

LEASEHOLD VALUATION TRIBUNAL
OF THE
MIDLAND RENT ASSESSMENT PANEL

BIR/CCCN/OAF/2002/0121

DECISION OF THE LEASEHOLD VALUATION TRIBUNAL

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

Applicant: Mrs P I Boyle (leaseholder)

Respondent: Mr P Cuthbertson (freeholder)

Subject property: 147 George Frederick Road
Sutton Coldfield
B73 6TE

Date of tenant's notice: 18 October 2002

Application to the LVT: 20 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 Mrs Boyle, leaseholder of the house and premises at 147 George Frederick Road, Sutton Coldfield, B73 6TE ("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 7 September 1936, for a term of 99 years from 25 March 1936 at a ground rent of £6.00 per year. The lease was assigned to the applicant on 10 November 1987. The unexpired term at the date of the Notice of Tenant's Claim to Acquire the Freehold ("the relevant date") was approximately thirty-two and a half years.
- 3 The applicant served on the respondent landlords a tenant's notice dated 18 October 2002, claiming to acquire the freehold interest in the subject property under the terms of the 1967 Act; and she 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 at the junction of George Frederick Road, Sutton Oak Road and Kingstanding Road in a residential area on the edge of Sutton Coldfield. The accommodation comprises, on the ground floor, hall, sitting room and kitchen/dining room; and, on the first floor, three bedrooms and bathroom/wc. The property is double-glazed. Space heating is by gas-fired central heating (with radiators in all rooms). There is an integrated garage. Outside there are gardens to the front, side and rear of the property. The frontage of the property is approximately 11.25 metres and the total site area is approximately 385 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 a number of similar properties in the locality of the subject property, although he placed particular weight on the evidence of the sale price of £133,950 recently achieved in relation to the property at 109 Sutton Oak Road. He also gave evidence of the asking prices of similar properties on the market around the relevant date. Mr Brunt drew attention to the similarities and differences between those properties (some of which the Tribunal had viewed from the road) and the subject property. He stated that the subject property had the benefit of a large corner plot, although he submitted that the existing building lines limited the potential development of the site. On the basis of this evidence, Mr Brunt submitted that the standing house value of the subject property at the relevant date was £143,950. He further submitted that, applying a 33 1/3 per cent figure in calculating the site value on the standing house basis, the site value was £47,983.33; 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: £6.00 per year
Years Purchase: 32 1/2 years @ 7%: 12.7
Capitalised ground rent: £6.00 x 12.7 = £76.20

(ii) *Modern ground rent*

Standing house value of subject property: £143,950
Percentage attributable to site: 33 1/3%: £47,983.33
Annual equivalent @ 7%: £3358.83

(iii) *Capitalisation of modern ground rent*

Modern ground rent (above): £3358.83
Years Purchase at 7% in perpetuity deferred 32 1/2 years: 1.585
Capitalised modern ground rent: £3358.83 x 1.585 = £5323.75

The addition of the capitalised existing ground rent and the capitalised modern ground rent produces a figure of (say) £5400.

- 11 As indicated, the respondent did not attend the hearing and was not represented. Furthermore, no written representations were submitted by or on behalf of the respondent.

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.
- 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 submitted by Mr Brunt 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 £143,950.
- 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 1/3 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: £6.00 per year
Years Purchase: 32 1/2 @ 7%: 12.7002
Capitalised ground rent: £6.00 x 12.7002 = £76.20

(ii) Modern ground rent

Standing house value of subject property: £143,950
Percentage attributable to site: 33 1/3%: £47,983.33
Annual equivalent @ 7%: £3358.83

(iii) *Capitalisation of modern ground rent*

Modern ground rent (above): £3358.83

Years Purchase at 7% in perpetuity deferred 32 1/2 years: 1.58554

Capitalised modern ground rent: £3358.83 x 1.58554 = £5325.56

The addition of the capitalised existing ground rent and the capitalised modern ground rent produces a figure of £5401.76.

- 17 Accordingly, the Tribunal determines the price payable under section 9 of the 1967 Act for the freehold interest in the subject property at £5400.

Summary

- 18 The Tribunal determines the price payable by the tenants for the freehold interest in the subject property at £5400 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