



**FIRST-TIER TRIBUNAL
PROPERTY CHAMBER (RESI-
DENTIAL PROPERTY)**

Case Reference	:	LON/OOAM/OLR/2014/1436
Property	:	23B Manor Road, London N16 5BQ
Applicant	:	K Bi Yousaf (leaseholder)
Representative	:	Paul Morgan FRICS, MCI Arb of Morgans Chartered Surveyors
Respondent	:	Stefos Estates Limited (landlord)
Representative	:	Andrew Cohen MRICS of Talbots Surveying Services Limited, chartered surveyors
Type of Application	:	Under section 48 of the Leasehold Reform, Housing and Urban Development Act 1993 ('the Act')
Tribunal Members	:	Professor James Driscoll (Judge) and Duncan Jagger MRICS (Valuer member)
Date and venue of Hearing	:	The application was heard at 10 Alfred Place, London on 10 February, 2015

Date of Decision	:	24 February, 2015
DECISION		

Summary of the decision

- 1. The premium to be paid by the applicant leaseholder to the respondent landlord for the grant of a new lease under the provisions in the Act is the sum of £22,333 (twenty-two thousand, three hundred and thirty-three pounds).**

Introduction

- 2. This application is made by the leaseholder of the subject premises which consists of a flat in a building which has been converted into four flats. It follows a claim made under the provisions in the Act seeking the grant of a new lease.**
- 3. The landlord gave a counter-notice admitting the entitlement to a new lease but it proposed that a premium higher than the one proposed on behalf of the leaseholder should be paid.**
- 4. As the parties could not agree on the size of the premium application was made to this tribunal under section 48 of the Act seeking a determination. This was the sole issue that the tribunal had to determine.**
- 5. Directions were given and a hearing took place on 10 February, 2015 when the leaseholder was represented by Mr Morgan who appeared in the dual role of advocate and expert witness whilst the landlord was represented by Mr Cohen who also appeared in same dual capacity.**

The hearing

- 6. Opening his submissions, Mr Morgan told us that he and Mr Cohen agreed on the following matters: the deferment rate should be 5%; the capitalisation rate should be 7%; and that the valuation date is 10 March 2014 on which date the lease had an unexpired term of 71.57 years. He added that the main issues on which he and Mr Cohen disagreed are (a) the current market value of the subject premises and (b) the relativity rate to be applied.**

7. Mr Morgan then gave his evidence and he spoke to his valuation report dated 9 October 2014. He was cross-examined by Mr Cohen and he answered questions posed by the tribunal.
8. Dealing first with the value of the subject premises he told us that he has found four sales of flats in the same road as the subject premises to which had made adjustments for the dates of those sales compared to the valuation date. We were also told that in his opinion that the sale of number 19 Manor Road at a price much higher than the other comparables should be ignored. He described that sale price as 'egregious'. He told us that the remaining three sales were of flats which had been modernised with new kitchens and double-glazing so he reduced the sales evidence by a factor of £20,000 for each sale. Turning to the issue of relativity, he has taken an average percentage from seven published graphs and he uses an average of 93.5%. In his opinion the premium payable is the sum of £18,138.
9. We then heard the expert evidence of Mr Cohen who spoke to his signed report (which was undated). First, he confirmed that the summary of the agreed matters referred to in paragraph 6 of this decision is accurate. He used sales information from transactions involving flats in Manor Road to which he made adjustments reflecting the gap between the relevant sale and the valuation date. However, for the sale of flat 23C Manor Road, which is directly above the subject flat, no such adjustment was made since it was sold within a month of the valuation date. He also considered other sales information. He assessed the value of the subject premises at a figure of £450,000 (or £694 per square foot).
10. As to relativity he too referred to the published graphs (RICS research) though he interpreted them differently to Mr Morgan. Mr Cohen argued that although the subject property is not in prime central London the appropriate relativity should be based on the average of the graphs for prime central London and for Greater London. He proposes using a relativity of 90.3%.
11. Mr Cohen told us that in his opinion the premium payable is the sum of £29,475.
12. Finally, on the evidence the valuers could not agree on whether the value of the subject property should be rounded up by a factor of 1%.

Reasons for our decision

13. We deal first with the value of the subject property. It was very helpful to have so much sales information on sales of comparable properties in the same street. Overall we found Mr Cohen's analysis of the data the most convincing. Mr Morgan told us that the sales information should be adjusted to allow for the costs of new kitchens and double-glazing by some £20,000. As his information was gleaned from sales literature (and not an inspection) we consider that his conclusion that these works had been carried out is conjecture. Nor did we find his proposed adjustment convincing. We see no reason for his proposal that the sales evidence for Flat 19 should be ignored simply because it is higher than the prices achieved for the other comparables.
14. On this point we note that no adjustment was made for the fact that one of the flats (flat 20C) is adjacent to a railway line.
15. Taking this points into account we have taken as an average the sales prices for the four properties (numbers 25A, 19, 23C and 20C) adjusted for time and other factors as £430,000. This, in our opinion, should be adjusted upwards by a factor of 1% to a notional freehold value.
16. As to relativity we found Mr Morgan's analysis the more convincing. We do not agree with Mr Cohen that the subject property can be considered as part of prime central London. We have concluded that the appropriate relativity in this case is 93.07%.
17. We have concluded that the premium to be paid for the grant of a new lease is the sum of £22,333. Our valuation is attached to this decision.

Signed: James Driscoll, Duncan Jagger

Dated: 24 February, 2015

23b Manor Road, Stoke Newington, N16 5BQ

APPENDIX A

The Tribunal's Valuation

Assessment of premium for a new lease

In accordance with Section 48 of the Leasehold Reform, Housing and Urban Development Act 1993

LON/00AM/0LR/2014/1436

Components

Assumed Valuation date	10/03/2014
Yield for ground rent	7.0%
Deferment Rate	5.0%
Extended lease value	£420,000
Freehold value	£424,200
Existing lease value	£394,803
Relativity	93.07%
Ground Rent	£125pa and £300pa
Unexpired Term	71.57 years

Diminution in value of Freeholders Interest

1-Freeholder's Present Interest

£125 for 22.57 years @ 7.0%			
£125 x 11.183		£1,398	
£300 for 49.5 years @ 7.0%	13.78		
Deferred 22.5 years @ 7.0%	0.2172	£898	£2,296

2- Valuation of Reversion:

£424,200 @ 5.0% def'd 71.57 years			
£424,200 x 0.03044		£12,913	

3- Freeholder's Future Interest

£424,200 @ 5% def'd 161.5 years			
£424,200 x 0.000378		£160	<u>£13,073</u>
			£15,369

Marriage Value

Freehold		£424,200	
Less			
Existing lease	£394,903		
Freehold interest	£15,369	<u>£410,272</u>	
Marriage value		£13,928	

50% of Marriage Value £6,964

LEASE EXTENSION PREMIUM £22,333

VALUATION NOTES

EXTENDED LEASE VALUE

25A	395,000
19	483,000
23C	445,000
20C	<u>397,000</u>
	£1,720,000 /4
	£430,00023C

- 1 No adjustment for layout of the subject
- 2 No adjustment for 20c adjacent the railway line
- 3 £10k adjustment for specification of kitchen and bathrooms, no evidence to confirm comparables had double glazed windows.

RELATIVITY

- 1 PCL Graphs not used-different market
- 2 Excluded graphs
CEM Report- research paper
Lease Advisory Services- research paper
Austin Grey- Brighton evidence
Moss Kaye- not included in RICS Research Paper ie No RICS seal of approval

Freehold Value

A 1% adjustment is considered appropriate for additional value of F/H over Long lease

D Jagger