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LEASE  
2<sup>nd</sup> Floor  
31 Worship Street  
London  
EC2A 2DX

Thursday, March 04, 2010

Dear Sirs,

**NOTIFICATION OF DECISION OF THE LEASEHOLD VALUATION  
TRIBUNAL**

**RE: LANDLORD & TENANT ACT 1985 – SECTION 27A (1)**

**PREMISES: 42 & 45 Sovereign Ct., Totteridge Rd., High Wycombe,  
Bucks., HP13 6XL.**

Please find enclosed a copy of the LVT decisions for the above case.

**Case No: CAM/11UF/OLR/2009/0073 & 0074**  
**Date of Application: 4<sup>th</sup> September 2009**  
**Date of Decision: 2<sup>nd</sup> February 2010**

Yours faithfully,



**Mrs. V. Roberts**  
**Case Officer**



**RESIDENTIAL PROPERTY TRIBUNAL SERVICE**

**LEASEHOLD VALUATION TRIBUNAL FOR THE EASTERN RENT ASSESSMENT  
PANEL**

**CASE NUMBER CAM/11UF/0LR/2009/0073 and 0074**

**IN THE MATTER OF THE LEASEHOLD REFORM HOUSING & URBAN  
DEVELOPMENT ACT 1993 (SECTION 48)**

**In the matters of : 42 & 45 Sovereign Court Totteridge Avenue,  
High Wycombe, Buckinghamshire HP13 6XL**

**Parties : Mr Nicholas Paul Hyam (42 Sovereign Court)  
Mr Charles Edward James & Mrs Esta Edwards  
(45 Sovereign Court)**

**Applicants**

**Martin Grant Homes Limited**

**Respondent**

**Date of Court  
Application/Valuation : 4 September 2009**

**Hearing Date : 02 February 2010**

**Representation : Mr David T Stone Surveyor  
For the Applicant**

**For the Respondents : Mr E F Shapiro BSc (EstMan) FRICS IRRV FCI Arb  
Mr Laurence Grant representing the freeholder**

**Tribunal Members : Mr A A Dutton – Chair  
Mrs H C Bowers – MRICS  
Mr G R C Petty - FRICS**

**Date of Decision : 1<sup>st</sup> March 2010**

## DECISION/REASONS

The Tribunal determines that the price to be paid for the lease extension in respect of 42 Sovereign Court is £4,837 and for 45 Sovereign Court £4,121 the full details of which are set out on the Schedules attached to this Decision

### A. BACKGROUND:

1. The application for extensions to the leases on respect of the properties at 42 & 45 Sovereign Court, Totteridge Avenue, High Wycombe, Bucks was made by Mr D T Stone, on behalf of the Applicants on the 4 September 2009. Although separate applications were made the submissions made in the case are joint and accordingly we will deal with the matter on a joint basis.
2. By the time the matter came before us for hearing on 2 February 2010 according to Mr Shapiro the following matters had been agreed.
  - (a) The valuation date for flat 42 as the 12 May 2009 and for flat 45 24 February 2009;
  - (b) The discount rate to be applied at 5%;
  - (c) The existing lease value at flat 42 being £132,688 and flat 45 £115,800.
3. In fact these existing lease values although a product of Mr Stone's assessment of the long lease value and his relativity were not in fact agreed by Mr Stone.
4. Accordingly the matters we were required to determine was the capitalisation rate for the ground rents; the relativity applicable to this case and the values of the properties assessed by Mr Stone on a long lease basis. Prior to the hearing Mr Stone had assessed the price paid for a lease extension for 42 Sovereign Court at £4,630 and for 45 Sovereign Court £3,954. Mr Shapiro put forward a valuation for flat 42 at £6,314 and flat 45 at £5,564.

### B. INSPECTION:

5. We were able to inspect the interior of the subject premises prior to the hearing on the 2<sup>nd</sup> February 2009. Flat 42 is to be found on the ground floor of the block overlooking the car parking area and away from Totteridge Avenue. It provides a pleasant compact unit of accommodation with two bedrooms, albeit the second bedroom somewhat small, kitchen, internal bathroom and a living room. The heating is by way of electric storage heaters.

6. 45 Sovereign Court is to be found in the block fronting Totteridge Avenue and was on the first floor, although had to be reached by a number of external steps before entering the stairs in the common parts to the first floor. This again was a compact unit providing one bedroom, a kitchen, living room and internal bathroom and with electric heating.
7. The Development itself appeared to be well kept, with ample car parking and some limited grounds. It was well positioned for the centre of High Wycombe and not far from the railway station.

**C. THE HEARING**

8. At the commencement of the hearing there was some discussion as to what had and had not been agreed. Although Mr Shapiro appeared to have accepted Mr Stone's short lease values, Mr Stone was unhappy about that, indicating that if those were agreed, the relativity that Mr Shapiro argued for resulted in a long lease value being higher than he considered was appropriate. Mr Shapiro confirmed however that he had accepted the short lease values which were themselves based upon Mr Stone's assessment of the long lease value to which Mr Stone had applied his own relativity.
9. In addition to the above, Mr Stone wanted to put before the tribunal a written submission and further evidence. This submission and evidence had not been disclosed to Mr Shapiro prior to the hearing nor provided to the Tribunal. It is understood that in fact they consisted largely of his statement to the Tribunal. Mr Shapiro objected to their use. However, it was agreed that he could use his submission as an aide-memoir but that the document would not be lodged in evidence and any new evidence contained therein would not be allowed.
10. Having dealt with these matters Mr Stone then took us to a document headed Applicants Statement of Case which contained copies of correspondence passing between himself and Mr Shapiro, a number of indices, Leasehold Valuation Tribunal Decisions and evidence as to comparable values. He told us that he had carried out some 265 lease extensions and over 100 freehold purchases and had represented parties at some eight hearings. He referred us to a letter of the 2 December 2009 which appeared in his bundle and which confirmed the valuation dates and the deferment rate and set out his values for the long lease in respect of the subject premises and applying what he considered to be the appropriate relativity, the short lease values.
11. As to capitalisation rate Mr Stone had assessed that at 7.5%.

12. On the question of relativity Mr Stone criticised Mr Shapiro's reliance on prime Central London graphs. He said these were relativities against freehold value but that there was no freehold uplift in this case which had been agreed between the parties. He did not think that relativities applying in London should apply to the property in High Wycombe. He wished to use a graph which he had himself produced based upon Leasehold Valuation Tribunal Decisions. He told us there had been some 112 cases in the last three years involving lease extensions of between 70/78 years and in his bundle had listed the LVT Decisions apparently issued in the Greater London, Eastern and Southern Panel areas.
13. As to the long lease values he relied on comparable properties, Estate Agents particulars of which appeared in his bundle. All properties were to be found in High Wycombe and were as follows; 19 St Georges Court, Eaton Avenue; 25 Dilwyn Court, and a freehold at 18 Westfield Walk. These he said provided evidence as to the long lease values that would be applicable to 45 Sovereign Court. He had produced copies of sales particulars in respect of properties at 2, Glenmore House; 3, Broddick House; 5 Highlands Lance Way; 3 Nelson Court and 19 and 29 Kaybridge Close, all in High Wycombe. These he said assisted him in assessing the long lease value for 45 Sovereign Court. To achieve a figure relevant to the valuation date he had relied upon the Nationwide indices of house prices which led him to believe that the long lease values for 42 Sovereign Court should be £137,500 and for 45 Sovereign Court, £120,000.
14. Mr Shapiro indicated that he stood by his report which we had read in advance of the hearing. In his view there were three areas of difference namely capitalisation rate, relativity and now existing lease values. He asserted that Mr Stone had produced evidence to support short lease values and could not understand why he would not stand by the existing lease values that Mr Shapiro had agreed. As to relativity he suggested that there was more consistency in the graphs prepared in London and was of the view that a wasting asset was just that and that they did not waste differently in other parts of the country. There was he thought no valuation theory showing that there was more risk in respect of a property outside the prime Central London area than there was in it. However, he took the average of the graphs prepared for the RICS study following Arrowdell which gave him a relativity of 94%. On the question of the capitalisation rate he concluded that 6% was appropriate and in his view there was no reason to differentiate between London and suburban yields.
15. At the conclusion of the hearing it was confirmed that although the new lease terms had not yet been agreed as five properties at Sovereign Court had already had lease

extensions it doubtful there would be an issue in respect of this matter. Insofar as the costs were concerned those had yet to be resolved.

**D. DECISION:**

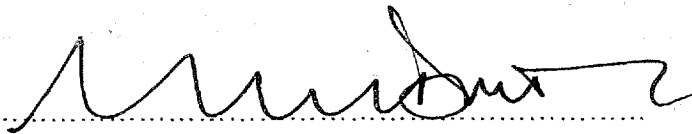
16. We will firstly deal with the values of the subject premises. Somewhat confusingly Mr Stone appeared not to be prepared to accept his own short lease values. These he had based upon his assessment of a long lease value for the subject premises at £120,000 for flat 45 and £137,500 for flat 42. He had concluded that the appropriate relativity was 96.5% based, as we said earlier, on previous LVT Decisions giving an existing lease value for number 45 of £115,800 and £132,688 for flat 42, figures that Mr Shapiro had agreed.
17. We therefore considered whether Mr Stone's evidence did assist in establishing the long lease values he had suggested. There is no doubt that if there had been evidence of long lease values then this would have assisted. The property at Westfield Walk is freehold and not of assistance. 22 Sovereign Court had an existing lease length similar to the subject premises and had apparently been on the market in December 2008 when an offer of £120,000 was made but which was declined by the seller. Accordingly there was no sale evidence from this comparable. 19 St Georges was under offer but had not exchanged, apparently at a price of around £120,000. The property at 25 Dilwyn Court had apparently sold privately at a price below that at which it was marketed and the Agents were not able to confirm the actual sale price. We did not find any of this comparable evidence helpful and certainly not indicative of the long lease values that might be attributable to flat 45.
18. Insofar as 42 Sovereign Court was concerned here Mr Stone had relied on the properties we have mentioned above. The Glenmore House property was of some limited assistance. The sale had been completed in June 2009 but appeared to have the benefit of a garage and a share of the freehold. 5 Broddick House appeared to have only 74 years unexpired on the lease term and again appeared to have garage parking and had sold in October 2009 at £140,000. 5 Highlands Lance Way had a 75 year lease with a share of the freehold and apparently sold in October 2009 for £136,500. The property at 3 Nelson Court was a sale by a mortgagee in possession and the properties at Kaybridge Close, again did not have long leases and certainly in respect of 29 Kaybridge Close seemed to have been the subject of relatively extensive modernisation works. Mr Stone confirmed that he had not inspected these comparable properties. They were not helpful in establishing the long lease value for 42 Sovereign Court. Mr Shapiro, because he thought he had agreed the existing lease values had no comparable evidence to put before the tribunal.

19. It is our finding that in a no Act world we believe the existing lease values submitted by Mr Stone and agreed by Mr Shapiro are the correct starting point. Indeed on the evidence before us there seems no other starting point. These existing lease values sit more easily with the evidence that Mr Stone sought to adduce to reflect the long lease value but which in fact in most cases evidenced short lease values. Accordingly for the purposes of assessing the price to be paid for the lease extensions in this case we have adopted the short lease values put forward by Mr Stone and agreed by Mr Shapiro at £132,688 for flat 42; and £115,800 for flat 45.
20. We must then decide the impact that relativity will have on these values. Mr Shapiro referred us to the case of *Arrowdell Limited v Coniston Court (North) Home Limited*. This case contained something of *cri de coeur* on the part of the Lands Tribunal in the hope that the RICS would be able to carry out an exercise to provide some form of standard graph. In fact the RICS did undertake such an exercise and produced graphs for Prime Central London areas and Greater London and England areas. Mr Shapiro also reminded us that the Lands Tribunal in the Arrowdell case stated "*in our judgment LVT Decisions on relativity are not inadmissible but the mere percentage figure adopted a particular case is of no evidential value*". The Decision then went on to deal with evidence that could be relied upon which came back to the graphs and the request of the RICS to produce guidance.
21. It seems to us that in this case the RICS research into the data relating to properties in Greater London and England must have more relevance than those relating to Prime Central London properties. We undertook an assessment of the relativity figures contained in the RICS research paper which would indicate that for a lease of 78.7 years utilising the Prime Central London data there is an average relativity of 91.49. Taking the same lease length and considering the data available for Greater London and England gives an average relativity of 96.29. Mr Shapiro had taken note of the RICS research and taken the average between the Central London graphs and the non Central London graphs giving a relativity figure of 94%. We consider that to be too low. Our finding in this case, based upon the RICS research, is that there is a clear difference between relativity in Prime Central London and beyond. We see no need to take an average of the two graphs as had been done by Mr Shapiro. It seems to us that High Wycombe is not in anyway reflected in the relativities which make up the PCL graph. For that reason we have utilised the Greater London and England graph which gives a relativity for both properties of 96.29% which we have applied in this case. Mr Stone's reliance on LVT decisions was in direct contrast to



the Lands Tribunal's findings in Arrowdell. Mr Stone thought the Lands Tribunal to be wrong. We do not; hence our acceptance of the statistical evidence compiled by the RICS.

22. We then turn to the question of capitalisation. We noted all that was said by the parties. The rents passing under the lease are really quite small. Nonetheless they are rising ground rents and in those circumstances we think Mr Stone's assessment of 7.5% is on the high side although we noted that he would have accepted a capitalisation rate of 7%. Mr Shapiro's use of 6% is inappropriate for a property of this nature in this locality. Taking those matters into account we conclude that a capitalisation rate of 7% is appropriate.
23. Taking all these factors into account we have determined the premiums payable for each flat as set out on the schedule attached.
24. The parties are to notify us within twenty-eight days if they have not been able to agree the terms of the lease or the costs that are payable by the Applicant. The matter can then be referred back to the Tribunal. If however they have not contacted us within the twenty-eight day period we will assume that all has been agreed and the file closed.



Chairman

Dated..... *1st March* .....2010

**Leasehold Valuation Tribunal Valuation**

**Re: 42 Sovereign Court, Totteridge Avenue, High Wycombe, Buckinghamshire HP13 6XL**

Date of valuation:	12/05/2009
Average unexpired term:	78.7 years
Extended Lease Value	£137,800
Existing Lease Value	£132,688
Relativity	96.29%
Capitalisation rate	7.00%
Reversion rate	5%

Term 1

Loss of Rent		£100.00	
12.6 years @			
YP 7%		<u>8,192</u>	
			£819

Term 2

Loss of Rent		£125.00	
33 years @ 7%	12.754		
YP			
PV of £1 in 12.6 years @ 7%	<u>0.4266</u>	<u>5,4409</u>	
			£680

Term 3

Loss of Rent		£150.00	
33 years @ 7%	12.754		
YP			
PV of £1 in 45.6 years @ 7%	<u>0.0457</u>	<u>0.5829</u>	
			87

Reversion

Long Lease Value		£137,800	
78.6 years @			
YP 5%		<u>0.0216</u>	<u>£2,976</u>
			£4,562

**Marriage Value**

Value of Extended Lease		£137,800	
	less		
Value of Existing Lease		£132,688	
Value of FH Interest		<u>£4,562</u>	
Marriage Value		<u>£550</u>	
	50% share		<u>£275</u>
			<b>£4,837</b>

**Leasehold Valuation Tribunal Valuation**

**Re: 45 Sovereign Court, Totteridge Avenue, High Wycombe, Buckinghamshire HP13 6XL**

Date of valuation:	24/02/2009
Average unexpired term:	78.7
Extended Lease Value	£120,262
Existing Lease Value	£115,800
Relativity	96.29%
Capitalisation rate	7.00%
Reversion rate	5%

Term 1

Loss of Rent		£75.00	
12.8 years @			
YP 7%		<u>8,275</u>	£620

Term 2

Loss of Rent		£100.00	
YP 33 years @ 7%	12.754		
PV of £1 in 12.8 years @ 7%	<u>0.4208</u>	<u>5,3669</u>	£536

Term 3

Loss of Rent		£125.00	
YP 33 years @ 7%	12.754		
PV of £1 in 45.8 years @ 7%	<u>0.0451</u>	<u>0,5752</u>	72

Reversion

Long Lease Value		£120,262	
78.8 years @			
PV 5%		<u>0,02123</u>	£2,552

**Total Premium           £3,780**

**Marriage Value**

Value of Extended Lease		£120,262	
	less		
Value of Existing Lease		£115,800	
Value of FH Interest		<u>£3,780</u>	
Marriage Value		<u>£682</u>	
	50% share		<u>£341</u>
			<b>£4,121</b>