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MIDLAND RENT ASSESSMENT PANEL

Leasehold Reform Act 1967

DECISION AND REASONS OF LEASEHOLD VALUATION TRIBUNAL ON APPLICATIONS UNDER S21 OF THE LEASEHOLD REFORM ACT 1967

Applicants: Mr and Mrs M.E.Oliver

Respondent: Coolrace Limited

Re: 13, Sunningdale Road, Sedgley, Dudley DY3 3PW

Date of Tenants Notice: 28th April 2004

RV as at 1.4.73: Less than £500

Applications dated: 22nd October 2004

Heard at: The Panel Office

On: 10th March 2005

APPEARANCES:

For the Tenant: Mr Anthony Brunt and Mr Harry Brunt

For the Freeholder: No appearance.

Members of the Leasehold Valuation Tribunal:

Mr. A.J.ENGEL (Chairman)
Mr. I.HUMPHRIES
Mrs. N.JUKES

Date of Tribunals decision: **12 APR 2005**

BACKGROUND

1. Mr and Mrs Oliver are the Tenants of the dwellinghouse and premises at 13, Sunningdale Road, Sedgley, Dudley, DY3 3PW (the Property). The Freeholder is Coolrace Limited.
2. The Property is held under a 99 year Lease from 25th March 1962 at a fixed ground rent of £25 per annum.
3. By Notice, dated 28th April 2004 (the relevant date), the Tenants gave to the Freeholder notice of their desire to have the freehold of the property.
4. Thus, the unexpired term of the lease, as at the relevant date, was 57 years.
5. By Notices, both dated 22nd October 2004, the Tenants applied to the Tribunal, under Section 21 of the Leasehold Reform Act 1967 (the Act) for its determination of:-
 - (a) The price payable for the freehold (under Section 9 of the Act); and
 - (b) The Freeholder's reasonable costs (under Section 9(4) of the Act).

WRITTEN REPRESENTATIONS

6. The Tribunal received written representations from Mr Anthony Brunt on behalf of the Tenants. No representations were received from or on behalf of the Freeholder.

INSPECTION

7. The Tribunal members inspected the Property on 10th March 2005.

HEARING

8. A hearing was held at the Panel Office, 10th March 2005, when Mr Anthony Brunt and Mr Harry Brunt appeared on behalf of the Tenants. There was no appearance on behalf of the Freeholder.
9. Mr Anthony Brunt made oral representations to the Tribunal, which accorded with his written representations - which representations were accepted by the Tribunal. He also submitted that the Freeholder's costs under Section 9(4) of the Act should be limited to £250 (plus VAT, if applicable) in respect of legal costs.

VALUATION

10. The generally recognised valuation method to derive the price payable for the freehold interest, accepted in *Farr v Millerson Investments Ltd* (1971) is:

- (i) capitalise the ground rent from the Date for the unexpired term of the Lease (57years);
- (ii) capitalise the modern ground rent (s15 of the Act), as at the relevant date, as if in perpetuity but deferred for the unexpired term of the Head Lease - 'as if in perpetuity' because, although the value of the modern ground rent is for a term of 50 years (as the extension to the Lease), the value of the freehold reversion in possession at the end of the fifty years' extension is ignored as being too remote to have a separate value for it. As no evidence of cleared sites is adduced, the modern ground rent is derived by the standing house method: by decapitalising the site value, as a proportion of the entirety value. The entirety value is the value of the freehold interest in the Property with vacant possession assuming it to be in good condition and fully developing the potential of its site provided always that the potential identified is realistic and not fanciful.

11. A *Haresign* addition - see *Haresign v St John The Baptist's College, Oxford* (1980) - is not appropriate in this case and indeed is, unlikely to be appropriate in any case having regard to the change in the law brought about by Section 143(1) of the Commonhold and Leasehold Reform Act 2002.

12. The Tribunal's valuation is as follows:-

Term		
Ground Rent	£25	
YP 57 years @ 7%	<u>13,9837</u>	£350
Reversion		
Entirety Value	£165,000	
Site Value (35%)	£57,750	
Section 15 ground rent @ 7%	£4,042.50	
YP in perpetuity deferred		
57 years @ 7%	<u>0.30201</u>	£1,221
		<u>£1,571</u>

COSTS

13. It is accepted that the Freeholder will incur legal costs; we agree with the representation made on behalf of the Tenants that these costs should be limited to £250 (plus VAT, if applicable). There was no evidence of any other costs which will be incurred by the Freeholder.

DECISION

14. We determine the sum to be paid by the Tenants for the acquisition of the freehold interest in the Property to be £1,571 (One thousand five hundred and seventy one pounds).
15. The amount of costs payable by the Tenants under Section 9(4) of the Act shall be limited to £250 (Two hundred and fifty pounds) in respect of legal costs (plus VAT thereon, if applicable). No other costs are payable by the Tenants under Section 9(4) of the Act.

Dated **12 APR 2005**

A handwritten signature in black ink, appearing to read 'A.J. Engel', with a long horizontal stroke extending to the right.

(A.J.ENGEL - Chairman)