

property



PROPHET OF DOOM: Harrison forecast a slump

The man who

By **Ross Clark**

During the summer of 1997, aides to the new Prime Minister Tony Blair and his Chancellor Gordon Brown would have found a pamphlet entitled *The Coming 'Housing' Crash* by Fred Harrison in their in-trays.

'By 2007,' it predicted, 'Britain and most of the other industrially advanced economies will be in the throes of frenzied

activity in the land market to equal what happened in 1988-9. Land prices will be near their 18-year peak, driven by an exponential growth rate, on the verge of the collapse that will presage the global depression of 2010.'

As the frantic property market of last spring slumps into its current nervous state with falling

predicted today's housing woes – ten years ago

prices, is it by chance that this crystal ball-gazing – so far – seems to have been uncannily accurate, or does Harrison really know something we don't?

For most of us, the property market is a complete mystery. For the past decade it has exceeded the rosier predictions of estate agents and defied the forecasts of doom made by one eminent economist after another.

But as far as Harrison, 63, is concerned, the property market is totally predictable. After reading politics, philosophy and

economics at Oxford, he worked in the media before running his one-man band think-tank, the Land Research Trust.

He has revived a theory propounded by economists in the Thirties: that the property market works in 18-year cycles – a period ultimately determined by long-term interest rates.

'It is like clockwork,' says Harrison. The bottom of the last two property cycles were in 1974 and 1992, making the bottom of the next cycle due in

2010. 'Although it is talked about as a crash it won't happen overnight,' he says. 'Prices will slide down over a period of two years.'

When we talk about a property boom, says Harrison, we really mean a boom in land prices – houses themselves are, like cars, wasting assets.

'When we are at the bottom of the market in 2010 the Government should announce that income tax rates will be reduced over ten years. Council tax will

also be abolished and in its place will be introduced an annual charge, not on your house but the land which it occupies.' This, he says, would cut the incentive to speculate on land values and iron out market cycles.

Such taxes already exist, he says, in Denmark, New Zealand and parts of Australia, but they have failed so far to prevent a property boom because they have been set too low. He envisages a situation in which a developer gaining

permission for development would have to pay a tax of about 95 per cent of the uplift in value. Developers could profit on the homes they build, but not on increases in the value of the land itself.

It won't happen, of course. Harrison says one frontline politician shares his views on land taxes – Chris Huhne, the losing candidate for the Liberal Democrat leadership. But can you imagine Alistair Darling standing up in Parliament and introducing a tax to thwart the birthright of

an Englishman to make a pile on his home?

If he is right, canny investors could pile into a shattered property market in 2010 – and sell around 2025 at the peak of the next boom.

So is he selling his home now to pick up a bargain in two years' time? 'No,' he says. 'Because I want to live in it.'

● *Boom Bust: House Prices, Banking And The Depression Of 2010*, by Fred Harrison, published by Shephard Walwyn, £14.95.