

LEASEHOLD VALUATION TRIBUNAL OF THE SOUTHERN RENT ASSESSMENT
PANEL
DECISION OF THE LEASEHOLD VALUATION TRIBUNAL ON AN APPLICATION
UNDER S.48 OF THE LEASEHOLD REFORM, HOUSING AND URBAN
DEVELOPMENT ACT, 1993

Applicant: Dr Margaret Grimshaw

Respondent: Hemel Hempstead Property Company (Apsley) Ltd.

Re: 2B Imperial Court, Park Hill Road, Torquay TQ1 2EP

Tenant's s.42 notice dated: 1.12.2003

Landlord's s.45 counter-notice dated: 30.1.2004

Valuation date: 1.12.2003

Heard: Tuesday, 19 October 2004 and Monday 15 November 2004

Appearances: For the applicant:
- Mr G. Cowen of Counsel instructed by DTW
Solicitors
- Mr A.E.Ford MRICS, Cluttons, Chartered Surveyors

For the respondent:
- Mr E.Denehan of Counsel instructed by Pictons,
Solicitors
- Mr W.H.Gater FRICS ACI Arb, Waycotts, Chartered
Surveyors

Members of the Tribunal:
Mrs J.McGrandle B.Sc. MRICS MRTPI
(Chairman)
Mr J. R.Humphrys FRICS
Lady Wilson

Date of Tribunal's decision: 2nd December 2004

1.0 Introduction

1.1 This is an application made by Dr Margaret Grimshaw ("the applicant") for the determination of the premium payable for a new lease under S.48 of the Leasehold Reform, Housing and Urban Development Act, 1993 ("the Act") of the premises known as Flat 2B, Imperial Court, Parkhill Road, Torquay ("the subject flat").

1.2 The applicant acquired her interest in 1994 and holds under a lease from the Torquay Hotel Company Ltd dated 26.3.79 for a term of 51 years from that date. This lease was acquired in 1979 for the sum of £31,000 and provided for a limited review of rent at the end of the seventh and fourteenth years with reversion to a full rack rent after twenty one years, the rent then reviewable at intervals of five years. By a Deed of Variation dated 29 July 1994 and entered into by the applicant and the then freeholder, Forte (UK) Ltd., the rent reserved under the lease was varied to become a fixed rent of £1 per annum for the remainder of the term for a consideration of £75,000. The unexpired term at the date of valuation is 26.3 years. The respondent, Hemel Hempstead Property Co. (Apsley) Ltd., is now the freeholder of Imperial Court.

2.0 Inspection

2.1 On the morning of the hearing the Tribunal inspected Imperial Court ("the block") and the subject flat together with two other flats in the block relied on as comparables by the parties' valuers.

2.2 Built in 1978 or thereabouts within the grounds of the 5-star Imperial Hotel, Imperial Court is a prestige block of flats on an elevated cliffside site facing south-west across Torbay. The block is arranged over seven floors and provides 24 flats, including two penthouses. B and C type flats which include the subject flat are 2 - bedroom flats in the centre of the block whereas A and D type flats are 3 - bedroom dual-aspect flats forming the outside ends of the block. The A type flats are at the western end and are the furthest away from the hotel. Due to the sloping nature of the site, all flats, even those below the rear driveway level, enjoy sea views. There is secure on-site allocated private parking bays and visitors' parking. Flats at garden level appear to have individual terraced gardens at the front and all residents have use of the surrounding hotel grounds.

2.3 The block is served by two entrances and two lifts. The common parts are decorated to a good standard. The subject flat is situated in the centre of the block on the second floor and the Tribunal noted the applicant's improvements. The Tribunal also inspected Flat 4C/D, a double unit on the fifth floor, and Flat 2D on the same floor as the subject flat but larger and with a dual aspect.

2.4 The inspection took place out of season and the majority of the block appeared empty. The Tribunal were subsequently informed that permanent residents accounted for less than half the occupants, the majority of the flats being occupied as holiday homes.

3.0 Agreed Matters

3.1 A Statement of Facts was agreed between Mr A.Ford on behalf of the applicant and Mr W. Gater on behalf of the respondent. In particular:

- The valuation date is 1 December 2003
- The subject flat has a gross internal floor area (GIA) of 960 sq.ft. plus balcony
- The applicant has carried out the following improvements:
 - Modernisation of the kitchen
 - Modernisation of the two bathrooms
 - Alteration of the hall to open up from within the sea view
 - The installation of double-glazed windows to the kitchen and to the bedrooms

3.2 At the start of the hearing the parties agreed in principle the terms of the new lease, the draft of which had been forwarded by the respondent's solicitors to the applicant's solicitors prior to the hearing.

4.0 Issues

4.1 The issues were 1) the value of the unimproved long leasehold interest 2) the value of the freehold reversion 3) the value of the unimproved existing leasehold interest 4) yield.

The respective figures of the parties were:

	Applicant (Mr Ford)	Respondent (Mr Gater)
1. Freehold reversion	£233,750	£250,000
2. Long l/h interest	£233,750	£250,000*
3. Short l/h interest	£140,000	£90,000
4. Yield	8%	5% and 6%
5. Relativity	60%	36%
6. Premium	£62,000	£114,787

* as amended at the hearing to take account of the terms of the new lease.

5.0 Hearing

Terms of the new lease

5.1 The new lease agreed in principle at the start of the hearing was in modern form and eliminated the following four covenants from the old lease which reflected Imperial Court's historic connection with Imperial Hotel and which were deemed by the respondent to be on balance beneficial to the freeholder's case:

- 1) A restriction on the ability to sub-let, with a charge of 10% of the first year's rent payable by the tenant to the freeholder on the sub-letting
- 2) The freeholder's right to vet contractors
- 3) The use by the tenant of Hotel leisure facilities
- 4) A limitation on the power to assign

5.2 Whereas Mr Ford had in fact based his valuation on the terms of the new draft lease, Mr Gater had, in the absence of any agreement prior to the hearing, valued on the basis of the old lease in accordance with S. 57(1) of the 1993 Act. Accordingly Mr Gater felt it necessary during the hearing to amend his valuation to reflect what in his opinion would be a more beneficial lease for the applicant, although he conceded that he was unaware that any of the four covenants in the old lease had ever been enforced. It was Mr Ford's view, however, that these various covenants did not impinge on value to the lessee, either by depressing the value of the existing lease or, with their omission, by enhancing the value of the

proposed new lease.

Unimproved long leasehold interest

5.3 Mr Ford had no local knowledge. He said that he specialised in residential property, especially leasehold reform, mainly in London but also in Brighton and Hove. For the purpose of the current exercise he had carried out research in Torquay. In support of his figure of £233,750 he produced a schedule of five recent sales of long leases in Imperial Court. It was his view that sales evidence within the subject block was the most pertinent in arriving at the long leasehold value of the subject flat. he said that four of the six sales related to the larger "A" or "D" type flats. Using virtually simultaneous transactions in 2002 for Flats 4A and 4B, both in identical condition, he had adjusted for floorspace when relating sales of the larger type flats to the subject flat by adopting a figure of 72% for the subject flat which was also, he said, the approach taken by Mr Gater. He subsequently accepted that the figure of 72% should have been 73.7% on the basis of transaction prices put forward by Mr Gater. Applying his original 72% figure where appropriate and then making adjustments for improvements, but making no adjustment either for passage of time nor for position within the block, Mr Ford reached the following figures:

Flat 1C. Sold Dec. 2003	£240,000
less improvements	£10,000
Unimproved value	£230,000
Flat 2A. Sold May 2004	£400,000
Adjust for floor area	£288,000
less improvements	£48,000
Unimproved value	£240,000
Flat DA. Sold July 2004	£335,000
Adjust for floor area	£241,000
less improvements	£12,000
Unimproved value	£229,000
Flat 2D Asking price	£395,000

Adjust for floor area	£284,000
less improvements	£48,000
Unimproved value	£236,000

Flat 1C was Mr Ford's preferred comparable.
Taking the average of these four figures produced a figure of £233,750.

5.4 Mr Gater said that he had practised in Torquay since 1983, dealing with valuation, survey and management of residential and commercial properties. His company had acted for the freeholder and for the previous freeholder, Forte, in disposals, valuations and other negotiations relating to Imperial Court. He said that his involvement with Imperial Court dated back to 1984 and related mainly to rent reviews and lease variations. Lease extensions had been dealt with by Forte's in-house surveyor. In support of his figure of £245,000 (subsequently increased to £250,000 to reflect the terms of the new lease) Mr Gater referred to the simultaneous sales in 2002 of Flats 4A and 4B and applied a floor area differential of 73.7%. While he, like Mr Ford, made no adjustment for passage of time, he did consider that there was a price differential between lower and upper floors, the latter commanding a small premium (4.5%); the subject flat fell into the latter category.

5.5 Mr Gater relied on the sales of Flats 1C, 2A, DA and 2D, as set out in Mr Ford's evidence, stating that Flats 2A and 2D had modern form leases. He agreed with Mr Ford that Flat 1C was the best comparable.

5.6 Mr Gater helpfully provided as an appendix an undated copy of the original particulars showing the disposition and lay-out of the flats and containing a statement to the effect that already at that time, ie c.1979, more than half the flats had been sold.

Freehold reversion

5.7 Mr Ford had applied no uplift to his unimproved long leasehold value of £233,750. Mr Gater, following the decision in *Cadogan Estates Ltd v Shahgholi* (1999) 1 EGLR 189 LT had applied an uplift of 2% to his original long leasehold value of £245,000 to reach a figure of £250,000. He did not however carry this percentage uplift through to his amended long leasehold value of £250,000.

Unimproved existing leasehold interest

5.8 Mr Ford was unable to provide any evidence of recent sales of short leases in Torquay. His evidence, based on discussions with local agents, was that although short leasehold interests in Torquay were not unknown they were generally extended by private negotiation. The transactions did not appear to have been analysed by those involved in order to give relativities as between existing leasehold/long leasehold and freeholds.

5.9 In the absence of any local evidence, Mr Ford therefore decided to look beyond Torquay. Firstly, he produced a graph of transactions which he himself had settled in London, showing a relativity of 58% for an unexpired term of 26 years. He considered that prior to 1993 there would have been a high demand for properties on short leases in Torquay because:

- the profile of the market was of purchasers who were generally retired or, if not retired, were looking for second homes
 - either way indicated a cash purchaser rather than one dependent on a mortgage
- and that this type of demand would have produced a situation similar to London.

5.10 Secondly, Mr Ford referred the Tribunal to several decisions of the Leasehold Valuation Tribunal for the Southern Rent Assessment Panel concerning the relativity of short/long leases. These included a decision at Hove (LR93/ES/131 and 128) where a relativity of 61.5% was determined in the case of two flats with an unexpired term of 34 years. In coming to this decision, that tribunal had considered the evidence of seven sales within the building.

5.11 Thirdly, Mr Ford referred the Tribunal to a recent settlement in Bournemouth where terms had been agreed for two flats, each with an unexpired term in the order of 28 years, showing relativities of 71%/73%.

5.12 From all this evidence Mr Ford concluded that there was a short leasehold market not only in London but also in coastal towns such as Hove and Bournemouth and, by implication, in Torquay. In his view the value of a 26-year lease in Torquay equated to 60% of the long lease value, namely, to £140,000, giving rise to a premium of £62,000.

5.13 Mr Denehan put to Mr Ford that a local valuer, Mr T. Dickinson FRICS of Irvine

Nott, Chartered Surveyors, had initially advised Doctor Grimshaw that an appropriate premium would be £90,000. When compared with this advice and with Mr Gater's figure of £114,000, Mr Ford's premium was surely out of line. Mr Ford replied that there was little background evidence to support Mr Dickinson's figure of £90,000.

5.14 It was Mr Gater's view that there was no market for short leases in Torquay although he conceded that there had been such a market in the block up until the mid-1990s. Thereafter prospective purchasers became aware of the imminence of the rack rent review and a number of deeds of variation were entered into to delete this review. The 1990s market, he stated, was very volatile and any analysis would have thrown up inconsistencies.

5.15 Mr Gater was able to produce evidence of only two short leasehold transactions within the block: 1) A lease extension of £85,000 in 2003 for Flat 3C. The lessee was advised professionally by Mr Dickinson of Irvine Nott that the appropriate premium should be £92,000 (a relativity of 40%); the lower sum of £85,000 eventually paid by the lessee was concessionary because the freeholder was a personal friend of the lessee. In confirmation of this Mr Denehan submitted a statement by Mr RM Morrison, a director of the respondent company, together with a letter from the lessee concerned. 2) A surrender price of £25,000 in July 2003 for the short leasehold interest at Flat 2D.

5.16 As there was no open market evidence of short leasehold transactions, Mr Gater valued the short leasehold interest by capitalising (@9%) for 26 years a profit rent based on a notional rack rent. He stated that this method was also followed by other valuers. He estimated this rack rent to be £12,000 per annum, stating that he was informed by local agents that few properties in Torquay achieved a rent in excess of £1,000 per month. In passing he did however state that he had recently settled a rent review on a Type D flat in the subject block which gave an implied rental value of £22,750 per annum and that a similar recent negotiation (by a third party) concerning a Type B flat had implied a rental value of £19,250 per annum. The Tribunal also noted that his analysis of the surrender price of Flat 2D included an estimated rack rent of £15,750 per annum.

5.17 Mr Gater's valuation of £90,000 represented a relativity of 36% on his amended long leasehold interest of £250,000.

5.18 In reply to questions from the Tribunal, Mr Gater stated that two-thirds of the block's 24 flats had now had their leases extended. He was unaware of the proportion of flats in the block used as holiday homes/lettings or indeed whether the block contained any permanent residents. He agreed that there was a market for second homes in the area.

Yield

5.19 Mr Ford, in support of his yield of 8% for both capitilising the term and for deferment, had been unable to find any information on comparable transactions in Torquay and had therefore given the Tribunal evidence from other locations. He had personal knowledge at Hove where it was customary for him to agree the yield rate for freehold reversions @ 8%. He also produced a schedule of LVT settlements on the south coast where the yield varied between 7.0% and 10.0% for longer unexpired terms, including two settlements at Hove where the yield was 8.0% for an unexpired term of 34 years. He also produced at the hearing evidence of recently agreed lease extensions in Bournemouth where the unexpired term was 28.75 years and the yield 8.5%. It was put to Mr Ford that whereas flats in Imperial Court sold for well above the price of an average flat in Torquay, the properties he relied upon in other areas were at or below average for those areas. If the flats were the quality of those in Imperial Court the yield would surely be less.

5.20 Mr Gater adopted a figure of 5% for the yield and deferment rate for the landlord's present interest, a yield of 6% for the deferment rate of the landlord's proposed interest on the basis of the extended new lease and 9% for the short lease. He supported his 5% figure by 1) reference to a "general acceptance" of 7% for modest local Victorian and pre-war houses in Torquay and stated that Imperial Court was a superior investment and 2) reference to the IPD UK Residential Investment Index for 2003 which showed a net yield of 3.1% for rack rented South West of England flats and apartments. He stated that 6% was appropriate in the context of the new lease which was more favourable to the tenant. He had analysed the surrender price for Flat 2D at 5.2%. The Tribunal noted in passing from Mr Gater's evidence that the valuer in the case of the private negotiation at Flat 3C had adopted a higher yield of over 7.5% for the landlord's interest.

6.0 Decision

6.1 Much time was taken up during the hearing with discussions about the benefit of local valuation expertise, Mr Ford's practice being predominately in London whereas Mr Gater's practice is centred on Torquay. The Tribunal accepts that local valuation experience can be very helpful, especially if there is a need to compare transactions over time or to examine the relative merits of properties in the locality. But this is not one of those cases. All comparables are in Imperial Court itself and neither valuer suggested the need to adjust any of the comparables for passage of time.

6.2 Mr Gater gave evidence that his involvement in Imperial Court dated back to 1984 and related mainly to rent reviews and lease variations. It was the previous freeholder's in-house surveyor, and there was no evidence that he was local, who dealt with lease extensions.

6.3 Both valuers gave evidence of their need to undertake research and to consult other valuers. Whereas Mr Ford was able to give the Tribunal details of those discussions, Mr Gater could give the Tribunal no specific local evidence, apart from two cases, of local transactions/settlements where analysis would support the yields and relativity he was seeking.

Unimproved long leasehold value

6.4 Both valuers agreed that Flat 1C, sold for £240,000 in December 2003, was the best comparable. Whereas Mr Gater added £5,000 to reflect the subject flat's superior position on the second floor, producing a valuation of £245,000, Mr Ford deducted £10,000 to reflect the subject flat's improvements, making his valuation £230,000. Mr Gater subsequently increased his figure to £250,000 to reflect the benefit to the lessee of the modern form of lease, whereby covenants deemed by him to be onerous to the lessee were to be removed.

6.5 The Tribunal accepts that Flat 1C is the best comparable. Not only was the sale at the same time as the subject flat's date of valuation - although neither valuer had thought it necessary to adjust any of the comparables for passage of time - it was also of a similar 2 - bedroom type, requiring no adjustment for floor area nor for the fact that some of the comparables were dual aspect. The Tribunal do not

it necessary to make any adjustment for position within the block as between the first (Flat 1C) and second (Flat 2B) floor. Concerning improvements, evidence was given that Flat 1C had had a new kitchen fitted in 1991. It is not unknown for newly fitted kitchens, however appealing, to be removed by incoming purchasers. In the Tribunal's experience, even new fixtures and fittings do not necessarily add to value. Therefore the Tribunal make no adjustment for improvements. This finally leaves the question of whether the removal of the covenants in the old lease serves to enhance the value to the lessee of the new lease. At the outset, it is the Tribunal's view that probably only one of the four covenants are at all onerous, and that is the one relating to the right of the landlord to 10% of the first year's rent in any sub-letting. The evidence was however that this is not a block where there is sub-letting. Bearing in mind that 1) in the Tribunal's view the covenants are not particularly onerous 2) there is a question whether they would now be enforceable 3) over the period of 24 years from 1979 (1979/December 2003) these covenants have never been enforced 4) no evidence was given that the presence of these covenants had ever been an impediment to sales 5) Mr Gater when putting forward his comparables had deemed it unnecessary to make any adjustment to sales prices for those which involved leases in the original form (ie those including the covenants now removed from the new lease of the subject flat), the Tribunal has decided to make no adjustment. Accordingly, the unimproved value of the new lease is determined at £240,000.

Unimproved freehold value

6.6 Only Mr Gater argued for an enhancement for the freehold value although he was unable to supply the Tribunal with any examples of long leasehold interests in Torquay which had been enhanced to freehold. To justify his 2% enhancement to freehold of his long leasehold value (originally £245,000 plus 2% ie £250,000), Mr Gater therefore cited the decision in *Cadogan Estates Ltd. v Shahgholi* (1999) 1 EGLR 186. When amending his original long leasehold value of £245,000 to £250,000 to reflect the new form of lease, the Tribunal noted that he had in fact not enhanced to freehold his amended leasehold value of £250,000.

6.7 In the *Shahgholi* case the unexpired term was 90 years, and the uplift applied by the Lands Tribunal was 3.0%; here the unexpired term is 116 years. The Tribunal recognises that a freehold must hold some small advantage over a 116 year lease and has determined that the value of the long lease should be uplifted

by 1%, giving a figure of £242,400.

Unimproved existing leasehold interest

6.8 Imperial Court is a block where clearly there is a substantial history of transactions since the first lease was granted in 1979. These flats were sold on 51 year leases with review after 7 and 14 years and then at 21 years to a market or rack rent. The subject flat achieved a price of £31,000 at the time, a considerable sum for what was effectively a short lease. A deed of variation in 1994 to remove the rack rent provisions which would have come into force in March 2000 cost the lessee £75,000, also a considerable sum. Clearly there is a substantial history of the sale of short leases in this very building. Further, the Tribunal obtained the information at the hearing that 16 out of the 24 flats had now extended their leases, thus demonstrating also a lengthy history, again in this very building, of negotiations for lease extensions. Many of these transactions, had their analysis been made available to the Tribunal, would have been a valuable source of information on relativity, both before and after the Act came into force.

6.9 Mr Ford was unable to obtain any local evidence on short leasehold interests because they were extended by private negotiation and few records appear to have been kept, leaving a dearth of transactions. Accordingly he was forced to look to a wider area while acknowledging that the market had been distorted by the Act. In support of his figure of £140,000, giving a relativity of 60% on his long leasehold value of £233,750, he was able to quote three sources:

1) His own agreements in London whereby an unexpired term of 26 years would indicate a relativity of 58%.

2) Decisions of the Southern Panel, including two flats in Hove (LR93/ES/131 and 128) where it was determined that the value of the tenant's interest in an unexpired term of 34 years should equate to 61.5% of the long leasehold value.

3) Two settlements by private negotiation in Bournemouth where relativities were 71%/73% for unexpired terms of c. 28 years.

6.10 Mr Gater, although having been associated with the block since 1984, was

unable, apart from two instances, to give the Tribunal any evidence on any transactions within the block. Nor was he able to give the Tribunal evidence of flats' transactions elsewhere in Torquay, a resort where many sites have been redeveloped with flats over the past thirty or forty years. Mr Gater referred to an inconsistent pattern of sales in the block in the mid-1990s as his reason for not putting forward this kind of evidence. It would have been very useful for the Tribunal to have had this evidence so that they themselves could have taken the decision on whether the prices achieved were material to the present case.

6.11 In support of his valuation of £90,000 for the tenant's present interest, Mr Gater had therefore not relied upon any market or pattern of settlement evidence but had taken an estimated rack rent of £12,000 per annum and capitalised it at 9% for the unexpired term of 26.3 years. The Tribunal were given four instances of rack rents in the block:

£22,750 for a Type D flat - recent - implied as part of rent review
£19,250 for a Type B flat - recent - implied as part of rent review
£14,750 for Flat 2D in July 2000. Agreed but lease then bought in
£15,750 for Flat 2D - July 2003 and estimated by Mr Gater as part of his analysis of the surrender price of lease

6.12 It is the Tribunal's view that rental valuations for short leases are inherently unreliable, certainly for leases of more than 10 years. It takes only a small change in one of the components to produce a different end result. The rental information from the block does not provide a pattern and is too inconsistent to support Mr Gater's estimated rent of £12,000 per annum. In particular, the rents of £22,750 and £19,250, whether passing or implied, do not support the information given by Mr Gater in evidence that "I am informed by local letting agents that few properties achieve a rent in excess of £1,000 per calendar month....."

6.13 Mr Gater was unable to support his yield of 9% by reference to any local transactions. His valuation of £90,000 produced a relativity of 36% on his amended long leasehold value of £250,000. No evidence to support this relativity was given to the Tribunal apart from a reference to a valuation prepared by Mr Dickinson in the case of Flat 3C where the relativity was 40%.

6.14 The Tribunal accepts that because of the Act the market for short leaseholds has been considerably reduced and distorted. It is a fact that the majority of vendors of short leases are first serving a notice to extend their lease. To that extent the Tribunal can accept Mr Gater's evidence. In the absence of the Act, there would no doubt be an active market. It is argued frequently before the Tribunal that it should look at relativities before the Act came into force as all later transactions are distorted. In this particular case, there was clearly an active market in this very building, both before and after the start of the Act. It is regrettable that the Tribunal was given very little information about this, especially given the long association of Mr Gater and his company with the block. That apart, there must surely have been transactions capable of analysis in other parts of Torquay and elsewhere in Devon.

6.15 In the absence of any reliable information in Torquay, Mr Ford, a valuer with considerable experience in enfranchisement valuations, was correct in looking elsewhere, including south coast resorts such as Bournemouth and Hove where markets must at least be equal with, if not better than, Torquay. Mr Gater did not look elsewhere because, in his opinion, after 1993 there was no market for short leases in Torquay. Having regard to Mr Ford's comparables along the south coast, it is clear that the evidence is still sparse. The Tribunal on balance considers that the 60% relativity as sought by Mr Ford is on the high side for a 26.3 year unexpired term where the assumption has to be made that there are no extension rights under the Act. The Tribunal, doing the best it can on all the evidence, but in particular the south coast evidence, before it, has determined that a relativity of 55%, giving a figure of £132,000, would be appropriate.

Yield

6.16 Mr Ford, in support of his yield of 8% for both capitilising the term and for deferment, had been unable to find any information on comparable transactions in Torquay and had therefore given the Tribunal evidence from other locations. This evidence varied from settlements at 8% in Hove to LVT decisions determining yields between 7.0% and 10.0% and recently agreed lease extensions in Bournemouth where the unexpired term was 28.75 years and the yield 8.5%.

6.17 Mr Gater, in support of his yields of 5% and 6%, had stated that there was general acceptance of a 7% yield for inferior property in Torquay although he was unable to give the Tribunal any details of transactions which supported either 7% or

the 5% which he derived from it. The IPD index he was also relying on dealt with the returns from rack rents which is a different property market. He had analysed the surrender price for Flat 2D at 5.2% but this interest concerned a profit rent of £15,000 for a term of two years which was a different investment from a ground rent of £1 with no rent review and a reversion in 26.3 years' time.

6.18 On the balance of the evidence, the Tribunal has adopted a yield of 7.5% in recognition of the quality of the block on the one hand and on the other hand the settlement evidence elsewhere, especially the south coast, albeit sparse. For reasons already given concerning the merits of the new lease, there is in the Tribunal's view no reason to adopt a differential yield when valuing the landlord's deferred interest in the new lease.

6.19 The Tribunal's valuation, determining an enfranchisement premium of £72,126, is attached as Appendix 1.

CHAIRMAN *J. McGranth*

DATE *2nd DECEMBER 2008*

LEASEHOLD VALUATION TRIBUNAL'S VALUATION
Flat 2B Imperial Court, Torquay

	£	£	£
Value of Landlord's Current Interest			
Term			
Ground Rent	1		
YP 26.3 yrs @ 7.5%	<u>11.3427</u>	11	
Reversion			
Freehold	242,400		
PV £1 in 26.3 yrs @ 7.5%	<u>.1493</u>	36,190	36,201

Value of Landlord's Proposed Interest			
Reversion			
Freehold	242,400		
PV £1 in 116.3 yrs @ 7.5%	<u>.0002</u>	say 50	

Share of Marriage Value			
Extended Interests			
Value of Landlord's Interest		50	
Value of Tenant's Interest		<u>240,000</u>	
		240,050	

Less			
Existing Interests			
Landlord	36,201		
Tenant	<u>132,000</u>	168,201	
Marriage Value		71,849	
Landlord's Share at 50%		<u>35,925</u>	

Enfranchisement Premium	<u>£72,126</u>
-------------------------	----------------