

9. It would be almost fanciful to assume that each piece of land was to be put to the best use by the same class of buildings. The ideal building would not be the same in all cases?—No; and in two sections alongside each other it would not be so. A section might be used for retail purposes, and a section down the street could only be used for wholesale purposes.

10. And wholesale dealers might not object to be next to each other, but two retailers in the same business would probably object?—They might or they might not. I do not think so. I think you see that in Cuba Street. The tendency is the other way, I think.

11. Two grocers together?—Not grocers perhaps; but these were drapers.

12. *Mr. Milne.*] Will you tell us about obsolescence, which we have heard so much about?—That depends on the terms of the lease.

13. It is stated that if a tenant puts up a building which he considers suitable for his own purposes, and it is discovered at the termination of the lease that the ground is suitable for different purposes, that that tenant has a rent forced upon him which may compel him to pull down that building and erect a new one. We will put it in this way: that it is possible that a man who has taken a lease fourteen years previously may not be in a position to erect a new building; therefore he is placed in the position that he is obliged to forfeit his improvements, although he may have exercised what he deemed to be foresight in the matter; but he is compelled to put up a new building which he is not able to pay for. Therefore he is deprived of his building, or he is subject to a very much higher rental which he can ill afford to pay. You have told us how you formed your opinion, and that his rental is the difference between his income and his expenditure. If the rental is placed at such a high figure that his expenditure is greater than his income, then his proportion is of no value to him?—He has lost all he put into it. It was shown in the evidence, I think, very clearly that owing to improvements and the improved demand the older buildings were being left, and the buildings without lifts were being left for buildings which had lifts; that the buildings which had small rooms, or were built with wood or plaster and wood rooms, that the tenants were giving them up; that the rents for them had dropped, and there was distinct obsolescence. I think a great deal of that has arisen from the false policy, or want of policy, on the part of the Council in allowing the sections to remain so small as they have throughout Wellington, not only the leasehold but also the freehold sections. A great many sections have been cut up in the past into very small fractions. Therefore it is not possible to build economically. What I mean is this: if you have a small section you have to waste a large section for your area in order to use the whole of it. If you have a lift or staircase it takes up a very much larger portion of the area than if the section is two, three, or four times as large. If these sections had been on a larger scale originally I believe the people could have built much more economically and with better results. As to the rent, I think there has been a great want of foresight and management in city estates.

14. *The Chairman.*] The size of the section is, of course, a material factor for the prudent tenant to consider?—Not only depreciation, but the rent which he can get. The suggestion that everything is to be done on the unimproved value is utterly absurd: it cannot be. The whole of the evidence led by the City Council was entirely on the question of the capital value.

*Mr. O'Shea:* That is not correct. I have evidence here to show that the test in our case was the rentals in the open market.

*The Chairman:* Mr. Ferguson's impression was that it loomed largest.

*Witness:* And they kept on pointing out the large amounts which had been paid for freehold properties. That was continually brought up. We asked them to get information for us as to what the terms were for these freehold properties. We asked both sides for that, but were unable to get the information.

15. *Mr. Milne.*] Have you any idea why you did not get that information?—I believe it was because the interest return was so small that it would show the value of the land. That was the deduction I necessarily drew. The position appears to me to be that the valuer values for taxation purposes, and he puts a certain sum on this for the unimproved valuation. It does not matter to the ratepayer or the taxpayer whether it is a large or a small valuation until he sells, because if it is a low valuation the rates and taxes he has to pay are on a higher ratio; if it is on a high valuation then the rates are necessarily on the lower. In Wellington I believe they have increased the unimproved value to more than the intrinsic value of the land, and that is a portion of the difficulty.

16. To put it bluntly, the tenants and people of Wellington did not want to show their poverty—that is, their poverty in regard to the small income they were obtaining from the improvements effected?—There is no doubt whatever there is an inherent desire in human nature to have your own bit of land. A man likes a freehold. Therefore he will buy a freehold, and give a large sum for it, knowing that he is not going to be subject to the constant worry every fourteen years for renewal. That is one of the points I omitted to mention. It is not a large element, but it is worth mentioning. Terms of eleven years and eleven years and a quarter were the terms of the leases I had to deal with. At the end of that time they had the expense and worry of further investigation. It does not seem to be much, but when you come to work it out it comes to a certain amount.

17. *Mr. Thomas.*] You alluded to freehold and freehold values: were you able to deduce any fixed principle in regard to the relationship between the rental values asked and the freehold?—I am afraid I could not do that. The only thing I did was this: I worked it out on an area basis, and I found that on an area basis a freehold property cost much more than a leasehold. There is also this question: a man may have built up a business in a place; if he has got his freehold he gets the benefit of that. He knows there is no possibility, like in the case of the Harbour Board leases, of some one bidding against him.