively as Appendices 3 and 4. Proposed enfranchisement prices were as follows:

Mr Shingles (applicants)	£467,400
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5.0 Hearing

1) *The Case for the Applicants*

5.1 Mr Milburn was called to give evidence on the extent of his clients' 1995 works and in particular to demonstrate on behalf of the applicants that the majority of these works were improvements which fell therefore to be disregarded under S.9 (1C) of the 1967 Act in any valuation of the property.

5.2 He stated (para. 1.6 of his evidence):

"At the time of acquisition the property was in poor condition and the basement derelict. The previous conversion of the property into three units..... resulted in awkward internal planning. With the exception of subsequent improvement by the provision of basic central heating systems in the two maisonettes, plumbing and electrical services were outdated, inadequate and in need of complete renewal. The upper floors were flimsy and poorly supported and the flank wall was bowing due to lack of restraint and unevenly distributed roof loads."

5.3 A schedule of photographs was submitted showing the condition of the property before and after the works, together with a full description, though not the actual specification, of the works.

5.4 The Tribunal were informed that the basement had been subject to a Closing Order dated October 1992 concerning:

Disrepair

Dampness

Inadequate lighting, heating and ventilation

and that extensive work had been necessary to get this Order lifted, including lowering the floor; tanking; mechanical ventilation; enlargement of window area. The opening up of a vault had also occurred.

5.5 Lower maisonette. Some repairs had been necessary to the lower maisonette to deal with dry rot beneath the kitchen and the maisonette was generally upgraded.

5.6 Upper maisonette. The fourth (attic) floor was re - arranged to include the provision of a bath/WC at this level; the ceiling at this level was strengthened to enable the attic to be opened up for storage; a new staircase was built; new floor boards/joists were provided; the flank wall

to Hans Street was stabilised.

5.7 New electrics, plumbing and heating had been provided for the whole house.

5.8 The end result for the property was an extension of usable floor space and the provision of modern family accommodation. Gross internal floor area was increased from 3,105 sq.ft. to 3,312 sq.ft. The Tribunal were informed that the inclusive cost of these works, completed in 1995, was £268,000 plus a further £25,000 for the lower maisonette.

5.9 Mr Milburn accepted on examination that an element of the 1995 works would be repairs; his broad estimate of this element was 30%.

5.10 Mr Shingles gave valuation evidence. As agreement had been reached during the course of the hearing on certain of the figures, only the evidence relating to the valuation matters in dispute was before the Tribunal. Having described the property in its 1994 unimproved state, and the disadvantage of its location adjoining the school and also Harrods, and referring to the lack of any amenity garden space, he took the Tribunal through his calculations of the freehold VP interest of the property which he estimated at £756,750 (as amended) (Appendix 3). He had reached this figure by summing the constituent values of the three unimproved units which in his view produced a higher figure than valuing the house as one unimproved entity. In support of his valuation for the lower maisonette and the basement flat (the figure for the upper maisonette having been agreed) he referred the Tribunal to transactions in the area, particulars of which were attached as appendices:

23 Cadogan Gardens (basement and ground floor)

65 Cadogan Square (basement and ground floor)

21 Lennox Gardens (basement)

No comparables were available for the property's lower (ground and first floor) maisonette other than these basement /ground floor maisonettes. Mr Shingles' value of the basement flat was heavily discounted to reflect the existence in 1994 of the Closing Order.

5.11 Describing the property as "blighted" by virtue of its location adjacent to the school, and hence providing to the investor a greater risk compared with others in the locality, Mr Shingles asked the Tribunal to adopt a capitalisation and deferment rate of 6.5%. He drew the Tribunal's attention to a Lands Tribunal decision concerning a flat above commercial premises at Sloane Square, SW1 which supported this rate.

5.12 As a check valuation, Mr Shingles examined the value of the property as one dwelling - house by undertaking a residual valuation. Assuming a resale value by reference to comparables and then making a number of deductions, he concluded, having worked through the figures, that the exercise of refurbishing the building as a house was "valueless". This followed his earlier conclusion that " the building is arranged as flats and would be contemplated as such rather than as a house by an investor".

5.13 To conclude, Mr Shingles asked the Tribunal to determine an enfranchisement price of £467,400 (Appendix 3).

2) The Case for the Respondents

5.14 Mr McGillivray was called to give evidence of the value of the freehold VP interest in the property. Having briefly described works and alterations permitted by licences granted by the Estate in 1983 and 1995, he valued the house in its unimproved state @ £1,250,000. It was his view that the value of the property as a single residence "significantly outweighs its value as three flats". Further, that minimum works would be necessary in order to bring the house back to single occupation.

5.15 In support of his figure he relied in particular on the sales of three unmodernised freehold houses, particulars of which were attached as appendices:

41 Montpelier Square, SW7
9 Wilton Place, SW1
24, Ovington Gardens, SW3

5.16 Adjusting the sales figures of these comparables to reflect Savills' index gave the following figures respectively:

£1,457,500
£1,305,600
£950,000

5.17 Mr McGillivray asserted that the best method of valuation must surely be like with like, namely, unimproved houses sold within a certain period of the valuation date. He dismissed Mr Shingles' method of residual valuation because only minor variations in the figures could, he said, impact significantly on the final result.

5.18 Mr Wiggin's evidence was to have concerned the value of the leasehold interest in each of the three units; this had of course now been agreed. However, as an addendum to his evidence he undertook a check valuation of the freehold interest in the property on the basis adopted by Mr Shingles ie a valuation of each of the three units. This produced a total figure of £990,000 (compared with Mr Shingles' figure of £756,750) which of course fell way below Mr McGillivray's figure of £1,250,000.

5.19 In support of his figure, he mentioned, inter alia, that 6 Hans Street (ie adjoining the property) had been sold in January, 1998 with an unexpired term of 59 years (not 69 years as given in evidence) for £600,000. In Mr Wiggin's view this would support a long leasehold value in the region of £800,000. The Tribunal noted that the particulars stated that there was potential for development. Mrs Gifford had been the purchaser.

5.20 Finally, Mr Gibbs gave evidence on the respondents' valuation (Appendix 4 to this decision), adopting the capital values put forward by his clients' earlier witnesses, namely, £1,250,000 for the notional freehold interest and £244,750 for the leasehold interest having an unexpired term of 9.25 years. A significant appendix to his evidence was a set of floor plans drawn up by him in 1986 ie prior to the acquisition in 1994 by the applicants.

5.21 Drawing the Tribunal's attention to the relevant legislation, he supported Mr McGillivray's approach of looking at the freehold VP value of the house as a whole; 5 houses in the locality which had been converted back from flats to dwelling-houses in recent years were cited by him:

58 Cadogan Place
84 Cadogan Square
43 Cadogan Place
44 Cadogan Place
34 Hans Place

With such evidence available, he considered it artificial to restrict the open market to the current configuration of 3 units.

5.22 Mr Gibbs criticised Mr Shingles' one and only yield comparable. This comparable involved the extension of a lease under the 1993 Act where the yield in the valuation of the landlord's interest would be different from that in the case under consideration. In support of a capitalisation rate of 5% and a deferment rate of 6%, Mr Gibbs referred to a summary schedule

of 112 comparables concerning enfranchisement price settlements. He invited the Tribunal to be guided by this schedule which he stated had been used in evidence, and accepted by members, in many Lands Tribunal cases.

5.23 Accordingly, he asked the Tribunal to determine an enfranchisement price of £867,280 (Appendix 4).

6.0 Inspection

6.1 The main features found on inspection were:

Basement:	- Restricted headroom with much of the floor space accounted for by vaults - Two main living rooms with a long span affording limited natural light at either end - Elsewhere a series of small rooms - Mechanical ventilation to part of the floor space, including kitchen - Front area partially enclosed with glass; rear 2.5m. light well New staircase and half-landing cloakroom
Attic	- Roof storage space under an apex - Rearrangement to provide 3 small bedrooms served by a bathroom New floors
Staircase	Staircase between 2nd and 4th floors narrow and cramped, albeit new
3rd floor	- Walk in dressing room with en suite bathroom to master bedroom
2nd floor	- Sitting room with kitchen off - New floors
Ground/first floor	- Substantially as the 1956 conversion but subject to limited upgrading

6.2 An internal inspection was made of 6 Hans Street, SW1, mentioned by Mr Wiggin. Externally the following comparables mentioned by the parties were inspected:

Mr Shingles:	23 Cadogan Gdns. 65 Cadogan Square 21 Lennox Gdns. 73 Cadogan Place 74 Cadogan Place
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Mr McGillivray: 15 Montpelier Square
20 Montpelier Square
41 Montpelier Square
9 Wilton Place
24 Ovington Gdns.

7. Decision

7.1 Under S.9 (1C) of the 1967 Act the property is to be valued as though in full repair on the basis that the applicants have complied with the repairing covenants in their lease. No evidence was given that any of the 1995 works had not been licensed by Cadogan and therefore it is assumed that the improvements made by the tenants are to be disregarded in the determination of the enfranchisement price.

7.2 Mr Milburn described in some detail the improvements which had been carried out at the lessees' expense. Mr McGillivray's evidence included a summary of the improvements carried out as part of the refurbishment work referred to in the 1995 licence, and para. 4 of the Statement of Facts prepared by Mr Gibbs set out a summary of the works carried out since the lease was granted. Although para.4 of the Statement had not been agreed, a comparison of the evidence indicated substantial agreement by the parties to the items of improvement carried out by the lessees.

7.3 The defects listed in the 1992 Closing Order included those relating to ventilation and window openings as well as to dampness and disrepair. In the Tribunal's view these are matters which primarily concern the inherent structure, not the fabric, of the property and therefore works required to discharge the Order would be primarily improvements and not repairs. Lowering the floor level of the basement, indirectly a requirement of the Closing Order, was also clearly an improvement which fell to be disregarded.

7.4 It was fortunate that the 1986 floor plans of the property were available. These enabled the Tribunal to value the property on the basis of its 1986 configuration, in full repair, but subject to the 1992 Closing Order and disregarding the improvements carried out by the lessees.

7.5 Mr Shingles asked the Tribunal to value the house as 3 units, Mr McGillivray as one unit

7.6 The Tribunal prefers to adopt the latter approach for three reasons:

- 1) It is well known that in the past decade there has been a trend in prime areas of

Central London, one of which is Knightsbridge, for large houses, converted in the 50's to flats, to be converted back to family houses. This trend was identified, and examples given, by Mr Gibbs; other examples abound.

2) Even with costly improvements to discharge the Closing Order, the basement would still provide on its own, rather than as an adjunct to the house, an unattractive unit of accommodation with its proliferation of storage areas, lack of natural light and ventilation, limited headroom and 2.5m. light well.

3) In our opinion, the market value of the freehold interest in the whole property with vacant possession would reflect its potential for conversion and use as a single family dwelling, and that its value on this basis would exceed the value of the property for continued use as two maisonettes and a basement flat, the basement in both cases subject to a Closing Order.

7.7 The Tribunal are not convinced that planning permission (or indeed conservation area consent) would not be required for the conversion; consent would be needed even for the smallest of works eg fire escape; enclosing of front area. However, there is no evidence that that consent would not be given; the presumption in the Kensington and Chelsea UDP is against loss of houses in multiple occupation, not those in 2 or 3 units. Therefore, in the Tribunal's view, the obtaining or not obtaining of planning permission is not a material factor.

7.8 This then leads to an examination of Mr Mc Gillivray's comparables, the adjusted sale prices of which have been mentioned earlier (para. 5.16).

7.9 No comparable is of course exact but there were a number of differences between these three houses and the property in question, the main one being that they all had gardens while the property had only a light well. Mr Shingles identified this lack of garden as presenting a disadvantage for families and Mr McGillivray conceded a 5% discount would be appropriate. But the significant point in this case is not that a garden is of recreational value but that in the case of each of the three comparables it offered *development potential*. In the case of 41 Montpelier Square, the ability to create new roof terraces while still retaining a patio; 9, Wilton Place, a massive redevelopment programme, evident from a site inspection, including building over part of the rear garden and the creation of an upper floor over the single - storey garage; 24 Ovington Gardens - a new double- storey conservatory built over part of the garden could be seen from the street.

7.10 The value of this development potential to a prospective purchaser is only too obvious (even allowing for the passage of time) from the "before" and "after" sales particulars of 41

Montpelier Square: Sold March 1997 for £1.325m. Re-sold August 1998 (ie after the roof terracing and internal alterations) for £2.75m.

7.11 By contrast, the property in question was wholly developed, some might say over-developed, when the applicants acquired in 1994 and all they could do was to commission works more or less within the existing building envelope. The potential for the creation of incremental floor space of the quality being created at these comparables was nil. Yet Mr McGillivray had totally overlooked this aspect of his valuation, his 5% concession relating merely to the recreational value of a garden.

7.12. Even after discounting for this development potential, there would still need to be further discounts from the adjusted sale prices quoted by Mr McGillivray to reflect in varying degrees the advantages which these comparables held over the property: better location and “presence”; better proportioned rooms; semi- basement rather than full basement; patio or garden rather than light well; lack of Closing Order.

7.13 On the other hand, the Tribunal do not accept the view of the applicants that the property is blighted because of the school. Evidence was given that activities out of school hours are few because the proprietor lives on the premises. The difficulties of car - parking and attendant noise during school pick-ups and set- downs are accepted but this is a hazard of living in Central London and even far greater hazards such as the constant noise of through traffic, absent here, does not prevent very high prices from being obtained in Kensington and Chelsea.

7.14 The Tribunal have accordingly determined the freehold vacant possession value of the property as at December 1997 @ £1,000,000.

7.15 On the subject of yield, Mr Shingles had relied upon the extension of the lease of an individual flat in a block of flats in which the value of the landlord’s interest had been valued at 6.5% under the 1993 Act whereas in this case the valuation was in respect of a whole house being enfranchised under the 1967 Act. In the Tribunal’s opinion the sale of a landlord’s interest in an individual flat in a block of flats would be less attractive as an investment than the sale of the landlord’s interest in an entire house.

7.16 On the other hand, Mr Gibbs had relied upon an analysis of 112 enfranchisement prices for houses in Chelsea and Belgravia on a 5.0%/6.5% basis reflecting the length of the term until the next review.

7.17 The Tribunal gave careful consideration to the analysis relied upon by Mr Gibbs - particularly in view of his evidence that differing yields reflecting the length of the unexpired term to the next rent review or to the reversion had been approved by the Lands Tribunal. Given the rounding which often occurs during the valuation process, and the higgling of the market, and the compromises often made to reach agreement - and possibly to avoid the costs of litigation - the Tribunal finds it very surprising that the analysis always shows an exact percentage yield for the term and for the reversion and one which is exactly in line with yield and capitalisation rates which reflect the length of the reversion. In the Tribunal's experience, any large scale analysis of values for whatever purpose will show a range of answers within which a valuer may adopt a weighted average to suit his purpose. Or it may be that the enfranchisement prices have been analysed on the basis of pre-conceived yields of 5.0 /5.5 and 6.0% to determine the other variables which form part of an enfranchisement valuation.

7.18 The Tribunal therefore had considerable reservations about the use of different yield rates for the term and for the reversion. In the Tribunal's opinion, the rent and reversion are component parts of the valuation of the landlord's interest, they are both very secure and in this case the Tribunal considers that it would be appropriate to use a uniform rate of 6%.

7.19 The Tribunal's valuation, determining an enfranchisement price of £661,080, is set out in Appendix 5.

CHAIRMAN..... *J. Maganville*
DATE..... 24 June 1999.

3. SCOPE OF EVIDENCE

3.1 I produce, as KDG1 herewith, my valuation to the enfranchisement price payable under the provisions of the LRA 1967. My evidence, which follows, relates to all aspects of that valuation except the relevant underlying vacant possession capital values, for which I have relied on the evidence of Mr Andrew McGillivray and Mr Daniel Wiggin of Messrs W A Ellis. They are:

- (i) The value of a notional freehold interest with vacant possession in the Subject House at 19 December 1997 at £1.25 million.
- (ii) The value of the existing leasehold interest having 9.25 years unexpired but disregarding the effect on that value of the tenant's right to enfranchise at £225,000.

4. BASIS OF VALUATION

4.1 The relevant basis of valuation for this enfranchisement is to be found in the LRA 1967 as amended Section 9(1C), which relevant amendment was introduced by LRHUDA 1993 Section 66 and reproduced in Schedule 15. It provides for the enfranchisement price payable to be the amount which at the relevant time the house and premises, if sold in the open market by a willing seller, might be expected to realise on the following assumptions:

- "(a) *on the assumption that the vendor was selling for an estate in fee simple, subject to the tenancy, but on the assumption that this part of this Act conferred no right to acquire the freehold or an extended lease and where the tenancy has been extended under this Part of this Act, that the tenancy will terminate on the original term date;*
- "(b)" *not applicable to Section 9(1C)*
- "(c) *on the assumption that the tenant has no liability to carry out any repairs, maintenance or redecorations under the terms of the tenancy or Part I of the Landlord and Tenant Act 1954;*

- (d) *on the assumption that the price be diminished by the extent to which the value of the house and premises has been increased by any improvement carried out by the tenant or his predecessors in title at their own expense;*
- (e) *on the assumption that (subject to paragraph (a) above) the vendor was selling subject, in respect of rent charges to which section 11(2) below applies, to the same annual charge as the conveyance to the tenant is to be subject to, but the purchaser would otherwise be effectively exonerated until the termination of the tenancy from any liability or charge in respect of tenant's encumbrances; and*
- (f) *on the assumption that (subject to paragraphs (a) and (b) above) the vendor was selling with and subject to the rights and burdens with and subject to which the conveyance to the tenant is to be made, and in particular with and subject to such permanent or extended rights and burdens as are to be created in order to give effect to section 10 below."*

The following provisions apply also that,

- "(a) if in determining the price so payable there falls to be taken into account any marriage value arising by virtue of the coalescence of the freehold and leasehold interests, the share of the marriage value to which the tenant is to be regarded as being entitled shall not exceed one-half of it; and*
- (b) section 9A below has effect for determining whether any additional amount is payable by way of compensation under that section."*

4.2 The Section 9(1C) basis of valuation is very similar to that in Section 9(1A), the usual application of which is now well established. The Section 9(1C) basis differs from the Section 9(1A) basis only in its deletion of (b), which is the assumption that the tenant has rights to security of tenure under the Local Government and Housing Act 1989 or the Landlord and Tenant Act 1954 Part 1, and its provision for the enfranchisement price to include a minimum 50% share of the marriage value and any Section 9A compensation.

STATEMENT OF FACTS

15 HANS PLACE/8 HANS STREET

1. CIRCUMSTANCES OF REFERENCE

1.1. Under the Leasehold Reform Act 1967 (as amended) (LRA 1967) notice was given of the leaseholder's claim for the freehold of 15 Hans Place/8 Hans Street (The Subject House) on 19 December 1997.

1.2 The claim was admitted on 18 February 1998.

1.3 The claimants were notified on 11 September 1998 that the freeholder would sell its interest for an enfranchisement price of £981,000 excluding costs which the Act entitles it to recover.

1.4 The tenants made an application to the Leasehold Valuation Tribunal to determine the enfranchisement price payable before the respondents quoted an enfranchisement price.

2. EXISTING TENURE OF THE SUBJECT HOUSE

2.1 The freehold interest in the subject house is owned by the Earl Cadogan and Cadogan Estates Limited.

2.2 The claimants for the freehold in the Subject House presently hold a headlease dated 12 February 1957 which granted a term of 50¼ years from 25 December 1956, thus expiring on 24 March 2007. Therefore, it had about 9¼ years unexpired at the date when the claim for the freehold was received. It reserved a rent of £100 per annum without review. The headlease originally included number 6 Hans Street. However, this was transferred out by Deed of Surrender dated 29 September 1970 when the reserved rent was reduced to £20 p.a. (Clause 5 of Deed). The claimant's purchased the headlease by an assignment dated 31 May 1994 for £351,000. The headlessees covenant with the freeholder at Clause X of the headlease:

"...Not to use or permit the demised premises or any part thereof to be used otherwise than as one maisonette comprising the front portions of the ground and first floors one other maisonette comprising the rear portion of the same floors and another maisonette comprising the second third and fourth floors each maisonette to be self contained in one family occupation only with the Basement of the demised premises occupied by a Housekeeper for the premises on a service basis only".

2.3 The tenants of the property are the claimants, Mr A G and Mrs C M Gifford.

2.4 Clause XV 1A provides ".....that the Lessees' tenants not be refused permission to use and enjoy the ornamental garden...." in the centre of the square.



VALUATION OF HOUSES IN ACCORDANCE WITH THE LEASEHOLD REFORM ACT 1967

Property **8 Hans Street/ 15 Hans Place** *Appendix JRS A1*

Date of Claim 18-Dec-97

AMENDED FOLLOWING AGREEMENT ON THE UPPER MAISONETTE AT £437,500
AND THE SHORT LEASE VALUE IN ITS ENTIRETY AT £244,750

Unexpired term of lease 9.25 Yrs

LANDLORDS INTEREST

1)Ground rent payable				£20	
Years Purchase in	9.25 Yrs @	6.5%	6.792		£136
2)Reversion to end value-					
Freehold value with vacant possession	Unimproved Value			£756,750	
Deferred	9.25 Yrs @	6.5%	0.55849		£422,638
3) Additional Value attributed to potential conversion to house					
				Uplift in value	£0
Deferred	9.25 Yrs @	6.5%	0.55849		£0
Landlords value before marriage value					£422,774

TENANTS INTEREST

Unexpired lease	9.25 Yrs				
Freehold value	£756,750				
Value of short lease before marriage value					£244,750

MARRIAGE VALUE

Freehold value	£756,750				
less Landlords interest	(£422,774)				
less Tenants interest	(£244,750)				£89,226

PRICE FOR FREEHOLD INTEREST

Landlords Interest	£422,774				
50% Marriage value	£44,613				£467,387
Price for freehold					SAY £467,400

3. DESCRIPTION OF SUBJECT HOUSE

3.1 The property lies within the Hans Town Conservation Area, identified in the Royal Borough of Kensington and Chelsea Unitary Development Plan, finally adopted on 28 August 1995.

3.2 It comprises a six storey end-terraced Georgian town house with a later four storey rear addition fronting Hans Street. The frontage to Hans Place is approximately 6 metres (19ft 7inches) and the return frontage to Hans Street approximately 12.6 metres (41ft 3inches). It is constructed from London Stock brick, generally with timber framed casement and sliding sash windows and tiled roofs. There are french windows to the first floor of the front elevation opening onto narrow balconies.

3.3 The property has been adapted and used as two maisonettes with a basement caretakers accommodation since 1956. This includes an extensive area beneath the pavements on both frontages and a small rear yard. However a further maisonette in the adjacent structure of 6 Hans Street was included at that time but does not now form part of the property (see 2.2 above).

3.5 The accommodation extends to 307.71 square metres (3,312 square feet) gross internal area. The accommodation is now made up as follows:

Floor	Description	Approximate Dimensions	
		Metres	Feet & Inches
Basement	Living/Play Room	5.00 x 3.90	16' 5" x 12' 9"
	Lounge/Bedroom	3.14 x 3.47	10' 4" x 11' 4"
	Kitchen	2.22 x 1.66	7' 3" x 5' 5"
	Glazed Entry	1.34 x 2.60	4' 5" x 8' 6"
	Pantry	2.45 x 1.30	8' 0" x 4' 3"
	Bathroom	3.30 x 2.15	10' 10" x 7' 1"
	Wine Cellar	4.40 x 2.44	14' 5" x 8' 0"
Ground Floor	Entrance	4.58 x 2.60	14' 11" x 8' 6"
	Lounge	5.20 x 4.75	17' 1" x 15' 7"
First Floor	Bedroom	4.90 x 3.19	16' 1" x 10' 6"
	Bedroom	2.20 x 3.75	7' 3" x 12' 4"
	Bathroom (L shape)	3.09 x 1.22	10' 2" x 4' 0"
Second Floor	Lounge	5.27 x 4.08	17' 3" x 13' 3"
	Kitchen	3.28 x 3.65	10' 10" x 12' 0"
	WC	1.95 x 0.93	6' 5" x 3' 1"
Third Floor	Bedroom	5.16 x 4.05	16' 11" x 13' 3"
	Bathroom	1.85 x 2.88	6' 1" x 9' 6"
	Walk in Wardrobe	1.65 x 1.80	5' 5" x 5' 11"
Fourth Floor	Bedroom	4.85 x 2.85	15' 11" x 9' 4"
	Bedroom	2.90 x 2.66	9' 6" x 8' 8"
	Bedroom	1.35 x 2.66	4' 5" x 8' 8"
	Bathroom	1.47 x 2.90	4' 10" x 9' 6"

4. SUMMARY OF WORKS SINCE LEASE GRANTED

Basement

To lower the floor level. Reposition bathroom with wash-hand basin to other under pavement area, add WC and replace with kitchen. Replace and extend glazed roof over area. Remove sink and form underpavement store. Provide sink to laundry area. Enlarge window to lounge.

½ Landing

Additional WC and reposition stairs.

Ground

Refit kitchenette including extending wall.

First Floor

Second Floor

Form kitchen from study and enlarge opening to living room.
Reposition stairs to:

Third Floor

Replace two bathrooms with single bathroom and walk in wardrobe.
Reposition stairs to:

Fourth Floor

Reform three bedrooms and add small bathroom with WC.

Generally

To upper maisonette and basement - replace radiators and central heating boilers. Replace sanitary fittings. Insulate roof of rear addition. Rewire and provide smoke alarm system. Replastering and redecoration: repair of windows and internal joinery.

5. LOCATION

5.1 The property is situated on the east side of Hans Place and approximately 210 metres (200 yards) from Harrods. It is one of the prime residential area of Central London, with many shops, restaurants and other amenities within the immediate surrounding area. There are good public transport facilities to other parts of Central London. Knightsbridge London Underground Station is approximately 300 metres (330 yards) to the north. The location is also served by frequent bus services covering many routes. Sloane Square Underground Station is 650 metres (710 yards) to the south. Part of Hill House International School is on the opposite side of Hans Street. More House and Garden House boys school and nursery school are respectively close by in Pont Street.

5.2 Hans Place comprises an oval shaped terrace of Edwardian and Victorian town houses built around an attractive central ornamental garden. It is bordered to the east by Sloane Street and to the south by Pont Street. In the heart of Knightsbridge, it is well placed for local shops and amenities on Sloane Street and the Brompton Road.

6. VALUATION

6.1 The statutory basis of valuation to calculate the enfranchisement price is contained within the provisions of the LRA 1967 (Section 9 (1C)).

6.2 The valuation date is 19 December 1997.

6.3 The marriage value released by the transaction is to be divided equally between the parties.

KDG/JRD/A11204

KDG 1 "A"**CADOGAN ESTATES LIMITED**

LEASEHOLD REFORM, HOUSING AND URBAN DEVELOPMENT ACT 1993

Property: 15 Hans Place/8 Hans Street

Date of Claim: 19-Dec-97

Unexpired term of lease: 9.25 years

VALUATION IN ACCORDANCE WITH SECTION 9 (1C) OF THE LEASEHOLD
REFORM ACT 1967 (AS AMENDED)

Value of Lessor's interest excluding marriage value	£	£	£
For remainder of term -			
Rent currently payable	20		
Capitalised for 9.25 years @ 5.00%	<u>7.26</u>	145	
For reversion to -			
Value of freehold in possession (excluding improvements)	1,250,000		
Deferred 9.25 years @ 6.00%	<u>0.5833</u>	<u>729,173</u>	729,319
Add Lessor's share of marriage value			
Value of freehold in possession		1,250,000	
<u>Less</u>			
Value of lessor's interest exclusive of marriage value	729,319		
Value of lessee's interest exclusive of marriage value and improvements	<u>244,750</u>	<u>974,069</u>	
Gain on marriage		275,931	
Attributed to lessor at 50.0%			<u>137,966</u>
Enfranchisement price			867,284
		say	<u>£ 867,280</u>

May-99

Gerald Eve
Chartered Surveyors
KDG/RIA/A11204

Valuation Date : 19 December 1997 Values of interests in unimproved property -
Unexpired term : 9.25 years
Current ground rent : £20 p a. - freehold £1,000,000
Landlord's share of marriage value : 50% - leasehold £244,750 (agreed)
Capitalisation / deferment rate : 6%

Valuation in accordance with s.9(1A) and s.9(1C) of the Leasehold reform Act 1967, as at 19 December 1997 - the date of service of the tenant's notice.

A. Value of freehold interest

(i)	Ground rent to 24/3/2006	£20 p a.		
	YP 9.25 yrs @ 6%	6.941	£139	
(ii)	Reversion to unimproved freehold with vacant possession	£1,000,000		
	PV £1 9.25 yrs @ 6%	0.5667707	<u>£566,771</u>	£566,910

B. Marriage Value

Value of unimproved freehold with vacant possession		£1,000,000	
<u>Less</u>			
(i)	Value of freehold interest	£566,910	
(ii)	Value of leasehold interest	<u>£244,750</u>	<u>£811,660</u>
	Marriage Value		£188,340
	50% Marriage Value		<u>£94,170</u>
	Premium		<u>£661,080</u>

Source : LVT