



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

Case Reference : **MAN/OOCG/OAF/2022/0035**

Property : **121 Fraser Road, Sheffield S8 0JJ**

Applicant : **Michelle Hayter**

Representative : **Banner Jones Limited**

Respondent : **Executors of T A Knowles, W Knowles, J Knowles and H S Knowles**

Representative : **Edmund Winder Watts Limited**

Type of Application : **Leasehold Reform Act 1967, Section 21(1)(a)**

Tribunal Members : **Tribunal Judge J.E. Oliver
Tribunal Member J. Faulkner**

Date of Determination : **20th January 2023**

Date of Decision : **2nd February 2023**

DECISION

Decision

1. The price payable for the freehold interest in 121 Fraser Road, Sheffield is £75.00.

Application

2. This is an application by Michelle Hayter (“the Applicant”) for the Tribunal to determine the price payable for the freehold interest in 1212 Fraser Road, Sheffield (“the Property”) pursuant to section 9(1) of the Leasehold Reform Act 1967 (“the Act”).
3. The Applicant holds the leasehold interest in the Property.
4. The Property is held under a lease (“the Lease”) dated 9th December 1938 for a term of 800 years from 25th March 1936.
5. The Respondents to the application are the freeholders who are the Executors of T A Knowles, W Knowles, J Knowles and H S Knowles.
6. The Applicant served a Notice of Tenant’s Claim to Acquire the Freehold pursuant to the Act (“the Notice”) on the Respondents agent, Edmund Winder Watts Limited by a letter dated 7th February 2022. There was no substantive response to the Notice and the Applicant thereafter issued her application to the Tribunal on 23rd August 2022
7. Directions were issued on 17th October 2022 for the parties to file and serve statements and a bundle of documents and for the matter then to be determined on paper without an inspection.
8. The Respondents did not file any documents as directed by the Tribunal.

The Property

9. The Tribunal relied upon the description of the Property given by Banner Jones Limited in their valuation sent by letter to the Edmund Winder Watts on 25th August 2022.
10. The valuation describes the Property as a three bedroomed semi-detached house, built in 1930 and “for Leasehold Reform Act purposes can be generously valued at £300,000”.

Submissions

11. Banner Jones Limited advised the ground rent payable under the Lease is £4.10 shillings per annum, equivalent to £4.50 per annum when decimalised. The remaining term is 715 years.
12. It was said there are no terms under the Lease to prevent a valuation pursuant to Section 9(1) of the Act. Consequently, the valuation only requires the freeholder to be compensated for their right to collect the existing ground rent for the remainder of the Lease. This is calculated as the ground rent of £4.50 deferred at a rate of 6.5% for 715 years, equivalent to £77.00.

Determination

13. The valuation date is the date of the Applicant's Notice which is 3rd March 2022. The Lease is for 800 years from 25th March 1936 and the Tribunal therefore agrees the unexpired term is 715 years.
14. The valuation approach under section 9(1) of the Act has three stages: (1) capitalise the annual rent until the expiry of the term; calculate the modern ground rent under a 50 year extension, capitalise this and then defer the capitalised sum, to the valuation date; (3) defer the market value of the standing house for the unexpired lease term plus the extended lease term of 50 years.
15. There are two possible relevant valuations that could be applicable to this property. The correct one is determined by the rateable value of the property at 31st March 1990. If that value was £500 or less then section 9(1) applies; if more than £500, section 9(1)(a) applies. Here, the Applicant has advised the rateable value at the relevant date was £137.
16. However, there will be no difference in the valuations. The market value of a property that has 715 years remaining will not reduce even if there was a notional extension of the lease of 50 years as provided by section 9(1).
17. The Tribunal accepts the valuation should be a simple capitalisation of the ground rent. The Applicant has provided a simple valuation for a ground rent of £4.50 for a remaining term of 715 years, subject to a deferment rate of 6.5%, giving a capital value of £77.00. The Tribunal notes this calculation is, in fact, incorrect. A capitalisation rate of 6.5% gives a Year's Purchase of 15.3864 (100/6.5). When multiplied by the ground rent of £4.50, this produces £69.23.
18. The Tribunal considers the widely accepted capitalisation rate of 6% should be applied, rather than 6.5%.
19. The Tribunal therefore determines that the price payable under Section 9(1) of the Act for the freehold interest in the Property is £75.00.

Tribunal Judge J Oliver
2nd February 2023