

THE RESIDENTIAL PROPERTY TRIBUNAL SERVICE

**DETERMINATION OF THE LONDON LEASEHOLD VALUATION TRIBUNAL
UNDER SECTIONS 27(1)(b) OF THE LEASEHOLD REFORM, HOUSING
AND URBAN DEVELOPMENT ACT 1993 TO DETERMINE THE PRICE TO BE
PAID FOR THE FREEHOLD OF 3 AVONDALE ROAD EASTBOURNE**

Property: 3 Avondale Road, Eastbourne BN22 8JN

Applicants: Rodney Lawson and Megan Langley (tenants)

Respondent: Linda Elizabeth Woods (landlord)

**Determination without a hearing under Regulation 13 of the Leasehold Valuation
Tribunals (Procedure) (England) Regulations 2003**

Tribunal: Lady Wilson
Mrs J McGrandle BSc (Est Man) MRICS

Date of the tribunal's determination: 24 August 2006

1. This is an application under section 27(1)(b) of the Leasehold Reform, Housing and Urban Development Act 1993 ("the Act") by the qualifying tenants of two flats in 3 Avondale Road Eastbourne to determine, in accordance with section 27(5) of the Act, the price to be paid for the transfer of the freehold of the property. The landlord has, by an order of the Eastbourne County Court dated 24 March 2006, been held to be missing and the district judge has ordered that the freehold of the property will be vested in 3 Avondale Road (Eastbourne) Limited, a company formed by the applicants, at a price to be determined by the tribunal. This determination is made without a hearing under Regulation 13 of the Leasehold Valuation Tribunals (Procedure) (England) Regulations 2003. It is made by a London leasehold valuation tribunal because the valuer instructed by the applicants is a member of the local Southern Rent Assessment Panel from whom the tribunal to decide this case would normally be drawn
2. 3 Avondale Road is a two storey end of terrace which is said to have been built at the turn of the century, which has been converted into two flats, each with two rooms, kitchen, bathroom and separate wc. Both flats are held on a lease for a term of 99 years from 24 June 1977 at annual ground rents rising from £20 to £40 and £80 at 33 year intervals. Each tenant has carried out improvements since the grant of the lease which include the provision of kitchen fittings and central heating, and the tenant of the ground floor flat has renewed the bathroom. The valuation date for the purpose of the valuation is the date of application to the county court (see section 27(1)(b) of the Act). This date has been given as 24 March 2006, which seems unlikely, given that the vesting order was made on that date, but we are prepared to assume it to be 24 March 2006, at which date approximately 70 years remained unexpired on each lease.
3. The applicants have produced a valuation from Mr J N Cleverton FRICS of Stiles Harold Williams, surveyors and valuers, who has provided photographs of the property and floor areas. His evidence relating to the unimproved values is slightly ambiguous but he appears (see page 70 of the bundle) to propose unimproved values of £100,000 for the existing lease of the ground floor flat and of £95,000 for the first floor flat, and virtual freehold values of £105,000 for the

ground floor flat and £99,750 for the first floor flat, an uplift to freehold value of 5% in each case. To support these values he has provided a computer print-out of comparable transactions, all relating to properties in Avondale Road, and details of one further sale and of a mortgage valuation. The most recent sale is of what we assume to be a flat at 34 Avondale Road, sold for £154,000 in January 2006. Earlier sale prices achieved in 2004 and 2005 range from £85,000 to £162,000, but the length of lease, the condition of the property, and, indeed, whether the sales are of flats or houses, is not always stated. We are, however, told that a ground floor flat at 17 Avondale Road in fair order was valued in March 2006 for mortgage purposes at £95,000. Mr Cleverton bases his uplift to freehold value on recent tribunal decisions.

4. Mr Cleverton has adopted a yield of 7.5% for capitalisation and deferment, rates which, he says, tribunals have consistently adopted where there are long unexpired terms of modest ground rents and no possibility of other income as is, he says, the case with the present property.

Determination

5. We have so little information about the comparables that it is difficult to arrive at a value on the basis of them. However we consider that those sold at higher prices are likely to have been significantly improved, and we determine that the unimproved values of the existing leases, given that Schedule 6 to the Act requires us, by paragraph 3(1)(b), to value in a no-Act world in which it must be assumed that there is no right under the Act to a new lease, are £100,000 and £95,000.. We do not accept that the uplift to freehold value is as low as 5%. We accept that with lower value properties where purchasers are probably more concerned with the facilities which a property offers than with the length of the lease the uplift tends to be lower than may be the case with higher value properties. Nevertheless we consider that at 70 years or thereabouts there is a significant difference in value between leasehold and freehold values where the leases are assumed to be unenfranchiseable. In the present case, based on our own knowledge and

experience on which, as an expert tribunal, we are entitled to rely, we assess the uplift at 6%. Accordingly, the freehold values of the ground floor and first floor flats are, we determine, £106,000 and £100,700 respectively. We are prepared to accept that the deferment and capitalisation rates of 7.5% which Mr Cleverton has adopted are appropriate to this investment.

6. We therefore determine that the appropriate sum to be paid under section 27(5)(a) of the Act is £6997 in accordance with the following valuation:

Valuation of landlord's interest:

Ground rents		£40 p a	
YP 4 yrs @ 7.5%		3.349	
			£134
Ground rent		£80 p a	
YP 33 yrs @ 7.5%	12.107		
deferred 4 yrs @ 7.5%	0.7488	9.065	£725
Ground rent		£160 p a	
YP 33 years @ 7.5%	12.107		
deferred 37 yrs @ 7.5%	0.0688	0.832	£133
Reversion to freehold value	£206,700		
PV £1 70 years @ 7.5%	0.0063		<u>£1302</u>
<u>Total of freehold interest:</u>			£2294

Marriage value:

freehold value		£206,700
<u>less:</u> existing lease values	£195,000	
landlord's present interest	<u>£2294</u>	
		<u>£197,294</u>
Marriage value		£9406
Landlord's share @ 50%		£4703
Total price		£6997

7. We are also required by section 27(5)(b) to determine the amounts due to the transferor of the freehold at the date of transfer. The maximum ground rent due would in any event be six years' rent (*Re Howell's Application* [1972 Ch 509]). However, section 166 of the Commonhold and Leasehold Reform Act 2002 provides that a tenant under a long lease is not liable to make payment of rent under a lease unless the landlord has given him notice relating to the payment. We have no evidence that such notice has been given and we thus determine that no rent is payable in the circumstances. We therefore determine that the amount payable under section 27(5)(b) of the Act is nil.

CHAIRMAN.....

DATE: 24 August 2006