

the leases were drawn for a period of twenty-one years, with stipulations for a renewal at the end of that term upon a rental to be settled by arbitration upon the usual principle, viz.: each of the parties to appoint an arbitrator and the two to nominate a third, the decision of any two to be final. Where the land was either vacant or occupied by old buildings, the lessee frequently covenanted to erect new buildings of a specified value. So far as the terms of the document went, the leases were apparently not unreasonable. It is in the practical working out of the arbitration clauses that the difficulty arises. A brief survey of the situation will show how the system operates to the loss of leaseholders and the enrichment of landlords by legalized fraud.

During the boom, the values—or rather the prices—of real estate increased enormously. Centrally-situated property went up by leaps and bounds; the spirit of speculation seized upon the whole community, and land-dealing became practically land-gambling. The only safe, business-like estimate of the value of any given piece of land, either in city or country, is what it will yield for the most productive use to which it can be permanently put. When this principle is abandoned and land passes from hand to hand, not out of consideration of what it will produce as interest on invested capital but of what it will presumably sell for to some third party to sell again, the line between legitimate business and land-gambling has been passed. When the problematical future is discounted, the so-called value at which it figures away beyond the capitalization of any present or immediately anticipated rental, is a fictitious value, no more representative of its commercial value than is the \$10 or \$20 represented by the gambler's counter of the intrinsic worth of the article. Thus, land in Toronto in the frenzy of the gambling craze came to possess a poker-chip value, so to speak, quite independent of its earning capacity. Had the City continued to increase in population at the rate of the 1880-90 decade, the one might, in the near future, have overtaken the other. But with the subsidence of the boom came stagnation, arrested development and a gradual lowering of inflated values, more especially in the outer districts.

Now note the effect of these conditions upon the renewals of leases which have expired during and since the boom. Landlords, after the fashion of their kind, naturally strove to fix the renewal rents on the basis of the prevailing high prices, regardless of the only true test—the productive capacity of the property. If the leaseholders objected, they had, of course, their remedy in arbitration, and to arbitration they went, still to be confronted with the factitious poker-chip value.