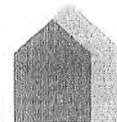




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**LONDON RENT ASSESSMENT PANEL**

**DECISION OF THE LEASEHOLD VALUATION TRIBUNAL**

**ON AN APPLICATION UNDER SECTION 48 OF THE LEASEHOLD REFORM,  
HOUSING AND URBAN DEVELOPMENT ACT 1993**

**Case Reference:** LON/00AJ/0LR/2012/0812

**Premises:** 25 Beechwood Avenue, Greenford, Middlesex  
UB6 9UB

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**Applicant(s):** Mr Maurice Elliott

**Representative:** In person

**Respondent(s):** C H Chesterford Ltd

**Representative:** Mr Andrew Cohen MRICS

**Date of decision:** 13<sup>th</sup> November 2012

**Leasehold Valuation  
Tribunal:** Mr Adrian Jack, and Mr Luis Jarero FRICS

## Determination

1. By an application to the Tribunal dated 11<sup>th</sup> July 2012 the tenant applied for determination of the terms of a lease extension in respect of his flat.
2. The Tribunal gave directions on 3<sup>rd</sup> August 2012. These were largely ignored by the parties.
3. The Tribunal held a hearing on 13<sup>th</sup> November 2012. The tenant represented himself. He did not call any expert evidence. He relied on an undated valuation from Mr Francis Blanking FRICS. This valuation was made after an inspection on 17<sup>th</sup> December 2011. Its purpose was to advise on a price to be put in the Notice seeking a lease extension. It cites no comparables or other evidence, for example in relation to relativity. It is not addressed to the Tribunal and was prepared for another purpose than the giving impartial evidence for consideration by the Tribunal. In some respects, such as the length of the lease, the valuation is demonstrably incorrect.
4. Mr Cohen had, albeit belatedly, served an expert report. It exhibits evidence of comparables and of relativity, albeit from only one graph, the John D Wood Pure Tribunal Graph.
5. The tenant holds a lease dated 17<sup>th</sup> May 1982 expiring on 24<sup>th</sup> March 2070. It was agreed by the parties that the valuation date for the flat, was 14<sup>th</sup> January 2012, when the tenant's notice was received by the landlord. The unexpired term at that date was 58.19 years. The tenant and Mr Cohen agreed the capitalisation rate of 7 per cent and the deferment rate of 5 per cent.
6. The ground rent in respect of the flat was £100 per annum until 24<sup>th</sup> March 2037 and £200 per annum thereafter.
7. There was a dispute as to the value of the flats with vacant possession and as to the treatment of improvements. The tenant submitted a long list of works which he had done at the flat, which appears at page 51 of his bundle, however, in our judgment only the replacement of the single glazed windows with double-glazing is an improvement which stands to be disregarded. Mr Cohen said that he had treated the flat as if it were in average condition, so that this improvement was ignored in his valuation.
8. The tenant also suggested that the areas in which some of Mr Cohen's comparables were to be found were slightly better than Beechwood Avenue. Mr Cohen said that he had taken these matters into account.
9. The Tribunal accepts Mr Cohen's evidence. It is not contradicted by expert evidence and is well supported by the exhibits to his expert report.

## The law

10. The Leasehold Reform, Housing and Urban Development Act 1993 provides in Schedule 13, so far as is relevant, that the premium payable for a lease extension under the Act shall consist of (a) the value of the ground rents; (b) the value of the landlord's reversion; and (c) half of the "marriage value". We discuss marriage value below.

## Deferment rate

11. The value of the landlord's reversion is calculated by taking the value of the freehold as at the valuation date and then discounting it for the time before the reversion would fall in. The rate of discount is the deferment rate. In a case decided in the Lands Tribunal (and upheld in the Court of Appeal) called *Sportelli*, it was held that for flats the normal deferment rate would be 5 per cent and that was agreed by the parties in the current case.

## Relativity

12. In order to determine the marriage value, it is necessary to calculate the "relativity". This is the difference between the value of the existing lease and the value of an extended lease (conventionally treated as a virtual freehold). It is usually expressed as a percentage.
13. The starting point for considering relativity are the graphs produced by various bodies. In the absence of any evidence that another graph better evidences relativity, the Tribunal accepts Mr Cohen's evidence that the John D Wood graph should be used. This gives a relativity of 81 per cent.

## Capital values

14. For the reasons given the Tribunal accepts Mr Cohen's figure of £190,000 for the flat with an extension.

## Marriage value

15. Marriage value is the difference between the value of the freehold with vacant possession on the one hand and the combined value of the freehold reversion and the tenant's interest in the existing lease. Usually the value of the freehold with vacant possession is greater than the combined values of the latter two elements. When this occurs statute provides that this difference be divided equally between the landlord and the tenant.

## Valuation

16. We attach to this decision our calculation of the premiums payable, which is that produced by Mr Cohen.

**Terms**

17. The terms of the lease extension (save for the premium) were agreed in the course of the hearing.

**DETERMINATION**

**The Tribunal accordingly determines that the premium for the lease extension is £24,353.**

*Adrian Jack*

Adrian Jack, Chairman

13<sup>th</sup> November 2012

## CALCULATIONS

### VALUATION ASSUMPTIONS:

Date Lease Expires:	24/03/2070
Date of Valuation:	14/01/2012
Unexpired Term:	58.19
Capitalisation Rate:	7%
Deferment Rate:	5%
Extended Lease Value:	£190,000
Existing Lease Value:	£153,900
Relativity:	81.0%

### A) DIMINUTION OF LANDLORDS' INTEREST:

Loss of Ground Rent:				£100	
Years Purchase:	25.19	years @	7%	<u>11.6873</u>	£1,169
Loss of Ground Rent:				£200	
Years Purchase:	33.00	years @	7%	12.7538	
Present Value of £1 in	25.19	years @	7%	<u>0.1819</u>	£464
Loss of Reversion				£190,000	
Present Value of £1 in	58.19	years @	5%	<u>0.0585</u>	£11,111

**Less:**

New Reversion:				£190,000	
Present Value of £1 in	148.19	years @	5%	<u>0.0007</u>	£138

**Value of Landlords' existing interest before lease extension:**

**£12,606**

### B) MARRIAGE VALUE:

Value of tenants interest with extended lease: £190,000

**Less**

Value of tenants existing lease:	£153,900
Value of landlords' existing interest:	£12,606
Marriage Gain:	<u>£23,494</u>

**Landlords' 50% Share:**

**£11,747**

**PREMIUM PAYABLE (A + B):**

**£24,353**