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RESIDENTIAL PROPERTY TRIBUNAL SERVICE

**SOUTHERN RENT ASSESSMENT PANEL
& LEASEHOLD VALUATION TRIBUNAL**

LEASEHOLD REFORM ACT 1967

DECISION OF THE LEASEHOLD VALUATION TRIBUNAL

Case No: CHI/21UD/OC6/2004/0001

Property: 22 Upper Park Road
St. Leonards-on-Sea
East Sussex

Applicant: Mr. E.G. Brabazon
c/o Messrs. Young, Coles & Langdon
Solicitors

Respondent: Kingsley Properties Limited

Date of Hearing: 13th August 2004

Members of the Tribunal: Mr. R. Norman (Chairman)
Mr. J.N. Cleverton FRICS
Mr. T.W. Sennett MA MCIEH

Date decision Issued: 2nd September 2004

RE: 22 UPPER PARK ROAD, ST. LEONARDS-ON-SEA, EAST SUSSEX

Background

1. The Applicant is the freeholder of the subject property and the Respondent is the leaseholder of that property. The lease has been extended and now expires on the 25th March 2029. The ground rent up to the 25th March 2004 was £315 per annum and the ground rent from the 25th March 2004 is subject to review as provided by the lease and Section 15 (2) of the Leasehold Reform Act 1967 ("the Act").
2. On the 8th June 2004 the Applicant applied to the Leasehold Valuation Tribunal to determine the ground rent payable from the 25th March 2004 for the remaining 25 years of the lease.
3. The Applicant considers the appropriate ground rent to be £1,750 per annum and on the 15th July 2004 the Applicant's Solicitors provided to the Tribunal a copy of the report of

Mr. William Dexter MRICS the Applicant's Surveyor and confirmed that a copy of that report had been sent to the Respondent. The Applicant has also provided a copy of the lease.

4. Nothing had been received from the Respondent before the hearing.

Inspection

5. On the 13th August 2004 we inspected the exterior of the subject property and the interior of the ground floor in the presence of Mr. Gallop on behalf of the Respondent. Mr. Gallop had nothing to draw to our attention but said that he had carried out a lot of work on the property.

6. The subject property is a semi-detached house divided into two flats. It is described in Mr. Dexter's report. Mr. Gallop agreed that he had received a copy of that report and that the description in the report was accurate.

7. Our determination appears at paragraphs 18 to 22.

The hearing

8. The hearing was attended by Mr. Dexter representing the Applicant and by Mr. Gallop representing the Respondent.

9. Mr. Millgate of Young, Coles and Langdon, Solicitors representing the Applicant attended to explain the typing error which had occurred when his secretary had sent out letters about the rent on two properties including this one. The rent in respect of the other property was £1,000 and she had in error typed £1,000 on both. He thought he should attend to explain and in case Mr. Gallop was taking any point on this. Mr. Gallop said he had not intended to bring this up but was expecting £1,000 to be the new rent. He would continue to seek a fair valuation.

10. Mr. Dexter in his report quoted from Section 15 (2) of the Act as follows: "The rent shall be a ground rent in the sense that it shall represent the letting value of the site (without including anything for the value of the buildings on the site) for the use to which the house and premises have been put since commencement of the existing tenancy". His approach was to determine the capital value of the subject property and then to consider what percentage of the value could be attributed to the land itself, excluding the buildings on it. Having identified that value, he then considered what yield would be appropriate.

11. In his report Mr. Dexter had included evidence of the sale of properties to support his figure for the valuation of the subject property. He had also included evidence of ground rents agreed and, in the case of two properties ground rents determined by a Leasehold Valuation Tribunal in the year 2000, in support of his calculation of the ground rent.

12. Mr. Gallop had no dispute with the method of valuation of the ground rent and Mr. Dexter stated that his method of valuation had previously been accepted by a Leasehold Valuation Tribunal. His calculation he considered was on the conservative side and he had taken 20% of the value of the whole as the site value but he considered that the proportion

would be a third to a half if a developer were to take on the work. He chose a yield of 4% because interest rates are now lower than when he used 6% in the year 2000.

13. Mr. Dexter had nothing to add to his report but pointed out that the new rent is long term being for 25 years.

14. Mr. Gallop had no questions for Mr. Dexter and commented on Mr. Dexter's report that the valuation was taken at the height of the market; that the property market is about to go down and that properties are not moving. Mr. Dexter accepted that 25th March 2004 represented towards the peak of the market and that it is calming down. He had not seen major reductions achieved but there had been less activity in July and August. However, he said that the valuation was taken at 25th March 2004 which was the appropriate date as the rent review was on that date.

15. Mr. Gallop thinks the valuation of £220,000 is on the high side for the subject property. There are properties valued higher on the same road but they are possibly in better condition. If the subject property were returned to one house he thought it would be worth about £190,000 but if left as flats he could not say. He had had another property valued at £225,000 which had been converted to flats but it was bigger.

16. Mr. Gallop had no comment on a site value of 20% of the total value and 4% yield.

17. Mr. Gallop had had problems when he took over the property, including difficult tenants and he had done a lot of work to the property but Mr. Dexter pointed out that these matters were not relevant to the review of the ground rent.

The Determination

18. We considered the evidence which had been given at the hearing, the lease, Mr. Dexter's report and our inspection of the subject property. We also had regard to our knowledge of the property market in the locality.

19. Mr. Gallop accepted almost in total Mr. Dexter's report but considered that the value of the subject property should be £190,000 rather than Mr. Dexter's figure of £220,000. However, Mr. Gallop had no evidence to support his opinion whereas Mr. Dexter produced evidence of sales of other properties in support of his figure. Those properties of course were not identical to the subject property but by making allowances for the differences they provided evidence which convinced us that the figure of £220,000 was correct.

20. Mr. Gallop did not take issue with the method of calculation of the site value as 20% of the total valuation and that percentage we found to be reasonable. It was, if anything, generous to the Respondent. Nor did Mr. Gallop dispute the use of 4% as the yield and that percentage we found to be reasonable.

21. Mr. Dexter in his report gave evidence of other ground rents agreed and of two determined by a Leasehold Valuation Tribunal. Again of course the properties were not identical to the subject property and the dates when the ground rents were agreed or determined varied but making allowances for those facts we found that the evidence

supported the submission by Mr. Dexter that the ground rent for the subject property should be £1,750 per annum from 25th March 2004.

22. We therefore determined that the ground rent for the subject property should be £1,750 per annum from 25th March 2004.



R. Norman
Chairman