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Residential
Property
TRIBUNAL SERVICE

REF: LON/00AP/OLR/2008/0038

RESIDENTIAL PROPERTY TRIBUNAL SERVICE

LEASEHOLD VALUATION TRIBUNAL

LEASEHOLD REFORM HOUSING AND URBAN DEVELOPMENT ACT 1993, SECTION 48

PROPERTY:	**20C MOUNT VIEW ROAD, LONDON N4 4HX**
APPLICANTS:	**(1) COLIN STEWART WEBB** **(2) NATASHA LOUISE WEBB** **(3) KATRINA JOANNE WEBB**
RESPONDENT	**SARUM PROPERTIES LIMITED**
APPEARANCES:	**CHRISTOPHER J. STONE (Surveyor PRICKETT & ELLIS, SURVEYORS LIMITED)** **For the Applicant** **MR. P.A. CHURCH FCA (Accountant)** **For the Respondent**
DATE OF HEARING:	**30TH MAY 2008**
DATE OF DECISION:	**1st JULY 2008**
MEMBERS OF TRIBUNAL	**MR S. SHAW LLB (HONS) MCI Arb** **R. HUMPHRYS FRICS**

DECISION

Introduction

1. This case involves an application for a new lease in respect of the property at 20C Mount View Road, London N4 4HX ("the Property"). The application is made by the leasehold owners of the Property as identified in the title to this Decision ("the Applicants"); the freehold owner is a company called Sarum Properties Limited ("the Respondents").

2. The initial notice of claim exercising the statutory right pursuant to section 42 was served by the Applicants' predecessors in title and is dated 6th July 2007. The benefit of that notice was assigned to the present Applicants by deed dated 13 July 2007 and a Counter Notice was served by the Respondents, which Counter Notice was dated 27 August 2007.

3. The parties were unable to reach terms, principally as to the price to be paid for the new lease and an application was made to the Tribunal in order to resolve this issue, which application was dated 8 January 2008. That application indicates that the Applicants were contending for a price of £9,500, whereas the Respondent was arguing for £24,105. Directions were given by the Tribunal on 29 January 2008. It has taken some time for the matter to come before the Tribunal for reasons which need not be explored

at this stage; suffice it to say that a hearing took place on 30 May 2008 on which occasion the Tribunal heard submissions on behalf of both the Applicant and the Respondent, and also later in the day, had the opportunity of inspecting the property.

4. By the date of the hearing, the terms of the proposed new lease had been agreed and the principal matter outstanding was the price to be paid for the new lease, with the Applicants now proposing £11,490 and the Respondent proposing £24,105 for the premium. The Applicants were represented by Mr Christopher J. Stone, who is a director of Prickett & Ellis Surveyors Limited. Mr Stone had prepared a written report dated 22 May 2008, supporting the premium of £11,490. For the Respondent, Mr P.A Church, FCA, had also prepared a report, for the Respondent freeholder, dated 12 August 2007. In that report Mr Church argued for a price of £24,105 to be paid for the new lease, in accordance with the calculations appended to the report. As his qualifications indicate, Mr Church is not a surveyor, but the first page of his report (appearing at page 53 in the bundle prepared by the parties for use at the hearing) demonstrates, and he confirmed to the Tribunal, that he has had longstanding experience of dealing with leasehold extension and enfranchisement cases – indeed his report indicates that since the 1980s he has been involved in negotiations relating to lease extensions and collective enfranchisement matters in respect of more than 500 cases on behalf of both landlord and leaseholders.

5. By the date of the hearing, the parties had agreed the existing lease value at £355,000, on the basis of the lease having the benefit of Act rights. The parties differed over the value of the extended lease value without Act rights. The Applicants argued for £346,125. The Respondent suggested a value of £338,000. There was also a dispute as to the extended lease value. The Applicants argued for £358,846 whereas the Respondent put this value at £375,000. A further dispute related to the capitalisation rate to be adopted with the Applicants adopting 7%, whereas the Respondent adopted 6%. The deferment rate was agreed at 5%. There was an issue as to relativity in that the Applicants used a figure of 95.5% whereas the Respondent argued that 90.13% was more appropriate. The final difference in arriving at the appropriate premium to be paid related to the freehold value. The Applicants suggested a value of £378,750, whereas the Respondents contended that £362,435 was the correct figure.

6. It will be apparent from the above differences that the main issues dividing the parties were the value of the extended lease on the one hand and the unextended or short lease value on the other. Useful and supplementary submissions were made by both Mr Stone and Mr Church at the hearing. No disrespect is intended to either of these gentlemen if the entirety of their submissions is not paraphrased in the context of this decision. Suffice it to say that these submissions have been taken carefully into account together with the written reports, and it is proposed to give a summary as to the main points in relation to the two main disputed issues and then, in respect of each, to give the Tribunal's findings.

Inspection

7. 20 Mount View Road is a four storey Victorian brick built terraced property with a slate roof in a quiet residential street. It is thought to have been converted into three flats in the mid 1980s. There is a small garden at the front of the property and a larger garden to the rear, but neither of these gardens is within the demise of the subject property. The property appeared to be in good external and internal repair. There is a main living room of good size adjacent to an open plan kitchen. There are large windows in this living area giving a good view of Central London. There is a well equipped, but small, WC/shower and bathroom. The property has a large double bedroom and a smaller second bedroom. The entrance to the individual flats is via a carpeted communal entrance hall and stairway, all of which appeared to be well maintained and in good repair.

Extended lease value

8. Mr Stone, on behalf of the Applicants, gave evidence referring to the comparables he had set out at paragraph 9 of his report. Although a number of properties are listed at paragraph 9, he conceded that really the main comparable for use before the Tribunal was Flat 3, 32, Mount View Road. This property is 6 doors away and is part of a relatively recently refurbished conversion. The flat sold for £365,000 in December 2007, together with a share of the freehold. It should be mentioned that in the instant case, the existing lease has 77.7 years to run and the agreed valuation date is 10 July

2007. Adjusting that sale price by application of the Land Registry price index, to bring it in line with the valuation date, produces a price of £353,907. Mr Stone contended that this property was very comparable to the subject premises.

9. Although this was his main comparable, he also referred to the sale of 32D Mount View Road, which is a top floor 2 bedroom flat in respect of which contracts were exchanged in early April 2008 at £355,000. Once again applying the price index produces a value of £340,430, although he distinguished this sale by saying that the subject premises are considered to be somewhat superior, given that they are a first floor and not second floor property and are without the effect of the eaves.

10. So far as Mr Church for the Respondents was concerned, he told the Tribunal that he had no other comparables, other than those referred to by Mr Stone, but his main contention was that he had spoken to Mr Webb (the Applicants' predecessor in title) who had told him that when purchasing the property, he had built into his calculations an expectation to pay between £12,000 and £18,000 for the new lease. Accordingly, argued Mr Church, the commercial reality was that he had bought the property estimating its true value at about £375,000 with the extended lease.

11. He supported his contention that this was the appropriate value of the extended lease by reference to page 95 of the bundle used at the hearing, which is a print out, appended to

Mr Stone's report from the NetHousePrices.com website. That shows a sale of No. `18A Mount View Road at a price of £374,000 in June 2007 (thus close to the valuation date). He argued that that was a long lease sale and thus was further fortified that the purchase price of the subject property in July 2007 at £355,000 was consistent with the first named Applicant valuing the extended lease in a similar sum of about £375,000.

12. So far as the Tribunal is concerned, it is not clear from the brief particulars noted on the NetHousePrices web site that the sale of 18A, Mount View Road was indeed that of a long lease. Also, on inspection, although the evidence from Mr Church had been to the effect that the existence of a garden attached to the basement flat at 20A would have boosted the price by about £20,000, it seemed to the Tribunal that the garden was in fact very small and we could not be sure that it would have had an impact in that order. The Tribunal was shown no sales particular for No. 18A and in the absence of such particulars or any lease details, felt compelled to approach that transaction with some caution.

13. Clearly, when the first named Applicant purchased for £355,000, he did have some expectation of paying a premium for the extension. However, the evidence of the sale of the flat at the nearby No. 32 Mount View Road, with three flats, all with shared freehold, indicates that he would not have been expecting to pay a vastly more inflated price for the long lease. Flat 3 at No. 32 appears to be very similar to the subject property and this sold for £365,000 in December 2007. Neither of the parties'

representatives had inspected the interior of that property and so were unable to assist, but the Tribunal did inspect from the exterior and it had clearly been modernised and was apparently in good condition. It is difficult for the Tribunal to see any real difference in the two parts of the road in which those two properties are situate.

14. Moreover, we find it difficult to see why a flat, which was sold as part of a completely and well refurbished building, should sell for less than the subject flat. The Tribunal prefers the evidence of this sale (that is to say Flat 3, 32 Mount View Road) as being the best comparable for the Tribunal. In our view, the time difference between July and December 2007 in a relatively slow moving market would not have had an especially significant impact on the price and there is no need to be over mathematical in order to adjust the sale price. Our view is that on all the evidence before us, the sum of £365,000 is approximately the right value to be attributed to the extended lease, with a share of the freehold. In order to strip out the inflation brought about by the freehold element, we adopt the approach used by both parties' representatives (that is to say applying a discount of 1.01%) producing a final figure for the extended lease value of £361,386.

Unextended lease value without Act rights

15. This was the second main area of dispute between the parties. There is no particularly precise science involved in adjusting the value to take into account the absence of Act rights and an often conventional approach which has been used is that of making a

deduction of 2½%. This is the approach which has been used by Mr Stone for the Applicants at paragraph 13.1.1 of his report and as appearing in his calculation. The reduction of 2½% of £355,000 produces £346,125.

16. Mr Church on the other hand, for the Respondent, contends for a discount of 2% (see paragraph 9 of his report at page 56 in the Bundle) but makes this referable to the added value of buying with the benefit of a statutory notice. He then makes a deduction of a further £10,000 to take account of the benefit of the Act rights – although he suggests that if he were buying the property, he would expect a larger discount (see paragraph 10.3 at page 57 of the report).

17. The view of the Tribunal is that Mr Church is over-estimating the allowance which needs to be made (and which has been put by some historically to be no more than about 25% of the marriage value). Mr Church's response to this when put to him, was that before 1993 he was doubtful that marriage value was relevant, although he eventually appeared to come round to the view that it was possible that such a concept was taken into account, although not given this particular label.

18. Whatever the position, Mr Stone's deduction in the order of £8,875 is that preferred by the Tribunal having regard to the length of the lease (which is not especially short) and the marriage value prospect, which still remains within it. If anything, the Tribunal is

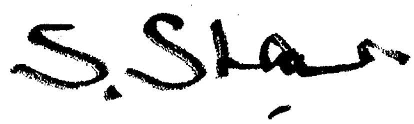
of the view that this is a relatively generous discount and does not have regard to fees and expenses.

Capitalisation Rate

19. As indicated above, Mr Church contended for a capitalisation rate of 6%. However, the Tribunal notes that in this case there is a £100 ground rent doubling every 33 years. It is not dissimilar from the agreements which Mr Stone put forward in his report (supported in some cases with evidence from the other side involved in these agreements) at 7%. With such a small disparity between the parties, it may be that on future occasions, should the situation arise, the parties may be able to reach terms on an issue of this kind, enabling the Tribunal to focus on the more substantial dispute. The Tribunal was persuaded that 7% is the correct rate.

20. The resolution of the relativity differences is, as appears in the calculations appended to this decision. The result of the above findings is that the premium payable for the lease extension in this case is £12,788, in accordance with the valuation appended to this Decision. The other terms of the extended lease were agreed and no cost issues were raised by the parties.

Signed: S. Shaw



Dated: 1st July 2008

Valuation Tribunal's Valuation
in accordance with
the Leasehold Reform Housing and Urban Development Act 1993 as amended

Address:	20c Mountview Road, London N4 4HX
Valuation Date:	10 July 2007
Lease:	99 years from 25 March 1986, Rent £100 doubling every 33 years
Unexpired term:	77.7 years
Capitalisation Rate:	7.00%
Deferment Rate:	5.00%
Freehold:	£365,000
Extended Lease:	£361,386
Occupational Lease:	£346,125

A	**Diminution in the value of the Landord's interest**			
	Term 1	100		
	YP for 11.7 years	7.8126	781	
	Term 2	200		
	YP for 33 years	12.754		
	PV for 11.7 years	0.4531	1,156	
	Term 3	400		
	YP for 33 years	12.754		
	PV for 44.7 years	0.0486	248	
	Reversion to Freehold Value	365,000		
	Defer 77.7 years	0.0226	8,249	
	Landlord's interest before lease extension		10,434	10,434
	Less Reversion to freehold value	365,000		
	Defer 167.7 years	0.0003		
	Landlord's interest after lease extension			110
	Dimunution in the value of the Landlord's interest			10,324
B	**Landlord's share of Marriage Value**			
	Interests after Marriage			
	Value of extended lease	361,386		
	Landlord's interest after lease extension	110		
	Value of combined interests after lease extension		361,486	
	Less interests before Marriage			
	Value of Lessee's current interest	346,125		
	Landlord's interest before extension	10,434		
	Value of interests before extension		356,559	
	Marriage Value		4,927	
	Landlord's share 50%			2,464
	Premium Payable for Lease extension			**£12,788**