

ALEXANDER BATHGATE examined. (No. 40.)

1. *To the Chairman.*] I was for many years a solicitor practising in Dunedin, and have now retired. I am chairman of Kempthorne, Prosser, and Co. I understand the Commission would like to hear something about our Wellington leaseholds. We hold a lease of a small piece of ground at the corner of Victoria and Willeston Streets, measuring 60·74 links by 121·21 links. For that piece of land we paid £90 and some odd shillings per annum, but when the lease expired the rent was fixed at £300 a year. That seemed such an enormous advance that the board were rather staggered at it, and they had to consider what was best to be done. We looked about and we found a freehold property that would have suited our purposes if we put up a building costing several thousand pounds. But we were in this position, that we had another similar section, the lease of which was still current—the section adjoining. Of course, we were afraid of a similar increase in rent regarding that. We instructed our Wellington manager to let us know if he thought there was any chance of disposing of our leasehold, and the reply received ultimately was that apparently there were no buyers even at a sacrifice. We felt that if we could have got rid of our then premises, even at a considerable sacrifice, it would have paid us to do so and erect a building on the freehold. Of course, one difficulty was that we did not come into direct negotiations with any possible purchaser because we could not hear of one at all. Another difficulty was that we should have required time to erect our building on the new premises, and we could not give immediate possession. We inquired into the reason of this enormous increase, and we were told that shortly before these valuations were made the Government had required a small piece of land to complete the Post Office block, I think, or, at any rate, one of those blocks where there are buildings. The land was not of any large area, but the owner would not sell except at a fancy price, and he got it.

*Mr. O'Shea:* That is not so.

*Witness:* That was the information supplied to us from Wellington, and that that sale, which was not an ordinary sale by any means, was a big factor in establishing market values. So far as we are concerned our building has a frontage to the street, but that is, of course, of little or no value to a wholesale house—the business we do is mostly done by travellers or by telephone. The number of people actually calling at the warehouse is comparatively small, and the main factor in deciding the site would have been distance from the wharves, because of cartage, and so on. The site we had in view would not have involved very much greater cartage than the present site. Our rental was assessed before the judgment in the D.I.C. case. Our rental is £7 10s. a foot. I could not say whether our own valuer agreed to that or whether he dissented. I should not like to commit myself by stating what I consider the rent ought to have been. It is some time since the matter cropped up. We discussed it then, but I could not, just for the moment, say what we considered would be a fair rental. We anticipated an advance in rent, no doubt, but certainly nothing like more than three times what we were paying. I am one of the tenants that ask for some relief if it can be granted. My grievance is that the present ground-rent is at least a third more than it ought to be. I do not think we should have been greatly injured if it had been nearly doubled. I do not know whether we had any valuation from any one outside at the time the renewal was made. The whole thing was conducted by our Wellington manager. I do not even know the name of the arbitrator. The whole thing came like a “bolt from the blue” upon us when the Wellington manager reported the result. I am not against the form of lease, but the valuation, in my opinion, has been excessive. Personally, however, I consider fourteen years rather a short term of lease under such conditions. I have had a good deal of experience in practice of the so-called Glasgow lease, and on the whole I think it is fairly satisfactory from the point of view of the landlord as well as of the tenant. I think that a twenty-one-years term is better than fourteen so far as Wellington is concerned. I omitted to mention that there is one point in connection with the Wellington lease that is objectionable. I think the revaluation should be made at least twelve months before the expiry of the lease. Three months is too short a time. The position is this: Any firm or company having a lease such as ours would want time to attend to things, and if the ground-values in the locality were going up they probably, as prudent men, would think it advisable to write off something from the value of their buildings. If they knew when the time for renewal came the rent was to be practically prohibitive they would reduce the value of their buildings on their books. Of course, it would not lessen the actual loss, but would spread it over a period. They might think it better to forfeit the buildings rather than pay the new rental. But three months would not be sufficient time in which to do those things. They would be in a hole and obliged practically to take a new lease. I think at least twelve months should be allowed the tenant to enable him to make up his mind as to the course he should adopt. The same thing would, of course, apply to what we call the Corporation lease in Dunedin, where the lease is put up to auction. In only one case that I can remember at the moment has the tenant of any such lease been run up unduly. It was done with the collusion of rival traders who wished to push him out. They pooled the loss, so the story goes. Then there is one little peculiarity in the wording of the lease. It says, “The valuers shall value the full and improved ground-rental.” What that means I do not know. We know what unimproved value is, but “improved ground-rental” seems unusual. It looks as though the Corporation are instructing their valuers to give them a better rental every time.

*The Chairman:* I believe it relates to what the lessee gets from his subtenants.

2. *To Mr. Milne.*] I do not know that I am of the opinion that the length of a lease should correspond in any way with the life of the building. In a growing town that would involve too long a lease. I favour the perpetual lease with revaluation every twenty-one years. Messrs. Sharland and Co., who are in the same line of business as ourselves, have relinquished their lease in Wellington and have built on a freehold. That is what we contemplated doing. Pre-