



**LEASEHOLD VALUATION TRIBUNAL FOR THE**  
**LONDON RENT ASSESSMENT PANEL**

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

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**LON/LVT/1912/05**

**Property:** 39 The Cut, London, SE1

**Hearing:** 25 & 26 April 2006  
18 May 2006

**Inspection:** 18 May 2006

**Tribunal:** Miss. J. Dowell BA (Hons)  
Mr. D. D. Banfield FRICS

**TENANT**  
**(Applicant)** Winechoice Limited

**Represented by:** Black Graf & Co

**LANDLORD**  
**(Respondent)** Mr. R. Dodhia, Mrs. V. Dodhia, Ms. H. Dodhia, Ms. S. Dodhia

**Represented by:** Nicholas & Co

**Appearances for the Applicant:** Mr. Jefferies of Counsel  
Mr. Dyar of Black Graf & Co  
Mr. Grainger of Owen Grainger Associates  
Mr. Reynolds of Planning and Development Partnership  
Mr. Hawkins (Applicant)  
Mr. Jamieson (Applicant)

**Appearances for the  
Respondent:**

Mr. Cole of Counsel  
Miss. Ioannou of Nicholas & Co  
Mr. Bennett of Langley Byers Bennett  
Mr. Byers of Langley Byers Bennett  
Mr. Dodhia (Respondent)  
Mrs. Dodhia (Respondent)  
Ms. Dodhia (Respondent)

IN THE LEASEHOLD VALUATION TRIBUNAL

IN THE MATTER OF :

SECTION 21 OF THE  
LEASEHOLD REFORM ACT 1967

BETWEEN :

**WINECHOICE LIMITED**

**Applicant**

- and -

**RASMIKANT PREMCHAND DODHIA  
VANITA RASMIKANT DODHIA  
HEENA DODHIA  
SEEMA DODHIA**

**Respondents**

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**DECISION OF THE LEASEHOLD VALUATION TRIBUNAL  
IN RESPECT OF 39 THE CUT, LONDON SE1**

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**THE APPLICATION**

1. This is an application pursuant to section 9(1) of the Leasehold Reform Act 1967 ("the Act") to determine the price payable for the freehold of 39 The Cut, London SE1 ("the property"). The Applicant is the lessee of the property and the Respondents are the registered freehold owners. The notice of claim is dated 14th January 2005 and the notice in reply is dated 31st March 2005. The application to this Tribunal is dated 15th April 2005.

**THE HEARING**

2. An oral hearing took place on 25th and 26th April and 18th May 2006. The Tribunal inspected the property in the morning of 18th May 2006. The Applicant was represented by Mr T. Jefferies of Counsel, instructed by Black Graf and Co, Solicitors. Mr O. Grainger FRICS and Mr R. Reynolds BSc, MRICS, MRTPI appeared as expert witnesses for the Applicant. The Respondents were represented by Mr E. Cole instructed by Nicholas and Co, Solicitors. Mr J. Bennett BSc(Hons), MRICS and Mr J. Byers BSc, MRICS appeared as expert witnesses for the Respondents.

## THE LAW

3. It is agreed between the parties that the property should be valued in accordance with section 9(1) of the Act. The essence of a valuation under section 9(1) is that the valuation is based on the value of the land on which the house stands in terms of the rent the landlord could obtain, at today's rates, in perpetuity. This is divided into three elements:

- (a) the capitalised value of the ground rent payable under the lease until the expiry of the term;
- (b) the value of the modern ground rent as defined in section 15 of the Act for the term of fifty years from the term date i.e. the modern ground rent which would be obtained if the tenant exercised his right to an extended lease under the Act; and
- (c) the value of the freehold reversion in possession at the end of the fifty-year extended lease.

4. Section 15 of the Act

The rent to be ascertained is a rent for the site only, for a term of fifty years, with a rent review after twenty-five years. In this case the parties have agreed to adopt the "standing house approach" for the valuation. This is valuing the "entirety value" taking into account any potential for modernisation and then having determined the entirety value deciding the proportion of that value which is attributable to the site value alone.

## MATTERS WHICH HAVE BEEN AGREED

5. The valuation date – 14th January 2005.
- (2) Unexpired term at valuation date – 0.189 years.
  - (3) Rental value (on effective full repairing and insuring terms) of the ground floor restaurant - £24,350 per annum.
  - (4) The terms of the transfer.
  - (5) The amount of the Respondents' costs to be paid by the Applicant.
  - (6) The first and second floors to the property are not a house in multiple occupation for planning purposes and the actual use has been as one residential unit.
  - (7) On the assumption that such "new" flats had been available for sale, anywhere in the upper part of the subject premises, with full or vacant possession and without the need for access specifically in connection with the use of the ground floor as a restaurant, but still allowing normal building maintenance and repair for a building of this type, the market values of notional and entirely market-acceptable, 125-year leases, at the valuation date were
    - (a) one-bedroom flat - £175,000,
    - (b) two-bedroom flat - £235,000,
    - (c) existing two-storey maisonette - £305,000.

## **MATTERS FOR DETERMINATION**

6.
  - (1) Capitalised value of the existing rent.
  - (2) The assumptions to be made about the property for the purpose of determining the section 15 rent.
  - (3) The vacant possession value of the property.
  - (4) The site proportion.
  - (5) Yield.
  - (6) Haresign addition.

## **THE PROPERTY**

7. The property is a three-storey mid terrace building constructed as a retail shop on the ground floor (which has been extended to the rear) with residential accommodation on the two upper floors currently accessed by a side entrance with an internal staircase. The building is part of a parade with commercial use on the ground floor and residential accommodation above. Much of the parade was built in the 19th century but it appears that this property together with two neighbouring units were rebuilt following bomb damage in the First World War. There is no rear access to the property. The construction of the property is conventional brick under flat roofs, which appear to be in good repair and condition.
8. The Cut is a busy main road which links Waterloo Road to Blackfriars Road. It contains a variety of properties including secondary retail, offices and theatres including The Old Vic. There is an underground station on the corner of The Cut and Waterloo Road and the property is close to Waterloo Station. Car parking is restricted to residents and visitors bays.
9. Currently the ground floor of the property is used as a restaurant. We were able to inspect the restaurant both externally and internally. We saw the main restaurant, the kitchen leading to a store and the male and female toilets. We were also able to inspect the first and second floors, externally from the street and internally. There were two rooms and a kitchen on the first floor and three rooms on the top floor and a bathroom/WC and a separate WC. There was a gas fired central heating and hot water system.
10. Through the first floor kitchen was access to the rear extension flat roof of the ground floor restaurant on which was located the air conditioning and mechanical ventilation machinery for the restaurant.

## **BACKGROUND**

11. As the landlord and tenant relationships, and their history, in this case are unusual we briefly set them out here.
12. By a lease dated 19th November 1925 ("the lease") the property was demised by the Ecclesiastical Commissioners (1) to Abraham Class and Lewis Hamper (2) for a term of eighty years from 25th March 1925 at a ground rent of £30 per annum. At the valuation date the unexpired term of the lease was 0.189 years. The term has now expired and the Applicant is holding over.

13. By a deed of variation made the 8th of January 1990 made between Nectar Licensed Victuallers (1) and Cyril Smollett (2) the lease was varied to substitute a new user clause restricting use of the ground floor to restaurant or retail shop and the upper floors as residential accommodation.
14. By an under lease dated 8th January 1990 ("the under lease") Cyril Smollett sub-demised the property to Badar Uddin Ahmed and Syed Kahn ("the under tenants") for a term expiring on 21st March 2005 at an initial passing rent of £9,000 per annum. At the valuation date the passing rent was £13,750. The under tenants have continued to occupy the property pursuant to the under lease which continues by virtue of section 24 of the Landlord and Tenant Act 1954 ("the 1954 Act").
15. On 22nd April 2004 the then freeholder Nilverton Group Limited served a notice under section 25 of the 1954 Act terminating the under lease on 21st March 2005 and stating that it would oppose the grant of a new tenancy on the ground mentioned in paragraph (f) of section 30(1) of the 1954 Act. On 30th April 2004 a counternotice dated 29th April 2004 was served by the under tenants making an application for a grant of a new tenancy of the whole of the property.
16. On 25th June 2004 the under tenants issued proceedings in the Lambeth County Court for the grant of a new lease at the premises for a term of fourteen years at £33,000 per annum.
17. On 30th June 2004 the Respondents acquired the freehold of the property. They are registered with title absolute as the proprietors at H.M. Land Registry Title No. LN201159.
18. On 14th October 2004 the Respondents lodged an Answer in Lambeth County Court to the claim for a new tenancy with counter proposals for a new tenancy which included a lease of the ground floor restaurant premises only rather than a lease of the whole property.
19. By a notice dated 14th January 2005 ("the notice") the Applicant's predecessors in title, Christopher Gerald Wright and Michael Robinson Moliver notified the Respondents of their claim to acquire the freehold.
20. On 20th January 2005 the benefit of the lease and of the notice were assigned to the Applicant. The Applicant is registered with good leasehold title in the proprietorship register at the Land Registry under Title No. TTL120500.
21. The Respondents served a notice in reply on 30th March 2005 admitting the Applicant's right to have the freehold and that the property should be valued in accordance with section 9(1) of the Act.

#### **CAPITALISED VALUE OF EXISTING RENT**

22. The existing rent under the lease is £30 and at the valuation date the lease had 0.189 years to run. Mr Grainger for the Applicant contends for £5 for the capitalised value of this rent and Mr Bennett contends for nil. Mr Grainger gives no reason for his

figure but has included it in his valuation. Mr Bennett is of the opinion there is no additional value created by this ground rent.

### **Decision**

23. We accept that the figure of £5 for the capitalised value of this rent is correct.

### **THE VALUE OF THE S.15 RENT (MODERN GROUND RENT) ON STANDING HOUSE APPROACH**

24. The Tribunal was presented with a considerable amount of well researched and presented expert evidence in this case. This evidence is the means for the Tribunal to assess the modern ground rent figure using the “standing house approach” and it is on this which we have focused. We will deal with the various components separately.

### **RESTAURANT RENT**

25. In the statement of agreed facts dated March 2006 one of the facts agreed is “rental value (on effective FR and I terms) of the ground floor restaurant - £24,350 per annum”. Mr Grainger bases his valuation on that rent alone and Counsel for the Applicant submitted that the restaurant should be valued as it stands, in good condition, but not as newly built, and with access through the first floor of the building to the rear roof extension where the air conditioning and mechanical ventilation machinery for the restaurant is located. Mr Bennett having agreed what he referred to in his report as the “existing” restaurant rent made an uplift of 10% to reflect that the property will be newly constructed and will have less onerous repairing obligations over a post Edwardian terrace. Counsel for the Respondents submitted that the “entirety value” must represent the value of the property assumed to be modernised and relied on a passage from Hague, Leasehold Enfranchisement, 4th edition, in which the editors say “the “entirety value”..... must represent the value of the property assumed to be modernised....”.

### **Decision**

26. In our view for valuation purposes it should be assumed the whole building is in good condition but not that it has been rebuilt. The word “modernised” does not mean reconstructed but means that the assumption for valuation purposes must be that the property is in good condition and not in disrepair. We can see no justification in enhancing the agreed existing rent by 10% and we have used the agreed rent of £24,350 per annum in our valuation.

### **YIELD FOR RESTAURANT VALUATION**

27. Mr Grainger contends for 7.5% and relies on a schedule of restaurant sales at Appendix VIII of his report. He concludes that prime restaurant properties, let to multiples, generally yield between 5.75% and 6.25% whilst those in secondary positions and let to single traders produce between 7% and 8.75%. Relying on those transactions, the location of the subject property and the relative strengths/weaknesses of the tenants’ covenant, he concludes that the correct capitalisation yield for valuing the restaurant would be 7.5%. He goes on to adjust this, by a ¼ percent because he

submits there is no certainty that the underlessees will complete the new lease. In those circumstances the landlord would have to incur the expenses of obtaining possession, re-letting and rent shortfall due to voids. Thus Mr Grainger concludes that a yield of 7.75% is appropriate for valuing the ground floor restaurant.

28. Mr Bennett contends for a rate of 6.5%. He has made no adjustment for the possibility that the current underlessees will not complete a new lease. Mr Bennett relied on the price paid at auction on 30th June 2004 for the freehold which was £680,000. He said there was no evidence to suggest the Respondents had overpaid for the property (the assumption being made in the auction room that there were no enfranchisement rights). Mr Bennett also relied on the report by Edward Symmons and Partners dated June 2004 and produced a copy of this at Appendix 6 to his report. Mr Bennett submitted that the Royal Bank of Scotland had relied on this report when lending money to the Respondents to fund their purchase. In this report a yield of 6.5% was applied. Further Mr Bennett relied upon the comparable evidence provided by some of the transactions derived from the FOCUS property database.

### **Decision**

29. Having considered carefully all the evidence placed before us in respect of yield we conclude that the appropriate rate in this case is 7%. We consider this to be a central busy restaurant area but not a prime area. Of the comparables put forward by Mr Grainger in Appendix VIII to his report we found the property in Stanmore of no assistance as we concluded it was too suburban. We also excluded the last three properties in the list as they were all let to multiples and therefore were not comparable. The rate of 9.23% for 297 North End Road, London W14 seems out of line with the other comparables. 386 Kings Road is in a more expensive area and in a street of a different character. 475 Upper Richmond Road West is in a similar location but on a much poorer pitch. London Road, Morden, and High Street, Acton, were considered by us to be much poorer pitches than the subject premises.
30. Mr Bennett relied on the price paid by the freeholders but we were given no direct evidence as to the assumptions which were made by the Respondents in their decision to pay this sum. Mr Bennett also relied on the rate of 6.5% used in the mortgage valuation. We consider the mortgage valuation to be of little assistance to the Tribunal in that whilst 6.5% is used in valuing the retail elements no justification for doing so, or comparables in support of this rate are included. As such, and in the absence of any direct evidence from the valuer who carried out the mortgage valuation no weight can be given to its findings. In those circumstances the evidence of Mr Bennett to which we have had regard is the three comparables he relied on being 142 Tanner Street, SE1, 91 Stamford Street, SE1 and 118 Bermondsey Street, SE1. We found Stamford Street unhelpful as there was an outstanding rent review. This left Tanner Street and Bermondsey Street with a rate of 8% and 7.54% respectively. We accept that these are comparables of some significance because of their proximity to the subject property. He justified his rate of 6.5% because of the higher costs associated with commercial premises making them less secure by comparison with the more risk-free rent to be established under section 15.



31. All the evidence before us drew us to the conclusion that the correct rate was 7% and there is no compelling evidence before us to suggest that a rate other than 7% is reasonable for this area.
32. We acknowledge that there is a degree of uncertainty in respect of the current occupiers of the restaurant as the new lease has not been completed. However we do not think this situation merits an adjustment to the rate of 7%. In our view there is no value in the covenant and if the lease is not completed the restaurant will undoubtedly be let in the future. There will be a short void which will have a marginal effect.

## **VALUATION OF COMMERCIAL ELEMENT**

33. Accordingly our valuation of the restaurant/shop as shown on the attached valuation is £347,857.

## **UPPER RESIDENTIAL PART (FIRST AND SECOND FLOORS)**

34. The Tribunal was presented with a difference of approach by the valuers in that Mr Grainger valued the upper residential part by a reference to rental value and Mr Bennett valued it by a reference to capital value.
35. Mr Grainger's approach is set out in paragraph 18 of his report. It was his case that the upper floors were let to sharers on the basis that access to equipment on the back addition roof of the restaurant would be provided through the kitchen, the hallway and staircase of the upper part. He concluded that this would make the upper part unsaleable and therefore that it should be valued on the basis that it was only suitable for letting to a group of sharers. He calculated the gross annual rent to be £16,800 less deductions which are set out in paragraph 18.8 of his report. He calculated a net rental income of £9,137 with yield in perpetuity at 9.5%. He then made an assumption that the upper part was to be part of a single letting with the restaurant and discounted his figure by 10%-15% giving a final figure upon which he relied for the residential upper part at £83,500.
36. Mr Reynold's evidence was that conversion of the existing upper part into two flats would be a material change of use and that planning permission would not be forthcoming.
37. The Applicant's case was that it would not be possible to provide access through a roof hatch to the equipment on the roof of the ground floor rear extension, that health and safety requirements could not be met by such a hatch and that access would be less convenient, particularly if scaffolding was required or when large pieces of plant had to be hoisted onto the roof. In summary the Applicant invited the Tribunal to conclude that the upper floors should be valued without extensions and subject to rights of access by the restaurant tenant which would preclude the possibility of selling the upper maisonette on a long lease.
38. The capital approach adopted by Mr Bennett assumed that the upper part would be treated by a hypothetical purchaser as capable of being converted into two flats, worth £235,000 for a two-bedroom flat on the first floor and £175,000 for a one-bedroom flat on the second floor. In addition he allowed hope value for a mansard extension at

25% of site value attributable to a mansard flat giving £17,500. Thus Mr Bennett's valuation for the residential upper part was £427,500. Crucial to this valuation is the likelihood of planning permission being granted. In opposition to Mr Reynold's view Mr Bennett relied on a more favourable reaction given to the landlord's architect Mr John Dickinson at a meeting sometime prior to December 2005. Mr Byers's in his evidence concluded that an application to extend the first floor flat and to divide the accommodation into two flats would not automatically fail. The mansard addition would depend on similar applications being made by the owners of two adjacent properties, Nos. 35 and 37. These are in separate ownerships and so the co-operation of the owners would be required. Mr Bennett had discounted the value attributable to a potential mansard extension allowing for the risk that the adjacent owners would not wish to be involved. However it was his opinion that some value should be attached to this possibility.

39. The Respondents' position in respect of the question of access to the equipment on the rear extension was the construction of a hatched access in the rear of the restaurant, probably in the storeroom. Mr Byers gave evidence that such hatches are frequently found in premises of this type and he saw no difficulty in constructing a hatch and providing a ladder access through to it. His preference was for a concertina-type ladder but he explained there was a range of other solutions. A hoist could be used to lift heavy items and as far as scaffolding was concerned, this would be done over the building rather than carrying poles through it. Alternatively if the hatch was not thought feasible Mr Byers and Mr Bennett produced plans to show that some alternative arrangement of the accommodation on the first floor level could be made to allow installation of a corridor giving direct access from the first floor level to the rear roof.

### **Decision**

40. We do not accept that the upper floors could only be let on some form of residential tenancy and so the upper parts should be valued as a rental stream. Mr Grainger's conclusions are reached on the basis that there has to be access through the residential upper parts for the restaurant tenant in order to enable the restaurant tenant to run his restaurant. We heard a considerable amount of evidence in respect of alternative ways of ensuring that the restaurant tenant could have access to the rear extension roof while at the same time ensuring the other parts were self-contained to enable sales of long leases.
41. We were not convinced that the upper floors could be converted in such a way as to allow access. However we did accept the evidence of Mr Byers that a hatch could be installed in such a way as to comply with health and safety regulations and to enable access to the equipment and if necessary to install heavy plant on the rear back addition. We concluded that scaffolding poles would not be carried through the property but scaffolding as and when necessary would be erected up and over the building as is common on London buildings where there is no rear access.
42. We accept that in principle it would be possible to value this building with the benefit of planning permission. However no evidence was placed before us that planning permission would be granted for any form of development to this property. The construction of an additional floor in our opinion is too remote to merit any adjustment

to the value of the upper floors. There was no evidence that the owners of the adjacent properties wished to make a joint application for planning permission and there was no evidence that even if they did that planning permission would be granted. In our view the planning potential for the upper parts of this property is for one unit. We accept that it could be divided into two units but even the Respondents' case is that a potential purchaser would "seek to maximise his investment by negotiating with the planning authority". There is no certainty upon which to base a valuation for two flats rather than the existing maisonette.

43. Mr Grainger has made a reduction of 4.5% because the upper maisonette is part of a single letting with restaurant. We can see no justification for making any reduction.
44. In those circumstances as the value of the existing two-storey maisonette is agreed at £305,000, this is the figure which is included in our valuation.

#### **ENTIRETY VALUE**

45. Mr Grainger's entirety value is £400,000 and Mr Bennett's entirety value is £839,500. On the basis of our decision set out above, our entirety value, as shown on the attached valuation, is £652,857.

#### **SITE VALUE**

46. The Applicant contends for 35% and the Respondents for 40%. Mr Grainger relied on settlements relating to houses in Fulham which contained substantial commercial elements and submits that those valuations are more reliable than purely residential settlements. Counsel submitted, relying on a passage from Hague at 8-10 that a site value proportion of 40% is common in central and near central London, but proportions are lower in areas such as Battersea (30%) and Hammersmith (35%). He submits that The Cut does not warrant a site proportion of 40%, and relying on Mr Grainger's comparables in Fulham which he submits is at least as good as The Cut, argues that 35% should be accepted.
47. Mr Bennett's assessment of 40% was his opinion of what the market would pay based on his practical experience in this field and his view of the location. He relies of a determination of the Leasehold Valuation Tribunal at Kingsthorpe Road, SE6 in 2004 where the rate was agreed as a site value of 40% of the standing house value. He submits this is an open market agreement even though no valuation evidence was put in on behalf of the tenant. Mr Bennett's view is that if 40% was thought the right figure for a property in Sydenham it was supportive of at least the same figure on a much higher value property in The Cut. He also relied on a settlement in which Mr Grainger was the valuer at 5 Blackwell Crescent, SW17 where Mr Grainger accepted 40% as the appropriate figure. Finally Mr Bennett produced a residual valuation as a cross-reference and established a residual site value of 42.82%.

#### **Decision**

48. We did not find the evidence presented by the valuers for this element helpful. Mr Grainger's settlements upon which he relies relate to different locations which are not in central London. One of them is a devaluation 327 Fulham Palace Road which is

not signed or agreed and no valuation of 649 Fulham Road was included in Mr Grainger's evidence. In any event it is apparent from Mr Grainger's report that this property was a house in multiple occupation and therefore not comparable to the subject property.

49. Mr Bennett did not produce any settlements which he had reached himself but relied on agreements reached between three parties of which he had no direct knowledge. The settlement made between Mr Grainger and another valuer was not an agreement on the constituent parts and in the Kingsthorpe Road case the main issue was whether the price had already been agreed. We have ignored Mr Bennett's residual valuation because we accept the guidance in Hague at 8-12 that this approach is inherently unsatisfactory containing too many variables to be reliable. We have concluded on the basis of the evidence before us that 35% is the correct site proportion. As we have recorded above we accept that Fulham is a different location and not in central London but Fulham Palace Road and Fulham Road are useful as comparables in the absence of anything better and our opinion is that these locations can be used as a comparable in this case. Although no valuation for 649 Fulham Road was produced we accept that in this case 35% was decided as the appropriate site proportion in a Tribunal decision.

#### **DECAPITALISATION YIELD FOR S.15 RENT**

50. Mr Grainger's figure is 7% for the reasons set out in paragraph 20 and Appendix VIII of his report. Appendix VIII sets out the comparables referred to above. He relies on market evidence and settlement evidence and sees no reason to resort to relying on risk-free gilt-edged securities which he considers only relevant in the absence of any reliable land market evidence. He looks at the investment in its entirety and concludes that 7% is the correct decapitalisation yield.
51. Mr Bennett's submissions are contained in paragraph 9 of his report. He contends for 6%. He starts at the rate of 7% based on Leasehold Valuation Tribunal decisions made in 2003 and then relies on the case of Arbib -v- Earl of Cadogan in the Lands Tribunal dated 15th September 2005 to reduce the rate to 6%.

#### **Decision**

52. Our decision is that 7% is the appropriate rate for the decapitalisation yield. Mr Grainger has produced evidence relating to mixed properties which in our opinion is more reliable than settlements or decisions relating to houses with no commercial element. Mr Grainger has produced good market evidence from market transactions relating to restaurant investments with flats above. His comparables support the rate of 7%. We do not accept the argument that because of the decision in "Arbib" that the rate in this location should be brought down to 6%. It is common ground that The Cut is a quite a different location from prime central London.

#### **CAPITALISATION YIELD FOR S.15 RENT**

53. Mr Grainger contends for a 7% yield in perpetuity deferred for the unexpired term of 0.189 years. Mr Bennett contends for 6% for fifty years deferred for 0.189 years but with a reversion to freehold value.

## **Decision**

54. We refer to our decision in respect of yield applied to the restaurant rent. We accepted 7% was appropriate having regard to a comparable in Fulham Palace Road. It is our opinion that it is appropriate to adopt a rate of 7% for the capitalisation of the s.15 ground rent also as the evidence is equally applicable here.

## **HARESIGN ADDITION**

55. Mr Grainger makes no further allowance in respect of this element, but applies his decapitalisation yield in perpetuity. He has assumed that the purchaser would redevelop at the end of the fifty-year lease term. Counsel for the Applicant submitted that an addition should only be made in an exceptional case and relied on paragraph 9.12 in Hague. He submitted there was nothing exceptional in this case and that no addition should be made. He submitted that having regard to the location and age of the property and the other development that has already and is taking place in the area, there can be no assumption that the property will not be ripe for demolition.
56. Mr Bennett makes a further addition of £37,639 because he has assumed that the property will remain standing when it reverts into possession at the end of the fifty-year lease. Mr Bennett considered it most unlikely that the building constructed in about 1925 would not last beyond the fifty-year term. He thought it unlikely that a loan would have been made on a building with a life expectancy of less than fifty years. Counsel for the Respondents submitted that there was no real justification for assuming that the building will have reached the end of its life and be redeveloped after fifty years and therefore submitted that in this case a haresign addition was appropriate..

## **Decision**

57. The normal valuation approach in a case such as this is to capitalise the ground rent income in perpetuity at the appropriate yield as Mr Grainger has done in his valuation. We accept the submission that haresign additions are exceptional and we do not view this case as exceptional. This property is not, for example, part of a Georgian listed terrace where preservation is likely and we can see no reason to depart from the usual valuation approach. We have therefore made no further addition.

## **TOTAL VALUE OF FREEHOLDERS' INTEREST**

58. Accordingly, we have valued the freeholders' interest at £225,600 as shown in the valuation attached as Appendix I.

.....  
Jane Dowell  
Chairman

Dated this 29th day of June 2006

**39 The Cut, London SE1 8LF**Agreed matters

Valuation Date	14th January 2005
Unexpired term	0.189yrs
Rental value of shop	£24,350
Capital value of maisonette *	£305,000
Ground rent	£30.00

\* assuming alternative access to roof available

Determined by tribunal

Yield	7%
Site proportion	35%
Decapitalisation rate	7%
Capitalisation rate	7%

**S15 ground rent**

Shop rent		£24,350
YP	perp	7 %
		14.285714286
Capital value of shop		£347,857
Value of maisonette		£305,000
Value of freehold		£652,857
Site value	35 %	£228,500
Modern GR	7 %	£15,995

**Freeholder's existing interest**

Rent reserved			£30
YP	0.189 yrs	7 %	0.181515315
			£5
Reversion to Modern GR			£15,995
YP	perp	7 %	14.285714286
x PV	0.189 yrs	7 %	0.987293928
			£225,597

**Total value of freeholder's interest** **£225,602**

Say **£225,600**