

Moving to Portland™

February 2009 Newsletter

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Portland Home Market

December 2008 Residential Highlights

The year ended quietly as sales activity in the Portland metro continued to slow. However, the level of inventory dropped after reaching a record high in November.

The number of closed sales (987) hit its lowest point since February 1992 (905). Pending transactions (810) were at a record low since RMLS™ began reporting in 1992, the previous record was 845 in December 1994. Comparing December 2008 with December 2007, closed sales fell 34% and pending sales dropped 34.2%.

New listings also decreased 17.4%. At the month's rate of sales, the 13,882 active residential listings would last 14.1 months if no new listings were to enter the market. That is a slight decrease from last month's record high of 15 months.

2008 Summary

Comparing market activity in 2008 with 2007, new listings decreased 8.7%. Pending sales dropped 30.8% and closed sales fell 32.1%. At \$6.3 billion this year, total sales volume dropped 35% from 2007's \$9.7 billion.

Fourth Quarter Summary

Comparing the fourth quarter of 2008 with that of 2007, new listings fell 20.3% (8,326 v. 10,450). Closed sales, on the other hand, dropped 32.1% (3,598 v. 5,298) and pending sales fell 35.8% (3,061 v. 4,766).

Note that the number of new listings for the fourth quarter of 2007 (10,450) reported in the December 2007 edition of Market Action was incorrect due to a reporting error. This has been corrected in this issue.

2008 Condo Prices

In 2008, the average condo price was \$290,600. This was a six percent increase over 2007 when the price was \$272,900.

12-Month Sales Price Percent Change

Here are the 12-month sales prices percent change for December 2008. The 12-Month Sale Price Percent Change is based on a comparison of the rolling average/median price for the last 12 months (1/1/08-12/31/08) with the 12 months before (1/1/07-12/31/07):

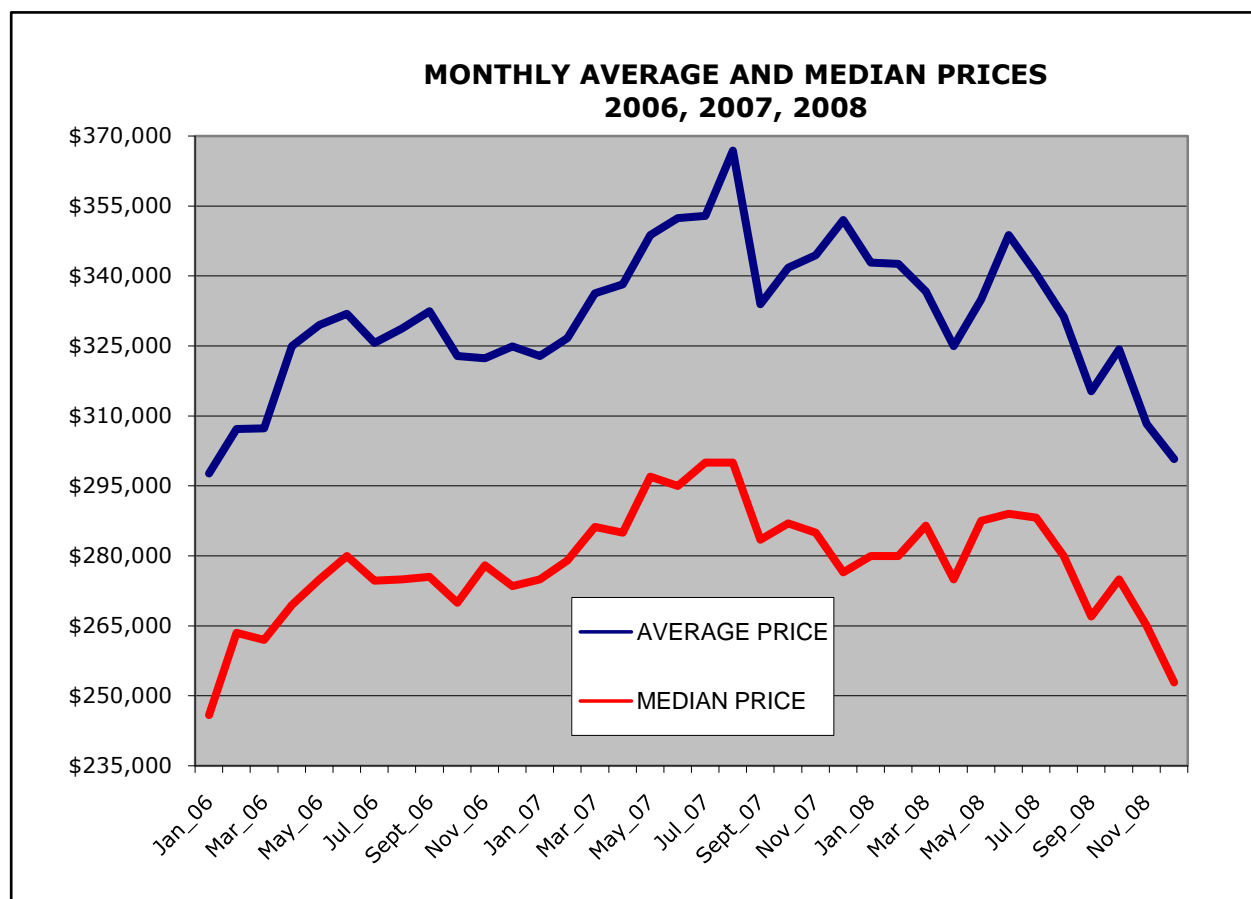
- Average Sale Price Percent Change: -3.7% (\$330,300 v. \$342,900)
- Median Sale Price Percent Change: -4.1% (\$278,000 v. \$290,000)

Here are the sales price percent change from their peak prices in 2007:

- Average Sale Price Percent Change from Peak in August 2007: -18% (\$300,800 v. \$366,900)
- Median Sale Price Percent Change from Peak in July/August 2007: -16% (\$252,900 v. \$300,000)

December 2008: A Drop of \$51,200 in the Average Price from December 2007

Below is the MONTHLY AVERAGE AND MEDIAN PRICES: 2006, 2007, 2008 chart showing the home sales by month. The chart is for the Portland metro area - it does not include homes in southwestern Washington (Vancouver to include Clark County).



Comparing the average home price from December 2008 with December 2007 shows a \$51,200 drop in the Portland region's average home price – down to \$300,800 from \$352,000 a year earlier. The median price decreased \$23,600 for the same periods - a drop of 9.0%.

Median Price Drop of \$47,100: December 2008 to Market Peak in August 2007

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 in December 2008 dropped \$47,100 (16%).

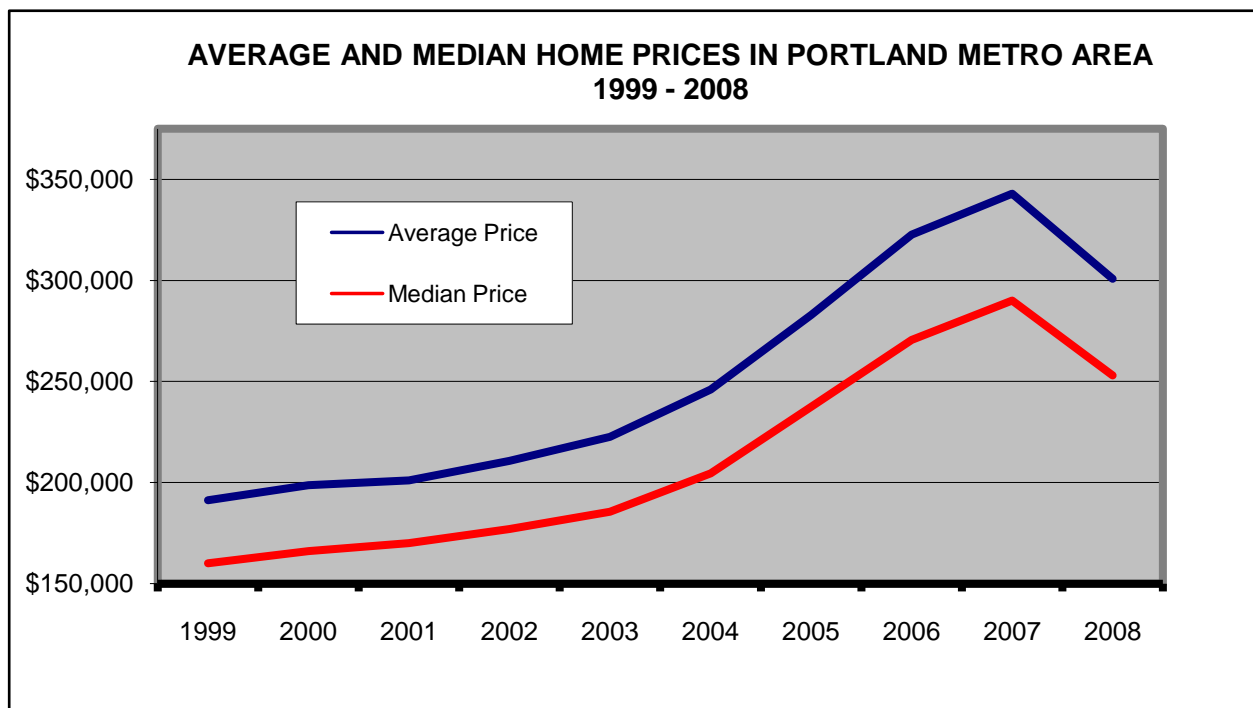
The highest average sales during the years 2006-2008 was \$366,900 in August 2007. This figure is the highest average sales price recorded for the Portland metro area. Since August 2007, the average price has been slowly declining. In December 2008, the average price declined \$66,100 (18.0%) from August 2007.

10-Year Average Price Gained 57 Percent

Below is the 10-YEAR AVERAGE AND MEDIAN PRICES chart. It covers the period from 1999 to 2009. The average price gained \$109,600 (\$300,800 v. \$191,200) during this 10-year period. This was a gain of 57 percent. The annualized gain is 5.7 percent. The compound annual growth rate (CAGR) is 4.64 percent.

The median price changed by \$92,900 during the ten years from 1999 to 2008 (\$252,900 v. \$160,000). This amounted to a gain of 58 percent and an annualized gain of 5.8 percent. The CAGR is 4.68 percent.

These numbers demonstrate that a Portland area home is a solid investment. Many of us wish our stock/bond portfolios would have done as well.



Case-Schiller November 2008: Prices Down 11.5% From November 2007

The Standard & Poor's Case-Shiller index showed that Portland's home prices fell 11.5 percent in November compared with the same month a year earlier. That's the deepest decline since the index began tracking Portland in 1987 and follows October's year-over-year drop of 10.1 percent. The Portland market had not reported a single month of declining price growth between 1987 and 2007. But every month in 2008 showed a decline, and the drop got worse every month. Portland had the ninth lowest decline in the 20-city index in November.

Seattle came in just ahead of Portland, down 11.2 percent. A year ago, Portland and Seattle ranked among the three cities with the lowest declines. The Portland index has now fallen back to November 2005 levels. Even with the declines, Portland-area prices have risen about 62 percent since January 2000. The index covers single-family home sales in Clackamas, Columbia, Multnomah, Washington and Yamhill counties in Oregon and Clark and Skamania counties in Washington (the U. S. Census Bureau metropolitan statistical areas aka MSA). RMLS only tracks the five Oregon counties in the metro area (Clackamas, Columbia, Multnomah, Washington and Yamhill).

Source: Standard and Poor

Cost of Residential¹ Homes by Neighborhood/Community December 2008

| Area | December 2008 Average Sales Price | Year-to-Date For Period Ending December 2008 | | 12-Month Average Sales Price Change ² |
|--|--|--|-------------------------|---|
| | | Average Sales Price | Median Sale Price | |
| Portland Metro Area | | | | |
| Includes these counties in Oregon: Clackamas, Columbia, Multnomah, Washington, & Yamhill | \$300,800 | \$330,300 | \$278,000 | -3.7% |
| Portland | | | | |
| North | \$267,100 | \$266,100 | \$250,000 | -0.1% |
| Northeast | 290,400 | 320,000 | 280,000 | -0.4% |
| Southeast | 263,900 | 276,100 | 245,000 | -3.3% |
| West (Includes SW and NW Portland and parts of eastern Washington County) | 442,500 | 478,500 | 390,000 | 1.9% |
| Portland Metro Suburban Areas | | | | |
| Corbett, Gresham, Sandy, Troutdale | \$218,900 | \$258,700 | \$245,000 | -8.2% |
| Clackamas, Milwaukie, Gladstone, Sunnyside | 272,100 | 318,400 | 284,900 | -4.6% |
| Canby, Beavercreek, Molalla, Mulino, Oregon City | 265,300 | 313,500 | 280,000 | -5.0% |
| Lake Oswego and West Linn | 509,800 | 541,300 | 452,600 | -4.5% |
| Northwest Washington County & Sauvie Island | 403,900 | 404,800 | 375,000 | -3.4% |
| Beaverton and Aloha | 258,500 | 273,800 | 250,000 | -4.4% |
| Tigard, Tualatin, Sherwood, Wilsonville | 325,800 | 352,600 | 323,000 | -5.9% |
| Hillsboro and Forest Grove | 225,700 | 277,800 | 255,000 | -6.7% |
| Mt. Hood: Brightwood, Government Camp, Rhododendron, Welches, Wemme, ZigZag | 250,500 | 253,700 | 234,000 | -10.5% |
| Columbia County | 252,900 | 230,700 | 214,000 | -9.0% |
| Yamhill County | 231,800 | 266,800 | 225,000 | -5.2% |
| Marion and Polk Counties | 228,300 | 252,500 | 202,000 | -4.8% |
| North Coastal Counties | 262,900 | 358,500 | 285,000 | -8.0% |
| Southwest Washington State | | | | |
| Clark County (Battleground, Camas, Ridgefield, Vancouver, Woodland, etc.) | \$257,700 | \$278,300 | \$242,000 | -8.9% |

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

Source: Regional Market Listing Service (RMLS™).

Mortgages

Primary Mortgage Market Survey: 5.12 % for 30-Year Fixed

Freddie Mac released its Primary Mortgage Market Survey (PMMSSM) on January 29 in which the 30-year fixed-rate mortgage (FRM) was 5.12 percent with an average 0.7 point for the week ending January 22, 2009, up from last week when it averaged 4.96 percent. Last year at this time, the 30-year FRM averaged 5.48 percent.

The 15-year FRM this week averaged 4.80 percent with an average 0.7 point, up from last week when it averaged 4.65 percent. A year ago at this time, the 15-year FRM averaged 4.95 percent.

Five-year Treasury-indexed hybrid adjustable-rate mortgages (ARMs) averaged 5.24 percent this week, with an average 0.6 point, down from last week when it averaged 5.25 percent. A year ago, the 5-year ARM averaged 5.13 percent. The 5-year ARM has not been this low since the week ending September 8, 2005, when it also averaged 5.24 percent.

One-year Treasury-indexed ARMs averaged 4.92 percent this week with an average 0.7 point, up from last week when it averaged 4.89 percent. At this time last year, the 1-year ARM averaged 4.99 percent.

(Average commitment rates should be reported along with average fees and points to reflect the total cost of obtaining the mortgage.)

New FICO Credit Score System

In late January, [Fair Isaac](#) and one of the three major credit bureaus, TransUnion LLC, started offering the revamped score, dubbed "FICO 08," to lenders. [Equifax](#) Inc. is expected to follow in the second quarter, while [Experian Group](#) Ltd. declined to comment due to pending litigation with Fair Isaac.

The new score is supposed to do a better job of predicting borrower defaults, be more forgiving of one-time slipups and take a harder line on repeat offenders. The score, which will still range from 300 to 850 will provide a deeper analysis of subprime borrowers or those with "thin" or young credit histories, according to Fair Isaac. More consumers with accounts in good standing should also see their scores increase slightly. Overall, Fair Isaac predicts FICO 08 will improve the accuracy of lending decisions by as much as 15%.

FICO 08 will still factor in credit-card accounts for authorized users, such as children or spouses. Fair Isaac had originally planned to exclude authorized users in order to curtail abuse by "credit repair" Web sites. Such sites arrange for people with poor credit to boost their scores by becoming authorized users on accounts held by strangers with better credit. But Fair Isaac tweaked its model in a way that will still help legitimate authorized users improve their credit scores -- although perhaps to a lesser extent than prior FICO versions would -- but would also protect lenders from people who were trying to game the scoring mechanism.

It could be months or even years before the score is widely available to consumers. Lenders typically do their own analysis on the score to see how it works with their business and loan portfolios before they start using it. Some mortgage lenders might not adopt the new score if it's not available through all three credit bureaus.

Source: Wall Street Journal, New FICO Credit Score Debuts, January 29, 2009.

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 \$300,800 for December, 2008 and with 20 percent down payment (\$60,160) and a mortgage of \$240,640, the payment for a 30-year fixed loan is \$1,219.29 per month (excluding property taxes and insurance) in Portland, Oregon. The interest rate is 4.50%, and the APR is 4.915%. Total closing costs are \$13,164.22 to include lender fees of \$8,997.20 and discount points of \$2,283.67 discount points. This fee covers everything and is guaranteed not to change from the time they lock your rate (30 days) to closing. Escrow fees are waived. FICO credit score 760 (excellent). A credit score of 800 would reduce your mortgage payment to \$1,201 - a savings of \$18 a month of over \$200 a year.

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

January 2008 Weather Summary

| Water Year (October 1 - September 30) | Average Precipitation In Inches | Actual Precipitation in Inches | Water Year |
|---|------------------------------------|-----------------------------------|---|
| Year-to-Date | 19.27 | 13.02 | Portland's rainfall is measured according to the "water year" which is from October 1 through the end of September. 37 inches. Precipitation is measured from the NOAA Weather Station near the Portland International Airport. |
| October | 2.88 | 1.77 | |
| November | 5.61 | 4.15 | |
| December | 5.71 | 2.70 | |
| January | 5.07 | 4.50 | |
| 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 December 2008. Below is the weather summary for the month:

- Average Maximum Temperature: 46.2 degrees or 0.6 degrees above normal.
- Average Minimum Temperature: 33.9 degrees.
- Mean Temperature: 40 degrees.
- Day with Most Rainfall: 3.13 inches on January 1st and 2nd.
- Days with Fog and Visibility below 1/4 Mile: 12.
- Average Monthly Wind Speed: 7.2 MPH.
- Clear/Cloudy Days: 6 clear days, 10 partly cloudy days, and 15 cloudy days.
- Light Snow: Six days in January 2008.

We had more snow in January and are closing in on a record. This winter we have had close to two feet of snow - putting the winter in second place since record keeping began in 1940-41. It is doubtful that we can beat the winter of 1949-50 when 44.5 feet of snow fell. Most Portlanders are satisfied with second place as another 20 plus inches would drive many of us to the edge.

Houses are Getting Smaller



The average size of homes started in the third quarter of 2008 was 2,438 square feet, down from 2,629 square feet in the second quarter, according to the U.S. Census Bureau. Similarly, the median size of homes started in the third quarter was 2,090, down from 2,291. The statistics confirm what the housing industry has suspected for a while. There's a growing emphasis on energy efficiency and eco-friendliness.

Ask any realtor these days and they will tell you that many of their clients are looking for smaller homes, but the supply is very limited. After years of consumers desiring McMansions and builders supplying

them, the trend has changed.

A report in Environmental Building News in 1999 showed a huge increase in the size of a U.S. house from 1950-1999 along with the simultaneous drop in people-per-house. Americans had quickly become the most housed people in the history of humanity. On average, we had about four times more space per person in new houses in 1999 than they did in 1950.

Amy Hoak reports from the International Builders' Show in January 2009

Amy Hoak, a [MarketWatch](#) reporter based in Chicago, attended the International Builders' Show held in late January. Below are some quotes from an article that appeared on January 26 in MarketWatch:

Gayle Butler, editor-in-chief of Better Homes and Gardens, said for many homeowners, it is not so much a matter of downsizing as "right-sizing," giving up big homes with unused space and buying a home that better fits their needs. "Either by necessity or choice, they're willing to take a step back from the McMansions," she said at the Builders' Show. In fact, according to a survey conducted by the magazine, 32% of participants said they expected their new home to be either somewhat smaller or much smaller than the one they already live in, she said. The magazine's online study involved 733 potential new-home buyers.

Builders are responding to those consumer desires. According to the National Association of Home Builders, 88% of builders surveyed in January said that they are building or planning to build a larger share of smaller homes. Eighty-nine percent said they're planning on building more lower-priced models.

According to the Better Homes and Gardens study, top priorities in a new home include an affordable price, natural light and comfortable family gathering places. The era of super-sizing may be ending, Butler said, with buyers looking for a home that is "right-sized, organized and economized."

Other consumer housing trends include:

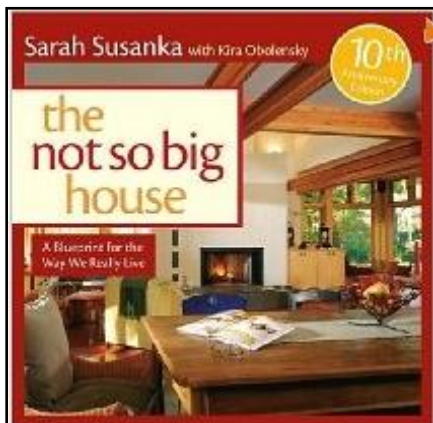
- Consumers need fewer luxuries in their next home. Twenty percent or more of the participants in the survey viewed upgraded landscaping, upgraded finishes such as granite countertops, and luxurious master suites as less important in their next home. High ceilings in main living areas were less important to 35% of those surveyed. There are also fewer fireplaces in new homes: While 62% of new homes completed in 1991 had at least one fireplace in it, 51% had a fireplace in 2007, according to Census statistics.
- Ninety percent of those who participated in the Better Homes and Gardens survey said they're planning to have energy-efficient heating and cooling systems in their next home, and 31%

plan to have geo-thermal heat.

- There has also been increased interest in home gardens, with more people wanting to know where their food is grown, said Robin Avni, senior director and consumer strategist for the firm Iconoculture, a cultural trend research firm. "The green theme touches everything in the home, from the food we look to consume, our health concerns in the home, building -- even our furnishings in the home," Avni said.
- With smaller spaces, organization systems are continuing their popularity. More entryways are being outfitted for storage, and homeowners often want more functional use of wall space. Sixty-nine percent of those surveyed by the magazine said no-space-wasted design and ample storage will take on more importance in their next home.
- Practical appliances. Although sales of appliances have been down, freezer sales have been up. The reason: More people are shopping for bargains and freezing what they won't use right away. "Appliance sales have taken a hit ... except the freezer. Which is really all about going back to basics, a very practical kind of living," Avni said. "If you look at your parents and your grandparents, they used to have a freezer -- they used to buy stuff on sale and put it in the freezer and use it for later. It wasn't just run out and buy something that day."

The Not So Big House

When we remodeled our 1950s daylight ranch home in the early 2000s, Susan Susanka's book was our master plan. We studied it before the work began and consulted it frequently during the remodeling.



Architect Susanka believes that the large homes place too much emphasis on square footage rather than on current lifestyles.

In her book, she shows how homes can be designed to feature "adaptable spaces open to one another, designed for everyday use." She describes how to examine occupants' lifestyles, how to incorporate the kitchen as the focal point of the home, how to give the illusion of space, and how, with storage, lighting, and furniture arrangement, a smaller home can be comfortably livable.

Photographs of contemporary homes as well as those by Frank Lloyd Wright and other modern architects illustrate Susanka's ideas and show the timelessness of the style she advocates. Even if you don't plan on doing any remodeling, this thought-provoking book will be a good addition to architectural and interior design collections.

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