

Notice of the Rent Assessment Committee Decision

Rent Act 1977 Schedule 11

Address of Premises

Greenstreet Farmhouse
Pound Lane, Shipley, Horsham,
West Sussex, RH13 8PQ

The Committee members were

Mr D M Nesbit JP FRICS FCI Arb (Chair)
Mr D J Myers FRICS
Ms J Dalal

Landlord

Mr C R Burrell

Tenant

Mr R Mantell

1. The fair rent is £575.00 Per CM (excluding water rates and council tax but including any amounts in paras 3&4)

2. The effective date is 14th January 2003

3. The amount for services is

N/A

Per

4. The amount for fuel charges (excluding heating and lighting of common parts) not counting for rent allowance is

£

N/A

Per

not applicable

5. The rent is not to be registered as variable.

6. The capping provisions of the Rent Acts (Maximum Fair Rent) Order 1999 do not apply because 1st registration.

7. Details (other than rent) where different from Rent Register entry

Nil

Chairman

Signed

DM Nesbit (Chair)

Date of decision

14th January 2003

SOUTHERN RENT ASSESSMENT PANEL

Full Reasons for the decision of a Rent Assessment Committee issued in accordance with Section 12 of the Tribunals and Inquiries Act 1971 and Regulation 10A of the Rent Assessment Committees (England and Wales) Regulations 1971.

Reference No: CHI/45UF/F77/2002/0062

Premises: Greenstreet Farmhouse
Pound Lane
Shipley
Horsham
West Sussex RH13 8PQ

Landlord: C R Burrell Esq
Knepp Castle Estate
C/o Estate Office
Knepp Castle
West Grinstead
West Sussex RH13 8LJ

Tenant: Mr R Mantell
Greenstreet Farmhouse
Pound Lane
Shipley
Horsham
West Sussex

Date of Decision: 11th December 2002

Members of the Committee: Mr D M Nesbit JP FRICS FCI Arb
Mr D J Myers FRICS
Ms J Dalal

A copy of the Decision has already been provided

Date: 28 March 2003

Southern Rent Assessment Panel
First Floor, Midland House
1 Market Avenue
CHICHESTER
West Sussex PO19 1JU

(Telephone No: 0845 1002617/01243-779394)

**GREENSTREET FARMHOUSE, POUND LANE, SHIPLEY,
NEAR HORSHAM, WEST SUSSEX**

Introduction

1. This matter was before the Committee following an objection on behalf of the landlords against a determination by the West Sussex Rent Officer of a fair rent of £575 per calendar month registered on, and effective from, 15th August 2002.
2. This was a first rent registration, and in their original application the landlords had proposed a rent of £1,200 per month. The rent payable was £6,400 per annum.

Inspection

3. The Committee inspected the property prior to the Hearing in the presence of the tenant, Mr R Mantell, and his wife, and the landlords' agents, Mr J Emrich. The Committee made a careful and detailed inspection of the property and grounds, noting the age, character, condition and state of repair of the property, its access and rural location.
4. In brief, the property comprises an attractive detached period farmhouse in a rural location approached by an extended unmade track shared with a neighbouring property. Internally, the property currently comprises porch entrance to, dining room, kitchen, an inner hall with access to bathroom and WC, lounge leading to a study with access to a room off on the ground floor. On the first floor are four double bedrooms.
5. There were grounds to the front with a former granary building and to the rear a store adapted as a workshop. The area to the rear backed on to woodlands where there was a public pathway.
6. Further relevant information regarding the property and its layout and terms of occupation are provided in these Reasons.

The Statutory Provisions

7. Section 70, Rent Act 1977, provides that in determining what rent is the fair rent for a property let under a regulated tenancy we must have regard to all the circumstances (other than personal circumstances) surrounding the letting. In particular, we are to have regard to the property's age, character, locality and state of repair.
8. Section 70 (2) of the Act requires us to take account of the letting market in the locality (which must be a substantial one) where the property is situated. We have to assume that the number of tenants looking for property to rent is roughly the same as the number of similar properties available. If there are, in our view, more tenants than properties, and if we consider that this has increased open market rents substantially, then we have to estimate the financial effect on open market rents of this "scarcity". In that case we must make an allowance when we fix the fair rent.

9. Section 70 (3) requires us to disregard certain other matters when we make our determination. First, we must disregard any disrepair or other defect because of a failure by the tenant under the regulated tenancy (or any of his predecessors under the same tenancy), to comply with any of its terms. Secondly, we must also disregard any improvement carried out by the tenant or any of his predecessors, except one that he was required to make by the terms of his tenancy. An "improvement" for these purposes usually includes the replacement of any fixture or fitting, but not a repair.

The Rent Acts (Maximum Fair Rent) Order 1999

10. The effect of this Order limits increases in fair rents to changes in the Retail Price Index. The capping does not apply where there is no previous registered rent or where, because of works carried out by the landlord, the increase in rental value exceeds by at least 15% the previous registered rent. We refer to the terms of this Order in these Reasons.

The Hearing

11. The landlords, Knepp Castle Estate, were represented by Mr J Emrich MRICS of FPD Savills Ltd, agents for the Estate. The tenant, Mr R Mantell, was present.
12. On behalf of the landlords, Mr Emrich had submitted written representations with details of comparable evidence, and copies had been provided to the tenant prior to the Hearing.
13. Mr Emrich explained this was the first registration of a fair rent for the property. Whilst he was not aware of the extent or amounts of discounts from a market rent, the Rent Officer's determination was too low. Mr Emrich maintained that a proper market rent would be £18,000 per annum, and in support he referred to the comparable properties included in his representations with photographs, and he provided additional information.
14. Mr Emrich explained that Greenstreet Farmhouse had previously been occupied by the Farm Manager for the Estate, but the property had been viewed as a liability, especially following a structural review and subsidence, the landlords had acknowledged that full repairing obligations on a tenant could not reasonably be enforced, and the tenant would not have been in a financial position to undertake such extensive work.
15. Mr Emrich understood that the property had no formal foundations, and acknowledged that the Estate did not have funds for extensive repairs likely to cost tens of thousands of pounds.
16. Mr Emrich acknowledged the majority of work undertaken by the tenant was prior to 1984, except for rewiring which had been carried out subsequently, and that whilst improvements had not been formally sought, the Estate would not have objected. Mr Emrich confirmed he had no experience of discounts for fair rent calculations, and he was not aware of any other similar property let on full repairing terms.
17. Mr Mantell with reference to permissions for work, confirmed that consent had been obtained in 1979 for the bathroom alterations, and in 1987 for works to the outbuildings.

18. Mr Mantell explained in detail the background to his tenancy, which had commenced in 1974, and to the grant of a lease for a term of 14 years from 29th September 1984 at an initial rent of £1,000 p.a. That tenancy was on the basis that the tenant keep the whole of the premises in good repair, provided that the tenant was not required to put the premises in a better state of repair than as at 20th September 1984, as noted by the Record of Condition attached to the lease.
19. Mr Mantell referred to letters received from the Estate advising him to leave in view of the serious state of disrepair. Mr Mantell confirmed he had remained and had undertaken extensive improvements. In particular, he referred to the storm in 1987 where the garage at the front of the building and at the head of the driveway had been demolished. That garage was really a small barn with space for four vehicles. In October 2001, there was a further storm where several trees were lost, and the roof of the rear outbuildings damaged. That roof has not been repaired and is covered by tarpaulins. That outbuilding was not useable.
20. As to the matter of rent, Mr Mantell had no specific observations or comment.
21. Both Mr Emrich and Mr Mantell responded to detailed questions, both from each other and from the Committee. We carefully noted those responses.
22. Mr Emrich provided additional information regarding the basis of the letting of comparable properties, as to the inclusion or otherwise, of amenities and improvements for the properties. Questioned about the previous state of disrepair, Mr Emrich acknowledged that the property may have been seriously unfit, and there had been no material changes to the property, other than works undertaken by the tenant. He accepted some prospective tenants could be put off, but that those who lived in that type of property were pragmatic. Despite previous reports as to disrepair, the building had remained insured.
23. Mr Mantell commented that the Schedule of Condition of 1984 did not refer to an inspection pit that had been dug within the study, and had been left uncovered for several years, to establish water table levels. Mr Mantell confirmed he had undertaken damp treatment to the floor, but there had been no underpinning.

Consideration

24. The Committee reviewed the case papers, their inspection notes, and the evidence provided at the Hearing, together with the written representations and additional information that had been requested during the Hearing, and which had been provided and copied to both parties.
25. This case is unusual and challenging, not only in respect of the age and character of the building, but because of the extensive repairs, alterations and work that had been undertaken by the tenant, together with the formal lease that had been granted with repairing obligations upon the tenant, subject to a Schedule of Condition.
26. There were further matters regarding the actual location of the property and the loss of the barn/garage which had not been replaced and, arising from the inspection and confirmed at the Hearing, the existence of a public right of way that passed across the rear grounds to the back of the main building, and the loss of privacy, which would need to be taken into account.

27. Greenstreet Farmhouse we were informed was originally a 16th c or 17th c cottage which had been extended in three phases, and was now a Grade II Listed Building. Whilst the property had the benefit of electricity and water, there was no gas, and drainage was to a cesspit. Electrical improvements had been made by the tenant. We have no doubt that the present character and farmhouse appeal has been generated by the considerable efforts of the tenant. The Committee particularly reviewed the lease terms and Schedule of Condition.
28. The Courts have decided that in the determination of a fair rent under the terms of Section 70, Rent Act 1977, the correct approach is to consider an open market rent for the property, and to make appropriate adjustments to establish the fair rent applicable to the regulated tenancy. The Rent Officer had not disclosed either the market rent or any calculations in deciding the rent registration of £575 pcm, effective from 15th August 2002.
29. We were assisted by the detail provided by Mr Emrich of comparable properties, and the lettings with which he or the Estate had been involved. Those tenancies ranged from £20,000 p.a. to £30,000 p.a. Reflecting the evidence, and having regard to our knowledge and experience of current market conditions, we concluded that the market rent for the subject property would be £2,000 per calendar month (£24,000 per annum), and on the assumption that the property was in good letting condition.
30. By "good letting condition" we mean what a prospective tenant would expect to find in a property of this nature and in this locality, and available to be let on the open market. Generally, such property would be in good structural and decorative order internally and externally, it would have the benefit of central heating and hot water in the kitchen, bathroom and cloakrooms, and would have fitted carpets and curtains. Additionally, the property would have updated kitchen and bathroom fittings, modernised services and "white goods", together with garaging.
31. Adjustments or discounts have to be made from the market rent we have determined, to reflect the absence of such items or amenities, or to reflect disrepair and the loss in rental value to the tenant of those matters.
32. We also need to make an adjustment to reflect the different obligations regarding repairs and condition between the usual open market shorthold tenancy and a regulated fair rent tenancy. An open market shorthold tenant usually has no responsibility for repairs and external decorations. A regulated tenancy is usually responsible for internal decorations and maintenance, subject to the statutory exceptions where they apply. A person taking a tenancy in the open market that imposed additional repairing and maintaining obligations would be prepared to pay less in rent than if the landlord was responsible. In this particular case, we have to reflect the terms of the lease, modified by the repairing covenant and the 1984 Schedule of Condition.

33. We are also required to disregard tenants' improvements. These improvements have been extensive and involving internal alterations. We heard much in evidence as to the serious state of disrepair in the past, as confirmed by the warning issued by the Estate indicating that the property was, at that time, potentially dangerous. We are in no doubt that it is due to the tenant's efforts and expense, and a diligent approach for the care and maintenance of a period property, that has done much to secure the future of the building and its occupation.
34. We have also considered whether there should be any allowance for the requirements of Section 70 (2), "the scarcity aspect". We have considered the market in Horsham and District, and the wider areas of West Sussex which is the really large area that the Courts have decided are appropriate, and the market conditions of supply and demand. We acknowledge there may be a more limited supply of period farmhouses of this nature available to be let, though the comparable evidence confirms there has been a supply, together with demand for such properties. On the evidence before us, and having regard to our knowledge and experience, we have determined that market rents have not been substantially inflated by any imbalance of supply for this type of property and tenant demand, and we have therefore determined that no deduction for "scarcity" is appropriate.
35. In making our calculations for the allowances or deductions in this case, we have taken into account the special features appropriate to this property, and the loss to the tenant of the absence of any particular amenity. We have given particular thought to the adjustments for the cost of the tenant's improvements and major works to the property, whereby we have to take a view of the cost of those works.
36. For the assistance of the parties we set out our calculations, on a weekly basis

Open market rent	-	£2,000 pcm	£461.50 p.wk.
Less, allowances and deductions for:			
Loss of privacy (public pathway, shared drive)	-	£50.00	
Loss of garage/store	-	£20.00	
Lack of carpets & curtains	-	£25.00	
Lack of 'white' goods	-	£10.00	
Original kitchen	-	£16.00	
Original bathroom	-	£10.00	
Internal height restrictions, room layout	-	£30.00	£161.00

Allowance for tenant's improvements

Internal decorations	-	£15.00
External decorations	-	£14.00
Structural work	-	£20.00
Sundry repairs	-	£40.00
New floor in SE room		
'& associated works	-	£9.00
Chimney repairs	-	£2.00

£100.00

Electrical services		
& heating	-	£20.00
Joinery works	-	£10.00
Damp treatment	-	£10.00
Roof & exterior	-	£28.00

£168.00

£329.00

Net rent £132.50

Allowance for Sec 70 (2)

-

Net fair rent £132.50 - £6890 p.a.

say £6,900 p.a.

The Rent Acts (Maximum Fair Rent) Order 1999

37. We have referred to the indexation limitation and capping of rent increases linked to changes in the Retail Price Index. In this matter, we are required to make a determination on the first registration of a fair rent for this property. The indexation provisions of the Order do not apply to first registrations, and consequently the property is exempt from the terms of the Order, for this registration.

Determination

38. We determine that the fair rent to be registered for the subject property shall be £6,900.00 per annum, and to be effective from 11th December 2002, the date of the Committee's decision.

Signed:



D M NESBIT
Chairman