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MIDLAND RENT ASSESSMENT PANEL

Leasehold Reform Act 1967

Housing Act 1980

DECISION OF LEASEHOLD VALUATION TRIBUNAL

ON APPLICATIONS UNDER S21 OF THE LEASEHOLD REFORM ACT 1967

Applicants: Colin Peter Vincent and Bernadette Vincent

Respondent: St Ermins Property Company Limited

Re: 68, Fordwater Road, Streetly, Sutton Coldfield, West Midlands B74 2BG

Date of Tenants Notice: 24th February 2004

RV as at 1.4.73: Less than £500

Applications dated: 28th April 2004

Heard at: The Tribunal's Offices in Birmingham

On: 6th July 2004

APPEARANCES:

For the Tenant: Mr J Moore

For the Landlord: No appearance

Members of the Leasehold Valuation Tribunal:

Mr A.J.ENGEL (Chairman)
Mr V.CHADHA MRICS MCI Arb FCIH MBA
Mr M.RYDER

Date of Tribunals decision: 10 AUG 2004

Background

1. The Applicants are the Tenants and the Respondent is the Landlord and the Freeholder of the property, which is held under a 99 year lease which commenced on 24th June 1962. The ground rent is £20 per annum.
2. By written notice, dated 24th February 2004, to the Landlord's agent (CHP Management Limited), the Tenants' agent (Mr J. Moore) gave notice of their desire to have the freehold of the property.
3. By written notices, both dated 28th April 2004, Mr Moore, on behalf of the Tenants, applied to the Tribunal for determinations of:-
 - (a) The price payable for the freehold;
 - (b) The costs payable under section 9(4) of the Leasehold Reform Act 1967 (the 1967 Act).

Inspection

4. On 6th July 2004, the Tribunal inspected the property.
5. The property is a semi-detached house, constructed in the 1960s, comprising 2 double and one single bedrooms, a bathroom (with bath and shower), separate w.c., kitchen and 2 living rooms. It has an external garage. There is a tarmac drive at the front and gardens at the front and rear. The roof is pitched with interlocking tiles. The property is situated in a quiet residential area with local shops and a primary school is nearby.

Term

6. The date of valuation is the date on which the Tenants gave notice to the Landlord of their desire to have the freehold (see section 37(1)(d) of the 1967 Act), which was 24th February 2004. Accordingly, the 99 year lease having commenced on 24th June 1962, it had 57.25 years (approx.) to run on the valuation date.

Written Representations

7. The Tribunal received and considered written representations from the agents for both parties. The only matter in issue between the parties on the written representations, was the "entirety" value.

Hearing

8. A hearing took place, in Birmingham, on 6th July 2004 (after the inspection). Mr Moore appeared and made oral representations on behalf of the Tenants. There was no appearance on behalf of the Landlord.

Decisions

9. For the freehold interest: the generally recognised valuation method to derive the price payable for the freehold interest was accepted in *Farr v Millerson Investments Ltd* (1971). The method is:
- (i) capitalise the ground rent from the valuation date for the unexpired term of the Lease;
 - (ii) capitalise the modern ground rent (s15 of the Act), as if in perpetuity but deferred for the unexpired term of the Lease - 'as if in perpetuity' because, although the value of the modern ground rent is for a term of 50 years (as the extension to the Lease), the value of the freehold reversion in possession at the end of the fifty years' extension is ignored as being too remote to have a separate value for it. As no evidence of cleared sites is adduced, the modern ground rent is derived by the standing house method: by decapitalising the site value, as a proportion of the entirety value. The entirety value is the value of the freehold interest in the Property with vacant possession assuming it to be in good condition and fully developing the potential of its site, provided always that the potential identified is realistic and not fanciful.

In the past, consideration has been given in certain cases to the question of a "Haresign addition" (see the case of Haresign v St John the Baptist's College, Oxford LR/18/1979). It is unlikely that this case would have been an appropriate case for a "Haresign addition" in any event (in view of the length of the remaining term under the Lease) and having regard to the change in the law brought about by section 143 of the Commonhold and Leasehold Reform Act 2002, this question can safely be ignored in this case (and, we suspect, in all future cases).

10. On the issue of the entirety value, we considered that Mr Moore's figure (£150,000) was low. We also considered that the value referred to by the Landlord's agent (£180,000 to £200,000) was high. Having inspected the property and bearing in mind the representations made to us - including that there was development taking place at the rear of the property - along with our own general knowledge and experience of values in the locality, we considered that the correct figure for the entirety value was £165,000.

11. Our calculation is as follows:-

Rent	£20	
Years purchase (57.25 @ 7%)	13.99	
		£279-80
Standing House Value	£165,000	
Site value (33%)	£5,4450	
s.15 Modern Ground Rent @ 7%	£3,811	
Years purchase in perpetuity, deferred 57 years @ 7%	0.297	
		<u>£1,131-86</u>
		(approx.) <u>£1,411</u>

12. Apart from the entirety value, we agreed with the figures suggested by Mr Moore and we noted that they were not disputed by the Landlord's agent. Accordingly, those figures appear in our calculation set out in Paragraph 11 (above).
13. We agreed with Mr Moore's representations on the costs application and, again, we noted that these were not disputed by the Landlord's agent.
14. Accordingly, we determined that the Landlord's costs should be limited as follows:-
 - (a) Valuation:- NIL
 - (b) Legal:- £281 (+ VAT, if applicable).

Conclusion

15. The price payable for the freehold is £1,411.
16. No Landlord's valuation costs.
17. Landlord's legal costs limited to £281 (+VAT, if applicable).

SIGNED  (A.J.ENGEL - Chairman)

DATED 10 AUG 2004