

THE LEASEHOLD VALUATION TRIBUNAL FOR THE LONDON RENT ASSESSMENT PANEL

**DECISION OF THE LEASEHOLD VALUATION TRIBUNAL ON AN
APPLICATION UNDER SECTION 9(1C) OF THE
LEASEHOLD REFORM ACT 1967**

Re: 54 Springfield Road, London NW8

Applicant: The Trustees of the Eyre Estate (landlord)

Respondent: Mrs Rita Soraya Woolf (tenant)

Notice of claim and valuation date: 24 August 1999

Application dated: 29 February 2000

Heard: 12 December 2000

Appearances:

Mr T Dutton (counsel)

Mr J E C Briant BA ARICS (Cluttons, chartered surveyors)

for the landlord

Mr K G Buchanan BSc (Est Man) ARICS (Colliers Conrad Ritblat Erdman,
chartered surveyors)

for the tenant

Members of the leasehold valuation tribunal:

Lady Wilson

Mr J C Avery BSc FRICS

Professor V Morris MA MSc

Date of the tribunal's decision: 12 February 2001

Background

1. 54 Springfield Road is a detached house in St John's Wood, built in the 1950s in neo-Georgian style. It has a drawing room, dining room, breakfast room, study, kitchen and utility room on the ground floor, and four/five bedrooms, a dressing room and bathrooms on the first floor. There is a garage and off-street parking for two cars. The tenant has improved the property by constructing a new roof with dormer windows and a roof light, constructing a staircase between the first and second floors, and creating and fitting out an open plan games room and a bathroom on the second floor. The floor area of the improved property, excluding bathroom and circulation space, is agreed to be 210 sq m (2260 sq ft), and, of the unimproved property, 160 sq m (1722 sq ft). The property is subject to a building lease granted in 1956 for a term of 99 years from 29 September 1956 and expiring on 29 September 2055 at a peppercorn for the first year and thereafter at a fixed ground rent of £100 per year. 56.11 years remained unexpired on 24 August 1999, the agreed valuation date.

2. It was contended for the tenant that the house itself constituted an improvement to be disregarded in the valuation in accordance with section 9(1A)(i)(d) of the Leasehold Reform Act 1967 ("the Act"), but it was conceded that that issue had been determined by the Court of Appeal in *Rosen v The Trustees of the Camden Charities* (The Times, 13 December 2000) and that the issue would not be raised in the present case unless the appellant in *Rosen* in due course successfully challenged the decision of the Court of Appeal.

3. It was agreed that the value of the tenant's improvements to be disregarded in valuing the freehold reversion was £250,000, and that the proportion which that figure bore to the value of the freehold reversion should be applied in determining the value of the improvements to be disregarded in valuing the existing lease. It was also agreed that the marriage value should be divided equally. The issues were the value of the freehold reversion, the value of the existing

lease, and yield. Mr Briant proposed a price of £230,000 and Mr Buchanan £169,266.

4. On 12 December we inspected the interior and exterior of the property, and we externally inspected all the comparables listed in the Statement of Agreed Facts, together with 5 Clifton Hill on which Mr Buchanan, for the tenant, relied as a comparable for the freehold value, and all the properties in Springfield Road listed in a Schedule of Leasehold Reform Act Settlements and Tribunal Decisions on the Eyre and John Lyon's Charity Estates which Mr Briant, for the landlord, produced.

Decision

(i) The value of the freehold reversion

Mr Briant contended that the improved freehold had a value of £1,900,000, and Mr Buchanan contended that its value was £1,850,000. Both Mr Dutton for the landlord and Mr Buchanan agreed that the difference between the two valuations (less than three per cent) was very well within valuation tolerance. Mr Buchanan said that he was content that we should split the difference on this aspect of the valuation, and Mr Dutton agreed that it would not be wrong to do so, although Mr Briant invited us to conclude that his valuation was correct. In our view it is impossible to value to within three per cent unless the comparable evidence is very compelling, which, in our view, it is not in this case because major adjustments are required to all the freehold comparables put before us. We are satisfied, on the evidence of both valuers, and having inspected all the freehold comparables, that £1,875,000 is a fair valuation of the improved freehold, and that the unimproved freehold was therefore worth, at the valuation date, £1,625,000.

(ii) The value of the existing lease

Mr Briant contended that the lease had an improved value of £1,440,000. He relied on the sale in March 2000 of a 36.25 year lease of the externally very similar 50 Springfield Road, which was, he said, the best and the closest leasehold comparable. He adjusted the sale price by 10 per cent for market movement, by 15 per cent for the effect of the Act, by £50,000 for the fact that the effective floor A area of the comparable was 15 sq m less than the A area of the improved subject property, and by £100,000 for the less good condition of the comparable, and arrived at an adjusted leasehold value of £1,527,000. He said, however, that he had discussed the transaction with colleagues in the St John's Wood estate agency office and it was their and his opinion that the current lessee had overpaid, and that the more realistic adjusted open market value of the lease was in the region of £1,500,000.

Mr Briant also relied on sales of leases of two Victorian houses: 30 Clifton Hill and 3 Carlton Hill. A 65.31 year lease of 30 Clifton Hill was sold in March 2000 for £2,000,000 with the benefit of a valid notice of claim under the Act. He adjusted the transaction by 10 per cent for market movement, by 15 per cent for Act rights, and by 7.8 per cent for lease length in accordance with the graph of differentials which he produced, which, he said, suggested that a 65.3 year lease was worth 82 per cent of the freehold value, whereas a 56.11 year lease was worth 76 per cent of the freehold value. He also adjusted by £75,000 for the fact that the comparable had a floor area of only 186 sq m. From 30 Clifton Hill he thus arrived at an adjusted leasehold value for 54 Springfield Road of £1,484,130. 3 Carlton Hill was sold in July 1999 on a 73.5 year lease for £1,250,000 with the benefit of a valid notice of claim. Similarly, he adjusted by 15 per cent for Act rights, by 6.6 per cent for lease length, by £325,000 for size, by £100,000 for plot size and shape, and by £50,000 for lack of garage and parking space (although taking into account what he considered to be the potential to add a parking space) to arrive at an adjusted leasehold value of £1,417,375.

Cross-examined by Mr Buchanan, Mr Briant agreed that, of the leasehold comparables, only 50 Springfield Road was of the same size and style, and that, by rights, it was the best comparable. The problem, he said, was that the value which it suggested for 54 looked too high and was out of line with the graph of relativities. He agreed that planning consent for an off-street parking space in front of 7 Carlton Hill had been refused in 1997, because it would have involved the demolition of an old wall which also fronted 3 Carlton Hill, but declined Mr Buchanan's invitation to increase his upwards adjustment of that comparable for the parking facilities enjoyed by the subject property.

Mr Buchanan relied on the same transactions in relation to 50 Springfield Road and 30 Clifton Hill. He adjusted 50 Springfield Road by £50,000 (as against Mr Briant's £100,000) for condition, by £150,000 (as against Mr Briant's 10 per cent) for market movement, and by the same 15 per cent for Act rights. He adjusted, as Mr Briant had surprisingly not done, for lease length, putting this adjustment at £100,000. His said that his adjustments indicated an improved leasehold value of £1,530,000 for the subject. He adjusted the sale of 30 Clifton Hill by £50,000 (as against Mr Briant's £75,000) for size, by £100,000 for lack of garage space (Mr Briant had made no such adjustment), by £100,000 for condition (Mr Briant had made no adjustment for condition), by £150,000 for market movement (as against Mr Briant's 10 per cent), by £100,000 for lease length (as against Mr Briant's 7.9 per cent) and, as Mr Briant had done, by 15 per cent for Act rights. These adjustments suggested, he said, an improved leasehold value for the subject of £1,500,000, and he averaged the two figures derived from his comparables to produce an improved leasehold value of £1,515,000. Applying a proportionate approach to improvements, he arrived at an unimproved value of £1,310,000.

In our view the comparable at 3 Carlton Hill is of little assistance. It is a semi-detached house, significantly smaller, and sold at a price some 25 per cent less than houses similar to the subject. 30 Clifton Hill, although a period house, is much closer in size and price range. We noted that

the adjusted figure calculated by Mr Briant is £1,484,000. We have given appropriate weight to the opposing arguments in relation to the market evidence, and have taken into account, as a cross-check, the graph of differentials. In our view the sale of 50 Springfield Road should be adjusted, without undue injury to the consistency of the graph, to arrive at a value for the improved lease at the valuation date of £1,500,000. We agree with both valuers that 50 Springfield Road is by far the best comparable, and applying all Mr Briant's adjustments but allowing, as he should have done, for the significantly shorter lease length of the comparable, produces a higher figure than that. We accept that purchasers sometimes pay on the high side, and we have allowed for that. All the evidence, and our own experience of the market, shows that purchasers were, in late 1999, paying very high prices for relatively short leases, even discounting the benefit of notices under the Act.

Applying a proportionate approach in relation to improvements as we are invited to do, we deduct 13.33 per cent of that figure to arrive at an unimproved freehold value of £1,300,000.

(iii) Yield

Mr Briant proposed a yield for capitalisation and deferment of 6%. He said that factors affecting yield included location and capital value, and he said that the great majority of settlements and decisions in the area showed yields which had been agreed or determined at 6 per cent. He accepted that, in a few cases, yields of 6.25 or 6.5 per cent or above had been applied, but said that these cases were generally in respect of houses which were more poorly located or of lower quality than 54 Springfield Road. In particular, 71 and 73 Springfield Road, which were directly opposite 54, had been agreed at 6.5 and 6.655 per cent respectively, but these were more modern semi-detached town houses, much smaller than 54, and 73 was particularly poorly located in that it backed on to a garage and had most of its frontage on the more busy Loudoun Road.

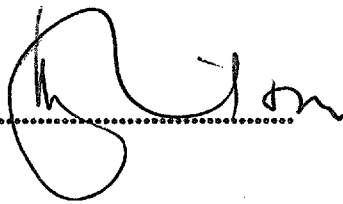
Mr Buchanan proposed a yield of 6.5%. He agreed with Mr Briant that factors affecting yield were location, which he agreed was probably the most important factor, and value, and also lease terms. He reviewed the settlement evidence and tribunal decisions, and relied particularly on the settlements in relation to 71 and 73 Springfield Road. He considered that the factors suggesting 6.5 per cent were the good but not prime location, the unexpired term of 56 years, and the low fixed ground rent.

We have come to the conclusion, on balance, that the appropriate yield rate for capitalisation and deferment is 6 per cent. This is a good quality house in a good location, well into Springfield Road, not unduly affected by traffic and with a good outlook at the rear. In our view these factors suggest that 6 per cent is the correct rate, notwithstanding the medium length of the lease.

Determination

Accordingly, we determine the price to be paid for the freehold to be £194,400, in accordance with the valuation which is attached to this decision.

CHAIRMAN.....



DATE.....

12 February 2001

Appendix A

Valuation of 54 Springfield Road, St Johns Wood

Date of valuation	August 24, 1999
Expiry of lease	September 29, 2055
Term unexpired at date of valuation	56
Appropriate yield for term	6%
Appropriate yield for reversion	6%
Multiplier for term (YP single rate)	16.0288
Multiplier for reversion (PV of £1)	0.0383
Lessor's share of marriage value	50%
Ground Rent	£100
Value of unimproved freehold	£1,625,000
Value of unimproved existing lease	£1,300,000

Calculation

Value of unimproved freehold £1,625,000

Lessee's interest

(a) Value of existing leasehold interest £1,300,000

Freeholder's interest

Ground rent	£100	
YP	56	6%
	<u>16.0288</u>	
(b) Value of term		£1,603

Unimproved freehold value	£1,625,000	
PV	in 56	6%
	<u>0.0383</u>	
(c) Value of reversion		<u>£62,238</u>

(d) Value of freeholder's interest (b) + (c) £63,840

Marriage value

Deduct Total of existing interests (a) + (d)	<u>£1,363,840</u>
Marriage value	£261,160
Landlord's share	50%
	<u>£130,580</u>
Add value of Freehold interest	<u>£63,840</u>
	<u>£194,420</u>

Enfranchisement price **Say** £194,400