

Recommended Read: *The Trouble with Prosperity* by James Grant



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In the 1920s a wave of optimism saw bankers and property owners alike keenly expand their reach in commercial real estate. Espousing the idea that the financial health of the firms wishing to occupy a Wall Street address and the broader rental market would only move from strength to strength.

In this book the author walks the reader through roughly 50 years of market cycles, specifically a property, being 40 Wall Street. Detailing how the sentiment moves from euphoria to despair and makes the sobering point that bear markets do not merely follow bull markets, but they are caused by them. The one chapter speaking to the history of that Wall Street sky-scraper may well be the perfect embodiment of the excessive optimism at the top of the cycle, and the economic despair faced by those acting on such seemingly evergreen bullish views.

In the case of 40 Wall Street this involved taking some bold steps; developers bought up entire blocks using almost exclusively debt, raising the sky-scraper's plans by another 30 storeys, and presenting their tenants with nearly century-long contracts locking-in higher than market rentals. All these actions were appropriate if the prevailing sentiments at the time would stay true. They did not, the building's opening coincided with a stock market crash and would-be tenants went bankrupt. The building would not have full occupancy until 14 years later and the rental levels required to make the building economically feasible would not be earned for decades. Within 10 years of opening, the company that owned the building was defaulting on interest payments, and the value of the building was deemed less than the cost of the elevators in it.

The owners were at the mercy of deflation – prices were sinking lower each year, and the building opened its doors at very unfortunate time. This may all be seen to be bad luck, but as James Grant writes, these events are not unrelated.

Reading Grant's writing on the history of markets teaches the audience to keep humility close at hand. When examining bankers' decisions that went right or wrong, or very wrong, the audience would in most cases find it difficult to say they would have done it any different. This thoroughly researched and often humorous book is a must read for all who could use a reminder about the markets most human quality – to get things wrong.

