

1604



**Residential  
Property**  
TRIBUNAL SERVICE

**LONDON RENT ASSESSMENT PANEL  
LEASEHOLD VALUATION TRIBUNAL**

**Case Reference: LON/OOAG/OCE/2007/0261**

**LEASEHOLD REFORM HOUSING AND URBAN DEVELOPMENT ACT 1993  
SECTION 24**

**Applicant: GORDON HOUSE ROAD No 5 LIMITED**

**Respondent: SINCLAIR GARDENS INVESTMENTS  
(Kensington) LIMITED**

**Premises: 5 GORDON HOUSE ROAD, LONDON  
NW5 1LN**

**Date of Application: 27 July 2007**

**Appearances for Applicant: Mr T.O'Keeffe of Buy your freehold Ltd**

**Appearances for Respondent: Mr L.A.Nesbitt BSc Hons) FRICS MCI Arb  
of Nesbitt & Co Chartered Surveyors**

**Leasehold Valuation Tribunal: Mrs B.M.Hindley LL.B  
Mr D. L. Edge FRICS**

1. This is an application under Section 24 of the Leasehold Reform, Housing and Urban Development Act 1993 to determine the price payable for the enfranchisement of 5 Gordon House Road, London NW5 1LN.
2. Attached at Annex 1 and 2 respectively are the valuations of Mr O'Keefe and Mr Nesbitt.
3. On 20 November 2006 a notice was served by the nominee purchasers, Gordon House Road, No 5 Limited, proposing a price of £6,503 + £100 for the additional property.
4. By a counter notice dated 24 January 2007 the reversioner, Sinclair Gardens Investments (Kensington) Limited sought £16,560 + £1000 for the additional property.
5. By the time of the hearing the following facts were agreed between the parties:-
  - (a) The valuation date - 20 November 2006
  - (b) The lease terms of both flats - 99 years from 25 December 1987
  - (c) The unexpired term - 80.09 years
  - (d) The freehold values of the ground floor and first floor flats - £365,000 and £290,000 respectively
  - (e) Capitalization of the ground rent - 7%.
6. At the hearing the Tribunal was informed that the only matter in dispute was the deferment rate. Mr O'Keefe contended for 6.25% having initially sought 7 - 7.25% while Mr Nesbitt adopted 5% taking into account the decision of the Lands Tribunal in the Sportelli and appeal cases.
7. Both parties were in agreement that the subject was not located in prime central London and that there was nothing about the building or the leases which was not reflected in the agreed capital values. However, Mr O'Keefe argued that the location of the subject property did have an effect on the deferment rate to be used, and that there was 'compelling' evidence which would allow departure from the 5% guidance.
8. Mr O'Keefe produced the Beckett and Kay graph of relativity which, he said, was produced from information provided by a number of agents and Lease over a varying number of years. He claimed that all the agents, except Moss Kaye and Lease, dealt only with prime central London properties and that at 80 years these two showed a relativity of 97% in contrast to the others which averaged 94%. Based on this Mr O'Keefe constructed a calculation which purported to show the net profit before fees purchasers could expect using the two relativities but a deferment rate in both cases of 5%. Having achieved very different 'profits' he was satisfied that enfranchisement in non central London produced a very much lower percentage increase in value and that, therefore, it could not be right to use the same deferment rate in both areas.
9. He found further support for this view from his experience that leaseholders outside central London were now only enfranchising or seeking lease extensions if the need was forced on them since it was not possible for them to make a profit.
10. Asked to quantify why he had adopted 6.25% rather than any other percentage he said that at this figure enfranchisement was viable.
11. Mr Nesbitt said that it was the reversioner's interest that was to be valued, not the leaseholders. He said that the question was whether there was any need to adjust

the risk premium of 2.5% favoured in the Sportelli cases. He could see no difference between the Sportelli properties (except for Maybury Court) and the subject, in that they were all brick built and Victorian conversions. Accordingly he saw no reason to make an adjustment for obsolescence.

12. He next considered whether there was a difference in the capital growth of properties in Camden and Kensington and Chelsea or Westminster. He did this by means of graphs looking over a period of seven years. These revealed that Camden properties outperformed Westminster properties and, at the valuation date, only slightly underperformed when compared with Kensington and Chelsea properties.
13. Mr Nesbitt was satisfied that any other differences between the Sportelli properties and the subject were covered by the differences in capital values.
14. The Tribunal was not persuaded that Mr O'Keefe had produced the compelling evidence necessary to allow them to depart from the 5% guidance figure determined by the court. They considered the Beckett and Kay graph to be unreliable and Mr O'Keefe's evidence of transactions prior and post Sportelli to be unsupported and anecdotal.
15. For all of these reasons the Tribunal is satisfied that the deferment rate to be applied in this application should be 5%.
16. Accordingly, the price to be paid for the enfranchisement of 5 Gordon House Road, London NW5 is £16,600 as set out in the valuation attached at Annex 3 of these reasons.

Chairman:



Date:

23 January 2008

**5 Gordon House Road, London NW5 1LN** Leaseholders

Valuation date 20/11/2006  
 Unexpired Term at Valuation Date 80.09

	Present Unimproved Market Values	Share of Freehold Values
Ground Floor		365000
First Floor		290000
<b>TOTAL</b>		<b>655000</b>
Capitalisation Rate		7.00%
Deferment Rate		6.25%

## Value of Freeholder's Interest

Ground Rent reserved YP to 1st Review	200 8.7803	1756
Ground Rent reserved YP to 2nd Review	300 4.92	1476
Ground Rent reserved YP to 3rd Review	400 0.53	212
Reversion PV of £1 until end of term	655000 0.007787169	5101
		<b>8545</b>

## 5.0 VALUATION:

THE LEASEHOLD REFORM, HOUSING URBAN AND DEVELOPMENT ACT 1993

DATE: 07/01/2008

PROPERTY

5 Gordon House Road, London, NW5

Valuation Date

20/11/2006

LEASE DETAILS

Commencement

25/12/1987

5.00%

Reversionary rate %

Term

99

7.00%

Capitalisation rate %

Expiry date

24/12/2086

Unexpired term

80.09

Rent receivable by landlord

£200.00

£300.00

£400.00

VALUES

Lower maisonette £365,000

Upper maisonette £290,000

FHVP £655,000

£655,000

VALUE OF FREEHOLDER'S INTEREST

<u>TERM 1</u>	RENT				£200.00	
	x YP	14.09	years @	7.00%	8.7803	
						£1,756
<u>TERM 2</u>	RENT				£300.00	
	x YP	33.00	years @	7.00%	12.7538	
	x PV	14.09	years @	7.00%	0.3854	
						£1,475
<u>TERM 3</u>	RENT				£400.00	
	x YP	33.00	years @	7.00%	12.7538	
	x PV	47.09	years @	7.00%	0.0413	
						£211
<u>REVERSION</u>	FHVP				£655,000	
	x PV	80.09	years @	5.00%	0.02009	
					-----	£13,156
<u>VALUE OF FREEHOLDER'S INTEREST</u>						-----
					<b>Total</b>	<b>£16,597</b>

CALCULATION OF MARRIAGE VALUE

Leases have over 80 years to run therefore Marriage Value is ignored.

Continued...../

PRICE PAYABLE TO FREEHOLDER

	Value of Freehold Interest	£16,597
Plus	Freeholders Share of Marriage Value	£0
		-----
	<b>Total</b>	<b>£16,597</b>
	<b>Say</b>	<b>£16,600</b>

**6.0 CONCLUSION:**

I am of the opinion that the Price applicable for Enfranchisement in respect of 5 Gordon House Road, London, NW5 is fairly represented in the sum of :-

**£16,600**

**(Sixteen thousand six hundred pounds)**

Signed.....

Dated.....17/1/08.....

**Laurence Nesbitt BSc (Hons) FRICS MCI Arb**

**LEASEHOLD REFORM HOUSING AND URBAN DEVELOPMENT ACT**  
**1993 (as amended)**

**TRIBUNALS VALUATION OF THE FREEHOLD**  
**of**  
**5 GORDON HOUSE ROAD, LONDON NW5 1LN**

**A COMPONENTS**

Valuation date: 20 November 2006

Leases: 99 years from 25 December 1987.  
 Unexpired term at valuation date 80.09 years

Ground rents: £200 first 33 years.  
 £300 for next 33 years  
 £400 for remainder.

Long lease values (upper & lower): £655,000

capitalisation rate: 7%  
 deferment rate: 5%

**B VALUATION**

Value of Freeholder's interest

<u>Term 1.</u>		
Ground rents	£200	
YP 14.09 yrs @ 7%	<u>8.7791</u>	1,756
<u>Term 2.</u>		
Ground rents	£300	
YP 33 yrs @ 7%	12.7538	
PV £1 14.09 yrs @ 7%	<u>0.3855</u>	
	<u>4.9166</u>	1,475
<u>Term 3.</u>		
Ground rents	£400	
YP 33 yrs @ 7%	12.7538	
PV £1 47.09 yrs @ 7%	<u>0.0413</u>	
	<u>0.5267</u>	211
<u>Reversion</u>		
FHVP	£655,000	
PV £1 in 80.09 years @ 5%	<u>0.0201</u>	13,165
<u>Marriage value</u>		
Leases have over 80 years unexpired so ignored		<u>0</u>
		16,607
<u>Premium Payable</u> say		<b>£16,600</b>