



**FIRST-TIER TRIBUNAL
PROPERTY CHAMBER
(RESIDENTIAL PROPERTY)**

Case Reference : **VG/LON/00BB/OLR/2022/0441**

Property : **14b Morris Avenue
London E12 6EW**

Applicant : **Allan Winters**

Representative : **O'Neill Patient Solicitors**

Respondent : **Lee Shopfitters (London) Ltd.**

Type of Application : **Determination of premium of lease
extension (missing landlord)**

Tribunal Members : **Mr N Martindale BSc MSc FRICS**

Date of Decision : **19 October 2022**

DECISION

Decision

1. The premium to be paid by the applicants for the ground floor flat lease extension at 14b Morris Avenue London E12 5BB, registered at HM Land registry under title number EGL128984 is **£39,300 (thirty-nine thousand, three hundred pounds)**.

Introduction

2. This is an application made under Section 50 and 51 of the Leasehold Reform, Housing and Urban Development Act 1993 ("the Act") for a determination of the premium to be paid and the terms of an acquisition of an extension to the leasehold interest in the Property. The relevant legal provisions are set out in Appendix to this decision.

3. The Property is a ground floor flat of a two-storey building formerly a house constructed around 1900. The two flats were created 1982 and sold on leases. It is the end of a residential terrace. There is a pedestrian and vehicle passageway to the side of the Property to a commercial property to the rear.
4. The Applicant is the long leaseholder of the Property holds their interest under the terms of a lease dated 15 February 1983, registered under title number EGL128984. That lease was granted by the respondent to Raymond Potter for a term of 99 years from 25 December 1982. The lease reserves a rising ground rent: The first 33 years, £50 pa; the next 33 years £100 pa; the next 33 years £150 pa. The residual term of the lease was vested in the Applicant, registered as leasehold proprietor on 10 February 1999.
5. The registered freehold proprietor of the Property remains unchanged from the landlord at the grant of this lease and remains the respondent. They were registered as such under-title number NGL179576 on 14 May 1973.
6. By order made by District Judge Sterlini on 30 May 2022 and on the Court being satisfied that the respondent could not be found, the matter was referred to this Tribunal for determination of the premium for the lease extension under S.51(5); that following this the Applicant will surrender her lease and a new lease will be granted; and that the new lease will be executed either by a named partner of the applicant's legal representative or the Court, in accordance with S.5(3) of Leasehold Reform Housing and Urban Development Act 1993.
7. The Tribunal considered the issue on the papers submitted by the applicants, without a hearing, in accordance with directions issued 8 June 2022. The case was to be determined in the week commencing 3 August 2022 though it was later delayed until 19 October 2022.
8. The Tribunal's jurisdiction is derived from the order made by the court on 30 May 2022. The date of filing at Court was 26 April 2022 which is the valuation date for these purposes.

Statutory Basis

9. Part 2, Schedule 13 to the Act provides that the price to be paid by the leaseholder, the applicant for the new leasehold interest where there is no intermediary head leaseholder, applies here.
10. The premium payable in respect of the grant of a new lease is the total 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.

11. The diminution is: 3(1) The diminution in value 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.
12. Paragraph 4 of the Schedule, as amended, provides that the freeholder's share of the marriage value is to be 50%, and that any marriage value is to be ignored where the unexpired term of the lease exceeds eighty years at the valuation date. Here it is included as the unexpired term is less than eighty years.
13. Paragraph 5 of the Schedule provides for the payment of compensation for other loss resulting from the enfranchisement.

Evidence

14. The applicants have provided a valuation report dated 25 July 2022 by Christian Dadd BSc MRICS of Messrs Clarke Hillyer Ltd. ("Valuation Report").
15. Having considered the contents of the Valuation Report and the opinions expressed by the valuer, the Tribunal is broadly satisfied that the method adopted is appropriate to determine the premium for the new lease for the Property. The Tribunal accepts the description of the Property and its location as stated.
16. A photograph of the exterior of the Property was included in the Valuation Report. The Tribunal did not consider it necessary or proportionate to carry out an inspection of the Property.

Valuation

17. The Property is of a traditional construction solid brick walls under a pitched and tiled roof. Accommodation consists of a private front entrance hall, three rooms, bathroom/wc, kitchen on the ground floor. There is a full cellar below the entire ground floor with good head room but no natural lighting. Access is through a small front yard from the public road. To the left hand-side a commercial access and to the right-hand side pedestrian access to a residential housing development.
18. There is no off-street parking or a garage. On street parking is restricted to resident permit holders.

19. There were no tenant's improvements, the value of which must be deducted from the capital value of the flat. The gross internal floor area is 82m² plus the cellar space. All mains services are available. The flat has full gas fired central heating. Any disrepair is ignored as are any improvements of the tenants, though none of the latter are identified.
20. The valuation date prescribed by section 51(1) of the Act is the date of the applicants' application to the court namely 26 April 2022. The unexpired residue of the lease for the Property is 60.66 years.
21. The Valuer's assessment of the market value of the Property to value the reversion of the landlord's and tenant's interest is based on evidence of completed sales of four comparables located nearby. All are of two bed flats, have long leases and are either in good or excellent condition.
22. Comparable 1: 343 Sherrard Road E12 6UH, smaller 2 bed flat sold at £260,000 September 2020 with a private rear garden.
23. Comparable 2: 16A Chesterford Road E12 6LB another smaller 2 bed flat sold at £295,000 December 2020 with a private garden.
24. Comparable 3: 50 Shakespeare Crescent E12 6LB a smaller 2 bed flat sold £297,000 February 2021 but no outside space.
25. Comparable 4: 270a Strone Road E12 6TP a smaller 2 bed flat sold £275,000 November 2021 with a private rear garden.
26. From these the Valuer assesses the value of the extended lease of this flat at £300,000, with a virtual freehold following valuation convention 1% higher at £303,000.
27. The Tribunal is satisfied with the relevance and detail of the four comparable property sales provided in the Valuation Report and the Valuer's analysis of each in the assessment of the value of new long lease of the Property.
28. The Tribunal notes and accepts the 1% adjustment by Mr Dadd in uplifting the long lease value to its notional freehold value.
29. Mr Dadd states on the issue of relativity: *"Marriage value is calculated by reference to comparable long and short lease sales, where available, or by reference to graphs of relativity, being the relative value of a short lease compared to a long lease. The graphs would indicate a short to long lease relativity of some 78.71% (Zucconi) as at the valuation date."* He appears to be referencing the Gerald Eve and

Savills non-rights graphs and the resulting percentage relativity in the absence of any short leasehold sales evidence in this case. From this he adopts 78.71%. This being non-rights does not require adjustment for the removal of the value of the statutory rights. The Tribunal concurs with this approach here.

30. The diminution in the value of the landlord's interest in the tenants' Property is represented first by the capitalised value of the ground rent receivable under their lease. That small income stream is capitalised by at 6.5%, which the Tribunal accepts is appropriate in this case owing to the low, rising but, still modest ground rent. The value of the landlord's interest in the two remaining term periods are £1269 plus £354. The value of the reversion to VP after the remaining 60 odd years is an additional £15,707.
31. Next, the effect of the lease extension will deprive the landlord of the property for a further 90 years in addition to the current unexpired term. The present value of that delayed reversion is determined by applying a deferment rate to the freehold value of the flat. 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. The valuation adopts the Sportelli deferment rate of 5% which the Tribunal accepts.
32. The marriage value is to be shared equally between the parties, as required by the Act.
33. The Tribunal accepts the valuation for the property and in particular the final opinion of value of the premium of £39,300 as expressed in his Valuation Report. The Tribunal has therefore not produced its own valuation.
34. The premium to be paid by the applicant for the new lease of the Property is therefore **£39,300, (Thirty-nine thousand and three hundred Pounds)**.

Name: Neil Martindale

Date: 19 October 2022

Appendix

Leasehold Reform, Housing and Urban Development Act 1993

S.50 Applications where landlord cannot be found.

(1) Where—

(a) a qualifying tenant of a flat desires to make a claim to exercise the right to acquire a new lease of his flat, but

(b) the landlord cannot be found or his identity cannot be ascertained,

the court may, on the application of the tenant, make a vesting order under this subsection.

(2) Where—

(a) a qualifying tenant of a flat desires to make such a claim as is mentioned in subsection (1), and

(b) paragraph (b) of that subsection does not apply, but

(c) a copy of a notice of that claim cannot be given in accordance with Part I of Schedule 11 to any person to whom it would otherwise be required to be so given because that person cannot be found or his identity cannot be ascertained,

the court may, on the application of the tenant, make an order dispensing with the need to give a copy of such a notice to that person.

(3) The court shall not make an order on any application under subsection (1) or (2) unless it is satisfied—

(a) that on the date of the making of the application the tenant had the right to acquire a new lease of his flat; and

(b) that on that date he would not have been precluded by any provision of this Chapter from giving a valid notice under section 42 with respect to his flat.

(4) Before making any such order the court may require the tenant to take such further steps by way of advertisement or otherwise as the court thinks proper for the purpose of tracing the person in question; and if, after an application is made for a vesting order under subsection (1) and before any lease is executed in pursuance of the application, the landlord is traced, then no further proceedings shall be taken with a view to a lease being so executed, but (subject to subsection (5))—

(a) the rights and obligations of all parties shall be determined as if the tenant had, at the date of the application, duly given notice under section 42 of his claim to exercise the right to acquire a new lease of his flat; and

(b) the court may give such directions as the court thinks fit as to the steps to be taken for giving effect to those rights and obligations, including directions modifying or dispensing with any of the requirements of this Chapter or of regulations made under this Part.

(5) An application for a vesting order under subsection (1) may be withdrawn at any time before execution of a lease under section 51(3) and, after it is withdrawn, subsection (4)(a) above shall not apply; but where any step is taken (whether by the landlord or the tenant) for the purpose of giving effect to subsection (4)(a) in the case of any application, the application shall not afterwards be withdrawn except—

(a) with the consent of the landlord, or

(b) by leave of the court,

and the court shall not give leave unless it appears to the court just to do so by reason of matters coming to the knowledge of the tenant in consequence of the tracing of the landlord.

(6) Where an order has been made under subsection (2) dispensing with the need to give a copy of a notice under section 42 to a particular person with respect to any flat, then if—

(a) a notice is subsequently given under that section with respect to that flat, and

(b) in reliance on the order, a copy of the notice is not to be given to that person,

the notice must contain a statement of the effect of the order.

(7) Where a notice under section 42 contains such a statement in accordance with subsection (6) above, then in determining for the purposes of any provision of this Chapter whether the requirements of Part I of Schedule 11 have been complied with in relation to the notice, those requirements shall be deemed to have been complied with so far as relating to the giving of a copy of the notice to the person referred to in subsection (6) above.

51 Supplementary provisions relating to vesting orders under section 50(1).

(1) A vesting order under section 50(1) is an order providing for the surrender of the tenant's lease of his flat and for the granting to him of a new lease of it on such terms as may be determined by a leasehold valuation tribunal to be appropriate with a view to the lease being granted to him in like manner (so far as the circumstances permit) as if he had, at the date of his application, given notice under section 42 of his claim to exercise the right to acquire a new lease of his flat.

(2) If a leasehold valuation tribunal so determines in the case of a vesting order under section 50(1), the order shall have effect in relation to property which is less extensive than that specified in the application on which the order was made.

(3) Where any lease is to be granted to a tenant by virtue of a vesting order under section 50(1), then on his paying into court the appropriate sum there shall be executed by such person as the court may designate a lease which—

(a) is in a form approved by a leasehold valuation tribunal, and

(b) contains such provisions as may be so approved for the purpose of giving effect so far as possible to section 56(1) and section 57 (as that section applies in accordance with subsections (7) and (8) below);

and that lease shall be effective to vest in the person to whom it is granted the property expressed to be demised by it, subject to and in accordance with the terms of the lease.

(4) In connection with the determination by a leasehold valuation tribunal of any question as to the property to be demised by any such lease, or as to the rights with or subject to which it is to be demised, it shall be assumed (unless the contrary is shown) that the landlord has no interest in property other than the property to be demised and, for the purpose of excepting them from the lease, any minerals underlying that property.

(5) The appropriate sum to be paid into court in accordance with subsection (3) is the aggregate of—

(a) such amount as may be determined by a leasehold valuation tribunal to be the premium which is payable under Schedule 13 in respect of the grant of the new lease;

(b) such other amount or amounts (if any) as may be determined by such a tribunal to be payable by virtue of that Schedule in connection with the grant of that lease; and

(c) any amounts or estimated amounts determined by such a tribunal as being, at the time of execution of that lease, due to the landlord from the tenant (whether due under or in respect of the tenant's lease of his flat or under or in respect of any agreement collateral thereto).

(6) Where any lease is granted to a person in accordance with this section, the payment into court of the appropriate sum shall be taken to have satisfied any claims against the tenant, his personal representatives or assigns in respect of the premium and any other amounts payable as mentioned in subsection (5)(a) and (b).

(7) Subject to subsection (8), the following provisions, namely—

(a) sections 57 to 59, and

(b) section 61 and Schedule 14,

shall, so far as capable of applying to a lease granted in accordance with this section, apply to such a lease as they apply to a lease granted under section 56; and subsections (6) and (7) of that section shall apply in relation to a lease granted in accordance with this section as they apply in relation to a lease granted under that section.

(8) In its application to a lease granted in accordance with this section—

(a) section 57 shall have effect as if—

(i) any reference to the relevant date were a reference to the date of the application under section 50(1) in pursuance of which the vesting order under that provision was made, and

(ii) in subsection (5) the reference to section 56(3)(a) were a reference to subsection (5)(c) above; and

(b) section 58 shall have effect as if—

(i) in subsection (3) the second reference to the landlord were a reference to the person designated under subsection (3) above, and

(ii) subsections (6)(a) and (7) were omitted.