

30. *Mr. Milne.*] You think that if the Corporation or lessor did not object to the building at the time of its erection he would be entitled to the improvements at the end of the term?

*The Chairman.* The Corporation, knowing that it was going to be saddled with the valuation, would say to the man that he must put up a building that is suitable.

*Mr. Thomas.* At the time they converted and take up the new lease then the Council would settle all these terms. That would be one of the factors in the bargain.

*Mr. Milne.* At the end of the term the Council might justly say that the building was out of date and of no use to them, but the tenant may consider that it is of some value to him, and he would say, "You took no exception to the building when it was being erected, therefore I am entitled to claim compensation—to claim my value instead of yours; I am entitled to some consideration; there is a value in the building." But the Council assumes there is none.

*Witness.* The value and suitability of the building would have to be determined at the commencement of the term. If it were not suitable then I take it the Council would not consent to the new lease.

31. *Mr. O'Shea.*] Or covenant to pay compensation?—Yes.

32. *Mr. Thomas.*] There is one thing that is likely to cause a great deal of friction and difficulty at the end of the term, that is this obsolescence—not of depreciation in the building itself—that is the tenant's risk—but the obsolescence which arises by reason of an entire change in the character of the locality. Is not that likely to arouse a good deal of difficulty and feeling?—A change in a locality is, as a rule, an improvement.

33. There are warehouses that have been built at great cost—excellent buildings, and good for the purpose for which they were put up—a warehouse for which they would get their money back, and probably more, because it could not be replaced at the present value; but owing to an alteration in the centre of gravity of the trade of the city the building would be unsuitable?—I do not call to mind any case where a warehouse has gone out of date.

34. *Mr. Milne.*] Has it not been stated in evidence that a three-story building in the centre of the city is out of date and that a five-story building is necessary?

*The Chairman.* If you go above two or three stories you must provide for a lift.

35. *Mr. Thomas.*] A tenant might find himself in this position: that through this alteration in the character of the locality his land has increased very much in value, and he might put up expensive buildings, but by reason of the alteration in values it might be a case of scrapping: on what sort of fair basis could you value that place for improvements for compensation?—It is a debatable question. Take some of the buildings on the Hunter Street endowment. Take the Queen's Chambers, put up by the late Captain Williams—a two-story building; no one would now think of erecting a two-story building on such a site. There is a case where in twenty-five years the building is obsolescent.

*The Chairman.* If 60 per cent. were paid on the value of that building the probability is it would be pulled down.

*Mr. Thomas.* For a building under those conditions they would only pay its scrap value.

*The Chairman.* There is nothing to say it is to be the scrap value; it is the valuation of the buildings and improvements—what it would take to erect, less depreciation.

*Mr. Thomas.* Would it be that value or its obsolescent value?

36. *The Chairman.*] Take the instance which has just been given of the three-story building. If he asked for a new lease in the form which may be recommended by the Commission, and he was refused because his building was not worth more than the material for removal, would he not have a grievance?—It is no doubt paying, and it was a suitable building at the time it was erected; but it is a site for a four-story building, and four stories would probably be erected on that land now if it were vacant.

37. *Mr. Thomas.*] I think the statement was made in evidence that Featherston Street really is threatening to become a retail centre?—That was mentioned in the evidence before the arbitration inquiry.

38. That gives a very good case in point in regard to which I was hoping to get guidance from you. A man goes to that street, which is largely occupied by warehouses and offices at present, and he puts up a building which is approved by the City Council as being suitable under the conditions of the lease. He leases the land for twenty-five years, and at the end of the twenty-five-year period it comes up for revaluation, but at that time it has become a retail locality. What sort of a basis of valuation would arise there?

*Mr. O'Shea.* There is no danger of that now, because the buildings that are being erected are easily convertible from one form to another. Most of the big buildings are merely shells, capable of being altered in any way.

*Mr. Blair.* I would like your Honour to ask Mr. Ferguson this question: As to what basis they assessed the rents on when a building was an old building or was not suitable for the site—that is, when they were arriving at the rents? I want to ask him what process he followed when it was a case of an old building on a site—what sort of building he assumed to be on the land?

*Witness.* I do not remember such a case of obsolete buildings. There were examples brought before us of buildings from which they could not get the full return owing to the size of the land, but I do not remember an actual case of an obsolete building, to be pulled down, that came before us. I may say that I checked the whole of my work by the area basis in order to determine whether the maximum was being got out of the land.

*Mr. Blair.* That is what we mean.

*Witness.* I checked it by the freehold land not only in the immediate district and in other parts of the city, but by the position and by contiguous sections, and I added for corner sections double light and extra position. I checked the whole of my calculations by that, and the assessors