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

Case Reference : **LON/00BF/OAF/2014/0040**

Property : **3 and 5 Wrights Row, Wallington,
Surrey SM6 0TW**

Applicant : **Geoffrey Allan Sprawson**

Representative : **Capulet Solicitors**

Respondent : **Unknown (Missing Landlord)**

Representative :

Type of Application : **Section 21(1) Leasehold Reform Act
1967**

Tribunal Members : **Mr P M J Casey MRICS**

**Date and venue of
Hearing** : **17 November 2014
10 Alfred Place, London WC1E 7LR**

Date of Decision : **17 November 2014**

DECISION

Determination of Price Payable on Enfranchisement under S9 Leasehold Reform Act 1967 (“the Act”)

1. The Applicant are the owners of long leasehold interests in the properties 3 and 5 Wrights Row, Wallington, Surrey SM6 0TW.
2. The Applicant wishes to acquire the Freehold Interests in the properties under the provisions of the Act but has been unable to trace the Freeholder to serve the requisite notice.
3. Through his solicitors, Capulet Solicitors, he accordingly applied on 13 March 2014 under S27 of the Act to the County Court for an Order for the Freehold Interests to be vested in him.
4. On 30 July 2014 Deputy District Judge Hughes sitting in the County Court at Croydon made the Order sought. This required that the correct basis of valuation as well as the valuations of the freehold interests be determined by the Property Chamber, London Residential Property First Tier Tribunal.
5. Capulet Solicitors were advised by the Tribunal that the application was considered suitable to be dealt with by way of a paper hearing and following the Tribunal’s preliminary directions they provided some of the necessary documents to allow a paper determination. However they did not provide expert reports and valuations but did, at the Tribunal’s further request provide on 10 November 2014 photographs and plans showing the layout of the accommodation of the two houses. There was included in the original documents a copy of an earlier decision of the Tribunal dated 28 September 2012, which had determined the price payable on enfranchisement of 6, 7 and 9 Wrights Row. Numbers 7 and 9 were built on land included in the same freehold and head leasehold titles as the subject properties and are very similar to them. Capulet’s rely on these decisions which although the valuation date is nearly two years earlier the Tribunal agrees, in the particular circumstances of these cases, do provide assistance.
6. Despite the absence of expert reports there is sufficient information in the documents provided to allow the Tribunal to use its knowledge and experience to make the determinations sought.
7. Each of the houses has a separately registered leasehold title which derive from a lease dated 10 January 1684 granting a term of 500 years from 29 September 1683. This lease was destroyed by fire at some date prior to January 1792. The official copy of the register of title provided notes that a statement was made on first registration that no rent had been paid or demanded for upwards of 80 years.

8. Numbers 3 and 5 are said to be two bedroomed and two storied terraced houses constructed in the early 19th century. As such they would have had a rateable value at the appropriate day well below the limits set out in Section 1(1)(i)(a) of the Act so that the valuation basis applicable is that provided by S9(1) of the Act.
9. The valuations require an assumption to be made that the existing leases would, on their expiry, be extended for a further term of 50 years at a ground rent which ignores the value of the buildings on the site.
10. In the absence of any evidence of ground rents paid for development sites or, indeed, of capital values of such sites it is common practice to adopt what is known as "the standing house approach". The capital value of the notionally cleared site is taken as being a percentage of the freehold vacant possession value of the whole property. Given that the existing leases have some 169 years unexpired precise valuations are not required and nor would the values on the existing leases differ significantly from the freehold values. Vacant possession values of the subject properties as at the valuation date probably lay in the range of £270,000 to £290,000. Number 3 is the larger of the two having an extended ground floor which would suggest the top of that range, £290,000, whilst the smaller Number 5 was probably worth some £270,000. The percentage attributed to the site cleared of buildings but available for development for the same purpose in such suburban locations would generally be taken as being in the region of 35-40% though number 5 has a larger plot both sites are somewhat constricted and a value towards the bottom end of the range would be appropriate, say £100,000 for number 3 and £95,000 for number 5. A realistic return on such an investment in the current economic climate would be 5% giving S15 ground rents of £5,000 and £4,750 respectively per annum.
11. This ground rent is then to be recapitalised at 5% for the 50 year term and deferred for the 169 years unexpired of the existing leases as must be the eventual reversion to the value of the whole property on the expiry of the assumed 50 year lease extension.
12. The appropriate deferment rate is the "Sportelli" rate for houses of 4.75% which produces a value for the freehold interests of £30 and £28 respectively as shown in the attached valuations.

Name: P M J CASEY

Date: 17 November 2014

Determination of Price Payable on Enfranchisement
Section 9(1) Leasehold Reform Act 1967
5 Wrights Row, Wallington, Surrey SM6 0TW

Valuation Date 13 March 2014

Unexpired Term 169 years

A Capitalization of Passing Ground Rent

NIL

NIL

B Calculation of S15 Modern Ground Rent

Freehold VP value developed to full potential

£270,000

Site value at circa 35%

£95,000

Modern ground rent per annum @ 5%

£4,750

Capitalized for 50 years @ 5% and deferred 169 years @ 4.75%

0.000375

£18

C Reversion to Freehold VP value disregarding Tenant's improvements

£270,000

Deferred 219 years @ 4.75%

0.000037

£10

£28

Determination of Price Payable on Enfranchisement
Section 9(1) Leasehold Reform Act 1967
3 Wrights Row, Wallington, Surrey SM6 0TW

Valuation Date 13 March 2014

Unexpired Term 169 years

A Capitalization of Passing Ground Rent

NIL

NIL

B Calculation of S15 Modern Ground Rent

Freehold VP value developed to full potential

£290,000

Site value at circa 35%

£100,000

Modern ground rent per annum @ 5%

£5,000

Capitalized for 50 years @ 5% and deferred 169 years @ 4.75%

0.000375

£19

C Reversion to Freehold VP value disregarding Tenant's improvements

£290,000

Deferred 219 years @ 4.75%

0.000037

£11

£30