

**REAL ESTATE
IN ALL ITS BRANCHES**

**BY
FELIX ISMAN**



**D. APPLETON AND COMPANY
NEW YORK : : 1926 : : LONDON**

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PREFACE

This volume is for the man who wishes to know what real estate to go "by" and what real estate to go "buy"; to avoid certain pitfalls and snares of realty dealing; to profit by the experiences of an operator who has been engaged most actively in the realty field for thirty years, when the cities of the United States were in the making.

FELIX ISMAN

INTRODUCTION

I am a realty broker. I am idly watching the crowds in the street below from the window of my office.

I haven't anything pressing to be done because the real estate market is very busy. That is the time, my experience has taught me, when a broker upon whom clients rely to invest their money safely, can take a long vacation. Property is right to buy when sellers are looking for you and money is scarce.

Nothing very exciting in our business? Under the surface there is interest hidden everywhere. Thought waves that may suddenly fire thousands of men to act simultaneously at the most unexpected time.

Very little of interest in the realty business? Klondike in the form of a new business section may be uncovered at any moment and the rush commence.

Very little mystery in the real estate business? The representative of a transcontinental railroad has just left me after stating that his company must purchase three hundred separate but adjoining properties for a terminal and not one of the three hundred owners must know what the property is to be used for; the sales must not be traced to any single individual.

Not much drama in the real estate business? The panic of 1907 burst from a clear sky. A contract of sale for a very large property which had been made a month prior thereto, with the thought in mind that a mortgage for a normal amount could be placed, has not been met so the money paid on account is a complete loss with additional liability on the agreement.

No sudden shock or thrill in the real estate business? A world war suddenly blazes across the Atlantic and a two million dollar mortgage upon a four million dollar property cannot be replaced. Puff! and two millions of solid gold dollars by reason of abnormal conditions, are gone.

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No hint of life's tragedy in the real estate business? It is a hard winter. Impossible to get coal on account of a strike. Water must be turned off or the pipes will freeze. Modern, palatial apartment houses, monuments to proud achievement and patient study, are worse than medieval jails. The tenants, necessarily many old men and women and babies are suddenly exposed to conditions thought banished by civilization. Nothing interesting ever happens in the real estate business.

I am looking idly out of the window of my office.

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REAL ESTATE

CHAPTER I

BUYING A HOUSE OR MAKING A HOME?

As a buyer and seller of houses, singly and wholesale, I long ago discovered that nine persons out of ten have only the vaguest ideas about what a house ought to be, and that they are still more vague about buying a home—which is very different from buying a house, as we shall see.

A house should be bought, first of all, for its home qualities. That means many different things both inside and outside the house. Inside livability should be considered in the size and arrangement of the rooms, the conveniences and the decorations. Outside there should be a homelike setting, a good neighborhood, accessibility to schools, churches, shops, transportation and the like. A house should also be bought for its location, the value of the

real estate, the honesty and economy of construction, the trend of the community.

But, should you undertake to make your living selling houses, and also try to sell them on these fundamental values, you would either go broke in a very short time, or do as men of experience in this field of real estate do—put into your houses the superficial things by which most people judge them, and go with the vast popular ignorance about “What is a house?” instead of trying to teach your customers better.

In big real-estate operations, like the assembling of a site for a department store, the building of an office structure, a hotel, a theater or an apartment house, there is so large an investment involved that people who are putting their money into such enterprises can utilize the knowledge and experience of the real-estate man. In many cases, the latter takes the initiative, bringing to one of his investing clients a project carefully studied and planned. Such an enterprise is large enough to yield him a just profit.

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But in the location, building and sale of a single house, the investment is too small to yield a living wage. I am speaking of houses that sell for from six to twelve thousand dollars, upon which the real-estate operator's commission may be from fifty to a little over one hundred dollars.

In the Philadelphia office where I first worked, the average commission for selling a house was so small that we had to make a rule of twenty-five dollars as the minimum. We received one per cent, which is still the general commission. In those days there were fifteen-hundred-dollar houses. The usual commission, was fifteen dollars for selling a house. Hence the rule that made twenty-five the minimum—and how people who had a fifteen-hundred-dollar house to sell did hate to part with that extra ten!

The real-estate man cannot afford to spend much time "educating" his customer in the solid values that make this piece of property an excellent investment and that piece a poor purchase. Particularly, he cannot spend

time educating women customers. Men can be taught values in the mass, but every woman purchaser is a fresh pupil who must be taught individually.

And even should he succeed in imparting to his customers some sense of real values, they would not follow his advice once in a hundred times!

These things being so, real-estate men deal in houses along two general lines: (1) They build and sell them new by the dozen, in subdivision enterprises, or the big operator, developing a residence section, turns the building job over to a builder and the selling to a broker. (2) They list all houses singly as brokers, show them to prospective purchasers with as little trouble as possible, and take their small commissions as sales are closed. The law of averages works for them. The broker's commission on a given house may be one hundred dollars. It costs, say, one dollar each time the property is shown. Somewhere between the twentieth and the fiftieth showing a purchaser will be found, and if the broker has enough

properties of that kind on his books, one or another is being sold every few days, bringing him a living wage.

Homes should not be bought or sold in either of the ways mentioned. Fifteen years ago I came so definitely to this conclusion that I abandoned my business in houses, and nowadays touch a deal of that kind occasionally, only as an accommodation to a friend or a customer in other branches of realty. I have strong convictions about how a home should be bought, but nobody has yet adopted my plan. It may be that the reader will see its advantages and strike out on a new path, buying a home as I believe it should be bought.

The capable real-estate man has experience, knowledge, acquaintance and the sense of values that enable him to render real service to the prospective purchaser of a home, telling him what to do, and, even more important, what *not* to do. The bigger an operator, the more service he can render. But it is not possible to give this service on commission in the

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average home-buying transaction of from six to twelve thousand dollars.

The home-seeker, for his part, feels that he cannot afford to retain the real-estate man on a straight fee basis of, say, five hundred or one thousand dollars. That seems a waste of the hard-earned dollars he is putting into his home.

But in this I believe he is mistaken. For expert assistance in choosing his site and building his house, or in finding a suitable home already built, would save him more than enough on the initial outlay to afford a fee satisfactory to the real-estate man, and would substantially repay him in the future increase in value of his property.

Let me illustrate with a recent experience:

Some months ago a friend asked me to buy for him, in a certain suburban section of New York City, a house costing not more than ten thousand dollars. Nothing that I could find for that price was honest value. A lively boom was under way in that section, building costs were high, building material and workers

scarce, and every house I inspected was scamped in material and construction. For example, knotty and badly seasoned lumber had been used where the price asked warranted the best quality, and houses were hammered together without proper ventilation between outer and inner walls, consequently they would be damp, paint and wall stains would blotch, wall paper come off, and the house itself would soon begin to decay.

But eventually I found an honestly built house. The material and workmanship were not only good, but the builder had added little things commonly overlooked by home-seekers, such as copper eaves-troughs and gutters instead of galvanized iron. Moreover, the general effect of the house and its setting made the whole place say "Home." It was offered at fifteen hundred dollars under my friend's limit. In fact, it was worth fifteen hundred dollars more, and I frankly told the builder so after our bargain had been closed.

"I know it," he said. "That is just what I

ought to get, although the price you are paying will yield me a satisfactory profit.”

Why did this builder part with a house for less than its real market value?

The best way to explain that is with another story, “The Fable of the Bungalow,” told by Richard S. Childs, the housing expert:

“There is a fable told of a man who, choosing between two rural bungalow plots at five hundred dollars each, decided to take both and tendered the owner one thousand dollars. But the price of the two, he was informed, was one thousand one hundred dollars. For the bungalow he was to erect on one lot would enhance the value of the other lot to six hundred dollars. If there had been a thousand such lots on sale at five hundred dollars each, the price of them all (with a certainty that a thousand bungalows would be erected) would not be five hundred thousand dollars, but something nearer to one million dollars. The early comers would pay five hundred dollars, the late comers, entering a neighborhood whose development had become

assured, would pay six hundred, eight hundred, one thousand dollars, and more, for lots that were not a whit different or better. Then the tax assessor would value them all quite properly at the standard set by the latest sales. So later the people who could pay five hundred dollars a lot but no more would find themselves unable to enter the colony.”

That builder had a number of houses in a new section where nobody had yet gone to live, and he intended putting up more. He was willing to part with several of the first houses sold at a modest price, to induce people to come into the neighborhood and thus enhance the value of his other houses.

By carefully shopping around, I was able to take advantage for my friend of the much misunderstood factor—increment. People call it “unearned increment,” and blame the real-estate operator and builder for boosting values in what seems to be an unfair way. But it is the people themselves who boost values. These increases represent their continual investment

in the community, for they are spending money to build houses, pave streets, lay sidewalks, build sewers, bring in water, gas, electricity, trolley, telephone and other services. These improvements are just as much a part of the cost of the property as the expense of building a house, though people usually forget to figure them into the cost of a home. Again, as people move in, they select the choicest sites. One street is preferred to others because handy to the railroad station, the trolley line, the grocer and butcher, the public school. Late comers pay more for the narrower choice—but they are also getting the benefit of investments made by the early comers in public improvements.

There is only one way that I know to beat increment. That is, be a pioneer. Be among the first to buy and live in a new section. But make sure that you pioneer where there is going to be real development. Here you will probably find the real-estate man's knowledge worth paying for. He will pass by the exploited and overvalued developments. He will pass the ones where prices are temptingly low because

the enterprise has got a set-back through bad management. He will also pass the promotions that are "water-logged" by having too many lot-owners in proportion to home-builders—people who have bought lots with the expectation of profiting by increment without building themselves. All these he will pass by, no matter how superficially alluring, and select a neighborhood that is quietly coming into its own on inherent merit, but where values are still low.

It may be that if people pay value for good real-estate advice, they will follow it. Probably it has been disregarded because it was so cheap. If you retain real-estate counsel, by all means stick to the transaction that he advises when you have made up your own mind that it is a good thing to do.

People judge houses by superficial things. I might as well be frank, and admit right here that "people" are almost invariably women. Perhaps some of my statements about women and home-buying may seem a bit cynical, but they are too true. The principal reason that I never try to sell a private house is that the

decision is usually left to the woman. Experience has taught me that there is no professional pride to be served. I have had a woman turn to her husband and say she didn't like the house because the wall paper was not the shade that suited her fancy, though the house was the best value I had ever seen. The builder had been unable to finance his proposition and the material-men had taken the operation over. The lady agreed that the location was perfect, the house was perfect, the price was low, but she didn't like the wall paper—and that settled it. I once lost a sale because a woman heard me mention that another woman had lately bought a house from me in the section under consideration—the ladies were not on speaking terms!

You take an honestly built house that cost five thousand dollars to erect, but lacking in certain sales points, ask only five thousand dollars, just what it cost, and you will probably fail to find a customer. Let a seasoned real-estate man take it in hand. He will put in a tiled bathroom floor at an extra cost of eighteen

dollars, a sunken bathtub costing twenty-five dollars more, six veneered doors, a hardwood floor, a fancy medicine cabinet, an open fireplace, a half-dozen patented devices in the kitchen, a place for the refrigerator outside the kitchen, and so forth. All told he will spend not more than five hundred dollars in such devices, and will sell the house to a woman for seven or eight thousand dollars.

"But a woman judges a home by just such conveniences!" I hear the woman reader say. "They mean so much in lightening housework!"

Yes, madam, you are right. But why pay twice or three times what they are worth? Go over them one by one as the real-estate man would do, find out how much they will cost, and buy them for that plus a reasonable builder's profit.

A woman who knows what housework is will buy a house for its kitchen cabinet and utterly overlook something far more important in the management of a home: that is, a comfortable private room for the servant. The day when the "hired girls" could be put into the attic

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or a half-basement is past. The builder and the real-estate man are solving the servant problem by providing a room with bath where the servant can be alone in her leisure hours. By all means have the kitchen cabinet, but also have the room where your maid can make her home in your home.

Women are especially poor judges of the "intangibles" in real estate. Skeptical, easily deceived, wanting too much for their money, they judge property by the things in sight and overlook factors in location that are far more important. The real-estate man considers location first—the trend of values in a given section, the kind of neighbors who will move in, protection against annoyances, safety for children. Yes, madam, it is a lovely bathroom—but could anybody build a garage or rendering works next door? How about that objectionable quarter a dozen blocks down the street—which way is it growing? How about the parasitic development just over the boundary line of this subdivision?

Let me be even brutal while I am on the

subject, and say that women are the greatest "suckers" in real estate—critical and ill-informed in small operations and afraid to undertake big ones. They lack experience in the subject-matter, have no means of acquiring it, won't acknowledge their incompetency and are swayed by impulses. Only yesterday a woman insisted upon putting awnings on a house because they looked pretty, despite the imparted knowledge that they would blow away in a short time. Now we will be pleasant.

In choosing a location, nine people out of ten are influenced by terms.

The real-estate man seeks a buyer's proposition, finds a site that is good value, but probably requires a determined effort on the part of the purchaser. He must pay down considerable cash or assume a mortgage that will require industry and economy for a term of years. While such a location is being considered, his client sees a newspaper advertisement offering property on the easy terms of "a dollar down and a dollar a month" and is lured away to a salesman's proposition.

Many people take the assessment of value for tax purposes as an indication of real value, but it is not an infallible guide. Or they judge by the size of a first mortgage, though it is a familiar trick of the owner to take back his own mortgage and make it high to help finance operations. If any restrictions are placed on the land, one should be very careful not to take what is called a "personal restriction," namely, an agreement by the owner with the purchaser that certain restrictions are imposed. There should be a restriction in the deed which will run with the land and which cannot be changed should the owner fail to keep his personal restriction, which is nothing more than a promise.

Having found your lot, the real-estate operator insists upon title insurance before he lets you part with your money. Certainly you do not want to build your home on somebody else's land. Yet that is done again and again by folks who purchase land with a cloudy title and fail to protect themselves with a title-insurance policy.

Now the land is bought, and you are ready

to plan your home. Do a thorough job while you are at it. Take plenty of time and thresh out all questions of rooms, arrangements, fixtures, decorations—everything down to the last doorknob. For changes will suggest themselves unless your plans and specifications are complete, and there is nothing that adds to cost like changes while building is going on. Changes are a great temptation, but don't change!

Buy a ready-made house within your limit of from six to twelve thousand dollars. Ten years ago I would not have advised that, for ready-made houses were tasteless in design and wasteful to build. But there have been many prize competitions lately, and the ready-made plans obtainable from many sources are the work of specialists and embody hundreds of conveniences and economies that have been evolved by experience in building thousands of houses. You need no architect, but a good plan and a good builder. The latter will skillfully materialize your mental picture of home

in lumber, brick, hardware and harmony in color.

The laying out of a home has become absolutely a matter for specialists.

There is such a difference between a house and a home!

The planning of a home should begin with a foot-rule and ready-made plans tested by that indispensable implement. You are going to have so much space under a roof. Every cubic foot of it costs money to build, to furnish and to maintain. All waste space in a home makes work and costs money for carpet, paper, paint, light, heat; consequently every square foot should be made livable. Raising a ceiling one foot adds just so much to cost, but it may add nothing to livability.

You want the greatest livable space with the least building. One of the common mistakes that makes a house simply a house, not a home, is making it too big. Waste space often takes the form of an extra room that isn't used, and, because little lived in, it imparts a "haunted" effect to the whole house. This "haunted

chamber" used to be the old-fashioned hallway that people insisted on having, though it was of little earthly use. One of the triumphs of the specialist designing small homes during the past ten years is the elimination of this desolate hallway, which had become a sort of national custom, a blind habit with people who insisted upon having the hallway, though they didn't know what to do with it after they got it.

Now that the designer has got rid of the hallway, he is attacking the next big unit of waste space in the average home—the dining room. What is a dining room? Stop and think a moment. A place where people eat? Yes, that is a good working definition. How often do people eat? Why, only three times a day. Or maybe twice if lunch is taken elsewhere. Or even once, where dinner is the hearty meal and breakfast or lunch chiefly snacks. The living room and kitchen of a home are in constant use, but the dining room, inhabited perhaps an hour or two every day, may be bigger than either.

If you went into a restaurant, and found

only one big table, you would consider the proprietor crazy. But not more so than the man who builds a dining room in his home with one big table and pays the heavy cost of furnishing and upkeep to use it two hours a day.

Understanding this high cost of eating, the specialist in home designing is modifying the dining room to make it livable. In good plans nowadays you find the "Pullman dining room," or breakfast nook, with its small fixed table and seats. Six by six feet is ample, and six by eight luxury. The cloth can be spread in a moment for breakfast or lunch, and when it is cleared away you may play cards, write, read, sew or do a dozen other things there.

The dining room is also being made a dual purpose room by building in a folding bed of the type that disappears in a closet. By day it is out of sight and by night it transforms the room into an emergency chamber.

The greatest fake and space-waster in home building is the bungalow. People have been building it partly because they thought it

cheap, and partly to avoid the running up and downstairs that makes housework tiring. Manufacturers of standardized houses, ready-cut to be put together, have also promoted the bungalow because it is easy to sell, easy to ship, and easy to put together. It can be built with shorter timbers than a two-story house, doesn't require as heavy foundations, and involves few of the problems created by stairways.

But the bungalow is more expensive than a two-story house of the same cubic area on one count alone—it takes twice as much roof! And because it covers more ground it consumes your land as well as your building appropriation, cutting down your lawn or back yard.

But I must except the California bungalow from these statements, because it is a different kind of building altogether from the eastern type bungalow.

The original bungalow was the old Spanish house built around a patio. The house was really two or more houses, because the living quarters were detached from the kitchen and

the servants' quarters. Finding that this type of house made the best kind of home in the outdoor climate and spaciousness of southern California, architects developed it on the original Spanish principles, keeping the kitchen separate from the living rooms, giving the privacy that is lacking in the eastern bungalow, where everything going on in the whole house can generally be heard in every room. Architects of the highest ability have devoted to the California bungalow as much study and talent as architects designing sky-scrapers and the results are seen in real bungalow plans. If you must have a bungalow, by all means build the California kind.

However, there is now a preference for the two-story house. It is cheaper to build and gives more value for the money in space and privacy. It is also easier to sell, because it looks more for the money. Take a fifteen hundred dollar lot and build upon it a five thousand dollar bungalow and you can probably sell it for eight thousand five hundred dollars. Build a five thousand dollar two-story house

on the same lot, finance it attractively, and it can be sold for ten thousand dollars.

Then, there is the one-story house, altogether different from the bungalow, because it is designed for privacy. One of the most charming single-story homes that I know happens to be the home of a very wealthy man, but there is no reason why its features should not be embodied in any one-story house. Though only a few years old this house has an interesting "past." It was designed and built by a bachelor who liked lively company, and entertained often. So he divided his house into several separate units, each consisting of bedroom, bath and combination sitting and breakfast room. Each unit is so arranged that people can enter it from an inside corridor without passing through any other unit and each unit also has its own entrance from outdoors.

It is queer, but true, that people overlook privacy in planning or choosing a home. More than any single factor, privacy makes the difference between a house and a home. Many houses are designed as though publicity were

the most desirable element in family life—publicity inside and out. The living room is placed right on the street, and the front door opens right into it. To reach any other room it is necessary to walk through this room, and all the work, noise, and odors of the kitchen pervade every part of the house. A home built for privacy, with sound-proof partitions, non-creaking double floors, the living room and bedrooms facing the quietest side of the lot, windows and porches screened by foliage, is not only most livable and homelike but also comfortable and healthful. The sound-proof walls, floors and doors exclude draughts, and are more easily heated and kept clean.

Having found your lot, made certain that it is really yours by insuring the title, and decided upon the house you want to build down to the last detail, you are ready to engage a builder.

Here the real-estate man can help too.

There are builders and builders—*and* builders. You may not know one builder in your own town. You may be moving into a strange

town. You will hardly have the real-estate man's knowledge of the building fraternity, for if he knows his business and his community, he will know the builders by their work. He has watched them put up homes and other structures, seen good work and bad—building as a business and building as a gamble—and knows who can be depended upon.

Honest builders? Yes, despite the suspicion and skepticism with which this industry is regarded, there are honest builders to be found in every community, men who value their reputations and continue in business from year to year while the scamping and speculative builders come and go.

I have in mind a builder in a certain New York suburb where the people are chiefly wage-earners, a builder who was starving on a stony farm fifteen years ago and sold out, moved to town and discovered that he had a knack for building. Since then he has put up more than eight hundred houses, six rooms and bath, and sold them to installment purchasers at six thousand dollars apiece. They are splendid

value, and all during the war boom, when materials and help were scarce and high, he went right on building, giving his customers good value and taking a reasonable profit.

The real-estate man not only judges builders by their buildings, but also by their behavior during boom times such as we are now passing through. Some men yield to temptation during the periodic building booms, lose their heads, get as much as possible for their jobs, and put into them as little as possible. But others know that the pendulum will swing the other way sooner or later and, instead of exploiting their customers, they help them to get value for their money under the difficulties that must be met when the demand for building exceeds the capacity of the industry.

Anybody can put the foot-rule on a builder's honesty and skill. A little knowledge of what makes a good building and personal inspection of some of his jobs will tell the story. Even without knowledge of building construction at all, his work can be gauged by talking with the people who are living in the houses he

has built. Satisfied customers are the best advertisements in this business as in others, and it is wisdom to select a builder who has done enough work in the community to refer you to his buildings and his customers.

Of course, every business must have its beginning, and there are generally men who want to build your house as their first job, men who have worked as carpenters and mechanics, and are ambitious to get into business for themselves. They may be not only honest and skillful, but will go to great lengths to make your house a good one, to demonstrate what they can do, and they have yet to learn many of the shoddy tricks of building. Supervised by some one who understands construction values, they may do a good job. But, on the other hand, they may be handicapped by lack of working capital, may have difficulty in paying their workmen and meeting their bills, and thus cause delay or bring the complication of mechanics' liens on your home.

There are two forms of contract commonly used under which your home can be built:

(1) The "lump-sum" plan, under which one or more contractors name a price for the whole job, and you have the assurance that it will cost no more—provided you do not make changes nor order extras during construction.

(2) The "cost-plus" plan, under which the builder agrees to do a good job as cheaply as possible, taking a percentage of the cost of the house as his profit. With either plan there should be expert supervision while construction is going on to make sure that an honest job is done. The lump-sum contract is preferred by many builders because they know in advance how much the home is going to cost, but with a capable contractor and good supervision, the cost-plus home can often be put up for less money.

While building is full of technicalities, with a thousand little kinks to keep track of, people might see for themselves that they get good value by paying more attention to a few of the most important details in a house.

To illustrate: How often does the prospective purchaser of a house go up on the roof?

In my experience, not once in a hundred times. But the roof is a vital part of the house, and a ladder and a little common sense would show whether it was a good roof or not. There are good and bad wooden shingles, and they do not look alike even to the novice, for good wooden shingles are straight-grained, free from knots and of durable material like cedar, while bad shingles are cut from wood that will quickly rot, like pine, and inferior pine at that. Good shingles may be badly laid, and that will show in careless overlapping, sure to result in leaks sooner or later. Good shingles may be well laid with nails that will soon rust, destroying the roof long before the shingles have warped or rotted. There are good and bad patent roofing materials, too—some capable of resisting the weather for years, while others may be blown off by the first heavy gale. It is advisable to get a written guaranty from the roofer assuring five or ten years' wear. It is possible, however, that the roofer may be out of business when your roof fails.

So with foundations, frames, brick-work,

concrete, hardware, plumbing, wiring, heating. As simple a thing as applying a pocket magnet to hardware and plumbing will tell you whether it is durable copper and brass or just plated iron. As simple a test as shutting yourself in one room and your wife in another and talking will tell whether the walls are sound-proof.

The best time to determine the value of a house is just before the builder finishes—as that is exactly the time when it looks its worst and unsophisticated folks condemn it. Everything is in a mess. The finishing touches have been put on nothing. But it is then that you can see details of construction that will be covered up later, and determine whether an honest job of building has been done.

If you happen to live in a community that has local building and loan associations, there is a fund of real estate and building experience available to you on very cheap terms. The “local” building and loan association confines its operations to homes in its own community, never lending elsewhere, or on other kinds of

property, and generally finances the building of homes such as we have been talking about—costing from six to twelve thousand dollars. Some years ago a “national” type of building and loan association sprang up, lending all over the country and with such bad management that there were failures and loss, and the local building and loan associations suffered because people didn’t distinguish between the two kinds. But the local institution is as safe as a savings bank and in most states is regulated by the state banking department.

“I’ve got a lot, and before long I want to build a house on it,” said a friend of mine in another city some years ago. “Tell me how to go about it.”

“Deposit ten dollars down in one of your local building and loan associations,” I advised, “and, when you are ready to build, consult its officials. You will be one of their members, with the status of a customer, and they will take care of you.”

The association that he went to had an office over a saloon and looked so little like a finan-

cial institution that he was afraid to deposit any money. But he sent a shrewd Scotch friend to look the place over, and the latter came back with a passbook, saying that such an office showed economy in management, with an attractive rate of interest to depositors and borrowers. Whereupon my friend put in some money, and six months later went to get advice about building a house. The officers of such an association are constantly scrutinizing real estate, building and home-purchase projects for their members and they become expert by experience in all details connected with home buying. They appraised my friend's lot, so that he was protected in title and restrictions, went over his plans and specifications, investigated the standing of his builder, and financed construction on a contract whereby the builder was paid for his work in several installments as construction proceeded, one of the association inspectors going over the work before each payment was made. My friend got an honestly built house at a reasonable price with only the security of his lot, and is

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paying for it by monthly installments of ten dollars on each one thousand dollars lent him, equivalent to rent. The only charge for this expert service was the moderate legal fees for drawing up and executing documents.

Building and loan officials are particularly capable in applying the acid test to ready-built homes put up by speculators, for they carefully scrutinize the character of construction, restrictions and other matters apt to be overlooked by the inexperienced. I should say that their ability to pick a good bargain in location was probably not as great as that of the capable real-estate man, largely because it is his business to follow the community's growth, where the building and loan official is not a developer or operator, but more an expert appraiser of property after the prospective purchaser has found his own location.

It may be that, after getting your home, some day you will want to sell it. Families change. Prosperity takes people to another neighborhood. A new job takes you to another

town. If you ever sell, take a few tips from a real-estate man.

Home property seldom increases in value. Your land may increase, but hardly the house you live in.

Having made this broad statement I think of an exception to it. Some years ago a garden suburb was developed outside New York City, the funds of a great estate being used to help people of the professional class to buy pleasant artistic homes in beautiful surroundings. By comprehensive planning, purchasers were given excellent value, the enterprise being carried out under the direction of the best architects, builders and landscape artists. This development attracted a particularly congenial class of people—artists, writers, actors, teachers and the like. To-day, these folks are selling their homes and moving elsewhere, partly because the cost of living has risen above their means in that section and partly because the building boom has made their homes so valuable that it is profitable to sell. This is an unusual and temporary situation, however, for within five

years—at most ten—values will drop again. The home owner who happened to move there ten years ago foresaw just what should always be foreseen, that's all.

The rule may have exceptions, but it holds true nine times out of ten. Spend money for the improvement of your home, make it comfortable and beautiful, but do not expect to get that money back when you sell. Particularly do not expect to get back what you pay for invisible improvements, like sewers, water, gas, electrical connections, and the like. When you buy you pay for these conveniences, but the public will never take them into consideration. There is just one value you can get out of improvements—they will help you to sell more quickly. If your house and Smith's are about alike in size and cost, but yours has two bathrooms and Smith's only one, you'll find a customer before he does. But your customer won't pay anything more for that extra bathroom!

You have one advantage over the real-estate man selling a new house—your house is fur-

nished, and people see it as a home which always makes a stronger and more favorable impression. People haven't much imagination in real estate. They can't see green grass growing where the mortar beds were made, nor imagine the furniture, rugs and draperies in rooms still spotted with paint and plaster. They have so little imagination that, in selling subdivision property, I used to furnish one house complete with new things from a department store and tag each article so visitors could estimate the cost of furnishing a house themselves—"this bedspread cost twenty-eight dollars," "this dining-room table cost eighty dollars," and so on.

The real-estate man's commission is small, too, for selling a home. If he gets five thousand dollars for your place, his commission is fifty dollars. On that account if I were selling my home I'd pay a five per cent commission—give the real-estate man a better incentive, and money enough to pay particular attention to your property. Also, I'd take twenty-five or fifty dollars worth of newspaper

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space and describe my house to prospective purchasers, not in the classified columns but on the news pages.

People seldom buy a house—they buy an impression. So the clever builder creates an impression with restful color schemes in decoration, odd V-shaped closets here and there, and stained and leaded glass windows, low radiators over which box seats can be built, window shades, night lights—in fact, the nice things that you have in your home for your own use. They help sell if you have to.

And paint! Paint is the greatest thing you can put into a house and the cheapest thing you can buy even if you get the most expensive kind. In the old Knickerbocker grill they used a white paint that cost five times as much as the cheapest grade on the market. It was made of such good material, and so well blended that it held its tone as long as that room lasted—and it was one of the famous rooms of New York. Use paint as the automobile salesman does in disposing of a second-hand car.

The "home" subject is one so near and dear

to the heart of every adult American that it is extremely difficult to discuss this subject and disregard the sentimental. Sentiment is a very expensive luxury in business. It ruins more people than any other form of physical emotion. Bricks and mortar should not be made subject to maudlin sentimentality. One should not buy a home just because he likes it. The whole purpose of this article is to bring the home-seeker to a proper realization of the fact that sentiment is personal and he should not allow any one else to capitalize it to his disadvantage. This statement embodies everything that is dangerous in the purchase of the one big investment those starting out in life have as the first goal of their ambition. Don't buy a house like a child looking at a mogul locomotive in a railroad terminal who says, "Papa, I want that; buy it for me."

Numerous letters have come to me asking just exactly what procedure should be followed by the intending purchaser of a house under the plan I have suggested. It is extremely difficult to frame a proper reply.

Mr. and Mrs. Smith want a house—no, not a house, a home. They have talked it over day after day, night after night, until it has become practically an obsession. They are full of it. They eat it and drink it; it haunts them during their waking hours and pervades their slumbers. They have saved, and, probably, how they have saved! They have skimped themselves, denied themselves, endured all sorts of deprivations to become financially able to purchase a home. Now, naturally, they expect a great deal of sympathetic interest in the (to them) tremendously important business proposition, but, unfortunately, in proportion to the investment, competent, experienced and well-meaning realty operators cannot very well afford to give them the amount of time they demand because of the smallness of the undertaking. Hence, they drift into the hands of “salesmen.”

There is an easy way of *safeguarding* themselves by investigation. The location should be carefully looked into; not only what the actual location is, but the opportunities which

present themselves for adverse factors, such as the establishment of a garage which would be an annoying factor, of noxious manufacturing enterprises and like disturbing factors which render property less desirable, decrease its value, and make it extremely difficult to sell. With these conditions safeguarded, the structure to be erected is next to be considered. As it will cost much more than the lot, the chance of over-payment for the lot, is proportionally small. Therefore, to by far the greatest extent it is a question of the value of the building only, and any competent builder, as before stated, will be able to give proper advice.

While on the subject of nuisances, one must be very careful not to accept a restriction against nuisance too literally. The courts have held that nuisance is only such as endangers life and health, and if I erect a chemical factory, no matter how offensive the odors may be, unless you can prove that they are prejudicial to life or health, the chances are that the courts will hold they are not a nuisance.

So-called homes these days, however, are not

built in any other fashion, comparatively, than boxes. It is impossible to understand how, year after year, structures are erected that contain nothing but living quarters. This condition prevails, in the main, nowhere but in the United States.

The smaller Spanish or Italian house has style, atmosphere, color, warmth—something which breathes *home*. Holland with its national style of architecture also has, in even its most humble residences, great cheerfulness. A Swiss *châlet* shouts its welcome and numerous other instances can be cited, but here, the family of moderate means seems to be thoroughly content with shelter, and looks to the furnishing for hominess.

I have used the term "coöperation."

The coöperation I am writing about means coöperation. Not by any means the so-called coöperative plan. You may buy coöperative space but is the plan upon which you are buying a coöperative one? An intending purchaser should delve deeply into the question of cost. My meaning of the word "coöperation"

is that the coöperative plan should be used by none other than insiders interested one hundred per cent in obtaining space for themselves, building for themselves, buying the lot for themselves and owning the entire transaction from beginning to end, unless you are supplied with cost sheets.

Promoters and brokers cannot work without reimbursement, and they should be paid—paid well, not only for their effort but for their experience and the risk they take. But it should be carefully noted that promoters' profits and so-called coöperative structures are not the same as though one were participating in purchasing a part of a gambling real-estate venture.

One should always have the aid of competent and experienced direction at all auction sales. No one should ever bid at a public auction unless he knows where the bid preceding his comes from; if he doesn't see the bid, let him ask where it is. It is his legal right. Then, again, the public is generally carried away, not only by the atmosphere of a public auction sale,

but in many cases, by the persuasiveness of the auctioneer and the great skill with which many auctioneers handle their audiences. Remember, when you go to a public auction sale, you are there to buy real estate not language, and if you cannot refrain from buying language, you should have some one with you who will be able to keep you within the bounds of reason.

Auction sales are very necessary and very important to the growth of communities. They serve to distribute, in the case of lot sales, property held only at wholesale to the much larger field of retail endeavor. The same purpose is served to the owner of the property. It is sold upon the final accounting at wholesale but the purchaser buys at retail—naturally, the auctioneer wants to get all he can and, naturally, you ought to try to get the property for as little as you can. If the auctioneer uses every method to accomplish his result, you have the same right, in a legal and moral manner, to attain yours.

Be sure the improvements are wholly on

your own land; only a competent survey is proof supreme.

One must always take into serious consideration, even though the character of the improvements which have been erected upon a lot of which one is considering the purchase is the usual form of that particular type of building, whether that type is not becoming old-fashioned and whether a better readjustment of space is possible.

The tendency to-day is very much in favor of practically no dining room, a very small kitchen, the living room being used for dining room as well—in fact, very often, particularly in the western states, even the living room has a folding bed which is wheeled into a closet and may be used for emergencies or otherwise. It isn't economy of space that prompts this arrangement, as those who can well afford to have a luxurious dining room and who enjoy having it, even though for limited usage, have encountered so much trouble with the servant problem that they are limiting their space and possessions to the least possible amount and,

in the event of their desiring to do so, they become mobile and are enabled to spend their winters in Palm Beach and their summers in Europe.

Now, should this form of arrangement take the place of the present large dining room and luxurious kitchen, together with servants' rooms, in proportion to space, not only will that particular apartment house become old-fashioned but it will be impossible to obtain, for the larger space, a proportionate amount of income predicated upon the cost of the cubic or square foot cost basis of the structure and of course a consequent larger cost of a larger lot.

Personally I am of the belief that the luxurious kitchen will always remain in fashion and I believe that the kitchenette, cabinet, or whatever you choose to call a plaything kitchen, will not survive.

The rule I have mentioned above, doesn't apply by any means wholly to apartment houses but, on the contrary, is applicable to every form of structure. Don't accept standards because they are standards. Use your

brains and look well into the future to avoid the pitfalls of possible changes which may affect any building, no matter what its age may be, to determine whether it will be useful enough to enable you to protect your investment in the structure.

Many times the reverse condition presents itself. A building has become old-fashioned and the cost of the changes may be materially less with the purchase price of the building and lot, which may be adapted to modern, up-to-date standards by alteration, than the cost of a new building, and in that manner one may secure a bargain but, as I have before stated, guarding against loss is the chief factor in safety in realty dealing.

Then, again, cost of labor and materials at the time must be taken into consideration in determining value. Don't forget that, when labor and materials decrease in price, rents go down, and when rents go down, values decrease accordingly. Of course, the reverse may apply. If one's judgment is good, and labor and materials are procured at a lower figure than

that which may prevail at a future time, rents generally increase accordingly.

I am trying to prime the mind to a condition of analysis so that one will understand what is necessary to be done to obtain an intelligent knowledge of conditions which should surround every form of realty investment.

Don't run away with the fallacious idea that the broker is making it all. I have had so many people say to me from time to time that a realty broker is very much like a stockbroker. That isn't so. One wastes more time in the real-estate business than in any other form of professional life.

Every one feels that one may go to a real-estate broker for advice without paying for it. Ninety per cent of his time is taken up without payment and, even in his private life, it is almost impossible for a man of standing in the real-estate business to escape being button-holed on numerous occasions by some one who either has a scheme to unfold or who wants to acquire space for some undertaking, but, in the main, to find out how they can compel their

landlord to furnish them with more steam heat, or where one can keep a dog.

These same people will pay, and can well afford to pay, a thousand dollars and upward for a surgical operation which takes no more time and no more mental ability than advice on a proposed realty investment which may save them many thousands of dollars, but, if you send them a bill for over fifty dollars, they will never speak to you again and the chances are that, when they receive your bill, they won't anyhow.

Most particularly is it true that the collecting of rents is a losing venture, providing your agent treats you properly and takes no rake-off, which, of course, no self-respecting agent will do. If he will give honest attention to repairs; procure the least and most responsible bidder; see that the work is properly done; guard your property against mistreatment; keep the insurance rates down; see that rents are collected properly and that your place is occupied as near twelve months in the year as is humanly possible; have the attendants

properly uniformed, courteous and respectful; see that the elevator service is good and the heat properly supplied, that the proper appliances are in use so as to reduce the cost of fuel as much as possible, that the halls and vestibules are kept properly clean, that the electricity isn't wasted, and a few other and then some more things which can never be anticipated, by the time he pays his help and his own expenses, he loses money on your rent collections. I know. Were it not that an agent is compelled to see that an owner who makes his investment through you is not only properly protected but receives the highest possible return on that investment, I doubt very much whether any self-respecting broker would ever collect a rent or manage a property.

Too many brokers waste time. They see too many opportunities and chase too many rainbows. The vast majority of them are always concluding a proposition up to the breaking point, which generally means over 90 per cent of the work. What I mean by this statement is that he will say to some one that he thinks a

certain property can be purchased for so much money. True—he is trying to put a proposition through which he cannot handle in any other way, but so few transactions of this kind actually go through that the one that finally does succeed doesn't pay the cost of the actual expenditure involved in running an office nor for the time consumed in completing the one transaction which is consummated.

Last year I had a proposition before me of a well-known hotel man who wanted to rent a lot at Long Beach, providing the owner would advance a certain amount of money to enable him, the prospective tenant, to build a first-class hotel. I arranged the lease so that it was satisfactory to the proposed tenant; I procured the mortgage money; I even went so far as to have the plans drawn, on a gamble, by a well-known architect, and satisfactory both to the prospective tenant and the owner; I arranged with a very well-known construction company, in fact, one of the largest in the world, to erect the building upon the insurance-cost plan, and even raised the amount of capital

necessary to finance the undertaking to the extent of about sixty per cent of the entire investment, including the furniture, which could have been procured on the installment plan. The transaction had been left by the prospective tenant in the hands of his representative and relative, he having gone to Europe, and he left me one evening highly jubilant over the closing of the entire transaction to his supreme satisfaction.

The next day I received a telegram from him stating that he had heard from his principal who had instructed him to drop the matter—nothing more. All that I had left for my three months' work was a possible lawsuit. Had I started one, the chances were that I would have lost that.

In the making of commissions, no one ever realizes the amount of effort expended in other projects which don't go through and which must be taken into consideration in the earning of any one commission. Neither does the general public understand how much time, thought and energy are expended in obtaining infor-

mation and analyzing the same before the project is brought to his attention. "I can sell you," says Mr. Realty Broker to the Public, "No. — — Street (size of lot), so and so, building (here follows description), for so much money," and then he tells all the details. This takes three minutes. The chances are he has been working on that project for fully three months off and on, so as to get the proposition in proper shape for presentation and it's a thousand to one that, during those three months, he has analyzed and turned down fully two hundred propositions which did not meet with his approval and which he would not offer to any one, fearing that the investments were not profitable ones nor the kind which he could honestly recommend to any of his clients.

Real-estate values are the last prices affected in any financial change the country undergoes. In short, it is the "last to go down and the last to go up." In both cases, the changes come very suddenly, but the experienced, well-balanced operator, playing the game for every one's protection, will sound the warning to

retrench, with absolute accuracy at the proper time, which is generally six months prior to a decline and probably sixty to ninety days prior to an advance.

He makes enemies both ways when he does so. The public won't believe him because there is nothing on the surface to indicate why he is predicting a decline, and his "I told you so" after many have refused to accept his prognostication regarding the advance, also incurs irritability, generally, on the part of his clients.

The signs, however, are unmistakable. There is more or less a general business depression. Operators are not selling their commodity; there isn't the same demand for renting space; tenants are not paying punctually; mortgages are being called in; interest rates are being advanced; and one familiar with the conditions which surround the realty market, because of a knowledge of the individuals owning property, sense that many are going to be unable to carry their pyramids. It may be, and generally is, the case that prices are not top-heavy, and that fact is what always deceives the inex-

perienced. My belief has always been that the reason real estate takes so long to react is on account of the decided advantage it has in being able to procure long-term financing.

When advance is in the air, the signs are also unmistakable; the demand for space, particularly for new business establishments, is increasing; successful merchants want to extend either by moving into larger quarters or by procuring new establishments to add to their chain; money appears from nowhere for building purposes; rental values increase; in fact, experience actually compels one to sense the awakening of higher values.

Too much space cannot be given to the word "financing," and one might write indefinitely about the dangers which surround the risks and pitfalls of loose financing, probably without making the least impression on the minds of the investing real-estate public.

I saw a real-estate sign not so long ago which aptly describes to my mind a condition of the general public regarding financing. The sign read, "A Little for a Lot," meaning, of course,

the property, but "a little for a lot" seems to apply to the public's mind, to the amount of cash it is compelled to pay down and not the amount it is compelled to pay in the final summary. The only advice needed, if one will observe it, is:

Don't be tempted to purchase any property unless you can see your way clear to meet all the payments and, in making up your mind whether you can do this most necessary thing, don't take into consideration what you expect to get out of the property unless you are absolutely certain the property is going to yield the results you calculate it will do. Bad times come. Tenants meet with disappointments; taxes change; and a thousand-and-one things can occur to change the figures upon which you are depending to permit you to keep your contract.

CHAPTER II

WHY REAL ESTATE BOOMS COME SUDDENLY

How far can you throw a stone? My fifteenth-story office is on two main thoroughfares of the United States—Fifth Avenue and Forty-second Street.

Real-estate values have leaped and bounded in this locality for the past ten years; it is rapidly becoming the country's greatest business center.

Yet, close at hand, so close that I was going to say within "a stone's throw," there lies a district in which you can buy land for less money than the bricks in the old buildings are worth—certainly for far less than you could have bought or built there fifty years ago. A strong man might hit the rim of this section with a pebble if he threw it in a high trajectory to clear the intervening sky-scrapers. Babe

Ruth at his best could probably drive well inside the rim.

I bought a plot in this district for a client, paying sixteen thousand dollars, which would not replace the three-story tenement upon it. One block away from this building you can see the district of which I speak, and also the Grand Central Terminal.

This district, only a few minutes from the Grand Central Terminal, is on its back; it can only look upwards. Doubtless there will be a real-estate boom there, and people will say, "Marvelous! If we had only known!" For people seldom notice real-estate advances until they materialize in booms, and believe that they happen accidentally, and that those who profit by them are just plumb lucky.

People also think that the real-estate operator creates such booms by some mysterious jugglery not entirely honest. As a real-estate man who literally grew up from a real-estate boy, I shall endeavor to show how values grow, and booms materialize, and what community

service the true real-estate operator renders to earn his commissions and profits.

Real-estate advances are no more accidental than fall harvests following the planting and growing season. They are the result of slow growth and community changes which can be watched by those who understand the laws, and have the knowledge and the faith to take advantage of them. A community is a living, growing organism. But it is like a growing boy who attracts more attention when his voice breaks or his arms and legs suddenly become too long for his clothes some morning, than by the day-to-day growth that he is undergoing.

Forty or fifty years ago that low-value district within sight of the Grand Central was developed as a well-to-do residential neighborhood. It had only one or two horse-car lines for transportation. The business center of the town was several miles away in a wholly different direction, and keyed to a street transportation system that now seems almost prehistoric.

New Yorkers probably thought, back in the '70's, that their town had settled down to stay,

that way for at least a hundred years, if not permanently. Yet changes were beginning even then, and could be followed by those who knew how. An elevated railroad was erected, and then another. Surface-car lines were electrified. Subways, bridges and tunnels were built. The placid citizen of the '70's, whose range had been two or three miles between home and business, put on seven-league boots that enabled him to travel twenty or thirty miles as easily. An enormous new floating population was added to the city; new railway terminals, hotels and theaters were built for its accommodation. Business population shifted to a new center, the community swung on a new axis, and where the new center was business had to go. It advanced like an army in three compact columns up Fifth Avenue, Broadway and Fourth Avenue.

"Minnott, Lee, Willard, Hosmer, Merriam, Flint possessed the land," said Emerson, in his *Hamatreya*, using the names of men who had successively owned a piece of farm land in Concord. Each walked as a landlord over his

farm, taking satisfaction in the land and the landscape, and each in turn slept beneath his land.

In the growth of cities the time eventually arrives when Flint, the last owner of the farm, sells out to somebody who cuts it up into small residence parcels. Later comes business, and it is necessary to combine these small residence holdings into sites for office buildings, department stores, hotels, theaters, and the like. Acting for his clients, who want sites for such structures, the real-estate man negotiates with the different owners, assembling together anywhere from half a dozen to as many as fifty holdings. Each holding is a problem in itself, not only in the character, motives and behavior of its owner but in complications like leases, mortgages, titles, and so forth. Follow the real-estate man through such a series of negotiations, meet some of the people he has to deal with, take some of his problems home with you at night, remember that a single obstinate or scheming owner may nullify all his work, and you'll pretty certainly agree that, besides earn-

ing his money, he is doing something in the community's interest.

Suppose he assembles twenty different lots into a site for an office building, paying an average of twenty thousand dollars for each lot, including the old building upon it, which has only junk value. If owners know nothing about the coming office building they will consider that a fine price, because most of them have been carrying their property for years, and it has been depreciating. But such a site, successfully assembled, may be worth from one million to two million dollars. The first thing an operator does is to purchase a corner, and then by adding inside property it all partakes of the corner value. To everyday folks that looks very much as though the wily real-estate operator had swindled those owners out of their share in the growing value of the community, does it not?

Yet, it does not—if you remember that his principals, by putting up an office building there, will increase the earning power of the land tenfold.

Suppose the separate owners know their lots are wanted for such a building, and combine to hold out for from three to five times as much as they are offered, and the project is abandoned—what is their land worth then? Just what it was before, what their little old-fashioned buildings will earn in rent.

Obviously, if all those owners refused to sell unless they got the full office-building value of their land, the neighborhood would never be improved. In actual experience I have found that never more than ten per cent refused to sell at a reasonable price, and generally far less than that. But in every project of the kind one must deal with individuals that I classify as holdouts, holdups and standpats.

Besides dealing with them in many different forms I have myself been both a holdup and a holdout—but never a standpat. The standpat is an owner who refuses to sell for some sentimental reason. Out of my office window, in another direction, hedged in by sky-scrapers, is a spacious, stately mansion of forty years ago, with a vacant lot adjoining. The owner is a

woman who long ago said she would not sell that vacant yard because she wanted a place for her cat to run. Since then there have been several generations of cats; that is her way of saying she will not leave her home. I was once blocked in the assembling of a site by another woman living in an old residence who declared that she would never leave it until she was carried out—and she never did. Still another site was marred by the refusal of an elderly woman to sell the house she lived in, though it was hemmed in by tall buildings, because her son had died, and his room was kept exactly as he had left it.

One of the oddest, and at the same time most touching, standpat reasons was that of a merchant whose corner lot was needed as an important part of a department-store site. He had done business there for so many years that the thought of leaving grieved him. Finally I persuaded him to sell on this condition: That a chair should be placed at one of the windows in the department-store building, and that as long as he lived he would have the right to go

and sit in it at any time the store was open and look out at the view he had seen so many years from his own store. The building was erected and the chair placed, but he never exercised his privilege—for by that time the old merchant was dead.

Sentiment is usually the standpat's motive, but the holdout and the holdup are in the game for money—blood! The holdout is commonly an original owner who demands a much higher price than his neighbors, and stubbornly tries to block the new building enterprise by refusing to sell, hanging on to his property. Sometimes it is some one who is making a good fight with nothing more than a lease on property belonging to somebody else that has been sold over his head. The typical holdup, on the other hand, is an interloper who buys into a site that is being assembled, getting possession of property or leases to take his toll.

A typical holdup has just been terminated here in New York. It was a thorough success. The site for a new store was being bought up. One large strategic plot was sold to a free-lance

operator on condition that he divide with the former owners a certain percentage of any rise in value that he could obtain. This plot was then offered the store people at a price so exorbitant that they refused to take it, declaring that they would run their steel work around his little old building. Whereupon he erected a sign announcing that a twelve-story building would be put up on that site, and the store people capitulated, paying heavily for the property.

When another New York store was built some years ago, two merchants had leases on old buildings that stood on lots forming part of the site. The land and buildings had been bought by the store, but the lessees had rights, and insisted upon maintaining them unless they were paid far more than they were entitled to. So the rest of the site was cleared and foundation work begun. One morning these gentlemen came down to open up, and found that their stores had fallen into the excavation. The buildings had been undermined. The lessees had no title to anything but the right to use

those buildings, and the latter being wrecked, they were glad to accept reasonable compensation for damaged merchandise and the unexpired portions of their leases.

A famous holdup in the same project is still seen in the old-fashioned building that occupies the most important corner of the site. The owner assumed that it would be impossible to build without his parcel, because it occupied a corner plot, the point where people would enter the store. Refusing to pay his price, however, the store people built without him, placing their main entrance elsewhere, and that old corner building is still one of New York's real-estate whimsicalities.

When the department stores were down on Sixth Avenue and one of them built an addition, a lease-holding merchant in the middle of the site stuck out for a large sum. In that case the steel work was run up each side of the building he occupied, and over the roof, so that he would have been incased in the department store like a wasp in a honeycomb. His trade was already affected by the pulling down of

the neighboring stores, so he sold out for a reasonable amount.

An amusing holdup is still town talk in Philadelphia. In assembling a site, through some mistake in the survey, one plot belonging to an official was assumed to have been purchased. The builders went ahead with their structure, thinking they owned that lot, and the real owner quietly watched them, knowing that they were trespassing. He took keen pleasure in going every day to watch progress, and when the building was finished revealed the true state of affairs, named his price and got it.

But there may be a sentimental reason back of a holdout too. I remember one case of an old merchant who refused to sell when a department-store site was being assembled, though he made no difficulty about the price offered. Plans were made to build without his parcel. Having had some success in dealing with obstinate owners, I went to see him.

"Mr. Smith, why are you unwilling to sell?"

I asked. "It can't be a question of money, for you have been made a very liberal offer."

"No, it isn't money," he replied. "Those people have been after my property for more than a year, and in all that time not one of them has come to see me personally—they have always sent agents."

Tears actually came into the old gentleman's eyes—his feelings had been hurt by methods that seemed coldly selfish. When one of the principals in the building project called and talked with him personally, matters were quickly arranged.

The two most interesting things about holdouts in my experience are these: First, I have never known a case in which an obstructionist's price for land—not a lease—however exorbitant it seemed, came anywhere near discounting the possibilities of real estate needed by a large enterprise that put it on a better earning basis, probably because imagination in real estate is so scarce, even among the holdouts and holdups. I'll have more to say about that presently. Second, the holdout is almost in-

variably whipped finally if he doesn't sell at some price. Taxes are the greatest influence against him. Increased taxation on his property, brought by the very improvement that he tried to block, rises beyond the earning capacity of his old building. In exceptional cases an old parcel may earn these increased assessments by an advertising sign. Out of my office window in another direction there is a sign on an old six-story building that brings more revenue than could be earned if six more stories were clapped on top of it and rented. But nine times out of ten, improvements boost land values far beyond the earning power of old-fashioned buildings that belong to a past era.

Then, public sentiment frequently turns against the holdout; his friends chide him for maintaining ramshackle property that is out of keeping with, and a disgrace to, the improved neighborhood. But sometimes public sentiment swings the other way. For example, all the sympathy would be with the old lady who wanted to end her days in her home, and public feeling against a business concern that tried

to dislodge her might be damaging as ill-will.

I have myself turned holdup man more than once, for various reasons, and have even played the part of a holdout in lesser degree. In buying land for a New York terminal, a railroad company used the right of eminent domain, under which property may be appropriated for public uses, a railroad terminal being a legitimate public enterprise.

However, this corporation took far more land than it needed for its terminal, and made plans to erect buildings which would be profitable private business properties. Whereupon I bought a parcel in that locality to make a profit on the railroad company's illegitimate profit, and with other operators sold out for a price representing what the land was worth for private instead of public uses.

The right of eminent domain is a heavy club, and can be used to appropriate property for less than its real selling value if the owner doesn't understand his rights and maintain them. Land can be condemned for community uses, such as public buildings, schools, high-

ways, piers, transportation terminals, rights of way, and so forth. But the owner need not give title in such cases—his property is simply taken. If he doesn't give title and his property is later put to private uses, he may recover it. In holding up the railroad people I simply bought title to land which was afterwards condemned, kept my title and later made the railroad company pay for it.

In one deal I held up the city of Philadelphia—but not for profit. Forming a syndicate to buy the old United States Mint, which occupied a site on Chestnut Street near Broad, we built a three-story taxpayer on it to cover expenses until the city's development in that direction made it desirable for business purposes; an office building now stands there. This land had been ceded to the United States Government by the state of Pennsylvania, and was therefore tax-free as long as Uncle Sam held it, but subject to city and other taxes when title passed from the Government. We bought it on installments extending over many years, and title did not pass until the last pay-

ment was made, and so the land was untaxable during that period. However, you may be certain that Uncle Sam figured the tax exemption in the price. Put it another way, we held up the city at Uncle Sam's bidding and for his profit, making nothing ourselves.

Holdup tactics may be useful to the purchaser as well as the seller in assembling a site. Suppose a necessary piece of property is put up at auction. With the trained salesman's skill, and taking advantage of crowd psychology, the auctioneer may make that parcel look so attractive that it will be bid up beyond its true worth. If you need it as part of a constructive improvement, you need it more than anybody else, and are entirely justified in buying it at a reasonable price. Some of the people bidding against you may be holdups who will later try to make you pay more than they did. My procedure in such circumstances is to question the auctioneer openly about doubtful points. While he is talking generalities to the crowd, glowingly dwelling upon the advance in values, I interject questions: ~~how~~

about the lease? How about restrictions? How about the mortgage—street improvements—zoning laws? These are fair enough questions, and by sticking to such details, and insisting upon full information, the true character of the property is revealed to the crowd, with a corresponding influence upon bids. I don't say its very pleasant for the auctioneer, but is certainly keeps your competition within bounds.

Just as nine people out of ten, or rather more, are willing to facilitate the improvement that will bring them benefit, so many of the people who seem to be obstructionists can be won over by square man-to-man dealing. I have found that there are two doors of approach to the holdout and the holdup. One is the front door through which you walk openly, saying to the owner who owns a strategic piece of land: "Mr. Smith, we want your property to complete the site for an improvement that will be beneficial to the city. If we cannot get it, the project may be abandoned. But if you will sell, we are willing to pay what you yourself consider a fair price." Nine times

out of ten that appeal to human decency succeeds. The other is the back door, through which you can secretly send some camouflaged second or third party to dicker for the property on other representations. And it often succeeds. But when it doesn't—

It is when you are handcuffed that the assembling of a site becomes really interesting, and requires finesse.

A New York corporation bought some sixty separate holdings in a single downtown block, upon which to erect an office building. Such purchasing is not particularly difficult, because the company if obstructed on one block could have taken any one of a half dozen others in the same neighborhood, or even have gone elsewhere.

But poker tactics come into the game when you are situated as were some Philadelphia merchants thirty years ago, a modest dry-goods concern occupying a single store. Their business grew because they were capable merchants, and more space was necessary. They rented an adjoining property three times as large, out-

grew that, and bought or rented more, until eventually they occupied a whole block, fifty times the area of their original plot. There was no possibility of moving away, for they were at the heart of Philadelphia's one retail shopping center. A single piece of property in the hands of a holdup might have seriously checked the growth of their business. As a matter of fact, many speculators did buy parcels of land to sell that concern when the tendency and necessity of its growth were seen, and the dry-goods merchants were more than once compelled to pay far more than they thought property was worth. Yet in no case did they ever pay more than it was actually worth to them for the purposes of their growing business.

Another interesting case of growth on the only possible site for a particular business was that of another merchant, who expanded until he had all the property on one block, and was stopped by a narrow thoroughfare. He found room for growth by closing the street, purchasing all the holdings in the adjoining block,

and then persuading the city to abolish the street and make it part of his establishment.

“What is the best course to follow if I have a fair offer for a piece of property needed in assembling a site?” people have often asked me. “If I sell at the offer I make money, and it helps the project. But why should I sacrifice, while the owner who holds out gets more?”

“Pyramid!” is my advice. “Sell out where the rise is sure, and invest your proceeds in adjoining property that will be benefited by the improvement.”

Pyramiding in real estate beats all other ways of making money by investment—if you are right. For profits are larger than in stock investments, and you can borrow long-term money on your real-estate investment at reasonable rates, where stock operations must be financed with short-term money at high rates. In any community where there have been great advances in real-estate values, you will find investors who have made money by selling and repurchasing in that way. They have seen improvements made on land they sold, and

bought again in the vanguard of improvements. As a rule they thoroughly know the tendencies of growth in that community because it is the one they live in, but would be lost in any other community, even though it were developing in exactly the same way. When they have faith enough they will buy virgin property far outside the apparent field of growth, and ultimately see it rise in value, if they also have the patience to hang on.

I said that the results of real-estate growth come suddenly, and are manifested in booms that greatly impress the public. Growth is clear to everybody when one of these spectacular advances begins, but during the years when growth is going on quietly, few people follow it, even few real-estate men, for true operators are scarce.

The term "real-estate man" is applied indiscriminately to men who specialize in different kinds of property and service, generally knowing little about other branches of real estate. There is the real-estate agent who specializes in management and leasing, often concentrat-

ing on a particular kind of property, which is a specialty in itself, like apartments, tenements, office buildings, factory property, and the like. There are the real-estate broker and auctioneer. There are real-estate men who specialize in the sale of old residence and mercantile property, the subdividing and sale of outlying tracts, the sale of new houses, the development of complete suburban communities, and so forth. But the true operator is one who studies community growth, as the true speculator in Wall Street studies industrial, agricultural, financial, political and other conditions all over the world. To be either a skillful real-estate operator or a Wall Street Speculator requires great application, the gathering of enormous masses of information, the patient watching of changes so slight that they are apparently unimportant, and the ability to interpret facts and act upon them or to arouse others to action. As the public sees only these men's successes and knows nothing of the work, faith and patience that went before, they get practically no credit for ability, but are regarded as lucky gamblers.

And little or nothing is heard of their failures. Like the doctor, they bury them.

The value of a real-estate dealer is not in knowing how to make money with money but to make the most money with money.

I have said that I began my business career as a real-estate boy, which is literally true. For even while earning my living in the streets of Philadelphia, real-estate had a fascination for me. I loved to look at property, watch its changes, and speculate about what could be done with this parcel or what might happen to that section of the city. My first job with regular pay was with a real-estate firm which had great foresight and faith in their judgment, were decidedly unconventional in their investments, and did a renting and mortgage business. My first work was visiting properties offered as security for mortgages, getting information about them, and later making appraisals as I learned the business—if one can learn the real-estate business! I don't think one can—it must be born in him. This took me to every part of Philadelphia, and I soon

had a mental map of the city as it existed in the early '80's, with information about values, buildings, neighborhoods, tendencies toward change for better or worse, and other knowledge needed in real-estate operation.

Some of it could be obtained from books, for instance, real-estate law. Some of it could be gathered from newspapers day by day as property changed hands. But an actual knowledge of property, that enables you to visualize every street, every block on that street and every building in each block, is vitally necessary also. So those years when I often began at five in the morning and worked till after dark, in every sort of neighborhood and with many kinds of people, were a valuable apprenticeship. It led to my setting up business in the same general field, and developing into an operator as customers gained confidence in my judgment.

Philadelphia was like all other American cities thirty years ago—still in the making, with no fixed centers. Our cities were too young, and in too young a country, to have

permanent public buildings, railroad terminals, street-car routes or other institutions and services. Nicely settled with a business district not too big for gossip, and near enough the residence district for lunch at home, three miles out was a long horse-car ride, and five miles usually farming country.

If you do not know Philadelphia, just picture a square. At its eastern side, a shade below the middle, put the old-fashioned business district, the courts, lawyers' offices, banks and business houses grouped around the old city hall. Some distance beyond the western side put the old Pennsylvania Railroad Station, and about the same distance from its northern side the Reading Station.

Now, suppose you liked to study real estate, and had watched tendencies for eight or ten years, and were to tell bankers and merchants in the old business district that they must move to the very center of this square, then chiefly the best residence section. They would have thought you crazy, as they did me when I recommended to a famous but conservative

banking firm the purchase of a plot in the center of our imaginative square as a future site for the bank when coming changes in the city took place. Those bankers couldn't see it then, nor for a long time after changes actually began; but they moved twenty years later, and paid a million dollars more for a similar site.

Here is what happened: The city burst its old boundaries and established a new permanent center aligned to modern transportation. The city hall was moved to the center of the square, at Broad and Market streets. The Pennsylvania Railroad came in from Thirty-second and Market streets and built a big terminal right opposite, on the west. The Reading Railroad also came from Ninth and Green and built a terminal on Market Street two blocks east. Banks and business houses followed, and the old historic Philadelphia of Benjamin Franklin's day was changed to a produce, manufacturing and small-shop section.

This transformation has been worked out in practically every other American city during

the past twenty-five years, with the outcome that most of them have permanent centers, fixed for years to come. I was about to say fixed for all time, but that is a long while, and we do not know what new transportation facilities like aircraft may bring in the way of changes for our grandchildren.

Imagination and faith are the greatest elements in real-estate operation—imagination to picture conditions as they are going to be tomorrow, and faith to act upon one's belief against discouragements. Few people possess either imagination or faith in realty, and very few indeed have both. The man with imagination may lack faith, and the man with faith may lack imagination. There are a few men who have a feeling for real-estate values, and are able to communicate it to others, but ordinarily it is necessary to inject real-estate imagination into people with a hypodermic syringe—and then nine out of ten who see will not act.

When I was a lad, in the early '80's, Philadelphia's shopping center was at Second and

Callowhill streets. Like the old business center, it was well situated for a walking-distance town, being handy to the largest population of average spending power, the thrifty wage and salary earners. But already one could see signs of a coming shift. Little old-fashioned dry-goods stores were beginning to grow into department stores, and needed more room.

In this stage of such a shifting to a new center, it is often difficult to see which way the cat is going to jump.

The uncertainty is best illustrated in my experience by the fixing of a center for the West Philadelphia section of the city. During the '80's and '90's the development there had no common point where the people went to do their shopping and office business, but there had to be one, Philadelphia being the center until West Philadelphia grew into an important community of itself. Half a dozen times, while we were watching the cat, little flurries of improvement here and there, such as the building of a market, gave reason to believe that the actual center was materializing. But

these flurries were all deceiving, for when the cat finally jumped she landed at Fifty-second and Market streets, and that is to-day West Philadelphia's solar plexus.

It was many years before the merchants who had located on Eighth Street between Callowhill and Arch streets would look with favor elsewhere, even though the spearheads were unmistakable. But the great success of the pioneers on Market Street gave such unmistakable evidences of great growth that several important dry-goods concerns jumped straightway to Eighth and Market, and began spreading along the latter thoroughfare. Then the reasons were apparent to everybody. At one end of Market Street lay the principal ferry to Camden. At the other end the new city hall had choked it off. In between ran a double-tracked street-car line. The new railroad terminals brought shoppers from the growing suburbs. Merchants who had inside knowledge began buying property, and investors who had faith bought to profit by the growth in values.

But not one of them provided nearly sufficiently for future needs.

This was clearly the city's new permanent retail district, yet with it all a curious error was made—the common mistake of choosing the wrong side of the street. Market Street runs east and west, and merchants reasoned that because the sun was very strong on the north side during the summer months, the south side would be the better. This belief established one-third higher values for south-side property, but actually the north side of Market Street has always had just as many pedestrians, and there is no real difference.

Incidentally, one-sided streets are often interesting paradoxes. In New York, the south side of Fourteenth Street from Sixth Avenue to Third Avenue is valuable retail property by reason of the crowds that pass on the sidewalk, while its north side is much less valuable for retail business because few people walk there. Opposite several large department stores on the busiest block of Fourteenth Street there has for years been a great old-fashioned resi-

dence with a large garden around it, a property worth millions if it could just be brought to the other side. Why do people walk on the south side of Fourteenth Street more than on the north? Nobody knows. It may be just habit, or the fact that there are continuous sidewalks there, while the north side is broken by Union Square. The real-estate man must simply accept it as fact, and take it into account in values. The same situation is found on One Hundred and Twenty-fifth Street, where north-side property is worth fifty per cent less than south-side property. Likewise, the west side of Broadway is much more valuable than the east side. Sometimes it is habit, again sunshine, again grade. Do you know that, where people can walk into a store on one side of a thoroughfare at street level, but must step up three inches into stores on the other side, that step will make all the difference in the world in patronage? Through some kink in psychology, the mere knocking of one's foot against the step turns people away.

Thus factors in the growth of a community,

apparently insignificant, suddenly bring about quick transformations and startling increases in value, and the shrewd real-estate operator, anticipating the results of growth that will be clear to everybody a few years hence, marks time. People who will ultimately move to the new district are slow to see tendencies, and slow to act, while people who own property in such a district, tired out by years of waiting and often discouraged by decrease in values, are glad to sell.

The operator, promoter and investor who participate in the development of such a district are reproached by economists for profiting by the unearned increment. I have never liked that term, nor had any patience with the view that those who profit by growth in the community contribute nothing to that growth. For it takes knowledge, faith, money and management to get into a community's line of development and hang on under long years of discouragement. If the losses of those who fail to hang on long enough were balanced against the profits of those who do, it would

be seen that this gain is generally hard earned.

As an illustration, there comes to mind the case of an investor who just the other day sold twenty-two acres of future residence property in Long Island City. A dozen years ago he bought that land for fifty thousand dollars. He paid off a mortgage on it of over one hundred thousand dollars. He paid fifty thousand dollars in taxes and assessments. He spent twenty thousand dollars in street improvements. There was still thirty thousand dollars in assessments to be paid when he sold it all for fifty thousand dollars. That man got tired. Every time he spent more money on his property he felt more despondent, where he should have regarded it as worth just that much more. The new purchaser may realize its value in a short time, or may have to carry it five years longer, with the chance that he also may grow tired. When the first owner invested his money there he had maybe fifty factors against him—fifty handicaps to be overcome before it would come into its own. For the present holder, these handicaps may have been reduced to half a

dozen, or even one. Some trifling change in conditions, even the double-tracking of a railway, the building of a bridge, the improvement of a motor road, may suddenly precipitate the advance.

I know no way of accurately predicting when booms may come, but they are as sure as they are sudden if one knows where and how to look for them. One thing, however, must be borne in mind—you don't catch real-estate booms, they must catch you.

The ideal manner to make sure investments in real estate is when values are "flat on their back." By that statement I mean looking upward. Not looking upward, however, on account of any other condition than that it has reached its lowest point and the element of safety is perfect—the chance of loss practically, if not wholly, nil. This condition is by far the best form of realty dealing. Tell the public what to do and, as a mass and in the main, it won't act. Give it individually, however, a chance to reason out a proposition and results follow.

CHAPTER III

"SEASHORE PROPERTY"

In all this broad land, where would you look for the greatest growth in real-estate values—perhaps the greatest in all the world? Immediately you will think of cities like New York, Chicago, Los Angeles, Seattle, and possibly Gary, Indiana. If you are cosmopolitan, perhaps of Berlin, which, between 1870 and the outbreak of the War, was an American boom town set down in the heart of astounded Europe. With the consolidation of the German states under a Prussian emperor, and the development of German industry and commerce, Berlin in those forty-odd years grew from a town of seven hundred and fifty thousand people, with a customs wall around it, to a city of more than three millions.

Review all the cities that have grown through

man's work. Investigate the rise in values where he congregates for trade, banking and industry. Then know that the greatest advances are found not where man toils but where he loafs and plays.

Coney Island leads them all, the home of the Frankfurter and the tintype. Twenty-five years ago property there could have been bought at your own figure.

About twenty years ago the pleasure-park property known as Dreamland was bought for about the same amount that the City of New York ten years later paid for a small portion of it which was taken for city-park purposes. The remainder was sold some two years ago for about four hundred thousand dollars. Today it would bring possibly double that amount.

It is at the seaside resorts like Coney Island, Atlantic City, Asbury Park and other beaches that man is willing to double and treble the price of desirable property; not pay more per square foot than in the business districts of our cities, you understand, but more in proportion.

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The modern beach resort is distinctly a creation of the real-estate promoter. He takes the bare beach, practically worthless for any of the ordinary uses to which land is put, valued at a few dollars an acre, and by his peculiar art transforms it into a city with boardwalks, million-dollar piers, cosmopolitan hotels and bungalow sites selling for almost anything up—that is, if he is a capable real-estate man who understands human nature and the trend of the times, and he steps in at the proper moment. But for every promoter who has developed a successful beach resort, many others have failed. They were too soon. They didn't understand the human psychology that makes beach resorts. They set up obstacles with one hand that blocked the development work they were doing with the other.

Seashore property as a whole is greatly misunderstood by most of us. It is so comparatively new in the making of large cities that the masses have as yet failed to realize its great importance. That which made Coney Island, Atlantic City and Asbury Park, and

is making various other seashore projects, including almost the entire coast line of Florida, is illustrated by the growth of Atlantic City.

Absecon Island, about seven and a half miles long by, roughly, a mile in depth, was laid out by a land company about 1850, and became commonly known as Atlantic City, although even at that time Chelsea, Ventnor, South Atlantic and Longport were not unknown, being part of the island. Since that time Margate, Venice Park and probably other divisions have been created. Very little was done with it until about 1855, when there was a wholesale distribution of lots. As soon as it commenced to show promise, the Pennsylvania Railroad, always a pioneer, ran a trolley line the full length of the island. The island struggled along until about 1884, when probably the last thing any one could have predicted caused it to take rank as the foremost seashore resort of the United States, if not of the entire world—namely, prohibition. Prohibition, however, in this sense: The Brooks high-license law, which prohibited the sale of liquor on Sunday, had

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just been passed in the state of Pennsylvania, and crowds of people, owing to the fact that the excursion rates were decidedly low at that time, went to Atlantic City nominally for what they termed freedom. Many railroads ran into Atlantic City—the West Jersey, the Camden and Atlantic, the Philadelphia and Reading, the Camden and Amboy, the Pennsylvania—and there was keen competition for the business, even though the entire place was but a playground.

People went there for amusement, but came away bitten by what was then a very strange insect—seashore. Seashore is a disease; so is tobacco; so is chewing gum; so are motion pictures. There are many diseases, but the most virulent of them all is seashore. Once permit your lungs to become accustomed to sea air, and nature demands, insistently demands, more. The public went down for beer, and received health—health with a capital H, capital E, capital A, capital L, capital T and capital H again, and it's been going ever since. It can't stop.

The tremendous increase of the seashore disease is due to the change in economic conditions throughout the United States which practically started about 1885. Prior to that time the living wage of the masses was pitched at the minimum price a person could exist upon, furnishing the barest necessities of life. It was just about that time that it became universally recognized that even a street-car driver driving a pair of horses, should be permitted to use a stool to sit on.

With all the success, however, that Atlantic City was achieving, the path of its pioneers was far from easy. It was impossible to obtain one dollar for improvements. Financial institutions were afraid, and stated so openly, that the ocean might at any time take away the property, and they were unwilling to go before their stockholders with any investment of that character, despite the fact that it was easy to prove that Absecon Island had been there at least when Columbus had landed in America. So the Atlantic Cityites invented their own currency. They carried around with them

first, second and all kinds of mortgages which passed as legal tender with them; and be it said to the credit of the Youngs, Kuehnles, Cathcarts, Riddles, Whites, McClellans and many others, not one of the mortgages of that time was ever subject to the least litigation or dispute.

The tremendous growth in realty values on the island may be best evidenced by the following: One morning a man walked into the office of a prominent real-estate firm in Philadelphia and stated that his name was William Riddle; that he had just purchased some property from a man named Evans, who owned the Seaside Hotel, for eighty thousand dollars; that he had given his word he would take the property, and he didn't have a dollar; that in his opinion the property was worth much more than eighty thousand dollars—and would that office help him to obtain the necessary money? After careful investigation the money was loaned to Mr. Riddle—he afterwards became mayor of Atlantic City—and that property to-day is bringing in not less than one hundred and fifty

thousand dollars per-year rental with but minor improvements upon it.

A great feature of the successive steps in the making of Atlantic City was the growth of additional beach. At some points fully one-third of a mile was wrested from the ocean by the creation of jetties, breakwaters, and so on, but the most common method, because of its slight cost, was the utilization of packing boxes filled with rock and brush. There is but one record of any disaster; there was a small island in the ocean about opposite the inlet which belonged to Shaffer Gardens, and this the ocean took away. It was never a part of Atlantic City proper. The riparian rights were easily bought from the state and the increment reverted to the owners of ocean-front property.

About fifteen years ago, William H. Reynolds, an ex-state senator of New York State, saw the possibilities of the barren strip of land on Long Island known as Long Beach, and purchased it from the village of Hempstead, which then owned it.

Senator Reynolds formed a land company,

and it is the writer's opinion that at that time his only thought was of business. He restricted the three miles which were laid out in lots, equidistant on each side of the railroad station, to a structure costing a certain sum of money and to be erected in a certain manner upon a certain amount of ground, making it clearly a class resort. Up till two years ago the place was not especially successful, although decidedly popular with the masses.

The trouble was that the well-intended restrictions were such that only those who could afford to lock up their houses at the end of the season were attracted.

The class resort, with all its restrictions, cannot grow into an Atlantic City, for the simple reason that growth is prohibited by its exclusiveness. Probably one family in five hundred can afford to maintain an expensive summer home in such a restricted resort, and its needs are attended to by a few servants and merchants. But at least a hundred of the other families could afford a vacation at the seashore, and often spend the whole season, if there were

boarding houses, hotels, bungalows to rent, public bath-houses and other accommodations of the kind abhorred and barred out at the exclusive resort. These make it possible for more people to use the land and enjoy the ocean, more tradespeople and workers are employed in serving them, and you have healthy growth, because you have a community instead of a clique. The whole summer population of a class resort may be accommodated in a single block of buildings at a mass resort, and many times its population use the beach as day excursionists.

The consequence was that Long Beach, although within easy commuting distance of New York City and within a few miles of such thriving all-year-round communities as Lynbrook, Rockville Center, Freeport, Far Rockaway, and so on, was absolutely closed up after Labor Day. In addition to that condition, the houses were spread so far apart that every public-utility enterprise was losing money, and even the streets were becoming almost impossible to use because the municipality could not

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afford their upkeep. The bondholders had resorted to a protective committee, and were in a decided quandary as to what to do next.

Senator Reynolds, after consulting with the writer, staked his all. He had also been bitten by the seashore bug, and had come to possess great affection for what he terms, and what unquestionably is, his baby.

With the aid of the collateral furnished by him, and considerable additional security, money was obtained and the bonds were purchased from the protective committee; the mortgages under which the bonds were created were foreclosed, and because the mortgages were made prior to the imposition of any restrictions, the restrictions on the remainder of the ground were automatically lifted, so that hotels, boarding houses and like structures could be built, and the ground sold at successive auction sales at unrestricted prices so as to permit the public to enjoy the growth in value and obtain its coöperation. Long Beach immediately took the place which nature had given it.

Over twenty-five hundred houses have been erected there within the past two years. The city—for it has now become a chartered city—owns its own electric light and water plant, the gas company has been compelled by the additional demand to lay many miles of gas mains, the streets have all been repaired, and miles of new streets laid. The main highway leading to the beach, the only motor road, which was in a frightful state of disrepair, has been rebuilt, and a new bridge has replaced the old inadequate one that motorists had to use. Where the hotels formerly closed on Labor Day, they are now open all the year round.

It is interesting to compare the development of a resort like this with that of Coney Island forty years ago, for where the latter just grew, like Topsy, the present-day seashore resort is built in advance of its coming population, which is where the real-estate man comes in.

When New Yorkers fifty years ago discovered Coney Island as an outing place that can now be reached for a five-cent fare, there was absolutely nothing there except the sand,

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surf, sun and sea air—no board-walk, no hotels, no dancing pavilions, restaurants, saloons, sideshows; not even drinking water, much less sanitary conveniences. The people simply went down to Coney and spent the day in God's outdoors, refreshed by bathing and ozone. Presently they began providing their own improvements, the simple refreshment of the Frankfurter sausage in a slice of rye bread daubed with mustard, sold from a tin, then bathing shacks, beer saloons, restaurants and shows. In "Hot Corn Ike," his Coney Island story, James L. Ford has reconstructed those early days with their beach characters, beach politicians, and the free-and-easy life that was not nearly so bad as tradition might lead you to assume, but which now belongs to a time that has passed away. Passed away, not because there has been any change in the kind of people who seek beaches, for they are just as much mass resorts to-day as they were then, but because the masses to-day demand more and are able to buy more.

Picture, in the days when Coney Island was

young, Mr. and Mrs. Smith and their first baby, Mr. and Mrs. Jones and their first baby, Mr. and Mrs. Duffy and their first baby, Mr. and Mrs. Einstein and their first baby. Living in city flats or tenements, up to that time they had felt no particular need to go away during hot weather. But now they must go away with the baby, and following the line of least resistance they went for a few days to Coney Island, the handiest place, and one that every doctor would recommend—the seashore. Sometimes they spent Sundays and holidays there, going home each night, and again passed a week or two camping in a rough shack.

To-day these same sterling families go to the seashore when the first baby makes it compulsory. But they go in tens of thousands where hundreds went in the former generation, and they go to live, not camp. The season is three months, from the middle of June to mid-September. For that period a bungalow is rented, Mrs. Smith, Mrs. Jones, Mrs. Duffy and Mrs. Einstein live at the shore with the children, and their husbands commute from the

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city, going down to the shore every night and back in the morning. For the twelve weeks they will pay an average of eight hundred dollars rent, get a bungalow with five or six rooms, completely furnished, with electric light, gas stove, city water, sewers and telephone service, on a paved street, perhaps with a street-car line.

Thus it comes that the modern beach resort is laid out and improved by the real-estate promoter before the people arrive. The cost is greater, but so are the comfort and convenience, and if the development is wisely planned, growth will be steady and rising values will make money for those who live or invest there. The difference between eight hundred dollars for a bungalow, and the simple beach vacation of yesterday, which probably cost five or ten dollars, may look like a tremendous rise in the cost of beach enjoyment. But it is really an investment. People not only go to the beach but possess part of it, and the tremendous increase in the number of people who go to beaches makes their investment profitable. One

must also remember that the five- or ten-dollar outing of simpler times lasted only a few days, where now people spend twelve weeks or more at the beach.

The Smiths, Joneses, Duffys and Einsteins get their first taste of beach life when they are driven to the seashore by the new necessity of finding a place for the baby. They usually rent for the first season or two. Shore life is a novelty. They fall under its spell and begin to think of owning a place themselves. The bungalow they rent for eight hundred dollars can be purchased at from five thousand to six thousand dollars on installments. They need twelve hundred to fifteen hundred dollars cash, about two seasons' rent. There are more purchasers than renters. Or they may purchase a lot or two which requires less cash, and find when all the payments have been made that it has grown in value sufficiently to reduce greatly the cost of their summer outings.

The pioneers bought when values were low, when it took nerve to invest in sand and surf, but if they had the nerve to hang on, their

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rewards were great. But comparatively few of them did hang on. I recall one instance where a good piece of beach property was carried by its pioneer purchaser so long that he became an old man. He declared that he would never sell until somebody gave him half a million dollars. One day a real-estate man offered three hundred and fifty thousand dollars, which looked like a very attractive price at the time, and would have given the owner a fine profit. He refused to sell.

“Will you sell if I pay you half a million in a year?” the real-estate man asked.

The owner agreed to that, and gave a written option. Three months later the real-estate man bought the property for half a million. Within less than a year he was offered seven hundred fifty thousand dollars and has since refused a million dollars. This pioneer hung on a long while, and held out for a good price. But he didn't hang on long enough, nor realize by half what his property would be worth when the turn finally came, bringing the results of growth.

There is only one limit to the development of seashore property—the growth of population. The renting families driven out of New York and other eastern cities within convenient distance of ocean resorts make up a large population in themselves. Greater New York has one hundred twenty-five thousand new babies every year and more than five hundred thousand children under five years of age, so there is no reason for being uneasy about the population factor; on the contrary, the real-estate man's worry is apt to be that of taking care of it.

But this virulent disease, seashore, is no longer local. It is national. Yesterday Philadelphia had its Atlantic City and New York its Coney Island. To-day those resorts belong to the whole country, and new beach developments are needed for inland folks who have discovered the oceans and are swelling the population of summer and winter beach resorts along the Atlantic, around the coast of Florida and in Southern California. The germ of this disease, seashore, was deliberately spread

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inland by the railroad passenger-traffic man, and it ran like Spanish influenza.

As I have said before, several railroads ran into Atlantic City, and there was keen competition for excursion traffic. In those days railroads eagerly competed for traffic and had much more leeway in securing it than nowadays, under Government supervision. Of these half dozen railroads only one, the Pennsylvania, was a big system, the others covering but one or two states. The logical policy for the Pennsylvania, of course, was to reach out beyond its competitors and draw new seashore passenger traffic from territory in the Middle West and Southern States. Once traffic was created there, competitors could not touch it.

This the Pennsylvania did. Atlantic City was widely advertised inland by that railroad, excursions were organized and special rates made from every part of its territory and over many connecting lines. The family in Chicago or Atlanta could not reach Atlantic City in an hour, like the Philadelphia family, but apart from the longer railroad journey, Atlantic

City was made just as accessible to them. The railroad passenger agent smoothed away every difficulty. People in distant states were bound for the beach as soon as they stepped up to the ticket window in their local railroad station—on their way just as directly as Quaker City folks, ferrying over to Camden.

The appeal of the ocean to inland folks is irresistible. They are fascinated by the surf and sand, the immensity and strength of the ocean, the novelty of beach life. Their sensations were expressed by the countryman who, seeing the ocean for the first time, said that if he had known there was so much of it he would have brought along a cake of soap and had a wash! Many an inlander will confess that, going into the ocean for the first time, he tasted the water to be certain that it was really salt. And don't jump to the conclusion that he is the only greenhorn, for I know a Philadelphian who couldn't believe the Detroitier who assured him that water in the Great Lakes was fresh. "What! They drink it!" he exclaimed in astonishment. Just as Uncle

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Sam recruits for the Navy in the Corn Belt states, so pleasure-seeking people inland are feeling the call of both oceans.

It is a commonplace that Southern California has become a suburb of Iowa and that people from the latter state are California's most tireless boosters. Picture grown folks who have dwelt in flat prairie country all their lives suddenly transported where they can bathe in the ocean, see snow-capped mountains and pick oranges, and you have the idea. The Atlantic shore, being handiest to the greatest mass of population, has naturally become most popular.

People who came to Atlantic City from points a thousand miles or more away naturally had a much higher average spending power than the day excursionists from Philadelphia. It cost them more to get to the beach, and they stayed longer. The impression made upon them by the ocean, surf-bathing and beach life was much stronger than upon people who had always lived within a car ride of beaches, so they became walking propagandists for At-

Atlantic City when they went back home. There is certainly no better advertisement than a satisfied customer, and when you think of these thousands of good inland folks being led to discover the ocean for the first time, and going back to tell their relatives and neighbors all about it, you will admire the acumen of the passenger agent who did that sales job.

The influence of these inland visitors on the character of Atlantic City was soon in evidence. The shacks and makeshifts that answered well enough for day excursionists gave place to hotels, boarding houses and cottages. Cesspools were replaced with a sewerage system, artesian wells driven for pure water, the boardwalk built, recreation piers run out into the ocean, and Absecon Lighthouse became busier by day than by night. It is to-day visited by more sightseers probably than all Uncle Sam's other lighthouses put together. Atlantic City became both a class and a mass resort, which is what a shore resort should really be. For the well-to-do visitors there were some of the finest hotels in the country, and for the

day excursionists and people who wanted two or three weeks at the shore, there were boarding and rooming houses at reasonable prices.

The millionaire and the motorman enjoy Atlantic City in common, rubbing shoulders in true democracy, which is as it should be from the real-estate standpoint, because that means a normal balanced community, and each spending and investing his money in his own way makes growth.

It was largely the inlander who made it possible to transform this resort from a summer bathing place into an all-year-round community. The inlander came for a week the first time, rented a cottage for a whole summer the second time, bought a lot and built a cottage of his own the third time. Hundreds of acres of adjacent sand dune and salt marsh were improved, and as Atlantic City grew, farsighted investors made money, some of them millions. It was also the inlander, largely, who saw the possibilities of combining business with pleasure and made Atlantic City one of

the greatest meeting places for conventions in the country.

The Atlantic Ocean not only happens to be handiest to the greatest masses of our seaboard and inland population, the wealthiest producing and income-tax-paying states, but it also happens to have the most room for growth, with by far the best beaches. The direct water front of Greater New York is approximately five hundred seventy-eight miles. The water front of the New York port in New Jersey has one hundred ninety-two miles more, making a total of seven hundred seventy miles. The area of this port, one hundred seventy-five square miles, is so great that any six of the other leading ports of the world could be placed in it with room to spare. Greater New York has more water front in proportion to population than any other city in the world, including Venice, and when the possibilities for growth and when the beach facilities in and around the greater city itself have been exhausted—which will not be in your time or mine—there are seventy or eighty miles more on each side of

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Long Island to be developed as better transportation facilities are available. And the great popular eastern beaches like Atlantic City and Coney Island are more attractive than those in other sections of the country because, as I have said, they are shallow for a long distance from shore, safer for bathing, with water in which people can spend hours because it is warmed between the sun and the sand, and because the great eastern beaches are permanent where others are subject to damage by currents and unusual tides.

The population of Greater New York has grown from one million five hundred thousand to nearly six million during the period of development at Coney Island and Atlantic City. At the present rate of growth there should be a city of between twelve million and fifteen million people thirty years hence, and a population in the metropolitan area of more than twenty million. With that growth there will be a corresponding growth in beach resorts, because they have become an essential part of great cities. As I have said, the only limit to

beach development is growth of population. Given the people, it is only necessary to take off the shackles, provide the conditions that permit growth—and grow with it.

Whatever I have learned about beach property has been learned as a real-estate man. It was with as much astonishment as delight that I discovered a scientific background for these migrations between the city and the shore that are making beach property.

In his *Civilization and Climate*, Professor Ellsworth Huntington foresees much greater and wider migrations as a possibility in civilized life to-morrow. Professor Huntington has a unique way of viewing geography. Classifying the world's land areas by climate, he shows that the most progressive nations live in a few cyclonic sections of the world—Western and Northern Europe, the Northern United States and Canada, California, Japan, New Zealand and part of Australia. By “cyclonic” he means having a climate that is subject to healthy changes through shifting winds that give variety and pep. Other areas, like

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India, and the tropics most of all, change chiefly from hot dry weather to hot, enervating rainy seasons, and in such climates man is incapable of doing his best. No matter how much pep people may bring in from a cyclonic climate, it soon seeps out, and even the people who are born there, and are supposed to be acclimated, have little energy compared with people in the cyclonic regions, as is shown by their indifferent progress and low standard of living. On the other hand, there are bleak northern climates where people thrive in summer, but are able to do little in the long severe winters.

Where a few hundred thousand people, chiefly the well-to-do health- and pleasure-seekers, now go from New England to Florida, or from Northern Europe to Northern Africa in winter, and even fewer come from tropical to temperate climates in summer, Professor Huntington believes that millions will migrate in both directions when the true importance of climate in prosperity and civilization is understood. The farm population from the Dakotas

and the industrial population of New England will go to Florida and the tropics in winter, not simply for change and health, but to work at industries suited to those climates in winter, while the tropical dwellers will become producers in the factories of New England and on the Dakota farms in summer. When the wealth-creating possibilities of such migrations are understood, he believes, they will take place on a scale that we cannot now realize.

As science, that is one of the most interesting theories that I know. And as real-estate, it is sound business.

I have been asked why I evince so high a preference for seashore property. My preference for seashore property realty investment has always been most pronounced for very many reasons, probably peculiar to myself.

First of all, a "boardwalk" is always necessarily raised. This gives two elements of value instead of one. The boardwalk level and the street level. A second floor becomes more important than a first floor. You have two ground-floor values—at least two monopolies,

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instead of one, because you can go up in the air as high as you want, but there is just so much ground-floor space in any given district, therefore the centers of seashore resorts have a double monopoly. Likewise, also, seashore possesses the great advantage of a full year's income from a three-months' occupancy without heat, the payment by the landlord for light, or upkeep, such as cleaning, and, in many cases, elevator service; and the rents obtained, in proportion to the investment, far exceed the same return on a like sum in the non-seashore districts.

This condition is caused by an intangible and undefinable feeling and aversion against seashore investments by the money-lending powers. Even though the ocean must end somewhere, the cry is immediately raised, in practically every financial institution, that it might swallow their realty investment. It is shunned as the leper of old. Therefore only those who can stand on their own judgment reap the substantial values incident to the tre-

mendous growth of all seashore property which is increasing constantly in value.

Another reason for my preference for investing in seashore property is found in the example shown by the investment of the late Henry W. Flagler. His investment in railroad property, tending to the development of the Florida seashore section, is one of the greatest pioneering exploits the world has ever known. It proved conclusively that this United States has arrived at a condition where many of its inhabitants have at last reached a state of mind where they are willing to spend a portion of the money they possess, in the greatest of all investments—*Health*.

In short, Florida has become the Riviera of the United States. What Europe has been doing for many years in its so-called sanitariums, rest cures, watering resorts, mineral springs and many other forms of faith cures, is being accomplished in the United States by mental and physical relaxation with God's pure sunshine and air, and the advantage of natural salt-water bathing.

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Taking this lesson into serious consideration, one must arrive at another conclusion, namely, that there are many people not completely absorbed in business, despite Europe's thought to the contrary, who desire restful conditions, and who are augmenting the populations of the various seashore communities throughout the United States.

CHAPTER IV

MASS VERSUS CLASS

Some years ago a famous jeweler moved from Union Square to a magnificent new store on Fifth Avenue above Thirty-fourth Street. His name was so much a household word throughout the country, and stood so distinctly for exclusiveness, that he took the bold step of doing business at the new location without a signboard of any kind.

A little later, several exclusive dry-goods shops of the sort that cater to the "Colonel's Lady" moved to the same neighborhood, and one of them followed this interesting policy of hanging out no shingle. It had the reputation of being at that time—and probably was—the only store in the country where a woman could buy a hundred-dollar pair of lace stockings. Exclusive furriers followed, and presently this

section of Fifth Avenue, roughly from Thirty-fourth to Forty-second Street, became the new de-luxe shopping district of the city.

Those merchants felt that the high realty values and high rents around them must forever keep away popular-priced stores with their bargain counters and sales, and that the "Colonel's Lady" could step from her carriage or motor without being elbowed by "Judy O'Grady."

But this fashionable shopping center had hardly been established when a merchant famous for his chain of five-and-ten-cent stores opened one of them right in the sacred precincts! A five-and-ten-cent store on Fifth Avenue, the Rue de la Paix of America!

The late Frank W. Woolworth, a mercantile genius, had a very definite pride in his career and in himself as the architect of a great enterprise that he built up from very humble beginnings. He erected the Woolworth Building as a monument to his business and himself, and a similar motive was behind his invasion of Fifth Avenue. He believed that a Woolworth

store in the finest shopping district of this country would have publicity value for all his shops.

But I doubt very much if he believed, when he planned this step, that a five-and-ten-cent store on Fifth Avenue would pay. There was an advantage apart from the profit on merchandise he could sell there. One of his stores in such a prominent location, in the limelight, nationalized the whole chain. He was willing to pay for that advantage, and though the loss might be heavy, it would be negligible when spread over his entire business. But that store has paid from the beginning!

This seems astonishing to most people, for they always think of two things—the little five-and-ten-cent sales and the enormous rent they assume must be paid.

I have no official figures of the five-and-ten-cent store business on Fifth Avenue, but am free to make my own estimates as a real-estate man.

In the first place, such a store does not really deal in nickels and dimes, because the average customer generally purchases several ar-

ticles, and average sales must run nearly fifty cents to each person. The store is thronged nine or ten hours a day. If ten thousand customers a day purchase fifty cents' worth each—and that's only a thousand an hour in a store with basement and thirty thousand square feet of floor space—its gross intake is five thousand dollars a day, or a yearly business of one million five hundred thousand dollars. No department store that I know does a business of that magnitude on its first floor and basement in a like amount of space. Applied to the turnover of the famous Bon Marché in Paris, it would be a gross of two hundred million dollars a year! If the rent be one hundred thousand dollars a year—and that is an outside estimate—the ratio of rent to gross sales is under seven per cent. Chain stores in much less prominent locations are profitable at rents of ten per cent and upwards, provided only that the necessary crowds of people pass to create sales.

Other popular-priced invasions followed—most notably a dairy restaurant and an auto-

mat restaurant of the nickel-in-the-slot type that enables customers to serve themselves, get food instantly, and not be bothered paying the check or tipping.

Was Fifth Avenue ruined? It was not ruined, certainly, from the standpoint of real-estate values, for property there to-day between Thirty-fourth and Forty-second streets is worth more money than ever before. In fact, it scarcely has a price, because other merchants have been compelled to pay for representation on this national thoroughfare.

And it certainly hasn't been ruined for the pioneer merchants who cater to the Colonel's Lady. Judy O'Grady hasn't elbowed her off the Avenue, nor lowered its tone. If anything, Judy O'Grady has made the Avenue more interesting to the Colonel's Lady, who still shops there for her real-pearl necklace. The only perceptible difference I can detect is that, where once the famous jeweler who first led the migration uptown would have scorned the idea of carrying dependable imitation-pearl necklaces in stock, now he sells them, good ones,

many of them, and also sells the real article to Judy O'Grady.

Less than five years ago you could dine at a dozen famous places along Fifth Avenue where the epicure and dilettante indulged their educated palates. To-day there is just one place of that kind left. The others are all gone.

And there is a real-estate reason. The mass-versus-class movement has turned the fashionable restaurant of yesterday into the dairy lunch and automat of to-day. The fashionable restaurant was not commercially sound. It offered too many articles on its menu, many of which spoiled, and the price on the rest had to be increased so that even the exclusive few would not pay it. Economical efficiency is being applied to every walk of life. It sweeps into the highways and more particularly into the byways, so when food prices increased—labor increased, rents increased, appliances increased, and the exclusive, fashionable restaurant has become almost a thing of the past.

Even in New York, nine persons out of ten still think of Fifth Avenue, traditionally, as

the place where one sees the most stylishly dressed women and perfectly groomed gentlemen, and where unless you are strictly *de rigueur* you will be told to leave the Avenue. Such was Fifth Avenue just a few years ago. But the fight of mass and class has been fought there, and the exclusive merchants have condescended to bargain sales, and to carry popular-priced articles of one hundred per cent public appeal.

As I said, the pioneer jeweler will sell you a string of imitation pearls. True, he may not put it in one of his own boxes, nor give his advertisement a mass appeal. But he has learned that Judy O'Grady is a good customer, and he is ready to sell what she wants when she comes in.

By the way, years ago, while this jeweler was still downtown, he told me something that I probably considered more significant than he did. Average folks had got the notion, he said, that because his establishment catered to silk-stockings customers, it was an expensive place to shop. So when they wanted solid silver

spoons they went to some popular-priced place and bought them by the dozen, paying two dollars an ounce; at that time a high price. If they came to him, he would put his spoons on the scales and sell them by weight at a dollar an ounce, not much more than the value of the silver bullion. This seemed significant to me because here was a man selling to class customers at prices below those paid by the masses.

Class and mass wage a ceaseless war in real estate, and mass always wins. The real-estate promoter and the investor who understand it, and work with it, have on their side an irresistible force against which the immovable obstacle of class never stands. But they will be bitterly criticized by people who believe in class real estate, and are operating on that belief, and who brand them as meddlers for upsetting a comfortable state of things as they are, breaking into and vulgarizing restricted neighborhoods, and violating a genteel code.

Sooner or later, class has to sell out its exclusive holdings because it cannot pay its way. If there are any exceptions I have never found

them. You can follow that rule and invest on it. You will find it operating in Fifth Avenue business property, in restricted residence neighborhoods, in exclusive summer and winter resorts—everywhere except farm lands, where class motives are unknown.

Just now it is interesting to apply this viewpoint to places like Newport, the Thousand Islands and Bar Harbor, where class is fighting a battle royal with mass—fighting with Coney Island, Atlantic City, Long Beach. First round: The George Boldt estate has just sold in the Thousand Islands for one hundred fifty thousand dollars, a house that cost the hotel man at least one million dollars during his lifetime. At Coney Island, Mrs. Rafferty has just sold for five hundred thousand dollars some shacks which cost her six thousand dollars fifteen years ago. And Mrs. Rafferty's land may bring twice that much before the purchaser of Mr. Boldt's house can sell at a profit. I am not in close touch with actual values at Newport and Bar Harbor, but I do know this—that the offerings which have come to me

from time to time on property in those two communities represent considerably less than the actual cost of the improvements, showing the direct antithesis to conditions that prevail at mass seashore resorts. Watch the real-estate transactions that get into the news because the sellers are famous exclusive families, and you will see what is going on. Of course the news reports will seldom state that the yacht sold by Mr. Puyster de Puyster for twenty-five thousand dollars to an outing club cost him five hundred thousand dollars, but they will show the upheaval going on in class circles.

I challenge you to show me one case where class has made for increased real-estate values. What creates price is mass—a crowd, traffic. Take an automatic counter and a street corner where the most people pass a given point during twenty-four hours of the day—this spot will bring the most money in any community the civilized world has ever known. Not only is mass in the aggregate the creator and sustainer of new realty values, but the fact that

it is continually buying against the comparatively infrequent purchasers of class property makes the payment of high rents by the large retail tobacco concerns and other chain-store enterprises a most decided factor.

“How do they ever pay such rent?” people wonder, little suspecting that rent does not count at all in budgeting a dairy lunch or chain tobacco store on the busiest street in town. The management of such enterprises concentrates on good food or merchandise at reasonable prices, with good service, and lets rent take care of itself.

Offer one of the chain tobacco stores the corner of Forty-second Street and Broadway at a high rent with this condition—that if it will permit the store to be raised above street level, so customers must walk up three steps, the rent will be cut to one quarter. The proposal would not be entertained for a moment, for the difference in rent is negligible compared with the difference in ease of access. In every city it is possible to rent stores at three thousand dollars a year in locations where custom-

ers come about three hours a day. For thirty thousand dollars it is possible to rent, on the busiest street, a store where customers not only come twelve hours a day but as many in one hour as will come in the three hours' business of the three thousand dollar store. Figure out rent on the business done in the thirty thousand dollar store, and it will stand a one hundred thousand dollar rent.

Another illustration will show how little rent usually counts compared with more important factors.

The nickel-in-the-slot restaurant is more independent of rent than any other retail enterprise I know. Patrons choose what they want, drop their money in the slot, take the dishes to a table and eat, and are done. The only employes in sight are those who take away the empty dishes. On that account, most people think the automatic restaurant saves money on wages. Actually there are just as many people serving them as in the restaurant with waiters, only they are in the back instead of the front. Because people help themselves, service is

speeded up to such an extent that the automatic restaurant can feed people five times as fast as other restaurants, and on that account can afford to pay five times as much rent. If a dairy restaurant paying thirty thousand dollars rent on the busiest street in town can afford to pay one hundred thousand dollars, the automatic restaurant can afford to pay a great deal more. This example is extreme, but it is necessary to take extreme measures in eradicating the notion that rent is the chief factor in such business enterprises.

It is far more important in locating a new automatic restaurant to plank it down where there are at least a dozen other restaurants. To steal their customers? No! Because people get tired of eating at the same place every day. No matter how good the food, they get tired of sameness. Famous chefs have told me that the better the food, the more quickly people tire. An automatic restaurant set down among other restaurants draws people who want a change. They eat there until they are tired of that, in turn, and go back to the others for variety.

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The more restaurants in a given locality, the more business, because you have created a food center, and the bigger it is, and the greater the variety, the farther people will come to eat. There are whole blocks in New York with the entire frontage given to low-priced restaurants.

The mass enterprise goes where the crowd is, while the class establishment tries to shut the crowd out or get away from it on some genteel reservation. The mass enterprise wants to do business in small units with as many people as possible while the class establishment tries to get along with as few customers as possible, depending on large purchases. There are two holes in that doughnut: First, the merchant who tries to keep his establishment sacred to Mrs. Somebody from Somewhere, so she will not be contaminated by rubbing shoulders with Miss Nobody of Nowhere, finds it impossible to do enough business to pay rent on the Avenue. And he overlooks the fact that Miss Nobody of Nowhere may be a much better customer for high-priced exclusive merchandise.

Some months ago an exclusive Fifth Avenue establishment made a thirty thousand dollar dress. It was a wonderful composition of fine old lace, exquisite silk and painstaking hand embroidery and needlecraft. Who was it made for? Miss Nobody of Nowhere, literally. For there was no actual customer on the establishment's books. It was created with the idea of doing the utmost that could be done.

And this magnificent piece of feminine wear was scarcely finished when a young lady walked in with her father, a typical western farmer, dressed in a twenty-dollar suit, his hands gnarled and knotted with years of work. Oil had been found on the farm he took up in the rush when his state was first settled, making him a millionaire. His only daughter was to be married. Nothing was too good for his girl, now that he had money to buy anything, after all those years of privation. Dressed in the thirty thousand dollar gown, she became his Cinderella. He wanted her to keep it on and, when told the price, ordered a five thou-

sand dollar hat to complete her wedding costume.

Blue-blooded exclusiveness in this country has generally been made by breaking into society a few years before the other fellow starts to break in. The exclusive society of to-day is made up of those who broke in a generation ago. Each new generation arriving with money attacks the exclusive stronghold of the previous generation. But where yesterday those who made fortunes big enough to attack the stronghold were few, to-day there is a mass attack by thousands of new millionaires from Oklahoma, Detroit, Pittsburgh, and other places with thriving industries.

The exclusive set settles along a street like Fifth Avenue from Fifty-ninth to One hundred and Tenth, facing Central Park. It secures restrictions that not only bar out business houses but limit the height of buildings to seventy-five feet, making it impossible to erect modern apartment houses. If city restrictions are lacking, it tries desperately to hold its position by purchasing every piece of

residence property likely to be acquired for apartment or business use. Even with city restrictions, such a monopoly cannot be held long, for it is wrong economically.

At this very moment a certain plot of property on Fifth Avenue not many blocks from Fifty-ninth Street is being offered for sale at two hundred fifty thousand dollars. Its assessed value is three hundred sixty-five dollars. Take off the restrictions and it would sell at five hundred thousand dollars overnight.

Another piece of property less than a block from Fifth Avenue would be worth five hundred thousand dollars for business purposes, but it was lately offered for two hundred fifty thousand dollars without a purchaser. It is occupied by a fine old mansion that cost its deceased owner not less than five hundred thousand dollars. For residential purposes it would be a costly luxury at two hundred fifty thousand dollars, something that only a newly arrived millionaire could afford; but stripped of the residence and occupied by a business build-

ing it would earn a good profit on five hundred thousand dollars valuation.

To permit a few people to enjoy the luxury of low buildings all around them costs the rest of New York at least one million dollars a year in increased taxation in places like the Fifth Avenue and Murray Hill sections. Business is begging admission, and would put up buildings of higher earning capacity, increasing the tax values if permitted. But by the use of money in purchasing property adjacent to their homes whenever it comes into the market, and their great influence, several millionaires have been able to restrict such sections and confine them to large, old-fashioned residences that pay taxes far below the actual earning capacity of the land. Ultimately such restricted sections must go, because the pressure all around them is tremendous—like pressure upon a dike. But in more than one city besides New York such artificial conditions have been and are being maintained by one means or another.

Only great wealth can resist such pressure. What happens to moderate wealth is perhaps

best illustrated in Philadelphia. Going back to the original settlement of the city, the first families built homes in spacious grounds along the water front, practically where they landed. Later, as they became prosperous, there was a development away from the shore along one or two narrow streets running west, big houses occupying plots of ground large enough for lawns, drives, gardens and privacy. And there, until about sixty years ago, the first families of Philadelphia were rooted. To live elsewhere, and particularly to live north of Market Street, stigmatized you socially.

Now the spacious way of living was possible for well-to-do folks before city dwellers knew improvements like paved streets, water, sewers, gas, electricity, telephones, trolley service and the like. It is not much over one hundred fifty years ago that, right in Philadelphia, Benjamin Franklin persuaded a few of his neighbors to light the street in front of their homes and to hire a woman to sweep the street.

As one improvement followed another, these proud families in their roomy grounds found

that assessments for paving, sewers and other city services were a heavy burden, and such corporation services as gas and electricity were costly, too, because the companies had to lay so many feet of pipe or wire to serve a single customer.

The first families of Philadelphia began moving west into smaller residences which would give them city homes when they were needed, and also built homes outside the city, where they could live spaciouly on reasonable terms. Ultimately, taxation drove them out of the city altogether. The last stand was made at Rittenhouse Square. To-day the old residence property is being occupied by hotels and other buildings of good earning capacity, and almost everybody who is anybody in Philadelphia is moving outside the city. Modern cities simply cannot house aristocracy as it was accustomed to live fifty years ago. The thing is not economic.

Again, the exclusive set chooses a place like Newport for its summering. Fine villas surrounded by acres of park and lawn effectively shut out the masses. But one family wants a

bigger park than another family, and they begin a competition in acreage of lawn that nobody ever sets foot on except the mower. Presently rising wages and costs, with pressure of population, begin to make the burden too heavy. As wages rise, there is trouble with servants. Sooner or later one family says "I'm through!" and sells out at a loss, moving into an ample apartment where all the servant difficulties are taken off its shoulders. In effect, this family joins the masses, its Newport estate is cut up into building sites for the masses, and the other family is driven out in turn, if not by similar pressure, then by the "common" people who move in as neighbors.

Merchants who cater to class trade, and real-estate operators or investors who stick to class lines, may get the reflected glory of exclusiveness. They will seldom make much money, however, because there are so few potential customers, and those few spend so small a percentage of their income compared with the masses.

To take in two thousand dollars in one day is not an infrequent occurrence with an auto-

matic restaurant. It requires handling on the average about ten thousand people, spending twenty cents each. To take in two thousand dollars in one day, the fashionable restaurant, where people spend an average of three dollars, would handle about seven hundred guests. Their tips cost more than the automatic-restaurant meal. In the latter you handle yourself, while in the fashionable restaurant they handle you. It is impossible to serve seven hundred people per day for the same amount of rental per annum, or anything like it, that the ten thousand-a-day establishment pays. The ten thousand will always be on hand, while the seven hundred will frequently disappear three months at a time when it goes to Palm Beach, Bar Harbor or Europe, and the fashionable restaurant would lose less money if it closed altogether.

Just lately another exclusive retail concern on the Avenue closed its doors forever. Since the early General Grant period it had catered to the first families of the town in a certain field of merchandise. Its customers grew old and

died, and because this concern made no effort to popularize its business it grew old and died too.

Some years ago there was another retail concern of the same exclusive kind several blocks down the Avenue. It had also proudly served the first families for fifty years, and its customers and clerks had grown old together. I don't know how it happened, but by some chance a young man with real discernment and mercantile ability got into that store. He saw the possibilities in its name and reputation if they could be capitalized and nationalized. Every New Yorker had known Blankington's from boyhood, and thousands of well-to-do people over the country knew it as an institution, because it figured in society chatter that people like to read, and formed part of the old New York atmosphere in more than one novel. But of all these people who knew of Blankington's, I doubt whether one in a hundred had ever actually entered the store, much less bought anything there—and certainly never

been so rash as to send Blankington's a mail order!

This young man had an impertinent ambition. Where Blankington's had reverently catered to a few hundred old class customers, he proposed that it serve hundreds of thousands of mass customers. The old families came into Blankington's and dictated their orders. It was assumed that they had good taste and knew what they wanted. He believed the time had come for Blankington's to dictate in this way—that the customer who wanted a certain article could tell Blankington's what it was, and what he wanted it for, and the institution, out of its long experience, would be able to select better than he could, and sell or send him something in which he could have absolute confidence when it came to quality, taste and the mode. Blankington's to-day is a prosperous mass business; but the young executive who made it so had to tire out and retire most of its old personnel.

In practically every case a well-managed specialty store can pay more rent than a de-

partment store, because it has a different idea in management. The department store operates on the basis of so much business a square foot of floor space, and a fixed percentage of profit on turnover. So its buyers or department managers are more or less limited in setting prices. The specialty shop, on the other hand, is usually managed by its owner, who has a free hand in setting prices, and makes it his or her policy to beat all competitors. Moreover, the specialty store is not saddled with the nonproductive floor space that has become part of the department store—writing rooms, rest rooms, concert auditoriums and other attractions which have been adopted one by one as the department store evolved from the old-fashioned dry-goods store and which seriously increased its overhead expenses.

The residential motion-picture house is another handy illustration of mass purchasing power. By "residential" I mean the picture theater within walking distance of your home, handier than the downtown theaters in which traveling companies appeared before there

were films, and which were practically the only theatrical entertainment of the last generation. Theatrical managers will tell you that the road show has been shot to pieces. Outside of a few girl shows there are practically no more traveling companies. The residential motion-picture house gives about two hours' entertainment at prices that make it possible to take the whole family for about the price of one downtown theater ticket, and sometimes only half as much. These theaters are the backbone of the motion-picture industry, with receipts that make up ninety per cent of its income. If the industry depended upon the class public that pays two dollars to see a motion-picture program it would soon be bankrupt, because about all the people able to pay that amount could see the latest pictures in one day.

At Forty-second Street and Eighth Avenue, in New York City, there is another mighty interesting illustration of class and mass—a vaudeville theater that has two entrances. That on the Forty-second Street side is within a few doors of the New Amster-

dam Theater, one of the best patronized houses in town, the home of the Follies, which by reason of its prices is clearly class entertainment. Despite this door opening right into New York's recognized theater district, probably not ten per cent of the people who patronize the American Theater come in from the Forty-second Street side. It has another door on Eighth Avenue, handy to the great mass population that lives west of that thoroughfare. And through its Eighth Avenue door the American Theater draws nine tenths of its patrons, who are not out-of-town people seeking entertainment regardless of price, but real New Yorkers, working for wages and salaries, who buy entertainment as part of their weekly expenditure, and shop for it with discrimination.

Another interesting comparison can be found here. Before Mr. Ziegfeld throws open his box office for class money he must spend from one hundred and fifty thousand to two hundred and fifty thousand dollars on a new Follies each year. This show embodies the

ideas of perhaps half a dozen people. It opens without any road trial. Should it not hit its public's taste the failure would be quick and the loss irrevocable. At the American Theater there is no corresponding investment. A program is made up of from twelve to twenty numbers, each embodying the ideas of one or more performers who have thoroughly tested them out on the road. Should the show fail it can be changed overnight. And against the single show each year upon which Mr. Ziegfeld has to gamble, the American Theater show is changed twice a week.

At the risk of being tiresome, I am going to give you other examples of mass versus class, because here is a great fundamental law at work, and its influence should be reckoned with beforehand in many enterprises and investments outside of real estate.

Not more than ten years ago a dressmaker came to me, seeking a small shop at the lowest rent obtainable, for, though she was ambitious to get into business for herself, she hadn't much money to squander on rent. It hap-

pened that I was able to secure for her a twenty-foot shop on Broadway. Mrs. Jonesboro-Jones certainly never shops in that neighborhood, for it is the heart of the Rialto, thronged with theatrical people. I had to put her on the east side of Broadway, which is overwhelmingly mass as contrasted with the west side, where there is mass with some class pretensions. Even there the rent seemed to her a staggering burden.

To-day that woman is one of the most successful dressmakers in the United States. She has ideas that are original, and a keen instinct for knowing what the public wants. She had them then. Placed where so many people passed her shop window that ideas could not be hidden, she quickly got a following among theatrical people. Now, without casting reflection upon playerfolk, their tastes are admittedly not those of Mrs. Puyster de Puyster. Strong effects are necessary in their work, and in their clothes they are partial to strong effects.

This woman not only built up a clientele

but undoubtedly learned how to use theatrical art in her conceptions. The outcome was that, when she moved over into sacred Fifth Avenue, she captured the younger De Puyster set; but only as an incident in her business. She has never lost touch with the mass folks who were her first customers, and has added mass customers in her new location.

Railway executives complain of high wages and operating costs, but their real difficulty is too few customers. If they would take a lesson from Mr. Woolworth, on Fifth Avenue, and try to see how many customers they could handle with their plant, I am confident that fares could be reduced and wages and operating costs would fall into the same category as Mr. Woolworth's rent.

People who do not understand this great principle will make the same mistake as a certain large corporation with executive offices in downtown New York. This company occupies a large skyscraper. Another skyscraper adjoining was used as a general office building. A certain real-estate operator, studying

that situation, reasoned that the large corporation, selling a mass product at a reasonable price all over the country, to every class of people, must inevitably grow; therefore it would need more office room in New York sooner or later. For mass business over the country—yes, and over the whole world—is reflected in a city like New York by executive offices. The thing really works two ways, for as soon as a business enterprise grows large enough, its management wants a prominent location in the metropolis for prestige, and prestige, helping the business grow all over the country, makes larger quarters in New York necessary.

The owner of this adjacent office building might have emptied all the offices above the ground floor, and made more money than he did when they were tenanted, because his upper-floor rents were too low, and ate up his ground-floor profits.

The real-estate man bought this building and offered it to the big corporation at a price. But the corporation's officials were willing to

take it only at one hundred thousand dollars less. Some people who watched the deal think that they didn't realize their own expansion needs, while others say inside information led them to believe that the operator couldn't hang on to his purchase, which was partly mortgaged, and that he would eventually be squeezed out, giving them the property at their own price.

"If that company thinks it is worth within one hundred thousand dollars of what I think it is worth," this operator reasoned, "then I know it is cheap!"

He not only hung on, paying off his mortgage, but by readjusting rents turned the property into a paying proposition. Three years later the big corporation had to rent this six hundred fifty thousand dollar purchase for two hundred fifty thousand dollars a year net to the owner.

Many other experiences and illustrations come to mind out of thirty-odd years' dealings in real estate. But enough have been given to show that a great fundamental principle is at

work here, and I will close by briefly stating the important point:

Whether you are buying real estate for your own business purposes, or renting it, or investing your money in it for profit, or advising your clients as a real-estate man, study the whys and wherefores of property from this mass-versus-class viewpoint. I may say here that few so-called real-estate operators understand what to go buy and what to go by, for many an ambitious project is planned and carried out with little regard for the mass-sustaining power back of it, or the lack of such sustaining power.

Remember what Lincoln said about the plain people, and go where they are—because God made so many of them.

CHAPTER V

RENT AND BUILDING PROFITEERS

"Hello Jim!" says one friend to another, meeting at a Philadelphia hotel. "Where did you come from?"

"Just got in from New York—on my way to Chicago."

"Where will you stop?"

"The Hotel Blankington, as usual; always stop there," say Jim.

"Say, I expect to be in Chicago next week. Maybe I'll see you there; I always stop at the Blankington too."

Now that is just what costs the traveling public a great deal of money. That is just what gives that particular institution a monopoly. That is just what makes it overcrowded all the time; and because it is overcrowded, of course the managers raise prices, and of course

you say, "I used to get that same room for five dollars a day, and now you are charging me twelve." But habit is habit, and if you won't exert yourself and are willing to pay for habit, you surely will. It hasn't happened in Europe, it hasn't happened any place in the world excepting America. Oh, yes—excuse me, it does, in the American hotels abroad only.

Same way at the seashore—you all wait until the last minute, till the hot weather hits you, till everybody is of the same opinion, and then you dash, rush; and how you do rush, and how you do pay, and how you ought to! You have made the poor owner sweat blood, feeling his house is going to remain idle all summer and there is no demand, and when he gets you he makes you pay for jangling his nerves. You know just as well in December that you have got to go to the seashore in the summer as you know it on the Fourth of July. Whether you are going to Bar Harbor, Atlantic City, Long Beach or any other place—it doesn't make any difference—you are going to go, so why not decide in December? It may be inconvenient,

but it will save you a lot of money if you decide then.

Until lately real estate has been one of our cheap natural resources, like ten-cent beefsteak, five-dollar coal and other things of our abundance. It has been used lavishly, with little thought of economy for the morrow. But just as people are compelled to use forty-cent beefsteak and fifteen-dollar coal carefully, so they are being compelled to think about real estate and building. All forms of land are rising in value. Our cities are developing permanent centers for different kinds of business in which the amount of land is limited, and the best possible use of every front foot is necessary as a matter of conserving space, even if there were not rising values and taxation to consider.

In this chapter I shall deal with certain forms of profiteering as done in real estate and point out the hidden profiteers in rents and building.

You go hunting a city apartment and find one that suits. But it gets your goat to be told that the rent is fifty-five hundred dollars a year.

Even if the price is not beyond your means, you remember that the same kind of apartment could have been rented ten years ago for half the money, or less. Clearly somebody is profiteering. Is it the landlord, the real-estate promoter, the landowner? You will be astonished when I tell you that you yourself are the real profiteer.

Or you occupy rented premises for your business—an office, store or factory space. Let us use factory space as an illustration—so many square feet in a city loft building devoted to light manufacturing. Ten years ago you paid seventy-five cents a square foot. To-day you are paying one dollar and twenty-five cents, and now the agent comes in to announce a twenty-five-cent increase when your lease expires. Again somebody is unquestionably profiteering; and again it is yourself!

Suppose we take the loft building—go back to the time when four old residences stood on its site, build it all over again, and see what we shall see. Get paper and pencil, for we must do a little figuring.

It was conceived by a speculative builder. He had a force of workmen to be kept together and kept busy. At the moment they were putting up a big apartment house, but looking ahead he saw that another construction job would be needed in about twelve months.

Beginning with a little money of his own, aided perhaps by a real-estate man, he selected a site where the prospects for a loft building seemed good, and bought four city lots, a plot of ground 100 x 100 feet, for which he paid two hundred thousand dollars.

Of his own money probably he put in not more than ten per cent, for twenty thousand dollars is a lot of money for a speculative builder to have all at one time. This was his shoestring, and from the very outset it began to lengthen and lengthen, and wind round and round and round the enterprise a network of unnecessary expense.

For, because he has so little money, the speculative builder must borrow from lenders who take a chance, and chances are very accurately weighed and charged for in the money-

lending market. His first borrowing to complete the purchase of the land may be done in a dozen ways. Sometimes the owner of the land is willing to help finance him. Again, he may interest somebody with money to invest. Or the dealers from whom he is going to buy materials for the building help with finances by way of tying the orders for materials with that shoestring. In fact, he surrounds himself at every step with more and more expense as he endeavors to make a dollar do the work of thousands.

Then the builder looked around for an architect, and after choosing one had him plan a sixteen-story structure to cost six hundred fifty thousand dollars. The architect charged him ten per cent on the cost of his building, sixty-five thousand dollars, equal to eight per cent of the whole project. Just jot that down.

Then he went to a mortgage bond company and borrowed the money to put up his building. Because he had very little equity in the enterprise, and needed ninety per cent of the cost of the building, the bond company charged him

one per cent more for ten years than the rate at which money could be obtained under different circumstances, and also a ten per cent commission, eighty-five thousand dollars more. Put that down too. Then he went ahead, erected the building, and charged ten per cent profit for himself. Put another eighty-five thousand dollars down.

Putting up such a building takes from six months to a year, during which time there are carrying charges. Put down eighty-five thousand dollars. And put down still another ten per cent for the loss in rentals until it is fully occupied—eighty-five thousand dollars.

The land cost two hundred thousand dollars and the building six hundred fifty thousand dollars. By the simple addition you learned at school, that ought to make eight hundred fifty thousand dollars. But it doesn't. Add those commissions, profits and losses, and you will find that the real cost of this building was one million three hundred forty thousand dollars. To the actual cost of the land and building has been added a burden of four hun-

dred ninety thousand dollars, not one cent of which represent any tangible material or work put into the building.

The builder sells the structure to a landlord, who will operate it for profit. Sometimes it is sold before tenants move in, and sometimes the builder or a real-estate man sells it fully occupied.

The landlord paid one million three hundred forty thousand for the building; his yearly interest on that is eighty thousand four hundred dollars; his taxes, twenty thousand dollars; repairs, five thousand dollars; operating expenses, twenty thousand dollars—total, one hundred twenty-five thousand four hundred dollars.

The new owner finds that he has fifteen stories with nine thousand square feet of space each, net, and a first floor and basement with ten thousand square feet each—call it roughly one hundred fifty thousand square feet. So his space costs him nearly ninety cents a square foot yearly. Getting one dollar and twenty-five cents a square foot for his factory floors, and

some additional revenue from stores or shops on the ground floor and in the basement, his income from the property is about two hundred thousand dollars a year. His building brings him a clear fifty thousand dollars a year after allowing twenty-five thousand dollars for depreciation.

Now, in this transaction we find seven distinct items of profit or loss: Extra interest, the architect, the bonding company, the builder, the carrying charges, the vacancies until the building is rented and, finally, the landlord. Some of them appear to be needless. The bonding company's commission, for example, instead of ten per cent is often fifteen or more. Yet every one of them is necessary; but every one of them can be reduced or abolished.

Let us go back once more to the site of this building before the old houses were tore down, and do it all over again in another way:

Twenty manufacturers, including yourself, who each need five thousand to ten thousand square feet of loft space, get together and form a corporation to put that building up them-

selves. Having located the site, taken an option on it, decided the size of their building and estimated its cost, they form a coöperative company with five thousand shares of one hundred dollars each—five hundred thousand dollars. Each of the twenty coöwners takes two hundred fifty shares, paying down twenty-five thousand dollars cash. In effect, each pays about two years' rent in advance at the rate of one dollar twenty-five cents a square foot.

Pardon and be patient with these figures—they lead to something of real significance to every town dweller in this country.

Having bought their site, they do as the speculative builder did—engage an architect. Instead of paying him ten per cent of their building cost, however, they pay five. Why? Very simple! The speculative builder let ten architects compete for his job. On that basis an architect has to exert sales effort ten times to land one commission and often makes ten plans before he gets a job. This job is brought to him, no sales effort is necessary, and he adjusts his fee accordingly.

The speculative builder next went to a mortgage-bond company to borrow money. Why did he go to a bond company and pay one per cent extra, plus a ten per cent commission? Very simple again! There was so little of his own money in the enterprise that he had virtually no equity and had to borrow dangerously close to the whole value of the enterprise. There are many contingencies in such a transaction. Suppose he goes bankrupt in the middle of the job, for instance, and the bond company has to step in and complete the construction. He had to pay big because his shoe string was so small.

But under this coöwner plan, probably pre-organized, the shoe string is a cool four hundred thousand dollars or five hundred thousand dollars cash in the bank. The mortgage-bond company will never hear of those gentlemen. Instead, they call on the loan man of a life-insurance company, which lends them fifty per cent of the money to be spent on the whole enterprise, and charges them a commission of only one per cent, perhaps none at all, as this

is a very desirable loan. In some cases money can be borrowed from savings banks, though the latter prefer to lend on existing buildings. And the rate will be six, five and one-half, even five per cent, instead of the seven or eight per cent charged by the bond company.

In the same way they choose their builder, probably engaging him on the cost-plus plan, whereby he puts the building up as economically as possible, under expert supervision, to see that it is an honest job, done with honest materials, and gets a percentage of the cost as his profit.

And the materialmen! Picture their excitement when these coöwners say, "We have a quarter of a million dollars cash, and are just itching to spend it with people who can quote us close prices."

There are carrying charges, of course, while the building is going up; but not so heavy as they were on the other building, because this structure is going to cost less money. And here is no ten per cent vacancy loss while the building is being rented, because its owners

move in on the day it is ready. Remember, a coöperative building is one hundred per cent rented. With the same operating expenses, and a building that cost them two hundred fifty thousand dollars less to construct, their floor space comes to about sixty-five cents a square foot. If they put the mortgage on an amortization basis, paying off part of it each year, that steadily reduces the operating charges.

The real profiteers in rent are the people of the United States who will not take thought and provide for themselves those services they demand from the speculative builder, the mortgage-bond company and other agencies in the building-and-housing situation.

You go to another city and spend the night. Obviously you cannot build yourself a home there for one night. Fortunately somebody has gone into the business of hotel-keeping, and you rent a home for the night, and pay the hotel-keeper a legitimate profit for the service he has rendered.

If you go to that city to live five years, you

have an alternative: To rent a home from somebody who is in the business of owning apartments or houses, and making a profit on them; or to serve yourself in this matter, buy or build a home, and go into the business of taking care of yourself, pocketing the profit.

When you looked at that fifty-five hundred dollar apartment, suppose that, instead of growling about the rent, you had joined with other rent-payers and become your own landlord. Here's how that would work out:

It is a sixteen-story building on a city lot 100 x 100 feet, with about a hundred apartments. Financed and put up by the speculative builder it would cost about two million two hundred fifty thousand dollars. Financed and put up by coöwners it could be built for one million five hundred thousand dollars. The average cost of each apartment would be fifteen thousand dollars, and the operating expenses, with yearly payments to reduce the mortgage, would be in the neighborhood of twenty-five hundred dollars an apartment, certainly not more than three thousand dollars.

Instead of growling about the high cost of renting an apartment, take stock of your assets. Certainly if you can afford to pay three thousand dollars a year rent you must be worth fifteen thousand dollars in available cash—money in the bank, securities that can be liquidated, life insurance upon which you can borrow. That money will buy you an apartment and cut your rent in two if you have the enterprise to do for yourself what you have been demanding from others. As a matter of fact, you need only half that amount; seventy-five hundred dollars will finance an apartment, and the rest can be paid off like rent.

During the War, when rents and living expenses were racing way ahead of salaries, a New York bank employee living in an uptown apartment called his fellow tenants together. The landlord had raised their rent several times and was about to raise it again. The bank man suggested that they buy the building. Asked if he would sell, the landlord said he would for two hundred fifty thousand dollars. The tenants formed a corporation, with shares

at one hundred dollars each, raised forty thousand dollars cash and purchased the building, taking over a five and one-half per cent mortgage, and continued paying the same rent to their corporation.

There were forty-eight apartments in the building, of various sizes, renting for different amounts. The bank man's rent was then sixty dollars a month. The cost of his apartment was eight thousand dollars, but he had to put up only twenty-five hundred dollars cash. Today his apartment would rent for one hundred fifty dollars. Several of the coöwners have since sold out, and in every case got double what their apartments cost them. A new elevator has been put in, the water and heating systems have been overhauled, the building has been sand-blasted so it looks like new—it was eighteen years old when they bought it—and other improvements have been made, adding to the appearance and comfort of the property to such a degree that every little while some landlord comes around and wants to buy it.

They could sell for one hundred thousand dollars more than they paid.

Investigate it, analyze it, dissect it any way you please, and in the end you will find that the high cost of renting comes down to just one thing—the high cost of shoestring finance in building. People rent homes and business premises upon terms that would make it possible to purchase the property with ten years' rent at the most, and in many cases five years' or less. They have savings and investments sufficient to buy them outright, or at least buy an equity and carry the rest on mortgage. But they don't know it or don't want to do it, and the speculative builder has to provide for the growth of the community with so little capital that everybody connected with the building game takes great risks and has to protect himself with a corresponding margin of profit.

The speculative builder and the mortgage-bond company are often denounced as building profiteers. But as long as Americans build their communities thoughtlessly and wastefully

they are both necessary. Their profits are legitimate and reasonable, and they render real services to the community—when it builds that way.

Pick out any city in the United States. Tear down every business building, apartment house, mansion and cottage financed and erected by the speculative builder and the mortgage-bond company. Keep only the buildings that have been planned, financed and put up by those who live or do business in them. Group them around the city hall and see what you have. Not enough buildings to make a community one one-hundredth the size, I venture!

The progress toward sanity in real estate has been made possible in many cases not simply through the willingness of the bond companies to lend a high percentage of valuation but in the open-mindedness of their officers toward what was new and perhaps startling in real estate.

Building is largely a real-estate game, for where one speculative builder conceives the

idea of an improvement and carries it out, there will be ten planned by real-estate men. Even if the builder does carry out the construction, he usually begins with the real-estate man, and when his structure is ready he turns it over to the real-estate man.

Suppose you had an advanced idea in real estate—say the idea of putting an automatic restaurant in an expensive Broadway block. Formerly you took your plans not to a bond company but to a staid old financial institution that, far from doing any pioneering, was frightened by the suggestion. Your application for a loan was passed upon by men tried and true, with many years' experience in the appraising of realty. Their No meant nothing to them, but their Yes might mean harm, because their judgment was not asked. Their positions and the whole safety of the institution depended upon taking no risks and using no original judgment whatever. Your novelty was, to these gentlemen, simply a freak. Nothing of the kind had ever been tried on Broad-

way. The idea that it would pay directly was preposterous.

Then imagine what sort of reception you would get if you told them that your restaurant was being deliberately put on Broadway to be laughed at! As part of a growing chain, patronized by theatrical folk who would chaff about it, you would get national publicity. When they were shown your building plans, and discovered that for the sake of a clear expanse of floor space your roof was carried on one central column, that usually settled the business.

Or the representative real-estate firm employed a firm of appraisers whose grandfathers had appraised property before them, whose judgment and firm name were synonymous with safety, who would appraise property at about ninety per cent of its actual cost, and upon which the financial institution might loan sixty per cent of that ninety—provided you did not want to put up a freak building or take any chances.

Common sense often shrieked its loudest in

novel and even peculiar projects, because a revolution was—and is still—going on in real estate, not only in its values but in its uses. The bond companies saw what was going on, understood that the novel and peculiar enterprise might be not only safe but far more profitable than the so-called conservative proposition—which was probably a back number. Realizing these conditions, they took advantage of them and have often been constructive pioneers in the art and science of modern, up-to-date building efficiency in the division of the many divisible factors incident to the life and growth of the many different communities.

The other day a woman showed some bonds to the president of her bank and asked him what he thought of them as an investment. They were six per cent mortgage bonds of a \$1,500,000 issue, secured by a certain piece of property.

“Madam, do you see that old rookery on the opposite corner?” he asked, pointing out the

window. "That is the security for your bonds!"

The old building he indicated was worthless to anybody but the housewrecker. The land upon which it stood was worth not more than one fifth the amount of the bond issue.

Had the good lady been swindled? No; her money was reasonably safe. She had put it behind a speculative builder's shoestring. An office building was going up on that corner. It would cost, with the land, about one million eight hundred thousand dollars. The builder had very little money of his own—just enough to start the enterprise. The mortgage-bond company was therefore asked to lend eighty-five per cent of the value of the whole improvement before the old building on the site was torn down. To do that it was necessary to charge a rate high enough so investors buying bonds could be attracted by six per cent interest, and the company got a ten or fifteen per cent commission on top of that. A life-insurance company might have lent up to seventy per cent of the value before construction, and charged

one per cent commission on six per cent money. A savings bank regulated by the laws of a state like New York would have lent sixty per cent of the value, generally after the building was finished, but would have charged no commission, and on an attractive mortgage might have made the interest rate as low as five and one half per cent the first five years and five per cent thereafter. Thus the more money of their own people will put into any building enterprise, the more favorable are the borrowing terms.

The highest of all charges in speculative building are those on the small two-story house costing five thousand dollars to seventy-five hundred dollars. Almost anyone can build such a house. The carpenter, bricklayer or plumber out of work, with a shoestring of a few hundred dollars saved up, builds a good two-story house, sells it at a reasonable price and makes a satisfactory profit. With his profit he builds another, and another. About the time the sixth has been built he says to himself, "Why not become a builder on a

bigger scale?" Until then, probably the material dealers have financed him. Now he must go in to the money market with his shoe-string and borrow on such terms that his houses cost more, and perhaps he must also scamp them. The outcome is that people who buy such houses often pay high prices. But the carpenter would be glad to build them an honest house at a reasonable profit if they got under the financial load with one quarter the cost of the house in cash and the rest on mortgage.

Coöperative ownership began with apartment houses in New York City, and in spite of some false exploitation has demonstrated its soundness and economy along sane lines. In real coöperation the future owners get together, plan and finance their enterprise, carry it out themselves, and profit by the savings in construction, interest, commissions and fees. In false coöperation some promoter does the planning, includes a large profit for himself, and then sells shares in the enterprise to the ultimate owners; it is a salesman's proposition

pure and simple, and naturally the salesmanship must be paid for.

What has been found economical in the joint ownership of homes can be applied just as successfully to business buildings. The largest coöperative enterprise thus far undertaken in business premises is the Garment Center Capitol, near the Pennsylvania Terminal in New York City. It consists of two great loft buildings for garment manufacturing, one twenty-four stories high and the other seventeen, with a total floor area of one million, five hundred thousand square feet, cost about fifteen million dollars, and is a splendid example of true coöperation. Under landlords, rent had become an intolerable burden to these manufacturers. It was necessary for them to be located in some neighborhood where buyers could see their different lines in the shortest time and with the least traveling. They had crowded into Fifth Avenue and its side streets, a section of the city where real-estate values are among the highest and space cost not less than one dollar and fifty cents a

square foot yearly. The coöperative buildings were not only planned and financed by manufacturers, but actually built by one of the garment manufacturers who rejected contractors' bids when they were found too high, left his own garment business for the time being and turned contractor for his associates, erecting the buildings for much less than the lowest bid.

In this Garment Center Capitol the cost of space has been brought down to one dollar a square foot. The manufacturers are grouped more compactly for the convenience of their customers. Besides, there are other economies. Fire and sprinkler insurance used to cost as high as sixty-five cents per one hundred dollars when they were scattered in buildings where the fire hazard was greater. It now cost only nine cents. Burglary protection formerly cost each manufacturer from five hundred dollars to one thousand dollars a year. It is now an insignificant item in the operation of the buildings which have their own day and night patrol. Injuries to employees formerly

cost each manufacturer five hundred dollars to a thousand dollars a year in doctors' bills, compensation and lost time. The coöperative buildings have a hospital where any injured employee receives prompt treatment, and the average cost of minor mishaps has been brought down to less than fifty dollars. All told, a garment manufacturer who formerly paid twenty-five thousand dollars a year for rent, insurance and protection to his employees and property now saves fully ten thousand dollars a year of that money, and the coöperative idea is being extended to the purchase of materials, machinery and supplies, with further economies. And most important of all is that his condition spells "permanency." He is now at the mercy of no one; he rules supreme.

Earlier in this chapter I used a word that seems to be new—preorganization. It stands for the most important thing in coöperative building, a guaranty of success on one end or a stumbling block that means failure on the other.

Some years ago a thoroughly novel coöperative building enterprise of a business character was projected. Its promoters had discovered a great national demand for accommodations centering in New York City, and proposed supplying it on a plan whereby people who wanted this service could get it at approximately half price with a moderate investment in the stock of a corporation, and earn a profit on the patronage of those who were not stockholders. There is enough business to carry such a project through to commercial success, and it will be done ultimately. But in this case preorganization was not so strong as it should have been, and I am told that the enterprise was stopped for lack of money. Had shareholders been persuaded to put enough of their money in beforehand there would have been no difficulty in completing the financing. A small coöperative shoestring is no stronger than that of a speculative builder, of course.

Wasteful use of real estate is another kind of profiteering for which people who complain

about it most are usually most responsible. Step into the average office in London, where real-estate values are exceptionally high—much above those in any American city. You will transact business running into hundreds of thousands of dollars with a man whose surroundings seem cramped and, being an American, will wonder what sort of business he does. That Londoner probably has twenty-five thousand people working for him. Not in London, where rents are high, however, but out in the suburbs and up in the factory towns of the Midlands. He has learned to use real estate with economic efficiency.

In New York, on the other hand, I can take you to the clerical offices of a corporation that pays two dollars a year per square foot for space near the heart of the city to house an accounting force of three thousand employees. The whole department could be moved over into Long Island City and accommodated on space costing thirty cents a square foot and do its work just as well. It is kept in New York chiefly for the convenience of twenty-

five or thirty executive officers who want to be in the swim and dislike going to a suburb.

To show what can be done along the lines of economic efficiency in just one branch of real estate, let us take up the question of hotels that give service along entirely different lines from what the general public is accustomed to receiving and what it ordinarily demands.

A push button in a room in any hotel will cause you to be charged practically double the rates asked without this service. The Mills hotels, in the public mind, are semi-charitable institutions. Their founder conceived the pioneer idea of a hotel room without a push button, cut down drastically to the actual necessities of a hotel room, but with those necessities comfortable and good. He financed this idea, and the rates charged for the service given are so low compared with hotel service as the general public knows and buys it that the Mills hotels are supposed to be charities. But they are not—they pay handsomely on the investment. The rates are around a dollar a day for a room in a first-

class modern fireproof building, with all sanitary arrangements, conveniences for social intercourse, with luxurious dining rooms and dining accommodations. I am told that they yield much over ten per cent interest per annum on the investment. They use real estate with economic efficiency.

The success of the Allerton House chain of hotels in New York, at first for males only, and now others for females only, is another concrete example of the results of economy and management in the arrangement of space, and has been very profitable to the promoters. The rooms are small. Ice water is supplied from a spigot in the corridor. Just enough linen is allotted to each guest per day—none to waste. Public bathrooms are established within easy access to all. Trunks are checked in the basement; there is no space for them in the rooms. The roof is made into a composite playground, ballroom and roof garden, where, on stated occasions, the lady or gentlemen friends of the guests may assemble. There is a central meeting and lounging room. Thus

every inch of what is commonly known as by-product space—basement and roof—is utilized. The rates at this institution when started were about a dollar a day for a room. I am informed that by reason of their great success, prices have been materially advanced, but in a small way they supply the demand. Many more institutions of similar character are sadly needed.

I remember years ago going into a lodging house in the slum section of Philadelphia for the purpose of examining the property to pass upon a loan. By the roughest kinds of divisions that can be made the rooms in an old-fashioned, four-story residence, which had formerly been about a ten-room house, had been converted into sleeping quarters for about seventy-five people. The place was as clean as the proverbial whistle. The beds were cots and one slept between blankets, not sheets. Each space had a closet and a chair. The charge per night was fifty cents. I took an interest in the proprietor, whom I met. His ideas were morally wholesome, his busi-

ness ability unquestionable. After an investigation I found that he had come east from a life of outdoor work in the west and that he was a home-loving, wife-loving and thoroughly clean-minded individual. About ten years after I met this man he was killed in an accident, but before he died he was managing four large establishments belonging to himself, and left his family in a very comfortable financial position. These establishments did more good, conducted in the manner in which they were, than any financial institution of many times their size I have ever encountered, and if there has ever been any charitable or benevolent institution within two hundred miles that I have escaped it will be news to me.

The trouble with most people who have important use for real estate is that they look around for desirable locations and are highly pleased when they find them. They don't know the meaning of the word "permanency." They don't stop to realize that the very prize which they have obtained will be wanted by others as they succeed in making that particu-

lar location or spot desirable. Prospective tenants are always willing, eager and anxious to pay for insurance. The average man's judgment has been good. He generally gambles on the word "permanency."

I have before me now the example of a man who rented a store from me in a prominent Broadway section just ten years ago. He paid seven thousand five hundred dollars a year. He could have had the store for twenty years just as easily, but because his judgment was limited to ten years, which seemed long to him, he is to-day begging for renewal at fifteen thousand dollars a year, and it is very doubtful whether he will obtain it on any such basis, as he has established a very profitable business, built up practically on location alone—a condition well known to the trade. The agent who manages the building is, of course, in duty-bound to obtain the best rent possible for his client. He is in no position, however, to do other than give the old tenant the preference.

These conditions in many cases can easily be obviated. When you know your business is

right, when you know your judgment is perfect, don't sit back in calm contentment and say, "Oh, I have so many years to run before my lease expires." Probably the owner, too, is marking time, and may be regretting the bad bargain he made with you. Buy the use of real estate with economic efficiency.

A peculiar condition has presented itself around the Fifth Avenue and Forty-second Street section of New York City. There are very few corners which stand out. Any one with European knowledge can instantly visualize the corner of the Rue de la Paix and the Avenue de l'Opéra. It has been truly said that one can sit there and see the world go by. Fifth Avenue and Forty-second Street is arriving, if it has not already arrived, at the same condition, but what it has received in reflected benefits is more in point of value than the Paris location. The particular corner buildings immediately adjacent to the Fifth Avenue and Forty-second Street section are such fixed landmarks through the entire country that people are compelled to-day to pay for space in these

structures for more than actual occupancy. Here representation is commercialized, and one pays for the advantage of so conspicuous a location.

I believe in a different sense representation has also entered into the value of realty in the banking business. These institutions are paying far advanced prices for real estate and space.

For years operators had great difficulty in dealing with banking institutions. There seemed to be a general rule whereby a bank had to have space not less than forty feet in height. Probably the banks thought that the nearer the institution resembled a church the more faith the community would have in it.

Now, forty feet in height costs money. You don't even save the floor which would be erected to clear at least three stories out of the forty feet in height, because that item is eaten up by extra expense incident either to cantilevering or throwing costly girders across the space in order to obtain the desired height. One saves nothing in heating or maintenance,

and the elevators in tall buildings would travel unnecessarily. All this, however, has changed, and this frightful waste of space is now being gradually eliminated.

Another example of a revolutionary character in the building line has just reached the starting stage. Suppose you are a doctor and your specialty is cancer. You cannot tell what a prospective patient may require until diagnosis is made; it may be necessary to call in other specialists for the diagnosis itself. You will work best if you have within easy reach every medical and surgical facility. Your prospective patient may have ample means to pay for treatment and may object to going to a public hospital, which is a charitable institution. Nor can you find in a sanitarium the proper facilities, on account of the individual rules and regulations.

Ergo!—enter the medical hotel, an establishment now projected in New York, where under one roof every specialist, with every necessary appliance, will be within easy call; where the operating rooms will be as complete as

science and money can make them; where a patient suffering from cancer, say, which is not contagious and does not require seclusion, can live normally, in hotel accommodations.

In conclusion, if any other form of business endeavor had received the same amount of discouragement that the pioneers who were engaged in the realty field have encountered, big business would never have come into being. There is but one good condition, however, which arises from the lack of realty vision of the moneyed interests of this country—the opportunities to make money by the daring who have good judgment are manifold. Whether the results are obtained in the form of coöperation for one's individual needs or from the result of investment in judicious enterprises—no matter in what form they may be, great opportunities are ever present so long as they meet the demands of the investing public.

CHAPTER VI

THE THEATER AND THE MOVING-PICTURE HOUSE

About ten years ago I was hunting New York basements for a client. Few people want basements; their uses are limited. But to this man they were just as good as the ground floor, at materially lower rents. Naturally, I looked first in the best part of the town. Around Broadway and Forty-second Street seemed the most desirable neighborhood. There was a theater right in the heart of it at Forty-second Street and Seventh Avenue. A well-known theatrical manager had a long lease on the house.

"Go over and look at it first, then put your own price on it," he said dryly, when I spoke about renting his basement space.

I went, I saw—he conquered. The theater

had no basement! At the time it was built the owner could not borrow enough money to dig a hole for one. I believe to this day that theater has no basement.

Think of it! There was a man putting up a building that, in a few years' time, was to earn over two hundred thousand dollars a year profit—and he could not borrow or beg money for a basement. I could tell you other stories that show how the banker and business man, to say nothing of the public, simply cannot understand that the actor of to-day is very different from the gypsy of yesterday, that the theater is no longer a traveling van but solid real estate, and that the theatrical manager is a man of large responsibilities.

Why should a business man dealing in anything as substantial as real estate also have interests in a field as unsubstantial as the theater is supposed to be?

That question is often put to me, delicately or bluntly, because I have had theatrical interests almost from the day I went into the real-estate business. Indeed, I was actually

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established in the theatrical business almost before I got into real estate.

As a matter of fact, the theatrical business and real estate are very closely bound together, and have become more so since amusements were revolutionized by the motion picture.

I went into my first theatrical venture to advertise my real-estate business. The returns from that venture showed me that the theater is one of the chief branches of real estate, and also that I had gone into the wrong end of it.

In 1901 I was compelled to go into business for myself, just below my old firm on the ground floor of the Public Ledger Building, Philadelphia. It had been occupied by a phonograph company which had gone out of business. In those days they used storage batteries to run the phonographs and the place was in a frightfully dilapidated condition. I had only enough money to pay the first month's rent in advance and about fifty dollars over. I obtained two second-hand desks and had one of my brothers come down and act as my office clerk. The room was about 30 x 150 and two

desks and two chairs were its entire furnishings.

There is an inside and an outside to a real-estate man's business. The inside is made up of renting, leasing, selling and buying for clients in his own community; the outside consists of similar transactions for people in other cities who may be investors putting their money into that community, or successful merchants or corporations opening branches there, and so forth. A well-rounded real-estate business could not be built without these outside clients. If I was to amount to anything as a real-estate man I must have a following of these clients who could give me more than a purely local prestige.

To accomplish that I needed advertising that would be unusual in character, quick in results and as inexpensive as possible. A theatrical enterprise was the ideal medium, for there is nothing that gets your name around so quickly. When the show is in your own city you invite friends and acquaintances to see it, take them to the mysterious regions behind and thereby make the acquaintance of the best

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people. When it is on the road the show is reviewed and discussed in connection with your name, even though the latter does not appear on the bills—mine didn't, and never has. And if it is a successful show it pays its own way and makes a profit.

Some little time elapsed. I was then in business and doing business. I soon was using every inch of space in my office. But there was something lacking. My old firm had been the representative big operators of the city. It was known all over the United States. If Mr. Statler of Detroit wanted ground to-day for a hotel in Philadelphia, he would naturally go to the city's best-known realty firm. If Klaw & Erlanger of New York wanted a theater built in the Quaker City, or if Mr. Smith of Kalamazoo, whose uncle had died in Philadelphia and left some Philadelphia real estate, wanted to dispose of his holdings, they would also seek the same place.

The chain stores were then becoming important factors. I was getting none of that busi-

ness and knew that unless I did something I could not expect it for many years, if at all.

Advertising along conventional lines would have been futile. Not only would the cost be prohibitive, because it must necessarily be persistent, but at the same time one's saying who he is is not always by any means taken as a fact by those who read advertisements. I had to press-agent and I did it. Criticized I was, adversely and otherwise—I mean more and more—but like Barnum, criticism was what I aimed at, was what I achieved, and it did the trick. The entire project was successful; the show was a success.

I awoke to the importance of the theater as real-estate when the weekly statements began coming in from this my first theatrical enterprise. They showed that so far as making money out of the theatrical business was concerned the only sure end was that of the theater. It did no speculating, took practically no risk and pitched its terms so that its average made it make a great deal of money automatically. A

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ten thousand dollar week was a tremendous thing in those days. The theater got from thirty-five to forty per cent of it, or four thousand dollars where the show only got six thousand dollars. There was very little profit for the show after actors, railroad fares, royalties, scene painters, costumers, printing, advertising, and so on, had been paid, whereas the theater's expenses could hardly exceed two thousand dollars a week by any expenditure. For a New York theater then—and now—as high as sixty per cent to the show and forty per cent to the house was uncommon, and there are many extras—even the electric signs in front of the house. In fact, it is hard for a traveling production to turn around anywhere in a theater without paying for it.

No wonder we Hebrews monopolize the theater; it has compound interest beaten to death.

That first road show led me to acquire theatrical property of my own and taught me a branch of the realty business in which I have been very much interested ever since. To my mind, using good judgment, theatrical prop-

erty is one of the best-paying realty investments it is possible to make.

A few years later came the moving picture, bringing as remarkable a transformation in theatrical real estate as it has brought in other ways, and my knowledge of the theater from the standpoint of an owner as well as an impresario made it possible for me to anticipate the changes that were coming.

The whole story of the moving-picture's babyhood, the amusement need that it filled for the masses, the blindness of theatrical producers to its possibilities, and the stupidity of the first moving-picture manufacturers, too, make almost a fairy tale, and one that has not been told so far as I know.

I was born in Philadelphia, in a district known as Northern Liberties, around Third and Poplar streets. Close by there was, and probably still is, a theater once known as the Germanic Theater. It had some connection with a brewery, which was then part of the same building. A wonderful treat for me was to have my parents take me to this theater oc-

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asionally when the performers spoke English.

One of the actors was a man named Sigmund Lubin. Mr. Lubin told me that his salary mainly consisted of what meals he could obtain and as much beer as he could drink. Today many actors and actresses would be willing to work for the same salary.

Years passed, and one day while still with my old firm Mr. Lubin came to me with an explanation of a wonderful discovery. Photographs had been arranged in such a manner that reproduction of action was possible. I saw a performance. Viewed from the present standard, it was pitiful. The photographs were thick; the action was faulty; the projection was atrocious; the performers were worse; the flickering was painful; the combination wrung an appeal from the gods for mercy; but underneath it was something big that gripped and held. Then and there I became interested in motion pictures.

Lubin, at that time, together with his wife, conducted an optical establishment on Eighth

Street in close proximity to the department stores, and the roof thereof was the moving-picture laboratory. Mrs. Lubin stated to me that she had but little faith in the permanency of the motion-picture business. I remember seeing him stage, the day following a prize fight that had taken place in one of the far western states, a reproduction of the fracas; Charlie—Kid—McCoy wearing one mask and Con McVeigh, a pugilistic ex-policeman of Philadelphia, impersonating another of the contenders. Lubin had the airplane beaten many ways. The picture was shown the day after the fight occurred—a record for speed not yet equaled the world over. This must have been around 1900, as Lubin tried at that time a feat of the same description with the Passion Play, then being produced at Oberammergau. While making this picture he came to me greatly disturbed because that morning at rehearsal the Anton Lang of the production had failed to appear. I went with Lubin to a small hotel where the person lived. We were informed that he had been out on a jamboree the night

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before and had not yet presented an appearance downstairs. Lubin sent a message that he was in attendance and a message came back which, had it been sufficiently authoritative, would have enabled Mr. Lubin to have passed the different states of purgatory without stopping.

I saw in Lubin's flickering film something that has since been developed, but not to the logical limit by any means. That was the possibility of producing theatrical entertainment by quantity methods, as cheap automobiles are produced, and merchandising it to the masses on a scale far beyond anything possible in the theatrical business up to that time.

For instance, one is absolutely limited by space and cost on a stage, but the picture has all the great outdoors, doesn't have to pay for that kind of scenery, and if it desires to show the interior of a multimillionaire's home it borrows the use of it—the Billings house on Riverside Drive has been used very often.

This cannot be done on the stage; cost and space prohibit it. Then again, the picture can

be stopped at any time; when you see it there is continuity, but months may intervene between scenes, and whatever weakens the story can be eliminated. This cannot be done with the spoken drama. Imagine stopping David Warfield, William Faversham, Mrs. Fiske, Mary Garden or other stage folk with a pair of shears; but that is what happens in the motion-picture industry.

In those days, remember, there were only two general kinds of theatrical entertainment available to the public. Well-to-do folks and the young man courting his sweetheart paid from two to three dollars a seat for high-class drama and light opera. For the family in moderate circumstances, not able to afford the high-class theaters, there was only entertainment of the kind then offered at popular prices by the Stair & Havlin circuit, which then reigned supreme. The class of attractions in the main—"Bertha, the Sewing Machine Girl," "No Wedding Bells for Her," "Nellie, the Beautiful Cloak Model," and their like—were, to say the least, not elevating; and if one could

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not afford the highest-priced seats he was compelled to rub shoulders on one side with the newsboy and on the other with the bootblack, have one's children's ears filled with profanity and one's wife dodge the battery of ambitious "expectorites."

About five years after the advent of popular motion pictures the Stair & Havlin circuit became a thing of the past.

Now unquestionably Americans would welcome any low-priced form of amusement where the prices would be within the range of all and where there would be no necessity for classification. By that I mean a standard price to all for admission, within easy reach of the masses, and where individuals could patronize one box office and go in by the same front entrance. You will remember that the balcony entrance was formerly on one side of the theater and the gallery entrance generally on the side street, so that the highest-priced seat patrons would not be compelled to mingle with us common folks. That is what I mean when I say "Americans would welcome. . . ."

I had in mind from the first a real moving-picture show. The first films, remember, told no story, but were short action pictures. Under the name of William Gane, who was associated with me, I opened the first motion-picture theater the world has ever known. Afterwards I produced for the first time in any theater in the world the first vaudeville in connection with motion pictures. The theater was located on Broadway near Thirty-third Street and known as the Manhattan Theater. It had been presenting first-class productions for many years, was a first-class theater in every respect and my recollection is that Harrison Grey Fiske, the husband of Minnie Maddern Fiske, had been the lessee prior to my taking over the lease which my friend, William G. McAdoo, afterwards Secretary of the Treasury, gave to me, he representing the owners. I explained to him the mission of the motion picture. It seems strange, but I was probably the first person who ever acquainted Mr. McAdoo with the possibility of motion pictures. To-day he represents, or did represent, such

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pikers in the business as Mary Pickford, Douglas Fairbanks, William S. Hart and many others fairly well known to the motion-picture world.

The movie had to struggle through numerous baby troubles that have been outlived and forgotten.

There was a well-settled impression in the mind of every one that motion pictures were harmful to one's eyes, and not without reason had this impression been created. One's eyes did smart from strain after looking at a picture—poorly projected and interrupted by numerous blazes of light, called flickering. Then the picture would wobble in the projector. There were also numerous breaks. We knew—but it was hard to convince the public—that one's eyes were being used in the same manner as though taking exercises and bringing into play unused dormant muscles which smart, but that the eyes and the muscles would be the better for the exercises and that the strain was decidedly beneficial.

As the demand for pictures increased, the

length of the projection, or throw, became of great moment. In a small-store show one had about fifty feet to contend with, but when I built one one hundred ninety feet in depth it was declared impossible to project that distance. But there was no trouble in doing so.

Then the question of finding one's seat and lighting the aisles became an important item. This was solved by cutting out a part of the floor concrete and inserting electric-light bulbs, which one now sees in all motion-picture houses. I have often regretted that I did not apply for a patent on this invention of mine, as it has been used everywhere, and the same thought has been patented in the rows of little electric-light bulbs which are placed in the floor of an elevator car.

There was a great hullabaloo about the darkness. It was extremely painful to many people who had forgotten or regretted their lost or past youth to find that some loving couple were holding hands, and motion-picture houses were branded in many puritanical minds as the abode of immorality and conducive to the propaga-

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tion of sin and vice. It was discovered, however, that dim lights sufficient to see could be used all over the house without harming the showing of a picture.

I discovered that it was much easier to own theaters than to procure pictures for them. Six of the largest producers claimed a patent on the making of motion pictures—namely, Edison, Lubin, Vitagraph, Selig, Kalem, Essanay, and afterwards Biograph. You had to take out a license from them—so much a week; they told you exactly where you got off; what pictures you could and could not have, mainly the latter; refused to permit you to open new houses under penalty of taking the pictures away from the houses you had and refused to permit you to take on independent pictures, claiming that they were infringements; compelled you to show any picture they furnished and pay their own price—in short, did everything possible to place themselves in the Kaiser Wilhelm class.

Here and there were independent feature pictures, such as "Quo Vadis," Dante's "In-

ferno," Reinhart's "Miracle,"—the music for this last picture was composed by Humperdinck, who wrote the operas "Königskinder," "Hänsel und Gretel" and others, and this was the first time a composer of great note had ever written expressly for the accompaniment to the presentation of moving pictures. Zukor's "Prisoner of Zenda," Bernhardt's "Queen Elizabeth" and many other feature pictures taught the exhibitors that the day of the two-, three- and even four-reeler was to become of secondary importance.

The trust persisted in making these short-length pictures which the public was outgrowing. It aimed to obtain the cheapest books and the most available talent, disregarding the plain trend toward a full evening's entertainment built around an interesting story, like the feature picture as we know it to-day. I do not mean to say that the public doesn't care, or did not care then, for many subjects under five or six reels; but its big preference has been conclusively proved to be that of the feature picture.

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For logical reasons, because the French have been recognized as the great pantomimists of the world, it looked as though the exhibitor must obtain all his results with foreign films. It was not until we began getting a limited number of French feature pictures that actually told some sort of story, made by French pantomimists, that the motion picture began to develop some of the possibilities I had seen in it from the first. No one sensed the latent power of the American people to produce. It is needless to say that within a few years the recognized talent of the world in this direction was within the borders of the U. S. A.

When the trust did eventually start to make feature pictures the market had been taken away from it. It had alienated the good will of many of the exhibitors when that time arrived. The United States Government eventually prosecuted the trust and thereafter dissolved it. The attacks upon the trust were persistent, well-timed and fought with great strategy. The Government had the wholehearted aid of the vast majority of the exhibit-

ors and the complete coöperation of the entire public, and these conditions were taken advantage of to the utmost by the independents.

Mr. Lubin had built a number of picture houses on the main street of Philadelphia. He desired to dispose of them and I purchased them in partnership with Mr. George H. Earle, a very prominent Philadelphian, one of the first men I had interested, a man of great courage and ability, whom I have never known to be afraid to act on his own judgment and who was always able to withstand the criticism of the public. We had other associates. The late Stanley Mastbaum saw very clearly what was to happen in the motion-picture field; and, with the backing of the houses controlled by Mr. Earle, Jules E. Mastbaum, Wolf Brothers, the Philadelphia bankers, sundry others and myself, gathered together, under the name of the Stanley Company, the Philadelphia agencies for the different filming companies manufacturing pictures as they became of importance. In this manner the Stanley Company was able to regulate

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the industry in the eastern Pennsylvania field so that every one could obtain a square deal; and it has, under the direction of Stanley's successor, his brother Jules, become one of the largest exhibitors of motion pictures throughout the world.

With the sale of the theaters Mr. Lubin branched out into a producer of magnitude and his laboratory at Betzwood, near Philadelphia, became a recognized model moving-picture manufactory in everything excepting feature pictures. There was a certain reason in attempting to regulate the demand and the supply of motion pictures to not over four-reel subjects. There are many stories to be obtained for small sums which could be used for that length of film, whereas a feature picture of six reels or over requires a full book. Then again, it is not so difficult to obtain many comedy pictures up to four reels. Successful comedy pictures of six reels and upwards that have been made since the discovery of the art can almost be counted on the fingers of one's two hands.

Despite Mr. Lubin's position in the motion-picture world, Mrs. Lubin still kept her optical store. A few years after Lubin had started his Betzwood establishment it caught fire and was destroyed. Financial difficulties were encountered and Lubin went out of the motion-picture field. He joined Mrs. Lubin in the optical business. I have made repeated references to Mrs. Lubin's optical store—it is the greatest example of woman's intuition I have ever known and is worthy of being recorded.

The advent of the motion picture created a revolution in theatrical property and theatrical investments. Houses which were used for many dramatic purposes were worth very much more for the cinema, and many of them were taken from the old lines and placed in the new one. We are speaking now of about 1912.

The greatest enemy of liquor is the motion picture. People went to saloons or lounged around the streets because they had no other place to go. With a form of entertainment interesting, instructive and amusing, the

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majority were quick to take advantage of the opportunity and to forsake their old haunts.

When the moving picture became important it brought the chain-store principle into the theatrical business. The movie was new business. It is almost impossible to calculate the tremendous influence which new business creates in real-estate values. It was but yesterday that there were no orange-juice stands, while to-day they are competing for the best locations with the tobacco companies—and the latter started only about twenty years ago. I doubt whether twenty-five years ago the word "garage" was in American dictionaries. Consider how much space has been taken out of the available supply by reason of all this new business. One could go on almost indefinitely with illustrations of new business increasing the demand for real estate in large cities and necessarily increasing values.

Before the movie came theatrical property was acquired and managed something like department-store property. That is, a store succeeded in one city, and its proprietors estab-

lished single stores in other cities; it was the same with the theater. But the movies first started in stores in a humble way, moved to real theaters that had been outgrown for the first-class purposes of the theater stage, or were left behind in the shifting of the theatrical district. Then real theaters were constructed for motion-picture use in the theatrical districts, and these in turn spread out to smaller centers—the community theaters. So that where yesterday a theater owner might have an impressive national circuit of houses or one covering a group of states, to-day he may own an impressive constellation of moving-picture theaters in one large city.

The mission of the motion picture, to my mind, is on its way, but has a long journey to go before fulfilling its destiny. A moving-picture performance given in a house of three thousand capacity costs but little less than if given in a very much larger theater. Give the public the benefit of the saving; that will insure capacity audiences. Therefore a house of nine thousand capacity would permit managers

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to reduce the price of admission at least two thirds. I look forward to the time when there will be houses of eight to ten thousand seating capacity, with a maximum admittance fee of not over twenty-five cents, which will present a perfect motion-picture program, in complete accord with the spoken drama, with operatic and concert accompaniment, with the greatest music it is possible to obtain. Radio in its infancy is its forerunner in this respect. It will be possible some time so to arrange the timing of the presentation of the pictures that one radio station will be able to supply music to all.

To come back to the theater as real estate, I can cite to my readers a very prominent example of a man who played the game of theatricals and real estate combined: Oscar Hammerstein, whom I knew well for many years, did so to perfection. He had a perfect real-estate mind. His son to-day is on the tail-end of a leasehold at the original price which Oscar made, upon which the old gentleman had erected the Republic Theater. It is located on Forty-second Street near Seventh Avenue and

is right in the heart of the theatrical section of New York City.

Arthur Hammerstein, the son, is still paying five thousand dollars a year rent for the lot, owing to his father's foresight. His father also had a lease on the corner of Forty-second Street and Seventh Avenue and erected thereon what was known as the Victoria Theater, now known as the Rialto. My recollection is he paid around thirty thousand dollars a year rent for the lot. To-day it would bring at least one hundred twenty-five thousand dollars a year.

Oscar Hammerstein also owned the lot upon which the New York and Criterion theaters were erected. He paid about nine hundred thousand dollars for it to one of the large New York life-insurance companies. The property sold about two years ago for three million two hundred fifty thousand dollars. A. L. Erlanger, of the late firm of Klaw & Erlanger, is or has been disputing the sale, alleging inadequacy of price. Every one of the theaters

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erected upon the lots I have mentioned has always been a profitable enterprise.

There are no examples of realty and amusement combined more outstanding than the ventures of the late Oscar Hammerstein, a great genius. They show most clearly how profitable the dovetailing of the two enterprises may become.

Perhaps my readers by now are saying, "Well, this is all very interesting"—you will notice I have said *perhaps*—"but what has all this to do with real estate?"

A great deal. You cannot go along any main street in any large city and fail to find a great deal of property which had been taken for the motion-picture industry. When you take a certain amount of property out of the market, particularly if it is to be used for a purpose hitherto unknown, you lessen the amount of property which can be placed on the market and values increase accordingly.

If the purpose for which the property is used in the new field of endeavor is successful, that property also increases tremendously in

value, and that is one of the big factors in the motion-picture game which has made me become so seriously interested in motion pictures. Then again, there is another and very important factor connected with the amusement business. There is nothing that has ever helped to create value more than theatrical real-estate enterprises. They bring the masses, and where the masses congregate the values are highest. Whether it was the Coliseum or the Acropolis of bygone days, or the amusement enterprises of to-day, we well know that they were and are practically all located in the heart of the business sections of their respective communities. Generally they make the locations—the locations could not make them, because the price of real estate for that purpose until recently would have been prohibitive. In fact, theaters make location to such an extent that many of them go out of business because the real estate can be used for purposes not more profitable perhaps than amusement enterprises, but because the houses become antiquated and wear out.

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There is a tremendous factor tending to create value in theatrical property which probably no other form of building presents, namely, the appeal to the individual to put his whole being into the enterprise.

Theatrical property is probably the only class of building, the possession of which as a building, establishes a business. With it in your possession, the offers by successful and ambitious producers of theatrical productions become manifold. Even in the so-called "off," or summer season, one is always thriving, whether in the form of a stock company, a feature film, tryouts, etc., a theater is practically always in demand. In addition, should the lessee happen to be a producer, he is always assured, should the theater be in a metropolitan district, of "time" for his own productions, which is a very valuable privilege to him, because it is not always easy to obtain it.

The theater is another form of real-estate oppression practiced by those who lack vision in loaning money. But in this case, however, to a certain degree, even though it limits the

construction of theatrical property to less by far than the amount required by the public, and causes the very high prices asked for theater tickets (the theatrical producer is no different from the majority engaged in any other form of business endeavor—namely, he will obtain, by practically any legitimate method, all that the traffic will bear) because it tends to regulate what might soon become over-production.

The amusement business is one which possesses a condition probably entirely unknown in any other profession. It creates talent at all times far in advance of the actual needs of the public. It is astounding to realize to what a disproportionate number of people of actual talent and often genius the amusement business appeals, in proportion to its requirements.

CHAPTER VII

HAVE YOU EVER BOUGHT THE BROOKLYN BRIDGE?

Every so often, some shrewd confidence man takes a "visitor from the country" over the Brooklyn Bridge, lets him thoroughly inspect it, then sells him an interest in the bridge for whatever number of dollars he can be persuaded to part with. I suppose it has been sold for every price from ten dollars to five thousand. In Chicago, the visitor from the country buys the Masonic Temple.

I say "visitor from the country" because it is convention, tradition, habit of thinking to assume that a greenhorn must always come from the country. Actually, there are many more greenhorns in the city, because of the density of population.

And the city greenhorn buys the Brooklyn

Bridge far oftener than the rural visitor. Only his bridge takes the form of real estate.

The city greenhorn is far more credulous than the countryman, and not nearly so lucky. For the countryman's title to the bridge transfers nothing. He can charge his loss up to experience, and his anxiety is over. But the city greenhorn who buys certain kinds of real estate, because they seem to possess value as great as the Brooklyn Bridge, takes title, and thus has his bridge left on his hands, and his troubles have just begun.

Something like fifteen years ago rumors began to fly around New York.

The Pennsylvania Railroad was going to cross the North River via tunnel and build a big terminal in Manhattan. Also, it had acquired control of the Long Island Railroad, which would cross the East River and enter this terminal.

Immediately, the kind of real-estate purchaser who buys the Brooklyn Bridge crowded into and began buying for speculative purposes in the district between Thirty-second and For-

tieth streets, from Eighth Avenue east to about the middle of the long block between Seventh Avenue and Sixth Avenue. The Pennsylvania was actually coming into that district, but before its own agents could effect the purchases necessary for its big site—indeed, they had hardly begun—speculators bought strategic property and ran prices up to a degree that made the cost of the railroad's land much heavier than it should have been.

The real-estate situation around Broadway and Thirty-fourth Street at that time was most interesting. It will make my story clearer if the reader understands it.

Business on its way uptown seemed likely to make Thirty-fourth Street a great east and west thoroughfare, with hotels, office buildings, stores, etc., radiating up and down Broadway and Sixth and Seventh avenues. It may be well to remind the reader that when the city fathers laid out the metropolis more than a hundred years ago, before there were any railroads or street-cars, New York's transportation of both passengers and freight was

done largely by water, along or across the two rivers between which it lies. The city fathers planned only a few north and south thoroughfares, but a great many running east and west—so many that the blocks are only about two hundred feet long. Presumably, people and goods could be transported freely through these many streets. But to make certain that there would be every facility, the wise forefathers of the city placed an extra wide street at intervals. These broad streets, one after another, had become the main east and west thoroughfares and the north and south halting places of business—Chambers, Canal, Fourteenth and Twenty-third streets. The next logical advance must be to Thirty-fourth Street. The experience of a hundred years bore out that view.

And all might have been well but for the “leak” in the Pennsylvania’s terminal plans that started an orgy of speculation. Personally, I believed so firmly in the development around Broadway and Thirty-fourth Street that, when consulted by one of the railroad officials, I advised bringing its terminal right

through to Broadway and am still confident that had this been done the history of that section would have been altogether different.

Within a very few months prices for real estate around the terminal site had risen so high that they discounted the values of to-day. For fifteen years property in that neighborhood was practically out of the market. Business jumped northward, following its century-old habit. But when it got to the next logical halting place at Thirty-fourth Street, values were so inflated that it couldn't afford to light, and therefore jumped clear to Forty-second.

In the main, the purchasers who participated in that inflation are typical suckers of the kind who buy the Brooklyn Bridge in real estate. Roused by the vague rumor, "The Pennsylvania is coming!" they rushed in to buy anything and everything. First, with the motive of making the railroad company pay. Second, to profit by the higher values that it would create by building a great terminal there. They didn't know—nor would they have stopped to listen if told—that it would require ten, fif-

teen, even twenty-five years in some cases, for that district to grow up to the new situation, even if the growth had been allowed to go on normally.

It takes time to build a big railroad terminal. It takes time to build hotels, office buildings and lofts around it. Only the builder reaps the benefit of increased realty values. The inexperienced speculative purchaser who bought to profit by the rise built nothing, and never intended to. He purchased, say, an old brownstone residence across the street from the coming terminal, assessed at perhaps fifteen thousand dollars and capable of earning ten per cent on twenty-five thousand dollars as a boarding house. One speculative owner selling to another ran the price up to one hundred thousand dollars. Obviously, no boarding house could earn interest on that amount of money. Only a loft or office building could make such an investment profitable in that particular neighborhood. The speculative owner couldn't put up such a building on a mere boarding-house site—his lot wasn't big enough,

nor did he have the capital, nor the enterprise. The idea that office or light-manufacturing buildings would ever be placed there was strange to New Yorkers of that day. Obviously, this speculative owner had a white elephant on his hands, and would have to hold it until the normal growth of the city led real operators to assemble such holdings in sites and put up business buildings when they were needed.

That time did not come until fifteen years later.

And meanwhile, the owner of the white elephant had to feed it. The city promptly raised assessments on the new values of those speculative holdings, and taxes went up, while boarding-house rents tended downward, if anything, because putting a new terminal in those quiet streets made them less desirable for living purposes. A tenantry of what might be called lower upper-class boarders moved away, and a new tenantry of upper-lower-class boarders came in, lowering prices. That burden of higher taxes and lower earning power the spec-

ulative owner had to carry all those years unless he sold out at a loss—and in either case it broke his back.

Contrast the building of the Grand Central Terminal about the same time.

Even if the news leaked out that the New York Central was going to enlarge the old Grand Central Station, it caused no excitement. For where one railroad was coming into the city, the other was already there, and the speculative imagination did not picture it as needing a larger site. But the New York Central's plans were made on a scale that involved purchasing far more real estate than the Pennsylvania for the building of its new terminal and the change from steam to electric power required many acres of additional real estate, but where people couldn't see it—underground. Under the late William H. Newman, then its president, that railroad made its need for underground acreage the basis of a great real-estate enterprise. Twenty or thirty blocks north of the old station were quietly purchased and cleared. There was practically no

speculation or obstruction. The railroad built its underground tracks and yards in such a way that skyscrapers could be put up on foundations already laid, covered the great empty tract of land and quietly waited until normal growth brought by the terminal created a demand for hotels, office buildings and other business structures. Mr. Newman died during the War while this improvement was still being carried out, but his plans, which had almost a dream quality when they were first undertaken, have proved sound in every way. I know of no instance where the railroad has leased any of its holdings except on a most profitable basis, and practically all of its holdings are leased. When necessary, the railroad helps lessees finance their buildings, but it never sells a square inch of land. Already the earnings from this land must yield the railroad at least fifteen million dollars yearly, and there are still many acres to come under improvement.

People get stung in real estate in many different ways. And many different kinds of

people, ranging from the small thrifty purchaser of lots that he never sees up to the successful merchant who, after building a great business, goes broke by over-extending himself in acquiring the property and putting up a too expensive store building.

Many different kinds of people and many different ways, but in every case the same cause—people buy without studying property and estimating its future possibilities accurately. Very slight changes in real estate, almost overnight, will transform values. Even to the seasoned operator and investor the real-estate business is a good deal like boxing—you must expect blows and be able to calculate where they are likely to come from and when fall.

The little purchasers of one or two lots are often deliberately robbed. There is a certain kind of thief, a parasite on the real-estate business who has often been described, but against whom people cannot too often be warned. He knows two things: (1) that there are always people getting considerable sums of money for the first time; (2) how to sail close to the limit

of the law without violating it. Such a schemer buys a cheap acreage tract so situated, say, that it is actually within New York's city limits. It may be swamp, sand or other land that for the time being is worth very little money. Thirty or forty years hence it will probably be valuable for some entirely unforeseen reason, but before such value develops the taxes, assessments and interest will more than eat up the increase. This schemer cuts an acre into sixteen lots of the regulation city size, twenty-five by one hundred feet. He sells them at four hundred dollars apiece, on the magic phrase, "In Greater New York!" to people who have never been to the metropolis. Distance seems to lend enchantment to such a proposition, and people in the middle west have bought thousands of acres on Long Island "sight unseen," mail-order real estate, castles in Spain. It is a curious fact that one of the schemer's best markets is found in Connecticut and other New England states among people who could easily take a short railroad ride to inspect the property, but do not do so once in

a hundred times. At four hundred dollars a lot he gets six thousand four hundred dollars an acre, which is generally six thousand three hundred dollars too much. He buys swamp land around New York by the gallon, and sells it by the lot, paying as high as ninety per cent sales commission, so the purchaser's money is gone as soon as the sale is closed.

Except in seashore property! I do not mean to say that worthless seashore property hasn't been sold, but the growth of seashore resorts during the past generation has been so great, and the development has taken place in such unlikely spots, that people who bought sand lots as suckers have often made money on them. But by a lucky chance, remember—not through any knowledge of real-estate conditions.

Far more interesting are the larger operations in cities by following which people lose money while others are making it.

In every growing city there are two distinct movements in real estate going on most of the time, though with fluctuations caused by general business conditions.

One is the obvious noisy speculative movement about which everybody is talking, like that boom around the Pennsylvania terminal fifteen years ago. The other is a quiet investment development of values that makes money for people who have foresight, patience, the financial ability to carry property, and the sense to avoid both discouragement and over-extension.

Let me visualize the investment movement first: the real-estate operator, keeping in touch with those factors in the community's growth overlooked by most citizens, finds that a certain piece of property is an excellent bargain. How does he do that? Why, by putting it on the scales and weighing it! A certain building in a run-down neighborhood is earning less than it should bring measured by its tax valuation. It is being used for the wrong purpose—a residence instead of a boarding house, or a warehouse instead of a factory. He figures out a conservative scheme for purchase, remodeling and leasing to the right sort of tenant. And it is on one of the community's lines of

growth, so that ten years later somebody will want it at double the present value for some other purpose. He creates an investment proposition for some one who can carry the property at a profit and make another profit when it was sold. Creates it for Mr. Somebody of Nowhere, or Mr. Nobody of Somewhere, because the details will be worked out, the option secured and everything wrapped up in a neat package before he thinks about a possible customer. This customer may be a merchant to whom he rents a store, as agent. Not a large merchant, either; perhaps an Italian fruit dealer who is a good tenant, pays his rent promptly, keeps his store spick-and-span, has a growing business, and is proud of his success in this country. Talking with Tony, one day, the real-estate man tells him about the piece of property he has found. Tony begins thinking about it as an investment for his profits. He figures on paying down so much cash and carrying the rest on mortgage, paying off so much each year. Pride of ownership grows—he sees himself a landlord, the owner of that

property, spoken of with respect by his neighbors. Tony becomes the purchaser, and all through our cities you will find men like him who quietly invest their savings and profits in realty, guided by operators who know their business, or follow their own conclusions as to values based on observation.

A Philadelphia mercantile house was considering the purchase of a proposition in New York to erect a building for its own use, but hesitated over the price, which seemed too high. I took pencil and paper and did some figuring for the directors.

“This plot is two hundred by four hundred feet. It will cost you seven hundred forty thousand dollars and three million dollars more to erect upon it a building of fourteen stories and basement. Each floor will contain eighty thousand square feet of space or a total of one million two hundred forty thousand square feet. That works out just a little under sixty cents a square foot. Gentlemen, if you will show me any factory building in New York

City where I can buy floor space at that price, you will do me the greatest possible favor."

My first employer, the late Joseph R. Teller, used a peculiar form for the appraisal of rented property. In most cases, the appraiser is satisfied with a list of rents paid by tenants, but Mr. Teller's appraisal form had one place for **Does Rent** and another for **Will Rent**. A certain corner store might be occupied by a saloon-keeper in those days. **Does Rent** was the one hundred dollars per month that he could afford to pay with that kind of business. But **Will Rent** might be only fifty dollars a month, what a grocer or butcher could afford to pay. For mortgage and selling purposes, Mr. Teller invariably took the **Will Rent** figures, and I have always followed his practice. Sometimes the **Does Rent** would be too low and the valuation would receive the benefit.

In contrast with this quite normal growth, there are the real-estate booms that sweep over communities from time to time, making money for some speculative purchasers, but causing far more losses. Speculative booms are so

loaded with dynamite that a conservative operator will withdraw from the market and advise his clients against investing even though he loses them to operators who are less scrupulous. I may say that the present times are so unsafe, with inflated values in every kind of city property and every part of the country, that for two years I have done very little business. A real-estate man must learn to sit still.

Where the normal investment movement in a community is healthy, solid growth, the speculative boom is an effort to discount that growth for ten, fifteen or twenty years. And it simply can't be done, because cities require for their growth what I call mechanical time.

Let me illustrate that with a story: About fifteen years ago I was invited to participate in the purchase of five hundred acres of beautiful, rolling, wooded land nine miles from Manhattan, in the neighborhood of Jamaica, Long Island. It was rumored that a subway would be built to Jamaica, and at all events the Long Island Railroad would go through from thirty-second street Manhattan, instead of being com-

pelled to ferry over to Long Island City, so the property had good transportation. We purchased at two thousand two hundred sixty dollars an acre, meaning to lock it up in the safe for fifteen years when the normal growth of Jamaica would make it ripe for subdivision, improvement and sale. My associates in the transaction were a half dozen men prominent in New York business and public affairs, abundantly able to finance this tract on that basis.

A few months later I was called into conference by these gentlemen, and they told me that they wanted to go ahead then, improving and selling. I strongly advised against it, and when they wanted to know why, said, "You'll never stand the gaff."

When they persisted in their change of policy, I took steps to dispose of my interest, and succeeded in doing so with only moderate losses.

What followed shows the futility of trying to beat time in the growth of a community. They began paving streets, building sewers,

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laying water pipes and sidewalks and selling lots. They did the worst thing they could possibly do by starting, not on the border of the tract nearest Jamaica, but in the very middle, so people who built on their improved lots had to pass through an unimproved belt to reach their homes. Virtually everybody lived in the wilderness. Very few owners built homes because the property was not convenient—most purchasers bought to hold for increased values, and many of the lots were sold to people in other cities. Incidentally, these purchasers were discounting any possible increase in value by paying city-lot prices in what was really at that time acreage property. As fast as improvements were made taxes were raised, putting heavy burdens on the promoters and lot owners. The former found the cost of building a city section in the wilderness far beyond their means, though they were wealthy men. The miles of little-used streets and sidewalks began to fall into decay and could not be repaired. Worst of all, the few owners who lived there became sullen and disgruntled, which gave the

project a bad reputation. The outcome was that normal growth got a set-back of at least ten years, for there is nothing that so retards development as a miscalculation of this kind.

People lose money in real estate skillfully bought at conservative values by taking on more than they can carry. The temptation of over-extension in real estate is a lure that many men, sound in the management of other business affairs, seem unable to resist.

One common kind of over-extension is that of the merchant who has built up a successful business and undertakes the erection of a fine modern store. In every city you can find merchants, particularly in the department-store business, who have begun modestly in a single old building, and expanded on either side until they occupy several buildings. They make money as merchants, by keeping their capital at work turning over merchandise. The ambition comes to erect a modern building on the site of their old stores, and they undertake a kind of business with which they are not familiar. Every dollar of capital put into their

building is so much capital taken from the mercantile business that makes their profits. Blondin crossing Niagara Falls on the tight-rope is a very good symbol for this stage of such a business, because the man who builds and conducts his mercantile business at the same time must walk carefully and keep his balance. Many successful merchants lose their balance and fail, and in my experience there is nothing that can be done for them. You cannot teach people balance. They must learn it themselves. But it is a happy circumstance in such failures that many merchants do learn it and come back.

Besides assuming too heavy a real-estate load, wrecking his business by throwing it out of balance, the man putting up a modern building may fail to take advantage of all the possibilities in a prominent location and lose money by his failure to develop full earning power. Vanity leads him to move in on the ground floor himself and splurge with a space-wasting entrance, when the second floor might be just as well suited to his purposes. Banking

institutions are the most wasteful of space of any in a community.

The ground floor is the only monopoly you have on a busy street. Any neighboring building can duplicate your facilities upstairs, but your ground floor is your own. This ground floor, in a prominent location, together with the basement, should yield rent enough to carry ninety per cent of the taxes and interest charges on your land—a fact that is being discovered by more and more people every day and ingeniously turned to account. But there are still a great many people who have not found that out, and whose property does not pay, though it ought to.

My own office is in a building erected some years ago by an investment company that wanted to provide banking quarters on two floors for its own use. Now bankers love the first floor and they also love dignified show. It would have been the most natural thing in the world to have taken that first floor for the bank. But the ground floor of this building is occupied by small shops yielding rents as

high as any in the city for the floor space and type of business. The bank is on the second floor, but I doubt whether one depositor in five ever realizes that he has walked upstairs. The ceilings of the ground-floor stores are low, and a cleverly planned stairway leading up to the bank gives people the illusion that they are only going up three or four steps. And they are only going up three or four—at a time.

The first use of this principle in my experience was in building the Nixon Theater in Pittsburgh. Theater-goers with seats in the orchestra and dress circle walked down a gently sloping ramp into the basement, while people with tickets in the balcony walked up a gentle slope. Were the cry "Fire!" to cause a panic in that theater, people in the balcony jumping out the windows would have to drop only about a foot!

A well-known Philadelphia restaurant is in the sub-basement of a large office building. If people knew they were going down two stories it would probably have few patrons. But thousands walk down into it every day and up

to the street level again without realizing how far they have gone, for it is one of the best patronized eating places in town. The entrance is another shrewd piece of illusion, several easy steps leading to a broad landing, and that to several more easy steps and another landing, and so on until folks are thirty feet below street level. After the first landing, the goal is in sight, and the brain unconsciously leads one's feet.

A certain staid institution in another city recently moved into a new building on one of the city's busiest streets, where land is most valuable. Before moving from a comparatively cheap site in another part of town, the management considered the question: Shall we have a one-story building solely for our own use, or build additional stories to be rented? It happens that light manufacturing is the chief business in that neighborhood. Investigation showed that money invested in upper floors for light manufacturing would yield not more than five per cent. Therefore, the institution put up a one-story building for its own use. But

had they erected a building of fifteen or twenty stories, used the ground floor space for small shops, and taken the second floor themselves, I am confident that property would have yielded ten per cent for the next twenty-five years.

People lose money in real estate through a pride of possession that is close to vanity and the desire for show. It is pride of possession as much as the opportunity to make money that leads Tony to put the profits of his fruit store into a piece of real estate, and it is pride of possession that makes many an owner in New York content with four per cent on his Fifth Avenue property, when by going over and investing on Broadway he could get eight per cent and nine or ten on Ninth Avenue. The De Puysters value the prestige reflected upon them from their Fifth Avenue shops and offices that are so dignified and solid, and would think it a fearful come-down, a social débâcle, if they put their money into a Broadway theater. Yet the theater would be by far the more solid in-

vestment. And it need not necessarily be on Broadway.

Have you ever seen a sign "For Sale" or "To Let" on a theater? I never have, and never expect to. A theater creates a center to which people flock, and other business enterprises come to cater to the people. If it is lucky, a theater can pay more rent for the space it occupies and the cost of the building than any other business in the world. By lucky I mean having at least ninety per cent successful attractions. If it can be operated seven days in the week, it will rent for one thousand dollars Sunday nights, for forty weeks in the year, and with clear profit of five thousand dollars a week upwards on the other six nights and two matinees. There are never enough theaters for the Saturday and Sunday night business.

Yet such is the general ignorance of true real-estate values, even among business men, that you can not borrow money from banks on a theater! The banker will lend you money on the land, but the theater building and theater

business are to him mysterious. In weighing such a loan he regards the land as a solid enough asset, but seems to think the theater a liability. The idea that he might have to take over and operate a theater is appalling, though if he simply put it on the scales and weighed it against earning power he would see that it is more substantial than office buildings or factories.

People buy the Brooklyn Bridge in real estate in the form of padded rents. This is a very common deception in times such as we had fifteen years ago, when there was a surplus of business and residence buildings in most American cities. Putting up an apartment or office building, filling it with tenants and selling it as a going concern is a thriving speculative business in such times. But it often turns out that the tenants have fictitious leases in which appear rents higher than they are really paying, or that they have been coaxed into the building rent free to fill it up and give it an appearance of prosperity. Rent padding is also possible in times such as we are now

passing through, with a shortage in building of every kind, for the structure that is to-day paying ten or fifteen per cent profit may be a losing proposition five years hence, when another surplus of buildings, with cheaper building costs, bring rents down. Nine times out of ten the property offered on the basis of so much profit from so much rent is very attractively displayed in the show window. Let me again advise the test **Does Rent and Will Rent.**

People buy the Brooklyn Bridge in real estate when they follow tips, just as they get stung in Wall Street by playing tips against the experienced operator's knowledge of conditions. If a subway is projected from Here to There to-day, an increment of value is added to There. Another increment occurs as soon as the subway is started and still another when it is finished. People rush in and discount these increments, forgetting that it takes years, the lapse of time, to make those additions of value—something they can cash in. It is the old story of streets to be paved, sewers and

water pipes to be laid and other improvements carried out at the expense of the property owner who must pay the assessments, and the growth of the demands of a city to that point.

Forgetting these hard-and-fast conditions, if they ever knew them, people rush out There and buy for speculation, probably giving no thought whatever to the less obvious chances to make money Here, where the subway starts.

When New York's first subway was planned twenty years ago, the city proposed building it up Broadway, then the chief business section of the town. Broadway property owners objected so strongly that it was built up Center Street and Fourth Avenue instead. True to form, people swarmed There, the other end of the subway which was a-building, and a tremendous real-estate speculation took place in Washington Heights. But they utterly overlooked Here, where the subway started. That was Fourth Avenue between Union Square and the Thirties, then a run-down street of curio shops and second-hand stores, full of wonderful realty bargains. The new subway

ran under Fourth Avenue two years or more before folks woke up to the convenience of a thoroughfare that had always been more or less divorced from Broadway. Office and loft buildings began to rise overnight, and clothing manufacturers and wholesale merchants in downtown Broadway, paying high rents in crowded old buildings, were induced to move up to Fourth Avenue. Then lower Broadway landlords with their empty buildings began clamoring for a subway in their street, from which they had driven the first one!

One of the most dangerous tips to follow is that of political origin—as I know to my own sorrow. During the past thirty or forty years many of our cities have changed their political centers, moving the city hall, the courthouse, the records, and so forth, to a permanent site. Some cities are still undergoing this process. In terms of real estate, the city changes its center of gravity like an iceberg, turning upside down. Months beforehand, and years, rumors come from the city hall—the new civic center is going to be here. Jones has it privately but

positively from His Honor the Mayor that it is going to be There. Smith gets it from Boss Riley, who is advising his followers quietly to purchase property in that section for sale to the city. I remember ruefully one case in which the best posted political leader in a certain city made no effort to conceal the fact that the courthouse was to be moved to a certain section. Of course, there is little or no money to be made out of the city in such cases, because it takes land by condemnation under the law of eminent domain, and pays according to appraised valuation. But there is money to be made in buying around the new civic center for business purposes. This was done by hundreds of that boss's followers. And he was right, the courthouse did go there—but it took eighteen years of political bickering, and before it happened the boss was dead.

Have you ever bought a valuable vacant lot, held it until city improvements had been paid for, frequently gone to admire it, and felt the thrill of ownership in a piece of the earth that ran from the surface straight down four thou-

sand miles—and then given it away for nothing? It is done very often in this way:

Having nursed and admired your lot until you love it, you build a house upon it either for your own occupancy or to sell while new. If you are wise enough to employ a builder who specializes in houses and puts them up economically by building a great many, you may avoid giving your lot away. But more often owners conduct the building operations themselves or turn the job over to a builder whose methods are wasteful; or you may build the wrong kind of house for that neighborhood. The outcome is that the builder, the material dealer, and the architect gets the profit, and when you come to sell your property it brings less than the building cost. Thus you make a present of the land to your customer.

Here is still another way in which people lose money in real estate: Very little property is carried clear of mortgages. A real-estate operator sometimes in good faith, but not always, sells lots in an encumbered parcel on what is termed contract. The purchaser does

not get a deed until the property has been fully paid for. Then the title insurance discloses the fact that there is a mortgage which must be cleared. Many people have lost money by purchasing on these installment contracts. The original investment may not be sound, the property is sold under foreclosure proceedings, and their equity is lost. It is a mistake to purchase any real estate without obtaining a title, either direct or in trust in the hands of responsible individuals or institutions, except after the closest investigation as to the responsibility of those selling to fulfill the terms of the sales contract.

There must be growth, growth, growth! One of the best illustrations of that fundamental principle in real estate that I know is perhaps a little gruesome, but it is a fact that even graveyards follow the law of growth and almost never pay dividends to stockholders until they are densely populated. You might say that a graveyard never pays until it is filled—until the last person is buried there. The sale of lots—it is really only the sale of

the right to inter in most cases—does not pay dividends. But when the graveyard is full money is made on the opening of graves, transferring of bodies and the like. Even the population of a graveyard has movement and that movement makes value.

It is human nature to buy stocks when they are high and sell when they are low. The same is true of real estate. People flock to a boom section and buy indiscriminately during prosperity, when everything is high. By the same token, they become discouraged and sell out when things are low, during local or general business depression.

It is not the experienced operator who makes big money in real estate, but rather the business man with profits to invest who buys quietly and conservatively. The operator's business is real estate. When a business slump occurs, halting production, trade and building, the operator generally is forced to protect his business by unloading investment holdings. If he has too many of them, they will break him. On that account, he learns to be satisfied with

small profits. But the merchant or manufacturer wise enough to invest without over-extending in property that will show handsome profits in ten, fifteen or twenty years, carries through the slump upon the profits of his business.

Let me draw the moral with a story—it has been told before, but that makes no difference:

A medical officer of the Confederate Army settled in St. Louis after the Civil War and began business as a publisher. He made money because his whole attention and energy were concentrated on that business. As profits accumulated, he would invest them in a piece of St. Louis real estate. His philosophy was very simple, embracing only two tenets: "I understand publishing, and can make money at it, but know nothing of any other business; and I know that St. Louis is bound to grow."

One day the good doctor had ten thousand dollars in the bank, having just sold a piece of real estate. He was looking around for another likely plot when a friend came to him

saying he needed ten thousand dollars for the development of a mine.

“He told me that ten thousand dollars put into his mine then would certainly make fifty thousand dollars within a year. I believed in my friend, and believed that he was right. And sure enough that mine did pay such profits within a year. But not on my money, for I put that into another piece of St. Louis real estate. And I am glad I did. For, if I had invested in that mine and made any such profit as four hundred per cent in a year, it would have spoiled me for investing in St. Louis real estate, and sooner or later I’d have gone broke in mining!”

The good doctor is dead now—but I am told that he died a millionaire. There are many instances of this character.

In real estate, safety must always be the first consideration. The wrong time to buy usually is when enthusiasm is at white heat—it may be the optimism of some fellow who is enthusiastic about a prospective commission.

The right time to buy is more likely when everybody else is afraid to.

I started to write and finished writing this book with a determined resolution that I must first bring to the public but one of two sides of what to me is a cry in the wilderness: a hopeless effort to obtain recognition and remedial relief for the chaotic condition which surrounds the world's greatest commodity.

Should I start them with *do* or *don't* was the question. After mature deliberation, I chose the *don't's*, feeling sure of an audience; the other side I have no hope of reaching until the years of pioneering in the realty field have created a condition of natural evolution, compelling, by thought and larger action, the reduction of the price of realty space.

If the price of coal per ton is advanced, a cry arises to heaven. We look upon coal mainly as a means of heating our shelter. The use of the four walls which make the use of fuel possible, however, may be offered to the public at prices far beyond their actual worth and the landlord says, "What are you going to

do about it?" and—What *are* you going to do about it?

Here and there we have an attempt at so-called rent laws. A disjointed statute which cannot carry any great remedial effect.

The national and state laws are voluminous with coal regulations; even municipalities throw about this commodity its protective measures. Coöperation to lessen the cost is compulsory; mandatory provisions exist in all its component factors. But realty——?

When you buy groceries, the price of the articles purchased, the string with which the bundle is tied, and the cost of the delivery of the article to you is figured in. When you pay rent for the occupancy and use of real estate, you are paying for everything which entered into the creation of that commodity. That means everything—everything!

When you buy groceries, however, competition has thrown about you an element of safety tantamount to protection.

But when you rent real estate, it is more or

less a blind article. You don't know just what enters into the cost of the article.

Large industrial companies are formed in all branches of trade, including theatrical propositions. They come into being because, through coöperation and big business, costs are reduced with resulting opportunities for lower prices to the ultimate consumer. The railroads of the United States are owned by the public. The public commodity enterprises of the United States are also owned by the public, but the greatest of all commodities, real estate, is permitted to work out its own destiny. Despite the fact that there are more opportunities for coöperation and a consequent reduction in cost in this greatest of all fields, no effort is made to stabilize the industry.

And yet what greater protection could the public obtain for its money than the actual cost of a parcel of ground well bought, and the actual cost of an honestly built structure, its erection paid for upon a cash basis at the lowest possible market price for labor and materials?

Now this is about the condition of the realty business at the present time.

The Smith Manufacturing Company wants to erect a factory. Its business is prosperous, its credit is perfect, it even has money in the bank sufficient to put up the building; but it doesn't want to take the money out of the business. They can pay off the mortgage they want within ten years, in monthly payments—I can't get that mortgage; it's a special building.

A firm of theatrical managers, having under contract many successful, money-making theatrical stars, wants to erect a theater—I can't get that money; it's classed also, as a special building.

Mr. Hotelman wants help to finance a hotel proposition at the seashore. He has at least twenty per cent of the entire investment to be made, including land, with one hundred per cent of the furniture money. There is no question about the success of the undertaking—I can't get that money; it's a special building.

I believe that so large an enterprise as the

Curtis Publishing Company could not obtain a fifty per cent loan on any building it might desire to erect, even with the full force of its entire credit backing the loan, without paying a bonus of from ten to twenty per cent, together with upwards of six per cent interest on the loan, and then only through the medium of a bonding company who are the only lenders on real estate to-day, who are modern in their ideas, and who are not afraid to back their judgment—with the public's money.

The latter sounds like a lament against bonding companies. It is not meant so to be, but I am using this statement to bring home a point, and that is that to-day the public is gambling—gambling on the judgment of various organizations throughout the country with practically no restriction placed upon their recommendations. Attracted by the promise of a high rate of interest, they become partners in real estate enterprises without any guaranty by the companies issuing the bonds and, in the event of any difficulty, would become part owners in large enterprises, without

any knowledge as to where the control of the projects may rest and to just what extent their comparatively small interest will be protected.

This condition could not have been avoided. It is merely a step forward in the evolution of a system which will surely be evolved to permit the public, with safety, to protect itself in normal realty conditions. The tremendous profits which are being paid for financing today belong to the people who invest their money, and they should receive it.

One should understand the meaning of the term "bond." When one speaks of it in a real-estate transaction, it must always be accompanied by "mortgage." The word "mortgage" is derived from a combination of two Latin words, *mort*, *gage*. They mean *death*, *grip*.

When the bond applies to personal property which is not real estate, it is the obligation of someone to pay.

Practically all of the so-called real-estate bonds contain no guaranty on the part of anyone to pay them. One must look toward the collateral which is the real estate.

Because there is such a popular misunderstanding of the term, and the public's mind runs to a condition of guaranty when the term "bond" is used, every instrument of that character, to my mind, should be marked on its face in very plain and unmistakable terms "Guaranteed" or "Not Guaranteed" by those who issue it.

The remedy for the real-estate diseases under which the science labors to-day is a very easy one. If bankers will not close their eyes to the fact that there is a deep sentiment in the hearts of the vast majority of the American investing public towards realty investment, and will model a corporation in proportion to the magnitude of the undertaking and permit the public to invest its money and obtain therefrom a portion of the profits out of its operation, a tremendous step forward will have been made.

It is the solution of the housing proposition; it is the last word toward perfection in all forms of realty endeavor. The proposition can be made large enough to embrace every pos-

sible transaction which may arise, and with a proper organization, every feature, including the erection of all that enters into building, can have the benefit of the utmost efficiency.

In such a corporation the public will become a partner. No one objects to reasonable compensation for work faithfully and well done--it is the elimination of waste and wasteful methods now prevailing which my articles have protested against and the purging of which is the object I am seeking.

Realty needs a Moses. It shrieks aloud for a teacher; some one to make the masses realize that it has been following blind leadership; that the dictums of the narrow and the prejudices of the few should no longer hold sway. Realty is a comparatively new field of endeavor. Apply the same acid test to it that you would to any other business. Reason out for yourself the whys and wherefores and then act. The age of inquisitional realty criticism is past; the renaissance is at hand; great progress, with resultant profit for the thinker, is in the making.

CHAPTER VIII

WHY MOTHER EARTH NEEDS A BLACKSTONE

You are dealing, when you are in the real-estate business, with practically all that this world contains.

And the law-making powers of the world permit a man to engage in this most important profession, merely by printing his name on a card and, in some cases, paying a ten-dollar license fee. He is then ready to engage in the business of advising widows and orphans, old men and old women, in fact, the entire community, how to invest their money, and when and how to dispose of their holdings.

I have waited twenty years to sound the alarm.

Why should not safeguards be thrown around the profession of realty dealing as they are in banking?

Why shouldn't the same safety surround you when you are buying real estate as when you are asking legal advice, or why shouldn't the same protection be afforded you as before you can obtain medical direction? The rules for realty dealing are just as easily compiled as are the laws directing procedure in other forms of protection to property or life or limb.

No one heretofore has ever promulgated this thought, yet there is nothing revolutionary in the idea.

There is very little, if any, property of any kind that has not originally been real estate. We live on real estate, are fed by it, clothed by it, warmed by it, and draw from it all our metals, minerals, timber and materials of every kind.

An old distinction between real and personal property is that of an apple on a tree. It is real estate until it falls to the ground, and then it becomes personal property. There is also the illustration of the cow that eats grass, which is real estate as long as it is attached to the soil, but personal property in the milk pail.

The state taxes your automobile as personal property, but you will have difficulty in finding much pertaining to it that was not real estate five years ago. You ride on tires that were real estate in Brazil or the East Indies. Your motor was lately real estate in the Minnesota iron beds. It is sparked through wires that were real estate in the copper mines of Chile, and it is propelled by gas that was real estate in California or Mexico. In fact, there is only one form of wealth that doesn't come directly from the land—the product of fisheries.

More than half the wealth of the United States is real estate, land and buildings, and, in a city like New York, it carries fully ninety per cent of the tax burden.

The complicated business of investing other people's money in this basic form of wealth is wholly without regulation. Worse than that, the great range of technical information needed in the development and management of real estate has never been brought together, digested and codified so a young man desirous

of making real estate his calling can study it scientifically.

What that young man does to-day is something like this:

As a boy, he gets a job in a real-estate office where he collects rents, shows property to prospective purchasers or lessees, superintends minor repairs, and does similar chores. In the course of two or three years he picks up enough knowledge to become one of the twenty-odd specialists who are known as "real estate men." He may become an agent, a broker, a manager, a developer, an appraiser, an auctioneer, and be thoroughly competent and successful in his particular field. But he will never know what "real estate" is all about, which is equivalent to saying that he will never be a real real-estate operator.

Again, he may have been engaged in a business which was not doing any too well at that time and he concludes to try the real-estate business. He generally starts in selling on commission and, working under the rule which most experienced salesmen in any line know,

manages to induce some of his friends to make investments in propositions, the merits of which he is proclaiming "parrot-fashion."

My active real-estate career commenced when I entered the employ of the late firm of B. F. Teller and Brother, after I had had various small experiences in real-estate dealing on my own account. This was the largest real-estate firm in Philadelphia, at that time, if not in the entire world. It was composed of Benjamin F. and Joseph R. Teller. Both were men of great experience and courage in their field. I was paid fifteen dollars for my first week's work, twenty-five for my second week, and after that a ten per cent interest in the profits that I personally brought into the office, which later was raised to twenty per cent. Joseph Teller did the buying, selling and appraising, and Benjamin attended to the mortgage department. Joseph Teller and I would start out at 6:30 in the morning in a two-horse Germantown car, appraising property until about ten, when we went back to the office. In the after-

noon we visited properties again from 3:30 until dark.

It was through constant investigation that my mind became a plan book of the entire city of Philadelphia. Give me a street and a number, and I could visualize almost instantly the inside and outside of the house, the size and shape of the lot, and the immediate surroundings.

And it was by such practical investigation of real estate in many forms, guided by the counsel of my employers, that I began to realize how broad the real-estate business was, how many different branches of knowledge must be mastered by the man who wanted to be an operator instead of a specialist, and what great investments and improvements depended on the operator's judgment.

A real-estate man, in the broad sense of the term, must know the building game to tell whether a given building is well or badly constructed. He must also know enough of the building laws to see that they are not violated in his clients' plans; enough about the value

of buildings of different types and ages to appraise their worth; enough about the builder's art to utilize it in getting full productive value out of a given enterprise.

He should also know land values, not simply from the standpoint of what property is assessed at and earning to-day, but, from the standpoint of community growth, what it probably will be worth five or ten years hence, and how to develop its productive power. I was fortunate in beginning my career at a time when the city of Philadelphia had become topsy-turvy in a real-estate sense and was ready for dramatic changes. People were trying to keep its business center in an inconvenient and unnatural location. It was destined to group around a wholly new center—the present city hall—and I had in this situation a most absorbing textbook wherein to study the principles of the growth of a community.

The real-estate man should know enough about conveyancing to draw his own deeds, leases, contracts, and other documents connected with the transfer and letting of realty.

He should know enough about titles to make a title search. Common law, taxation, investments, salesmanship, zoning, insurance, and fifty other technical things are in the province of real estate as a profession.

A real-estate man should be as much a trained and responsible professional as the doctor or lawyer, for he handles the money of his clients, and ignorance of his business may cause them great losses. The doctor buries his mistakes, but the mistakes of the real-estate man are usually taken to court by his customers. In the present state of our technical knowledge of realty, people accept this as inevitable. But when they know that realty follows definite principles in its growth, and is governed and regulated on well-settled legal lines, they will insist that their real-estate representative understands his business, and be as responsible as the banker or any one else handling investments.

Our knowledge of the science of real estate is exactly where a knowledge of the science of law stood before Blackstone compiled his fa-

mous *Commentaries on the Laws of England* one-hundred-and-fifty-odd years ago. There were various codes and fragmentary compilations dealing with the laws of this nation or that, but nobody had made a scientific codification of law back to Roman times, harmonizing, condensing, and making it available to the student who wanted to get a scientific grasp of law rather than the empirical one that then passed for legal education. The scientific nature of *Blackstone's Commentaries* is understood when you know that he divided all law into two great parts: (1) the laws governing the rights of persons; and (2) the laws governing the right of things. Some idea of the importance of real estate is gained when you know that practically the whole of Blackstone's second volume is devoted to laws governing the possession, use and transfer of land.

He begins with the dominion given to man in Holy Writ over the earth by the all-bountiful Creator. He then develops ownership from the primitive state, like that on our own continent when the Indians used but did not own

the land, down through the times when man tamed animals and acquired certain rights in grazing lands; when he planted crops and built houses; and when he conquered enemies and distributed their lands among his fighting men. When methods of documenting land were devised, and land was leased, sold, bequeathed, made subject to tithes and taxes, the rights to the air above it, the metals within it, and the waters that ran through it were well defined in laws that settled disputes. Popularly, Blackstone is considered dry reading, but I assure you that there is real human interest and not a little romance in his scientific exposition of hereditaments, commons, tenures, and the like. Particularly is this so in those chapters that deal with the old feudal system, when land was held by knightly service, and human beings were attached to it in villein socage, and transferred with it, and land possession bound men to fight for the monarch and the landlord; and how, gradually, this obligation to fight was transformed into payments in money or produce, the sending of substitutes, and so forth.

For sustained interest, provided you will give him your whole attention as he develops his story, I can recommend Sir William Blackstone's second book, or both of them for that matter.

The science of real estate will, I believe, be grounded in two basic things—a knowledge of the laws pertaining to real estate, and a sense of real-estate values.

With a legal education based on Blackstone's science and the case and statutory system of studying law, your attorney can guide your actions by determining your rights in a given case. Not once in a hundred times is it necessary to take a doubtful situation to court and get a judicial decision.

Although I abandoned law for fear it would handicap me as a real-estate man, I quickly discovered that my legal studies were of the utmost value in ways like this:

A large retail house in Philadelphia retained me as its real-estate counsel and representative. Its store was built on a collection of holdings acquired in various ways, some purchased,

others leased. Among them was a lot held by a woman. It was ideally situated for trouble-making. The woman died. She had held only what is termed a life-interest which expired at her death, throwing the property back to the remaindermen or the heirs of the second generation. The remaindermen could have dispossessed the mercantile house—actually have driven them out of an important part of their own building and cut their establishment in two. However, they were willing to sell at a reasonable price. I went to my clients and urged them to purchase this lot. They hesitated about the price, and seemed to suspect that I was trying to make money at their expense, though actually the transaction involved nothing more than a small commission—quite inadequate compensation for the time and negotiations involved. Finally, the merchants agreed to buy the property at a stated price. But they signed no papers and paid no money, and repeated urging failed to bring action. After vexing delay my partner and I bought this parcel ourselves

and immediately brought dispossess proceedings against the mercantile house.

"Come down here, right away!" their attorney telephoned. When I entered his office he burst out with: "You're a nice crook, Isman! When people retain you to represent them you try to hold them up!"

I asked him to arrange a meeting at which he, the merchants and myself should be present. When we all came together, I silently handed the attorney a file of correspondence, dating back many months, mostly letters written by myself to the merchants, urging them to purchase that piece of property. They had been unanswered. After going through this file the attorney turned to his clients and said: "Get out of my office!" and a moment later, humorously, "You get out too, Isman!"

Nothing short of a drastic demonstration like this would persuade the merchants to buy that property. They took it over at a reasonable price the following day.

Without legal experience I would not have seen the danger for my clients in that situation,

and they might unknowingly have drifted into much greater trouble.

Every real-estate transaction has its legal technicalities, and without legal training the real-estate operator cannot properly represent his clients.

A Chicago merchant decides, we will say, to open another store in New York. He comes to a real-estate man seeking a location. The latter finds a suitable site upon which to erect a building, and a lease is drawn up with the owner of the land. Nothing is more common than a ninety-nine-year lease in such cases. If the real-estate man doesn't have the law at his fingers' ends, he will probably overlook the state-document tax for leases made for terms longer than twenty-one years, involving his client in needless costs. There may be something in the penal code aspect of the lease that will cause his client to break it unwittingly—failure to put in the simple reservation "after notice" in some trivial matter. He might overlook the very important matter of inserting an option to purchase the land, if it can be ob-

tained, in which case twenty words omitted might easily cost his clients fifty thousand dollars for each word. For the land, worth five hundred thousand dollars when leased, may be worth one million five hundred thousand dollars ten years later, after the merchant has built a great business there, and the increased value of the land, created by his own effort and a legitimate part of the profits of his business, would go to another. He might overlook the very important detail of taking out title insurance on leased property—should the title be disputed after the merchant has established his business he would suffer more than the owner of the land.

A legal training is also the best preparation for the development of a sense of real-estate values. A man trained in law is a man trained in logic. Three or four years' legal education teaches the student how to think. At present, the real-estate man is self-taught, and there is nothing in his training that teaches him to think except at random. The logical mind

develops a sense of the trend of population, and this trend determines realty values.

The trained real-estate professional should be able to pick out a value in any city of the world, regardless of whether he has been there before.

Ask anybody who knows New York, "Which corners are best for business—Forty-second Street and Fifth Avenue, or Forty-second Street and Sixth Avenue?"

Fifth Avenue is the great fashionable retail shopping, banking and business center, with its stream of luxurious automobiles, its motor buses and taxicabs. Sixth Avenue is frankly plebeian. To begin with, a noisy elevated runs overhead. It has no character either as a street or in its lines of business. There are no fashionable shops, no banks, no office buildings. Side by side you find the cheap restaurant, the little cigar store, the bankrupt sale, the cut-rate druggist and the Hippodrome. Ask the average real-estate man along with other New Yorkers which of these corners they consider best for business, and I'll wager that nine times

out of ten the answer will be, "Why Fifth Avenue, of course—that's easy!"

But if you asked the trained real-estate professional of the kind who should be available when you have to choose a location for business, he would want to know first of all what your business was. Suppose you were seeking a place to open a popular-priced restaurant. Sixth Avenue and Forty-second Street would be so much the best location of the two that Fifth Avenue ought not to be considered. Your rent on Sixth Avenue would be lower. You would have customers of the kind more likely to eat in a popular-priced restaurant. And you would have more of them, because Sixth Avenue is crowded at hours when Fifth Avenue is deserted, from seven to ten in the morning, and seven in the evening to past midnight.

Or suppose you were seeking a place to open a theater. Ask the average real-estate man where the most profitable theaters in the United States are located, and he would probably

tell you in New York City, on Broadway between Forty-second and Fiftieth streets.

But a professional real-estate operator trained on something like the case system would know the story of two theaters, one now torn down, and another since rebuilt which, a few years ago, were by far the best money-makers in the country. They are typical real-estate "cases" in the determination of values. One was the old Herald Square Theater at Broadway and Thirty-fifth Street, New York, and the other the Orpheum Theater in Washington Street, Boston. They were both popular-priced motion "picture and vaudeville houses. They made money as the popular-priced restaurant makes it on Sixth Avenue, by having a long business day. By the time a Broadway theater was ready to open at 8:00 in the evening, or even for the matinee performance at 2:00 in the afternoon, these theaters, which opened at 10:00 A. M. had taken in enough money to pay their expenses.

To give such decisions, a real-estate adviser must know the laws of growth in the commun-

ity as an attorney knows the common law. They are both based on a body of knowledge which some new Blackstone will eventually codify into a science of real estate. The theater in Herald Square has been replaced by a large loft building for garment manufacture. There was a period when the Herald Square Theater stood in the heart of New York's theatrical district, and was a fashionable Broadway house. The fashionable theater moved north a dozen blocks, and the Herald Square became unprofitable. But, turned into a popular-priced place of entertainment on the advice of a real-estate operator, it became the best theater moneymaker in the United States. It was torn down because the owner did not know its earning value.

But good real-estate counsel might be exactly opposite for another type of business. The retail merchant or banker would be advised to go where a permanent center for his business was being formed, and to go there as quickly as possible while values were low.

Some fifteen years ago, in New York City,

several department-store proprietors located, against competent advice, at a center which was then both fashionable and populous. They paid high prices for property in the belief that they were establishing themselves in a permanent center. Their adviser pointed out at that time the Times Square locality where property could be purchased for twenty per cent of what it is worth to-day. That section then showed little promise outwardly. Its only retail stores were small cheap shops. But it was in the line of great development. To-day, Times Square is the world's highway, while the section they selected is rapidly changing. Their stores are surrounded with factories, and the shopping public is being drawn to the section they did not have the vision to see as it would be a dozen years later. It is this vision that the real-estate professional will give his client. However, it is not more visionary than a law decision because it is all based on knowledge.

Just the other day, I was invited to inspect a piece of property lying at the edge of a

certain city near New York. Though the place is within an hour's ride, I had never been there. My host was a real-estate man in that city. He was enthusiastic about this property, ninety acres of beautiful rolling land now laid out for golf, believing that it could be profitably developed as a good-class residence section.

We got into his car and rode out to the property. It lay on the other side of a bridge that crosses a stream separating it from the built-up portion of the city. He was right about its beauty, but the rolling grassy slopes so near a community where values are rising set me thinking about something else.

"Why hasn't this property been developed—why has it been neglected?" I asked myself.

Bordering the golf links on one side were some good residences, with streets laid out, and a convenient trolley line.

"But there are no sewers," I said, as we reached the other end of the bridge.

"Oh, yes, there are sewers," said the real-estate man.

"No, I'm quite certain there are not."

"I'll bet you ten dollars there are sewers here!" he insisted. "What makes you think there are none?"

"I don't want to take your money, but did you notice, as we came over the bridge, that sign saying 'You are now in blank county'? This property is not only outside the city, but in another county, and it is not likely that a municipality would build sewers in another county."

Inquiry made at several houses showed that I was right. These inquiries also brought out the reason why there had been no residential development there. Some distance upstream were several chemical factories that gave off unpleasant fumes, and the refuse dumped into the river would make it objectionable to the kind of people my friend thought ought to live there.

His idea was to buy this land, cut it up into building lots, make improvements and sell it

at auction. The owner wanted two thousand dollars an acre. I began figuring. An acre of land can be cut into about twelve lots, allowing for streets. They would not sell for more than four hundred dollars apiece. Ninety acres on that basis makes, roughly, one thousand lots, which would bring a total of four hundred thousand dollars. The raw land would cost one hundred eighty thousand dollars, or one hundred eighty dollars per lot. It would cost one hundred fifty dollars a lot to make the most superficial improvements, such as sidewalks, dirt streets, curbing, grading, water, cesspools and the like—sewers could not possibly be built for that amount. It would cost fifty dollars a lot for advertising, fifty dollars more for selling expenses and from twenty-five dollars to fifty dollars for carrying charges while property was being sold off, for it generally takes three or four years to sell all the lots in such a tract. Thus, the lots for which we could get only four hundred dollars would cost us between four

hundred fifty dollars and four hundred eighty dollars.

Plainly, the property was worthless for development on that basis. But it must be worth something for other purposes. Mentally canvassing for a market, I finally advised my friend to see if it could be bought for twelve hundred dollars an acre, and if so to lay it out in lots, run the lines of future streets, and sell it to a less prosperous class of people for two hundred dollars a lot without any improvements whatever. Thus people with a little money, desirous of owning homes, could come in, build, and gradually make their own improvements. There are plenty of folks willing to pioneer in this way, even undergoing privation to own a home within their means.

This occurrence fairly illustrates how observation and logical thinking enable one to determine values.

And there was a sequel. The development of two hundred dollar lots near houses already built on four hundred dollar lots would, of course, lower the values of homes

already built. That is a pity—but it also shows how people pay the penalty for building without competent real-estate counsel.

Having told a story at the expense of some one else, it is only fair to tell one on myself.

Talking with a stockbroker the other day I expressed the opinion that a certain corporation security was cheap because currently quoted on the exchange at 97, though it is paying 7 per cent dividends.

“Besides that, the company has large real-estate holdings which are steadily increasing in value,” I added. “Ultimately those holdings must be reflected in the price of that stock.”

“I think you are right as far as its ultimate value is concerned,” said the Wall Street man. “But in its current market value you’ve overlooked something. That company must take up next year a large issue of bonds. It will be more profitable to give the bondholders stock instead of cash if they can be persuaded to make that sort of trade. I believe the seven per cent dividend is being paid to estab-

lish confidence in the stock. If the bondholders take stock instead of cash there will be a considerable new stock issue. That is why the present price is low."

Again the man who knew value in his particular line! I knew real estate, but he knew stocks, and this security was primarily a stock proposition.

The value of competent counsel in finding a business home will be realized when one knows that most of the great retail merchants of the United States have made as much money out of the increased worth of their real estate as out of their mercantile operations. This is true of practically all the famous retail establishments in the shipping centers of cities like New York, Philadelphia and Chicago. Pioneers move into a section like Fifth Avenue, Market Street or State Street on land bought at low prices, considering its earning power for mercantile purposes. When enough of them are together they attract shoppers by giving the public the opportunity to compare goods and prices in one neighborhood.

It is a familiar truth in retailing that women—who buy three fourths of all the merchandise needed by families—want to compare goods and prices in at least three stores before making their decisions and purchases. They will travel many miles to do so and the larger the purchase the further they will go. Where the shoppers congregate other merchants must come, and this raises real-estate values to such a degree that the increased worth of land parallels the profits of the business.

This principle has been turned to such good account by chain-store companies in tobacco, groceries, candy and other merchandise that more than one such corporation has a separate speculative real-estate company to profit by the increased values created through its mercantile activities.

In fact, the chain-store business has developed a remarkable sense of real-estate values. In this respect, it probably forecasts what other lines of business will be to-morrow.

The chain store has nearly always been a growth from one or two stores which proved

successful under good management or a good plan. As other stores were added it became necessary to apply some sort of foot-rule for locations. The single-store retail merchant seldom gave much thought to location. Very often he inherited his business, bought out his employer, or bought an old run-down establishment. The location went along with the business—not once in twenty times did he study the possibilities of a new location. But if that single business prospered, he prospered, and he saw the possibilities of duplicating it elsewhere, and took his first lesson in choosing locations.

At first, he counted the number of people passing several prospective stores, chartered the number of hours in the day that business could be done and the probable volume each hour, the probable daily sales, the rent-cost of sales, and like factors. This simple measuring often disclosed unsuspected contrasts, like the difference I pointed out between the two corners a block apart on Forty-second Street, New York City.

Before half a dozen new stores had been established in this way, he discovered that there are greater bargains in location than any he could offer in merchandise. By combining real estate and mercantile ability it was not impossible to get a store free of any rent whatever. For example, instead of leasing a large store and occupying all its space with a big stock of goods, he would cut it in two, making a small shop to rent to some one else, and so skillfully plan his shelves, showcases, counters and space for customers, that with a small stock of goods on hand, by quickly turning and replenishing several times a day if necessary, he got his own store for half the rent paid under his lease. By taking two stores and cutting them into three or four shops he could get his own space rent free and perhaps make a profit on his lease. Going a step further, he discovered that his own business enterprise increased the value of land, and that this could be realized to him if he purchased instead of leasing. These discoveries have led the chain-store companies to handle all their

real-estate transactions through a separate department, with specialists who attend to the leasing, subletting, buying and selling of store property.

Look around your own community, note where the corner saloons stood five years ago, and you will have the work of these chain-store real-estate departments right before your eyes. Where "5 c.—The Biggest in Town—5c." sold over the spacious bar before prohibition, and the free lunch drew the flies, and blinds and swinging doors hid the interior, now you will find buildings remodeled for chain-store purposes. Twice the space formerly devoted to free lunch is big enough for many prosperous retail shops nowadays. The saloon has been cut into half a dozen such shops, with the chain-store occupying the valuable corner. The high ceiling has been lowered, making an additional living floor upstairs.

More than that—the whole psychology of the corner has been changed. Not only does the chain store attract a better class of cus-

tomers, and more of them, bringing trade to the shops on either side, but an atmosphere of respectability, cheerfulness and efficiency has been created. Ask your women folks how they used to feel about certain corners, once avoided, but now favored neighborhood shopping places.

There is a good deal of psychology in real-estate values. It can be destructive or creative.

Two seasons ago at a certain seashore resort a theater manager opened a vaudeville house in a building that had been erected for that particular purpose. It took a year to build this theater and during that time he should have been creating psychological value for it. Actually his theater was located on a seabeach surrounded by a few blocks of bungalows, boarding houses and hotels. But psychologically it was centrally located in a community like Nashville or Salt Lake City, because between one hundred thousand and one hundred fifty thousand people live at shore resorts and suburbs within an easy motor or trolley ride.

He had this community to himself, for it had nothing but moving-picture entertainment outside the nearest city. So people must not only be told that there was a theater there but the habit of thinking about it must be formed when they turned their thoughts to entertainment in the evening. With a little preliminary bill-posting, placarding and advertising this manager could have made his theater a part of the community before it opened. People would have gone every week or so, and many of them would have reserved seats for a certain night each week.

But he was impatient. Instead of careful preparation he tried the quick way of opening up with an excellent show, believing that people would hear about him and form these habits in a week. The place quickly failed and was turned into a moving-picture house. Since then, however, another manager has taken it over, done the necessary pioneer work, and created a psychological value which is part of real-estate value.

Real estate is the fundamental business un-

der every other business, the security under every other form of investment because it deals with mother earth. Yet no other form of investment is handled so loosely.

A stranger enters your office or home, presents his card bearing the magic words, "Real Estate," and urges upon you the purchase of a piece of property, glowingly explaining its advantages and the certainty of its increase in value. Won by his plausible arguments—and he often believes them himself—you purchase or invest. It may be a minor transaction involving a few hundred dollars for a building lot, or it may be a deal running into tens or hundreds of thousands—even involving the moving of your business.

The stranger departs and you are left with a piece of property that is none of the things you bought it for. The building lot proves to be in a neighborhood steadily going downhill instead of up. The apartment house or office building does not yield bank interest on the money you paid for it. The new locality to which you moved your business quickly begins

to change from the shopping section your adviser promised it would be to a factory or tenement section.

These things should not be. They happen because many so-called real-estate men are untrained in the broad fundamentals of the calling they follow, though they may thoroughly understand a particular branch of real estate. They do not know values because they have never been educated in them. Indeed, the auctioneer who stands on his rostrum and assures you that the lot he offers is worth so-and-so does not know what it is worth, and does not want to know because the truth might take the "pep" out of his selling talk.

There is a story of an advertising man who wrote glowing copy for a subdivision where people of moderate means were taken on free excursions every Sunday and induced to purchase lots while under the spell of brass-band music and high-pressure salesmanship. He had never seen the property. One day, unhappily, he joined the Sunday excursion, and was so depressed by the difference between the

isolated, lonely, scrubby development and his glowing copy that he was never able to write another advertisement!

I insist that these things should not be. And I have set them before you at considerable length for a purpose. I believe that when the illiterate and unregulated character of the real-estate business is generally understood, public opinion will bring about reforms such as have taken place in other investment and business fields. When the public wants this business reformed, state legislatures will respond with enactments creating professional real-estate courses in our state colleges and universities corresponding to those offered in other professional lines. Provide the facilities for education, and regulation will take care of itself.

Give Mother Earth her Blackstone!

EPILOGUE

I have always contended that profits in realty dealing will take care of themselves. One's entire thought should always be given to but one question of the realty game—How much can I lose? A correct answer to that question is the greatest factor for insurance and enables the investor to engage successfully in realty dealing.

The more proficient one becomes in the art of realty dealing, the more opportunities one sees. Over-extension is fatal. Don't part with the money you have made unless you weigh every transaction as carefully as though it were the first one in which you had engaged, and treat every dollar as though it were the first money you had ever invested. Don't do anything because the other fellow has done it. If you see some land which has been purchased at one hundred dollars per acre and sold for

one thousand dollars per lot, through certain methods not unknown to many landowners, your first and only thought in the transaction should be, "Is the ground worth one hundred dollars per acre and is it readily salable at an advance above this price under each and every condition?" In short, there is only one guide to a sure and safe investment at all times in real estate, namely, **VALUE**.

In observing this rule, you may miss many opportunities, as it is not given to all to be able to determine the value of all property in all sections, of so many different varieties and descriptions. You are bound, by investigation, to find too many properties which you may select with safety to invest your money in. This statement probably applies to all humans, from the most powerful oil magnate down to the butcher, the baker and the candlestick maker. In short, always have a definite **NO** until investigation or knowledge teaches you, after due reflection, the possible loss as well as the probable gain from a definite **YES**. Don't be afraid of losing opportunities. You will

get many more. Of course, when you're sure, absolutely SURE—don't wait. Act! But be very sure you're SURE.

Don't take any one's word for any statement of fact. If some one tells you that some factor will enter into a transaction not actually in being, wait! Pay more for the proposition after the fact has been assured. It is better to pay twice the amount for safe property than to gamble on something uncertain. I am speaking now in the main of the average real-estate investor, not the speculator who goes into a gamble as a gamble—not exactly the same way as though he were betting on a horse-race but, nevertheless, in a spirit of gambling.

There are many forms, however, of realty gambling. Speculators, according to their mental equipment in the realty and other fields, are able to obtain a large profit from small investments so that their average of gains and losses may ultimately make them considerable money. This class, however, knows it is gambling. The main trouble with realty dealing is that there are no definite rules of the natural

laws which regulate the art and science of realty dealing. So the average man doesn't ordinarily know when he is really gambling. He must learn, and learn for himself, the proper distinction between gambling and investing by a process of analyzing and reasoning out his and other people's experiences. Thus he will obtain a proper knowledge of the conditions which surround every individual realty undertaking.

Don't follow the crowds: "If Mr. So-and-So can pay so much for so-and-so, I can afford to pay a little bit more," has caused more losses in realty dealing than any other blind practice in which the public indulges.

Be careful at all times of the percentage rule. The fact that a property pays 99 per cent more or less on the investment has nothing at all to do with the transaction. The one and only rule is VALUE. How much is the land worth? How much is the building on the land worth? Is the building suited to the requirements of the land and its surroundings? These and the thousand-and-one other facts which tend to

create stability in value are the only determining qualifications. There is only one great factor, other than patience, which tends to create safety in realty investments, and that is—*more patience*.