

4/10/17



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

Case Reference : **LON/OOAD/OLR/2017/0951**

Property : Ground Floor Maisonette, 5 Glebelands, iron
Mill Lane, DA1 4RY

Applicant : Patricia Anderson (tenant)

Representative : Mr Robinson of NJ Lewis & Associates

Respondent : Joanna Maxwell & Charlotte Boughton
(landlord)

Representative: Mr Struth of Douglas Struth & Partners

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

Tribunal Members : Judge S O'Sullivan
Mr D Jagger FRICS

**Date and Venue of
Hearing** : **7 November 2017 at 10 Alfred Place,
London WC1E 7LR**

Date of Decision : **17 January 2018**

DECISION

Background

Property:

Date of tenant's notice:	4 January 2017
Date of landlord's counter-notice:	22 February 2017
Valuation date:	Agreed at 4 January 2017

Details of tenant's leasehold interest -

(i) Date of lease:	25 March 1963
(ii) Expiry of lease:	24 March 1962
(iii) Ground rent:	£15 per annum fixed
(iv) Unexpired term at valuation date:	45.22 years

Tenant's proposed premium:	£47,772
Landlord's proposed premium:	£60,120

Inspection

1. The tribunal inspected the flat on 8 November 2017 in the late morning on an overcast day. The subject flat is situated on a quiet residential road. We inspected the garages which were accessed from the bottom of the cul-de-sac via a shared private entrance to the compound. We also inspected externally all of the comparables relied upon by both parties.
2. We noted that the properties in Perry Street were situated on a busy main road with double yellow lines although they are separated by a grassed area. We also noted a large lay-by area opposite in which 2 cars were parked. The ownership of the lay-by was unclear although it may well belong to the Church opposite. Although relatively close to the

subject property these flats seemed to be of a different character altogether being on a busy main road.

The hearing

- 1) Both parties were represented. The applicant relied upon a report dated TBC of Mr Robinson AssocRICS/RICS of N J Lewis & Associates. The Respondent relied on a report dated 24 October 2017 of Mr Struth MA DipArB MRICS FCI Arb of Douglas Struth & Partners. The applicant was represented by Mr Robinson and Mr Struth represented the respondent at the hearing.
- 2) The parties had prepared a statement of agreed facts. The parties had agreed the valuation date of 4 January 2017. They had also agreed that it was appropriate to discount the flat reversion at a 5% rate of deferment and a capitalization rate of 7%.
- 3) The only issues remaining in dispute were the unimproved extended lease value, the unimproved freehold vacant possession value, the relativity rate, whether there should be a deduction for No Act Rights and the value of any improvements.
- 4) Both parties had prepared valuations. The subject flat is a 1960s purpose built two bedroom ground floor maisonette. It is situate in Glebelands, a residential cul-de-sac comprising similar properties in Crayford, Kent. It is located within 1.1 miles of Crayford Town Centre and Crayford Railway Station. The accommodation comprises an entrance hall, lounge, kitchen, 2 bedrooms, and a bathroom/WC. The gross internal area is approximately 61 square metres.
- 5) 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.

Existing lease value

6) Both experts relied on comparable evidence.

7) Mr Robinson relied on 6 comparables;

- i) 25 Glebelands, Crayford DA1 4RY – weighted as his best comparable at 25%

This is a two bedroom maisonette which sold for £255,000 on 1 June 2016. It was adjusted for time to £269,786 and £15,000 was deducted for improvements to reach an adjusted figure of £254,786.

- ii) 7 Glebelands, Crayford DA1 4RY – weighted at 15%

This is a two bedroom maisonette which sold for £265,000 pm 18 August 2017. It was adjusted for time to £267,638. £10,000 was deducted for the garage en bloc, £2,000 for use of a roof space and £15,000 deducted for improvements to reach a figure of £240,638.

- iii) 130 Perry Street, Crayford DA1 4RL – weighted at 15%

This is a two bedroom ground floor maisonette which sold for £266,000 pm 19 October 2017. It was adjusted for time to £268,648. £10,000 was deducted for the garage en bloc, £10,000 for a conservatory and £15,000 deducted for improvements to reach a figure of £233,648.

- iv) 110 Perry Street Crayford DA1 4RL – weighted at 15%

This is a two bedroom ground floor maisonette which sold for £234,500 pm 11 December 2015. It was adjusted for time to £265,840. £10,000 was deducted for the garage en bloc and £15,000 deducted for improvements to reach a figure of £240,840.

v) 118 Perry Street Crayford DA1 4RL – weighted at 15%

This is a two bedroom ground floor maisonette sold for £210,000 on 20 July 2015. It was adjusted for time to £254,857. £10,000 was deducted for the garage en bloc and £15,000 deducted for improvements to reach a figure of £229,857.

vi) 23 Glebelands, Crayford DA1 4RY – weighted at 15%

This is a two bedroom first floor maisonette which sold for £180,000 pm 23 April 2014. It was adjusted for time to £254,857. £10,000 was deducted for the garage en bloc and £15,000 deducted for improvements to reach a figure of £230,105.

8) Mr Robinson submitted that all 6 were very similar in respect to their age, size and the length of lease. They were all adjusted using the conventional house price index. He made no adjustment as he considered that all three properties were within a quarter of a mile and none was necessary. Three of the flats were in the same development and three were in a different close which he did not consider needed adjustment. Some of the comparables had a garage en bloc, the subject property had a slab and so appropriate adjustment had been made which he valued at £10,000. Mr Robinson had also weighted the flats, he considered comparable 1 to be his best comparable and gave all others equal weighting. The weighted average of the comparables was £239,960. Based on his comparable evidence he assessed the

unimproved extended lease value at £239,960. He applied a 1% uplift to reach a FHVP value of £242,384.

9) Mr Struth also relied on comparable evidence as follows;

i. 7 Glebelands, Crayford

This is a first floor flat in the adjacent building which sold for £265,000 in August 2017.

ii. 25 Glebelands

This property is also said to be of a similar size and was sold in June 2016 for £255,000. This flat had the benefit of a long lease of 127 years and is subject to a modern ground rent.

iii. 11 Glebelands - lease extension

This is a two bedroom flat in reasonable condition. The premium agreed was £52,500 and was a compromise.

iv. 37 Glebelands – under offer

This is a two bedroom ground floor flat said to be tired and basic. It is under offer at £170,000.

v. 39 Glebelands – under offer

This is a two bedroom first floor flat providing similar accommodation to the subject property and in reasonable condition. It is subject to a new 125 year lease from 1993 at a modern ground rent. It is under offer at £246,000 and the figure agreed for the lease extension is £59,692.

10) Mr Struth only relied on two completed sales of Flat 7 and 25 Glebelands. Flat 39 was under offer. He adjusted all three for indexation, 5% for location in respect of Flat 39, 2.5% for what he considered to be a superior location in respect of 39 and 7, made a deduction of £3,000 in respect of improvements for Flat 7. This left an adjusted range of £255,000 to £265,000. He considered that these were a reasonable timeframe from the sale of the subject and were adequate transactional evidence in the range of £255,000 to £265,000 after adjustment. The average adjusted price for Flats 39, 7 and 25 is £264,501 which he adjusted down to £264,000. He therefore valued the subject flat at £264,000 with the benefit of the extended lease.

Existing lease value – the tribunal’s decision

- 11) We agreed that we should look at the comparable evidence available making adjustments where appropriate and taking a view on that evidence.
- 12) Mr Robinson had relied comparables. We did not consider however that any reliance should be placed on his comparables 4, 5 and 6 as the sales took place too far away from the valuation date. We also noted that both valuers had relied on comparables 1 and 2 and both agreed 25 Glebelands was the best comparable.
- 13) Mr Robinson had made a £15,000 deduction in respect of improvements. Although we agreed some deduction was appropriate we considered an allowance of £7,500 to be appropriate in respect of the central heating and double glazing. We made no allowance for the kitchens and bathrooms which were modest in nature. We considered a £5,000 allowance to be appropriate for the garage and made no allowance for the roof space of 7 Glebelands as this was not demised. As far as 130 Perry Street’s conservatory was concerned we had no evidence in relation to this but noted that the parties agreed it was small, we therefore allowed £5,000.

- 14) We noted the parties had agreed the 1% uplift to freehold value.
- 15) Mr Robinson had used weighting but we did not consider there was any basis for separating out one property for a 25% weighting and considered equal weighting should be given to all.
- 16) We adopted Mr Struth's figures for indexation.
- 17) In relation to Mr Struth's adjustments we found as follows. In relation to 7 Glebelands we disallowed Mr Struth's adjustment for the situation of the flat on ground/first floor as we considered this was a matter of individual preference. We allowed £7,500 rather than £15,000 for improvements which gave us a figure of £243,570.
- 18) As far as 25 Glebelands was concerned we indexed it before adjustment to £272,417. We then allowed £5,000 in respect of the garage which appeared to us to be of limited value and used mainly for storage. This gave us a figure of £264,916.50.
- 19) In relation to 130 Perry Street after indexation we deducted £7,500 for improvements, £5,000 for a garage and £5,000 for improvements to reach a figure of £251,148. Although this was in a different area we considered it a useful part of the basket.
- 20) We took an average of those 3 comparables to reach an average of £253,211 which we considered should be adopted.
- 21) In relation to 39 Glebelands we gave this no weight as it was under offer and unreliable. However we noted that our average of £253,211 was not so far removed from this under offer figure.

22) We therefore concluded on the basis of the comparable evidence that £253,111 as the long lease value should be adopted. With the 1% agreed uplift the freehold value of £255,769 was reached.

Relativity

23) Mr Robinson confirmed that although *Sloane Stanley Estate v Mundy [2016] UKUT 0223* made clear where suitable market evidence was available that should be used rather than Graphs of Relativity. However he submitted that he had not found sufficient open market evidence of sales of flats in that locality with the around 45 years remaining on the lease.

24) Mr Robinson relied on the four graphs from outside PCL in the 2009 RICS Research Paper. He did not rely on the Beckett & Kay Graph as it was in his view a mixture of opinion and settlement evidence with what he described as wildly divergent relativities from the other graph with no explanation. He therefore relied on South East Leasehold, Nesbitt & Co, Austin Gray and Andrew Pridwell. He took an average of those graphs to reach a figure of 70.54%.

25) Mr Struth excluded Beckett & Kay and South East Leasehold as he considered they were extremes. In taking an average of the three remaining graphs he reached a figure of 68.31%. He also relied on a price of market evidence of the transactional evidence of 37 Glebelands which was under offer at £170,000 which indicated a relativity of 63.92%. In conclusion he adopted a figure of 65% as somewhere between 63.92% and 65% as he said that the graphs were compiled some years ago and he expected the patterns within the graphs to have widened. Mr Robinson accepted that market evidence was relevant but did not consider that reliance should be placed on an under offer transaction.

Relativity – the tribunal’s decision

26) Although we fully accept that market evidence should be used where available there was very little available to us. We did not consider we could give any weight to the “under offer” transaction of 37 Glebelands relied on by Mr Struth as this sale may not compete and the sale may have particular characteristics.

27) As far as the Graphs were concerned in our view these all were flawed in their own way in relation to how the information was gathered and the locations they took into account. We considered that the relativity was 69.11%. This figure has been reached taking into account the average of all five graphs.

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 £52,232 as shown on the attached valuation at Appendix A.

Name: Sonya O’Sullivan

Date: 17 January 2018

APPENDIX A
5 Glebelands, Iron Mill Lane, Crayford DA1 4RY
The Tribunal's Valuation
Assessment of the premium for a lease extension
In accordance with Leasehold Reform, Housing and Urban
Development Act 1993
LON/00AD/OLR/2017/0951

Components

Valuation date:	4 th January 2017	
Yield for ground rent:	7%	
Deferment rate:	5.0%	
Long lease value	£253,211	
Freehold value	£255,769	
Existing leasehold value	£176,762	
Relativity	69.11%	
Unexpired Term	45.22 years	
Ground rent currently receivable	£15	
Capitalised @ 7.0% for 45.22 years	13.6156	£204
Reversion to:	£255,769	
Deferred 45.22 years @ 5%	0.1101	<u>£28,160</u>
Freeholder's Present Interest		£28,364
Landlords interest after grant of new lease	£255,769	
PV of £1 after reversion @ 5% 0.001364	£349	£28,015
Marriage Value		
Extended lease value	£253,211	
Plus freehold reversion	<u>349</u>	
	£253,560	
Landlord's existing value	£28,364	
Existing leasehold value	<u>£176,762</u>	
	£205,126	
Marriage Value	£48,434	
Freeholders share @ 50%		£24,217
LEASE EXTENSION PREMIUM		<u>£52,232</u>