RAAAAAAH 2671

Residential Property TRIBUNAL SERVICE

Ref: LON/00BJ/OLR/2013/0312

THE RESIDENTIAL PROPERTY TRIBUNAL SERVICE

DECISION AND REASONS OF THE LONDON LEASEHOLD VALUATION TRIBUNAL ON AN APPLICATION UNDER SECTION 50(1) OF THE LEASEHOLD REFORM, HOUSING AND URBAN DEVELOPMENT ACT 1993

Property : Ground floor flat, 20 Blegborough Road, London SW16 6DH

Applicants : Claire Elizabeth Tinker and Andrew Charles Tinker (tenants)

Respondents : Roy Edward Trought and Pamela Geraldine Trought (landlords)

Date of determination : 9 May 2013

Appearances : Determined without an oral hearing

Members of the Leasehold Valuation Tribunal:

Martin Rodger QC

Mr Ian Holdsworth FRICS

Date of Decision: 9 May 2013

Decision

The Tribunal determines in accordance with section 56 and Schedule 13 of the Leasehold Reform, Housing and Urban Development Act 1993:

1. That the terms of the new lease to which the Applicant is entitled are those of the draft lease provided by her solicitors, being a term of years expiring on 24 December 2176 at a peppercorn rent and otherwise incorporating by reference all of the terms of the current Lease of the Property granted on 14 October 1988 by Glowlink Limited to Roger Kevin Daley and Carole Sheron Daley.

2. The premium payable for the new lease is £8,850.

on the assumption that the tenant has no rights under the Act to acquire any interest in any Property containing the tenant's flat or to acquire any new lease.

14. Paragraph 4 of the Schedule, as amended, provides that the landlord's share of the marriage value is to be 50%, and that where the unexpired term of the lease exceeds eighty years at the valuation date the marriage shall be taken to be nil. Paragraph 5 provides for the payment of compensation for loss arising out of the grant of a new lease.

15. Schedule 13 also provides for the valuation of any intermediate leasehold interests, and for the apportionment of the marriage value.

Valuation

16. The Property is a converted flat situated on the ground floor of a Victorian end of terrace house now comprising two flats. It has one bedroom, a reception room, large kitchen and a 30ft garden. The windows are double glazed and the flat has gas fired central heating. Mr Heald states that there are no significant items of improvement or alteration which need to be ignored in the valuation.

17. The valuation date prescribed by section 51(1) of the Act is the date of the Applicant's application to the Court, namely 23 July 2012.

18. The unexpired residue of the Lease at the date of valuation was approximately 74 years; Mr Heald has adopted that round figure, and the Tribunal is content to do the same and to proceed on the basis of Mr Heald's assumption that the Property has not been improved in a manner which requires to be disregarded for the purpose of valuation.

19. Mr Heald's assessment of the value of the new lease to be granted to the Applicant is based on evidence of sales of comparable flats in Blegborough Road during the period November 2007 to January 2012. From this material Mr Heald draws the conclusion that the value of the Property on a long lease would be in the range £185,000 to £190,000.

20. From its own researches on easily available internet sources, the Tribunal was not satisfied that all of the relevant evidence had been considered by Mr Heald. In particular, a first floor flat at 7A Blegborough Road was sold for £197,000 on 30 July 2012, and a similar flat at 105 Fallsbrook Road was sold for £200,000 on 26 October 2012. Overall the tone of other local sales in 2012 was a little above Mr Heald's range. Doing the best it could with this material, the Tribunal concluded that a value of £195,000 was appropriate for a new lease of the Property for a term expiring in 2176.

21. Mr Bradley arrived at his valuation of the 74 year unexpired residue of the current Lease by first treating his figure of £185,000 as equivalent to the freehold vacant possession value of the Property. In order to determine the value of the unexpired residue the assumed freehold value is then adjusted by a factor of 94%. From its own knowledge from other similar cases, the tribunal is aware that for a lease of this duration a relativity of about 94% is broadly consistent

with the average of the assessments of agents specialising in outer London property as represented on the RICS composite graph of leasehold/freehold relativity. The Tribunal accepts that approach as legitimate in principle, and in this case it is to be preferred in the absence of any transactional evidence.

22. Applying 94% to the freehold vacant possession value of £195,000 produces a value for the Applicant's current Lease, as at the valuation date, of £183,300.

23. The diminution in the value of the landlord's interest in the tenant's flat is represented first by the capitalised value of the grounds rent receivable under the Lease, which will be surrendered and replaced by a peppercorn rent under the terms of the Act. That income stream is capitalised by Mr Bradley at 7%, which the Tribunal accepts is robust and appropriate in this case.

24. Next, the effect of the grant of the new lease will be to defer the landlord's freehold reversion for a further 90 years, thereby for practical purposes depriving the landlord of the current value of the freehold reversion indefinitely. The present value of the reversion is determined by applying a deferment rate to the freehold value of £185,000. The deferment rate appropriate for leasehold flats in Central London was authoritatively determined to be 5% in the case of Earl Cadogan v Sportelli (2006) LRA/50/2005.

25. Mr Heald has also adopted the Sportelli deferment rate of 5% which the Tribunal accepts.

26. The marriage value is to be shared equally between the parties, as required by the Act.

27. The Tribunal's own valuation is appended to this decision as Appendix 1. It differs from Mr Bradley's only because of the higher value the Tribunal has attributed to long leasehold interest in the property at the valuation date. The premium payable for the acquisition of the new lease in accordance with section 56 and Schedule 13 of the Leasehold Reform, Housing and Urban Development Act 1993 is £8,850.

Martin Rodger QC

Date: 9 May 2013

Appendix 1

Property:	20 Blegborough Road SW16 6DH

Reference: TW/LON/00BJ/OLR/2013/0312

Lease and Valuation Data

Lease Term:	99 years from 25 December 1987			
Lease Expiry date:	24 December 2086			
Unexpired term as at valuation date:		74	years	
Date of Valuation		23/07/2013		
Rent receivable by landlord:				
Payable from 26/10/2012 for 8 years	£	30		
Payable from 24/03/2020 for 33 years	£	60		
Payable from 25/03/2053 for 33 years	£	120		
Values				
Extended lease value with VP	£	195,000		
Reversionary interest with VP	£	195,000		
LHVP	£	183,300	Relativity	94.00%

Capitalisation rate	7.00%
Deferment rate	5.00%

Value of Freeholders present interest

Term 1				
Ground rent payable	£	30		
YP @ 8 yrs @ 7%		5.9713	£179	
Term 2				
Ground rent payable	£	60		
YP @ 33 yrs @ 7%		12.7538		
PV of £1 at 8 years @7%		0.5820091		
Term 3			£445	
Ground rent payable	£	120		
YP @ 33 yrs @ 7%		12.7538		
PV of £1 33 years @7%		0.0624116		
			£ 96	
Reversion				
Freehold in vacant possession	£	195,000		
Deferred 74 years @ 5%		0.0270391	£5,273	
	Total			**£ 5,993**

Calculation of Marriage Value

Value of flat with extended lease	£	195,000		
Landlords proposed interest	£	-		
Less				
Value of Leaseholders existing interest	£	183,300		
Value of Freeholders existing interest	£	5,993		
Marriage value	**Total**			**£5,707**
Division of Marriage Value equally between				
Freeholder				£2,854
Leaseholder			£2,854	

Price payable to Freeholder

Value of freeholders current interest	£ 5,993
Plus share of marriage value	£ 2,854
Total	**£ 8,846**
Say	**£ 8,850**