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

Case Reference : **MI/LON/00BH/OLR/2016/0172**

Property : **Flat 68 James Lane, Leyton, London E10
6HL**

Applicants : **(1) Koen Mauritis Vandecaveye
(2) Xun Yao**

Representative : **Mr D Rona FRICS**

Respondent : **G & O Estates Limited**

Representative : **Ms Alison Stone (Pricket and Ellis)**

Type of Application : **Lease Renewal, Leasehold Reform,
Housing and Urban Development Act 1993**

Tribunal Members : **Judge Shaw
Mr D Jagger FRICS**

Date of Hearing : **11th May 2016**

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

Date of Decision : **18th May 2016**

DECISION

1. This case involves Mr Koen Maurits Vandecaveye and Xun Yao (“The Applicant”) applying by way of notice, for the grant of a new lease under the provisions of the Leasehold Reform Housing and Urban Development Act (“The Act”) Section 48. The application is made in respect of 68A James Lane E10 6HL (“The Property”). The application is made against G & O Estates Limited (“ the Respondent”) which is the freehold owner of the property.
2. The Applicant was represented before the Tribunal by Mr D Rona FRICS who was until recently senior partner in the firm Rona Partnership practising in Wickford in Essex. Mr Rona is now a consultant with the firm, and still in active practice, carrying out valuations work of properties in the area of the subject property, and has more than 20 years’ experience in that respect. The Respondent was represented before the Tribunal today by Ms Alison Stone who also is a valuer of some experience being Managing Director of Prickett & Ellis Surveyors, a well-known firm with several offices in the London area. Both surveyors prepared helpful reports for the Tribunal which the Tribunal has considered, and they also expanded upon those reports in evidence before the Tribunal.
3. As indicated in Ms Stone’s report at paragraph 9.01, a number of matters have been agreed: 1. The lease term is 99 years from 25th March 1987, 2. The valuation date is 24th June 2015 and the capitalisation and deferment rates have been agreed respectively at 6% and 5%, and the uplift to obtain freehold value, after establishing the extended lease value, is 1%.
4. Therefore, the matters in dispute at the hearing were: the unimproved extended lease value to be prescribed to the property, and initially, the appropriate relativity rate. Fortunately however, the experts on both sides agreed at the hearing 92.03% for relativity. This is a case in which the parties have informed the Tribunal, and the Tribunal has proceeded on this basis, that there is no real useful short lease comparable evidence. Accordingly, the

unextended lease value will be established by application of the relativity rate as agreed, to the extended lease value as determined by the Tribunal.

5. Before considering the evidence in this respect, it is appropriate to say that the property in this case comprises a mid-terraced late Victorian conversion in a house which now comprises a ground and first floor flat. The subject property is the ground floor flat. It has the benefit of a shared front garden and sole use of the rear garden. It is a one-bedroom flat. There is some albeit small dispute between the experts as to gross internal area. Both parties agree that the internal area is 58m² if a conservatory is excluded from the reckoning. Ms Stone says it is appropriate to add a further 3.6m² to give credit for that conservatory, given that it has a brick and plaster wall on one side, and the party wall on the other. Mr Rona contends that it is effectively an “add-on” which gives a further facility to the property but is not really part of the living area. The Tribunal takes the view (as understood agreed by the parties) that this is not really a case in which much turns on this disparity because the property is a small one-bedroom flat in a suburban area and the valuation will not really be on a price per square metre basis. In so far as it may help, the Tribunal has approached the matter on the basis that perhaps some account should be taken of this conservatory, the effect of which would be to round out the gross internal area to 60m².

6. The Extended Lease Value

Both sides in this case have been diligent in investigating all possible comparable evidence, and both have prepared helpful schedules. No disrespect is intended to the Applicant’s expert if, for ease of reference, the schedule prepared by the Respondent’s expert is used for this purpose. It is to be found at page 138 of the hearing bundle.

7. It is not proposed to go through each and every one of the comparables referred to in detail. Suffice it to say that the Tribunal found the comparable at 5A Epsom Road by far and away the most useful of the comparables. This was because this property sold in June 2015 - the precise valuation date. It is also a one-bedroom garden flat with the floor area slightly smaller at 50.7m² but nonetheless well comparable. The lease was shorter at 86.5 years remaining as opposed to the statutorily extended lease in this case which would be 90 plus 70.75 years, making 160.75. However, the Tribunal considers that these difference can be adjusted for by adding onto the price another £10,000 because of the shorter lease term and adding to the price £20,000 because of the difference in size. On this basis the sale price of £270,000 should be adjusted by the addition of £30,000 giving a price of £300,000.
8. The next best comparable in the view of the Tribunal, is Flat 1 James House. This is again a ground floor conversion in a similar house nearby, in the same street, and again has the benefit of a garden. The difference with this property is that it has two bedrooms, although the internal area is slightly less than the subject property at 57.9m². The property sold in March 2015 at £309,000 so that with adjustment by application of the index, its value is £315,000 at the valuation date.
9. Ms Stone felt that the extra bedroom required adjustment of £10,000, Mr Rona thought the extra bedroom required adjustment of £50,000, which latter addition the Tribunal thought too much. The view of the Tribunal was that deduction of £15,000 is appropriate for the extra bedroom carved out in this property, although the internal area is still less than the subject property. Accordingly this produces a value again of £300,000.
10. These two properties were considered the best comparables by the Tribunal. There was one other which the Tribunal felt was helpful, which was 119A Colchester Road. This property sold in April 2015 at £265,000 which with

indexation adjustment would bring the value to £272,666. Again however this is a two-bedroom property, although yet again smaller than the subject property being 51m². The Tribunal considered that as with previous comparables, a deduction of £15,000 was appropriate for the extra bedroom. The property has a shorter lease and so an adjustment by way of addition of £10,000 should be made for this. After making these adjustments a price of £267,266 is achieved.

11. The Tribunal found the remaining comparables although broadly useful for comparative purposes, much less helpful. The two flats in Woodbridge House are purpose built modern flats of a very different kind. The two other flats at James House in respect of one is a three bedroom flat and in respect of the other a very small roof conversion. 61 Lytton Road is really a conversion of a garage and 19C Forest Drive West had a completed sale some time previously in September 2014, had a very much shorter lease and significantly smaller internal area of 42m².
12. Using the three comparables referred to above, which the Tribunal did find helpful, and averaging the three values achieved, a figure of £289,000, say £290,000 is achieved for the extended lease value. This is the finding of the Tribunal.

13. Short Lease Valuation

The application of the agreed relativity rate of 92.03% to the extended lease value, produces an existing lease value of £266,887.

14. Conclusion

For the reasons indicated above, the Tribunal's valuation for the purpose of the premium to be paid in this case, can be found in the valuation attached to this decision and is £16,782.

Judge Shaw

18th May 2016

**Assessment of premium for a new lease
 In accordance with the Leasehold Reform, Housing and Urban Development
 Act 1993
 LON/OOBH/OLR/2016/0172**

Components

Valuation date:	24 th June 2015		
Deferment rate:	5%		
Capitalisation rate:	6%		
Freehold value:	£292,900		
Long lease value	£290,000		
Existing leasehold value	£266,887		
Relativity	92.03 %		
Unexpired Term	70.75 years		
Ground rent currently receivable	£50		
Capitalised @ 6.0% for 4.75 years	4.026	£201	
Rising to:	£100		
Capitalised @ 6.0% for 33 years	14.2302		
Deferred 4.75 years @ 6.0%	0.758	£1079	
Rising to:	£150		
Capitalised @ 6.0% for 33 years	14.2302		
Deferred 37.75 years @ 6.0%	0.1108	£237	
Reversion to:	£292,900		
Deferred 70.75 years @ 5%	0.0317	<u>£9,285</u>	
		£10,565	
Less value of Freeholders proposed interest			
Reversion to VP value:	£292,900		
Deferred @ 5% for 160.75 years	0.00039	<u>£114</u>	
		£10,451	

Marriage Value

Value of Proposed Interests

Extended leasehold interest	£290,000	
Value of Freehold interest	<u>£114</u>	£290,114

Value of Existing Interests

Landlord's existing value	£266,887	
Existing leasehold value	<u>£10,565</u>	<u>£277,452</u>
	£12,662	

Freeholders share @ 50% **£6,331**

LEASE EXTENSION PREMIUM £16,782