

Moving to Portland™

August 2008 Newsletter

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Portland Home Market

June 2008 Residential Highlights

June sales activity was mixed when compared to that of May 2008. On the other hand, activity continues to follow a downward trend compared with 2007.

From May to June, there was a 0.8% increase in closed sales (1,877 v. 1,863) - the second straight month of increasing sales. New listings also grew a slight 0.6% (5,213 v. 5,182). Pending sales, however, dropped 6% (1,996 v. 2,124) .

On the other hand, comparing June 2008 with June 2007, closed sales dropped 31.3% and pending sales decreased 30%. New listings were also down 16.3%.

At the month's rate of sales, the 17,788 active residential listings would last approximately 9.5 months, up slightly from 9.2 months in May.

Second Quarter

A look at the second quarter of 2008 compared with the same period in 2007 shows a 34.7% decrease in closed sales (5,461 v. 8,361) and 31% drop in pending sales (5,972 v. 8,652). New listings also fell 8.1% (15,973 v. 17,386).

Portland Metro Condo Market for Last 5-Years

Below is the average sale price and the percent change from the prior year for condos in the Portland metro area for the month of June over the last five years.

- June 2008: \$320,700 / 22%
- June 2007: \$262,100 / 14%
- June 2006: \$230,900 / 12%
- June 2005: \$205,900 / 17%
- June 2004: \$175,300 / 7%

The above numbers can be misleading as RMLS is comparing just one month. The size of condos units have increased dramatically over the years and a better indication would be the square footage price.

Sales Price

The average sale price for June 2008 was down 1% compared to June 2007, while the median sale price dropped 2%.

12-Month Sales Price Percent Change

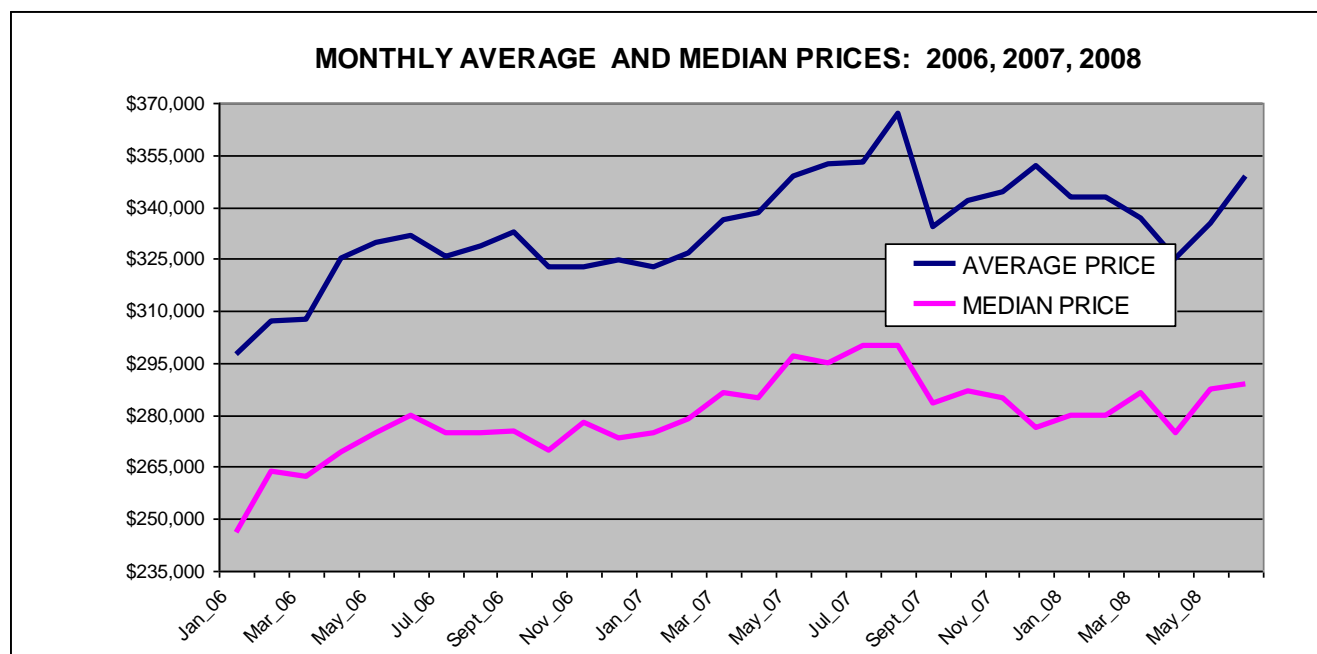
What was previously referred to as "Appreciation" is now referred to as "12-Month Sale Price Percent Change." According to RMLS, "The new description of this calculation is intended to help readers better understand what the calculation compares." The calculation compares the rolling sales price for the last 12 months with the rolling price for the 12 months prior. Figures for June 2008:

- Average Sale Price Percent Change: +2.9% (\$342,800 v. \$333,100)
- Median Sale Price Percent Change: +2.5% (\$287,000 v. \$280,000)

12-Month Sale Price Percent Change is based on a comparison of the rolling average/median price for the last 12 months (7/1/07-6/30/08) with the 12 months before (7/1/06-6/30/07).

June 2008: A Drop of \$3,600 in the Average Price from June 2007

Below is the MONTHLY AVERAGE AND MEDIAN PRICES: 2006, 2007, 2008 chart. It shows the home sales by month. The chart below does not include homes in southwestern Washington (Vancouver to include Clark County).



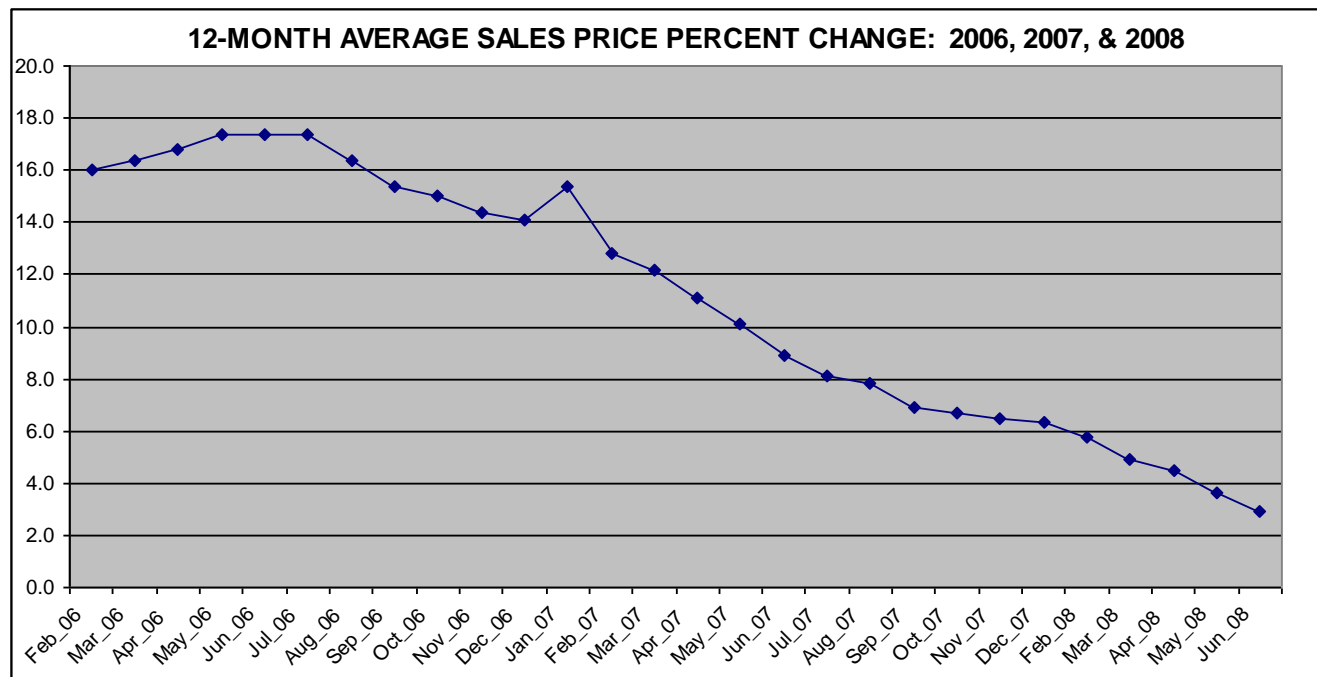
Comparing June 2008 with June 2007 shows a \$3,600 drop in the Portland region's average home price – down to \$348,800 from \$352,400 a year earlier. The median price decreased \$6,000 for the same periods.

The market peaked in July 2007 and August 2007 when both of these months recorded a median price of \$300,000. The difference of \$11,000 (\$300,000 less \$289,000, the June 2008 median price) represents a 3.7 percent drop.

The highest average sales during the years 2006-2008 was \$366,900 in August 2007. This figure is the highest average sales price ever recorded for the Portland metro area. Since August 2007, the average price has been slowly declining. In June 2008, the average price was \$348,800. This amounts to a difference of \$18,100 between the two dates. The percent decline is 5 percent.

12-Month Average Sales Price Percent Change

Below is the 12-MONTH AVERAGE SALES PRICE PERCENT CHANGE: 2006, 2007, & 2008.



This is the 12-month average sales price percent change from February 2006 to June 2008. The January, 2008 number is not included in the chart as RMLS did not calculate the appreciation for that month.

The 12-month sales price change percents are based on a comparison of the rolling average price for the last 12 months. For example, the percent change for the average home price for June 2008 of 2.9% compares the 12-months of (7/1/07-6/30/08) with the 12 months before (7/1/06-6/30/07).

You can see the steady decline, beginning in mid 2006, in the average price change percentage from the chart above. For the last five months, the number has ranged from 6.9 to 2.9 percent. The 2.9% number for June 2008 is the lowest percent in the chart above.

Case-Shiller Index

New figures out on August 29 showed that home prices fell by a record 15.8 percent in May from a year ago, with none of the 20 cities surveyed registering a price gain. [The Standard & Poor's/Case-Shiller](#) Home Price Index is now down more than 18 percent from its peak in July 2006.

Nearly 2.8 million U.S. households will either face foreclosure, turn over their homes to their lenders or sell their houses for less than the mortgage's value by the end of next year, according to Moody's Economy.com.

For the month of May, markets that experienced large gains in the recent real estate boom continue to be the biggest decliners. Miami and Las Vegas were the worst performers returning -3.6% and -2.9%, respectively. On a brighter note, Charlotte and Dallas have recorded three consecutive months of positive returns. These two markets are also showing the smallest annual declines, with Charlotte down 0.2% and Dallas down 3.1% versus May of 2007.

Case-Shiller reported that the Portland-area average home prices in May, 2008 declined 5.2 percent from the same month a year ago. Using figures from the RMLS, the decline for the same period was 4 percent (\$335,000 v. \$348,800).

The Difference in Numbers Between RMLS and Case-Shiller

Why the difference in numbers that are reported by RMLS and the Case-Shiller Index (4% v. 5.2%)? Two reasons. First is what numbers are used and the second is where the numbers came from. Case-Schiller's report comes from data gathered at county recorder offices. The home sale prices are then compared with the home's previous sale to show growth or decline in value. Case-Shiller uses that rate to calculate the monthly and yearly change in values. The firm provides the data for the 20 largest U.S. markets monthly.

The other reason. To calculate the median price, the average price, as well as the 12-month sales price percent change, the Regional Multiple Listing Service (RMLS) includes home sales from the five metro area Oregon counties (Clackamas, Columbia, Multnomah, Washington, and Yamhill). RMLS does not include Clark County or Skamania County in Southwest Washington state to arrive at their numbers whereas the Case-Schiller index includes Clark and Skamania counties because they use the U. S. Census Bureau metropolitan statistical areas (MSA). The Washington home prices have been declining for over a year and the 12-month sales price change has been negative for months (minus 3.6 percent in June, 2008).

Cost of Residential¹ Homes by Neighborhood/Community June 2008

Area	June 2008 Average Sales Price	Year-to-Date For Period Ending June 2008		12-Month Sales Price Change ²
		Average Sales Price	Median Sale Price	
Portland Metro Area				
Includes these counties in Oregon: Clackamas, Columbia, Multnomah, Washington, & Yamhill	\$348,800	\$337,700	\$282,500	2.9%
Portland				
North	\$271,400	\$271,300	\$255,000	5.7%
Northeast	351,400	326,000	280,000	6.7%
Southeast	292,700	281,400	247,800	2.1%
West (Includes SW and NW Portland and parts of eastern Washington County)	503,400	483,900	399,000	4.9%
Portland Metro Suburban Areas				
Corbett, Gresham, Sandy, Troutdale	\$267,400	\$265,600	\$248,000	-1.1%
Clackamas, Milwaukie, Gladstone, Sunnyside	330,000	332,300	292,200	-8.0%
Canby, Beavercreek, Molalla, Mulino, Oregon City	330,900	328,900	289,000	1.6%
Lake Oswego and West Linn	590,800	553,800	455,000	4.3%
Northwest Washington County & Sauvie Island	393,800	399,300	375,000	2.7%
Beaverton and Aloha	282,500	279,700	251,600	1.3%
Tigard, Tualatin, Sherwood, Wilsonville	391,200	363,500	332,500	-0.6%
Hillsboro and Forest Grove	285,900	283,500	259,900	-0.5%
Mt. Hood: Brightwood, Government Camp, Rhododendron, Welches, Wemme, ZigZag	255,100	261,000	246,800	-10.7
Columbia County	253,700	234,400	220,800	0.9%

Area	June 2008 Average Sales Price	Year-to-Date For Period Ending June 2008		12-Month Sales Price Change ²
		Average Sales Price	Median Sale Price	
Yamhill County	266,100	273,500	227,000	1.7%
Marion and Polk Counties	244,000	250,000	219,500	1.9%
North Coastal Counties	432,300	376,600	315,000	3.3%
Southwest Washington State				
Clark County (Battleground, Camas, Ridgefield, Vancouver, Woodland, etc.)	\$278,300	\$287,700	\$250,000	-3.6%

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 The 12-month sales price change percents are based on a comparison of the rolling average price for the last 12 months (7/1/07-6/30/08) with the 12 months before (7/1/06-6/30/07).

Source: Regional Market Listing Service (RMLS™).

Inflation Concerns Ease and Bring Rates Down

July 31, 2008

[Freddie Mac](#) released its Primary Mortgage Market Survey (PMMSSM) on July 31 in which the 30-year fixed-rate mortgage (FRM) was 6.52 percent with an average 0.7 point for the week ending July 31, 2008, down from last week when it averaged 6.63 percent. Last year at this time, the 30-year FRM averaged 6.68 percent.

The 15-year FRM this week averaged 6.07 percent with an average 0.6 point, down from last week when it averaged 6.18 percent. A year ago at this time, the 15-year FRM averaged 6.32 percent.

Five-year Treasury-indexed hybrid adjustable-rate mortgages (ARMs) averaged 6.07 percent this week, with an average 0.6 point, down from last week when it averaged 6.16 percent. A year ago, the 5-year ARM averaged 6.29 percent. One-year Treasury-indexed ARMs averaged 5.27 percent this week with an average 0.6 point, down from last week when it averaged 5.49 percent. At this time last year, the 1-year ARM averaged 5.59 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

"Mortgage rates moved lower this week as a drop in commodity prices eased market concerns over inflation pressures," said Frank Nothaft, Freddie Mac vice president and chief economist. "For instance, the Department of Energy reported that gasoline prices were the lowest since the end of May, and oil prices were at levels not seen since early May."

"Meanwhile, there were mixed reports this week on the state of the U.S. housing market. While the months of supply for existing single-family homes for sale rose to 11 months in June, the supply of new homes fell for the second consecutive month to 7 months. Further, the seasonally-adjusted U.S. homeownership rose slightly from 68.0 percent in the first quarter of this year to 68.1 percent in the second, yet still below the 68.3 percent set in the second quarter of 2007."

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 Portland of \$348,800 for June, 2008 and with 20 percent down payment (\$69,760) and a mortgage of \$279,040, the payment for a 30-year fixed loan is \$1,562.54 per month (excluding property taxes and insurance) in Portland, Oregon. The interest rate is 5.375%, and the APR is 5.922%. Total lender fees are \$18,233 to include \$11,354 discount points. 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. "*

Susan Marthens

Portland Weather

Summer 2008: Keep the Sweaters Handy

After hitting 100 degrees in late June, the heat disappears and coolness prevailed. Our home is surrounded by giant Douglas Fir trees that provides us air conditioning. And we don't have to write a check for the AC to our local electrical utility. Sweaters (the down comforter stays on the bed year-around) are always within a arm's reach.

June 2008 Weather Summary

Water Year (October 1 - September 30)	Average Precipitation In Inches	Actual Precipitation in Inches	Water Year
Year-to-Date	34.42	33.48	<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	7.57	
January	5.07	4.71	
February	4.18	2.19	
March	3.71	3.71	
April	2.64	2.09	
May	2.38	2.03	
June	1.59	1.01	
July	0.70	0.29	
August	0.89		
September	1.65		
Year Average	37.07		

Here is the [National Weather Service](#) data for the month of July 2008:

- Average Monthly Temperature: 68.8 or 0.7 degrees above normal.
- Average Maximum Temperature: 80.8
- Average Minimum Temperature: 56.8

- Highest Temperature: July 13th at 93 degrees.
- Lowest Temperature: July 11th at 51 degrees.
- Records: Rainfall of 0.26 inches on July 3rd beating 1986 record of 0.25.
- Average Monthly Wind Speed: 6.5 MPH.
- Clear/Cloudy Days: 10 clear days, 19 partly cloudy days, and 2 cloudy days.

Portland Summers

Late July and early August are the hottest and driest part of summer in Portland as well as the entire state of Oregon. Portland's average high temperature for both months is 80 degrees. Both months also hold the record for hottest temperatures – 107 degrees.

In Portland, we typically see 12-13 days when the temperatures reaches 90 degrees or higher; there's a great deal of variation from year to year. Records indicate there were 23 such days in 1987 but none in 1954.

Oregon does have extreme variations in temperatures during the year and especially in the summer months. Too hot in Portland? Head for the coast. Too cool in Portland, head east. On the last day of July, here's the forecasts: Astoria on the coast will be 70 degrees, Portland at 80 degrees, and most of the towns on the far west side of the state will be experiencing temperatures close to 90.

The probability of rain on Labor Day is just over 30 percent. Even less on the 4th of July when it is 28 percent.

Temperatures alone don't tell the story as it's the humidity that can makes things unpleasant. I looked at the KPTV website today, and the humidity is just under 50%. The humidity in most eastern cities in the USA would be in the 90s today. From New York to Miami, the temperature and humidity are often the same.

Portland's Population: 550,396

The population of Portland has surpassed 550,000, the Census Bureau announced in early July, 2008.

The city's population increase of 8,792 residents between July 2006 and July 2007 made it the fastest-growing big city in Oregon and tied the 12-month growth rate of Seattle, the bureau reported.

In Oregon, three cities are tracked in the Census Bureau's annual tally of the 262 U.S. cities with at least 100,000 residents. All showed above-average growth, with Portland growing by 1.6 percent to 550,396; Salem growing 1.5 percent to 151,913; and Eugene growing 1 percent to 149,004. Vancouver, Washington grew slightly faster, increasing its population by 1.7 percent to 161,463.

Portland placed 70th in the growth percent of the 262 cities. Salem was 74th.

Seventy of the nation's largest cities lost population from 2006 to 2007, but all large cities in the Pacific Northwest grew, the bureau reported. Bellevue, Washington was the fastest growing Pacific Northwest city growing by 2.7 percent.

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