



*Planning for Permanence: the Speeches of J.C. Nichols*  
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**Recovery in Construction Activity and Realty Values**

Chamber of Commerce of the United States

Southwestern Divisional Meeting

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Discussion by: J.C. Nichols

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The right to own property is every American's right. We sometimes forget that in the minds of the God-fearing Pilgrims and the hearts of the hardy adventurers who came to people our shores was the burning desire to acquire a piece of land. They conquered a wilderness of forest and prairie; built our cities; made this the Home of the Free. Individualized land ownership was the basis of our wealth. It is reflected in our system of government. It is woven into the warp and weft of our society. The American with his farm, his urban home, his business house or factory, is our country's preferred asset, today as always. He is a shareholder in everything this republic represents.

Our early colonial governments and later our constitutional fathers in common with all our states, safeguarded this right. Political power must never usurp it. We must forever avoid the possibility of becoming a nation of tenants – especially tenants of our Government as under proposal by the champions of Governmental housing.

The right to own property is not bestowed by governmental authority. Our people granted to the government certain powers to regulate and direct the use of property in the public interest. God forbid that this grant of certain rights by the people should be invaded by some of the theories of the housing enthusiasts of today who seem to have the idea that the right to own property is vested in government.

We have striven for 150 years to get land ownership into the hands of the people. More than 50% of the people of the United States today own land. No other country has such a large percentage of landowners. The property interests of this country are not yet ready to ask the government to serve as America's economic receiver.

Functional capital represented by real estate devoted to the creation of new wealth is not a retardant to recovery in the eyes of the nation. The right to own land – the bulwark of democracy, safeguarded against despotism and communism alike, is basic to the subject of my discussion – “Recovery in Construction Activity and Realty Values.”

The stage is well set for a building advance and an increase in realty values. Our population doubled in the thirty-five years prior to 1930, and we are still growing in numbers. We are not static, and even if we were, the creation of new families would

result in a need, hence a demand for additional housing. The number of persons per family in 1910 was 5.17 and in 1935, 4.17. This shows that even when the rate of population growth declines, the actual number of families needing homes increases.

Then, too, the American people, in contrast to those of other countries, are constantly striving to advance their standard of living – demanding and moving into better homes so they may live better; to secure finer places for business and industry. This movement is sound. The place abandoned offers an opportunity for advancement for the next lower income group, so an ever-ambitious program for better living and better housing of business ensues. This offers a partial solution for our so-called slum problems.

In 1925, 2,758 cities reported 491,000 new living units built, and the average was 388,000 units per year from 1921 to 1929; yet these same cities reported only 27,000 new units in 1932, and about 35,000 in 1933.

According to studies of Walter Schmidt, President of the National Association of Real Estate Boards, it seems safe to assume a normal demand for new housing units today is at least 300,000 per year, for new families, undoubled families, and growth of number of families per thousand population. To this we must add at least 100,000 living units destroyed annually by fire, decay, and demolition. In 1900 we had 1.12 families per dwelling unit; in 1930 1.19 families per unit. As I say, this trend now seems to have turned and is back on an ‘unscrambling’ basis.

Conservatively, we normally need at least 400,000 new units per year, yet for five years we have averaged considerably less than 100,000 new units per year. Vacancies, very high in number in the early Thirties, have gone down sharply; from 10 to 30% in certain cities in 1932, to an estimated average today of less than 3% in single houses and 5 to 6% in apartments. Many cities report a serious shortage of available units. Marriage and birth rates are again increasing – rents are rising. Deflation in real estate values seems to have definitely ended.

Residential construction has increased greatly in 1935 – perhaps more than doubled in 1934. While rents are still too low to encourage great building activity, other factors are contributing in a large measure.

Home sentiment – the natural desire to own a home – which reached a low ebb in 1932 and 1933, is reviving to a marked degree, despite the contention of some social thinkers that it is better for many of our industrial workers to be tenants of the Government, than own homes of their own. Never in our history were so many agencies, newspapers, realtors, and lending institutions, working in unison to encourage home ownership. FHA, HOLC and certain other government agencies have carried on a splendid campaign to this end.

Mortgage money is available today for all classes of real estate on more favorable terms than our country has ever known. The depression taught us the need for and soundness of long time mortgages, amortized over a twenty-year period. In my opinion this should be extended to 25 to 30 years, following the example of certain foreign countries; or at least complete amortization should not be required at the end of twenty years. Many home owners cannot completely liquidate a mortgage of 80% at the rate of

5% per year, over and above all carrying charges; few office buildings and business structures can pay off 5% of their mortgages per year, and keep their buildings up to date.

Interest rates have dropped rapidly. The truth is real estate has always paid a rate higher than it should in relation to other securities. 5% interest is the maximum good real estate should pay, and 4% to 4 1/2% money should, and in my opinion soon will be available for superior loans.

We must remember that the 45 billion of real estate peak indebtedness of this country has been already reduced to some 36 billion, and of this remaining amount, nearly nine billion has been dislodged from its former channels and supplied by various governmental agencies. This is building up an immense reservoir of mortgage money available for all types of building construction.

It is my judgment that the representatives of lending agencies have more confidence in real estate securities than ever before. Certainly no type of investment has stood depression so well as mortgages secured by real estate.

We grew 1,700,000 per year in population from 1920 to 1930. We certainly are maintaining a very large percentage of that growth. In 1930 we had 29,800,000 families, 22,800,000 or 79.8 percent of whom lived in single houses; 3,400,000 in two family houses, and only 3,600,000 in three family or larger buildings. This proved conclusively that after all, the great percentage of our people live in and prefer single-family homes.

Private builders in our country have always stood ready to do their part to provide essential housing. The claim that private industry failed to provide low cost housing, and that this duty thereby devolved upon the Government, is not yet demonstrated. Up to date, none of the so-called slum clearance projects under Governmental authority and direction has supplied the needs of low cost housing. Housing available at eight to twelve dollars per room does not serve the needs of the great mass of people able to pay room rentals of not more than three to six dollars per room. It is unfair to charge failure on the part of private industry unless the Government on some sound basis can demonstrate some fair economic plan that will serve this need. Nor, is it a solution to tear down tenements, replace them with higher rental structures, and thus drive former occupants into even worse quarters than they had before.

A duty rests upon all of us to supply decent housing for those in our lowest income brackets. The income of the average American family is only \$1,458.00 per year. 71% of our families have an income less than \$2,500.00 per year; 69% less than \$2,000.00 per year; 42% less than \$1,500.00 and only 9% of our families can afford houses costing \$10,000.00 or more. Families in the lower brackets are entitled to homes with decent sanitation, ventilation, durability, safety, and sunlight. It is estimated that 25% of the houses in the country today are without proper sanitation.

We occasionally note with regret the passing of new land frontiers which in the past have created and sustained periods of advance in building construction and land values. Let us not forget that ours is an era of science, technology, and power production. But it can be shown that the activity that will be created by the replacement of outmoded, obsolescent and obsolete structures, including homes, business properties and industrial plants, together with the new ones needed for home life, the transaction of business and

the making of goods under the American standard of living and working, is a commercial frontier equally as fertile as the virgin land our pioneer forefathers claimed.

Shall it be undertaken by Government with political management? Shall it be entrusted to those who have had little if any practical experience in the field of home building?

Or, shall a plan be worked out by which the private building industry of this country shall undertake to meet this important need. If government aid is needed, I would urge a subsidy in the form of an extremely reduced rate of interest – certainly not to exceed 3%, to be amortized over a period of thirty to forty years. Housing should be built by private industry under governmental control as to rental rates and the services supplied to the tenants, while the subsidy continues. Such housing should be undertaken only after careful survey of the effect on other private housing in the cities affected. Such property should be subject to the same taxation as competing property.

This housing should be limited absolutely to meeting the needs of the people in the lowest brackets of income, and then only where fairly decent housing conditions are not already available in the respective communities. Until the issue of direct governmental intrusion into this field is determined, the whole situation is a direct retardment to building recovery, which means national recovery.

In 1929 there were possibly ten million workers in the durable goods industry; nearly 50% of our factories were so engaged, \$15,000,000,000 annually was involved in the building industry in all its phases. This exactly equals the \$15,000,000,000.00 of agricultural products in that year. It is three times the export trade of our country in that year. Real estate in that year, although it staggered under the burden, paid 75% to 85% of all the local taxes. Installment plan of home ownership was working beautifully with the exception of the fatal short time period of first mortgages.

It is reasonable to assume that during the next few years we will absorb from 400,000 to 600,000 family units per year. The accelerated obsolescence of the old home today is becoming an important factor in speeding up new construction activities. We have never known a time when so many improved mechanical appliances were being developed and offered for the greater convenience and comfort of the occupant of a home, as well as his shop and plant. All these articles of new equipment if taken by themselves are generally well worth the cost, but considered as a whole they tend to overload our purchasers or tenants today.

All of us who for a quarter of a century have been endeavoring to introduce greater efficiency and economy in the building of houses, are seriously concerned about the ever-increasing number of new appliances and new features of home convenience lifting the total cost of the home beyond the ability of many to pay the bill.

Certainly a responsibility rests upon the material concerns of this country to make radical reductions in their distribution costs. It is estimated that cost of distribution alone adds from 40 to 50% to the cost of many of the materials used. Undoubtedly most of the new items create some saving in maintenance cost in the operation of the home. Of course, the building industry should welcome the concentration of thought and research upon making living and transaction of business more comfortable, and it does, but

because of the ever increasing cost of materials and the increasing cost of labor, we are still building homes beyond the buying power of at least one third of the families in the United States. Perhaps labor ultimately will see the wisdom of accepting a lower hourly rate for more continuous employment. The scale of wages for building labor per hour is out of reasonable economic relation to the average per hour income of a man wishing to acquire or build a small home.

Broadly speaking, the cost of building today is about 88% of 1926 costs. 1929 costs were perhaps 12% less than 1926 costs. The cost today is slightly above that of one year ago, and the trend is upward. Building materials, with a few exceptions, did not decline in price as much as items generally in the commodity list. All those directly interested in hastening the return of normal construction activity should realize it is suicide to advance building costs more rapidly than the earning power of the buyer, or beyond a reasonable economic relation to the general level of commodity prices.

It is true that a reduction of 2% in the annual interest charges over a 20-year period of amortization of a 75% mortgage on a home is equal to approximately 15% of the original cost of the home. This reduction in interest rate and lengthening of the term of the mortgage payment, is the most helpful and encouraging sign of the times, tending to increase construction activities, and the beating back of real estate values to a sound income basis. However, the whole burden of bringing about increased building activity and the establishment of sound values should not rest alone upon the lowering of interest rates. Every manufacturer of materials in this country should give his best thought and effort to reducing the cost of distributing and installing materials. Every homebuilder and every architect should further study the possibility of economy in elimination of unnecessary ornamental features and extravagant details of design. Architecture that is pure, simple, and more functional should predominate. Imagination and taste in the use of color; in the simplification of design; in the economy and saving of space, can go a long way toward bringing about a good and sound basis of construction activity.

Banks should be more liberal in making temporary loans for the construction industry. Lower rates of interest for such bank loans should be set. It is my judgment that lending agencies can go rather strong in their appraisals of real estate values today. Prices are below normal. Until we reach the level of about 1926, we are certainly conservative. When we get much above that level we should apply the brakes to avoid an unjustified boom. Peaks of real estate activity, viewed in the light of more than one hundred and fifty years of American development, reflect cycles of some fifteen years. It would be reasonable to assume that between 1936 and 1940 we will again reach a high. Certainly all factors today point to it.

It is my judgment that the pre-fabricated house is a long way from mass production on a basis competitive with traditionally designed and built structures. Pre-fabricated units are already contributing to speed and economy in building. Perhaps after all, this would be the logical approach to overcoming what has been called an archaic industry. I do not believe that the American people are ready to accept houses of mass design. Our aspirations and ideals are keyed to individualism in the design of the home in which we live as well as in the careers to which we aspire.

Wide home ownership always has distinguished America. If Government enters the low cost housing field, it will tend to destroy the ownership of property, and at what point would such housing end? The amount of money required to complete a program of any real relief even to the low-income bracket, will be staggering, far beyond anything we have ever known. The effect will be the same whether the people be direct or indirect tenants of the Government. Let's remember Russia abrogated property rights and enslaved its people. Too great centralization of power according to the history of every nation, past or present, destroys even the desire to own real estate. When Alaric, the terrible Goth thundered the gates of Rome and the Roman rulers called upon the people to rise up and defend their homes, they replied, "We have no homes to defend."

Let's not reverse the order of achievement that explains America's glory, but continue the task of building the strongest nation on earth. We must cease running to the Government to supply every need that arises. The Chamber of Commerce of the United States can well afford to devote its best efforts to restoring the durable goods industry; to encouraging the ownership of homes, farms, business and industrial property; to fostering long-time, amortized real estate loans; to sponsoring interest rates on a basis of parity with the rates for other securities; to working out a more effective and economical method of distributing and installing building materials and equipment to stabilizing neighborhoods by zoning and protective restrictions.

Statism under the pretext of emergency must not abrogate the right to own property. Stability of land values is the cornerstone of human rights. The invasion of the right to own property will mark the decline of human freedom. With that right safeguarded, let us advance to America's new frontier.

The J.C. Nichols Company Records (KC106) – Speech JCN086

Arguably Jesse Clyde Nichols (1880-1950) was the single most influential individual to the development of metropolitan Kansas City. Moreover his work, ideas, and philosophy of city planning and development had far-reaching impact nationally – so much so that the Urban Land Institute has established the J.C. Nichols Prize for Visionary Urban Development to recognize a person or a person representing an institution whose career demonstrates a commitment to the highest standards of responsible development.

Nichols' objective was to "develop whole residential neighborhoods that would attract an element of people who desired a better way of life, a nicer place to live and would be willing to work in order to keep it better." The Company under Nichols and his son, Miller Nichols (1911- ), undertook such ventures as rental housing, industrial parks, hotels, and shopping centers. Perhaps the most widely recognized Nichols Company developments are the Country Club District and the Country Club Plaza Shopping Center, reportedly the first shopping area in the United States planned to serve those arriving by automobile rather than trolley car.

The J.C. Nichols Company Records (KC106) contains both personal and business files concerning J.C. Nichols' private and business life. Included are personal correspondence, family related material, and speeches and articles written by him. Business and financial files pertain to actions of the Company, including information about different developments and the securing of art objects; and printed materials produced by and about the Company.