

Mrs C Wallis
Waverley Borough Council
The Burys
Godalming
Surrey
GU7 1HR

Our Ref: MJA/VCR21006
Date: 19th October 2022

Dear Mrs Wallis

Re: Freehold Enfranchisement
Wyatts Close, Godalming, Surrey GU7

I write in respect of the above following your instructions to report on the eventual consideration agreed for the enfranchisement of the freehold.

Background

The firm was appointed to review purchase options for Waverley Borough Council (WBC) in March 2021, on the basis that the freehold had been offered at a price equal to £3.2 million, subject to the existing lease.

Perry Hill Surveyors Advice

This firm was instructed to provide two sets of advice in respect of potential purchase:

- 1) Initial advice as to Enfranchisement potential
- 2) Investment value, assuming enfranchisement was not achieved

My initial assessment of enfranchisement was based upon the Section 9(1) of Leasehold Reform Act, 1967, a specific legislative measure that allows lessees the right to acquire freehold houses, assuming they are vertically divisible for each other.

This initial assessment was deliberately issued on the basis of a reduced financial consideration, so that once Notice had been accepted by the freeholder, it gave scope for a negotiated settlement.

There is valid reason for issuing notices as a lessee at a reduced level, which is simply, if the notice is not responded to by the freeholder, scope exists to complete the enfranchisement at the reduced price set out in the notices.

In my enfranchisement assessment, I opted to use reduced property values and to disregard entirety value.

During the course of the negotiation, it was clear that in order to meet an agreement on the terms of settlement, that it was appropriate to readdress my assessment, so as to set a realistic assessment pursuant to Tribunal. This is what I did, and I attach it as under:

VALUATION FOR ENFRANCHISEMENT LEASEHOLD REFORM ACT 1967			
No. 1 to 32 Wyatt Close, Farncombe, Godalming, Surrey, GU7			
Subject to Contract/Without Prejudice			
Valuation Date		25/05/2021	
Building:		Single Storey Cottages	
Lease Details:		99 years from 24th June 1956	
Unexpired lease:		34.08	
Ground Rent:		£1.56	
Capitalisation Rate:		5.50%	
Modern Ground Rent Deferment Rate		4.75%	
Stage 1 - Term - Ground Rental			
Ground Rent		£1.56	
YP @ 5.5% for 33.42 years		£15.14	£24
Stage 2 - First Reversion			
Freehold vacant possession value		£330,000.00	
Site value assumed to be 35% of FVP value		£115,500.00	
Decapitalise Modern Ground Rent @ 4.75%		£5,486.25	
YP 50 years @ 4.75%	18.98437312	£104,153	
PV of £1 def'd 34.08 years @ 4.75%	0.205660365	£21,420.15	£21,420.15
Stage 3 - Second Reversion			
Standing House Value		£330,000.00	
Less 2.5% to reflect Sec. 10 LGFA 1969		£8,250.00	
Standing House Value to reflect Sec. 10 Discount		£321,750.00	
PV of £1 def'd 84.08 years @ 4.75%		0.02004542	
Value of Second Reversion		£6,500.81	£6,501
Enfranchisement Per unit			£27,943
Aggregate Compensation			£894,226.68
No. 32 Dwellings			

The adjustments to the assessment reflect a higher capital value for the cottages and it reflects a deduction from 20% to 2.5% to account for the Sec.10 LGFA 1969.

The rolled-up enfranchisement consideration is fairly represented as being £895,000, based upon my assessment of value per leasehold cottage at £28,000.

The enfranchisement valuation looks at the reversionary value of the leasehold cottages, in addition to this are the verges, pathways and plots.

You will appreciate that there are No. 4 potential development plots to the rear of the site, which could well provide for 1–2-bedroom mews cottages. Assuming the value of cottages to be circa £350,000 each, the land value with planning permission and access is circa £140,000 per plot, £560,000. However, assuming that a right of access is required to be acquired and there is the risk of planning restrictions etc, then a nominal plot value of £50,000 per plot could be ascribed to the units, rendering the logical purchase price to be closer to:

£895,000 Enfranchisement

£200,000 Plots

£20,000 Verges

Total aggregate sum £1.15 million

As it stands the agreed consideration was £1.025 million.

My professional opinion is such that the agreed consideration of £1.025 million is equitable for WBC, it does reflect an excellent use of taxpayer's funds and I would suggest is wholly in the interest of WBC's mission.

If there were any concern as to the sums paid for the property at this stage, we should consider the following:

- The freeholder offered the property at a price of £3.2 million STC
- Assuming Enfranchisement was a non-starter the price for the freehold, assuming it were sold on the open market would be potentially £1.7/2.0 million, net of development plots
- At completion of the freehold, WBC could surrender the long under lease and hold each cottage freehold, subject to Assured Tenancies, which would aggregate a value of circa £9/10 million.

Summary

It is accepted that the initial Enfranchisement considerations detailed in notices were lowered, specifically so, to reduce costs for the client. The initial report was issued as an advice note and not a formal valuation.

It is a case that during the course of the negotiation process, it was clear that loft voids hold significant potential for development, which whilst WBC may not undertake works, as the occupiers may not need the space, the assumption is that a "would be" owner, in all probability would develop the loft voids and create permitted development extensions.

The final price of £1.025 million is the aggregate of the enfranchisement price paid for the cottages and the price paid for the land and verges.

It is not a case that WBC have over or under paid for the scheme. It is accepted that the apportionment changes to the aggregate price could be confusing, yet given the extreme commercial pressure to get the transaction completed to avoid the costs of tribunal, and the obvious uplift in value when amalgamating the long leasehold and freehold titles, the decision was taken to agree to the freeholders' nominated proportions .

My view is and remains as such, that to have been offered a purchase opportunity at £3.2 million and to have successfully concluded the purchase of the same, at approximately one-third of this sum is in actuality a superb result and I have no hesitation in recommending this to the members for approval.

As regards your questions around the requirement for the claimant to meet costs, this is the case for all Enfranchisement matters, therefore it is quite reasonable for WBC to meet the freeholders Valuation costs and legal costs in dealing with the Notice and subsequent litigation. Cost are not usually recovered by the freeholder in terms of conveyance. For more advice in respect of costs, please revert to your legal advisors.

I trust this letter is of assistance to you.

Yours sincerely



Michael Aldous BA Hons MRICS