

Y TRIBIWNLYS EIDDO PRESWYL

RESIDENTIAL PROPERTY TRIBUNAL

**LEASEHOLD VALUATION TRIBUNAL
(Leasehold Reform Act 1967)**

Reference: LVT/0003/04/19

Property: 26 Mervyn Way, Pencoed, Bridgend, CF36 5JH

Landlord: Missing Landlord

Tenant: Mr Malcolm Lee Lewis & Jayne Michelle Lewis

Committee: J Rostron Chairman

Mark Taylor Surveyor

Andrew Weeks Surveyor

Date of Determination: 25 July 2019

REASONS FOR THE DECISION OF THE LEASEHOLD VALUATION TRIBUNAL

The Tribunal's determination of the price payable under section 21 (1)(a) of the *Leasehold Reform Act 1967* is £2900.

Introduction.

1. We convened as a Leasehold Valuation Tribunal under the provisions of the *Leasehold Reform Act 1967* (as amended) on the 25 July 2019. We had before us an Order of the County Court at Cardiff dated 13 March 2019 requiring the *Leasehold Valuation Tribunal* to make a determination of the value of the freehold reversion of 26 Mervyn Way Pencoed Bridgend CF35 6JH (the "Property").

Background

2. Mr and Mrs Lewis (the Tenants) are the leasehold proprietors of the Property and wished to apply for the freehold pursuant to the Leasehold Reform Act 1967 (the "Act"). After enquiries made on the Tenants' behalf, the freeholder of the Property Kilmartin Properties Limited, cannot be found. On the 1 February 2018, the Tenants made an application to the County Court at Cardiff claiming the right to purchase the freehold under the Act and the court ordered that the valuation of the Property be referred to the Tribunal.
3. The lease of the Property (the "Lease") is dated 6 October 1976. It was made between Tayloc Developments (Glamorgan) Ltd (1) and Keith Robb and Pauline Frances Robb

(2). The Lease is for the term of 99 years from 25 December 1975 at a yearly ground rent of £22. The Lease is in the standard form for leases that require the lessee to pay the outgoings, insure the property and maintain it. The lessee also has the right to park in a communal parking area nearby.

The Law

4. Section 9(1) of the Act provides that the price payable "*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...*"
5. Section 21(1) lists matters which shall be determined by a leasehold valuation tribunal and includes the price payable under section 9

Representations

6. A valuation was prepared by John Cairnes FRICS and dated 23 May 2019. The survey included an inspection carried out on 25 May 2019 although the Tribunal notes that the report is signed 23 May 2019. The surveyor made the following assumptions and special assumptions: -
 - 6.1 The Property would be capable of being transferred with vacant possession.
 - 6.2 All required valid planning permissions and statutory approvals for the buildings and for their use including any extensions or alterations have been obtained or complied with.
 - 6.3 No deleterious or hazardous materials have been used in the construction.
 - 6.4 The Property is not contaminated and is free from other environmental hazards. No enquiries regarding contamination or environmental hazards has been made.
 - 6.5 The Property is not subject to any unusual or especially onerous restrictions, encumbrances or outgoings and good title can be shown.
 - 6.6 The Property and its value are unaffected by any matters that would be revealed by a local search. Replies to the usual precontract enquiries or any statutory notice that may indicate that the Property and its condition, use or intended use, are or will be unlawful.
 - 6.7 An inspection of those parts that have not been inspected or a survey inspection would not reveal material defects or cause the valuation to be materially altered.
 - 6.8 There is unrestricted access to the Property and it is assumed to be connected to and have a right to use the reported mains services on normal terms.

6.9 Sewers, main services and the roads giving access to the Property will be adopted.

6.10 There are no ongoing insurance claims or neighbour disputes.

7. The valuation was prepared in accordance with the current **Leasehold Reform Act 1967** legislation. The capital value of the Property was assessed at £115,000 based upon direct capital comparison with the sale of properties as at the relevant date. The comparable two bed houses assessed were as follows: -

11 Heol Maes y Haf, Pencoed, CF35 5QJ
Sale £123,000 April 2019.

17 Heol Ewenny, Pencoed, CF35 5QA
Sale £114,000 May 2019

11 Heol Pant Ruthin, Pencoed, CF35 5PA
Sale £112,000 February 2019

23 Mervyn Way, Pencoed, CF35 6JH
Sale £100,000 a2017

8. The basis of the calculated valuation:-

Capital value	£115,000
Site value	£ 34,500
Section 15 rent @ 5%	£ 1725

Valuation stage 1

Term

Ground rent passing £22pa

YP 56 years at 6.5 %	14.9322	£328.50
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Valuation stage 2

First reversion

Entirety value (assumed)	£115,000 (see comparables)
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Site value percentage @ 30 %	£ 34,500
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S.15 Rent @ 5%	£ 1,725
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YP 50 years @ 5 %	<u>18.2559</u>
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£26,316.42

Present value of £1 in 56 years @ 5% 0.0650728 = £1729.72

Valuation stage 3

Second reversion

Standing house value	£115,000
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Less Sch 10 Rights (say 5%)	<u>£ 5,750</u>
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£109,250

PV of £1 in 106 years @ 4% 0.0076045 = £ 830.79

TOTAL = £2889.01
Say £2900

Inspection

9. The Property is located in a small residential development approximately 1 mile from Pencoed and has good transport links via the nearby M4.
10. The area is of relatively flat topography and predominantly terraced residential properties with similar age and construction.
11. The Property, an end of mid link terrace, was constructed in approximately 1975 of traditional construction with cavity walls faced in brick and pitched interlocking tile roof covering. All rain water goods and fascia boards have been replaced/clad in uPVC. All windows and patio door are uPVC. The terrace is arranged in a staggered layout which, as a result of a curved access way, produces a narrow tapering front garden.
12. There is a walkway to the side of the Property, which provides access to adjoining amenity land and also allows side access to the rear garden. This is a reasonable size for the type of property and is laid to patio and lawn and has a substantial brick shed/store.
13. Internally the Property is arranged on ground and first floor comprising a kitchen and living/dining room to the ground and two small double bedrooms and bathroom to the first. Floors are concrete and suspended timber and generally carpeted. The kitchen and bathroom, which is likely to be the original 3-piece suite, are now tired and would benefit from upgrading and replacement.
14. There is full gas central heating and all other mains services are available.

Decision

15. The Tribunal agree with valuation approach as set out by Mr Caines which accords with the other nearby decisions in terms of a 3 stage, capitalization and deferment rates, entirety value and site value percentage.
16. The comparables presented by Mr Caines were helpful being 2 bed linked properties but they were superior in that they are of a more traditional configuration with parking spaces to the front of the properties and are more attractively landscaped including a dedicated and equipped play area but as a negative are in close proximity to an elevated section of the M4 motorway.

17. The Tribunal differ slightly on the unexpired term which he has rounded to 56 yrs but it believes is more accurately 56.88 yrs. As such there is a marginal difference between us on the term valuation.
18. However, on the 2nd stage Mr Caines appears to have made an error as capitalized ground rent is actually £31491.43 and not £26316.42. This gives a figure of £1712.49 rather than £1729.72. There is another error at stage 3 as the PV has been rounded to 100 yrs (0.0076045) and not 106 yrs (0.005675) which gives a figure of £619.99 producing a revised figure of £2660.98 say £2660.
19. Apart from this adjustment the other areas of difference are at stage 3. Firstly, the Tribunal have adjusted the Standing House Value to reflect the poor condition of the internal finishes at the Property including the kitchen and bathroom and made an adjustment of £4000 which we believe is a reasonable reflection of the cost of undertaking improvements. Secondly, we have not made a deduction for Sch 10 rights as the unexpired term is over 50 yrs. This follows the decision in the Upper Tribunal in *Lomas Drive [2017] UKUT 0463* which considered that a deduction to the standing house value was only appropriate in cases where there was a short lease, in the case determined no adjustment was appropriate for a lease with some 46 yrs unexpired. This decision is later than the existing nearby determinations of the RPT where a deduction was made.

Valuation

20. Valuation date Application to Court 14th February 2018

Term

Ground rent fixed £ 22.00 p.a.

YP 56.88 yrs @ 6.5% 14.9566 £329.04

Reversion

S15 Modern Ground rent

Entirety value £115000

Site value 30% £ 34500

Decapitalised @ 5% £ 1725

YP 50 yrs @ 5% 18.2559 £31491.43

PV £1 56.88 yrs @5% 0.062379 £1964.40

Reversion

Standing House £111000

PV £1 106.88 yrs @5% 0.005436 £ 603.40

£ 2896.80

But say £2900

Order

21. For the above reasons, it is the decision of the Tribunal that the determination of the reasonable price in accordance with section 9(1) of the Act for the freehold interest in the Property payable is **£2900 (two thousand nine hundred pounds only)**.

Dated this 20th day of August 2019

A handwritten signature in black ink, appearing to be 'J Rostron', written in a cursive style.

J Rostron
Chairman