



**Law
Commission**
Reforming the law

Leasehold home ownership: buying your freehold or extending your lease

Law Commission Consultation Paper

Statistical analysis of responses to consultation questions relating to valuation

LEASEHOLD HOME OWNERSHIP: BUYING YOUR FREEHOLD OR EXTENDING YOUR LEASE

STATISTICAL ANALYSIS OF RESPONSES TO CONSULTATION QUESTIONS RELATING TO VALUATION

Introduction

- 1.1 This is a statistical analysis of the responses received to consultation questions relating to the topic of valuation in the Law Commission's Consultation Paper, *Leasehold home ownership: buying your freehold or extending your lease* (Consultation Paper No 238).
- 1.2 The purpose of this analysis is to give a statistical overview of consultees' views in respect of the 12 substantive questions we asked in Chapter 15 of that Consultation Paper. We received over 1,100 responses to the Consultation Paper, but only those who responded to the consultation questions on valuation are included in this document. However, we have carefully considered consultees' comments made about valuation in response to other consultation questions throughout the Consultation Paper. A full statistical Analysis of Responses will be published along with the second report in 2020, along with the responses themselves.
- 1.3 This statistical analysis is structured by consultation question. Where a question invited consultees' views, the number of consultees who responded to the question is provided. One question contained a provisional proposal, and asked whether consultees agreed, disagreed or had other views – for this question, the following information is provided:
 - (1) a pie chart, to demonstrate the proportion of consultees who agreed, disagreed, or who had other views;
 - (2) a table showing the number of consultees (broken down by category) who agreed, disagreed or who had other views; and
 - (3) the number of consultees who provided substantive comments on the question.

Some questions contained multiple parts.

- 1.4 In carrying out our analysis of the consultation responses, we have categorised consultees as best we could, in order to assist with understanding the distribution of the views of different groups in respect of different topics.¹ In doing so, however, we do not wish to suggest that everyone within a given category would have a single opinion that is necessarily different from those in other categories, but our categorisation sets out those consultees who broadly have the same or similar interests. To take a simple example, landlords as a group were opposed to any reduction in premiums since their

¹ The categories that we have adopted are: leaseholders and representative bodies; commercial investors; social housing sector; charitable sector; legal professionals; surveyors; other professionals; and other consultees. Those are very broad categories. For example, commercial investors might include large pension funds, but also individuals who have a second home which they sell on a long lease to provide retirement funds.

income from enfranchisement premiums would reduce, whereas leaseholders as a group were in favour of reduced premiums.

- 1.5 In addition, we have weighed the opinions of different stakeholders within these broad categories differently; for example, the opinion of a representative body will often carry greater weight than a response from one individual whom they represent.
- 1.6 We emphasise that we have not made decisions, and do not present options for reform in the report, simply on the basis of the numbers of consultees who were in favour of, or against, a particular option.

Accuracy of the statistics

- 1.7 It is important to note that the statistics provided below simply reflect which boxes were ticked by consultees on the online response platform, Citizen Space, in entering their consultation responses. It has become clear to us whilst reading responses that consultees sometimes ticked the wrong answer by mistake (choosing, for instance, “Yes” when their substantive answer revealed that they meant “No”). Moreover, there were several questions where a number of consultees misunderstood what was being asked. Together, this renders these statistics a useful guide to, but not a definitive reflection of, consultees’ views.

ANALYSIS OF RESPONSES BY QUESTION

Consultation Question 107

Consultation Question 107.

15.25 We invite the views of consultees as to:

- (1) whether the section 9(1) valuation methodology should be retained indefinitely or temporarily, and if so for how long; or
- (2) whether the section 9(1) valuation methodology should be replaced with a fixed proportion of a “term and reversion” valuation or another simplified methodology; and
- (3) whether the test for whether section 9(1) (or a simplified methodology) applies should be determined:
 - (a) by reference to capital value;
 - (b) by reference to council tax banding;
 - (c) by reference to the location of the property;
 - (d) by reference to an amended version of the current test for leases granted after 1 April 1990 (in other words, calculating “R” under section 1(1)(a)(ii) of the 1967 Act); or
 - (e) by some other means.

- 1.8 296 consultees answered Consultation Question 107 (para 15.25).

Consultation Question 108

Consultation Question 108.

15.29 We invite the views of consultees as to:

- (1) whether a separate, simplified valuation regime should be created for low value and/or straightforward enfranchisement claims; and
- (2) how such low value and/or straightforward claims should be identified.

1.9 363 consultees answered Consultation Question 108 (para 15.29).

Consultation Question 109

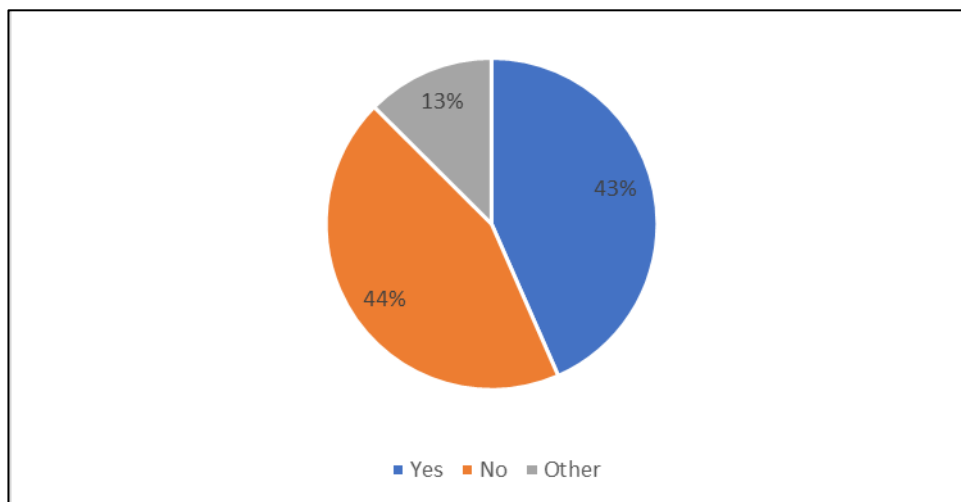
Consultation Question 109.

15.37 Do consultees consider it desirable to seek to treat commercial investors differently from owner-occupier leaseholders in respect of the premium payable for the exercise of enfranchisement rights?

15.38 If so:

- (1) do consultees consider that it might be possible to distinguish between such leaseholders:
 - (a) by reference to whether the leaseholder is exercising enfranchisement rights for the first time;
 - (b) by reference to whether the leaseholder is exercising enfranchisement rights in respect of his or her only or main home; or
 - (c) by some other means?
- (2) how might the valuation methodology be varied so as to produce different premiums for different types of leaseholder?

1.10 The statistics for Consultation Question 109 (paras 15.37 to 15.38) were as follows, with 240 consultees expanding on their views.



Consultation Question 109 (paras 15.37 to 15.38)				
	Yes	No	Other	Total
Leaseholders and representative bodies	77	47	27	151
Commercial investors	3	11	1	15
Social housing sector	1	0	0	1
Charitable sector	1	1	0	2
Legal professionals	8	23	3	34
Surveyors	6	11	0	17
Other professionals	1	3	0	4
Other consultees	38	41	8	87
Grand Total	135	137	39	311

Consultation Question 110

Consultation Question 110.

15.67 We invite the views of consultees as to whether the treatment of ground rent reviews in any valuation methodology should be restricted in any of the ways set out at paragraphs 15.59 to 15.66.

1.11 269 consultees answered Consultation Question 110 (para 15.67).

Consultation Question 111

Consultation Question 111.

15.71 We invite the views of consultees as to whether capitalisation rates for enfranchisement valuations should be prescribed and, if so:

- (1) how;
- (2) by whom;
- (3) how often; and
- (4) in respect of what different types of interest.

1.12 256 consultees answered Consultation Question 111 (para 15.71).

Consultation Question 112

Consultation Question 112.

15.75 We invite the views of consultees as to whether deferment rates for enfranchisement valuations should be prescribed and, if so:

- (1) how;
- (2) by whom;
- (3) how often; and
- (4) in respect of which geographical areas.

1.13 227 consultees answered Consultation Question 112 (para 15.75).

Consultation Question 113

Consultation Question 113.

15.79 We invite the views of consultees as to whether relativity or a no Act deduction should be prescribed for enfranchisement valuations and, if so:

- (1) how;
- (2) by whom;
- (3) how often;
- (4) in respect of which geographical areas; and
- (5) whether the 80-year cut-off should be removed.

1.14 237 consultees answered Consultation Question 113 (para 15.79).

Consultation Question 114

Consultation Question 114.

15.83 We invite the views of consultees as to whether the possible right to hold over at the end of a long lease should be disregarded on an enfranchisement valuation.

1.15 196 consultees answered Consultation Question 114 (para 15.83).

Consultation Question 115

Consultation Question 115.

15.86 We invite the views of consultees as to whether a discount for leaseholder's improvements on an enfranchisement valuation should be retained.

1.16 238 consultees answered Consultation Question 115 (para 15.86).

Consultation Question 116

Consultation Question 116.

15.91 We invite the views of consultees as to whether it should be possible for leaseholders to elect to accept a restriction on development to prevent development value from being payable as part of an enfranchisement valuation.

1.17 214 consultees answered Consultation Question 116 (para 15.91).

Consultation Question 117

Consultation Question 117.

15.103 We invite the views of consultees as to which, if any, of the valuation options we have discussed (set out at Options 2A to C in Chapter 15) are preferable and, so far as any preferred option contains a range of possible reforms, which of those reforms should be adopted.

1.18 In respect of Consultation Question 117, consultees supported the Options presented as follows.

- (1) 38 consultees supported Option 2A: term and reversion without prescription of rates.
- (2) 61 consultees supported Option 2A: term and reversion with prescription of rates.
- (3) 11 consultees supported Option 2B: term and reversion, plus marriage and hope value without prescription of rates.
- (4) 18 consultees supported Option 2B: term and reversion, plus marriage and hope value with prescription of rates.
- (5) 30 consultees supported Option 2C: term and reversion, plus marriage and hope value, plus additional value.

1.19 219 consultees gave further substantive details in respect of their answers.

Consultation Question 118

Consultation Question 118.

15.107 We invite the views of consultees as to the desirability of an online calculator for enfranchisement valuations and the types of claim for which it could be appropriate.

1.20 320 consultees answered Consultation Question 118 (para 15.107).