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Ref LON/00AY/OLR/2012/0320  
LEASEHOLD VALUATION TRIBUNAL FOR THE LONDON RENT  
ASSESSMENT PANEL

DECISION OF THE LEASEHOLD VALUATION TRIBUNAL ON AN  
APPLICATION UNDER SECTION 48 OF THE LEASEHOLD REFORM  
HOUSING & URBAN DEVELOPMENT ACT 1993

**Property:** Flat 6, Okeover Manor, Clapham Common,  
Northside London, SW4 0RH

**Applicant:** Mr S Manley

**Represented by:** Mr D Rona FRICS

**Respondent:** Metropolitan Properties Co. (FGC) Ltd

**Represented by:** Mr R Sharp FRICS

**Application date:** 16/03/2012

**Hearing date:** 16<sup>th</sup> August 2012

**Members of the Leasehold Valuation Tribunal:**

Mr. I Mohabir LLB (Hons)  
Mr. D Banfiel FRICS

**Date of Tribunal's  
Decision:** 5<sup>th</sup> October 2012



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**LONDON RENT ASSESSMENT PANEL  
LEASEHOLD VALUATION TRIBUNAL**

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**Applicant:** Mr S Manley

**Respondent:** Metropolitan Properties Co. (FGC) Ltd

**Property:** Flat 6, Okeover Manor, Clapham common, Northside,  
London, SW4 0RH

**Hearing:** 16 August 2012

**Appearances**

**Applicants**

**Mr D Rona FRICS**                      **The Rona Partnership, Chartered Surveyors**

**Respondent**

**Mr R Sharp FRICS**

**Leasehold Valuation Tribunal**

**Mr I Mohabir LLB (Hons)**  
**Mr D Banfield FRICS**

### *Introduction*

1. This is an application made by the Applicant under section 48 of the Leasehold Reform, Housing and Urban Development Act 1993 (as amended) (“the Act”) for a determination of the premium to be paid for an extended lease of Flat 6, Okeover Manor, Clapham common, Northside, London, SW4 0RH (“the property”).
2. The property is described as a first floor flat in a four storey block of 21 flats in total. The property is comprised of 1 bedroom with entrance hall, bathroom, separate WC, kitchenette and one reception room. The property was purchased by the Applicant in September 2011 and has since been completely refurbished and modernised.
3. The lease presently held by the Applicant is for a term of 99 years from 25 December 1977 with a rising ground rent from 4 October to 25 March 2010 of £50 per annum, then rising to £75 per annum for the next 33 years and £100 per annum for the remaining balance of the term.
4. By a Notice of Claim dated 26 September 2011 served pursuant to section 42 of the Act, the Applicant exercised the right to the grant of a new lease of the property. The proposed premium was £18,000, although a premium of £21,098 was contended for at the hearing.
5. By a counter notice dated 25 November 2011 served pursuant to section 45 of the Act, the Respondent admitted the Applicant’s right to acquire a new lease and counter proposed a premium of £59,979, although a premium of £48,722 was contended for at the hearing.
6. It seems that the parties were unable to agree the premium to be paid for the new lease and the Applicants issued this application for the Tribunal to make this determination.
7. The expert valuation evidence relied upon by the Applicant and the Respondent are set out in the reports of Mr Rona FRICS of The Rona

Partnership, Chartered Surveyors dated 13 August 2012 and Mr Sharp FRICS dated 7 August 2012 respectively.

**Matters Agreed**

8. The matters agreed by the respective valuers were:

Valuation date – 21 or 22 September 2011

Unexpired lease term – 65.25 years

Capitalisation rate – 6%

The ground rent as set out above.

The purchase price of the flat with a short lease as at September 2011 - £260,500.

Flat 2 (immediately below) was sold on 28 April 2011 for £312,500 with an unexpired term of 120 years. (Ian, the condition is disputed)

The description and size of the property are as set out above.

The Tribunal was also told that the new lease terms were agreed.

**Matters Not Agreed**

9. The issues that fell to be decided by the Tribunal were:

- (a) the deferment rate.
- (b) the long lease and freehold value.
- (c) relativity.

Each of these issues is considered in turn below.

**The Relevant Law**

10. Given that both parties were professionally represented, it would be trite to recite in any detail the relevant statutory provisions that apply to the determination of this application. It is sufficient to note that the Tribunal's determination takes place under section 48 on the statutory assumptions set out in Schedule 13 of the Act.

### **Hearing and Decision**

11. The hearing in this matter took place on 16 August 2012. The Applicant and Respondent were represented by Mr Rona and Mr Sharp respectively, both of whom are Chartered Surveyors.

### ***Deferment Rate***

12. Mr Sharp contended for a deferment rate of 5% on the basis that there was no evidence to depart from the guidance given in the case of *Sportelli*.
13. Mr Rona contended for an additional rate of 0.25% in addition to the *Sportelli* generic deferment rate of 5% on the basis that the property was potentially subject to obsolescence and increased management costs.
14. In support, he referred the Tribunal to the case of *Zuckerman* where the then Lands Tribunal departed from the rate of 5%, having found that the property in that case was, *inter alia*, subject to obsolescence and increased management costs. He considered that the circumstances in the present case were similar to those of *Zuckerman* in relation to both of these matters and submitted that an additional 0.25% should be added to the risk premium.
15. Mr Rona also referred the Tribunal to LVT decisions where the guidance in *Sportelli* had not been followed.
16. On inspection, the Tribunal found the property is a 1930s block apparently well managed and in good condition situated in a prime London location. The Tribunal was not persuaded that it would be subject to obsolescence or increased management costs. In any event, Mr Rona had not provided any evidence in relation to either of these matters, save for his assertion otherwise. It is clear from the judgement in *Zuckerman* that there must be actual evidence adduced in relation to either obsolescence or increased management costs before a Tribunal can depart from the rate of 5%, as had been done in that case. No such evidence had been provided in this instance by the Applicant.

17. Accordingly, the Tribunal found that the appropriate deferment rate to be applied in this instance was 5%.

*Long Lease Value and Freehold Value*

18. Mr Rona based his long lease value on the purchase price for the short lease adjusted by reference to an average of the relativity tables included in the RICS document (89.49%). He applied this to the purchase price and arrived at a figure of £291,100. He suggested that there was no difference in value between the long lease and freehold.
19. The Tribunal considered the sales of Flat 2 and 17 in the same block. These flats had sold for £312,500 and £275,00 respectively.
20. Mr Sharp argued that it was appropriate to adjust these figures for time using the Savills Prime South West Flats Index giving figures of £325,000 and £295,650 respectively.
21. With regard to Flat 2, Mr Sharp accepted that it was in better condition than the subject property but that being on the ground floor it was less valuable than Flat 6 on the first floor. He considered that adjustments made in respect of the differences in condition and floor level equalled each other. It is also subject to a lease extension granted under the Act.
22. Flat 17 is located on the third floor and is slightly smaller than Flat 6, being in the Mansard roof. Again, it was accepted by Mr Sharp that it was in better condition. It is subject to a ground rent of £100 per annum with 25 yearly rent reviews geared to 0.2% of capital value. The Tribunal concluded that these more onerous rent review terms required some adjustment.
23. Mr Sharp argued that this adjustment was equalled by the smaller size and more inconvenient location. The Tribunal accepted this argument as being correct.

24. The Tribunal also accepted Mr Sharp's assertion that Flat 2 should be given greater weight and adopt £317,500 as the extended lease value.
25. Mr Sharp suggested that the uplift to freehold required an adjustment of 1% and that this was the accepted amount usually adopted by valuers.
26. The Tribunal accepted that the value of the freehold must be greater than a long lease and that the adjustment suggested by Mr Sharp is one usually adopted. The Tribunal, therefore, determined that the freehold interest is £320,675.

#### ***Short Lease Value***

27. Mr Rona suggested that the short lease value is simply the purchase price of £260,500. He argued that no adjustment is required in respect of the "no Act world".
28. The Tribunal rejected this argument on the basis that it was not correct as a matter of law. Schedule 6 of the Act requires that this statutory assumption is made when determining the premium to be paid.
29. Mr Sharp also based his figure on the purchase price but said that to reflect the benefit of the Act a deduction should be made. He said that 10% was usually adopted giving an existing lease value of £234,450.
30. The Tribunal accepted that to reflect the "no Act world" an adjustment of 10% is appropriate and found the existing lease value is £234,450.

#### ***Premium Payable***

31. The Tribunal has adopted all of the constituent parts of Mr Sharp's valuation and his calculations shown on the attached valuation are adopted giving a lease extension premium of £48,722.

Dated the 5 day of October 2012

Chairman..... J. Mohabir  
MR I Mohabir LLB (Hons)



**6 Okeover Manor SW4  
Statutory Lease Extension  
22nd September 2011**

Existing lease Value	£234,450	sq.ft	595	0.731
Extended lease value	£317,500		£538.95	
Freehold	£320,675	Premium		48,722
Unexpired term	65.25 yrs			

**Diminution in value of Freeholder's Interest**

Loss of rental income	£75			
31.50 yrs 6%	14.008			
			£1,050.60	
loss of reviewed income	£100			
YP 33.75yrs def 31.50	2.2864			
			£228.64	
	£0			
	0			
			£0.00	
Freeholder				
Reversion to freehold value	£320,675			
PV £1 in 65.25 years @ 5.0%	0.0414			
			£13,275.95	
Less	value of Landlords' proposed interest			
	£320,675			
PV £1 155.25 years 5.0%	0.0005			
			£160.34	
				<b>£14,394.85</b>

**Marriage Value**

Tenant's proposed interest	£317,500			
Landlord's proposed interest	£160.34			
			£317,660.34	
Landlords present interest	£14,555.19			
Tenant's present interest	£234,450			
			£249,005.19	
			£68,655.15	
50% division of marriage value				<b>£34,327.58</b>
				<b>LEASE EXTENSION PREMIUM</b>
				<b>48,722</b>

exclusive of statutory costs

Robin Sharp  
020 8651 4535