

**3 The Acorns
Wingrave Road
Aston Abbotts
AYLESBURY
Bucks HP22 4LT**

Mr J Childe
Eastern Rent Assessment Panel
Great Eastern House
3rd Floor
Tenison Road
CAMBRIDGE CB1 2TR

09 June 2005



Dear Jon,

Re: 33 Trevellance Way Watford

I now enclose the Decision in respect of the above matter to be sent out to the relevant parties.

Yours sincerely,


ANDREW A DUTTON

Copy

For Approval

ok.
DB

RESIDENTIAL PROPERTY TRIBUNAL SERVICE

**LEASEHOLD VALUATION TRIBUNAL FOR THE EASTERN RENT ASSESSMENT
PANEL**

**LEASEHOLD REFORM HOUSING AND URBAN DEVELOPMENT ACT 1993 (AS
AMENDED) SECTION 48 ("THE ACT")**

Ref: CAM/26UK/OLR/2005/0006

Property : 33 Trevellance Way Watford WD25 OLY

Parties : Mr Philip Wickett Applicant
BPT Commercial Trading Limited Respondent

Representations :

Applicant
Mr J F A Bateman Solicitor
Mr I McMellin MRICS for the Applicant
Mr B Meagher MIRPM for the Respondent

**Tribunal
Members : Mr A A Dutton Chair**
Miss M Krisko BSc(EST MAN) FRICS
Mrs S Redmond BSc ECON MRICS

Application Date : 28 January 2005

Hearing Date : 03 June 2005

Decision Date : 9 June 2005

DECISION

A. BACKGROUND:

1. By a Notice dated 19th August 2004 pursuant to s42 of the Act Mr Wickett, the Applicant, sought to exercise his right to extend his Lease. The proposals contained in the Notice were that the premium payable for the new lease should be £10,500.00 and that the terms of the new lease should be for 90 years from the expiry date of the old lease at a peppercorn rent and reflecting the terms contained in the existing lease and to supplemental deeds.
2. The Landlords Counter-Notice pursuant to s45 of the Act challenged only two of those issues. The first was the premium and the second was the expiry date of the lease. The Landlords counter proposal suggested a premium of £29,000.00 with an expiry date of the lease on 25 September 2139 as opposed to the Applicant's proposal for the expiry date to be 28 September 2139. There were no other terms that were in disagreement and the matter was referred to us for hearing on the 3 June 2005.
3. The Lessee holds the property under the terms of a lease dated 3 June 1954 for 99 years commencing on 25 September 1950. It provides for an annual ground rent of £8.8s payable quarterly and was the subject of two Deeds of Variation dated respectively 23 November 1972 and 20 July 1976.

B. ISSUES:

4. The parties confirmed that agreement had been reached in respect of the following matters.
 - The long leasehold value of the maisonette in an unimproved state of £146,000.00;
 - The condition of the property was agreed as were the improvements and the value of same at £6000.00;
 - The valuation date was agreed as 07 September 2004;
 - The remaining term of the Lease was agreed at 45 years;

5. The following Issues fell to be decided by the Tribunal:

- The existing short leasehold value
- The appropriate Yield rate
- The expiry date of the new lease

C. INSPECTION:

6. The Panel viewed the property on 3 June 2005. The maisonette was on the first floor of a two-storey purpose built block comprising four maisonettes in a pleasant and quiet residential location. The description of the property is set out in a Report prepared by Mr Ian Kevin McMellin MRICS and it is not necessary to go into great detail in this Decision with regard to our inspection. Suffice to say that the property was in good internal order with a modernised kitchen and bathroom as well as central heating and had a pleasant, if relatively small, rear garden. We noted the improvements that had been carried out to the property by previous leaseholders. It did not have off road parking or garaging.

D HEARING:

7. Before the hearing commenced Mr Meagher, who attended on behalf of the Respondents, made an application for adjournment. He told us that he had not received the hearing bundle from the Applicant Solicitors although he had received the Applicant's expert's report prepared by Mr McMellin. Mr Bateman, on behalf of the Applicant indicated that the reports had been sent to Mr Meagher as had the hearing bundle. Mr Meagher was shown those documents that were within the bundle which appear to have been common to the parties and he confirmed that he was happy to proceed with the hearing.
8. Mr McMellin then gave evidence in accordance with his report. We do not propose to recount in detail the contents of the report or the evidence that was given. However, the position from the Applicant's point of view was that the long lease value having been agreed, the issues to be decided were confined to the yield rates and the value of the existing leasehold interest. In that regard Mr

McMellin put forward a number of comparable properties in Trevellance Way and also at Alpine Walk in Bushey Heath. He particularly relied upon a comparable at 22 Trevellance Way, which had sold in January 2004 for £139,950.00 and was a property similar to the subject premises having at that stage some 48 years unexpired on the lease. He did not think that it was necessary to rely on any form of relativity data between the long leasehold and existing lease values to determine what the respect values may be, instead preferring to rely upon the comparable evidence that he had obtained. He did indicate that on his calculation if one considered the two properties at Alpine Walk in Bushey, one of which (number 4) had sold for £150,000.00 in October 2004 having some 49 years left on the Lease and another at 18 Alpine Walk which has sold for £180,000.00 in an improved state on a long lease, that the contrast between the two gave a relativity figure of somewhere in the region of 82%. However, he hastened to add that it did not in any way detract from his main argument that the best evidence for the short leasehold value was the comparable evidence that he had supplied which he said gave a valuation for the existing lease of £134,000.

9. We turn now to the question of yield rates. He told us that he had adopted a rate of 9% since he considered that the property was not generally one for which ground rent demand would be strong and was consistent with other Leasehold Valuation Tribunal Decisions.
10. We were also told by Mr McMellin, and confirmed by Mr Bateman, that Mr Wickett had in fact agreed a sale of his property at the price of £127,500.00 but that it had not proceeded because of this pending application.
11. Mr Meagher, on behalf of the Respondents, agreed that the valuation was not an exact science and that Leasehold Valuation Tribunal decisions were not a precedent but that they should be respected particularly when arriving at yield and relativity rates. He told us that he was prepared to move from the original figure of £29,000.00 which had appeared in the counter notice but that he was of the view that the relativity of 78% was fair when one took into account various

evidence to be gleaned from graphs, some of which he sought to produce at the hearing. Mr Meagher had prepared four calculations showing differing premiums that would be payable utilising different yield rates and different relativity rates. These calculations gave premiums varying from £29,000.00 to £18,000.00. He also relied upon some Leasehold Valuations Tribunal decisions that were not produced to us and were not, in truth, forcibly relied upon by him. He felt that the correct yield rate would be something in the region of 7% and drew some support for this figure from a decision of the Leasehold Valuation Tribunal for a property at 169 Westminster Drive, Westcliffe-on-Sea (in 2004) where we were told a yield rate of 7.35% had been determined by the Tribunal.

12. He also told us of three properties in Trevellance Way where his company had acted in connection with lease extensions where figures in excess of £25,000.00 had been paid for leases for 99 years from the date of the extension with ground rents rising by reference to the Retail Price Index on 25 yearly basis. Indeed he told us that in respect of 28 and 34 Trevellance Way the Lessees had respectively paid figures in excess of £30,000.00. He put these forward as an indication as to what could be achieved for lease extensions outside the Act. He did not suggest that these figures reflected the premium which should be paid in this case. He did not press for any particular yield rate or relativity rate but left that to the Tribunal to decide. He conceded that the expiry date of the new lease should be that proposed by the Applicant, namely 28th September 2139.
13. Mr Bateman on behalf of Mr Wickett made an application that the evidence of Mr Meagher should be disregarded for failing to comply with the terms of the Directions Order but we declined to do so. It appeared that nothing put forward by Mr Meagher had caught Mr McMellin unaware and he confirmed that he had spoken with Mr Meagher at some length by telephone and was not prejudiced by the late submissions by Mr Meagher.

E THE LAW:

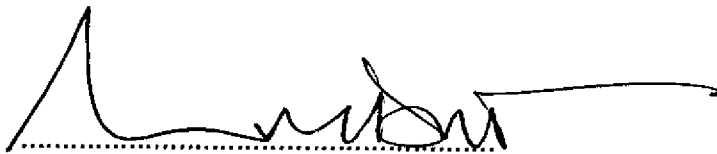
14. The terms of acquisition fall to be dealt with pursuant to s48 of the Act. The valuing process is contained at Schedule 13 of the Act which is linked with the obligations to grant the new lease under s56 of the Act. There is no dispute between the parties in this regard. There is no intermediate leasehold interest and our requirement was to determine the yield rate applicable and also the existing lease valuation.

F DECISION

15. We will deal firstly with the yield rate. Mr McMellin's evidence was short and to the point. Mr Meagher really had no evidence to give to us other than relying upon a Leasehold Valuation Tribunal decision at Westcliffe-on-Sea. From our own knowledge and experience we have concluded that a lease having a ground rent of some £8.40 per annum and being a single unit as opposed to a block, which might attract greater interest, would have a yield rate certainly above that suggested by Mr Meagher of 7%. We were prepared to accept in this case that a yield rate of 9% as argued for by Mr McMellin was reasonable.
16. We turn now to the value of the existing lease. We agree with Mr McMellin that if at all possible direct comparable evidence of short lease values is preferable to relativity graphs. Mr McMellin's evidence in that regard was essentially confined to number 22 Trevellance Way and the abortive sale of the subject maisonette. The two properties in Alpine Walk, of which we had limited information, were also of assistance. We had been told that in addition to the sum of £139,950.00 paid for 22 Trevellance Way, an extension of the lease, which was dealt with in May 2004, resulted in a further sum of £12,500.00 being paid. There was no indication that 22 Trevellance Way had been sold with the benefit of a Notice under the Act and the information available in respect thereof was somewhat limited.
17. We felt therefore that it was reasonable in this case to have regard to not only the comparable evidence given, somewhat limited though it was, which is no criticism of Mr McMellin, but also the relativity between the long and short lease

values. We considered also the evidence we had received in respect of the abortive sale of the subject premises. We also compared the values of the properties at 51 Trevellance Way which had sold with a lease of 93 years unexpired and with some improvements, at £153,000.00 and the actual sale of 22 Trevellance Way in January 2004 with the 48 year lease unexpired of £139,950.00. Taking these transactions into account a picture emerges of relativity levels applicable to this matter at around 83%, close to the 82% which Mr McMellin said arose when the properties in Bushey Heath were compared. That would give a value for the existing short lease of £121,200. That sits well with the subject premises' abortive sale at £127,500, which would be subject to deduction for improvements of the agreed sum of £6,000.

18. Applying the yield rate that we determined of 9% we conclude that the premium payable for the new lease is £13,956.00 as is shown on the Schedule attached.
19. The terms of the new lease are not in dispute save for the expiry date. As indicated above. Mr Meagher agreed that the date should be 28th September 2139. The parties are reminded of their obligations to resolve the completion of the lease as provided for under the Act. We were told that the parties had not yet been able to agree the costs payable to the Landlord pursuant to s60 of the Act. We will allow the parties 28 days from the date of this Decision to resolve that cost issue. If they fail to do so they must immediately thereafter make application to us for that matter to be determined. If they fail to do so, at the expiration of that 28-day period the Tribunal will give consideration to dismissing the application.



Chairman

Dated 9 June 2005

VALUATION FOR PREMIUM FOR NEW LEASE
Leasehold Reform & Urban Development Act 1993
33 TREVELLANCE WAY, WATFORD, Herts WD25 0LY

Agreed matters

Lease 99 years from 29th September 1950	45 years remaining
Ground rent	£8.40 p.a.
Valuation date	Date of notice - 7/9/05
Marriage value	50%
Extended lease (unimproved)	£146,000

Determined by tribunal

Existing lease (unimproved)	£121,200 (approx. 83% relativity)
Yield	9%

Diminution in Value of Freeholder's interest	£	£	£
Ground rent income		8.40	
YP 45 years @ 9%		<u>10.88120</u>	91
Reversion to freehold in possession		146,000	
PV £1 in 45 years @ 9%		<u>0.020692</u>	<u>3,021</u>
Freeholder's existing interest			3,112

Calculation of Marriage Value

Value of proposed interests:

Landlords'	Nil
Tenant's new 135 year lease at a peppercorn	146,000

Less value of existing interests:

Landlords'	3,112
Tenant's existing lease	<u>121,200</u>
Marriage Value	<u>124,312</u>
	21,688

50% marriage value attributed to landlord	<u>10,844</u>
Additional compensation	Nil

TOTAL PREMIUM PAYABLE

£13,956