

VALUATION REPORT

XXXXX, London, SW



REPORT REQUIRED FOR ASSESSMENT OF LEASE
EXTENSION PREMIUM



CLIENT NAME(S): XXXXX



WEBSTERS REFERENCE NUMBER **SAMPLE**

USING THIS REPORT

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Executive Summary



Property description

The property is a two bedroom flat in a converted building on the first and second floors.

The height of the building is three storeys high including the converted loft space.



Tenure

Leasehold Interest

From examination of the land registry, we have identified that the property is held on a leasehold basis. The term stated is 125 years from 1st January 1972, being approximately XXXXX years unexpired at the date of valuation.

The land registry title number is XXXXX

The leasehold title is held by XXXXX.

According to the property register, the leaseholder's address is XXXXX, London, SW.

We note that at the date of this report the property was tenanted. We would recommend you update your correspondence address in the leasehold title, in instances where you may need to receive important legal documents, letters or other paperwork.

Freehold

The land registry title number is XXXXX.

The freehold title is held by XXXXX

According to the property register, the landlord's address is XXXXX. You should liaise with your solicitor to ensure that any statutory notices are served on the correct address. It is also sensible to check the landlord's address on the last ground rent demand if it is listed.



Valuation date

The date of valuation the property is assessed at is XXXXX 2026 which is the date of this report.



Premium Low Figure

If the statutory route is followed then based on the information reviewed we would suggest serving the Section 42 notice

at:

£40,305 (Forty Thousand Three Hundred and Five Pounds)

In our opinion this is the best-case scenario and a starting point for negotiations. You should not budget for this figure.

If you decide to proceed with the statutory route, you should communicate this advice to your solicitor.

Premium Fair Figure

It is our opinion that the price which should reasonably be paid under the leasehold reform provisions to secure a lease extension is:

£51,030 (Fifty-One Thousand and Thirty Pounds)

This is the figure we estimate an independent Tribunal would determine based on an objective review of the evidence.

Premium High Figure

In our opinion, the highest amount which should be paid for a statutory lease extension is:

£56,475 (Fifty-Six Thousand Four Hundred and Seventy-Five Pounds).

In our opinion this is the worst-case scenario, although we suspect your landlord may have a figure of around £60,000 in mind.

Recommended opening position

If you decide to pursue a lease extension via the statutory route, we recommend a section 42 notice is served at £40,305 (Forty Thousand Three Hundred and Five Pounds)

1.0 Background to the report

Websters Surveyors has been instructed by the client(s) to provide an estimate of the premium payable for a lease extension.

The client is considering pursuing a lease extension under the Leasehold Reform, Housing and Urban Development Act 1993 (as amended by the Housing Act 1996 and Commonhold and Leasehold Reform Act 2002) and has asked for this report to help determine the costs payable. Our instruction is to undertake an internal and external inspection.

In the hope it may be of assistance we provide a brief summary of the legislative provisions relating to the lessee's rights to secure an individual lease extension.

A lease under the Leasehold Reform Housing and Urban Development Act 1993 as amended will be on terms as set out in section 57. It will be for a term of 90 years longer than the unexpired term of the existing lease at a peppercorn (£0) ground rent on the same terms as the existing lease except as specified in the section.

Our own initial assessment of value within this report is based upon the Statutory Provisions which are intended to be compensatory to the landlord whilst acknowledging the lessee's rights.

The premium should include a capital payment for the loss of the annual ground rent income which will be extinguished, compensation for the long term reversionary interest of the landlord, and where applicable, an element referred to as marriage value i.e. a share of the difference between the value of the short lease and the long lease. The landlord's reasonable fees (valuation and legal) are also payable.

In terms of the level of payment related to marriage value, which is applicable in this instance, this should be shared equally between the parties except where the leases have more than 80 years unexpired where the Legislative Provisions see this as having nil marriage value.

We would draw to your attention the outcome of a case before the Lands Tribunal referred to as the Sportelli Decision. This decision was in effect, confirmed by the House of Lords and accordingly most lease extensions have adopted the reversionary yield rate of 5% "recommended" in that decision.

Where the statutory route for a lease extension is followed, through service of a Section 42 notice, it fixes the date that the property value and lease term are being assessed at. Fluctuations in the market after that date are disregarded.

If the Section 42 notice is served at a later date, we may need to update our Valuation advice, depending on how much time elapses.

Our advice is based on the extension hypothetically being for 90 additional years and for the ground rent to be reduced to a peppercorn (effectively nothing). This is the basis that a formal lease extension would provide. As no formal notice has been served yet, the terms of an extension may vary by agreement. For example, the lease could be extended by less or more than 90 years, potentially to 99 or 125 years, or for a longer period like 999 years.

Please be aware that if we are instructed to vary terms as above, the premium payable may change. For example, if ground rent is not reduced to a peppercorn, the premium payable would reduce. Similarly, if the extension is for a shorter period than 90 years, the premium payable would reduce.

Dependent on the preferences of our clients, we can advise further on variations as above if instructed.



1.1 Identity of the Valuer

The RICS Registered Valuer primarily responsible for this report is Richard Stacey BA (Hons) PGDipSurv MRICS, Director & RICS Registered Valuer, who confirms that he has the necessary qualifications, experience and expertise to undertake the type of report commissioned.



1.2 Identity of the client and any other intended user

The client here is XXXXX. Our report may also be used by any of the clients' professional advisors, but limited to the purpose stated within the background to the report.



1.3 Inspection

The date of our inspection was in 2026.

Our inspection was carried out by Richard Stacey BA (Hons) PGDipSurv MRICS, Director & RICS Registered Valuer.

Present during the inspection were the tenants.



1.4 Weather

The weather at the time of inspection was bright and dry preceded by interchangeable conditions.

2.0 Construction type

The construction of the building is considered conventional with walls being solid, with brick elevations.

The main roof is pitched with tile covering.

3.0 Condition

In accordance with legislative requirements, we have assumed an unimproved but maintained condition.

4.0 Property details

The property is a two bedroom flat in a converted building on the first and second floors.

The height of the building is three storeys high including the converted loft space.



4.1 Tenure

Leasehold Interest

From examination of the land registry, we have identified that the property is held on a leasehold basis. The term stated is 125 years from 1st January 1972, being approximately XXXXX years unexpired at the date of valuation.

The land registry title number is XXXXX

The leasehold title is held by XXXXX.

According to the property register, the leaseholder's address is XXXXX, London, SW.

We note that at the date of this report the property was tenanted. We would recommend you update your correspondence address in the leasehold title, in instances where you may need to receive important legal documents, letters or other paperwork.

Freehold

The land registry title number is XXXXX.

The freehold title is held by XXXXX

According to the property register, the landlord's address is XXXXX. You should liaise with your solicitor to ensure that any statutory notices are served on the correct address. It is also sensible to check the landlord's address on the last ground rent demand if it is listed.



4.2 Ground rent

During the course of a lease extension, the ground rent that is charged is essentially extinguished and the landlord is entitled to compensation for this. This is done through capitalising the ground rent payable over the duration of the unexpired lease term for the leasehold interest. This considers the value today of the potential to receive rent in the future. This is not a case of adding up all the rent due because the present-day value of receiving money in the future is lower.

We note the ground rent provision for the leasehold interest is as follows:

1st 25 years: £150
2nd 25 years: £300
3rd 25 years: £450 (passing term)
4th 25 years: £600
Remainder of the term: £750



4.3 Competent Landlord

The most common relationship in flat ownership is that of leaseholder and freeholder.

Sometimes additional complexity is introduced when a lease exists between the freeholder and the flat owner, known as an 'intermediate leasehold interest' ("headlease").

When undertaking any lease extension, we have to assess who is the competent Landlord. Where a formal notice procedure is served, a lease extension is for 90 years. As such, if the immediate Landlord does not have the capability to grant such an interest, the first Landlord above to hold at least 90 years unexpired will be the competent Landlord. Typically, this would be a freeholder, though not always.

In this case, there is no intermediate leasehold interest.



4.4 Location

The property is situated in the XXXXX area of South West London, within the XXXXX administrative district, in a mixed area comprising properties of a similar age and style.

Access to the property is by roads and footpaths which are made up and are assumed to be adopted by the local authority.

The property is located close to a town centre.

There are some non-residential uses in the vicinity.

The property backs onto a railway line and the noise associated with this is to be anticipated.

The nearby XXXXX Primary School is located approximately 0.3km away from the subject property.

The property is below a flight path and the noise associated with this is to be anticipated.

The nearest station is XXXXX tube station.

The XXXXX main road is located within close proximity providing links to the north of London and the south west.



4.5 Location plan

The below plan identifies the approximate location of the property (attributed to the postcode). The plan is credited to www.google.com/maps.

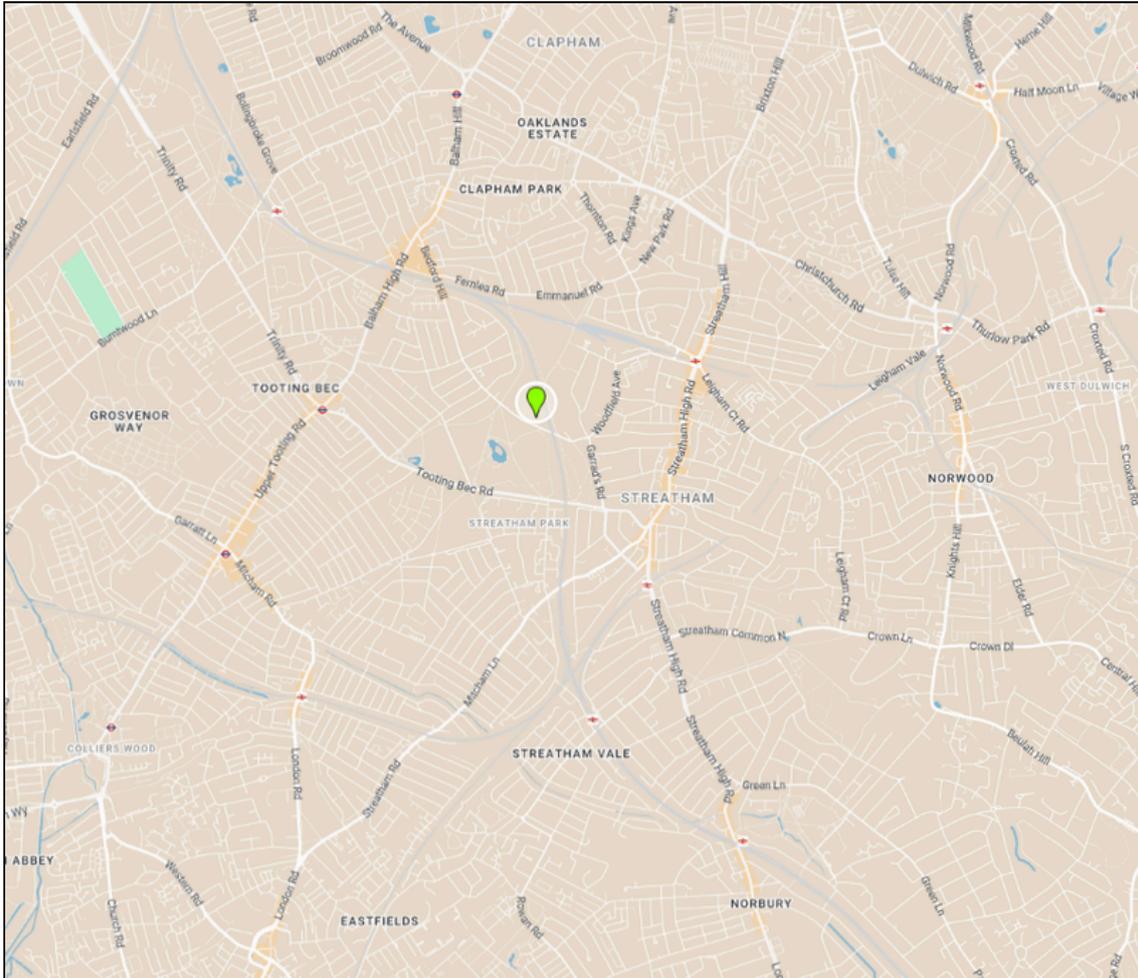


Image - 1



4.6 Council tax

The council tax band for the property is D.

Council tax bands are based on valuations carried out by the Valuation Office Agency, which publishes banding online. The higher the band, the higher the council tax payable (before any discounts if applicable) would be.



4.7 Age

We believe the property was built in approximately late Victorian times.



4.8 Balconies and terraces

There is a small balcony accessed off the reception room via a uPCV door with views over the communal gardens.



4.9 Parking

There are no parking spaces within the land registry title or demised area.

The nearest parking is roadside which is residents permit only with restrictions during specified times.



4.10 Planning considerations

We note that planning permission exists for the current use of the property.



4.11 Conservation area and listed status

We are aware that this property falls under a conservation area. Under current legislation in England and Wales, the Planning (Listed Buildings and Conservation Areas) Act 1990 (Section 69 and 70) defines a conservation area as “the character or appearance of [an area] which is desirable to preserve or enhance”, often due to special architectural or historic interest. Conservation areas are designated by Local Authorities, Historic England (in London) or by Secretary of State, and as such should you intend to carry out development works, you will need planning permission from the relevant local planning authority. This was formerly known as conservation area consent. It remains a criminal offence to undertake work in a conservation area without planning permission, and the local planning authority can insist that the work is reversed.

The property is not listed.



4.12 Lessees improvements

Under leasehold reform legislation, improvements that leaseholders and their predecessors in title have carried out that are not requirements of the lease should be disregarded in the valuation. This ensures that there is no double counting where a leaseholder extending would otherwise be penalised into paying twice.

Part II of the Leasehold Reform, Housing and Urban Development Act 1993 (the '93 Act) provides for a number of tests in determining the premium payable for a lease extension or for enfranchisement.

The Act provides a statutory assumption that any increase in value attributable to an improvement carried out by the leaseholder or a predecessor in title is disregarded. This ensures that the Landlord does not benefit from the reversionary interest being increased in value due to the improvements.

If however, there are any alterations which have reduced the Market Value of the property, these can also be disregarded.

As the lease is a contract between Landlord and Tenant, the obligations under it are ones which must be met. Where they are not, the offending party is in breach and may be required to undertake remedial work or provide compensation including damages or legal costs. The ultimate sanction is forfeiture albeit this is rarely obtained.

We understand from the client, prior to their purchase, there had been alterations, transforming the originally demised one bed to a two bed. We have been told that landlord's permission was obtained and we note a License to Alter.

We have valued the property as a one bedroom flat as per the original lease plan.

5.0 Accommodation

Below is a brief description of the rooms in the property:

Ground Floor - Entrance hall

1st Floor - Landing, Reception room, Kitchen, Bathroom, Double bedroom, Closet, Balcony

Loft Conversion - Double bedroom 2, En-suite shower room



5.1 Kitchen(s)

The kitchen is a reasonable size. It comprises a range of matching base and wall units, a fitted washing machine, a fitted dishwasher, an integral oven, splash back tiles, breakfast bar, a pantry, Butler sink and spot lights. The quality of the fixtures and fittings is good.



5.2 Bathroom(s)

The bathroom comprises a toilet, bath, with shower over it, wash hand basin, storage cupboard, tiled walls, heated towel rail and spotlights. The quality of the fixtures and fittings is very good.

The largest bedroom has an en-suite shower room.

The shower room comprises a toilet, shower cubicle, wash hand basin, storage cupboard, tiled walls, heated towel rail and spotlights. The quality of the fixtures and fittings is very good.



5.3 Loft Extension

The loft has been converted to provide additional accommodation.

This comprises one bedroom and an en-suite shower room.

We assume that planning permission has been granted for the conversion and reserve the right to change our opinion of Market Value if it later transpires that consent was not granted.



5.4 Floor area

The Gross Internal Area (GIA) of the property was measured at approximately 74.8 sqm.

6.0 Services

The property is understood to be served by mains water and electricity and we have assumed for the purposes of this report, that the drainage is to the main sewer.



6.1 Electricity

The electricity is controlled by a Consumer Unit which appears to have been fitted in the last few years. The ability to separate all circuits independently makes high integrity modern consumer units a very popular choice, because while one electrical appliance may stop working, everything else will continue without interruption.



6.2 Heating & hot water

The heating and hot water are controlled by a Combination boiler. It was located in the kitchen.



6.3 Gas

We have not checked the gas supply to the property as it is beyond the remit of this report.

7.0 Windows & Doors



7.1 Windows

The windows are mostly timber framed and single glazed. The windows appear to be very old and are likely to have poor thermal efficiency.

However there are double glazed UPVC windows in the at the rear of the property.



7.2 Doors

There is a timber front door.

Internally the doors appear in reasonable condition.

8.0 Valuation considerations

Unimproved Long Lease Value

This is one of the key inputs into the valuation in determining the loss to the landlord of waiting longer till the lease expires and where leases are under 80 years unexpired, the share of increase in value from altering from a short to a long lease, commonly referred to as Marriage Value.

In undertaking our research, we have used several tools, including public and subscription only websites (such as Land Registry Information Services) to obtain comparable property details and marketing information. In addition, we have discretely discussed the property with local agents and contacts in order to obtain further information.

Over the past few years, the London property market has faced a number of challenges. During the COVID-19 pandemic there was evidence of an increase in some sale prices in light of the Stamp Duty Holiday, particularly with properties with private outdoor space and larger properties. Going forward, only time will tell whether property prices will change significantly in the future, but there are more downwards than upwards pressures looming at the moment.

In our opinion, there are six key issues for the coming months:

- 1) Economic recovery following the pressures caused by Covid-19
- 2) The behaviour of buy to let landlords (especially those concerned about reform)
- 3) Changing buyer requirements as more of us work from home and look for private outdoor space, resulting largely from the effects of Covid-19 on society
- 4) The political landscape including Russia's invasion of Ukraine and conflict in the Middle East
- 5) Changes to the Bank of England Base Rate
- 6) UK Government policy and the recent budget announcement

Taking everything into account we have concluded that the long lease unimproved fair market value is £XXX,000.

As a starting point we have adopted a long lease unimproved market value of £XXX,000 as this is also a supportable figure based on the comparable evidence.

Conversely, were we acting for the Landlord, we would suggest a figure of £XXX,000 as a strong starting position. During the course of negotiations new evidence may come available that is helpful.

9.0 Law reform

On the morning of 22nd May 2024, the Leasehold and Freehold Bill was still making its way through Parliament. There were still amendments to be debated and it was unclear whether it would be passed into Law prior to a General Election, which many expected would be late in the year. In the afternoon of the 22nd, Prime Minister Rishi Sunak unexpectedly

called an Election for July 4th and it was thought that the Bill would fall away.

On the 24th May 2024, the last day before Parliament broke up for the election period, the Leasehold and Freehold Reform Bill was rushed through Parliament, becoming Law that day. Months of further debate crammed into a few hours. Some of the contentious issues such as capping ground rents on existing leases were dropped to allow the Bill to pass quickly in what was called the 'Wash up' period. This is where Parliament frantically tries to get Bills into law before it closes until a new Parliament takes over after the election.

Overall, the Act was good for leaseholders and bad for freeholders, so the morale of landlords has been affected by this new legislation. However, the problem with rushing law through the wash up period though, is that it's not done cleanly. There is still a lot to resolve.

Further information can be found here:

www.gov.uk/government/news/leasehold-reforms-become-law

THE LAW IS NOT YET OPERATIONAL

Whenever a Bill becomes an Act, with Royal Assent (like we have here), there is still a process to go through before it becomes operational Law. Parliament needs to create Commencement Orders, which advise when the Law becomes operational. There can be a number of these Orders, with different parts of the legislation becoming operational at different points in time.

The Government released an update on the 21st November 2024 and the full statement is here:

<https://questions-statements.parliament.uk/written-statements/detail/2024-11-21/hcws244>

We note the Housing Minister, Matthew Pennycook, stated:

"On assuming office in July, the Deputy Prime Minister and I were informed that the 2024 Act contains a small number of specific but serious flaws which would prevent certain provisions from operating as intended and that need to be rectified via primary legislation.

These serious flaws include a loophole which mean the Act goes far beyond the intended reforms to valuation and that undermines the integrity of the amended scheme. In addition we must correct an omission that would deny tens of thousands of shared ownership leaseholders the right to extend their lease with their direct landlord given that the providers in question do not have sufficiently long leases to grant 990-year extensions.

This government will not make the same mistakes as the last when it comes to reforming what is, without question, an incredibly complicated area of property law. While we intend to continue to work at pace, we will take the time necessary to ensure the reforms we pass are fit for purpose."

It is now clear that further primary legislation will be needed and proposals to reduce the compensation payable were meant to be introduced in 2025 but have now drifted into 2026, still awaited. The Labour Government may also want a long lead in period before the Law becomes operational, to mitigate Treasury losses if the Human Rights challenges against the Act are successful. This is especially important where leases have less than 80 years unexpired.

This is very frustrating for leaseholders waiting for reform and freehold investors wanting certainty.

TWO-YEAR QUALIFICATION PERIOD

One element of progression of the new legislation concerns the two-year qualification period. Under the 1993 legislation,

leaseholders had to wait two years from the date of registration until they are able to extend their leases under statutory provisions.

The Government removed the two year rule as of 1st February 2025.

OCTOBER 2025

In 2025 a group of large freeholders (including estates and charities) challenged key provisions of the Act — notably the abolition of marriage value, the capping of ground rents, and the removal of the freeholder's right to recover certain costs — arguing these infringed their property rights under Article 1, Protocol 1 of the European Convention on Human Rights.

The court rejected the challenge. It held that the reforms pursue a legitimate public interest (addressing the imbalance in the leasehold system), are rationally connected to that aim, and strike a fair balance between the interests of leaseholders and freeholders.

At this stage a further appeal is expected, but not guaranteed.

For a helpful summary of the Judicial Review:

<https://www.leaseholdknowledge.com/losing-their-5m-judicial-review-against-the-leasehold-reforms-threatens-freeholders-long-era-of-primacy-so-whats-next/>

MARRIAGE VALUE

If the Act does become law as originally passed, this is the big win for leaseholders. Often the largest part of the premium for lease extensions or collective enfranchisement cases will be wiped out. Marriage Value, which is the uplift in value between a short lease (less than 80 years) and a long lease, is normally shared between leaseholder and freeholder (or occasionally an intermediate leaseholder). The new Law will mean that leaseholders will not pay Marriage Value.

As your lease is under 80 years, you would benefit from this reform and we calculate a saving of £25,583 (based on our fair figure) if marriage value is abolished and there are no other counterbalancing changes. This is a significant sum.

OTHER ISSUES

The other parts of the calculation are –

PAYING OFF THE GROUND RENT

A statutory lease extension or collective enfranchisement wipes out the ground rent. Surveyors calculate an appropriate amount to pay. There is often some debate between Surveyors on the appropriate amount.

There were proposals to cap ground rent at £250 or even reduce it altogether. However, those were dropped at the last moment. What the new law will do is to restrict the ground rent to 0.1% of the long lease Market Value only for the purposes of calculating the premium. However, this affects very few lease extensions or collective enfranchisements. 0.1% on a £500,000 flat for example is £500 p/a. Most of the premium for ground rent considers the level for the next 10 years so even if a ground rent of say £300 p/a doubles to £600 p/a in 10 years time, the impact of the new Law is small most cases.

The law will change this so there is a set calculation, with nothing to be debated. This will provide some certainty. However, the rate which forms the main part of the calculation is still to be decided by the Secretary of State and we note there was supposed to be consultation in the Summer of 2025. However, this did not happen. The rate set may make lease extensions or collective enfranchisements more expensive or cheaper, depending on the level decided.

PAYING OFF THE GROUND RENT

A statutory lease extension or collective enfranchisement wipes out the ground rent. Surveyors calculate an appropriate amount to pay. There is often some debate between Surveyors on the appropriate amount.

As part of our calculations to determine a premium payable, we are considering the amount of ground rent and how it may change over time.

In January 2026 the Government announced proposals to cap ground rents at £250 per annum for 40 years, reverting to a peppercorn (thereafter). This is a step away from the original proposals of capping ground rents at 0.1% capital value (for the purposes of calculating the premium only) which had originally been proposed under the Leasehold and Freehold Act 2024. The new proposals would apply to nearly all ground rents. Government have estimated that the new legislation will come into force at some point during 2028.

Where ground rent clauses do not see levels achieve £250 or more, there will be no affect. Where they do, this will reduce premiums.

At the moment, there is a lack of certainty as to when or whether the proposed change in law will come into force. It is likely that there will be legal challenges, possibly in the form of Judicial Review from parties with vested interests against the law changing.

There is also further uncertainty over the Leasehold & Freehold Reform Act 2024 which is on the statute books but without commencement Orders and Secretary of State direction, is law which does not yet apply. Part of that is a decision by the Secretary of State as to a multiplier for Valuers to use for assessing how much to pay to remove ground rent. The new proposals may reduce the amount of ground rent that goes into that calculation but other law may increase (or reduce) the multiplier applied to that ground rent.

Whilst we provide this tactical advice and shall monitor changes in the law as they come through, you are warned that with uncertainty, our advice includes an assessment of the law as it stands on the date of our report.

You would benefit as the ground rent payable goes up to £750. However, with this occurring so far in the future, we would not see it as much of a benefit.

EXTENDING THE LEASE TERM BY 990 YEARS

Currently, leases can be extended by 90 years through the statutory process or by any term, including much longer, through a voluntary process.

The new legislation will increase standard extension terms to 990 years. Whilst 990 sounds a lot better than 90, in valuation terms, it's normally only a few pounds.

The new legislation will set the key rate which determines how much should be paid to compensate the landlord for having to wait longer to get the property back.

At the moment, there is normally very little, often no debate between Surveyors on the rate to apply as a result of case law.

With the new legislation, the rate could be set at a level which increases or reduces the cost of a lease extension. The rate which forms the main part of the calculation is still to be decided by the Secretary of State. There is likely to be a public consultation prior to any announcements, with one originally scheduled for summer 2025, though this did not happen.

Therefore whilst the removal of marriage value will reduce the price to extend a lease or buy the freehold for any leases under 80 years, any reduction of the deferment or capitalisation rate by secondary legislation may then increase that part of the premium calculation. If this is the case then leases with over 80 years could end up being more expensive. Increasing premiums would of course go against the spirit of the legislation which was to make lease extensions and freehold purchases cheaper. However, with so many competing issues at play (such as litigation against the Government from Landlords) it could be used as a potential balancing act in favour of Landlords and it would be naive to readily dismiss this risk. This view is supported by some Government advisors on record arguing for a significantly lower deferment rate.

When leaseholders buy the freehold, it is standard to increase the underlying lease to 999 years. More recently, some clients have been contemplating 2000 years to reflect the trend towards longer leases.

PAYING THE LANDLORDS PROFESSIONAL FEES

Under the current law, leaseholders pay their landlord (normally a freeholder but sometimes the competent landlord) for their reasonable Valuation and Legal fees. Under the new Law, the general principle is that each side should pay their own.

However, there are potential exceptions to this such as in low value claims. What a 'low value' claim is has not yet been decided.

This needs clarification and the Government have recently consulted on this issue.

SO SHOULD LEASEHOLDERS CHOOSE TO ENFRANCHISE NOW OR WAIT FOR THE NEW LEGISLATION?

This ultimately, is the million dollar question. The big win for leaseholders is where leases have less than 80 years unexpired or very high ground rents. Even if the other parts of what they pay does increase, the saving the law will provide may make it worthwhile waiting.

With leases over 80 years, it is very unclear whether costs to extend will increase or fall.

Although it is early days, some leaseholders have become frustrated by the delays and wish to proceed based on what is known rather than unknown. For example, generally, the cost increases over time as lease lengths shorten and rises in property values compound the problem, so that over time the landlord's compensation increases.

It is also very unclear when the new law will apply. Some had hoped the Leasehold and Freehold Reform Act 2024 would be implemented soon after the Election. We now know that most of the changes will not be implemented quickly. Of course, at this stage, like many commentators, we are only speculating.

In March 2025, the Government presented the Commonhold White Paper; and the proposed new Commonhold model for homeownership in England and Wales.

Commonhold is a form of property ownership created in England and Wales, to enable individual properties within a building or larger development to be owned on a freehold basis.

The Government says that plan is for new leasehold flats to be banned as commonhold becomes the default tenure.

It is worth mentioning that Commonhold was first introduced in 2002 but has failed to be used as a widespread form of home ownership.

In commonhold ownership, there is no lease. The Commonhold Community Statement (CCS) is the critical legal

document that defines the rights, responsibilities, and rules for all unit owners within a commonhold. It is essentially the governing framework for the commonhold association, outlining how the shared areas, structures and facilities will be managed, maintained, and funded, as well as setting out the obligations of all unit owners.

Crucially, many Flat Living issues are likely to remain; as homeowners often have conflicting interests, attitudes or financial situations. Therefore, Commonhold may not be a 'fix-all' solution for many problems. We also note, that much of the reporting of Commonhold has conflated separate issues. For example, regarding excessive service charges. While it is true that many existing leaseholders can feel like they have little control over building maintenance costs; remedial works costs will still need to be paid under a commonhold system.

Furthermore, at present we await further detail from the Government regarding how Commonhold will be rolled out further. Although it is not clear from Government proposals, the process for existing leaseholders to switch to a commonhold system is likely to involve compensating the freeholder, possibly as per the current statutory provisions. It is also possible that unanimity (i.e. every flat in a building), will need to switch at the same time, to avoid a three-tier system.

10.0 Assessment of premium payable

The premium payable includes payments for the following elements:

1. The loss to the Landlord of not receiving ground rent until the end of the lease
2. The loss to the Landlord of not recovering the property at the end of the lease or having a tenant then liable for market rent
3. Where unexpired leases are below 80 years, an element known as Marriage or Synergistic Value. This is a share of the increase in value attributable to altering a short lease into a long lease. 50% Marriage Value is payable.
4. Compensation for any other loss

In addition, the leaseholder is required to pay the Landlord's reasonable costs, though this does not include reference to the First Tier Tribunal unless specific directions are granted.

GROUND RENT YIELDS

To capitalise the ground rents, there are a number of issues used to determine the appropriate yield. In the case of *Nicholson v Goff*, the factors which influence the capitalisation rates are:

- 1) The length of the lease terms
- 2) The security of recovery
- 3) The size of the ground rent (a larger ground rent being more attractive)
- 4) Whether it is possible to review the ground rent and
- 5) If it is possible, what the review mechanism is

DEFERMENT RATE

In the case of *Earl Cadogan and Cadogan Estates Ltd v Sportelli*, it was held that unless there are extenuating circumstances, the reversionary yield would be as we have detailed in our calculations.

LEASEHOLD ADVISORY SERVICE COMMENTS

We must also draw your attention to comments from the Leasehold Advisory Service:

“Valuation is not an exact science, based as it is on application of methodical calculation to a combination of known and assumed information. Certain facts are known – the outstanding term of the lease and the amount of ground rent payable; to this the valuer has to provide the current market value of the flat, the likely improvement in that value following the grant of the new lease and estimate a yield rate for calculation.

The valuer will have to rely on his experience and closer monitoring of the local property market to produce meaningful figures but it must always be appreciated that property valuation cannot produce definitive values, no matter how skilled or experienced the valuer. The valuation will always be the best estimate based on market forces - what a purchaser will be prepared to pay – and it is almost inevitable in valuations for 1993 Act procedures that the leaseholder’s valuation and the landlord’s valuation will be some way apart. A good valuer will be able to anticipate the likely variations and to advise his client at an early stage, whilst being able to support his own valuation.”

TRIBUNAL COSTS

In any negotiation, the aim has to be to reach agreement voluntarily, without recourse to third party determination, in this case in the First Tier Tribunal.

In the vast majority of cases, we are successfully able to reach agreement voluntarily. The potential tribunal costs are explained here merely as an illustration of what both ‘sides’ should be considering as a fall back position during the course of negotiations.

Most Tribunal applications cost about £650 to £850 to proceed. It is not uncommon for applications to be made but agreements reached before an actual hearing.

A hearing will typically cost each side circa £4,000 to £5,000 (excluding Counsel where appropriate), often more so in Collective Enfranchisement cases. Therefore, it is important to ensure that you don’t pay more (overall) than a settlement offer on the table.

11.0 Valuation



11.1 Valuation date

The date of valuation the property is assessed at is XXXXX 2026 which is the date of this report.



11.2 Premium Low Figure

If the statutory route is followed then based on the information reviewed we would suggest serving the Section 42 notice at:

£40,305 (Forty Thousand Three Hundred and Five Pounds)

In our opinion this is the best-case scenario and a starting point for negotiations. You should not budget for this figure.

If you decide to proceed with the statutory route, you should communicate this advice to your solicitor.

££ 11.3 Premium Fair Figure

It is our opinion that the price which should reasonably be paid under the leasehold reform provisions to secure a lease extension is:

£51,030 (Fifty-One Thousand and Thirty Pounds)

This is the figure we estimate an independent Tribunal would determine based on an objective review of the evidence.

£ ££ 11.4 Premium High Figure

In our opinion, the highest amount which should be paid for a statutory lease extension is:

£56,475 (Fifty-Six Thousand Four Hundred and Seventy-Five Pounds).

In our opinion this is the worst-case scenario, although we suspect your landlord may have a figure of around £60,000 in mind.



11.5 Local market conditions

The recent budget on November 25th 2025 did not see any changes to stamp duty, which had been causing some uncertainty for a period of a few months. However, the certainty we now have includes increased income tax for Landlords which may see reduced demand towards the lower high yielding end of the market. Similarly, properties close to and above £2M may suffer due to the 'Mansion tax' which is due to see increased tax from April 2028. Prices below those figures but close to them may begin to bunch.

The economy is barely flatlining and inflation is currently edging closer to 4% outperforming most parts of the housing market, meaning that in 'real terms' which are adjusted for inflation, the market is stagnating or possibly falling a little in some places.

Interest rates are however becoming a little more competitive recently, with mortgage lenders competing to try and invigorate the market. The Bank of England base rate has fallen gradually rather than quickly over the last year with most commentators suggesting that it may fall a little more over the next year but not significantly so.

££ 11.6 Recommended opening position

If you decide to pursue a lease extension via the statutory route, we recommend a section 42 notice is served at £40,305 (Forty Thousand Three Hundred and Five Pounds)

12.0 Voluntary or Statutory route

We understand you would like to increase your lease in the very near future.

In your case, we understand you have a commercially minded Landlord who is likely to seek to maximise their compensation at every opportunity.

As a result, we would recommend following the statutory route because this will fix the unexpired lease length, provide you with the reassurance of a timeline and ultimate determination by a Tribunal.

Some freeholders will be open to negotiating on an informal basis, however a risk with this is that some commercially minded freeholders can seek to lengthen negotiations in order to 'run-down' the unexpired lease term, and therefore increase the premium payable. Therefore, we would recommend following the formal route as by serving the Section 42 notice, you will fix the unexpired lease term and mitigate this risk.

Other benefits of the formal route include increasing the current lease length by 90-years and reducing the ground rent to a peppercorn (effectively zero). This can improve the property's marketability and ensure the lease length is not an issue in the near future when attaining mortgage finance.

We also note the unexpired lease term is now under 80-years and therefore 'marriage-value' is applicable. As a result, we would recommend following the statutory route as this will fix your unexpired lease term and prevent the marriage value element of your premium from further increasing as your lease length shortens. Please ensure your legal adviser serves the notice upon the correct correspondence address as to not invalidate the notice.

You may wish to approach the freeholder on an informal basis independently of the formal notice, but once again we would reiterate the benefits of following the formal procedure in your circumstance.

13.0 Recommended tactics

Leasehold Reform can be a complex business with tactics and psychology playing a part.

We would like to draw your attention to the following procedural issues:

The statutory lease extension procedure can take between 9 to 12 months to proceed and you will incur professional costs throughout the process.

Sometimes it is possible to agree a price for an extension without resorting to the Act, but this must be balanced against the possibility that knowledgeable landlords have been known to ask for unrealistic premiums and to stretch out informal negotiations in order to increase the cost of the lease extension or to delay the lessee taking formal action. Generally, this delay benefits the landlord significantly.

The serving of a section 42 notice, 'draws a line in sand', and sets the valuation date and stops the subject lease getting shorter as far as the valuation is concerned whilst negotiations commence. In this case, the valuation date is XXXXX 2026 which is the date of our calculations as a Section 42 notice has not been served.

The ultimate determination by an independent tribunal (in this case the First Tier Tribunal) is only possible if notice is served.

After the tenant serves a Section 42 notice, the Landlord has at least a two-month period within which they need to reply. The notice is known as a Section 45 notice.

Once the Section 45 notice has been received, both parties then have 6 months to settle the matter through negotiation, before an application to the Tribunal would need to be made in order to continue the claim.

If you decide to follow the informal route, we recommend you spend no longer than 4 weeks trying to receive an offer.

Any offers received not on statutory terms would need to be carefully analysed.

14.0 Validity

This report is based on information available to us and may be susceptible to amendment on additional information becoming available.

15.0 Liability to third parties & non publication

This valuation report is provided for the stated purpose only and for the sole use of the above named client(s). It is otherwise confidential to the client(s) and their professional advisors. We do not accept any responsibility whatsoever to any third party who may seek to rely on it, save as for any listed 'other intended users'.

Neither the whole nor any part of this valuation report or any reference hereto may be included in any published document, circular or statement, or published, in any way, without the valuer's written approval of the form and context in which it may appear.

16.0 Reported by

This report was provided on XXXXX 2026 by



Richard Stacey BA(Hons)
PGDipSurv MRICS
Director & RICS Registered Valuer



BASIS OF VALUATION & DEFINITION OF MARKET VALUE

Definition of Market Value:

Subject to the assumptions and special assumptions detailed in this report, the assessment of market value is assessed in accordance with the definition of Market Value under the RICS Valuation, Global Standards 2022 (“The Red book”) which states:

“The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

The constituent elements within the definition of Market Value are as follows-

“The estimated amount ...”

This refers to the price when expressed in terms of money (normally in the local currency) payable for the asset or liability in an arm’s-length market transaction. Market Value is measured as the price most likely to be reasonably obtained in the market at the date of valuation in keeping with the Market Value definition. It is the best price which can be reasonably expect to be obtained by the seller and the best price which can be reasonably obtained by the seller. This estimate specifically excludes an estimated price which has been inflated or deflated by special terms or circumstances such as: atypical financing; sale and leaseback arrangements; special considerations or concessions granted by anyone associated with the sale, or any element of Special Value.

“... an asset or liability should exchange ...”

This refers to the fact that the value of an asset or liability is an estimated amount as opposed to a predetermined or actual sale price. It is the price at which the transaction is completed when it meets all other elements of the Market Value definition.

“... on the date of valuation”

Requires that the estimated Market Value is time-specific as of a given date. This is because markets and market conditions may change which means that the estimated value may be incorrect or inappropriate at another time. The valuation amount will reflect the actual market state and circumstances of the effective valuation date, not as at a date in either the past or future. The definition also assumes simultaneous exchange and completion of the contract for sale without any variation in price that might otherwise be made.

“... a willing seller ...”

A willing seller is not over-eager and has not been coerced into selling at any price or to hold out for a price considered reasonable in the current market. The willing seller is motivated to sell the asset or liability at market terms for the best price attainable in the (open) market after proper marketing, whatever that price may be. The factual circumstances of the actual property owner are not a part of this consideration because the “willing seller” is a hypothetical owner.

“... In an arm’s-length transaction ...”

Is one between parties who do not have any particular connection, such as parent and subsidiary companies or landlord and tenant, which may make the price level uncharacteristic of the market or inflated because of an element of Special Value (defined in IVSC Standard 2, para. 3.11). The Market Value transaction is presumed to be between unrelated parties each acting independently.

“... after proper marketing ...”

This means that the asset or liability would be exposed to the market in the most appropriate manner in order to sell the best price reasonably obtainable in accordance with the Market Value” definition. The length of exposure time may vary with market conditions, but must be sufficient to allow the property to be brought to the attention of an adequate number of potential buyers. The exposure period occurs prior to the valuation date.

“... wherein the parties had each acted knowledgeably, prudently ...”

This presumes that both the willing buyer and the willing seller are adequately informed about the nature and characteristics of the property, its actual and potential uses and the state of the market as of the date of valuation. Each is further presumed to act in their own interest, prudently seeking the best price for their respective positions in the transaction. Prudence is assessed by referring to the state of the market at the date of valuation, not with benefit of hindsight at some later date. It is not necessarily imprudent for a seller to sell property in a market with falling prices at a price which is lower than previous market levels. In such cases, as is true for other purchase and sale situations in markets with changing prices, the prudent buyer or seller will act in accordance with the best market information available at the time.

“... and without compulsion.”

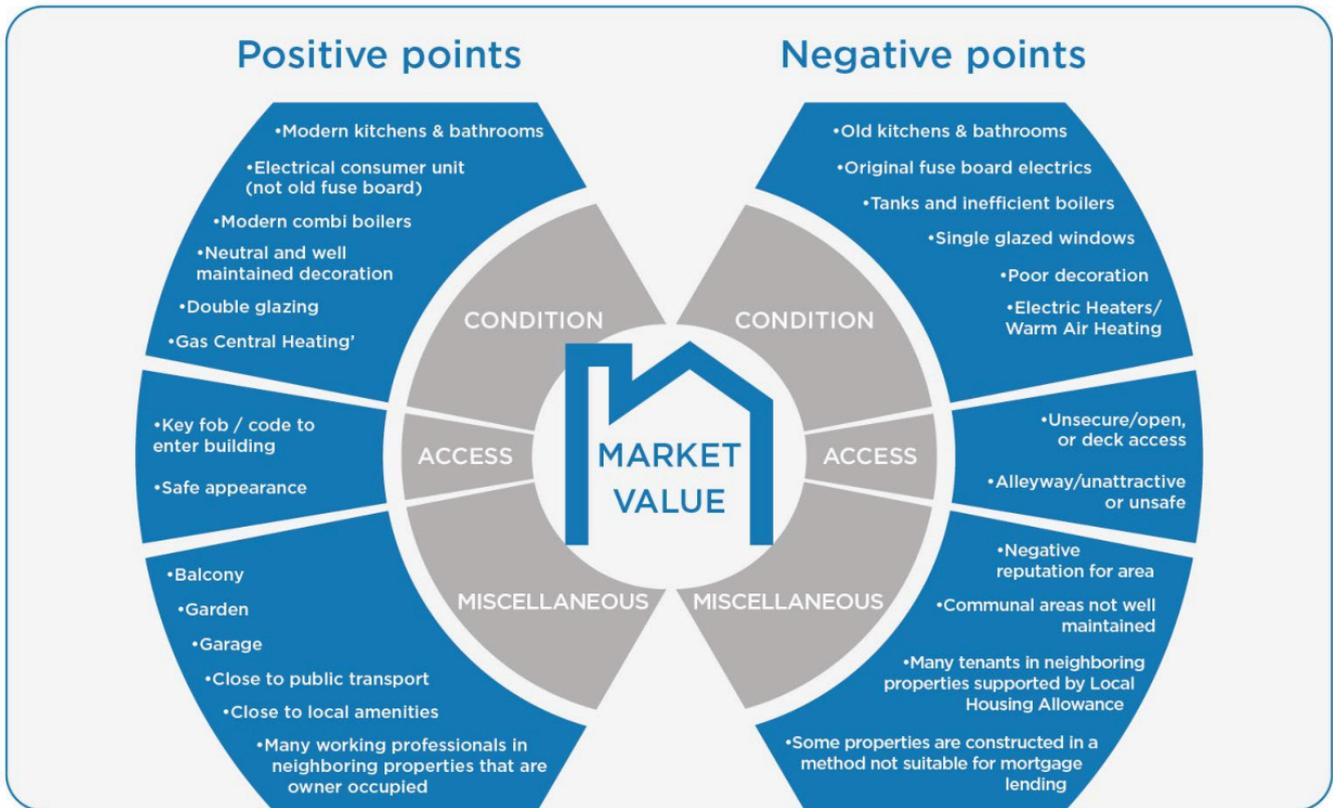
Establishes that each party is motivated to undertake the transaction, but neither is forced or unduly coerced to complete it.

“...Market Value.”

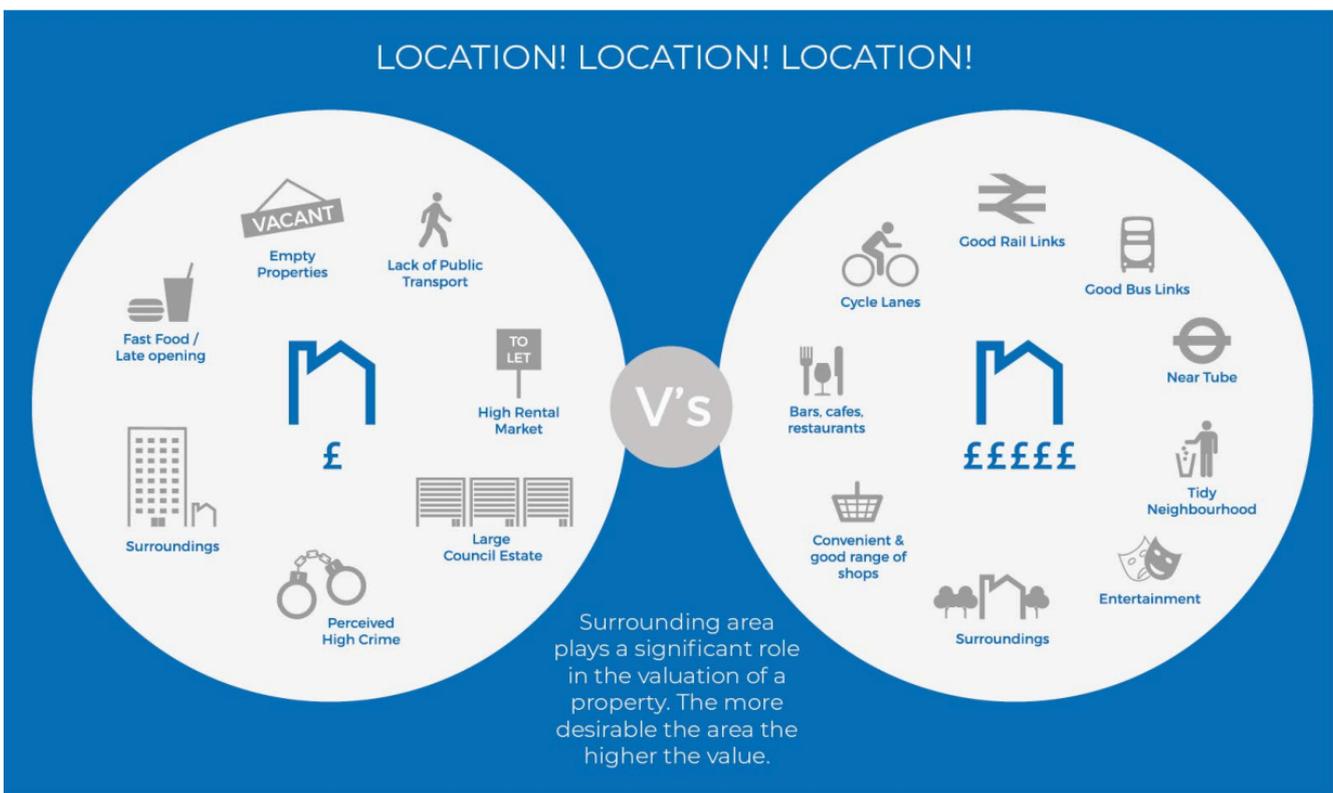
is understood as the value of a property estimated without regard to costs of sale or purchase, and without offset for any associated taxes.



ISSUES CONSIDERED IN VALUATION



LOCATION! LOCATION! LOCATION!





ISSUES CONSIDERED IN VALUATION

CONDITION AND QUALITY



Is there Double Glazing?



Is there Central Heating?



Old or modern kitchen?



Old or modern bathroom?



Neutral decoration?



Boiler & Electrics



Communal Areas

Condition and quality makes a difference. In different markets, sometimes improvements add more value than they cost. In others, they don't.

IS IT RESTRICTED TO CASH BUYERS?



High Rise



<30sqm
Micro studio
under 30sqm



Concrete
Construction



No Kitchen/
Bathroom



Leasehold
70 Years
Remaining
Short
Leasehold



Deck
Access



Derelict



Structural
Defects

Often, properties with the above characteristics are not suitable for a mortgage. Restricting buyers to those who can afford to pay cash can significantly reduce the Market Value

MISCELLANEOUS



Terms of Lease



Restrictive
Covenants



Form of
ownership



Terms of tenancy



Size and grounds



Development
potential



Date of Valuation



Planning &
Building
Regulations

Different kinds of valuations can include or exclude specific issues, subject to regulatory guidance. 'Getting it right' is crucial if your Valuation report is going to be fit for purpose.



ASSUMPTIONS

THE VALUATION IS TO BE MADE WITH THE FOLLOWING ASSUMPTIONS, EXCEPT WHERE EXPRESSLY STATED OTHERWISE WITHIN THE REPORT:

Special Assumptions

We have not considered any special assumptions in the Valuation.

General Assumptions

Contamination - It is assumed that no deleterious or hazardous materials are present at the property. No soil survey or environmental assessment has been carried out by Websters Surveyors and as yet no instruction has been given to arrange for consultants to investigate any matters of contamination. As far as we are aware no search of contaminated land registers has been made. Therefore, it is assumed that the property and the neighbouring properties do not suffer from contamination from toxic or other harmful materials or substances.

Equality Act 2010 - No access audit has been undertaken to ascertain compliance with the Equality Act 2010, which covers for example, disability access. We have assumed that if the Act applies, that there are no issues which could present a claim under it.

Flooding - That the property is not in an area which has sufficiently high flood risk that buildings insurance would not be available on reasonable commercial terms.

Information - We have assumed that all information provided by the client and our own enquires with regard to details of tenure, tenancies, planning consents and all other relevant information is correct. Our advice will, therefore, be dependent upon the accuracy of this information and should it prove to be incorrect or inadequate, the accuracy of this valuation report will be affected.

Mining Subsidence - The property is not located in a mineralised area and so we have assumed that no such risk exists.

Onerous restrictions etc. - Unless otherwise stated, we have assumed that the property is not subject to any onerous restrictions, encumbrances or outgoing and that good clean title can be shown.

Roads and Services - The road is understood to be a public adopted highway. All main services are also understood to be available to this property.

Survey - External and internal inspection has been carried of the property unless otherwise stated. No detailed building survey has taken place and therefore no responsibility can be accepted for the identification or notification of any defects of any services or uncovered, unexposed or inaccessible parts of the property.

Town Planning - No searches have been made regarding planning unless otherwise stated. We have assumed that planning permission for the current residential use is available.

Uninspected parts - We are assuming that any uninspected parts of the building would not reveal material defects nor cause justification for a different opinion of the value.

Unlawful matters - Unless otherwise stated, we have assumed that Local Searches or solicitors' enquiries would not discover that nothing in the property, its use or intended use would be unlawful.

Websters Surveyors are regulated by the Royal Institution of Chartered Surveyors (RICS). We comply with all requirements including RICS Professional & Practice Statements and follow RICS Guidance notes wherever possible and appropriate.

Our instructions are to provide this Valuation report in accordance with the RICS Global Valuation Standards (The Red Book), including the UK National Supplement.

The RICS Red Book contains mandatory rules, best practice guidance and related commentary for all members undertaking asset valuations. The Red Book is issued by the RICS as part of members commitment to promote and support high standards in valuation delivery worldwide (source, Royal Institution of Chartered Surveyors website)

This report is written in compliance with the RICS Valuation – Global Standards 2022 and the UK supplement where appropriate. The following Performance standards and compliance are noted-

Valuation Technical and Performance Standards 1 (VPS 1): The Terms of Engagement have been settled between the client and the valuer when the instruction was first received and accepted.

Valuation Technical and Performance Standards 2 (VPS 2): Inspections and investigations of the external and internal elements of the property are undertaken to the extent necessary to produce a valuation that is professionally adequate. Any limitations or restrictions for the purpose of the valuation report are identified in the Terms of Engagement and report.

Valuation Technical and Performance Standards 3 (VPS 3): The report clearly and accurately sets out the conclusions of the valuation in a manner that is neither ambiguous nor misleading and does not create a false impression. The valuer has commented on any issues affecting the degree of certainty or uncertainty of the valuation.

Bases of value, assumptions and special assumptions (VPS 4): The report sets out the basis of Market Value and quotes both assumptions and special assumptions where applicable.

Valuation Technical and Performance Standards 5 (VPS 5): The choice of valuation approaches and methods has taken into consideration:

- The nature of the asset (or liability)
- The purpose, intended use and context of the assignment and
- Any statutory or other mandatory requirements applicable in the jurisdiction concerned

The market approach (comparable method) is used in most cases to value the property. Alternatively, the income approach (investment method) may be used where the market approach is not suitable, for example if the property is arranged as a House of Multiple Occupation (HMO) as defined in the RICS Professional Standard 'Valuation of buy to let and HMO properties' 2nd edition 2022' and where there is no direct comparable evidence.

THANK YOU FOR USING WEBSTERS SURVEYORS

THANK YOU FOR USING WEBSTERS SURVEYORS TO PROVIDE YOUR REPORT. WHATEVER YOUR NEXT STEPS, WE WISH YOU THE BEST AND HOPE THAT YOU ARE HAPPY WITH SERVICE WE HAVE PROVIDED

OUR SERVICES INCLUDE VALUATIONS AND SURVEYS FOR

| | | | |
|--|--|--|---|
|  INHERITANCE/PROBATE |  LEASE EXTENSIONS |  BUYING OR SELLING YOUR FREEHOLD |  CAPITAL GAINS TAX |
|  MATRIMONIAL |  SHARED OWNERSHIP |  HOME SURVEYS FOR BUYERS |  COURT COMPLIANT REPORTS |
|  CHARITIES ACT | CPO COMPULSORY PURCHASE ORDERS |  BUILDINGS INSURANCE REINSTATEMENT COST ESTIMATES |  LOFT & DEVELOPMENT VALUATIONS |

With our expert team of Chartered Surveyors and RICS Registered Valuers, you will not just get a high quality report quickly. We will also explain our professional advice to you in plain English, cutting out as much of the 'Surveyor speak' as we can. More justification, less Jargon.

Our team have experience of undertaking thousands of valuation and survey reports, acting in the capacity of an expert witness or professional advocate. In a challenging property market, we are a safe pair of hands.

All of our valuation reports comply with professional standards set down by our regulatory body, the Royal Institution of Chartered Surveyors. Where appropriate reports will comply with the RICS Valuation – Global Standards (known as the Red Book) or the RICS Home Survey Standard.