

EASTERN RENT ASSESSMENT PANEL

STATEMENT OF REASONS FOR THE DECISION ON THE COMMITTEE WHICH MET ON MAY 21ST 2003 TO DETERMINE A FAIR RENT IN RESPECT OF 4 DENFORD ASH COTTAGE, DENFORD ASH, KETTERING, NORTHANTS NN14 4EW

File Reference No:	CAM/34UC/F77/2003/0020
Landlord:	Mr M C Bletsoe
Tenant:	Mr A C Lovelock
Existing Rent:	New Registration
Rent Proposed by Landlord:	£500 per calendar month
Rent Determined by Rent Officer:	£360 per calendar month
Rent Determined by Committee:	£405 per calendar month
Members of the Committee:	Mr Keith D McLean FRICS
	Mrs Indira Butcher
	Mr Peter A Tunley

THE PREMISES

The Committee inspected the property in the presence of the Tenant, but with neither the Landlord or his advisors in attendance. The premises comprise a semi-detached house of brick and tile construction, built in 1930 with a 1995 extension. On the Ground Floor there is a Lounge, Dining Room, Kitchen (with Pantry off) and Cloakroom/Shower Room, and on the First Floor there are 3 large Bedrooms and Bathroom/WC. The property has oil-fired central heating and double glazed windows. There is mains electricity and water, but only septic tank drainage and no gas supply. There is a large garden, with 2 stables (1 erected by the Landlord, the other by the Tenant). There is no garage, but ample off-road parking facilities. The property is situated in a small rural hamlet, with an open aspect over fields in 3 directions, being 2 miles of Thrapston and Raunds, 10 miles of Wellingborough and 12 miles of Kettering

THE TENANCY

Appears to be a Regulated Tenancy under the Rent (Agriculture) Act 1976, with the Tenant enjoying Security of Tenure under the Section 67 of Rent Act 1977, and Rent (Agriculture) Act, as amended by the Housing Act 1980. The Tenant's employment as a farm worker ceased in November 2002 after 28 years, having lived in the subject property since 1996, and in another house on the Estate from 1979-1996.

According to the Rent Register, the Landlord's liability for Repair is as set out in Section 11 of the Landlord & Tenant Act 1985. The tenant has carried out the following improvements of laminate flooring to the Kitchen and 1 Bedroom, and erected one of the exterior stables, which have been disregarded by the Committee in assessing the rental value of the property

THE APPEAL

The Rent Officer registered a rent of £360 pcm on February 14th 2003. On March 12th 2003 the Landlord wrote to the Rent Officer objecting to this registered rent, and asking for the matter to be referred to the Rent Assessment Panel. This formal application was made on May 6th 2003.

THE LANDLORD'S CASE

In his written submission, the Landlord (Mr Bletsoe) considered that the £360 pcm rent registered by the Rent Officer to be unrealistic, and £500 pcm was more appropriate. He quoted 3 comparables of semi-detached houses let on Assured Shorthold tenancies within one mile of the subject property:-

No. 1 Top Lodge Cottages - 3 bedrooms, downstairs Bathroom, Kitchen, Pantry/Utility, Lounge/Diner, big garden, detached garage oil-fired central heating, let at £525 pcm)

No. 2 Top Lodge Cottages - 3 Bedrooms, downstairs Bathroom, Kitchen, pantry/utility, Lounge/Diner, small garden, oil-fired central heating, let at £425 pcm)

Brooks Road Farmhouse - A 2 bedroomed detached cottage and barns, let at £700 pcm

Of the above 3 quoted properties, Mr Bletsoe considered No 1 Top Lodge Cottages to be the best comparable.

In reply to the points made by the Rent Officer, Mr Bletsoe stated that the property was not isolated, with 5 other dwellings being close by. The Rent Officer suggested a lack of amenities, but the house has ample mains services, although lacking street lighting. The house has considerably more character, and a much more picturesque and peaceful setting than most town properties, and therefore one would expect a higher rent to be achieved than a similar property in Town. The Rent Officer had acknowledged that the house was in good repair, with oil-fired central heating, and a 10 year 2-storey extension. Mr Bletsoe stated that there was not a massive demand for properties to rent in the area, and there is no shortage of houses to let

THE TENANT'S CASE

Mr Lovelock pointed out a damp patch to 2 bedrooms, possibly caused by defective chimney flashing. He commented on the isolation of the property, and lack of facilities, as well as the low water pressure due to only a half inch pipe serving 4 dwellings – the pipe was of lead, with a consequent health hazard if drinking the water. He also pointed out in a previous written submission that the Rent Officer was incorrect since the drainage was by septic tank (shared with the next door property, situated on the subject property) and not mains drainage as stated

Mr Lovelock in his written submission stated that he thought the Rent Officer's figure was fair, having regard to the isolation, and the distance to be travelled to shops, schools etc – all journeys have to be travelled by car, since there is no bus service, and

the nearest railway station was over 10 miles. Mr Lovelock was unable to quote any cases of comparable properties, beyond stating that he was aware of the 3 comparables quoted by the Landlord

THE LAW

Attached to this Statement of Reasons is a resume of the law as applied by the Committee. It forms an integral part of the Reasons of the Committee.

THE DECISION

1. The Committee considered the points and representations by the Landlord and the Tenant. Some prospective tenants could regard the setting/position of the property as a bonus since they would appreciate the seclusion that is offered, whereas others would regard the position a disadvantage by being isolated and with lack of shops/schools etc
2. The Committee also took into account the Tenant's comments on the damp patch to 2 bedrooms, plus his comments on the water supply and the fact that there is a shared septic tank drainage system on the property, which are factors that affect the rental value of the property. Similarly the Committee considered the observations by the Landlord that the house had considerably more character and a much more peaceful setting than found in most Town properties, plus the fact that the house was in good order, with oil-fired central heating and larger-than-average accommodation It also carefully considered the 3 quoted comparables.
3. The assessment of the Fair Rent starts with the assessment of the open market rent. The comparables quoted by the Landlord were very useful, and the Committee inspected the exterior of 2 of the properties that appeared to be the nearest comparables – Nos 1 & 2 Top Lodge Cottages. The Committee agreed that No 1 was the nearest comparable, but it is older, more isolated, smaller, the bathroom is on the ground floor, no Cloakroom/Shower Room, near farm buildings, there is no stable (but a garage) and it suffers from traffic noise from the nearby A14 trunk road.
4. Adding its Members' knowledge and experience to the evidence, it is the Committee's view that the open market value of this property with white goods and carpets/curtains is £500 pcm. The subject property has to be valued without the above benefits, and the Committee decided to make the deduction to reflect these matters. It should be noted that this figure cannot be a simple arithmetical calculation, but is the Committee's estimate of the amount by which the rent would need to be reduced to attract a tenant
5. As to scarcity the Committee noted the Landlord's representations, but did not accept them. It was decided that there was a substantial scarcity of similar dwelling-houses in the locality and a deduction would be made to reflect this. The matters taken into account by the Committee were:-

- a. The Committee interpreted the "locality" for scarcity purposes as being the whole area of Northamptonshire ie a sufficiently large area to eliminate the effect of any localised amenity which would, in itself, tend to increase or decrease the rent
 - b. The members of the Committee have many years of experience of the residential letting market between them and that experience leads them to the view that demand consistently exceeds supply for 3 bedroomed houses in the locality defined above
 - c. The Committee noted that there were many people on the waiting lists of Local Authorities and Housing Associations in the locality and that such lists are increasing. It was decided that whilst not everyone on those lists would be seeking a 3 bedroomed property in the private sector, a significant number would.
 - d. The Landlord's opinions on scarcity must be considered in the context that most letting agents ask for evidence of receipt of housing benefit, substantial deposits and/or guarantors. A significant proportion of prospective tenants would not be able to provide these things. It follows that many of the properties being marketed by such agents will not be available to all prospective tenants. That factor means that many agents' perspective of the market is likely to be a considerable distortion of the true market
 - e. House prices in the area have risen steeply recently which could be an indicator of increased demand for housing generally
6. Assessing a scarcity percentage cannot be a precise arithmetical calculation because there is no way of knowing either the exact number of people looking for 3 bedroomed houses in the private sector, or the exact number of such properties available. It can only be a judgement based on the years of experience of members of the Committee. That combined experience leads the Committee to the view that demand is particularly high for 3 bedroomed house in this locality and that the scarcity deduction is assessed at 10%.
 7. The Committee also considered whether there should be an addition to the fair rent to reflect the fact that, in theory, tenants may be prepared to pay more to obtain the less onerous decoration covenants which apply to assured shorthold tenancies. However there was no evidence upon which the Committee could rely to make such a finding. In any event, it is the Committee's experience that assured shorthold tenants who stay in a property for any length of time, do assume responsibility for internal decorations
 8. As to whether a tenant would pay more for obtaining security of tenure of a regulated tenancy as opposed to the lack of security which came with an assured shorthold tenancy, there was no evidence available to sustain such a proposition
 9. The Committee also considered whether it could be said that in theory, landlords build in an additional figure for the voids and letting fees which are inevitably incurred in assured shorthold lettings which would not be incurred with a

regulated tenancy. Once again there was no evidence upon which the Committee could rely to reach such a decision.

10. Fair rents have increased more than the rate of inflation in recent years. It has been caused, amongst other things, by the effect of the Housing Act 1988 and lower interest rates which have brought many more properties onto the letting market. Therefore the deduction which the Rent Officer has to make for scarcity has gone down quite quickly which has had the effect of pushing up fair rents up towards open market rents
11. Since this is a first registration, it not affected by the capping provisions under The Rent Acts (Maximum Fair Rent) Order 1999, which limits the amount by which the fair rent can be increased from the previous registration


SUMMARY

Open market rent for as 3 bedromed house in good condition with modern facilities	£500.00 pcm
Less deduction for lack of carpets/curtains & white goods	£50.00 pcm

Open market rent of subject property	£450.00 pcm
10% deduction for scarcity	£45.00 pcm

Fair Rent of subject property	£405.00 pcm

(The Rent Acts (Maximum Fair Rent) Order 1999 does not apply since this is the first registration of the property)


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K D McLean, Chairman

Caution

For the purposes of reaching a decision the Committee inspected the subject property. Such inspection is not a structural survey and takes only a few minutes. Any comments about the condition of the property in the Statement of Reasons are made as a result of casual observation rather than detailed inspection. Please do not rely upon such comments as a guide to the structural condition of the property.