



**FIRST-TIER TRIBUNAL
PROPERTY CHAMBER
(RESIDENTIAL PROPERTY)**

Case Reference : LON/00BK/OLR/2014/1164

Property : Flat 6, Spanish Place Mansions, 6 Spanish Place, London W1U 3HZ

Applicants : Sue Elizabeth Ville and Stephen Edward Ville, as trustees of the Sue Ville 2001 Settlement

Representative : Druces LLP, solicitors

Respondent : 6 Spanish Place Limited

Representative : Bircham Dyson Bell LLP, solicitors

Type of application : For the determination of the terms of acquisition of a new lease

Date heard : 3 and 4 February 2015
(inspection 11 March 2015)

Appearances : Howard Lederman, counsel, instructed by Druces LLP, for the applicants
Mark Loveday, counsel, instructed by Bircham Dyson Bell LLP, for the respondent

Tribunal : Margaret Wilson
Ian Holdsworth FRICS

Date of decision : 17 March 2015

DECISION

Introduction and background

1. This is an application by Mr and Mrs Ville as trustees of the Sue Ville 2001 settlement ("the tenants") under section 48 of the Leasehold Reform, Housing and Urban Development Act 1993 ("the Act") to determine the terms of acquisition of a new lease of Flat 6, Spanish Place Mansions, 6 Spanish Place, London W1.

2. The flat occupies the whole of the third floor of a six storey, plus basement, mansion block comprising ten flats of different sizes. The block has a lift but does not have a porter. As originally demised the flat had two interconnecting reception rooms, three bedrooms, two bathrooms, a kitchen and an internal store. As now arranged it has one reception room, three bedrooms, one with an en suite bathroom, a further shower room, separate cloakroom, and a large kitchen/dining room. The agreed gross internal floor area is 1827 sq ft.

3. The flat, together with a vault, is held on an underlease dated 5 September 1978 for a term of 85 years less three days from 24 June 1977, expiring on 20 June 2062, at an annual ground rent of £195 until 24 June 2027, rising to £390 until 24 June 2052 and to £780 for the remainder of the term. The underlease contains an absolute covenant not to cut, injure or remove any part of the flat. The headlease, which is of the whole building, is held by Tynkat Ltd for a term of 85 years at an annual ground rent of £1500, rising to £3000 and then to £6000 in tandem with the ground rent of the flat. At the valuation date, which is 5 December 2013, the unexpired term of the underlease was 48.54 years.

The hearing

4. At the hearing on 3 and 4 February 2015 the tenants were represented by Howard Lederman, counsel, instructed by Druces LLP, solicitors, who called Jill Howells MRICS of Keningtons LLP, chartered surveyors, to give expert evidence. The freeholder ("the landlord") and the intermediate landlord were represented by Mark Loveday, counsel, instructed by Bircham Dyson Bell LLP, solicitors, who called David Haines FRICS of Extend Your Lease to give expert evidence. On 11 March 2015, accompanied by Mrs Ville and Joseph Gordon, the leaseholder of Flat 3 Spanish Place Mansions, we inspected the interior of Flat 6 and, at the invitation of Mr Gordon, the interior of Flat 3. Unaccompanied, we inspected the exterior of all the buildings in which there were properties subject to sales on which either of the valuers relied.

5. Many matters relating to the valuation were agreed. Those matters were:

- i. the three day head leasehold reversion has no capital value, and the diminution in its value is limited to the loss of ground rent from the flat;
- ii. the appropriate leasehold capitalisation rate is 6% with a sinking fund of 2.5%;
- iii. the appropriate freehold deferment rate is 5%;
- iv. the appropriate relativity of the 48.54 year unexpired term to the freehold is 74.02%;
- v. the value of the new lease is 99% of the value of the flat in the hands of the freeholder;
- vi. the terms of the new lease.

6. The only issue was the unimproved value of the freehold/long lease, and the differences between the valuers on that issue arose largely because of the value they placed on the improvements carried out by the tenants, it being the position that, by virtue of paragraph 3(2)(c) of Schedule 13 to the Act, in the statutory valuation we are required to assume *that any increase in the value of the flat which is attributable to an improvement carried out at his own expense by the tenant or by his predecessors in title is to be disregarded.*

7. The premium proposed by Ms Howells was £455,524 of which £447,986 was to be paid to the landlord and £7538 to the intermediate landlord. The premium proposed by Mr Haines was £591,926 of which £587,245 was to be paid to the landlord and £4681 to the intermediate landlord.

The issue: freehold/long lease value

The evidence

8. Ms Howells considered that the unimproved value of the virtual freehold was £2,650,000 and that the value of the new lease was £2,623,500.

9. She said that her practice is based in the Marylebone village and that she has worked in the immediate area of the block since 1990. She said that the block was attractive and that its location was good but not as sought after as the areas to the east of the Marylebone High Street on the Howard de Walden Estate. She said that the fact that the block had no porter was a significant drawback for some tenants.

10. She said that the flat which had to be valued was as shown in the lease plan and not as altered by the tenants. The lease plan, she said, showed a small entrance hall leading to two interconnecting reception rooms on the north side, and, on the south side, three bedrooms, two bathrooms and an internal store, with a kitchen at the end furthest from the reception rooms. She said that the triangular shape of the block made some of the rooms an awkward shape and that the layout of the flat as originally let was poor. She

said that the outlook from the flat was not good and that some of the windows looked directly into the windows of a bank which compromised privacy.

11. She said that when the tenants bought the flat in 2007 it was unimproved, as was shown in photographs attached to her statement. She listed its drawbacks at that time, which included single glazed windows, partial central heating with surface mounted pipes, surface mounted electrical wiring with few sockets, low height doors, basic kitchen fittings with limited appliances, basic bathroom fittings and no sound insulation. She said that in order to improve the flat the tenants had engaged an architect to improve the layout and refurbish the flat, and that the architects had engaged consulting engineers to plan the modernisation of the heating, plumbing and electrical installations, together with window refurbishment specialists, interior designers, audio visual consultants and kitchen consultants. The improvements had, she said, cost about £300 per sq ft exclusive of VAT, but would have cost significantly more at the valuation date. The works included:

- re-configuring the rooms to produce a contemporary layout
- increasing the height and width of the door openings and widening a corridor
- relocating the kitchen in a more suitable position and creating a highly specified dining area in the kitchen
- relocating the bathrooms and providing a guest cloakroom
- installing a bedroom where the kitchen was formerly situated
- installing new double-glazed timber framed windows
- new ceilings, plasterwork and insulation
- installing high quality fittings and floorings
- installing a remote-controlled lighting and sound system
- installing hidden curtain tracks

12. She said that the flat was required to be valued in good repair but on the assumption that the improvements had not taken place, and that she considered the most reliable approach to the valuation of the freehold and long lease was by reference to what purchasers would pay for similarly unimproved properties in good repair. She relied on transactions relating to three unmodernised flats and five flats which she described as modernised but dated. The three unmodernised flats were Flat 4, 17 Montagu Square, 5 Dudley House Westmoreland Street and 159 Montagu Mansions. In relation to 159 Montagu Mansions she included two sales, ten months apart - the first of the flat subject to an absolute prohibition on alterations and the second of the flat still unimproved but after consent to alter had been granted. The five

improved but dated flats were Flat 4, Nottingham Mansions Nottingham Street, 5 Treborough House Nottingham Place, 3c Portman Mansions Chiltern Street, 43 Bickenhall Mansions and 28 Bryanston Court George Street. She produced estate agents' particulars of all the properties, and confirmation from the Land Registry, or otherwise written corroboration from the agents concerned, of all the sale prices. All the properties were in London W1 within a short distance of Spanish Place, all were subject to long leases, some with a share of the freehold, and all were sold between August 2013 and July 2014. She set out her proposed adjustments to the transactions in a schedule at tab 2 of her appendix B. She adjusted for time via the Savills Capital Values Index for Prime Central London flats (Central Flats) and for lease length via the Savills Table of Relativity (Enfranchisable). She made further adjustments for location, floor level (1.5% between raised ground floor and first floor, and 0.5% per floor thereafter), size, layout, and amenities such as outside space. In relation to size, Ms Howells said that, in her experience, in Prime Central London rates per sq ft did not vary for two/three bedroom flats in the middle price range but that flats of below 1000 sq ft usually attracted higher rates and very large 4/5 bedroom flats usually attracted lower rates.

13. She submitted that the flat had to be valued on the assumption that it could not be guaranteed that any leaseholder would be able to reconfigure it because of the absolute prohibition against alterations.

14. Ms Howells said that an average of the adjusted rates which she derived from the three unimproved flats in her schedule was £1411 per sq ft and that the average of the adjusted rates derived from the five improved but dated flats was £1435, or £1440 if the resale of 159 Montague Mansions was excluded.

15. She said that Mr Haines's approach of relying only on high-end fully improved comparables was much more uncertain and unreliable than her approach, but, to assist us, she also analysed three sales of fully modernised and highly specified flats in the locality: 69 Bryanston Court, Flat 8 Tenby Mansions Nottingham Street (on both of which Mr Haines relied), and on Flat 5, 16 Montagu Street. All three are in London W1 and subject to very long leases, one with a share of freehold, and were sold between November 2013 and December 2014. From these transactions she deducted what she said was a "conservative" £550 per sq ft for condition, arriving at an average of £1545 per sq ft.

16. From the entire basket of the comparables on which she relied she derived an average figure of £1462 per sq ft, and on the basis of all the evidence her opinion was that the appropriate freehold rate to apply to the subject flat was £1450 per sq ft, producing a freehold value of £2,649,150 which she rounded to £2,650,000. Her proposed long lease value was 99% of that sum.

17. Asked about Mr Haines's approach to the value of improvements, Ms Howells said that he had provided no evidence, and there was no evidence, for his suggestion that condition was not a major factor in the price of a property. Asked about his comparables, she said that Flat 5 Picton Place was simply not a comparable flat. It was a new flat in a modern block developed to the

highest specification by Candy and Candy and there was much better evidence available.

18. Cross-examined, she said that in valuing her clients' improvements she had assumed that the flat, including its plaster, ceilings, floors and the interior of the windows, was in good repair. She said she had made no specific deduction from her proposed value to reflect the fact that the new lease, as well as the existing lease, contained an absolute prohibition against alterations. When it was suggested to her that fashions in the layout and fittings of flats changed, she said that since there was a fixed valuation date it was necessary to consider the fashion at that date. She did not accept the suggestion that it was inherently risky to use a basket of comparables because of the range of adjustments which needed to be made. She said that the value of the flat when fully improved would be about £1900 per sq ft. She was asked at length about each of her chosen comparables and she explained all her adjustments in detail. When it was suggested to her that 28 Bryanston Court was the only one of her comparables which provided useful evidence, she said that it was actually the most difficult to analyse. She said that the suggestion that was put to her that a flat on the tenth floor was 10% less valuable than a flat on the third floor was nonsense if there was a lift.

19. Mr Haines's proposed unimproved values were £3,418,366 for the freehold and £3,384,183 for the long lease.

20. He described the block as "a fine mansion block in an extremely sought after vibrant and central area of London's West End". He said that, in his opinion, when valuing a flat of high calibre regard should be had to the floor area rather than to the existing accommodation which could easily be changed to suit the current owner's requirements. He said that in view of the tenants' obligations in the underlease to keep the flat in good repair and to decorate it, and bearing in mind the quality of the flat and that of the neighbourhood, his opinion was that only three of the works of improvement carried out by the tenants should be discounted from the value of the flat, namely the creation of the cloakroom, the installation of double glazing and the installation of a burglar alarm. Of these, he said that the value of the cloakroom would be minor because there were two bathrooms, the value of double glazing was "subjective" because the area was not noisy and there was "conjecture" over its value in preventing heat loss, and the value of a burglar alarm was also "subjective" because of the propensity of burglar alarms to go wrong. He suggested that the total value of those three improvements which should be disregarded from the market value of the flat at the valuation date was £10,000. He said that "in the vast majority of cases" purchasers wished to stamp their own identity on a flat and thus, irrespective of whether or not it had been recently refurbished, the flat would be virtually gutted, and unless the flat had been refurbished to "exceptionally high standard" its condition would not be a major factor in establishing the sale price.

21. At the time when he prepared his written report Mr Haines had not been provided with the comparables on which Ms Howells, who had been recently instructed in place of the tenants' previous expert, intended to rely. Mr

Haines relied on three comparable transactions, all modernised to a very high standard.

22. Of these, he said that the sale of Flat 8 Tenby Mansions provided the best evidence because it was sold on the valuation date, was on the third floor (although Mr Lederman pointed out that the estate agent's particulars which Mr Haines had produced said that it was on the second floor) and provided very similar accommodation in a similar mansion block to the subject flat. It had a floor area of 1327 sq ft and the sale price of £2,850,000 for the flat with a share of the freehold equated to £2085 per sq ft. He then deducted 10% for rights under the Act and £10,000 for improvements and he arrived at a capital value derived from 8 Tenby Mansions for 6 Spanish Place Mansions of £3,318,366.

23. He also relied on Flat 69 Bryanston Mansions, a third floor flat with a floor area of 1442 sq ft sold on a lease of 148 years within days of the valuation date at a price equating to £2028 per sq ft, and on Flat 5 Picton Place, a second and third floor flat in a modern block developed by Candy and Candy. The flat had a floor area of 1474 sq ft, sold 35 days before the valuation date on a lease of 121 years at a price equating to £2035 per sq ft.

24. On the basis of those transactions he concluded that the freehold value of 6 Spanish Place Mansions was £3,418,366 and that the long leasehold value was £3,384,183.

25. In his evidence in chief he said that he had no evidence to support his proposed deduction of £10,000 for improvements to the flat. He said that he agreed with Ms Howells' general approach to the adjustment of her comparables but not with the amount of the adjustments. In particular he disagreed with her adjustment of £550 per sq ft to the highly modernised comparables; he considered that she had under-valued the location of Spanish Place Mansions in her comparisons with the comparables; and he said that he considered that Spanish Place Mansions had "particular cachet". He said that he did not consider that a resident porter in the block enhanced the value of a flat.

26. Cross-examined, Mr Haines disagreed with the suggestion that he was wrong not to have said in his report that there was another approach to the valuation, namely the making of adjustments to comparables which were not highly improved, and that he stood by his professional opinion. He agreed that he had no evidence to support his view that condition had virtually no effect on value, but that you had only to "go round London to see skips full of good equipment ripped out". He said that the only factors which were important to the value of flats of high value were the floor area and the location. Asked whether he had tried to test his opinion he said he had "looked at Lonres and discounted [what he found] for various reasons". He said that the unmodernised comparables "don't fit in with my view", but he rejected Mr Lederman's suggestion to him that he had formed a view and then looked for evidence to support it.

27. Asked in cross-examination about his approach to valuing the improvements, Mr Haines said that changing the layout of flat was "simply maintaining the flat [to the standard expected at the commencement of the lease]" and that mansion flats were "always high quality". He said at one point in his evidence that he did not accept that works such as opening up the drawing room, increasing the height and width of the door openings, the provision of double glazing and relocating the kitchen were improvements at all, but simply a way of accommodating the wishes of the occupant of the flat, although he agreed with Mr Lederman's suggestion that the works were "over and above the tenants' covenants". Asked for the basis of such views he said that they were "generally held". Later in his cross-examination he agreed that the works carried out were capable of amounting to improvements, and Mr Loveday disavowed Mr Haines's earlier suggestion that they were not improvements, but Mr Haines maintained his view that all except the three he had identified did not add value. He said that what he considered to be his best comparable, 8 Tenby Mansions, was "the embodiment of what the subject [flat] should have progressed to".

28. Mr Lederman put to Mr Haines, on instructions, that he had not inspected the flat at all, but he denied the suggestion, which was not supported by evidence from the tenants, and are satisfied that he did inspect it and that Mr Lederman's instructions to the contrary must have been mistaken.

Decision

29. We prefer Ms Howells' conventional approach of relying on a basket of relevant comparables and adjusting them for time, tenure, floor level, condition, amenities and location. Mr Haines's approach of taking only three highly improved comparables is not only unorthodox but also in our view unreliable and unhelpful. Provided that comparable transactions are reasonably similar in terms of tenure, date, location and type of property, and provided the adjustments made to them for the purpose of the valuation are realistic, the greater their number of the comparables, the more reliable the value derived from them is likely to be. In our view Mr Lederman's suggestion to Mr Haines that he chose his comparables in order to support his preconceived opinion was not unfair.

30. We also reject Mr Haines's approach to valuing the improvements to this flat. In the first place, we cannot accept his opinion, unsupported by evidence, that condition does not affect value. While it may well be the case that many purchasers of high value properties will wish to place their own stamp on the property by, for example, installing a new kitchen or bathrooms, such purchasers will usually be competing in the market with others who wish to occupy the property in the condition in which it is when they buy it. In our view Mr Haines's own evidence of the value of highly improved properties is inconsistent with his opinion that condition is largely irrelevant to value. Furthermore it is in our view bizarre to isolate as improvements adding value the relatively minor introduction of a cloakroom, double glazing and burglar alarm and to attribute no value to the other works identified in the list of

works carried out by the tenants, all of which have to a greater or lesser extent, we are satisfied, added significantly to the value of the flat. We also consider that his proposed adjustment of £10,000 for improvements is not only grossly inadequate but is arbitrary and based on no evidence. We accept, as Ms Howells accepted, that some of the cost of the works was likely to have fallen within the tenants' repairing and decorating obligations in the underlease. However, having inspected the flat and the unimproved but otherwise similar Flat 3 we are quite satisfied that all the works which the tenants carried to Flat 6 went well beyond matters of personal taste and we are in no doubt at all that they added significantly to the value of the flat.

31. Nor do we fully accept, or even understand, Mr Haines's adjustments to his three comparables. He said that 8 Tenby Mansions, which he regarded as his best evidence, had a floor area of 1327 sq ft and the sale price with share of freehold equated to £2085 per sq ft. He deducted 10% for rights under the Act, which seems odd when the flat appears, according to the estate agent's particulars, to have been sold with a share of the freehold, and £10,000 for improvements, an arbitrary figure which seems to be based solely on the figure which he allowed for improvements to 6 Spanish Place Mansions. He made no obvious adjustments for differences such as location, size and configuration. Nor is it easy to understand his adjustments to the sale prices of 69 Bryanston Mansions and 5 Picton Place, or his final figures for the freehold and long leasehold interests in the subject flat.

32. We of course accept, as Ms Howells accepted, that the cost of improvements does not necessarily, or even usually, equate with their value. It is exceedingly difficult to arrive at the unimproved capital value of an improved property other than by reference to achieved prices of other, similar, unimproved but in repair properties. Estate agents' particulars are usually rather unreliable indicators of quality, and without an internal inspection of a property it is difficult to judge the effect of improvements on its value. Thus reliance on much improved properties, discounted for improvements which one has not seen, is an inherently unreliable approach unless nothing more suitable is available.

33. We are satisfied that all the unimproved comparables on which Ms Howells relied are sufficiently similar to the flat we are valuing to be helpful evidence. We have not taken into account the three much improved comparables which she analysed because we accept her reasons for regarding them as unreliable. We have reviewed all her adjustments, most of which we accept. We have revised his adjustments to some of the sales as shown bold in the final column of Schedule 1 to this decision.

34. We do not consider that the absolute covenant against alterations is relevant to the value of the flat as Ms Howells suggested. It was not argued that the covenant, which is to be included in the new lease, will reduce its value to any significant extent, and in our view it would be wholly artificial, and would not be an assumption required by the Act, for us to assume that, at the valuation date, when it was known that consent to make alterations had been granted, there was a risk that it might not be granted.

35. By averaging the results derived from our own adjustments to Ms Howells's unimproved or dated comparables, with the exception of the first transaction relating to 159 Montagu Mansions which we regard as less comparable to the subject flat in respect of which there was at the valuation date no obstacle to alterations, we have arrived at a rate per sq ft of £1488 which equates to a freehold value of £2,747,000 and a long leasehold value of £2,719,402.

36. Accordingly we arrive at a premium for the new lease of £472,059, of which £464,518 is payable to the landlord and £7540 to the intermediate landlord as appears from the valuation which is Schedule 2 to this decision.

Costs

37. Mr Lederman invited us to order the landlord to pay £2861 towards the tenants' costs under rule 13(1)(b) of the Tribunal Procedure (First-tier Tribunal) (Property Chamber) Rules 2013 on the ground that the landlord had acted unreasonably in its conduct of the proceedings. The unreasonable conduct on which he relied was an obvious error in the report which Mr Haines provided to Ms Howells on 15 December 2014. Mr Lederman said that the tenants incurred solicitors' fees amounting to £2861 in getting the error corrected, and he asked for that sum to be awarded to the tenants under rule 13(1)(b). Mr Haines acknowledged that his report had contained an error. He said that he went on holiday shortly after he had provided the report and that he corrected it on his return as soon as it was pointed out to him.

38. It was not suggested that the error prevented the parties from settling the case or that it prolonged the hearing. It is not uncommon for errors to be made in valuations and, when a valuer identifies an error in another party's valuation, we would normally expect the matter to be resolved by telephone or email between the valuers and would not expect correcting the error to attract legal costs at all; certainly not legal costs of £2861 or anything close to that amount. We accept Mr Haines's evidence that he accepted, when it was pointed out to him, that his valuation contained an error and that he corrected it as soon as was reasonably practicable. In the circumstances we do not regard the error in the valuation, corrected within a reasonable time and not affecting the conduct of the proceedings, as unreasonable conduct within the contemplation of rule 13(1)(b) and we decline to make an order for costs.

Post script





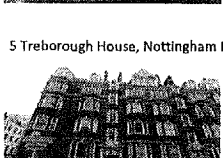

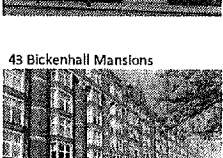
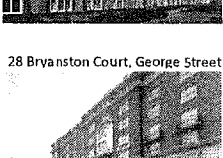
39. After the inspection we received a letter from the landlord's solicitors enclosing correspondence provided by Mr Gordon which confirmed, as he had suggested at the hearing, that it possible for leaseholders of flats in the block to obtain, for a small annual fee, a key to the nearby Manchester Square Gardens. But the opportunity is not a right granted by the lease or by a document ancillary to it and there is no direct view from the flat over the

gardens. As we indicated at the hearing, we do not consider that such an opportunity makes a significant addition to the value of the flat.





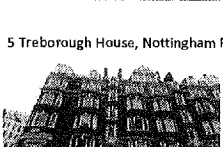


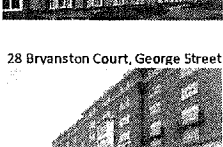
Judge: Margaret Wilson

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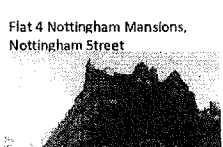




Schedule 1: Comparable adjustments for valuation of Flat 6 Spanish Place London W1

Ref No	Address	Floor	Beds	Sale date	Tenure	Sale Price	GIA	Raw rate psf SFH	Adj to Dec.2013 rate psf SFH	Adj to rate psf	Condition	1 Location 2 Condition 3 Other	Adjust for according to tenant's expert		Adjust for according to landlord's expert		Adjust for according to Tribunal		Overall % adj	Final adj rate psf	
													Overall % adj	Final adj rate psf	Overall % adj	Final adj rate psf	Overall % adj	Final adj rate psf			
Unimproved																					
1	Flat 4, 17 Montagu Square 	4F	3 bed 2 bath	Nov-13	SFH	3,700,000	2,228	1,661	-	1,661	Unimproved	1 -15% for on square location and access to resident only gardens 2 Nil 3 +2.5% ceiling height/rear mansard -2.5% floor level/demise configuration/natural light	-15.00%	1,412	-7.5% for on square location and access to resident only gardens Nil +2.5% ceiling height/rear mansard +6% floor level/demise configuration/natural light	1.00%	1,678	-10% for on square location and access to resident only gardens Nil +2.5% ceiling height/rear mansard -2.5% floor level/demise configuration/natural light	-10.00%	1,495	
2	Dudley House, Westmoreland Street 	1F	3 bed 1 bath & cloaks	Sep-13	104 yrs	1,400,000	830	1,687	102.30%	103.40%	1,784	Unimproved	1 -5% 2 Nil 3 +1% for floor level -10% for size	-14.00%	1,534	+8% +3% +2.5% for floor level -7% for size	6.50%	1,900	-5% Nil +1% for floor level -10% for size	-14.00%	1,534
3	159 Montague Mansions 	1F	Consent for 2 bed 2 bath	Jul-14	973 yrs	1,350,000	936	1,442			1,394	Unimproved	1 +5% 2 Nil 3 +1% floor level -1% portered block -5% size	0.00%	1,394	+5% Nil +1% floor level -1% portered block -5% size	0.00%	1,394	+5% Nil +1% floor level -1% portered block -5% size	0.00%	1,394
4	Flat 4 Nottingham Mansions, Nottingham Street 	RGF	2/3 bed 2 baths	Aug-13	SFH	1,325,000	1,001	1,324			1,378	Improved but dated spec	1 Nil 2 -2.50% 3 +2.5% floor level -2.5% size	-2.50%	1,344	15% -2.50% +2.5% floor level -2.5% size	12.50%	1,550	10% for location -2.50% +2.5% floor level -2.5% size	7.50%	1,481
5	5 Treborough House, Nottingham Place 	1F	3 bed 1 bath	Mar-14	SFH	1,750,000	1,097	1,595			1,555	Improved but dated spec	1 Nil 2 -2.50% 3 +1% floor level +1.5% poorer common parts (although there is a resident caretaker)	0.00%	1,555	+8% +2.50% +2.5% floor level +1.5% poorer common parts (although there is a resident caretaker)	14.50%	1,780	+5% for location -2.50% +1% floor level +1.5% poorer common parts (although there is a resident caretaker)	5.00%	1,633
6	3c Portman Mansions, Chiltern Street 	RGF	2 bed 2 bath	Jan-14	987 yrs	1,999,999	1,334	1,499			1,484	Improved but dated spec	1 +5% 2 -2.5% 3 +2.5% floor level -1% 24 hour portered block with gym -0.5% balcony	3.50%	1,536	+10% -2.5% +5% floor level -1% 24 hour portered block with gym -0.5% balcony	16.00%	1,721	+5% -2.5% +2.5% floor level -1% 24 hour portered block with gym -0.5% balcony	3.50%	1,536
7	43 Bickenhall Mansions 	3F	3 bed 3 bath	Oct-13	84 yrs	1,800,000	1,583	1,137	106.80%	102.20%	1,241	Improved but dated spec	1 +7.5% 2 -2.5% 3 -1% 24 hour portered block -0.5% balcony	3.50%	1,284	+15% +5% +30% 24 hour portered block +10% balcony	60.00%	1,986	+7.5% -2.5% -1% 24 hour portered block -0.5% balcony	3.50%	1,284
8	28 Bryanston Court, George Street 	6F	3 bed 3 bath	Feb-14	SFH	2,400,000	1,571	1,528			1,497	Improved but dated spec	1 +10% 2 -2.5% 3 -4% Penthouse in prestigious 24 hour portered block with gym.	3.50%	1,550	+15% +5% +30% Penthouse in prestigious 24 hour portered block with gym. +10% Layout	60.00%	2,395	+10% -2.5% -4% Penthouse in prestigious 24 hour portered block with gym.	3.50%	1,550
													Average psf		£1,451 Average psf		£1,801 Average psf		£1,488.45		

Schedule 1: Comparable adjustments for valuation of Flat 6 Spanish Place London W1

Ref No	Address	Floor	Beds	Sale date	Tenure	Sale Price	GIA	Raw rate psf SFH	Adj to Dec 2013	Adj rate psf	Condition	1 Location	2 Condition	3 Other	Adjust for according to tenant's Expert	Overall % adj	Final adj rate psf	Adjust for according to landlord's expert	Overall % adj	Final adj rate psf	Adjust for according to Tribunal	Overall % adj	Final adj rate psf						
Unimproved																													
1	Flat 4, 17 Montagu Square 	4F	3 bed 2 bath	Nov-13	SFH	3,700,000	2,228	1,661	-	1,661	Unimproved	1	2	3	-15% for on square location and access to resident only gardens Nil +2.5% ceiling height/rear mansard -2.5% floor level/demise configuration/natural light	-15.00%	1,412	-7.5% for on square location and access to resident only gardens Nil +2.5% ceiling height/rear mansard +6% floor level/demise configuration/natural light	1.00%	1,678	-10% for on square location and access to resident only gardens Nil +2.5% ceiling height/rear mansard -2.5% floor level/demise configuration/natural light	-10.00%	1,495						
2	Dudley House, Westmoreland Street 	1F	3 bed 1 bath & cloaks	Sep-13	104 yrs	1,400,000	830	1,687	102.30%	103.40%	1,784	Unimproved	1	2	3	-5% Nil +1% for floor level -10% for size	-14.00%	1,534	+8% +3% +2.5% for floor level -7% for size	6.50%	1,900	-5% Nil +1% for floor level -10% for size	-14.00%	1,534					
3	159 Montague Mansions 	1F	Consent for 2 bed 2 bath	Jul-14	973 yrs	1,350,000	936	1,442	96.70%	1,394	Unimproved	1	2	3	+5% Nil +1% floor level -1% portered block -5% size	0.00%	1,394	+5% Nil +1% floor level -1% portered block -5% size	0.00%	1,394	+5% Nil +1% floor level -1% portered block -5% size	0.00%	1,394						
4	Flat 4 Nottingham Mansions, Nottingham Street 	RGF	2/3 bed 2 baths	Aug-13	SFH	1,325,000	1,001	1,324	104.10%	1,378	Improved but dated spec	1	2	3	Nil -2.50% +2.5% floor level -2.5% size	-2.50%	1,344	15% -2.50% +2.5% floor level -2.5% size	12.50%	1,550	10% for location -2.50% +2.5% floor level -2.5% size	7.50%	1,481						
5	5 Treborough House, Nottingham Place 	1F	3 bed 1 bath	Mar-14	SFH	1,750,000	1,097	1,595	97.50%	1,555	Improved but dated spec	1	2	3	Nil -2.50% +1% floor level +1.5% poorer common parts (although there is a resident caretaker)	0.00%	1,555	+8% +2.50% +2.5% floor level +1.5% poorer common parts (although there is a resident caretaker)	14.50%	1,780	+5% for location -2.50% +1% floor level +1.5% poorer common parts (although there is a resident caretaker)	5.00%	1,633						
6	3c Portman Mansions, Chiltern Street 	RGF	2 bed 2 bath	Jan-14	987 yrs	1,999,999	1,334	1,499	0.99%	1,484	Improved but dated spec	1	2	3	+5% -2.5% +2.5% floor level -1% 24 hour portered block with gym -0.5% balcony	3.50%	1,536	+10% -2.5% +5% floor level -1% 24 hour portered block with gym -0.5% balcony	16.00%	1,721	+5% -2.5% +2.5% floor level -1% 24 hour portered block with gym -0.5% balcony	3.50%	1,536						
7	43 Bickenhall Mansions 	3F	3 bed 3 bath	Oct-13	84 yrs	1,800,000	1,583	1,137	106.80%	102.20%	1,241	Improved but dated spec	1	2	3	+7.5% -2.5% -1% 24 hour portered block -0.5% balcony	3.50%	1,284	+15% +5% +30% 24 hour portered block +10% balcony	60.00%	1,986	+7.5% -2.5% -1% 24 hour portered block -0.5% balcony	3.50%	1,284					
8	28 Bryanston Court, George Street 	6F	3 bed 3 bath	Feb-14	SFH	2,400,000	1,571	1,528	0.98%	1,497	Improved but dated spec	1	2	3	+10% -2.5% -4% Penthouse in prestigious 24 hour portered block with gym.	3.50%	1,550	+15% +5% +30% Penthouse in prestigious 24 hour portered block with gym. +10% Layout	60.00%	2,395	+10% -2.5% -4% Penthouse in prestigious 24 hour portered block with gym.	3.50%	1,550						
Average psf																	£1,451	Average psf					£1,801	Average psf					£1,488.45

Schedule 1: Comparable adjustments for valuation of Flat 6 Spanish Place London W1

Ref No	Address	Floor	Beds	Sale date	Tenure	Sale Price	GIA	Raw rate psf SFH	Adj to Dec 2013 rate psf	Adj to Dec 2013 rate psf	Condition	1 Location 2 Condition 3 Other	Adjust for according to tenant's Expert	Overall % adj	Final adj rate psf	Adjust for according to landlord's expert	Overall % adj	Final adj rate psf	Adjust for according to Tribunal	Overall % adj	Final adj rate psf																										
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Average psf															£1,451	Average psf															£1,801	Average psf															£1,488.45

Schedule 2

Property: 6 Spanish Place Mansions, Spanish Place London W1
LON/00BK/OLR/2014/1164

Lease and Valuation Data

Sub Lease Term: 85 years(less 3 days) from 24 Jun 1977
 Lease Expiry date: 24th Jun 2062
 Unexpired term as at valuation date: 48.54 years
 Date of Valuation: 5th December 2013
 Rent receivable by Headleasee for:
 13.55 years £ 195
 25.0 years £ 390
 9.99 years £ 780
 48.54 years

Head Lease term: 85 years from 24 Jun 1977
 Lease Expiry date: 24th Jun 2062
 Unexpired term as at valuation date: 48.54 years
 Rent receivable by Headleasee for:
 7.65 years £ 1,500
 15 years £ 3,000
 15 years £ 6,000

Unexpired term 48.54 years

Values

Long leasehold value £ 2,719,402
 Virtual Freehold Value £ 2,747,000
 Existing under lease value £ 2,033,329 **Relativity 74.02%**

Leasehold capitalisation rate	6% & 2.5% on st
Deferment rate	5.00%

Diminution in value of Freeholders present interestValue before grant of new lease

Virtual Freehold value	£	2,747,000	
Deferred 48.55 yrs at 5%		0.0935965	£ 257,110

Value after grant of new lease

Virtual Freehold value	£	2,747,000	
Deferred 138.54 yrs at 5%		0.001160	£ 3,186

Freeholder interest	Total		£	253,923
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Value of Headleasee's present interest

Term 1			
Ground rent payable	£	195	
YP @ 13.55 yrs @ 6% and 2.5%		8.132980	£ 1,586

Term 2			
Ground rent payable		£390	
YP @ 25 yrs @ 6% and 2.5%		11.201200	
PV of £1 in 13.55 years @ 6%		0.454050	£ 1,984

Term 3			
Ground rent payable		£780	
YP @ 9.9 yrs @ 6% and 2.5%		6.6951	
PV of £1 in 38.550 years @ 6%		0.1058	£ 552

Headlessee interest	Total		£	4,122
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Total diminution in value arising from new lease grant			£	258,045
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Calculation of Marriage Value

Under lease extended	£	2,719,402	
Freeholder	£	3,186	
Head leasehold	£	-	£ 2,722,588
Less			
Under lease existing	£	2,033,329	
Freeholders present interest	£	257,110	
Head leaseholders present interest	£	4,122	£ 2,294,561
Marriage value			£ 428,028
Take 50% of marriage value			£ 214,014

Apportionment of marriage value**Freeholder**

Diminution in freeholders interest/Total diminution in value	£	253,923	£ 214,014	£ 210,595
	£	258,045		

Headlessee

Diminution in Headlessee Interest/Total diminution in value	£	4,122	£ 214,014	£ 3,419
	£	258,045		

Price payable to Freeholder

Diminution in value of freeholders current interest			£	253,923
Plus share of marriage value			£	210,595
Total			£	464,518

Price payable to Headlessee

Diminution in value of Head lessee current interest			£	4,122
Plus share of marriage value			£	3,419
Total			£	7,540

Total premium payable by Claimant

To Freeholder		£	464,518
To Leaseholder		£	7,540
Overall Total payable by claimant		£	472,059