


**Rent Assessment Panel for Wales**

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| <b>Notice of the Rent Assessment Committee Decision</b>   |  | File Reference Number:<br>RAC/0016/01/16 |
| Address of Premises<br><br>5 Camp Road<br>Chepstow<br>NP16 5QT  | The Committee members were<br><br>P H Williams<br>R Baynham  |  |
| (1) The Committee has decided that the rent for the above premises is:<br><br>The new rent will be entered by the rent officer in the rent register.  | £93.50 per week<br><br>(This amount excludes council tax and water rates but includes any amounts entered in boxes 3-5 below.) |  |
| (2) The effective date is:<br>The new rent will apply from this date.   | 20 <sup>th</sup> May 2016  |  |
| (3) The rent is not to be registered as variable.   |  |  |
| (4) The amount for services is:   | n/a  |  |
| (5) The amount for fuel charges (excluding heating and lighting of common parts) not counting for rent allowance is:  | n/a  |  |
| (6) The rent is exempt from the maximum fair rent because of repairs or improvements carried out by the landlord.   |  |  |
| (7) Details (other than rent) where different from Rent Register entry:   |  |  |
| Date of decision: <u>20<sup>th</sup> May 2016</u>   | Chairman                                  |  |
| <b>If the fair rent the Committee determined was higher than the maximum fair rent, the limit on fair rent increases may apply. If this is the case, the uncapped fair rent the committee determined is shown in box 8. This is shown for information purposes only and does not affect the rent payable.</b> |  |  |
| (8) The uncapped fair rent was: £93.50 per week   |  |  |



6. The Property is in reasonable condition but there is evidence of damp in the dining room, living room and one bedroom. It is possible that the damp problem will be improved by EWI; but this will not be evident for some months. The outside Water Closet was in poor order.
7. In accordance with Section 70 (3) of the Rent Act 1977 we have disregarded the Tenant's improvements in assessing a fair rent.
8. The property is situated in the area of Bulwark and is close to a shopping area and approximately one mile from the town centre. Chepstow is a small town with all the usual urban amenities

### **The Hearing**

9. The Hearing was by way of written representations. We first considered the representations made by the Landlord's Agents. They expressed concern over the differential between market rents and fair rents in the Chepstow area, irrespective of the capping rules. They also objected to the amount deducted for Tenant's improvements and to a scarcity deduction of 15%, and they did not believe that the Rent Officer had sufficiently taken account of the Landlord's improvements since the last registration. The Agents emphasised that the Property was larger than modern properties with good room sizes and pleasant garden areas. They stated that there was a rear pedestrian path; but this is not correct. In addition they pointed out that the Property had a hallway and outside Water Closet, in addition to an inside one.
10. The Agents said that if the Rent Officer's views were accepted there would be no incentive for landlords to carry out improvements. The Agents pointed out that the Property was a good sized house in a good residential area and on a level site and within walking distance of the local facilities and amenities, including shops. The Agents argued that any damp at the Property was caused by condensation and an absence of ventilation. They argued that a two bedroomed property was more easily let than a three bedroomed one and objected to any deduction by the Rent Officer for age and character given the nature and standard of the Property and the addition of EWI. The Agents also referred us to five suggested comparable properties (See Appendix one).
11. The Agents then explained the breakdown of the SERS Invoice, advising that the total cost was £11377.62p, including a Grant of £3750.00p
12. In conclusion the Agents stated that the starting point should be £145.00p a week, to which should be added £10 for the EWI and that scarcity should not exceed a 10% deduction.
13. The responsibilities for external repairs and decoration and internal repairs are those of the Landlord with the Tenant being responsible for internal decoration, in accordance with Section 11 of the Landlord and Tenant Act 1985

## Our Findings

14. The Property is a spacious two bedroomed end of terrace property in reasonable condition. The Rent Officer has assessed a market rent of £121.15p a week from which he has made four deductions. We comment on the Agents' representations.
  - a. We note that the Rent Officer's range of market rents is between £104 and £138 a week. In assessing a market rent we have assumed the Property to be in good condition with central heating, double glazing, a modern Kitchen and Bathroom and Landlord's carpets and curtains, and we have made appropriate deductions where this is not the case. We determine that the open market rent shall be £145.00p a week
  - b. The Rent Officer is correct in disregarding Tenant's improvements in accordance with Section 70 (3) aforesaid in assessing a fair rent.
  - c. In recent times a deduction of 10% for scarcity pursuant to Section 70 (2) of the Rent Act 1977 has been appropriate for the Chepstow area. However, at present, there is considered to be a shortage of properties available for rent and we have decided that the Rent Officer is correct in adopting a 15% deduction
  - d. We acknowledge that the Landlord has improved the Property with EWI and that this is reflected in our assessment of the open market rental value.
  - e. We do not accept that the damp referred to above is as a result of condensation or the fault of the Tenant. However, it is possible the EWI might improve the damp issue in the coming months.
  - f. We are not persuaded that a two bedroomed property is more easily let than a three bedroomed one. The suggested two bedroomed comparables of 43 Alpha Road and 25 Alexandra Road both have a rent in line with the market rent we have determined for the Property. Whilst we were able to view these properties externally we are not minded to treat them as true comparables as we have not inspected internally and we cannot be certain of the condition of the properties and whether the rents were fair rents or not, together with the fact that their EWI improvement has not yet been taken into account for rental purposes. However, the rents expressed have been of some assistance in helping us determine the market rent.
  - g. We do consider that the age and character of the Property is material and we have reflected these factors in our market rental valuation
  - h. We accept the Agents' helpful breakdown of the SERS Invoice.
15. We note that for the purposes of the Rents Acts (Maximum Fair Rent) 1999 Order (the Order) the Rent Officer has applied a 20 year term for the sum of £7777.62p. We do not consider this to be a reasonable term as it would be a disincentive for landlords to carry out improvement works. We also note that in arriving at his figure

of £7777.62p the Rent Officer has disregarded the Grant. Again, we do not consider this to be reasonable. Whilst it might be the good fortune of the Landlord to benefit from a Grant, the Tenant has benefited from the expenditure of £11377.62p and we consider that this latter figure should be used in the calculation pursuant to the Order. Further, the correct test is to calculate the rent before the improvement and then compare it with the rent following the improvement in order to establish whether capping applies. Accordingly, it is not the capital expenditure as such which needs to be adopted, although the expenditure clearly has relevance. As a first step we considered that the rent would be increased by £18.00p a week. As a second check we followed the Rent Officer in considering the capital cost; but we used a 12 year term as being a fairer period, and applied this to the total expenditure of £11377.62p, which resulted in a figure of £18.23p a week. This figure supports our view of an increase of £18.00p a week, as part of our assessment of the open market rental value of the Property.

16. The Rent Officer has made deductions for the age and character of the Property, the absence of Landlord's carpets and curtains, the Tenant's improvements and scarcity. We have reflected the age and character in the open market value. We agree with the Rent Officer that there should be a deduction for the fact that the carpets and curtains belong to the Tenant and we have adjudged the figure to be £10 a week as opposed to the Rent Officer's figure of £8. The Kitchen and Bathroom would have been basic had it not been for some improvements by the Tenant..

17. We have accordingly made a deduction of £10 a week and a further deduction of £10 a week for the absence of Central Heating. We have also made a deduction of £5 a week for the condition of the Property.

### Scarcity

18. As referred to above we have assessed scarcity at 15% in accordance with Section 70 (2) of the Rent Act 1977

### Decision

19. We find the market rent for the Property is £145.00p a week and our calculation is :-

|                            |       |                |
|----------------------------|-------|----------------|
| Market Rent                |       | 145.00         |
| Less adjustments           |       |                |
| Absence of Central heating | 10.00 |                |
| Carpets and curtains       | 10.00 |                |
| Basic kitchen and bathroom | 10.00 |                |
| Condition                  | 5.00  | 35.00          |
|                            |       | <u>110.00</u>  |
| Deduct for Scarcity at 15% |       | <u>16.50</u>   |
| Fair rent                  |       | <u>£93.50p</u> |

## **Maximum Fair Rent**

20. We then considered the Order. Article 7 states, inter alia, that if the Landlord carries out an improvement which exceeds 15% of the previous registered rent then the Order does not apply and there will be no capping.

21. The previous registered rent was £74.00p and 15% thereof is £11.10p. We have decided that the Landlord's improvement of EWI equates to a rent increase of £18.00p a week. As this sum exceeds £11.10p the Order does not apply and there is no capping.

22. We accordingly determine that the fair rent is £93.50p a week exclusive of rates and water rates.

It is recorded that this Committee made its decision on the 20<sup>th</sup> May 2016

DATED this 9<sup>th</sup> day of June 2016

*P H Williams*

Chairman

## APPENDIX ONE

Landlords Agents' suggested comparable properties re d, 5 Camp Road, Chepstow

1. 18 Alexandra Road. Three bedroomed property with Double Glazing to windows and doors and External Wall Insulation ( EWI ) and no front porch. Appeared to be a smaller property than the properties the subject of the Hearings. Rent of £132.69 a week
2. 11 and 17 Camp Road. Three bedroomed end of terrace property with Double Glazed windows and doors. Appeared to be mirrored properties and it also had EWI. Rent of £135.00p a week for both
3. 25 Alexandra Road. Two bedroomed end of terrace property with EWI but no Double Glazing nor Central heating. Rent of £142.00p a week
4. 11 Alexandra Road. Three bedroomed mid terraced property with EWI and the subject of an Hearing.
5. 43 Alpha Road . Two bedroomed mid terraced property with EWI. Rent of £140.00p a week

Note – The properties that had benefited from EWI have not yet had this improvement taken into account for rent purposes