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LON/LVT/1309/00

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 22 OF THE LEASEHOLD REFORM ACT 1967

Application: Cadogan Holdings Limited in the capacity of special executor of the late the  
Right Honourable William Gerald Charles Seventh Earl Cadogan

Respondent: Ronald William Zeghibe

RE: 19 Cheyne Walk, London, SW3

Date of Tenant's Notice: 20 January 2000

Date of Respondent's Counter Notice 28 June 2000

Application to Tribunal dated: 15 September 2000

Heard: 8 May 2001 Inspection: 9 May 2001

Valuation Date: 20 January 2001. Unexpired term 54.18 years  
Ground Rent £17250 to 25  
March 1999. To be reviewed  
at .75% of the freehold value.

Appearances: Mr A Radevsky of Counsel  
Mr D Greenish of Messrs Pemberton Greenish, Solicitors  
Mr K Gibbs, FRICS of Messrs Gerald Eve  
Mr A McGillivray of Messrs W A Ellis  
Mr J Curnow MRICS of Cadogan Holdings Limited  
for the landlord

Mr J McGhee of Counsel  
Mr J M Stephenson of Messrs Bircham Dyson Bell, Solicitors  
Mr J Shingles of Justin Shingles Limited  
for the tenant

Members of the Leasehold Valuation Tribunal:

Mrs B M Hindley LLB (Chairman)  
Mr D D Banfield FRICS  
Mr O N Miller BSc

Date of Tribunal's decision

1. At the commencement of the hearing the Tribunal was informed of the agreed facts (attached at Annex 1).
2. Accordingly the issues remaining in dispute were:-

	<u>Applicants</u>	<u>Respondent</u>
Value of unimproved freehold	£5,000,000	£3,650,000 (£3,250.00 without top floor)
Value of unimproved leasehold	£3,330,000	£2,584,700 (£2,317,000 without top floor)
Enfranchisement price	£1,245,000	£830,000 (£729,000)

3. Attached at Annex 2 and Annex 3 respectively are the valuations of Mr Gibbs and Mr Shingles. Mr Shingles originally produced two valuations. The first excluded the whole of the top (4<sup>th</sup>) floor on the basis that it was an improvement which fell to be disregarded because of continuity of tenure since the lease of 1902. At the hearing it was agreed that sight of a copy of the probate of the will of Mr W S A Griffiths, who died in 1946, was required. After the hearing it was accepted by both parties, in a letter to the Tribunal, that the property was to be considered as at the valuation date with only the value of any improvements carried out since the grant of the 1951 lease being disregarded.
4. The Tribunal having considered the improvements listed in the statement of agreed facts was of the opinion that only the installation of a lift should be regarded as an improvement impacting on the valuation.

5. Despite apparent agreement on the use as comparables of six freehold sales (see para 7 of Annex 1) only four of these properties (11, 20A, 30 and 49 Cheyne Walk) were actually listed by both valuers. Mr McGillivray, alone, listed 6 Cheyne Walk and Mr Shingles, 3 Cheyne Gardens. Additionally Mr Shingles listed 15 and 20 Cheyne Walk.
6. Since Mr McGillivray considered that four of his five potentially comparable sales were 'quite different in character and did not share the same quality of location and a sufficient number of important features with the subject property for them to appeal to the same potential purchaser' as the subject property he, in fact, considered only the sale of 20A Cheyne Walk as helpful. This was sold, unimproved and without a fourth floor for £3,750,000 in June 2000.
7. Mr McGillivray calculated that this equated to a rate per square foot of £1,024.87. Indexing to the valuation date he achieved a rate per square foot of £954 which he then applied to the subject property but with a discount of 10% for the additional fourth floor.
8. Dismissing the sales of 30 and 49 Cheyne Walk as unhelpful, Mr Shingle adopted a rate per square foot of £724 from his analysis of his other offered comparables on the basis that a 'basket' approach was likely to be more accurate than placing total reliance on one transaction. Mr McGillivray contended that averaging dissimilar (in terms of architecture, design, amenity, garden size etc) houses was not useful.
9. The Tribunal, having inspected all the offered comparables externally, agreed with Mr McGillivray that 20A was the most helpful. However they were not persuaded that the settlement concluded in respect of No 20 could be wholly disregarded. Accordingly, they chose to adopt Mr Shingles' 'basket approach' using these two properties.

10. Noting agreement between the two valuers as to the square footage of No 20A, excluding its vaults, at 3659 square feet, as well as agreement that the square footage of No 20 and the subject (excluding the top floor) was very similar, the Tribunal chose to average the two figures resulting in £839 per square foot. However, in recognition of the pattern which emerged from their consideration of the evidence in relation to all the offered comparables, they concluded that an allowance for size should be made, which they assessed at 10%. They, therefore, calculated a rate per square foot of £755.
11. With agreement between the parties that the valuation of the fourth floor should be at a discounted rate – Mr McGillivray proposed 10% and Mr Shingles 35% - the Tribunal preferred to adopt 20%. Accordingly, the Tribunal valued the unimproved freehold at £3,900,000.
12. With regard to the unimproved leasehold value the common comparable cited was 4 Cheyne Gardens. Mr McGillivray considered it unhelpful being 'very different in character and location' and emphasised the fact that the sale of its 52.25 years lease had taken place in September 1996.
13. Finding no other useful comparables Mr McGillivray referred to the graphs of relativities maintained by Gerald Eve and John D Wood and his own firm. Taking from these tables 77% as the relativity between the freehold and the 54.18 year lease value, he achieved £3,850,000.

14. From this he deducted a capitalised ground rent of £518,621 which he calculated using the lease term of 0.75% but on the assumption that a ground rent in excess of .05% of the freehold value would have a detrimental effect on a sale.
15. Adopting a similar approach but taking into consideration other graphs which included settlement as well as sales evidence, and finding the sales of leases at 4 Cheyne Gardens and 20 Cheyne Walk (in fact a settlement) helpful, Mr Shingles put the relativity at 80%.
16. Mr Shingles deducted a capitalised ground rent of £335,318 adopting the same methodology as Mr McGillivray but using .185% as the acceptable level of ground rent tolerance.
17. Mindful of the decision of the Lands Tribunal (*Carl v Grosvenor Estate*) produced at the hearing by applicants, the Tribunal preferred to adopt a relativity of 77.5% as used in that case in connection with a lease of similar length to the subject and a similarly prestigious property.
18. Further, the Tribunal chose to capitalise the ground rent at £437,861 by adopting the same tolerance level - .055% - as used by the Lands Tribunal. Since the resulting figure was so close to the value proposed by Mr Shingles, the Tribunal considered it appropriate to value the unimproved leasehold interest at £2,584,700.

19. Accordingly, the Tribunal made the following valuation:-

## Leasehold Reform Act 1967 (as amended)

Valuation under section 9(1C)

19 Cheyne Walk London SW3

Valuation date 20 January 2000

### Value of Lessor's interest

#### For remainder of term

Ground rent to 25/3/2009	£	24,435	
Capitalised at 5% for 9.18 years		7.221	£ 176,445
Reversion to	£	29,250	
Capitalise for 45 years and defer for 9.18		10.122	£ 296,069
<b>Reversion to freehold in possession</b>	<b>£</b>	<b>3,900,000</b>	
Deferred 54.18 years at 6%		0.0426	<u>£ 166,140</u>
<b>Lessor's interest excluding marriage</b>			<b>£ 638,654</b>

#### Marriage value

Freehold in possession		£ 3,900,000	
Less			
Lessor's interest	£	638,654	
Lessee's interest	£	2,584,700	
		<u>£ 3,223,354</u>	
Marriage value		£ 676,646	
Lessor's share	50%		<u>£ 338,323</u>
<b>Enfranchisement price</b>			<b>£ 976,977</b>
		Say	<b><u>£ 977,000</u></b>

20. The Tribunal, therefore, determines that the sum to be paid for the freehold interest in 19 Cheyne Walk, London, SW3 is £977,000. (Nine hundred and seventy seven thousand pounds).

CHAIRMAN.....*P. D. H. ...*

DATE.....

**19 Cheyne Walk, London SW3**  
**Leasehold Reform Act 1967 (as amended)**

**Statement of Agreed Facts**

**1. Situation:**

Cheyne Walk is a fashionable and highly regarded residential street in one of the prime locations in Central London, running along the north side of the River Thames between Royal Hospital Road to the east and Cremorne Road to the west. Cheyne Walk merges at various points with Chelsea Embankment which is a main thoroughfare for traffic passing along the north side of the River. There are two islands of garden which separate Cheyne Walk from Chelsea Embankment and the subject property is situated at the preferred eastern end of Cheyne Walk, set back behind one of these gardens. There is a main bus route running along the Embankment and Battersea Park is only a short walk away (via the Albert Bridge) on the south side of the River.

**2. Description:**

The subject property and the terrace in which it is situated contains some of the oldest surviving houses in Chelsea. The subject property is an early Grade II Listed Georgian terrace house built circa 1760, and set back from the pavement behind a York paved front garden. The house is arranged over basement, ground and four upper floors. To the rear there is a long narrow garden, measuring approximately 90' in length x 20' 9" in width. The garden adjoins other gardens of neighbouring properties providing a very pleasant open aspect over several acres of private gardens from the rear rooms of the subject property. To the front the upper floors enjoy fine, far reaching views over the River towards Albert Bridge and Battersea Park.

**3. Floor area GIA:** 5,332 sq ft excluding vaults of 113 sq ft  
Top floor extends to 840 sq ft

**4. Claim date:** 20<sup>th</sup> January 2000  
**Unexpired term:** 54.18 years

**5. Lease details:**

**Dated:** 18<sup>th</sup> January 1980

**Term:** 75 years from 25<sup>th</sup> March 1979 to 25<sup>th</sup> March 2054

**Parties:** The Right Honourable William Gerald Charles Earl  
Cadogan ("the Lessor")  
John Hanson ("the Lessee")

**Premium:** £57,500

Rent passing: £17,250 p.a., reviewable every ten years to 0.75% freehold value. Rent review of 25 March 1999, still outstanding.

Summary of terms: The lease requires the tenant to fully repair and insure the property and to repaint the interior and exterior within stated periods. To pay a reasonable proportion of the expense incurred for the making and supporting, repairing, cleansing and amending of all passageways, party fence walls, private roadways, footpaths and forecourts, gutters, common sewers and drains. The walls, timbers and roof of the property must not be cut or injured in any way, nor may the plan, layout, height, elevation or architectural appearance and decoration be changed. Nor may any internal partitions for dividing rooms be erected. The property must not be used otherwise than as a single private dwelling house in one family occupation only.

6. History: *← 8 7244.*

(a) Assignments *[under current lease:]* 28 April 1981 – assigned to R Reid  
1 July 1986  
15 February 1988  
5 November 1990  
6 January 1997 – assigned to R W Zeghibe

(b) Alterations:

1. Licence To Make Alterations: KDG Plans A1 and A2, based on Wybrow Wood Partnership's plans, show the property as existing in 1981.

KDG Plans B1 and B2 show details of the alterations approved under this Licence.

Brief description: "To install a lift and generally to rehabilitate the said premises."

Works: Installation of a new 3 person lift.  
New washroom and toilet under the staircase in the hall.  
New double door entrance to main dining room.  
Fitting out of bedrooms and bathrooms.  
Reconfiguration of lower ground shower room.  
Alterations to lower ground kitchen entrance.  
Replacement of lower ground kitchen (although new kitchen in 1978).  
Replacement of ground floor kitchen (although new kitchen in 1978).  
Repositioning of 4<sup>th</sup> floor bathroom.



- Repairs: New roof.  
Replacement of certain windows.  
Repainted entire house – internal and external.
2.  
Licence To Retain Unauthorised Alterations: 27 November 1987– see KDG Plan B2
- Brief description: “The erection of partitions and forming of door opening to create water closet room and laundry within the master bathroom.”
- Works: Creation of WC and laundry room within master bathroom. (Alteration from that shown on Plan 209/3F dated 1981)
3.  
Alterations post 1997 (no Licence): See KDG Plans C1 and C2 based on Peter Tigg Partnership plans and property inspection.
- Works, which include: Conversion of kitchen to family room/store at rear of lower ground floor.  
Kitchen and bathroom repositioned in central area of lower ground floor.  
New entrance lobby for caretakers flat.  
2<sup>nd</sup> floor bathroom enlarged and fitted with cupboards, Jacuzzi and steam room, by removal of partitions forming laundry room and the separate WC/bidet that was approved in 1987.  
n.b. C1 may not show exact configuration of Ground Floor at valuation date
4.  
Proposed alterations: Listed Building Consent TP/96/2924. Granted 11/06/1997 subject to conditions;
- “Erection of rear extensions at basement and ground floor level together with elevational alterations and internal alterations.”-
- Two storey extension is to be fully glazed and thus have the appearance of a conservatory.
- Proposed alterations to include reconfiguration of rear basement and extension to provide at basement level approx 318 sq ft (29.58 sq m) of additional floorspace. Extension to comprise of family room, kitchen / winestore and shower room
- Proposed alterations at ground floor level to include reconfiguration of cloakroom and WC beneath the stairs and extension to provide approx 150 sq ft (13.94 sq m) pf additional floorspace. Extension to comprise of

balcony above the family room with staircase to the lower level.

5. Alterations approved by the Estate March 2001:

See KDG Plans D1 and D2 (prepared by Glass Houses Limited).

Alterations broadly similar to those for which planning consent was granted in 1997. Basement level now includes the addition of a bay of approx 12 sq ft which opens out on to the garden. The total area of this extension will now amount to approximately 480 sq ft (44.6 sq m).

7. **Freehold Sales:** 20a Cheyne Walk  
6 Cheyne Walk  
11 Cheyne Walk  
30 Cheyne Walk  
49 Cheyne Walk  
3 Cheyne Gardens

8. **Leasehold Sale:** 4 Cheyne Gardens

9. **Agreed Valuation Matters:**

Capitalisation of initial term to review in 9.18 years - 5%

Adjustment of outstanding ground rent review to exclude tenants improvements from date of claim: Minus 16.47% (based on FPDSavills Prime Central London SW index)

Deferment rate 6%

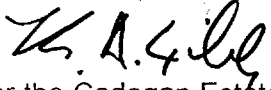
Marriage value division 50%

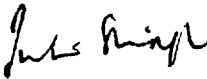
10. **Disputed Valuation Matters:**

Unimproved Freehold Vacant Possession Value -

Unimproved Leasehold Vacant Possession Value -

Capitalisation of balance of term -

  
For the Cadogan Estate  
4/7/01

  
For the Tenant  
6/4/01

Agreed Claimant's works to property since January 1997

**General**

Comprehensive low voltage lighting to all floors and main staircase and heating system replaced.

<b>Floor</b>	<b>Rooms</b>	<b>Narrative</b>
Ground Floor	Cloakroom/WC	Floor level lowered to create coats hanging room which did not exist before.
	Dining room	Extended wiring – low voltage lights put in.
	Kitchen	Replacement kitchen units installed with storage cupboards.
Lower Ground Floor	Lobby area	New entrance lobby to front caretaker's flat linking and enclosing access to southern vault.

	Vaults	Replacement water softener installed. (Replacement boilers repositioned in southern vault.)
	Bedsitting room	Cupboards replaced.
	Staff Kitchen	Replacement kitchen installed and stud partitioning changed to 'fit' kitchen into central area.
	Bathroom	New bathroom (different location) installed. Result –
	Family Room	Chimney opened up to create new fireplace. Former 'rear' kitchen now incorporated to front part of basement floor to release additional family room at the rear yet still retains a self-contained basement staff flat.
	Drains	Replacement drains installed in order to rectify and carry away previous flooding from water coming off the sloping garden into the basement of the house.
First Floor	Drawing room	New lighting and dado panelling installed (did not exist), radiators boxed in.
	Landing	Wet bar installed in freestanding cabinet.
	Library	Bookcases added and new lighting installed.
Second Floor	Master bedroom	Cedar lined cupboards installed, new down lighters installed, radiators boxed in.
	Laundry room	Incorporated into bathroom by plumbing of washing machine and dryer in landing cupboards.

	Bathroom	Enlarged and re-fitted with mahogany cupboards, marble panelling, Jacuzzi and steam room installed. Partition to W.C. and bidet removed (latter not replaced).
Third Floor	Rear bedroom/ bathroom	Wall between rear bedroom and adjacent bathroom realigned to create enlarged bathroom for the two bedrooms that it serves on this floor. New lighting, cornicing and closets installed.
Fourth floor	Bedrooms/ bathroom	Floor reorganised (as original was in breach of the lease) to recreate two double bedrooms and one bathroom (similar in layout now to third floor) rather than previous arrangement of one small double bedroom with WC off and large bathroom (with no WC) at the front of the house.

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Yield on the capitalisation and deferral of the future ground rent after review agreed at 5.5%

*M. A. G. G.*  
17/4/01

*Lee Smith*  
23/4/01

## CADOGAN HOLDINGS COMPANY

LEASEHOLD REFORM ACT 1967 (AS AMENDED)

Property: 19 Cheyne Walk, London SW3

Date of Claim: January 20, 2000

Unexpired term of lease: 54.18 years

VALUATION IN ACCORDANCE WITH SECTION 9 (1C) OF THE LEASEHOLD  
REFORM ACT 1967 (AS AMENDED)

Value of Lessor's interest excluding marriage value	£	£	£
For remainder of term -			
Rent currently payable	31400		
Capitalised for 9.18 years @ 5.00%	<u>7.221</u>	226,725	
Ground rent payable on March 25, 2009 at review to 0.75% of FVP reviewable every 10 years	37,500		
Capitalised for 45.00 years @ 5.50%	16.55		
Deferred 9.18 years @ 5.50%	<u>0.612</u>	<u>10.129</u>	379,823
For reversion to -			
Value of freehold in possession	5,000,000		
Deferred 54.18 years @ 6.00%	<u>0.0426</u>	<u>212,764</u>	819,312
<b>Add Lessor's share of marriage value</b>			
Value of freehold in possession		5,000,000	
<u>Less</u>			
Value of lessor's interest exclusive of marriage value	819,312		
Value of lessee's interest exclusive of marriage value	<u>3,330,000</u>	<u>4,149,312</u>	
Gain on marriage		850,688	
Attributed to lessor at 50.0%			<u>425,344</u>
Enfranchisement price			1,244,656
		say	<u>£ 1,245,000</u>

Apr-01

Gerald Eve  
Chartered Surveyors  
KDG/CNCP/A11454

## VALUATION OF HOUSES IN ACCORDANCE WITH THE LEASEHOLD REFORM ACT 1967

JS1a

ALTERNATIVE VALUATION  
BASED ON ADDITIONAL  
STOREY ASSESSED  
AT OVERALL GIA OF 4786 sf  
LVT/LON/1309/00

Property 19 Cheyne Walk SW3

Date of Claim 20-Jan-00

LVT REF

Unexpired term of lease 54.18 Yrs

**LANDLORDS INTEREST****1) Ground rent payable**

£22,921 Adjusted back to 3/99 review date on Savills PCL SW

Years Purchase in	9.18 Yrs @	SAY	£23,000	
		5.0%	7.221	£166,073

**2) Reversion on review to March 25th 2009**

Rent Review Rental val	0.000 % @	£0	£0	
Rent Review Cap val	0.750 % @	£3,650,000	£27,375	
		SAY	£27,000	
Review rent increase in	0.00 Yrs			
Years Purchase for	45.00 Yrs @	5.5%	16.548	
Present Value of £1 in	9.18 Yrs @	5.5%	0.612	
			10.122	£273,303

**2) Reversion to end value-**

Freehold value with vacant possession	Unimproved Value	£3,650,000	
Deferred	54.18 Yrs @	6.0%	0.043
			£155,318

Landlords value before marriage value **£594,693****TENANTS INTEREST**

Unexpired lease 54.18 Yrs

Freehold value £3,650,000

Gross Percentage of value 80.00

Net Percentage of value 70.81

Amount of value £2,584,682

Negotiated Short Lease £0

Value of short lease before marriage value

**Review Formula**

Gross relativity £2,920,000

Less Cap rent £335,318

£2,584,682

SAY **£2,584,700****MARRIAGE VALUE**

Freehold value	£3,650,000	
less Landlords interest	(£594,693)	
less Tenants interest	(£2,584,700)	<b>£470,607</b>

**PRICE FOR FREEHOLD INTEREST**

Landlords Interest	£594,693	
50% Marriage value	£235,303	<b>£829,997</b>
		SAY <b>£830,000</b>
Negotiated Price		<b>£0</b>
Overpayment (Underpayment)		<b>£0</b>