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LON/LVT/1813/04

LEASEHOLD VALUATION TRIBUNAL FOR THE RESIDENTIAL PROPERTY
TRIBUNAL SERVICE

DECISION OF THE LEASEHOLD VALUATION TRIBUNAL FOR AN
APPLICATION UNDER SECTION 21 OF THE LEASEHOLD REFORM ACT 1967

APPLICANT: Swantek Investments Ltd

RESPONDENT: Michael George Pagomenos

PREMISES: 24 Great North Way, Hendon, London NW4 1HY

Date of Tenant's Notice: 22 April 2004

Date of Counter Notice: 15 June 2004

Application Date: 1 September 2004

Hearing Date: 8 & 9 February 2005

Appearance for the Applicant: Mr A Cohen – Talbots Professional Services Ltd

Appearance for the Respondent: None

Members of the Leasehold Valuation Tribunal:

Mrs J Charles LLB
Mr W J Reed FRICS
Mr R Humphrys FRICS

Date of Decision: 8 March 2005

24 Great North Way

This was an application by Swantek Investments Ltd dated 22 April 2004 made under Section 21 Leasehold Reform Act 1967 to acquire the freehold of 26 Great North Way, London NW4 1HY.

A hearing was held on 8 February 2005 at which Mr Russell Fraser of the landlord company attended together with Mr Andrew Cohen of Talbots Professional Services Ltd. The landlord Mr M Pagomenos did not attend and was not represented although a brief written submission was presented on the morning of the hearing.

At the hearing Mr Cohen referred to his valuation report concerning to the location, description and construction of the property. As regards the marketability he referred to the legislation and also to sales of properties at:-

- (1) 21 Selbourne Gardens which sold in July 2004 for £250,000.
- (2) 134 Sunny Gardens Road which sold in November 2004 for £260,000.
- (3) 473 Watford Way where an offer had recently fallen through and was now on the market for £245,000.

The landlord's comparables were taken directly from the records of the Land Registry (and accordingly did not disclose information relating to the accommodation).

- (1) 175 Chatworth Close sold in April 2004 for £455,000.
- (2) 4 Chatsworth Avenue sold in February 2004 for £356,000.
- (3) 117 Sunney Gardens Road sold in May 2004 for £395,000.
- (4) 18 Downage sold in April 2004 for £1,041,000.
- (5) 19 Downage sold in March 2004 for £685,000.

The Tribunal inspected the subject property in the company of Mr Fraser and Mr Cohen. It was situated in a slip road off a very busy arterial road leading to the M1. It was an interwar semi detached property with brick and part rendered elevations under a tiled roof with replacement UPVC windows. There was a small front garden with a grass verge in front and a reasonable rear garden. The house comprised two reception rooms, three bedrooms with kitchen, bathroom and separate wc. The exterior wc now housed the central heating boiler. The Tribunal found the property to be in general by fair condition.

The Tribunal also inspected the comparables referred to by both parties. They found the greatest assistance from 123 Sunny Gardens Road which was

considered to be a better property in a better and quieter location and 473 Watford Way which was in a worse location and very close to a high fly-over and close to a busy roundabout. Both those properties had the advantage of a garage and off street parking. In respect of Watford Way, the Tribunal noted that the sale had fallen through and the property was still on the market at £245,000.

The remainder of the comparables were found to be superior properties, in general larger than the subject property, indeed two were large detached houses. They were all in quieter locations in more sought after roads.

Having regard to the two main comparables and the valuation date in April 2004, the Tribunal considered that the open market price for the subject property would have been £240,000.

Both parties agreed that the "standing house approach" was the correct approach in arriving at the modern ground rent. In this respect the landlord in his written case argued for 40% which appeared to be the advice received by him from the Leasehold Advisory Service, whereas Mr Cohen argued for 33%. In evidence he said that he had arrived at that figure following discussions with local developers who had indicated to him that the land element in this location was between 30%-40%. The Tribunal having inspected the premises thought that 35% was appropriate for this particular property.

To arrive at the "modern ground rent", Mr Cohen had adopted 6% and the landlord 7% on the advice of the Leasehold Advisory Service. It is customary to arrive at the section 15 rent at 7% of the adopted site value and accordingly, the Tribunal adopted that percentage.

With regard to the overall yield, Mr Cohen adopted 6% and it was clear from his evidence that this related to a Leasehold Valuation Tribunal decision in Hamilton Terrace. In answer to questions from the Tribunal, he agreed that the location and properties in Hamilton Terrace were far superior and not comparable. Mr Pagomenos does not cover this point in his submission.

The Tribunal has great experience in valuing properties and having regard to the subject property in Great North Way, they considered that 8% was appropriate.

In his written evidence, Mr Pagomenos, who owns 26 Great North Way which had rear vehicular access to Chatsworth Close, suggested that the two connected properties would be much more valuable than two single properties. The Tribunal note that the existing lease of 24 Great North Way has 42 years remaining on the existing lease with the tenants right to extend the lease for a further 50 years under the Act. In addition their inspection showed that there was little or no possibility of any additional value being realised.

Mr Cohen had approached the valuation by taking the "modern ground rent" in perpetuity. However section 9(1) of the Act envisages a 50 year lease

extension at the "modern ground rent" with the reversion to the freehold thereafter. That approach was preferred by the Tribunal as set out in their valuation at Appendix A which resulted in a premium of £3,250.

The Tribunal were aware that Mr Cohen's valuation of £6900 is driven by the use of a yield of 6%.

However, the Tribunal were satisfied that in their own knowledge and experience that 8% was appropriate in the case for a property in Great North Way. Traditionally 6% has only been used for prime high value property in Central London.

per CHAIRMAN *Mr John Reed*

DATE *8/3/2005*

Appendix 1

24 Great North Way, Hendon, London NW4 1HY

Valuation in accordance with s.9(1) of the Leasehold Reform Act 1967,
as amended, as at 22 April 2004 - the date of the Tenant's Notice.

Valuation of landlord's freehold interest

Ground Rent 22/4/2004 to 24/3/2046 YP 42 yrs @ 8%	£16 p a <u>12.007</u>	£192
Reversion to 'Modern Ground Rent' - Value of freehold with vacant possession	£240,000	
Site value @ 35%	£84,000	
Section 15 rent @ 7%	£5880	
YP 50 yrs @ 8%	<u>12.233</u>	
	£71,930	
PV £1 42 yrs @ 8%	<u>0.0394641</u>	£2,839
Reversion to freehold with vacant possession	£240,000	
PV £1 92 yrs @ 8%	<u>0.0008414</u>	<u>£202</u>
		£3,233
	Premium	Say £3,250