

WHY DEEP THROAT CAME OUT ■ IRAN'S TWENTYSOMETHINGS

# TIME



## HOME \$WEET HOME

Why we're going gaga  
over real estate

■ WILL YOUR HOUSE MAKE YOU RICH?  
■ SUPER-HOT MARKETS ■ IS IT TIME TO  
BUY—OR SELL? ■ THE CASE FOR RENTING

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erties for a combined gain of \$27,000—and quickly discovered that he's not alone. "I went to look at some homes in Palmdale-Lancaster [an area of Los Angeles County]," he says, "and the woman showing me and a group of other investors around was a hairdresser who works for Century 21 on the side. We went into Taco Bell for lunch. The girl at the register heard us talking, and she told us she just got her mortgage broker's license."

Ah, the blistering real estate market, where dreams of big bucks come wrapped in aluminum siding, and you can get a three-bedroom ranch house with your hair extensions and a mortgage with your Grilled Stuft Burrito. The stock market may be dragging, but home prices are soaring, fueling a national obsession with real estate. Your house is now your piggy bank, ATM and 401(k). House gawking is a hobby; remodeling, both entertainment and an investment. Folks brag about having bought their home in the '90s the way they used to brag about having bought Microsoft in the '80s. Even if you're not contemplating buying or selling anytime soon, the amazing lift in home values is changing the way we think about the roofs over our heads. Real estate isn't so much about nesting today as it is about nest feathering.

The house has always reflected its occupants' place in society. But now it also determines their place in society. The boom has divided haves from have-nots—owners from renters, hot markets from cold. The median U.S. home price jumped in April to \$206,000, up a stunning 15% over the past year and 55% over the past five years, according to the National Association of Realtors. The fact that houses are bought for pennies on the dollar magnifies the windfall. Say you put down 20% on a \$150,000 house five years ago. At the average gain of 55%, that's an \$82,500 gain on a \$30,000 outlay, or a 275% return. In your face, S&P 500!

The biggest markets are much, much hotter. Prices of single-family homes in the Los Angeles area have gone up 135% in five years. Down the coast in San Diego, the figure is 132%. In Las Vegas, 117%. Miami, Washington, San Francisco—128%, 108%, 65%. Fortunes are being made, jealousies are being kindled and the claws are coming out—literally. In Manhattan, where the average apartment costs more than \$1 million, the housing market is so cutthroat that

a real estate agent attacked a seller—who had committed the sin of not hiring a broker—at his open house.

The boom has wrought less violent changes too—most likely in your house. Maybe you're like Mike Oakley, 43, who has poured \$100,000 into redecorating his Chicago house, figuring it is already worth \$150,000 more than when he bought it. "Rather than invest in stocks," Oakley says, "invest money in your home." Or maybe you're a renter, paging longingly through listings of ever more unaffordable real estate, praying for a housing-market bust to wipe the smug smile off the face of your brother-in-law, whose house has doubled in value. Or maybe you're counting on refinancing and taking out some cash to put your kids through college. Or maybe you spend an unseemly amount of time looking at classifieds to guess how much your house is worth and surfing websites like *domania.com* and *propertyshark.com* to find out what your friends and neighbors paid for theirs. (O.K., that would be, *ahem*, me.)

Some economists believe that housing lifted the economy after the tech crash. And some, worried that it could take the economy right back down, warn of a bubble in home prices driven by the same psychology of greed as the tech one. Even Federal Reserve Chairman Alan Greenspan—often credited with godfathering the home boom with low interest rates—cautions about "froth" in the market, recalling the "irrational exuberance" of yesteryear.

But who wants to listen to buzz-kill talk? Just as during the 1990s' stock frenzy, the idea that "everybody's getting rich" echoes in a vast media chamber. Joining TV mega-hit *Extreme Makeover: Home Edition*, HGTV's *Designed to Sell* and A&E's *Sell This House* teach you how to unload your home for top dollar. Making its debut this month, TLC's *Property Ladder* will focus on fixing up houses—not to live in but to flip. Business and personal-finance magazines that once touted tech stocks now promise tips on how to grab land and cash in. Books like the best seller *Rich Dad, Poor Dad* laud real estate investing as the ticket out of the rat race.

The boom is as much an emotional story as an economic one. It's about the excitement of potential wealth,

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**JAMES LUCAS**

1758 NORTH WOOD

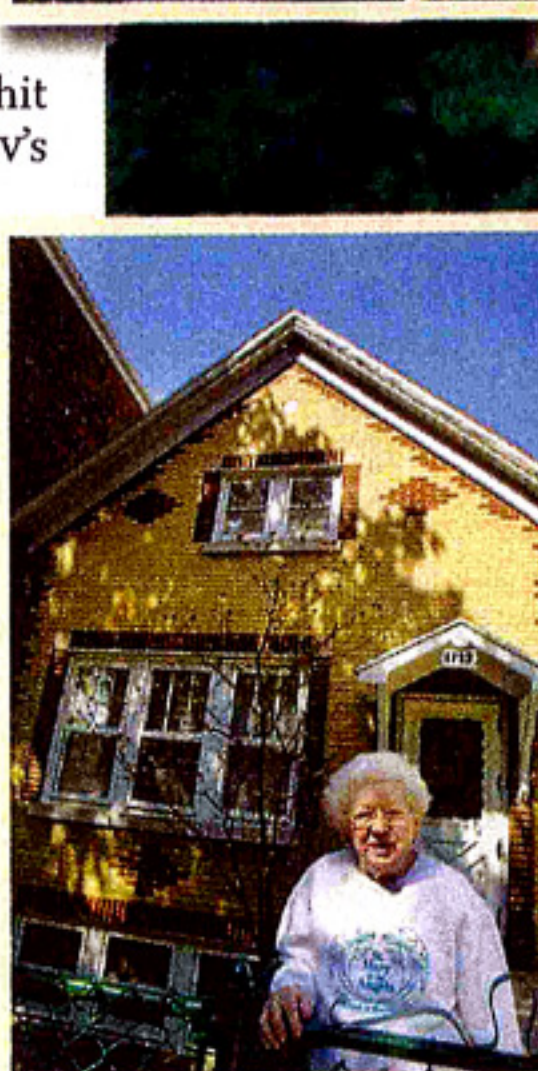
He spent \$800,000 to buy an old house, tear it down and build a new one—now valued at \$1.8 million. Lucas, 45, has used the equity to invest in other properties. And, he says, it "will put my kids through college."



**BRUCE FISCHER**

1744 NORTH WOOD

Fischer, 60, who paid \$90,000 for this 100-year-old house in 1992, is using it as a piggy bank. He has taken out a \$200,000 home-equity loan—and invested it in the stock market. The home's value: about \$700,000.



**LOTTIE KOVAREK**

1722 NORTH WOOD

She moved here in 1952, when neighbors visited on the porch and kids played in the street. As the block has gone upscale, all that has changed. "These days," says Kovarek, 86, people "walk straight from their home to their garage."