

RESIDENTIAL PROPERTY TRIBUNAL SERVICE
LEASEHOLD VALUATION TRIBUNAL FOR THE EASTERN RENT
ASSESSMENT PANEL

Case Number: CAM/00MC/OCE/2005/0049

Leasehold Reform, Housing and Urban Development Act 1993

**In the matter of: 62-79 Armadale Court, Westcote Road, Reading
Berkshire, RG30 2DF.**

Parties:	Glenbarr (RTE) Company Limited	Applicant
	Ulterra Limited	Respondent

Appearances:

For the Applicant:
Mr Hall Taylor, Counsel;
Mr D Stone, FRICS, Expert Valuer;
For the Respondent:
Mr Murch, Counsel instructed by Rokeby Johnson
Baars LLP Solicitors;
Mr I Astbury BSc(Hons) MRICS, Expert Valuer.

Hearing Date: 27th April 2006.

Tribunal members:

Mrs H Bowers MRICS
Mr J Sims LLM
Mr R Auger FRICS

Decision Date: 27th June 2006

1. Introduction

- 1.1 This matter relates to 62-79 Armadale Court, Westcote Road, Reading (the subject property) and an application pursuant to section 24 of the Leasehold Reform, Housing and Urban Development Act 1993 ("the Act").
- 1.2 On 26th February 2005, a notice was served on the Landlords, Ulterra Limited under section 13 of the Act. The premium proposed in the initial notice was £65,850 for the property. A counter-notice dated 26th May 2005 was served that recognised the Applicants' right to collectively enfranchise but limited the extent of the property to be purchased to the "specified premises" but offering rights over the retained land in order to comply with the provisions of Section 1(4) of the Act. Amongst other matters, a premium of £525,000 was proposed for the specified premises. An application dated 24th November 2005 was made to the Tribunal to determine the aspects that were in dispute between the parties.
- 1.3 No evidence or representations were made in respect of other matters raised in the application and in particular the transfer. These matters are therefore adjourned until 28th July 2006. Unless an application is made by either party for a hearing date to dispose of all outstanding issues by that date, the application relating to those issues will be treated as having been withdrawn.

2. The Law

- 2.1 Chapter I of the Act sets out the provisions for the collective enfranchisement of a property. Schedule 6 of the Act sets out the provisions for the calculation of the premium that is payable in respect of the freehold interest of the property.
- 2.2 The right to enfranchise is set out in Section 1 of the Act:

S1 The right to collective enfranchisement.

- (1) This Chapter has effect for the purpose of conferring on qualifying tenants of flats contained in premises to which this Chapter applies on the relevant date the right, exercisable subject to and in accordance with this Chapter, to have the freehold of those premises acquired on their behalf—
- (a) by a person or persons appointed by them for the purpose, and
 - (b) at a price determined in accordance with this Chapter;
- and that right is referred to in this Chapter as "the right to collective enfranchisement".
- (2) Where the right to collective enfranchisement is exercised in relation to any such premises ("the relevant premises")—
- (a) the qualifying tenants by whom the right is exercised shall be entitled, subject to and in accordance with this Chapter, to have acquired, in like manner, the freehold of any property which is not comprised in the relevant premises but to which this paragraph applies by virtue of subsection (3); and
 - (b) section 2 has effect with respect to the acquisition of leasehold interests to which paragraph (a) or (b) of subsection (1) of that section applies.
- (3) Subsection (2)(a) applies to any property if at the relevant date either—
- (a) it is appurtenant property which is demised by the lease held by a qualifying tenant of a flat contained in the relevant premises; or
 - (b) it is property which any such tenant is entitled under the terms of the lease of his flat to use in common with the occupiers of other premises (whether those premises are contained in the relevant premises or not).
- (4) The right of acquisition in respect of the freehold of any such property as is mentioned in subsection (3)(b) shall, however, be taken to be satisfied with respect to that property if, on the acquisition of the relevant premises in pursuance of this Chapter, either—

- (a) there are granted by the person who owns the freehold of that property—
 - (i) over that property, or
 - (ii) over any other property,such permanent rights as will ensure that thereafter the occupier of the flat referred to in that provision has as nearly as may be the same rights as those enjoyed in relation to that property on the relevant date by the qualifying tenant under the terms of his lease; or
- (b) there is acquired from the person who owns the freehold of that property the freehold of any other property over which any such permanent rights may be granted.

3. The Premises

- 3.1 Prior to the hearing the Tribunal had the opportunity to carry out a brief inspection of the subject property. The property is a purpose built block of flats positioned in large grounds. There are three entrance hallways and stairwells, each providing access to two flats on the ground floor, two flats on the first floor and two flats on the second floor. In each of the top floor flats there is a small loft space that houses a water tank for the exclusive use of the flat. The communal area at the top of each stairwell provides further access to the roof void and houses the water tanks serving the four flats on the lower floors. The block is of brick and pitched tile construction.
- 3.2 The property has frontage onto Bath Road and there is a pedestrian access to the front. The communal gardens are attractive and quite extensive. At the rear of the development there are two blocks of garages and a communal parking area. There is a bin store and a drying area for use by all the flat occupiers.

4. The Leases

- 4.1 The Tribunal were supplied with a copy of the lease relating to 72 Armadale Court; we were informed that all the leases were in

substantially the same form. The copy lease we were given is dated 15th February 1982. Amongst other matters the lease defines the demised premises, the buildings, the estate and the common parts. The second schedule of the lease provides the rights and benefits included in the demise and is copied below:

“(a) the right of the Lessee to use for all purposes in connection with the demised premises the Common Parts in common with the Lessor and the Company and any person or persons from time to time authorised by either of them and the owners or occupiers of the adjoining or neighbouring flats and garages and all persons authorised by them such right being subject to:-

- (i) the right of the Company to make regulations for the use thereof and
- (ii) the right of the Company to lay out the Common Parts as gardens or play or utility areas

.....

(f) in common with the Lessor and the owners and occupiers of all neighbouring adjoining and nearby flats and garages and all other persons having a like right and all persons authorised by any of them for the purpose of passage and repassage only:

- (i) a right of way for all purposes with or without private motor vehicles over the access way coloured blue on the plan annexed hereto
- (ii) a right of way on foot only over the remainder of the Common Parts save where cultivated or built upon
- (iii) a right of way for all purposes with or without private motor vehicle over the road and footpaths known as Armadale Court

(g) a right in common with all others entitled to the like right

- (i) to park a vehicle on any vacant space in the visitors parking area but with no absolute right to park thereon and only when the parking space is vacant and available
- (ii) to deposit household refuse in the containers provided in the refuse area shown marked “bins” on the said plan
- (iv) to use the drying area shown on the said plan.”

5. The Agreed Matters

5.1 The following matters were confirmed to be agreed by both experts:

Valuation Date of 27th April 2006.

Total Freehold vacant possession value of the building is £2,520,000

Existing leasehold value of the whole building is £2,423,000.

6. Matters Outstanding

6.1 The first issue to be considered is the extent of the premises that is to be collectively enfranchised. Dependent upon the extent of the premises to be enfranchised then there needs to be some consideration over the extent of Ulterra's right over the enfranchised land. Following on from these issues is the question of the premium to be paid on the enfranchisement. The majority of the valuation issues had been agreed between the two surveyors. The only issues that needed to be addressed by the Tribunal were the level of yield to be adopted and the question of any development or hope value.

7. Hearing

Applicant's Case.

7.1.1 The first issue to be addressed is the extent of the land to be enfranchised. The Respondent had acknowledged the Applicant's right to enfranchise the "specified premises". The specified premises relate to the actual building in which the flats are situated, together with the garages and the refuse area. The Respondent is seeking to retain all other areas. It is acknowledged that the Respondent is entitled to retain these areas upon the condition that the rights over the retained land that are offered are the same or as nearly the same as currently enjoyed by the leaseholders. If the Respondent fails to satisfy the Tribunal that the rights are the same, then the land cannot be retained but must be included in the enfranchisement.

7.1.2 In the counternotice the Respondent set out the rights that they were proposing to offer the leaseholders in order to satisfy section 1(4) of the Act.

7.1.3 The first right offered was "Subject to payment on demand of a proper proportion of the cost of maintaining and otherwise keeping in good order the same (such proportion to be determined by the Reversioner whose determination shall be final and binding) the right in common with the Reversioner and others having a like right to pass with or without vehicles over the accessway coloured yellow and hatched red on the plan ("the Accessways") and to pass on foot only over the remainder of the land coloured yellow on the plan forming part of the Retained Land save where cultivated built upon or designated for parking by the Reversioner." The differences highlighted between this proposed position and the existing position relate to the fact that currently a contribution towards maintenance costs is 1/18th for each flat in comparison to a "proper proportion". By limiting the right of access to those areas not "cultivated or built upon" this mirrors existing provisions, but this situation would be at the date of the lease and not as at the date these new rights are granted, or at some future time, when the areas may be built upon or cultivated. The designation of new parking areas than currently is provided, is an unjustifiable interference with the leaseholder's existing rights.

7.1.4 The second right relates to the use of the gardens and states " Subject to payment on demand of a proper proportion of the cost of maintaining and otherwise keeping in good order of the same (such proportion to be determined by the Reversioner whose decision shall be final and binding) the right in common with the Reversioner and others having a like right to use the garden areas of the part of the land coloured yellow on the plan (save where cultivated built upon or designated for parking by the Reversioner) such rights to be exercised in accordance with such directions as may be given from time to time by the Reversioner." The same point is raised in respect of the maintenance contribution. Currently the right of the leaseholders is not subject to the landlord's rights to build on them. The proposal is that this right is subject to the landlord making "such directions as may be given from time to time by

the Reversioner” and there is a distinction between making directions and making regulations.

7.1.5 The next proposal that is in dispute relates to the parking and states “Subject to payment on demand of a proper proportion of the costs of maintaining and otherwise keeping in good order (such proportion to be determined by the Reversioner whose decision shall be final and binding) the right in common with the Reversioner and others having a like right to park private motor cars on any vacant space designated by the Reversioner from time to time in the area hatched red on the plan save where built upon but with no absolute right to park and only when space is vacant and available and subject to such regulations as the Reversioner may make from time to time.” The same issues regarding the maintenance contribution are raised. The proposed right to park is subject to the fact that the landlord may designate spaces and this is a greater restriction than currently exists. Currently the landlord does not have the power reserved to build upon the visitor’s parking area.

7.1.6 In relation to the drying areas the counter notice states “Subject to payment on demand of a proper proportion of the costs of maintaining and otherwise keeping in good order of the same (such proportion to be determined by the Reversioner whose decision shall be final and binding) the right in common with the Reversioner and others having a like right to use any drying area designated by the Reversioner within the area coloured yellow and subject to such regulations as the reversioner may make from time to time.” The same issue on the maintenance contribution arises in this paragraph, otherwise it is accepted that this clause is essentially the same as the existing rights.

7.1.7 Turning to the rights that the landlord wishes to retain under Section 21(3)(d) of the Act; the first three rights proposed in paragraph 6 (i), (ii), (iii) are accepted to exist and are acknowledged to be reasonable. However in paragraph 6(iv) of the counter notice it states “To rebuild

build on or alter buildings or land forming any part of the Retained Land.” The right to build on or alter buildings or land, is more extensive than the landlord’s current rights. Accordingly the rights that Ulterra are seeking to retain should not be permitted.

7.1.8 Yield

In his initial valuation Mr Stone had used an 8% yield, but following the Arbib decision in September 2005 and taking account of two LVT decisions, one in Oxford and one in Reading, a rate of 7.5% was adopted in the valuation submitted to the Tribunal. Mr Stone indicated that he had been party to a number of negotiated settlements in the area and the yield currently being adopted for both the term and the deferment is between 7.25% and 7.5%. There are some cases agreed at 7%, but in general these cases reflect some element of marriage value. No market evidence was produced by Mr Stone to support his opinion and he asked the Tribunal to rely upon its knowledge and experience and to take account of the two previous LVT decisions.

7.1.9 Development Value

It was explained that there were two aspects of the development value; the first was described as “tophatting” – putting an extra floor onto the current building, the second is the “courtyard development” a proposal to develop the area around the garages. Mr Stone explained that he had some experience dealing with development valuations and then went through his residual valuation in respect of the “tophatting”. Although this property now had the benefit of planning permission to develop the top floor of the block, it would be almost impossible to obtain the agreement of the participating tenants. There are problems regarding the roof space and in particular the location of the water tanks serving the existing flats and the top floor flats would need to be vacated during any redevelopment exercise in order to incorporate the necessary fire resistant structure. Mr Stone had doubts whether the plans proposed by the Respondent could adequately deal with these issues. The additional development would require additional car

parking and in order to cater for this, some of the existing garden area would have to be incorporated into the plans and this would have an impact upon the use of the gardens by the participating tenants. There is also the issue of future increased maintenance and the existing service charge mechanism. A planning application in respect of the courtyard development had been dismissed and accordingly Mr Stone Had placed no value on this aspect. Mr Stone's calculations for the "tophatting" development are produced in his report and show that the development value would be in the region of £140,000, but that this sum must be deferred for 75 years, as the landlord would be unable to develop the site prior to the expiration of the leases. This gives a present day value of £617. Mr Stone had used his local knowledge of prices of new flats, building costs and other elements within this residual valuation. This sum added to Mr Stone's calculation of the premium for the conventional valuation of the freeholder's interest plus marriage value, produces a total premium for the building of £67,955. Mr Stone's valuation is shown in Appendix 1.

Respondent's Case

7.2.1 Mr Murch outlined the framework that the Tribunal had in order to consider whether land may be retained by the Respondent. It was suggested that as the qualifying tenants had essentially the same rights under the proposed terms of the counter notice as they currently enjoy and as long as there is no "substantial interference". If a right is temporarily affected or permanently, but only to have a de minimis effect upon the parties, then this would not be a substantial interference and as such the rights granted to the applicant would satisfy the test of Section 1(4) of the Act. As an example Mr Murch suggested that if a lift shaft was built upon the retained land then there would still be accessways and the gardens would still be available for the use by the qualifying tenants, as such there is no "substantial interference".

7.2.2 In addressing the points raised by the Applicants it was stated that the rights that were proposed were “as nearly as may be the same” and accordingly the test in respect of Section 1(4) was satisfied.

7.2.3 Regarding the rights that the Respondent was seeking to retain, the test is set out in Section 21(3)(d) of the Act and are rights over the property to be acquired, and in which the Respondent has an interest and that the rights are necessary for the proper maintenance and management of property which he will retain. It is stated that the respondent already has a right to “build on or alter buildings” and therefore can retain this right and that the right is necessary for the proper maintenance and management of the retained land.

7.2.4 Background.

Mr Asbury stated that the current freeholder had purchased their interest in the Armadale Court in December 2003. The property had been bought at auction and a price of £69,000 had been paid. At the time of the auction sale there was no planning permission for any further development of the site. Additionally the length of the leaseholder’s leases has reduced and therefore any current valuation would reflect these factors, accordingly it would seem logical that the price to be paid for the enfranchisement must be higher than that price paid in the auction in 2003. The analysis of the 2003 auction price shows a gross initial yield of 5.29%. Mr Asbury claimed that this analysis ignored hope value

7.2.5 Mr Astbury used information gathered in the open market to reach his conclusion as to the level of yield. The details of the auction sales are summarised below:

22 George Street, Reading sold in December 2003 for £8,000. This is an investment with unexpired terms of between 998 years and 98 years. The initial yield was 5%.

12 George Street, Reading sold in February 2005 for £10,000. This is an investment of four leases with terms of 99 years from 2002 and with a total fixed ground rent of £400 per annum. The initial yield was 4%

4 George Street, Reading sold for £12,000 in March 2005. A residential investment of four leases with unexpired terms of 96 years and a fixed ground rent of £600 per annum. The initial yield was 5%.

Driftway Close, Reading sold in March 2005 for £19,000. A residential investment with terms of 76 years unexpired and a rising ground rent. The equivalent yield was calculated to be 6%.

Chittering Close, Reading sold in March 2005 for £26,000. A residential investment with terms of 76 years unexpired and with a rising ground rent. The equivalent yield is 6%.

Bank Apartments, Marlow is an investment of ten flats with terms of 999 years and at a fixed ground rent of £2,000. This sold for £33,000 in February 2005 and produces a gross initial yield of 6%.

Portway Mews, Wantage is a residential investment that achieved £26,000 in auction. There are 81 years unexpired on the leases and a rising ground rent. The sale has been devalued to show an equivalent yield of 6.8%.

Alma Road, Eton Wick is an investment of four flats with 95 years unexpired, sold in May 2002 for £12,500 and the equivalent yield calculated is 7.2%.

- 7.2.6 Mr Astbury stated that he was familiar with LVT decisions in the vicinity when yields of between 7.5% and 9% had been adopted, but in his opinion these yields were too high. Using open market transactional evidence, Mr Astbury was of the opinion that a yield of 6% was appropriate in this case.

7.2.7 Development.

Mr Astbury provided two residual valuations; one for the “tophatting” element and one for the courtyard development. The penthouse flats proposed in the “tophatting” exercise are one and half times larger than the existing flats. Sales of flats in the locality were used as

comparables. The tribunal were given details as to how the top floor could be developed with the minimum disruption to the existing leaseholders and the plans incorporated a scheme where the existing water tanks would be undisturbed. Any space taken up in the gardens for the construction of the lift shaft or additional car spaces would not cause a "substantial interference" to the participating tenants. Regarding the future service charges, this could be dealt with by lease alterations, but initially there would be a reduced maintenance liability due to the fact that the new roof structure would require minimal maintenance for some time. Even though the participating tenants are opposed to the development, there would always be some scope to negotiate and to pay some contribution to the existing leaseholders and this factor is incorporated into the residual valuation. Regarding the courtyard development, although planning permission had been refused and dismissed on appeal, it was felt that there was still some scope for another opportunity to seek planning permission and that a future purchaser of the site would take some account of this in their purchase price. In general the costs adopted in Mr Astbury's residual valuation are higher than those proposed by Mr Stone. The valuation for the "tophatting" and the courtyard development are £162,380 and £91,116 and are shown in Appendix 2, these figures together with Mr Astbury's assessment of the value of the ground rents and marriage value, produce a total premium of £347,638.

8. Decision

- 8.1 The first issue for the tribunal to consider is the extent of the property to be included in the enfranchisement and the extent of the areas to be retained. *Shortdean Place (Eastbourne) Residents Association v Lynari Properties* [2003] 3 EGLR 147 sets out the criteria as to whether the LVT have any discretion over the extent of the property to be included in the enfranchisement:

"..if the permanent rights offered satisfy the test under section 1 (4)(a)(i) the LVT had no power to determine that the freehold of the common use property should be transferred to the nominee purchaser.

.... If the permanent rights offered do not satisfy the test in section 1(4)(a)(i) then the tribunal have a discretion."

8.2 The test that needs to be satisfied is whether the rights offered in the counter notice and to be included in the transfer are "such permanent rights as will ensure that thereafter the occupier of the flat referred to in that provision has as nearly as may be the same rights as those enjoyed in relation to that property on the relevant date by the qualifying tenant under the terms of his lease". There appears to be no particular guidance as to how this test is to be judged. Mr Murch relied upon whether any differences in the rights offered were a "substantial interference" as considered in *Keefe v Amor* [1965] 1 QB 334 in which Russell, L.J., stated (at p347) that "The grantee of the right could only object to such activities of the owner of the land as substantially interfered with the use of the land in such exercise of the defined right as for the time being is reasonably required." However, the Tribunal also considered any such interference should be assessed in the light of the comments made Blackburn, J. in *B&Q PLC v Liverpool and Lancashire Properties Ltd* (2000) "the test of an actionable interference was not whether what the grantee was left with was reasonable but whether his insistence on being able to continue the use of the whole of what he contracted for was reasonable. If the grantee had contracted for the "relative luxury" of an ample right, he was not to be deprived of that right in the absence of an explicit reservation of a right to build on it merely because it was a relative luxury and the reduced, non-ample right would be all that was reasonably required."

8.3 In respect of the rights sought to be retained by the Respondent, by including the words "build on and alter" these rights go beyond the provisions of Section 21(3) in the sense that, in the opinion of the Tribunal, they are not necessary for the proper maintenance or management of property which the landlord will retain. (In addition these retained rights affect the rights offered to the Applicants and as such they cause the rights offered to the Applicants to be not the same

or nearly the same as currently exist. The Tribunal closely examined and compared the relevant provisions in the leases and those rights offered and the rights reserved to the landlord in paragraphs 5 and 6 of the counter notice. Some differences in the wording would in all practical effect render the leaseholders in the same or nearly the same position as they are currently enjoying. However, the right reserved to the landlord to "rebuild build on or alter buildings or land forming any part of the Retained Land" affects the rights to be offered to the leaseholders and as such, is in our opinion a significant difference to the current position. Accordingly we are of the opinion that the test in paragraph 1(4) is not satisfied. That being so then the tribunal has some discretion over the extent of the premises to be included in the enfranchisement. We determine that all the land including the "retained land" is to be included in the transfer to the Applicant.

- 8.4 The Tribunal then turned its attention to the question of yield to be adopted in the valuation. The Tribunal noted the LVT decisions quoted by Mr Stone. However, we considered that not too much reliance should be places on past LVT decisions. Each case must be considered on its own merits. Previous LVT decisions may not give the full details of all the factors being considered and this information has not been tested by the market. It is far preferable to have consideration of open market transactions. However, it always very difficult to obtain robust data that does not require any assumptions to obtain an analysis of the sale. As any variable assumption can distort the final analysis. At the lower end of the market there may be a tendency for investments to be purchased without a full analysis. Certainly any transactions for a relatively small amount of money, such as those in George Street Reading should be viewed with some degree of uncertainty. The comparables provided by Mr Astbury are useful and certainly are an attempt to examine how the market would react to such an investment opportunity that we are considering. However, the analysis required some assumptions to be made regarding capital values and hope value and this may have had an impact on the

equivalent yields. Given the information provided and weighting the comparables to reflect some of the problems we have indicated above, we are of the opinion that the yield that would be appropriate in this case would be 7%.

- 8.5 With respect to the development value it is noted that this property has the benefit of planning permission and this would be perceived in the market as a valuable aspect of the investment. We were convinced by the arguments of the Respondent that the development could take place with the minimum impact to the leaseholders and that the plans did appear to provide a solution to the various problems including the inclusion of the water tanks. The fact that the lift shaft and the additional car spaces would have some impact upon the rights of the existing leaseholders, would probably be overcome by compensation paid to those affected parties. The valuation has an element of compensation to the existing leaseholders and in our opinion a developer would seek a greater degree of profit to compensate them from the slightly higher risk involved in persuading all the leaseholders to cooperate with the proposals. The valuation of the “tophatting” scheme proposed by Mr Astbury seems reasonable, although in light of the evidence before the Tribunal the value of the flats appears a little high and we have therefore adopted a value of £210,000 for each of the flats. As mentioned above the cost elements of Mr Astbury’s valuation are higher than those suggested by Mr Stone and we are happy to adopt these figures. However, we have increased the developer’s profit from 15% to 20% to reflect the higher risk involved in this scheme. Given these factors we have determined that a value for the “tophatting” scheme of £73,429. In respect of the courtyard development, we feel that this does have some value and the market would reflect that there may some possibility to develop the area in the future. We consider that Mr Astury’s valuation is far too optimistic for a scheme that does not have planning permission, but we do consider that the open market would include an element in any offer price of the investment to reflect some potential. Accordingly we have placed a

value of £25,000 in respect of this element of the investment. The Tribunal's valuation is included in Appendix 3 and in total produces a total premium of £182,102.

9. Determination

- 9.1 The "Retained Land" is to be included in the land to be enfranchised.
- 9.2 There is no need for the Respondent to reserve any rights over the "Specified Premises" as there is no land to be retained.
- 9.3 The yield that we have determined is 7%.
- 9.4 The premium to be paid for the freehold interest in the subject property is £182,102.



Helen C Bowers
Chairman

Date 27/6/06.

VALUATION FOR ENFRANCHISEMENT

or for collective enfranchisement (all 18 flat tenant-lessees participating)

Address 62-79 Armadale Court Reading
 Client Tenants and Glenbarr (RTE)

Valuation date	say by,	25/03/2005
No of Flats	each	1
Value per flat with new long lease	avge	£140,000
% of long lease value		95.7143 %
Value per flat with present lease		£134,000
Yield rate %		7.5 %
Unexpired term		75 years
Present rent per flat	£40 for	9 years
First Review to	£80 for	33 years
Second Review to	£180 for	33 years
Third Review to		years

VALUATION OF PRESENT INTERESTS

FREEHOLDER		£40	
Present rent			£255
YP for	9 years at	7.5 % <u>6.378887</u>	
Ground Rent 2		£80	
YP for	33 years at	7.5 % 12.10742	
PV for	9 years at	7.5 % <u>0.521583</u>	£505
Ground Rent 3		£180	
YP for	33 years at	7.5 % 12.10742	
PV for	42 years at	7.5 % <u>0.047956</u>	£105
Ground Rent 4		£0	
YP for	0 years at	7.5 % 0	
PV for	75 years at	<u>0.004409</u>	£0
Reversion to Vacant Possession value		£140,000	
PV of £1 ft	75 years at	7.5 % <u>0.004409</u>	<u>£617</u> £1,482

LESSEE

£134,000

TOTAL VALUE OF PRESENT INTERESTS

£135,482

CALCULATION OF MARRIAGE VALUE

Future values		
Freeholder	£0	
Lessee	£140,000	£140,000
Present Values		
Freeholder	£1,482	
Lessee	£134,000	<u>£135,482</u>
Marriage Value		£4,518
Landlord's 50%		£2,259

COMPENSATION PAYABLE

To freeholder		
Present Value	£1,482	
Share of MV	<u>£2,259</u>	£3,741 x 18 = £67,338
PLUS current value of roof development value		<u>£ 617 £67,955</u>

TMSL/

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see ARMADALE COURT ROOF DEVELOPMENT VALUE
(to be deferred until term date of leases)

Residual valuation to attest site value

Value of completed flat type, say, £165,000 x 4 =		£660,000
Less say, site value at 30% flat value, say, 4 x £48K =	£198,000	
Build cost 4,940 sq ft @ £75 pfs (inc. arch's fees)	£370,500	
Interest on land @ 7.5% for 8 mths	£ 9,240	
Interest on building @ 7.5% for 4 mths	£ 8,645	
Solicitor's costs on sale	£ 1,600	
Agent's sale fees @ 1.5%	£ 9,900	
PLUS developers' contribution to Reading Boro'	£ 20,533	
Landscaping, insurances, trade WCs etc.	£ 7,500	£625,918
Profit =		<u>£ 34,082</u>
which = 5.16 % on selling price, or 5.44% on costs.		

This is an insufficient return, and so 'land' development value more likely £132,000,
 i.e. 20% flat sales value per unit.

Revaluation based upon 20% flat value as development value:

Value of completed flat type, say, £165,000 x 4 =		£660,000
Less say, site value at 20% flat value, say, =	£132,000	
Build cost 4,940 sq ft @ £75 pfs (inc. arch's fees)	£370,500	
Interest on land @ 7.5% for 8 mths	£ 6,160	
Interest on building @ 7.5% for 4 mths	£ 8,645	
Solicitor's costs on sale	£ 1,600	
Agent's sale fees @ 1.5%	£ 9,900	
PLUS developers' contribution to Reading Boro'	£ 20,533	
Landscaping, insurances, trade WCs etc.	£ 7,500	£556,838
Profit =		<u>£103,162</u>
which = 15.65 % on selling price, or 18.52% on costs, and		

which would reasonably support development value at £132,000; BUT as development value 'in hand', add back interest on land 'cost', say £8,000, to give development value of £140,000 x PV of £1 in 75 years @ 7.5% (x 0.0044093) = £617.

NOTE: please see copy LVT decision (in particular blue marked sections) on Ashmoor Lodge 8 Beech Walk Mill Hill London NW7 (LEASE Case No.739) re development value of roof space – determined at 30% of market value of completed flat (i.e. £52,500 on projected sale value of £175,000); this decision partly based upon LVT decision (copy attached, see also blue marked sections) on Chancellor House Mount Ephtaim Tunbridge Wells (LEASE Case No.377) – where development value of roof space determined at 30% of projected flat value of £300,000 each. In both cases existing roofs formed of trussed rafter construction, and so roofs required dismantling and complete reconstruction, as would be required at Armadale Court. David T Stone believes that less than 30% should have been applied where flat value in Ashmoor Lodge was under 60% of those at Chancellor House.

Valuation Summary

62-79 ARMADALE COURT, READING**Residual Valuations**

Penthouse Flats			
GDV 4 x Penthouse Flats at £225,000 each	£232psf	saleable 3875sq ft	£900,000
Build costs: sq ft @ £100psf	4068 sq ft	£406,800	
lift to third floor		£50,000	
		£456,800	
architect's & prof fees	12.5% of	£57,100	
		£513,900	
finance costs 1 yr @	7.50%	£38,543	
		£552,443	
at, say £5,000 per flat			
Contingency @ 7.5%	7.5%	£41,433	
		£593,876	
S.106 Agreement fees		£20,533	
		£614,409	
Agency & legals on sale	3%	£27,000	
		£641,409	
Developer's profit 15% of costs	15%	£96,211	
Total cost			£737,620
Balance available for purchase of 'site'			£162,380 say £162,380
Courtyard Flats (flats over the garages)			
GDV 4 x flats at £215,000 each	£223psf	saleable 3853sq ft	£860,000
Build costs: sq ft @ £90psf	4133	£392,635	
lift to second floor		£35,000	
		£427,635	
architect's & prof fees	12.5% of	£53,454	
		£481,089	
finance costs 1 yr @	7.50%	£36,082	
		£517,171	
Contingency @ 5%	5%	£25,859	
		£543,030	
S.106 Agreement fees		£20,533	
		£563,563	
Agency & legals on sale	3%	£25,800	
		£589,363	
Developer's profit 15% of costs	15%	£88,404	
Total cost			£677,767
Balance available for purchase of 'site'			£182,233
Allow for risk and uncertainty as this part of the scheme does not have PP		say 50%	£91,116
Plus value of ground rents & Marriage Val			£94,142
Total Enfranchisement Price			<u>£347,638</u>

Tribunal's Valuation

Appendix 3

Landlord's Present Interest

Term

Rent

YP 7.92yrs @7%

£720

5.9713

4299.336

1st Review

£1,440

YP 33 yrs @7%

12.7538

PV of £1 in 7.92 yrs @7%

0.5820091

7.4228277

10688.872

2nd Review

£2,880

YP 33 yrs @7%

12.7538

PV of £1 in 40.92 yrs @7%

0.0624116

0.7959851

2292.437

Reversion to Capital Value

£2,520,000

PV of £1 in 73.92 yrs @7%

0.0066927

16865.604

Landlord's Present Interest

34146.249

Marriage Value

Proposed Interest

£2,520,000

less

Tenant's Present Interest

£2,386,800

plus

Landlord's Present Interest

34146.249

2420946.2

Marriage Value

99053.751

Landlord's Share @50%

49526.876

83673.124

Basic premium payable

£83,673

Residual Valuation

GDV 4 x Flats at £210,000

£840,000

sq ft

Build Cost @£100/sq ft

4068

£406,000

Lift to 3rd Floor

£50,000

Architect/Prof Fees @12.5%

£57,100

Finance Cost 1 yr @7.5%

£38,543

Contingency

£41,433

S106 Agreement Costs

£20,533

Agency/ Legal on sale @3%

£25,200

£638,809

Developer's Profit 20% costs

£127,762

£766,571

73429

Balance available for purchase

£73,429

£73,429

£157,102

Hope Value

£25,000

Premium payable for Freehold

£182,102