



LRA/97&108/2006

LANDS TRIBUNAL ACT 1949

LEASEHOLD ENFRANCHISEMENT – collective enfranchisement – price – comparables - value of freehold – potential for conversion to a single house or one large maisonette with separate basement flat – market demand – planning - appeal dismissed - price confirmed at £3,756,634

**IN THE MATTER of an APPEAL against a DECISION of the
LEASEHOLD VALUATION TRIBUNAL of the LONDON RENT ASSESSMENT
COMMITTEE**

BETWEEN

CADOGAN ESTATES LIMITED

Appellant

and

ALEXANDER DIMITRIS NICHOLAS PANAGOPOULOS (1)

GEORGE ASSAD CHAGOURY (2)

Respondents

Re: 47 Cadogan Square, London SW1X 0HY

Before: P R Francis FRICS

Sitting at: Procession House, 110 New Bridge Street, London EC4V 6JL

On

22 & 23 April 2008

Philip Rainey, instructed by Pemberton Greenish, solicitors of London SW1, for the appellant
Edwin Johnson QC, instructed by Bircham Dyson Bell, solicitors of London SW1, for the respondents

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The following cases were referred to in argument:

Earl Cadogan v Sportelli [2006] RVR 382 and CA [2008] 2 All ER 220

Richmond upon Thames London Borough v Secretary of State for the Environment [2000] 2 PLR

DECISION

1. This is an appeal by Cadogan Estates Ltd (the head landlord and freeholder) against a decision of the Leasehold Valuation Tribunal for the London Rent Assessment Committee dated 23 May 2006 which determined the premium payable by the respondent participating tenants, A D N Panagopoulos and G A Chagoury, for the freehold and head leasehold interests at £3,756,634 (£3,619,245 and £137,388 respectively) under the provisions of Schedule 1 of the Leasehold Reform, Housing and Urban Development Act 1993 (the 1993 Act). In so doing, the LVT determined the figure for the freehold value (the freehold vacant possession value before deferment) at £7,283,763 (£784 per sq ft). In its original grounds of appeal, the appellant challenged the LVT's decision in respect of the freehold value, hope value and the deferment rate. In a cross-appeal, the respondents challenged the decision on deferment rate, the capital values of certain flats within the subject property, relativity and the freehold value.

2. In granting permission to appeal on 31 August 2006, the President, George Bartlett QC, made the following observations:

“There are strong grounds for concluding that the LVT's finding that there would have been no demand from the hypothetical purchaser to buy the property with a view to a house conversion may have been wrong, given the magnitude of the valuations on this basis which were put forward by both parties' experts. In view of this, and the substantial amount in issue, the appeal will be by way of a rehearing and will not be limited to this issue. Both parties will, however, wish to reconsider their position on the deferment rate and latent value uplift (hope value) once the Lands Tribunal's decision on LRA/50/2005 (*Cadogan v Sportelli*) has been published. Since permission to appeal is also being given to the leaseholders pursuant to application LRA/108/2006:-

It is ORDERED that this appeal be consolidated with the appeal in LRA/108/2006, with the reference LRA/97/2006 and with Cadogan Estates Limited as the appellant and Alexander Dimitris Panagopoulos and George Assad Chagoury as the respondents.”

Since the Tribunal's decision in *Sportelli*, and the Court of Appeal's subsequent dismissal of appeal, the issues in this case have been narrowed to a considerable extent. Neither Cadogan, nor the respondents, are now pursuing issues relating to hope value, deferment rate or relativity, and the values of the individual flats within the subject property have now been agreed. The determination of the LVT was accepted in all respects other than the freehold value of 47 Cadogan Square at 31 January 2006, which is the sole issue before me.

3. The appellant contended that the property, currently configured as 6 flats, was most valuable as a prospect for conversion to either a single private dwelling, or to a 5-floor maisonette with a separate flat in part of the basement. Whilst planning consent for conversion to a house would be required, it could be expected to be forthcoming, but if it were not, no consent was required for the alternative option as it would not be considered a material change of use. The value of the property on either basis was £10,000,000 and the resulting enfranchisement price should be £4,974,195 (Appendix 1). The respondents argued that the highest value, as found by the LVT, was as a prospect for conversion to 3 maisonettes, and in that regard the LVT's determination of £3,756,634 (Appendix 2) was the appropriate figure to

be applied. Planning consent for either of the appellant's two proposals would not, they said, be forthcoming, and in any event there was virtually no market for houses in that location. The appellants agreed that, if their contentions were not accepted, the price determined by the LVT should prevail.

4. Mr Philip Rainey, counsel for the appellant, called Einar Roberts BSc MRICS, a partner in Cluttons, who gave valuation evidence, and Tracey Rust Dip TP MRTPI, who gave evidence on planning matters. Mr Edwin Johnson QC, for the respondents, called Robert Orr-Ewing, a partner in Knight Frank, and Robert Edward Reynolds BSc MRICS MRTPI who gave valuation and planning evidence respectively. I carried out an accompanied inspection of the subject property and the relevant comparables on 28 May 2008.

5. The parties produced a statement of agreed facts and issues, from which, together with the evidence and my inspection, I find the following facts. The subject property comprises a substantial Grade II listed Victorian red-brick, portico fronted terraced house with first floor balcony, lying on the east side of Cadogan Square close to its south-east corner and the junction with Cadogan Gate. It therefore faces west, and overlooks the square's communal garden. Immediately to the rear of the property, is a two-storey mews house, 146 Pavilion Road, which does not form part of the appeal property, having been enfranchised separately. There is very small courtyard behind and to part of the side of the basement accommodation, but no garden. 47 Cadogan Gardens is on 6 floors including the basement, and is currently divided into 6 flats comprising:

Basement:	Porters flat (in hand).
Ground floor:	Flat 1 (part). Long leasehold, expiring 2023. Studio Flat (in hand).
First floor:	Flat 1 (part).
Second floor:	Flat 2 Long leasehold expiring 2023.
Third floor	Flat 3 Long leasehold expiring 2023.
Fourth/ fifth floors:	Flat 4 Long leasehold expiring 2023.

It is agreed that, as a house, the building has a gross internal floor area of 9,285 sq ft.

6. Cadogan Square is a prime central London residential location within walking distance of shopping, restaurant, theatre and other facilities in Knightsbridge generally and Sloane Street, Sloane Square and the Kings Road in particular. The nearest London Underground stations are Sloane Square and Knightsbridge, and NCP car parks a located in Cadogan Place to the east, and Pavilion Road to the north.

Appellant's case

7. Mr Roberts is a partner in Cluttons LLP, based at their Pelham Street offices, is a chartered surveyor with over 11 years experience in the profession and has specialised in leasehold enfranchisement matters for both freeholders and lessees during that period. It was

his opinion, based upon his experience and the conclusions of the appellant’s planning expert, that the subject property which, it was common ground, would be seen by the market as a development project, would achieve the highest value as a prospect for conversion to a single house. Alternatively, he said, there would be equal value in a proposal to convert the property into one very large maisonette with its principal accommodation over the ground to fifth floors, and a separate, self-contained flat in the basement, or part of it. On the basis of comparable evidence relating to 16, 28 and 36 Cadogan Square (the analyses of which were agreed with the respondents’ valuer, although the weight to be applied to them was not) and Nos 5 (2 sales), 16 and 27 The Little Boltons, Mr Roberts assessed the freehold open market value of the subject property at 31 January 2006, in its current configuration, and without the benefit of an existing planning consent, at £10,000,000 (£1,077 per sq ft).

8. The 3 Cadogan Square sales were analysed thus:

Property	Sale price	GIA	Price per sq ft	Tenure	Exchange date
16 Cadogan Sq	£28,000,000	12,696 sq ft	£2,205 psf	Freehold	May 2007
28 Cadogan Sq & Mews House	£18,000,000	10,931 sq ft	£1,157 psf	Freehold	April 2006
36 Cadogan Sq & Mews House	£12,650,000	10,824 sq ft	£1,663 psf	Leasehold to June 2076	May 2007

Using the Savills Prime Central London South West Houses Index to reflect market movement, Mr Roberts said 16 Cadogan Square became the equivalent of £1,365 per sq ft (psf) at the agreed valuation date. He made no further adjustment for views of the Square, as they were the same but, as the property had already been converted into a house (admittedly to the owner’s specific tastes) he allowed £100 psf for conversion costs to which he added £150 psf to reflect basic modernisation works. It was a fact, he said, that most purchasers of this type of property would spend very considerably more than £150 psf modernising a property to their own personal requirements, but that sum would be sufficient, in his view, to reflect any impact in value terms. In other words, he explained, any modernisation cost in excess of £150 psf would not add to the market value. The true, pro-rata figure for comparison purposes thus became £1,115 psf. Mr Roberts did not agree that, at the time of sale, no. 16 was a “spectacular family house”, and considered its configuration to be unusual in that it contained 12 bedrooms, and thought that a purchaser would wish to make significant changes. Hence, he said, it was his view that to enable like-for-like comparisons, only his basic modernisation figure of £150 psf should be used in any adjustments.

9. As to no. 28, which had been the former residence of the Earl Cadogan and the offices of the Cadogan Estate, 15% was added to the £1,157 psf sale price to reflect the fact that it had no views of the Square, whereas the subject did. 5% was then deducted for the garage that no. 28 had. The property had been converted to a house by the time of the sale, but only in a fairly minimalist way, and the original grand staircase had not been replaced. No allowance should therefore be made for modernisation, but £100 psf was allowed to reflect the fact that conversion of the appeal property would have to be undertaken. Allowing an adjustment for sale date, the adjusted figure became £1,103 psf.

10. No 36 required adjustment from the £1,663 psf sale price to £1,029 psf to reflect market movement, to which was added £131 psf to allow for a leasehold to freehold adjustment of 88.7% and 12.5% for the fact that this property looked out onto the side of 16 Cadogan Square, rather than the square itself, giving £1,240 psf. 5% was then deducted because this property has a garage and a further £200 psf for conversion to a house because it was in stripped-back state and unmodernised. The personalisation that had been effected to the mews house to include a gym and a car-stacker would not, Mr Roberts said, be reflected in the market value. The final adjusted figure thus became £1,040 psf.

11. The mean of the adjusted rates on these 3 properties was £1,086 psf which, when applied to the 9,285 sq ft of the subject property gave £10,083,510 say £10,000,000 (£1,077 psf). This figure was, he said, particularly well supported by the sale of no. 28 only 3 months after the valuation date at £12,650,000.

12. In connection with the alternative proposition promulgated by the planning expert, Mr Roberts said that so long as the vendor had control over both the 5 floor maisonette, and the separate basement flat, there would be no difference in market value terms. The type of people who were likely to buy a large property in Cadogan Square without an associated mews house would probably be happy to have a self contained unit within the building for their staff accommodation. It would be relatively easy to connect through between the self-contained unit to the remaining basement accommodation associated with the maisonette, if that were required at some future date, although it was accepted that a subsequent planning consent would be needed. He said 3 sales in The Little Boltons supported this view. No 27, which was a 5 storey semi-detached property of 5,091 sq ft was sold in April 2007 for £11,338,117 (£2,227 psf) with planning permission to convert from the existing 3 flats on ground, first and second/third floors into a single maisonette, with the existing 4th flat, a self-contained unit in the basement, remaining. No 16 was sold in June 2006 as a maisonette on ground to top floors, with a self-contained garden flat at £7,000,000 (£1,920 psf), and no. 5 was sold as a house in May 2006 at £9,200,000 (£1,730 psf). Mr Roberts said that it was clear from this information that, without undertaking detailed calculations, no. 27 was not discounted from a house value to reflect its planning permission for a conversion that mirrored the alternative proposal for the subject property.

13. It was put to Mr Roberts in cross-examination that 5 The Little Boltons was re-sold in April 2007 at £13,000,000 (£2,444 psf) which was the same date as the sale of no. 27 that he had referred to, and thus indicated a discount of about 10% for a property sold as a large maisonette and separate flat. It was also suggested that The Little Boltons was a significantly different area where the properties were much smaller, were “family friendly” as houses and had gardens. He did not agree the discount argument, saying that the £217 psf difference between the concurrent sale prices of nos. 27 and 5 reflected what, in the case of no. 27, were significant conversion costs. That, if anything, he said, supported the £150 psf he had used for the subject property. As to location, he did not think they were markedly different, in that one had to be “very rich” to buy in either.

14. Commenting on the fact that his predecessor, Mr Cieran Jones, who had appeared before the LVT, had valued the subject property at £8.3 million, some £2.7m less than his own assessment, Mr Roberts said that due to the lack of comparable evidence then available, Mr

Jones had had to rely upon more historic sales, and the use of the Savills Index, being valuation based, tended to become unreliable where intervening periods were significant.

15. Referring to Mr Orr-Ewing's use of 24 Cadogan Square and its mews house at 56 Clabon Mews, Mr Roberts said that it gave no assistance in arriving at the house value of the subject property, due to the fact that whilst the principal accommodation was laid out as a house, the building was over sailed at 4th and 5th floors by a laterally converted flat accessed by no. 22 Cadogan Square. There were 48 years left on the lease, and due to the separate ownerships, the freehold would never be enfranchisable.

16. In terms of the figures he had used for adjusting anticipated conversion and modernisation costs at £150 psf and £100 psf respectively, Mr Roberts accepted that he had not considered in any particular detail what might actually be done to the subject property in terms of fittings and finish, but had adopted standard figures for conversion costs to a shell finish, having assumed no planning or listed building consent problems, or those that might be encountered dealing with restrictive covenants. The basic amount added for modernisation or customisation was derived, he said, from his own "valuation feel." Whilst he had assumed that the purchaser, who would most likely be a developer, and would have made planning enquiries before proceeding, would anticipate no such problems, he said that in his view if there were uncertainty on any of those factors, a price between the agreed £784 psf per the LVT's 3 maisonette determination, and the £1,077 for a house could be anticipated. A developer would certainly pay more than the "base" value for the prospect of being able to convert to a house that would be worth more than a prospect for 3 maisonettes, but Mr Roberts would not be drawn as to how much that would be.

17. Mr Roberts did not accept that the use of only 3 main comparables constituted "thin" evidence, and said they were all similar properties within 150 yards of the subject. It being accepted as a fact that there were only 9 houses out of a total of 84 properties in Cadogan Square, he did not accept the suggestion, even though there was no transactional evidence, that there was simply no demand for properties for conversion to houses – especially those without in-hand mews houses. On the question of mews houses, he said that Mr Orr-Ewing had indicated that the availability of such would add 10% to the value to reflect "its connectedness", but in his view 5% (the same as he had allowed for lack of garaging) was more than sufficient. On Mr Orr-Ewing's analysis, that benefit would add £1 million to the value of a £10m property, for the potential to have additional staff accommodation and separate rear access to the main house and the comparable evidence simply did not support that contention. On Mr Orr-Ewing's own analysis (which Mr Roberts had adjusted mathematically to provide a like-for-like comparisons), no. 16 had been sold for the highest pro-rata amount, and that was the only one that did not have a mews house.

18. The analysis schedule, produced as an appendix to Mr Roberts's report, and updated during the hearing, produced a figure for the subject property on Mr Orr-Ewing's basis of £775 psf using Mr Roberts' adopted 3 comparables and the 2 sales of 24 (which he had not used). This became £803 psf if the later sale of 24 was excluded, and £853 psf if just Mr Roberts' 3 comparables were used, against his own £1,077 psf (rounded). Mr Orr-Ewing accepted the mathematics and agreed that the principal difference between them was the

modernisation/conversion cost allowances, the discount to be applied for the lack of a mews house and the use of no. 24 as a comparable.

19. Miss Rust is an associate with Bell Cornwell, Chartered Town Planners of Hook, Hants, and has 11 years experience specialising in development control matters. She said that she had been instructed to provide an opinion as to whether or not planning consent would be required to convert the existing 6 flats in the subject property into two units – one large maisonette and one small self contained unit on the lower ground floor, or whether such a conversion fell within section 55(2) of the Town and Country Planning Act 1990 and would thus not be deemed a material change of use. The same exercise was considered in respect of the conversion into a single house and, if consent were required, whether it would be forthcoming.

20. She said that she had investigated the planning register for the Royal Borough of Kensington and Chelsea, but had not spoken to any individuals from the appropriate planning team. She noted that on 6 May 2004, the council granted a Certificate of Lawful Use under section 192 of the 1990 Act, certifying that conversion from 4 self contained flats to a single dwelling at 36 Holland Villas Road W14, did not constitute a material change of use and, as such, planning permission was not required. In respect of 6 Upper Addison Gardens, a Certificate of Lawful use was issued on 26 July 2007 for the proposed conversion of three flats to one at basement and ground floor level, and four units to one at 2nd, 3rd and 4th floors. That certificate specifically stated:

“The Royal Borough of Kensington and Chelsea have interpreted case law to require planning consent to revert six or more existing units to one dwelling house.”

On 4 April 2008, the same council granted planning permission and Listed Building Consent for excavations, extensions, alterations and internal reconfiguration to convert 27 Stafford Terrace W8 into a single residential dwelling under delegated powers. In the planning considerations report, the officer stated:

“A site inspection has confirmed that the existing property has five self-contained flats and as such, the conversion back into a single dwelling house is not considered to result in a material change of use and as such, consent for this aspect is not required.”

21. Miss Rust said that it was clear that for conversion from six units to two, planning permission would not be required, but for a conversion from 6 units to a single dwelling it would be. Having considered the relevant sections of The London Plan 2004 and RBKC’s Unitary Development Plan (UDP) adopted in May 2002, from which it was clear that any planning decision would be likely to balance possibly conflicting policies, she concluded that such consent would be likely to be forthcoming. For instance, she said, whereas UDP Policy H1 seeks to resist the loss of permanent residential accommodation, policy H17 seeks to ‘particularly’ resist the loss of existing small, self-contained flats of one or two habitable rooms. On the other hand, Policy CD67 encourages “the use of listed buildings for their original purpose”. The subject property was, she said, originally constructed as a single family house, and only two of the current flats in the building are of 2 habitable rooms or less.

22. On 6 July 2006, the same council granted planning permission and Listed Building Consent for the conversion of 25 Lennox Gardens SW1 into a single dwelling. In granting consent, the council considered that the conversion from 5/6 flats (one of which comprised a unit of two or fewer habitable rooms) back into a single family house (a use which was its original purpose), was therefore acceptable within policy CD67. Whilst the loss of one small unit was not in accordance with policy H17, on balance, the proposal was considered acceptable. The circumstances relating to the appeal property were all but identical, and therefore Miss Rust thought that, on balance, consent would also be granted here, particularly as Lennox Gardens was dealt with by the council's 'South Area Team', which was the same one that covered Cadogan Gardens. In cross-examination, she acknowledged that it was a fact that the different area planning teams within RBKC did have a tendency to interpret planning policies in different ways, but said that the Lennox Gardens consent proved her opinion. As to why she had not spoken to any of the planning officers, she said that she was happy to rely upon her experience in coming to a view as to what was likely to succeed. However she accepted that there would always be some level of uncertainty, until a formal application was made and determined. She thought that, so long as proposals were non-contentious, there was at least an 80% chance of such an application being approved.

23. Regarding Mr Reynolds' evidence, Miss Rust said that she thought the opinion expressed in a letter to him from Anne Salmon at the RBKC South Area planning team advising that "a conversion from a property of 4 flats or more into a single dwelling house constitutes a material change of use", was an error, and it should have referred to 6, as indicated in her later email to Mr Reynolds that said "...we would always treat 6 flats into one as a material change of use." The Certificate of Lawful Use granted in respect of an application to reduce 7 units to 2 at 6 Upper Addison gardens showed this to be the case. Although that decision was made by the North Area planning team, Miss Rust said that, realistically, if she were making an application she would have brought decisions from other teams to the attention of the relevant officer if it assisted her case.

Respondents' case

24. Mr Orr-Ewing is a partner in Knight Frank, based at their Hanover Square office, and has been dealing with leasehold enfranchisement matters in central London since 1993. Notwithstanding the issues regarding the fact that it was considered by the respondents unlikely that planning consent for conversion from 6 flats into a single residential dwelling would be forthcoming, he said that, in terms of value, there was no evidence to suggest that 47 Cadogan Square would attract a higher bid than that which would be forthcoming for conversion to 3 large maisonettes. Cadogan Square was, he said, not a "house" area. There were only 9 houses out of a total of 84 properties on the square, and the area was very different from locations such as Cadogan Place, Chester Square and Wilton Crescent, where houses were the norm, many have mews houses behind which are ideal for the dual uses of garaging and staff accommodation, and the gaps between the buildings are large enough for gardens. Conversely, in respect of the subject property, the mews house immediately behind it, which was in separate ownership and therefore not available to be purchased with no.47, was extremely close and there was thus no room for a garden.

25. The availability of a mews house, he said, was an extremely important factor for the type of people who were in the market for large London houses, in that their availability is good for security (allowing the occupiers to approach unseen from the rear), and separate staff accommodation and parking are available. In all, the opportunity to buy an adjacent mews house would add, in his view, a 10% premium to the value of the main house, 50% of that relating to garaging, and 50% to the staff accommodation. Indeed, he said, there was evidence from both the Grosvenor and Cadogan Estates that there is marriage value attributable to the potential benefit of having an adjacent mews house. Whilst he accepted that the subject property was much larger, at 9,285 sq ft, than properties in the areas mentioned, he said that having staff accommodation within the same building was not, these days, an attraction.

26. It was, Mr Orr-Ewing said, the respondents' case that the LVT was correct in its determination based upon conversion to 3 large maisonettes, and that the LVT's valuation reflected the highest freehold value that might be achieved. In preparing his valuation on the appellant's basis, which demonstrated that there was no additional value in the potential, if indeed there was any, to convert to a house, he said at the commencement of his evidence that he had made some adjustments to correct his analysis of the comparables upon which both valuers had relied, together with those relating to the 2 sales of 24 Cadogan Square upon which he alone was relying. These adjustments related to minor matters in connection with locational differences and his acceptance of date of exchange of contracts being the relevant date for time adjustments, rather than completion date.

27. The main difference between him and Mr Roberts related to the anticipated costs of conversion and modernisation to either a single house, or one large unit with a separate basement flat, which resulted in his own analysis of £775 psf. This was almost identical to the £784 psf determined by the LVT for conversion to 3 flats. It was his view that cost of conversion from flats to a house would be £250 psf. Although accepting that he was not an architect or building surveyor, he said he had consulted colleagues within Knight Frank, and an architect client who suggested that to be an appropriate figure, bearing in mind the extent of works that would be required. The property would need to be completely stripped back to a virtual shell, the old 1950s lift would need to be removed, all the plumbing and wiring serving individual flats would have to be stripped out and a prospective purchaser would be likely to want to replace the former grand staircase. Mr Roberts' figure of £100 psf would, in the circumstances, be wholly inadequate.

28. 16 Cadogan Square, an end terrace house on the north side of the square was, when it was sold in 2007 (almost 18 months after the valuation date), in excellent condition, having been substantially refurbished. It was described in the agent's particulars as "one of the few houses [on the square] in single occupation." The agreed sale price of £2,205 psf needed to be adjusted to £1,370 psf to reflect the value at January 2006. No adjustment was required for location or the fact that it did not have a mews house. Indeed, this was the only comparable sale on the square which, like the subject property, did not have its own mews house. Mr Orr-Ewing then deducted £200 psf for the cost of modernisation together with the £250 psf for conversion to give a revised value of £920 psf.

29. On 28 Cadogan Square, Mr Orr-Ewing used a minor adjustment to reflect the difference in sale dates and then deducted 10% for the fact that it did not have a mews house. He then

deducted £100 psf for condition, and the “across the board” £250 psf for conversion costs. This produced a like for like value of £737 psf. A similar exercise on 36 Cadogan Square produced £903 psf.

30. A 47 year lease on no. 24 Cadogan Square and its linked mews house at 56 Clabon Mews, which Mr Roberts had considered to be an unsuitable comparable, was sold in May 2006 for £6.7m, or £842 psf which, after adjusting for the time difference became £799 psf. He then added 22% for lease length to give £1,009 psf which, after 10% adjustments for location and value of having the mews house, £250 psf for conversion and £100 psf for condition gave an adjusted rate of £649 psf. That house was resold in May 2007 with 46 years remaining on the lease for £10,350,000 which after similar adjustments became £666 psf.

31. The result of the adjustments to all of these comparables produced the figure of £775 psf which, as Mr Ewing had said, was very close to that determined by the LVT. As to the appellant’s alternative case – that even if planning consent would not be forthcoming for conversion to a single house, it would for adaptation to one large unit with a self-contained basement flat, and that the value would be the same – Mr Orr-Ewing said this appeared to be a case of Cadogan trying to “cover their backs” to deal with the potential planning problems. There was no evidence, he said, of sales of properties configured as such, and in any event, owners of grand houses such as those in Cadogan Place or Wilton Crescent, tend to want to use the basement for kitchen/breakfast/family room accommodation for either the staff or the family.

32. Cross-examined on his opinion that there was no evidence of a market for opportunities for house conversions in Cadogan Square at the valuation date, Mr Orr-Ewing pointed out that, between about April 2006 and May 2007, it was clear that the market had taken off to a substantial degree, and in such circumstances developers may consider such a project worthwhile. However, he said, even now there was no sign of purchasers undertaking conversions to houses on the square. Indeed, he acted for a client who had recently bought 4 properties in Cadogan Square, and another in Pont Street, all but one of which were configured as flats and upon which his client had made no attempt to convert them to houses. He agreed that 16 Cadogan Square, which was a very large house and had been purchased by the same client for his own family occupation, had achieved the highest price per sq ft, but this had been bought apparently regardless of price, some 18 months after the required valuation date at a time when the market generally was very much stronger. In response to the question of his use of a global £250 psf adjustment for conversion costs, whatever the type or layout of comparable property, he said that whilst he accepted that some purchasers were likely to spend an absolute fortune on conversion works, most of the comparable properties had broadly similar requirements for getting from their current flat configuration to “first fix” as a house and it was necessary to make a value judgment – which he had done on advice from those in the know.

33. Regarding the properties in The Little Boltons, Mr Orr-Ewing did not consider that realistic comparisons could be drawn due to the significantly different location, the fact that the properties were all much smaller than the Cadogan Square houses, and were generally much more family friendly, all having gardens and many having off-street parking.

34. In connection with no. 24 Cadogan Square, Mr Orr-Ewing said that although he accepted that due to the over sailing the freehold would be unobtainable, he pointed out that a 90 year lease extension could be negotiated under the Act. Due to its layout, it was already to all intents and purposes configured as a house.

35. Mr Reynolds is the principal of The Planning and Development Partnership, Maidenhead, and is a consultant specialising in such matters. His experience was principally gained in local government, and he formerly worked as a team leader for RBKC, as Chief Planning Officer for Wokingham District Council and as Director of Planning for the London Borough of Hounslow. He said he had spoken to the planning officer, and had considered the Development plan and the same policies that had been referred to by Miss Rust. It was evident that RBKC do not generally use their discretion if the loss of accommodation units is greater than four, and certainly not when the loss is as many as six. Planning and Listed Building Consent would clearly be required for conversion to a single house and, in his professional opinion, planning permission would be most unlikely to be forthcoming. Neither he nor Miss Rust were in a position to comment upon the likelihood of obtaining Listed Building Consent, but that was simply another hurdle that a purchaser would have to overcome.

36. As to the appellant's lately produced alternative proposal (of which he was not aware when producing his report), Mr Reynolds said that in his view permission would again be required and although he said it would be contrary to housing policy, there may be a chance that consent would be forthcoming if it could be proved that the proposals constituted an improvement. However, he said, the circumstances here could not be deemed as such. It was accepted by the parties that this proposal could be described as the conversion of 5 units (those on the ground to 5th floors) into one – the basement unit not coming into the equation for planning purposes. This was to all intents and purposes the same as the conversion of 6 into 2. In Mr Reynolds' view, anything that constituted the loss of more than 3 units (conversion of 4 to 1) would need consent, but he acknowledged Miss Salmon's (of the South Area Team) statement in relation to 27 Stafford Terrace W8 where she said that the council had deemed the conversion of 5 units to one as "not a material change of user". He referred to the judgment of Mr Christopher Lockhart-Mummery QC in *Richmond upon Thames London Borough v Secretary of State for the Environment* [2000] 2 PLR in which it was held that the proposed change of use from 7 flats to a single private dwelling house did constitute a material change because, in considering the matter, the decision maker was entitled to take account of policies that resist the loss of a particular type of residential accommodation, as well as the effect upon the external appearance of a building. However, Mr Reynolds acknowledged that there were cases where planning authorities had exercised their discretion to allow the conversion of up to 4 separate units into a single dwelling, and it was a question of balance between conflicting policies when making a decision.

37. Mr Reynolds said that whichever of the appellant's two alternative scenarios were to be considered, a prospective purchaser, who would undoubtedly be a developer, would be unwise to rely upon the verbal or written informal comments of a planning officer where the question of discretion could go either way, and could only be sure of the potential by submitting a formal application.

Submissions

38. Mr Johnson, for the respondents, said that the sole issue remaining for determination in this appeal related to the question of the value of the freehold and, in deciding if there was any additional value attributable to the prospect of conversion on either of the appellant's alternative bases, there were just two questions to be answered. Firstly, what, if any, evidence was there to support Mr Roberts' assessment of an extra £2.7m over and above the agreed value as a prospect for conversion to 3 units and secondly, what were the prospects of obtaining the required planning permission or Certificate of Lawful Use.

39. Taking the planning situation first, he said that the appellant's valuation assumes that, for conversion to a single house, whilst planning consent would undoubtedly be needed, it would be forthcoming and that there was little, if any, risk of a refusal. Even if it were refused, permission (if it were needed) or a Certificate of Lawful Use would be obtained for the conversion of 6 to 2, or, ignoring the basement unit, 5 to 1. It was the respondent's case that planning permission would be required for either of the options, and in Mr Reynolds' view, that would not be forthcoming. Even if there was more chance of success with the appellant's alternative proposal (which Cadogan openly accepted was an attempt to outflank planning problems), what developer would risk the whole of the alleged additional value (if indeed there was any) in the light of those risks which, even Miss Rust admitted, meant that at best there was an 80% chance of success. Why, Mr Johnson asked, had the appellants not made a planning application if they were so sure of success. Neither they, nor their appointed expert had even made any formal inquiries of RKBC in the matter, and the Tribunal should not be put in the position where it has to second guess what RBKC's attitude would have been.

40. On valuation, it was to be noted that the appellants had not produced a proposed scheme of conversion, and the plans to which they referred had been produced by Mr Panagopoulos, one of the respondent tenants. There was simply no evidence of a market for opportunities to convert flats into houses, and there were no records of applications for such with RBKC. All of the comparables relied upon by Mr Roberts were post valuation date, and it was common ground that the market generally had taken off to a significant degree in the spring of 2006. It was thus risky to rely upon the Savills Index for central London houses in a market that was changing to such a significant and rapid degree. No. 16 Cadogan Square had been converted to a house by the time it was sold, but only in a very minimalist way, and having been the former offices of the Cadogan Estate it was not unreasonable for that to have been done.

41. Not only did Mr Roberts agree that there was a lack of transactional evidence to support his valuation, but there was a lack of any evidence above the agreed starting point. The comments of the LVT in para 8.6 of its decision were apposite in this respect. Two of Mr Roberts' 3 comparables had been sold to the same purchaser, as had 24 Cadogan Square, relied upon solely by Mr Orr-Ewing. If the market at the valuation date had been as strong for conversion prospects as the appellants made out, how come the buyer was not converting his properties into houses.

42. It was important, Mr Johnson submitted, to consider the LVT case of *The Earl Cadogan and Cadogan Estates Limited v Cadogan Square Limited* (LVT ref: LON/ENF/1669/05) where

Cadogan Estates' argument that restrictions as to user that precluded uses other than as flats materially enhanced the value of its estate were upheld. The arguments Cadogan used, and were successful in, that case were, therefore, diametrically opposed to those being promulgated in this case. Furthermore, their suggestion that the availability of a mews house would add no more than Mr Roberts' assessment of an additional 5% for the garaging potential did not bear scrutiny as the estate regularly claims compensation for the loss of additional value where the main and mews houses are to be split (see *The Earl Cadogan v 23 Cadogan Square Limited* (LVT ref: LON/ENF/1800/06). Mr Orr-Ewing's 10% should be preferred.

43. For the appellant, Mr Rainey submitted that the agreed lack of transactions for houses on Cadogan Square (there being only 9) must be due to the lack of supply rather than lack of demand. As Mr Roberts' evidence showed, there were transactions but it was accepted that those being relied upon post-dated the agreed valuation date. There was no doubt, as Mr Panagopoulos' indicative plans showed, that the appeal property was inherently suitable for conversion back to a house, and the fact that the mews house immediately behind it was not available made little difference other than in respect of potential for garaging. It was noteworthy, he said, that 16 Cadogan Square, which had sold for the highest rate per sq ft, also did not have a mews house. No. 24 Cadogan Square, relied upon by Mr Orr-Ewing, was not helpful, Mr Rainey said, as additional adjustments had to be made to reflect the limited term remaining on the lease, and due to the over-sailing accommodation, it could never be enfranchised.

44. As to adjustments for the non-availability of a mews house, and those that had been discussed to reflect the subject property's position on the square in relation to the comparables, Mr Rainey said that that was simply a value judgment that had to be made by the Tribunal, as was what should be the appropriate rates to allow for conversion and modernisation. It was accepted that there was no evidence of 5 storey maisonettes with separate basement accommodation on Cadogan Square, but that did not matter. The fact was that the extensive basement area in no. 47 was ideally suited to hiving off a self-contained flat of about 500 sq ft at the rear, leaving a large area towards the front that could accommodate the kitchen facilities referred to by Mr Orr-Ewing. It was also accepted that this alternative was indeed an attempt to get round potential planning problems in converting to a single house, and it was submitted, in this regard, that Miss Rust's evidence should be preferred. Although she was of the view that planning consent for conversion to a single house would be forthcoming, if it was not, permission for the alternative configuration was virtually a certainty, as the examples of actual permissions that she gave, proved. It was the appellant's case that the value of either configuration was the same, £10m, and that is what a prospective purchaser would be prepared to pay for the opportunity, even though planning consent had not been obtained. However, it was accepted late in the hearing that as there was some risk on the planning question, some discount for risk might be appropriate, but there was no doubt that a price somewhere between the agreed value as a prospect for conversion to 3 units, and the claimed sum would be achieved.

Conclusions

45. Notwithstanding the valuers' detailed and complicated analyses of the comparables used, this very last point, amongst others, gives me cause for concern. Mr Roberts made no

allowance at all for any risk of planning permission being refused for either or both options, and despite Miss Rust's optimism, it seems to me that there clearly must be some doubt, particularly in respect of the conversion to a single unit. It is common ground that planning permission would be required for conversion to a single house, but the experts were diametrically opposed on the question of whether an application might be successful. I prefer Miss Rust's evidence on this point, and conclude that, particularly on the basis of the Lennox Gardens permission, there is a reasonable chance consent would be forthcoming. However, there is undoubtedly an element of risk as such an application would require the council to interpret conflicting provisions in the Development Plan, and as Miss Rust explained, two of the 6 flats constitute small units of 2 habitable rooms or less. As to the alternative proposition it seems to me that whether or not the apparent semantics of "6 to 2" or "5 to 1" are applied the evidence suggests that such a conversion would not be deemed to be a material change of use. But, this is again a question of interpretation, and there must remain a risk that the council would deem it such and require a planning application to be made. It is clear to me that a prospective purchaser (even if there was likely to be one) would expect a significant discount from the value that might pertain if planning consent was in place (if indeed there were any additional value for either of these configurations), to reflect the risks.

46. Having concluded that there was at least a chance of planning permission, or a Certificate of Lawful Use being obtained for the appellant's principal or alternative propositions (and in those respects I think it fair to assume Listed Building consent would not be a major problem), the question to which I must now turn is whether the evidence demonstrates either of those options to be more valuable than the opportunity to convert to three units (agreed to be £784 psf). The LVT, in its decision, said that if Cadogan Square were a sought after location for a family house, it would have expected to see evidence of a steady trickle of planning applications to indicate some kind of a trend. As it was, only one example was forthcoming (16 Cadogan Square). They then went on to say, at para 8.7:

"8.7 This does not mean to say that there will not be the isolated example in Cadogan Square from time to time of properties reverting to single houses, just that the evidence of a strong market as suggested by Mr Jones is not there. The characteristics of the house are also important. The subject property is a mid-terrace house listed but, unlike the comparables cited [which were different to those before me], otherwise of no particular distinction, and is of awkward internal layout which would not lend itself to re-conversion to a house to the very high standard required by that market. Further, it has no mews and no garden or even patio, only a light well. To conclude, Mr Jones has not been able to produce the kind of evidence which the tribunal would need to justify his very high reversionary value. The tribunal have determined that there would be no demand at the valuation date from the hypothetical purchaser to buy the property with a view to a house conversion and have therefore not pursued this option."

47. The onus is upon the appellant to prove that the LVT was wrong to conclude as it did, and in its attempt to do so Cadogan has relied upon a new set of post-sale date comparables (those before the LVT having been historic) to suggest that the property was worth some £2.7 million more as an opportunity for conversion to a house or a 5 storey maisonette with self-contained basement flat, than it was as a project for conversion to 3 maisonettes.

48. Mr Roberts considered the sales of 3 properties on Cadogan Square post the valuation date, and made a number of adjustments to produce like-for-like comparisons. The main areas of contention related to the likely cost of conversion, (£100 psf v £250 psf), the extra value that could be attributed to the subject property by the availability of a mews house (5% v10%) and the appropriateness of Mr Orr-Ewing's analysis of the two sales of no. 24. I prefer Mr Orr-Ewing's evidence on all three. It was clear to me from my inspection that the costs for converting the property to either a single unit, or to one main dwelling with a small, separate, basement flat house would indeed be significant and I accept his explanation as to what would have to be done. I am also satisfied that he took reasonable steps to verify the likely cost per sq ft. If, as Mr Roberts suggested, the availability of adjacent or connected garaging would add 5% to the value of the subject property, I cannot see the logic in his argument that the availability of a mews house immediately behind it would add no more. The suggestion by the appellant that that a mews house, at Mr Orr-Ewing's 10%, would add up to £1m to the subject property was "demonstrably wrong" does not, in my judgment, bear scrutiny. If, as was agreed, a garage would add 5%, it seems to me that all the other advantages that a mews house brings, as described by Mr Orr-Ewing, must add at least another 5%.

49. As to the 2 sales of no. 24, he has done precisely what Mr Roberts has in terms of making adjustments, and I can see no reason why it should not be included within the evidence. The fact that when considering all 4 comparables (5 sales) the resulting mean figure becomes virtually identical to that found by the LVT I find to be very persuasive in approving of its inclusion. The adjustments that Mr Orr-Ewing made to reflect the lease length and lack of ability to enfranchise seem to me to be reasonable and were not challenged by Mr Roberts. Indeed, he simply dismissed the evidence whereas Mr Orr-Ewing had gone to some lengths in considering Mr Roberts' comparables on his basis. This I found to be extremely helpful.

50. Although it is a fact that 16 Cadogan Square did not have a mews house, and achieved a comparable rate per sq ft that was the highest, it is also a fact that it was considerably larger (by some 25%) than the subject property. It was the only comparable produced that was previously flats, and as such I find that to be insufficient to demonstrate demand. I fully accept that the market for central London houses varies from street to street and area to area, and am satisfied that Cadogan Square cannot realistically be described as a house area. Whatever conclusions may be drawn from the analyses of sales, and the adjustments that may be made to the achieved prices to make a case, I cannot get away from the fact that not only is there insufficient evidence to prove the appellants case, but it is an irrefutable fact that the subject property does not have a garden, garage or parking. Furthermore, the unavailable mews house is so close up behind it that the only outside areas that either exist or can be formed are a tiny rear courtyard (which is overpowered by the rear wall of the mews house in Pavilion Road), together with a small courtyard to the side. For the type of people who are prepared to invest well in excess of £10 million for a grand family house in central London, I concur with Mr Orr-Ewing's view that they will look to more "house friendly" areas such as Cadogan Place and Wilton Crescent and, if they were considering Cadogan Square, would certainly want a mews house.

51. Finally, on the question of houses, I did not find the comparables from The Little Boltons to be of great assistance, other than to help convince me of the clear differences between house and flat areas. The location of The Little Boltons was significantly different and whilst it was a

pleasant tree lined residential street with attractive and imposing houses, all of which had gardens and some had off-street parking, it was not in the same prime central London location as the subject property with its accessibility to Knightsbridge, Sloane Street and the Kings Road. The houses were also very much smaller.

52. It follows that I am not convinced that there would be a sufficient demand for the subject property for conversion to a house and in terms of the appellant's alternative proposal I have seen nothing to demonstrate a demand for such a configuration in this location and, indeed, am strongly of the view that the need to have a separate self-contained flat to get round planning problems would, if anything, be a hindrance rather than an attraction to the market. If I was satisfied that demand was proven and that there was additional value for either or both of the appellant's proposed schemes, I would certainly have made a very substantial discount to reflect the planning risks. Although I heard no evidence on that question I would be inclined to adopt 50%.

53. The parties have agreed that if I find that no additional value would be created by the appellant's proposals, the LVT's decision shall stand. That being the case, the appeal is dismissed and I confirm the enfranchisement price at £3,756,634. The parties are now invited to make an application for costs, and a letter dealing with this accompanies this decision, which will become final when the question of costs has been determined.

DATED 24 June 2008

Signed: P R Francis FRICS

**47 CADOGAN SQUARE, LONDON SW1X 0HY
VALUATION BY EINAR ROBERTS BSC MRICS
CLUTTONS**

Relativity	42.75%
Yields	
FH Term	5.75%
FH Reversion	4.80%
HL Term	6.50%
HL SF	3.00%
HL Tax	40.00%
HL Rent reviews	25/12/2008
HL unexpired	17.14

Unit	GIA (sf) agreed	Expiry	Relativity	Freehold	Long Lease	FH psf	Term	Short Lease	Short psf	Headrent	Passing Rent	Review factor	Future Rent
Basement (P)	1,734	24/03/2023	0.00%	£ 828,000		£ 478	17.14	£ 0	£ 0	£ 0	£ 0	N/A	£ 0
GF rear (P)	491	24/03/2023	22.99%	£ 422,000		£ 859	17.14	£ 97,000	£198	£ 0.00	£ 0	N/A	£ 0
G/1 st mais (NP)	2,267	21/03/2023	42.75%	£ 2,395,000		£1,056	17.13	£1,023,863	£452	£ 35.00	£ 700	Fixed	£ 700
2 nd floor (P)	1,398	21/03/2023	42.75%	£ 1,285,000		£ 919	17.13	£ 549,338	£393	£ 35.00	£ 400	Fixed	£ 400
3 rd floor (NP)	938	21/03/2023	42.75%	£ 888,000		£ 947	17.13	£ 379,620	£405	£ 35.00	£ 450	1.676	£ 754
4 th /5 th mais (P)	1,237	21/03/2023	42.75%	£ 931,000		£ 753	17.13	£ 308,003	£322	£ 35.00	£ 500	1.676	£ 838
	8,065		Total (P)	£ 3,466,000				£1,044,340		£ 70.00	£ 900		£1,238
			Total all	£ 6,749,000				£ 2,447,823		£140.00	£2,050		£2,692
FHVP				£10,000,000									

Value of freeholder's interest

TERM

Rent	£140				
x YP	17.142	years @	5.75%	10.72	1,501

REVERSION

FHVP value with potential for conversion to a house	£10,000,000				
x PV	17.142	years @	4.80%	0.448	<u>4,477,000</u> 4,478,501

Latent value

	Sum of future interests (i.e FHVP as a house)	£10,000,000
Less	Freeholder's present interest (exc talent value)	£ 4,478,501
	Headlessee's present interest	£ 113,297
	Tenants' present interests	<u>£ 2,447,823</u>
	Potential value to be released	£ 2,960,380
	0% of potential value to be released	

Value of freeholder's interest 4,478,501

Value of headlessee's interest

1. Participating Flats

2 nd Floor passing rent	£400				
4 th /5 th flrs passing rent	£500				
Less apportioned headrent	<u>£ 70</u>				
Profit rent	£830				
X YP	2.90	years @	6.50%	1.603	1,331
		sf	3.00%		
		tax	40.00%		
2 nd floor reviewed rent	£400				
4 th /5 th reviewed review	838				
Less apportioned headrent	<u>£ 70</u>				
	1108				

x YP	14.23	years @	6.50%	6.227			
		sf	3.00%				
		tax	40.00%				
x PV	2.90	years @	6.50%	0.833	5.1857	6,057	7,388
Nil leasehold value attributed to basement flat because of lease covenant to provide a resident caretaker on a service basis							0
Ground Floor Rear Studio							<u>97,000</u>
TOTAL PARTICIPANTS							104,388
2. Non-participating flats							
G/1 st flrs passing rent	700						
3 rd floor passingrent	£ 450						
Less apportioned headrent	<u>£ 70</u>						
Profit rent	£1,080						
x YP	2.90	years @	6.50%	1.603		1.731	
		sf	3.00%				
		Tax	40.00%				
G/1 st flrs passing rent	700						
3 rd flr reviewed rent	754						
Less apportioned headrent	<u>70</u>						
Profit rent	1384						
x YP	14.23	years @	6.50%	6.227			
		sf	3.00%				
		tax	40.00%				
x PV	2.90	years @	6.50%	0.833	5.1857	7.178	
TOTAL NON-PARTICIPANTS							<u>8,909</u>
Value of headlessee's interest							113,297

Marriage Value (participating flats only)

Virtual freehold value of participating flats £3,466,000
 LESS

Freeholder's present interest in participating flats

Rent	£	70 .00			
x YP	17.142	years @	5.75%	10.72	750
Reversion		£3,466,000			
x PV	17.142	years @	4.80%	0.448	<u>1,551,728</u>
					£1,552,479

Headlessee's present interest in participating flats

Underlessee's present interests in participating flats £1,044,340 £2,701,206

Marriage Value

Marriage Value @ 50% £764,794

Apportionment of Marriage Value between Freeholder and headlessee

Headleasee's share	<u>104,388</u>				
	1,656,866	x	382397		£24,092

Freeholder's share	<u>1,552,479</u>				
	1,656,866	x	382397		£358,305

Compensation payable

Total compensation to headlessee

Diminution in value of interest	£133,297		
Share of marriage value	£ 24,092		£137,389

Total compensation to freeholder

Diminution in value of interest	£4,478,501		
Share of marriage value	£ 358,305		£4,836,806

Total price payable £4,974,195

47 Cadogan Square, London SW1X 0HY
LVT Valuation

Valuation of 47 Cadogan Square

Date of Valuation

31 Jan 06

Head Lease

Expiry of head Lease

24 Mar 23

Term unexpired

17.142 years

Apportioned ground rent

£ 140

Reversion to vacant possession

£7,283,763

Underleases

Expiry of underleases

21 Mar 23

Rents to Dec 2008

£2,050

Rents 2008 to 2023

£2,692

Apportionment of ground rent to participators

50%

Relativity

42.75%

Flat values

Caretaker's flat (Participating)

Freehold

£828,000

Basement rooms

£ 0

Studio (Participating)

£422,000

£97,000

Ground/First

£2,395,000

£700

Second (Participating)

£1,285,000

£549,338

£400

Third

£888,000

£450-£754

Fourth/Fifth (Participating)

£931,000

£398,003

£500-£838

Freehold Capitalisation rate

5.75%

Leasehold Capitalisation rate

6.5% & 3%, tax at 40%

Deferment Rate

4.80%

Multiplier for Freehold Ground rents	10.72
Multiplier for Ground rents to 2008	1.6032
Multiplier for Ground rents 2008 to 2023	5.1857
Present Value of £1 in 17.142 years at 4.8%	0.4477

Freeholder's Interest

Ground rent	£140	
YP 17.142 years at 5.75%	<u>10.72</u>	
		£1,501

Reversion to vacant possession	£7,283,763	
PV in 17.142 years at 4.8%	<u>0.4477</u>	
		£3,260,941

Freeholder's Interest in Participating Flats

Appointed ground rent	£70	
YP 17.142 years at 5.75%	<u>10.72</u>	
		£750
Reversion to vacant possession	£3,466,000	
PV in 17.142 years at 4.8%	<u>0.4477</u>	
		<u>£1,551,728</u>

£1,552,479

Head lessee's in Participating Flats

Ground rents to 2008	£900	
Less apportioned ground rent paid	<u>£70</u>	
	£830	
YP 2.9 years	<u>1.6032</u>	
		£1,331
Ground rents 2008 to 2023	£1,238	
Less apportioned ground rent paid	<u>£70</u>	
	£1,168	
YP 14.23 years deferred 2.9 years	<u>5.1857</u>	

£6,057

Value of studio and caretaker's flats (17.12 yrs)		<u>£97,000</u>
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£104,388

Head lessee's interest in Non-participating Flats

Ground rents to 2008	£1,150			
Less apportioned ground rent paid	<u>£70</u>			
	£1,080			
YP 2.9 years	1.6032		£1,731	
Ground rents 2008 to 2023	£1,454			
Less apportioned ground rent paid	<u>£70</u>			
	£1,384			
YP 14.23 years deferred 2.9 years	<u>5.1857</u>		<u>£7,177</u>	
				<u>£8,908</u>
				<u>£113,296</u>

Marriage Value

Freehold Value of Participating Flats			£3,466,000	
Less:				
Freehold Current interest in Participating Flats	£1,552,479			
Head Lessee's Interest	£104,388			
Participators' current Interests	<u>£1,044,340</u>		<u>£2,701,206</u>	
				£764,794
				<u>50%</u>
				<u>£382,397</u>

Apportionment of Marriage Value

Head Lessee's Share	<u>£104,388</u>		
	£1,656,866	6.30%	£24,092
Freeholder's Share	<u>£1,552,479</u>		
	£1,656,866	93.70%	£358,305

Compensation to Freeholder			
Current Interest	£3,260,941		
Share of Marriage Value	<u>£358,305</u>		
		£3,619,245	
Compensation to Head Lessee:			
Current Interest	£113,296		
Share of Marriage Value	<u>£24,092</u>		
		<u>£137,388</u>	
Total			<u>£3,756,634</u>