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HOME FRONT

For Homeowners, It's All in the Timing

In a Hot Real-Estate Market, Some Plan an Exit Strategy; Mr. Greenspan's New Fans

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When Christine and Rob Smith moved to Mesa, Ariz., from Shreveport, La., three years ago, they were expecting to stay in their $200,000 three-bedroom home until their two young children were at least in junior high.

But around two months ago, the Smiths started getting real-estate fliers that touted the high-selling prices of homes in their area. A friend said they should consider selling the house now.

"Don't sit on it," Mrs. Smith recalls the friend saying. "You don't want to look back a year from now and think, 'Oh gosh.' "

Suddenly Mrs. Smith, 37 years old, who does voice-overs for commercials, started focusing on interest rates, talking to neighbors about their real-estate plans and listening carefully to the statements of government officials. At the breakfast table she would ask her husband, a recording engineer, if he had been paying attention to the market. "I put a bug in his ear," she said. About two months later, they decided to put their house on the market. They will be listing it in the mid-$300,000s, and will move into a rental property. "We don't know how long this boom is going to last," she says.

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HIGH-RENT DISTRICTS

With the boom in real-estate prices, some homeowners are betting it's time to sell and rent before buying again. Here's a look at four hot markets, where home prices have risen as much as 30% from the first quarter of 2004 to the first quarter 2005 -- but where rents have gone up less over the same period:

Location	Avg. Rent Increase	Comments
Las Vegas	5.1%	Rates have stayed strong as many former rental complexes have gone condo, says broker Robert Hamrick.
Los Angeles	4.8%	Rates remain high as former owners move into rentals. "Three of my clients are doing that," says Beverly Hills broker Heidi Lake.
Miami	3.9%	Prices are rising, says broker Steve Grossman. His firm is raising rents 10% this year, compared with 5% in 2004.
New York	5.5%	"The market is softening a bit," says Manhattan broker Lauren Muss. Some rents are being reduced by $500.

Source: REIS

Like small investors who got caught up in the tech-stock giddiness of the late 1990s, some homeowners are finding themselves try time the market -- guessing when a peak might hit and wondering when they should cash out. But these aren't real-estate speculato are flipping second homes and rental properties, often deploying risky strategies such as taking out letters of credit to finance them they are people who have unexpectedly seen their primary asset rise so fast in value that they're tempted to sell, reap a huge profit rent for a while to wait until prices possibly come down, allowing them to trade up to a larger property or pocket the difference wh purchase something comparable to what they owned.

'Serious Consequences'

On Tuesday, the National Association of Realtors reported that median prices of existing homes were 15.1% higher than they were ago. There's been a 50% rise in average U.S. property values in the past five years, and home equity now represents an average of household's net worth, up from 27% in 2000. Last week, Federal Reserve Chairman Alan Greenspan referred to "froth" and "a lot bubbles" in certain markets. Earlier this month, investor Warren Buffett warned of "serious consequences" of the rapid price appre many markets.

In markets where there's been rapid growth, such as the Southwest, it makes for some difficult choices. Two months ago, Luis Gor 37-year-old marketing manager in Scottsdale, Ariz., says he began thinking about selling his mid-six-figure three-bedroom home b he was at the beginning of a divorce and thought it made sense to downsize. He also wanted to "capitalize on the hysteria" in the re market and realize the more than $200,000 the home had gained in value in the past three years. When he heard the pronouncemen local bubbles made by Messrs. Greenspan and Buffett, he thought, "If they say it, it must hold some merit."

But financial issues aren't the only concerns Mr. Gonzalez is weighing. He says he also wants stability for his two children, ages 1 they can come back to something that's familiar, it will keep them grounded," he says. Plus, "I like the house," he says. "Selling is be a last option."

At the local or regional level, there's a history of ups and downs in the real-estate market. The downturn in the oil industry in the 1980s affected real-estate values in many Southwest met areas, with home prices in Dallas and Houston dropping in 1986 and recovering three years later. In the wake of the 1987 stock-market crash and the subsequent layoffs in the financial-s sector, prices in Manhattan took a beating. In 1982, a buyer could have paid $237,000 for a Manhattan apartment and sold it in 1988 for $660,000, a 178% gain. But if a buyer bought the apartment that year, by 1995 it would have fetched just $397,000. It wouldn't reach its previous high price until 1999, according to a study by Corcoran Group, a New York real-estate fir

Some people weren't so lucky in the past and don't want to be left out this time. Herb and Nicki Brown had originally planned to sell their Long Beach, Calif., home after Mr. Brown retir year and move to the Phoenix area, where they recently bought a house.

But earlier this year, homes in the Browns's neighborhood began selling for prices that Mr. Brown calls "just nuts," (median home prices in the area had risen by more than 144% since 19 according to Economy.com). He told his wife he wanted to sell their home and rent for a year. "I'm not a speculator," says Mr. Brown, 70, a senior project coordinator at Aerospace Corp. feel the market has to be reaching its peak as far as price."

There was another reason he was anxious: In addition to moving into retirement, the Browns had been victims of a downturn in home prices when they lived near George Air Force Base Victorville, Calif., in the 1980s. In 1988, when the base was shut down, the value of their home dropped by $100,000, or 40%, in a year. "I don't want that happening again, not even just bit," Mr. Brown says.

Seller's Remorse

Despite the moving costs (about $2,500) and the "major effort at moving at our age," Mr. Brown says, the couple listed the home earlier this month and found a buyer within few days. Ea week, the property closed for $635,000, nearly twice its value five years ago. The Browns are now renting a two-bedroom apartment a mile away until they move next year. Though they' they've pocketed their home's increased value, Mr. Brown says, "We're not apartment dwellers; we miss having a home."

Some financial advisers urge their clients to exercise caution, recommending they only sell their primary home in cases where they were already planning to move to another city or dow you make a profit, that's icing on the cake," says Kirk Kinder, a Palm Harbor, Fla., financial adviser. "It's your home -- it's not something you're going to liquidate tomorrow."

Then there's the case of homeowners who cashed out earlier and have found themselves priced out of their local markets. Rick Ashburn, a chartered financial analyst in La Jolla, Calif., so three-bedroom home in 2002 for $910,000, 70% more than what he bought it for nearly five years earlier. He has been renting ever since, waiting for prices to come down. As of now, M Ashburn says, "I was wrong by 20%." But he's sitting tight and "waiting for reality to resume." If it doesn't within a year or two, he says, he might leave California and look elsewhere fo he can afford.

Some longtime bubble believers who recently sold their homes are looking to re-enter the game. Giselle Bisson sold her house in San Francisco last summer for $750,000 -- nearly $250,0 than she paid for the property in 2000 -- and rented an apartment. By now, she says, the property is probably worth as much as $100,000 more. "I feel stupid," says Ms. Bisson, 39, who is back in the hunt for a new house. Still, she's cautious: after Messrs. Greenspan and Buffett expressed their concerns about the market, she says she's hopeful that conditions will change. E the software executive, "I'm scared that if I don't buy it now I'll never be able to."

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