

Gambling on the desert

NOW that the high-rollers are heading for Atlantic City, the Las Vegas casinos are trying to pull in the low-budget bargain seekers.

After years of growth in the 15% to 18% range, last year the gambling business slumped to a 4% annual growth rate.

And the talk of legalised gaming in Florida is giving casino bosses a bad dose of the jitters.

Circus Circus is leading the change, by switching its attractions to families seeking thrills on the cheap – and picking up a profit of \$74m last year.

But the odds are starting to move away from the syndicates that own the neon-spangled fun palaces, and no-where is this better reflected than in the real estate market.

With gambling legalised in Nevada, the one game that was NO gamble was speculation in tracts of desert around the water-hole that was Las Vegas.

CROUPIERS

THE RENTABLE value of the desert rested on the monopoly created by legislation. Open up new venues, however, and the desert values will disappear like a handful of sand in a storm.

The land market is already weakening. Croupiers who have their sensitive card-shuffling fingers on the green baize of the business have begun to take defensive action.

They are selling their homes, and renting apartments instead.

As one lady told me as she turned the roulette wheel in Caesars Palace:

"If we don't sell now, we could be left with a pile of worthless bricks in the middle of a desert ghost town."

It would be hard to find a better object lesson in the nature of rent: the community creates, and the community can take away.



Fred Harrison, in the Nevada desert, seeks the shifting land values.

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DALLAS star Larry Hagman bought his Malibu beach house 18 years ago for \$115,000. Today, the site alone is worth \$2m.

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HOUSING SLUMP— NOW A RECESSION

ONCE AGAIN, the slump in the housing market is signalling an end to the fast growth of the economy.

August saw the second consecutive month of falling housing starts, with construction of new homes skidding 12.8% to an annual rate of 1.5m units – the lowest since December 1982.

But William Ellingsworth, senior vice president of the National Association of Home Builders, claims: "It is not the beginning of a housing recession".

We shall see.

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INTERNATIONAL Income Property invests exclusively in prime regional shopping centres in the US, which are "a licence to steal", according to IIP's chairman, Gerard Dusseldorp.

PROPERTY out-performed inflation by more than four times in 1983, says the National Council of Real Estates Fiduciaries in its latest figures. Investment by pension funds showed an average return of 13.3% compared to an annual inflation rate of 3.8%. Surprise, Surprise!

Tax breaks bid up prices of real estate

AMERICAN institutions have found it hard to compete with foreign investors who have been attracted by the tax benefits of US real estate.

Syndicators have been the favourite investment vehicles through which individuals or groups participate. Sales to them are expected to be nearly \$6bn (£4.6bn) in 1984.

UK pension funds and insurance companies alone have a £1bn stake in US property.

Syndicators, because of their tax advantages, have been able to out-bid traditional investors. But now the Tax Reform Act 1984 may change the structure of speculation, because it could knock 10% off the value of US properties held by foreigners.

A British investor who sells a US property will have 10% of the sale price withheld unless the transfer is exempt. A vendor will be exempt from the tax if his maximum liability is less than 10%.

The new law will undoubtedly hit the tax shelter deals, and make it easier for US citizens to obtain real estate for beneficial use rather than speculative gain.