

Sunday, 14 October 2007

Crash course for investors

Next Sunday is the 20th anniversary of the 1987 sharemarket crash and to mark the occasion, property investor and commentator Olly Newland is re-releasing his book *Lost Property*.

The book follows the rise and fall of Newland's fortune in the years immediately before and after the crash and was originally published in 1994, while his memories of those years were still fresh and the pain which followed the crash still real.

Since that time an entirely new generation of investors has come on to the scene, many with no real understanding of the events that led to the 87 crash or its significance.

Many of these investors and the so-called advisers who serve them for a healthy clip of the ticket along the way have known only boom times. Their unbridled optimism is not tempered by the ghosts of losses past, so perhaps it is these young Turks who may benefit the most from this timely re-issue.

The book provides an insider's view of the way in which the crash affected shares and property.

Newland was a smallish-time property investor with big ideas who founded listed property investment company Landmark Corporation.

During the boom years the company benefited doubly. Rocketing property values saw its share price soar. That made it easy to raise extra capital (or debt) and buy more properties. As their value increased, the share price climbed further and the whole process continued.

But when the speculative bubble burst and share prices collapsed, access to capital and easy credit dried up, property values plummeted and the bankers moved in to wind everything up. Never mind the fact Newland ended up losing his Rolls-Royce, he was lucky to keep his shirt.

As the book relives those events 20 years on it begs the question, could this happen again?

Newland provides a new preface to this edition, written in August this year, in which he writes: "All around me I see people repeating the mistakes of the 80s...once again the sharemarket, not to mention the property market, has become a gambling den infested by hucksters and get-rich-quick spruikers who want to part us from our money by selling false dreams and impossible promises...it seems as if the whole world has been caught up in a frenzy of speculation and greed."

And there is much else in Newland's account of the booming property market prior to the 87 crash which bears an eerie resemblance to the current market; strongly rising property prices, bankers falling over themselves to lend money for mortgages, investors leveraging their existing capital to the max to keep growing their portfolios and ludicrously low yields.

And many names are also the same.

People Newland then had dealings with included the likes of Sir Robert Jones, and Chase Corp's Peter Francis, Adrian Burr and Colin Reynolds. All are still active in the property market, although for the most part they are avoiding the sharemarket this time around.

Fortunately, this is all an easy read.

Newland is a great raconteur and whether he's recounting a backroom deal or his frustration at seeing his fortune melt from under him, he handles it with a deft touch and always with a sense of humour.

He gives the following account of events as share prices started falling through the floor and no one knew where the meltdown would end.

"I attended a 40th birthday party at a luxurious home in Auckland's St Heliers. Present were all the important public company big shots. Despite the best endeavours of the host and hostess, people stood around in knots amongst all the glittering silver and crystal, hardly nibbling the food and talking quietly. Nobody felt the slightest bit festive.

"Looking around for a friendly face and some encouragement, I attempted to have a chat with Peter Francis, one of the top senior men at Chase Corporation. Peter had a slightly glazed look on his face which I put down to the damp glass in his hand. Surely he would know what was going on?

"What do y'reckon Peter?' I asked.

"We're f--ed mate," is all he said, and sadly turned away.

"I went home and threw up."

- **LOST PROPERTY: 20th Anniversary Edition, by Olly Newland, Addenda Publishing, \$34.99.**

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