

Moving to Portland™

September 2008 Newsletter

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Portland Home Market

July 2008 Residential Highlights

July sales activity mirrored June's numbers in 2008. However, activity continues to decrease compared to the same month a year ago. Looking at July 2008 compared with June 2008, pending sales picked up slightly 0.4% (2,003 v. 1,996). Closed sales fell 2.5% (1,831 v. 1,877), however. New listings increased 0.5% (5,237 v. 5,213).

Comparing July 2008 with July 2007 shows a different story. Pending sales decreased 22.3%, while closed sales were down 30.2%. New listings also dropped 9.9%.

At the month's rate of sales, the 18,219 active residential listings would last approximately 10 months if no new listings were to enter the market.

Year-to-Date

Comparing the period of January-July 2008 to the same period in 2007 shows that new listings decreased 1.7%. Closed sales and pending sales declined 34.3% and 32%, respectively.

Affordability

As a result of rising interest rates and an increase in the median-priced home in the Portland Metro area, the RMLS™ Affordability Index dipped slightly below 100% in June. The index is based on a formula from the National Association of Realtors (NAR). A family earning the median income of \$67,500 in 2008 (per HUD) could afford only 98% of a monthly mortgage payment on a median priced home (\$289,000 in June). The formula assumes that the buyer has a mortgage with a 20% down payment and a 30-year-fixed rate of 6.32 (per Freddie Mac).

Sales Price

The average sale price for July 2008 was down 3.5% (\$340,500 v. \$352,900) compared to July 2007, while the median sale price dropped 3.9% (\$288,200 v. \$300,000).

Month-to-month, the average sale price and median sale price are both down compared to June 2008 levels; the average sale price dropped 2.4% (\$340,500 v. \$348,800) and the median sale price fell 0.3% (\$288,200 v. \$289,000).

12-Month Sales Price Percent Change

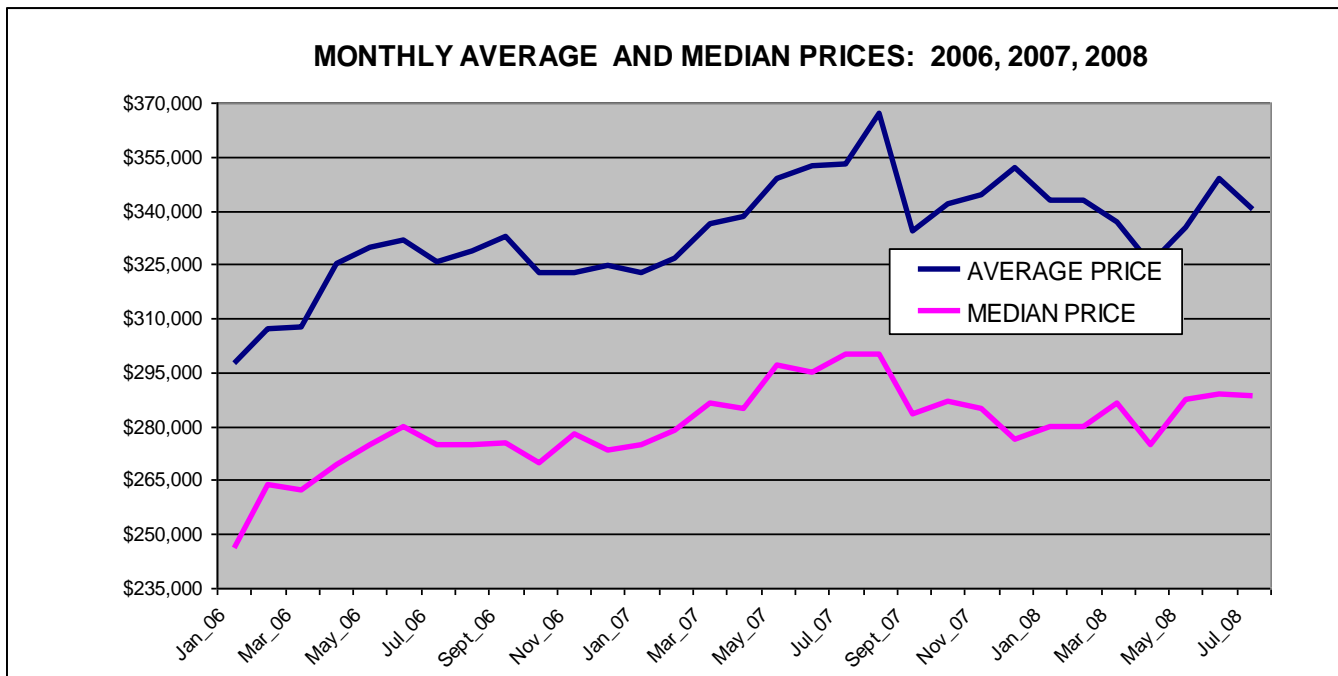
What was previously referred to as "Appreciation" is now referred to as "12-Month Sale Price Percent Change." According to RMLS, "The new description of this calculation is intended to help readers better understand what the calculation compares." The calculation compares the rolling sales price for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

- Average Sale Price Percent Change: +1.7% (\$341,100 v. \$335,300)
- Median Sale Price Percent Change: +0.9% (\$285,000 v. \$282,500)

The 12-Month Sale Price Percent Change is based on a comparison of the rolling average/median price for the last 12 months (8/1/07-7/31/08) with the 12 months before (8/1/06-7/31/07).

July 2008: A Drop of \$12,500 in the Average Price from July 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).



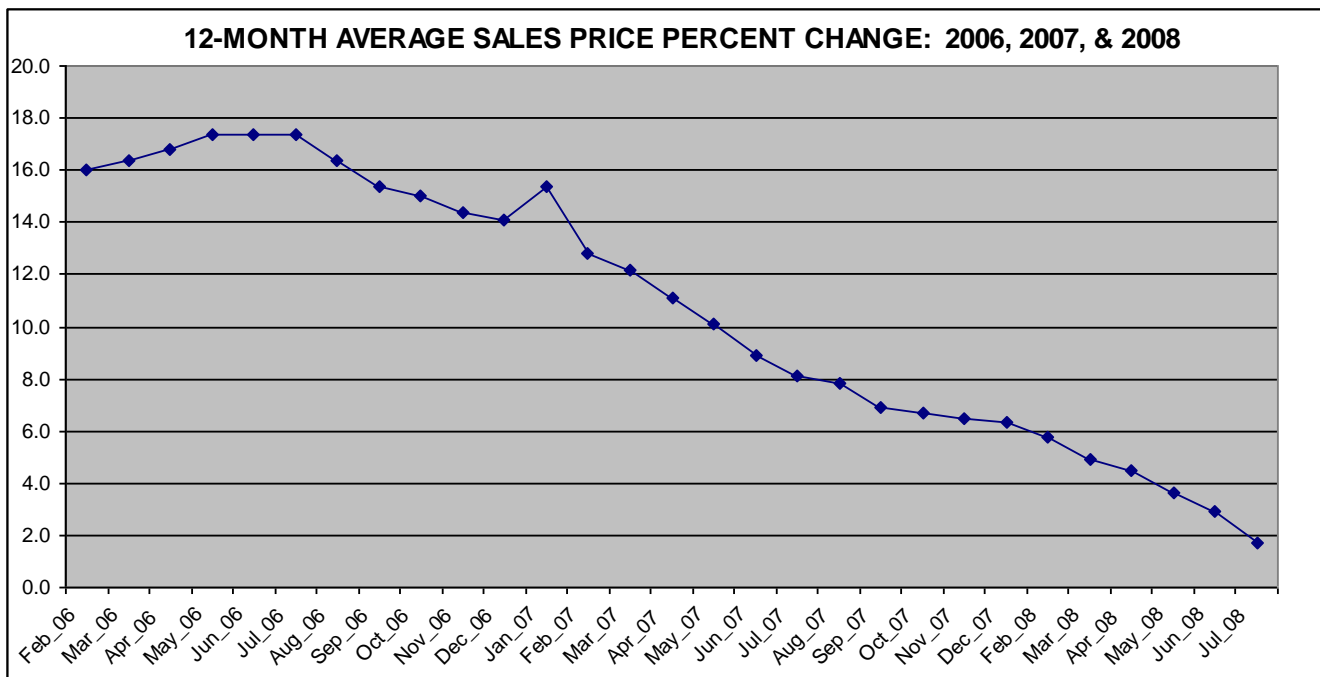
Comparing July 2008 with July 2007 shows a \$12,500 drop in the Portland region's average home price – down to \$340,500 from \$352,900 a year earlier. The median price decreased \$11,800 for the same periods.

The market peaked in July 2007 and August 2007 when both of these months recorded a median price of \$300,000. The difference of \$11,800 (\$300,000 less \$288,200, the July 2008 median price) represents a 3.9 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 July 2008, the average price was \$340,500. This amounts to a difference of \$26,400 between the two dates – 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 July 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 July, 2008 of 1.7% compares the 12-months of (8/1/07-7/31/08) with the 12 months before (8/1/06-7/31/07).

For the last 12 months, the number has ranged from 8.1 to 1.7 percent. The 1.7% number for July 2008 is the lowest percent in the chart above.

Subprime Problems in the Portland Housing Market

The *Portland Business Journal* in their August 29th publication report that, "More than half of all subprime mortgages in the Portland area will reset by the end of the year, bringing continued pain to a housing market that has struggled with a rising inventory of unsold homes for more than a year." The article said that the looming number of mortgage resets means a full recovery in the area's housing market is likely at least six months off.

Subprime loans are typically given to borrowers with bad credit who don't qualify for traditional mortgages. Many include provisions to reset the interest rate, often adding hundreds of dollars to a monthly mortgage payment and pushing it beyond the means of the borrower.

More than 1,700 subprime mortgages will reset in the Portland-Vancouver-Beaverton area by the end of 2008. That's nearly 53 percent of those left to reset, according to [First American CoreLogic](#), a California-based loan data aggregator.

Additionally, a significant number of Alt-A (Alternative-documentation loans), loans, which require little or no documentation and have been given the name "liar loans," will start to reset in significant numbers in about a year. According to First American, 11 percent of local "liar loans" will reset. That jumps to more than 17 percent in the next year. The major problem with both subprime and Alt-A loans is no one knows whether

borrowers will be able to pay what's usually a higher interest rate after they reset.

Case-Shiller Index

[The Standard & Poor's/Case-Shiller](#) monthly report was released on August 26 and read, "Data through June 2008, released today by Standard & Poor's for its S&P/Case-Shiller Home Price Indices, the leading measure of U.S. home prices, shows continued broad-based declines in the prices of existing single family homes across the United States, a trend that prevailed throughout 2007 and has continued through the first half of 2008."

The decline in the S&P/Case-Shiller U.S. National Home Price Index – which covers all nine U.S. census divisions – remained in double digits, recording a record 15.4% decline in the second quarter of 2008 versus the second quarter of 2007. This is larger than the decline of 14.2% reported in the first quarter of the year. The 10-City and 20-City Composites also set new records, with annual declines of 17.0% and 15.9%, respectively. However, it should be noted that the acceleration in decline was only moderate in June. The May numbers reported annual declines of 16.9% and 15.8%, respectively.

Phoenix was the worst performer for the June to May period, returning -2.6%. The markets that were the high-flyers during the recent real estate boom continue to be the ones that are leading the current decline. On the plus side, Denver and Boston were the best performing markets for the month, returning +1.5% and +1.2%, respectively. Both these markets have had three consecutive months of positive returns. They are outdone by Charlotte and Dallas, however, which have recorded four consecutive months of positive returns. Portland market for the June to May period showed a decline of -0.3%.

Differences Between RMLS and S&P/Case-Shiller Please note that the S&P/Case-Shiller data for their report comes from home prices 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 difference in the numbers is further explain by where the two organizations obtain their data. 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).

Provisions of the Housing and Economic Recovery Act of 2008

One of the provisions of the housing stimulus bill recently signed into law is a tax "credit" worth up to \$7,500 to first-time home buyers who close on a home between April 9, 2008 and July 1, 2009. The credit has to be repaid to the Internal Revenue Service over a period of 15 years but is interest-free. The law defines "first-time home buyer" as a buyer who has not owned a principal residence during the three-year period prior to the purchase.

A tax credit is a dollar-for-dollar reduction in what the taxpayer owes. That means that a taxpayer who owes \$7,500 in income taxes and who receives a \$7,500 tax credit would owe nothing to the IRS. A tax deduction is subtracted from the amount of income that is taxed.

Because the tax credit must be repaid, it operates like a zero-interest loan. Assuming an interest rate of 7%, that means the home owner saves up to \$4,200 in interest payments over the 15-year repayment period. Compared to \$7,500 financed through a 30-year mortgage with a 7% interest rate, the home buyer tax credit saves home buyers over \$8,100 in interest payments. The program is called a tax credit because it operates through the tax code and is administered by the IRS. Also like a tax credit, it provides a reduction in tax liability in the year it is claimed.

You can obtain more information at <http://goviegovernment.com/7500-tax-credit>.

Cost of Residential¹ Homes by Neighborhood/Community July 2008

Area	July 2008 Average Sales Price	Year-to-Date For Period Ending July 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	\$340,500	\$338,100	\$283,900	1.7%
Portland				
North	\$266,400	\$270,300	\$252,800	5.1%
Northeast	315,600	324,600	280,000	4.7%
Southeast	287,000	282,100	249,200	0.2%
West (Includes SW and NW Portland and parts of eastern Washington County)	506,000	487,200	399,000	7.1%
Portland Metro Suburban Areas				
Corbett, Gresham, Sandy, Troutdale	\$254,200	\$263,800	\$247,000	-3.2%
Clackamas, Milwaukie, Gladstone, Sunnyside	316,600	328,800	292,300	-6.9%
Canby, Beavercreek, Molalla, Mulino, Oregon City	300,200	324,300	288,000	-1.2%
Lake Oswego and West Linn	584,300	561,200	455,000	4.8%
Northwest Washington County & Sauvie Island	424,100	402,800	377,000	1.0%
Beaverton and Aloha	283,500	280,100	253,000	0.1%
Tigard, Tualatin, Sherwood, Wilsonville	354,900	361,400	329,000	-1.5%
Hillsboro and Forest Grove	295,600	286,000	260,000	-1.3%
Mt. Hood: Brightwood, Government Camp, Rhododendron, Welches, Wemme, ZigZag	235,900	258,300	235,000	-8.9%
Columbia County	210,400	231,200	218,400	-0.3%
Yamhill County	286,600	275,700	228,500	0.5%
Marion and Polk Counties	228,100	248,600	218,000	0.2%
North Coastal Counties	307,300	367,000	300,000	1.3%
Southwest Washington State				
Clark County (Battleground, Camas, Ridgefield, Vancouver, Woodland, etc.)	\$283,600	\$287,100	\$249,800	-5.0%

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 (8/1/07-7/31/08) with the 12 months before (8/1/06-7/31/07).

Source: Regional Market Listing Service (RMLS™).

Rates Drift Lower on Reports of Economic Weakness

Fannie and Freddie Increase Fees for Marginal Credit Home Owners

THE *NEW YORK TIMES* - AUGUST 22, 2008 In August, Fannie and Freddie increased the fees they charge lenders for many loans, effectively bumping up interest rates for many borrowers who have marginal credit. The companies also tightened their policies on refinance loans that enable an owner to take cash out of a home.

Fannie Mae was the first of the two mortgage companies to increase its fees for lenders, doubling its current charge on most loans, to a half of one percentage point, and Freddie quickly followed with similar fee changes. Professionals expect lenders to pass these charges along to borrowers by increasing the mortgage rates they quote.

This doesn't mean every new consumer loan will increase by a half point, though. First, the policy applies only for borrowers with credit scores lower than 680. Credit rating agencies do not disclose "average" credit score figures, but the Fair Isaac Corporation, whose software is used by many credit rating agencies, said the median score was about 723.

Also, since lenders will spread that charge over four or five years — the average duration of a loan until a home is sold or a loan is refinanced — the rate increase will amount to only about one-eighth of a point. On a 30-year fixed-rate mortgage of \$250,000, that charge will bump up the borrower's monthly payment from \$1,559.57 at 6.375 percent to \$1,580.17 at 6.5 percent.

Those buying homes will have little choice but to absorb the cost. But the new policies will be felt more by those thinking of refinancing mortgages. Such loans have grown less attractive in recent months, as 30-year fixed-rate mortgage rates pushed beyond the 6.5 percent range

Primary Mortgage Market Survey

[Freddie Mac](#) released its Primary Mortgage Market Survey (PMMSSM) on August 28 in which the 30-year fixed-rate mortgage (FRM) was 6.40 percent with an average 0.6 point for the week ending August 21, 2008, down from last week when it averaged 6.47 percent. Last year at this time, the 30-year FRM averaged 6.67 percent.

The 15-year FRM this week averaged 5.93 percent with an average 0.6 point, down from last week when it averaged 6.00 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 6.03 percent this week, with an average 0.6 point, down from last week when it averaged 5.99 percent. A year ago, the 5-year ARM averaged 6.35 percent.

One-year Treasury-indexed ARMs averaged 5.33 percent this week with an average 0.7 point, up from last week when it averaged 5.29 percent. At this time last year, the 1-year ARM averaged 5.84 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 fixed-rate mortgages continue to drift down as reports of economic weakness persist. July's leading economic indicators fell by more than the market consensus and manufacturing slowed in both the Philadelphia and Richmond regions. ARM rates, on the other hand, rose slightly after the Federal Reserve's Open Market Committee hinted it might increase the overnight bank lending rate in its August 5th minutes," said Frank Nothaft, Freddie Mac vice president and chief economist.

However, the housing front is providing some encouraging signs. The pace of home price declines slowed

down for the fourth straight month in June and the number of metro areas exhibiting monthly gains rose from seven to nine, according to the S&P/Case-Shiller® 20-city composite index. There are also signs more buyers may be getting ready to return to the market. The Conference Board says the share of households planning to buy a home within six months is now at its highest level since March. At the same time, the supply for unsold new homes is down to 10.1 months, the lowest since February, as single-family existing homes (excluding condos and co-ops) start to sell more quickly. Although, when condos and co-ops are included, the resale inventory did edge up."

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 \$340,500 for July, 2008 and with 20 percent down payment (\$68,100) and a mortgage of \$272,400, the payment for a 30-year fixed loan is \$1,525.36 per month (excluding property taxes and insurance) in Portland, Oregon. The interest rate is 5.375%, and the APR is 5.861%. Total lender fees are \$16,140 to include \$9,324 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 760.

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

August 2008 Weather Summary

Water Year (October 1 - September 30)	Average Precipitation In Inches	Actual Precipitation in Inches	Water Year
Year-to-Date	35.31	34.71	<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		
Year Average	37.07		

Here is the [National Weather Service](http://www.nws.gov) data for the month of August 2008:

- Average Monthly Temperature: 69.6 or 1.1 degrees above normal.
- Average Maximum Temperature: 80.0

- Average Minimum Temperature: 59.2
- Highest Temperature: August 14th at 102 degrees.
- Lowest Temperature: August 31st at 48 degrees.
- Records: Rainfall of 0.26 inches on July 3rd beating 1986 record of 0.25.
- Average Monthly Wind Speed: 6.0 MPH.
- Clear/Cloudy Days: 3 clear days, 22 partly cloudy days, and 6 cloudy days.
- Records: 102 degrees on August 14 and 100 degrees on August 15.

Roger Gates: Why We like Portland



Roger Gates captured our hearts and minds! He is no longer with us, but his memory lives on. He worked the Portland's Northwest neighborhood where he sold the *Street Roots* paper, a weekly paper that focused on "street people" issues and, best of all, it provides economic opportunities for people in those categories – who can sell the paper and keep most of the money for themselves.

Some of you may recall that we published one of Roger's poems back in a Moving to Portland newsletter in 2005. We met Roger back in the mid 2000s at Trader Joe's where he sold his papers. We didn't always buy a paper but that didn't matter to Roger because he still gave his usual message as we departed the store with our bags of groceries, "God bless you and all your loved ones."

According to the medical examiner and Roger's family, he died peacefully of natural causes watching television. We would like to think that Roger passed watching a 6-4-3 double play, or possibly a two-out single that drove in a runner, keeping the inning alive. He had turned 61 years old in early July. Roger was a former high school and college baseball player (pitcher) and like myself, a Boston Red Sox fan. But that wasn't all that bound us.

Roger was a true believer. He believed in people – from his fellow vendors to his customers to the staff at Trader Joe's at NW 21st and Glisan. He rarely had a bad thing to say. He was rough around the edges, but a gentle and articulate man. Yes, he had a drinking problem that took a toll on his life but living the last few years of his life, he conquered the problem and found himself by greeting customers at Trader Joe's and selling the paper. To the credit of the management of Trader Joe's, they welcomed him.

What is amazing is that in this well-heeled neighborhood, the residents responded to Roger in a positive way. As a matter of fact, at the memorial service for him at Trinity Episcopal Cathedral chapel (filled to overflowing) a good percentage of those attending were customers of Trader Joe's as well as TJ employees. Family members spoke, fellow vendors, customers, and a fellow PSU baseball team member who came from out of town. What a legacy!

Walking in Portland

A neighborhood's access to parks, sidewalks and fast food affects whether residents stay active and trim, [Oregon Research Institute](#) scientists say.

Researchers looked at 1,200 Portland metro-area adults ages 50 to 75, asking about body mass index, physical activity, diet, income, education and general health. They also examined their neighborhoods.

Those who lived in developments with rows of houses but not much within walking distance were more likely to be overweight or obese. So were those who lived near fast food eateries. Residents of neighborhoods with businesses and other services near homes walked more, as did people living near parks and open spaces.

These findings collectively suggest that, "public health and city planning professionals need to consider how modifiable neighborhood-level, built-environment characteristics can create more livable residential communities and promote active, healthy lifestyles."

Researchers hope policymakers will consider how the built environment helps or hurts health, and change

zoning and development policies in response. Fuzhong Li, lead author of the study stated that, "Single-use development is not good for public health." Li's study is in the July 2008 American Journal of Preventive Medicine. Click [here](#) to read the complete report.

Portland's Neighborhoods for Walking



Walk Score™

Now that we know that walking is good for our health, where do we find places to walk? The answer is go to the website [Walk Score](#). It helps people find walkable places to live. Walk Score calculates the walkability of an address by locating nearby stores, restaurants, schools, parks, etc. Walk Score measures how easy it is to live a car-lite lifestyle—not how pretty the area is for walking. They score addresses from 0 to 100.

Walk Score recently ranked 2,508 neighborhoods in the largest 40 U.S. cities to help you find a walkable place to live. They gave Portland a score of 66 and ranked it number ten (out of 40 cities).

The top seven neighborhoods in Portland are Walkers' Paradises (Walk Score 90 or above). 45% of Portland residents have a Walk Score of 70 or above. 83% have a Walk Score of at least 50—and 17% live in Car-Dependent neighborhoods.

Those neighborhoods in Portland that are Walkers' Paradises: Pearl District, Old Town-Chinatown, Downtown, Northwest, Lloyd, Hosford, and Buckman. They rated 138 neighborhoods as Walkers' Paradises in the U.S.

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