

THE RESIDENTIAL PROPERTY TRIBUNAL SERVICE
THE SOUTHERN AREA RENT ASSESSMENT COMMITTEE
AND LEASEHOLD VALUATION TRIBUNAL

STATEMENT OF REASONS FOR THE
TRIBUNAL'S DECISION
ON THE 23rd OCTOBER 2003

Case Number: L51/03/H

Tribunal:-
Mr D Agnew, LLB, (Chairman)
Mr A J Mellery-Pratt, FRICS
Mr D Myers, FRICS

Property: 10 Lawn Road
Portswood
Southampton
SO17 2EY

Applicant: 10 Lawn Rd Residents Association Ltd

Respondent: Unknown

Inspection and Hearing Date: 23rd October 2003

1. The Application

1.1 The application before the Tribunal was for the determination of the terms upon which the freehold and intermediate leasehold of 10 Lawn Road, Portswood, Southampton, SO17 2EY ("the Property") are to be acquired by the Applicant under Sections 26 and 27 of the Leasehold Reform Housing and Urban Development Act 1993 ("the Act").

1.2 On 2nd July 2003, in the Southampton County Court under case number SO303531 between W J Carroll and Others – Applicants, and - Defendant, an Order ("the Order") was made in the form appended to these Reasons. It had been necessary for the Applicants to obtain the Order as they were unable to find the owner of the freehold and could thus not serve the requisite notice under Section 13 of the Act. Further, the intermediate lease held by Central Investment Properties Ltd which had originally been granted by Robert William

Jesson to Elias Evans on 20th February 1992, had been disclaimed by the Treasury Solicitor on 22nd November 2000 following the dissolution of Central Investment Properties Ltd.

- 1.3 By a letter dated 6th August 2003 from Messrs Bond Pearce, Solicitors, to the Tribunal Office, the Application to the Leasehold Valuation Tribunal to determine the terms of the acquisition was made pursuant to the Order.

2. Inspection

- 2.1 The Tribunal inspected the property prior to the hearing.
- 2.2 The property is a substantial three-storey detached building set in a self-contained plot close to the centre of Southampton and with car parking space at the front and side of the property. There is a garden to the rear. The original house was built in about 1890 but the third storey was constructed in about 1990 at about the same time as a ground floor extension to the rear of the original house.
- 2.3 The property is now divided into 6 flats: two on each floor. Those on the ground floor have two bedrooms, those on the first floor have one bedroom and those on the second floor are described by the Applicant's surveyor as one-bedroom flatlets.
- 2.4 The Tribunal did not notice any obvious easements which might affect the property.
- 2.5 The Tribunal was told by one of the flat owners who attended the inspection, Mr Coppen, that all the flats bar one had had new kitchens and bathrooms fitted and double-glazing installed, all at the Sub-Lessees' expense.

3. Tenure

- 3.1 As stated in paragraph 1.2 above the ownership of the freehold is not known and the Applicant was unable to furnish the Tribunal with any documents of title relating to the freehold.
- 3.2 The terms of the head-lease to Central Investment Properties Ltd were also not provided to the Tribunal but Office Copies of the entries on the Register at HM Land Registry showed that the lease was granted for 999 years from 29th September 1891 at a ground rent of £8 per annum.
- 3.3 A specimen under-lease in respect of Flat 2 was provided to the Tribunal. From this it was ascertained that the term was for 99 years from 25th March 1988 at a rent of £75 per annum

for the first 33 years, £200 per annum for the ensuing thirty-three years and £300 per annum for the remainder of the term. The tenants have internal repairing obligations and are required to pay a service charge of one-sixth of the landlord's costs in managing and maintaining the building. Since the dissolution of the intermediate landlord there has been no person or entity formally responsible for this maintenance which has been carried out voluntarily by one of the sub-tenants.

4. The Hearing

- 4.1 The Tenant's Surveyor, Mr Colin Wetherall BSc FRICS FNAEA, attended the hearing on behalf of the Applicant. There was no Respondent to the Application.
- 4.2 Mr Wetherall confirmed that his evidence was contained in his report of 13th November 2002, a copy of which had been supplied to the Tribunal, and that he had nothing to add or alter.
- 4.3 In that report Mr Wetherall set out his calculations resulting in an "Enfranchisement Price" of £5,195. Under questioning from the Tribunal he accepted that his valuation was almost one year old and that property values would have increased in that period. He also accepted that there was scope for adjustment downwards of his yield figure of 11% but he had taken that figure because on the last leasehold enfranchisement case he had dealt with the Leasehold Valuation Tribunal had accepted a figure of 10.5% and he considered that the figure for 10 Lawn Road should be slightly higher to reflect the problems concerning the lack of knowledge of the details of the title and the lack of documentation.
- 4.4 Mr Wetherall did not think that there were any matters other than price that the Tribunal was required to determine.

5. The Decision

- 5.1 The Tribunal first considered what was the correct valuation date. Section 126 of the Commonhold and Leasehold Reform Act 2002 has not yet been brought into effect and therefore the valuation date is that provided for in Clause 1(1) of Schedule 6 to the Act, namely the Tribunal's determination date.
- 5.2 The Tribunal next decided that on the disclaimer of the intermediate lease the freeholder's reversion was accelerated and the rights and obligations of the intermediate tenant were terminated. That being the case it was not necessary to value the interest of the intermediate tenant.

- 5.3 The Tribunal decided that the vacant possession value of the freehold was £500,000 as opposed to Mr Wetherall's November 2002 figure of £425,000. In coming to the figure of £500,000 the Tribunal took into account what it considered to be the value of the constituent flats at £100,000 for each of the ground floor flats, £80,000 for each of the first floor flats and £60,000 for each of the second floor flats, and rounded up the figure appropriately
- 5.4 The Tribunal decided that the appropriate figure for the yield should be 9% to reflect the drop in investment rates generally.
- 5.5 The Tribunal had to proceed on the basis that there were no onerous covenants or encumbrances on the title in the absence of any relevant documentation or evidence.
- 5.6 The Tribunal then made the following calculation as required by Sections 27, 32 and Schedule 6 of the Act:-

Ground rent	450	
17.5 Years Purchase @ 9%	8.64963	
	-----	3892
1 st Reversionary Profit Rent	1,200	
33 Years Purchase @ 9%	10.4644	
Present Value £1 17.5 years @ 9%	22153	
	<u>2.3181785</u>	2782
2 nd Reversionary Profit Rent	1,800	
33 Years Purchase @ 9%	10.4644	
Present Value £1 50.5 years @ 9%	<u>.012895</u>	
	.1349384	243
Reversion to vacant possession	500,000	
Present Value £1 83.5 years @ 9%	.80075	
	-----	375
		<u>7292</u>

say £7300

- 5.7 The Tribunal decided that the Enfranchisement Price would be £7,300, there being no Marriage Value or compensation.

5.8 The Tribunal did not consider it necessary to determine any other terms to be included in the Conveyance or Transfer save that the Applicants would be required to indemnify the existing freeholder from any breaches of covenant on the part of the Applicant after the date of the conveyance or transfer.

6. Conclusion

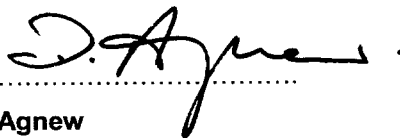
6.1 The terms for the acquisition by the Applicant of the freehold title to 10 Lawn Road, Portswood, Southampton, SO17 2EY subject to the existing leases are as follows:-

- (i) that the consideration for the acquisition of the freehold subject to the existing leases is to be £7,200;
- (ii) that the transferee will indemnify the previous freehold owner against any breach of covenant on the part of the transferee as landlord in respect of the existing leases as from the date of transfer.

6.2 In accordance with Section 27(3)(a) of the Act the Tribunal directs that prior to execution a draft form of conveyance shall be submitted to the Tribunal for approval.

Dated this 3rd day of November 2003

Signed:


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D Agnew
Chairman