



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

Case Reference : LON/00AM/OLR/2015/1555,

Address : Flats 3 & 4, Stamford Hill
Mansions, Stamford Hill N16 5TL

Applicants : David & Kamilla Klein (Flat 3)
Samuel & Rachel Klein (Flat 4)

Representative : Mr Maurice Berger FRICS

Respondent : Brickfield Properties Limited

Representative : Mr Eric Shapiro FRICS, FCIArb

Type of Application : Grant of new lease (Section 48
Leasehold Reform, Housing and
Urban Development Act 1993)

Tribunal Members : Mr M Martyński (Tribunal Judge)
Mrs S Redmond BSc (Econ) MIRCS

**Date and venue of
Hearing** : 10 May 2016
10 Alfred Place, London WC1E 7LR

Date of Decision : 17 June 2016

DECISION

Decision summary

1. The lease values for both flats are to be calculated at £525.00 p.s.f.
2. The Relativity figures for the lease values are; 92.5% (Flat 3) & 80.27% (Flat 4).

3. The Capitalisation Rate in respect of Flat 4 is 7%.
4. Accordingly the premiums to be paid for the new leases are as follows:

Flat 3: £25,298
 Flat 4: £60,100

Background

5. The subject flats are on the first floor of a purpose built mansion block. The lease for Flat 3 is for a term of 99 years from 25.12.1991. The lease for Flat 4 is for a term of 99 years from 25.03.71.
6. The parties' respective positions were as follows:

	<u>FLAT 3</u>		<u>FLAT 4</u>	
	App	Resp	App	Resp
Extended Lease Value	440K	482.9K	440K	489.5K
Relativity	93.65%	91.57%	81.5%	79.04%
Capitalisation Rate	6	6	7	6.5
Deferment Rate	5	5	5	5
Size	871 sq.f (agreed)		880 sq.f (agreed)	
Valuation Date	29.01.15 (agreed)		11.02.15 (agreed)	

The parties' submissions

7. Mr Berger and Mr Shapiro each filed a written report setting out their valuations and the reasoning behind those valuations. Both Valuers gave evidence to the tribunal in person.

Lease value

8. Mr Berger relied upon:
 - (a) The sale of 31 Stamford Hill Mansions. This is a flat in the identical block to the subject block situated on the other side of the side Road running off Stamford Hill. The flat is on the third floor and has a GIA of 890 sq.ft. The flat sold in April 2015 for £445,000 having been first advertised at £450,000.
 - (b) A new development of flats next to the subject block currently being built. Mr Berger referred to the prices anticipated for the release

of those flats to the market (due in November 2016). The price for a flat of equivalent size is projected at £496,000.

9. Mr Shapiro based his figures on three comparable sales. The first was 31 Stamford Hill Mansions (referred to above £500 p.s.f.), the others were:
 - (a) 28 Carlton Mansions; this is a similar block just along from the subject properties. This property (GIA 769 sq.ft.) sold for £435,000 in July 2015 (£566 p.s.f)
 - (b) 31 Carlton Mansions; This property (GIA 909 sq.ft.) sold for £475,000 in December 2014 (£523 p.s.f)

Relativity

10. Mr Berger made reference to the standard Greater London graphs of Relativity and arrived at a figure of 95.04% for Flat 3 but reduced this to 93.65% to take account of the tougher rent regime on the lease for that flat. As for Flat 4, looking at the same graphs, he arrived at a figure of 81.5%.
11. Mr Shapiro looked at the graphs for Greater London and Prime Central London, after making some adjustments, he took the average of each set of graphs and then took the mid-point between those figures arriving at a figure of 92.36% for Flat 3. He then adjusted that figure down to 91.57% after taking into account the ground rent scheme under the lease for that flat. As for Flat 4, the same exercise in respect of graphs produced a figure of 79.04%.

Capitalisation

12. Mr Berger stated that the Capitalisation Rate for Flat 4 should be 7% in line with Arbib.
13. Mr Shapiro argued that we should look at the now long history of low interest rates and look at the ground rents as part of a greater sum of money of ground rents receivable by the landlord. The result of this would be a reduced Capitalisation Rate of 6.5% for flat 4

Decision

Lease value

14. In our view both Valuers had a sound logical basis for their figures; accordingly it would be appropriate to take the mid-way point between both of their valuations which is £525 p.s.f.

Relativity

16. Again, in our view both Valuers had a sound logical basis for their figures; accordingly it would be appropriate to take the mid-way point

between both of their figures which are; 92.5% for Flat 3 and 80.27% for Flat 4.

Capitalisation

17. We take the view that the ground rents are modest and that there are risks and costs in their collection and so prefer Mr Berger's figure of 7%.

Valuation

18. Having heard our views and then having discussions between themselves, the respective Valuers produced the attached agreed valuations.

Mark Martynski, Tribunal Judge
17 June 2016