

LON/ENF/1186/04

LEASEHOLD VALUATION TRIBUNAL

LEASEHOLD REFORM HOUSING AND URBAN ACT 1993 SECTION 24

HEARING ON: TUESDAY 23 & 24 NOVEMBER 2004

Premises: 128 Barry Road, London SE22 0HW

Tribunal Members: Mrs J Charles LLB  
Mrs E Flint DMS FRICS IRRV  
Mr F W J James FRICS

Tenants: Mr Paul M Edwards and Others

Represented by: Bains & Co  
  
Mr M Roscoe of Counsel  
Mr P Hardy, Bains & Co  
Mr R Bowitch of Bowitch & Sons

Landlord: Mr P Parker (absent owner)

Valuation Date: 23 November 2004

This was an application by all five lessees of 128 Barry Road, London SE22 to the Leasehold Valuation Tribunal to decide the appropriate sum to be paid into court for the freehold interest of the above property and to determine the provisions to be contained within the conveyance and approve its form.

The registered freehold owner of 128 Barry Road was Mr Peter Parker but he had had no contact with any of the lessees and appeared to have been absent for around 10 years. The lessees themselves have maintained and insured the premises. Lambeth County Court had issued an Order on 24 June 2004 dispensing with service of the initial order and this Tribunal agreed that the service of the present Application should also be dispensed with.

At a hearing on 23 November 2004, Mr M Roscoe of counsel attended together with Mr R I Bowitch as a valuer on behalf of the lessee.

Mr Bowitch described the property. All five flats were held on 99 years leases from 29 September 1988 at an initial ground rent of £100 per annum for the first 33 years, rising to £150 per annum for the next 33 years and then £200 per annum for the remainder of the terms. In his valuation he had taken the current market values of the four roomed flats at £225,000 each and £175,000 for the smaller two roomed garden flats. He provided evidence of a sale of flat D on the ground floor flat in July 2004 at £235,000. He said that that flat was in above average condition and therefore he averaged the price for the four roomed flats to £225,000. He arrived at the current value of the smaller flats by reference to sales and offer prices of other flats close by.

He adopted a return of 9% on ground rents to reflect a modest but improving income over the remaining period of the leases.

Marriage value was not relevant as the existing leases had over 80 years unexpired term.

The Tribunal inspected the subject premises which was a substantial corner property in a reasonably busy street which, although mainly residential, was also a bus route. The exterior had been well maintained by the lessees. The Tribunal were unable to inspect the interior as no one was available at any of the flats. They also looked at the exterior of other properties referred to at the hearing in Barry Road, St Aidans road and Dunstan Road which were helpful in assessing the value of two roomed flats.

In their reading of the leases, the Tribunal noted that the lessees appeared to be responsible in total for only 92.5% of the service charge and insurance costs. This shortfall would have a significant effect on the yield that an investor would apply in valuing the freehold interest as he would himself be responsible for 7.25% of those costs annually until he was able to negotiate revisions to the respective leases. Whilst the Tribunal would normally have agreed with the lessees' valuer that a yield of 9% was appropriate, in the subject case they considered that a 15% yield was preferable as this was a very speculative investment in its present form.

With regard to the leasehold reversion, the Tribunal did not consider that the lessee's valuer had given sufficient weight to the price paid very recently for Flat D in the building. No evidence had been given of any lessee's improvements in that case and the Tribunal saw no reason to depart from the figure of £235,000 for each of upper floor flats.

Furthermore, the lessee's valuer had not appreciated that one of his comparables said to be in Barry Road was in fact a two roomed basement flat in the subject premises with an asking price of £175,000. Therefore the Tribunal adjusted that figure to £165,000 which they applied to the two roomed basement flats at 128 Barry Road.

These calculations produced a freehold reversion of £1,035,000. The Tribunal adopted as their valuation date, the date of the hearing, 23 November 2004.

The amount payable for the freehold interest is therefore £3,500. See Appendix 1 attended to the decision.

The Tribunal agreed the form of transfer supplied with the exception of item 10 which should be amended to provide for "limited title guarantee". See Appendix 2.

CHAIRMAN .....  .....

DATE ..... 3.12.04 .....

# APPENDIX 1

128 Barry Road London SE22 0HW

Appendix A

5 Leases for 99 years commencing 29/09/1988

Valuation date 23 November 2004

82.85 years remaining

		£
Ground Rent profile of each flat	29/09/1988 to 28/09/2021	100
	25/09/2021 to 28/09/2054	150
	25/12/21 to end of term	200

			£
Rent Received		£500	
YP 16.85 years @ 15%		<u>6.03404</u>	3,017
Reversion to		£750	
YP 33 yrs @ 15%	6.6005		
PV 16.85 yrs @ 15%	<u>0.0949</u>	<u>0.62639</u>	470
Reversion to		£1,000	
YP 33 yrs @ 15%	6.6005		
PV 49.85 yrs @ 15%	<u>0.00094</u>	<u>0.006204</u>	6
Reversion to FH VP		£1,035,000	
PV82.85 yrs @ 15%		<u>0.0000094</u>	<u>10</u>
			<u>3,503</u>

Enfranchisement price

say £3500