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LVT 7 (3/94)

Ref LON/LVT/602

LEASEHOLD VALUATION TRIBUNAL FOR THE LONDON RENT ASSESSMENT PANEL

Leasehold Reform Act 1967

Housing Act 1980

DECISION OF LEASEHOLD VALUATION TRIBUNAL

ON AN APPLICATION UNDER S21 OF THE LEASEHOLD REFORM ACT 1967

ApplicantThe Trustees of The Eyre Estate.....

Respondent ...Mrs M Jaskel.....

RE: 11 Loudoun Road, St John's Wood, London NW8

Date of Tenant's Notice: 19 October 1995

Application to Tribunal dated: 31 May 1996

Heard: 13 January 1997

Appearances: Mr J H Jaskel, Portner & Jaskel, Solicitors
Ms J Lampert, Portner & Jaskel, Solicitors

for the Tenant

Mr A E Radevsky of Counsel
Mr J E C Briant BA ARICS,
Daniel Smith Chartered Surveyors
Mr T Stotesbury, BSc, Daniel Smith
Chartered Surveyors

Mr G E Pemberton, Lee & Pembertons Solicitors
for the Landlord

Members of the Leasehold Valuation Tribunal:

Mr G F Bowden TD MA FRICS (Chairman)
Mr C J Bradley BSC (Est Man) FRICS JP
Mr A Selman DipArch FRIBA

Date of Tribunal's decision 10 JUL 1997

I. FACTS

The Tribunal found facts as follows, in addition to those set out on page 1.

1. Loudoun Road, situated in St John's Wood, is a high-quality, high-value residential area, comprising a mixture of substantial period houses, some more recently built houses and some small scale blocks of flats. Most of the properties appear in a good state of repair and maintenance, and there is evidence of others undergoing large scale reconstruction and improvement. While Loudoun Road is primarily residential, there is some commercial occupation and a steady traffic flow since it offers a north south route parallel to Finchley Road.

2. The subject property is situated in a prominent position, on the corner of Loudoun Road and Langford Place. It is a substantial semi-detached property, the other half of which had been used as a small private school. At the time of inspection this other part appeared to be unoccupied. The subject property is a four-storey house, brick-built (about 1860) with stucco-facing. There is no garage and while there is a largish garden to the front of the house and at the side, providing parking space, it offered little privacy. It is conveniently situated for local shops, a wide range of public transport and other local and central London amenities.

3. The tenant has over recent years made a number of changes to the property, with structural alteration to the internal layout and access. The steps up to the front door have been repositioned; the entrance hall enlarged; and the configuration of rooms on the raised ground floor altered to give a more spacious ambiance. The lower ground floor, previously in a damp and unsatisfactory condition, has undergone considerable reconstruction and reshaping to provide high quality kitchen and living accommodation, enjoying good natural light. The first and second floors, where the original bedroom accommodation was situated, has been remodelled to provide a master bedroom suite with dressing room and bathroom, three bedrooms with bathrooms ensuite and one other bedroom and separate bathroom. The tenant provided the Tribunal with plans indicating the layouts before and after alternation. These works of refurbishment, it was noted, were commenced on 3 January 1996, after the Valuation Date. However it was also noted that some works were required under the terms of the lease.

4. The tenant, Mrs M Jaskel, is the assignee of a full repairing and insuring lease dated 11 November 1983 between the Trustees of the Eyre Estate and Reedbond Ltd, for a term of 70 years from 25 December 1982. The initial ground rent was £300 per annum. There is provision for review of that rent in 2005 when it would be increased to 1/80th of the land value at that date.

5. On 19 October 1995, the tenant's predecessor in title served a Notice of Freehold Enfranchisement which was accepted by the landlords, the Eyre Estate. The tenant completed the purchase of the lease on 29 December 1995 with the benefit of the Notice assigned to her.

6. The price actually paid by the applicant for the property was £668,000. The original contract price of £670,000 had been adjusted downwards by agreement between the parties to reflect extra costs incurred by the purchaser due to the vendors delaying the contractual date of completion.

7. With regard to marriage value. It was agreed by the parties that marriage value should be shared equally on 50:50 basis.

8. Matters in dispute at the time of hearing were as follows:

(i) Valuation date:-

The tenant proposed the date of the purchase of the lease ie 19 October 1995.

The landlord proposed the date of the Hearing ie 13 January 1997

(ii) Site Value:-

Tenant proposed £200,000

Landlord proposed £400,000

(iii) Freehold price to be paid

Tenant proposed £44,782

Landlord proposed £148,469

(iv) Capitalisation rate:-

Tenant proposed 7%

Landlord proposed 6%

9. The parties' representatives submitted written proofs of evidence to support their valuations, and their schedules of valuations are set out:-

Appendix 2. Mr J H Jaskel on behalf of tenant - as amended at the hearing to correct mathematical errors.

Appendix 3. Mr J E C Briant on behalf of the landlords.

II The Tribunal's Conclusions on disputed matters of valuation

1. Valuation date

The tenant proposed the date of the Notice of Claim, while the landlord proposed the date of the hearing should be the valuation date. The Tribunal decided that the relevant time in relation to the claim to acquire the freehold should be the date when the tenant's predecessor had served the Notice of Claim, and thus the valuation date was 19 October 1995. It was noted that since that date substantial works of alteration had been carried out to the property by the tenant, and that the Tribunal, in arriving at the appropriate valuation of the freehold interest, must take into account the condition of the subject property at the time of the notice.

2. Site Value

Mr Jaskel submitted calculations (Appendix 2A) to establish a site value for the subject premises arriving at a figure of £110,095. The Tribunal carefully considered, what was in their experience, an unconventional approach for this type of valuation, and felt that it produced an unrealistic result. Mr Briant presented with his proof and its appendices a number of relevant comparables which were analysed and adjusted, as was thought appropriate. This approach suggested a site value of £400,000 which in the light of the evidence, the Tribunal felt able to accept as a realistic figure.

3. Freehold Price

Both parties accepted that the value of the leasehold interest at the date of the Notice was £670,000. Mr Jaskel set the freehold vacant possession value of the property at £720,000. He offered in support of this figure the sale particulars of 26 Loudoun Road for which the freehold asking price was £695,000 (particulars attached as an appendix to his proof of evidence). Mr Briant proposed a freehold vacant possession value of £890,000, setting out on his proof and appendices, a number of comparables, analysed and adjusted, as thought appropriate, to support this figure. The Tribunal decided, on the balance of the evidence before them, that the vacant possession freehold value of the property, at the date of valuation in a condition disregarding the alterations made subsequent to the notice, to be £850,000.

4. Capitalisation Rate

Mr Jaskel relying on four Leasehold Valuation Tribunal decisions since the 1993 Act in the St John's Wood area proposed a capitalisation rate of 7%. Mr Briant, arguing that the subject property was in a prime residential area, analysed some seven transactions in support of a rate of 6%. The Tribunal carefully considered the evidence, but could find no special circumstances, or compelling arguments to persuade them to depart from the rate generally accepted by the Tribunal as appropriate in properties such as this, situated in this part of St Johns Wood. They therefore adopted a rate of 7%.

III Decision

Accordingly, on the basis of the helpful arguments advanced, on the evidence and inspection of the property, the Tribunal determined the price payable for the freehold interest in 11 Loudoun Road, St Johns Wood, London NW8, pursuant to Section 21 of the Leasehold Reform Act 1967 is £117,073 (one hundred and seventeen thousand, and seventy three pounds). The detail of the Tribunal's valuation is set out in Appendix 1.

CHAIRMAN *Cecilia Bowden*

DATE 10 JUL 1997

Appendix 1

The Tribunal made the following valuation:-

PROPERTY 11 LOUDOUN ROAD

NOTICE DATE 19/10/95

LEASE DETAILS

DATE	25/12/82		
TERM	70		
EXPIRY DATE	25/12/52		
UNEXPIRED TERM	57.22		
GROUND RENT (Until Review)	£300	to	25/12/05
ESTIMATED GROUND RENT (from review)	£5,000	from	25/12/05
LAND VALUE	£400,000		

VALUES

FHVP	£850,000
UNEXPIRED TERM	£670,000

VALUE OF FREEHOLD PRESENT INTEREST

<u>TERM 1</u>	GROUND RENT	£300	
	X YP 10.22 years @ 7.00%	<u>7.13</u>	
			<u>£2139</u>
<u>TERM 2</u>	ESTIMATED GROUND RENT	£5,000	
	X YP 47.00 years @ 7.00%	13.69	
	X PV 10.22 years @ 7.00%	<u>0.5010329</u>	£34296
<u>REVERSION</u>	FHVP	£850,000	
	X PV 57.22 years @ 7.00%	<u>0.0208368</u>	
			<u>£17711</u>
		Lessors Interest	<u>£54146</u>

MARRIAGE VALUE

	FHVP	£850,000	
Less	Lessor's Present Interest	£54146	
	Lessees Interest	£670,000	
	Marriage Value	£125854	
	Take 50% Marriage Value		<u>£62927</u>
		TOTAL	£117073

Appendix 2

Valuation submitted by Mr J H Jaskel on behalf of the tenant, Mrs M Jaskel
(as amended at Hearing)

The Leasehold Reform Housing and Urban Development Act 1993

Property:	11 Loudoun Road, London NW8	
Criteria:	Capitalisation Rate	7%
	Leasehold Value	£670,000
	Freehold Value	£720,000

Lease details:

Date:	25/12/1982
Term:	70 years
Expiry date:	25/12/2052
Unexpired Term:	57.22 years
Current ground rent:	£300 p.a. until 25/12/2005
Estimated ground rent:	£1,575 p.a. (See calculation herewith) <i>£1,315</i>

Value of Freehold present interest

Term 1	Ground rent		£300	
	x yp	10.22 years at 7%	7.3	£ 2,190
Term 2	Estimated Ground rent) £1,476	
	x yp	47 years at 7%	13.69)	
) £6,708	
	x pv	10.22 years at 7%	0.49)	£11,712
Reversion	FHVP		£720,000	
	x pv	57.22 years at 7%	0.035645	£25,664
		Lessor's interest		£39,566

Marriage Value

FHVP £720,000

Less:

Lessor's present interest	£ 39,566
Lessee's interest	<u>£670,000</u>
Marriage value	£ 10,433
Take 50% Marriage Value	£5,216
TOTAL	£44,782

Appendix 2A

Calculation submitted by Mr J H Jaskel on behalf of the tenant, Mrs M Jaskel (as amended at hearing) to support estimate of site value.

The Leasehold Reform Housing and Urban Development Act 1993

Property: 11 Loudoun Road. London NW8

Value of Ground Rent

Value of Freehold

£720,000

Less:

Building Cost

(See insurance cover required by Landlord) £420,000

Cost of landscaping, etc.

£ 20,000

Interest at 8% over 12 months

£440,000

£ ~~19,257~~ *35,200*

Land Value

£110,095

Interest for 12 months at 8%

£ ~~9,448~~ *8,807.60*

£127,543

£593,998

Profit at 18.5%

£133,200

Therefore estimate Ground Rent at 1/80th of £118,055 = £1,476

Valuation of Mr J E C Briant BA ARICS on behalf of the landlords -
The Trustees of The Eyre Estate

Daniel Smith

CHARTERED SURVEYORS

THE LEASEHOLD REFORM, HOUSING AND URBAN DEVELOPMENT ACT 1993

PROPERTY 11 LOUDOUN ROAD

NOTICE DATE 19/10/95

LEASE DETAILS

DATE	25/12/82		
TERM	70		
EXPIRY DATE	25/12/52		
UNEXPIRED TERM	57.22		
GROUND RENT (Until Review)	£300	to	25/12/05
ESTIMATED GROUND RENT(from review)	£5,000	from	25/12/05

VALUES

FHVP	£890,000
UNEXPIRED TERM	£670,000

VALUE OF FREEHOLD PRESENT INTEREST

<u>TERM 1</u>	GROUND RENT	£300		
	x YP	10.22 years @	6.00%	7.48

				£2,244
<u>TERM 2</u>	ESTIMATED GROUND RENT	£5,000		
	x YP	47.00 years @	6.00%	15.59
	x PV	10.22 years @	6.00%	0.5512823

				£42,970
<u>REVERSION</u>	FHVP	£890,000		
	x PV	57.22 years @	6.00%	0.035645

				£31,724
			Lessors Interest	£76,937

MARRIAGE VALUE

	FHVP	£890,000
Less	Lessor's Present Interest	£76,937
	Lessees Interest	£670,000
	Marriage Value	£143,063
	Take	50% Marriage Value
		£71,531

	TOTAL	£148,469