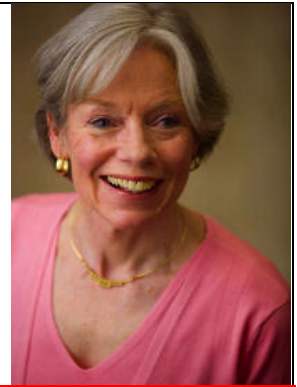


Moving to Portland™

June 2008 Newsletter

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Portland Home Market

April 2008 Residential Highlights

Comparing April 2008 to April 2007, market activity remains slow. On the other hand, month-to-month activity (March v. April) showed growth in some categories.

One area of growth from March to April was pending sales, which grew 6.8% (2,070 v. 1,938). This is the first increase in pending sales from March to April since 2005. New listings also grew 2.7% (5,295 v. 5,155). Closed sales dropped 6.4% (1,582 v. 1,691). This drop is on par with the last three years, though, as closed sales have dropped an average of 6.7% from March to April.

On the other hand, when comparing April 2008 with the same month in 2007, transactions were down across the board. New listings fell 2.9%. Closed sales and pending sales decreased 39% and 31%, respectively.

At the month's rate of sales, the 16,370 active residential listings would last 10.3 months, up from 9.1 months in March.

Year-to-Date

Comparing January-April 2008 with the same period a year ago, new listings were up 5.8%. Closed sales and pending sales were down 35.1% and 34.6%, respectively.

Affordability Returns to Portland

According to a formula from the National Association of Realtors®, buying a house in the Portland metro area is affordable once again for a family earning the median income. A family earning the median income (\$67,500 in 2008, per HUD) can afford 103% of a monthly mortgage payment on a median-priced home (\$286,500 in March). The formula assumes that the buyer has a 20% down payment and a 30-year-fixed rate of 5.97% (per Freddie Mac). This is the first time affordability has been above 100% since December 2006.

Sales Price

Also of note was the first decline in average sale price since August 2002 and in median sale price since May 2001 when comparing April of the current year to the same month the year prior. Average sale price dropped

3.9% and the median fell 3.5%.

One factor in this price decline may be a 51.2% (21 v. 43) decrease in the number of homes sold for \$1 million or more, when comparing April 2008 with April 2007. Year-to-date, sales in this price range are down 31.9% compared with the same time last year.

12-Month Sales Price Change

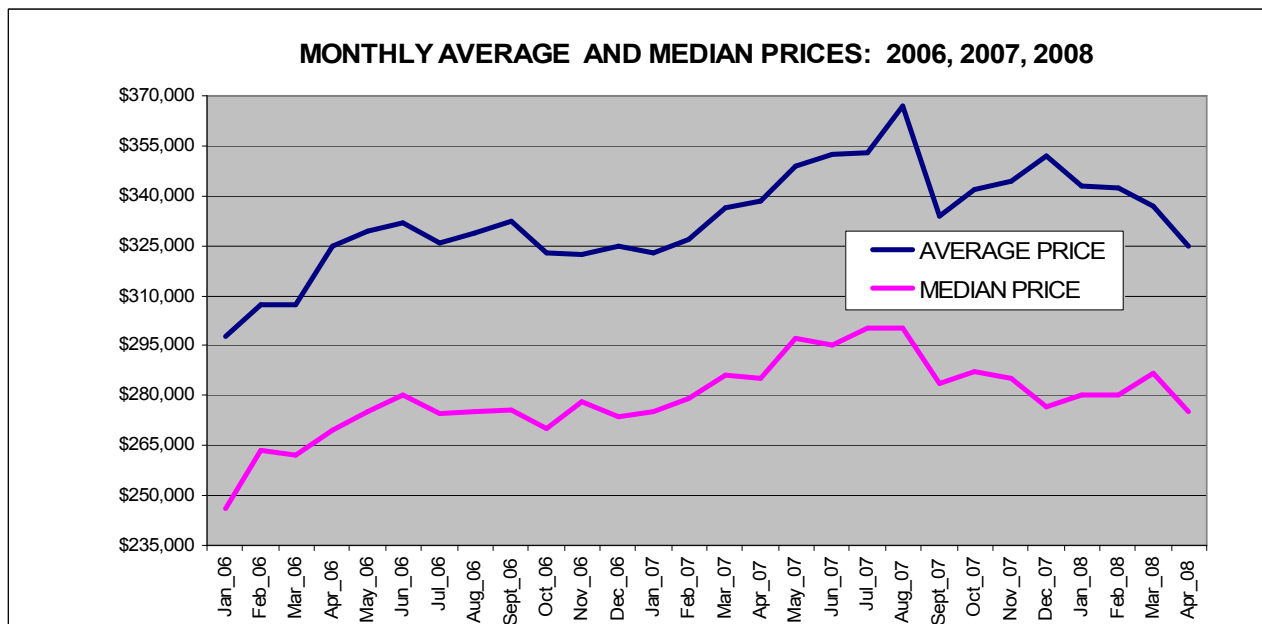
What was previously referred to as "Appreciation" is now referred to as "12-Month Sale Price Percent Change." According to RMLS, "The new description of this calculation is intended to help readers better understand what the calculation compares." The calculation compares the rolling sales price for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

- 12-Month Average Sales Price Change: 4.5% (\$344,700 v. \$329,700)
- 12-Month Median Sales Price Change: 4.3% (\$289,900 v. \$270,000)

Average and Median Price Graphs

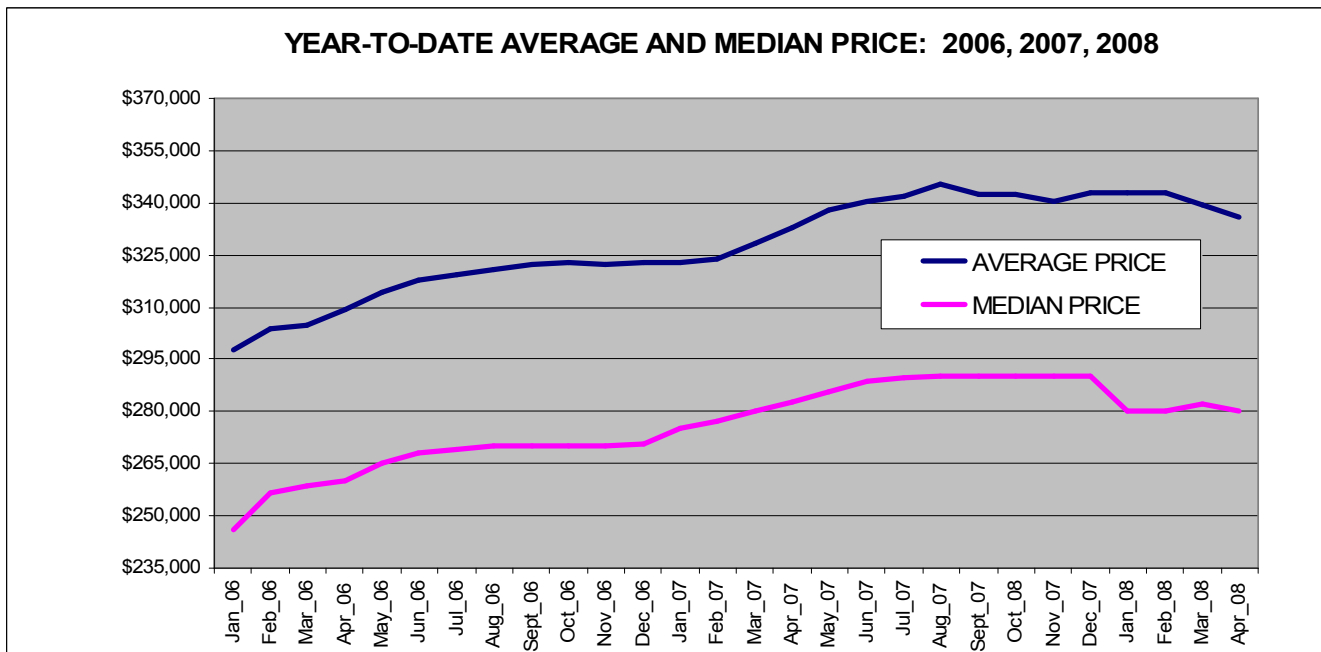
We have charted a year-to-date monthly average price and year-to-date median price of homes in the Portland metro area. We will update these charts monthly to show the changes. The charts do not include homes in southwestern Washington (Vancouver to include Clark County).

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 April 2008 with April 2007 shows almost a four percent drop in the Portland region's median home price – down to \$275,000 from \$285,000 a year earlier. Checking back through the numbers, it the largest drop since 2001. The market peaked in July and August 2007 when both of these months recorded a median price of \$300,000. The difference of \$25,000 represents an eight percent drop. The average sales price showed even a large decline between the two dates: 11 percent (\$366,900 in August 2007 v. \$325,000 in April 2008).

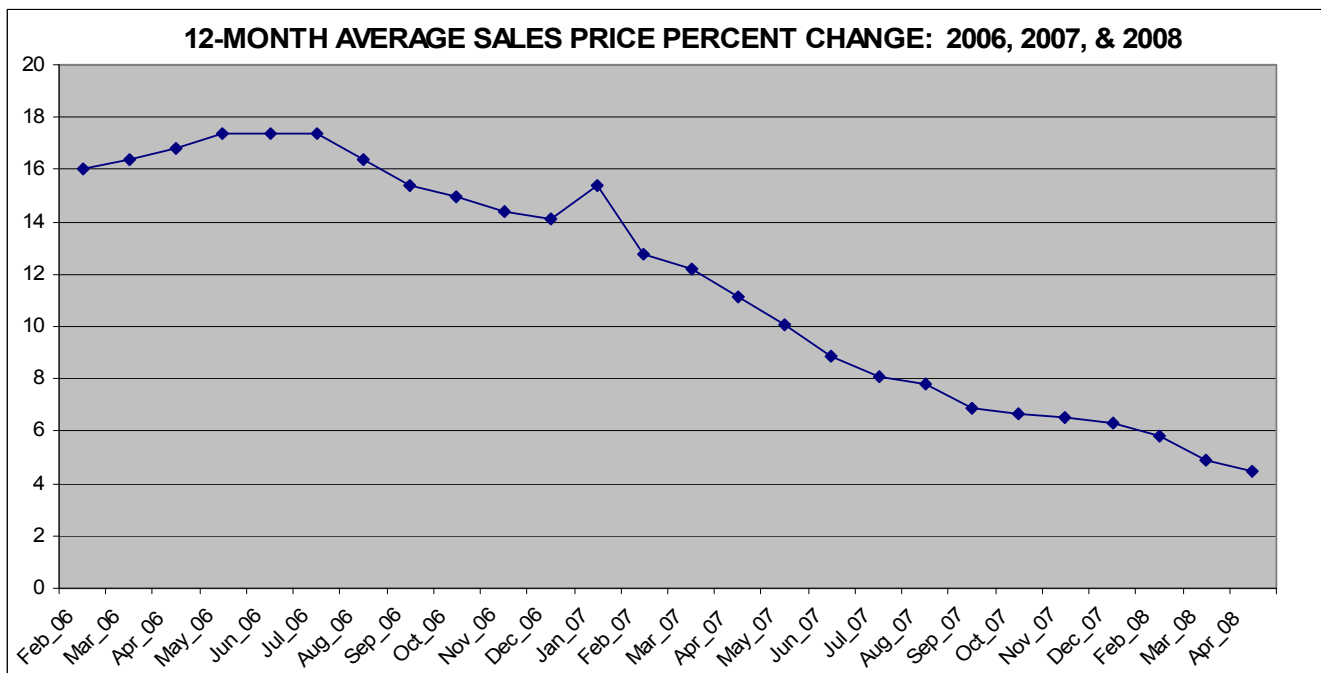
Below is the YEAR-TO-DATE AVERAGE AND MEDIAN PRICES: 2006, 2007, 2008 chart.



Note how the curve slowly ascends until August of 2007 and then begins to level off. The YTD 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 YTD median price has ranged for \$282,300 to \$280,000. The range of the YTD average price has ranged from \$342,900 to \$335,900 (April 2008).

12-Month Average Sales Price Percent Change

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



This chart reminds me of looking downhill when I was learning to ski. It even has a mogul (January 2007).

This is the 12-month average sales price percent change from February 2006 to April 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 April 2008 of 4.5% compares the 12-months of (5/1/07-4/30/08) with the 12 months before (5/1/06-4/30/07).

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 4.5. The 4.5% number for April 2008 is the lowest percent in the chart above.

Oregon Ranks 23rd in National Foreclosures

[RealtyTrac](#) ranked Oregon 23rd nationally for its foreclosure rate in April 2008 with one foreclosure for every 1,627 homes. The state's total foreclosure filings were up 121 percent from April 2007. Lenders filed about 1,100 notices of default on Oregon homeowners in April.

Portland Condo Market

According to the Regional Multiple Listing Service (RMLS), which tallies most though not all residential sales, there have been just 138 new units sold in the downtown area so far this year. This is far off the pace that led to a record 809 new condo sales in 2007. RMLS says 1,951 condos of all ages sold in 2007 whereas in 2008, the figure is just 405.

According to The Portland Business Journal, "Today, Portland has about 2,500 unsold condominiums, a figure that includes developers' inventories and another 1,000 "phantom units," which refers to condominiums bought by investors who intended to turn a quick profit and who apparently are holding out for the market to return."

Assuming Portland buyers can absorb 700 to 1,000 units a year, it will take nearly three years to clear out the current inventory.

Comparing Portland to Miami makes our surplus of condos seem small. The city of Miami has more than 25,000 unsold units, a six-year supply, according to its own Multiple Listing Service figures.

Since 2003, the City of Portland has added approximately 5,700 new condominiums in the area that includes the Pearl District, South Waterfront, RiverPlace, and downtown Portland.

A number of condo developments that were under construction have switched to apartments since the apartment vacancy rates are below four percent. One recent example is the South Waterfront's "3720" project which had only sold a handful of units prior to the switch.

Source: *Condo Priceline Dries Up* by Wendy Culverwell. The Portland Business Journal, May 30, 2008.

Renewable Energy College Grads in High Demand

The nation's first bachelor's degree program in renewable energy systems is about to produce its first graduate. Tim Bailey is not only the first, but he's the only graduate of Oregon Institute of Technology's (OIT) Portland-based program, having completed the degree in two packed years.

The reason Tim is the only graduate is because several students left the program after being offered good jobs. They took a couple of classes and discovered they were in demand.

While there's lots of demand for OIT's renewable energy program, it's difficult to expand the degree much beyond the 65-70 students expected to enroll this fall, up from 55 now in the program. The school is limited by their physical facilities.

Source: *OIT: Grads in High Demand* by Aliza Earnshaw. Portland Business Journal, May 30, 2008.

Cost of Residential¹ Homes by Neighborhood/Community April 2008

Area	April 2008 Average Sales Price	Year-to-Date For Period Ending April 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	\$325,000	\$335,900	\$280,000	4.5%
Portland				
North	\$276,200	\$274,800	\$255,000	7.7%
Northeast	305,700	316,400	275,000	6.7%
Southeast	275,700	276,600	245,000	4.5%
West (Includes SW and NW Portland and parts of eastern Washington County)	460,800	491,500	397,000	4.0%
Portland Metro Suburban Areas				
Corbett, Gresham, Sandy, Troutdale	\$250,300	\$257,900	\$246,000	0.4%
Clackamas, Milwaukie, Gladstone, Sunnyside	302,600	339,500	294,500	-5.9%
Canby, Beavercreek, Molalla, Mulino, Oregon City	381,800	326,000	286,000	2.5%
Lake Oswego and West Linn	542,600	552,800	449,000	7.0%
Northwest Washington County & Sauvie Island	382,600	394,800	367,500	4.4%
Beaverton and Aloha	269,000	277,100	250,600	1.9%
Tigard, Tualatin, Sherwood, Wilsonville	360,500	362,700	337,000	2.5%
Hillsboro and Forest Grove	276,900	286,000	259,900	1.3%
Mt. Hood: Brightwood, Government Camp, Rhododendron, Welches, Wemme, ZigZag	293,700	261,300	245,000	-5.2%
Columbia County	220,700	228,400	214,400	5.7%
Yamhill County	263,400	279,000	227,000	1.6%
Marion and Polk Counties	274,900	253,700	219,900	3.6%
North Coastal Counties	394,700	367,900	305,900	7.4%
Southwest Washington State				
Clark County (Battleground, Camas, Ridgefield, Vancouver, Woodland, etc.)	\$288,200	\$292,500	\$248,700	-0.7%

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 The 12-month sales price change percents are based on a comparison of the rolling average price for the last 12 months (5/1/07-4/30/08) with the 12 months before (5/1/06-4/30/07).

Source: Regional Market Listing Service (RMLS™).

Mortgages Rates Rise on Inflation Worries

May 29, 2008

Freddie Mac released its Primary Mortgage Market Survey (PMMSSM) on May 29 in which the 30-year fixed-rate mortgage (FRM) was 6.08 percent with an average 0.6 point for the week ending May 29, 2008, up from last week when it averaged 5.98 percent. Last year at this time, the 30-year FRM averaged 6.42 percent.

The 15-year FRM this week averaged 5.66 percent with an average 0.6 point, up from last week when it averaged 5.55 percent. A year ago at this time, the 15-year FRM averaged 6.12 percent.

Five-year Treasury-indexed hybrid adjustable-rate mortgages (ARMs) averaged 5.62 percent this week, with an average 0.5 point, up very slightly from last week when it averaged 5.61 percent. A year ago, the 5-year ARM averaged 6.19 percent.

One-year Treasury-indexed ARMs averaged 5.22 percent this week with an average 0.6 point, down slightly from last week when it was 5.24 percent. At this time last year, the 1-year ARM 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

"Mortgage rates drifted up this week over market concerns that the Federal Reserve Board may raise short-term rates later this year," said Frank Nothaft, Freddie Mac vice president and chief economist. "A recent working paper published by the Federal Reserve Bank of Minneapolis suggested that the recent rate cuts run a risk of unhinging long-term market expectations for inflation. Indeed, market inflation expectations increased over the last few weeks and the federal funds futures market now has a 25 basis point rate hike priced in by the end of the year.

"While existing house prices continue to decline, new home sales unexpectedly increased in April and the number of month's supply of new homes for sale fell from 11.1 months in March to 10.6 months in April. Moreover, the median sales price for new homes rose 1.5 percent in April from the same month in 2007, representing the first yearly increase since November 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 \$325,000 for April, 2008 and with 20 percent down payment (\$65,000) and a mortgage of \$260,000, the payment for a 30-year fixed loan is \$1,435.73 per month (excluding property taxes and insurance) in Portland, Oregon. The interest rate is 5.25%, and the APR is 5.78%. Total lender fees are \$16,929 to include \$10,169 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

May is a Continuation of April

May was an extension of April as cool weather continued. The exception was in mid-month when the temperature rose to 86 degrees and by Friday (May 16), it spike into the mid-90s and only drop slightly to the low 90s on Saturday.

Many of the favorite hiking areas are still closed due to snow packed roads and trails. We decided to take a hike in the Columbia Gorge on the Memorial Day weekend. When we got to our turnoff road leading up to the trailhead, we learned that the road was still too deep with snow to allow the county snowplows to clear it. We then elected to take a hike just off the Columbia Gorge Scenic Highway.

May 2008 Weather Summary

Water Year (October 1 - September 30)	Average Precipitation In Inches	Actual Precipitation in Inches	Water Year
Year-to-Date	29.80	32.18	<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		
July	0.70		
August	0.89		
September	1.65		
Year Average	37.07		

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

- Average Monthly Temperature: 58.9 or 1.8 degrees above normal.
- Average Maximum Temperature: 67.5
- Average Minimum Temperature: 50.3
- Highest Temperature: May 17th at 95 (record along with 92 on May 16th).
- Lowest Temperature: May 4th at 39.
- Average Monthly Wind Speed: 5.6 MPH.
- Clear/Cloudy Days: 1 clear day, 11 partly cloudy days, and 19 cloudy days.

50-Year Population and Employment Forecast

What will the Portland metro region look like in 50 years? How will the region's projected population boom affect job growth?

Metro, the area's regional governmental unit, released its 50-year population and employment forecast in late May. Metro is the government agency tasked with overseeing regional growth patterns, and it has looked at the data and identified several possible outcomes. The nine-page document looks at the region's long-term growth in both population and employment through 2060. In terms of growth, that spectrum places the region's total population in 2060 between 3.2 million and 6.2 million. To download the report, go to http://www.oregonmetro.gov/files/maps/2060_forecast_summary-public_review_draft_2corrected.pdf.

Lola Baldwin: Nation's First Woman Law Enforcement Officer



On April 1, 1908, Lola G. Baldwin, aged forty-eight, was sworn in "to perform Police Service" for the city of Portland, Oregon. She was the first woman hired by an American municipality to carry out regular enforcement duties.

Aurora Matilda ("Lola") Greene (1860-1957) began her career as a teacher. After her 1884 marriage, she volunteered as a social worker with troubled young women in several eastern cities. Her Traveler's Aid Association protected young female visitors to the 1905 Lewis and Clark Exposition in Portland. When the exposition closed, she continued providing policing services for young women through the YWCA, and later, through authorization from the Portland City Council. The council stipulated that she and her assistants pass the police

civil service exam.

As the country's first sworn policewoman, Baldwin joined women in the fields of social work, public health and juvenile justice to exemplify the Progressive Era notion of the "City Mother." Baldwin went on to organize the Portland Juvenile Court in 1905, and was named its first probation officer for girls.

Author Gloria E. Myers, in her 1995 book about Lola, had this to say: "Baldwin's career benefited from the progressive belief that women could ameliorate urban evil as they had earlier civilized the household. The need for the urban policewoman arose out of concern for the moral and physical welfare of families, single working women, and children living in the cities. Supported by socially active women's organizations and informed by the ideals of "social hygiene," the first policewoman led a crusade against urban vice, deviance, and corruption in the Rose City. Preventive policing strategies developed by "municipal mothers" like Baldwin aid and influence policing policies to this day. "

Another woman made history in 1985 when Penny Harrington became Portland's first woman Chief of Police, and the first to head a major police department in the United States. Our current police chief is Rosie Sizer.

Oregon Economy

Oregon's economy is faring better than many states, but problems such as rising gas prices and slowed construction threaten to stretch a national downturn into next year, state economists told Oregon legislators in late May at their quarterly look at the state's economy and tax revenues.

State tax collections are on track to avert any cuts in schools and other state services next year, officials projected. That's a brighter picture than during the early part of the decade, when job losses in high-tech helped fuel a recession that closed schools early and cut social and health programs.

Oregon No Longer The Poster Child

The Oregonian reported this quote in their May 29 edition: "We're no longer the poster child for what's going wrong," said Michael Kennedy, senior economist for the state's Office of Economic Analysis.

The state has \$143 million left over after spending \$15 billion on schools and state government in 2007-09. The projected \$143 million cushion for the ending balance is a slim margin in a \$15 billion budget. No budget cuts are projected for schools, universities or state services through end of state budget.

Thanks Phil

Although he was never named, Nike founder Phil Knight also was a key player in Thursday's forecast. Economists noted that payments of personal income taxes, which pay for about 90 percent of state services, increased by \$178 million from the last forecast in February.

Kennedy said they had concluded that \$120 million to \$160 million of the increase resulted from "capital gains activity at the high end of the income scale" in April. Oregonians pay a 9 percent tax on capital gains, including profits from stock sales.

Some of that came from Knight. According to Thomson Equity Strategies, Knight sold Nike stock worth more than \$500 million in April and more than \$800 million last year. Because taxpayer information is confidential, state officials didn't mention Knight by name.

But Kennedy did note that Thursday's forecast would look different without the capital gains bump. Instead of the state winding up with \$143 million in the black in mid-2009, "you'd be at zero," he said.

The Numbers

Oregon Unemployment in April was 5.5 percent, 10th highest in the nation and up from 5 percent in April 2007. The wood products industry is hardest hit. Construction slowing, with residential building permits down 49 percent so far this year compared with last year. National outlook is weak as analysts point to slumping consumer confidence, rising energy prices, slow housing market and four consecutive months of job losses.

Times may be toughest for salmon fishermen on the Oregon and California coasts. No commercial or recreational salmon fishing will be allowed off the coast of California and most of Oregon this year. The Pacific Fishery Management Council voted in early April to cancel the chinook fishing season in an effort to reverse the catastrophic disappearance of Oregon's and California's fabled run of the pink fish popularly known as king salmon.

Source: *Oregon's Economic Outlook: Partly Sunny* by Dave Hogan, The Oregonian, May 30, 2008

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