



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

Case reference : **MR/LON/00AH/OLR/2015/1544**

Property : **Flats 35A, Hartley Road, West
Croydon, CR0 2PJ**

Applicant : **Mrs Nita Beryl Thiederman**

Representative : **McMillan Williams Solicitors**

Respondent : **Mr Sean Cahill**

Representative : **-**

Type of application : **Absentee Landlord –
determination of premium payable
for a new lease pursuant to the
Leasehold Reform, Housing and
Urban Development Act 1993**

Tribunal member(s) : **Judge Shaw
Mr Jagger MRICS**

**Date and venue of
hearing** : **10 Alfred Place, London WC1E 7LR**

Date of decision : **17th November 2015**

DECISION

INTRODUCTION

1. This case involves an application for a new lease of Flat 35A, Hartley Road, West Croydon (the property”), pursuant to the provisions of section 50 of the Leasehold Reform, Housing and Urban Development Act 1993 (“the Act”). The case has been transferred to the Tribunal consequent upon the order of the Croydon County Court dated 14th September 2015, it having been impossible to trace the whereabouts of the Respondent freeholder.

THE EVIDENCE

2. The application is supported by an amended expert’s report and valuation dated 3rd November 2015, prepared by Mr P.A. Veness BA FRICS of Chartered Surveyors Edward Payne and Veness. He has considerable experience in the profession and has carried out many valuations of this kind.
3. The property comprises a converted ground floor flat within a semi detached two storey Victorian property in West Croydon. The property is held pursuant to a lease dated 24th October 1986. It has an unexpired term of 70.84 years at the valuation date – which is 27th February 2015. The ground rent under the lease is £50pa for the first 25 years, rising to £100pa and £150pa and then £250 on a 25 year review pattern.

Unimproved Market Values

4. Mr. Veness has referred to comparables of sales during 2013/2015 of similar properties in the area. He has used these comparables as a basis for his valuation appended to his report and this basis he has arrived at the sum of £155,000 as the valuation for unimproved

freehold value. The Tribunal has considered the comparable evidence and approach. The Tribunal's view is that the most compelling comparable evidence in this case which was under offer just last month in the sum of £195,000. Obviously, one could not have more helpful comparable evidence than this, and the Tribunal considers that this is the evidence more appropriately to be used in arriving at the capital value. Mr Veness has made an inflation adjustment, given the time lapse between the valuation date and the date of the offer on the property. He has used the Land Registry Index with which the Tribunal entirely agrees. He has then made a further deduction of £20,000 relating to double glazing, central heating and unidentified fixtures and fittings. The Tribunal considers this deduction to be high. As noted by the Mr Veness, and as is apparent from the photographs, this property is in poor condition and we do not think that double glazing and central heating is likely to have the impact on the value assessed by Mr Veness. The Tribunal considers that the more appropriate deduction would be £10,000, as appears in the Tribunal's valuation attached to this decision.

Marriage Value Relativity

5. In considering the existing lease value, Mr Veness referred to one graph, that is to say the South East Leasehold graph. On this basis and has arrived at a relativity of 93.5%. The Tribunal's view is that a safer and more accurate relativity rate can be discovered by focusing not on one graph, but a selection of those produced by the RICS and relevant to the area of the property. An average can then be taken from a wider range of research. This is the course the Tribunal has taken, using the other well known graphs which are attached to the Tribunal's revised valuation attached to this decision. Reference to these further graphs and the taking of an average produces a relativity rate of 92.4%, which is the relativity adopted by the Tribunal.

Capitalisation Rate

6. In considering the capitalisation rate, Mr Veness has used 7% which, in keeping, with Mr Veness's approach the Tribunal considers realistic.

Deferment Rate

7. So far as deferment rate is concerned, Mr Veness has followed the guidance in *Sportelli*, there being no compelling evidence to support any alternative approach. The Tribunal accepts and adopts the rate of 5% used.

Conclusion

8. The result of the conclusions referred to above is that the Tribunal's valuation, reflecting the matters referred to above, is attached to this Decision. After the adjustments have been made for the capital value, the improvements deduction and the relativity, this produces a sum to be paid for the extended lease of **£8,957** – all as set out in the attached valuation.
9. The Tribunal has also considered, and approves, the draft form LR1 and the general form of the Deed of Variation, which will have to be completed appropriately by or for the County Court when this matter reverts back to Court.

Tribunal Judge Shaw

Date: 17th November 2015

35A Hartley Road , West Croydon CR0 2LP

APPENDIX A

The Tribunal's Valuation

Assessment of the premium for a lease extension

In accordance with Leasehold Reform, Housing and Urban Development Act 1993

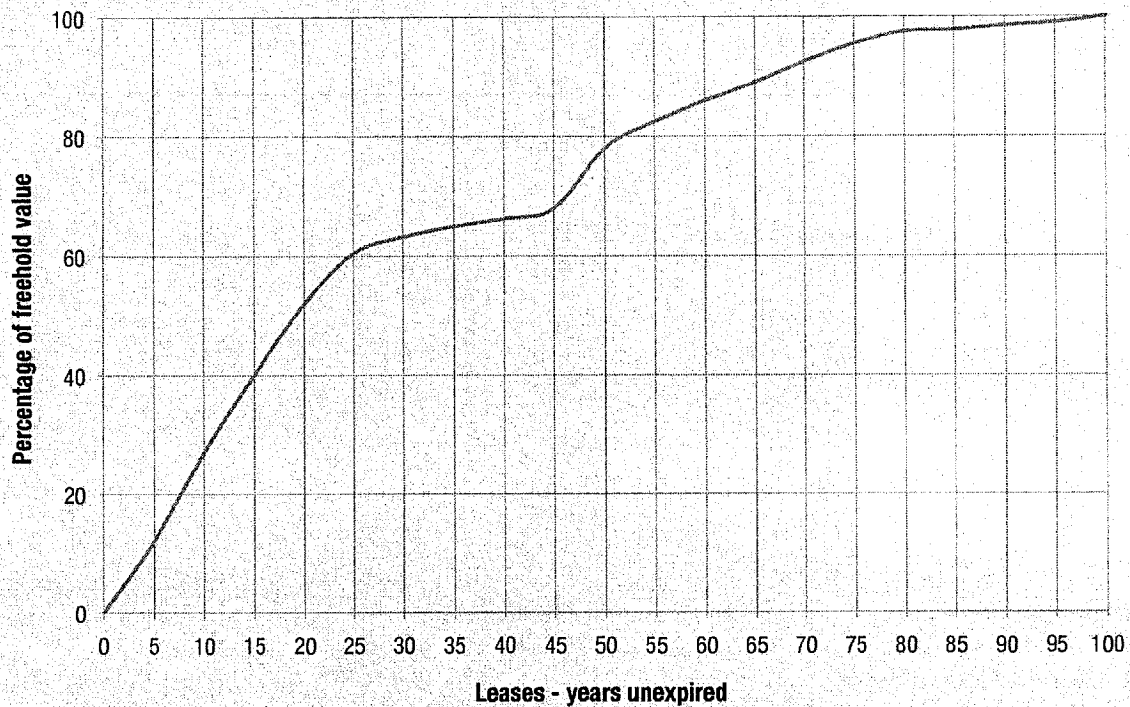
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Components

Valuation date:	27 th February 2015	
Yield for ground rent:	7%	
Deferment rate:	5.0%	
Long lease value	£170,000	
Freehold value	£171,700	
Existing leasehold value	£158,650	
Relativity	92.4 %	
Unexpired Term	70.84 years	
Ground rent currently receivable	£100	
Capitalised @ 7% for 21 years	11.469	£1,147
Rising to:	£150	
Capitalised @ 7% for 25 years	11.654	
Deferred 21 years @ 7%	0.184	£322
Rising to:	£250	
Capitalised @ 7% for 24 years	11.469	
Deferred 45 years @ 7%	0.0476	<u>£136</u>
		£1,605
Reversion to:	£147,000	
Deferred 70.84 years @5%	0.0315	<u>£4,890</u>
Freeholder's Present Interest		£6,495
Landlords interest after grant of new lease		
	171,700	
PV of £1 in 160.84 yrs @ 5%	0.0004	£69
Marriage Value		
Extended leasehold interest	£170,069	
Landlord's existing value	£6,495	
Existing leasehold value	£158,650	£165,145
	£4,924	
Freeholders share @ 50%		£2,462
LEASE EXTENSION PREMIUM		<u>£8,957</u>

Section 2 – Greater London and England

Andrew Pridell Associates Ltd

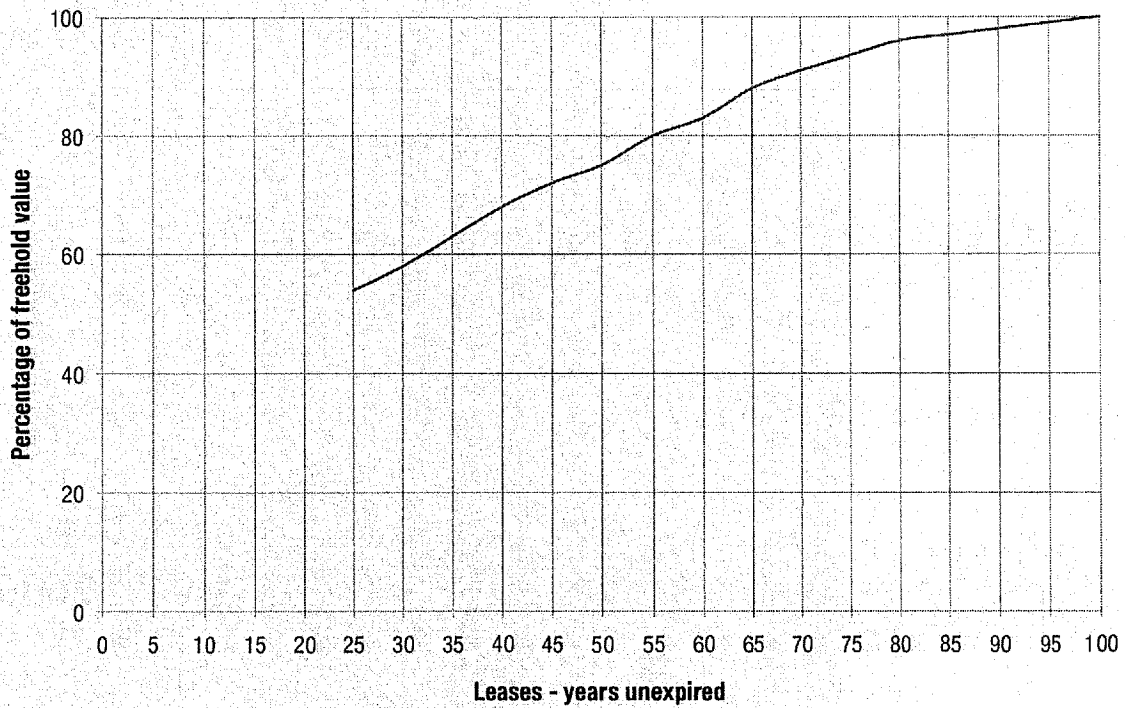


Data points

Leases - years unexpired	Relativity (% of freehold)	Leases - years unexpired	Relativity (% of freehold)
0	0		
5	12	55	82.5
10	27	60	86
15	40	65	89
20	52	70	92.5
25	60.5	75	95.5
30	63.25	80	97.5
35	65	85	97.75
40	66.25	90	98.5
45	68	95	99
50	78	100	100

Section 2 – Greater London and England

Nesbitt and Co

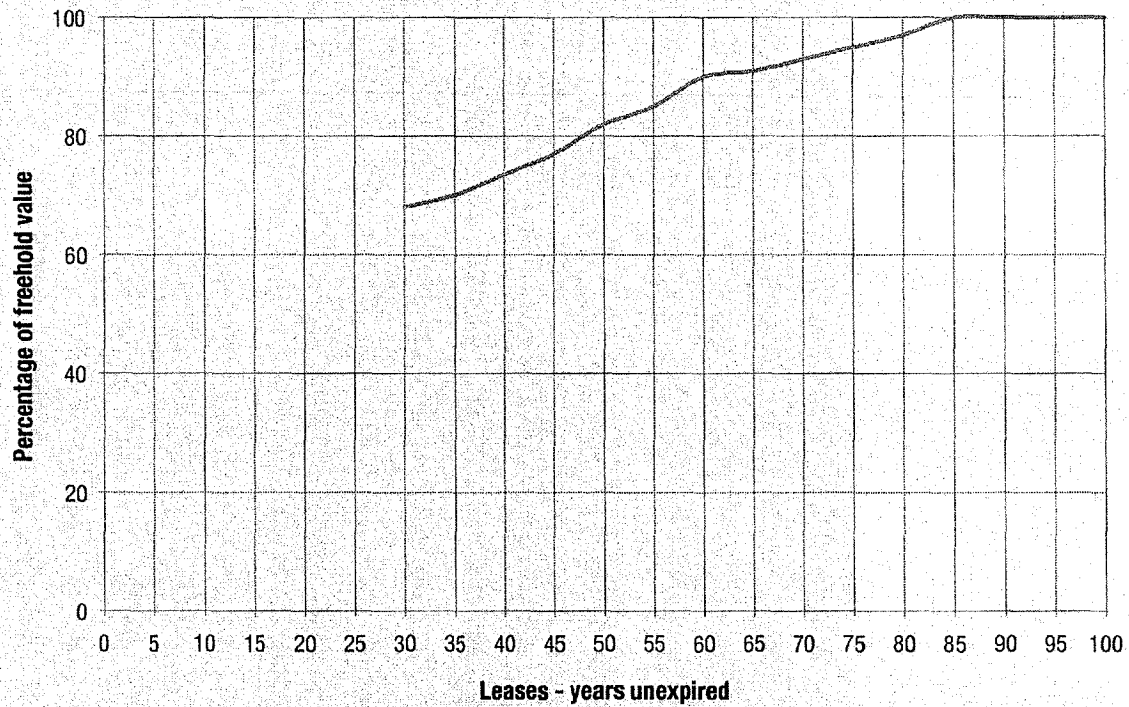


Data points

Lease - years unexpired	Relativity (% of freehold)	Leases - years unexpired	Relativity (% of freehold)
0			
5		55	80
10		60	83
15		65	88
20		70	91
25	54	75	93.5
30	58	80	96
35	63	85	97
40	68	90	98
45	72	95	99
50	75	100	100

Section 2 – Greater London and England

South East Leasehold

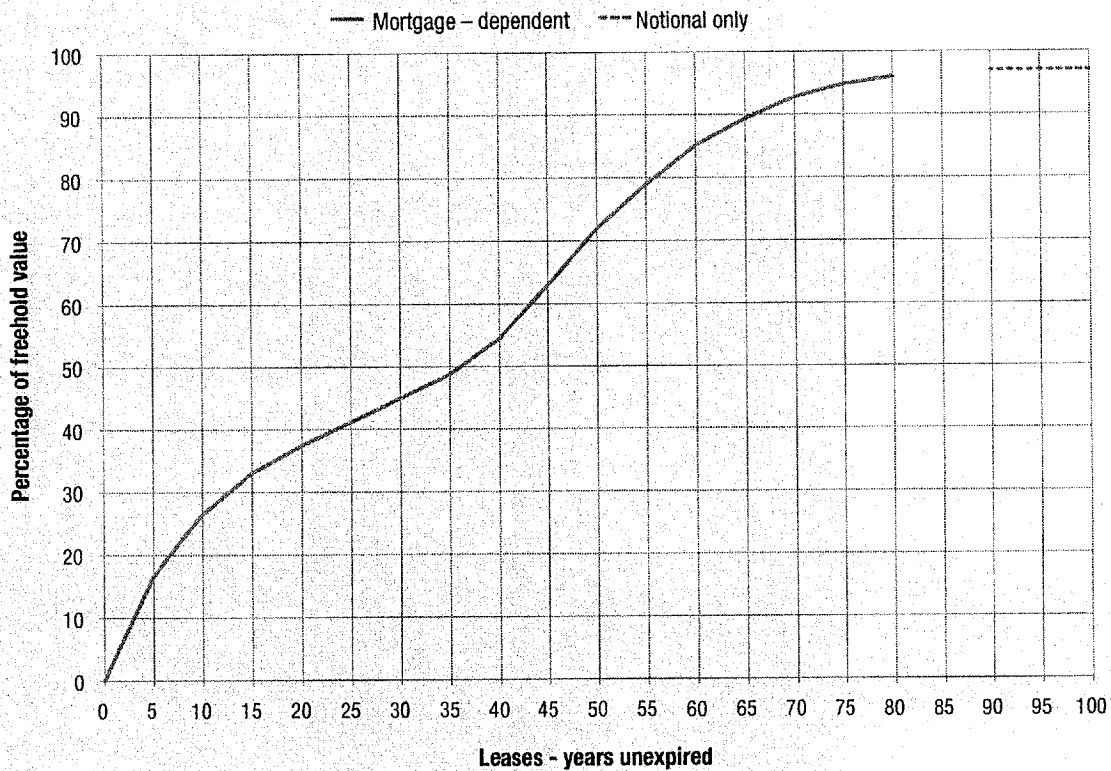


Data points

Lease - years unexpired	Relativity (% of freehold)	Leases - years unexpired	Relativity (% of freehold)
0			
5		55	85
10		60	90
15		65	91
20		70	93
25		75	95
30	68	80	97
35	70	85	100
40	73.5	90	100
45	77	95	100
50	82	100	100

Section 2 – Greater London and England

Beckett and Kay



Data points

Leases - years unexpired	Relativity (% of freehold)	Leases - years unexpired	Relativity (% of freehold)
0	0		
5	16.59	55	79
10	26.51	60	85.17
15	33.09	65	89.34
20	37.5	70	92.8
25	41.2	75	94.8
30	45	80	96
35	48.8	85	
40	54.5	90	97
45	63	95	97
50	72	99	97