

# News Release



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## Lands Tribunal decision on Deferment Rate

“A small step for man, a giant leap for Leaseholders?”

At long last, the Lands Tribunal - the Appeal Court for Tribunals – has given its decision on deferment rate. This is the rate used by valuers to assess the freehold value at the end of the lease when leaseholders are applying to buy their freehold or extend their lease.

Historically the rate was fixed for about 30 years at 6%. In 2004, the Cadogan Estate took a case to the Lands Tribunal and succeeded in getting the rate reduced to 5.25%. The lower the rate the higher the price that the leaseholders have to pay. In 2005, the Cadogan Estate took another case to the Lands Tribunal and succeeded in getting the rate reduced to 4.5% for houses and 4.75% for flats. The current case was again taken by the Cadogan Estate, and they were asking that the rate be reduced again to 3.5%.

Today the Lands Tribunal has announced that the rate be fixed at 4.75% for houses and 5% for flats. They have said that there should be no distinction for location, whether the property is in Central London or Outer London or indeed beyond. They have also said that there should be no distinction for length of lease.

Robert Orr – Ewing, Head of Leasehold Reform Department at Knight Frank, who represented one of the leaseholders in the appeal says: “This is good news for leaseholders because it has reversed a trend for lower rates over the last two years. As much as the rate itself, leaseholders and their advisors will welcome the fact

that this judgement finally puts this issue to rest. It should be easier in the future to negotiate claims, rather than have to go to the Tribunal to get them determined.”

Although the size of the change appears small, the effect on an individual building is significant, and the consequential effect on the value of a whole Estate will be substantial. So, for example, a flat which was worth £1,000,000 freehold and, say, £600,000 on a thirty year lease, would have cost around £317,000 to extend the lease and would now cost some £10,000 less.

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**Notes to Editors**

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