

LEASEHOLD VALUATION TRIBUNAL  
OF THE  
MIDLAND RENT ASSESSMENT PANEL

BIR/41UD/OAF/2002/0122

*DECISION OF THE LEASEHOLD VALUATION TRIBUNAL*

*ON AN APPLICATION UNDER SECTION 21 OF THE LEASEHOLD REFORM ACT 1967*

Applicant: Mr W G Eadon (leaseholder)

Respondent: Summit House Nominees Ltd (freeholder)

Subject property: 10 School Lane  
Chase Terrace  
Burntwood  
Staffordshire  
WS7 8LD

Date of tenant's notice: 24 October 2002

Application to the LVT: 19 December 2002

Hearing: 4 March 2003

Appearances:

*For the applicants:* Mr A W Brunt FRICS

*For the respondents:* Not represented

Members of the LVT: Professor N P Gravells MA  
Mr S Berg FRICS  
Mrs N Jukes

Date of determination:

## **Introduction**

- 1 This is a decision on an application under the Leasehold Reform Act 1967 (“the 1967 Act”) made to the Leasehold Valuation Tribunal by Mr Eadon, leaseholder of the house and premises at 10 School Lane, Chase Terrace, Burntwood, Staffordshire WS7 8LD (“the subject property”). The application is under section 21(1)(a) for the determination of the price payable under section 9 for the freehold interest in the subject property.
- 2 The applicant leaseholder holds the subject property under a lease, dated 3 September 1963, for a term of 99 years from 25 December 1962 at a ground rent of £15.00 per year. The lease was assigned to the applicant on 8 April 1971. The unexpired term at the date of the Notice of Tenant’s Claim to Acquire the Freehold (“the relevant date”) was approximately 59 years.
- 3 The applicant served on the respondent landlords a tenant’s notice dated 24 October 2002, claiming to acquire the freehold interest in the subject property under the terms of the 1967 Act; and he subsequently made the present application.
- 4 The parties did not dispute and the Tribunal accepts that the qualifying conditions for enfranchisement under the 1967 Act are satisfied.

## **Subject property**

- 5 The subject property is a semi-detached house of brick and tile construction, located on School Lane in a residential area on the edge of Burntwood. The accommodation comprises, on the ground floor, entrance porch, two reception rooms and kitchen; and, on the first floor, three bedrooms and bathroom/wc. There is double-glazing to the rear elevation of the ground floor of the property and secondary glazing to the front elevation of the ground floor of the property. Space heating is by gas-fired central heating (with radiators in all rooms) and a gas fire in the rear reception room. There is a small integrated garage. Outside there are gardens to the front and rear of the property. The frontage of the property is approximately 7.3 metres and the total site area is approximately 306 square metres.

## **Inspection and hearing**

- 6 The Tribunal inspected the subject property on 4 March 2003 in the presence of the applicant leaseholder and Mr Brunt.
- 7 The subsequent hearing was attended by Mr Brunt (representing the applicant leaseholder). The respondent freeholder did not attend and was not represented.

## Representations of the parties

8 Mr Brunt, on behalf of the applicant leaseholder, adopted as the basis of valuation under the 1967 Act the generally recognised three-stage approach normally attributed to *Farr v Millerson Investments Ltd* (1971) 22 P & CR 1055. That approach involves (i) the capitalisation of the ground rent payable under the existing lease for the remainder of the unexpired term; (ii) the identification of a modern ground rent (by decapitalising the site value); and (iii) the capitalisation of the modern ground rent as if in perpetuity, deferred for the remainder of the unexpired term. The price payable on this basis is the sum of the capitalisations at stages (i) and (iii).

9 Mr Brunt gave evidence of the sale prices of two properties at 13 School Lane and 53 School Lane, which had both recently been sold at prices in the region of £91,000. Mr Brunt drew attention to the similarities and differences between those properties (which the Tribunal had viewed from the road) and the subject property. He stated that the subject property was marginally smaller but expressed his opinion that it was situated on the “better” side of the road. On the basis of this evidence, Mr Brunt submitted that the standing house value of the subject property at the relevant date was £92,000. He further submitted that, applying a 33 per cent figure in calculating the site value on the standing house basis, the site value was £30,360; and that the appropriate percentage yield rate to be applied in capitalising the ground rent at stage (i) and decapitalising and recapitalising the site value at stages (ii) and (iii) is 7 per cent.

10 On the basis of those figures, he submitted the following valuation:

*(i) Capitalisation of existing ground rent to termination of lease*

Ground rent payable: £15.00 per year

Years Purchase: 59 years @ 7%: 14.0229

Capitalised ground rent: £15.00 x 14.022 = £210.33

*(ii) Modern ground rent*

Standing house value of subject property: £92,000

Percentage attributable to site: 33%: £30,360

Annual equivalent @ 7%: £2125

*(iii) Capitalisation of modern ground rent*

Modern ground rent (above): £2125

Years Purchase at 7% in perpetuity deferred 59 years: 0.264

Capitalised modern ground rent: £2125 x 0.264 = £561.05

The addition of the capitalised existing ground rent and the capitalised modern ground rent produces a figure of (say) £771.

- 11 As indicated, the respondent did not attend the hearing and was not represented. The respondent had sent to the Tribunal copies of two letters sent by the respondent to Mr Brunt, one of which was written "without prejudice". These letters offered an opinion as to principles of law and valuation to be applied in the present case; but they did not offer a valuation in relation to the subject property or any figures that might form the basis of a valuation.

### **Determination of the Tribunal**

- 12 The Tribunal holds that the basis of valuation adopted by Mr Brunt properly reflects the principles of the 1967 Act applicable in the present case. In so far as the respondent submitted that different principles apply, the Tribunal rejects those submissions. In particular, the Tribunal holds that marriage value is irrelevant where, as in the present case, section 9(1) of the 1967 Act provides for the appropriate basis of valuation.
- 13 In the absence of any relevant evidence from the respondent, the Tribunal examined the figures submitted by Mr Brunt in respect of the standing house value of the subject property, the percentage to be applied to the standing house value in calculating the site value and the percentage yield rate to be applied at all stages of the valuation calculation. The Tribunal considered whether those figures were open to challenge on their face or in the light of the evidence of Mr Brunt in response to questions from the Tribunal.
- 14 The Tribunal finds that Mr Brunt had produced very helpful evidence as to the standing house value of the subject property. Using its general knowledge and experience (but no special knowledge) the Tribunal finds that the evidence of the sale prices of the properties on School Lane reflected the general level of property values in the area of the subject property. Bearing in mind the similarities and differences between those properties and the subject property, the Tribunal finds that the standing house value of the subject property at the relevant date was £92,000.
- 15 Bearing in mind previous practice of Leasehold Valuation Tribunals in the Midland Rent Assessment Panel area, and in the absence of any circumstances suggesting a departure from that practice, the Tribunal accepts the submissions of Mr Brunt in relation to the other factors in his valuation and holds that the appropriate percentage to be applied to the standing house value in calculating the site value is 33 per cent; and that the appropriate percentage yield rate to be applied at all stages of the valuation calculation is 7 per cent.
- 16 Adopting those figures, and applying figures of Years Purchase from Parry's Valuation Tables, the Tribunal calculates the price payable as follows:

*(i) Capitalisation of existing ground rent to termination of lease*

Ground rent payable: £15.00 per year

Years Purchase: 59 @ 7%: 14.0219

Capitalised ground rent: £15.00 x 14.0219 = £210.33

(ii) *Modern ground rent*

Standing house value of subject property: £92,000

Percentage attributable to site: 33%: £30,360

Annual equivalent @ 7%: £2125.20

(iii) *Capitalisation of modern ground rent*

Modern ground rent (above): £2125.20

Years Purchase at 7% in perpetuity deferred 59 years: 0.26379

Capitalised modern ground rent: £2125.20 x 0.26379 = £560.55

The addition of the capitalised existing ground rent and the capitalised modern ground rent produces a figure of £770.88.

- 17 Accordingly, the Tribunal determines the price payable under section 9 of the 1967 Act for the freehold interest in the subject property at £771.

**Summary**

- 18 The Tribunal determines the price payable by the tenants for the freehold interest in the subject property at £771 plus the freeholder's reasonable costs calculated in accordance with section 9(4) of the 1967 Act and paragraph 5 of Schedule 22 to the Housing Act 1980.

**NIGEL P GRAVELLS**  
CHAIRMAN