

LEASEHOLD VALUATION TRIBUNAL FOR THE LONDON RENT
ASSESSMENT PANEL

Leasehold Reform Act 1967

DECISION OF LEASEHOLD VALUATION TRIBUNAL
ON AN APPLICATION UNDER S21 OF THE LEASEHOLD REFORM ACT 1967

Applicants: The trustees of the will of the Most Noble the Second Duke of
Westminster (Deceased) and Grosvenor Estate Belgravia

Respondent: Mr Christer Mattsson

Re: **67 Eaton Terrace, London SW1**

Date of tenant's notice: 12 July 1991

Application to Tribunal dated: 21 December 1993

Heard: 7 January 1997 (with inspection 30 January 1997)

Appearances: Mr D Hodge of counsel
Mr P E W Scoble (Boodle Hatfield, solicitors)
Mr R Dalton (the Grosvenor Estate)
Mr G M Pope FRICS (John D Wood & Co)

for the applicants

Mr C S R Marr-Johnson FRICS (Marr-Johnson & Stevens)
Mr B J N D'Arcy Clark ARICS (Chesterfield)
The tenant

for the respondent

Members of the Leasehold Valuation tribunal:

Lady Wilson MA (Chairman)

Mr P F Prior MA FRICS

Mr P S Roberts Dip Arch RIBA

Valuation date: 12 July 1991

Unexpired term at valuation date: 17.25 years

Ground rent: £64 per annum

Date of Tribunal's decision: 3 March 1997.

Price payable for the acquisition of the freehold: £324,300

The facts

1. 67 Eaton Terrace is a Grade II listed five storey Victorian terraced house on basement, ground and three upper floors, including a mansard top floor, with a gross internal area of approximately 2119 square feet. It has a drawing room, dining hall, kitchen, main bedroom with *en suite* bathroom, three further bedrooms, bathroom, small cloakroom, nursery, utility room and paved garden. It is one in from the end of a terrace and next to a corner shop. The house is held by the tenant under a lease dated 23 April 1956 for a term of fifty two and a half years, expiring on Michaelmas Day 2008, at a fixed annual ground rent of £64. The rateable value of the property at the last valuation date was £1263. The terrace is subject to an Estate Management Scheme approved under section 19 of the Leasehold Reform Act 1967.

2. The following matters affecting valuation were agreed between the parties:

- (i) A 5½ per cent yield rate should be used to capitalise the rental income for the 17¼ years of the term remaining at the date of the claim, which produces a capital sum of £701;
- (ii) a 6 per cent deferment rate should be applied for the freehold in possession;
- (iii) the reversioner and the tenant should share the marriage value equally;
- (iv) there are no improvements carried out by the tenant or his predecessors in title which should diminish the price payable for the freehold; and
- (v) The valuation date is 12 July 1991.

3. The issues which the Tribunal had to determine were:

- (i) the value of the freehold as at 12 July 1991, and
- (ii) the value of the leasehold interest as at 12 July 1991.

4. The relevant statutory provisions governing the valuation are contained in section 9(1A) of the Leasehold Reform Act 1967 as amended by the Housing Act 1974. The valuation has therefore to take the form of (i) the capitalisation of the ground rent and the freehold reversion, (ii) adding to the figure thus produced the marriage value of the two interests arrived at by deducting the valuation of the tenant's and reversioner's interests from the freehold vacant possession value.

5. A valuation prepared by Mr George Pope FRICS on behalf of the reversioner is attached to this decision as Appendix 1, and a valuation prepared by Mr Simon Marr-Johnson FRICS on behalf of the tenant is attached as Appendix 2. Mr Pope's suggested enfranchisement price was £375,500 and Mr Marr-Johnson's £283,000.

Decision

(i) The value of the freehold as at 12 July 1991

Evidence of the value of the freehold was given by Mr Pope on behalf of the reversioner and by Mr Brian D'Arcy Clark ARICS on behalf of the tenant.

Mr Pope suggested a value of £725,000. He based this principally on a report he had prepared for the Grosvenor Estate in December 1991 after inspecting the property on 27 September 1991. He had inspected it again on 6 January 1997 and his opinion was that the property, which was now empty, had deteriorated through being left unoccupied and unheated. He had considered a number of comparable properties in Eaton Terrace: Numbers 29, 34, 41, 44 and 61. Of these he believed Number 61 to be the most important, in that it was sold at the relevant date (May 1991) and was in a poor location next to a public house, which he considered to be worse than the location of Number 67

(next to a shop). Number 61 was a little smaller than Number 67 and was arranged over four floors. Upgrading its leasehold term in accordance with a schedule of settlements prepared for the Grosvenor and Cadogan Estates produced an estimated freehold value for Number 61 in July 1991 of £730,000.

Mr D'Arcy Clark's valuation of the freehold of Number 67 was £585,000. This he based partly on the recent marketing history, his firm having been involved in marketing both the freehold and existing leasehold interests in the property since July 1996. He said that the marketing history showed that £700,000 would be the highest offer that could reasonably be expected for the freehold today, which, indexed back to the valuation date in accordance with Savills Prime Central London Residential Property Index for houses, but adjusted to reflect the fact that No 67 had, because of its proximity to the shop, increased in value less than some other houses in Eaton Terrace, produced a figure of £583,333 at the valuation date. He too had considered a number of other houses in Eaton Terrace, the most relevant of which he considered to be Numbers 41, 44 and 61. Both he and Mr Pope agreed that Number 61 was the most helpful comparable. All the comparables relied on by both valuers (with the exception of Number 34) are listed in a schedule prepared by Mr D'Arcy Clark, a copy of which is attached to this decision as Appendix 3.

We inspected Number 67 internally and we were also able, with the consent of the parties and of its owner, to inspect internally Number 61, which is on the market. We also inspected externally all the properties in Eaton Terrace mentioned as possible comparables by Mr Pope or Mr D'Arcy Clark. In arriving at our valuation we were particularly assisted by the sale of the freehold of Number 41, a larger property than Number 67 and in a better location within the terrace. We were also assisted by the sale of the freehold of Number 44 and by the sale of the lease of Number 61. We concluded

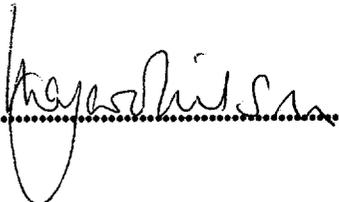
that the value of the freehold of Number 67 at the valuation date was £650,000.

(ii) The value of the leasehold interest as at 12 July 1991

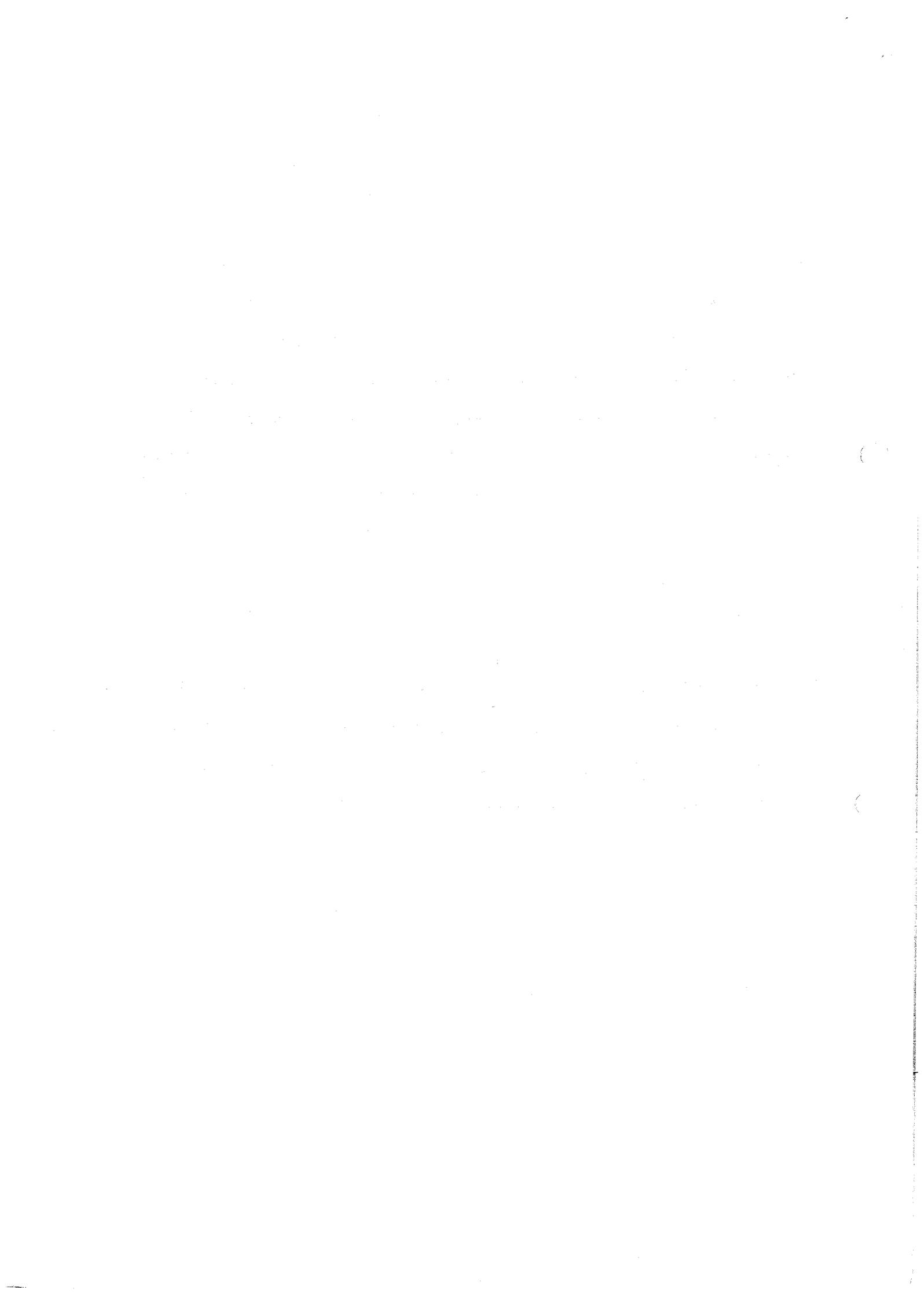
Both Mr Pope and Mr Marr-Johnson derived their valuations of the lease by applying a percentage to the freehold value. Mr Pope suggested that 33 per cent was the appropriate percentage, bearing in mind the length of the unexpired term and the nominal fixed ground rent, which produced a figure of £240,000. He based this figure on the analysis of settlements on the Grosvenor and Cadogan Estates referred to above. Mr Marr-Johnson suggested 40 per cent, based on his experience, which produced a figure of £234,000. Based on our experience we concluded that 37 per cent was the appropriate percentage, which produced a figure of £240,000.

(iii) Decision

Therefore, on the basis of the arguments, the evidence and our inspection, we determine the price payable by the tenant for the freehold in possession of 67 Eaton Terrace to be £324,300 (three hundred and twenty four thousand, three hundred pounds), as set out in our valuation which is attached to this decision as Appendix 4.

CHAIRMAN.....

DATE..... 3 March 1997.



LEASEHOLD REFORM ACT 1967 AS AMENDED

Property: 67 Eaton Terrace, SW1

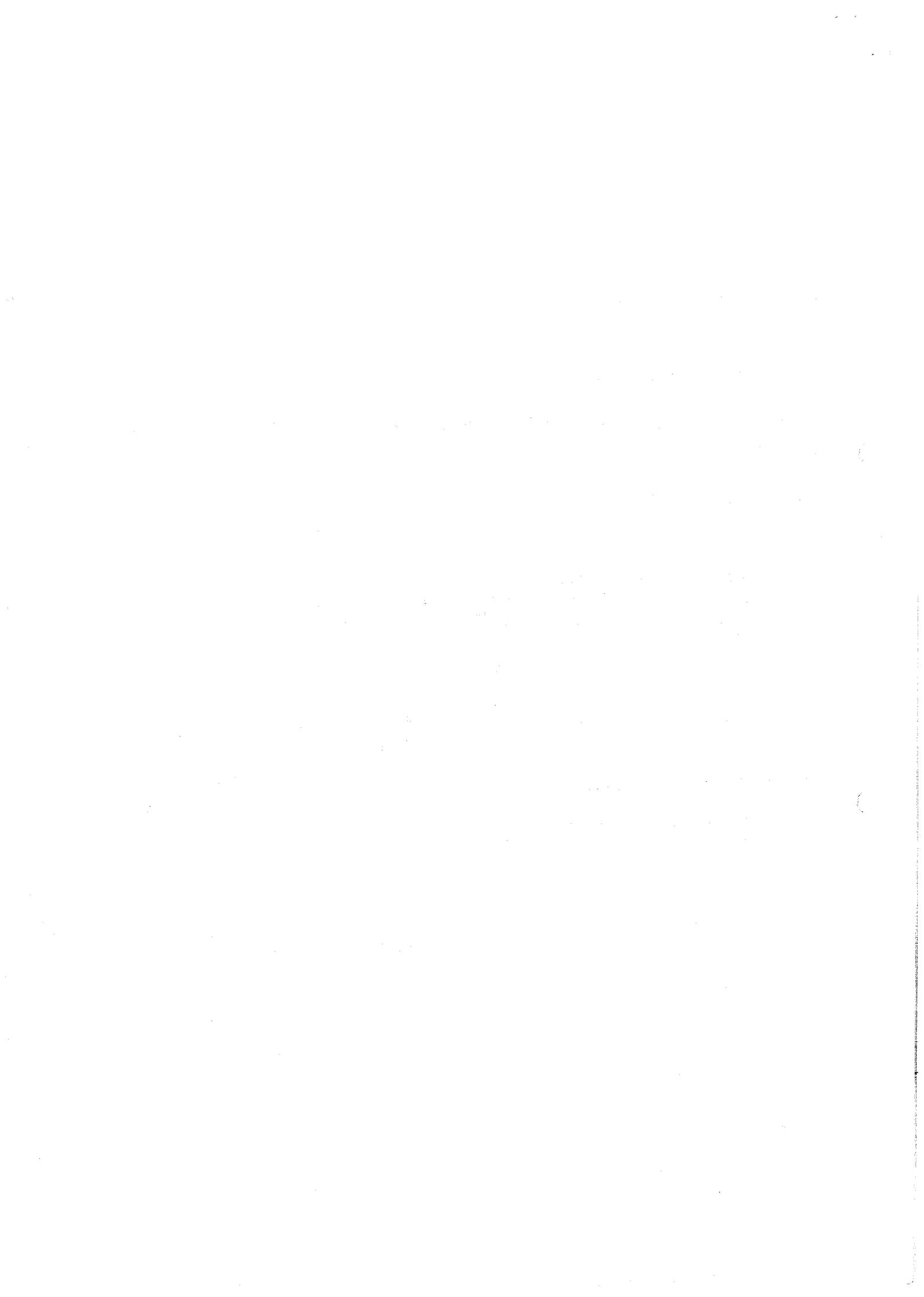
File No: MH7825

Date of claim: 12th July 1991

Unexpired term of lease: 17¼ years

VALUATION IN ACCORDANCE WITH SECTION 9(1A) OF THE LEASEHOLD REFORM ACT 1967

<u>Valuation of lessor's interest exclusive of marriage value</u>	£	£	£
For remainder of term -			
Ground rent currently payable	64		
Years purchase for 17 ¼ years @ 5 ½ %	<u>10.96</u>	<u>701</u>	
For reversion to:			
Value of freehold interest with vacant possession	725,000		
Deferred 17 ¼ years @ 6%	<u>0.366</u>	<u>265,350</u>	<u>266,051</u>
<u>Add lessor's share of marriage value</u>			
Value of freehold interest with vacant possession (cf John D Wood & Co's figure of £725,000)		725,000	
<u>Less</u>			
Value of lessor's interest exclusive of marriage value	266,051		
Value of lessee's interest exclusive of marriage value (c.f John D Wood & Co's figure of £240,000)	240,000	<u>506,051</u>	
Gain on marriage		218,949	
Divided 50%			<u>109,474</u>
Enfranchisement price			375,525
		Say	<u>375,500</u>



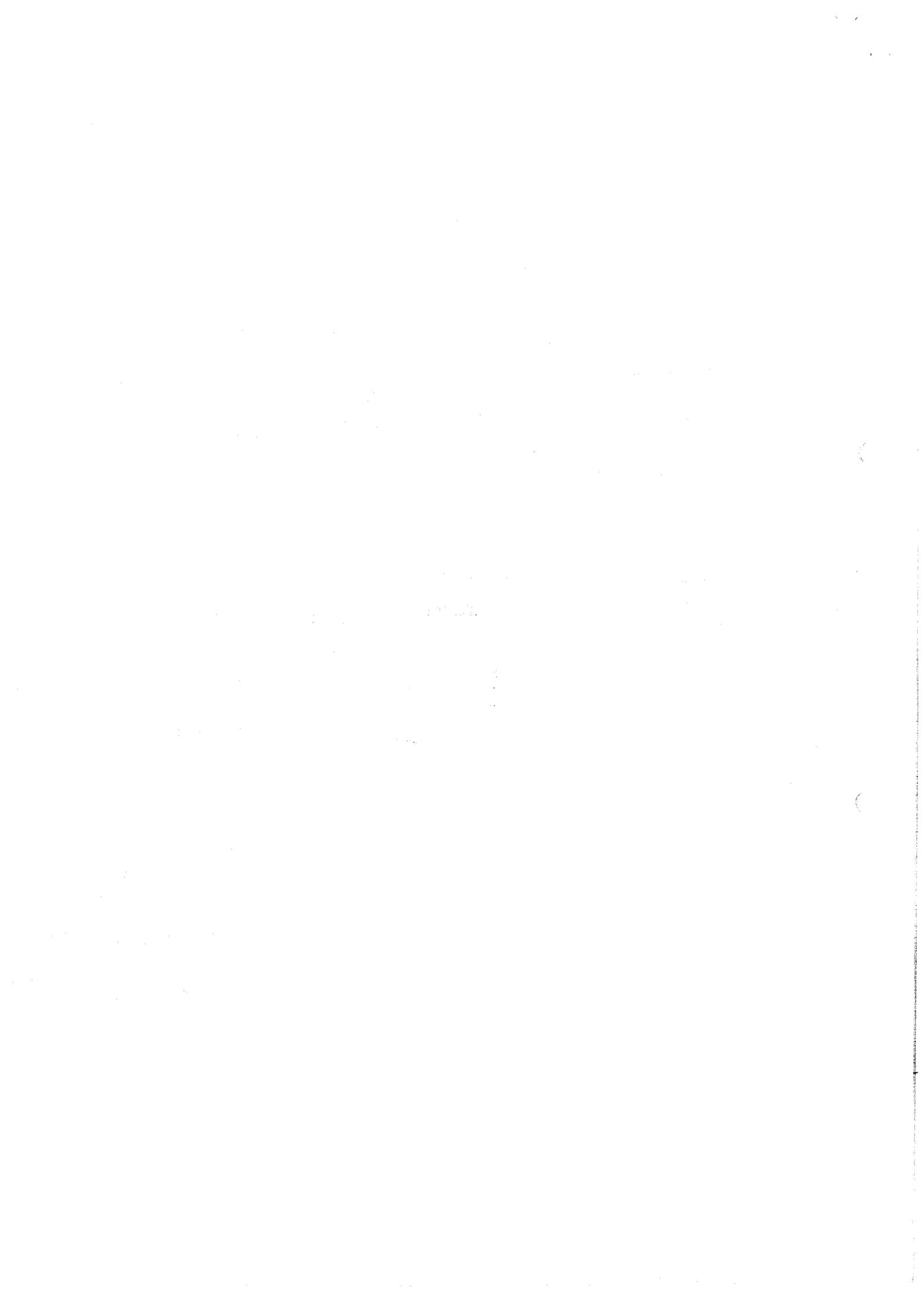
Christer Mattson Esq**Leasehold Reform Acts 1967 & 1993****67 Eaton Terrace, London SW1**

<u>Freehold Valuation as at</u>	1991 claim	2008 expiry AD	
Ground rent per annum:			£64
Years' purchase for: 17.25 years at	5.5%		<u>10.96190</u>
			£702
Reversion to unimproved value, freehold with vacant possession			£585,000
Present value of £1 after: 17.25 years at	6.0%	<u>0.365994</u>	
			<u>£214,106</u>
Open market value of landlords' interest			£214,808

Marriage Calculation

Freehold as above		£585,000	
less freeholders' interest	£214,808		
and lessee's interest @ 40%	<u>£234,000</u>		
(ignoring the right to claim)		<u>£448,808</u>	
Total marriage value		£136,192	
Landlords' share @ 50%		<u>0.5</u>	
			<u>£68,096</u>
Enfranchisement price exclusive of costs			<u>£282,904</u>

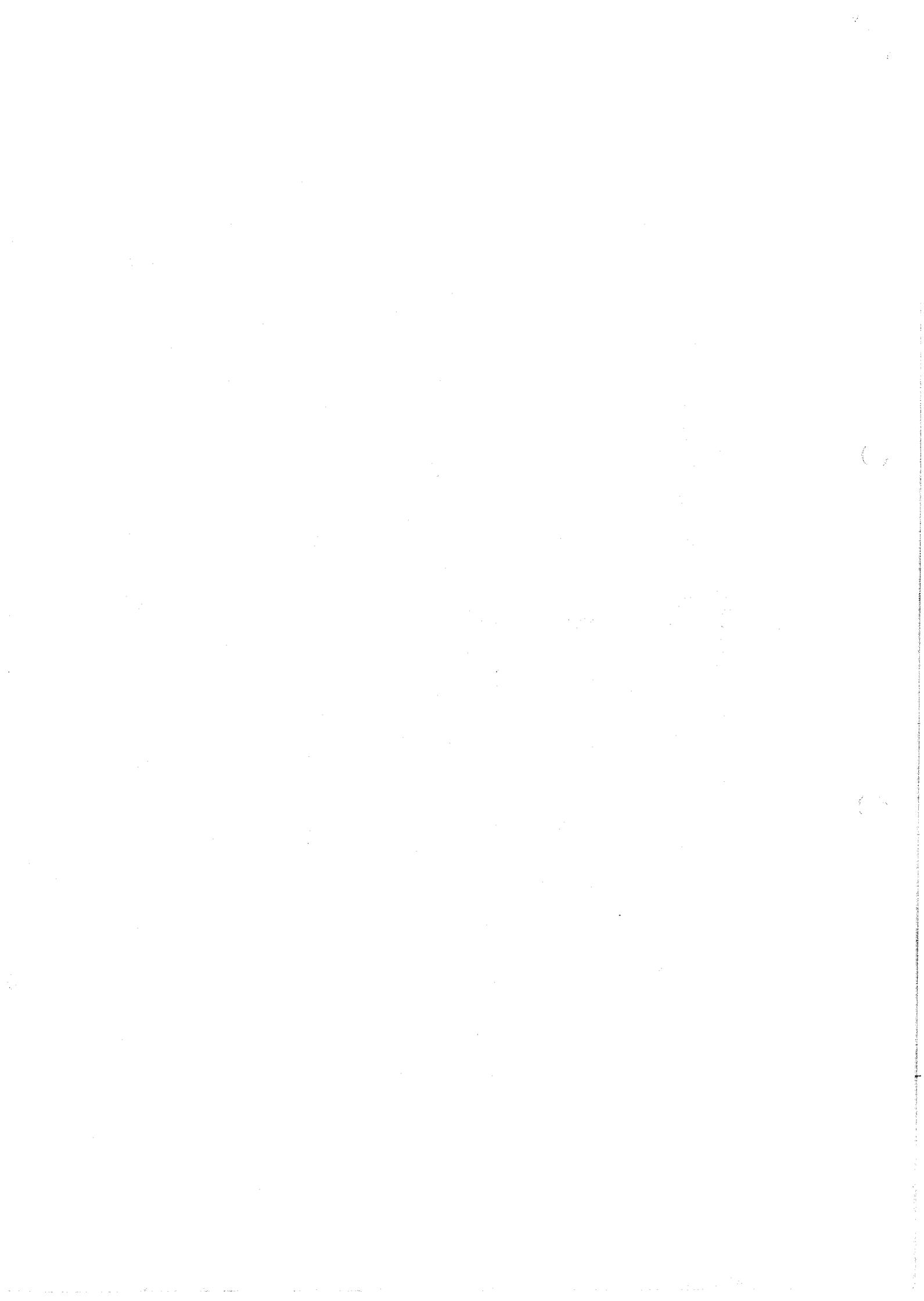
C S R Marr-Johnson**7th January 1997**



SECTION 5

Comparable Evidence - Eaton Terrace, London SW1

Address	Tenure	Price	Date Sold	Floor Area	Price/psf	Condition/Comments
29 Eaton Terrace	LH - 44 years	£576,000	June 1992	-	-	Prime Position on same side, 5 full floors, 60 yards from Cliveden Place, not LRA enfranchiseable, 44 years U.T. in May 1992. No Garage.
35 Eaton Terrace	LH - 51 years	£700,000	July 1990	2,870 sq ft	£244.00	Much bigger, unmodernised, poor condition, £700,000 for 51 years U.T. backs onto mews. Better position.
41 Eaton Terrace	FH	£660,000	Autumn 1992	-	-	Well presented, but tired. Re-wire and re-roof needed.
44 Eaton Terrace	FH	£730,000	August 1991	2,500 sq ft	£292.00	Very good condition. Larger third floor, July 1991. Four bedrooms. No garden but small terrace, better position - 1 bedroom self contained flat.
61 Eaton Terrace	LH - 45 years	£510,000	May 1991	1,900 sq ft	£268.00	Adjacent PH, close in location, 50 years U.T. in May 1991. No third floor, garden. Not LRA - poor layout. Good condition.
66 Eaton Terrace	LH - 49 years	£650,000	April 1990	-	-	Good condition. Larger third floor, 55 years U.T. in April 1990, not LRA opp. 67.
76 Eaton Terrace	LH - 45 years	£395,000	March 1991	-	-	High ground rent.



67 EATON TERRACE, LONDON SW1**Valuation in accordance with Section 9(1A) of the Leasehold Reform Act 1967****Value of freehold**

<u>Term</u>	<u>£</u>	<u>£</u>	<u>£</u>
Current ground rent p.a.		64	
YP 17.25 years at 5.5%		<u>10.96</u>	701

Reversion

Vacant possession value		650,000	
Deferred 17.25 years at 6%		<u>0.366</u>	<u>237,900</u>

Value of freehold at valuation date

238,601

Marriage value

Vacant possession value		650,000	
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Less

Value of freehold (as above)	238,601		
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Value of lessee's interest	<u>240,000</u>	<u>478,601</u>	
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Marriage value		171,399	
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Freeholder's share of marriage value at 50%85,699**ENFRANCHISEMENT PRICE**324,300