



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

- Case references** : CAM/00KG/OLR/2022/0021
- Property** : 37 Stanford House, Princess Margaret Road,
East Tilbury, Tilbury RM18 8YP
- Applicant** : Meliha Koc (née Lawson)
- Applicant's
Representative** : Peter Foster (FRICS, IRRV (Hons))
- Respondent** : Globalmanor Limited
- Respondent's
Representative** : Andrew Cohen (MRICS)
- Type of application** : Application for the determination of the
premium payable in respect of the grant of a
new lease pursuant to Leasehold Reform
Housing & Urban Development Act 1993
- Tribunal members** : Mr Max Thorowgood and Marina Krisko
- Venue** : CVP
- Date of Decision** : 21 July 2022

DECISION

1. The application

1.1. The application is made pursuant to s. 48(1) Leasehold Reform Housing & Urban Development Act 1993 for the determination of the premium and terms upon which the Applicant should be granted an extension to her existing lease of the subject premises to which we shall refer as “37 Stanford House”.

1.2. Thanks to the efforts of the parties’ representatives Mr Foster and Mr Cohen the matters remaining for our decision may be described as follows:

1.2.1. First, the value of the Applicant’s existing leasehold interest; and

1.2.2. Second, the extent of the discount to that value (if any) which should be made in order to establish its hypothetical ‘no-act-world’ value.

1.3. We established at the outset that the small arithmetical discrepancy between Mr Foster’s figures and Mr Cohen’s as to the diminution in the value of the Landlord’s interest as a consequence of the extension could be resolved by agreement in the sum of £7,687.00.

2. The subject premises

2.1. Stanford House was built in the 1930’s as a hotel by the Bata Shoe Company as an adjunct to the Company’s shoe factory on the site in East Tilbury. It is of a steel frame and concrete panel construction which was novel at that time.

2.2. The building was converted into residential flats in 1982 on the four upper floors with commercial units on the ground floor.

- 2.3. The building has only one lift and very long corridors. There is accordingly a premium on the premises on the flats on the first floor as opposed to the fourth.
- 2.4. Owing to its original construction as a hotel for the benefit of visiting employees, it is not particularly well adapted to use for residential purposes and particularly not for premises with more than one bedroom.
- 2.5. It was the evidence of Mr Foster, which we accept, that one-bedroomed flats in the building are capable of attracting a rent of £800.00 per month and that they are accordingly attractive to small scale cash investors, it being difficult to obtain mortgage finance, from larger lending institutions at least, on account of the commercial units on the ground floor. He said and Mr Cohen agreed that the vast majority of flats in the building are landlord owned. Mr Foster also said that the 2 and 3 bedroomed flats were less attractive to investors because the tenants of them tended to be families and therefore less stable tenants. Mr Cohen was less disposed to agree with this statement but we think it is the most plausible explanation for the pattern of sales which we describe below.

3. Comparables

- 3.1. The valuation date is October 2021.
- 3.2. Mr Foster pointed to the sales of 32 and 35 Stanford House in September and August 2020 for £93,000.00 and £98,000.00 respectively as the best comparables. He noted that they adjoin 37 Stanford House, are single bedroomed properties of similar size to 37 Stanford House and are on the first floor. The leases were original leases of similar length to the subject premises.
- 3.3. Mr Cohen noted that they pre-date the valuation date significantly but in his report he uprated the sale prices to account for that. He also noted that 35 Stanford House had been refurbished to a high standard

and he attributed £5,000.00 of the price paid to this fact, i.e. the difference between 32 and 35 Stanford House.

3.4. Mr Cohen also referred in addition to the subsequent sales of 93 and 100 Stanford House in the sums of £93,000.00 and £93,500.00 in September 2021 and January 2022 respectively. These are 2 bedroom flats with larger floor areas and Mr Cohen suggested that it was hard to understand why these larger flats should not be worth more than a single bedroomed flat such as 37 Stanford House. The only explanation which he could offer was that the market must have moved against Stanford House over the year between the sales identified. In order to reach an opinion as to value Mr Cohen proposed that the values of 93 and 100 Stanford House should be discounted by £10,000.00 to make allowance for the additional bedrooms, that the average of the four sales should then be taken and that that should be discounted make allowance for the 'No-Act World' hypothesis. On this basis it was Mr Cohen's opinion that the true value of the existing lease of 37 Stanford House at the valuation date was £88,000.00 discounted by 6.11%, i.e. £82,623.00.

3.5. Mr Foster noted that the sales of 93 and 100 Stanford House had not yet been registered at HM Land Registry and that the 'HMLR values' reported on Rightmove could not therefore be correct or at least proved. That may be so but we are content to assume that the sales did proceed in the sums reported, not least because in the case of 100 Stanford House Mr Foster himself referred to the sale of that property at public auction in December 2021 in his report but discounted it on the basis that it fell after the valuation date. We do not consider that Mr Foster was correct to discount it on that basis. The fact that a potentially comparable sale occurred after the valuation date would only be relevant if some intervening event or circumstance had occurred which affected its value as a comparable.

4. Valuation of the existing lease

4.1. Our conclusions in respect of the value of the existing lease are as follows:

4.1.1. The best comparables are 32 and 35 Stanford House because they are single bedroomed flats on the first floor of the building.

4.1.2. We accept Mr Foster's explanation of the reasons for the apparently anomalous sales of the two bedroomed 93 and 100 Stanford House. That is to say, the reasons are that the properties are on the fourth floor of the building which is perceived to be disadvantageous given that there is only one lift. We also accept that, given the principal market for these flats is small scale cash-buying landlords and given the perception of these landlords that single bedroomed flats are likely to suffer less turnover of tenants, the single bedroomed properties are more attractive. We accept that the market is highly location specific, nevertheless, the notion that the market has moved specifically against this building in the year between August 2020 and September 2021 is difficult to square with the rise in the index of average prices of properties in Thurrock and with the fact that Mr Cohen saw fit to uprate his values in relation to 32 and 25 by 6% in order to account for the passage of time. In our opinion Mr Foster's detailed explanation of specific factors affecting the values leases within this building was the more compelling. However, we do not accept that Mr Foster was correct to discount altogether sales subsequent to the valuation date. Such sales may or may not be relevant depending upon the particular circumstances. Here they are not because the properties are not truly comparable.

4.1.3. We accept, however, that Mr Cohen was correct to attribute value to the high specification of 35 Stanford House. Any landlord purchaser would be considering how much he/she would have to spend in order to put the flat into a condition in which it could easily and profitably be let. The fact that 35 was already in good

condition would have had a material effect on its value. We therefore consider it is therefore appropriate to take the value of 32 and uprate that to make allowance for lease length and the passage of time.

4.1.4. We therefore arrive at an un-adjusted 'Act-world' value for the existing lease of £95,900. That is to say, Mr Cohen's adjusted figure for 32 Stanford House.

5. Discount for 'No-Act World'

- 5.1. Mr Foster argued that no discount should be made to the real world value of the lease. Extending the reasoning which we have set out above, he said that the cash investor landlords who were the primary market for these properties were interested principally in the rental income which they would produce as opposed to their capital value. Their right under to the Act to extend the leases was, he argued of little value to them.
- 5.2. Mr Cohen said that that approach could not be squared with the Upper Tribunal case law, particularly *Deritend Investments (Birkdale) Ltd v Treskanova* [2020] UKUT 164 (LC) which is authority for the proposition that whilst the precise value of Act-world rights in any particular case is a matter for the judgment the Tribunal, but that it would be an error for the Tribunal not to have regard to the most recent data as it is represented by Savill's and Gerald Eve's 2016 graphs.
- 5.3. We think it is unrealistic to suggest that a lease with 60 years remaining having the benefit of rights under the Act has no greater value, even in local market, than such a lease without Act rights. Even allowing for the fact that investors' interest in principally in income, we do not believe they are entirely careless of the reduction in the value of their capital (as against its potential growth). The precise amount of the discount is obviously uncertain but we consider the discount indicated by the difference between Savills Enfranchisable and Unenfranchisable

graphs, namely 6.11%, for which Mr Cohen contended offers the best guide.

6. Conclusions

6.1. In our view the premium payable is £17,824.00 calculated as follows:

- The real world value of the existing lease is £95,900.00. That must be discounted to allow for the 'No Act World' hypothesis by 6.11%. That results in an existing lease value of £90,040.00.
- The diminution in the value of the freeholder's interest was agreed in the sum of £7,687.00.
- Therefore, the marriage value is:
 - The agreed value of the extended lease in the sum of £118,000 plus the value of the residual freehold interest in the agreed sum of £78.00 = £118,078.00
 - Less value of the existing interests: £90,040 plus the freehold interest of £7764.00 (being the total of the ground rent and reversion values) = £97,804.

The result is £20,273, divided between the parties = £10,137, plus the agreed amount of the diminution in the value of the Landlord's existing of £7,687.00.

The resulting premium is £17,824.

APPENDIX 1- RIGHTS OF APPEAL

1. 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.
2. 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.
3. 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.
4. 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.