

LEASEHOLD VALUATION TRIBUNAL  
OF THE  
NORTHERN RENT ASSESSMENT PANEL

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

Applicant: Mrs. A.J.Beringer

Respondents: Mr.A.G.Jones, Mrs.M.Ormerod and Mrs.L.K.King

Subject property: 128, Simister Lane,  
Prestwich,  
Manchester M25 2SH

Date of Applicant's notice: 23<sup>rd</sup> April 2004

Application to the LVT: 15<sup>th</sup> December 2004

Hearing: 28<sup>th</sup> February 2005

Appearances:  
For the Applicant: Mr.N.Plotnek LLB

For the Respondents: Mr.J.H.Reddish FRICS

Members of the LVT: Mrs.C.Wood  
Mrs.E.Thornton-Firkin  
Mrs.S.Burden BA JP

Date of determination: 28<sup>th</sup> February 2005

## **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. A.J. Beringer, leaseholder of the premises known as The Model Bungalow, 128, Simister Lane, Prestwich, Manchester, ("the subject property"). The application is under section 21(1)(a) of the 1967 Act for the determination of the price payable under section 9 of the 1967 Act for the freehold interest in the subject property.
2. In addition, the Applicant made an application under section 21(1)(ba) of the 1967 Act for determination at the same hearing of the reasonable costs payable under section 9(4) and Schedule 22 Part I of the Housing Act 1980.
3. The Applicant served a tenant's notice dated 23<sup>rd</sup> April 2004 on the first-named of the Respondent landlords, Mr. A.G. Jones, claiming to acquire the freehold interest in the subject property under the terms of the 1967 Act. By a consent order of the Bury County Court dated 9<sup>th</sup> November 2004, the Respondent landlords admitted that service of the tenant's notice on Mr. A.G. Jones was sufficient service on the Respondent landlords. The application to the leasehold valuation tribunal for determination of the price payable for the freehold interest in the subject property was made by Messrs. W. T. Jones, solicitors, on behalf of the Applicant.

## **Subject property**

4. The subject property is a detached bungalow of timber and asbestos-clad construction with pitched tiled roof over built in the early 1920s comprising verandah, entrance hall, 2 bedrooms, one with access to the bathroom and WC, 2 reception rooms, kitchen and rear verandah. There are gardens to the front and rear of the premises.

## **Inspection and hearing**

5. The Tribunal inspected the subject property on 28<sup>th</sup> February 2005. Mr. N. Plotnek of Nick Plotnek Associates, the Applicant's valuer attended at the inspection. The Respondents were not represented. The subject property is situated in a semi-rural location with good transport connections to central Manchester and NW and W Yorkshire. There are views over farmland to both the front and rear of the subject property. The noise from the nearby motorway was noticeable on the day of the inspection. Opposite the subject property, there is a public house, "The Same Yet".
6. The Applicant was represented at the hearing by Mr. N. Plotnek and the Respondents by Mr. J. H. Reddish of Hedley Reddish, the Respondents' valuer.

## **Representations from the parties**

7. Written statements from both Mr. Reddish dated 11<sup>th</sup> February 2005 and from Mr. Plotnek dated 12<sup>th</sup> February 2005 had been received prior to the hearing. Each of Mr. Plotnek and Mr. Reddish addressed the Tribunal on their representations as set out in their written statements as summarised below. The statement of agreed facts between the parties which appears in both statements was noted by the Tribunal.

(i) Mr. Plotnek confirmed that the valuation method he regarded as most appropriate in this matter was what is generally known as the "standing house" approach. In doing so, he explained that, in particular, he had discounted the "cleared site" approach in the absence of evidence to support a valuation on this basis, and also the "new for old" approach as, in his contention, this contained too many imponderables;

(ii) in his opinion, of the 9 comparable properties which had been referred to in both Mr. Reddish's and his own statements, he thought that two in particular, namely, 32, Simister Lane and Church View, Mount Pleasant, were the most relevant to his valuation. He advised the Tribunal that he believed the purchase price of 32, Simister Lane had recently been reduced to £310,000, whilst Church View remained on the market at £367,950;

(iii) Mr. Plotnek produced an amended valuation to the Tribunal based on a site value percentage of 33.3% rather than 35% as in his written statement. He stated the reasons for this change were that the site was relatively shallow, there was noise from the motorway (where some of the other properties referred to were more shielded from this), and the inconvenience due to the proximity of The Same Yet public house. The effect of this change was to reduce Mr. Plotnek's valuation of the freehold interest from £29,062 to £27,681. This valuation is set out in Appendix A.

(iv) Mr. Reddish commented that, in his opinion, the lack of evidence of a cleared site transaction in the area did not mean that it was necessarily an inappropriate method of valuation in this case;

(v) he explained that, in the contractors' method valuation set out in Appendix 10 of his statement, the £93 per sq.ft. was derived from research of the RICS and from certain of his builder clients; he also commented that the demolition costs of £10,000 were possibly rather low and that £15,000 might be a more realistic figure. Taking this into account would produce a residual valuation of £144,000 for the value of the site, although the figure used in the valuation in the main body of his statement was £145,000;

(vi) he confirmed that the value of a new bungalow of £300,000 as set out in the valuation in Appendix 10 was derived from the evidence of the comparable properties referred to in his statement and, in particular, to two which he regarded as of most relevance, namely, 32, Simister Lane – which was regarded as the nearest in type to the kind of property which would be built on the site of the subject property and which he agreed was now on the market for £310,000 – and 159, Simister Lane – which he regarded as the best evidence available of the prices which were being attained by properties at or about the valuation date. Having regard to the date of registration of the sale at the land Registry, he believed that the sale would have been contracted in or about April 2004; 159, Simister Lane – which he described as a terraced property with no views to the rear but with views over open country to the front but with no ground at the front – was sold for £234,000.

This valuation is set out in Appendix B;

(vii) the admissibility of the evidence supporting Mr. Reddish's valuation set out in the body of his written statement – which comprised certain offers previously received for the subject property – was disputed by Mr. Plotnek on the ground that these had been made on a "without prejudice" basis. Mr.

Reddish acknowledged that he had no other comparable evidence relating to the sale of sites in the area.

This valuation is set out in Appendix C.

In questioning by the members of the Tribunal and in cross-examination by the respective parties, it was acknowledged that since the valuation date of 23<sup>rd</sup> April 2004 the market has seen a general reduction in prices.

#### **Determination of the Tribunal**

8. Having considered the written and oral evidence of both the Applicant's and the Respondents' valuers, the Tribunal determines that the basis of valuation adopted by Mr. Plotnek properly reflects the principles of the 1967 Act applicable in the present case and, whilst having due regard to Mr. Reddish's local experience and knowledge, determine that this basis is to be preferred to the cleared site and contractors' methods referred to in his statement. The tribunal took into account that there were no comparables of site value but that the standing house comparables were persuasive.
9. The percentage yield of 7% used in the valuation calculation was an agreed fact between the parties.
10. In his valuation, Mr. Plotnek determined the standing house value of the property to be £280,000. The comparable figure in Mr. Reddish's valuation was £300,000. The Tribunal finds that both parties had produced helpful evidence as to the standing house value of the subject property. Using the comparable properties given in evidence and its general knowledge and experience the Tribunal determines that the standing house value of the subject property at the relevant date was £300,000.
11. The Tribunal was not persuaded that there were circumstances prevailing in this case that made a site value percentage of 33.3% appropriate. The Tribunal determines therefore that the appropriate site value percentage in this case is 35%.
12. Applying those figures, and using the interest rate of 7% which both parties put forward the Tribunal calculates the price payable as follows:

(i) Term

Ground rent receivable:	£6.67	
YP 18 years @ 7%	: 10.0591	£67

(ii) Reversion

Value of property freehold with vacant possession:	£300,000	
Site value @ 35%	: £105,000	
Modern ground rent @ 7%	: 7350	
YP in perpetuity deferred 18 years @ 7%	: 4.22663	£31,066
		£31,133,
		say, £31,150

13. With regard to the application for determination of the Respondents' reasonable costs in accordance with section 9(4) of the 1967 Act and paragraph 5 of Schedule 22 to the Housing Act 1980, the Tribunal determines that the valuation fees claimed by the respondents and referred to in the letter dated 3<sup>rd</sup> December 2002 produced to the Tribunal were not allowable as they pre-date the date of the application; with regard to the legal fees claimed, as set out in the letter dated 25<sup>th</sup> February 2005 from Levys, solicitors, the Tribunal determines that one hour's costs at £180 per hour (plus Vat) in respect of costs incurred under the head entitled "To examining title to establish validity of claim" and one hour's costs at £180 per hour (plus Vat and disbursements) in respect of dealing with the transfer were reasonable for payment

by the Applicant. This is a total of £360 plus VAT and disbursements in respect of the transfer of the freehold only.

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Catherine Wood, Chairman  
28<sup>th</sup> February 2005

VALUATION

Property: The Model Bungalow, 128 Simister Lane, Prestwich, Manchester

Lease: 99 years from 25<sup>th</sup> March 1923  
Valuation date 25<sup>th</sup> April 2004, at which time there were 18 years unexpired.

Existing property: detached bungalow in semi-rural location of timber frame construction and asbestos-clad construction built in the early 1920's.

Value of modern replacement £280,000, freehold with vacant possession, as detailed in the Proof of Evidence.

1.	<b><u>Diminution in Value - Freehold Interest</u></b>		
2.	<b>Term</b>		
3.	Ground Rent Receivable	£6.67	
4.	YP 18 years @ 7%	10.0591	£67
5.	<b>Reversion</b>		
6.	Value of property freehold with VP	£280,000	
7.	Site value @ 1/3	£93,333	
8.	Modern Ground Rent @ 7%	£6,533	
9.	YP revn perp def 18 years @ 7%	4.22663	£27,614
10.	<b>Value of Freehold Interest</b>		<b>£27,681</b>

## APPENDIX 10

Site Value  
Contractors Method

- (a) To build new bungalow of 1200 sq.ft. of traditional construction (brick/tile) with purlin roof to allow subsequent upward extension.

1200 sq.ft. @ £93/sq.ft. =  
£93 to include preliminaries, fees & connections = £111,600

+ cost of demolition & tipping asbestos waste 10,000  
£121,600

Finance costs for 6 months @ 7% 4,256

say £125,856

Developers Profit @ 20% 25,171

say £151,000

Value of new bungalow in semi-rural location

1200 sq.ft. @ £250 (see also comparisons) £300,000

residual £149,000

I had considered allowing for purchase and selling costs, but am of the opinion that there would be no shortage of interested private buyers for self build.

I am also of the opinion that, for private buyers, the above figure would be exceeded due to the probability of developers profit being discounted.

**Note** The figure above is after deduction of demolition and therefore gives a slightly higher figure than the £145,000 used in the valuation.

Jones was £130,000. He correctly had to inform Mr Owen that he could not deal with the matter as there was a lease in existence.

I confirm that the offer made was verbal only and we do not have written evidence of that offer.

I am of the opinion, whether the figure was £120,000 or £130,000, that the offer, made some 18 months before the valuation date and in a fast rising market, is relevant to the calculation of site value.

It could be argued that, without the existence of the building, planning would not be forthcoming and that the site value should, as is usual in these cases, be expressed as a percentage of the whole property value.

I am of the opinion that this would be wrong in the unusual circumstances of this case where the property has, under the terms of the lease to be kept in good and substantial condition, but is patently obsolete.

As an additional consideration as to the basis of assessing the site value, I think the following to be relevant:

If the original bungalow had been built of traditional materials, it would in my opinion, in good condition, now be worth in the region of £300,000 and the value of the site as a percentage of the value of the property as a whole would be much greater. It is therefore inappropriate to apply a standard % to its value as an asbestos clad timber property.

I have therefore allowed a deduction of the costs of clearing the site only.

As a further check I have also prepared a site valuation on the contractors basis, which is attached herewith and marked **Appendix 10**.

## VALUATION

Leasehold Reform Act 1967

128 Simister Lane, Prestwich

(A)	<u>Term</u>				
Current Ground Rent (rounded)		7.00			
Unexpired length of lease		18	yrs		
Value of Current Ground Rent				7	
YP @	7 % for	18	yrs	<u>10.06</u>	
					<u>70</u>

(B)	<u>Reversion</u>		
Capital Value of Freehold Property		155,000	
Site Value		145,000	
PV of £1 in 18 years @ 7%		<u>0.2958</u>	
			<u>42891</u>
			42961
		say	<b>£43,000</b>

**DECLARATION**

I have, in preparing the above, had due regard to my position as expert in the matter and to my duty to the Tribunal. I am of the opinion that I have given due regard to all matters material to this reference, and further confirm:

- (1) That the above is an accurate and truthful statement of my opinions.
- (2) The report contains all facts which I regard as being relevant to the opinion I have expressed and that I have drawn to the attention of the Tribunal any matter which would affect the validity of that opinion.
- (3) That the Report complies with the requirements of The Royal Institution of Chartered Surveyors, as set down in *Surveyors acting as Independent Witnesses: Practice Statement*.

Signed ..... Dated .....

J H Reddish FRICS