

24 August 2012

**Property Address: London N5**

In accordance with your recent instructions, I have made a careful inspection of the above property in order to advise you as to the premium that you might expect to pay for a lease extension in accordance with the provisions of the Leasehold Reform, Housing and Urban Development Act 1993 (as amended) ('The Act').

I have pleasure in reporting as follows:

**SITUATION**

The property is located in an established residential area well served by local amenities and readily accessible to local shops and amenities.

**DESCRIPTION**

The property is a ground floor flat approached via a shared entrance located within a two storey building comprising 1 other flat.

**CONSTRUCTION**

The property is of traditional construction.

**ACCOMMODATION**

Sitting room, kitchen, bathroom / WC, two bedrooms

The gross internal floor area of flat is approximately 45 Sq M excluding cellar (Approximately 10 Sq M)

Externally: The flat has a garden to rear.

**SERVICES**

All mains services are connected.

## **TENURE**

Commencement date:	24.06.1996
Lease length:	99 years
Unexpired term	82.812 years (As at 1.09.2012)
Ground rent	£75 pa to 2028
	£150 pa 2039-2061
	£300 pa 2062-2094

## **CONDITION AND RELEVANT TENANTS IMPROVEMENTS**

I have not undertaken a building survey. At the time of the inspection the flat was unfurnished but with fitted floor coverings laid throughout

Under the provisions of 'The Act' any tenant's improvements should be disregarded for the purposes of calculating the value of the lease extension.

The property in fair condition with modern fittings; there are assumed to be no material improvements since 1996.

## **LEGAL BACKGROUND**

Under the provisions of 'The Act' qualifying tenants have the opportunity to extend the leases for an additional term of 90 years at a peppercorn ground rent. This extension is to be added to the term of the existing lease.

A lease extension price is effectively the sum of two items as follows:

- (i) The value of the freeholder's interest, being the value of the right to receive the ground rent until the end of the lease plus the reversionary value of the flat at that time.
- (ii) One half of the marriage value. The marriage value is the increase in the value of the flat over and above the sum of the current value of the flat plus the value of the landlord's interest by virtue of having an extended lease. The marriage value will only apply where the unexpired term is less than 80 years.

- (iii) Additional compensation to the freeholder can also apply in certain circumstances but as at the time of our valuation we do not know of any circumstances that give rise to this, in this particular case.

## COMPARABLE EVIDENCE

In order to arrive at my valuation I have had regard to the recent sales within the area.

## VALUATION

Having regard to the provisions of 'The Act' we estimate that the premium to be paid for a lease extension is between **£6,091 (Six Thousand and Ninety One Pounds)** and **£6,725 (Six Thousand Seven Hundred and Twenty Five Pounds)**

**For the purposes of Serving Notice under S42 of 'The Act'** I recommend that the premium proposed is **£6,000 (Six Thousand Pounds)**

I attach herewith attach in **Appendix 1** my valuation calculations.

**VALUATION ASSUMPTIONS:** (Please also see **Appendix 2**)

The date of valuation is as at 1 September 2012

In respect of my calculation of the lowest estimate of premium I have assumed the following:

Reversionary Investment Rate:	5%
Term Investment Rate :	7%
Relativity Rate	No Applicable (Term Remaining Exceeds 80 Years)
Market Value	£310,000

*(With Long Lease but Excluding Tenants Improvements)*

In respect of my calculation of the highest estimate of premium I have assumed the following:

Reversionary Investment Rate:	5%
Term Investment Rate :	6%
Relativity Rate	No Applicable (Term Remaining Exceeds 80 Years)
Market Value	£330,000

*(With Long Lease but Excluding Tenants Improvements)*

## **RECOMMENDATION & COMMENTARY**

You will need to take legal advice with regards notices but establishing your rights and fixing the relevant date for assessment by of serving a S42 Notice under 'The Act' is recommended as soon as you are able to do so, so as to avoid the cost of premium increasing further by virtue of the diminishing lease term.

For the purposes of serving a S42 Notice we recommend a proposed premium of £6,000 (Six Thousand Pounds)

On serving a S42 Notice you should however be prepared to accept liability for the landlord's reasonable costs in addition to the premium ultimately agreed or determined by leasehold valuation tribunal and also that a deposit will be payable upon serving notice.

## **CONFIDENTIALITY**

Neither the whole nor any part of this valuation report, nor any reference thereto may be included in a published document, circular or statement, nor published in any way without the prior written approval of Warmans Chartered Surveyors of the form or context in which it may appear.

This report is for the use of the party to whom it is addressed and should only be used within the context of the instructions under which it is prepared and these assumptions. It may be disclosed to other professional advisers assisting in respect of that purpose. No responsibility is accepted to any third party for the whole or any part of its contents.

We trust that the contents of this report are satisfactory for your purposes; however, should you require any further information, please do not hesitate to contact us.

I trust I have provided sufficient information for your purposes but if I may be of any further assistance please do not hesitate to contact me.

Yours sincerely

*Keith Greensted*

Keith Greensted, MRICS



August 2012

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## APPENDIX 1

London

N5

Lower Estimate

As at 1 September 2012

90 Year Extension

Reversionary Rate  
Ground Rent

5%  
7%

Valuation in accordance with s.56 and Schedule 13 of the Leasehold Reform Urban Development Act 1993

### A Diminution in value of the landlord's freehold interest.

#### (1) Value before extension of the lease

Ground Rent January 2013 - 2028					75	
YP 16yrs @ 7%				9.4466		
PV £1 - 0.812 year				0.9468785	8.94478	670.86
Ground Rent January 2029 -2061					150	
YP 33 yrs @ 7%				12.7538		
PV £1 - 17.812yrs @ 7%	0.9468785	0.31657		<u>0.2997575</u>	<u>3.8230</u>	573.46
Ground Rent January 2062 -2094					300	
YP 33 yrs @ 7%				12.7538		
PV £1 - 49.812years @ 7%	0.9468785	0.0363241		<u>0.03439451</u>	<u>0.43866</u>	131.60
Reversion to freehold with vacant possession excluding value of tenants' improvements					310000	
PV £1 at 5%	82.812	Years			<u>0.01759</u>	5453.99
						6159.04
<u>Less</u>						

#### (2) Value after the extension of the lease

Peppercorn Ground Rent						0
Reversion to freehold with vacant possession excluding value of tenants' improvements					310000	
PV £1 at 5%	172.812	Years	0.0123869	0.01759	<u>2.1793E-04</u>	<u>67.56</u>
						6091.48
						Diminution in Value

### B Marriage Value

Not applicable existing lease term in excess of 80 years

<b>Premium</b>	Diminution of freehold interest	6091
	50% Marriage Value	0
	<b>Total Premium</b>	6091

**London****N5****Upper Estimate**

As at 1 September 2012

90 Year Extension

Reversionary Rate  
Ground Rent5%  
6%

Valuation in accordance with s.56 and Schedule 13 of the Leasehold Reform Urban Development Act 1993

**A Diminution in value of the landlord's freehold interest.**(1) Value before extension of the lease

Ground Rent January 2013 - 2028					75	
YP 16yrs @ 6%				10.1059		
PV £1 - 0.812 year				0.9540378	9.64141	723.11
Ground Rent January 2029 -2061					150	
YP 33 yrs @ 6%				14.2302		
PV £1 - 17.812yrs @ 7%	0.9540378	0.37136		<u>0.3542957</u>	<u>5.0417</u>	756.25
Ground Rent January 2062 -2094					300	
YP 33 yrs @ 7%				14.2302		
PV £1 - 49.812years @ 7%	0.9540378	0.057546		<u>0.05490077</u>	<u>0.78125</u>	234.37
Reversion to freehold with vacant possession excluding value of tenants' improvements					330000	
PV £1 at 5%	82.812	Years			<u>0.01759</u>	5805.86
						6796.48
<u>Less</u>						

(2) Value after the extension of the lease

Peppercorn Ground Rent						0
Reversion to freehold with vacant possession excluding value of tenants' improvements					330000	
PV £1 at 5%	172.812	Years	0.0123869	0.01759	<u>2.1793E-04</u>	<u>71.92</u>
						Diminution in Value
						6724.57

**B Marriage Value**

Not applicable existing lease term in excess of 80 years

<b>Premium</b>	Diminution of freehold interest	6725
	50% Marriage Value	0
	<b>Total Premium</b>	6725

## APPENDIX 2

### LEASEHOLD EXTENSION VALUATION REPORT - CONDITIONS OF ENGAGEMENT

The valuation to be provided will be carried out on the following basis –

**1. Scope of the Instruction**

The Valuer will express his opinion of the Best and Worst case valuation of the Premium amount to be paid for affecting a Statutory Leasehold Extension of the Property.

**2. Premium Valuations**

The Best and Worst case Premium Valuations will be assessed in accordance with the Leasehold Reform Housing and Urban Development Act 1993 (as amended).

**3. Scope of Inspection**

Subject to the Valuer's judgement a visual inspection is undertaken of as much of the exterior and interior of the Property as is accessible to the Valuer without undue difficulty from within the Property and adjacent communal and public areas. Furnishings are not moved; floor coverings are not lifted, nor are floor voids inspected.

**4. Exceptions and Reservations**

Unless expressly agreed to the contrary in making the report, the following assumptions will be made.

- a) For the purposes of valuation we have assumed (unless stated to the contrary) that no potentially deleterious material was used in the construction, or has since been incorporated; that no unusual or especially onerous restrictions, encumbrances or outgoings exist; that there is no contamination of the site; and that good Title can be shown.
- b) That the Property and its value are unaffected by any matters which would be revealed by a Local Search and Replies to the usual Enquiries, or by any Statutory Notice, and that neither the Property nor its condition, nor its use, nor its intended use is or will be unlawful.
- c) The Valuer shall have regard to the apparent state of repair and condition of the Property but shall not be under a duty to carry out a structural survey, nor to inspect those parts of the Property which are covered, unexposed or inaccessible, and such parts are assumed to be in good repair and condition; neither shall the Valuer arrange for the testing of electrical, gas, heating, draining, plumbing drainage or other services.
- d) That inspection of those parts which have not been inspected would neither reveal material defects nor cause the Valuer to alter the valuations materially.
- e) That the date of the valuation will be the date of the report, unless otherwise stated.
- f) The property is valued on a vacant possession basis, discounting the tenants' improvements and with regard to the information provided by the client.
- g) This survey expressly excludes any advice or assistance on asbestos. We therefore accept no liability whatsoever in respect to asbestos relation claims in connection with this survey.

**5. Purpose & Confidentiality**

The Leasehold Extension Valuation Report is provided for the stated purpose and for the sole use of the named Client. It is confidential to the Client and their professional advisors and the Valuer accepts no responsibility whatsoever to any other person. Neither the whole nor any part of this Leasehold Extension Valuation Report or any reference thereto may be included in any published document, circular, or statement or published or any way, without the Valuer's written approval of the form and context in which it may appear.

**6. Fees**

The Client shall pay the Valuer in respect of the said advice, a fee to be agreed between the Client and the Valuer. In addition, where appropriate, the Client will reimburse the Valuer for the cost of all reasonable disbursements or out of pocket expenses which the Valuer may incur. All fees and expenses shall be subject to Value Added Tax (VAT) at the prevailing rate.

**A Valuation Is Not a Survey**