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Ref: LON/LVT/1614/03

**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 SECTION 21 OF THE
LEASEHOLD REFORM ACT 1967**

Applicant Grosvenor Estate Belgravia
Respondent Mizouko Investment Ltd
Re: 28 Kinnerton Street, London, SW1
Date of the Tenant's Notice: 18 November 2002
Application to Tribunal dated: 4 July 2003
Heard: 27 and 28 April 2004

Appearances:

Mr S Burrell of Counsel
Mr J Turton of Boodle Hatfield Solicitors
Mr I Macpherson MA FRICS of Gerald Eve Chartered
Surveyors
Mr G Pope FRICS
Mr R Dalton & Mr H Cooper of Grosvenor Estate
Belgravia

for the Landlord

Mr E Johnson of Counsel
Mr M Brassey of Fladgate Fielder Solicitors
Mr J Shingles of Justin Shingles Ltd

for the Tenant

Members of the Leasehold Valuation Tribunal:

Mrs J.S.L Goulden, JP, (Chairman)
Mr P.M J Casey, MRICS,
Mr D.D. Banfield, FRICS,

Date of Tribunal's decision: 10 June 2004

LON/LVT/1614/03

PROPERTY: 28 KINNERTON STREET, LONDON, SW1

1. The Tribunal was dealing with an application by the Freeholder under Section 21 of the Leasehold Reform Act 1967 (hereinafter referred to as "the Act") to determine the premium payable on 28 Kinnerton Street London SW1 (hereinafter referred to as "the subject property")
2. The application was heard on 27 and 28 April 2004. The Applicant, Grosvenor Estate Belgravia, was represented by Mr S Burrell of Counsel and Mr J Turton of Boodle Hatfield, Solicitors. Expert evidence for the Applicant was given by Mr I Macpherson of Gerald Eve, Chartered Surveyors and Mr G Pope. The Respondent, Mizouko Investment Limited, was represented by Mr Edwin Johnson of Counsel and Mr M Brassey of Fladgate Fielder, Solicitors. Expert evidence for the Respondent was given by Mr J Shingles of Justin Shingles Ltd.
3. A differently constituted Tribunal had determined, at a Preliminary Hearing, that the premium payable was to be determined in accordance with Section 9(1)(C) of the Act. It was not asked to consider the Section 9A compensation question.
4. The Applicant contended for a premium of £789,300, as shown on Appendix B attached, and the Respondent contended for £378,500, as shown on Appendix C attached.

AGREED FACTS

5. The parties had agreed (or agreed during the course of the Hearing) :-
 - (a) The valuation date as at 25 November 2000
 - (b) The marriage value should be shared equally
 - (c) The transfer terms
 - (d) Yields for the purposes of the S 9(1)(C) valuation are 6% for the deferment of the reversion and 5.5% for the capitalisation of the term rent.

INSPECTION

6. The subject property was inspected externally and internally on 27 May 2004. The comparables provided by the parties were inspected externally only on the same date.
7. The subject property comprised an end of terrace mews house c 1880 situated on ground and two upper floors. The accommodation comprises, on the ground floor, a lock up garage, bedroom, shower room/wc. On the first floor there was a kitchen and sitting/dining room with stairs leading therefrom to the second floor which comprised a double aspect bedroom/dressing room and bathroom/wc. The subject property had central heating and was, at best, in average state of repair.
8. The ground floor of the original property, save for access to the stairs, had been given over to

garaging. From the Tribunal's inspection, it would appear that in the past, the garage door opening had been slightly wider than at present, but this would never have permitted side by side access and parking.

9. The matters in dispute and on which the Tribunal's determination is required are as follows:-

The value of the freehold reversion

The value of the existing lease

Compensation (if any) under Section 9A of the Act

10. The Tribunal sets out the salient points of the evidence, and sets out its determinations under each head.

The value of the freehold reversion

11. Mr Pope for the Applicant suggested £930,000 as the value of the property in both existing and unimproved condition. Mr Shingles for the Respondent valued the property in its existing condition at £775,000 but made a deduction of £75,000 to reflect improvements which had been carried out by the Respondent's predecessor to provide additional accommodation. Although Mr Pope did not consider Mr Shingles' figure to be unreasonable in the context of Mr Shingles' approach to the valuation, in his view no adjustment was called for. Mr Pope was of the opinion that the improvements added no value because he thought that the converted space as living accommodation was worth no more than as the original and larger garage.

12. Both valuers used some common comparables, ie 65A Kinnerton Street, 12 St Ann's Close and 44 Belgrave Mews North. In addition Mr Pope looked at 24, 39, 59, and 61 Kinnerton Street, and Mr Shingles looked at 3 Capeners Close, 66 Kinnerton Street and 2 Kinnerton Place North. Mr Shingles had looked at other properties in the vicinity at Greville House and Thorburn House, but the Tribunal did not consider them of assistance since they were modern purpose built flats and a modern terraced house, and therefore are viewed as a different market. Both valuers provided some comparable evidence for garaging alone.

13. The Tribunal has considered the comparables as (a) mews houses with garages (b) mews houses/maisonettes without garages and (c) garages alone.

(a) Mews houses with garages.

14. The only house with a garage at present was 44 Belgrave Mews North, as Mr Shingles comparable at 66 Kinnerton Street which had a garage at the time of sale is currently undergoing major alterations.

15. 44 Belgrave Mews North was a comparable common to both sides. Mr Pope and Mr Shingles both devalued this sale to a figure of £806 psf. Mr Shingles reduced his figure by 20% to reflect the better location and style, and the double garage enjoyed by No 44 when compared with the subject. Mr Pope did not feel that any adjustments were called for.

16. Mr Shingles thought that 66 Kinnerton Street was unmodernised. His devaluation of the sale price adjusted for time and freehold was £678 psf. Mr Pope, who had inspected the comparable,

said that it was in very poor order and the sale particulars had referred to this comparable as being "*ripe for development*". When the Tribunal inspected externally, this property was undergoing complete gutting and major refurbishment.

17. The Tribunal prefers Mr Pope's evidence as to the condition of 66 Kinnerton Street. In respect of 44 Belgrave Mews North, the Tribunal agrees with Mr Shingles that this comparable is significantly superior to the subject, and some adjustment (although not his suggested 20%) should be made to reflect this. The Tribunal adjusts by 10%.

(b) Mews houses/maisonettes without garages.

18. A common comparable was 12 St Ann's Close. Mr Shingles devalued to give £830 psf and Mr Pope devalued to give £809 psf. This was only a one bed property, significantly smaller than the subject and in a somewhat confined location.

19. 65A Kinnerton Street was another common comparable. This was a first and second floor maisonette in a mews house. A lease extension was agreed with Mr Shingles acting for the claimant. The result of the settlement produced £776 psf.

20. 39 Kinnerton Street (Mr Pope's comparable) was an enfranchisement case. Mr Pope carried out a complicated analysis requiring considerable adjustment reflecting value of the potential for adding a second floor. This produced £775 psf for the unimproved area. The premium payable was apparently agreed directly with the purchaser. Mr Pope accepted that this was secondary evidence.

21. 59 Kinnerton Street (Mr Pope's comparable) was also an enfranchisement agreement. Mr Pope had carried out a further complicated analysis of his valuation of the freehold interest including adjusting for the site value of a conservatory added as an improvement to give £774 psf. Mr Pope recalled that all aspects of valuation had been agreed. This comparable, like 39 Kinnerton Street referred to above, was considered by the Tribunal to be secondary evidence.

22. 61 Kinnerton Street (Mr Pope's comparable) was a sale in January 2003 of a lease with 55 years unexpired at £1,225,000 which, adjusted for time and freehold, was devalued by Mr Pope at £797 psf. The subsequent enfranchisement price was devalued by Mr Pope to show a rate of £770 psf. Mr Shingles said it was not helpful to consider a comparable which was so much larger than the subject and a house rather than a mews property in a different price bracket. The Tribunal sees some merit in Mr Shingles' argument.

23. 24 Kinnerton Street (Mr Pope's comparable) was a freehold sale in April 2004 at £1,262,500 which, adjusted for time, Mr Pope devalued and, having taken into account the second floor extension, produced a rate of £828 psf. Mr Shingles said that it was incorrect to rely on this comparable, since it was larger, much more valuable than the subject and had a garden. The Tribunal sees some merit in Mr Shingles' argument.

24. 3 Capeners Close (Mr Shingles' comparable) was a freehold sale in February 2002 for £1,025,000. Adjusting for time he produced a rate of £664 psf. Mr Pope did not specifically challenge Mr Shingles' rate, but considered the comparable to be dark, with poor layout, no windows to the dining room and kitchen and no garage. He also disagreed with Mr Shingles'

opinion that the advantages/disadvantages offset each other. The Tribunal considers that this is a somewhat curious, individual property hidden behind adjoining properties at the end of a confined mews. It was significantly larger than the subject property.

25. 2 Kinnerton Place North (Mr Shingles' comparable). Mr Shingles devaluation of the price paid for a new 80 year lease produced a rate of £858 psf for this small property with a paved patio garden in a narrow road off Kinnerton Street. This property was somewhat overshadowed by neighbouring flats.

(c) Garages alone

26. As a check, Mr Shingles considered the value of the subject property as a maisonette with a separate garage on the ground floor. His valuation of £700,000 included £125,000 for the garage prior to its conversion. Mr Shingles sought to support this by reference to an LVT determination in respect of garages at 36/37 Eaton Mews South with a valuation date in February 1995 adjusted for time.

27. Mr Pope's preferred approach was to apply a rate psf to the total area of the house and garage. Mr Pope did say that if it was appropriate to value the garage as a separate entity as a cross check (as Mr Shingles had done), the Tribunal should consider three transactions involving garages, being 23 Chesham Mews North West, 22 Eaton Mews South and 133 Pavilion Road. Mr Pope also referred to an LVT decision on 41 Boscobel Place.

28. This evidence when adjusted devalued to show rates psf of just under £600 psf to just over £1,000 psf.

29. The Tribunal does not think it appropriate to approach the valuation of a mews house with garage by valuing the living accommodation and the garage individually. Mr Pope's evidence in respect of garages tended to support his view that there was little difference in the value attributable to garaging as opposed to residential accommodation. The Tribunal considers this evidence persuasive and has therefore made no adjustment in respect of tenants' improvements.

30. As to the Tribunal's determination on the value of the freehold reversion and from careful consideration of the evidence at the Hearing and the comparables referred to above, the Tribunal considered that the most helpful comparables were the sale of mews houses with garages. Therefore 44 Belgrave Mews North and 66 Kinnerton Street were considered of greatest assistance to the Tribunal. Both were open market transactions, and whilst both required some subjective adjustment, they most closely corresponded to the subject property.

31. 44 Belgrave Mews North, as stated above, is in a significantly superior location and more attractive than the subject, for which the Tribunal makes an allowance of 10%. This would suggest a rate psf for the subject property of £725 psf.

32. 66 Kinnerton Street was clearly sold as needing major works, and Mr Shingles' devaluation of that transaction of £678 psf requires further adjustment to take into account the difference in condition between this comparable and the subject. The Tribunal considers an appropriate adjustment to be £50 psf. A unit price of £725psf or so does not look out of place against the background of other comparables when bearing in mind the significant difference between them

and the subject property.

33. The Tribunal therefore determines the value of the freehold reversion as £870,000 (1200 sq ft multiplied by £725 psf)

The value of the existing lease

34. The existing lease has 12.57 years unexpired. The valuation put forward on behalf of the Respondent was £280,000. For the Applicant, Mr Pope valued the existing lease at £280,300, but he suggested that if the Tribunal were minded to reduce his valuation of the freehold reversion, this figure should also be altered, in order to maintain a freehold/leasehold relativity of 30.14%. For this reason, it was impossible for the parties to agree the value of the existing lease, despite the apparent closeness of the respective parties' figures.

35. Mr Shingles' valuation was primarily based on the November 2002 price of £390,000 which had been paid for the existing lease in the subject property with the benefit of a served initial notice under the Act. He adjusted this downwards to reflect his view of the tenants' improvements and made a further discount of 17.5% to give effect to the requirement to value in a "no Act" world.

36. As a check, Mr Shingles considered settlements in which he had been engaged in Sloane Court and the sale of a 11.75 year enfranchiseable lease of 20A Kinnerton Street. Mr Shingles' valuation showed a relativity of 40% to his opinion of the freehold value, which he felt fell comfortably within the range of relativities shown on the "graph of graphs".

37. Mr Pope considered it "*dangerous*" to rely on the sale of the subject with its enfranchiseable lease, and his approach was to look at the evidence of transactions where the leases were not enfranchiseable. Mr Pope referred to a series of transactions in relation to 110 Eaton Square, to transactions relating to flats in Tryon House/Vale Court, Mallord Street, Chelsea and Flat 6, 10/12 Hyde Park Gardens, which he said supported his view.

38. The transactions which Mr Pope considered and analysed in respect of 110 Eaton Square related only to the purchase of the existing lease and the subsequent sale of the refurbished property after the grant of a new lease. He did not consider the transaction relating to the surrender of the existing lease and the grant of the new lease, which had occurred between these two sales. Mr Pope used his analysis of this evidence to support his view of the appropriate relativity between the freehold value and the value of an unenfranchiseable lease.

39. In the Tribunal's view, the analysis of this open market evidence was, in the main, complex and required the making of very large adjustments, save for that in relation to Tryon House/Vale Court.

40. For further support of Mr Pope's views on relativity, he referred to a number of agreements and settlements reached in the immediate locality. In addition, he referred in evidence to a number of LVT decisions. Whilst in his evidence, Mr Pope gave prominence to these three strands of evidence as supporting his chosen relativity, it became obvious during the Hearing that he had relied primarily on the John D Wood/Gerald Eve graph of relativities.

41. Mr Macpherson, in his evidence, explained the derivation of this graph which had been drawn up in 1992 by Mr Macpherson and Mr Pope, and expresses in graph form their opinion of the relativity for any given number of years unexpired on a lease. Their opinions had been informed by the evidence then available (pre 1993 Act) of a relatively plentiful supply of transaction evidence in unenfranchiseable leases in the open market. They also had regard to their considerable experience in settling a large number of 1967 Act claims on the Grosvenor and other large Central London estates.

42. Both Mr Macpherson and Mr Pope accepted that the graph was advisory, but Mr Macpherson claimed it to be far superior to any other graph because of the time it was undertaken and the quality control in its preparation. It was said to be necessary to adhere closely to the relativities shown on the graph otherwise an effect which Mr Macpherson referred to as "*creep*" would distort valuations in the "no Act" world as valuation dates got further away from a time when unenfranchiseable leases sold readily on the open market. Legislative changes since 1992 results in a world where practically all leases are enfranchiseable.

43. The Tribunal accepts that there is a relationship between the value of an unenfranchiseable short lease and the freehold, but is surprised to have it suggested that that relationship is so precise so as to be expressed as 30.14%.

44. Looking at Mr Macpherson's production "IM4", the relativities agreed in settlements or where not specifically agreed reported by Gerald Eve to their clients show a considerable range and not necessarily confined to the most recent enfranchisements.

45. To some extent, the Tribunal accepts Mr Pope's criticism of Mr Shingles' approach. The Tribunal considers that the price paid for a short lease in the subject property is of some assistance in assessing the value of the existing lease in a "no Act" world providing that it is treated with caution. The Tribunal also treats Mr Pope's relativity approach based on reliance on the John D Wood/Gerald Eve graph with caution.

46. The transactions in Tryon House and Vale Court are those that require the least adjustment of any of Mr Pope's market evidence, and are closest to the subject property lease in relation to the unexpired term.

47. Mr Pope's view of this evidence is that it shows a relativity of approximately 31%. This would not seem out of line with the totality of evidence before the Tribunal, and the Tribunal adopts 31% of the freehold value to give £269,700, say £270,000, as the value of the existing leasehold interest in the subject property.

48. Given the agreement between the parties as to the appropriate rates to be used to capitalise the passing rent and defer the reversion, the premium payable under Section 9(1C) to acquire the freehold interest in the subject property is £509,000, and the Tribunal's valuation is attached as Appendix A.

Compensation (if any) under Section 9A of the Act

49. The subject property backs on to and abuts 15 Wilton Crescent. The freehold in both properties vests in the Applicant. Both properties are held on long leases which terminate on the

same date.

50. The expert evidence on behalf of the Applicant was to the effect that if 15 Wilton Crescent (the main house) was offered on the open market together with the subject property, the freehold interest would sell for a price higher than the aggregate of the two properties sold as separate entities. The claim is, in effect, a claim for compensation for severance of the subject property from 15 Wilton Crescent.

51. In submissions, Mr Burrell, for the Applicant argued that the Applicant was entitled to compensation *"because the Respondent's acquisition of the subject property under the Act will prevent the Applicant from being able to realise the additional value/marriage value attributable to the fact that the freehold interest with vacant possession of the subject property...and 15 Wilton Crescent...together is worth more than the aggregate of the values of the same interest in each property for sale separately"*. Mr Burrell cited previous LVT and LT decisions in support.

52. The Applicant suggested £240,500 (being their view of the forgone enhanced value of £500,000 deferred 12.57 years at 6%).

53. The Respondent said that there should be no compensation, although Mr Shingle has accepted that it was probably of some advantage to the Applicant were they able to offer both properties together.

54. The Respondent, in legal submissions argued that no compensation was payable in respect of the severance claim since Section 9A does not specifically import a "no Act" world. In the real world it is inevitable that 15 Wilton Crescent will enfranchise (a view which was accepted by Mr Pope). It was argued that if 15 Wilton Crescent is inevitably enfranchised, then the landlord would never be in a position to sell the two together, not because of the sale of the subject, but because both leases would never revert to the Applicant. Mr Johnson referred to Hague as authority for this proposition. He also argued that Section 9A(2)(a) and (b) were mutually exclusive.

55. Mr Johnson argued that Section 9A of the Act permitted a landlord to claim such compensation as is reasonable *"in circumstances where the landlord can prove that he will suffer loss and damage falling within the terms of Section 9A"*. He said that the figure claimed for compensation by the Applicant was *"jaw dropping"* Mr Johnson argued that the claim for compensation is not established in this case and *"it is thus not necessary for the Tribunal to reach an unfair result"*.

56. If compensation was payable, Mr Johnson said that the deferment rate should be higher than the 6% agreed for the reversion on the mews property - say 7% to 8% due to the additional value, being a riskier proposition than the core values of the properties. Mr Macpherson argued that it was no riskier and that 6% was appropriate.

57. Mr Burrell argued that compensation under Section 9A fell to be considered in a "no Act" world. In addition, the weight of determinations by the LVT and LT in the Applicant's favour was persuasive.

58. Mr Johnson argued that previous decisions were not binding and in all the cases cited on behalf of the Applicant, the principle of compensation under this head had not been contested, but merely the quantum thereof.

59. The Tribunal is surprised that the arguments put forward by Mr Johnson have never been raised in previous cases, although of course, there is no bar to these arguments being presented to the Tribunal in this case.

60. In the view of the Tribunal, and after careful consideration of the Section 9A, the assessment of compensation (if any) for a claimed loss is to be undertaken on the assumption of a "no Act" world. There can therefore be no assumption that 15 Wilton Crescent will enfranchise. In 9A(5)(a), it is stated that the price payable under Section 9 "*should be construed as including a reference to any amount payable under this section*".

61. It is the Tribunal's view that compensation is part of the Section 9 price and that Section 9 price must be assessed as if in a "no Act" world. It cannot, in the opinion of this Tribunal, have been the intention of Parliament to separate the bases of valuation for different components of the Section 9 price. It is also apparent that if one followed Mr Johnson's arguments, in many instances a landlord could be denied a claim for development value which the section clearly intends should attract compensation.

62. On the evidence before the Tribunal, it is satisfied that, at the very least, the Applicant loses a benefit from the severance of the subject from the main house. The consideration of the Tribunal is therefore whether this is a quantifiable financial loss.

63. Mr Shingles has suggested that there is no additional value/marriage value in this case. When the short leasehold interest in the subject property was offered for sale in the market, the owners of the leasehold interest in 15 Wilton Crescent, whilst interested in purchasing the subject, made an offer of £40,000 less than the eventual sale price. Neither had the Applicant been interested in acquiring the property. However it is noted from the LVT decision relating to 60 Eaton Place, in which Mr Shingles gave evidence, that he expressed the view that the value of the main house fell to be discounted because the adjoining mews house was not available for sale at the same time as the main house. Mr Shingles has not satisfactorily explained this apparent change of heart.

64. To support his claim for £500,000. Mr Pope relied on transactions and his analysis of them at 48 and 60 Ebury Mews, 115 Eccleston Mews, and 14 Upper Belgrave Street. He also made reference to LVT decisions in respect of 11 and 40 Wilton Crescent and 46 Chester Square.

65. The inferences which Mr Shingles drew from the sale of the subject property were criticized on behalf of the Applicant because many personal factors could have influenced the parties decisions, and because that sale did not correspond with the sale envisaged as underlying the claim (ie the freehold of the main house with the freehold of the mews property). In the Tribunal's view, the same criticisms can be levelled at Mr Pope's comparables, the circumstances surrounding which the Tribunal has been given little information, particularly in respect of the negotiating strengths of the parties involved. 60 Ebury Mews, for example, sold after competition from two main house owners to the rear, and all the transactions required substantial subjective adjustments by Mr Pope. So far as the quoted LVT/LT decisions are concerned, none of these establish a general principle to be established in these circumstances, and each was

decided on its particular merits. This Tribunal is obviously unaware of the evidence and/or contentions in each case referred to.

66. Given the nature of the loss claimed, the Tribunal was disappointed that no valuation of the freehold interest of the main house at 15 Wilton Crescent was given in evidence by the Applicant, save for Mr Pope's response to a question from the Tribunal, when he hazarded the view that it might be worth £6 to £6.5m. This aspect is considered to be fundamental. Such a valuation supported by evidence of comparable transactions of other main houses with and without mews houses would, in the Tribunal's view, have been the approach to adopt. There is no other way in which what is effectively a claim for diminution of the valuation of the main house because of severance of the subject property can be assessed. The valuation exercise is concerned with the bids of potential purchasers of the main house spending £6 to £7m. It is not concerned with what, in special circumstances, a particular owner of a particular main house might pay to acquire a mews property.

67. The compensation suggested of £500,000 deferred at 6% is unacceptable to the Tribunal, and no concrete evidence has been provided to substantiate this very high figure.

68. The Tribunal is however persuaded on the totality of the evidence that there is some financial loss to the Applicant. If Mr Pope's figure of some £6 to £6.5m for the main house is correct, a purchaser of the main house and mews who would be paying close to approximately £6.9 to 7.4m for the main house and mews on the basis of their individual values. One could envisage in such circumstances and in order to acquire the whole property that an overbid would be made in the region of £100,000, and that figure deferred at 6% is the compensation reasonably payable to the Applicant for loss on the enfranchisement of the subject property. This compensation sum of £48,100 is shown on the Tribunal's valuation attached as Appendix A, and is to be added to the amount determined under Section 9(1C) to give the total purchase price payable on the enfranchisement of the subject property.

69. The premium payable is therefore £557,600

CHAIRMAN.....

DATE..... 10 JUNE 2004

Leasehold Reform Act 1967 as amended
Section 9(1C) Valuation

Appendix A

125 Kinnerton Street London SW1

Existing interests

Occupational lease 12.57 years unexpired
Ground rent £60 pa

Agreed matters

Valuation date 25/11/2002
Yield, term/reversion 5.5/6.00%
Marriage 50%

Determined by Tribunal

Unimproved freehold interest 870,000
Existing lease 270,000
Section 9A loss 100,000

Diminution in value of freeholders interest

Term				
Ground rent		60		
YP 12.57 yrs @	5.50%	8.906	534	
Reversion to freehold		870,000		
PV £1 in 12.57 yrs @ 6%		0.481	<u>418,470</u>	
<u>Freehold interest</u>				419,004
Marriage value				
Unimproved freehold value			870,000	
less				
Existing lease		270,000		
Freehold		<u>419,004</u>		
			<u>689,004</u>	
Marriage value			<u>180,996</u>	
share @	50%			<u>90,498</u>
<u>Enfranchisement price</u>				509,502

Add for other loss

Loss on "severance"		100,000		
PV £1 in 12.57 yrs @ 6%		0.481		<u>48,100</u>
				557,602

Total sum payable **Say** **£557,600**

LEASEHOLD REFORM ACT 1967 AS AMENDED
 Section 9(1C)
 Valuation
 of
 28 Kinnerton Street, London, SW1
 at 25th November 2002
 by
 Ian Macpherson M.A. FRICS

Valuation of landlords' interest excluding marriage value	£	£	£
For lease term remaining -			
Ground rent currently payable	60		
Years Purchase for 12.57 years @ 5.5%	8.906		
		534	
For reversion to -			
Mr Pope's valuation of freehold interest with vacant possession for occupation separate from 15 Wilton Crescent	930,000		
Deferred 12.57 years @ 6.0%	0.481		
		447,330	
			447,864
<u>Add lessor's share of marriage value</u>			
Value of unimproved freehold interest with vacant possession for occupation separate from 15 Wilton Crescent		930,000	
<u>Less</u>			
Value of lessor's interest exclusive of marriage value	447,864		
Mr Pope's corresponding valuation of lessee's interest having 12.57 years unexpired	280,300		
		728,164	
Gain on marriage		201,836	
Landlord's share @ 50.00%			100,918
Enfranchisement price			548,782
Add for other loss			
Difference in value between 15 Wilton Crescent and 28 Kinnerton Street for sale together and separately, as advised by Mr Pope	500,000		
Deferred 12.57 years @ 6.0%	0.481		
			240,500
			789,282
			Say 789,300

APPENDIX C

VALUATION OF HOUSES IN ACCORDANCE WITH THE LEASEHOLD REFORM ACT 1967

LON/LVT/1614/03

Property	28 Kinnerton Street SW1	GIA	1200
		FH £psf	£583
Date of Claim	25-Nov-02		
Unexpired term of lease	12.57 Yrs		

ANDLORDS INTEREST

1)Ground rent payable to intermediate leaseholder			£60	
Years Purchase in	12.57 Yrs @	5.5%	8.907	
				£534
2)Reversion to end value-				
Freehold value with vacant possession	Unimproved Value		£700,000	
	Deferred	12.57 Yrs @	6.0%	0.481
				£336,471
3) Diminution in value of both Landlords' value before marriage value				£337,005

TENANTS INTEREST

Unexpired lease	12.57 Yrs		
Freehold value	£700,000		
Unimproved Leasehold value	£280,000		
Value of short lease before marriage value			£280,000
			GIA 1200
			LH £psf £233
			Relativity 40.00%

MARRIAGE VALUE

Freehold value	£700,000	
less Landlords interest	(£337,005)	
less Tenants interest	(£280,000)	£82,995

PRICE FOR FREEHOLD INTEREST

Landlords Interest	£337,005	
50% Marriage value	£41,497	£378,503
		SAY £378,500