Short, Medium and Long Term Residential Views
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(A) **Short Term (say 12 months from now)** : Down from the current levels **IF** some of the regional / global factors such as the USA economy go sour. Should these not occur, prices may actually go up further due to improved local "sentiment". The current relatively stable market condition was the result of both market interaction and government measures which in part had prevented the market from under-shooting itself.

(B) **Medium Term (say 5 years from now)** : Up from current levels. Whether the market recovers partly or even exceeds the last peak is another question. This assumes even if there are to be more crises to come, they are not of a magnitude which would wrack things up so bad that recovery would be impossible in the foreseeable future. If the matured western economies, and in particular North America and the United Kingdom, could pull themselves from their recession in the late 1980s and early 1990s, Hong Kong which in many aspects resembles their then circumstances, should be able to do so as well. Some say Hong Kong may experience what Japan is experiencing today, i.e. a prolonged downturn, yet we do not share that view because Hong Kong has a different set of economic structure, business philosophy and social culture. If Hong Kong was to stay flat, it would be due to other reasons.

(C) **Long Term (say 15 years from now)** : Down from the 1997 **peak** levels in real terms as the last peak was the result of a very favorable set of factors such as abundant liquidity, low interest rates, perceived limited supply and the baby-boomers reaching their prime (in terms of earning power and so on) and wanting to buy a home. It will be not easy to have such a combination in future. Moreover, as the society matures, proportionally more money will be spent on consumption of services including old-age related ones, and less money may be left for investment (of any kind) though in total nominal terms both sums may have grown larger. This may lead to a gradual yet significant change in the tax base, structure and philosophy, i.e. probably a wider tax base and higher taxes collectively, which in turn may directly or indirectly affect the required yield for and asset price of future real estate. A 15-Year period is chosen because while one biological generation is around 30 years, one investment generation is approximately 15 years. For instance, a typical young person aged 25 wants to invest (aggressively) but has little to invest with. A person aged 55 will have some savings yet is likely to be conservative (and in most cases rightly so). It is usually those in their late 30s and early 40s (say 40 being the average age +/- 5) who have both the money and the "interest" to invest. No matter how "long term" one is, such a term should not exceed 15 years (max) because even in a total loss, the person will still have another 15 years or so to recover / save up again.