



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

Case Reference : **LON/00BK/OLR/2022/0583**

Property : **65 Grove Hall Court, Hall Road, London
NW8 9NY**

Applicant : **Benjavan Kridhadamrongdet**

Representative : **Mr Andrew Lester, MRICS of AML Surveys
and Valuation Limited**

Respondent : **Brickfield Properties Limited**

Representative : **Miss N Muir – Counsel and Mr R D Sharp
BSC FRICS**

Type of Application : **Application for a lease extension under
section 48(1) of the Leasehold Reform
Housing and Urban Development Act 1993**

Tribunal Members : **Judge Dutton
Mr R Waterhouse FRICS BSc (Hons)
LLM Property Law MA**

Date of Hearing : **28th February 2023**

Date of Decision : **22 March 2023**

DECISION

TRIBUNAL DECISION

The appropriate premium payable for the new lease is £189,072 as set out on the attached valuation schedule.

BACKGROUND

1. This is an application made by the Applicant leaseholder pursuant to section 48 of the Leasehold Reform Housing and Urban Development Act 1993 (the Act) for the determination of the premium to be paid for the grant of a new lease of 65 Grove Hall Court, Hall Road, London NW8 9NY (the Property).
2. By a notice of claim dated 2nd December 2021 served pursuant to section 42 of the Act, the Applicant exercised the right for the grant of a new lease in respect of the Property. At the time the Applicant held the existing lease granted on a term of 99 years from the 24th June 1997 at a current annual ground rent of £160 due to increase to £320 in June in 2043 for the remainder of the term. The Applicant proposed a premium of £135,000 for the new lease.
3. On 14th February 2022 the Respondent served a counter notice admitting the validity of the claim but counter proposing a premium in the sum of £237,095 for the grant of the new lease.
4. The Applicant made application to the Tribunal for the premium to be determined on 27th July 2022.

ISSUES

5. The following matters were agreed:-
 - (1) The valuation date is 3rd December 2021.
 - (2) The existing lease is for a term of 99 years from 24th June 1977.
 - (3) The unexpired term on the lease as at the valuation date is 54.55 years.
 - (4) The current annual ground rent is £160 due to increase to £320 on 24th June 2043 for the remainder of the term.
 - (5) The capitalisation rate is 6%.
 - (6) The deferment rate is 5%.
 - (7) The relativity was agreed at 74.27%.
 - (8) The Property is described as a first floor, self-contained flat in an eight/nine storey purpose-built block of flats thought to have been constructed in the 1930s and containing 40 flats. The Property consists of a reception room with open plan kitchen, three bedrooms, two bathrooms and a separate WC.
 - (9) The extended lease value, which is 99% of the freehold vacant possession value.
 - (10) The imperial gross internal floor area of the Property is 1,053 square feet.

MATTERS NOT AGREED

6. The following matter were not agreed:-

- (1) The parties disputed the internal layout of the Property. The Applicant valuer contended that the Property should be valued in accordance with the lease plan and the current layout reflects improvements, which should be discounted. The Respondent's valuer contends the Property should be valued in accordance with the current layout and no discount for improvement should be considered.
 - (2) The freehold vacant possession value (FVPV).
 - (3) The current lease value.
 - (4) The appropriate premium payable for a statutory lease extension.

THE HEARING

7. The consideration of this case took place on 28th February 2023 by way of video hearing to which the parties consented. The Applicant was represented by Mr Lester, who also provided the valuation report. The Respondent was represented by Miss Muir of Counsel with Mr Sharp as the Respondent's expert.
8. Neither party asked us to inspect the Property and we did not consider it necessary to do so. The experts' reports contained photographs both of the exterior, of the development and the interior of the subject Property.
9. In a bundle of documents provided prior to the hearing we were given a copy of the application and directions, notices served under section 42 and 45 of the Leasehold Reform Housing and Urban Development Act (the Act), copy entries of the freehold and leasehold title together with the existing lease and the Applicant and Respondent's expert valuation reports.
10. We heard firstly from Mr Lester on behalf of the Applicant. His report was dated 8th February 2023 and after giving details of the Property, his instructions his CV and the documents he had seen, he gave a background to the Property itself. He told us he had inspected it in July in 2021 and it was as described in the statement of agreed facts. It was suggested that the Property was well located in the heart of St Johns Wood with good access to facilities. The current accommodation was described as a reception room with open plan kitchen, three bedrooms, two bathrooms and a separate WC. This was a change from the original layout shown on the lease plan which appeared to indicate that there had been a reception room, separate kitchen, three bedrooms, bathroom and separate WC. Mr Lester's report confirmed that the gross internal floor area was 1,053 square feet.
11. The lease was said to be for a term of 99 years from 24th June 1977 and accordingly there was some 54.55 years of the term remaining at the valuation date, which had been agreed as 3rd December 2021.
12. Mr Lester first addressed the freehold vacant possession value (FHVP) and confirmed that he had undertaken research of flats thought to be comparable to assist him in this exercise. There were appendices attached to which he had made adjustments to the comparables that he put forward at 71, 52 and 45 Grove Hall Court. In addition, to provide some form of consistent approach, he had relied on two previous decisions of the First Tier Tribunal involving flats at Grove Hall Court heard in April of 2017. These related to flats numbered 25 and 128 Grove Hall Court. The schedule that he relied upon had in turn been based

upon the schedules to the decisions of the above cases again to provide some consistency in approach. He was of the view that 45 Grove Hall Court was the best comparable and he gave additional weight to this when compared to 52 and 71 Grove Hall Court. Having used these three comparables, which he adjusted both in respect of the time, condition, the level of floor of the property and to adjust for a notional freehold, gave him a range of rates per square foot, which he sought to apply to 65 Grove Hall Court.

13. His report went on to give some more details of the comparable properties at 71 and 52 Grove Hall Court as well as the property at 45 Grove Hall Court and the adjustments and weighting he applied. He had assessed a freehold price per square foot for the subject Property, based on the comparables and the weighting that he had given, of £996 which when applied to the internal floor area of the subject Property of 1,053 square feet, gave an FHVP of £1,048,788. There was then a good deal of discussion in his report on the question of relativity. We do not need to consider that because both valuers agreed that the appropriate relativity in this case was 74.27%, which we have accepted and we have applied.
14. Mr Lester doing these mathematics came up with a premium for the subject Property of £167,460.
15. In oral evidence to us and also the subject of cross-examination from Miss Muir, he touched on the question of the improvements and was of the opinion that the works that had been done to the Property by a predecessor in title did enhance the valuation. He confirmed during his evidence that he was happy to agree the adjustment of .5% for floor level and the 1% for freehold.
16. He was then asked why he had resiled from an agreed square footage in respect of No 45 Grove Hall in the previous decision that he had been involved in where a 1,000 square feet had been agreed. It was put to him that he had described 45 and 65 as being identical and therefore the same size and his request to attribute 1,000 square feet to 45 Grove Hall Court was inconsistent with the 1,062 size that he understood had been the area attributed by estate agents on a previous sale. Asked why he was not prepared to stick to the measurements that he had agreed at the hearing in the previous case, he thought that they may have been in error and that the estate agents may have got the correct figure.
17. There then followed deductions as to matters relating to condition and he was also asked why he had a deduction in the region of £75,000 for condition in relation to the subject Property when compared to 45 Grove Hall Court which he put down to improvements. He was asked whether there should be a greater adjustment between ground and first floor level and from first floor level upwards. Mr Lester had used a .5% for each floor although it was put to him that Mr Sharp had allowed a larger adjustment between ground floor and first floor level. He also accepted that smaller flats had a greater £ per square foot rate, particularly relying on a comparable that Mr Sharp had put forward of 185 Grove Hall Court.
18. Asked again about whether the changes to the subject Property had enhanced the value, he said he had no evidence to show the improvements had done so,

but it was his opinion. After some further questioning, Mr Lester amended the £ per square foot for the subject Property and slightly amended the weighting that he had given to Nos 71 and 52 as well as increasing the weighting to No 45 to give an amended FHVP of £1,053,211 which applying that amendment gave a premium payable of £168,120.

19. We then heard from Mr Sharp who has with Mr Taylor provided a detailed expert's report, which was dated 7th February 2023. This gave an introduction and summary of the case as well as the issues that we were required to determine. The location of the Property was given as was the description and he then moved on to provide the long leasehold value and freehold assessments. As with Mr Lester he had relied on 45 Grove Hall Court as the main comparable and included also by way of reference 52 Grove Hall Court, 71 Grove Hall Court and an additional one that was not used by Mr Lester, 185 Grove Hall Court. As with Mr Lester he had applied various adjustments to cover for condition, time and floor level.
20. In his report he cites No 45 as being the best comparable being sold only four months before the valuation date, a very similar flat, in the same section of the development albeit on the sixth floor as opposed to the first floor. In order to give more weight to 45 as a comparable he used £ per square foot rate of £1,170 which applied to the 1,053 square feet gives a figure of £1,232,010. Uplifted for freehold gives a value of £1,244,454 which he has incorporated into his calculation. He confirmed the relativity at 74.27%. The deferment rate and capitalisation rates had been agreed and applying these he came to the determination that the premium for the subject Property should be £198,357.
21. He confirmed that he made a slightly larger adjustment between ground and first floor than .5% and confirmed that one of the big differences between him and Mr Lester was the floor area applied to Flat 45. He said this should be 1,000 square feet as had been agreed at the previous decision and not the larger square footage that Mr Lester sought to argue for.
22. He was asked some questions by Mr Lester centring on the adjustments and a suggested value for a second bathroom which he had put at £50,000.

FINDINGS

23. We were very grateful to the parties' valuers for identifying three comparables which were agreed and so many elements of the valuation process. We were left only to assess the freehold vacant possession value of the Property and apply that to the agreed relativity.
24. We examined the lead comparable at 45 and noted that there had been disagreement between Mr Lester and Mr Sharp over the size to be used for analysis. At the previous FTT decision Mr Lester had agreed an area of 1,000 but now sought to place greater reliance on the size cited by agents in the sales particulars of 1,062 square feet. We find it somewhat strange that Mr Lester should seek to resile from a size that he himself had agreed for the subject Property at a different hearing, and in those circumstances we have applied, for the purposes of this decision, an area to No 45 of 1,000 square feet.

25. No 45 is on the sixth floor but the same elevation of the block as the subject Property. It was sold in August 2021 for £1,140,000, and both valuers agreed on the approach to index this for time to the valuation date of 3rd December 2021. Agreed indexation places the revised value of the comparable to £1,167,273 which when applied to the 1,000 square foot gives a rate of £1,167 per square foot.
26. The subject Property is on the first floor but No 45 is on the sixth. Both valuers agreed an approach of .5% increase in reflecting the increased amenity level as you proceeded up the building. The adjustment between the first and sixth floor is therefore 2.5% and when applying this to the comparable it needs an adjustment, which gives a rate per square foot of £1,137.82.
27. Other comparables were put forward by Mr Lester, namely Nos 71 and 52 which required more adjustment but were in our view useful in setting the context. These two comparables supported the adoption of the rate gleaned from the analysis of No 45 taking into account condition, size and floor area. The same could not be said of the additional comparables suggested by Mr Sharp of 185 as it was too small and did not provide the comparability that No 45 did supported by 71 and 52.
28. Applying the rate of £1,137.82 per square foot to the subject Premises which is 1,053 square feet, gives a value of £1,198,124.
29. The Act requires that the Property be valued disregarding any improvements made by the original tenant or successors. Those improvements of course have to be of value. No 45 had a double living room, kitchen with window, good condition kitchen fittings and a location of the kitchen across the hallway from the living room. There was a separate bathroom and three bedrooms, the largest having an en suite. In contrast the subject Property had a galley kitchen, two separate bathrooms but no en suites within the three bedrooms, although it did not seem to us it would be difficult to create some form of bathroom/en suite facility.
30. It had been suggested by Miss Muir that the alteration to the flats may have taken place before the grant of the lease based on the assessment that the lease plan was different to that which was on the ground. It seems to us it is highly unlikely that alterations would have taken place between the preparation of the plan for the lease and the works that were carried out to amend the internal areas and, in those circumstances, we prefer to accept on the balance that the alterations occurred subsequent to the original granting of the lease and as such any new value attributable to them would require to be removed.
31. The original layout had a kitchen, which was remote from the living room, and had a single bathroom. We felt on balance that the alterations made to the subject Property did amount to an improvement and that adjustments were required. The first of the lead comparables No 45's layout was with a double living room and kitchen accessed across the corridor, separate bathroom and an en suite. This differed to the subject Property. In our view the subject Property's layout at the date of valuation is slightly poorer so we have allowed

an adjustment of £12,500 to the value, reducing the £1,198,124 to £1,185,624. We consider this to be, in our opinion, reasonable. However, a further adjustment is required to take the value back to reflect the original condition of the subject Property, as granted. The original layout comprised one bathroom and kitchen, with living areas at opposite ends of the flat This contrasted with that of current layout with the improved galley kitchen and location. We consider that a further adjustment for this is required and doing the best we can we have come to the decision that this should be £12,000 which reduces the long leasehold value to £1,173,624. We then applied the agreed freehold uplift of 1% and as both valuers have helpfully come to the same view on the question of relativity of 74.27%, this gives the existing lease value of £880,455.

32. Accordingly, we determine that the price payable for the freehold of the subject Property is as set out on the attached valuation, namely £189,072.

Andrew Dutton

Judge:

A A Dutton

Date:

22 March 2023

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.

65 Grove Hall Court, Hall Road, London NW8 9NY

Valuation date	3 rd December 2021
Lease details: 99 years from 24 June 1977	
Lease term remaining at date of valuation	54.55
Capitalization rate	6
Deferment rate	5
Gross internal floor area (sq feet)	1053
Adjusted rate per square foot	£1137.82/ sq ft
Freehold vacant possession value (FHVP)	£1,185,478
Long leasehold value (99% of FHVP)	£1,173,624
Relativity	74.27%
Current lease value (FHVP multiplied by the relativity percentage)	£880,455

As existing

				£	£	£	£
Annual ground rent (AGR)				160			
YP for	21.55 years@	6%		<u>11.9187</u>	1907		
Reversion to AGR				320			
YP	33 years @	6%	14.23022961				
PV of £1 for	21.55 years @	6%	0.284877798	<u>4.0539</u>	1,297		
Reversion to FHVP				1,185,478			
PV of £1 for	54.55 years @	5%		<u>0.0698431</u>	<u>82,797</u>		
Current value of freeholder's interest before granting lease extension						86,001	

After grant of lease extension

				£	£	£	£
Annual Ground Rent				0			
YP for	144.55	6%		<u>16.66</u>			

	years @						
Reversion to FHVP				1,185,478			
PV of £1 for	144.55 years @	5%		<u>0.0008651</u>	<u>1025</u>		
Value of freeholders interest after lease extension granted						1,025	
Diminution in value of freehold interest as a result of granting lease extension							84,976
Marriage Value							
Value of leaseholder's interest after lease extended				1,173,624			
Value of freeholders interest after lease extended				1,025	1,174,649		
Less							
Current value of freeholders interest				86,001			
Current value of leaseholders interest				<u>880,455</u>	<u>966,456</u>		
					208,193		
Marriage value at 50%							<u>104,096</u>
Total							<u>£189,072</u>