



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

Case Reference : LON/00AL/OCE/2014/0093

Property : 25 and 27 Rockmount Road,
London SE18 1LG

Applicant : Mr Tarlok Singh Kallar

Representative : Machins Solicitors LLP

Respondents : Mr Wendell Gayle Pitters and Ms
Fay Roma Pitters

Representative : Not represented

Type of Application : For the determination of the price
payable on an enfranchisement

Tribunal Members : Judge Goulden
Mrs S Redmond BSc MRICS

**Date and venue of
Hearing** : 19 May 2014
10 Alfred Place, London WC1E 7LR

Date of Decision : 22 May 2014

DECISION

Introduction

- 1 The Tribunal is required to assess the price payable for the enfranchisement of the ground and first floor flats known as 25 and 27 Rockmount Road, London SE18 1LG (“the property”) by Mr Tarlok Singh Kallar, the lessee, pursuant to Section 24 of the Leasehold Reform (Housing and Urban Development Act) 1993 (“the Act”).
- 2 The Applicant holds leases in respect of both flats of 99 years from 25 March 1980 with approximately 65 years unexpired. Both leases were at a fixed ground rent of £25 per annum for the whole term.
- 3 The Applicant was registered as the proprietor of 25 Rockmount Road on 4 April 2000 under Title Number SGL 366981 and as proprietor of 27 Rockmount Road on 3 April 2000 under Title Number SGL 336697.
- 4 The Respondents cannot be traced.
- 5 A vesting order was made by Bromley County Court on 25 March 2014 and the matter remitted to the Tribunal for assessment of the terms of acquisition and premium payable.
- 6 There has been submitted to the Tribunal a valuation report dated 23 April 2014 from Mr Nicholas Davis MRICS of Glenny LLP, Chartered Surveyors.

The Evidence

- 7 As the proceedings in the county court were issued on 5 February 2014, that is the valuation date as prescribed by Section 51 of the Act.
- 8 In his valuation, Mr Davis said he had inspect the property on 16 April 2014 and described the property as two self contained maisonettes within a two storey Victorian or Edwardian mid terraced building on the east side of Rockmount Road, a mainly residential street not far from its junction with Plumstead High Street, with each property having independent access and a rear garden. The ground floor flat was stated to have two bedrooms whilst the first floor flat had three/four bedrooms. Each flat was stated to have modern kitchen and bathroom fixtures and fittings. Mr Davis stated *“our understanding is kitchen and bathroom fixtures and fittings have windows in each of the flats are updated and more modern units which constitute lessees improvements and are therefore to be ignored for the purposes of this valuation and the determination”*. Mr Davis set out details of the present tenancies at the property.

- 9 The ground floor flat consists of two double bedrooms, kitchen, living room and bathroom/wc. The first floor flat consists of 2 double bedrooms, one single bedroom, living room two kitchens and two bathrooms/wcs. Mr Davis commented (in respect of the first floor flat) *"the property appears to be arranged unlawfully as 2 x one bedroom flats"*. The Tribunal did not inspect the property but has taken the description from Mr Davis' report with the accompanying photographs of the location, front and rear elevations, the ground and first floor kitchens and bathrooms and plans.
- 10 Mr Davis considered five comparables and provided a plan identifying the location of each comparable.
- 11 His comparables were as follows, although no sales particulars were provided:-
- (a) 45 Kashgar Road SE18. A two bedroom converted flat in average condition. The property was stated to be of a similar size to the ground floor two bedroom flat at 64 sq m. Currently under offer at £170,000 (February 2014).
 - (b) 53A Myrtledeane Road SE18. A larger two bedroom flat newly refurbished with a long lease. Currently under offer at £190,000 (February 2014).
 - (c) 22 Kashgar Road SE18. A large split level two bedroom maisonette of similar style to the subject premises, reasonably well maintained. Sold in November 2013 with the benefit of a 90 year lease for £175,000.
 - (d) 34 Kashgar Road SE18. A converted two bedroom flat smaller than the subject ground floor unit sold in April 2013 with a new 125 year lease for £160,000.
 - (e) 81 Wickham Lane SE18. A large three bedroom converted flat of 98 sq m. In dated condition and having a lease with 59 years remaining. Sold in January 2014 for £155,000.
- 12 In his report, Mr Davis stated, inter alia *"In order to determine the appropriate value payable to the freeholder I have established the market value for the property having regard to the comparables and with the benefit of a brand new lease extension to be £160,000 for 25 Rockmount Road and £175,000 in respect of 27 Rockmount Road. I have then allowed... the lessees improvements of upvc double glazing to both flats and the second bathroom to 27 Rockmount Road is ignored and basing the figure on a dated maisonette or flat but well maintained..."*.

- 13 Mr Davis adopted a yield of 5% “*in line with recent court decisions*”
- 14 Having considered the RICS Research Report of October 2009, he said that the relativity graph for LVT decisions indicated relativity at 91%.
- 15 Mr Davis made an allowance for the No Act world and an allowance of half the marriage value to arrive at a value of £13,008 in respect of 25 Rockmount Road and £13,525 in respect of 27 Rockmount Road. As this is a missing landlord case the evidence is unopposed.
- 16 The Applicant’s valuations are attached to this Decision as Appendix B

The Tribunal’s decision

- 17 The Tribunal is critical of some aspects of the valuer’s report. The Court application was for a vesting order for the freehold title to be transferred to the Claimant (ie the Applicant in the case before the Tribunal). The letter dated 7 April 2014 from Mr Davis to his instructing solicitors referred to an email from those solicitors of 3 April 2014 (not supplied to the Tribunal) . The letter dated 7 April 2014 stated that the purpose of the valuation was “*enfranchisement/lease extension*”. In statements accompanying the County Court claim form, a vesting order for enfranchisement had been requested or, in the alternative, a vesting order requesting the existing leases to be extended. The Applicant’s solicitors and/or the Applicant’s valuer cannot have it both ways. Further, Mr Davis has provided calculations for lease extensions to both flats. This is unsatisfactory. However, the elements required for valuation for enfranchisement are incorporated in these valuations. The Tribunal is therefore able to calculate the enfranchisement price.
- 18 In respect of the comparables, no sales particulars have been provided and/or no information has been supplied as to how the information had been obtained. The comparables under offer have been rejected by the Tribunal. These are not market transactions.
- 19 With regard to existing lease values and Mr Davis’ reliance on the sales comparables, the Tribunal does not accept the figures adopted. 22 Kashgar Road is closer to the valuation date, of similar style to the subject flats but had been described by Mr Davis as “*large*”. 34 Kashgar Road is a conversion, smaller than 25 Rockmount Road and the sale date was 10 months earlier than the valuation date. 81 Wickham Lane, although larger than both 25 and 27 Rockmount Road, was described as being “*in*

dated condition” and with a short lease of 59 years, so was of little assistance to the Tribunal.

- 20 Based on the evidence in Kashgar Road, the Tribunal places a value for the extended lease of 25 Rockmount Road at £170,000 and a value for the extended lease of 27 Rockmount Road at £185,000. For properties of this type and location, the Tribunal does not consider that any adjustment is required by way of an uplift to virtual freehold.
- 21 No explanation has been provided as to the capitalisation rate adopted by Mr Davis. These are two small flats on low fixed ground rents. Although secure, there are significant collection costs and therefore the Tribunal does not consider them a valuable investment. The Tribunal determines a capitalisation rate of 9%.
- 22 In respect of relativity, no explanation was provided as to why Mr Davis adopted the LVT Decision graph alone and why he had rejected the other graphs referred to in the Research paper. Taking an average of the Greater London graphs, the Tribunal determines a relativity of 89.5%
- 23 As to improvements, Mr Davis correctly considered that a deduction in this respect should be made. However, he did explain clearly why he had deducted the sum of £3,500 for Flat 25 and £7,000 for Flat 27. It is possible that Mr Davis had deducted the value ascribed to improvements at Flat 27 twice, since there were two kitchens and bathrooms resulting from two unauthorised lettings. The Tribunal must consider the property in its original configuration. Mr Davis said that both flats had modern kitchen and bathroom fixtures and fittings and also that they were likely to have been installed in the last ten years. The discrepancy between the two has not been clarified and/or explained satisfactorily. Accordingly, the Tribunal deducts the sum of £3,500 in respect of each flat.
- 24 As to Mr Davis’ allowance for the No Act world, he has allowed £5,000 for each property in his valuation. This is clearly double counting since the graphs which he said he had considered in the RICS Research Report specifically addresses this issue and the No Act world has already been reflected so far as possible.
- 25 The Tribunal determines the enfranchisement price at £25,846 for Flats 25 and 27 Rockmount Road. The Tribunal’s valuation is attached to this Decision as Appendix A.
- 26 In respect of the Transfer form, the consideration must be inserted (Clause 9), the Transfer is with limited title guarantee only (Clause 10), and Clause 11 has to be completed. The

execution on behalf of the missing landlord must be by an appropriate signatory of the Court in accordance with statute.

Name: J Goulden

Date: 22 May 2014

VALUATION FOR PREMIUM FOR A NEW LEASE
Leasehold Reform & Urban Development Act 1993
Valuation for Freehold Enfranchisement
25 and 27 Rockmount Road, LONDON SE18 1LG

Appendix A

Facts and matters determined:

99 Year leases from 25/3/80

| | |
|---|------------------------|
| Ground rent | £25 per annum fixed |
| Valuation date | 5th February 2014 |
| Unexpired term | approximately 65 years |
| Capitalisation rate | 9% |
| Deferment rate | 5% |
| Other compensation | Nil |
| Virtual freehold value of 25 | £170,000 |
| Virtual FHVP unimproved of 25 | £166,500 |
| Virtual freehold value of 27 | £185,000 |
| Virtual FHVP unimproved of 27 | £181,500 |
| Existing lease relativity as %age of FHVP value | 89.50% |

Diminution in Value of Freeholder's interest

| | £ | £ | £ |
|--|----------|---------------|--------|
| Term: | | | |
| Present value of Freeholder's interest | | | |
| Ground rent 2 flats @ £25 | 50 | | |
| YP 65 years @ 9% | 11.1074 | 555 | |
| Value of term | | | |
| Reversion: | | | |
| Virtual freehold market value unimproved | 348,000 | | |
| Deferred 65 years @ 5% | 0.041946 | <u>14,597</u> | |
| Freeholder's present interest | | | 15,152 |

Calculation of Marriage Value

| | | | |
|---|----------------|----------------|---------------|
| Value of proposed interests: | | | |
| Freeholder's | nil | | |
| Tenant's | <u>348,000</u> | 348,000 | |
| Less value of existing interests: | | | |
| Freeholder's | 15,152 | | |
| Tenant's existing leases | <u>311,460</u> | <u>326,612</u> | |
| Marriage Value | | 21,388 | |
| 50% marriage value attributed to landlord | | | <u>10,694</u> |

PRICE PAYABLE

£25,846

APPENDIX B

25 Rockmount Road Plumstead London SE18 1LG

| Unit Type | Monthly Rent | Annual Rent | % Yield | Market Value | Lessees Improve | Market Value |
|-----------|--------------|-------------|---------|--------------|-----------------|--------------|
| Flat | £800 | 9,600 | 6.0% | £ 160,000 | 3,500 | £ 156,500 |

a)

Value of Freeholders Term

PA

| | | | | |
|-------------|-------|---------|--|-----|
| Ground rent | | 25.00 | | |
| YP 65 yrs @ | 6.75% | 14.6026 | | 365 |

b)

| | | | | |
|------------------|------|-----------|--|-------------|
| Reversion | | £ 156,500 | | |
| PV in 65 Years @ | 5.0% | 0.0420 | | <u>6565</u> |
| | b) | | | 6,930 |

Lessee's

| | | | | |
|--|--|-----------------|----|----------------|
| Value with Lease extension | | £ 156,500 | | |
| Relativity of the Freehold Value | | 91.0% | c) | |
| Current Value with short lease | | | | 142,415 |
| With assumption no right to extend the lease the value would be reduced by | | <u>-£ 5,000</u> | d) | |
| | | | | 137,415 |

| | |
|---------------------------|----------------|
| Value with extended lease | £ 156,500 |
| Lessee's current value | £ 137,415 |
| Freeholders interest | <u>£ 6,930</u> |
| Marriage | £ 12,155 |

| | |
|--------------------------------|----------------|
| Half of marriage value | £ 6,077 |
| Freeholders interest | <u>£ 6,930</u> |
| Sum to pay for lease extension | £ 13,008 |

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27 Rockmount Road Plumstead London SE18 1LG

| Unit Type | Monthly Rent | Annual Rent | % Yield | Market Value | Lessees Improve | Market Value |
|-----------|--------------|-------------|---------|--------------|-----------------|--------------|
| Flat | £875 | 10,500 | 6.0% | £ 175,000 | 7,000 | £ 168,000 |

a)

| Value of Freeholders Term | PA |
|---------------------------|-------------------|
| Ground rent | 25.00 |
| YP 65 yrs @ | 6.75% 14.6026 365 |

b)

| | |
|------------------|-------------------------|
| Reversion | £ 168,000 |
| PV in 65 Years @ | 5.0% 0.0420 <u>7048</u> |
| | b) 7,413 |

| Lessor's | |
|--|--------------------|
| Value with Lease extension | £ 168,000 |
| Relativity of the Freehold Value | 91.0% c) |
| Current Value with short lease | 152,880 |
| With assumption no right to extend the lease the value would be reduced by | <u>-£ 5,000</u> d) |
| | 147,880 |

| | |
|---------------------------|----------------|
| Value with extended lease | £ 168,000 |
| Lessor's current value | £ 147,880 |
| Freeholders interest | <u>£ 6,930</u> |
| Marriage | £ 13,190 |

| | |
|--------------------------------|----------------|
| Half of marriage value | £ 6,595 |
| Freeholders interest | <u>£ 6,930</u> |
| Sum to pay for lease extension | £ 13,525 |

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