

**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/00AQ/OLR/2011/0841**

**Address: 11 Canons Court, Stonegrove, Edgware, HA8 7ST**

**Applicant: Benjamin Ralph Edery**

**Represented by: Mike Stapleton & Company, Chartered Surveyors**

**Respondent: Paul Karl**

**Tribunal: Mrs J S L Goulden JP  
Mr R A Potter FRICS**

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**Background**

1 The Applicant, who is the lessee of a second floor flat, 11 Canons Court, Stonegrove, Edgware HA8 7ST ("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").

2. On 27 January 2011, the Applicant served a Notice of Claim to Exercise Right on the Respondent under S42 of the Act.

3. On 24 March 2011, the Respondent served a Counter Notice under S45 of the Act.

4. The application to the Tribunal was made by Mike Stapleton & Company on behalf of the Applicant tenant. The application was dated 9 August 2011 and was received by the Tribunal on 10 August 2011

5. A hearing was held on Tuesday 15 November 2011.

6. The Applicant tenant were represented by Mr M Stapleton FRICS of Mike Stapleton & Company, Chartered Surveyors. Mr Stapleton provided evidence as an expert witness.

7. The Respondent landlord, Mr P Karl, appeared in person and was unrepresented..

8. The Tribunal was initially advised that the following matters had been agreed between the parties:-

(a) valuation date is 27 January 2011

(b) the subject property is held on a lease is dated 7 April 1994 for a term of 99 years from 25 December 1984 at a ground rent of £75 per annum for the first 33 years, £150 per annum for the second 33 years and £300 per annum for the remainder of the term. The unexpired term of the lease is 72.91 years.

(c) the terms of the new lease

(d) capitalisation rate is 7%

(e) deferment rate is 5.5%

(f) the adjustment for improvements is £4,000.

(g) the extended improved long leasehold value with vacant possession is £217,500.

(h) the extended unimproved long leasehold value with vacant possession is £213,500.

9. The only matters which appeared to in issue as at the commencement of the hearing were relativity and the value of the short leasehold interest.

10. There was no challenge as to the extent or condition of the accommodation. Neither had the parties made any adjustment for freehold as against long leasehold value.

11. Notwithstanding the above agreements between the parties, and after the Tribunal had offered an adjournment in order that the parties could discuss the matter generally in the hope that the issues could be narrowed, it transpired that Mr Karl disputed the extended improved and unimproved long lease values. Mr Stapleton objected to this and said that those issues had been agreed between the parties and that the Tribunal should accept the matters which had originally been agreed. Mr Stapleton said that he had not come to the Tribunal prepared to provide evidence for those matters previously agreed but now disputed. Both he and his Client were being disadvantaged. The Tribunal asked Mr Stapleton if he was seeking an adjournment, but he said that he was not because of the consequential cost to his Client.

12. The Tribunal advised that, since objection had been made, albeit at a late stage by the Respondent landlord who was unrepresented, it would proceed on the evidence before it, and would place such weight as was considered appropriate.

13. The matters in issue were as follows:-

**(a) Extended lease value**

**(b) Relativity**

**(c) Premium**

## **Inspection**

14 The Tribunal carried out its inspection of the subject property, internally and externally on 16 November 2011 after the close of the hearing. It was a second floor flat in a three storey block c 1930. The development comprised 30 flats with five common entrances, with two flats on each floor. The block was of brick construction with a mainly cement rendered finish. There was non allocated car parking facilities to the front and rear of the block. External decorations were shabby but fair. Entry to the block in which the subject property was situated was via an entryphone. The common parts were somewhat sparse but were carpeted as were the stairs to the upper floors. There was no lift. The subject property comprised two bedrooms, lounge, kitchen and bathroom/wc. The kitchen and bathroom/wc were dated although above 1930s standard. The subject property had the benefit of full central heating and double glazing. The Tribunal noted the position within the block of the comparables referred to at the hearing. Mr Karl handed to the Tribunal a copy of his revised valuation before the Tribunal's inspection, as agreed with Mr Stapleton. However, he also handed to the Tribunal a letter dated 15 November 2011 which has been rejected by the Tribunal since it was not before the Tribunal at the hearing, being the only time when evidence can be taken.

## **Hearing**

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

### **(a) Extended lease value**

16. The Applicant contended for £217,500 improved and £213,500 unimproved, having adjusted the improved figure by the previously agreed sum for tenant's improvements of £4,000. The Respondent (having previously agreed both the improved and unimproved figures, together with the adjustment for tenant's improvements) now contended for £230,000 improved and £227,000 unimproved, having adjusted the improved figure by £3,000.

### **The Tribunal's determination**

17. Mr Karl had relied solely on the sale of an extended lease of 4 Cannons Court for £230,000 which completed on 29 September 2010. He thought that the current of a similar flat in Cannons Court would be in the order of £230,000 against a possible asking price of £235,000. He also stated that he thought that there had been some increase in value since the valuation date at the beginning of 2011, but had chosen to make no adjustment.

18. Mr Stapleton had relied on the sale of a number of flats within the block which had been sold within the last 3 years on the basis of existing lease terms and had then adjusted the sale figures for relativity and passage of time.

19. The Tribunal cannot ignore the sale of 4 Cannons Court which was completed within 4 months of the valuation date but considers that some small adjustment should be made for the passage of time and/or the possibility of improvements.

20. Although the difference between the parties in respect of tenant's improvements is not great, the Tribunal prefers Mr Stapleton's deduction of £4,000 in respect thereof. Mr Karl did not explain fully why he had departed from the agreed adjustment of £4,000 and neither did he explain how his own adjustment of £3,000 had been arrived at.

21. The Tribunal determines the improved extended lease value at £225,000 subject to adjustment for improvements of £4,000 for the reasons as set out in paragraph 20 above.

22. The Tribunal therefore determines the unimproved extended lease value at £221,000.

### **(b) Relativity**

23. The Applicant contended for 94%. Mr Stapleton had referred to the RICS research paper published in October 2009 and, from the Greater London and England graphs he extracted the following information as to appropriate relativity:-

- South East Leasehold 94.2%
- Nesbitt & Co. 92.5%
- Austin Gray 95.5%
- Andrew Pridell Associates 94.3%
- Beckett & Kay 94%

From the above, Mr Stapleton said that the average relativity was approximately 94%. He said that Austin Gray and Andrew Pridell Associates were on the South coast and the relativity was sometimes higher in those areas.

24. Mr Stapleton said "*I find that the average relativity represents a very helpful starting point which can then be compared to actual settlements*".

25. In support, and by way of a check, Mr Stapleton set out a schedule of 6 settlements in which he had been involved on behalf of the tenants and where, he said the parts had been specifically agreed, although he produced no evidence of this. All had been agreed between 2 to 4 months. He said that it established "*that there is a close relationship between the average relativity figures expressed in the graphs and settled evidence*"

26. Adjusting for improvements from the figure of £217,500 and then applying a 94% relativity he arrived at an existing lease value of £200,690.

27. The Respondent had regard to the sale of 6 and 23 Canons Court which had sold at the bottom of the market as evidenced by a house price index in the London Borough of Barnet. He made no adjustment for time. Neither did he produce evidence to substantiate his figure other than saying that the lowest price of £120,000 for a short leasehold interest was no more accurate than Mr

Stapleton's assessment of £200,690. He contended for a figure of £155,000 for the short leasehold interest in the subject property, which resulted in a relativity of approximately 67%.

**The Tribunal's determination**

28. This case is unusual by virtue of the market evidence which exists of the sale of short leases of a number of flats within the block. The Tribunal prefers evidence of open market transactions where available.

29. Mr Stapleton had produced evidence of sales of 1,4,5,23 and 29 Cannons Court and Mr Karl had produced late evidence of two sales of 6 Cannons Court. Both parties agreed that the sale of 23 Cannons Court was out of line.

30. Mr Stapleton had adjusted the various sale figures for time as follows:-

- 1 Cannons Court      £200,746
- 4 Cannons Court      £193,671
- 5 Cannons Court      £188,491
- 29 Cannons Court    £199,716

31. The Tribunal adjusted for time the two sale figures relating to 6 Cannons Court which produced a range of between £165,000 and £171,000 which the Tribunal aggregated to £168,000. Using this figure, and those set out in paragraph 30 above, resulted in an aggregate for the subject property of £186,925.


**(c) Premium**

32. The Applicant contended for an enfranchisement price of £9,500 and Mr Stapleton's valuation is attached to this Decision at Appendix B. The Respondent contended for a (revised) enfranchisement price of £39,080.73 and Mr Karl's valuation is attached to this Decision at Appendix C.

**The Tribunal's determination**

33. The Tribunal prefers Mr Stapleton's conventional approach to valuation and has adopted the basis of his valuation subject to the short and extended lease values referred to above.

34. The Tribunal determines the enfranchisement price at £20,194 and its valuation is attached to this Decision at Appendix A.

CHAIRMAN.....

DATE... 18. November 2011.....

## Appendix A

### First Term

Ground Rent				£75.00
Years Purchase	6.91	Years @	7.00%	5.33
				£400.12

### Second Term

Ground Rent				£150
Years Purchase for	33.0	Years @	7.00%	12.75
Present Value £1 in	6.91	Years @	7.00%	0.63
				7.99
				£1,198.64

### Third Term

Ground Rent				£300
Years Purchase for	33.00	Years @	7.00%	12.75
Present Value £1 in	39.91	Years @	7.00%	0.07
				0.86
				£1,855.83
				£257.07

### Reversion

Extended Lease				£221,000
Present Value £1 in	72.91	Years @	5.50%	0.020168
				0
				£4457

### Freeholders existing interest

**£6312.83**

### b) After

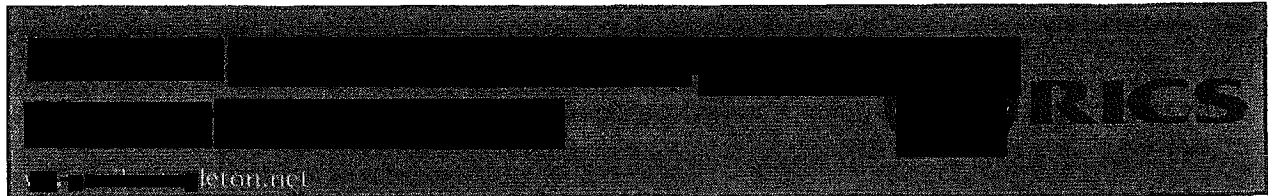
Rent (peppercorn)				£0.00
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### Calculation of Marriage Value

Extended Lease				£221,000
Less Freeholders present interest				£6312
Existing lessee's interest				£186925
Marriage Value				£27763
Freeholders Share of marriage value		50%		<b>£13881.50</b>

### c) Compensation

Compensation				£0
				<b>£20193.50</b>
Premium payable by Lessee				Say <b>£20194.00</b>



## Lease Extension Valuation

**Property:** 11 Cannons Court, Stone Grove, Edgware, HA8 7ST  
**Prepared By:** M W Stapleton FRICS  
**Date:** 27-Jan-2011

Assessment of premium to be paid for a 90 year lease extension, in accordance with Schedule 13 of the Leasehold Reform & Housing and Urban Development Act 1993 (as amended by Housing Act 1996) and Commonhold & Leasehold Reform Act 2002.

### First Term

Ground Rent				£75.00
Years Purchase	6.91	years @	7.00%	5.33
				£400.12

### Second Term

Ground Rent				£150
Years Purchase for	33.00	years @	7.00%	12.75
Present Value £1 in	6.91	years @	7.00%	0.63
				7.99
				£1,198.64

### Third Term

Ground Rent				£300
Years Purchase for	33.00	years @	7.00%	12.75
Present Value £1 in	39.91	years @	7.00%	0.07
				0.86
				£257.07
				£1,855.83

### Reversion

Extended Lease				£213,500
Present Value £1 in	72.91	years @	5.50%	0.02
				£4,306

**Freeholders existing interest** £6,161.47

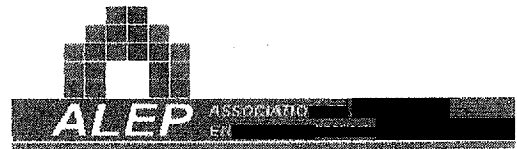
### b) After

Rent (peppercorn) £0.00

### Calculation of Marriage Value

Less	Extended Lease	£213,500	
	Freeholders present interest	£6,161	
	Existing lessee's interest	£200,690	
	Marriage Value	£6,649	
	Freeholders share of marriage value	50%	<b>£3,324</b>
 <b>c) Compensation</b>			
	Compensation	£0	
			<b>£9,486</b>
	<b>Premium payable by Lessee</b>	<b>Say,</b>	<b>£9,500</b>

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## PK VALUATION

1	<u>Value of Freeholder's Interest</u>		£6161.47
2	<u>Marriage Value</u>		
	Value of Tenant's proposed interest (163 year lease)		£227,000.00
	<u>Less</u>		
	Value of Tenant's existing lease	£155,000.00	
	Value of Landlord's existing interest	<u>£6161.47</u>	<u>£161,161.47</u>
	Marriage Value		£65,838.53
	Landlord's share @ 50%		<u>£32,919.27</u>
3	<b>PREMIUM PAYABLE</b>		<b>£39,080.73</b>