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Ref: LON/LVT/1022/98

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: Grosvenor Estate Belgravia

Respondent: Mr G Strothe & Ms L Herrick

RE: 108 Eaton Place, London SW1

Date of Tenant's Notice: 7 July 1997

Application to the Tribunal dated: 24 September 1998

Heard: 13 & 14 July 1999

Appearances:

**Mr S Atkins (of Counsel)
Mr J Stephenson (Bircham & Co, solicitors)
Mr J Shingles (Strutt & Parker)**

for the Tenant

**Mr S Burrell (of Counsel)
Mr P Scoble (Boodle Hatfield, solicitors)
Mr T J Martin (Grosvenor Estate)
Mr I Macpherson MA FRICS (Gerald Eve)
Mr G Pope FRICS**

for the Landlord

**Members of the Leasehold Valuation Tribunal
Mr J A Davis LLB (Chairman)
Mr R Shutler CB FRICS FAAV FSV
Mr D Z Myer-Smith LLB**

Date of the Tribunal's decision: 15 DEC 1999

RE: 108 EATON PLACE, LONDON, SW1X 8LR

LON/LVT/1022/98

THE TRIBUNAL'S DECISION

INTRODUCTION

1. By a lease dated 23 July 1970 George Kershaw Ridley and others, being the Trustees of the Most Noble the Second Duke of Westminster Deceased, demised the house and premises at 108 Eaton Place, London, SW1X 8LR ("the subject property") to Barbara Jessie Karmel.
2. By a notice dated 7 July 1997 the tenants, Mr Gunther Strothe and Ms Lucinda Herrick ("the tenants"), gave notice to the Trustees of the Most Noble the Second Duke of Westminster Deceased of their desire to have the freehold of the subject property pursuant to the provisions of the Leasehold Reform Act 1967 ("the Act").
3. By an application dated 24 September 1998 the landlords, the Grosvenor Estate Belgravia (the owners of the head leasehold interest in the subject property) and the Trustees of the Most Noble the Second Duke of Westminster Deceased (the owners of the freehold interest in the subject property) applied to the Leasehold Valuation Tribunal under section 21(1) of the Act for the determination of the price payable under section 9 of the Act for the subject property. By that application the landlords also applied under section 21(2) of the Act for the determination of the provisions which ought to be contained in the conveyance. However, by the date of the hearing those provisions were no longer in issue and the price payable was the only matter to be determined by the Tribunal.
4. A hearing took place on 13 and 14 July 1999 at which the landlords were represented by Mr Burrell of Counsel (instructed by Boodle Hatfield) and the tenants were represented by Mr Atkins of Counsel (instructed by Bircham & Co.). Mr Burrell called Mr George M Pope, FRICS FSVA, and Mr Ian Macpherson, MA FRICS. Mr Atkins called Mr Justin Shingles, valuation surveyor and Head of the Professional Department at Strutt & Parker. All three witnesses read written proofs of evidence supplemented by numerous appendices. Mr Macpherson and Mr Shingles produced competing valuations and the former's valuation was amended twice during the course of the hearing.
5. The Tribunal inspected the subject property on 22 July 1999. It also inspected the outsides of the properties suggested as comparables by the parties.

POINTS OF AGREEMENT

6. The parties provided the Tribunal with a Statement of Facts relating to the reference. That statement is the first of the "productions" to Mr Macpherson's proof of evidence. A copy of that statement is appended as Appendix 1 to this decision. Paragraph 4 of the Statement of Facts contains a list of the alterations to the subject property which the parties agreed had been carried out since the commencement date of the deemed aggregated tenancies. However, the landlords did not agree that the third and fifth alterations (integration of pantry into utility room and installation of east facing windows to first floor study and drawing room) amounted to improvements which had increased the value of the subject property within section 9(1A)(d) of the Act.
7. In addition to the matters expressly stated in the Statement of Facts, it was clear from the witnesses' evidence and competing valuations that a number of other matters were agreed (copies of the parties' competing valuations are appended hereto as Appendices 2 and 3). Those matters included the following.
 - (a) That the valuation should be carried out pursuant to section 9(1C) of the Act.
 - (b) That the valuation date should be 7 July 1997 (paragraph 1.6 of the proof of evidence of Mr Justin Shingles demonstrates that the date stated at the top of his valuation is incorrect).
 - (c) The yield rates to be used for capitalisation and deferment and the lengths of the periods of deferment.
 - (d) That the marriage value should be shared equally between the parties.

THE ISSUES

8. At the beginning of the hearing the parties helpfully provided the Tribunal with a "Schedule of Differences". The extent of the differences changed during the course of the hearing in accordance with the evidence, as did the landlords' valuation. The landlords' valuation forming Appendix 2 hereto is "IM2B", Mr Macpherson's second reworking of the valuation which, in its original form, constituted his production "IM2". A final statement of the differences between the parties is as follows.
 - (a) The amount of the passing rent up to the date of the next review on 25 December 2007 (excluding any increase attributable to tenants' improvements). The landlords' case was that this rental figure should be £9,749 per annum whilst the tenants' case was that this should be £5,103 per annum.
 - (b) The amount of the passing rent which would be payable after the next review date on 25 December 2007 (excluding any increase attributable to tenants' improvements). The landlords' case was that this figure should be calculated by the application of the formula in the lease to a rack rental of £75,000 per annum. The tenants' case was that this figure should be calculated by the application of the formula in the lease to a rack rental of £25,864 per annum.
 - (c) The value of the freehold reversion with vacant possession (excluding tenants' improvements) as at 7 July 1997. The landlords' case was that this value was £1,950,000 whilst the tenants' case was that this value was £1,200,000.

- (d) The increase (if any) in the freehold value as a result of the tenants' improvements. The tenants' case was that this increase was £100,000 whilst the landlords' case was that this increase would be £75,000 if all of the alterations listed in the agreed statement of facts were held to be improvements and £50,000 if only the first, second, fourth and sixth alterations so listed were held to be improvements. (The Tribunal noted that, in paragraph 4.5 of his proof of evidence, Mr Pope had originally valued this increase at £100,000.)
- (e) The value of the tenants' leasehold interest as at 7 July 1997 (excluding any increase attributable to tenants' improvements). The landlords' case was that this value should be £743,100 whilst the tenants' case was that this value should be £603,795.

The Tribunal's decisions upon each of the issues identified in the Schedule of Differences are set out in the following paragraphs and embodied in the Tribunal's valuation forming Appendix 4 hereto.

THE PASSING RENT TO THE DATE OF THE NEXT REVIEW

- 9. The rent currently payable under the lease is £10,000 per annum, being the sum determined on the most recent review in respect of the period from 25 December 1987. The rent review clause in the lease provides that the rent is to be reviewed in accordance with a formula which incorporates the full annual market rental value (the effect of the clause is succinctly summarised in paragraph 4.1 of Mr Shingles' proof). It does not provide that the value of tenants' improvements shall be excluded. Accordingly, improvements carried out by the tenants and their predecessors in title at their own expense within section 9(1A)(d) were taken into account in determining the current rent.
- 10. The decision in Sharp v Earl Cadogan (1998, Lands Tribunal, unreported) held that the value of tenants' improvements should be disregarded at all stages of the calculation. It follows that an element of the ground rent to be capitalised needs to be deducted in order to eliminate that part of it which reflects the value of tenants' improvements.
- 11. Since the most recent review pre-dated the acquisition of the subject property by the tenants on 24 June 1994, the alterations effected since that date cannot have influenced the current rent. However, the evidence was that the second alteration (opening of party wall to create single unit at ground and first floor level) and sixth alteration (installation of central heating) in the agreed Statement of Facts had been carried out before 25 December 1987. Indeed, judging by the particulars of J Trevor & Sons produced in advance of an auction on 12 December 1951 and forming the second appendix to the proof of evidence of Mr Pope, those works had been carried out prior to 12 December 1951.
- 12. In the opinion of the Tribunal, the second and sixth alterations were improvements which had increased the value of the subject property. Without the second alteration, the subject property would not have been a single unit at the time of the first review. The sixth alteration provided the subject property

with an important amenity, especially in a property of this quality. Notwithstanding this view, the Tribunal did not consider that these improvements had had as significant an effect upon the current passing rent as the tenants had argued but felt that, proportionately, the works would have a greater effect on rental, as opposed to capital, value.

13. For these reasons the Tribunal used a rental figure of £9,250 per annum when making its valuation in Appendix 4. As indicated above, the other elements required to calculate the capitalised value of the rent payable under the tenancy from the valuation date until 25 December 2007 were agreed by the parties and have been used by the Tribunal in making its valuation.

THE AMOUNT OF THE PASSING RENT AFTER 25 DECEMBER 2007

14. In order to operate the rent review clause in the lease it is necessary to find the market rent at the review date. In accordance with valuation practice, both parties' experts assessed the market rent as at the valuation date (7 July 1997). However, they approached the task in significantly different ways.
15. Mr Shingles relied upon two estate agents' assessments made in early June 1994 (shortly before the tenants bought) of the rents which the subject property would attract let on a short-term tenancy. From these assessments Mr Shingles derived a median rack rental letting figure of £425 per week which he indexed forward to the valuation date, giving an annual rental figure of £25,864 (see paragraph 4.4 of his proof).
16. Mr Macpherson used a different method set out in paragraphs 6.3 to 6.17 of his proof. He started with the full market rent agreed for a property of similar size at 36 South Eaton Place. He then adjusted this and calculated what percentage it represented of the capital value agreed for the freehold in possession (5.06%). Then, starting with Mr Pope's original valuation of the freehold with vacant possession disregarding the effect of tenants' improvements (£1,900,000), he calculated a similar percentage (5%) in respect of the subject property producing a figure of £95,000. This gave a higher rent per square foot figure (£32.43) than that paid in respect of a number of other houses in relatively close proximity to the subject property (the rents paid for the other properties range between £18.70 and £28.49 per square foot). Accordingly, he decided that in a well-informed, friendly, negotiation the tenants would be able to negotiate a lower rental figure and that it was "reasonable to conclude that the parties would agree upon a rental value around £25 per square foot or say £75,000 per annum" (paragraph 6.15).
17. In deciding which of these approaches to prefer the Tribunal was faced with the obvious difficulty that there was no evidence of actual full market rental lettings. The approach adopted by Mr Shingles had the attraction that the authors of the two letters, whilst not before the Tribunal, had seen the subject property in its partially unimproved condition prior to the tenants' purchase. However, they appeared to be considering short-term lettings rather than a

notional letting "of the demised premises as a whole for the term of eleven and one half years" as required by the rent review clause.

18. Notwithstanding this criticism, the Tribunal decided that, properly interpreted, the market rental figure provided by at least one of the letters relied upon by Mr Shingles did not differ significantly from the figure calculated by Mr Macpherson. In the third paragraph of the letter from Douglas & Gordon (forming part of the fourth appendix to Mr Shingles' proof) the writer says: "In its present state we would recommend that an allowance should be given to the tenants towards improving the property and that allowance should take the form of a rent free period of three calendar months. The rent we would recommend would be £1,500 per week for say a three year period with an annual escalation in line with inflation." After deducting a thirteen week rent free period, £1,500 per week equates to an average rent of £1,385 per week over a three year period. £1,385 per week equates to £72,000 per annum - very close to Mr Macpherson's suggested figure of £75,000 per annum. However, the agents' figure of £1,500 per week would also have reflected the underlying improvements referred to in paragraph 12 above but that increment must be eliminated from the valuation in order to accord with the basis on which it must be conducted. That said, the Tribunal must assume that the property is in good repair and decorative state.
19. Notwithstanding the different methods advocated by the witnesses, the thrust of the evidence points towards a full market rental value of a little over £70,000 per annum. Against this amount a deduction must be made for tenants' improvements and, taking everything into account, the Tribunal arrived at a notional reviewed rent, on the statutory basis, of £65,000 per annum for a term of eleven and a half years with effect from 25 December 2007. The capitalisation rates were agreed between the parties and the Tribunal's calculation of the second income stream is set out in Appendix 4.

**THE VALUE OF THE FREEHOLD REVERSION WITH VACANT POSSESSION
(EXCLUDING TENANTS' IMPROVEMENTS) AS AT 7 JULY 1997**

20. The subject property has a number of eccentric features. These include the following.
- (a) It is a "low-built" house on only two floors. In J Trevor & Sons' 1951 property particulars (Mr Pope's appendix 6) it is described as "a unique, attractive, dwarf non-basement leasehold residence". In Mr Pope's opinion, this was an advantage and he considered that low-built houses have a greater value.
 - (b) It has a very wide frontage (approximately 80 feet) onto Eaton Place where the main entrance is. In addition, it has a second entrance from Eaton Mews North to the rear. Although the rear of the property is not a basement, the ground floors of the front rooms are below street level.
 - (c) It is a shallow house, being for the most part about 14',9" deep. This has clearly affected its layout and there is a shortage of circulation space. It is clear that, in many cases, the quickest and simplest way of reaching one room is to go through another.

- (d) It does not have a garden or patio.
 - (e) The consent to park a car referred to in paragraph 3.2 of Mr Pope's proof was, as he accepted, determinable.
21. During the course of its inspection the Tribunal noted the presence of the features described above. In the Tribunal's opinion, the subject property had an imposing external appearance but (for its type and location) an undistinguished interior. An unattractive feature of the interior was its lack of depth and the likelihood that, in the course of normal use, the principal rooms would be used as a corridor with a corresponding reduction in comfort and privacy. The Tribunal also considered the fact that the ground floor of the subject property at the front was below street level was an unattractive feature. This tended to make the ground floor front rooms rather dark and probably contributed to the damp noted in the end bedroom downstairs. Nevertheless, the subject property provides an unusual combination of a mews house and wide, low-built, townhouse with a charming ambience in a prime location.
22. Both parties' witnesses had produced details of comparable properties in close proximity to the subject property. The landlords' comparables are summarised in section 6 of Mr Pope's proof and further details are provided by the property particulars in the relevant appendices. The tenants' comparables are summarised in section 5 of Mr Shingles' proof and appended property particulars. Both witnesses concentrated upon "low-built" properties to reflect the design of the subject property.
23. After considering the evidence and conducting an external inspection of the comparables, the Tribunal considered that two of the properties relied upon by the parties provided the best comparables, namely 6 Lowndes Place, SW1 and 9 Lyall Street, SW1. The Tribunal found 6 Lowndes Place particularly useful and noted that it had been sold for £1.75 million in January 1998 which, when adjusted to accord with the valuation date, equates to about £1.65 million. 6 Lowndes Place has a smaller gross internal area than the subject property but, in the view of the Tribunal, has the following advantages when compared with the subject property, namely: (a) quieter location; (b) better internal layout; (c) balcony (otherwise described as a roof terrace); (d) patio; (e) the agents' particulars suggested that 6 Lowndes Place had already been improved whereas the subject property falls to be valued in a partly unimproved condition (see next section). In the light of these differences, the Tribunal decided that it was inappropriate to increase the valuation to reflect the greater GIA of the subject property and that the adjusted sale price provided a very good guide to the value of the subject property.
24. As indicated, the Tribunal also found 9 Lyall Street of assistance. This property is very similar in size to the subject property and, when the sale price of £1.5 million is adjusted to the valuation date, points to a valuation in the region of £1.6 million. The Tribunal found that this provided a useful means of checking its valuation of £1.65 million.

25. Accordingly, based upon the two comparables referred to above, the Tribunal decided that the value of the freehold reversion with vacant possession (excluding tenants' improvements) was £1.65 million.

EFFECT OF TENANTS' IMPROVEMENTS ON FREEHOLD VALUE

26. The landlords' case was that only the first, second, fourth and sixth of the alterations listed in section 4 of the agreed Statement of Facts were improvements and that the increase in the freehold value attributable to those improvements was £50,000. Conversely, the tenants' case was that all of the alterations were improvements and had increased the freehold value by £100,000.
27. The Tribunal viewed the alterations in the course of its inspection. The Tribunal reminded itself that an improvement involved the introduction to the property of something different in kind from that which was demised. With this test in mind the Tribunal had no doubt that all of the agreed alterations represented improvements.
28. Section 9(1A)(d) requires that "the price be diminished by the extent to which the value has been increased by any improvement" Despite Mr Pope's evidence that some of the alterations (for example, the new windows) were really matters of taste, the Tribunal decided that all of the improvements had made a significant contribution to the value of the interests in the subject property. The Tribunal noted that the figure put forward by Mr Shingles was £100,000 - the same as the figure originally submitted by Mr Pope. The basis of valuation contained in the Act does not require the Tribunal to determine the market value of the subject property as enhanced by the tenants' improvements. However, the Tribunal considered that all six alterations were improvements and that they had increased the freehold value of the subject property by at least £100,000.
29. For the avoidance of doubt, the freehold value of £1.65 million is reached after leaving out of account the value of the tenants' improvements.

THE VALUE OF THE TENANTS' LEASEHOLD INTEREST AS AT 7 JULY 1997

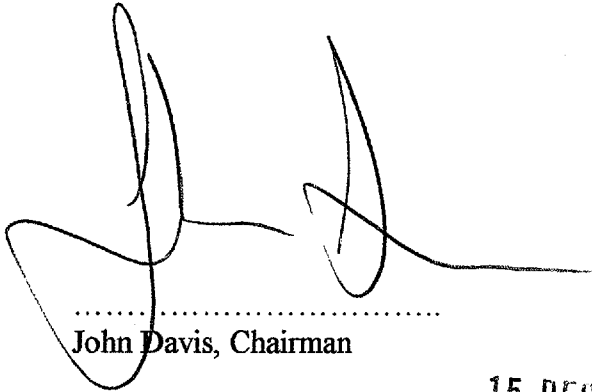
30. The final item on the parties' Schedule of Differences was the value of the tenants' leasehold interest as at 7 July 1997 (excluding any increase attributable to tenants' improvements). The landlords' case was that this value should be £743,100 whilst the tenants' case was that this value should be £603,795.
31. In the view of the Tribunal this was an extremely difficult interest to value, given the significant differences between the present lease and the leases of comparable properties in close proximity which had recently been sold. Those differences included different rent review clauses and the remaining lengths of the terms sold. In addition, there was the very significant problem of excluding the value of enfranchisement rights.

32. These difficulties had led Mr Pope to value the leasehold interest as a percentage of the freehold value using the Gerald Eve/John D Wood graph which formed his appendix 8, together with the W A Ellis schedule which formed his appendix 20. Using these materials, he assessed the leasehold value at 45.8% of his freehold valuation (£893,100) on the assumption that only a nominal rent was payable. He then deducted a further sum of £150,000 to take into consideration the level of the current rent and the likelihood of an increase following the review in 2007. This gave a final leasehold valuation of £743,100 (to be found in "IM2B" and involving an upwards revision from the figure in Mr Pope's original section 7).
33. Mr Shingles took a different view. He relied upon a number of sales of leaseholds summarised in the spreadsheet at his appendix 21. He then made a number of adjustments to take account of the differences between the leases sold and the lease of the subject property and ultimately concluded that the value was £603,795 (giving a net relativity of 50.32% of his assessment of the freehold value).
34. Whilst the Tribunal took careful note of the parties' submissions, it also gave weight to the evidence provided by the price paid by the tenants for the subject property when they purchased the lease on 24 June 1994, namely £500,000. This price did not originally appear in the papers but was provided to the Tribunal during the course of the hearing. One advantage of using it was that it excluded the value of the improvements carried out by the tenants during the period since they purchased.
35. The purchase price of £500,000 paid by the tenants requires adjustment. There was a substantial increase in the value of leasehold property between the date of the tenants' purchase and the valuation date. However, against that, account had to be taken of three factors indicating a downward adjustment. First, the lease would be nearly three years shorter and the 2007 review nearly three years closer. Second, the tenants' purchase price would have reflected the presence of the second and sixth alterations in the agreed Statement of Facts. Third, at the date of the tenants' purchase, the price would have been increased to reflect the presence of enfranchisement rights. After making due allowance for all of these factors, and taking into account the evidence given by the experts, the Tribunal arrived at a value of £625,000 for the leasehold interest on the statutory basis.
36. The Tribunal checked the above outcome against the comparables, in particular the two transactions in Grosvenor Studios and one transaction in 7 Belgrave Place, and formed the view that £625,000 fairly reflects the value of the tenants' leasehold interest at the valuation date.

DECISION

37. Having decided all of the points not otherwise agreed by the parties in the manner set out above, the Tribunal determined the price payable by the tenants for the freehold in possession of the subject property to be £824,325 (eight

hundred and twenty-four thousand, three hundred and twenty-five pounds) in accordance with its valuation which is attached to this decision as Appendix 4.



.....
John Davis, Chairman

15 December 1999

15 DEC 1999



IN THE MATTER OF
LEASEHOLD REFORM ACT 1967 AS AMENDED
SECTION 9(1C)

and

A REFERENCE TO
THE LEASEHOLD VALUATION TRIBUNAL FOR THE LONDON RENT
ASSESSMENT PANEL

and

A HEARING ON 13 AND 14 JULY 1999

RELATING TO
108 EATON PLACE
LONDON SW1

STATEMENT OF FACTS

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 108 Eaton Place, "The Subject House", on 7 July 1997.
- 1.2 The claim was admitted on 5 September 1997.
- 1.3 The landlords applied on 24 September 1998 for the Leasehold Valuation Tribunal to determine the enfranchisement price payable and to determine the other terms of the transfer.
- 1.4 The Leasehold Valuation Tribunal's hearing of the case has been arranged for Tuesday and Wednesday 13 and 14 July 1999.

2. Relevant Tenure Information

- 2.1 The freehold and head leasehold interest in the Subject House are owned by the Trustees of the Will of the Most Noble The Second Duke of Westminster deceased and Grosvenor Estate Belgravia respectively (together called "Grosvenor"). It is agreed that they are to be treated as a single interest vested in Grosvenor.
- 2.2 The claimant presently holds an underlease of the Subject House. That lease is dated 23 July 1970 and granted a term from 25 December 1967 until 24 June 2019, and so it had about 22 years unexpired at the date of the enfranchisement claim. It reserved an initial rent of £600 per annum which rose on review to £10,000 per annum with effect from 25 December 1987 and is subject to further review with effect from 25 December 2007 to £600 plus three-tenths of the increase between the full market rental value for the letting of the property as a whole over a term of 51½ years upon the terms of the lease (save as regards rent), which full market rental value at the commencement of the term was agreed to have been £2,200 per annum and the equivalent full market rental value per annum at the date of the review.
- 2.3 The relevant tenancy pursuant to Sub-Section (3) and (6) of Section 3 of the LRA 1967 commenced on 16 February and ~~27 March 1928~~ for a term of 63 years from Lady Day
✓ 1928

1926 concerning the northern part of 108 Eaton Place and on 23 June 1937 for a term of 51¼ years from Midsummer Day 1939 concerning the southern part of 108 Eaton Place.

3. Description of Subject House

3.1 The Subject House comprised the following accommodation at the valuation date.

Floor	Description	Dimensions in			
		Metres		Feet & Inches	
Ground	Entrance Hall				
First	Drawing room	6.94	x	4.34	22'9" x 14'3"
	Study	5.59	x	4.37	18.4" x 14'4"
	Master bedroom	4.67	x	4.37	15'4" x 14'4"
	Bathroom				
	Bedroom 2	3.3	x	3.28	10'10" x 10'9"
	Bedroom 3	3.1	x	2.57	10'2" x 8'5"
	Bedroom 4 Bathroom	4.47	x	3.0	14'8" x 9'10"
Lower Ground Floor	Dining room	4.83	x	3.66	15'10" x 12'0"
	Alcove	1.83	x	0.91	6'0" x 3'0"
	Family room	7.55	x	4.60	24'9" x 15'1"
	Kitchen	3.3	x	3.99	10'10" x 13'1"
	Cloakroom				
	Boiler room				
	Utility room				
	Bathroom				
	Bedroom 5	3.81	x	2.49	12'6" x 8'2"
	Bedroom 6	3.81	x	2.49	12'6" x 8'2"
Bedroom 7	5.06	x	2.39	16'7" x 7'10"	

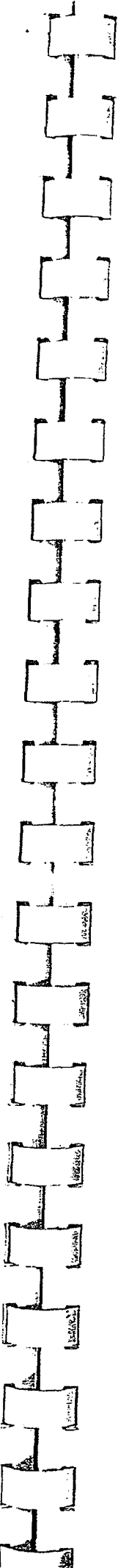
3.2 The Subject House extends to a total gross internal floor area of the order of 272.10 square metres (2,929 square feet).

4. Alterations

4.1 (i) Conversion of staff accommodation forming now the breakfast area.

(ii) Opening of party wall to create single unit at ground and 1st floor level.

(iii) Integration of pantry into utility room.



(iv) Opening of front lobby adjoining stair.

(v) Installation of east facing windows to 1st floor study and drawing room.

(vi) Installation of central heating.

5. Location of Subject House

5.1 The Subject House is situated on the north-east side of the part of Eaton Place which connects Eaton Square with Chesham Street, facing West Eaton Place.

5.2 Eaton Place is central within Belgravia, which is a well-known high class residential area of well-maintained character in Central London.

5.3 Eaton Place is within the Belgravia Conservation Area.

July 1999

(JJA/C/PROOFS/108 Eaton Pl/STATEMENT)

Section 9(1C)

APPENDIX 2

Valuation

of

108 Eaton Place, London, SW1

at 7th July 1997

by

Ian Macpherson M.A. FRICS

<u>Valuation of lessor's interest exclusive of marriage value</u>	£	£	£
For remainder of term-			
Ground rent currently payable including effect of tenant's improvements	10,000		
Less initial rent payable	600		
	<u>9,400</u>		
	x 10		
	/ 3		
Corresponding full market rental value	31,333		
ADD Base OMRV as in lease	2,200		
	<u>33,533</u>		
Adjust to exclude effect on value of tenant's improvements in proportion to G M Popes valuation of freehold in possession improved and disregarding effect of tenant's improvements	1,950,000		
	<u>2,000,000</u>		
LESS Base OMRV as in lease	32,695		
	<u>2,200</u>		
	<u>30,495</u>		
	x 3		
	/ 10		
	<u>9,149</u>		
Add initial rent payable	600		
	<u>9,749</u>		
Years purchase for 10.5 years @ 5.5%	7,819		
	<u>76,227</u>		
Estimated rent on review @ 25/12/2007 plus 3/10ths of difference between full market rental value @ 25/12/2007 for a term of 11.5 years	600		
	75,000		
Less full market rental value @ commencement of term	2,200		
	<u>72,800</u>		
	@ 3/10 th's		
	<u>21,840</u>		
	<u>22,440</u>		
Years purchase for 11.5 years @ 5.5%	8.359		
Deferred 10.5 years @ 5.5%	<u>0.570</u>		
	4,7646		
	<u>106,918</u>		
For reversion to -			
Value of freehold interest with vacant possession	1,950,000		
Deferred 22 years @ 6.0%	<u>0.278</u>		
	<u>542,100</u>		
			725,245
<u>Add lessor's share of marriage value</u>			
Value of freehold interest with vacant possession		1,950,000	
Less			
Value of lessor's interest exclusive of marriage value	725,245		
Value of lessee's interest exclusive of marriage value	<u>743,100</u>		
		<u>1,468,345</u>	
Gain marriage		481,655	
Attributed to lessor 50%			<u>240,828</u>
			966,072
Enfranchisement price	Say		<u>966,100</u>

Property 108 Eaton Place SW1

Date of Claim 01-Jul-97

Unexpired term of lease 22.00 Yrs

LANDLORDS INTEREST

1) Ground rent payable			£5,103	
Years Purchase in	10.50 Yrs @	5.5%	7,819	
				£39,899

2) Reversion on review to-

Either

Rent Review Rental val	% @	£7,699	£0
Rent Review Cap val	0.000 % @		£0
			£0
Less initial rent			£0
			£7,699

Review rent increase in 10.50 Yrs

Years Purchase for	11.50 Yrs @	5.5%	8,359
Present Value of £1 in	10.50 Yrs @	5.5%	0.570
			4,764

£36,681

or

Retail Prices Index			
Index Est at review	0		
Index at lease start	0		
Multiplier	0 @	£0	£0
			£0

Years Purchase for	22.00 Yrs @	6.0%	12,042
Present Value of £1 in	10.50 Yrs @	6.0%	0.542
			6,531

£0

3) Reversion to end value-

Freehold value with vacant possession	Unimproved Value	£1,200,000
Deferred	22.00 Yrs @	6.0%
		0.278

£333,006

Landlords value before marriage value

£409,586

TENANTS INTEREST

Unexpired lease 22.00 Yrs

Freehold value £1,200,000

Percentage of gross val 55.125

Net Percentage of value 50.32

Amount of value £603,795

Negotiated Short Lease

Value of short lease before marriage value

£603,795

MARRIAGE VALUE

Freehold value £1,200,000

less Landlords interest (£409,586)

less Tenants interest (£603,795)

£186,619

PRICE FOR FREEHOLD INTEREST

Landlords Interest £409,586

50% Marriage value £93,310

£502,896

SAY £502,900

Negotiated Price

£0

Overpayment (Underpayment)

£0

Tribunals assessment of the 1967 Act price

1.	<u>Landlords Present interest</u>			
1.1	Rent Passing	£10,000		
	<u>Less for</u>			
	improvements	<u>750</u>		
		£ 9250		
	YP for 10.5 yrs @ 5.5%	<u>7.819</u>	<u>£72,325</u>	<u>£72,325</u>
1.2	Estimated Rent on			
	Review		£65,000 pa	
	Formula (3/10 x (£65,000-£2,200) + £600)		=	£19,440 pa GR
	YP for 11.5 yrs def. 10.5 yrs			
	@ 5.5%		<u>4.765 yp</u>	
			92,631	<u>£92,631</u>
	Value of rental stream			<u>£164,956</u>
1.3	Value of reversion	£1,650,000		
	PV £1 in 22 yrs @ 6%	<u>0.278</u>		
			<u>458,700</u>	<u>458,700</u>
1.4	Value of Landlords			
	present interest			<u>£623,656</u>
2.	<u>Marriage Value</u> Value of freehold		£1,650,000	
	Less value of present interests			
2.1	Landlord	£623,656		
2.2	Lessee	<u>625,000</u>		
		£1,248,656	<u>£1,248,656</u>	
			£401,344	
				<u>£200,672</u>
3.	<u>Determination of Tribunal of 1967 Act Price</u>			
		Value of Landlords present interest		£623,656
		Share of marriage value		<u>£200,672</u>
				<u>£824,328</u>
	<u>Determination say £824,325</u>			