

44/62



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

Case reference	:	LON/00AF/OLR/2016/1716
Property	:	Ground Floor Flat, 1 Lesley Court, Main Road, Orpington, Kent BR5 3HB
Applicant	:	Mr Aaron Frederick Dickens
Representative	:	Mr David Robson MA(Oxon) MSc MRICS
Respondent	:	Ault Investments Limited
Representative	:	Mr Wilson Dunsin FRICS
Type of application	:	Section 48 of the Leasehold Reform, Housing and Urban Development Act 1993
Tribunal members	:	Judge Timothy Powell Mrs Helen Bowers MRICS
Date of determination and venue	:	21 & 22 February 2017 at 10 Alfred Place, London WC1E 7LR
Date of decision	:	28 March 2017

DECISION

Summary of the tribunal's decision

The appropriate premium payable for the new lease is **£45,468**.

Background

1. This is an application made by the applicant leaseholder pursuant to section 48 of the Leasehold Reform, Housing and Urban Development Act 1993 ("the Act") for a determination of the premium to be paid for

the grant of a new lease of Ground Floor Flat, 1 Lesley Court, Main Road, Orpington, Kent BR5 3HB (the “property”).

2. By a notice of a claim dated 21 March 2016, served pursuant to section 42 of the Act, the applicant exercised the right for the grant of a new lease in respect of the subject property. At the time, the applicant held the existing lease granted on 29 September 1961 for a term of 99 years from 24 June 1961 at an annual ground rent of £15. The applicant proposed to pay a premium of £31,130 for the new lease.
3. On 17 May 2016, the respondent freeholder served a counter-notice admitting the validity of the claim and counter-proposed a premium of £65,444 for the grant of a new lease.
4. On 1 November 2016, the applicant applied to the tribunal for a determination of the premium.

The issues

Matters agreed

5. The following matters were agreed:
 - (a) The subject property is a purpose-built two-bedroom maisonette comprising 579 sq ft on the ground floor of a two storey building comprising four maisonettes of similar kind, built circa 1961. The property also benefits from a demised front and rear garden.
 - (b) The current lease term is 99 years from 24 June 1961;
 - (c) The valuation date: 21 March 2016;
 - (d) Unexpired term: 44.26 years;
 - (e) Ground rent: £15 per annum, paid half-yearly in advance with no reviews;
 - (f) Capitalisation of ground rent: 7.5% per annum; and
 - (g) Deferment rate: 5%; and
 - (h) That there should be a 1% upward adjustment to the long lease value to assess the freehold vacant possession value (this was agreed at the hearing).

Matters not agreed

6. The following matters were not agreed:
 - (a) The unimproved long lease value;
 - (b) The short lease value; and
 - (c) The premium payable.

The hearing

7. The hearing in this matter took place on 21 February 2017. The applicant was represented by Mr David Robson MA(Oxon) MSc MRICS, who spoke to his expert report and valuation dated 7 February 2017; and the respondent by Mr Wilson Dunsin FRICS, who spoke to his expert report and valuation dated 16 February 2017.
8. At the hearing, the premiums contended for by the parties had altered, so that the applicant was now seeking to pay a premium of £39,007 for the extended lease; and the respondent was now seeking to receive a premium of £57,460.
9. Both experts spoke to their reports; each had the opportunity to ask questions of the other; each answered questions posed by the tribunal members. The experts were made aware that the tribunal members would inspect the subject property and comparables, but that their attendance at such inspection was not required; nor did the experts ask to be present.

Inspection

10. The tribunal members carried out an external inspection of the subject property and all of the comparable properties relied upon by the parties, in the morning of 22 February 2017.
11. The subject property is situated on a noisy and moderately busy, narrow, main road, close to a traffic pinch point where vehicles are held up by parked cars on the road, and opposite a shuttered store. In addition to road noise at the front, there was a constant light industrial background noise. The building is tired-looking, almost shabby, with low ceilings and small windows. The rear door opens onto a small garden; the front garden, a grass area, bringing with it a maintenance responsibility but no privacy, would appear to add little to the value of the flat.
12. Details of the comparable properties are found below.

Long lease value

13. In order to establish the long lease value, both experts relied upon the sale of what they regarded as similar properties, within varying but sometimes very close distance from the subject property, with adjustments as necessary, to allow for variations between properties. Although the experts did not always agree on them, these factors were said to include condition (improvements, repairs and disrepair), size (floor area), floor location, outside space (garden and/or garage), location, lease length and time adjustment for market movement. One

comparable included an adjustment for the existence of Japanese knotweed in a neighbouring property.

14. For the applicant, Mr Robson relied upon comparable sales of properties at 26 and 35 Bannister Gardens, which were diagonally across the road from the subject property, 2A and 2B Teal Avenue, which were less than five minutes' walk away, and Flat 18, 1 Cray View Close, which was somewhat more than five minutes' walk away. The comparables were each of a similar size to the subject, had lease lengths of between 99 and 250 years, but varied in terms of condition, off-street parking, garden and, in three cases, floor location. Apart from Cray View Close, each comparable was situated north of the east-west London to Dover railway line, that bisects the St Paul's Cray and St Mary Cray area.
15. For the respondent, Mr Dunsin relied upon comparable sales of properties at 3 and 20 Craylands, both of which were barely two minutes' walk from the subject property and, hence, north of the railway line; and of properties at 11, 26 and 28 Cray Valley Road, and 9 and 29 Sidmouth Road, these being around 15 minutes' or more walk from the subject property and all of them south of the railway line.
16. Basic details of the comparable properties, with their sale prices and adjustments made to them, were found in tables at paragraphs 8.2 and 8.4 of Mr Robson's report and at paragraph 4.05 of Mr Dunsin's report.

Mr Robson's approach

17. The unadjusted sales prices of Mr Robson's comparables were as follows:

Address	Floor	Approx. lease length	Transaction date	Price
26 Bannister Gardens	First	99 years	3.11.2015	£195,000
35 Bannister Gardens	First	99 years	4.5.2016	£200,000
2A Teal Gardens	Ground	250 years	6.5.2016	£215,000
2B Teal Gardens	First	250 years	29.4.2016	£222,500
Flat 18, 1 Cray View Close	Second	114 years	8.8.2016	£210,000

18. Mr Robson adjusted the sale prices of his comparables for time, utilising the Land Registry Price Index for Flats in the London Borough of Bromley in Appendix 5 of his report, then adjusted them for floor level (believing properties on the first floor and higher were more valuable than those on the ground floor) and condition (taking off £5,000 as most had central heating and double glazing), and the availability of parking (at least in relation to 2A and 2B Teal Avenue).
19. Altogether, taking into account the adjusted comparables, Mr Robson considered that the unimproved long lease value of the subject flat was £200,000.

Mr Dunsin's approach

20. The unadjusted sales prices of Mr Dunsin's comparables were as follows:

Address	Floor	Approx. lease length	Transaction date	Price
3 Craylands	Ground	996 years	7.10.2016	£255,000
20 Craylands	First	948 years	25.11.2016	£257,000
11 Cray Valley Road	First	114 years	12.2.2016	£233,000
26 Cray Valley Road	Ground	111 years	27.1.2017	£240,000
28 Cray Valley Road	First	102 years	13.5.2016	£245,000
9 Sidmouth Road	First	94 years	21.12.2016	£248,000

21. Mr Dunsin explained that the significant difference between the comparables was that all of his were purpose-built maisonettes, like the subject property, and all within half a mile of the subject; whereas Mr Robson had chosen comparables that were variously ex-local authority flats in a block, in-fill extensions and new-build.
22. Mr Dunsin adjusted his comparables for condition (all reduced by £5,000 to account for their improved condition over the subject property) and, as appropriate, to reflect size, and provision or lack of a garden and/or garage and/or knotweed. He then applied varying uplifts to the shorter lease lengths, to achieve freehold values (per paragraph 5.03.08 of his report). He then made adjustments for time, also using the Land Registry Price Index for Flats in Bromley, though in

the case of more recent sales, only to November 2016, being the most recently available index figure.

23. In his opinion, there was no significant difference between the location of the subject property and the locations of the comparables; and, for this reason, he made no adjustments for location.
24. Altogether, taking into account the adjusted comparables, Mr Dunsin considered that the freehold vacant possession value of the subject property was £240,340; and the unimproved long lease value (at 99% of this figure) was £237,937.

The tribunal's determination

25. The tribunal determines that the long lease value is £211,500.

Reasons for the tribunal's determination

26. With the experts relying on different comparables and making different adjustments to them, the tribunal started by establishing the principles upon which its own valuation exercise should be based.

Floor level

27. In Mr Robson's opinion, higher floor properties achieve higher prices over ground floor properties, largely due security reasons. However, the only evidence for saying that there may be a difference in value between floors was the difference in sale price between 2A and 2B Teal Avenue, on the ground and first floors, respectively.
28. In the tribunal's view, each floor location will have its pros and cons; and often these will balance each other out. While the top flat at 2B Teal Avenue may be more valuable, that difference might easily have arisen from the fact that it is the larger flat. Overall, in the absence of compelling evidence, the tribunal does not see any reason to make an adjustment for floor level.

Condition

29. Mr Dunsin said that all of his comparables had been improved as against the original condition of the subject property: most of them had central heating and double glazing. Accordingly, he deducted £5,000 per comparable to reflect condition. While, in the tribunal's view, this was quite a modest approach, it noted that Mr Robson had made the same £5,000 deduction for condition, as against all of his comparables.

30. Given that all of the properties under consideration are modestly-priced units, the tribunal concludes that the appropriate deduction for condition is probably around this level; and, without further evidence it will accept the experts' opinions with regard to this deduction.

Parking

31. Mr Dunsin's opinion was that if a property has a garage, it adds £5,000 to the value. Mr Robson approached it slightly differently, referring to car parking space but not identifying a particular figure for it; but he did go on to deduct £5,000 from the value of the Teal Avenue properties, to reflect their off-street parking at the front.
32. The tribunal considers that a garage is more valuable than a car parking space, especially since a garage is often used as extra storage for small flats; but, in the absence of any evidence either way, it considers that the increase in value attributable to a garage is likely to be more than £5,000. In the tribunal's opinion, the appropriate increase for a garage is more likely £7,500; and for off-road parking, £2,500.

Front garden

33. It will be recalled that the subject property benefits from a demised front and rear garden. Where a comparable has no front garden, Mr Dunsin's approach was to add £5,000 to its value, to reflect this difference with the subject; whereas Mr Robson does not consider, as between his comparables, that there is any difference in value between properties that have private and those that have communal gardens.
34. The tribunal's view is that a demised garden, while often welcomed as a benefit, can sometimes constitute more of an encumbrance, due to the maintenance obligation; especially if there is no privacy in its use, as in the case of a front garden. However, as against this, ownership does give control over the space, as against others, even if a garden is not used as such.
35. In the absence of any clear evidence, the tribunal's expert view is that the £5,000 addition for which Mr Dunsin contends is too high; and that a lower figure of £2,500 is more appropriate.

Private rear garden, not directly accessible

36. Mr Dunsin makes a £5,000 addition to the value of his comparables to reflect the fact, while they also have private rear gardens, they have no direct access to them, unlike the subject property, which can access its rear garden from the back door. Mr Robson made no such adjustment, for example, in respect of Teal Avenue.

37. There was no supporting evidence for this adjustment. In the tribunal's expert opinion, the fact that a comparable may have no rear garden might increase its value as against the subject by £5,000; but having a rear garden, but without direct access, only justifies an addition of £2,500 to the value.

Japanese knotweed

38. Mr Dunsin makes a £5,000 addition to the value of his comparables at 20 Craylands, to reflect the fact that knotweed was reported in a neighbouring property.
39. The tribunal accepts that the existence of knotweed carries a stigma; and this is especially so if it appears on the sales particulars, even if, as here, it is in a neighbouring property and is under treatment. Some purchasers would pay more to avoid it, but the tribunal has doubts that £5,000 is the appropriate adjustment for this.
40. Knotweed can be a significant problem, which is well-known to many people. While it is on the sales particulars of this one comparable, the future is uncertain, given that the ongoing treatment is nearing its end. In the tribunal's view, the appropriate adjustment for this is £2,500.

Size

41. It will be recalled that the gross internal area of the subject property is some 579 sq ft. Where his comparables are 627 or 635 sq ft, Mr Dunsin makes a £5,000 deduction from their value, for size. The tribunal agrees with such a deduction; but it does not consider that any such deduction is justifiable for any of the other comparables that are only slightly bigger than the subject property, at about 600 sq ft.

General location

42. At the hearing, Mr Robson, who grew up in nearby Petts Wood and said he knew the area very well, sought to draw a distinction between the subject property and close-by comparables in St Paul's Cray, to the north of the railway line, and those further-off comparables in St Mary Cray, to the south of the railway line. He said the "feel" of the two areas was different; and that south of the railway was a superior location.
43. Mr Dunsin disputed this, saying that his comparables were all within half a mile of the subject property; and that the two areas, which he also knew well, were similar, so that no adjustment needed to be made for location.

44. The tribunal was not provided with any evidence to say where the exact boundaries of St Paul's Cray and St Mary Cray lie, but it relied upon its own inspection of the two areas north and south of the railway line in coming to its own conclusion as to the comparative locations.
45. That inspection revealed that the northern area near the subject property was more densely built-up, and the Main Road on which the subject property lay was narrower and busier, than the more open southern area, with the wider and rather less busy Cray Valley Road and Sidmouth Road. Overall, the tribunal concluded that the southern area was a superior location compared to the northern area. Compared to the subject property, the tribunal would rank the locations of the comparables in the following order:
- (a) 26 & 35 Bannister Gardens: these flats are in essentially the same area and environment as the subject property, being 30 or 40 yards away, diagonally across Main Road. They have much larger gardens, though communal rather than private; they are better kept, but with communal entrances; there is a large communal car parking area at the rear, which is somewhat protected from the front road noise;
 - (b) 2A & 2B Teal Avenue: these flats are in a slightly better location than the subject property, being on a quieter, wider road less than five minutes' walk away. While a more peaceful location, it is still possible to hear ambient traffic noise; there are separate entrances and rear gardens; and off-street parking at the front;
 - (c) 3 & 20 Craylands: these properties are in a still better location, in a separate close off Main Road and being quieter and more secluded, although still with some traffic and distant noise. The buildings appear to be a few years newer than the subject property, with no.3 having open gardens around the front and side and a larger, fenced garden at the southern side; and no.20 having a detached rear garden. Both benefit from separate garages;
 - (d) 18 Cray View Close: this flat was the most central and in a better location than the subject property, in terms of its proximity to the shopping centre. While it was part of a modern and secure building, the tribunal discounted it as a comparable, as it was by far the least similar of all the properties put forward (see later);
 - (e) 11, 26 & 28 Cray Valley Road: these maisonettes were more substantial buildings than the subject property, with different provisions for front and rear gardens. They were situated on a wider road, with grass verges and a more open aspect. While there was a fair amount of passing traffic, it was less than Main Road and there was no particular ambient noise. These factors,

together with closer proximity to the local railway station, make this location significantly more desirable than the subject property; and

- (f) 9, 29 & 37 Sidmouth Road: these properties, being in the quietest and most peaceful locations, off Cray Valley Road, and also close to the railway station, are in a far superior location to the subject property.
46. From this analysis, the tribunal decided that it would start its valuation exercise by considering those six comparables in the immediate vicinity of the subject property first, before deciding whether and to what extent to take into account those comparables that were further away. Fuller details are given below.
47. As some of the comparables close to the subject property were in better locations, being quieter and more secluded than the Main Road site, the tribunal considered that adjustments for location were justified, as follows: Teal Avenue, -£2,500, and Craylands, -£5,000.

Time adjustments

48. Two of Mr Dunsin's comparables were not properly adjusted for time: 9 Sidmouth Road and 26 Cray Valley Road. This was because the sales of these properties had taken place in December 2016 and January 2017, respectively, but the most up-to-date Land Registry indices available were those to November 2016.
49. Mr Dunsin admitted this shortcoming quite readily, but explained that he had done the best he could with the data that was currently available. The tribunal accepts this, but decided that, if these comparables were to be taken into account, they would be given much less weight.

Lease length

50. Both experts referred to the list of adjustments needed to comparables, as outlined in the Upper Tribunal decision of *Earl Cadogan v Faizapur & Stephenson* [2010] UKUT 3 (LC), LRA/179/2007.
51. In his report, Mr Robson said that "Given the length of the leases of the comparables, no adjustment is needed to account for the lease length in arriving at my opinion for the long lease value". However, Mr Dunsin argued that any lease length of less than 130 years required a further uplift, to reflect the relativity between the freehold and long leasehold values.

52. To this end, Mr Dunsin relied upon the uplifts provided in paragraph 98 of the Upper Tribunal decision in *Earl Cadogan v Betul Erkman* [2011] UKUT 90 (LC), LRA/56/2007 & LRA/68/2008, which states:
- “In our opinion the following range of relativities is appropriate: leases with unexpired terms of 100 to 114 years – 98%; 115 to 129 years – 98.5% and above 130 years – 99%. We do not consider that the additional category of 98.75% proposed by Mr Clark for unexpired terms of between 125–130 years is justified.”*
53. Relying upon this statement and upon the Savills Enfranchiseable Lease Table 2002, at Appendix 10 of his report, Mr Dunsin sought uplifts to the long lease values of some of his comparables of 2% and 3.8%, depending on lease length.
54. Mr Robson submitted that, in this location, a 99-year lease achieved the maximum capital value for any given property and that the only appropriate uplift was the standard 1% upward adjustment to the long lease value to arrive at the freehold value, which, he said, was widely accepted among valuers in the industry, with very few exceptions.
55. The tribunal noted that the two Upper Tribunal decisions referred to both concerned properties in Cadogan Square, in the Prime Central London (‘PCL’) area, where the market is far more sophisticated, properties command much higher prices and small differences in relative values between long leasehold and freehold values can sometimes be identified.
56. These factors simply do not apply to the local market in St Paul’s Cary and St Mary Cray, where purchasers are looking for gardens and room sizes. For this reason, the tribunal rejects Mr Dunsin’s submission that the comparables with leases of less than 130 years need a further uplift, beyond the widely-accepted and agreed 1%.

Application of these principles to determine the long lease value

57. Starting with the six comparables in close vicinity to the subject property and applying the above principles, the tribunal made the following adjustments to the recorded sale prices:

Address	Price paid £	Adjusted for time £	The tribunal's adjustments	Amount £	Tribunal's adjusted price £
26 Bannister Gardens	195,000	201,800	Condition: Parking: No front garden: No rear garden:	-5,000 -2,500 +2,500 +5,000	201,800
35 Bannister Gardens	200,000	196,020	Condition: Parking: No front garden: No rear garden:	-5,000 -2,500 +2,500 +5,000	196,020
2A Teal Gardens	215,000	210,730	Condition: Parking: No front garden: Location:	-5,000 -2,500 +2,500 -2,500	203,230
2B Teal Gardens	222,500	220,170	Condition: Parking: No front garden: No direct access: Location:	-5,000 -2,500 +2,500 +2,500 -2,500	215,170
3 Craylands	255,000	244,872	Condition: Garage: Size: Location:	-5,000 -7,500 -5,000 -5,000	222,372
20 Craylands	257,000	246,093	Condition: Garage: Size: Location: Japanese knotweed: No front garden: No direct rear access:	-5,000 -7,500 -5,000 -5,000 +2,500 +2,500 +2,500	231,093
Total:					1,269,685
Average (÷6):					211,614
Long lease value, say:					211,500

58. Having carried out this exercise, the tribunal was satisfied that the six comparables in close vicinity to the subject property (four from Mr Robson and two from Mr Dunsin) provided an adequate sample from which to assess the long lease value.
59. The tribunal chose not to rely upon the comparable at Flat 18, 1 Cray View Close, because it was entirely different from the subject property,

being on the second floor of a modern purpose-built shared ownership block, forming part of the central shopping district.

60. The other comparables in Cray View Road and Sidmouth Road, while more akin to the subject property in that they were also purpose-built maisonettes, were also not relied upon, because the tribunal would have had to make more adjustments to reflect their superior location and, in the case of 9 Sidmouth Road and 26 Cray Valley Road, the fact that they were not properly time-adjusted. This would have meant greater reliance on judgment and, for this reason, their adjusted values would be more prone to error.

The existing lease value

61. Mr Robson said that he could not find any nearby comparable short lease sales within a reasonable period of the valuation date; and so he calculated the existing lease value at £145,198, based on a relativity of 71.88%. He derived that percentage having selected three graphs from the RICS Research "Leasehold Reform: Graphs of Relativity" published in October 2009. He justified his selection in section 10 of his report, taking an average of the graphs produced by South East Leasehold, Laurence Nesbitt and Andrew Pridell.
62. Mr Dunsin, on the other hand, had found a short lease sale, upon which he relied to say that the existing lease value was £150,597, based on a relativity of 62.66%. The short lease sale was in respect of 29 Sidmouth Road, a two-bedroom, first floor, purpose-built maisonette. That property sold for £219,999 on 29 June 2015 with a relatively short 75.73 year lease.
63. Mr Dunsin had also identified another, similar maisonette, at 37 Sidmouth Road, but with a short unexpired term of 31 years. That had been on the market with an asking price of £170,000 (with an indication that a lease extension would cost between £59,000 and £76,000), but had not sold despite having been on the property market since May 2016. The property had therefore been put into the Savills auction of 13 February 2017, but again was not sold, as did not reach its guide price of £135,000.
64. As the existing lease value is to be determined on the assumption that the relevant flat did not have rights under the 1993 Act, Mr Dunsin's approach was to take the sale price of 29 Sidmouth Road, adjusted downwards for condition, a garage and a large corner plot, and make a further percentage reduction, to reflect the value of Act rights. He did this by comparing the real world relativity, as shown by the Savills 2002 enfranchiseable graph, and the relativity for leases without rights under the Act, as shown by the Gerald Eve 1996 graph, and express it as a percentage of the Savills 2002 enfranchiseable graph. This was an

approach referred to in *Earl Cadogan v Cadogan Square Limited* [2011] UKUT 154 (LC), at para.79.

65. Using this approach, Mr Dunsin considered that the 75.73 year lease of 29 Sidmouth Road should result in a 0.71% deduction to the adjusted sale price; which, when further adjusted for time, would give a relativity between the freehold value and existing lease value without 1993 Act rights of 90.06%. As this was less than the 95.32% relativity for a 75.73 year lease produced by an average of the five graphs in Section 2 of the RICS research report on relativity, this demonstrated, in Mr Dunsin's opinion, that relativity for a 75.73 year lease in this area had dropped by some 5.26% as compared to the graphs; a drop that he then sought to apply to the averaged graph relativity of 67.92% for a 44.26 year lease, resulting in the 62.66% relativity for the subject property, that he then put into his valuation.
66. While Mr Robson disputed the value of a property with a 75-year lease as a comparable for the subject property with a 44-year lease, Mr Dunsin sought to rely on para.168 of *The Trustees of Sloane Stanley Estate v Munday* [2016] UKUT 223 (LC), to say that one single short lease transaction is to be preferred over the use of the graphs, so long as you can analyse that transaction; and that he had demonstrated how relativity had come down since the RICS research on relativity in 2009.

The tribunal's determination

67. The tribunal determines that the exiting lease value is £145,102.

Reasons for the tribunal's determination

68. The tribunal agrees with the view expressed by both experts that, when seeking to determine the existing lease value of the subject property, evidence of market sales of short leases is preferable to the use of the RICS graphs of relativity. However, in the present case, there is no market evidence of a sale of a short lease with 44.26 years unexpired; or, indeed, anything near.
69. The tribunal does not agree with Mr Dunsin that it is possible to extrapolate relativity with any degree of accuracy from a single sale of a 75.73 year lease, especially not of a property in a different location. Although para.168 of the *Munday* decision does contemplate reliance upon a single sale transaction as a useful starting point for determining the value of the existing lease without Act rights, the wording of that paragraph refers to a market transaction "in respect of the existing lease", rather than a market transaction of a different property.
70. In short, the tribunal does not consider that you can compare a 77-year lease with a 44-year lease, with all the adjustments that you would have

to make, especially for location. In the tribunal's opinion, Mr Dunsin adopted an overly mathematical approach in establishing the existing lease value and he sought to use it to say that there is an overall 5% or greater undercut of the relativity graphs, across the range, including for a much shorter lease at the subject property. The tribunal is not attracted to the logic of this approach and considers that, without some substantial corroborative evidence, it is a step too far.

71. With regard to the property at 37 Sidmouth Road, this was a failed auction sale of a lease much shorter than the subject property; and in a different location. For these reasons, the tribunal was unable to give any weight to this comparable.
72. It follows from the above that, in the absence of useful market evidence, the tribunal has to rely on graphs of relativity.
73. In evidence, Mr Robson said that he would normally have used and averaged all five graphs that appear in Section 2 of the RICS research report. However, in the present instance, he had selected and averaged only three of the graphs, namely the South East Leasehold, Laurence Nesbitt and Andrew Pridell graphs, because they were the most geographically relevant; and had disregarded the Beckett & Kay and Austin Gray graphs on the grounds of being only opinion-based and not geographically relevant.
74. Mr Dunsin agreed that he normally used and averaged all five of the relativity graphs in Section 2 of the RICS research report; and he did so in the present case, albeit that, for reasons given above, he sought to reduce the relativity percentage thereby produced by some 5.26%. Mr Dunsin also pointed out that at least one of Mr Robson's graphs, that produced by Andrew Pridell, also included some opinion evidence, which had been a reason for Mr Robson to exclude the Beckett & Kay and Austin Gray graphs.
75. The tribunal itself sees flaws in all five graphs of relativity under consideration and considers that averaging them out at least has the advantage of balancing out those flaws. Although the tribunal has severe reservations about the Beckett & Kay graph, based as it is on purely opinion evidence, and reservations about the Austin Gray graph, based primarily on properties in Brighton and Hove, as each of the experts would ordinarily have used all five graphs, the tribunal has decided to adopt the same approach and average all five, deriving a relativity for a 44.26 year lease of 67.92%.
76. This results in an exiting lease value of £145,102.

The premium

77. The tribunal determines the appropriate premium to be **£45,468**. A copy of its valuation calculation is annexed to this decision.

Name: Timothy Powell

Date: 28 March 2017

Appendix: Valuation setting out the tribunal's calculations

Rights of appeal

By rule 36(2) of the Tribunal Procedure (First-tier Tribunal) (Property Chamber) Rules 2013, the tribunal is required to notify the parties about any right of appeal they may have.

If a party wishes to appeal this decision to the Upper Tribunal (Lands Chamber), then a written application for permission must be made to the First-tier Tribunal at the regional office which has been dealing with the case.

The application for permission to appeal must arrive at the regional office within 28 days after the tribunal sends written reasons for the decision to the person making the application.

If the application is not made within the 28 day time limit, such application must include a request for an extension of time and the reason for not complying with the 28 day time limit; the tribunal will then look at such reason(s) and decide whether to allow the application for permission to appeal to proceed, despite not being within the time limit.

The application for permission to appeal must identify the decision of the tribunal to which it relates (i.e. give the date, the property and the case number), state the grounds of appeal and state the result the party making the application is seeking.

If the tribunal refuses to grant permission to appeal, a further application for permission may be made to the Upper Tribunal (Lands Chamber).

Case Reference: LON/00AC/OLR/2014/0106

Valuation under Schedule 13 of the Leasehold Reform Housing and Urban Development Act 1993

1, Lesley Court, Main Road
St Paul's Cray, Orpington
Kent BR5 3HB

Long Lease Value (Unimproved)	£211,500
Freehold Value (Unimproved)	£213,636
Existing Lease Value (Unimproved)	£145,102
Deferment Rate	5%
Capitalisation Rate	7.50%

Freeholder's Present Interest

Term

Term	
Rent Reserved	£15
YP to 44.26 years at 7.5 %	<u>12.7903</u>

£192

Reversion

FH reversion	£213,636
PV of £1 in 44.26 years @ 5%	<u>0.11539</u>

£24,651

£24,843

less

Freeholder's Proposed Interest

FH reversion	£213,636
PV of £1 in 134.26 years @ 5%	<u>0.00143</u>

£305

£24,538

Marriage value

Proposed	
Extended lease value	£211,500
FH in reversion	£305

less

Existing	
Freeholder's Interest	£24,843
Short lease value	<u>£145,102</u>

£41,860

50:50 division £20,930

Premium for lease extension **£45,468**