



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

<b>Case reference</b>	:	<b>LON/00AM/OLR/2015/0504</b>
<b>Property</b>	:	<b>Ground floor flat (Flat A), 6 Burma Road, London N16 9BJ</b>
<b>Applicants</b>	:	<b>Mr Philip Semper &amp; Ms Theresa Gorman</b>
<b>Representative</b>	:	<b>Mr Paul Ravenscroft MRICS</b>
<b>Respondent</b>	:	<b>Ian Humberstone Ltd</b>
<b>Representative</b>	:	<b>Mr Ian Humberstone</b>
<b>Type of application</b>	:	<b>Section 48 of the Leasehold Reform, Housing and Urban Development Act 1993</b>
<b>Tribunal members</b>	:	<b>Judge Timothy Powell Mr Duncan Jagger MRICS</b>
<b>Date of determination and venue</b>	:	<b>16 June 2015 10 Alfred Place, London WC1E 7LR</b>
<b>Date of decision</b>	:	<b>21 July 2015</b>

---

**DECISION**

---

**Summary of the tribunal's decision**

The appropriate premium payable for the new lease is **£21,148**.

**Background**

1. This is an application made by the applicant leaseholders, Mr Semper and Ms Gorman, pursuant to section 48 of the Leasehold Reform, Housing and Urban Development Act 1993 ("the Act") for a determination of the premium to be paid for the grant of a new lease of

the Ground floor flat (Flat A), 6 Burma Road, London N16 9BJ (the "property").

2. By a notice of a claim dated 18 July 2014, served pursuant to section 42 of the Act, the applicants exercised their right for the grant of a new lease in respect of the subject property. At the time, the applicants held the existing lease granted on 6 March 1992 for a term of 99 years from 29 September 1991 at an annual ground rent of £100 for the first 25 years, £200 for the next 25 years, £400 for the next 25 years and £800 for the last 24 years. The applicants proposed to pay a premium of £18,000 for the new lease.
3. On 12 September 2014, the respondent freeholder, Ian Humberstone Limited, served a counter-notice admitting the validity of the claim and counter-proposing a premium of £29,546.07.
4. On 9 March 2015, the applicants applied to the tribunal for a determination of the premium.

#### **Matters agreed**

5. The matters agreed were set out in a letter of 10 May 2015, as follows:
  - (a) The valuation date: 24 July 2014;
  - (b) Lease start date: 29 September 1991;
  - (c) Lease term: 99 years;
  - (d) Unexpired term: 76.81 years;
  - (e) Capitalisation of ground rent: 6.5% per annum;
  - (f) Deferment rate: 5%;
  - (g) The gross internal floor area of the flat: pre-improvement is 600 square feet and post-improvement is 767.7 square feet;
  - (h) The agreed ground rent value: £3,564; and
  - (i) The terms of the new lease.

#### **Matters not agreed**

6. The following matters were not agreed:
  - (a) The capital value of the freehold in possession;
  - (b) The relativity of the freehold interest in possession to the extended leasehold interest;
  - (c) The relativity of the freehold interest to the existing leasehold interest; and, therefore,
  - (d) The premium payable.

## **The hearing**

7. The hearing in this matter took place on 16 June 2015. The applicants were represented by Mr Paul Ravenscroft MRICS and the respondent company by Mr Ian Humberstone, one of its directors.
8. The applicants relied upon the expert's report and valuation prepared by Mr Paul Ravenscroft for the purpose of the hearing, which appeared at pages 55-105 of the applicants' hearing bundle.
9. The respondent relied upon the "Valuation report and valuation" prepared by Mr Humberstone. At the outset of the hearing, the tribunal expressed its concern that it could not accept this report as an expert report. This was firstly because, as Mr Ian Humberstone admitted, he was not a professional expert in valuation but, by profession, a doctor of medicine; and secondly, he was not truly independent, but had a direct financial interest in the outcome of the hearing, as one of the two directors of the landlord company.
10. The tribunal took note that Mr Humberstone has acquired some expertise from his experience in the ground rent market for the past 18 years. He apparently owns and manages the freeholds of 150 leasehold flats, mainly in London, and he has taught himself valuation techniques as he has interacted with professionals over lease extensions during that period. While he no doubt has views about valuation issues, which were expressed in his report, the tribunal is nonetheless unable to accept those views as expert evidence.
11. Having expressed its concerns that the tribunal only had expert evidence on one side, namely Mr Ravenscroft's evidence, and that Mr Humberstone would not be in a position to give opinion evidence based on the factual matters he raised, the tribunal offered Mr Humberstone the opportunity to consider whether he wished to postpone the hearing in order to call expert valuer evidence on behalf of the respondent, albeit on terms that the respondent would have to pay for the applicants' costs thrown away by such a postponement.
12. Mr Humberstone said that he did not wish for there to be a postponement and that he was happy for the matter to proceed on the basis that, as the tribunal suggested, he would be able to ask questions of the applicants' expert.
13. In reaching its determinations, the tribunal has not repeated all of the oral evidence and submissions given at the hearing, nor has it repeated all of the documentary evidence received, which is well known to the parties. However, these were considered and taken into account by the tribunal in reaching its determination.

### **The inspection**

14. Following the hearing, the tribunal considered that an inspection would be beneficial. This took place in the late afternoon of the following day, 17 June 2015, in the presence of the first applicant, Mr Philip Semper.
15. The subject property is a self-contained ground floor, three bedroom flat in a three storey terrace house, converted into three flats. The ground floor has been extended to the rear by the current leaseholders and the rear garden is included within the demise of their flat together with a small cellar. Access to the flat is through a common entrance hallway.
16. Internally, the flat was long and narrow and it appeared to be very small for a three bedroom flat, two of the bedrooms being very small indeed. There was an internal bathroom with no natural light. The leaseholders' rear extension, creating a larger size kitchen, had taken up some of the small garden.
17. The external appearance, location and immediate vicinity of the subject flat all placed it at the lower end of the parties' comparable properties, which were also inspected externally.

### **The freehold, extended & existing leasehold values of the property**

18. In their respective valuation calculations, Mr Ravenscroft contended for an extended leasehold value of £508,200, while Mr Humberstone contended for £614,793.
19. In arriving at his opinion, Mr Ravenscroft relied upon the sales evidence of seven other properties, two also within Burma Road and five others in the immediate vicinity. A table of comparables appeared at appendix 3 of his report, together with their description and condition, tenure, sale price, date of sale, floor area and value in terms of pounds sterling per square foot. As is often the case with properties of this type, closely-matched recent comparables are often difficult to find, leading Mr Ravenscroft to make adjustments to those that he had found.
20. So, for example, both of the comparable Burma Road properties had a location adjustment of -0.5% to reflect the fact that they were at the better end of Burma Road, in the "leafy Victorian part" with similar houses opposite and further from the noise of Green Lanes, as compared with the subject property. Those adjustments appeared to be borne out and justified upon the tribunal's inspection. Mr Ravenscroft made no location adjustment for the two comparables in Carysfort Road because, he said, that road was equivalent to Burma Road, but he did make a -5% floor adjustment in each case, to reflect the greater

floor area and more desirable layout on the ground, first and second floors and a +10% outside space adjustment, to reflect the fact that they did not have gardens.

21. Having made these adjustments, Mr Ravenscroft arrived at an adjusted value per square foot for each of the comparable properties, which he then averaged out at the bottom of the table in appendix 3. His initial average was a rate of £753 per square foot, though he went on to average the results further to calculate an “overall average” rate of £770 per square foot. However, as it appeared that some of the figures in appendix 3 were incorrect, further adjustments had to be made in the hearing, which resulted in a revised average of £758 and a revised “overall average” of £770.2 per square foot, respectively.
22. In the valuation which appeared in his report, Mr Ravenstone sought to apply the previous £770 rate to the gross internal area of the flat of 660 square feet (excluding the cellar and allowing for the tenants’ improvements). In this way, he arrived at a capital value for the extended leasehold interest of £508,200.
23. Asserting that the relativity between the extended leasehold value and the freehold value is 99%, Mr Ravenstone then added a further £5,133 to give a capital value for the freehold in possession of £513,330. This compared with Mr Humberstone, who considered that relativity between the two should be 100%, so that the extended leasehold and freehold values should be the same: both at £614,793.
24. Mr Humberstone raised several criticisms of Mr Ravenscroft’s approach and questioned several of his assumptions. However, for the reasons given above, the tribunal was not unable to consider Mr Humberstone’s own valuation assumptions, nor, in particular, his adjustments or variations that he arrived at with the benefit of a bespoke Excel spreadsheet.
25. Although Mr Humberstone urged the tribunal to consider only “useable” space in each of the comparable flats, the tribunal considered that taking the gross internal area of each flat is best, making appropriate adjustments where necessary. While the existence of the Nationwide house price index report from April 2014 was noted, the tribunal did not consider that it was helpful in the assessment of the average price per square foot for the subject property or the comparable properties in the area under consideration.

### **The tribunal’s determination and reasons**

26. Having inspected the comparable properties and considered the documentation, the adjustments made by Mr Ravenscroft appeared reasonable to the tribunal. The tribunal agreed with the penultimate

line of Mr Ravenscroft's valuation schedule, insofar as it arrived at a (revised) average value of £758 per square foot, but was not inclined to accept his "overall average" of £770. The tribunal preferred to apply the lower value, £758 per square foot, to the agreed gross internal area of the property of £660 square feet, resulting in an initial value of £500,280.

27. However, whereas Mr Ravenscroft had discounted placing any value on the cellar at the subject property, the tribunal considered that this did have value for future accommodation (as has happened with 66 Burma Road, where a bathroom has been installed in the basement). The tribunal would therefore make a £10,000 adjustment to the value of the extended lease.
28. In addition, all of the comparables, bar one, were of two bedroom units and the tribunal is of the opinion that an investor would pay a premium for the third bedroom at the subject property, even though it was very small. This would warrant a further £10,000 adjustment, which together would give an extended lease value of £520,280.
29. So far as the freehold value is concerned, Mr Humberstone sought to persuade the tribunal that there was no difference between the extended leasehold value and freehold value. However, there are differences between the two and it is standard, widely-accepted practice that the extended leasehold value is 99% of the freehold value, which is the approach that this also tribunal adopts. Accordingly, the tribunal determines that the freehold value is £525,535 (£520,280 + £5,255).
30. Although relativity between the freehold and existing leasehold values had initially been in dispute, the parties agreed at the hearing that it was 94.09%. Therefore, applying an agreed relativity of 94.09% the existing leasehold value is £494,476.

### **The premium**

31. In carrying out its valuation of the appropriate premium, the tribunal corrected the ground rent "rent reviews" in accordance with the lease, which were not accurately represented in Mr Ravenscroft's own valuation. However, utilising the figures determined by the tribunal above, the tribunal goes on to determine that the appropriate premium for the extended lease is **£21,148**. A copy of its valuation calculations is annexed to this decision.

**Name:** Judge Timothy Powell      **Date:** 21 July 2015

**Appendix:** Valuation setting out the tribunal's calculations

**Flat A, Burma Road, London N16 9BJ**  
**Assessment of purchase price for the Leasehold Extension**  
**In accordance with Schedule 13, Leasehold Reform, Housing and Urban Development Act**  
**1993**

**Ref: OT/LON/00AM/OLR/2015/0504**

**Components**

Valuation date:	24 <sup>th</sup> July 2014	
Yield for ground rent:	6.5%	
Deferment rate:	5%	
Long lease value	£520,280	
Existing leasehold value		
Freehold value	£525,535	
Relativity	94.09 %	
Unexpired Term	76.18 years	
Ground rent currently receivable	£100	
Capitalised @ 6.5% for 2.18 years	1.9735	197.00
Ground Rent:	£200	
Capitalised @ 6.5% for 25 years	12.1978	
Deferred 2.18 years @ 6.5%	0.8717	2,126.56
Rising to:	£400	
Capitalised @ 6.5% for 25 years	12.1978	
Deferred 27.18 years @ 6.5%	0.180567	881.00
Rising to:	£800	
Capitalised @ 6.5% for 24 years	11.9907	
Deferred 52.18 years @ 6.5%	0.0374	358.76
		<b>£3563.32</b>
Reversion to:	£525,535	
Deferred 76.18 years @ 5%	0.0243	12,770.50
		<b>£16,334</b>
<b>Less</b> value of freeholders proposed interest	£525,535	
PV £ 166.18 years @ 5%	0.000301	158
		£16,176
<b>Marriage Value</b>		
Extended leasehold interest	£520,280	
Landlords extended lease	£158	
Sum of proposed extended lease value		£520,438
Less		
Landlord's existing value	£16,334	
Existing leasehold value	£494,476	£510,810

Marriage value	£9,628
Freeholders share @ 50%	<b>£4,814</b>
<b>LEASE EXTENSION PREMIUM</b>	<b><u>£21,148</u></b>