

RENT ASSESSMENT PANEL FOR SCOTLAND

RENT (SCOTLAND) ACT 1984

NOTIFICATION OF DECISION BY THE RENT ASSESSMENT COMMITTEE

REFERENCE NO.

RAC/DD6/455

OBJECTION RECEIVED

3 November 2006

OBJECTION

Landlord

ADDRESS OF PREMISES

7 Memorial Cottages, Balmerino, Newport On Tay, Fife, DD6 8SD

TENANT

Mr R McFarlane

LANDLORD

The Dundee Farming Co. Ltd.

AGENT

CKD
73 Bonnygate
Cupar
Fife
KY15 4BY

DESCRIPTION OF PREMISES

Detached cottage with gas central heating and double glazing circa 1948 comprising living room, three bedrooms, kitchen and bathroom.

SERVICES PROVIDED

None

COMMITTEE MEMBERS**CHAIRMAN**

Mrs J Lea LLB MBA MSc

PROFESSIONAL MEMBER

Mr D Godfrey ARICS

LAY MEMBER

Mr A McKay

FAIR RENT

£ 3570.00 per annum

DATE OF DECISION

25 January 2007

**EFFECTIVE
DATE**

25 January 2007

J Lea

Chairman of Rent Assessment Committee

25/1/07

Date

RENT ASSESSMENT COMMITTEE

STATEMENT OF REASONS

7 Memorial Cottage, Balmerino, Newport on Tay, Fife

Held on 25 January 2007

This is a reference to the Independent Rent Assessment Committee under the provisions of Schedule 5 to the Rent (Scotland) Act 1984, following an objection by the landlord to the rent registered by the rent officer in respect of the property at 7 Memorial Cottage, Balmerino, Newport on Tay, Fife. The landlord is the Dundee Farming Co. Ltd, represented by CKD Galbraith, 73 Bonnygate, Cupar. The tenants is Mr R McFarlane.

The Tenancy constitutes a regulated tenancy for the purposes of the Rent (Scotland) Act 1984. Following an application to the rent officer a rent of £3285 per annum was registered. The previous rent was £2880 per annum and the rent applied for by the landlord was £4800 per annum.

Inspection

The Committee carried out an inspection on 25 January 2007. The tenant, Mr R McFarlane and his wife were present. The landlord was represented by Mr Henry of CKD Glabraith. The Committee noted that the property was a detached cottage comprising living room, kitchen, three bedrooms and bathroom. The property was built circa 1948. The property is located in an attractive rural location with a pleasant outlook and garden ground to the front and rear of the property. The property is brick built with a

tiled roof and is in a reasonable state of repair. The landlord installed new double glazing windows in the property recently. The Scottish Executive installed oil central heating and insulated the loft approximately three years ago. The kitchen in the property was installed by the tenant. The wiring in the property is old but serviceable. There are fireplaces in the living room and two of the bedrooms. The landlord provided the units in the bathroom but there is no shower. There was no evidence of damp in the property although the tenant advised that there were difficulties with woodworm. The timbers had recently been sprayed. The rooms in the property are a good size. Off street parking is available and there are two garages which belong to the tenant.

Hearing

The hearing was held in the property immediately after the inspection. Mr Henry, on behalf of the landlord indicated that the other cottages, numbers 1 – 6 Memorial Cottage, Balmerino were let at a market rent. The landlord was looking for a similar rent, although it was appreciated that this property was a regulated tenancy. Mr Henry however stated that the rent for this property was 45% less than the market rent which he felt was too big a gap. Mr Henry advised that the capital value of the property was £140,000. Mr Henry stated that he did not know the history of the property but submitted that there was demand for rented properties in the area. Mr Henry indicated that he was not aware of the property on the Clerk's list of comparables and he had no comment to make with regard to it.

Mr McFarlane stated that he accepted the landlord's estimate of the capital value of the property. Property prices have gone up significantly over the last few years. Mr McFarlane also did not dispute the fact that the other cottages at Memorial Cottage, Balmerino were let at a market rent as set out in the landlord's letter dated 29 November 2006. Mr McFarlane however pointed out that he had done a lot to this property and that prior to the new kitchen being put in, all that was in the kitchen was an old sink unit. Mr McFarlane stated that he thought there would be a big demand for properties in the area as people were looking to move to rural areas rather than live in urban areas where there were problems. Mr McFarlane indicated that the rent officer had advised him that the installation of central heating by the Scottish Executive should not increase his rent as it was not a landlord's improvement. Mr McFarlane informed the committee that the council had recently been in touch with regard to the windows, due to the landlords failure to obtain planning permission when the windows were installed and accordingly the windows may have to be replaced.. The property is a listed building. Mr McFarlane indicated that he thought the other regulated property on the list of comparables provided by the Clerk was relevant and acceptable to him.

The Committee also had the following documentation before them:

1. List of comparables provided by the Clerk to the Rent Assessment Committee.
2. Extracts from the rent register in connection with the subject property and the comparable property.
3. Form RR1 dated 28 August 2006
4. Letter from the landlord dated 31 October 2006

5. Written representations by the tenant dated 12 November 2006
6. Written representations by the landlord dated 29 November 2006

Decision

The Committee took account of all the documentation before them and the submissions made by the parties at the hearing. The Committee considered that the best evidence available was the evidence of the market rents for the other properties at Memorial Cottage, Balmerino. These properties were in the same location and of a similar size, albeit that they were semi detached properties. The Committee from their own knowledge and experience considered that the market rent for these other cottages would be £5400 per annum, which is the figure that the landlord indicates is being obtained in respect of three of the properties. The tenant also advised the Committee that he was aware that one of the tenants was paying £5400 per annum for one of the cottages which had central heating. In connection with the central heating the Committee noted that this had been put in by the Scottish Executive rather than the landlord. However, as the central heating has not been put in by the tenant, it cannot be considered as a tenants improvement and accordingly cannot be disregarded in terms of Section 48(3) of the Rent (Scotland) Act 1984. The installation of the kitchen at the property however is a tenants improvement and the Committee accordingly considered that the market rent of £5400 per annum would require to be reduced by £300 per annum to take account of this. The Committee then had to consider whether or not the market rent had to be discounted to take account of scarcity. Both the landlord and the tenant accepted that there was a demand for this type of property in this locality. The landlords have suggested a figure of

30% for scarcity and the Committee considered this to be reasonable. If the market rent is discounted by 30% this would give a fair rent of £3570 per annum. As a check, the Committee looked at the registered rent comparable provided by the Clerk to the Committee. This property has a rent of £2730 per annum but is a smaller property in a different location and the Committee were not aware if it had double glazing or central heating. The Committee also considered the capital value method as suggested by the landlord. The Committee accepted that the capital value of the property would be approximately £140,000. The Committee however considered that, as the value of property had increased so much in recent years, landlords were no longer receiving such a high return on capital and considered that a return of 3.5% was more realistic. This would result in a rent of £4900 per annum to which 10% management costs and £100 insurance should be added. Reducing this by scarcity of 30% would give a figure of £3843 per annum. Given that the registered rent method results in a lower figure than the best evidence of the market rent less scarcity and the capital value method results in a higher figure, the Committee considered that the market rent method giving a figure of £3570 per annum was a fair rent for the property.

In making this determination the Committee had regard to all the documentation provided and also the considerations required by Section 48 of the Rent (Scotland) Act 1984.

J Lea

.....Chairman

16/2/07

.....Date