

Moving to Portland™

November 2010 Newsletter

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In This Issue

- Portland Home Market
- Cost of Residential Homes by Community: September 2010
- Mortgages
- Portland Weather
- Oregon Manufacturing Jobs

Portland Home Market

September 2010 Residential Highlights

Comparing September 2010 to September 2009, closed sales decreased by 22.3%. Pending sales and new listings also fell by 30.7% and 1.4%, respectively.

A comparison of September 2010 with the previous month, August 2010, shows closed sales increased by 1.3% (1,399 v. 1,381). However, pending sales dropped by 6.2% (1,584 v. 1,688), and new listings fell by 7.3% (3,549 v. 3,829).

At the month's rate of sales, the 14,714 active residential listings would last approximately 10.5 months.

Sales Prices

The average sale price for September 2010 declined 3.5% compared to September 2009. The median sale price also fell 0.6%. On a month-to-month basis, comparing September 2010 to August 2010, the average sale price went down 6.5% (\$279,900 v. \$299,300) and the median sale price also dropped 4% (\$240,000 v. \$250,000).

Third Quarter Report

In a comparison of the third quarter of 2010 to the same quarter of 2009, closed sales dropped 24.7% (4,340 v. 5,762) and pending sales also fell 26.5% (4,725 v. 6,428). However, new listings increased by 1.2% (11,582 v. 11,448).

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 (10/1/09-9/30/10) with 12 months before (10/1/08-9/30/09).

- Average Sale Price Percent Change: -4.5% (\$283,400 v. \$296,900)
- Median Sale Price Percent Change: -4.0% (\$240,000 v. \$250,000)

Average Sales Price Drops 24 Percent from Peak in 2007

Here are the sales price percent change in September 2010 from their peak prices in 2007:

- Average Sale Price Percent Change from Peak in August 2007: -24.0% (\$279,900 v. \$366,900).
- Median Sale Price Percent Change from Peak in July 2007: -21.0% (\$240,000 v. \$302,000).

Average Home Price Decrease \$10,200 from September 2009

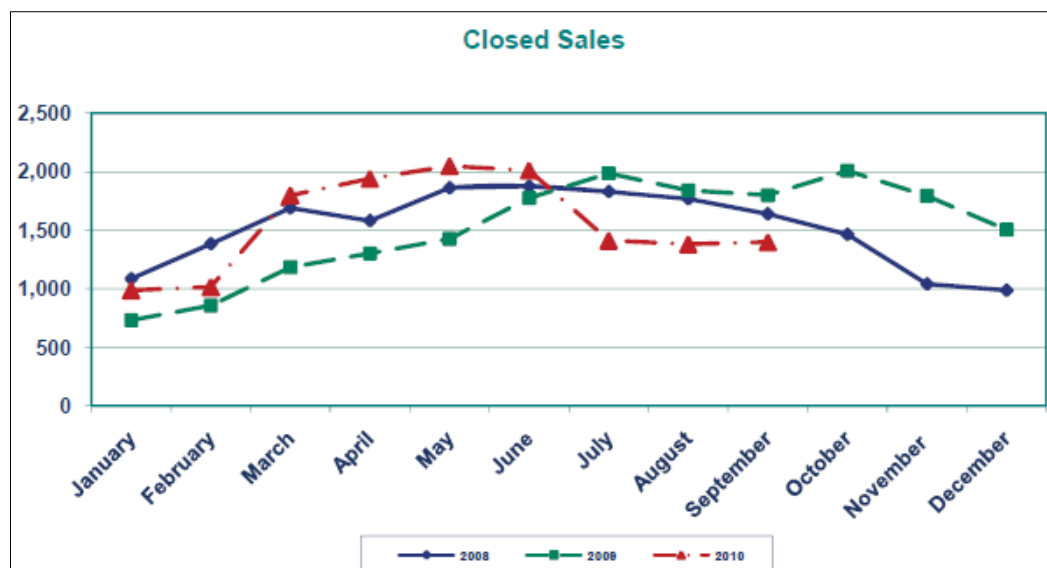
Below is the Average Sales Price: 2000 - 2010 chart showing the home sales by 6-month intervals. The chart is for the five county Portland metro area. It does not include homes in southwestern Washington (Vancouver to include Clark County).



Comparing the average home price from September 2010 with September 2009 shows a \$10,200 lost in the Portland region's average home price – down to \$279,900 from \$290,100 a year earlier. The median price decreased \$1,400 for the same period (\$240,000 v. \$241,400).

Closed Sales

Below is a graph of "Closed Sales" for the Portland metro area from January to August for the past three years (blue for 2008, green for 2009, and red for 2010).



Cost of Residential¹ Homes by Area/Community for September 2010

Area	Sept. 2010 Closed Sales	Sept, 2010 Average Sales Price	Year-to-Date For Period Ending Sept. 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	1,399	\$279,900	\$284,000	\$240,000	-4.5%
Portland					
North	50	\$218,000	\$230,600	\$225,000	-1.9%
Northeast	134	275,500	285,000	249,000	-1.6%
Southeast	177	246,300	239,100	210,900	-4.6%
West (Includes SW and NW Portland and parts of eastern Washington County)	153	435,400	410,3000	342,800	-6.5%
Portland Metro Suburban Areas					
Corbett, Gresham, Sandy, Troutdale	101	\$204,900	\$214,000	\$202,500	-5.0%
Clackamas, Milwaukie, Gladstone, Sunnyside	82	263,600	263,000	242,000	-6.8%
Canby, Beavercreek, Molalla, Mulino, Oregon City	76	248,700	257,800	230,000	-8.4%
Lake Oswego and West Linn	71	432,200	440,200	387,900	-9.3%
Northwest Washington County & Sauvie Island	76	332,800	367,800	335,000	-4.7%
Beaverton and Aloha	122	240,000	243,700	219,900	-1.7%
Tigard, Tualatin, Sherwood, Wilsonville	129	311,800	305,000	279,900	-5.7%
Hillsboro and Forest Grove	105	209,100	228,400	209,300	-7.8%
Mt. Hood: Brightwood, Government Camp, Rhododendron, Welches, Wemme, ZigZag	9	169,800	200,000	181,300	-7.3%
Counties Outside the Metro Area					
Columbia County	29	\$172,300	\$185,400	\$180,000	-11.1%
Yamhill County	85	215,500	218,000	191,700	-7.3%
Marion and Polk Counties	61	217,100	201,500	176,900	-6.2%
North Coastal Counties	80	284,000	279,700	225,000	-3.2%
Southwest Washington State					
Clark County (Battleground, Camas, Ridgefield, Vancouver, Woodland, etc.)	359	\$240,600	\$238,900	\$210,000	-3.4%

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 (10/1/09-9/30/10) with 12 months before (10/1/08-9/30/09).

Source: Regional Market Listing Service (RMLS™)

Mortgages

Primary Mortgage Market Survey: 30-Year Fixed Rate 4.21 Percent

Freddie Mac released its Primary Mortgage Market Survey (PMMS) on October 21. The 30-year fixed-rate mortgage rate rose slightly for the first time in five weeks. The 15-year fixed-rate mortgage rate also rose slightly while the 5-year ARM and 1-year ARM fell.

- 30-year fixed-rate mortgage (FRM) averaged 4.21 percent with an average 0.8 point for the week ending October 21, 2010, up from last week when it averaged 4.19 percent. Last year at this time, the 30-year FRM averaged 5.00 percent.
- 15-year FRM this week averaged 3.64 percent with an average 0.7 point, up from last week when it averaged 3.62 percent. A year ago at this time, the 15-year FRM averaged 4.43 percent.
- 5-year Treasury-indexed hybrid adjustable-rate mortgage (ARM) averaged 3.45 percent this week, with an average 0.6 point, down from last week when it averaged 3.47 percent. A year ago, the 5-year ARM averaged 4.40 percent. The 5-year ARM has not been lower since Freddie Mac started tracking it in January 2005.
- 1-year Treasury-indexed ARM averaged 3.30 percent this week with an average 0.7 point, down from last week when it averaged 3.43 percent. At this time last year, the 1-year ARM averaged 4.54 percent. The 1-year ARM has not been lower since Freddie Mac started tracking it in January 1984.

Attributed to Frank Nothaft, vice president and chief economist, Freddie Mac: Mixed inflation signals kept fixed mortgage rates at bay this week. The headline [producer price index](#) jumped 0.4 percent between August and September, which was quadruple the market consensus, while the consumer price index fell below the market forecast. Rates on the traditional 1-year and 5-year hybrid ARMs eased to all-time record lows.

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 the Portland metro area of \$279,900 for September, 2010 and with 20 percent down payment (\$55,980) and a mortgage of \$223,920, the payment for a 30-year fixed loan is \$1,005.50 per month (excluding property taxes and insurance) in Portland, Oregon. The interest rate is 3.50%, and the APR is 3.865%.

Total closing costs are \$11,197.74 – guaranteed lender fees are \$9,132.24 – the lender fees are guaranteed not to change from the time they lock your rate (60 days) to closing. Closing attorney/agent, appraiser, title insurance, and credit reporting costs are \$2,065.50. The markup fees are \$3,722.98. 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

October 2010 Weather Summary

Water Year (October 1 - September 30)	Average Precipitation In Inches	Actual Precipitation in Inches	Water Year
Year-to-Date	37.09		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		
November	5.61		
December	5.71		
January	5.07		
February	4.18		
March	3.71		
April	2.64		
May	2.38		
June	1.59		
July	0.72		
August	0.89		
September	1.65		
Yearly Average	37.09		

Due to the early publishing of the November 2010 newsletter, we will post the October 2010 weather summary in early November.

Forecast: Wet and Stormy Winter

Portland area residents are in for a wet and wild winter, according to a series of forecasts presented in October by members of the Oregon chapter of American Meteorological Society.

There is no way to know for sure how much snow will reach the valley floor, however, the forecasters said. Only one forecaster, Pete Parsons, Oregon Department of Forestry Meteorologist, said several traffic-snarling snowstorms are possible in coming months.

In addition to Parson, presenters included: Tyree Wilde, NOAA-National Weather Service WC Meteorologist; George Taylor, Applied Climate Services Climatologist, LLC; and Kyle Dittmer, Columbia River Inter-Tribal Fish Commission Hydrologist-Meteorologist who presented his forecasts by telephone from Germany.

All of the presenters at the 18th Annual "What Will the Winter Be Like" weather forecast meeting agreed that a moderate to strong La Niña cycle is under way. Historically, that has resulted in wetter and cooler winters. Among other things, the snow pack in the Cascades is likely to be at or above normal levels, the presenters said.

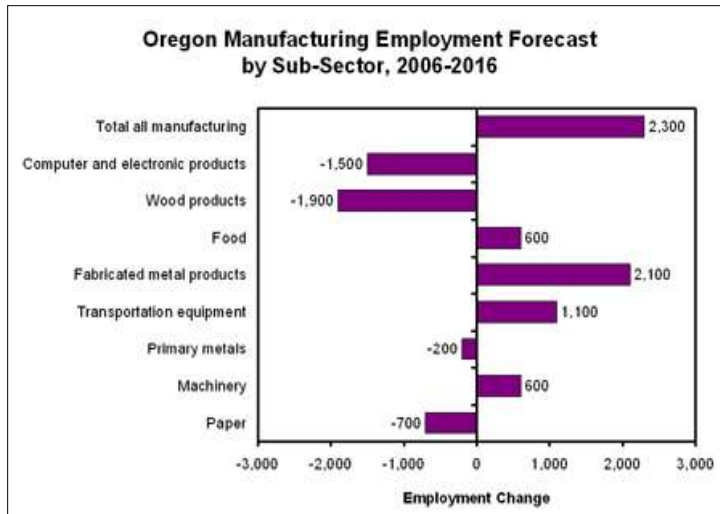
Source: "Forecast: Wet and wild winter on the way" by Jim Redden, *The Portland Tribune*, October 17, 2010.

Oregon Manufacturing Jobs

Oregon has a huge manufacturing base, much of it in high-tech. As recently as 2007, high-tech manufacturing accounted for about 10 percent of economic output – eight times the share nationally.

Because of the large number of manufacturing jobs in Oregon, when a recession hits the country, Oregon unemployment numbers jump since manufacturing is hit hardest in down times.

Over 40,000 Manufacturing Jobs Lost in Oregon Since 2006



Since 2006 Oregon has lost 40,000 of its 200,000 manufacturing jobs either overseas or lower-cost domestic locales. RadiSys Corporation has moved the last of its Hillsboro manufacturing to Asia. Suntron Corporation closed its Newberg plant, and 190 workers lost their jobs. Soletron Corporation closed its Hillsboro plant, and 160 workers were out of a job, moving work to California and Mexico.

Oregon's tech industry has been in steady decline for nearly a decade. Most tech manufacturing shifted overseas in search of low-cost labor, government subsidies and comparatively relaxed environmental and land-use regulations.

Attracting and Retaining Manufacturing Jobs

Countering the exodus, Oregon has used subsidies and other incentives to attract manufacturers, notably solar companies. Japan's Sanyo Electric Co. employs close to 200 at a Salem solar plant. Germany's SolarWorld employs about 900 workers in Hillsboro. Employees at both plants apply skills acquired in Oregon's semiconductor industry. The solar factories, for example, picked up some workers who lost jobs when Hynix Semiconductor's Eugene plant closed two years ago.

Oregon has some good news delivered in mid-October when Intel announced plans to spend \$6 billion to \$8 billion to expand its U.S. manufacturing, including Oregon's first new chip factory since 2003. The company's building a new research and development facility in Hillsboro, Oregon and upgrading others to start manufacturing 22-nanometer chips next year according to *The Oregonian*. Oregon and Chandler, Arizona, will create at least 800



new manufacturing jobs, support 6,000 others and provide a boost to construction employment. Intel is already Oregon's largest private employer with over 15,000 employees in the state. The state of Oregon gave some generous tax benefits to Intel in order to get these jobs.

GrovTec: The Story of a Oregon Manufacturing Company

An article in the October 23, 2010 of *The Oregonian* about a small Oregon manufacturing company called GrovTec caught our attention. The story illustrates two things: How a enterprising person was able to salvage some equipment and create jobs. Secondly, it also shows how a private company that sells most of its products in the U.S.A. moved all the manufacturing of its products to cheap labor countries. Yet it tries to portray that it is a still an Oregon company.

GrovTec purchased the equipment of a established company called Michaels of Oregon when Michaels moved most of its manufacturing to Asia leaving hundreds of Oregonians and Idahoans without jobs. It's a story that has been repeated many times over the last few years throughout the U.S.A., only the names and places are different.

Michaels of Oregon was founded in Portland in 1947 by Allison Michaels (Uncle Mike) and over time it became a thriving gun parts manufacturer that employed 275 at a machine shop in Oregon City and a factory near Boise, producing swivels, holsters, gun screws and other accessories. Allison Michaels died in Portland in 1975 at 81.

In 1993 Minneapolis-based Norwest Equity Partners purchased the majority of the company. In 2005 Norwest sold Michaels to Bushnell, a global optics company, and in 2006 Bushnell shipped the majority of production from Oregon City and Boise to China and Vietnam.

Bob Grover spent 20 years working at Michaels of Oregon and was traveling back and forth to

China with the company's new owner to help train a new work force. Grover was the last person to leave the Oregon City factory and before turning out the lights, the shop manager took a moment to reflect on where rows of machines once hummed. In the empty shop, he had an idea that surprised his new employers. He asked them, "Why not sell me all your equipment and let me start my own business? I could be your domestic vendor." They agreed, and in the summer of 2006, he founded [GrovTec](#).

Grover hired a dozen former Michaels of Oregon workers. The company started small, and growth has been steady. GrovTec now has more than 300 customers worldwide and sells gun parts to Remington, Marlin Firearms and Sturm, Ruger & Company. Another significant customer is the U.S. military, which often requires U.S.-made products. Currently GrovTec employs 28 workers and they expect to hire more in 2011. A far cry from the 275 that once worked at Michaels but to the 28, a life saver.

Headquartered in Kansas, Bushnell got its start in the gun accessory business with its gun scopes and other optical equipment and over the years purchased a number of other gun accessory companies. After Bushnell purchased Michaels of Oregon they changed the name of the company to Uncle Mike's to reflect the name of the founder of Michaels of Oregon.

At the Uncle Mike's Web site, you would still think it was an Oregon company by this statement, "We've been holding down the fort since 1947 when the backwoods of Oregon was our proving grounds. And all the while, we've looked to give hunters and shooters a fair shake, making hunting and shooting accessories that hold their own and then some."

Doesn't that statement give you a sense that Uncle Mike's is still cranking out hunting and shooting items right here in Oregon rather than in Asia?

Please don't get the idea that we are 'picking' on Bushnell because that misses the entire point. It's a vicious cycle. If Bushnell's competitors move their jobs overseas and produce goods at much cheaper costs, what is Bushnell to do? They have to follow in order to compete.

Every day another company repeats the Bushnell experience – they buy a company and move the production to cheap labor countries. It's the way a free-market system works and ranting about the lost of U.S.A. manufacturing jobs doesn't solve anything other than give bloggers something to write.

The Solution

The solution isn't easy. Workers in the U.S.A. have to be smarter, better trained, and more skilled. Plus in the short run, they have to work for less in order to stop the hemorrhaging of jobs. We need more people like Bob Grover.

Now for our part: Buy from companies like GrovTec. Easier said than done as this takes time-consuming research.

Industry experts say some U.S. companies that outsourced abroad are returning, after encountering defects, delays and theft of trade secrets. "The grass isn't always greener on the other side of the world," says [Patrick Penfield](#), a Syracuse University professor of supply-chain management.

Penfield and others still expect the U.S. exodus of mass production to continue. "Those days of big, monster U.S. facilities producing the same product day after day are gone," Penfield says. "High-tech, highly innovative products, those are things that are smart for the U.S. to produce."

An example of what Penfield is talking about is Hillsboro based [Quality Production Ltd.](#), (QPL). Started as a contract-manufacturing business in owner Tom Hauge's garage 15 years ago, QPL's revenues grow 40 percent a year. The company has hired 20 workers in less than two years and now employs 55. They have a niche. The company began by helping Portland-area companies build prototypes for new products. Now 70 percent of its business is making and testing final-stage products. QPL, a private company that does not disclose its revenues, pays line workers between \$11 and \$18 an hour. It provides health and dental insurance. Its assembly lines turn out electronics for products ranging from industrial lighting to flat-panel TVs.

U.S.A. Manufacturing is the Largest in the World

The United States has a robust manufacturing sector, the largest in the world. It's just that our export strengths – airplane parts, industrial machinery, wheat, corn, meat, soybeans, pharmaceuticals, semiconductors – aren't enough to offset the foreign goods that line retail shelves.



According to msn.com, we buy a third of the world's consumer electronics but sell only 4%. Nine out of 10 items of clothing we buy are made elsewhere, mostly in Asia. All told, we import goods worth \$750 billion more than we export.

Most of Americans favor free trade, but they want a level playing field. Consumers who want to buy American can pressure their lawmakers to enforce trade laws and restock the shelves: withdrawing tax benefits for [offshoring](#), for example, and enforcing [anti-dumping](#) and other trade laws already on the books.

It is not easy to buy American-made products. But it can be done. Poll after poll points to a preference for locally produced goods – a preference that seems to crumble in the face of the extra time needed to locate them or extra dollars need to buy them.

It's easy living in Portland to buy local food products but when it comes to other goods, it's a challenge.

We recognize that there will probably never be a time that we do not buy some good made overseas and, looking at it globally that is not all bad. We would just like to have the option of buying U.S. products, too.

Sources

- 1) "In reverse of offshore trend, Oregon manufacturing thrives when high-tech, high-quality products are needed," By Richard Read, *The Oregonian*, September 18, 2010.
- 2) "Intel confirms it'll invest billions in Hillsboro plants," by Mike Rogoway, *The Oregonian*, October 19, 2010.
- 3) "Rising from the ashes of factory outsourcing, GrovTec remakes an old Oregon name," By Bobby Allyn, *The Oregonian*, October 22, 2010.

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