



**ALEP**

ASSOCIATION OF LEASEHOLD  
ENFRANCHISEMENT PRACTITIONERS

# ALEP AUTUMN CONFERENCE 2010

Syndicate 1  
Kelton Court 1 year on  
Led by Charlie Coombs

# Syndicate 1 Feedback

- Sportelli (2006) – 4.75% Houses 5% Flats
- Zuckerman (2009) – 6% (0.75% Risk Premium 0.25% Management Risk)
- Ashdown (2010) – LVT case 6% (but obviously not binding as LVT)
- Glyn Road (2010) – 5.25% Additional 0.25% for risk of delapidation (LT).
- Hardwick House, Seaford – 5.75% (LVT)



# Syndicate 1 Feedback

- When rate below £279/sq ft can get the extra 0.25%
- Risk of 0.25% doesn't count for houses turned into flats
- But, Sportelli said no distinction between conversions and purpose-built in decision
- Ashdown didn't argue per sq ft but due to low values. So can be argued just on low value (not per sq ft)
- Ashdown prejudiced by conflicting expert evidence



# Syndicate 1 Feedback

- Ashdown report by James Driscoll is very detailed indeed – as though he expected that the case would be appealed and the LT would accept his full verdict as written
- Wellcome and other estates arguing for lower deferment rates (4% or lower instead etc)
- Success could lead to a FALL in rates
- Onslow Gardens: Wellcome is arguing 4%



# Syndicate 1 Feedback

- Noticable movement to settlements at 6% around the country as a result of Zuckerman
- Thought that maybe agreeing at 6% but relativity lower as a result negating the effect.
- Since Sportelli the financial input has not been taken into consideration (as with Sportelli) with rates spiralling downwards, and valuation elements only being tackled
- This would push rates down by at least a couple of %



# Syndicate 1 Feedback

- Is growth implicit in the purchase price? Double counting a possibility as risk of growth implicit. People don't buy a property expecting the value to fall.
- The bidder will adjust purchase price accordingly, therefore would be taken into account, so shouldn't be included in rate calculations
- Market price reflects the market at that day. Have to apply some assumption about the future.
- Two markets – owner/buy-to-let market and the external investor market. The first won't think about what a value will be in 50 yrs time whereas the second will.



# Syndicate 1 Feedback

- Taking real growth rate out of the calculation – claim that deferment rate goes up 2%!!!
- On the whole, people buy flats for mere material reasons. They are not thinking this technically.
- Purchasers mostly don't understand the difference between a 50 yr lease and a 999 yr lease let alone future growth!
- Non-PCL don't feel they will get back the increase in relativity that the valuers say, whereas the PCL on 60 years can sell immediately due to demand with little loss in value. Different markets demand different calculations?



# Syndicate 1 Feedback

- Sales certainly driving lease extensions but danger not getting the money back from it
- Today it doesn't necessarily make financial sense but in a couple of years it will be more expensive so it certainly will have made sense to do today by then.
- Issue of bad advice from solicitors at sale not advising on lease problems.
- Double counting issue – landlord disposed therefore it is the impact on them being forced to sell so should be included.





# Syndicate 1 Feedback

- ALEP canvas RICS to do research on regional growth rates nationwide so that people don't overpay.
- Many times argument not heard. Have to settle as costs too much to challenge further. Cost benefit issue.
- Sometimes freeholders allow an increase the relativity in PCL to ensure that they get the 5% and there are no cases disputing this.

