DOUG STEVENS SEMINAR

MONDAY 18th DECEMBER 2017

08.00HRS TO 09.00HRS

VENUE : CBRE `C-BAR` Henrietta House Henrietta Place W1G ONB

SUBJECT

PRESENTING BEST CASE TO ARBITRATOR OR EXPERT 50 mins

OPEN QUESTION TIME 10 mins

SEMINAR BY DOUG STEVENS TO 1st & 2nD YEAR GRADUATES

DELIVERED AS A POWERPOINT PRESENTATION

NEXT SEMINAR JANUARY 22nd 2018

PRESENTING BEST CASE TO ARBITRATOR OR EXPERT

- In commercial lease where there are rent reviews there is a procedure for the rent to be decided. The lease may alternatively provide for a 3rd party - an ARBITRATOR or an INDEPENDENT EXPERT to decide the rent.
- This Seminar is to identify the differences between Arbitrators & Experts in terms of their respective powers and how you should present your case to them.
- The general procedure is that both sides the landlord (L/L) & tenant (T) present their Expert Witness Report & Valuation to the 3rd party the documents are exchanged and then each side comments on the other sides case in Expert Witness Replies.
- Many surveyors presenting Reports & Replies to Arbitrators & Experts do not differentiate between the two roles often expecting the Arbitrator to act like an Expert to establish facts or evidence and/or treating the Expert as though they were an Arbitrator.
- It is important to know the differences between the roles of Arbitrator & Expert - so that you present the best case to them.

ARBITRATORS & INDEPENDENT EXPERTS - THE DIFFERENCES

- ARBITRATION IS A QUASI-JUDICIAL PROCESS. ALSO CALLED A TRIBUNAL
- ARBITRATION IS GOVERNED BY THE ARBITRATION ACT 1996 (IN SCOTLAND ARBITRATION ACT 2010) AND ALSO BY THE TERMS OF THE LEASE
- **THINK OF AN ARBITRATOR AS A JUDGE**





- ARBITRATOR FINDS (DECIDES) BETWEEN THE PARTIES VALUATION FIGURES AND CAN'T GO OUTSIDE THEM
- HE CAN USE HIS EXPERIENCE TO DECIDE WHICH OF THE PARTIES CASES AND EVIDENCE IS MORE RELEVANT -BUT MUST NOT GIVE HIMSELF EVIDENCE
- SO IT IS UP TO EACH PARTY TO PROVE WHAT THEY PRESENT IF IT IS FACTUAL OR BE PERSUASIVE IF THE POINT IS SUBJECTIVE.
- YOU ARE PRESENTING EVIDENCE AND A SERIES IF STATEMENTS ON ALL THE ISSUES MATERIAL TO THE MAKING OF A DECISION AS TO RENTAL VALUE.

SEE SCALES ABOVE - THE ARBITRATOR EFFECTIVELY WEIGHS ALL THE STATEMENTS AND EVIDENCE TO ARRIVE AT HIS DECISION. YOUR ROLE IS TO PERSUADE HIM THAT YOUR CASE IS STRONGER THAN YOUR OPPONENTS. YOU DO THIS BY PRESENTING A WELL STRUCTURED CASE WHICH IS EASY TO FOLLOW.

THINK HOW THE ARBITRATOR WILL DECIDE THE CASE AND THEN PRESENT YOUR CASE ACCORDINGLY

INDEPENDENT EXPERT

- UNLIKE BOTH JUDGES AND ARBITRATORS AN EXPERT DETERMINING A DISPUTE BRINGS HIS OR HER OWN KNOWLEDGE TO BEAR ON THE ISSUES, AND IS ENTITLED TO FORM A VIEW BASED ENTIRELY ON HIS OR HER OWN EXPERTISE
- **DON'T THINK OF AN INDEPENDENT EXPERT AS A JUDGE (OR AS A VALUER)**



- THINK OF HIM AS A LETTING AGENT YOU ARE EFFECTIVELY ASKING HIM "WHAT IS THE LEVEL OF RENT AT WHICH YOU COULD LET THE PROPERTY IF IT WERE VACANT AND TO LET ON THE SUBJECT LEASE TERMS
- EXPERT IS NOT REQUIRED TO DECIDE BETWEEN THE PARTIES AND CAN DECIDE A RENT OUTSIDE THE VALUATION PARAMETERS OF THE PARTIES.
- EXPERT DETERMINATION IS PURELY CONTRACTUAL. THE CONTRACT IS THE LEASE AND THE TERMS OF THE CONTRACT VARY LEASE BY LEASE
- THERE IS NO LEGISLATIVE UNDERPINNING I.E. NO ACT WHICH GOVERNS AN INDEPENDENT EXPERT DETERMINATION
 - THERE IS NO PROCEDURAL CODE SAVE THAT RICS PROVIDES GUIDANCE NOTES FOR INDEPENDENT EXPERTS (9TH EDITION)
 - UNLIKE BOTH JUDGES AND ARBITRATORS AN EXPERT IS VULNERABLE TO CLAIMS IN NEGLIGENCE- I.E. CAN BE SUED
 - THE EXPERT SHOULD USE HIS EXPERT AND MARKET KNOWLEDGE YOU SHOULD MAKE SURE THEY DO SO
 - EXPERT CAN AND SHOULD MAKE HIS OWN INVESTIGATIONS TO VERIFY EVIDENCE TO ESTABLISH THE STRENGTH OF THE MARKET THE STRENGTH OF DEMAND
 - YOU SHOULD DIRECT THEM TO CONTACT ANYONE WITH INFORMATION WHICH SUPPORTS YOUR CASE AS, UNLIKE AN ARBITRATOR, THE EXPERT CAN USE WHATEVER INFORMATION HE DISCOVERS.

POWERS OF ARBITRATORS & EXPERTS CONTRASTED

POWERS OF AN ARBITRATOR



- CAN DECIDE OWN JURISDICTION
- CAN SEEK EXPERT AND/OR LEGAL ASSISTANCE
- MUST DECIDE COSTS & CAN AWARD INTEREST
- CAN COMPEL PRODUCTION OF DOCUMENTS (DISCLOSURE)
- CAN COMPEL ATTENDANCE OF WITNESSES
- CAN REQUIRE AN ORAL HEARING
- CAN ACT EX-PARTIE, ie if one party will not co-operate/abide by set procedures he can continue to make an Award notwithstanding





- VERY LIMITED (UNLESS THE LEASE SPECIFIES SUCH POWERS)
- CAN DECIDE COSTS (AWARD) (normally own costs only- not the parties costs) BUT only if lease specifies this or parties agree.
- CANNOT compel disclosure or witness summons or oral hearing
- CAN speak to anyone, anywhere to establish information without disclosing this to the parties
- CAN determine rent outside parameters of parties
- EXPERT CAN also act without input of parties BUT is at more risk of a claim

HOW DOES THE ARBITRATOR DECIDE THE CASE?

SORTS INFORMATION INTO CATEGORY ORDER:-

DESCRIPTION, LOCATION, FLOOR AREAS, LEASE TERMS, LEGAL ISSUES, VALUATION ISSUES, COMPARABLES, VALUATIONS

SIFTS INFORMATION IDENTIFYING MAIN ISSUES : -

WHAT POINTS HAVE BEEN PROVEN OR SUBSTANTIATED BY EITHER PARTY

ARBITRATOR WEIGHS ALL THE INFORMATION

WHAT ARE MOST THE IMPORTANT / RELEVANT MATTERS

WHICH PEICE OF EVIDENCE ATTRACTS MOST WEIGHT

DO THE ARBITRATOR'S JOB - ie, PRESENT YOUR CASE IN THE ORDER AND MANNER WHICH CORRESPONDS TO HOW THE ARBITRATOR IS LIKELY TO ACT

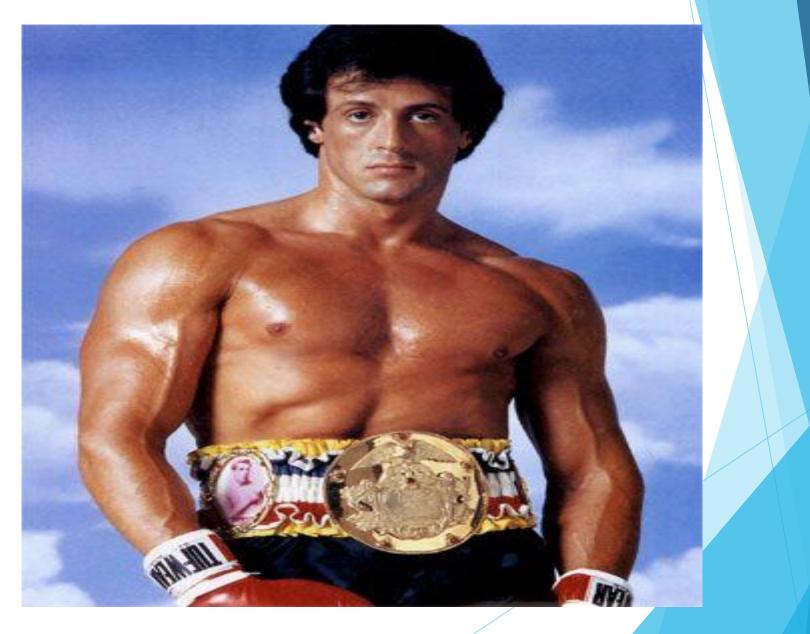
ROLES OF THE PARTIES

- > YOU ARE AN EXPERT WITNESS FOR L/L or T
- WHAT IS THE EXPERT WITNESS ROLE NOT ADVOCACY (except Scotland)
- FOR THE LANDLORD or FOR THE TENANT IT SHOULD BE THE SAME ROLE
- > YOUR DUTY IS TO THE ARBITRATOR
- YOU MUST GIVE HONEST & FAIR OPINION OF VALUE AS A CHARTERED SURVEYOR
- BUT IN REALITY YOU ARE BEING PAID TO WIN THIS IS IN CONFLICT WITH RICS GUIDELINES
- YOU MUST FIND THE BALANCE BETWEEN PRESENTING A STRONG CASE FOR YOUR CLIENT AND PERSUADING THE ARBITRATOR YOU ARE NOT AN ADVOCATE

THE WAY IN WHICH YOUR EXPERT REPORT IS WRITTEN AND PRESENTED IS OF GREAT IMPORTANCE.

WE WILL NOW LOOK AT THE WORST AND BEST APPROACHES

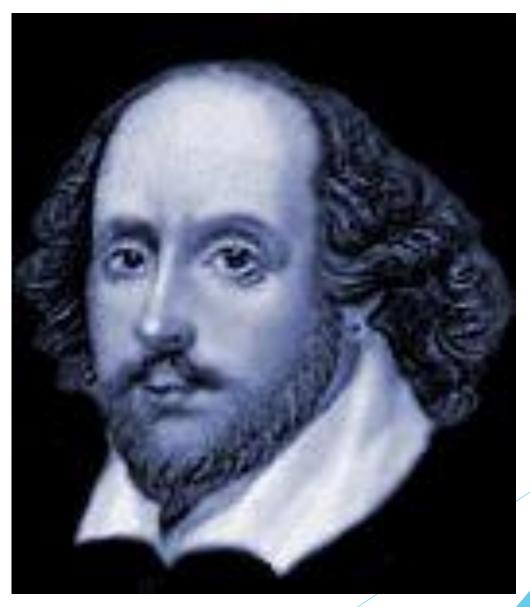
ROCKY BILBAO



PUGILISTIC APPROACH

- DO NOT ADOPT AN AGGRESSIVE APPROACH TOWARDS OPPONENT
- ► IT IS NOT A BOXING MATCH
- ► AT 3rd PARTY YOU STOP NEGOTIATING (FIGHTING)
- ► NEITHER ARBITRATOR NOR EXPERT HAS A SCORECARD FOR POINTS
- YOU WILL NOT SCORE POINTS IF YOU TRY TO RUBBISH OR HUMILIATE YOUR OPPONENT
- YOU SCORE POINTS OFF YOUR CASE NOT OFF YOUR OPPONENTS CASE
- SO DON`T FOCUS ON YOUR OPPONENT OR HIS CASE
- ► FOCUS ON YOUR CASE AND THE 3rd PARTY

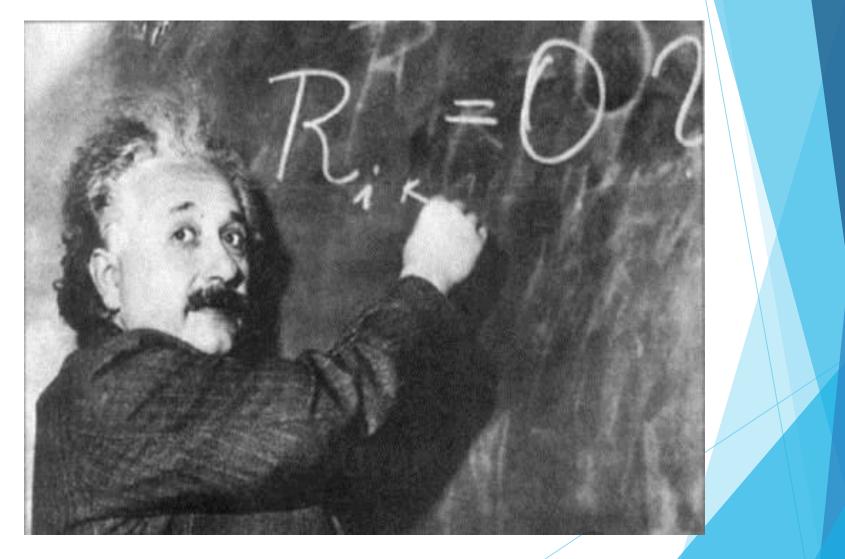
WILLIAM SHAKESPEARE



POETIC / WORDY APPROACH

- YOUR CASE SHOULD BE WELL WRITTEN & GRAMMATICALLY CORRECT
- BUT NOT OVERLY WORDY OR WITH FLOWERY DESCRIPTIVE LANGUAGE
- > YOU WILL NOT WIN THE CASE ON STYLE ALONE
- ► IT IS THE SUBSTANCE OF YOUR CASE THAT'S MORE IMPORTANT
- ► IT CAN BE ELOQUENT AND IF CAREFULLY JUDGED WITTY
- ▶ BUT SUBSTANCE WILL TRIUMPH OVER STYLE & WIT

ALBERT EINSTEIN



SCIENTIFIC APPROACH

- VALUATION IS AN ART NOT A SCIENCE
- SO AN OVERLY SCIENTIFIC/MATHEMATICAL APPROACH IS NOT GOOD
- PRESENT A MARKET VALUATION NOT A TECHNICAL VALUATION
- **SONOT** E = MC2 @ A/10 = £ PAX
- YOU NEED TO DEMONSTRATE THAT YOU UNDERSTAND ALL THE TECHNICAL POINTS INVOLVED IN THE VALUATION - BUT NOT PRESENT IT AS THOUGH THE VALUATION IS SIMPLY THE MATHEMATICAL CONCLUSION

ADD 5% RETURN FRONTAGE

- LESS 10% QUANTUM
- LESS 5% LEASE LENGTH
- LESS 2.5% COLUMNS
- LESS 5% RESTRICTIVE USER

ADD 5% SUNNY WEATHER

LESS 10% BAD HAIR DAY RENTAL VALUE - WHO KNOWS ??? !!!!!!

WHERE THERE ARE LOTS OF FACTORS TO TAKE ACCOUNT OF - SUCH AS FOR EXAMPLE A BANK PREMISES - PROVIDE EVIDENCE TO JUSTIFY EACH ALLOWANCE YOU SEEK -

BUT PRESENT IN YOUR VALUATION A COMPOSITE ALLOWANCE ie, JUST ONE OVERALL %AGE ALLOWANCE THAT TAKES ACCOUNT OF ALL THE FACTORS

BOMBER HARRIS



INCENDIARY APPROACH

- CARPET BOMBING or THROWING KITCHEN SINK IN
- ► A CASE WHICH THROWS EVERYTHING IN SHOWS NO FOCUS
- YES YOU SHOULD COVER ALL THE NECESSARY GROUND FOR YOUR CASE
- BUT IT HAS TO BE CLEAR TO 3rd PARTY WHAT YOU CONSIDER IS THE MOST IMPORTANT ELEMENTS OF YOUR CASE
- Ie DON`T PRESENT ABSOLUTELY EVERYTHING WHICH MIGHT BE OF IMPORTANCE HOPING TO COVER ALL THE BASES
- YOU DON`T NEED TO RESPOND TO EVERY SINGLE POINT IN REPLIES
- ENDLESS REPETITION IS ALSO COUNTER-PRODUCTIVE
- FOCUS ON THE KEY ELEMENTS OF YOUR CASE OR ELSE THEY WILL BE LOST IN A VOLUME OF NON-KEY ELEMENTS.
- IF YOU ARE CONFIDENT OF YOUR CASE EMPHASISE THE KEY POINTS FROM YOUR REPORT RATHER THAN PICKING HOLES IN YOUR OPPONENTS CASE

IF ROCKY BILBAO, SHAKESPEARE, EINSTEIN & BOMBER HARRIS ARE THE WRONG ROLE MODELS - WHO SHOULD YOU IMITATE ?

STEPHEN HENDRY



SNOOKER APPROACH

- SNOOKER IS A USEFUL ANALOGY FOR 3rd PARTY REFERRALS
- ► EACH PLAYER FOCUSSES ON THEIR OWN GAME
- ► THEY WORK OUT THE BEST SHOT TO PLAY IN EACH SITUATION
- THEY BUILD BREAKS METHODICALLY BY PUTTING THE BALL IN THE BEST POSITION AFTER EACH SHOT TO BE ABLE TO POT THE NEXT BALL
- ► THEY TRY TO POT THE HIGHEST VALUE COLOUR WITH EACH RED
- ► THEY THEN POT THE COLOURS IN A SET ORDER FINISHING WITH BLACK
- ▶ WHEN WRITING REPORTS PRESENT YOUR CASE IN A LOGICAL ORDER
- FOR EACH POINT YOU MAKE PRESENT GOOD INFORMATION OR ARGUMENT TO SUPPORT IT (ie take a higher colour ball with each red)
- PRESENT THE EVIDENCE IN AN ASCENDING ORDER OF RELEVANCE (ie pot the colours in a set order finishing with your strongest comparable THE BLACK)
 THE ARBITRATOR SORTS & THEN WEIGHS EACH POINT IN AN ORDERLY FASHION THEIR DECISION WILL BE MADE ON THE BASIS OF THE BEST EVIDENCE (which is the BLACK BALL)
 - Q. WHAT IS THE BEST EVIDENCE ?
 - A. APPLY THE 'BEST FIT' PRINCIPLE

BEST FIT PRINCIPLE

WHICH IS THE BEST FIT?







BOTH OUTFITS LOOK GOOD

- **BUT WHICH IS THE MOST SUBSTANTIAL OR ROBUST?**
- ► THE DRESS IS HELD TOGETHER WITH SAFETY PINS
- LOOKS GOOD BUT IS NOT DURABLE
- ► THE 'BEST FIT' IS THE DINNER JACKET MORE SUBSTANTIAL
- ► THINK OF COMPARABLE EVIDENCE IN THE SAME WAY
- ► WHICH EVIDENCE HAS SUBSTANCE AND CAN RESIST CHALLENGE
- WHAT IS THE MOST IMPORTANT or RELEVANT FACTOR IN YOUR CASE
- WHAT IS THE PIECE OF EVIDENCE WHICH SUPPORTS THAT FACTOR
- ► Ie WHAT IS THE `BEST FIT`?
- ► THE BEST PIECE OF EVIDENCE MIGHT BE THE MOST RELEVANT DATE-WISE
- or LOCATION-WISE or SIZE-WISE
- ► WHAT COMPARABLE `BEST FITs` YOUR CASE
- IDENTIFY IT AND EMPHASISE THAT IT IS YOUR BEST COMPARABLE

10 DO's & DON'Ts

1. DO ESTABLISH WHAT IS THE MAIN THRUST OF YOUR CASE

- DON'T GET CARRIED AWAY WITH THE DETAIL OF YOUR CASE OR WITH THE OTHER SIDE'S CASE AND THEN MISS THE MAIN THRUST or POINT OF YOUR CASE
- THIS MIGHT BE A LOCATION ISSUE OR SIZE ISSUE OR TENANT DEMAND ISSUE OR QUALITY OF EVIDENCE ISSUE OR DATE OF EVIDENCE ISSUE
- PRESENT YOUR CASE TO EMPHASISE THAT MAIN THRUST
- PUT THE ARBITRATOR`S or THE EXPERT`S HEAD ON WHAT IS GOING TO BE THE MOST IMPORTANT INFORMATION or FACTS or EVIDENCE FOR THEM TO DECIDE THE CASE

2. IF YOU ARE AN AGENT ACTING ON BEHALF OF A CLIENT DON`T LET YOUR CLIENT INTERFERE

- IT IS DEAD OBVIOUS TO A 3RD PARTY IF THE THRUST OF THE CASE IS TAILORED TO THE L/L`S OR T`S BEST INTERESTS
- ► THIS OFTEN UNDERMINES A GOOD CASE
- PERSUADE YOUR CLIENT AS TO THE BEST APPROACH TO ADOPT IN TERMS OF YOUR CASE AND YOUR EVIDENCE FOR THE ARBITRATOR OR EXPERT

3. Statement of Agreed Facts (SOAF)

- WHAT IS A STATEMENT OF AGREED FACTS ?
- A JOINTLY SIGNED DOCUMENT RECORDING THE BASIC FACTS REGARDING THE PROPERTY & THE LEASE - ie
- IT COVERS FLOOR AREAS, SUMMARY OF LEASE TERMS, SCHEDULE OF COMPARABLE EVIDENCE (with proforma evidence sheets)
- SOAF's COMMONPLACE IN ARBITRATION & EXPERT CASES
- DON'T AGREE WHAT YOU DON'T AGREE

BECAUSE YOU CAN'T SUBSEQUENTLY 'UN-AGREE' IT

BUT DON'T LEAVE 3RD PARTY TO MEASURE

4. DON'T ASK ARBITRATOR TO INVESTIGATE

ARBITRATOR HAS THE POWERS TO DO SO

ARBITRATION ACT S.34 (2) (G)

- BUT IT ELONGATES THE PROCESS
- ANYTHING DISCOVERED BY THE ARBITRATOR HAS TO BE RELAYED BACK TO THE PARTIES
- THIS MEANS FURTHER REPORTS & REPLIES TO RESPOND TO WHAT THE ARBITRATOR FINDS OUT
- FIND THE RELEVANT INFORMATION YOURSELF DON`T EXPECT OR ASK THE ARBITRATOR TO GET IT
- PUSH THE OTHER SIDE GIVE THE INFORMATION AND SEEK THE ARBITRATOR S HELP IF THE OTHER SIDE WON T RELEASE THE INFORMATION (see No 5)

BUT DO ASK EXPERT TO INVESTIGATE

INSIST ON INVESTIGATION BY EXPERT IF YOU KNOW HE WILL DISCOVER INFORMATION TO SUPPORT YOUR CASE

5. DISCLOSURE - WITNESS SUMMONS (Arbitration)

- IN ARBITRATION CASES DO REQUEST ORDER FOR SPECIFIC DISCLOSURE IF THERE IS INFORMATION CRITICAL TO YOUR CASE WHICH THE OTHER SIDE WILL NOT RELEASE OR WHICH IS COVERED BY A CONFIDENTIALITY AGREEMENT OR NDA
- BUT DON'T ASK IF YOU DON'T KNOW WHAT IT IS/IS LIKELY TO BE
- DO YOU REALLY NEED IT
- IS IT FUNDAMENTALLY RELEVANT DOES IT MEAN A SAVING OF TIME & COST - WILL THE 3rd PARTY ULTIMATELY RELY UPON IT ?

EXPERT

- REMEMBER AN EXPERT HAS NO POWERS TO DEMAND SIGHT OF DOCUMENTS OR TO CALL EXPERT WITNESSES
- BUT THE EXPERT CAN SPEAK TO ANY PARTY AND DRAW HIS OWN CONCLUSIONS FROM ANY INFORMATION HE UNCOVERS - or - FROM THE NON-DISLOSURE OF OTHER INFORMATION

6. DON'T FOCUS ON THE TENANT

THE ACTUAL TENANT MAY NOT BE THE HYPOTHETICAL TENANT

- ► REMEMBER THE PROPERTY IS VACANT AND TO LET
- ► IT IS ASSUMED TO BE EXPOSED TO THE OPEN MARKET
- THE VALUATION EXERCISE IS NOT TO ESTABLISH IF THE EXISTING TENANT CAN PAY THE OPEN MARKET RENT
- ANOTHER TENANT MAY PAY MORE RENT THAN THE ACTUAL TENANT - SO IT IS NOT RELEVANT IF THE ANTICIPATED RENT IS MORE THAN THE EXISTING TENANT CAN AFFORD

7. (L/L) DO PROVE DEMAND - IF THERE IS DEMAND
 (T) DO PROVE LIMITED DEMAND - IF THERE IS LIMITED DEMAND

DEMAND IS FUNDAMENTAL

- ► REMEMBER THE PROPERTY IS VACANT AND TO LET
- ► THE EXISTING T IS NOT IN OCCUPATION
- ► WHO IS GOING TO TAKE A LEASE ON THE PROPERTY
- L/L OFTEN RELIES ON WILLING TENANT ASSUMPTION, ie the existing tenant will take it - but if you know of potential tenants then name them
- MOST TENANT CASES DON`T FOCUS ON DEMAND but should do if they can demonstrate that demand would be limited
- IF APPLICABLE PROVIDE RECENT ACQUISITION RECORD FOR T IF IT DEMONSTRATES THAT T WOULD NOT NOW TAKE THE SUBJECT PROPERTY
- REMEMBER AN ARBITRATOR CANNOT CONTACT PARTIES TO ESTABLISH TENANT DEMAND (see exception in No 4 earlier)
 - BUT AN EXPERT CAN LIFT THE PHONE AND CHECK TENANT DEMAND

8. DO COLLARS & CUFFS MATCH ?

- DOES YOUR CASE SUPPORT YOUR RENTAL VALUATION ?
- OR DOES IT SEEM LIKE YOUR RENTAL VALUATION IS PLUCKED FROM NOWHERE?
- REMEMBER YOU ARE LOOKING TO TAKE YOUR 3rd PARTY ON A JOURNEY THROUGH YOUR CASE IN AN ATTEMPT TO PERSUADE THEM TO SUPPORT YOUR CASE
- TO DO THIS YOUR EVENTUAL VALUATION MUST LOGICALLY FOLLOW ON FROM THE CASE THAT YOU HAVE MADE
- YOUR RENTAL VALUATION SHOULD BE THE LOGICAL CONCLUSION FOR YOUR CASE - NOT A FINAL FIGURE WHICH IS NOT FULLY SUPPORTED BY THE CASE THAT YOU MADE

9. KNOW THINE 3rd PARTY

► IT SHOULDN'T BE A BLIND DATE

- YOU ARE ILL-ADVISED TO PRESENT TO A 3rd PARTY OF WHOM YOU HAVE NO PRIOR KNOWLEDGE
- READ PREVIOUS AWARDS BY THE ARBITRATOR OR PREVIOUS DETERMINATIONS BY THE EXPERT OR ASK OTHERS FOR THEIR VIEWS
- KNOW WHAT TICKS THE 3rd PARTY'S BOXES AND TAILOR YOUR CASE ACCORDINGLY

10. DON'T FOCUS ON YOUR OPPONENT

FOCUS ON THE YOUR CASE & THE 3rd PARTY

- PUT THE ARBITRATOR'S / EXPERT'S HAT ON
- STRUCTURE YOUR REPORT IN A LOGICAL ORDERED FASHION
- MAKE IT EASY TO READ AND EASY TO FOLLOW
- TRY TO TAKE A HIGH SCORING COLOUR WITH EACH RED ie, SUPPORT EACH POINT YOU MAKE WITH GOOD EVIDENCE ie, DON`T BE LAZY AND LEAVE IT TO THE 3rd PARTY
- FINISH ON THE BLACK BALL
- ie, PRESENT THE BEST FITTING EVIDENCE LAST BECAUSE THIS IS WHAT THE 3rD PARTY WILL FOCUS ON