

LONDON RENT ASSESSMENT PANEL

**DECISION OF THE LEASEHOLD VALUATION TRIBUNAL ON AN APPLICATION
UNDER THE LEASEHOLD REFORM, HOUSING AND URBAN DEVELOPMENT
ACT 1993, SECTION 27**

Case Reference: LON/00AP/OCE/2012/0235

Premises: 10 Etherley Road N15 3AJ

**Applicants: Ravi Prakash Mahadevan (1) Mirela Liliana
Matei (2) Goldmount Limited (3)**

Respondent: Mr Alan Lockheart

**Leasehold Valuation
Tribunal: Mr M Martynski (Solicitor)
Mr D Jagger MRICS**

Date of hearing: 5 March 2013

**Representatives: Mr C Rickard FRICS (Applicants' valuer)
Ms M Shah (Applicants' solicitor)**

Date of decision: 26 March 2013

Decision summary

1. The sum payable by the Applicants to the Respondent in respect of the freehold reversion is £29,987.
2. As to the valuation issues the Tribunal concludes that:-
 - (a) the appropriate Capitalisation Rate is 7%
 - (b) the appropriate Deferment Rate is 5.25%
 - (c) the Relativity is 92.27%
 - (d) the combined long leasehold value is £532,000

Background

3. The subject building is a Victorian double-fronted, two-storey terraced house converted into three flats. There are two one-bedroomed flats (A & B) on the ground floor (each with a portion of the rear garden). It is important to note that Flat B does not have central heating. There is a further (described as) two-bedroomed flat on the first floor (flat C). The first floor flat has the benefit of the roof space which forms two further attic rooms, both of these rooms have original windows looking out to the road and there is therefore natural light to both these areas.
4. The building is in poor external and internal (common parts) decorative condition.
5. As to the leases for the individual flats, they each run from 24 June 1982 for 99 years. The rents under each lease start from £50 and then rise each 33 years to £100 and then £200.

The procedural background

6. The matter comes to the Tribunal by way of an order made by D.J. Silverman in the Edmonton County Court 28 March 2012. The order provides that the freehold interest of the subject building is to be vested in the Applicants and that the conveyance to give effect to the transfer of the freehold is to be approved by this Tribunal and that this Tribunal is also to determine the amount to be paid into court in consideration of the transfer of the freehold interest.

The hearing and inspection

7. The Tribunal heard from the Applicants' Valuer (Mr Rickard) and their Solicitor (Ms Shah) in an oral hearing. The Tribunal also had Mr Rickard's valuation report dated 25 February 2013.
8. The Tribunal carried out an inspection after the hearing. The Tribunal was able to inspect the exterior of the subject building and the interior of the first floor flat and flat A on the ground floor. The Tribunal also inspected the front exterior of number 43 Abbotsford Road, a comparable relied upon by Mr Rickard.

The value of the reversionary interest – evidence and the Tribunal's decisions.

9. Mr Rickard argued for a valuation on the following basis:

Long leasehold values (unimproved):	£150,000 (flat A)
	£147,000 (flat B)
	£220,000 (flat C)
Relativity:	91%

Capitalisation Rate:	7%
Deferment:	5.25%

He concluded that the price payable for the freehold interest should be £32,325.

Long leasehold value

First floor flat

10. Mr Rickard gave the first floor flat a value of £220,000. He relied upon two comparables. The first is a first floor flat in Abbotsford Road which runs parallel to Etherley Road. This flat is contained within a seemingly well maintained Edwardian double fronted property and is smaller than the subject flat. It is currently under offer at £285,000.
11. The other comparable for the first floor flat relied upon by Mr Rickard is at 63 Grove Road. This property is a purpose built maisonette. As it is such a different style of building, the Tribunal did not consider it to be properly comparable.
12. Mr Rickard did not explain, to the Tribunal's satisfaction, either in his report or at the hearing, how, in the light of his comparables, he arrived at a value of £220,000. The Tribunal briefly considered (and drew to Mr Rickard's attention) to various listings on the Zoopla website showing that as at the date of the hearing, the range of values for two-bedroomed properties in the locality appeared to be well above £220,000.
13. The Tribunal discussed with Mr Rickard the value of the roof space for the first floor flat. The Tribunal was of the opinion that this roof space was useable as an additional space as it stood and that it also had development potential. Mr Rickard did not consider that there was any additional value in this roof space.
14. Upon inspecting the rear elevation of the subject building after the hearing, the Tribunal noticed that the next door property (on the left when standing in the garden looking at the rear of the subject building), which had exactly the same original roof space design, had been substantially developed to the rear of the roof so as to create a very large living area at attic level.
15. In valuing the first floor flat, the Tribunal took as its starting point the comparable at Abbotsford Road. Although that property was smaller, it had advantages over the subject flat in that it was; (a) in a slightly better location; (b) in a more attractive and better maintained building, and; (c) had a light and airy layout (in contrast to the subject flat). This made this flat, in the Tribunal's view, a good comparable for the subject flat.
16. The Tribunal took the asking price of £285,000 and made the following adjustments;

- (a) A reduced value of £275,000 given that the asking price of £285,000 appeared to be above the upper value parameter for two-bedroomed flats in the locality and as an adjustment for time
- (b) A reduction of £10,000 for the garden
- (c) A reduction of £30,000 given the very poor external and internal (common parts) condition of the subject building
- (d) A reduction of £10,000 for the better location and 'kerb appeal'

Thus the Tribunal arrived at an adjusted figure of £225,000. To this figure the Tribunal added;

- (e) The value of the additional roof space - valued at £5,000
- (f) The possible development of that roof space – valued at £5,000.

The Tribunal arrived at a final figure of £235,000 for the long leasehold interest of the first floor flat.

Ground floor flats

- 17. As to the flats on the ground floor, the Tribunal accepts the values as set out by Mr Rickard for the reasons given in his report.

Relativity

- 18. Mr Rickard relied upon the Nesbitt graph. He explained his reliance on this graph in his report as follows;-

....I find that reading numerous Tribunal decisions, the majority of relativity percentages used would seem to be the same as the Nesbitt Graph.

- 19. The Tribunal is unable to follow this reasoning. If one looks at the Graph of Graphs produced by Beckett & Kay (producing a figure of 92.8%) and the graphs produced by Nesbitt (producing a figure of 91%) and South Eastern Leasehold (producing a figure of 93%) which the Tribunal considers to be the most appropriate graphs for the subject flats¹ on the question of relativity, the figure relied upon by Mr Rickard a lease with an unexpired term of just over 70 years is too low.
- 20. The Tribunal prefers the figure of 92.27% for relativity which it derives as an average of the Graphs referred to above.

Capitalisation and deferment

- 21. The Tribunal agrees with Mr Rickard's capitalisation rate of 7% as a figure commonly agreed between valuers for such low rents. As to deferment, the figure of 5.25% is in line with the relevant legal authorities given that we are dealing with flats which have potential management burdens.

¹ The other usual graphs relied upon relate to Prime Central London and the coast

Transfer

22. The form of transfer provided by the Applicant's solicitors is approved as per the copy attached.



Mark Martynski
Tribunal Chairman
26 March 2013

10C Etherley Road , London N15 3AJ

APPENDIX A

The Tribunal's Valuation

Assessment of purchase price for the freehold interest

In accordance with Schedule 6, Leasehold Reform, Housing and Urban Development Act 1993

LON/00AP/OCE/2012/0235

Components

Valuation date:	6 th March 2012		
Yield for ground rent:	7%		
Deferment rate:	5.25%		
Long lease value	£235,000		
Existing leasehold value	£216,834		
Relativity	92.27 %		
Unexpired Term	70.25 years		
Ground rent currently receivable	£50		
Capitalised @ 7% for 2.75 years	2.425	£121	
Rising to:	£100		
Capitalised @ 7% for 33 years	12.753		
Deferred 2.75 years @ 7%	0.830	£1058	
Rising to:	£200		
Capitalised @ 7% for 33 years	12.753		
Deferred 35.75 years @ 7%	0.089	<u>£227</u>	
		£1,406	
Reversion to:	£235,000		
Deferred 70.25 years @5.25%	0.0275	<u>£6463</u>	
		£7,869	
Marriage Value			
Extended leasehold interest	£235,000		
Landlord's existing value	£7,869		
Existing leasehold value	£216,834	£224,703	
		£10,297	
Freeholders share @ 50%			£5,148

LEASE EXTENSION PREMIUM

£13,017

Transfer

22. The form of transfer provided by the Applicant's solicitors is approved as per the copy attached.



Mark Martynski
Tribunal Chairman
26 March 2013

10A Etherley Road , London N15 3AJ

APPENDIX B

The Tribunal's Valuation

Assessment of purchase price for the freehold interest

In accordance with Schedule 6, Leasehold Reform, Housing and Urban Development Act 1993

LON/00AP/0CE/2012/0235

Components

Valuation date:	6 th March 2012	
Yield for ground rent:	7%	
Deferment rate:	5.25%	
Long lease value	£150,000	
Existing leasehold value	£138,405	
Relativity	92.27 %	
Unexpired Term	70.25 years	
Ground rent currently receivable	£50	
Capitalised @ 7% for 2.75 years	2.425	£121
Rising to:	£100	
Capitalised @ 7% for 33 years	12.753	
Deferred 2.75 years @ 7%	0.830	£1058
Rising to:	£200	
Capitalised @ 7% for 33 years	12.753	
Deferred 35.75 years @ 7%	0.089	<u>£227</u>
		£1,406
Reversion to:	£150,000	
Deferred 70.25 years @5.25%	0.0275	<u>£4,125</u>
		£5,531
Marriage Value		
Extended leasehold interest	£150,000	
Landlord's existing value	£5,531	
Existing leasehold value	£138,405	£143,936
		£6,064
Freeholders share @ 50%		£3,032

LEASE EXTENSION PREMIUM

£8,563

10B Etherley Road , London N15 3AJ

APPENDIX C

The Tribunal's Valuation

Assessment of purchase price for the freehold interest

In accordance with Schedule 6, Leasehold Reform, Housing and Urban Development Act 1993

LON/00AP/OCE/2012/0235

Components

Valuation date:	6 th March 2012
Yield for ground rent:	7%
Deferment rate:	5.25%
Long lease value	£147,000
Existing leasehold value	£135,636
Relativity	92.27 %
Unexpired Term	70.25 years

Ground rent currently receivable	£50	
Capitalised @ 7% for 2.75 years	2.425	£121
Rising to:	£100	
Capitalised @ 7% for 33 years	12.753	
Deferred 2.75 years @ 7%	0.830	£1058
Rising to:	£200	
Capitalised @ 7% for 33 years	12.753	
Deferred 35.75 years @ 7%	0.089	<u>£227</u>
		£1,406
Reversion to:	£147,000	
Deferred 70.25 years @5.25%	0.0275	<u>£4,043</u>
		£5449

Marriage Value

Extended leasehold interest	£147,000	
Landlord's existing value	£5,449	
Existing leasehold value	£135,636	£141,085
	£5,915	
Freeholders share @ 50%		£2,958

LEASE EXTENSION PREMIUM

£8,407

10A Etherley Road , London N15 3AJ

APPENDIX B

The Tribunal's Valuation

Assessment of purchase price for the freehold interest

In accordance with Schedule 6, Leasehold Reform, Housing and Urban Development Act 1993

LON/00AP/OCE/2012/0235

Components

Valuation date:	6 th March 2012	
Yield for ground rent:	7%	
Deferment rate:	5.25%	
Long lease value	£150,000	
Existing leasehold value	£138,405	
Relativity	92.27 %	
Unexpired Term	70.25 years	
Ground rent currently receivable	£50	
Capitalised @ 7% for 2.75 years	2.425	£121
Rising to:	£100	
Capitalised @ 7% for 33 years	12.753	
Deferred 2.75 years @ 7%	0.830	£1058
Rising to:	£200	
Capitalised @ 7% for 33 years	12.753	
Deferred 35.75 years @ 7%	0.089	<u>£227</u>
		£1,406
Reversion to:	£150,000	
Deferred 70.25 years @5.25%	0.0275	<u>£4,125</u>
		£5,531
Marriage Value		
Extended leasehold interest	£150,000	
Landlord's existing value	£5,531	
Existing leasehold value	£138,405	£143,936
		£6,064
Freeholders share @ 50%		£3,032

LEASE EXTENSION PREMIUM

£8,563

Land Registry
Transfer of whole of registered title(s)

TR1

If you need more room than is provided for in a panel, and your software allows, you can expand any panel in the form. Alternatively use continuation sheet CS and attach it to this form.

Leave blank if not yet registered.

Insert address including postcode (if any) or other description of the property, for example 'land adjoining 2 Acacia Avenue'.

Give full name(s).

Complete as appropriate where the transferor is a company.

Give full name(s).

Complete as appropriate where the transferee is a company. Also, for an overseas company, unless an arrangement with Land Registry exists, lodge either a certificate in Form 7 in Schedule 3 to the Land Registration Rules 2003 or a certified copy of the constitution in English or Welsh, or other evidence permitted by rule 183 of the Land Registration Rules 2003.

Each transferee may give up to three addresses for service, one of which must be a postal address whether or not in the UK (including the postcode, if any). The others can be any combination of a postal address, a UK DX box number or an electronic address.

Place 'X' in the appropriate box. State the currency unit if other than sterling. If none of the boxes apply, insert an appropriate memorandum in panel 11.

	1 Title number(s) of the property: MX434138
	2 Property: 10 Etherley Road, Tottenham, London N15
	3 Date:
	4 Transferor: <u>For UK incorporated companies/LLPs</u> Registered number of company or limited liability partnership including any prefix: <u>For overseas companies</u> (a) Territory of incorporation: (b) Registered number in England and Wales including any prefix:
	5 Transferee for entry in the register: RAVI PRAKASH MAHADEVAN MIRELA LILIANA MATEI GOLDMOUNT LIMITED <u>For UK incorporated companies/LLPs</u> Registered number of company or limited liability partnership including any prefix: <u>For overseas companies</u> (a) Territory of incorporation: (b) Registered number in England and Wales including any prefix:
	6 Transferee's intended address(es) for service for entry in the register: 10C Etherley Road, Tottenham, London N15 3AJ 10B Etherley Road, Tottenham, London N15 3AJ 400/402 West Green Road, London N15 3PX
	7 The transferor transfers the property to the transferee
	8 Consideration <input type="checkbox"/> The transferor has received from the transferee for the property the following sum (in words and figures): <input type="checkbox"/> The transfer is not for money or anything that has a monetary value <input type="checkbox"/> Insert other receipt as appropriate:

Place 'X' in any box that applies.

Add any modifications.

Where the transferee is more than one person, place 'X' in the appropriate box.

Complete as necessary.

Insert here any required or permitted statement, certificate or application and any agreed covenants, declarations and so on.

9 The transferor transfers with

- full title guarantee
- limited title guarantee

10 Declaration of trust. The transferee is more than one person and

- they are to hold the property on trust for themselves as joint tenants
- they are to hold the property on trust for themselves as tenants in common in equal shares
- they are to hold the property on trust:

11 Additional provisions

12 Execution

Executed as a Deed by
The District Judge of
Edmonton County Court
Case No.

In the presence of:

Witness:

Name:

Address:

Occupation:

Executed as a Deed by
RAVI PRAKASH MAHADEVAN
In the presence of:

Witness:

Name:

Address:

Occupation:

Executed as a Deed by
MIRELA LILIANA MATEI
In the presence of:

Witness:

Name:

Address:

Occupation:

**DETERMINATION UNDER THE LEASEHOLD REFORM, HOUSING AND
URBAN DEVELOPMENT ACT 1993**

Case Reference: LON/00AC/OCE/2013/0048

Premises: 34 Lichfield Grove, Finchley, London N3 2JP

Applicants: Ms N Patel
Ms M Sachedina
Ms C Smith

Representative: OGR Stock Denton LLP

Respondent: Mr KD Hamedani

**Leasehold Valuation
Tribunal:** Mr NK Nicol
Mrs E Flint FRICS

Date of decision: 9th April 2013

1. By an order dated 18th February 2013, Deputy District Judge Shaw, sitting at Barnet County Court, provided for the Tribunal to determine the premium for the collective enfranchisement of the freehold of the subject property under the Leasehold Reform, Housing and Urban Development Act 1993. The Respondent landlord is absent and cannot be found.
2. The subject property is a three-storey semi-detached period building with a flat on each floor. Each Applicant holds a lease for 99 years from 25th March 1974 so that there are 60.34 years unexpired as at the date of valuation, 22nd November 2012, being the date of the Applicants' Initial Notice.
3. In accordance with the Tribunal's directions, the Applicants' solicitors provided a bundle of relevant documents for the Tribunal to determine the relevant issues on the papers.

4. Schedule 6 to the Act provides that the price to be paid by the nominee purchaser for the freehold interest shall be the aggregate of the value of the freeholder's interest, the freeholder's share of the marriage value, and compensation for any other loss.
5. The value of the freehold interest is the amount which at the valuation date that interest might be expected to realise if sold in the open market subject to the leases by a willing seller (with the nominee purchaser, or a tenant of premises within the specified premises or an owner of an interest in the premises, not buying or seeking to buy) on the assumption that the lessees have no rights under the Act either to acquire the freehold interest or to acquire a new lease.
6. Paragraph 4 of the Schedule, as amended, provides that the freeholder's share of the marriage value is to be 50%, and that any marriage value is to be ignored where the unexpired term of the lease exceeds eighty years at the valuation date. Paragraph 5 of the Schedule provides for the payment of compensation for other loss resulting from the enfranchisement.
7. The Applicants rely on the expert opinion of Mr JD Miller DipSurvPrac. He provided an initial valuation report for the Applicants on 25th August 2011. This needed to be updated following the service of the Initial Notice and the county court order and he provided a further report on 19th March 2013. In the light of the material provided, the Tribunal accepts his assessment. His calculation is attached as the Appendix to this decision.
8. The Tribunal therefore determines that the amount of the premium is £71,684 in accordance with the calculation set out in the Appendix to this decision.

Name: *N.K. Neal*

Date: 9th April 2013

P116

Paragraph 2(a): the value of the landlord(s)' current interest				
INCOME				
current ground rent capitalised at	7.00% for	27.34 yrs:	£200 12.0386024	£2,408
			£2,408	
rising to capitalised at	7.00% for	33.00 yrs:	£300 12.75371907	£3,010
deferred at	7.00% for	27.34 yrs:	0.157297832	
			£602	
			£602	
			£3,010	
REVERSION				
calculated by reference to the aggregate freehold value:			£660,000	£34,758
deferred at	5.00% for	60.34 yrs:	0.052663102	
			£34,758	
Paragraph 2(b): the freeholder's share of marriage value				
aggregate freehold values			£660,000	£33,916
Less value of existing lease at:	84.00% of freehold value		-£554,400	
Less value of landlords current interests			-£37,767	
Marriage Value:			£67,833	
50% of Marriage Value:			£33,916	
Paragraph 2(c): other compensation payable to the landlord				£0
TOTAL PAYABLE:				£71,684

1st rent increase 25/03/2040
Lease Expiry Date: 25/03/2073

current grd rent payable for 27.34 yrs
1st review rent payable for 33.00 yrs
Lease Expiry: 60.34 yrs

	l/g flat	r/g flat	1st floor	TOTAL
current ground rent	£100	£50	£50	£200
Rising to:	£150	£75	£75	£300
freehold value	£225,000	£215,000	£220,000	£660,000
existing lease value	84.00%			
Capitalisation Rate:	7.00%			
deferment rate	5.00%			
Date of Valuation:	22/11/2012			