

**Y TRIBIWNLYS EIDDO PRESWYL**  
**RESIDENTIAL PROPERTY TRIBUNAL**  
**LEASEHOLD VALUATION TRIBUNAL**

**Reference:** LVT/0031/12/17

**In the Matter of:** Llety Caru Farm, Croesyceiliog, Carmarthenshire, SA32 8DR

**In the matter of:** An Application under the Leasehold Reform Act 1967

**APPLICANTS:** Mr Philip Williams and Ms Elizabeth Davies

**RESPONDENTS:** Persons Unknown (missing landlord)

**TRIBUNAL:** Tribunal Judge Kelly Byrne

Hefin Lewis, Surveyor Member

**VENUE:** Determined on the papers

**DECISION**

On 28<sup>th</sup> March 2024, the Tribunal determined that the appropriate sum to be paid into Court pursuant to section 27(5) of the Leasehold Reform Act 1967 (“the Act”) is £3,600 being the price payable in accordance with section 9 of the Act and £6 being the pecuniary rent payable pursuant to section 27(5)(b) of the Act being limited to a maximum period of six years, at a rate in this case of £1 per year.

**Background**

1. The matter before the Tribunal is the determination of the valuation of the appropriate price to be paid by the Applicant for the freehold reversion of Llety Caru Farm, Croesyceiliog, Carmarthenshire, SA32 8DR (the property).
2. On 7<sup>th</sup> September 2023, the Applicant made an application via Part 8 of the Civil Procedure Rules to Cardiff County Court, pursuant to s.1 and s.27 of the Leasehold Reform Act 1967 (as amended) (“the Act”) for the purchase of the freehold reversion of the property. The case was transferred from Cardiff County Court to the Leasehold Valuation Tribunal to determine the value of the freehold reversion.
3. The Applicants purchased the leasehold title to the property on 20th February 2015. The lease was created by the Lease and Release dated 13<sup>th</sup> and 14<sup>th</sup> January 1774 given rise to a term of 300 years from 1810.

## **Inspection**

4. On 21<sup>st</sup> March 2024, a site inspection was undertaken by the Tribunal Judge and Surveyor Member. One of the applicants, Mr Williams, was also present.

## **Description**

5. The property comprises of a detached stone built former Farmhouse with detached converted outbuilding providing ancillary accommodation. The property is set in 1. 8 acre grounds of amenity land and woodland together with further outbuildings, hard standing and parking areas. The accommodation and description is as detailed in paragraph 3 of the Expert Witness Report prepared by Dylan Williams, MRICS. Accordingly, the description is not repeated here.

## **General Condition**

6. The property has undergone substantial renovation works and improvements since its purchase in October 2015. These include replacement windows, refurbishment and repointing of main elevations, internal structural reconfiguration, new kitchen, installation of additional shower room, replastering and redecoration throughout. The Tribunal has the benefit of an earlier valuation report dated 21st January 2021 containing details and photographic images of its original condition, albeit external only.
7. Notwithstanding, the property exhibits some areas of disrepair, notably tarnished external decorations and inherent defects of damp penetration. Accordingly, some localised repair and decorative works are required.

## **The Law**

8. Under the Act, the Tribunal must determine the purchase price on the relevant day. The relevant day in this case is the date of application to the County Court, namely the 7<sup>th</sup> September 2023 ("the valuation date.")
9. The purchase price, according to section 27(5) of the Act is: (a) such amount as may be determined by the appropriate tribunal to be the price payable in accordance with section 9 of the Act; and (b) the amount of any pecuniary rent payable for the house and premises up to the date of the conveyance.
10. The valuation method for determining this price is set out in section 9 of the Act, which provides two different methods of valuation depending upon which category the Property and Lease fall into.
11. In the case of a property with a low rateable value outside London, that is less than £500 on 31 March 1990, the valuation methodology is the s.9(1) valuation. This is the valuation methodology that is applicable to the Property.
12. 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.

13. Under s.9(1) the task of the Tribunal is to determine, as at the valuation date, the present capital values of the rent due for the remainder of the term of the lease and thereafter the value of the reversion.

### Applicants' case

14. In response to the Tribunals Directions Order, the Applicants served on the Tribunal an Expert Report prepared by Mr Dylan Williams BSc MRICS FAAV of Rees Richards & Partners Chartered Surveyors, Land & Estate Agents, dated 21<sup>st</sup> January 2021. They provided an addendum to this report dated 21<sup>st</sup> November 2023.
15. As a result of a further Directions Order being issued by the Tribunal on 3<sup>rd</sup> January 2024, which pointed out that the date of the valuation was incorrect and not in accordance with the requirements under section 27(2)(a) of the Act, a further expert report was served on the Tribunal dated, dated 16<sup>th</sup> January 2024. It is this report that the Tribunal has relied on for the purposes of these proceedings.
16. The author of the report, Mr Dylan Williams, concludes that in his opinion that the market value of the freehold reversion of the property in its present condition and in accordance with his report and the information supplied to him, that with the benefit of vacant possession and with a likely market period of six months, on 7<sup>th</sup> September 2023 is £4,120.
17. Mr Williams provides a copy of his valuation calculations as an appendix to his report, which is summarised below:

Valuation date 07/09/2023

Lease 300 years from 23/04/1810

Unexpired Term: 86 years

Ground Rent: £1

#### Stage 1

Ground Rent	£1	
YP for 86 Years @ 6.5%	£15.3162	£15.32

#### Stage 2

Entirety Value	£615,000	
Value of site @ 30%	0.3	
	£184,500	

De capitalisation@ 5.5% 0.055 £10,147.50 p.a

YP 86 Years @ 5.5%	17.9999	
Deferred 86 Years @5%	0.0184822	0.33267775
		£3,375.85

**Stage 3**

Standing House Value	£553,500
Deferred UT (86) +50 Years @ 5%	0.00131297158255

Ground Rent due under s.27(5), being 6 years at £1 per annum.

Enfranchisement price (excluding costs)	£4,117.90
SAY	<b>£4,120.00</b>

**Determination**

18. Having considered the evidence and in particular the report of Mr Williams, dated 16<sup>th</sup> January 2024, the Tribunal make the following determination:

**Valuation date**

The valuation date is 07/09/2023, namely the date of the application to the Court (Section 27 (1) (2)(a)), this is not in dispute.

**Rateable Value and Valuation Basis**

The Rateable Value is said to be £127. This is less than a rateable value of £500 as of 31st March 1980. Accordingly, valuation is in accordance with s.9 (1) of the Leasehold Reform Act 1967 Act – ‘Original Valuation Basis’

**Unexpired Term**

The unexpired term of the lease is 86.59 years.

**19. THE VALUATION****Stage 1:****Term Yield**

The experts report utilises a rate of 6.5%. The expert report suggests the adoption of this rate is consistent with other agreed settlements he has made and pertinent Tribunal decisions. The Tribunal agrees.

**20. Stage 2:****Freehold Entirety Value**

'Entirety value' is the notional market value of the best house that could reasonably be expected to have been built on the plot at the valuation date, assuming the plot was fully developed.

The Tribunal accepts that the entirety value is justified by relevant comparable evidence and is agreed. It is further supported by a valuation recorded on the Rightmove website ‘Surveyor Comparable Tool’ in the sum of £615,000 dated 25th September 2023.

**21. Site Value as Percentage of Entirety Value**

The experts report contends for 30% as the value of the plot within the Entirety Value of the hypothetical house.

The Tribunal does not agree that this as a fair assessment. The site extends to 1.8 acres of ground and amenity land providing seclusion and privacy in attractive rural surroundings. It is the Tribunal's view that plots of this nature are rare and would generate significant demand. Accordingly, the tribunal is of the view that a higher apportionment of 35% of value should be adopted.

## 22. Capitalisation and Decapitalisation Rate

The Tribunal adopts a figure of 5 percent for both capitalisation and decapitalisation rates which is in line with other decisions of this tribunal in this locality. It is also consistent with our determination on the deferment rate and the practice of adopting the same rate. We bear in mind that it is necessary that the capitalisation and decapitalisation rates should generally be the same to avoid any adverse differential.

The experts report at 4.04.6 also recommends a capitalisation and decapitalisation rate of 5% and asserts that this is routinely suggested by Leasehold Valuation Tribunals in the area. The Tribunal agrees. However, the expert report valuation calculation has incorrectly adopted a rate of 5.5%. This has been corrected in the Tribunal's calculation of value at appendix (i).

The stage 2 calculation of the expert report also contains an error in capitalisation of the Modern Ground Rent. The valuation should assume a 50 years statutory extension. The expert report has adopted 86 years which is incorrect. Again, this has been corrected in the Tribunal's calculation of value at appendix (i) attached.

## 23. Deferment Rate

The experts report has adopted a deferment rate of 5%, following the decision in Earl Cadogan v Sportelli CA [2007] EWCA Civ 1042. We agree with these rates. However, there are further arithmetical errors in the calculation whereby the valuer appears to have inadvertently used a deferment rate of 4.75% rather than 5%. This requires a further correction which is made in the Tribunal's calculation of value at appendix (i).

## 24. Stage 3:

### Freehold Standing House Value

For the third stage of the valuation, we must determine the Standing House Value of the property – deferred for 136.59 years (86.59 years unexpired term plus 50 years statutory extension). Having regard to the age and condition of the property we agree that the house could plausibly be still standing in 136.59 years, and therefore agree that this stage is required. (The Haresign addition)

The 'standing house value' is the market value of the house built on the site, excluding the value of tenant improvements, assuming the Freehold is sold with vacant possession.

25. The expert report contends for a standing house value of £553,500 but has not provided any evidence as to how he has arrived at this figure other than to refer to the renovation works completed. We have not seen any invoices or breakdown of the works completed. In the absence of any further details and based on the photographic evidence from the valuation dated 21st January 2021, the Tribunal agrees that the improvements are substantial and as

such, an adjustment is reasonably required. However, using its own judgement, the Tribunal considers the open market value excluding improvements to be fairly represented in the sum of £575,000.

26. 'Clarise reduction' (Schedule 10)

Under **Clarise Properties Limited [2012] UKUT 4 (LC), [2012] 1 EGLR 83**, Valuers sometimes make allowance for the prospect of occupiers remaining in occupation on expiry of the term which in this case would be in 2110.

The lease expires in 86.59 years' time which the Tribunal considers too remote to require a Clarise reduction. Whilst each case is to be considered on its merits, in this instance, it is too far in the future and is disregarded.

The expert report makes no reduction to reflect the Clarise principle of the prospect of a lessee remaining in occupation on expiry of the lease. On balance, the Tribunal agrees.

27. **ENFRANCHISEMENT PRICE**

The expert report contains errors in the calculation to include:

- Capitalization Rate – 5.5% instead of 5%
- Deferment Rate – 4.75% instead of 5%
- Second stage term – 86 years instead of 50 years statutory extension
- Standing house Value adjustment for improvements

The consequence of these errors is that the valuation of £4,120 is not correct.

28. The Tribunal determine that the correct valuation is **£3,600**

Dated this 30<sup>th</sup> day of April 2024

Tribunal Judge K Byrne

<b>LEASE DETAILS</b>	
Valuation date	<b>07/09/2023</b>
Lease Commencement Date	<b>12/04/1810</b>
Lease Expiry Date	<b>11/04/2110</b>
Unexpired Term (years)	<b>86.59</b>
Current Rent Payable	<b>£1.00</b>
Rent Review	<b>n/a</b>

<b>Rates</b>	
Yield	<b>6.50</b>
Deferment Rate	<b>5.00</b>
Decapitalisation Rate	<b>5.00</b>

#### **Values**

Entirety Value	<b>£615,000</b>
Stanfing House Value - excluding tenant improvements	<b>£575,000</b>

#### **Term**

Annual Ground Rent	<b>£1.00</b>
YP 86.59 years @6.5%	<b>15.3187</b>

#### **1st Reversion**

Entirety Value	<b>£615,000.00</b>
Plot Value at 35%	<b>£215,250.00</b>
Section 15 Ground Rent@5%	<b>£10,762.50</b>
Y.P for 50 years @ 5%	<b>18.26</b>
P.V. Of £1 in 86.59 years @5%	<b>0.0146291</b>

**0.26712737 £2,874.96**

#### **2nd Reversion**

Standing House Value	<b>£575,000.00</b>
Deduct for schedule 10 rights	<b>£0.00</b>
P.V of £1 in 136.59 years @5%	<b>0.0012757</b>

**£733.53**

Payment of Ground Rent under Section 27 (5)	<b>6.00</b>	<b>£1.00</b>	<b>£6.00</b>
--	-------------	--------------	--------------

**£3,629.80**

**SAY**

**£3,600.00**