

# **LEASEHOLD ENFRANCHISEMENT VALUATION REPORT**

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

## **IN RESPECT OF RESIDENTIAL PREMISES KNOWN AS:**

74 Myrtledeane Road London SE2 0EU

## **RELEVANT DATE OF VALUATION**

13th of March 2018

## **DATE OF REPORT**

13th of March 2018

This is a desktop valuation based on client information, market data and the decisions of the First-tier Tribunal (Property Chamber), its predecessor the Leasehold Valuation Tribunal and related higher courts.

A chartered surveyor should be instructed to carry out a site visit with relevant investigations if in any doubt.

No liability can be accepted for under or over valuations.

## VALUATION SUMMARY

**Relevant Valuation Date:** 13th of March 2018

**Participating Flats:** 2

**Value of Common Parts:** **£500.00**

### Flat A

Participating in Freehold Purchase: Yes

*Annual ground rent of £200.00 rising to £600.00 capitalised at 6%*

Value of Capitalised Ground Rent: £6,942.00

*Unimproved freehold value of £220,000 deferred 65 years 10.7 months at 5%*

Value of Reversion: £8,835.91

*Existing lease value of £185,966 based on a relativity of 84.53%*

Marriage Value Payable: £9,128.05

**Freehold Share Value: £24,905.96**

### Flat B

Participating in Freehold Purchase: Yes

*Annual ground rent of £100.00 rising to £1,600.00 capitalised at 6%*

Value of Capitalised Ground Rent: £5,192.60

*Unimproved freehold value of £240,000 deferred 92 years 10.7 months at 5%*

Value of Reversion: £2,581.84

**Freehold Share Value: £7,774.44**

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**Total Estimated Premium: £33,180**

## **1. ADDRESS OF PROPERTY**

74 Myrtledeane Road London SE2 0EU.

## **2. DATE OF VALUATION**

The relevant date for valuation is 13th of March 2018.

## **3. INSTRUCTIONS**

We refer to instructions provided 13th of March 2018 to prepare a desktop opinion of the value of the premium payable under the Leasehold Reform, Housing and Urban Development Act 1993 (as amended) in connection with the leasehold enfranchisement of the above property.

## **4. PROPERTY MARKET VALUES**

When assessing the market value of a property with existing lease for the purposes of valuation under the Leasehold Reform, Housing and Urban Development Act 1993 (LRHUDA 1993, "the Act"), the property must be valued as if the rights to freehold purchase or lease extension do not exist (the "no Act world").

Flat A is estimated to have an unimproved freehold value of £220,000 (discounting for qualifying leaseholder improvement works to the value of £5,000). The market value with existing lease is estimated at £185,966 based on a relativity of 84.53%. This takes into account an LRHUDA 1993 Act rights discount in the region of £6,645 providing an approximate real-world value with existing lease of £192,611.

Flat B is estimated to have an unimproved freehold value of £240,000 (discounting for qualifying leaseholder improvement works to the value of £10,000). The market value with existing lease is estimated at £232,800 based on a relativity of 97%. The value of Act rights is considered negligible.

## **5. RELATIVITY**

Relativity is defined as the existing lease value of the property as a percentage of the unimproved freehold value, taking into account any discount due for LRHUDA 1993 Act rights.

Flat A is estimated to have a relativity of 84.53% based on a remaining lease term of 65 years 10.7 months. This value was derived from historical relativity data. The following relativity curves were considered for this valuation: Gerald Eve 1996 / Savills 2002 - 84.53%.

Flat B is estimated to have a relativity of 97% based on a remaining lease term of 92 years 10.7 months. This value was derived from historical relativity data. The following relativity curves were considered for this valuation: Gerald Eve 1996 / Savills 2002 - 97%.

## **6. MARRIAGE AND HOPE VALUE**

Under current legislation, once a long-lease has less than 80 years to run, the increase in property value gained by the leaseholders as a result of freehold purchase must be split with the current freehold owner. This additional payment is known as "Marriage Value". During statutory freehold purchase, Marriage Value is paid only for the participating flats.

Freeholders have argued, however, that the likelihood of non-participating flats seeking lease extensions in the future gives the freehold an additional "Hope Value".

Hope Value is often assessed as being half the landlord's share of the Marriage Value which would have applied had the relevant flat participated in the freehold purchase, but may vary from this figure depending on specific circumstances. The cost of the Hope Value for non-participating flats is split equally between the participating flats.

Flat A has a remaining lease term of 65 years 10.7 months. Marriage Value due in respect of this flat is estimated at £9,128.

Flat B has a remaining lease term of 92 years 10.7 months. No Marriage Value is due in respect of this flat.

## **7. FREEHOLD REVERSION - DEFERMENT RATE**

A "Deferment Rate" may be defined as "the rate of return that is used to defer or "discount" a future value to arrive at the present value". In this context the rate is used to assess the reversionary value of the freehold asset.

A Deferment Rate of 5% was adopted following Earl Cadogan and Cadogan Estates Limited v Sportelli and others [2007] 1 EGLR 153.

## **8. GROUND RENT CAPITALISATION RATE**

Ground rents are a low risk investment and the ground rent market has undergone considerable change in recent years as a result of the strong investment characteristics and the predictable inflation hedge provided through a secure, defined income stream. These investments are now benchmarked against gilts and bonds.

The ground rent was capitalised at 6% based upon the level of rent, degree of inflation adjustment and/or property location.

## **9. COMMON PARTS**

During freehold purchase leaseholders generally have the right to acquire any property not demised under the leases which is used in common by the leaseholders. In this instance common parts have been valued at £500.00.

## **10. DEVELOPMENT VALUE**

The freeholder has a right to share in the value of any potential developments which may arise by virtue of the acquisition of common parts by the leaseholders. The freeholder may argue for a portion of the "development value" - the projected increase in value to the property less development costs. The most common examples of relevant developments include loft and cellar conversions but may also include construction of new dwellings.

No development value is considered to be due in respect of this freehold.

**FLAT A**  
**74 MYRTLEDENE ROAD LONDON SE2 0EU**

**DATE**

Relevant valuation date: 13th of March 2018

**PARTICIPATION**

Participating in Freehold Purchase: Yes

**LEASE TERMS**

Lease start date: 1 February 1985  
Lease term: 99 years  
Unexpired term: 65 years 10.7 months

**PROPERTY MARKET VALUES**

Qualifying leaseholder improvement works: £5,000  
Unimproved freehold value: £220,000  
Relativity: 84.53%  
No Act world existing lease value: £185,966.00  
Value of LRHUDA 1993 Act rights: £6,645.00  
Real-world existing lease value: £192,611.00

**GROUND RENT TERM**

Capitalisation rate: 6%

Ground rent term 1: £200.00  
x 0 (Years Purchase for 0 years at 6%) £0.00

Ground rent term 2: £400.00  
x 14.2146216 (Years Purchase for 32.89 years at 6%)  
x 1 (Present Value £1 deferred for 0 years at 6%) £5,685.85

Ground rent term 3: £600.00  
x 14.2302296 (Years Purchase for 33 years at 6%)  
x 0.1471227 (Present Value £1 deferred for 32.89 years at 6%) £1,256.15

Total ground rent term: **£6,942.00**

## REVERSION

Deferment rate:	5%
Present Value of 0.0401632 (£1 deferred for 65.89 years at 5%)	
Reversion (unimproved freehold value x Present Value)	<b>£8,835.91</b>

## MARRIAGE VALUE

Unimproved freehold value (£220,000.00)	
less existing lease value (£185,966.00)	
less freehold investment value (£15,777.91)	
Total Marriage Value:	£18,256.09
Marriage Value payable by leaseholders (50%)	<b>£9,128.05</b>

## COMMON PARTS

Share of common parts value (1/2 of £500.00 total)	<b>£250.00</b>
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<b>Premium estimate payable by leaseholder(s) of: Flat A</b>	<b>£25,156</b>
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**FLAT B**  
**74 MYRTLEDENE ROAD LONDON SE2 0EU**

**DATE**

Relevant valuation date: 13th of March 2018

**PARTICIPATION**

Participating in Freehold Purchase: Yes

**LEASE TERMS**

Lease start date: 1 February 1986  
Lease term: 125 years  
Unexpired term: 92 years 10.7 months

**PROPERTY MARKET VALUES**

Qualifying leaseholder improvement works: £10,000  
Unimproved freehold value: £240,000  
Relativity: 97%  
Existing lease value: £232,800.00

**GROUND RENT TERM**

Capitalisation rate: 6%

Ground rent term 1: £100.00  
x 0 (Years Purchase for 0 years at 6%) £0.00

Ground rent term 2: £200.00  
x 10.7901981 (Years Purchase for 17.89 years at 6%)  
x 1 (Present Value £1 deferred for 0 years at 6%) £2,158.04

Ground rent term 3: £400.00  
x 12.7833562 (Years Purchase for 25 years at 6%)  
x 0.3525881 (Present Value £1 deferred for 17.89 years at 6%) £1,802.90

Ground rent term 4: £800.00  
x 12.7833562 (Years Purchase for 25 years at 6%)  
x 0.0821525 (Present Value £1 deferred for 42.89 years at 6%) £840.15

Ground rent term 5: £1,600.00  
x 12.7833562 (Years Purchase for 25 years at 6%)  
x 0.0191414 (Present Value £1 deferred for 67.89 years at 6%) £391.51

Total ground rent term: **£5,192.60**

**REVERSION**

Deferment rate: 5%

Present Value of 0.0107576 (£1 deferred for 92.89 years at 5%)  
Reversion (unimproved freehold value x Present Value) **£2,581.84**

**COMMON PARTS**

Share of common parts value (1/2 of £500.00 total) **£250.00**

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**Premium estimate payable by leaseholder(s) of:  
Flat B **£8,024****