Eastern Rent Assessment Panel
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SOUTHERN
- 2 JUN 2009
RAP OFFICE

Southern Rent Assessment Panel
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Your ref: CHI/23UC/OLR/2009/0015
Our ref: CAM/23UC/OLR/2009/0024-27

Date: 01-Jun-2009

Dear Sirs

RE: LEASEHOLD REFORM, HOUSING & URBAN DEVELOPMENT ACT 1993 - SECTION 48

PREMISES: FLAT 2, 4, 12 & 16 RIVERCOURT, 29 BEECHES ROAD, CIRENCESTER, GLOUCESTERSHIRE, GL7 1BN

I enclose a copy of the final reasoned decision in respect of the above cases.

I have sent a copy of the decision to Lease in today's post.

Yours faithfully

Mrs Jeong-ae Ahn
Case Officer

AH01

EASTERN RENT ASSESSMENT PANEL

LEASEHOLD VALUATION TRIBUNAL

Property	: Flats 2, 4, 12 and 16, Rivercourt, 29 Beeches Road, Cirencester
Applicants	: John Stuart Roper and Rosemary Ann Roper (Flat 2) Ivan George Norris and Kathryn Lea Norris (Flat 4) John Howard Hall (Flat 12) Richard Vincent Bayes and Sarah Marianne Bayes (Flat 16)
Applicants' Valuer	: I R Perry BSc Est Man FRICS
Respondents	: Warneford Properties Ltd and Emmaland Properties Ltd.
Respondents' Valuer	: R J Mann BSc MRICS FAAV
Case Number	: CAM/23UC/OLR/2009/0024-27
Hearing Date	: 7 May 2009
Type of Application	: Section 48 Leasehold Reform, Housing and Urban Development Act 1993 ("the Act") – to determine matters in dispute in respect of applications for a new lease.
Tribunal Member	: D S Brown FRICS MCIArb B M Edgington B Collins BSc FRICS

DECISION

The premium payable for the new lease in each case is –

Flat 2 - £9,438
Flat 4 - £9,377
Flat 12 - £7,751
Flat 16 - £7,751

The parties have leave to apply to the Tribunal for a determination of the costs payable by the Applicants under s.60 in relation to the valuer's fee and the solicitor's fee.

STATEMENT OF REASONS

The Application

1. These are four applications relating to four flats in Rivercourt. As the Respondents are the same in each case and each of the Applicants is represented by the same Valuer, the Tribunal has resolved to determine the applications together.

2. Section 42 Notices of Claim and section 45 Counter Notices were served as follows –

Flat No.	Date of Notice	Premium Proposed	Date of Counter Notice	Premium Proposed
2	29/6/08	£3,600	29/8/08	£23,927
4	18/6/08	£3,600	22/8/08	£23,500
12	11/7/08	£2,700	16/9/08	£18,300
16	25/7/08	£2,700	26/9/08	£18,300

3. The Valuers have agreed a number of issues, namely –

   (i) The ground rents at the valuation date are £205.93pa for Flats 2 and 4 and £163.13pa for Flats 12 and 16.
   (ii) The valuation dates are the dates of service of the Notices.
   (iii)The unexpired terms are Flat 2 - 79.77 years
   Flat 4 - 79.78 years
   Flat 12 - 79.72 years
   Flat 16 - 79.68 years
   (iv) The current open market values are

Flat 2	£151,000
Flat 4	£150,000
Flat 12	£125,000
Flat 16	£125,000

   (v)The deferment rate is 5%.

4. The following matters remain in dispute –
   (a) the Years Purchase to be applied to the capitalisation of the ground rent
   (b) the relativity
   (c) the costs payable in respect of the Valuer's fee and the solicitor's fee.

5. Application to the Leasehold Valuation Tribunal under s.48 was made on 18 February 2009. It was confirmed at the hearing that the terms of the new lease in each case have been agreed and that the issues in dispute are the premium and the costs payable under s.60. The valuation elements not agreed between the Valuers are the capitalisation rate and the relativity.

6. The premiums now put forward by the valuers are –

	Mr Mann	Mr Perry
Flat 2	£17,308	£7,092
Flat 4	£17,228	£7,056
Flat 12	£14,163	£5,814
Flat 16	£14,166	£5,817

Inspection

7. The Tribunal inspected the block of flats externally on the morning of the hearing in the presence of the two valuers.

8. The Property is a 3 storey block of flats constructed in 1989 of partly stone and partly brick walls beneath tiled roof. The block has a private car park for residents. It is within a convenient distance of the town centre.

The Law

9. The basis of calculation of the premium payable in respect of a new lease is set out in Schedule 13 of the Act and shall be the aggregate of –
   (a) the diminution in value of the landlord's interest in the tenant's flat as determined in accordance with paragraph 3,
   (b) the landlord's share of the marriage value as determined in accordance with paragraph 4, and
   (c) any compensation payable to the landlord under paragraph 5.

10. There is no compensation claimed in this case.

The Lease

11. The relevant part of the lease in each case is that dealing with the rent. Unusually for a residential ground rent it is subject to annual review on an index linked basis. The payments are defined as –
   (a) the Initial Yearly Rent of one hundred and twenty pounds; and from and after 1st April 1991
   (b) the Additional Yearly Rent calculated in accordance with the provisions of the Eleventh Schedule by reference to the increase as at the thirty first day of December preceding the first day of April in any year".

12. The Eleventh Schedule states –
   " In this Lease:
   (a) "Base Figure" means the Index figure for the month of December 1989
   (b) "Index" means the "all Items" index figure of the Index of Retail Prices published by the Department of Employment or by any successor ministry or department
   (c) "Increase" means the amount (if any) by which the Index for December in each year exceeds the Base Figure
   (d) "Additional Yearly Rent" means the sum that bears the same proportion to the Initial Yearly Rent as the Increase bears to the Base Figure.

13. Paragraph 6 provides that the rent payable in any year shall not be less than the greater of the Initial Yearly rent or the rent payable for the immediately preceding year.

The Evidence

14. Both valuers had submitted written representations. We expressed our appreciation of the clear and concise way in which they had set out their respective positions. They both agreed that the main difficulty in these cases was deciding the appropriate yield for valuing a rental income which is subject to annual index linked increases. Neither valuer had been able to find specific

guidance on this point or any relevant decided cases. They had also been unable to reach agreement on the appropriate relativity to be employed in the marriage value calculation, especially as the unexpired term was so close to 80 years. We dealt with each of these issues in turn.

A. The Yield

Mr Perry's Evidence

15. Mr Perry asserted that the appropriate yield for capitalising a fixed ground rent would normally be 7-8% and this was not disputed by Mr Mann. He proposed a yield of 6% and referred to the decision of the Lands Tribunal in the *Mansal Securities* case (22 appeals against decisions of the Leasehold Valuation Tribunal of the Midland Rent Assessment Panel), which confirmed the LVT's determination of an appropriate yield of 6% in that case.

16. Mr Perry did not agree with Mr Mann's approach of referring to relatively low rates applied to gilts and other financial instruments. He maintained that we are considering here property investments which produce approximately £200 per annum each and, as such, a level of de minimus should apply. The first few percentage points of any Year's Purchase rate would be used in administration and bank charges.

17. He referred to the *"Purchase Value rate of 5% for flats and 4.75% for houses"* fixed by the *Sportelli* case and contended that 6% was a fair and reasonable reflection of what might be achieved in the market and further that the Tribunal should not adopt a figure lower than 5%.

18. At the hearing, he said that the question to be asked is – What would the market say? He conceded that this is an unusual case. He pointed to the fact that interest rates are now at an all time low and so there could be an argument for a lower rate than 6% but the principle was to look over a long period.

19. Mr Mann questioned Mr Perry's reference to the low amount of income, pointing out that in 10 years it would be £293 pa, in 20 years £434 and in 30 years £642. Mr Perry conceded this but said that the costs of collection would also increase in line with inflation.

20. It was put to Mr Perry that the 5% in *Sportelli* to which he had referred was a deferment rate, which is rather different from the yield for capitalising the rental income. He replied that there was clearly a link between the two.

21. The Tribunal referred Mr Perry to the LVT decision in the *Mansal Securities* case, which he had cited, and the fact that it applied a yield of 6% to an escalating ground rent (in respect of 25 Inchford Road) where the annual ground rent was £75, rising to £150 in 2009 and £300 in 2042. Did this not indicate that the yield on a rent which is subject to annual index linking ought to be lower than 6%? He conceded that this was probably so.

22. He was asked if he had thought of referring to yields on investments in commercial premises, such as shops, where rents are usually subject to relatively short review periods of either three or five years as this might provide some guidance. He had not done so and acknowledged that perhaps

he should have done. His recollection was that yields on prime retail investments in June 2008 were around 6-7%.

23. In summary, he stated that an investor would want at least 5% return to cover bank interest at 3-4%. He accepted that the appropriate rate was probably not 7-8% but contended that it is not below 5%.

Mr Mann's Evidence

24. Having found no guidance on an appropriate yield for an index linked income, Mr Mann had investigated alternative sources, including insurance companies providing index linked pensions, RICS valuation faculty and actuarial acquaintances. He was guided towards the returns received for Government Stock (Gilts and Bonds). At that stage he was looking at a yield below 2%.

25. He referred to an LVT decision on 7 Loudon Road, London in which the passing rent was £17,000pa with a review to £34,375 in 18.69 years. The LVT assessed the value of that unpalatable ground rent on a yield of 5.5%.

26. His client instructed Mr Bridger, of Barnett Waddingham, whose advice was that in Summer 2008 the view of future inflation, or index linking, was in the region of 3.8%. The total ground rent payable over 80 years, commencing at £250 and index linked, would be £101,205. If the rent was £100 for 14 years, £200 for the next 33 years and £300 thereafter the total payable over 80 years would b £17,900. This difference requires a radical review of the YP that is appropriate or an alternative approach. Mr Bridger had advised him that he should use the discounted present value of the total rent payable. Applying discount rates of 4.6-5% capitalises the ground rent at £12,027 to £10,525 for a 2 bedroomed flat. He called Mr Bridger to give evidence.

Mr Bridger's Evidence

27. Mr Bridger informed us that he is a Fellow of the Institute of Actuaries and is a partner in Barnett Waddingham LLP. He has been employed in this field for 21 years and has been qualified for 16 years. He explained that his "day job" is putting a value on pension payments, which can be fixed or index linked and can involve quite long time scales. He had provided some calculations which were appended to Mr Mann's statement.

28. He said that the big issue is what inflation will be in the future. In assessing future inflation one must look at what is the market's view, from transactions. One looks at the difference between the yield on fixed interest Government bonds and that on index linked Government bonds, which provide a yield over and above inflation. The difference is the projected inflation. The Bank of England publishes the relevant figures. One gets very different figures for the next 2-3 years than if one looks at 20, 40 or 80 years. Inflation is likely to be low for the next year or two but if one looks at a period of 25 years or more, the rate takes this into account.

29. The "Discount Rate" is the present value of the future income stream and is used for valuing fixed pension payments. If the payments are index linked, one looks at the "Net Discount Rate", which is the Discount Rate less inflation. So, if the Discount Rate for fixed payments is 7% and the view of inflation is 4%, the Net Discount rate is 3%. In his view, the appropriate method for assessing the value of the index linked rents in these cases would

be to multiply the present income for the term by the YP for the Net Discount Rate. If one takes the 6% proposed by Mr Perry and projected inflation at 3.8%, this gives a yield of 2.2%.

30. He explained that 3.8% is the inflation figure as at June 2008, looking at 2055 maturity. Once one moves out to 80 years it is very difficult to get any market view of inflation. The view is that over a long term the rate is steady; in the short term one would have to build in the current period of low inflation but anticipated inflation over 45 years is higher than over 5-10 years. In June 2008 growth was a lot flatter, inflation was higher and the difference would have been less.

31. Referring to his calculations appended to Mr Mann's statement, he explained that on a ground rent of £205 per annum increasing at 3.8% per annum, payable for 80 years, a Discount Rate of 5% would give a yield of *5% less 3.8%*, ie 1.2%, which would produce a discounted present value of £10,525. He had also calculated figures for Discount Rates of 4% and 6%, which gave discounted present values of £11,254 and £6,327 respectively. He then calculated the discounted present value on an income of £100pa (the commencing rent) subject to stepped increases of £100 after 14 years and a further 33 years and this produced £4,000 at 5% Discount Rate, £4,093 at 4% and £2,537 at 6%. He concluded that at a Discount Rate of 4%, the discounted present value on the index linked rent is 2.75 times higher than on the stepped rent and at 6% it is 2.49 times higher.

32. Mr Bridger added that the income from gilts was paid 6 monthly. He accepted the proposition that the income from rents involves a certain degree of risk but considered that risk was "*factored in to a large extent*" on his figures.

33. Mr Perry drew attention to the fact that the valuations in these cases relate to terms of 80 years.

34. Mr Mann was asked if there should be an adjustment to the figures used for gilts to reflect the costs incurred in collecting ground rents, which would include, in this case, calculating the amount of rent each year. Mr Bridger responded that collection costs were built in on fixed ground rents as well as variable ones. He said that the annual calculation of index linking would only be a very short one.

35. Asked if he had considered commercial rent investments as a possible guide, Mr Mann also acknowledged that he perhaps should have done but he did not, having obtained the calculations from Mr Bridger. Asked if the difference between a yield of 2.2% here compared with 6-7% on commercial investments with 3 or 5 yearly reviews did not seem somewhat excessive, he conceded that it did on the face of it.

36. In summary, he said that the ground rent has to be capitalised differently from the norm because of the nature of it.

<u>The Tribunal's Decision</u>

37. We are grateful to Mr Bridger for his assistance at the hearing. He was able to clarify and explain in detail the somewhat complex issues involved in his valuations and this has helped us in our consideration of the calculations put forward by Mr Mann.

38. Both valuers have laboured under the difficulty of a lack of market evidence or other guidance as to the appropriate yield for assessing the present value of a rental stream that is subject to annual index linked increases. They have adopted very different approaches, Mr Perry adjusting rates current in the market and Mr Mann seeking evidence of rates paid for other types of index linked income. We do not criticise either approach. Both valuers have done their best to arrive at a reasonable conclusion and at the end of the hearing both indicated that in this novel situation they looked to the Tribunal to provide guidance.

39. With regard to the yield, it is agreed by the valuers that the "norm" would be 7-8%. They also both agree that this "norm" does not apply in the case of a rent with annual index linked increases.

40. Mr Perry's solution is to make a downward adjustment to the yield to 6%. He has not provided any arithmetical calculation of that yield, it is his professional opinion based on his experience.

41. We do not accept the direct link between deferment rate and yield alluded to by Mr Perry. The two are quite separate components with differing characteristics. As the Lands Tribunal stated in *Sportelli* (para. 8) –

> *"We are not concerned with…the ground rent and how this should be capitalised. Nothing that is said in this decision has any direct application to capitalisation rates. Market evidence should be more readily available for those, and in any event such rates, applying as they do to an element of static value, are determined by different criteria from those that are relevant to the deferment rate"*

and at para.50 -

> *"The future income stream of the ground rent and the postponed realisation of vacant possession are such separate elements that their separate valuation is obviously appropriate".*

42. Mr Perry accepted that the 6% yield adopted by the LVT and confirmed by the Lands Tribunal in *Mansal Securities*, applying as it does to a rent which is subject to fixed increases at 33 year intervals, ought to be adjusted to take account of the annual index linked increases in these cases.

43. Mr Mann's approach, using evidence form financial markets, seems to us to be an appropriate methodology. It is similar to that taken by the Lands Tribunal in *Sportelli*, up to a point. In *Sportelli* the Lands Tribunal considered the various elements of deferment value, of which the average yields from index linked gilts was only one. There are important differences between the income stream from index linked gilts and that from index linked ground rents, which were referred to at the hearing.

44. Firstly, there is the fact that the income from gilts is paid without any action having to be taken by the investor whereas there are costs incurred in the collection of rents. The landlord must send a written demand for rent. In practice, where a rent is fixed for a long period it may be possible to arrange for tenants to pay by standing order so that annual demands are not actually sent but this cannot apply where the amount of rent varies each year. Every

year somebody will have to refer to the relevant index table, calculate the new rent and send out a demand for it, this is not a particularly onerous task but neither is it cost free. We accept Mr Perry's point that on small amounts of rent, such as these, the cost of administration will be a significant proportion of the rental income. Mr Mann referred to future levels of rent as a result of indexation but, as Mr Perry pointed out, the costs are likely to rise in line with inflation also.

45. Secondly, there is the fact that the income from gilts is received half-yearly whereas the rent is received annually. This adds value. The gilts investor has the benefit of 50% of his income received 6 months earlier each year.

46. Thirdly, there is the risk factor associated with rents as opposed to gilts. We do not accept Mr Bridger's contention that risk is factored in to his figures to a large extent. With gilts, there is no risk of non payment or of arrears accumulating over a period. If a tenant fails to pay his rent on time further expenditure will be incurred in collection and if payment ceases the courses open to the landlord are subject to delay and considerable expense.

47. Fourthly, there is the question of liquidity. By comparison with investments in gilts, which can be sold quickly and inexpensively, it is much more expensive and time consuming to dispose of property investments. Also, the value of a property investment is more volatile. An investor in rented property would seek a higher return to compensate for these factors.

48. We accept that the Net Discount Rate of 2.2% arrived at by Mr Bridger is a useful starting point but we must ascertain what adjustments need to be made to it in order to reflect these differences. Although we have referred to the fact that *Sportelli* specifically did not refer to capitalisation rates, it seems to us that the approach adopted by the Lands Tribunal in considering the individual elements of the deferment rate is an appropriate approach for us to take in these cases.

49. We consider that the Net Discount Rate equates to the risk free rate, taking into account future growth, and that this must be adjusted by addition of an appropriate risk premium. The components of volatility and illiquidity in relation to a rental investment are similar to those in relation to long reversions but not identical. In a rental investment the investor has the immediate benefit of an income return on his investment and so the risk premium would be lower.

50. Using the risk premium of 4.5% adopted by the Lands Tribunal in *Sportelli* as a starting point, we consider that an adjustment of 3% would be appropriate in this case. Adding this to the 2.2% Net Discount Rate, gives a yield of 5.2%, which accords with the *Mansal Securities* case and *7 Loudon Road*, both of which indicate a yield of less than 6%. We conclude that 5.2% is an appropriate yield for the capitalisation of the annually index linked rental income.

B. Relativity

51. Here again, the valuers have found no market evidence for unexpired terms so close to 80 years. They agree that these are the first lease extensions on this block.

Mr Perry's Evidence

52. Mr Perry stated that in the absence of any evidence to the contrary LVTs are encouraged to use the relativity graph produced by the Leasehold Advisory Service, which he appends to his statement. He asserted that this indicates a relativity for a lease of this length of approximately 97.5%. This is not disputed by Mr Mann. Mr Perry went on to conclude that it should be no less than 95%. He referred to a London LVT decision in respect of Dorland Court Limited where a relativity of 94% was applied to a lease with 78.14 years unexpired and a Midland LVT case with escalating ground rents where an uplift of 7.5% was applied with 64 years unexpired.

53. He contended that relativity is used to calculate the amount that a purchaser would pay for an additional 90 years on a lease at a peppercorn rent. Compensation for loss of ground rent has already been accounted for in the capitalisation of the ground rent. He added that the difference between the existing leasehold interest and the extended lease cannot by definition be any less than the difference between the capitalised value of the existing ground rent and the deferred value of the property with its extended lease.

54. Mr Perry was asked if had considered other graphs. He said that Mr Mann had referred to the Becket and Kaye graph but "*the lines were all over the place*". He had moved from 97.5% to 95% because of the onerous ground rent. He considers that 5% difference is the maximum and hopes that the Tribunal will determine a higher percentage than 95.

55. He was asked if the onerous ground rent did not make a larger difference between the value of the leaseholder's interest before and after the lease extension. He agreed that in an academic world it does but flat buyers are not that sophisticated. He did not think that the value of a flat with a fixed ground rent would be higher than one with annual rent increases; he did not think that flat buyers looked at the ground rent. In the sales market it was rare to know what the ground rent is. He said that since HIPs were introduced only five purchasers through his firm have asked to see one. He accepted that a buyer's solicitor would be likely to point out the escalating ground rent provision.

56. In summary, he expressed the view that nobody in the market would pay more than 5% for the differential.

Mr Mann's Evidence

57. Mr Mann said that he had seen the relativity graph for LVT decisions 1994-2007 in which, for nearly 80 years remaining, the relativity usually varies between 94% and 98%. He considers that the onerous nature of the ground rent must produce a significant increase in value when it is bought out.

58. He referred to the 7 *Loudon Road* decision where the freehold value was assessed at £4,464,140 and the tenant's current interest at £2,241,482 .

59. He proposes a relativity of 88%. As an illustration he produced (at paragraph 5.4.5) valuations of a 2 bedroomed flat with index linked ground rent and one

with £100 ground rent rising in 33 year steps, as follows (with figures corrected at the hearing) –

2 Bed flat with i/l ground rent Current value £150,000	2 bed flat with ground rent £100 rising Current value £154,600
	At 95% relativity extended lease value £162,736
Extended lease value must be same @ £162,736 Therefore relativity is 92%	

60. In summary, he said that because of the eventual effect that the rent provisions have on the relativity, there should be a significant difference between the extended lease value and the current lease value.

61. He added that the last flat to be sold on the development, in 1989, was at a peppercorn rent and there was a difference in price of around 2%. Mr Perry countered that in 1989 the market was going through the floor. If one took the 2% due to the rent from the 97.5% on normal rents that would give relativity of 95.5%.

The Tribunal's Decision

62. In *Arrowdell Limited and Coniston Court (North) Hove Limited* LRA/72/2005, the Lands Tribunal referred to the difficulty in reaching a satisfactory conclusion on relativity in the light of the inadequacy of the available evidence and considered that graphs of relativity are capable of providing the most useful evidence. It did not recommend any one graph (although it expressed the hope that the RICS might be able to produce standard graphs). The only graph before us is that produced by Mr Perry and we accept the principle expressed by both valuers that the relativity in these cases must be lower because of the onerous rent provisions.

63. The sale of the last flat at a peppercorn rent is of limited assistance because the price may have been distorted by the market conditions prevailing in 1989.

64. The *7 Loudon Road* decision is also of limited assistance. The rent review provision in that case was very different and the calculation was in a different format.

65. We do not accept that the rent review provisions make no difference in value in the market. A purchaser's solicitor would undoubtedly draw attention to the rent review provision in these leases. We cannot believe that an informed purchaser would not pay less for a flat with index linked annual rent increases than for a flat with a fixed rent or conventional rent increases. We accept Mr Mann's assertion that the onerous nature of the ground rent must produce a significant increase in value when it is bought out.

66. As to the other points made by Mr Perry, Schedule 13 para.4 clearly defines the elements of marriage value, and the two relevant elements are "*the value of the tenant under his existing lease*" and "*the value of the interest to be held by the tenant under the new lease*". The relativity will therefore be affected by the onerous ground rent in the existing lease.

67. Mr Mann's method of assessing the relativity, set out in his paragraph 5.4.5, was not disputed by Mr Perry and we accept it as a useful method of assessing the relativity, subject to some amendments to the figures used. Firstly, the value of the current interest in the index linked rent must be calculated on a Net Discount rate of 1.4% - our yield of 5.2% minus 3.8% inflation. Secondly, we consider that the current value of a stepped rent must be recalculated using a yield of 6%, which is the yield used by the LVT and Lands Tribunal in *Mansal Securities.* Thirdly, the correct relativity to use on the stepped rent is 97.5% because Mr Perry had moved from there to 95% on the index linked rent to take account of its onerous nature.

The value of the index linked rent is therefore –

Current rent	£205.93	
YP (extrapolated from Mr Bridger's figures)	x 48.57	= £10,002

The value of the stepped rent is –

Rent for 14 years	£100		
@ 6%	x 9.295	=	£ 929
Rent for 33 years	£200		
YP 33 ys. @ 6%	x14.2302		
Deferred 14 ys. @ 6%	x 0.4423	=	£1,259
Rent for 33 years	£300		
YP 33 ys @ 6%	x14.2302		
Deferred 47 ys @ 6%	x 0.0647	=	£ 276
			£2,464

68. Mr Mann's calculation then becomes –

2 Bed flat with i/l ground rent	2 bed flat with stepped ground rent £100
Current value £150,000	Current Value £150,000+ (£10,002 - £2,464) = £157,538
	At 97.5% relativity extended lease value = £161,577
Extended lease value must be same £161,577	

Therefore relativity is 92.835% which we round down to 92.8%

This relativity produces extended lease values of –

Flat 2	£162,715	say £162,700
Flat 4	£161,637	say £161,600
Flat 12	£134,698	say £134,700
Flat 16	£134,698	say £134,700

69. Our calculations of the premiums, using the above figures, are appended hereto. We have adopted an unexpired term of 80 years for calculation purposes.

Costs

70. No evidence was presented by either party in respect of costs. Mr Perry said that he would need to see details of the work undertaken and the hourly rates for fee earners. Under the circumstances, we cannot properly determine the issue of costs and leave is given to the parties to refer that issue back to us for determination if they cannot reach agreement. Any such reference must be made by 7 August 2009. Thereafter, this case will be recorded as having been concluded. The parties must notify the Tribunal office of they reach agreement in the meantime.

Signed: **Date:** 22 May 2009

D S Brown FRICS MCIArb (Chair)

APPENDIX – THE TRIBUNAL'S VALUATIONS

Flat 2

Matters Agreed

Valuation date	29 June 2008
Ground rent @ 1 April 2008	£205.93
Unexpired term	79.77 years, say 80 years
Deferment rate	5%
OMV with current lease	£151,000

Matters determined by Tribunal

Years purchase figure	5.20%
Relativity percentage	92.8%

1. Value of F/H Interest

G.R payable	£205.93		
Y.P @ 5.2% for 80 yrs.	x18.9032	£3,893	
Reversion to	£162,700		
deferred 80 yrs. @ 5%	x0.020177	£3,283	£7,176

2. Marriage Value

OMV with extended lease		£162,700	
Less			
Existing lease value	£151,000		
Less F/H value	£ 7,176	(£158,176)	
		£ 4,524	
50% of MV			£2,262
Premium payable			**£9,438**

Flat 12

Matters agreed

Valuation date	11 July 2008
Ground rent @ 1 April 2008	£163.13
Unexpired term	79.72 years say 80 years
Deferment rate	5%
OMV with current lease	£125,000

Matters determined by Tribunal

Years purchase figure	5.20%
Relativity percentage	92.8%

1. Value of F/H interest

G.R payable	£163.13		
Y.P @ 5.2% for 80 yrs.	x18.9032	£3,084	
Reversion to	£134,700		
deferred 80 yrs @ 5%	x0.020177	£2,718	
			£5,802

2. Marriage value

OMV with extended lease		£134,700	
Less			
Existing lease value	£125,000		
F/H value	£ 5,802	(£130,802)	
		£ 3,898	
50% of MV			£1,949
Premium payable			**£7,751**

Flat 16

Matters agreed

Valuation date	25 July 2008
Ground rent @ 1 April 2008	£163.13
Unexpired term	79.68 years say 80 years
Deferment rate	5%
OMV with current lease	£125,000

Matters determined by Tribunal

Years purchase figure	5.20%
Relativity percentage	92.8%

1. Value of F/H interest

G.R payable	£163.13		
Y.P @ 5.2% for 80 yrs.	x 18.9032	£3,084	
Reversion to	£134,700		
deferred 80 yrs @ 5%	x0.020177	£2,718	
			£5,802

2. Marriage value

OMV with extended lease		£134,700	
Less			
Existing lease value	£125,000		
F/H value	£ 5,802	(£130,802)	
		£ 3,898	
50% of MV			£1,949

Premium payable	**£7,751**