



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

**Case Reference** : **MAN/00BY/OAF/2024/0007**  
**MAN/00BY/OAF/2024/0008**

**Property** : **44 Holmes Street, Liverpool, L8 0RJ**  
**59 Holmes Street, Liverpool, L8 0RH**

**Applicant** : **Newleaf Housing Co-operative Limited**  
**Representative** : **Andrew Orme of Monument Square**  
**Limited T/A Orme Associates Property**  
**Advisers**

**Respondent** : **Liverpool City Council**

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

**Tribunal Members** : **J Fraser FRICS**  
**H Thomas FRICS**

**Date of Determination** : **14<sup>th</sup> May 2025**

**Date of Decision** : **20<sup>th</sup> May 2025**

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**DECISION**

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**(1) The Tribunal determines that the price to be paid, in accordance with section 9 of the Leasehold Reform Act 1967, for the freehold interest in 44 Holmes Street, Liverpool, L8 0RJ is £3,941. This does not include the freeholder's statutory costs.**

**(2) The Tribunal determines that the price to be paid, in accordance with section 9 of the Leasehold Reform Act 1967, for the freehold interest in 59 Holmes Street, Liverpool, L8 0RH is £3,352. This does not include the freeholder's statutory costs.**

## **REASONS**

### **Background**

1. The Tribunal has received two applications under s.21(1)(a) of the Leasehold Reform Act 1967 ("the Act") to determine the price payable for the house and premises in accordance with s.9 of the Act. The applications have the same parties. The Applicant in each case is Newleaf Housing Co-operative Limited ("Newleaf") and the Respondent is Liverpool City Council ("LCC"). The subject properties are 44 Holmes Street, Liverpool, L8 0RJ ("44 Holmes Street") and 59 Holmes Street, Liverpool, L8 0RH ("59 Holmes Street"). On 23 April 2025 the Applicant made a case management application that the two applications be heard together. This was agreed to by the Respondent and the Tribunal has determined the applications jointly. The issues in dispute are common to each of the applications.
2. The Tribunal gave directions to the parties for bundles to be prepared to include a statement of case including any valuation. Additionally, the Applicant was also directed to provide a copy of the application form, the lease and claim notice. The parties were given permission to rely on expert evidence from one valuer each. The parties were directed for their respective valuers to discuss the case and to provide a joint statement to the Tribunal setting out the matters agreed and those that remain in dispute. Mr Orme prepared valuation evidence for the Applicants. Mr O'Brien BSc MRICS, in house surveyor for LCC, prepared valuation evidence for the Respondents. The direction to provide a joint statement was not initially complied with, albeit by the time of the determination the Tribunal had received a joint statement from the valuers in respect of each property setting out the matters agreed and those that remained in dispute. This was in addition to the bundles provided by the parties.
3. The Tribunal arranged for an inspection of the properties to be carried out and this took place on 14 May 2025. The Application forms stated that a paper determination was acceptable to the Applicant and the Tribunal advised the parties that the case would be determined on the papers. No submissions have been received for an oral hearing and following the Tribunal's inspections, the determination has been decided on the papers.

4. The only matter for the Tribunal to determine is the price payable, in accordance with s.9 of the Act, for each property. This is not an application to determine the reasonableness of the Freeholder's costs.

## **The Law**

5. Section 21 of the Act provides:

*“(1) The following matters shall, in default of agreement, be determined by [the appropriate tribunal] namely,—*

*(a) the price payable for a house and premises under section 9 above;....”*

6. Section 9 of the Act provides:

*“(1) Subject to subsection (2) below, the price payable for a house and premises on a conveyance under section 8 above shall be the amount which at the relevant time the house and premises, if sold in the open market by a willing seller, (with the tenant and members of his family not buying or seeking to buy) might be expected to realise on the following assumptions:—*

*(a) on the assumption that the vendor was selling for an estate in fee simple, subject to the tenancy but on the assumption that this Part of this Act conferred no right to acquire the freehold, and if the tenancy has not been extended under this Part of this Act, on the assumption that (subject to the landlord's rights under section 17 below) it was to be so extended; .....*”

## **The Property and Lease**

7. 44 and 59 Holmes Street are both typical pre-war two storey terrace houses. They are located in Toxteth, circa two miles to the south-east of Liverpool City Centre. They are situated on a residential street of similar age terrace housing and within a predominately residential area of similar type and age properties. Both properties have been extended to the rear, with a single storey extension. They have small enclosed rear yards that adjoin the rear alleyway. To the front, the elevations immediately adjoin the highway. The properties are of traditional construction for the period comprising solid masonry elevations, set beneath timber trussed and pitched configuration roofs surfaced over with slates or concrete tiles. Subsidiary roofs are flat and felt covered. Internally, the accommodation in each instance provides: living room, kitchen and bathroom/wc to the ground floor and two bedrooms to the first floor.
8. The properties are held on identical lease terms, save as to the start date of the term. The valuation date is agreed by the parties to be 7 July 2023 in both instances. 44 Holmes Street is held on a lease dated 29 November 1979 for a term of 75 years from the same date, at a peppercorn ground rent. 59 Holmes Street is held on a lease dated 14 December 1982 for a term of 75 years from

the same date. The leases are typical fully insuring and repairing leases. Importantly, they both include the following restriction:

*“Clause (xi) Restrictions on user*

*Not at any time during the said term to use or permit the demised property or any part thereof to be used otherwise than for housing purposes and ancillary uses of a Housing Association within the definition of Section 189 of the Housing Act 1957”*

## **Expert evidence**

9. For the Applicant, Mr Orme has prepared a report that includes a statement of truth and declaration as required by Rule 19 of the Tribunal Procedure (First-tier Tribunal)(Property Chamber) Rules 2013 along with a summary of experience. It is also labelled “Applicant’s statement of case” and in this regard the report is insufficient as an independent expert witness report, however the Tribunal notes its contents.
10. For the Respondent, Mr O’Brien has prepared a report that includes a statement of truth and declaration as required by Rule 19 of the Tribunal Procedure (First-tier Tribunal)(Property Chamber) Rules 2013 along with a summary of experience. Similarly, this report is labelled “Respondent’s statement of case” and in this regard the report is insufficient as an independent expert witness report nor does it fully comply with the RICS mandatory practice statement *Surveyors acting as expert witnesses*, however the Tribunal again notes its contents.

## **The Price Payable**

11. The Tribunal is required to determine the premium payable for the Freehold Interest, calculated in accordance with section 9 of the Act. Section 9 sets out the premium to be paid to enfranchise and the valuation basis to be adopted. The parties have agreed that the valuation basis is s.9(1). A valuation under s.9(1) comprises three elements; the value of the term; the value of the first reversion to the 50-year statutory extension and the value of the final reversion (the “Haresign” addition).
12. The parties have been able to agree the following inputs for each valuation; the unexpired lease term, a deferment rate of 5.5%, a section 15 rent capitalisation and de-capitalisation rate of 5.5% and a deduction to the Freehold Vacant Possession Value (FHVP) of 20% for the final reversion. The agreed unexpired lease term remaining, as at the valuation date (07 July 2023), is 31.39 years for 44 Holmes Street and 34.416 year for 59 Holmes Street. Site area is listed as being agreed albeit there is a small discrepancy in areas. Mr Orme states the site area for 44 Holmes Street is 41.75 sq. m. (approx.), Mr O’Brien 43.83 sq. m. (approx.). For 59 Holmes Street, the site area is agreed at 43 sq. m. The Tribunal has not considered the merits of the inputs agreed between the parties and is not asked to make a determination on these inputs. We accept those inputs as agreed and do not interfere in this

respect, even where we may have adopted different inputs in other circumstances.

13. It follows that the inputs not agreed are as follows: entirety value, FHVP value, the site value and the s.15 ground rent. The valuers provide materially identical valuation reports in support of each of the two applications. We consider in this decision each of the disputed inputs. The respective positions of each party as to the inputs not agreed can be summarised as follows:

	<b>Mr Orme for the Applicant</b>	<b>Mr O'Brien for the Respondent</b>
FHVP Value / Entirety Value	£70,000	£80,000
Site value	£11,278 (16% of entirety value) – cleared site approach	£26,400 (33% of entirety value) – standing house approach
Deduction to site value for restriction on user	10%	Nil – not warranted or applicable
Net site value	£10,151	£26,400
Section 15 rent @ 5.5%	£558	£1,452

14. The only difference between the two properties is the unexpired lease term remaining. On this basis, the valuer's respective positions to price payable are as follows below:

	<b>Mr Orme for the Applicant</b>	<b>Mr O'Brien for the Respondent</b>
<b>44 Holmes Street</b>		
Price payable in accordance with s.9(1)	£2,477	£5,400
<b>59 Holmes Street</b>		
Price payable in accordance with s.9(1)	£2,080	£4,600

### **Term Value**

15. There is no value to the term as the rent payable is a peppercorn, this is agreed by the parties.

## **FHVP & Entirety Value**

16. The Applicant proposes a FHVP value of £70,000, the Respondent £80,000. The site is considered to be fully developed and neither party has argued that the Entirety Value is greater than the FHVP value. In some instances, the Entirety Value is higher on the basis that, for example, the site is under-developed however we do not consider that this applies in this instance. In both cases, the majority of the site area is built on, both properties have already been extended in a typical way and the only area of the site not built on is a small enclosed yard. We therefore first determine the FHVP value and adopt the same figure for the Entirety Value.
17. We are provided with a schedule of nine comparables by Mr Orme, eight being freehold sales and one being a leasehold sale. No marketing brochures are provided. Beyond the phrase “two-bedroom terrace house” for each comparable, there is no description as to the accommodation & condition and no other comment on each of the comparables. The comparables span a time period of October 2019 until February 2024. No effort has been made to adjust the comparables to reflect the valuation date adopted. Mr Orme has simply taken the average which he says leads to a value of £67,166 and therefore adopts £70,000 as the FHVP value.
18. Mr O’Brien provides a schedule of eleven comparable transactions. Again, no marketing brochures are provided and again beyond the phrase “two-bedroom terrace house” there is no description as to the accommodation & condition and no other comment on each of the comparables. The sales date between February 2022 and May 2023, with eight of the sales transacting in 2022.
19. The Tribunal is provided with little detail, by either valuer, about the comparable transactions. There is no discussion as to how sales on other streets relate to the subject properties, how size or condition affects the value achieved in each instance, or the effect of the time elapsed between the valuation date and date of the comparable sale. By the time the joint statement of facts was submitted the valuers had combined their evidence to result in a schedule of 16 comparables, again lacking sufficient detail for the Tribunal to give proper consideration to these transactions. In the circumstances, we are therefore most assisted by the freehold transactions on Holmes Street occurring between 2022-2024. They are;
  - i) 57 Holmes Street, £85,000, 6 February 2024, two-bed terrace house
  - ii) 31 Holmes Street, £113,000, 24 June 2022, two-bed terrace house
  - iii) 19 Holmes Street, £82,000, 1 April 2022, two-bed terrace house
  - iv) 16 Holmes Street, £74,000, 12 March 2022, two-bed terrace house
  - v) 68 Holmes Street, £80,000, 25 February 2022, two-bed terrace house
20. The range in values is £74,000 - £113,000. However, excluding the sale at 31 Holmes Street which appears to be an outlier, the range is £74,000 - £85,000. Doing the best we can with the evidence provided, we adopt a FHVP value of £80,000 and therefore an entirety value of £80,000.

## Section 15 Rent

21. At the end of the existing term, the leaseholder has a statutory right to an extended lease of a 50 year term at a “modern” ground rent, being the rent calculated in accordance with s.15 of the Act. The assumption is that there will be a rent review at year 25 of the term. Often, due to the lack of comparable evidence, the value of the site is derived as a percentage of the entirety value, a ground rent is then derived from the capital value of the site. This is the “standing house” approach. Alternatively, where evidence exists, comparable evidence of transactions of similar cleared sites can be considered; the “cleared site” approach.
22. The Applicant submits that the s.15 rent should be £558. Mr Orme has derived this figure by first compiling transactions of cleared sites, taking an average and then de-capitalising at 5.5%. The site value adopted is £11,278, which Mr Orme notes as being 16% of the entirety value of £70,000 which he proposes. He then deducts 10% for the restrictive use of the site for housing association use only. He arrives at £10,151. Decapitalising at 5.5% leads to a s.15 rent of £558. To support the capital value of the site, Mr Orme has provided 10 comparable transactions. He averages the 10 to arrive at £24.84 per square foot multiplied by 454 sq.ft for the subject site, and arrives at £11,278. While marketing brochures are not provided, a detailed description of each comparable and the size of the site is provided.
23. Mr O’Brien takes the site percentage as 33% of the Freehold Value. He arrives at £26,400 and de-capitalises at 5.5% to arrive at a s.15 ground rent of £1,452. He makes no discount for the restriction on use imposed by the lease, saying it is not warranted or applicable. The basis for adopting a site value of 33% is said by Mr O’Brien to be “*following the convention and norms of valuers in the local market*”. He comments that a number of the cleared site comparables provided by Mr Orme are not suitably comparable.
24. We consider both approaches, the cleared site approach and the standing house approach. First, considering the cleared site approach, we refer to the comparables of sites submitted by Mr Orme. Of the ten transactions, eight are of notably larger sites and/or have planning consent (or potential) for flatted developments and are of little assistance to us. The other two comparables are at 83 and 85 South Street, Liverpool being plots that the auctioneer measured at 915 sq. ft. and 872 sq. ft. respectively. They are said to have been offered to auction as separate lots, however sold prior, possibly to the same buyer. We are told that the auctioneer has confirmed that 83 sold for circa £30,000 in September 2023 equating to £32.78psf and 85 sold at the same time for circa £30,000 equating to £34.40psf. The evidence is not ideal, the actual selling price has not been verified and we are provided with an approximate sale price only. Nonetheless we note that taking an average of say £33.50psf, and applying it to Mr Orme’s site area of 454 sq. ft. gives a site value of £15,209, or 19% of the entirety value of £80,000.
25. We then adopt the standing house approach. The subject properties are modest, two-bedroom terrace houses, built on small sites. We would therefore expect that the site value, as a percentage of entirety value, would sit towards

the lower end of the range. We would expect that range to typically be between 25-33% of the entirety value. Mr O'Brien does not give any further rationale for the choice of 33% of site value beyond it being what he says is the normal for the market.

26. We note the decision of the Upper Tribunal in *El-Gadhy v Liverpool City Council* [2016] UKUT 0125 (LC) being an appeal on the determination of price payable for a s.9(1) enfranchisement of a mixed-use property in Liverpool. In that case Mr Orme also acted for the Applicants. P D McCrea FRICS considered, *inter alia*, the site percentage to be adopted for a mixed-use premises and arrived at 30%. At paragraph 69 of his decision he says;

*“Having considered the settlement evidence, the cleared site evidence, and my decision as to the entirety value of the appeal property, in my judgement the appropriate percentage is 30%. However, this should not be taken as the Tribunal’s confirmation that all valuations under s.9(1) of the Act in respect of properties in Liverpool must adopt a 30% site ratio.”*

27. In this case, we have arrived at 19% adopting the cleared site method, albeit based upon only two comparables and where the actual prices achieved are estimates and have not been confirmed, we are therefore somewhat cautious to place significant weight on this approach. On the standing house approach we are told 33% is the normal for the market, albeit given no further justification. Based upon the Tribunal’s knowledge and experience, and having regard to the relatively low capital values of freehold properties in the locality, we consider that the site value sits at the lower end of the range and we adopt 25% of the entirety value as the site value, being £20,000. This also reflects that while we are cautious to place significant weight on the cleared site approach, we do not completely ignore the evidence provided by Mr Orme. We de-capitalise at 5.5% as agreed by the parties to arrive at a s.15 ground rent of £1,100.

## **User Restriction**

28. Finally, we consider whether any further adjustment is required for the restriction on user. Section 15 of the Act sets out as follows:

*“(1) Subject to the provisions of this Part of this Act, the new tenancy to be granted under section 14 above shall be a tenancy on the same terms as the existing tenancy as those terms apply at the relevant time, but with such modifications as may be required or appropriate to take account—.....*

*(2) The new tenancy shall provide that as from the original term date the rent payable for the house and premises shall be a rent ascertained or to be ascertained as follows:—*

*(a) the rent shall be a ground rent in the sense that it shall represent the letting value of the site (without including anything for the value of buildings on the site) for the uses to which the house and premises have been put since the commencement of the existing tenancy, other*



*than uses which by the terms of the new tenancy are not permitted or are permitted only with the landlord's consent;.....”*

29. Therefore, it must be considered whether the restriction on user for housing association use only has an effect on the letting value. We are of the opinion that it does and would lead to a lower letting value than a site that was, in all other aspects, exactly the same yet without the restriction. Mr Orme submits that 10% is a reasonable deduction and in lack of an alternative narrative we agree. We discount the s.15 rent by £110 to arrive at £990.
30. We capitalise the s.15 rent of £990 at 5.5%, for 50 years, being the capitalisation rate agreed by the parties. We arrive at £16,762. We defer until the end of the existing lease term in each case, at the 5.5% deferment rate agreed by the parties.
31. To value the final reversion, the parties have agreed a deduction of 20% from FHVP value, before deferring at 5.5% for the existing term plus the 50-year extension in each case. We have already determined the FHVP value at £80,000 and deducting 20% gives £64,000. We defer £64,000 at 5.5% to arrive at the present value of the ultimate reversion in each instance (the “Haresign” addition).
32. A copy of our calculation for each property, incorporating the parties pre-agreed valuation inputs as explained above, is shown at the Appendix. For 44 Holmes Street we determine that the price payable, net of the freeholder’s usual statutory costs, is £3,941. For 59 Holmes Street we determine that the price payable, net of the freeholder’s usual statutory costs, is £3,352.

Signed: J Fraser  
Valuer Chair of the First-tier Tribunal  
Date: 20<sup>th</sup> May 2025

## Appendix

### Calculation – 44 Holmes Street

<b><u>Ground rent</u></b>							
	Ground Rent				£0.00		
<b>T1</b>	31.39	years	@	5.50%	14.80	£0.00	<b>£ -</b>
<b><u>First reversion</u></b>							
Entirety Value					£80,000		
Value of site	25%				£20,000		
Section 15 rent	5.50%				£990		
Years purchase for	50	years	@	5.50%	16.932	£ 16,762.20	
Deferred for	31.39	years	@	5.50%		0.186	
							<b>£ 3,121.20</b>
<b><u>Second reversion</u></b>							
Reversion to Freehold							
Vacant Possession Value					£64,000		
Deferred for	81.39	years	@	5.50%	0.012805		
							<b>£ 819.50</b>
					<b>Price payable (net of costs)</b>	<b>£</b>	<b>3.941</b>

### Calculation – 59 Holmes Street

<b><u>Ground rent</u></b>							
	Ground Rent				£0.00		
<b>T1</b>	34.416	years	@	5.50%	15.30	£0.00	£ -
<b><u>First reversion</u></b>							
Entirety Value					£80,000		
Value of site	25%				£20,000		
Section 15 rent	5.50%				£990		
Years purchase for	50	years	@	5.50%	16.932	£ 16,762.20	
Deferred for	34.416	years	@	5.50%		0.158	
							<b>£ 2,655.06</b>
<b><u>Second reversion</u></b>							
Reversion to Freehold							
Vacant Possession Value					£64,000		
Deferred for	84.416	years	@	5.50%	0.010892		
							<b>£ 697.11</b>
					<b>Price payable (net of costs)</b>		<b>£ 3,352</b>