



## October 2008 Newsletter

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### In This Issue

- Portland Home Market
- Cost of Residential Homes by Community: August 2008
- Mortgages
- Portland Weather
- The I-5 \$4.26 Billion Dollar Bridge

### Portland Home Market

#### August 2008 Residential Highlights

Market activity in the Portland metro area slowed in August, compared to the same period a year ago. Comparing August this year with that of August 2007, new listings dropped 27.1%. Closed sales were off last year's pace by 30.7%, while pending sales also fell 22%.

In a month-to-month comparison (July v. August 2008), new listings dropped 16% (4,398 v. 5,237). Closed sales were down 3.3% (1,770 v. 1,831) and pending sales decreased 4.7% (1,908 v. 2,003).

At the month's rate of sales, the 17,556 active residential properties would last approximately 9.9 months at the month's rate of sales. This is down slightly from last month.

#### Year-to-Date

Comparing January-August 2008 with the same time in 2007, new listings decreased 5%. Pending sales and closed sales fell 30.8% and 33.9%, respectively..

#### Sales Price

The average sale price for August 2008 was down 6.7% compared to August 2007, while the median sale price dropped 7.3%.

Month-to-month, the average sale price and median sale price are both down when compared with July's levels; the average sale price dropped 2.7% (\$331,300 v. \$340,500) and the median sale price was down 2.8% (\$280,000 v. \$288,200).

#### 12-Month Sales Price Percent Change

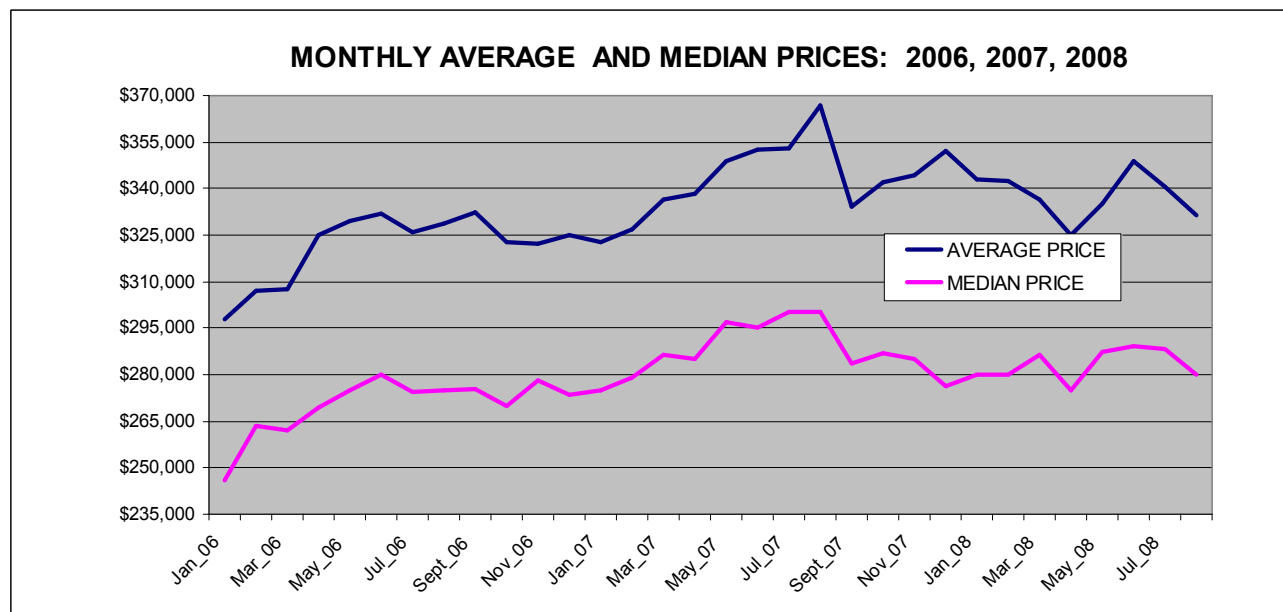
The "12-Month Sale Price Percent Change" calculation compares the rolling sales price for the last 12 months with the rolling price for the 12 months prior. Figures for August 2008:

- Average Sale Price Percent Change: +0.3% (\$338,600 v. \$337,600)
- Median Sale Price Percent Change: -0.9% (\$282,500 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 (9/1/07-8/31/08) with the 12 months before (9/1/06-8/31/07).

### August 2008: A Drop of \$25,600 in the Average Price from August 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).



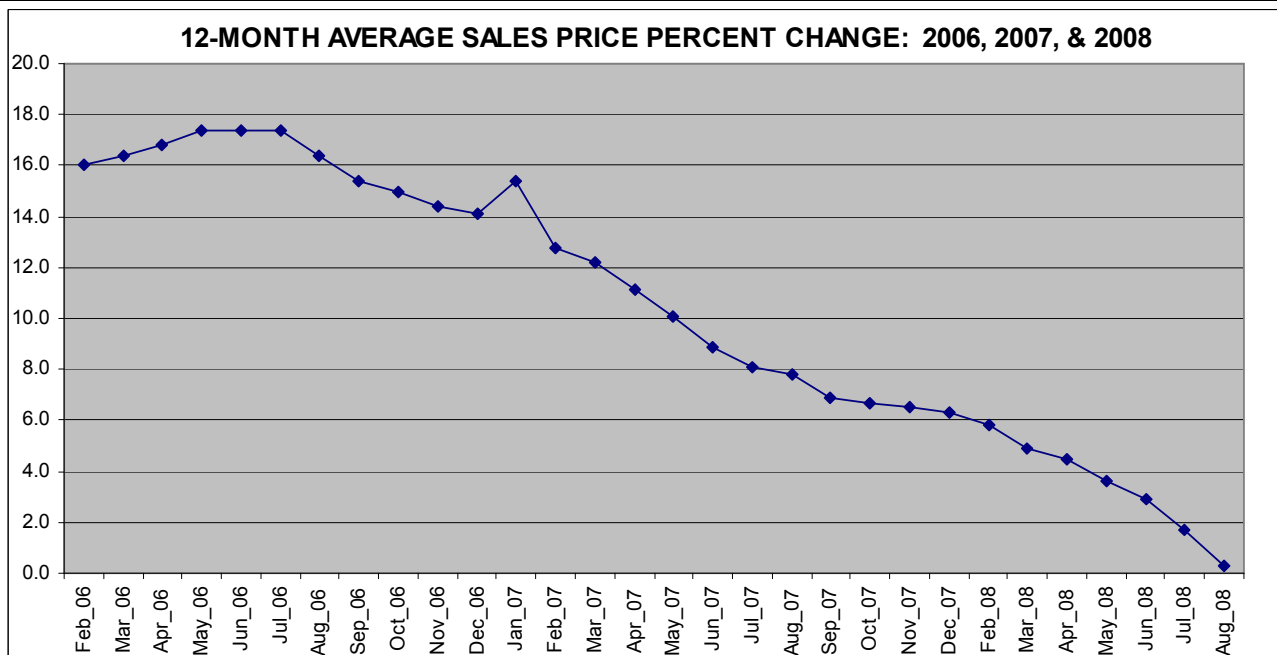
Comparing the average home price from August 2008 with August 2007 shows a \$25,600 drop in the Portland region's average home price – down to \$331,300 from \$366,900 a year earlier.

The median price decreased \$20,000 for the same periods - a drop of 7%. The market peaked in July 2007 and August 2007 when both of these months recorded a median price of \$300,000.

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 August 2008, the average price was \$331,300. This is a decline of 7%.

### 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 August 2008. The January, 2008 number is not included in the chart as RMLS did not calculate the appreciation for that month.



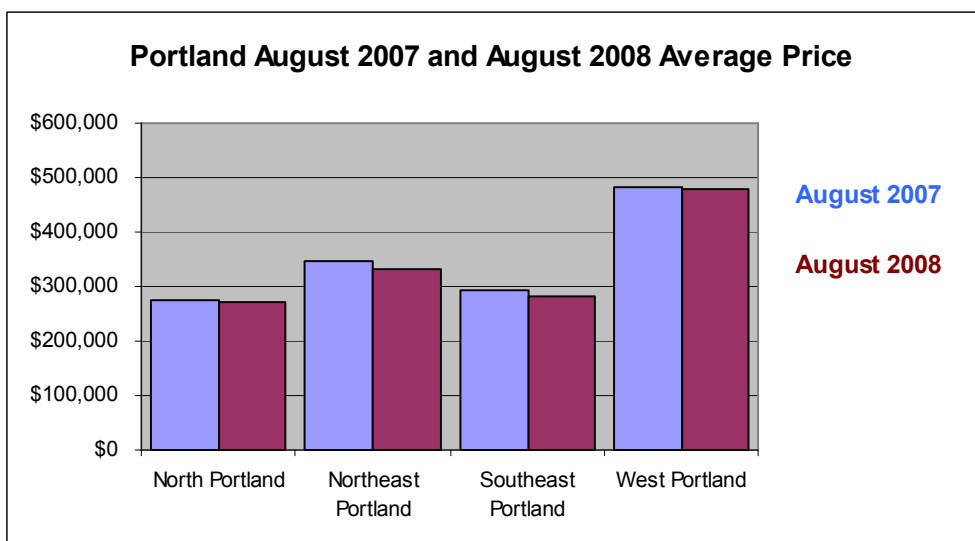
The 12-month sales price change percents are based on a comparison of the rolling average price for the last 12 months. For example, the percent change for the average home price for August, 2008 of 0.3% compares the 12-months of (9/1/07-8/31/08) with the 12 months before (9/1/06-8/31/07).

For the last 12 months, the number has ranged from 8.1 to 0.3 percent. The 0.3% number for August 2008 is the lowest percent in the chart above.

### Portland Average Price: August 2007 and August 2008

In the chart below you will observe the average home price in August 2007 (blue) and the average home price in August 2008 (maroon).

Three of the four areas still have a positive percentage for 12-month sales price change (see Cost of Residential homes by Neighborhood/Community August 2008 below) in August 2008. The only area showing a negative number is the southeast area (-1.3%). You will note that all the suburban communities, except Lake Oswego and West Linn, now have negative percentage for the 12-month sales price change.



## Cost of Residential<sup>1</sup> Homes by Neighborhood/Community August 2008

Area	August 2008 Average Sales Price	Year-to-Date For Period Ending August 2008		12-Month Sales Price Change <sup>2</sup>
		Average Sales Price	Median Sale Price	
Portland Metro Area				
Includes these counties in Oregon: Clackamas, Columbia, Multnomah, Washington, & Yamhill	\$331,300	\$337,100	\$283,000	0.3%
Portland				
North	\$272,100	\$270,400	\$253,000	3.8%
Northeast	331,400	325,000	283,500	2.9%
Southeast	281,600	282,100	249,900	-1.3%
West (Includes SW and NW Portland and parts of eastern Washington County)	478,400	486,400	400,000	6.5%
Portland Metro Suburban Areas				
Corbett, Gresham, Sandy, Troutdale	\$261,000	\$263,800	\$247,500	-3.4%
Clackamas, Milwaukie, Gladstone, Sunnyside	324,100	327,700	290,000	-6.5%
Canby, Beavercreek, Molalla, Mulino, Oregon City	312,800	322,800	286,000	-2.5%
Lake Oswego and West Linn	549,500	560,000	455,000	5.4%
Northwest Washington County & Sauvie Island	401,000	403,800	375,000	-0.2%
Beaverton and Aloha	261,700	277,100	252,000	-2.6%
Tigard, Tualatin, Sherwood, Wilsonville	337,900	357,900	325,000	-3.9%
Hillsboro and Forest Grove	281,100	285,300	260,000	-2.6%
Mt. Hood: Brightwood, Government Camp, Rhododendron, Welches, Wemme, ZigZag	245,700	256,500	235,000	-10.9%
Columbia County	216,400	229,500	214,900	-3.7%
Yamhill County	283,600	278,000	227,500	1.1%
Marion and Polk Counties	225,500	244,800	215,000	-2.4%
North Coastal Counties	345,400	364,100	299,700	-1.2%
Southwest Washington State				
Clark County (Battleground, Camas, Ridgefield, Vancouver, Woodland, etc.)	\$273,800	\$285,300	\$247,000	-5.6%

<sup>1</sup> 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.

<sup>2</sup> The 12-month sales price change percents are based on a comparison of the rolling average price for the last 12 months (9/1/07-8/31/08) with the 12 months before (9/1/06-8/31/07).

Source: Regional Market Listing Service (RMLS™).

## Long-Term Rates 6.10 Percent

### Primary Mortgage Market Survey

Freddie Mac released its Primary Mortgage Market Survey (PMMSSM) on October 2nd in which the 30-year fixed-rate mortgage (FRM) was 6.10 percent with an average 0.6 point for the week ending October 2, 2008, up from last week when it averaged 6.09 percent. Last year at this time, the 30-year FRM averaged 6.37 percent.

The 15-year FRM this week averaged 5.78 percent with an average 0.6 point, up from last week when it averaged 5.77 percent. A year ago at this time, the 15-year FRM averaged 6.03 percent.

Five-year Treasury-indexed hybrid adjustable-rate mortgages (ARMs) averaged 6.00 percent this week, with an average 0.6 point, down from last week when it averaged 6.02 percent. A year ago, the 5-year ARM averaged 6.11 percent.

One-year Treasury-indexed ARMs averaged 5.12 percent this week with an average 0.5 point, down from last week when it averaged 5.16 percent. At this time last year, the 1-year ARM averaged 5.58 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

"Average mortgage rates were nearly unchanged during the past week, leaving rates above the levels of two weeks ago," said Frank Nothaft, Freddie Mac vice president and chief economist. "Reflecting the rate uptick from two weeks ago, the Mortgage Bankers Association reported that loan applications were down 23 percent last week.

"The Institute for Supply Management's manufacturing index dropped from August 49.9 to 43.5 in September, indicating further erosion in new orders, a decline in order backlog, and lessened production, suggesting further cutbacks in manufacturing activity in coming weeks. Consumers are feeling the effects of the slowing economy as well. For example, consumer spending was unchanged in August and revised downward for the month of July."

### 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 \$331,300 for August, 2008 and with 20 percent down payment (\$66,260) and a mortgage of \$265,040, the payment for a 30-year fixed loan is \$1,484.15 per month (excluding property taxes and insurance) in Portland, Oregon. The interest rate is 5.375%, and the APR is 5.741%. Total lender fees are \$10,462 to include \$5,362 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	35.19	<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	0.29	
August	0.89	1.23	
September	1.65	0.48	
Year Average	37.07		

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

- Average Monthly Temperature: 65.2 or 1.6 degrees above normal.
- Days over 90 degrees: 2 days.
- Highest Temperature: September 11 at 91 degrees.
- Lowest Temperature: September 23 at 44 degrees.
- Rainfall: One day of over .10 inches.
- Average Monthly Wind Speed: 5.1 MPH.
- Clear/Cloudy Days: 11 clear days, 13 partly cloudy days, and 6 cloudy days.

### Typhoon Jangmi Brings Storms

The warm, mild days of early fall are going to end in dramatic fashion this week, forecasters said on Wednesday, as a series of potent storms – one carrying moisture from a tropical typhoon – slam into the Northwest. Just exactly when the moisture from typhoon Jangmi will arrive exactly is still unknown among forecasters, said Charles Dalton, a forecaster for the National Weather Service in Portland.

Dalton said typhoons typically affect the Northwest's weather one to two times each year, but computer models have a difficult time predicting just what they will do as they circle around the globe on their way toward the Northwest.

Typhoon Jangmi hit Taiwan on Sunday as a Category 3 typhoon, before it lost its punch and was downgraded to a tropical storm. But the moisture from the system, Dalton said, has become embedded in the jet stream and is heading our way, probably arriving late Friday or early Saturday.

A system sitting off the coast will break down the ridge of high pressure that has dominated our weather for the past week. Wednesday, said Dalton, was "the last day of warm weather for the next week."

Source: *The Oregonian*, Storm will end NW string of mild days, Thursday, October 2, 2008.

## The Great Neighborhood Book



My standard line is that, "You can always change a house but changing a neighborhood is a difficult task." Should you decide to tackle your neighborhood, you will want to read *The Great Neighborhood Book* by Jay Walljasper.

The book explains how any community can be improved and enlivened, not by vast infusions of cash, not by government, but by the people who live there. Through real-life stories, this book addresses such challenges as traffic control, crime, comfort and safety, and developing economic vitality. Offering compelling evidence of how people in communities have enhanced their own neighborhood. The guide offers inspiring real-life examples that show the magic that happens when individuals take small steps, and motivate others to make change.

## New I-5 Bridge Over the Columbia River: \$4.26 Billion



The Portland State University Real Estate Center publishes a Quarterly & Urban Development Journal which is always a "good read." In the last two issues, the journal has articles about the proposed new I-5 bridge over the Columbia River between Vancouver, Washington and Portland. The cost of replacing the bridge is estimated at over \$4 billion dollars. That's a lot of dough! Perhaps there are better alternatives.

The ODOT/WDOT (Oregon and Washington Department of Transportation) proposed solution, crafted by traffic engineers focused on a single bridge in a narrowly defined corridor. The

present two bridges each have three lanes.

Below we will condense the articles for you and present some of the main points.

You can access the Portland State University Real Estate Center website at <http://www.pdx.edu/realestate> to download the journals.

### The Debate

The 2nd quarter article states that, "The debate rages about a variety of seemingly disparate issues: whether to invest at least \$4.26 billion to replace the 6-lane I-5 bridge over the Columbia with a single 10-12-lane "Columbia River Crossing." Another issue is whether light rail or bus rapid transit should extend into Vancouver.

Portland-Vancouver is a single urban entity, and its economic and urban health suffers from a single clogged artery. Replacing that with a single artery, no matter how wide or high as pictured at the beginning of the story, will not restore its health. Imposing tariff barriers at its heart in the form of tolls at both the I- 5 and the I-205 bridges, as contemplated, will reduce needed circulation, raising the costs of its goods and services.

### The Source of the Congestion

The article states that the main source of congestion is not the capacity of the freeway bridge, but rather its location. All traffic from the MLK, I-5, Interstate Avenue, and North Portland, road corridors must funnel to a single point to cross the only Columbia River bridge between downtown Portland and downtown Vancouver, the metro area's two largest cities.

A second major source of congestion is the fact that even though there are currently three lanes in each direction on the existing bridge, the outer two lanes act as on/off arterial lanes connecting downtown Vancouver and Hayden Island. That means that traffic on the four lanes of the Portland Harbor Slough Bridge must merge to three lanes in a short distance at the northern end of Hayden Island, then cross the I-5 Bridge

before reverting to three through lanes in Vancouver. Since there can only ever be three through lanes in each direction, matching the profile both above and below on the I-5 corridor, the problem is essentially to disperse crossings to another location and to ensure that the outer lanes do not constrict through traffic. That can be done for a fraction of the cost of the behemoth freeway bridge.

### **The Solution**

The multiple lane bridge plan is even less credible when one considers that a much lower cost alternative could be built that would provide a second crossing at an order of magnitude less than one tenth the cost of the \$4.26 billion bridge. A twin arterial/rail bridge built just west of the BNSF rail bridge about 4,300 feet away, coupled with selected improvements to the I-5 Bridge, can relieve freeway, rail and navigation congestion, without toll tariff barriers, stimulate mixed-use urban development and expand the tax base.

A twin arterial/rail Columbia Crossing in the rail corridor could have up to four arterial/freight lanes connecting Mill Plain Extension in Vancouver with No. Portland Road, Marine Drive and Columbia Boulevard, a third heavy rail track for intercity passenger rail and commuter rail, and two light rail tracks connecting the Yellow Line MAX with downtown Vancouver. Commuter rail at the adjacent Vancouver intercity rail station could make the Vancouver-Portland trip in 15 minutes while the light rail would stop close to the historic station and stimulate dense urban development on the west side of downtown Vancouver and along its waterfront.

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