

LEASEHOLD VALUATION TRIBUNAL FOR THE LONDON RENT ASSESSMENT PANEL

Leasehold Reform Act 1967

Housing Act 1980

DECISION OF LEASEHOLD VALUATION TRIBUNAL

ON AN APPLICATION UNDER S21 OF THE LEASEHOLD REFORM ACT 1967

Mr and Mrs D A F Wake
Applicant

Mr S K Patel
Respondent

RE: 130 Basildon Road, Abbey Wood, London SE2

Date of Tenant's Notice: 24 February 1993

Application to Tribunal dated: 20 July 1995

Heard: 12 June 1996

Appearances:

Mr D A F Wake - one of the tenants in person
Mr G Powell (of Counsel)
Mr A G Weilds (H. E. Thomas & Co Solicitors)
Mr D J Smith FPCS (Hindwoods Estate Agents and
Chartered Surveyors)

for the tenant

No appearance

for the landlord

Members of the Leasehold Valuation Tribunal:

Lady Wilson MA (Chairman)
Mr G I Coe BSc (Est Man) FRICS
Mr P S Roberts DipArch RIBA

Date of Tribunal's decision : 31 July 1996

1. This decision is made on an application by the tenants, Mr and Mrs Wake, for a determination under section 9 of the Leasehold Reform Act 1967, as amended, of the price to be paid by them for the freehold interest in the house and garden at 130 Basildon Road, Abbey Wood, London SE2. They hold the premises under a lease dated 25 October 1926 between the Royal Arsenal Cooperative Society Ltd and John Salt for a term of 99 years from 25 December 1920 at a rent of £4.20 a year. By a notice dated 24 February 1993 the tenants informed the freeholder, Mr Sushil Patel, of their desire to have the freehold of the premises. On that date, which is the date of valuation, the unexpired term was approximately twenty six years and ten months.

2. On an application made by the tenants to the Woolwich County Court His Honour Judge Roger Cox on 25 October 1994 declared that they were entitled to acquire the freehold of the premises. The order records that Mr Patel attended that hearing in person.

3. The price which the tenants proposed in their application that they should pay for the freehold was £2610. By a letter dated 8 November 1994 Mr Patel proposed a price of £17000, and by a further letter of 18 January 1995 he suggested a price of £15000. A hearing of the tenants' application to the tribunal was fixed for 23 November 1995 but by a faxed message of 22 November, purporting to come from Mrs Patel, the tribunal was informed that Mr Patel was out of the country and requested that the case be adjourned until his return. That application was accordingly adjourned and in due course

refixed for hearing on 12 June 1996. No reply was received by or on behalf of Mr Patel to any of the five letters sent by the tribunal to Mr Patel's address, nor did he attend the hearing. In the circumstances we were satisfied that the provisions of Regulations 7 and 14 of the Rent Assessment Committee (England and Wales) (Leasehold Valuation Tribunal) Regulations 1993 had been complied with and that it was appropriate to hear the tenants' application in Mr Patel's absence.

4. The tenants relied on the following valuation prepared by Mr D J Smith of Hindwoods, Estate Agents:

<u>Lease:</u>	99 years from 25 December 1920 at £4.20 per annum	
<u>Date of Notice</u>	24 February 1993	
<u>Unexpired term</u>	say, 26 ¾ years	
<u>Site value</u>	a) Standing House Value	
	£55000 @ 30 % =	£16500
	b) Site 18 ft x 82 ft = 1476 sq ft x £10 =	£14760
	Take mean of the above	£15630

<u>Valuation</u>	£	
Present value of ground rent for 26¾ years @ 7%	4.20 x 11.95 =	50
Reversion to modern ground rent Site value £15630 @ 7 %	= 1094	
Present value deferred 26 ¾ years at 7 % in perpetuity	x 2.34	2560
		<hr/> 2610 <hr/>

5. Mr Powell for the tenants called Mr Smith to explain his valuation. He said that he was a Fellow of the Property Consultants Society and a director of Hindwoods and had practised in South East London for thirty one years. He had dealt with numerous cases under the Leasehold Reform Act in which he had acted both for tenants and for landlords. Having settled many cases and having taken note of decisions of the Lands Tribunal and the Leasehold Valuation Tribunal he had used a multiplier of 7 per cent for the existing ground rent. In order to arrive at the value of the modern ground rent he had explored the property sales market as at 1993 for properties similar to 130 Basildon Road, and he produced estate agents' particulars of five of them, all situated in the same suburban residential district originally developed by the Royal Arsenal Co-operative Society. All were small houses on two floors, with three bedrooms. 32 Basildon Road, built, like No 130, in the early nineteen twenties, had been sold in January 1994 for £58750. 12 McLeod Road was an older property with a conservatory which had been sold in early 1994 for £48000. 214 McLeod Road, similar in age to No 130, had been sold in June 1994 for £48000. Its ground floor rooms had been altered and extended to produce a large reception room and a kitchen dining room. 49 McLeod Road, also built in the early nineteen twenties, had been sold in July 1994 for £52000. This house had been improved with central heating, part double glazing and a utility room. 5 Abbey Wood Road, an older property, had been sold in December 1993 for £53500. This had the advantage of a bathroom on the first floor and a shower room on the ground floor. Based on these five sales he had arrived at an entirety value of 130 Basildon Road of £55000 as at February 1993, which in his opinion was over-generous to the freeholder. He said that the area of South East London where the property was

situated was an area where property prices were lower than virtually any other part of London. He considered that 25 per cent of the standing house value was an appropriate proportion for the site in a suburb such as Abbey Wood, but he accepted that in other similar cases 30 per cent had been accepted. As a cross check he had attempted to arrive at the value of the site based on land values in the area. He had taken a value of £10 per square foot which he believed to be generous to the freeholder. Arguably the site value was nearer to £5 per square foot, but he was of the opinion that a purchaser would pay around £15000 for the site. To arrive at the site value he had taken the average of the values produced by the two valuation approaches he had considered. This produced the sum of £15630.

Inspection

6. The property is a modest inner terrace brick built house with a rendered front elevation and its original roof and windows and five quite steep steps up to the front door. It is situated on a bus route on a noisy and busy road. On the ground floor there is a through living room, with doors leading to the small rear garden, and a narrow kitchen, also with a door to the garden. The steep stairs lead to three bedrooms and a modernised bathroom.

7. We inspected externally four of the properties cited to us by Mr Smith. 32 Basildon Road is situated in a somewhat quieter end of Basildon Road and is in better external condition than No 130. McLeod Road, though carrying heavy traffic, is in our view a quieter and more pleasant road than Basildon Road. No 12 is a quite attractive late

Victorian cottage in fair external condition. Both 214 and 49 McLeod Road have new windows at the front.

Decision and reasons

8. Mr Smith had in his evidence conceded that his estimate of the value of the cleared site was based on intuition rather than on direct evidence of sales of comparable sites and in these circumstances we preferred to adopt the standing house approach. On the basis of the valuations given to us and of our inspection of the comparable properties we concluded that Mr Smith's valuation of the entirety was correct and we determined the entirety value of the property in good repair and modernised to be £55000. We noted that this was substantially less than the value given to similar properties in earlier tribunal decisions (159 Blithdale Road, Abbey Wood (LVT 352) and 9 McLeod Road, Abbey Wood (LVT 396)), but we accepted that the housing market had fallen substantially between 1988 and 1993.

9. Using our knowledge and experience we decided that 30 per cent was the appropriate proportion for the site in this particular location and that 7 per cent was the appropriate percentage for capitalising the value of the reversionary ground rent.

10. Our valuation is therefore as follows:

Term

Ground rent	£4.20 pa	
YP 7%, 26¾ years	11.95	£50

Reversion

Standing house value	£55000
Site value @ 30%	£16500
Section 15 rent @ 7%	£1155
YP in perpetuity @ 7%	
deferred 26¾ years	2.34

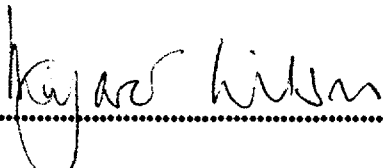
£2703

£2753

say £2750

9. Accordingly we determine the sum to be paid by the tenants for the acquisition of the freehold interest of 130 Basildon Road, Abbey Wood SE2, in accordance with section 9 of the Leasehold Reform Act 1967 as amended, to be £2750 (two thousand seven hundred and fifty pounds).

CHAIRMAN.....



DATE: 31 July 1996