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**FIRST-TIER TRIBUNAL
PROPERTY CHAMBER
(RESIDENTIAL PROPERTY)**

Case Reference : **LON/00AS/OLR/2013/0526 and
1063**

Property : **Flats 8,11 and 15 Craigmores Court
46 Murray Road Northwood HA6
2YQ**

Applicants : **Daniel Gould Flat 8) Mr & Mrs S
Orchard (Flat 11) Ms C O'Donovan
(Flat 15)**

Representative : **Mr T Jones Dip VEM MRICS**

Respondent : **Charles Gallagher Ltd**

Representative : **Mr M West of Counsel**

Type of Application : **S.48 Leasehold Reform Housing
and Urban Development Act 1993**

Tribunal Members : **Mrs F J Silverman Dip Fr LLM
Mr L Jarero BSc FRICS**

**Date and venue of
Hearing** : **10 and 11 December 2013.
10 Alfred Place, London WC1E 7LR**

Date of Decision : **11 December 2013**

DECISION

Decision of the tribunal

The tribunal determines that the price payable by the Applicant tenant of Flat 8 to acquire an extended lease shall be £26,438 plus £1 to the intermediate lessee .

The tribunal determines that the price payable by the Applicant tenants of Flat 11 to acquire an extended lease shall be £26,791 plus £1 to the intermediate lessee.

The tribunal determines that the price payable by the Applicant tenant of Flat 15 to acquire an extended lease shall be £26,638 plus £1 to the intermediate lessee .

Reasons

1. The applicants seek a determination pursuant to s.48 Leasehold Reform Housing and Urban Development Act 1993.
2. The hearing of this matter took place before a Tribunal sitting in London on 10 and 11 December 2013 at which Mr T Jones represented the Applicant tenants and Mr M West of Counsel represented the Respondent landlord.
3. On behalf of the Applicants the Tribunal heard evidence from Mr T Jones Dip VEM FRICS and for the Respondent evidence was given by Mr T Reeve FRICS.
4. The parties supplied the Tribunal with a schedule of agreed facts . The only matter which remained to be determined by the Tribunal was the amount of the premium to be paid by the respective tenants.
5. The Tribunal inspected flats 11 and 15 , together with the exterior grounds and common parts of the buildings in which they are situated on the morning of 11 December 2013. The 16 flats comprising the three separate two storey blocks of Craigmere Court were built in the 1980's

and are of conventional brick and tile construction. The blocks are set in a communal landscaped garden area within which each apartment has either a separate garage or a parking space as part of its demise. The properties are situated in a quiet residential area but in close proximity to all facilities including an underground station. Apart from the ten single garages in a separate block behind the blocks of flats and the six allocated parking spaces (with limited visitor parking) facing the road, there is little additional parking space within the grounds of the property or in the surrounding streets. All of the flats overlook or have some view of the grass quadrangle in the centre of the development which forms the main area of maintained common grounds. The grounds were in good order and well maintained.

6. All of the flats which are the subject of this application have a gross internal area of approximately 65 sq m. No 8 is on the ground floor whereas the remaining two flats are both upper floor apartments. No 8 has double glazing (unlike the other two apartments) and both Nos 8 and 11 have a garage while No 15 has the benefit of a parking space. All the flats are in a good condition. The Tribunal was not able to gain access to the interior of Flat 8 but understands it to be similar in size and condition to the two flats which the Tribunal was able to inspect.
7. The Tribunal also viewed the exterior of all the properties cited as comparables by the parties' valuers.
8. No 43b Murray Road comprises a purpose built flat within a building which looks from the exterior to be a semi-detached house (built probably 1920-1939). The exterior of the property did not appear to be in good condition, and although it is slightly closer to the underground station and shops than the subject properties has the disadvantage of backing directly on to the railway line.
9. No 12b Murray Road, on the opposite side of the street to No 43b, is closer still to the underground station and shops and backs on to the police station. This property is a converted flat in a large early 20th century house and is thus the only one of the comparables not to have been purpose built. The exterior of this property did not appear to be well maintained.
10. South Hill comprises a modern (probably 1960's) block of flats almost opposite the subject property. It is closer to the main road but does have garages/off street parking and a well maintained garden area. The flats within this block have a larger floor area than the subject properties.
11. Cervantes Court comprises three, three storey modern blocks of flats set back from a busy main road by a private access way. No 24, a two bedroomed ground floor flat with a garage and small private garden was cited as a comparable. Apart from the small private gardens there

does not appear to be any common recreational space at this location and parking was extremely limited. The blocks are close to the underground station and shops.

12. No 1c Roy Road is a two bedroomed ground floor flat with garage and private garden . There did not appear to be any common recreational ground around this block which was situated in a less favourable area than the other comparables although still within easy access of all local amenities.
13. Flats 4 , 8, and 12 at Craigmere Court were also cited as comparables by the Applicant's valuer.
14. The Tribunal considers that Nos 43b and 12b Murray Road do not provide adequate comparables because of their physical location and difference in structure to the subject properties. Similarly, Roy Road is discounted on the grounds of its inferior location and the block at South Hill does not provide a suitable comparable because of the difference in size of the flats in that block compared to the subject properties.
15. The Flats in Craigmere Court provide good comparables to the subject property and subject to adjustments for location, parking and gardens the blocks at Cervantes Court could also be regarded as suitable comparables.
16. Both parties' valuers agreed that the appropriate deferment rate was 5% (Sportelli) and that 6% was an appropriate capitalisation rate.
17. The Applicants argued for a yield rate of 8% on the revised ground rent on the basis that there was a risk to the landlord of delay in receipt of the ground rent , particularly in view of the onerous nature of the modern ground rent. While agreeing that that the level of the modern ground rent could be viewed as onerous the Respondent argued that a figure of 7% was more realistic. The Tribunal considers that the risk borne by the landlord in these circumstances was not great and rejects the Applicants call for 8% but accepts the Respondents proffered figure of 7%. Both parties agreed that a maximum realistic ground rent would be about £500 adopting an onerous ground rent threshold of 0.2%.
18. Both parties agreed that the current leasehold value of the subject properties was between £245,000 and £250,000 dependent on whether or not the property benefited from having a garage.
19. In relation to freehold vacant possession value the Respondent's valuer relied on the sale of 24 Cervantes Court which sold for £274,000 in February 2013 with a very long lease and 1c Roy Road which sold in

April 2013 for £269,000 , also with a very long lease. The Applicant's workings were unclear.

- 20 As far as the value of the tenant's existing interest is concerned, the Respondent had applied a relativity of 89.82% (flat with garages) and 89.63% (flat 15) which figures he had achieved by using his comparables. He had not checked his figures against any of the well known graphs and did not consider that they were relevant to the market in this area but relied on *Cooltrace* to justify his conclusions. The Applicant however had used four graphs including Andrew Pridell, Austin Gray, Beckett and Kay and LEASE to reach his figures of 90-91% (an average of the graphs). He had not taken into account the Nesbitt graph which deals with Greater London properties and accepted the Tribunal's criticism that the Pridell graph, being based largely on property south of the Thames and in Sussex might not be an accurate guide in this case. The Tribunal accepts that the Respondent's valuer has a wide experience of property in the locality of the subject properties and prefers his approach in the instant case to that of the Applicant's valuer.

The Law

- 21 Schedule 13 to the Leasehold Reform, Housing and Urban Development Act 1993 (The Act) provides that the premium to be paid by the tenant for the grant of a new lease shall be the aggregate of the diminution in the value of the landlord's interest in the tenant's flat, the landlord's share of the marriage value, and the amount of any compensation payable for other loss.
- 22 The value of the landlord's interests before and after the grant of the new lease is the amount which at the valuation date that interest might be expected to realise if sold on the open market by a willing seller (with neither the tenant nor any owner of an intermediate leasehold interest buying or seeking to buy) on the assumption that the tenant has no rights under the Act to acquire any interest in any premises containing the tenant's flat or to acquire any new lease.
- 23 Para 4 of the Schedule, as amended, provides that the landlord's share of the marriage value is to be 50%, and that where the unexpired term of the lease exceeds eighty years at the valuation date the marriage shall be taken to be nil.
24. Para 5 provides for the payment of compensation for loss arising out of the grant of a new lease.

25. Schedule 13 also provides for the valuation of any intermediate leasehold interests, and for the apportionment of the marriage value.

Premium payable by Tenant on Grant of New Lease

26. The Tribunal determines that the premium to be paid by the tenant of flat 8 on the grant of a new lease, in accordance with section 56 and Schedule 13 of the Leasehold Reform, Housing and Urban Development Act 1993 is £26,438 plus £1 to the intermediate lessee .

27 The Tribunal determines that the premium to be paid by the tenant of flat 11 on the grant of a new lease, in accordance with section 56 and Schedule 13 of the Leasehold Reform, Housing and Urban Development Act 1993 is £ 26,791 plus £1 to the intermediate lessee.

28. The Tribunal determines that the premium to be paid by the tenant of flat 15 on the grant of a new lease, in accordance with section 56 and Schedule 13 of the Leasehold Reform, Housing and Urban Development Act 1993 is £26,638 plus £1 to the intermediate lessee .

29. Copies of the Tribunal's valuations are set out in the attached Schedule.

Judge F J Silverman

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As Chairman

.....11 December 2013

Leasehold Valuation Tribunal

Ref OO/LON/00AS/OLR/2013/0526
DD/LON/00AS/OLR/2013/1063

Flats 8,11 & 15 Craigmore Court, 46 Murray Road, Northwood, Middx HA6 2YQ

Flat 8

Valuation Date	9 January 2013
Lease	99 years (less 3 days) from 24 June 1984
Unexpired term	70.45
Ground rent	£235
Deferment rate	5%
Capitalisation rate	6% & 7%
Long lease value	£275,000
Existing lease value	£250,000
No Act world value	£247,000

Freehold interest

Existing			
Ground rent receivable	£235		
YP 4.45 yrs @ 6%	3.8068	£895	
Revised Ground rent in 4.45 years	£1,000		
YP 66 yrs @ 7%	14.1214		
PV £1 in 4.45 years @ 7%	0.72002	£10,168	
Reversion to long lease value	£275,000		
PV of £1 in 70.45 years @ 5%	0.03215	£8,841	£19,904

Proposed

Reversion to long lease value	£275,000		
PV of £1 in 160.45 years @ 5%	0.0003983		£110

Diminution to freehold interest

£19,794

Marriage Value

Proposed interest

Freeholder	£110		
Tenant	£275,000	£275,110	

Existing interest

Freeholder	£19,904		
Tenant	£247,000	£266,904	
Less onerous ground rent	£500		

YP 66 years @ 7%

14.1214

PV £1 in 4.45 years @ 7%

0.72002

£5,084

Marriage value

£13,290

Marriage value @ 50%

£6,645

Premium payable

£26,439

Value of head lease at end of sub lease (nominal)

£1

Leasehold Valuation Tribunal

Ref

OO/LON/00AS/OLR/2013/0526

DD/LON/00AS/OLR/2013/1063

Flats 8,11 & 15 Craigmere Court, 46 Murray Road, Northwood, Middx HA6 2YQ

Flat 11

Valuation Date	11 March 2013		
Lease	99 years (less 3 days) from 24 June 1984		
Unexpired term	70.28		
Ground rent	£250		
Deferment rate	5%		
Capitalisation rate	6% & 7%		
Long lease value	£275,000		
Existing lease value	£250,000		
No Act world value	£247,000		

Freehold interest

Existing

Ground rent receivable	£250		
YP 4.28 yrs @ 6%	3.6787	£920	
Revised Ground rent in 4.28 years	£1,000		
YP 66 yrs @ 7%	14.1214		
PV £1 in 4.28 years @ 7%	0.74860	£10,571	
Reversion to long lease value	£275,000		
PV of £1 in 70.28 years @ 5%	0.03242	£8,916	£20,406

Proposed

Reversion to long lease value	£275,000		
PV of £1 in 160.28 years @ 5%	0.0004016	<u>£110</u>	

Diminution to freehold interest			£20,296
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Marriage Value

Proposed interest

Freeholder	£110		
Tenant	£275,000	£275,110	

Existing interest

Freeholder

Tenant	£247,000	£267,406	
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Less onerous ground rent

	£500		
YP 66 years @ 7%	14.1214		
PV £1 in 4.28 years @ 7%	0.74860	£5,286	
Marriage value			£12,990
Marriage value @ 50%			£6,495

Premium payable			£26,791
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Value of head lease at end of sub lease (nominal)			£1
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Leasehold Valuation Tribunal

Ref OO/LON/00AS/OLR/2013/0526
DD/LON/00AS/OLR/2013/1063

Flats 8,11 & 15 Craigmere Court, 46 Murray Road, Northwood, Middx HA6 2YQ

Flat 15

Valuation Date	12 April 2013		
Lease	99 years (less 3 days) from 24 June 1984		
Unexpired term	70.19 years		
Ground rent	£250		
Deferment rate	5%		
Capitalisation rate	6% & 7%		
Long lease value	£270,000		
Existing lease value	£245,000		
No Act world value	£242,000		
Freehold interest			
Existing			
Ground rent receivable	£250		
YP 4.19 yrs @ 6%	3.6105	£903	
Revised Ground rent in 4.28 years	£980		
YP 66 yrs @ 7%	14.1214		
PV £1 in 4.19 years @ 7%	0.75320	£10,424	
Reversion to long lease value	£275,000		
PV of £1 in 70.19 years @ 5%	0.03256	£8,954	£20,280
Proposed			
Reversion to long lease value	£270,000		
PV of £1 in 160.19 years @ 5%	0.0004034		£109
Diminution to freehold interest			£20,171
Marriage Value			
Proposed interest			
Freeholder	£109		
Tenant	£270,000	£270,109	
Existing interest			
Freeholder	£20,280		
Tenant	£242,000	£262,280	
Less onerous ground rent			
	£480		
YP 66 years @ 7%	14.1214		
PV £1 in 4.19 years @ 7%	0.75320	£5,105	
Marriage value		£12,934	
Marriage value @ 50%			£6,467
Premium payable to freeholder			£26,638
Value of head lease at end of sub lease (nominal)			£1