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BIR/47UB/OC6/2003/0082

MIDLAND RENT ASSESSMENT PANEL

**DECISION OF THE LEASEHOLD VALUATION TRIBUNAL ON
APPLICATIONS UNDER S21(1)(a) AND 21(1)(ba) OF THE
LEASEHOLD REFORM ACT 1967**

Premises: 18 Long Compton Drive, West Hagley, Stourbridge, West Midlands DY9 0PD

Applicant: Mrs P Walton (tenant)

Respondent: Mr G J D Okonedo (landlord)

Date of tenant's notice: 18 June 2003

RV as at 1 April 1973: Under £500

Applications dated: 9 September 2003

Heard at: Birmingham

On: 3 March 2004

Appearances:

Mr J A Moore MA of Midland Valuations Limited for the tenant

The landlord in person

Members of the leasehold valuation tribunal:

Lady Wilson
Mr S Berg FRICS
Mrs C L Smith

Date of the tribunal's decision:

10 March 2004

Background

1. These are applications to determine the price to be paid for the freehold of 18 Long Compton Drive, West Hagley, Stourbridge and the landlord's recoverable costs. The property is held by the tenant, Mrs Walton, on a lease dated 15 April 1965 for a term of 99 years from 25 March 1964 at a ground rent of £20 per annum, fixed throughout the term. Approximately 59.75 years remained unexpired on the valuation date, which is 18 June 2003, the date of the tenant's notice of claim. The rateable value of the property is such that the valuation falls to be made in accordance with section 9(1) of the Leasehold Reform Act 1967. Briefly, this means, in the present case, that the purchase price payable by the tenant for the landlord's freehold interest comprises:

- a. the capitalised value of the ground rent payable from the date of service of the tenant's notice of claim until the end of the lease;
- b. the capitalised value of the "section 15 rent" payable from the term date until 50 years after the term date, subject to a review after 25 years.

The section 15 rent is found by ascertaining the letting value of the site, but not the value of the building on it, and, in order to arrive at this figure, we have adopted the "standing house" approach, which means that we have taken a proportion of the value of the whole site, including the building, developed to its fullest realistic potential (the "entirety value").

2. The tribunal inspected the property on 3 March 2004, before the hearing, in the presence of the tenant. It is two storey inner terraced house built in the 1960s, of brick and interlocking tile construction, on a development of similar houses. The house is centrally heated and double glazed and has a living room, three bedrooms, a bathroom and wc and an integral single garage.

The frontage is approximately 6.096 m and the area of the site is approximately 163.87 m.

The hearing

3. At the hearing the tenant was represented by Mr J A Moore MA of Midland Valuations, and the landlord, Mr Okonedo, appeared in person.

The price for the freehold

4. Mr Moore proposed a price of £1019 for the freehold, based on the following valuation:

Term:

Annual ground rent:	£20	
YP 59.75 years @ 7%	14.035	£280.70

Reversion:

Entirety value	£140,000	
Site value @ 30%	£42,000	
Section 15 rent @ 7%	£2,940	
YP deferred 59.75 yrs @7%	0.251	<u>£737.94</u>
		£1,018.64
		say: £1,019.00

5. Mr Moore said that he had adopted the standing house method of valuation, and had based his entirety value of £140,000 on the marketing of a similar inner terraced house in Winchester

Close on the same estate, which was on the market in July 2003 at £149,950. He did not know the sale price or the date of sale, but the selling agents had confirmed to him that the price was close to the asking figure, which, he said, suggested that his entirety value was not unrealistic. He also referred to a tribunal decision in relation to 62 Winds Point, West Hagley (BIR/47UB/OAF/2003/0146), a similar property on the same estate, but with no direct vehicular access from the road and no integral garage, where the tribunal determined the entirety value at £135,000 at a valuation date of 7 May 2003, and to a decision in relation to 52 Winds Point (BIR/47UB/OAF/2003/146), which, he said, was a virtually identical property but on such a steep site that the integral garage could not be accessed, where an entirety value of £140,000 was determined at a valuation date of September 2003. He considered that the tribunal's valuation in both these cases supported his present valuation.

6. Mr Moore said that he had adopted a site apportionment of 30%, which he considered to be appropriate because of the restricted nature of the plot and its narrow frontage. He referred to a number of tribunal decisions and submitted that an inner terraced property should generally have a relatively low site apportionment because the scope for further development was very limited.

7. He adopted a yield rate of 7% for capitalisation and deferment, based on the consistent approach of the tribunal in similar cases.

8. Mr Okonedo said that he lived in Hagley, which was a high value area. He said that he had asked two local agents for their opinion on value and had been quoted £150,000 to £160,000. He considered that Long Compton Drive was preferable to Winds Point, which was a cul-de-sac, and that what he regarded as the usual site apportionment of 33% was appropriate. In his view the price proposed by Mr Moore was inconsistent with two consensual sales which he, as landlord, had made of the freeholds of similar properties on identical leases with similar

unexpired terms: 19 Long Compton Drive, sold on 28 September 1998 for £3,100, and 12 Long Compton Drive, sold on 12 April 2001 for £4,100. In the light of these settlements, and given the rise in house prices since 2001, he estimated that the current value of the freehold interest in the subject house should be in the region of £5000. He had previously said in written submissions in the form of a letter dated 18 November 2003 that the price of the freehold should be "no less than £1197.52", but had re-considered the matter since then.

Costs

9. Mr Moore said that he did not consider that any recoverable valuation fees had been incurred by the landlord. After the notice of claim had been given his firm had received one telephone call from the landlord, who had proposed a figure but given no real indication of how it was calculated. It was not until a month after the application had been made to the tribunal that a telephone call was received from a surveyor instructed by the landlord, and that surveyor had written to the Panel on 15 January 2004 to say that he had been instructed "very late" and that the landlord wished to limit his expenditure on professional advice in view of the fact that there was a costs application which struck out any fee payable for valuation assistance. He submitted that the landlord's recoverable legal fees were limited to the likely conveyancing fees and should be £250, plus VAT if appropriate, or, at most, £275. He said that £250 was in line with charges made for similar work by a number of local firms, but he was aware that a tribunal had recently determined as reasonable in a similar case a fee of £275, to reflect the additional work brought about by the introduction of Stamp Duty Land Tax.

10. Mr Okonedo said that he proposed to instruct London solicitors in connection with the conveyancing and understood that their fees were likely to be £325 plus VAT, and that this should be the recoverable legal fee. He had incurred an obligation to pay a surveyor £150 plus