<u>GAMES PEOPLE PLAY: AMERICAN REAL ESTATE</u>

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"Home is the nicest word there is." Laura Ingalls Wilder, author of the "Little House" books, which inspired the famed television show, "Little House on the Prairie"

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OVERVIEW AND CONCLUSION

The United States real estate marketplace played a significant role in the worldwide economic disaster that erupted in mid-2007 and accelerated in 2008. That dreadful time and its consequences probably are not a distant memory within the perspectives of key central bankers and at least some politicians. Otherwise, the Federal Reserve Board, European Central Bank, Bank of England, Bank of Japan, and other monetary gatekeepers would not have sustained various highly accommodative schemes for over seven years. Though international growth resumed around mid-2009, it generally has been erratic and modest. Despite unwavering devotion to their mandates, these sheriffs thus far have not delivered sufficient inflation relative to benchmarks such as the consumer price index. Although headline unemployment measures have plummeted in the United States, they remain fairly high in some nations.

The United States of course is not the whole world and American consumers do not represent the country's entire economy. Yet because the US is a crucial player in the interconnected global economic (and political) theater, and because US consumer spending represents a majority of US GDP, the state of affairs for the US consumer has international consequences. Consumers represent about 68.3 percent of America's GDP (2015 personal consumption expenditures relative to GDP; Federal Reserve Board, "Flow of Funds", Z.1; 6/9/16). The household balance sheet level and trend (net worth) is an important variable in this scene. Although stock marketplace and real estate values matter a great deal to others (such as corporations and governments) beyond the "person on the street", they are quite important to US household net worth and thus behavior (including spending patterns) and expectations (hopes) regarding the future.

Thus although US household net worth is not an explicit part of the Federal Reserve's interpretation of its mandate (promoting maximum employment, stable prices, and moderate long-term interest rates) and related policy actions, it is very relevant to them. So therefore are stock marketplace and real estate values and trends. Home ownership is an important dimension of the ideology of the American Dream. Rising home and increasing stock marketplace prices to some extent bolster faith that the American Dream "in general" (as a whole) is succeeding. And what happens to American real estate still matters a great deal for the global economy.

Sustained yield repression and quantitative easing (money printing) by the Fed and its playmates not only have helped the S+P 500 and many other stock signposts to soar through the roof. These programs (assisted to some extent by deficit spending programs) also repaired much of the damage to America's real estate landscape. Let's survey the US real estate marketplace in this context, concentrating primarily on the consumer housing sector.

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The dutiful Fed reviews assorted factors related to personal consumption expenditure (consumer price) inflation and other aspects of its mandate. Consumer price or personal consumption expenditure inflation targets of around two percent matter to the Fed and other central bank

sheriffs. Yet sufficient (too low; too high) inflation (as well as deflation) can occur in other realms, including stocks and real estate.

Combine the monumental recovery in US real estate values with the towering rise in the value of stock marketplace assets. Although these are not the only parts of or phenomena influencing the US household balance sheet, current real estate and stock marketplace (particularly note the S+P 500) levels and trends appear more than adequate to justify a less accommodative Fed monetary policy. And US housing trends (including the rental situation) probably are placing substantial upward pressure on key consumer price benchmarks.

Recall the glorious American real estate spectacle before the mournful crash of the worldwide economic disaster. Although that Goldilocks Era for US real estate belongs to the past, the current housing situation recalls it.

The dovish Fed nevertheless will be cautious regarding boosts in the Federal Funds rate. Like other members of the global establishment (elites), it does not want populists (whether left wing or right wing; such as Donald Trump) to win power. To some extent, sustained substantial slumps in stocks and real estate prices tend to encourage populist enthusiasm. The Fed and its allies battle to avoid a sharp downturn in the S+P 500 or housing prices. The Fed meets 9/20-21, 11/1-2, and 12/13-14/16. The US Election Day is November 8. See "'Populism' and Central Banks" (7/12/16) and "Ticking Clocks: US Financial Marketplaces" (8/8/16).

HOME ON THE RANGE: CONSUMER CONFIDENCE

"Oh, a storm is threat'ning
My very life today
If I don't get some shelter
Oh yeah, I'm gonna fade away." The Rolling Stones, "Gimme Shelter"

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Consumer confidence derives from and shifts due to assorted interrelated factors. US consumer confidence (Conference Board) reached a floor at 25.3 in February 2009, adjacent to 3/6/09's S+P 500 major bottom at 667. US real GDP increased since first half 2009. Confidence rebounded. Highs since 2009's depth are January 2015's 103.8 and September 2015's 102.6, far above the 2009 trough but still below the summit of the Goldilocks economy, July 2007's 111.9. In July 2016, it stood at 97.3 (next release 8/30/16).

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A reduction in America's high unemployment rate likely assisted gains in consumer confidence from the February 2009 low. The July 2016 headline unemployment rate was 4.9pc (Bureau of Labor Statistics; recent low 4.7pc in May 2016), well under October 2009's 10.0pc plateau. However, not all is sunny on the labor front. The civilian labor force participation rate was 66.4pc in December 2006, above July 2016's 62.8pc. The 59.7 employment/population ratio in July 2016, though up from July 2011's 58.2, remains well beneath December 2006's 63.4.

Yet overall US household income levels and trends have not been stellar. In fact, US household income levels in real terms declined significantly after the Goldilocks Era ceased (US Census Bureau, "Income and Poverty in the United States: 2014", Table A1; September 2015, next release scheduled for 9/13/16). Median household income as of 2014 (the most recent data) is about 6.5 percent under the 2007 high (and up only slightly from the 2011 low). And the 2007

level is about unchanged relative to that prevailing in 1999/2000. Mean income figures display a similar though less severe situation, with 2014's elevation about 3.1pc beneath 2006's peak. Current overall US median household income probably remains under 2007's. Real average hourly earnings rose .4pc in July 2016 relative to June 2016, and increased 1.7pc year-on-year (Bureau of Labor Statistics).

Although inflation indicated via leading lights such as the Consumer Price Index and personal consumption expenditures are low, even low levels likely upset consumers with average or paltry incomes.

Though US federal budget deficits have subsided, they have not disappeared; long-run debt problems for the fiscal framework loom. But such deficit and debt matters at present probably do not worry most households very much. However, the ongoing federal legislative divisions and gridlock in various subject-matters probably injure consumer confidence. To some extent, populism's popularity reflect widespread dismay with (lack of confidence in) the current political establishment and its leadership.

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Given the mixed picture from contending indicators such as employment, income, and politics, the restoration of and big gains in overall US household net worth, substantially generated by the rallies in stock and housing prices, very probably played a major role in the rebound of consumer confidence since February 2009. Thus the Federal Reserve and the economic and political establishment (elites) and their foreign allies do not want to significantly endanger strength in the S+P 500 (and related stock marketplaces) and in America's real estate playground.

Admittedly, fierce inequality debates and the rise and persistence of populism underline that not all consumers shared equally in the current prosperity suggested by household net worth statistics and stock and real estate trends.

THE US CONSUMER BALANCE SHEET

"What You Own", a song from the musical "Rent" (by Jonathan Larson), declares: "You're living in America at the end of the millennium- you're living in America, where it's like the twilight zone."

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The worldwide economic crisis badly damaged United States household net worth. The loss totaled about $13.1 trillion from the $67.7 trillion high in third quarter 2007 to end first quarter 2009's $54.6 trillion (dollars in nominal terms; Federal Reserve Board, "Flow of Funds", Z.1, Tables B.101 and B.101.e, data through end 1Q16; 6/9/16, next release 9/16/16. Statistics include nonprofit organizations). This shattering 19.4 percent net worth collapse equaled 91.0 percent of full year 2009 nominal GDP of about $14.4tr. US nominal GDP in 2009 actually fell from 2008's $14.7tr, undoubtedly horrifying the Fed and most other economic and political participants and observers.

By end 2012, net worth was $69.6tr, just over 3Q07's level. And by the close of 2014, it reached $84.2tr. So by end 1Q16, household net worth obviously had not only been rebuilt, but also substantially expanded, reaching almost $88.1 trillion; this surpassed 3Q07 net worth total by 30.1pc. As inequality debates indicate, not all US households benefited equally from the boost in

net worth in recent years. Nominal 2Q16 GDP of about $18.4 trillion (annualized; Bureau of Economic Analysis, Table 3; 8/26/16) flies about 27.8pc over the calendar 2009 trough.

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A substantial portion of the net worth descent after the end of the Goldilocks Era and its subsequent climb from the basement derives from stock marketplace price adventures. At end 2Q07, American households held about $10.9 trillion in stocks; by end 1Q09, they tumbled $6.1tr to $4.8tr (Z.1). Values eventually soared above 2007's ceiling, reaching $14.7 at end 1Q15, about 34.9 percent over the end 2Q07 height. The various churches of stock investors loudly praised the bull move. Though end 1Q16 corporate equities stood at $13.9tr, the rally in recent months probably has carried stock marketplace net worth up to or even above end 1Q15's total.

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Open another door and look at household real estate within the Fed's Flow of Funds statistics. At its 1Q06 peak during the blessed Goldilocks Era, owner's equity in household real estate was about $13.3 trillion (59.0 percent of real estate asset value). By end 1Q09, owner's equity had rotted away 52.9pc to a value of just over $6.2tr (37.1pc of household real estate asset value). By end 1Q16, household real estate equity nearly had walked up to about $13.0tr (57.8pc of the asset value), nearly retracing its tumble from its magnificent 2006 pinnacle.

Incidentally, relative to the preceding long run history, 1Q06's 59.0pc owner's equity level was not lofty. Compare the 71.0pc at end 1960, 67.3pc at end 1970 and 68.5pc at end 1980. End 2000 was 60.6pc. The decline in the decades prior to 1Q06 probably partly reflected growing consumer willingness to embrace debt.

For the six years 2002-07, household mortgage borrowing averaged about $883 billion ($1053bb in 2005 and $998bb in 2006 were the highs). In 2010-12, net borrowing fell about $107bb per year (repayments occurred). Mortgage borrowing over the past four quarters rose to about $177bb (seasonally adjusted annual rate; 1Q16 is the most recent data, Z.1, Table D.2). Household home mortgage debt outstanding reached a summit of about $10.7 trillion in 1Q08. In the financial crisis and aftermath, it slumped about 12.1 percent, reaching a low of about $9.4tr in 1Q15. The 1Q16 $9.5tr level edges up about 1.5pc from 1Q15's depth (Table D.3).

Survey the NY Fed's "Quarterly Report on Household Debt and Credit" (August 2016). Rates of substantial delinquency (say 90 or more days late) have dived significantly from their peaks of several years ago; a graph for mortgages 90 or more days delinquent suggests a fall in the past six years or so from about nine percent to about two percent. Nevertheless, elevated total household indebtedness and widespread populist rhetoric indicate that arguably overall debt remains burdensome for numerous consumers. At end 2Q16, total household indebtedness was $12.3 trillion. Though 3.1pc beneath 3Q2008's $12.7tr peak, it now stands 10.2pc above the 2Q13 trough. Mortgage balances are the largest part (about 68.0pc) of household debt; at end 2Q16, they were about $8.4 trillion.

HOME ON THE RANGE

In Nathaniel Hawthorne's novel, "The House of the Seven Gables", a character asks: "Shall we never, never get rid of this Past?...It lies upon the Present like a giant's dead body!" (Chapter 12)

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An appraisal of other American real estate indicators on balance reveals a strong marketplace. However, a few bearish flags have begun to wave.

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In dramatic contrast to the low inflation measured by personal consumption expenditures, consumer prices, and wages, the asset price "inflation" of the US real estate parlor (like that in American stocks), has been considerable. United States home prices no longer remain decrepit relative to the pinnacle achieved before the worldwide financial disaster. As they did for the S+P 500, the pillars of sustained low interest rate (yield repression) and money printing built by the beloved Fed watchdog and other teams of trusty foreign central bankers supported a sharp housing price rally. Recall that the blueprint for Fed's quantitative easing program included purchasing not only Treasury securities, but also mortgage-related securities. The Fed's ravenous buying spree helped to slash yields.

The Fed Funds target has remained near the ground floor since December 2008. The range sat from zero to only .25 percent until the cautious Fed inched it up to .25-.50pc. Rates for conventional 30 year fixed rate first mortgages withered from their Goldilocks Era peaks (6.76pc in July 2006 and 6.70pc in July 2007), with July 2016's 3.44pc near November 2012's 3.35pc post-crisis bottom. The 3.35pc level is the lowest for data stretching back to 1971 (Fed H.15, using Freddie Mac data).

The S&P CoreLogic Case-Shiller 20-city composite housing index stood at 188.3 in May 2016 (not seasonally adjusted; 7/26/16; next report 8/30/16). May 2016's level lurks about 8.8pc beneath the index's peak achieved about ten years ago during the marvelous Goldilocks Era, July 2006's 206.5 (which occurred about 15 months before the S+P 500's 10/11/07 major high at 1576) Case-Shiller's May 2016 level spikes about 40.4 percent from March 2012's 134.1 low (attained three years after the S+P 500's March 2009 major bottom).

The Federal Housing Finance Agency's purchase-only House Price Index in 2Q16 rose 1.2pc versus 1Q16 and jumped 5.6pc year-on-year (seasonally adjusted; 8/24/16). The FHFA index low was 179.5 in March 2011. Its 234.8 June 2016 level soars 30.8pc above that dismal depth and even exceeds March 2007's prior plateau of 226.7.

The National Association of Home Builders/Wells Fargo Housing Market Index (single family houses) was hammered down during the dark days of the real estate marketplace crash, reaching 8 in January 2009 (not long before the S+P 500's March 2009 major low). Compare June 2005's apex at 72. As America's economic recovery marched ahead, it rose steadily from April 2012's still-low 24 height, attaining a high of 65 in October 2015. August 2016, at 60, neighbors October's level.

National Association of Realtors ("NAR") data reveal the July 2016 median price (not seasonally adjusted) for existing homes rose 5.3 percent year-on-year, although it slipped 1.4pc versus June 2016 (8/24/16). The National Association of Realtors' "Confidence Index" for current conditions regarding single family homes was 71 in July 2016 (down from but still bordering June 2016's 74), far up from around 20 in late 2008 and 2010.

The NAR reported that July 2016 sales of existing single-family homes (seasonally adjusted annual rate) fell 3.2 percent versus June 2016 and were 1.6pc less than in July 2015. It stated that the July 2016 sales drop, despite low mortgage interest rates, reflected "severely restrained inventory and the tightening grip it's putting on affordability".

According to NAR, there were 2.1 million homes (4.7 months of supply) at end July 2016. The recent low was December 2015's 1.8mm (3.9 months of supply). The NAR's composite Housing

Affordability Index averaged 176.9 in 2013, 165.8 in 2014, and 163.9 in 2015. Compare the low near 100 in July 2006 during the housing boom of a decade ago. At its recent high in February 2016, the Affordability Index hovered at 173.8; however, June 2015's 153.3 falls 11.8pc from this.

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The substantial reduction in overhanging distressed property inventory built up as a result of the 2007-09 housing crisis and its aftermath interrelates with the significant rally in US housing prices that began (depending on the price index) around 1Q11/1Q12. The National Association of Realtors' "Confidence Index" (8/24/16) underscores that distressed property sales (foreclosures plus short sales) in July 2016 were merely five percent of sales (and only seven pc in July 2015), whereas they were between one-third to one-half of sales until 2012.

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What about the yardstick of US new single family home sales? The 654,000 in July 2016 motored 12.7pc higher versus June 2016 and 31.3pc over July 2015 (seasonally adjusted annual rate; US Census Bureau, 8/23/16). Though still beneath 2005's 1,283m barrier, they dwarf 2011's 306m and hurdle over 2015's 501m. The median US new home sales price in July 2016 (not seasonally adjusted), however, of about $295,000 dropped from April 2016's $321.3m and was about the same as July 2015's $296m. New home inventories represented 4.3 months of supply (seasonally adjusted), down from July 2015's 5.2 months. Compare January 2009's 12.2 months and May 2010's 9.3 months.

New privately-owned housing starts increased 2.1pc in July 2016 relative to June 2016 and 5.6 percent versus July 2015 (seasonally adjusted annual rate; Census Bureau, 8/16/16).

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The US homeownership rate was 63.1pc (seasonally adjusted) in 2Q16. The high from 1995 to the present is 2Q04's 69.4pc, with the level having eroded from 3Q06's 68.9pc (Census Bureau, Department of Commerce; "Residential Vacancies and Homeownership", Table 4SA, 7/28/16; next release on 10/27/16 covers 3Q16). The extent to which this decline reflects homes being too expensive relative to average household income levels, demographic factors, and other variables generates debate.

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A recent NYTimes headline happily shouts "The Housing Market Is Finally Starting to Look Healthy" ("Business Day", 8/24/16, ppB1-2). Yet as during the joyous Goldilocks Era, real estate cheerleaders nevertheless should monitor credit standards and lending practices.

Buried within the IMF's 2016 Article IV Consultation with the United States (7/12/16, section 10, p14) is an interesting graph and comment. The IMF weathervane states: "Housing market policies, including expanded lending by the Federal Housing Administration, are, however, leading to looser underwriting standards which could, over time, worsen the credit quality of mortgages."

See the NYTimes article "Rent-to-Own Homes: A Win-Win for Landlords, a Risk for Struggling Tenants" (8/21/16). Or, note allegations related to the revered investment sage, Warren Buffett: "Minorities exploited by Warren Buffett's mobile-home empire" (The Seattle Times and BuzzFeed News; 12/26/15, updated 1/13/16. See also the Center for Public Integrity, "Warren Buffett's mobile-home empire preys on the poor" (4/3/15).

RENTAL HOUSING: HEATING UP

Let's look through the window of the rental housing situation. Rental indicators, as do recent declines in home affordability, hint that house prices "may be getting a bit too pricey".

The US rental housing vacancy rate in 2Q16 was 6.7pc, a new low in the trend since 3Q09's 11.1pc high attained around the end of the worldwide economic crisis. Moreover, the 2Q16 rate is 2.8pc under the lowest level achieved, 9.5pc, during the final years (2005-07) of the Goldilocks Era. (Census Bureau, Department of Commerce; "Residential Vacancies and Homeownership", 7/28/16; next release on 10/27/16 covers 3Q16).

Government data (Census Bureau, Table 11A) suggest a general rise in rent. The US median asking rent (current dollars) in 2Q16 was $847 per month. Although this is slightly down from 1Q16's $870, it is up 4.2 percent above the full calendar year 2015 average of $813. And 2015's average leaps up about 16.3pc over the four year average for 2008-11 of just under $700 per month.

In any case, the current low rental vacancy rate and the overall rental price trend probably are very relevant to widely-watched inflation measures such as the US consumer price index, published by the Bureau of Labor Statistics. "Housing" captures a huge share of the CPI-U (index for all urban consumers), about 42.2 percent (Table 1; relative importance as of December 2015). Within that 42.2pc, about 33.2pc is "shelter". Subdividing further, "rent of primary residence" makes up about 7.7pc, with "owners' equivalent rent of residences" another 24.2pc (or almost 32.0pc together of the overall CPI-U). Relative to its July 2015 level, the July 2016 rent of primary residence expenditure category rose 3.8pc; July 2016's owners' equivalent rent of primary residence advanced 3.3pc relative to July 2015. Both these rates clearly exceed the Fed's two percent inflation target (for its personal consumption expenditure indicator).

Suppose these rent/owners' equivalent rent trends persist. If energy prices (or other components of the CPI-U) begin to advance significantly, the Fed could achieve its inflation goals more quickly than many believe.

COMMERCIAL REAL ESTATE

A brief look at America's commercial real estate marketplace indicates notable price appreciation in recent years. See the Moody's/Real Capital Analytics ("Moody's/RCA CPPI") US commercial property price indices. The Moody's 3Q07 US "All" was at 177, but only 107 in 4Q09 at 107. As of 2Q16, it has nearly doubled from its low, ascending to 212. Federal Reserve Bank of St. Louis data (not seasonally adjusted) show that US commercial real estate prices from 3Q10 commenced a long series of quarterly year-on-year rises; these averaged 10.3pc per quarter. They ranged from 4.8pc (1Q12) to 19.9pc (1Q11), with 1Q16's up 6.7pc year-on-year. These contrast with the substantial falls from 2Q08 through 2Q10.

According to the Federal Reserve Board, net borrowing for commercial mortgages was $132bb in 2015 (having become positive with 2013's $48.9bb); compare 2010's negative $139.8bb (Z.1, Table F.220).

The Fed "Monetary Policy Report" to Congress (6/21/16) remarks: "Valuations in the CRE [commercial real estate] sector appear increasingly vulnerable to negative shocks, as CRE prices

have continued to outpace rental income, and exceed, by some measures, their pre-crisis peaks." The International Monetary Fund's 2016 Article IV Consultation with the United States (7/12/16, section 10, p14) notes that the U.S. banking system "continues to strengthen its capital position". However, "pockets of vulnerability" include "credit quality in…commercial real estate lending".

ON THE HOME STRETCH: LOOKING FORWARD

In "The House of the Seven Gables" (Chapter 1), Nathaniel Hawthorne stresses: "the influential classes, and those who take upon themselves to be leaders of the people, are fully liable to all the passionate error that has ever characterized the maddest mob."

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The Federal Reserve predicts 2016 real GDP will rise 2.0 percent, with 2017 growing the same percentage. It forecasts personal consumption expenditure (PCE) inflation of 1.4pc this year, with 2017's 1.9pc. The Fed's median view for the Federal Funds rate is only .9pc for year-end 2016, with 2017's 1.6pc and 2018's 2.4pc. The longer run Fed Funds target is three percent (Economic Projections; June 14-15, 2016).

Such modest real US growth rates and a still substantially accommodative monetary policy of the Fed (and its overseas friends such as the European Central Bank, Bank of England, and Bank of Japan), all else equal, will tend remain foundations underpinning the bull move in US housing prices. However, a modest gradual boost in the Federal Funds rate nevertheless probably will help to put a lid on US equity and housing prices. The Fed Chairman recently said: "in light of the continued solid performance of the labor market and our outlook for economic activity and inflation, I believe the case for an increase in the federal funds rate has strengthened in recent months." However, her sales pitch still reflects Fed caution (wariness) regarding raising policy interest rates. Her wordplay continues: "And, as ever, the economic outlook is uncertain, and so monetary policy is not on a preset course." (Speech in Jackson Hole, Wyoming; "The Federal Reserve's Monetary Policy Toolkit; Past, Present, and Future"; 8/26/16).

However, the sharp home price climb over the past several years (levels are around the glory days of the Goldilocks Era), diminishing home affordability in recent months, the substantial fall in rental housing vacancies and notable percentage increase in rental prices, declining homeownership trends, and high commercial real estate prices nevertheless suggest that American real estate prices "in general" probably will find it challenging to advance much in the near term. Will there be a real estate or stock marketplace "tantrum" (significant price fall) if (finally) the Fed boosts interest rates up further?

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In addition to US central bank policy and interest rate scene factors, the American real estate price outlook also will depend on overseas central bank policies and the level of and trends in other marketplaces, particularly the S+P 500 stock playground. The supply/demand situation of and price trends for America's real property universe are not completely independent of equity levels and trends (or even those in the US dollar and commodities "in general"). Look backward at the overall period including the Goldilocks Era, the worldwide economic crisis, and the subsequent recovery to date. Though major highs and lows (trend changes) in the S+P 500 and US home prices do not occur at the same time (there can be notable divergence/time lags; the S+P 500's March 2009 bottom preceded that in home prices, for example), the broad major trends roughly move together in the same direction. Moreover, both the acquisition of stocks and buying of real estate in recent years partly reflect the ardent quest for yield (return) by congregations of

investors (and speculators) responding to sustained central bank interest rate yield repression programs.

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Remember the competitive American political pasture and underscore the fervent partisan divides and debates within it. The 2016 US election year circus is not the only evidence. Look at longstanding legislative gridlock involving the White House, Senate, and House of Representatives. When will they make progress on solving the long-run substantial debt (budget deficit) problem?

Suppose Hillary Clinton wins the Presidential contest. The "2016 Democratic Party Platform" (7/21/16) proclaims: "We must make sure that everyone has a fair shot at homeownership. We will keep the housing market robust and inclusive by supporting more first-time homebuyers and putting more Americans into the financial position to become sustainable homeowners…" All else equal, the achievement of such aims likely will help to rally US home prices.

Yet Clinton's tax proposals include several changes that will raise taxes on high-income households and change the current tax structure for realized capital gains. See the Tax Policy Center's (Urban Institute & Brookings Institution; 3/3/16) "An Analysis of Hillary Clinton's Tax Proposals". If these tax changes were enacted, could this weaken US GDP and stock prices and thus the US real estate marketplace?

Suppose the Republicans maintain control of the House of Representatives. Even though Republicans embrace the American Dream ideal of home ownership, to what extent in practice will they support the specific Democratic housing or tax initiatives?

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Other international economic and political developments will influence US real estate and marketplaces related to it. For example, the US of course does not represent the only important patch of real estate. Substantial real estate problems could develop in countries other than the US (picture China), thereby influencing various financial marketplaces around the globe.

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