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LEASEHOLD VALUATION TRIBUNAL  
OF THE  
MIDLAND RENT ASSESSMENT PANEL

Ref. BIR/00CR/OAF/2005/0061

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

**Applicant:** Mr. M.C Foster (leaseholder)

**Respondent:** Unknown (freeholder)

**Subject property:** 53 Bilston Street  
Sedgley  
Dudley  
West Midlands  
DY3 1JA

**Tenant's notice:** 11 November 2004 (date of court application)

**Application to the LVT:** 22 February 2005

**Members of the LVT:** Mr. A. P. Bell MA LLB  
Mr. S. Berg FRICS FSVA  
Mrs. N. Jukes

**Date of determination:** 15 June 2005

## Introduction

1. This is a decision on an application under the Leasehold Reform Act 1967 ("the 1967 Act") made to the Leasehold Valuation Tribunal by Mr. M.C. Foster, the leaseholder of the house and premises at 55 Biston Street Sedgley Dudley West Midlands ("the subject property"). The application is under section 21(1)(a) of the 1967 Act for the determination of the price payable under section 9 of the 1967 Act for the freehold interest in the subject property.
2. The subject property is held under a Lease dated 16 September 1935 for a term of 500 years from 1 October 1559 at a yearly rent of a rose flower. The unexpired term at the effective date of the tenant's claim to acquire the freehold ("the relevant date") was 54 years..
3. The effective date of the tenant's claim to acquire the freehold interest in the subject property under the terms of the 1967 Act was 11 November 2004, being the date of the application to the Dudley County Court, and the applicant, Mr. Foster, subsequently made the present application on 22 February 2005.
4. The Tribunal accepts that the qualifying conditions for enfranchisement under the 1967 Act are satisfied.

## Subject property

5. The applicant's solicitors, Tuner Bayley Thompson Warrington, in their letter to the Tribunal of 22 February 2005 suggested that the case be dealt with by correspondence and accordingly no internal inspection of the subject property was carried out. The Tribunal did, however, carry out an external inspection which revealed that the site of subject property was very narrow, as was confirmed by the title plans of the property submitted by the applicant's solicitors. The Tribunal also noted that the subject property fronts onto a busy main road.

## Decision

6. There is a recognised three stage approach in carrying out a valuation under section 9 of the 1967 Act which is normally attributable to *Farr v Millerson Investments Ltd* [1971] 22 P & CR 1055; [1971] 218 EG 1177. That approach involves (i) the capitalisation of the ground rent payable under the existing lease for the remainder of the unexpired term; (ii) the identification of a modern ground rent (by decapitalising the site value); and (iii) the capitalisation of the modern ground rent as if in perpetuity deferred for the remainder of the unexpired term. The price payable on this basis is then the sum of the capitalisations at stages (i) and (ii). In this case, however, there is no monetary rent payable to capitalize so the first stage of the valuation exercise is not applicable. The second and third stages of the exercise do nevertheless remain applicable.
7. The generally accepted method of carrying out the second and third stages of the valuation exercise involves adopting the standing house approach under which the value of the site is found by reference to the value of the entire premises ("the entirety") with the site element of the entirety value of the entire

premises varying between 25% and 40% of the entirety value depending on the attributes of the site and the land market.

8. The Tribunal have determined that the standing house value of the subject property at the relevant date was £140,000.00, that the appropriate percentage to be applied to the standing house value in calculating the value of the site should be 27 % to reflect the narrow width of the site of the subject property, and that the percentage yield rate to be applied at all stages of the valuation calculation should be 7 %.

8. Adopting those figures, and applying the figures of Years Purchase from Parry's Valuation Tables, the Tribunal calculates the price payable as follows:

(i) Modern ground rent

Standing house value of subject property:	£140,000.00
Percentage attributable to site @ 27%:	£37,800.00
Annual equivalent @ 7%:	£2,645.00

(ii) Capitalisation of modern ground rent

Modern ground rent (above):	£2,645.00	
Years Purchase at 7% in perpetuity deferred 54 years:	0.36998	
Capitalised modern ground rent:	£2,645. x 0.36998	<u>£978.97</u>

**Say £979**

9. Accordingly the Tribunal determines the price payable by the applicant under section 9 of the 1967 Act for the freehold interest in the subject property at £979.



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A P Bell  
Chairman

Dated 2005