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LON/00AY/OCE/2007/0128

**Decision of the Leasehold Valuation Tribunal on an application under the Leasehold Reform, Housing and Urban Development Act 1993. s.24**

Property: 12 Gleneldon Road, SW16 2AY

Applicants: Gleneldon Road No.12 Ltd.

Represented by: Buy Your Freehold Ltd.

Respondent: Mr S M Hussain

Transferred from County Court: 12 March 2007

Hearing date: 22 May 2007

Leasehold Valuation Tribunal: Mrs J.McGrandle BSc MRICS MRTPI

Date of Tribunal's decision: 5 June 2007

## **1.0 Background**

1.1 On 20 September 2006 the Applicants, Gleneldon Road No.12 Ltd., submitted a claim under s.26 of the Leasehold Reform, Housing and Urban Development Act, 1993 to Lambeth County Court.

1.2 On 12 March 2007 District Judge Fraser ordered that:

“2. the freehold title of the premises which is registered under title number LN148671 be vested in the Claimant in accordance with Section 26(1) of the Act on such terms as may be determined by the Leasehold Valuation Tribunal in accordance with section 27(1) of the Act; and

3. the claim be transferred to the Leasehold Valuation Tribunal forthwith for determination of the terms of the vesting order in accordance with section 27(1) of the Act.”

1.3 On 29 March 2007 the Applicants, through their agent, Mr T.O’Keeffe of Buy Your Freehold Ltd., applied to the Tribunal for a determination of the terms on which the freehold was to be granted.

## **2.0 Property: Lease**

2.1 The subject property, 12 Gleneldon Road, Streatham, SW16, is a substantial 3-storey (plus part basement) end of terrace property with a return frontage to Bournevale Road, converted into five flats as follows:

- Flat 1: ground floor 2 BR flat with garden and undemised basement
- Flat 2: first floor studio flat
- Flat 3: first floor 2 BR flat
- Flat 4: second floor rear studio flat
- Flat 5: second floor front 1 BR flat with loft storage

External photographs of the property and internal photographs of Flats 1 and 5 were provided.

2.2 Each flat is held for a term of 99 years from 29 September 1987 with ground rents as follows:

Flats 1,2,3,5 (each)

£75 per annum for the first 33 years rising to £150 per annum for the second 33 years rising to £225 per annum for the remaining 33 years.

Flat 4

£60 per annum for the first 33 years rising to £120 per annum for the second 33 years rising to £180 per annum for the remaining 33 years.

2.3 At the date of valuation, 20 September 2006, the unexpired term was therefore 80.02 years.

### 3.0 Issues

- 3.1 1) Unimproved leasehold value
- 2) Relativity
- 3) Yield

### 4.0 Evidence

- 1) Unimproved leasehold value

4.1 Mr O'Keeffe had been able to inspect only Flats 1 and 5. He put forward the following values for the 80 year unexpired terms:

Flat 1: £245,000. The basement, undemised, was damp and had limited ceiling height.

Flats 2 and 4: £125,000 each. In support of this figure Mr O'Keeffe quoted particulars of a ground floor studio flat in Gleneldon Road and then adjusted for passage of time (April 2007/September 2006) offset for tenant's improvements.

Flat 3: £195,000. In support of this figure Mr O'Keeffe quoted the sale of 57b Gleneldon Road, a ground floor flat in need of modernisation, in April 2006 for £201,950.

Flat 5: £171,360. This flat was sold for £168,000 in July 2006. The valuation reflected passage of time (July/September 2006) offset by the value of tenant's improvements.

- 2) Relativity

4.3 Mr O'Keeffe proposed an uplift of 1% from the 80.02 year term to the share of freehold.

- 3) Yield

4.4 Mr O'Keeffe adopted a capitalisation rate of 7.5% on the basis that the ground rents represented a reasonably attractive investment. In support of this figure he cited LVT determinations between 2001 and 2006 in the vicinity where the yield ranged from 7% to 12%. He adopted a deferment rate of 6% on the basis of two post - *Sportelli (Cadogan and Anor. v Sportelli and Anor. 2006)* LVT determinations.

4.5 Accordingly the premium proposed was £14,863.

## 5.0 Decision

### Unimproved leasehold value

5.1 The Tribunal accepts the market values put forward by Mr O'Keeffe for the five leasehold flats, although it notes that in the two comparables relied upon the length of the lease was not stated. The aggregate leasehold value is therefore £860,360.

### Relativity

5.2 The Tribunal does not accept Mr O'Keeffe's contention that there is no difference in value between an 80-year unexpired term and a long lease value. It has accordingly applied a relativity of 97% to reach an aggregate long lease value of £886,970 and to this figure of £886,970 has applied an uplift of 1% to reach a freehold reversionary value of £895,840.

### Yield

5.3 The Tribunal accepts Mr O'Keeffe's figure of 7.5% for capitalising the ground rents and 6% for the deferment rate. It considers in particular that the latter figure correctly represents the risk of an investment in a less than prime residential area and in a property converted into a variety of flats.

### Premium

5.4 The Tribunal's decision, determining a premium of £15,100, is attached as Appendix 1.

### Ground Rent

5.5 Evidence was given that the last demand for ground rent was pre-1998. Under s.166 of the Commonhold and Leasehold Reform Act 2002 a tenant under a long lease is not liable to make payment of rent under a lease unless the landlord has given him notice relating to the payment. As no notice has been given, no rent is payable in the circumstances. The amount payable under section 27(5) (b) of the Act is therefore nil.

### Terms of transfer

5.6 A draft was forwarded to the Tribunal. This draft is approved subject to inclusion in Panel 9 of the premium of £15,100.

CHAIRMAN..... *J. McGranville* .....

DATE..... *5<sup>th</sup> June 2007* .....

**12 Gleneldon Road, SW16 2AY**  
**The Tribunal's Valuation**

Ground Rent YP for 14 yrs @ 7.5%		£360 p.a 8.4892	£ 3,056
Revn to YP for 33 yrs @ 7.5% defd 14 years	12.1074 0.3633135	£720 p.a 4.3988	£ 3,167
Revn to YP for 33 yrs @ 7.5% defd 47 yrs	12.1074 0.0334043	£1.080 p.a 0.4044	£437
Revn to PV of £1 in 80 yrs @ 6%		£895,840 0.00945	£8,466
Premium payable			£15,126
Say £15,100			