

Moving to Portland™

September 2009 Newsletter

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Portland Home Market

July 2009 Residential Highlights

Closed sales in the Portland metro area for July 2009 eclipsed last July's total by 8.6%, marking the first time same-month closed sales have increased since April 2007. Pending sales also grew 8.3%. New listings dropped 25.4%.

Comparing July 2009 with June 2009, closed sales increased 11.9% (1,988 v. 1,776) and pending sales were up a slight 0.3% (2,170 v. 2,164). New listings fell 8.2% (3,907 v. 4,257).

Inventory was down to 7.3 months, dropping for the sixth consecutive month, down from 10 months last July. Inventory is falling at a time where it has historically risen. Along with an upswing in closed sales, the drop can be attributed to the fact that the number of homes on the market (14,503 in July) has seen little fluctuation in 2009.

Year-to-Date

Comparing January-July 2009 with the same period in 2008, closed sales were down 18.7% and pending sales decreased 10%. New listings dropped 23.4%.

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 (\$70,000 in 2009, per HUD) can afford 130% of a monthly mortgage payment on a median priced home (\$249,900 in June). The formula assumes that the buyer has a 20% down payment and a 30-year-fixed rate of 5.42% (average per Freddie Mac in June).

Sales Prices

The average sale price for July 2009 was down 15.2% compared to July 2008, while the median sale price declined 13.3%. Month to month, the average and median sale price were mixed when compared with June

levels; the average sale price was down 3.7% (\$288,600 v. \$299,800), and the median sale price was up 0.04% (\$250,000 v. \$249,900).

12-Month Sales Price Percent Change

The 12-Month Sale Price Percent Change is based on a comparison of the rolling average/median price for the last 12 months (8/1/08-7/31/09) with 12 months before (8/1/07-7/31/08).

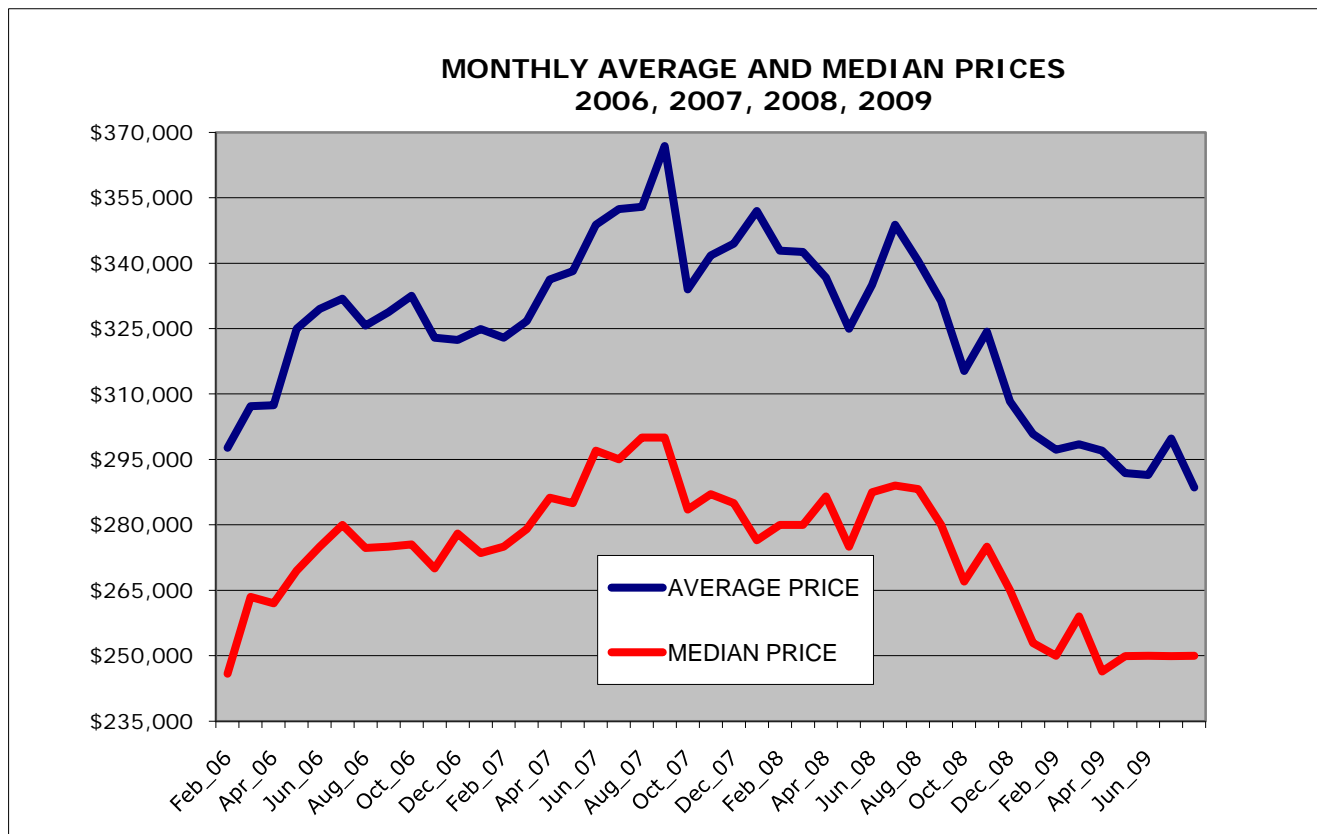
- Average Sale Price Percent Change: -11% (\$303,700 v. \$341,100)
- Median Sale Price Percent Change: -9.1% (\$259,000 v. \$285,000)

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

- Average Sale Price Percent Change from Peak in August 2007: -21% (\$288,600 v. \$366,900)
- Median Sale Price Percent Change from Peak in July/August 2007: -17% (\$250,000 v. \$300,000)

July 2009: A Drop of \$51,900 in the Average Price from July 2008

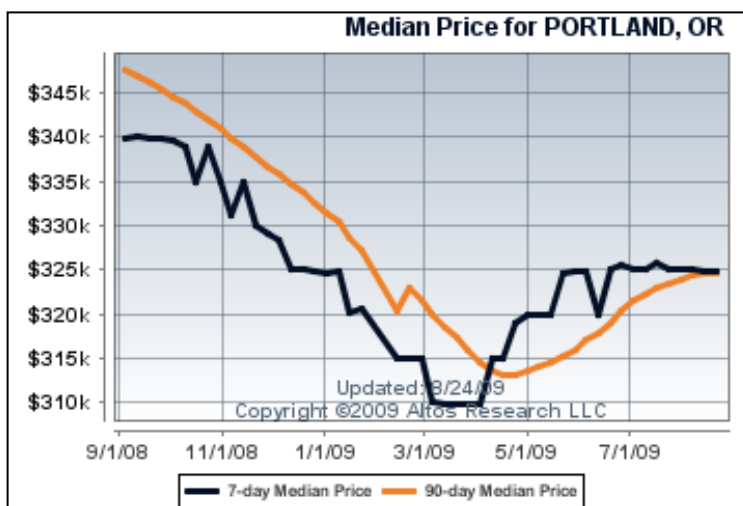
Below is the MONTHLY AVERAGE AND MEDIAN PRICES: 2006, 2007, 2008, 2009 chart showing the home sales by month. The chart is for the Portland metro area - it does not include homes in southwestern Washington (Vancouver to include Clark County).



Comparing the average home price from July 2009 with July 2008 shows a \$51,900 drop in the Portland region's average home price – down to \$288,600 from \$340,500 a year earlier. The median price decreased \$38,200 for the same periods (\$288,200 v. \$250,000).

July's average price took a nose dive on the above chart (blue line) but the median price (red line) for the last four months only changed by \$100.

Altos Research



[Altos Research](#) is a tool that tracks home prices in almost real time. For example the report above that was updated on August 24 was generated on August 27. Usually such reports are at least 4-5 weeks behind the actual market. If you desire more detailed reports, you can obtain a subscription to the service. Or you can just go to their Web site and key in the city/state.

Case-Schiller: Improvement Continues

Home prices continued rising from the depths of the nation's housing slump in June, a trend that could help stabilize the broader U.S. economy. Prices in the second quarter posted their first quarterly increase in three years, according to the widely watched [Standard & Poor's Case-Shiller](#) National Home Price Index.

Released on August 25th, Case-Shiller's monthly index of 20 major cities also rose from May to June, with Dallas and Denver clocking their fourth straight increases. Only Detroit and Las Vegas saw prices fall in June. Portland prices had a small gain as well — 0.3 percent in June over May.

Eighteen of the 20 cities tracked by Standard & Poor's Case-Shiller Home Price Index showed improvement in June, up from eight in May, four in April and only one in March. The trend, displayed in newly released data for June, is both pronounced and wide ranging. It is affecting the high-priced coastal cities, with a 3.8 percent jump for the month in San Francisco and a 2.6 percent rise in Boston; the industrial Midwest, with Cleveland prices up 4.2 percent; and even the Sun Belt, with Phoenix homes up 1.1 percent. These numbers are not seasonally adjusted.

Portland home prices have dropped 21 percent since the July 2007 peak, 15 percent in just the last 12 months. Nationally, the decline is at about 30 percent.

Federal Housing Finance Index

Further confirmation that the market is recovering came in the Federal Housing Finance Agency's house price index, which was also released Tuesday. It rose 0.5 percent in June after a revised increase of 0.6 percent in May. The government index is based on price information from mortgages acquired by [Fannie Mae](#) and [Freddie Mac](#), the government's housing finance arms, which means it has fewer high-priced houses than Case-Shiller.

Note: Besides the Oregon five metro area counties, Case-Schiller numbers also include home prices from Clark and Skamania counties in Washington state. This accounts for some of the differences in numbers that we report each month via RMLS.

Cost of Residential¹ Homes by Area/Community for July 2009

Area	July 2009 Closed Sales	July 2009 Average Sales Price	Year-to-Date For Period Ending July 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	1,988	\$288,600	\$293,800	\$250,000	-11.0%
Portland					
North	102	\$237,500	\$234,900	\$230,000	-9.2%
Northeast	205	280,500	293,100	255,000	-7.5%
Southeast	284	237,900	244,600	219,000	-9.6%
West (Includes SW and NW Portland and parts of eastern Washington County)	199	413,900	428,700	355,000	-9.0%
Portland Metro Suburban Areas					
Corbett, Gresham, Sandy, Troutdale	118	\$217,900	\$223,900	\$214,000	-13.6%
Clackamas, Milwaukie, Gladstone, Sunnyside	147	285,900	288,700	265,000	-9.5%
Canby, Beavercreek, Molalla, Mulino, Oregon City	94	286,400	290,100	249,900	-11.1%
Lake Oswego and West Linn	97	469,600	470,900	386,300	-15.8%
Northwest Washington County & Sauvie Island	101	383,400	375,700	349,900	-6.0%
Beaverton and Aloha	211	237,200	245,000	227,500	-9.7%
Tigard, Tualatin, Sherwood, Wilsonville	169	299,500	319,400	290,000	-10.3%
Hillsboro and Forest Grove	142	252,000	251,900	231,000	-11.9%
Mt. Hood: Brightwood, Government Camp, Rhododendron, Welches, Wemme, ZigZag	5	184,800	258,400	225,000	-3.4%
Counties Outside the Metro Area					
Columbia County	43	206,600	195,300	186,000	-13.3%
Yamhill County	71	237,200	233,600	214,000	-14.2%
Marion and Polk Counties	95	209,900	214,100	194,900	-12.4%
North Coastal Counties	61	266,500	293,500	245,000	-16.9%
Southwest Washington State					
Clark County (Battleground, Camas, Ridgefield, Vancouver, Woodland, etc.)	525	\$237,300	\$241,300	\$215,000	-14.0%

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 (8/1/08-7/31/09) with 12 months before (8/1/07-7/31/08).

Source: Regional Market Listing Service (RMLS™)

Mortgages

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

Freddie Mac released its Primary Mortgage Market Survey (PMMSSM) on August 27 in which the 30-year fixed-rate mortgage (FRM) was 5.12 percent with an average 0.7 point for the week ending August 20, 2009, down from last week when it averaged 5.29 percent. Last year at this time, the 30-year FRM averaged 6.47 percent.

The 15-year FRM this week averaged 4.56 percent with an average 0.7 point, down from last week when it averaged 4.68 percent. A year ago at this time, the 15-year FRM averaged 6.00 percent.

Five-year Treasury-indexed hybrid adjustable-rate mortgages (ARMs) averaged 4.57 percent this week, with an average 0.6 point, down from last week when it averaged 4.75 percent. A year ago, the 5-year ARM averaged 5.99 percent.

One-year Treasury-indexed ARMs averaged 4.69 percent this week with an average 0.5 point, down from last week when it averaged 4.72 percent. At this time last year, the 1-year ARM averaged 5.29 percent.

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

"U.S. Treasury bond yields fell nearly a quarter of a percentage point over the week, and other long-term yields followed suit," said Frank Nothaft, Freddie Mac vice president and chief economist. "Interest rates on 30-year and 15-year fixed-rate mortgages fell to the lowest level since the end of May, while initial rates on 5/1 hybrid ARMs declined to levels not seen since January 2005.

"Low mortgage rates are helping to reinforce the housing market. New construction on one-family homes rose for the fifth consecutive month in July to an annualized pace of almost 500,000 homes, the most since October 2008. In addition, homebuilder views of housing market conditions for the remainder of the year rose for the second month in a row in August to the most positive reading since June 2008, according to the National Association of Home Builders."

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 \$288,600 for July, 2009 and with 20 percent down payment (\$57,720) and a mortgage of \$230,880, the payment for a 30-year fixed loan is \$1,152.75 per month (excluding property taxes and insurance) in Portland, Oregon. The interest rate is 4.375%, and the APR is 4.743%. Total closing costs are \$11,818 - \$5,984 of that amount are discount points and guaranteed lender fees are \$3,732. This fee covers everything, and the lender fees are guaranteed not to change from the time they lock your rate (45 days) to closing. Escrow fees are not waived. FICO credit score 800 (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

August 2009 Weather

Water Year (October 1 - September 30)	Average Precipitation In Inches	Actual Precipitation in Inches	Water Year
Year-to-Date	34.66	25.74	Portland's rainfall is measured according to the "water year" which is from October 1 through the end of September. 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	1.36	
March	3.71	3.71	
April	2.64	2.31	
May	2.38	3.26	
June	1.59	1.32	
July	0.70	.34	
August	0.89	.76	
September	1.65		
Year Average	37.07		

Above is the [National Weather Service](#) precipitation data for the month of August 2009. Below is the weather summary for the month:

- Average Monthly Temperature: 69.9 (1.4 degree above normal)
- Average Maximum Temperature: 80.5 (normal is 79.7)
- Average Minimum Temperature: 59.3 (normal is 57.3)
- Highest Temperature: August 19 at 97.
- Lowest Temperature: August 26 at 52.
- Number of Days With Rain: 7
- Average Monthly Wind Speed: 5.1 MPH.
- Clear/Cloudy Days: 7 fair days, 18 partly cloudy days, and 6 cloudy days.

Whereas in July, the average monthly temperature was 7.2 degrees above normal, things settled back to normal in August (1.4 degrees above normal). In July we had 14 days where temperatures were above 90, in July we had seven. I can still feel those two days in July (the 28th and 29th) where temperatures soared to 106.

Our rainfall is about 10 inches below normal for the water year (October - September), but we are still very green in Portland. August gave us a few rainy days so it not so much the amount of rain we get, but rather how often we get rain had seven days in which rain fell in August.

Waiting for the Recovery

Many of the news stories are about the recovering economy. We read that it's going be a slow recovery as economists set low expectations. The good news is that the rate of contraction is slowing. The big question: Will our standard of living return to pre-recession days? We have history going for us as over the years, whenever we have suffered a recession (to include the depression of the 30s), we have returned stronger.

We have been watching unemployment rise for months, and experts tell us that's likely to continue through the middle of next year.

There are positives in the stock market as the Dow climbed to 9,544 as of August 30 but analysts warn us that much of the activity was insider trading. September is historically the worst-performing month. Sure enough, in early September trading, the Dow Jones industrial average fell to 9,281 (a loss of over 250 points) in just two days. Not a good sign.

Are we resetting the underpinnings of a consumer-driven society to a new level? The normal drivers of growth – consumer spending, business investment, and exports– are weak, and it is only because of massive government spending that the second quarter was not as bad as the two previous quarters. On the U.S.A. side, the Feds are trying to stimulate demand for more stuff. On the far side, Chinese stimulation is going into producing more stuff. Do we really need more stuff?

The bull market of the '80s and '90s gave us the illusion of wealth and an easy future. Even the crash of Black Friday didn't stop the excess. As interest rates came down and money became easier, our propensity to acquire things took over. And then we really blew it as our homes started to rise in value and we learned through new methods of financial engineering that we could borrow against what seemed like their ever-rising value, to finance consumption. Remember the ads that told us that we were sitting on a "gold mine" (our home) and all we had to do to get a pile of cash in our hands was to call the toll-free number?

We created all sorts of readily available credit and packaged it in convenient, irresistible AAA-rated securities and sold them to an unsuspecting world. A world that could always rely on the integrity of our investments. We created liar loans, no-money-down loans, and no-documentation loans and expected them to act the same way that mortgages had in the past. What were the rating agencies thinking? Who was watching the henhouse? Now that same group of regulators want more power and many don't think they should have it. And yet, an unregulated financial sector has or could seemingly lead to more problems.

And the government deficit! As economic writer John Mauldin wrote in his recent newsletter. "If we do not maintain high deficits, it is likely we fall back into recession. Yet if we do not control spending, we risk running up a debt that becomes very difficult to finance by conventional means. Monetizing the debt can only work for a few trillion here or there. At some point, the bond market will simply fall apart. And it could happen quickly. Think back to how fast things fell apart in the summer of 2007. When perception of the potential for inflation changes, it changes things fast."

Positive Signs

Our saving rate has increased dramatically the last few months as we tighten our belts and buy only essentials. Consumer spending, which accounts for about 70% of U.S. economic activity, lags. We Americans love things. Will we continue to "love things" by buying more goods or will we keep building up the "rainy day" fund?

Another sign: Our homes are getting smaller according to the U.S. Census Bureau. This is mainly due to the rising cost of energy. We can no longer afford big homes.

On September 1, the Commerce Department reported that orders for new manufactured goods were up 1.3 percent in July — the fifth increase in six months, but less than expectations of a 2.2 percent increase.

In another report, the Labor Department said that productivity grew at the fastest rate in almost six years while labor costs plummeted, reflecting how businesses have pushed to become more efficient and cut their costs as they try to survive the downturn.

Housing prices rose 2.9% from the first quarter to the second — the first quarterly increase in three years, Standard & Poor's reported in late August. And the [Conference Board](#) announced that amid signs of economic improvement, consumer confidence rebounded in July to 47.4. Still, the index is well below 90, the minimum

level associated with a healthy economy. Anything above 100 signals strong growth.

Lesson Learned: Frugality is the New Norm

Frugality is the new normal as we are resisting the temptation to accumulate more goods and those new goods that we purchase are smart "buys." Evidence of this was the "Cash for Clunkers" program. The top ten purchases were all small vehicles that averaged 24.9 MPG whereas the trade-ins averaged 15.8 MPG. And the top ten clunkers traded were a mix of gas guzzlers (SUVs and trucks).

Have we learned a lesson? Our parents and grandparents absorbed the lessons of the Depression in the 30s and now it's our turn to benefit from the events of the 80s and 90s. Save, make certain you need it before you buy it, don't go deeply into debt, and watch those credit cards.

Things are changing.

Sorting out Portland Housing Market: Questions & Answers

Ryan Frank, a writer for *The Oregonian*, summed up the Portland housing market nicely in a feature story on Sunday, August 16, 2009. The question is: Is it time to buy? In other words, have we hit bottom? Another question: Buyers who purchased at the peak of the market, and now find their home worth much less, want to know when their investment can expect to recover.

Below are some excerpts from Ryan's article.

I know home prices are down. But how much value has my home lost?

If your home tracks the regional average, it's lost about 17 percent of its value since the housing market peaked in summer 2007. Disclaimer: Your actual results may vary. That's what's happened with the regional median price. Each house and each neighborhood is different. Clark County, where developers swarmed in the boom time, is worst off, down 21 percent between July 2007 and July 2009. West Portland is looking best, down 6.3 percent.

Have prices hit bottom?

Possible, but not likely. Prices have stopped falling for now. The region's median price has hovered near \$250,000 for the past five months. Some people take that as evidence the market is at bottom. It could also be a seasonal pattern. Home prices tend to firm up in the summer when demand is highest. That summer blip is often followed by a fall dip.

Even if we have hit bottom, that doesn't mean prices will rise again soon. People who study and build housing for a living say they expect prices to linger near the bottom for months and maybe a year or more. It's hard to see prices increasing much until Oregon's unemployment picture brightens.

[IHS Global Insight](#), an economics firm, still labels the markets in Bend, Portland, Eugene and Salem as overvalued.

I keep reading that the economy is stabilizing. Are more people buying homes now?

There are more home sales this summer than during winter lows. But that's not saying much. Bank cutbacks in mortgage lending and lackluster consumer confidence drove January sales figures in Portland to the lowest levels since record keeping began in 1992. Sales climbed steadily this summer and there were more sales this July than in July 2008.

The sales growth has come largely from first-time buyers and bargain-shopping investors. Through July this

year, buyers had closed on 4,700 homes under \$250,000. That's up 7 percent from a year earlier. For homes above \$250,000, the higher the price, the worse the sales performance. Sales above \$750,000 were down 55 percent. Brokers say buyers of more expensive homes are scared off by job worries and higher interest rates on big mortgages.

I need a new place to live. Should I buy or rent?

Buy, if you have a solid job and expect to own for five years or longer. That will help you ride out the sluggish price growth. Rent, if you're in town for the short term or lay awake fretting about a pink slip.

Keep in mind that the cost to buy in Portland is high compared with rents. A study done for The Associated Press showed the monthly cost to own a home is \$934 more than renting. That's makes the Rose City the seventh-most overpriced market out of 45 metro areas. For more on the study, visit The Oregonian's real estate blog.

How many foreclosures are there out there?

About 14,000 Oregonians had a mortgage in foreclosure during the first quarter of 2009, according to the Mortgage Bankers Association, the most reliable source for such information. That's about 2 percent of the state's outstanding mortgages. That may not seem high, because about 98 percent aren't in foreclosure. But compared with previous downturns, we're in a serious mortgage mess.

About 7.5 percent of all borrowers were at least one month late on their mortgage in the spring. Since record keeping began in 1979, the only quarter with a higher rate came in 1985 during another nasty recession.

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