

**LEASEHOLD VALUATION TRIBUNAL FOR
SOUTHERN RENT ASSESSMENT PANEL**

File Ref No: CHI/24UB/OCE/2004/0079

Leasehold Valuation Tribunal: Decision

Leasehold Reform, Housing and Urban Development Act 1993 ("the Act")

The Tribunal Members were:

Mrs H Bowers BSc (Econ) MSc MRICS

Mr J H S Preston JP FRICS

Mr C G Thompson

The Premises:

Flats 1-4 June Drive, Winklebury, Basingstoke.

The Applicants:

S Sheridan

S M & G E Shanley

J L Rust

D L B & M E E Jackson

The Respondent:

Michael Anthony Gorman

Date of Inspection and Hearing: Tuesday 25th January 2005

Valuation Date: 16th November 2004

Attendance

Mr S Collins MRICS (Baker Davidson Thomas)

Mr A Green (Neale Turk)

Mr & Mrs Shanley

Mrs Sheridan

1. Introduction

- 1.1 This matter relates to four maisonettes comprising 1-4 June Drive, Winklebury, Basingstoke and an order pursuant to section 26 of the Leasehold Reform, Housing and Urban Development Act 1993 ("the Act").
- 1.2 This application began in the Basingstoke County Court under claim number 4BK07569 as an action seeking the acquisition of the freehold of the property 1- 4 June Drive, Winklebury, Basingstoke (the subject property). The

Landlord, the respondent in this matter could not be traced. The matter was referred to us by the Court under an order dated 16th November 2004 (the Valuation Date) vesting the subject property in the names of the Applicants at a price to be determined by us. We were also required to approve the form of transfer.

2. The Law

- 2.1 Chapter I of the Act sets out the provisions for the collective enfranchisement of a property. Schedule 6 of the Act sets out the provisions for the calculation of the premium that is payable in respect of the freehold interest of the property.
- 2.2 Under Section 27 of the Act, there is provision for the payment into court, of any amount or estimated amounts that may be due to the Lessor, either from obligations in a lease or under a collateral agreement.

3. The Premises

- 3.1 Shortly prior to the hearing the Tribunal had the opportunity to carry out an inspection of the exterior of the premises and the interior of 4 June Drive.
- 3.2 There are two separate blocks housing 1 to 4 June Drive. The buildings date from the 1970's and are of brick and pitched tiled construction. The front block had PVC replacement bargeboards and it was noted that the second block had the original timber barge boards. There is an unmade access road to the properties, which also serves to provide access to two further properties at the rear of the site. Between the two buildings is a block of four garages, one garage for each maisonette.
- 3.3 1 June Drive is at the front of the property and is a ground floor maisonette with its own garden area. This unit has the largest garden of the four maisonettes. We were unable to make an internal inspection, but we believe that the accommodation comprises kitchen, reception room, two bedrooms and a bathroom. The unit has UPVc Double Glazed windows and we understand that the maisonette is heated with electric storage heaters.
- 3.4 2 June Drive is a first floor maisonette with its own garden area. We were unable to make an internal inspection, but we believe that the accommodation comprises kitchen, reception room, two bedrooms and a bathroom and it is heated with electric storage heaters. The maisonette has UPVc Double Glazed windows.
- 3.5 3 June Drive is a ground floor maisonette with its own garden area. We were unable to make an internal inspection, but we believe that the accommodation comprises kitchen, reception room with a conservatory leading off from this room, two bedrooms and a bathroom. The maisonette has gas central heating

throughout. Although most of the windows are Double Glazed we noted an original timber framed window.

- 3.6 4 June Drive is a first floor maisonette with its own garden area. We were able to make an internal inspection of this unit. The accommodation comprises kitchen, reception room, two bedrooms and a bathroom. The unit benefits from gas central heating and has UPVc Double Glazed windows throughout. The kitchen is fitted out with new units and is in good condition. The bathroom was being re-furnished at the time of our inspection and we believe that when the unit was recently purchased the bathroom contained the original 1970's fittings.

4. The Leases

- 4.1 In the papers submitted to the Tribunal the leases were stated to be as follows:

1 June Drive, a lease dated 24th August 1970, for 99 years from 1st July 1970 at an annual rent of £10.

2 June Drive, a lease dated 31st July 1970, for 99 years from 1st July 1970 at an annual rent of £10.

3 June Drive, a lease dated 18th November 1970, for 99 years from 1st July 1970 at an annual rent of £10.

4 June Drive, a lease dated 18th September 1970, for 99 years from 1st July 1970 at an annual rent of £10.

- 4.2 In each case the original Lessor was Michael Anthony Gordon. A copy of the lease for each property was supplied to us. Amongst other terms, the lessee is obliged to repair, maintain and insure the demised premises. The lessees are also liable to pay a fair and proper proportion of the costs of keeping the access road in good repair and for inspecting, cleaning, maintaining and repairing the drains, channels sewers and watercourses.

5 Hearing

Premium for the Freehold Interest

- 5.1 Copy of correspondence was provided dated 19th June 1970 from Messrs Potter and Kempson, the solicitors acting for the Lessor at the time, which indicated that the Lessor was to be liable for the preparation of an access road through the property. The specification indicated that the access road would be rolled and laid with "rolled hoggin" to a depth of twelve inches and that a tarmac surface would be subsequently provided. The Lessor never completed the tarmac surface work. The obligations under the leases are to pay a proportion of the maintenance once the work had been completed. It was proposed that the cost of providing a tarmac surface would now be in the region of £10 -£15,000.

5.2 Mr Collins presented his valuation report, a copy of the report had been previously sent to us. The Tribunal also had an opportunity to question Mr Collins and the following pertinent matters were highlighted to the Tribunal.

5.3 **The Term.**

The rent of £10 per maisonette provides a total rental stream of £40 per annum to which a yield of 8% is adopted, providing a figure of £500 for the term.

5.4 **The Reversion.**

Number 4 June Drive had sold in October 2004 at the asking price of £139,000. Mr Collins was initially using a valuation date of January 2005 and had therefore made a deduction of £1,000 from this sale price to reflect a fall in the market in the period of time since the transaction was completed. From this sale and from other comparables that were introduced, Mr Collins was of the opinion that the open market value of the four units, on a short lease basis, at January 2005 were:

1 June Drive	£136,000
2 June Drive	£136,000
3 June Drive	£139,000
4 June Drive	£138,000.

5.5 Mr Collins suggested that the value of various improvements to the various units could be based upon £3-5,000 for Double Glazing, £2,000 for central heating and £10,000 for a refurbished kitchen and bathroom. It was noted that units 1 and 2 have the original night storage heaters and that in units 3 and 4 this heating system had been replaced with gas central heating. The properties had been subject to varying degrees of refurbishment. Accordingly the short lease value of the maisonettes on an unimproved basis were:

1 June Drive	£121,000
2 June Drive	£121,000
3 June Drive	£121,000
4 June Drive	£120,000.

5.6 From the above figures a reversion of £3,860 was calculated.

5.7 **The Marriage Value.**

The evidence for marriage value that was presented to the Tribunal was direct market evidence. A number of flats in Brighton Way, Basingstoke with terms of between 60 and 65 years un-expired, had paid a price for a lease extension within a range of £5,000 to £13,000. The lease extensions were for a further 30 years at a peppercorn. A figure of £8,140 has been adopted for the marriage value element in this calculation.

5.8 From the above elements, it is the opinion of Mr Collins that the total value of £12,500 should be adopted as the premium for the purchase of the freehold interest in 1-4 June Drive. It was expressed that in the opinion of Mr Collins

there was not too much difference in capital values from January 2005 to November 2004 and accordingly the above figures could be adopted for the current valuation date. However, earlier mention was made of the fact that the Lessor had not fulfilled his obligation to tarmac the access road and that this fact would have some bearing on the price that could be achieved for the freehold interest.

Outstanding Amounts

- 5.9 No service charges had been demanded by the Respondent and to the knowledge of the Applicants there have not been any works carried out by the Respondent.
- 5.10 Mr Green indicated that the last rental payment made to the Respondent had been £5 for each maisonette in January 1995. No payment was requested or made in July 1995 and any other subsequent date.

Transfer

- 5.11 A copy of the transfer was made available to the Tribunal.

6. Decision

- 6.1 The sale of 4 June Drive provides us with excellent comparable evidence, especially as the transaction is only a month away from the valuation date. However, the sales figure needs to be adjusted to reflect the various improvements that have been carried out to the property. In general we agree with the range of values for the various improvements that was submitted by Mr Collins. Therefore we have made an adjustment of £4,000 for the Double Glazed windows, £4,000 for the full central heating and £7,000 for the refurbished kitchen. This leaves an unimproved short lease value of £124,000 for 4 June Drive.
- 6.2 The maisonettes are all very similar and we have therefore adopted the same value for the numbers 2,3 and 4 June Drive. The exception is 1 June Drive as this has the larger garden. For this unit we have adopted an unimproved value for a short lease of £125,000. This provides a total capital value for the subject premises on a short lease, unimproved basis of £497,000.
- 6.3 With regards to the long lease value, we note that evidence offered on the prices being paid on the lease extensions in Brighton Way. However, we do not have sufficient information in front of us to make any analysis of the data and we fear that it may be misleading. In the absence of clear open market evidence we prefer a more traditional approach to determine the long lease values of the four maisonettes. Given our knowledge of similar transactions and settlements we consider that with a term of 64.5 years un-expired there would be an uplift of 9% from the short lease value to the long lease value. Accordingly 1 June Drive would have a capital value of £136,000 and numbers 2-4 would have a capital value of £135,000. This provides a total capital value of £541,000 for the unimproved long lease value.

- 6.4 We are satisfied that the yield of 8% suggested by Mr Collins is reasonable and we have adopted this yield in our valuation which is shown in Appendix 1 to this decision.
- 6.5 With regards to the unmade road, we acknowledge the point that the Respondent is liable for the costs of bringing the road up to a specified standard. A potential purchaser of the freehold interest would note this obligation and make an adjustment in the price for the freehold. Therefore we have made a deduction of £5,000 to reflect this obligation.
- 6.6 No rent has been paid by the Lessees since January 1995. Therefore the annual rent of £10 for the period is payable under Section 27 of the Act. This provides total rental arrears of £100 for each of the maisonettes.
- 6.7 We note the rights and obligations of the four maisonettes in respect of the access road, which is described as being "coloured brown" on the lease plans. However, we are unable to commented on any further rights or obligations over this area in respect of any other property as this is beyond the scope of our consideration

7. **Determination**

- 7.1 By applying the figures determined above, the premium calculated for the freehold interest is £19,140. Appendix 1 provides details of the full valuation.
- 7.2 Outstanding amounts of £100 per maisonette are to be paid into court.
- 7.3 In respect of the transfer, the following wording needs to be added in Section 12. Additional Provisions: " A sum of £100 per flat is payable into the court to reflect obligations under Section 27 (5)(b) of the Leasehold Reform, Housing and Urban Development Act 1993."



Chairman
Helen C Bowers

1/3/05

Date

Appendix 1

Tribunal's Valuation 1- 4 June Drive, Winklebury, Basingstoke

Current Freehold Interest

Rent Received		£40p.a	
YP 64.50 years	@8%	<u>12.4125</u>	£496
Reversion to		£541,000	
PV in 64.50 years	@8%	<u>0.0069902</u>	<u>£3,781</u> £4,277

Marriage Value

Future Freehold Value	£541,000	
Future Leasehold Value	<u>NIL</u>	£541,000
Current Leasehold Value	£497,000	
Current Freehold Value	<u>£4,277</u>	<u>£501,277</u>
		£39,723
	@50%	£19,861
Marriage Value	£19,861	
Freehold Interest	<u>£4,277</u>	
	£24,138	
Less for Access Road Liabilities	<u>£5,000</u>	
	£19,138	Say £19,140

SOUTHERN RENT ASSESSMENT PANEL
LEASEHOLD VALUATION TRIBUNAL

Case No: CHI/24UB/OCE/2004/0079

Property: Flats 1-4 June Drive, Winklebury, Basingstoke

Between: S Sheridan, S M & G E Shanley, J L Rust and D L B & M E E
Jackson. ("The Applicants")

And

Michael Anthony Gorman ("The Respondent")

DECISION AND REASONS OF
THE LEASEHOLD VALUATION TRIBUNAL

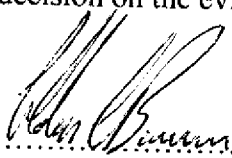
1. The Decision.

On reading the letter of appeal dated 1st April 2005 from Messrs. Neale Turk on behalf of the Applicants and upon considering the submissions therein contained, the Tribunal have reviewed the matter and HEREBY REFUSE LEAVE TO APPEAL against their decision dated 1st March 2005.

2. Reasons for the Decision

- i) In relation to the uplift figure adopted by the Tribunal of 9%, and the Applicant's expert placing a figure of 1%, this was addressed in the report submitted to and considered by the Tribunal. This is a decision that a Tribunal acting reasonably was entitled to make. There was no further information produced in the letter of appeal.
- ii) With respect to the second ground of appeal, in relation to the marriage value, there were no new issues raised by the letter of appeal. The submissions made in the letter were addressed at the hearing and were recorded in the decision.

In all the circumstances, the Applicants have failed to satisfy the Tribunal that its original decision was incorrect and the Tribunal is of the opinion that it was entitled to come to its decision on the evidence presented to it.

Chairman..........

Dated 3rd May 2005

Helen C Bowers BscEcon, MRICS, MSc Hist Con.

Member of the Panel appointed by the Lord Chancellor