

288

Ref:LON/LVT/1712/04

**RESIDENTIAL PROPERTY TRIBUNAL SERVICE**

**DECISION OF THE LEASEHOLD VALUATION TRIBUNAL ON AN  
APPLICATION UNDER SECTION 21 OF THE LEASEHOLD REFORM  
ACT 1967**

**Applicants**                    The Earl Cadogan and Cadogan Holdings Ltd  
**Respondents:**                C R Killingbeck & A J M Killingbeck  
**Premises:**                    9 Astell Street & Garage 8 Britten Street, London, SW3 3RT  
**Application to Tribunal by:** The Earl Cadogan and Cadogan Holdings Ltd  
**Hearing dates:**              23<sup>rd</sup> and 24<sup>th</sup> September and 4<sup>th</sup> November 2004

**Appearances:**

Mr S G Schaw Miller of Counsel  
Mr C Myers, Solicitor of Messrs Pemberton Greenish  
Mr K D Gibbs FRICS of Messrs Gerald Eve  
Mr A J McGillivray of Messrs W A Ellis

**for the Applicants**

Mr M E Johnson of Counsel  
Mrs K Whitburn, Solicitor of Messrs Lee & Pembertons  
Mr J Shingles of Justin Shingles Ltd

**for the Respondents**

**Members of the Leasehold Valuation Tribunal:**

Mrs J S L Goulden JP (Chairman)  
Mr D D Banfield FRICS  
Mrs L Walter MA(Hons)

**Leasehold Valuation Tribunal's determination:**

**Date of the Tribunal's decision:**

LON/LVT/1712/04

PROPERTY: 9 ASTELL STREET AND GARAGE AT 8 BRITTEN STREET,  
LONDON, SW3 3RT

BACKGROUND

1. The Tribunal was dealing with an application by the Applicant landlords, The Earl Cadogan and Cadogan Holdings Ltd., to determine the price payable by the Respondent tenants, Mr and Mrs CR Killingbeck, for the freehold of 9 Astell Street and Garage at 8 Britten Street, London SW3 3RT (hereinafter referred to as "the subject property") under Section 9(1C) of the Leasehold Reform Act 1967 (hereinafter referred to as "the Act").
2. The subject property is held under an intermediate lease dated 18 July 1958 and made between The Right Honourable William Gerald Charles Earl Cadogan (1) and Guerin Ltd (2) for a term of 99 years from 25 December 1935 to 25 December 2034 at a fixed rent of £440 per annum (apportioned to the subject property at £41.52 per annum).
3. The occupational lease is dated 18 July 1958 and made between Guerin Ltd (1) and ELMB Paton (2) for a term of 63 years from 24 June 1958 to 24 June 2021 at a fixed rent of £85 per annum in respect of the house and £10 per annum in respect of the garage.
4. The following matters were agreed :-
  - (a) The valuation date was 25 September 2003
  - (b) The unexpired term of the occupational lease was 17.75 years.
  - (c) The unexpired term of the intermediate lease is 31.25 years
  - (d) The Gross Internal Area of the subject property was 2628 sq ft (being 2334 sq ft in respect of the house and 294 sq ft in respect of the garage)
  - (d) The nature of the improvements (being the construction of a conservatory in 1969, the formation of two new windows in the front elevation at basement level together with the formation of a lower ground floor kitchen and dining room in 1991 and the removal of the original ground floor kitchen to form a study).
  - (e) The capitalisation rate was 6.5%/2.5% no tax; giving a multiplier of 9.053 and a value for the term of £860
5. The issues which required the determination of the Tribunal were as follows:-
  - (a) The value of the freehold with vacant possession**
  - (b) The value of the leasehold with vacant possession**
  - (c) The appropriate deferment rate**
6. The Applicants' expert contended for an enfranchisement price of £1,098,500 (having altered his original valuation of £1,109,000, the revised valuation being on the same basis as the Respondent's expert's valuation). The Respondents' expert contended for an enfranchisement price of £676,900. Their respective valuations are attached to this Decision as Appendices B and C.

## HEARING

7. The Hearing took place on 23 and 24 September and 4 November 2004.
8. The Applicants, The Earl Cadogan and Cadogan Holdings Ltd., were represented by Mr S Schaw Miller of Counsel, Mr C Myers, Solicitor, of Pemberton Greenish, Mr K D Gibbs FRICS of Gerald Eve and Mr A J McGillivray of WA Ellis.
9. The Respondents, Mr and Mrs CR Killingbeck, were represented by Mr E Johnson of Counsel, Mrs K Whitburn, Solicitor, of Lee & Pembertons, and Mr J Shingles of Justin Shingles Ltd.
10. The salient points of the evidence is set out under the appropriate heads below.

### **(a) The value of the freehold with vacant possession**

11. Mr McGillivray, for the Applicants, contended for £2,200,000 and Mr Shingles, for the Respondents contended for £1,700,000.

12. Mr McGillivray referred to five comparables in Astell Street, Nos, 3,8,18,23 and 35, of which he considered 23 the closest comparable. He also gave details of 25 Burnsall Street and 1 Britten Street, although he relied on these comparables to a lesser extent. He mentioned, but did not rely on, 36 Burnsall Street, since its sale had taken place some time before the valuation date and he accepted that indexing over this period may have introduced some error. Of the comparables relied on, brief details are as follows:-

<b>Address</b>	<b>Date of Sale</b>	<b>Sale Price</b>
3 Astell Street	12.3.02	£3,000,000
8 Astell Street	15.12.03	£2,100,000
18 Astell Street	Currently under offer at £1,750,000	
23 Astell Street	3.12.03	£2,450,000
35 Astell Street	13.3.02	£2,150,000
25 Burnsall Street	12.7.02	£2,350,000
1 Britten Street	24.6.02	£2,300,000

13. Mr McGillivray said that in his view, 23 Astell Street was the best comparable, having been sold in December 2003, two months after the valuation date, was five doors from the subject property and similar in style. This comparable had been held on a lease expiring on 25 December 2034, with the benefit of a valid notice of claim. As noted above, the purchaser paid £2,450,000 for this comparable, and subsequently paid a premium of £610,000 for the freehold interest. In addition, the purchaser's costs were calculated to be in the region of

£15,000.

14. Mr McGillivray said that he had inspected 23 Astell Street immediately following the purchase, and noted that decoration and some updating had been required. There was little natural light to the basement conservatory/breakfast room. Mr McGillivray produced photographs showing the extensive alteration works currently being undertaken to the basement area.

15. Mr McGillivray analysed the transaction in respect of 23 Astell Street which, when adjusted for time, produced £955 psf. In his view, if modernised, 23 Astell Street would have achieved a higher rate of perhaps £1,000. He thought this was a conservative estimate, since it was thought that the owner of 23 had spent "over £1,100 psf".

16. With regard to the subject, which he considered to have a less attractive rear aspect (being partly over a block of garages), if newly modernised, he was of the opinion that it would achieve a range of £950 psf, but in its present condition, only £800 psf.

17. Mr McGillivray was of the opinion that the subject had the physical potential to create a rear extension at ground and basement levels. The existing conservatory could be replaced by a larger extension of 114 sq ft at both ground floor and basement levels. In valuing the subject, he took the potential for the extension at 50% of the overall improved rate of £950 psf, resulting in a figure of £108,300. In valuing the house plus garage, he applied a rate of £800 psf, which resulted in a value of £2,102,400, giving a total of £2,210,700, say £2,200,000.

18. Mr Shingles, in considering the unimproved freehold value of the subject, relied on a basket of comparables, 3, 8, 12, 18, and 23 Astell Street, and 69, 75 and 115 Dovehouse Street. Details of the Astell Street properties have been referred to above. Brief details in respect of the properties in Dovehouse Street are as follows:-

Address	Date of Sale	Sale Price
69 Dovehouse Street	June 2003	£1,190,000
75 Dovehouse Street	February 2003	£1,276,555
115 Dovehouse Street	April 2001	£2,000,000

19. Mr Shingles viewed the unimproved subject with basement store rooms only, west facing but with compromised garden and garage, and concluded that the appropriate rate psf to apply was £647 psf including the garage (£728 psf without the garage) giving a value of £1,700,000.

20. Whilst Mr Shingles acknowledged that there was potential for a small rear extension, he questioned whether it would be worth the cost, which he thought could be considerable and would add little extra space. He said "there is no added value and if there is value it is a valuation neutral point". Compared with 23 Astell Street (Mr McGillivray's closest comparable), Mr Shingles said that 8 Astell Street had a better balance of accommodation,

being a house on three floors rather than a cottage.

**(b) The value of the leasehold with vacant possession**

21. In arriving at the value of the leasehold interest with vacant possession, Mr Gibbs initially adopted a relativity of 39.5% which he changed during the Hearing to 38.5%, producing a figure of £847,000. He also adopted 31% for the value of the intermediate lease giving a value of £682,000. Both the initial relativity of 39.5% and the later relativity of 38.5% followed Mr Shingles' method of valuation, which was to place a separate value on both intermediate and occupational leases, which Mr Gibbs accepted in this case was *"more appropriate and more accurate"*.

22. In adopting this relativity rate, he relied on various tables and graphs, although he accepted that there was no firm evidence. Mr Gibbs expressed some reservations in respect of the validity of graphs referred to by Mr Shingles. In capitalizing the rents payable, Mr Gibbs capitalized the profit rent enjoyed by the intermediate lessee (£95-£41.52= £53.48) at 6.5/2.5% and the rent received by the freeholder (£41.52) at 5.5%.

23. Mr Shingles referred to leasehold comparables to arrive, after deductions for rights using his usually adopted table, at a value of the unimproved leasehold interest of the occupational lease at £801,000 and the intermediate interest at £647,000 giving relativities of 47.15% and 38.05% respectively. As a cross check, he referred to the "graph of graphs".

24. Mr Shingles did not differentiate between the subordinate interests and capitalized the rent of £95 at 6.5/2.5% for the period of the occupational lease (17.75 years).

**(c) The appropriate deferment rate**

25. In Mr Gibbs' original valuation, he considered that the appropriate percentage was 5.25%. He later revised this opinion so that the appropriate percentages were 4.5% in possession and 5% in respect of the intermediate lease. Mr Shingles considered that it should be 6% in possession and 7.5% in respect of the intermediate lease. Both valuers accepted a difference in the deferment rates to reflect the unattractiveness of the intermediate interest. In his professional opinion, Mr Gibbs considered a differential of .5% was appropriate and Mr Shingles considered that the differential should be 1.5%.

26. Mr Gibbs, whilst acknowledging the weight of settlement evidence was at a deferment rate of 6%, considered that in view of the long term reduction in interest rates, a lower rate of 4.5% could be justified. In support of this, the Tribunal was referred to two 2004 Bulletins produced by Knight Frank, referring to a net yield from the Central London residential market of 3.1% (some six months after the valuation date), the 2002 UK Residential Research Bulletin produced by FPD Savills in which it was stated *"by the end of the year we expect net yields to stand at 2.75%"*, a 2002 prospectus of Freehold Income Trust issued by Close Brothers showing yields had fallen from 11.5% in 1995 to 5.6% in April 2002, and a Lands Tribunal Decision dated 16 April 2004 relating to 57 Shawfield Street SW3 where the Member, Mr NJ Rose FRICS accepted a deferment rate of 5.25% on a 32.54 year lease.

27. Mr Shingles said that he had taken a long term view and that the accepted deferment rate

for houses and flats in prime Central London areas was 6%. He referred to two Gerald Eve analyses dated 8 April 2004 and 12 July 2004 of 565 settlements on houses and 228 settlements on flats, both of which showed predominantly a deferment rate of 6%. In referring to the settlements which were shown as under 6%, he expressed concern that not all the elements had been agreed in detail between the respective valuers.

28. Mr Shingles said that interest rates were now rising, and any return on property should be at a higher rate than government backed investments such as gilts which, at the valuation date, were yielding 4.69%, and which indicated a higher yield would be expected in order to reflect the greater uncertainty of a property investment.

29. Mr Shingles had considered the details contained in the Freehold Income Trust and said *"it is clear that the FIT is an investment only in ground rental income and not reversions"*.

30. The Tribunal was referred to the recent sale of ground rents in Cadogan Place which Mr Shingles said gave an average yield of 12%.

## **INSPECTION**

31. The Tribunal made its inspection on 5 November 2004, following the end of the Hearing.

32. The subject property was a mid terrace three storey house (including lower ground floor) c 1930, in a sought after location. The subject was of brick construction under a clay tiled and asphalt roof and was set back from the pavement behind a paved walled front garden with two small light wells to the basement windows. To the rear there was a small walled garden, at the end of which was a good sized garage with access from Britten Street. The accommodation and layout was as set out in the statement of agreed facts and in the proofs of evidence of Mr McGillivray and Mr Shingles. It was noted that the ceiling in the basement was of an acceptable height. The large rear room in the basement had no natural light and was ventilated by mechanical means.

33. The Tribunal was invited to inspect internally the comparables at 18 and 23 Astell Street. 18 Astell Street was a wholly unmodernised property with no rear garden, two narrow balconies and with a separate garage in a block nearby. Major works of internal reconstruction were being carried out to 23 Astell Street including extensive works to the basement.

34. In addition, the Tribunal inspected, externally only, the comparables at 3, 8, and 12 Astell Street, 69, 75 and 115 Dovehouse Street, 1 Britten Street and 25 and 36 Burnsell Street.

## **THE TRIBUNAL'S DETERMINATION**

### **(a) The value of the freehold with vacant possession**

35. The Tribunal was assisted by the comparables produced in evidence by the parties, and the arrangements made to inspect the interiors of Nos 18 and 23 Astell Street. The Tribunal considered these to be the most useful comparables.

36. The Tribunal considered that whilst the properties in Dovehouse Street shared similar architectural features, the location was not comparable, in that it was not exclusively residential and there was more of a feeling of its use as a vehicle cut through than Astell Street.

37. From the Statement of Agreed Facts, it is clear that the subject property is to be valued in its unimproved state as a double fronted two storey house with basement storage, but with the potential to improve the basement and marginally extend the two lower floors. In addition, there is an attractive garden and substantial garage.

38. In considering 18 Astell Street, it is in the unimproved state which the Tribunal is required to envisage. It is, however, different in style to the subject property, being a single fronted non basement house without garden or useful outside space and with a lock up garage remote from the house itself. The outlook from the rear was over properties on the other side of a narrow service road. The accommodation of the comparable comprised 4 bedrooms, 3 bath/shower rooms, 2 reception rooms, kitchen and cloakroom, an area of 2,163 sq ft. The garage had an area of 165 sq ft. The total area was therefore 2,328 sq ft. The agreed purchase price of £1,750,000 analyses to £752 psf.

39. At the time of its inspection by the Tribunal, 23 Astell Street was undergoing major reconstruction. It was clear however, from the sales particulars included with Mr McGillivray's proof, that at the date of its sale, the property had been the subject of much improvement. The lower ground floor had natural light at the rear from the glazed dining room extension. The principle accommodation comprised 5/6 bedrooms, 3 bathrooms, 4 reception rooms, kitchen, cloakroom and garage. The total area was 3,154 sq ft.

40. Although there was a slight variance between the parties as to the adjusted rate psf, a figure of approximate £950 psf emerges.

41. In considering the appropriate rate to apply to the subject property, the Tribunal balanced the advantages of 18 Astell Street, with all of its accommodation above ground, against the attractive rear garden, outlook and on site garage of the subject property. It considered a higher rate would be appropriate, but not as high as that for the somewhat improved 23 Astell Street.

42. Taking all the various factors into consideration, the Tribunal adopts a rate of £775 psf, giving a figure, exclusive of potential to extend, of £1,984,140.

43. It was common ground between the parties that a modest extension of some 228 sq ft could be added at lower ground and ground floors. Mr Shingles contended however that the cost of construction due to difficult rear access would be such as to render it "value neutral". The Tribunal was not convinced by this approach, and considered that with modest temporary alterations to the rear garden layout, access for materials and removal of spoil would be relatively straightforward. The Tribunal was, however, of the view that with an extension of such small proportions, the pro rata costs of construction would be disproportionately high, and that it would therefore be inappropriate to adopt the usual site value proportion of 50%. To reflect this additional expenditure, and in the absence of an actual estimate of construction costs, the Tribunal has adopted a site value of 30%, giving a site value of £53,010 (228 sq ft x

£775 = £176,700 x 30%).

44. Thus the total value of the freehold of the subject property including potential is **£2,037,150**

**(b) The value of the leasehold with vacant possession**

45. Mr Gibbs appeared to place much reliance upon the Table of Relativity (KDG7). However, from evidence given at the Hearing, this plotting of settlements on the Cadogan Estate was not always based on an analysis agreed between the parties' respective valuers. As such it must be treated with some caution.

46. Mr Shingles' approach was to take transaction evidence, adjust for time and rights and then as a final check, compare it with the "graph of graphs".

47. The Tribunal, in considering the hierarchy of comparables, would prefer to accept transaction evidence where available, although it is appreciated that this evidence will also be subject to some adjustment, the method of which may be open to dispute. The Tribunal is aware of the criticism of Mr Shingles' adjustment for rights contained in the Lands Tribunal Decision relating to 57 Shawfield Street. Nevertheless, the Tribunal considers that, being based on adjusted transaction evidence, it is to be preferred to a value produced solely from a graph, however well based that graph may be.

48. The Tribunal therefore adopts Mr Shingles' leasehold values of £801,500 for the occupational lease and £647,000 for the intermediate lease. As a check, the Tribunal calculated the relativity based on a freehold value of £2,037,150, giving figures of 39.34% and 31.76% respectively for the occupational and intermediate leases. These percentages seemed to fit well with the graph of settlements (KDG7).

49. With regard to the value of the term, the Tribunal prefers Mr Gibbs' approach and adopts his figures in their entirety.

**(c) The appropriate deferment rate**

50. The LVT Decision dated 27 October 2004 relating to 12 Astell Street was provided to the Tribunal by Mr Johnson. This Tribunal agrees with the views expressed therein in relation to yield. In the view of this Tribunal Mr Gibbs relied to a great extent on the prospectus of the Freehold Income Trust without providing firm evidence in support.

51. The Freehold Income Trust is a unit trust whose investment criteria is to "*concentrate on acquiring freeholds where leases have a long term remaining*". It is apparent that the Trust invests in properties outside London with low ground rents which they purchase at between 10 and 12 YP. Additional income is primarily generated from lease extensions, insurance, granting consent for alterations etc. Where freeholds are sold for capital gain, the proceeds are re-invested to maintain the income stream.

52. Mr Gibbs was unable to produce a more up to date prospectus than that dated April 2002 where the figures relate in the main to 2001. Furthermore, no projected figures were



presented although target yields, were stated by the Trust to be 5% from July 2002. It is clear that since its inception in 1993, the yield on offer price of the fund has depreciated to 5.6%. However, this yield (ie the gross income expressed as a percentage of the offer price of the unit) is the yield to the investor in the fund, net of all management and other ongoing annual charges involved in a fund of this nature. In the opinion of this Tribunal, this indicates a real yield or income of a few percentage points higher than 5.6%. In any event, the prospectus is aimed at the investor in the fund and, in the Tribunal does not consider that it is evidence of open market transactions which the Act requires the Tribunal to consider.

53. The Tribunal cannot relate projected long term yield from rental investments generally to the growth potential of the subject property in Chelsea. Although Mr Gibbs had provided considerable settlement evidence, that was no evidence of yield rates agreed at the rate now contended.

54. On the other hand, the Tribunal also has concerns as to Mr Shingle's somewhat simplistic view that there were no circumstances in which he could envisage a reduction from a yield rate of 6%. He said *"it has become the market - it is just a rate which is there to take the rough with the smooth and it is the long term view"*. In cross examination when questioned as to why he felt yields should not change, he said *"it takes into account flood and pestilence as well as sunshine"*.

55. There has been insufficient evidence provided to this Tribunal in this case to support a reduction from the present rate. The Tribunal therefore determines a capitalization rate for the reversion of 6%.

### **PREMIUM**

56. The Tribunal determines that the premium is **£919,411** and its valuation is attached as Appendix A

### **Terms of Transfer**

57. The Tribunal was advised at the Hearing that certain terms in the draft transfer were disputed. These related to the right of way, a restrictive covenant against alterations and the proposal for a Deed of Covenant. However, after the Hearing, it was confirmed that the parties had reached agreement in respect of the Deed of Covenant.

58. With regard to the outstanding issues, the relevant clauses, and the respective arguments are as follows:-

### **Right of way:-**

59. The draft clause in the Transfer is as follows:-

*"The Property is transferred together with the benefit of a right (in common with all others entitled to a like right) of access to and egress from the garage forming part of the Property (or in the event of demolition of the said garage to and from the land upon which a garage is situate at the date of this Transfer) and each and every part thereof over the Accessway at*

*all times with or without vehicles for all purposes connected with the use and enjoyment of the property".*

60. Mr Johnson argued that the wording which appears in bold above should be deleted from the draft. He said that the tenant was entitled under the Act to have access to the garage, however it could be argued that if the garage were demolished, the right of way would disappear.

61. Mr Schaw Miller referred the Tribunal to the leases of the house and garage in respect of the existing provision, and referred to S10(3) of the Act. He said *"there is no reason to intensify the user and the words suggested by the landlords adequately reflect the existing use"*.

62. The leases of both the house and garage contain similar provisions in Clause 1(ii) with regard to the right of way, as follows:-

*"a right of way (in common with all others entitled to a like right) over the passage or way coloured brown on the said plan Subject to the Lessee contributing a fair proportion of the cost of repairing and maintaining the same as hereinafter provided in sub-clause (10) of Clause 2 hereof"*

63. Section 10(3) of the Act states:-

**" As regards rights of way, a conveyance executed to give effect to section 8 above shall include-**

**(a) such provisions (if any) as the tenant may require for the purpose of securing to him rights of way over property not conveyed, so far as the landlord is capable of granting them, being rights of way which are necessary for the reasonable enjoyment of the house and premises as they have been enjoyed during the tenancy and in accordance with its provisions; and**

**(b) such provisions (if any) as the landlord may require for the purpose of making the property conveyed subject to rights of way necessary for the reasonable enjoyment of other property, being property in which at the relevant time the landlord has an interest, or to rights of way granted or agreed to be granted before the relevant time by the landlord or by the person then entitled to the reversion on the tenancy".**

64. The Tribunal determines that there is an existing provision as to the right of way, and the draft adequately reflects the existing user. The draft should remain as drawn.

#### **Restrictive covenant against alterations:-**

65. That part of the clause in the Transfer which is in dispute is drafted as follows:-

*"(a) Not without the previous written consent of the Company (such consent not to be unreasonably withheld or delayed) to alter or permit to be altered the plan height or elevation of the buildings on the Property or the external architectural appearance or the external architectural decoration thereof and not to erect or permit to be erected any additional building upon the site of the Property".*

66. Mr Johnson argued that this clause should be deleted in its entirety. He said "it is not easy to see why this restriction is going to have an impact on anything". In his view, the landlord still had control which had an economic value.

67. Mr Schaw Miller referred to the leases of the house and garage in which he said there were existing provisions. He also referred to S 10(4)(b)(i) of the Act and said that the restrictive covenant fell within that provision and "the Tribunal must include it in the conveyance".

68. The lease of the house and garage contain similar provisions in Clause 1(11) with regard to the restrictive covenant against alterations:-

**"Not without first obtaining the consent in writing of the Lessors to cut maim or alter or suffer to be cut maimed or altered any of the principal timbers or walls of the premises nor make any addition or improvement to or alteration in the premises whatsoever either externally or internally or erect any internal partitions for dividing rooms or instal any machinery therein nor set up on any part of the premises except for domestic purposes any steam gas oil electric hot air or other engine or any forge or furnace".**

69. Section 10(4)(b)(i) of the Act states:


**"As regards restrictive covenants (that is to say, any covenant or agreement restrictive of the user of any land or premises), a conveyance executed to give effect to section 8 above shall include-....."**

**(b) such provisions (if any) as the landlord or the tenant may require to the continuance (with suitable adaptations) of restrictions arising by virtue of the tenancy or any agreement collateral thereto, being either -**

**(i) restrictions affecting the house and premises which are capable of benefiting other property and (if enforceable only by the landlord) are such as materially to enhance the value of the other property;....."**

70. The restrictions did arise "by virtue of the tenancy", and the question for the Tribunal is whether the restriction is such as materially to enhance the value of other property, and this concept of material enhancement must include the concept of maintaining a value which would otherwise deteriorate. If the restrictions satisfy the requirements of Section 10(4)(b)(i) then if either party requires them to be included in the conveyance it is mandatory that they shall be so included unless Section 10(5) which is really a proviso to Section 10(4) applies. The Tribunal has been advised that Section 10(5) does not apply in this case.

71. The Tribunal is satisfied that the proposed restriction would materially enhance the value of other property and therefore determines that the wording of the draft Transfer in this respect is to remain as drawn.

CHAIRMAN.....  
DATE..... 10 December 2004

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

Appendix A

9 ASTELL STREET and GARAGE at 8 BRITTEN STREET

Existing interests

Occupational lease	17.75 yrs
Rent (house and garage)	£95
Intermediate lease	31.25 yrs
Rent (apportioned)	£41.52

Agreed matters

Valuation date	25th September 2003
Capitalization of term	6 5/2 5%
Marriage	50%

Determined by Tribunal

Unimproved freehold interest	£2,037,150
Occupational lease	£801,500
Intermediate interest	£647,000

Value of head leasehold excluding marriage

Term			
Profit rent		53.48	
YP 17.75 @	6 5/2 5%	9.053	484
Reversion to leasehold in possession		647,000	
PV £1 in 17.75 yrs @	5%	0.42071	272,199
			272,683

Value of freehold excluding marriage

Term			
Head rent		41.52	
YP 31.25 @	5 50%	14,7689	613
Reversion to		2,037,150	
PV £1 in 31.25 yrs @	6%	0.161930	329,875
			330,489
			603,172

Diminution in superior interests

Marriage value

Freehold in possession		2,037,150	
less			
Claimant's interest	801,500		
Intermediate interest	272,683		
Freeholders interest	330,489		
		1,404,672	
Marriage Value	50%	632,478	
			316,239

Premium payable

£919,411

Apportionment between freeholder and intermediate lessee

Marriage value payable

Intermediate	316,239 x	272,683 603,172	<u>142,966</u>
Freeholder	316,239 x	330,489 603,172	<u>173,273</u>
			<u>316,239</u>
Total to intermediate			
Diminution		272,683	
Marriage		142,966	
			415,649
Total to freeholder			
Diminution		330,489	
Marriage		173,273	
			503,762
			<u>919,411</u>

APPENDIX B

**GeraldEve**

KDG B1

**CADOGAN HOLDINGS LIMITED**

LEASEHOLD REFORM ACT 1967 (AS AMENDED)

Property: 9 Astell Street &amp; Garage 8 Britten Street, London SW3

Date of Claim: September 25, 2003

Unexpired term of lease: 31.25 years

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

Value of Headlessee's interest excluding marriage value	£	£	£
For remainder of term -			
Profit rent receivable	53.48		
YP 17.75 yrs @ 6.5% 2.5%	<u>9.054</u>	484	
Reversion to leasehold vacant possession value for 13.5 years	682,000		
PV £1 in 17.75 yrs @ 5.00%	<u>0.421</u>	<u>286,863</u>	287,347
<b>Value of Freeholder's interest excluding marriage value</b>			
For remainder of term -			
Head rent received Capitalised for 31.25 years @ 5.50%	41.52 <u>14.77</u>	613	
For reversion to -			
Value of freehold in possession	2,200,000		
Deferred 31.25 years @ 4.50%	<u>0.2527</u>	<u>555,958</u>	556,571
<b>Add share of marriage value</b>			
Value of freehold in possession		£2,200,000	
<u>Less</u>			
Claimant's interest exclusive of marriage value	£847,000		
Headlessee's interest exclusive of marriage value	£287,347		
Freeholder's interest exclusive of marriage value	<u>£556,571</u>		
		<u>£1,690,918</u>	
		£509,082	
Marriage Value attributable to holders of superior interests @ 50% =			<u>254,541</u>
			1,098,459
Enfranchisement Price	say		<u><u>£1,098,500</u></u>

Nov-04

**GeraldEve**  
Chartered Surveyors  
& Property Consultants  
KDG/CNCP/A11869

LEASEHOLD REFORM ACT 1967 (AS AMENDED)

Property 9 Astall Street SW3 (& garage at 8 Britten Street)

Date of Valuation 25-Sep-03

Unexpired term of lease 17.75 Yrs

GIA + Garage	2628
FH Epsf	6647
GIA - garage	2334
FH Epsf	6728

**ADMINISTRATION IN VALUE OF INTERMEDIATE LEASEHOLDER'S INTEREST**

a) Value of Intermediate Leaseholder's Interest

Annual rent payable		£95
Years Purchase for	17.75 Yrs	
	with sinking	6.5%
	& tax @	2.50%
		0%
		9.053
		£860

Value of Intermediate Leaseholder's Proposed Interest

b) Value for lease with 31.25 years unexpired initially and on reversion will be: 13.50 years

	£ 646,850	£ 647,000
	BUY SAY	
	(being 38.05% of FH value £1,700,000)	
Deferred	17.75 Yrs	0.27708
	@	7.50%

Diminution in Value of Intermediate Leaseholder's Interest £179,269

£180,129

**B) DIMINUTION IN VALUE OF FREEHOLDER'S INTEREST**

(Assuming no headlease rent reduction)

a) Value of Freeholder's Existing Interest on Reversion

Reversion to value of freehold in possession

Value of Freehold	Deferred	31.25 Yrs	@	6.00%	£1,700,000	0.1618811
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£275,198

Less

b) Value of Freeholder's Proposed Interest on Reversion

Reversion to value of freehold in possession

Deferred	0.00 Yrs	@	6.00%	£1,700,000	0.00000
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Landlord's value before marriage value

£0

c) Diminution in value of Freeholder's Interest

£275,198

**C) DIMINUTION IN VALUE OF BOTH LANDLORD'S INTERESTS**

£455,327

**D) CALCULATION OF MARRIAGE VALUE**

a) Value of proposed interests

Freeholder's

Intermediate Leaseholder's

Tenants

£0

£0

£1,700,000

b) Value of existing interests

Freeholder's

Intermediate Leaseholder's

Tenants

£275,198

£180,129

£801,500

47.15%

reducing

GIA	2628
LH Epsf	6305

c) Marriage Value

£1,256,827

£443,173

d) Attributed to Landlord @ 50%

£221,586

**E) ENFRANCHISEMENT PRICE**

£676,914

**F) LANDLORD'S OTHER LOSS**

£0

**G) PREMIUM PAYABLE**

£676,900

**H) APPORTIONMENT OF MARRIAGE VALUE BETWEEN FREEHOLDER AND INTERMEDIATE LEASEHOLDER**

a) To Intermediate Leaseholder

£443,173 X

£180,129

£455,327

£176,321

b) To Freeholder

£443,173 X

£275,198

£455,327

£267,852

£443,173

SAY

£267,790

**I) APPORTIONMENT OF PREMIUM BETWEEN FREEHOLDER AND INTERMEDIATE LEASEHOLDER**

a) To Intermediate Leaseholder

Diminution in value of interest

Share of Marriage Value

Other Losses

£180,129

£87,661

£0

£267,790

SAY

£267,800

b) To Freeholder

Diminution in value of interest

Share of Marriage Value

Other Losses

£275,198

£133,926

£0

£409,124

SAY

£409,100