



November 2008 Newsletter

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Portland Home Market

September 2008 Residential Highlights

While sales activity in the Portland metro area continues to slide, the slope of the decline leveled off a bit in September.

From August to September, closed sales have averaged a 12.9% decrease over the last five years. This year, however, closed sales only fell 7.3% (1,640 v. 1,770) from August to September. Pending sales dropped 10.6% (1,705 v. 1,908). New listings also decreased 4.5% (4,200 v. 4,398).

Similarly, comparing September this year with September 2007, pending sales are down 11.7% and closed sales dropped 12.1%. That's less than half the drop we saw at the same time last year.

At the month's rate of sales, the 17,006 active residential properties would last approximately 10.4 months.

Third Quarter Report

In the third quarter of 2008, there was a 15% decrease in new listings (14,089 v. 16,573) when compared to the same period a year ago. Closed sales fell 26.4% (5,409 v. 7,351), while pending sales dropped 18.5% (5,471 v. 6,711).

Sales Price

The average sale price for September 2008 was down 5.6% compared to September 2007, while the median sale price dropped 5.8%.

Month-to-month, the average sale price and median sale price are both down when compared with August levels; the average sale price dropped 4.8% (\$315,300 v. \$331,300), and the median sale price was down 4.6% (\$267,000 v. \$280,000).

12-Month Sales Price Percent Change

The "12-Month Sale Price Percent Change" calculation compares the rolling sales price for the last 12 months

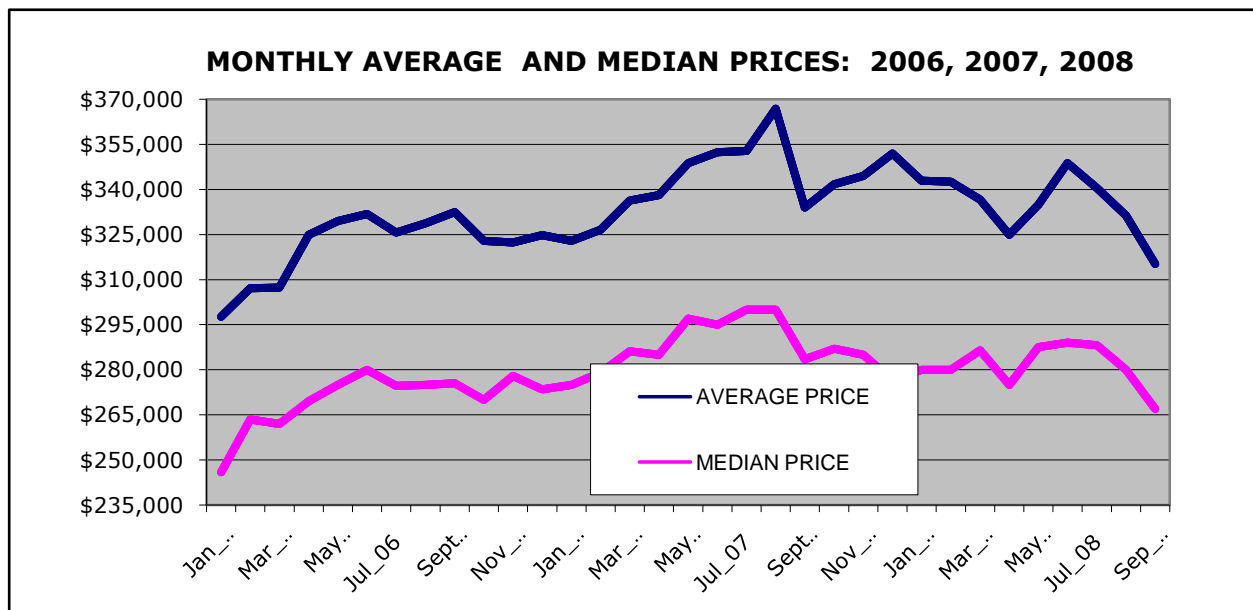
with the rolling price for the 12 months prior. Figures for September 2008:

- Average Sale Price Percent Change: -0.2% (\$337,200 v. \$337,800)
- Median Sale Price Percent Change: -1.8% (\$280,000 v. \$285,000)

The 12-Month Sale Price Percent Change is based on a comparison of the rolling average/median price for the last 12 months (10/1/07-9/30/08) with the 12 months before (10/1/06-9/30/07).

September 2008: A Drop of \$18,700 in the Average Price from September 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 the average home price from September 2008 with September 2007 shows a \$18,700 drop in the Portland region's average home price – down to \$315,300 from \$334,000 a year earlier.

The median price decreased \$16,500 for the same periods - a drop of close to 6%. The market peaked in July 2007 and August 2007 when both of these months recorded a median price of \$300,000. From this high, the median price has dropped \$33,000.

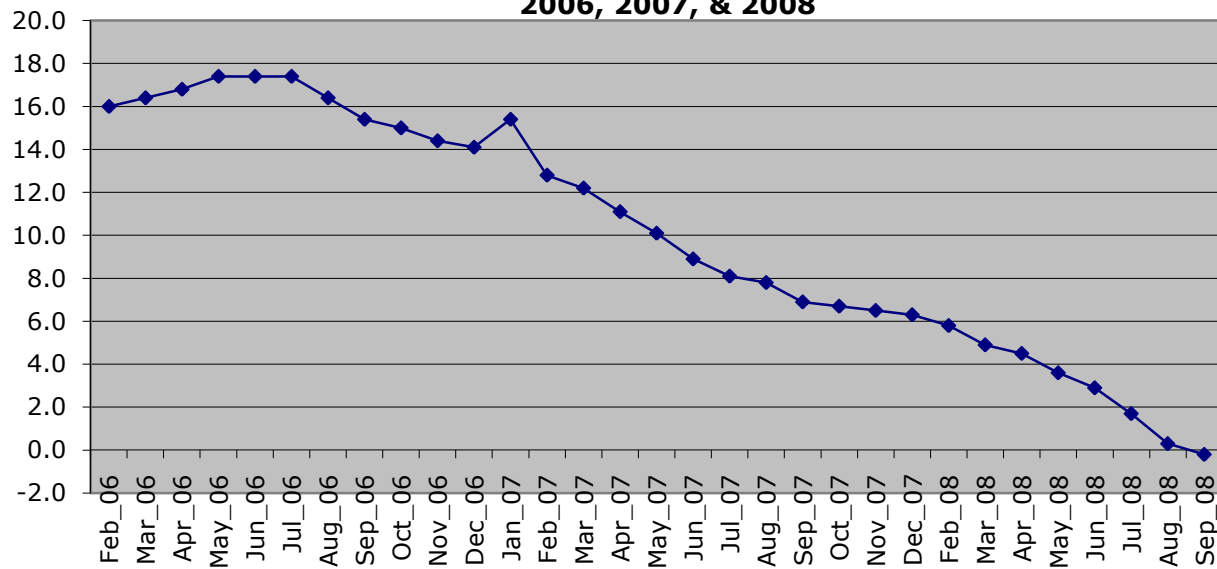
The highest average sales during the years 2006-2008 was \$366,900 in August 2007. This figure is the highest average sales price ever recorded for the Portland metro area. Since August 2007, the average price has been slowly declining. In September 2008, the average price declined 6% from September 2007.

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 September 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 the last 12 months, the number has ranged from 8.1 to -0.2 percent. The -0.2% number for September 2008 is the first appearance of a negative number in the last three years.

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

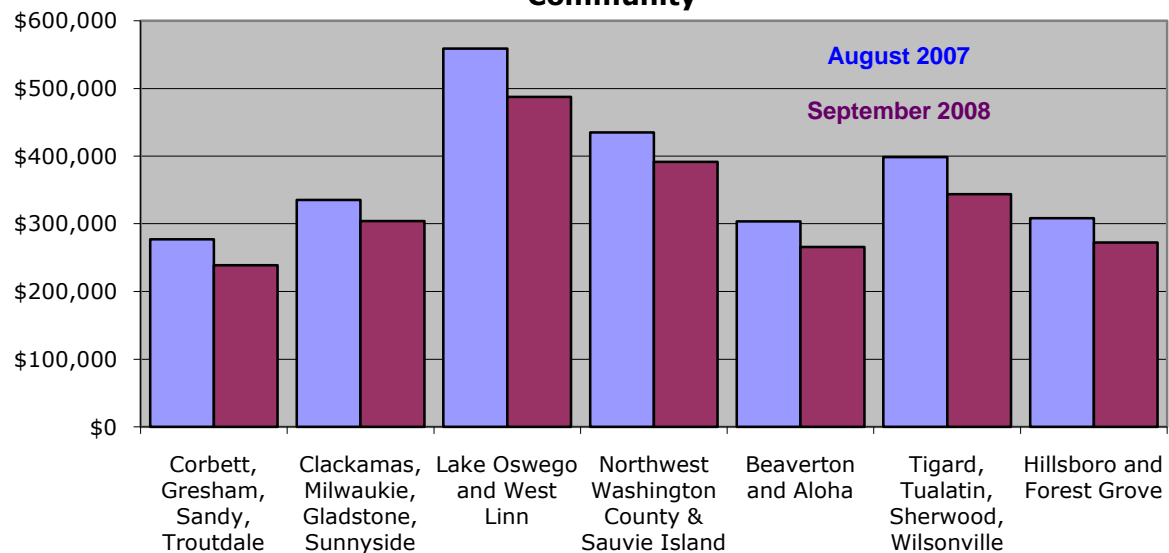


Portland Suburban Prices: August 2007 and September 2008

In the chart below you will observe the average home price in August 2007 (blue) and the average home price in September 2008 (maroon) for suburban communities in the Portland metro area.

The August 2007 price was selected for the comparison since that was the highest price recorded for the metro area.

August 2007 Compared to September 2008 Average Price by Community



Cost of Residential¹ Homes by Neighborhood/Community September 2008

Area	September 2008 Average Sales Price	Year-to-Date For Period Ending September 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	\$315,300	\$334,700	\$280,000	-0.2%
Portland				
North	\$265,500	\$269,900	\$252,500	2.7%
Northeast	326,200	324,800	282,500	2.1%
Southeast	256,300	279,800	247,400	-1.5%
West (Includes SW and NW Portland and parts of eastern Washington County)	477,700	485,100	399,400	6.8%
Portland Metro Suburban Areas				
Corbett, Gresham, Sandy, Troutdale	\$239,000	\$260,700	\$245,000	-5.0%
Clackamas, Milwaukie, Gladstone, Sunnyside	304,100	324,700	290,000	-6.7%
Canby, Beavercreek, Molalla, Mulino, Oregon City	288,600	319,800	285,000	-3.7%
Lake Oswego and West Linn	487,300	552,700	450,000	5.4%
Northwest Washington County & Sauvie Island	391,700	402,200	375,000	0.4%
Beaverton and Aloha	265,700	275,400	250,100	-3.8%
Tigard, Tualatin, Sherwood, Wilsonville	343,600	356,500	325,000	-3.8%
Hillsboro and Forest Grove	272,200	284,200	259,900	-4.1%
Mt. Hood: Brightwood, Government Camp, Rhododendron, Welches, Wemme, ZigZag	227,200	253,500	230,000	-11.5%
Columbia County	212,600	227,200	214,000	-8.2%
Yamhill County	246,200	273,200	226,100	-1.5%
Marion and Polk Counties	231,200	259,400	209,500	-2.4%
North Coastal Counties	362,200	371,800	299,000	-0.6%
Southwest Washington State				
Clark County (Battleground, Camas, Ridgefield, Vancouver, Woodland, etc.)	\$275,600	\$284,300	\$245,000	-6.7%

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 (10/1/07-9/30/08) with the 12 months before (10/1/06-9/30/07).

Source: Regional Market Listing Service (RMLS™).

Long-Term Rates 6.46 Percent

Primary Mortgage Market Survey

Freddie Mac released its Primary Mortgage Market Survey (PMMSSM) on October 23rd in which the 30-year fixed-rate mortgage (FRM) was 6.46 percent with an average 0.6 point for the week ending October 16, 2008, up from last week when it averaged 5.94 percent. Last year at this time, the 30-year FRM averaged 6.40 percent. This week's increase of 52 basis points was the largest weekly increase since the week ending April 17, 1987, when the 30-year FRM rose 84 basis points.

The 15-year FRM this week averaged 6.14 percent with an average 0.6 point, up from last week when it averaged 5.63 percent. A year ago at this time, the 15-year FRM averaged 6.08 percent.

Five-year Treasury-indexed hybrid adjustable-rate mortgages (ARMs) averaged 6.14 percent this week, with an average 0.6 point, up from last week when it averaged 5.90 percent. A year ago, the 5-year ARM averaged 6.11 percent. One-year Treasury-indexed ARMs averaged 5.16 percent this week with an average 0.6 point, up from last week when it averaged 5.15 percent. At this time last year, the 1-year ARM averaged 5.76 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 30-year fixed-rate mortgages rose this week to an 8-week high," said Frank Nothaft, Freddie Mac vice president and chief economist. "ARM rates, which tend to be based on shorter-term benchmarks, showed smaller gains in part due to the Federal Reserve's October 8 inter-meeting rate cut in the overnight lending rate.

"Recent economic reports suggest the economy is still slowing. For instance, retail sales fell for the third consecutive month by 1.2 percent in September. In addition, in its latest Beige Book, released October 15th, the Federal Reserve indicated that economic activity weakened in September across all 12 Federal Reserve Districts and that several Districts also noted that their contacts had become more pessimistic about the economic outlook."

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 \$315,300 for September, 2008 and with 20 percent down payment (\$63,060) and a mortgage of \$252,240, the payment for a 30-year fixed loan is \$1,412.47 per month (excluding property taxes and insurance) in Portland, Oregon. The interest rate is 5.375%, and the APR is 5.653%. Total lender fees are \$9,550.51 to include \$2,709.06 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. FICO credit score 750.

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

September 2008 Weather Summary

Water Year (October 1 - September 30)	Average Precipitation In Inches	Actual Precipitation in Inches	Water Year
Year-to-Date	37.07		<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	1.60	
November	5.61		
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		

Above is the [National Weather Service](#) precipitation data for the month of October 2008. It does not cover the entire month - the data goes from October 1st through October 26.

High Cascades Contains an Immense Reservoir of Water



Scientists from the U.S. Forest Service and Oregon State University have in recent years realized that the high Cascades in Oregon and far Northern California contain an immense subterranean reservoir about as large as the biggest man-made reservoirs in the country. The stockpile stores close to seven years' worth of Oregon rain and snow and is likely to become increasingly precious, even priceless, as population and climate add pressure to water supplies.

The reservoir hides within young volcanic rock – less than one million years old – in the highest reaches of the Cascades. The rock is full of cracks and fissures to form a vast geological sponge. Heavy rain and snow falling on the rock percolate into the sponge, like a river filling a reservoir. The high amount of rain in Oregon and the unique geology permits the retention of much of the water.

According to researchers at the Pacific Northwest Research Station, it's one of the biggest ground water systems known in a mountainous region anywhere on the planet.

Some water leaks steadily from the hidden reservoir, coming from the springs into rivers such as the McKenzie, Deschutes and Clackamas. Many of the rivers flow into the Willamette, keeping the river through Portland full of water in the dry months of the summer, when mountain snow that feeds many other Western rivers is long gone and the rivers are just trickles.

Water May be More Valuable than Forestlands

That all-year reliability of water from the underground store puts Oregon in a much stronger position than the rest of the West as global warming dries out nearby states, some already suffering through record drought.

At the same time, it may also make the Northwest a sought-after source of future water for the rest of the West. Southwest states have already floated the far-out idea of piping in water from the Columbia River. Businesses such as technology companies that require reliable water supplies for manufacturing may see the consistency of Oregon's enormous reservoir as a strategic advantage. Some experts think that the value of water coming out of this system absolutely exceeds any other economic value from national forestlands.

Huge Springs Discovered

Gordon Grant, a research hydrologist at the U.S. Forest Service's Pacific Northwest Research Station, is leading the research. When Grant and his team began studying the water system, they found its water spilling from large springs so little known they don't appear on maps. One spring pours out a full one (1) percent of the summer volume of the Willamette River some 43 million gallons a day, enough to supply almost half of Portland's year-round water needs.

He and his colleagues are also studying the way global warming may influence the underground water supply. Many climate models show that as temperatures rise, more winter snow will fall as rain instead and run off the landscape more quickly. Less snow will remain to melt and feed rivers in summer, when water is needed most.

The underground Cascade reservoir changes the picture in the rivers its springs supply. Water entering the reservoir as rain or melting snow pushes water out of the springs, so as less water flows in from melting snow in the summer, less will exit the springs, Grant says.

However, because so much water remains underground, plenty is left to flow out during the summer. That means rivers fed by the reservoir's springs – though reduced somewhat by climate change – will keep flowing far more reliably than rivers fed by snowmelt alone.

Resources

- Oregon State University Institute for Water and Watersheds: <http://water.oregonstate.edu/>
- Pacific Northwest Research Station: <http://www.fs.fed.us/pnw/>
- WaterWired Blog: <http://aquadoc.typepad.com/waterwired/>

Source: *The secret's out: Tons of water in Oregon's Cascades* by Michael Milstein, *The Oregonian* October 19, 2008.

A Guide to Buying Foreclosed Homes

In August 2007, the Portland area had a 332nd-highest foreclosure rating among the nation's 383 metropolitan areas. By August 2008, Portland jumped to 254th-highest, according to [First American CoreLogic](#), a real estate data services company.

Home prices are sliding in sections of the Portland metro area, especially in overbuilt sectors such as Portland's condo market and suburban Happy Valley. In early October, in the 97086 Zip Code that includes Happy Valley, there were 247 homeowners facing foreclosure on top of 95 homes seized by banks, according to VisionCore, a division of First American CoreLogic.

There's an ample supply of homes for sale. That means buyers have many options.

Short Sales

Many overburdened homeowners, anxious to avoid foreclosures that soil their credit ratings, are resorting to "short sales," in which they sell quickly for less than their home loan if the lender agrees to accept the lower amount. Banks also are auctioning off seized homes to investors looking for sweet deals.

The Right Time to Buy

Most of us invest when the market is booming. That includes stocks, bonds, as well as homes. Remember

the words of the legendary investor Warren Buffet, who has recently said that he is returning to the market with his personal investment dollars: "We simply attempt to be fearful when others are greedy and greedy when others are fearful."

So now is the time to buy a home! Either for an investment (rental) or as a primary residence. Especially if you have good credit, some funds, or equity in other property you could borrow. And the rental market is stronger than ever. We recently rented a property within 24 hours and had numerous applicants to select from.

Oregon Foreclosure Law

The primary method of foreclosure in Oregon involves what is known as non-judicial foreclosure. This type of foreclosure does not involve court action but requires notice commonly called [foreclosure by advertisement](#). When the [trust deed](#) is initially signed, it will usually contain a provision called a [power of sale clause](#) which upon default allows a trustee to sell the property in order to satisfy the underlying defaulted loan. The trustee acts as a representative of the lender to effect the sale which typically occurs in the form of an auction. Because this is a non-judicial remedy, there are very stringent notice requirements and the legal documents are required to contain the [power of sale](#) language in order to use this type of foreclosure method.

In Oregon, the lender can also go to court in what is known as a [judicial foreclosure](#) proceeding where the court must issue a final judgment of foreclosure. If the deed of trust does not contain the [power of sale](#) language, the lender must seek judicial foreclosure. The property is then sold as part of a publicly noticed sale.

The laws that govern Oregon foreclosures are found in Chapter 86 Oregon Revised Statutes (Mortgages, Trust Deeds) and Chapter 88 (Foreclosure of Mortgages and other liens).

- <http://www.leg.state.or.us/ors/086.html>
- <http://www.leg.state.or.us/ors/088.html>

How to Buy a Property

A property is classified according to how the lender intends to dispose of the home. The classification determines how you go about buying the property.

Properties listed as foreclosures have passed the point of auction or public sale. Because an investor did not buy the properties, the lender is now the owner and is engaged in the process of marketing and selling them to potential buyers.

Preforeclosure is the period between the mortgage lender's notice to the borrowers of their default on the mortgage payments and the auction sale event that finalizes the transfer of title to the property to the Lender. A 'Notice of Default' is considered the first phase of the foreclosure process. A homeowner will receive this document as notice if he or she misses one or more mortgage payments in states that follow non-judicial foreclosure actions (no court proceeding). This represents a opportunity to purchase a home at a significantly reduced price before it is repossessed by a lender. Depending upon the timing, the owner may opt for a short sale.

When the property is owned by the bank, this usually means that the lender on a 'Bank Owned' property will request written bids, and they have a cut-off date for submitting a bid. In most cases, the lender will retain a Realtor to show the property and prepare the paperwork.

Sheriff sales are public auctions.

Here are Some Tools to Find Properties

Scribd, a document sharing website, has a map showing the number of Portland area homes in foreclosures or seized by banks as of early October. It displays the number by ZIP code. View the map at <http://www.scribd.com/doc/6888542/Foreclosure-Map>. The source for the map is VisionCore.

The VisionCore map will give you a good idea of where homes are available for purchase. You will note that the numbers increase as you get further outside of the city center. The suburbs as well as North Portland offered more buying opportunities.

Realquest



Buyers

The next step is to visit the Realquest website at <http://www.realquest.com> to view properties in foreclosure. You can search by city, county, zip code, or address. Enter the address of your present home to view properties close to the address. You will be presented with a map showing 'flags' for those properties that are either "Preforeclosures" or "Auctions" or "Bank Owned."

Clicking on a property flag will bring up a panel showing the street/avenue (but not the actual address). The panel allows you to click on the "VIEW/BUY REPORT" icon that will take you to a new window. Here you can view some basic information about the property but if you want the full report, it will cost \$9.95. You can obtain an unlimited number of reports by paying \$39.95 a month.

The report will tell you how the property is going to be sold (i.e., auction, Realtor, etc.)

You can view properties in a number of ways. For example, clicking on the 'split-screen' icon gives you an aerial view of the property. You can also view the property location by 'Bird's eye' which gives one a panorama view of the neighborhood, streets, etc.

Foreclosures.com

Similar to Realquest, [Foreclosure.com](http://www.foreclosures.com) is another way to locate foreclosed properties for sale. The search capabilities are quite different than Realquest's. Foreclosure.com uses tabs (Power Search, Preforeclosures, Sheriff Sale, Foreclosures, etc.) You enter a city or zip code or auction date, click one of the tabs, and the list of properties appears.

The 'Sheriff Sales' tab is powerful. It provides you with Sheriff Sales (also known as foreclosure properties set for public auction) located in the zip code or area in which you are searching. To refine your search even further, simply complete some of the additional fields within the Sheriff Sales tab and click Search. Note: Sheriff Sales have scheduled auction dates. It's common for homeowners and lenders to resolve these default situations prior to the actual auction date.

You can get email notices by zip code for foreclosures, preforeclosures, bankruptcies, sale by owner, and tax liens.

You can get a 7-day free trial. A subscription is billed directly to your credit card on a monthly basis, four weeks at a time, \$39.80 per month. Renewals will automatically be billed until you cancel your subscription. If you decide not to receive the subscription, you must cancel your account during the 7-day free trial period.

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