

that is, if the building is an ordinary wooden building. Ten per cent. is the gross rental, from which has to be deducted upkeep, rates, repairs, and so on. Such properties should produce rentals of from 10s. to 15s. per week. That would be in the more closely populated part of the city, where there is a good deal of risk of there being vacancies. The 4 per cent. I was getting from my leasehold property was after deducting rates, insurance, and repairs.

3. *To Mr. Milne.*] The cost of repairs has gone up very considerably lately—that has tended to lessen my return. I agree that the higher the cost of building is the lower is the value of freehold, and I was certainly expecting a reduction in rental.

4. *To Mr. Lewin.*] It is true that increased cost of repairs tends to increase rental, but I have not been able to pass the increase on to the tenant.

5. *To Mr. Milne.*] I think the owner of the ground is entitled to a lesser rate of interest than the tenant, because the value of his land is always increasing, whereas the value of the tenant's building is gradually lessening. I do not say that 4 or 5 per cent. return to the landlord is more than he is entitled to, but if I only receive 4 per cent. I do not think the landlord should receive as much. I consider, if I am receiving a low rental from my property, the rental I pay to the Corporation should be reduced instead of increased.

GEORGE CLARK examined. (No. 49.)

1. *To the Chairman.*] I am a builder and valuer in Dunedin. I am not a Corporation tenant. I have had a good deal to do with the valuing of various leases, chiefly on behalf of the tenant. I may say that at one time here a builder, so far as the Corporation was concerned at all events, was always chosen as third valuer. Now the Corporation will not have a builder of any kind, and the position of Corporation valuer is now held by a land agent. The land agents have become very strong as valuers here quite recently, and they on their part will not accept as third man any builder. In connection with the Church Property Board, on a recent occasion, when the leases came in for revaluation, the Arbitration Court was constituted wholly of men who valued for the public bodies here, and it seems to me that it is to their interest that they should keep up the price of property. Most of the valuers here are men who are employed by huge trusts which control enormous properties. In that case there is no hope for a builder, who would probably be an independent man, to be appointed third man. It is questionable whether it is right morally for these men to take part in such arbitrations, as they are not disinterested parties. I do not think they are altogether independent valuers. They would go to the extreme of going to the Court rather than accept as third man one who would be an independent builder. I do not say that the Court should always appoint the third man. The trouble about appealing in most cases is that the expense would be too great. When the rentals were small it would not pay. Of course, as a builder I want to see plenty of houses going up, but I must say that my experience is that it would not pay any builder to build houses to let. I say the cost of both freehold and leasehold ground is far too high. One can quite understand an exorbitant price being paid for a piece of freehold ground because a man may fancy a particular neighbourhood. In such a case he may be quite prepared to throw away a couple of hundred pounds on a site, but the trouble is that this is immediately seized upon as being the value of land in that district. We have evidence of land being taken by the Government and of the value of land in the vicinity being boosted up in consequence. My method in valuing is to endeavour to find out what can be made out of the property. In leasehold property it is the producing-value. There is no other way for it. In arriving at that you have to consider, of course, the site, the class of tenant you will get, and then find out the average rental obtaining in the neighbourhood. Once you decide the house you will put upon it you allow 6 per cent. on improvements, then work out the rates, deduct 20 per cent. from the gross rental, deduct from that lesser amount your insurance, upkeep, depreciation, and collection of rent, and the remainder is the price of the ground-rent. It might sometimes mean that as worked out the ground-rent might come to nothing. I do not know how that is to be got over. I cannot say how it is that some of the best buildings in Dunedin are on leasehold sites, but I have not the slightest doubt that if those people had to leave they would have to sacrifice a great deal in the way of improvements. That is what happened when Mr. Bullock went to Wellington. His valuation was £1,200, and he had to sacrifice 25 per cent. in order to get rid of his land to Mr. Burt. What I am stating is not due to the fact that the property market is rather stagnant in Dunedin. I am speaking of normal conditions. I maintain that what land will produce should be the basis on which rentals should be assessed.

2. *To Mr. Milne.*] I do not claim to have any extraordinary experience, but I have been valuing for about twenty years. I do not see how people who have invested their money in leasehold property in Dunedin can be receiving any return at all. I know of one case where a man became bankrupt. The average interest he was getting from a number of properties was $4\frac{1}{2}$ per cent. He was heavily mortgaged, and the average rate of interest he was paying was 6 per cent. Quite recently they foreclosed on three large properties, and as to the other one he does not care whether they take it or not. This man was himself a builder. I should imagine that the lessee should be satisfied with 6 per cent. I think the lessee is entitled to more than the lessor. I am aware that a builder has recently been appointed as umpire in connection with Harbour Board leases, but I know of numbers of builders who have been turned down.