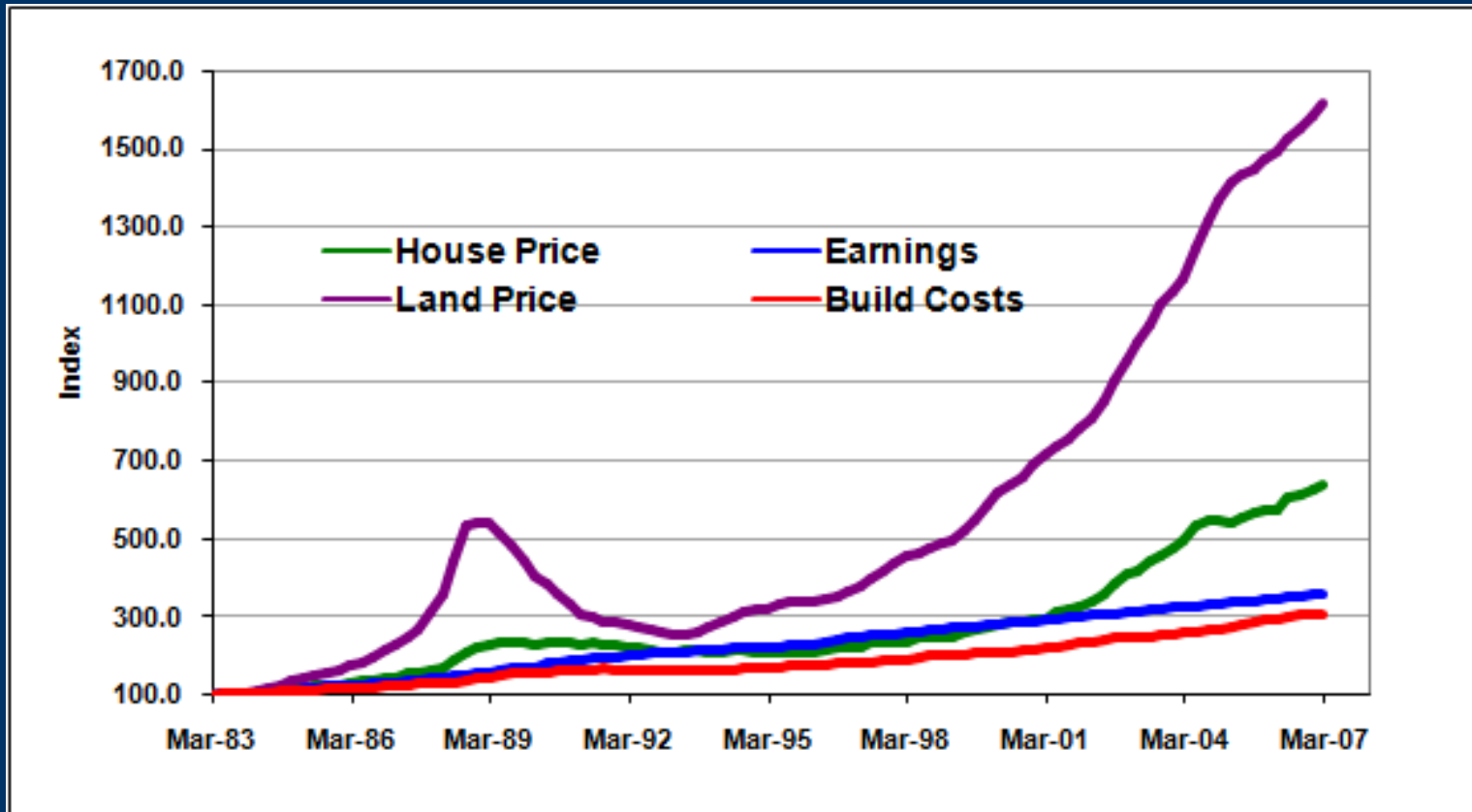


The plan for today:

1. Introduction and overview.
1. UK commentary: Fred Harrison.
2. How real estate history repeats.
3. Illustrating Ricardo's Law of Rent (Canberra).
4. Real estate's next move.

Some UK Figures:



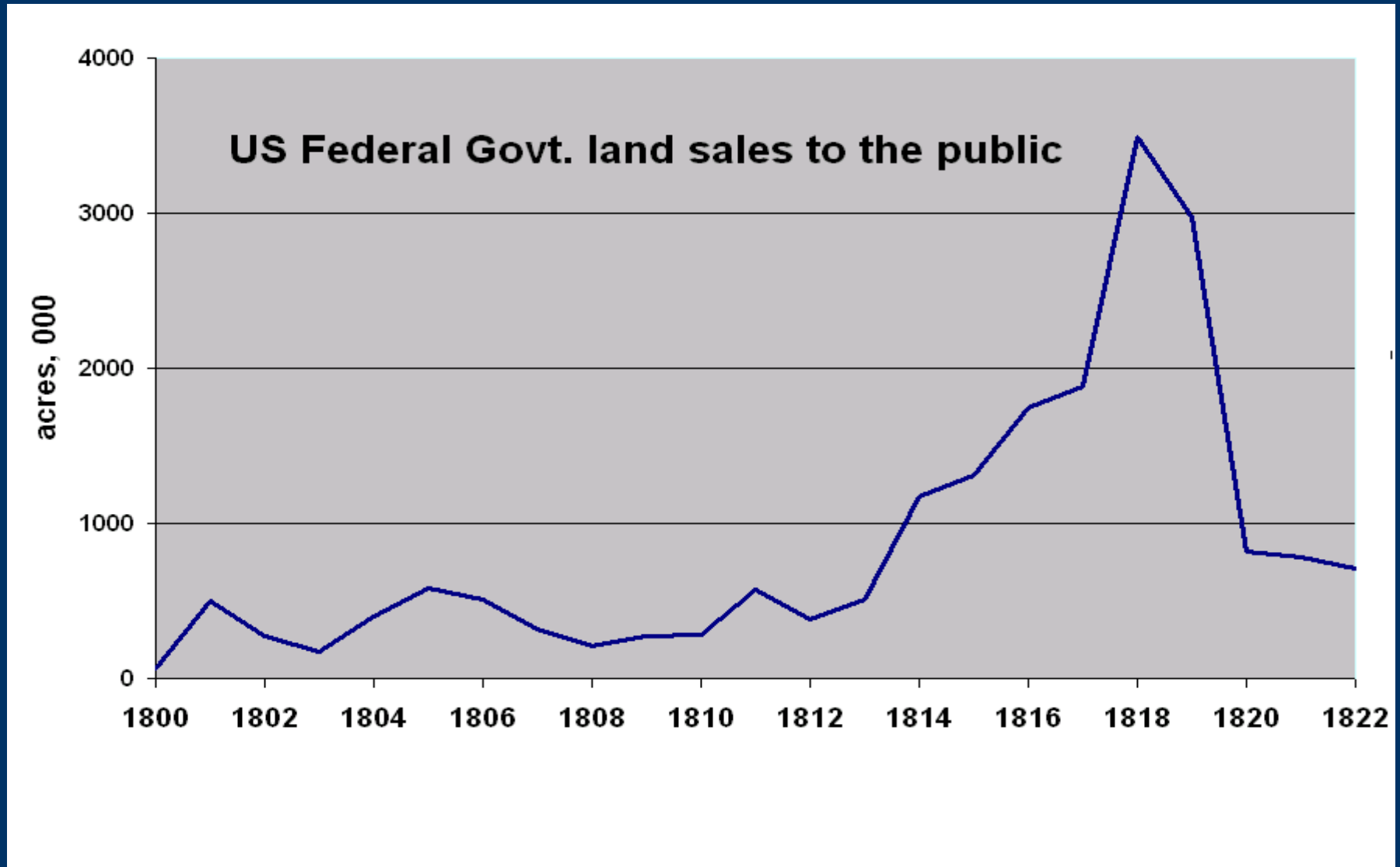
Note the following series of years:

| | | | |
|--------|--------|------|------|
| 2001/2 | 1991 | 1982 | 1974 |
| 1961 | (1955) | 1949 | 1937 |
| 1921 | (1913) | 1907 | 1897 |
| 1884 | 1873 | 1866 | 1857 |
| 1847 | 1836/7 | 1825 | 1819 |

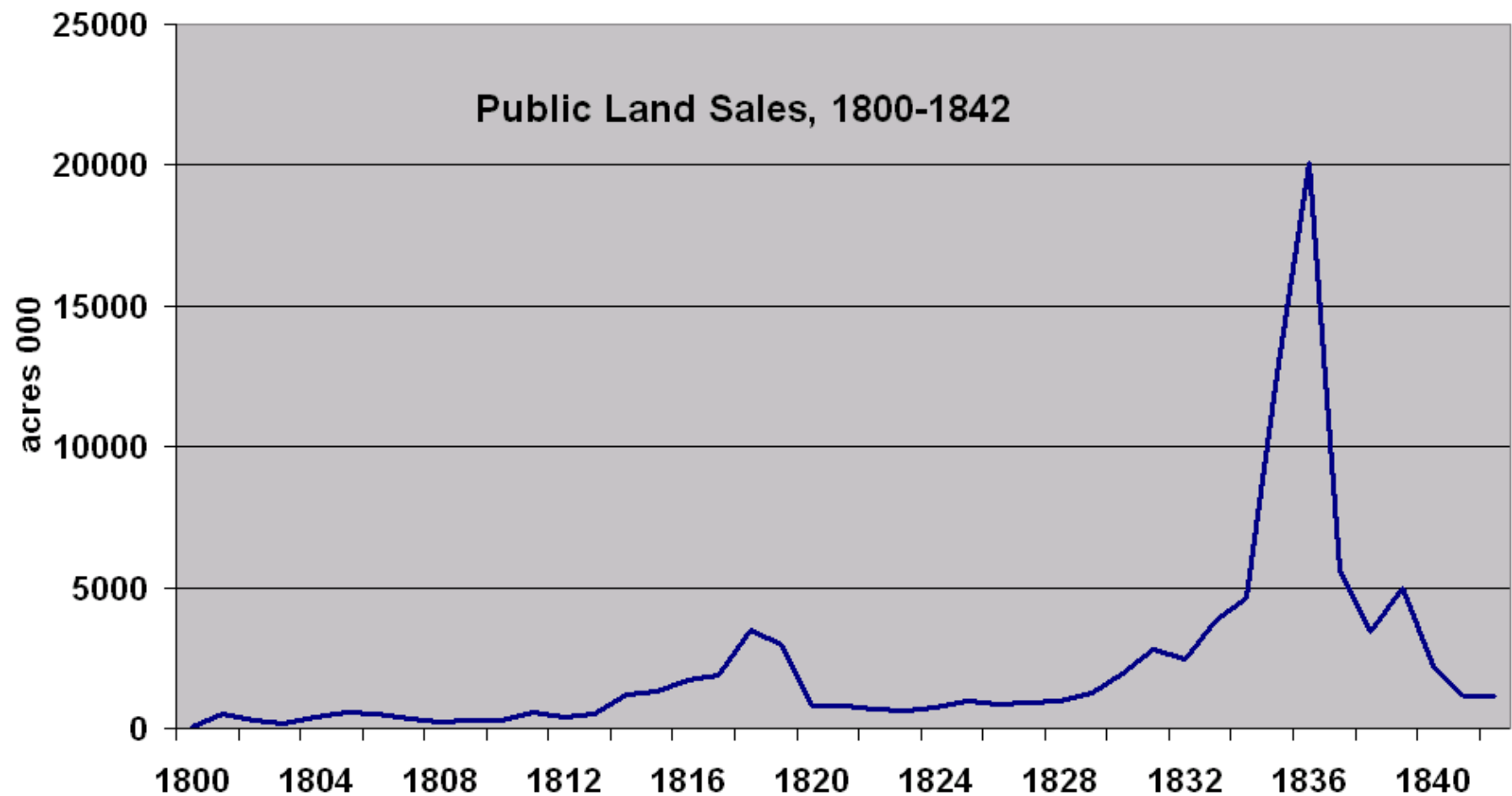
- Real estate: The US movement inwards



- Real estate: 1810's land speculation, then downturn



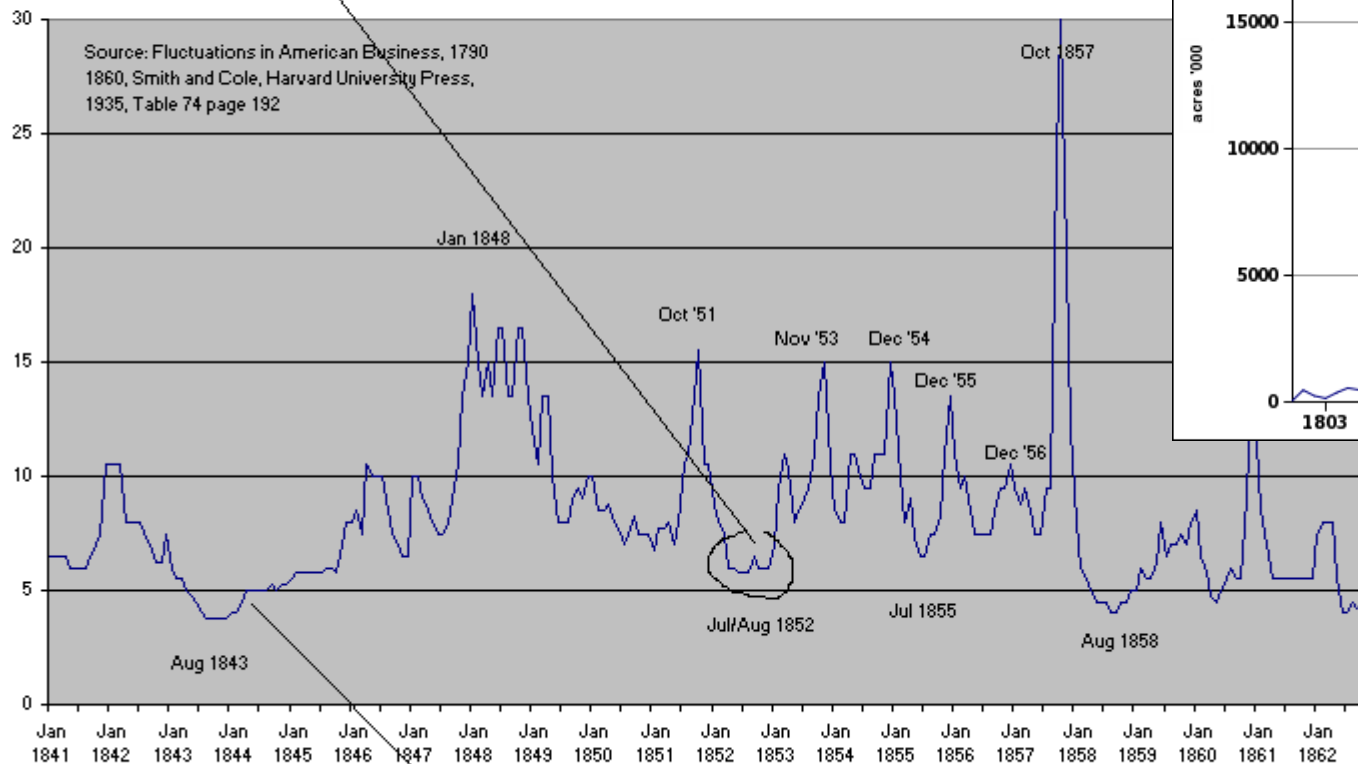
- Real estate: 1830's land speculation, then downturn



- Real estate: 1850's land speculation, then downturn

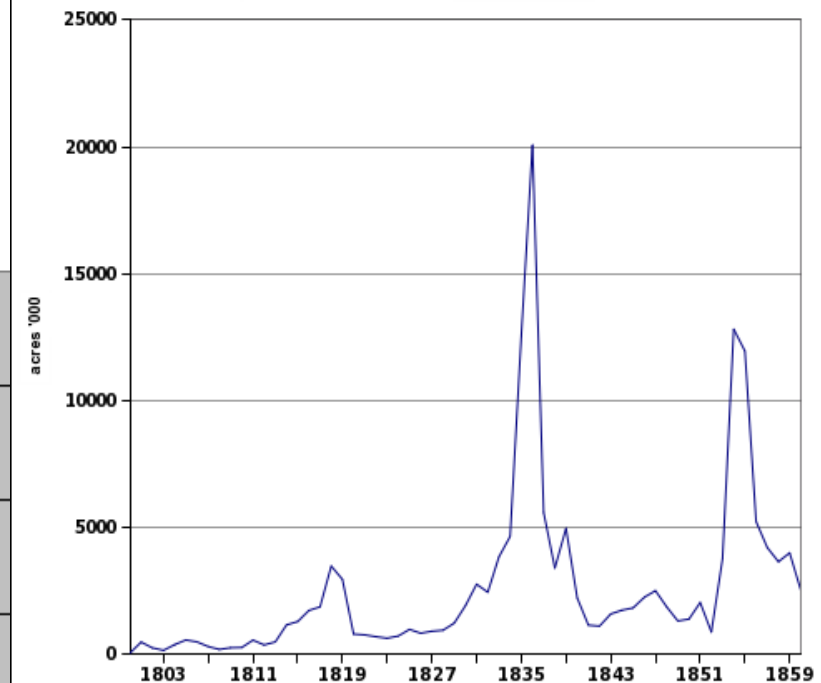
Very low interest rates, brought about by the California gold strike that vastly expanded the banks supply of specie, enabled the banks to expand their loans, their credit base, and hence their profitability, at least in the short run. Leads to an explosion in land speculation.

Discount Rate, New York City, monthly average 1841-1862



Low rates here helped fuel the rapid rise in rail stock prices in this year and the next.

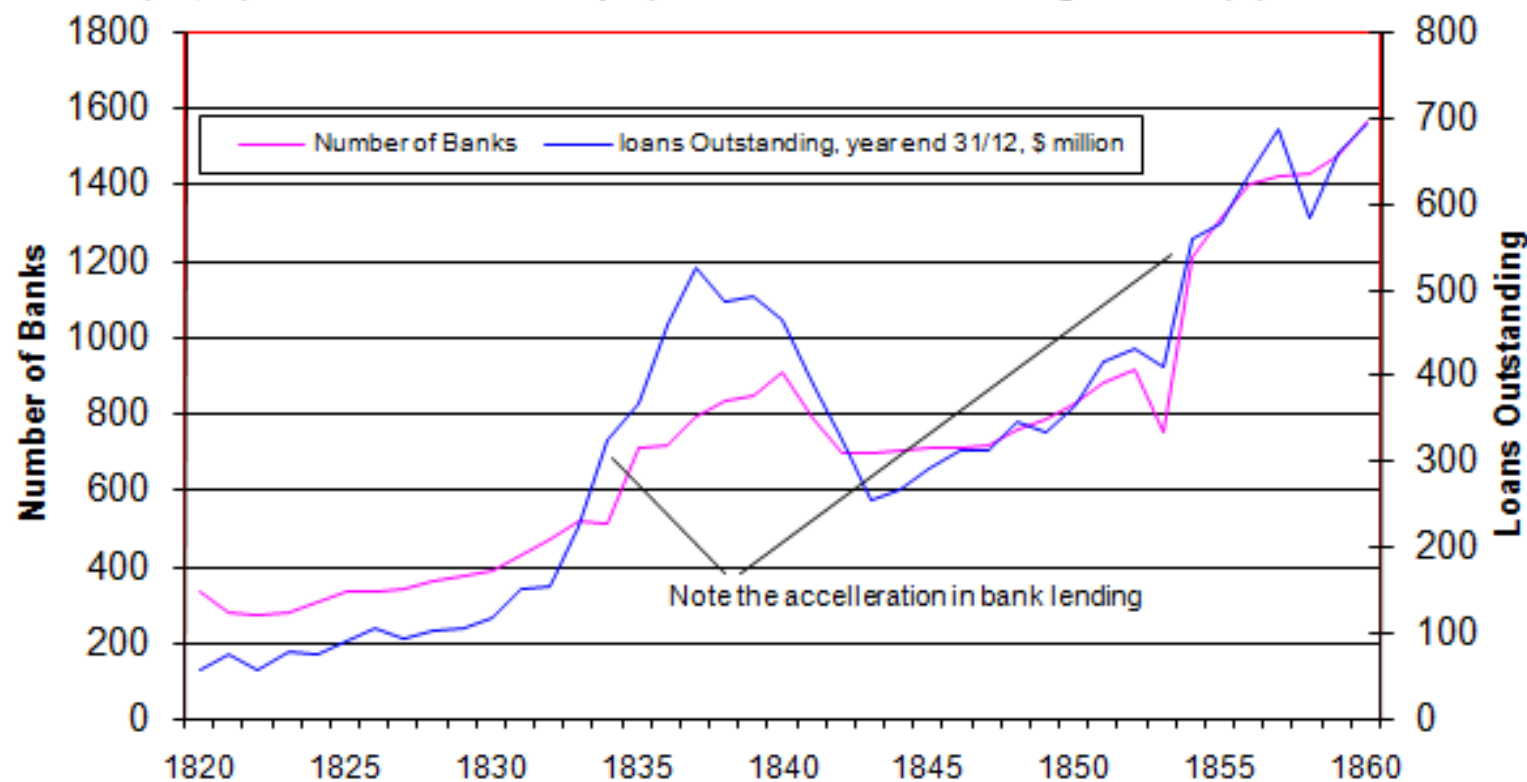
Public Land Sales 1800 - 1860



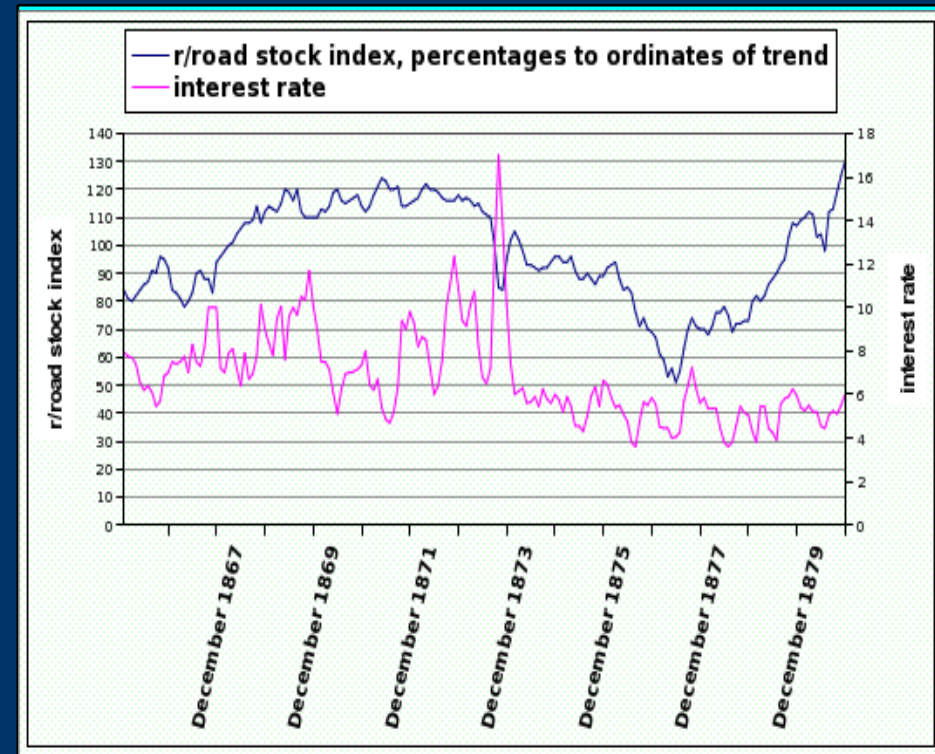
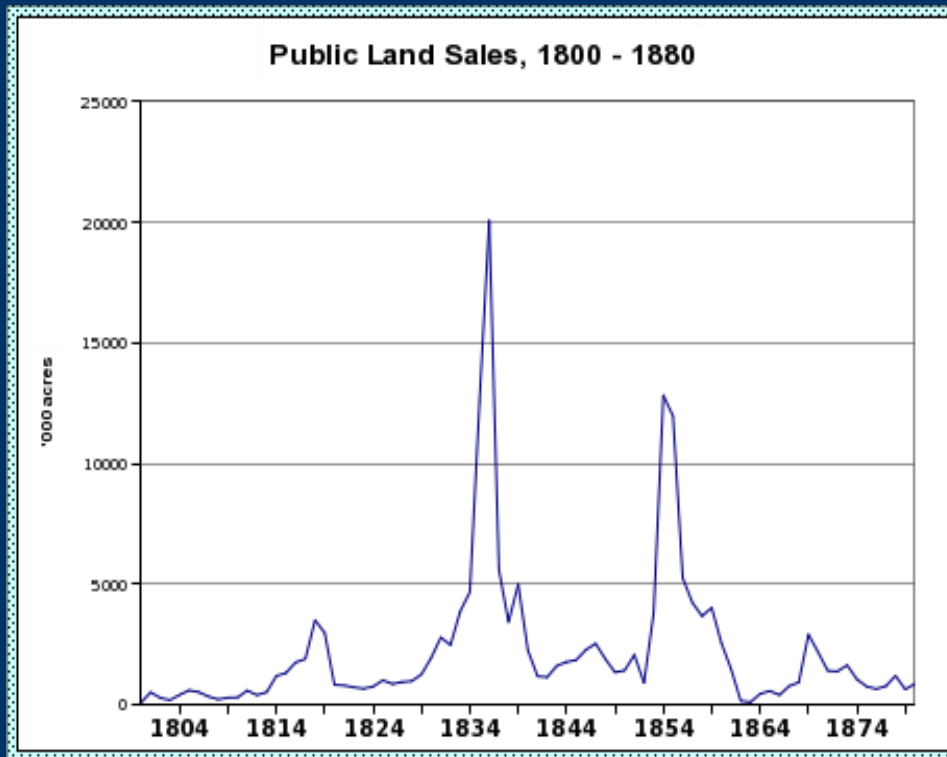
1830's, 1850's acceleration in bank lending:

Bank numbers and loans outstanding, 1820 - 1860

Source: Bodenhorn, Howard. "Antebellum Banking in the United States." EH.Net Encyclopedia, edited by Robert Whaples, Sept. 5 2001. www.eh.net/encyclopedia/contents/bodenhorn.banking.antebellum.php

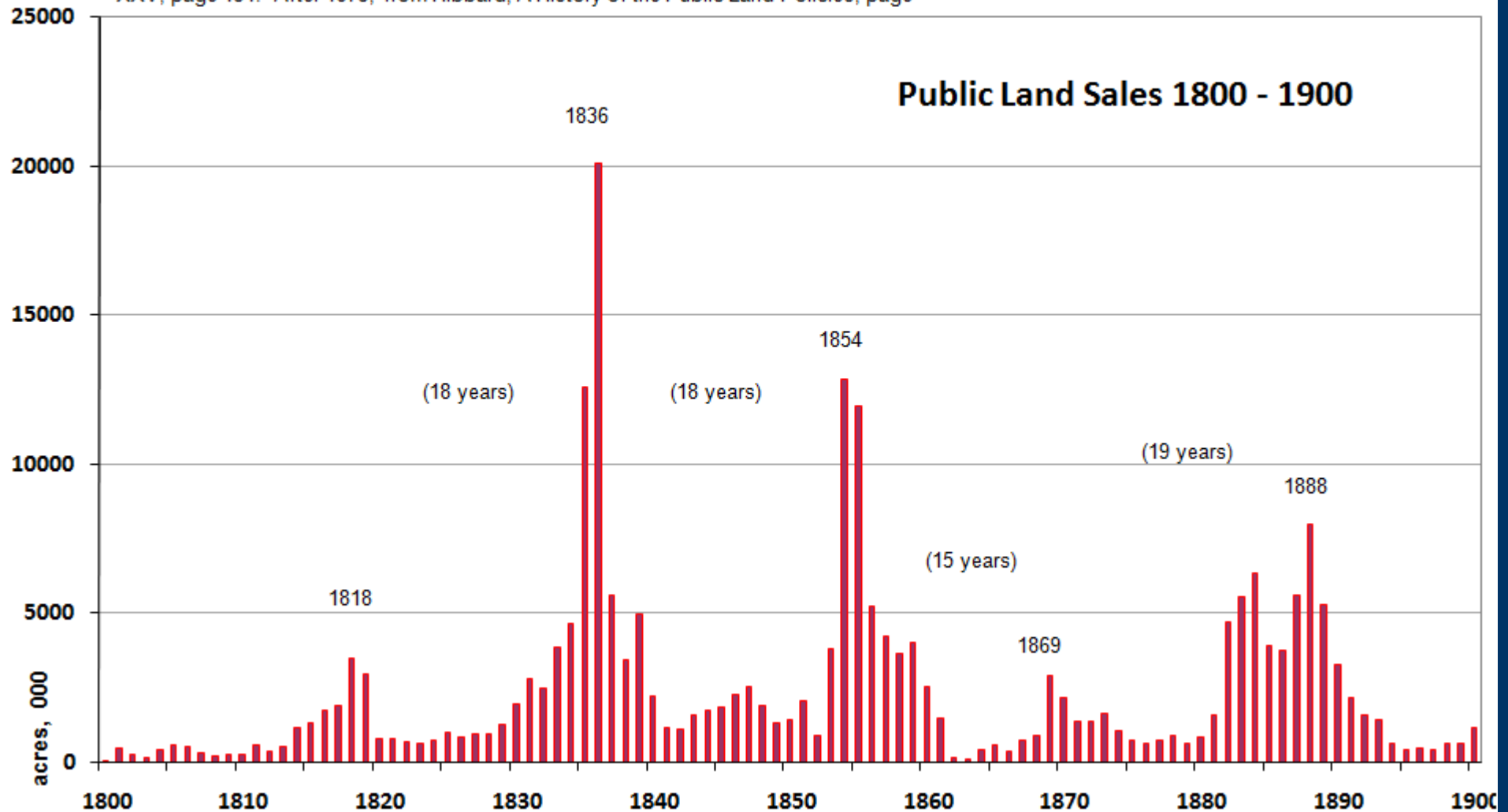


- Real estate speculation into the 1873 downturn



- US Real estate speculation into the 1893 downturn

Source: Fluctuations in American Business, 1790-1860, Smith and Cole, Harvard University Press, 1935, Appendix D. After 1860, from McCartney, Crisis of 1873, table XXV, page 131. After 1875, from Hibbard, A History of the Public Land Policies, page

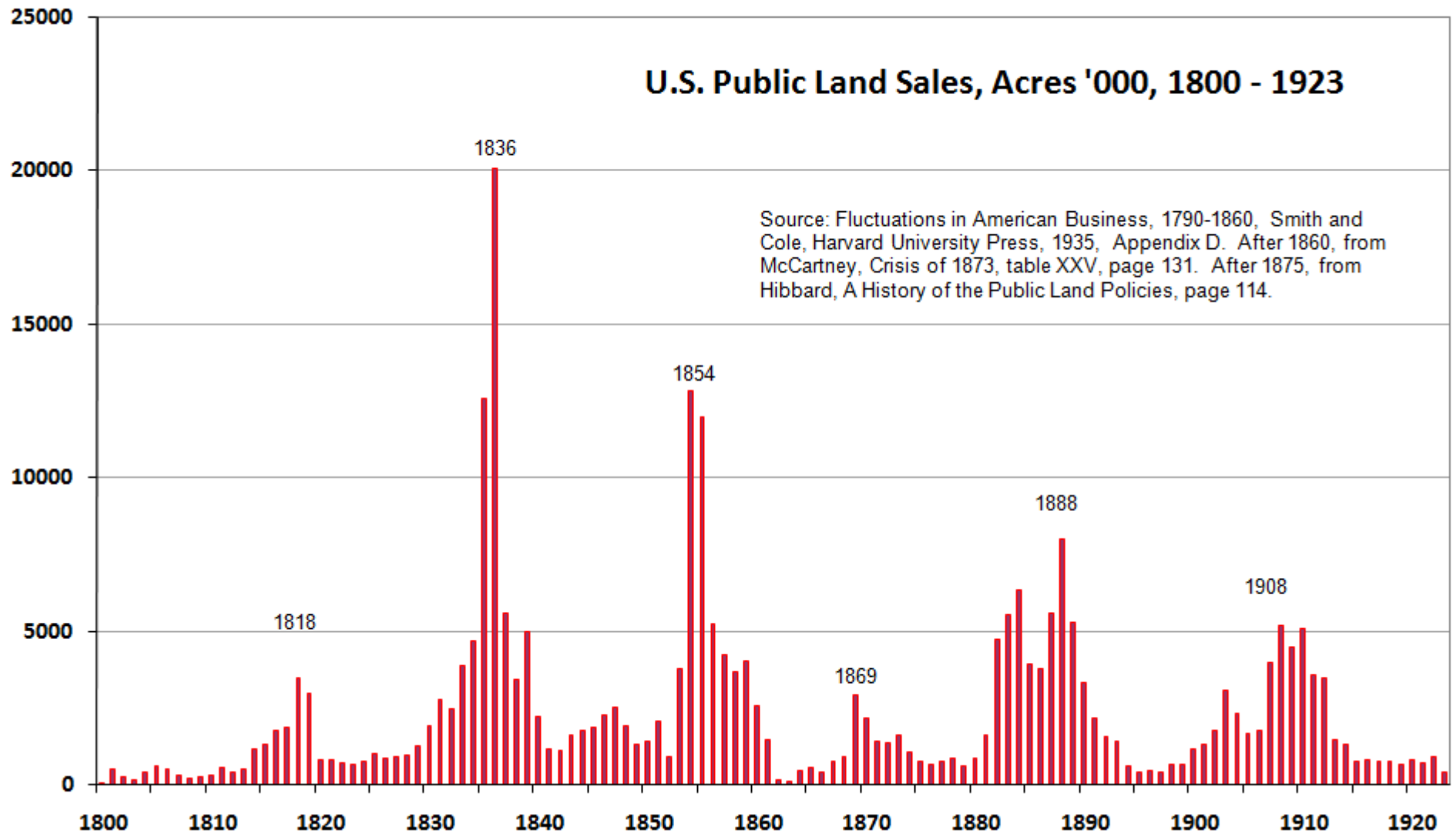


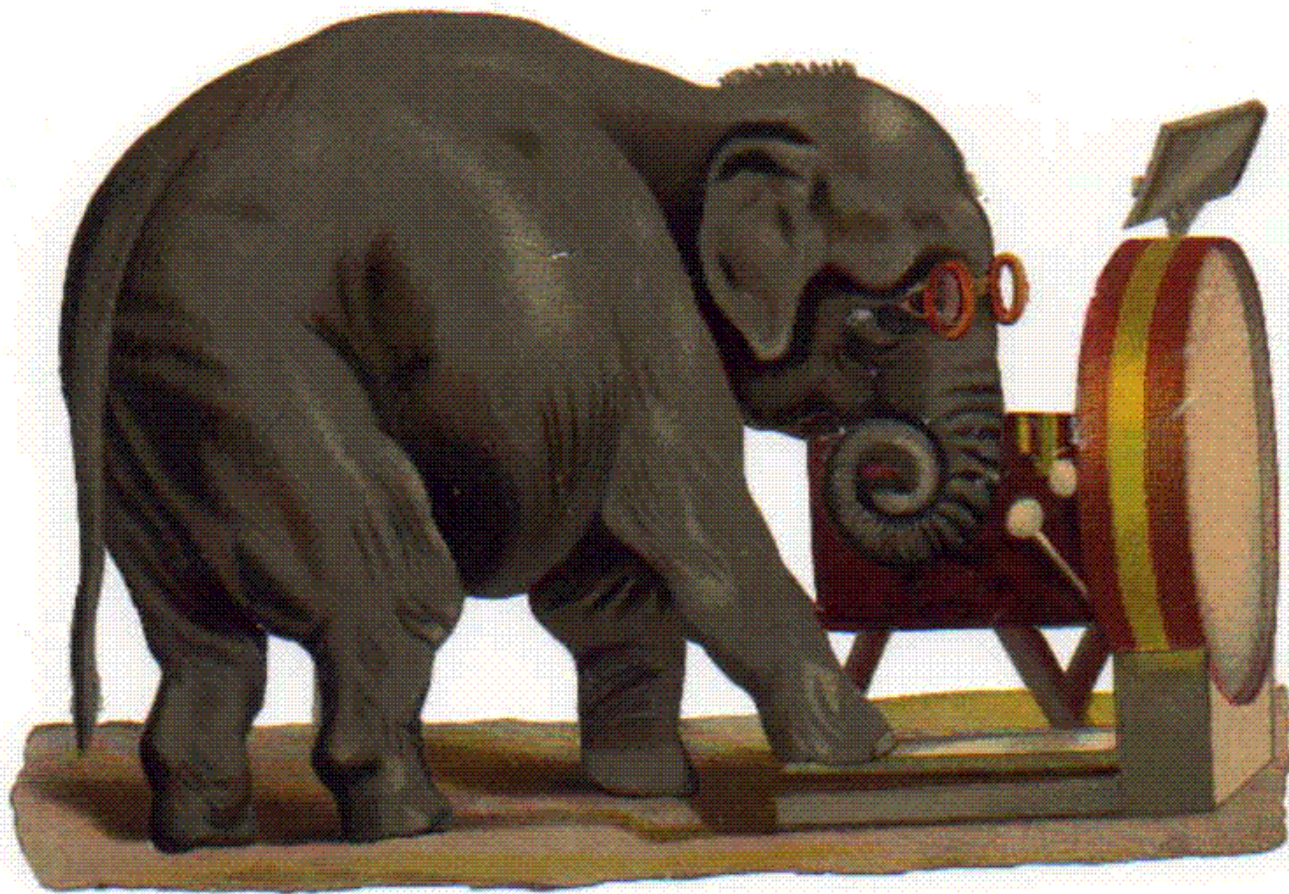


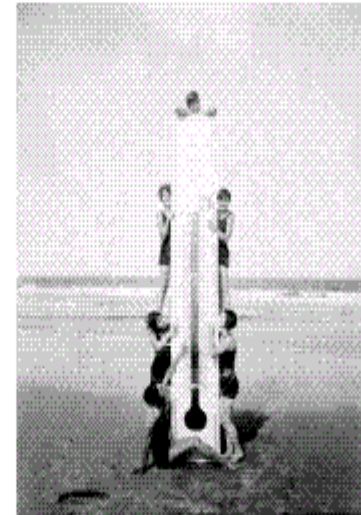
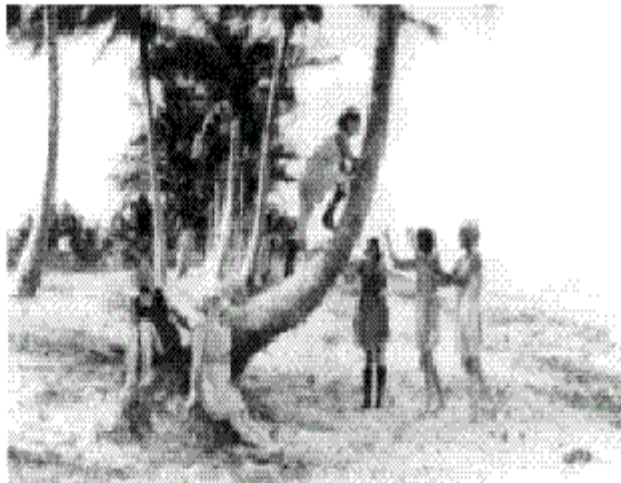
THE 1889 LAND RUN
(Opening of the Unassigned Lands)

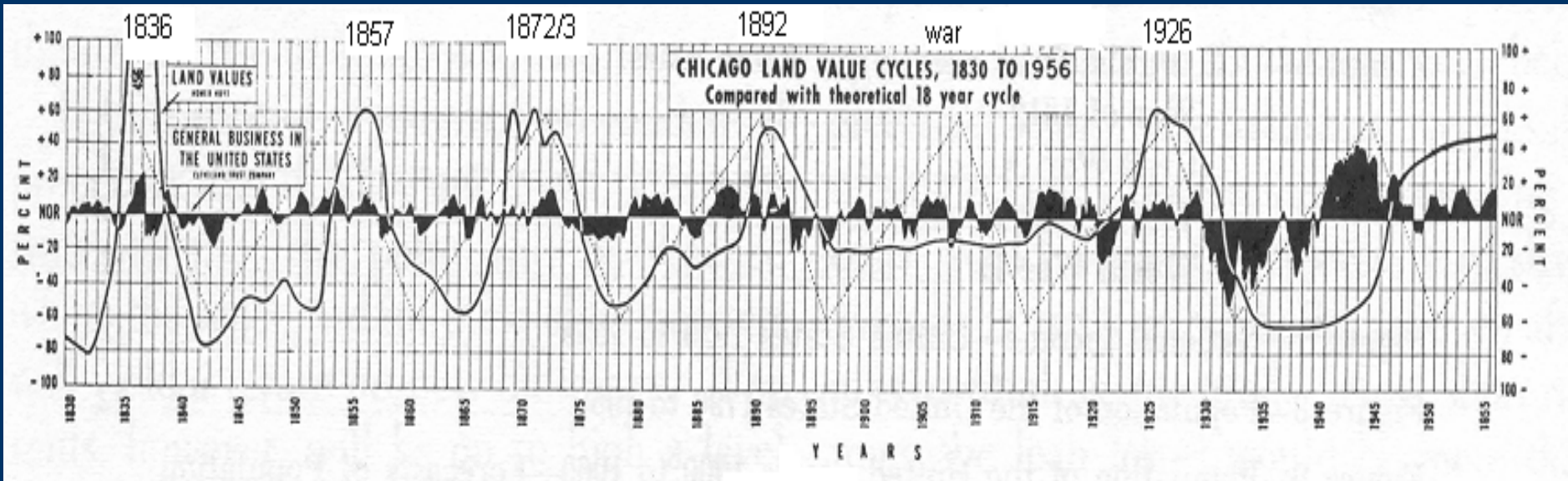
<http://www.sandplum.com/guthrie/landrun.htm>

- US real estate into 1932



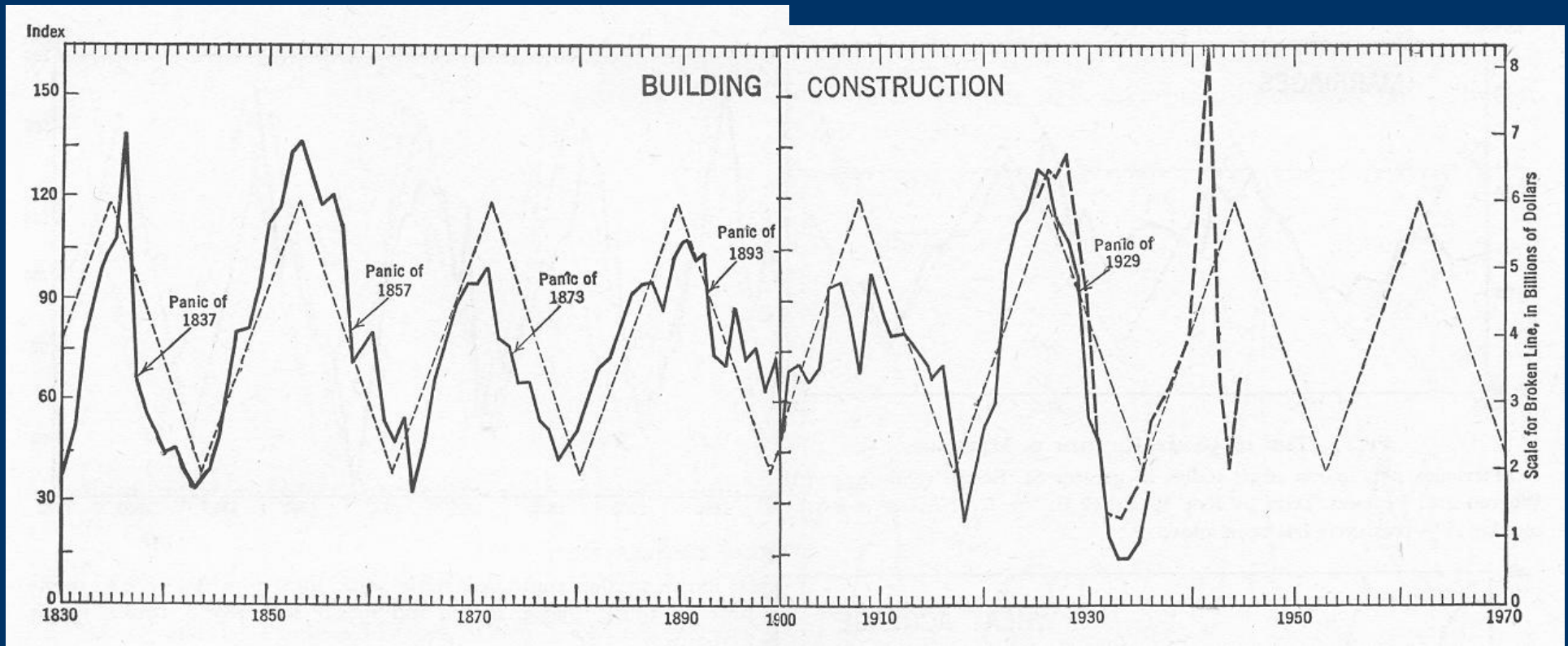






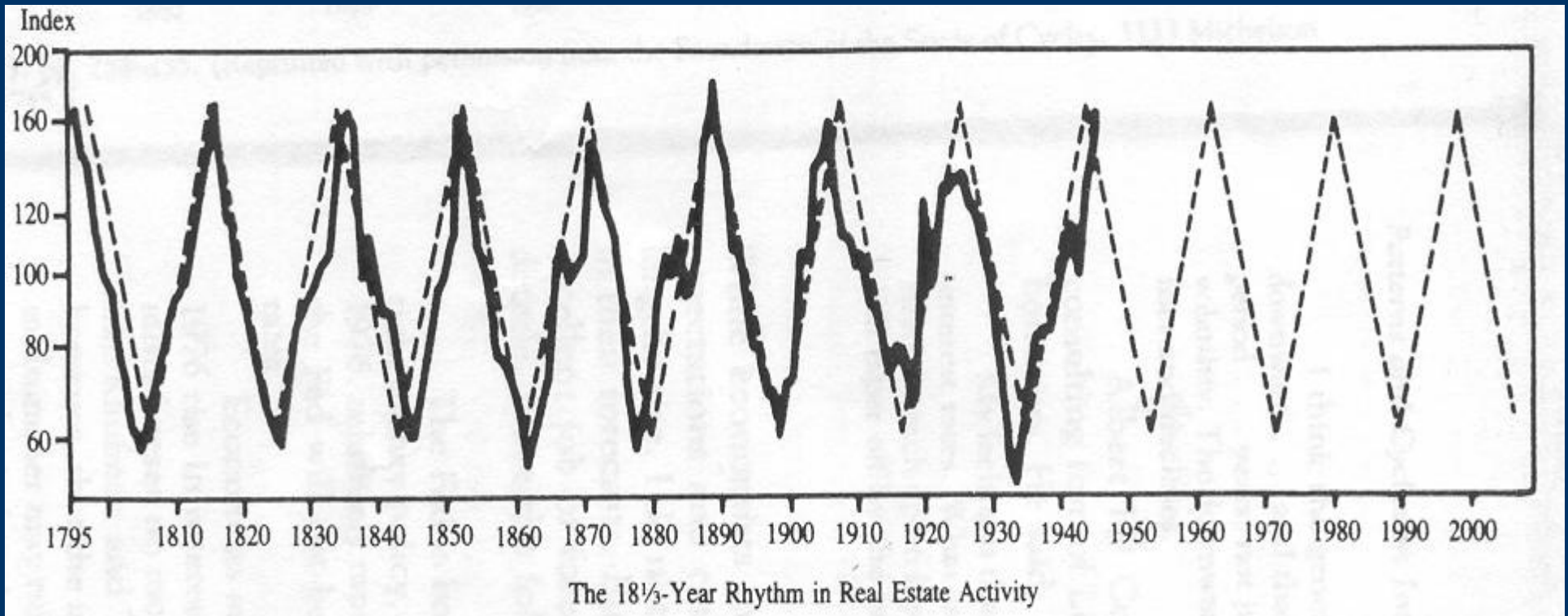
Source: According to Hoyt, 1966, page 538

- 18 years has a good history: US building construction,



Source: Cycles, 1947, page 118

- 18 years has a good history: US real estate activity,



Source: Cycles, 1970, page 343

The real estate rhythm:

1. Recovery in business.
1. Rents move higher.
2. Acceleration in bank lending (“easy money”).
3. Peak in speculative activity, (especially land / houses).
4. Interest rates increase, leads to a bank run.
5. Credit tightening.
6. 4 – 7 year slump in house prices.

The cycle, measured trough to trough, or peak to peak, has never been shorter than 17 years, never longer than 21.



“Because capitalists are always trying to stab each other in the back, free markets do not lead to monopolies... Monopolies can only exist when government support them.”

Rupert Murdoch, John Bonython lecture, October 20, 1994
