

# Moving to Portland™

## February 2010 Newsletter

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## Portland Home Market

### December 2009 Residential Highlights

Sales activity in the Portland metro area showed marked improvement this December compared to the same month a year ago. Closed sales were up 52.6% compared to December 2008 and pending sales rose 40.9%. New listings also rose 11.9%.

On the other hand, compared to November 2009, closed sales fell 16.1% (1,506 v. 1,795). Pending sales dropped 14.1% (1,141 v. 1,328). New listings fell 15.8% (2,104 v. 2,499).

At the month's rate of sales, it would take approximately 7.7 months to sell the 11,597 active residential listings.

### 2009 Summary

Comparing activity from 2009 with that of 2008, pending sales increased 4%. Closed sales were 0.9% short of the 2008 total. New listings fell 18.8%. Total sales volume for 2009 was \$5.5 billion, down from \$6.3 billion in 2008, as well as \$9.7 billion in 2007.

### Sales Prices

The average sale price for December 2009 was down 2.5% compared to December 2008, while the median sale price declined 4.2%. Compared to November 2009, the average price rose 7.3% (\$293,300 v. \$273,300) and the median grew 1.3% (\$242,200 v. \$239,000).

For the year, the average sale price dropped 12.2% compared to 2008. The median price fell 11.2%.

### Twelve-Month Sales Price Percent Change for Portland Metro Area

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

- Average Sale Price Percent Change: -12.1% (\$289,900 v. \$329,900)
- Median Sale Price Percent Change: -10.8% (\$247,000 v. \$277,000)

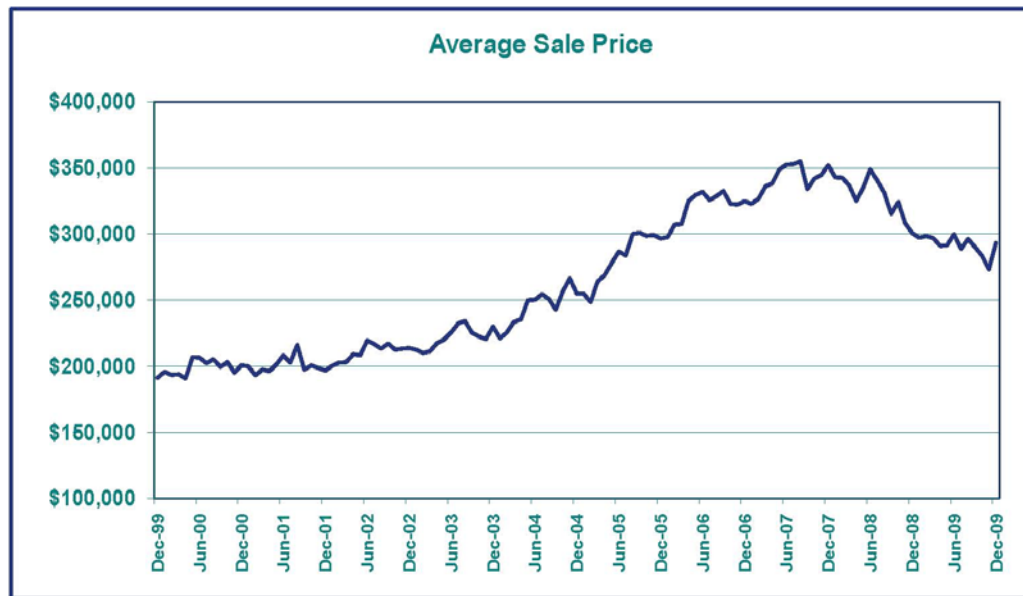
### Average Sales Price Drops 26 Percent from Peak

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

- Average Sale Price Percent Change from Peak in August 2007: -20.0% (\$293,300 v. \$366,900).
- Median Sale Price Percent Change from Peak in July 2007: -20.0% (\$242,200 v. \$302,000).

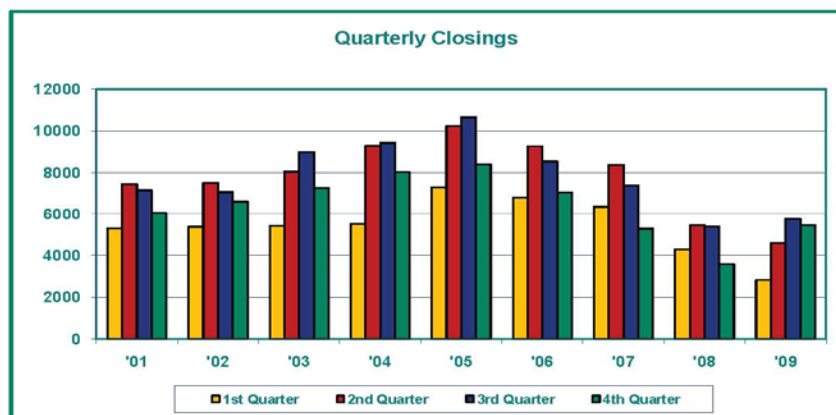
### December 2009: Average Home Price Drops \$7,500 from December 2008

Below is the *Average Sales Price: 1999 - 2009* chart showing the home sales by 6-month intervals. 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 2009 with December 2008 shows a \$7,500 drop in the Portland region's average home price – down to \$293,300 from \$300,800 a year earlier. The median price decreased \$10,700 for the same periods (\$242,200 v. \$252,900).

The below chart shows the quarterly closings from 2001 through the end of 2009.



There were 18,955 homes sold in 2009 in the five-county Portland metro area – total sales were \$5.5 billion. The peak of the home market was in 2004 – 2007. The metro area had a 33 percent drop in the number of homes sold in 2009 compared to 2007 (28,173). In 2006, even more homes were sold (32,403), and the total sales volume was \$10.4 billion.

The highest sales volume was recorded in 2005 when 37,403 homes were sold for a total of \$10.6 billion. This was up from 2004 when sales were \$8.1 billion.

### **Case-Schiller: Portland Posts Biggest Gain in Four Years**

Portland-area home prices rose .9 percent between October and November, the biggest increase in nearly four years, according to [Standard & Poor's Case-Shiller index](#). Portland posted the fifth biggest month-to-month gain in seasonally adjusted numbers. The only other markets to post bigger gains in the 20-city report came from Sun Belt markets in Phoenix, San Francisco, San Diego and Los Angeles. It was Portland's biggest such gain since May 2006.

With the gain, the Portland market has risen 1.7 percent above the bottom it hit in May. But it is down 7.5 percent from November 2008 and remains 19 percent below its 2007 peak. Economists are still predicting a flat 2010, at best, and another 5 percent to 10 percent drop at worst.

Beyond Portland, the Case-Shiller index's 10-city and 20-city composites showed some mild improvements, and each of the 20 markets showed slowing rates of decline compared to November 2008.

Some Sun Belt markets are showing steady improvements. San Francisco, San Diego, Los Angeles and Phoenix all reported improvements for at least the sixth month in a row in non-seasonally adjusted figures. Other Sun Belt cities aren't doing as well. The free-fall continues in Las Vegas where prices fell for the 39th straight month. Las Vegas home prices peaked at 135 percent above its January 2000 level in 2007. Since then, prices there have dropped and are just 4 percent above the January 2000 level.

**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.

### **IHS Global Insight**

[IHS Global Insight](#) notes that the November readings reflect stronger demand in the fall because the index is a three-month moving average that reflects purchases in September, October, November. Demand was strong then because of the home buyer tax credit. Will this trend continue? Probably not, says the firm's national economist, Patrick Newport.

Mortgage rates are likely to rise after the Fed stops buying mortgage securities at the end of March. Demand has tapered off since the first tax credit expired, and the second tax credit, up to now, is having minimal effects. So, despite the recent positive reports on housing prices, IHS thinks that prices will fall more – about another 5%.

IHS Global Insight report states that seasonally adjusted prices increased for the sixth straight month in November, and are up about 3.5% from their May, 2009 low; Prices have risen in 19 cities since hitting a bottom earlier this year. Since hitting bottom this year, seasonally adjusted prices are up 13.7% in San Francisco and by 5% or more in Minneapolis, Phoenix, Los Angeles, San Diego, and Washington, D.C.

Source: *The Oregonian*, January 26, 2010, by Ryan Frank

## Cost of Residential<sup>1</sup> Homes by Area/Community for December 2009

| Area   | Dec.<br>2009<br>Closed<br>Sales | December<br>2009<br>Average<br>Sales<br>Price | Year-to-Date<br>For Period Ending<br>December 2009 |                         | 12-Month<br>Average<br>Sales Price<br>Change <sup>2</sup> |
|--|---------------------------------|---|--|-------------------------|---|
|  |                                 |   | Average<br>Sales<br>Price                          | Median<br>Sale<br>Price |   |
| Portland Metro Area  |                                 |   |  |                         |   |
| Includes these counties in Oregon: Clackamas, Columbia, Multnomah, Washington, & Yamhill | 1,506                           | \$293,300                                     | \$289,900  | \$247,000               | -12.1%  |
| Portland   |                                 |   |  |                         |   |
| North  | 63                              | \$236,000                                     | \$236,000  | \$230,000               | -11.3%  |
| Northeast  | 130                             | 294,500                                       | 287,100  | 253,000                 | -10.2%  |
| Southeast  | 207                             | 237,200                                       | 240,900  | 215,000                 | -12.7%  |
| West (Includes SW and NW Portland and parts of eastern Washington County)                | 185                             | 402,300                                       | 420,500  | 347,600                 | -12.0%  |
| Portland Metro Suburban Areas  |                                 |   |  |                         |   |
| Corbett, Gresham, Sandy, Troutdale   | 106                             | \$229,000                                     | \$222,100  | \$210,000               | -14.1%  |
| Clackamas, Milwaukie, Gladstone, Sunnyside   | 126                             | 304,500                                       | 288,000  | 260,000                 | -9.5%   |
| Canby, Beavercreek, Molalla, Mulino, Oregon City   | 81                              | 254,300                                       | 279,500  | 245,000                 | -10.7%  |
| Lake Oswego and West Linn  | 85                              | 538,600                                       | 486,300  | 395,000                 | -9.8%   |
| Northwest Washington County & Sauvie Island  | 53                              | 358,700                                       | 369,300  | 349,900                 | -8.7%   |
| Beaverton and Aloha  | 133                             | 241,600                                       | 241,100  | 223,000                 | -11.9%  |
| Tigard, Tualatin, Sherwood, Wilsonville  | 118                             | 316,100                                       | 316,000  | 285,000                 | -10.3%  |
| Hillsboro and Forest Grove   | 111                             | 232,600                                       | 243,200  | 225,000                 | -12.3%  |
| Mt. Hood: Brightwood, Government Camp, Rhododendron, Welches, Wemme, ZigZag              | 13                              | 270,800                                       | 254,300  | 220,000                 | 0.2%  |
| Counties Outside the Metro Area  |                                 |   |  |                         |   |
| Columbia County  | 29                              | \$196,100                                     | \$193,300  | \$185,000               | -16.1%  |
| Yamhill County   | 66                              | 217,400                                       | 277,300  | 206,000                 | -14.8%  |
| Marion and Polk Counties   | 78                              | 190,400                                       | 203,600  | 184,800                 | -15.0%  |
| North Coastal Counties   | 61                              | 309,900                                       | 296,800  | 245,000                 | -15.2%  |
| Southwest Washington State   |                                 |   |  |                         |   |
| Clark County (Battleground, Camas, Ridgefield, Vancouver, Woodland, etc.)                | 422                             | \$244,400                                     | \$237,800  | \$211,500               | -14.6%  |

<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 (1/1/09-12/31/09) with 12 months before (1/1/08-12/31/08).

Source: Regional Market Listing Service (RMLS™)

## Mortgages

### Primary Mortgage Market Survey: Rates are Flat

Freddie Mac released its Primary Mortgage Market Survey (PMMS) in which the 30-year fixed-rate mortgage (FRM) averaged was 4.98 percent with an average 0.6 point for the week ending January 28, 2010, down slightly from last week when it averaged 4.99 percent. Last year at this time, the 30-year FRM averaged 5.10 percent.

The 15-year FRM this week averaged 4.39 percent with an average 0.6 point, down slightly from last week when it averaged 4.40 percent. A year ago at this time, the 15-year FRM averaged 4.80 percent.

The 5-year Treasury-indexed hybrid adjustable-rate mortgage (ARM) averaged 4.25 percent this week, with an average 0.6 point, down from last week when it averaged 4.27 percent. A year ago, the 5-year ARM averaged 5.27 percent.

The 1-year Treasury-indexed ARM averaged 4.29 percent this week with an average 0.5 point, down from last week when it averaged 4.32 percent. At this time last year, the 1-year ARM averaged 4.90 percent.

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

"Mortgage rates held steady this week ahead of the [Federal Reserve's \(Fed\) policy committee meetings](#)," said Frank Nothaft, Freddie Mac vice president and chief economist. "The Fed announced on January 27th that economic activity has continued to strengthen. It also noted that with substantial resource slack continuing to restrain cost pressures and with longer-term inflation expectations stable, inflation is likely to be subdued for some time.

### Portland Area Mortgage Rates



To check on Portland metro area mortgage rates visit Professor Guttenberg's Web site at [mtgprofessor.com](http://mtgprofessor.com) – click on "Fixed-Markup Lender."

Taking the average home price in Portland of \$293,300 for December, 2009 and with 20 percent down payment (\$58,660) and a mortgage of \$234,640, the payment for a 30-year fixed loan is \$1,154.29 per month (excluding property taxes and insurance) in Portland, Oregon. The interest rate is 4.250%, and the APR is 4.655%.

Total closing costs are \$12,376 – guaranteed lender fees are \$10,212 – the lender fees are guaranteed not to change from the time they lock your rate (30 days) to closing. Closing attorney/agent, appraiser, title insurance, and credit reporting \$2,164. Escrow fees are not waived. FICO credit score 750.

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

### December 2009 Weather

| Water Year<br>(October 1 -<br>September 30) | Average Precipitation<br>In Inches | Actual Precipitation<br>in Inches | Water Year  |
|---|------------------------------------|-----------------------------------|---|
| Year-to-Date                                | 19.27                              | 16.88                             | Portland's rainfall is measured according to the "water year" which is from October 1 through the end of September.<br><br>Precipitation is measured from the NOAA Weather Station near the Portland International Airport. |
| October                                     | 2.88                               | 3.05                              |   |
| November                                    | 5.61                               | 5.13                              |   |
| December                                    | 5.71                               | 3.76                              |   |
| January                                     | 5.07                               | 4.94                              |   |
| February                                    | 4.18                               |                                   |   |
| March                                       | 3.71                               |                                   |   |
| April                                       | 2.64                               |                                   |   |
| May   | 2.38                               |                                   |   |
| June  | 1.59                               |                                   |   |
| July  | 0.70                               |                                   |   |
| August                                      | 0.89                               |                                   |   |
| September                                   | 1.65                               |                                   |   |
| Yearly Average                              | 37.07                              |                                   |   |

Above is the [National Weather Service](#) precipitation data for the month of January 2010. Below is the weather summary for the month:

- Average Monthly Temperature: 45.0 (5.1 degree above normal)
- Average Maximum Temperature: 49.6 (normal is 45.6)
- Average Minimum Temperature: 40.5 (normal is 34.2)
- Highest Temperature: January 7 at 58.
- Lowest Temperature: January 4 at 35.
- Number of Days With Light Rain: 25 and one day with heavy rain
- Average Monthly Wind Speed: 10.2 MPH.
- Clear/Cloudy Days: 0 fair days, 3 partly cloudy days, and 28 cloudy days.

### Mild January Weather the Result of El Niño

The weather during this year's strong El Niño is following close to the script in Oregon, with snowpacks disappearing and temperatures above average. Portland had its third-warmest January in 70 years, with an average temperature of 45 degrees. In Portland, temperatures have reached 50 degrees or higher 13 times in January but never hit the freezing mark of 32 degrees.

Only January 2006 (45.5 degrees) and January 1953 (47.3 degrees) have been warmer. Higher temperatures are also the rule in Medford, which has averaged 45.8 degrees this month, about 8 degrees above normal. Salem, Eugene and Corvallis also are close to matching or beating their warmest Januaries, with temperatures about seven degrees above average.

El Niño conditions, the warming of the equatorial Pacific Ocean surface waters off the coast of South America, occur about every two to six years. The phenomenon tends to spell drier and warmer winters in the Pacific Northwest, wetter storms in the Southwest and colder winters in the South.



## What is a "Green" Home



We purchased an Energy Star townhome in the Sellwood neighborhood a couple of years ago with the long-term goal of making it our permanent home – we're looking to downsize and get away from yard work and outside maintenance. The home was an Energy Star home built by a national building firm. We are renting the home out now and have found that it is easy to rent because of the desirable neighborhood, features, and of course we push the "green" label to prospective tenants.

We knew we had to change a few things as builders usually undersize bath fans, garbage disposals, etc. We started making comparisons between the Sellwood townhome and our West Hills remodeled home and were surprised to find out that our West Hills home (not certified green) was a lot more "green" than our Energy Star Sellwood townhome.

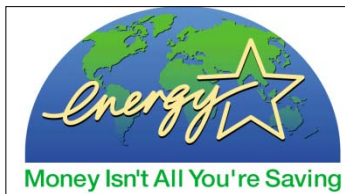
For example, our West Hills home has a metal roof that qualifies for a \$2,500 tax credit, instant hot water, more energy efficient furnace, and bamboo floors. The windows are rated much higher for energy efficiency. Last year we had the [Home Performance Energy Audit](#) and were told we should leave a window open as the house was very tight (no leakage).

The townhome appliances are supposed to be more efficient but according to the [Consumers Reports](#), (October 2008), Federal test procedures haven't kept pace with technology, a point Energy Star leadership conceded in a meeting with Consumers Union, nonprofit publisher of Consumer Reports.

Our conclusion is that you can make an energy efficient home more "green" than a certified one. Admittedly, there are differences in certification standards with the [United States Green Building Council](#) (USGBC) the most stringent code.

The Green Building Council LEED (Leadership in Environmental and Energy Design) has a set of voluntary, consensus-based national standards for developing high-performance, sustainable buildings. LEED uses a four-tiered rating system (Certified, Silver, Gold, and Platinum). Points are earned for things such as transit access, stormwater control, water-efficient landscaping, re-used and regionally manufactured materials, increased daylight and ventilation for indoor air quality, and design innovation.

### EPA Sets New Energy Star Guidelines



As the U.S. Environmental Protection Agency readies a more stringent set of Energy Star guidelines for new homes and the appliances inside them, Oregon is ahead of the curve because the state already has raised the bar for energy-efficiency standards.

Initiated during the 1990s, Energy Star has grown to become a nationally recognized guide for consumers searching for energy-efficient appliances and other products. Energy Star also has become a heavily used promotional tool by developers, contractors and real estate companies seeking to set their products apart in the competitive housing market. The EPA estimates that more than 17 percent of all new homes built in 2008 qualified for Energy Star certification.

The agency determined the program has several weak spots, including its failure to recognize new technologies and cost-effective measures such as energy-efficient lighting, water distribution systems and low-flow water fixtures.

### New Energy Star Standards Take Effect in 2011

Homes permitted on or after January, 2011, will be required to meet the Energy Star 2011 guidelines. Along with continuing to promote energy-efficient products and homes, the EPA's goals are to ensure a comprehensive approach to building science, add new, high-value, on-site

inspections to ensure that Energy Star homes perform at expected levels and limit the carbon footprint of large homes earning the qualification.

While the EPA's plan is to bring the Energy Star standards up to snuff so they are on par with higher standards adopted by individual states, the agency does allow that state regulations often have – and will continue to – trump Energy Star guidelines.

"EPA has had to invest significant resources to accommodate states such as California, Oregon, and Washington with customized guidelines to ensure above-code performance. Fueled by the growing interest in energy independence and climate change, additional states are seeking to adopt rigorous energy codes," the Energy Star Web site says. "The proposed guidelines require that all state energy code requirements more stringent than the national Energy Star Reference Design Home take precedence."

### Oregon Residential Energy Tax Credit

A spokesperson for the Oregon Department of Energy said the new EPA standards will make little difference in Oregon. The state's [Residential Energy Tax Credit](#) already surpasses federal requirements for energy efficiency in appliances, heating and air conditioning systems, and water heating systems.

Portland's Green Building Services, which provides sustainable consulting services for the design, construction and operations of new construction and existing buildings across the nation and internationally, doesn't expect to see much effect from Energy Star 2011, either.

### Energy Trust of Oregon



Bob Stull, senior program manager for [Energy Trust of Oregon](#), agreed the Energy Star 2011 revisions are a positive step in promoting energy efficiency nationwide. Most Oregon homebuilders involved in Energy Trust's programs are poised to not only meet the stiffer requirements, but take them a few steps further, he said.

"The new Energy Star requirements proposed for 2011 will be easier for Oregon builders to work with than builders in other parts of the country because Oregon already goes above and beyond the current requirements," Stull said. "We've been doing this since 2002, so our

builders already have surpassed the Energy Star requirements."

Energy Trust provides financial incentives for builders who incorporate energy-efficient measures, which helps offset the costs of some of the upgrades. Last spring, Energy Trust launched its Energy Performance Score, which gives builders a more specific means of measuring and demonstrating how they go beyond existing codes in enhancing residential energy efficiency. The EPS, as it's called, shows a home's energy consumption and related carbon dioxide emissions. It also helps homebuyers understand how a home will perform and allows them to comparison shop based on energy use, carbon impact and estimated energy savings.

Source: Daily Journal of Commerce, "Energy Star loses its shine," Monday, July 27, 2009 by Melody Finnemore.

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