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THE GREAT LOS ANGELES REAL ESTATE BOOM OF 1887

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THE GREAT LOS ANGELES REAL ESTATE BOOM OF 1887

BY JOSEPH NETZ

The pueblo of Los Angeles was founded on September 4, 1781, in conformity to an order of Governor Felipe de Neve, of California, dated at the Mission of San Gabriel, August 26 of that year. The city was located around a plaza 275 feet square, just north and west of the present plaza. The growth of the pueblo throughout its early history was very slow. Its people were unprogressive and means of communication and transportation were very poor.

The pueblo was proclaimed a city May 23, 1835, when the decree was signed in the City of Mexico, which declared "that the town of Los Angeles, Upper California, is erected to a city and shall be for the future, the capital of that country." Its boundaries were described as "two leagues to each wind from the center of the plaza, 100 square miles in all." The Plaza was the exact center of the original Spanish grant for the pueblo of Los Angeles, but the area as incorporated into a city April 4, 1850, was described as one Spanish league each way from this central point or twenty-eight square miles in all. The population of the city at this time was 1610, and the entire assessment roll for California south of Kern County was less than \$2,300,000.

There were certain periods in the early history of the city when there were stirrs in real estate, especially after the opening of the Santa Fe trail and after the secularization of the Missions, but as late as 1860 the official census is given as 4399.

The real commercial awakening of the country around about Los Angeles from the lethargy and repose of what may be termed the pastoral period, began about 1866. Up to this time, stock raising had been the principal industry of the large ranches of Southern California, whose owners refused to subdivide them or sell them. The years 1863 and 1864 were so dry that the country did not produce feed enough to support the countless head of cattle and horses, and they died by the thousand. One hundred thousand head of cattle and horses perished on the Stearns Rancho alone. Mr. Guinn¹ estimates that 1,000,000 perished in the State. Thousands of living skeletons were driven off the bluff at Point Firmen into the ocean, the air of the back country being so badly affected by the odor from

1. See "Passing of the Cattle Barons," by J. M. Guinn. Records of the Southern California Historical Society.

these dead animals. Land now became a drug upon the market. Lots worth \$2,000,000 today in the very heart of the city were offered for sale at \$2.50 to pay the taxes, with no takers. The following year no city taxes were collected. The drought proved a blessing in disguise, for Southern California, because the large ranch holders were now willing to sell in small tracts, and the Stearns Ranchos of 200,000 acres were among the first to be subdivided.

With the building of the municipal railroad to San Pedro, many people came to Los Angeles from the north. Many of these new arrivals made their homes here and some of them bought a part of this land for agricultural purposes. These people attained a fair degree of success in raising hay, grain, etc., and for this purpose good agricultural land rose to \$10, 20 and as high as \$50 an acre in some favored spots. Los Angeles began to have a back country at last. Means of transportation were still slow, however, and the country grew very slowly. The population of the city in 1870 was but 5614.

Two things happened now which were very important in the development of Southern California. One was the discovery and use of artesian well water for irrigation purposes and the other was the coming of the Southern Pacific Railroad. The former made the small farmer independent of the rainy season; the result of which was that deciduous and citrus fruits¹ began to be extensively cultivated. The railroad opening made eastern markets available for this fruit by providing easy means of transportation. Lands available for the raising of fruit rose in value to \$150 and \$200 an acre for a farm of from ten to forty acres. Without water and a distance from the railroad land could still be had at prices ranging from \$1 to \$3 per acre. With the development of the fruit industry, especially oranges, there was a sign of real progress, for the population in 1880 was 11,183, or almost double that of 1870. The oranges and lemons of Southern California in competition with those of the entire world carried off all the premiums at the New Orleans Exposition in 1884 and 1885, and the way California oranges were sold on the Eastern markets proved that the premiums were based on merit. Thus Southern California began to be well advertised.

This advertising now began on a most extensive scale. The Board of Trade was founded in 1883 and bent its energy in boosting the good qualities of this section. Many beautiful lithographs were printed and sent broadcast over the eastern part of the United States, and newspapers printed beautifully illustrated editions on various occasions: page after page of advertising and descriptive matter was sent to eastern magazines, which were read all over the

1. See "From Cattle Ranch to Orange Grove," by J. M. Guinn of Southern California Historical Society.

world. This advertising and literature¹ told in glowing colors the salubrity of our glorious climate, climate, climate, the variety of our productions, the fertility of our soil and the immense profits to be made from the cultivation of Southern California semi-tropical fruits. Of course there were golden opportunities in the virgin soil of Southern California, but the promoters went wild and boosted conditions above the normal and helped to bring on a boom. The first premonition of the boom took place June 1, 1885, with the formal transfer of the Southern California Railroad to the Atlantic and Pacific. The road came through the Cajon Pass and continued to San Diego by way of the Temecula Cañon. Bright prospects loomed up for the future, but this section of the road was built on too low a grade, and a large section of railroad through the canyon was washed out. The loss was only for the moment, for the San Gabriel Valley Railroad being built to Los Angeles from San Bernardino *via* Pasadena was backed by the Atlantic and Pacific, which in the meantime obtained a right-of-way to Los Angeles over the track of the Southern Pacific by a working agreement with that company. With the establishment of the Santa Fé (the name was changed from the Atlantic and Pacific), Los Angeles had a competing railroad at last, and the Southern Pacific could no longer discriminate against the merchants of Los Angeles in favor of the merchants of San Francisco. The rivalry between the two companies became so keen that the Santa Fé precipitated the boom when it withdrew from the Transcontinental Traffic Association in January, 1886. Rival roads began to fight the Santa Fé, and by the first of May, 1886, hostilities were on in earnest between the Southern Pacific and the Santa Fé. Passenger rates from Kansas City to Los Angeles had been \$70; from Chicago \$100; from New York \$100. For three months tickets were sold from Missouri River points to Los Angeles as low as \$5, and for one day the fare was \$1 for a ride of 2800 miles. The railroad war lasted six months. At the end of this period fares were raised, but they were never raised to the old rates. The result of this railroad war was to precipitate such a flow of tentative migration, such an avalanche rushing madly to Southern California as I believe has had no parallel.

Previous to the railroad war the migration to Southern California consisted very largely of merchants and business men who came here to enjoy the benefits of Southern California climate and kindred advantages. As transportation facilities increased and hotel accommodations became more attractive, this class of tourists increased. The fields of green and the homes of flowers and fruits, the balmy air, the brilliant sunshine pouring down its invigorating warmth upon the body and vitalizing the blood, suggested to these

1. Southern California, T. S. Van Dyke.

people the value of the land as a home, and many of them remained, while others returned as tourists the following year or became permanent residents of Los Angeles as soon as they could dispose of their eastern holdings. Five or ten acres with its fruits and flowers in Southern California became for them a paradise of health and beauty. Lands for homes of this kind rose to \$500, and in some cases as high as \$1000 per acre. The best business property in the city at this time sold for \$300 per front foot, and the best residence lots sold for \$2000 for fifty feet. Real estate on the whole was still very low and good prices prevailed only in a few favored sections.

With the beginning of the railroad rate war immigrants came by hundreds. Many of these began to purchase land and prices rose a little. Later the people arrived by thousands, so the real estate activity increased; yet the increase was steady. Finally as the rates were lowered and the news spread abroad of the fortunes being made in the Los Angeles real estate market, the immigrants stampeded to Los Angeles by tens of thousands, accompanied by a host of boomers who had been through a school of real estate speculation. All legitimate buying and selling of real estate was now forgotten, all standards of measurements and comparison were flung aside. A wild enthusiasm and passion for speculation broke over the country and for a brief period the most reckless excesses were committed. All values were merely fictitious. Los Angeles had scarcely any industries at this time. The all-important traffic was "science" of real estate. "Nobody can make a mistake who buys land in Southern California," argued the boomers. The price which he pays for it makes little difference, either in the city or in the country. The limited amount of land and the constantly increasing demand for it sufficiently settles the question of inflation. The future prosperity of Los Angeles cannot now and never will be measured. And so these real estate speculators cut up a large part of the southern section of the State in town lots, additions to existing towns and new towns.

Sixty of these new townsites were put upon the market during the year 1887. Twenty-five of them were located on the Santa Fé Railroad between Los Angeles city and the city of San Bernardino. Eight of them were located on the Southern Pacific. The only limits to a city in many cases were the limits of an adjoining city. They appeared like scenes conjured up by Aladdin's lamp. Out on the desert, in a river wash, or a mud flat, upon a barren slope or hillside and in the fertile minds of the boomers these townsites appeared. Lots in many of these townsites were sold at a very low figure; enough to put the price within the reach of all, and thus the number

1. Southern California, by T. S. Van Dyke.

of speculators increased by metes and bounds. Old settlers at last caught the fever, and many of those who sold their property at the first rise in value, later bought it back at a much higher value. Thus the former land owner who sold the original townsite of Claremont to the boomers bought back enough town lots from the boomers to pay for the cost of the entire townsite. It may be said that the fine-tooth comb of the boomer let no one escape.

Various schemes were used to attract the tenderfoot to a new tract. Circulars, handbills, booklets and lithographs of every description known to the printers' trade were utilized by every speculator. The daily newspaper was used to its fullest capacity. In fact, the Sunday newspapers could not carry all the advertisements. In many cases an entire page would contain but a single word printed in very large type. After a week a descriptive *ad*, would appear, saying that this word represented the name of a wonderful new tract or townsite. The advertisement would further inform the public that the new tract or townsite would be sold at auction at a certain date at which time free transportation would be provided. The following is an example of an advertisement taken from the Pasadena *Daily Union* for November the first, 1887: "Grand excursion and barbecue at La Manda Park. A genuine roast. Refreshments in a large tent, free to all. Band concert 10 A. M. to 4 P. M." The following appeared in the Los Angeles *Tribune* of January 12th, 1887: "Grand jubilee auction. Free excursion one o'clock. While the brass band discourses brilliant music, Weeks the New York Caterer will serve one of his inimitable and substantial lunches with California fruits and wines for desert. Lunch and music free as air."

The boom town of The Palms had a very striking advertisement, with a red rising sun in one corner. I gather the following from the daily papers of the time: "Magnolia. Keep your eye on it. Buy land in Los Angeles and wear diamonds. You will get fat at Rosecrans. Before you marry buy at Rosecrans." The following appeared in the San Bernardino *Times* in September, 1887: "Of all the booming booms in the booming city of San Bernardino, the boomiest boom is the boom in the Heart Tract, the garden spot of the Beautiful Base Line. Fourteen prizes aggregating \$16,000. First 30 lots, \$750; remainder, \$850. Buy now and make \$100." The brass band was perhaps the most popular method of advertising a new tract or townsite and it was used on every occasion. The brass band usually preceded the grand parade on the day a certain tract was to be sold at auction. The following is an account of one of these sales taken from the Los Angeles *Tribune*, April 24, 1887:

1. See Century Annals of San Bernardino County, by L. A. Ingersoll.

"Early risers were assailed by noises preceeding from the throats of wind instruments, together with bewildering sounds of trumpet and cymbal. What was it? A large wagon, carriage or omnibus containing a full brass band and decorated on all sides with immense banners bearing the inscription 'Gladstone.' These banners furthermore informed one that an excursion to the town of Gladstone and an auction sale of lots would take place that day. There was a howling, raging mob of dabblers and dealers in real estate entering in a hurry four cars, each decorated with a large Gladstone banner on either side. Each car was loaded with swarms of people, old and young, male and female, and not one of them was a respecter of persons other than themselves. Their only object in living was to get a mortgage on a seat. When crowded, the cars unceremoniously pulled out leaving many persons behind, who unless they hired conveyances bought no lots in Gladstone yesterday. Upon arrival in Gladstone lunch was served free while a brass band played music. After lunch the auction of the lots took place."

Fakes, frauds and stool pigeons of every sort were used during the excitement of the later frenzy by the speculators, which were engendered by professional promoters.¹ One of the most notable examples of this kind of promotion was Coronado Beach. The boomers spent \$35,000 in advertising the place and posted placards in every postoffice in the United States. When the day of the sale arrived there was an immense crowd of people present, but there were no bidders. At last one of the promoters stepped forward, pointed out a prominent judge in the audience and stated that the judge had made a bid of \$1200 for a lot. It was a bluff, but a spirited bidding resulted and many lots were immediately sold. But after a time there was a lull in the bidding and it looked after all that the sale would be a failure. Again a promoter stepped forward and stated that the company promised a million dollar hotel and other improvements on the site. This also was a bluff, but the sale went on like wildfire, and before the day was over \$100,000 worth of lots were sold or more than enough to pay for the entire beach. Afterwards over \$800,000 worth of lots were sold.

There were few cash sales during the boom. Most of the land was bought on contract, one-third or one-fourth down, balance in semi-annual payments, was a common method. Another method was a small payment down, balance in small monthly payments. The former method was often used by "syndicates" who bought up property for subdivision. It was commonly used in the sale of acreage. The latter method was used in the sale of lots. These contracts

1. See an interesting account in "Bursting of a Boom," by K. P. Vachell.

were seldom recorded, as they were often resold half a dozen times. Deeds to property were recorded at their full selling price value.

The surveying work in most of these townsites and additions was carefully done and a lot may be easily located in one of these abandoned townsites after a period of twenty-eight years.¹ A notable exception to this accurate measurement is that of Rosecrans. This townsite was located on the southern slope of Howard Summit, just opposite to the present town of Athens. In this instance the surveyer failed to plumb his stakes. In other words, he ran his chain along the slope. Instead of the purchaser getting a fifty foot lot as his deed states, he got a forty-nine foot lot. In some instances corner stakes to blocks only were set out.

Probably the worst feature of the boom was the dealing in options. A man would take an option on a piece of property worth thousands of dollars and tie it up for sixty or ninety days by the payment of a few dollars; the owner in the meantime having no recourse, although the property might have made a phenomenal rise meanwhile. These options were taken for purely speculative purposes and were often sold half a dozen times before the option expired. An option would be taken on a piece of property by a boomer who would then start a rumor of some contemplated improvement. When the excitement was at its height he usually sold the option at a few thousand dollars advance. In this way eastern speculators coming here with but a few dollars in their pockets soon blossomed out as financiers so successfully that they virtually became "millionaires for a day."² Three days after their arrival these eastern speculators knew more about the country (according to their own opinion) than the native son, and could show the prospective real estate buyer more ways of making quick and easy money than men who had spent their lives in the real estate business in Los Angeles. These fellows had just graduated from a school of real estate speculation and they therefore knew all the fine points of the game. They knew how to establish fictitious values. They knew how to boost prices. They knew how to attract the purchaser and make him feel that he was doing him a favor by selling him a lot.

One of the first tracts to be put upon the market was the Wolfskill Orchard Tract east of San Pedro Street. This land was covered with orange and walnut trees over forty years old, and was a famous grove in the early days of Los Angeles. Twenty acres of land was given to the Southern Pacific Railroad Company who built the Arcade Depot on the tract. The location of this depot

1. Eastern people still claim lots on some of the townsite abandoned by the Board of Supervisors twenty-five years ago.
2. See "Millionaires of a Day," by T. S. Van Dyke.

boomed the tract, and the lots near it sold as high as \$200 a front foot, while those lots a mile away in the river bottom sold for \$500 per lot.

One of the most important suburban tracts of boom days was the Electric Railway Homestead Association, Pico Heights Tract. This Tract consisted of 280 acres and lay between Ninth and Pico streets and west of Vermont Avenue. It was divided into 1210 lots. The buyers were very shrewd. Mr. J. R. Millard owned 20 acres of the most beautiful part of this land fronting on Pico Street, and his home was the show place of the tract. The company paid Mr. Millard a very high price for his land on condition that he buy secretly the remaining acreage. Mr. Millard bought the remaining acreage at a very low price. Lots were sold at a uniform price of \$290; \$10 down, \$10 a month. The company graded the streets, laid water pipe and built 110 houses ranging in price from \$600 to \$4000 as prizes to induce people to buy the lots. These houses were built in what was called the Hollow between Ninth and Eleventh streets. Drainage water from the western hills of the city ran through this part of the tract digging deep gulches through the property so that it was very difficult at times to find a place large enough to build a house. Some of the houses looked like miniature castles on the Rhine. The company also built an electric road to the tract, but for slowness in construction I think this road holds an international record. It was built without the aid of machinery other than pick and shovel. Of course the road was a failure. The company knew it would be a failure, but the building of the road served to sell the lots and thus accomplished its purpose. Meanwhile prospective buyers were taken to the tract in carriages where, under the influence of port wine, they saw the beauties of the tract and not the hollow. The drawing for these lots took the form of a lottery. Before a buyer was entitled to draw a lot he must pay in at least \$100. After the boom many of the lots were sold for taxes. A lot containing a \$600 house was sold for \$30, and another lot with a three-room house near Pico Street was sold for \$60.

There were many such tracts in and about Los Angeles which were put upon the market during the days of the boom. Some of them laid down wooden curbs and wooden sidewalks. Some were close in; others were at a great distance from the city.

I shall now note some sales and rises in prices which were characteristic of the period. My father bought 32 acres of land at the corner of Vernon and Central Avenues in 1883 for \$12,000 but was forced to sell the land in 1885 for \$8,500. In 1887 this property was sold for \$40,000 for subdivision. In 1915 100 feet of this same property was condemned for a library site for \$25,000.

1. Mr. W. H. Workman, as mayor of Los Angeles, was the first conductor on the road.

Mr. Luke bought 88 acres of land in the center of Hollywood in January, 1886, for \$100 per acre, but sold it in the fall of that year for \$110 per acre. In July, 1887, this same land sold for \$600 per acre. In 1886 Mr. Luke refused to pay \$11,000 for 25 acres on Seventh Street near Figueroa Street, but saw the property go above \$80,000 in 1887.

A man offered \$47,000 for the Herriford property at the corner of Fourth and Spring Streets in January, 1887: in February he offered \$53,000 for it; in April he offered \$70,000 and finally bought the property in July for \$84,000. Sixth and Main quoted at \$20 a foot in 1883 sold for \$800 per foot in 1887. Boyle Heights was bought by Mr. W. H. Workman in 1867 for \$5 and \$10 per acre. He developed water on the property and sold some of it as high as \$200 an acre in 1876. Later he presented part of Hollenbeck Park to the city. Lots in the best part of Boyle Heights which originally sold for \$150 went as high as \$10,000 during the boom. Boyle Heights was boomed by the location by the Santa Fe depot, the First Street viaduct; Mr. M. L. Weeks opening up of East Second Street, and his development of the adjoining property.

Acreage went skyward in boom times as well as city lots. In 1870 good land around Santa Ana could be bought for \$10 per acre, and good peat land at \$5 per acre. Mr. A. E. Davis refused to buy a ranch in Downey in 1886 for \$10,000, but the following year one-fourth of the ranch sold for that sum. Acreage around Glendora preempted from the government in 1877, sold for \$1000 per acre in 1887, while land bought for \$2.50 to \$15 per acre in 1879 sold for \$1500 per lot in 1887.

While there were many new townsites put upon the market very early, it was only when land began to rise rapidly in or near the city that these new townsites began to flourish. But it was in some of these new townsites that the most fictitious values were boosted. Rapid transportation in the way of electric or steam roads; magnificent hotels; colleges of applied sciences and manufacturing establishments were promised for the new town. If the new townsite was situated in a river wash or a stony canyon, the sand and boulders were boosted as building material and thus became an asset; if the townsite was situated out on the desert, it was boosted as a natural health resort and was advertised largely in eastern magazines; if the townsite was situated on a hillside, the view was boosted; if the townsite was situated in a swamp, as was the case of Ballona, a fictitious harbor was boosted. The location of many of these new townsites made very little difference; the buyers never expected to live in them. The new arrivals from the East bought a lot and lay in wait for the tourist of the next day to unload on him at an advance. It was all a mere matter of pure speculation.

Besides all the townsites looked equally beautiful from the artist's lithograph maps, with the majestic snow-clad mountains in the background and a magnificent seven-story tourist hotel surrounded by orange trees in the foreground.

It never dawned upon even the shrewdest, keenest and most far-sighted of these speculators, in the excitement of the real estate frenzy, to stop long enough to ascertain if there were any reason that a city should grow up where the boomers had located a new townsite, and it never dawned upon the sharpest of them to look far enough into the matter to see that the interests of commerce and the trend of population gave every reason why a new townsite should not grow up there for at least many years to come.

Azusa was one of the first townsites to be put upon the market, and although this townsite was situated upon the poorest part of Mr. Slauson's ranch and among the biggest boulders, the speculators thought they saw in it a rival to Los Angeles. Everything was done by the promoters to keep the maps of the property a secret until the day of the sale arrived, but in spite of odds, lot buyers stood in line for two days and two nights waiting for the hour when the sale would begin. High prices were offered for choice places in line. The lots went with a rush, for during the first two months \$1,175,000 worth of lots were sold.

Rosecrans was situated on a gentle slope midway between Los Angeles and Gardena. Three thousand lots were put upon the market at \$50 each. Later the company constructed a narrow gauge railroad to the townsite, built a hotel and twenty-four prize houses. With these improvements, the price of lots was advanced to \$240. They got the crowds, I know, for I rode down there myself one Sunday on a flat car crowded to its fullest capacity.

St. James, situated in Orange County, sold with a rush, and on the opening day the cash sales were \$8,000.

San Juan by the Sea was the first town whose lots were sold by the aid of the telephone from Riverside, Santa Ana and Los Angeles.

The townsite of Sunset was situated northwest of the present town of Beverly. It was boomed by the location of the National Soldiers' Home. The boomers built a hotel and made other improvements, but they started too late, and in spite of their earnest efforts the town was a failure. The beautiful hotel was used to store hay until it burned down.

Ontario and North Ontario (Magnolia) were boomed about the same time. Euclid Avenue running through these towns was planned to be 200 feet wide with seven high electric light masts and water pipes. An electric railway was promised, but a horse car was furnished in which the horses pulled the car up the hill, but both

the horses and the car rode down the hill by gravity. Water for irrigation was developed from the San Antonio canyon. Chaffey Brothers bought 8,000 acres of this land in 1883 for \$12 an acre. With the development of water they promoted a model colony. They were very successful and exhibited a plan of the colony at the St. Louis Exposition later. In 1886 they sold the land for \$150 an acre; also giving \$100,000 for the foundation of an agricultural college. Magnolia was advertised as a model town, as each deed contained a provision for the non-sale of liquors. Lots were sold at \$100 and \$150. Lots worth \$50,775 were sold the first day.

Long Beach was originally called Willmore City. Mr. Willmore planned a moral town there, and the deeds for these lots also contained provisions for the non-sale of liquor. During the boom a syndicate headed by Mr. Pomeroy bought 4,000 acres, comprising the best part of the location from Mr. Bixby for \$260,000. The syndicate built a railroad and called the town Long Beach. They sold over \$500,000 worth of lots, from \$50 to \$250 each. Many of these lots were resold over and over again. Long Beach real estate offices were the first places of business to open in the morning, and the last to close at night. Many people went down to Long Beach to attend the Chautauqua Assembly and spent their time gambling in city lots. One man is reported to have made \$5,000 in two weeks.

Pasadena was originally a sheep ranch and considered a very poor one at that. As early as 1853, 13,600 acres were sold for \$8,000, and in 1862, 640 acres were sold for \$500, and 262 acres of the best part were sold for \$1,000. In the early seventies a large part of Pasadena was settled by the Orange Growers Association under the name of the Indiana Colony. Wilson and Griffin sold land there in the late 70's for \$50 an acre, thinking they robbed their "Yankee" buyers. As late as 1880 Pasadena had but a general store and a post-office with a two-seated stage running twice a week to Los Angeles. In this year the 3000-acre tract was divided into five-acre lots and sold at \$50 and \$60 each. The same year a man bought 20 acres on California Street, north of Marengo, for \$2,000. The best lots east of Fair Oaks and south of Colorado Street sold for \$45, while the best corners sold for \$60. In 1883 Captain Wakeley bought some of the best land in Pasadena for \$100 an acre. In 1885 the Groton Tract at the corner of Villa and Lake was bought for \$2,000, or \$25 an acre. There was very little sale for land around Altadena because of the lack of water. Land worth \$2,500 today was sold then for \$15 per acre. A man owned ten acres at the northeast corner of Fair Oaks and Colorado Streets and in 1882 he traded three acres of it for a mule team worth about \$100. About this time Othra bought a piece of land 300 feet by 660 feet at the northwest corner of Fair Oaks and

Colorado Streets for \$10 a foot. During the boom this land sold for \$1,000 a foot. With the coming of the first railroad the population of Pasadena doubled. With the coming of each successive railroad its population doubled, until the coming of the Pacific Electric, when its population trebled.

The rise in price of Monrovia lots was the most phenomenal of any boom town. Mr. Munroe cleared away the sage brush and built a home there in 1885. The first lots were put upon the market in May, 1886, and sold from \$100 to \$150 a piece. Mr. Munroe sold lots much cheaper than surrounding property was sold on condition that substantial improvements would follow. They did follow. In 1887 \$8,000 was offered for a lot bought the year before for \$150, while \$10,000 was the selling price of two other lots. A lot bought for \$5,400 was sold in five months for \$12,500. A lot 100 feet by 150 feet bought for \$3,500 was sold in thirteen months for \$13,500. A lot bought for \$1,300 was sold in three weeks for \$4,000. Another lot bought for \$5,500 sold ten days later for \$16,000. Acreage which went begging in 1885 at \$300 sold readily in 1887 for \$3,000.

One of the biggest failures of boom days was the town of Gladstone. The following advertisement concerning the town ran for some time in the *Tribune*, beginning April 16, 1887: "Gladstone, the heart of the Azusa, in the midst of the choicest orange groves and vineyards of that delightful section and in the natural center of trade and travel. It possesses the most perfect climate in California and commands a view of the entire San Gabriel Valley, one of the grandest in the world. The purchase of the town of Gladstone embraces the property of nineteen owners and comprises 525 acres of the most beautiful land the sun ever shone upon. It will be laid out in residence and business lots and five and ten-acre tracts, and sold at a fixed schedule of prices, which will be reasonable and liberal. All streets will be graded and water is plentiful and abundant and will be piped to every lot. Citrus Avenue, 88 feet wide, extends from the mountains to Covina, a distance of nine miles. The lot in the center will be reserved for the First National Bank of Gladstone, which will be built of solid granite. A newspaper will be established at once and stores and blocks erected. The founders of Gladstone own extensive marble quarries near at hand from which extensive quarries will come handsome building stone in large quantities. Marble and granite will be extensively used. We own a valuable water power furnished from a fall 200 feet high, which will be used in generating electricity for the street lights and the electric lights of Gladstone. Hinda Villa hotel now open. Water supply constant from the San Gabriel River. Gladstone is located on two lines of transcontinental railroad, both of which cross the lands of the company."

Gladstone became famous because its promoter was a newspaper man, who had been very successful in the promotion of "Broad Acres." A man by the name of Hoshekel bought the land in Gladstone in 1882 at \$150 an acre. Mr. Boyce and his associates contracted to pay \$372,661 for the land in 1887, an exorbitant figure. The lots were held at too high a figure even for boom times. The auction sale took place according to schedule, but few lots were sold. The methods and absurdities were then exposed by the *Times*, and no lots were sold thereafter. The company failed to meet its payments; the mortgages were foreclosed and most of the houses were moved to Azusa.

The boom reached its climax in July, 1887, when the real estate transfers mounted to \$11,930,000. From this time on there was a constant decline with the exception of the month of September, but this was just the fulfillment of some contracts already made. There were many causes which led to the culmination of the boom, and not the least of these was the attitude of the banks. When the first signs of inflation began as far back as 1885, the banks held three and one-half million dollars, of which two and one-half was loaned out, and one and three-fourths millions was carried in cash. With the advent of the boom the deposits increased to five and one-half millions in July, and eight millions in January, 1887. The highest point in the volume of bank deposits was reached near the end of 1887, when the amount was twelve millions of dollars. As might be expected, the loans increased as the volume of deposits increased, but with a constantly increasing margin of safety. Whereas in July, 1885, the loans constituted 80 per cent of the deposits, in January, 1887, they constituted but 62½ per cent. From this time on the margin of safety was constantly increased. No loans were made on outside property except on its original farm value (improvements were not taken into consideration) and later no loans were made on outside property at all. Led by the Farmers and Merchants Bank, the other banks became more and more conservative. As obligations became due all kinds of collateral was offered as security, but the rate of interest constantly rose and money became harder and harder to obtain. Even on city property, except on its original value before the beginning of inflation. By July the loans by the bank were 43 per cent of their deposits, and in January, 1888, the loans were but 28 per cent of the deposits. Meanwhile the paid-up capital and reserve funds of the banks had doubled. The banks loaned no money on doubtful property and were guilty of no speculation, so when the test came and a "run" on the banks was started, they were ready to meet all obligations and not a bank failed.

This conservative action of the banks created a great scarcity

in the money market. Obligations became due, so every one became a seller. The result was that property depreciated in value very rapidly. All values had been merely fictitious. Los Angeles had scarcely any industries in those days. There were no paved streets, no adequate sewerage, no proper schools, hotels, or lighting facilities. There could be no permanent prosperity by the rich coming here and laying out townsites, and building hotels without really producing anything. The speculators made the grievous mistake and were carried away with the idea that buying and selling lots and acreage at fictitious values would promote their welfare. This was an economic mistake. As population increases the country must produce more than it consumes and send the surplus abroad if permanent prosperity is desired. The boomers expected a great rush of tourists during the winter of 1887 and 1888, but the tourists failed to arrive. It is a fact that the tourists became disgusted by the filthy conditions existing in Los Angeles and they went elsewhere to enjoy our climate and to spend their money. January and February which should, under ordinary conditions, have shown an increase in the volume of business, actually showed a decrease. With the non-arrival of the winter tourists real estate became more and more a "drug" on the market. There was little money to be made in speculation and the land shark (those of them who did not land in the penitentiary) sought other feeding grounds in Washington and Arizona. Many other good people thinking that Los Angeles had fallen to rise no more also left the city, so that the population which was conservatively estimated at 80,000 in 1887, decreased to 50,000 in 1890.

A fairly correct idea of the condition of things at the close of the boom may be gained by the late Mr. A. E. Davis, supervisor from the Fourth Supervisorial District of Los Angeles County, in his application before the State Board of Equalization for a reduction of the assessment for the year 1889. Mr. Davis stated: "The figures of the county assessor are \$14,000,000 less than in 1888, yet property is assessed far above its value. Everything has been wrecked by the boom and financial men have gone down by the hundreds." Mr. Davis gave the location of large tracts of alkali lands which are assessed for \$40 to \$60 per acre, which are suitable only for the home of the horned toad and jack rabbit. Many of these tracts, however, had been subdivided into town lots and sold at fabulous prices, but were now abandoned by their purchasers. Mr. Davis produced a document giving the history of sixty paper towns in all portions of the county, comprising 79,350 town lots listed with the assessor, and these sixty towns and lots had 2,351 inhabitants. These statistics were compiled by V. J. Rowan, a surveyor of the Fourth district, and he took only towns laid out

since January, 1887. Thousands of dollars had been spent on churches, hotels, factories and colleges which were now abandoned. Mr. Davis got a reduction of 25 per cent from the State Board of Equalization.

During the reaction which followed the boom every opportunity was given the honest and well-meaning investor to meet his obligations. Extensions of time and compromises were granted freely. Those who were not too heavily overloaded thus met their obligations, though many times after heavy losses. Very few cases are on record where a deficiency judgment was taken. Those who had kept aloof from speculation went right on as before the boom. The Board of Supervisors vacated the "paper cities" so that those who had invested recklessly plowed up their "paper townsites, sowed them in grain and used the hotels as hay barns. These fellows were sadder (and it is to be hoped) wiser for their experience, for more economic methods of living were practiced thereafter, with greater effort to develop the resources of the country.

For, after all, the great real estate boom of 1887 was not built wholly on air. It was run to mania to be sure. It must be remembered that the frontier town of 1885, with its business at the Temple Block, was transformed into a flourishing city in 1889. From the climate and soil of this country of ours sprang the foundation structure which has been built up so solidly that it will endure. Our real estate boomers went a little bit faster than the country, that was all. Those investors who were able to hold their property have long ago recovered from any evil effects of the boom. Real estate is very much higher today than the highest boom prices. Our intrinsic resources have sustained us through the reaction which followed the wildest real estate excitement which ever attended the building of any American city.

Early in 1889 a group of Chicago capitalists arrived in this city, among them Mr. T. D. Stimson, who built a splendid block at the corner of Third and Spring Streets. This restored confidence in the city and attracted capital once more. It was the dawn of a brighter day.