

EASTERN LEASEHOLD VALUATION TRIBUNAL

**DECISION AND STATEMENT OF REASONS OF THE TRIBUNAL, WHICH
MET ON THE 29th APRIL 2004 ON AN APPLICATION UNDER SECTION 24
LEASEHOLD REFORM, HOUSING AND URBAN DEVELOPMENT ACT
1993**

Reference No: CAM/26UF/OCE/2004/002

Address of Property: 31, 31A, 32, 32A Chiltern Road, Hitchin, Hertfordshire,
SG4 9PJ

Applicant

(Nominee Purchaser): Barbara Nan Ratcliffe, 32A Chiltern Road, Hitchin,
Hertfordshire, SG4 9PJ

**Applicant's
Representatives:**

Solicitor Chamberlain's Solicitors, 14/15 High Street, Hitchin,
Hertfordshire, SG5 1AT

Surveyor Ms J Howe, BSc(Hons) FRICS, Dip Arb of Kirkby &
Diamond

Respondent

(Landlord & Freeholder): Hiz Securities Limited, Clare House, 24 Walsworth
Road, Hitchin, Hertfordshire

**Respondent's
Representatives:**

Solicitor Hawkins Russell Jones, Solicitors, 7/8 Portmill Lane,
Hitchin, Hertfordshire SG5 1AS

Surveyor Mr I Asbury BSc(Hons), MRICS of Stiles Harold
Williams

Appearances:

For Applicant:

Counsel: Mr Anthony Radevsky
Surveyor: Ms J Howe

For Respondent:

Counsel: Mr Denyer Green
Surveyor: Mr I Asbury

Participating Tenants:

31 Ms SF Robinson
31A Mr DG Bruton and Mr JC Atkinson (Executors
of the late Mr LM Huggett)

32 Mr S Bradford Best
32A Personal representatives of the late Mr MJ
Kinch

Tribunal:

Mr JR Morris LLM (Chairman)
Miss M Krisko BSc(Est Man) BA FRICS
Mr GRC Petty FRICS

Nominee Purchaser's Section 13 Initial Notice dated: 12th September 2003

Reversioner's Section 21 Counter Notice dated: 18th November 2003

Valuation Date: 18th November 2003

Introduction

1. The Application

1.1 This is an application to the Tribunal under Section 24 of the Leasehold Reform Housing and Urban Development Act 1993 ("the 1993 Act") to determine matters in dispute in respect of the exercising of the right to a collective enfranchisement.

1.2 An Initial Notice dated 12th September 2003 was served on the Respondent by the Participating Tenants of the Premises all of whom appear to be "qualifying tenants" within the meaning of the 1993 Act (copies of the Tenant Information Sheets provided). The Initial Notice gave details of:

- The Specified Premises and proposed a price of £18,414
- The Additional Freehold and proposed price of £2,280
- Totalling £20,694
- That no additional rights need to be acquired.

The Nominee Purchaser named in the Initial Notice, the late Mr MJ Kinch, was replaced by his executrix Ms BN Ratcliffe by Notice under section 16 of the 1993 Act. Nominee Purchaser was named as being the Applicant. The Notice appears to be in accordance with the legislation and the Applicant has raised no objections other than matters referred to in the Counter Notice.

1.3 A Counter Notice dated 13th November 2003 was served by the Respondent that accepted:

- The description of the Specified Property
- The inclusion of the Additional Freehold and
- That no additional rights need to be acquired.

The Respondent made a counter proposal that:

- The price for Specified Premises and Additional Freehold is a total sum of £195,000 together with the proper legal and valuer's costs and expenses arising from or connected with the purchase
- The terms of the transfer should include the reversion subject to and with the benefit of the leases of which particulars were supplied in the Tenant Information Sheets and

- The stipulations and conditions contained or referred to in the Conveyance on Sale made 18th March 1971 between Kenneth George Theobald and Maelor Wyn Morris (1) and the Reversioner (2) so far as the same are still subsisting and capable of taking effect and effect the Specified Property and Additional Freehold

- 1.4 The specified property comprises the flats, gardens and garages and the additional freehold comprises the driveway to the North side of the flats to the rear of the property which is not demised but over which the tenants of the flats have a right of way to give access to the garages and rear of the property.

2. The Property

- 2.1 The Property is a purpose built two-storey block of four flats constructed in or around 1972 of brick beneath a concrete tile roof. Fenestration to the front elevation is of the timber multi-paned type to provide a neo Georgian appearance, although the design and arrangement of windows to the rear elevation are of a more contemporary appearance.
- 2.2 Each flat has its own external door, so that there are no shared internal communal parts. The front doors to the flats are positioned in the side elevations, although the ground floor flats also have back doors and glazed sitting room doors opening onto a terrace and overlooking an area of rear lawned garden.
- 2.3 There is a vehicular driveway on the North side of the property over which the tenants have a right of way to provide access from the road to a car park area and garage forecourt to the rear of the gardens. There is a block of four prefabricated single garages with asbestos sheet roof and up and over doors.
- 2.4 The block has all main services.
- 2.5 An inspection of the exterior of the whole Property and of the interior of the 31, 32 and 32A was made on the April 2004. It was noted that:
 - 31 Ground floor flat comprised entrance hall, kitchen lounge, bathroom, 2 bedrooms (1 double and 1 single) (60.06 m²)
 - 31A First floor flat comprised self-contained entrance with staircase to landing, kitchen/diner, lounge and 2 bedrooms (1 double and 1 single) (67.02 m²)
 - Ground floor flat comprised entrance hall, kitchen, lounge, bathroom, 1 double bedroom (64.69 m²)
 - 32A First floor flat comprised self-contained entrance with staircase to landing, kitchen, lounge/diner and 2 bedrooms (1 double and 1 single) (69.43 m²)
- 2.6 32A appeared to have most of the original fittings. The property appeared to be in fair condition externally.

3. The Leases

- 3.1 All four leases are for terms of 99 years commencing 29th September 1972
- 3.2 A Copy of the lease for 31 was provided and it was noted that there were no particularly onerous covenants.
- 3.3 A matter that is in issue is the interpretation of the ground rent review provisions, which are contained in Clause 1 and paragraph 4 of the Fourth Schedule of each Lease as follows:
“The annual ground rent value mentioned in these presents shall be deemed to be an amount equivalent to the annual sum at which on the occasion of each revision of rent the surface of the land hereby demised (and the air space occupied by the first floor flat) might be expected to let on a lease similar in terms to these presents save as to rent and for the purposes similar to those for which the said premises may be used under the present clear of the building (if any) situation the land and occupying the said air space and clear of any improvements to the demised premises made by the Tenant since the date hereof”.

4. The Law

- 4.1 Under section 24 of the Leasehold Reform Housing and Urban Development Act 1993 where the reversioner has given the nominee purchaser a counter notice and any of the terms of acquisition are in dispute at the end of the period of two months beginning with the date on which the counter notice was given a Leasehold Valuation Tribunal may on the application of either the purchaser nominee or reversioner, determine the matters in dispute. The terms of acquisition relating to:
- a) the interests to be acquired,
 - b) the extent of the property to which those interests relate or the rights to be granted over any property,
 - c) the amounts payable as the purchase price for such interests,
 - d) the apportionment of conditions or other matters in connection with the severance of any reversionary interest, or
 - e) the provisions to be contained in any conveyance,
- or otherwise, and includes any such terms in respect of any interest to be acquired in pursuance of section 1(4) or 21(4) of the 1993 Act.
- 4.2 By virtue of section 32 of the Leasehold Reform Housing and Urban Development Act 1993 Schedule 6 (which relates to the determination of the price payable by the nominee purchaser in respect of each of the freehold and other interests to be acquired) shall have effect. Under Schedule 6 the price payable by the nominee purchaser shall be the aggregate of –
- 1) the value of the freeholder’s interest in the specified premises which is the amount which at the valuation date the interest might be expected to realise if sold on the open market by a willing seller subject to assumptions specified in paragraph 3 of Schedule 6.
 - 2) the freeholder’s share of the marriage value as determined in accordance with paragraph 4 of Schedule 6 being such proportion of

the marriage value as agreed by the parties or as determined by a leasehold valuation tribunal or 50 per cent of the marriage value. The marriage value is any increase in the aggregate value of the freehold and every leasehold interest in the specified premises. That is to say the increase in value of the interests in the specified premises that would result by reason of the participating tenants enjoying certain advantages and benefits following enfranchisement. In *Maryland Estates Ltd v Abbatthure Flat Management Co Ltd* LRA/5/1997 these were identified as being the ability to:

- Extend their leases at no premium
 - Vary the terms of the leases,
 - Effectively extinguish the ground rent,
 - Manage the property themselves and to control management charges,
 - Carry out repairs at their own choosing and to control costs,
 - Eliminate possible disputes with the landlord,
 - Grant themselves new rights over the property,
 - Grant leases to non-participating tenants.
- 3) any amount of compensation payable to the freeholder under paragraph 5. There shall be payable to the freeholder reasonable compensation for loss or damage where there is a diminution in the value of any other property resulting from the acquisition of his interest in the specified premises or to the extent that it is referable to his ownership of any interest in other property. Such loss includes loss of development value in the specified premises to the extent that it is referable to his ownership of any interest in other property.

5 Matters Agreed

- 5.1 The valuation date is 18th November 2003 (the date of the Counter Notice)
- 5.2 The term remaining at the date of valuation was 67.8 years
- 5.3 Each lease provides for the payment of an initial ground rent of £35 per annum and the leases provide for periodic increases in the ground rent amounts at 33-year intervals and the rent review dates are 25th September 2005 and 25th September 2038. At the date of valuation there was approximately 1.8 years to the first rent review.
- 5.4 On the assumption the Respondent's interpretation of the ground rent clause in the leases is correct the total ground rent receivable from December 2005 will be £14,336 per annum or £3,584 per annum per flat
- 5.5 On the assumption the Applicant's interpretation of the ground rent clause in the leases is correct the total ground rent receivable from December 2005 will be £600 per annum or £150 per annum per flat
- 5.6 The value of the unimproved flats with a 999-year lease at a peppercorn Ground rent would be £160,000

5.7 Any marriage value arising from the transaction will be shared equally between the Applicant and the Respondent

5.8 The terms of the transfer were agreed.

6. Matters in Dispute

6.1 The yield used in the calculation of the valuation for the collective enfranchisement.

6.2 The value of the unimproved flats with the existing leases and reflecting the prospect of ground rent increases (to whatever those rents will be) in December 2005 is disputed

6.3 The interpretation of the ground rent review clause in the lease and therefore the amount of the ground rent payable from the date of the first rent review on 25th December 2005 is disputed.

7 The Applicant's Case

7.1 The Applicant's Surveyor gave evidence based upon her written valuation report and addressed the issues of:

- a) Yield to be adopted
- b) Value of the unimproved flats with the existing leases

7.2 a) Yield

7.2.1 The Applicant's Surveyor adopted a 9% yield based on LVT decisions for properties outside London in the Home Counties and beyond. A Schedule of Comparable Yields was provided. She stated that there was very little local evidence of yields used by LVT's outside London but those there were averaged 9%. Two cases were quoted where 7% was used but in one of those related to Elizabeth House, Stotfold, Bedfordshire where comments by the LVT indicated that if the yield had not been agreed between the parties a higher yield would have been used by the Tribunal itself. Uncertainty in relation to the level of ground rent would push the yield up. An investor would have serious concerns on the likelihood of recovery of a ground rent that rose from £35 to £3,400 per annum. An investor would be reluctant to invoke extreme remedies for non-payment of rent, such as forfeiture against tenants (especially if they were elderly) due to cost and adverse publicity, and this would be a matter of concern which should be reflected in the yield.

7.2.2 In cross-examination the Applicant's Surveyor confirmed her view that it was risk and uncertainty that produced a high yield. If the ground rent was certain then the yield may come down although not necessarily as low as 7%. Counsel for the Respondent submitted that the possibility of the Respondent being correct in the interpretation of the ground rent clause and a high ground rent being achieved would counterbalance the uncertainty and reduce the yield. The Applicant's Surveyor replied that it did not matter which party might be

correct in their submission as to how the ground rent was calculated if there was uncertainty the yield would rise. In response to questions from Counsel for the Respondent the Applicant's Surveyor stated that on a lease extension the yield is likely to be less than on enfranchisement. She said the risk in relation to an extension is lower and in addition an investor will have the benefit of commission on insurance and management fees. However these benefits will certainly not enhance the price payable on the subject block.

7.3 b) Value of the unimproved flats with the existing leases

The Applicant's Surveyor was of the opinion that evidence of prices for comparable properties gave the best guidance and provided a Schedule of Comparable leases of properties being sold (**Appendix 1**). In written representations the Applicant's surveyor commented that there is a significant gap between those recently built flats located in prime areas where prices are approximately £150,000 - £190,000, as opposed to those in lower value areas where the prices range from £115,000 - £130,000 for two bedroom flats. Looking at prices for leases of comparable properties it was submitted that the value of unimproved subject properties would £150,000. The Applicant's Surveyor did not consider that the use relativity tables was appropriate outside London.

- 7.3.1 In cross-examination the Applicant's Surveyor was questioned as to what allowances might be made for improvements when comparing the subject properties with more modern flats. She stated that an allowance of £1,500 for double-glazing and £2,000 for fitted kitchens and bathrooms and that £4,000 and £10,000 suggested by the Respondent's Surveyor was excessive. The Applicant's Surveyor agreed that newer properties carried a premium but would only expect this to be about £3,000 for a comparable property. A considerable difference was noted between 17 and 79 The Maples but this was attributed to their relative positions on the estate. If relativity tables were adopted it was agreed that if the full value was £160,000 then at 85% the current value would be £136,000 and at 90% would be £144,000. The Applicant's Surveyor was of the opinion that the comparable evidence adduced in the form of the Schedule showed that there was little difference between the value of leases with a shorter or longer unexpired term.

7.4 Applicant's Counsel's Submissions as to Ground Rent

- 7.4.1 Applicant's Counsel submitted that there are two issues in relation to the hypothetical lease upon which the ground rent is to be based:
- a) the extent of the demise of each hypothetical lease and whether it is the same for the ground floor flats as for those on the first floor.
 - b) whether the terms of the hypothetical lease assume that a premium was payable on the grant of the hypothetical lease.
- 7.4.2 In relation to the first issue Counsel of the Applicant pointed out that in paragraph 4 of the Fourth Schedule of the Lease of Flat 31 (ground floor) 31A(first floor) and 32A (first floor) the demise in the hypothetical lease is to be:

“the surface of the land hereby demised (and the air space occupied by the first floor flat) ... clear of the building (if any) situate on the land and occupying the said airspace...”

- 7.4.3 However the Lease for Flat 32 on the ground floor omits the words “and the air space occupied by the first floor”. Counsel pointed out the obscure nature of the drafting. He suggested that the most likely intention was that the hypothetical lease for the ground floor flats envisaged a lease of the surface area of the land occupied by the flat and the airspace above occupied by the flat itself and for the first floor flats a lease of the same cubic capacity as the airspace occupied by the first floor flat but situated on the surface of the ground.
- 7.4.4 Counsel stated that the second issue is the essential difference in the interpretation of the rent review provision between the Respondent’s Surveyor who values a modern ground rent for the site where no premium is payable on the grant of the lease and the Applicant’s Surveyor which assumes a flat for a premium with an annual ground rent. In relation to this second issue Counsel stated that the hypothetical lease was assumed to be for the “purpose of a private dwelling in single occupation with terms similar to those of the Lease including a term of 99 years from 29th September 1972 (*Tea Trade Properties v CIN Properties* [1990] 1 EGLR 155). Counsel went on to submit that the terms should also include the provision for payment of a premium of £11,450 (£11250 in the case of Flat 32). Counsel pointed out that the terms of the hypothetical lease are to be similar to those in the actual lease “save as to rent” they do not say “save as to rent or premium”. Counsel referred to *British Gas Corporation v Universities Superannuation Scheme* [1986] 1 WLR 398 and quoted Sir Nicholas Browne Wilkinson V-C at p.401 H)

“The general purpose of a provision for rent review is to enable the landlord to obtain from time to time the market rental which the premises would command if let on the same terms on the open market at the review dates. The purpose is to reflect the changes in the value of money...it would... be wayward to impute to the parties an intention that the landlord should get a rent which was additionally inflated by a factor which has no reference to either change in the value of money or in the value of the property...”

- 7.4.5 In taking account of the creation of an hypothetical lease Counsel referred to *Basingstoke & Deane BC v The Host Group* [1988] 1 WLR 348 and quoted Nicolls LJ at page 354:

“Of course rent review clauses may and often do require a valuer to make his valuation on a basis which departs in one or more aspects from the subsisting terms of the actual existing lease. But in so far as a rent review does not require either expressly or by necessary implication ...the parties are to be taken as having intended the notional letting ...to be a letting on the same terms (other than as to quantum of rent) as those subsisting between the parties in the actual existing lease.”

- 7.4.6 It was therefore submitted that on taking *contra proferentum* approach the words without a premium were not included in the review clause therefore the rent review rent should be interpreted as assessing a ground rent accordingly.

7.5 Applicant's Surveyor's Calculations

- 7.5.1 The Applicant's Surveyor adopted a yield of 9% and carried out a valuation based upon a likely ground rent of £150 per annum per flat as agreed by the parties if the rent review clause was interpreted as being for a hypothetical lease granted for a premium. The Applicant's Surveyor submitted that the enfranchisement price was therefore £23,879 and her calculations are set out in **Appendix 2(a)** of these Reasons.
- 7.5.2 The Applicant's Surveyor also carried out a calculation based upon the Respondent's interpretation of the ground rent review clause being appropriate and arrived at an enfranchisement price of £137,767.15 and this is set out at **Appendix 2 (b)**.

8 Respondent's Case

- 8.1 The Respondent's Surveyor gave evidence based upon his written report and addressed the issues of:
- Yield to be adopted
 - Value of the unimproved fats with the existing leases
- 8.2. **a) Yield**
- 8.2.1 He stated that he adopted a yield of 7% but that the potential increase in the ground rent may make such a yield conservative, as there was scope for the ground rent increase to a level that was unusual. The respondent's Surveyor referred to the following LVT decisions:
- Murray Court, 80 Banbury Road, Oxford (CAM/38UC/LR/2003/5)
 - Granville Place, High Road London (LON/ENF/822-3/03)
 - Flat 3 Daphne Court, Fitzjohns Avenue London (LON/NL/1922/03)
 - 12 Avenue Road and Arundel Court, 99 Wodcote Road Wallington, Surrey (LON/ENF/773 & 744/002)
 - 16 Unwin Mansions Queens Club Gardens, London (LON/NL/1745/02)
- where yields were adopted ranging from 7.5% to 8% although none concerned properties with the prospect of high ground rents.
- 8.2.2 In referring to the examples of yield given by the Applicant's Surveyor the Respondent's Surveyor doubted the two decisions in Southampton which followed a higher yield of 8% and 9% as they concerned an absentee Landlord and therefore the Respondent's case would not have been argued as fully. It was also submitted that the cases relating to lease extension, which gave higher yields, should be regarded with caution as the opportunity to derive income from insurance, management costs and ground rent remained. The Collective enfranchisement cases concerning properties at Murray Court in Oxford, Brighton, Stotfield and Letchworth use yields of 7 – 7.5%. It was stated that the uncertainty would be unlikely to raise the yield, as the

prospective investor would know that the ground rent would rise; it was merely a question of how much. It was also not thought that the problems of enforcement would alter the yield as the tenants are obliged to pay and therefore the landlord will enforce.

- 8.2.3 In cross-examination the Respondent's Surveyor confirmed that he did not believe the yield would increase due to the risks relating to the uncertainty of the ground rent. He submitted that the investor would know the ground rent would increase whether by £150 or £3,584 therefore yield would be low.

8.4 b) Value of the unimproved flats with the existing leases

- 8.4.1 In written representations the Respondent's surveyor stated that the value of the flats with their existing leases would be influenced by the amount of the ground rent payable from 2005. He took the view as argued at 8.5.3 of these Reasons that the wording of the paragraph 4 of Schedule 4 of the Lease was similar to s15 of the Leasehold Reform Act 1967, which made provision for a Modern Ground Rent to be assessed. The Respondent's Surveyor submitted that the most likely tenant in respect of the four lettings of the ground and airspace would be a single individual/company who would pay rent for the site and then construct similar flats to those that currently exist on the site. The four flats would then be assigned and each tenant would pay a quarter of the total rent payable for the site. A Modern Ground Rent is normally assessed as a percentage of the site value with the site value itself being calculated as a percentage of the value of the freehold with vacant possession.

- 8.4.2 If this interpretation is correct the parties agreed that the freehold vacant possession values of the flats is £160,000, a total of £640,000, the site value is 32% and the yield is 7%. The ground rent would therefore be calculated as follows:

Entirety Value	£640,000
Site value @ 32%	£204,800
Section 15 rent @ 7%	X 0.07

Total Ground Rent **£14,336 per annum (£3,584 pa per flat)**

- 8.4.2 The prospect that ground rents will increase to this level will depress the value of the flats. The Respondent's surveyor calculated the capitalisation of such a ground rent to be £44,707 per flat. It was submitted that, as there were no comparable properties, which had the prospect of such a large increase in ground rent, this capitalised amount should be deducted from the price of the flats after the value of the existing lease at the current rent had been calculated. This would then reflect the risk that a prospective purchaser would be taking if one could be found. The Respondent's Surveyor referred to the LVT case of 86a Addison Road, London W14 (LON/NL/1879/03).

- 8.4.3 The Respondent's Surveyor assessed the value of the flats with the existing lease and current ground rent by reference to relativity tables. The value of each flat with a share of freehold was agreed at £160,000. The Respondent's'

Surveyor to the LVT decisions noted at 8.2.1 of these Reasons where he said the relativity ranged between 91% and 87.7% but commented that none of these properties had the prospect of a high ground rent. He took a relativity figure of 89% to value the unexpired term of 68 years of £142,000 and then deducted the capitalised ground rent for each flat of £44,707 valuing the existing properties at £97,693 rounded to £100,000.

- 8.4.4 The Respondent's Surveyor disagreed with the view of the Applicant's Surveyor that comparable evidence was the most appropriate method of assessing the value of the existing properties. He also disagreed with opinion that there appeared to be no difference in the price between long and short leases when looking at the comparables. He stated that there must be a difference between the value of a 60-year lease and a 100-year lease otherwise why would people enfranchise. The effect of the ability of tenants to enfranchise under the 1993 Act has been to enhance the value of leasehold flats. The enhancement may be small but if the unexpired term is a lot shorter the ability to compel a landlord to extend does impair the value of the lease. It was submitted that there would be a reduction in price for the subject property both because of the lease length and because of the uncertain rent review. Improvements are unlikely to raise the value on the subject property but may on the comparable properties.

8.5 Respondent's Counsel's Submissions as to Ground Rent

- 8.5.1 Counsel for the Respondent submitted that the ground rent review clause in paragraph 4 of the Fourth Schedule states the ground rent shall be "deemed to be," indicating that a hypothetical lease where the term annual ground rent has a particular meaning. Counsel submitted that the hypothetical lease is of a letting of the surface area of the land demised which includes the garden, the garage and the flat together with the air space occupied by the flat on the same terms as the actual lease save as to rent and it is only to be used for the purpose of a private dwelling in single occupation. The hypothetical lease states that it is to be clear of the building and does not preclude the assumption that there will be similar lettings of the remaining flats or that all four tenants could exploit their demises collectively or that one party could take all four leases.
- 8.5.2 Counsel objected to the assumption that the hypothetical lease included a term that the lease was granted at a premium because:
- The reference to the payment of a premium in the lease is a recital of the preceding agreement to pay a premium not a term itself.
 - The word "similar terms" are a reference to rights and obligations of the parties and referred to *Asher v Seaford Court Estates Ltd* [1950] AC 508 at 520 and that therefore the payment of a premium is not a right or obligation under the lease.
 - The premium was payable upon the grant of the actual lease reflecting the existence of the completed building since under the hypothetical lease there is no building it is not realistic to assume a premium.
 - Even if a premium was assumed it is unclear as to the amount of such premium and therefore its effect upon the ground rent.

- If a premium were intended then the parties would have made it clear that a premium was to be paid under the hypothetical lease and its basis.
- A premium is not paid upon each review and therefore it is not realistic to assume the payment of the premium upon the grant of the hypothetical lease. To do so would mean that the landlord would get a lower rent than the current value of the site.
- Counsel referred to *Basingstoke & Deane BC v The Host Group* [1988] 1 WLR 348 and quoted Nourse LJ at page 353 D “that the particular language used will always be of paramount importance”. The words are clear in that they do not state that the review rent would be comparable to a modern ground rent reserved at the review date upon the granting of long leases at premiums. If that had been the case clearer words would have been used.

8.5.3 It was suggested by Counsel for the Respondent that the words of paragraph 4 of the Fourth Schedule are similar to the directions as to how the ground rent is to be calculated where a lease extension is ordered under section 15 Leasehold Reform Act 1967. This states:

“a ground rent in the sense that it will represent the letting value of the site (without including anything for the value of the buildings on the site) for the uses to which the house and premises have been put since the commencement of the tenancy”.

This requires the valuer to assess a Modern Ground Rent by ascertaining the capital value of the site by finding an appropriate percentage proportion of its open market value with the building and then decapitalise the resulting site value to arrive at the section 15 rent. This is the method that has been adopted by the Respondent's Surveyor in the calculation set out in **Appendix 3(a)**.

8.6 Respondent's Surveyor's Calculations

8.6.1 The Respondent's Surveyor carried out two valuations. The first was based upon a likely ground rent of £14,336 per annum per flat as agreed by the parties if the rent review clause was interpreted as being a Modern Ground Rent for a hypothetical lease granted without a premium and is set at **Appendix 3(a)**. A yield of 7% is adopted throughout and a ground rent of £14,336 (£3,584 per flat) is applied in assessing the Landlord's current interest. In calculating the Landlord's share of the marriage value the agreed figure of £640,000 (£160,000 per flat) for the extended interests is incorporated and the figure of £400,000 (£100,000 per flat) is used for the existing interests. An enfranchisement price of £212,000 is submitted.

8.6.2 The Respondent's Surveyor in **Appendix 3(b)** of these Reasons submits a variation of the **Appendix 3(a)** calculation adopting a yield of 9% following the first rent review to reflect the risk of a higher ground rent. The values for ground rent of £14,336 extended interest of £640,000 and existing interest of £400,000 remain the same. In relation to this calculation the enfranchisement price is £191,300. This figure is submitted as being the appropriate price if the Tribunal were to consider that the precise meaning of the rent review is so uncertain that such uncertainty will affect the value. In cross-examination Counsel for the Applicant questioned the usefulness of this calculation on the

basis that the Respondent's Surveyor in both valuations assumed that the ground rent clause would be interpreted as a Modern Ground Rent. The Respondent's Surveyor therefore submitted a further calculation with the extended interest at the agreed amount of £640,000 and the unimproved flats with the existing leases valued at £142,000 (there being no reduction for capitalised Modern Ground Rent). In relation to this calculation the enfranchisement price is £42,322. This calculation is set out at **Appendix 3(c)**.

9 Decision

9.1 Matters Agreed and Disputed

The Tribunal noted the Surveyor's reports and the statement of agreed matters as stated in 5.1 to 5.8 of these Reasons.

9.2 The Tribunal considered the evidence and submissions of the parties in relation to the two matters in dispute:

- The yield used in the calculation of the valuation for the collective enfranchisement.
- The value of the unimproved flats with the existing leases and reflecting the prospect of ground rent increases (to whatever those rents will be) in December 2005 is disputed
- The interpretation of the ground rent review clause in the lease and therefore the amount of the ground rent payable from the date of the first rent review on 25th December 2005 is disputed.

9.3 Yield

The Tribunal noted LVT decisions for similar properties in similar out of London locations. In addressing the issue of yield the Tribunal noted that the Landlord has currently a low ground rent with high recovery costs but has early expectations for a rising ground rent although there is uncertainty as to the level of the ground rent and the cost of establishing that level. It also took account of the interest rates appearing to rise and the property market becoming more uncertain. The combination of considerations makes this a speculative buy for an investor and therefore all in all the Tribunal adopted a yield of 8%.

9.4 Value of the unimproved flats with the existing leases

9.4.1 The Tribunal determined the value of the unimproved flats with the existing leases as being £144,000 based generally on the comparables provided. In a couple of cases the comparables show no obvious differences between short and long leases however the lack of differential may have been due to the condition of the properties rather than the length of lease as there was a lack of basic information about the properties e.g. room size, fittings, and in some cases, dates of transaction. As a check the Tribunal considered LVT decisions with similar remaining lease terms and looked at the relativity tables referred to at the Hearing, both showed a relativity of around 90% for a remaining term of 68 years for a property out of London.

- 9.4.2 As a further check the Tribunal noted in the Schedule of Comparables provided 17 The Maples, a similar flat in age, size and location with an unexpired term of 68 years under offer at £155,000. Also noted was Morello Gardens sold at £187,500 on a long lease. However the flat is virtually new and part of a prestige development. The Tribunal made allowances for these differences and for the high quality internal finish by deducting £15,000. The resulting figure of £172,500 for the long lease value shows a relativity between the short and the long leases in the region of 90%.
- 9.4.3 No adjustment was made for the uncertainty of ground rent for the reasons referred to in paragraph 9.6.9 of these Reasons.
- 9.6 Interpretation and effect of the ground rent review clause**
- 9.6.1 As stated in the submission by Counsel for the Applicant the Tribunal has jurisdiction to determine points of law for the purposes of determining the purchase price pursuant to section 91(2)(a) Leasehold Reform, Housing and Urban Development Act 1993 although not determining the actual rent which will become payable under the lease on review in 2005. In calculating the price the Tribunal can only form an opinion as to the view the market would take of the likely outcome of the ground rent review. This inevitably means that the Tribunal must determine the likely interpretation of the ground rent at review either as agreed by the parties or by arbitration in accordance with the lease.
- 9.6.2 The Tribunal found that the omission of the words “and the air space occupied by the first floor” from the lease for Flat 32 was an error in drafting but that the sections in *Dowding & Reynolds on Dilapidations* 2nd Ed., 2000, paragraph 7-05 and *Woodfall on Landlord and Tenant* Paragraph 5.024 to which the Tribunal were referred to by Counsel for the Applicant indicated that the phrase “the surface of the land hereby demised” would include the air space above without express words.
- 9.6.3 The Tribunal accepted the submission by Counsel for the Applicant that the likely interpretation of the rent review clause would be that the phrase “similar in term as these presents save as to rent” included the term as to the premium.
- 9.6.4 With regard to the submissions by Counsel for the Respondent the Tribunal was of the opinion that the reference to the payment of the premium in the lease was not merely a recital of a previous transaction but was a term of the lease. The payment of a premium is as much a part of the consideration as the rent and the amount of one is reflected in the other. Where a contract precedes the granting of a lease and under which a premium is paid the contract merges with the conveyance on completion and becomes a term of the lease. In the experience of the Tribunal the premium paid in this case was a full premium for the term of lease when granted and appropriate to the ground rent payable at the commencement of the lease.
- 9.6.5 The Tribunal did not accept the submission of Counsel for the Respondent that the term in relation to the premium was not a “term” of the Lease. The case of

Asher v Seaford Court Estates Ltd [1950] AC 508 was cited by both parties and in particular Lord Normand's speech at page 520. There he refers to a term as being a "right and obligation" and says that: "Among the terms is, I think, the rent." Counsel for the Respondent stated that the term as to premium was not a right or obligation and therefore could not be a "term" under the Lease. The Tribunal is of the opinion that this identification of what amounts to a "term" does not preclude the payment of the premium as being a term, particularly since terms are also said by their Lordships in the case to encompass a "burden or liability" which could include a fixed sum such as a premium.

- 9.6.7 The Tribunal considered the submissions of Counsel for the Respondent that the premium payable upon the grant of the lease reflected the building therefore the premium should not be assumed under the hypothetical lease, even if the premium was assumed it is unclear as to its effect upon the ground rent and if the parties intended that a premium was to be paid under the hypothetical lease it would have made it clear. The Tribunal was of the opinion that a premium is consideration for a range of matters not only the building. The premium will also reflect the term of years granted, any appurtenant rights as well as the respective rights and obligations of the parties. The Tribunal is of the view that the rent review clause creates a hypothetical lease with all the same terms as the actual lease save as to rent. Therefore it is a hypothetical lease for which a premium was paid in similar manner to the actual lease. The Tribunal was of the opinion that the wording of the rent review clause included the clause relating to the premium.
- 9.6.8 With regard to the submission by Counsel for the Respondent that the rent review clause was similar to the provisions of the Leasehold Reform Act 1967 the Tribunal noted that the wording was similar but as agreed by the parties was not identical. In particular for the rent under the Lease to be calculated as a Modern Ground Rent as under the 1967 Act the term relating to premium would need to be excluded and it was not, therefore the Tribunal rejected the Respondent's submission.
- 9.6.9 Counsel for the Respondent, referred to *Basingstoke & Deane BC v The Host Group* [1988] 1 WLR 348 and reminded the Tribunal, quoting Nourse LJ at page 353 D, "that the particular language used will always be of paramount importance" and Counsel for the Applicant also referred to the *contra proferentum* rule and to *British Gas Corporation v Universities Superannuation Scheme* [1986] 1 WLR 398 as quoted in paragraph 7.9 of these Reasons. In taking account of these principles the Tribunal found that a prospective purchaser of either the flats or the freehold would be advised that the likely outcome of the ground rent review would be that the clause would be construed strictly against the Landlord, as the party inserting the term. As a result an increase in line with the Applicant's calculation would be anticipated and not the exceptional increase in the ground rent submitted by the Respondent.

9.7 Calculations

9.7.1 The Tribunal doubted the correctness of the Respondent's Surveyor's method of calculating the ground rent as at review even if it had been agreed that the ground rent should be calculated on the basis of a Modern Ground Rent. The assessment appeared to treat the demises collectively, clear of all four flats and to value the site as a whole as if it were in single ownership and then divided by four, as stated in 8.4 of these Reasons and 11.8.8 of the Respondent's Surveyor's written representations. The Tribunal is of the opinion that the ground rent should be assessed for each flat separately and acknowledging limitations of development due to the adjacent flats. To value the site as one would tend to give a higher ground rent value.

9.7.2 In the event the Tribunal determined that the rent review clause be on the assumption the Applicant's interpretation of the ground rent clause in the Leases is correct. Therefore the total ground rent receivable from December 2005 will be £600 per annum or £150 per annum per flat.

10 Determination

10.1 The Tribunal determined that the price payable for the Freehold interest in the property (specified property and additional freehold) is £37,000 in accordance with the valuation attached at Appendix 4.

10.2 Leave is granted to either party to refer back to the Tribunal in respect of costs under section 60(1) if they cannot be agreed

.....JR Morris (Chairman)

Appendices

Appendix 1

Schedule of Comparables

Appendix 2

Applicant's Surveyor's Valuations (a) and (b)

Appendix 3

Respondent's Surveyor's Valuations (a), (b) & (c)

Appendix 4

Tribunal's Valuation

Appendix 1

31 To 32a Chiltern Road, Hitchin

Schedule of Comparables re Sales

<u>Comp No</u>	<u>Address & Description</u>	<u>Lease Details</u>	<u>Ground Rent (£)</u>	<u>Price Achieved</u>	<u>Comments</u>
1	46 Garrison Court, Hitchin First Floor, 2 Bedroom Flat	78 years unexpired. Service Charge £500pa	£40 p.a	£124,000	Placed on market 09/07/03, sale completed October 2003. Town centre location. Communal Parking. Source: - Homes & Mortgages
2	23 Garrison Court, Hitchin. Second Floor purpose built two bedroom flat	99 years from 1978	£60 p.a	£125,000 Asking Price	Communal parking. Close to town centre. Replacement windows. Source: - Putterills
3	5 Garrison Court, Hitchin. A two bedroom 2 nd floor flat in this purpose built block	78 years unexpired	£40 p.a	Asking Price - £128,000. Under offer in April 2004 at £124,000	Town centre location. Double glazing, fitted kitchen. Communal Parking Source: -Homes & Mortgages
4	10 Appletrees, Hitchin. First floor purpose built two bedroom flat with garage in block.	99 years from 24 th June 1976. Service Charge - £480pa	£25 p.a	£120,000 in February 2002	Level & close access to town centre. PVCu windows. Refitted kitchen & bathroom. Source: - Norgans

<u>Comp No</u>	<u>Address & Description</u>	<u>Lease Details</u>	<u>Ground Rent (£)</u>	<u>Price Achieved</u>	<u>Comments</u>
5	35 Westbrook Court Stevenage Road Hitchin Two Bedroom second floor flat.	990 years from 1987 & share of freehold	£0	117,000 sale completed early 2004	Very busy road frontage. Allocated parking, refitted bathroom. Source: - Stonegate Estates
6	1 Morello Gardens. A two bedroom flat, in this recently built development.	125 years from 2003 Service Charge - £376pa	£150 p.a	£187,500 asking price. Offers received at £187,500 March 2004	Large Flat with 2 bathrooms. High quality fittings. Secure allocated parking space. Source: - Norgans
7	Manor Place, Walsworth Road Brand new 2 bedroom flats in large development.	125 yrs pa	£150 p.a doubled every 25 yrs	Ground Floor 2 bed flat. Unit 4 (GIA 61.6 sq m) Asking Price £170,000 First Floor 2 bed flat. Unit 22 (GIA 61.9 sq m) Asking Price £175,000	Currently under construction. High specification. Underground secure parking. Close to station. Source: - Country Properties.

<u>Comp No</u>	<u>Address & Description</u>	<u>Lease Details</u>	<u>Ground Rent (£)</u>	<u>Price Achieved</u>	<u>Comments</u>
8	17 The Maples, Hitchin. A two bedroom flat with garage.	99 years from June 1973	£28 p.a	Asking Price £159,950 Under Offer £155,000	Set back from busy road. PVCu windows. On popular estate, newly fitted kitchen, bedroom, entry phone system. Source: - Norgans
9	79 The Maples, Hitchin. Second floor, two bedroom flat with garage in block.	99 years from June 1973	£40 p.a	Asking price £137,500 under offer £129,000	Fronts busy Stevenage Road. Double glazed windows. Refitted kitchen & bathroom Source: - Norgans
10	26 Halsey Drive 1970's purpose built ground floor two bedroom maisonette with garage.	99 years from 1972	£22 p.a	Asking price £120,000 2 x offers @ £115,000	Replacement windows. Own gardens. Backs onto railway. Source:- Stonegate Estates
11	16 Halsey Drive, Hitchin. A two bedroom, first floor maisonette	67 years unexpired (99 years from Dec 1972)	110 p.a	Asking price - £117,500	Close to railway 1.5 miles from town centre. Source: - Homes & Mortgages

<u>Comp No</u>	<u>Address & Description</u>	<u>Lease Details</u>	<u>Ground Rent (£)</u>	<u>Price Achieved</u>	<u>Comments</u>
12	78 Halsey Drive, Hitchin. A two bedroom, ground floor maisonette	Recently extended to 99 years.	123 p.a	Asking price £122,995	Close to railway 1.5 miles from town centre. Source: - Homes & Mortgages
13	14 Halsey Drive A two bedroom, Ground Floor Maisonette	67 Years Unexpired (99 years from Dec 1972)	£110pa	Completed in July 2003 @ £125,000	Close to railway 1.5 miles from town centre. Source: - Premier Move
14	62 Redoubt, Grove Road, Hitchin Second Floor Flat with 2 Bedrooms	125 years from 1999. Maintenance Charge £150pa	£50 p.a	£114,500	Sale completed December 2003. Source: - Putterills

Appendix 2 Applicant's Surveyor's Valuations (a)

VALUATION FOR COLLECTIVE ENFRANCHISEMENT

VALUATION OF FREEHOLDER'S PRESENT INTEREST

Term 1 (Present to 28/09/05)

Ground Rent Receivable pa (4 x £35)	£140.00
= YP 1.8133 Yrs @ 9%	1.607

Term 1 Value £224.98

Term 2 (29/09/05 - 28/09/2071)

Ground Rent Receivable £150pa x 4	£600.00
= YP 66 yrs @ 9%	11.07 x
X PV 1.8133 yrs @ 9%	0.855

Term 2 Value £5678.91

Reversion To Perpetuity

Capital Value of 4 x Flats	£640,000
@ £160,000	
x PV of £1 in 67.8133 years @ 9%	0.002897 x

Value of Reversion £1,854.24

TOTAL VALUE OF FREEHOLDER'S PRESENT INTEREST £7,758.13

MARRIAGE VALUE

Difference Between

a) **Sum of Landlord & Tenant's Present Interests**

Landlord's Present Interest £7,758.13

Tenant's Present Interest 4 x £150,000 £600,000.00

Total of Landlord & Tenant's Present Interests £607,758.13

b) **Sum of Landlord & Tenant's Proposed Interests**

Landlord's Proposed Interest £0.00

Tenants' Proposed Interests 4 x £160,000 £640,000.00

Total of Landlord & Tenant's Proposed Interests £640,000.00

Difference Between Present & Proposed Interest

Proposed Sum £640,000.00

Present Sum £607,758.13

Total Marriage Value £32,241.87

50% Marriage Value applicable to Landlord £16,120.94

SUM PAYABLE TO FREEHOLDER

a) Present Freeholders Interest £7,758.13

b) 50% Marriage Value £16,120.94

c) Compensation £0.00

d) Value of retained land subject to rights of way £0.00

Total Sum Payable to Freeholder £23,879.07

Say £23,879.00

Appendix 2 Applicant's Surveyor's Valuations (b)

VALUATION FOR COLLECTIVE ENFRANCHISEMENT IF FREEHOLDERS INTERPRETATION OF RENT REVIEW CLAUSE UNDER THE LEASE IS FOUND TO BE CORRECT.

VALUATION OF FREEHOLDER'S PRESENT INTEREST

Term 1 (Present to 28/09/05)

Ground Rent Receivable pa (4 x £35)	£140.00
= YP 1.8133 Years @ 9%	1.607

Term 1 Value	£224.98
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Term 2 (29/09/05 - 28/09/2071)

Ground Rent Receivable	£14336
= YP 66 yrs @ 9%	11.07 x
X PV 1.8133 yrs @ 9%	0.85

Term 2 Value	£135,688.09
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Reversion To Perpetuity

Capital Value of 4 x Flats	£640,000
@ £160,000	
x PV of £1 in 67.8133 years @ 9%	0.0029897 x

Value of Reversion	£1854.08
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TOTAL VALUE OF FREEHOLDER'S PRESENT INTEREST	<u>£137,767.15</u>
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MARRIAGE VALUE

Difference Between

a) Sum of Landlord & Tenant's Present Interests

Landlord's Present Interest	£137,767.15
Tenant's Present Interest 4 x £150,000	£600,000.00
Total of Landlord & Tenant's Present Interests	£737,767.15

b) Sum of Landlord & Tenant's Proposed Interests

Landlord's Proposed Interest	£0.00
Tenants' Proposed Interests 4 x £160,000	£640,000.00
Total of Landlord & Tenant's Proposed Interests	£640,000.00

Total Marriage Value to Tenants	£0
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50% Marriage Value applicable to Landlord	£0
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SUM PAYABLE TO FREEHOLDER

a) Present Freeholders Interest	£137,767.15
b) 50% Marriage Value	£0.00
c) Compensation	£0.00
d) Value of retained land subject to rights of way	£0.00

Total Sum Payable to Freeholder	£137,767.15
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Appendix 3 Respondent's Surveyor's Valuations (a)

Leasehold Reform, Housing and Urban Development Act 1993 (as amended)

Enfranchisement Price payable by tenant in accordance with
Section 32 and Schedule 6

Version 1

31 - 32a CHILTERN ROAD, HITCHEN, HERTS

Basic Facts & Assumptions

Valuation date:	18-Nov-2003		
Expiry date:	29-Sep-2071		
Existing lease:	67.8 years unexpired		
Ground Rent:	£140 per annum		
Rent Review date:	29-Sep-2006		
Reviews:	66.0 yearly		
Years to 1st Review:	1.8	up to	£14,336
Years to 2nd Review:	67.8	up to	£0
Capitalisation rate:	7 %		
Landlord's % of marriage value:	50 %		
Leaseholder's improvements:	Valuation is on unimproved basis		
Unimproved Market value of:-			
Existing lease:	say	£400,000	63 % of Freehold
Freehold in possession:	say	£640,000	

31 - 32a CHILTERN ROAD, HITCHEN, HERTS

Value of Landlord's current Interest

Diminution in value of landlord's Interest in accordance with paras 2(a) & 3:

Term of existing lease

Loss of rental income				
YP 1.8 yrs @ 7 %		140		
plus		1.67		233
1st Review				
YP 66.0 yrs @ 7 %		14336		
PV £1 in 1.8 yrs @ 7 %		14.12		
plus		0.88		178,826
Reversion to capital value				
disregarding Leaseholder's Improvements, say		640,000		
PV £1 in 67.8 yrs @ 7 %		0.0102		6,501
				<u>£185,563</u>

Landlord's share of Marriage Value

Landlord's share of marriage value in accordance with paras 2(b) & 4:

Extended interests

1. Value of Freehold in possession			
disregarding Leaseholder's Improvements, say		640,000	
2. Value of landlord's interest in house			
after enfranchisement		0	640,000

less

Existing interests

1. Value of tenant's interest under existing lease			
disregarding Leaseholder's Improvements, say		400,000	
2. Value of landlord's existing interest		185,563	585,563

Difference (marriage value) = 54,437

Landlord's share, @ 50 % = £27,219

Compensation payable to Landlord

Compensation payable to landlord under paras 2 (c) & 5:

£0

Valuation Summary

Diminution in value of landlord's Interest in accordance with paras 2(a) & 3:	£185,563
Landlord's share of marriage value in accordance with paras 2(b) & 4:	£27,219
Compensation payable to landlord under paras 2 (c) & 5:	£0
Enfranchisement price =	<u>£212,781</u>
but say	<u>£212,800</u>

Appendix 3 Respondent's Surveyor's Valuations (b)

Leasehold Reform, Housing and Urban Development Act 1993 (as amended)

Enfranchisement Price payable by tenant in accordance with
Section 32 and Schedule 6

Alternative Approach

31 - 32a CHILTERN ROAD, HITCHEN, HERTS

Basic Facts & Assumptions

Valuation date:	18-Nov-2003		
Expiry date:	29-Sep-2071		
Existing lease:	67.8 years unexpired		
Ground Rent:	£140 per annum		
Rent Review date:	29-Sep-2005		
Reviews:	66.0 yearly		
Years to 1st Review:	1.8	up to	£14,336
Years to 2nd Review:	67.8	up to	£0
Capitalisation rate for Current Ground Rent & Deferment Rate:	7 %		
Capitalisation rate for Proposed Ground Rent:	9 %		
Landlord's % of marriage value:	50 %		
Leaseholder's improvements:	Valuation is on unimproved basis		
Unimproved Market value of:-			
Existing lease:	say	£400,000	
Freehold in possession:	say	£640,000	63 % of Freehold

31 - 32a CHILTERN ROAD, HITCHEN, HERTS

Value of Landlord's current interest

Diminution in value of landlord's interest in accordance with paras 2(a) & 3:

Term of existing lease

Loss of rental income					
YP	1.8 yrs @	7 %		140	
plus				1.67	233
1st Review					
YP	66.0 yrs @	9 %	11.07	14336	
PV £1 in	1.8 yrs @	9 %	0.86	9.48	135,847
plus					
Reversion to capital value					
disregarding Leaseholder's Improvements, say				640,000	
PV £1 in	67.8 yrs @	7 %		0.0102	6,501
					<u>£142,581</u>

Landlord's share of Marriage Value

Landlord's share of marriage value in accordance with paras 2(b) & 4:

Extended interests

1. Value of Freehold in possession			
disregarding Leaseholder's Improvements, say			640,000
2. Value of landlord's interest in house			
after enfranchisement			0
less			640,000

Existing interests

1. Value of tenant's interest under existing lease			
disregarding Leaseholder's Improvements, say			400,000
2. Value of landlord's existing interest			142,581
			<u>542,581</u>
Difference (marriage value) =			97,419

Landlord's share, @ 50 % = £48,709

Compensation payable to Landlord

Compensation payable to landlord under paras 2 (c) & 5:

£0

Valuation Summary

Diminution in value of landlord's interest in accordance with paras 2(a) & 3:	£142,581
Landlord's share of marriage value in accordance with paras 2(b) & 4:	£48,709
Compensation payable to landlord under paras 2 (c) & 5:	£0
Enfranchisement price =	<u>£191,291</u>
but say	<u>£191,300</u>

Appendix 3 Respondent's Surveyor's Valuations (c)

31-32a Chiltern Road

Value of Landord's existing interest

Term of existing lease

Loss of ground rent income	£140	
YP 1.8 yrs @ 7%	1.67	£234
Plus rent from 1st review	£600	
YP 66 yrs @ 7%		
PV 1.8 yrs	12.47	£7,482
Reversion to Capital Value	£640,000	
PV 67.8yrs @ 7%	0.0102	£6,528

Value of Landord's existing interest **£14,244**

Marriage Value

Value of freehold in Possession	£640,000	
less		
Value of existing leases reflecting 89% relativity	£569,600 *	
Value of landlord's existing interest	£14,244	
Marriage Value	£56,156	
Landlord's 50% of Marriage Value		£28,078

Enfranchisement Price **£42,322**

* £569,600 assumes value of existing leases at £142,400 at assuming a reviewed ground rent of £150 per flat.

APPENDIX 4
VALUATION FOR COLLECTIVE ENFRANCHISEMENT
LEASEHOLD REFORM, HOUSING AND URBAN DEVELOPMENT ACT 1993 - Section 24
31,31A, 32 & 32A CHILTERN ROAD, HITCHIN

Date of valuation: 18th November 2003
 Expiry of Lease: 29th September 2071
 Term unexpired: 67.8 years
 Present Ground Rent: £35 p.a. per flat
 Future Ground rent determined @ £150 p.a. per flat
 Existing Lease value determined @ £144,000 each (£576,000)
 Extended Lease value agreed @ £160,000 each (£640,000)
 Relativity: 90%
 Yield for term and reversion: 8%

		£	£
Value of Freeholder's Interest			
Present Ground Rent: £35.00 p.a. per flat (£140.00 pa)			
YP 1.8 year @ 8%	1.61	225.00	
Determined Ground Rent: £150.00 p.a. per flat (£600.00 pa)			
YP @ 8% for 66 years	12.4222		
PV @ 8% for 1.8 years	0.871	6,492.00	
Reversion £160,000 each (£640,000)			
PV 67.8 years @ 8%	0.0054	<u>3,456.00</u>	
Total value of freeholder's present interest			<u>10,173.00</u>

Marriage Value

Proposed interest			
Landlord	Nil		
Tenants	640,000.00		
Less existing interest			
Landlord	10,173.00		
Less Tenants	<u>576,000.00</u>		
50% Marriage Value			<u>26,913.00</u>
Enfranchisement price			37,086.00
	say		<u>£37,000</u>