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FIRST-TIER TRIBUNAL
PROPERTY CHAMBER
(RESIDENTIAL PROPERTY)

Case Reference : LON/■0AS/OLR/2017/0198

Property : 38B, Station Approach, South Ruislip, Middlesex, HA4 6RY

Applicants : Pawel Nawrot and Malgorzata Nawrot

Representative : Comptons Solicitors LLP

Respondent : Martin Potter and Alan Headley Potter

Representative : None (missing landlord)

Type of Application : S42 Leasehold Reform, Housing and Urban Development Act 1993 (the Act)

Tribunal Members : Mrs H C Bowers – Valuer Chair
Mr H Geddes – Professional Member

Date and venue of Determination : 15 March 2017 at 10 Alfred Place, London WC1E 7LR

Date of Decision : 15 March 2017

DECISION

- The Tribunal determines that the price payable for the lease extension of 38B, Station Approach, South Ruislip, Middlesex, HA4 6RY (the subject property) shall be £17,332.00.
 - No sums are payable under section 51(5)(c) of the Leasehold Reform, Housing and Urban Development Act 1993
 - The terms of the proposed lease are accepted
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REASONS

BACKGROUND

1. By an order made by District Judge Atkin dated 20 January 2017 in the County Court at Uxbridge in claim number Co2UB929 ("the Order") between the parties named on the front page of this decision, the matter was remitted to this Tribunal. The original claim was issued on 2 December 2016. The Tribunal is required to determine the appropriate sums to be paid into court pursuant to section 51(5) of the Leasehold Reform, Housing and Urban Development Act 1993 ("the Act") in respect of the of 38B, Station Approach, South Ruislip, Middlesex, HA4 6RY (the subject property).
2. The Tribunal had before it a bundle prepared by the Applicants' solicitors. These papers included the Claim Form with Particulars of Claim, a witness statement of Pawel Nawrot, the Court Order of 13 August 2014 and the Court Order of 20 January 2017, copies of the freehold and leasehold registers of title and the lease of the subject property. The freehold interest is under title number NGL293649. The lease for the subject property Flat (title number AGL985) is dated 24 March 1987. The lease is for a term of 99 years from 25 December 1986.
3. Additionally, the Tribunal was provided with a copy of a valuation report of Mr James Hayes MRICS of Cooper Hayes that was dated 27 February 2017. The valuation date under the current case would be the date of the service of the Claim Form, which is stated to be 2 December 2016. At this time there was an unexpired term for each of the flat of just over 69 years. The Tribunal were also provided with a copy of the proposed draft lease.
4. The ground rent for the flat was £30 per annum for the first 33 years, rising to £60 per annum for the next 33 years and finally £90 per annum for the last 33 years. Mr Hayes has adopted a capitalisation rate of 6.75% and has valued the capitalised ground rent for the subject property at £855.00. Mr Hayes stated that he normally valued such ground rents in the range of 7 – 8%, but in this case he had adopted 6.75% to reflect the fact that the first increase in the rent was so imminent. Mr Hayes adopted a deferment rate of 5%.
5. The valuation report describes the subject property as a first floor maisonette situated in a 1930's semi-detached property. There is an entrance lobby on the ground floor with stairs to the first floor. The first floor comprises a reception room, a kitchen leading from the reception room, a bedroom and a bathroom. This appears to be the original layout of the flat but since the lease was granted there has been a development of the loft space to provide a second bedroom. The GIA of the flat without the second floor alterations is 45.6 sq m (490 sq ft) and with the second bedroom 61.8 sq m (665 sq ft). It is stated that the flat has been refurbished and that uPVC double glazing has been provided.

The flat also benefits from a front garden and additionally there is a parking space and a lock up garage at the back of the rear garden.

6. Mr Hayes provided details of comparable properties to demonstrate the long lease value of the subject flat. He provided evidence of two-bedroom flats including;
 - 26a West Mead Road, Ruislip. This property had no garden or garage but had an off-street parking space and a GIA of 752 sq ft. This flat sold in October 2016 for £340,000 and this equated to £452 per sq ft.
 - 175a The Fairway, Ruislip. This property had a garden and parking space but no garage. It is described as being in an immaculate state with a GIA of 775 sq ft. This flat sold in January 2017 for £375,000 and this equated to £484 per sq ft.
 - 358 West End Road, Ruislip. This property had a garden, but the flat is described as being dated and with a GIA of 602 sq ft. This flat sold in October 2016 for £315,000 and this equated to £523 per sq ft.
 - 85a Wingfield Way, Ruislip. This property had a garden and a balcony and is described as in 'pretty good order' with a GIA of 603 sq ft. This flat sold in July 2016 for £317,000 and this equated to £526 per sq ft.
7. Mr Hayes also provided comparable evidence of one-bedroom flats, namely:
 - 5, Bourne Court, Station Approach. This property had a private garden and the flat has a GIA of 490 sq ft. This flat sold in November 2016 for £279,950 and this equated to £571 per sq ft.
 - 7, Bourne Court, Station Approach. This property had a private garden and the flat has a GIA of 592 sq ft. This flat sold in March 2016 for £271,000 and this equated to £458 per sq ft.
 - 4, St Gregory Close, Ruislip. This property had a private garden, parking and the flat has a GIA of 497 sq ft. This flat sold in August 2016 for £315,000 and this equated to £634 per sq ft.
8. From these comparables, Mr Hayes concluded that the value of the property in its existing configuration as a two-bedroom flat would be £315,000 but he adds a further £15,000 to reflect that the subject flat has the benefit of a garage. He then makes a deduction of £30,000 for the loft conversion and a further £5,000 for the double glazing.
9. Mr Hayes stated that there was no evidence of any short lease sales and therefore he relied on the default position of using the 2009 RICS Report on Relativities. He used four of the non-Prime Central London (non-PCL) Graphs for an unexpired term of 68.31 years, namely Becket and Kay, South Eat Leasehold, Nesbitt & Co and Andrew Pridell. He calculated the average relativity to be 91.3% for this case. Mr Hayes disregarded the data from Austin Gray stating that this data is based on transactions on the south coast.

10. By inputting these figures into a recognised valuation formula, Mr Hayes calculated the premium to be £17,150.
11. The Tribunal comments on these submissions in the findings section below.

FINDINGS.

12. In essence the Tribunal is happy to adopt the capitalisation rate proposed by Mr Hayes. The ground rent is low and with little growth potential. The detailed calculations for the capitalisation of the ground rents have been fully set out. However, there are small errors in respect of the lease dates and therefore the Tribunal has re-calculated this element of the valuation. The adoption of 5% as a deferment rate is standard and in line with relevant case law and is accepted by the Tribunal.
13. In respect of the long lease value, the comparables provided are useful, but Mr Hayes makes no adjustment for time. If the two bedroom comparables closest in time are used then taking an average of 26a West Mead Road, 175a The Fairway, Ruislip and 358 West End Road, Ruislip, this gives an average rate per sq ft of £486. Applying this, gives a capital long lease value of £323,412 to which should be added the value of a garage. By using Mr Hayes' figure of £15,000 this produces a long lease value of £338,412. In respect of the one bedroom flats and using 5, Bourne Court, Station Approach but adding the extra £15,000 for the garage gives a long lease value for the subject property of £294,950. The Tribunal are required to disregard any improvements carried out to the property. In this respect the valuation should be of a one-bedroom flat without double glazing. Therefore, a sum of £294,950 less £5,000 for double glazing would seem appropriate (£289,950). However, the Tribunal does need to consider the potential of any 'hope' value from the development potential of converting the attic space into additional living accommodation. In the expert opinion of the Tribunal it considers that a potential purchaser would add 10% to their bid for the property to reflect the potential development value. In this case the long lease value would become £318,945. The use of 10% to reflect the development value is not based on any evidence and uses the expert opinion of the Tribunal, this is no weaker approach than that taken by Mr Hayes by valuing the flat as a two-bedroom flat and then deducting £30,000 for the improvement to created the second bedroom. The £30,000 is similarly adopted without reliance on any evidence. The Tribunal adopts the figure of £318,945 in the calculation of the premium.
14. As to the issue of relativity, we accept that due to the lack of any short lease evidence the use of the relativity graphs would be appropriate in this case. Mr Hayes takes the average of four of the non-PCL graphs and disregards the Austin Gray graph. In the opinion of the Tribunal a number of criticisms could be made of any of the graphs and the

preferred approach of the Tribunal is to take an average of the five non-PCL graphs. This has the effect of balancing out any of the issues that each graph faces. The source of the data for the Austin Gray graph comes from settlements, transactions and LVT cases. However, there should be no geographical impact from the fact that the data comes from the south coast. The issue of relativity should be standard throughout the country, with the general exception of PCL. Therefore, the Tribunal takes an average of the five non-PCL graphs for an unexpired term of 69 years as at the valuation date. This calculates to 91.91% relativity.

15. The Tribunal has inputted all these variables into its valuation and has calculated a premium of £17,332.00. The valuation is attached to this decision.
16. The Tribunal is also required to determine any other sums payable under section 51(5)(c) of the Act. It would appear that no ground rents have been demanded and there are no details as to whether any service charges have been demanded. However, if the Respondent landlord has not served any rent or service charge demands in the statutory form no arrears of service charges are payable and therefore no sum is therefore payable into court under section 51(5)(c) of the Act.
17. Under section 51 of the Act the appropriate sum to be paid into court is the aggregate of the premium as provided in Schedule 13 of the Act and any amounts or estimated amounts due from the tenant to the landlord. There does not appear to be any provision in the Act to reduce this sum in respect of the Applicants' costs, although the Tribunal notes the fifth paragraph of the Order.
18. Terms of the lease as set out in the bundle is approved by the Tribunal.

Helen Bowers
Valuer Chair

15 March 2017

ANNEX - RIGHTS OF APPEAL

1. If a party wishes to appeal this decision to the Upper Tribunal (Lands Chamber) then a written application for permission must be made to the First-tier Tribunal at the Regional office, which has been dealing with the case.
2. The application for permission to appeal must arrive at the Regional office within 28 days after the Tribunal sends written reasons for the decision to the person making the application.

3. If the application is not made within the 28 day time limit, such application must include a request for an extension of time and the reason for not complying with the 28 day time limit; the Tribunal will then look at such reason(s) and decide whether to allow the application for permission to appeal to proceed despite not being within the time limit.
4. The application for permission to appeal must identify the decision of the Tribunal to which it relates (i.e. give the date, the property and the case number), state the grounds of appeal, and state the result the party making the application is seeking

Appendix

38B Station Approach
South Ruislip, London
HA4 6RY

Long Lease Value (Unimproved)	£318,945
Freehold Value (Unimproved)	£322,167
Existing Lease Value (Unimproved)	£296,104
Deferment Rate	5%
Capitalisation Rate	6.75%

Freeholder's Present Interest

Term

Term 1

Rent Reserved	£30
YP to 3 years at 6.75 %	<u>2.6364</u>

£79

Term 2

Rent Reserved	£60
YP 33 years at 6.75 %	13.106
PV of £1 in 3 years at 6.75%	<u>0.822</u>

£646

Term 3

Rent Reserved	£90
YP 33 years at 6.75 %	13.106
PV of £1 in 36 years at 6.75%	0.0955

£113

Reversion

FH reversion	£322,167
PV of £1 in 69 years @ 5%	<u>0.0345</u>

£11,115

£11,953

less

Freeholder's Proposed Interest

FH reversion	£322,167
PV of £1 in 159 years @ 5%	<u>0.0004</u>

£129

£11,824

Marriage value

Proposed

Extended lease value	£318,945
FH in reversion	£129

less

Existing

Freeholder's Interest	£11,953		
Short lease value	<u>£296,104</u>		
Marriage Value		<u>£11,017</u>	
50:50 division			<u>£5,508</u>
Premium for lease extension			£17,332