

VALUERS • JOURNAL

DECEMBER 1989

NEW ZEALAND INSTITUTE OF VALUERS

Incorporated by Act of Parliament

PRESIDENT
R L JEFFERIES

VICE-PRESIDENTS
A P LAING, J P LARMER

MEMBERS OF COUNCIL

Northland	W A F Burgess	Wellington	G Kirkcaldie
Auckland	R L Jefferies	Nelson Marlborough	A W Gowans
Waikato	T J Bemau	Canterbury-Westland	R E Hallman
Rotoma-Bay of Plenty	W A Cleghom	South Canterbury	E T Fitzgerald
Gisborne	G H Kelso	Otago	A P Laing
Hawke's Bay	K E Parker	Southland	J W Briscoe
Taranaki	J P Larmer	Valuer-General's Nominee	H R M Donaldson
Central Districts	R V Hargreaves	Immediate Past President	R E Hallinan

BRANCH SECRETARIES

Northland	V Winiata, PO Box 223, Whangarei
Auckland	K Bender, PO Box 3650, Auckland
Waikato	M Downey, PO Box 4348, Hamilton East
Rotoma-Bay of Plenty	R White, PO Box 1318, Rotorua
Tauranga (Sub-Branch)	J Almao, PO Box 460, Tauranga
Gisborne	G H Kelso, PO Box 2038, c/- Lewis & Wright, Gisborne
Hawke's Bay	Reid, PO Box 458, Napier
Taranaki	Ms K Valentine, 102 Tukapa St., New Plymouth
Wanganui (Sub-Branch)	A Walshaw, PO Box 4123, Wanganui
Central Districts	Mrs D Avery, PO Box 952, Palmerston North
Wairarapa (Sub-Branch)	P McKenna, PO Box 133, Masterton
Wellington	M Bevin PO Box 5124, Wellington
Nelson-Marlborough	B Rowe, PO Box 342, Nelson
Canterbury-Westland	S O'Brien, PO Box 1397, Christchurch I
South Canterbury	McBride, Box 174, Ashburton
Otago	W J M Reid, PO Box 1082, Dunedin
Southland	Mrs S Munyard, PO Box 399, Invercargill

PAST PRESIDENTS

1938-1940	N H Mackie, Palmerston North	1962-1964-	S Moms Jones, Wellington
1940-1943	G B Osmond, Auckland	1964-1966-	M B Cooke, Christchurch
1943-1947-	A W A Sweetman, Auckland	1966-1968-	D G Morrison, Whangarei
1947-1949-	O F Baker, Christchurch	1968-1970-	A R Wilson, Napier
1949-1950-	J A Wilson, Dunedin	1970-1971-	J M Harcourt, Wellington
1950-1951-	O Monrad, Palmerston North	1971-1974-	R S Gardner, Auckland
1951-1952-	L E Brooker, Wellington	1974-1976-	G M Niederer, Invercargill
1952-1953-	L A McAister, Wellington	1976-1977-	L M Sole, Rotorua
1953-1954-	W G Lyons, Palmerston North	1977-1978-	E J Babe, Wellington
1954-1955-	S E Bennett, Auckland	1978-1979-	P G Cooke, Nelson
1955-1957-	R J Maclachlan, Wellington	1979-1981-	P E Tiemey, Tauranga
1957-1958-	V W Cox, Napier	1981-1983-	R M McGough, Auckland
1958-1960-	G C R Green, Dunedin	1983-1985-	R M Donaldson, Timaru
1960-1962-	J W Genatly, Wellington	1985-1987-	G J Horsley, Wellington
		1987-1989-	R E Hallman, Christchurch

LIFE MEMBERS

S Morris Jones (1968)	D G Morrison (1976)	M R Mander (1985)
R B Cooke (1970)	E J Babe (1982)	R M McGough (1987)
R J Maclachlan (1970)		A L McAister (1988)

HONORARY MEMBERS

A D Thompson	JAB O'Keefe	M Aldred
Sir William Rodger	F B Hunt	R Aldred
J S H Roberson		L W North

JOHN M. HARCOURT MEMORIAL AWARD

E J Babe (1975)	S W A Ralston (1980)	A L McAister (1986)
R S Gardner (1977)	K J Cooper (1981)	M E L Gamby (1989)
R L Jefferies (1979)	S L Speedy (1983)	

The New Zealand VALUERS' JOURNAL

DECEMBER 1989

Editor: Trevor J Croot
Production Editing
Vicki Jayne

Editorial Board

W A F Burgess	T J Croot	L Freeman
M E Gamby	J N Gaskell	R L Jefferies
J A B O'Keefe		S L Speedy

General Secretary
J G Gibson

Westbrook House, 181-183 Willis Street
P.O. Box 27146 Wellington
Phone 847-094

Statistical Officer
R. P. Newton

Contributions with a biographical note of the author should be typewritten and sent to the Editor, PO Box 27146, Wellington, who reserves the right to accept, decline or modify material. Views expressed by the editors and contributors are not necessarily endorsed by the New Zealand Institute of Valuers. Copies of manuscript should be retained by the author as they cannot be returned. Deadline: two months prior. Business letters, subscriptions and advice of changed address should be sent to the General Secretary. The mode of citation of this volume of *The New Zealand Valuers' Journal* is (1989) N.Z. Val. J. December 1989 (page).

ARTICLES

- 14 Perpetual Lease Valuation Using Equated Yields Stephen Haslett
Developed Formulae for assessing fairground rentals and value of perpetual leases related to equated yields.
- 18 Current Problems in Ground Leasehold Valuations R L Jefferies An exploration of the problems associated with assessing values for lessees' and lessors' interests in leasehold land and an outline of trends in new ground leases.
- 27 Professional Practice Management Keith Hindle
A practical guide to good practice management
- 29 Comparing Property Portfolio Performance S M Locke
A method of comparing the performance of various properties held in an investment portfolio.
- 32 Arbitration Practice John Wall
An explanation of arbitration procedures and comment on the particular duties of an umpire.
- 36 Computer Forum:
Valpak-2: Ted Fitzgerald outlines the new computer software programme for the management of NZIV sourced sales data.
Heavy Duty Word Processing: A review of word processing packages.
Expert Systems: R V Hargreaves discusses the use of 'artificially intelligent' systems.

	14	Perpetual Lease Valuation
Editorial Comment	18	Ground Leasehold Valuation
Letters to Editor	27	Professional Practice Management
NZIV Submission on GST	29	Comparing Property Portfolio Performance
Minister's reply to Submission	32	Arbitration Practice
Membership Variations	36	Computer Forum: Valpak-2, Word Processing Survey, Expert Systems
Obituary		
Continuing Education Survey	42	Legal Decisions
Registration Board Reciprocity Policy	51	Professional Directory
Report on October Council Meeting	59	Publications Available NZIV

Editorial Comment

GST and Property Sales Analysis

Before Goods and Services Tax (GST) was introduced in October 1986 it was suggested by some informed commentators within the New Zealand Institute of Valuers that all property should be "zero rated" for GST purposes as the imposition of the tax would only result in thousands of cheques flying all over the country but with very few of them finally landing on a desk at Inland Revenue Department.

In the three years that the tax has now been operating it is apparent that a comparatively insignificant proportion of the total GST take has come from property transactions.

It is accepted that GST is a consumer tax but its operation in the property market seems to be totally nonsensical. For example, compare the position of Joe Citizen who is in the market to purchase a modest existing investment industrial property and finds one being offered by a vendor who is not registered for GST (annual gross turnover less than \$24,000) at a price of \$260,000 (GST exclusive). If Joe decides to buy the property after having received valuation advice that the price is reasonable, the cost to him will be \$260,000 and the vendor will receive \$260,000. But also interested in the property is a property investor who is registered for GST and he has done a market analysis including seeking valuation advice and has determined also that the property is a reasonable deal at \$260,000. However, upon making an offer for the property at the asking price the property investor discovers that Joe Citizen has already made an offer (not yet accepted by the vendor) of \$260,000 so the property investor immediately submits a higher offer at \$270,000. So what is wrong with that you say, that's the way the property market works! Sure it is except that the property investor who is registered for GST has a distinct advantage over Joe Citizen in purchasing the property as he is able to claim back an immediate refund in cash or gain a tax credit for 12.5% of the purchase price. Therefore he knows that the property will actually cost him only \$240,000 which is \$30,000 less than his offer of \$270,000. Is this situation fair to Joe Citizen who presumably is one of the blokes that implementation of GST was supposed to help through widening the base of tax collection?

But the implications of such a transaction are even more perplexing from a valuation point of view. Valuers rely on accurate market sales information to establish accurate values and unless clear information is provided as to the GST status of the parties in a property transaction the sale can be analysed in different ways, providing different results.

Clearly in our example if the property was bought by Joe Citizen the purchase price is \$260,000 as that is the sum paid by the purchaser and received by the vendor. There is no GST liability by either party and not a cent is collected by Inland Revenue Department. However if the property was bought by the property developer establishing the purchase price becomes much more difficult. The purchaser pays \$270,000 but receives a cash refund or

tax credit of \$30,000 so actually pays only \$240,000 but the vendor receives the full \$270,000. And in this case the Inland Revenue Department not only does not collect a cent from the transaction but in fact has to pay out a substantial cash sum to the purchaser. The difficulty for a valuer analysing such a transaction is determining whether the true sale price is the sum received by the vendor or the net cost to the purchaser.

The confusion that exists in the above circumstances is bad enough but it is even more confusing when the GST status of the parties to a sale is not known. Using the example again, if the vendor was registered for GST the property sale would be subject to GST and the purchase price would be \$260,000 plus \$32,500 GST whether being purchased by Joe Citizen or the property investor, so that either would have to pay \$292,500. If the valuer is unaware of the GST status of the parties an accurate analysis cannot be made to determine whether the price was the \$292,500 paid by the purchaser or the \$260,000 received by the vendor. In these circumstances of course the property investor would be able to claim back the \$32,500 paid in GST but poor old Joe Citizen is lumbered with the total price of \$292,500.

Presently there is no obligation by any party to a sale to provide details of GST in a notification of sale to Valuation New Zealand. Because of the confusion being experienced by valuers and others there appears to be a strong case for legislation to require statutory declarations to be made regarding GST status in notices of sale.

Representations have been made by the New Zealand Institute of Valuers to the Minister, Hon Peter Tapsell, that property transactions be zero rated for GST purposes but the Minister sees zero rating as being somewhat disproportionate to the problem. The Institute has also made approaches to the NZ Society of Accountants and the NZ Law Society to try to obtain their support for zero rating but the response from both societies was completely negative. This is not surprising when it is considered that members of one society profit from assisting their clients to account for the tax and members of the other society profit from assisting their clients to circumvent it.

Nevertheless in the interests of obtaining accurate sale information the New Zealand Institute of Valuers must continue to press for at least a requirement that details of GST status be included in all notices of sale to Valuation New Zealand and ultimately for zero rating of all property transactions other than those involving new buildings or newly developed vacant land.

Trevor Croot

Soothsayers or scientists?

Dear Sir,

Re: *The New Zealand Valuers Journal*, September 1989 pages 14-18 *The Future of the Institute* by Rodney L Jeffries.

Rodney Jeffries' typically excellent presentation of the subject address typifies the current trend for in-depth analysis of past activity and motivation weighed against current and emerging market place changes. Virtually all influential sectors, from political (parliamentarian sense) upwards, are faced with this trend not in fact new approaches, but rethinking of age old circumstance, such as prevailed leading up to the 1948 enactment of the Valuers Act.

An over simplified but nevertheless supportable criticism at that time was that valuation could never become a true science' simply because as with most other human behaviour there are pressure points which directly affect and concern people and it is not just a matter of inert bricks and mortar, dollars and cents and allied things of no real lasting value in the truest sense.

The Institute is risking becoming another hallowed hall of self-protectionism, although the emerging idea of broadening

membership base, allied with governmental pressure toward de(re)gulation, can be considered constructive safeguards, or at least alternative directives, against such an undesirable end.

Valuers have re-emerged into three categories (a) academic historians (b) future soothsayers, and (c) realistic current purveyors of emerging facts. I say re-emerging, as the pre-1953, subsequent intervening period up to 1973 and further up to the 1987 eras, appeared to create similar moulds.

I do not advocate return to 'flying-by-the-seat-of-the pants' valuation, if for no other reason but that market forces, support aids and practical analysis of facts and trends would be impossible in this computerized age. I do however urge closer real cohesion between land related professionals not limited to official Statutory control Board of Institute levels, although necessarily monitored thereby in the interest of orderly contributions. Incidentally my comments are certainly not intended to place blame on Valuers for the lessening of public confidence in the old cliché "Land is the safest investment". Almost to the contrary, when I look inwardly at the real estate industry practitioners and policemen. But open-handed self criticism, as documented in the Journal and general media, does at least appear to encourage intended constructive discussion - hence these meanderings.

Keith G Angus, AREINZ
Licensed Realtor and Auctioneer

GST on Property Transactions: Submission

NZIV President's submission to Valuation Minister, the Hon Peter Tapsell

Dear Mr Tapsell,

Re: *Goods and Services Tax on Property Transactions* The New Zealand Institute of Valuers has been concerned for some time about the treatment of GST in property transactions as it affects the reliability of valuations.

The Problem:

Valuation practice is anchored on the reliability of recorded sale considerations as providing evidence of value. However the effect of GST, as now applied, undermines the integrity of this information, because some considerations *include* and some *exclude* GST.

Whether GST is included or excluded is frequently not stated on the "Notice of Sale" received by the Valuation Department, nor recorded on the "memorandum of Transfer" lodged in the Land Transfer Office when recording the transfer on the Certificate of Title.

Agreements for sale and purchase prepared by real estate agents, from which transfer documents are prepared by solicitors, usually state "GST inclusive, if any".

The parties determine, depending on their tax status whether, as vendors they are liable to pay GST out of the proceeds of the sale, or as purchasers are entitled to claim a GST refund.

This leads to an inherent unreliability in recorded considerations as to the true price paid.

This problem will be increased with the imminent GST rate change from 10% to 12.5% as from 1 July 1989.

The Importance of Accurate Sales Data

It is *vitaly important* that valuers know whether sale prices and thus the values assessed in reliance on recorded considerations, are *inclusive* or *exclusive* of GST.

This is particularly important in valuations for mortgage and financing purposes, as well as having serious consequences for all valuations, including valuations used for rating and taxation purposes.

This problem therefore permeates the whole spectrum of valuation activity, and is a matter which only Government has the ability to correct.

When addressing our 50th Jubilee Seminar in Wellington in April, you called upon our Institute to promote the quality of valuations generally, which we are striving to do.

Finding a practical solution to this problem, and thus removing one significant error factor affecting sales evidence upon which valuers *rely*, would have a significant effect on the accuracy and quality of valuations generally.

We therefore bring this matter to your attention and seek your assistance.

GST Revenue Collected and Types of Properties Affected The net GST derived from property sales appears to be a relatively minor government income revenue earner.

NZIV statistics indicate about 85% of property sales are residential, a small proportion of these having GST added where sold by *registered persons* such as developers selling sections and new houses.

The balance are farming or commercial sales *between registered persons*, many of which are *zero rated* as "going concerns". The remainder are usually subject to a GST refund to the purchaser, effectively netting out the effect of GST.

In the process of dealing with the payment and refund, however, considerable time and effort has been expended, which is costly to the Inland Revenue Department and to the business sector, while also increasing the scope for fraud.

Possible Solutions

1. Zero Rating

The simple solution would be to *zero rate all property transactions*, which would have little effect on net GST tax revenue, but which would remove the problem, significantly improving valuation accuracy. There would also be savings in administering the GST tax.

The Institute therefore submits that this solution would be in the wider interest of Government, commerce and agribusiness.

We have sought support for this view from the accounting and legal professions, but, possibly for vested interests, they have advised that such a move would not find favour with Government, and they were not willing to support our Institute in this matter.

We appreciate that this would require a change in the GST tax legislation, and would set property apart from the transfers of other assets where no zero rating applies. Nevertheless, we are not satisfied that the suggestion lacks merit for consideration by Government and therefore ask that you take up the matter with the Minister of Finance as to whether this is a possible solution to the problem.

2. Statutory Declarations

Alternatively, the procedure for recording sale considerations could be improved by requiring *statutory declarations* clearly stating the GST tax position to be made by both parties to property transactions. Such clarification of the GST situation in each case would enable valuers to make appropriate allowances for GST in the analysis of sales evidence and in their valuations.

The statutory declarations could be obtained by the solicitors acting for each party at the time of executing the transfer documents to be registered in the Land Transfer Office and also

incorporated in the "Notice of Sale" which is forwarded to the Valuation Department.

As the tax liability situation of the vendor and purchaser can be different, as noted earlier, it would be necessary for both parties to make a separate declaration.

We appreciate that this alternative suggestion could also involve legislative change, but may be able to be introduced as an administrative requirement in the sale recording process.

We therefore ask that this matter be taken up with your advisers and the Minister of Justice.

Summary

I emphasise the very real concern that our members have about the confusion caused by the erratic effect of GST on recorded property transaction considerations, and the impact on their ability to accurately analyse and apply sales evidence in their valuations.

As this problem will become more serious after 1 July of this year, we seek your help to solve it.

The General Secretary of the Institute, Mr John Gibson, is available to liaise with you or your advisers on any aspect of these submissions.

THE NEW ZEALAND INSTITUTE OF VALUERS

R L Jefferies

President

GST on Property Transactions: The Minister's Response

Dear Mr Jefferies

Thank you for your letter dated 8 June 1989 in which you set out your Institute's concern about the advice that its members receive on the existence or otherwise of GST in property transactions.

The Valuer General advises me that the principal source of sales information that the valuing profession uses is that data which his office receives from the vendor's solicitor. I understand that the "Notices of Change" which the solicitor forwards to Valuation New Zealand are subsequently entered into their database and a copy of this data is regularly supplied to the Institute.

The Valuer General echoes your concern about the reliability of this base data. He notes that in the present environment it is necessary to make contact with the purchaser to verify the nature of their GST liability and whether or not the price that has been advised to Valuation New Zealand includes or excludes GST.

I note from your letter that it is your view that the GST factor is only of concern in a small proportion of market sales. My understanding of the valuation process is that the valuer is required to research and verify a wide range of property related data prior to making a valuation. While your desire to ease the research process as it relates to GST on property transactions is understandable your suggestion of zero rating all property transactions is in my view somewhat disproportionate to the problem.

I understand that the Valuer-General has commenced discussions with other Government agencies in an endeavour to obtain more accurate information relating to GST and property transactions.

Your proposal of statutory declarations is being considered along with other propositions.

I am most supportive of the Institute seeking to improve the quality of work performed by its membership, and I appreciate that the accuracy of some data associated with property transactions could be deficient. I suggest you continue to obtain support

for your proposals with other professions and keep me informed of your progress.

Peter Tapsell

Minister in Charge of the Valuation Department

SENIOR VALUER

Beca Carter Hollings & Ferner has a position for an experienced Registered Valuer in their Auckland Valuation practice.

This is a senior position in a team of professional valuers involved in land, building and plant valuation to service a variety of industrial and governmental clients in New Zealand and Australia.

The valuations and associated professional reports may be produced as part of multi-disciplinary projects.

The salary package offered will be attractive and will include eligibility for a profit sharing scheme.

Please apply in confidence to:

Mr Ian Smillie

Beca Carter Hollings S Ferner Ltd

P O Box 6345, Auckland 1

Membership Variations

Applications for Membership			
Billing Kenneth M	Central Districts	Devine Christopher D	Hawkes Bay
Firth Martin A	Central Districts	Donovan Michael K	Gisborne
O' Donohue Susan F	Wellington	Edwards Jonathon G	Auckland
Palmer Denzil	Auckland	Evans Andrew H	Wellington
Smith Barbara J	Taranaki	Findlay Craig D	Canterbury/Westland
Walker Gary	Wellington	Ford Jonathon D	Auckland
Wilkshire Conrad J	Central Districts	Foreman Richard J	Central Districts
Advancement to Associate		Geill Pieter M C	Central Districts
Ashby Martin J	Canterbury/Westland	Godfrey Michael R	Auckland
Dickson Cheryl E	Wellington	Goulter David W	Canterbury/Westland
Jones Daniel W J	Hawkes Bay	Gregson David A	Canterbury/Westland
McGregor Graeme J	Hawkes Bay	Grubb David J	Auckland
Martin Russell H	Auckland	Harnett Robert A	South Canterbury
Mason John D	Taranaki	Holdaway Bruce D	Rotorua/Bay of Plenty
Resignations		Keane Mark P	Waikato
Croucher D J W	Wellington	Lissaman Richard G	Nelson/Marlborough
Marshall D G	Canterbury/Westland	Ludecke Robert G	Hawkes Bay
Simpson G L	Overseas	McBeth Craig A	Central Districts
Deceased (Noted with regret)		McLeod Peter B	Canterbury/Westland
Brown J Bruce	(Life Member)	Middleton Sarah L	Waikato
Chapman Norman H	(Honorary Member)	Money Bruce J	Taranaki
Raven Reginald T	(Rotorua/Bay of Plenty)	O'Connor Jane K	Auckland
The following valuers attained registration in 1989		Ong Eng W	Auckland
Almao Raymond J	Rotorua/Bay of Plenty	O'Shea Karen L	Hawkes Bay
Belcher Graham G	Wellington	Parlane Lindsay M	Auckland
Bunn Nigel C	Wellington	Paton David F	Otago
Chamberlain Donald G	South Canterbury	Patterson Mary J	Auckland
Comely John L	Auckland	Pearce Trevor M	Central Districts
Copeland Brent D	Rotorua/Bay of Plenty	Pratt David E	Nelson/Marlborough
Cotton Peter J	Canterbury/Westland	Simpson Gregory S	Otago
Crighton Timothy A	Otago	Sutherland Ian P	Wellington
Devadhar Cheryl R	Wellington	Weller John R	Rotorua/Bay of Plenty
		Yeoman Peter M	Canterbury/Westland
		Young Peter D	Wellington

NOTICE TO ALL MEMBERS OUTSTANDING SUBSCRIPTIONS

Rules 29 - 32, 108 - 112

Your Executive Committee recently considered the question of notice to members of overdue subscriptions.

It is the members' primary obligation to inform the Branch of any change of address in order that correspondence may be sent to the correct address.

Members traveling overseas should advise this office of their forwarding address for the journal and other correspondence.

Notice of subscriptions due are advised to members by personal mail in December of each year. Payment is due by 1 January of the following year.

Executives have asked that the consequences of late or non-payment be drawn to members' attention and for this purpose the provisions of Rule 29 are stated below.

Members' assistance in prompt payment of their subscriptions is very much appreciated. Prompt payment substantially assists the Institute's cash flow, and assists in keeping subscriptions at a modest level.

Rule 29

29. If any members subscription is overdue for three months, notice of such fact shall be sent to him by the General Secretary, and if he omits or neglects to pay his subscription within one month next after the date of such notice, the following action shall be taken:-

(a) If he is a registered valuer, application shall thereupon be made to the Registrar to remove that member's name from the Register under Section 30 of the Act

(b) If any other case, the member's name may be removed from the roll of members of the Institute and from the date of such removal he shall cease to be a member, but without prejudice to the right of the Council to recover all arrears, including the subscription for the year then current.

For those who do overlook payment a reminder is usually sent with notice of the AGM. Non payment following that advice normally results in the action provided for under Rule 29 being implemented. Members are reminded that they must hold an APC to offer their services as a practising valuer to the public. This requires that all subscriptions are paid by the due date.

John Gibson
GENERAL SECRETARY

OBITUARY:

J Bruce Brown, Life Member

*A tribute to the life and work of J Bruce Brown by
Mr S WA Ralston, retired Valuer General.*

Mr J Bruce Brown, a life member of the Institute, passed away in August 1989, in his 82nd year. In a manner typical of the man, he maintained an interest in the Institute's activities throughout his long retirement. He attended the fourteenth Pan Pacific Congress in Christchurch in March 1988 and participated in the 50th Jubilee Conference held in Wellington earlier this year.

Mr Brown was a graduate of Lincoln College with a Diploma in Agriculture and was Gold Medallist of his class. This phase of his career was preceded by two years working on his father's farm and, following graduation, he extended his practical farming experience by a further six years. He then became a Field Officer in the Lands and Survey Department, serving in, both North and South Canterbury.

He subsequently took up appointment as a Farm Appraiser in the State Advances Corporation. Twelve years work in this area culminated with his promotion to the position of District Appraiser for the Bay of Plenty/Rotorua district, based in Tauranga. In this capacity he was closely associated with the rural settlement of World War II ex-servicemen, from 1943 to 1948. In 1948 he was appointed Chief Field Inspector in Head Office of the Lands and Survey Department. In the next 10 years he moved through several senior positions to become Assistant Director-General of Lands.

Mr Brown was appointed Valuer General in 1959, a position he was to hold for 12 years and so became the second longest serving holder of that position in the history of the Valuation Department.

Throughout his career Mr Brown always took an active part in the Institute of Valuers. He joined the Institute in 1939 as a Foundation Member of the South Canterbury Branch, became a Fellow in 1943, and in 1970 had the deserved honour of Life Membership conferred upon him.

In 1951 he was appointed to both the Education and Statistical Committees of the Institute and in 1952 to the Executive Committee as well. He served as Chairman of the Education Committee in the years 1954-56 and in 1959-60 and of the Executive Committee in 1957-58. He will probably best be remembered for his initiatives in encouraging the valuation profession to take a greater interest in the activities of kindred organisations overseas. With his encouragement, the Institute became one of the sponsoring bodies of the First Pan Pacific Congress of Real Estate Appraisers, Valuers and Counsellors held in Sydney in 1959. Mr Brown as co-ordinator, led the New Zealand delegation to this and the next five congresses.

Another venture into international co-operation inspired by him was acceptance by the Institute of membership of the Commonwealth Association of Surveying and Land economy (CASLE) in 1968.

Mr Brown's activities extended beyond his profession. During a busy life, amongst many other interests, he served a period as Dominion President of the New Zealand Institute of Agricultural Science. He was also a past Dominion President of the New Zealand Home Servicemen's Association, and for a number of years was a member of the New Zealand Patriotic Fund Board.

Mr Brown was awarded the ISO in 1972 for service to his country. A

OBITUARY: N H Chapman

The death occurred suddenly on 1 July of the Institute's Auditor and former General Secretary, Norman Harcourt Chapman.

Mr Chapman was 74 years of age. He was born at Sumner and educated at Christchurch Boys High School and Canterbury University. Following his graduation in accountancy and commerce in 1938 he was awarded a scholarship in accountancy which took him to London in 1939 where he arrived a few days before the start of World War II. There he joined Price Waterhouse and Co and served in the Home Guard in the London area.

He returned to New Zealand in 1948 to be stationed in Wellington as the senior New Zealand partner of Price Waterhouse. On the resignation of W G Rodger he was persuaded to take over the position to General Secretary of the Institute and he took office at the Council meeting at Timaru in April 1954. He held this office for nearly nine years and made a significant contribution to the development of the Institute until transferred to Australia in 1963. Shortly afterwards he left Price Waterhouse and returned to Wellington where he joined Feltex to become Deputy Managing Director. In 1979 he was elected as the Institute's Auditor which position he still held at the time of his death.

He was elected as an Honorary Member of the Institute in 1963. A

VALUER/CONSULTANT

for the
COMMERCIAL / INDUSTRIAL /
RESIDENTIAL SECTOR

Our new appointee will ideally:

- Y live and work chiefly in and around Christchurch
- Y be registered or imminently so
- × possess a BCom VPM degree or equivalent or better
- e have developed precision and a positive attitude
- e relate well to computerised analyses
- Y exercise cooperation and a good sense of humour
- ' work alone when required and hard (for incentives)
- ' seek approval for invitation to the Board
- ' pursue ultimate shareholding
- ' support innovative development
- ' grow toward an interesting future
- ' attend professional symposia
- x enjoy a month off once a year

Basic salary plus incentives, discussed at interview.

Further details available from:-

The Secretary : P O Box 34
Diamond Harbour
Canterbury

to whom applications in writing should be addressed closing
18th January 1990.

*Applicant confidentiality unequivocally
guaranteed.*

SPECIALISED PROPERTY SERVICES LTD

NEW ZEALAND INSTITUTE OF VALUERS

Application for Advancement to Associate

The Secretary,

Branch

New Zealand Institute of Valuers,

(Address)

Town

I hereby apply to the General Council of the New Zealand Institute of Valuers to be advanced to the status of Associate member of the Institute.

I give the following particulars, which I declare are true and correct in every respect:-

Name in Full:

Full Postal Address:

Date of Birth:

Name of Employer:

Date of Admission to Institute:

Date of Registration:

Examination Passed and Date:

Experience and Nature of Valuing: (Please note you are required to provide with your application a written summary of your experience, with dates, and a selection of 6 reports prepared within the immediately preceding 6 months of your application being lodged. You must have had a cumulative 4 years experience out of the last 5 years immediately prior to application and you must have been employed as a valuer for the 6 months immediately preceding application. You will be required to attend an interview).

For evidence that I am of good character and reputation, reference may be made to the following persons:

(Three persons one of whom must be a financial member of the Institute and themselves an ANZIV, or FNZIV who is prepared to sponsor your application. Referees must have consented to provide a written reference if requested by the NZIV)

Name	Address	Occupation	Signature
Sponsor			
Referee			
Referee			
Date:	Signature		

Note: Rule 10 provides that an Associate must be (a) 25 years of age and (b) have been continuously employed as a Valuer to the satisfaction of the Council for not less than four years prior to the date of application and (c) shall be registered as a valuer under the Valuers Act 1948.

BRANCH ACTION (Please box)

Referees contacted	Yes <input type="checkbox"/>	Sample Val'ns included	Yes <input type="checkbox"/>
Interview conducted	Yes <input type="checkbox"/>	Report attached	Yes <input type="checkbox"/>
Advancement fee enclosed: \$			Yes <input type="checkbox"/>

Branch recommendation: Advancement to Associate is (Please box)

Recommended Not Recommended

Branch Chairman, Date:

When completed, please forward to the General Secretary, N.Z. Institute of Valuers, P.O. Box 27146, Wellington.

Advanced to Associate on

Continuing Education Survey of Registered Valuers 1988

by *CSCroft*

A Summary of Conclusions from the Survey

- (1) The survey indicates that the majority of valuers (59%) now have a university education with 61% of those holding a university degree qualification.
- (2) The survey indicates that Lincoln College is the major educator with 62% of the University Diplomas and 72% of the degree qualifications.
- (3) The survey indicates that the largest employers of valuers are Government Departments or State owned enterprises (35%) but this proportion is closely followed by valuers in private practice (31%).
- (4) The survey indicates that valuers as a professional group spent a significant amount of work time outside valuation in areas related to property. There were 20 respondents who considered their work time was spent 100% in valuation and a further seven responses where the work time spent in valuation was 20% or less. Clearly there is a wide range within the profession of work time spent on valuation.
- (5) The valuation work undertaken by valuers is mostly in the Agricultural and Residential areas (62% combined)
- (6) The survey showed there was considerable demand for a wide range of continuing education topics for valuers. Project income appraisal and income approach valuation techniques were the most popular areas, closely followed by industrial and commercial considerably less significant at just over 25%.

Cedric Croft is lecturer in the Department of Property Management Accounting Finance and Valuation at Lincoln College.

IMPORTANT NOTICE TO ALL MEMBERS

Associate NZIV Status Review of Procedures

Council has reviewed the procedures whereby members are advanced to Associate Status. The new procedures are to be implemented from 1 January 1990.

The intent of these changes to the implementation of Rule 10 (Which are made under rule 10 (C) and therefore do NOT require a rule change) is to enhance and elevate the regard with which the letters ANZIV are held.

This status will be conferred rather than earned.

The implementation of the advancement of a member to Associate will now proceed as follows:

Rule 10 is to be applied

Age 25 years

Experience/employment: rule 10 (a) now to be interpreted and implemented as having been employed as a valuer for 4 out of the five years immediately preceding the date of application and must be currently employed as valuer within New Zealand and have been employed (within NZ) for not less than the six months immediately prior to applying for advancement to associate. Executive will consider (and may accept) certified and approved experience outside NZ for up to one of the four years.

Registration as valuer must be held.

Rule 10 C is to be invoked to require in all cases:

(i) An interview before a branch committee (or sub committee comprising the Branch Chairman, Branch Councillor and one other).

Branches are to be satisfied as to range of work experience, quality of work, and character of applicant.

A written recommendation and report to Executive is required.

(ii) All applicants are to submit the name of 3 referees, at least one of whom is to be a member of the Institute and themselves a Fellow or Associate who is prepared to sponsor the applicant's application for advancement. The Branch Secretary is to contact the referees before the interview and if necessary obtain written references.

(iii) All applicants must provide a written summary, with dates etc, of their experience, range of work undertaken within the 4-year period claim for experience, and are to provide copies of a selection of six valuation reports made within the immediately preceding six months, with their application. (These are to be forwarded to the General Secretary with the application, after perusal by Branch)

A new application form is being printed and will be available from the general secretary and branch secretaries. The format is shown on the previous page.

The changes become operative from 1 January 1990.

lowed by the impacts of technological/economic changes to the value of property and valuation techniques for specific types of property.

This indicates valuers were concentrating on income streams and their relationship to property values at the time of the survey and that is consistent with the climate of uncertainty and change in the land markets at that time. The valuation techniques of specialist type properties was also popular and this area of valuation is also closely associated with income streams and their relationship to value.

Computer packages and usage was also popular and reflects continuing strong interest in this area for valuers. A significantly less popular area was valuation statutory changes. While vital to any practising valuer, the lower rating by respondents may be due to the existence of other established methods of notification and explanation of statutory changes affecting valuation. Most unpopular of all was statistical valuation techniques and obviously the majority of valuers do not believe they need to improve their knowledge in this area.

- (7) In the methods of delivery of continuing education there was very high support for a regular continuing education

publication. The responses for a regular publication at an educational level show a clear need for this to be given serious consideration by the Institute: as there is little in this area now. Regional seminars were also well recognised and continued activity here was well supported. Respondents did not favour evening seminar series or other methods of continuing education delivery.

- (8) Telecommunication linked seminars did not rate highly with the respondents and had the lowest response of 30%. While not a popular response they are cost effective and have been well attended by valuers. The survey did not seek information from respondents on costs and hence omitted an important attribute of the telecommunication linked seminars.

- (9) The survey indicates a generally positive response to continuing education in the valuation profession. Valuers appear to be aware of a greater need for continuing education programmes and have indicated in this survey the topic areas and methods of delivery which are most preferred.

The demand is clearly there; there is a climate of receptiveness; the challenge is now for the NZ Institute of Valuers to develop the capacity to meet the demand.

NZ Valuers' Registration Board Policy Statement on Reciprocity Agreements

In stating this policy the Valuers' Registration Board is conscious of a desire to fulfill the spirit of any reciprocity agreement, existing or proposed with any overseas valuers' registration/qualification board of professional organisation.

The Board also recognises the need forequity to be seen in its policy in relation to requirements expected of New Zealand applicants for registration.

Any reciprocity agreement will be subject to the respective rules of each board or organisation, and the statutory requirements of each respective country.

The breadth and depth of overseas qualifications may not match that required by the New Zealand Board. Topping up may therefore be needed, via supervised practical experience, further academic study, or both.

Anyone wishing to be registered as a valuer in New Zealand under a reciprocity agreement in place with any overseas valuers registration/qualification board or professional organisation, will be required to;

- (a) either hold an academic qualification recognised by this Board granted out of NZ and gained no to and including the year 1983, be a fully registered valuer or equivalent and a current member in good standing of that overseas board or professional organisation; or
hold an academic qualification recognised by this Board granted out of NZ and gained after 1983 which is to three years full-time (or equivalent) degree level, be a fully registered valuer or equivalent

and a current member in good standing of that overseas board or professional organisation; and

- (b) be resident in New Zealand and completed one year's full-time practical valuation experience in New Zealand in the last three years under the supervision of a NZ registered valuer; and completed not less than three years' practical experience in valuation in the 10 years prior to making application; and
(c) pass an examination in NZ valuation law as approved by the NZ Valuers' Registration Board; and
(d) pass such other examinations as may be approved by the NZ Valuers' Registration Board on a case by case basis; and
(e) may be required to undergo an interview before the NZ Valuers' Registration Board to establish that the required level of professional knowledge and competence has been attained; and
(f) attain the age of 23 years.

The above policy was adopted by the full Valuers' Registration Board at its meeting held on 21 September 1989.

H F McDonald
Chairman
26 September 1989

Report of the October Council Meeting 1989

by the Editor

The mid-year meeting of the Council of New Zealand Institute of Valuers was held in the Princes Star Room at the Airport Hotel, Wellington on Monday 9 October 1989.

The meeting commenced at loam following morning tea and the taking of the Council photograph. The President, Mr R L Jeffries welcomed all Councillors, invited guests and members of the executive and he expressed confidence in the present state of the New Zealand Institute of Valuers.

Committee Reports Received and Discussed
Executive Committee:

Committee Chairman Mr J N B Wall reported that the sales data contract with the Valuer General expires at the end of the year and that some difficulty is being experienced in arranging a satisfactory new contract. Council agreed that the Executive Committee's power to pursue satisfactory negotiations with the Valuer General in respect of the contract for purchase of sales data be confirmed.

Chairman of the Goods and Services Tax sub-committee Mr J Larmer reported that a reply had been received from the Minister, Hon Peter Tapscott, regarding GST content in property sales advising the Government accepts that valuers have problems in interpreting the GST status of vendors and purchasers and that this has a bearing on correct analysis of sales data. However no changes are currently envisaged to the legislation although the Minister is further investigating the suggestion of the Institute that a statutory declaration should be made by the parties in the notice of sale as to their status for GST.

Chairman of the sub-committee on Rules and Ministerial Approval, Mr G Kirkaldie advised that the minister had considered the proposed rule changes relating to the implementation and operation of NZIV Services Committee. The Minister has not given his approval to the proposed rule change providing for the appointment of deputy Councillors. The rules and code of ethics of the Institute have also been considered by the Commerce Commission and there are a number of rules which the Commission advises should be altered or deleted to meet current requirements. Independent legal opinion is being sought by the Institute on the views of the Commission in respect of NZIV rules and code of ethics. Council agreed that the rule amendments and a reprint of the Code of Ethics be printed and distributed to members. Council agreed that a sub-committee of Executive Committee be appointed by Council to instigate discussions with the Commerce Commission regarding the changes to the rules and Code of Ethics as suggested by the Commission.

Mr W A Cleghorn reported that the Valuers Registration Board had advised that copies of decisions of the Board will continue to be available to the Institute but the Board does not have the resources to fund separate publication of the decisions.

Mr J Larmer reported that the sub-committee for widening of the membership base has proceeded with drafting proposed rules to include Plant and Machinery valuers as members of the Institute.

The recommendation from Executive Council regarding Reciprocity in the New Zealand Institute of Valuers for members of RICS, AIC or AIVLA who may be granted Affiliate membership in the period that requirements for full membership are being met was accepted by Council.

Council appointed Ernest Young as Institute auditors to replace Mr N H Chapman who was recently deceased.
Publicity and Public Relations Committee:

Committee Chairman Mr K Allan presented the report covering the Professional Commitment Award, the satisfactory

performance of the public relations consultants, Consultus, recently appointed by the Institute and the matter of appropriate response by the Institute to criticism of valuers in the media.

He advised that Consultus have carried out an audit of the annual market report produced by the Institute and they have suggested that considerable improvements need to be made to format and content. A quarterly Newsletter containing current valuation statistics and opinions has been proposed by Consultus. A number of Councillors responded to Mr Allan and expressed satisfaction with public reaction in their areas to the publicity given to the Institute Jubilee Year celebrations.

Council agreed that a national market report will not be compiled in the future but branches should be encouraged to complete reports for local publication and copies should be forwarded to the General Secretary for archive filing.

Council accepted the recommendation of Executive Committee that the designations of ANZIV and FNZIV should be pursued as the recognition of status of a valuer rather than registration, particularly in view of the possibility that membership of the Institute may become voluntary in the future. Council agreed that the prescription for the requirements to be met for advancement to Associate status be widened to require that six sample written valuation reports completed within the last six months are to be presented by the applicant. Branches are to be instructed that referees nominated by applicants are to be contacted where required.

Education Board:

Chairman of the Board, Mr W A Cleghorn reported that Valuation II textbook will be published early next year, and that an update and reprint of Valuation I is being undertaken for publication also next year. The Distance Teaching Seminar series will be continued next year through Otago University. Encouragement is to be given to Branches for the organisation of local educational seminars for members each year and the Board would endeavour to co-ordinate them on a regional basis.

Mr Cleghorn advised that the Board is continuing discussions with the teaching Universities in respect of the establishment of a real estate research centre.

Council accepted the Education Board recommendation that student membership subscriptions be for a period of one, two or three years with an appropriate single subscription fee for each respective period.

Services Committee:

In the absence of Mr A P Laing, Mr J N B Wall presented the report of the committee whose objectives are to provide a range of competitively priced goods and services for the benefit of NZIV members, to manage the resources of NZIV and to fund all activities without recourse to membership funding where possible. Mr Wall advised that Modal house costings will continue to be available in the future and that there is an intention to upgrade the present Multiple records.

Professional Practice Committee:

Mr J N B Wall, chairman of the committee reported that as a result of legal advice received by the Institute the previous procedures adopted by the Professional Practices Committee will be continued to process complaints against members.

Editorial Board:

Interim Chairman of the Board, Mr R L Jeffries reported that the Whipple Tour was a success in the two North Island venues at Auckland and Wellington but expressed disappointment that the proposed lecture at Christchurch had to be cancelled due to lack of registrations. Mr Jeffries advised that

some procedural and marketing strategies have to be developed to ensure the success of lecture tours in the future.

Editor of *The New Zealand Valuers' Journal*, Mr T J Croot reported that production of the Journal is continuing satisfactorily with good co-operation being received from the production editors, Wordsmith Partnership, the printers Devon Colour Print and the Blind Institute as distributors. Mr W A Burgess was elected by Council as Chairman of the Editorial Board.

Council of Land Related Professions:

Mr R A Hallinan presented the report in which progress was recorded through the publication of the Unification Report but some delays are now being experienced in the unification issue as a result of the possibility of voluntary membership. The Institute of Surveyors and the Institute of Quantity Surveyors have indicated that they do not wish to pursue unification and the Real Estate Institute foresees some difficulties in unification being achieved. Council agreed that a formal approach should be made to the Property Management Institute regarding possible future unification and that a similar approach should be made to the Farm Management Institute.

Chairman of the Standards Committee Mr G I Horsley advised that mandatory standards are not being pursued at this time, but the matter is being discussed with the Securities Commission, New Zealand Stock Exchange and the Society of Accountants.

Financial Reports:

General Secretary Mr J G Gibson reported on the satisfactory financial position of the Institute. Council agreed annual subscriptions for the 1990 year are to be (exclusive of GST):

Registered Valuer	\$300.00
Intermediate	\$160.00
(Non-Registered)	
Affiliates	\$160.00
Overseas	\$160.00
Retired (14.1 and 14.2)	\$25.00
Retired (free)	free
Students	\$25.00

The Annual subscription charge for *The New Zealand Valuers' Journal* is to remain at \$50.00 including GST and postage and packaging cost. The advertising rates in the *Journal* were confirmed at 1989 charges.

Capital Grants for 1990 were confirmed by Council at 1989 levels:

\$17.50 per member
\$5.00 per student affiliate
\$300.00 per Branch basic grant

Future of The New Zealand Institute of Valuers:

Opinions of Councillors were individually expressed regarding the future of the Institute in consideration of the report on Occupational Licensing and possible voluntary membership of the Institute with state certification of valuers as recommended in the report. There was no consensus of opinion with some preferring total deregulation, some preferring retention of the present position and some for voluntary membership.

Council agreed that a position paper should be prepared and distributed to members setting out alternatives for the future direction of the Institute taking into account the prospect of possible deregulation and that a carefully worded referendum be prepared giving options of choice of all members.

Land Professionals Mutual Society:

Mr A L McAlister the NZIV representative on the Society reported on the satisfactory operations of the Society in providing Professional Indemnity insurance cover to members at competitive cost and management of claims.

Westbrook Properties:

General Secretary Mr J G Gibson reported that Unit Titles have now been issued for the building and the Institute holds the title for its floor.

NZIV Services Limited:

Mr J N B Wall advised that NZIV Services Limited has become superfluous as a company since NZIV Services Committee was established and become functional. A motion that the company NZIV Services Limited be wound up was left on the table for future consideration. The meeting closed at 4.45pm.

Perpetual Lease Valuation Using Equated Yields

by Stephen Haslett

1. Introduction

There has been considerable discussion over a number of years on the valuation of perpetual leases and of their associated ground rents. *The New Zealand Valuer* (more recently, *The New Zealand Valuers Journal*) has over the last 20 years carried no fewer than 25 articles on this and related subjects; a list of these papers is included in the bibliography. The valuation of perpetual leases by their relation to their ground rent is of particular interest because of the statutory right of purchase for many such leases and because freehold value of the land would appear to put an upper limit on purchase price, should the lessee decide to buy out the lease. Such matters of valuation are not unrelated to commercial, urban and rural leasehold valuation when viewed from a slightly different vantage point. Setting of rents and return on rents in relation to property values provides the unifying theme.

Modern calculators and computers have made possible increased rigour in valuation determinations by use of rather less approximate formulae than were current some 10 to 15 years ago. The present paper looks at these twin questions of a fair ground rent and the valuation of perpetual leases from a new

Dr Stephen Hallett BSc. BA(Hons). PhD has been Research Statistician at the Institute of Statistics and Operations Research, Victoria University of Wellington, for the past nine years. He also holds the position of Associate Professor at the Statistical Laboratory, Iowa State University in the United States. While he has acted as a consultant on portfolio theory and investment analysis, his work has had a rather broader focus. In the academic area his own research interests include rejected sample surveys, Markov chains and the analysis of sparse contingency tables; his applied work has included over 100 studies ranging over a broad spectrum from Biology to History, Classics and Criminology. His statistical consulting work at the university has included feasibility studies for aquaculture, design of sampling schemes for management systems, and technical advice on construction of the New Zealand Stock Exchange Indices.

perspective by relating fair rentals to equated yields.

Following Rose's (1985) definition, "an equated yield is that investment rate which when applied to a series of present values over a time scale, produces a series of present values which added together equal the capital cost of the investment". The initial question asked here is what fixed principle is required, at given rates of inflation and nominal return, to constitute an equivalent investment to a particular perpetual lease in terms of inflation adjusted return. While particular attention is paid to perpetual leases, answers to this question are couched in such terms they have some relevance to determination of fair rents for rural, urban, and commercial properties.

Equated yields provide a link between returns on leases and fixed term investments...

The valuation method used here is not claimed to be all encompassing. Alternative methods of valuation are outlined for example in D'Arcy (1979) and Jefferies (1979) for urban leaseholds, in Watters (1979) and Laing (1979) for rural leaseholds, and in Keys (1980) and Greenwood (1980) for commercial leases.

Equated yields do however provide a link between returns on leases (from the lessors point of view) and fixed term investments, and can provide an indication of the extent to which rents are, or are not, in line with returns on such other forms of investment.

The fairness of rents can then be assessed by balancing the risk of different forms of investment against their inflation adjusted returns provided by equated yields, by allowing cross-checking of valuations with other types of investment, thus strengthening the valuer's hand in determining both rents and property values.

2. Valuation Formulae General Comments

Below we derive the relationship, based on equated yields, between the purchase value of a perpetual lease and its associated ground rent.

Clearly this relationship depends on the length of time between lease renewals (during which time it is assumed without loss of generality that ground rent remains fixed in dollar terms unadjusted for inflation). The relationship also depends on the current and future interest rates, and on current and future rates of inflation. As derived the formulae assume that the length of time between renewals is constant, as are the interest rate and the inflation rate between renewals. These are clearly simplifications. But the central issue here is not determining valuation assuming some particular and debatable future interest and inflation rates, but instead trying a range of possible values of these two variables and noticing their effect. Following the derivation, an example is given to clarify this issue.

One further comment is necessary before beginning. The analysis presented assumes that in inflation adjusted terms the value of the lease now is the same as at future renewal dates. As a rule of thumb, this will in many cases be a good first approximation, but where inflation adjusted property values are slipping, the rental so calculated will not compensate for the loss in value (and concomitantly, where property values are rising at a rate faster than inflation, the additional value is treated as a bonus). This matter of assumed constant inflation adjusted property values will be discussed later in relation to investment risk.

3. Purchase Value of a Perpetual Lease with Fixed Renewal Period

Suppose we have a lease perpetually renewable after each fixed interval of L years, on which equal dollar payments of a₁ dollars are made f times per year for the period L, at which time the value of the property on which the lease is held is recalculated and the lease renewed at a new rate a₂ dollars, again payable f times per year for the period L etc. where the value of a₁ and a₂ are directly related by a fixed formula to property valuation at lease renewal.

We desire the purchase price of the lease which we define as that principal which if invested as a deposit at a known interest rates, would yield a₁ dollars f times a year for L years, while leaving the principal intact in real (ie inflation adjusted) terms at the end of the period L. On this basis this principal could then be reinvested to provide a perpetual return equal to that for the lease *ad infinitum* (and equal to a₂ with a frequency of f times per year for the following period of length L). As a notational convenience let (1 + s)^{1/f} be the fth root of (1 + s), so that for example with f = 2, (1 + s)^{1/2} = (1 + s)^{0.5}.

We first calculate the principal P₁ which would be required for equivalence to the lease if the lease were renewable now. At time 0 years (ie now) we have principle P₁

At time 1/f years we have principle P₁ (1+S)^{1/f}, less return, a₁, received as the equivalent of ground rents

At time 2/f years we have principle

$$(P_1 (1+s)^{2/f} - a_1)(1+s)^{2/f} \text{ less } a_1,$$

At time 3/f years we have principle

$$[(P_1(1+s)^{3/f} - a_1)(1+s)^{3/f} - a_1] (1+s)^{3/f} \text{ less } a_1, \quad \text{etc}$$

Letting (1 + s)^{1/f} = k say, (so that 100(k - 1) is the percentage return for (1/f)th of a year).

We have:

at end of 1/f years, principle = P₁k - a₁,

at end of 2/f years, principle = (P₁k - a₁)k - a₁,
= P₁k² - a₁k - a₁,

at end of 3/f years, principle = [(P₁k - a₁)k - a₁]k - a₁,
= P₁k³ - a₁k² - a₁k - a₁,

and by the natural extension, after L years we have

$$\text{principle} = P_1 k^{Lf} - a_1 (k^{L(f-1)} + k^{L(f-2)} + \dots + 1) = P_1 k^{Lf} - a_1 \sum_{k=0}^{L(f-1)} k^k; \\ = P_1 k^{Lf} - a_1 \frac{(1 - k^{L(f-1)})}{1 - k}$$

since $\sum_{k=0}^{L(f-1)} k^k$ is the sum of a geometric series and so

$$\text{equals } \frac{1 - k^{L(f-1)}}{1 - k}$$

These calculations take no account of inflation over the L year period, but such adjustment can be made by discounting this principle at year L back to its value at year 0,

Adjusted principle at year L

$$\frac{1 - k^{Lf}}{1 - k} [P_1 k^{Lf} - a_1 (1 - k)^{L(f-1)}]$$

where k = (1 + s)^{1/f} as before

s = annual rate of return expressed as a decimal (rather than a percentage)

r = average inflation rate per annum over next L years expressed as a decimal.

The principle must exactly equal P₁ since we require the discounted value of the principle at year L to equal the

original principle. (This is the assumption of constant inflation adjusted land values.)

$$P_1 = P_0 (1 + r)^L - a_0 \left[\frac{1 - (1 + r)^{-L}}{r} \right]$$

To solve this equation we simplify by letting

$$\frac{1}{1 + r} = R$$

Then

$$P_1 = a_0 R L \left[\frac{1 - (1 + r)^{-L}}{r} \right] + P_0 (1 + r)^{-L} \tag{1}$$

where P_1 = equivalent principle ie value of lease
 a_0 = rent payable f times per year
 $R = 1/(1+r)$ (with r = yearly inflation rate as a decimal)
 L = length of lease between renewals in years
 $k = (1 + s)^f$ where s is the annual rate of return on a fixed investment expressed as a decimal.

On an equated yield basis, equation (1) relates the value of the perpetual lease at renewal date, P_1 , to the ground rent, a_0 , paid f times per year, given the period between renewals, L , and the interest and inflation rates.

By rearranging equation (1) we may obtain formulae for the rental a_0 , or the yield a_0/P_1 at renewal date, given the property valuation, and the long term interest and inflation rates.

Few leases are however valued (or purchased) exactly at renewal date so that we extend our definition of purchase price, to be that principal which if invested, until the end of the current lease period would yield a_0 the current lease payment for f times per annum, and at the end of this current lease period would provide untouched principal sufficient to be invested perpetually as before (ie to yield a_0 , f times a year for L years leaving principal intact, etc).

Assume the lease has L years to run and that the current payment is a_0 dollars f times per year. We require the principal P_0 which when invested to return a_0 dollars per payment period for L years will leave intact (L_0 years hence) the principal P_1 .

Using an analogous argument to that used previously we thus require

$$P_0 k^{Lf} - a_0 \left[\frac{1 - k^{Lf}}{k - 1} \right] = P_1$$

Discounting of the left hand side of equation (2) is not necessary since, as specified, we are looking at the equation relative to L years hence.

Equating equations (1) and (2) gives

$$P_0 k^{Lf} - a_0 \left[\frac{1 - k^{Lf}}{k - 1} \right] = a_0 R L \left[\frac{1 - (1 + r)^{-L}}{r} \right] + P_0 (1 + r)^{-L}$$

which may be rewritten

$$P_0 = \frac{a_0 R L \left[\frac{1 - (1 + r)^{-L}}{r} \right] + a_0 (1 + r)^{-L}}{k^{Lf} - (1 + r)^{-L}}$$

where

P_0 = current purchase price of lease ie required

k = equivalent principle $(1 + s)^f$

s = annual rate of return on investment (in decimal rather than percentage terms)

f = frequency of lease payments per year

L_0 = length of current lease period to run, in years

L = length of lease between renewals, in years

a_0 = current lease payment, f times per year

a_0 = revised lease payment in L_0 years, again f times a

year
 a_0 = current lease payment f times per year if lease were renewable immediately

$R = 1/(1 + r)$ where r is the estimated average inflation rate per annum in each period of L years (expressed as decimal rather than a percentage)

Note that a_0 is effectively the payment that would be made f times a year if the lease were renewable now (using the L current lease value) multiplied by $(1 + r)$

4. Two Examples

We consider firstly an example based on a New Plymouth residential perpetual lease property. The period between rent revisions is 21 years. There are six years to the next rent revision. The currently twice yearly payment is \$200, and if rent were to be revised now (rather than in six years time) twice yearly payments would currently be \$2000 based on the rental setting formula at present, used by the lessor. To outline the calculation of lease value we initially assume future inflation and future interest rates to average 10% and 13% respectively. Land value is later calculated for a range of inflation and interest rates, and tabulated in Table 1.

For our example then

- $r = 0.10$ ie inflation 10% per annum
- $s = 0.13$ ie return on deposit of 13% per annum
- $f = 2$ rental payments per year
- $a_0 = \$200$ = current twice yearly ground rent
- $L_0 = 6$ years = time to next rent revision
- $a_{0,0} = \$2000$
- $a_0 = \$2000 \times (1 + 0.10)^6 = \3543
(ie if lease were due for renewal now, payment would be \$2000, twice per year on current property valuation)
- $L = 21$ years = period between rent revisions

Then

$$k = (1 + s)^f = 1.13$$

$$R = 1/(1 + r) = 1/1.10 = 0.9091$$

$$P_0 = 0.063 \times 2.082 \times 200 \times 1.08 + \left(\frac{3543 \times 0.1351 \times 12.021}{0.7595} \right) \frac{1}{J}$$

$$= 7.622[216.39 + 7577.11]$$

$$= 59408$$

ie P_0 the current value of the lease, is \$59408, of this basis.

TABLE 1

Values of the perpetual lease of Section 4 using equated yields

		Inflation adjusted interest rate						
S r	1%	2%	3%	4%	5%	6%	7%	
1%	347136	165796	105658	75803	58501	46339	38073	
2%	318435	152740	97742	70406	54127	43368	35759	
3%	293341	141282	90770	65635	50645	40722	33692	
4%	271321	131192	84608	61403	47546	38359	31838	
5%	251931	122276	79142	57637	44778	36241	30171	
6%	234798	114370	74281	54274	42298	34336	28667	
7%	219606	107335	69939	51261	40069	32618	27307	
8%	206092	101055	66051	48553	38058	31064	26071	
9%	194030	95432	62557	46112	36240	29654	24947	
10%	183229	90380	59408	43905	34590	28371	23921	
11%	173528	85827	56561	41903	33091	27201	22983	
12%	164788	81713	53979	40083	31722	26130	22122	
13%	156890	77983	51633	38423	30471	25148	21329	
14%	149732	74592	49493	36905	29323	24244	20598	
15%	143226	71502	47537	35513	28268	23412	19923	
16%	137298	68677	45744	34234	27295	22642	19298	
17%	131881	66089	44097	33056	26397	21930	18717	
18%	126919	63711	42579	31968	25566	21269	18177	
19%	122362	61522	41179	30961	24794	20654	17674	
20%	118167	59502	39883	30027	24077	20081	17203	

- Notes: 1. Inflation adjusted interest rate is the difference between annual return, s , and the annual rate of inflation, r .
2. The unimproved land valuation is currently \$40,000 approximately

As tabulated only lease values for $(s - r) \leq 7\%$ (ie interest rate less inflation rate less than or equal to 7 per cent) are shown. The formulae will work for larger (or smaller) differences in these two rates. Despite the difference exceeding 7% at August 1989, the difference has seldom exceeded 3% in the longer term. The current differential is a product of interest rates remaining high in a period of declining inflation and, in the longer term, is balanced by periods of interest rates very close to, or less than inflation, such as occurred in the 1970s. The left-hand side of Table 1 is consequently the most important, and for low inflation rates interest is centred on the upper left-hand section.

There are a number of comments that can be made about Table 1. Some of these apply in general. Reading entries down a column, with $(s - r)$ constant, increasing rates of inflation give decreasing lease valuations. Reading across the rows, increasing interest rate s gives decreasing lease valuations for fixed inflation rate r . Conversely reading down a backward diagonal (top right to bottom left), increasing inflation rate r gives increasing valuations for fixed interest rate s . The major influences causing high equivalent principal however, can be summarised as being low inflation rate and low inflation adjusted interest rate (defined as the difference between interest rate and inflation rate, $s - r$).

There are also some particular comments relating to this example that warrant mention. The current land value for this property, freehold, is approximately \$40,000. Given that long term inflation adjusted interest rate is unlikely to exceed 3% in the long term, the valuations given to the perpetual lease in Table 1 seem very high indeed. The realisable value, of the perpetual lease through sale should not exceed its freehold value, since the lessor of perpetual lease owns only the land and not improvements. Given from Table 1 that the equated yield is less than \$40,000 (the freehold value of the land) for only a few very high inflation rates (and inflation adjusted interest rates) then, if bank deposit (on the basis outlined) and owning a perpetual lease are equivalent investments, ground rents seem comparatively high.

It is perhaps informative to also consider the perpetual lease example outlined in the Mock Arbitration of *The NZ Valuers'*

Journal September 1986. Here the lessor's and lessee's representatives gave the land in question a value of \$205,000 and \$150,000 respectively. Their respective rental assessments were \$27,000 and \$11,200 per annum, with fair ground rental assessed at 8.0% and 7.0% per annum respectively. It is, as an aside, interesting to note that these fair ground rentals are effectively inflation adjusted rates given the continued existence of the land in 21 years time. We calculate the principal or sale value P_0 , via the equated yield method, assuming two equal rental payments per year. The combination of land value and ground rental favoured by the lessor is considered first, ie land value of \$205,000, rental of \$27,000 per annum. At 10% per annum inflation and 13% per annum interest, equation (3) (with $L = 0$ since the lease has no time left to run before renewal) yields $P = \$458,179$, a resale value of more than twice the lessor's land valuation. For a land value of \$150,000 and an annual rental of \$11,200 (ie the lessee's assessment), again using equation (3), we get $P_0 = \$190,059$ for the same inflation and interest rates (10% and 13% respectively). Under this scenario, \$11,200 per annum

would seem a fairer ground rental than \$27,000, even based on the lessor's assessment of land value. It is interesting to note that the annual rental given $P_0 = \$205,000$ (ie purchase price equal to lessor's land valuation) is \$12,080, a ground rental of 5.89% per annum.

5. Conclusions

The return on different forms of investment should be positively correlated with risk. The risk of bank or similar fixed interest deposits is low; the risk of owning leased property somewhat higher. In the case of perpetual leases, given the perpetual right of renewal, the risk is related to the fact that the lessor has an unrealisable asset if the lessee will not purchase. There is an additional risk that, at least locally, inflation adjusted land values may decrease over some period (and the concomitant possibility that such values increase). Perpetual leasehold property is often in the hands of trusts for which the saleability of their asset is not an issue, given a reasonable return. If the figures quoted in the example of section 4 are true in other cases, and that seems likely given reasonably standard ground rent to land value ratios at lease renewal, then ground rents for perpetual leases would seem to be high even allowing for these risks, when considered over a wide range of long term future inflation and interest rates. The present New Zealand system of taxation on apparent interest, s , rather than inflation adjusted interest rate, $s - r$, further exacerbates this return to risk anomaly, since for the bank deposit tax depends on s while for the perpetual lease tax depends on $s - r$.

The question also arises as to how, if at all, these conclusions can be extended to the more general urban, rural and commercial leaseholds. Here the situation is more complex, as the period between rental revisions is not fixed in general, and the lessor may own property improvements such as buildings as well as the land on which they are situated. In addition, as is not usually the case with perpetually leased land, the property may be mortgaged.

Shorter and variable periods between rent revision generally favour the lessor. Property improvements involve long term re-

placement costs, repair, rates etc and these are likely direct costs on the lessor (and indirect costs in the lessee). Mortgage costs for mortgaged properties, especially with high interest rates, would greatly reduce lessor profit margins. The situation for non-perpetual leaseholds is then not clear cut, but some of the conclusions for the perpetual lease analysis would still apply. One particular conclusion is that decreasing inflation rates and interest rate differentials are, *prima facie*, grounds for a decrease in future rentals, given constant property values, based on both cost and real return to the lessor. The extent to which current rentals on commercial, rural, and when leases reflect their property value assessed by equated yields would seem fruitful ground for future valuation research. North's (1985) paper provides a good general framework extending beyond equated yields. It is hoped that the formulae given here, and their method of derivation will give an indication in the wider context of the mathematical methods required for a rigorous study of valuation based on equated yields and discounted cash flow. ^A

References

- Macpherson, J O. Market Value of Leaseholds and Interest Rates. *NZ Valuer* 1967, 20(4), p171-2, 181.
- Report of the Committee of Investigation into Rentals and Freeholding of Crown Leases. *NZ Valuer* 1969, 20(9), p395.
- Fisher, W H. Ground Rent in respect to Leases in Perpetuity. *NZ Valuer* 1971, 21(7), p255-256.
- Coyle, J P. The Valuation or Appraisal of Rentals on Downtown Commercial Leases. *NZ Valuer* 1971, 21(9), p337-46.
- Wall, J N B. Leasehold Land. *NZ Valuer* 1971, 21(9), p347-57.
- Student's Section: Analysis of Leasehold Sales. *NZ Valuer* 1971, 21 (10), p364-68.
- Barratt-Boyes, D B C. Analysis of Leasehold Sales. *NZ Valuer* 1972, 21 (11), p425-432.
- Jefferies, R L. Comments on: Analysis of Leasehold Sales. *NZ Valuer* 1972, 21(11), p432-435.
- Gellatly, J W. Perpetual Leaseholds. *NZ Valuer* 1972, 21(12), p447-448.
- Macpherson, J O. The Right of Reply - Analysis of Leasehold Sales. *NZ Valuer* 1972, 21(12), p449-50.
- Mahoney, J D. Leasehold Interest. *NZ Valuer* 1972, 21(12), p451-55.
- Frizzell, R. Leasehold Interests- A New Approach. *NZ Valuer* 1972, 21 (13), p 511-16.
- D'Arcy, B E. A Comment on the Valuation of Leaseholds. *NZ Valuer* 1972, 21(13), p 494-96.
- Clarke, C H H. Leasehold Interests: A Conflicting Viewpoint. *NZ Valuer* 1972, 21(14), p523-29.
- Arbitration: Melanesian Mission and St John's College Trust Boards. *NZ Valuer* 1976, 23(1), p28-39.
- D'Arcy, B E. Analysis of Urban Leasehold Land Sales, Paper A. *NZ Valuer* 1979, 24(3), p158-166.
- Jefferies, R L. Analysis of Urban Leasehold Land Sales, Paper B. *NZ Valuer* 1979, 24(3), p167-185.
- Watters, J A. Analysis of Rural Leasehold Land Sales, Paper A. *NZ Valuer* 1979, 24-(3), p 186-87.
- Laing, A P. Analysis of Rural Leasehold Land Sales, Paper B. *NZ Valuer* 1979, 24(3), p188-193.
- Keys, D. Commercial Leases, Paper A. *NZ Valuer* 1980, 24(7), p543-554.
- Greenwood, K. Commercial Leases, Paper B. *NZ Valuer* 1980, 24(7), p555-56.
- Christiansen, W K S. Whence the Glasgow Lease. *NZ Valuer* 1983, 25 (7), p369-70.
- Penman, W A. Rental Reviews. *NZ Valuer* 1985, 26(1), p 17-19.
- North, L W. The Discounted Cash Flow Concept. *NZ Valuer* 1985, 26 (2), p87-98.
- Rose, D. Equated Yields-Jargon or Genuine. *NZ Valuer* 1985, 26 (2), p 78-86.
- Mock Arbitration on a Ground Rental. *The NZ Valuers Journal* 1986, 27 (2), p58-62.

Current Problems in Ground Leasehold Valuation

by R L Jefferies

Introduction

I have been asked to speak from the valuer's viewpoint on the problems currently being faced with the public understanding (or probably more appropriately the lack of understanding) of long term ground leases. In particular I have been asked to address two aspects:

- (a) basic principles of valuing lessee's and lessor's interests in Glasgow type leases, and
- (b) trends in new ground leases and their reviews.

Basics Assumed

I am not going to go over the basic form of ground leases, nor the statutory provisions for their creation and administration, presuming this audience is familiar with all the relevant legislation and legal precedents in the fixing of ground rentals'. Neither am I going to enter into the debate over the problems of the proper method of ascertaining ground rents, which I am only too happy to do if you have a week to do it in!

However, one of the *basic problems* with ground leases is that I find that valuers, lawyers and especially real estate agents have a surprisingly thin, or often a glaring lack of, appreciation of the law in relationship to ground leases. Therefore, if the *professionals* do not fully appreciate the basics, and therefore

Rodney Jefferies BCA, Dip UrbVal, FNZIV, MPMI is the President of New Zealand Institute of Valuers and Senior Lecturer in Property Administration at Auckland University'. This paper was presented at the Taranaki Branch NZIV 50th Jubilee celebration seminar held on 25 August 1989 in New Plymouth.

fail to advise their clients properly when dealing with long term ground leases, no wonder that the public and the typical lessee is ignorant as to their rights and extent of "ownership". How can we blame them when they are both mystified by and antagonistic towards lessors, especially when faced with "huge" increases in ground rentals.

I am also (despite their indignation at the suggestion) fre-

quently amazed at how the administrators of these leases, the Boards, their officers, and legal advisers, often lack an understanding of their rights and duties; the role of the valuer; the basis of valuations; the procedures for reviews or renewal; and how to resolve disputes by arbitration. Valuers, particularly, have an important role to play in this educative process.

I also do not intend to give you a crash course in leasehold valuation theory or practice. I assume you are all familiar with the principles and practice of leasehold valuations generally'. However, even after 25 years of working in this specialty, I am still challenged by the complexity of the problems that arise.

I do want, however, to address in some detail the changing and current concepts involved in the topics given to me. Unfortunately the subject is not simple, but I will illustrate it by a simple example and hopefully answer any other questions you have in the panel session to follow.

A. Basic Principles of Valuing Lessee's and Lessor's Interests

1. Lessees' Interests

The lessee's interest value in a ground leased property is determined by the rights conferred by the terms of the lease. Contrary to popular misconception the improvements do not belong to the lessee, they are attached to, and form part of, the land belonging to the lessor. What the lessee "owns" is the right to occupy the land subject to paying a contract rent for that occupancy benefit. In addition, the lease normally confers a right of renewal, which in the case of the so-called "Glasgow" leases' is in perpetuity.

In establishing the rental payable for the ground, most leases ensure that there is to be no rental payable for, or ascribed to, the value of the improvements which the lessee has made on the land (or purchased the benefit of from a previous lessee). In some leases, defined lessor's improvements are included, while in others the value of improvements made by the lessee is limited to their "added" value to the land, their "substantial" value, or their "unexpired" value, recognising that the value of most improvements depreciate over their economic life in terms of the land's highest and best use.

Old forms of leases, issued before the *Public Bodies Leases Act 1908*, almost invariably defined the rental to be based on a stipulated percentage (usually 5%) of the Capital Value of the land less the unexpired value of the substantial improvements (or similar wording). This followed the definition of land value under the *Land Tax Act of 1878*, replaced by the *Property*

Assessment Act 1879, followed by the *Rating on Unimproved Value Act 1896*, and the *Government Valuation of Land Act 1896*, in which the latter defined "unimproved value" as "...being the difference between the total capital value of the whole property and the total capital value of all buildings and other improvements as aforesaid".

In the *Government Valuation of Land Amendment Act 1900* the definition was changed to "unimproved value" being the "Capital Value"... "and if no improvements had been made to the land".

The "Value of Improvements" was defined as: "The sum by which the improvements upon an owner's land increases its value: Provided that the value of the improvements shall in no case be deemed to be more than the cost of such improvements estimated at the time of valuation, exclusive of the cost of repairs and maintenance."

The 1912 Amendment to the Act deleted all reference to cost and replaced the above with: "The added value which at the date of valuation, the improvements give to the land".

The latter concept remained with further refinements until the change to the concept of "Land Value" in the *Valuation of Land Amendment Act 1970*.

This history' of "Unimproved Value" is important to an understanding of why some of the current leases, still in existence as a result of renewals in the same terms and conditions as contained in these old (pre-1908) leases, still plague us. These cause confusion by comparison to the modern form of lease under the *Public Bodies Leases Act 1969*, or under the *Maori Affairs Act 1953* or the *Maori Reserved Land Act 1955*. Under the latter Act the rentals for prescribed leases require an "Unimproved Value" to be ascertained with a fixed percentage of that being the rental. Under the Land Amendment Act 1970 another set of definitions applies, requiring a "Value of land exclusive of improvements" to be ascertained which is different again and requires a subjective assessment in terms of fairness and equal emphasis in equity between the lessor and lessee.

The old concept presumed that the improvements can have an intrinsic value of their own, but it is accepted valuation theory now, and for over 80 years, that improvements cannot be valued apart from and in relation to their sites and location. It is, however, an argument that still rears its head, especially when lessees believe they "own" the improvements separately, and the lessor simply leases them the land.

Well where is all this getting us to? I assure you the apparent diversion from the topic was deliberate, as it is out of this

1. Such as the *Public Bodies Leases Act 1969*; the *Land Act 1948* and particularly the 1970 Amendment; the *Local Government Act 1977*, and the provisions of the former *Municipal Corporations Act 1974*; the *Maori Affairs Act 1953* and the *Maori Reserved Lands Act 1955*; and any other special or local enabling Acts that may affect ground leases in your local area of practice.

2. Especially the leading (and oldest) DIC case in the Court of appeal, *The Drapery & General Importing Co of NZ Ltd v The Mayor etc of Wellington*, (1912) 31 NZLR 598; the Supreme Court decision on appeal and the Court of Appeal reversal upholding the Arbitrator's Award in the National Bank case, *Wellington City Corporation v National Bank of New Zealand Properties Ltd* (1970) NZLR 660, and (for a copy of the Award), NZV Vol 20, No 9, Mar 1969, p414; *The Melanesian Mission and St Johns College Trust Boards' Leases Arbitration Award* of Sir Trevor Henry, NZV, Vol 23, No 1, Mar 1976, p 28; the *Auckland Harbour Board Rental Arbitration Award* of Sir Trevor Henry, NZV Vol 25, No 4, Dec 1982, p 223; and the *Dilworth Trust to AFFCO industrial ground rental Award* of Mr John Henry, NZV Vol 23, No 10, Jun 1978, p534.

3. I cover this subject over a half year of approx 30 hours of lectures in the subject of Advance Valuation in the BPA course at Auckland University.

4. *The Melanesian Mission and St Johns College Trusts Boards' Leases Arbitration Award*, *ibid*.

5. A term that still intrigues me as to its origin, now believed to stem (from research by my colleague Ass Prof Ken Christiansen) possibly from Lord Glasgow who was Governor-General of New Zealand in 1890s when many of these early forms of leases were first introduced. Lord Glasgow was apparently famous for his racehorses which he never sold but leased out and retained "ownership" of, and the same idea was incorporated into these early leases and Acts, both local Acts such as the *Wellington Corporation Leaseholds Act 1885*, and *Wellington City Leasing Act 1904*, referred to in the DIC case (*ibid*); and national Acts ie *The Public Bodies Leases Act 1908*, the latter being passed in the same year as the *Religious Charitable and Educational Trusts Act 1908*, under which powers so many of the "Glasgow" leases were issued during the formative years of this country's development. See also earlier article by W K S Christiansen, *Whence the Glasgow Lease*, NZV Vol 25, No 7, Sept 1983, p369.

6. For a fuller see the Unimproved Value Series, being papers presented to the Otago Branch Seminar by Messrs. R J Maclachland, J Bruce Brown, M B Cooke and S Morris Jones, NZV, Vol 20, No.2 & 3, Jun-Sept 1967, P 48-94.

7. See R J Maclachlan, *Land Amendment Act 1970*, NZV Vol 21, No. 9, Sept. 1971, P 331.

historical background that the rights and obligations of the ground lessee and lessor have developed, and left its legacy of confusion for posterity. An appreciation of who "owns" what is fundamental to the approaches to the valuation of ground lease interests.

A lessee's interest in a Glasgow lease is made up of three components:

1. The benefit to run to the next rent review or renewal date, due to the rental being less than an up-to-date one.
2. Any value attributable to the benefits to be expected under the right(s) of renewal.
3. The added value of the free use of the improvements, subject to any covenants or obligations attached thereto.

The *first step* in determining the value of any lessee's interest (and also the corresponding lessor's interest) is an examination of the lease document itself. It so often amazes me that lessees never read their leases, and agents when listing a leasehold property for sale do not search a copy. Many purchasers do not view a copy nor seek advice on what the terms and conditions mean. So often it is just the bare facts that are known - the rent and how long it is to the expiry that is known.

The *next step* is to ascertain what legislation governs the issue of the lease and its administration, as frequently the legislation will govern the procedures as to renewal and sometimes the basis of the rental valuation as well.

Then it is necessary to make an assessment of what the likely rental would be *at the date of valuation*, if the rental was reviewed or renewed, as the case may be, and to ascertain the current benefit that the lessee has left to enjoy in terms of the existing ground rental being below a full contract rental level. The present value of that financial benefit, is discounted at a rate of interest. The appropriate rate will balance the typical prudent lessee's opportunity cost of capital against the risks of leasehold investment compared to freehold investment. This discounted annual benefit will determine the value of this benefit to run in the lease.

Added to that benefit will be some allowance for the value of the rights of renewal which the lessee can exercise at the expiry of each term. If these are perpetual rights, the value of these may be quite significant and are affected by the following basic factors:

- ◆ The degree to which the rental basis on renewal is likely to produce a rental which is advantageous to the lessee compared to the opportunity cost of long term freehold ownership (often measured by comparing the ground rental percentage likely to be applied currently to the land value, against current first mortgage and other gilt-edged interest investment rates, such as government stock).
- ◆ The term of the rent review or renewal periods, with 21 year terms generally regarded as being more valuable than say 7 year terms, over which any rental benefits from a renewed fixed annual rent will apply.
- ◆ The degree to which it is perceived that government may by legislation interfere with the terms and conditions of

the leases to reduce or enhance the lessee's benefits or rights, such as Rent Freeze Regulations, changing free-holding rights, or altering statutory or regulated ground rental percentages (in the case of Land Act leases, or prescribed Maori leases).

- ◆ The likely level of any variations in expected inflation over the term of the next renewal that would act to reduce the *real cost* of rental payments and in turn affect the perceived financing opportunity costs and benefits.
- ◆ The likelihood that land values will increase more (or less) than the inflation rate, giving an added advantage (or disadvantage) to the lessee in comparison to the alternative of freehold ownership financing opportunity costs.

These right of renewal benefits are frequently expressed as *a percentage of the land value* (or the "value" upon which the ground rent is based). The percentage traditionally ranging by "rule of thumb" between 15% and 35%, though varying from locality to locality and with different terms and types of lease.

Urban leases appear to indicate a higher "percentage" than rural leases, partly because most of the latter are based on the "unimproved" or "land exclusive of improvements" concept. In most cases these values are considerably below the level of land values in the normal concept or as assessed under the *Valuation of Land Act 1951 (as amended in 1970)*.

The "percentage" applicable to the same lease or classes of leases may vary with different terms to run to renewal, other things being equal, due entirely to the greater perceived risk and expense of renewal and arbitrations etc, coupled with the impact of the new ground rental on saleability in the period running up to, at and within a short period of a review or renewal rental date.

There have been many attempts to explain mathematically the basis of such "Right of Renewal" values', and to provide a formula to use in valuations. In all cases these formulae, in my opinion (including my own), fail to fully explain the factors involved and do not provide a foolproof basis for valuation. This is especially so where different rent review periods are found in practice, and because leasehold valuation defies mathematical precision.

The best evidence of such "Right of Renewal" values is by analysing sales of leasehold properties on a consistent and uniform basis, and to ascertain what the market indicates. The value paid *over and above* a calculated lessee's interest value, based on the rental benefit to run, *plus* the added value of the improvements which the lessee enjoys the use of, can be calculated. Provided allowances are made for any other saleability factor, as previously mentioned, and enough comparable leasehold sales are analysed, this type of analysis should give a good market indicator of the range within which such rights of renewal should fall. They can then be expressed as a "percentage" of land value.

The *final component* of the lessee's interest is the added value that the use of the improvements (for which no rent is paid) gives to the value of the lessee's interest in the land only. Traditionally, on the replacement approach to value, these have

8. Various described as:

- (a) the *Gellatly/Marcourt* method: in which the "difference" between the current first mortgage rate and the ground rental percentage rate is capitalised and *deferred* to the next renewal date. See J W Gellatly, *Perpetual Leaseholds*, NZV Vol 19, No 12, Dec 1966, p457.
- (b) the *Macpherson/Barratt-Boyes* method: in which the above is developed and with Barratt-Boyes the "difference" is not deferred, but capitalised in perpetuity. See J O Macpherson, *Market Value of Leaseholds and Interest Rates*, NZV Vol 20, No 4, Dec 1967, p171; and D B C Barratt-Boyes, *Analysis of Leasehold Sales*, NZV Vol 21, No 11, Mar 1972, p425.
- (c) the *Jefferies/D'Arcy* method: where the "difference" is discounted over the length of a typical term of lease. See R L Jefferies, *Comment on: Analysis of Leasehold Sales*, NZV Vol 21, No 11, Mar 1972, p432; B E D'Arcy, *A Comment: Valuation of Leaseholds*, NZV Vol 21, No 13, Sept 1972, p494; B E D'Arcy, *Analysis of Urban Leasehold Land Sales, Paper A*, NZV Vol 24, No 3, Sept 1979, p158; and R L Jefferies, *Analysis of Urban Leasehold Land Sales, Paper B*, NZV Vol 24, No 3, Sept 1979, p167.

been assessed on the same basis as if the property was freehold. However the lease may have some onerous clauses as to limited use, maintenance or replacement, or in the case of terminating leases clauses affecting the amount of (or lack of) compensation for improvements, or even a liability for removal and site clearance and other reparations which could well require the improvements value to be discounted below that which would apply in a freehold situation.

Each case must be assessed on its merits and in accordance with the lease. The perceived risks attached to the outcome of possible adverse situations need to be considered, where the lease could become a burden on the lessee, or the improvements even have a negative value, due to cost which would be incurred by the lessee to comply with the lease terms. Such problems are less likely to occur with Glasgow leases, except where the improvements become obsolete and are an earthquake or fire risk, and require replacement to maintain a restricted use that does not put the land into its highest and best use, or where the restrictive use clause precludes any allowable zoned use.

The alternative and probably the most appropriate way to value leasehold properties is on a *direct sales comparison basis*, but as is sometimes the case leasehold properties located where there are few, if any, comparable sales on a leasehold basis. This forces the valuer, lessee and or agent if selling, or a buyer to make comparisons with freehold properties.

The temptation is to make a simple, but erroneous deduction of the capitalised current ground rent from an otherwise freehold value. This may be appropriate only if the lease was in perpetuity at a fixed and non-reviewable level, not found in Glasgow leases. Clearly such a method makes no allowance for the impact of future rental increases and the other impacts on saleability that the terms and conditions of the lease will have, nor other disadvantages that leasehold have compared to freehold.

A direct sales comparison approach is usually impractical with industrial and commercial property, for the same reason as it is with freehold properties where differences physically between properties are so variable that other methods of comparison are preferable, such as capitalisation utilising an investment approach, or a depreciated replacement approach.

Where there are sufficient recent leasehold sales of comparable properties, the analysis and adjustments required to allow for the differences between the sales and the property being valued or priced, requires more research, calculation and subjective opinion based "adjustments" than when dealing with freehold properties. These include:

- ◆ An adjustment for differences in existing ground rental levels and terms to run until next review or renewal.
- ◆ An adjustment for any different types of leases involved, conferring different terms and conditions, or being administered under different legislation (ie comparing a Maori Reserved Land lease with a Crown lease or a Public Bodies lease).
- ◆ An allowance for different potentials for freeholding.
- ◆ An allowance for other saleability factors created by the leases, such as their closeness to lease reviews, or the improvements ability to provide the lessees with an enjoyment of their land to its highest and best use and thus justify the level of ground rentals currently being paid or likely on review or renewal.

These adjustments, in themselves, require all the previously

mentioned analyses in respect of the assessment of the lessee's interest in the properties being used as comparisons as at their sale dates. No wonder such a detailed method is usually too time consuming and expensive and therefore rarely done thoroughly in practice. Hence the reliance more frequently on the approach of assessing the lessee's interest in the land with the assistance of "Rules of Thumb" yardsticks and adding the value of improvements. This only serves to reinforce the erroneous impression that the lessee "owns" the improvements, frequently called the lessee's improvements in many valuer's reports.

I attach as APPENDIX I a simple example of a valuation of a residential property illustrating the above principles.

2. Lessors' Interests

The temptation, in assessing a lessor's interest in a ground lease, (which so rarely sell and therefore are usually only valued for balance sheet or for land tax purposes), is to simply ascertain the lessee's interest and to deduct that from the freehold value. Such an approach is both erroneous and naive. It indicates that anyone who uses such a method is ignorant of the principles involved and almost certainly any resulting value would only by sheer luck represent the market value of the lessor's interest.

Not surprisingly this area of valuation practice is, in my opinion, the least understood and least practiced, partly because it is rare for a lessor's interest to sell, except in a freeholding sense where it is the "locked in" lessee who may pay a premium to acquire the freehold. Many lessors, either by legislation or policy, are only prepared to sell in such circumstances at the full freehold land value. Some grant an arbitrary discount or a formula based "freeholding allowance" or (in the case of the Crown leases under the Land Act) a "goodwill" deduction based on a statutory formula.⁹

The "bundle of sticks" concept of land ownership ascribes a separate value to each "right" or "group of rights", such as a lessor's interest or lessee's interest. Depending on the terms and conditions of the lease involved, the value of the separate rights may or may not add up to the unencumbered freehold value of the "whole". This is especially so if the lease contains any restrictive use clauses which precludes the lessee from using the property to its highest and best use.¹⁰

In most normal ground lease situations the sum of the lessor's interest and the lessee's interests would be expected to exceed the freehold value. This is not surprising as the creation of the separate interests by virtue of the lease is similar to a subdivision of the land into smaller parcels, the sum of the parts exceeding the whole before subdivision. In creating a lease, the subdivision is not of the land but of the interests in land or into separate "bundles of rights". However this is not always the case as the example to follow illustrates, and if based upon market values the opposite is more likely, ie the sum of the interests being less than the freehold value.

Lessors' interests in a Glasgow lease are made up of four components:

1. The present value of the contract ground rental being paid for the term to run until the next review or renewal.
2. The present value of the next rental review or renewal term, deferred to the end of the present term to run, and so in perpetuity (often termed the "reversion").
3. A deduction for capitalised management costs and outgoings such as land tax (if applicable).
4. A potential (if any) for obtaining, on freeholding to the lessee, a premium above the lessor's interest value oth-

9. See R J Maclachlan, *Land Amendment Act 1970, ibid.*

10. Such as restricting a residential use to a single family residence where the land is zoned for multi-units or has been rezoned industrial or commercial and the alternative use value exceeds the residential use value of the land.

erwise calculated above (if this is possible in terms of any legislative or other powers governing the administration of the lands).

The *first* component is readily ascertained the main valuation judgement required being the discount rate to be applied.

Some valuers use a discount rate at the same rate as the ground rental percentage rate currently applied to the land value to determine the ground rent", on the assumption that it is a better than gilt-edged security and effectively a guaranteed income. In my opinion this grossly over-values the interest.

Anyone involved in the attempted sale of lessor's interests will have found that the only market that exists in New Zealand is to major institutions and Trusts who view such investments as *less desirable than* long term government stock or first mortgage investments, particularly in view of their administration costs, and very long terms between rent reviews, coupled with attendant erosion by inflation of the income stream. Lessor's interests are very difficult to find buyers for (apart from the lessees individually who may or may not be interested in or able to freehold), and lack both liquidity and negotiability.

Institutional buyers will therefore tend to look at such investments as requiring a return on investment at least commensurate with first mortgage rates and probably slightly higher, depending on the length of time to run before the next rent review and the likely increase in ground rents, bearing in mind the costs (both legal and valuation/arbitration) that may be involved in achieving those increased rentals.

Additionally, with residential ground rentals especially, the adverse publicity that usually attaches to the lessees' and the public publicity that surrounds a major renewal of leases in a locality, is causing most Trusts to try and disinvest from these investments, especially the 21 year leases and non-commercial leases. There are in fact few buyers around for such lessors' interests and there have been no open market transactions of the transfer of lessors' interests to third parties", to my knowledge. This of course makes valuation of such interests *very subjective*, but nevertheless has to be done for land tax purposes, transfer of assets under the government SOE's, and port/local body reforms currently going on.

In my view the appropriate discount rate would not be less than long term government stock rates or first mortgage rates, with an addition on account of risk, lack of negotiability and administration costs, especially if the latter are not allowed separately"

In respect of the *second* component this requires a careful appraisal of just what the lessor can expect to receive in the future, after the next rent review. The old traditional approach" assumed that the full land value would be obtained at expiry, whereas the fact is that the lessor gets no more than the contract provides, - another renewal period of ground lease income,

and so on in perpetuity. It is virtually unheard of for a ground lessee not to renew a lease and for the land (and improvements) to, in fact, revert to the possession of the lessor!

Therefore a reversionary figure must be brought into the calculation to give recognition to the future benefit to the lessor of an increased rental upon renewal, but it must have regard to three factors:

1. The *ground rental percentage rate* applicable to the land value to determine the ground rental, and
2. The *monetary investment rate of return* that a purchaser of such lessors' interests would require to discount such future rental income, commensurate with the risks and negotiability/liquidity of the investment.
3. The *real investment rate of return* required on an asset that enhances in value over the life of the investment, which in the case of Glasgow leases is in perpetuity, but in 21 year steps.

Assuming that the current land value is the present value of the future benefits of the use of the land, then it is not necessary to make any future projection as to inflation or future land value rises between the date of valuation and future renewal/review dates.¹⁵

The calculation of the appropriate reversionary value is by the following simple calculation:

Current Land Value x Current ground rental percentage rate applied to land value/Lessor's monetary investment rate of return

Discounted to the rental review/renewal date at the lessor's real rate of investment return (excluding inflation)

This is the same thing as estimating the ground rent as it would be if renewed today, deferring it to the next review/renewal date and then capitalising it in perpetuity.

It is appropriate at this point to refer to the example in Appendix II where the lessor's interest in the residential ground lease in Appendix I is valued.

The derivation of the monetary and real rates of return are as follows:

Lessor's monetary investment rate of return: Say: 16% pa
(by comparison to Govt Stock & First mortgage rates, plus risk & negotiability)

Less: Allowance for anticipated long term inflation: Say: 6% pa
(by reference to advice received from economic forecasting services)

Indicated Lessor's real investment rate of return: Say: 10% pa

The reversionary value is therefore:

L.V. \$60,000 x 16% x (Factor) 0.75131

— \$28,125 x 0.75131

— \$21,130

* P.V. of \$1 in three years discounted @ 10% p.a. talc. in arrears.

11. As is the method prescribed under *The Land Act Amendment 1970* for calculating the "goodwill" to be deducted from the land value exclusive of improvements when freeholding crown leases.

12. I have been involved in the valuation of some 171 lessors' interests of residential ground leases in Auckland where a sale was almost completed recently but fell through due to lack of real saleability because of the factors mentioned. I have also been involved, as have other valuers, in the asset valuation of the Harbour Board lessor's interests in transfer to either the Port Companies and/or in the transfer in October this year of assets to local authorities as a result of the local body reforms currently being put in place, where the value of these assets are coming under scrutiny.

13. In a recent analysis of some central city ground leases in their mid terms between renewals, the land tax payable on the Valuation New Zealand's assessment of the lessor's interests exceeded the actual ground rentals being received, leaving a loss of income plus management cost until the next renewal, which were in some cases 5 to 10 years away!

14. As found in the text *Principles and Practice of Urban Valuation* (1959), NZIV, Wellington, and the *Valuation of Land Act 1951 Section 45* (since repealed).

15. In a recent assessment of this type, I was involved in giving land value and ground rental advice to a merchant bank valuing such interests, who then took the current values and escalated them into the future at assumed rates of land value increases, both of estimate the future ground rental incomes and renewal incomes as part of a discounted cash flow analysis to establish current asset values. In my opinion such crystal ball gazing is to be avoided and unnecessary if current values are used and any future discounting of known rental cash flows are at monetary rates of returns, while reversions are at real rates of return (ie excluding inflation).

The reversionary value before discounting represents 7.5/16ths or = 46.875% of the full land value, before deferment to the end of the term to run, and simply reflects the fact that the lessor's interest at lease renewal would be similarly less valuable than if the full possession was obtained rather than only a ground rent at 7.5% pa of the asset's freehold value. This illustrates just how poor these investments are from a lessor's point of view and is an argument for claiming that traditional ground rental percentage rates are too low from a lessor's investment point of view.

When added to the *first* component of the discounted contract ground rent the overall monetary investment yield is shown as follows:

Contract ground rent \$280 pa

P.V. Ground Rent \$699 + Reversion \$21,130

\$280
\$21,829

= 1/283% pa monetary yield until next renewal, when the yield will increase to:

\$4,500
\$21,829

20.6% pa on original investment.

If the inflationary expectation of 6% was achieved over the next three years and was applied to both land value, as it affects future ground rent, and that initial investment, then the real yield at the date of renewal would be unchanged at:

$\$4,500 \times 1.191$ \$5360
 $\$21,829 \times 1.191 = \$26,000$ = *u.o.r.o*

This yield would however decline annually in real terms by virtue of inflation, (assuming continuation of the 6%pa) affecting only the value of the investment in the 21st year of the renewal (24 years after initial investment) to reach:

$\$4,500 \times 1.191$ \$5360
 $\$21,829 \times 4.0489$ \$88,383 = 6.1%

The average yield would be approximately 11% over the term of the investment in real terms. At such yields, before tax, the investment would perhaps be attractive to some long term investors, but probably a higher return would besought, indicating that the lessor's value may be over-valued!

In respect of the *third* component, ground leases need not only administration of the rental collection and arrears of rental, GST returns where applicable, but also the expense involved in approving assignments, consents to mortgages and sub-leases, arranging valuations for rent reviews and renewals and the attendant costs in possible arbitrations, etc.

The direct costs of management can be quite considerable and it is only when a lessor has a sufficiently large number of such investments that some economies of scale can be achieved in their management. In the example in Appendix I it is likely that the whole of the costs of administering the lease over the next three years are unlikely to be recovered by the ground rental income of \$280 pa! Fortunately no land tax is now paid on residential land, but with commercial and industrial ground leases land tax is payable and can substantially erode the income.

Some trusts are assessed land tax at a concessional 50% rate, while local authorities previously were exempt but will now pay land tax on their ground lease investments, as the Harbour Boards have in the last two years.

The impact of these two expenses can be quite serious and have a negative effect on the value of the rental to run to the next renewal or rent review.

One therefore may well face the situation where a lease, a group of leases, or even the major part of a ground lease investment portfolio will be in a negative cash flow situation. Add also the problem of ground rent arrears and deferments in low cost and socio-economic areas. The marketability of such a group of leases will surely need to be specially discounted, not only for the present value of such losses until renewal/review, but also for lack of saleability. Who would want to take on an investment which will continue to make increasing losses in real terms and then be some years after a renewal/review before the profits from increased rentals will offset those accumulated losses? This is a very real situation facing some of these leases, even in prime CBD locations in some of our cities and provincial centres. You may be able to identify with some examples in your own local area.

The *fourth* component is often thought to be a potential offsetting factor to the above. In a recent study I carried out in the valuable eastern suburbs of Auckland, where the major Trust Boards of residential land grant quite favourable "freeholding allowances" on freeholding, it was shown that over the five-year period 1984-1988, only 9.9% or approximately 2% pa of eligible lessees actually freeholded although approximately 4% p.a. applied and obtained valuations for that purposes. In reality the potential for recovering the lessor's investment from freeholding is limited, even where significant incentives are offered to lessees, such as discounts, low deposits and terms etc. In many residential locations the lessees just cannot afford to freehold, and if they could, it is cheaper for them to sell their leasehold properties and purchase freehold ones. The difference between the freehold value and the leasehold value is not sufficient to make it attractive in many cases. Only those who really intend to stay long term in "their houses" and do not want to shift, or be constrained by ground rental increases they cannot afford out of tax paid income, will freehold if they have the means of doing so.

For example, the property in Appendix I has a "difference" as follows:

<i>Freehold Value:</i>	
Land Value:	\$ 60,000
Improvements:	\$107,000
Capital Value:	\$167,000
<i>Less: Leasehold Value:</i> \$132,000	
<i>Added value by freeholding:</i> \$ 35,000	

As many lessors are not prepared to freehold at less than near to full land value (some at up to 20% deductions, which would even in this case be \$60,000 20% = \$48,000) it does not pay the lessee to freehold.

From a *purely investment point of view* it would pay the lessor to entice the lessee to freehold at any price less than \$35,000 but more than the lessor's interest, (assuming the \$21,829 is valid), and to reinvest in other more profitable investments with the proceeds.

B. Trends in New Ground Leases and Their Reviews.

One of the main disadvantages of Glasgow leases from the lessor's point of view is that the rental is a fixed annual monetary sum which, in many cases, is only reviewed every 21 years and during that time its real value is eroded by inflation. Even when it is reviewed the rate of return on freehold value is so low by

comparison to required investment returns that the value of the investment is severely affected, as is seen in the example in appendix II. Therefore new investment in such leases is just not attractive, nor is it taking place, meaning the provisions of the Public Bodies Leases Act 1969 provisions are totally out of date and inapplicable in respect of these long term perpetually renewable Glasgow leases.

One of the main disadvantages to the lessees is that the ground rental increases are so severe when they do come around, and may or may not coincide with a time when the improvements are putting the land to its highest and best use. In many cases such ground rentals exceed the income available from the improvements, or exceed the "use value" of the improvements.

In many commercial ground leases there is no matching of the benefits to be achieved by the highest and best long term use of the lessor's land by the lessee with the rental being paid for its use. In the years leading up to a lease renewal the uncertainty over the amount of and impact on the viability of existing or new improvements is in doubt and this affects the saleability of the interest. Generally leaseholds are not as favourably viewed as freeholds for the achievement of capital gain and recoupment of the investment in the improvements over the economic life.

It is especially difficult for investors and developers to be able to budget for long-term investment feasibilities, and to finance or market major property investments on traditional Glasgow leasehold land, because of the uncertainties involved and the difficulty of budgeting for the likely impact of future ground rentals. A number of lessors have tried to overcome this problem, when issuing new ground leases, but the only avenue open to lessors under most legislative controls and trusts is to offer more frequent rent reviews, such as under the provisions of Section 7(e) of the *Public Bodies Leases Act 1969* with not less than five year reviews under Section 22 of the Act.

Unfortunately this does not really overcome the basic problems of Glasgow leases from the lessees' point of view, often just bringing into relief the problems referred to above more frequently!

A number of attempts have been made to convince Government to allow other forms of lease which provide variable forms of rentals which keep up with the benefits being enjoyed by lessees, but to date without avail, apart from some enabling legislation in special cases. Some lessors, who are not restricted by these legislative controls have entered into modern forms of ground leases where these disadvantages to both lessor and lessee have been attempted to be overcome.

They have taken, generally one of three basic forms:

1. The annual rental is based on a percentage of the annual income obtained by the lessee from the property, and is adjusted annually, the lessor in effect becoming a joint venture partner in the success of the development.
2. The rental is determined in advance for the whole term of the lease, either as a fixed or pre-determined series of escalating rentals (which may in some cases be tied to some formula to reflect increasing values, inflation or some combination of both).
3. The lessee pays an up-front payment or premium for the use of the land for the whole term which may be close to the full freehold value, in combination with a nil or low rental.

There may be combinations of the above types, such as a substantial up-front premium, which the lessee can write off for tax purposes over the term of the lease, together with a "sweetener" rental at a modest percentage of the ongoing income (normally net income or cash flow) from the building.

In one major lease in Auckland, in which I was involved in the negotiations, the owner granted a *development licence* for a period for a consideration while plans, permits and planning was obtained, so that the developer was not locked into a lease

without being able to successfully develop the site in accordance with the development proposals submitted in bidding for the development rights; this licence giving an option to exercise a *development lease* for a period to cover the building and leasing/rent-up period over which the substantial up-front premium is paid, being tax deductible to the developer; and on completion the right to continue in possession by taking up a *long term terminating lease* with a rental based on a percentage of net income from rentals over the whole term.

The lease had certain covenants as to redevelopment which were subject to certain provisos and gave the lessee the right to a further renewal for another terminating lease, up to approximately 200 years in all.

I am aware of a recent hotel development where the lessor provided the site in exchange for a longer term lease where the lessee paid an effective up-front payment by building a basement carparking building for the use of the lessor on a unit title in the development. The hotel lessee is to pay a percentage of gross room revenue with a significant built in deferment until the hotel is fully operational and trading into high profitability. The benefits of this arrangement meant that the hotel owner did not have to outlay for the site, other than in absorbing the parking building costs, but the guests have a substantial on-site carparking facility available. In a recent assessment of the value of the hotel after opening the future benefits to the lessee were assessed at the equivalent of approximately 70% of the freehold value of the site.

In another development, which is currently in the planning stage, the lessee has agreed to pay a rental based on a substantial percentage of the net operating income of the development, after allowing for all maintenance and repairs/replacements. This percentage is reviewable annually on the basis of a formula that takes into account the success of the development, measured by the resulting net income after payment of rent in relation to the total capital cost of the development adjusted annually for inflation, and for any major capital costs of upgrading or refurbishing.

Such a basis of rental is perceived to form a fully calculable rental which can be built into any future feasibility budgets and thus making the project "bankable" for financiers and investors. If the project is highly successful both the lessee and the lessor will enjoy the benefits of the success, the lessor providing the site in its premium location, and the developer providing the expertise and capital investment and taking the bulk of the risk, with the lessor enjoying a minimum guaranteed return.

Such modern forms of ground or site leasing are also applicable to situations where the lessor has a building on the land which cannot be demolished, such as the historic Ferry Building on the waterfront at Auckland, for which the Auckland Harbour Board obtained special enabling legislation to allow a developer/lessee to completely refurbish and restore the building. The rental is based, after a deferment period, on a percentage of rentals to be obtained from the building with a certain allowance for recapture of the developer's cost of restoration.

Where a rental is to be applied as a percentage of rentals (either gross or net), care has to be taken in drafting the lease to cover all aspects of such arrangements and especially to ensure that any space occupied by the lessee is charged a full market rental in the calculation upon which the percentage rental is based.

Such modern forms of rental sharing leases are really only applicable to major investment properties where there is a good standard of professional management. They are generally therefore not suitable for owner-occupier types of leasehold property, and unlikely to be suitable in industrial or residential areas.

The up-front premium payment lease form could be applicable to industrial and other owner-occupier type of properties, though likely only to be attractive to lessees where the premium

can be tax-deductible. The application to residential leasehold land is therefore unlikely to be attractive. Any lessee who can afford a substantial up-front payment would opt for freehold land in preference.

Only in a new town type development where a monopolistic land owner such as the Crown or a local authority controlled all available land could such a system operate, such as in Canberra.

The use of residential ground leasing is likely to be limited to forms of lease-to-buy arrangements as a form of marketing subdivisions, such as in the St Johns Park in Meadowbank, Auckland. Developed and sold on a freehold or leasehold basis, this suburb is now largely freehold. The leases had restrictive covenants as to the value of dwellings and use, with seven year rent reviews, with a freeholding option tied to a set price exercisable any time by the lessee up to a pre-determined date, and thereafter at any time on application at a full freehold land value as determined by the lessor's valuer. It has been a successful

marketing tool, but is not attractive as a long term form of tenure by lessees.

Conclusion

The future for new forms of ground leases will be limited to prime commercial sites where the form of development is primarily aretail, commercial, hotel, or shopping centre type of development.

Residential and industrial ground leasing is more likely to follow traditional lines with relatively short term rent review periods (3 to 7 years), coupled with defined freeholding options where lessors are able to disinvest.

The problems of ground leasehold valuations are diverse and fascinating, and I hope that you will have found something of help to you either as a valuer, adviser, administrator, lessee, or lessor in this paper. It is a subject in which one can never know it all nor have all the answers. I only hope that some of your questions and problems may be a little closer to solution by attending here today. A

Appendix 1

Example of a Lessee's Interest Valuation Residential Property

Basis:

Ground lease @\$280pa payable six monthly in advance", with three years to run before renewal. A Glasgow lease with 21-year perpetual rights of renewal, and typical terms and conditions under the Public Bodies Leases Act 1969, First Schedule. A good quality single family home in a good suburb, using the land to its typical and highest and best use."General valuation experience is that market values are in line with normally depreciated replacement approach values for freehold properties.

- ◆ There are a number of ground lease properties in the area, and recent sales taking place so as to provide a limited but reasonable number of comparable sales to establish market values.

The general sales evidence of freehold and leasehold residential properties indicate that the market is moving upwards at approximately 1/2% pcm.

- 1 Analysis of freehold vacant land sales in the area indicate that the property's land value (LV) is \$60,000. Current practice in the district is to assess residential ground rentals for 21-year lease terms @ 7.5%pa of land value. Current first mortgage rates are currently in the range of 14.5%-15%pa, and government stock long term (10 year) is yielding 12.0%-12.5%pa. A reasonable cost of capital rate for a residential lessee would be 15% pa

A. A Replacement Approach Valuation:

1. Lessee's interest in Ground Lease:

- (a) Value of benefit to run:
Current ground rental if reassessed:
LV \$60,000 @ 7.5% = \$4,500pa
Less: existing ground rent: 280 a!
Lessee's annual benefit = \$4,220pa
Present value of \$4,220pa discounted over three years torun@ 15%pa (Factor:2.5229) _ \$ 10,647

- (b) Value of right of renewal
Local experience, backed up by analysis of residential leasehold sales, indicates that in normal situations a "Right of Renewal" value is evidenced in the market at about 25% of freehold land value:]
L.V. \$60,000 x 25% _ \$15,000
\$25,647

(C/fwd)Say: \$26,000

Lessee's Interest in Ground Lease:

"Added value" opt use/occupancy of the improvements:

- Estimated replacement value:
Dwelling: 156.3m2 @ \$ 7601m2 = \$118,788
Carport: \$12,000
Layout and other improvements \$10,000
\$140,788
Less: Depreciation: (16 yrs. @ 11/2%pa) 24% \$33,788

\$107,000

Lessee's Interest Value:

\$133,000

Appendix 1 continued...

B. Sates Comparison Approach Valuation

The three most comparable sales of leasehold residential properties have been identified, inspected, titles and leases searched and perused, and analysed making "adjustments" from those sales to the property being valued as follows:

	Sale 1.	Sale 2	Sale 3
Sale price:	\$115,000	\$101,000	\$145,000
Date:	3/89	2/89	5/89
Ground rent:	\$825pa	\$475pa	\$3500pa
Term to run:	10 yrs	5yrs	18 yrs
Est LV @ sale date:	45,000	37,500	65,000
Est lessee's interest @ sale date:			
Ground Rent LV @ 7.5%pa	3375 pa	2,812.50 pa	4875 pa
less actual ground rent:	825 pa	475.00 pa	3! m Ra
Lessee's annual benefit:	2,550 pa	2,337.50 pa	1,375 pa
Present value factor @ 15% pa	<u>5.4795</u>	<u>3.6894</u>	<u>6.6363</u>
Present value of annual benefit:	13,973	8,624	9,125
Right of renewal value @ 25% LV:	<u>11,250</u>		<u>16,250</u>
Total:	<u>25,223</u>	<u>17,999</u>	<u>25,375</u>
Say:	25,000,	18,000	25,500

Adjustments compared to subject:

Lessee's interest Sale pce:(C/d	115,000	101,000	145,000
Land (Lessee's Interest):	<u>+1,000</u>	<u>+8,000</u>	+ 500
	116,000	109,000	145,500
Time: Mths since sale @ 05°I° pcm	+2.5%	+3%	+1%
= Time adjustment: Say		Qc	22,200
Lessee's interest adjusted for time:	118,900	112,300	147,700
Improvements:			
Value of improvements:	+21,000	+10,000	-2000
Garaging and other buildings:	5,000	+3,000	-7,000
Layout and other improvements	<u>3,500</u>	<u>+5,000</u>	<u>-5,000</u>
	<u>\$131,400</u>	<u>\$130,300</u>	<u>\$131,700</u>

Though the above represents probably an ideal situation, dependent on the validity of the adjustments made, a current market value of the property being valued is indicated at \$130,000, supported by the replacement approach above.

Conclusion: The lessee's interest is valued at: \$132,000

Appendix 11

Example of a Lessor's Interest Valuation Residential Property

Same property as in Appendix 1. See explanation of basis of assumptions and calculation in paper.

1. **Present value of contract ground rent:**
 $\$280\text{pa discounted @ } 16\%\text{pa (Factor } 2.49636) = \699
 (Monetary rate of investment return)

 2. **Present value of reversion (future rent renewals):**

$$\frac{\text{Current Land Value} \times \text{Current ground rental percentage rate applied to land value}}{\text{Lessors investment monetary rate of return}}$$

$$\text{Discounted to the rental renewal/review date @ the lessors real rate of investment return (excluding inflation)}$$

$$\text{LV } \$60000 \times \frac{16\%}{10\%} = (\text{PV } \$1 \text{ in threeears @ } 10\%\text{y})$$

$$\$28,125 \times (\text{Factor}) 0.75131 = \underline{\underline{\$21,829}}$$

 3. **Deduction for management costs:**
 Say 7.5% of current ground rental (it re-assessed) i.e.
 $7.5\% \times \$4,500\text{pa} = \337.50pa
 Capitalised @ 16%pa = Say: 2109
\$19,720

 4. **Potential for freeholding:**
 Considered almost insignificant, say 5% of potential gain to lessee in agreeing to freehold at between above value and say \$35,000: $5\% \times (\$35,000 - \$19,720)$
 Say: \$780
- Total Value of Lessor's Interest \$20,500

Sum of interests:		Freehold Value	
Lessors interest:	\$132,000	Land Value	\$60,000
Lessee's interest:	<u>\$20,500</u>	Value of improvements	<u>\$107,000</u>
Total:	<u>\$152,500</u>	Capital Value:	<u>\$167,000</u>

Professional Practice Management

by Keith Hindle

There is nothing simpler than managing our practice, we all know how it is done, it's just that we don't always have time to do what has to be done. Too often we look at a successful practice and label it as luck, ready to fall over or just adopt the New Zealand knocker attitude.

I am not qualified to comment on the intricacies of a valuer's business but I would contend the principles of good management are not vastly different than for any other professional practice.

My interest in the management of a professional practice extends over 20 years and my experience comes from joining a practice of four partners and 25 staff which has developed into a practice of 18 partners and 200 staff with associated offices in most major centres in New Zealand and a member of the largest professional organisation in the world with partners and staff totalling more than 60,000. For a large part of this time I have been heavily involved in the practice management with varying success.

The essence of good management is to keep it simple.

Definition of Goals

This may seem an esoteric exercise but it is the cornerstone of success for unless this is known and understood it is not possible to articulate or plan an organisation's future. Any successful plan must be a statement of the collective views of the members of the organisation. The individual's goals must be collated so that practice goals can emerge. The goals will be many and varied from the basics in life or mere survival to finer cultural well-being of man. The more common headings will be:

- profit
- time commitment
- environment
- recognition
- job satisfaction
- retirement.

Development of Statement of Purpose

This is a means of focusing the goals of the practice in a manner that compels considerable thought and to be successful the statement needs to be:

- succinct
- clear.

It needs to represent the emblem or motto of the practice, something that partners would want all members of their firm to adopt as a mode of operation. The statement must stand the test of time but should be revisited perhaps every three to five years.

Development Plan

One of the greatest benefits of developing a plan is the time taken out to research and understand your practice.

There should be two plans, a three to five year macro document and a more detailed annual plan. The approach to developing a plan particularly in the service industry is:

- assessment of market
- assessment of practice resources
- development of a plan that achieves the pre-determined goals.

The object of the exercise is to harness the resources of the practice in the most efficient manner for the delivery of a quality client service.

Market Appraisal

I believe the starting point and secret to a successful appraisal are honesty and objectivity of the exercise.

Keith Hindle B CORN is a chartered accountant and a partner of Peat Marwick at Wellington. He has been a member of the Wellington Branch of the New Zealand Society of Accountants and is presently Vice Chairman of the Royal New Zealand Ballet Company. A member of Peat Marwick part-

nership executive Committee for over 17 years, Keith Hindle has seen the firm

grow from a staff of 25 to the present complement of 220. This paper was presented at the NZJV 50th Jubilee AGM and Seminar in Wellington; on 11 April 1989.

The use of an independent organisation to assist in this evaluation can be useful and may provide the honesty and objectivity sought. You need to identify:

- the market
- the services required by the market
- your share of the market
- an understanding of your competition.

The market is continually changing and you should benefit from anticipating the market changes. There are no boundaries, only opportunities. Often clients and potential clients are looking for added services waiting to be satisfied. Your appraisal should as a minimum:

- define your market
- identify your clients
- predict market changes for three to five years
- assess your practice's perception in the market
- grade the services provided by your practice
- assess the competition
- identify potential clientele and additional services.

Assessment of Practice Resources

What is required is a stocktaking of the strengths and weaknesses of your practice. These will vary according to the type of practice, services offered, area of operation, etc but are likely to include:

1. Personnel will be paramount in the delivery of a quality professional service
2. Support services may include research facilities, library, computer, premises
3. Administrative efficiency
4. National/international connections.

This assessment is likely to be more comprehensive and accurate if as many as possible of the firm are involved in its preparation.

The Business Plan

Many organisations regularly produce budgets, some only

because banks request them, and it is my view that a business plan is in essence an extension of a financial budget.

A business plan is: the narrative that supports the financial projections; it often describes some of the assumptions that are used to build financial projections; it is the statement of the firm's objectives; and it is a co-ordinated approach to the development of your business.

I remind you that the exercise must be kept simple to be effective. It must commence with the goals that have been established and take the resources of the firm and highlight the matters that need attention for the goals to be achieved.

Assuming that a significant lift in profit was necessary to achieve the objectives of the firm then various factors would need to be reviewed including:

- Fees "How is growth to be achieved?"
 By: takeover of another firm, increase in chargeout rate, increase in efficiency, increase in assignments.
- Costs "How are they to be contained/reduced?"
 By: cutting out certain expenditure
 increasing efficiency
 increasing expenditure.

Any serious analysis of financial forecasts will naturally lead you to the resources of the firm and it is the professional resources which determine the quality of service. This will require an assessment of such items as:

Personnel:

- individual assessments
- identification of shortages
- need for training
- productivity/motivation

Administration:

- effectiveness, supportive
- tools available
- documentation
- communication, reporting

At this stage it will be evident what sort of marketing policy you will need to adopt to achieve your objectives and the possibilities are numerous:

- produce promotional material
- direct advertising
- entertaining
- image.

It should be remembered that the most efficient promotion is the delivery of good service, which translates into a reputation which is the most significant determinant in your ability to grow. Regardless of whether you undertake any promotional activities a market appraisal will assist you to understand your practice better than if you had not undertaken the review.

A business plan should identify tasks to be undertaken during the coming year and assign individuals to be responsible for each task.

Monitor Performance

The most important aspect of preparing a "business plan" is communicating its intent and monitoring performance against the plan. Clearly the means by which the plan is monitored will depend on the size and structure of your practice. However, regardless of the size of your practice each person should be made aware of the expectation of the organisation and their part in achieving the goals set. Reporting should be designed to highlight the key features and be regularly distributed.

Examples of reports:

- Financial:
- weekly cash position
 - fee analysis, targets

- work in progress schedules: monthly
- debtors' schedules: monthly
- monthly accounts
- annual accounts
- productivity: weekly/monthly
- marketing activities: monthly
- actual plan: monthly
- new and lost clients

Staff:

Marketing:

A common failure of the monitoring process is the lack of action where deviations are identified or performance falls below expectations.

In the long term your success will be determined by the decisions made today. If you have set standards and you fail to meet them either act or alter the standards. Do not leave it until tomorrow, your market like most markets will become more deregulated, competitive and more difficult to maintain your profit margins.

Reap the Rewards

The ultimate reward is achieving your pre-determined goals and provided the goals were well researched in the first place the benefits are likely to be permanent.

An underlying benefit will be the improved state or well-being of your organisation. Goals achieved will be the foundation of future developments and with every year that passes your procedures in preparing and administering a business plan will improve.

Be the practice that plans its success and be seen as a successful practice.

Most of what I recommend is common sense. It's just a matter of discipline and planning. ^A

New Text Books' Available

The Institute's new text *Urban Valuation in New Zealand Volume II* edited by R L Jeffries will be available from the General Secretary in February 1990.

Advance orders may be placed now, but we are unable to indicate the price at this stage.

A second (rewritten and updated) edition of *Urban Valuation in New Zealand Volume I* by R L Jeffries will be available from the General Secretary in March 1990. Advance orders may be placed now, but we are unable to indicate the price at this stage' Members are reminded that Robin Bell's text *Investment pro perty income analysis and appraisal* is available from the office of the General Secretary. This text complements Volumes I & II of *Urban Valuation in New Zealand*.

Prices soft cover to students	\$40 + P&P
Soft cover to members	\$48 + P&P
Hard cover	\$60 + P&P

Comparing Property Portfolio Performance

by S M Locke

An increasing number of articles are appearing in the financial press on the topic of investment performance. This is of course not a new issue and is one of those perennial subjects for debate over dinner or beer. Real estate, precious stones, gold, shares and a certainty on the fifth at Trentham are all proposed from time to time as desirable investments. The question which requires careful attention is how many comparisons be made between these alternatives. In this article attention is focused on a simple and accurate procedure for comparing the performance of investment portfolios.

Risk and return are the two fundamental issues which must be considered when evaluating a potential investment. What is the expected return and what chance or probability is there that this projected return will not be obtained. Obviously, there are many factors which will contribute to the risk of investment and these relate to unanticipated occurrences. If we had perfect knowledge, then unexpected occurrences would not happen and our expectations would always be fulfilled. The numerous factors which we are unable to project with certainty and thus give rise to risk will, in general, either affect all securities in the market, eg inflation and are known as the sources of systematic risk, or they affect the individual security, eg European Economic Community quota change for cheese and are called unsystematic sources of risk.

Unfortunately, in recent months the majority of articles appearing in the financial press and business magazines which have addressed the issue of property investment performance have missed the link between risk and return. The usual approach adopted has been to select two arbitrary points in time, say July 1, 1984 and June 30, 1989 and calculate the return which would have been obtained if an investment had commenced at the beginning and been liquidated at the end. This is unsatisfactory as a basis of comparison for two reasons. First, the time period of arbitrary and changing it to end in say June 30, 1988 could well alter the rankings. Second, risk is totally omitted from the calculations.

Who is interested in performance?

Investment advisers, investors, portfolio managers, trustees, auditors, the bankers should all be concerned with the relative and absolute performance of property portfolios. The managers for example may be remunerated with bonuses. To maximise the potential rewards available the managers need to maximise their growth in returns. In the spirit of entrepreneurial initiative this suggests performing well so as to appeal to potential investors who have a certain range of risk and return preferences.

Trustees, bankers and auditors prefer not to be associated with failures if it can be avoided. Their duty to protect the investors, their service fees obtained from commission, and their good standing in the business community are all advanced through an association with success. A knowledge of performance relative to other similar institutions can be of considerable advantage forewarned is forearmed.

...the reasonably rational
investors will select
(investments) on the basis of
maximising returns and
minimising risk...

Professor Stuart Locke B-06 PhD is head of the Department of Property Studies at Massey University. He has held appointments at the Australian National University, Victoria University of Wellington, Lancaster University in England, St Georges College in Jerusalem and University of Tasmania. He has also been director of the Tasmanian Property Data Bureau and consultant in computer modelling for investment analysis and management. Professor Locke has had many articles on property investment analysis, portfolio management and financing published in numerous international property journals.

Investors are free to select from a whole range of alternative investment opportunities which are available to them. The individual investors will have their own preferences for the level of risk they are prepared to tolerate and will choose the security which offers the highest return in this risk class. The recent proliferation of hybrid investment forms is partly explained by the increasing recognition on the part of promoters seeking funds of the heterogeneity of investors' attitudes and preferences. Nevertheless, the reasonably rational investors will select from amongst all the alternatives known to them on the basis of maximising returns and minimising risk. Shares, commodities, horses and antiques all offer potential returns but also with varying degrees of risk.

The development of a suitable performance measure is a desirable objective...

Knowledge of performance, expected return and risk is essential. Investment advisers are playing an increasingly important role in this area. The sharemarket like the gaming industry, philately and antiquarism is well served by publications covering prices and volumes of transactions, however, when it comes to property portfolios the racing upster would seem to have more information regarding form. The development of a suitable performance measure is a desirable objective in that it is essential for economic efficiency that scarce resources be channelled to those ends which are capable of most profitably utilising them.

Measurement of Return

The return obtained from investing in property is comprised of two components. First, the capital gain or loss reflected in the

price increase from the beginning of the period to the end of the period. Second, the rental component measured by the net cash inflow received during the period.

This can be conveniently expressed as a rate of return on the investment by dividing the return by the opening investment. Algebraically:

$$R = (P_1 - P_0 + C) / P_0$$

where R is the rate of return for the period, P₁ is the ending value, P₀ is the opening value, and C is the cash received during the period.

As an example consider a property trust which had units valued at \$0.65 on July 1, 1988 and \$0.76 on June 30, 1989 and paid a dividend of \$0.06 during the period. The rate of return for the year is 26.15% calculated as:

$$\begin{aligned} R &= (76.65 + 6) / 65 \\ &= 0.2615 \\ &= 26.15\% \end{aligned}$$

This calculated rate of return measure is useful for evaluating the performance of the unit trust only when a number of issues are resolved.

First, it must be assumed the relevant holding period is 12 months. Second, the measure can only really be interpreted in a relative sense, that is to say it must be compared with the rate of return or yield on other potential investments for the *same time period* and in the *same risk class*.

A measure of risk

A useful way of thinking about risk is that it relates to an unexpected outcome. The more risky the more likely the outcome is to vary from its mean or expected value. Sometimes a speculative investment offers a very high return but sometimes it is a large loss which ensues; blue chip investments on the other hand do not have such a large variability in potential outcomes.

The following numerical example demonstrates the variability in returns as the basis for risk in investment analysis.

Two alternative assets are being considered by a prospective investor Building A and Building B. The returns earned in each of the previous 18 months by these two buildings are presented in Table One.

Table 1
MONTHLY RETURNS (%)
FOR BUILDINGS A AND B

Month	Building A	Building B
1	1.2	0.7
2	1.2	0.4
3	1.2	1.6
4	1.2	2.3
5	1.2	0.4
6	1.2	0.2
7	1.2	1.7
8	1.2	2.1
9	1.2	1.1
10	1.2	0.2
11	1.2	0.6
12	1.2	0.7
13	1.2	0.5
14	1.2	1.2
15	1.2	3.0
16	1.2	2.4
17	1.2	2.4
18	1.2	2.4

An investor would have been equally well off purchasing either building at the beginning of period 1 and holding it until the end of period 18.

In fact the investor would have obtained a cumulative rate of return of 24% for the whole period. This amount is larger than the sum of the individual period returns because they are cumulative.

Although both buildings obtain the same return for the total period they do not exhibit similar patterns in their return streams. Building A had a constant per period earning rate while Building B fluctuated widely, sometimes with high per period returns and sometimes with very low returns.

Thus a short term investment in Building B may have been particularly successful by comparison with holding Building A for the same time or alternatively it could have been very disappointing.

Two sub-periods are presented in Table Two.

Table 2
SUBPERIOD RATE OF RETURN (%)
FOR BUILDINGS A AND B

Subperiod One

Month	Building A	Building B
10	1.2	0.2
11	1.2	0.6
12	1.2	0.7
13	1.2	0.5
cumulative rate of return	4.89	1.91

Subperiod Two

Month	Building A	Building B
16	1.2	3.0
17	1.2	2.4
18	1.2	2.4
cumulative rate of return	3.64	8.0

Sub-period One consists of months 10 through 13 inclusive and Sub-period Two is made up of months 16, 17 and 18. The cumulative rates of return are reported in the table and it is readily apparent Building A was superior in Sub-period One while Building B performed far better in Sub-period Two.

The reason why B performs poorly in one sub-period and better in the other is the result of the variability in the return stream, sometimes returns are large and sometimes they are small.

In more formal terminology Building B is said to be more risky. A quantitative measure of risk which summarises the variability in the stream of returns is the standard deviation of returns (SD). This statistic is a useful measure of dispersion especially when dealing with investments and is widely used in finance analyses.

Returns and risk are related and in general the greater the level of returns the higher the risk. In order to make comparisons between alternative investments it is necessary to standardise their results for the level of risk at which they are operating.

Performance Index

The comparison of like with like is fundamental to performance assessment if the result is to have a sensible interpretation. Even if all the funds were divided into groups according to their risk rating then an evaluation could only be made within the group and this falls well short of a useful comprehensive measure.

The comparison of like with like is fundamental to performance assessment...

What is required is a simple index which may be used to compare portfolios with non-similar risk characteristics.

Single parameter and multiple parameter models have been developed to achieve this end.

The simplest is often the best and the Sharpe Index, named after the developer, is not only easy to calculate but has desirable statistical properties which make it more robust than many alternatives. Three pieces of data are required to undertake the calculation according to the formula:

$$I = (R - r) / SD$$

where I is the calculated value of the Index. The cumulative average return of the property portfolio over the period of concern is denoted R, r is the average risk-free rate for the same period approximated by the yield on government securities, and finally SD is the standard deviation of the investment fund.

Table Three presents data which covers 28 periods for two property portfolios and the yield on short term Government paper.

The cumulative return for the two portfolios and the Government paper plus the standard deviation of the portfolios are reported. This provides sufficient information for the performance index of the two portfolios to be calculated.

The actual performance index I is obtained by substituting the figures provided in Table Three into the formula. This is shown below

$$IA = (35.96 - 33.92) / 10.87 = 0.19$$

$$IB = (16.58 - 58 - 33.92) / 6.77 = 2.56$$

It is important to appreciate the index numbers are only useful in a relative sense. That is to say for the comparison of different portfolios over the same time period.

It is, therefore, essential that standard time periods of say a quarter (three months) be used for all portfolios, and there must be a common commencing date.

The analyst would for example calculate the index for each portfolio for the period July 1 to September 30, and then October 1 to December 31, and so on.

There is no reason why this performance comparison needs to be limited to investment in property, it can be used as a measure for any individual investment or portfolio.

Implications

Financial advisers will in many instances have sufficient data available in order to prepare comprehensive performance indices of available investment portfolios.

This additional service will of course result in the market being better informed and it is to be expected the price of poorly performing investments will fall and those of better performers will increase.

In this way a shaking out will occur and overall resource allocation will be improved.

Advisers have a responsibility to provide relevant information and performance measures certainly fall within that category.

The improvement of client servicing, in this instance, also provides considerable spillover benefits for resource allocation in general. A

Table 3
MONTHLY RATES OF RETURN
(as a decimal)

Portfolio A	Portfolio B	Government Paper
.0289551	.08108108	.007568223
.07042254	.06250000	.008704296
.01973684	.02352941	.008423571
-.0451613	-.0229885	.00943620
.01351351	-.0235294	.008111488
.01333333	.02409639	.009150170
-.0344828	.03000000	1.011060108
-.0714286	-.0419162	.0111678253
.07692308	.03750000	.008772451
-.0357143	.07228916	.007507146
-.0370370	.01123596	.010221943
.14000000	.04722222	.010771693
.1489362	-.1277778	.009202927
.35000000	-.0127389	.011296082
-.2592593	.05161290	.011428552
.04166667	-.0429448	.012058843
-.0800000	-.0448718	.0116269
-.9391304	.04026846	.014807504
-.0254237	-.0387097	.014409651
.02608696	.06711409	.012684845
.05932203	-.0188679	.011170796
.00000000	-.0256410	.01043778
.01600000	.04605263	.010139942
.1071429	.18553459	.010363409
.0800000	-.1388889	.010586334
.0000000	.01935484	0.11060108
-.0370370	.12658228	.010971461
.0000000	-.0168539	.010467508
cumulative return		
35.96%	16.58%	33.92%
standard deviation		
10.87	6.77	33.92%

Back Numbers Available

1 /
Back numbers of the *NZ Valuer*,
& the *Australian Valuer* are available
free from this office upon application. 0
Also available at the discounted price 0
of \$2.75 including gst are back
numbers of the *NZ Valuers` Journal*.
All are available in limited supplies on
a first come basis.

Please send your order to:
The General Secretary
PO Box 27-146
Wellington

Arbitration Practice

by JNB Wall

In practising our profession as valuers we continually have different opinions to other valuers resulting in different levels of valuation figures.

Such differences are generally acceptable provided there are not wide variations. In fact it is sometimes confusing to clients when two valuers by coincidence arrive at identical valuations or the valuer for the lessee values a rental above that for the lessor in a rental review situation.

Acceptance that there will be differences between valuers has resulted in establishing procedures to settle these disputes.

Most valuation clients require settlement in their favour, as soon as possible and with the least expense to them.

Methods of settlement vary considerably and include:

1. Settlement directly between the two parties without reference to the valuers involved.
2. Information discussion between the valuers with a recommended compromise to the client.
3. Arbitration.
4. Court action.

Arbitration pre-dates both legal systems and the Courts and in more modern times seems to be preferred to court actions various reasons:

1. Expedition: Most arbitrations can be held and a conclusion reached in less time than court action.
2. Cost: The cost of arbitration is usually less than the cost of an action at law and the parties involved have some degree of control of the costs.
3. Informality and Simplicity: The parties are able to have some say in the "level" of arbitration and can relate readily to arbitration hearings when compared with Court hearings. Also, they can have some input as to the selection of the Umpire.
4. Privacy: Arbitration hearings, evidence and the award can be kept confidential if required.
5. Convenience: The date of the Hearing and the venue are usually arranged to suit all parties and witnesses can be called without long waiting periods.
6. Comfort: Venues for arbitrations can be selected by agreement and generally provide more comfort than the well used courtrooms.
7. Finality: There is no appeal against the Award which is final and binding.

Definition

Arbitration in a valuation sense is a method of settling a dispute whereby the two parties who are unable to resolve their differences, submit the matter to a third person or Arbiter for a decision which will be final and binding.

Arbitrations can arise by mutual agreement after a difference occurs, but most arbitrations that valuers are involved in arise through a lease or prepared document where the parties before entering into the agreement foresaw that at some stage during the time that the document covers there was likely to be a conflict.

These agreements to submit disputes to arbitration can be many and varied, but in general terms the New Zealand Arbitration Law is under the provisions of the Arbitration Act 1908 and its Amendments.

The Arbiter can have a variety of designations such as Umpire, Third Valuer, Arbitrator or Sole Valuer and it must be

John Wall Dip Urb Val is' a Fellow of the NZInstitute of Valuers and a Fellow of the Commonwealth Institute of Arbitrators. He is a director of Robertson Young Telfer (Central) Ltd: and is retained as valuer, property advisor real estate analyst and arbitrator by many; leading property in-

vestment companies in mainly central and northern North Island centres. John Wall is a very experienced arbitrator and umpire and has contributed previous articles on the subject to this journal.

established beyond a doubt the exact role and the expectations of that person.

In most situations the designation of the third person is contained within an existing agreement/lease document between the two parties;

Examples are:

1. "The market value of the buildings and improvements on the said land shall be determined by agreement between the parties and, failing agreement, by a valuer appointed by the parties if they can agree upon one and, failing agreement, by two valuers (one to be appointed by each party) and an Umpire (to be appointed by the two valuers before entering into the valuation) and otherwise in accordance with the Arbitration Act 1908 or any Amendment thereto or re-enactment thereof for the time being in force."
2. "If the lessor and the lessee have not mutually agreed upon the rent within 14 days (or such longer period as agreed upon) the current market rent of the premises shall be determined by two competent valuers one appointed by the lessor and one appointed by the lessee and if the said valuers are unable to agree upon a determination within 21 days of their appointment then the current market rent of the premises shall be determined by a valuer to be appointed by the President for the time being of the New Zealand Institute of Valuers (or should such Institute then have ceased to exist of such body or association as then serves substantially the same objects as such institute). The valuers or valuer as aforesaid shall act as experts and not as arbitrators and their or his determination shall be final and binding on the parties hereto."
3. "A valuation shall be made to ascertain the said annual rental. Such valuation shall be made by three independent persons, one appointed by the tenant and one appointed by the landlord and a third valuer to be appointed by the two valuers appointed as aforesaid by writing under their hands before proceeding to the valuation. At least three calendar months before the expiration of the

term hereby granted and not afterwards the said three valuers or any two of them shall make their valuation and reduce the same in duplicate into writing and sign each of such writings".

4. "A valuation shall be made to ascertain the said annual rental.

Such valuation shall be made by three independent persons, one appointed by the tenant and one appointed by the landlord and third valuer to be appointed by the two valuers appointed as aforesaid by writing under their hands before proceeding to the valuation.

"At least three calendar months before the expiration of the term hereby granted the said three valuers shall make their valuation and reduce the same into writing in duplicate and sign each of such writings".

5. "The rental shall be as mutually agreed upon between the lessor and lessee and failing agreement be fixed by arbitration by a single arbitrator or if the parties cannot agree upon a single arbitrator the matter in difference shall be referred to two arbitrators, one to be appointed by each party to the difference or an umpire to be appointed by the arbitrators to conform to the provisions contained within the Arbitration Act 1908".

6. "The valuation of the fair annual rental shall be made by two indifferent persons as arbitrators, one of whom shall be appointed by the lessee and the other by the lessor and the arbitrators before commencing to make the said valuation shall together appoint a third person who shall be an umpire as between them.

The decision of the two arbitrators if they agree or in such respects as they agree or of the umpire if the arbitrators do not agree or in such respects as they do not agree shall be binding on all parties."

Under the Arbitration Act 1908 Section 6 "Appointment of Arbitrator or Umpire" there is reference to a single arbitrator, an arbitrator, an umpire (or a third arbitrator) and under Section 2 "Interpretation" Arbitrator includes referee and valuer.

7. Under the Public Bodies Leases Act First Schedule "where the valuation of the rent payable under a renewal lease is to be determined by arbitration, that valuation shall be made by two persons as arbitrators, each such person being reasonably believed by the party appointing him to be competent to make the valuation, one of whom shall be appointed by the lessor and the other by the lessee.

"The arbitrators before commencing to make the said valuation, shall together appoint a third person, who shall be an umpire as between them.

"The decision of the two arbitrators if they agree or in such respects as they agree, or of the umpire if the arbitrators do not agree or in such respects as they do not agree, shall be binding on all parties.

"The duty of the umpire, on reference to him of any question, shall be to consider the respective valuations of the two arbitrators in the matters in which their valuations do not agree, and then to make an independent and substantive valuation, and the last mentioned valuation shall be the decision of the umpire; but in giving his decision on any question so referred to him the umpire shall in every case be bound to make a valuation not exceeding the higher and not less than the lower of the valuations made by the arbitrators respectively.

"The provisions herein contained for the making of the said valuation shall be deemed to be a submission to arbitration under and within the meaning of the Arbitration Act 1908..."

Thus it must be clearly established by the two independent persons/valuers/arbitrators exactly what their position is under the agreement or lease document, how and when they are to appoint a third person, exactly what that third person is to be titled and be clear in their own minds as to the role they play in arriving at the award.

Similarly, the third person should establish clearly prior to signing his formal appointment that he has been correctly named and exactly what is required of him in determining an award.

More often than not the third person receives, signs and returns his formal appointment without sighting the agreement/lease and this can lead to some confusion and delays either prior to or at the hearing.

The appointment

It is essential in my view for valuers/arbitrators to clearly establish their appointment and just what is required of them as a consequence of such an appointment.

Similarly the client must be clear that in making an appointment for a dispute to proceed to arbitration, as to the exact authority that is being conferred.

In practice the appointment must be in writing, both to protect the person being appointed and to show the umpire that that person has the authority to act.

The appointment of this third person to "make the valuation" or "bring down the Award" must not only be in writing but also quite clearly state the difference that requires to be decided.

Many of these appointments conclude with: "I accept this appointment and agree to act" or similar.

Appointments can be short and snappy, others can be quite voluminous leaving nothing to doubt as to what is required, how the matter should be viewed and the time constraints that are imposed.

There is no special form necessary for an appointment except three essential ingredients:

1. The arbitrator must be aware of the appointment and asked whether he is willing to act.
2. The arbitrator must accept the appointment.
3. The other side must be notified of the appointment.

However there are customary appointment layouts that tend to be followed by valuers.

If the two arbitrators cannot agree upon a third person the High Court has the power to appoint.

The Submission

In New Zealand the Submission is defined under the Arbitration Act 1908 as:

"A written agreement to submit present or future differences to arbitration, whether an arbitrator is named therein or not, or under which any question or matter is to be decided by one or more persons to be appointed by the contracting parties or by some person named in the Agreement."

It therefore is the agreement to arbitrate.

The strict term "Submission" should not be confused with the common use of the word referring to submissions made to the third person during the arbitration hearing.

With most valuation arbitrations the submissions or valuation and evidence are also reduced to written form with a copy to the Umpire and the other side.

The Hearing

Once appointed with the difference established, the Umpire is called upon by the parties to enter into the dispute. The initial step is usually to contact the two parties that have made the appointment and arrange a mutually suitable time and place for a hearing.

This may be completed by telephone or letter or at a prelimi-

nary hearing. A preliminary hearing is not always necessary, particularly if all parties are known to one another, but in some instances many areas of the impending hearing can be established, such as:

1. Venue
2. Likely time that will be required
3. Number of witnesses to be called
4. Whether Counsel will be present
5. Likely observers
6. Whether proceedings are to be recorded
7. An estimate of costs.

It is essential that the two appointed parties are notified in writing as to the time, date and venue of the Hearing.

Also I believe it is advisable that the client is kept fully informed of progress, an estimate of the costs involved and be given the opportunity to observe the Hearing.

Many clients wish to see how their money is being spent, but it is also essential that it be impressed upon them that they have no additional rights at the Hearing just because they happen to be the client.

Conduct at the Hearing approximates that of the Courts.

In a simple arbitration where the valuers are also the arbitrators, the claimants or lessors arbitrator opens his case and at the completion, not during, be questioned by the respondent or lessee's valuer/arbitrator and the umpire.

This procedure is then reversed.

The respondent or his arbitrator then sums up, followed by the claimant or his arbitrator summing up.

At the hearing each party must be given reasonable opportunity to put his case and the Hearing must be conducted in a balanced manner.

At more formal hearings where Counsel are employed, the case for the claimant is opened by submissions, the witnesses called and sworn and the examination-in-chief conducted. This is followed by cross-examination by the respondents' Counsel, questions by the Umpire and re-examination by the claimant's Counsel.

This procedure is completed for all witnesses and then reversed.

Having disposed of the witnesses the Counsel for the two parties sum up as before.

At most Hearings there will normally be some contention as to admissible evidence particularly in respect of correspondence prior to the Hearing.

It is my understanding that a letter marked "without prejudice" is privileged from disclosure *only* if it relates to an offer to settle the dispute. If the contents do not contain this, the words have no effect.

Following the conclusion of the arbitration hearing it is essential that the umpire does not discuss the Arbitration or accept anything additional from the parties unless such an action has been specifically agreed to at the Hearing.

Such exceptions could occur where there has been insufficient time for the parties to sum up and an agreement has been reached for these to be sent to the umpire within a specified time, and it is usual that in such circumstances that copies be exchanged by the parties who would then have the opportunity of commenting upon the other's summing up *without introducing new evidence*.

The Award

Unless required by the Submission, it is not necessary for the umpire/arbitrator to give reasons for the Award.

While most parties to an arbitration would be interested in the reasons, the more that is said in the Award the greater is the

chance that it can be upset.

I am not advocating "non-speaking" Awards, merely pointing out the risks that non-legal professionals such as valuers run when they are framing an award.

It is quite common practice to compile a short award and append to it notes on the arbitration, which normally go part of the way to explaining how the award was arrived at.

Maybe these notes are not sufficient distance from the award and I am sure that an aggrieved party will at some time challenge an award through them.

For an award to be valid it must:

1. Finalise all of the matters submitted to arbitration and no more.
2. The Award must be certain. That is, its directions must be clear and capable of being carried out.
3. The Award must be final. An interim award can be made at any time provided it is expressly stated to be such, but if it is not an interim award it must be final in the sense that after it is given nothing else needs to be done.

Once the arbitrator/umpire has issued the Award he is *functus officio* he ceases to exist as such and neither cannot nor should not enter into any discussions about the award or the arbitration.

In the valuation profession where valuers are well known to one another there is a temptation to attempt discussion with the arbitrator/umpire and the feeling of annoyance by some when this is met by a flat "no".

The parties must accept the fact that whether they agree with the result or not, it is quite improper to contact the arbitrator/umpire about it and it is equally improper for the arbitrator/umpire to discuss it.

While it is not a legal requirement, an Award should always be in writing and signed, one for each party and one retained by the umpire.

Once signed, the Award is said to be 'published'.

In practice the Award is in three parts:

- Recitals
- The Award
- Costs.

The Award form should define the matter under arbitration, the agreement for arbitration, the appointment, and the decision.

Once the Award has been made a copy is usually sent to each party with the fee and costs either forming part of the document or by way of an account accompanying the Award.

It is not unusual, particularly where the arbitrator/umpire foreshadows some difficulty in payment of his fee and costs to advise the parties that the Award can be uplifted from his office by the payment of such fee and costs.

This is the most effective method of ensuring that he gets paid.

In valuation arbitrations where two valuers appoint another valuer as umpire there is in my opinion an implied obligation for the appointing valuers to meet the umpire's fee and costs and then claim this amount from their clients, together with their own fee.

Costs of an arbitration flow from two areas:

1. Costs of the reference. These are the costs that are incurred by the parties during the whole procedure of arbitration.
2. Costs of the Award. These are the arbitrator/umpire's fees and expenses.

In respect of both, unless the arbitration specifically mentions otherwise, it is my understanding that the arbitrator/umpire has the discretion as to how these will be divided between the parties.

However most arbitrators/umpires have a reluctance to other than split them equally between the parties unless the situation is factually clear that they should be otherwise than 50/50.

It is common for one party to apply to the High Court to have the arbitrator/umpire's fees 'taxed'.

This is the term for the procedure of having the High Court determine the level of fee when one or both parties consider it to be too great.

An alternative to such an application to the High Court, which can be quite time consuming and costly, is for both parties to refer the question of fee to the Branch Committee.

This, however, may not be acceptable to the party questioning the fee who may not be a member of the New Zealand Institute of Valuers and also the Branch Committee's decision is merely a recommendation and not final and binding. Grounds on which an Award will be remitted back to the author or set aside by an application to the High Court are few.

Awards have been challenged in the Courts on many grounds without great success.

One of the few successful areas for an Award to be set aside is if the Award contains "an error of law on the face of the record."

Some further comment on the duties of an umpire

- The Umpire must be fully aware, well prior to the hearing, and as soon after his appointment as possible, of the participants in the hearing, that is, the number of witnesses and who they are, and also whether the parties to the arbitration have been given the opportunity to be present at the hearing.
- In my experience as an Umpire it is desirable to notify both the arbitrators and the parties of the hearing, time, date and place of the hearing and invite the parties to be present.
- As Arbitrator you may consider it is not desirable to have the parties that are in dispute at the hearing, and in many instances the Umpire is hoping that they will not attend, but there is no better way to invite an Award appeal than by keeping them in the dark.
- On the other hand an Umpire should not permit any person at the hearing who does not have the right to be there. Remember, most arbitrations are private.

It may be preferable for the Umpire to have a preliminary hearing, at which only the arbitrators are present, to establish matters relating to the dispute and the impending hearing that will clear the air between the arbitrators and assist with a 'smooth' hearing.

I would recommend a preliminary hearing to all valuer/umpires where the arbitrators are legal counsel.

- The lease document or other legal papers can be obtained at the preliminary hearing.
- It is common practice for the lease to be presented to the Umpire at the hearing in a rental dispute.
- I believe that an Umpire can be more equipped for the hearing having had the opportunity to read the document for which the arbitration comes into being.
- It is most disconcerting if the two parties present two different documents at the hearing.
- Unsigned documents have been presented to me at hearings - this really is quite unacceptable unless both parties agree that the hearing be carried out on this basis and an Award be published based on an unsigned agreement.

What are the implications of an Umpire acting as an expert?

My interpretation of this situation is that an *expert* is not confined in his decision to the evidence presented to him.

He may use his own knowledge and experience both during the hearing and in making his award, whereas he would be most unwise to do so in the normal course of events as an Umpire.

At most hearings one arbitrator is bound to have some objection to evidence produced by the other arbitrator.

As there are so many different situations that can arise it is difficult to generalise and give advice except to say that the usual court rules apply as to hearsay evidence.

At one recent full scale arbitration where the appointed arbitrators had signed away their arbitrators' role to legal counsel and had then become valuer-witnesses, one was asked the question as to the 'without prejudice' valuation level during preliminary discussions prior to the setting up of the arbitration.

The opposing legal counsel objected to such a question and his objection was upheld.

The question was then put to the witness: "What was in your mind during these discussions in respect of the level of your proposed value?"

That question was allowed by the Umpire who was a Queens Counsel.

Presentation of evidence at arbitration hearings is in accordance with normal court procedure and there is a definite technique in questioning that can really only be developed by experience.

If a witness has been efficiently questioned there normally is little left for the Umpire.

During the presentation of evidence which is usually read from a prepared document which is supplied to both the Umpire and the opposing Arbitrator there should be no interruption of that evidence except by the Umpire, although even the Umpire should keep his interruptions to a minimum in order not to disturb the witnesses' train of thought.

There has been a tendency recently, encouraged by the use of word processors, to present too great an amount of evidence at arbitrations.

It is not the amount, but the quality of evidence that will carry weight with an experienced Umpire.

Either at the conclusion or during the hearing an inspection of the premises or property is carried out either accompanied by both parties or by the Umpire alone.

As I understand the law, in strict terms the Umpire is required to arrive at a decision on the evidence placed before him and can only inspect with the permission of the parties.

It is essential therefore that an Umpire obtain that permission.

Conclusion

To sum up, arbitration within the valuation profession has been well recognised by other property related bodies and the legal profession and it is incumbent upon valuers who accept an appointment to decide upon a difference, to act with strict impartiality and a reasonable level of expertise that is expected of them.

Before accepting an appointment the valuer must be quite clear as to the responsibility that is being conferred and should not accept without possessing the capabilities to arrive at a reasoned conclusion.

MPUTER FORUM

Compiled by Leonie Freeman

New NZIV Programme release Valpak-2

by Ted Fitzgerald

Valpak-2 is a completely new computer software programme recently released by the New Zealand Institute of Valuers for the management of sales data supplied by NZIV sourced from Valuation New Zealand. The development of Valpak-2 follows the extensive further development of the Institute's electronic sales data service over the last two years, including the commissioning during 1988 of the Institute's new electronic Sales Data System which supplies sales data "on disk" by subscriber's local authority and data type specification.

The Valpak-2 software enables stand alone or networked personal computers to efficiently import, store, and manage sales data information including a user friendly means of selecting relevant data into a collection of interest using extensive data fields, then being able to display, print or transfer the data to other database, spreadsheet or word processing programmes. The improved "user friendliness" and many new features are drawing favourable comment, particularly its ability to effectively operate on a valuer's desk with easy interaction.

The Institute's data system enables it to supply sales data to each subscriber in alternative Valpak-1 or Valpak-2 formats. This simplifies the progressive conversion of each site to Valpak-2 which may be optionally made when the user wishes. Both Valpak-1 and Valpak-2 will remain supported.

Valpak-2 will operate under single user MS DOS (XT and AT type IBM compatibles including both 80286 & 80386 processors), MSDOS networks under Novell and 3+Com Software, Concurrent DOS (ICL Quattro & XM259 equipment), Unisys BTOS running Unisys MS DOS.

Ted Fitzgerald is a Fellow of the NZ Institute of Valuers and is a registered valuer practicing as the principal of Fitzgerald Associates Ltd at Timaru. Ted has been chairman of NZIV Services Ltd and chairman of the Services Review Committee which led to the establishment of the new Services Division (incorporating NZIV Services Ltd and the Statistical Bureau) of the NZ Institute of Valuers. He has been responsible for the technical redevelopment of the Institute's Sales Data System and Valpak-2. Ted Fitzgerald is the South Canterbury Branch Councillor, and is a member of the South Canterbury Land Valuation Tribunal.

Valpak-2, in conjunction with the Institute's data supply system, also introduces the potential capability of importing sales information which maybe drawn from alternative sources, to co-reside in the user's sales database and be accessible using Valpak software. This offers particularly exciting possibilities for the future. Valpak-2 introduces many benefits from its new and improved features:

- Single screen display of all data relating to each sale, including two comment lines for user's use. (See below left)
- Inclusion of new fields including a TLA CODE field which enables local authority data to be identified without recourse to Roll Number ranges. New RATIO fields automatically calculate the ratio of Total

Price and Net Sale Price to Government Valuation (CV) and also the % distribution of Capital Value between Land Value and Improvements (as an indicator of the development on a particularly property. A SOURCE field showing the origin of each sales record, with the ability to add your "Own Valuations" or "Own sales". A new unique VP2 RECORD NO (programme generated for each sale on

```

*** VALPAK DATA ENTRY/ENQUIRY ***          30/09/89
      VALPAK-2 PREVIEW
VPMAIN
Code      14.04      Source      NZIV
Roll No,  26587      VP2 Rec No.  15202
Ass'mt    99800      Date Included 26/09/89
Floor area 29
Land area 0.076
Age      8      Condition GG
Zone     9A     Construction FT
Use      91
Unit I    Sale Type
Sale Date 14/09/89  SP/CV GST incld  Revision Date 01/07/87
Net Sale  215000  1.19      ?      Land Value    40500      23 %
Chat/Other 9500      Value Impts  139500      78 %
GST
Total Sale 224500  1.25      Capital Value 180000      100 %
  
```

```

Ven/Pur
Descrp LOT 176 DP 93807
C/r 18B/2033      Freehold
      i Delete i      i Change i      i Print i
1 i 2 i 3 i 4 i 5 i 6 i 7 i 8 i 9 i
  
```

i Dis Nxt entry or import which
i 0 avoids the need for a

Roll and Assessment number to be entered for (own) data, and which will allow the importation of alternative source data.

- A new data searching technique (no more syntax!) includes up to six separate criteria each with their own "operator" plus a new "STARTS WITH" operator, along with "EQUALS", "RANGE", and "CONTAINS" operators. (See below)
- Valpak-2 actually remembers the search routines it carries

- New Screen Display options using SCAN and SUMMARY/ZOOM functions. The ZOOM function allows full screen display of a particular sale from a summary line display - an excellent facility for rapid expanded on-screen data display.

- New print report formats including single line/sale summary, a detail report (including full data) in a structured page wide report (6 per page), and a sale per single page tabular

format (for word processing).

Print output can be directed to three alternative printer ports or to a data file for inclusion with text by a word processor.

- New primary and secondary sort field options (ie sort by street number within a street;

or by sale date within a street or any appropriate dual set of fields), then in ascending (normal) or descending (reverse) order. Numeric fields can be set to sum the collection.

- The print option also provides special command options to request "new page's" as the print output changes (eg from one TLA to another on a TLA

sort, even subtotalling selected fields at a stipulated change.)

- Valpak-2 menu driven utili-

SELECT	SEARCH VALPAK 2 COLLECTION				30/09/89
	VALPAK-2 PREVIEW				
Key Fields:	1 VP2 REC NO.	2 CODE	3 ROLL NO.	4 ADDRESS	
5 CATEGORY	6 SALE DATE	7 TOTAL SALE			
Other Fields	A SOURCE	B DATEINCLD	C ASSMT	D ST.NO.	
E ST. UNIT	F SUBURB/TOWN	G FLOOR AREA	H LAND AREA	AGE	
J ZONE	K USE	L UNIT	M CONDITION	N CONSTRUCTN	
O SALE TYPE	P NET SALE	Q NS/CV	R CHAT/OTHER	S GST	
T SP/CV	U REVISION DATE	V LAND VALUE	W LAND VALUE %	X VALUE IMPTS	
Y VALUE IMPTS%	Z CAPITAL VALUE	a VENDOR/PURCHA	b DESCRIPTION	c CIT	
d TENURE	a COMMENTS	I COMMENT2	g GST INCLD		
SEARCH criteria:				Operators	
CODE	Equals	13.07		1 - equals	
CATEGORY	Starts	RB		2 starts with	
SALE DATE	Range	01/01/89	30/09/89	3 range	
TOTAL SALE	Range	15000	200000	4 contains	
	Equals				
	Equals				
	Meets ALL criteria				
	Current Collection Contains 30000/30000/30000				
	(Space) to change selection				

out, which a HISTORY option displays on the screen. Valpak-

2 enables such a powerful mix of searching that this is vital to assist the user recall the criteria used searching for a collection!

- New "PRE DEFINED" Edit & Search options which enable the user to store into the Valpak-2 programmed up to three groups each of up to 28 customised search routines which are often used. The PRE DEFINED Search option then allows the user to immediately implement a particular search routine without the need to re-enter particular search criteria. This is particularly useful for user's who are less than familiar with the use of Valpak.

- The ability to temporarily save/restore particular collections of data, without having to again search and reassemble the collection from scratch.

ties now include:

- New built-in data file backup options (to floppy or hard disk) storing backup data files in special compressed VP2 format.

- Set-up of drives (Drive Caus) for importing data, archiving data, and floppy and hard disk backups.

- A new Import data file Scan utility which will scan the data floppy (from NZIV) by specific or roll ranges, and provide volume statistics by data type (Res, Com, Rural).

- Valpak-2 retains ARCHIVING capability and all the essential features of Valpak- 1.

Further information on Valpak-2 and sales data subscriptions can be obtained by contacting: NZInstitute of Valuers, PO Box 27-146, WELLINGTON ,NZ; Phone (04)847-094; Fax(04)829-214. A

Heavy Duty "Word Processing"

by Wilson Penman

Wilson Penman is an Associate of the NZInstitute of Valuers and is a registered valuer. He is a director of Simes Valuation Ltd in Christchurch and he has previously lectured in Valuation and Property, Management at Lincoln College. He has contributed to the New Zealand Valuers Journal in the past. Wilson has a deep interest in computers and he has developed sev-

eral programmes for use in valuation fields as well as providing consultancy services for valuation and real estate prat

This article is a re-editing of a review completed by PC World of various wordprocessing packages suitable for office professional wordprocessing functions.

PC World is a computer magazine published in New Zealand which provides comprehensive computer information and in-depth reviews of various program packages. In their publication of May 1989 they completed a comprehensive review of wordprocessing packages in an effort to identify the various features, strengths and weaknesses and the best overall wordprocessing package available at date of review.

Packages reviewed include the following:

Displaywrite 4 1.0
Lotus Manuscript 2.0
Microsoft Word 4.0

Multimate Advantage II
Samna Word IV 2.0
Sprint 1.00

Word Perfect 5.0
 Wordstar Professional
 PC World provided a comprehensive measure of comparison and their main criteria in evaluating the various packages covered the following items and subheadings.

1. Performance

Basic Editing	Spelling Checker & Thesaurus
Formatting	Mailmerge
Fonts	Outlining
Stylesheets	Table of Contents & Indexing

- Footnotes
- Macros
- Graphics
- 2. Documentation
- 3. Ease of learning
- 4. Ease of use
- 5. Error handling
- 6. Support
- 7. Value for money

The following schedule details the various packages and PC World's evaluation of the above mentioned features.

COMPARISON

vu woria

Office/Professional Word Processors

	PC World weightings	Your Display weighting	Lotus write 4 1.0	Micorsoft manuscript 2.0	Multmate Word Advantage II 4.0	Samna Plus 1.0	Sprint 2.0	1.0	Word Perfect 5.0	Wordstar Professional 5.0	Wordstar 2000 Plus 3.0	Xynote IIIPlus 3.54
Price		\$1291.40	\$1177	\$1094.5	\$1094.5	\$1766	\$434.5		\$929.5	\$819.5	\$819.5	\$1045
Performance												
Basic editing (50)		poor	V Good	V good	Good	V Good	V Good	V Good	V Good	V good	V Good	V Good
Formatting (25)		poor	Good	Satisf	poor	Good	Satisf	V Good	Good	V Good	Satisf	
Fonts (20)		Satisf	Satisf	Satisf	Satisf	Satisf	Satisf	Good	Satisf	Good	Satisf	Satisf
Style Sheets (20)		N/A	Good	V Good	Satisf	Satisf	Good	Good	poor	Good	Good	Good
Spelling checker & thesaurus (50)		poor	Good	Satisf	V Good	V Good	Satisf	Good	Good	Good	Excellent	Satisf
Mail Merge (25)		Good	Good	Good	Good	V Good	Good	Good	Good	Good	Good	Good
Outlining (20)		Good	Excellent	V Good	Satisf	poor	Satisf	poor	Good	Good	Good	Satisf
TOC & indexing (20)		N/A	Good	Good	poor	Satisf	V Good	V Good	Good	Good	Good	Good
Footnotes (20)		Good	Good	Good	Satisf	Good	Good	Good	V Good	Satisf	Good	Good
Macros (25)		Good	Good	V Good	Good	Satisf	Excellent	V Good	Satisf	Satisf	Satisf	V Good
Graphics (30)		N/A	V Good	Satisf	poor	Good	poor	V Good	poor	Excellent	poor	poor
Printer support (30)		poor	V Good	V Good	Good	Good	V Good	Excellent	Excellent	Good	V Good	V Good
Compatibility (40)		Satisf	V Good	Satisf	Excellent	V Good	Excellent	Excellent	poor	Excellent	Satisf	Satisf
Speed (50)		Satisf	Good	Good	poor	poor	Good	V Good	Good	Good	Good	Excellent
Documentation(100)		Good	Excellent	Excellent	V Good	Good	V Good	V Good	V Good	V Good	Excellent	V Good
Ease of learning(100)		Good	Satisf	V Good	Good	Satisf	V Good	V Good	Good	Good	Good	Satisf
Ease of use (200)		Satisf	V Good	V Good	V Good	Satisf	Good	Excellent	V Good	V Good	V Good	V Good
Error handling (75)		Good	Good	Good	V Good	V Good	V Good	Excellent	V Good	V Good	Good	Satisf
Support												
support policies (50)		Satisf	Good	Good	Satisf	poor	Satisf	Good	Good	Good	Good	poor
Value (50)		poor	V Good	V Good	Satisf	Good	Excellent	Excellent	V Good	V Good	Excellent	V Good
Final scores		4.5	7.0	7.0	6.2	5.6	6.7	8.2	6.4	7.6	6.2	

Use your own weightings to calculate your score

GUIDE TO REPORT CARD SCORES

PC World review only finished. Production versions of products, never beta test versions. Poor= 0.25 Falls short in essential areas

Products receive ratings from unacceptable to excellent in various categories. Scores are derived by multiplying the weighting (in parentheses) of each criterion by its rating, where: Unacceptable or N/A = 0.0- Fails to meet min. standards or lacks this feature. Excellent 1.0 Outstanding in all areas Scores are summed, divided by 100, and rounded down to one decimal place to yield the final score out of a maximum possible score of 10 (plus bonus). Products rated within 0.2 points of one another differ little. You can customise the report card to your company's needs by using your own weightings to calculate the final score.

PC World indicate that the best package overall is Wordperfect 5.0 followed by Wordstar 200 Plus, Microsoft Word and Lotus Manuscript. All the packages were tested on an 8 megahertz IBM AT with a 30 megabyte hard disk, enhanced graphics adaptor and 640 kilobytes of RAM. The hardware used is probably superior to that available in most valuer's offices and indicates the minimum requirement in terms of computer hardware necessary to run advanced professional wordprocessing packages at this point in time.

Wordprocessing packages have, as most other software has, undergone considerable development in the last 3-5 year period with many of the featured packages providing what was a considered desktop publishing quality of document handling.

There are probably few valuers within New Zealand who understand the intricacies of stylesheets, mailmerge, outlining, macros and other features considered necessary within wordprocessing packages for professional use.

From our experience in wordprocessing we consider that the features a valuer requires in a wordprocessing package should include the following:

1. Presentation: It is critical in the valuation field that the presentation of documents is of a high standard. With other professionals commonly using advanced communication methods it is expected in the commercial field that valuers' reports are provided to a high standard. To obtain a quality output a good daisy wheel printer is the minimum required, however Laser printers are becoming the norm and any wordprocessing package should have the capability of addressing various printers. The most common type of Laser printer on the market at the present time is the Hewlett Packard Laserjet and all packages detailed, support the printing characteristics of this type of printer. If a valuer's office has an unusual or little known printer they should check that the package being considered can support the

- printer. If not then either unsatisfactory output could be generated or a new printer may be required.
2. **Functionality:** It is our opinion that in considering a wordprocessing package it is less important to look for the bells and whistles rather than to consider the basic functionality of the program and its ease of use. The average valuer's report format requires basic and simple wordprocessing functions. It does not require many of the advanced features available in the reviewed wordprocessing packages. By example features such as outlining, indexing, footnotes, macros, and stylesheets are not necessary for generating the average valuation report. For the advanced user they can however provide considerable benefits.
 3. **Data Importing:** For the more advanced user and for valuers intending to expand their computer capabilities, the importation of spreadsheets and graphical data are important features. It is now possible to generate spreadsheets within programs eg. Lotus 123, have them linked to a wordprocessing package and included within a report. As the data is changed within the spreadsheet package it is automatically updated within the wordprocessing report for publication. It is possible to set up insurance calculations within spreadsheets that automatically are included into a format report and updated on a year by year basis. We consider that the importation of data of this type is an important feature and well worth investigating the ease of use and flexibility in a contemplated wordprocessing package.
 4. **Mailmerge:** Word processing should have a mailmerge facility within which form letters can be generated for mail-drop purposes. Using such a facility it is possible to complete mailing lists of debtors which can be updated automatically on a monthly basis or for other publicity functions.
 5. **Linedraw:** We recommend that a wordprocessing package should have line draw capabilities which provide the ability to put borders around text and complete shading behind text. This is useful for the generating of form reports for, by way of example, insurance certificate purposes.
 6. **Print Preview:** Many of the more recent wordprocessing packages have a print preview which shows on screen exactly what is going to be printed on paper prior to printing. This feature is very useful for valuations in that the layout of pages can be predetermined so that any graphics or valuation calculations can be strategically placed within page layout.
 7. **Page Break Display:** Wordprocessing packages should have the ability to display on screen, in readable text, exact character layout and clearly show page breaks as and when they will occur depending on the printer being used. Many wordprocessing packages do not show the actual page break on screen. It is therefore difficult for the wordprocessing user to determine where page breaks will occur within the body of the report and this sometimes leads to poor layout.
 8. **Macros:** Of lesser consequence to valuers are macros which allow the wordprocessing user to define popularly used keystrokes which can automate various tasks. Such examples could involve reducing the number of keystrokes required for completing mailmerge and many packages provide macros which automatically set tabs for information tables. I personally have found such macros very useful.
 9. **Maths:** Many of the wordprocessing packages have a mathematics capability. The wordprocessing operator can input a schedule of figures and the package will be able to provide various mathematical calculations on defined figures. This can provide various mathematical calculations on defined figures. This can provide a useful check to the valuer's actual workings and can be a worthwhile function.
 10. **Spelling Checker:** Every wordprocessing package used should have a comprehensive spelling checker built in. The optimum spelling checker is one which checks the spelling as the typist is inputting text. A more common method is for the typist to input the full document and at the end put the completed document through a spelling checker which identifies out the mistakes.
 11. **Stylesheets:** These allow the wordprocessing operator to define various styles by way of both page layout, paragraph layout and character type within a particular report. It allows preset layouts to be available for a variety of uses. By way of example it would be normal to have a stylesheet that would be applicable to all valuation reports. Equally, a separate stylesheet could apply to insurance valuation certificates which may require different typesetting and paragraph layouts. Other stylesheets may be required for mailmerge purposes. The benefit of stylesheets is that it quickly allows the wordprocessing operator to obtain the correct format and layout of a document without having to continually define the paragraph and character layouts as reports or other documents are prepared. We consider stylesheets, and their ease of use, to be an important feature in whatever wordprocessing package is chosen.
 12. **Multiple File Types:** Wordprocessing packages should be able to support multiple file types both for import or export. The package should be able to read files from a variety of sources, such as straight ascii text, other wordprocessing package formats and formats from various spreadsheets. If you are using other computer packages it is important to check that the wordprocessing package being contemplated can support and read files from the other packages used.
- Whilst valuers can get by with very basic and simple wordprocessing programs the above provides what we consider to be the minimum requirements by way of a wordprocessing program for a professional valuer's office. The downside of such a program is its size, the advance computer hardware requirement and the difficulty in learning the various features and functions of the chosen program. The degree of operator skill required to use the full features of these programs should not be underestimated. In determining which wordprocessing package is suitable for your own requirements we recommend that any of the packages reviewed by PC World could be used, however we believe the following packages are those which should be chosen: Microsoft Word 5.0, Wordperfect 5.0 and Wordstar 2000 Plus. You will note that the PC World review concerns Microsoft Word Version 4.0 and we have personally used, and used within our office environment, Microsoft Word Version 5.0. It has significant added benefits over Version 4 and we consider these benefits significantly upgrade the overall score which was attributed within PC World.
- In making the final determination as to which package you should use, we recommend that the most critical factor will be the level of dealer support and tuition available within your locality. Wordperfect 5.0 is the most popular program in the United States, whereas Microsoft Word is a program imported by a major computer retailing chain within New Zealand and their largest seller. The program has resulted in being their largest seller because it is the program the dealer supports, provides training programs on and tries to sell.
- From a valuer's point of view if one of these packages is installed you will require considerable staff training and support to obtain the maximum benefit from the package. For this reason you should liaise with your computer equipment supplier in your locality to obtain feedback as to which package they support and can provide quality expertise on. The availability of training seminars for typing staff should be investigated and discussions should be had with other users of the packages installed by the computer supplier. That way the supplier's performance and tuition can be verified prior to purchase. If this is done then any of the packages as detailed should be more than adequate and satisfactory for a professional valuing office. A

An Introduction to "Expert Systems"

by R V Hargreaves

"The real danger is not that computers will begin to think like men, but that men will begin to think like computers." Sydney J Harris

The term "expert systems" has started to appear in the professional literature in a number of fields, including valuation. Expert systems is a branch of a new field called "artificial intelligence", or "AI". Developments in AI have been made possible by powerful modern computers and sophisticated programming techniques.

There is a continuing debate about whether computers can be programmed to think and reason like humans. One view is that computers are just super fast, but "dumb", calculating machines. Another view, expounded by computer scientist Allen Turing (1963), holds that machines can be said to demonstrate intelligence if they can pass a simple test. To pass the test, a human has to be able to question the machine through an intermediary and receive answers indistinguishable from human responses. Berry (1983) reports that in 1950 Turing predicted that by the year 2000 computers would be able to pass the test at a sophisticated level of conversation. Modern computers can, arguably, already pass the test at low levels of conversation.

Winston (1985) says that the primary goal of AI is to make machines smarter and the secondary goals are to understand intelligence and to make machines more useful.

Expert systems are described by Carter (1985) as follows: *In general, then to a large degree expert systems are simply 'smart' systems which turn the powerful computer hardware into an information appliance. The key is software which replicates or eclipses clever human decision making. The computer has the raw power - the expert systems turns it into a channeled directed thrust.*

There are a number of examples of expert systems already in use. A simple horticultural example is the orchardist in Hawkes Bay who has a computer wired into the leaves on an apple tree in his orchard.

This computer monitors the weather conditions likely to cause "black spot" on the apples and advises the grower when to spray. Rather than spraying at regular intervals and wasting a lot of spray, the grower is now able to spray only when the orchard needs spraying.

Expert systems are used for medical diagnosis. Intelligent robots are now widely used in the assembly of products such as automobiles and electronic goods such as video recorders, radios, and computers.

Closer to the property sphere we find expert systems being used in the construction industry, for planning. Accountants use expert systems for monitoring capital intensive projects. Expert systems have also made it possible for 'intelligent buildings' to mimic aspects of the human property management function. For example, computers are extensively used for environmental control within buildings and for aspects of building security.

The application of expert systems to valuation goes a step beyond the present level of computerisation in the valuation profession.

With an expert system we will theoretically be able to take a person who isn't an expert in property and allow them to produce meaningful valuations from the system. The operator will be able to sit down with a computer, be asked a series of questions, and then be given a valuation of the subject property. Such a system would imply a sophisticated property data base

Bob Hargreaves is an Associate of the NZ Institute of Valuers and is Senior Lecturer in Valuation at Massey University. He has been a regular contributor to The New Zealand Valuers' Journal particularly on the functions of computers and computer programmes in valuation practice.

and away of adjusting the sales in relation to the subject property so that an accurate valuation was produced.

By now I suspect some readers will be highly skeptical about the application of expert systems to valuation. "Impossible," I hear you saying!

At present you are correct but I suspect that this will not always be the case. The computer power already exists; what is lacking is on the programming side.

Research on the application of expert systems to valuation has been reported by Gronow and Scott (1986) and (1987a) who were based at the Polytechnic of Wales.

Their research is being supported by a Welsh Building Society. The objective of the research is to build an expert system for the valuation of residential property for mortgage purposes.

All expert systems have a need to extract knowledge from the expert human so that this knowledge can be represented within the system. This means that the system builder has to capture the actual nature of the valuation procedure from the professional valuer.

This turns out to be a complex task because the professional valuer needs to explain the reasoning behind the valuations. We are all aware of the imprecise nature of some of our standard valuation methods and the difficulty of justifying, say, adjustments to comparable sales.

Gronow and Scott (1987b) observe that experts tend to describe what they think they do, or what they think they ought to do, but what they actually do may be very different. Waterman (1985) reports that the more competent experts become, the less able they are to describe how they do it. This is known as the paradox of expertise.

To get around this problem, researchers are using expert systems programs that can deduce rules by inference rather than directly from the expert valuer.

For example, the valuer may have difficulty in explaining the sales adjustment process in a precise way. The systems engineer may observe the actual adjustments the valuer is making in the sales analysis and from this infer certain rules. Brick houses may be consistently valued at \$5,000 more than wooden houses.

This infers that houses with brick cladding are worth more than houses with wooden cladding.

Assembling expert systems that are based on inference suffers from the disadvantage that some of the decision rules

introduced into the system may be highly correlated with other decision rules and in the final event meaningless. Or they may be simply irrelevant.

Thus, there is still the need for the systems engineer to sit down with the human expert and go over the decision rules that have been arrived at.

Carter and Robinson (1988) have verbally reported on research they are carrying out at the Lincoln Institute of Land Policy in a project called CAESAR (Computer Assisted Expert System for the Analysis of Revenue).

The initial objective of this research is to build an expert system for modelling vacant land valuations in the Boston area. Researchers at the Lincoln Institute have found that it is difficult to find experienced valuers who are willing to participate in the expert systems project.

Obviously no one is very happy about training a machine that might end up as a competitor.

Expert systems can be assembled from customised computer programs or an expert systems shell can be used. Very complex expert systems such as those used for the US Space Shuttle and those envisaged for the "Star Wars" defence project place more reliance on customised programs.

Expert systems shells are somewhat analogous to our integrated computer program such as 'Lotus Symphony' in that to make progress the user doesn't need to be a computer programming specialist. There are a number of expert system shells available for personal computers. Dreyer (1989) says that development of an expert system in valuation requires a computer, an expert systems computer program, a knowledge engineer, and an expert valuer.

He reports that LISP and PROLOG are two of the more common languages being used in expert systems programs. Both these languages recognise commands in plain English.

Expert systems have the ability to accumulate knowledge and rapidly learn from experience. In our first example, the decision rule was that brick houses were worth \$5,000 more than wooden houses.

Let's say that in another part of town the valuer consistently values brick houses at \$5,000 less than wooden houses because all the brick houses are ex State rental units. To resolve this problem the computer would ask the operator to provide a rule change.

This could be along the lines that brick houses are worth \$5,000 more provided they are not ex State houses.

Jensen (1988) has stated that the use of computer assisted mass appraisal will not become widespread until the software can be used without the support of highly trained specialists. In this opinion, this is an obvious application for expert systems. Jensen observed that expert systems in valuation are not only possible, but eventually inevitable. If this is the case then effective mass appraisal will be possible without the need for highly trained specialists.

Gronow and Scott (1987b) have developed a prototype expert valuation system for one of the 49 neighbourhoods in the City of Cardiff. Although this initial model is based on rather simplistic rules, the authors do report encouraging results.

It is proving much harder to build expert valuation systems than was first thought. At the present time it seems that valuation results produced by computerised expert systems in the USA and UK are not as accurate as standard manual valuations. Of course, we made the same sort of criticisms of the amateurish level of play demonstrated by the early chess playing computers.

These days chess playing computers can defeat all but the most expert humans.

Simulating the valuer's thought process is likely to be very difficult but there is little doubt that expert systems will take over some of the more elementary aspects of the valuation procedures.

In the future we might envisage an expert version of Valpak. This program would ask the user what type of property was being valued and then produce a list of comparable sales with suggested adjustment factors based on previous experience. Expert systems can also be used to check the contents of a valuation report against a checklist, proofreading material for spelling mistakes and grammatical errors, and for staff training.

Jaffe (1988) makes the sobering observation that some valuers do have reason to be apprehensive about being replaced by expert systems. In his opinion this will only apply to those valuation tasks not worthy of human expertise, at least not in this age of expert systems.

Summary and Conclusions

Over the next few years we are going to hear a lot more about the use of expert systems in the property professions. This paper has outlined some of the pioneering work carried out by overseas valuation researchers.

Their preliminary results indicate that expert systems do indeed have a place in the valuation profession.

Expert systems can be viewed by valuers as either a threat or a challenge.

The imprecise nature of the valuation process means that in the short term it will be very difficult to construct expert systems that can accurately perform the full valuation task. Expert systems are likely, however, to have major impact as productivity tools that can save the valuers' time on mundane tasks. A

References Cited

- Berry A (1983) *The Super Intelligent machine*, Jonathan Cape
Carter E (1985) "Artificial Intelligence and Beyond" Chapter 17 *Introduction to Computer Assisted Valuation*, Lincoln Institute of Land Policy (Eds Woolery A & Shea S)
Carter E and Robinson D (1988) "Is There Artificial Intelligence in Your appraisal Future" Proceedings of World Congress III, Lincoln Institute of Land Policy, Cambridge, MA
Dreyer B (1989) "Artificial Intelligence: The "AI" MAI Appraiser" *The Appraisal Journal*, January, pp 51-56
Gronow S & Scott I (1986) "Expert Systems - Knowledge Elicitation from Building Society Valuers", *Journal of Valuation* Vol 4 (4) pp 394-405
Gronow S & Scott I (1987a) "Expert Systems 'Shells' for Valuation" *Journal of Valuation* Vol 5 (2) pp 200-212
Gronow S & Scott I (1987b) "Expert Systems Knowledge Representation For Building Society Mortgage Valuations" *Journal of Valuation* Vol 6 (1) pp 87-101
Jaffe (1988) "Advanced Real Estate Valuation Applications Using Not-So-Advanced Computer Technologies", Proceedings of World Congress III, Lincoln Institute of Land Policy, Cambridge, MA
Jensen D L (1988) "Potential State-of-the-Art for Future Computer Assisted Mass Appraisal Systems" Proceedings of World Congress III, Lincoln Institute of Land Policy, Cambridge, MA
Turing (1963) "Computing Machinery and Intelligence" *Computers and Thought*, Eds Schank R C and Colby K M, McGraw-Hill
Waterman D (1985) *A Guide to Expert Systems* Addison Wesley
Winston P (1985) *The AI Business* The MIT Press

IN THE WELLINGTON LVP NO: 53/88
LAND VALUATION TRIBUNAL

IN THE MATTER of an objection to a Valuation
under the Valuation of Land
Act 1951
BETWEEN RADFORD AND COMPANY
LIMITED, Objector
AND VALUER-GENERAL,
Respondent

Dates of Hearing: 27 February 1989,
28 February 1989,
1 March 1989

Date of Decision: 26 July 1989

Counsel:

Mr D A Wilson and Mr M F Newick for Objector;
Mr C B Littlewood for Respondent

RESERVED DECISION OF THE WELLINGTON LAND VALUATION TRIBUNAL

Radford and Company Limited is the registered proprietor of a property comprising 1199 square metres situated at 90-110 Victoria Street, Wellington. The property is bounded by Manners, Victoria, Bond and St Hill Streets and covers the whole of a small city block. The land is zoned Retail B 1 in the City of Wellington Operative District Scheme. Predominant uses within the zone include retail shops, commercial services, cafes, coffee bars, dining-rooms, workrooms for the manufacture of light goods, cinemas, theatres, art galleries, offices above ground floor level, licensed premises and residential accommodation above ground floor level. The basic height limit on the site in question is set at 35 metres above mean sea level with a dispensatory height limit of 90 metres above mean sea level over approximately fifty per cent of the site and 65 metres above mean sea level over the remainder.

The site is covered by a building called 'The Shoreline Retail Complex' comprising a ground level shopping centre leased to nine retail shops and a small coffee lounge on the first floor at the southern or Manners Street end. The shopping complex was built in 1982.

The Government valuation of the property in 1984 was:

Capital Value	\$3,450,000
Land Value	\$1,500,000
Value of Improvements	\$1,950,000

In the district valuation roll revision of 1 May 1987, these values were revised to:

Capital Value	\$11,800,000
Land Value	\$11,800,000
Value of Improvements	Nil

On the basis that the highest and best use for the property was as a redevelopment site.

On its notice of objection the objector contended that the values should be:

Capital Value	\$6,175,000
Land Value	\$4,175,000
Value of Improvements	\$2,000,000

In a letter to the Valuation Department accompanying the notice of objection the objector stated that when the Shoreline Retail Complex was built there was absolutely no demand for office space and very little demand for retail space in that area of Wellington City. The objector initially occupied two of the shops to get the project going. To encourage retail tenants to occupy the premises the leases were couched in generous terms and in particular provided that the owner and not the tenants would pay land tax. The objector pointed out that there was no provision therefore to pass on the rise in land tax which on the basis of the revised valuation, increased from \$30,000 to \$236,000 per annum. The objector said:

The effect of this land tax increase is to reduce the net return to the owners to 1.77 per cent of the new Government valuation.

While that may be the gravamen of the objector's complaint the question of land tax is not a factor we can take into account in this proceeding which is concerned only with land valuation.

At the hearing the objector accepted that the property should be valued as a redevelopment site but disputes the land value figure of \$11.8 million. The objector says firstly that the value of the land as a vacant site was \$11.0 million. Secondly, and more fundamentally, it contends that the interest of the lessees of the shops and coffee bar had a marketable value. This value should be deducted from the 'vacant site' value to arrive at the 'land value' which as defined in the Act means the value of the objector's estate and interest in the land.

The facts surrounding the lease of the shop and coffee bar premises are not in dispute. The leases provide for a term of ten years commencing at various dates in 1983 with a right of renewal for a further period of ten years. The base rental is reviewable at two-yearly intervals from 1 April 1985. While the lessees have to meet a proportionate share of the usual outgoings, land tax is paid by the lessor. There is no provision requiring the lessees to vacate the premises should the lessor decide to demolish the existing building and redevelop the site (referred to as a 'demolition clause').

There was extensive redevelopment in the immediate vicinity of the subject land at the time of the 1987 revision. Mr A S Radford, Chairman and Managing Director of the objector, gave evidence of the objector's plans for redevelopment of the property in 1987. Various options were considered but floundered on the inability of the objector to reach agreements with the lessees over the amount of money to be paid to obtain vacant possession. Mr Radford offered each tenant \$200,000 to vacate the premises. This offer was accepted by five tenants but declined by four others who demanded \$350,000, \$400,000, \$450,000 and \$731,000 respectively. For this reason and also for the reason that the objector was unable to find a head lessee for the redeveloped building, the project was abandoned in December 1987.

Mr A G Stewart, a registered valuer of Wellington, gave evidence on behalf of the objector. He valued the leases at \$300,000 each, making a total of \$2.7 million for the nine leases. These figures were accepted by Mr Littlewood. Mr Stewart also

valued the land on a 'vacant possession' basis at \$11.0 million.

Dealing first with this part of the objector's case, at the end of Mr Stewart's evidence Mr Littlewood submitted that there was no case for the respondent to answer. The reason was that under cross-examination Mr Stewart conceded that in the valuation of this property there could be a difference between valuers of ten per cent without either of them being wrong. The difference between the Government valuation of \$11.8 million and Mr Stewart's valuation of \$11.0 million is within that ten per cent bracket. This concession, says Mr Littlewood, amounted to an acknowledgment that the Government valuation was right. Thus there was no case for the Valuer-General to answer. In reply Mr Wilson on behalf of the objector submitted that Mr Stewart's evidence went far enough to raise an issue, that is, a prima facie case. We reserved our decision on the point.

Both counsel referred to the case of *Proprietors of Matauri X v Valuer-General* (1981) 1 NZLR 585. The Court held in that case:

If there was credible evidence attacking the Valuer-General's known figures in a way which show there was a valid argument fit to be considered, that the Valuer-General had proceeded on an erroneous basis, even if only in some parts of his report, that would amount to a prima facie case that the valuation was too high and would require the respondent to be called upon to justify.

We consider that Mr Stewart's evidence had enough substance to require an answer. His valuation is \$0.8 million less than the Government valuation - it is a significant difference. It raises a prima facie case that the Government valuation was too high. The fact that valuers A and B may be ten per cent apart without either of them being wrong does not mean that because they are no more than ten per cent apart both of them must be right. If valuer A is right, then valuer B to be right it is necessary for his valuation to be within ten per cent of A's valuation. But that alone is not sufficient. B may have proceeded along an erroneous basis and arrived at a figure which, although within ten per cent of A's valuation, is nevertheless wrong.

For these reasons we hold that the Valuer-General had a case to answer.

Both Mr Veale and Mr Stewart considered the value of the property lay in the redevelopment potential of the land and therefore applied no value to the improvements. Before allowing for any lessees' interest in the property, the two valuations as at 1 May 1987 were:

	Veale	Stewart
Capital Value	\$11,800,000	\$11,000,000
Land Value	\$11,800,000	\$11,000,000
Value of Improvements	Nil	Nil

Mr Veale applied two methods of valuation: the first on a unit metre depth table (Somers Cleveland 30m Standard Depth Table) basis, and the second on a rate per square metre applied to the land area and adjusted for the four street frontages. Mr Stewart used one method, the rate per square metre basis, also making an adjustment for the four street frontages. While the Standard Depth Table is an acceptable method of valuing commercial land we believe that in this instance the rate per square metre basis is more appropriate on account of the redevelopment potential of the property. A developer would be inclined to assess the worth of the property as a redevelopment site on the amount per square metre he could afford to pay in order to complete a feasible development. The relevant factor here is that both valuers used the same method of valuation to arrive at their end values.

Sales evidence was produced by both valuers from which

they deduced a rate per square metre which was then applied to the area of the subject property. Mr Veale produced evidence of seven land sales and Mr Stewart five (four of which were included in Mr Veale's list). Both valuers analysed their sales back to a rate per square metre before making the usual adjustment for time, location, size, shape and deferred settlement. Their analysis of the common sales concurred with each other except for the Dukes Arcade sale. From their analysed sales, both valuers arrived at a rate per square metre which they then applied to the subject land. Mr Veale used a rate of \$8,500 per square metre and Mr Stewart a rate of \$8,000 per square metre. In allowing for the four street frontages of the subject site both valuers added a 15 per cent benefit factor to their calculation.

Neither valuer demonstrated how the rate per square metre derived from the sales analysis translated into the rate applied to the subject land area. From the sales analysis Mr Veale indicated a lower level of slightly above \$8,000 psm with an upper level of \$10,000 psm, while Mr Stewart indicated a range of \$6,000 to \$13,000 psm (which included his alternative analysis to take into account the premium paid by an adjoining owner).

As there was no evidence to show that Mr Veale's basic rate of \$8,500 psm was in fact incorrectly deduced from the comparable sales evidence, and that Mr Stewart's rate of \$8,000 psm was in fact correct, the objector has not discharged the onus of proving that the Valuer-General was wrong. The Valuer-General valuation in this respect is upheld, being:

Capital Value	\$11,800,000
Land Value	\$11,800,000
Value of Improvements	Nil

We come to the second part of the objector's case: the value of its estate and interest in the land. The objector's argument in a nutshell is this: the site could not be redeveloped until the expiry of the leases or their renewed terms. As at 1 May 1987 the leases had some sixteen years to run. The leases had a marketable value representing the amount of money a developer would pay to obtain vacant possession, and the objector's estate and interest in the land was diminished to the extent of that value. The objector argues that the Valuation Department had misconstrued the Act in valuing the land, when what it was required to do was to value the objector's estate and interest in that land. The objector asked the Tribunal to fix the value of its estate and interest in the land at \$8.3 million, being \$11 million less the market value of the leases of \$2.7 million.

Mr Littlewood, on behalf of the respondent, has referred to a number of cases to the effect that when assessing the 'unimproved value', now 'land value', a valuer must disregard the improvements and proceed on the basis that the buildings actually erected upon the land have been removed and the land was once again vacant. The cases cited by Mr Littlewood include *Duthie v Valuer-General* (1901) 20 NZLR 585, *McKee v Valuer-General* (1971) NZLR 436, and *re 110 Martin Street, Upper Hutt* (1973) 2 NZLR 15, *re-Wright's Objector* (1959) NZLR 920, *Tooney's Limited v Valuer-General* (1925) AC 439, *Valuer General v General Plastics (NZ)Limited* (1959) NZLR 857, *re-Hutt Park and Racecourse Board* (1907) 27 NZLR 246. Mr Littlewood then went on to contend that once one disregards the existence of the building on the subject land, then of necessity one has to disregard the existence of the leases. He cites *Cox v Public Trustee* (1918) NZLR 95, and the unreported case of *Valuer-General v Lulich*, High Court, Administrative Division, Hamilton Registry, M 466 and 467/79, 18 December 1981, Bisson J and Ralph Frizzell Esquire, in support of that proposition. Whilst Mr Littlewood's first proposition is undoubtedly and consistently stated in the case law, his second

proposition is not in our view supported by the authorities. Cox's case and *Lalich's* case were concerned with establishing the value of the land for the purpose of fixing the rental for a renewal of lease on the one hand and a revision of rental during the currency of a lease on the other. Since the rental for the purpose of the lease was based on the value of the freehold land, necessarily the lease had to be disregarded. As the Court said in *Lalich's* case:

When land is valued for the purposes of fixing a rental based on capital value for the purposes of a new lease to be entered into the valuation is quite clearly that of the capital value of the fee simple estate of the intending lessor because at that stage the land is not subject to a lease at all.

'nis is "because it is (the owner's) interest in the fee simple and estate which is being leased which must be valued for fixing a rental under that lease" - see page 4 of the decision.

Mr Wilson on behalf of the objector contended that:

1. In the present case the value of the freeholder's estate or interest in the land was diminished by the leasehold interests; and
2. The leasehold interests should be taken into account by subtracting their value from the value of the land on a 'vacant possession' basis in order to arrive at the value of the freeholder's interest.

He relied on *Valuer-General v Ormsby* (1907) 27 NZLR 44, *Thomas v Valuer-General* (1918) NZLR 164, *Findlay v Valuer-General* (1954) NZLR 76 and the definition of 'land value' in the Act. Mr Wilson submitted that the correct approach is to ask what sum a reasonable purchaser would have paid as at 1 May 1987 to be placed in the same position as the objector, that is, as the freeholder of the property subject of the leases.

Mr Wilson also referred to the following passage in *In re Hutt Park and Racecourse Board*, *op cit* at 251:

Under the Act of 1896 it was the land that was to be valued, and the only matter to be ascertained was its capital value. Under the (Government Valuation of Land amendment Act 1900) it is no longer the land which has to be valued but only the owner's estate or interest therein as if unencumbered by a mortgage or charge thereof; and it is not the theoretical value of the owner's unencumbered estate or interest as if so unencumbered which is to be the capital value, but the marketable value of such estate or interest. So, also, the unimproved value is not the unimproved value of the land, but the marketable value of the owner's estate or interest therein unencumbered by a mortgage or charge thereon, and excluding any improvements on the land which have increased in value the owner's interest in the land.

This statement has long been accepted as authoritative and we do not understand T & Littlewood to contend otherwise.

The cases of *Ormsby*, *Thomas* and *Findlay* were all concerned with the question of what kinds of restrictions on the freehold should be taken into account when assessing capital value or land value. Only *Findlay's* case dealt with the question in relation to leasehold restrictions. In that case, the objector was the owner of a house property divided into two flats which were tenanted.

It was common ground that if offered for sale on a 'vacant possession' basis the property might reasonably be expected to realise the amount fixed as its capital value, and that if offered for sale subject to existing tenancies it would not realise that amount. It was contended by the owner that she was entitled to have the property valued for roll revision purposes on the basis of the price it might be expected to realise if sold as a tenanted property. Archer J referred to the definition of 'capital value' in

the Act and to two other definitions:

Land' means all land, tenements, and hereditaments, whether corporeal or incorporeal, in New Zealand, and all chattels or other interests therein, and all trees growing or standing thereof. 'Owner' means the person who, whether jointly or separately, is seized or possession of or entitled to any estate or interest in land.

His Honour further referred to s.8 which required the Valuer-General to set out in a district valuation roll:

(a) The name of the owner of the land and the nature of his estate or interest therein, together with the name of the beneficial owner in the case of land held in trust.

His Honour then said, at page 78:

It is clear from the foregoing provisions of the Act that, although the valuation roll is described as a roll of separate properties' any estate or interest in land which is held in separate ownership may be a separate property for roll purposes, and may be valued accordingly. Conversely, it would appear that nothing can be entered as a property in a district valuation roll which is not an estate or interest in land. The statutory definition of 'land' appears to be the decisive factor in determining what may be entered on a district valuation roll. Confirmation of this is found in s.13, the relevant portion of which reads as follows:

Where for any reason the value of any interest in any land or of anything included for the purposes of the principal act in the meaning of the term 'land' has not been included in the value of any land as appearing on any district valuation roll, the value of that land, interest, or thing shall be entered on the district valuation roll.

It will be noted that the definition of 'land' includes 'all chattels or other interests therein'. Leasehold interests in land may, therefore, be the subject of separate entries in the district valuation roll.

His Honour also referred to s.15 which provides:

The Valuer-General may also at any time, and from time to time, during the currency of a roll make such alterations or adjustments of value in the case of land which is leased or subject to any other terminable charge or interest as are necessary for the purpose of correctly assessing the respective interests of the respective owners at any specified time. (our emphasis)

In *Findlay's* case the objector did not claim that the tenancies constituted interests in land or that the rights of the tenants could be separately valued: counsel for the objector expressly conceded that the tenants were not possessed of interests in land. His Honour therefore held (at page 81-2):

We are of opinion that an objection by the owner of a property which is apparently held in fee simple and which has been correctly valued as such upon revision of a district valuation roll can succeed only if the objector can show that he has divested himself of an interest in the land, the value of which can be separately assessed. In the present case the appellant conceded that the tenancies on which she based her objection were not interests in land, and made no attempt to show that they had an assessable value. The appeal therefore, fails and is disallowed.

Just before that passage His Honour said, at page 81:

... we are of opinion that the primary function of the Valuer-General under the Valuation of Land Act 1951 is to value estates or interests in land, disregarding mortgages and charges or encumbrances which do not constitute interests in land. By this means, the Legislature has sought to ensure that every property bears its fair share of liability for rates.

Its intention, as set out in the Act, is that, where an owner in fee simple has divested himself of a lesser estate or interest in land, the value of the land, and the consequent liability for rates, may be apportioned between the owners of the various interests in the land in accordance with the values of their respective interests. It is equally its intention that mortgages and encumbrances or charges not amounting to interests in land are to be disregarded, so as to leave an owner of land which is subject to such mortgages, encumbrances or charges solely liable for the rates assessable on the land, valued as an unencumbered freehold. We think that the tenancies concerned in this case fall within the class of encumbrances or charges which do not constitute interests in land and which must in consequence be disregarded. (our emphasis)

We adopt with respect this clear statement of the law which must, it seems to us, settle the argument in the objector's favour.

Mr Littlewood submitted that even if one were to take into account the leases then they do not in any way detract from the objector's enjoyment of its fee simple estate and should be disregarded. He said the fact that the Valuer-General may have power under s.41(7) of the Act to value a leasehold interest has no relevance to the determination of the 'land value' for the purposes of ascertaining the value of the fee simple estate for the district valuation roll. Surely this is begging the question of whether what is to be valued is the fee simple estate or some lesser interest.

S.41(7) provides:

Where there are more interests in the land than one and a valuation is required pursuant to a notice given under this section of any interest in the land, the valuation of the interest requiring to be valued shall be of such amount as, when added to a valuation made as at the same date of the remaining interests, will be equal to the value of the land, as if it were held by a single owner in fee simple and free from any lease or encumbrance.

That provision, it seems to us, is further confirmation that a particular piece of land can have more than one interest and, as Archer J said in *Findlay's case*:

Any estate or interest in land which is held in separate ownership may be a separate property for roll purposes and may be valued accordingly.

We have difficulty accepting Mr Littlewood's contention that the leases which have in fact prevented redevelopment of the Shoreline site do not in any way detract from the freeholder's enjoyment of its fee simple estate. Mr Veale acknowledged that in the market place the land value of a particular property on the basis of vacant possession may be made up to two components: the freeholder's interest and the lessee's interest. He further acknowledged that to the extent that the existence of a lease represents a cost to the freeholder in order to gain vacant possession, to that extent the lessee's interest diminishes the value of the freeholder's interest in that land. Neither did Mr Veale dispute that a lease is an interest in land. However, he said that it was his understanding, and the understanding of the Valuation Department, that under the Valuation of Land Act land value should be assessed on the basis that there are no leases or charges on the land. He said:

I believe that we are only valuing the total interest, not the interest of each.

Later in his evidence he said:

We look at the total sales prices because we are valuing land as if vacant, therefore the vacant possession value. We don't look at each separately in that regard, we have the total figure.

Similarly, Mr A P Pegler, Assistant Valuer-General, gave evidence that the Valuation Department has never taken into account the existence of leases when valuing freehold interests. Yet he, also, acknowledged that in some situations there may be some value in the right of a lessee to occupy over and above the benefit of paying rent at less-than-market rate.

It would appear from Mr Veale's and Mr Pegler's evidence that the Valuation Department when carrying out this particular valuation has applied the wrong test. As Mr Wilson contended, it has not done what the Act required it to do, namely to assess the marketable value of the objector's estate and interest in the land.

We hold that following the approach set out in *Findlay's case* the value of the objector's estate or interest in the Shoreline site was the marketable value of the fee simple estate less the marketable value of the nine leases.

In accordance with the statement from *Findlay's case* cited above the district valuation roll as revised should show separate entries in respect of the objector's estate or interest in the property as well as the interest of each of the lessees, the total to equal \$11.8 million. Mr Littlewood has accepted that the value of the leases was as stated in Mr Stewart's evidence, namely \$300,000 each. We therefore determine the value of the objector's estate or interest in the property as:

Value of the Land as a Vacant	\$11,800,00
Less: Value of the Leases	\$2,700,000
	\$9,100,000

We make no order as to costs none has been sought.

/s/ M. LEE, CHAIR

/s/ D J BEARSLEY, MEMBER

Reserved decision delivered this 26th day of July 1989 pursuant to Rule 211 of the District Court Rules 1948 by me, Elizabeth Alison Ford, Deputy Registrar

IN THE HIGH COURT OF NEW ZEALAND ADMINISTRATIVE DIVISION WELLINGTON REGISTRY

No /87

UNDER THE Land Valuation Proceedings Act 1948
 IN THE MATTER of a determination of the WELLINGTON LAND VALUATION TRIBUNAL
 BETWEEN THE VALUER GENERAL OF LAND, Wellington,
 Appellant
 AND ALFRED KOHN FAMILY TRUST AND SOUTH BRITISH GUARDIAN TRUST of Wellington, Respondents

TAKE NOTICE that the Appellant intends to appeal to the Administrative Division of the High Court against the decision of the Wellington Land Valuation Tribunal dated the 8th day of September 1987 whereby the Tribunal allowed the objection of the Respondents to the valuation of their property known as the Quay Point Development and directed that the land value of the property be fixed at \$4,000,000 and that the Valuation Roll be amended accordingly.

The Appellant alleges that the decision is erroneous in that the Tribunal:-

1. Failed to assess the value of each lot as a separate rateable property.
2. Failed to give proper consideration to relevant comparable sales evidence presented by the Appellant.

At a time and place to be appointed the Appellant will move the Administrative Division of the High Court for Orders:-

1. Setting aside the decision of the Wellington Land Valuation Tribunal.
2. Fixing the value of the Respondents' land for inclusion in the Valuation Roll.

DATED this 22nd day of September 1987

/s/ M A Wallace, Counsel for Appellant

TO: The abovenamed Respondents

AND TO : The Registrar of the Wellington Land Valuation Tribunal

THIS Notice of Appeal is filed by MARILYN ANN WALLACE, Solicitor for the Appellant, whose address for service is at the Crown Law Office, 139-141 Featherston Street Wellington.

The Appellant's postal address is c/o Crown Law Office, P o Box 5012, Wellington.

IN THE HIGH COURT OF NEW ZEALAND
ADMINISTRATIVE DIVISION
WELLINGTON REGISTRY

No M551/87

UNDER THE Land Valuation Proceedings Act
1948

IN THE MATTER of a determination of the WEL-
LINGTON LAND VALUATION
TRIBUNAL

BETWEEN THE VALUER-GENERAL OF
LAND, Wellington,
Appellant

NOTICE OF APPEAL

IN THE LAND VALUATION
TRIBUNAL WELLINGTON

LVP No's: 99/102/86

IN THE MATTER of an objection to valuation under
the Valuation of Lands Act 1951
by

BETWEEN ALFRED KOHN FAMILY
TRUST AND SOUTH BRITISH
GUARDIAN TRUST,
Objectors

AND VALUER-GENERAL,
Respondent

Date of Hearing: 17-18 June 1987

Date of Decision: 8 September 1987

Counsel:

Mr Bomholdt for Objectors;

Mr Orchard for Respondent

RESERVED DECISION OF LAND
VALUATION TRIBUNAL

These objections relate to the revision as at 1 July 1984 by the Valuer-General of the roll values in respect of four freehold holdings which together have been developed with frontages on Lambton Quay and The Terrace, Wellington city, collectively known as the Quay Point development. The four titles concerned are:

Certificate of title 24A/714, Wellington registry, being Lot 1 on Deposited Plan 53407 as more particularly defined on the said Deposited Plan and owned by three individuals but in their capacity as trustees, collectively referred to as the Kohn Family Trust trustees.

Certificate of Title 24A/715, Wellington Registry, being Lot 2 on Deposited Plan 53407 as more particularly defined on the said Deposited Plan and owned by the South British Guardian Trust Company Limited.

Certificate of Title 24A/716, Wellington Registry, being Lot 3 on Deposited Plan 53407 as more particularly defined on the said Deposited Plan and owned by the South British Guardian Trust Company Limited.

Certificate of Title 24A/717, Wellington Registry, being Lot 4 on Deposited Plan 53407 as more particularly defined on the said Deposited Plan and owned by the South British Guardian Trust Company Limited.

All titles are for an estate in fee simple. The title to Lot 1 has a frontage to Lambton Quay and is at ground level. The title to Lot 2 lies beyond Lot 1 and is at ground level although rising steeply towards The Terrace. The title to Lot 3 faces over Lambton Quay and lies in the air space above Lot 1. The title to Lot 4 faces over The Terrace and lies in the air space above Lot 2.

Lot 1 extends upwards to allow for two levels, which have been developed for retail shopping. In addition to a number of other easements Lot 1 is the servient tenement in providing support for the building platform to Lot 3. Lot 3 is developed as a tower block providing office space.

Lot 2, to the rear of Lot 1, is substantially devoted to providing a number of links and services lifts, accessways et cetera, between the other lots but also included in this lot are two retail shops at ground level and two car parking levels at the top of this lot and below Lot 4. The uppermost western extremity of Lot 2 lies just at, or marginally below, street level fronting on to The Terrace. In addition to providing the links and services mentioned, the raison-d'être for Lot 2 is also to provide a support platform for Lot 4. No easement has been registered against the title to Lot 2 or indeed to Lot 4 and there are therefore no rights or obligations for support.

On each of the four titles to these four lots is registered a complex matrix of easements which are closely inter-related and inter-dependent upon each other. The whole scheme created across these four lots would seem to be a quite unique development, carrying with it certain advantages to each of the lots arising principally from the gaining of access to two street frontages with resulting pedestrian traffic flow and also the gaining of certain car parking rights but also bringing with them a closely interwoven set of responsibilities and restrictions arising from rights of way, party wall, power, water and gas reticulation and support and service easements. The unusual nature of this overall development raises some quite unique issues to be addressed by the Valuer-General in revaluing the land for the purposes of the Valuation of Land Act 1951 as at the relevant date, which was 1 July 1984.

In pursuing these objections, the objectors take no issue with the capital valuations attributed by the Valuer-General to each of the four lots. It is also agreed between the parties that if the properties were to be valued as one holding the appropriate land value would be \$4,000,000.00 as a single holding. The Valuer-General however has, as he is required to do under the Act, valued the lots comprised in each separate lot separately and arising from the techniques of valuation applied by the Valuer-General the sum of the four individual land values totals \$4,800,000.00. The objectors contend that for reasons detailed

in the evidence of Mr A C Stewart the sum of the four individual land values should total not more than \$4,000,000.00 being the value which it is agreed would represent the land value of the four lots if viewed as one whole. The difference in the land values proposed by the Valuer-General and Mr Stewart for the objectors respectively are as follows:-

Lots	Valuer-General Land Values	Mr Stewart Land Values
1	\$2,250,000.00	\$2,000,000.00
2	\$775,000.00)	\$1,250,000.00
4	\$850,000.00)	
3	\$925,000.00	\$850,000.00

We deal first with some particular considerations referable to Lot 2. The evidence satisfies us that without doubt Lot 2 is the least attractive of the four lots if viewed as being offered for sale on the open market as a vacant lot, or even indeed as a developed site. It offers extremely limited potential for retail development and for that is dependent on access through Lot 1 on to Lambton Quay. Its principal purpose is to provide a service and link block.

The remaining development which can provide any return to an investor is limited to two levels of car parking, being the top two levels of this lot below the platform for Lot 4. Access to this parking, however, is through Lot 4 via The Terrace frontage.

With these exceptions, Lot 2 only exists to provide extensive lift and numerous servicing facilities to the adjacent lots which, from an investment viewpoint, must be unattractive. This lot has a similar area but being situated below Lot 4, not having a frontage even to The Terrace and for the other reasons mentioned, must in our view attract a very much lower land value than that of Lot 4 not to mention Lots 1 and 3.

There are also a few features peculiar to Lot 4. Notable amongst these is the absence of an easement of support through Lot 2. We are in no doubt that this was a deliberate omission in the creation of this scheme and is distinguished from the existence of such an easement in favour of Lot 3 over Lot 1 on the Lambton Quay frontage. The absence of support for Lot 4 in all probability interaliarecognises the uniquely unattractive nature of Lot 2 for an investor. It is highly unlikely in our view that Lot 2 could, or would ever, be sold to any investor who was not also the owner of Lot 4. While Lots 2 and 4 remain in common ownership as at present, there is no need for an easement providing support for Lot 4. The absence of such an easement doubtless recognises that inevitably those two lots would remain in common ownership.

That, however, does not escape the fact that if, as required for the purposes of valuing the land in each lot, each is viewed separately then in order for Lot 4 to be separately saleable such an easement of support would first have to be negotiated and created through Lot 2 and the need for that is a detriment to both.

These particular detriments affecting especially Lot 2 and to a lesser degree Lot 4, satisfy us that in the overview of the land values to be attributed to each of these four lots, the land values of Lots 2 and 4 must be appreciably diminished especially in the case of Lot 2 in relation to the values of Lots 1 and 3. At this point we note that the Valuer-General, supported by Mr Ganley's evidence at the hearing, has attributed a land value of \$775,000.00 to Lot 2 and \$850,000.00 to Lot 4. All other matters aside, because of the unique disadvantages suffered by Lot 2 we do not consider the differential between these figures adequately reflects what would be the market reaction to Lot 2 if that lot were offered for sale as vacant land. That lot could, in our view, prove a difficult proposition to sell.

We turn now to consider the overall arrangement of this site divided into four lots together with the inter-related easements attaching to them. From the evidence we have heard, it seems

that this particular development may be quite unique. The site is a prime commercial site. It is sub-divided into four lots with the potential for up to three separate owners (assuming Lots 2 and 4 must remain in common ownership) and this has allowed for an excellent overall development combining a variety of uses. The corollary however is that each of the four lots is dependent for its viability upon the others by way of an intricate matrix of inter-connecting easements. Without detailing these easements, they include matters of access along with the many support systems and cost sharing arrangements essential for such a complex. Some of these easements can be readily identified as an advantage to certain areas of the development. Readily identifiable as such, is the benefit of access from both street frontages to the various lots through the other lots, thus increasing pedestrian traffic flow. However there are, in our view, clear disadvantages in other areas. Not only is each lot closely dependent upon the others through these easements but there are also tight constraints upon each of the owners as to what may be done in developing each lot when viewed, as we are required to do, as notionally vacant land. The purchasers of any one of these lots is not free to develop his investment in any way he may wish. Indeed, on examination, his options would be very limited.

These limitations can be illustrated by reference to two factors amongst many. An investor purchasing Lot 1 can only build a maximum of two levels above ground, whereas if Lot 1 were an unfettered freehold title in the normal course, he could develop to the maximum permitted by the Wellington City Council bylaws. Another clear illustration of these constraints arises if any of the buildings is damaged, in which event there are strict constraints upon the owner reinstating.

It was not mentioned in the evidence, but we feel it not improper to note in passing a subtle but in our view very real further restriction on the owners of these individual lots. Obsolescence finally overtakes all building developments requiring demolition and redevelopment.

That will ultimately apply to this development as to any other. However, because of the uniquely inter-dependent relationships created in this case any one owner who might feel the time for redevelopment has arrived because of diminishing returns or other causes affecting his particular building may nevertheless be locked into an increasingly unsatisfactory investment because of his inability to persuade the owners of the adjoining lots to combine at that time to embrace an overall redevelopment.

Such an owner could be in the invidious position of having to hang on indefinitely, sell his building at an unsatisfactory price or persuade the owners to sell their buildings to him so that he could then redevelop the whole site in common ownership. In our view any well informed, potential purchaser of the land contained in any of these four lots would consider the possibility of being locked in, in such circumstances at some future date as also an added detriment.

In support of the objections, the objectors adduced the evidence of Mr A G Stewart, who impresses as being a very competent and well qualified commercial valuer with a depth of experience in Wellington City spanning over 30 years. The kernel of his evidence is that while he accepts that a land value of \$4,000,000.00 is appropriate for this site if viewed as one single whole, he does not agree with the Valuer-General's proposition that if the land in the four individual lots is valued separately as required, that the sum of these four separate values exceeds the valuation of the site as one whole in the particular circumstances applying to this case.

Mr Stewart draws support for his view from an analysis of a number of cases given in his evidence where he has looked at

the capitalisation of net rentals. He maintains that this analysis demonstrates that net returns run in inverse ratio to capital values. From this, he concludes that portions of buildings with unit entitlements, strata titles or other basis of multiple ownership tend to command lower prices because of the effects of the restrictions and obligations inherent in these classes of tenure. He also maintains that the more complex restrictions and obligations become, the more these will detract from the market value of the property. He says investors in such tenures will require a higher return than from similar investments in a comparatively free and unencumbered title.

In support of his position he gave examples in Wellington City of sales of individual floors in office buildings with yields up to 9.8 per cent as compared with yields of 5.5 to 6.0 per cent for freehold properties of a similar nature.

Mr Stewart was not advancing this evidence to suggest that a conclusion as to land value in the separate lots under consideration can be drawn from evidence of capital values in the examples he gave, but simply to demonstrate that the market has shown an insistence on a higher return where the nature of the tenure involves restrictions. The corollary to that, he says, is that where there is such an inter-dependence in the nature of the tenure, value is diminished.

Mr Stewart gave in evidence no comparable land sales for the reason that there is agreement between the parties that if viewed as a single whole site the land in the subject site would be properly valued at \$4,000,000.00. As we understand it, he proceeded from that point and concluded that an examination of land sales evidence was superfluous because of the irresistible conclusion drawn from his valuation method just described, that when divided into four separate inter-dependent lots those four do not acquire a land value greater than the site would have if viewed as one whole.

Mr R M Ganley gave evidence for the Valuer-General and adopted a different approach. In order first to value the whole site as one, he has adopted a unit meter frontage value of \$68,000.00 per metre for the Lambton Quay frontage and \$34,000.00 per metre for The Terrace frontage. As those two frontages are not parallel he has applied various adjustments for depth together with other considerations to produce a rounded valuation of \$4,000,000.00. It is this figure which is accepted by the objectors as representing the land value as one entity.

Mr Ganley then described how the present subdivision into four separate freehold sites as Lots 1 to 4 inclusive on Deposited Plan 53407 arose from the original two lots. He described the improvements comprising the two level Quay Point retail block on Lot 1 with the Westpac Merchant Finance House above on Lot 3 and also the nine-level office tower block on The Terrace on Lot 4 with the service or link block of Lot 2 also incorporating two car parking levels and two shops. The total development provides a gross floor area of 13,652 square metres.

From there Mr Ganley has focused upon Section 8(2) of the Valuation of Land Act 1951 as amended in 1981. That section provides "For the purposes of this section any land that is capable of separate occupation may, if in the circumstances of the case it is reasonable to do so, be treated as separate property whether or not it is separately occupied."

In order to answer the requirements of that section, Mr Ganley has then examined certain sales evidence selected by him to reflect the market value of properties developed to provide predominantly office use and retail use respectively. He has then analysed that data and applied it both on a per square metre basis and on a per metre of frontage basis to the respective categories of land involved in the subject sites.

With one exception Mr Ganley's sales evidence is exclusively of freehold sites in the Cuba Street, Dixon Street general area for retail use and in the Lambton Quay, The Terrace and Featherston Street general areas for office use. With that one exception, in our view, that sales evidence is of most assistance in

determining the value of the land in the subject sites as one entity but that figure has been agreed at \$4,000,000.00 and is not in issue. None of this sales evidence addresses the question whether or not fractional interests in land particularly involving the complexities of the subject sites are likely to fetch a different price on the open market from the price which the whole of the land as one entity might fetch.

The exception to which we refer in the incorporation by Mr Ganley of a consideration of the sale in 1983 of a unit entitlement in the Caltex Tower building situated at 284 Lambton Quay. The tenure on that sale was a unit entitlement and is useful especially as a comparison with the NZIC Tower lot which is Lot 4 of the subject lots. However no analysis was attempted to establish the relationship between the price attracted in that sale and the value of the land in the whole site. Had such an analysis been provided some conclusion might have been drawn as to whether a fractional or unit entitlement attracted a value which was more than, the same as, or less than, a simple fraction of the value of the land as a whole. The incorporation of the Caltex Tower evidenced by Mr Ganley does not proceed far enough to assist in the question whether the sum of the four separate lots in the subject site should or should not equal the value of the site when viewed as one whole i.e. \$4,000,000.00.

Having considered all this sales evidence Mr Ganley made his time and other adjustments to the resulting rates which he then applied to the subject lots.

This approach differed markedly from Mr Stewart who has derived his values of the land in the subject four lots by considering net returns on invested capital and by adopting market rates of interest reflected in centre city commercial properties. It should be noted that the objectors do not contend that the four subject lots are to be valued as one whole but rather that by adopting Mr Stewart's valuation technique, which it is claimed is the appropriate one, the out turn of that approach demonstrates that if offered individually for sale on the open market the sum realised by the sale of the four subject lots would not exceed the sum which might have been realised had there been one sale of the land as one entity.

Whilst Mr Ganley no doubt considered this method as an approach to the problem this has not come out in his evidence.

The two valuers have charted different courses and arrived at somewhat different conclusions. On the one hand Mr Stewart recognising that the valuation of the land as one entity was not in dispute and contending that his market capitalisation approach was appropriate, found it unnecessary to analyse sales evidence in the way Mr Ganley has done. Mr Ganley however contending that an analysis of predominantly freehold sales evidence to derive certain rates to be applied to the subject lots was the appropriate technique, has not embarked upon a consideration of Mr Stewart's technique. The result of Mr Ganley's approach is to arrive at a higher value when the land is viewed as four separate lots compared with viewing the land as one whole.

By his technique Mr Stewart values the land improvements and capital value in each lot as follows, noting that he has combined Lots 2 and 4 because of their unique inter-dependence and likely common ownership in perpetuity for the reasons previously outlined.

Quay Point	LV	2,000,000
Lot 1	Impts	5,275,000
	Cap	7,275,000
NZIC House Lots 2 & 4	LV	1,250,000
	Impts	6,850,000
	Cap	8,100,000
Westpac Finance Lot 3	LV	850,000
	Impts	3,800,000
	Cap	4,650,000

Total	LV	4,100,000
	Impts	<u>15,925,000</u>
	Cap	\$20,025,000

We have recorded here the capital value of Lot 3 as being \$4,650,000. Mr Stewart's evidence at page 3 has that figure as \$4,150,000 but that is clearly a typing error.

Mr Canley's valuation is as follows:

Lot 1 DP 53407	Capital Value	8,000,000
	Land Value	2,250,000
	Value of Impts	5,750,000
Lot 2 DP 53407	Capital Value	800,000
	Land Value	775,000
	Value of Impts	25,000
Lot 3 DP 53407	Capital Value	4,500,000
	Land Value	925,000
	Value of Impts	3,575,000
Lot 4 DP 53407	Capital Value	7,000,000
	Land Value	850,000
	Value of Impts	6,150,000

As previously recorded and notwithstanding the result of \$4,100,000.00 in Mr Stewart's calculations both valuers agree that if the four lots were to be treated as one parcel, the valuation on the land can be accepted at \$4,000,000.00.

We remind ourselves again that the crucial question in this case is to consider whether the sum of the separate land values of the four individual parcels can reasonably be said to exceed the land value of these properties if viewed as one holding. Mr Stewart and Mr Ganley respectively, hold very firmly to opposing viewpoints on this issue.

The Tribunal respects Mr Ganley's approach to the problem and the reasons he has detailed for it. However, in the special circumstances relating to this particular case we favour the view that the individual parcels would not attract a higher price if offered on the market than their proportion of the whole. Mr Stewart argues very strongly for this view going even so far as to say that individually these particular parcels with their attendant inter-related easements could be worth less than the value of the land if viewed as one entity, because of the complexities of these easements and the reliance of each lot upon the others.

We agree with that proposition. We see that there are certain advantages accruing to each lot but we also see very considerable disadvantages arising from the way in which each owner is locked into a mutual dependency relationship resulting in the potential for having to accept a measure of inflexibility and obsolescence which would not be present in other schemes.

Those factors combine to form a matrix of restraint on each owner and we find Mr Stewart's conclusions as to the effect on land value which stem from his long experience in valuing commercial properties in Wellington City to be valid.

Given that the Quay Point development is a modern building with a frontage to Lambton Quay and The Terrace, it has been designed to its optimum division into four titles, has no doubt been done in the most appropriate way in the circumstances. Mr Stewart adopts \$4,000,000.00 as the total land value. It is therefore a matter of assigning appropriate land values to the individual titles to total \$4,000,000.00.

Lot 1 on Lambton Quay frontage is the site of Quay Point to a height of two floors and is undoubtedly the most valuable portion of the whole site. The second most valuable portion is clearly Lot 3 above Lot 1, comprising the Westpac Merchant Finance House with an appropriate allowance for variations in the land areas.

Lot 2 rising from ground level behind Lot 1 to just below the level of The Terrace is abundantly the least desirable of the four lots because of its siting at the rear and below. Indeed it could be viewed as being very difficult to sell to anyone on its own for the

reasons already outlined.

Lot 4, which is NZIG House, is a desirable site for an office tower rising from The Terrace frontage. We take account of this but have regard to the technical fault when viewing the prospect of a separate sale of the land comprised in this lot in that Lot 4 does not, at present, have an easement over Lot 2 for support.

Taking all matters into account we confirm the capital values of the four lots as proposed by the Valuer-General, this being not in issue and we direct adjustments in the land values of each lot as they appear on the roll as follows:

Lot 1	Capital Value	\$8,000,000.00
	Land Value	\$2000,000.00
	Value of Improvements	\$6,000,000.00
Lot 2	Capital Value	\$800,000.00
	Land Value	\$500,000.00
	Value of Impts	\$300,000.00
Lot 3	Capital Value	\$4,500,000.00
	Land Value	\$850,000.00
	Value of Impts	\$3,650,000.00
Lot 4	Capital Value	\$7,000,000.00
	Land Value	\$650,000.00
	Value of Impts	\$6,350,000.00

One final matter must be mentioned. Mr Orchard, for the Valuer-General draws support from the decision in *D H Rankin and Others v The Valuer-General*, a decision of the North Canterbury Land Valuation Tribunal 198/86. However, we agree with Mr Bornholdt's submission for the objectors that although Rankin's case involved consideration of a property which happened to be in unit titles the similarity between that case and the case in hand stops there. The issue in Rankin's case was not the same as in the present case but rather questioned whether under Sections 12 and 14 of the Valuation of Land Act 1951 the Valuer-General could in that case alter the valuation during the currency of the roll. That is not the issue here

IN THE HIGH COURT OF NEW ZEALAND WELLINGTON REGISTRY

M.233/89

IN THE MATTER of the Arbitration Act 1908

BETWEEN: GOVERNMENT LIFE INSURANCE CORPORATION a statutory corporation by virtue of the Government Life Insurance Act 1987 carrying on business in Wellington and elsewhere in New Zealand as a life insurer, Applicant
AND: WELLINGTON HOSPITAL BOARD a statutory corporation by virtue of the Hospitals Act 1957 carrying on business as a hospital administrator, Respondent

Hearing: 10 July 1989

Counsel: Jean E. Doull for Applicant; D R Broadmore for Respondent

Judgment: 13 July 1989

JUDGEMENT OF JEFFRIES J

This is an application brought by Government Life Insurance Corporation pursuant to s.6(2) of the Arbitration Act 1908. Government Life owns a building situated at 79 Boulcott Street, Wellington. It was agreed by way of heads of agreement in December 1981 that the owner would lease to the respondent Hospital Board (now properly described as Wellington Area Health Board, but hereafter referred to as "the Board") five floors of the building plus 15 permanent carparks. The term of

the lease was 30 years with no right of renewal, but with rental reviews at three year intervals. Apparently the contractual arrangements have rested on a heads of agreement which in view of the size of the demised premises and the length of the lease is surprising for a more elaborate agreement to lease has not been executed. The relevant clauses in the heads of agreement are as follows:

4. The lease shall provide for rent reviews at Three (3) yearly intervals, the first such date for review falling due Three (3) years as from the date rental first became payable. The rental for the second and subsequent rent review periods to be not less than the rental for the first 3 year period.
5. The market rent in respect of every three (3) year period shall be such amount as is mutually agreed upon at the commencement of the period in question or on behalf of the parties hereto. In the event of the two parties failing to so agree then the new rental shall be that as determined by an arbitrator (or 2 arbitrators and their umpire) operating under the provisions of the Arbitration Act 1908 and subsequent amendments.

I turn now to what actually occurred at the time of the most recent rental review. Both parties engaged valuers to act for each respectively. It appears the valuers were under the impression that they were acting as arbitrators in an arbitration. This matter has been discussed with counsel and they now agree that in terms of clause (5) when disagreement is reached between the parties, or on behalf of the parties, then at that point an arbitration should have been commenced. According to the second sentence of clause (5) there were two options which were either the appointment of a sole arbitrator, or two arbitrators and their umpire. It seems this had not been addressed by the parties for they never examined the possibility of appointing a sole arbitrator, or two arbitrators and their umpire to undertake an arbitration. It would seem the clause had not been drafted by a legally trained person. The two valuers appointed (one for each side) seemed to think they were in arbitration, but there is no such provision in clause (5) for two arbitrators acting together. It is either for a sole arbitrator or two arbitrators and an umpire, neither of which procedure occurred. The parties still request a decision from the court on the lessor's application for the appointment of a sole arbitrator or umpire pursuant to s.6 of the Arbitration Act. The background to that request is set out hereafter, but counsel assure the court the parties agree to accept the decision of the court on the problem that arose.

I was informed from the Bar that the valuers communicated with each other after appointment, but no formal hearing of any kind was embarked upon. The result of the communications was that they were unable to agree either on the market rent or on an umpire which was their understanding at the time was the next step. The point of disagreement on the umpire is about the professional qualification he should possess. In short, should he be another registered valuer (as contended for by the lessor, Government Life), or one possessing a predominantly legal background (as contended for by the lessee Board)? That is the issue for the court to decide at this stage.

Naturally Ms Doull in argument for the lessor relied upon a recent judgment *Harbour City Realities Limited v Hoosons Menswear Limited* (M.372/88, Wellington Registry, Heron J, 20 December 1988). In that case the same point as is now before the court was for decision but based on a materially different term in the agreement. In *Harbour City* the rental dispute was "...to be determined by two arbitrators being persons competent in rental valuations, one appointed by each party." There was a further provision that, "If they are unable to agree then an umpire appointed by the two arbitrators is to determine the rent." The two arbitrators could not agree on the professional qualifications of the umpire in the same way as there is a dispute in this case. On that occasion the lessor wished to have a lawyer and the lessee a valuer, which is the reverse of the present case. That, to an extent testifies to the openness of the issue of lawyer or valuer. It seems from the judgment of Heron J he was primarily

guided by the stipulation on qualifications of both arbitrators in the agreement. He said at p. 3:

In my view the umpire should be a valuer. I take that from the emphasis placed on the qualifications of the two arbitrators as requested by the lease in reaching that view, and the statement in Russell on Arbitrations, 20th Edition 236, to the effect:

An umpire is a person appointed to take over the reference from arbitrators who are unable to agree amongst themselves. In general, he is in the same position as a sole arbitrator, must be appointed in the same way and must possess the same qualifications or absence of disqualifications.

In the instant case there is no specified qualification in the agreement and, therefore, the choice is more open.

An affidavit was filed by the person acting for the lessor as the putative arbitrator in the first round. His independence before the court is questionable, as counsel for the lessee pointed out, and moreover his evidence had perhaps a tone of combativeness in his too plainly stated preference to the court for an umpire qualified in valuation. The issue is by no means as clear as that deponent thinks it is. The affidavit filed on behalf of the lessee was from its property consultant, but he is not involved in the arbitration. His view was for a lawyer.

The decision of the parties, the court was informed, is now to place the dispute in the hands of an umpire who will take over the reference and make the decision himself as if he were appointed as sole arbitrator. In the present state where the originally appointed arbitrators are in dispute on the market rent and cannot even agree on the qualifications of the umpire they are in a distinctly adversarial stance. In those circumstances this court is of the view a lawyer trained in balancing opposing viewpoints, especially when firmly held and expressed, is the better qualified. Furthermore the court largely rejects the contention of applicant's deponent that with a lawyer umpire the parties "would be required to educate the umpire to a degree of understanding of the principles of valuation." The parties in choosing a lawyer umpire would select one of sound commercial background in which an appreciable part of his experience would have been with property owning commercial clients. In his capacity as a lawyer throughout his professional life he would have been examining valuation reports not simply for rental reviews but for purposes over a wide spectrum of his practice. Such a lawyer becomes very familiar with the main strands of valuation theory even if he does not have the narrow technical expertise possessed by a qualified valuer. In addition it is to be hoped that in the role of sole arbitrator, or umpire, he would call up his education and experience of the necessity for fairness and impartiality when acting in any type of judicial function. So much more is that qualification available when the selection is of a person with conventional judicial experience as is suggested for this case. Moreover, in the years he or she would have sat as a judge there would have been countless times he or she would have been called upon to have at least a working knowledge and understanding of complex technical evidence. Likewise for a lawyer engaged in litigation in the courts.

I hasten to add that valuers throughout their professional lives are required to act fairly and impartially and have a sound grasp of those principles as well as the technicalities of valuations. The court opts for a predominantly legally trained umpire in this particular dispute because it has become plainly adversarial requiring a professional man familiar in dealing with such situations. As the parties have expressed their wish, notwithstanding the precise terms of clause (5) of the agreement, the court now appoints a sole arbitrator and it selects one of legal training or background.

I make no order for costs.

Solicitors for Applicant: Phillips Nicholson, Wellington
Solicitors for Respondent: Brandon Brookfield, Wellington

Professional Directory

NORTHLAND

COUTTS MILBURN & ASSOCIATES

REGISTERED VALUERS & PROPERTY CONSULTANTS
117 Bank Street, Whangarei.
P O Box 223, Whangarei.
Phone (089) 484-367, 484-655. Facsimile (089) 480-854
W A F Burgess, Dip V.F.M., A.N.Z.I.V.
C S Coutts, A.N.Z.I.V., F.R.E.I.N.Z.
G T Hanlon, V.P.U., A.N.Z.I.V.
V M Winiata, B. Comm (VPM)

MOIR ASSOCIATES

REGISTERED VALUERS
Kerikeri Office,
P o Box 254, Kerikeri.
Phone (0887) 78-500.
Paihia Office,
2nd Floor, Paihia Mall,
Marsden Road, Paihia, P o Box 264.
Phone (0885) 28-149.
G H Moir, Dip.Urb. Val., A.N.Z.I.V.
S R McNally, B.Ag.Sci., A.N.Z.I.V.

ROBISONS

REGISTERED VALUERS
17 Hatea Drive, Whangarei. P O Box 1093, Whangarei
Phone (089) 488-443, 489-599. Facsimile (089) 486-662 J
F Hudson, V.P.U., A.N.Z.I.V. M.P.M.I.
A C Nicholls, Dip.V.F.M., A.N.Z.I.V., M.N.Z.S.F.M. T
S Baker, V.P.U., A.N.Z.I.V.
G S Algie, Dip.Urb. Val., A.N.Z.I.V.

AUCKLAND

BAKER ROSS & ASSOCIATES

REGISTERED VALUERS & PROPERTY CONSULTANTS I
Minnea Avenue, Takapuna, Auckland 9.
P O Box 31 124, Milford, Auckland 9.
Phone (09) 498-744, 4182-707. Facsimile (09) 497-608 4180-286
Ross D Baker, A.N.Z.I.V

BARKER & MORSE LTD

REGISTERED VALUERS
Westpac Plaza, Moana Avenue,
P O Box 15, Orewa.
Phone (0942) 65-062, 64-194.
L W Barker, Dip.Urb.Val., A.N.Z.I.V.
M P Morse, B.Ag.Com., A.N.Z.I.V.

BARRATT-BOYES, JEFFERIES

REGISTERED VALUERS AND PROPERTY CONSULTANTS
4th Floor, Quay Tower, 29 Customs Street, Auckland.
P O Box 6193, Wellesley Street, Auckland.
Phone (09) 773-045, 797-781 Facsimile 797-782
D B C Barratt-Boyes, B.A. (Hons), F.N.Z.I.V.
R L Jefferies, Dip.Urb.Val., B.C.A., F.N.Z.I.V., M.P.M.I. R
W Laing, A.N.Z.I.V., A.R.E.I.N.Z.
M A Norton, Dip.Urb.Val.(Hons), A.N.Z.I.V.

C.F. BENNETT (VALUATIONS) LTD -

REGISTERED VALUERS AND PROPERTY CONSULTANTS
9th Floor, Countrywide Centre,
280 Queen Street, Auckland.
P O Box 5000, Auckland 1.
Facsimile (09) 732-367.
Phone (09) 799-591 395-463
R M McGough, Dip.Urb.Val.,F.N.Z.I.V., M.P.M.I.
A G Hilton, M.D.A., A.N.Z.I.V.
L V Brake, A.N.Z.I.V.
R M Ganley, Dip Val., A.N.Z.I.V.

D E BOWER & ASSOCIATES LTD

REGISTERED VALUERS AND PROPERTY CONSULTANTS
First Floor, Windsor Castle Tavern, Car Parnell Rd & Windsor St P o
Box 37-622, Auckland
Phone (09) 390-130. Facsimile (09) 390-556
David E Bower, Dip.UrbVal., A.N.Z.I.V., A.R.E.I.N.Z., A.N.Z.I.M.
M.P.M.I.

BROCK & CLAPCOTT VALUATIONS LTD

REG VALUERS, PROPERTY CONSULTANTS & MANAGERS
15 Anzac Street, Takapuna.
P O Box 33-796, Takapuna.
Phone (09) 499-277, 498-589, 460 005. Facsimile 497-191, DX 570. C
E Brock, A.N.Z.I.V., A.R.E.I.N.Z., A.N.Z.I.M.
G J Clapcott, Dip.Urb.Val., A.N.Z.I.V.

MICHAEL T CANNIN-

REGISTERED VALUER AND PROPERTY CONSULTANT I
Herbert Street, Takapuna.
Phone(09)498-517.
M T Cannin, A.N.Z.I.V., A.C.I.S.

DARROCH & CO LTD

CONSULTANTS & VALUERS IN PROPERTY, PLANT &
MACHINERY
I Shea Terrace, Takapuna, Auckland 9.
P O Box 33-227, Takapuna, Auckland 9.
Phone (09) 461-677. Facsimile (09) 463-246 DX 3027.
N K Darroch, F.N.Z.I.V., Dip.V.F.M.,Val.ProfUrb.,M.P.M.I.
A.C.I.Arb.
R I Forsyth, A.N.Z.I.V., Dip.Urb.Val.
W D Godkin, A.N.Z.I.V.
S B Molloy, A.N.Z.I.V., Dip.Urb.Val.
E B Smithies, A.N.Z.I.V.
A S Bruce, B.P.A.
J D Darroch, B.Com.(Ag.) Dip.V.F.M.
W W Kerr, A.N.Z.I.V., Dip. V.F.M.
C T Munting B Com, V.P.M.
L.M.Parlane, B.B.S
C J Redman, B.B.S. Dip B.S.
A J Senojak, B.P.A.
C R Gemmell, B.Com (Ag).
L M Freeman, M. Corn (V.P.M.) Hons.
A A Alexander
C Scoullar

EDWARD RUSHTON NEW ZEALAND LIMITED

5, Owens Rd, Epsom, Auckland.
P o Box 26-023, DX6910 Epsom.
Phone (09) 609-595, Facsimile (09) 604-606 W J
Carlton, Dip.Ag., Dip.V.F.M., A.N.Z.I.V. L M
Gunn, A.N.Z.I.V., A.R.E.I.N.Z.
R D Lawton, Dip.Urb.Val.(Hon.), A.N.Z.I.V.
M X Martin, A.N.Z.I.V., F.R.E.I.N.Z.
D N Symes, Dip.UrbVal., A.N.Z.I.V. (Manager)
M L Thomas, Dip.Urb.Val., A.N.Z.I.V.
S H Abbott, A.N.Z.I.V., F.R.E.I.N.Z. (Consultant) H
F G Beeson, Dip.Urb.Val., A.N.Z.I.V., F.H.K.I.S. D
A Culav, Dip.Urb.Val., A.N.Z.I.V.
D J Slatter, B Ag., Dip Val, Prop Mgmt.

EYLES, PURDY & CO. LIMITED-

REGISTERED VALUERS AND PROPERTY CONSULTANTS
Level 9, Ceramco House,
57 Fort Street, Auckland 1,
P O Box 2729, Auckland 1, DX 7.
Phone 34-872, 389-110. Facsimile (09) 379-054.
Russell Eyles, V.P.Urb., A.N.Z.I.V.
Richard A Purdy, V.P.Urb., A.N.Z.I.V. John W
Charters, V.P.(Urb & Rural), A.N.Z.I.V. S Nigel
Dean, Dip.Urb.Val., A.N.Z.I.V.
Perry G Heavey, V.P.Urb., A.N.Z.I.V.
Roger J Pheasant, Dip Urb Val., A.N.Z.I.V.
Alan D Roberts, Dip Val., A.N.Z.I.V.,M.P.M.I.
Jack L Langstone, V P Urb., A.N.Z.I.V.
Mary-Jo Patterson, BComm.(V.P.M.)
Bruce H Waite, BComm.(V.P.M.)

Direct all correspondence for Professional Directory to General Secretary, NZ Institute of Valuers, PO Box 27-146. Wellington.

GUY, STEVENSON & PETHERBRIDGE

PROPERTY CONSULTANTS
AND REGISTERED VALUERS

21 East Street, Papakura, P o Box 452, Papakura.
Phone (09) 299-7406, 299-6152.

2nd Floor, 3 Osterley Way, Manukau City. P

0 Box 76-081, Manukau City.

Phone (09) 277-9529.

A D Guy, Val.Prof.Rural., F.N.Z.I.V.

K G Stevenson, Dip.V.F.M., Val.Prof.Urb., A.N.Z.I.V.

P D Petherbridge, M.N.Z.I.S., Dip.Urb.Val., A.N.Z.I.V.

R.O. Peters, BBS, Dip. Bus. Stud., Reg.Val.

HARCOURT VALUATIONS LTD

REGISTERED VALUERS

D F C Buiding, 350 Queen Street, Auckland.

P O Box 5872, Auckland.

Phone (09) 398-414. Facsimile 371-391. M

T Sprague, Dip. Urb. Val., A.N.Z.I.V. J M

Dunn, A.N.Z.I.V.

R F Blackmore, B.B.S.

D J Regal, B.P.A.

I Pike, B Com.

HOLLIS & SCHOLEFIELD

REGISTERED VALUERS, FARM
MANAGEMENT CONSULTANTS

Queen Street, Warkworth.

P O Box 165, Warkworth.

Phone (0846) 8810.

Station Road, Weisford.

P O Box 121, Weisford.

Phone (08463) 8847.

R G Hollis, Dip.V.F.M., F.N.Z.S.F.M., A.N.Z.I.V.

G W H Scholefield, Dip.V.F.M., F.N.Z.I.V.

JENSEN, DAVIES & CO LTD

PROPERTY CONSULTANTS, MANAGERS &
REGISTERED VALUERS

349 Remuera Road, Remuera, Auckland.

P o Box 28-344, Remuera, Auckland 5, DX 5303.

Phone (09) 502-2729, 545-992, 546-012.

Facsimile (09) 504-700.

Rex H Jensen, Dip.Urb.Val., F.N.Z.I.V. M.P.M.I.

Alan J Davies, Dip.Urb.Val., A.N.Z.I.V.

Dana A McAuliffe, V.PUR., A.N.Z.I.V.

David R Jans, Dip.Urb.Val., A.N.Z.I.V.

Bruce W Somerville, Dip.Urb.Val., A.N.Z.I.V., A.R.E.I.N.Z.,
M.P.M.I.

Philip E Brown, Dip.Urb.Val., A.N.Z.I.V.

Ian R Armitage, V.PUR., A.N.Z.I.V.

JONES LANG WOOTTON LIMITED

VALUERS, INTERNATIONAL PROPERTY CONSULTANTS
AND MANAGERS, LICENSED REAL ESTATE DEALERS

Downtown House, Auckland. PO Box 165, Auckland.

Phone (09) 396-382 Facsimile (09) 397-628

J P Dunn, Dip.Urb.Val., A.N.Z.I.V., A.R.E.I.N.Z., M.P.M.I.

R L Hutchison, Dip.Urb.Val., A.N.Z.I.V., M.P.M.I.

C J Loughlin, Dip.Urb.Val., A.N.Z.I.V., A.S.L.E., M.P.M.I. S

Borich, Val.Prof.Urb., A.N.Z.I.V., A.R.E.I.N.Z., M.P.M.I. A

V Pittar, B.Com.Ag(V.F.M.).

S Y T Chung, B.P.A.

G A Burns, B.P.A.

A J Harris, B.Sc., B.P.A.

P D Todd, B.P.A.

D L Harrington, B.Com(V.P.M.).

PETER J MAHONEY & COMPANY LIMITED

PROPERTY INVESTMENT CONSULTANTS
AND REGISTERED VALUERS

7th floor, Wyndham Towers, cur Wyndham & Albert
Streets ,Auckland.

P.O. Box 6144,Auckland

Phone (09) 734-990, Facsimile (09) 389-157. Peter J

Mahoney, Dip.Urb. Val., F.N.Z.I.V., M.P.M.I. Geoff S

Quaife, BA.Com, Dip V.P.M., A.N.Z.I.V. John A

Churton, Dip.Urb.Val., A.N.Z.I.V.

MITCHELL HICKEY LYONS& ASSOCIATES

REGISTERED VALUERS AND PROPERTY CONSULTANTS

153 Lake Road, Takapuna, Auckland 9.

P O Box 33-676, Takapuna, Auckland 9.

Phone (09) 456-212 DX 3037 Facsimile (09) 452 792 J

B Mitchell, Val.Prof., A.N.Z.I.V.

J A Hickey, Dip.Urb.Val., A.N.Z.I.V.

L P Lyons, Dip.Urb.Val., A.N.Z.I.V.

C M Keeling, B.P.A.

PLATT AMESBURY & CO

REGISTERED VALUERS

Level 4 Financial Focus House

235 Broadway, Newmarket, Auckland 1.

P O Box 9195 or DX 5006, Newmarket, Auckland 1.

Phone (09) 542-390, 502-2873. Facsimile (09) 547 310

Phillip R Amesbury, Dip.Urb.Val., A.N.Z.I.V.

Eileen Fong, Dip.Urb.Val., A.N.Z.I.V.

ROBERTSON, YOUNG, TELFER (NORTHERN)LTD

PROPERTY INVESTMENT CONSULTANTS, ANALYSTS &
REGISTERED VALUERS

7th Floor, D.F.C. House,

Cur. 350 Queen & Rutland Streets, Auckland.

P O Box 5533, Auckland. DX 1063

Phone (09) 798-956. Facsimile (09) 395-443.

R Peter Young, BCom., Dip.Urb.Val., F.N.Z.I.V., M.P.M.I.

M Evan Gamby, Dip.Urb.Val., F.N.Z.I.V., M.P.M.I.

Bruce A Cork, Dip.Urb.Val., A.N.Z.I.V., F.H.K.I.S., A.R.E.I.N.Z. T

Lewis Esplin, Dip.Urb.Val., A.N.Z.I.V.

Ross H Hendry, Dip.Urb.Val., A.N.Z.I.V.

Trevor M Walker, Dip.Val., A.N.Z.I.V.

Iain W Gribble, Dip.Urb.Val., F.N.Z.I.V.

Keith G McKeown, Dip.Val.

Guy A Perrett, B.P.A.

Margrit de Man, B.P.A.

Consultant: David H Baker, F.N.Z.I.V.

SEAGAR & PARTNERS

PROPERTY CONSULTANTS & REGISTERED VALUERS

Level 3, 71 Symonds Street,

(Georgeson Bravo Tower), Auckland

Phone (09) 392-116, 392-117. Facsimile (09) 392-471

137 Kolmar Road, Papatoetoe.

P O Box 23-724, Hunters Comer.

Phone (09) 278-6909, 277-9369. Facsimile (09) 278-7258

22 Picton Street, Howick.

P O Box 38-051, Howick.

Phone (09) 535-4540.

C N Seagar, Dip.Urb.Val., A.N.Z.I.V., M.P.M.I. J M

Kingstone, Dip.Urb.Val., Dip.V.F.M., A.N.Z.I.V. M A

Clark, Dip.Val., A.N.Z.I.V.

A J Gillard, Dip.Val., A.N.Z.I.V.

A Appleton, Dip.Urb.Val., A.N.Z.I.V.

W G Priest, B.Ag Com., A.N.Z.I.V.

P D Reynolds, B. Ag Com., A.N.Z.I.V. I

R McGowan, B.Com.(V.P.M.)

0 Westerlund, B.P.A.

SHEARMAN ASSOCIATES LTD

REGISTERED VALUERS & PROPERTY MANAGERS

Level 2, 2 Queen St, P O Box 656, Auckland 1.

Phone (09) 366-7238. Facsimile (09) 395-336

G J Shearman, A.N.Z.I.V., M.P.M.I.

Direct all correspondence for Professional Directory to General Secretary, NZ Institute of Valuers, PO Box 27-146. Wellington.

SHELDON & PARTNERS

REGISTERED VALUERS

GRE Building, Ground Floor, 12-14 Northcroft St., Takapuna. P
O Box 33-136, Takapuna.

Phone (09) 491-661, 491-818, 496-332. Facsimile (09) 495-610

Partners:

R M H Sheldon, A.N.Z.I.V., N.Z.T.C.

A S McEwan, Dip.Urb.Val., A.N.Z.I.V.

B R Stafford-Bush, B.Sc., Dip.B.I.A., A.N.Z.I.V. J

B Rhodes, A.N.Z.I.V.

Associates:

G W Brunson, Dip.Val. A.N.Z.I.V.

J G Edwards, B.P.A.

S H Roberts, Dip.Val. A.N.Z.I.V.

DOUGLAS MAITLAND SMITH & ASSOC. -

REGISTERED PUBLIC VALUER

& PROPERTY CONSULTANTS

Ist Floor, Queens Arcade, 34 Queen St. Auckland 1 P

O Box 6323, Auckland 1.

Phone (09) 770-422

St Helier, Auckland 5

4/91 Long Drive

PO Box 6323, Auckland 1

Phone (09) 770-422 A/H (09) 559-577

Douglas Maitland Smith A.N.Z.I.V.

STACE BENNETT LTD

REGISTERED VALUER AND

PROPERTY CONSULTANT

97 Shortland Street, Auckland 1.

P O Box 1530, Auckland 1.

Phone (09) 33-484. Facsimile (09) 770 668

R S Gardner, F.N.Z.I.V., A.R.E.I.N.Z.

R A Fraser, A.N.Z.I.V., A.R.E.I.N.Z.

A R Gardner, A.N.Z.I.V.

J G Dalzell, BPA.

SIMON G THOMPSON & ASSOCIATES

REGISTERED VALUERS

& PROPERTY CONSULTANTS

P O Box 99, DX Box 10-505

Warkworth.

Phone (0846) 7453. Facsimile (0846) 7900

Simon G Thompson, Dip.Urb. Val, A.N.Z.I.V.

TSE GROUP LTD

REGISTERED VALUERS & PROPERTY CONSULTANTS

Owens House, 6 Harrison Road,

Heritage Park, Mt Wellington.

P.O.Box 6504. Auckland

Phone (09) 525-2214. Facsimile (09) 525-2241

D.J. Henty, Dip.Val., A.N.Z.I.V.

WAIKATO

ARCHBOLD & CO.

REGISTERED VALUERS AND PROPERTY

MANAGEMENT CONSULTANTS

37 Thackeray Street, Hamilton.

P O Box 9381, Hamilton.

Phone (071) 390-155.

D J o Archbold, J.P., F.N.Z.I.V., M.P.M.I., Dip.V.F.M.

K B Wilkin, A.N.Z.I.V., Dip.Ag., Dip.V.F.M.

BEAMISH AND DARRAGH

REGISTERED VALUERS AND

FARM MANAGEMENT CONSULTANTS P

O Box 132, Te Awamutu

Phone (07) 871-5169

CR Beamish, Dip V.F.M., AN.Z.I.V., M.N.Z.S.F.M.

J D Darragh, Dip Ag., Dip V.F.M., A.N.Z.I.V. Reg'd.M.N.Z.S.F.M.

CURNOW TIZARD

REGISTERED VALUERS AND PROPERTY CONSULTANTS

1st Floor, Arcadia Building, Worley Place. P O Box 795, Hamilton.

Phone (071) 383-232. Facsimile (071) 395-978

Geoff W Tizard, A.N.Z.I.V., A.Arb.I.N.Z., B.Agr.Comm.

Phillip A Curnow, A.N.Z.I.V., A.Arb.I.N.Z., M.P.M.I.

DYMOCK & CO -

REGISTERED PUBLIC VALUERS

P O Box 4013, Hamilton.

Phone (071) 395-043.

Wynne F Dymock, A.N.Z.I.V., Val.Prof.Rur., Dip.Ag.

FINDLAY & CO

REGISTERED PUBLIC VALUERS

PO Box 4404. Hamilton

Phone (071) 395 063

James T Findlay, A.N.Z.I.V., M.N.Z.S.F.M. DipVFM, Val (Urb) Prof

D E FRASER -

REGISTERED VALUER & FARM MGMT CONSULTANT

86, Alpha St, P. o Box 156, Cambridge.

Phone (071) 275-089

Donald Fraser, Dip. V.F.M. A.N.Z.I.V., M.N.Z.S.F.M.

HARCOURT VALUATIONS LTD

REGISTERED VALUERS AND PROPERTY CONSULTANTS

Clifton House, 846, Victoria Street, Hamilton.

P o Box 9325, Hamilton North.

Phone (071) 395-085

A E Sloan, B.Com (Val & Prop Management)

JORDAN, GLENN & ASSOCIATES

REGISTERED VALUERS AND PROPERTY CONSULTANTS

207 Mary Street, Thames. P o Box 500, Thames.

Phone (0843) 88-963.

M J Jordan, A.N.Z.I.V., Val.Prof.Rural, Val.ProfJrb. J

L Glenn, B.Agr.Comm., A.N.Z.I.V.

LUGTON, HAMILL & ASSOCIATES

REGISTERED VALUERS,

PROPERTY CONSULTANTS

P.O.Box 9020, Hamilton. Phone 383-181

1000 Victoria Street, Hamilton.

David B Lugton, Val.Prof., F.N.Z.I.V., F.R.E.I.N.Z., A.C.I.Arb.

M.P.M.I.

Brian F Hamill, Val Prof., A.N.Z.I.V., A.R.E.I.N.Z., A.C.I.Arb.,

M.P.M.I.

Kevin F O'Keefe, Dip.Ag., Dip V.F.M., A.N.Z.I.V.

MCKEGG & CO

REGISTERED PUBLIC VALUERS

POBox 1271 Hamilton.

Phone (071) 299-829

Hamish M McKegg, A.N.Z.I.V., Dip.V.F.M., Val.ProfUrb.

J R SHARP

REGISTERED VALUER

12 Garhwood Road, Hamilton. P O Box 11-065, Hillcrest, Hamilton.

Phone (071) 63-656.

J R Sharp, Dip.V.F.M., F.N.Z.I.V., M.N.Z.S.F.M.

ROBERTSON YOUNG TELFER (NORTHERN)

PROPERTY INVESTMENT CONSULTANTS,

ANALYSTS & REGISTERED VALUERS

Regency House, Ward Street, Hamilton.

PO Box 616, Hamilton

Phone (071) 390-360 Facsimile (071) 390-755

B J Hilson, A.N.Z.I.V., M.P.M.I., A.R.I.C.S., F.S.V.A.

D J Saunders, B. Com. (V.P.M.), A.N.Z.I.V.

R J Lockwood, Dip V.F.M., A.N.Z.I.V., M.N.Z.S.F.M.

Direct all correspondence for Professional Directory to General Secretary, NZ Institute of Valuers, PO Box 27-146. Wellington.

RONALD J SIMPSON LTD

REGISTERED VALUER, REGISTERED FARM MANAGEMENT CONSULTANT, FARM SUPERVISOR.
306 Alexandra Street, Te Awamutu.
P. O. Box 220, Te Awamutu.
Phone (07) 871-3176 FAX (07) 871-3675
Ron Simpson, Dip.V.F.M., A.N.Z.I.V., M.N.Z.S.F.M.

SPORLE, BERNAU & ASSOCIATES - REGISTERED VALUERS, PROPERTY CONSULTANTS

Federated Fanners Building, 169 London Street, Hamilton. P
O Box 442, Hamilton.
Phone (071) 80-164.
P D Sporle, Dip.V.F.M., A.N.Z.I.V., M.N.Z.S.F.M. T J Bernau,
Dip.Mac., Dip.V.F.M., F.N.Z.I.V., M.N.Z.S.F.M. L W
Hawken, Dip.V.F.M., Val.ProfUrb., A.N.Z.I.V.

ROTORUA/BAY OF PLENTY

CLEGHORN, GILLESPIE JENSEN & ASSOCIATES

REGISTERED VALUERS AND PROPERTY CONSULTANTS
Quadrant House, 77 Haupapa Street, Rotorua.
P O Box 2081, Rotorua.
Phone (073) 476-001, 489-338. Facsimile (073) 476-191.
W A Cleghorn, F.N.Z.I.V.
G R Gillespie, A.N.Z.I.V.
M J Jensen, A.N.Z.I.V.
D I Janett, Dip.V.F.M., A.N.Z.I.V.

C B MORISON LTD

(INCORPORATING G F COLBECK & ASSOCIATES)
REGISTERED VALUERS, ENGINEERS & PROPERTY
DEVELOPMENT ADVISERS
107 Heu Heu Street, Taupo. P O Box 1277, Taupo.
Phone (074) 85-533. Facsimile (074) 80-110
G B Morison, B.E.(Civ), M.I.P.E.N.Z., M.L.C.E., A.N.Z.I.V.
G.W. Banfield B.Agr.Sci., A.N.Z.I.V.

JONES, TIERNEY & GREEN

PUBLIC VALUERS & PROPERTY CONSULTANTS
Appraisal House, 36 Cameron Road, Tauranga. P
O Box 295, Tauranga.
Phone (075) 81-648, 81-794. Facsimile (075) 80-785
Peter Tierney, Dip.V.F.M., F.N.Z.I.V.
Leonard T Green, Dip.Urb.Val., A.N.Z.I.V. J
Douglas Voss, Dip.V.F.M., A.N.Z.I.V.
T Jarvie Smith, A.R.I.B.A., A.N.Z.I.V., A.N.Z.I.A.
Murray R Mander, Dip.V.F.M., F.N.Z.I.V.
David F Boyd, Dip.V.F.M., A.N.Z.I.V.
Malcolm P Ashby, B.Agr.Comm., A.N.Z.I.V.

GROOTHUIS, STEWART, MIDDLETON & PRATT

REGISTERED VALUERS, URBAN &
RURAL PROPERTY CONSULTANTS
18 Wharf Street, Tauranga
P O Box 455, Tauranga
Phone (075) 84-675, 81-942. 779-607
Maunganui Road, Mount Maunganui.
Phone (075) 56-386.
Jellicoe Street, Te Puke
Phone (075) 38-220.
H J Groothuis, A.N.Z.I.V., M.P.M.I.
H K F Stewart, A.N.Z.I.V., M.P.M.I., A.C.I.Arb.
J L Middleton, A.N.Z.I.V., B.Agr.Sc., M.N.Z.I.A.S.
A H Pratt, A.N.Z.I.V., M.P.M.I.
J R Weller, B.Agr.Com

JOHN C KERSHAW

REG. PUBLIC VALUER &
PROPERTY CONSULTANT
86 Pukuatua St, Rotoma. Phone (073) 470-838
John C Kershaw, A.N.Z.I.V., Dip.Urb.Val.

McDOWELL & CO.

REGISTERED VALUERS
90 Eruera Street, Rotoma.
P O Box 1111, Rotorua.
Phone (073) 484-159. Facsimile (073) 447-071. DX 11411 I G
McDowell, DipU.V., A.N.Z.I.V., A.R.E.I.N.Z., M.P.M.I. R G
Ashton, A.N.Z.I.V.

REID & REYNOLDS REGISTERED VALUERS

13 Amohia Street, Rotorua.
P O Box 2121, Rotorua.
Phone (073) 81-059.
Ronald H Reid, A.N.Z.I.V.
Hugh H Reynolds, A.N.Z.I.V.
Grant A Utteridge, A.N.Z.I.V.

VEITCH & TRUSS

REGISTERED VALUERS
1st Floor, 4-8 Heu Heu Street, Taupo.
P O Box 957, Taupo.
Phone (074) 85-812.
James Sinclair Veitch, Dip.V.F.M., Val.ProfUrban, A.N.Z.I.V.
Donald William Truss, DipUrb.Val., Reg.Valuer,
A.N.Z.I.V., M.P.M.I.

GISBORNE

BALL & CRAWSHAW

REG VALUERS, AND PROPERTY CONSULTANTS
60 Peel Street, Gisborne.
P O Box 60, Gisborne.
Phone (079) 79-679. Facsimile (079) 79-230
R R Kelly, A.N.Z.I.V.

LEWIS & WRIGHT

ASSOCIATES IN RURAL AND URBAN VALUATION, FARM
SUPERVISION, CONSULTANCY, ECONOMIC SURVEYS
139 Cobden Street, Gisborne.
P O Box 2038, Gisborne.
Phone (079) 79-339.
T D Lewis, B.Agr.Sc., M.N.Z.S.F.M.
P B Wright, Dip.V.F.M., A.N.Z.I.V., M.N.Z.S.F.M.
G H Kelso, Dip.V.F.M., A.N.Z.I.V.
T S Lupton, B.Hort.Sc.

HAWKE'S BAY

ANDREW NURSE

REGISTERED VALUER, REGISTERED FARM
MANAGEMENT CONSULTANT
Cnr Bower & Raffles Streets, Napier.
P O Box 221, Napier.
Phone (070) 356-696. Facsimile (070) 350-557 Ext. 810.
W A Nurse, B.Agr.Com., A.N.Z.I.V., M.N.Z.S.F.M.

GLYN M JONES

REGISTERED PUBLIC VALUER, REGISTERED FARM
MANAGEMENT CONSULTANT
102 Thompson Road, Napier.
P O Box 7039, Taradale, Napier. Telex NZ 31-569
Phone (070) 358-873. Facsimile (070) 350-448
Glyn M Jones, Dip.V.F.M., A.N.Z.I.V., M.N.Z.S.F.M.,
M.N.Z.A.S.C., Soil Con. Cert.

LOGAN STONE

REGISTERED PUBLIC VALUERS, PROPERTY
MANAGEMENT CONSULTANTS
209 Queen St East, Hastings.
P O Box 914, Hastings.
Phone (070) 66-401. Fax (070) 63-543
Gerard J Logan, B.Agr.Com., A.N.Z.I.V., M.N.Z.S.F.M.
Roger M Stone, A.N.Z.I.V., M.P.M.I.
Graeme J McGregor, B.Comm, V.P.M.
Phillip J White, B.P.A.

Direct all correspondence for Professional Directory to General Secretary, NZ Institute of Valuers, PO Box 27-146. Wellington.

MORICE & ASSOCIATES

REGISTERED VALUERS, REGISTERED FARM
MANAGEMENT CONSULTANTS
80 Station Street, Napier.
P o Box 320, Napier.
Phone (070) 353-682. Facsimile (070) 357-415 S D
Morice, Dip.V.F.M., A.N.Z.I.V., M.N.Z.S.F.M. S J
Mawson, A.N.Z.I.V., Val.Prof.Urb.
C.D. Devine, B.Ag.Com.

RAWCLIFFE & PLESTED

REGISTERED PUBLIC VALUERS
116 Vautier Street, Napier.
P o Box 572, Napier.
Phone (070) 356-179, Facsimile (070) 356-178
T Rawcliffe, F.N.Z.I.V.
M C Plested, A.N.Z.I.V.
M I Penrose, A.N.Z.I.V., V.P.U., Dip.V.F.M.

SIMKIN & ASSOCIATES LTD

REGISTERED VALUERS, PROPERTY
CONSULTANTS AND MANAGERS
18 Dickens Street, Napier.
P o Box 23, Napier.
Phone (070) 357-599. Facsimile (070) 357-596 Dale
L Simkin, A.N.Z.I.V., A.R.E.I.N.Z., M.P.M.I. Dan
W J Jones, B.B.S., Dip. Bus.Admin.

NIGEL WATSON

REGISTERED VALUER, REGISTERED FARM
MANAGEMENT CONSULTANT.
HBF Building, 200W Queen St, Hastings.
P.O.Box 1497, Hastings.
Telephone ((Y70) 62-121. Facsimile (070) 63-585
N.L. Watson, Dip.V.F.M.,A.N.Z.I.V., M.N.Z.S.F.M.

TARANAKI

HUTCHINS & DICK LTD

REGISTERED VALUERS, PROPERTY
INVESTMENT CONSULTANTS.
53 Vivian Street, New Plymouth.
P O Box 321, New Plymouth.
Phone (067) 75-080. Facsimile (067) 78-420
117-119 Princess Street, Hawera.
Phone (062) 88-020.
Frank L Hutchins, Dip.Urb.Val., A.N.Z.I.V.
A Maxwell Dick, Dip.V.F.M., Dip.Agr.,A.N.Z.I.V.
Mark A Muir, V.P.Urb., A.N.Z.I.V.
Mark D Bamford, Dip.Urb.Val., A.N.Z.I.V.
Ian D Baker, V.P.Urb., A.N.Z.I.V.

LARMERS

REGISTERED VALUERS, PROPERTY MANAGERS
AND CONSULTANTS
51 Dawson Street, New Plymouth.
P O Box 713, New Plymouth.
Phone (067) 75-753. Facsimile (067) 89-602
J P Larmer, Dip.V.F.M., Dip.Agr., F.N.Z.I.V., M.N.Z.S.F.M.
R M Malthus, Dip.V.F.M., Dip.Agr., V.P.Urb., A.N.Z.I.V.
P M Hinton, V.P.Urb., Dip.V.P.M., A.N.Z.I.V., M.P.M.I.
M A Myers, B.B.S.(V.P.M.)A.N.Z.I.V.

WANGANUI

BYCROFT PETHERICK LTD

REGISTERED VALUERS AND ENGINEERS, ARBITRA
TORS AND PROPERTY MANAGEMENT CONSULTANTS
162 Wicksteed Street, Wanganui.
Phone (064) 53-959. Facsimile (064) 54-111
Laurie B Petherick, BE, M.I.P.E.N.Z., A.N.Z.I. V.
Derek J Gadsby, BBS (Vln & Ppty Mgt), Reg'd Valuer.

SPOONER FAULKNER VALUATIONS LTD-

REGISTERED VALUERS & PROPERTY CONSULTANTS
Room 1, Bell House, 3 Bell Street, Wanganui.
P o Box 456, Wanganui.
Phone (064) 58-121. Facsimile (064) 56-877.
A J Faulkner, A.N.Z.I.V., M.P.M.I.
R S Spooner, B.B.S., A.N.Z.I.V.

HUTCHINS & DICK

REGISTERED VALUERS, PROPERTY INVESTMENT
CONSULTANTS,
Comer Rutland St/Market Place, Wanganui.
P o Box 242, Wanganui.
Phone (064) 58-079 Facsimile (064) 57-660
ANZ Building, Broadway, Manon.
Phone (0652) 8606
Andrew W Walshaw, Dips. Agr. & Farm Mgmt., Dip.Val. & Ppty.
Mgmt., A.N.Z.I.V.

CENTRAL DISTRICTS

TREVOR D FORD

REGISTERED VALUERS
82 Fergusson Street, Feilding.
P O Box 217, Feilding.
Phone (063) 38-601.
Michael T D Ford, A.N.Z.I.V., A.R.E.I.N.Z.
M R Tregonning, Dip.Agr., Dip.V.F.M.

COLIN V WHITTEN

REGISTERED VALUER & PROPERTY CONSULTANT P
O Box 116, Palmerston North.
Phone (063) 76-754.
Colin V Whitten, A.N.Z.I.V., F.R.E.I.N.Z.

HARCOURT VALUATIONS LTD

REGISTERED VALUERS
109 Fitzherbert Avenue,
P O Box 109, Palmerston North.
Phone (063) 62-314. Facsimile 64-038.
T H C Taylor, Dip.Bus.Ad., A.N.Z.I.V., M.P.M.I.

MACKENZIE TAYLOR & CO

REGISTERED VALUERS &
PROPERTY CONSULTANTS
Midway Plaza, Cnr. Broadway Ave. & Albert Street,
Palmerston North.
P O Box 259, Palmerston North.
Phone (063) 64-900.
G J Blackmore, A.N.Z.I.V.
H G Thompson, A.N.Z.I.V., A.R.E.I.N.Z.

J P MORGAN & ASSOCIATES

REGISTERED VALUERS, PROPERTY CONSULTANTS
222 Broadway & Cnr. Victoria Avenue, Palmerston North.
P O Box 281, Palmerston North.
Phone (063) 62-880. Facsimile (063) 69-011.
32 Tuwharetoa Street, Taupo.
P O Box 318, Taupo. Phone (074) 82-297. J
P Morgan, F.N.Z.I.V., A.R.E.I.N.Z.
P J Goldfinch, F.N.Z.I.V.
M A Ongley, A.N.Z.I.V.
A F Thomson, A.N.Z.I.V.
D P Foxburgh, A.N.Z.I.V.
B G Kensington, A.N.Z.I.V., B.B.S.(Val. & Prop.Man.)
P H Van Velthooven, A.N.Z.I.V., B.A., BComm(Val. & Prop.Man.)

BRIAN WHITE & ASSOCIATES -

REGISTERED PUBLIC VALUERS, &
PROPERTY CONSULTANTS
170 Broadway Avenue, Palmerston North.
P o Box 755, Palmerston North.
Phone (063) 61-242.
Brian E White, A.N.Z.I.V., A.R.E.I.N.Z., M.P.M.I.

Direct all correspondence for Professional Directory to General Secretary, NZ Institute of Valuers, PO Box 27-146. Wellington.

WELLINGTON

BAILLIEU KNIGHT FRANK (NZ) LTD

INTERNATIONAL VALUERS, PROP CONSULTANTS,
MANAGER & REAL ESTATE AGENTS
Level 1, Royal Life Centre, 23 Waring Taylor Street. P
O Box 1545, Wellington. DX 8044
Phone (04) 723-529 Facsimile (04) 720-713
A J Hyder, Dip. Ag., A.N.Z.I.V. MPMI.
P Howard, BBS, MPMI.

DARROCH & CO. LTD.

CONSULTANTS & VALUERS IN PROPERTY,
PLANT & MACHINERY
91 Willis Street, Wellington.
P O Box 27-133, Wellington.
Phone (04) 845-747. Facsimile (04) 842-446 DX9029.
G J Horsley, F.N.Z.I.V., A.C.I.Arb., M.P.M.I.
M A Horsley, A.N.Z.I.V.
G Kirkcaldie, F.N.Z.I.V.
C W Nyberg, A.N.Z.I.V., A.R.E.I.N.Z.
D M Simpson, A.N.Z.I.V.
A G Stewart, B.Com., Dip.Urb.Val., F.N.Z.I.V., A.R.E.I.N.Z. A.C.I
Arb M.P.M.I.
R D Dewar, B.B.S.
A H Evans, B.B.S.
J Y Irik, B.B.S.
A P Washington, B.Com., V.P.M.
M.G. McMaster, B.Com (Ag), Dip. V.P.M.
P Crew, B.Com., V.P.M.
M J Bevin, B.P.A. A.N.Z.I.V., A.R.E.I.N.Z., M.P.M.I. J
W Freeman, A.N.Z.I.M., M.A. Cost E., A.M.S.S.T. B S
Finnigan, B.B.S.
K M Pike

EDWARD RUSHTON NZ LIMITED

Wool House, Cnr Brandon & Featherstone Sts., Wellington. P
O Box 10-458, Wellington.
Phone (04) 732-500 Ext.819. Facsimile (04) 712-808. T
Edney, BBS. A.N.Z.I.V.

HARCOURT VALUATIONS LTD

REGISTERED VALUERS AND
PROPERTY CONSULTANTS
M.L.C. Building, Cnr. Hunter Street & Lambton Quay.
P O Box 151, Wellington.
Phone (04) 726-209. Facsimile 733-380.
Cnr. High Street & Waterloo Road.
P O Box 30-330, Lower Hutt.
Phone (04) 692-096. Facsimile 691-238.
W M Smith, A.N.Z.I.V., A.C.I., Arb.M.P.M.I. A.R.E.I.N.Z. R
S Arlidge, A.N.Z.I.V.
G P L Jansen, A.N.Z.I.V.
N E Lockwood, B.B.S.
G H Smith, A.N.Z.I.V.
N A Harvey, B.Comm., V.P.M.
T M Truebridge, B.Agr.(Val.) A.N.Z.I.V.
S G Bond, B.B.S.
M Harte, B.B.S.
R H Fisher, A.N.Z.I.V., A.C.A., F.R.E.I.N.Z., M.P.M.I.
R V Thompson, A.N.Z.I.V., A.R.E.I.N.Z., F.P.M.I.
W F W Leckie, A.N.Z.I.V., A.R.E.I.N.Z., M.P.M.I.
G R Coreleison, A.N.Z.I.V.
W Lindsay, A.N.Z.I.V., A.A.I.V.

HOLMES DAVIS LTD-

REG. VALUERS AND
PROPERTY CONSULTANTS
Auto Point House, Daly Street, Lower Hutt. P
O Box 30-590, Lower Hutt.
Phone (04) 663-529, 698-483. Facsimile (04) 692-426
A E Davis, A.N.Z.I.V.
Associate:
M T Sherlock, B.B.S., A.N.Z.I.V.

McGREGOR SELLARS LTD

REGISTERED PUBLIC VALUERS, ARBITRATORS AND
PROPERTY CONSULTANTS
Westbrook House, 181 Willis Street. P O Box 2653.
Phone (04) 851-508. Facsimile (04) 851-509.
Porima Office: The Enterprise Centre, Hartham Place.
Phone (04) 374-033.
Gordon R McGregor, A.N.Z.I.V.
Michael A John Sellars, A.N.Z.I.V.
William D Bunt, A.N.Z.I.V.
Bernard Patrick Sherlock, B.B.S.
Warwick E Quinn, A.N.Z.I.V.
Robert J Cameron, B.B.S.
Peter Young, B.B.S., Dip.Bus Adm.
Penny J Braithwaite, B.B.S.

S. GEORGE NATHAN & CO LTD

VALUERS, ARBITRATORS AND
PROPERTY CONSULTANTS
190-198 Lambton Quay, Wellington.
P O Box 5117, Wellington.
Phone (04) 729-319 (12 lines). Facsimile (04) 734-902
Michael J Nathan, F.N.Z.I.V., A.R.E.I.N.Z., P.M.C.
Stephen M Stokes, A.N.Z.I.V.
Malcolm S Gillanders, A.N.Z.I.V.
Martin Lawrence, B.Sc, Dip V.F.M.
Also At: 112-114 High Street, Lower Hutt.
P O Box 30-520, Lower Hutt.
Phone & Fax (04) 661-996.

ROBERTSON YOUNG TELFER (CENTRAL)LTD

PROPERTY INVESTMENT CONSULTANTS,
ANALYSTS & REGISTERED VALUERS
General Building, Waring Taylor Street, Wellington 1.
P O Box 2871, Wellington.
Phone (04) 723-683. Facsimile (04) 781-635.
B J Robertson, F.N.Z.I.V.
M R Hanna, F.N.Z.I.V., F.C.I.Arb.
A L McAlister, F.N.Z.I.V.
J N B Wall, F.N.Z.I.V., F.C.I.Arb., Dip.Urb.Val.
R F Fowler, A.N.Z.I.V.
A J Brady, A.N.Z.I.V.
W J Tiller, A.N.Z.I.V.
T G Reeves, A.N.Z.I.V.
D S Wall, A.N.Z.I.V.
M D Lawson B Ag, Dip V.F.M.
H A Clarke, B.Com.Ag. (V.F.M.)
S P O'Malley, M.A. (Research Manager)

TSE GROUP LIMITED

REGISTERED VALUERS AND PROPERTY CONSULTANTS
61 Hopper Street, Wellington.
P O Box 6643, Wellington.
Phone (04) 842-029, Fax (04) 845-065.
B A Blades, B.E., M.I.P.E.N.Z., A.N.Z.I.V., M.P.M.I.
K J Tonks, A.N.Z.I.V., M.P.M.I.
J D Stanley, A.N.Z.I.V. (Urban & Rural)
J. Morrison, B.Ag.Com.
M.E.Bibby, BBS
R L Pearce, BBS

NELSON/MARLBOROUGH

DUKE & COOKE

REG. PUBLIC VALUERS & PROPERTY CONSULTANTS
306 Hardy Street, Nelson.
Phone (054) 89-104.
Peter M Noonan, A.N.Z.I.V.
Murray W Lauchian, A.N.Z.I.V., A.R.E.I.N.Z.
Dick Dennison, B.Ag.Comm., Dip.Ag., A.N.Z.I.V., M.N.Z.S.F.M.
Consultant
Peter G Cooke, F.N.Z.I.V.

A GOWANS & ASSOCIATES

REGISTERED PUBLIC VALUERS, PROPERTY
CONSULTANTS (URBAN & RURAL)
300 Trafalgar Street, Nelson.
P O Box 621, Nelson.
Phone (054) 69-600. Facsimile (054) 69-186
A W Gowans, A.N.Z.I.V., A.N.Z.I.I.
J N Harrey, A.N.Z.I.V.
I D McKeage, B.Com., A.N.Z.I.V.

Direct all correspondence for Professional Directory to General Secretary, NZ Institute of Valuers, PO Box 27-146. Wellington.

HADLEY AND LYALL

REGISTERED VALUERS & PROPERTY CONSULTANTS
URBAN & RURAL PROPERTY ADVISORS
Renown Building, 68 Seymour Street, Blenheim. P
O Box 65, Blenheim.
Phone (057) 80-474. Facsimile (057) 82-599
Ian W Lyall, Dip V.F.M., Val. Prof. Urban, F.N.Z.I.V.
Chris S Orchard, Val Prof. Urban, Val. Prof. Rural, A.N.Z.I.V.

HAYWARD ROBERTS & ASSOCIATES

REGISTERED VALUERS, PROPERTY INVESTMENT,
DEVELOPMENT & MANAGEMENT CONSULTANTS P o
Box 768, Blenheim.
Phone (057) 89-776.
A C (Lex) Hayward, Dip.V.F.M., A.N.Z.I.V.
Brian P Roberts, Dip.V.F.M., Val.Prof.Urb., A.N.Z.I.V.
Consultant:
Ivan C Sutherland, Dip.V.F.M., A.N.Z.I.V.

LINDSAY A NEWDICK

REGISTERED PUBLIC VALUER,
RURAL AND URBAN
P o Box 830, Blenheim.
Phone (057) 88-577.
Lindsay A Newdick, Dip.Ag., Dip V.F.M., A.N.Z.I.V., A.R.E.I.N.Z.

CANTERBURY/WESTLAND

FORD BAKER REALTORS & VALUERS LTD

REGISTERED VALUERS & PROPERTY CONSULTANTS
165 Hereford Street, Christchurch.
P o Box 43, Christchurch.
Phone (03) 62-083. Facsimile (03) 791-789
Robert K Baker, LL.B., F.N.Z.I.V., F.R.E.I.N.Z.
Gordon E Whale, F.N.Z.I.V., A.R.E.I.N.Z.
Errol M Saunders, DIP V.P.M., A.N.Z.I.V. A.R.E.I.N.Z., M.P.M.I.
Martin R Cummings, Dip Urb Val., A.N.Z.I.V., M.P.M.I. Richard o
Chapman, B.Com. (V.P.M.), A.N.Z.I.V., A.R.E.I.N.Z. John L
Radovonich, B.Com.(V.P.M.)

BENNETT & ASSOCIATES

REGISTERED VALUERS, PROPERTY CONSULTANTS
122 Victoria Street, Christchurch. POBox 356, Christ church.
Phone (03) 654-866. Facsimiher (03) 654-867
Bill Bennett, Dip.Ag., Dip. V.F.M., V.P.(uUrb).A.N.Z.I.V.
Nicki Bilbrough, B. Com, V.P.M., A.N.Z.I.V.
Peter McLeod, Dip.Ag., Dip.F.M., Dip.V.P.M.
Andrew Owen, B.Com.(Ag) V.F.M.
Shane O' Brien, B.Com., V.P.M.

BENNETT, G M

REGISTERED PUBLIC VALUER, SPECIALISED
PROPERTY SERVICES LTD, URBAN AND RURAL
10 Hunters Road,
P O Box 34, Diamond Harbour, Canterbury.
Phone (03) 294-472. Facsimile (03) 294-472
G M Bennett, DipV.F.M., A.N.Z.I.V., M.N.Z.I.A.S.

B J BLACKMAN AND ASSOCIATES

REGISTERED VALUERS, PROPERTY CONSULTANTS
2 Convent Lane, Greymouth. PO Box 148, Greymouth.
Phone(027)5660
Brian J Blackman, Dip.Urb.Val., A.N.Z.I.V.
Terry J Naylor, B Corn (VFM)

DARROCH & CO LIMITED

REGISTERED VALUERS & PROPERTY CONSULTANTS
Cnr Oxford Terrace and Armagh Street, Christchurch.
PO Box 13-633, Christchurch.
Phone (03) 657-713. Facsimile (03) 650-445 C
C Barraclough, A.N.Z.I.V., B Com.

FRIGHT AUBREY

REGISTERED VALUERS & PROPERTY CONSULTANTS
307 Durham Street, Christchurch.
P o Box 966, Christchurch.
Phone (03) 791-438. Facsimile (03) 791-489. R
H Fright, F.N.Z.I.V., A.R.E.I.N.Z., M.P.M.I. R
A Aubrey, A.N.Z.I.V.
G B Jarvis, A.N.Z.I.V.
G R Sellars, A.N.Z.I.V.
E D Alexander, A.N.Z.I.V.
M J Wright, BCom(V.P.M.)
J R Kingston, F.N.Z.I.V. (Rural Associate)

HARCOURT VALUATIONS LTD

REGISTERED VALUERS 32,
Oxford Terrace, Christchurch. P O
Box 1625, Christchurch.
Phone (03) 796-539. Facsimile 792-241.
N J Johnson, A.N.Z.I.V.
B N Williams, A.N.Z.I.V.
K B Keenan, A.N.Z.I.V.
R L Williams, Plant and Machinery

ROBERTSON YOUNG TELFER (STHERN) LTD-

PROPERTY INVESTMENT CONSULTANTS,
ANALYSTS & REGISTERED VALUERS
93-95 Cambridge Terrace, Christchurch.
P o Box 2532, Christchurch.
Phone (03) 797-960, Facsimile (03) 794-325.
Ian R Telfer, F.N.Z.I.V., A.R.E.I.N.Z.
Roger E Hallinan, Dip.Urb.Val., F.N.Z.I.V., A.R.E.I.N.Z.
Roger A Johnston, A.N.Z.I.V.
Alan J Stewart, DipV.F.M., A.N.Z.I.V. (Urban & Rural)
Chris N Stanley, A.N.Z.I.V.
John A Ryan, A.N.Z.I.V., A.A.I.V.
Mark A Beatson, BComm.(V.P.M. - Urban & Rural)
Mark G Dunbar, BComm.(V.P.M. - Urban & Rural)

SIMES VALUATION

REGISTERED PUBLIC VALUERS, PROPERTY
MANAGEMENT CONSULTANTS
239 Manchester Street, Christchurch.
P O Box 13-341, Christchurch.
Phone (03) 790-604. 653-668 Facsimile (03) 793-107.
Peter J Cook, Val.Prov.(Urb), F.N.Z.I.V., F.R.E.I.N.Z.
Wilson A Penman, Val.Prof(Urb), A.N.Z.I.V.
Bruce H Alborough, Val.Prof(Urb), A.N.Z.I.V., A.R.E.I.N.Z.
Thomas I Marks, DipV.F.M., BAgCom., A.N.Z.I.V.
David W Harris, Val.Prof(Urb), A.N.Z.I.V.
Donald R Nixon, Val. Prof(Urb), A.N.Z.I.V.

SOUTH CANTERBURY

FITZGERALD & ASSOCIATES LIMITED-

REGISTERED PUBLIC VALUERS, PROPERTY
MANAGEMENT CONSULTANTS
49 George Street, Timaru. P o Box 843, Timaru.
Phone (056) 47-066.
E T Fitzgerald, Dip.Ag., DipV.F.M., V.P(Urb), F.N.Z.I.V.,
M.N.Z.S.F.M.
L G Schrader, B.AgComV.F.M., A.N.Z.I.V.

COLIN McLEOD & ASSOCIATES LTD

REGISTERED VALUERS
324 East Street, Ashburton. P o
Box 119,
Phone (053) 88-209. Facsimile (053) 88-206
Colin M McLeod, A.N.Z.I.V., A.R.E.I.N.Z.
Paul J Cunnen, BAg.ComVFM., A.N.Z.I.V.

MORTON & CO LTD

REGISTERED PUBLIC VALUERS AND PROPERTY
MANAGEMENT CONSULTANTS
11 Cains Terrace, Timam.
P O Box 36, Timaru.
Phone (056) 86-051.
G A Morton, A.N.Z.I.V., A.R.E.I.N.Z., V.P(URB).
H A Morton, A.N.Z.I.V., A.R.E.I.N.Z.

Direct all correspondence for Professional Directory to General Secretary, NZ Institute of Valuers, PO Box 27-146. Wellington.

REID & WILSON

REGISTERED VALUERS 167-
169 Stafford Street, Timaru. P O
Box 38, Timaru.
Phone (056) 84-084.
C G Reid, F.N.Z.I.V., F.R.E.I.N.Z.
R B Wilson, A.N.Z.I.V., F.R.E.I.N.Z.

OTAGO

MACPHERSON & ASSOCIATES LTD-

REGISTERED VALUERS (URBAN AND RURAL), AND
PROPERTY AND MANAGEMENT CONSULTANTS
Westpac Building, 169 Princes Street, Dunedin. P o
Box 497, Dunedin.
Phone (024) 775-796, Facsimile (024) 772-512.
G E Burns, Dip.Urb.Val., F.N.Z.I.V., F.P.M.I.
J A Fletcher, A.N.Z.I.V., A.R.E.I.N.Z., M.P.M.I. W
S Sharp, A.N.Z.I.V.
J Dunckley, B.AgCom., A.N.Z.I.V. B
E Paul, A.N.Z.I.V.
D M Barnsley, Dip.Urb.Val., A.N.Z.I.V. G
J Paterson, A.N.Z.I.V.

MALCOLM F MOORE

REGISTERED VALUER &
FARM MANAGEMENT CONSULTANT P
o Box 247, Alexandra.
Phone (0294) 87-763. Facsimile (0294) 87-763
Queenstown Office P o Box 64
Phone (0294) 27-020, Facsimile (0294) 27-020
Malcolm F Moore. Dip. Ag., Dip V.F.M. V.P Urban, A.N.Z.I.V.,
M.N.Z.S.F.M.

PATERSON CAIRNS & ASSOCIATES -

REGISTERED VALUERS AND PROPERTY
MANAGEMENT CONSULTANTS
8 - 10 Broadway, Dunedin.
P O Box 221, Dunedin. Phone (024) 778-693.
M C Paterson, BCom., M.I.S.N.Z., A.N.Z.I.V., F.R.E.I.N.Z.
Stephen G Cairns, BCom.(V.P.M.), A.N.Z.I.V.A.R.E.I.N.Z.

ROBERTSON YOUNG TELFER

(OTAGO-SOUTHLAND) LTD-

PROPERTY INVESTMENT CONSULTANTS,
ANALYSTS & REGISTERED VALUERS
Central Mission Building, 35 The Octagon, Dunedin. P
O Box 587, Dunedin.
Phone (024) 773-183, 740-103. Facsimile (024) 740-390
Alex P Laing, BCom., Dip.Ag., Dip.V.F.M., F.N.Z.I.V., A.C.A.
Kevin R Davey, A.N.Z.I.V., A.R.E.I.N.Z.
Trevor J Croot, F.N.Z.I.V.
Frank E Spencer, B.B.S.(V&P.M.), A.N.Z.I.V.
Tim A Crighton, BCom.(Ag)

SIMES DUNKLEY VALUATION

REGISTERED PUBLIC VALUERS, ARBITRATORS, PROP-
ERTY MANAGEMENT AND HOTEL/MOTEL CONSULTANTS.
2nd Floor, Trustbank Building, 106 George Street, Dunedin.
P O Box 5411, Dunedin
Phone (024) 792-233. Facsimile (024) 792-211 John
Dunkley, Val Prof. (Urb), B. Agr.Com, A.N.Z.I.V.
Anthony G Chapman, Val Prof.(Urb), A.N.Z.I.V.

SMITH, BARLOW & JUSTICE

PUBLIC VALUERS AND PROPERTY CONSULTANTS,
URBAN & RURAL PROPERTIES
MF Building, 9 Bond St, Dunedin. Phone (024) 776-603
John I Barlow, Dip. V.F.M, A.N.Z.I.V., M.P.M.I.
Erie W Justice, Dip.V.F.M., A.N.Z.I.V., M.P.M.I.
Peter N L Jackson, Dip V.F. M., A.N.Z.I.V.
John C Aldis, B.Ag.Com.(V.P.M.), A.N.Z.I.V., M.P.M.I.

SOUTHLAND

BRISCOE & ASSOCIATES

REGISTERED VALUERS & PROPERTY CONSULTANTS
183 Terrace Street, Invercargill.
P O Box 1523, Invercargill. Phone (021) 75-769
J W Briscoe, Dip V.F.M., F.N.Z.I.V., M.N.Z.S.F.M.

MACPHERSON & ASSOCIATES (SLD) LTD.

REGISTERED VALUERS AND PROPERTY CONSULTANTS
1st Floor, 182 Dee Street, Invercargill. P O Box 535, Invercargill.
Phone (021) 87-378, 87-377.
Wayne John Wootton, A.N.Z.I.V., M.P.M.I.
M Aslin, Dip.Urb.Val., A.N.Z.I.V.

DAVID MANNING & ASSOCIATES -

REGISTERED VALUERS, REGISTERED FARM MANAGE-
MENT AND PROPERTY MANAGEMENT CONSULTANTS
97 Tay Street, Invercargill. P o Box 1747, Invercargill.
Phone (021) 44-042.
14 Mersey Street, Gore. Phone (020) 86-474
D L Manning, Dip.V.F.M., A.N.Z.I.V., M.N.Z.S.F.M., Val.Prof.Urb.,
M.P.M.I.

MUNYARD AND ASSOCIATES

REGISTERED VALUERS AND PROPERTY CONSULTANTS
36a Spey Street, Invercargill P O Box 441, Invercargill.
Phone (021) 84-256
Sharyn M Munyard, A.N.Z.I.V

QUEENSTOWN-SOUTHERN LAKES APPRAISALS

REGISTERED VALUERS AND PROPERTY CONSULTANTS
7 Shotover Street, P o Box 583, Queenstown.
Phone (0294) 29-758. Facsimile (0294) 27-725.
P o Box 104, Wanaka. Phone (02943) 7461
Principal:
Dave B Fea, BCom.(Ag), A.N.Z.I.V., A.N.S.F.M.

ROBERTSON AND ASSOCIATES

REGISTERED PUBLIC VALUERS, PROPERTY
DEVELOPMENT AND MANAGEMENT CONSULTANTS
Bay Centre, 62 Shotover Street, Queenstown.
P o Box 591, Queenstown.
Phone (0294) 27-763. Facsimile (0294) 27-113.
Barry J P Robertson, A.N.Z.I.V., A.R.E.I.N.Z., M.P.M.I.
Kelvin R Collins, BCom.V.P.M.

CHADDERTON & Associates Limited-

REGISTERED PUBLIC VALUERS & PROPERTY
MANAGEMENT CONSULTANTS
P o Box 738, Invercargill.
Phone (021) 89-958 or 44-555
Tony J Chadderton, Dip.Val, A.N.Z.I.V, A.R.E.I.N.Z, M.P.M.I.
Andrew J Mirtin, B, Com, (VPM).

OVERSEAS

AUSTRALIA

DARROCH VALUATIONS

Consultants & Valuers in Property, Plant & Machinery
Level 7, Grosvenor Place, 225 George Street, Sydney 2000
Phone 02 252-1766, Facsimile (02) 252-1701
Jeffrey Rosenstraus, AAIW
Graham Beckett, ASTC (Val), Dip Urb Stud (Macq), FAIV,
FAILA,JP.

EDWARD RUSHTON PROPRIETARY LTD

SYDNEY
Rushton House, 184 Day Street, Darling Harbour, NSW 2000
Phone 02 261 5533
MELBOURNE
461 Bourke Street, Melbourne Vic 3000
Phone (03) 670 5961
BRISBANE
370 Queen Street, Brisbane QLD 4000
Phone (07) 299 1511
ADELAIDE
83 Greenhill Road, Wayville SA 5034
Phone (08) 373 0373
PERTH
40 St George's Terrace, Perth WA 6000
Phone (09) 325 7211

MALCOLM GARDER, A.A.I.V., DIP. T&CP (SYDNEY)

VALUER, PROPERTY CONSULTANT & TOWN PLANNER
26 Wharf Road, Balmain 2041
Sydney, Australia
Telephone Australia (02) 810-3639

Direct all correspondence for Professional Directory to General Secretary, NZ Institute of Valuers, PO Box 27-146. Wellington.

Publications and Services Available from the New Zealand Institute of Valuers

ADDRESS ALL ENQUIRIES TO THE GENERAL SECRETARY, P.O. Box 27-146, WELLINGTON.

Prices quoted include GST, packaging and postage rates and are for single copies within N.Z. (For multiple copies packaging and postage will be charged separately.) Cheques to be made payable to New Zealand Institute of Valuers.

PUBLICATIONS

PRICE INC PACKING & POSTAGE

ACCOUNTING FOR PROPERTY DEVELOPMENT (edited by R T M Whipple)	out of print
A CRITICAL ANALYSIS OF THE INCOME APPROACH TO VALUING REVENUE PRODUCING REAL ESTATE (Lincoln W North) 1985	19.00
AN INVESTIGATION INTO METHODS OF VALUING HORTICULTURAL PROPERTIES (J L Comely & R V Hargreaves)	19.00
ASSET VALUATION STANDARDS (NZIV) 1985 (issued free to members, otherwise by subscription)	52.00
COMMERCIAL RENT REVIEW (R T M Whipple)	57.00
FINANCIAL APPRAISAL (Squire L Speedy) 1982	33.00
HISTORY OF THE NZ INSTITUTE OF VALUERS Free to members, otherwise by subscription	25.00
INDEX TO NEW ZEALAND VALUER'S JOURNAL 1942-1988 (Free to members but otherwise by subscription)	30.00
INVESTMENT PROPERTY INCOME ANALYSIS AND APPRAISAL (R A Bell) Hard Cover Edition	64.00
Soft Cover Edition	52.00
Special price to bona fide students soft cover	44.00
LAND COMPENSATION (Squire L Speedy) 1985	36.00
LAND TITLE LAW (J B O'Keefe)	6.00
LEASING AND ALTERNATIVE FORMS OF LAND TENURE (various authors) Papers from (1985)NZIV Seminar	Free on request
METRIC CONVERSION TABLES	6.00
MODAL HOUSE SPECIFICATIONS/QUANTITIES 1983	14.00
N.Z. VALUER (back copies where available)	Free on request
REAL ESTATE VALUATION REPORTS AND APPRAISALS (R T M Whipple)	57.00
RESIDENTIAL RENT CONTROLS IN N.Z. (J G Gibson & S R Marshall)	19.00
THE NEW ZEALAND VALUERS' JOURNAL (back copies where available)	5.00
THE NEW ZEALAND VALUERS' JOURNAL (subscription) 1989	50.00
THE NEW ZEALAND VALUERS' JOURNAL (per copy current year)	12.50
URBAN VALUATION IN N.Z. - Vol. 1 Second edition (R L Jefferies) 1978	Available March 1990
URBAN VALUATION IN NEW ZEALAND Vol II 1st Edition (R L Jefferies 1990)	Available March 1990
VALUATION OF UNIT TITLES (M A Morton)	5.00
VALUATION OF FIXED ASSETS FOR FINANCIAL STATEMENTS (published by The International Assets Valuation Standards Committee)	64.00
VALUERS LIABILITY: A Loss Prevention Manual Lindsay T Joyce & Keith P Norris	40.00
THE PRINCIPLES AND PRACTICE OF RATING & RATING VALUATIONS IN N.Z. (J A B O'Keefe)	21.00
VALUER'S HANDBOOK (revised) 1984	Free on request
MISCELLANEOUS SERVICES AVAILABLE	
CERTIFICATE OF VALUATION FOR INSURANCE PURPOSES (Pads 100 forms)	15.00
VALUATION CERTIFICATE - PROPERTY ASSETS (Pads 100 forms)	15.00
STATISTICAL BULLETINS - Details on application to NZIV	
SALES INFORMATION (Tape Diskette form, Microfiche Lists)	P.O.A.
VALPAK, RENTPAK Software programmes	P.O.A.
Ties & Scarves in various colours: red, green navy & grey.	16.50
Scarves navy only	

[Iolfolff

I

NN

NEW ZEALAND INSTITUTE OF VALUERS