



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

Case Reference : **CAM/11UB/OLR/2019/0093**

Property : **1 Shakespeare Orchard, Grendon Underwood
Aylesbury, HP18 0SQ**

Applicant : **Ian Lillico Smith and Julie Ambrozene Smith**

Representative : **Horwood and James LLP**

Respondent : **Coppen (Estates) Ltd**

Representative : **Elliot Mather LLP**

Type of Application : **Determination of the premium to be paid
under Leasehold Reform Housing & Urban
Development Act 1993**

Tribunal Members : **Mrs M Hardman FRICS IRRV (Hons)**

Date of Decision : **18 November 2019**

DECISION

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DECISION

- 1. The Tribunal determines that the premium payable for the lease extension for the property at 1 Shakespeare Orchard, Grendon Underwood Aylesbury, HP18 0SQ (the Property) is £13,353.**

Background

1. On 7 February 2019 the Applicants, Ian Lillico Smith and Julie Ambrozene Smith gave notice to the Respondent, Coppen (Estates) Ltd under section 42 of the Act seeking an extension for the lease to the Property. The notice of claim under section 42 indicated a proposed premium of £10,000.
2. On 10 April 2019 the Respondent landlord, Coppen (Estates) Ltd, served a counter notice under section 45 accepting the tenant's right to a new lease. They, however, rejected the proposal for the premium, instead suggesting a figure of £25,000.
3. A copy of the Lease dated 5 January 1987 between Wooburn Vale Developments Ltd and Messrs J & C Dabinett for a term of 99 years from 29th September 1986 was provided. The Applicants acquired the lease on 4 December 2013 under title number BM94125.
4. Copies of documentation in respect of a previous claim for a new lease by the tenant dated 5 August 2016 were also provided. After much exchange of correspondence this claim was abandoned and a new claim made on 7 February 2019. However, it appears from the correspondence and documentation supplied that a copy of the respondent's title was not available and that title may not have been registered with the Land Registry at the date of the new claim– or possibly since. The Applicant will want to clarify the position on this prior to proceeding.
5. Matters could not be agreed and an application was made to the Tribunal on 7th February under section 48 of the Act seeking a determination as to the premium to be paid. On the application the Applicant indicated that the level of premium proposed was £10,000 by the Applicant and £25,000 by the Respondent.
6. A directions order was issued by the Tribunal on 10 July 2019 indicating that the matter would be dealt with on the papers if a request for a hearing was not received by 23 August 2019. No such request was received. Amended directions were issued on 17 September 2019 extending time limits due to apparent failure of the Respondent to instruct their valuer to act.
7. The matter at issue is the premium for the extended lease.

The Law

8. The method of calculation of the premium under section 48 of the Leasehold Reform Housing and Urban Development Act 1993 is by reference to Schedule 13 of the Leasehold Reform Housing and Urban Development Act 1993

The Property

9. Valuation reports provided by Mr Keith Thompson of Thompson Wilson Chartered Surveyors for the Applicant and by John Francis of Crapper and Haigh Chartered Surveyors for the Respondent describe the property as a purpose build ground floor two-bedroom apartment built in 1987.

10. There are communal gardens and unreserved car parking.
11. The accommodation comprises Hall, living room, kitchen, 2 bedrooms and bathroom/wc.

Matters agreed

12. Valuers for the Applicant and Respondent have agreed the following matters.
 - Property description and accommodation
 - Date of valuation – 7 February 2019
 - Lease start date – 29 September 1986
 - Lease term – 99 Years
 - Unexpired term – 66.65 years
 - Deferment rate – 5%
 - Ground rent £268.47 per annum plus increases pro rata to increase in value when property sold
 - Capitalisation rate – 6%
 - 1% uplift from Extended Lease Value to Freehold Value

Matters to be determined

13. The matters that could not be agreed and that require to be determined are
 - The relativity between Freehold Value and Existing Lease Value
 - The unimproved extended lease value

And therefore, the Premium payable for the new lease.

Evidence

14. Mr Keith Thompson, Fellow of the Royal Institution of Chartered Surveyors and RICS Registered Valuer of Thompson Wilson Chartered Surveyors, Princes Risborough, Bucks supplied a valuation report on behalf of the Applicants
15. In order to arrive at this valuation, he had inspected the property, applied his knowledge of the area and identified two comparables.
16. Flat 6 Shakespeare Orchard, a first floor flat immediately above the subject property had sold on 6 March 2017 for £165,000. He does not state the length of the unexpired term of the lease nor was the Tribunal able to ascertain this.
17. Flat 2 Shakespeare Orchard, also a two-bedroom ground floor flat with a short lease equivalent to the subject property, was on the market at an asking price of £155,000 – which Mr Thompson believed to be excessive.
18. He had adopted a freehold valuation of £165,000, a long leasehold valuation of £165,000 and a relativity between freehold and existing lease value of 90.39% to arrive at an existing lease value of £149,143.

19. Adopting these values and applying the agreed matters he arrived at the premium to be paid of £13,350
20. Mr John Francis, Fellow of the Royal Institution of Chartered Surveyors of Crapper and Haigh Chartered Valuation Surveyors, Sheffield, South Yorks provided a valuation report on behalf of the Respondent
21. He had assessed the capital value of the existing lease at £165,000. He did not provide any comparables to support this valuation.
22. He did not believe there to be any market evidence to assist him in arriving at the extended lease value. He therefore adopted a relativity between freehold and existing lease value of 86.17% from the Savills Enfranchiseable Graph to arrive at a long leasehold value of £191,475 and a freehold value also of £191,475.

Determination

23. The valuers have helpfully agreed a significant number of the components of the valuation with the only outstanding issues being the relativity between the freehold value and the existing lease value and the extended lease value.
24. In respect of the existing lease value Mr Thompson suggests that at the date of his visit the property was in immaculate condition as the applicants had been refurbishing prior to letting. He states that for the purposes of his valuation he has to assume that the property is in the condition that it would have been in 1987 which is a very basic 2 bedroom flat with basic kitchen and bathroom, off peak storage heaters and timber windows.
25. The Tribunal does not disagree and having regard to the comparables supplied by Mr Thompson, and in the absence of any evidence or other support for his freehold valuation from Mr Francis, finds that the freehold value of the flat is £165,000.
26. The Tribunal notes that neither valuer was able to provide direct comparable sales evidence in respect of short leases of similar properties. However, it does find the asking price of £155,000 in respect of 2 Shakespeare Orchard helpful. It also finds the RICS 2009 Greater London and England, as adopted by Mr Thompson more appropriate given the location of the property. The 90.39% average which these tables produces a valuation of £149,144 – which the Tribunal believes is a fair reflection of the value of the existing lease.
27. Whilst the matters agreed refer to an agreement of 1% uplift from extended lease value to freehold value, in fact neither of the valuers appear to have actually adopted this adjustment in their valuations. The Tribunal has subsequently made no adjustment in its valuation from long leasehold to freehold in respect of the subject property
28. The Tribunal determines that, on the basis of the elements of the valuation set out above the premium payable for the lease extension of the property is £13,353

ANNEX – RIGHTS OF APPEAL

1. If a party wishes to appeal this decision to the Upper Tribunal (Lands Chamber) then a written application for permission must be made to the First-Tier at the Regional Office which has been dealing with the case.
2. The application for permission to appeal must arrive at the Regional Office within 28 days after the Tribunal sends written reasons for the decision to the person making the application.
3. If the application is not made within the 28-day time limit, such application must include a request to an extension of time and the reason for not complying with the 28-day time limit; the Tribunal will then look at such reason(s) and decide whether to allow the application for permission to appeal to proceed despite not being within the time limit.
4. The application for permission to appeal must identify the decision of the Tribunal to which it relates (ie give the date, the property and the case number), state the grounds of appeal and state the result the party making the application is seeking.

Appendix 1

Value of Landlord's existing interest						
Term 1						
Ground rent			£	268.47		
Years Purchase	66.65 years @		6.0%	16.3237		£4,382.42
Reversion						
	Freehold value		£	165,000		
Present Value of £1	66.65 years		5.00%	0.0387		£6,385.50
Value of Landlords existing interest						£10,768
Value of landlord's proposed interest						
New reversion						
Present value of £1 in	156.65 years @		5.0%	£ 165,000		
				0.0005		82.50
Marriage value calculation						
Value of Landlord's proposed interest						82.50
Value of Tenant's proposed interest					£	165,000
Sub-total						£165,083
Value of landlords existing interest					£	10,768
Value of tenants existing lease					£	149,144
						£159,912
Marriage gain						£5,171
Landlords 50% share						£2,585
Premium payable						£13,353