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LONDON RENT ASSESSMENT PANEL

DECISION OF THE LEASEHOLD VALUATION TRIBUNAL LEASEHOLD REFORM HOUSING AND URBAN DEVELOPMENT ACT 1993

Case Reference: LON/00AZ/OCE/2012/0226

Premises: 18 Handen Road, London SE12 8NP

Applicants: Mr Phillip Tutt
Ms Lauren Sissons
Mr Ian Holding

Represented by: LZW Law Limited

Respondent: Mr Cheung Wa Li

Leasehold Valuation Tribunal: Ms F Dickie, Barrister, Chairman
Mr N Martindale, FRICS

Date of determination: 4 April 2013

Background

1. The Applicants wish to buy the freehold of the premises under the provisions of Part 1 of the Leasehold Reform and Urban Development Act 1993 ("the Act").
2. A notice under section 13 of the Act could not be served on the missing landlord. On 6 June 2012 the Applicants made a claim to the County Court for an order dispensing with service of the initial notice vesting order and for a vesting order further to section 26 of the Act.
3. On 26 October 2012 District Judge Zimmels sitting at the Lambeth County Court made a Vesting Order that the Applicants be granted the right to acquire the freehold upon such terms and at such price as may be determined by a leasehold valuation tribunal in accordance with 27 of the Act.
4. The Applicants have obtained an expert valuation report on the subject premises prepared by Mr Phillip Gosden, MRICSS and dated 30 November

2011. At the request of the tribunal, an updated valuation report has been prepared by him dated 22 January 2013 and a valuation of the property as of the valuation date, being 6 June 2013, the date of the claim to the County Court.

5. Mr Gosden inspected the flat and his report confirmed that his duty to the tribunal as an expert witness overrides any duty to those instructing or paying him.

The price for the freehold

6. The subject premises comprise a substantial semi-detached house arranged over three floors, the topmost floor situated partly within the roof space. The premises have been converted into three two bedroom self contained flats. There is off street parking for 2/3 cars and a good sized garden divided into a share for each flat. The tribunal did not consider it necessary to carry out an inspection. The gross internal areas are estimated by Mr Gosden to be:
 - i. Ground floor 87.40 sq metres
 - ii. First Floor 88.00 sq metres
 - iii. Second Floor 87 sq metres
7. All the flats are held on leases for a term of 99 years from June 1982 with a ground rent of £25 pa. Mr Gosden was provided with leases for the ground and top floor flats, and has valued the first floor flat on the assumption that it is let on broadly similar terms. The tribunal agrees with this approach.
8. All of the three flats are a similar size and configuration, the only difference being that the ground floor flat has direct access to its section of the rear garden. He has valued each flat at £260,000, based on the following adjustments to market comparables:
 - a. Flat C within the subject premises was sold in October 2007 for £280,000. Adjusting by Land Registry data this would suggest a current value of approximately £262,000.
 - b. A two bedroom conversion garden flat on Handen Road is currently being marketed at £250,000 reduced from £275,000.
 - c. 2a Cambridge Drive, a 3 bedroom conversation flat in a similar road nearby, was sold in August 2009 for £270,000, which gives an adjusted value of £289,000
 - d. A two bedroom conversion flat at 39c Tyrwhitt Road, a road some distance away but in Mr Gosden's opinion a location of similar value, went under offer early in 2011 at £257,000.
9. Mr Gosden supported his opinion based on his professional experience of sale prices on the market around the relevant date. In his amended valuation he referred to further more recent comparables:
 - a. Flat 3, 41 Leyland Road comprising a two bedroom first floor flat within a detached four storey Victorian house with a share of freehold, placed under offer in December 2012 at £250,000.
 - b. 8b Handen Road comprising a one bedroom Victorian conversion placed under offer in November 2012 for £190,000 with 75 years

unexpired and the sale price conditional upon the vendor meeting the cost of agreeing a lease extension with the freeholder.

10. The tribunal has considered the comparable evidence. It is not ideal, since it includes properties sold in 2007 and 2009, and properties being marketed or under offer. However, as a basket of comparables it gives a sufficient indicator of the range of values for flats of this type, and Mr Gosden appears to have made an objective assessment of value which is reasonable and which the tribunal accepts. The long leasehold value is therefore determined at £260,000 and the freehold at 101% of the combined long leasehold values.

Relativity

11. As at the valuation date, the leases all had 69.05 years unexpired. Having had regard to the RICS published graphs on relativity (2009), Mr Gosden considers 92.50% to be the appropriate relativity rate. He referred to a range of those published graphs which, at 70 years unexpired, showed relativities of 92.80, 93, 91, 93.46 and 92.50. The tribunal considers this to be a reasonable approach and adopts it.

Capitalisation Rate

12. The tribunal agrees with Mr Gosden's evidence that, the fixed ground rent making the investment relatively unattractive, a relativity of 8% (a figure he says is commonly accepted in the South London area) is considered reasonable.

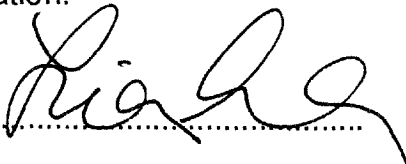
Deferment Rate

13. Mr Gosden applied the 5% Sportelli rate, seeing no reason to depart from it given the nature of the subject premises. This is a substantial period house of traditional construction and typical in London. There are no obsolescence or other issues which would cause the tribunal to consider it appropriate to depart from the standard Sportelli rate of 5% for houses.

Valuation

14. Accordingly Mr Gosden arrived at a valuation for enfranchisement of £39,535.00. Having considered all the evidence, the tribunal determines this as the value for enfranchisement of the freehold, according to the attached calculation.

Signed



Ms F. Dickie, Chairman

Dated 4 April 2013

18 Handen Rd SE12 8NP

valuation assuming capitalisation yield	8.0%
deferment rate	5.0%
Extended lease value	£780,000
Existing lease value	£728,715
Relativity rate	92.50%

Valuation date 6th June 2012.45

Victorian house converted to three flats

Lease terms

99 years from 24th June	1982.500		
rent (pa)	rev'n		
£25 fixed x 3	£75.00	69.050	
unexpired term	2081.500	69.05 yrs	

DIMINUTION IN VALUE OF LANDLORDS INTEREST

term

rent receivable	£75		
YP	8.00%		
	69.05	12.438	
			£933
Capitalised loss of income			£933
			£933

Extended Lease Value

Victorian house converted to three flats

		£780,000		
PV £1	5.00%			
	69.05	0.0344254		
			£26,852	£26,852
Landlords Interest				£27,785
Less future interest		£787,800		
PV £1	5.00%			
	159.05	0.0004264		
			£0	

MARRIAGE VALUE

Freehold value	101%	£787,800		
Ext lease value £260,000 each		£780,000		
Landlords future interest value		£0		
			£780,000	
less				
Landlords present interest		£27,785		
Lessees present intere	92.50%	£728,715		
Total Present Interest			£756,500	
Marriage Value			£23,500	
Landlords share @	50%		£11,750	£11,750
				£39,535
Total payable SAY				£39,535