



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

Case Reference : LON/00AC/OLR/ 2015/1970 & 1971

Property : Nos. 24 & 55 Greenacres, Glyn Avenue,
Barnet, Hertfordshire, EN4 4PJ

Applicants : Mario & Androulla Odysseos (Flat 24)
Andreas & Androulla Odysseos (Flat 55)

Representative : Mr. Panicos Loizides, Quest Management
Limited

Respondent : Beaudesert Properties Limited

Representative : Mr. Michael Hawley

Types of Application : Lease extension

Tribunal Members : Judge LM Tagliavini
Mrs Helen Bowers BSc (Econ) MRICS

**Date and venue of
Hearing** : Alfred Place
28 & 29 June 2016

DECISION

Decisions of the tribunal

- (i) The tribunal determines that the premium payable for the lease extension of Flat 24 is £17,360.
- (ii) The tribunal determines that the premium payable for the lease extension of Flat 55 is £17,360.

The application

1. This is an application to the tribunal for the determination of the price payable for a lease extension of Flats 24 and 55 Greenacres pursuant to the provisions of the Leasehold Reform, housing and Urban Development Act 1993 ("the 193 Act"). The terms of the new lease having been agreed between the parties are therefore not subject to consideration by the tribunal.

The premises

2. The subject premises comprise two identical* one bedroom flats in a 1984 purpose built three-storey block of flats. Each of the subject flats are let on a 99 year lease from 29 September 1988, paying a ground rent of £75 per annum subject to a review every 33 years and related to the open market value. The Respondent is the registered proprietor of the leasehold reversionary interest of both flats (and any associated parking spaces) and for the purpose of this application, the competent landlord. The Freeholder is Greenacres (New Barnet) Freehold Limited.

**Flat 24 is on the first floor.
Flat 55 is on the ground floor.*

Preliminary matters and issues to be determined

3. The parties informed the tribunal that the following had been agreed:
 - (i) The Ground Rent at the first review will be £250 per annum and at the second review, £750 per annum.
 - (ii) The deferment rate is 5%.
 - (iii) The date of valuation is 2nd June 2015.
 - (iv) Marriage value is equally shared between the Freeholder and the Lessees.

The following matters were not agreed between the parties:

- (iv) The extended lease value
- (v) The present leasehold value.
- (vi) The capitalisation rate.
- (vii) The use of relativity graphs.

The hearing and evidence

The Applicants' case

4. The Applicants relied upon the report dated 13 June 2016 and the oral evidence of Mr. Loizides a director of Quest Management Limited and experienced with dealing with lease extension applications since 2002. Mr. Loizides submitted that a capitalisation rate of 7.5% is appropriate and a relativity of 93% unexpired is appropriate. In reaching this figure for relativity Mr Loizides placed reliance on previous decisions of the tribunal and included properties in TW8, W3, N1 and E7 areas; five graphs for Outer London and a number of comparable properties in the EN4 and EN5 areas. Mr. Loizides stated he did not disagree with Mr. Davis' approach. It was his opinion that Mr. Davis had struggled to provide enough evidence of comparable properties to support his case. Mr. Loizides stated that the premium payable for each of these flats is £11,500.

The Respondent's case

5. The Respondent relied upon the report dated June 2016 and oral evidence of Mr. Kenneth F Davis, FRICS of Cottons Chartered Surveyors in which he submitted the premium payable in respect of both flats is £22,506. In respect of the extended lease value Mr. Davis relied particularly upon two comparable properties at 9 Bramley Court, Park Road and 7 Pippin Court.
6. Mr. Davis submitted a capitalisation rate of 7% in reliance on the Lands Tribunal Decision in LRA/29/2006 (*Copthorne Court*) for each flat is appropriate. Mr. Davis relied upon transactional evidence rather than a reliance of graphs of relativity. He submitted that his evidence of comparable properties was to be preferred as it was "like for like" rather than those relied upon by Mr. Loizides which, comprised properties on leases with both short and long terms remaining.

Decision and Reasons for the decisions of the tribunal

7. In reaching its decision the tribunal took into account all of the relevant documentary and oral evidence relied upon by both parties. The tribunal prefers the evidence of Mr. Davis to that of Mr. Loizides and finds that his reliance on two closely similar transactions in the same development provides the best evidence on which the tribunal can reach its decision.

In respect of the capitalisation rate, the ground rent arrangement is a geared ground rent that generally investors would perceive as being far more attractive and reduce their capitalisation rate accordingly. Mr Davis suggests a capitalisation rate of 7% and this is a more credible rate than the 7.5% suggested by Mr Loizides.

From the evidence presented by both parties of long lease values the following evidence was the most useful: 9 Bramley Court at £220,000; 9 Sheridan Lodge at £220,000; 10, Clarence Close at £235,000 and 30, Masefield at £225,000. In conclusion the tribunal was of the opinion that a figure of £225,000 was the most appropriate figure for the long lease value.

Regarding the existing lease value the tribunal considered that the market evidence provided by Mr Davis was more appropriate than the graph approach suggested by Mr Loizides. Accordingly the Tribunal adopts a short lease value of £200,000 for each of the two flats. By adopting these variables in the valuation process the premium calculated is £17,360 as shown in the attached valuations.

8. In conclusion the tribunal finds that the premium payable for the lease extension by the Applicants is £17,360 per flat with agreed costs of £850 plus VAT (legal fees) and £600 plus VAT (Surveyor's fees).

Signed: Judge LM Tagliavini

Dated: 19 August 2016

**24, Greenacres, Glyn Avenue
Barnet, Hertfordshire
EN4 9PJ**

Long Lease Value (Unimproved)	£225,000
Existing Lease Value (Unimproved)	£200,000
Deferment Rate	5%
Capitalisation Rate	7%

Freeholder's Present Interest

Term

Term 1

Rent Reserved £75

YP to 1st review 6.33 years @ 7% 4.9787

£373

Term 2

Rent Reserved £250

YP to 2nd review 33 years @ 7% 12.7538

PV of £1 @ 7% in 6.33 years 0.6516

£2,078

Term 3

Rent Reserved £750

YP to 2nd review 33 years @ 7% 12.7538

PV of £1 @ 7% in 39.33 years 0.0698

£668

Reversion

FH reversion £225,000

PV of £1 in 72.33 years @ 5% 0.029335

£6,600

£9,719

less

Freeholder's Proposed Interest

FH reversion £225,000

PV of £1 in 162.33 years @ 5% 0.0004

£90

£9,629

Marriage value

Proposed

Extended lease value £225,000

FH in reversion £90

less

Existing

Freeholder's Interest £9,629

Short lease value £200,000

£15,461

Marriage Value

50:50 division

£7,731

Premium for lease extension

£17,360

**55, Greenacres, Glyn Avenue
Barnet, Hertfordshire
EN4 9PJ**

Long Lease Value (Unimproved)	£225,000
Existing Lease Value (Unimproved)	£200,000
Deferment Rate	5%
Capitalisation Rate	7%

Freeholder's Present Interest

Term

Term 1		
Rent Reserved	£75	
YP to 1st review 6.33 years @ 7%	<u>4.9787</u>	
		£373

Term 2		
Rent Reserved	£250	
YP to 2nd review 33 years @ 7%	12.7538	
PV of £1 @ 7% in 6.33 years	<u>0.6516</u>	
		£2,078

Term 3		
Rent Reserved	£750	
YP to 2nd review 33 years @ 7%	12.7538	
PV of £1 @ 7% in 39.33 years	<u>0.0698</u>	
		£668

Reversion

FH reversion	£225,000	
PV of £1 in 72.33 years @ 5%	<u>0.029335</u>	
		<u>£6,600</u>
		£9,719

less

Freeholder's Proposed Interest

FH reversion	£225,000	
PV of £1 in 162.33 years @ 5%	<u>0.0004</u>	
		<u>£90</u>
		£9,629

Marriage value

Proposed		
Extended lease value	£225,000	
FH in reversion	£90	
less		
Existing		
Freeholder's Interest	£9,629	
Short lease value	<u>£200,000</u>	
Marriage Value		<u>£15,461</u>
50:50 division		<u>£7,731</u>
Premium for lease extension		£17,360