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FIRST-TIER TRIBUNAL
PROPERTY CHAMBER
(RESIDENTIAL PROPERTY)

Case Reference	:	**LON/00BK/OAF/2014/0053**
Property	:	**7 Montagu Mews West, London, W1H 2EE**
Applicants	:	**(1) The Portman Estate Nominees (One) Ltd** **(2) The Portman Estate Nominees (Two) Ltd**
Representative	:	**Mr Buckpitt of Counsel**
Respondents	:	**(1) Nigel Dare Jamieson** **(2) Linda Claire Jamieson**
Representative	:	**Mr Jeffries of Counsel**
Type of Application	:	**Determination of price payable under section 9(1)(C) of the Leasehold Reform Act 1967**
Tribunal Members	:	**Judge I Mohabir** **Mr L Jarero BSc FRICS**
Date and venue of Hearing	:	**15 September 2015** **10 Alfred Place, London WC1E 7LR**
Date of Decision	:	**14 December 2015**

DECISION

Introduction

1. This is an application made by the Applicants for a determination under section 9(1)(C) of the Leasehold Reform Act 1967 ("the Act") of the purchase price payable for the freehold interest for 7 Montagu Mews West, London, W1H 2EE ("the property").

2. The Applicants are the freeholders of the property. The Respondents are the tenants of the property under an underlease dated 15 May 1957 made between Ludlay Brick and Tile Co Ltd and Percy Simmonds for a term of 62 years less 10 days from 25 March 1955 ("the underlease").

3. By a notice of claim dated 1 August 2014, the Respondents exercised the right to acquire the freehold interest of the property. The claim was admitted by the Applicants on 18 September 2014. The parties were able to agree all elements of the premium save whether there should be any deduction in respect of the tenant's improvements being the reconstruction of the property and, if so, how much. On 10 December 2014, the Applicants made this application to the Tribunal. The relevant valuation evidence is contained in the reports prepared by Mr French MRICS dated 8 September 2015 and Mr Lee BSc MRICS dated 9 September 2015 on behalf of the Applicants and the Respondents respectively.

4. Both Counsel, helpfully, set out in writing the factual history relating to the property. This is a matter of common ground and can be summarised as follows.

5. The property was originally the mews house at the rear of 7 Bryanston Square ("7BS"). By the time of the Second World War it had been altered to provide self-contained accommodation facing the mews "the Mews House") and rooms occupied with 7BS at the rear. During the war 7BS and the property were requisitioned. By 1950 the Government was still the rateable occupier of 7BS, but the occupier of the Mews House was named as the Executor of H Bushere. During the early

1950's the Mews House was sub-let separately from 7BS and appears to have been occupied by a Mr Lord and others.

6. On 12 May 1955, the Portman Estate entered into an agreement for a lease with George Lane who was negotiating to acquire the existing lease of 7BS and the property. The new lease was granted on surrender of the existing lease of 7BS and conversion into 5 flats. On 23 September 1955 Portman Estate approved plans for the conversion of 7 BS into the flats. The plans envisaged the separation of the property from 7BS but did not show any alterations to the property itself.

7. On 27 March 1957, the Portman Estate granted a headlease of 7BS and the property to Ludlay Brick and Tile Co Ltd for a term of 62 years from 25 March 1955 ("the headlease") in consideration of the surrender of the existing lease and paying a premium of £3,000. This lease included covenants to make repairs and improvements. It included a covenant to convert 7BS into flats in accordance with the plans approved by Portman Estate on 23 September 1955 and to carry out repairs set out in the Schedule to the lease. These included the overhaul of the slating on the roof, painting the brickwork on the front elevation and making good and overhauling the stucco on the rear elevation.

8. An underlease of the property was granted on 15 May 1957 by Ludlay Brick and Tile Co Ltd to Percy Simmonds for a term expiring on 15 March 2017, being a 10 day reversion to the headlease ("the underlease") for a premium of £2,500. It included covenants to repair, not to carry out any development without the consent of the lessor and superior lessor and a covenant to carry out repairs set out in the Schedule to the lease. This schedule repeated the repairs set out in the Schedule in the headlease with the addition of a requirement to overhaul services.

9. On 20 May 1957, an architect named J Gregory gave notice relating to drainage of the property to the Borough of Marylebone naming the

owner of the premises as "Messrs Simonds (Bryanston Square)". On 31 May 1957 a builder by the name of G Lane served a Building Notice in respect of the property naming the owner as Ernest Simmonds.

10. Mr Gregory had prepared plans for proposed alterations and improvements to the property ("the 1957 plan"). It seems that the Portman Estate, as the superior landlord, had consented to the alterations on 23 May 1957.

11. On 17 June 1957, Ludlay Brick and Tile Co Ltd granted a licence to Percy Simmonds and his successors to use the property as self-contained residence in single occupation in accordance with the plans already approved by the lessors and the agent of the Portman Estate.

12. The 1957 plan appears to show by dotted lines the existing layout of the property at the time the underlease was granted, which also appears to coincide with the layout shown in earlier plans from 1935, 1937 and 1938. The latter plan shows no connection between the front and rear parts of the property. However, a full size plan provided by the Applicants in the course of these proceedings appears to show that an opening had been made to connect the two parts.

13. Although the 1957 plan proposed to carry out substantial alterations, it seems that the property, with the approval of the Portman Estate, had been completely reconstructed on or before 28 October 1958. On 31 December 1958, Percy Simmonds transferred the property to Percy Simmonds Investments Ltd.

14. For reasons set out below, the Applicants contend that the existing building cannot be regarded as an improvement and it is that building that falls to be valued under section 9(1A) of the Act. The Respondent contends that the reconstruction of the existing building from what was shown on the 1957 plan including the work shown in the same plan

have to be regarded as improvements, the value of which cannot accrue to the Applicants.

Relevant Legislation

15. This is set out in the Appendix to this decision.

Decision

16. The hearing in this matter took place on 15-16 September 2015. The Applicants were represented by Mr Buckpitt of Counsel. The Respondents were represented by Mr Jeffries of Counsel.

17. Unfortunately, the Tribunal's inspection of the internal parts of the property on 12 October 2015 proved to be abortive and was limited to the external parts only. The Tribunal was also afforded the opportunity of inspecting the exterior of other comparable properties in the same street.

18. As stated earlier, this case largely turns on whether the property amounts to an improvement within the meaning of section 9(1A)(d) of the Act and, if so, the extent by which any increased value should be discounted from the premium.

19. Mr Buckpitt, for the Applicants, correctly submitted that where the increased value of any improvements is claimed by a tenant, they have the evidential burden to prove the facts which entitle them to it[1].In the present case, Mr Buckpitt argued that the Respondents were obliged to prove:

(a) the works of improvement were carried out to the house and premises.
(b) by the tenant or a predecessor in title.
(c) at their own expense.
(d) which led to an increase in the value of the house and premises.

[1]Per Lord Millett in *Shalson* at 44

Improvements – Generally

20. The somewhat vexed issue of improvements has been subject to fairly extensive judicial consideration. Before dealing with the specific arguments and submissions made on behalf of the parties, the Tribunal considered that it would be useful to review how the issue regarding improvements has been dealt with in earlier decisions under the Act.

21. The leading authorities in this jurisdiction are ***Rosen v Trustees of Campden Charities*** [2002] Ch 69 and ***Shalson v Keepers and Governors of the Free Grammar School of John Lyon*** [2004] 1 AC 802.

22. On its facts, the issue in ***Rosen*** was whether a house erected by a builder on what was previously a bare site pursuant to an agreement to do so could amount to an improvement within the meaning of section 9(1A)(d) of the Act. On appeal, the Court of Appeal held that it could not because "premises" could not exist independently of a house and that, therefore, the building of a new house on a bare site was not an improvement of the "house and premises" within the meaning of the section but the provision of a house.

23. In the leading judgement in that case, Evans-Lombe, J said (at paragraph 13) that the word "improvement" imports a relativity, that there must be some subject matter for improvement. An improvement cannot come into existence in vacuo. It must constitute an improvement to something. He went on to say (at paragraph 15) in the absence of a house there is no house, nor can there be any premises, nor any "house and premises" to improve. Therefore, the erection of a house cannot be an improvement within section 9(1A)(d) of the Act.

24. The facts in ***Rosen*** can be contrasted with the facts in the present case. Here, it is common ground that the property had been preceded by the original Mews House, which had been occupied for residential purposes only. Therefore, in the Tribunal's judgement, ***Rosen*** could be distinguished from the present case and has no application.

25. ***Rosen*** was followed by the unanimous House of Lords decision in ***Shalson*** in 2004. There, on appeal, the Court had to decide whether historic alterations to convert a building into five flats and later reconvert it back to a single dwelling should be regarded as improvements within the meaning of section 9(1A)(d) of the Act and, if so, how those works were to be valued.

26. The leading judgement in that case was given by Lord Hoffmann who gave guidance as to how section 9(1A)(d) should be construed. At paragraph 16, he disapproved of the conceptual difficulty faced by the Court of Appeal by being unwilling to accept that in principle any increase in value must be by reference to the "state of the house and premises" at the time of the grant on the basis that it might give rise to practical difficulties in discovering the state of the house as it was in 1843.

27. At paragraph 21, Lord Hoffmann went on to say that there is no room in the statutory language for a comparable hypothesis which assumes, as the Court of Appeal did, that the improvements in question had not been carried out. He stated that, when considering whether an improvement, had added value to a house, one must carry out a comparison to the house as it would otherwise had been if the improvements had not been carried out.

28. Lord Hoffman said that the rationale behind section 9(1A)(d) of the Act was that if the tenant increased the value of the landlord's interest by expenditure, it would not seem fair that he should have to pay a second

time when the landlord's interest is valued for the purposes of a sale of the freehold.

29. As to how section 9(1A)(d) should be applied, Lord Hoffman said that the language of the section was clear. Two tests had to be applied. Firstly, the improvement had to be identified and, secondly, that the improvement had increased the value of the house.

30. The first test required a consideration of any physical changes that have been made to the premises during the term of the lease. This meant additions or alterations to the house and premises, which are not mere repairs or renewals.

31. The second test requires a causal relationship between the works carried out and the consequential increase in value of the house as it stands and would have been had the improvement not been carried out.

32. At paragraph 23 of his judgement, Lord Hoffmann stated that an improvement cannot be claimed by a tenant carried out pursuant to a repairing obligation under the lease. In other words, the works carried out must go beyond any such obligation.

33. ***Shalson*** remains good law and is a binding authority on the Tribunal.

34. The previous Tribunal decision in ***43a Acacia Road*** (LON/LVT/1795/04) was in relation to a case that was factually similar to the present. In that case, a previous house had been demolished by the tenant and replaced with another by the tenant. The same issue as to whether the new house was an improvement was considered by the Tribunal and similar arguments were advanced by the parties. As is the case here, that Tribunal distinguished ***Rosen*** on its facts and found that the new house was in fact an improvement within the Act by adopting the purposive approach in ***Shalson***. Although this Tribunal decision is not binding, it is nevertheless a persuasive authority.

35. It is against this background that the Tribunal turned to consider the issues of law raised by the Applicants.

Improvements must be to the House and Premises

36. Mr Buckpitt submitted that the valuation exercise required by section 9(1A) of the Act was to value "the house and premises". The literal interpretation of this meant that, conceptually, only the existing building fell to be valued and not the original Mews House.

37. The Tribunal adopts and approves the same reasoning used by Lord Hoffman in ***Shalson*** on this point. There is no conceptual difficulty posed by valuing the original Mews House under 9(1A) of the Act. This difficulty was expressly rejected by him in his judgement. The relevant test is one must carry out a comparison to the house at the date of the grant of the lease as it would otherwise had been if the improvements had not been carried out. At the time the underlease was granted the reconstruction works had not been carried out and the original Mew House still existed. Logically, therefore, that is "the house and premises" to be valued for the purpose of section 9(1A).

House and Premises within the Act

36. In the alternative, Mr Buckpitt went on to submit that the original building at the time the under lease was granted was not a house within the meaning of section 2(1)(b) of the Act because it was vertically divided both at first and ground floors. The rear portion was not accessible and was physically incorporated into 7BS and could not be said to a house "reasonably so called".

37. The tribunal did not accept this submission as being correct for the following reasons. The Tribunal accepted the submission made by Mr Jeffries that, as a matter of law, whether a building is a "house" within the meaning of section 2 of the Act is at the date of the notice of claim. To do otherwise, would have the effect of completely undermining the

increased value to the house as a result of improvements carried out by the tenant. In other words, this would result in unfairness to the tenant in the manner contemplated by Lord Hoffmann in ***Shalson***.

38. Even if the Tribunal is wrong about that, it is clear that courts are prepared to define what amounts to a "house" or one "reasonably so called" widely: see ***Tandon v Spurgeon*** [1982] AC 766. Indeed, this has been confirmed in the recent Court of Appeal decision in ***Jewelcraft Ltd v Pressland*** [2015] EWCA Civ 1111 when the same section 2 point was considered.

39. In that case, the landlord argued that a buildings comprised of a shop on the ground floor with residential accommodation above could not be described as being a "house reasonably so called" within the meaning of section 2(1) of the Act because the building was best described as a shop or because the accommodation was not linked internally to the remainder of the building.

40. In allowing the tenant's appeal, the Court of Appeal held that the definition of "house" in section 2 of the Act was designed to implement policy. It was not Parliament's intention to exclude the right of enfranchisement in the case of buildings that were designed or adapted in part for non-residential use or which were wholly residential but internally divided into flats. The width of the extended definition in section 2(1) created by the proviso beginning with the words "notwithstanding" meant that that more difficult cases (such as this) fell to be determined by the words "reasonably so called". The Court of Appeal went on to say that there should be no warrant for distinguishing between similar types of building solely on the basis of their external appearance or their internal layout.

41. By analogy, Mr Buckpitt's submission seeks to apply exactly the same artificial and narrow meaning as to what amounts to a "house" or one "reasonably so called" in section 2 of the Act. The Tribunal was

satisfied that at all material time the headlease and underlease were granted the original Mews House had been used solely for self-contained residential purposes and was a "house" or one "reasonably so called" within the meaning of section 2 of the Act.

Are the Works Improvements?

42. Mr Buckpitt submitted that the reconstructing of the property in place of the original building was not an improvement. It was the destruction of the original building and its replacement with something different. He relied, in part, on the reasoning in ***Rosen*** at paragraph 13 where it is stated that an improvement can only be carried out when there is a subject matter for improvement.

43. For the reasons given earlier, the Tribunal has distinguished ***Rosen*** from the present case. Mr Buckpitt correctly stated that there is no statutory definition of "improvements" under the Act. However, as a matter of common law, the construction of what amounts to an improvement has been dealt with by the two tests laid down by Lord Hoffmann in ***Shalson***. There had to be physical changes to the house above and beyond mere repairs required by the lease and these had resulted in an increase in value to the property. The former does not preclude the demolition and reconstruction of the house, as is the case here as long as it increases the value of the property. Whether this is carried out as one set of works appears to be largely irrelevant. Otherwise, this would undermine the rationale behind section 9(1A)(d) of the Act by the tenant having increased the value of the landlord's interest by expenditure and it would be unfair that he should have to pay a second time when the landlord's interest is valued for the purposes of a sale of the freehold: see ***43a Acacia Road***.

Works Beyond Repair/Renewal

44. Mr Buckpitt made two submissions on this point. Firstly, he submitted that at the time the underlease was granted to Mr Simmonds it was being contemplated by him to redevelop the original Mews House. As

such , it fell within the covenant to put the premises in complete and substantial repair and condition. Secondly, the carrying out of the works were part of the premium for the grant of the underlease and, therefore, cannot fall within section 9(1A)(d) of the Act[2].

45. These submissions fail for the following reasons. As Mr Jeffries correctly pointed out, the underlease contained an express covenant (2(xix)) against development. It was clearly intended, therefore, by the parties that the obligation to put the property in repair was limited to those matters set out in the Schedule to the underlease. Moreover, Mr Simmonds had to subsequently seek and obtain the permission of the Portman Estate to carry out the conversion works. If Mr Buckpitt's submission was correct, this would not have been necessary. It follows that the carrying out of the works could not have been part of the premium for granting the underlease. The evidence is that the premium was simply the amount of £2,500 paid by Mr Simmonds and there is no evidence to support the view that it included some other "consideration". The Tribunal was, therefore, satisfied that the construction of the property went beyond the repairing obligation in the underlease.

Improvements carried out by Predecessor at Own Cost

46. These two issues can be taken together. Mr Buckpitt submitted that the documentation suggest that the works were most likely carried out or procured by Simmons (Bryanston Square) Ltd through the contractor, George Lane. In support of this, he refers to the drainage notice dated 20 May 1957 given by the Architect, J Gregory, naming the owner of the property as Messrs Simmonds (Bryanston Square) and the building notice served by Mr Lane dated 31 May 1957 in the name of Ernest Simmonds. He also puts the Respondents to proof that Mr Percy Simmonds paid for the works.

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[2] see ***Rosen*** at paragraph 19

48. Simmons (Bryanston Square) Ltd was granted leases of 4, 5, 8 and 9 Bryanston Square, which were all developed at the same time as the subject property. It was treated differently because the underlease was granted personally to Percy Simmonds. The documentary evidence, such as it is, reveals that Simmons (Bryanston Square) Ltd in all probability was comprised of a number of members with surname of Simmonds. These certainly included Ernest, Charles and Percy Simmonds. Understandably, it is perhaps for this reason that the various notices served by the Architect and the builder as part of the overall project may have inadvertently included the incorrect name. On balance, this appears to be no more than an administrative error. The property was always dealt with in the personal capacity of Percy Simmonds and there could have no commercial or other reason for Simmons (Bryanston Square) Ltd to have carried out the works and paid for them. Given the paucity of evidence due to the passage of time, this is the only sensible inference to be drawn from the available facts.

Valuation

49. Having established that the conversion works satisfied the first test laid down by Lord Hoffman in ***Shalson*** it was necessary for the Tribunal to go on to decide if the redevelopment of the property resulted in an increased value of the Mews House.

50. Both valuers agreed that it had. Perhaps unsurprisingly, given the passage of time and the fact that the original Mew House no longer existed, they had some difficulty in deciding what valuation approach should be adopted. Save for the issue before the Tribunal, all of the other valuation elements had been agreed including the development value of a roof terrace.

51. Mr French, for the Applicants, used evidence of sales in the immediate vicinity of comparable properties.

52. He then adjusted these transactions for time to the valuation date using Savills Research Indices for Prime Central London houses in Knightsbridge, Chelsea, Belgravia, Mayfair and Marylebone. Mr French then made further adjustments for tenure, condition, location, amenities such as layout, outside space, parking and other factors influencing value were required. For example, adjustments for outside space varied between 5-10% of the value of the property. Adjustments for condition could be up to £300psf for a complete refurbishment to a high standard.

53. Mr French obtained costs schedule of recent projects undertaken by the Portman Estate regarding mews houses, which have involved internal reconfiguration, being 24 Montagu Mews South and 24, 35 and 53 Gloucester Place Mews. These properties averaged approximately 1,064 sq ft and resulted in an average build cost of £284 psf and an average project cost of £398 psf. He concluded that this justified a reduction in value of £300 psf when such works are required.

54. Making these valuation assumptions, Mr French went on to analyse each of his comparable properties and arrived at a valuation rate of £1,525 psf for the original Mews House giving a freehold value of £3,170,000. To this figure, he added the value of a roof terrace calculated to be £26,000, which resulted in an increased freehold value of £3,196,000 (£1,537 psf). Applying the other agreed valuation elements including (by his calculation) an existing lease value of £73,434, resulted in an enfranchisement price of £2,925,620 based on the original building.

55. Mr Lee, for the Respondents, adopted a very different valuation approach to that of Mr French. He concluded that the vacant possession value of the original Mews House would reflect the potential for development or refurbishment. The large extent of any refurbishment works meant that the property would only be viable as a developers project.

56. Mr Lee expressly rejected the valuation approach of using comparable evidence of properties in similar condition as the original house on the basis that no such evidence was available. Therefore, he considered that a residual valuation approach should be adopted in this instance.

57. Stage one required the gross development value to be assessed. Mr Lee relied on the agreed value of the unimproved existing house at £3,050,000, which equated to £1,481 psf. Of the comparable properties, Mr Lee considered the sales of 2 and 9 Montagu West to be the most relevant. These provided adjusted valuations of £1,665 psf and £1,646 psf respectively. However, he considered that a new development would be newly refurbished and be to a higher specification than the comparables by having air handling and IT etc. He allowed a further £150 psf for these matters. An average of the increased valuations resulted in a rate of £1,800 psf and a gross development value of £3,744,000.

58. Using this figure, Mr Lee went on to provide two valuations. The first of these has no application here as it is based on the original property retaining the "M roof". The second valuation is based on the effect on value of having a rear roof terrace. Mr Lee made a deduction of 5% from his figure of £1,800 psf to reflect the lesser aspect of the roof terrace to arrive at an adjusted rate of £1,710 psf and a gross development value of £3,555,000.

59. Mr Lee then went on to estimate the cost of refurbishing the original house on the assumption that a small rear roof terrace would be permitted. This was based on cost plans prepared by Mr Vincent Crew who did not give evidence before the Tribunal. Having done so, he valued the estimated cost of refurbishment as being £1,042,150. To this figure he added interest at 5% based on a 12 month period with 3 months for sale, a contingency figure of 10%, sales costs of 1.5% plus VAT, conveyancing costs of £2,250 plus VAT and developer profit of

10%. This provided a residual valuation of £1,890,000 or £909 psf. He concluded, therefore, that the (amended) premium payable for the freehold interest is £1,771,185.

60. On the particular facts of this case and given the number of assumptions made by valuers for both parties, the Tribunal treated the valuation evidence presented with some caution.

61. The Tribunal considered the specification and cost of refurbishing the original building relied on by Mr Lee to be high. This was based on figures provided by Mr Crew and Mr Lee could not speak to them when giving evidence. The difficulty faced by the Tribunal was that there was no evidence on which it could make alternate findings on one or more items of cost. For example, there was no structural report and in the absence of this it was impossible to reduce any item of cost without knowing the effect on other elements of cost and ultimately the gross development value.

62. Similarly, the Tribunal was not greatly assisted by the valuation evidence of Mr French. He has approached the valuation of the original building by using recent sales of similar properties and adjusting them for condition. The Tribunal considered that he may not have applied sufficient discount for his adjustments and it was not told what level of disrepair he had assumed. Mr French arrived at a figure of £3,196,000, which includes a development element for the possibility of providing a roof terrace, and this is an increase in the value of the original house but, even ignoring the development value, he still concluded that the value is greater than the existing house. This compares with the value of the existing house at £3,050,000, which is a modern house albeit tired and dated. He has relied in part on costs provided for conversion projects of properties in South Kensington and, again, the Tribunal did not have the opportunity to cross examine the people actually involved in the schemes and had to be cautious about those costs. The comparison method used by Mr French had necessitated a lot of

adjustments for time, size, lack of outside space and had used too many averages.

63. Whilst the Tribunal had reservations about the residual method of valuation used by Mr Lee, on balance and with a degree of reluctance for the reasons given above, it concluded that his valuation provided the less unreliable method for the premium to be paid for the freehold interest.

64. Accordingly, the Tribunal determined that the enfranchisement price payable by the Respondents is £1,771,185.

Judge I Mohabir
14 December 2015

Appendix

Section 2

Meaning of "house" and "houses and premises", and adjustment of boundary.

(1)

For purposes of this Part of this Act, "house" includes any building designed or adapted for living in and reasonably so called, notwithstanding that the building is not structurally detached, or was or is not solely designed or adapted for living in, or is divided horizontally into flats or maisonettes; and

(a) where a building is divided horizontally, the flats or other units into which it is so divided are not separate "houses", though the building as a whole may be; and

(b) where a building is divided vertically the building as a whole is not a "house" though any of the units into which it is divided may be.

(2) References in this Part of this Act to a house do not apply to a house which is not structurally detached and of which a material part lies above or below a part of the structure not comprised in the house.

(3) Subject to the following provisions of this section, where in relation to a house let to . . . a tenant reference is made in this Part of this Act to the house and premises, the reference to premises is to be taken as referring to any garage, outhouse, garden, yard and appurtenances which at the relevant time are let to him with the house....

(5) In relation to the exercise by a tenant of any right conferred by this Part of this Act there shall be treated as not included in the house and premises any part of them which lies above or below other premises (not consisting only of underlying mines or minerals), if—

(a) the landlord at the relevant time has an interest in the other premises and, not later than two months after the relevant time, gives to the tenant written notice objecting to the further severance from them of that part of the house and premises; and

(b) either the tenant agrees to the exclusion of that part of the house and premises or the court is satisfied that any hardship or inconvenience likely to result to the tenant from the exclusion, when account is taken of anything that can be done to mitigate its effects and of any undertaking of the landlord to take steps to mitigate them, is outweighed by the difficulties involved in the further severance from the other premises and any hardship or inconvenience likely to result from that severance to persons interested in those premises.

Section 9

(1A) Notwithstanding the foregoing subsection, the price payable for a house and premises,—

...shall be the amount which at the relevant time the house and premises, if sold in the open market by a willing seller, might be expected to realise on the following assumptions:—

(a) on the assumption that the vendor was selling for an estate in fee simple, subject to the tenancy, but on the assumption that this Part of this Act conferred no right to acquire the freehold or an extended lease;

(b) on the assumption that at the end of the tenancy the tenant has the right to remain in possession of the house and premises;

(i)...under the provisions of Schedule 10 to the Local Government and Housing Act 1989; and

(ii) in any other case

under the provisions of Part I of the Landlord and Tenant Act 1954;

(c) on the assumption that the tenant has no liability to carry out any repairs, maintenance or redecorations under the terms of the tenancy or Part I of the Landlord and Tenant Act 1954;

(d) on the assumption that the price be diminished by the extent to which the value of the house and premises has been increased by any improvement carried out by the tenant or his predecessors in title at their own expense;