



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

Case Reference : VG/LON/OOBJ/OLR/2016/0704

Property : 233E Balham High Road, London SW17 7BG

Applicant : David & Deborah Bevan

Representative : Bonallack & Bishop

Respondent : Rightprime Property Management Limited

Representative: Ashley Wilson LLP

Type of Application: **For the determination of the premium payable under section 48**

Tribunal Members : Mrs Sonya O'Sullivan
Mr Duncan Jagger MRICS

Date and Venue of Hearing : **9 August 2016 at 10 Alfred Place,
London WC1E 7LR**

Date of Decision : **10 August 2016**

DECISION

Background

Property: A conversion flat on the second floor of a three storey detached building of six units known as 233E Balham High Road, London SW17 7BG

Valuation date: 14 September 2015

Details of tenant's leasehold interest -

(i) Date of lease : 22 November 1985
(ii) Expiry of lease: 28 September 2084
(iii) Ground rent: £40 p.a for the first 33 years rising to £80 p.a for the next 33 years rising to £120 p.a for the remaining 33 years
(iv) Unexpired term at valuation date: 69.04 years

Tenant's proposed premium: £14,581

Landlord's proposed premium: £21,075

The hearing

1. The Applicant was represented by Mr Dunsin FRICS of Dunsin Surveyors and the Respondent was represented by Mr Darby BSc MRICS of Darby Mountbank Chartered Surveyors. Both experts attended the hearing to give evidence. At the commencement of the hearing it was confirmed that the only matter remaining in dispute between the parties were the valuation of the unimproved extended lease.
2. At the beginning of the hearing Mr Darby provided the tribunal with a small bundle of further documents comprising sales particulars in relation to his comparables. Mr Dunsin was given a 30 minute adjournment to read through these documents and confirmed he was happy to proceed.

3. The tribunal did not inspect the property given that it had been provided with ample photographs in the bundle of both the subject property and the main comparables relied upon. The evidence heard and the Tribunal's decision is set out below. What follows is necessarily a summary of the evidence, the majority being in any event contained in the bundles before the tribunal.

4. The tribunal heard that the subject property is a converted second floor flat which forms part of a 3 storey detached Victorian building comprising 6 dwellings. The building has redbrick elevations and a pitched and slate roof and has non allocated parking on the front forecourt and a communal garden shared between the flats to the rear. The property was originally a studio flat and has since been converted to its current layout as a one bedroom flat with kitchen, bathroom and WC.

The Estimated Value of the Unimproved Extended Lease

5. Both experts relied on comparables situate within Du Cane Court, Balham High Road, London SW17 7JE ("Du Cane Court").

6. For the Applicant Mr Dunsin relied on 2 comparables, Flat B68 and Flat B62, both of which are studio flats. Du Cane Court was said by Mr Dunsin to be a private iconic landmark development overlooking courtyard gardens. The development has a 24 hour concierge service, passenger lifts and communal car parking spaces. Flat B68 was said to be in good condition with UPVC double glazed windows and benefiting from panoramic views. With a floor area of 261 sq ft it sold on 24 March 2016 with a 169 year lease for £255,000. Flat B62 is likewise said to benefit from panoramic views and be in good condition with UPVC windows. With a floor area of 262 sq ft it sold on 11 December 2015 with a 109 year lease for £260,000.

7. Mr Dunsin had prepared a schedule of comparables and analysis which set out how he had gone on to adjust the comparables. He made the same adjustments to both flats first of all making a HPI adjustment to the sale price. He then deducted £20,000 for what he said were panoramic views from the comparables and £25,000 for the location as in his view Du Cane Court was closer to Balham Rail and Underground Station and in a preferable location. An allowance of £13,000 was made for condition as Mr Dunsin considered that both flats had what he said was a modern kitchen and bathroom and good general decoration. The sum of £18,000 was deducted for facilities as Du Cane Court has a 24 hour concierge service and large communal gardens. This made a total of £76,000 deducted making an adjusted freehold value of £176,302 for Flat B68 and £187,200 for Flat B62. Mr Dunsin then took an average of both on a psf basis and used that figure to multiply by the floor area of the subject property to reach a freehold vacant possession value for the subject property of £268,270. Applying that figure and the agreed other values resulted in a premium of £14,581.
8. On cross examination Mr Dunsin confirmed that he had only relied on 2 comparables as he had confined himself to market sales within a reasonable distance of the subject property and had disregarded any properties with a short lease. He considered the 24 concierge to be an advantage rather than a necessity in this type of block and that the communal gardens were better than the gardens in the subject property.
9. Mr Darby confirmed that he had also looked for comparables but had found no other good comparables apart from those in Du Cane Court. The reason for this he said was because the flats contained in the roads leading off Balham High Road were of a very different nature and not a good comparable. Mr Darby had listed every property he could find details of around the relevant period in his Appendix 3. He had then gone on to divide these into 5 categories; studio flats, one bedroom flats (small), one bedroom flats (medium), one bedroom flats (large) and those not applicable as they were not likely to be mortgageable. He

confirmed that he had made no adjustments for lease length as all the leases had over 95 years remaining. He then took an average of the small one bedroom flats category of £940 psf on the basis that they were the closest in floor area to the subject property and applied that to the floor area of the subject property to reach a figure of £362,840. He then deducted £10,000 which was his estimated cost of conversion to a one bedroom flat which he considered would be simply erecting partitions and potentially some limited wiring. He then added 10% for the advantages of the subject property which he considered would be more attractive to flats within Du Cane Court. This was because he considered that Du Cane Court was a noisy block with 6 floors and 676 flats and an extremely high service charge of £3,000 p.a for a one bedroom flat.

10. On cross examination Mr Darby confirmed that he had not made an allowance for the bedroom but had rather dealt with this by the £10,000 allowance for a conversion. He also gave evidence that in his view the conversion of a studio flat to a one bedroom flat could be accomplished relatively easily and at minimum expense. Although it was pointed out to him that Du Cane Court had substantial parking he informed the tribunal that with considerate parking a total of 6 cars could be parked at the subject flat. He also pointed out that there were a substantial number of buy to let flats at Du Cane Court.

The tribunal's decision

11. The Applicant had confined himself to only 2 comparables which in our view made any analysis distorted. Further the adjustments he went on to make were in our view excessive and unjustified by the evidence. Taking a step back the figures he arrived at for freehold vacant possession of the comparables using his analysis in the region of £180,000 bore no relation to the market at that time. We were not convinced that Du Cane Court was such a superior building and location so as to merit a combined deduction of £76,000. We do however accept his evidence

that an allowance should be made to warrant the improved location, views and communal gardens (see below).

12. Mr Darby had carried out a comprehensive analysis of sales at Du Cane Court in the relevant period. From each category he had calculated an average psf but on reflection preferred to adopt the one bedroom flat (small) figure as it was the nearest in floor area. In our view the more relevant rate is the psf for the studio flats given that is what we are valuing and thus the rate of £952 psf is our starting point which multiplied by the floor area reaches a figure of £367,472.
13. We went on to consider what adjustment should be made for the location of Du Cane Court, the substantial communal gardens and its views. It is a short walk to Balham Underground and Railway Station whereas the subject property is closer to Tooting. Du Cane Court has large attractive outside space albeit communal. Views from the building are attractive. We consider these benefits merited a total deduction of £25,000 to reach a figure of £342,472.
14. However we also considered that an allowance should be made to reflect the benefits of the subject property being contained in a dwelling comprising only 6 units in total with less noise likely. We consider this merited an allowance of £15,000 reaching a long leasehold value of £357,472.

Summary of the Tribunal's Decision

We therefore determined that the premium to be paid by the tenant on the grant of a new lease, in accordance with section 56 and Schedule 13 of the Leasehold Reform, Housing and Urban Development Act 1993 is £19,377 as shown on the attached valuation.

Name: Sonya O'Sullivan

Date: 10 August 2016

Flat E, 233 Balham High Road, London SW17 7BG

APPENDIX A

The Tribunal's Valuation

Assessment of premium for a new lease

In accordance with the Leasehold Reform, Housing and Urban Development Act 1993

VG/LON/OOBJ/OLR/2016/0704

Components

Valuation date:	2015	
Deferment rate:	5%	
Capitalisation rate:	7%	
Freehold value:	£361,047	
Long lease value	£357,472	
Existing leasehold value	£331,910	
Relativity	91.93%	
Unexpired Term	69.04 years	
Ground rent currently receivable	£40	
Capitalised @ 7.0% for 3.04 years	2.656	£106
Rising to:	£80	
Capitalised @ 7.0% for 33 years	12.754	
Deferred 3.04 years @ 7.0%	0.182	£831
Rising to:	£120	
Capitalised @ 7.0% for 33 years	12.754	
Deferred 36.04 years @ 7.0%	0.0873	£134
Reversion to freehold value:	£361,047	
Deferred 69.04 years @ 5%	0.034	<u>£12,276</u>
		£13,347
Less value of Freeholders proposed interest		
Reversion to VP value:	£361,047	
Deferred @ 5% for 159.04 years	0.00043	<u>£155</u>
		13,192
Marriage Value		
<u>Value of Proposed Interests</u>		
Extended leasehold interest	£357,472	
Value of Freehold interest	<u>£155</u>	£357,627
<u>Value of Existing Interests</u>		
Landlord's existing value	£13,376	
Existing leasehold value	<u>£331,910</u>	<u>£345,257</u>
		£12,370
Freeholders share @ 50%		£6185
LEASE EXTENSION PREMIUM		£19,377