



**FIRST-TIER TRIBUNAL  
PROPERTY CHAMBER  
(RESIDENTIAL PROPERTY)**

**Case reference** : **RC/LON/00BB/0LR/2019/0488**

**Property** : **49A Macaulay Road London E6 3BJ**

**Applicants** : **Mr Humayoun Khan**

**Representative** : **Farani Taylor (Solicitors)**

**Respondent** : **Mr Dennis Richard Croome and  
Mrs Helga Croome**

**Representative** : **Not applicable (missing landlord)**

**Type of application** : **Application under Sections 50 and  
51 of the Leasehold Reform  
Housing and Urban Development  
Act 1993**

**Tribunal members** : **Ian B Holdsworth FRICS MCI Arb**

**Venue** : **10 Alfred Place, London WC1E 7LR**

**Date of paper  
determination** : **2<sup>nd</sup> July 2019**

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**DECISION**

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## **Decisions of the Tribunal**

- (1) The Tribunal determines that the price to be paid by the applicant for the lease extension is **£29,350**.
- (2) The terms of the draft lease are provided for in paragraph 14 below.

## **The Background**

1. This is an application under Section 50 of the Leasehold Reform Housing and Urban Development Act 1993 (“the 1993 Act”) pursuant to an order issued at the County Court at Brentford on 5<sup>th</sup> March 2019.
2. Section 50 of the 1993 Act concerns claims for lease extension where the relevant landlord cannot be found. It enables the court to make a vesting order in respect of any interests of the landlord which are liable to acquisition.
3. Under Section 51 of the Act, the role of the Tribunal is to determine the appropriate sum to be paid into Court in respect of the landlord’s interests and also to approve the form and terms of the proposed new lease.
4. The applicant in this matter is Mr Humayoun Khan. He is the qualifying tenant of the ground floor flat, namely Flat 49A Macauley Road London E6 3BJ (“the Property”). The respondent freehold owners are Mr Denis Croome and Mrs Helga Croome.
5. On 25 October 2018 the applicant issued a Part 8 Claim at the County Court at Clerkenwell and Shoreditch for a vesting order under Section 50(1) of the 1993 Act seeking to extend the lease under the terms of the Act. The applicant has been unable to ascertain the whereabouts of the respondent and was therefore unable to serve a notice on him pursuant to Section 13 of the 1993 Act.
6. The applicant has provided the Tribunal with a valuation report prepared by Mr Shakil Ahmed BA MSc MRICS dated 10<sup>th</sup> May 2019.
7. Mr Ahmed is of the view that the premium to be paid for the leasehold extension is £19,618.
8. The Tribunal requested by letter dated 21<sup>st</sup> May additional valuation information. The solicitors acting on behalf of the claimant sought an extension of time to comply with this request. The Tribunal granted two extensions of time with the second extension up and until 28<sup>th</sup> June 2019. No additional information has been supplied by the claimants despite these Tribunal requests.

9. The Tribunal are required by the County Court directions dated 5<sup>th</sup> March 2019 to make a determination on the premium payable and appropriateness of the proposed lease terms. The Tribunal has undertaken this task based upon the information placed before them, in conjunction with their knowledge and experience of the property market in the East Ham area. They have also had regard for recent and relevant Upper Tribunal decisions.
10. The Tribunal notes that no sales transaction evidence is provided in the submitted valuation report for current lease value to support the opinion of Mr Ahmed of the premium payable. There is no explanation for his reliance upon a single relativity graph in determination of the leasehold relativity. There is no reasoning to explain the deduction of £5,000 from long leasehold value to reflect tenant improvements. The valuation date is taken as 24<sup>th</sup> December 2018 when the correct valuation date is 25<sup>th</sup> October 2018, the date the claim was issued.

### **The Determination**

11. The Tribunal accepts the opinions expressed by Mr Ahmed in his valuation report dated 10<sup>th</sup> May 2019 save that:
  - (i) The valuation date is 25<sup>th</sup> October 2018 and the unexpired lease length is 62.18 years.
  - (ii) The reversionary ground rent income should be included within any compensation payable. This is disregarded by the expert in his submission.
  - (iii) There is no evidential basis for the deduction of £5,000 from the long leasehold value. The Tribunal makes no deduction for tenants' improvements and adopts a long leasehold value of £270,000.
  - (iv) The Tribunal adopts the guidance offered in *Cadogan v Erkman (2009) LRA/56/2007* that long leasehold value should be increased by 1% to reflect the enhanced value of a notional freehold.
  - (v) An allowance of £500 is made for the value of appurtenant land. No sum was included in the valuation prepared by Mr Ahmed.
  - (vi) No market evidence on current lease value is submitted in this case. The Expert relies solely upon data from the South East Leasehold relativity graph published in the RICS Research Report dated October 2009 on relativity. The reliability of the

RICS relativity graphs is criticised in the decision *Sloane Stanley v Mundy* {2016} UKUT 0233 (LC) and in *Mr Nick Mallory and others v Orchidbase Limited* {2016} UKUT 468.

- (vii) This Tribunal is not content to rely upon historic and discredited relativity graphs and places greater weight on the guidance given by the Upper Tribunal on relativity. The authorities given most weight in this decision are:
- *Sinclair Gardens Investments (Kensington Ltd)* [2017] UKUT 494 (LC), is a decision involving George Court, Chelmsford. The UT assessed a relativity of just under 82% for an unexpired term of 66.8 years. The Upper Tribunal relied upon the Savills 2016 graph as the source of this relativity; and
  - *Judith Reiss v Ironhawk Ltd* [2018] UKUT 311 (LC), a decision involving 76 Hampden Lane London N17 (Tottenham). The UT assessed a relativity rate of 86.9% for an unexpired term of 75.23 years. They concluded that there was no reliable local evidence, and again chose to rely on the 2016 Savills' unenfranchiseable graph.
- (viii) In determining relativity, the Tribunal must focus on the state of the market in East Ham at the valuation date. In the absence of any evidence of local transactions, we must consider what relativity graph was used by the local market at the time or which graph best reflects the operation of that local market.
- (ix) In our experience as an expert Tribunal, the local market in East Ham is different from Prime Central London. This reflects a range of factors. The market is less well informed. There is a greater demand for shorter leases.
- (x) It is also our opinion the market reflects recent Tribunal guidance on the calculation of lease extension premiums.
- (xi) We therefore take an average of the relativities for an unexpired term of years from the GE 2016 and

Savills 2016 graphs. This produces a figure of 81.0% as our starting point but adds 2% to reflect the local market conditions in East Ham.

(xii) The relativity adopted by the Tribunal is 83.0% for the current lease at the property.

12. The adjusted calculation has resulted in premium of £29,350. A copy of the Tribunal's valuation is attached to this decision.
13. Accordingly, the Tribunal determines that the premium to be paid in respect of the leasehold extension of 49A Macaulay Road London E6 3BJ is **£29,350**.
14. The Tribunal also approves the draft proposed lease included in the bundle pages 89-96 which has been submitted by the applicant, subject to the inclusion at paragraph LR7 **Premium** and section 1 of the lease that the consideration (the premium of £29,350) has been paid into court.
15. This matter should now be returned to the County Court sitting at Clerkenwell and Shoreditch Court under Claim Number EO5EC066 in order for the final procedures to take place.

Valuer Chairman Ian B Holdsworth FRICS MCI Arb

2<sup>nd</sup> July 2019

<b>Property: 49a Macaulay Road LONDON E6 3BJ</b>					
Reference: LON/00BB/OLR/2019/0488					
FTT valuation					
<b>Lease and Valuation Data</b>					
Lease Term:		01/01/1982			
Lease Expiry date:		31/12/2080			
Unexpired term as at valuation date:	✓	62.18	years		
Date of Valuation		25/10/2018			
Rent receivable by landlord:					
Payable from valuation date for 29.18 years	£	75			
Payable for second period 33 years	£	100.00			
<b>Values</b>					
Extended lease value on statutory terms	£	270,000			
Notional Freehold	£	272,727			
LHVP with current term unexpired	£	226,364	Relativity	83.00%	
Capitalisation rate (%)		7.00			
Deferment rate (%)		5.00			
<b>Value of Freeholders present interest</b>					
<b>Term 1</b>					
Ground rent payable	£	75			
YP @ 29.18 years @ 7%		12.30198	£	923	
<b>Term 2</b>					
Ground rent payable	£	100			
YP @ 33 years @ 7%		12.75379			
Deferred @ 29.18 years @ 7%		0.13886	£	177	
			£	1,100	
Reversion					
Freehold in vacant possession	£	272,727			
Deferred @ 62.18 years @ 5%		0.04813	£	13,127	£ 14,227
Current value of the freeholders interest					
Less					
Freehold value after leasehold extension	£	272,727			
PV of £1 in 152.18 years at 5%		0.00060	£	163	
Freeholders interest value					£ 14,065
<b>Marriage value</b>					
Value of flat with long lease on statutory terms	£	270,000			
Landlords proposed interest	£	163	£	270,163	
Less					
Value of Leaseholders existing interest	£	226,364			
Value of Freeholders current interest	£	14,227	£	240,591	
Marriage value	<b>Total</b>		£	29,572	
Division of Marriage Value equally between					
Freeholder			£	14,786	
Leaseholder			£	14,786	£ 14,786
Appurtenant land					
					£500
<b>Price payable to Freeholder</b>					
			<b>Total</b>	£	29,350
			<b>SAY</b>	£	29,350