

MIDLAND RENT ASSESSMENT PANEL

CORRECTION CERTIFICATE

Premises: 12 Amberley Way, Streetly, Sutton Coldfield B74 3RN

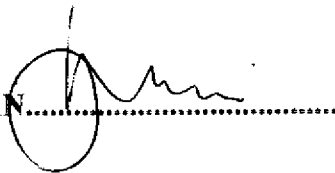
Applicant: Lisa Joanne Cropp (tenant)

Respondents: Jeffrey Matthey and Lilian Matthey (landlords)

Application heard: 11 October 2004

The tribunal's valuation which was attached to its decision contained clerical errors which the tribunal hereby corrects under the provisions of Regulation 18(7) of the Leasehold Valuation Tribunals (Procedure) England) Regulations 2003. The correct valuation is attached to this certificate.

CHAIRMAN.....



DATE.....

20 November 2004

12 Amberley Way, Streetly, Sutton Coldfield

The Tribunal's Valuation

Current ground rent £12.50 pa

YP 54.75 @ 7.5%	13.0789	£163 (agreed)
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Reversion to extended lease value

(£90,000 uplifted at 11%), £99,900,

say £100,000

PV of £1 in 54.75 years @ 7.5%	0.019072	£1907
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£2070

Marriage value:

Extended lease value	£100,000
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Less: existing lease value	£90,000
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existing freehold value	<u>£2070</u>
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Marriage value	£7930
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50%	£3965
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<u>Price for the new lease:</u>	£2070
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£3965

£6035

MIDLAND RENT ASSESSMENT PANEL

**DECISION OF THE LEASEHOLD VALUATION TRIBUNAL ON AN
APPLICATION UNDER S48 OF THE
LEASEHOLD REFORM HOUSING AND URBAN DEVELOPMENT ACT 1993**

Premises: 12 Amberley Way, Streetly, Sutton Coldfield B74 3RN

Applicant: Lisa Joanne Cropp (tenant)

Respondents: Jeffrey Matthey and Lilian Matthey (landlords)

Date of tenant's notice: 30 March 2004

Application heard: 11 October 2004

Appearances:

Mr E J Rutledge FRICS IRRV MCI Arb (Lawrence and Wightman, chartered surveyors)
for the applicant

Mr L A Nesbitt BSc(Hons) FRICS MCI Arb (Nesbitt & Mire, chartered surveyors)
for the respondents

Members of the leasehold valuation tribunal:

Lady Wilson
Mr S Berg FRICS
Mrs C L Smith

Date of the tribunal's decision:

8 November 2004

Background

1. This is an application by the tenant, Ms Cropp, under section 48 of the Leasehold Reform, Housing and Urban Development Act 1993 ("the Act") to determine the price to be paid for a new lease of 12 Amberley Way, Streetly, Sutton Coldfield, which is a purpose-built first floor flat on a development of similar two storey blocks, each containing four flats, built in the late 1950s. The flat has three rooms, one incorporating a previously separate kitchen, the works of incorporation having been carried out by the tenant, and a bathroom/wc. Double glazed uPVC windows have been fitted throughout and it is agreed that these are to be disregarded as a tenant's improvement. The flat is not centrally heated. There is no designated parking space. The flat is held on a lease for a term of 99 years from 25 December 1959 at a ground rent of £12.50 per annum. At the valuation date, which is 30 March 2004, the unexpired term was 54.75 years.

2. The tribunal inspected the property on 11 October 2004, before the hearing, in the presence of the tenant. Unaccompanied, the tribunal also externally inspected the blocks containing all the comparables in Amberley Way relied on by the parties' valuers in the statements which they had submitted. before the hearing in accordance with the tribunal's pre-trial directions.

The hearing

3. At the hearing the tenant was represented by Mr E J Rutledge FRICS IRRV MCI Arb of Lawrence and Wightman, chartered surveyors, and the landlord was represented by Mr L A Nesbitt BSc (Hons) FRICS MCI Arb of Nesbitt & Mire, chartered surveyors.

4. It was agreed that the yield for capitalisation and deferment should be 7.5% and that the

capitalised ground rent was thus £163. Neither valuer perceived any difference between the value of the new 144.75 year lease and the freehold. The issues were the values of the existing lease and of the new lease.

i. The value of the existing lease

5. Mr Rutledge proposed a value of £100,000. He said that the only flat on the development to have been marketed in the recent past was the subject flat, which had been placed on the market in February 2004 and for which a purchaser had been found at £99,950. The purchaser had, he said, not proceeded for personal reasons and the property was withdrawn from the market in August 2004. A 69 year lease of 14 Beacon Court, Chester Road, Streetly, a one bedroomed flat with a garage in a slightly more popular location, had been on the market for some months at an asking price recently reduced to £105,000. He said that the only recorded sales in Amberley Way within the past two years were of No 11, sold for £76,500 in February 2003, and of No 18, sold for £53,000 in September 2002. The market was, he said, rising until the summer of 2004 when prices generally levelled off.

6. Cross-examined by Mr Nesbitt, Mr Rutledge agreed that the sale of 11 Amberley Way, adjusted for time via the Nationwide House Prices Index for the West Midlands to the first quarter of 2004, showed a value at the valuation date of only £88,011, but that he nevertheless stood by his opinion. He agreed that the valuation had to be made on the assumption that the existing lease could not be extended under the Act, but he did not accept that flats with leases of around 54 years were necessarily difficult to sell because of their lease length, although he agreed that, as leases became shorter, they became more difficult to sell. He did not agree that 55 years was a “cut-off” length whereafter leases became very difficult to sell, but regarded the process as gradual. He agreed that the witness statement of the tenant in the present case showed

that the purchaser who had offered £99,950 for the flat required an extended lease and wished to share the cost of a lease extension with her. He was aware that leases of about 57.5 years in Marlpit Lane, on the other side of Sutton Coldfield, had sold without difficulty on their existing leases. Whether short leases were readily saleable depended on the individual purchaser's mortgage requirements.

7. Mr Nesbitt valued the existing lease at £90,000. He said that he had spoken to the agent who had marketed the subject flat for the tenant and she had informed him that the sale did not proceed because of the length of its existing lease and the property was withdrawn from the market pending terms being agreed for the lease extension. He did not regard the marketing of the subject flat as helpful in establishing its value. He had based his valuation primarily on the sale of 11 Amberley Way. He had not been aware of the sale of 18 Amberley Way until Mr Rutledge's statement had brought it to his attention, but it confirmed his view. His experience was that purchasers did not generally buy leases as short as 54 years but required the lease to be extended or the terms for a lease extension to be clarified.

8. We have come to the conclusion that Mr Nesbitt's valuation of the existing lease, unimproved, is correct and the value of the existing lease, assuming that there is no right to extend it under the Act, is £90,000. In arriving at this figure we have disregarded the additional value arising from the double glazed windows but we do not regard the incorporation of the kitchen into the living area as having added value. We consider the lack of adjacent parking and the footpath access to the flat as drawbacks which adversely affect value, although we have borne in mind that 11 Amberley Way has the same drawback. We are satisfied that Mr Rutledge has underestimated the effect of the statutory assumption that there is no right to extend the lease under the Act and in our view the absence of a statutory right to a new lease would have a significant effect on the value of this lease. In our view the marketing history of the subject flat illustrates this and tends to support Mr Nesbitt's valuation rather than Mr Rutledge's. Mr

Nesbitt's valuation is also the more consistent with the two known sales of short leases of flats on the development. Indeed the adjustment by reference to the Nationwide Index of the sale of 18 Amberley Way (to £68,374) would support a considerably lower value than that placed on the subject flat by either valuer, but we do not consider that too much reliance should be placed on indices and we are satisfied that £90,000 is the correct figure.

The value of the extended lease

9. Mr Rutledge proposed a value of £111,000, equivalent to an uplift of 11% from his existing lease value. To support this uplift he produced a table of 56 settlements and leasehold valuation tribunal decisions in respect of local properties in which his firm had been instructed where the lease lengths ranged from 27.5 to 57.5 years. The table showed that, in each of the five recent settlements and one leasehold valuation tribunal decision where the existing lease was between 54 and 54.75 years, the uplift from short to long lease values ranged from 10.9% to 11.5%. He also referred to three recent settlements in respect of flats in the Sutton Coldfield area: 6 Beacon Court (uplift from 69 year lease 5%), New Clifton Park Estate (uplift from 58.5 year lease 10% reflecting, Mr Rutledge said, a degree of *Delaforce* effect because his client was anxious to settle), and 11 Derwent Close Streetly (uplift from 51 year lease 11%). All, he said, supported his proposed uplift in the present case.

10. Cross-examined, Mr Rutledge agreed that market evidence is preferable to settlement evidence, but considered that, in the absence of market evidence, settlement evidence was reliable. He did not agree that sales of properties on the New Clifton Park Estate were helpful in arriving at the value of the extended lease of the flat under consideration because its location was very different. He said that his extensive experience as a valuer of properties in the locality suggested to him that it was difficult to find long leases of two bedroomed flats in the area of

Sutton Coldfield for less than about £125,000, although he considered that the lack of a designated parking space near the subject flat was a drawback which affected its value.

11. Mr Nesbitt said that he considered the value of the extended lease at the valuation date to be £120,000. The freeholders had not yet granted any lease extensions on the development. He had arrived at this part of his valuation from on the basis of telephone conversations with local agents and from visiting their websites. He did not specifically rely on the asking prices for flats at 11 Oakdale, 31 Links View, 9 Westwood Court and 9 Aulton Road to which he had referred in his statement, although he understood that they were in similar locations. He was not himself familiar with their locations, but the general pattern of the information he had derived from his conversations with local agents, and, indeed, Mr Rutledge's own evidence, suggested that the extended lease had a value of around £130,000 at the present time and of £123,500 at the valuation date. From that figure he had deducted £3500 for the tenant's improvements to arrive at an unimproved value of £120,000.

12. Mr Nesbitt referred to a decision of a London leasehold valuation tribunal in *12 Enderley House, Sylvan Road London SE19* (LON/NL/1378/01), where a 58 year lease had been determined at a relativity of 77.8% to the long lease value, and he was aware of nothing to suggest that short lease relativities in the Birmingham area should exceed those in the London area.

13. Cross-examined, Mr Nesbitt said that he did not know whether properties of which the asking prices he had listed in his statement were in better locations than the subject, and he accepted that, as a local valuer, Mr Rutledge was better placed to apply any adjustments for location. Questioned by the tribunal, he agreed that the tribunal was entitled to have regard to settlement evidence although, he said, in most cases this was unnecessary because long lease values could normally be established from market evidence. He accepted that in the present case

there was no really cogent market evidence to establish the value of the new lease.

14. We have come to the conclusion that the value of the extended lease was, at the valuation date, £100,000. We recognise that this is below the values attributed to it by the parties' valuers, but, in the absence of any cogent market evidence to support the figure proposed by either valuer, we regard the large body of settlement evidence provided by Mr Rutledge as providing very strong support for his proposed uplift of around 11%. All the market information provided by Mr Nesbitt was of asking prices rather than concluded transactions and he was, as he acknowledged, unable to give evidence as to the relative merits of these comparables. In each of the settlements relied on by Mr Rutledge both parties appear to have been professionally represented. Given what we are satisfied is the drawback of the absence of a designated parking space let with the subject flat and its lack of adjacent parking facilities, we are satisfied that our valuation is consistent with the evidence before us.

Determination

15. Accordingly, the price to be paid for the new lease is £6035, in accordance with our valuation which is attached to this decision.

CHAIRMAN.....

DATE..... 2007

12 Amberley Way, Streetly, Sutton Coldfield

The Tribunal's Valuation

Current ground rent £12.50 pa

YP 54.95 @ 7.5%	13.0789	£163 (agreed)
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