

2009

**LEASEHOLD VALUATION TRIBUNAL for the
LONDON RENT ASSESSMENT PANEL**

DETERMINATION BY THE LEASEHOLD VALUATION TRIBUNAL

**LEASEHOLD REFORM, HOUSING AND URBAN DEVELOPMENT ACT 1993
(Section 48)**

REF: LON/00AK/OLR/2010/0572

Address: 22 Firbank Close, Enfield, Middlesex EN2 7ER

Applicant: Mr R Kanabar

Represented by: Rossides Caine, Solicitors

Respondent: Sinclair Gardens Investments (Kensington) Ltd.

Represented by: P Chevalier & Co., Solicitors

**Tribunal: Mrs J S L Goulden JP (Chairman)
Mrs H C Bowers BSc (Econ) MSc MRICS**

1 The Applicant, who is the lessee of 22 Firbank Close Enfield Middlesex EN2 7ER ("the subject property"), has exercised his right to a lease extension under S48 of the Leasehold Reform, Housing and Urban Development Act 1993 ("the Act"). The Applicant's Notice of Claim was dated 29 September 2009. The Respondent's Counter Notice was dated 1 December 2009. The application to the Tribunal was dated 27 May 2010 and was received on 28 May 2010

2. A hearing was held on Wednesday 6 October 2010.

3. The Applicant was represented by Mr S M Gerrard MA MRICS of Martyn Gerrard and the Respondent was represented by Mr G P Holden FRICS of Parsons Son & Basley LLP.

4. The following matters were agreed:-

- (a) valuation date – 29 September 2009
- (b) lease term – 73.75 years
- (c) extent of accommodation
- (d) capitalisation rate – 7%
- (e) tenant's improvements : secondary double glazing to living room and bedroom

5. The matters in issue were as follows:-

- (a) Value of the extended lease
- (b) Relativity
- (c) Deferment rate
- (d) Premium

Inspection

6 No inspection was requested by either side and, in view of the issues raised, the Tribunal did not consider that an inspection would be of assistance.

Hearing

7. The salient parts of the evidence, together with the Tribunal's determinations, are given under the appropriate head.

(a) Value of the extended lease

8. The Applicant contended for a figure of £150,000 and the Respondent contended for a figure of £152,500.

9. Mr Gerrard, for the Applicant, used the short lease value of the sale of the subject property in October 2009 at £142,000 and adjusted the same (although he made no adjustment for the No Act World) and applied his relativity of 94% to arrive at the long lease value of £150,000. In his report he said *"..in my experience of selling..properties with a share of freehold and selling leasehold interest where a 90 year extension has been applied, prospective purchasers do not differentiate between a lease of say 163.75 years and a share of freehold....whilst some surveyors would suggest a 1% uplift in the value of a share of freehold I would argue that given two identical properties one with a share of freehold and one with a 163.75 year lease were there no differential in value a party may choose the share of freehold. However, were an interested party requested to pay £151,000 for a share of freehold compared to £150,000 for a 163.75 year lease on two identical properties a purchaser would view the immediate expenditure of a further £1500 as unnecessary particularly in a purpose built block where there is limited to no prospect of developing same"*

10. Mr Gerrard referred to four additional comparables in support. These were 1 Trevere Court, 21 Chase Green Avenue, Enfield (which he had not inspected and had been unaware of the lease length) and which sold in May 2009 for £152,500, 10 and 75 Gladbeck Way Enfield, which sold respectively in August 2010 at a price of £162,000 and July 2009 at a price of £165,000 and 20 Tempsford Close Enfield (a joint comparable) which was sold in May 2010 for £161,000. He had made some adjustments for time and improvements. He said that his valuation was conservative because he had not taken into account the fact that the subject property backed on to a railway line.

11. The approach of Mr Holden, for the Respondent, was to rely on the sale price of 20 Tempsford Close, indexed, adjusted for improvements and using a 1% uplift to arrive at a long lease value of £152,000. He said that he had been unaware of other comparables but acknowledged the three other comparables provided by Mr Gerrard should be considered.

The Tribunal's determination

12. The joint comparable at 20 Tempsford Close is of assistance to the Tribunal, although the valuers' adjustments vary. Mr Gerrard had only made an adjustment for time to two comparables and not to those prior to the valuation date and Mr Holden relied on one comparable only. The consequences of the variation in adjustment resulted in the parties not being far apart. Taking this into account and noting all of Mr Gerrard's comparables and the fact that the subject property is in an inferior location, the Tribunal determines the value of the extended lease at £151,000.

Relativity

13. Mr Gerrard used the October 2009 RICS research report "Leasehold Reform: Graphs of Relativity" to extract data relating to outer London to arrive at a relativity of 94%. He said *"in both the Lands Tribunal case of Arrowdell and Nailrile we are invited to have regard to relativity graphs and whilst caution is to be applied with respect to graphs which may include LVT decisions and settlements I would argue that by reference to a greater number of graphs a broader view of relativity may be sought and a more reasonable settlement achieved"*

14. Mr Holden used four Lands Tribunal decisions with which he was familiar to compile his own graph to arrive at a relativity of 90.8% which was in line with the relativity he had supported in a previous LVT case on the estate. He said any transactional information and LVT decisions should be avoided, and suggesting that the use of four significant decisions of the Lands Tribunal was more accurate. As a check, he also considered settlement evidence and also examined the relationship between short and long lease values. He said *"I have adopted what I regard as a "broad brush approach" by taking factual information, making subjective adjustments and then averaging the results"*.

The Tribunal's determination

15. The Tribunal prefers the evidence of Mr Gerrard under this head. The RICS research report, whilst not ideal, is at least based on numerous cases which help provide a balancing effect on the whole spectrum of figures for relativity. However the Tribunal considers that four Lands Tribunal decisions can only provide a minimal amount of information and contains insufficient data to place any reliance on these figures alone.

16. Accordingly, the Tribunal adopts a relativity of 94%.

Deferment rate

17. The Applicant contended for 5% and the Respondent contended for 4.75%

18. Mr Gerrard said that he saw no justification in varying from the established principles in Sportelli. With regard to Mr Holden's contention that the management of a building detaches the landlord from responsibility of management problems

he thought that many freehold companies retain the management of blocks of flats as a substantial area of their business "and are suitably recompensed for same".

19. Mr Holden said "I consider that the yield should be 4.75%. In simple terms this is because the lease is a "tripartite lease" where a management company is set up to administer the maintenance and repair of the estate. The existence of this management company detaches the landlord from the management problems that can and will arise during the lease term"

The Tribunal's determination

20. The Tribunal rejects Mr Holden's arguments under this head and sees no reason to depart from Sportelli. The property is not a house but a flat and the Tribunal is of the view that there is a greater risk involved notwithstanding the management company. It is noted that Mr Holden had accepted a deferment rate of 5% in a previous LVT case for a flat in the same block.

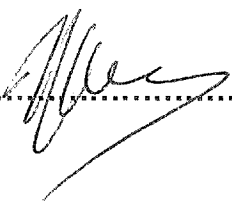
21. The Tribunal adopts a deferment rate of 5%

Premium

22. The Applicant contended for an enfranchisement price of £7,193 and Mr Gerrard's valuation is attached to this Decision at Appendix B. The Respondent contended for an enfranchisement price of £9,353 and Mr Holden's valuation is attached to this Decision at Appendix C.

The Tribunal's determination

23. The Tribunal determines the enfranchisement price at £7,237 and its valuation is attached to this Decision at Appendix A.

CHAIRMAN.....

DATE...19... October 2010.....

Leasehold Valuation Tribunal Valuation

Re: 22 Firbank Close, Enfield, Middlesex, EN2 7ER

Date of valuation:	29/09/2009
Unexpired term:	73.75 years
Extended Lease Value	£151,000
Capilisation rate	7.00%
Reversion rate	5%

Term 1

Loss of Rent		£60
YP	7.75 years @7%	<u>5.829467</u>

£350

Term 2

Loss of Rent		£105
YP	33 years @ 7%	12.75379
PV of £1 in 7.75 years @7%	0.591937	<u>7.54944</u>

£793

Term 3

Loss of Rent		£170
YP	33 years @ 7%	12.75379
PV of £1 in 40.75 years @7%	0.063476	<u>0.809562</u>

£138

Reversion

Long Lease Value		£151,000
PV	73.75 years @ 5%	<u>0.027377</u>

£4,134

£5,415

Marriage Value

Value of Reversion	£151,000	
less		
Value of Existing Lease	£141,940	
and Value of Existing Freehold Interest	<u>£5,415</u>	
Marriage Value		£3,645
Marriage Value 50:50 split		<u>£1,822</u>
Premium		<u>£7,237</u>

VALUATION

Effective Date: 29/09/2010
 In accordance with: The Leasehold Reform Housing and Urban Development Act 1993
 22 Firbank Road Enfield EN2 7ER Total £7,193

lease 99 years from 24/06/1984

22 Firbank Road Enfield EN2 7ER

Paragraph 2(1)(a): the value of the freeholder's interest in the premises as determined in accordance with Paragraph 3

Term				
Ground Rent Annually (for 1st 33 years of term)			£60	
YP @ 7.0%		for 7.75 years	5.829467	
			<u>£350</u>	£350
Term				
Ground Rent Annually (for 2nd 33 years of term)			£105	
YP @ 7.0%		for 33. years	12.75379	
PV of £1 @	7%	for 7.75 years	0.591937	
			<u>7.549444</u>	£793
			£793	
Term				
Ground Rent Annually (for 3rd 33 years of term)			£170	
YP @ 7.0%		for 33. years	12.75379	
PV of £1 @	7%	for 40.75 years	0.063476	
			<u>0.809562</u>	£138
			£138	
Reversion to VP Value			£150,000	
PV of £1 @	5%	for 73.75 years	0.027371	
			<u>0.027371</u>	£4,106
			£4,106	£4,106
				<u>£5,386</u>

Paragraph 2(1)(b): the freeholder's share @ 50% of the marriage value as determined in accordance with Paragraph 4

Value of reversion		£150,000	
Less value of existing leases at	94%	£141,000	
Less value under paragraph 2(1)(a)		£5,386	
Marriage Value		£3,614	
Marriage Value	@ 50%		£1,807
Total Payable			<u>£7,193</u>

**22 FIRBANK CLOSE
ENFIELD
EN2 7ER**

**PREMIUM TO BE PAID FOR A STATUTORY LEASE EXTENSION
(VALUATION DATE - 29 SEPTEMBER 2009)**

(A) DIMINUTION IN VALUE OF LANDLORD'S INTEREST

	Ground Rent	£60		
	YP 7.75 yrs @ 7%	5.8294668	349.77	
		<hr/>		
	Increase to:	£105		
	YP 33 yrs @ 7%	12.7537900		
	PV £1 in 7.75 yrs @ 7%	0.5919373	7.549444	792.69
		<hr/>		
	Increase to:	£170		
	YP 33 yrs @ 7%	12.7537900		
	PV £1 in 40.75 yrs @ 7%	0.0634762	0.8095621	137.63
		<hr/>		
	Reversion to:	£152,500		
	PV £1 in 73.75 yrs @ 4.75%	0.0326317	4,976.33	
		<hr/>		
	Reversion to:	£152,500		
	PV £1 in 163.75 yrs @ 4.75%	0.0005009	(76.39)	
		<hr/>		
			6,180.03	Say 6,180

(B) MARRIAGE VALUE

Proposed:	L/H	£150,975		
	F/H	£76	£151,051	
		<hr/>		
Existing	L/H	£138,450		
	F/H	£6,256	(£144,706)	
		<hr/>		
	MARRIAGE VALUE =	6,345		
	FREEHOLDERS SHARE @ 50% =	£3,172.50	SAY	3,173
				<hr/>
				£9,353
				<hr/>