

Y TRIBIWNLYS EIDDO PRESWYL
RESIDENTIAL PROPERTY TRIBUNAL
LEASEHOLD VALUATION TRIBUNAL

Reference: LVT/0041/12/15 – Swansea Road

IN THE MATTER OF: 379 Swansea Road, Waunarlwydd, Swansea SA5 4SQ

AND IN THE MATTER OF THE LEASEHOLD REFORM ACT 1967

On transfer from the County Court at Swansea, Claim Number B00SA491

By order of District Judge P Evans dated 2nd December 2015

Tribunal:

Mr E.W. Paton (Chair)

Mr P Tompkinson (Surveyor)

Inspection date: 23rd February 2016

B E T W E E N:

MRS. ANN ELIZABETH DAVIES

(by her litigation friend Mrs Elizabeth Jane Price)

Claimant/Applicant

-and-

PERSON/S UNKNOWN: ABSENT LANDLORD/S

Defendants/Respondents

ORDER

UPON the Tribunal having inspected the property on 23rd February 2016

AND without a hearing (but having given the Claimant the opportunity to respond in writing to the queries raised by the Tribunal, and the Claimant having responded)

IT IS ORDERED AS FOLLOWS:

1. It is determined that the appropriate consideration to be paid by the Claimant for the acquisition of the freehold of the property (379 Swansea Road, Waunarlwydd, Swansea SA5 4SQ) is the sum of £5500.
2. The claim shall be remitted back to the County Court for final determination and order.

DATED this 16th day of March 2016

A handwritten signature in black ink, appearing to read 'E-W Paton'.

Mr E. W Paton (Chair)

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DECISION

1. By a Part 8 claim form dated 6th October 2015 issued in the County Court, the Applicant has applied under section 27 Leasehold Reform Act 1967 for a freehold vesting order, and other consequential relief, in relation to the above-named property. Mrs Davies is the registered proprietor, under title number CYM 47431, of the leasehold interest in that property, under a lease dated 9th July 1959 for a term of 99 years from 24th June 1958. The lease therefore has 41 years left to run. Mrs Davies has now entered a residential care home and is represented by her daughter as litigation friend.
2. Mrs Davies, through her daughters as attorneys and her daughter Elizabeth Price as litigation friend, wishes to sell the property to raise money for her care fees. To achieve the best price for the property, she/they wish to acquire the freehold to the property, under the Leasehold Reform Act 1967. The freehold owner cannot, however, be traced. Mrs Price's witness statement sets out the steps taken to trace this title and its owner. The freehold title remains unregistered.
3. The 1967 Act provides for this situation by the procedure set out in section 27 and related parts of the Act. In essence, the Claimant must demonstrate the steps she has taken to trace the freehold title, complying with any further directions as to advertisement and searches which the Court may make. The Claimant will then file valuation evidence. The ultimate aim is for the Court to direct that the freehold shall be vested in the Claimant, and the freehold and leasehold titles thereby merged, on payment of an appropriate sum into Court.
4. The claim has been referred to the Tribunal "to determine the appropriate consideration to be paid by the Claimant for the acquisition of a freehold reversion of this property...". The Claimant's valuation evidence consists of a report dated 8th January 2016 by Mr Dylan Williams B.Sc (Hons) MRICS of Messrs Rees Richards and Partners of Swansea. This report concluded that the value of the freehold reversion of the property is £6000.
5. The report explains the methodology of the calculation, and exhibits a calculation to arrive at a figure just below £6000, but which figure has been rounded up to £6000. The calculation and valuation is based on an assumed open market value for this 2 bedroomed bungalow of £115,000. Having read the report and inspected the property, we have no reason to doubt the accuracy of that underlying figure as the basis for the calculation under the 1967 Act.
6. Upon examining the valuation produced by Mr Williams, we noted that there was either a typographical error or mathematical error or both in the calculation of the Standing House Value. The figure in the report is £102,500.00 but the correct figure is £103,500.00 based on a 10% discount. Further, we noted that Mr Williams' methodology for calculating the first reversion deviated from the methodology that this Tribunal has adopted in the past. Mr Williams' methodology results in a higher figure for the first reversion by £451.93, which is significant.
7. Although this reference to us proceeded on the basis of an inspection only, and no oral hearing, we considered it only fair to put the above to the Claimant and her valuer to give

them the opportunity of considering it and (if necessary) correcting any error in their own evidence and figures. We would have done the same whether our provisional view resulted in a higher or lower figure than that put forward by the Claimant.

8. Upon considering the above, Mr Williams accepted that there had been a slip of £102,500 for £103,500, and set out further his calculation of the element attributable to deferment of the section 15 rent as follows:

Section 15 Rent : £1725

Cap in perp. : def 41 years @ 5 % YP 2.70 producing a figure of £4657.50 (£1725 x 2.70)

9. We consider that Mr Williams' methodology for calculating the first reversion is incorrect. Mr Williams has valued the section 15 rent into perpetuity and then deferred it at 5% for the unexpired term of 41 years. The correct method is to value the section 15 rent for 50 years and then defer this figure for the unexpired term to give the present value of the future rental income. The valuation must assume that at the end of the 50-year extension, the income will cease and the freeholder gains vacant possession. The section 15 rent therefore cannot be valued into perpetuity. Our valuation is appended below.
10. On this basis, we are therefore satisfied that the total price payable for the freehold of this property under section 9 of the 1967 Act is £5,500.00. That is therefore the amount which we determine for the purposes of section 27(5)(a) of the Act. The claim shall now be remitted to the County Court for final directions and determination.

Dated this 16th day of March 2016



Mr. E. W Paton (Chair)

VALUATION

379 SWANSEA ROAD WAUNARLWYDD SA5 4SQ

CAPITAL VALUE OF TERM

YP in 41.25 yrs. @ 6.5% 14.2393×6 = **£85.44**

FIRST REVERSION

Reversion to s 15 rent

Capital Value of house say £115,000.00

Site Value say 30% £34,500.00

Section 15 Rent @ 5% site value £1,725.00

YP in 50 yrs. @ 5% $18.2559255 \times 1,725 =$ £31,491.47

Deferred for 41.25 yrs. @ 5% $.133641522 \times 31,491.47$ = **£4208.57**

SECOND REVERSION

Standing House Value £115,000.00

Less schedule 10 rights say 10% £11,500.00

PV £1 in 91.25 yrs. @ 5% $.011654 \times 103,500.00$ = **£1206.19**

CAPITAL VALUE OF REVERSION

£5,500.20