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Residential
Property
TRIBUNAL SERVICE

Case reference: LON/00AW/OLR/2008/0485

**DECISION OF THE LONDON LEASEHOLD VALUATION TRIBUNAL ON
AN APPLICATION UNDER SECTION 48 OF THE LEASEHOLD REFORM,
HOUSING AND URBAN DEVELOPMENT ACT 1993**

Property: Alexander House, 7 North Terrace, London SW3 2BA

Applicant: Julian Edward Metcalfe

Respondents: Bircham & Co Nominees (No 2) Limited and
Sarah Elizabeth Stowell

Date heard: 12 and 13 August 2008
(inspection 9 September 2008)

Appearances: Mark Sefton, counsel, instructed by
Russell-Cooke, solicitors
Alex Ingram-Hill MA MRICS, John D Wood & Co
for the applicant

Alan Johns, counsel, instructed by
Bircham Dyson Bell LLP, solicitors
George Pope FRICS

for the respondents

Tribunal: Lady Wilson
Mr D L Edge FRICS

Date of the tribunal's decision: 18 October 2008

Background

1. This is an application under section 48 of the Leasehold Reform, Housing and Urban Development Act 1993 ("the Act") to determine the price and terms of acquisition for a new lease of Alexander House, 7 North Terrace, London SW3 ("the property"). The property is a predominantly detached double fronted Georgian house, listed Grade II, with a neoclassical frontage. Its main part, facing North Terrace, is on lower ground, ground and first floors and a rear section partly overhangs Amberwood House, 17a Thurloe Place. The applicant ("the tenant") has been advised that the overhang is a "material part" of the property within the meaning of section 2(2) of the Leasehold Reform Act 1967 ("the 1967 Act") so that the property is not a "house" for the purposes of that Act and cannot be enfranchised. The title of the property is subject to a pedestrian right of way around the south boundary of the site in favour of Amberwood House.

2. The ground floor of the property comprises an entrance hall, two main reception rooms and a small sitting room. The first floor has three bedrooms, a dressing room and a bathroom, with a second bathroom located on a half landing. As presently arranged, the lower ground floor comprises an open plan living area and kitchen, and at the southern end of the property there is a side extension, agreed to be a tenant's improvement, containing a boiler and utility room and staff quarters. It is agreed that the gross internal area of the property is 3130 sq ft (290.8 sq m) including the side extension which has an area of 234 sq ft (21.7 sq m), and that accordingly the unimproved gross internal area is 2896 sq ft.

3. The property is held on a lease for a term of 70 years from 24 June 1980, of which 42.8 years remained unexpired on the valuation date, which is 23 August 2007. The lease is on full repairing and insuring terms and reserves an annual ground rent of £100 subject to review after each 21 year period to 0.1% of the freehold value of the property provided that the rent should not exceed a low rent as defined by the Rent Act 1977. The low rent as so defined, as it affects tenancies entered into before 1 April 1990, is two thirds

of the rateable value. The rent was reviewed by agreement to £1500 per annum, which exceeds two thirds of the rateable value, with effect from 24 June 2001.

4. At the hearing on 12 and 13 August 2008 the tenant was represented by Mark Sefton of counsel, instructed by Russell Cooke, solicitors. He called Alex Ingram-Hill MA MRICS of John D Wood & Co to give expert evidence. The landlords were represented by Alan Johns of counsel, instructed by Bircham Dyson Bell LLP, solicitors. He called George Pope FRICS to give expert evidence. On 9 September 2008 the tribunal inspected the property in the presence of Mr Ingram-Hill and his assistant, and, unaccompanied, we externally inspected all the properties relied on by either of the valuers as comparable evidence.

5. The only elements of the valuation not in dispute were that the capitalisation rate should be 6.5% and that the value of the new lease was 99% of the value of the freehold. The valuation issues in dispute were the unimproved freehold value and new lease value, whether there is any development value in respect of a potential for a side extension (assuming that such an extension did not exist), the deferment rate, whether the reviewed ground rent should be taken to be £1500 per annum, as agreed, or two thirds of the last recorded rateable value, which is £1065, and the relativity of the existing lease to the freehold value. Mr Johns reserved the right to argue also that, in the event that the House of Lords should allow the forthcoming appeal from the decision of the Court of Appeal in *Sportelli v Cadogan* [2008] 1 All ER 220, the landlords were entitled as part of the premium to receive "hope value" arising from the chance that the tenant might extend the lease before the term expires, and that such hope value should be quantified at 20% of the marriage value. In addition, there was a dispute as to one of the terms of acquisition, namely whether the new lease should have attached to it a new lease plan and, if it should, at whose expense.

The issues

i. The value of the freehold and of the new lease

6. Mr Ingram-Hill proposed an unimproved freehold value of £5,125,000, equivalent to a rate of £1770 per sq ft. He said that he had treated the property as largely unimproved, save for the side extension, underfloor heating throughout the lower ground floor, the installation of a new heating and hot water system, and the installation of wood panelling and fireplaces throughout the house.

7. To arrive at the freehold values he had considered a number of comparable transactions, which he had adjusted for time according to data from the Land Registry, using figures from October or November 2007 to reflect the time lag between sale and registration. He said that he preferred not to use the Savills Indices because these were not derived from actual sales but from opinion.

8. He said that the subject property, though with an imposing and beautiful frontage, had many shortcomings which would have an adverse impact on value, including the overhang at the rear which created a "flying freehold", the right of way, the lack of a significant area of outside space, and close proximity to the unsightly rear of the Rembrandt Hotel with its attendant noise. He said that a buyer at this level required good usable outside space and off-street parking, neither of which the property possessed.

9. The transactions upon which Mr Ingram-Hill relied as evidence of value, all sales of freeholds, were:

i. 17 Alexander Square SW3, a five bedrooomed house with an area of 3597 sq ft, sold in July 2007 for £8,055,000, or £2239 per sq ft. Unlike Mr Pope, who had adjusted this comparable for time, he made no such adjustment, but made a downwards adjustment of 20% for what he described as the comparable's "beautiful garden", off-street parking, and somewhat better

location. He said that he regarded this property and 9 Jubilee Place ((v) below) as his most reliable comparables. Mr Pope also relied on this transaction.

ii. 6 Selwood Place SW7, a mid-terrace house with an area of 1646 sq ft sold newly refurbished for £2,800,000 in February 2007. He said that its location was better than that of the subject property, and for that, and for condition, amenity, and the "distorting effect" of the smaller floor area, he deducted 10% from the rate per sq ft, but he added 15% for market movement as recorded in the Land Registry data.

iii. 7 Pelham Crescent SW7, a five bedroomed house with an area of 3155 sq ft, sold close to the valuation date with contracts exchanged in July 2007 for £6,475,000. He said that the property had been described by the agents as having a "lovely" rear garden and that its location, with views over a communal garden, was better and more prestigious, and for these factors he deducted 15%.

iv. 16 Walton Place, a five bedroomed mid-terrace house with an area of 2762 sq ft, sold in June 2007 for £5,500,00. He said that the property had a generous rear garden, and that the property was superior to the subject in location, condition and specification, although prices were generally lower than they were at the valuation date. Overall, he considered a 10% deduction to be appropriate.

v. 9 Jubilee Place, sold in early 2006 for £3,950,000. He said that the house was wide, with an area of 3518 sq m, and double fronted, with off-street parking and an integral double garage and a small rear garden extending to 21 ft. It was in need of refurbishment at the date of sale. Adjusted by 44% in line with Land Registry data for detached houses in Kensington and Chelsea, and by an "ambitious" £150 per sq ft to bring the house up to a standard of "unimproved", the rate per sq ft would, he said, be £1750.

vi. 18 Upper Cheyne Row, a five bedroomed house on four floors with an area of 3071 sq ft, Grade ii listed and double fronted, refurbished and with a large rear garden, sold for £5,900,000 in November 2007. Mr Ingram-Hill said that he had been advised by the selling agent that the garden contributed £1,000,000 to the value of the house. He accordingly adjusted this transaction by £1,000,000 for the garden but added 10% for what he regarded as the superior location of the subject, producing an adjusted rate of £1770 per sq ft.

vii. 9 North Terrace, one of a terrace of small cottages, with three bedrooms, a rear garden, and an area of 1764 sq ft, sold in December 2006 for £2,250,000, equivalent to £1521 per sq ft. He said that this sale of a smaller, less imposing house than the subject property showed the value of the location, and was consistent with his opinion of value. (This comparable was also relied on by Mr Pope.)

10. Cross-examined, Mr Ingram-Hill agreed that he had no direct experience of selling property, but said that he had consulted his colleagues who were involved in the market, such consultation being a necessary part of his work, that he had for two years worked for private developers and that he considered that his experience as a valuation surveyor enabled him to adjust comparables just as well as a person with selling experience. He said that 13 Alexander Square, on which Mr Pope had relied, was not a particularly good comparable because it was 35% larger than the subject. Of 10 Alexander Place on which Mr Pope also relied, he said that it required very significant adjustment for time, and the presence of a London Underground was a negative factor which he considered to be more significant than any of the negative factors affecting the subject property.

11. Mr Pope proposed a freehold value of £5,936,800, equivalent to £2050 per sq ft. In arriving at this value the only improvement which he had disregarded was the side extension. He said that in his opinion wide, low built, double fronted houses had a greater value than tall terraced houses, and to illustrate that opinion he gave as an example to sales of two properties

in December 1997. One was of Alexander House itself, sold at around £560 per sq ft and the other was of 13 Alexander Square, sold on a similar unexpired term, in exceptional condition, for £500 per sq ft.

12. Mr Pope said he accepted that some of the properties upon which he relied as comparable evidence were dissimilar from Alexander House, but that this was inevitable because Alexander House was unique in many respects. In arriving at his valuation he placed particular reliance on the sales of 10 and 17 Alexander Square, and on the basis of that and the other sales evidence he said that he was confident that a rate of £2050 per sq ft was appropriate. He adjusted his comparables for time via the Savills Prime Residential Index for South West Houses, which he considered the most reliable indicator of market movement. He relied on the following as evidence of value:

- i. The marketing of the property between August 2003 and May 2004, when the tenant received bids of £3,050,000 and £3,100,000 from the same party but decided not to sell. On the basis of a relativity of 76% for the then 47 year lease, Mr Pope considered that this suggested a freehold value of £4,080,000 at the time of the offers and time and of £7,724,000 at the valuation date.
- ii. 9 North Terrace, on which Mr Ingram-Hill also relied, which Mr Pope adjusted to £1588 per sq ft.
- ii. 17 Alexander Square, also relied on by Mr Ingram-Hill. Mr Pope agreed in cross-examination that the transaction should be adjusted by 2% for time (to £2284 per sq ft), and not 3% as he had suggested in his written statement.
- iii. 10 Alexander Square, sold in March 2006 for £3,250,000, which Mr Pope adjusted for time to £1748 per sq ft, sold in need of refurbishment, the property adversely affected by the London Underground which passed almost directly beneath it, and in respect of which he suggested an upwards adjustment of 20%.

iv. 14 Pelham Place, a mid-terrace house sold, requiring refurbishment, in January 2006, for £2,500,000 which Mr Pope adjusted for time to £1967 per sq ft.

v. 56 Egerton Crescent, sold for £5,250,000 in July 2006, which he adjusted for time to £2388 per sq ft. He said that this property had been described to him by the agents as "ordinary, but with a good garden".

13. Cross-examined, Mr Pope said that he had last been directly involved in selling houses 20 years ago. He agreed that the grandness of the exterior of the property was not fully matched by the interior, but said that it was "a very special house". He agreed that it was not an easy house to value. He did not regard the side passage with its right of way as a significant drawback, because it was not open to the public. He accepted that the Savills Index was opinion based, but said that he considered it reliable because it was compiled on the basis of the knowledge of agents in the market.

Our conclusions

14. We have concluded that the value of the unimproved freehold was at the valuation date £5,705,120, equivalent to £1970 per sq ft, and that the value of the new lease is accordingly 99% of that sum, or £5,648,069. In arriving at this figure we have borne in mind all the comparables but have found the most helpful to be 17 and 10 Alexander Square, 14 Pelham Place and 7 Pelham Crescent. We have adjusted these comparables for time according to the relevant Savills Index which we regard as reliable. 17 Alexander Square, relied on by both valuers but not adjusted for time by Mr Ingram-Hill, adjusts by 2% for time to £2284, an adjustment which we consider appropriate. We have then deducted 10% for the lack of garden and parking and for the right of way, producing an adjusted rate of £2056. 10 Alexander Square adjusted for time produces a rate per sq ft of £1748. Mr Pope had made an upward adjustment of 20% to reflect the proximity of the London Underground, but we consider that adjustment may be on the high side and we prefer to adjust by

15% to produce an adjusted rate of £2010 from which we have deducted 7.5% for the absence of garden and parking and for marginally less good location, producing a rate of £1860 per sq ft. 14 Pelham Place adjusts for time via the Savills Index to £1967, and we adjust this figure by deducting 2.5% for the garden and slightly better location, producing £1918. 7 Pelham Crescent adjusts for time to £2093, from which we deduct 2.5% for location, arriving at 2040. Averaging these adjusted rates produces approximately £1970 per sq ft, which we consider to be a fair reflection of the freehold value of this property, unimproved

ii. Whether there is any development value in respect of a potential for a side extension (assuming that it did not exist)

15. Although the valuers agreed that the side extension to the property should be disregarded as a tenant's improvement, Mr Johns argued that, on that assumption that it did not exist, the potential for it to exist should be taken into account in the valuation. Mr Sefton disagreed.

16. Mr Ingram-Hill had not taken any such development value into account. He said that, because this was a lease extension and not an enfranchisement, the landlords would retain the right to demand a premium for their consent to its development, the lease containing an absolute covenant against alterations, and thus the landlords lost nothing by the grant of the new lease which would in this respect be on the same terms as the old. He disagreed in any event with Mr Pope's method of valuing the development potential which he considered inappropriate to a valuation under Schedule 13 to the Act although possibly appropriate to a valuation under section 9(1C) of the 1967 Act. He said that, in the present case, if, which he did not accept, there was any development value at all, it comprised the uplift in value arising from the side extension, less construction costs, fees and VAT, and that 50% of the balance should be shared equally between the landlord and the tenant, as would be the case if the development took place during the term of the new

lease, producing for the landlords roughly half the amount suggested by Mr Pope.

17. Mr Sefton drew attention to the difficulties which present day listed building and planning requirements would confront a person who now wished to develop the site. He submitted that the correct question to ask was whether the value of the landlords' interest was in any way diminished by the grant of the new lease and that the answer was that it would be unaffected, because, if the tenant wished to build the extension, he would need the landlords' consent, which would be granted only on the basis that the landlords were paid the value of the site.

18. Mr Johns relied on the decision of the Court of Appeal in *Fattal v Keepers and Governors of the Possessions Revenues and Goods of the Free Grammar School of John Lyon* [2005] 1EGLR 51 as authority for the proposition that we were bound to take the development potential of the site into account and, in doing so, to assume that planning permission and other necessary consents have been granted (see Nourse LJ at 55 E). He submitted that to say that the tenant would need the landlords' consent to build the extension, for which the landlords would demand a premium, was the wrong approach; the correct approach was to say that the new lease had further postponed the landlord's right to develop the site.

19. Mr Pope arrived at the development value of the site of the side extension by first taking the value of the basement level accommodation which the site would hold at £1750, approximately 85% of the figure of £2050 which he had taken as the average rate per sq ft of the property minus the extension. To arrive at the value of the site developed to best advantage he took 60% of that figure (£1050). He said that his evidence supporting a site value of 55% was accepted by a tribunal in *15 Caroline Terrace* (LON/LVT/2122/06) and in *Tsiapkinis v Earl Cadogan* (LRA/59/2006) the Lands Tribunal's decision was based on a site value of 58.1%. He said that rebuilding costs had risen by about 21.3% in the four years prior to the valuation date, whereas capital values over the same four year period had, by reference to Savills tables,

risen by 98%. From this he concluded that, the site value should at the valuation date be higher than in earlier years, and that 60% of developed value was appropriate. That calculation produces a site value of £245,700.

Our conclusions

20. We are satisfied that Mr Johns' analysis is correct. Because of the new lease the landlord's ability to develop the assumed-to-be undeveloped site will be deferred until the new lease expires, and in our opinion the proper approach is thus to arrive at the value of the site and defer that value for the term of the new lease. We consider ourselves bound by *Fattal* to assume that planning and listed building consent has been granted and to ignore only the physical presence of the building. We do, however, consider that Mr Pope has somewhat overestimated the value of the site, which is cramped and narrow and agreed to be suitable only for basement accommodation. We have taken the value of the site to be £126,770. This is based on the assumptions that the basement accommodation which the development would produce has a value of 50%, not 85%, of the average rate per sq ft (£1970) for the rest of the property, and that the value of the site is 55% of the figure thereby produced, which we consider to be reasonable. To the value of the freehold interest in the unimproved property we therefore add the sum of £126,770.

iii. Deferment rate

21. Mr Ingram-Hill argued for a deferment rate of 6.5%, or, alternatively, if the tribunal considered itself bound to apply the deferment rate laid down in *Sportelli v Cadogan* [2008] 1 All ER 220, 5%. He based his argument for 6.5% on the change in the financial climate since the valuation dates which obtained in the cases considered in *Sportelli*. He said that the Bank of England base rate was 3.75% in late 2003 but had risen to 5.75% at the

valuation date and that the risk premium, especially on property, should be higher than that adopted in *Sportelli*.

22. Accepting that tribunals generally followed the guidance given in *Sportelli*, Mr Ingram-Hill said that, if the present tribunal did so, it should adopt 5%, the generic rate for flats, rather than 4.75%, the rate for houses. He accepted that the property was to all intents and purposes a house, but contended that, in preventing outright enfranchisement, what he described as the property's "awkward title", the complications over the rights of support and of the interaction with Amberwood House, and the lack of a conventional rear garden combined to confer a greater degree of risk and uncertainty and the lease would be seen as less desirable than an enfranchiseable house.

23. Mr Pope considered a rate of 4.75% to be appropriate. He said that it was unreasonable to suggest that the property was other than a house, and it had none of the management problems associated with flats. Mr Johns said that it was the landlord's freehold reversion which was to be deferred, and that comparisons with the deferment of intermediate leasehold interests were inapt.

Our conclusions

24. We determine that a rate of 4.75% is appropriate. The property is to all intents and purposes a house, as Mr Ingram-Hill acknowledged, and the fact that it cannot be enfranchised is no more than a perhaps unintended consequence of section 2(2) of the 1967 Act. Within the property one is largely unaware of the over-hang of the neighbouring property and neither that nor the right of way are, we are satisfied, serious disadvantages. If they were, they would in any event be reflected in the capital value. There do not appear to us to be any of the management problems associated with blocks of flats which led the Lands Tribunal to conclude that the risk premium appropriate for flats should be higher than that for houses.

iv. Should the reviewed ground rent should be taken to be £1500 or £1065 per annum

25. Mr Ingram-Hill said that since the ground rent of £1500 agreed on review was higher than two thirds of the last recorded rateable value and thus exceeded the rent provided for in the lease, which equated to £1065, the lower figure should be capitalised for the purpose of the valuation. Mr Johns, citing *Great Peace Shipping Limited v Tsavlis Salvage (International) Limited* [2002] 4 All ER 683 (Court of Appeal), submitted that it was by no means clear that there had been a common mistake which would justify rescission of the contract, and that £1500 should be taken to be the figure it in fact was.

26. We are satisfied that Mr Johns's argument is correct. We cannot in these proceedings investigate the reasons why a rent which is apparently higher than that provided for in the lease was adopted, or decide whether a court would rescind the agreement insofar as it made the tenant liable to pay more than two thirds of the rateable value by way of ground rent. In the event that it might later be established that there was a mistake which justified rescission of the reviewed rent, no doubt steps could be taken to recover the amounts overpaid, but we take the agreed rent as the rent as it is for the purpose of the valuation.

v. Relativity

27. Mr Ingram-Hill proposed a relativity for the 42.8 year lease to the extended lease value of 72.5% (equivalent to a relativity to the freehold value of approximately 71.8%). He relied on the John D Wood Graph of Relativities (his appendix 6) and on a graph of tribunal decisions (appendix 7) and in particular on three tribunal decisions (in relation to *20 Cheyne Walk, 198a Old Brompton Road* and a flat in *Montagu Square* (number not given) which showed relativities for similar terms of 72%, 75.45% and 81% respectively. He considered the Gerald Eve (1996) Graph, which is largely opinion based, to be biased towards landlords and lacking the impartiality of transactional

and tribunal evidence. He particularly relied on an analysis of the sales of 18 and 22 Gerald Road SW1, carried out by Stephen Jones MRICS of John D Wood, attached as Mr Ingram-Hill's appendix 8. Mr Jones had said that 18 Gerald Road was initially offered for sale as an enfranchiseable lease with 43.75 years unexpired, for which an offer of £2,550,000 was received. It was then discovered that the house was not enfranchiseable, and the house was re-offered for sale sold for £2,205,000, which was 13.5% less than the offer for the enfranchiseable lease, suggesting that such a figure was the appropriate discount for Act rights. 22 Gerald Road, a somewhat larger house, two doors from 18, had been sold freehold about a year earlier for £2,400,000, which when adjusted for time and size, suggested a relativity of the 43.75 year lease to the freehold of around 76%. Mr Ingram-Hill said that this was real evidence of relativity which suggested that the John D Wood Graph was more accurate than the Gerald Eve (1996) Graph.

28. Mr Pope proposed a relativity of 68.2% to the freehold value (equivalent to a relativity to the long lease value of approximately 68.9%). For this he relied mainly on the Gerald Eve (1996) Graph (which he produced as GMP 12) which was, he said, based on settlements reached between him and Mr Ian Macpherson MA FRICS of Gerald Eve, chartered surveyors, the settlements themselves based on evidence of the sales of unenfranchiseable leases which was widely available at the time. He said that he could see no reason why relativities should have changed over time. He also relied on a summary of settlements on the Grosvenor and Cadogan Estates (his appendix GMP 26) which, he considered, also supported his proposed relativity. He did not agree that the evidence relating to 18 and 22 Gerald Road, when correctly analysed, supported Mr Ingram-Hill's position. He said that the measurements assumed by Mr Jones for the purpose of comparing the two properties were not like-for-like, because the area of 18 included under-pavement vaults, whereas those of 22 did not. Correctly analysed, Mr Pope said, the transactions supported a relativity of 68.5% for the existing lease of the property to the freehold if the prices were taken as at exchange of contracts, which he considered to be the more accurate approach, or 66.5% if taken as at completion. If the potential to extend 18 Gerald Street by means

of a mansard roof conversion, advertised in the sales particulars, was taken into account, the relativity would, he said, be higher.

Our conclusions

29. We have concluded that the relativity proposed by Mr Pope is realistic and we have adopted it. We see no reason to depart from the relativity suggested by the Gerald Eve (1996) Graph which is widely accepted to be reasonably accurate. We do not consider that Mr Jones's analysis of the sales of 18 and 22 Gerald Road is a sufficiently strong basis upon which to depart from the relativity suggested by the Gerald Eve Graph, since it is based on transactions affecting only two properties and the facts relevant to the analysis of those transactions are not clear. Accordingly we take the relativity of the existing 42.8 year lease to be 68.2% of the freehold value, including development potential, producing £3,997,349.

vi. Hope value

30. Mr Johns invited us to determine the amount of the hope value of the kind considered in *Sportelli* in order to avoid further dispute in the event that the House of Lords allows the landlords' appeal in *Sportelli*, but we decline the invitation. The question was not fully argued and it is to be expected that the House of Lords, if it allows the appeal, will give guidance as to how such hope value is to be calculated.

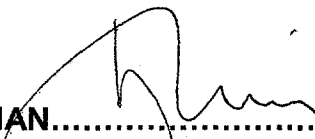
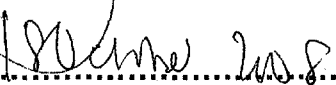
vii. Should the new lease have attached to it a new lease plan and, if so, at whose expense

31. A number of disputes as to the terms of the new lease were resolved by agreement at the hearing. The only outstanding dispute as to the terms of transfer other than the premium was whether the new lease required a new

plan showing the extension and, if so, at whose cost. In our view a new plan is required in order to take account of "alterations made to the property demised since the grant of the existing lease" within the meaning of section 57(1)(b) of the Act, notwithstanding that the extension is an improvement to be disregarded in the valuation. The cost of the preparation of the plan will be part of the cost of the transfer and the tenant will accordingly be liable to pay the reasonable cost under section 60(1)(c). The plan need be based on the existing plan with a very straightforward alteration, and we would not expect the reasonable cost to be very great.

Determination

32. Accordingly we determine that the price to be paid for the new lease is £1,302,531 in accordance with the valuation attached to this decision,

CHAIRMAN.....
DATE.....

ALEXANDER HOUSE, 7 NORTH TERRACE, LONDON SW3 2BAVALUATION OF PREMIUM FOR NEW LEASE
IN ACCORDANCE WITH SCHEDULE 13 TO THE
LEASEHOLD REFORM, HOUSING AND URBAN DEVELOPMENT ACT 1993

Lease: - 70 years from 24 June 1980.

Valuation Date: - 23 August 2007

Unexpired Term at Valuation Date: - 42.8 years.

Ground rent: - £100.00 p.a. subject to review after each 21 years to 0.1% of freehold value, provided the rent should not exceed a 'low rent' as defined by the Rent Act 1977. In fact reviewed to £1500 p.a.

Capitalisation rate: 6.50%

Deferment rate: 4.75%

Extended lease value: - £5,773,571 unimproved with 42.8 years unexpired, including development potential.

Existing lease value (@ 68.2% relativity) - £3,977,349

Freeholder's existing interest

Ground Rent	1,500	
YP 42.8 years @ 6.5%	<u>14,357</u>	21,536
Reversion to f/h v.p.value	5,831,890	
Deferred 42.8 years @ 4.75%	<u>0.137</u>	
		<u>798,969</u>
		820,505

Freeholder's proposed interest

Freeholder's interest on reversion	5,831,890	
Deferred 132.8 years @ 4.75%	<u>0.002</u>	
		<u>11,664</u>

Diminution in value of freeholder's interest 808,841Marriage Value

Value of proposed interests		
freeholder	11,664	
tenant @ 99% FHVP	<u>5,773,571</u>	
		5,785,235
Less value of existing interests		
freeholder	820,505	
tenant @ 68.2% FHVP	<u>3,977,349</u>	
		<u>4,797,854</u>
Marriage value		987,381
Freeholder's share of marriage value @ 50%		<u>493,690</u>
		1,302,531

Premium payable for 90 year lease extension - **£1,302,531**