



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

Case reference	:	LON/00AX/OLR/2018/0554
Property	:	15 Central Parade, St Mark's Hill, Surbiton KT6 4PJ
Applicant	:	J A Poulton (Building Contractors) Limited
Representative	:	Mr A Row BSc(Hons) MRICS of Lamberts Chartered Surveyors
Respondent	:	Metropolitan Properties Co. (FGC) Limited
Representative	:	Mr R D Sharp BSc FRICS
Type of application	:	Section 48 of the Leasehold Reform, Housing and Urban Development Act 1993
Tribunal members	:	Tribunal Judge Dutton Mr D I Jagger MRICS
Date of determination and venue	:	21st August 2018 at 10 Alfred Place, London WC1E 7LR
Date of decision	:	22nd August 2018

DECISION

Summary of the tribunal's decision

- (1) **The appropriate premium payable for the new lease is £48,361 as set out on the attached valuation**

Background

1. This is an application made by the applicant leaseholder 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 15 Central Parade, St Mark's Hill, Surbiton KT6 4PJ (the "Property").

2. By a notice of a claim dated 18th August 2017 served pursuant to section 42 of the Act, the applicant exercised the right for the grant of a new lease in respect of the Property. At the time, the applicant held the existing lease granted on 24th September 1986 for a term of 99 years from 25th March 1978 at an existing annual ground rent of £100. The applicant proposed to pay a premium of £32,680 for the new lease.
3. On 23rd October 2017, the respondent freeholder served a counter-notice admitting the validity of the claim and counter-proposed a premium of £74,195 for the grant of a new lease.
4. On 16th April 2018, the applicant applied to the tribunal for a determination of the premium.

The issues

Matters agreed

5. The following matters were agreed:
 - (a) The subject property is a self-contained flat on the 1st floor within a three storey building comprising commercial premises at ground floor level (a Chinese Restaurant) and two flats above. The flats above can be accessed via a side entrance to the front or by steps to the rear;
 - (b) The gross internal floor area appears to be approximately 628 sq.ft.
 - (c) The valuation date is agreed as 22nd August 2017;
 - (d) Unexpired term: 59.58 years;
 - (e) Ground rent: £100 presently rising to £150 after March 2044;
 - (f) Capitalisation of ground rent: 7% per annum; and
 - (g) Deferment rate: 5%.

Matters not agreed

6. The following matters were not agreed:
 - (a) The "no-Act world" short leasehold (unimproved) value: the applicant contending at the hearing for £285,000 and the respondent contending for £264,618;
 - (b) The freehold (unimproved) value: the applicant contending for £332,691 and the respondent contending for £363,636; and
 - (c) The premium payable.

The hearing

7. The hearing in this matter took place on 21st August 2018. The applicant was represented by Mr Row, and the respondent by Mr Sharp. Both valuers acted as expert and advocate
8. Neither party asked the tribunal to inspect the property and the tribunal did not consider it necessary to carry out a physical inspection to make its determination.
9. The applicant relied upon the expert report and valuation of Mr Row dated 15th August 2018 and the respondent relied upon the expert report and valuation of Mr Sharp dated 8th August 2018.

Freehold Vacant Possession Value

10. Mr Row, in his report relied on two comparable properties at 24 and 16 Central Parade. 24 Central Parade had completed in June 2018, achieving a price of £335,000. The flat was on the second floor and apparently in reasonable decorative order. Mr Row applied the agreed price indexation for the Royal Borough of Kingston Upon Thames to reflect the passage of time which gave a long lease value of £329,365, uplifted by the agreed 1% for freehold value to £332,691.
11. In respect of 16 Central Parade, a comparable also utilised by Mr Sharp, we were told that this had sold in March 2017 at a price of £360,000. It was suggested that this flat was in a superior condition, with high quality fixtures and fittings. Although he had included this property, he preferred the comparable at 24 Central Parade and relied on that one comparable to achieve the freehold vacant possession value of £332,691.
12. Mr Sharp had also utilised the comparable at 16 Central Parade, and placed weight to this. It was next door with an identical layout. It was said that the flat had been modernised, it seems in part by February 2013, with the inclusion of a new bathroom by March 2017. Applying the agreed indexation this gave a long lease value at the valuation date of £364,394.
13. He compared this property to a flat at 5 St James Court, in close proximity and above commercial premises. However this flat was considerably smaller and on a shorter lease of only 88 years. It had sold in May 2016 and subject to uplift for the passage of time had a value at the valuation date of £329,473. He reflected on the advantage of size, the peppercorn rent and the lease term of the extended lease for the subject property, which made the figure achieved, relying on 16 Central Parade of £364,394, reasonable but he reduced this for the lack of

heating to a figure of £360,000. This he uplifted for the freehold value to £363,636.

The tribunal's determination

14. **The tribunal determines the freehold vacant possession value of the Property is 339,088, with a long lease value of £335,697.**

Reasons for the tribunal's determination

15. We have carefully noted all that was said in the valuers reports and the evidence given to us at the hearing. We reject the evidence in respect of 5 St James Court. The flat is something of a different animal, being smaller and with a shorter lease term. In truth Mr Sharp did not press this comparable, using it only to support the reasonableness of the value he achieved using 16 Central Parade. We therefore have one value of £363,636. However, we do not consider that a reduction of just over £4,000, in respect of heating is a sufficient reduction to reflect the condition of an improved Property as against the comparable at 16 Central Parade. We have seen the photographs of the interior of 16.
16. The subject property will require a new kitchen, bathroom and the inclusion for central heating and floor covering to bring it up to a similar standard to 16. We consider that an allowance of £20,000 needs to be made to reflect this. This gives a revised value of £344,394.
17. Mr Row relied upon the comparable at 24. We accept that the transaction represents a sale. We are aware that the lease for this property contains a potentially onerous rent review clause, albeit not effective until June 2031. We find that this would have an impact on an offer to purchase. Doing the best we can we find that a small reduction is appropriate to reduce the long lease value to £327,000.
18. We have therefore taken the mean of the two values of £327,000 and £344,394 to achieve the long lease value of £335,697. The uplift for the freehold value gives a figure of £339,088 which we have included in the attached valuation.

Existing lease value

19. In this case we have a sale of the existing lease in September 2017. It is said that the flat was, in effect 'a slum'. We were told, although with no evidence to support, that the Applicant had spent around £50,000 on improvements, including a new kitchen, bathroom, central heating, flooring, electrical and, it seems maybe some furniture.

20. The photographs of the flat in its existing condition do not support the contention that it was a 'slum'. It shows a somewhat dated property, perhaps in need of some remedial work to comply with the tenants repairing obligations. Mr Sharp had applied an uplift of 6.5% to reflect the condition giving a value of £284,851. He reduced this to £280,460 to reflect the lack of central heating and to that figure a further reduction of 10% to adjust for the 'no Act world'. This gave an existing lease value, with those elements, of £252,414. His report set out the basis upon which he applied a 10% reduction for no Act rights. He calculated that this gave a relativity of 69.41%.
21. He did not stop at that point but went on to assess whether this relativity, obtained by reference to market evidence, should be reviewed in relation to the graphs relied upon by valuers. To do this he included his relativity of 69.41% but took into account the relativities in the Savills graph, said to be 77.9%, the Gerald Eve graph 77.92 and the 2017 Beckett & Kay graph, showing a relativity of 71%. He considered the Beckett & Kay graph to be the most reliable but 'tempered' that by including the Savills/Gerald Eve data and his own assessment. This gave a relativity of 72.77% which he adopted to give a value of £264,618 for the existing lease.
22. Mr Row also relied on the open market sale of the property in September 2017 at £270,000. He added £30,000 to reflect the lack of repair, excluding any profit and made an adjustment of 5% for the 'No Act World' giving an existing lease value of £285,000

The tribunal's determination

23. **The tribunal determines that the existing lease value is £259,000.**

The reasons for the Tribunal's determination

24. We do not consider that an uplift of £30,000 as advanced by Mr Row, is realistic. The evidence before us does not suggest the flat was in such a poor condition. The estate agents particulars at point of sale do not so suggest. We accept that it is reasonable to make some adjustment but consider that £10,000 is more than sufficient to bring the flat up to a standard as would have existed if the tenant had complied with the terms of the lease. There is, after all, a functional kitchen and bathroom, albeit dated and double glazing. This therefore, gives an existing lease value of £280,000. It does not require any time adjustment as the date of sale is within days of the valuation date.
25. We need to adjust this value for the 'No Act World'. Mr Row had suggested 5%, but with no evidence support other than a suggestion that this is what he agreed in other cases. Mr Sharp had gone into more

detail and cited some case law, one of which included the case before the Upper Tribunal of *Mallory and others v Orchidbase Limited*. We have noted the comments at paragraph 44. We propose to exercise the judgement of Solomon and conclude that an allowance of 7.5% for an unexpired term of just under 60 years seems reasonable.

26. Applying this percentage to the existing lease value of £280,000 gives a value of £259,000, which we have applied.
27. We see no need to become bogged down in the relativity argument. We have a market rent sale of the subject property within days of the valuation date. The relativity argued for by the parties relied on graphs from 2009, which would seem to be behind the time (Mr Row) and in part on Prime Central London graphs (Mr Sharp). In the latter case the inclusion of these graphs seems to be somewhat self serving as they merely increase the relativity percentage above that which Mr Sharp assessed using the market evidence available in this case. Mr Row did not seek to rely on the relativity he had assessed, using it merely to support his existing lease value.

The premium

28. **The tribunal determines the appropriate premium to be £48,361. A copy of its valuation calculation is annexed to this decision.**

Andrew Dutton

Name: Tribunal Judge Dutton **Date:** 22nd August 2018

Appendix: Valuation setting out the tribunal's calculations

Rights of appeal

By rule 36(2) of the Tribunal Procedure (First-tier Tribunal) (Property Chamber) Rules 2013, the tribunal is required to notify the parties about any right of appeal they may have.

If a party wishes to appeal this decision to the Upper Tribunal (Lands Chamber), then a written application for permission must be made to the First-tier Tribunal at the regional office which has been dealing with the case.

The application for permission to appeal must arrive at the regional office within 28 days after the tribunal sends written reasons for the decision to the person making the application.

If the application is not made within the 28 day time limit, such application must include a request for an extension of time and the reason for not complying with the 28 day time limit; the tribunal will then look at such reason(s) and decide whether to allow the application for permission to appeal to proceed, despite not being within the time limit.

The application for permission to appeal must identify the decision of the tribunal to which it relates (i.e. give the date, the property and the case number), state the grounds of appeal and state the result the party making the application is seeking.

If the tribunal refuses to grant permission to appeal, a further application for permission may be made to the Upper Tribunal (Lands Chamber).

15 Central Parade Surbiton Surrey KT6 4PJ APPENDIX A
The Tribunal's Valuation
Assessment of premium for a new lease
In accordance with the Leasehold Reform, Housing and Urban Development Act 1993
BG/LON/OOAX/OLR/2018/00554

Components

Valuation date:	22 nd August 2017	
Deferment rate:	5%	
Capitalisation rate:	6%	
Freehold value:	£339,088	
Long lease value	£335,697	
Existing leasehold value	£259,000	
Relativity	76.38 %	
Unexpired Term	59.58 years	
Ground rent currently receivable	£100	
Capitalised @ 6.0% for 26.587 years	13.13	£1313
Rising to:	£150	
Capitalised @ 6.0% for 33 years	14.2302	
Deferred 26.587 years @ 6.0%	0.2123	£453
Reversion to:	£339,088	
Deferred 59.584 years @ 5%	0.0546	<u>£18,514</u>
		£20,280
Less value of Freeholders proposed interest		
Reversion to VP value:	£339,088	
Deferred @ 5% for 149.6 years	0.0007	<u>£255</u>
		20,025
<u>Marriage Value</u>		
<u>Value of Proposed Interests</u>		
Extended leasehold interest	£335,697	
Value of Freehold interest	£255	£335,952
<u>Value of Existing Interests</u>		
Landlord's existing value	£20,280	
Existing leasehold value	<u>£259,000</u>	<u>£279,280</u>
		£56,672
Freeholders share @ 50%		£28,336
LEASE EXTENSION PREMIUM		£48,361