

Moving to Portland™

March 2010 Newsletter

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Portland Home Market

January 2010 Residential Highlights

While not quite as dramatic as last month, sales activity in the Portland metro area continued to show improvement in January 2010 compared to the same month a year ago.

Closed sales were up 34.7% compared to January 2009, and pending sales rose 24.3%. However, new listings fell 6.2%. Pending sales were also up 34.5% (1,535 v. 1,141), when compared to December 2009. On the other hand, closed sales fell 34.5% (986 v. 1,506), and new listings grew 87.1% (3,937 v. 2,104) driving inventory to double digits for the first time since May of 2009.

At the month's rate of sales, it would take approximately 12.6 months to sell the 12,449 active residential listings.

Sales Prices

The average sale price for January 2010 was down 5% compared to January 2009, while the median sale price declined 4%. Compared to December 2009, the average price decreased 3.7% (\$282,400 v. \$293,300), and the median fell 0.9% (\$240,000 v. \$242,200).

Five-County Metro Area Sales Price: 2008 v. 2009

Below is a review of the difference between the average sale prices in the five-county metro area between 2008 and 2009.

County	Average Change	Sales Price 2008 v. 2009
Clackamas	\$336,100	-10.6%
Columbia	193,300	-16.2%
Multnomah	285,300	-14.0%
Washington	281,300	-11.1%
Yamhill	227,300	-14.8%

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 (2/1/09-1/31/10) with 12 months before (2/1/08-1/31/009).

- Average Sale Price Percent Change: -11.7% (\$289,200 v. \$327,700)
- Median Sale Price Percent Change: -10.5% (\$246,000 v. \$275,000)

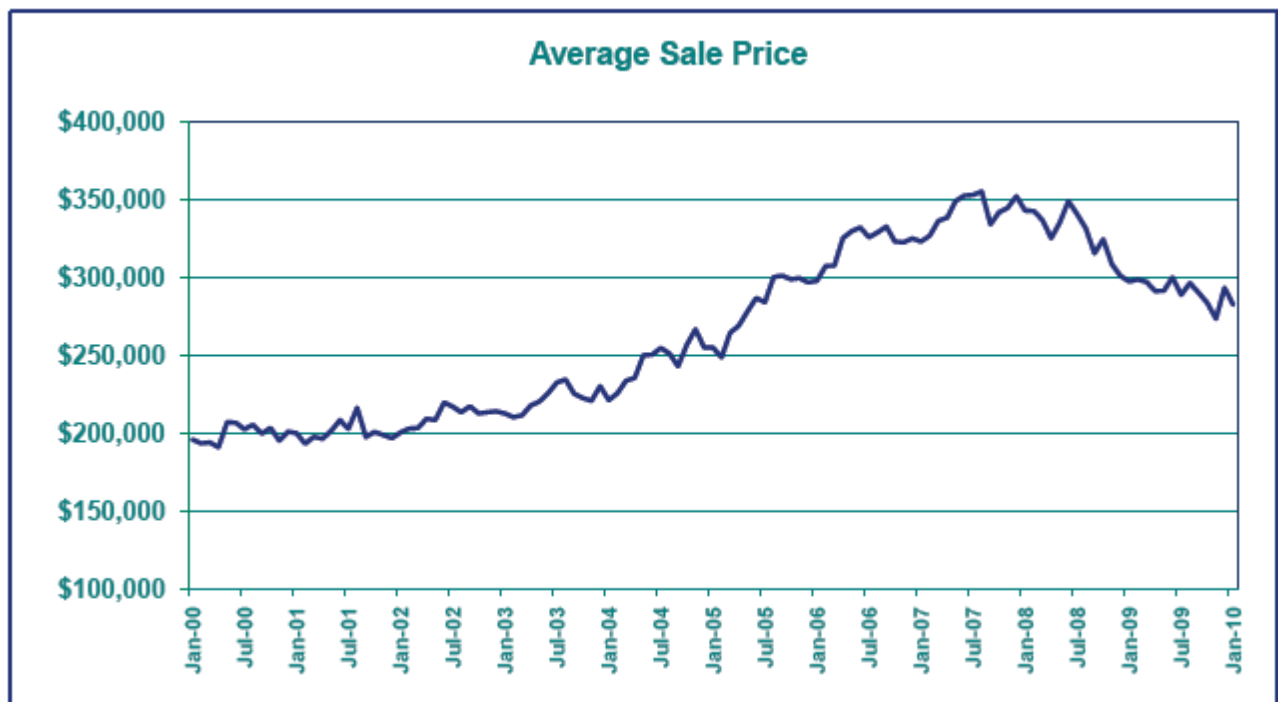
Average Sales Price Drops 26 Percent from Peak

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

- Average Sale Price Percent Change from Peak in August 2007: -23.0% (\$282,400 v. \$366,900).
- Median Sale Price Percent Change from Peak in July 2007: -20.5% (\$240,000 v. \$302,000).

January 2010: Average Home Price Drops \$14,800 from January 2009

Below is the *Average Sales Price: 2000 - 2010* 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).



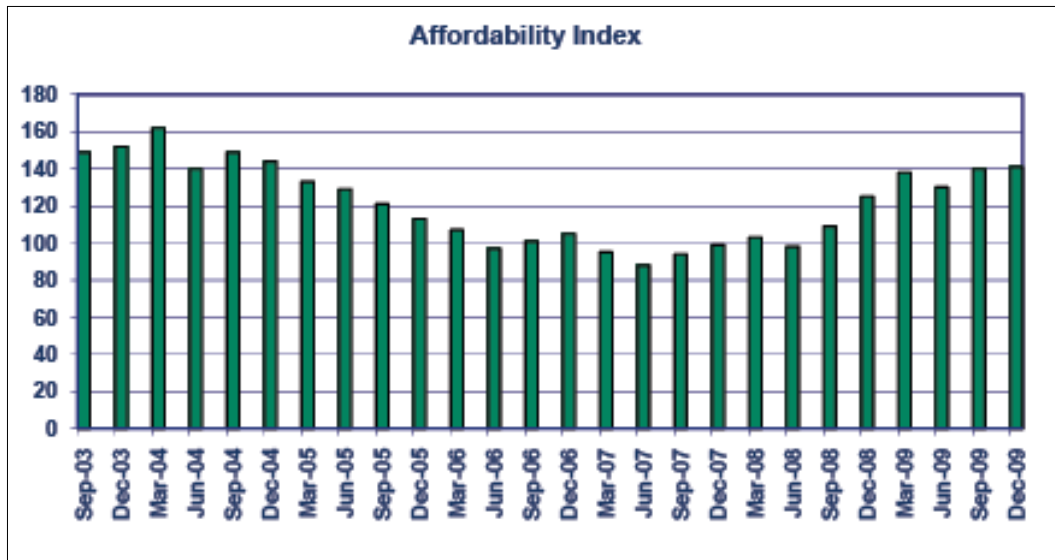
Comparing the average home price from January 2010 with January 2009 shows a \$14,800 drop in the Portland region's average home price – down to \$282,400 from \$297,200 a year earlier. The median price decreased \$10,000 for the same periods (\$240,000 v. \$250,000).

Prices in January 2010 are about the same as they were in the summer of 2005. In July of 2005, the average price was \$283,900 and the median price was \$240,000 which is the same as the January, 2010 median price.

The question everyone keeping asking: "Will home prices in the Portland metro area keeping going down or have we seen the end?" Most of the experts say we will see some small adjustments in the market in the next few months but the big drops are over. A lot will depend upon employment picking up and people going back to work.

Affordability Index

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 price home (\$242,200 in December 2009). The formula assumes that the buyer has a 20% down payment and a 30-year fixed rate mortgage of 4.83%.



From the graph above, you can see that homes in the Portland area are becoming more affordable as prices decrease. In December, 2009 the index got back to the 2004 levels.

Median Sales Price of Condos

The chart below shows the median sales price over the past 12 months in the Portland metro area. The blue line represents 2008 prices and the green line 2009 prices. Note that the January 2010 price of condos (red mark) is between the 2008 and 2009 price.



The *Portland Business Journal* reported in their February 26, 2010 edition that the John Ross condominiums in the South Waterfront were 74 percent sold. It took more than three years to sell the 221 units – about 84 units still remain unsold.

The *Journal* reported that "Rumors are circulating that many unsold units will be auctioned off much the way units at its sister project, Atwater Place, were sold last September. Forty units sold during that auction. All were advertised at about half the initial list prices."

The John Ross had to cut prices in mid 2009 by approximately 33 percent when there were 110 unsold units. The *Journal* reported that the John Ross offered the deepest discounts of any project in Portland. In comparison, the 104-unit Westerly in Northwest Portland discounted prices by an average of about 24 percent and sold 30 units in 2009. The Westerly is about 75 percent unsold and 1-3 units away from being able to partly repay its original investors.

Oregon Ranks 20th in Underwater Loans

The ranks of underwater loans in Oregon grew by 15 percent between the third and fourth quarters, rising from about 97,000 to about 111,000, according to a report out the last week of February. In Portland, the number of underwater loans grew by 14 percent between the two quarters, rising from 69,000 to 79,000. For more on the [First American CoreLogic's](#) report, visit their Web site.

Realtors refer to these underwater loans and homes in foreclosures as the "Shadow Inventory." There is always the possibility that banks and lenders will start foreclosure proceeding on many of the underwater homes turning them into foreclosures. A sudden increase of homes on the market invariably cause price declines.

Lender's Foreclosure Rescue Failed Nearly Half the Time

Aspen Capital flourished for two decades by investing in high-stakes commercial real estate deals. Then in 2004, the firm expanded from downtown developers to desperate homeowners. Aspen executives created a company to join the booming mortgage market, and it became a lender of last resort for homeowners tipping toward foreclosure.

Of the 85 loans the company issued in the Portland area between 2004 and 2009, about 49 percent fell into foreclosure, according to an analysis by *The Oregonian*. Read the entire story by clicking [here](#).

Case-Schiller: December Stable But Concerns Ahead

The Portland housing market continued to stabilize in December as prices rose for the sixth time in seven months, according to Standard & Poor's/Case-Schiller index report released in late February. The report sparked fresh concern from economists that the market may slow again after the federal stimulus wears off.

The Portland market rose 0.5 percent between November and December in seasonally adjusted figures. Since May, prices are up 2 percent in the region. Nationally, the seasonally adjusted 20-city composite index improved for the seventh straight month. Portland's December gain ranked as the seventh largest.

Economists added a note of caution for those expecting home prices to start climbing again. The federal government has been propping up the housing market with interest rates below 5 percent, a home buyer tax credit and a mortgage modification push that's made lenders delay pushing delinquent loans into foreclosure.

At some point this year, economists expect that interest rates will tick up, the tax credit will go away this spring and the swelling ranks of foreclosures will eventually be put on the market. That new supply is expected to hold down prices. Yale economist Robert J. Shiller, one of the index's founders, told CNBC on Tuesday, "This isn't a forecast, but it's a worry that home prices might drop substantially from here forward once this support is taken away. Mortgage rates will go up, the economy might double-dip, the expectations for housing which helped drive the market might change suddenly once people see this support being withdrawn."

Note: The Case-Schiller index is an average of three months. December's results cover sales of existing single-family homes in Oregon's Clackamas, Columbia, Multnomah, Washington and Yamhill counties and Washington's Clark and Skamania counties. This accounts for some of the differences in numbers that we report each month via RMLS.

Source: *The Oregonian*, February 23, 2010, by Ryan Frank

Cost of Residential¹ Homes by Area/Community for January 2010

Area	Jan. 2010 Closed Sales	January 2010 Average Sales Price	Year-to-Date For Period Ending January 2010		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	986	\$282,400	\$282,400	\$240,000	-11.7%
Portland					
North	32	\$241,300	\$241,300	\$212,500	-10.9%
Northeast	97	276,200	276,200	242,500	-10.0%
Southeast	146	228,500	228,500	192,500	-11.8%
West (Includes SW and NW Portland and parts of eastern Washington County)	110	427,400	427,400	310,000	-11.9%
Portland Metro Suburban Areas					
Corbett, Gresham, Sandy, Troutdale	72	\$211,800	\$211,800	\$199,000	-14.0%
Clackamas, Milwaukie, Gladstone, Sunnyside	60	263,200	263,200	249,000	-9.3%
Canby, Beavercreek, Molalla, Mulino, Oregon City	68	237,500	237,500	215,800	-12.3%
Lake Oswego and West Linn	50	414,900	414,900	355,000	-9.5%
Northwest Washington County & Sauvie Island	45	377,500	377,500	370,000	-9.3%
Beaverton and Aloha	86	242,600	242,600	225,900	-11.9%
Tigard, Tualatin, Sherwood, Wilsonville	89	314,000	314,000	287,000	-9.6%
Hillsboro and Forest Grove	60	262,600	262,600	220,000	-11.4%
Mt. Hood: Brightwood, Government Camp, Rhododendron, Welches, Wemme, ZigZag	6	290,300	290,300	230,400	-1.8%
Counties Outside the Metro Area					
Columbia County	25	\$171,800	\$171,800	\$184,000	-15.8%
Yamhill County	40	208,200	208,200	202,400	-15.4%
Marion and Polk Counties	42	194,000	194,000	174,000	-16.5%
North Coastal Counties	34	240,300	240,300	209,000	-17.0%
Southwest Washington State					
Clark County (Battleground, Camas, Ridgefield, Vancouver, Woodland, etc.)	275	\$245,100	\$245,100	\$219,900	-13.2%

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 (2/1/09-1/31/10) with 12 months before (2/1/08-1/31/009).

Mortgages

Primary Mortgage Market Survey: 30-Year Fixed Rate 5.05 Percent

Freddie Mac released its Primary Mortgage Market Survey (PMMS) in which the 30-year fixed-rate mortgage (FRM) averaged was 5.05 percent with an average 0.7 point for the week ending February 25, 2010, up from last week when it averaged 4.93 percent. Last year at this time, the 30-year FRM averaged 5.07 percent.

The 15-year FRM this week averaged 4.40 percent with an average 0.7 point, up from last week when it averaged 4.33 percent. A year ago at this time, the 15-year FRM averaged 4.68 percent.

The 5-year Treasury-indexed hybrid adjustable-rate mortgage (ARM) averaged 4.16 percent this week, with an average 0.6 point, up from last week when it averaged 4.12 percent. A year ago, the 5-year ARM averaged 5.06 percent.

The 1-year Treasury-indexed ARM averaged 4.15 percent this week with an average 0.6 point, down from last week when it averaged 4.23 percent. At this time last year, the 1-year ARM averaged 4.81 percent.

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

"Interest rates for 30-year fixed mortgages followed long-term bond yields higher and rose above 5 percent this week amid a mixed set of economic data reports" said Frank Nothaft, Freddie Mac vice president and chief economist. "For instance, the January producer price index jumped well above the market consensus, but the consumer price index remained subdued and consumer confidence declined to the lowest level since April 2009, according to the Conference Board. New home sales, however, unexpectedly slowed in January to the smallest pace since records began in 1963, and the supply of homes at the current sales rate rose to 9.1 months, the most since May 2009."

Portland Area Mortgage Rates



To check on Portland metro area mortgage rates visit Professor Guttenberg's Web site at mtgprofessor.com – click on "Fixed-Markup Lender."

Taking the average home price in Portland of \$282,400 for January, 2010 and with 20 percent down payment (\$56,480) and a mortgage of \$225,920, the payment for a 30-year fixed loan is \$1,111.39 per month (excluding property taxes and insurance) in Portland, Oregon. The interest rate is 4.250%, and the APR is 4.573%.

Total closing costs are \$9,809.85 – guaranteed lender fees are \$7,738.35 – 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 \$2,071.51. Escrow fees are not waived. FICO credit score 800.

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 2010 Weather

Water Year (October 1 - September 30)	Average Precipitation In Inches	Actual Precipitation in Inches	Water Year
Year-to-Date	23.45	18.24	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	3.05	
November	5.61	5.13	
December	5.71	3.76	
January	5.07	4.94	
February	4.18	1.36	
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 February 2010. Below is the weather summary for the month:

- Average Monthly Temperature: 41.3 (-1.8 degree below normal)
- Average Maximum Temperature: 50.2 (normal is 50.3)
- Average Minimum Temperature: 32.4 (normal is 35.9)
- Highest Temperature: February 4 at 59.
- Lowest Temperature: February 12 at 25.
- Number of Days With Light Rain: 15 and zero days with heavy rain.
- Average Monthly Wind Speed: 6.2 MPH.
- Clear/Cloudy Days: 1 fair day, 16 partly cloudy days, and 11 cloudy days.

The Republic of Cascadia



It's time to have some fun. The rainiest four months of the water year are behind us and Portland is starting its glorious spring bloom. Drive down any street in Portland, and you'll see a number of ornamental trees in their white or pink flowers. So let's be frivolous.

Ever since we've been watching the 2010 Winter Olympics, there has been a strong feeling that Vancouver is really part of us. When visitors get their first glimpses of Vancouver as they pass

the stunning Haida and Coast Salish art at Vancouver International Airport, when they catch their first whiff of ocean air outside the arrivals doors, when the SkyTrain crests that first ridge on the trip downtown, revealing the dramatic cut of the North Shore mountains, is it really Canada that guests are seeing?

The center of Canada, after all – not just geographically but also in terms of culture, commerce,

industry and politics – is far from here. Vancouver has much more in common, on all those fronts, with their neighbors in Seattle and Portland than they do with counterparts in Calgary and Montreal. And there's little doubt that, as far as the Olympics is concerned, Seattle has much more to gain than Saskatoon – or even Kelowna.

That is why there's an equally strong effort, on the part of many people in the Pacific northwest, to claim these 2010 Games as their own and to use the 16-day event as a springboard for advancing what has, to this point, been a rather abstract notion of cross-border regional unity. That notion is called Cascadia. They want to make the border between Washington and British Columbia seamless!

Two Trains of Thought on Cascadia

Some want to make Cascadia a brand while others preach secession. Business leaders and elected officials took the Cascadian dream and worked to make it a brand, a cross-border powerhouse of trade and tourism, all to be linked by high-speed rail, a green economy and a sense of independence from Ottawa and Washington. Mayors and regional planners attended conferences during the 1980s and 1990s. A journal, *The New Pacific*, began publishing out of Vancouver. As the Canadian city pursued the 2010 Games, legislatures in the Northwest United States passed resolutions in support. Boosters predicted a boom south of the border.

Purists still talk of secession, from both countries, and flags have been designed for the nation that would be.

The Republic of Cascadia

The Republic of Cascadia is the proposed name for an independent sovereign state advocated by a grassroots environmental movement in the Pacific Northwest of North America. This state would hypothetically be formed by the union of British Columbia, Oregon, and Washington. Other suggested boundary lines would also include Northern California. This type of "federation" would require secession from both the United States and Canada. The boundaries of this proposed republic could incorporate those of the existing province and states.

At the maximum extent, Cascadia would be home to about 15 million people and would boast an economy that generates more than \$450 billion worth of goods and services annually, which would place Cascadia in the top 20 economies of the world.

Cascadia Web Sites

Two novels helped form Cascadian thinking. "Ecotopia," a 1975 novel by Ernest Callenbach, has found a new audience as environmental awareness has increased. Joel Garreau's "The Nine Nations of North America," published in 1981, unites parts of British Columbia and the West Coast into an environmentally minded whole.

There are numerous Web sites devoted to establishing the Republic of Cascadia. Some more "tongue in cheek" than others. Be careful reading some of the reasons for the new country as they make sense and you may have a new life promoting the idea.

- <http://zapatopi.net/cascadia> This one has it all figured out down to the Postal Service.
- <http://www.salmonnation.com> This one is serious. They want to create a community of caretakers and citizens that stretches across arbitrary boundaries and bridges urban-rural divides.
- <http://www.jeffersonstate.com> Movement to split Oregon in two and combine the lower half with annexed NorCal to form Jefferson State, thereby strengthening Cascadia's southern border against Californian incursions. Their thinking is that California is too big to govern so split it up.

Dreams of a Unified Northwest Are Halted at the Border

The [New York Times](#) writer William Yardley threw "damp water" on Cascadia in a February 27, 2010 article. Here are the first five paragraphs of the story:

The Winter Olympics have made for strange days here in what many call Cascadia.

In a region that has spent decades trying to transcend its international border, the Games increased optimism that British Columbia and this northwest corner of the United States would draw closer, deepening environmental, economic and cultural connections. Yet the Olympics have been a reminder that since Sept. 11, 2001, the border has become more rigid than ever, and dreams of a united Cascadia remain just that.

"The place is a whole," said David McCloskey, a retired professor of sociology at Seattle University and one of Cascadia's earliest advocates, "but it's chopped up."

New factionalism has emerged. The northern constituency has startled some residents by draping itself in a foreign flag, alternately swaggering and fretting about "owning the podium" on behalf of something called Canada. Meanwhile, residents in the southern reaches now need passports just to get around. And when many want to catch the Games on television, the broadcasts are tape-delayed — even though the events are being played here in the homeland.

"I warned my daughter," said Debbie Wildeman, an American who initially thought she and her Canadian husband had found the perfect place to live when they settled here in Blaine, just inside the United States border. "Don't marry a Canadian."

The article goes on about the difficulty of crossing the border since 9/11. Yet as of last June, anyone entering the United States by land from Canada must show a passport, including United States citizens. Border crossings often take longer even as their number of people crossing has declined.

Amid a global recession, many businesses from Blaine to Bellingham and Seattle say they have seen little if any uptick.

Civic leaders hope the Games will help the process of promoting the Pacific Northwest internationally. Yet Cascadia remains elusive.

We are thinking about reserving the domain name, www.movingtocascadia.net.

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