



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

Case Reference : MAN/00BU/OAF/2022/0001
Claim No. HM3MA073

Property : 5 Cranmere Drive, Sale, M33 4LB

Applicant : Dr Sheila Carol Catherine Will

Representative : Myerson Solicitors LLP

Respondent : Unknown

Type of Application : Section 27 Leasehold Reform Act 1967
(Missing Landlord)

Tribunal Member(s) : Regional Surveyor N Walsh FRICS
Judge J Holbrook

Date of Decision : 5 April 2022

DECISION

**The Tribunal determines that the price to be paid for the
freehold interest is £100.00**

Background

1. By order of His Honour Judge Hodge Q.C. sitting at the County Court at Manchester Civil Justice Centre on 20 September 2021, the Court issued a Vesting Order under section 27 of the Leasehold Reform Act 1967 for the sale of the freehold of the Property to the Claimant, on such terms as may be determined by the First-tier Tribunal.
2. By the same Order, the Court directed that the Tribunal is required to make a determination under section 27(5) of the Leasehold Reform Act 1967 for a determination of the appropriate sum to be paid into court pursuant to section 27(3) of that Act. The Tribunal is also required to approve the form of the draft transfer document.
3. The Tribunal made Directions on 2 February 2022 setting out the information required to enable it to make its determination and a bundle has now been received containing a valuation report from Ms J Ellis FRICS, dated 24 February 2022. An inspection of the property has not been made.

The Lease

4. The site is identified on the HM Land Registry plan edged red under title number GM36481 and is held by way of a Lease dated 14 March 1953 between (1) William Augustine Costello, (2) Cheshire Building Society and (3) Mellways Limited demising a term of 999 years from 14 March 1953 reserving a yearly ground rent of £7.

The Law

5. Section 27(5) of the Act provides:
The appropriate sum which in accordance with Section 27(3) of the Act to be paid in to Court is the aggregate of:
 - a. *Such amount as may be determined by (or on appeal from) the appropriate Tribunal to be the price payable in accordance with Section 9 above; and*
 - b. *The amount or estimated amount (as so determined) of any pecuniary rent payable for the house and premises up to the date of the Conveyance which remains unpaid.*
6. Section 9 of the Act sets out in detail the assumptions to be made and the procedure to be followed in carrying out the valuation. The effect of Section 27(1) is that the valuation date is the date on which the application was made to the Court.
7. There are various bases set out in Section 9 of the Act and the Tribunal is satisfied for the reasons set out below that the Ground Rent meets the low rent requirements, as set out under the Act by reference to the Rateable Value of the house and premises, and therefore determines that the appropriate basis is Subsection 9(1).

The Premises

8. The Property comprises a two-storey double fronted semi-detached house of traditional brick and tile construction. The Property occupies a corner plot and benefits from gardens to the front, side and rear and has a separate garage which is accessed from Lowton Road.

Evidence and Decision

9. In her valuation report Ms Ellis has determined that the value for the purposes of Section 9 of The Act to be a nominal £1.00.
10. There are no records of the applicable Rateable Value which is required to determine the appropriate basis of valuation. However, Ms Ellis has provided the 1954 Rateable Value, which confirms that the Ground Rent Reserved of £7.00 was less than 2/3rds of the 1954 Rateable Value of £18.00. The Tribunal agrees with and accepts Ms Ellis's contention that Rateable Values rose in subsequent revaluations and therefore that the low rent requirements of the 1967 Act are met.
11. Ms Ellis has adopted the correct valuation approach in determining the Freehold value by capitalising the ground rent for 930.74 years to which, for completeness and to assiduously follow established valuation practice, Ms Ellis has added the value of the reversions assuming Section 9(1) applies with reversions to a modern ground rent plus a Haresign addition for the ultimate vacant possession reversion. The Tribunal accepts that given the length of the unexpired term and the Sportelli deferment rates applicable, this produces nil values for both reversionary elements of the valuation.
12. The value of the Freehold Interest lies solely therefore in the right to receive the ground rent passing. Ms Ellis capitalised the rent passing at 7% for the unexpired term (YP 14.2857), which produces a capital value of £100.00. This is in line with the Tribunal's expectation for the capitalisation rates applicable to low ground rents.
13. Ms Ellis however then goes on to reduce her valuation to a nominal £1.00 to reflect the fact that the ground rent payable is a low sum and that, in her opinion, the cost and effort of collecting such a low rent means that nothing more than a nominal sum should be attributed to it in valuation terms.
14. The Tribunal does not agree and considers that even such a low rent has a real and tangible value. A potential investment purchaser of this interest would have regard to the fact that the tenant may wish to, even in the assumed 'no-act world', by negotiation at a future date acquire the freehold interest or seek other variations to the lease which could potentially produce additional revenues. These additional valuation aspects are reflected implicitly within the capitalisation rates applied in valuing ground rents. The Lease also provides for the freeholder to be

able to recover his costs in the event of the non-payment of the ground rent and so, significantly reduces any cost risks associated with rent collection.

15. The Tribunal accordingly determines the price payable at £100.00, applying a capitalisation rate of 7% for the unexpired term (930.74 years) to the £7.00 yearly ground rent.
16. The Tribunal has reviewed and approves the draft Transfer Document.
17. The Tribunal has not been asked to determine the amount of unpaid pecuniary rent payable for the property and notes that this matter has already been determined by the County Court.

N Walsh FRICS

6 April 2022