

Moving to Portland™

May 2010 Newsletter

<http://www.movingtoportland.net>

Voice 503.497.2984 ♦ FAX 503.220.1131

smarthens@movingtoportland.net



In This Issue

- Portland Home Market
- Cost of Residential Homes by Community: March 2010
- Mortgages
- Portland Weather
- The Portland Housing Market: Study Says 9% Drop

Portland Home Market

March 2010 Residential Highlights

Sales activity in the Portland metropolitan area continued to improve in March 2010 compared to the same month a year ago. When comparing March 2010 with March 2009, closed sales rose 51.9%. Pending sales jumped 46.7%, and new listings increased 35.3%.

Comparing March 2010 with the previous month, February 2010, closed sales drastically increased 77.2% (1,799 v. 1,015), and pending sales grew 29.8% (2,402 v. 1,850). New listings increased 27.8% (4,987 v. 3,902).

At the month's rate of sales, the 14,042 active residential listings would last approximately 7.8 months, the lowest of the year.

Sales Prices

The average sale price for March 2010 fell 5.6% compared to March 2009. The median sale price dropped 3%.

On a month-to-month basis, comparing March 2010 to February 2010, the average price increased 2.6% (\$280,300 v. \$273,100), and the median price grew a slight 1.6% (\$238,900 v. \$235,000).

First Quarter Report

Comparing the first quarter of 2010 with that of 2009, increases can be seen across the board. Closed sales grew 37.3% (3,892 v. 2,834). Pending sales also went up 39.2% (5,594 v. 4,018) and new listings rose 13% (13,072 v. 11,566).

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 (4/1/09-3/31/10) with 12 months before (4/1/08-3/31/09).

- Average Sale Price Percent Change: -10.9% (\$286,700 v. \$321,900)
- Median Sale Price Percent Change: -9.6% (\$245,000 v. \$271,000)

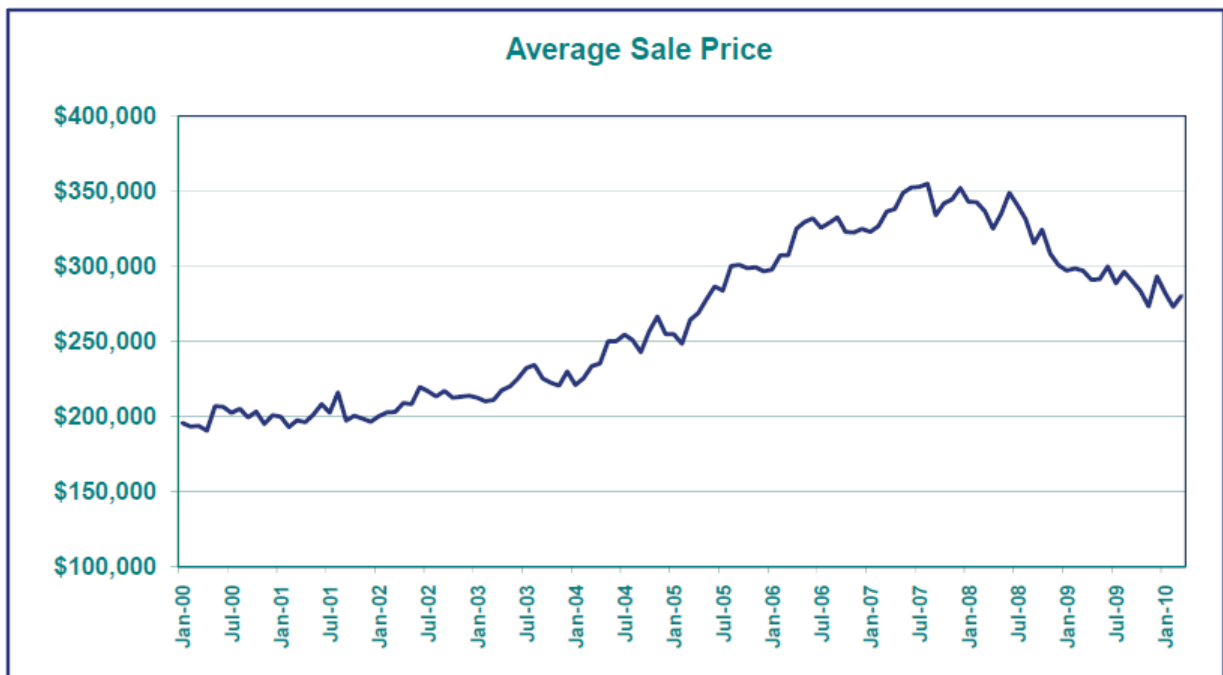
Average Sales Price Drops 24 Percent from Peak in 2007

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

- Average Sale Price Percent Change from Peak in August 2007: -24.0% (\$280,300 v. \$366,900).
- Median Sale Price Percent Change from Peak in July 2007: -21.0% (\$238,900 v. \$302,000).

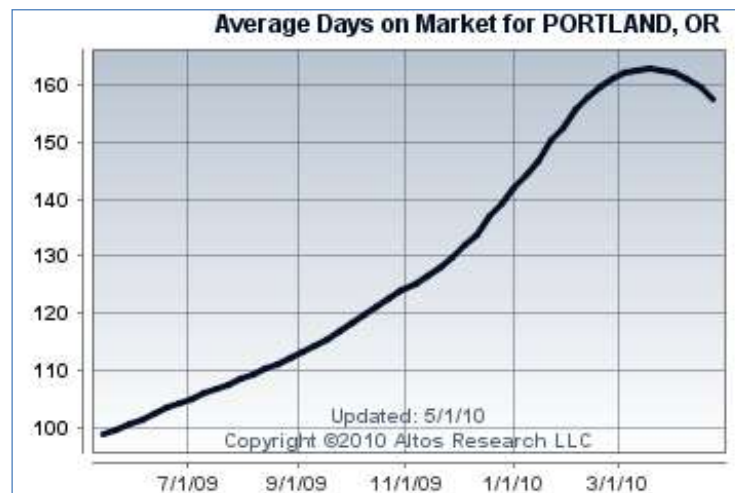
March 2010: Average Home Price Drops \$16,700 from March 2009

Below is the *Average Sales Price: 2000 - 2010* chart showing the home sales by 6-month intervals. The chart is for the five county Portland metro area – it does not include homes in southwestern Washington (Vancouver to include Clark County).



Comparing the average home price from March 2010 with March 2009 shows a \$16,700 drop in the Portland region's average home price – down to \$280,300 from \$297,000 a year earlier. The median price decreased \$7,500 for the same period (\$238,900 v. \$246,400).

Average Days on Market for Portland



As we mentioned in last month newsletter, we have added two charts on the Moving to Portland Web site. You can find them at www.movingtoportland.net.

One is the "Median Price for Portland, OR" and it shows the 7-day median price (black line) and the 30-day median price (orange line) for home prices within the city of Portland. The other chart is the "Average Days on Market for Portland, OR." Again, this chart is for just for the city of Portland. We posted a copy of this chart on the previous page. This chart is also updated often so you can view the trends.

You will note that after months where the chart line moved upward – showing an increase of the number of days that homes remained on the market. It started to level off about March 1 and continue to drop all of March and around April, the trend line started a downward trend. In other words, homes were selling quicker in Portland. You will also note that the Portland metro area had approximately 600 more closed sales in March 2010 compared to March 2009 (1,799 v. 1,184).

The expiration of the [homebuyers' tax credit](#) transformed late April into a hectic marathon of last-ditch deal making. Sellers were eager to sign a contract before the tax credit expired, many offering to effectively double the credit by paying for closing costs or reducing the price of their home.

Nearly 1.8 million households had used the credit as of mid-February at a cost to the federal government of \$12.6 billion, according to the Internal Revenue Service.

The multi-billion dollar question facing the industry and the nation's homeowners is whether sales volume will sustain itself or drop through the floor when the tax credit expires.

Home prices have continued to decline this spring despite the surge in volume, and foreclosures remain very high, putting downward pressure on the market.

Case-Schiller: Portland Home Prices Still Dropping

After showing some small but encouraging gains last summer and fall, Portland-area home prices are falling again, hitting a new low in February, according to the Case-Shiller Index released Tuesday.

Portland prices have declined 21 percent from the peak of July 2007, according to the report. Portland was one of six major metropolitan areas around the country hitting new floors in February.

"These data point to a risk that home prices could decline further before experiencing any sustained gains," said David M. Blitzer, chairman of the index committee at Standard & Poor's, which publishes the index. "While the year-over-year data continued to improve for 18 of the 20 (metropolitan statistical area,) this simply confirms that the pace of decline is less severe than a year ago. It is too early to say that the housing market is recovering."

The index showed prices in Portland declining 2.4 percent from January to February, on top of a 1.8 percent decline between December and January. In the 12 months ending in February, prices dropped 4.8 percent.

Note: The Case-Shiller index is an average of three months. The report covers 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. Case-Shiller tracks the prices of typical single-family homes located in each metropolitan area.

Source: *The Oregonian*, April 27, 2010, by Jeff Manning

Cost of Residential¹ Homes by Area/Community for March 2010

Area	March 2010 Closed Sales	March 2010 Average Sales Price	Year-to-Date For Period Ending March 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	1,799	\$280,300	\$278,300	\$237,500	-10.9%
Portland					
North	91	\$233,800	\$233,700	\$230,000	-8.7%
Northeast	177	269,500	271,400	239,000	-10.2%
Southeast	242	235,800	230,300	202,500	-11.2%
West (Includes SW and NW Portland and parts of eastern Washington County)	165	421,700	418,000	336,000	-11.6%
Portland Metro Suburban Areas					
Corbett, Gresham, Sandy, Troutdale	132	\$235,100	\$218,800	\$202,000	-12.6%
Clackamas, Milwaukie, Gladstone, Sunnyside	123	252,300	253,200	240,000	-8.2%
Canby, Beavercreek, Molalla, Mulino, Oregon City	92	253,800	253,400	220,000	-11.8%
Lake Oswego and West Linn	97	454,900	441,800	377,000	-9.6%
Northwest Washington County & Sauvie Island	95	358,100	360,600	344,000	-9.2%
Beaverton and Aloha	180	227,700	233,500	216,500	-11.5%
Tigard, Tualatin, Sherwood, Wilsonville	151	313,500	313,500	287,000	-8.6%
Hillsboro and Forest Grove	132	248,600	248,100	223,900	-9.5%
Mt. Hood: Brightwood, Government Camp, Rhododendron, Welches, Wemme, ZigZag	8	133,100	220,100	216,600	-6.7%
Counties Outside the Metro Area					
Columbia County	36	\$184,200	\$187,300	\$184,900	-12.2%
Yamhill County	78	209,000	203,800	190,000	-15.6%
Marion and Polk Counties	79	203,200	219,100	194,900	-13.4%
North Coastal Counties	73	309,400	283,100	210,000	-13.4%
Southwest Washington State					
Clark County (Battleground, Camas, Ridgefield, Vancouver, Woodland, etc.)	453	\$244,500	\$243,000	\$210,000	-11.6%

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 (4/1/09-3/31/10) with 12 months before (4/1/08-3/31/2009).

Source: Regional Market Listing Service (RMLS™)

Mortgages

Primary Mortgage Market Survey: 30-Year Fixed Rate 5.06 Percent

Freddie Mac released its Primary Mortgage Market Survey (PMMS) in which the 30-year fixed-rate mortgage (FRM) averaged was 5.06 percent with an average 0.7 point for the week ending April 29, 2010, down slightly from last week when it averaged 5.07 percent. Last year at this time, the 30-year FRM averaged 4.78 percent.

The 15-year FRM this week averaged 4.39 percent with an average 0.7 point, unchanged from last week when it averaged 4.39 percent. A year ago at this time, the 15-year FRM averaged 4.48 percent.

The 5-year Treasury-indexed hybrid adjustable-rate mortgage (ARM) averaged 4.00 percent this week, with an average 0.6 point, down from last week when it averaged 4.03 percent. A year ago, the 5-year ARM averaged 4.80 percent.

The 1-year Treasury-indexed ARM averaged 4.25 percent this week with an average 0.5 point, up from last week when it averaged 4.22 percent. At this time last year, the 1-year ARM averaged 4.77 percent.

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

"Mortgage rates on 30-year fixed loans have averaged about 5 percent over the first four months of this year, staying within a band of roughly a quarter percentage point and virtually matching 2009's annual average," said Frank Nothaft, Freddie Mac vice president and chief economist. "These low rates have been helping to moderate house price declines over the course of the year."

The [Census Bureau's Constant Quality price index](#) showed that new home prices rose 2.5 percent in the first quarter on an annual basis.

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." Jack M. Guttentag is Professor of Finance Emeritus at the Wharton School of the University of Pennsylvania.

Taking the average home price in Portland of \$280,300 for March, 2010 and with 20 percent down payment (\$56,060) and a mortgage of \$224,240, the payment for a 30-year fixed loan is \$1,103.13 per month (excluding property taxes and insurance) in Portland, Oregon. The interest rate is 4.250%, and the APR is 4.629%.

Total closing costs are \$11,132.89 – guaranteed lender fees are \$9,086.54 – 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 \$2,046.25. 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

April 2010 Weather

Water Year (October 1 - September 30)	Average Precipitation In Inches	Actual Precipitation in Inches	Water Year
Year-to-Date	29.80	24.74	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	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	3.58	
April	2.64	2.92	
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 April 2010. Below is the weather summary for the month:

- Average Monthly Temperature: 51.0 (-0.2 degree below normal of 51.2)
- Days with 0.01 Precipitation or More: 17
- Highest Temperature: April 20 at 73.
- Lowest Temperature: April 11 at 34.
- Number of Days With Light Rain: 25 and two days with heavy rain.
- Average Wind Speed: 7.9 mph.
- Clear/Cloudy Days: 0 fair days, 11 partly cloudy days, and 19 cloudy days.

Spring skiing turned out to be some of the best. In early April, Timberline reported that they had received over 40 inches of snow in just one week.

Back in Portland, Harry Lanners, the person responsible for overseeing the International Portland Rose Garden, reported that the first roses appeared on April 5. Harry said that the previous record was April 15th. Harry was worked at the rose garden over 20 years so we'll take his word for it.

Portland Housing Market: Study Says 9% Drop

On April 27, 2010, Francesca Levy at Forbes.com wrote a story entitled, "Tomorrow's Real Estate Trouble Spots." Ms. Levy named a number of "trouble" metro areas based on research by [Local Market Monitor](http://LocalMarketMonitor.com), a Cary, N.C.-based real estate research firm. Portland was one of these markets.

Local Market Monitor Methodology

Local Market Monitor (LMM) measured 315 Metropolitan Statistical Areas (MSA) and selected the ones where it anticipated average home prices would fall most in the next 12 months. It then narrowed the list to cities where actual average home prices were at least 10% above their equilibrium price--that's where home prices should be based on economic fundamentals, and the

price to which they will likely return. LMM calculates its equilibrium price and home value forecast based on trends in local jobs and income as well as the historic movement of home prices. Forbes relied on Local Market Monitor to rank each metro.

LMM: Portland Prices Expected to Drop Nine Percent in the Next Year

Of 315 cities measured by Local Market Monitor, the Atlantic City metro is expected to experience the largest drop in home value over the next 12 months. A pocket of Northwestern cities where restrictions on building have artificially inflated prices, and smaller metros whose [housing markets](#) have benefited from internal migration, join Atlantic City on the list of real estate trouble spots.

Here is a quote from the Forbes story, "Cities in the Pacific Northwest appear on our list, in part, because some of the strictest land planning policies in the country have curbed sprawl and propped prices."

Forbes said that homes in Portland are overvalued by 31%; in Bellingham, Wash., housing is 22% overpriced and in Eugene, Oregon homes are 21% more than they should be. Local Market Monitor expects prices in Portland to fall 9% in the next year; Eugene prices to drop by 8%; and Bellingham to see a 9% fall.

Oregon Land Planning

Governor McCall and his allies convinced the Oregon Legislature in 1973 to adopt the nation's first set of land-use planning laws. McCall, with the help of a unique coalition of farmers and environmentalists, persuaded the legislature that the state's natural beauty and easy access to nature would be lost in a rising tide of urban sprawl.

The new goals and guidelines required every city and county in Oregon to have a long-range plan addressing future growth that meets both local and statewide goals. In short, state land-use goals require an urban growth boundary, or UGB. This is a regional boundary, set in an attempt to control urban sprawl by mandating that the area inside the boundary be used for higher density urban development and the area outside be used for lower density development.

The Continuing Debate About Portland Home Prices and Land Planning

Numerous opponents of Oregon land planning have cited high housing prices as an indicator of the policy's problems. Two of the main opponents are the Home Builders Association of Metropolitan Portland and the Portland Metropolitan Association of Realtors. To be fair, many members of these organizations don't oppose the boundary but see it as too restrictive.

Many praise the growth management tool for saving transportation, road and infrastructure costs associated with sprawl and for stimulating a mix of new housing types such as Pearl District lofts, row houses and the multiuse Orenco Station development in Hillsboro. Something that might not have happened if unfettered development had been allowed.

From my ten years of experience in Portland real estate, one of the main reasons that people are moving to the area is because of the land planning policies. They don't want sprawl. I hear this over and over that Portland is noted for being a livable community.

There have been numerous studies about this topic, either by opponents of land planning or by land planning activists. So the findings and data are always disputed. Many say that what is needed is a nonbiased study so we have good information about the link between UGBs and home prices.

Susan Marthens - Principal Real Estate Broker, CRS, GRI
Windermere/Cronin & Caplan Realty Group, Inc.
6443 SW Beaverton-Hillsdale Hwy, Suite 100
Portland, Oregon 97221
Telephone: 503.497.2984
Email: smarthens@movingtoportland.net