



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

Case reference : **LON/00BH/OCE/2014/0123**

Property : **15 & 16 Renness Road,
Walthamstow, London, E17 6EX**

Applicant : **15 & 16 Renness Road Management
Co Ltd**

Representative : **Storrar Cowdry, Solicitors**

Respondent : **Mr Nicholas Skinner**

Representative : **N/A**

Type of application : **Section 26 of the Leasehold
Reform, Housing & Urban
Development Act 1993**

Tribunal member(s) : **Judge I Mohabir
Mr S Shaw FRICS**

**Date and venue of
hearing** : **17 June 2014 at 10 Alfred Place,
London WC1E 7LR**

Date of decision : **17 June 2014**

DECISION

Introduction

1. The Applicant, is the nominee purchaser. The two members of the Applicant company are Karen Hill and John George Agatthochi who are respectively the long leaseholders of the upper flat and ground floor maisonette at the premises known as 15 & 16 Rennes Road, Walthamstow, London, E17 6EX ("the property").
2. The Respondent is the landlord and freeholder.
3. By a claim form issued on 24 December 2013 under action number 3BO04065 in the Bow County Court the Applicant sought dispensation under section 26 of the Leasehold Reform, Housing and Urban Development Act 1993 from the requirement to serve a notice under section 13 of that Act in order to purchase the freehold of the premises.
4. By Order of District Judge Richard Clarke dated 29 April 2014 service of the section 13 notice was dispensed with and a vesting order pursuant to section 26(1) of the Act was made. The determination of the purchase price was referred to this Tribunal.
5. The Applicants served a copy of a valuation obtained from Ms Genevieve Mariner BSc (Hons) FRICS dated 30 May 2014.

Decision

6. The Tribunal relied on the description of the property internally given in Ms Mariner's report and refers to paragraphs 3.1 and 3.2 of that report for the description. The Tribunal did not carry out an inspection.
7. The lease of Flat 15 was granted for a term of 99 years from 31 December 1990. At the relevant date, namely 24 December 2013 (see section 27(1)(b) of the Act), the leases had about 76 years to run.
8. The lease of Flat 16 was granted for a term of 999 years from 25 December 1958. At the relevant date, namely 24 December 2013 (see section 27(1)(b) of the Act), the leases had about 944 years to run.
9. The relevant legislation is set out in an annex to this decision. Because the lease of Flat 15 has less than 80 years to run, marriage value at 50 per cent is payable. Compensation under paragraph 5 of Schedule 6 to the Act does not arise. In respect of arrears of rent, the landlord has not served demands in statutory form, so no arrears of rent are payable.
10. The value of the ground rents should be discounted at 7 per cent per annum. We agree with Ms Mariner's evidence to this effect which accords with the Tribunal's own knowledge of market values. The

ground rent would not be attractive to an investor due to the relatively small amount receivable and the relatively high cost of collecting it. Moreover, the landlord would not be able to take any steps to forfeit the leases for a period of 5 years in the event that either tenant failed to pay the ground rent. In addition, the fixed ground rent review increase of £100, £200 and £300 every 33 years of the term is equivalent to an annual growth rate of less than 0.25 per cent, which is considerably lower than the rate of inflation thereby making it inflation prone and, again, less attractive to an investor. This accords with the Tribunal's own knowledge of market values.

11. We agree with Mr Henson's use of 5% for the deferment of the reversion, which is in accordance with the decision in *Sportelli*.
12. We accept Ms Mariner's evidence as to the reversionary value of the Flat 15, based on the comparable evidence set out in at paragraph 10.4 of her report in the sum £270,000.
13. We also accept Ms Mariner's evidence at paragraph 10.3 of her report that a relativity figure of 95.4% should be applied to the reversionary value for Flat 15 to give an existing lease value of £257,580.
14. The Tribunal, therefore, approves the valuation prepared by Ms Mariner and the premium payable is £10,810.
16. The Tribunal approves the terms of the Transfer (TR1) as drawn.

Judge I Mohabir

17 June 2014

ANNEX: THE LEGISLATION

Schedule 6 Part II FREEHOLD OF SPECIFIED PREMISES

Price payable for freehold of specified premises

2(1) Subject to the provisions of this paragraph, where the freehold of the whole of the specified premises is owned by the same person the price payable by the nominee purchaser for the freehold of those premises shall be the aggregate of—

- (a) the value of the freeholder's interest in the premises as determined in accordance with paragraph 3,
- (b) the freeholder's share of the marriage value as determined in accordance with paragraph 4, and
- (c) any amount of compensation payable to the freeholder under paragraph 5.

(2) Where the amount arrived at in accordance with sub-paragraph (1) is a negative amount, the price payable by the nominee purchaser for the freehold shall be nil.

Value of freeholder's interest

3(1) Subject to the provisions of this paragraph, the value of the freeholder's interest in the specified premises is the amount which at the valuation date that interest might be expected to realise if sold on the open market by a willing seller (with no person who falls within sub-paragraph (1A)] buying or seeking to buy) on the following assumptions—

- (a) on the assumption that the vendor is selling for an estate in fee simple—
 - (i) subject to any leases subject to which the freeholder's interest in the premises is to be acquired by the nominee purchaser, but
 - (ii) subject also to any intermediate or other leasehold interests in the premises which are to be acquired by the nominee purchaser;
- (b) on the assumption that this Chapter and Chapter II confer no right to acquire any interest in the specified premises or to acquire any new lease (except that this shall not preclude the taking into account of a notice given under section 42 with respect to a flat contained in the specified premises where it is given by a person other than a participating tenant);
- (c) on the assumption that any increase in the value of any flat held by a participating tenant which is attributable to an improvement carried out at his own expense by the tenant or by any predecessor in title is to be disregarded; and
- (d) on the assumption that (subject to paragraphs (a) and (b)) the vendor is selling with and subject to the rights and burdens with and subject to which the conveyance to the nominee purchaser of the freeholder's interest is to be made, and in particular with and subject to

such permanent or extended rights and burdens as are to be created in order to give effect to Schedule 7.

- (1A) A person falls within this sub-paragraph if he is—
- (a) the nominee purchaser, or
 - (b) a tenant of premises contained in the specified premises, or
 - (ba) an owner of an interest which the nominee purchaser is to acquire in pursuance of section 1(2)(a), or
 - (c) an owner of an interest which the nominee purchaser is to acquire in pursuance of section 2(1)(b).
- (2) It is hereby declared that the fact that sub-paragraph (1) requires assumptions to be made as to the matters specified in paragraphs (a) to (d) of that sub-paragraph does not preclude the making of assumptions as to other matters where those assumptions are appropriate for determining the amount which at the valuation date the freeholder's interest in the specified premises might be expected to realise if sold as mentioned in that sub-paragraph.
- (3) In determining that amount there shall be made such deduction (if any) in respect of any defect in title as on a sale of the interest on the open market might be expected to be allowed between a willing seller and a willing buyer.
- (4) Where a lease of any flat or other unit contained in the specified premises is to be granted to the freeholder in accordance with section 36 and Schedule 9, the value of his interest in those premises at the valuation date so far as relating to that flat or other unit shall be taken to be the difference as at that date between—
- (a) the value of his freehold interest in it, and
 - (b) the value of his interest in it under that lease, assuming it to have been granted to him at that date;
- and each of those values shall, so far as is appropriate, be determined in like manner as the value of the freeholder's interest in the whole of the specified premises is determined for the purposes of paragraph 2(1)(a).
- (5) The value of the freeholder's interest in the specified premises shall not be increased by reason of—
- (a) any transaction which—
 - (i) is entered into on or after the date of the passing of this Act (otherwise than in pursuance of a contract entered into before that date), and
 - (ii) involves the creation or transfer of an interest superior to (whether or not preceding) any interest held by a qualifying tenant of a flat contained in the specified premises; or
 - (b) any alteration on or after that date of the terms on which any such superior interest is held.
- (6) Sub-paragraph (5) shall not have the effect of preventing an increase in value of the freeholder's interest in the specified premises in a case where the increase is attributable to any such leasehold interest with a negative value as is mentioned in paragraph 14(2).