

Rent Assessment Panel for Wales

Notice of the Rent Assessment Committee Decision		File Reference Number: RAC/0018/01/16
Address of Premises 6 Alpha Road Chepstow NP16 5QX	The Committee members were P H Williams R Baynham	
(1) The Committee has decided that the rent for the above premises is: The new rent will be entered by the rent officer in the rent register.	£81.50 per week (This amount excludes council tax and water rates but includes any amounts entered in boxes 3-5 below.)	
(2) The effective date is: The new rent will apply from this date.	20 th 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 not 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>20th May 2016</u>	Chairman <i>P H Williams</i>	
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.		
(8) The uncapped fair rent was:		

base and wall units in the Kitchen, wall tiling in the Kitchen and Bathroom, an electric fire and surround in the living room and the garden shed.

6. The Property was in reasonably good condition with no noted damp other than in the outside Water Closet.
7. In accordance with Section 70 (3) of the Rent Act 1977 we have disregarded the Tenant's improvements in assessing the rent.
8. The Property is situate in the area of Bulwark and is close to a shopping area and approximately one mile from the centre of Chepstow, which is a small town with all the usual urban amenities.

The Hearing

9. The Hearing was by way of written representations. We noted that a relative of the Tenant had written to say that the proposed increase of £22.00p was excessive as the EWI would not save the Tenant anything like that amount, and that the EWI primarily benefited the re-sale value of the Property. We then considered the representations made by the Landlord's Agents. They first 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 the Tenant's improvements and to a scarcity deduction of 15%, and they did not believe that the Rent Officer had sufficiently taken into account the Landlord's improvements following the last registration. The Agents emphasised that the Property was larger than modern properties and had good room sizes, greater ground floor accommodation and pleasant garden areas. They stated that there was a rear communal path and that there was a lobby and outside Water Closet. The Agents said that if the Rent Officer's views were accepted then there would be no incentive for landlords to carry out improvements.
10. 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 was caused by condensation and an absence of ventilation. They argued that in their experience a two bedroomed property was more easily let than a three bedroomed one. They also objected to any deduction by the Rent Officer for age and character; but in fact the Rent Officer had not made any in this instance.
11. The Agents also referred us to five suggested comparable properties (See appendix one) and we attach a separate sheet listing same. The Agents then explained the breakdown of the SERS Energy Solutions invoice for the installation of external wall insulation, advising that the total cost was £7014.04p including a Grant of £3750. They concluded by saying that the starting point should be £135 a week to which should be added £10 a week for the Landlord's improvements and that scarcity should not exceed a 10% deduction.

12. The responsibilities for exterior repairs and decoration and internal repairs are those of the Landlord, with the Tenant only being responsible for the internal decoration in accordance with Section 11 of the Landlord and Tenant Act 1985

Our Findings

13. The Property is a spacious two bedroomed mid terraced property in reasonably good condition. The Rent Officer has assessed a market rent of £121.15p from which he has made three deductions. We comment on the Tenant's representations. We assess the market rent using our own knowledge and experience and by taking account of any comparable properties. It is proper to take into account Landlord's improvements but equally we disregard improvements made by the Tenant. Any Landlord's improvement might well enhance the re-sale value of a property but we are only concerned with whether such improvement increases the rental value of the Property. We comment on the Agents' representations:-

- a. We note the Rent officer's range of market rents is between £104 and £133 a week. In assessing the market rent we have assumed the Property to be in good condition and with Central Heating, Double Glazing, Landlord's carpets and curtains and a modern Kitchen and Bathroom, and we have made deductions where this is not applicable. We have determined a market rent of £130.00p a week.
- b. The Rent Officer is correct in disregarding the Tenant's improvements in accordance with the said Section 70 (3), and these improvements, which are substantial, have not been taken into account in our assessment of the 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 we have reflected this, and the other Landlord's improvements, in our assessment of the open market rent.
- e. We do not accept that the damp referred to above in the outside Water Closet is as a result of condensation or the fault of the Tenant.
- f. We are not persuaded that a two bedroomed property is more easily let than a three bedroomed. The suggested two bedroomed comparable of 43 Alpha Road shows a rent which is above the top end of the Rent Officer's range and yet it is stated to be a smaller property, and that EWI has not yet been taken into account. Although we were able to view the comparable externally, we could not be certain of the internal accommodation, nor overall size and we have decided not to treat same as a true comparable, but more as a useful guide.
- g. We accept the Agents helpful breakdown of the SERS Invoice.

14. We note that for the purposes of the Rent Acts (Maximum Fair Rent) 1999 Order (the Order) the Rent Officer has applied a 20 year term for the spread of the cost of the EWI. We do not consider this reasonable as to use such a long term would be a disincentive for landlords. We also note that the Rent Officer has disregarded the grant element in his calculations, and again we do not consider this reasonable.
15. Whilst it might be the good fortune of the Landlord to benefit from a Grant the Tenant has benefited from the total cost of £7014.04p and we consider that this latter figure should be used in any calculation under the Order. Having said this, it is not the capital cost that is the main factor. The principle is to establish the rent before the improvement and compare it with the rent following the improvement, although the capital cost does have some relevance in any such assessment. As a first step we considered that the rent would be increased by £11.00p a week. As a second check we then followed the Rent Officer and also considered the capital cost; but we used a 12 year term as being a fairer period and applied this to the total expenditure of £7014.04p, which resulted in a figure of £11.24p a week. This figure supports our view of an increase of £11.00p 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 absence of landlord's carpets and curtains, the Tenant's improvements and scarcity.
17. 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 adopted the figure of £10 a week rather than the Rent Officer's figure of £8. The Kitchen in particular, would have been basic had the Tenant not improved the same and the Bathroom was relatively unmodernised, and we have made a deduction of £5 for same, a further deduction of £10 for the lack of a Landlord's Central heating system, a deduction of £4 for a lack of Landlord's Double Glazing and a deduction of £5 because of the overall condition of the Property.

Scarcity

18. As referred to above we have assessed scarcity at 15% for the purpose of the said Section 70 (2).

Decision

Our calculation is as follows:-

Market Rent		130.00
Less adjustments		
Lack of Central Heating	10.00	
Carpets and curtains	10.00	
Basic Kitchen and bathroom	5.00	
Condition	5.00	
Double Glazing	4.00	<u>34.00</u>
		96.00
Deduct for Scarcity at 15%		<u>14.40</u>
		<u>81.60</u>
	Fair Rent SAY	<u>£81.50p</u>

Maximum Fair Rent

19. We then considered the Order. Article 7 states, inter alia, that if the Landlord carries out improvements which exceed 15% of the previous registered rent then the Order does not apply and there will be no capping
20. The previous registered rent was £75.00p and 15% thereof equals £11.25p. We then calculated that the improvement of EWI amounted to a rent increase equating to £11.00p. As this figure does not exceed £11.25p the Order does apply and there is theoretically capping. However, our calculation of the Maximum Fair Rent also results in a figure of £81.50p so that in practice there will not be any capping.
21. We accordingly determine that the fair rent is £81.50p a week exclusive of rates and water rates.

It is recorded that this Committee made its decision on the 20th May 2016

DATED this 9TH day of June 2016



Chairman

APPENDIX ONE

Landlords Agents' suggested comparable properties re 6 Alpha 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.