



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

Case Reference : LON/00AZ/OLR/2015/0777

Property : 49A Arngask Road, London, SE6
1XY

Applicant : Brenda Hopina Moses

Representative : Cook Taylor Woodhouse, Solicitors

Respondents : (1) James Harrington
(2) Maria Anne O'Sullivan
(3) Patrick Gerald Corcoran

Representative : Did not appear and was not
represented

Type of Application : Section 50 of the Leasehold
Reform, Housing and Urban
Development Act 1993

Tribunal Members : Judge Ian Mohabir
Mrs S Redmond MRICS

**Date and venue of
Determination** : 30 June 2015
10 Alfred Place, London WC1E 7LR

Date of Decision : 30 June 2015

DECISION

Introduction

1. This is an application made by the Applicant under section 50 of the Leasehold Reform, Housing and Urban and Development Act 1993 (as amended) (“the Act”) for a determination of the premium to be paid for the grant of a new lease for the property known as 49A Arngask Road, London, SE6 1XY (“the property”).
2. The Applicant is the lessee of the ground floor flat in the building.
3. The Respondents are the landlords and freeholders.
4. By a claim form issued on 11 June 2014 under action number A01BR061 in the Bromley County Court the Applicant sought an order under section 50 of the Act that the Applicant was entitled to the grant of a new lease and to dispense with the service of a section 42 claim notice on the basis that the Respondents could not be found.
5. By Order of Deputy District Judge Campbell dated 9 January 2015 the Court recorded that it was satisfied that the Respondents could not be found and that the Applicant was entitled to the grant of a new lease. It ordered, *inter alia* service of the section 42 notice be dispensed with and the matter transferred to the Tribunal for a determination of the premium to be paid for the grant of the new lease.
6. The valuation evidence relied on by the Applicants is set out in the report prepared by Mr Adam Robinson, AssocRICS, Registered Valuer, dated 11 June 2015.

The Law

7. Schedule 13 to the Leasehold Reform, Housing and Urban Development Act 1993 (The Act) provides that the premium to be paid by the tenant for the grant of a new lease shall be the aggregate of the diminution in the value of the landlord's interest in the tenant's flat, the landlord's share of the marriage value, and the amount of any compensation payable for other loss.
8. The value of the landlord's interests before and after the grant of the new lease 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 neither the tenant nor any owner of an intermediate leasehold interest buying or seeking to buy) on the assumption that the tenant has no rights under the Act to acquire any interest in any premises containing the tenant's flat or to acquire any new lease.
9. Paragraph 4 of the Schedule, as amended, provides that the landlord's share of the marriage value is to be 50%, and that where the unexpired term of the

lease exceeds eighty years at the valuation date the marriage shall be taken to be nil.

10. Paragraph 5 provides for the payment of compensation for loss arising out of the grant of a new lease.
11. Schedule 13 also provides for the valuation of any intermediate leasehold interests, and for the apportionment of the marriage value.

Decision

12. The Tribunal relied on the description of the property internally given in Mr Robinson's report and refer to paragraph 3 of that report for the description. The Tribunal did not carry out an inspection.
13. The existing lease was granted for a term of 99 years from 25 July 1989 with a fixed ground rent of £100 per annum. At the relevant date, namely 11 June 2014, the lease had 74.12 years to run.
14. Because the lease has less than 80 years to run, marriage value at 50 per cent is payable. Compensation under paragraph 5 of Schedule 13 to the Act does not arise. In respect of (any) arrears of rent, the landlord has not served demands in statutory form, so no arrears of rent are payable.
15. The value of the ground rents should be discounted at 7 per cent per annum. We agree with Mr Robinson's figure on the basis that 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. This accords with the Tribunal's own knowledge of market values for this type of investment.
16. We agree with Mr Robinson's use of 5% for the deferment of the reversion, which is in accordance with the decision in *Sportelli*.
17. We do not accept Mr Robinson's evidence that the extended lease value is £154,000. Having considered the comparable properties set out in his report and eliminating properties 2 and 3 in the Schedule, this provided an average valuation of £155,000 including a deduction for improvements. We also considered Mr Robinson's value of £5,000 for the improvements of gas central heating and UPVC double glazing to the property to be high. The Tribunal valued those improvements at £2,000, which resulted in an extended lease value of £158,000.
18. Mr Robinson assesses the existing leasehold value of the flats by applying an average relativity of 94.7%, which he derives from the taking an average from four graphs of relativities taken from the 2009 RICS Research Paper. We accept this figure.

19. The Tribunal's valuation is annexed hereto and shows the premium payable is £6,320.
20. The terms of the draft lease provided by the Applicant's solicitors are approved.

Judge I Mohabir

30 June 2015

VALUATION FOR PREMIUM FOR A NEW LEASE
Leasehold Reform & Urban Development Act 1993
49A Arngask Road, London, SE6 1XY

Facts

Lease commences 25/7/1989
 Ground rent £100 per annum
 Valuation date 11th June 2014
 Unexpired term 74.12 years

Matters determined

Capitalisation rate 7%
 Deferment rate 5%
 Existing lease relativity as %age of FHVP value 94.70%
 Other compensation Nil
 Virtual freehold value £159,580
 Existing lease (unimproved) £151,122
 Long lease value (99%) £158,000

Diminution in Value of Freeholder's interest

	£	£	£
Present value of Freeholder's interest			
Ground rent		100.00	
YP 74.12 years @ 7%		14.1909	1,419
Value of term			
Reversion			
Virtual freehold market value unimproved		159,580	
Deferred 74.12 years @ 5%		0.026881	<u>4,290</u>
Freeholder's present interest			5,709
Value of Reversion after extension	159,580		
deferred 164.12 years @ 5%	0.000333	53	

Calculation of Marriage Value

Value of proposed interests:			
Landlords'	53		
Tenant's new 164.12 year lease at a peppercorn	<u>158,000</u>	158,053	
Less value of existing interests:			
Landlords'	5,709		
Tenant's existing lease	<u>151,122</u>	<u>156,831</u>	
Marriage Value		1,222	
50% marriage value attributed to landlord		say	<u>611</u>

TOTAL PREMIUM PAYABLE

£6,320