

4170



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

Case Reference : TW/LON/00BC/OLR/2016/0035

Property : 32B Windsor Road, Ilford, Essex
IG1 1HQ

Applicant : Richard John Lockwood and
Jennifer Lockwood

Representative : Breeze & Wyles Solicitors Ltd

Respondent : Sanantonio Andrious (Missing
Landlord)

Representative : N/A

Type of Application : S50/51 Leasehold Reform Housing
and Urban Development Act 1993,
Missing Landlord

Tribunal Members : P M J Casey MRICS

**Date and venue of
Hearing** : Paper hearing on 23 March, 2016
10 Alfred Place, London WC1E 7LR

Date of Decision : 5 April 2016

DECISION

Decisions of the tribunal

- (1) The tribunal determines that the premium payable on the grant of a new lease of the flat at 32B Windsor Road, Ilford, Essex, IG1 1HQ (“the property”) is the sum of £14,650.
- (2) The tribunal makes the determinations as set out under the various headings in this decision

The application

1. The applicants seek a determination by the Tribunal pursuant to a vesting order made under the provisions of S50(1) of the Leasehold Reform Housing and Urban Development Act 1993 (“the Act”) by District Judge Ashworth sitting at the County Court at Southend on 17 December 2015 of the premium to be paid into Court and other terms on the grant of a new lease of the property under the relevant provisions of the Act.
2. The vesting order was made in response to a claim made to the Court on 22 October 2015 by Breeze and Wyles Solicitors Ltd on behalf of the applicants in which it was said that the applicants were entitled to acquire a new lease of the property under the provisions of the Act but had been unable to exercise the right by serving the requisite notice under S42 on the landlord, Sanantonio Andrious, because his whereabouts were unknown.

The hearing

3. In response to the Tribunal’s directions, which provided for a determination on the papers to be submitted, the applicants’ solicitors provided a bundle of documents including a valuation report dated 7 March 2016 addressed to the Tribunal and prepared by Ryan Bridges BSc (Hons) AIRPM of McDowell’s Surveyors Ltd. The report contained the requisite declarations required of a Surveyor acting as an expert witness.
4. The Tribunal considered the hearing bundle on 23 March 2015. No inspection of the property was deemed necessary given the description, plans and photographs included in the report.

The evidence

5. From Mr Bridges’ description of the property it is a one bedroomed converted flat on the first floor of an inner terrace Victorian house. It has been modernized and maintained to a reasonable standard

including gas fired central heating but no tenants' improvements are claimed.

6. The property is held on a 99 year lease from 6 July 1978 subject to a ground rent payment of £40.00 per annum. The original ground rent was £25 per annum but this rises by £15 every 21 years.
7. At the Valuation Date, 22 October 2015, the lease had 61.7 years unexpired.
8. Mr Bridges provides market evidence for the extended lease value of the property as at the Valuation Date by reference to three transactions involving similar properties at around that time the details of which are provided in the report as follows:

8d Brisbane Road, Ilford sold in March 2016 on a long lease for £175,000, and is said to be a first floor flat with one bedroom and off street parking;

30 Mansfield Road where an agreed sale at £180,000 for a lease with 72 years are remaining fell through for this one bedroomed first floor flat with off street parking; and

35 Mayfair Avenue, Ilford sold in March 2016 for £195,000 again on a long lease but on the ground floor with one bedroom and off street parking.

9. From this evidence he says the value of an extended lease in the subject property for a term of 151.7 years at a peppercorn ground rent and on the lease terms proposed is £170,000. He adopts this as the virtual freehold value.
10. To capitalise the ground rent income for the unexpired term of the existing lease in his valuation of the existing freehold interest in the property he adopts a rate of 7% whilst to arrive at the present value of the freeholder's right to possession on the expiration of the existing lease term he adopts the "Sportelli" deferment rate of 5%.
11. For the calculation of the marriage value payable in addition to the diminution in value of the freehold which results from the extension of the lease term, he has, as so many other practitioners in this field do, had resort to the guidance provided by various "graphs of relativity" published by several firms undertaking this type of work. These graphs express the value of unexpired lease terms of varying lengths as a percentage of freehold value. Mr Bridges refers to five such graphs all relating to the Greater London area which average out at a relativity for a lease with 61.7 years unexpired of 87.08% of freehold value.

12. His valuation attached to his report produces a premium of £14,341.

The decision

13. Mr Bridges' adoption of a capitalization rate of 7% cannot in the present case be faulted where there is a relatively low ground rent and again, in the absence of extensive evidence to the contrary, his adoption of the "Sportelli" deferment rate of 5% is accepted.
14. The comparable sales evidence provided fully supports an extended lease value of £170,000 but Mr Bridges makes no uplift to the virtual freehold value. In the tribunal's experience of cases involving outer London properties where the extended lease will be for a term exceeding 150 years the most that is ever suggested as the difference between the value of a lease of that length and the virtual freehold is 1%. However failure to make any adjustment at this level of value cannot be said to be wrong.
15. In the absence of better evidence relativity graphs have a long history of use in tribunal proceedings and despite much concern over their reliability have been widely accepted. In the circumstances of this case the relativity proposed of 87.08% based on the average of five separate graphs relating to transactions in Greater London and the southeast gives an existing lease value of £148,036 which is acceptable as the "no Act world" value of the existing lease with some 61.7 years to run.
16. However whilst correctly identifying the unexpired lease length in his report and in his choice of relativity to arrive at the existing lease value for no clear reason Mr Bridges uses an unexpired lease length of 63.42 years in his calculation. As a result he undervalues the diminution in the value of the freeholder's existing interest by some £700 but overstates the marriage value by half of this amount so that his calculation of the premium payable should have been £14,651 say £14,650 which is the amount the tribunal determines as the premium to be paid into Court on the vesting of the new lease. As this is only a minor error in the calculation the tribunal does not propose producing its own valuation but a copy of Mr Bridges' is appended.
17. A draft of the Deed of Surrender and Grant of New Lease was forwarded to the Tribunal. The terms of this draft are approved by the tribunal save that at 2.1 on page 4 only limited title guarantee can be provided. The draft lease when revised as above and completed with the entry of the premium payable should be referred to the Court for execution.

Name: Patrick M J Casey

Date: 4 April 2016

Lease Extension - Valuation for Assessment of Premium
 Flat 32b Windsor Road, Ilford, Essex IG1 1HQ
 Preliminary Valuation workings - DOV

22/10/2015

Lease	99 years from	06/07/1978	
Annual Rent	£40.00 from	22/10/2015 until	06/07/2020
	£55.00 from	07/07/2020 until	06/07/2041
	£70.00 from	07/07/2041 until	06/07/2062
	£85.00 from	07/07/2062 until	24/03/2079

Expiry date 24/03/2079

The flat values are	£148,036 subject to the existing lease (unimproved)
	£170,000 freehold (unimproved)
	£168,300 99% of Freehold
Relativity	87.08%
Capitalisation Rate	7.0%
Deferment Rate	5.0%

LEASE EXTENSION**1. Diminution in value of Landlord's interest.**

22/10/2015	Ground Rent YP for	4.71 years @	7.0%	£40.00 p.a. <u>4.1685</u>	£166.74
07/07/2020	Ground Rent YP for	21.00 years @	7.0%	£55.00 p.a. <u>11.5932</u>	
	PV £1 in	4.71 years @	7.0%	<u>0.7273</u>	£463.74
07/07/2041	Ground Rent YP for	21.00 years @	7.0%	£70.00 p.a. <u>11.5932</u>	
	PV £1 in	25.70 years @	7.0%	<u>0.1757</u>	£142.58
07/07/2062	Ground Rent YP for	16.71 years @	7.0%	£85.00 p.a. <u>10.3514</u>	
	PV £1 in	46.70 years @	7.0%	<u>0.0424</u>	£37.34

2. Loss on Reversion

06/07/2062	Reversion to PV £1 in	63.42 years @	5.0%	£170,000 <u>0.0453</u>	£7,702.52
	Reversion to PV £1 in	153.42 years @	5.0%	£170,000 <u>0.0006</u>	<u>£95.41</u>
					<u>£7,607.10</u>
				Diminution in value, say	<u>£8,417.51</u>

3. Landlord's share of Marriage Value.

Value of tenant's new interest	£168,300	
Value of Landlord's new interest	<u>£95.41</u>	£168,395
Less:		
Value of tenant's existing lease	£148,036	
Value of Landlord's existing interest	<u>£8,513</u>	£156,549
Marriage value		£11,846
Landlord's share @ 50%		<u>£5,923</u>
	Premium	£14,341

