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BIR/00CN/OAF/2003/0211

MIDLAND RENT ASSESSMENT PANEL

**DECISION OF THE LEASEHOLD VALUATION TRIBUNAL ON AN
APPLICATION UNDER S21(1)(a) OF THE
LEASEHOLD REFORM ACT 1967**

Premises: 35 Beechmore Road, Sheldon, Birmingham B26 3AR

Applicant: Mr P Boyer (tenant)

Respondent: Cornlark Limited (landlord)

Date of tenant's notice: 27 October 2003

RV on the appropriate day: Under £500

Application dated: 27 December 2003

Heard at: Birmingham

On: 5 May 2004

Appearances:

Mr A W Brunt FRICS (Anthony Brunt & Co, valuers) for the tenant

Mr R Bakewell FRICS (Acres, auctioneers, estate agents and valuers) for the landlord

Members of the leasehold valuation tribunal:

Lady Wilson
Mr D J Satchwell FRICS
Mrs C L Smith

Date of the tribunal's decision: 8 JUN 2004

Background

1. This is an application by the tenant to determine the price to be paid for the freehold of 35 Beechmore Road, Sheldon, Birmingham. The property is held by the tenant, Mr Boyer, on an underlease dated 11 March 1939 for a term of 99 years less three days expiring on 21 June 2036, at a ground rent of £7 per annum. It is agreed that the intermediate leasehold interest has merged with the freehold and that approximately 33 years remained unexpired at the valuation date, which is 27 October 2003, the date of the notice of claim. The rateable value of the property is such that the valuation falls to be made in accordance with section 9(1) of the Leasehold Reform Act 1967.
2. The tribunal inspected the property on 5 May 2004, before the hearing, in the presence of Mrs Boyer, the tenant's wife. It is a two storey semi-detached house built in the 1930s, in a road of similar houses, and is set in a sloping rectangular plot of about 279 square metres. The present tenant has extended the house at the rear at ground floor level to provide a considerably larger kitchen, an internal utility room and an extended ground floor rear living room, and has converted the small garage to the side of the house into a study. At first floor level the property has been extended at the side, over the former garage, to provide an enlarged L-shaped third bedroom at the front and an additional small fourth bedroom at the rear.
3. Unaccompanied, the tribunal also externally inspected 61 and 89 Beechmore Road, relied on by both parties' valuers as comparables for the entirety value, and 43 Elmay Road and 97 Cranespark Road, relied on by Mr Bakewell for the landlord. 61 and 89 Beechmore Road do not appear to have been extended, but are otherwise externally identical to the subject property and are set in virtually identical, though more sloping, plots. Both 43 Elmay Road and 97 Cranespark Road are on corner plots, with wider frontages and in rather better locations than the subject.

The hearing

4. At the hearing the tenant was represented by Mr A W Brunt FRICS and the landlord was represented by Mr R Bakewell FRICS.

5. It was agreed that the standing house approach should be used to arrive at the value of the site, and that 7 per cent was the appropriate yield to be applied to capitalise the ground rent and to decapitalise the site value in order to arrive at the section 15 rent. The issues were the entirety value and the proportion of the entirety value to be taken as the site value

i. Entirety value

6. Mr Brunt proposed an entirety value of £132,000, which he considered to be supported by the recent sales of 61 Beechmore Road for a little over £130,000 (the exact figure was not available) and of 89 Beechmore Road for £132,000. Both had been on the market at £134,950 at the valuation date. He considered that the value of the extensive works carried out by the tenant of the subject property should be ignored in arriving at the entirety value, because their cost, which was around £30,000, had not increased its value by as much as £30,000. He said that while the ground floor layout had been on the whole improved by the works, the study at the front was very narrow, and the first floor layout left a lot to be desired. He regarded it as folly, from a financial point of view, to have spent so much money on the works, and submitted that the development should be regarded as “fanciful” within the meaning of *Cadogan Estates Ltd v Hows* [1989] 48 EG 167, and should be ignored for the present purpose. He added that if, contrary to his submission, the tribunal were to arrive at the entirety value by valuing the house as it now is, ignoring the cost of the works, he considered its value on that basis to be £150,000.

7. Mr Bakewell had proposed an entirety value of £185,000, but conceded during the course of the hearing that that was on the high side and suggested that a more realistic figure would be

£179,950. He said that he knew the area very well and was satisfied that, while a standard semi-detached house in Beechmore Road command a price of a little over £130,000, an extended house would command more, although he agreed that the design of this extension, at least at first floor level, left something to be desired. He said that he was not sure whether 97 Cranespark Road had yet been sold, although he believed that there had been interest in it at £185,000. 43 Elmay Road he believed to be on the market at £192,500. He did not agree that the reason that 43 Elmay Road was still on the market was because it was over-priced, but agreed that its garage would affect the asking price, by, in his view, about £3000 - £4000.

8. We have come to the conclusion that the entirety value of this property was, at the valuation date, £145,000. It is common ground, and we accept, that the value of the property, unextended, at the valuation date was in the region of £132,000. We also accept that the some of the works which the tenant carried out were done to cater for the needs of his own family but were not cost-effective. It is, however, apparent both from what this tenant has done and from the fact that other houses in Beechmore Road appear also to have been extended, that this property, as others in the road, showed scope for feasible and cost-effective development which would fully and realistically develop the potential of the site, which is, according to the authorities cited in *Hague, Leasehold Enfranchisement* (Fourth Edition at 8-09), the proper basis on which to arrive at the entirety value. Having viewed Mr Bakewell's comparables externally, we do not regard them as particularly helpful in that they were very different properties in better locations. We have therefore used our own knowledge, which, as an expert tribunal, we are required to do, to adjust the comparables in Beechmore Road to allow for their scope for realistic development.

ii. Site value proportion

9. Mr Brunt proposed a site value proportion of one third, which he considered appropriate for this relatively narrow, sloping plot. Mr Bakewell considered that the appropriate site proportion was 37.5 per cent, because the market was rising at the valuation date.

10. We are satisfied that the appropriate site proportion for this relatively narrow plot is one third. That is the proportion generally adopted for sites of this nature and in similar locations, and we see no reason to adopt a higher proportion in the present case.

Determination

11. Accordingly, we determine that the price to be paid for the freehold is £5265, based on the following valuation:

Term:

Annual ground rent:	£7	
YP 33 years @ 7%	12.75	£89.25

Reversion:

Entirety value	£145,000	
Site value @ 33.33%	£48,333	
Section 15 rent @ 7%	£3383	
YP deferred 33 yrs @ 7%	1.53	<u>£5176</u>
		£5265

say: **£5265**

CHAIRMAN.....

DATE June 2004.....