

**LEASEHOLD VALUATION TRIBUNAL FOR THE LONDON
RENT ASSESSMENT PANEL
LEASEHOLD REFORM ACT 1967 HOUSING ACT 1980
DECISION OF THE LEASEHOLD VALUATION TRIBUNAL ON APPLICATIONS
UNDER SECTION 21 OF THE LEASEHOLD REFORM ACT 1967**

Re: 13 Beaumont Street, London W1N 1FF
Ref: LON/LVT/1340/00

Applicants: Howard de Walden Estates Ltd

Respondents: Peter Amoroso and Celia Cameron Aitken

Date of Tenant's Notice: 14th March 2000

Re: 14 Beaumont Street, London W1N 1FF
Ref: LON/LVT/1417/01

Applicants: Howard de Walden Estates Ltd

Respondent: Ivor Robin Desmond Alexander

Date of Tenant's Notice: 2nd October 2000

Re: 19 Beaumont Street, London W1N 1FF
Ref: LON/LVT/1382/01

Applicants: Howard de Walden Estates Ltd

Respondent: Owen Ashley Keane

Date of Tenant's Notice: 29th November 1999

Appearances:

Miss K Holland of Counsel
Instructed by Messrs. Speechly Bircham, Solicitors
Mr J Clark of Messrs. Gerald Eve
Mr K Ryan of Egerton London Residential

For the Applicants

Mr G Cowen of Counsel
Instructed by Messrs. Boodle Hatfield, Solicitors (Nos. 13 and 14)
Instructed by Messrs. Parker Hammond, Solicitors (No. 19)
Mr J Hewetson of Messrs. Matthews & Goodman, Chartered Surveyors

For the Respondents

Members of the Leasehold Valuation Tribunal:
Miss A Seifert FCI Arb
Mr D L Edge FRICS
Mrs L Walter MA (Hons)

Re: Nos. 13, 14 and 19 Beaumont Street, London W1N 1FF

THE TRIBUNAL'S DECISION

PRELIMINARY

1. By applications dated 24th November 2000 (No.13), 8th November 2001 (No. 14) and 19th March 1999 (No. 19), the Howard de Walden Estates Ltd, the landlords, applied to the Tribunal for the determination of the prices payable under section 9 of the Leasehold Reform Act 1967 as amended ("the Act"), for the freeholds of the subject properties. At the hearing, the enfranchisement prices proposed were:

	Landlord's figure	Tenant's figure
No.13	£217,200	£87,928 (option 1) or £109,928 (option 2)
No.14	£206,450	£94,477 (option 1) or £116,977 (option 2)
No.19	£179,700	£88,469 (option 1) or £110,969 (option 2)

2. The Applicants requested the determination under section 21(2) of the Act of the provisions to be contained in the conveyances. However, by the date of the hearing, such provisions had been agreed between the parties and no such determinations were required.
3. The Applications were heard together. Accordingly these matters are dealt with in one decision, but with a separate valuation for each of the subject properties.
4. The subject properties are held under the following leases: No. 13 – Lease dated 5th September 1967 for the term of 92 years from 25th March 1966 at the ground rent of £110 per annum subject to review. No. 14 – Lease dated 25th December 1967 for the term of 92 years from 25th March 1966 at the ground rent of £110 per annum subject to review. No. 19 – Lease dated 15th June 1966 for the term of 92 years from 25th March 1966 at the ground rent of £110 per annum subject to review. The subject properties are therefore all held on leases expiring on 25th March 2058. The review dates are 25th March 2008, 2029 and 2050. The current rents are No. 13 - £1,554.54 per annum, No. 14 - £1,636.36 per annum and No. 19 - £1,636.36 per annum.
5. Beaumont Street is situated just to the east of Marylebone High Street on the Howard de Walden Estate and is within an area characterised by a mix of residential properties and restaurants, retail and other commercial land uses. Regent's Park is a short distance to the north and the Oxford Street and Bond Street shops are about ten minutes walk to the south. London underground stations are at Baker Street to the north-west, Regent's Park to the

north-east and Bond Street to the south. There are many bus routes along Marylebone Road to the north, Portland Place to the east, Oxford Street to the south and Baker Street to the west. Beaumont Street is included in the Harley Street Conservation Area. The subject properties are part of a terrace of town houses built in the 1960's. The subject houses back onto Devonshire Place Mews.

6. Descriptions of the accommodation within the subject properties is contained in the statements of agreed facts signed by the valuers and dated 31st October 2001 (JMC1, JMC2 and JMC3). There are variations in the layout of the accommodation. Nos. 14 and 19 at Mews level both have a double garage with two off-street parking places, No. 13 has a single garage with one off-street parking space. Site plans and floor plans for each of the subject properties were produced.

Matters agreed

- 7.
- 1] The statutory basis of the valuation to the enfranchisement is contained in Section 9(1C) of the Act.
- 2] The valuation dates:
No. 13 14th March 2000
No. 14 2nd October 2000
No. 19 29th November 1999
- 3] At all the above valuation dates a standard Beaumont Street house would achieve an annual rent of £45,500 (£875 per week), if let on a yearly term and on an inclusive basis.
- 4] Marriage value is to be apportioned equally between freeholder and tenants.
- 5] No. 13 The gross internal floor area is approximately 2,271 sq ft (211.00 sq m) including the garage.
No. 14 The gross internal floor area is approximately 2,077 sq ft (193.00 sq m) including the garage.
No. 19 The gross internal floor area is approximately 2,077 sq ft (193.00 sq m) including the garage.
- 6] Alterations:
No. 13 The tenants have not undertaken any improvements the value of which are to be disregarded in the assessment of the enfranchisement price.
No. 14 The tenant has not undertaken any improvements the value of which is to be disregarded in the assessment of the enfranchisement price, apart from the replacement of the original windows and doors with UPVC sealed units.
No. 19 The tenant has not undertaken any improvements the value of which are to be disregarded in the assessment of the enfranchisement price.
- 7] Details of a transaction in respect of 20 Beaumont Street and details of a transaction in respect of 24 Beaumont Street were included in the statement of agreed facts. These transactions were the subject of additional evidence at the hearing.

Matters in dispute

- 8.
- a] The value of the notional freehold interest with vacant possession of No. 13 Beaumont Street on the valuation date (14th March 2000).
- b] The value of the notional freehold interest with vacant possession of No. 14 Beaumont Street on the valuation date (2nd October 2000).

- c] The value of the notional freehold interest with vacant possession of No. 19 Beaumont Street on the valuation date (29th November 1999).
- d] The value of the existing leasehold interest of No. 13 Beaumont Street on the valuation date (14th March 2000) (disregarding the effect on that value of the tenant's right to enfranchise).
- e] The value of the existing leasehold interest of No. 14 Beaumont Street on the valuation date (2nd October 2000) (disregarding the effect on that value of the tenant's right to enfranchise).
- f] The value of the existing leasehold interest of No. 19 Beaumont Street on the valuation date (29th November 1999) (disregarding the effect on that value of the tenant's right to enfranchise).
- g] The rack rental value of No. 13 Beaumont Street on the valuation date (14th March 2000) and in accordance with the terms of the lease, for the purpose of estimating the rent payable on review with effect from 25th March 2008.
- h] The rack rental value of No. 14 Beaumont Street on the valuation date (2nd October 2000) and in accordance with the terms of the lease, for the purpose of estimating the rent payable on review with effect from 25th March 2008.
- i] The rack rental value of No. 19 Beaumont Street on the valuation date (29th November 1999) and in accordance with the terms of the lease, for the purpose of estimating the rent payable on review with effect from 25th March 2008.
- j] The yield rate at which the ground rents passing for each of the subject properties until the next review due in March 2008 should be capitalised.
- k] The yield rate at which the rents payable on review in 2008 for each of the subject properties for the residue of the terms should be capitalised and the relevant deferment rate until the review dates.
- l] The deferment rate to be applied to the value of the freehold of each of the subject properties until the reversions in 2058.
- m] The relevance of relativities

REPRESENTATIONS

9. Kate Holland, of Counsel, instructed by Messrs. Speechley Bircham, Solicitors, represented the Applicants. Julian Mansfield Clark BSc MRICS of Messrs. Gerald Eve, Chartered Surveyors submitted a report dated 1st November 2001 and Mr Kevin Ryan FRICS of Egerton London Residential Ltd submitted a report dated 31st October 2001 on behalf of the Applicants. Both reports amplified in oral evidence. Mr Clark's valuations are annexed to this decision marked "A1", "A2" and "A3".
10. The Respondent tenants of No. 13 and No.14, were represented by Gary Cowen, of Counsel, instructed by Messrs. Boodle Hatfield, Solicitors. The Respondent tenant of No. 19, was also represented by Mr Cowen, but instructed by Messrs. Parker Hammond. Mr James E S Hewetson MRICS of Messrs. Matthews & Goodman, Chartered Surveyors, submitted a report dated 1st November 2001, on behalf of the Respondents, which he revised during the hearing, and amplified in oral evidence. Mr Hewetson's valuations are annexed to this decision marked "B1" to "B6".

EVIDENCE, SUBMISSIONS AND DECISIONS

A. Values of the notional freehold interests in 13, 14 and 19 Beaumont Street on the respective valuation dates (issues a, b and c)

11. These issues involve consideration of two principal areas of dispute between the two valuers:
 - (i) How is the one agreed freehold comparable of 20 Beaumont Street to be treated for the purposes of arriving at adjusted figures for the subject properties? and
 - (ii) What index should be applied for the purposes of adjusting this comparable evidence over time to the respective valuation dates?

The treatment of No. 20 Beaumont Street

12. Mr Ryan stated that this property had been sold freehold in December 1999 for £850,000. Sales particulars were produced at the hearing. It was originally constructed with the standard Beaumont Street property layout, which he described in his report. By the time of the sale the accommodation had been altered and this was described in his report, and plans of the altered accommodation were produced.
13. Mr Ryan stated that he had considered the effect of the alterations on the value of No. 20. A larger first floor living room had been created at the expense of the original principal bedroom/bathroom suite. He considered that the result was not one large open space but two well-defined rooms joined into one. He mentioned that the agent's particulars described the rooms as reception rooms one and two although they had been joined. The principal suite had been re-created on the second floor, however the en-suite bathroom was included within what would have been the bedroom floor space in the original first floor configuration. His conclusion was that the altered accommodation would be attractive to some purchasers but not to others, who would prefer the more standard arrangement i.e. the effect was value neutral. He did not think that the price achieved had been increased or decreased as a result of the alterations.
14. Miss Holland submitted that the evidence of the agents who sold No. 20 did not indicate that the condition or the layout rendered it superior to that of the assumed condition of the subject properties. She referred to the letters dated 21st November 2001 from Druce & Co to Egertons signed by T Fairweather and the letter dated 21st November 2001 from Kay & Co to Egertons signed by M S Birkhit. She pointed out that the fact that a subsequent purchaser of No. 20 gutted the house after purchasing it, suggests that the previous works were not viewed by him as of particular value. She submitted that there was no specific evidence at all to enable the Tribunal to safely conclude that the alteration works had uplifted the value of No. 20.

15. Mr Hewetson referred to information from the former owners of No.20 setting out the works that they had carried out, contained in an e-mail addressed to Katie Oakley from Bernard Melard dated 25th November 2001. Mr Hewetson gave evidence that since the sale of No. 24 in June 2000, the new owners of that property had carried out a similar exercise of expansion of the living accommodation. He adjusted the sale price of No. 20 by a deduction of £50,000 to make it equivalent to the condition of the subject properties. He considered that as at the date of sale in December 1999, the unmodernised value of No. 20 would have been £800,000.
16. Mr Cowen submitted that there was no reason to doubt the veracity of the e-mail that set out the works undertaken. He pointed out that Mr Melard stated in the e-mail that the value of the work carried out was approximately £100,000. He disputed the applicant's suggestion that much of the work undertaken was merely routine repair and decoration and submitted that it was clear from the list of work included in the e-mail that the work went further than this. He suggested that in assessing the effect of the improvements on value, a balance should be struck between the greatly enhanced entertaining space a first floor level against the loss of a bedroom. He submitted that for a house of this size, the impact of the loss of a fifth bedroom would be felt much less than the resultant increase in living space. He submitted that looked at in context Mr Hewetson's figure for the value of the improvements of £50,000 does not look unrealistic. He contended that the question is whether the market generally would be prepared to pay more for the improved configuration. He noted that having carried out the improvements the former owners of No. 20 were able to market the house for a higher figure than it had been valued by the estate agents.

Adjustments for time

17. Mr Ryan's approach was to adopt what he considered to be the standard and usual method of applying the Prime Central London Residential Capital Values index. Mr Ryan stated at the time of exchange of contracts for No. 20 the FPD Savills index (Prime Central London Houses) stood at 385.4.
18. No. 13 - At March 2000 the index (Prime Central London Houses) stood at 423.3, an increase of 9.8%. Applied to the sale price of No. 20 at £850,000, a figure of £933,300 results. Dividing by the square footage of No. 20 at 2,077 sq ft gave a rate of £449 per sq ft. Applied to No. 13 at 2,271 sq ft resulted in a figure of £1,019,679, say £1,020,000.

No. 14 - October 2000 the index (Prime Central London Houses) stood at 438.0, an increase of 13.6%. Applied to the sale of No. 20, a figure of £965,600 results. No. 14 being the same size, he had adopted the same value rounded to £965,500.

No. 19 - At November 1999 the index stood at 376.4, a decrease of 2.3%. Applied to the sale of No. 20, a figure of £830,450 results. No. 19 being the same size, he had adopted the same value rounded to £830,500.

19. Mr Hewetson's adjusted prices for the freehold values were:
No. 13 - At March 2000 + 4.35% / - 5% amounting to £795,000,
No. 14 - At October 2000 + 6% amounting to £850,000,
No. 19 - At November 1999 + 0% amounting to £800,000.
20. Mr Hewetson's approach was to take the Prime Central London Houses index as only an initial starting point. He had had discussions with the Director of research at FPD Savills responsible for compiling the PCL Houses index who had confirmed to him that houses under £1 million in this index under performed the main index by 25%. He produced an e-mail from Richard Donnell at Savills to himself, attached to which was a sub-index of price growth for prime houses worth £500,000 to £1m.
21. Mr Hewetson considered that No. 13 Beaumont Street is differently configured and should be distinguished from No 14 and No.19. Further, it has only two car parking spaces compared with four spaces afforded to the other two subject properties and the comparables. Four spaces in central London would be desirable to a potential purchaser. Although No. 13 is larger (2,271 sq ft compared with 2,077 for No. 20), his view was that configuration and layout were more important.
22. Mr Cowen described Mr Hewetson's exercise as follows:
 - (a) Take a sub-index of PCL Houses reflecting the change in houses worth less than £1m;
 - (b) Apply the reduced rate of increase in prices to the nearest regional index.
23. Mr Cowen submitted that extent of the under performance by the sub-index of the main PCL index demonstrates that merely to apply the main PCL Houses index is a flawed approach. He accepted that Mr Hewetson's approach of taking the percentage of under performance and applying it to the PCL North index which covers houses and flats is not perfect, but he submitted that that index is far more likely to be reliable than merely relying on the PCL Houses index.
24. In respect of Mr Hewetson's approach, Mr Ryan considered the use of the 25% discount derived from the PCL Houses index to be illogical. He pointed out that this produces the lowest amount of market movement possible that is necessary to support Mr Hewetson's suggested relativities. Miss Holland pointed out that no example was produced of Mr Hewetson's approach ever having been adopted in the market or in any previous LVT determination. She submitted that the Tribunal could not be certain as to the reliability or accuracy of extracting a sub-index from the main Prime Central London Houses index. She pointed out that no evidence had been provided from any representative of Savills to confirm its reliability and that it was not a published index.

Decision

25. The Tribunal considers that PCL Houses is the appropriate index. Adopting Mr Ryan's PCL Houses figures, the Tribunal finds that the values of the notional freehold interests with vacant possession of the valuation dates are:
- No.13 - £900,000 (£820,000 unimproved value for No. 20 adjusted for time to 14th March 2000 by +9.83%).
- No.14 - £932,000 (£820,000 unimproved value for No. 20 adjusted for time to 2nd October 2000 by +13.65%).
- No.19 - £800,000 (£820,000 unimproved value for No. 20 adjusted for time to 29th November 1999 by -2.33%).
26. The evidence showed that certain improvements had been carried out to No. 20. The Tribunal does not consider that the effect of the improvements was value neutral. Having considered the evidence and each party's submissions, the Tribunal finds that the unimproved freehold value as at December 1999 would have been £820,000.
27. The Tribunal considered that it could not place reliance upon the sub-index attached to Mr Donnell's e-mail. This is not a published index. PLC (North) is for houses and flats and for areas north of Regent's Park. PCL Houses is for houses only and the Tribunal considers that the areas covered by it are more appropriate for Beaumont Street. The Tribunal also notes that the notice contained in the e-mail states: "This e-mail is intended for the named recipient only. It may contain privileged and confidential information. If you are not the intended recipient, notify the sender immediately and destroy this e-mail. You must not copy, distribute or take action in reliance upon it."
28. Mr Ryan makes an adjustment in respect of No. 13 based on a square foot basis. Mr Hewetson reduces the value of No. 13 by 5% as against a standard house notwithstanding its larger size, following George Pope's arbitration on the rent review. For No. 13 Mr Pope determined the rent to be £1,554.54 pa compared with £1,636.36 pa for the other subject houses.
29. The Tribunal does not consider that there should be further adjustments in respect of No. 13. The Tribunal considers that No.13 is no better than a standard house. It has advantages and disadvantages that balance out. The Tribunal considers the single garage and one off-street parking space to be a disadvantage. The Tribunal notes the view of Mr Ryan that the value of No. 13 is not diminished by the proximity of the O Bar. However, in the Tribunal's view, following the inspection, the location next to the public house and the discernible smells of cooking on the roof terrace are disadvantages. The Tribunal notes that in answer to a question from the Tribunal, Mr Ryan accepted that a house removed from the pub would sell first. The Tribunal does not consider that an adjustment based on a square foot basis is appropriate in this case. In the Tribunal's view the advantages, of the larger

size, the layout of the accommodation and that it is double fronted, balance out the disadvantages. Accordingly, no additional adjustment is made in respect of No. 13.

B. Values of the existing leasehold interests of 13, 14 and 19 Beaumont Street on the respective valuation dates (disregarding the effect on value of the tenant's right to enfranchise) [issue d, e and f]

30. These issues require the consideration of the following:

- (i) How is the only agreed comparable of 24 Beaumont Street to be treated for the purpose of arriving at adjusted figure for the subject properties? and
- (ii) What index should be applied for the purpose of adjusting this comparable evidence over time to the respective valuation date?

The treatment of No. 24 Beaumont Street

31. Mr Ryan considered No.13 more appealing and more valuable than the standard layout. However he could provide no evidence to this effect and therefore had adopted the same level of value in terms of £ psf as derived from the comparable evidence. Accordingly, Mr Ryan considered in respect of each of the subject houses that the comparable (No. 24) only required adjustment for time. His figure was £625,000 as at June 2000.
32. Mr Hewetson provided two options in respect of his analysis of No 24. Option 1 placed the leasehold value at £665,000 at September 1999. Option 2 placed the leasehold value at £660,000 at June 2000. His preferred option was Option 1.
33. Mr Hewetson stated that, as set out in the statement of Agreed Facts, the sale price originally agreed was £625,000, although that price was reduced to £610,000 at the last moment to reflect a problem with the car parking spaces at the rear having been sublet by the vendor's wife. No.24 was sold subject to the same unexpired lease as the subject houses, but a company was lessee. Stella Coulthurst made an offer for the leasehold interest in September 1999 of £700,000. Mr Hewetson said that this transaction did not proceed because the Howard de Walden Estate Ltd refused to give consent to the assignment of a house held in a company name to an individual. Although not a completed transaction, Mr Hewetson considered this offer constituted significant evidence of the value of No. 24 at the same time as the sale by the Melards of No. 20.
34. In Mr Hewetson's view, the offer price of £700,000 only required adjustment to discount the lessee's rights to enfranchise, which he placed at 5%. He therefore adjusted the Leasehold Value to £665,000 (Option 1). Mr Hewetson's Option 2 relies on the actual sale price of No. 24 in June 2000. Having placed a discount for enfranchisement rights at 5%, the sale price of £625,000 represented a greater discount. He had reached the view that a discount of 10% was appropriate because it was the sale of a house that the

Estate would not allow to be enfranchised amongst houses that were enfranchisable after having discussed the matter with the estate agent involved.

35. In respect of relativities, by way of a check, Mr Hewetson sought to rely upon transactions in respect of properties in Woodsford Square, 16 Chester Mews North and Chester Row. Mr Hewetson stated that these were Leasehold Reform Act negotiations that he had undertaken with Mr Clarke and stated that they further support his own experience. Option 1 amounted to 83% of the freehold value and Option 2 amounted to 77.5% of the freehold value. In his experience, for a 58 year unexpired term, he would expect this relationship to be in the region of 75% to 80%.
36. Miss Holland submitted that it is wrong in principle to rely upon an offer from a 'non-qualifying bidder' that fell through to the exclusion of the evidence of an actual sale achieved in the market by a 'qualifying bidder'. Further, she submitted that the offer figure is unreliable evidence as so little is known about the circumstances of the offer and that Mr Hewetson's approach of 'double discounting' for enfranchisement rights was contrived and lacked logic.

Adjustments for time

37. Mr Ryan had carried out the same exercise in respect of No. 24 as he had for No. 20, using the same principles. Mr Ryan stated that the FDP Savills index at June 2000 stood at 434.7. He concluded that:

No. 13 - At March 2000 the FDP Savills Index stood at 423.3, a reduction of 2.6%. Applied to the value of No. 24 Beaumont Street at £625,000, a figure of £608,750 results. Dividing by the square footage of the property at 2,075 sq ft gave a rate of £286 psf. Applied to No.13 at 2,271 sq ft, that gave rounded figure of £665,500.

No. 14 – At October 2000 Mr Ryan adopted the figure of 438.0 (previously agreed with Mr Marr-Johnson), a rise of 0.75%. Applied to the value of No. 24 at £625,000 a figure of £629,687 resulted. No. 14 being the same size as No. 24, he adopted the rounded value of £629,500.

No. 19 – At November 1999 the FPD Savills index was 376.4, a reduction of 13.4%. As No. 19 is the same size as No. 24, that gave the rounded figure of £541,250.

38. Mr Hewetson's two Options, adjusted for time using the same principles as described in relation to No. 20, produced the following results:

	No. 13 November 1999	No. 14 March 2000	No. 19 October 2000
Option 1	+4.35% / -5%	+6%	0%
	£660,000	£705,000	£665,000
Option 2	-1.65% / -5%	0%	-6%
	£616,000	£660,000	£620,000

Decision

39. The Tribunal has found that the PCL Houses index is the appropriate index. The Tribunal's finds that the values of the existing leasehold interests on the valuation dates disregarding the tenant's rights to enfranchise are:

No. 13 - £677,500 (£660,000 value of No. 24 adjusted for time to 14th March 2000 by + 2.62%).

No. 14 - £665,000 (£660,000 value of No. 24 adjusted for time to 2nd October 2000 by + 0.76%).

No. 19 - £571,500 (£660,000 value of No. 24 adjusted for time to 29th November 1999 by -13.41%).

40. Although there was evidence of the offer made by Stella Coulthurst, the weight attached to that evidence is limited by its nature, being an offer that did not result in a transaction. An offer of £700,000 in September 1999 (for a property assumed to be with enfranchisement rights) does not seem out of line with the agreed sale price of £625,000 in June 2000. The sale price of £625,000 is therefore the Tribunal's starting point.
41. The Tribunal further considers that an adjustment should be made to the sale price to reflect the restricted market in respect of a house in Beaumont Street without enfranchisement rights. The Tribunal therefore makes an adjustment of approximately 5% to reflect this resulting in a rounded figure of £660,000 at June 2000.
42. For the same reasons as set out in paragraph 29 above, the Tribunal makes no further adjustments in respect of No. 13.

C. The rack rental values of the subject properties on the respective valuation dates and in accordance with the terms of the lease, for the purpose of estimating the rent payable on review with effect from 25th March 2008 [issues g, h and i].

43. The ground rent review provides for the ground rent to be reviewed to 9.09% (1/11th) of such rental value of the property.

“that could be obtained for the demise of the premises, maintained in accordance with the terms of the lease, with vacant possession on the open market, as between the willing lessor and the willing lessee on lease for a term of 21 years and subject to such covenants and conditions as shall be reasonable having regard to the provisions of this lease and are usual at the date of such determination”.

44. Miss Holland submitted that it was agreed between the parties that at the valuation dates a standard Beaumont Street house would achieve an annual rent of £45,500 p.a. (£875 per week) if let unfurnished on a yearly term on an inclusive basis, as is now market practice. Thus such a rent would be

inclusive of repairs, maintenance and insurance unlike the hypothetical letting envisaged for the purposes of the rent review which is on an exclusive basis. Therefore it was agreed that the gross rent had to be adjusted to allow for this, also for the costs of letting and management together with voids, in order to arrive at the net rent received. For the purposes of the rent review provision, the term for which the rent is fixed is 21 years.

45. Mr Ryan's analysis and Mr Hewetson's analysis were as follows:
(The Tribunal has corrected Mr Hewetson's figures)

	<u>Mr Ryan</u>		<u>Mr Hewetson</u>
Agreed gross rent	£45,500 pa		£45,500 pa
			(No. 14 and 19 different gross rent for No.13)
<u>LESS</u>		<u>LESS</u>	
Costs of letting and Management - at 15%	£6,825	at 14%	£ 6,370
Allowance for voids - 4 weeks at £875 pw (at 7.7%)	£3,500	6 weeks at £875pw (at 12.5%)	£ 5,690
Cost of insurance	£ 527		
Cost of repairs and Maintenance at 5%	£2,275		
		Outgoings	£ 3,000
		Provisions	£ 3,000
			(£18,060)
	£32,373 pa		£27,440 pa
<u>PLUS</u>		<u>LESS</u>	
Uplift of 10% to reflect the 'attractive proposition' from a willing tenant's point of view of having his rent fixed for the next 21 years		A 'profit' of 20% to reflect the 'risk that the lessee is assuming' in signing a commitment to pay the rack rent over 21 years.	
			£ 5488
	<u>£35,610 pa</u>		<u>£21,952 pa</u>
At 1/11 th the resultant ground Rent would be £3,237pa (Above calculations are for No. 14 and 19. For No. 13 there was a further adjustment for larger square footage)		At 1/11 th the resultant ground Rent would be £1,996 say £2000 pa (For No. 13 Mr Hewetson made a adjustment to a ground rent of £1,975 pa)	

46. Mr Ryan adopted 15% for letting and management costs. Mr Hewetson adopted 14% for letting and management costs in his calculations but conceded during cross-examination that 15% was correct.
47. Mr Hewetson's view was the Beaumont Street houses were not prepared for the letting market so they would take longer to let. In oral evidence he adopted a period of six weeks for voids.
Mr Ryan considered that a four week void period was sufficient, particularly as it is normal, as pointed out by Miss Holland, to have a provision in a letting agreement for a landlord to show prospective tenants around the property before the end of the current fixed term
48. Mr Ryan's figure of £527 pa was based upon the evidence of the actual cost of insurance of No. 19. This was confirmed in a letter from the Royal & Sun Alliance to the Howard de Walden Estate Ltd dated 22nd November 2001. Mr Hewetson's proposed £1,000 and was not based on evidence of actual cost.
49. Mr Hewetson allowed £1,000 per year for repair. Miss Holland contended that this ignored the rent review analysis having to be conducted on the assumption that the property is 'maintained in accordance with the terms of the lease', which rules out adjustment for major repairs. In respect of replacements / renewals she submitted that £500 pa would allow for the good quality replacement of one item of white goods each year. The replacement of these items at such stages would mean that Mr Hewetson could not reasonably justify a further adjustment for a new kitchen at £10,000 to £15,000 on a six to ten year cycle. She further submitted that Mr Hewetson could not justify an adjustment of a minimum of £10,000 on a six to ten year cycle for carpets and curtains particularly when the letting is assumed to be unfurnished.
50. The appropriate adjustment for the fact that the rent is to be fixed for a 21 year term, was the main difference between Mr Ryan and Mr Hewetson.
Mr Ryan added 10% by reference to his opinion that the opportunity to have the rent fixed for 21 years would be an attractive proposition from a 'willing tenant's' point of view. Mr Ryan stated that this uplift is frequently applied in the market place but provided no specific examples.
51. Mr Hewetson considered that an allowance should be made to reflect the 'risk' that at some point during the currency of the lease the purchaser will be unable to afford to continue to pay the rent and will need to sublet or assign. He considered that in order for the lessee to guarantee the landlord his return, he should require to be compensated by a risk premium of 20%.

Decision

52. Having considered the evidence from both parties and The Tribunal finds the following are reasonable deductions to be made for the purpose of calculating the rack rental value of each of the properties (No. 13, 14 and 19) on the valuation dates for the purposes of the review with effect from 25th March 2008.

Gross rent		£45,500 pa
LESS		
Costs of letting and management At 15%	£6,825	
Allowance for voids of 6 weeks in every 12 months	£5,250	
Cost of insurance	£ 527	
Cost of repairs and maintenance At 10%	£4,550	
	<u>£17,152</u>	
		£28,348
PLUS		
10% uplift		£ 2,835
		<u>£31,183 pa</u>

At 1/11th the resultant ground rent and the figure to be included in the Tribunal's valuation is £2,835 pa

53. The Tribunal makes no further adjustment in relation to No. 13 for the reasons set out at paragraph 29 above.
54. The Tribunal considers that the hypothetical landlord of the 21 year term would want some return for giving up the opportunity to obtain an increased rent over the 21 year period, and would expect a higher initial rent to compensate. The hypothetical tenant would consider that there would be a good prospect of an increase in real rent within a few years. The Tribunal prefers Mr Ryan's approach to that of Mr Hewetson in respect of the valuation effect of the 21 year hypothetical term, and considers that an appropriate uplift of 10% is appropriate in this case.

D. Yield rates and deferment rates (issues j, k and l).

55. The parties submitted the following figures:

	Landlord's figure	Tenants' figure
Capitalisation rate – ground rents until review in March 2008	5%	7%
Capitalisation rate – rents payable on review in 2008 for residue of the term	6%	7%
Deferment rate	6%	7%

56. Mr Clark relied upon the evidence of Mr Ryan as to the appropriate rack rental values of the subject houses at the relevant valuation dates, having regard to the terms of the leases. He capitalised the ground rents passing for each house until the rent review on 25th March 2008 at a yield of 5%. Mr Clark capitalised the estimated rents payable on review in 2008 for each house for the residue of the terms at 6.0%, deferred until the review dates also at 6%. He deferred the freehold in possession of each house as advised by Mr Ryan, until the reversion in 2058 at 6%.

57. Mr Clark's reasons for capitalising the rental income and deferring the reversion at the rates proposed included the following:

- 1] They were agreed for each of the subject houses with Simon Marr-Johnson FRICS of Messrs. Marr-Johnson & Stevens, in preparation for the LVT hearing at a time when he was still instructed to act on behalf of the tenants of each of the subject houses. He ceased to be instructed on 9th October 2001 in respect of No.19 and 24th October 2001 in respect of Nos. 13 and 14. Mr Hewetson replaced him.
- 2] They were consistent with his firm's analyses of the prices paid on the enfranchisement of houses on the Estate and the premiums paid for lease extensions of flats also on the Estate. He pointed out that, as matter of practice, it is very difficult for landlord to obtain landlord's signed agreements from tenants' surveyors.
- 3] Mr Clark relied upon the approach of the Lands Tribunal in *Howard de Walden Estates Ltd v Adam Von Dioszeghy*, as to the weight to be attached to evidence of agreements between valuers. Mr Clark contended that Mr Marr-Johnson was considered to be an experienced valuer in the locality and that the agreements reached with him in anticipation of his acting as an expert witness represented very good evidence of the rates to be applied. Miss Holland submitted that the specific evidence of agreement between valuers must carry significant weight and that this point was strengthened by the extent of Mr Marr-Johnson's substantial experience in acting for tenants on the Howard de Walden Estate, including Beaumont Street.
- 4] At the hearing, Mr Clark provided supplementary schedules which detailed evidence of agreements on yield rates and he also produced documentary evidence of agreements on yield rates where available, together with his firm's detailed valuations of the premiums or enfranchisement prices. Mr Clark had reviewed each of his firm's files for the nine cases previously settled in Beaumont Street, seven of which were negotiated with Mr Marr-Johnson. He had not been able to identify specific agreement on yield rates in these cases,

but with one exception there was no evidence on his firm's files that the yield rates shown in their detailed valuations were disputed. Mr Clark had presented similar evidence before the LVT on other occasions and the LVT had accepted that evidence in their determination of the appropriate yield rate.

- 5] Mr Clark described the resurgence of Marylebone Village largely as the result of a programme of revitalisation instigated by the Applicants before 1998, which he concluded pointed to a greater potential growth in values. Mr Clark considered that this was a factor to which an investor would have regard.
- 6] Mr Clark suggested that yield rates depend on and vary with the security and growth potential of the rental income or capital gain that can be obtained from the property. The lower the yield rate that will be acceptable to apply in valuing the property, the greater is the potential for future growth. Mr Clark provided a chart:

Years until reversion	Capitalisation rate
	%
0 – 10	5
10 – 20	5.5
20 – 30	6
30 – 40	6.5
40 – 50	7
50 – 60	7.5
60+	8

- 7] Mr Clark considered that an investor would accept a lower initial return the shorter the time for which it is fixed and the earlier the prospect of a substantial reversion. He stated that this principle been applied consistently in negotiation and was recommended to and accepted by the Lands Tribunal in *Cadogan Estates Ltd v Hows & Another*. He had capitalised the freeholder's current rental income from each house until the next review with effect from March 2006 at 5% and estimated rent on review for the remaining years of the tenant's leases at 6% having regard to the review patterns. In his view the more accurate way of applying the comparable evidence in valuation for enfranchisement, is to consider separately yield rates applied for capitalising the rental income from those applied for deferring the reversion. He submitted that the Lands Tribunal reviewed the practice in *Cadogan Estates Ltd v Sharp*. He also referred to various other Lands Tribunal decisions referred to in his report and productions.

58. Mr Hewetson's opinion was that a 7% yield was appropriate for both capitalisation and deferment rates. He regarded the appropriate yield to be adopted in the capitalisation of future income flows and the deferment of future income and capital receipts as the most subjective element in enfranchisement price negotiations and Tribunal referrals. Mr Hewetson said that it appears to have been established that, within Central London, yields used are in brackets of 6% to 7%, whilst in greater London and beyond yield rates are more usually in brackets of 8% to 9%. Within central London, well-located property on relatively short leases are generally agreed or settled at a yield of 6%. In Mr Hewetson's opinion that would be inappropriate for the subject houses because:

- 1] The leases have 58 years to run which is no means short,

- 2] The relative lack of attraction of Beaumont Street compared to other areas of Central London which are demonstrably prime i.e. by reference to price psf achievable, indicates that the appropriate yield should be less than prime.
- 3] He referred to a yield of 6% agreed with Mr Clark in dealing with enfranchisement of a house at 16 Eaton Mews North, Belgravia – 100% prime, and 6.5% for Woodsford Square.
- 4] The LVT decision in *Howard de Walden Estates v Adam Von Dioszeghy*, where the Tribunal was faced with actual evidence of a yield of 8% being agreed and preferred that to the Estate's unsupported schedule of settlement calculations apparently showing a fixed return of 6%.
59. Miss Holland submitted that Mr Clark's approach was based on a significant amount of specific evidence including the agreement of Mr Simon Marr-Johnson and specific evidence of settlement transactions. Mr Hewetson's first identified reason for applying a 7% rate namely that a 58 year lease is by no means short, is flawed by Mr Clark's tables showing a rate of 6% has been agreed for leases at least as long. Mr Hewetson's view as to the relative lack of attraction of Beaumont Street neglected to take into account the specific evidence of the capital growth in Marylebone over the last few years. Mr Hewetson's reliance upon different properties out of area, namely Belgravia and Woodsford Square are of little weight and emphasise his lack of knowledge and experience in relation to transactions on the Howard de Walden Estate. Mr Hewetson's reliance upon the Von Dioszeghy case showed his misunderstanding of the principles, as the Applicants in the current cases produced actual evidence of rates having been specifically agreed and produced actual evidence of agreement with Mr Marr-Johnson.
60. Miss Holland submitted that Mr Hewetson had failed to address the need to adjust rates by reference to the security and growth potential of the rental income and capital gain that might be achieved over a particular period. She submitted that in relation to 16 Eaton Mews North, Mr Clark's hand written notes of his negotiations with Mr Hewetson showed that Mr Hewetson was prepared to agree differential rates.
61. Mr Cowen submitted that the Applicants' reliance on the views of Simon Marr-Johnson is misplaced as a matter of principle. The Applicants did not rely upon 'the agreement' as binding. Mr Marr-Johnson was not called to give evidence about his views and they have not been tested by cross-examination. He submitted that it would be wrong for the Tribunal to attach any weight to them as opposed to live evidence actually before the Tribunal. He referred to the decision in *John Lyon's Charity v Shalson*. In this the Lands Tribunal expressly accepted the idea that valuers often make agreements which include yield figures which may not accord with their actual opinion but which lead, due to concessions on other elements of the valuation, to a figure with which they feel they are comfortable. He also referred to the decision in *Eyre Estate v Saphir*. In respect of the Applicants' the schedule relating to houses, Mr Cowen pointed out that Mr Marr-Johnson had represented 14 tenants and did not agree with the Estate on 9 deferment rates and 13 capitalisation rates. This suggested that either the Estate does not usually value the opinion of Mr Marr-Johnson as highly as it would appear they do in the current cases, or that that is simply not the way it is done in negotiations. It was also important to note that Mr Marr-Johnson did not know about the evidence in respect of the offer for No. 24 Beaumont Street when he reached agreement with Mr Clark.
62. Mr Cowen submitted that factors that the Tribunal ought to have in mind when considering the appropriate yield rates, are set out in paragraph 17 of the Von Dioszeghy decision. "...the

property's nature and quality (including the lease covenants), its location, the current and anticipated market demands for that particular class of property in that location, as compared to the supply and the underlying economic factors".

63. Mr Cowen submitted that the nature and quality of these properties is not good. They are, even on Mr Ryan's evidence "rather plain – unprepossessing – rather straightforward". In general, he said, "people prefer period property to more modern property". Mr Hewetson had made the point that the subject houses equate to about £400 psf, much less than premium houses on other estates and even on the Applicants' Estate. The houses are 1960's built, are not well configured, have small rooms and little entertaining space. Their position on the estate is also peripheral. Mr Hewetson's proposed 7% was supported by the LVT's decision in respect of 15 Basildon Court, effectively opposite No. 13 Beaumont Street. That was in respect of a valuation date in November 1998, well after the commencement of the "resurgence" of Marylebone.

Decision

64. The Tribunal finds the following figures:

	The Tribunal's figure
Capitalisation rate – ground rents until review in March 2008	5%
Capitalisation rate – rents payable on review in 2008 for the residue of the term	6%
Deferment rate	6.5%

65. The Applicants specifically did not rely upon Mr Marr-Johnson's agreement with Mr Clark as legally binding and enforceable against the Respondents. The Applicants did rely upon the agreement with Mr Marr-Johnson as persuasive evidence and a factor pointing towards the correctness of Mr Clark's proposed yield and deferment rates. The Tribunal notes the evidence in respect of the agreement with Mr Marr-Johnson, but attaches relatively little weight to it compared to the evidence of the valuers who gave evidence at the hearing.
66. The Tribunal considers that much of the information in the Mr Clark's Schedules JMC 10 and 11 could have been Gerald Eve's own analyses. However, the Tribunal prefers Mr Clark's approach of variation of the capitalisation rate depending on how distant the review or reversion, to Mr Hewetson's one overall rate.
67. The Tribunal considers that the ground rent until the review in 2008 is very secure and accepts Mr Clark's evidence as to why the capitalisation rate should be 5%.
68. The Tribunal considers that the rents payable on review in 2008 for the residue of the terms are reasonably secure and accepts Mr Clark's evidence as to why the capitalisation rates should be 6%.
69. The Tribunal has had regard to the properties' nature and quality and their location. The Tribunal's view on the evidence is that substantial amount of growth has already occurred in the Marylebone area. The Tribunal agrees with Mr Cowen's submission that the nature and quality of these properties is not premium. They are, even on Mr Ryan's evidence 'rather plain – unprepossessing – rather straightforward'. In general, he (Mr Ryan) said,

'people prefer period property to more modern property'. In respect of the deferment rate for the freehold reversion, the Tribunal considers that the appropriate rate is 6.5%.

E. The relevance of relativities (issue m)

Relativities

70. Mr Cowen submitted that where there is a dispute between the parties as to the way in which the comparables should be dealt with, one method of assessing whose adjustments are more reliable is to look at the relativities as a cross-check. Mr Ryan thought that Mr Hewetson's adjusted figures produced relativities which were too high and Mr Cowen submitted that this was difficult to square with Mr Clark's evidence that the Tribunal should not be concerned with relativities due to the existence of open market evidence in these cases. Mr Cowen contended that Mr Clark's final revised valuations all demonstrate 65.1% relativity. The John D Wood/Gerald Eve graph shows the relativity for 58 years as approximately 78%. Mr Hewetson's relativities for Option 1 show approximately 83% and for Option 2 show approximately 77%.

Decision

71. The Tribunal agrees with Mr Cowen that the John D Wood/Gerald Eve graph showing relativities is generally a useful cross-check. Although relativities were mentioned they were not a central feature of the parties' cases at the hearing. The Tribunal notes that The relativities in relation to the Tribunal's findings are 75% for No.13 and 71% for No, 14 and No. 19.

DETERMINATION

72. The Tribunal determines the following enfranchisement prices to be payable in accordance with the Tribunal's valuation attached to this decision and marked "C1" to "C3".

No. 13 Beaumont Street	£142,000
No. 14 Beaumont Street	£165,450
No. 19 Beaumont Street	£143,600

CHAIRMAN..... *Anne Seifert*

DATE..... *3 October 2002*

HOWARD DE WALDEN ESTATES
LEASEHOLD REFORM ACT 1967 AS AMENDED
VALUATION IN ACCORDANCE WITH SECTION 9(1C)

by Julian Mansfield Clark Bsc MRICS
of 13 Beaumont Street, London W1
as at the date of Claim, 14 March 2000

Unexpired term of lease: 58.00 years

	£	£	£
<u>Valuation of Freeholder's interest (exclusive of marriage value)</u>			
For remainder of term expiring 25 March 2058			
Ground rent currently payable until rent review due 25 March 2008	1,554.54		
Years Purchase for 8.00 years @ 5.0%	6.4632		
		10,047	
Estimated rent payable on review from 25 March 2008			
Estimated Rack Rent (from the evidence of K Ryan Esq)	38,925		
Rent payable at 1/11th	x 0.0909		
			3,539
Years Purchase for 50.00 years @ 6.0%	15.7619		
Deferred 8.00 years @ 6.0%	0.6274		
			9,8890
For reversion to -		34,997	
Value of freehold interest with vacant possession (from the evidence of K Ryan Esq)	1,020,000		
Deferred 58.00 years @ 6.0%	0.0341		
		34,782	
			79,826
<u>Add Freeholder's share of marriage value</u>			
Value of freehold interest with vacant possession (from above)		1,020,000	
<u>Less</u>			
Value of Freeholder's interest exclusive of marriage value (from above)		79,826	
Value of lessee's interest exclusive of marriage value (from the evidence of K Ryan Esq)	665,500		
		745,326	
Gain marriage		274,674	
Freeholder's share @ 50%			137,337
<u>Enfranchisement price</u>			217,163
		SAY	217,200

GERALD EVE
Chartered Surveyors
IM/JMC/MH8261/65

HOWARD DE WALDEN ESTATES
LEASEHOLD REFORM ACT 1967 AS AMENDED
VALUATION IN ACCORDANCE WITH SECTION 9(1C)

by Julian Mansfield Clark Bsc MRICS
of 14 Beaumont Street, London W1
as at the date of Claim, 2 October 2000

Unexpired term of lease: 57.50 years

	£	£	£
<u>Valuation of Freeholder's interest (exclusive of marriage value)</u>			
For remainder of term expiring 25 March 2058			
Ground rent currently payable until rent review due 25 March 2008	1,636.36		
Years Purchase for 7.50 years @ 5.0%	<u>6.1289</u>		
		10,029	
Estimated rent payable on review from 25 March 2008			
Estimated Rack Rent (from the evidence of K Ryan Esq)	35,610		
Rent payable at 1/11th	x <u>0.0909</u>		
			3,237
Years Purchase for 50.00 years @ 6.0%	15.7619		
Deferred 7.50 years @ 6.0%	<u>0.6460</u>		
			<u>10,1822</u>
For reversion to -			32,960
Value of freehold interest with vacant possession (from the evidence of K Ryan Esq)	965,500		
Deferred 57.50 years @ 6.0%	<u>0.0351</u>		
		<u>33,889</u>	
			76,878
<u>Add Freeholder's share of marriage value</u>			
Value of freehold interest with vacant possession (from above)		965,500	
<u>Less</u>			
Value of Freeholder's interest exclusive of marriage value (from above)	76,878		
Value of lessee's interest exclusive of marriage value (from the evidence of K Ryan Esq)	<u>629,500</u>		
		<u>706,378</u>	
Gain marriage		259,122	
Freeholder's share @ 50%			<u>129,561</u>
<u>Enfranchisement price</u>			206,439
		SAY	206,450

GERALD EVE
Chartered Surveyors
IM/JMC/MH8261/74

HOWARD DE WALDEN ESTATES
LEASEHOLD REFORM ACT 1967 AS AMENDED
VALUATION IN ACCORDANCE WITH SECTION 9(1C)

by Julian Mansfield Clark Bsc MRICS
of 19 Beaumont Street, London W1
as at the date of Claim, 29 November 1999

Unexpired term of lease: 58.33 years

	£	£	£
<u>Valuation of Freeholder's interest (exclusive of marriage value)</u>			
For remainder of term expiring 25 March 2058			
Ground rent currently payable until rent review due 25 March 2008	1,636.36		
Years Purchase for 8.33 years @ 5.0%	<u>6.6794</u>	10,930	
Estimated rent payable on review from 25 March 2008			
Estimated Rack Rent (from the evidence of K Ryan Esq)	35,610		
Rent payable at 1/11th	x <u>0.0909</u>		
			3,237
Years Purchase for 50.00 years @ 6.0%	15.7619		
Deferred 8.33 years @ 6.0%	<u>0.6155</u>		
			<u>9.7014</u>
For reversion to -		31,403	
Value of freehold interest with vacant possession (from the evidence of K Ryan Esq)	830,500		
Deferred 58.33 years @ 6.0%	<u>0.0334</u>		
		<u>27,739</u>	
			70,072
<u>Add Freeholder's share of marriage value</u>			
Value of freehold interest with vacant possession (from above)		830,500	
<u>Less</u>			
Value of Freeholder's interest exclusive of marriage value (from above)	70,072		
Value of lessee's interest exclusive of marriage value (from the evidence of K Ryan Esq)	<u>541,250</u>		
		<u>611,322</u>	
Gain marriage		219,178	
Freeholder's share @ 50%			<u>109,589</u>
<u>Enfranchisement price</u>			179,661
		SAY	179,700

GERALD EVE
Chartered Surveyors
IM/JMC/MH8261/66

13 BEAUMONT STREET Option 1 Valuation

"BI"

Ground Rent Review :

£831 per week
x 52 weeks

£43,225 per annum

@ 49.73% discount

£21,729

@ 9.09% gearing

Revised Ground Rent £1,975

LHVP

£660,000

FHVP @ 83.02%

£795,000

Date of notice Mar-00

VALUATION

Landlords Present Value

Ground Rent : £1,555
YP 8 years @ 7.00% 5.9713 £9,283

Reviewed Rent £1,975
YP 50 years 7.00% 13.8
def 8 years @ 7.00% 0.582 £15,867

Reversion to £795,000
PV £1 58 years @ 7.00% 0.0198 £15,708

£40,857

MARRIAGE VALUE

FHVP £795,000

less

LHVP £660,000

less

landlords Present Interest £40,857

Gain on Marriage £94,143

Landlords s 50.00% £47,071

ENFRANCHISEMENT PRICE £87,928

13 BEAUMONT STREET Option 2 Valuation

"B2"

Ground Rent Review :

£831 per week
x 52 weeks

£43,225 per annum

@ 49.73% discount

£21,729

@ 9.09% gearing

Revised Ground Rent £1,975

LHVP

£616,000

FHVP @ 77.48%

£795,000

Date of notice Mar-00

VALUATION

Landlords Present Value

Ground Rent : £1,555
YP 8 years @ 7.00% 5.9713 £9,283

Reviewed Rent £1,975
YP 50 years 7.00% 13.8
def 8 years @ 7.00% 0.582 £15,867

Reversion to £795,000
PV £1 58 years @ 7.00% 0.0198 £15,708

£40,857

MARRIAGE VALUE

FHVP £795,000

less

LHVP £616,000

less

landlords Present Interest £40,857

Gain on Marriage £138,143

Landlords s 50.00% £69,072

ENFRANCHISEMENT PRICE £109,928

Ground Rent Review :

£875 per week
x 52 weeks

£45,500 per annum

@ 49.73% discount

£22,875

@ 9.09% gearing

Revised Ground Rent £2,080

LHVP

£665,000

FHVP @ 83.13%

£800,000

Date of notice Nov-99

VALUATION

Landlords Present Value

Ground Rent : £1,636
YP 8.3 years @ 7.00% 6.1384 £10,045

Reviewed Rent £2,080
YP 51 years 7.00% 13.83
def 8.3 years @ 7.00% 0.5703 £16,405

Reversion to £800,000
PV £1 58.3 years @ 7.00% 0.0194 £15,489

£41,939

MARRIAGE VALUE

FHVP £800,000

less

LHVP £665,000

less

landlords Present Interest £41,939

Gain on Marriage £93,061

Landlords s 50.00% £46,531

ENFRANCHISEMENT PRICE £88,469

19 BEAUMONT STREET Option 2 Valuation

"B4"

Ground Rent Review :

£875 per week
x 52 weeks

£45,500 per annum

@ 49.73% discount

£22,875

@ 9.09% gearing

Revised Ground Rent £2,080

LHVP

£620,000

FHVP @ 77.50%

£800,000

Date of notice Nov-99

VALUATION

Landlords Present Value

Ground Rent : £1,636
YP 8.3 years @ 7.00% 6.1384 £10,045

Reviewed Rent £2,080
YP 51 years 7.00% 13.83
def 8.3 years @ 7.00% 0.5703 £16,405

Reversion to £800,000
PV £1 58.3 years @ 7.00% 0.0194 £15,489

£41,939

MARRIAGE VALUE

FHVP £800,000

less

LHVP £620,000

less

landlords Present Interest £41,939

Gain on Marriage £138,061

Landlords s 50.00% £69,031

ENFRANCHISEMENT PRICE £110,969

14 BEAUMONT STREET Option 1 Valuation

"BS"

Ground Rent Review :

£875 per week
x 52 weeks

£45,500 per annum

@ 49.73% discount

£22,875

@ 9.09% gearing

Revised Ground Rent £2,080

LHVP

£705,000

FHVP @ 82.94%

£850,000

Date of notice Oct-00

VALUATION

Landlords Present Value

Ground Rent :		£1,636	
YP 7.5 years @	7.00%	5.6852	£9,303

Reviewed Rent		£2,080	
YP 50 years	7.00%	13.8	
def 7.5 years @	7.00%	0.602	£17,278

Reversion to		£850,000	
PV £1 57.5 years @	7.00%	0.0204	£17,372

£43,953

MARRIAGE VALUE

FHVP	£850,000
less	
LHVP	£705,000
less	
landlords Present Interest	£43,953

Gain on Marriage	£101,047
Landlords s 50.00%	£50,523

ENFRANCHISEMENT PRICE £94,477

14 BEAUMONT STREET Option 2 Valuation

"B6"

Ground Rent Review :

£875 per week
x 52 weeks

£45,500 per annum

@ 49.73% discount

£22,875

@ 9.09% gearing

Revised Ground Rent £2,080

LHVP

£660,000

FHVP @ 77.65%

£850,000

Date of notice Oct-00

VALUATION

Landlords Present Value

Ground Rent :		£1,636	
YP 7.5 years @	7.00%	5.6852	£9,303

Reviewed Rent		£2,080	
YP 50 years	7.00%	13.8	
def 7.5 years @	7.00%	0.602	£17,278

Reversion to		£850,000	
PV £1 57.5 years @	7.00%	0.0204	£17,372

£43,953

MARRIAGE VALUE

FHVP £850,000

less

LHVP £660,000

less

landlords Present Interest £43,953

Gain on Marriage £146,047

Landlords s 50.00% £73,023

ENFRANCHISEMENT PRICE £116,977

Valuation Date: 14 March 2000

Unexpired Term at Valuation Date: 58.00 years

Freeholder's interest

Ground Rent payable until
review on 25 March 2008

1,554.54

YP 8 years @ 5%

6.4632

10,047

Ground Rent payable from
25 March 2008

Estimated Rack Rent
Payable at 1/11th

31,183

0.0909

2,835

YP 50 years @ 6% 15.7619

Deferred 8 years @ 6% 0.6274

9.8890

28,035

Reversion to freehold interest
with vacant possession

900,000

Deferred 58 years @ 6.5%

0.0259

23,310

61,392

Freeholder's share of Marriage Value

Freehold interest with vacant possession

900,000

Less

Freeholder's existing interest

61,392

Lessee's existing interest

677,500

738,892

80,554

141,946

Say

£142,000

14, BEAUMONT STREET, LONDON W1

Valuation Date: 2 October 2000

Unexpired Term at Valuation Date: 57.50 years

Freeholder's interest

Ground Rent payable until
review on 25 March 2008

1,636.36

YP 7.50 years @ 5%

6.1289

10,029

Ground Rent payable from
25 March 2008

Estimated Rack Rent
Payable at 1/11th

31,183

0.0909

2,835

YP 50 years @ 6% 15.7619

Deferred 7.50 years @ 6% 0.6460

10.1822

28,867

Reversion to freehold interest
with vacant possession

932,000

Deferred 57.50 years @ 6.5%

0.0268

24,978

63,874

Freeholder's share of Marriage Value

Freehold interest with vacant possession

932,000

Less

Freeholder's existing interest

63,874

Lessee's existing interest

665,000

728,874

101,563

165,437

Say

£165,450

Valuation Date: 29 November 1999

Unexpired Term at Valuation Date: 58.33 years

Freeholder's interest

Ground Rent payable until review on 25 March 2008	1,636.36		
YP 8.33 years @ 5%	<u>6.6794</u>		10,930
Ground Rent payable from 25 March 2008			
Estimated Rack Rent Payable at 1/11 th	31,183		
	<u>0.0909</u>		
	2,835		
YP 50 years @ 6%	15.7619		
Deferred 8.33 years @ 6%	<u>0.6155</u>		
	<u>9.7014</u>		27,503
Reversion to freehold interest with vacant possession	800,000		
Deferred 58.33 years @ 6.5%	<u>0.0254</u>		
		<u>20,320</u>	
			58,753

Freeholder's share of Marriage Value

Freehold interest with vacant possession		800,000	
<u>Less</u>			
Freeholder's existing interest	58,753		
Lessee's existing interest	<u>571,500</u>		
		<u>630,253</u>	
			<u>84,873</u>
			143,626
		Say	£143,600