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Moving to Portland™

March 2006 Newsletter

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Portland Home Market

January Residential Highlights

Market activity in the Portland Metro area seems to have slowed down for the month of January 2006. When compared with the month of January 2005 there were only 1.1% more new listings. In the meantime, the number of pending sales and closed sales both decreased 3.2% and 4.5%, respectively. At the end of January 2006, there were 5,629 active residential listings in the Portland Metro area. Given the month's rate of sales, they would last 3.2 months

Average Price by County in 2005 and Percent Gain from 2004

Clackamas: $335,800 +16.5%. Columbia: $199,600 +15.8%. Multnomah $271,700 +14%. Washington: $282,000 +16.7%. Yamhill: $223,800 +12.2%

New Construction in 2005

The sale of properties listed as proposed, under construction, or new construction continues to rise. The number of homes listed as such that sold in 2005 (5,370) was 13% greater than those that sold in 2004 (4,754). The average sale price appreciated 16.8% ($315,900 v. $271,900) while median sale price increased 18.9% ($259,100 v. $217,900).

Affordability

According to the formula used by NAR, the average Portland family household had 113% of the income needed to purchase the median price home ($252,900) in the greater metro area. A family making the median annual income ($67,900) would pay $1248.35 a month for this home with a 20% down payment and a 30-year 6.27% (per FreddieMac) fixed-rate mortgage.

Cost of Residential[1] Homes in the Portland Metro Area January 2006

Area	January 2006 Average Sales Price	Year-to-Date For Period Ending January 2006		Average Price Appreciation[2]
		Average Sales Price	Median Sale Price	
Portland Metro Area				
Includes these counties in Oregon: Clackamas, Columbia, Multnomah, Washington, & Yamhill	$297,700	$297,700	$245,800	Not calculated
Portland				
North	$238,600	$238,600	$218,800	18.9%
Northeast	275,100	275,100	236,000	16.0%
Southeast	230,500	230,500	202,500	14.4%
West (Includes SW and NW Portland and parts of eastern Washington County)	428,800	428,800	335,000	14.3%
Portland Metro Suburban Areas				
Corbett, Gresham, Sandy, Troutdale	$243,400	$243,400	$231,800	12.9%
Clackamas, Milwaukie, Gladstone, Sunnyside	319,800	319,800	285,000	16.8%
Canby, Beavercreek, Molalla, Mulino, Oregon City	313,700	313,700	285,000	18.9%
Lake Oswego and West Linn	542,100	542,100	455,000	15.8%
Northwest Washington County & Sauvie Island	319,200	319,200	265,100	13.6%
Beaverton and Aloha	258,100	258,100	242,500	13.9%
Tigard, Tualatin, Sherwood, Wilsonville	330,700	330,700	310,600	25.0%
Hillsboro and Forest Grove	278,700	278,700	230,000	17.4%
Mt. Hood: Brightwood, Government Camp, Rhododendron, Welches, Wemme, ZigZag	332,300	332,300	305,200	36.3%
Columbia County	225,800	225,800	209,500	15.7%
Yamhill County	240,200	240,200	199,900	13.2%
Southwest Washington State				
Clark County (Battleground, Camas, Ridgefield, Vancouver, Woodland, etc.)	$298,500	$298,500	$238,500	Not calculated

[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 (2/1/05-1/31/06) with 12 months before (2/1/04-1/31/05).

Source: Regional Market Listing Service (RMLS™).

30-Year Mortgage Rates Down a Notch

March 2, 2006

Freddie Mac released the results of its Primary Mortgage Market Survey[sm] (PMMS[SM]) in which the 30-year fixed-rate mortgage (FRM) 6.24 percent, with an average 0.6 point, for the week ending March 2, 2006, down from last week's average of 6.26 percent. Last year at this time, the 30-year FRM averaged 5.79 percent.

The average for the 15-year FRM this week is 5.89 percent, with an average 0.6 point, unchanged from last week's average of 5.89 percent. A year ago, the 15-year FRM averaged 5.33 percent. Five-year Treasury-indexed hybrid adjustable-rate mortgages (ARMs) averaged 5.97 percent this week, with an average 0.6 point, up slightly from last week when it averaged 5.96 percent. A year ago, the five-year ARM averaged 5.17 percent.

One-year Treasury-indexed ARMs averaged 5.34 percent this week, with an average 0.8 point, up from last week when it averaged 5.32 percent. At this time last year, the one-year ARM averaged 4.14 percent.

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

Freddie Mac Economist

"Consumer confidence slipped in February to the lowest reading in three months, but manufacturing activity appears to have strengthened last month. On net, the latest economic news had little effect on mortgage rates this week," said Frank Nothaft, Freddie Mac vice president and chief economist. "Over the past five weeks, mortgage rates have remained within a narrow range of 0.1 percentage points around this week's averages." Our forecast calls for rates on 30-year fixed-rate mortgages to increase about one-quarter of a percentage point by the end of the year.

"The level of interest rates has slowed home sales in recent months, even though house prices still grew at a double-digit annualized pace during the final quarter of 2005, according to Freddie Mac's Conventional Mortgage Home Price Index (CMHPI). Since the average time homes are on the market is near a three-year high, house price growth should slow to single-digit figures, which is consistent with historical periods," Nothaft added.

Portland Area Mortgage Rates

The average APR for a 30-year fixed rate mortgage was 6.000% for the Portland metro area; the low was 5.590%, and the high was 6.870%. All rates are for a loan with 20% down. In late December the following lenders and mortgage brokers were offering these rates:

- AIM Loan: Rate of 5.875 for a 30-year FRM (APR of 5.977%) and .25 points.
- Amerisave: Rate of 5.375% for a 30-year FRM (APR of 5.755%) and zero points.

To check on more Portland metro area mortgage rates visit the website for Yahoo! Finance.

Recommended Mortgage Solutions

- Windermere Mortgage Services Telephone: (503) 464-9215 or (800) 867-1337. Office: 636 NW 21st Avenue, Portland, OR 97209. Ms. Bertha Ferran is the contact.
- Washington Mutual One of the largest home mortgage lenders in the Pacific Northwest with numerous offices in the Portland area.

Portland Weather

February 2006: Dry and Cool

January was one of the wettest and warmest months on record. February was dry and cool. We had only 2.15 inches of rain, which is 2.03 below normal. The average temperature was also below average – 1.1 degrees. The only real rainfall we had was on February 27-18 when .78 inches fell.

This winter has been one of frequent high winds, which mean that numerous branches come off the trees. In Portland, everyone has two containers for debris: one for garbage and one for yard debris. With six large Doug Fir trees in our backyard, the yard debris container just didn't hold it all so we had to have a tree service come by and pick up the excess. Two businesses seem to thrive in Portland, landscapers and moss removal. This year, both are doing well.

Water Year (Oct 1 - Sep 30)	Average Precipitation In Inches	Actual Precipitation in Inches	Water Year
Year-to-Date	23.45	28.95	
October	2.88	3.38	Portland's rainfall is measured according to the "water year" which is from October 1 through the end of September.
November	5.61	4.98	
December	5.71	7.52	
January	5.07	10.92	
February	4.18	2.15	
March	3.71		The average precipitation is about 37-38 inches in the metro area.
April	2.64		
May	2.38		
June	1.59		Precipitation is measured from the NOAA Weather Station near the Portland International Airport.
July	0.70		
August	0.89		
September	1.65		
Year Average	37.07		

Here is the National Weather Service data for the month of February 2006:

- Average Monthly Temperature: 42.0 or 1.1 degrees below normal.
- Average Maximum Temperature: 49.2
- Average Minimum Temperature: 34.7
- Average Monthly Wind Speed: 9.8 MPH.
- Clear/Cloudy Days: 5 clear day, 9 partly cloudy days, and 14 cloudy days.
- Greatest 24 hour Rainfall: February 27-28 with .78 inches.

Portland Starts Blooming

Portland starts blooming in late February when the camellias begin blooming followed closely by other flowering species such as cherry trees. This photo was taken a couple of years ago – it shows a Portland horse patrolman taking a ride through the Tom McCall Waterfront Park along the Willamette River.

Oregon Creatures: Packy

Packy put Portland on the map in 1962 when he made international news for being the first elephant born in the western hemisphere in over 44 years. Portlanders first learned of Belle's pregnancy and the impending birth in January 1962, and the city came alive with anticipation. "Belle Bulletins" and a "Name the Baby" contest were aired by local radio stations. Stuffed elephants appeared in toy departments and school children made drawings of what they thought the baby would look like. For three months zoo veterinarian Dr. Matthew Maberry literally lived in the elephant house, keeping a close watch on the maternity ward.

The big event happened at 5:58 a.m. on April 14, and the news about the 225-pound baby spread rapidly. Newspapers and radio stations around the world announced the birth to readers and listeners, and Life magazine covered the event with an eleven-page spread. Baby gifts flooded the zoo, everything from gold-plated safety pins to hand-knitted garments. Visitors flocked to see the new pachyderm and attendance soared, setting an all-time high.

Packy is the Largest Asian Elephant in the USA

Packy is now the largest Asian elephant in the United States. He stands 10'6" at the shoulder and weighs approximately 13,870 pounds. Oregon Zoo is famous the world over for its prolific Asian elephants. Twenty-seven calves have been born at the zoo, with fifteen sired by Thonglaw, seven by Packy, one by Tunga, and four by Hugo. Packy is the only second-generation captive bull to breed successfully in world zoo history. Two of his offspring, Sung Surin and Rama, are still at the zoo.

Go Climb a Tree

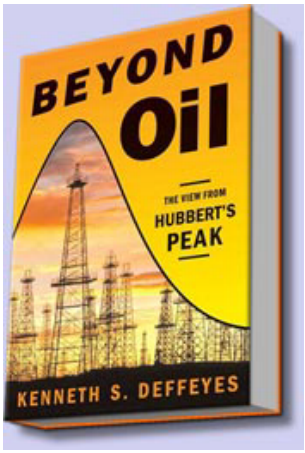
Most of us experience big trees with our necks craned and our eyes skyward. What about exploring the ecosystems of treetops in the tree itself? The Pacific Tree Climbing Institute (PTCI) in Oregon provides that experience by taking tourists up into the crowns of immense, old-growth trees.

PCTI offers both full day and overnight climbing trips for individuals and small groups. Orientations occur the afternoon before your first climb. During the orientation you are outfitted with climbing gear, become familiar with single rope climbing technique and receive safety training. You will practice ascending and descending short distances. While the focus is on climbing technique and safety, they also cover forest etiquette. Climbing orientations are strongly encouraged for all first-time climbers. Those with strong outdoor skills and some climbing experience may prefer to do your orientation at the beginning of your climb.

Spend a Night in a Tree

These are overnight trips into the forest canopy. They typically begin in the morning with a climb into the canopy. After lunch in the tree top and with ample time to explore and enjoy the forest above the group will descend, spend a couple hours on terra firma hiking, cooling off in a creek or otherwise preparing for the evening ahead. An early supper is served in the late afternoon before ascending back with sleeping gear to make up your bed in a New Tribe Treeboat and get settled for the night.

Peak Oil Revised



By now you all know that we are "hooked" on peak oil. What makes it so interesting is that the experts don't agree. Plus, it has strong implications for the kind of home and community we all may be living in the future.

THE OREGONIAN interviewed Ken Deffeves in February when he was in town to give a lecture. The talk was "sold out" - he came to lecture on his latest book, "Beyond Oil." Deffeyes, a former Shell Oil geologist, is now a professor emeritus of geosciences at Princeton University.

Before Princeton, Deffeyes worked as a researcher in the labs of Shell Oil and taught at the University of Minnesota and Oregon State University. At Shell, he worked with the now-famous petroleum geologist M. King Hubbert. Hubbert coined what is fast becoming a fixture in the modern lexicon -- "peak oil" -- when he predicted that U.S. oil production would peak in the early 1970s and decline thereafter. Widely criticized at the time, Hubbert has since been vindicated.

Deffeyes recently theorized that world oil production peaked December 16, 2005, and has begun its permanent decline, with economic disruptions to follow.

Here are a few excerpts from the interview as published in THE OREGONIAN on February 27, 2006. If you are interested in reading the entire interview, go to www.oregonlive.com and search for "deffeyes."

What's the basic math behind your forecast that world oil production peaked December 16?

"Hubbert's theory says that the ease of finding oil depends on the fraction of oil that hasn't been found yet. It's a simple hypothesis that explained U.S. oil production, where we've already gone over the peak and we're halfway down the other side. A corollary that comes out of the math is that the peak occurs when half the oil has been produced. In Chapter 3 of "Beyond Oil," I take the date these oil fields were first discovered, the first wells, and it turns out that the whole world is mature. We've found 94 percent of all the oil we're ever going to find. It's easy to extend that line down to the zero level and say that there are 2.013 trillion barrels that we're on track to discover, and we've already discovered 94 percent of that. So there's not much guesswork in that number. So I divide that number by 2 and I get just over 1 trillion barrels. Then I add up the world oil production from the beginning and figure out when we're halfway, and that's where the Dec. 16 number comes from."

What is the highest estimate of reserves out there?

Reserves are hard to estimate, but if we talk about discoveries, the biggest estimate comes from the U.S. Geological Survey, at just over 3 trillion barrels. If you take their number, we have another 2 trillion barrels to produce and you get a peak in the year 2036. I could give a 15 minute lecture on the flaws in the USGS survey, and I think they're beginning to back off a little bit. In order to make the USGS or things like it correct, we've got to find another Middle East plus another North Sea on top of that. I don't think there's another Middle East lurking out there."

What would drilling in the Arctic Refuge do to the estimate?

"Prudhoe Bay, the largest oil field in the United States, kicked in when they got the pipeline finished in 1976, and it wasn't big enough to raise us back to our 1970 level of production. It put a little shoulder on the downside of the production curve, but that was it. My guess is that in our wildest dream, ANWAR (Arctic National Wildlife Refuge) will prove half as big as Prudhoe Bay. I'd have to work out the number, but if that's the case, it probably postpones the world situation for two weeks."

What do the oil companies say?

"With the oil companies, you have to watch what they do and not what they say. What they're doing is

taking in $10 billion and $20 billion a quarter in profits and handing it out as increased dividends, buybacks of their stocks, giving it to their executives. They're not drilling, they're not building new pipelines and not building new refineries. If there were good prospects out there, they'd be out there drilling like crazy."

Is there a portfolio of alternative energy that makes sense

"It's those things that we have the technology and engineering ready to go right now. At the top of my shortlist are the high-efficiency diesel automobiles being marketed in Europe right now that get 100 miles to the gallon. Nuclear and wind are things we have engineered right now that are ready to roll. Wind, even in your wildest dreams, is not going to be a very big part of the answer, but every little bit helps. Nuclear, we know how to build and operate safe nuclear power plants. Coal gasification, where you react the coal with steam and a little bit of air and get a little gas, would be a win."

What about oil shale and tar sands?

"Oil shale is the fuel of the future and it always will be. I n the case of tar sands, they're very heavy users of natural gas right now, for heat to melt the tar and to upgrade the oil so it will travel through a pipeline in a Canadian winter. Alan Greenspan told us more than a year ago that the North American gas market was gassed out. So they're going to be natural gas limited or having to compete with other users of natural gas. There's talk about building a nuclear plant up there, and that's a good idea, but it'll take 10 years to get a plant in there."

Biofuels?

"There are both people and cows lined up for soybeans, and it's at least a factor of 2 more expensive than oil right now. Palm oil may be the closest to being the one ready to go to market right now. Ethanol from corn is close to being a tossup. You may use the same amount of energy when you burn the ethanol as goes into the fertilizers, the tractors, the trucks to haul it around. In Brazil, they're doing well with sugar cane."

Do you envision problems gradually getting worse, or some sudden shock?

"What I've heard from a lot of people is that it will take something terrible to get people's attention. You mean the World Trade Center wasn't big enough? The Iranian situation, that could trigger it. The hurricanes nearly triggered it. Really abnormally cold winters in the northeastern U.S. and Europe could trigger it. If we got a civil war in Saudi Arabia, you could kiss your lifestyle goodbye. The public will probably say after the fact that XYZ triggered it. That's the naming rights phenomenon, and I can't say which one is going to win."

"By the end of this decade, we'll be down about 5 percent from the peak production, and demand in China and India is moving up fast, and someone's going to come up short on their ambitions."

So you really believe the Four Horsemen scenario is somewhat likely?

"We're not doing much about it. We could have had a soft landing if we had listened to Jimmy Carter and started 20 years ago. But in the absence of a Winston Churchill or John Kennedy, I'm not sure we're going to get in gear fast enough to avoid this. The mildest form of the disaster is a global recession worse than the Great Depression, and that's a form it could take rather than war, famine, pestilence and death."

How would you prepare for this?

"What I'd like to have is farmland on volcanic rich soils so that it doesn't require fertilizer. And I need a place where there's enough rainfall. Maybe this could be in Oregon. Owning something that's relatively energy independent and supplies food for the survivors to eat would be the sweetest target."

Energy Policy Act of 2005: Tax Credits

The tax credit for buyers and lessees of hybrid cars is just one of several new tax breaks for consumers in the Energy Policy Act of 2005. The law governs purchases and tax returns for 2006 and subsequent years, adds benefits for certain energy conservation measures like windows, insulation, and installing solar systems for making electricity and heating water.

Neither deductions nor credits are available for 2005 federal returns for most types of household energy conservation or solar power purchases; these breaks apply only to improvements made after December 31, 2005 and before January 1, 2008. The window of opportunity is narrow – you have two years to make the improvements (2006 and 2007).

Sources of Information about the Energy Policy Act

Two government Web sites offer information about the act - the Department of Energy along with the IRS.

- US Department of Energy - http://www.energy.gov/taxbreaks.htm
- Internal Revenue Service - http://www.irs.gov/newsroom/article/0,,id=153397,00.html

Tax professionals say that so many provisions of the tax law are so knotty that you may need a degree in law or accounting to untangle them. Even the pros are still awaiting answers from the government so you have to keep checking the IRS Web site.

Another Web site, The American Council for an Energy-Efficient Economy (ACEEE), is by far the most comprehensive source of information. ACEEE is a non-profit organization supported by donations. Here is the link to their Web site: http://www.aceee.org.

Oregon also has credits for a number of years on Oregon income taxes for making your home more energy-efficient. The maximum amount of tax credits a resident may receive per year is $1,000 for appliances including heating, ventilation, and air conditioning (HVAC) equipment. The maximum amount of tax credits a resident may receive per year is $1,500 for renewable energy equipment such as solar and wind systems. The Web site link is http://oregon.gov/ENERGY/CONS/RES/RETC.shtml

Daylight Saving Extended Four Weeks Starting in 2007

Before we get into the specifics of the act, you should be aware that daylight saving time will be changed. The bill amends the Uniform Time Act of 1966 by changing the start and end dates of daylight saving time starting in 2007. Clocks will be set ahead one hour on the second Sunday of March instead of the current first Sunday of April. Clocks will be set back one hour on the first Sunday in November, rather than the last Sunday of October. This will affect accuracy of electronic clocks that had pre-programmed dates for adjusting to daylight saving time. The date for the end of daylight saving time has the effect of increasing evening light on Halloween (October 31). The first Sunday in November sometimes occurs as little as two days before election day.

Tax Credit Versus a Tax Deduction

A tax credit is generally more valuable than an equivalent tax deduction because a tax credit reduces tax dollar-for-dollar, while a deduction only removes a percentage of the tax that is owed. Beginning in tax year 2006, consumers will be able to itemize purchases on their federal income tax form, which will lower the total amount of tax they owe the government.

IRS Rules on Residential Property

The law provides a tax credit to improve the energy efficiency of existing homes. The law provides a 10 percent credit for buying qualified energy efficiency improvements. To qualify, a component must meet or exceed the criteria established by the 2000 International Energy Conservation Code (including supplements)

and must be installed in the taxpayer's main home in the United States.

The following items are eligible:

- Insulation systems that reduce heat loss/gain
- Exterior windows (including skylights)
- Exterior doors Metal roofs (meeting applicable Energy Star requirements).

In addition, the law provides a credit for costs relating to residential energy property expenses. To qualify as residential energy property, the property must meet certification requirements prescribed by the Secretary of the Treasury and must be installed in the taxpayer's main home in the United States.

The following items are eligible:

- $50 for each advanced main air circulating fan
- $150 for each qualified natural gas, propane, or oil furnace or hot water heater
- $300 for each item of qualified energy efficient property.

The maximum credit for all taxable years is $500 – no more than $200 of the credit can be attributable to expenses for windows.

New Incentives for Home Energy Conservation are Less Generous and Less Confusing

Additionally, the new law makes a credit available to those who add qualified solar panels, solar water heating equipment, or a fuel cell power plant to their homes in the United States. In general, a qualified fuel cell power plant converts a fuel into electricity using electrochemical means and has an electricity-only generation efficiency of more than 30 percent and generates at least 0.5 kilowatts of electricity. Taxpayers are allowed one credit equal to 30 percent of the qualified investment in a solar panel up to a maximum credit of $2,000, and another equivalent credit for investing in a solar water heating system. No part of either system can be used to heat a pool or hot tub.

The law caps the credit for solar systems at 30 percent of the cost or $2,000, whichever is less. Nationwide, a typical home system costs about $25,000, said Thomas Leyden, a vice president in Lawrenceville, N.J., for PowerLight, a solar installer, so the $2,000 credit would apply in such a case. Mr. Leyden said that many states also offered incentives for solar power.

The same thresholds apply to solar-powered water heaters, but the water must be for showers and sinks, not pools or hot tubs. A single taxpayer can install both kinds of systems and thus receive $4,000 in credits. Both systems must meet third-party certification requirements in the law.

Tax Credits for the "Home Envelope"

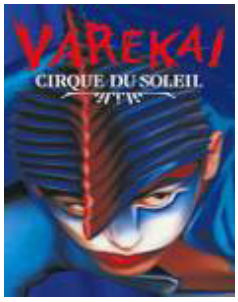
The credits for making your home tighter — which professionals call improvements to the "home envelope" — are even more limited. The maximum amount for all such home applications, combined, is $500 across both 2006 and 2007. If, for example, a person took a $250 credit on a 2006 tax return, only $250 would remain for 2007. Even if you're making $15,000 worth of improvements, you're still only going to get $500.

In addition, the law imposes even lower limits for specific measures. Buyers of better windows can receive a credit of no more than $200 or 10 percent of the cost, whichever is less. And people who buy high-efficiency air-conditioners and heat pumps can get a credit of no more than $300.

IF you decide to make these sorts of improvements, make sure that you understand which kinds of equipment are eligible, as the law includes specifications. Some sellers may misunderstand or misrepresent the law and mislead buyers about their eligibility.

Events

Cirque du Soleil Presents Varekai



Deep within a forest, at the top of a volcano, lies an extraordinary world called Varekai. Alas, it is not atop Mt. Hood, but rather under that trademark blue-and-yellow Grand Chapiteau so familiar to Cirque fans. The mystery begins March 14 on Portland's south waterfront. Find tickets online here.

A bit of insight: The word varekai means wherever in the Romany language of those universal wanderers, the Gypsies.

Final Weeks for Exhibitions

March brings your last chance to see the one-time-only exhibition of "Hesse: A Princely German Collection" at the Portland Art Museum. On view through March 19, this dramatic collection includes Hans Holbein's The Madonna. And March 11 heralds the close of the exclusive West Coast appearance of Lewis & Clark: The National Bicentennial Exhibition at the Oregon Historical Society.

Field of (Colorful) Dreams

A bit of Holland blooms in Oregon each year with the Wooden Shoe Tulip Festival (March 20-April 20). Stroll 18 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.

Portland Saturday Market Awakens for Season

With a yawn and a stretch, the Portland Saturday Market wakes from its winter hibernation March 4. Then the fun begins! Browse more than 350 booths; meet the artists; get a bite to eat in the International Food Court; enjoy live music, kids' activities and more. 503.222.6072.

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