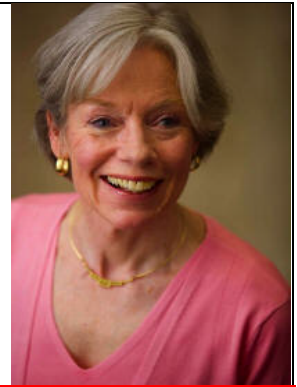


Moving to Portland™

July 2008 Newsletter

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In This Issue

- Portland Home Market
- Cost of Residential Homes by Community: May 2008
- Mortgages
- Portland Weather
- Where Portlanders Give
- Homes vs. Stocks

Portland Home Market

May 2008 Residential Highlights

In May, sales activity in the Portland metro area picked up over last month. Compared with last May, however, activity continues to trend downward.

From April to May this year, closed sales were up 17.8% (1,863 v. 1,582) and pending sales grew 2.6% (2,124 v. 2,070). New listings dropped 2.1% (5,182 v. 5,295). Comparing May 2008 with May 2007, new listings were down 12.1%. In addition, pending sales and closed sales were down 30.5% and 33.5%, respectively.

At the month's rate of sales, the 17,066 active residential listings would last 9.2 months, down from 10.3 months in April.

Year-to-Date

Comparing January-May 2008 with the same period in 2007, new listings were up 2.1%. Closed sales were down 35.2%, while pending sales were off of the 2007 mark by 33.8%.

Sales Price

For the second consecutive month, both the average sale price and median sale price declined compared to the same month the year prior. The average sale price for May 2008 was down 4% compared to May 2007, while the median sale price dropped 3.2%.

On the other hand, the average sale price and median sale price are both up over their April 2008 marks; the average sale price rose 3.1% (\$335,000 v. 325,000) and the median sale price was up 4.5% (\$287,500 v. \$275,000).

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

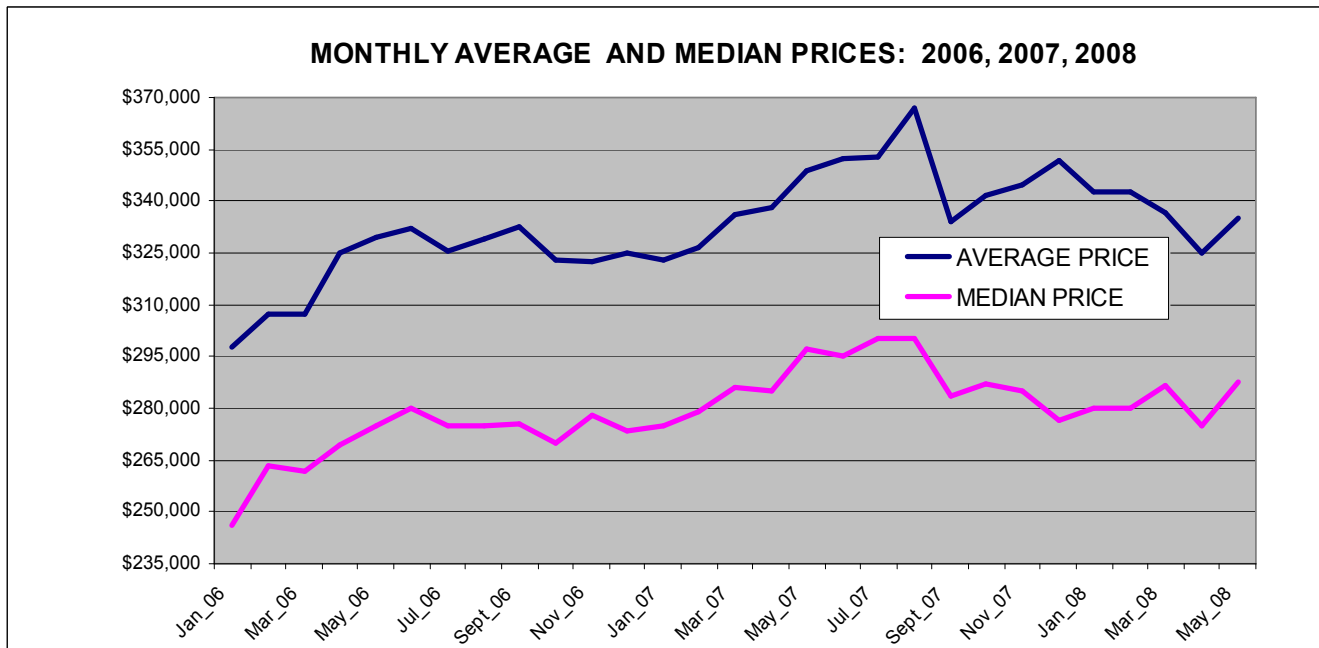
months with the rolling price for the 12 months prior. Figures for May 2008:

- Average Sale Price Percent Change: 3.6% (\$343,500 v. \$331,500)
- Median Sale Price Percent Change: 3.1% (\$288,500 v. \$279,900)

12-Month Sale Price Percent Change is based on a comparison of the rolling average/median price for the last 12 months (6/1/07-5/31/08) with the 12 months before (6/1/06-5/31/07).

May 2007 to May 2008: A Drop of \$9,500 in the Median Price

Below is the MONTHLY AVERAGE AND MEDIAN PRICES: 2006, 2007, 2008 chart. It shows the home sales by month. Note the jagged curve in this chart as opposed to the smooth curve in the year-to-date chart. This is a result of monthly variations in sales numbers.



Comparing May 2008 with May 2007 shows a \$9,500 drop in the Portland region's median home price – down to \$287,500 from \$297,000 a year earlier.

The market peaked in July 2007 and August 2007 when both of these months recorded a median price of \$300,000. The difference of \$12,500 (\$300,000 less \$287,500) represents a 4.2 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 May 2008, the average price was \$335,000. This amounts to a difference of \$21,900 between the two dates. The percent decline is 6 percent.

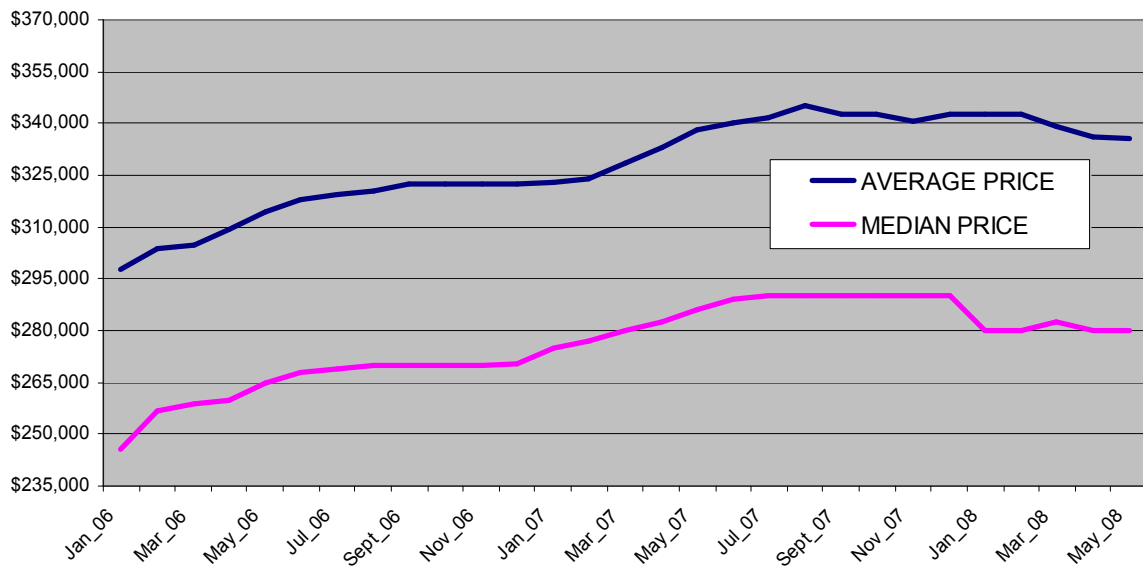
Comparing the average price in May 2008 with May 2007, (\$348,800 in May 2008 v. \$335,000 in May 2007), the drop was \$13,800 or a 4 percent change.

The chart above does not include homes in southwestern Washington (Vancouver to include Clark County).

Year-to-Date Average and Median Prices: 2006, 2007, 2008

On the next page is the YEAR-TO-DATE AVERAGE AND MEDIAN PRICES: 2006, 2007, 2008 chart.

YEAR-TO-DATE AVERAGE AND MEDIAN PRICE: 2006, 2007, 2008



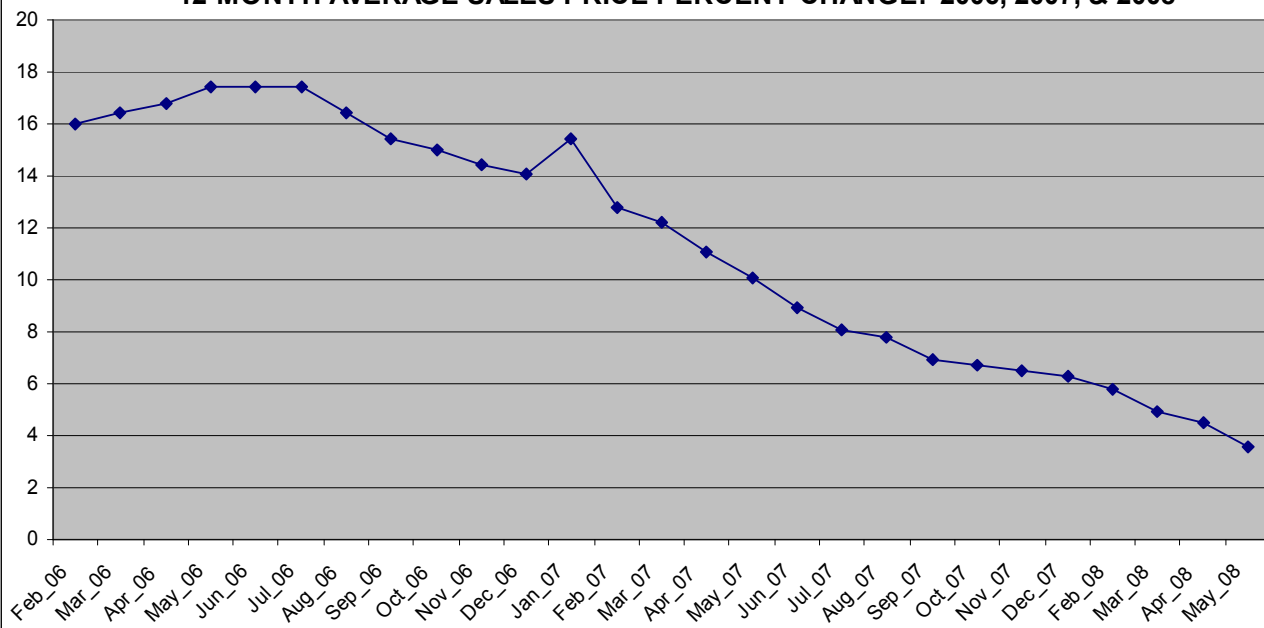
Note how the curve slowly ascends until August of 2007 and then begins to level off. The year-to-date median price took a sharp dive down in January of this year (a \$10,000 decrease in price over December of 2007). For all of 2008, the year-to-date median price has ranged for \$282,300 to \$280,000. For four of the five months, the median price was \$280,000. The range of the year-to-date average price has ranged from \$342,900 to \$335,700.

The chart above does not include homes in southwestern Washington (Vancouver to include Clark County).

12-Month Average Sales Price Percent Change

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

12-MONTH AVERAGE SALES PRICE PERCENT CHANGE: 2006, 2007, & 2008



This is the 12-month average sales price percent change from February 2006 to May 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 May 2008 of 3.6% compares the 12-months of (6/1/07-5/31/08) with the 12 months before (6/1/06-5/31/07).

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 3.6. The 3.6% number for May 2008 is the lowest percent in the chart above.

A few months ago we predicted that the lowest number would be about three percent. So its time to stop declining as we don't want to issue any regrets.

Case-Shiller Index

Portland-area home prices in April, 2008 declined 4.7 percent from the same month a year ago according to Standard & Poor's Case-Shiller index. That drop is the most since the index began reporting in the 1980s.

Portland tied for the third-smallest price decline among the nation's top 20 markets surveyed in the index. But the region recorded its fourth month of year-over-year price declines, also a first since the index began.

For the first time since last summer, prices ticked up slightly from March to April, a potential sign that prices have bottomed out. Portland was one of eight that reported such an uptick.

Nationally, the index continued to set new lows in April. The 10-city and 20-city composites declined more than 15 percent. The worst of the price declines continues to be concentrated in Sun Belt states that saw the biggest price run-ups in the boom. Miami and Las Vegas led the way with declines at more than 26 percent. Portland is included in the 20-city composite.

Charlotte, Dallas, Denver and Portland Have Smallest Decline

For the first time in the downturn, all 20 major markets reported year-over-year price declines. Charlotte had the smallest decline at 0.1 percent. Dallas was second at 3.4 percent. Portland tied with Denver for third smallest decline.

Why the difference in numbers that are reported by RMLS and the Case-Shiller Index? 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.

RMLS is an organization governed by local real estate brokers in the Portland metro area, and it provides sale data on the price for home sales closed in a given month. To calculate the median price, the average price, as well as the 12-month sales price percent change, the Regional Multiple Listing Service 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. The Case-Schiller index includes Clark and Skamania counties because they use the U. S. Census Bureau metropolitan statistical areas (MSA).

Cost of Residential¹ Homes by Neighborhood/Community May 2008

Area	May 2008 Average Sales Price	Year-to-Date For Period Ending May 2008		12-Month Sales Price Change²
		Average Sales Price	Median Sale Price	
Portland Metro Area				
Includes these counties in Oregon: Clackamas, Columbia, Multnomah, Washington, & Yamhill	\$335,000	\$335,700	\$280,000	3.6%
Portland				
North	\$268,000	\$272,900	\$253,000	6.5%
Northeast	333,200	319,900	275,500	5.9%
Southeast	289,700	279,300	247,500	3.7%
West (Includes SW and NW Portland and parts of eastern Washington County)	443,800	480,100	390,000	4.5%
Portland Metro Suburban Areas				
Corbett, Gresham, Sandy, Troutdale	\$291,400	\$265,100	\$247,800	-1.0%
Clackamas, Milwaukie, Gladstone, Sunnyside	308,500	333,600	290,000	-7.3%
Canby, Beavercreek, Molalla, Mulino, Oregon City	331,800	327,200	286,800	1.4%
Lake Oswego and West Linn	531,700	546,800	450,000	6.1%
Northwest Washington County & Sauvie Island	419,600	400,900	374,500	3.5%
Beaverton and Aloha	285,200	279,600	253,000	1.7%
Tigard, Tualatin, Sherwood, Wilsonville	340,500	357,200	334,000	0.4%
Hillsboro and Forest Grove	279,000	284,000	259,900	0.0%
Mt. Hood: Brightwood, Government Camp, Rhododendron, Welches, Wemme, ZigZag	266,000	262,200	247,000	-9.8%
Columbia County	243,600	231,200	218,000	3.6%
Yamhill County	264,300	275,100	227,000	1.0%
Marion and Polk Counties	244,600	252,800	219,900	2.8%
North Coastal Counties	350,100	364,600	310,400	4.0%
Southwest Washington State				
Clark County (Battleground, Camas, Ridgefield, Vancouver, Woodland, etc.)	\$282,400	\$289,900	\$249,900	-2.1%

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 (6/1/07-5/31/08) with the 12 months before (6/1/06-5/31/07).

Source: Regional Market Listing Service (RMLS™).

Long-term Rates Unchanged

July 3, 2008

Freddie Mac released its Primary Mortgage Market Survey (PMMSSM) on July 3 in which the 30-year fixed-rate mortgage (FRM) was 6.45 percent with an average 0.6 point for the week ending June 26, 2008, up from last week when it averaged 6.42 percent. Last year at this time, the 30-year FRM averaged 6.67 percent. The last time the 30-year FRM was higher was the week ending September 6, 2007, when it averaged 6.46 percent.

The 15-year FRM this week averaged 6.04 percent with an average 0.6 point, up from last week when it averaged 6.02 percent. A year ago at this time, the 15-year FRM averaged 6.34 percent. The last time the 15-year FRM was higher was the week ending October 18, 2007, when it averaged 6.08 percent.

Five-year Treasury-indexed hybrid adjustable-rate mortgages (ARMs) averaged 5.99 percent this week, with an average 0.7 point, up from last week when it averaged 5.89 percent. A year ago, the 5-year ARM averaged 6.30 percent. This is the highest the 5-year ARM has been since the week ending October 25, 2007, when it averaged 6.03 percent.

One-year Treasury-indexed ARMs averaged 5.27 percent this week with an average 0.6 point, up from last week when it was 5.19 percent. At this time last year, the 1-year ARM averaged 5.65 percent. The last time the one-year ARM was higher was the week ending May 8, 2008, when it averaged 5.29 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

"Fixed-rate mortgage rates held relatively stable this week leading up to the June 24-25 Federal Reserve (Fed) Policy Committee meeting," said Frank Nothaft, Freddie Mac vice president and chief economist. "ARM rates, which are typically tied to short-term instruments, rose slightly due to market uncertainty over how the Fed might respond."

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 \$335,000 for May, 2008 and with 20 percent down payment (\$67,000) and a mortgage of \$268,000, the payment for a 30-year fixed loan is \$1,521.67 per month (excluding property taxes and insurance) in Portland, Oregon. The interest rate is 5.50%, and the APR is 6.015%. Total lender fees are \$16,588 to include \$9,623 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 Arrives on Schedule

Summer came on June 21 just like the calendar said it would. And not a minutes too late as we were cold and lacking vitamin D due to the lack of sun. But when it did arrive, it began to get hot as the end of the month approached. We hit 100 degrees on June 28, breaking a record.

June 2008 Weather Summary

Water Year (October 1 - September 30)	Average Precipitation In Inches	Actual Precipitation in Inches	Water Year
Year-to-Date	31.39	33.19	<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		
August	0.89		
September	1.65		
Year Average	37.07		

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

- Average Monthly Temperature: 61.8 or 0.9 degrees below normal.
- Average Maximum Temperature: 71.8
- Average Minimum Temperature: 51.9
- Highest Temperature: June 29th at 100 (broke record of 96 in 2003).
- Lowest Temperature: June 10th at 46.
- Average Monthly Wind Speed: 6.4 MPH.
- Clear/Cloudy Days: 4 clear days, 18 partly cloudy days, and 8 cloudy days.

Too Much Electrical Power

Due to the heavy snowfall this past winter, the Northwest is awash in electric power. Rivers are swollen, and Columbia River dams are running full bore. Plus, wind farm blades are spinning due to increased capacity.

These are the reasons that this season's power operations are challenged like never before. Oregon and Washington can't use all the electricity that's available. And transmission lines that are at capacity can't take the extra power California consumers otherwise would eagerly devour.

The Bonneville Power Authority (BPA) is responsible for blending wind power into the grid. The BPA, the U.S. Army Corps of Engineers and the U.S. Bureau of Reclamation manage 14 major dams on the Columbia and Snake rivers. They face a host of requirements, from meeting electricity demand to protecting fish to preventing floods. Reservoir capacity is limited, so system operators can't store all the extra water that flows downriver. They can't allow flooding, either, so they turn to the dams' turbines and spillways to even things out.

Further, they can't generate power any time they want. They must have a market for the megawatts. Electricity demand in the region ebbs in the spring when the heat is turned off and the air conditioners have not started up yet. So high water is a problem without the normal outlet of running it through the turbines.

That leaves the spillways, which divert flows around the dams' turbines. The corps manages spills in the spring to help juvenile salmon migrate downriver. If releases are too powerful, dissolved gas in the water can rise to dangerous levels and give fish a potentially lethal condition akin to the bends, a diver's disease.

Wind-turbine capacity in the Columbia Gorge has doubled in the past year, bringing clean energy onto the grid but more stress to dam operations. The thermal winds that whip through the river corridor crank up in the spring -- the very time Columbia River flow peaks.

Source: "Extra water, wind strain Northwest power grid" by Gail Kinsey Hill, *The Oregonian*, June 27, 2008.

Where Portlanders Give

A few months ago, we received an email from a person expressing his regret at ever moving to Portland. He listed numerous grievances about life in Portland such as weather, street people, etc. It was obvious that he didn't fit in Portland. Perhaps he didn't research Portland before he moved here or what he learned about the area wasn't an accurate picture of Portland. He wasn't a client, and I can only assume he found the website and had to "let loose" on someone. He was preparing to leave town and move to Salt Lake City.

The email made us realize that we should strive to portray Portland as accurately as possible, both on the Moving to Portland website and in my verbal description of the area to potential Portlanders.

So when reading the May 2008 issue of the *Portland Monthly* magazine, a heart-shaped chart entitled "Charity Case" jumped out. It was further evidence on how Portlanders are so different from the rest of the country.

The data was from a 2007 Oregon Community Foundation report about how Multnomah County residents (Multnomah County is where Portland is located) gave to charities. The chart compared charity giving in Multnomah County to charity giving in the United States. Here is a quote from the report:

When we're feeling generous, we give money to God. And our dogs. This stereotype of Portland sways from our necks like a two-ton padlock: pet-loving, tree-hugging do-gooders. Go ahead, roll your eyes. But while you're grunting, know this: At least we put our money where the cliché is.

Our giving broke down along pretty predictable lines: Education (\$139.2 million) was the big winner overall, and a large chunk of cash went to the environment (\$44.5 million) and to the dogs (\$12.7 million) and other animals.

Since dollars don't give a true picture, here are some of the percentages:

Item	Multnomah County	United States
Art, Culture, and Humanities	12%	4%
Education	22%	14%
Environment & Animals	9%	2%
Human Services	17%	10%
Public-Society Benefit	1%	7%
Religion	2%	33%

Homes vs. Stocks

The housing slump has many homebuyers wondering whether real estate — traditionally a person's largest investment — is the best way to lock up their money over the long term. Some are wondering whether the stock market may be a better place to park their cash. Both investment types endure boom-and-bust cycles, soaring during periods of overvaluation, and then slumping when they slip out of favor.

The stock market was the place to be in '98, '99, especially dot-com stocks. Then came the collapse and people were saying, "I am never going to go into stocks again. I am going to go into real estate, where it's safe." Now, with home prices falling and property sometimes taking months to sell, some people are running away from real estate again.

Nationally, a home bought in 1978 appreciated 347.4 percent through 2007, while the Standard & Poor's 500-stock index was up 1,437.9 percent during the same period, according to figures compiled by the National Association of Realtors.

S&P 500 Index vs. Portland Home: 1993 -2007

Locally, a report by the Regional Multiple Listing Service that goes back to 1992 shows that the average price of a home in the Portland metro area rose from \$119,900 in 1992 to \$342,000 in 2007, an overall increase of 185 percent.

The S&P 500 index rose 237 percent from the end of 1992 through 2007, meaning that \$119,900 invested in stocks making up that index would have grown to \$404,063. Again, that's assuming you would have invested the money in a S&P 500 index rather than picking individual stocks.

Benefits of Each

The chief benefit of stock investments is the relative ease and low cost of a transaction. It can cost as little as \$10 to unload a stock. And stocks don't require new roofs and other maintenance like a home does.

A home is an investment you can check on every day. Living in the comfort of one's own home provides a sense of security that a bunch of stock certificates just can't give. You sleep in it, you eat in it, and you dream in it.

But over the long term, real estate traditionally regains its value. Whereas a company can file for bankruptcy or otherwise fail to regain its footing, ruining a stock investment. That doesn't mean real estate never loses value. Before 1950, housing values declined regularly during times of war and the Great Depression.

Investing in real estate for the purposes of renting it out has tax advantages. You can depreciate the property, deduct taxes and mortgage interest, and pay only 15% capital gains tax when you sell.

Perhaps the biggest reason for owning a home is the fact that homeownership is a forced savings plan. After writing out checks for the first few years, soon a homeowner will notice that they are paying down a good hunk of the principal. When a stock starts to falter, most of us sell it. Even if the housing market takes a dip, homeowners are thankful they can still enjoy their investment by living in it.

Susan Marthens

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