



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

Case Reference : VG/LON/00AH/OCE/2015/0142

Property : 8 Vincent Road, Croydon CR0 6ED

Applicant : (1) Cristian Atzori
(2) Kim Louise Smith and Emily Sarah Smith
(the "Applicant")

Representative : Gregsons, solicitors

Respondent : Michael Francis Walsh (the "Respondent")

Representative : N/A

Type of Application : Determination of terms of leasehold
enfranchisement (missing landlord)

Tribunal : 1. Mr A Vance, Tribunal Judge
2. Ms M Krisko, FRICS

Date of Hearing : Paper hearing on 23 June 2015

Date of Decision : 23 June 2015

DECISION

Decisions of the tribunal

1. The Tribunal determines that the premiums payable by the Applicants in respect of the purchase of the freehold of 8 and 8A Vincent Road, Croydon, CR0 6ED is £9,015. The reasons for the Tribunal's decision are set out below.
2. The Tribunal approves the draft proposed transfer in form TR1 which has been submitted by the Applicants.

Background

3. Numbers appearing below in square brackets refer to pages in the hearing bundle provided by the Applicants.
4. On 29 January 2015, by order of District Judge Jackson [13], sitting at Croydon County Court, the Court ordered that, pursuant to Section 26(1) of the Leasehold Reform, Housing and Urban Development Act 1993 ("the Act") the freehold interest in 8 and 8A Vincent Road, Croydon, CR0 6ED ("the Property") registered at HMLR under Title No.SGL177249 vest in the Applicants on such terms as may be determined by this Tribunal pursuant to Section 27(1)(b) of the Act. We are required to determine those terms.

Details of Leases

5. The Respondent missing landlord is the lessor of the Property. He was registered as freehold proprietor on 28 March 1974.
6. The First Applicant is the lessee of the ground floor maisonette at 8 Vincent Road registered at HMLR under Title SGL192208 [20]. His lease is dated 28 November 1974 and was granted for a term of 125 years from 25 December 1973 at a ground rent of £5 per annum. His leasehold interest was registered on 28 September 2006.
7. The Second Applicants are the lessees of the maisonette on the first and second floor levels at 8A Vincent Road registered at HMLR under Title SGL191169 [25]. Their lease is dated 20 November 1974 and was also granted for a term of 125 years from 25 December 1973 at a ground rent of £5 per annum. Their leasehold interest was registered on 12 October 2004.
8. There are no intermediate interests.
9. The leases are, in all material respects, in identical terms and, significantly, there are no repair or maintenance obligations on the landlord and no provision for the recovery of service charges. The responsibility for repair and insurance rests with the lessees.

Valuation date

10. The valuation date prescribed by section 27(1) of the Act is the date of the Applicant's application to the Court, 27 January 2015, which is the date of issue of their claim.
11. The unexpired term of both flats as at the valuation date was therefore 83.83 years.

Inspection

12. The Applicants did not request that the Tribunal inspect the Property and the Tribunal did not consider it necessary or proportionate to do so.

The Law

13. Schedule 6 to the Act (the "Schedule") provides that the price to be paid by the nominee purchaser, in this case the Applicants, for the freehold interest shall be the aggregate of the value of the freeholder's interest, the freeholder's share of the marriage value, and compensation for any other loss.
14. Paragraph 3 of the Schedule provides that the value of the freehold interest is the amount which at the valuation date that interest might be expected to realise if sold in the open market subject to the tenancy by a willing seller (with the nominee purchaser, or a tenant of premises within the specified premises or an owner of an interest in the premises, not buying or seeking to buy) on the assumption that the tenant has no rights under the Act either to acquire the freehold interest or to acquire a new lease and on the assumption that any increase in value of the flat attributable to an improvement carried out at his/her own expense by a tenant or by any predecessor in title is to be disregarded.
15. Paragraph 4 of the Schedule, as amended, provides that the freeholder's share of the marriage value is to be 50%, and that any marriage value is to be ignored where the unexpired term of the lease exceeds eighty years at the valuation date.
16. Paragraph 5 of the Schedule provides for the payment of compensation for other loss resulting from the enfranchisement.
17. Paragraph 6 provides for the valuation of any intermediate leasehold interests, and for the apportionment of the marriage value.

The evidence before the Tribunal

18. The evidence before the Tribunal comprised the valuation report of Mr M Geoghegan MRICS of James Flynn Chartered Surveyors dated 27 April 2015. Mr Geoghegan's report is supported by a Statement of Truth confirming that insofar as the facts stated in his report are within his own knowledge that they are true and by a statement of compliance confirming that he understands his duty as an expert witness. A copy of his valuation is annexed to this decision at Appendix 1.
19. Having considered the contents of Mr Geoghegan's report and the opinions he expresses, the Tribunal is satisfied that the method he has adopted is appropriate to determine the enfranchisement price for the Property. The Tribunal accepts his description of the property and its location

Valuation

20. Mr Geoghegan states that he inspected the properties internally and externally on 27 February 2015. He describes the Property as situated on a residential road to the north of Croydon in an old, fully developed residential area. East Croydon Railway station is about three quarters of a mile away. It is a former semi-detached house, built in the late 19th Century, and later converted into two maisonettes. An external photograph and location plan was attached to his report.

21. He describes flat 8 as having an entrance at the side of the Property with entry straight into the living room. It comprises a bedroom, a reception room, a further bedroom/reception room with sliding doors to a private rear garden, kitchen, bathroom, WC and a front garden. The approximate floor area is stated as being 609 sq ft.
22. He describes flat 8A as having a ground floor entrance, lobby with stairs to a first floor landing. At first floor level there is a bedroom, kitchen and bathroom/WC. There is then a reception room off a half landing and, on the second floor, there is a second bedroom with restricted head height. A private rear garden is accessed from a side alleyway. The approximate floor area is stated as being 737 sq ft.
23. Mr Geoghegan states that internally each maisonette is in satisfactory condition and that there have been tenant improvements to both flats which comprise the introduction of gas central heating in both flats and, in the case of flat 8 , the installation of double glazing.
24. In terms of the demise of each flat, he points out that the maisonettes are demised laterally so that everything above the first floor, including the roof, is demised to the lower maisonette.
25. An assessment of virtual freehold vacant possession value of the Property ("FHVP") as at the valuation date is required in order to value the Respondent's reversionary interest.
26. Mr Geoghegan's assessment of the value of the FHVP is based on transactions relating to the completed sales of comparable flats within the local area of the Property. He provides information concerning the sales of three ground floor maisonettes and three upper floor maisonettes. All of these flats are located within a quarter of a mile radius of the Property, except for one, Flat 2, 5 Oval Road, which is located about half a mile away. Details of the sale prices, adjustments to those prices made by Mr Geoghegan for the purposes of his valuation and the square footage of each of the comparable flats is set out in a table at Appendix II of his report.
27. All of the properties, apart from 22a Vincent Road had, according to Geoghegan, sold with leases in excess of 100 years or with a share of the freehold. He believed, from his investigations, that 22a Vincent Road was sold on a short lease without a share of the freehold although the source of that belief is not made clear.
28. Mr Geoghegan adjusted the sale prices of these comparable properties, to factor in the passage of time from the valuation date, by using the Land Registry index for the area.
29. His conclusion is that the value of a two bedroom ground floor property in the area is in the region of £265,000 to £280,000. However, as 8 Vincent Road does not have the benefit of off street parking and has an awkward layout he considers its value, in its unimproved state, to be around £240,000 to £250,000. He values tenant's improvements at £5,000 (£2,500 for the installation of gas central heating and £2,500 for the installation of double glazing). In an attempt to be reasonable, he values it at the top of his band, at £250,000.

30. Mr Geoghegan considers the best comparable to 8A Vincent Road is the sale of 22A Vincent Road due to its close proximity. However, as this sold on a short lease he has considered what premium would have been payable if the lease had been extended as at the sale date. He adopted a long lease value of £300,000 with a 1% freehold adjustment. In order to assess the short lease sale price he adjusted for relativity by applying a 5% reduction to reflect the benefit of rights under the Act, arriving at a short lease value of £273,600. That results in a premium of value of £18,895 which he rounds up to £19,000 which when added to the short lease sale value results in a total value of £307,000.
31. However, he believes that as 22A Vincent Road has a better kitchen and bathroom than 8A Vincent Road and has therefore made a downward adjustment of £7,500 for the kitchen and £5,000 for the bathroom. He then makes a further downward adjustment of £10,000 as he considers 22A Vincent Road to have a superior layout, being on two levels as opposed to the half landings present at 8A Vincent Road. This results in a revised value of £284,500 which, adjusted by the Land registry Index, results in a value of £283,000 which he then adjusts further by £2,500 for tenant's improvements (the installation of gas central heating) to give a final value of £280,500, rounded down to £280,000.
32. Mr Geoghegan does not consider that in this location there is any additional value to the freeholder as a result of the Property being reinstated into one dwelling. He refers to a sale of the semi-detached house at 10 Vincent Road on 6 February 2014 at £450,000 in support of that contention.
33. The Tribunal has some concerns over the limited information provided by Mr Geoghegan regarding the comparable properties referred to in his report. The Tribunal has not had the benefit of photographs of those properties or copies of the relevant sales particulars. Nor is the source of his belief that 22A Vincent Road has a better kitchen and bathroom than 8A Vincent Road explained or otherwise evidenced.
34. Nevertheless, despite these concerns, the Tribunal is satisfied that Mr Geoghegan's report is impartial and objective and we are satisfied with his methodology, his choice of comparables and his adjustments. In the Tribunal's view, his suggested valuation of £250,000 for flat 8 and £280,000 for flat 8A are not out of line with the sale prices achieved for the comparable properties. The Tribunal therefore adopts these figures for the FHVP of each flat.
35. The diminution in the value of the landlord's interest in the Property is represented first by the capitalised value of the grounds rent receivable under the lease which will be extinguished on enfranchisement. That income stream is capitalised by Mr Geoghegan at 7%, which the Tribunal accepts is appropriate in this case.
36. Next, the effect of enfranchisement will be to deprive the landlord of the current value of the freehold reversion indefinitely. The present value of the reversion is determined by applying a deferment rate to the FHVP of each flat. The deferment rate appropriate for leasehold flats in Central London was authoritatively determined to be 5% in the case of *Earl Cadogan v Sportelli (2006) LRA/50/2005*. Mr Geoghegan applies a deferment rate of 5% which the Tribunal accepts.

37. Marriage value is the difference between (on the one hand) the aggregate value of the interests of the leaseholders and the landlord before enfranchisement; and (on the other) the aggregate value after enfranchisement. It is to be shared equally between the parties, as required by the Act.
38. As the leases both leases have unexpired terms in excess of 80 years marriage value is not relevant in this case.
39. The premium payable by the Applicants is therefore £9,015 as per Mr Geoghegan's valuation

TR1

40. The Tribunal is satisfied that the draft proposed transfer in form TR1, submitted by the Applicants, is appropriate.

Appendix 1

**Valuation of Mr M Geoghegan MRICS of James Flynn Chartered Surveyors
dated 27 April 2015**

VALUATION IN ACCORDANCE WITH SCHEDULE 6, LEASHOLD
REFORM HOUSING AND URBAN DEVELOPMENT ACT 1993

8/8A VINCENT ROAD, CROYDON, CR0 6ED

Valuation Date: 27th January 2015
Leases Start: 25th December 1973
Term: 125 years
Unexpired Terms: 83.83 years
Total Ground Rents: £10 per annum fixed

Diminution in Value of Landlord's Current Interest

i. Capital Value of Ground Rents

Total Ground rents:	£	10 p.a.	
Years' Purchase, 83.83 years @ 7%:		<u>14.24</u>	
			£ 142

ii. Deferred Capital Value of the Freehold Interest

8 (Ground Floor Maisonette):	£250,000		
8a (Upper Maisonette):	<u>£280,000</u>		
Total		£530,000	
Present Value of £1, 83.83 years @ 5% =		<u>0.016742</u>	
			£ 8.873
			£ 9,015
Total			£ 9,015