

2. *To Mr. O'Shea.*] I do not know that I have had any experience of arbitrations as to valuation where evidence is called, but personally I would prefer to have a Judge of the Supreme Court as against a layman to settle such questions. I do not know that a Judge would very soon be able to establish a standard of rent or of valuation in a city like Auckland, where there is such a great variation in the sites to be leased. Perhaps it might have that effect where the sites were adjacent to one another, but even then conditions vary.

FREDERICK GEORGE EWINGTON examined. (No. 25.)

1. *To the Chairman.*] I have been a valuer and estate agent in Auckland for the last fifty years. I do valuations for the City Council and other public bodies constantly. In the announcement in the newspapers about this Royal Commission on municipal leases it suggested that if the Municipal Corporations Act be not working satisfactorily what were the alterations that should be made? I do not say the Act is not satisfactory, and I make no complaints on my own or on my principals' behalf; but I respectfully submit a suggestion which perhaps may help the Commission if it be found that section 7 of the Municipal Corporations Act is susceptible of improvement. In section 136 (b) (i) it provides that the rent "be fixed by valuation of the land only, without regarding the value of any buildings or improvements thereon." From that it appears the valuers have to value the land as unimproved land, but there are instances where the land has valuable buildings erected upon it, and it cannot be reduced to unimproved land without first destroying many thousands of pounds' worth of buildings. Not only so, but the valuers have to imagine an unreal thing. They have to imagine that the land is unimproved, which is not the case, and they are led to consider what the land would realize in the market if it were for sale as unimproved land; and they are guided to a great extent by what similar land in the vicinity has recently sold for, and what it can be sold for and yield a fair and satisfactory return on when put to its best use. That may show that the land without improvements, when a buyer can erect what buildings he likes, may be worth considerably more than the same land is actually worth with the buildings already on it. It may be found, too, that if the estimated value of the land as unimproved be added to the present buildings, the lessor would claim a rental which would leave the lessee a mere trifle, or perhaps nothing, for interest on his improvements. Such cases may arise, and in my humble opinion the Reserves, Endowments, and Crown Lands Exchange, Sale, Disposal, and Enabling Act, 1898, meets such cases and secures justice to all parties. A section of this latter Act provides that when a lease is to be renewed there shall be two separate valuations. There shall be a "valuation of the then gross value of the fee-simple of the land." That valuation of the fee-simple includes the buildings. In his estimate of the fee-simple the valuer has to consider many questions—for instance, the earning-power of the fee-simple with the permanent buildings upon it; also what it would be likely to realize in the market if placed on it for sale at the present time with all its disabilities and potentialities, and what a careful investor with a knowledge of the property and money markets would be likely to give and be justified in giving for it as a safe investment. Having made his valuation of the fee-simple the valuer then makes a valuation of the buildings. The buildings are contributory to the income, so is the land, and in estimating the building the valuer would have regard to their state of repair and suitability for the position in the city and on land of particular value there. It seems to me that the method prescribed in the Reserves, Endowments, &c., 1898, statute may suggest to the Commission a way of preventing hardship or injustice if such cases have been brought under its notice. With regard to that Act the Hospital and Charitable Aid Board, which has really taken the place of the Public Trustee in the appointment of a valuer, gets a valuation made, and then it has the power under the Act, if the valuation is deemed too high by the lessee, to have this land put up to public auction with a reserve not higher than the amount at which the valuer has assessed it. So that it seems to leave the Board free to put it up at a lower sum and let the lessee bid if he wishes. Of course, there is great responsibility thrown upon the valuer, who has to value for the two parties. As to the system of taking a 4 or 5 percentage upon the capital value, I think in cities like Wellington and Auckland 5 per cent. is exceedingly liberal, because there is an increment value every ten years, and I think the landlord ought to be content with 4 per cent. I agree that if you could get an accurate capital value every time it would be the simplest system always to have a fair percentage on the capital value as the rent. That is what we have to aim at to a great extent. If the land and building is pretty well put to its best use then we are governed to a great extent by the return. It is true that, apart from speculative or prospective value, the capital value ought to be ascertained by what can be got out of the land by the best use of it, but many of the holdings are not put to their best use. The earning-power should be taken on a reasonably good building. Land next mine which has only a two-story building upon it has been sold at the rate of £600 a foot. It would not be fair to base the valuation of that property on its present earning-power. You would have to consider there is land in the vicinity selling for so much. But there is no hard-and-fast rule to go upon in these matters. I quite agree with those who say that private arbitrations are very expensive and as a rule unsatisfactory. My experience is that the two arbitrators go as partisans to fight each other for his own principal, and they throw on the umpire the responsibility of deciding. In the case of private people leasing land my experience is that they do better by letting on long leases. It entitles the landlord to a higher rent, and it gives the tenant better security than does a Glasgow lease. He can borrow on a long lease.

2. *To Mr. Milne.*] The financial people will not lend money on leases where the rental is not determined. In the case of these Glasgow leases no doubt the periods of rest are there for