



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

Case reference : **VG/LON/00BB/OCE/2021/0166**

Property : **Flats A and B, 222 Plashet Grove,
East Ham, London E6 1DA**

Applicants : **Anhar Ali (1)
Mukesh Karavadra (2)**

Representative : **Thirsk Winton LLP, Woodford Green**

Respondent : **Gurdial Singh (Missing Landlord)**

Type of application : **Section 50 sand 51 of the Leasehold
Reform, Housing and Urban
Development Act 1993 (as amended)
("the Act") for a determination of the
terms and premium for the grant of a
new lease**

Tribunal member : **Mr Charles Norman FRICS (Valuer
Chairman)**

Date of decision : **25 December 2021**

Determination based on Written Representations

DECISION

- (1) This has been a remote determination on the papers which has not been objected to by the parties. The form of remote hearing was P: PAPERREMOTE. A face to face hearing was not held because it was not practicable, no-one requested the same, and all issues could be determined on paper. The documents that the Tribunal was referred to are in a bundle of 259 pages the contents of which the Tribunal has noted. The Decision made is set out at Paragraphs (2) and (3) below.

Decisions of the Tribunal

- (2) The Tribunal determines that the appropriate sum to be paid into Court for the freehold of the property known as 222 Plashet Grove East Ham London E6 1DA pursuant to Schedule 6 of the Leasehold Reform, Housing and Urban Development Act 1993 (“the 1993 Act”), is **£72,527** (seventy-two thousand five hundred and twenty-seven pounds).
- (3) The amount due to the transferor from the tenants is **£1,800**.
- (4) The terms of the draft transfer as supplied to the Tribunal are approved.

Reasons

Introduction

1. This matter relates to an application made under section 50 and 51 of the Leasehold Reform, Housing and Urban Development Act (as amended) (“the Act”) for a determination of the terms and premium for the grant of a new lease of the property known as 222 Plashet Grove East Ham London E6 1DA (“the property”).
2. By proceedings brought under CPR Part 8 and issued on **25 January 2021 (“the valuation date”)**, the Applicant applied for an order dispensing with the requirement to serve a section 13 initial notice upon the respondent and for a vesting order. By an Order made by District Judge Franklin Evans sitting in the County Court at Romford dated 10 September 2021, the application was granted. The matter was transferred to the Tribunal for the determination of:
 - (a) The terms of the transfer and
 - (b) The sum to be paid into court being the price payable under Schedule 6 of the Act and
 - (c) amounts or estimated amounts due to the transferor from any tenants.
3. The Tribunal issued directions on 2 August 2021 requiring bundles to be provided by 3 November 2021, which were provided. The applicant was given an opportunity to request a remote video hearing, but has not done so and the matter has therefore come before me for determination

based on written representations, in accordance with rule 31 of the Tribunal Procedure (First-tier Tribunal)(Property Chamber) Rules 2013 (“the rules”). The Tribunal is not currently carrying out inspections except in special circumstances and I did not consider that an inspection was necessary or proportionate in this case.

Expert Evidence

4. An experts’ valuation report was provided by Mr Richard Murphy Dip Surv, MRICS of Richard John Clarke Chartered Surveyors dated 19 May 2021. Mr Murphy has been qualified for 27 years and established his firm in 1998. His report is correctly addressed to the Tribunal and contains the declarations required from expert witnesses by the Tribunal and the RICS. I am satisfied that Mr Murphy is suitably qualified to give expert evidence and fully understands his duties to the Tribunal.
5. The substantive valuation sections of the report may be summarised as follows. Mr Murphy inspected the property on 21 October 2021. The property comprises a two storey mid-terrace house which has been converted into two flats. The property is over 100 years old. It is of traditional construction of solid walls under a [pitched] concrete tiled roof. The conversion is likely to have been carried out prior to the commencement of the existing leases in 1988. There are new UPVC windows.
6. The ground floor Flat B comprises, a reception room, 3 bedrooms, kitchen, and bathroom. One of the bedrooms is a tenants’ improvement and has been disregarded. On that basis the gross internal floor area is 64.1 sq. m (690 sq. ft). There is a rear garden. There is also a cellar (see below). The first floor Flat A comprises a reception room, 3 bedrooms, kitchen and bathroom. One bedroom is also a tenants’ improvement and falls to be disregarded. On that basis, the gross internal area is 73.5 sq. m (790 sq. ft). There is a small garden at the front. The flats were each of above average size. Internal and external photographs were provided.
6. Mr Murphy asserted that various other tenants’ improvements had been carried out the effect of which fell to be disregarded. For the ground floor these were the rear extension, the kitchen fit out, the bathroom fit out, the basement fit out and the landscape garden. For the first floor these were the kitchen fit out, bathroom fit out, and converting the reception room into two rooms to create an extra bedroom. By an email from the tenant stated 1 November 2021 some of these items had been costed including £2500 for each boiler, £7000 for external rendering of the building, £7000 for the installation of double glazed windows and £4000 for both the front and rear gardens. However, it appears that Mr Murphy only excluded £2000 from his comparables where double glazing had been added, £2500 for improved kitchens and £2500 for new bathrooms. No invoices supporting the improvement costs were supplied.

7. Both leases commenced on 25 December 1988 for a term of 99 years at a fixed annual ground rent of £75 per annum. At the valuation date, there were 66.92 years unexpired.
8. Mr Murphy adopted 7% for the capitalisation rate and 5% for the deferment rate relying on *Nicholson v Goff* and *Sportelli*, respectively.
9. As to extended lease value (virtual freehold vacant possession value) of the ground floor flat Mr Murphy relied on four comparables, details of which were provided. Mr Murphy adjusted sale prices by the Land Registry house price index. 67 Wakefield St, E6 was sold on 11 November 2019 for £328,000 with a 999 year lease this was a ground floor flat in good condition. Mr Murphy made adjustments for condition of £7000 an allowance for size of 10% and an allowance for the share of freehold of 1%. He also made a £2000 adjustment for windows. 229 Strone Road London E12 was sold on 31 October 19 for £285,000. As the floor area was significantly below that of flat B Mr Murphy increased the value by 10% to reflect that. He made an adjustment of £2500 for condition, £2000 for windows and 1% for share of freehold. 7D Gladstone Ave was sold for £275,000 on 15 May 2020. The unexpired term was 120 years. Mr Murphy made an adjustment of 10% take into account its smaller floor area is against flat B, and £2000 in respect of double glazed windows. Having made those adjustments, he concluded that the average price was £321,789 which he rounded to £325,000.
10. As to the first floor flat, Mr Murphy relied on a further five comparables to which he made analogous adjustments giving an average price of £316,825 which he rounded up to £320,000.

Relativity of the Extended Lease Values to Freehold Value

11. Mr Murphy considered that the relevant extended lease values should amount to 99% of the freehold values.

Relativity of Existing Short Lease to Virtual Freehold Value

12. Mr Murphy was unable to identify any market transactions to assist. Following *Deritend v Treskonova* [UKUT] 0164 (LC) UTLC he relied on relativity graphs which he stated gave 82.83% as a relativity.

The Basement of Flat B

13. I raised the point with the applicants that the cellar appeared to be outside the lease demise and invited submissions including any additional expert evidence. The applicants' solicitors responded as follows:

Mr Norman is correct in that the refurbished cellar does not appear to be included in the demise of Flat B, though we

consider that this may have been a drafting error as the only access to the cellar is via the ground floor flat.

As to valuation, we have discussed the matter with the author of the expert report submitted to the Tribunal, who has responded as follows:-

“We accept the basement was not included within the demise, however as the only access is through the property this may have been a drafting error in the lease.

We then had to consider if the basement added any value to the flat. We noted that one of the tenants made the following comments about it which is included to the supplement appendix 13:

“The basement has been done [a] few years back. Water was constantly coming out and the water had to be pumped out regularly.”

Therefore, we have assumed that the basement would have been unusable without the tenant’s improvements.

We have also included a comparable, 7d Gladstone Road, which has a basement and was very similar to the subject property; it sold for £275,000 which suggests no additional value for the basement area.

On this basis, we have added no value for this area. Both because it was not in the demise and also because it is likely to be unusable.”

Findings

14. I agree with the deferment and capitalisation rates put forward.
15. As to the extended lease value for Flat B I accept the comparables relied upon and the adjustments save that I do not accept that double glazing is an improvement in the context of these comparables, as the properties are all historic. I regard the double glazing as repair, which can include a degree of renewal, but this does not amount to an improvement: *Lurcott v Wakely* [1911] KB 905 (Court of Appeal). Of the claimed improvements, I find that new boilers and rendering are also repairs. I accept that the garden landscaping is an improvement and in the absence of invoices allow £3,000 for this. Making these adjustments I arrive at an average price of £323,789, say £324,000, less the improvement of £3,000 giving £321,000.
16. In relation to the cellar there is no evidence that this area was ever intended to be included in the lease. From the photograph provided,

this area has been improved to form a sizeable and clearly useable room in good condition. I am therefore unable to accept the evidence that in an unimproved condition, it would have no value. Mr Murphy's point about 7d Gladstone Road having a cellar was not made in his report and I do not place weight on it. The hypothetical purchaser of the freehold interest would reflect the hope that the ground floor lessee would negotiate a lease variation to include this room. That bid would reflect the unimproved condition and water ingress which is commonly found in cellars of this nature. Doing the best I can having regard to the overall evidence and my own knowledge and experience I allow £5,000 as an additional sum to the freeholder's interest to reflect the above hope value. This equates to approximately 1.5% of my finding of the extended lease value of £321,000.

17. In terms of Flat A, I reject Burges Road as the unexpired term is 95 years which I regard as an intermediate rather than long leasehold length. I accept the other comparables and adjustments save for the allowance of £2000 for double glazing for the reason given above. After these adjustments I arrive at an average price of £306,067, say £306,000.
18. I agree with the 1% adjustment for freehold as against long leasehold value.
19. I accept that there is no reliable market evidence to establish relativity and that graphs must be used following Deritend. I accept Mr Murphy's evidence that the appropriate relativity is 82.83%.
20. I therefore find that the premium is **£72,527** and my valuation is appended.
21. I note that both applicants acquired their respective interests more than 12 years ago and that no ground rent has been demanded. I therefore find that the unpaid ground rents during the last 12 years are due to the transferor. These amount to **£1,800**.
22. I therefore find that the total amount to be paid into court is **£74,327**.
23. The terms of the draft Transfer are approved.

Name: Mr Charles Norman FRICS **Date:** 25 December 2021

ANNEX - RIGHTS OF APPEAL

- The Tribunal is required to set out rights of appeal against its decisions by virtue of the rule 36 (2)(c) of the Tribunal Procedure (First-tier Tribunal)(Property Chamber) Rules 2013 and these are set out below.

- If a party wishes to appeal against this decision to the Upper Tribunal (Lands Chamber) then a written application for permission must be made to the First-tier Tribunal at the Regional office which has been dealing with the case.
- The application for permission to appeal must arrive at the Regional office within 28 days after the Tribunal sends written reasons for the decision to the person making the application.
- If the application is not made within the 28-day time limit, such application must include a request for an extension of time and the reason for not complying with the 28-day time limit; the Tribunal will then look at such reason(s) and decide whether to allow the application for permission to appeal to proceed despite not being within the time limit.
- The application for permission to appeal must identify the decision of the Tribunal to which it relates (i.e. give the date, the property and the case number), state the grounds of appeal, and state the result the party making the application is seeking.

APPENDIX

**IN THE MATTER OF THE COLLECTIVE ENFRANCHISEMENT OF Flats A&B Plashet Grove East Ham London E6 1DA
VALUATION BY THE FIRST TIER TRIBUNAL (PROPERTY CHAMBER)**

Date of Valuation						25-Jan-2021
Lease expiry date (both flats)						24-Dec-2087
Unexpired Term of both flats/ years						66.92
Unimproved extended value of both flats					£	627,000
Virtual Freehold Values of Flats					£	633,333
Current aggregate value of leases at 82.83% of virtual freehold value					£	524,590
Ground rent capitalisation rate						7.00%
Reversionary deferment Rate						5.00%
Premium Payable						
Value of Freeholder's Present Interest						
Term						
Ground rents both flats				£	150.00	per annum
66.92 Years' Purchase	@	7.00%	14.1314		£	2,120
Reversion						
value of virtual freehold both flats				£	633,333	
Present Value of £1 in 66.92 years' time @ 5%			0.0382			
					£	24,190
						£ 26,310
Marriage Value						
<u>Aggregate of Proposed Interests</u>						
Freehold				£	633,333	
Current freeholder				£	-	
<u>Less</u>						
<u>Aggregate of Current Interests</u>						
Current aggregate value of existing leases				£	524,590	
Current freeholders interest				£	26,310	
				£	550,900	
Marriage Value				£	82,433	
Freeholders share at 50%					£	41,217
						£ 67,527
Add hope value for basement					£	5,000
Enfranchisement Price						
					£	72,527