

Moving to Portland™

March 2009 Newsletter

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In This Issue

- Portland Home Market
- Cost of Residential Homes by Community: January 2009
- Mortgages
- Portland Weather
- Tax Breaks on Homes

Portland Home Market

January 2009 Residential Highlights

Although closed sales dragged to a new low in January, pending sales rose dramatically over December's total.

Comparing January 2009 with the same month in 2008, closed sales dropped 32.5%. Pending sales also fell 26.1%. New listings decreased 15%.

On the other hand, when comparing January 2009 with December 2008, pending sales grew 52.5% (1,235 v. 810) and new listings increased 123.2% (4,196 v. 1,880). Closed sales continued to lag, dropping 25.8% (732 v. 987) - a new record low for closed sales in one month since record keeping began in 1992.

As a result of the low sales total, and a rising number of active listings (14,076), housing inventory also hit a new high of 19.2 months.

Sales Prices

The average sale price for January 2009 was down 13.3% compared to January 2008, while the median sale price dropped 10.7%.

Month-to-month, the average sale price and median sale price are both down when compared with December levels; the average sale price dropped 1.2% (\$297,200 v. \$300,800), and the median sale price was down 1.1% (\$250,000 v. \$252,900).

Affordability

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 (\$67,500 in 2008, per HUD) can afford 125% of a monthly mortgage payment on a median priced home (\$252,900 in December). The formula assumes that the buyer has a 20% down payment and a 30 year fixed rate of 5.29% (per

Freddie Mac). Housing has not been this affordable since June 2005.

County Average Sales Price Change Between 2007 to 2008

Clackamas: \$375,800 - decreased 6%. Columbia: \$230,700 - dropped 9%. Multnomah: \$331,400 - down 1%. Washington: \$317,100 - decreased 5%. Yamhill: \$270,700 - also down by 5%.

12-Month Sales Price Percent Change

Here are the 12-month sales prices percent change for January 2009. The 12-Month Sale Price Percent Change is based on a comparison of the rolling average/median price for the last 12 months (2/1/08-1/31/09) with 12 months before (2/1/07-1/31/08).

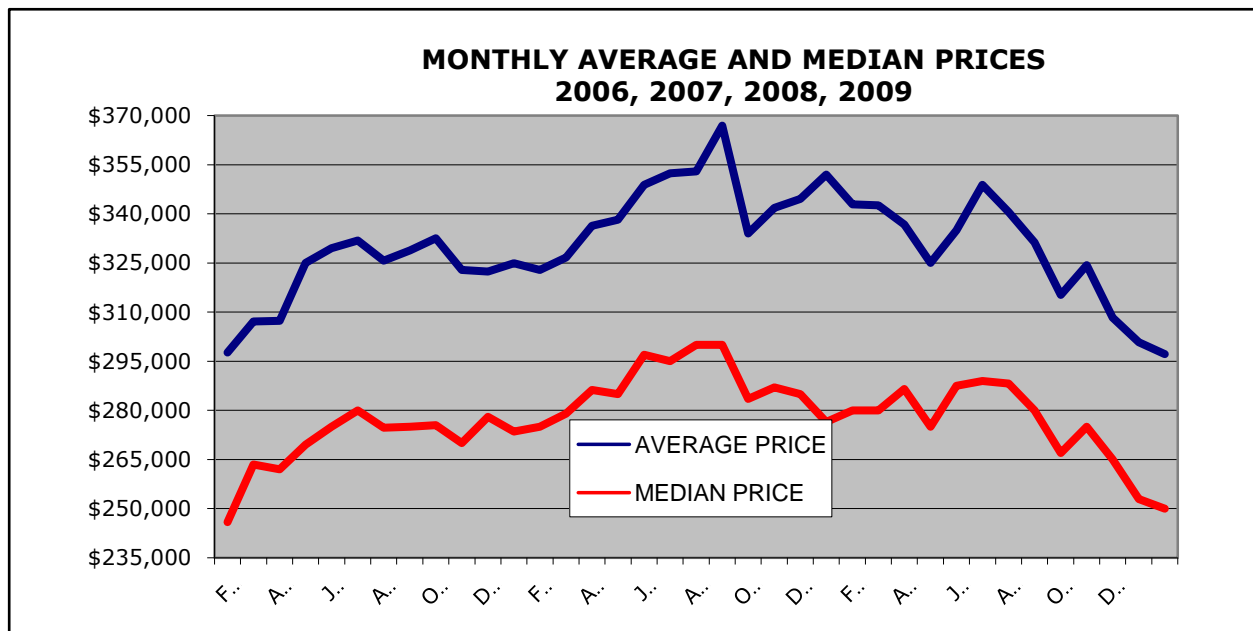
- Average Sale Price Percent Change: -4.6% (\$328,200 v. \$344,000)
- Median Sale Price Percent Change: -4.7% (\$276,000 v. \$289,500)

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

- Average Sale Price Percent Change from Peak in August 2007: -19% (\$297,200 v. \$366,900)
- Median Sale Price Percent Change from Peak in July/August 2007: -17% (\$250,000 v. \$300,000)

January 2009: A Drop of \$45,700 in the Average Price from January 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 January 2009 with January 2008 shows a \$45,700 drop in the Portland region's average home price – down to \$297,200 from \$342,900 a year earlier. The median price decreased \$30,000 for the same periods - a drop of 11%.

You will note from the graph above that homes prices in January 2009 were about the same as they were in January 2006, the first date on the graph.

Median Price Drop of \$47,100: January 2009 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

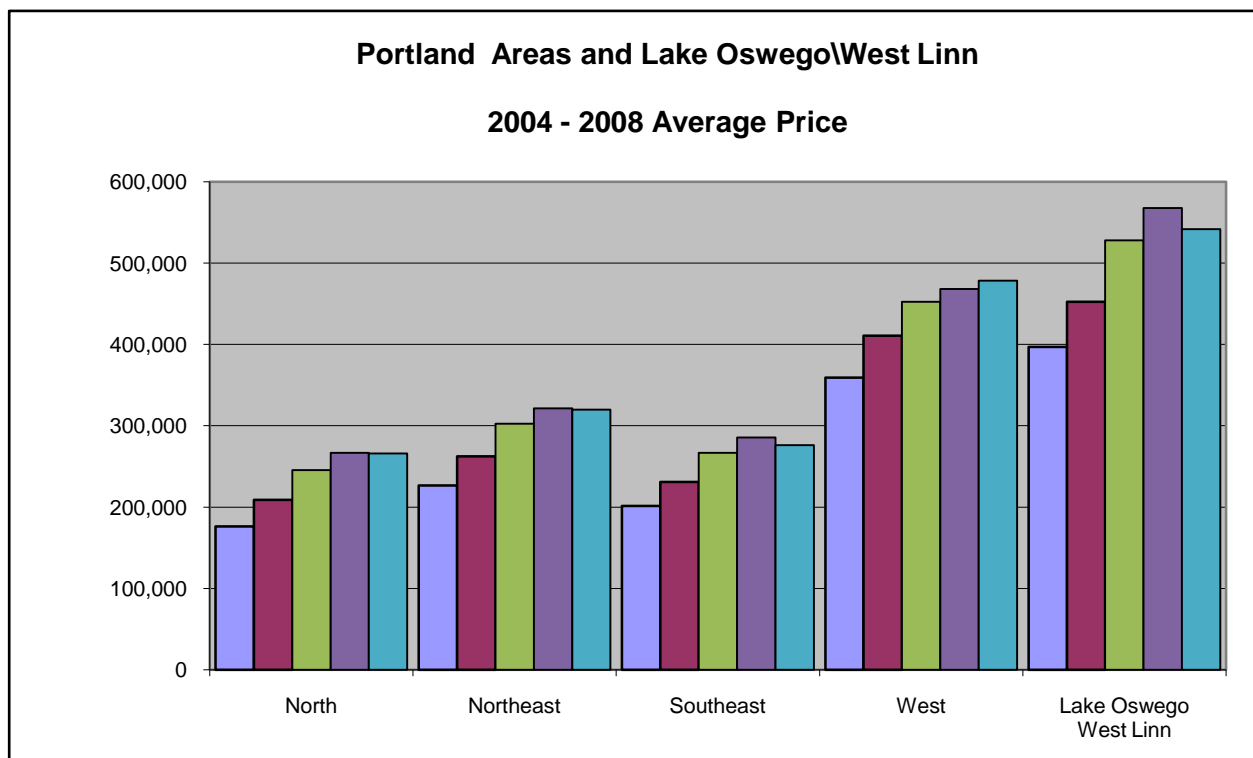
\$300,000. From this high, the median price in December 2008 dropped \$47,100 (16%).

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.

Portland Areas Average Prices From 2004-2008

Below is a bar chart showing the average price for the four geographic areas of Portland along with Lake Oswego and West Linn. The colors in the chart: blue for 2004, red for 2005, green for 2006, purple for 2007, and blue/green for 2008.

Although there is steady appreciation in values from 2004 to 2007 and then either a decrease or leveling off in 2008 for most of the areas, the "West" is the only one to show appreciation every year. Looking at our "Cost of Residential Homes by Neighborhood/Community," you will note that it is the only area (0.3%) showing appreciation for January.



Comparing National Averages and Portland

The National Association of Realtors reported that the median home price fell to \$170,300 in January 2009, its lowest point since March 2003. The median price in January was down 26 percent from its peak of \$230,100 in July 2006. The association estimated that foreclosures or distress sales made up 45 percent of sales in January.

How do these numbers compare with the Portland metro area? Our median price was \$250,000 in January, its lowest point since January 2006 when it was \$245,900. The Portland median price in January of this year was down 17 percent from its peak of \$300,000 in August 2007. I have not seen any estimates on foreclosures in the Portland market so I cannot compare these numbers.

The Portland housing market is a higher priced market than the national one (\$250,000 v. \$170,300 for January 2009), but our values have held better (17% v. 26%).

Cost of Residential¹ Homes by Neighborhood/Community January 2009

Area	January 2009 Average Sales Price	Year-to-Date For Period Ending January 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	\$297,200	\$297,200	\$250,000	-4.6%
Portland				
North	\$232,100	\$232,100	\$232,300	-0.7%
Northeast	303,900	303,900	261,900	-1.8%
Southeast	220,800	220,800	206,500	-4.7%
West (Includes SW and NW Portland and parts of eastern Washington County)	458,500	458,500	347,300	0.3%
Portland Metro Suburban Areas				
Corbett, Gresham, Sandy, Troutdale	\$215,100	\$215,100	\$214,500	-7.8%
Clackamas, Milwaukie, Gladstone, Sunnyside	303,500	303,500	263,000	-5.0%
Canby, Beavercreek, Molalla, Mulino, Oregon City	312,900	312,900	264,200	-5.1%
Lake Oswego and West Linn	472,400	472,400	429,500	-5.8%
Northwest Washington County & Sauvie Island	433,700	433,700	407,500	-4.2%
Beaverton and Aloha	250,100	250,100	234,800	-4.2%
Tigard, Tualatin, Sherwood, Wilsonville	326,200	326,200	325,000	-6.5%
Hillsboro and Forest Grove	238,600	238,600	218,000	-6.9%
Mt. Hood: Brightwood, Government Camp, Rhododendron, Welches, Wemme, ZigZag	301,700	301,700	267,500	-7.6%
Columbia County	179,800	179,800	180,500	-9.2%
Yamhill County	253,500	253,500	230,000	-5.4%
Marion and Polk Counties	267,800	267,800	230,000	-5.2%
North Coastal Counties	370,700	370,700	260,100	-7.6%
Southwest Washington State				
Clark County (Battleground, Camas, Ridgefield, Vancouver, Woodland, etc.)	\$235,300	\$235,300	\$208,400	-10.0%

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 (2/1/08-1/31/09) with the 12 months before (2/1/07-1/31/08).

Source: Regional Market Listing Service (RMLS™).

Mortgages

Primary Mortgage Market Survey: 5.07 % for 30-Year Fixed

Freddie Mac released its Primary Mortgage Market Survey (PMMSSM) on February 26 in which the 30-year fixed-rate mortgage (FRM) was 5.07 percent with an average 0.7 point for the week ending February 26, 2009, up from last week when it averaged 5.04 percent. Last year at this time, the 30-year FRM averaged 6.24 percent.

The 15-year FRM this week averaged 4.68 percent with an average 0.7 point, unchanged from last week when it averaged 4.68 percent. A year ago at this time, the 15-year FRM averaged 5.72 percent. Five-year Treasury-indexed hybrid adjustable-rate mortgages (ARMs) averaged 5.06 percent this week, with an average 0.7 point, up from last week when it averaged 5.04 percent. A year ago, the 5-year ARM averaged 5.43 percent. One-year Treasury-indexed ARMs averaged 4.81 percent this week with an average 0.6 point, up from last week when it averaged 4.80 percent. At this time last year, the 1-year ARM averaged 5.11 percent.

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

FICO Credit Score System Designed to Predict Risk

There are many misconceptions about credit scores and how they work. For example, you don't have one credit score, you have many, and they change all the time. Another is that FICO scores weren't designed to be fair - they were designed to help lenders predict the risk that a borrower will default.

The FICO is the leading scoring formula used by most lenders. Each of the three major credit bureaus sells its version of the FICO to lenders. Experian has stopped selling FICO scores to consumers, but you can get your FICO scores for the two other bureaus at www.myfico.com.

If you FICO credit scores are more than 760 or so, these scores will help you qualify for the best interest rates and terms for loans.

Source: Money Talk, Liz Pulliam Weston.

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 \$297,200 for January, 2009 and with 20 percent down payment (\$59,440) and a mortgage of \$237,760, the payment for a 30-year fixed loan is \$1,204.70 per month (excluding property taxes and insurance) in Portland, Oregon. The interest rate is 4.50%, and the APR is 4.865%. Total closing costs are \$11,729.44 to include guaranteed lender fees of \$6,371.030 and discount points of \$3,485.56 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 \$1,187 - a savings of \$17 a month and close to \$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

February 2008 Weather Summary

Water Year (October 1 - September 30)	Average Precipitation In Inches	Actual Precipitation in Inches	Water Year
Year-to-Date	23.45	14.38	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		
April	2.64		
May	2.38		
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 February 2009. Below is the weather summary for the month:

- Mean Temperature: 41.3 degrees or 1.7 degrees below normal.
- High and Low: 59 degrees on February 4th and 25 degrees on February 12th.
- Clear/Cloudy Days: 1 clear day, 20 partly cloudy days, and 7 cloudy days.



Anytime you have 21 days of clear and partly cloudy days in February in Portland, you know that the rains have not met their averages. And sure enough, we were about a third of normal. Other than a few days at the end of the month where temperatures dropped and the rains came, it was a pleasant month. The Cascades got over three feet of snow in that storm.

March brings about a change of attitudes for Portlanders as green shoots start poking up out of the ground, flowering trees start showing their buds, and the daylight increases. It's almost spring and sure is good to be alive and well in the Rose City!

Tax Breaks on Your Home

Home is not only where the heart is; it also where the tax breaks are, and not just the all-important deductions for mortgage interest and real estate taxes. Recent provisions offer breaks for home sales and purchases.

First-Time Home Buyers

The Housing and Economic Recovery Act of 2008 (P.L. 110-289) enacted a temporary tax credit for first-time homebuyers that was intended to address two housing market concerns: an excess supply of homes on the market and falling prices of homes.

The American Recovery and Reinvestment Act of 2009 (ARRA; H.R. 1, P.L. 111-5), as agreed to in conference and signed into law by the President, recently increased the value of the tax credit for home purchases in 2009 and extended the period over which the credit applies. Proponents argue that the tax credit will help to reduce the supply of homes on the market and stabilize home prices by stimulating home buying. Opponents argue that the design and administration of the tax credit, coupled with general economic uncertainty, prevent the tax credit from achieving its intended objective.

As a result of the provisions in ARRA, the amount that a first-time homebuyer in 2009 may claim as a credit against their federal income tax liability is equal to a maximum of 10% of a home's purchase price, or \$8,000. The credit is limited to a maximum of \$7,500 for buyers in 2008. The credit amount is reduced for individuals with modified adjusted gross income (AGI) of more than \$75,000 (\$150,000 for joint filers), and is zero for those individuals with modified AGI in excess of \$95,000 (\$170,000 for joint filers). The tax credit is refundable. Homebuyers that purchased their homes in 2008 must repay the tax credit. The repayment requirement is waived for home purchases made in 2009 unless the home is sold within three years of purchase. To qualify for the credit the buyer must not have owned a principal residence in the last three years. In addition, the home must have been purchased after April 8, 2008, and before December 1, 2009.

Windows and Widowers

Widows and widowers who sold homes in 2008 may also get a new tax break. Previously, couples were generally entitled to exclude gains of up to \$500,000 when they sold a principal residence in which they had lived two of the previous five years, but for single filers the exclusion was limited to \$250,000. Effective in 2008, a surviving spouse may exclude up to \$500,000 if the sale occurs within two years of the other spouse's death.

Under the old law, a person would have had to sell their house, the couple's main asset, in just over two months to get the maximum exclusion. Now a widow or widower has two years to sell.

Residential Energy Credits

Residential energy credits of 30 percent of the cost of certain improvements are available to homeowners, with caps of \$500 to \$2,000, depending on the improvement. They include qualified expenditures on equipment for solar electric power, solar water heating, fuel cells, wind energy and [geothermal](#) heat pumps, and for their installation. More traditional energy-saving improvements, like increasing insulation to use less [heating oil](#) or natural gas, do not qualify.

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