Be Cautious of Some Real Estate Markets in the USA
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We/I must profess that we are not familiar with the markets in the USA generally though we do track its economy and some of the markets there for analytical and benchmarking purposes. Recently, based on published sources including information and data seen in the internet, there may be a need for caution. A few reasons as follows:

(A) **Money to buy / own real estate may come from / depend on the stock market**: there seems to be two camps of view on the stock market; one is saying it has not reached its full potential while the more traditional analyses suggest over-evaluation. We do not know who is going to get it right. If the latter is true, however, then any downturn in the stock market will affect the real estate market, and perhaps significantly because some may be forced to unload their real estate as the source of its financial support, i.e. the value of the stocks, would have been gone / reduced. As almost half the population owns stocks in one form or another, the chain reaction can be widespread if this happens.

(B) **People generally save very little (in cash)**: there seems to be an increasing trend toward treating stock / bond investments as "savings" and there were reports that the population overall has been over-spending i.e. spending > earning. Assuming that retirees save a higher % of cash savings than the others, this may imply the "others" collectively may be overspending at an even higher (than average) level. Since it is the young / middle-aged (i.e. being a significant portion of the "others") who would have home mortgages and so on, any economic downturn / reduced income prospect would have immensely adverse effect on family finance and eventually home prices (forced sale or even foreclosure). Overspending = credit card debts simply will add to the burden.

(C) **Salaries have not risen that much overall**: apart from people involved in the internet / high tech / finance / stock businesses, most other professions and industries have not experienced significant increases in earnings (though with low inflation / generally cheaper goods and services = some real gains). Still, some real estate markets / sectors have seen more than huge recoveries (on the last real estate downturn in late 80s / early 90s). Naturally, the new millionaires / billionaires might have contributed their part yet it is speculated that despite the nominal income has not risen much, financial confidence is back and thereby people have become more willing to buy and even pay more. Should there be a downturn, or even just the emergence of a more pessimistic outlook, such confidence may evaporate quickly.

Generally, from a "fundamentals" (low unemployment, low interest rates, abundant liquidity, good economic performance and so on) viewpoint, there is some support for real estate and not all markets deserve the same level of caution. However, maybe it is the fundamentals in some markets that may require scrutiny as they influence and interact with one another.

Comparative Real Estate Global Indexes (Cregis) for the 3rd quarter 1999 (+/-2ndQ99):
1. Toronto = around 1.85 units for 1 counterpart Hong Kong residential unit (-2.60%)
2. San Francisco = around 0.97 units for 1 counterpart Hong Kong residential unit (-3%)