



**Susan
and her
Wirehaired Vizslas**

Moving to Portland™

March 2005 Newsletter

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Portland Home Market

January Residential Highlights

In contrast to January 2004, this winter has been much warmer both in terms of the temperatures and the real estate market. By the end of January, closed sales reached a total that was 41.7% greater than that of the previous month. Similarly, accepted offers were up by 41% and the pool of new listings was 16% larger. At January's rate of sales, Portland's 6,284 active residential listings would take approximately 3.4 months to sell.

New Construction 2004

The number of homes listed as proposed, under construction, or new construction continues to rise. The number of properties listed as such in 2004 (4,754) is 13.8% greater than those listed in 2003 (4,177). Their average sale price rose 8.9% (\$271,900 v. \$249,600) while median sale price rose 9.6% (\$217,900 v. \$198,800).

Affordability

The average Portland family household had 144% of the income needed to purchase the median-priced home (\$210,000) in the greater metro area. A family making the median annual income (\$67,900) would pay \$980.40 a month for this home with a 20% down payment and a 30-year, 5.75% (per Freddie Mac) fixed-rate mortgage.

Cost of Residential¹ Homes in the Portland Metro Area For Period December 2004

Area	January 2005 Average Sales Price	Year-to-Date For Period Ended January 2005		Percent Appreciation ²
		Average Sales Price	Median Sale Price	
Portland Metro Area				
Includes Portland, surrounding communities, and Vancouver, Washington area	\$254,800	\$254,800	\$210,000	8.9%
Portland				
North	\$181,000	\$181,000	\$170,100	11.8%
Northeast	229,100	229,100	198,750	8.9%
Southeast	208,700	208,700	174,200	9.8%
West (Includes SW and NW Portland and parts of eastern Washington County)	377,000	377,000	319,900	9.8%
Portland Metro Suburban Areas				
Corbett, Gresham, Sandy, Troutdale	\$218,000	\$218,000	\$204,750	9.6%
Clackamas, Milwaukie, Gladstone, Sunnyside	269,800	269,800	226,500	17.1%
Canby, Beavercreek, Molalla, Mulino, Oregon City	254,200	254,200	224,900	9.4%
Lake Oswego and West Linn	387,000	387,000	329,900	14.2%
Northwest Washington County & Sauvie Island	359,700	359,700	325,000	8.6%
Beaverton and Aloha	229,500	229,500	200,000	9.4%
Tigard, Tualatin, Sherwood, Wilsonville	277,400	277,400	244,900	8.4%
Hillsboro and Forest Grove	219,000	219,000	201,750	6.9%
Mt. Hood: Brightwood, Government Camp, Rhododendron, Welches, Wemme, ZigZag	181,400	181,400	206,486	8.3%
Washington State				
Clark County (Vancouver, Washington)	\$226,100	\$226,100	\$196,000	13.2%

¹ 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.

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

Source: Regional Market Listing Service (RMLS™)

Long-Term Mortgage Rates Tick Up

February 24, 2005

In [Freddie Mac's](#) Primary Mortgage Market Survey, the 30-year fixed-rate mortgage (FRM) averaged 5.69 percent, with an average 0.7 points, for the week ending February 24, 2005, up from last week when it averaged 5.62 percent. Last year at this time, the 30-year FRM averaged 5.58 percent.

The average for the 15-year FRM this week is 5.22 percent, with an average 0.7 points, up from last week when it averaged 5.14 percent. A year ago, the 15-year FRM averaged 4.89 percent.

Five-Year Treasury-indexed hybrid adjustable-rate mortgages (ARMs) averaged 5.05 percent this week, with an average 0.8 points, unchanged from 5.05 last week. 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 adjustable-rate mortgages (ARMs) averaged 4.16 percent this week, with an average 0.8 point, up slightly from last week when it averaged 4.15 percent. At this time last year, the one-year ARM averaged 3.50 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 moved up for the second week in a row on concerns about a pick up in inflation showing up in raw materials," said Frank Nothaft, Freddie Mac vice president and chief economist. "However, a broader measure of inflation, the Consumer Price Index (CPI), posted a less than expected rise in inflation, causing bond yields to fall. This means that next week's survey results may retreat to prior levels of a week or two ago.

"Sales of existing homes in January are expected to be a little lower than they were in the previous months, but continuing low interest rates will keep the housing sector active for some time to come."

Portland Area Mortgage Rates

In late February Washington Mutual was offering 5.875 percent for a 30-year Fixed Rate Mortgage (FRM) with an Annual Percentage Rate (APR) of 5.927 percent - zero points. US Bank's rate was 5.75 for a 30-year FRM (APR of 5.834 percent) and zero points. Many of the mortgage brokers in the Portland metro area were offering loans at the rate of 5.25 - 5.50 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](#).

About Mortgages

by Bertha Ferran, Windermere Mortgage Consultant



With interest rates being at the lowest level of the last 40 years, a lot of folks have begun thinking about buying a home, and it is important that we all remember a few things about the importance of credit in our lives especially when trying to buy a home.

Used properly, credit can help you finance the things you need, such as cars, homes, appliances and education. You can also use credit to purchase luxuries like big-screen televisions or a much needed vacation. In short, credit gives you financial flexibility.

Establish Credit

Establishing credit is as easy as opening a checking account or obtaining a credit card, and building a good credit foundation is essential for buying cars, homes and many of the things you want. Without credit, you are considered a credit risk. Also, you often need a credit card to reserve and rent such things as automobiles and hotel rooms. The convenience of shopping by phone or through the internet is another reason to obtain a credit card. Credit cards help build your credit reputation, as long as they are used properly. In most cases, you will not incur finance charges if you pay the entire balance by the due date on your statement. However, if you do not have enough money to pay for the entire purchase, then you can pay a monthly amount until you pay the debt in full.

20 Percent Rule

Having a realistic budget, keeping a moderate credit limit and paying balances every month are the keys to good credit. Don't extend your credit too far if you can't make the payments. Many credit counselors advise that monthly installment debt payments, such as car or school loans and credit card payments (not including a home mortgage) should not total more than 20 percent of your monthly income. For example, if your monthly take-home pay is \$1,000, you should be devoting no more than \$200 a month to credit payments.

Remember, the early years in your credit life are crucial for building a strong credit foundation and establishing good credit gives you buying power when you need it.

Bertha Ferran is a Senior Mortgage Consultant with Windermere Mortgage Services and has worked in the real estate industry for over 25 years. She is a commission member for the Portland Development Commission, serves on the Regional Investment Board, the board of the United Way of the Columbia-Willamette, the Oregon State University President's Board of Visitors for Minority Affairs, as well as the SMG Foundation. She can be reached at 800-383-3355 or by e-mail at bferran@windermere.com.

Portland Weather

Oregon Drought Continues with Dry and Warm Weather in February

Two events signal that the Portland area was dry and warm: brush fires and people having to water their lawns and plants. Both occurred in February. Local officials can cancel outdoor burning when the fire danger is too high. And that's just what many did in the last week of February because seasonal rainfall is 50 percent to 60 percent below normal, making it the fourth-driest winter in Portland in the past 60 years.

The best time to plant trees and brushes in the Portland area is in the fall just as the rainy season begins. This eliminates the need to water them during the first few weeks of transplanting. But this year it was different. With just over an inch of rain in February along with the above average warm weather, it was time to get the hoses out. Here is the [NOAA](#) data for the month of February, 2005:

- Average Monthly Temperature: 43.5 or .4 degrees above normal.
- Precipitation: 1.23 inches - .70 inches fell on February 5 and 6.
- High Temperature: 65 degrees on February 27.
- Low Temperature: 24 degrees on February 15.
- Average Month Wind Speed: 6.3 mph.

Snowpack Status Now Critical

After one of the driest Februarys on record, accumulations of mountain snow have dropped even

further below normal across much of Oregon, Washington and Idaho. That snow is a vital natural reservoir for the streams and rivers that supply irrigation and drinking water, produce electricity at hydropower dams -- and sustain wild salmon journeying to sea.

Last month brought one-fifth to one-third the average rain and snowfall to most river basins in Oregon. The lack of moisture, combined with warmer-than-normal temperatures, left snowpacks worse off than they were a month ago in most of the region. Washington is down the furthest, with a statewide snowpack at 27 percent of normal, compared with Oregon at 35 percent of normal. The next month will be crucial. Learn more at [National Resources Conservation Service](#).

Water Year (Oct 1 - Sep 30)	Average Precipitation In Inches	Actual Precipitation in Inches
Year-to-Date	23.45	12.82
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	
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 Fun Facts



Ramona Quimby is the beloved young heroine of Beverly Cleary's whimsical books about growing up in Northeast Portland. She has been immortalized, along with Henry Huggins and Henry's dog Ribsy, in the Beverly Cleary Sculpture Garden for Children in Portland's [Grant Park](#) (which is four blocks from the *real* Klickitat Street).

Portland artist Lee Hunt sculpted the statues of the three Cleary characters in clay, and then had them cast in bronze. Fountains are under Ramona's and Ribsy's feet, perfect for kids to splash in during warm weather. Around the concrete fountain slab are granite plaques engraved with the titles of the Cleary books that take place in Portland. These include all the *Henry Huggins* books, *Ribsy*, *Otis Spofford* and all the books involving Ramona and her older sister Beezus.

The dedication of the Beverly Cleary Sculpture Garden on October 13, 1995 was a great celebration! Over 1,000 people came on a beautiful afternoon to see local actors in the roles of Henry, Ribsy and Ramona, unveil the three sculptures. Beverly Cleary spoke about growing up in the neighborhood and shared her memories of Grant Park and Grant High School in the 1930s.

The sculpture garden is just south of the playground in [Grant Park](#) on N.E. 33rd Ave., between Knott Street and Broadway, adjacent to Grant High School. You can't see it from 33rd; you must actually go into the park to find the statues. The Portland Parks Department will turn on the water when weather and conditions permit.

Portland Monthly Magazine Real Estate Issue



The [Portland Monthly's](#) March edition lead story is all about Portland real estate. They profile 12 of the city's most intriguing neighborhoods – from up-and-coming precincts to venerable vicinities. They also "compiled a list with copious data on 85 Portland neighborhoods to make comparison shopping a whole lot easier." Included in the data is information on schools, home prices, shopping, etc. They also have the same information on 14 suburban communities.

Another article in the March edition is about buying a second home in the Pacific Northwest as well as Palm Springs California. The article concentrates on two areas: Central Oregon and the Coast.

A one year (11 issues) subscription to the Portland Monthly costs \$13.95. Call (503) 222-5144 to order.

Home Costs

National Association of Realtors Releases 4th Quarter 2004 Numbers

The National Association of Realtors, a trade group that represents realtors, has released their 4th quarter 2004 report of the *Median Sales Price of Existing Single-Family Homes for Metropolitan Areas*. You can view the report at their Web site at www.realtor.org. Here are some highlights from the report:

- Despite predictions of a downturn or at least a pause in rising prices, a record 62 metropolitan areas saw double-digit increases in the final three months of 2004, compared with a year earlier, according to the National Association of Realtors.
- The US saw an 8.8 percent increase in the sales price of single-family homes in metropolitan areas in the final three months of 2004 compared with the same period a year earlier.
- The West saw the largest increase, 14.1 percent.
- The median price of a single family home in the West was \$278,000 the last quarter of 2004 – in 2003 the median price for the fourth quarter was \$243,700.

The median price of a home in the US for 2004 was \$184,100. In 2003 the median price was \$170,000. This \$14,100 increase is an 8.3 percent increase. The Portland metro area increase was 9.4 percent (\$204,300 in 2004 vs. 187,000 in 2003).

Please note that the 2004 final numbers as well as the 4th quarter 2004 figures are preliminary and may change when the Realtors issue a corrected report.

Study Determines that Portland Housing Market is 24 Percent Overvalued

A national lending study recently determined that Portland's residential real estate is 24 percent overvalued, given local income and the economy. In [National City Corporation's](#) review of the 99 top

real estate markets nationwide, Portland ranked 11th in overvaluation, earning the city the designation of real estate "bubblette." The term refers to a potentially unstable, overpriced market that could slide in value and demand. Seattle, by comparison, ranked 24th, or 14 percent overvalued.

"The big questions are, if it's a bubble, will it burst or will it slowly recede?" says National City's chief economist, Richard DeKaser, who conducted the study. "If prices dip, would they drop a little or a lot? What would trigger that? I'm very comfortable saying that highly overvalued markets do present a greater risk of ultimate price corrections, but to go beyond that is getting more speculative," he said.

But real estate prices do fall. DeKaser counted 31 "corrections" around the country since 1980, brought on by a national recession or troubles in a regional industry such as defense or farming. His research included nationwide interest rates, overall income and population density.

Here is a link to the [National City Corporation Study](#).

Speculators Buying Homes and Selling Without Living in Them

An article in the New York Times on March 1, 2005 talked about speculators buying homes. Here is the lead paragraph:

In several metropolitan areas, from Miami to Riverside, Calif., where the real estate market is white hot, rapidly rising prices are luring a growing number of ordinary people into buying and selling residences they do not intend to occupy, despite warnings from some economists that prices cannot continue to rise as steeply as they have in the last few years.

According to [LoanPerformance Inc.](#), a San Francisco mortgage data firm, about 8.5 percent of mortgages nationwide in the first 11 months of last year were taken out by people who did not plan to live in the houses themselves, up from 5.8 percent in 2000. In some markets, that proportion is much higher: in Phoenix, more than 12 percent of mortgages were taken out by investors; in Miami, the figure is 11 percent.

The National Association of Realtors said in a study released in early March that the percentage of homes bought for investment might be as high as one-quarter of the 7.7 million sold last year. "Americans are treating real estate as a viable alternative to stocks and bonds," said David Lereah, chief economist at the Realtors association. And some are buying at least two properties at a time.

Another quote from the NY Times article said:

"Investors are now seemingly buying based on the expectation that house prices are going to grow as rapidly as they have in the recent past, long into the future," said Mark Zandi, the chief economist at [Economy.com](#), a private research group. "How quickly and high fixed mortgage rates rise will determine whether the speculative fever in the market just goes flat or whether it caves."

Speculators in the Portland Housing Market

Because Portland has experienced a boom in condo building that last few years, speculators have invaded the Portland market also. The new condos are concentrated in the downtown area of Portland, especially the Pearl District. New developments have begun along the river to include the South Waterfront project. I can count at least eight new condos either in different stages of construction or about to begin construction within a mile or so of the heart of downtown Portland. Many of these new projects are taking reservations (usually about \$5,000 will reserve a unit) in what is known as the "preconstruction" phrase.

It is impossible to ascertain the percent of these projects that are being purchased by speculators who never intend to live in them. A typical scenario is they purchase the unit and rent them until they feel the market is ripe to sell them. Timing is important as they have to be concerned about the long-term

versus short-term tax consequence of capital gains.

Generally, all the condo buildings have a limit on the number of units that will be allowed to be rental units. The developers determine this at the onset of the project and their determination may be based on financing considerations. But if the sales are weak, they may change the number of rentals (i.e., investor owned). When the building is turned over to the owners, the home owners association can change that number. For example, owners at the Tanner Condominiums in the Pearl District recently made that change. It eliminated all rental units. Either live in the unit or sell it to someone who will live in it.

It is a good thing to know before you buy any new home what percent of the homes will be investor owned. Also if they allow that number to change during the construction period.

Think Local First

Over the last 3-4 years, our food shelves and refrigerator have taken on a new look. They now contain mostly locally (Oregon and the Pacific Northwest) grown food. We buy organic if possible. Not because we are purists but it tastes better. My husband's diagnosis of a food allergy has eliminated most processed foods so just about everything we eat has to be fresh. Well into his sixties, he still plays basketball 2-3 times a week. Maybe it's the organic food that makes him feel like a kid. We are feeling healthy as a result of our changed diet.

We are blessed in this part of the world with some of the best food products in the world. The coast brings us fresh fish like salmon and Dungeness crab. Eastern Oregon and Washington is beef-producing country and after eating [Oregon Country Beef](#), it's the only beef product we consume. Again, because it tastes better. The Willamette Valley (Portland to Eugene) has some of the richest soil in the world. With a long growing season and mild temperatures, the valley produces an abundance of fresh vegetables and fruits. When the farmers markets are open, which is about 7-8 months of the year, we make a weekly trip and stock up.

You will still find us shopping at Trader Joe's and stocking up on products every few months at Costco (a Seattle company), but our trips to the large supermarket chains have almost ceased.

Think Local First



The Portland metro area has a new grassroots campaign called *Think Local First* (see www.thinklocalportland.org). The objective is to raise awareness about where we're depositing our disposable income. The intent is to prod us into finding out which retailers are really committed to improving our neighborhoods. And help us discover hidden treasures that don't always have the advertising budget to capture our attention. Small businesses have to pay a \$60 yearly fee to use the Think Local First logo.

The Oregonian columnist, S. Renee Mitchell reported in her February 14 column the following:

"It's not a negative campaign," says marketing consultant Bridget Bayer, who was hired to manage the *Think Local First* effort. "We're not against anything. It's just good to know what's out there in the community." The campaign is part of a larger business sustainability message being pushed by the [Business Alliance for Local Living Economies](#).

Pharmacist Richard Silverman hopes the local-first philosophy will help draw customers to his 3-year-old business, Pearl Pharmacy, in Northwest Portland's Ecotrust Building. His business distinguishes itself by giving equal weight to pharmaceutical products and natural therapies, such as naturopathic, Chinese and chiropractic medicine. It also offers workshops and classes on acupuncture, psychological counseling, clinical skin care and medical makeup consulting.

But Silverman is concerned about what will happen when Rite Aid opens a location later this month, just a block away. Will Portlanders still choose provincialism over a possible price break?

Other points in Renee's February 14 story:

- Local businesses also tend to put a higher premium on buying local. World Cup Coffee & Tea, for example, lines the shelves of its retail shops with products from Pie In The Sky Baking Co. based in Southeast Portland, Northwest Portland's Pearl Bakery and Harry's Fresh Foods in Northeast Portland.
- New Seasons Market, one of the campaign's four underwriters, also promotes the local-first philosophy by buying its apples, beef and many of its other retail products from Oregon businesses. "Unless people buy local," says company president Brian Rohter, "the farms are going to go away."
- New Seasons Markets also practices sustainability in other tangible ways. It is giving a small building in the parking lot of its new North Interstate location to an alternative high school, which is teaching teenagers how to run a coffee shop.

Events

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

Fun Fact

Handmade truffles from Portland's own [Moonstruck Chocolate Co.](#) were selected to sweeten the celebrity gift baskets at the 77th Annual Academy Awards

Season Opener for Portland Saturday Market

No spring training here. Folks at the [Portland Saturday Market](#) skip right to the good stuff. Their 32nd season opener is set for March 5-6. Browse more than 350 booths; meet the artists; get a bite to eat in the International Food Court; enjoy music and more.



Tiptoe Through the Tulips

A bit of Holland blooms in Oregon each year as the [Wooden Shoe Tulip Festival](#) (March 19-April 20) delights one and all. Stroll 30 scenic acres of tulips and daffodils; enjoy wine tasting, children's activities and cut flowers. *Don't forget your camera.* Wooden Shoe Tulip Farm, Woodburn. 503.634.2243.

Color me Irish

Dust off your "Kiss me, I'm Irish" togs and head downtown in March for good "clean as a whistle" fun: Arguably Portland's most festive athletic event, the annual [Shamrock Run](#) returns Sun., March 13.

[Kells Irish Festival](#) is the largest Irish celebration on the West Coast. The annual Irish Festival (March 17-20) is big and so popular they've claimed surrounding streets for their tents, stages and merriment. Enjoy three Irish dance troupes, The Kells Pipes and Drums and much more. All ages welcome. Kells Irish Restaurant & Pub. 503.227.4057.

And the new [Shamrock Ale Fest](#) brings traditional Irish brews to Pioneer Courthouse Square under heated tents March 17-19.

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