APPENDIX XXXI.

MEMO. FROM VALUER-GENERAL *re* COMPUTATION OF LESSOR'S AND LESSEE'S INTERESTS.

THE following is an example of the computations of the interests of lessor and lessee in respect to a property valued at capital value £4,000, unimproved value £3,000, improvements £1,000, leased for twenty-one years at an annual rental of £140, with a right of renewal for a further term of twenty-one years, the rental for the second term to be fixed on valuation. In case (A) the improvements were already on the land at the date of the lease; in case (B) the improvements have all been effected by the lessee, and the rental is paid on the ground-value only. (C.V. = capital value; U.V. = unimproved value; impts. = improvements.)

(A.)

C.V.	U.V.	Impts.
£	£	£
4,000	3,000	1,000 (effected by owner).

Lease, twenty-one years, at £140 per annum, with right of renewal on valuation for a further period of twenty-one years.

Lessee's interest in capital value = $(\frac{£4,000}{20} - £140) \times 12{\cdot}821 = £769{\cdot}26$.

Apportioned between unimproved value and value of improvements.

C.V. U.V.
£4,000 : 769 : : £3,000 : 576 (lessee's interest in unimproved value).
£769 − £576 = £193 (,, improvements).
£3,000 − £576 = £2,424 (lessor's interest in unimproved value).
£1,000 − £193 = £807 (,, improvements).

C.V.	U.V.	Impts.
£4,000	Lessor, £2,424	£807
	Lessee, £576	£193

[*or*]

Lessor's interest in capital value = (140 × 12·821) plus reversion (4,000 × 0·359) = £1,794·94, plus £1,436 = £3,231.

Apportioned between unimproved value and value of improvements.

C.V. U.V.
£4,000 : £3,231 : : £3,000 : £2,424 (lessor's interest in unimproved value).
£3,231 − £2,424 = £807 (,, improvements).
£3,000 − £2,424 = £576 (lessee's interest in unimproved value).
£1,000 − £807 = £193 (,, improvements).

C.V.	U.V.	Impts.
£4,000 . ..	Lessor, £2,424	£807
	Lessee, £576	£193

(B.)

C.V.	U.V.	Impts.
£4,000 ..	.. £3,000	.. £1,000 (effected by lessee).

Lease, twenty-one years, at £140 per annum ground-rent, with right of renewal for a further term of twenty-one years on valuation. No right to compensation for improvements.

Lessee's interest in unimproved value $(\frac{£3,000}{20} - £140) \times 12{\cdot}821 = £128{\cdot}21$.

Lessee's interest in improvements = $(\frac{£1,000}{20} \times £17{\cdot}423) = £871{\cdot}15$.

Lessee's interest in capital value = £128 plus £871 = £999.
£3,000 − £128 = £2,872 (lessor's interest in unimproved value).
£1,000 − £871 = £129 (,, improvements).

C.V.	U.V.	Impts.
£4,000	Lessor, £2,872	£129
	Lessee, £128	£871

[*or*]

Lessor's interest in unimproved value = (140 × 12·821) plus reversion (£3,000 × 0·359) = £1,795, plus £1,077 = £2,872.

Lessor's interest in improvements = (£1,000 × 0·129) = £129.
£3,000 − £2,872 = £128 (lessee's interest in unimproved value).
£1,000 − £129 = £871 (,, improvements).

C.V.	U.V.	Impts.
£4,000	Lessor, £2,872	£129
	Lessee, £128	£871