



**FIRST-TIER TRIBUNAL
PROPERTY CHAMBER
(RESIDENTIAL PROPERTY)**

Case reference : **ARG/LON/00BC/OCE/2015/0198**

Property : **Flats 43 and 43A Wellesley Road,
Wanstead, E11 2HG**

Applicant : **(1) Paul Halpen and Joanne
Vaughan
(2) Zunaid Patel**

Representative : **Nockolds Solicitors**

Respondent : **Christopher Pike**

Representative : **-**

Type of application : **Absentee Landlord –
determination of premium payable
for new leases, sections 26 and 27
Leasehold Reform, Housing and
Urban Development Act 1993**

Tribunal member(s) : **Judge Shaw
Mr D Jagger MRICS**

**Date and venue of
hearing** : **10 Alfred Place, London WC1E 7LR**

Date of decision : **17th November 2015**

DECISION

INTRODUCTION

1. This case involves an application for the determination of the terms of acquisition of the freehold interest in Flats 43 and 43A, Wellesley Road Wanstead E11 2HG (the property”), pursuant to the provisions of section 26 and 27 of the Leasehold Reform, Housing and Urban Development Act 1993 (“the Act”). The case has been transferred to the Tribunal consequent upon the order of the Bow County Court dated 17th June 2015, it having been impossible to trace the whereabouts of the Respondent freeholder.

THE EVIDENCE

2. The application is supported by an expert’s report and valuation dated 26th October 2015, prepared by Ms Sheryl Walker BSc FRICS ACI Arb. She has over thirty years experience in the profession and has carried out many valuations of this kind.
3. The property comprises 2 flats within a two storey Victorian converted house in Wanstead , which house has been divided into a total of two flats, the leasehold interests in which, are owned by the First and Second Applicants respectively. Both flats are held pursuant to leases dated, in the case of the ground floor flat (No 43) 22nd August 1974, and in the case of the upper floor flat(43A) 14th October 1984, and have unexpired terms of 57.84 and 57.98 years respectively at the valuation date – which is 26th February 2015. The ground rent under the lease for No43 is £25pa rising to £30pa and £35pa on a 33 year review pattern. For No 43A, the ground rent is £20pa rising to £25pa and £30pa.

Unimproved Market Values

4. Ms. Walker has referred to comparables of sales during 2014/15 of similar properties in the Wanstead area, in the schedule at paragraph 11.4 of her report. She has used these comparables as a basis for his valuations appended to her report. On this basis she has arrived at the sums of £365,000 and £246,000 respectively for the extended lease values of the flats. She has then applied an addition of 1% to provide the freehold value. The Tribunal has considered the comparable evidence and approach, and is satisfied that the valuation reached is reasonable, on the basis of the evidence adduced.

Marriage Value Relativity

5. In considering the existing lease values, Ms Walker referred to the graphs mentioned at paragraph 11.3 of her report and has taken an average of these graphs. This has produced a relativity figure of 84% which is entirely in line with the Tribunal's experience for leases of this duration. Again the Tribunal accepts and adopts this conclusion.

Capitalisation Rate

6. In considering the capitalisation rate, Ms Walker has adopted the established 7% to take into account the modest ground rents and the other matters mentioned at paragraph 11.2 of her report. Again, the Tribunal is content to follow this rate.

Deferment Rate

7. So far as deferment rate is concerned, Ms Walker has followed the Court of Appeal Decision in *Sportelli*, there being no compelling evidence to support any alternative approach. The Tribunal accepts and adopts the rate of 5% used.

CONCLUSION

8. The result of the conclusions referred to above is that the Tribunal confirms Ms Walker's valuations and adopts them for the purposes of the Tribunal's valuation. For the avoidance of doubt, they are attached to this decision and the prices to be paid for the acquisition of the freehold are £33,250 in respect of flat 43 and £27,300 in respect of flat 43A.

9. The Tribunal has also considered, and approves, the draft TR1 Form appearing at tab 11 of the Bundle.

Tribunal Judge Shaw

Date: 17th November 2015

Freehold Enfranchisement Calculation prepared by
S A Walker BSc FRICS ACI Arb
26.10.2015

43 WELLESLEY ROAD WANSTEAD E11 2HG

1 Diminution in Value of Freeholder's Interest

Unexpired term	57.84
Freehold value - 1 x flats (£ each)	£368,650 (includes 1% addition)
Relativity	84.00%
Term rate	7%
Reversionary rate	5%
Ground rent	£25 pa first 33 years £30 pa second 33 years £35 pa final 33 years

Current Term	Rent Reserved	£30	
	YP 33yrs @ 7%	12.75379	
	x PV £1 in 24.84yrs @7%	0.186255	£71 B
Final term	Rent reserved	£35	
	YP 33 years at 7%	12.75379	
	X PV £1 @ 57.84yrs @ 7%	0.019973	£9 C
Reversion	Market value, unimproved	£368,650	
	X PV £1 in 57.84yrs @ 5%	0.019973	£7,363 D
			£7,443 Sum B:D

2 Marriage Value

Value after enfranchisement	£368,650		
Less Leaseholder's current interest	£309,666	£58,984	84.00%
Less value of Freeholder's current interest		£7,443	
Marriage Value		£51,541	
50% of marriage value attributed to lessor			£25,770 D

3 Other Compensation

		nil
Total Premium		<u>£33,214</u> SUM A:D
Freehold premium share payable	say	£33,250

Freehold Enfranchisement Calculation prepared by
S A Walker BSc FRICS ACI Arb
26:10:2015

43a WELLESLEY ROAD WANSTEAD E11 2HG

1 Diminution in Value of Freeholder's Interest

Unexpired term	57.98
Freehold value - x flats (£ each)	£248,460 (includes 1% addition)
Relativity	84.00%
Term rate	7%
Reversionary rate	5%
Ground rent	£20 pa first 33 years £25 pa second 33 years £30 pa final 33 years

Current Term	Rent Reserved	£25	
	YP 33yrs @ 7%	12.75379	
	x PV £1 in 24.84yrs @ 7%	0.186255	
			£59 B
Final term	Rent reserved	£30	
	YP 33 years at 7%	12.75379	
	X PV £1 in 57.84yrs @ 7%	0.019973	
			£8 C
Reversion	Market value, unimproved	£248,460	
	X PV £1 in 57.84yrs @ 5%	0.059486	
			£14,780 D £14,847 Sum B:D

2 Marriage Value

Value after enfranchisement	£248,460		
Less Leaseholder's current interest	£208,706	£39,754	84.00%
Less value of Freeholder's current interest		£14,847	
Marriage Value		£24,907	
50% of marriage value attributed to lessor			£12,453 D

3 Other Compensation

		nil
Total Premium		<u>£27,300</u> SUM A:D
Freehold premium share payable	say	£27,300