

## RECENT DEVELOPMENTS IN THE FARM AND URBAN REAL ESTATE AND STOCK MARKETS

1. Farm land values have risen in the past four years at a rate almost as fast as in 1916-20. Average per-acre values in March, 1945, were 52 percent above the 1935-39 average. Values in some states have almost doubled. In 1944 about 12 percent of all sales were by owners who had held for two years or less, about 8 percent by those who had held for one year or less. While a rise from peacetime levels is justified by the wartime rise of net farm income, some postwar relapse of income is almost certain. If the present 1 percent a month rise of farm land values continues, returning veterans and other buyers will be forced either to pay prices that will later prove excessive or else to stay out of the market. Those who borrow heavily to buy at current or higher prices may later face serious financial difficulties. Prevention of top-heavy land values now will reduce postwar difficulties, including demand for Government assistance.

2. Urban real estate values increased by an average of 30 to 40 percent in larger urban areas between 1940 and 1944, with much greater increases in some areas in the West and South. Lower priced properties in general have increased more than higher priced properties. Much of the buying reflects not speculation or investment but necessitous purchases for occupancy, caused by the fact that, with rents controlled and sales prices uncontrolled, landlords prefer selling to renting. This is shown by the fact that during the 22 months ending December 1944 an average of 15 to 20 percent of all tenant-occupied single-family dwellings in 34 large cities became owner-occupied.

Veterans are already finding it difficult to use their loan privileges without violating the "reasonable normal value" requirements of the G. I. bill of rights.

Wartime construction costs have risen almost as sharply as real estate values, but FHA believes that much of this increase will prove to be temporary. Any further rise in values will merely increase the downward readjustment later, when values approach equality with costs of construction.

3. Stock prices are about 30 percent above the August 1939 level, 90 percent above the 1942 lows, and are the highest since August 1937. Assuming a reasonably high and stable level of prosperity with reduced corporate taxes, prospective profits probably justify present stock prices. The situation nevertheless appears dangerous because of the recent rapidity of the rise and the increasing volume of speculative trading. The attraction of a large speculative element to the market is likely to accentuate the rise and aggravate any subsequent decline. A collapse can best be prevented by preventing the boom from going too far.