

Residential Property Tribunal Service

Leasehold Valuation Tribunal

Property : West Grove, Hernes Road, Oxford, OX2 7PD

Applicant(s) : West Grove (Oxford) Limited.

Respondent(s) : Valentine Properties Limited.

Case number : CAM/38UC/OCE/2008/0067.

Date of Application : 27th November 2008.

Application : Determination of an application under S24 (1) of the Leasehold Reform, Housing and Urban Development 1993.

The Tribunal : Robert Brown FRICS (Valuer Chair)
Jeremy Sims (Lawyer)
Marina Krisko FRICS (Valuer)

Date and place of Hearing: 23rd March 2009 at Best Western Linton Lodge Hotel, 11-13 Linton road, Oxford, OX2 6UJ.

Determination

1. The Tribunal determine with the benefit of the evidence of the parties and using their knowledge (but not any special knowledge) and judgement that the price to be paid for the Freehold Interest in West Grove, Hernes Road, Summertown, Oxford OX2 0n the 3rd April 2008 is £137,067.00. A breakdown of the Tribunal's decision is given at Appendix 1.

Background

2. This is an application by the nominee purchaser, West Grove (Oxford) Ltd in respect of West Grove, Hernes Road, Oxford, OX2 7PD, under the Leasehold Reform Housing and Urban Development Act 1993 (as amended) (The Act) for a determination of (under Section 32(1)) the price to be paid to the Freeholder.

The nominee purchaser represents all 13 flats in the development.

The Notice under section 13 of the Act was dated 3rd April 2008 and proposed a premium of £86,000.00 and £100.00 in respect of the common areas and car parking.

The Counter Notice under section 21 was served on the 9th June 2008 and proposed a premium of £197,331.00 and £500.00 in respect of common areas and car parking.

Matters agreed between the parties

3. The address and extent of the subject property.
4. The dates and validity of the notice and counter notice.
5. There are 13 flats in the development.
6. The lease details are as follows:

Flat No	Unexpired Term	Expiring on	Ground Rent
1	160.17 yrs	30/06/2168	£nil
2,3,4,5,6,7,8, 9 ,10,11, 12 & 13	70.17	30/06/2078	£50.00 until 2012 £100.00 until 2045 £200.00 until 2078

7. The valuation date is 4th April 2008.
8. The tribunal is not asked to determine the terms of transfer (Section 34(9)) or the costs to be paid by the Applicant (Section 33)

Matters in dispute between the parties

9. The differences between the parties are summarised below:

		<i>Applicant</i>		<i>Respondent</i>	
Capitalisation Rate		7.5%		7%	
Deferment Rate		6%		5%	
Relativity		93%		91%	
Enfranchisement Value		£115,450.00		£166,755.00	
Other land		£100.00		£500.00 (inc)	
		<i>Existing</i>	<i>Extended</i>	<i>Existing</i>	<i>Extended</i>
2,3,5,6,8 & 9	1xDB	£181,350.00	£195,000.00	£182,000.00	£200,000.00

1,4,7	1x DB/1xSB	£195,000.00	£210,000.00	£204,750.00	£225,000.00
10 and 12	2xDB	£204,600.00	£220,000.00	£209,300.00	£230,000.00
11 and 13	2xDB	£213,900.00	£230,000.00	£213,850.00	£235,000.00

The Inspection

10. The Tribunal inspected the development on 14th March 2009 and made internal inspections of flats 2, 4, 10, 11, and 13.
11. The development comprises a 3 storey brick and tile hung purpose built block of flats constructed circa 1990. The site is restricted and provides 13 car spaces (2 of which are undercover).

The Hearing

12. The Applicant was represented by Mr. Ian Asbury BSc (Hons) MRICS.
13. The Respondent was represented by Mr. Gary French BSc. Dip Bldg Cons FRICS.

Capital Values

14. Mr Asbury's valuation is at **Appendix 2**.
15. Mr Asbury in arriving at his valuations given above had considered the sale of Flat 1 in August 2002 in the sum of £180,000.00 with the benefit of an extended lease which he had been informed had cost round £11,000.00 to £12,000.00.
16. Flat 9 had sold in July 2007 for £170,250.00 when the lease had approximately 72 years unexpired.
17. Flat 13 sold in February 2008 for £231,500.00 when the lease had approximately 71 years unexpired. This flat had been considerably altered and improved. The price originally agreed had been £241,500.00 but at the time was believed to include a share of the freehold. £10,000.00 had been deducted to reflect the fact no share of Freehold was included and a further £1,500.00 to reflect improvements and the downward shift in prices (HM Land Registry Indices). He concluded the unimproved extended lease value for flats 11 and 13 was, at the date of valuation £230,000.00.
18. Based on the sale of flat 13 flats 10 and 11 were valued at £220,000.00 to reflect their slightly smaller size.

19. As to Flats 1, 4 and 7 a further £10,000.00 reduction has been made to reflect their size. Flat 4 had been sold in October 2001 with 77years unexpired at £118,000.00. Using HM Land Registry as a guide the price in April 2008 would have been £196,500.00.
20. Flats 2, 3, 5, 6, 8 and 9 are the smallest flats are valued at £195,000.00. Flat 2 was sold in June 2006 for £200,000.00 a price which must be excessive in view of the other sales in the block.
21. Mr French's valuation is given at **Appendix 3**.
22. Mr French considered the sale price of Flat 2 at £200,00.00 in June 2007 with an existing lease of 71 years unexpired and the Nationwide and Halifax indices. The Nationwide is restricted to the outer south east whereas Halifax is broken down by region. Overall Mr French considered an adjustment of minus 1% to reflect the value at the valuation date. After adjusting for a relativity of 91% he arrived at a figure of £200,000.00. Mr French had not inspected the flat but had made adjustment to reflect improvements.
23. Flat 9 (similar to Flat 2) sold in September 2006 and after adjustment to allow for the indices of the Nationwide and Halifax and increase of 9%. After adjustment for relativity of 91% this produced a figure of £200,000.00.
24. Initially Mr French had believed that Flat 13 had been sold with the existing lease for the sum of £242,500.00 in February 2008. However evidence was produced at the hearing and accepted that the actual conveyance price was £231,500.00 subject to the existing lease.
25. Flat 4 sold in 2000 at a price of £118,000.00. After adjustment and comparison with the smaller flats Mr French arrived at a valuation of £225,000.00.
26. As to flats 10 and 12 there is no sales history but after adjustment to reflect the difference between the larger and smaller 2 bedroom flats Mr French arrived at a figure of £230,000.00.
27. Flat 1 is held on an extended lease and no uplift is shown by either party in respect of this Flat.

Capitalisation Rate

28. Mr Asbury applied 7.5%. He supported this by reference to the Murray Court case [CAM/38UC/OLR/2003/S] where the tribunal adopted 7.5% and by reference to a negotiated settlement at Hartley Court [CAM/38UC/OCE2005/0044].
29. Mr French gave his opinion that capitalisation rates had historically been agreed in the order of 7 – 7.5%. He had adopted 7%.

Deferment Rate

30. Mr Asbury concluded 6% was the appropriate deferment rate.
31. He considered that it was appropriate to differentiate Oxford from Prime Central London and therefore depart from the generic deferment rate determined in the '*Sportelli*' cases.
32. He supported this decision by reference to 84 Crown Road, Marlow (CAM/11UF/OCE/2007/0012) which determined a rate of 6% and 34 Pretoria Road, Watford (CAM/26UK/OLR/2007/0073) which determined a rate of 5.5%.
33. The rate of growth (by reference to HM Land Registry) was lower in Oxford than Kensington and Chelsea. In Oxfordshire the rate of growth for an average flat had been since 1995 3.226 times whereas in Kensington and Chelsea it had been 4.4 times.
34. Analysis of sales in the subject block demonstrated considerably lower growth than Kensington and Chelsea but was comparable with the Land Registry average data.
35. Mr French considers the appropriate rate is 5%.
36. Mr French is of the opinion that Oxford has always been an area of high provincial growth and does not accept that it has any less long term investment potential than the PCL.
37. '*Sportelli*' sought to take a long term view and after consideration of Noel Court, Hounslow [LRA/111/2007] Mr French concluded that no evidence had been put forward to justify a departure from '*Sportelli*'.

Relativity

38. Mr Asbury considers the appropriate rate is 93%. No relativity is shown in respect of Flat 1 because of the unexpired term of 160.17 years.
39. In support of this conclusion Mr Asbury refers to Murray Court (above) where the LVT determined 94.3% in respect of leases with 72.25 years unexpired and Hartley Court (above) 91.7% in respect of leases with 66 years unexpired.
40. Mr French considers the appropriate relativity to 91%.
41. In support he referred to the '*Becket and Kay*' graphs which show a wide divergence at 70 years with the majority below 90%. The LVT average appears to show 92 to 93%. Mr French does not believe this is consistent with Eastern

LVT decisions where a number of decisions have been made in respect of leases having between 66 and 78 years unexpired ranging from 85 to 96% In particular Eversley Lodge [CAM/38UC/OCE/2007/0026 and 0027] where 70.34 years was taken to be 91.17%.

42. There is good sales evidence in the block which support this conclusion.

Other Land

43. Neither party presented evidence to establish the value of other land.

The Tribunal's Conclusions

Capital Values

44. The tribunal considered the evidence presented and concluded that the appropriate values to adopt for the various types of flat was follows

<i>Flat</i>	<i>Type</i>	<i>Extended lease value</i>
2,3,5,6,8 & 9	1xDB	£197,500.00
1,4,7	1x DB/1xSB	£215,000.00
10 and 12	1xDB/1xSB	£225,000.00
11 and 13	2xDB	£230,000.00

Capitalisation Rate

45. After consideration of the evidence and in particular the low ground rent and fixed reviews the tribunal determines a capitalisation rate of 7.5%

Deferment Rate

46. The tribunal is not persuaded by Mr Asbury's evidence that they should depart from the generic '*Sportelli*' rate of 5%.

Relativity

47. The tribunal accepts that the '*Becket and Kay*' graph of graphs provides reliable evidence of relativity. Reliance on these graphs has been endorsed by the Lands Tribunal (*Arrowdell Ltd v Coniston Court (North) Hove Ltd* [LRA/72/2005]). The tribunal is not however persuaded by Mr French's interpretation of the graphs. The tribunal prefers the evidence of Mr Asbury supported by the graph of LVT decisions and interprets the correct relativity at 93%.

Other Land

48. The tribunal concluded that there was little identifiable value to the other land due to the restricted nature of the site and adopt a nominal value of £100.00.


Robert T Brown FRICS.
Chairman.

Dated.. 22/4/09.....

West Grove, Hemes Road, Oxford

Collective Enfranchisement Price Calculation in Accordance with the provisions of the Leasehold Reform, Housing & Urban Development Act 1993 (as amended)

Value of Landlord's current interest

Term of existing lease

Loss of rental income			£600		
YP	4.22 yrs @	7.5 %	3.4689		£2,081
<i>plus</i>					
1st Review			£1,200		
YP	33.00 yrs @	7.5 %	12.1074		
PV £1 in	4.17 yrs @	7.5 %	0.7398	8.9574	£10,749
<i>plus</i>					
2nd Review			£2,400		
YP	33.00 yrs @	7.5 %	12.1074		
PV £1 in	37.17 yrs @	7.5 %	0.0680	0.8236	£1,977
<i>plus</i>					
Reversion to capital value (all flats apart from flat 1) disregarding Leaseholder's Improvements, say			£2,490,000		
PV £1 in	70.2 yrs @	6 %	0.01676	£41,742	
					£56,549
<i>plus</i>					
Reversion to capital value (flat 1) disregarding Leaseholder's Improvements, say			£210,000		
PV £1 in	160.2 yrs @	6 %	0.00009	£19	
					£56,567

Landlord's share of Marriage Value

Proposed interests

Value of tenants' Proposed interest disregarding Leaseholder's Improvements, at say	100 % of Freehold		£2,490,000
<i>less</i>			

Existing interests

Value of tenant's interest under existing lease disregarding Leaseholder's Improvements at	93.0 % of Freehold	£2,315,700	
<i>plus</i>			
Value of landlord's existing interest		£56,549	£2,372,249

Difference (marriage value) = £117,751

Landlord's share, @ 50 % = £58,876

Valuation Summary

Landlord's Current Interest:		£56,567
Landlord's share of marriage value:		£58,876
Compensation :		£0
	Premium =	£115,443
	but say	£115,450

APPENDIX 2

FLATS 1-13, WEST GROVE, HERNES ROAD, OXFORD.
LEASEHOLD REFORM HOUSING AND URBAN REDEVELOPMENT ACT 1993

SCHEDULE 6

REVISED VALUATION FOLLOWING THE HEARING ON THE 23RD MARCH 2009

a) FREEHOLDERS INTEREST

T1	Ground Rent YP	4.17	7.00%	£600 3.51185	£2,107
T2	Ground rent YP PV£1	33.00 4.17	7.00% 7.00%	£1,200 12.75379 0.75417	£11,542
T3	Ground rent YP PV£1	33.00 37.17	7.00% 7.00%	£2,400 12.75379 0.08087	£2,475

£16,125 £16,125

b) REVERSION

Freehold Value Flats 2,3,4,5,6,7,8,9,10 11,12,13.	70.17	5.00%	£2,580,000 0.032594692	£84,094
Flat 1	160.17	5.00%	£225,000 0.000403748	£91

FREEHOLDERS INTEREST £100,310

c) MARRIAGE VALUE

Proposed Interest

Nominee Freeholder	£2,580,000	£2,580,000.00
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Existing Interest

Freeholder	@	91.00%	£100,309.96	£2,448,110
Leaseholder			£2,347,800	£131,890 @
MARRIAGE VALUE				

50% **MARRIAGE VALUE £65,945**

Land Value £500

ENFRANCHISEMENT PRICE £166,755

BASED ON THE REVISED FREEHOLD VALUES

Flat 2	£200,000	Flat 8	£200,000
Flat 3	£200,000	Flat 9	£200,000
Flat 4	£225,000	Flat 10	£230,000
Flat 5	£200,000	Flat 11	£235,000
Flat 6	£200,000	Flat 12	£230,000
Flat 7	£225,000	Flat 13	£235,000
		Total	£2,580,000