

Y TRIBIWNLYS EIDDO PRESWYL
RESIDENTIAL PROPERTY TRIBUNAL (WALES)
LEASEHOLD VALUATION TRIBUNAL

Reference: LVT/0036/11/15 AND LVT/0046/01/16

In the matter of 6 Somerset Road, Langland, Swansea, SA3 4PG

In the matter of applications under s21 (1) (a), 21(1) (ba) and 21(2) of The Leasehold Reform Act 1967

Applicants: Stuart Davis and Julia Ann Davies

Respondents: The Somerset Trust

Tribunal: A R Grant
R W Baynham FRICS

Attendees: Mr Stuart Davis, Ms Rachel Broughton and Mr Rowland Jones FRICS
for the Applicants.
Mr Edward Holloway for the Respondent.

DECISION

Introduction

1. We were duly convened as a Leasehold Valuation Tribunal under the provisions of The Leasehold Reform Act 1967 (as amended) ("the Act") on Thursday the 3rd March 2016 at The Pennard Community Hall, Pennard Road, Pennard, Swansea, SA3 2AD.
2. The tribunal were asked to determine three applications by the Applicants who were seeking a determination on (1) the price payable by the Applicant to acquire the freehold of the property at 6 Somerset Road, Langland, Swansea, SA3 4PG ("the property"), (2) the determination of two disputed terms to be included in the conveyance and (3) the costs to be paid by the Applicants to the Respondent in consequence of the transfer.
3. Prior to the hearing the tribunal inspected the property.

Inspection

4. The property comprises a detached bungalow located on a relatively quiet road in a sought after area in the Langland area of Swansea. It is within easy reach of local shops and all other facilities are available in Swansea which is approximately 5 miles distant. It is also a short distance from the coast.

5. The bungalow is of conventional design with exterior cavity brick walls which have been cement rendered. The main roof is tiled although there is a flat roof to a portion of the front elevation and also to the single garage. The windows and doors are UPVC double glazed. The front garden mainly consists of brick hard standing and the rear garden comprises a paved patio and front lawn.
6. The accommodation comprises a large 'L' shaped entrance Hall, through lounge / dining room, kitchen, four double bedrooms, bathroom with shower over and w/c and a separate shower with a w/c. In addition there is a large conservatory which is accessed from the lounge. The property which has gas central heating has been maintained to a high standard and has the benefit of a relatively new modern kitchen.

Hearing

7. At the start of the hearing the parties confirmed that they had reached agreement upon the previously disputed terms of the conveyance which meant that only items (1) and (3) required determination by the tribunal.
8. The tribunal then raised two preliminary issues which arose from the paperwork. The first issue concerned the correct identity of the Respondent and the second related to the valuations that the parties had prepared for use in the proceedings.
9. As regards the first issue the Respondent named on the application was Knight Frank LLP. However Mr Holloway, on behalf of the Respondent, confirmed that Knight Frank were merely the agent acting on behalf of The Somerset Trust who were the freehold owners. Accordingly, The tribunal directed that the name of the Respondent be amended to reflect the Respondent as being the Somerset Trust. Both parties agreed.
10. The second point concerned the date of valuation. The directions issued by the tribunal on the 24th November 2015 (paragraph 1) required the date of the valuation to be the 20th March 2015 which was the date of the tenants notice. However, the Applicants valuation was dated as at the 8th January 2016 and the Respondents valuation date was the 11th January 2016. This is one year different (943 years) to the term utilised by both surveyors (942 years) due to the date of the valuation as indicated above.
11. The tribunal asked the parties to confirm that they were prepared to agree that their valuations were to stand as valuations on the 20th March 2015. Both parties confirmed their agreement.
12. The lease of the property is dated the 16th November 1959 for a term of 999 years commencing on the 29th September 1959 at a ground rent of £12 per year.
13. Therefore there are 943 years left to run under the terms of the lease.

SUBMISSIONS

Price

14. Mr Jones made submissions on behalf of the Applicants. He confirmed that as at the 31st March 1990 the rateable value of the property had been £251. Accordingly he adopted a valuation under section 9 (1) of the Act.
15. He then referred to his valuation and in particular the comparable property at number 8 Somerset road which had sold in August 2015 for £430,000.
16. He indicated that he has chosen the capitalisation rate of 4% based upon his experience of current market activity and the low level of interest rates which are currently available in the region of 0.5%.
17. Taking all of those items into account and relying upon his valuation report he submitted that £300 was the correct price to be paid for the freehold of the property.
18. Mr Holloway was invited to comment upon Mr Jones submissions and report but indicated that he had no submissions to make on those aspects.
19. Mr Holloway was then invited to make submissions on behalf of the Respondent.
20. He indicated that he was not the author of the report upon which the Respondent relied. He said that the report had been prepared by his colleague, Christopher Smith who was a chartered surveyor. Mr Holloway confirmed that he was a land agent.
21. He said that the respective surveyors had relied upon the same comparable property (number 8 Somerset road) and that he considered that the rate used in the report of 2% was an appropriate rate to apply in his opinion.
22. He went on to say that although on a mathematical calculation the report gave a figure of £600 as being the value of the freehold in his view the property value was much higher hence the figure of £10,000 which was being relied upon by the Respondent.
23. The tribunal invited Mr Holloway's view on the proposition that given the length of the remaining lease the freehold had no value aside from the ground rent. Mr Holloway said he agreed with that suggestion.
24. When asked by the tribunal, he also confirmed that there was no available evidence to substantiate the figure of £10,000 which was being advanced by the Respondent.
25. Mr Jones was invited to comment upon the Respondent's report and submissions.

26. Mr Jones said that the Respondent had not produced any evidence to justify their valuation figure. He said that if an offer of £600 had been made it would have been accepted.
27. Mr Davis then asked to make submissions to the tribunal. This was permitted.
28. He said that he was also a qualified surveyor. He specialised in commercial property, garden centres and superstores. He said he had little residential experience.
29. He said that he had carried out a large amount of research on this issue and he could not find any authority from any source that would support the Respondent's methodology as regards their valuation approach.
30. The tribunal then asked Mr Holloway to explain how he had calculated the original offer of £2000 which was made by the Respondent's agent in correspondence dated the 7th August 2015. Mr Holloway said that it was an attempt at negotiation.
31. The tribunal asked Mr Holloway if he had any evidence to support his capitalisation rate of 2%. He said that he did not.
32. The tribunal asked Mr Jones how he had reached his capitalisation rate of 4%. Mr Jones stated that it was based upon his experience of current market activity. The tribunal asked if it would be uneconomic at that rate given the ground rent was only £12 per year. He suggested that perhaps if one rolled up collections to address rent no older than 6 years that it may make collection more economic. However, he accepted at £12 per year a rate of 4% may prove uneconomic.

Costs

33. Mr Davies stated that he had spoken with his solicitor. He submitted that on the basis of her advice he was of the view that reasonable costs to transfer the Freehold would be £550 plus vat for a solicitor's fee together with £10 for disbursements. He suggested a fee of between £550 - £750 plus vat for the valuer's fee.
34. Mr Holloway suggested that a reasonable fee to pay for the costs would be £750 plus vat for the Solicitor's charges and £500 plus vat for the Valuer's charges.

CONSIDERATION

Price to be paid for Freehold

35. The date of valuation is the 20th March 2015. The lease is 999 years from the 29th September 1959 which means that at the valuation date there are approximately 943 years remaining.
36. Section 9 (1) of the Act states that we have to determine " 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...”.

37. We have considered both written valuation reports submitted by the parties. We have also considered the oral submissions made by the parties at the hearing.
38. We do not accept the valuation contended for by the Respondent. The Respondent has failed to provide any evidence at all to substantiate the figure claimed of £10,000. The Respondent failed to provide any evidence to substantiate its claimed capitalisation rate of 2%.
39. As regards the Applicants expert evidence we accept that the Applicants expert has applied the correct methodology to his calculations.
40. However we do not accept the Applicants evidence on the appropriate capitalisation rate as it does not properly represent the risks and costs associated with collection of the ground rent over this length of remaining lease.
41. When considering capitalisation rates certain issues have been identified as being relevant when determining the relevant Capitalisation rate to be applied namely: The unexpired term of the lease, the security of recovery, the size of the ground rent and the period and nature of any review (Sir Charles Christian Nicholls Bt, Sir Michael Banbury Bt KCVO .v. William George Wilks (LRA/29/2006). The less attractive the proposition the higher the rate of return that would be sought by an investor.
42. In this case there are 943 years remaining on the lease. The ground rent is £12 per year. It is quite clear that the costs of administration and collection could easily exceed the amount due. Using our expert knowledge and experience we consider that an investor in the open market would require a return of 6.5%. This is also in line with other decisions of this tribunal. If one capitalises the ground rent of £12 per year this produces a valuation of £184.61($£12 \times 15.384 = £184.61$) which we round up to £185.
43. As regards the capital value of the reversion we take the view that it is nil. The lease has 943 years to run. We are required by the Act (as amended) to disregard any potential bid by the leaseholder. In so doing we cannot see any other potential purchaser. Neither of the parties produced any evidence to the contrary. Accordingly we find that there is no other market. Therefore, we find that the capital value of the reversion is nil.

Costs

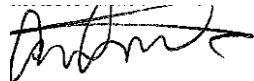
44. We accept the Respondents submission upon the level of costs to be paid by the Applicant. Those costs total £1500 (inclusive of vat).

DETERMINATION

45. We determine that the price payable for the freehold interest in the property, in accordance with section 9 of the Act is £185.00.

46. We determine that the costs payable by the Applicant to the Respondent are £1500.

Dated this 7th day of March 2016.

A handwritten signature in black ink, appearing to read 'Andrew Grant', written over a horizontal dashed line.

Andrew Grant
Chairman.