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LEASEHOLD VALUATION TRIBUNAL
OF THE
MIDLAND RENT ASSESSMENT PANEL

Ref: BIR/47UB/OAF/2005/0031

DECISION OF THE LEASEHOLD VALUATION TRIBUNAL
ON AN APPLICATION UNDER SECTION 21 OF THE LEASEHOLD REFORM ACT 1967

Applicants: Mr & Mrs M.P. Horton (leaseholder)

Respondent: Mansal Securities Limited (freeholder)

Subject property: 8 The Spinney
Wythall
Worcestershire
B47 6HB

Date of tenant's notice: 17 November 2004

Application to the LVT: 25 January 2005

Hearing: 9 March 2005

Appearances:

For the applicants: Mr J. Moore

For the respondent: The respondent did not appear

Members of the LVT: Mr A. P. Bell MA LLB
Mr D. J. Satchwell FRICS
Miss B. Granger

Date of determination: **30 MAR 2005** 2005

Introduction

- 1 This is a decision on an application under the Leasehold Reform Act 1967 ("the 1967 Act") made to the Leasehold Valuation Tribunal by Mr & Mrs M.P. Horton, the leaseholders of the house and premises at 8 The Spinney Wythall Worcestershire ("the subject property"). The application is under section 21(1)(a) of the 1967 Act for the determination of the price payable under section 9 of the 1967 Act for the freehold interest in the subject property.
- 2 The subject property is held under a Lease, dated 22 August 1972 for a term of 99 years from 25 December 1971 at a ground rent of £40.00 per year. The unexpired term at the date of the Notice of Tenant's Claim to Acquire the Freehold ("the relevant date") was 66 years..
- 3 The applicants served on the respondent a tenant's notice dated 17 November 2004 claiming to acquire the freehold interest in the subject property under the terms of the 1967 Act, and they subsequently made the present application.
- 4 The Tribunal accepts that the qualifying conditions for enfranchisement under the 1967 Act are satisfied.

Subject property

- 5 The property comprises a semi-detached house built in about 1971 on an average sized plot with off road parking surrounded by similar houses as the subject property . The area of the site is 250 square metres and has a frontage of approximately 7 metres to the road. The house is a two storey brick construction with a pitched tiled roof with a small integral garage currently utilised as a workshop.

The accommodation comprises a porch, hall, lounge, and kitchen on the ground floor and three bedrooms, one of which has an en-suite shower and wc, and a combined bathroom/ wc on the first floor. The subject property has double glazing and gas fired central heating. Outside there is a block paved parking area at the front and a garden to the rear.

Inspection and hearing

- 6 The Tribunal inspected the subject property on 9 March 2005 in the presence of Mr. M.P. Horton, one of the leaseholders
- 7 The subsequent hearing was attended by Mr J.Moore (representing the applicants). The respondent did not appear nor were they represented.

Representations of the parties

- 8 Mr Moore on behalf of the applicants adopted as the basis of valuation under the 1967 Act the generally

recognised three-stage approach normally attributed to *Farr v Millerson Investments Ltd* (1971) 22 P & CR 1055. That approach involves (i) the capitalisation of the ground rent payable under the existing lease for the remainder of the unexpired term; (ii) the identification of a modern ground rent (by decapitalising the site value); and (iii) the capitalisation of the modern ground rent as if in perpetuity deferred for the remainder of the unexpired term. The price payable on this basis is the sum of the capitalisations at stages (i) and (iii).

9. Mr Moore referred the Tribunal to seven comparable semi-detached properties in the relatively near vicinity to the subject property which are on the market for sale at prices ranging from £230,000 to £187,500. He contended that the most directly comparable property was that at 49 Meadow Road Wythall which appeared to be of the same size and design with an integral garage; the other properties all appeared to be larger and were built on wider sites. On the basis of this evidence Mr Moore submitted that the standing house value of the subject property at the relevant date was £185,000. Mr Moore also submitted that the Tribunal should apply a 33.33 per cent figure in calculating the site value on the standing house basis being consistent with other decisions of Leasehold Valuation Tribunals of the Midland Rent Assessment Panel. Finally he submitted that the appropriate percentage yield rate to be applied in capitalising the ground rent at stage (i) and decapitalising and recapitalising the site value at stages (ii) and (iii) should be 7 per cent which again was consistent with other decisions of Leasehold Valuation Tribunals of the Midland Rent Assessment Panel, except where the unexpired term of the lease was very short.

10. On the basis of those figures Mr Moore submitted the following valuation:

Term:

Current Ground Rent	£40.00	
YP 66 years @7%	14.121	£564.84

Reversion

Entirety Value	£185,000.00	
Site apportionment @33.3%	£61,605.00	
s.15 Modern Ground Rent @ 7%	£4,312.35	
YP deferred 66 years @ 7%	.164	<u>£707.23</u>
		<u>£1,272.07</u>

11. Finally Mr Moore submitted that the appropriate fee for the respondent's reasonable legal costs was £275.00 plus VAT (if applicable) and the cost of the official entries at the Land Registry based on other decisions of Leasehold Valuation Tribunals of the Midland Rent Assessment Panel. However he pointed out that no evidence of any formal valuation had been submitted to justify an award of surveyors' costs.

Decision

12. The Committee inspected externally five of the properties referred to by Mr Moore in his representations, including 49 Meadow Road Wythall. and they agree with Mr Moore that the best comparable is that property . The Tribunal did observe that none of the properties appeared to be sold and there was no evidence that any of the houses referred to by Mr Moore had fetched their asking

price. Using its general knowledge and experience (but no special knowledge) of property prices in the locality of the subject property, and taking into account the positive and negative features of the subject property and all other relevant factors and considerations, the Tribunal determines that the standing house value of the subject property at the relevant date was £185,000.00. The Tribunal also determines the appropriate percentage to be applied to the standing house value in calculating the value of the site should be 33.33 % and that the percentage yield rate to be applied at all stages of the valuation calculation should be 7 %.

13. Adopting those figures, and applying figures of Years Purchase from Parry's Valuation Tables, the Tribunal calculates the price payable as follows:

(i) Capitalisation of existing ground rent to termination of lease

Ground rent payable: £40.00 per year

Years Purchase: 66 @ 7%: 14.121

Capitalised ground rent: £40.00 x 14.121 £564.84

(ii) Modern ground rent

Standing house value of subject property: £185,000.00

Percentage attributable to site @ 33.33%: £61,605.00

Annual equivalent @ 7%: £4,312.35

(iii) Capitalisation of modern ground rent

Modern ground rent (above): £4,312.35

Years Purchase at 7% in perpetuity deferred 66 years: .164

Capitalised modern ground rent: £4,312.35 x .164: £707.23

£1,272.07

The addition of the capitalised existing ground rent of £564.84 and the capitalised modern ground rent of £1,272.07 produces a figure of £1,272.00 rounded down to the nearest pound.

- 15 Accordingly, the Tribunal determines the price payable under section 9 of the 1967 Act for the freehold interest in the subject property at £1,272.00.

Summary

- 16 The Tribunal determines the price payable by the tenants for the freehold interest in the subject property at £1,272.00 and determines, in accordance with section 9(4) of the 1967 Act and the recent practice of Leasehold Valuation Tribunals of the Midland Rent Assessment Panels, that the sum of £275.00 plus VAT (if applicable) and the cost of the official entries at the Land Registry be awarded for the respondent's legal costs. No surveyors' costs have been awarded in the absence of any evidence from the respondent that such costs were incurred

AP Bell

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A P Bell
Chairman

Dated 30 MAR 2005 2005