

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

File Ref No: CAM/38UC/OCE/2005/0012

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 R Auger FRICS

Mr J J Sims LLM

The Premises:

132, Oxford Road, Littlemore, Oxford, OX4 4QP.

The Applicants:

Sarah Gillian Stow and Roger Goodburn

Respondent:

Shortlift Limited

Date of Inspection and Hearing: Monday 9th May 2005

Valuation Date: 18th October 2004

Attendance

Applicants:

Mr I Perry (Perry Bishop & Chambers) (Expert Witness - Valuer)

Respondents:

Mr L Nesbitt (Nesbitt & Mire) (Expert Witness – Valuer)

1. Introduction

- 1.1 This matter relates to 132, Oxford Road, Littlemore, Oxford (the subject property) and an application pursuant to section 24 of the Leasehold Reform, Housing and Urban Development Act 1993 (“the Act”).
- 1.2 On 17th August 2004, Miss Stow and Mr Goodburn served a notice on the landlords, Shortlift Ltd under section 13 of the Act. The premium proposed in the initial notice was £7,000. A counter-notice was served on 18th October 2004 by Shortlift Ltd that recognised the Applicant’s right to collectively enfranchise and proposing a premium of £33,400. An application was made on the 12th January 2005 to the Tribunal to determine the terms of acquisition that were in dispute between the parties.
- 1.3 No evidence or representations were made in respect of other matters raised in the application and in particular the transfer. These matters are therefore adjourned until 29th July 2005. Unless an application is made by either party for a hearing date to dispose of all outstanding issues by that date, the application relating to those issues will stand dismissed.

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.

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. Mr Perry representing the Applicants and Mr Nesbitt representing the Respondents accompanied the Tribunal.
- 3.2 The property is a purpose built semi-detached property that has two maisonettes, one situated on the ground floor and the other on the first floor.

The property dates from the 1960's and is of brick and rendered construction with a tiled roof. 132a, the ground floor maisonette has two bedrooms, a living room, kitchen and bathroom. The kitchen has been re-fitted and there is some double-glazing to this unit. 132b, the first floor maisonette has two bedrooms, a living room, kitchen and bathroom. In general the property is in fair order and is in its relatively original condition. There are gardens to the front and rear of the property and a narrow driveway providing access to the two garages situated at the rear of the property.

- 3.3 We also made a brief external inspection of 5a Hillsborough Close, which seemed almost identical to the subject maisonettes. This unit had the benefit of UPVc double-glazed windows. We also inspected 138a Oxford Road, again a similar unit, which also has UPVc windows, but appeared to be in need of some external decoration.

4. The Leases

- 4.1 In the papers submitted to the Tribunal, there were copies of the original leases. We only had partial copies of both leases. However, we understand that the lease for the lower maisonette is dated 29th November 1960 and is for a term of 99 years, from 25th November 1960 at an annual rent of £10. The lease for the upper maisonette is dated 3rd February 1961 and is for a term of 99 years from 21st January 1962 at a rent of £10 per annum.

5. Agreed Matters

- 5.1 The Valuers provided an agreed statement of facts in which the following matters have been agreed:
- i) The existing ground rent is £20 per annum and there is a period of 55 years unexpired on both leases.
 - ii) The capital value of both flats, freehold and with vacant possession is £280,000

6. Matters in Dispute

6.1 The following issues are still unresolved and were brought to the Tribunal for our consideration:

- i) The yield to be adopted on the term and reversion.
- ii) The relativity as between the current lease value and the freehold value.
- iii) The extent of the marriage value.
- iv) Accordingly the premium to be paid on the enfranchisement.

7 Hearing

7.1 At the beginning of the hearing Mrs Bowers informed the parties' representatives that she occasionally sat on the Southern Rent Assessment Panel with Mr Nesbitt's partner. Mr Perry also disclosed that he sat on the Southern Rent Assessment Panel, but had not had any professional contact with Mrs Bowers. Both parties agreed that there was no conflict of interest and were happy for the matter to proceed.

Applicant's Case

7.2 Yield.

In his valuation Mr Perry had adopted a yield of 7% for both the term and the reversion. At the hearing he did not provide any evidence to support his opinion and requested the tribunal to look into what was the correct yield to be adopted.

Relativity.

7.3 We were provided with details of two comparable sales. 138a Oxford Road sold on 21st October 2004 for £139,000. Additionally 134a Oxford Road sold for £140,000 on 16th September 2004. However, when questioned as to how long was the leasehold interest in these properties, Mr Perry was unable to provide any details. Additionally there was no information in respect of the internal condition of these properties.

- 7.4 Mr Perry provided a brief history of the marketing of the subject premises. In December 2002 the flats were marketed at £145,000 and in January 2003 a sale was arranged at £140,000, but the sale was not completed. In March 2003 an offer was made by an investor of £280,000 for the property, but this was not completed due to the situation in Iraq. In June 2003 the Estate Agent advised the applicants to turn down an offer of £230,000, as it was felt that to proceed on this basis would undersell the property. An offer of £135,000 was received for flat 132a in December 2003, but this did not complete. In light of the offers received and in consideration of the two completed sales, it is the opinion of Mr Perry that in this case, there is no differential between short and long lease values.
- 7.5 By adopting a yield of 7% and assuming that there is no differential between a lease with an unexpired term of 55 years and a long lease value, Mr Perry has calculated the premium for the enfranchisement of 132 Oxford Road to be £7,414. The relevant calculation is included in Appendix 1.

Respondent's Case

7.6 Yield.

Mr Nesbitt supplied no evidence as to the yield rate to be adopted. It was considered that in the opinion of Mr Nesbitt a yield of 8% was in line with other settlements that have been made and with other LVT decisions.

7.7 Relativity.

Mr Nesbitt was unable to provide any open market evidence of leases of flats with terms of 55 years unexpired. It was impossible to provide details of any transaction that was untainted by the 1993 Act. However, Mr Nesbitt had first hand knowledge of a case in Banstead, Surrey, which was considered by the LVT. In this case there was market evidence of short lease transactions. However, the LVT made an adjustment of 5% to reflect the effect of the 1993 Act and to bring the evidence in line with the requirements of the 1993 Act. A schedule was produced that detailed a number of cases with short unexpired terms and deductions to reflect the influence of the Act upon open market transactions.

- 7.8 In the present case there is no transactional evidence. The fact that there had been no sale completed on the subject property was an indication that there was a problem with the length of the lease remaining.
- 7.9 138a Oxford Road, which was mentioned by Mr Perry, was subject to a lease extension in October 2004 and a premium of £18,000 was paid for an extended term, but subject to a new ground rent of £200 per annum, subject to review by £100 every 25 years. At 5a Hillsborough Close, part of the same development, the lease was extended to a new 99 year lease and a premium of £16,750 was paid for the lease extension. The revised ground rent is £200 per annum, subject to review by £100 every 25 years. This long lease interest recently sold for £160,000.
- 7.10 Details of three LVT decisions were provided and these indicated that a relativity of between 78.1% and 80% were used on cases with terms of 52 to 55 years unexpired. A graph was produced, based on data extracted by LEASE to show that for lease terms with approximately 55 years unexpired an average relativity of 80% usual.
- 7.11 Mr Nesbitt's valuation is reproduced in Appendix 2 and indicates that the premium to be paid on the enfranchisement should be £30,200.

8. Determination

8.1 Yield.

We were not provided with any evidence in respect of the yield rate to be adopted. It was only the opinions of Mr Perry and Mr Nesbitt that the yield rates were 7% and 8% respectively. As a consequence of the lack of evidence before us, we were obliged to rely upon our own knowledge and experience and accordingly we adopted a yield rate of 8%.

8.2 Relativity.

Our preferred starting point would be open market transactions, subject to the fact that they would be affected by the 1993 Act. In this case there is no short lease transactions evidence. In our opinion the history of abortive sales on the

subject property is not evidence that the value of the short lease interest is equivalent to the asking price. In fact, we view that the lack of a sale in over two years of marketing is an indication that the short leasehold interests were overpriced. We particularly noted that there was an offer of £230,000 in June 2003 that was rejected by the Applicants. If this figure had been accepted it would have suggested a relativity of 82% between the short lease interests being offered and the agreed long lease values.

- 8.2 The information supplied by Mr Perry of market transactions for 134a and 138a Oxford Road is of limited help as for one transaction we do not know the lease length and for the other case we understand that there had been a lease extension. We consider that it is logical that a lease with a term of 55 years unexpired is a less attractive proposition compared to a long lease interest.
- 8.3 We are concerned about the lack of market evidence and that to rely on previous LVT decisions may result in the compounding of errors. However, this is the only useful information in front of us. Therefore we have relied upon our own knowledge of transactions and we are of the opinion that the relativity to be adopted by Mr Nesbitt is appropriate in this case. Our valuation is shown in Appendix 3.


9. Decision

- 9.1 The yield to be adopted is 8%.
- 9.2 The relativity between the long lease and short lease value is 80%.
- 9.3 Accordingly, the price to be paid by the Applicants for the freehold interest of the subject premises is £30,200.



Chairman

Helen C Bowers



Date

Appendix 1

Applicant's Valuation

Valuation of 132a Oxford Road

Existing Ground Rent	£10 per annum	
YP 55 years @ 7%	<u>13.9399</u>	£139.94

Plus

Reversion to full capital value	£140,000	
PV £1 in 55 years @ 7%	<u>0.254816</u>	<u>£3,567</u>
		£3,707

Valuation of 132b Oxford Road

Existing Ground Rent	£10 per annum	
YP 55 years @ 7%	<u>13.9399</u>	£139.94

Plus

Reversion to full capital value	£140,000	
PV £1 in 55 years @ 7%	<u>0.254816</u>	<u>£3,567</u>
		£3,707

Total Premium	£7,414
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Appendix 2

Respondent's Valuation

132a and 132b Oxford Road, Littlemore

Number of years unexpired	55.00			
Ground Rent	£20.00			
Yield	8%			
Value of Flat 132a with F/H				£140,000
Value of Flat 132b with F/H				<u>£140,000</u>
Total Freehold Value				£280,000
Value of existing leases	80%		£224,000	
Value of Freeholder's Interest				
Ground rent Income	£20			
Years Purchase	55 years @ 8%	<u>12.3186</u>		
			£246	
Reversion to vacant possession value	£280,000			
Present Value of £1 55 years @ 8%	<u>0.014511</u>	<u>£4.063</u>	<u>£4,309</u>	<u>£228,309</u>
Marriage Value				£51,691
Half share of marriage value	@ 50%			£25,845
Value of Freeholder's interest				<u>£4,309</u>
Enfranchisement Price				£30,155
			Say	£30,200

Appendix 3

Leasehold Valuation Tribunal's Valuation

132a and 132b Oxford Road, Littlemore

Number of years unexpired	55.00			
Ground Rent	£20.00			
Yield	8%			
Value of Flat 132a with F/H				£140,000
Value of Flat 132b with F/H				<u>£140,000</u>
Total Freehold Value				£280,000
Value of existing leases	80%		£224,000	
Value of Freeholder's Interest				
Ground rent Income	£20			
Years Purchase	55 years @ 8%	<u>12.3186</u>		
			£246	
Reversion to vacant possession value	£280,000			
Present Value of £1 55 years @ 8%	<u>0.014511</u>	<u>£4.063</u>	<u>£4,309</u>	<u>£228,309</u>
Marriage Value				£51,691
Half share of marriage value	@ 50%			£25,845
Value of Freeholder's interest				<u>£4,309</u>
Enfranchisement Price				£30,155
			Say	£30,200