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Ref LON/LVT/1351/01

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: Cadogan Holdings Limited

Respondent: Anthony David Bartlett and Alison McNeill Bartlett

RE: 19 Tedworth Square, London SW3

Date of Tenant's Notice: 26 July 2000

Application to Tribunal dated: 5 January 2001

Heard: 4 December 2001

Appearances: Mr N Taggart of Counsel
Mr T J Curran, MSc, MRICS, MRTPI,
of Messrs Stiles Harold Williams, Surveyors and Valuers
for the Tenant

Mr A Radevsky of Counsel
Miss L Blackwell of Messrs Pemberton Greenish, Solicitors
Mr K Gibbs, FRICS, of Messrs Gerald Eve, Chartered Surveyors
Mr C Carter-Pegg, MRICS, of Messrs Gerald Eve,
Chartered Surveyors
for the Landlord

Members of the Leasehold Valuation Tribunal:

Mrs J McGrandle BSc (Est Man) MRICS MRTPI (Chairman)
Mr C White FRICS
Mrs S S Friend MBE JP

Date of Tribunal's decision , 18 FEB 2002

1.0. Introduction

1.1. This is an application by Cadogan Holdings Ltd ("Cadogan"), the freeholders, for the determination of the enfranchisement price as at September 2000, 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 ("the property") at 19, Tedworth Square, SW3.

1.2. The respondents, Anthony David Bartlett and Alison McNeill Bartlett, who acquired their interest in 1994, hold under a lease from Cadogan dated 24.11.78 for a term of 65 years from 19.9.78 until 29.9.2043 on a series of rising ground rents. The property was converted into three separate flats following planning permission granted in 1980. The respondents occupy four floors (first to fourth inclusive) of the six-storey property, the remaining two floors (ground and lower ground) being two separate flats.

1.3. The two separate flats are the subject of two sub-leases, both on rising ground rents-

Basement - 65 years from 29.9.78 until 26.9.2043
Ground floor - 65 years from 29.9.78 until 26.9.2043

1.4 At the date of the notice of claim the unexpired term of the leasehold interest was 43.04 years.

2.0 The Property

2.1 This is a substantial late Victorian terraced house located on the south side of Tedworth Square and laid out on six floors (lower ground, ground and four upper floors) with a five-storey back addition. Included in the demise of the ground floor flat is the ground/first floor half landing room. The lower ground floor or basement flat has a separate street access via a small front area and has exclusive use of a small rear yard.

2.2. The Tribunal were familiar with the locality, had floor plans/sections of the six floors and determined after consultation with the parties that it was not necessary to inspect the property.

3.0. Agreed Facts

3.1 A statement of agreed facts is set out in Appendix 1.

In particular:

- 1) The valuation date is 13.9.2000.
- 2) The virtual freehold value of the property in its existing configuration but with the prospect of conversion to a single family residence is £2,550,000.
- 3) The virtual freehold value of each of the three flats totals £1,855,000.
- 4) The existing leasehold value (i.e. expiring September 2043) of each of the three flats totals £1,285,000.
- 5) Landlord's rental income is capitalised at 7%. In addition, deferment rate was agreed during the course of the hearing at 6% although agreement to this was stated by the respondents to be on a "without prejudice" basis.

4.0. Issues

4.1 At issue was:

1) Whether the landlord's reversion was to the value of the single house or to the three flats.

2) The calculation of marriage value.

4.2 Attached as Appendices 2 and 3 are valuations for the applicant and respondents giving enfranchisement prices as follows:

Applicant: £521,300

Respondents: £258,939

5.0. Hearing

The case for the applicant

5.1. It was Mr Gibbs' case for the applicant that the landlord's reversion was to the value of the property as a single house (£2,550,000) rather than to its value as three separate flats (£1,855,000) and that the higher value would be achieved at the latest at the end of the term but was more likely to be achieved much earlier. His valuation had taken a midway date as a fair estimate.

5.2. Assuming that the enfranchising tenant would be the most likely purchaser in the market, Mr Gibbs first took the worst case scenario; i.e. that the enfranchising tenant would have to wait 43 years before obtaining vacant possession of the other two flats, and secondly, the best case scenario ie that the enfranchising tenant, on acquisition of the virtual freehold, would be able to do a deal straight away with his two sub-tenants. He then took the middle line i.e. that half way through the unexpired term of 43 years a deal would be struck with both sub-tenants so that vacant possession of the whole house would be obtained. At this point the considerable increase in value of £695,000 (whole house £2,550,000, flats £1,855,000) would be realised. The price which a prospective purchaser would pay at the date of claim to reflect this value Mr Gibbs calculated at £387,500.

5.3. In adopting this approach, Mr Gibbs stated that this figure of £387,500, thrown up by averaging the two scenarios, represented 76% over and above his "as seen" value (ie inclusive of improvements and 1993 Act rights) of the two existing sub-leasehold interests. His best scenario assumed that each of the sub-tenants would require an inducement of 10% over and above this value; that no allowance need be made for tenants holding over at the end of the term; that no allowance need be made for the possibility of the two sub-tenants wishing to extend their leases.

5.4. Supporting his view that there was a market for re-conversion to a single house, Mr Gibbs produced evidence of eight transactions on the Cadogan Estate of houses converted into flats where head leases and under leases had been bought in by Cadogan, vacant possession obtained and the properties subsequently marketed by Cadogan as single dwelling houses. Instances cited were properties where there was already part vacant possession and/or the existence of statutory tenants eg 61 Cadogan Place - vacant possession of three flats and a statutory tenant in the basement; 2, Ralston Street - one flat already in hand and a statutory tenant in the basement; 30 Hans Place/84 Cadogan Square/61a Cadogan Square - occupied in the main by statutory tenants. No values were cited, however. To illustrate this trend, in Tedworth Square

itself, of 17 properties in the immediate vicinity, 10 were now stated to be single dwelling houses and seven were stated still to be in flats. On cross-examination Mr Gibbs agreed that there did not appear to be speculators in the market looking to buy up existing flats in order to obtain buildings for re-conversion to houses.

5.5 During further questioning, Mr Gibbs agreed that the apparent gain in the value of the claimant's flat was about £450,000 which reduced to £400,000 after taking reversionary values into account. He also agreed that in considering the property as one house the ground floor was far more valuable than the basement flat. When questioned about the need for planning permission when converting from three flats to one house, and the possibility of the planning authority being reluctant to "lose" two units, Mr Gibbs maintained that planning consent would not be necessary.

The case for the respondents

5.6. Mr Curran, for the respondents, accepted that the value of the property with potential for conversion to a single dwelling house exceeded that of flats; nevertheless he valued the property on the basis of a reversion to three flats and asked the Tribunal to take into account the following factors:

1) That Cadogan as freeholders had taken no steps to approach any of the tenants with a view to realising the considerable difference in value between the three flats and the single house, thus indicating lack of a market

2) That there was the possibility of a collective enfranchisement claim or a lease extension claim being made by one or more of the qualifying tenants, thus frustrating the obtaining of vacant possession by the freeholder, although he conceded that S.61 development rights could be invoked. He maintained when questioned that substantial work was necessary to a building if a S.61 claim was to be successful. He agreed that compensation would be payable to the freeholder if vacant possession was not obtainable at the end of the lease.

3) That the two sub-tenants might hold over an expiry of their sub-leases thus frustrating the obtaining of vacant possession by the freeholder

4) That there could be the risk of planning permission being required in the future for change of use from three flats to a house

5) That the situation whereby the market for conversion from flats back to a house could change in the future

5.7. In valuing the freehold interest Mr Curran enhanced his figure by 7.5% to reflect the enfranchising tenant's concern that he outbid any competing investors.

5.8. He concluded that there was no quantifiable hope value in the freeholder's interest for reversion to a house prior to expiry of the leases in 43 years' time. If there was such value, he reasoned, the freeholder would have taken steps to realise it.

5.9. As part of the marriage value calculation it was Mr Curran's view that the capital value of the ground rents receivable by the enfranchising tenant from the two sub-tenants should be discounted by 40% to reflect a) tax liabilities and b) uncertainty and that there should be hope value for lease extension premiums receivable from the two sub-tenants by the enfranchising tenant deferred 20 years (ground floor flat) and 25 years (basement flat), such premiums to be deferred at a rate of 8%. Further, that the enhanced value of the property when in single ownership should be divided equally between the three flats. He maintained this despite acknowledging the different sizes and values of the flats.

5.10 Mr Curran was questioned on the enfranchisement rights of the two sub-tenants and conceded they currently had no rights but he maintained that the Commonhold Bill was likely to become law and this would confer such rights on the sub-tenants. He confirmed that as far as he knew the respondents had not had discussions with the sub-tenants; nothing had been agreed. The tenant of the ground floor flat had enquired once, in general terms, about extending her lease. He confirmed that there was a vigorous market in reversions but only for short-term, not for 43 year, reversions. He had decided not to discuss with his client or the sub-tenants the question of selling their leases to the respondents. When questioned on the tax implications included in his valuation he agreed that there was no capital gains tax liability if the respondents remained in the property and realised any additional value as a house but they could sell on their interest.

5.11 During the course of the hearing, Mr Curran conceded a deferment rate of 6% for the reversion but stated that this concession had been made on clients' instructions and was without prejudice to any evidence he might give in the future at the LVT.

6.0. Decision

6.1. It is well known that in the past decade there has been a trend in prime areas of Central London, one of which is Chelsea, for large houses, converted in the 1950s or 1960s to flats with in this case modifications in 1980, to be converted back to family houses. Further, it is accepted by both parties in the present case that 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 to the extent that its value on this basis would considerably exceed its continued use as one maisonette and two flats.

6.2. Although Mr Curran did not dispute this point, agreeing the figures, his valuation assumed that the two sub-tenants would stay on, possibly indeed hold over, for the whole of the unexpired term whereas Mr Gibbs assessed that, because of the potential value at stake, at some point during the remainder of the term vacant possession of the property would be sought and obtained by the freeholder. His method of assessing where this point lay was to take the worst case and the best case scenarios and strike the middle line.

6.3. The Tribunal's view is that given the extent of hope value - £695,000 - agreed between the parties, it would be unrealistic not to expect the enfranchising tenant, who is already in possession of two-thirds of the property, to seek to buy out at some stage during the remainder of the term the two sub-tenants. The Tribunal preferred Mr Gibbs' approach.

6.4. Mr Gibbs assessed that a prospective purchaser would pay at the valuation date £387,500 for this hope value which he calculated as being realised half way through (i.e. at 21.5 years) the unexpired term of 43 years. He was unable to produce any market evidence to support this figure but explained it had been thrown up as a result of the marriage value calculations and represented 76% over and above his "as seen" value of the short leasehold interests of the two sub-tenants.

6.5 As evidence of a market Mr Gibbs referred the Tribunal to a number of transactions where possession had been obtained by Cadogan of individual flats in order to convert properties to single dwelling houses. Mr Curran used this evidence to state that the fact that Cadogan had not approached the tenants in the present case indicated the lack of a market. In our view these transactions support neither viewpoint. In all the Cadogan cases quoted there was already an element of vacant possession, absent here. Further, Cadogan is a special case. It has the ability to provide alternative residential accommodation within its Chelsea estate for displaced regulated

and other tenants and thus more easily obtain possession of whole properties. Therefore, in the Tribunal's view, these transactions neither prove nor disprove the existence of a market. More to the point, in the present case the enfranchising tenant already has a substantial investment in the property - four out of the six floors - and the prospect of obtaining possession of the remaining two floors, especially the ground floor - in the Tribunal's view the key flat - and thus unlocking hope value must be particularly attractive either to him or to a successor in title. The Tribunal therefore do not need convincing that there is a market in the present case for realisation of hope value.

6.6 The Tribunal considered that Mr Curran was incorrect in saying that there was no quantifiable hope value and favoured the approach adopted by Mr Gibbs as being more realistic. The Tribunal, in adopting Mr Gibbs' approach, believed that the freeholder would obtain possession well before the end of the 43-year unexpired term. They have looked at the two scenarios but assumed that vacant possession of both sub-let flats would be obtained rather earlier than 21.5 years, namely, at a point in time 15 years along the unexpired term of 43 years. In looking at the worst case scenario, they have discounted 1% for the risk of the two sub-tenants holding over at the end of the term.

6.7 Mr Gibbs assumed with his best case scenario that it would be necessary to offer each of the sub-tenants a figure of 10% over and above his "as seen" value of their flats to induce them to leave. It is the Tribunal's view that there should be a differential between the two flats. The key to unlocking the potential value of the property ie its conversion to a single dwelling house, lies in obtaining possession of the ground floor flat. It is this flat, not the basement flat, which gives the property its street presence. Further, the incremental benefit of the basement flat to a property with five upper floors, such as the subject, is likely to be less than one would normally expect in Chelsea where the houses are typically lower than six storeys. Further, it is not unknown in central London for single family dwelling houses to have separate basement flats accessed only from the street and occupied by a nanny, housekeeper, separate family member or indeed just let out. The Tribunal also believe that the 10% inducement is too low. They have therefore applied a 15% inducement to the basement flat and a 25% inducement to the ground floor flat, an enhancement of £103,700 or 23% above the agreed value (£455,000) of the two existing sub-leasehold interests.

6.8 Mr Curran included in his figures a capital sum representing the risk of the sub-tenants individually extending their leases under S.39 of the 1993 Act. He assessed this occurring respectively at 20 and 25 years along the unexpired term of 43 years and he deferred at 8 % the premiums payable to the freeholder. Mr Gibbs countered the prospect of lease extensions by stating that the landlord would in practice be able to make a claim for "other loss". The Tribunal note also Mr Curran's view that the existence of a S.61 break clause in any new leases would ensure nevertheless that the landlord obtained vacant possession of the flats at the end of the unexpired 43 year term. Bearing in mind 1) that the majority of the property is already in single occupation and 2) the original staircase is still in situ and outside the demise of the ground floor flat, the flat's half landing rear room being accessed via a small internal staircase, and 3) the Tribunal's remarks concerning the contribution or non-contribution of the basement flat, the scope for redevelopment in order to bring the rest of the property back into single occupation may however be limited. On the other hand, the Tribunal also believe that it is unlikely that the sub-tenants would seek to extend their leases, if only because it would be in the interests of the freeholder, as special purchaser, to offer them sufficient inducement to enable them to buy a better replacement flat elsewhere. In addition, none of the tenants was present at the hearing and the Tribunal would not wish to speculate on their intentions.

6.9. Mr Curran asked the Tribunal to take into consideration possible changes to legislation and possible changes in market trends. The Tribunal can only take into

account factors existing at the date of valuation and also cannot speculate on market movements either short or long term.

6.10 The Tribunal note in passing that Mr Curran had signed at the end of his evidence the RICS expert witness declaration. The duty of an expert witness is to the Tribunal and not to his client (*Stevens v Gullis 1999*) and, therefore, it was inconsistent of Mr Curran, having signed the declaration, to state that the 6% deferment rate conceded by him during the course of the hearing was only on clients' instructions and without prejudice to future hearings.

6.11 Costs. In the absence of a formal application for costs, the Tribunal have declined to make a determination.

6.12 The Tribunal's valuation, giving an enfranchisement price of £457,360, is set out in Appendix 4.

CHAIRMAN.....

J. Mr Grandle -

DATE.....

18. 2. 02.



19 Tedworth Square, London SW3
Leasehold Reform Act 1967 (as amended)

STATEMENT OF AGREED FACTS

1. Situation:

Tedworth Square is a highly regarded residential area in a good location in Central London. The Square is a quiet residential garden square and lies south of the King's Road, north of Royal Hospital Road and west of Burton's Court. The Square benefits from its proximity to the shops and transport facilities of King's Road including, Sloane Square underground station.

2. Description:

The subject property is a late Victorian mid terrace house. It is situated on the south side of the Square at the eastern end and benefits from direct views across the gardens. The property is of traditional brick construction, the brickwork to the front elevation is red brick with decorative rendering to the parapet. The property has a bay window on lower ground, ground and first floor levels, with a balcony running across the full width at first floor level.

The property is arranged over lower ground, ground and four upper floors, with a four storey rear addition, a rear yard and a south facing roof terrace at 4th floor level. The lessee and lessee's tenants have use of the ornamental garden in the centre of the Square. Whilst at the grant of the lease the property was configured as an upper and lower maisonette, each arranged over three floors, a Licence was granted in 1979 for the property to be converted to form a self-contained flat at lower ground floor level, a self contained flat comprising the ground floor and back addition room on the half landing above and a self-contained maisonette comprising the first, second, third and fourth floors.

Areas

3. **Gross Internal Area as a house
net of tenant's improvements:** 4,090 sq ft (380.0 m²)

**Gross Internal Area as maisonettes
net of tenant's improvements
(i.e. original configuration):**

Lower maisonette	2,040 sq ft (189.5 m ²)	
Upper maisonette	<u>1,950 sq ft</u> (181.2 m ²)	
Total:		3,990 sq ft (370.7m²)

**Gross Internal Area of flats
at valuation date as 13/9/2000**

Lower Ground Floor (not including lobby):	752 sq ft (69.9 m ²)	
Ground floor and part 1 st Floor:	692 sq ft (64.3 m ²)	
Part 1 st and 2 nd to 4 th floors:	<u>2,546 sq ft</u> (236.5 m ²)	
Total:		3,990 sq ft (370.7m ²)

Improvements
(entrance lobby
under the front steps): 31 sq ft (2.9 m²)

4. **Date of valuation:** 13th September 2000
Unexpired term: 43.04 years
Valuation basis: 9 (1C)
5. **Condition at valuation date:** Generally good condition throughout.
6. **Original configuration at grant of lease:** Upper maisonette on the second, third and fourth floors and lower maisonette on the lower ground, ground and first floors.
7. **Lease details:**
- Dated:** 24th November 1978
- Term:** 65 years from 29th September 1978 to 29th September 2043
- Parties:** The Right Honourable William Gerald Charles Earl Cadogan ("the Lessor")
Cadogan Holdings Company
David William Sagar and Brigitte Madeleine Sagar ("the Lessee")
- Premium:** £20,000
- Head Rent:** £400 until 29th September 1999
£800 until 29th September 2020
£1600 until 29th September 2041
£3200 until 29th September 2043

Summary of relevant

Lease terms: "Not to carry on or permit to be carried on upon the demised premises or any part thereof any trade business or profession and not to use or permit the demised premises or any part thereof to be used for any illegal or immoral purpose or otherwise than as follows:-

Second third
and fourth floors: A self-contained maisonette to be
used as a private residence in
one family occupation only

Basement ground
and first floors: A self-contained maisonette to be
used as a private residence in
one family occupation only."

"(a) Not to assign or transfer part only of the demised
premises

(b) Not to assign or transfer the demised premises as a
whole and not to underlet or part with possession of the
demised premises or any part thereof (except by way of
mortgage or charge) without the previous consent in
writing of the Company such consent not to be
unreasonably withheld PROVIDED that the Company's
consent shall not be necessary in the case of a
furnished underletting of the demised premises or part
thereof for a term not exceeding one year to a
respectable and responsible tenant

Provided however that should the Lessee desire to
assign the demised premises to a limited company the
Lessee shall before such assignment (if required to do
so by the Company) procure that two directors thereof
(or two other persons first approved by the Company)
as sureties for the limited company into a joint and
several covenant with the Lessor and the Company
that so long as the term hereby granted is vested in the
limited company they will pay and make good to the
Lessor and the Company all losses costs and
expenses sustained by the Lessor or the Company
through the default of the limited company to pay the
rent hereby reserved or the failure of the limited
company to observe and perform the Lessee's
covenants and conditions herein contained"

The lease requires the tenant to well and substantially
repair and insure the property and to repaint the interior
and exterior within stated periods. To pay a reasonable
proportion of the expense incurred for the making and
supporting, repairing, cleansing and amending of all
passageways, party fence walls, private roadways,
footpaths and forecourts, gutters, common sewers and
drains. The walls, timbers and roof of the property must
not be cut or injured in any way, nor may the plan,
layout, height, elevation or architectural appearance be
changed. The erection of internal partitions for dividing
rooms is not permitted.

The lessee's and lessee's tenants may be permitted to use the ornamental garden in the centre of the Square but each self-contained unit will be required to pay a sum varying between 12.5% and 19% of the yearly rent, towards the estimated expense of keeping the ornamental garden, gates, fences, footpaths, brickwork and kerbing and also for the accumulation of a fund out of which non-recurrent expenses may be paid.

8. Underleases

1. Lower Ground Floor Flat

Dated: 15th February 1980.

Term: 65 years from 29 September 1978 until 26 September 2043.

Parties: David William Sagar and Brigitte Madeleine Sagar ("the Lessor")
Peter Michael Thom ("the Lessee")

Premium: £30,000

Rent: £80 per annum reviewed to £160 from 29th September 1999, £320 from 29th September 2020 and £640 from 29th September 2041.

The principal terms of the underlease:

"Not to use the demised premises otherwise than as a self-contained private residential flat in one family occupation only."

2. Ground Floor Flat

Dated: 26th February 1982.

Term: 65 years from 29 September 1978 until 26 September 2043.

Parties: David William Sagar and Brigitte Madeleine Sagar ("the Lessors")
Amy Hadden ("the Lessee")

Premium: £70,000

Rent: £100 per annum reviewed to £200 from 29th September 1999, £400 from 29th September 2020 and £800 from 29th September 2041.

The principal terms of the underlease:

"Not to use the demised premises otherwise than as a self-contained private residential flat in one family occupation only."



GeraldEve

9. Alterations:

1.

Licence to make the alterations: 17th December 1979.

Brief description: "A self-contained flat in the basement

A self-contained flat comprising ground floor and back addition room on the half landing above

A self-contained maisonette comprising the first second third and fourth floors"

2.

Licence to make the alterations to the basement flat: 23rd April 1980.

Brief description: "To form a new entrance lobby under the front steps to be constructed in brickwork to match the existing with a hardwood door and frame, to remove the partition between the front room and the passage way and to form a dressing room"

3.

Licence to retain unauthorised alterations to the ground floor flat: 28th August 1991.

Brief description: "Internal alterations to the bathroom"

4.

Licence to make the alterations to the self-contained maisonette: 8th July 1994.

Brief description: "Internal alterations to provide drawing room/library at first floor level. Dining room, kitchen, cloakroom and utility at second floor level. Master bedroom, en suite bathroom and second bedroom at third floor level. Two bedrooms and a bathroom at fourth floor level"

10. Planning History:

06/03/1980 (Conditional)

Conversion of the premises into 3 self contained units.

11. Agreed Valuation Matters:
A) Vacant Possession Values of Unimproved Property

1. The values relate to the property in its existing configuration (as two flats and one maisonette, each with competent central heating and domestic hot water systems) but, in other respects, with improvements disregarded.
2. The freehold of the property as a whole, for re-adaptation as a single family residence:

£2,550,000

3. The 999 year leasehold (virtual freehold) and existing leasehold (expiring September 2043) of the two flats and the maisonette are as follows:

Unit	Virtual Freehold £	Existing Lease £
Basement Flat	300,000	210,000
Ground Floor Flat	355,000	245,000
Upper Maisonette	<u>1,200,000</u>	<u>830,000</u>
Total	1,855,000	1,285,000



For the Cadogan Estate:

Name: KACIBBS

Company: Gerald Eve

Signature: [Handwritten Signature]

Date: 15/08/01

For the Tenant:

Name: T J CURRAN

Company: Files Harold William

Signature: [Handwritten Signature]

Date: 17/8/2001

KDG 1

CADOGAN HOLDINGS LIMITED

LEASEHOLD REFORM ACT 1967 (AS AMENDED)

Property: 19 Tedworth Square
 Date of Claim: September 13, 2000
 Unexpired term of lease: 43.04 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 Capitalised for	20.04	years @	7.00%	800 <u>10,605</u>		8,484
Ground rent payable on Doubling every 21 years Capitalised for	21.00	years @	7.00%	10.84	1,600	
Deferred	20.04	years @	7.00%	<u>0.258</u>	<u>2,797</u>	4,475
Ground rent payable on Doubling every 21 years Capitalised for	2.00	years @	7.00%	1.81	3,200	
Deferred	41.04	years @	7.00%	<u>0.062</u>	<u>0.112</u>	359
For reversion to -						
Value of freehold in possession				2,550,000		
Deferred	43.04	years @	6.00%	<u>0.0814</u>	<u>207,650</u>	220,968
Add Lessor's share of marriage value						
Value of claimant's <u>proposed interest</u> exclusive of marriage value (see KDG 20)					<u>1,652,462</u>	
<u>Less</u>						
Value of lessors interest exclusive of marriage value				220,968		
Value of claimant's present interest exclusive of marriage value				<u>830,800</u>	<u>1,051,768</u>	
Gain on marriage					600,695	
Attributed to lessor at 50.0%						<u>300,347</u>
Enfranchisement price						521,315
				say	<u>£</u>	<u>521,300</u>

x
KDG 16

Gerald Eve
 Chartered Surveyors
 KDG/CNCP/A11516

R19TST			
Address: 19 Tedworth Square			
1. Value of freeholder's existing interest			
1.1	Ground rent 1	800	
	YP 20 years at 7%	10.59	8472
	Ground rent 2	1600	
	YP 21years at 7%	10.84	
	PV 20. years	0.26	4509
	Ground rent 3	3200	
	YP 2years at 7%	1.81	
	PV 40 years	0.05	289.6
	Reversion to unimproved value of flats	1,855,000	
	PV 43 yrs at 7%	0.0545	101098
1.3	Sub total		114369
1.4	Plus 7.5% uplift		122946
1.3	Total value of freeholder's interest		122946
2. Marriage value			
2.1	Freehold vacant possession value		
	a) Mr and Mrs Bartlett's flat		1,200,000
	c) Plus capital value of ground rents on sub tenants flats less 40%	5830	
		0.6	3498
	d) Plus hope value for lease extension premiums		
	Basement flat at	55000	
	Pv 20 years at 8%	0.2145	
			11797.5
	Ground floor flat at	66000	
	Pv 25 years at 8%	0.1460	
			9636
	Total hope value		21433.5
	e) Sub total of a) to d)		1224932



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2.4

2.5

3. To

The Tribunal's Valuation

19 Tedworth Square, London, SW3

Claimants' proposed interest - immediate purchase of lessees' interest.

Value of 999 lease		1,200,000
ADD reversion	2,550,000	
DEDUCT value of upper maisonettes with 999 lease	<u>1,200,000</u>	<u>1,350,000</u>
		2,550,000
DEDUCT purchase of existing interests	510,000	
inducement to sell. Basement 15%	35,700	
Ground floor 25%	68,000	<u>103,700</u>
		613,700
		<u>£ 1,936,300</u>

Claimants' proposed interest without purchase of lessees' interest. i.e existing leases to run to their end.

Value of 999 lease		1,200,000
ADD value of ground rent payable by lessees		
20.04 years @ 7% £360 x 10.604	3,817	
21 years @ 7% deferred 20.04 years		
720 x 2.797	2,014	
2 years @ 7% deferred 41.04 years		
1,440 x 0.112	<u>162</u>	5,993
ADD Value of reversion in 43.04 years		
Agreed value as a house	2,550,000	
Less current value with 999 lease	<u>1,200,000</u>	
	1,350,000	
Deferred 43.04 years @ 6%	0.0814	<u>109,932</u>
		1,315,925
LESS Allowance for possible periodic tenancy. SAY 1%		<u>13,159</u>
		<u>1,302,766</u>

Maximum gain on enfranchisement	1,936,300
Minimum gain on enfranchisement	<u>1,302,766</u>
	<u>633,534</u>

15 years = $15/43 \times £633,534$ £221,000£1,523,766

19 Tedworth Square, London, SW3

Valuation

Agreed current values

Basement flat	£210,000
Ground floor flat	£245,000
Upper maisonette	£830,000

Note on above :-

1. These values disregard tenants' improvements. The Tribunal accept the value of £510,000 given by Mr Duncan for the basement and ground floor flats as existing.
2. It is assumed that these valuations include current arrangements for paying and receiving ground rent and also take into account service and maintenance charges.

Agreed value of the whole property as existing but vacant and available for reconversion to a single house.

£2,550,000

Agreed value of current units but with 999 year leases

Basement flat	£300,000
Ground floor flat	£355,000
Upper maisonette	£1,200,000

Current value of lessor's interest

£2,550,000 deferred 43.04 years @ 6%. $£2,550,000 \times 0.0814$ £207,650

Ground rents :

£800 for 20.04 years @ 7%. 800×10.605	£8,484
£1600 for 21 years deferred 20.04 years. 1600×2.797	£4,475
£3200 for 2 years deferred 41 years. 3200×0.112	£359
	<u>£220,968</u>

Value of claimants, interest including marriage value 1,523,766

LESS

Value of lessor's interest as above £220,968

Value of claimants' maisonette £830,000 £1,050,968

Marriage value £ 472,798

Cost of enfranchisement

**Value of lessor's interest
50% of marriage value**

£220,968

£236,399

£457,367

SAY £457,360