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

Case Reference : LON/00AH/OLR/2016/0882

Property : 80A Arundel Road, Croydon, Surrey, CR0 2EP

Applicant : Joe O'Brien

Representative : Kenwright & Lynch

Respondent : Luxury Holdings Limited (missing landlord)

Representative : None

Type of Application : Lease extension

Tribunal Members: Judge Robert Latham
Mr Patrick Casey MRICS

Date and venue of Hearing : Paper determination on 9 August 2016 at
10 Alfred Place, London WC1E 7LR

Date of Decision : 9 August 2016

DECISION

(i) The Tribunal determines that the premium payable by the Applicant in respect of the extension of his lease in respect of Flat A, 80 Arundel Road, Croydon, CR0 2EP to be £17,500.

(ii) The Tribunal approves the Deed of Surrender and Re-Grant provided by the Applicant.

Background

1. On 24 May 2016, Deputy District Judge Read, sitting at the Croydon County Court, made a vesting order pursuant to Section 50(1) of the Leasehold Reform, Housing and Urban Development Act 1993 ("the Act") in respect of Flat A, 80 Arundel Road, Croydon, CR0 2EP ("the premises"). The Court further ordered that the matter be transferred to this Tribunal to determine the form of surrender and terms of the new lease together with the appropriate sum to be paid into court in accordance with Section 50(3) of the Act.
2. On 31 May 2016, the Tribunal issued Directions. This required the Applicant to file two copies of a bundle of relevant documents including a valuation report with the appropriate signed expert witness statement.
3. On 23 June, the Applicant lodged the required bundle. However, rather than providing an up to date valuation report for use in proceedings, it included a preliminary valuation report from Andrew Pridell FRICS, dated 28 September 2015. The proceedings had been issued on 9 February 2016 and this is the relevant valuation date. On 20 July, at the request of the Tribunal, the Applicant filed a reworked valuation.

Evidence

4. In his valuation report, Mr Pridell computes the premium payable to be £16,450. In the revised valuation, the premium is stated to be £16,426. This is premised on the unexpired term on being 66.11 years. In the original report, this was stated to be 66 years.

Lease details

5. The Applicant currently holds the property under a lease for a term of 99 years from 24 June 1982. The Valuation Date is 9 February 2016 when the unexpired term was 65.33. The revised valuation has therefore been computed on the wrong basis.
6. The subject premises are a purpose built ground floor flat dating from around 1885 in an end of terrace building with accommodation arranged on two floors as two flats. The flat consists of an entrance hall, a sitting/dining room, a double bedroom, a kitchen and a bathroom/wc. There is a small front garden and the tenant enjoys half the rear garden.

Extended Lease Value

7. Mr Pridell proposes a long unimproved lease value of £217,500. He relies on just one comparable, namely 64 Arundel Road, which is a first floor flat which was on the market for £215,000 in September 2015. The Tribunal accepts this evidence, albeit that it would normally expect regard to be had to more than one comparable based on sales, rather than offers. We note that

Mr Pridell refers to there being a reasonable body of sales of similar flats in the vicinity.

Relativity

8. Mr Pridell adopts a figure of 89.5% for relativity based on an unexpired term of 66 years. This figure is also included in the revised valuation. The unexpired term is rather 65.33 years. We therefore adopt a figure of 89% for relativity. This is consistent with Mr Pridell's own figure for the shorter unexpired term and with the other RICS graphs.

Capitalisation Rate

9. We are satisfied that 7%, the figure proposed by Mr Pridell, is the appropriate figure to adopt.

Deferment Rate

10. We approve the "Sportelli" rate of 5% for deferment which Mr Pridell has adopted.

Calculation of the Premium

11. We must adjust the revised valuation to reduce the unexpired term from 66.11 to 65.33 years, based on a relativity rate of 89%, rather than 89.5%. The effect of these corrections is to increase the premium by approximately £1,000. We therefore compute the premium payable to be £17,500.
12. The evidence provided by the Applicant is not entirely satisfactory. We are satisfied that it would be disproportionate to adjourn the case for an oral hearing. We remind ourselves that our role is to determine whether the valuation proposed by the nominee purchaser is fair to the missing landlord. We have done our best on the material before us.

Robert Latham
Tribunal Judge

9 August 2016