



Susan and CB

Moving to Portland™

December 2005 Newsletter

<http://www.movingtoportland.net>

Voice 503.497.2984 ♦ FAX 503.220.1131

susan@movingtoportland.net

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Portland Home Market

October Residential Highlights

Temperatures may be dropping outside, but inventory continues to climb in October. At the end of October, there were 6,308 active residential listings in the Portland Metro area's market. Given the month's rate of sales, they would last 2.2 months. New listings increased 13.9%, when comparing October 2005 to October 2004. Accepted offers and closed sales both grew 5.7% and 5.8%, respectively.

Appreciation

Comparing the 12 months ending in October 2005 to the 12 months preceeding them, the appreciation rate is up 14.2%. The average sale price was \$276,700—up from the \$242,200 average for the twelve months prior. Using the same date range median sale price appreciated 15.0% (\$230,000 v. \$200,000).

Year-to-Date Trends

Closed sales continue to show growth this year, up 14.7% when compared to the same time frame in 2004. The number of pending sales also increased 13.4%. New listings increased 6%..

Affordability

Per an National Association of Realtors (NAR) formula, a family making the area's median annual income (\$67,900 per HUD) was making 21% more than required to afford a median-priced home (\$249,000). Also required is that the family secured a 30-year fixed-rate mortgage at Freddie Mac's average rate (5.77%, at the time) and supplied a 20% down payment.

Cost of Residential¹ Homes in the Portland Metro Area October 2005

Area	October 2005 Average Sales Price	Year-to-Date For Period Ending October 2005		Average Price Appreciation ²
		Average Sales Price	Median Sale Price	
Portland Metro Area				
Includes these counties in Oregon: Clackamas, Columbia, Multnomah, Washington, & Yamhill	\$298,700	\$280,600	\$235,000	14.2%
Portland				
North	\$228,400	\$206,000	\$194,900	17.1%
Northeast	265,300	259,400	229,900	15.0%
Southeast	244,800	228,800	198,000	14.3%
West (Includes SW and NW Portland and parts of eastern Washington County)	465,800	408,200	335,000	13.7%
Portland Metro Suburban Areas				
Corbett, Gresham, Sandy, Troutdale	\$243,700	\$228,500	\$210,000	12.5%
Clackamas, Milwaukie, Gladstone, Sunnyside	299,400	290,800	252,400	15.6%
Canby, Beavercreek, Molalla, Mulino, Oregon City	278,500	276,300	249,000	16.4%
Lake Oswego and West Linn	476,700	451,700	370,000	14.9%
Northwest Washington County & Sauvie Island	397,600	367,900	332,200	12.1%
Beaverton and Aloha	258,600	244,100	215,000	13.5%
Tigard, Tualatin, Sherwood, Wilsonville	368,200	324,200	285,000	21.3%
Hillsboro and Forest Grove	259,800	240,200	220,200	16.6%
Mt. Hood: Brightwood, Government Camp, Rhododendron, Welches, Wemme, ZigZag	213,800	220,400	218,000	29.2%
Columbia County	198,000	196,800	179,500	14.5%
Yamhill County	240,000	218,100	189,200	8.8%
Southwest Washington State				
Clark County (Battleground, Camas, Ridgefield, Vancouver, Woodland, etc.)	\$274,100	\$256,600	\$221,800	14.9%

¹ Residential includes detached single-family homes, condos, townhomes, manufactured homes, and multi-family (e.g., duplexes, triplexes, etc.) homes when one of the units is sold.

² Appreciation percents based on a comparison of average price for the last 12 months (11/1/04-10/31/05) with 12 months before (11/1/03-10/31/04).

Source: Realtors Market Listing Service (RMLS™).

Adjustable Mortgage Rates Up Slightly

December 1, 2005

[Freddie Mac](#) released the results of its Primary Mortgage Market SurveySM (PMMSSM) in which the 30-year fixed-rate mortgage (FRM) averaged 6.26 percent, with an average 0.5 point, for the week ending December 1, 2005, down slightly from last week's average of 6.28 percent. Last year at this time, the 30-year FRM averaged 5.81 percent.

The average for the 15-year FRM this week is 5.81 percent, with an average 0.5 point, unchanged from last week when it also averaged 5.81 percent. A year ago, the 15-year FRM averaged 5.23 percent.

Five-year Treasury-indexed hybrid adjustable-rate mortgages (ARMs) averaged 5.76 percent this week, with an average 0.6 point, up very slightly from last week when it averaged 5.75 percent. There is no annual historical information for last year since Freddie Mac only began tracking this mortgage rate at the start of this year.

One-year Treasury-indexed ARMs averaged 5.16 percent this week, with an average 0.8 point, also up very slightly from last week when it averaged 5.14 percent. At this time last year, the one-year ARM averaged 4.19 percent.

(Average commitment rates should be reported along with average fees and points to reflect the total cost of obtaining the mortgage.)

Freddie Mac Chief Economist

"Mortgage rates are in a holding pattern at the moment as financial markets try to discern where inflation and growth in the economy are headed," said Frank Nothaft, Freddie Mac vice president and chief economist. "Until the market decides these issues, mortgage rates should stay within a relatively narrow band."

"Current low mortgage rates, coupled with the higher 2006 conforming loan limits of \$417,000, should help to keep the mortgage industry bustling as we head into the new year."

Portland Area Mortgage Rates

In early December Bank of America's rate was 6.125% for a 30-year FRM (APR of 6.317%) and 1.10 points. Lowe's Mortgage was offering 5.625%, and the APR was 5.940% and zero points. The average APR for a 30-year fixed rate mortgage was 6.060% for the Portland metro area; the low was 5.610%, and the high was 6.607%. All rates are for a loan with 20% down. To check on more Portland metro area mortgage rates visit the website for [Yahoo! Finance](#).

Portland Weather

November 2005

The first couple of weeks in November brought back memories of the winters of 1995-98. It appeared that we were going to "catch it." Many of the higher elevation ski resorts opened early. Then the weather dried out but remained somewhat cool. The rains returned in late November and early December brings gray skies, lots of wet weather, cool temperatures, and the possibility of snow in Portland.

Water Year (Oct 1 - Sep 30)	Average Precipitation In Inches	Actual Precipitation in Inches	Water Year
Year-to-Date	37.07	8.36	<p>Portland's rainfall is measured according to the "water year" which is from October 1 through the end of September.</p> <p>The average precipitation is about 37-38 inches in the metro area.</p> <p>Precipitation is measured from the NOAA Weather Station at the Portland International Airport.</p>
October	2.88	3.38	
November	5.61	4.98	
December	5.71		
January	5.07		
February	4.18		
March	3.71		
April	2.64		
May	2.38		
June	1.59		
July	0.70		
August	0.89		
September	1.65		
Year Average	37.07		

Here is the [National Weather Service](#) data for the month of November 2005:

- Average Monthly Temperature: 44.0 or 1.8 degrees below normal.
- Average Maximum Temperature: 51.0
- Average Minimum Temperature: 37.1
- Average Monthly Wind Speed: 7.0 MPH.
- Clear/Cloudy Days: 6 clear day, 11 partly cloudy days, and 13 cloudy days.
- Rainiest Day: November 30 with 1.35 inches.

Oregon People: Grotto Volunteers Workers



On Friday, November 25, festival organizers flipped a switch and lit the Grotto's annual Christmas display, but work on the brilliant lighting display began almost a month ago, October 29, when about 40 volunteer electricians mounted panels and assembled power boxes so volunteers with the Order of Servants of Mary could install lights and displays. The electricians are with the International Brotherhood of Electrical Workers Local 48.

The display at the Grotto, a Catholic garden at Northeast 85th Avenue and Sandy Boulevard, will remain lit through December 30. It features about 500,000 lights with narrated, fiber-optic displays and animated exhibitions.

The National Sanctuary is a 62 acre Catholic Shrine and botanical garden located in northeast Portland. The Sanctuary was established by the Servite Friars in 1924. Over 200,000 tourists and pilgrims visit each year. One of the most popular events is the Blessing of the Animals. In the summer, outdoor concerts and outdoor mass (weather permitting) each Sunday at noon are popular with many Portlanders and visitors.

The central attraction, Our Lady's Grotto, was carved from solid basalt in the cliff wall in 1925. Above its natural rock altar is the white marble replica of Michelangelo's famed masterpiece, the Pieta. The original, completed by Michelangelo when he was only 24 years old and the only work on which he ever inscribed his name, is mounted in St. Peter's Basilica in Rome.

Portland's "Made in Oregon" Sign



Portland's skyline is a little more festive after the annual lighting of the *Made in Oregon* sign in late November. Every year around Thanksgiving time, the reindeer on the sign at the west end of the Burnside Bridge gets a red nose. This year, the switch was flipped at 5:45 p.m. Tuesday, November 23rd, turning the white nose to red.

The *Made in Oregon* sign was built in 1927 advertising White Satin Sugar (with the lettering "White Satin"). It became the White Stag sign in 1959 with a change in lettering and the addition of a leaping deer and the word "sportswear." In 1989, the White Stag company moved to California. With another lettering change, the sign was transformed to say *Made in Oregon*.

The sign uses neon and incandescent light and is 48' tall by 46' wide. The stag's nose has been lit red (Rudolf the Red-Nosed Reindeer) for the Christmas holidays since 1957. The sign is a designated historical landmark.

Measure 37 Put in Perspective

I'm sure many of you are as confused over Oregon's Measure 37 as I am. Measure 37 creates, and will continue to create for the foreseeable future, considerable uncertainty in the real estate market. The use of land, and therefore its value, is now less predictable.

First, a little history about the law and then we will shed some light on the issue citing a story by two Oregon State University economists. The real question is about measuring how land use regulation affects the value of property. Land-use regulations affect property values in complex ways, making it difficult if not impossible to separate and measure their individual effects.

History of Measure 37

In November 2004, Oregon voters passed Ballot Measure 37. The law became effective December 2, 2004. Measure 37 creates a "just compensation" right for Oregon property owners if a public entity enacts or enforces a land use regulation that restricts the use of private property and has the effect of reducing the value of the property.

Oregon's Supreme Court will decide the future of the state's property rights law in January 2006. Justices agreed to hear arguments January 10 in the appeal of a Marion County Circuit Court decision to strike down Measure 37. Most likely, the Oregon Supreme Court will have final say on whether the voter-approved measure survives. As a note of reference, in mid-October 2005, Marion County Circuit Judge Mary James overturned Measure 37. Judge James struck down the law as violating five provisions of the state and federal constitutions.

As of November 2005, more than 2,500 claims for payment or development rights have been filed and are in limbo.

The Economics of Measure 37

William Jaeger and Andrew Plantinga, Associate Professors in the Department of Agricultural and Resource Economics at Oregon State University, wrote an Op-Ed piece in *The Oregonian* in November which they tackle the complex issue. This is the first part of the article which explains their basic premise:

"For starters, there is a widely held belief that "just compensation" under Measure 37 -- that is, a government making up for the reduction in value of a property resulting from a land-use regulation -- is equal to the increase in value if the regulation is waived for that property alone. This belief is simply incorrect. Waiving a regulation on one property is not the reverse of applying the regulation to many properties. A landowner who receives a waiver benefits precisely because the regulation continues to apply to other properties."

Consider This Hypothetical Example.

The above paragraph was still to "fuzzy" to me until I read their example:

I purchase a 40-acre parcel of agricultural land in 1960. In 1975, my parcel and many others are zoned for exclusive farm use. Now, in 2005, I realize that if I could build a 40-lot subdivision, I could sell my parcel for \$2 million. Its current value in agricultural use is \$100,000. Therefore, the regulation reduced my property's value by \$1.9 million, right?

Wrong. That \$1.9 million is the value of an individual exemption or "variance" from the regulation. This figure assumes that all other properties are still regulated. Because the regulation has reduced the supply of developable land, the price of that land is driven up. The regulation also may have increased the parcel's development value by protecting amenities -- in this case, an attractive pastoral setting in which to build.

So what effect did the regulation actually have on my property value? To answer that question, we need to compare the current value of my property with the current value it would have had in a world without the regulation. We know the first value; it's \$100,000. But what would my property have been worth today if the regulation was never enacted on anybody's land? Of course, we cannot observe what my property would be worth in a world without the regulation because that world does not exist. It is not even clear that the development value of my parcel would have exceeded its current agricultural value.

Land-use regulations often give landowners the perception that they are being denied a lucrative opportunity. Yet that opportunity may exist only because of the land-use regulation. Professors Jaeger and Plantinga elaborated on their above example:

Suppose in the hypothetical example there was demand for 10 new subdivisions, and developers could choose from 100 parcels to build them. With no restrictions, developers need to pay just enough to get 10 landowners to sell. By contrast, what happens when zoning has put all 100 parcels off-limits? First, there is pent-up demand for development, which raises prices. Second, I and all 99 other landowners, along with our appraisers, perceive a lucrative monopoly opportunity. If I alone were given a waiver, I would have developers bidding against each other for my land, further driving up the price to \$2 million.

Would mine have been one of the 10 parcels bought by developers in the absence of zoning? An appraiser cannot answer that question. If the answer is no, then the regulation did not reduce my property value. If the answer is yes, an appraisal still cannot estimate what a developer would have been willing to pay for the land.

Hopefully, the Oregon Supreme Court will have read the analysis by the two economists when they convene in January.

50 States, 50 Different Tests: Some Difficult, Most Easy

After Oregon tested its eighth-grade students in math this year, the Oregon Department of Education press releases rolled out stating that 64 percent of students met the state standard. When the federal government made public the findings of its own tests in late October, the results were very different: only 34 percent of Oregon's eighth graders were considered proficient in math. Almost the same results were posted for the eighth-grade reading scores: 63 percent met the state standard and 33 percent were considered proficient

by federal standards. The same general results came in for Oregon's elementary school children.

The [Oregon Department of Education](#) makes no mention of this large difference when they posted the results of the federal test on their Web site. Rather they compared the results with previous testing periods to show that results have not changed much over the years.

Such discrepancies between the state's tests and the federal assessment are common among states, and they have intensified the national debate over testing and accountability. Many policymakers are saying that numerous states have created easy exams to avoid the sanctions that the No Child Left Behind imposes on consistently low-scoring schools. Some educators and policymakers are also advocating for a national testing program similar to ones that have existed for years in many European countries.

The National Assessment of Educational Progress (NAEP)

The No Child Left Behind (NCLB) law requires states to participate in the National Assessment - known to educators as [NAEP](#) (pronounced nape) - the only federal measure of student proficiency.

Tests are administered in reading and mathematics at grades 4 and 8 every two years. NAEP does not provide individual scores for the students, schools, or school districts for a variety of reasons. About 50 percent of the Oregon fourth and eighth graders took the test in 2005.

The National Assessment uses three performance levels to classify student results: advanced, which denotes superior performance; proficient, which indicates that students have "demonstrated competency;" and basic, which indicates students have attained only "partial mastery of prerequisite knowledge and skills." Many students also score below basic, which the National Assessment's governing board does not classify as an achievement level.

States Allowed to Use Own Test to Meet the NCLB Mandate

In a bow to states' rights, states are allowed to use their own tests in meeting the law's central mandate - that schools increase the percentage of students demonstrating proficiency each year. The law requires 100 percent of the nation's students to reach proficiency - as each state defines it - by 2014. Oregon's statewide assessment test is often referred to by the acronym OAT (Oregon Assessment Test).

States create their own tests as well as the number of questions students must answer correctly to be labeled proficient. And because states that fail to raise scores over time face serious sanctions, there is little incentive to make the exams difficult.

Other Reasons for Discrepancies

Other educators and experts give different reasons for the discrepancy between state and federal test results. A Standard & Poor's report this fall listed many reasons for such differences, among them that the National Assessment is a no-stakes test, while low scores on state tests lead to sanctions against schools.

The report noted that the National Assessment is given to a sampling of students, whereas schools administer state tests to nearly all students. The tests serve different purposes, with the federal one giving policymakers a snapshot of student performance across the nation, while state tests provide data about individual performance. Because of these differences, some state officials say it is unfair to compare the test results.

But, the report by [Standard & Poor's](#), which has a division that analyzes educational data, also noted some states' tests are just easier.

States with High Standards for Tests

Not all have a low bar. In South Carolina, Missouri, Wyoming and Maine, state results tracked closely with the federal exam.

South Carolina is a state that set world-class standards. The math tests there are so difficult that only 23 percent of eighth graders scored at or above the proficiency level this year, compared with 30 percent on the federal math test. South Carolina officials now fear that such rigor is coming back to haunt them.

South Carolina's tough exams make it harder for schools there to show the annual testing gains demanded by the federal law. This year less than half of the state's 1,109 schools met the federal law's benchmark for the percentage of students showing proficiency, a challenge that will get tougher each year. As a result, legislators are pushing to lower the state's proficiency standard.

States' Rights or Federalism

Because of the discrepancies, several prominent educators are now calling for a system of national testing that counts, like those at the heart of educational systems in Europe and Japan.

A *New York Times* story about testing programs in their November 21 edition reported these comments about the controversy:

- Representative John A. Boehner, chairman of the House Committee on Education and the Work Force, defended states' rights to define proficiency as they see fit and said that over time comparisons with the federal test would force them to draw up better tests. "The bright lights of accountability are going to shine on the states who are kidding themselves," said Mr. Boehner, Republican of Ohio.
- The battle lines have long been sharp in the testing debate. Most corporate leaders favor national testing, said Susan Traiman, a director at the Business Roundtable, a group that represents corporate executives.
- Opponents include liberal groups that dislike all standardized testing; the testing industry itself, which has found lucrative profits in writing new exams for all 50 states; and political conservatives who fiercely resist any intrusion on states' rights to control curricula and tests.
- Margaret Spellings, the secretary of education, says that the comparison of state and federal tests provides useful information. "It allows us to shine a light," she said. "This is a truth-in-advertising type deal." But Ms. Spellings has declined to criticize states whose tests appear to overstate the percentage of their students who are proficient. The law leaves it to states to calibrate their accountability systems, including how difficult they make their exams, she said. "We're not going to sit up in Washington and look at all those moving parts," Ms. Spellings said.

Educators in many states defended their testing programs. Here is one comment from the November 21st article in the *New York Times*: "The comparison to NAEP is not fair," said Mitch Edwards, a spokesman for the Department of Education in Alabama, where 83 percent of fourth-grade students scored at or above proficient on the state's reading test while only 22 percent demonstrated proficiency on the federal reading test. "Making comparisons to the NAEP becomes very difficult without giving the impression that some states are not measuring up to others or to the nation."

Events

Visit the [Portland Visitors Association](#) for a complete schedule of events in Portland.

Holiday Events in Portland

- The [Holiday Ale Festival](#) returns December 2-4 under the 75-foot holiday tree at Pioneer Courthouse Square.
- [Oregon Symphony](#) offers festive holiday concerts including the "Yuletide Celebration" and "A Gospel Christmas." Telephone 503.228.1353.
- The [Christmas Ship Parade](#) runs nightly on Portland's Willamette and Columbia rivers. December 8-

21. Telephone 503.252.9899.

- The [Grotto's Christmas Festival of Lights](#). November 25-December 30 (closed Dec. 25). Telephone 503.254.7371.
- [Oregon Ballet Theatre](#) presents George Balanchine's The Nutcracker. December 9-24. Telephone 503.222.5538.
- [ZooLights Festival at the Oregon Zoo](#). December 2-31 (closed Dec. 25). Ride the illuminated zoo train. Telephone 503.226.1561.
- [Tuba Christmas](#) features a harmony of more than 200 tubas! December 10 at Pioneer Courthouse Square from 1:30-3 p.m.



All Aboard the Holiday Express

Experience the magic of [The Polar Express](#) at OMSI's OMNIMAX Theater, then hop aboard Portland's own Holiday Express (a vintage SP 4449 steam locomotive). Enjoy a 40-minute ride in a historic passenger car (Dec. 9-11 and 16-18). You might even catch a glimpse of ol' St. Nick on the train. Oregon Museum of Science and Industry. 503.797.6674

Pittock Mansion Decorations

Each year, Portland's historic [Pittock Mansion](#) is elaborately decorated for the holidays. This year's theme, Childhood Christmas Decorations, is evident in the elegant vintage toys, trains and dolls, extravagant garlands and a sea of poinsettias. Nov. 21-Dec. 31 (closed Nov. 24 and Dec. 25). Telephone 503.823.3624.

Susan Marthens

Real Estate Broker/GRI

Windermere/Cronin & Caplan Realty Group, Inc.

6443 SW Beaverton-Hillsdale Hwy, Suite 100

Portland, Oregon 97221

503.497.2984

smarthens@movingtoportland.net