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LVT 9

Our Ref: M/EH 2271

MIDLAND RENT ASSESSMENT PANEL

Leasehold Reform Act 1967

Housing Act 1980

DECISION OF LEASEHOLD VALUATION TRIBUNAL

ON AN APPLICATION UNDER S21 OF THE LEASEHOLD REFORM ACT 1967

Applicant: Mr D Carter

Respondent: Marlodge (Mannow) Ltd

Re: 11 Park Avenue, Cotteridge, Birmingham, B30 2ER

Date of Tenants Notice: 30 April 2001

RV as at 31.3.65: £132.00

Application dated: 11 July 2001

Heard at: The Panel Office

On: Wednesday 27 February 2002

APPEARANCES:

For the Tenant: Mr Anthony Brunt FRICS of Messrs Anthony Brunt & Co

For the Landlord: Mr Grant Dixon of Jack Dixon & Co, Auctioneers Estate Agents

Members of the Leasehold Valuation Tribunal:

Mr N R Thompson FRICS (Chairman)
Mr J C Ritchie
Mrs N Jukes

Date of Tribunals decision:

11 APR 2002

**DECISION OF THE LEASEHOLD VALUATION TRIBUNAL
ON AN APPLICATION UNDER SECTION 21 AND 21 (1) (ba) OF
THE LEASEHOLD REFORM ACT 1967
IN THE CASE
OF**

CARTER -v- MARLODGE (MONNOW) LIMITED

**11 PARK AVENUE
COTTERIDGE
BIRMINGHAM
B30 2ER**

Reference : M/EH2271

Background

This is a determination under Section 9 of the Leasehold Reform Act 1967 (as amended) as to the price to be paid for the freehold interest in respect of a terraced house 11 Park Avenue, Cotteridge, Birmingham, B30 2ER. The Lessee, Mr. D.Carter, holds the property by way of a Lease dated 13th October 1959 for a term of 55 years from the 24th June 1958 at an annual rent of £6.50p

The lessee's Notice of Claim was dated 30th April 2001 at which time there was an unexpired term of approximately 12 years. The Tribunal accepted that the qualifying conditions for entitlement to enfranchise under the Act have been fulfilled.

Property

The Tribunal inspected the property on Wednesday, 27th February, 2002 in the presence of the lessee and his valuer Mr. A.W. Brunt, FRICS. The property comprises a two storey inner terraced house of brick construction built in the early part of the last century in an established residential area, close to the centre of Cotteridge and in a quiet cul-de-sac leading to Cotteridge Park.

The property has the benefit of replacement UPVC double glazed windows installed by the tenant who has also undertaken ground floor alterations to incorporate the original coal house within the kitchen area. The accommodation otherwise comprises two reception rooms and kitchen on the ground floor with three bedrooms and a bathroom/WC on the first floor. Externally there is a lean to verandah, small front garden and a rear garden which is accessed via a shared passageway as well as directly from the house.

Hearing

At the Hearing, the lessee was represented by Mr. Anthony Brunt, FRICS of Messrs. Anthony Brunt and Co., Chartered Surveyors of Birmingham. The Landlords were represented by Mr. Grant Dixon of Jack Dixon & Co., Auctioneers, Estate Agents, Surveyors and Valuers of Birmingham.

The Hearing commenced with Mr. Brunt introducing his case on behalf of the lessee by submitting the following valuation:-

Ground Rent	:	£6.50	
Y.P. for 12 years @ 7%	:	<u>7.94</u>	
			£51.61

Standing House Value	:	£78,000
Site Value @ 30%		£23,400
Sec.15 Rent @ 6 ¹ / ₂ %		£ 1,521
Y.P. in perp.def.12 yrs. @ 6 ¹ / ₂ %		<u>7.22</u>

£10,981.62

£11.033

Mr. Brunt took the Tribunal through his valuation and in support of his entirety value of £78,000 submitted the following evidence:-

- 1 A schedule detailing evidence of 10 house sales in the immediate vicinity completed between April and August 2001 at prices varying from £67,000 to £89,000. Mr Brunt drew the Tribunal's attention in particular to an agreed valuation of No: 15 Park Avenue as at February 2001 at £76,950, and to the completed sales in Park Avenue of No: 19 at £78,000 in April 2001; No:17 at £79,959 in July 2001; No:22 at £89,000 in August 2001 and No: 24 at £99,950 in September 2001
- 2 The results of a search of H.M. Land Registry records for the subject postcode area in respect of the period April to June 2001, which revealed that 56 terraced houses were sold during that period at an average price of £75,944.

Mr. Brunt had valued the passing rent on a 7% basis which he suggested was in line with many previous decisions of the Tribunal, although he had thereafter used 6.5% yield because of the anticipated uplift in rent in just over 12 years time.

In the absence of any evidence regarding the sale or valuation of single building plots at the relevant time, Mr. Brunt had adopted a Standing House method of valuation, utilising 30% of the entirety value.

Mr. Brunt then referred to the possible application of a "Haresign Addition" in this case (so called after *Haresign -v- St. John the Baptist's College, Oxford, LR/18/1079*). Mr. Brunt did not consider this to be appropriate in the present case and cited 11 previous cases before this Tribunal when the question of a Haresign Addition had been considered. In all of those cases, the properties concerned had comprised small terraced dwellings with the exception of 96 Lordswood Road, which was the only instance where a Haresign Addition had been allowed. In all of the cases, the unexpired terms varied between 3 months and 16 years. In addition, Mr. Brunt referred in detail to the Haresign case and in particular the fact that the property which was the subject of that appeal, 54 Southmore Road, Oxford comprised a substantial late Victorian three storey house with the lease then having 3 years unexpired. Although the Landlord in that instance was represented by both Counsel and a Chartered Surveyor, Mr. Haresign acted for himself. Mr. Brunt also pointed out that 54 Southmore Road, Oxford was situated within a Conservation Area (with the implications that would have for redevelopment) and was valued at £195,000 in 1995 (confirming its very substantial nature).

Accordingly Mr. Brunt felt that it was too remote to assess the value of a Haresign Addition for the subject property which, because of its nature, might or might not be standing in over 60 years time.

In cross examination it was suggested to Mr. Brunt that the houses he was using as comparable evidence may well have been on the market for six months or more before the appropriate date and therefore to use the date of completion as evidence of the value of the subject property as at the date of the Notice of Claim was not particularly reliable. Mr. Brunt did not accept that argument, given that in view of the relatively healthy state of the residential property market at the relevant time, properties of this nature sold fairly quickly.

In presenting his case on behalf of the Landlords, Mr. Dixon declared an interest in the landlord company and submitted the following valuation:-

Term ground rent	£6.50	
Y.P. for 12 yrs. @ 5 ¹ / ₂ %	<u>8.619</u>	
		£56.02
Entirety Value £90,000		
Site Value @ 31.1 ¹ / ₂ %	£28,350	
Section 15 Rent @ 5 ¹ / ₂ %	£ 1,559.25	
YP for 50 yrs. Deferred		
12 years @ 5 ¹ / ₂	<u>8.89</u>	
		<u>£13,861.73</u>
Reversion to standing house £90,000		
P.V. of £1 deferred 62 years @ 5 ¹ / ₂ %	<u>0.0361</u>	
		<u>£ 3,249.00</u>
		£17,166.75

In support of his figures, Mr. Dixon cited the sale of two properties – 24 Park Avenue, Cotteridge completed on 28th August 2001 at a price of £99,950 (two bedrooms) and 110 Midland Road, Cotteridge completed on 27th September 2001 at a price of £105,000 (three bedrooms). Copies of the sale particulars for these two properties were tabled.

A 10% deduction had been made from these figures to allow for tenants' improvements to arrive at an entirety value of £90,000.

In terms of the proportion of that value to be adopted for the site, Mr. Dixon referred to the disposal of a development site in Raddlebarn Road, Selly Oak in 1998 at a figure of £175,000 with planning permission for 5 units. He pointed out the disadvantages of that site and the fact that Raddlebarn Road is a busy "rat run", all of which in his opinion rendered Park Avenue a more desirable location. The price per plot in that case devalued at £35,000 which, re-based to take into account the increase in land values during the intervening period, he estimated to now be the equivalent of £32,496 per plot.

Mr. Dixon also drew the Tribunal's attention to the case of 16 Park Avenue, Cotteridge (LVT reference M/EH/2131) in which the tenant's Notice of Claim was dated the 1st March 2000. The site area in that case was 128.37 square metres (compared with 167.12 square metres for the subject property) and the Tribunal had determined a site value of £22,500, which represented a 30% site apportionment from the entirety value. Mr. Dixon pointed out that 16 Park Avenue backs onto a railway embankment (part of which had collapsed) and in his view, No:11 Park Avenue occupies a more desirable site.

Mr. Dixon contended that the inclusion of a Haresign Addition was justified in this case on the basis that the subject property was likely to remain standing for at least another 60 years and beyond. In support of this, Mr. Dixon referred to letters from Barclays Bank (17th July 2001), and HSBC Bank (26th July 2001) both of which effectively confirmed that those two organisations were prepared to grant mortgages on terraced houses which were over 100 years old.

Mr. Dixon highlighted the fact that there is a considerable housing stock throughout Birmingham dating from between 1870 and 1905, much of which is in excellent condition and not showing significant signs of deterioration. According to information compiled by the DETR there are over 330,000 terraced houses in the West Midlands, which were built before the First World War, representing approximately 15% of the total housing stock in the area. Given the demands for housing in the foreseeable future, there would be an unsustainable gap in supply if this number of properties were to be removed from the available stock.

Mr. Dixon went on to produce a letter from Jeremy A.T. Goer dated 12th November 2001 explaining in detail the nature of the construction of properties of this age and confirming that in his opinion there was no reason why such property should not remain standing in good order for the next 60 – 65 years. Also produced was a letter from D.J. Coleman, MRICS of Hollier Browne, Chartered Surveyors, emphasising the strength of the market for this type of property and its resilience in the face of difficult market conditions.

In his letter, Mr. Coleman expressed the view that 11 Park Avenue should have a useful physical life of a further 75 – 100 years.

Mr. Dixon also presented photographic evidence of a number of similar properties constructed between 1830 and 1878 in various districts of Birmingham.

Mr. Dixon then spoke to the question of the yield rate to be adopted for the purposes of the valuation and referred the Tribunal to extracts from various newspapers; financial journals; advertisements; and auction particulars in support of his view that 5¹/₂% would be an appropriate rate to adopt in the case of 11 Park Avenue, taking into account the relatively short unexpired term of the lease.

Mr. Dixon highlighted the generally lower rates of return available on investments in recent years; the lower yield on Bonds; the projected rates for the cost of borrowing and also evidence of investment rates of 3¹/₄% or thereabouts achieved on the sale at auction of individual ground rents.

In concluding his evidence, Mr. Dixon drew the Tribunal's attention to the Lands Tribunal Decision in the case of *Windsor Life Assurance and David and Daphne Austin* (LRA4/1994) as well as a previous decision of this Tribunal, *Mrs. A. Wager and Hanlo Holdings Limited* (WM/EH1899).

In cross examination, Mr. Dixon was asked whether he was advocating the use of a 5¹/₂% yield throughout the valuation or whether that rate should be varied at all. Mr. Dixon felt there was no need to vary the rate because of the totally secure nature of the ground rent, and did not agree with a subsequent suggestion from Mr. Brunt that if a Haresign Addition was appropriate in this case, then a much higher yield would be warranted.

Mr Dixon agreed that many of the properties shown in his photographic evidence were Listed and/or situated in Conservation Areas.

Decision

The main areas of difference between the parties concerned the entirety value of the subject property; the proportion of that value to be adopted for the site value; the yield (or yields) to be adopted in the valuation and whether or not a Haresign Addition was appropriate.

Both parties presented a considerable body of evidence in support of their respective cases and the Tribunal gave careful consideration to all of this before reaching its conclusions:

- On the subject of the Entirety Value, the Tribunal concluded that a figure of £78,000 was appropriate.
- In relation to the proportion of the Entirety Value which should be adopted for the site, the Tribunal considered that the apportionment should be 33%.
- So far as the yield rates were concerned, the Tribunal considered different rates to be appropriate as between the term and reversionary elements of the valuation and concluded that these should be 7% and 6¹/₂% respectively.
- In considering the question of whether or not a Haresign Addition should be included in the valuation, the Tribunal was mindful of the fact that in those cases where this had been felt to be appropriate, the subject properties had been very substantial in nature when compared with houses such as those found in Park Avenue. As such, the Tribunal considered that such an addition would not be appropriate in this instance.

Taking all of these matters in account, the Tribunal's valuation was as follows:-

Ground Rent	:	£6.50	
Y.P. for 12 years @ 7%	:	<u>7.94</u>	
			£48
Reversion to Entirety Value		£78,000	
Site Value @ 30%		£25,740	
Sec.15 Rent @ 6 ¹ / ₂ %		£ 1,673	
Y.P. in perp.def. 12 yrs.@ 6 ¹ / ₂ %		<u>7.22</u>	
			<u>£12,079</u>
			<u>£12,127</u>

Accordingly the Tribunal determined the price to be paid for the freehold interest at £12,127 plus the Landlord's reasonable costs calculated in accordance with Section 9 (4) of the Leasehold Reform Act 1967 and Schedule 22 Rule 1 (5) of the Housing Act 1980.



NIGEL R. THOMPSON
CHAIRMAN

11 APR 2002