

2318

# H.M. COURTS AND TRIBUNAL SERVICE

## LEASEHOLD VALUATION TRIBUNAL

### DECISION

under the

LEASEHOLD REFORM, HOUSING AND URBAN DEVELOPMENT ACT 1993  
s48(1)

Ref: MAN/00BR/OLR/2011/0008

**Applicant:** **Stuart Terrance Levington**  
who appeared in person at the Hearing

**Respondent:** **Cyril Freedman Limited**  
represented at the inspection and the hearing by Mr  
J Levy BSc MRICS of Benjamin Mire Chartered  
Surveyors

**The Property:** **12 Park Lane Court, 462 Bury New Road,  
Salford, M7 4LP**

**Date of Application:** **7 June 2011**

**Type of Application:** **i) To determine the price payable for a lease extension  
pursuant to Section 48 of the Leasehold Reform Housing  
and Urban Development Act 1993 ('the Act')**  
**and**  
**ii) the reasonable legal and valuation costs pursuant to  
Section 60 of the Act**

**Date of Directions:** **22 June 2011**

**Date of Determination:** **19 September 2011**

**Members of Leasehold  
Valuation Tribunal:** **Mr M Hope BSc FRICS (Chairman)**  
**Mrs E Thornton-Firkin BSc MRICS**

### DECISION

The premium to be paid is £10,500

The costs payable by the lessee are legal £582.85 and valuation £562.50 plus VAT if appropriate

## Introduction

1. Application is made for an Order pursuant to Section 48 of the Leasehold Reform Housing and Urban Development Act 1993 (the Act) for an extension of the Lease relating to the Property.

2. The Property is held under a Lease dated 22 August 1975 and made between Rolf Schild and Peter Charles Epstein (1) and William Douglas Field and Heley Mary Field (2) (the "Lease"). The freehold is now vested In Cyril Freedman Ltd, and the lessee is now Stuart Terrance Levington

3. The Lease provides for the Property to be held for a period of 99 years from 24 June 1970 subject to the payment of ground rent in the sum of £20.00 per annum for the first 33 years of the term and the ground rent from the date of the first review is now £270 per annum, and with provision for another review at the 66<sup>th</sup> year of the term.

4. The Respondent holds the freehold interest in the Property.

5. The Applicant served upon the Respondent a Notice dated 25 November 2010 pursuant to Section 42 of the Act seeking a new Lease in respect of the Property upon the following terms:

(i) A premium payable of £7,700.

(ii) A new Lease to be granted on the same terms as the existing Lease subject to the commutation of the yearly rent to a peppercorn rent and an extension to the term for an additional period of 90 years.

6. The Respondent served upon the Applicant a Counter Notice dated 25 January 2011 pursuant to Section 45 of the Act admitting the Applicant's right to acquire a new lease of the Property but refusing to accept the Applicant's proposals for the terms of a new Lease and in the alternative proposing:

(i) A premium payable of £15,300, although this amount was subsequently amended by the Respondent's valuer at the Hearing to £ 20,323

(ii) A lease on similar terms to the Lease

7. The Tribunal directed on 22 June 2011 that the matter could be determined by way of submission of documentary and other written evidence. The Tribunal further directed for the filing of evidence, valuations and submissions by both parties not later than 14 July 2011. The Tribunal further directed that if the parties could not agree a "trial bundle" then each party will submit a bundle with the above information not later than 14 days before the hearing.

8. The Applicant requested an extension of time for the submission of their bundle which was granted on 30 June 2011 for submissions by no later than 29 July 2011.

9. The Applicant also requested an opportunity to make oral representations and this was agreed on 1 July 2011. A hearing was therefore arranged for 19 September 2011 at the offices of the Northern Residential Property Tribunal Service in Manchester

## Inspection

10. The Tribunal inspected the Property on the morning of 19 September 2011. The Applicant was present and the Landlord was represented by their valuer.

11 The Property is a second floor flat in an elevated three storey block of twelve flats constructed of brick under a felt covered flat roof and comprising ten external steps from the access road level to the ground floor entrance porch and hall, and then two flights of stairs to the second level landing. There is no lift in the building. The flat comprises an entrance hall, living-room, kitchen, two double bedrooms and a bathroom/wc. There are two other similar blocks on the Park Lane Court estate but which are at ground level. There are communal gardens to the front and rear of the blocks, and three dedicated garage areas. The largest of these garage blocks is clearly visible from the Property. The general condition of the Property is good.

12. The Tribunal undertook an external inspection of the comparable properties on the estate referred to in the submissions of the parties

13. The Tribunal convened on 19 September 2011 at the Northern Residential Property Tribunal offices in central Manchester to conduct the hearing.

## The Law

14. Section 56 (1) of the Act provides as follows:

*(i) Where a qualifying tenant of a flat has under this Chapter a right to acquire a new Lease of the flat and gives Notice of his claim in accordance with Section 42 then except as provided by this Chapter the Landlord shall be bound to grant the tenant, and the tenant shall be bound to accept:*

*(a) in substitution for the existing Lease and;*

*(b) on payment of the premium payable under Schedule 13 in respect of the grant, a new Lease of the flat at a peppercorn rent for a term expiring 90 years after the term date of the existing Lease.*

*(ii) In addition to any such premium there shall be payable by the tenant in connection with the granting of any such new Lease such amounts to the owners of any intermediate leasehold interest (within the meaning of Schedule 13) as are so payable by virtue of that Act.*

*(iii) A tenant shall not be entitled to acquire the execution of any such new Lease otherwise than on tendering to the Landlord in addition to the amount of any such premium and any other amounts payable by virtue of Schedule 13, the amounts so far as is ascertained:*

*(a) of any sums payable by him by way of rent or recoverable from him as rent in respect of the flat up to the date of tender;*

(b) of any sums for which, at that date, the tenant is liable under Section 60 in respect of costs incurred by any relevant person (within the meaning of that Section); and

(c) of any other sums due and payable by him to any such person under or in respect of the existing Lease;

and if the amount of any such sums is not or may not be fully ascertained, on offering reasonable security for the payment of such amount as may afterwards be found to be payable in respect of them.

Schedule 13 Part II of the Act provides as follows:

Section 2:

The premium payable by the tenant in respect of the grant of the new Lease shall be aggregate of:

(a) The diminution in value of the Landlord's interest in the tenant's flat as determined in accordance with paragraph 3.

(b) The Landlord's share of the marriage value as determined in accordance with paragraph 4 and;

(c) Any amount of compensation payable to the Landlord under paragraph 5.

Section 3 (1):

(i) The diminution of the Landlord's interest is the difference between:

(a) the value of the Landlord's interest in the tenant's flat prior to the grant of the new Lease; and

(b) the value of his interest in the flat once the new Lease is granted.

Section 4 (1):

(i) The marriage value is the amount referred to in sub paragraph (2) and the Landlord's share of the marriage value is 50% of that amount

(ii) ...the marriage value is the difference between the following amounts namely:

(a) the aggregate of:

(i) the value of the interest as a tenant under his existing Lease;

(ii) the value of the Landlord's interest in the tenant's flat prior to the grant of the new Lease and;

(iii) the values prior to the grant of that Lease of all intermediate Leasehold interest (if any) and;

(b) the aggregate of:

(i) *the value of the interest to be held by the tenant under the new Lease.*

(ii) *the value of the Landlord's interest in the tenant's flat once the new Lease is granted, and;*

(iii) *the values of all intermediate leasehold interests (if any) once that Lease is granted.*

### **The Parties' Representations**

15. The parties could not agree a bundle of Agreed Facts and thus each submitted their own bundles of evidence, statements, comparables, and valuations.

16. The Tribunal however noted that both parties had provided the same future ground rent for the rent due from the review due in the 66<sup>th</sup> year, and some agreement on the relative values appropriate for garages, floor location of flats, and other matters.

### **The Hearing**

17. The Applicant spoke to the Tribunal and slightly expanded their submitted skeleton argument and provided some additional information about the comparable evidence submitted by the parties. He also confirmed that he wanted the Tribunal to determine the reasonable legal and surveyors costs that he would be responsible for under the legislation

18. The Applicant suggested that the poor housing market encouraged the Landlord to delay the process for granting and agreeing terms for an extension of the lease as they would receive their costs regardless of whether the lessee agrees terms for an extension of their lease, and therefore made high valuations of the diminution in the freeholder's interest.

19. He stated that there were both two and three bedroom flats in the Park Lane Court blocks and also a wide variety of lease lengths and ground rent terms, as could be seen from the schedule submitted by Mr Levy, and this made for additional difficulties in assessing the base values of the comparables adduced to the Tribunal.

20. The Applicant then explained the various methods by which he and his valuers had appraised the various comparables to reflect the length of lease; the lease terms and ground rents payable; the number of bedrooms; the floor on which the comparable flat was located, the differences in the standards of the common areas and amenities in each of the three blocks of flats; the improvements undertaken by the vendor or previous lessees; and whether the comparable flat had a garage or not – there are not enough garages for all 36 flats to have a garage. Mr Levington also thought that the fact that the agents details for leasehold properties rarely gave details of the ground rents and service charges payable on a particular property leads to additional confusion by tenants who do not generally consider the ground rent nor service charges that are payable each year when they make an offer for a leasehold property. When they eventually discover these costs they are already committed

to the flat and do not negotiate a lower price to cover these additional costs. This results in overpayments for flats compared to their property values relative to freehold premises.

21. Mr Levington then turned to the valuation he had had prepared at the time of his request for the lease extension. This formal valuation was prepared by a Mr Kreike BSc MRICS of Longden and Cook, Chartered Surveyors, and gave the value of £7,700. This valuation is detailed in paragraph 30 of this decision. The Applicant addressed the various yields which he considered appropriate to the valuation of the price for the granting of the lease extension for 90 years (a total of 148.56 years from the date of valuation) at a ground rent of one peppercorn per annum. He also covered the valuations of the current leasehold interest and that of the freeholder as well as the current vacant possession value. He explained that having received the Respondents valuation and in speaking with his valuer the Applicant agreed that the value of the current leasehold interest was £78,000 and that the current value of the reversion was £89,000. He considered the yields adopted by his valuer were reasonable in view of the recent decisions of the Leasehold Valuation Tribunals (LVTs) and the Lands Tribunal in "Sportelli" and subsequent cases including "Zuckerman", and he explained his reasoning for these assessments.

22. The Applicant then addressed the legal and surveyor costs claimed by the Respondent and which he considered were excessive. He referred to a number of recent cases where costs had been determined by LVTs although these were from the Midlands, London and other panels than the Northern panel. He presented schedules showing the costs awarded and from these considered that the reasonable surveyors costs for this matter should be £300 and the legal costs should be £500 excluding VAT.

23. Mr Levy and the Tribunal asked questions including the yield appropriate to the fairly high ground rent which the Applicant had stated was "onerous" based on the use of the term in the Royal Institution of Chartered Surveyors report on Relativity in Leasehold Valuations October 2009. Agreement was achieved that the ground rent payable was relatively high for this area of Manchester and that the further review in some 25 years would mean that a greater multiplier would be appropriate than for a nominal ground rent without the opportunity for review.

24. The parties also agreed that the PVC double glazed windows had been installed by the Lessee before 2000 and that these were Tenant improvements, as were the recent condensing combination central heating boiler, the fitted wardrobes; the new kitchen; the new bathroom; the laminate floors; and the electrical upgrade.

25. Mr Levy had submitted a new valuation for the price of the lease extension at £20,323 compared to the value in the s45 Notice from the Freeholder of £15,300. He explained the reasons for the revised valuation because he had not formally conducted a valuation before his clients put forward their counter offer in the Notice. The earlier amount had been based on an amount agreed between the freeholder and another Park Lane Court lessee for an extension of their lease about a year before the valuation date for the Property.

26. Mr Levy considered the ground rent payable and the review at the 33<sup>rd</sup> year to be an attractive proposition for any investor in the market as the rent passing was unusually significant compared to the normal ground rents of a few £s or maybe £20 per year. He also

considered that the area in which the Property is located is one of the best in the region and that this justified adopting the "Sportelli" yields as opposed to the reasons for different yields accepted in subsequent cases in Birmingham and elsewhere.

27. Mr Levy had relied on the sale of flat 21 in his assessment of the current amounts appropriate for the leasehold and reversion values, and he assessed these as £78,000 and £108,000 respectively. Details of the valuation of Mr Levy are given in paragraph 37 of this decision.

### Required Tribunal Determinations

28. The parties had not reached any formal agreements on any aspects of the case other than those set by the legislation itself. Therefore the Tribunal's determination is required on

- a) the premium payable by the Applicant upon the grant of the new lease
- b) the reasonable costs payable by the Lessee to the freeholder for the valuation and legal work required to effect the lease extension.

29. In respect of the basis for assessing the premium the Tribunal identified from the representations of the parties' and their experts, the following areas of disagreement :-

- i) Yields appropriate for all elements of the overall valuation exercise
- ii) Value of present freehold interest
- iii) Market Value Assuming Lease Extension
- iv) Relativity between unimproved current leasehold value and unimproved extended leasehold value
- v) and two areas which were agreed at the hearing, namely
  - a) Market Value of the Current Leasehold Interest at £78,000
  - b) the ground rent for the final 33 year period of the current lease at £300 p.a.

### Valuation evidence and submissions on behalf of the Applicant

30. Valuation for Applicant prepared by Longden & Cook

<b>Term</b>			
YP for	26 years at 6%	=	13.0032
Rent			£270.00
			<b>£3,511</b>
YP for	33 years deferred 26 years at	6%	=
Rent			3.1278
			£300.00
			<b>£938</b>
<b>Reversion</b>			
PV £ 1 after	59 years at	6%	=
			0.03213

Value of leaseholders interest after enfranchisement/extension	£90,000	
		<u>£2,892</u>
<b>Diminution in landlord's reversion =</b>		<b>£7,341</b>
<u>Marriage Value</u>		
Value of lease (as extended)	£90,000	
<i>less</i>		
Current value of lease <i>plus</i>	£82,000	
Current value of freehold	<u>£7,341</u>	
	<u>£89,341</u>	
Marriage Value	£659	
<b>50% Share of Marriage Value</b>		<b>£329</b>
Price for enfranchisement/extension =		<b>£7,671</b>

31. The Applicant thought that his valuers had been generous in using 6% for the reversion and he considered that 7% was more appropriate in the current economic conditions and property market.

#### Unextended Value

32. At the hearing the parties agreed that the unextended value of the lease was £78,000, and this amount has been accepted by the Tribunal in making their determination

#### Extended Value

33. Mr Levington presented evidence of a number of sales particulars of both short and longer leasehold properties within the Park Lane Court which he considered were the best market evidence of values. The properties had a variety of unexpired terms, and the asking prices ranged from £72,000 to £169,000 depending on floor level, size of flat, garage included, etc. as already mentioned. He also produced tables showing the small arithmetical differences in values to extend leases at peppercorn rents where the resultant unexpired lease terms were 146 and 236 years and for current lease values of £90,000 up to £1,000,000 at a 6% deferment rate. He suggested that there was a disincentive in the current legislation for the Tenant to seek a second extension of lease because the increased value of their interest was minimal compared to the costs of legal and valuation fees which the Tenant is obliged to pay for.

34. The Applicant arrived at a suggested value for the extended lease of £89,000 after making adjustments from the comparables to reflect that the subject property is a second floor, two bedroom flat, in Block A, and which does not have the benefit of a garage. He pointed out that there had been no recent sales of second floor flats at the estate despite several being on the market and that those sales that had occurred since his purchase of the Property in 2008 had been of lower floor flats.

#### Relativity

35. Mr Levington referred to various schedules which indicated a relativity of between 85% and 93% based on an assessment of Midlands Panel LVT determinations and the RICS



Relativity Report of October 2009. He considered that an appropriate relativity was 86.66%

### General

36. The Tribunal noted from the Bundle provided by the Applicant that the valuation figure for the premium payable was £7,671 as opposed to the figure set out within the Applicant's Notice dated 25 November 2010 pursuant to Section 42 of the Act of £7,700.

### **Valuation evidence and submissions on behalf of the Respondent**

37. Valuation for Respondent by Mr Levy of Benjamin Mire Chartered Surveyors

<b>Valuation for lease extension as at</b>	<b>25 /11 /2010</b>
Lease Term -From:	<b>24 /06 /1970</b>
For - Years	<b>99</b>
Expiry Date	<b>23 /06 /2069</b>
Number of Years Unexpired	<b>58.58</b>
Ground rent payable:-	
to 23/06/2003	<b>£25.00</b>
to 23/06/2036	<b>£270.00</b>
to 23/06/2069	<b>£300.00</b>
<b>Market Value with full term lease - as existing</b>	<b>£108,000.00</b>
Yield	<b>6%</b>
Reversionary Yield	<b>5%</b>

#### **A. Capitalisation of Ground Rents**

Ground rent payable	£270.00	
YP 25.58 years @ 6%	12.9124	<b>£3,486.35</b>
Ground rent payable	£300.00	
YP 33 years @ 6%	14.2302	

X PV of £1 in 25.58 years @ 6%	0.2253	£961.63
Capital Value		£4,447.98
but say		£4,448.00

#### B. Reversionary Value

Market value	£108,000.00	
xPresent Value of £1 in 58.58 yrs @ 5%	0.0574	
Capital Value		£6,197.73
but say		£6,198.00

#### C. Marriage Value

Market Value	£108,000.00	
Less		
Value subject to current lease	£78,000.00	
Plus A + B	£10,646.00	
Marriage Value		£19,354.00
Apportion 50% to Freeholder		£9,677.00

#### D. Total Payable for lease extension

A + B + C		£20,323.00
but say		£20,323.00

#### Plus Landlords Valuation Fee and Legal Costs

#### Unextended Value

38. Mr Levy was firmly of the opinion that the unextended lease value of the Property was £78,000 based on the various sales of flats in Park Lane Court and making capital sum adjustments for the various physical differences of the flats including floor level, whether a garage was included, number of bedrooms, etc. A schedule of the sale prices for 16 flats at Park Lane Court since May 2003 was also presented and which formed the base for his

assessment of the required values for the premium to be paid for the lease extension. He basically relied on the sale of the subject Property in 2008 for the value of second floor flats with adjustments for the passage of time to the valuation date.

**39.** The Tribunal noted that for most physical differences similar capital value adjustments had been adopted by both parties when comparing and devaluing the various comparables to arrive at the unextended value of the Property, and the extended value. Mr Levy did not consider that second floor flats were worth less than those on other floors.

#### Extended Value

**40.** Mr Levy in considering the extended lease value of the subject property based his assessment on the most recent sale at Park Lane Court, namely 21 which is a three bed flat with garage on the first floor of block B and with over 900 years unexpired lease term. He adjusted the comparable for the physical differences with the Property and then applied an adjustment for the Land Registry House Price Index. He does not consider there is any difference in value between a flat with 149 years unexpired and one with over 900 years unexpired.

**41.** Mr Levy also referred briefly to a recent lease extension agreed between the freeholder and the lessee for a flat on the estate (not in the same block as the Property) which was on similar terms to the Property, and which had been agreed less than a year ago at £15,300. He indicated that it was this transaction that gave rise to the s45 price from the freeholder, although he acknowledged that the deal was not taken to the LVT under the Act.

#### Relativity

**42.** With regard to the matter of relativity Mr Levy only referred to the Land Registry House Price Index and adjusted his current lease value by 7.5% being the figure in the Index for flats in the Greater Manchester region.

#### General

**43.** The Tribunal noted that the Respondent had amended the amount for the premium payable to £20,323 as opposed to the figure set out within the Respondent's Notice dated 25 January 2011 pursuant to Section 45 of the Act of £15,300.

### **Tribunal Determination**

#### Unextended Value

**44.** The Tribunal noted the Land Registry published data and associated comments of Mr Levy but have some concerns on the large geographical area encompassed within Greater Manchester and that the data has no regard to differing unexpired lease terms of flats

**45.** The Tribunal prefers reference to market value evidence provided by sales in the area of the subject property, and inspected externally the comparable evidence in Park Lane Court estate put forward by the parties.

**46.** The Tribunal considers that because of the absence of lifts there are differences in value between ground, first and second floor flats as well as differences for garages, number of

bedrooms, improvements carried out by a lessee, the length of unexpired term of the lease and to some extent the block within which a flat is located.

47. Considering the factors already mentioned and having regard to the agreement now reached between the parties that the unextended value of the subject property in its present condition at the date of valuation is £78,000, the Tribunal accepts this value

#### Extended Value

48. The Tribunal has noted the representations of the parties and the various bases upon which they arrived at their respective values.

49. The Tribunal considers that the evidence from the transactions in 2010 being numbers 30 and 21 Park Lane Court are the best comparables for the extended lease value and made the appropriate adjustments to the values as shown below :-

Flat 21 sold in July 2010 for £133,000, but this was for a three bedroom property on the first floor and over 900 years unexpired term. Both Flat 21 and 30 were on the first floor and both had garages so that the only difference was the extra bedroom. The Tribunal deducted £20,000 for that benefit as advised by Mr Levy and this results in an adjusted value of £113,000. The Tribunal then compared the value of two first floor two bedroom flats where the only difference was the length of unexpired term. The calculation of £113,000 divided by £94,000 produces a 10% differential which the Tribunal considered to be the reasonable difference in market value between a medium and long unexpired lease term.

Flat 30 sold in Jan 2010 for £94,500 it being a two bedroom first floor flat with 59 years unexpired term but with the right under the legislation to extend the lease and at ground rents the same as the subject Property. The Tribunal then made adjustments to the sale price of Flat 30 of £5000 for the garage and £5000 for not being on the second floor which gives a comparable value of £84,500 for the subject property. A further adjustment was then made for a 148 year extended lease and having regard to the statement by Mr Levy that there is no difference in value between a 149year and an over 900 year unexpired term the premium was increased by a 10% uplift making an extended lease value of the subject Property of £92,000

#### Relativity

50. The Tribunal are aware of the findings of the "Arrowdell" case and agree that in the absence of reliable comparables *"graphs of relativity are capable of providing the most useful guidance. While it may be that relativities will vary between one type of property and another and from area to area, we think that there is little doubt that the predominant factor is the length of the term"* However, the Tribunal is not bound by the decision of any previous tribunal and in this case the Tribunal had many pieces of comparable evidence provided by the parties which had been tested and discussed at the hearing, and it determined that this market evidence was stronger than relativity assessments

#### **Tribunal's Determination of Premium for Lease Extension including Diminution in Value of Landlord's Interest**

51. Taking into account the matters set out in Paragraphs 14 to Para 50 the Tribunal has determined that the premium payable for the new lease of the Property is £10,500

52. The Tribunal's calculation is shown at Schedule 'A' attached

### Costs

53. The parties have not been able to agree the reasonable legal and valuation costs of the freeholder pursuant to Section 60 of the Act.

54. The Tribunal received copies of the legal and surveyors fees and as part of the Hearing on the also heard from the parties on the matter

55. Mr Levy addressed the Hearing on his own fees and offered to reduce the travel time which are shown as being costed at half the full hourly rate from 5 hours to one hour in each direction. He considered that all the other costs and charges were very reasonable and should be recoverable under the provisions of the Act.

56. He was had no information on the legal charges other than the schedule prepared by Spalter Fisher and was unable to address the Hearing on the matter other than to say that the schedule from Messrs Spalter Fisher LLP was clear and self explanatory and he was sure that the Tribunal would be able to make a determination on the matter.

57. Mr Levington indicated that he considered the charges were excessive as the charges had been made at the rate appropriate to a partner of the firm whereas he thought that much of the work could have been more appropriately undertaken by a qualified solicitor or a knowledgeable legal clerk. He therefore hoped the Tribunal would make a reasonable determination and having given substantial consideration to the published decisions on reasonable costs made by various Tribunals outside of London on lease extension cases, he considered that the reasonable legal costs for this case should not exceed £500 and the surveyors fees should be no more than £350. He agreed that these suggested reasonable costs were exclusive of VAT where applicable.

### The Law

58. It was accepted by the parties that an initial Notice was served and that therefore section 60 of the Leasehold Reform Housing and Urban Development Act 1993 (the Act) is engaged and the Applicant has to pay *the Respondent's reasonable costs of an incidental to:-*

- a. *any investigation reasonably undertaken of the tenant's right to a new Lease;*
- b. *any valuation of the tenant's flat obtained for the purposes of fixing the premium or any other amount payable by virtue of Schedule 13 in connection with the grant of a new lease under s.56;*
- c. *the grant of a new lease under that section  
(s.60(1) of the Act)*

59. The Tribunal noted that in accordance with s.60(2) what is sometimes known as the "indemnity principle" applies to these costs, in that the Respondent is not able to recover any more that it would have to pay its own solicitors or valuer in circumstances where there was no liability on anyone else to pay.

60. The Tribunal considered all of the circumstances and determined that :-

#### Valuation costs

The Tribunal decided that item 2 (*inspecting and measuring the flat*) should only take half an hour, and reduced the cost of this item from £112.50 to £75.00. It also considered that; item 4 (*studying and considering the supplied documentation and to preparing the required valuation*), and item 5 (*preparing the valuation report*) should

together have taken no more than 1.5 hours. Therefore the Tribunal adjusted the costs of these two items from £300 to £225. The travel costs were reduced in line with the offer made by Mr Levy during the Hearing, The other costs shown on the schedule from Benjamin Mire Chartered Surveyors were considered reasonable

61. The Tribunal therefore decided that the reasonable costs under s.60 of the Act for the valuation activity are :-

Travel time of 1 hour in each direction i.e 2 hours at half fee rate	= £150
Other costs and charges 2.75 hours at £150 pr hour	= <u>£412.50</u>
<b>Total reasonable valuation costs</b>	<b>£ 562.50</b>

62. Legal costs of Spalter Fisher

It is understood that this firm deals with a substantial number of the Enfranchisement and Lease Extension cases for the Respondents. The Tribunal did not consider the hourly rate of £225 charged for the time spent by a partner to be excessive for an out of central London solicitor. However, the Tribunal considered that at least some of the work could / should have been carried out by a legal executive or junior solicitor especially as the regular actions of the firm on this type of work would probably mean that very similar tasks would have been undertaken on a number of occasions each year.

The Tribunal determined that the items which could be undertaken by the qualified solicitor were item 5 (*instruction letter to valuer* – as it is virtually a repeat of that previously issued to the tenant of flat 15 Park Lane Court a few months earlier), item 7 all of the “anticipated letters” except for the *review statements and prepare completion statement* and the *completing and accounting to client matters*. The total times on the schedule which fall into the legal executive or junior solicitor work is 9 units, but some of these are within the areas of excessive times charged and commented on below.

63. The Tribunal also decided that some of the times charged were excessive including work undertaken on 24.01.11; 29.01.11 and the anticipated costs items 7a,e, and f where the work included overlaps, and the times were therefore reduced by a total of seven charge out units making a chargeable total of twenty seven units. The division of the time reductions between partner rate and legal executive rate are 5 and 2 units respectively.

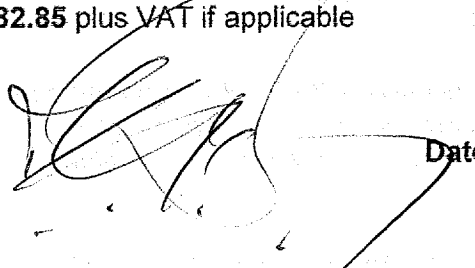
64. The Tribunal calculated from the above determinations that the six minute time units (10% of an hour) chargeable by the partner was 22 units and for the legal executive was 7 units. They also assessed the legal executive hourly rate to be £175 per hour and thus the reasonable legal costs determined by the Tribunal are :-

Partner 22 x 10% x £225 = £495, and

for the legal executive is 7 x 10% x £175 = ~~£122.50~~ £122.50

making a **total of reasonable legal costs** in accordance with the requirements of section 60 of the Act of **£582.85** plus VAT if applicable

Signed: M Hope  
Chairman



Date: 12 October 2011

### Appendix A - Capitalisation of Ground Rents

Ground rent payable	£	270.00		
YP 25.58 years @ 6.5%		12.32	£	3,326.40
Ground rent payable	£	300.00		
YP 33 years @ 6.5%		13.46		
X PV of £1 in 25.58 years @ 6.5%		0.20	£	814.92
Capital Value			£	4,141.32
but say				£ 4,141.32

### B Reversionary Value

Market value	£	92,000.00		
xPresent Value in £1 in 58.58 yrs @6%		0.04		
Capital Value			£	2,871.68
but say				£ 2,871.68

### C Marriage Value

Market Value	£	92,000.00		
Less				
Value subject to current lease	£	78,000.00		
Plus A + B	£	7,013.00		
Marriage Value			£	6,997.00
Apportion 50% to Freeholder				£ 3,498.50

### D Total Payable for lease extension

A + B + C				£ 10,511.50
			<b>say</b>	£ <b><u>10,500.00</u></b>

**Plus Landlords reasonable Valuation Fee and Legal Costs**