



Is Outer Space the Next Investment Bubble?

Description

Some business parks have immense green spaces. Others have luxurious views of mountains and manmade lakes. But by the end of the 2020s one business park could top them all: Blue Origin's business park in space.

Yes, the Jeff Bezos-owned company could be the first to build a commercial station that orbits the earth. It may sound like sci-fi fantasy. But Blue Orbit claims the mixed-use business park, named Orbital Reef, could be operational as soon as the second half of this decade.

Blue Origin, which has tossed icons from Jeff Bezos to William Shatner into orbit, is hardly the first company to release plans for interstellar commercialism. Virgin Galactic wants to send paying customers into space. SpaceX (Elon Musk's company) wants to send them to the moon. And Orion Span wants to build the first ever space hotel.

For those of us who grew up with *Star Wars* and *Star Trek*, the development of space tourism is exciting. But it might be a little *too* exciting. Our dreams of seeing earth from a shuttle's cockpit may be building up an investor's old foe: the bubble.

Bubbles 101

Recall that a bubble, in financial speak, is a situation in which an asset exceeds its value by an unsustainable amount. In the same way that bubbles grow, despite the fact that growth precipitates their explosion, certain assets write their own death wish by gaining a value they don't fundamentally deserve.

Housing markets have bubbles, as do stocks. An entire market could have a bubble, as we saw in the dotcom bubble a few decades ago.

Bubbles often follow predictable patterns, though they're hard to discern in the moment. They have a period of starry-eyed enthusiasm, in which investors are enamoured by a new asset, be it technology or property. Investors flock to this new asset, pouring more and more money into it, until the prices

skyrocket. Valuations are thrown out the window, and greed begins to take over. Finally, astute investors realize what's happening, positions are sold, and eventually a herd of investors follow. The asset takes a major plunge, and those who didn't sell begin to lose a lot of money.

Space travel: The next bubble?

Now let's bring this back to space investments.

Space fits all the prerequisites of a bubble. We have a new asset — space — and we have new technology that can get us there. We have a pool of investors enamoured with the concept of space travel. And we have money pouring into various space projects.

But, if we take a step back, we can see the bubble already has hairline cracks.

For one, space travel is available to an exclusive pool of customers: billionaires. While that's not a terrible customer base to have, the problem lies with the growth of space travel companies. With more and more private companies launching people into space, the customer pool will spread thin. At that point, it will be difficult, if not downright impossible, for these companies to turn a profit long term.

Secondly, space travel is *expensive*. It's expensive for private customers, and it's expensive for space travel companies. Space shuttles can't seat more than a handful of space travelers at a time, and unless companies can figure out how to send "thousands" into space (which is literally what Virgin Galactic wants to do), their growth may easily plateau.

Finally, the whole idea of space tourism is still largely underdeveloped. And I don't mean economically underdeveloped, which would justify investments. I mean we still don't know if this idea is going to catch on. Life on earth is already complicated enough. The climate is changing, the perceived divide between rich and poor is deepening, and we're still reeling from a pandemic.

Like space itself, space travel investments may be both entirely vast and completely devoid of substance.

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