to that when you fix the rent; but if, on the other hand, values are likely to fall, and you can only form a conjecture, then you see at once that the tenant instead of asking for a longer lease would want a revaluation every ten years. There are complex factors. It seems to me you cannot fix any term which will operate with certain justice to the landlord or tenant. My view is that valuation every twenty-one years would be a reasonable valuation.

12. *Mr. Milne.*] Do you not think that in estimating the present value of the property you are going beyond your province in estimating the prospective value?—I do not think so; it is the present value of the lease.

13. I understand the period of the lease is to be at the present value, not the prospective value. It might be a very unfair thing to fix the prospective value; it might decrease in value. I think the probabilities are it was the intention to fix the present value, not the prospective value at all, and that in going beyond the present value you are exceeding your province as a valuer?——

14. *The Chairman.*] Is not this the case: that if there is a piece of land that you estimate is going to rise 25 per cent. in five years' time that fact forms part of the present value?—Yes, any estimate of present values always involves prospective advances in price.

Mr. Thomas: In Dunedin the present value is taken.

15. *The Chairman.*] "Present value" includes present value of a prospective sum?—As a matter of fact, of the rentals of the last batch we had few came to 5 per cent. of the present values. I dissented from the other two valuers, and because I differed I put my reasons in writing. I think the values were something less than the Government valuation. Mr. Hayes, I think, made a deduction of 10 per cent. on the Government valuation. One had to consider special circumstances. In the valuing of these sites one has to act instinctively—one cannot do it otherwise—you have to get an appreciation of the popularity of the side of the street, and so on. For instance, in Lambton Quay one side of the street is more valuable than the other at certain points, and in Brandon Street one side is more valuable than the other. There are certain parts where people naturally tend to go, and certain parts where they do not. One has to get an appreciation of that and consider it in each case. It is not a matter that can be done by foot rule.

16. *Mr. Milne.*] Are your values less or greater than the Government values?—As to the Government valuation I am rather inclined to agree with Mr. Skerrett, and should not be disposed to lend a client's money on Government valuation. I should want it supported by a valuer who had special knowledge of the property. On the whole I think the Government valuation is near the mark, but I find some excessive and some quite below.

17. *Mr. Thomas.*] Do you consider, by reason of ground-rents being superior security to mortgage, that a fixed deduction should be made in the ratio between ground-rent and mortgage rate—say, 1 per cent. or 2 per cent. below the current rate of interest?—I do not fix any ratio because the mortgage rate fluctuates. I think on the whole the interest which the landlord would get under my valuation was in each case under the mortgage rate of interest.

18. As a matter of principle I suppose you recognize that ground-rent should be a lower rate than the ordinary average rate for money lent?—I think, subject to this qualification, that if the lease is unimproved land on ground-rent you will have no security excepting the solvency of the tenant. When improvements are on then you do get security. The solvency of the tenant is the only security pending improvement, and it may be the improvement will spoil the site for the next tenant. It is a difficult thing to lay down a general rule. One has simply to consider each site on its own circumstances, with a general regard to surrounding values; not what some man gave for a site for a special purpose—that is the wrong way of considering the matter. A man may be prepared to give a big price for a special purpose.

19. *Mr. Milne.*] You stated that in assessing the value you considered the landlord entitled to a fair——?—Unquestionably.

20. Have you ever, in arriving at a conclusion, considered the position of the tenant?—Oh, certainly. We were in this difficulty: we had no information given us by the tenants as to what percentage of net or gross profits any particular business treated as fair rental—not any business but the particular class of business for which the site was suitable. Supposing a man is taking a house, he considers he can only afford a certain amount for rent. I assume there is a principle by which a competent business man—say, a bootmaker—can say, "Very well, I cannot afford to give more than a certain percentage of the profits as a rental." He invests a certain amount of capital, and has to estimate what rental his business can afford to pay. We had no information of that kind. It may be difficult to give it. I do not think any particular individual might be expected to come forward with a statement of profit and loss for our inspection—that is too drastic; but we were given hypothetical rents from subletting that were of no assistance to me.

21. But no person would think of leasing an unimproved section for the purpose of erecting a building without expecting a fair return?—Beyond question; but, when he leases a property, as a rule he must have made a calculation as to what he proposes to pay for rent. We never had any information put before us. Two cases struck me as in rather sharp contrast. One was Kirkcaldie's draper's shop, the other the Midland Hotel site. My recollection is that we were told the Midland Hotel site ought to have a very low rental. There were different arbitrators. I think the Midland Hotel site brought seven guineas or something less, and the opposite corner £5 10s.: the one was a draper's, the other a publican's. I remember there was a sharp contrast, but on paper there was nothing to choose between them. It may have been that different sets of arbitrators had different values.

22. Do you value all the sections as you would drapers' and publicans'?—No, you have to consider what class of business generally may be carried on upon it. You are given hypothetically a plain piece of ground without a building. The arbitrator starts on the assumption that the present building is wiped off. You are given the piece of ground, and you are to say, having regard to the class of business which could be carried on successfully on these sites, what is a fair