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

Ref: BIR/00CS/OAF/2010/0024

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

Applicant: Ashgrove Homes (West Midlands) Limited

Respondents: The Executors of the Estate of Ralph Gosling

Subject property: 40 Beakes Road
Smethwick
West Midlands
B67 5EU

Valuation date: 7 October 2010

Hearing: 26 May 2010

Appearances:

For the Applicant: Mr. D.J. Coleman MRICS, FARLA, FNAEA, NAVA

For the Respondent: Mr. A.R.Gosling, Mrs.K.Staite and Mrs.C.Rowntree being the
Executors of the Estate of Ralph Gosling

Members of the LVT: Mr. A. P. Bell MA LLB
Mr. R.H.S. Cooper FRICS

Date of determination: **04 JUN 2010**

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 Ashgrove Homes (West Midlands) Limited as directed by the order of the Birmingham County Court dated 12 March 2010 in respect of 40 Beakes Road Smethwick B67 5EU (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. The relevant valuation date (the Valuation Date) in respect of this application to acquire the freehold interest in the subject property under the terms of the 1967 Act is 7 October 2009 being the date of the application to the Birmingham County Court.
3. The subject property is held under a Lease dated 15 September 1953 for a term of 99 years (less 3 days) from 29 September 1910 at a ground rent of £3.25 per year payable by the Applicant to the Respondents. In consequence the term of the Lease had expired prior to the Valuation Date.
4. The Tribunal accepts that the qualifying conditions for enfranchisement under the 1967 Act are satisfied.

Subject property

5. The subject property comprises a pre 1914 terraced house in a mixed residential and commercial area. The house is a two storey brick construction with a pitched slate roof. The accommodation comprises on the ground floor a hall, through lounge/diningroom, rear lobby, an extended kitchen with a bathroom/wc extension and on the the first floor a landing and three bedrooms.. There is a front and rear garden. The subject property is adjacent to a disused laundry which extends for the length of the subject property and its garden and which is in a state of disrepair.

Inspection and hearing

6. The Tribunal inspected the subject property on 26 May 2010 in the presence of Mr. S.S. Kalirai.
7. The subsequent hearing was attended by Mr. D.J. Coleman representing the Applicants and the three Respondents being the Executors of the Estate of Ralph Gosling.

Representations of the Applicants

8. Mr. Coleman, on behalf of the Applicant, was of the view that the abandoned laundry premises next door had an adverse effect on the value of the subject property which he valued at £90,000. He stated his belief that in calculating the site value of the subject property on a standing house basis the appropriate apportionment figure was 28% of the entirety value.
9. Mr. Gosling stated that, in consequence of not having taken legal or valuation advice, he and his co-executors had no comments to make on the evidence of Mr. Coleman.

Decision

10. The Tribunal finds that the evidence of Mr. Coleman supports his valuation of the subject property at a figure of £90,000 at the Valuation Date and also his figure of 28% for site apportionment.
11. The Tribunal considers that the correct methodology to adopt as the basis of valuation under the 1967 Act is (so far as this is applicable in this case) is 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 identification 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). However, in this case stage (i) is not applicable, in view of the fact that the term of the Lease has expired, which only leaves the Tribunal to deal with stages (ii) and (iii) to arrive at the price payable for the freehold interest in the subject property.
12. The Tribunal, in dealing with the second stage, finds that the appropriate rate to adopt in the capitalisation of the modern ground rent is 5.5% following the decision of the Upper Tribunal (Lands Chamber) in *Zuckerman and Others v the Trustees of the Calthorpe Estate (LRA/97/2080)*.
13. Adopting the Tribunal's findings under paragraphs 10, 11 and 12 above the Tribunal calculates the price payable as follows:

(i) Ground rent for original term (now expired) £ NIL

(ii) Modern ground rent

Entirety value:	£90,000	
Percentage attributable to site @ 28%:		£25,200

Modern ground rent @ 5.5%: £1,386

(iii) Capitalisation of Modern ground rent

Modern ground rent (above): £1,386

YP @ 5.5% in perpetuity : 18.181818

Capitalised Modern ground rent: £1,386 x 181818: £25,199.99

Say £25,200

14. Accordingly, the Tribunal determines the price payable under section 9 of the 1967 Act for the freehold interest in the subject property at **£25,200**. In reaching its determination the Tribunal has had regard to the relevant law, their inspection of the subject property, the representations of the parties and the Tribunal's own knowledge and experience as an expert tribunal, but not any special or secret knowledge.



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A P Bell MA LLB

Chairman

Dated **04 JUN 2010**