



June 2009 Newsletter

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In This Issue

- Portland Home Market
- Cost of Residential Homes by Community: April 2009
- Mortgages
- Portland Weather
- Portland 42nd in Quality of Life

Portland Home Market

April 2009 Residential Highlights

While sales activity continued a steady month-over-month increase in the Portland metro area, it still fell short of 2008's same month marks for April.

Comparing April 2009 with the same month in 2008, pending sales were down 10.1% and closed sales decreased 17.7%. New listings also dropped 28.1%. Comparing April 2009 with March 2009, pending sales grew 13.6% (1,860 v. 1,637). Closed sales also rose 10% (1,302 v. 1,184). New listings increased 3.3% (3,808 v. 3,685).

Pending sales continue to rise month-over-month at a steeper than usual rate (13.6% in 2009 vs. 6.8% in 2008 and -2.3% in 2007). Inventory also dropped to 11 months, and this is the first time it has dropped from March to April since 2004. Active residential listings in April numbered 14,328 - up from 14,158 in March.

Sales Prices

The average sale price for April 2009 was down 10.4% compared to April 2008, while the median sale price dropped 9.1%. Month-to-month, the average sale price and median sale price were mixed when compared with March levels; the average sale price decreased 2% (\$291,100 v. \$297,000) and the median sale price was up 1.4% (\$249,900 v. \$246,400).

Affordability

Housing in the Portland metro area was at its most affordable point since December 2004. According to a formula from the National Association of Realtors®, buying a house in the Portland metro area is affordable for a family earning the median income. A family earning the median income (\$70,000 in 2009, per HUD) can afford 141% of a monthly mortgage payment on a median priced home (\$246,400 in March). The formula assumes that the buyer has a 20% down payment and a 30-year-fixed rate of 4.81% (per Freddie Mac).

12-Month Sales Price Percent Change

Here are the 12-month sales prices percent change for April 2009. The 12-Month Sale Price Percent Change is based on a comparison of the rolling average/median price for the last 12 months (5/1/08-4/30/09) with 12 months before (5/1/07-4/30/08).

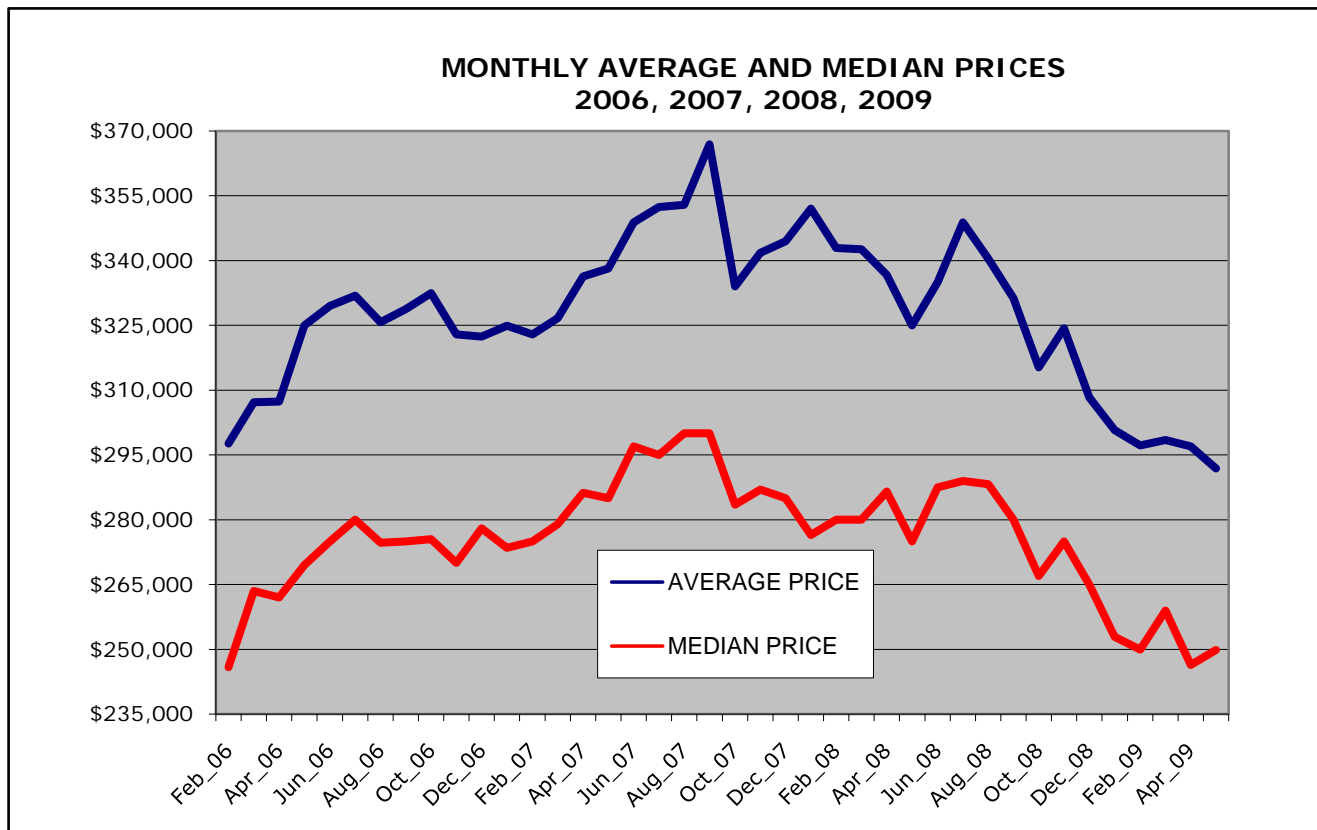
- Average Sale Price Percent Change: -7.3% (\$319,600 v. \$344,6000)
- Median Sale Price Percent Change: -6.9% (\$270,000 v. \$289,900)

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

- Average Sale Price Percent Change from Peak in August 2007: -21% (\$291,100 v. \$366,900)
- Median Sale Price Percent Change from Peak in July/August 2007: -17% (\$249,900 v. \$300,000)

April 2009: A Drop of \$33,900 in the Average Price from April 2008

Below is the MONTHLY AVERAGE AND MEDIAN PRICES: 2006, 2007, 2008, 2009 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 April 2009 with April 2008 shows a \$33,900 drop in the Portland region's average home price – down to \$291,100 from \$325,000 a year earlier. The median price decreased \$25,100 for the same periods (9.1%). You will note from the graph above that the average home price for April 2009 (\$291,900) finally fell below January 2006, the first date on the graph, when the average price was \$297,700.

Changes in Price from August 2007 to April 2009

Below is a table showing the changes in the average price of homes in the Portland metro area (along with four outlying counties) from August 2007 to April 2009. We used the August 2007 as that was when prices reached their peak in the metro area. We used the year-to-date figure for 2009 as that number would be less unlikely to show a distortion that by using the April 2009 average price.

| Change in the Cost of Residential Homes in the Portland Metro Area and Outlying Counties from August 2007 to April 2009 | | | | |
|---|---------------------------------|------------------------------------|-------------|---------------------|
| | Average Sales Price August 2007 | Average YTD Sales Price April 2009 | \$ Decrease | Percentage Decrease |
| Portland Metro Area | | | | |
| Includes these counties in Oregon: Clackamas, Columbia, Multnomah, Washington, & Yamhill | \$352,400 | \$295,000 | \$57,400 | -16% |
| Portland | | | | |
| North | \$261,400 | \$234,500 | \$26,900 | -10% |
| Northeast | 322,600 | 297,100 | 25,500 | -8% |
| Southeast | 300,200 | 240,800 | 59,400 | -20% |
| West (Includes SW and NW Portland and parts of eastern Washington County) | 488,400 | 446,000 | 42,400 | -9% |
| Portland Metro Suburban Areas | | | | |
| Corbett, Gresham, Sandy, Troutdale | \$279,500 | \$228,200 | \$51,300 | -18% |
| Clackamas, Milwaukie, Gladstone, Sunnyside | 346,900 | 296,300 | 50,600 | -15% |
| Canby, Beavercreek, Molalla, Mulino, Oregon City | 336,100 | 299,800 | 36,300 | -11% |
| Lake Oswego and West Linn | 636,200 | 484,400 | 151,800 | -24% |
| Northwest Washington County & Sauvie Island | 420,500 | 363,000 | 57,500 | -14% |
| Beaverton and Aloha | 296,500 | 249,000 | 47,500 | -16% |
| Tigard, Tualatin, Sherwood, Wilsonville | 387,500 | 320,700 | 66,800 | -17% |
| Hillsboro and Forest Grove | 294,800 | 245,500 | 49,300 | -17% |
| Columbia County | 269,400 | 179,900 | 89,500 | -33% |
| Yamhill County | 275,000 | 238,600 | 36,400 | -13% |
| Marion and Polk Counties | 244,500 | 217,900 | 26,600 | -11% |
| North Coastal Counties | 384,400 | 271,900 | 112,500 | -29% |

I'll give you the numbers and let you decide where the areas you think offer the best opportunity to make certain your investment would have suffer the least losses in this market.

Case-Schiller: Portland Area Home Prices Drop 21.4%

San Francisco, Phoenix, and Las Vegas home prices have flopped. But if you own a home in the Portland area, your best comparison is to look to slower but steadier cities such as Seattle and Boston.

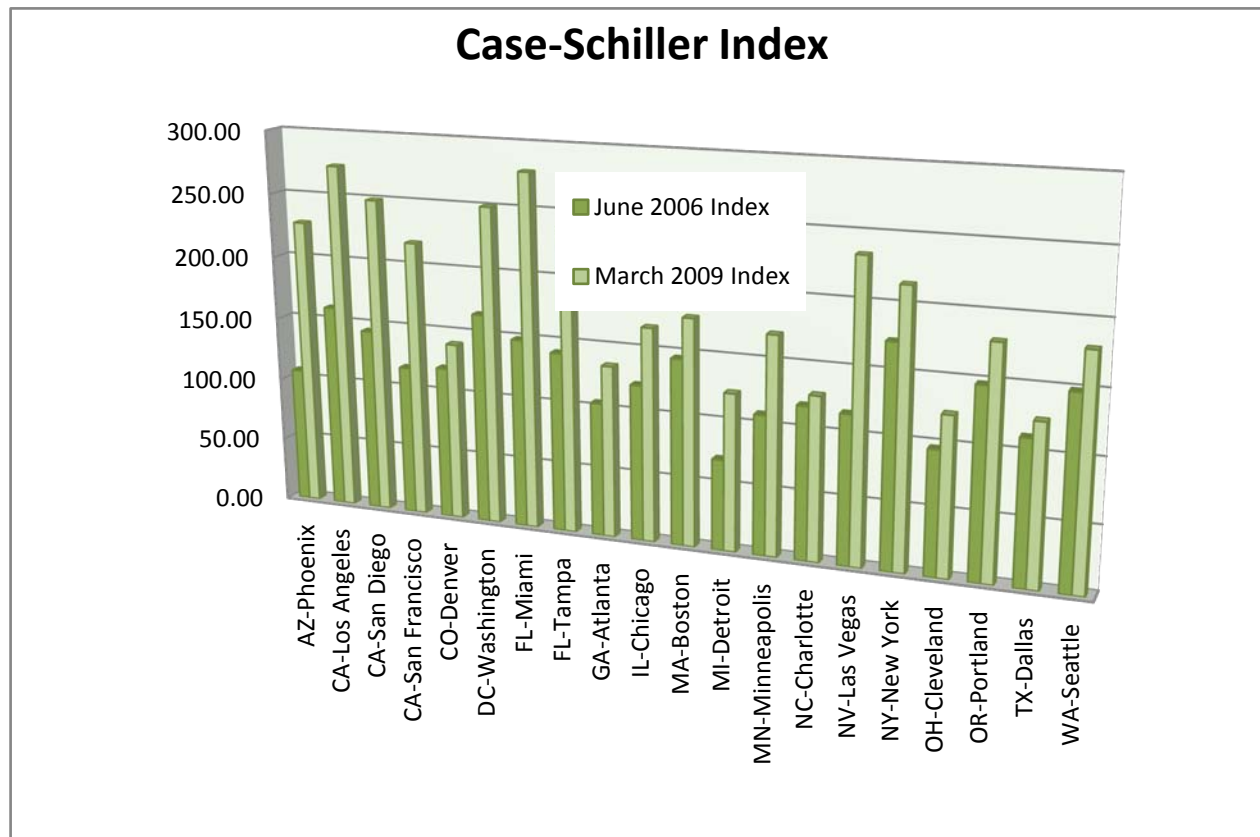
The [Standard & Poor's Case-Schiller](#) index, published in late May, shows that home values in Phoenix and Las

Vegas have fallen more than 50 percent from their bubble peak in summer 2006. Miami, San Francisco and Detroit are down more than 40 percent. Phoenix home values rose 127 percent from 2000 to 2006. That was followed by a dramatic decline in which homeowners lost nearly all that equity gain. Since January 2000, Phoenix's home values are up just 7 percent.

Nationally, the 20-city composite index grew 107 percent from 2000 to 2006. Since then, the index is down 32 percent. The report's figures are tied to an index that started at 100 in January 2000.

Portland, Seattle and Boston saw prices rise quickly but not as high and fast as Phoenix, and their economies aren't as troubled as Detroit's. In the three cities, prices grew between 82 percent and 92 percent from 2000 to the boom-time peak. From those peaks, each city has seen declines of 20 percent to 23 percent. But in the longer run, each city is still up between 45 percent and 50 percent since 2000.

The chart below shows the change in the 20-city index from June 2006 to March 2009. We used June 2006 as that is the date most cities experienced the highest home prices. The greater the distance between the bars within a city means that the city has experienced a greater decline in prices between the two dates.



Portland has seen the sixth smallest such drop since the peak among 20 cities tracked in the Case-Schiller index. Since January 2000, Portland prices are up about 48 percent, sixth best among the 20 markets. Experts say Portland's and Seattle's markets tend to track California's with a bit of a lag. San Francisco, for example, peaked in May 2006 while Portland and Seattle peaked in July 2007.

The Case-Shiller report tracks individual home sales to compare price growth over time on single-family home sales in Clackamas, Columbia, Multnomah, Washington and Yamhill counties in Oregon and Clark and Skamania counties in Washington.

Source: *The Oregonian* and Case-Schiller.

McLean Trading and Investment Newsletter

The May 2009 [McVean Trading and Investment](#) newsletter gave a sobering analysis of the current economic situation. Here is a quote from the publication, "The recent sharp rise in long-term Treasury and mortgage rates is the greatest threat as it will likely end the refinancing boom that has freed up spending power for so many Americans. The rise in oil back toward \$65 a barrel (while natural gas languishes in the low \$3 range) is also a threat to the expansion."

They see the rise in interest rates and oil as clear signals that the only thing the financial markets are sure of is that the growing US budget deficits will produce inflation. And because the financial markets can price in their concerns far faster than the real world can adjust to those prices, they believe that the fear of inflation has driven key prices to a level where they will curtail the very recovery that might generate inflation.

They see the ongoing deflation in housing prices, which undermines the future stability of the banking system, leaving the proximate cause for this downturn unresolved.

Home Prices Remain the Crises

No matter how you look at them, home prices continue to fall by at least 1% a month continuing the recent deep downward descent. New and existing home prices typically rise by 1.7% in April, so after seasonal adjustment, the prices fell -2.9% and -0.8% respectively. With mortgage rates up from 4.75% to 5.25%, home buyers will have to offer 10% less to qualify for the same loan. Unless interest rates retreat, it looks to us like home prices will continue their downward path.

Nine months ago, when the government first began making the TARP bailout proposals, McVean Trading and Investment facetiously suggested buying one million homes for \$200,000 each and burning them to the ground. The \$200 billion cost of that program would have been far less than even the original \$300 billion TARP proposal. They said that destroying the least desirable part of the existing inventory is precisely the rationale behind the "Cash for Clunkers" program in the auto industry.

Until home prices stabilize, banks cannot be expected to do anything with the earnings that they make from the Fed-engineered steep yield curve except offset losses. They will not expand lending to the business or consumer sectors when they still have life-threatening loss potential in their existing balance sheets. Home prices cannot be expected to stabilize until demand increases or supply declines. If mortgage rates fall enough, they may encourage greater consumption by the vast majority of buyers who borrow. Renters have to be pulled into the home sale market. Unfortunately, that is precisely what happened with sub-prime loans over the past several years, leaving a very small pool of unexploited potential buyers. For investment demand to rebound, home prices themselves will have to fall low enough to reestablish the potential for future appreciation.

Oregon Ranked No 32 in Foreclosures

Oregon ranked No. 32 among all states in foreclosures during the first quarter of 2009, according to a report from the [Mortgage Bankers Association](#). Of the state's 636,000 mortgages, 2.21 percent are in foreclosure, the highest rate since the late 1980s. The state's percentage of seriously delinquent loans — those more than 90 days past due — rose from 3.17 percent in the fourth quarter of 2008 to 4.21 percent in the first quarter of 2009. Foreclosure starts increased from 0.77 percent to 0.90 percent.

Nationwide, the rate of foreclosures hit a record high. Foreclosure actions were initiated on 1.37 percent of first mortgages during the first quarter, while the delinquency rate jumped to a seasonally adjusted 9.12 percent, up from 7.88 percent in the fourth quarter of last year, according to the industry group.

Four states — Florida, Arizona, California and Nevada — drove up the national numbers, accounting for about 46 percent of the foreclosure starts in the U.S. and representing 56 percent of the increase in foreclosure starts, according to Mortgage Bankers Association. Nevada had the highest overall delinquency rate.

Cost of Residential¹ Homes by Area/Community for April 2009

| Area | April 2009 Closed Sales | April 2009 Average Sales Price | Year-to-Date For Period Ending April 2009 | | 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 | 1,302 | \$291,100 | \$295,000 | \$250,000 | -7.3% |
| Portland | | | | | |
| North | 59 | \$239,000 | \$234,500 | \$236,300 | -5.1% |
| Northeast | 132 | 298,800 | 297,100 | 259,500 | -3.0% |
| Southeast | 162 | 245,000 | 240,800 | 215,000 | -6.2% |
| West (Includes SW and NW Portland and parts of eastern Washington County) | 120 | 414,100 | 446,000 | 352,500 | -2.6% |
| Portland Metro Suburban Areas | | | | | |
| Corbett, Gresham, Sandy, Troutdale | 110 | \$232,900 | \$228,200 | \$213,500 | -9.1% |
| Clackamas, Milwaukie, Gladstone, Sunnyside | 118 | 304,400 | 296,300 | 265,000 | -8.2% |
| Canby, Beavercreek, Molalla, Mulino, Oregon City | 64 | 330,300 | 298,800 | 248,900 | -9.0% |
| Lake Oswego and West Linn | 53 | 467,700 | 484,400 | 395,000 | -9.1% |
| Northwest Washington County & Sauvie Island | 75 | 363,000 | 363,800 | 333,800 | -5.8% |
| Beaverton and Aloha | 97 | 233,700 | 249,000 | 231,500 | -6.6% |
| Tigard, Tualatin, Sherwood, Wilsonville | 107 | 315,400 | 320,700 | 304,400 | -8.0% |
| Hillsboro and Forest Grove | 112 | 245,800 | 245,500 | 225,900 | -9.6% |
| Mt. Hood: Brightwood, Government Camp, Rhododendron, Welches, Wemme, ZigZag | 5 | 284,700 | 288,400 | 277,500 | -3.6% |
| Counties Outside the Metro Area | | | | | |
| Columbia County | 27 | 200,200 | 179,900 | 170,000 | -11.1% |
| Yamhill County | 61 | 219,600 | 238,600 | 214,000 | -9.0% |
| Marion and Polk Counties | 40 | 196,800 | 217,900 | 201,500 | -9.6% |
| North Coastal Counties | 43 | 228,200 | 271,900 | 238,000 | -13.8% |
| Southwest Washington State | | | | | |
| Clark County (Battleground, Camas, Ridgefield, Vancouver, Woodland, etc.) | 333 | \$238,700 | \$243,700 | \$218,300 | -12.4% |

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 (5/1/08-4/30/09) with the 12 months before (5/1/07-4/30/08).

Source: Regional Market Listing Service (RMLS™)

Mortgages

Primary Mortgage Market Survey: 30-Year Fixed at 4.91%

Freddie Mac released its Primary Mortgage Market Survey (PMMSSM) on May 28 in which the 30-year fixed-rate mortgage (FRM) was 4.91 percent with an average 0.7 point for the week ending May 28, 2009, up from last week when it averaged 4.82 percent. Last year at this time, the 30-year FRM averaged 6.08 percent.

The 15-year FRM this week averaged 4.53 percent with an average 0.7 point, up from last week when it averaged 4.50 percent. A year ago at this time, the 15-year FRM averaged 5.66 percent.

Five-year Treasury-indexed hybrid adjustable-rate mortgages (ARMs) averaged 4.82 percent this week, with an average 0.6 point, up from last week when it averaged 4.79 percent. A year ago, the 5-year ARM averaged 5.62 percent.

One-year Treasury-indexed ARMs averaged 4.69 percent this week with an average 0.6 point, down from last week when it averaged 4.82 percent. At this time last year, the 1-year ARM averaged 5.22 percent. The 1-year ARM has not been lower since the week ending September 29, 2005, when it averaged 4.68 percent.

"Fixed-rate mortgage rates followed long-term bond yields higher this week as financial markets try to discern the state of the economy," said Frank Nothaft, Freddie Mac vice president and chief economist. "Consumer confidence rose again in May and represented the largest two-month rally since records began in 1967. According to the National Association for Business Economics, the consensus of a recent survey of 45 professional forecasters called for the recession to end in the second half of this year, but the recovery is to be more moderate than the previous survey.

Although single-family existing home sales rose 2.5 percent in April, inventories of homes for sale also rose to 9.6 months from 9.0 in March, according to the National Association of Realtors® (NAR). Moreover, the NAR noted that sales of distressed homes made up 45 percent of the purchases in April.

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

Portland Area Mortgage Rates



To check on Portland metro area mortgage rates visit Professor Guttenberg's Web site at www.mtgprofessor.com – click on "Fixed-Markup Lender." Taking the average home price in Portland of \$291,100 for April, 2009 and with 20 percent down payment (\$58,220) and a mortgage of \$232,880, the payment for a 30-year fixed loan is \$1,145.63 per month (excluding property taxes and insurance) in Portland, Oregon. The interest rate is 4.250%, and the APR is 4.596%. Total closing costs are \$11,225.90 - \$5,174.59 of that amount are discount points and guaranteed lender fees are \$9,285.85. This fee covers everything and the lender fees are guaranteed not to change from the time they lock your rate (30 days) to closing. Escrow fees are not waived. FICO credit score 750 (excellent).

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 2008 Weather Summary

| Water Year (October 1 - September 30) | Average Precipitation In Inches | Actual Precipitation in Inches | Water Year |
|---|------------------------------------|-----------------------------------|---|
| Year-to-Date | 32.18 | 23.66 | Portland's rainfall is measured according to the "water year" which is from October 1 through the end of September. |
| October | 2.88 | 1.77 | |
| November | 5.61 | 4.15 | |
| December | 5.71 | 2.70 | |
| January | 5.07 | 4.50 | |
| February | 4.18 | 1.36 | |
| March | 3.71 | 3.71 | |
| April | 2.64 | 2.31 | |
| May | 2.38 | 3.26 | |
| June | 1.59 | | |
| July | 0.70 | | Precipitation is measured from the NOAA Weather Station near the Portland International Airport. |
| August | 0.89 | | |
| September | 1.65 | | |
| Year Average | 37.07 | | |

Above is the National Weather Service precipitation data for the month of May 2009. Below is the weather summary for the month:

- Average Monthly Temperature: 60.1 (normal is 57.1)
- Average Maximum Temperature: 71.5 (normal is 66.7)
- Average Minimum Temperature: 48.7
- Highest 24-Hour Total Rain: May 4 and 5 with 1.09 inches.
- Number of Days With Heavy Rain: 4
- Number of Days With Light Rain: 12
- Average Monthly Wind Speed: 7.3 MPH.
- Clear/Cloudy Days: 12 fair days, 13 partly cloudy days, and 6 cloudy days.

Is it summer in Portland now? With temperatures already in the mid to high 80s, we may have one of those rare occurrences when summer arrives in late May. It did come upon us suddenly this year as the switch from spring to summer was like hitting a light switch. The transitions between spring and summer normally occurs slowly as it takes 3-5 weeks to convince the weather gods that Portlanders deserves to have some warm weather and sun.

Portland Ranks 42nd in Quality of Life

Portland Ranks 42nd in Quality of Life

According to a study of all the major cities in the world, Portland ranks No. 42 with its quality of life. [Mercer's](#) Quality of Living Ranking put Vienna, Austria, as the world's leader, followed by Zurich and Geneva in Switzerland. Vancouver, British Columbia, in Canada and Auckland, New Zealand, tied for fourth.

Mercer compiles the information for companies who must place workers in various parts of the world.

According to the survey takers, the quality of living rankings of the largest 215 cities surveyed are based on a point-scoring index. Vienna scored the highest. "The provision of incentives to reward and recognize the efforts that employees and their families make when taking on international assignments remains a typical practice, particularly for difficult locations. Common incentives include a quality of living allowance and mobility premium," according to the global consulting, outsourcing and investment services company.

Portland had a higher ranking as a cat-friendly city. According to a new organization called [CATalyst Council](#), Portland is among the top 10 cat-friendly cities in the nation. CATalyst Council is a coalition of the veterinary community, academia, nonprofits, industry and animal welfare organizations.

Obama Administration Financial Overhaul Plan

The Obama administration is preparing to overhaul the regulatory apparatus that failed to prevent the current economic crisis. Under consideration is a new agency to regulate mortgages and credit cards, as well as tighter federal oversight of hedge funds and insurance. One possibility is creating a regulator to watch over companies that might put the financial system in peril again should they run into trouble.

The plan, a central plank of the administration's response to the current crisis, has already provoked a fierce lobbying battle by the various financial services industries that it could touch. The Treasury Department aims to complete the effort by mid-June, and senior Democrats in the House and Senate have vowed to complete legislation by the end of this year.

Source: *New York Times*, "Administration is Near Financial Overall Plan" by Stephen Lebaton, June 1, 2009

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