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Ref. LON/LVT/1204/00

LEASEHOLD VALUATION TRIBUNAL
FOR LONDON RENTASSESSMENT PANEL

DECISION

Leasehold Reform Act 1967

RE: 21 BLENHEIM ROAD, ST. JOHNS WOOD, LONDON NW8

Applicants: The Trustees of The Eyre Estate

Respondents: Mr P M and Mrs WR Kremen

HEARING: Tuesday 27 June 2000

Appearances:

Mr K Munro of Counsel and
Mr J E C Briant BA ARICS for Applicants (Freeholders)

Mr R Tager QC with Mr M Palfrey of Counsel and
Mr D C Haines FRICS for Respondents (Leaseholders)

Members of Leasehold Valuation Tribunal:

Dr J T Farrand QC FCI Arb (Chairman)
Mrs E Flint DMS FRICS IRRV
Mrs L Walter MA(Hons)

INSPECTION: Tuesday 11 July 2000

Valuation Date: 24 March 1999

Leasehold Valuation Tribunal's Determination: £138,900

Date of Tribunal's Decision: 08 AUG 2000

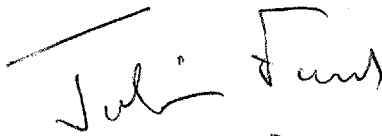
1. The Respondents, as long leaseholders, had served a Notice on the Applicants, as freeholders, dated 24 March 1999 of their claim to acquire the freehold of 21 Blenheim Road which claim had been admitted on behalf of the Applicants on 16 June 1999.
2. By an Application to the Tribunal dated 11 January 2000, primarily a determination was sought of the price payable under the Leasehold Reform Act 1967 (section 9 as amended) for the acquisition. The price considered appropriate by the Applicants was then stated to be £245,000.
3. That Application also sought determination of what provisions ought to be included in the conveyance of the freehold by the Applicants to the Respondents. However, no drafts were supplied for approval and no submissions were made to the Tribunal as to this aspect. Accordingly this decision is necessarily restricted to determining the price payable.
4. Shortly before the Hearing, the Tribunal received the following documents:
 - a) Statement of Agreed Facts signed by Mr Briant and Mr Haines; this was thin on facts but included a Schedule of Comparables (with front elevation photographs) and a Brief Description of the Alterations Licensed in 1989;
 - b) Proof of Evidence by Mr Briant; this included a Valuation producing a reduced enfranchisement price of £221,999;
 - c) Statement of Case by Mr Haines; this included a Valuation producing the markedly lower enfranchisement price of £93,750; and
 - d) Appendices to Statement of Case by Mr Haines; these included Plans, Surveyor's Report and Photographs of 21 Blenheim Road, all pre-dating the alterations/improvements carried out by the Respondents.
5. At the Hearing Mr Munro opened by identifying the different figures contained within the two Valuations which had led to the markedly different enfranchisement prices. It became apparent that there were only two crucial differences: *first*, as to the improved freehold value: Mr Briant's figure was £1,450,000 whilst Mr Haines' figure was (in effect) £869,204: *second*, as to the value of improvements, Mr Briant's figure was £100,000 whilst Mr Haines' figure was £210,000. The rest of the differences between the Valuations essentially reflected these different figures, whether by adopting percentages or fractions or by valuation assumptions.
6. During the Hearing Mr Briant and Mr Haines were each taken through their documentary evidence by examination and cross-examination.

Each confirmed his qualifications in terms of experience and consequent belief in the justification for his valuation. In particular, neither was induced to resile from his view of the two crucial differences.

7. As to the unimproved freehold value, both Mr Briant and Mr Haines referred to 17 Blenheim Road as, in effect, the closest comparable. This house had been sold, freehold and needing refurbishment, in July 1999 for £1,100,000. Each proposed adjustments on account of (i) market movement (ie 4 months from valuation date of 24 March 1999) and (ii) the larger size of No.17. However, these adjustments differed: as to (i) Mr Briant deducted 2% (£22,000) and Mr Haines 14% (£154,000); as to (ii) Mr Briant deducted £30,000 and Mr Haines £54,600. Mr Haines also proposed but did not substantiate a 3% deduction for 1954 Act rights.
8. As to the improvements, both Mr Briant and Mr Haines agreed that cost was not the relevant figure but each put a separate increase in value on individual works of improvement rather than on the totality of the effect on the value of 21 Blenheim Road. It was also agreed by them that work to the back garden – landscaping etc – had increased the house’s value by £10,000. Otherwise, their figures were in total £90,000 and £200,000 respectively – over 100% apart. However, Mr Briant believed his lower figure to be “very generous ... especially bearing in mind new fittings and decorations are to taste and may be entirely removed by a future purchaser.” He asserted that it was “typical of refurbishment projects in St John’s Wood that the interiors are wholly overhauled whenever a new purchaser undertakes work.” Much play was made during the Hearing with the point that what was in issue was the value of improvements as opposed to repairs or even modernisation but no adequately particularised submissions were made in respect of any of the various works and the effect on the value to be disregarded.
9. The Hearing concluded just after 4.0 pm on 27 June 2000 but because the Respondents were abroad and no keys were available the Tribunal was unable to inspect 21 Blenheim Road, externally and internally, and the various comparables (externally only) until 11 July 2000.
10. The subject-property was seen to be a comparatively small detached ‘period’ house, built apparently in the early 19th century, in a quiet road of similar substantial houses within the St John’s Wood conservation area. Its attractive and marketable accommodation comprised so far as material: *basement/lower ground floor* – kitchen, dining and utility rooms; *ground floor* – through drawing/sitting room, study and cloakroom; *first floor* – two bedrooms and two bathrooms.

11. The Tribunal considered that the improvements carried out by the Respondents had, in totality and irrespective of incidental repairs and replacements, increased the value of the house by, at least, the £200,000 contended for by Mr Haines (plus £10,000 for the garden works). This figure would have been greater had not the consequence of creating an extra bathroom been the loss of a bedroom. Mr Briant's contention that the value of the improvements should, in effect, be discounted because a typical purchaser in St John's Wood would 'gut' the house and start again was not accepted for two reasons: first, it appeared inconceivable that any purchaser should not be largely content with the house as improved in room arrangement by the Respondents; second, the Respondents, who had actually carried out these particular improvements could themselves be regarded as 'special purchasers' thus increasing the market value in this respect.
12. The Tribunal accepted that 17 Blenheim Road was the most helpful comparable but considered that the appropriate adjustments were (i) as to market movement 5% , and (ii) as to larger size £67,500. In particular, the Tribunal considered that the additional area in the side extension to that house was worth more than a pro rata increase as by moving the bathroom into a smaller area could enable an extra bedroom to be formed within the main part of the house.
13. Accordingly, the Tribunal concluded that the unimproved freehold value of 21 Blenheim Road at the valuation date was £980,000 (ie improved value of £1,190,000 less £210,000 for improvements).
14. In the light of this conclusion, the Tribunal were able to agree a valuation (attached) enabling a formal determination of the price payable by the Respondents for acquiring the freehold of 21 Blenheim Road, St John's Wood, London NW8. That price is **£138,900.**

CHAIRMAN ...



DATE ... 08 AUG 2000

ATTACHMENT [TRIBUNAL'S VALUATION]

21 Blenheim Road

Valuation date 24 March 1999

GDV £1,190,000

SITE VALUE 40% GDV

ESTIMATED GROUND RENT (EGR)

$\frac{£476,000}{60} = £7933$ say £7950

VALUES

FHVP (UNIMPROVED) £980,000

LEASEHOLD 82%

IMPROVEMENTS £210,000

Value of freeholder's interest

Present ground rent	£1,000	
X YP 10.23 years @ 6%	<u>7.484</u>	£7,484
Reversion to EGR	£7950	
X YP 53.27 years @ 6% 15.9188		
X PV 10.23 years @ 6% 0.5510	<u>8.7712</u>	£69,731
Reversion to FHVP	£ 980,000	
X PV 63.5 years @ 6%	<u>0.0247</u>	£24,206
		£101,421

Marriage value

FHVP unimproved	£980,000	
Less		
Lessors present interest	£101,421	
Lessees unimproved interest	<u>£803,600</u>	
	<u>£905,021</u>	
	£74,979	
@ 50%		£ 37,489
		<u>£138,910</u>
		say £138,900