



**Susan  
and her  
Wirehaired Vizslas**

# Moving to Portland™

**June 2005 Newsletter**

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## Portland Home Market

### April Residential Highlights

In April 2005, inventory in the greater Portland metro area started its record breaking decline. With 5,353 active residential listings and 3,051 closed sales, this April tied March 2005, with an inventory of 1.8, the lowest recorded measure to that point. Factors of the reduced inventory include an increase in closed sales (up 13% from April 2004), an increase in pending sales (up 11.1%), and a noticeable 5% decrease in new listings.

### Year-to-Date

Statistics show a 25.1% increase in closed sales, a 19.5% increase in pending sales, and a 1.1% increase in new listings when comparing this year to date to the same period in 2004.

### Appreciation

The area's average sale price for the last twelve months was \$254,100—up 11% from the \$228,900 average from the 12 months prior. Using the same date range to compare median sale price we see a 11.5% appreciation rate (\$211,900 v. \$190,000).

### Affordability

At the end of the first quarter of 2005, a family making the area's median income made 33% more than necessary to afford the area's median-priced home (\$223,000), based on a NAR formula. The formula requires a 20% down payment and a 30-year fixed-rate mortgage at Freddie Mac's reported 5.93% interest

rate. HUD identifies the median family annual income as \$67,900.

## Cost of Residential<sup>1</sup> Homes in the Portland Metro Area For Period April 2005

Area	April 2005 Average Sales Price	Year-to-Date For Period Ended April 2005		Average Price Appreciation <sup>2</sup>
		Average Sales Price	Median Sale Price	
Portland Metro Area				
Includes these counties in Oregon: Clackamas, Columbia, Multnomah, Washington, & Yamhill	\$268,900	\$260,500	\$219,500	11.0%
Portland				
North	\$195,600	\$190,600	\$170,100	13.1%
Northeast	261,200	243,300	198,750	10.5%
Southeast	213,500	210,500	174,200	11.0%
West (Includes SW and NW Portland and parts of eastern Washington County)	376,100	377,300	319,900	12.4%
Portland Metro Suburban Areas				
Corbett, Gresham, Sandy, Troutdale	\$223,700	\$213,900	\$204,750	9.7%
Clackamas, Milwaukie, Gladstone, Sunnyside	276,800	264,500	226,500	15.5%
Canby, Beavercreek, Molalla, Mulino, Oregon City	272,600	263,200	224,900	11.1%
Lake Oswego and West Linn	464,900	423,700	329,900	15.5%
Northwest Washington County & Sauvie Island	367,000	353,300	325,000	9/4%
Beaverton and Aloha	247,800	234,100	200,000	10.4%
Tigard, Tualatin, Sherwood, Wilsonville	299,000	284,000	244,900	10.8%
Hillsboro and Forest Grove	237,200	222,900	201,750	8.3%
Mt. Hood: Brightwood, Government Camp, Rhododendron, Welches, Wemme, ZigZag	237,300	212,800	206,486	17.0%
Columbia County	197,600	187,200	165,000	9.6%
Yamhill County	200,000	199,200	164,900	2.2%
Washington State				
Clark County (Vancouver, Washington)	\$250,200	\$240,800	\$202,500	14.3%

<sup>1</sup> 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.

<sup>2</sup> Appreciation percents based on a comparison of average price for the last 12 months (5/1/04-4/30/05) with 12 months before (5/1/03-4/30/04). The median appreciation for the same period was 11.5 percent.

Source: Regional Market Listing Service (RMLS™).

## Mortgage Rates Ease Further

**June 2, 2005**

In [Freddie Mac's](#) Primary Mortgage Market Survey, the 30-year fixed-rate mortgage (FRM) averaged 5.62 percent, with an average 0.6 point, for the week ending June 2, 2005, down from last week when it averaged 5.65 percent. Last year at this time, the 30-year FRM averaged 6.28 percent.

The average for the 15-year FRM this week is 5.20 percent, with an average 0.6 point, also down slightly from last week when it averaged 5.21 percent. A year ago, the 15-year FRM averaged 5.63 percent.

Five-Year, Treasury-indexed, hybrid adjustable-rate mortgages (ARMs) averaged 5.10 percent this week, with an average 0.5 point, up from last week when it averaged 5.07 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 4.26 percent this week, with an average 0.6 point, up from last week when it averaged 4.21 percent. At this time last year, the one-year ARM averaged 3.98 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**

"Improvements in the job market and rising wages will likely put upward pressure on mortgage rates in the coming months," said Frank Nothaft, Freddie Mac vice president and chief economist. "However, the same growth in income will partially offset any rise in rates, enabling housing to continue to be a healthy industry.

"Given the low rates we experienced last month, we expect home sales in May will remain strong."

### **Portland Area Mortgage Rates**

In early June, US Bank's rate was 5.75% for a 30-year FRM (APR of 5.831%) and zero points. Washington Mutual was offering the same rate and the APR was 5.801%. The average APR for a 30-year fixed-rate mortgage was 5.33% for the Portland metro area. 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 [Yahoo! Finance](#).

## Portland Weather

### **May is Wet: 4.20 Inches Actual vs. Average of 2.38 Inches**

It must have rained every day from May 1 to May 22. If it missed a day, during those first 22 days of the month, no one noticed. Finally on May 23, the weather broke and we had a week of clear and sunny weather. A couple of days were in the 90 degrees. Cooler weather caught up with us the last three days of the month. Just to make certain that we would not forget May 2005, we had a good downpour on the last day of the month.

During early 2005, when we had weeks of clear and sunny weather, the thought was always in the back of my head that we would "pay in April and May." We did! I've always one to take my punishment now rather than delay it. Over the years, I prepared myself for the winter rains and then the pleasant surprises of more clearing days as Spring progresses. I find it difficult to reverse course.

Water Year (Oct 1 - Sep 30)	Average Precipitation In Inches	Actual Precipitation in Inches	Water Year
Year-to-Date	32.18	24.35	<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 as the Portland International Airport.</p>
October	2.88	3.36	
November	5.61	2.38	
December	5.71	3.91	
January	5.07	1.94	
February	4.18	1.23	
March	3.71	3.77	
April	2.64	3.49	
May	2.38	4.20	
June	1.59		
July	0.70		
August	0.89		
September	1.65		
Year Average	37.21		

Here is the [NOAA](#) data for the month of May, 2005:

- Average Monthly Temperature: 60.1 or 3.0 degrees above normal.
- Greatest 24 Hour Rainfall: .82 inches on May 9 and 10.
- Average Maximum Temperature: 68.5
- Average Minimum Temperature: 51.8
- Clear/Cloudy Days: 5 clear days, 2 partly cloudy days, 24 cloudy days.
- Highest Temperature: 95 on May 27 breaking record of 90 in 1944.

## Portland People: Roger the Street Poet



Meet Roger, the street poet, whose occupation is selling the Portland [Street Roots](#) twice-monthly newspaper. Street Roots is a nonprofit organization that advocates for the homeless. It has about 50 vendors who are assigned specific areas within the Portland metro area to sell the paper. A vendor purchases the paper for 30 cents and sells it for one dollar. They keep 70 cents.

Roger does most of his business at Trader Joe's in Northwest Portland. He sets up outside so he works in the elements and always has a greeting for the store patrons no matter if they purchase a paper or not. To supplement his income, he is beginning to write poetry, the first of which appeared in the annual Street Roots Poetry Edition this month. Here is Roger's work called "Sabotage":

Those fancy cars and boats you drive  
 Are only things of sabotage  
 And you think you're wealthy and you're really poor  
 All you have is a big garage.  
 If your SAT was a boat or car  
 It wouldn't take you very far.  
 You need guts and compassion  
 A little love and a passion  
 Those generous mouths and selfish hearts  
 To me they give a lot of doubts  
 Please contribute to the cause  
 We need your help, not a pause.  
 And if a thank you is in order

You'll never have to flee our border.  
Share it, share it my dear friends  
Heaven or hell, you or me, has not ends.

## New Photo Tour: Downtown Portland

We have created a new photo tour of downtown Portland on the Moving to Portland Web site and invite you to have a "pre-release" look. It is available for your viewing at [http://www.movingtoportland.net/phototour\\_downtown.htm](http://www.movingtoportland.net/phototour_downtown.htm).

It is still a "work in progress" so you will not find it on any of the menus. We solicit your suggestions and ideas - just email the webmaster at [webmaster@movingtoportland.net](mailto:webmaster@movingtoportland.net).

## Portland Fun Facts



Portland has long had a love affair with roses. In 1888, Georgiana Burton Pittock, wife of pioneer publisher Henry Pittock, invited her friends and neighbors to exhibit their roses in a tent set up in her garden; thus the Portland Rose Society was established. By 1905, Portland had 200 miles of rose-bordered streets - a strategy to draw attention to the Lewis and Clark Centennial celebration - and had been dubbed the 'City of Roses.'

### Portland Safe Haven for Roses During WWI

In 1915, rose hobbyist and regional trustee of the [American Rose Society](#) Jesse A. Currey convinced city fathers to inaugurate a rose test garden to serve as a safehaven during World War I for hybrid roses grown in Europe. Rose lovers feared that these unique plants would be destroyed in the bombing. Portland was fortunate in having a group of civic-minded citizens who took over the task of its establishment. Foreign hybridists sent roses for test from many countries, and the new rose test garden was an immediate success.

### Portland International Rose Test Garden Oldest Public Rose Garden in USA

Today, Portland's International Rose Test Garden is considered the oldest official, continuously-operated, public rose test garden in the United States. Although 24 gardens across the nation now test roses, Portland is the only international rose test garden still receiving roses from around the world to be tested in this mild climate between the Pacific Ocean and the Cascade Mountain range - and is the only North American city that can issue its awards to roses of merit throughout the world.

The Test Garden is designed in rows to allow visitors to get up close and personal with the 8,000 rose bushes located here. The test roses are on a two-year cycle and are evaluated continuously throughout that period. Roses are judged on a variety of criteria including novelty, bud and flower form, color at opening and finishing, fragrance, and disease resistance.

## Housing Market: Watch for Local Bubbles

The housing market has one topic these days: Are local markets turning into bubbles that are about to burst? A bubble occurs when the price of something exceeds its "fundamental value." We saw this in the '90s, when unprofitable tech companies commanded staggering stock prices.

### Greenspan Acknowledges "Froth" in the Housing Market

In a speech delivered to the Economic Club in New York on May 20, Alan Greenspan, Fed Chairman, emphasized that he sees no sign of a nationwide housing bubble. He acknowledged concerns over "froth" in the local housing market and pointed to a big increase in speculation in home – particularly in second homes. "We don't perceive that there is a national bubble, but it's hard not to see that . . . there are a lot of local bubbles," Greenspan said.

Joshua Shapiro, the chief United States economist at MFR Inc., an economic research group in New York also had made two key comments about the housing market:

- "There's clearly speculative excess going on."
- "A lot of people view real estate as a 'can't lose'."

### Creative Financing and Low Interest Rates are Reasons for a Strong House Market

The most often cited reason for the robust housing market is that mortgage rates have remained low. The average interest rate for a 30-year fixed loan is now 5.71 percent, down from 6.30 percent a year ago, according to Freddie Mac, the government-sponsored mortgage buyer.

But why are mortgage rates low? Again, the experts say that mortgage rates are closely tied to the market for long-term government bonds, which are benefiting from purchases by foreign governments, particularly in Asia, that continue to buy Treasury bonds, as well as from investors looking for a haven from risky corporate securities.

Other reasons given are that creative financing arrangements appear to have wooed a new group of homebuyers into the market. "Nothing down" mortgages and "interest only" home loan are very popular. Business Week recently reported that 31 percent of home mortgages are now "interest only" loans.

### Real Estate and our Economy

If the Fed chairman is talking about "froth" in the housing market, we should understand the impact of real estate in the U.S. economy. The question we need to ask yourself is, "Would a real estate crash really matter to the country?"

Real estate is very pervasive in the U.S. economy. It has an effect on a number of industries to include banking, mortgage brokers, construction, insurance, appliances, and home furnishing. For example, home equity lending amounted to more than \$200 billion last year or nearly 2 percent of the economy according to [Economy.com](#), a research group. The [Bureau of Economic Analysis](#) (part of U.S. Department of Commerce) concludes that construction amounts to 4-5 percent of all economy activity. In 2004, adjustable-rate mortgages (A.R.M.) made up a third of new mortgage originations. What effect would a climb in interest rates have on A.R.M. borrowers?

Economists use a "rule of thumb" to describe the wealth effect in our economy. The rule is that a \$1 change in household wealth leads to a roughly 5-cent change in consumer spending. So if the housing market prices decline 10 percent, the Gross Domestic Product (GDP) would decrease by half of a percent. Would that send the country into a recession?

**I.M.F. Study** Adding it all up, it's easy to see how a drop in real estate prices would mean trouble for the economy. The International Monetary Fund (I.M.F.) conducted a study in 2003 that assessed the potential impact of a real estate slump. Reviewing the experience in the U.S. and 13 other industrialized countries, the I.M.F. found that a real estate bust is far more dangerous to the economy than a stock market bust.



They calculated that a housing price decline less than half as large as a decline in stock prices typically causes twice as big a drag on the economy and that its effects last twice as long as those of a stock market crash.

### Is the Portland Housing Market Overvalued? Maybe Not!

Some media outlets are reporting that the housing market is overvalued but they never tell us how they arrived at that conclusion. Now we have a tool! The New York Times and [Economy.com](http://Economy.com) teamed up to create an index using the local rental market. They reported on the results in the Saturday, May 28, 2005 "Business Day" section of the paper.

They used a tool from the stock market, the Price-to-Earning (PE) ratio. One of the most basic methods of analyzing a stock is to look at the PE ratio, a comparison of a company's share price with its annual profit. The higher the ratio, the more expensive a stock is relative to its underlying value. Houses have their own version of such a ratio: the Price-to-Rental (RR) ratio. Take the price of a typical house in an area, divide it by the amount that house would cost to rent for a year and the result is what might be called a Price-to-Rent ratio. It is far from perfect, but it can be helpful.

They compiled a ratio in 54 local markets and concluded that housings is not nearly as overpriced as stocks were in the late 1990s, but many areas are showing signs of being overpriced. The overall ratio for the U.S. in 2005 (1<sup>st</sup> quarter figures) was 17.1. It was 11.6 in 2001 (1<sup>st</sup> quarter figures).

**Portland Ratio** Portland reported a ratio of 15.9 in 2005 and 11.8 in 2000. Twenty metro areas had lower ratios than Portland. The study also reported that Portland's average annual growth in home prices (2000-2005) was 6.6 percent and rents remained unchanged for the same period.

In only a few areas – Washington DC, Baltimore, Las Vegas, Jacksonville and the Long Island suburbs of New York – are rents rising at a fast pace according to the article. In San Francisco and San Jose, California, the rent ratio has hit nearly 35 on average – about equal to the PE ratio that Microsoft's stock reached in 2000. In San Diego, the ratio is 28.9, and in New York, it is 25.4. Albuquerque was the lowest in the nation with a ratio of 11.8. Other western cities: Salt Lake City/Ogden 12.9, Seattle/Bellevue/Everett 19, and Sacramento 26.5.

### Nationwide Numbers From the National Association of Realtors

- Existing single-family homes and condominiums were sold at a seasonally adjusted pace of 7.18 million units in April, a gain of 4.5 percent from a revised March sales pace of 6.87 million units. The old record was 7.02 million at an annual pace last June.
- Nationwide, the median price for sales of existing homes, which does not factor in newly built ones, rose to \$206,000 in April 2005, up 15.1 percent over the last year and breaking the \$200,000 level for the first time.
- Adjusted for inflation, the median price - the point at which half cost more and half cost less - has increased more than a third since 2000.
- Prices have jumped most sharply over the last year in the West - up 21 percent in April from a year earlier, compared with an increase of 14 percent in the calendar year 2004.

In a separate report, the Census Bureau said in late May that the percentage of homes worth at least a million dollars had almost doubled from 2000 to 2003. California had the highest share of million-dollar homes in 2003, with more than 4 percent valued above that amount. It was followed by Connecticut; Washington, D.C.; Massachusetts; and New York, where an estimated 2.1 percent of the homes were valued at more than \$1 million. Nationally, 1 percent are worth more than that.

### Cooling the Housing Market

The key to restraining the housing market is to place restrictions on lending policies. Regulators have issued new guidelines on home equity lending, and new rules on first-mortgage loans are expected to follow soon. The Federal Reserve has been trying indirectly to increase long term interest rates without success. Because the Fed doesn't control long-term interest rates, it relies on indirect means to influence the long-term rate.

But that isn't working so most economists predict more short-term rate increases.

## Events

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

### Portland Rose Festival

Portland is coming up roses with a month of fanfare and family fun during the annual [Rose Festival](#): Pepsi Waterfront Village, June 2-12; Fireworks, June 3; Starlight Parade, June 4; Grand Floral Parade, June 11; Champ Car Grand Prix, June 17-19; Portland Arts Festival, June 17-19 and much, much more! Telephone 503.227.2681.



### John Singer Sargent Exhibit at Portland Art Museum

*Great Expectations: John Singer Sargent Painting Children* is the Portland Art Museum's major summer exhibition. Discover this first-ever exploration of the role of children in the work of the 19th century's greatest society portraitist. June 8-Sept. 11. Telephone 503.226.2811

### Oregon Quarter Debuts in June



This June, flip your newest state quarter over and find an invitation to our fair state. Oregon's commemorative quarter features Crater Lake – the deepest lake in the United States. This southern Oregon treasure is renowned for its captivating crystal-blue water, mystic spirit and ancient legend.

### Magic: The Science of Illusion

OMSI invites you to explore the art and science behind entertainment magic, focusing on four main illusions: mind reading, levitation, transformation, and the disembodied head. Oregon Museum of Science and Industry. May 28 - September 5. Telephone 503.797.6674.

### Chamber Music Northwest Summer Festival

The 35th Anniversary [Chamber Music Northwest Summer Festival](#) offers a rich variety of music, from Bach and Mozart to Shostakovich and the composers of our time, with audience favorites on every concert, performed by internationally. June 27-July 31. 503.294.6400.

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