

2813



**FIRST-TIER TRIBUNAL
PROPERTY CHAMBER
(RESIDENTIAL PROPERTY)**

Case Reference : LON/00AE/OLR/2013/1285

Property : 29 Huddleston Road London
NW2 5DL

Applicant : Roger Paul Leon

Representative : Messrs Philip Ross solicitors

Respondent : Mr Mohammed Azad Khan

Representative : Not represented

Type of Application : For the determination of the
premium payable on a leasehold
extension

Tribunal Members : Judge Peter Leighton LLB
Mr L Jarero BSc FRICS

**Date and venue of
Hearing** : 10 Alfred Place, London WC1E 7LR

Date of Decision : 20th November 2013

DECISION

Introduction

- 1 The tribunal is required to assess the value of the premium payable for a lease extension of the property known as First floor maisonette 29 Huddleston Road London NW2 5DL by Mr Roger Paul Leon the lessee of the property pursuant to Section 48 of the Leasehold Reform (Housing and Urban Development Act) 1993 "the Act"
- 2 The Applicant holds a lease of 99 years from 1976 with 61.74 years unexpired at a ground rent of £25 years for the first 33 years, £50 for the next 33 years and £75 for the remainder of the term.
- 3 The lease of the first floor was acquired in 1997 and the lease of the ground floor maisonette was originally leased to Mrs Dodds and the remainder of that lease was assigned to the Applicant in June 2012.
- 4 A notice was served on 9th April 2013 in respect of the property and no counter notice was served. It was subsequently discovered that the landlord could not be traced.
- 5 A vesting order was made by Central London County Court on 18th September 2013 and the matter remitted to the tribunal for assessment of the premium payable.
- 6 There has been submitted to the tribunal a valuation report from Mr Andrew Balcome BSc FRICS FCI Arb dated 30th October 2013

The Evidence

- 7 As the proceedings in the county court were issued on 28th June 2013, that is the valuation date as prescribed by Section 51 of the Act
- 8 The property is situated in Willesden with Hampstead Village to the east and Wembley to the west. It is situated in a residential street off Willesden High Road.
- 9 It is a two story mid Victorian property which at some stage in the past was converted into flats. There is a single front door with a corridor leading to doors to the ground floor and first floor dwellings. On the first floor landing there are two further doors leading to separate flats. One is a first floor flat and the other a split level flat on the first and second floors.
- 10 The first floor flat consists of one bedroom, a kitchen reception and a bathroom. The split level flat consists of a bedroom and bathroom on the first floor and a reception room and kitchen on the second floor. The tribunal did not inspect the property but has taken the description from Mr Balcome's report with the accompanying photograph of the exterior and plans together with the leases.
- 11 Mr Balcome has considered 5 properties in the area in Huddleston Road and Deacon Road
- 12 His comparables were as follows:-
 - (a) 39a Huddleston Road (a 2 bed ground floor flat) sold in April 2010 for £293,000

- (b) 24 Huddleston Road (a 2 bed ground floor flat) sold in September 2012 for £335,000
- (c) 6 Lechmere Road (a 3 bed flat on two floors) sold in August 2012 for £303,000
- (d) 20 Deacon Road a 3 bedroom first floor flat sold on January 2013 for £290,000
- (e) 41b Deacon Road (a 3 bed flat in an end of terrace property) sold in July 2013 for £340,000 after having been refurbished.
- 13 From these comparables he assesses the value of the extended lease at £320,000. To this he adds a development value of £20,000 to take account of the two flats to arrive at £340,000 and an uplift of 1% to arrive a freehold value of £343,435. This development value is based on the difference between his valuation of two one bedroom flats at £250,000 each and his valuation of the property as a three bedroom flat. He has then deducted the development costs and then divided the profit between the landlord and the tenant and then deducted a further sum from the tenant's share to reflect the costs of planning permission and other risk factors.
- 14 The valuer has taken a relativity of 85% for the value of the existing lease, a 5% deferment value in accordance with the guidance of the Upper tribunal in **Sportelli** and a capitalisation rate of 6.5%
- 15 Applying these figures to the valuation he has arrived at a figure of £33,000 for the premium. As this is a missing landlord case the evidence is unopposed.

The tribunal's decision

- 16 The tribunal has noted in the report that the properties in Deacon Road are generally inferior to those in Huddleston Road and it seems odd to the tribunal that the valuer should have taken a figure of £320,000 at the valuation date in view of the comparables given.
- 17 The difficult question in this case is the formulation of the development value. The tribunal has some doubts as to whether the approach adopted by Mr Balcome is correct and further whether the adjustments he has made are justified.
- 18 Mr Balcome has decided that the valuation of two one bedroom flats as against a three bedroom flat would be £500,000 namely £250,000 each. The tribunal is of the opinion that that figure is on the low side but as there has been no oral hearing and it is not contested this figure will be accepted.
- 19 The tribunal is not persuaded that if the tenant is required to carry all the risks of development he would allow the landlord 50% of the enhanced development value. In the absence of detailed evidence at an oral hearing, however, these figures are to a certain extent speculative.
- 20 In the event the tribunal has decided with some reservation to accept the valuer's assessment of development value in the sum

of £20,000 which will be added to the figure of £350,000 to give the extended lease value

- 21 Applying that figure to the existing lease value and accepting the deferment rate, relativity and capitalisation rates as put forward by Mr Balcome the tribunal has arrived at a premium of £35,831... A copy of the valuation is appended hereto.

Name: Peter Leighton

Date: 20th November 2013

Leasehold Valuation Tribunal

Ref: OO/LON/00AE/OLR/2013/1285

Valuation of First Floor Flat 29 Huddleston Road London NW2 5DL

99 year lease from 25 March 1976

Valuation date	28 June 2013
Length of lease remaining	61.74 yrs
Ground rent for 1st 33 years	£50
Ground rent for 2nd 33 years	£75
Ground rent for remainder	£100
Long lease value	£370,000
Freehold value of flat	£373,737
Existing lease value	£317,676
Relativity	85%
Capitalisation rate	6.5%
Deferment rate	5%

Value of freeholder's present interest

Ground rent	£75	
YP 28.74 yrs @ 6.5%	12.8666	£965
Reversion to new ground rent	£100	
YP 33 yrs @ 6.5%	13.4591	
PV of £1 deferred 28.74 years	0.1637	£220
Reversion to freehold value	£373,737	
Deferred 61.74 years at 5%	0.0492	<u>£18,380</u>
Freeholder's present interest		<u>£19,566</u>

Freeholders Interest after grant of long lease

Ground rent	£0	
Reversion to freehold value	£373,737	
Deferred 151.74 years at 5%	0.0006092	<u>£228</u>

Freeholder's loss

£19,338

Calculation of marriage value

Value of property after grant of long lease

Freeholder's interest	£228	
Tenant's interest	<u>£370,000</u>	£370,228

Value of existing interests

Freeholder's interest from above	£19,566	
Tenant's interest	<u>£317,676</u>	£337,242
Marriage value		£32,986
Marriage value to be divided equally between freeholder and tenant		<u>£16,493</u>

Premium payable to freeholder

£35,831

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