

the lease. There is provision for auction, but very often by consent of both parties auction is waived. If the valuation is accepted by both parties auction is waived. There are very old-established buildings erected on our town sections. I might mention Sargood, Son, and Ewen's block; then we have another block in the same locality occupied by Nimmo and Blair, the International Harvester Company, and the *Otago Daily Times* building. On the other side we have the Leviathan Hotel. Generally speaking, first-class buildings are put up on our leaseholds. So far as the residential leases are concerned the Board has been most successful in arriving at valuation by friendly settlement, and it is a rare thing to refer them to arbitration. So far as the larger leases are concerned, where you are dealing with firms, neither side cares to take the responsibility of fixing a valuation; they prefer to have the amount settled by the three arbitrators, but we still waive going to auction. In our case it is not two arbitrators and an umpire, but three arbitrators and the majority rule. The Board has been impressed for some years with the desirability of meeting the tenant by waiving auction. In fact, I can safely say that when dealing with big firms the Board does not see the necessity of going to auction provided both parties are satisfied. We have found, as a rule, the system of arriving at the rental is satisfactory to both sides. Prior to the expiry of the lease the Board, through its factor or a small committee, endeavours to ascertain what would be a fair rental for the further term. Without disclosing any figures whatever they enter into friendly negotiations with the tenant and suggest that the tenant should make an offer to them. The Board further suggests to the tenant that he should make some inquiries from some suitable person or persons and frame his offer on the advice so tendered. If the amount offered comes reasonably near to what the Board has in its own mind then a settlement is arrived at. In many cases, of course, there is a little give-and-take on both sides. As to the provision for compulsory renewal in our lease, so far as I am aware it has always been in existence. Generally speaking it is not regarded adversely by the tenant to the best of my knowledge, though I have heard tenants express the opinion that the leases are very hard to get out of once you get in. On the other hand, it is wonderful to see the ease with which some of these properties are sold. Our leases are regarded as good security on which money can be borrowed on the open market at a fair rate of interest, judging from the number of mortgages that go through. From my experience there is a tendency to ask a little more interest for loans on leaseholds—about $\frac{1}{2}$ per cent. As to the principle followed by our Board in arriving at the rental, usually an attempt is made to estimate what is a fair capital value and upon that charge 5 per cent. We do not take the land-tax value—it is too risky. Contemporary sales in the neighbourhood are considered a factor to a certain extent, but what a place is likely to earn is not always taken into consideration. Of course, in taking into consideration contemporary sales, that factor has to be qualified sometimes by the motive which has induced the buyer to give. We have had no difficulty with regard to the tribunal that assesses the value. In most cases valuation has been resorted to, though there have been cases where there has been arbitration. I cannot say that there has been any very marked difference in the results of arbitration as compared with valuation. Generally speaking the tenants are satisfied with the leases they hold. Now and again you hear murmurings, but, of course, you always find one or two dissatisfied persons anywhere. The Church Board is also satisfied that it is getting a fair return upon its reserves. There has been a considerable rise in value of some of these leases in recent years. In the North-east Valley, for instance, residential sites which were let for a very small rental originally had increased considerably in value when the leases were reviewed about 1914. Then, as regards some of the city properties, there was a sharp rise in 1916. One I have in my mind, the rental of which twenty-one years ago was £90 per annum, is now returning us £210 per annum without having been submitted to auction. Then in the case of another property the ground-rental has risen from £116 to £163. Those two properties are widely separated. The first one is in Stuart Street, and that place has gone ahead very much in the last ten years—it is now the direct route to the railway-station.

2. *To Mr. Milne.*] I could not say right out what is the average return the Board is receiving on the whole of the buildings on the ascertained value. In arriving at our rentals we generally try to ascertain the true capital value and fix the rental on a 5-per-cent. basis. In assuming the 5-per-cent. return we ignore all fluctuation of interest.

3. *To Mr. O'Shea.*] Our leases are readily saleable. The vendors usually get full value for their improvements. As to the term of the lease, I must admit that some tenants do say that the term might be extended, but there has been no representation made direct to the Trustees in that direction.

4. *To Mr. Stephens.*] When the Church Board is putting up vacant land the main factor in fixing the term of lease is, I think, the class of building that is likely to be erected upon the land. We have no vacant land in the city.

5. *To Mr. Thomas.*] Our idea is that where perishable wooden dwellings are to be erected the lease should be for the shorter term of fourteen years.

6. *To the Chairman.*] Our land is scattered—north, east, and west.

7. *To Mr. Thomas.*] In most cases where there have been sales of leases the vendors have simply received a fair value for their improvements. As far as I know there has been nothing paid for goodwill.

8. *To Mr. O'Shea.*] There has been very little traffic in leases of city property, as the bulk of the city properties are held by old-established firms such as Sargood's, Bing, Harris, and Co. in Princes Street, and so on. Mr. Reynolds has drawn my attention to a slight inaccuracy in my evidence. It appears I stated that there had been the one form of lease in operation, so far as I knew, for all time. Mr. Reynolds reminds me that that is not so—that some years ago there was a different form of lease in vogue, which was afterwards withdrawn and the present form substituted. I will produce the old form if I can if it is of any value.