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Our Ref: M/EH 2215-2217

WEST MIDLAND 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

Applicant: Mr & Mrs Bryant
Mr & Mrs Collett
Mr & Mrs Bishop

Respondent: Mr Sahota

Re: 2 Averill Drive, Rugeley, Staffordshire, WS15 2RR
3 Averill Drive, Rugeley, Staffordshire, WS15 2RR
5 Averill Drive, Rugeley, Staffordshire, WS15 2RR

Date of Tenants Notice: 11 April 2000

RV as at 1.4.73: £215
£233
£233

Application dated: 14 February 2001

Heard at: The Panel Office

On: Wednesday 17 October 2001

APPEARANCES:

For the Tenants: S.G Langford MRICS - Southwells

For the Landlord: Not represented

Members of the Leasehold Valuation Tribunal:

J.C Ankcorn FRICS FCIArb (Chairman)
D. Salter LLB
Mrs N. Jukes

Date of decision: 14 NOV 2001

**DECISION OF THE LEASEHOLD VALUATION TRIBUNAL
IN THE CASE OF**

Bryant and others v. Sahota

**IN THE DETERMINATION OF THE PRICE TO BE PAID
FOR THE FREEHOLD OF**

**2, 4, & 5, Averill Drive,
Rugeley,
Staffs, WS15 2RR.**

M/EH/2215 - 2217

Background

This is a determination under Section 9 of the Leasehold Reform Act 1967 (as amended) of the price to be paid for the Freehold interest in respect of three identical houses Nos. 2,4, & 5, Averill Drive, Rugeley, Staffs., WS15 2RR. The Lessees, hold each of the houses by way of identical Leases for terms of 99 years from the 29 September 1966 at rentals of £25.00 per annum.

The Lessees of No. 2 Averill Drive, Mr & Mrs Bryant, served a Tenant's Notice of Claim dated 11 April 2000 when there was an approximate unexpired term of 65 years remaining. The Tenants' Notices in respect of Nos. 4, & 5 were also served on 11 April 2000. The Tribunal accepts that the qualifying conditions for entitlement to enfranchise under the Act have been fulfilled.

Preliminary matters.

Prior to the date of the inspection and Hearing, the Tribunal received a letter from the Respondent Freeholder requesting an adjournment on the grounds that he had to travel to India for three months. The reason given was 'family reasons'. This application for an adjournment was referred to the Applicants' Valuer for his comments, and in response, the Tribunal received a bundle of copy correspondence which revealed that negotiations for the purchase of these freeholds had commenced early in 1999, with little progress having been made, at any stage since that date. The price first quoted by the freeholder in April 1999, was £20,000, and there was no substantive evidence in the correspondence that the Freeholder had exhibited any willingness to compromise on, or negotiate in respect of, this figure thereafter. In consequence, and because the Respondent had instructed both a Solicitors and a Valuer, and either could, if instructed, have been present at the Hearing to represent the Freeholder, it was decided to proceed with the cases. The Respondent was notified of this decision and, on 17 October, the Tribunal received a letter written on behalf of the Respondent which said that, in the interests of natural justice, the Hearing should be postponed.

The Tribunal, however, without, in our opinion, infringing the rules of natural justice, decided nevertheless to proceed with these cases.

The Properties.

The Tribunal inspected the properties on Wednesday 17 October 2001 in the presence of the Lessees, and their Valuer, Mr S G Langford, MRICS, of Messrs Southwells, Surveyors of Rugeley. The properties are medium sized detached houses, built of brick and tile some 35 years ago, on an estate of similar houses in a good residential location, about one mile north-west of the town centre.

The accommodation of all houses is similar and comprises a small side Hall entrance, front Living Room, rear Living Room, with stairs to the first floor, and rear Kitchen. On the first floor there are two Double Bedrooms, a front Single Bedroom, and a Bathroom with WC. The properties have front and rear gardens, a car port at the side, the benefit of all main services, and are heated by gas fired central heating or night storage heaters.

The Hearing

Mr Langford, on behalf of the lessees, submitted the following valuation:

Term			
Ground Rent		£25.00	
YP 65 years @ 6.5%		15.1280	£378
Reversion			
Entirety Value	£67,000		
Site Value @ 27½%	£18,425		
Section 15 Rent @ 6%		£1105	
YP perpetuity deferred 65 years @ 6%		0.3775	£417
		Say	£795

In support of the entirety value Mr Langford gave details of two transactions, one in respect of a comparable property in an adjoining road on the same estate, No. 4 Wetherall Close, sold in July 2000 for £69,950. Mr Langford said this house was identical to the subject properties except that a utility room had been built-on at the rear. Also, last year, he had been instructed to offer for sale No.4 Averill Drive, and although his clients had eventually decided not to sell, a firm offer had been received in January 2001 of £66,000. This evidence of market values substantiated, Mr Langford said, the value of £67,000 which he had used. He had adopted a percentage yield of 6½% and 6% as he thought this to be fair, and for the site value a percentage of 27½% which he felt was correct for these properties.

In answer to questions from the Tribunal, Mr Langford said that he accepted that his two comparable properties were both leasehold, whereas for the value of the reversion, the entirety value was required to be on the assumption of a freehold value. He said that with an unexpired term of 65 years the difference between freehold and leasehold would be very little; perhaps at the most £1,000. On the question of the percentage for the site value, and the yield rates adopted, Mr Langford told the Tribunal that he had endeavoured to be fair to all parties.

Decision

Section 9 (1) of the Act, as amended, provides that the freehold interest must be valued on the assumption of a sale on the open market by a willing seller, as a single individual property, subject to an extension of the lease for fifty years from the date of expiry, at a modern ground rent, and that the tenant and the members of the tenant's family residing in the house are not buying or seeking to buy. It follows that evidence of the price paid by a Landlord for the freehold of a block of houses is not helpful in arriving at a valuation under the provisions of the Act.

As an expert Tribunal we are able to apply our own experience and knowledge to the evidence submitted to us. There are three issues which arise from the valuation submitted to us: the rates of yield to be applied, the value to be adopted for the entirety value, and the percentage to use to arrive at site value.

The yield rates used by Mr Langford in his valuation differ from the rate which this Tribunal has approved in making determinations in respect of leases having unexpired terms as long as 65 years. In our view, the decision in this case must be made in the light of the many cases decided over the years at a yield of 7% throughout.

Mr Langford in questions accepted that the entirety value should be derived from freehold not leasehold values, and that his comparable properties were both leasehold. When pressed on the point he told the Tribunal that, with an unexpired term of 65 years, there was a difference of £1,000 between the freehold and leasehold values. We accept this figure and adopt an entirety value of £68,000.

The percentage of 27½% for site value tends, in our experience, to be only used for properties occupying a small restricted site, and in the case of the subject properties 32% is appropriate .

The Tribunal's valuation is as follows:

Term

Ground Rent	£25.00	
YP 65 years @ 7%	14.1099	£ 352.75

Reversion

Entirety Value	£68,000	
Site Value @ 32%	£ 21,760	
Section 15 Rent @ 7%	£ 1,523	
YP perpetuity deferred 65 years @ 7%	0.1758	£ 267.73
		<u>£ 620.48</u>

Accordingly, the Tribunal determines the price to be paid for the Freehold interest in each of the subject properties at £620 plus the payment of the Landlord's proper costs in accordance with Section 9(4) of the Leasehold Reform Act 1967 and Schedule 22 Part 1(5) of the Housing Act 1980.



J C Ankcorn - Chairman

14 NOV 2001

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