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HM COURTS AND TRIBUNALS SERVICE

LEASEHOLD VALUATION TRIBUNAL

**In the matter of an Application under Section 48 (1) of the
Leasehold Reform, Housing and Urban Development Act 1993
(Determination of Premium)**

Case No: CHI/43UB/OLR/2012/0144

**Property: 27 Regnolruf Court, Church Street, Walton-on-Thames,
Surrey, KT12 2QT**

Applicants: Mr I. M. & Mrs J. Beck

Respondent: Metropolitan Properties Co (FGC) Limited

Tribunal

**Mr D. R. Hebblethwaite (Lawyer Chairman)
Ms C. D. Barton BSc MRICS (Valuer Member)
Mr R. A. Wilkey FRICS (Valuer Member)**

**Date of the Decision
15 November 2012**

DECISION

Introduction

1. On 10 May 2012 the Applicants issued an application for a determination of premium for the grant of a new lease of the Property under section 48 (1) of the Leasehold Reform, Housing and Urban Development Act 1993 (this will be referred to in this Decision as "the Act" and a reference to a section means a section of the Act). Directions were issued on 14 May 2012 providing for the exchange and filing of valuer's reports and skeleton arguments. These directions were complied with and the Tribunal members read the documents before the date of the Hearing. The lease has an unexpired term of 63 years. The parties were agreed on a new lease to expire 90 years after the term of the present lease, but were unable to agree the premium payable. The valuation date is 7 September 2011.

Inspection

2. On 23 August 2012 the Tribunal inspected the property. They found a top floor flat in a three storey purpose built block of 27 self-contained flats, believed built during the 1930s. The block is in a 'U' shape, built around a central inner courtyard. There are some communal balconies. The site is level and various trees surround the development. The area in which the block is situated comprises a secondary shopping area with a parade of shops opposite.

The block is set back off Church Street which runs out of the town centre of Walton-on-Thames, a short walk away. There are two vehicle entrances to the site off Church Street to the front and an access road running down the south-western side. There is limited unreserved parking and small areas of communal gardens. There are rights of way for pedestrians and vehicles across the access roads in favour of St Mary's church to the south-west and the church car park to the rear. There is also a cemetery on the north-eastern side.

The block has solid brick walls with brick external elevations under a flat roof, which is not visible from ground level. There are three separate entrances to the building to the front, centre and rear. Flats are accessible via concrete hallways, staircases and landings. There are no lifts. There is also a separate internal metal fire escape/service staircase to the rear of the building.

The subject flat is situated in the rear section of the building with 8 other flats and overlooks the central courtyard to the front and the church car park to the rear. It comprises a hallway, fitted kitchen/breakfast room, bathroom and w.c., living room and two bedrooms. Electric storage radiators are installed in some rooms and there are replacement uPVC framed double glazed windows fitted. Hot water is provided

by electric immersion heater and is stored in a foam insulated hot water cylinder in a kitchen cupboard. There is no gas supply.

Hearing

3. The Tribunal then held a Hearing at the Best Western Ship Hotel in Weybridge. Present were the valuers; Mr Chandler for the Applicants (assisted by Mr Matthews) and Mr Sharp for the Respondent. Each spoke to his report and skeleton argument and answered questions from the other valuer and the Tribunal. It is not proposed to set out in this Decision a detailed account of the valuers' presentations and replies to questions, as neither deviated in any substantial way from his report. The reports were detailed and thorough and the Tribunal thanks the valuers for their attention and their assistance to the Tribunal.

The parties' positions

4. Their positions on the main issues were as follows:

Existing lease value: Applicants £154,000, Respondent £142,500
Extended lease value: Applicants £175,000*, Respondent £193,000
Relativity: Applicants 88%, Respondent 73.10%
Capitalisation rate: Applicants 7%, Respondent 6.5%
Deferment rate: Applicants 5.5%, Respondent 5%
Price for new lease: Applicants £14,300, Respondent £30,554

*The Tribunal noted an error in the calculation and amended this figure to £184,300

Comparables

5. Both valuers produced a number of comparables, which the Tribunal considered at length. These were for both unextended and extended leases. The closest comparable was no. 25 on the same floor in the same block, although it had a high ground rent.

Relativity

6. Mr Chandler based his figure of 88% on a combination of evidence from various graphs, averaged by him and set out in detail in his report, transactions on nos. 8 and 23 in the same block and the LVT determination in relation to flats at Ellingham, Woking. Mr Sharp based his figure of 73.10% on a number of transactions, some within the block and some further afield. He did not agree with the use of graphs.

Deferment rate

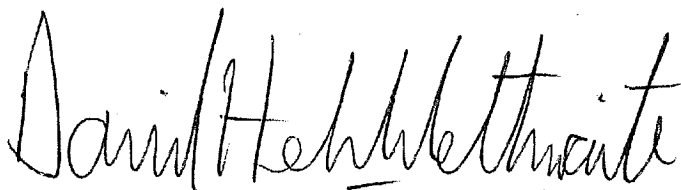
7. Mr Chandler argued for a departure from the *Sportelli* rate of 5%, to 5.5%, on the ground of obsolescence and management risk.

Capitalisation rate

8. The respective position are set out in para. 4 above. Mr Chandler sets out his reasoning in his report, Mr Sharp also but rather more briefly. Nothing was added at the Hearing.

Consideration

9. After careful consideration of the comparables and taking account of the condition of the Property the Tribunal fixed the value of the extended lease at £189,300. A discount of £5,000 was allowed for tenant's improvements, really only amounting to the windows. On the question of relativity the Tribunal preferred market evidence to graphs but felt that the valuers had been selective; the Tribunal's decision is that 86% is appropriate. Mr Chandler's arguments for a departure from *Sportelli* were considered but the Tribunal decided there was no evidence to support them and, therefore, no reason for the deferment rate to be other than 5%. It was the Tribunal's view that 7% was appropriate for the capitalisation rate. Having regard to these findings and taking all the circumstances into account the Tribunal determined a calculation of the premium. This is set out in the Appendix to this Decision. It will be seen that the price payable is **£15,447**.



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David Hebblethwaite
Chairman

Address 27 Regnolruf Court, Church Street, Walton on Thames

Facts used

Value of extended long lease	£189,300
Relativity	86%
Value of existing unimproved leasehold	£162,798
Valuation date	07 September 2011
yield - term	7.00%
yield - reversion	5.00%
Unexpired term at valuation date	63 years
Ground Rent	£100.00 rising to £200 after 30 years
Value of tenant's improvements	£5,000.00

Value of landlord's interest before extension

Capitalise ground rent for current term					
YP	7.00%	30 years	Ground rent	£100.00	
				<u>12.40904</u>	£1,241
			Increase to	£200.00	
YP	7%	33 years		<u>12.7538</u>	
		PV £1 @5% def 30 years		<u>0.1314</u>	£335.00
					£1,576
PLUS			Loss of reversion	£162,798	
			Value of unimproved lease	<u>£164,374</u>	
			Freehold value @ 1.01	<u>£0.0462460</u>	
			PV £1 @ 5% def 63 years		£7,602
					£9,178

Value of landlord's interest after extension

Term	153	
Ground rent	£0	
PV £1 @5% def 153 years	0.00015	£0
Reversion to capital value	£189,300	
PV £1 @5% def 153 years	£0.000572846	
		£108

Marriage Value

Value of Interest after lease extension		
Landlord's interest	£105	
Tenant's interest	£184,300	£184,405
Value of Interest before lease extension		
Landlord's interest	£9,286	
Tenant's interest	£162,798	<u>£172,084</u>
Total marriage value		£12,321

Landlord's share of marriage value at 50% Compensation Nil **£6,161**

Price payable **£15,447**