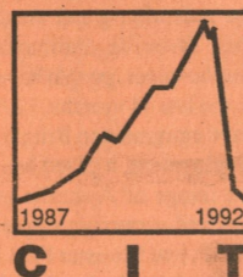


CENTRE FOR INCENTIVE TAXATION ECONOMIC INTELLIGENCE

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THE LESSONS OF '73 - and 2,010!

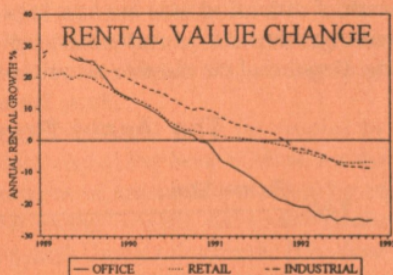
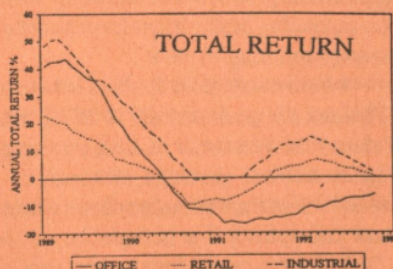
LAND SPECULATORS are back in the market with a vengeance on both sides of the Atlantic. The new 18-year cycle is being put in place by cash-rich corporations. They will shoot the global economy to a mid-cycle crash at the turn of the century, leading to the depression of 2,010 which, EI predicts, will dwarf the current depression.

That prediction may be looking too far into the future for most investors, but not for operators like George Soros, for whom the long-term growth in land prices offer the richest pickings.

Soros is the Hungarian-born Wall Street investor who made more than \$1bn (£600m) from speculating against sterling on "Black Wednesday" last autumn. He is now buying property, and is advised by Canada's Paul Reichman. Last month Soros was joined by Reichman to invest in north American commercial property. Soros described his new adviser as "one of the most astute and visionary figures in real estate investment". True; a reputation not diminished by the fact that Reichman's Olympia & York company went bust largely as a result of its venture in London's Docklands - the world's most spectacular property company crash.

Soros is establishing Quantum Realty, with \$525m to invest in

property, with an additional \$130m from Soros-related co-investors. Why invest in a sector that has been depressed for two years? Soros believes now is a time of "great opportunity to begin to assemble a prime portfolio of commercial real estate at advantageous prices".



The same motivation is attracting operators into the UK market, where total return on property registered 0.0% last year, according to Richard Ellis, the London real estate company. Germans are particularly active in Britain. They spent over £400m in the last few months of last year, and - with no sign of their economy bottoming out - they are taking refuge in the asset that will give them the largest gains in the long term: land.

This is cold comfort for British

builders, many of whom bought their land at the tail-end of the last land boom. They continue to sack workers. Few have been as sharp as Berkeley Group, which reports a respectable profit on last year's operations. How did they do it? They sold their land bank in 1988 - at the height of the land boom - and now run a "buy-build" policy, in which they acquire small parcels of land for immediate use.

Other construction companies - like George Wimpey, which has had to write-down the value of its holding of residential land in the UK and the US - continue to pay for the folly of not studying the economics of land speculation. And ironically, the first victims of the new buoyancy in the land market will be building companies. For with spirits now rising in the City, fears are growing that banks will "pull the plug" on builders - forcing them into bankruptcy, knowing that the land can be sold to pay for the loans.

The Chartered Institute of Building's chief executive, Keith Banbury says: "Statistics suggest there is a link between land values rising and firms going out of business at the end of a recession". Builders have only themselves to blame: they need to keep statistics that track back to 1973 - and look forward to 2,010!