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

Case Reference : **LON/00AW/OCE/2013/0165**

Property : **1 and 1A Sunningfields Crescent,
London NW4 4RD**

Applicants : **Sunningfields Properties Ltd**

Representative : **Dickens Shiebert LLP**

Respondent : **Sharon Kalenga**

Type of Application : **Collective enfranchisement –
missing landlord**

Tribunal Members : **NK Nicol
D Jagger MRICS**

Date of Decision : **24th September 2013**

DECISION

1. The Applicant company has been formed on behalf of Nita Patel, the lessee of the two flats at 1 and 1A Sunningfields Crescent, London NW4 4RD, a converted three-storey end-terrace house, as the nominee purchaser for a collective enfranchisement under the Leasehold Reform, Housing and Urban Development Act 1993 (“the Act”). The Respondent is the freeholder but cannot be found, despite efforts on behalf of the Applicant. On 28th June 2013 the Applicant applied to the Barnet County Court for a vesting order.

2. On 23rd July 2013 Deputy District Judge Shelton granted the order sought by the Applicant and directed that they apply for a valuation of the freehold interest by the Leasehold Valuation Tribunal. The Applicant has applied accordingly to this Tribunal.
3. The Tribunal issued directions on 12th August 2013. In accordance with those directions, the Applicant provided a bundle of relevant documents, including an updated valuation report dated 3rd September 2013 from Mr Terence Firrell FRICS MEWI MAE.
4. Schedule 6 of the Act provides that the price to be paid by the nominee purchaser for the freehold interest shall be the aggregate of the value of the freeholder's interest, the freeholder's share of the marriage value, and compensation for any other loss.
5. The value of the freehold interest is the amount which at the valuation date (being, in these circumstances, the date of application – see section 27) that interest might be expected to realise if sold in the open market subject to the tenancy by a willing seller (with the nominee purchaser, or a tenant of premises within the specified premises or an owner of an interest in the premises, not buying or seeking to buy) on the assumption that the tenant has no rights under the Act either to acquire the freehold interest or to acquire a new lease.
6. Paragraph 4 of the Schedule 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.
7. The Tribunal accepted the reasoning set out in Mr Firrell's report save in relation to his valuation of the open market value of the subject flats with the benefit of the freehold interest. At paragraph 6.02 he said that he found plentiful information on comparable properties but the sale information on three of the four properties he identified as comparable dated from over 5 years ago. Of course adjustments have to be made to take account of any differences between a property being valued and any comparable properties but a period of over 5 years is likely to be too long to be able to make effective adjustments so that the comparison can be meaningful.
8. The Tribunal does accept that the fourth comparable, 3a Sunningfields Crescent, is meaningful, being in the same terrace and having been sold on 5th August 2011. However, Mr Firrell did not set out his methodology on how he got from £334,387, being the sale price adjusted for market inflation to the valuation date, to his valuations of £275,000 for Flat 1A and £235,000 for Flat 1. The Tribunal was unable to understand how he got to those figures and so had to come up with its own methodology.

9. The Tribunal accepts that 3a Sunningfields Crescent was fitted to a very high standard and that a significant downward adjustment has to be made to take account of that. A 10% deduction takes the value down to £300,000 which appears to the Tribunal to be an appropriate value for the similarly-sized Flat 1A. Flat 1 is considerably smaller and the Tribunal estimates the differential at £75,000, producing a valuation of £225,000.

10. Using these figures, the Tribunal's calculation of the amount to be paid into court in respect of the value of the freehold interest is £11,997 in respect of Flat 1 and £15,781 in respect of Flat 1A for a total of £27,778. The details of the Tribunal's calculations are set out in the two Appendices to this decision.

Name: NK Nicol

Date: 24th September 2013

Flat 1 and 1A, Sunningfields Crescent, London NW4 4RD

APPENDIX A

The Tribunal's Valuation

Assessment of premium for Collective Enfranchisement

In accordance with Section 24 Leasehold Reform, Housing and Urban Development Act 1993 (As Amended)

Ref: TW/LON/00AC/OCE/2013/065

Flat 1

Components

Valuation date:	28/06/2013
Yield for ground rent:	7.0%
Deferment Rate:	5.0%
Extended lease value	£225,000
Existing lease value	£209,250
Relativity	93 %
Unexpired Term	71.5 years

Diminution in value of Freeholders Interest

1-Freeholder's Present Interest

£50 for 5.5 years @ 7.0%	
£50 x 4.4333	£222

£100 for 33 years @ 7.0%	
£100 x 12.7538	
PV of £1 for 5.5 years @ 7%=.6897	£879

£200 for 33 years @ 7.0%	
£200 x 12.7538	
PV of £1 for 38.5 years @ 7%=.074	£189

2- Valuation of reversion:

£227,250 @ 5.0% def'd 71.5 years	
£227,500 x 0.0306	£6954
	£8244

Marriage Value

Extended lease value		£225,000
Existing lease	£209,250	
Freehold interest	£8244	<u>£217,494</u>
		£7506

50% of Marriage Value **£3753**

Price to be paid for freehold interest: £11,997

Flat 1 and 1A, Sunningfields Crescent, London NW4 4RD APPENDIX B
Assessment of premium for Collective Enfranchisement
In accordance with Section 24 Leasehold Reform, Housing and Urban Development
Act 1993 (As Amended)
Ref: TW/LON/00AC/OCE/2013/065

Flat 1A

Components

Valuation date:	28/06/2013
Yield for ground rent:	7.0%
Deferment Rate:	5.0%
Extended lease value	£300,000
Existing lease value	£279,000
Relativity	93 %
Unexpired Term	71.5 years

Diminution in value of Freeholders Interest

1-Freeholder's Present Interest

£50 for 5.5 years @ 7.0%	
£50 x 4.4333	£222
£100 for 33 years @ 7.0%	
£100 x 12.7538	
PV of £1 for 5.5 years @ 7%=.6897	£879
£200 for 33 years @ 7.0%	
£200 x 12.7538	
PV of £1 for 38.5 years @ 7%=.074	£189

2- Valuation of reversion:

£303,000 @ 5.0% def'd 71.5 years	
£303,000 x 0.0306	£9272 £10,562

Marriage Value

Extended lease value		£300,000
Existing lease	£279,000	
Freehold interest	£10,562	<u>£289,562</u>
		£10,438

50% of Marriage Value **£5219**

Price to be paid for a share in the freehold interest £15,781