

Leasehold Reform Act 1967

Housing Act 1980

DECISION OF LEASEHOLD VALUATION TRIBUNAL

ON AN APPLICATION UNDER S.21 OF THE LEASEHOLD REFORM ACT 1967

TO DETERMINE THE PRICE PAYABLE BY THE TENANT

ON ENFRANCHISEMENT UNDER S.9 L R ACT 1967

Applicant Tenant: Mr and Mrs E.G Harvey

Respondent Freeholder: Freehold Estates Limited

Respondent Intermediate Head Leaseholder: Freehold Estates Limited

Property: 15, Broomfield Rise, Nuneaton, Warwickshire CV10 7DU

Date of Tenant's Notice: 8 November 2002

RV as at 1 Apr. 1973: Less than £500

Application dated: 16 January 2003

Heard at: The Panel Office

On: 8 April 2003

APPEARANCES:

For the Tenant: Mr J Moore MA

For the Freeholder: No appearance

For the Intermediate Head Leaseholder: No appearance

Members of the Leasehold Valuation Tribunal:

- Mr A.J Engel (Chairman)
- Mr D.J Satchwell
- Mrs M.A.L McKenzie JP

Date of Tribunal's decision: 10th May 2003

1. **Background:** Mr and Mrs Harvey are the **Tenants** by a 99 year lease (less three days) from 24 June 1965 of the dwelling house and premises at 15, Broomfield Rise, Nuneaton, Warwickshire CV10 7DU (the '**Property**'). The **Freeholder** and the **Intermediate Head Leaseholder** are Freehold Estates Limited. By a notice dated 8 November 2002 (the '**Date**') the Tenant claims to acquire the freehold under the Leasehold Reform Act 1967 (as amended) (the '**Act**'). By an application dated 16 January 2003 the Tenant applies to us to determine the price payable on the acquisition of the freehold of the Property under section 9 of the Act. We inspected the property on 8 April 2003 and a hearing was held on the same day.
2. The Tenant holds the Property by an underlease (the '**Underlease**') for a term of 99 years (less three days) from 24 June 1965 at a fixed ground rent of £30 pa. The head lease (the '**Head Lease**') is for a term of 99 years from 24 June 1965 at an apportioned fixed ground rent of £17.78 pa. The Headlease was not produced to us but the term thereof was stated in an extract from the property register which was produced to us. The property register also stated a rent of £1,298 in respect of 73 properties including 15 Broomfield Rise. Accordingly the apportionment of £17.78 was calculated.
3. The unexpired term of the Underlease and the Head Lease on the Date - which is the relevant date for the determination of the price payable - was about $61\frac{2}{3}$ years. We accept that the qualifying conditions for entitlement to enfranchise under the Act have been met.
4. The Property comprises a semi-detached house of traditional brick and tile construction in an established residential area of similar properties. The accommodation includes: on the ground floor - living room, kitchen with dining area; on the first floor - 3 bedrooms, bathroom with wc.. Central heating to radiators is from a gas fired boiler. It has a brick built garage.
5. Mr J Moore appeared for the applicant Tenants; the Freeholder and the Intermediate Head Leaseholder were not represented.

The valuation method: Mr Moore submits, and we accept:

6. For the freehold interest: the generally recognised valuation method to derive the price payable for the freehold interest, accepted in *Farr v Millerson Investments Ltd* (1971). The method is: (i) capitalise the apportioned ground rent (£17.78 pa) from the Date for the unexpired term of the Head Lease ($61\frac{2}{3}$ years); (ii) capitalise the modern ground rent (s15 of the Act), as at the Date, as if in perpetuity but deferred for the unexpired term of the Head Lease - 'as if in perpetuity' because, although the value of the modern ground rent is for a term of 50 years (as the extension to the Head Lease), the value of the freehold reversion in possession at the end of the fifty years' extension is ignored as being too remote to have a separate value for it. As no evidence of cleared sites is adduced, the modern ground rent is derived by the standing house method: by

decapitalising the site value, as a proportion of the entirety value. The entirety value is the value of the freehold interest in the Property with vacant possession assuming it to be in good condition and fully developing the potential of its site provided always that the potential identified is realistic and not fanciful.

7. Mr Moore's valuation does not include a *Haresign* addition - recognised in *Haresign v St John The Baptists' College, Oxford* [1980] when specific account was taken of the reversion to the full value of the dwelling after the expiration of the assumed fifty years' extension of the lease. We accept his approach.
8. For the intermediate head leasehold interest: The value of the profit rent (the rent reserved in the Underlease minus the rent reserved, as an apportioned amount, in the Head Lease - £30 pa - £17.78 pa = £12.22 pa) for the unexpired term of the Underlease.
9. **Mr Moore's valuations and evidence:** For the freehold interest - £784
For the head leasehold interest - £172

More specifically:

10. The freehold interest

Term			
Ground rent		£17.78 pa	
YP 61 ² / ₃ at 7%		<u>14.065</u>	
			£250.08
Reversion			
Entirety value	£105,000		
Site value at 33%	£34,650		
Sec. 15 ground rent at 7%	£2,425.50 pa		
YP deferred 61 ² / ₃ years at 7%	<u>0.220</u>		
			£533.61
			£783.69
		Say	£784.00

11. The head leasehold interest

Underlease ground rent	£30.00 pa		
Less Head Lease ground rent	<u>£17.78 pa</u>		
Profit rent		£12.22 pa	
YP 61 ² / ₃ years at 7%		<u>14.065</u>	
			£171.87
		Say	£172.00

12. In support of 7% as the yield rate in his valuations Mr Moore says that 7% is consistent with previous decisions of this tribunal. We agree.
13. In support of his entirety value (£105,000) he refers us to the sale of two identical semi-detached house close by; one sold for £92,000 in late December 2002, leasehold and the other for £97,500 in February 2003,

freehold. He says that the evidence points to £105,000 as the entirety value, reflecting the principles which we refer to above. We agree.

14. He says that a 33% site apportionment is consistent with decisions of this tribunal. We agree.

Our Decisions:

15. On the basis of the evidence presented to us which we accept and which was consistent with our general knowledge, we find that Mr Moore's valuations are consistent with the principles of the Act and the accepted guidance thereon. Accordingly we accept his figures.

17. **Conclusion:** We determine that the sum to be paid by the Tenants for the acquisition of the freehold and head leasehold interests in the Property in accordance with section 9 of the Leasehold Reform Act 1967, as amended, is £956 (Nine hundred and fifty six pounds), namely £784 for the freehold interest and £172 for the head leasehold interest.

Date: 10 May 2003

A.J Engel
CHAIRMAN