

Y Tribiwnlys Eiddo Preswyl
Residential Property Tribunal Service (Wales)
Leasehold Valuation Tribunal (Wales)

DECISION AND REASONS OF RESIDENTIAL PROPERTY TRIBUNAL
Leasehold Reform Act 1967, s.21 (1) (a)

Premises: 22 Oakhill Park, Neath SA106TB
("the premises")

RPT ref: LVT/0051/02/19

Hearing: 29th May 2019

Order : The value of the freehold reversion of the premises as at 4th
October 2018 is assessed at £3900

Applicant: **Joanna Louise Cockwell**

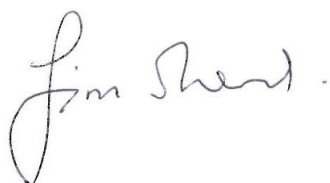
Respondent: **Winifred Orissa Price**

Tribunal: Mr JE Shepherd – Judge Chairman
Mr M Taylor MRICS - Surveyor member
Andrew Weeks MRICS - Observing

ORDER

The value of the freehold reversion of the premises as at 4th October 2018 is assessed at
£3900

Dated this 11th day of June 2019



Judge Chairman

Introduction

1. The Applicant applied to the Tribunal pursuant to Leasehold Reform Act 1967, s.21 (1)(a) on 26th February 2019. The parties had been unable to agree the value of the freehold in a proposed enfranchisement in relation to the premises. A hearing took place on 29th May 2019 at Neath Town Hall following an inspection of the premises.

Background

2. The Applicant is the leaseholder of the premises pursuant to a lease dated 9th July 1992. The Applicant acquired the lease on 9th September 2016. On 4th October 2018 the Applicant served notice on the Respondent under Part 1 of the Leasehold Reform Act 1967 indicating her desire to purchase the freehold of the premises. Solicitors for the Respondent wrote to the Applicant's solicitors on 26th October 2018 suggesting that the value of the freehold reversion was £7500 plus fees. This was not acceptable to the Applicant who made the application.
3. Directions were given by the Tribunal on 13th March 2019. These included an order that by 12 noon on 12th April 2019 the parties *exchange and provide to the Tribunal (4 copies) of a Valuation Report in relation to the Freehold Reversion...* The parties duly served on the Tribunal their valuation evidence, namely the evidence of Marc Llewellyn Williams, FRICS, of Ingram Evans Care & Co on behalf of the Applicant dated 2nd April 2019 and the evidence of Dylan Williams BSc MRICS of Rees Richards and Partners dated 4th April 2019 on behalf of the Respondent. At least one of the parties appears to have overlooked the requirement to exchange reports with the other party. Mr Marc Williams told the Tribunal that he had not seen the Rees Richards report and Mrs Price who acted in person said that she did not think that her solicitors had been sent the Applicant's report at least she had not been sent it by her solicitors. Neither party could satisfy the Tribunal decisively that they had served the other side although there is correspondence between the Applicant's solicitors (copied to the Respondent's solicitors) which mentions valuation evidence and ought to have prompted an inquiry at least. It may be that the issue needs to be revisited when it comes to the question of costs (see below).
4. As it turned out the valuation evidence was not far apart. Dylan Williams valued the freehold at £4350 and Marc Williams at £3900. Mrs Price accepted the valuation of £4350 despite her previous offer of £7500. It seems clear that the parties may not have allowed the matter to continue to the Tribunal if they had known of the narrow margin in relation to valuation.

The Inspection

5. 22 Oak Hill Park is located in the village of Skewen approximately 2 miles to the north west of Neath, being close to the A465 and M4 roads. It is located on a small development of similar properties, all constructed in the late 1980's/early 1990's, on a sloping site, above predominantly traditional terraced residential properties.
6. The subject property comprises a 2-bedroom semi - detached bungalow with external walls of a traditional cavity brick or block construction with original decorative stone cladding. The pitched roof is covered with interlocking concrete tiles with all rainwater

goods in uPVC, generally in good condition with the exception of some seals at the rear elevation.

7. There are good quality uPVC doors and double glazed windows throughout. The property has the benefit of a front garden predominantly laid to lawn with a side driveway access, with parking for two cars, leading to a rear patio and small rear garden, again mainly laid to lawn, which is steeply sloping as you move towards the rear.
8. The main door to the side elevation provides access to a central corridor from which most of the principal rooms are reached directly. There are two bedrooms to the front elevation one double and one single, a bathroom is immediately adjacent to the front door which is fully tiled and comprises a low level wc, wash hand basin and bath with shower over. To the rear is the living/dining area, which also provides access to the small but well fitted kitchen and also to the rear garden via sliding patio doors.
9. Internally the property is well presented being freshly decorated and fully carpeted apart from the kitchen and the bathroom. There is full gas central heating provided by a wall-mounted boiler located in the kitchen.

The hearing

10. Mr Marc Williams submitted that this was a straightforward case. He indicated that the Applicant's solicitors had not had proper responses from the Respondent's solicitors and that this was why the application to the Tribunal had been made. As far as the Applicant was aware the Respondent's position remained that the enfranchisement was valued at £7500. For her part Mrs Price handed the Tribunal a written submission in which she raised the fact that the Applicant was behind on her rent. She also said that service of notice by the Applicant had been aggressive and she felt pressured into accepting the Applicant's offer. Whilst having some sympathy for Mrs Price the Tribunal considers that the matters that she raised in her letter are irrelevant to the decision we had to make.
11. Mr Marc Williams cited the fact that Rees Richards had only carried out a drive by valuation whilst he had inspected the premises. He said that the main difference between the parties was the entirety value. He had pitched the value at £105000 relying on comparables on the same estate, whilst Rees Richards had pitched it at £115000 again relying on Oak Hill Park comparables of £105000 at number 18 and £109500 at number 68. It is clearly stated in Mr Dylan Williams report that he did not inspect internally, but having the benefit of both reports it is clear that he identified and agreed with all factors of the valuation as Mr Marc Williams, save for entirety value and small differences in methodology in the valuation.

The law

12. The Act enables tenants of long leases let at low rents to enfranchise their properties – in other words to acquire the freehold on terms. One part of this procedure requires a Leasehold Valuation Tribunal to determine the purchase price, in accordance with the appropriate valuation methodology as set out in the Act. The valuation methods are set out in s.9 of the Act, which has been amended several times and now provides for valuation upon a number of different bases, depending upon which category the property and the lease fall into.
13. In the case of a property with a low rateable value outside of London, that is less than £500 on the 31 March 1990, the valuation methodology is the s.9(1) valuation, which applies here. Under s.9(1) the price payable is the amount which on the valuation date, the site, if sold in the open market by a willing seller (with the tenant and members of his family not seeking to buy, thereby excluding what is called “marriage value”) might be expected to realise on certain assumptions, including the assumption that the tenant has complied with his covenants and disregarding any tenants’ improvements. It is further assumed that the tenant would exercise his right to claim an extended lease under section 14 of the Act. If the lease is extended under s.14 it gives rise to a further statutory term of the lease with the ground rent (known as the modern ground rent) being set by section 15 of the Act. The statutory term is for 50 years, with a review at 25 years.
14. Under s.9(1) the task of the Tribunal is to determine, as at the valuation date, the present capital value of the rent due for the remainder of the term of the lease and thereafter the value of the reversion.

Application to the present case

15. The principal issue was the entirety value although there was some variation in calculation methods. The Tribunal had difficulty working out how Mr Dylan Williams derived his value of £115000 from the comparables used. Evidence of negotiated enfranchisement settlements were also presented but these lacked detail, analysis and rationale in the context of his valuation. Further his calculation in relation to the deferment and capitalisation rates of the ground rent was difficult to follow. The main difference between the experts was that he capped the number of years deferral in the reversion to 100. He did not attend so it was not possible to ask him about it.
16. Overall the Tribunal preferred the evidence and valuation methodology of Mr Marc Williams and he provided valuable assistance to us at the hearing. It was considered by the Tribunal, with only the benefit of an external inspection that 68 Oak Hill Park was in a slightly better position than the subject property and that the valuation was more realistically set as £105000. The site value was considered to be 30% although it was a slightly sloping site. The complete calculation relied upon by the Tribunal is set out below.

Term

Ground rent		£140 p.a	
YP 20.72 yrs @ 6.5%		11.21205	<u>£1569.69</u>

Ground Rent		£200 p.a	
YP 49 yrs @ 5 %	14.68161		
Def PV £1 for 21 yrs @ 5%	0.36388	5.34234	<u>£1068.47</u>

S15 Ground Rent

Standing House/entirety value	£105,000		
Site value @30%	£31,500		
Decapitalised @ 5%		£1,575	
Capitalised			
YP 50 yrs @ 5%	18.25593		
Def PV £1 69.72 yrs @5%	0.03332	0.60829	<u>£958.05</u>

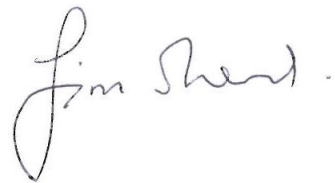
Reversion

Adjustment for potential s10 rights @ 10%	£10,500	£94,500	
Add 50 yrs to unexpired term 119.72 yrs			
def 119.72 yrs @ 5%		0.00291	<u>£274.96</u>
			£3871.17
		But say	<u>£3900.00</u>

Costs

17. As indicated above it was unclear how the parties had not properly exchanged valuation reports. It may be that the Tribunal hearing could have been avoided if they had done so. Tribunal costs are specifically excluded under Section 9 (4A) of the Act. If either of the parties wish to apply for their costs of the hearing under the general cost provisions they will need to make a written application to the Tribunal copied to the other side within 14 days of receipt of this decision. The application will need to be supported by a statement bearing a statement of truth and annexing documentary support in relation to proof of exchange of the valuation report.

Dated this 11th day of June 2019

A handwritten signature in black ink, appearing to read "Jim Sheehy". The signature is written in a cursive style with a long, sweeping tail on the letter 'y'.

Judge Chairman