



Susan Marthens

Moving to Portland™

September 2006 Newsletter

<http://www.movingtoportland.net>

Voice 503.497.2984 ♦ FAX 503.220.1131

susan@movingtoportland.net

In This Issue

- Portland Home Market
- Cost of Residential Homes in the Portland Metro Area
- Mortgages
- Portland Weather
- Oregon Events, Places, and People: Hazelnuts
- Homes
- Fed Funds and Discount Rate
- Portland Events

Portland Home Market

July Residential Highlights: More Homes on the Market

The continued increase in new listings combined with a drop in closed sales and accepted offers lead to a significant rise in inventory in the Portland Metro area. At July's rate of closed sales (2,713), the 9,555 active residential listings at month's end would last approximately 3.5 months. The number of new listings increased 11.4% when comparing July 2006 to July 2005. However, pending sales decreased 20.9% and closed sales dropped 16.7%.

Appreciation

Comparing the 12 months ending in July 2006 with the 12 prior, the average sale price increased 17.4% (\$309,400 v. \$263,500). Using the same date range, median sale price increased 18% (\$260,000 v. \$220,400). The median price in July (\$325,700) dropped from \$331,900 in June.

Affordability

For the first time since RMLS™ began recording "Affordability" in June 1994, a family making the area's median income made slightly less than needed to purchase the median-priced home in the Portland Metro Area (97% based on a formula from NAR). This is likely the result of a decrease in median family income (\$66,900 in 2006 according to HUD), an increase in the area's median-priced home (\$280,000 reported in June 2006 Market Action) and a rise in interest rates (6.68% reported for the month of June 2006 by Freddie Mac).

The formula assumes the buyer has a 20% down payment and applies for a 30-year-fixed rate mortgage for a condo that is priced at \$175,300.

Cost of Residential¹ Homes in the Portland Metro Area July 2006

Area	July 2006 Average Sales Price	Year-to-Date For Period Ending July 2006		Average Price Appreciation ²
		Average Sales Price	Median Sale Price	
Portland Metro Area				
Includes these counties in Oregon: Clackamas, Columbia, Multnomah, Washington, & Yamhill	\$325,700	\$319,200	\$269,000	17.4%
Portland				
North	\$261,800	\$245,500	\$235,000	22.8%
Northeast	315,300	304,600	265,000	17.5%
Southeast	271,300	263,000	230,000	17.3%
West (Includes SW and NW Portland and parts of eastern Washington County)	446,800	449,800	375,000	13.9%
Portland Metro Suburban Areas				
Corbett, Gresham, Sandy, Troutdale	\$266,000	\$256,600	\$240,000	15.4%
Clackamas, Milwaukie, Gladstone, Sunnyside	361,100	344,000	304,900	19.7%
Canby, Beavercreek, Molalla, Mulino, Oregon City	310,400	318,000	279,000	17.7%
Lake Oswego and West Linn	547,200	524,600	447,000	17.1%
Northwest Washington County & Sauvie Island	448,800	397,000	359,000	16.0%
Beaverton and Aloha	288,900	281,800	250,000	17.6%
Tigard, Tualatin, Sherwood, Wilsonville	348,200	351,600	320,500	24.3%
Hillsboro and Forest Grove	280,500	275,000	250,000	19.9%
Mt. Hood: Brightwood, Government Camp, Rhododendron, Welches, Wemme, ZigZag	298,900	280,000	270,000	31.8%
Columbia County	239,400	222,700	208,000	14.2%
Yamhill County	262,700	256,800	224,900	25.0%
Marion and Polk Counties	254,200	223,500	195,500	18.9%
North Coastal Counties	376,100	328,000	260,000	18.1%
Southwest Washington State				
Clark County (Battleground, Camas, Ridgefield, Vancouver, Woodland, etc.)	\$302,900	\$294,700	\$257,000	19.7%

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 (8/1/05-7/31/06) with 12 months before (8/1/04-7/31/05). The average price for the metro area was \$309,400 vs. \$263,500.

Source: Regional Market Listing Service (RMLS™).

Long-Term Mortgages Rates Dip for Fifth Straight Week

August 31, 2006

[Freddie Mac](#) released the results of its Primary Mortgage Market Survey (PMMSSM) in which the 30-year fixed-rate mortgage (FRM) averaged 6.48 percent with an average 0.4 point for the week ending August 24, 2006, down from last week's average of 6.52 percent. Last year at this time, the 30-year FRM averaged 5.77 percent. This is the lowest the 30-year FRM has been since the week ending April 6, 2006, when it averaged 6.43 percent.

The average for the 15-year FRM this week is 6.18 percent, with an average 0.4 point, down from last week when it averaged 6.20 percent. A year ago, the 15-year FRM averaged 5.35 percent. This is the lowest the 15-year FRM has been since the week ending April 20, when it was 6.17 percent.

Five-year Treasury-indexed hybrid adjustable-rate mortgages (ARMs) fell to 6.14 percent this week, with an average 0.5 point, down from last week's rate of 6.18 percent. A year ago, the five-year ARM averaged 5.30 percent. This is the lowest the five-year ARM has been since April 13, 2006, when it averaged 6.13 percent. One-year Treasury-indexed ARMs averaged 5.60 percent this week, with an average 0.7 point; this was down from last week when it averaged 5.65 percent. At this time last year, the one-year ARM averaged 4.56 percent. This is the lowest the one-year ARM has been since April 6, 2006, when it averaged 5.57 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

"The Fed has acknowledged that it is closely monitoring the housing market as it slows down from last year's record pace," said Frank Nothaft, Freddie Mac vice president and chief economist. "Although this fuels arguments about whether we will experience a soft landing or a bursting housing bubble, market watchers also perceive that it is possible that the Fed may stop raising short-term interest rates over the near term. This perception takes upward pressure off mortgage rates.

"Meanwhile, although both existing and new home sales for July fell below market expectations – confirming the slowdown in the housing market – we still expect 2006 to be the third highest year on record for total sales."

Portland Area Mortgage Rates

The average APR for a 30-year fixed rate mortgage was 6.160% for the Portland metro area; the low was 5.710%, and the high was 7.030%. All rates are for a loan with 20% down. In late July the following lenders and mortgage brokers were offering these rates:

- [Amerisave](#): Rate of 5.750 for a 30-year FRM (APR of 6.004%) and zero points.
- Bank of America: Rate of 6.125 for a 30-year FRM (APR of 6.301%) and .94 points.
- Washington Mutual: Rate of 6.50% for a 30-year FRM (APR of 6.589%) and .38 points.

To check on more Portland metro area mortgage rates visit the website for [Yahoo! Finance](#).

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

Clear Days, Partly Cloudy Day, and Cloudy Days

In August we had 14 clear days, 13 partly cloudy days, and four cloudy days. How are these numbers calculated? The data is based on daylight hours only. A clear day denotes zero to 3/10 average sky cover. Partly cloudy is 4/10 to 7/10 tenths and cloudy is 8/10 to 10/10 tenths. Portland has on the average 68 clear days per year whereas Seattle-Tacoma has 58 clear days. Sexton Summit in eastern Oregon has 126 clear days for the highest in the state. This information is from the Western Regional Climate Center in Reno, Nevada. See <http://www.wrcc.dri.edu>.

Water Year (October 1 - September 30)	Average Precipitation In Inches	Actual Precipitation in Inches	Water Year
Year-to-Date	35.36	38.89	Portland's rainfall is measured according to the "water year" which is from October 1 through the end of September. The average precipitation for Portland is 37-38 inches. Precipitation is measured from the NOAA Weather Station near the Portland International Airport.
October	2.88	3.38	
November	5.61	4.98	
December	5.71	7.52	
January	5.07	10.92	
February	4.18	2.15	
March	3.71	2.96	
April	2.64	2.46	
May	2.38	3.00	
June	1.59	.93	
July	0.70	.49	
August	0.89	.10	
September	1.65		
Year Average	37.07		

Here is the [National Weather Service](#) data for the month of August 2006:

- Average Monthly Temperature: 69.2 or .7 degrees above normal.
- Average Maximum Temperature: 81.2.
- Average Minimum Temperature: 57.2.
- Highest Temperature: August 27 with 94.0.
- Lowest Temperature: August 31 with 50.0.
- Average Monthly Wind Speed: 7.0 MPH.
- Clear/Cloudy Days: 14 clear days, 13 partly cloudy days, and 4 cloudy days.

Oregon Events, People, and Places: Hazelnuts



Hazelnuts -- gourmet material, with a sweet, mild flavor cherished in tortes, candies and cookies, especially in Europe -- are grown commercially on a large scale in four countries: Turkey, Italy, Spain, and the United States. Oregon is the nation's leading producer of hazelnuts.

In Oregon, hazelnuts grow on filbert trees. The local moniker was adopted, according to the Hazelnuts Growers of Oregon, either in honor of Saint Philibert, whose August 22 feast day

corresponds with the beginning of the hazelnut season in England, or for the appearance of the outer husk, noted by farmers for having a "full beard".

Words that evolved into filbert isn't the only thing that's different about hazelnuts in Oregon. The hazel "tree" grows naturally in shrub form, but in the Willamette Valley the shrubs are pruned into trees to make harvesting easier.

Oregon farmers expect to harvest 41,000 tons of hazelnuts this year, a U.S. Department of Agriculture survey says. That would be 49 percent more than last year's hazelnut crop. From 1992 to 2003, hazelnut production had a biennial bearing pattern; large harvests one year were followed by much smaller harvests the next. That pattern changed in 2004 and 2005, when hazelnut production declined for two consecutive years. The 2006 crop might be a return to the biennial bearing pattern, agriculture officials said.

Nuts are Healthy

According to the Oregon State University Web site, nuts are high in calories but are also cholesterol-free and they provide good sources of protein, phosphorus, zinc, magnesium, vitamin E and selenium. In small portions, nuts can be a healthful food choice.

In the Pacific Northwest, hazelnuts are frequently used for fish recipes. The Oregon Orchard Web site at <http://www.oregonorchard.com/recipes/index.htm> has numerous recipes using hazelnuts.

Homes

Figures out in late August from the National Association of Realtors show that average home prices barely rose over the past year, compared with annual growth of around 15% in mid-2005. In some parts of the country, prices are already falling. Adjusted for inflation, the average home in the USA is worth less than it was a year ago.

Business Week: Where the Housing Boom Lives On

In the August 23rd issue of [Business Week](#), they did an article entitled, "Where the Housing Boom Lives on." The story states that the "Housing prices may be cooling nationwide, but some real estate markets remain hotter than others. During the second quarter, a few regions still saw double-digit annual increases in typical prices for an existing single-family home, according to the National Association of Realtors."

They cited ten metropolitan areas with the second quarter's fastest-growing median home prices were above the \$227,500 national average. The Portland-Vancouver market was one of the ten.

The article stated that the inventory of homes in the Portland market was 2.6 months' worth of unsold homes (Given the month's rate of sales the unsold homes would last 2.6 months). This 2.6 figure was for June 2006. In July 2006, the inventory of unsold homes had increased to 3.5 months. The change in the Southwest Washington area (Vancouver and Clark County) active residential listings at month's end would last 4.7 months for June 2006. In July the number was 6.1 months.

The market changed quickly as it went from a seller's market to a moderate buyer's market in one month. Yet the article left the impression that the Portland market was one of the ten markets where the boom was still continuing.

Other numbers also illustrate how quickly the market has changed. In July 2006 the median price was \$325,700 whereas in June 2006 it was \$331,900 – a decrease of \$6,200. Also pending sales decreased 20.9% and closed sales dropped 16.7% when comparing July 2006 to July 2005. If you looked closely at the June 2006 numbers for pending sales and closed sales, you could begin to spot a trend.

An increase in the number of homes available for sale along with a decrease in pending and closed sales indicate that prices may start to drop.

The Lesson: Get the Latest Numbers The lesson to be learned here is that things in the housing market can change quickly. Make certain you have the latest numbers when making a selling or buying decision.

Housing Main Engine of Economic Growth

The housing boom has been the main engine of America's economic growth in recent years. Indeed, it is the main reason why the American economy held up better than expected after the stock market bubble burst at the start of the decade. Since 2000, the real wages of most American workers have barely budged, yet surging house prices have allowed consumers to keep spending. Over the past five years the total value of American homes has increased by more than \$9 trillion, to \$22 trillion. These gains helped to offset both the slide in share prices and feeble wage growth. Counting construction, finance and estate agency, the housing boom has also been responsible for one-third of all jobs created since 2001.

This is the biggest bubble in American history: in real terms home prices have risen at least three times as much as in any previous housing boom. In the past, average nationwide house prices have experienced year-on-year declines for the odd, isolated month, but they have not fallen on a sustained basis since the 1930s. However, most states have seen prices drop at some time in the past three decades.

Two factors stand out in this housing boom. First is the number of speculating buyers on the market. They are buying homes like they are stocks – many have purchased not only second homes but third and fourth homes. They never intend to live in them. The second factor is the huge increase in the number of first-time homeowners. This is mainly due to the flexible kinds of mortgages and the low income requirements to obtain a loan.

2006 Built it Green Tour



You don't want to miss this event! The 2006 Build it Green Home Tour is a self-guided tour that welcomes visitors into 20 new and remodeled homes throughout the Portland Metropolitan Area. Date and Time: Saturday, September 16 from 11 a.m. to 5 p.m.

Launched in 2002, Build it Green (BIG) is for those interested in exploring green building practices and the latest products and technologies.

After the tour you can visit the Build It Green Information Fair from 4:30-7:00 p.m. at [Environmental Building Supplies](#), 819 SE Taylor, Portland. The information fair gives tour goers a chance to talk directly to vendors about green building products and services. Adults: \$15. Carfree/Student/Senior: \$10. Children under age 14: FREE. Tickets went on sale August 15th at the Environmental Building Supplies, 819 SE Taylor, telephone 503.222.3881 or at the City of Portland [Office of Sustainable Development](#), 721 NW 9th Ave, Suite 350, Portland OR 97209, telephone 503-823-7222.

Fed Funds and Discount Rate



Over the years, we heard about Fed funds hundreds of times in newspapers, radio, and TV. In a recent newspaper column, Malcolm Berko, a writer about investments, explained about Fed funds as well as the discount rate in terms that are easy to understand. Malcolm Berko's column appears in the Chicago Suburban News at <http://www.suburbanchicagonews.com>.

Malcolm says that the operations of the Federal Reserve are no more complex than are "verbal instructions for boiling water."

Fed Funds Explained

The interest rate that the Fed raises and lowers is called the Fed funds rate. Just what is the Fed funds rate and how does the rate affect mortgage rates?

Here's a simple explanation of Fed funds in Malcolm's words:

The Fed requires all banks to keep a specific amount of money in a special account called a reserve account. A reserve account is a bank's rainy-day savings account. For purposes of this answer, the amount of money banks must keep in their reserve accounts is 10 percent of their deposits. So if the Sunshine Bank has \$1,000 in deposits, it must have \$100 cash in its reserve account. Because the amount of deposits at the Sunshine Bank changes each day (increases or decreases), the amount of money it must legally keep in its reserve account changes every day, too.

There are thousands of banks in this country. Each day, some banks will have more money than they need to meet the Fed requirements in their reserve accounts while others will be short of reserves.

Let's assume that at the end of the business day, the Sunshine Bank doesn't have enough money to meet its Fed requirements, but the Rainy Day Bank has a surplus. Well, the Sunshine Bank borrows (overnight) from the Rainy Day Bank to meet its reserve account requirement. They are always overnight loans because the amount of deposits in a bank's collective checking or savings account varies by the minute and are repaid the following morning. The money loaned by the Rainy Day Bank to the Sunshine Bank is called **Fed funds** and the overnight interest charged by the Rainy Day Bank (determined by the Federal Reserve Bank) is called the **Fed funds rate**.

Consumers and business folks don't pay the Fed funds rate when they borrow money, but that rate is important. When Fed funds rates rise, so will other interest rates because the borrowing bank's costs also rise. As Fed funds rates increase, so will the interest you pay on your adjustable rate mortgages, your home equity loans and your short-term business loans.

However, the interest rate you earn on your certificates of deposit, your savings accounts and money market accounts will rise. Therefore, if you have a 9 percent short-term loan and Fed funds rise by 0.25 percent, the interest on that loan will increase to 9.25 percent. However, banks being banks, do not expect the interest rates paid on your savings, CDs or money market accounts to rise as much as the rates you pay on your loans. The Fed funds rate is basically the Fed's primary tool for steering the economy.

Discount Rate Now sometimes the Rainy Day Bank may not have enough money in its reserve account to lend to the Sunshine Bank. This happens, but not frequently. So on occasion, when the Rainy Day Bank does not have enough money, the Sunshine Bank will go the Fed window (just imagine an old-fashioned bank teller's window) and borrow the money to meet the legal requirement for its reserve account. When the Sunshine Bank borrows money from the Fed window, they pay a "discount rate," which is usually about 1 percent higher than the Fed funds rate.

Federal Reserve May Slash Interest Rates to Avoid a Recession

If house prices do slide, the Federal Reserve may slash interest rates so as to save the economy from recession. But the Fed's ability to do this would be limited if inflationary pressures remain strong. And it would surely be wrong for the Fed to support the property market when a slowdown in spending is part of the rebalancing America needs to increase its saving rate.

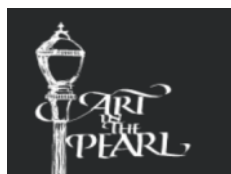
Events

For a complete schedule of events in the Portland metro area, visit the Portland Oregon Visitors Association Web site at http://www.travelportland.com/event_calendar.

Fun Facts

Dog Fancy magazine (October 2006 issue) gave the top ranking to Portland as the best all-around city for dogs in America. According to Dog Fancy, there are 136,332 dogs living in Portland, which the Census Bureau says has a human population of 554,130. With Forest Park and 31 city-maintained parks with off-leash areas, Portland is "one giant dog paradise."

Art in the Pearl



The Pearl District's 10th annual Labor Day weekend festival fills the Portland's North Park blocks with art, theater, music, and hands-on art activities for people of all ages. The stage will once again feature a variety of live music and dance from cultures around the world as well as music from this country's cultural roots. Sept. 2 and 3: 10 a.m. to 6 p.m. Sept. 4: 10 a.m. to 5 p.m. Visit the [Art in the Pearl](#) Web site for more information.

Portland Walking Tours Daily at 10 a.m.

This fun and award-winning walk clarifies why Portland is regularly recognized as one of the best places to live. You'll hear about early and modern Portland as your guide shows you a city rich with artwork, parks, bridges, free public transportation, fountains, countless coffee shops, breweries and friendly people. Join this easy walk and get the inside scoop and fun facts about the city of Portland. Visit the [Portland Walking Tours](#) Web site for more information.

Muddy Boot Organic Festival

The purpose of the festival is to promote sustainable living practices within our local communities, thereby enhancing the health of our world, our neighborhoods and ourselves. The festival will feature live music, organic foods and beverages, information booths, educational workshops, and walking tours of sustainable projects. The event will kick off with a keynote address on Friday, Sept. 8th at 7:30 p.m. given by Robert F. Kennedy, Jr. – author, environmental activist, and son of Robert Kennedy – titled "Our Environmental Destiny." Friday, September 8, 7:30 p.m., keynote speaker Robert F. Kennedy, Jr. Dates: Saturday, September 9, 10:00 a.m. - 7:30 p.m. and Sunday, September 10, 10:00 a.m. - 6:00 p.m. Visit the Earth Share of Oregon <http://www.earthshare-oregon.org/> Web site for more information.

The Amazing Maze



A local favorite with every age-group, the Corn Maze at the Pumpkin Patch celebrates another festive season on Portland's own Sauvie Island. Enjoy the five-acre maze, hay rides, the cow train ride, mini mazes and country store just minutes from downtown. Open through Halloween. More information at the Maze Website: <http://www.portlandmaze.com/>

Susan Marthens, Real Estate Broker/GRI
Windermere/Cronin & Caplan Realty Group, Inc.,
6443 SW Beaverton-Hillsdale Hwy, Suite 100, Portland, Oregon 97221.
Telephone: 503.497.2984
smarthens@movingtoportland.net