

Craven (Builders) Ltd v. Secretary of State for Health

[1999] E.G.C.S 126

Neuberger J.

Chancery Division

The building in question was a former (partly listed) textile mill of 64,000 sq ft which had been occupied since 1971 by the defendant-tenant under a series of leases. In each of the leases the tenant had entered into a full repairing covenant. The tenant gave up possession upon expiry of the last lease in September 1993 at which stage the building was in a bad state of repair. It was common ground that; (i) a fair estimate of the cost of putting the building into repair in accordance with the tenant's covenants would be £312,500; (ii) the freehold value of the building in its un-repaired condition was £245,000; (iii) section 18(1) of the Landlord and Tenant Act 1927 applied. However, the parties could not agree over the price that a willing buyer would have paid in September 1993 had the building been left in good repair. The landlord's expert contended for a figure of £585,000 whilst the tenant's expert argued that no premium would be obtainable for a repaired building as the market was limited to redevelopers and persons providing cheap space for warehousing or industrial use. In the court proceedings the judge found that there were no buyers for such properties in September 1993 and that the tenant's expert's evidence was to be generally preferred. C-055

- HELD: (1) As no repairs had been effected their cost did not assist in the matter.
(2) The court must determine what a willing buyer would pay on the relevant date irrespective of the fact that no buyer could have been found on that date.
(3) In the circumstances, the least unlikely buyer would be a person speculating on a market improvement prepared to hold the property for two or three years whilst deciding between refurbishment or major re-development. To such a person, whilst indifferent to repairs, they might attribute some value by assisting in short lettings. Such a person would also be aware that partial listing may hamper re-development.
(4) The landlord was entitled to substantial damages but falling below the estimated cost of repair. Damages of £40,000 were awarded.

Text Cross Reference: 9-09; 11-05

Cross-reference to other digested cases.

The following digested cases were cited in this judgment:

Portman v. Latta [1942] – considered. C-233

Crewe Services and Investment Corporation v. Silk [1997] – considered. C-059

This decision has since been cited in the following digested cases:

P&O Property Holdings Ltd and P&O Pension Funds Investments Ltd v. Secretary of State for the Environment [2000] – considered. C-219