

2994



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

Case Reference : **BG/LON/00AE/OLR/2014/1855**

Property : **12A Deacon Road, London NW2
5QH**

Applicant : **Charbel Emile Kahil**

Representative : **Redferns Solicitors**

Respondent : **Darshan Singh**

Representative : **None**

Type of application : **For the determination of the terms
of acquisition and premium for the
grant of a new lease (missing
landlord)**

Tribunal members : **Margaret Wilson
Duncan Jagger FRICS**

Date of determination : **21 January 2014**

DECISION

1. This is an application under section 50 of the Leasehold Reform, Housing and Urban Development Act 1993 ("the Act") to determine the premium to be paid for and other terms of acquisition of a new lease of 12A Deacon Road, London NW2 5QH, which is a ground floor flat with living room, two bedrooms, kitchen, bathroom and garden in a converted building dating from about 1900. The flat has a gross internal floor area of 616 sq ft. It is held on a lease for a term of 99 years from 24 June 1975 at an annual ground rent of £15 for the first 33 years, rising to £50 and then to £75 at 33 year intervals. At the valuation date, which is the date of the application to the county court for a vesting order, approximately 60 years of the term remained unexpired. (The county court claim which we have is undated but we assume that it must have been made in or about August 2014.) The landlord cannot be found and by an order made on 28 October 2014 the county court transferred the claim to the Tribunal for a determination of the premium and terms of acquisition in accordance with sections 50 and 51 of the Act.

2. The applicant leaseholder has obtained a report from Jonathan Cooper BSc MRICS of Michael Charles, chartered surveyors. He has inspected the property which he describes as situated a quarter of a mile from Dollis Hill underground station and with relatively easy access to road communications, public transport facilities and other amenities. He says that the flat is modernised and has been updated. The premium he proposes £43,000.

3. Having considered four comparable transactions relating to apparently similar flats in Deacon Road, Mr Cooper concludes that the market value of an extended lease of the unimproved flat on 28 October 2014, which he has taken to be the valuation date, is £400,000, equating to £649 per sq ft. We are satisfied that that is realistic and fair, and we do not consider that the slight adjustment to the valuation date which is required by virtue of section 50(4)(a) of the Act will make a measurable difference. For the relativity of the existing lease he has relied on a graph of relativities derived from Tribunal decisions and prepared by LEASE which indicates a relativity of 85%, and on a graph prepared by John D Wood, also based on Tribunal decisions, which shows a relativity of 82.5%. Mr Cooper has taken a relativity of 84% to reflect the outer London location. However the relativity graphs show relativities to the freehold value, and it is customary and, in our view right, to take the virtual freehold value to be 1% more than the value of the long lease which in the present case produces a freehold value of £404,000. On that basis the application of Mr Cooper's proposed relativity produces a value for the existing lease of £336,000. We regard 84% as marginally on the high side and prefer to adopt a relativity to the freehold value of 83% based on our reading of the graphs. We are content with Mr Cooper's proposed deferment rate of 5%. He has taken a capitalisation rate of 7% until the next review and 6% thereafter, which we regard as an unnecessary refinement. We prefer to adopt a rate of 7% for all the ground rents.

4. Our valuation, a copy of which is attached to this decision, produces a premium for the new lease of £43,675.

5. The terms of the required statement of clauses in the new lease put before us are satisfactory, save that reference should be made to the fact that the new lease is granted with limited title guarantee, as required by section 57(8) of the Act.

Judge: Margaret Wilson

12A Deacon Road London NW2 5QH

APPENDIX A

The Tribunal's Valuation

Assessment of premium for a new lease

In accordance with Section 50 of the Leasehold Reform, Housing and Urban

Development Act 1993

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Components

Assumed Valuation date	28/10/2014
Yield for ground rent	7.0%
Deferment Rate	5.0%
Extended lease value	£400,000
Freehold value	£404,000
Existing lease value	£335,320
Relativity	83%
Ground Rent	£50pa and £75pa
Unexpired Term	60 years

Diminution in value of Freeholders Interest

1-Freeholder's Present Interest

£50 for 27 years @ 7.0%			
£50 x 11.99		£599	
£75 for 33 years @ 7.0%	12.75		
Deferred 27 years @ 7.0%	0.199	£190	£789

2- Valuation of Reversion:

£404,000 @ 5.0% def'd 60 years	
£404,000 x 0.0535	£21,614

3- Freeholder's Future Interest

£404,000 @ 5% def'd 150 years		
£404,000 x 0.00066	£267	<u>£21,881</u>
		£22,670

Marriage Value

Extended lease value		£400,000	
Less			
Existing lease	£335,320		
Freehold interest	£22,670	<u>£357,990</u>	
Marriage value		£42,010	

50% of Marriage Value			£21,005
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LEASE EXTENSION PREMIUM **£43,675**