

# Are Home Prices Going Up or Down? Place Your Bets Here.

*By Ilyce Glink*

I've been hearing that homes are starting to sell. Home sale prices seem to be a little (or a lot, depending on the location) lower than what the sellers were hoping to get - except for those who are just thankful they're able to sell at all.

Are home prices going up or down? Until recently, there was no way make money on the pure rise or fall of home prices other than selling your own real estate. But thanks to **Robert Shiller**, co-founder of the **S&P/Case-Shiller** home price index and now **MacroMarkets'** chief economist and co-founder, you can lay a bet that house prices are going up or down.

At the end of June, MacroMarkets launched two exchange traded products linked to the U.S. housing market:

- **MacroShares Major Metro Housing UP (ticker: UMM)** You're betting that housing prices will go up over time.
- **MacroShares Major Metro Housing DOWN (ticker: DMM)** You're betting that housing prices will go down over time.

The two exchange traded products (they can't be exchange traded funds because the underlying asset consists of about 25 million homes in 10 metro areas) are tethered together and own U.S. Treasuries and cash. As **Sam Masucci**, MacroMarkets' President and CEO explained to me this morning, the assets are traded between the two products: If the S&P/Case-Shiller index goes up, UMM benefits by receiving assets from the DMM. If the index goes down, DMM benefits at the expense of UMM.

The product term is five years. Masucci says that he and Shiller chose a 5-year term because "it's a bet on where housing prices will be in five years."

(At the moment, the UMM/DMM market thinks housing prices will be down another 7 percent in 5 years, but you can [check for yourself online](#) at any moment. You can use [MacroShares Fair Value Estimator](#) tool to calculate where you think housing prices are going over each of the next five years and the calculator will tell you at what price you should buy either UMM or DMM.)

At the end of the term, UMM and DMM will be liquidated and the assets distributed to anyone who is still invested. (Masucci said MacroShares reserves the right to liquidate the fund sooner, which it did with a pair of securities linked to the price of oil. When the price of a barrel of oil hit \$140, the fund was terminated.)

I asked Masucci who would benefit from investing in the securities. Not surprisingly, he sees an enormous market: "Anyone looking to get further exposure (to the housing

market) but on a diversified basis will buy UMM. Anyone who feels they are overexposed to housing can buy DMM. It's the only way to hedge real estate.”

Of course, most ordinary individuals already own a house and thus have plenty of nail-biting exposure to real estate. When I suggested to Masucci that individuals who wanted to hedge their own house bets might instead purchase a foreclosure, short sale, or even a real estate investment trust (REIT), he basically said this is the only way to bet on whether housing prices are going up or down.

The most interesting part of the conversation is where Masucci sees this going in the future: Each year, the plan is to introduce another pair of 5-year term UMM/DMM securities. Eventually, if the funds are successful enough, the company will introduce pairs of securities tied to individual markets, cities, or even more granular data, like zip codes.

Imagine being able to bet on whether housing prices go up or down in your own neighborhood. Either way, Shiller and Masucci will pocket a fee of 125 basis points, and win every time