

## Playing the Housing Slump: Is It Time to Make Your Move?

by Jonathan Clements  
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Financial lore says you should buy when there's blood in the street -- which suggests real estate is a bargain, because there's blood all over the neighborhood.

Time to invest? I wouldn't be surprised to see home prices drop sharply this spring, as long-suffering sellers in hard-hit areas throw in the towel and slash their asking price.

That could spell opportunity for this year's buyers. But what if you already own a home -- and have no desire to become a landlord? Here are three ways to play today's battered [housing market](#).

**Trading up.** If you're hankering after a larger home or a house in a better neighborhood, this could be your chance to trade up on the cheap.

To be sure, when you go to sell your current home, you will likely get a modest price. Since 2006's second quarter, real estate has fallen 10.2%, as measured by the S&P/Case-Shiller U.S. [National Home Price Index](#). But your new, grander house will also be relatively inexpensive, so you're effectively cranking up your real-estate exposure when the market is well below its peak.

That said, I wouldn't think of this move as an investment. Your new home will probably mean not only a bigger mortgage, but also higher ongoing costs, including homeowner's insurance, property taxes and maintenance expenses. These ongoing costs will offset a large chunk of any [future home-price appreciation](#).

In other words, trading up to a larger home or a better neighborhood is really about wanting to consume more real estate. Still, like any thrifty shopper, you want to buy when there's a sale -- and that is what today's market offers.

"It's like going from a [Honda](#) to a Mercedes," says [Charles Farrell](#), a financial adviser with Denver's Northstar Investment Advisors. "It's a lifestyle choice. As long as it doesn't cut into your ability to accumulate capital for retirement, this is probably a pretty good time to upgrade."

**Doubling down.** Instead of trading up, you might be eyeing a vacation home. If you don't plan to rent the place out, the same logic applies: Once you subtract the annual costs from the price appreciation, you likely won't make very much money -- which means the property won't be much of an investment.

On the other hand, maybe you're two or three years from retirement and are toying with buying a second home that could become your sole residence once you quit the work force. Does it make sense to purchase now, given the decline in home prices?

Buying today is no doubt appealing, because it'll give you a chance to vacation in your future home. But whether it turns out to be a wise financial move depends on what happens to property prices -- and that's tough to predict.

Still, I wouldn't bank on a rapid bounce back in home prices. At the current sales pace, it would take a whopping 10.3 months to clear January's backlog of unsold homes. By contrast, in January 2005, the supply of unsold homes was at a mere 3.6 months, according to the [National Association of Realtors](#).

The bottom line: If you think you'll get a lot of use from a second home, go ahead and buy. But if you view the purchase as a bet on rising home prices, I would hold off for now.

**Helping hand.** While buying more real estate for your own use probably won't be a great investment, you could help your adult children make good money -- by transforming them from renters to homeowners.

To that end, you might give your kids an advance on their eventual inheritance, so they have enough money to make a down payment. Yes, that means they will start to incur the housing costs I mentioned above, including property taxes and maintenance expenses. But your children will also replace their monthly rent check with a monthly mortgage check, and that will allow them to start building [home equity](#).

"If you have kids who are first-time buyers in markets that are relatively depressed, this could be a good time," Mr. Farrell reckons. "These days, they might need to make a 10% down payment. You could make a gift to them of the down payment or make a loan to them."

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