

**LEASEHOLD VALUATION TRIBUNAL
OF THE
MIDLAND RENT ASSESSMENT PANEL**

BIR/OOCN/OAF/2004/0302

*DECISION OF THE LEASEHOLD VALUATION TRIBUNAL
ON AN APPLICATION UNDER SECTION 21(1)(a) OF THE LEASEHOLD REFORM ACT 1967*

Applicant: Mrs S Trelfa (leaseholder)

Respondent: Mr A Ali (freeholder)

Subject property: 11 New Coventry Road
Sheldon
Birmingham
B26 3BA

Date of tenant's notice: 15 May 2003

Application to the LVT: 14 October 2004

Hearing: 16 December 2004

Appearances:

For the applicant: Mr G A Boardman MRICS

For the respondent: Not represented

Members of the LVT: Professor N P Gravells MA
Mr D J Satchwell
Mrs C L Smith

Date of determination:

Introduction

- 1 This is a decision on an application under section 21(1)(a) of the Leasehold Reform Act 1967 ("the 1967 Act") made to the Leasehold Valuation Tribunal by Mrs S Trelfa, leaseholder of the house and premises at 11 New Coventry Road, Sheldon, Birmingham B26 3BA ("the subject property") 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 19 October 1958, for a term of 99 years from 25 December 1958 at a ground rent of £15.00 per year. The lease was assigned to the applicant on 24 February 1987. The unexpired term at the date of the Notice of Tenant's Claim to Acquire the Freehold ("the relevant date") was approximately 54 years.
- 3 The applicant served on Mr A Ali, the respondent freeholder, a tenant's notice dated 15 May 2003, 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 do 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 New Coventry Road (between Yardley and Sheldon), which forms an elevated service road set back from the main A45 Birmingham to Coventry arterial road. The accommodation comprises, on the ground floor, hallway, through sitting room and kitchen; and, on the first floor, three bedrooms, bathroom and separate wc. The property is single-glazed. The only space heating is provided by a gas fire in the sitting room and an electric storage heater in the hallway. Outside the access way to the back door along the side of the house has been covered over. There is a garage to the rear of the property; but access is via a side road approximately 200 metres along New Coventry Road from the subject property. There are gardens to the front and rear of the property. The frontage of the property is approximately 7.1 metres and the total site area is approximately 242 square metres.

Inspection and hearing

- 6 The Tribunal inspected the subject property on 16 December 2004 in the presence of Mrs Trelfa, the applicant leaseholder.
- 7 The subsequent hearing was attended by Mr Boardman. The respondent freeholder did not attend and was not represented.

Representations of the parties

- 8 Mr Boardman, 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 calculation 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 Boardman gave evidence of current asking prices in relation to a number of similar properties in the locality of the subject property. The prices ranged from £134,950 to £149,950. On the basis of that evidence and the differences between those properties and the subject property, he submitted that the Tribunal should adopt the figure of £135,000 as the entirety value of the subject property at the relevant date. He further submitted that, in calculating the site value on the standing house basis, the Tribunal should apply a 33 1/3 per cent figure to the entirety value (a figure at the lower end of the normal range in order to reflect the short rear garden and the significant slope of the site); and that the appropriate percentage yield rate to be applied in capitalising the existing ground rent at stage (i) of the valuation calculation and in calculating and capitalising the modern ground rent at stages (ii) and (iii) is 7 per cent.

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

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

Ground rent payable: £15.00 per year
Years Purchase: 54 years @ 7%: 13.9157
Capitalised ground rent: £15.00 x 13.9157 = £208.74

(ii) Modern ground rent

Entirety value of subject property: £135,000
Percentage attributable to site: 33 1/3%: £45,000
Annual equivalent @ 7%: £3,150

(iii) Capitalisation of modern ground rent

Modern ground rent (above): £3,150
Years Purchase at 7% in perpetuity deferred 54 years: 0.36998
Capitalised modern ground rent: £3,150 x 0.36998 = £1,165.44

The addition of the capitalised existing ground rent and the capitalised modern ground rent produces a figure of (say) £1,375.

Determination of the Tribunal

- 11 The Tribunal holds that the basis of valuation adopted by Mr Boardman properly reflects the principles of the 1967 Act applicable in the present case.
- 12 In the absence of any evidence from the respondent, the Tribunal examined the figures submitted by Mr Boardman in respect of the entirety value of the subject property, the percentage to be applied to the entirety value in calculating the site value on the standing house basis 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 Boardman in response to questions from the Tribunal.
- 13 The Tribunal acknowledges (as had Mr Boardman) the problem in determining the entirety value of the subject property at the relevant date, more than eighteen months prior to the date of the hearing. However, the Tribunal considered the evidence of asking prices submitted by Mr Boardman; and, using its general knowledge and experience (but no special knowledge) the Tribunal finds that the entirety value of the subject property at the relevant date was £135,000.

- 14 For the reasons advanced by Mr Boardman, the Tribunal finds that the appropriate percentage to be applied to the standing house value in calculating the site value is 33 1/3 per cent.
- 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 finds that the appropriate percentage yield rate to be applied at all stages of the valuation calculation is 7 per cent.
- 16 Since the Tribunal agrees with the figures submitted by Mr Boardman, the Tribunal endorses and adopts the calculation submitted by Mr Boardman and detailed in paragraph 10 above.
- 17 Accordingly, the Tribunal determines the price payable under section 9(1) of the 1967 Act for the freehold interest in the subject property at £1,375.

Summary

- 18 The Tribunal determines that the price payable by the applicant leaseholder for the freehold interest in the subject property is £1,375 plus the respondent freeholder's reasonable costs calculated in accordance with section 9(4) and (4A) of the 1967 Act.



NIGEL P GRAVELLS
CHAIRMAN