



**FIRST-TIER TRIBUNAL  
PROPERTY CHAMBER  
(RESIDENTIAL PROPERTY)**

**Case Reference** : **LON/00AY/OCE/2015/0303**

**Property** : **83 Durban Road, London SE27 9RW**

**Applicants** : **Ms Sarah Elizabeth Balmforth (1)  
Mr James Michael Balmforth (2)**

**Representative** : **Mr Robert Marchant MRICS**

**Respondent** : **Nabcot Properties Limited**

**Representative** : **Mr James Christopher Gibb MRICS**

**Type of Application** : **Section 24 of the Leasehold Reform,  
Housing and Urban Development Act  
1993**

**Tribunal Members** : **Mr Jeremy Donegan (Tribunal Judge)  
Mr Duncan Jagger FRICS (Valuer  
Member)**

**Date and venue of  
Hearing** : **5 July 2016  
10 Alfred Place, London WC1E 7LR**

**Date of Decision** : **26 August 2016**

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**DECISION**

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## **Decisions of the tribunal**

- (1) The tribunal determines the price payable for the freehold of 83 Durban Road, West Norwood, London SE27 9RW ('the Property'), pursuant to section 24(1) and schedule 6 of the Leasehold Reform, Housing and Urban Development Act 1993 ('the 1993 Act') is £45,354 (forty-five thousand, three hundred and fifty-four pounds), as set out in the attached schedule.**

## **The background**

1. The Respondent is the freeholder of the Property, which is a two-storey end of terrace house that has been converted into two flats. Flat 1 is on the ground floor and Flat 2 is on the First Floor. The current leaseholder of both flats is Geraldine Elizabeth Balmforth ('Mrs Balmforth').
2. On 28 April 2015 Mrs Balmforth served an initial notice on the Respondent pursuant to section 13 of the 1993 Act, exercising her right to buy the freehold of the Property. This named the Applicants as the nominee purchaser and proposed a purchase price of £31,100 for the freehold interest in the "*specified premises*".
3. The tribunal assumes that the Applicants are related to Mrs Balmforth, given that they share the same surname.
4. On 10 June 2015 the Respondent served a counter-notice admitting the enfranchisement claim but proposing a purchase price of £64,000 for the freehold interest in the specified premises.

## **The application**

5. On 01 November 2015 the Applicants submitted an application to the tribunal to determine the terms of acquisition of the freehold.
6. Directions were issued on 21 March 2016. Paragraph 1 provided that any application to determine the Respondent's costs was stayed. There has been no application to lift the stay. Accordingly the tribunal is not required to determine the Respondents' costs under section 33 of the 1993 Act. At the hearing, the advocates advised that the tribunal is not required to determine the terms of the transfer deed. It follows the tribunal is only determining the price payable for the freehold of the Property.

## **The hearing**

7. The application was heard on 05 July 2016. The Applicants were represented by Mr Marchant and the Respondent was represented by Mr Gibb.
8. Mr Marchant and Mr Gibb are both Members of the Royal Institution of Chartered Surveyors and gave expert valuation evidence to the tribunal. They also acted as the parties' advocates.
9. Mr Marchant works at Stapleton Long Chartered Surveyors in West Norwood and his experience is predominantly within the field of residential and commercial property valuation. He relied on a report dated 17 June 2016, in which he valued the freehold at £41,842.
10. Mr Gibb has managed property for over 40 years and carries out valuations on a regular basis in the Southend area and Greater London. He relied on a report dated 10 June 2016, which valued the freehold at £58,500.
11. The tribunal members were supplied with a paginated hearing bundle, which included copies of the application, directions, Initial Notice, Counter-Notice, Land Registry entries, the original leases, a draft transfer deed, relevant correspondence and the experts' reports. A joint statement of issues and addendum were appended to Mr Marchant's report.

## **The leases**

12. The original lease of Flat 1 was granted by the Respondent to Anthony William Spicer and Maureen Hester Spicer on 11 April 1974, for a term of 99 years from 25 March 1974. This lease was extended by way of a lease dated 24 July 2000, granted by Respondent to Christine Anne Lofty. The hearing bundle did not include a copy of the 2000 lease but the Land Registry entries reveal that the term is 125 years from 25 March 1974.
13. The lease of Flat 2 was granted by the Respondent to Thomas William Weller and Audrey Jean Weller on 04 July 1974, for a term of 99 years from 25 March 1974. This lease has not been extended.
14. Clause 1 of the lease for Flat 2 provides:
  1. *The Landlords hereby demise unto the Tenants ALL THAT the first floor flat and to be known as Flat 2 in the property known as 83 Durban Road aforesaid TOGETHER WITH the front garden (hereinafter called "the demised premises" as the same*

*are for identification only edged blue and in part hatched blue on the plan attached hereto TOGETHER ALSO WITH*

- (i) The right to the free passage and running of water gas electricity and soil from and to the demised premises through the pipes wires and drains in under and upon the Lower Flat as now enjoyed.*
- (ii) All rights of support and protection easements and similar rights as now enjoyed by the demised premises.*

*TO HOLD the same unto the Tenants from the Twenty Fifth day of March One thousand nine hundred and seventy four for a term of ninety nine years paying therefor during the said term the yearly rent of TWENTY FIVE POUNDS for the first thirty three years hereby granted FIFTY POUNDS for the next thirty three years and SEVENTY FIVE POUNDS for the remainder by equal half yearly instalments in advance on the 1<sup>st</sup> day of January and the 1<sup>st</sup> day of July in each year without any deduction the first of such payments or a proportion thereof to be made on the signing hereof but subject to the obligations and rights set out in Clause 2 hereof*

15. The lease plan shows Flat 2 on the first floor and the front garden. It does not show the loft space.

### **The issues**

16. The following matters were agreed by the valuation experts, as set out in the statement of issues and addendum appended to Mr Marchant's report:

- (i) Valuation date: 28 April 2015
- (ii) Capitalisation rate: 6%
- (iii) Capitalisation of ground rents

#### Flat 1

17.9 years @ £100 per annum

33 years @ £200 per annum (deferred 17.9 years)

33 years @ £400 per annum (deferred 50.9 years)

Flat 2

24.9 years @ 50 per annum

33 years @ £75 per annum (deferred 24.9 years)

(iv)	Deferment rate:	5%
(v)	Long lease value of flats	
	Flat 1	£352,500
	Flat 2	£312,500

17. As at the valuation date the unexpired term of Flat 1 was 83.9 years and the unexpired term of Flat 2 was 57.9 years.
18. Given that the long lease value of the flats had been agreed, the tribunal decided that an inspection of the Property was unnecessary. The only issues in dispute are development value and relativity. The claim for development value relates to the loft space above Flat 2.
19. Having heard evidence and submissions from the parties and considered all of the documents provided, the tribunal has made determinations on the outstanding issues as follows.

**Development value**

20. Mr Marchant's starting point was that that the loft space is demised with Flat 2. If this is the case then the Respondent is not entitled to compensation for loss of development value as it does not have a current interest in the space. Rather it only has a reversionary interest.
21. Mr Gibb argued that the loft space is not demised and the Respondent should be compensated for the loss of development value. If the freehold was sold on the open market then the Respondent would be looking for an additional sum as payment for the potential to extend Flat 2 into this space.
22. At the start of the hearing, the tribunal pointed out the loft space is not referred to in the definition of the demised premises at clause 1 of the Flat 2 lease or in the lease plan. Based on the lease, the loft space is not demised with this flat.
23. In his report Mr Marchant submitted that the loft space was demised by virtue of section 62 of the Law of Property Act 1925 ('the 1925 Act'),

as there is no contra-indication in the lease and the sole means of access is via the loft hatch in Flat 2. However there was no evidence that the original leaseholders had used the loft space, or even occupied this flat, prior to the grant of the lease. The tribunal made it clear that it could not consider section 62 rights without such evidence and detailed legal submissions.

24. The tribunal finds, as a preliminary issue that the loft space is NOT demised with Flat 2. It informed the advocates of this finding at the hearing. It then granted a short adjournment to give the advocates an opportunity to discuss the outstanding valuation issues and to see if terms could be agreed. Unfortunately this discussion did not prove fruitful and the tribunal the proceeded with the hearing.
25. Mr Marchant's fall-back position was that the loft space has no development value, as the cost of extending into this space would exceed the consequential increase in the value of Flat 2. He relied on the sale of 85B Durban Road, which is a first and second floor flat in the adjacent property. This flat has been extended into the loft space and comes with a share of the freehold. It sold for £375,000 on 22 October 2015. After adjusting for time, the virtual freehold value on the valuation date was £334,971. This is only £22,471 more than the agreed value of Flat 2 (£312,500).
26. Mr Marchant has obtained an estimate from PH Building Services Limited for undertaking a loft extension for Flat 2. This was for a sum of £35,000 plus VAT (total £42,000). A copy of the estimate, dated 16 June 2016, was appended to Mr Marchant's report. He contended that in addition to build costs there would be other overheads, such as the cost of obtaining planning permission and the provision of services. This means that the cost of extending into the loft space would far exceed the uplift in the flat's value.
27. Mr Gibb had also obtained an estimate for the loft extension, which was exhibited to his report. This was from Mr Kevin Neacy and was dated 19 May 2016. Mr Neacy provided two figures; £29,000 for "*a basic finish*" and £32,000 for "*a higher grade finish*". Both figures were expressed to be "*inclusive*". Mr Neacy's notepaper did not give a VAT registration number, which suggests he is not VAT registered. Presumably the use of the word "*inclusive*" means that estimated figures include all overheads.
28. Mr Gibb also relied on the sale of 85B Durban Road in October 2015. He used the sale price of £375,000 and deducted the agreed value of Flat 2 (£312,500). He then deducted the cost of the extension, based on Mr Neacy's estimates, which would leave a profit in excess of £30,000. Mr Gibb accepted there should be some adjustment for time but argued that this was cancelled out by the superior features of Flat 2, which is in an end of terrace property, has a balcony and its own entrance. His

opinion is that 83 Durban Road, without a loft extension, would be worth substantially less than Flat 2. However he did not put a figure on the difference in values.

29. In his report, Mr Gibb stated "*Loft conversion and extension in this area is now very common with 60% of this terrace having already been extended*". He outlined the various financial benefits of loft extensions, relative to moving property, including savings in professional fees, stamp duty and removal costs.
30. Mr Gibb also referred to the potential to extend the ground floor flat into the rear garden. He adopted a figure of £10,000 for development hope value, which was primarily based on the likelihood of a loft conversion for Flat 2 and the profit that could be generated by such an extension.
31. In cross-examination, Mr Gibb acknowledged that he had not inspected the loft at the Property. However he made the point that flat at 85B Durban Street had been extended into its loft. The two loft spaces are very similar in size, as they are in adjacent houses in the same terrace. Mr Gibb accepted that there are six houses in the terrace and that three had loft extensions. This means that 50%, rather than 60%, have extensions.
32. Mr Gibb accepted that the loft space is not big enough to build a separate flat. Rather it is only suitable for a loft extension for Flat 2. Mr Gibb also acknowledged that Mr Neary had not inspected the Property, prior to providing his estimate.

### **The tribunal's decision**

33. **The tribunal determines that the sum to be paid for development value is £2,668 (two thousand, six hundred and sixty-eight pounds).**

### **Reasons for the tribunal's decision**

34. The tribunal has already found that the loft space is not demised with Flat 2. The Applicants have not established any section 62 rights, which means the Respondent could sell the space on the open market but for the enfranchisement claim. The most likely buyer would be the leaseholder of Flat 2 but the space would also be of interest to investors, looking to profit by selling to Flat 2 in the future.
35. The tribunal concluded that development value is payable under both paragraphs 3 and 4 of schedule 6 to the 1993 Act. Clearly it should only be paid once, to avoid double counting. The development value of the loft space affects the amount which the Respondent's interest would

realise on the open market. Furthermore, once the freehold has been acquired there is the prospect of Mrs Balmforth increasing the value of Flat 2 by extending into the loft space.

36. The price that Mrs Balmforth would be willing to pay for the loft space is to be disregarded when valuing the Respondent's interest under paragraph 3, as she is the leaseholder of both flats [see paragraph 3(1A)(b)]. Rather the tribunal looked at the value that an investor would pay.
37. When valuing the loft space under paragraph 4, it is appropriate to look at the profit that could be generated by extending Flat 2 and then adjusting this figure to reflect the likelihood of an extension.
38. The tribunal's starting point was to consider the sale price of 85B Durban Street, which is a very useful comparable. The tribunal accepts that Flat 2 is superior, being in an end of terrace property and having a balcony and its own entrance. Doing the best it can on the limited evidence available, the tribunal concluded that Flat 2, with a comparable loft extension, would have been worth £20,000 more than 85B on the sale date of 22 October 2015. This would give a value of £395,000, which adjusted for time equates to £352,835 at the valuation date. This means that the increase in value arising from a loft extension would be £40,335 (£352,835 less the agreed value of £312,500).
39. The tribunal then considered the cost of the loft extension. Having regard to the estimates obtained by the experts and its own knowledge and expertise, the tribunal adopted a figure of £35,000 (including all overheads). Deducting this figure from £40,335 would give a profit of £5,335. This is the profit that Mrs Balmforth could have made from a loft extension, at the valuation date.
40. This figure of £5,335 needs to be adjusted under paragraph 3. An investor would pay less than this sum, as he/she would be looking to profit by selling on to Mrs Balmforth or her successor. The figure also needs to be adjusted under paragraph 4, as the loft extension is a hope rather than a certainty. There was no evidence of Mrs Balmforth's ability to fund such an extension or her future plans for the flat. The tribunal noted that 50% of the properties in the terrace have been extended. It concluded that reduction of 50% was appropriate under both paragraphs 3 and 4, which reduces the development value to £2,667.50. The tribunal rounded this figure up to £2,668.

### **Relativity**

41. Relativity is not an issue for Flat 1, where the unexpired term on the valuation date was 83.9 years. However it does arise for Flat 2, where the unexpired term was 57.9 years.



42. Mr Marchant based his relativity rate on the graphs for Greater London and England at section 2 of the RICS research report "*Leasehold Reform: Graphs of Relativity*", published in October 2009. Copies of these graphs were appended to his report. The indicative rates for a term of 57.9 years are:

Andrew Pridell Associates Limited	84.53%
Beckett and Kay	82.58%
Nesbitt and Co	81.74%
Austin Gray	83.28%
South East Leasehold	87.90%

43. The mean average of these five rates is 84.00%. If you disregard the highest and lowest rates the average is 83.46%. Mr Marchant chose to disregard the Beckett and Kay graph, which is based entirely on opinion and the Austin Gray graph, which primarily relates to Brighton and Hove, resulting in an average of 84.72%. This is the rate he used in his valuation, which is in line with settlements he has agreed elsewhere in West Norwood and the surrounding area.
44. Mr Gibb relied on the six graphs at section 1 of the RICS report, which concern properties in prime central London ('PCL'). The line of the Knight Frank graph, which includes some properties outside PCL, represents the approximate midpoint of all six graphs. Mr Gibb also relied on the Beckett and Kay 'Graph of Graphs' 2007. In his report he stated that the midway point of the graphs analysed by Beckett and Kay coincides with the Knight Frank graph (at 57.9 years), resulting in a relativity rate of 80.45%. However he did not include copies of those graphs.
45. Appended to Mr Gibb's report was his commentary on various relativity graphs, including all of those in the RICS report. His opinion is there should be no difference in relativity between PCL and the rest of the country. The difference in property values should not affect relativity. Mr Gibb believes the decision to make a geographical distinction in the report was prompted by a refusal of central London surveyors to accept graphs for other parts of the country. This is not an RICS endorsed approach.
46. Mr Gibb considers the section 1 graphs to be superior to those in section 2 of the RICS report, as they are based on more extensive and rigorous research. He even went as far as to say that the section 2 graphs were "*wrong*", "*unreliable*" and had been "*compiled incorrectly*".

47. Mr Gibb considers that the property market has changed since the RICS report was published and the “*relativity gap*” has increased. Appended to his report was an extract from the Council of Mortgage Lenders (‘CML’) lender’s handbook, taken from the CML website on 26 October 2015. This gave details of the minimum unexpired lease term required by various different lenders. Mr Gibb submitted that lenders’ requirements had increased in recent years. This will have a negative impact on the value of flats with short leases. It will also affect those with terms above the minimum requirements, as buyers will take account of their ability to sell or remortgage the flats in the future.
48. Unfortunately, Mr Gibb did not provide any evidence of minimum unexpired term requirements from earlier editions of the CML handbook. This means the tribunal was unable to check his assertion that minimum terms have increased in recent years.
49. Mr Gibb relied on a previous decision of the First-tier Tribunal (‘FtT’) for **136-138, 138a & 140 Station Road, Westcliff-on-Sea CAM/00KF/OCE/2014/0006**, dated 04 September 2014. He also appeared for the freeholder in that case, where the tribunal accepted very similar submissions on relativity. At paragraph 29 it concluded:
- “It seems clear to this Tribunal that the attitude of lenders will continue because one of the reasons for the market disruption was lenders lending without adequate security. This means that the percentage rates in the graphs must now start to be lowered to reflect what is likely to be a permanent increase in unexpired terms upon which lenders will rely. In essence, the Tribunal is persuaded by Mr Gibb’s analysis and adopts his figures.”*
50. In cross-examination, Mr Gibb accepted that the Beckett and Kay Graph of Graphs had been revised since 2007. He also accepted that the line of the Knight Frank graph did not represent a mean average of the other graphs at section 2 of the RICS report. Rather it represents an approximate midway point.
51. Mr Gibb was also questioned on the differences in the property market for PCL and the rest of the country. In his opinion, “*they are not totally different*”. However he acknowledged that he rarely undertakes valuations in PCL.

### **The tribunal’s decision**

52. **The tribunal determines that the appropriate relativity is 84.18 %.**

## Reasons for the tribunal's decision

53. Mr Gibb was wrong to discount the graphs in section 2 of the RICS report. All of the graphs have been subject to criticism, including those in section 1. However they have each been based on extensive research and should only be disregarded if there are good reasons to do so.
54. The tribunal agrees with Mr Marchant. PCL has a very different property market to the rest of the country, with much greater demand (including overseas buyers) and higher prices. There is a large number of high value leasehold flats and many flats with short leases. Further the proportion of buyers requiring mortgages is much lower. These factors all affect the demand for lease extensions and the premiums paid.
55. The tribunal preferred Mr Marchant's approach to relativity. This should be based on the graphs in section 2, as the Property is in Greater London. The tribunal accepts the Austin Gray graph should be disregarded, as it is primarily based on transactions in Brighton and Hove. However it does not accept that the Beckett and Kay graph should be excluded. Although it is based on opinion, it still has its merits.
56. The mean average of the section 2 relativity figures, excluding Austin Gray, is 84.18%. The tribunal then considered whether to adjust this rate in the light of changes in the mortgage market since the RICS report was published. It accepts that lending criteria and loan to value ratios have tightened since the 'credit crunch', based on the members' professional knowledge and experience. However there was no evidence or analysis of any impact this has had on relativity. Further there was no evidence that lenders' requirements for unexpired terms have increased since October 2009. In the absence of such evidence, the tribunal is unwilling to adjust the rate of 84.18%.
57. The tribunal is not bound by the FtT decision in **136-138, 138a & 140 Station Road, Westcliff-on-Sea** and does not consider it appropriate to follow that decision.

## Summary

58. **Having determined the development value at £2,668 and the relativity at 84.18%, the tribunal determines that the price payable for the freehold on the valuation date is £45,354, as set out in the attached schedule.**

**Name:** Tribunal Judge Donegan **Date:** 26 August 2016

## **ANNEX - RIGHTS OF APPEAL**

1. If a party wishes to appeal this decision to the Upper Tribunal (Lands Chamber) then a written application for permission must be made to the First-tier Tribunal at the Regional office which has been dealing with the case.
2. The application for permission to appeal must arrive at the Regional office within 28 days after the Tribunal sends written reasons for the decision to the person making the application.
3. If the application is not made within the 28 day time limit, such application must include a request for an extension of time and the reason for not complying with the 28 day time limit; the Tribunal will then look at such reason(s) and decide whether to allow the application for permission to appeal to proceed despite not being within the time limit.
4. The application for permission to appeal must identify the decision of the Tribunal to which it relates (i.e. give the date, the property and the case number), state the grounds of appeal, and state the result the party making the application is seeking.

## **Appendix of relevant legislation**

### **Law of Property Act 1925**

#### **Section 62**

- (1) A conveyance of land shall be deemed to include and shall by virtue of this Act operate to convey, with the land, all buildings, erections, fixtures, commons, hedges, ditches, fences, ways, waters, water-courses, liberties, privileges, easements, rights, and advantages whatsoever, appertaining or reputed to appertain to the land, or any part thereof, or, at the time of conveyance, demised, occupied, or enjoyed with, or reputed or known as part or parcel of or appurtenant to the land or any part thereof.
- (2) A conveyance of land, having houses or other buildings thereon, shall be deemed to include and shall by virtue of this Act operate to convey, with the land, houses, or other buildings, all outhouses, erections, fixtures, cellars, areas, courts, courtyards, cisterns, sewers, gutters, drains, ways, passages, lights, watercourses, liberties, privileges, easements, rights, and advantages whatsoever, appertaining or reputed to appertain to the land, houses, or other buildings conveyed, or any of them, or any part thereof, or, at the time of conveyance, demised, occupied, or enjoyed with, or reputed or known as part or parcel of or appurtenant to, the land, houses, or other buildings conveyed, or any of them, or any part thereof.
- (3) A conveyance of a manor shall be deemed to include and shall by virtue of this Act operate to convey, with the manor, all pastures, feedings, wastes, warrens, commons, mines, minerals, quarries, furzes, trees, woods, underwoods, coppices, and the ground and soil thereof, fishings, fisheries, fowlings, courts leet, courts baron, and other courts, view of frankpledge and all that to view of frankpledge doth belong, mills, mulctures, customs, tolls, duties, reliefs, heriots, fines, sums of money, amerciaments, waifs, estrays, chief-rents, quitrents, rentscharge, rents seck, rents of assize, fee farm rents, services, royalties jurisdictions, franchises, liberties, privileges, easements, profits, advantages, rights, emoluments, and hereditaments whatsoever, to the manor appertaining or reputed to appertain, or, at the time of conveyance, demised, occupied, or enjoyed with the same, or reputed or known as part, parcel, or member thereof.

For the purposes of this subsection the right to compensation for manorial incidents on the extinguishment thereof shall be deemed to be a right appertaining to the manor.

- (4) This section applies only if and as far as a contrary intention is not expressed in the conveyance, and has effect subject to the terms of the conveyance and to the provisions therein contained.
- (5) This section shall not be construed as giving to any person a better title to any property, right, or thing in this section mentioned than the title which the conveyance gives to him to the land or manor expressed to be conveyed, or as conveying to him any property, right, or thing in this

section mentioned, further or otherwise than as the same could have been conveyed to him by the conveying parties.

- (6) This section applies to conveyances made after the thirty-first day of December, eighteen hundred and eighty-one.

**Leasehold Reform, Housing and Urban Development Act 1992 (as amended)**

**Schedule 6**

- 3 (1) Subject to the provisions of this paragraph, the value of the freeholder's interest in the specified premises is the amount which at the relevant date that interest might be expected to realise if sold on the open market by a willing seller (with [no person who falls within sub-paragraph (1A)] buying or seeking to buy) on the following assumptions –

- (a) on the assumption that the vendor is selling for an estate in fee simple –
  - (i) subject to any leases subject to which the freeholder's interest in the specified premises is to be acquired by the nominee purchaser, but
  - (ii) subject also to any intermediate or other leasehold interests in the premises which are to be acquired by the nominee purchaser
- (b) on the assumption that this Chapter and Chapter II confer no right to acquire any interest in the specified premises or to acquire any new lease (except that this shall not preclude the taking into account of a notice under section 42 with respect to a flat contained in the specified premises where it is given by a person other than a participating tenant);
- (c) on the assumption that any increase in the value of any flat held by a participating tenant which is attributable to any improvement carried out at his own expense by the tenant or by any predecessor it title is to be disregarded; and
- (d) on the assumption that (subject to paragraphs (a) and (b)) the vendor is selling with and subject to the rights and burdens with an subject to which the conveyance to the nominee purchaser of the freeholder's interest is to be made, and in particular with an subject to such permanent or extended rights and burdens as are to be created in order to give effect to Schedule 7

.....

- 4 (1) The marriage value is the amount referred to in sub-paragraph (2), and the freeholder's share of the marriage value is 50 per cent of that amount

(2) Subject to sub-paragraph 2A, the marriage value is any increase in the aggregate value of the freehold and every intermediate leasehold interest in the specified premises, when regarded as being (in consequence of their being acquired by the nominee purchaser) interests under the control of the participating tenants, as compared with the aggregate value of those interests when held by the persons from whom they are to be so acquired, being an increase in value –

- (a) which is attributable to the potential ability of participating tenants, once those interests have been so acquired, to have new leases granted to them without payment of any premium and without restriction as to length of term; and
- (b) which, if those interests were being sold to the nominee purchaser on the open market by willing sellers, the nominee purchaser would have to agree to share with the sellers in order to reach agreement as to price.

(2A) Where at the relevant date, the unexpired term of the lease held by any of those participating members exceeds eighty years, any increase in the value of the freehold or any intermediate leasehold interest in the specified premises which is attributable to his potential ability to have a new lease granted to him as mentioned in sub-paragraph (2)(a) is to be ignored.

(3) For the purposes of sub-paragraph (2) the value of the freehold or any intermediate leasehold interest in the specified premises when held by the person from whom it is to be acquired by the nominee purchaser and its value when acquired by the nominee purchaser –

- (a) shall be determined on the same basis as the value of the of the interest is determined for the purposes of paragraph 2(1)(a) or (as the case may be) paragraph 6(1)(b)(i); and
- (b) shall be so determined as at the relevant date.

(4) Accordingly, in so determining the value of an interest when acquired by the nominee purchaser –

- (a) the same assumptions shall be made under paragraph 3(1) (or, as the case may be, under paragraph 3(1) as applied by paragraph 7(1) as are to be made under that provision in determining the value of the interest when held by the person from whom it is to be acquired by the nominee purchaser; and
- (b) any merger or other circumstances affecting the interest on its acquisition by the nominee purchaser shall be disregarded.





**83 Durban Road, London SE27 9RW      SCHEDULE**  
**The Tribunal's Valuation**  
**In accordance with the Leasehold Reform, Housing and Urban Development Act 1993**  
**LON/OOAY/OCE/2015/0301**

**Ground Floor Flat**

**Components**

Valuation date:	28 <sup>th</sup> April 2015	
Deferment rate:	5%	
Capitalisation rate:	6%	
Freehold value:	£352,500	
Unexpired Term	83.9 years	
Ground rent currently receivable	£100	
Capitalised @ 6.0% for 17.9 years	10.793	£1,079
Rising to:	£200	
Capitalised @ 6.0% for 33 years	14.2302	
Deferred 17.9 years @ 6.0%	0.352	£1,003
Rising to:	£400	
Capitalised @ 6.0% for 33 years	14.2302	
Deferred 50.9 years @ 6.0%	0.0166	£293
Reversion to:	£352,500	
Deferred 83.9 years @ 5%	0.01668	<u>£5,880</u>
		<b>£8,255</b>

**First Floor Flat**

**Components**

Valuation date:	28 <sup>th</sup> April 2015	
Deferment rate:	5%	
Capitalisation rate:	6%	
Freehold value:	£312,500	
Unexpired Term	57.9 years	
Relativity	84.18	
Existing lease value	£263,062	
Ground rent currently receivable	£50	
Capitalised @ 6.0% for 24.9 years	12.760	£638
Rising to:	£200	
Capitalised @ 6.0% for 33 years	14.230	
Deferred 24.9 years @ 6%	0.234	£250
Reversion to:		
Deferred 57.9 years @ 5%	0.0593	<u>£18,535</u>
		<b>£19,423</b>

**Marriage Value**Value of Proposed Interests

Extended leasehold interest £312,500

Value of Existing Interests

Landlord's existing value £263,062  
Existing leasehold value £19,423 £282,485

Marriage value 30,015

Freeholders share @ 50% £15,008  
**£34,431**

Development value for loft space 2,668

**Premium payable to freeholder £45,354**