

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

File Ref No: CAM/00MA/OCE/2006/0013

Leasehold Reform, Housing and Urban Development Act 1993

In the matter of: 42 Albion Road, Sandhurst, Berkshire, GU47 9BP.

Parties:	R I Grant-Fream	Applicant
	Fixed Return Investments Limited	Respondent
Appearances:	For the Applicant: Mr J S Gordon FRICS, Expert Valuer; For the Respondent: Mr R A Sadlier MRICS, Expert Valuer.	

Hearing Date: 17th July 2006.

Decision Date: 20th August 2006

The Tribunal Members:

Mrs H Bowers BSc (Econ) MSc MRICS
Mrs S Redmond BSc (Econ) MRICS
Mr J J Sims LLM

1. Introduction

- 1.1 This matter relate to 42, Albion Road, Sandhurst, Berkshire (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 3rd January 2006, a notice was served on the landlords, Fixed Return Investments Ltd under section 13 of the Act. The premium proposed in the initial notice was £5,400. A counter-notice was served on 8th March 2006 on behalf of the landlord that recognised the Applicant's right to collectively enfranchise and proposing a premium of £39,000. An application was made on the 7th April 2006 to the Tribunal to determine the terms of acquisition that were in dispute between the parties.

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 Gordon representing the Applicant and Mr Sadlier representing the Respondent accompanied the Tribunal. Mrs Grant-Fream, wife of the Applicant was at the inspection and the hearing.
- 3.2 The property is a detached house situated on the corner of Albion Road and Wellington Road. The area is a relatively quiet residential area and there is a school in the close locality of the property. The property appears to have been converted into two maisonettes at some stage in the past. The property dates from the

nineteenth century and is of painted brick construction with one side of the property clad in timber, with a pitched tiled roof. The ground floor maisonette has two bedrooms, a living room, kitchen and bathroom. The kitchen and bathroom have been re-fitted and there are replacement wooden windows to this unit. The first floor maisonette has three bedrooms, a living room, kitchen and bathroom. The bathroom leads off from the kitchen and this unit has the benefit of UPVc double glazed windows. There are gardens to the front, rear and the sides of the property and these are fenced off to provide separate garden areas for each of the maisonettes. There is a detached double garage to one side of the property with some off street parking.

- 3.3 After the inspection of the subject property, the Tribunal took the opportunity to make an external inspection of all the comparables mentioned in the two valuation reports.

4. The Leases

- 4.1 In the papers submitted to the Tribunal, there were copies of the original leases. The lease for the ground floor flat is dated 13th July 1966 and is for a term of 99 years, from 25th March 1966 at an annual rent of £10. The lease for the upper maisonette is dated 23rd September 1966 and is for a term of 99 years from 25th March 1966 at a rent of £10 per annum.

5. Agreed Matters

- 5.1 The following matters had been previously been agreed between the two Valuers:

- i) Valuation Date is 3rd January 2006.
- ii) The unexpired term for the two leases is just over 59 years.
- iii) The yield on the term at 7%.

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 reversion.
- ii) The long and short lease values of the two maisonettes.
- iii) Accordingly the premium to be paid on the enfranchisement.

7 Hearing

Applicant's Case

- 7.1 In his valuation Mr Gordon had adopted a yield of 7% for the term and 8.5% for the reversion. At the hearing he did not provide any evidence to support his opinion but suggested that it was a common valuation practice to make a distinction between the valuation of the term and the reversion.
- 7.2 Mr Gordon provided a brief history of the Applicant's interest in the property and detailed some of the improvements that have been carried out. He also highlighted a number of issues which had an impact on the capital value of the property. These issues included the quality of the sound proofing between the two maisonettes; the condition of the roof prior to extensive work being carried out by the Applicant; the stairs and the layout of the bathroom in the first floor maisonette that was having an impact on the property being let out; the location of the house on the corner of two roads and the noise implications of traffic in the vicinity and parking issues around the property.
- 7.3 Mr Gordon detailed to the Tribunal a number of sales of comparable properties in the area. Flat 4, 125 Yorktown Road was sold for £141,000 in October 2005, this is a two bedroom flat in a modern block, with parking but no garage and 93 years remaining on the lease. 3 Gothic Court, Albion Road, is on the market at an asking price of £154,950 for a 71 year lease. 14 Gothic Court is a two bedroom flat that sold for £143,000 in 2005. 14 Brittain Court is a flat with 71 years unexpired and is currently offered at £139,950. 12 Longdown Lodge is a two bedroom penthouse in a large country house development that sold for £180,000 in November 2005 for a lease of 77 years remaining.

- 7.4 In addition to the sales evidence, Mr Gordon produced correspondence from Chris Osment of Richard Worth Property Services that suggested that premiums paid for lease extensions in the area ranged from £1,500 to £5,000. Correspondence from Neville Pederson of Pedersen and Co, letting agents in Crowthorne confirmed that the freehold interest of 12 flats in Gothic Court was acquired in 2002 for £9,000. Additionally the freehold of 1-16 Brittain Court which comprised of one bedroom flats was acquired for £17,500 in 2004 and 17-32 Brittain Court was acquired for “somewhat less” than £17,500 in 2004.
- 7.5 From this information, Mr Gordon concluded that the long lease value of the two maisonettes were £140,000 and £145,000, producing a total long lease value of £285,000 and that the existing short lease values are £135,000 and £140,000, producing a total existing lease value of £275,000.
- 7.6 By adopting a yield of 7% for the term, 8.5% for the reversion, a long lease value for both maisonettes of £285,000 and a combined short lease value of the maisonettes of £275,000, Mr Gordon has calculated the premium for the enfranchisement of 42 Albion Road to be £7,606. Mr Gordon has then taken an overview of the evidence particularly from Gothic Court and Brittain Court and rounded his figure down to £6,000. The relevant calculation is included in Appendix 1.

Respondent's Case

- 7.7 Mr Sadleir has adopted a yield rate of 7% for both the term and the reversion. This is not based upon any actual evidence but has been taken from auction analysis carried out by Allsops and some auction sales.
- 7.8 Mr Sadleir drew the Tribunal's attention to the sale of 270 Yorktown Road, a two bedroom flat sold in 2005 for £160,000, this is a conversion, stated to be in a poorer location, the lease is a new 125 year lease. 1 Abbots Court where a sale has been agreed but not completed at a price of £177,000, this is a smaller flat than the subject maisonettes. From this information Mr Sadleir concluded that the freehold

value of both maisonettes was £353,500 and that the existing short lease value is £282,800 which is a 80% relativity between long and short lease interests. Mr Sadleir based his opinion of the differential between long and short lease values upon the Lands Tribunal decision of Shulem B Association Ltd in 2000 where a relativity of 78% was adopted in a case with a lease with an unexpired term of 60.75 years. Additionally Mr Sadleir had undertaken some analysis of a transaction involving two maisonettes in Sydenham. The analysis showed a differential of 17.8% from the short to the long lease values.

- 7.9 By adopting a yield of 7% for both the term and the reversion and a total long lease value of £353,500 and a total short lease value of £282,800, Mr Sadleir calculated the premium for the freehold interest to be £39,000 and this valuation is shown in Appendix 2.

8. Determination

- 8.1 It was noted that 7% was agreed between the valuers as the yield to be adopted for the valuation of the term. Mr Gordon then adopted 8.5% for the reversion in accordance with general valuation practice and to reflect the greater risk on the reversion. Mr Sadleir considered that it would be more appropriate to use 7% on the reversion. Having inspected the property, in the opinion of the Tribunal the freehold interest in the property has potential for further development. Although there is no particular valuation element attributable, we consider that a purchaser of this ground rent investment would take account of this potential in making their bid for the property and that accordingly the yield on the reversion would be 7%.
- 8.2 The evidence supplied by Mr Gordon in relation to the premiums for the leasehold enfranchisements in Gothic Court and Brittain Court is of limited assistance as we do not have the full details of all the elements of the valuation. This Tribunal has a preference to go through the conventional valuation process and trying to examine the various components in respect of open market evidence. They considered the best piece of open market evidence with regards to the long lease value is 270

Yorktown Road. Although this is a newly refurbished property, it is in a poorer location than the subject property and does not have the benefit of any garden and garaging. Balancing these factors, the Tribunal consider that the open market long lease hold value of the ground floor maisonette would be £160,000. The first floor maisonette has problems in respect of the stairs and the internal layout, however this maisonette is a three bedroom unit. Given these factors the Tribunal are of the opinion that the long lease value for this maisonette would be £160,000. The combined long lease value of the two maisonettes is determined at £320,000.

- 8.3 We were concerned that some of the evidence presented to us was for sales that had been agreed, but had not been concluded. In our opinion such evidence is of limited use. The only short lease evidence that we appear to have was in respect of 14 Gothic Court and we understand that this flat had an unexpired term of 71 years and sold for £143,000 in 2005. The subject property has terms of 59 years unexpired and this is a significant difference. Mr Gordon acknowledged that as leases become shorter it becomes more difficult to obtain mortgages. Using this comparable and taking account of the fact that the subject premises have shorter leases, but that although not a modern development the subject maisonettes have slightly larger accommodation, private gardens and the benefit of a garage then a value on each of the maisonettes of £128,000 would not be unreasonable. This would give a combined existing lease value of £256,000. This figure is equivalent to a relativity of 80%. Given the short length of the existing leases and based on our knowledge of this very artificial concept then this relativity of 80% is not unreasonable.

- 8.4 Applying all these factors in a valuation, the Tribunal have concluded that the premium for the freehold interest in this property should be £35,000. Our valuation is reproduced in Appendix 3.

9. Decision

- 9.1 The yield to be adopted is 7%.
- 9.2 The combined long lease value is £320,000.

- 9.3 The combined short lease value is £256,000.
- 9.4 The relativity between the long lease and short lease value is 80%.
- 9.5 Accordingly, the price to be paid by the Applicants for the freehold interest of the subject premises is £35,000.



Chairman

Helen C Bowers

Date 20/8/06.

Ground Floor

Term 1	£20	
YP in perp @ 7%	<u>13.44</u>	£269
Reversion	£230	
Capitalisation in perp @ 8.5%		
Deferred 59 years	<u>0.0955</u>	£22
Reversionary Value (in full repair but without improvements)	£285,000	
PV of £1 in 59.25 years @8.5%	<u>0.0081217</u>	<u>£2,315</u>
		£2,606
Add Marriage Value (£10,000/2)		<u>£5,000</u>
		£7,606

42/42A ALBION ROAD
SANDHURST
BERKSHIRE GU47 9BP

VALUATION AT 3 JANUARY 2006

FREEHOLD Subject to 2 Leases each for 99 years from 25/3/1966
at a ground rent of £10 p.a. each, thus expiring
24/3/2065 (59 1/4 years unexpired)

		£	£
<u>VALUE</u>	Present income	£ 20	
	59 years @ 7%	<u>14.02</u>	280.40
	Reversion to freehold	£350,000	
	+ 1%	<u>3,500</u>	
		£353,500	
	Deferred 59 years @ 7%	<u>0.01846</u>	<u>6525.61</u>
			<u>6806</u>
		say	£ 7000

<u>MARRIAGE</u>	Freehold value	£353,500	
	Less Present short lease value		
	@ 80%	£282,800	
	Freeholders		
	present interest	<u>7,000</u>	<u>289,800</u>
		£ 63,700 div 2	<u>31,850</u>
		=====	
			£ 38,850
			=====
		say	£ 39,000
			=====

**VALUATION FOR COLLECTIVE ENFRANCHISEMENT -
S.24 Leasehold Reform, Housing and Urban Development Act 1993
42 & 42A Albion Road, Sandhurst, Berkshire**

Date of valuation is 3rd January 2006
 Period unexpired approximately 59.25 years
 Ground rent - fixed at £10 p.a. each flat
 Term Yield - agreed at 7%
 Deferment rate - determined at 7%
 Virtual, unimproved, freehold values determined at £320,000 (£160,000 each)
 Relativity - determined at 80%. Value of the existing leases, unimproved, £25
 Agreed that there is no compensation payable under paragraph 5.

Value of Freeholder's current interest

	£	£	£
Ground Rent	20		
Years purchase for 50.25 years @ 7%	<u>14.02</u>	280	
Reversion to freehold in possession	320,000		
deferred 59.25 years @ 7%	<u>0.01806</u>	5,780	6,060

Calculation of Marriage value

Freehold value	320,000		
Less value of existing interests:			
Current Freehold interest	6,060		
leasehold interests	<u>256,000</u>	<u>262,060</u>	
Marriage value		57,940	
50% Marriage value			<u>28,970</u>
Total			£35,030
Total enfranchisement price		say	<u>£35,000</u>