

LON/NL/1925/03

**LEASEHOLD VALUATION TRIBUNAL FOR THE LONDON RENT
ASSESSMENT PANEL**

**DECISION OF THE LEASEHOLD VALUATION TRIBUNAL
ON AN APPLICATION UNDER SECTION 48 OF THE LEASEHOLD
REFORM HOUSING AND URBAN DEVELOPMENT ACT 1993**

Applicant: Derri Properties Limited (The Tenant)

Respondent: Grandpex Co Limited (The Landlord)

RE: 6 Moira Court, Balham High Road, London SW17

Description – see over

Application to Tribunal by The tenant dated 28 March 2003

Heard: 2 December 2003

Appearance: Mr R Taylor FRICS

For the tenant

Mr P M Miles FRICS of
Messrs May & Philpot Chartered Surveyors

For the landlord

Members of the Leasehold Valuation Tribunal:

Mrs B M Hindley LLB (Chairman)
Mr P Tobin FRICS MCI Arb
Mr J J Tomalin

Tenant's section 42 notice dated: 29 July 2002 price offered £8226

Landlord's section 45 counter-notice dated: 3 October 2002
price requested £50,600

Lease 90 years less 10 days from 24 November 1948 Ground Rent: £19 per annum
Unexpired term 36 years 1 month.

Valuation date: 3 October 2002 (agreed)

Leasehold Valuation Tribunal's determination: £43,100

Date of Tribunal's decision: 11 DEC 2003

Description

Moir Court is located on a corner plot at the junction of Balham High Road and Trinity Crescent. It is a four storey development of 72 flats arranged in two blocks. It was probably built in the mid 1930's. It has brick and rendered elevations and a mixture of metal framed and replacement UPVC framed double glazed windows, the roof being flat. One block comprises No 1-49, the other 50-73. There are communal grounds, a vehicular driveway to the side and rear yard off which are nine garages let separately.

1. Attached at Annex 1 and Annex 2 are the valuations of Mr Taylor and Mr Miles respectively.
2. At the commencement of the hearing the positions of the parties were as set out below:-

	Landlord	Tenant
Existing lease value	£ 85,000	£135,000
Extended lease value	£175,000	£187,000
Yield	8%	7%
Premium	£ 50,600	£ 34,245

3. It was agreed by both valuers that no internal inspection of the subject flat was required since it would considerably delay the decision – inspection not being possible on the day of the hearing – and the flat was, in any event, no longer in its unmodernised condition.
4. In his proof of evidence Mr Miles achieved his existing lease value of £85,000 by adjusting the sale price of £75,000, achieved in March 2002, for 57 Moira Court, another second floor flat with a lease of some 36.66 years, located in the rear block. The flat, similar in size (450 sq m) to the subject (472 sq m) was configured as a one bedroom rather than a two bedroom flat.
5. Mr Miles made an adjustment of £10,000 to cover the difference in location of the two flats – rear on Trinity Crescent rather than front on Balham High Road – one bedroom rather than two, and the time difference of some seven months. He found further support for his chosen figure from the sale of a three room flat in Mitcham with a 34 year lease remaining at £85,000 in October 2002.
6. At the hearing Mr Miles produced details of two further sales in the subject block – No.19 in March 2003 at £108,000 and No.12 in April 2003 at £123,000, both with similar to the subject unexpired lease terms.
7. Mr Taylor said that he had purchased the existing lease of the subject flat together with an admitted claim for an extended lease, in April 2003, for £135,000. He said that his offer of £130,000 had been accepted on 3 Moira Court but contracts had not yet been exchanged, but his similar offer on 12 Moira Court had been unsuccessful.
8. At the hearing both valuers agreed that the prices achieved (£75,000) for flat 57 and (£135,000) for the subject were at extreme ends of the spectrum. Accordingly the Tribunal preferred to rely on the sale, apparently also with the benefit of a Section 42 notice, of flat 19 at £108,000. The Tribunal chose not to rely on the sale of flat 12 since the evidence of the two valuers in this connection could not be easily reconciled. They also disregarded Mr Taylor's offer on flat 3 since no sale had yet been effected.
9. Adjusting for the difference in time and the added value of the Section 42 notice, the Tribunal determined a value of £100,000 for the existing lease of the subject flat.
10. Mr Taylor was of the opinion that there was a ratio of 72% in the differential between the existing and extended lease values. He said that this was based on the WA Ellis & Co graph (which he did not produce) of properties situated within the M25 area, but excluding central London. He also asserted, but did

not demonstrate, that this was in line with previous LVT decisions.

11. Mr Miles calculated his extended lease value by reference to the sale of flat 43 Moira Court, a ground floor flat with Trinity Crescent frontage, with an unexpired lease term of just under 75 years, at £178,000 in February 2003. To this figure he added £15,900 being the value (the cost being £7,950) of a lease extension from 76 years to 125 years, negotiated in respect of flat 4, a first floor flat in the same section of the block as the subject. Deducting £18,900 for modernisation costs (double glazing £4000, central heating £4000, modernised kitchen £5000, modernised bathroom £2000, electrical wiring £2000 and adding 10% for management) he achieved a value of £175,000 for the extended lease of the subject flat.
12. The Tribunal preferred the approach adopted by Mr Miles, grounded as it was in the market, to the unsupported hypothesis of Mr Taylor. Further, the Tribunal was impressed by Mr Miles' realistic examination of the possible modernisation costs. Accordingly they determined an extended lease value of £175,000.
13. In all the circumstance the Tribunal preferred to adopt a yield of 8%.
14. Accordingly the Tribunal produced the following valuation:-

Diminution in Value of Lessors Interest

Ground Rent receivable	£	19.00		
YP 36 years @ 8%		11.717	£223	
Reversion to		£175,000		
PV of £1 in 36 years @ 8%		<u>0.0626246</u>	<u>£10,960</u>	£11,183

Marriage Value

Value of Lessees interest of 126 years £175,000

Value of Lessors interest after Lease

Extended to 126 years Nil
£175,000

Less Existing Interest

(a) Value of Lessees Interest £100,000

(b) Value of Lessors Interest
prior to grant of new Lease £11,183 £111,183

Marriage Value £63,817

Lessors Share @ 50% £31,909

Premium payable by Lessee: £43,092

But say: £43,100

15. The Tribunal, therefore determines the premium payable under Section 48 and Schedule 13 of the Act by the tenant to the freeholder in respect of 6 Moira Court, Balham High Road, London SW17 7AH to be £43,100 (Forty three thousand one hundred pounds).

CHAIRMAN *R. D. Handley*

DATE *16/12/03*

VALUATION FOR 6 MOIRA COURT
TRINITY CRESCENT, SW17 7AQDiminution in Value of Lessors Interest

Ground Rent receivable	£19.00		
YP 36 years @ 8%	11.717	£223	
Reversion to	£175,000		
PV of £1 in 36 years @ 8%	<u>0.0626246</u>	<u>£10,960</u>	<u>£11,183</u>

Marriage Value

Value of Lessees interest of 126 years	£175,000
Value of Lessors interest after Lease extended to 126 years	<u>NIL</u>
	£175,000

Less Existing Interest

(a) Value of Lessees Interest	£85,000	
(b) Value of Lessors Interest prior to grant of new Lease	<u>£11,183</u>	<u>£ 96,183</u>

Marriage Value £ 78,817

Lessors Share @ 50% £39,408

Premium payable by Lessee: £50,591

But say: £50,600

VALUATION

We value a fair premium under the provisions of the Leasehold Reform Housing & Urban Development Act 1993 (As Amended 2002) in the sum of £34,245 (Thirty Four Thousand, Two Hundred and Forty-Five). We produce the following valuation in support of this.

<u>Existing Lease Value</u> (72%)	£135,000
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<u>Long Lease Value</u>	£187,500
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Diminution on Value of Lessor's Interest

Ground rent receivable	£ 19.00	
YP 36 years @ 7%	£ 240	
Reversion to £187,500		
PV of £1 in 36 years @ 7%	£ 15,750	£ 15,990

Marriage Value

Value of lessee's interest of 126 years	£187,500
Value of lessor's interest after lease extended to 126 years	<u>£ Nil</u>
	£187,500

Less Existing Interest

(a) Value of lessees interest	£135,000	
(b) Value of lessor's interest prior to grant of new lease	£ 15,990	£150,990
Marriage value	£ 36,510	
Lessor's share @ 50%		<u>£ 18,255</u>
Premium payable by lessee		£ 34,245