



LRA/82/2006

**LANDS TRIBUNAL ACT 1949**

*LEASEHOLD ENFRANCHISEMENT – special purchaser – potential merger of freeholds of adjoining properties – whether landlord would have known of special purchaser’s interest – whether such knowledge must be imputed to him – quantification of special purchaser’s premium and treatment in valuation*

**IN THE MATTER OF AN APPEAL FROM THE LEASEHOLD VALUATION  
TRIBUNAL FOR THE LONDON RENT ASSESSMENT PANEL**

<b>BETWEEN</b>	<b>THE TRUSTEES OF THE WILL OF THE MOST NOBLE THE SECOND DUKE OF WESTMINSTER (DECEASED) and GROSVENOR ESTATE BELGRAVIA</b>	<b>Appellant</b>
	<b>and</b>	
	<b>REGIS GROUP (BARCLAYS) LIMITED</b>	<b>Respondent</b>

**Re: 46/47 Belgrave Mews North,  
London SW1**

**Before: The President and Mr P R Francis FRICS**

**Sitting at Procession House, 110 New Bridge Street, London EC4V 6JL  
on 16 and 17 April 2007**

*Judith Jackson QC* instructed by Boodle Hatfield for the appellants  
*Jonathan Gaunt QC* instructed by Wallace LLP for the respondent

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The following case is referred to in this decision:

*Inland Revenue Commissioners v Clay* [1914] 3 KB 466

The following further cases were cited in argument:

*Custins v Hearts of Oak Benefit Society* (1969) 209 EG 239

*Norfolk v Trinity College, Cambridge* [1976] 1 EGLR 215

*Lloyd-Jones v Church Commissioners for England* [1982] 1 EGLR 209

## DECISION

### Introduction

1. This appeal, from the Leasehold Valuation Tribunal for the London Rent Assessment Panel, concerns the price payable on enfranchisement under the Leasehold Reform Act 1967 for a pair of mews properties on the Grosvenor Belgravia Estate, 46/47 Belgrave Mews North, to which we shall refer as “the mews house”. It lies to rear of, and abuts, the premises of two houses in Wilton Crescent, numbers 46 and 47. The appellants are the respective owners of the freehold and head leasehold interests in the mews house, and it is agreed that these are to be valued together as a single freehold interest. The respondent is the leaseholder of the mews house under a lease that, at the valuation date, 23 June 2004, had 4.75 years unexpired. The company is owned by Mr N C Gould and his brother and, significantly in the context of what is in issue in the present appeal, Mr Gould and his wife are the freehold owners of 47 Wilton Crescent (to which we shall refer as “number 47”). At the valuation date both the leasehold interest in the mews house and the freehold interest in number 47 were owned by a Mr Lancaster, but he had contracted to sell these interests to the present owners with, in the case of the mews house, the benefit of the claim to the freehold.

2. Under section 9(1A) of the Act the price payable is the amount which, at the valuation date, the house and premises, if sold in the open market by a willing seller, might be expected to realise on the assumption that the vendor was selling for an estate in fee simple, subject to the tenancy, but on the assumption that the Act conferred no right to acquire the freehold. All aspects of the valuation were agreed before the LVT, except that the appellants contended for the inclusion of an amount to reflect the premium that they said would be paid for the merger of the freehold interest of the mews house and the freehold interest of number 47. The appellants’ assessment of this premium was £700,000. The LVT concluded that the amount of this premium was £500,000, but it declined, for reasons to which we shall refer, to make any addition to reflect it. The LVT granted permission to appeal, and the appeal has been by way of rehearing. The issues that arise are, firstly, whether the premium falls to be reflected in the price; secondly, if it does, how much it is; and, thirdly, how it is to be reflected in the valuation.

### The facts

3. With the exception of certain matters relating to the position of the special purchaser – the person who would pay the premium for the merger of the interests – all relevant facts are agreed.

4. The mews house is situated in the northern part of Belgravia. It is part of a terrace of mews houses along the north side of Belgrave Mews North, which abuts, and originally served, the period terrace of houses fronting the south side of Wilton Crescent. It is on ground and two upper floors, with one room and a roof terrace at third floor level and a basement of restricted height. It comprises a total gross internal floor area of 307.4 sqm (3,309 sq ft) excluding the basement, which is another 33.8 sqm (364 sq ft).

5. The mews house was let together with 46 and 47 Wilton Crescent by a lease dated 29 April 1968 for a term expiring on 25 March 2009 at a rent of £505 per annum. In 2000 the short leases of 46 and 47 Wilton Crescent were enfranchised separately and the rent of the mews house was reduced to £265 per annum. The freeholders' valuation of the freehold interest of number 47 on enfranchisement included an amount, under section 9A(2)(a) of the Act, to reflect the diminution in value of the freehold interest in the mews house through the loss of opportunity to dispose of the freehold interest in it and number 47 together. The value of that opportunity was put at £150,000, which was then apportioned between the mews house and number 47 and deferred to the end of the lease, resulting in an addition of £24,109 to the price.

6. The freehold interest with vacant possession of number 47 was put on the market for sale in October 2002. On 6 May 2004 Mr and Mrs N C Gould submitted an offer for its purchase, and at the same time an offer was made for the lease of the mews house. In each case contracts were exchanged prior to 23 June 2004. The price of the freehold interest in number 47 was £5,200,000. The price of the leasehold interest in the mews house was £1,200,000. Completion of the sale of number 47 was on 16 July 2004, and completion of the sale of the leasehold interest in the mews house was on 17 September 2004.

7. It was common ground that, although the interest in number 47 was transferred to Mr and Mrs Gould and that in the mews house to the company, the purchasers could be treated as one (Mr Gould) for the purposes of the issue of the special purchaser's bid. It was also common ground:

- (a) that Mr Gould was not interested in buying either the leasehold interest in the mews house without the right to acquire the freehold, nor was he interested in acquiring the freehold without the lease;
- (b) the value of the leasehold interest without the 1967 Act rights was £399,000 and with those rights was £500,000;
- (c) the price of £1,200,000 paid by Mr Gould for the leasehold interest reflected the fact that that interest carried with it the right to enfranchise, so that on enfranchisement the freehold interests in the mews house and number 47 could be merged; and
- (d) the price paid by Mr Gould for number 47 was higher than a purchaser would have paid if he had not at the same time been acquiring the leasehold interest, together with the right to enfranchise, the mews house.

### **The LVT decision**

8. Before the LVT there was disagreement, assuming that the bid of Mr Gould as a special purchaser could be taken into account, what the premium of the special purchaser's bid would be. As we have said, the appellants contended for £700,000, and the LVT concluded that it

should be £500,000. However, the LVT concluded that this premium should not be reflected in the valuation. It said:

“41. The next question we have to answer is how this sum should be reflected, if at all, in the valuation. It appears to us that, at the valuation date, when the landlord was not entitled to possession, it has lost nothing by the enfranchisement except the chance of selling the property to a special purchaser at the end of the lease. There is no evidence whatever that the special purchaser, or any other potential special purchaser, was prepared to wait 4.75 years for possession of the mews house or to pay anything now as an additional premium for the right to possession at the end of the lease. What the landlord has in fact lost is the ability in 2009 to sell or let the mews house at a premium over normal market value to the owner of 46 or 47 Wilton Crescent who cannot be regarded as by any means certain to be in the market at that time. That seems to us to be precisely the loss for which the landlord was or should have been compensated under section 9A in the enfranchisement of the main house. In that enfranchisement it was, according to Mr Macpherson’s evidence, compensated for the loss of the ability to combine the main house and the mews house in any way. In other words, it was compensated for the lost additional value of the mews house derived from its valuable proximity to the main house. It has therefore, in our view, suffered no further loss for which it is entitled to receive what would in effect be further compensation now. This approach in our views gives effect to the words ‘subject to the tenancy’ in section 9(1A)(a) of the Act, although we have preferred to approach the issue by asking ourselves what the landlord has lost by the enfranchisement.”

The LVT’s valuation is appended to this decision as Appendix 1.

## **Evidence**

9. For the appellants Miss Judith Jackson QC called two witnesses, George M Pope FRICS, an independent/surveyor valuer who has for many years acted for the Grosvenor Estate in leasehold enfranchisement matters, and Julian Mansfield Clark BSc, MRICS, a partner in Gerald Eve. Mr Pope gave evidence on the value to the special purchaser of the freehold interest in the mews house, and Mr Clark gave evidence on the enfranchisement price. For the respondent Mr Jonathan Gaunt QC called Robert Orr-Ewing, of Knight Frank, who has acted for both leaseholders and freeholders in leasehold enfranchisement matters over a number of years. Mr Clark’s valuation at £2,732,200 is at Appendix 2. Mr Orr-Ewing’s primary valuation was that determined by the LVT. His alternative valuation, which would apply if we were to conclude that the premium ought to be reflected in the price, was £2,471,000, and is at Appendix 3.

## **Special purchaser’s premium**

10. There was no dispute between the parties that the bid of a special purchaser is not excluded from consideration in valuations that fall to be made under section 9(1A) of the Act.

Miss Jackson's submission was that Mr Gould or Mr Lancaster was at the valuation date a special purchaser who was prepared to pay a premium to acquire the freehold interest in the mews house. Mr Gould was under contract to purchase the leasehold interest and he was only a purchaser of that interest because he wanted to merge the freehold interest with vacant possession of the mews house and number 47. Alternatively Mr Lancaster, the vendor, was a special purchaser since he had contracted to sell the leasehold interest to Mr Gould for £1.2m and he could only realise this amount if he was able to acquire the freehold for Mr Gould.

11. Miss Jackson relied on *Inland Revenue Commissioners v Clay* [1914] 3 KB 466 as authority for the proposition that the effect on the market of the existence of such a special purchaser is to be taken into account. In that case provisions in the Finance Act 1910 required a house to be valued in terms of the amount that it might be expected to realise "if sold in the open market by a willing seller". The house was worth £750 if sold for use as a private residence, but it was in fact sold for £1000 to a special purchaser, the owners of an adjoining nurses home who wished to extend their premises. The headnote reads:

"Held (affirming the decision of Scrutton J [1914] 1 K. B. 339), that on a sale in an 'open market' it must be assumed that intending purchasers were aware of the fact that the nurses home was prepared to give a high price for the house, and that its value would thereby be increased; that it could not be assumed that the nurses' home would only have to make one bid beyond the 750l.; and that, whether the vendor were in fact a 'willing seller' or not, the existence of a willing seller must be assumed for the purpose of the sub-section."

12. At 472 Cozens-Hardy MR said:

"I can see no ground for excluding from consideration the fact that the property is so situate that to one or more persons it presents greater attractions than to anybody else. The house or the land may immediately adjoin one or more landowners likely to offer more than the property would be worth to anybody else. This is a fact which cannot be disregarded."

13. Miss Jackson relied on that passage and also, in the judgment of Swinfen-Eady LJ at 475, on the following:

"A value, ascertained by reference to the amount obtainable in an open market, shews an intention to include every possible purchaser. The market is to be the open market, as distinguished from an offer to a limited class only, such as the members of the family. The market is not necessarily an auction sale. The section means such amount as the land might be expected to realize if offered under conditions enabling every person desirous of purchasing to come in and make an offer, and if proper steps were taken to advertise the property and let all likely purchasers know that the land is in the market for sale. It scarcely needed evidence to inform us – it is common knowledge – that when the fact becomes known that one probable buyer desires to obtain any property, that raises the general price or value of the thing in the market. Not only is the probable buyer a competitor in the market but other persons, such as property brokers, compete in the market for what they know another person wants,

with a view to a resale to him at an enhanced price, so as to realize a profit. A vendor desiring to realize any land would ordinarily give full publicity to all facts within his knowledge likely to enhance the price. The local conditions and requirements, the advantages of the situation of the property for any particular purposes, and the names of the persons who are probable buyers, would ordinarily be matters of local knowledge to the property brokers and agents and speculators. In order to arrive at the amount which land might be ‘expected to realise,’ all these matters ought to be taken into consideration. ‘Expected’ refers to the expectations of properly qualified persons who have taken pains to inform themselves of all the particulars ascertainable about the property, and its capabilities, the demand for it, and the likely buyers.”

14. Mr Gaunt submitted that *IRC v Clay* was not authority for the proposition that the existence of a special purchaser and the nature of his particular concern to buy must be assumed to be known by the vendor. Whether or not the vendor was aware, or would have been aware in the no-Act world, of the existence of the potential purchaser and the nature of his special interest was, he said, a question of fact and was not a matter legal presumption. He relied on evidence (to which we shall refer) given by Mr Pope in cross-examination to the effect that the existence of a special purchaser would not in the present case have been disclosed to the vendor.

15. It does not seem to us that any of the judgments in *IRC v Clay* was saying or indeed implying that, where a sale in the open market is to be assumed, the vendor is presumed to have knowledge of any special purchaser there may be and what his special interest is. Perhaps unsurprisingly, the possibility of the special purchaser concealing his identity or the nature of his special interest was not something that was, it would appear, in the active consideration of the court. A sale had in fact been made to a special purchaser at a premium. It is to be noted that Pickford LJ said (at 479):

“It is, however, impossible to suppose that the wish of the trustees to buy the house was entirely unknown to those interested in property sales, and if the sale took place, either by auction or through an agent, the willing seller would be careful to see that that fact was made known.”

That passage at least tends to suggest that the court was approaching the matter in terms of what would in fact have been known (albeit here by others who might have been interested in purchasing the property) rather than of presumed knowledge.

16. If *IRC v Clay* is inconclusive on the issue, the actual words of the statute are perhaps the most important consideration. What has to be determined is the price that the house and premises, if sold in the open market by a willing seller, might be expected to realise. The market is open in the sense that no potential purchaser is assumed to be excluded – on this *IRC v Clay* is clear. The question is, if sold in the open market by a willing seller, how much would the property be expected to realise? The words suggest clearly that this is a factual matter, to be considered, in the no-Act world, on the basis of two assumptions only – the market being unrestricted and the seller being willing. No other assumption is implied. If the evidence shows that, selling in the open market, the seller would not have been aware of the existence of

a special purchaser or of his special interest, then as a matter of fact he would not have achieved a price that included a special purchaser's premium. We can see no justification for imputing to him knowledge that he would not have had.

17. Mr Pope's evidence on what the Grosvenor Estate knew or would not have known was clear. At the valuation date the estate did not know of Mr Gould's offer for the lease of the mews house or for the freehold of number 47. It would have known that number 47 had been on the market since 2002. Mr Pope agreed with Mr Gaunt that, in the no-Act world, the estate would not have known about Mr Gould's offer because both Mr Gould and Mr Lancaster would have been careful not to tell the estate about it. This, in our view, is conclusive. We can see no justification for imputing to the estate knowledge that it would not have had. In the no-Act world, as a willing seller in the open market, it would not have been aware of Mr Gould's interest in acquiring the freehold of the mews house in order to merge the freeholds with vacant possession of the two properties. There could be no question, therefore, of a special purchaser's premium.

18. This was not the basis on which the LVT refused to include in the price a special purchaser's premium. Its reasons for doing so were those that we have set out in paragraph 8 above. In the third sentence it said that there was "no evidence whatever that the special purchaser, or any other potential purchaser, was prepared to wait 4.75 years for possession of the mews house or to pay anything now as an additional premium for the right to possession at the end of the lease." It seems to us, however, that the special purchaser, who owned, or was contracted to buy, both the freehold of number 47 and the leasehold interest in the mews house, each with vacant possession, would have had a strong interest in acquiring the freehold of the mews house at the valuation date. He would not have had to wait to secure vacant possession: he was already entitled to it. By acquiring the freehold of the mews house he was able to merge the interests of the two properties into an overall freehold interest with vacant possession.

19. The principal reason for the LVT's rejection of the special purchaser's premium, however, was not this but the fact that, as it concluded, the landlord had sustained no loss that required to be reflected in an additional payment. What has to be determined, however, under section 9(1A) is the open market value of the fee simple interest subject to the tenancy. If the interest would in the open market have commanded a premium, this would fall to be reflected in the price. The fact that four years previously the enfranchisement price of number 47 took account of the compensation that would have fallen to be paid under section 9A is not a matter that can affect the price payable under section 9(1A) for the freehold of the mews house. There is no statutory provision that brings it into the reckoning. In any event, compensation under section 9A would reflect no more than the degree of probability, as seen at the valuation date, that by selling the freehold of the subject premises the landlord would lose the opportunity of achieving a premium that a purchaser would pay to unite the freehold interests in number 47 and the mews house. It would always remain a possibility that the freehold of number 47 and the leasehold of the mews house would come into the same ownership, and any assessment of compensation under section 9A would have had to reflect this possibility. The landlord's compensation would reflect the probability or possibility of being unable to realise a premium.



It would not be based on an assumption that the opportunity for realising a premium had been irrevocably lost.

20. While, therefore, we would not agree with the LVT's reasons, we agree that no addition falls to be made in respect of a special purchaser's premium. Our reason is that, on the evidence, the estate would not have been aware of the special purchaser's interest and that, as a matter of law, it would be wrong to impute such knowledge to it. If we are wrong in this conclusion of law, it would be necessary to quantify the amount of the premium that would have been agreed with the special purchaser and to apply this in the valuation. We now turn to these matters, therefore.

### **Special purchaser's premium: quantification and application**

21. Mr Pope said that with the short leasehold interest in the mews house with the right to, and the benefit of a claim for, enfranchisement being agreed at £500,000 and the purchase price of that interest being £1.2m, it followed that the respondent's overbid was £700,000. That sum was, he said, the marriage value to be adopted, as it was secured in an open market transaction and was, therefore, the best evidence available. Mr Pope said that the reference made by the LVT in paragraph 37 of its decision, where they adopted that sum, to it appearing "to flow from the generality of the evidence put before us, particularly by Mr Pope" was misconceived. It must, he said, have stemmed from his expressed opinion that, generally, a marriage value of approximately £500,000 is created by the joining of a single mews house with a principal house in the Eaton Square, Chester Square and Wilton Crescent areas. However, this was a double mews house, which was very much more valuable, and the £700,000 therefore fairly reflected the right figure to be adopted in the marriage value calculation.

22. He referred to the sales of 115 Eccleston Mews, 14 Upper Belgrave Street and 60 Ebury Mews. By his analysis, updated to June 2004, they suggested premiums over market value for the opportunity to merge main and mews houses of £646,500, £682,000 and £377,000 respectively. The last of these three properties, 60 Ebury Mews, was sold to the owner of 61 Chester Square, who already owned another mews house, 61 Ebury Mews. This, Mr Pope said, demonstrated what might be described as the premium paid for the additional half of a double mews house. He accepted in cross-examination that the on sale of 7 Wilton Crescent, referred to in his report to the LVT but not in his latest one, he had valued the premium for the opportunity to acquire two mews houses with the main house at £500,000. Mr Clark adopted Mr Pope's figure, and his valuation, attributing half of that premium to the landlord, produced a price of £2,732,200 and is at Appendix 2.

23. Before the LVT Mr Orr-Ewing had given a range of values, which were based upon the concept that the marriage value should be derived from the difference between, on the one hand, the combined value of both the mews house and number 47, and, on the other, their aggregate values taken separately. For the purpose of the present proceedings, however, he said that he accepted the LVT's figure of £500,000 as it was within his original range. He then apportioned that sum between the mews house and number 47 in proportion to their individual

freehold values with vacant possession – £2,850,000 for the mews house, as agreed, and £5,200,000, the price paid by Mr Gould for number 47. The £5.2 m, from research he had undertaken, represented his view of its open market value of number 47 at the relevant date without any premium attaching to it for the ability also to purchase the mews house. Mr Orr-Ewing said that his instinct would have been to apportion on a 50:50 basis were it not for the fact that, on the original sale of the freehold of number 47 to Mr Lancaster, Mr Ian Macpherson FRICS on behalf of Grosvenor, had apportioned according to the freehold vacant possession values of the two properties. Apportioned in this latter way, the element of the premium attributable to the mews house became £177,019, which Mr Orr-Ewing deferred to the end of the lease to give £143,621. His calculations, which are shown in Appendix 3, produced a price of £2,471,000. Whilst he accepted that the purchaser was immediately able to merge the freehold and leasehold interests, Mr Orr-Ewing said he had deferred the premium element because section 9(1A)(a) of the Act provided that the price payable was the amount which might be expected to be realised on the assumption that the vendor “was selling for an estate in fee simple subject to the tenancy”.

24. We are not satisfied on the evidence that the appellants have shown the LVT’s conclusion that the premium was £500,000 to be wrong. We do not think that the difference between the £1.2m paid for the lease and the £500,000 value of the lease with rights can be relied on as establishing the premium in the absence of knowledge of what the liabilities were, as between Mr Gould and Mr Lancaster, as to the payment of the enfranchisement price. It has not been shown that difference between those two figures represents the whole story. Nor are we persuaded that the other transactions referred to by Mr Pope support a figure of more than £500,000. In particular his adoption of that figure where two mews houses were joined to 7 Wilton Crescent in our view belies his contention that a double mews house gives a greater increase on joinder than a single mews house. We therefore adopt a premium of £500,000.

25. As to apportionment, we can see no justification for attributing any of the premium to number 47 and reducing the enfranchisement price on account of this. It was a value that attached specifically to the freehold interest in the mews house, the purchase of which enabled the special purchaser to realise the increased value of the two freeholds combined. Nor, in our judgment, can there be any justification for deferring the amount of the premium until the end of the lease. The increased value was realised as soon as the two freeholds with vacant possession came into common ownership. Our valuation is set out in Appendix 4 and it shows a price of £2,632,200.

## **Conclusion**

26. The LVT’s decision, for the reasons that we have given, must stand, and the appeal is dismissed. If we are wrong, however, in our view that knowledge of the existence of the special purchaser and of his special interest is not required as a matter of law to be imputed to the seller, the price would be £2,632,200.

Dated 2 May 2007

George Bartlett QC, President

P R Francis FRICS

LVT VALUATION

46/47 Belgrave Mews North London SW1

VALUATION UNDER THE LEASEHOLD REFORM ACT 1967

**Base Facts**

Valuation Date	23 June 2004 (Agreed)
Unexpired Term	4.75 Years (Agreed)
Ground Rent	£265.00 pa (Agreed)
Yield	4.25% (Agreed)
Deferment Rate	4.50 (Agreed)
Freehold Value	£2,850,000.00 (Agreed)
Leasehold Value	£399,000.00 (Agreed)
Special Purchaser	£ nil (LVT Decision)

**Value of Freehold Interest**

	£	£	£
Ground Rent	265.00		
Years Purchase for 4.75 Years @ 4.25%	<u>4.2209</u>		
		1,119.00	
Reversion to:			
Freehold Value	2,850,000.00		
PV of £1 deferred 4.75 Years @ 4.50%	<u>0.8113</u>		
		<u>2,312,205.00</u>	
			2,313,324.00

**Marriage Value**

Value of Freehold	2,850,000.00		
<b>Less</b>			
Landlords existing Interest	2,313,324.00		
Tenants existing interest	<u>399,000.00</u>		
		<u>2,712,324.00</u>	
Gain on Marriage		137,676.00	
Freeholder share @ 50%			<u>68,838.00</u>
Enfranchisement Price			<b>2,382,162.00</b>

**Compensation**

Nil

**Other Losses**

Nil

LEASEHOLD REFORM ACT 1967 AS AMENDED SECTION 9(1C)  
VALUATION OF JULIAN CLARK FRICS, GERALD EVE  
46/47 Belgrave Mews North, London SW1  
at 23 June 2004

Valuation of Intermediate Leaseholder's interest held by West Virginia Trust Inc.  
exclusive of marriage value  
Lease expires 24 March 2009

	£	£	£
For remainder of term of inferior lease			
Annual rent current receivable	145		
Annual rent currently payable	<u>265</u>		
Annual loss rent	-120		
			0
Valuation of Grosvenor's interest exclusive of marriage value			
Annual rent currently receivable	265		
Years purchase for 4.75 years @ 4.25%	<u>4.221</u>		
		1,119	
Reversion to:			
Value of freehold interest with vacant possession for sale & occupation separate from 46 or 47 Wilton Crescent	2,850,000		
Deferred 4.75 years @ 4.50%	<u>0.8113</u>		
		<u>2,312,205</u>	
Total Diminution in Value of landlords' Interests			2,313,324
<b>Add Grosvenor's share of marriage value</b>			
Value of freehold interest with vacant possession for sale to owner or purchaser of corresponding interest in 47 Wilton Crescent			
Value of freehold interest of Subject House with vacant possession for sale & occupation separate from 46 or 47 Wilton Crescent	2,850,000		
Premium for merger of freehold interest of Subject House with freehold interest of 47 Wilton Crescent.	700,000		
		3,550,000	
<b>Less</b>			
Value of landlords' interest exclusive of marriage value	2,313,324		
Value of lessee's interest exclusive of marriage value FHVP value 2,850,000 14.00%	<u>399,000</u>		
		<u>2,712,324</u>	
Gain on marriage		837,676	
Attributed to Grosvenor @ 50.0%			<u>418,838</u>
Enfranchisement Price			2,732,162
		<b>Say</b>	<b>2,732,200</b>

VALUATION OF ROBERT ORR-EWING, KNIGHT FRANK  
46/47 BELGRAVE MEWS NORTH, LONDON SW1

VALUATION UNDER LEASEHOLD REFORM ACT 1967 (AS AMENDED)

**1. Landlord's existing interest**

Capitalised value of ground rent income

Ground rent	£265	
Years purchase 4.75 years at 4.25%	<u>4.2209</u>	
		<b>£1,119</b>

Reversion to:

Unencumbered existing unimproved freehold value	£2,850,000	
Deferred for 4.75 years at 4.50%	<u>0.8113</u>	
		<b><u>£2,312,291</u></b>
Total:		<b>£2,313,409</b>

**2. Marriage value calculation**

After

Tenant-freehold value of house	£2,850,000	
Plus apportioned marriage value with 47 Wilton deferred to end of lease	£177,019 <u>0.8113</u>	
	£143,621	
	<u>£0</u>	
Landlord		£3,027,019
<u>Before</u>		
Landlord's existing interest	£2,313,409	
Tenant's existing interest	<u>£399,000</u>	
		<u>£2,712,409</u>
		£314,609
Landlord's share of marriage value,		<u>50.00%</u>
		<b>£157,305</b>

**3. Premium payable**

Loss to the landlord or freehold interest	£2,313,409
Plus half marriage value	<u>£157,305</u>
Premium payable	£2,470,714
But say,	<b>£2,471,000</b>

**Marriage value of 46/7 Belgrave Mews North and 47 Wilton Crescent**

Value of 47 Wilton Crescent freehold	£5,200,000	
Value of 46/7 Belgrave Mews North freehold	£2,850,000	
Total:		£8,050,000
Compared with:		
Value of properties combined:		<u>8,550,000</u>
Loss of marriage value to Grosvenor:		£500,000
Apportionment of marriage value		
Attributable to 46/7 Belgrave Mews North	<u>2,850,000</u>	£500,000
	8,050,000	<u>£ 177,019</u>

LANDS TRIBUNAL VALUATION

LEASEHOLD REFORM ACT 1967 AS AMENDED SECTION 9(1C)  
VALUATION OF  
46/47 Belgrave Mews North, London SW1  
at 23 June 2004

Valuation of Intermediate Leaseholder's interest held by West Virginia Trust Inc.  
exclusive of marriage value  
Lease expires 24 March 2009

	£	£	£
For remainder of term of inferior lease			
Annual rent current receivable	145		
Annual rent currently payable	<u>265</u>		
Annual loss rent	-120		
			0
Valuation of Grosvenor's interest exclusive of marriage value			
Annual rent currently receivable	265		
Years purchase for 4.75 years @ 4.25%	<u>4,221</u>		
		1,119	
Reversion to:			
Value of freehold interest with vacant possession for sale & occupation separate from 46 or 47 Wilton Crescent	2,850,000		
Deferred 4.75 years @ 4.50%	<u>0,8113</u>		
		<u>2,312,205</u>	
Total Diminution in Value of landlords' Interests			2,313,324
<b>Add Grosvenor's share of marriage value</b>			
Value of freehold interest with vacant possession for sale to owner or purchaser of corresponding interest in 47 Wilton Crescent			
Value of freehold interest of Subject House with vacant possession for sale & occupation separate from 46 or 47 Wilton Crescent	2,850,000		
Premium for merger of freehold interest of Subject House with freehold interest of 47 Wilton Crescent.	500,000		
		3,350,000	
<b>Less</b>			
Value of landlords' interest exclusive of marriage value	2,313,324		
Value of lessee's interest exclusive of marriage value FHVP value 2,850,000 14.00%	<u>399,000</u>		
		<u>2,712,324</u>	
Gain on marriage		637,676	
Attributed to Grosvenor @ 50.0%			<u>318,838</u>
Enfranchisement Price			2,632,162
		<b>Say</b>	<b>2,632,200</b>