



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

Case Reference : LON/OOAZ/OCE/2014/0299

Property : 122 and 124 Meadowview Road,
London SE6 3NQ

Applicant : Paul Harrigan (flat 124) and
Chinedum Enyinnaya Orioha (flat
122)
Chadwick Lawrence LLP solicitors
and

Representative : Mr P Loizou MRICS of Appraisal
Limited

Respondent : Business Flats Limited

Representative : Mr K Davis FRICS of Business Flats
Limited and
Mr B C Sworn FRICS of Sworn & Co

Type of Application : s24 Leasehold Reform, Housing
and Urban Development Act 1993
(the Act)

Tribunal Members : Tribunal Judge Dutton
Mrs H C Bowers BSc Econ MSc
MRICS

**Date and Venue of
determination** : 27th May 2015 at 10 Alfred Place,
London WC1E 7LR

Date of Decision : 27th May 2015

DECISION

DECISION

The Tribunal determines that the sum payable for the freehold of the property 122 and 124 Meadowview Road, London SE6 3NQ is £172,495 as set out on the attached valuation, divisible equally between the two flats.

BACKGROUND

1. This application was made by the leaseholders of the flats at 122 and 124 Meadowview Road, London SE6 3NQ (the Property) for the determination of the terms of acquisition of the Property. The only issue we are asked to consider is the purchase price payable. The terms of the transfer are agreed and we were told that the statutory costs are not in issue.
2. We had before us a bundle of papers prepared by the Applicant's solicitors which included a copy of the application, the initial and counter-notices, copies of the register of title for the two flats and the freehold, the leases, approved draft transfer and the reports of Mr Loizou for the Applicants and Mr Sworn for the Respondent.
3. The parties had been able to agree a number of elements of the valuation calculation. The agreed valuation date is 27th March 2014, the unexpired term is 23 years and the capitalisation rate and deferment rate has been agreed at 7% and 5% respectively. The issues between the parties are the long lease value and hence the freehold value, as well as the short lease value. Mr Loizou argued that the price payable for the freehold should be £158,672, whilst Mr Sworn sought a figure of £186,035. Both sides agree an additional sum of £500 for the side access.

HEARING.

4. We had before us the succinct reports of Mr Loizou and Mr Sworn. It was agreed that there were no improvements to disregard. The description of the Property and the flats within was not in issue, nor were the lease terms and the reserved ground rent of £5.20 for each flat. The index relied upon for the adjustment for time was the Land Registry sales indices for Lewisham and is agreed.
5. Mr Loizou relied on two comparable properties to establish the freehold and short lease values. The first was 13 Meadow Close, situated in a road near to the Property. This flat had been sold in May 2014 for £210,000. It was close to the valuation date, and with a slight adjustment for time gave a figure of £198,907.80. He applied an uplift to freehold value bringing the value to £200,000 for the freehold.
6. In respect of the short lease value he relied upon a comparable at 98 Meadow Close having the same lease term as the subject flats and subject to an adjustment to reflect the difference between the sale date, August

to an adjustment to reflect the difference between the sale date, August 2014 and the valuation date, gave an adjusted value of £107,259.50, from the actual sale price of £122,000, which after a nominal adjustment for the 'no act world' resulted in a figure of £106,500. As a double check he compared this against the data of relativity at appendix 5 of his report which gave an average for a 23 year lease of 48.98%. In fact the relativity between his market evidence for the freehold and short lease was 53.25%. He confirmed that he was not relying on the relativity data but had included this solely for the purpose of rebutting the relativity suggested by the Mr Sworn.

7. He was asked whether the correct date for assessing the value should be before the completion date, it taking, it was suggested some 6 – 8 weeks to complete. He did accept that the values would have been fixed at some date before the completion date, but did not know when that would be. He was also asked whether he had reviewed the short lease comparable sold in August 2014 against the long lease comparables suggested by Mr Sworn, in particular 82 Meadowview Road, which was sold in September 2014 but had not done so. He was also asked why he had not included in his report the sale of flat 124 at the Property which had occurred the year before in February 2013. He told us that he had not used this comparable because of the time difference.
8. We then heard from Mr Sworn, who in effect tendered himself for questioning, relying on his report. In his report he had put forward a 'basket' of comparables, 5 in all, to produce the freehold value of £202,000 for each flat. As to the short lease value he relied upon the sale of the subject flat at 124 the year before, which after adjustment for time, lease length and 'no act world' gave a value of £84,466. This he said equated to a relativity of 41.5%, although as with Mr Loizou his primary case was market evidence.
9. He confirmed that although he had criticised Mr Loizou for not taking the date of the contract for sale, rather than the completion date as the starting point for adjustment for time, he had in fact done the same thing with the comparables he put forward. As to the short lease value he was of the opinion that a sale of the flat at 124 in the Property only the year before, was the best comparable. As with Mr Loizou, he was not able to provide evidence as to the condition of the comparable properties used for the freehold value, nor could he explain why one, at 178 Meadowview Road seemed to have achieved a higher sale price than the others.
10. At the conclusion of the hearing Mr Davies asked that we consider his application for costs under the provisions of rule 13 of the Tribunal Procedure (First-tier Tribunal)(Property Chamber) Rules 2013 (the Rules). Directions were given this regard and are set out at the foot of this decision.

FINDINGS

11. We are grateful to the parties valuers for reducing the items in issue. We will firstly deal with the freehold value. We prefer the evidence submitted by Mr Sworn on this point although as will be seen this makes little difference to our finding. The use of a number of comparables is appropriate, particularly when they are within 12 months of the valuation date. We are uncomfortable with the sale price achieved in respect of the property at 178 Meadowview Road, as it appears so much higher than the others. If we take that out of the equation it gives an average sale price, adjusted for time, of £198,579. Continuing with the averaging approach, if we then take the comparable put forward by Mr Loizou, giving a figure of £198,907, which as can be seen means there is very little difference between the parties, we achieve an average is £198,743. An uplift of 1% for the freehold, which was accepted by both parties, gives a rounded figure of £200,750 for the freehold, which is adopted by us.
12. Turning to the short lease value we accept that market evidence is the best evidence available to us. We are disappointed that Mr Loizou did not think it appropriate to put before the purchase of flat 124 by Mr Harrigan the year before, if only to give reasons for rejecting same. It does cause us to have some doubt as to his impartiality, a point raised in a round about way by Mr Sworn. We think we can do justice to this element by considering both sales put to us, 98 Meadow Close and 124 Meadowview Road and making what we consider to be appropriate adjustments. We accept the adjustments made by Mr Sworn to his comparable of 124 Meadowview Road, giving a figure of £84,466. The 1% for the lease length is reasonable and we find that an adjustment of 2.5% for the 'no act world' more realistic than the small allowance put forward by Mr Loizou. If we apply the same adjustment for the 'no act world' to the comparable at 98 Meadow Close this gives a value of £103,890, the amount suggested by Mr Sworn in his statement. Applying the average approach again to this data gives a figure of £94,178 for the short lease value, which we have adopted. This is 46.9% of the freehold value, a relativity that sits comfortably within the graph data, the more so in that the Beckett and Kay percentage is, we think, based on opinion only. Further Mr, Loizou's relativity arising from his assessment of the short lease value is well beyond the average created by the use of the various graphs at appendix 5 of his report which gives 48.98% and the 41.5% assessed by Mr Sworn is also well below the average.
13. Taking these matters into account we assess the price payable for the freehold to be £171,995. To this should be added the agreed sum of £500 for the side access, giving a total amount payable of £172,495 as is set out on the attached valuation.
14. On the question of the claim for costs under the Rules we have provided that the Respondent should lodge written submissions with the Tribunal and serve those submissions on the Applicants within 14 days of the date of this decision. These submissions must include details of the time

spent, when the cost was incurred, by whom and the hourly rate being sought. Confirmation that the costs being claimed are those which the paying party is obliged to pay must also be provided. Thereafter within a further 14 days the Applicant should send to the Respondent and lodge with the Tribunal their written response. The matter will then be considered on the papers lodged and soon as possible thereafter, and in any event within 28 days of the Applicant's submissions being received by the Tribunal. A decision as to whether costs are payable and if so how much will be sent to the parties shortly thereafter.

Andrew Dutton

Tribunal Judge
Andrew Dutton

27th May 2015.

**122 & 124 Meadowview Road
London, SE6 3NQ**

Valuation Date	27/03/2014
Unexpired Term	23 years
Capitalisation Rate	7%
Deferment Rate	5.00%
Freehold Value	£401,500
Existing Lease Value	£188,356

Freeholder's Present Interest

Term

Term 1		
Rent Reserved	£10.50	
YP for 23 years @ 7%	<u>11.2722</u>	£118

Reversion

FH reversion	£401,500	
PV of £1 in 23 years @ 5%	<u>0.3256</u>	
		<u>£130,728</u>
		£130,846

Marriage value

Proposed		
FH Reversion	£401,500	
less		
Existing		
Freeholder's Interest	£130,846	
Short lease value	<u>£188,356</u>	
Marriage Value		<u>£82,298</u>
50:50 division		<u>£41,149</u>
		£171,995
Plus additional land		<u>£500</u>
Price for Enfranchisement		£172,495