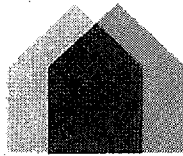


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Residential
Property
TRIBUNAL SERVICE

RESIDENTIAL PROPERTY TRIBUNAL SERVICE

Case reference: LON/00AJ/OCE/2007/0408

Property: 31 Friars Place Lane, London W3 7QA

Applicant: Jacqueline Davis and David Kirk (nominee purchaser)

Respondent: Lender Securities Limited (landlord)

Date heard: 7 May 2008

**Appearances: Barrington Sworn FRICS, Sworn & Co, chartered
surveyors
Jacqueline Davis and David Kirk, qualifying tenants
for the nominee purchaser**

**Raymond Stevens FRICS MCI Arb, R W Stevens,
chartered surveyors
for the landlord**

Members of the leasehold valuation tribunal:

**Lady Wilson
Mr W J Reed FRICS**

Date of the tribunal's decision: 20 June 2008

Background

1. This is an application by a nominee purchaser under section 24 of the Leasehold Reform, Housing and Urban Development Act 1993 ("the Act") to determine the price to be paid for the acquisition of the freehold of 31 Friars Place Lane, Acton, London, W3.
2. The property which is the subject of the application is a three storey late Victorian semi-detached house which has been converted into three flats, each held on a long lease. The tenants of the ground and second floor flats (Flats 1 and 3) participate in this enfranchisement. As now arranged, Flat 1 comprises three rooms, bathroom and kitchen and an outside storeroom, and the demise includes the front and rear gardens; the first floor flat (Flat 2) comprises two rooms, kitchen and bathroom; and Flat 3 comprises two living rooms, one with a kitchen area, and a bathroom. A hatch in the ceiling of the second floor, just outside the front door of the second floor flat, gives access to a roof void, not demised, which is currently used communally for storage. It was clear that all three flats had been significantly improved since the leases were granted.
3. The lease of each of the three flats is for a term of 99 years from 24 June 1978 at a fixed ground rent of £40. At the valuation date, which is 24 April 2007, 70.17 years remained unexpired on each lease.
4. At the hearing on 7 May 2008 the nominee purchaser was represented by Mr Barrington Sworn FRICS of Sworn & Co, chartered surveyors and the landlord by Mr Raymond Stevens FRICS MCI Arb of R W Stevens, chartered surveyors. The tenants of the two participating flats also attended the hearing. On the day following the hearing the tribunal inspected all three flats, and the roof space, in the presence of the participating tenants, and with, we were assured, the permission of the leaseholder of the ground floor flat at No 29, we, together with the participating tenants, inspected the exterior of 29 from its front and rear gardens.
5. It was agreed at the hearing that the appropriate deferment rate was 5% and the capitalisation rate 7%. The issues were the value of the flats with a share of the

freehold, the value of the existing leases of the participating flats, and the value of any development potential.

The issues

i. The value of the flats with a share of the freehold

6. Mr Sworn proposed values, unimproved, of £270,500 for Flat 1, £244,500 for Flat 2 and £209,500 for Flat 3. He enumerated some of the improvements carried out during the lease terms and assessed their value to be £9000 for Flat 1, £3500 for Flat 2 and £6000 for Flat 3. For his values he relied on transactions relating to 29 Friars Place Lane, the attached house. That property was sold freehold on 20 July 2005 for £499,950 and subsequently converted into three flats sold on long leases with a share of the freehold. The ground floor flat was sold on 22 September 2006 for £295,000, the first floor flat was sold on 7 March 2006 for £250,000, and the second floor flat was sold on 19 July 2006 for £205,250. Mr Sworn produced the particulars for the sales of the three flats which showed that the ground floor flat had four living rooms, kitchen and bathroom and was sold with the rear garden and off-street parking; the first floor flat had three rooms, kitchen and bathroom and a separate utility room; and the second floor flat had a kitchen/living room, bedroom and shower room and a spiral staircase rising to a loft room. He said that the Flat 3 in the subject property did not possess the same potential to create a spiral staircase in the living room because the second floor flat in 29 had an extension to the rear which housed the shower room. From the sales of the flats in 29 he made deductions for additional floor areas and additions for rises in value, based on the Nationwide Index of House Prices, between the dates of the sales and the valuation date.

7. Mr Stevens considered the values of the flats with a share of the freehold to be £300,000 for Flat 1, £250,000 for Flat 2 and £275,000 for Flat 3. Like Mr Sworn, his main comparables were the sales of the three flats in 29, although he had assumed, incorrectly, that 29C, the second floor flat, had been sold for £215,000 when it had in fact, as we accept, been sold for £205,250. He had also assumed that access to the loft space in the subject property was from within Flat 3, when in fact it is from the

landing outside it. He appeared to have made no specific deductions for improvements from the newly refurbished comparables, although he agreed that the central heating systems were tenants' improvements.

8. Having seen the flats and considered the evidence we are satisfied that the adjustments which Mr Sworn has made to the sales of flats in 29 are realistic and fair, and we accept them and adopt his values.

ii. The values of the existing leases

9. Mr Sworn adopted a relativity of 93.25% to the virtual freehold values. He based this relativity on five leasehold valuation tribunal decisions in relation to leases with about 70 years unexpired at relativities of 92.5% to 94% and on three settlements in which his firm had been instructed which showed relativities of 91.75% and 94%.

10. Mr Stevens adopted a relativity of between 88 and 89%. He said that he had relied on his perception of the market, and his interpretation of the prices which had been agreed for three lease extensions. He did not, however, provide any detailed calculations in support of his opinion.

11. In our opinion the appropriate relativity for this property in this location is 92.5%. In determining the relativity we have had regard to the evidence and to our experience of relativities based on graphs put before us in other cases which we take to be the most reliable evidence of relativity, following the guidance of the Lands Tribunal in *Arrowdell v Coniston Court* (LRA/72/2005).

iii. Development potential

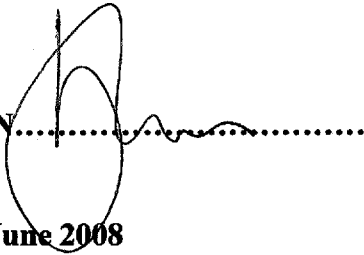
12. Mr Stevens had included a sum of £5000 in his valuation, as an addition to the proposed price for the freehold, for development potential in respect of a single storey rear addition to the ground floor flat and a further £5000 for a conversion of the roof space to incorporate it within Flat 3. He had not inspected the roof space.

13. Mr Sworn did not agree that there was any development potential which would add value. He said that it was reasonably clear from the estate agent's particulars of Flat 29C that the loft room developed from the roofspace was not regarded as habitable space, probably because of its ceiling height. He said that the roof at 31 was lined with asbestos, and any works to incorporate the roofspace into Flat 3 would be likely to cost as much as or more than the value of the works. Furthermore, he said, it would be more difficult to instal a spiral staircase within Flat 3 at 31 because of the position of the bathroom. Similarly, he said, the suggested single storey addition at the rear would add nothing to the value of the flat over and above the cost of the works, even if planning permission could be obtained.

14. We agree with Mr Sworn. We are satisfied that there is no additional value in the roof void which is low in height, appears to contain asbestos and which has in our view negligible value. Similarly we are not persuaded that the potential to add a rear extension has significant present value.

Determination

15. Accordingly we determine that the price to be paid for the freehold is £34,925, in accordance with the valuation which is attached to this decision.

CHAIRMAN.....

DATE: 20 June 2008

31 Friars Place Lane, London W3 7QA

Valuation in accordance with Section 32 and Schedule 6 to the Leasehold Reform, Housing and Urban Development 1993 as at 24 April 2007 - the agreed valuation date.

A. Value of landlord's freehold interest (Sched 6 para 3)

Ground rents 24/4/2007 to 23/6/2077	£120 p a	
YP 70.17 yrs @ 7%	<u>14.1618</u>	£1,699
Reversion to freehold with vacant possession, excluding value of tenants' improvements	£724,500	
PV £1 70.17 yrs @ 5%	<u>0.0325946922</u>	<u>£23,615</u>

Value of landlord's freehold interest £25,314

**B. Marriage Value (Sched 6 para 4)
Participating flats - Flat 1 and Flat 3**

Values after enfranchisement

Value of landlord's interest	£nil	
Value of leasehold interests, excluding value of tenants' improvements	<u>£480,000</u>	£480,000

Less

Values before enfranchisement

Value of landlord's freehold interest	£16,778	
Value of leasehold interests, excluding value of tenants' improvements (92.5% relativity)	<u>£444,000</u>	<u>£460,778</u>

Marriage value £19,222

50% of marriage value £9,611

C. Any other loss (Sched 6 para 5) £nil

D. Premium

Value of landlord's freehold interest	£25,314
50% share of marriage value	£9,611
Any other loss	<u>£nil</u>

Premium £34,925