



## May 2009 Newsletter

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### Portland Home Market

#### March 2009 Residential Highlights

Portland metro area market activity continued to grow over the last month, but fell short of reaching March 2008 levels. Comparing March 2009 with the same month in 2008, closed sales dropped 30%. Pending sales also fell 15.5%. New listings decreased 28.5%.

When comparing March 2009 with February 2009, closed sales grew 38.2% (1,184 v. 857) and pending sales were up 28.3% (1,637 v. 1,276). New listings grew 6.2% (3,685 v. 3,471).

Pending sales typically rise from February to March, but this year it increased at a steeper rate (28.3% in 2009 - vs. 5.5% in 2008 and 8.3% in 2007).

Inventory also dropped to 12 months, its lowest point since October 2008. Active residential listings in March numbered 14,158 - down slightly from 14,188 in February. This is notable, as active listings have typically grown over that same time frame (7% in 2008 and 6.6% in 2007).

#### Sales Prices

The average sale price for March 2009 was down 11.8% compared to March 2008, while the median sale price dropped 14%. Month-to-month, the average sale price and median sale price are both down when compared with February levels; the average sale price decreased a slight 0.5% (\$297,000 v. \$298,500) and the median sale price was down 4.9% (\$246,400 v. \$259,000).

#### 12-Month Sales Price Percent Change

Here are the 12-month sales prices percent change for March 2009. The 12-Month Sale Price Percent Change is based on a comparison of the rolling average/median price for the last 12 months (4/1/08-3/31/09) with 12 months before (4/1/07-3/31/08).

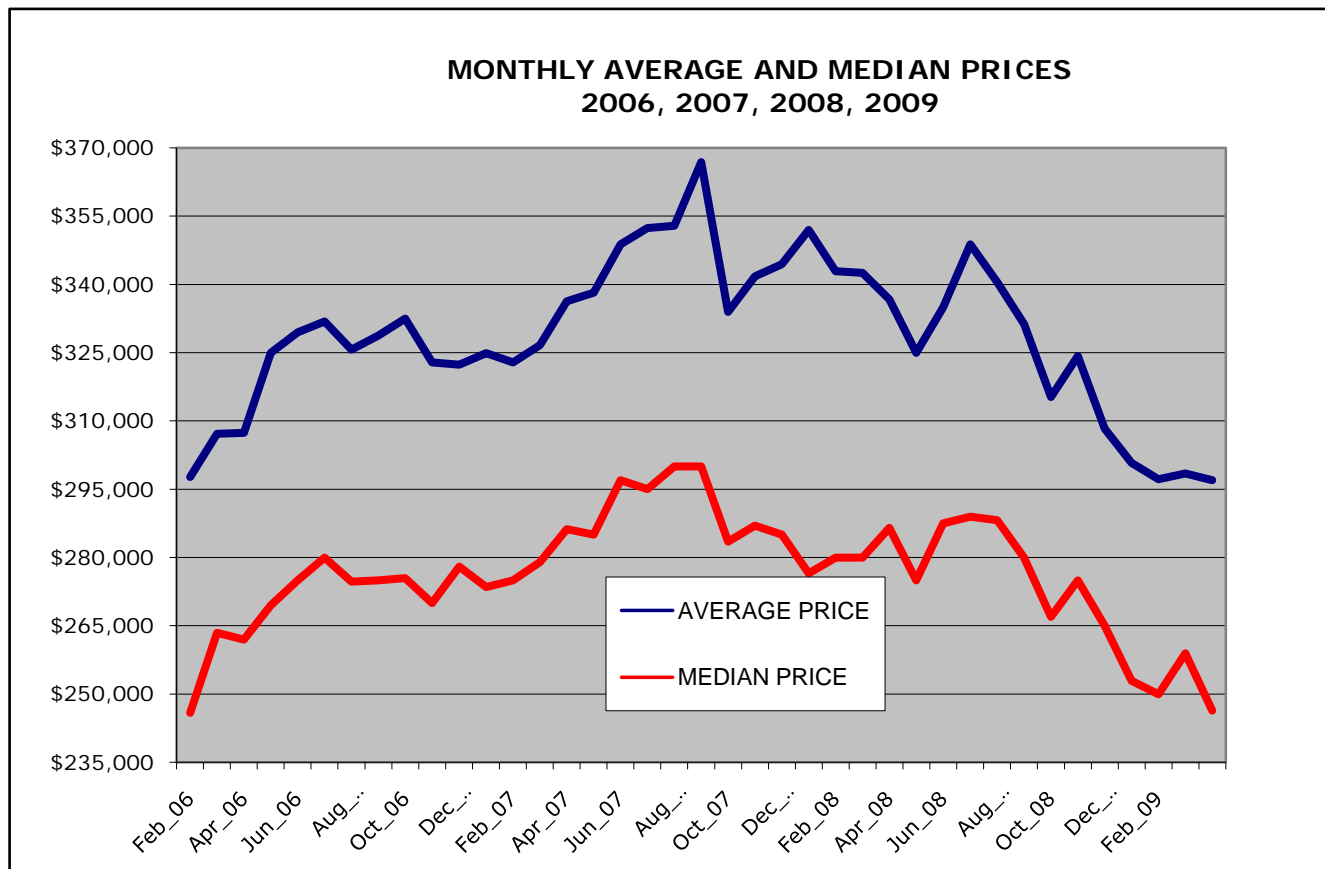
- Average Sale Price Percent Change: -5.7% (\$325,300 v. \$345,000)
- Median Sale Price Percent Change: -6.0% (\$272,500 v. \$289,900)

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

- Average Sale Price Percent Change from Peak in August 2007: -19% (\$297,000 v. \$366,900)
- Median Sale Price Percent Change from Peak in July/August 2007: -18% (\$246,400 v. \$300,000)

### March 2009: A Drop of \$39,700 in the Average Price from March 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 March 2009 with March 2008 shows a \$39,700 drop in the Portland region's average home price – down to \$297,000 from \$336,700 a year earlier. The median price decreased \$40,100 for the same periods.

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

### Median Price Drop of \$53,600: March 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 March 2009 dropped \$53,600 (18%).

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 March 2009, the average price declined \$69,900 (19.0%) from August 2007.

## Case-Schiller: Portland Area Home Prices Drop 14.4%

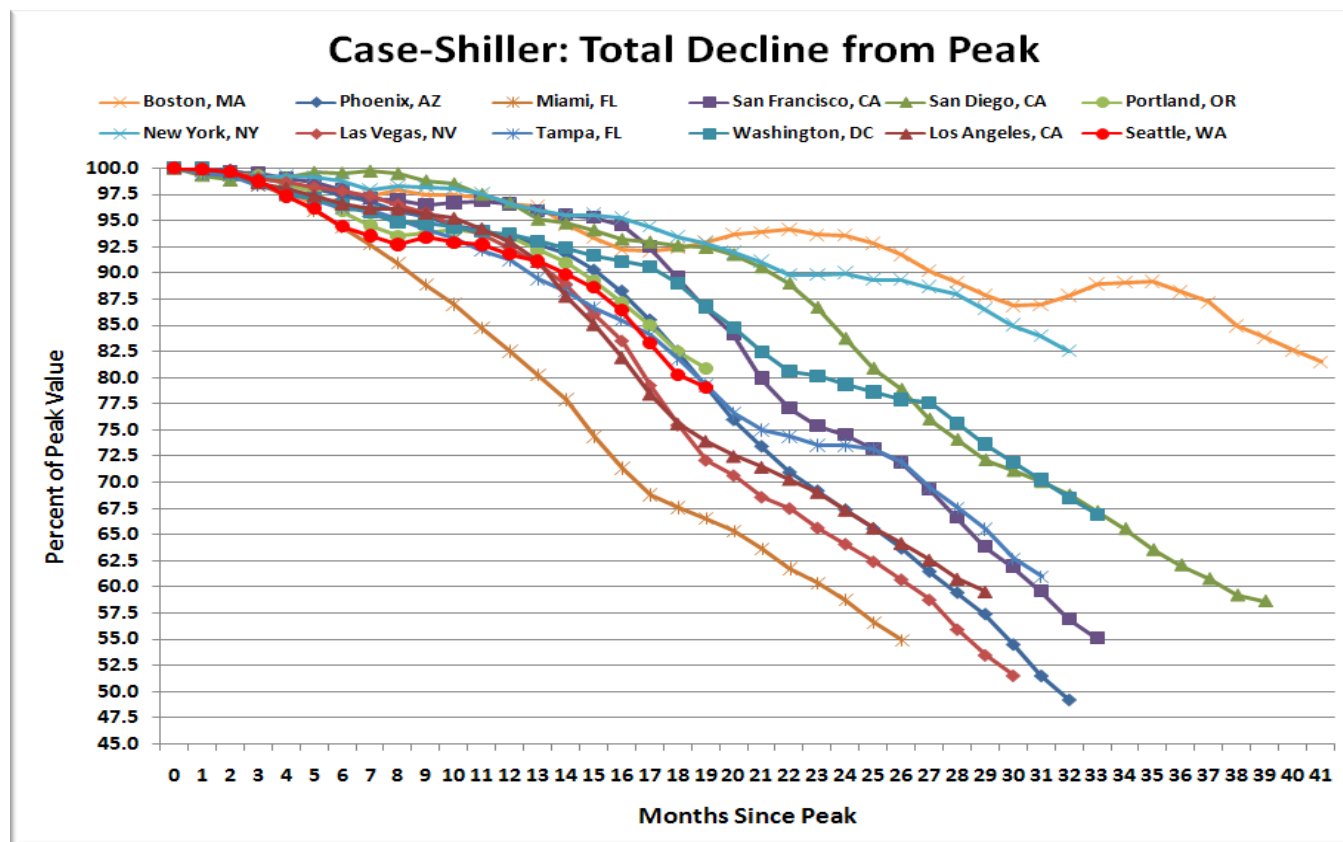
Portland and national home prices remain down, but the national pace of decline has slowed down according to the Case-Schiller Index. Home prices are down 14.4% for the period spanning February 2008 to February 2009. The previous report showed Portland home prices down 14 percent. Meanwhile, U.S. home prices are down 18.6 percent during this time period, a slight improvement from the previous record setting decline of 19 percent.

Phoenix, Las Vegas and San Francisco continued to lead year-over-year decliners, with drops over 30%. Cleveland posted a large month-to-month drop, as the rate of decline accelerated there. The rates of decline also accelerated in Charlotte, New York and Washington.

Dallas, Denver, Cleveland, Boston and Charlotte managed to avoid double-digit year-over-year declines, while New York moved posted a year-to-year drop over 10% for the first time. Measuring from each market's peak, Dallas has suffered the least, down 11.1% from its peak in June 2007; while Phoenix is down 50.8% from its peak in June of 2006. All of the 20 metro areas are in double digit declines from their peaks, with seven — Detroit, Las Vegas, Los Angeles, Miami, Phoenix, San Francisco and San Diego — in excess of 40%.

In the 19 months since the price peak in Seattle prices have declined just shy of 21%. Seattle's price decline this far from the peak was just slightly larger than what was seen in Tampa. Only Miami, Las Vegas, and Los Angeles had declined further this far after their respective peaks.

Here's an a graph created by reader [Crystal Ball](#) at the Seattlebubble.com Web site. This chart takes the twelve cities whose peak index was greater than 175, and tracks how far they have fallen so far from their peak. The horizontal axis shows the total number of months since each individual city peaked.



## Cost of Residential<sup>1</sup> Homes by Neighborhood/Community March 2009

Area	March 2009 Closed Sales	March 2009 Average Sales Price	Year-to-Date For Period Ending March 2008		12-Month Average 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	1,184	\$297,000	\$297,100	\$250,000	-5.7%
Portland					
North	68	\$216,600	\$232,000	\$229,600	-2.0%
Northeast	117	290,000	296,000	260,000	-2.0%
Southeast	169	237,400	239,000	210,000	-5.1%
West (Includes SW and NW Portland and parts of eastern Washington County)	97	522,900	462,700	346,000	-1.7%
Portland Metro Suburban Areas					
Corbett, Gresham, Sandy, Troutdale	75	\$231,100	\$225,000	\$213,000	-8.0%
Clackamas, Milwaukie, Gladstone, Sunnyside	92	292,000	292,200	259,000	-7.3%
Canby, Beavercreek, Molalla, Mulino, Oregon City	60	291,900	287,000	250,000	-5.5%
Lake Oswego and West Linn	56	481,600	491,500	390,000	-7.9%
Northwest Washington County & Sauvie Island	56	360,700	383,000	368,800	-4.1%
Beaverton and Aloha	122	242,200	255,000	236,100	-5.0%
Tigard, Tualatin, Sherwood, Wilsonville	100	335,800	322,300	315,000	-6.9%
Hillsboro and Forest Grove	96	247,100	246,700	227,500	-8.2%
Mt. Hood: Brightwood, Government Camp, Rhododendron, Welches, Wemme, ZigZag	4	336,700	289,600	246,000	-4.8%
Columbia County	24	160,400	171,000	168,500	-9.1%
Yamhill County	48	233,700	249,000	220,000	-7.4%
Marion and Polk Counties	44	187,700	224,700	203,400	-4.8%
North Coastal Counties	36	283,500	294,200	249,900	-7.8%
Southwest Washington State					
Clark County (Battleground, Camas, Ridgefield, Vancouver, Woodland, etc.)	795	\$250,500	\$246,000	\$219,100	-11.5%

<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 (4/1/08-3/31/09) with the 12 months before (4/1/07-3/31/08).

Source: Regional Market Listing Service (RMLS™).

## Mortgages

### Primary Mortgage Market Survey: 30-Year Fixed at Record Low

Freddie Mac released its Primary Mortgage Market Survey (PMMSSM) on April 30 in which the 30-year fixed-rate mortgage (FRM) was 4.78 percent with an average 0.7 point for the week ending April 30, 2009, down from last week when it averaged 4.80 percent. Last year at this time, the 30-year FRM averaged 6.06 percent. The 30-year FRM now equals the record low that was set the week of April 2, 2009. It has never been recorded lower in Freddie Mac's survey, which goes back to 1970.

The 15-year FRM this week averaged 4.48 percent with an average 0.7 point, unchanged for the third week in a row. A year ago at this time, the 15-year FRM averaged 5.59 percent. This is tied with the last two weeks for the lowest the 15-year FRM has been since Freddie Mac began tracking it in August 1991.

Five-year Treasury-indexed hybrid adjustable-rate mortgages (ARMs) averaged 4.80 percent this week, with an average 0.6 point, down from last week when it averaged 4.85 percent. A year ago, the 5-year ARM averaged 5.73 percent. This is the lowest the 5-year ARM has been since Freddie Mac began tracking it in January 2005.

"Rates for fixed-rate mortgages hovered at record lows this week as ARM rates eased further," said Frank Nothaft, Freddie Mac vice president and chief economist. "Mortgage rates for 30-year fixed rate mortgages, the most popular loan among homebuyers and families seeking to refinance, are more than 1.6 percentage points below the recent peak set at the end of October 2008. For a \$200,000 loan, this means a monthly savings of almost \$212 in mortgage payments or over \$2,500 per year. In aggregate, borrowers who refinanced during the first quarter reduced their mortgage payments by about \$2.5 billion over the coming year.

"The housing market may be edging towards a bottom. Existing home sales stayed near its four-month average in March while new home sales were stronger than the market consensus. More importantly, the inventory of unsold new homes fell to the lowest number since January 2002. And, the S&P/Case-Shiller® 20-city composite index did not show a record year-over-year decline in February for the first time since December 2006. Finally, housing affordability hit record highs in the first quarter of this year, according to figures from the National Association of Realtors, which date back to January 1971."

(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 <http://www.mtgprofessor.com> – click on "Fixed-Markup Lender." Taking the average home price in Portland of \$297,000 for March, 2009 and with 20 percent down payment (\$59,400) and a mortgage of \$237,600, the payment for a 30-year fixed loan is \$1,168.85 per month (excluding property taxes and insurance) in Portland, Oregon. The interest rate is 4.250%, and the APR is 4.546%. Total closing costs are \$11,437.48 - \$3,347.78 of that amount are discount points and lender fees are \$9,490.22. 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 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

### February 2008 Weather Summary

Water Year (October 1 - September 30)	Average Precipitation In Inches	Actual Precipitation in Inches	Water Year
Year-to-Date	29.80	20.40	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		
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 April 2009. Below is the weather summary for the month:

- Average Monthly Temperature: 52.3
- Average Maximum Temperature: 62.3
- Average Minimum Temperature: 42.2
- Highest 24-Hour Total Rain: April 27 and 28 with .63 inches.
- Number of Days With Heavy Rain: 0
- Number of Days With Light Rain: 17
- Average Monthly Wind Speed: 6.2 MPH.
- Clear/Cloudy Days: 5 clear days, 14 partly cloudy days, and 11 cloudy days.



April finally let Spring in and we are catching up with blooms after a cold March which caused a delay in our first season of the year. The means the Farmers Markets around the city are opened or about to open.

We added a page to the Moving to Portland Web site which gives the locations, dates, times, Web site links for over 20 farmers markets in the metro area. You can find the page at [http://www.movingtoportland.net/farmers\\_markets.htm](http://www.movingtoportland.net/farmers_markets.htm).

We also added a page about Portland's food (and drinks) that may be of interest to you. It all about the Portlanders desire to buy and eat local foods. Buried in U.S. Department of Agriculture statistics is a dramatic tale: At a time when small farmers are dying out across America, the number of farmers in Oregon is on the rise. The latest USDA "agriculture census" showed the number of full-time farmers in Oregon increasing more than 55 percent. Part-time farming, where many growers who specialize in farmers markets and other buy-local niches begin, is up, too. Growers and industry analysts ascribe the increase in Oregon farmers to a growing number of small- and medium-sized operations designed to meet increasing demand for local grub. You can find this new page at [http://www.movingtoportland.net/food\\_drink.htm](http://www.movingtoportland.net/food_drink.htm).

## The Housing Market: Predicting the Future

All the experts such as Nobel Prize winner Paul Krugman point to 2011 for the housing recovery. What do they know that we don't? Why is 2011 the magic number? Maybe some expert said "2011" and everyone else thought it sounded good so they just repeated the date.

Trying to predict economic trends and events is extremely difficult, but we continue to try. As with weather forecasting, economics is not an exact science. The unexpected can always happen, and there is always an element of the unknown. That famous baseball catcher turned philosopher Yogi Berra once said "It's tough to make predictions, especially about the future." So let's lower the bar and just try to predict the present.

I'll put my faith in Google. Their work to date is summarized in a paper called [Predicting the Present with Google Trends](#). We find that Google Trends data *can* help improve forecasts of the current level of activity for a number of different economic time series, including [home sales](#). Predicting the present is useful, since it may help identify "turning points" in economic time series. If people start doing significantly more searches for "Real Estate Agents" in a certain location, it is tempting to think that house sales might increase in that area in the near future.

The Google paper outlines one approach to short-term economic prediction, but Google expects that there are several other interesting ideas out there. So they suggest that forecasting wannabes download some Google Trends data and try to relate it to other economic time series. If you find an interesting pattern, you're encouraged to post your findings on a Web site and send a link to [econ-forecast@google.com](mailto:econ-forecast@google.com).

### The House of the Future



So now that we set the stage for predicting, what will the energy-efficient house of the future look like? In late April, the *Wall Street Journal* asked four architects to design an energy-efficient, environmentally sustainable house without regard to cost, technology, aesthetics or the way we are used to living.

The idea was not to dream up anything impossible or unlikely— in other words, no antigravity living rooms. Instead, we asked the architects to think of what technology might make possible in the next few decades. They in turn asked us to rethink the way we live.

"This is a time of re-examining values, re-examining what we need," says one of our architects, Rick Cook, of the New York firm Cook + Fox. "We are re-examining the idea of home."

A fresh look may be long overdue, given the amount of damage that homes can do to the environment. It's easy to envision a power plant spewing pollution or a highway full of cars burning billions of gallons of petroleum. But buildings — silent and unmoving — are the quiet users of much of our energy, through electricity, heating and water consumption. The U.S. Energy Department estimates buildings are responsible for 39% of our energy consumption and a similar percentage of greenhouse-gas emissions.

So, how will the green homes of tomorrow help solve the energy puzzle? The Journal gives a gander into the future. Here are the possibilities: <http://online.wsj.com/article/SB124050414436548553.html>.

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