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Ref:- BIR/00CN/OAF/2005/00146

MIDLAND RENT ASSESSMENT PANEL

Leasehold Reform Act 1967

Housing Act 1980

**DECISION OF LEASEHOLD VALUATION TRIBUNAL
ON APPLICATIONS UNDER S21 OF THE LEASEHOLD REFORM ACT 1967**

Applicants: **Paul Halling and Julie Forletta**

Respondent: **Gurmail Singh**

Re: 343 Stockfield Road, Yardley, Birmingham, B25 8JP

Date of Tenants Notice: 4th March 2005

RV as at 1.4.73: Less than £500

Application dated: 17th June 2005

Heard at: The Tribunal's Offices in Birmingham

On: 22nd September 2005

APPEARANCES:

For the Tenant: Mr. Graham A Boardman – Chartered Surveyor

For the Landlord: No appearance

MEMBERS OF THE LEASEHOLD VALUATION Tribunal:

Mr W. J. MARTIN (Chairman)

Mr M. WILLIAMS F.R.I.C.S.

Mrs A. BARTRAM

Date of Tribunals decision: 22nd September 2005

DETERMINATION

- (1) That the price payable by the Applicants to the Respondent under Section 9 (1) of the Leasehold Reform Act 1967 ('the Act') is £2,048
- (2) That conveyancing costs and reasonable disbursements under Section 9 (4) of the Act shall be payable in addition, such costs to be agreed by the parties or determined by the Tribunal upon the application of either party.

REASONS FOR THE TRIBUNAL'S DECISION

BACKGROUND

1. On 4th March 2005 Carvers, solicitors for Maureen Dorrington served a Notice of the Claim of Maureen Dorrington to acquire the freehold of the subject property upon the Respondent under Part 1 of the Act.
2. On 12th May 2005 Maureen Dorrington assigned by deed the benefit of the said Notice of Claim to the Applicants.
3. On 17th June 2005 Graham Boardman submitted an application to the Leasehold Valuation Tribunal for a determination as to the price payable for the freehold under Section 9 of the Act.

WRITTEN SUBMISSIONS

1. The Applicants provided a written submission dated 5th September 2005. Details were given of the property and it was confirmed that the Applicants had purchased it with the benefit of the Notice in March 2005 for £105,000. Based upon this figure the Applicants' valuation is as follows:

Lease:		
75 years from 29.09.1973 ground rent		£15.00
Ground Rent Valuation:		
Years Purchase for 43.5 years at 7% (13.53)		£202.95
Reversion:		
Standing House Value:	£105,000.00	
Site Value (33%):	£35,000.00	
S.15 Rent: at 7%	£3,349.50	
Years Purchase in perpetuity deferred 43.5 years at 7% (0.75328)		<u>£1845.36</u>
Price	(say)	<u>£2,048.00</u>

2. The Respondent did not make any written submissions.

INSPECTION

1. The Tribunal inspected the property on 22nd September 2005 in the presence of a representative of Graham Boardman. It is a terraced house with a frontage of 12 feet to Stockfield Road. The adjoining properties are shops. There is a through lounge leading to a kitchen. A single storey bathroom extension is behind the kitchen. Upstairs are three bedrooms, but the third bedroom is approached through the second. Outside there is a fenced yard, behind which is a garden. The house is in reasonable condition. There is a gas fire on the ground floor, otherwise the property is unheated. The site is fully developed.

HEARING

1. Mr. Boardman attended the hearing on behalf of the Applicants. The Respondent was neither present nor represented.

2. Mr. Boardman opened his submission by referring the Tribunal to his written submission and confirming that in making his valuation he had used the 'standing house' method. This involves valuing the house as if it were freehold, in good condition and assuming the site is fully developed. He had looked at nearby properties such as 307 Stockfield Road which was sold in March 2004 for £98,000. This house is semi-detached and fully improved. Research at the Land Registry reveals that the average price for terraced properties in the postcode area is £90,000. This brought Mr. Boardman to the conclusion that the price paid by the Applicants of £105,000 was too high. They were special purchasers in that they owned the adjoining properties. This said, he had adopted the purchase price paid as the Act requires a valuation on the basis that the property is in good condition, and the house requires repair and modernisation.

3. Mr. Boardman considered the site apportionment for this type of property was one third. It could be argued that a lower percentage should be used, but he had tried to be fair and reasonable. He felt that a uniform yield rate of 7% was appropriate as this has been adopted in the vast majority of settlements and Tribunal decisions in recent years.

4. Mr. Boardman did not address the Tribunal upon the question of costs payable by the Applicants under Section 9 of the Act.

DECISION OF THE TRIBUNAL

1. The Tribunal find that the price to be paid for the freehold falls to be determined under Section 9 (1) of the Act. They agreed with Mr. Boardman that the proper yield rate for them to use is 7% for the ground rent and the reversion. They therefore determine that the proper basis for their valuation is to:

(a) value the ground rent of £15 pa for the unexpired term (43.5 years) at 7%

They agree with the Applicants that this sum is £202.95

(b) ascertain a modern ground rent under Section 15 of the Act by valuing the entirety, apportioning the entirety between the site and the building and calculating the rent at 7% of the site value. The entirety value is the freehold value of the house assuming it to be in good condition and that the site is fully developed.

The Tribunal determine the entirety value at £105,000. They agree with Mr. Boardman that the price paid by the Applicants was a full price, probably because they were special purchasers. However, the house must be valued as if it were in good condition. The house does require work to bring it to such condition and in all the circumstances feel that the figure of £105,000 adopted by Mr. Boardman is correct. The Tribunal also agree that the correct site apportionment is one third which gives a site value of £35,000. Seven percent (7%) of this sum produces a modern ground rent of £2,450.00 per annum.

(c) value the modern ground rent in perpetuity but deferred for the unexpired term of the lease (43.5 years) at 7%. This produces a figure of £1845.36.

(d) add the existing ground rent value of £202.95 under (a) above to the modern ground rent value of £1845.36 under (c) above which gives a total of £2048.31. The Tribunal round this to £2048.00 and determine this sum as the price payable for the freehold under Section 9 (1) of the Act

2. The Tribunal received no representations as to costs but determine that in addition to the purchase price conveyancing costs and reasonable disbursements, and, if proven other Section 9(4) costs are payable by the Applicants, such sums to be agreed or determined by the Tribunal on the application of either party.

Signed _____

(W. J. Martin – Chairman)

Dated

18th October 2005