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# Moving to Portland™

**February 2005 Newsletter**

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## Portland Home Market

### December Residential Highlights

The last month of 2004 continued to see an increase in market activity on all levels when compared to the same month in 2003. Pending sales were up 18.6% with closed sales right behind showing an increase of 18.5%. New listings were also up 5.2%

### Fourth Quarter Report

The last quarter of 2004, compared to the same quarter in 2003, also showed a general increase in market activity. Combined, October through December 2004 brought an incredible 22.81% rise in pending sales compared to the fourth quarter of 2003 (7,333 v. 6,411). Closed sales and new listings also increased 11% (8,028 v. 7,335) and 3.7% (8,671 v. 8,538) respectively.

### A Summary of 2004

At year's end, the Portland metro area observed 8.3% more accepted offers than it had in 2003. Closed sales also increased 6.6%. However, 2004 realized a small decline in new listings, which were down 2.9% from 2003.

2004 was a landmark year for the Portland metro area due to the fact that real estate sales that closed in the Portland metro area generate \$8.1 billion. Compared to 2003's \$6.9 billion that is a sizeable increase of 17%. The 10.6% rise in average sale price (\$246,000 v. \$222,500) may account for a portion of the net increase. Furthermore, the telltale 9.4% appreciation of median sale price (\$204,500 v. 187,000) may also account for the rise in total volume.

## Cost of Residential<sup>1</sup> Homes in the Portland Metro Area

### For Period December 2004

Area	December 2004 Average Sales Price	Year-to-Date For Period Ended December 2004		2004 Percent Appreciation <sup>2</sup>
		Average Sales Price	Median Sale Price	
Portland Metro Area				
Includes Portland, surrounding communities, and Vancouver, Washington area	\$254,900	\$246,000	\$204,500	10.6%
Portland				
North	\$184,500	\$176,400	\$165,000	11.2%
Northeast	240,800	226,600	198,400	8.7%
Southeast	214,100	201,500	175,000	9.5%
West (Includes SW and NW Portland and parts of eastern Washington County)	384,100	359,400	289,900	9.3%
Suburban Areas				
Corbett, Gresham, Sandy, Troutdale	\$216,500	\$203,300	\$185,000	8.8%
Clackamas, Milwaukie, Gladstone, Sunnyside	253,600	250,600	214,900	16.1%
Canby, Beavercreek, Molalla, Mulino, Oregon City	256,300	237,600	215,000	8.9%
Lake Oswego and West Linn	390,800	397,000	333,000	14.8%
Northwest Washington County & Sauvie Island	315,300	322,500	285,900	9.7%
Beaverton and Aloha	225,600	216,500	191,000	8.3%
Tigard, Tualatin, Sherwood, Wilsonville	270,900	263,700	240,000	7.8%
Hillsboro and Forest Grove	228,000	208,000	189,000	5.5%
Mt. Hood: Brightwood, Government Camp, Rhododendron, Welches, Wemme, ZigZag	199,800	174,400	162,300	7.4%
Clark County (Vancouver, Washington)	227,200	224,000	189,000	13.9%

<sup>1</sup> Residential includes detached single-family homes, condos, townhomes, manufactured homes, and multi-family (e.g., duplexes, tri-plexes, etc.) homes when one of the units have a sale.

<sup>2</sup> Appreciation percents based on a comparison of average price for the last 12 months (1/1/04-12/31/04 ) with 12 months before (1/1/03-12/31/03)

Source: Regional Market Listing Service (RMLS™)

## Long Term Mortgage Rates Drop for 4<sup>th</sup> Week

**February 3, 2005**

In [Freddie Mac's](#) Primary Mortgage Market Survey, the 30-year fixed-rate mortgage (FRM) averaged 5.63 percent, with an average 0.7 points, for the week ending February 3, 2005, down from last week when it averaged 5.66 percent. Last year at this time, the 30-year FRM averaged 5.72 percent.

The average for the 15-year FRM this week is 5.14 percent, with an average 0.7 points, unchanged from last week when it also averaged 5.14 percent. A year ago, the 15-year FRM averaged 5.03 percent.

Five-Year Treasury-indexed hybrid adjustable-rate mortgages (ARMs) averaged 5.00 percent this week, with an average 0.6 points, down slightly from 5.02 last week. There is no annual historical information for last year since Freddie Mac began tracking this mortgage rate at the start of this year.

One-year Treasury-indexed adjustable-rate mortgages (ARMs) averaged 4.23 percent this week, with an average 0.7 point, up from last week when it averaged 4.18 percent. At this time last year, the one-year ARM averaged 3.61 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**

"Not surprisingly, the one-year ARM rose on the expectation that the Fed would raise rates once again when they met last week," said Frank Nothaft, Freddie Mac vice president and chief economist. "We will probably see the ARM rise a little more over the next few weeks in anticipation of further rate increases by the Fed while the long-term fixed rates remain fairly flat."

### **Portland Area Mortgage Rates**

In late January Washington Mutual was offering 5.875 percent for a 30-year Fixed Rate Mortgage (FRM) with an Annual Percentage Rate (APR) of 5.904 percent - zero points. US Bank's rate was 5.625 for a 30-year FRM (APR of 5.759 percent) and zero points. Many of the mortgage brokers in the Portland metro area were offering loans at the rate of 5.125 - 5.25 percent. All rates are for a loan of \$165,000 to \$359,650 with 20% down. To check on more Portland metro area mortgage rates visit the website for [Bankrate](#).

You can learn more about mortgages by visiting [Professor Guttentag Web site](#). Professor Guttentag is Finance Emeritus at the Wharton School of the University of Pennsylvania.

## About Mortgages

*by Bertha Ferran, Windermere Mortgage Consultant*



A credit score is a computer-generated mathematical calculation of the information which appears on every individual credit report. This report represents the credit worthiness as a numerical value.

Here are three credit bureaus that issue credit scores:

- [Equifax](#)
- [Experion](#)
- [Transunion](#)

The credit score is based on data reported by creditors regarding your payment history. Credit scores are used to assist lender and insurance company, among others, in determining the level of risk associated with granting loans or evaluating an insurance policy. Credit scores can change over time, depending on the developing history and payment behavior changes as well as how well you manage your credit obligations. Inasmuch as credit scores are based on information in your credit history, it is important that you review your credit report at least once a year. It is also important that the review is done for each credit bureau as the reporting of each bureau may vary.

### **Free Credit Reports Every 12 Months**

An amendment to the federal Fair Credit Reporting Act (FCRA) requires each of the nationwide consumer reporting companies provide you with a free copy of your credit report, at your request, once every 12 months, from a Web site called [Annual Credit Report](#). The [Federal Trade Commission](#) (FTC), the nation's consumer protection agency, has prepared a brochure, Your Access to Free Credit Reports, explaining your rights and how to order a free annual credit report. Free reports will be phased in during a nine-month period, rolling from the West Coast to the East beginning December 1, 2004. Beginning September 1, 2005, free reports will be accessible to all Americans, regardless of where they live.

Exercise caution when you obtain a free credit report from a Web site. Most require you to give some personal information (e.g., name, email address, telephone, and social security number.) that could result in you receiving unsolicited email messages. As a wise person told me, "A free lunch comes with a price." Alternatively you can also order free credit reports by phone or mail.

Next month we will continue this topic with most often asked questions and answers.

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## **Portland Weather**

### **Ice followed by Warm and Dry Weather**

What a January! Early in the month we had an ice storm that caused over 100 auto accidents in the metro area. Then a heat wave setting records for warm temperatures. In Portland, the temperature reached 64 degrees by late afternoon on January 18 -- beating out the all-time January high of 63 degrees, reached in 1986. The unseasonably warm weather was caused by the movement of warm, wet air in from the Hawaiian islands, meteorologists said.

- Average Monthly Temperature: 41.7 or 1.8 degrees above normal.
- Three clear days, 4 partly cloudy days, and 18 cloud days.
- The high temperature of 66 degrees on January 18 was the warmest temperature ever recorded at the Portland Airport in the month of January.
- Average Month Wind Speed: 8.9 mph.

### **Snowpack 42 Percent of 30-Year Average**

The warm weather with rains erased 30-40 percent of the snow pack in the Cascade Range. Most of

the Mt. Hood ski resorts are closed due to lack of snow. The snowpack in the Willamette River basin is alarmingly low for this time of year, and the situation is not likely to improve any time soon as temperatures around the region hit record highs today for January. According to the [National Resources Conservation Service](#), the snowpack for the basin in mid January was at only 42 percent of the 30-year average.

Sunny winter may be pleasant, but the persistent warmth and lack of snow are increasing the risk of another dry summer that could drain irrigation reservoirs, kill fish, cut in electric generating capacity, and negatively affect the tourist industry because of low level lakes.

Water Year (Oct 1 - Sep 30)	Average Precipitation In Inches	Actual Precipitation in Inches
Year-to-Date	19.27	11.59
October	2.88	3.36
November	5.61	2.38
December	5.71	3.91
January	5.07	1.94
February	4.32	
March	3.71	
April	2.64	
May	2.38	
June	1.59	
July	.70	
August	.89	
September	1.65	
Year Average	37.21	
Portland's rainfall is measured according to the "water year" which is from October 1 through the end of September. The average precipitation is about 37-38 inches in the metro area. Precipitation measured from the NOAA weather station at the Portland International Airport.		

## Portland Facts

### *Winks Hardware in Southeast Portland*



When you need a hardware item, Winks Hardware on the eastside is often the place to find it. Earlier this month one of our kitchen cabinet hinges broke. We checked with the cabinet maker and they want big dollars to come out to replace it. My husband took the broken part and headed for Winks Hardware. Winks had the part and the cost was \$2.95.

With a staff of former hardware storeowners, industry journeymen and women, and national hardware representatives, Winks Hardware employees have a wealth of product knowledge and project application experience. And to facilitate a solution-driven experience, customers receive one-on-one service to help guide them through the correct hardware application.

### History

Established in 1909 by William Caldwell Winks, Winks Hardware has been a Portland icon for the last 95 years. Winks Hardware also became well known for locating hard-to-find items for its customers. Before long, Winks was selling products to customers up and down the West Coast. Upon Mr. Winks' death in 1945, his daughter, Ms. Jane Winks, stepped in to continue the tradition of providing the

Portland community with specific and hard-to-find goods.

As Portland's community expanded so did Winks' product line. By the early 1960s, Winks Hardware was synonymous with quality, service, and selection. However, part of Portland's expansion included the construction of the I-405 freeway, taking out the block at 14th and Washington, compelling Winks to find a new location. Ms. Winks successfully orchestrated the transition to the Pearl District at 903 NW Davis in 1963. Winks would prosper in the Pearl District until 2001 when the opportunity arose, for third generation owner, Anne Kilkenny, to move the business into a larger space in SE Portland.

### Where to Find Winks Hardware

To visit Winks Hardware and see how its staff can assist you with your hardware needs, visit Monday through Friday, 7:30am to 5:30pm. Winks can be found at 200 SE Stark St. on the corner of SE 2nd and Stark. Call 503-227-5536 or logon to their Web site at <http://www.winkshardware.com>.

## Portland Home Market Summary for 2004

The average home price increased 10.6 percent in 2004 – this is the first time double digit appreciation has occurred in the Portland market since the Regional Multiple Listing Service began keeping records in 1991. In 1994-1997, the appreciation increased from 8.6 to 9.1 percent.

Here are the facts for the Portland metro area home sales in 2004:

- Real estate sales that closed in the Portland metro area generated \$8.1 billion
- Home sales in 2003 were \$6.9 billion
- Home sales increased 17% from 2003
- There were 8.3% more accepted offers than it had in 2003
- Closed sales increased 6.6%
- The average home sale price in 2004 was \$246,000 (it was \$222,500 in 2003)
- The average home sale price increased 10.6%
- The median home sales price was \$204,500 (2003 \$187,000) – a 9.5% appreciation

Compared to the years, 1999 to 2003, the **10.6% appreciation** in the average home cost is by far the largest. Almost double to that of previous years. Here are the numbers for 1999 - 2003:

- 1999: 3.9% - average sales price of \$188,100
- 2000: 5.3% - average sales price of \$198,600
- 2001: 1.2% - average sales price of \$201,000
- 2002: 4.8% - average sales price of \$213,900
- 2003: 5.6% - average sales price of \$222,500

The source for the above numbers is the [Regional Multiple Listing Service](#) (RMLS™). One can see an upward trend in home costs in the Portland metro area, even considering 2001. This trend is evident in most metro areas in the U.S.A. as the home market has surged the last few years.

### US Home Prices Increased 12.98 Percent

On December 1, 2004, the [Office of Federal Housing Enterprise Oversight](#) (OFHEO) reported that the average U.S. home prices increased 12.97 percent from the third quarter of 2003 through the third quarter of 2004. The figures were released by Armando Falcon, Jr., Director of the Office of Federal Housing Enterprise Oversight (OFHEO), as part of OFHEO's [House Price Index](#) (HPI).

It would have been useful to have the ending 2004 figures available for analysis but OFHEO releases the data for each quarter about two months after the quarter ends. The [National Association of](#)

[Realtors](#) (NAR) will release their 2004 numbers on February 15, 2005.

The HPI is a quarterly report analyzing housing price appreciation trends. "The appreciation reflected in this quarter's report shows further acceleration from already rapid increases," said Falcon. "The growth in house prices over the past year surpasses any increase in 25 years." "The increase is particularly steep when compared to the price of non-housing goods and services," said Patrick Lawler, OFHEO Chief Economist. "House prices grew 12.97 percent in the past year, while other goods and services as measured by the Consumer Price Index grew 2.68 percent."

Over the past year Nevada's house prices grew 35.78 percent, the largest HPI increase for any state. Rounding out the top five states for annual house price appreciation are Hawaii at 28.29 percent, California at 27.18 percent, the District of Columbia at 23.95 percent, and Rhode Island at 22.54 percent. Maryland was not far behind in sixth place at 22.32 percent.

Other significant findings in the HPI:

1. Seventeen of the 20 Metropolitan Statistical Areas (MSA) with the largest price gains in the past year are California (11), Nevada (2), and Florida (4). Rounding out the top 20 are Honolulu, HI; Washington, DC-Arlington-Alexandria, VA; and Atlantic City, NJ.
2. The MSA with the second highest rate of annual growth was Riverside-San Bernardino-Ontario, CA with annual appreciation of 33.81 percent.
3. The Census Division with the highest rate of growth was Pacific (Washington, Oregon, and California) at 22.72 percent.
4. The average home price in Oregon grew by 11.81 percent and in Washington by 11.75 percent.

### Western Metropolitan Statistical Areas (MSA)

OFHEO also records housing data for the 245 MSAs and ranks them by growth. The Portland metro area ranked 96 with a growth rate of 10.82 percent. Seattle had 11.71 percent growth and ranked 86<sup>th</sup>. Boise, Idaho was ranked 126<sup>th</sup> and had a 7.56 percent growth. Another Oregon MSA area – Bend – was ranked 102<sup>nd</sup> with 79.74 percent growth. Denver was ranked 212<sup>th</sup> and had a growth rate of 4.15 percent, which was rather surprising considering how popular the Denver area has become.

### The Questions

Two questions quickly come up when looking over these numbers.

- Why the big increase in prices?
- Is the 10.6 percent increase a healthy one for Portland?

### Question One: Why the Large Increase in 2004?

One does not have to be an economist to determine some of the causes for the increase in home values in Portland as well as the USA. First is the low interest rate for mortgages. Another is that people are investing in their homes instead of putting money in the recently dismal stock market. Many are investing in second homes.

Another reason is the Portland has become known as a good place to live. Even in spite of our high unemployment (Alaska and Oregon usually have the highest rates of unemployment in the nation), Portland continues to grow. The Pacific Northwest has many advantages: recreation, climate, not too crowded, etc.

**Increased Demand Equals Decreased Inventory** With increased demands for homes, the inventory of homes available for sale decreases. This causes prices to rise. For example, in May 2004, the 8,054 active residential listings would have sustained the market for a record low 2.8 months, based on prevalent sales rates, according to RMLS, the primary regional real estate listing



service. Inventory stayed at supplies of 2.4 to 2.9 months through December. The shortage pushed the area's median sales price to \$204,500, up 9.35 percent over the recently revised \$187,000 median recorded for 2003.

**Homes Have Truly Become Castles** I believe another reason that prices have increased the last few years is that homes have become better. This is primarily due to technology. Homes used to be basic – a place to sleep and eat. Now they serve more functions including entertainment. Anyone remember watching 8mm home movies in the 50s and 60s at home? Compare that to watching a DVD movie on your big screen TV.

I'm usually in 10-15 homes every week either showing clients or attending open houses so I see all kinds of home environments. I am amazed at how homes have become so livable, warm, and friendly. My quick list includes gas fireplaces, high-speed internet connections, home entertainment centers, and lighting. Kitchens have improved the last few years along with the ease of making a meal. The microwave heats my milk for coffee in seconds and right in the cup. No need to bring out a sauce pan (something to wash) and heat the milk - invariably it boils over because I get distracted. Even the coffee maker grinds my beans and gives me a delicious cup of coffee. How did I ever live without our "warm floor" in our bathroom? I know it makes me linger in the bathroom on cold mornings but such luxury!

Even paints have become so easy to use and apply (water-based as opposed to oil-based makes for easy cleanup) that homeowners can paint a room in a few hours. And the variety of colors available.

### **Question Two: Is the 10.6 Percent Increase Healthy for Portland?**

I don't like it! I am very nervous about the 10.6 percent increase in average home costs in 2004. I much prefer a 4-5 percent annual appreciation because I fear that if something goes up quickly, it can also come down quickly. I like stability.

Appreciation's great if you own a home - it's tough if you're on the outside trying to buy. When appreciation is high and as the home inventory goes down, it takes away the buyers' ability to make a rational decision. They act irrationally because they feel time pressure. They're afraid that the next buyer's going to walk through and make an offer, that the house isn't going to be there and there isn't another one like it. I dread the day I have to tell a home buyer that they better act fast on purchasing a home because of low inventory and high demand.

Many of the condo developments in Portland as well as other parts of the country require a \$5,000 refundable deposit to reserve a time slot to buy a home that has yet to be built, sometimes without knowing more than the building address plus a few drawings. And it works as the majority of the units in a building are frequently sold before construction begins. This also can also happen with detached single-family homes in a development. I know of a Washington coast development of approximately 500 homes that was 30 percent sold before a spade full of dirt was shoveled.

### **Can You Lose Money in Real Estate?**

People have a belief that real estate is always safe and you can't lose money. History proves otherwise. In New York city, median sales prices peaked at \$375,000 in 1987 before plunging 45 percent to a low of \$205,000 in 1995. Median prices did not climb back up to their 1980's levels again until 2000. In the Northeast, the National Association of Realtors said median sales prices fell 11 percent from 1988 to 1989, and did not return to 1988 levels until 2001.

### **A Housing Bubble**

Most experts do not predict a housing bubble because they view the home market as a local market.

For example, prices are going up in Portland and Seattle, but some of the lowest housing prices are in Spokane, WA and Boise, ID, both about 200-300 miles away. It shows you that it's local markets.



Spokane's median home price was \$132,400 and Boise's median price was \$140,100 – this was at the end of the 3<sup>rd</sup> quarter in 2004 as reported by OFHEO.

## Events

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

### Fun Fact

Portland's rich musical landscape is featured in the February issue of Sunset magazine, with a special nod to our "hot" jazz scene.

### Portland Jazz Festival: February 17-20



Hear for yourself what all the buzz is about. The Portland Jazz Festival returns after a smash hit inaugural year in 2004. This year's line-up features vocalist Dianne Reeves and bassist Dave Holland among dozens more great artists. Hotel packages include an all-events passport.

Hotel packages include an [all-events passport](#).

There's even a special [Jazz Train](#) aboard the Amtrak *Cascades*. Festival guide online at [www.pdxjazz.com](http://www.pdxjazz.com). Call 503.228.JAZZ (5299) for more information.

### Portland International Film Festival

The Portland [International Film Festival](#) is the Northwest Film Center's annual showcase of world cinema. In its 28th year, the festival offers more than 100 new films from 30 countries. Showing at various downtown Portland theaters. Dates: February. 11-26. Telephone: 503.221.1156.

### Chinese New Year



Welcome the Year of the Rooster with festivities at the Portland [Classical Chinese Garden](#). Events begin with a spectacular Lion Dance Sat., Feb. 12, and culminate Saturday, February 20 with a traditional lantern festival hallmarked by a free lantern-making workshop and procession through the garden.

Check [event schedule](#) online. Telephone: 503.228.8131.

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