



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

Ref: LON/NL/4085/2005

**DECISION on an APPLICATION UNDER SECTION 48 of the LEASEHOLD
REFORM, HOUSING AND URBAN DEVELOPMENT ACT 1993 ('the Act')**

APPLICANT: Paul Andrew Skinner

RESPONDENT: Maylands Green Estate Company Limited

**PROPERTY: Flat 12 Hurstwood Court, Hall Lane, Upminster,
Essex RM14 1BB**

HEARING: 10 January 2006

DECISION: 16 February 2006

APPEARANCES:

For the Applicant: Mr David J Parish FRICS

For the Respondent Mr Stephen Collier BSc. FRICS

MEMBERS OF THE TRIBUNAL:

Mr John Hewitt	Chairman
Mr J Raymond Humphrys	FRICS

he appeared as both advocate and expert witness and he would clarify his role where appropriate during the course of the hearing. Mr Collier appeared as an expert witness only.

3. There were no issues between the parties as to the entitlement of the Applicant to a new lease.
4. prior to the hearing Mr Parish and Mr Collier had exchanged expert's reports which helpfully describe the development of Hurstwood Court, its location, the accommodation provided and the generic lease terms. The Tribunal was invited to assume that all the flats within Hurstwood Court were of uniform size and lay out and configuration for valuation purposes.
5. For valuation purposes we were told that flats, 1,2,3,5,7,9,11,13,14 and 15 were identical in every respect. Flats 12 and 16 were identical with each other and broadly the same as the first group save only that the ground rent payable was marginally greater (£802 pa as opposed to £779 pa). Flat 6 was broadly the same as the first group but the ground rent regime was different because unlike all of the other lessees in the block the lessee of Flat 6 did not vary the ground rent payable as from 1 January 1989.
6. Following the hearing the Tribunal was able to carry out an external inspection of Hurstwood Court and an internal inspection of two sample flats there, and an external inspection of the comparable properties relied on by the valuers.

Agreed Matters

7. Mr Parish and Mr Colliers had helpfully agreed a number of matters, including:
 - 7.1 The long lease value of each flat, unimproved is £225,000
 - 7.2 The same yield should be adopted for the valuation of the Respondent's present and reversionary interests
 - 7.3 The ground rents payable
 - 7.4 The valuation date of 6 May 2005
 - 7.5 The terms of the new lease
 - 7.6 The valuation fees and legal costs payable on the grant of the new lease
 - 7.7 The basis of valuation, being
 - (a) the diminution in the value of the Respondent's interest in each flat
 - (b) the Respondent's share of the marriage value (agreed at 50%)
 - (c) the amount of any compensation payable to the Respondent including loss of any development value (agreed at nil)

Matters in Dispute

8. The matters in dispute between Mr Parish and Mr Collier, and thus for the Tribunal to determine are:
 - 8.1 The short lease value of each flat

- 8.2 The yield to be adopted
- 8.3 The premium to be paid for the new lease.
- 9. The rival contentions:

	Mr Parish	Mr Collier
Short lease value:	£195,750	£185,000
Yield:	7%	5%
Premium:	£21,000	£30,000

The Case for the Applicant

- 10. Mr Parish told us that his practice also includes agency, but there have been no recent sales of flats within Hurstwood Court. Flat 9 sold in June 2002 at £192,500, and flat 12 in June 2003 at £205,000.
- 11. Mr Parish has undertaken lease extension case work of properties in the local area for both landlords and tenants. He took us through his comparables of recent settlements in which he had been personally involved and where he achieved a yield of 7%. Mr Parish relies on his settlement evidence, but accepted, frankly, that not all components of each settlement had been agreed between the parties to the transaction. It was of some significance to him that in the present case the ground rents were substantial and index linked. The ability of lessees to pay such high ground rents led him to conclude that the security was less good and this had to be reflected in the investment. Residential management was intensive and recent changes in legislation make it more so, he said. Investors must be prepared to commit to management and time consuming decision making. The yield should reflect the risks, he submitted.
- 12. Mr Parish accepted that there was tolerance in the valuation process which he put at +/-10%.


The Case for the Respondent

- 13. Mr Collier told us that he was now a salaried employee in a local, but long established firm of chartered surveyors, Hilbery Chaplin. In cross examination he confirmed that the directors of Hilbery Chaplin and/or their families have a financial interest in the Respondent. The Tribunal consider it unfortunate that this fact was not mentioned in Mr Collier's expert report. We consider that it ought to have been disclosed as a relevant factor. Mr Collier sought to assure us that his role as an expert witness was not jeopardised or compromised by the nature of his appointment. He said that he was aware of his duty as an expert witness. We accepted his assurances.
- 14. On the short lease value Mr Collier applied a discount of 82% from the agreed long lease value. His experience told him the range was

- 82%- 85% and that anywhere within this range would be appropriate. Mr Collier was not able to cite any comparables to support his view but was clear that it was his considered view.
15. On yield Mr Collier stood by the yield of 5% set out in his report. He said that in his experience the market for ground rents was at 7%, and that for secondary shops in the range of 5-7%. He considered that ground rents at 7% applied where the rent was modest and static. In the present case in all of the flats bar one the ground rents were index linked. This factor leads him to reduce his figure to 5% in line with the secondary shop market. Mr Collier did not accept Mr Parish's argument on high ground rents being less secure and he considered that mortgagees will invariably pay ground rents in order to protect the security.
 16. Mr Collier accepted that there was a valuation tolerance and in his final submissions he put the premium to be paid in the range of £27,000 to £30,000.

Discussion and Reasons for Decision.

17. Having heard the arguments the Tribunal prefer Mr Parish's opinion on the short lease value of £195,750. The Tribunal accepted his evidence and that in a large part his value was influenced by his extensive experience in transactions in the Upminster area and his agency practice. Mr Collier did not produce any evidence to support his opinion and he relied solely on his opinion.
18. On yield the Tribunal find that 7% is the right rate for modest ground rents subject to standard review in the Upminster area. The ground rents in respect of most of the flats in Hurstwood Court are not modest and they are subject to a 3% increase on 1 January in each year. We consider that in the market this would be reflected in a modest adjustment, which we consider to be 0.25%, so the yield to apply, we find, is 6.75%.
19. We find that the premium to be paid for the new lease is £21,597 as shown in the attached valuation.



John Hewitt
Chairman
16 February 2006

LEASEHOLD VALUATION TRIBUNAL'S VALUATIONS
In accordance with the Leasehold Reform, Housing and Urban Development
Act 1993 (as amended)

Flats 12 and 16
Hurstwood Court
Hall Lane
Upminster

Freeholder's Interest

Ground Rent		802		
YP 71 years	@ 6.75%	<u>14.6714</u>	11,766	
Reversion to virtual freehold		225,000		
PV £1 in 71 years	@ 6.75%	<u>0.00968</u>	2,178	13,944

Marriage Value

Value of virtual freehold			225,000	
Less				
Freeholder's Interest		13,944		
Existing Leasehold (87%)		<u>195,750</u>	209,694	
Marriage Value			15,306	
Share to freeholder 50%				<u>7,653</u>

Premium Payable

£21,597 each