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DECISION

LEASEHOLD VALUATION TRIBUNAL

DATE OF INSPECTION

13TH AUGUST 2001

LANDLORD

Torren Properties Ltd

TENANT

Mr A Buck

PROPERTY

**261 BRINCLIFFE EDGE ROAD
SHEFFIELD S11 9DD**

REFERENCE: LVT/70

COMMITTEE MEMBERS

- **Mr J A G Lees BSc FRICS - Chairman**
- **Mr N Saxton FRICS**
- **Mrs M B A Mangles BA**

CLERK TO THE COMMITTEE

- **Ms Lynn Cooney for Miss L Swift**

261 Brincliffe Edge Road, Sheffield, S11 9DD

1. Decision of the Leasehold Valuation Tribunal on an application under section 9 of the Leasehold Reform Act 1967 as to the price payable for the freehold reversionary interest.

The Property: 261 Brincliffe Edge Road, Sheffield, S11 9DD

Landlord: Torren Properties Ltd, 70 Church Lane, Sheffield, S17 3GT

Tenant: Mr Andrew Buck of 261 Brincliffe Edge Road

Lease: Dated 25th February 1925 for a term of 800 years from 25th March 1924 at a ground rent of £8.96 per annum.

INSPECTION

2. The members of the Tribunal inspected the exterior of the property, its curtilage and location on the morning of the 13th August 2001 in the company of the Tenant. The Landlord was not present or represented. The property is a detached brick built, part cement rendered house in a pleasant residential area of Sheffield.

SUBMISSION

3. The Tenant submitted a photocopy of part of the lease together with copy correspondence with the Landlords in which he offered 17.5 times the annual ground rent ie about £160 and the Landlords sought a price of £450 plus legal costs of £100 plus VAT. He also submitted a copy of an advertisement for Ground Rents in Sheffield totalling £3,735 per annum with a guide price of 15 years purchase.
4. On behalf of the Landlords their Agents, Mark Jenkinson and Son, submitted a written statement to the effect that the Tenant had made an application under section 21 of the Leasehold Reform Act 1967 and that the Landlords did not object to the sale. Only the price remains in dispute.
5. They stated that the portfolio of freehold reversions referred to by the Tenant subsequently sold for 15.5 years purchase and involved about 100 properties with an annual rent roll totalling £2,706. They stated that such portfolios normally achieved 15 to 23 years purchase.
6. They then went on to state that individual sales of such freehold reversions to the Tenants tended to fetch much higher prices and quoted examples of between 37 and 47 years purchase.
7. They concluded that the price for the subject property should be based on 40 years purchase ie £360.

HEARING

8. Only the Tenant attended the Hearing held on the afternoon of the 13th August 2001. He brought with him a full copy of the lease. He otherwise relied on his written submissions. The lease gave rights of way over the road and rights of drainage and reserved to the Landlord rights of passage and running water in watercourse in the usual manner. There are restrictions on building other than fences, walls, bay windows or porches of other than ordinary size and there is an imposition of a building line and other restrictions including

that no trade or business shall be carried on or upon the premises. There appears to be no covenant to insure the property. There is a requirement for the Tenant to obtain a licence from the lessor for any additional buildings, walls or fences on the plot.

VALUATION

9. The Tribunal in considering what price should be paid for the freehold reversionary interest, took into account the case law on the Delaforce effect which requires there shall be disregarded the additional price that a Tenant might be prepared to pay in order to reach agreement with the Landlord without the need to employ expert legal or valuation advice and without the need to take the matter to a Leasehold Valuation Tribunal. The Tribunal are therefore required to disregard the evidence of individual transactions at high levels of years purchase where these are not supported by relevant detailed valuations showing how these figures are arrived at.
10. The Tribunal therefore have to consider the open market transactions and previous Tribunal decisions. The open market price of Freehold Reversionary Interests depends firstly on the length of unexpired term of the lease. In the present instance, the length of lease having still over 700 years to run, the value is clearly limited to the right to receive the ground rent of £8.96 in perpetuity. The value of a ground rent also clearly depends on the size of the ground rent. The higher the ground rent, the more worthwhile it is to collect and the higher the Years Purchase used.
11. The value of the ground rent is often enhanced by the terms of the lease, particularly if the Landlord is entitled to insure the property and recover the insurance premium from the Tenant in a manner that entitles the Landlord to the insurance commission.
12. The comparable evidence submitted on behalf of the Landlord infers that the average ground rent was about £27 per annum or about three times that for the subject property. No details are given as to what clauses were contained in the leases which might give the Landlords additional income from insurance premiums or indeed what were the lengths of the leases. The evidence submitted was therefore of little value and the Landlords were not present to answer questions.
13. The Tribunal had before them a schedule of previous tribunal decisions and also the guidelines circulated as to suitable Years Purchase figures which indicate figures of between 5 and 10 Years Purchase depending on the amount of the ground rent. The Tribunal also used their knowledge and experience, the chairman having served on tribunals in Sheffield and elsewhere in Yorkshire over many years.

DECISION

14. In the light of the above and in accordance with the terms of the Leasehold Reform Act the Tribunal decided that the appropriate price to be paid shall be £65

Signed
J A G Lees BSc FRICS Chairman

Dated 12.09.01