

RESIDENTIAL PROPERTY TRIBUNAL SERVICE
LEASEHOLD VALUATION TRIBUNAL FOR THE EASTERN RENT ASSESSMENT
PANEL

Case Number: CAM/38UB/OAF/2005/0011

Leasehold Reform Act 1967 ("the Act")

In the matter of: 7 The Closes, Kidlington, Oxfordshire, OX5 2DP.

Parties:	Jaspal Singh Sangra	Applicant
	Missing Freeholder	Respondent

Representatives:
 Mr Gillespie MSc FRICS for the Applicant

Hearing Date: 17th January 2006.

Tribunal members:

Mrs H Bowers MRICS
Mr J J Sims LLM
Mr R V N Auger FRICS

Decision Date: 30th January 2006

Decision: Premium to be paid for the enfranchisement £1,400.

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1. Introduction

- 1.1 This matter relates to 7 The Closes, Kidlington, Oxford (the subject property) and an application pursuant to Section 27 of the Leasehold Reform Act 1967 ("the Act"). An application dated 25th October 2005 was made to the Tribunal following an order from District Judge Jenkins sitting at Oxford County Court, dated 30th September 2005.

2. The Law

Section 1 of the Act provides tenants of leasehold houses the right to enfranchise, if the tenancy is a long tenancy and at a low rent. Section 9 sets out the provisions to be considered for the calculation of the premium to be paid.

3. Inspection

- 3.1 Shortly prior to the hearing the Tribunal had the opportunity to carry out an inspection of the interior and exterior of the subject property. There was also an opportunity to make an external inspection of the two comparables mentioned in Mr Gillespie's report.
- 3.2 The subject house is part of a redevelopment of a period property, Manor Court, situated on the High Street, Kidlington. There are two pairs of semi-detached houses at the front and to the side of the main original house. Number 7 is one of these semi-detached houses and appears to have been constructed in the 1960's. The house is of a block wall construction, faced with stone. The walls continue to a parapet wall, behind which is a low pitched roof. The accommodation comprises a reception room and a dining kitchen on the ground floor and two bedrooms with a bathroom and WC on the first floor. The house has central heating and UPVc double-glazed windows throughout. There are small enclosed gardens to the rear and side of the house.
- 3.3 There are good sized communal gardens to the front of the development, which provides a very pleasing aspect to the subject property. There is a garage situated in a block of garages at the rear of the development.

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- 3.3 There are good sized communal gardens to the front of the development, which provides a very pleasing aspect to the subject property. There is a garage situated in a block of garages at the rear of the development.

4. The Lease

- 4.1 In the papers submitted to the Tribunal, there was a copy of the lease for the subject property. The lease is dated 6th June 1969 and the original parties to the lease are R. A. Ede & Sons Limited (the Landlords) and Wallace Alfred Partridge (the Tenant). Mr Sangha acquired the leasehold interest in the subject property on 24th July 2000.

5. Hearing

- 5.1 Prior to the hearing the Tribunal were provided with a report prepared by Mr Gillespie. Mr Gillespie attended the hearing and was able to go through his report and to answer the questions of the Tribunal.
- 5.2 Although we were not provided a copy of the application to the Oxford County Court, we were informed that this application was made on the 25th July 2005; hence the valuation date for the purpose of this case is 25th July 2005.
- 5.3 In deciding which valuation assumptions to adopt in carrying out the valuation under Section 9, Mr Gillespie considered the criteria of a long tenancy at a low rent. The investigations appeared to indicate that the 1973 Rateable Value of the house and garage was £186. The ground rent under the lease was fixed at £10.50 per annum. Accordingly, the property is to be valued under Section 9(1) of the Act.
- 5.4 In presenting his evidence of yields, Mr Gillespie acknowledged that the best source of information was from auction results. We were given a table of six auction transactions which gave a range of gross initial yields of between 1.17% and 6.56%. There are inherent problems when providing an analysis of this type of data, as all relevant factors are not immediately available. However in one case Mr Gillespie had managed to obtain copies of all the relevant leases, obtain capital values and was familiar with the property so was able to confirm that the transaction did not contain any hope value elements.

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The analysed yield obtained was 7.25%. Mr Gillespie confirmed that this single comparable was within the range of other comparables that he had analysed. A yield of 7% was adopted in the valuation submitted to the Tribunal.

5.5 With respect to the capital value of the subject property we were informed that the following transactions had occurred. In April 2004, 8 The Closes, sold for £151,500. This house would appear to provide very similar accommodation as the subject house. However, 8 The Closes has no enclosed gardens and only benefited from the communal gardens surrounding the development. Number 9, The Closes sold in November 2004 for £197,000. This house is very similar to the subject house, in that it had small enclosed gardens to the side and rear. This house provided slightly larger accommodation due to the construction of a ground floor extension. There were no planning details for this extension and it had been assumed that the house had been extended up to its permitted development rights. In the sales particulars that were provided it was also noted that the kitchen and bathroom of number 9 had been re-fitted. After making adjustments to reflect the improvements to number 9 and the difference in the market from the date of the sale to the current valuation date, Mr Gillespie placed a value of £185,000 on the freehold value of the subject house as at the valuation date.

5.6 Mr Gillespie took 40% as the percentage of the capital value of the house to derive the site value. The 40% was based upon a starting point of a norm of 33% and making an uplift to reflect the possibility of extending the property as has been demonstrated with 9 The Closes. The calculation produces a capital value of the site of £74,000. This was decapitalized at 7% to produce a modern ground rent of £5,180. The various elements of the valuation produced a premium for the enfranchisement of £1,407.

6. Determination

6.1 We are satisfied that the investigations carried out by Mr Gillespie showed that the criteria for a valuation under Section 9(1) had been met.

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6. Determination

6.1 We are satisfied that the investigations carried out by Mr Gillespie showed that the criteria for a valuation under Section 9(1) had been met.

- 6.2 The first valuation issue considered by the Tribunal was the yield to be adopted. We give far greater preference to open market transactional evidence than decisions of previous cases. We acknowledge that it is very difficult to provide evidence of yields and were pleased to see an analysis carried out by Mr Gillespie. We note that this was only one piece of evidence and ideally we would have preferred to see further details to support the opinion of Mr Gillespie. However, given our own knowledge of the market we are satisfied that the yield of 7% proposed by Mr Gillespie is not unreasonable.
- 6.3 It has been useful to have some direct comparable evidence as to the capital value of the house. The adjusted value of £185,000 suggested by Mr Gillespie was mainly based on the sale of 9 The Closes. This figure is certainly reasonable and may even be generous when considering the evidence of the slightly earlier transaction of 8 The Closes.
- 6.4 In respect of the site value, the Tribunal are satisfied that the 40% used by Mr Gillespie is reasonable. We noted his comments regarding the size of the garden and the potential to extend the house at some stage in the future. There is no doubt that there is some potential. However, it could have been argued that as the enclosed garden is very small any increase in the footprint of the house would have a significant impact on the garden and potentially the value of the house. In these circumstances we considered that the approach taken by Mr Gillespie had been reasonable and may be considered generous.
- 6.5 The overall approach taken by Mr Gillespie was well supported and did not take advantage of the fact that this is a missing landlord case. Mr Gillespie could have taken a far more aggressive approach to his valuation, but this would have only made a marginal difference to the premium. Instead it appears that a well balanced case has been presented. The Tribunal have carried out the valuation using the figures supplied by Mr Gillespie and this is re-produced in Appendix 1. There were some slight mathematical errors; hence the Tribunal's valuation has produced a premium of £1,400. The

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Tribunal determine that the premium to be paid for the enfranchisement of the house is £1,400.



Chairman

Helen C Bowers

30/1/06 .

Date

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Appendix 1

Valuation of 7 The Closes, Kidlington,

Existing Ground Rent	£10.50 per annum	
YP 60.94 years @ 7%	<u>14.0544</u>	£148

Reversion to Modern Ground Rent

Site Value @40% of £185,000 is £74,000

Decapitalized @7%	£5,180	
YP for 50 Years deferred 60.94 years @ 7%	<u>0.2236</u>	£1,158

Reversion to capital value of house	£185,000	
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PV of £1 deferred 110.94 years @ 7%	<u>0.0005</u>	£93
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Total Premium	£1,398
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Say £1,400

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