

the purpose of adjusting the position as between landlord and tenant, but the Glasgow lease seems to keep people in a state of ferment, and a great many will not take it up because they are afraid of what may happen at the end of twenty-four years. I do not recollect any instances of rentals being reduced during a period of rest for the currency of the next twenty-one years, though it is quite possible something unforeseen might occur which might warrant a lower rental being demanded. If something unforeseen occurs during the currency of a lease, such as the removal of the seat of business by the deviation of a railway or a tramway, for instance, the landlord ought to have power to make some concession to the tenant. If he did not make a concession it would be a hardship, but I would not call it an injustice. It would be a hardship also to the landlord to have to greatly reduce his rent.

3. *To Mr. Thomas.*] In periods of boom such as at the time of the mining boom men were almost indifferent as to what they paid for properties. When rentals have afterwards fallen I do not think there has been any attempt to get relief from the leasing bodies. The tenants have stood to their bargains. But I have generally found public bodies are pretty indulgent as to payment of rents, rates, and so on. They will try to help the tenant to tide over a dull time.

AUCKLAND, TUESDAY, 23RD JANUARY, 1917.

HERBERT EARLE VAILE examined. (No. 26.)

1. *To the Chairman.*] I am a land-valuer in Auckland, and I am also agent, with my firm, for a number of properties. We have been carrying on business for many years in Auckland. We are valuers for the City Council. Our firm does the largest letting business in New Zealand. I am aware generally of the terms of what is called the Glasgow lease in its several forms. I think, speaking generally, the Glasgow lease—that is, the lease with perpetual right of renewal—is more popular than the long-lease system. I am speaking more particularly of business areas. A business is not like the lifetime of an individual: it may go on for ever. I am aware that the Harbour Board reverted, after a short trial of the Glasgow lease, to the long-lease system. Personally I cannot see any objection, when these leases are offered at auction, to giving the tenant the privilege of either taking a lease in perpetuity, with revaluation, say, every thirty years, or a straight-out lease of fifty years. I do not see any reason why that option should not be offered to the tenant. I do not think the one should bring in more rent than the other. I think the municipalities make a great error in not giving as liberal terms as possible, because everything possible should be done to popularize the leasehold system in the interests of those bodies. The lease is quite unpopular enough now. It is not very popular with people who lend money, and quite rightly so, because it is easy to imagine a point at which the leasehold becomes a liability, which in past experience has very often happened. A fourteen-years term for ground-rent to my mind is out of all reason, and my view is that even twenty-one years is too short. I believe that a Glasgow lease, revalued every thirty years, would be about equivalent to a flat lease of fifty years. In my opinion, by giving a revaluation every thirty years instead of twenty-one years, the public bodies would lose absolutely nothing. As regards the system of arriving at the rental in the first instance or on a revaluation, unfortunately in Auckland the practice with the Harbour Board, the City Council, and other leasing bodies has been not to have any definite system at all. Sometimes they employ us to fix the ground-rents; at other times they fix them themselves. I am absolutely convinced that there is no way of fixing ground-rental except by taking the fair market price of the land and taking a percentage on that. I have heard it suggested that one might take a piece of land, stipulate the style of building that should be put upon it, and subtract so-much per cent. on the building for collection-of rent, cost of running a lift, insurance, taxes, and so on. Well, if they will let me do that I will undertake to prove that every piece of land in Auckland is absolutely worthless. I do not care what piece of land you show me, I will prove that the ground-rent is worth nothing. In attempting to place a ground-rental on a good corner section the first point to settle is what sort of building we are going to put up. If I were acting for the landlord I should say it was suitable for a hotel, or a picture-theatre, or something of that kind. The other man would say it was suited only for a warehouse. Then it is a matter of opinion as to the sort of building that should be put up. Then you could go on making up your charges until the ground-rent went up to £100 a year. You could easily wipe the whole of that out by saying, "In a building such as this the rent will come to £150 a year." You might say the gross rental would be £6,000 a year. Then one man would say, "I want to deduct 5 per cent. for collecting that rent—£300 a year." The other man might say he could get it done for 2 or 2½ per cent., and so you might be arguing for a week. There is no fixed percentage basis on which these deductions are made. With regard to the percentage on the capital value of the land that should be charged for rental, to my mind it varies according to the term of the lease. If the lease is for fourteen years I say it could not possibly be worth more than 2 per cent. at the very outside, because it is obvious when a man has to put his building up it is more or less of a speculative venture. If it is a large building it is twelve months before he gets it tenanted right through, and as he has not the faintest idea of what his next rent will be he has got to try and get as much of the value of the building back in fourteen years as he can, which is not much in the case of a good building. Then if the rent were revalued every twenty-one years I should say the ground-rental should be worth from 3 to 3½ per cent. But there another factor affects it to a slight degree, and that is as to whether you are letting a section on a large area of unoccupied land, or whether you are letting an established site. In no case should ground-rent ever exceed 4 per cent. unless the tenant has the right to purchase or something