

Moving to Portland™

December 2007 Newsletter

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Portland Home Market: October 2007

October Residential Highlights

October's statistics show similar patterns to September, as the number of transactions continued to drop and sale prices continue to see appreciation. The number of closed sales fell 25.5% and pending sales declined 22%. However, the number of new listings dropped for the first time since February of 2006, decreasing 5.1% this month when comparing October of this year with October 2006. At the month's rate of sales, the 15,567 active residential properties would last approximately 8.4 months.

Year-to-Date Trends

When comparing the period of January 2007 through October 2007 to the same time a year ago, pending sales have decreased 13.9% and closed sales declined 11.3%. New listings, on the other hand, are up 8.8%.

Appreciation

Using the average sale prices for the 12 months that ended with October 2007 compared to the twelve months ending in October 2006, the average sale price appreciated 6.7% (\$339,300 v. \$318,100). Using the same formula, the median sale price also appreciated 7.3% (\$287,500 v. \$267,900).

Affordability

After its lowest reported rate of 88% in July, affordability improved to 94% in September carried by lower interest rates and a lower median sales price. According to the National Association of Realtors (NAR) formula, a median income family can only afford 94% of a monthly mortgage payment with 20% down and a 30-year fixed rate (6.38%, according to Freddie Mac).

This means that a family living in the Portland Metro area making the median income (\$63,800 per HUD) cannot afford to purchase a median priced home in the area (\$283,500 in September).

Cost of Residential¹ Homes in the Portland Metro Area October 2007

Area	October 2007 Average Sales Price	Year-to-Date For Period Ending October 2007		Average Price Appreciation ²
		Average Sales Price	Median Sale Price	
Portland Metro Area				
Includes these counties in Oregon: Clackamas, Columbia, Multnomah, Washington, & Yamhill	\$341,800	\$342,500	\$290,000	6.7%
Portland				
North	\$254,300	\$265,800	\$252,000	8.5%
Northeast	312,600	321,700	282,500	5.9%
Southeast	281,000	286,600	250,000	8.9%
West (Includes SW and NW Portland and parts of eastern Washington County)	506,900	463,900	379,800	3.7%
Portland Metro Suburban Areas				
Corbett, Gresham, Sandy, Troutdale	\$277,800	\$281,500	\$259,900	8.8%
Clackamas, Milwaukie, Gladstone, Sunnyside	326,600	337,600	300,000	-1.7%
Canby, Beavercreek, Molalla, Mulino, Oregon City	330,400	330,500	302,900	3.7%
Lake Oswego and West Linn	595,300	560,400	465,000	3.8%
Northwest Washington County & Sauvie Island	448,500	418,400	385,000	2.7%
Beaverton and Aloha	279,300	289,500	260,000	3.8%
Tigard, Tualatin, Sherwood, Wilsonville	351,200	375,600	339,900	5.4%
Hillsboro and Forest Grove	293,100	298,400	270,000	8.7%
Mt. Hood: Brightwood, Government Camp, Rhododendron, Welches, Wemme, ZigZag	293,400	292,700	255,000	8.8%
Columbia County	244,200	255,900	240,000	13.0%
Yamhill County	307,300	282,900	250,000	8.2%
Marion and Polk Counties	264,800	252,500	226,900	9.6%
North Coastal Counties	390,200	387,500	310,000	13.1%
Southwest Washington State				
Clark County (Battleground, Camas, Ridgefield, Vancouver, Woodland, etc.)	\$294,200	\$306,900	\$262,900	3.0%

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 (11/1/06-10/31/07) with 12 months before (11/1/05-10/31/06). Median appreciation for the period was 7.3%.

Source: Regional Market Listing Service (RMLS™).

Mortgages Rates Falling

November 29, 2007

Freddie Mac released its Primary Mortgage Market Survey (PMMSSM) on November 29th in which the 30-year fixed-rate mortgage (FRM) was 6.10 percent with an average 0.5 point for the week ending November 29, 2007, down from last week when it averaged 6.20 percent as well. Last year at this time, the 30-year FRM averaged 6.14 percent. The 30-year FRM has not been lower since the week ending October 13, 2005, when it averaged 6.03 percent.

The 15-year FRM this week averaged 5.73 percent with an average 0.5 point, down from last week when it averaged 5.83 percent. A year ago at this time, the 15-year FRM averaged 5.87 percent. The 15-year FRM has not been lower since the week ending January 26, 2006, when it averaged 5.70 percent.

Five-year Treasury-indexed hybrid adjustable-rate mortgages (ARMs) averaged 5.86 percent this week, with an average 0.5 point, down from last week when it averaged 5.88 percent. A year ago, the 5-year ARM averaged 5.95 percent. The 5-year ARM has not been lower since the week ending January 26, 2006 when it averaged 5.75 percent. One-year Treasury-indexed ARMs averaged 5.43 percent this week with an average 0.7 point, up from last week when it was 5.42 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

"Interest rates for U.S. Treasury securities have been drifting lower this month over market concerns that the housing slump and stress in the credit markets could slow future economic growth," said Frank Nothaft, Freddie Mac vice president and chief economist. "As a result, interest rates for fixed-rate mortgages had room to slip lower this week. In addition to these concerns, the Federal Reserve also noted in its November 28th Beige Book that the glut of available homes continued, keeping downward pressure on prices and construction activity.

"Add to this the S&P/Case-Shiller® 20-composite index showing house prices falling 4.95 percent in the 12-months ending September, with 15 of the metropolitan areas showing annual declines and the overall picture does, indeed, appear glum with no immediate relief in sight."

Portland Area Mortgage Rates



To check on more Portland metro area mortgage rates visit Professor Guttenberg's Web site at <http://www.mtgprofessor.com> - click on "Fixed-Markup Lender." Taking the average home price in the Portland metro area of \$341,800 for October, 2007 and with 20 percent down payment (\$68,360) and a mortgage of \$273,440, the payment for a 30-year fixed loan is \$1,468 per month (excluding property taxes and insurance) in Portland, Oregon. The interest rate is 5% and the APR is 5.489%. Total lender fees are \$14,606. This fee covers everything and is guaranteed not to change from the time they lock your rate to closing. Escrow fees are waived.

According to the professor: "In using an on-line lender monitored by the mortgage professor, a borrower enjoys competitive wholesale prices, which are disclosed and passed through by the on-line lender; and a standardized and reasonable markup over the wholesale price, which is guaranteed by the professor. This eliminates all potential sources of abuse."

*My advice, "Find a home you can enjoy and afford.
By all means, get a fixed-rate mortgage. "*

Portland Weather

The Winter of 2007-2008: La Nina

It's commonly referred to as the "Pineapple Express," and this fall and winter the Pacific Northwest is squarely in its crosshairs. In early October, record rains drenched western Oregon and southwest Washington, flooding coastal towns. Damage figured into the hundreds of millions of dollars as a mass of debris released from the region's volcanoes inundated highways, knocked out bridges and buried trails.

In early November, climate experts and meteorologists gathered at OMSI for the 15th Annual "What Will Winter Be Like" meeting to discuss and debate this year's forecast.

The phrase on everyone's lips was La Nina, the below-average cooling of the near-equatorial Pacific Ocean that usually gives the Northwest a wetter- and cooler-than-average fall and winter. There's not a lot of debate about whether La Nina lined up this year, only about how much it will affect the region's winter weather. Here are comments from two meteorologists:

- George Taylor of the Oregon Climate Service: He revised his earlier forecast to reflect an even stronger La Nina effect than he'd originally figured.
- Steve Todd, meteorologist-in-charge of the National Weather Service in Portland: Steve anticipates a moderate La Nina, with an equal chance of average temperatures and typical precipitation December through February.

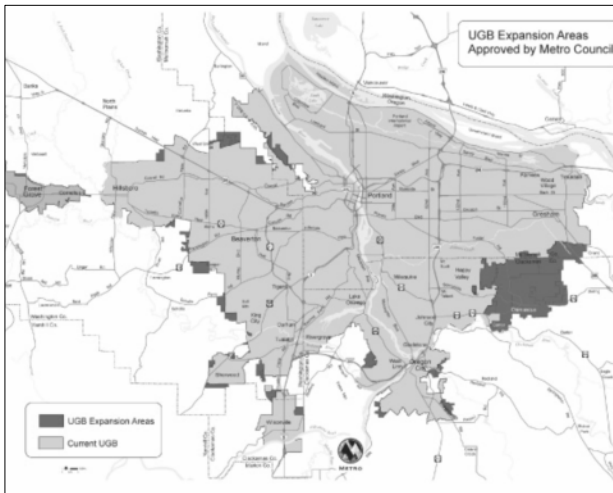
November 2007 Weather Summary

Water Year (October 1 - September 30)	Average Precipitation In Inches	Actual Precipitation in Inches	Water Year
Year-to-Date	8.49	7.56	<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 for Portland is 37-38 inches.</p> <p>Precipitation is measured from the NOAA Weather Station near the Portland International Airport.</p>
October	2.88	3.26	
November	5.61	4.25	
December	5.71		
January	5.07		
February	4.18		
March	3.71		
April	2.64		
May	2.38		
June	1.59		
July	0.70		
August	0.89		
September	1.65		
Year Average	37.07		

Here is the [National Weather Service](#) data for the month of November 2007:

- Average Monthly Temperature: 44.8 or 1.0 degrees below normal.
- Average Maximum Temperature: 52.
- Average Minimum Temperature: 37.6
- Highest Temperature: November 4 and 17 at 63.
- Lowest Temperature: November 25 at 27.
- Record on 17th: High temperature of 63 degrees breaking old record of 61 set in 1995.
- Average Monthly Wind Speed: 6.1 MPH.
- Clear/Cloudy Days: 3 clear days, 13 partly cloudy days, and 14 cloudy days.

The Urban Growth Boundary



Governor Tom McCall and his allies convinced the Oregon Legislature in 1973 to adopt the nation's first set of land-use planning laws. McCall, with the help of a unique coalition of farmers and environmentalists, persuaded the legislature that the state's natural beauty and easy access to nature would be lost in a rising tide of urban sprawl. The new goals and guidelines required every city and county in Oregon to have a long-range plan addressing future growth that meets both local and statewide goals.

That was the birth of the Urban Growth Boundary (UGB). By law, all Oregon cities with populations above 2,500 must establish an UGB.

A Line Around Portland

In Portland, this 200-mile long invisible line encircles the Portland metro area, and it is partially responsible for the quality of life in Portland. UGBs are designed to separate the "city" from the "country." They indicate where development can take place and where it cannot.

The map above was adopted in 1980, and it was designed to set aside enough land for 20 years of growth. Planners think that the UGB will accommodate the area's growing population through 2010. While exceptions have been made, development has for the part remained within the UGB. But there are critics who see problems with the UGB. Land speculators are buying up land just over the UGB, and low-density housing is going up just outside the UGB.

November 6, 2007: Voters Ensure that UGBs will Survive

On November 6th of this year, Oregonians voted on and passed Measure 49 which ensures that UGBs in Oregon will survive. The measure substantially amends Ballot Measure 37 which was passed in 2004. Measure 37 was challenged in courts and never took effect although hundreds of claims were filed.

Measure 37 created a "just compensation" right for Oregon property owners if a public entity enacts or enforces a land use regulation that restricts the use of private property and has the effect of reducing the value of the property. Measure 37 allowed government entities to modify, remove, or not apply land use regulations (in lieu of payment of just compensation) to allow the owner to use the property for a use permitted at the time the owner acquired the property.

Measure 37 did not, however, "waive" land use regulation or create any right in property owners to demand that land use regulations be waived. Because Measure 37 was to be triggered when government enforces a land use regulation enacted after the owner (or owner's family) acquired the property, no issue of waiver can arise until the owner applies for some use, is denied the use and then files a claim for just compensation.

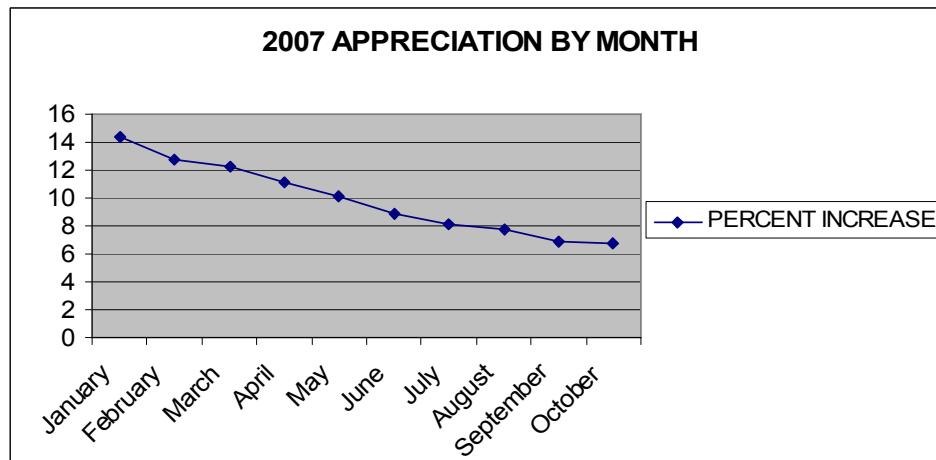
The Portland Home Market

Appreciation continued its slight downward trend in October when it reached 6.7% - a drop of a mere 0.2 percent from September. Another number that showed improvement was the inventory of homes started to drop slightly: The 15,567 active residential properties would last approximately 8.4 months whereas in September the supply of homes on the market would have lasted 8.6 months.

Here are the percentages for average sales appreciation for the year:

January 16.0%, February 12.8%, March 12.2%, April 11.1%, May 10.1%, June 8.9%, July 8.1%, August 7.8%, September 6.9%, and October 6.7%.

You will note that double-digit appreciation ended in May for the year, and appreciation has slowly decreased since that time. Since February, the rate has been about a percentage point per month with October showing a leveling off trend. The line chart below shows the 2007 appreciation.



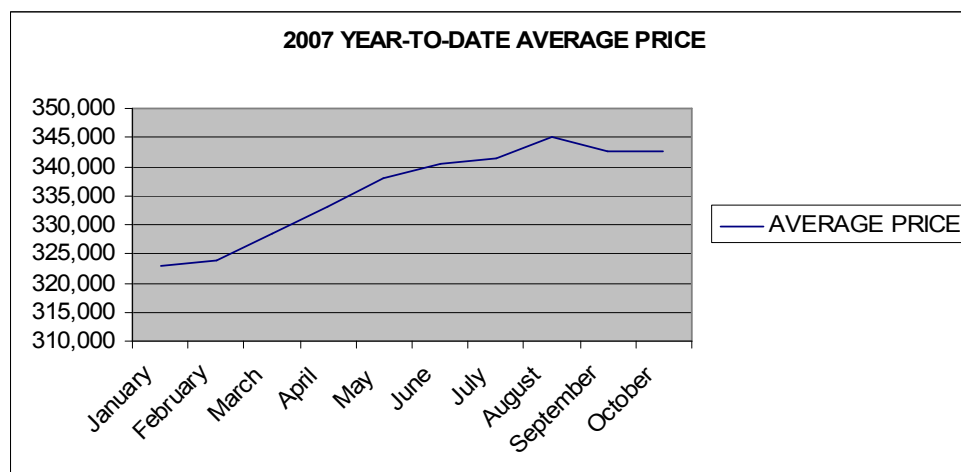
Appreciation percents are based on a comparison of average price for the last 12 months with the 12 months before. The percentage increase at the end of October of this year of 6.7% is calculated by comparing the average price for the period (11/1/06-10/31/07) with 12 months before (11/1/05-10/31/06).

What Will Appreciation be at the End of 2007?

I think we still have a 1-2 percentage points to give before the end of the year. I'm predicting about 5-6 percent appreciation for 2007, and it should remain at that number for a few months. Still better than other metro regions in the United States. We'll have the final numbers for 2007 in the February 2008 newsletter.

Average Home Prices in 2007

Taking a look at the year-to-date average home price in the Portland metro area for September, you will see that the number decrease for the first time in 2007. It decreased by \$2,600 from August. Note the slight leveling off from May – August and then the drop in September. In October, the decrease was just \$100.



Key Index Falls 4.5 Percent for Third Quarter

In mid-November, the Standard & Poor/Case-Shiller Home Price Index, a key U.S. housing measure, reported the biggest quarterly decline in the index's 21-year history. Prices of single-family homes in the third quarter fell 4.5 percent nationwide compared with a year ago. Prices in 20 big cities were down on average by 4.9 per cent year on year.

The index tracks changes in the value of the residential real estate market in metropolitan regions across the United States. The index is one of the most reliable ways to track home prices, and it's followed by Wall Street. According to the Financial Times, "The index reports more quickly than government figures but is regarded by some analysts as less comprehensive."

In the Portland region, the index covers single-family home sales in Clackamas, Columbia, Multnomah, Washington and Yamhill counties in Oregon and Clark and Skamania counties in Washington. You can obtain more information at <http://www2.standardandpoors.com>.

Portland One of Five Metro Areas to Show a Gain

Compared with a year earlier, Seattle and Charlotte tied for the biggest home price growth in September at 4.7 percent. Atlanta and Dallas also reported more modest gains. Portland's home values were up 2.2 percent, third highest.

House prices are down by 11.1 per cent year on year in Tampa, 10 per cent in Miami, 9.6 per cent in Detroit and 9 per cent in Las Vegas. Home values in Los Angeles and Miami are up about 150 percent from their 2000 value. In Portland, they're up about 85 percent, according to the Case-Shiller index.

Other Measures

Portland ranked No. 413 of 427 U.S. cities in the rate of delinquencies for subprime loans in July 2007, according to www.loanperformance.com, a San Francisco company that analyzes mortgage performances for lenders and investors.

In another measure, the Mortgage Bankers Association (<http://mortgagebankers.org>) said Oregon had the nation's second-lowest foreclosure and delinquency rate in the country this spring. Of Oregon's 627,000 home loans, about 3,000 were in foreclosure, and about 15,000 were at least 30 days past due.

So What's Keeping Portland Buoyant?

Everyone is tossing out reasons for the Portland home market acting differently than other metro areas. *The Oregonian*, in their November 17 edition, offered these explanations:

- People keep moving to the area. About 102,000 people moved to the Portland area from out of state in 2006, about 5 percent of the year's total population, according to the U.S. Census. That's lagging behind Boise and on par with Seattle, but far faster than Sacramento, San Francisco and Los Angeles.
- Oregon and Portland have relatively few subprime loans, those given to risky buyers and now most at risk of foreclosure. In California and Florida, risky loans were popular because people had to stretch their dollar to get into homes that were rising much faster in value.
- Portland's urban-growth boundary restricts new subdivisions from spreading across farmland. That prevented the massive oversupply of homes that's slugged other cities.

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.

Carousels: The Art of the Animals



The World Forestry Center Discovery Museum is pleased to present, Carousels: The Art of the Animals a magnificent and rare collection of over 25 antique hand-carved wooden animals that once graced some of the finest carousels in the world. Web site: <http://www.worldforestrycenter.org>. Dates: December 6 – January 6. Location: World Forestry Center, 4033 SW Canyon Road, Portland, OR.

Zoo Lights

The zoo comes alive as you walk through this winter wonderland of more than a half-million lights. Web site: <http://www.oregonzoo.org>. Dates: 11/24/07 - 12/31/07. Location: Oregon Zoo, 4001 SW Canyon Road, Portland, OR.

Queen Anne Victorian Mansion

Visit one of Portland's premier landmark Christmas events for the annual Miracle of a Million Lights, a holiday tradition for the whole family. The mansion and surrounding grounds twinkle with 2.5 million lights that turn this historical landmark into a Christmas wonderland. Web site: <http://www.queenannevictorianmansion.com>. Dates: 12/23/07 - 12/28/07. Location: Queen Anne Victorian Mansion, 1441 N McClellan Street, Portland, OR.



Christmas Ships

2007 marks the 53rd year for the Christmas Ship Parade on the Columbia and Willamette Rivers in Portland, Oregon. The Christmas Ship Fleet averages about 55 to 60 boats between the two Columbia and Willamette River fleets. Both fleets will be out every night for two weeks. Web site: <http://www.christmasships.org>. Dates: 12/07/07 - 12/20/07. Location: Willamette River/ Columbia River, RiverPlace Marina, Portland.

Tuba Christmas



Tuba enthusiasts, music lovers, and all of those last minute shoppers will rejoice in the sound of nearly 200 tubas playing the festive music of the season. The audience not only listens to the sounds of the powerful tubas, but is encouraged to participate in the sing-a-long carols. Web site: <http://www.pioneerCourthouseSquare.org>. Date: 12/15/07. Time: 1:30 p.m. to 3:30 p.m. Location: Pioneer Courthouse Square, 701 SW 6th Street, Portland, OR.

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