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

Case Reference : **CHI/43UF/OLF/2014/0226**

Property : **Flat 2, 46 Warren Road, Reigate,
Surrey, RH2 0BS**

Applicant : **Aaron Simon Claughton**

Representative : **TWM Solicitors LLP**

Respondent : **Three Keys Properties Limited**

Type of Application : **s48 LRHUDA 1993 Act**

Tribunal Members : **Judge D Dovar
Mr Derek Lintott FRICS
Mr Neil Maloney FRICS**

**Date and venue of
Hearing** : **14th January 2015, Reigate**

Date of Decision : **27th January 2015**

DECISION

from the sale of £290,000 (which was after the valuation date) to the higher figure of £299,464.

12. The Tribunal asked Mr Hunt to comment on this comparable which had not been included in his report. He accepted the sale and that it was a good comparable. However, he departed from the sale price on the following grounds:

- a. Allowance for growth. Mr Hunt suggested that a figure of approximately 2% was accurate to account for the difference in time between the date of this sale and the valuation date; that produced a figure of £284,200;
- b. The combined effect of the steep stairs and the lack of direct access to the garden would put off young families and the elderly and reduce the marketability. Taking those three together, he suggested a discount of around 5%; this reduced the value to £269,990.
- c. The floor area was greater than the Property. This was principally because of the basement area to the ground floor flat. Mr Hunt valued this at around £35,000. The Applicant stated that it was used as part of that flat. There was no other access other than through Flat 1, and the sales particulars (which had not been provided to the Tribunal) included the basement area. The Respondent in their email and correspondence pointed out that it was not part of the demise to the Ground Floor Flat. The Tribunal considered the lease of Flat 1. It is not clear as to whether it was part of the demise; whilst it referred to the flat as being located on the ground floor, the plan also indicated steps down to the basement. The Tribunal had insufficient evidence to determine whether or not the basement had been a factor in the sum of £290,000 being obtained for the ground floor flat.

13. In light of that difficulty, the Tribunal took some support from the other comparables provided by Mr Hunt in his report. They provided a value of around £265,000 to £270,000 for similar properties in the area.
14. Taking into account both the sale of the ground floor flat (as much as it could) and the other comparables, the Tribunal considers that the value of the existing flat is £270,000. The Tribunal considered that Flat 1 was likely to have a greater value than Flat 2; in particular because of the access to the garden and the stairs. A reduction along the lines suggested by Mr Hart, brought it within the price band of other similar properties that he had identified.

Relativity

15. The Applicant contended for a relativity of 93.784% based on the average of a number of graphs he contended were appropriate. The Respondent relied on the John D Wood graph to arrive at a relativity of 90.20%.
16. The Applicant was questioned as to the relevance of one of the graphs which was predominantly Brighton based. Mr Hunt stated that it was worth putting in as part of the average. Further, the market there, as here, is flat focussed. The same factors were said to apply in Brighton as they do here, i.e. less value because of a flat with a steep staircase and indirect access to a garden.
17. The Applicant contended the John D Wood graph was not as appropriate as it relied on Tribunal determinations and was focussed on London.
18. Whilst the Tribunal noted the other Tribunal decisions relied upon by the Respondent which advocated the John D Wood graph, they are not binding and the Tribunal did not consider they were as relevant as the graphs used by the Applicant. The Tribunal therefore determines the relativity at 93.784%.
19. One final matter that was raised was the issue of any adjustment to be made to account for the difference between freehold and extended

leasehold value. Mr Hunt considered there was some difference which could be reflected in a 1% adjustment. The Tribunal agreed with that.

Conclusion

20. On that basis the Tribunal determines that:
 - a. The deferment rate is 5%;
 - b. The capitalisation rate is 7%;
 - c. The existing leasehold value is £270,000;
 - d. The relativity is 93.784%.
21. Accordingly, the premium payable for the extended lease is **£12,969**.
22. The Tribunal notes that this is less than proposed by the Applicant in his report. However, that report failed to account for the difference between extended lease value and freehold value when calculating the marriage value and on reviewing the PV multipliers, the Tribunal considered that further adjustments needed to be made as shown in the calculation appended to this decision.

Judge D Dovar

Calculation

Lessor's Current Interest

Ground rent.		£75.00 p.a.	
YP 5.24 yrs @ 7%		4.263	£ 320.00
Reversion to		£150.00 p.a.	
YP 33 yrs @ 7%	12.7538		
PV £1 in 5.24 yrs @ 7%	0.7015	9.119	£1,368.00
Reversion to		£225.00 p.a.	
YP 33 yrs @ 7%	12.7538		
PV £1 in 38.24 yrs @ 7%	0.0752	0.959	£ 216.00
			£1,904.00
Reversionary freehold interest.			
Current freehold Value	£287,896		
PV £1 in 71.24 yrs @ 5%	0.03094		£8,907.00
Lessor's total Current Interest			
	£10,811		

Marriage value

Current interests before lease extension.

Lessor	£ 10,811	
Lessee	£270,000	£280,811

Proposed interest after lease extension.

Lessor's freehold value	£287,896		
PV 161.24 yrs @ 5%	0.0003832	£ 110	
Lessee's extended lease value		£285,017	£285,127
Marriage value			£4,316
Lessor's share of marriage value 50%			£2,158

Premium for Extended Lease **£12,969.00**

Appeals

1. A person wishing to appeal this decision to the Upper Tribunal (Lands Chamber) must seek permission to do so by making written application to the First-tier Tribunal at the Regional office which has been dealing with the case.
2. The application must arrive at the Tribunal within 28 days after the Tribunal sends to the person making the application written reasons for the decision.
3. If the person wishing to appeal does not comply with the 28-day time limit, the person shall include with the application for permission to appeal a request for an extension of time and the reason for not complying with the 28-day time limit; the Tribunal will then decide whether to extend time or not to allow the application for permission to appeal to proceed.
4. The application for permission to appeal must identify the decision of the Tribunal to which it relates, state the grounds of appeal, and state the result the party making the application is seeking.