
RESIDENTIAL MARKET ANALYSIS

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National housing market statistics reflect slightly increasing median-existing home price for all housing types over the past year was \$184,600 in June, up 0.6 percent annually from June 2010. However, median prices in the western United States have decreased by 6.70 percent from \$269,000 to \$250,900. Over the same period, the Portland metropolitan area experienced a decrease in median sales prices and sales volume. The median sales price of \$230,700 has decreased 5 percent since June 2010 and the number of transactions in the metropolitan area decreased by 4.7 percent.

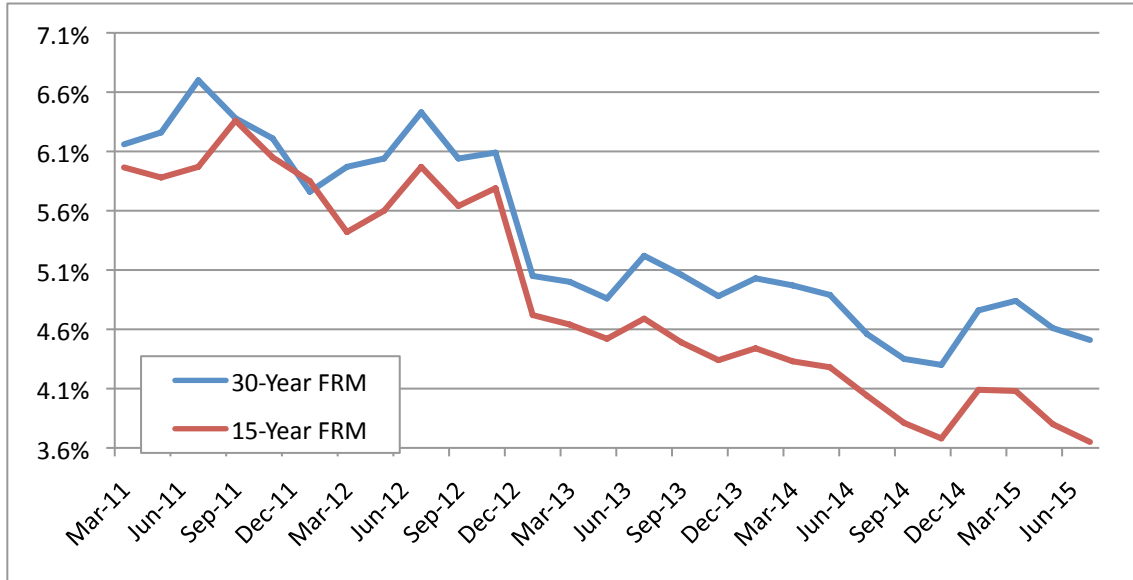
The National Association of Realtors reports the number of existing home sales decreased for the third straight month in June 2011 to a seasonally adjusted rate of 4.77 million homes sold nationally. This is the lowest number of sales since 1997. Last year 4.91 million homes were sold. In contrast, a healthy economy generates approximately 6 million homes per year.

The HousingPulse Distressed Property Index is one indicator of the health of the housing market. The index rose to 47.7 percent in April, meaning that nearly half of all housing sales are of distressed properties. HousingPulse projects that this trend will likely continue as the backlog of foreclosures and mortgage defaults make their way through the housing pipeline.

Campbell Surveys reports that first-time homebuyers made up a smaller proportion of the market this April at 35.7 percent compared with 44.4 percent in April 2010. On a positive note, investor activity increased from 18 percent in April

2010 to 23 percent in April 2011. When the supply of distressed properties exceeds the amount demanded by first-time buyers, there is an opportunity for investors to enter the market and buy damaged properties, renovate, and then try to sell the properties. Many owners are being forced to rent properties, as the supply exceeds demand for buyers wanting to enter housing market.

Figure 1: Single Family Mortgage Interest Rate



Source: Freddie Mac

Mortgage interest rates had been steadily decreasing since the first quarter of 2011. The national average commitment rate for a 30-year conventional, fixed-rate mortgage was 4.51 in June, down from 4.64 percent in May; the rate was 4.74 percent in July 2010 and has dropped to 4.39 percent in the first week in August.

First time home buyers constituted 31 percent of home purchases in June, down from 36 percent in May.

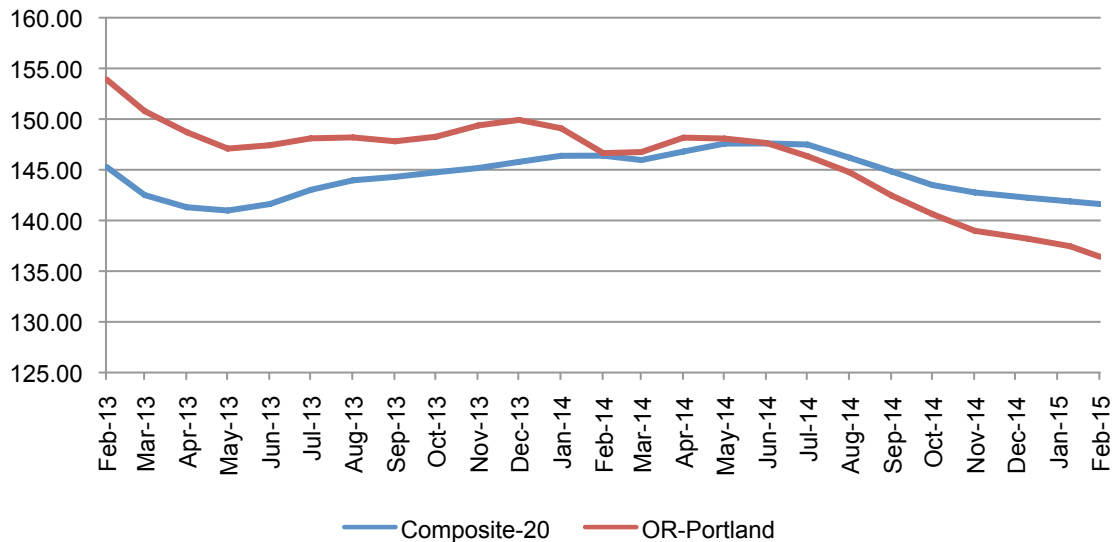
Table 1: Median Home Values of Existing Detached Homes

	U.S.	West	Portland Metro Area
June 2010 Median Sales Price	\$183,500	\$240,400	\$242,800
March 2011 Median Sales Price	\$184,600	\$195,200	\$230,700
% Change in Median Sales Price	-0.6%	9.5%	-5.00%
% Change in Number of Sales June 2010-June 2011	-7.4%	-2.6%	-4.7%

Source: National Association of Realtors

Standard & Poor's Case-Shiller Index for Portland was 134.5 in May 2011, an increase of 1.02 percent from the month before, and a year-over-year decrease of 9.1 percent. Case-Shiller's 20 city composite index is down 4.5 percent since last year at this time. The index data shows that in the major U.S. metropolitan cities, home prices increased slightly from the previous month but are still down over the past year.

Figure 2: Standard & Poor's Case-Shiller Index for Portland and Composite-20



Of the 20 cities tracked by Case-Shiller, Washington D.C. was the only market to post a year over year gain at growth rate of 1.3 percent. Overall the two indices are back at summer 2003 levels. The 20-composite index was 139.87 in May 2011, and Portland was 134.50.

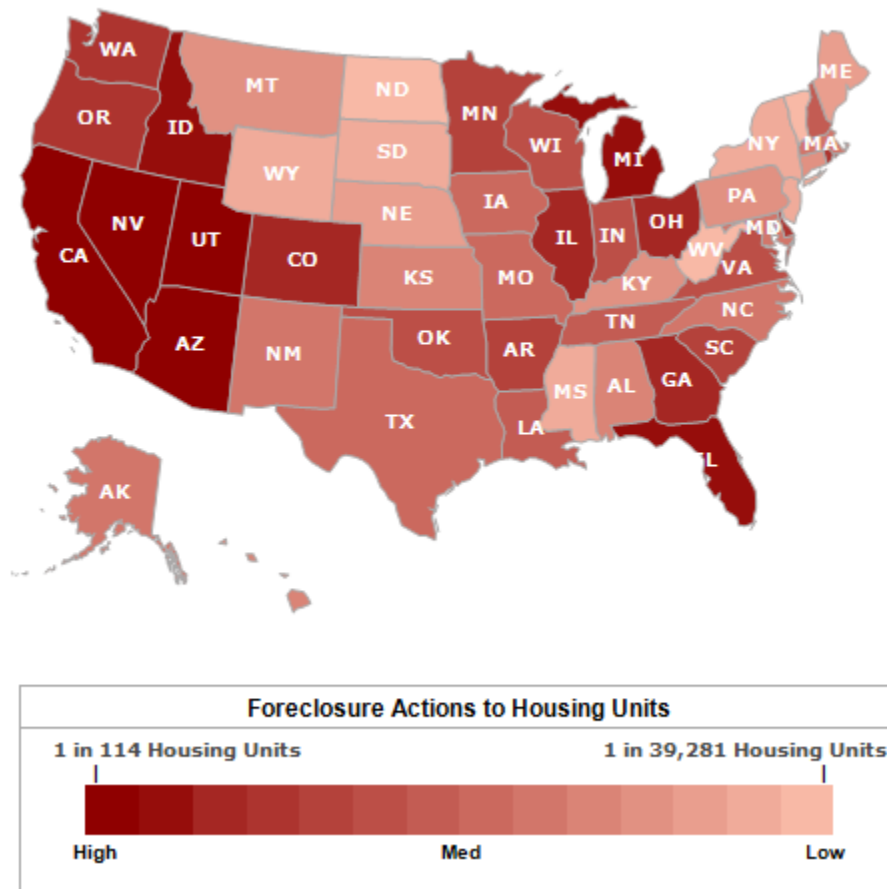
Data published by RealtyTrac, show 608,235 foreclosure filings for the second quarter 2011, down 11 percent from the previous quarter and a 32 percent decrease from the second quarter of 2010. The filing figures include default notices, schedule auctions and bank repossessions. Foreclosure filings were reported on 222,750 U.S. properties in the month of June 2011, an increase of 3.64 percent from the previous month but still down 29 percent from June 2010.

“It would be nice to report that foreclosure activity is dropping as a result of improvements in the economy or the housing market,” said James J. Saccacio, chief executive officer of RealtyTrac. “Unfortunately, with unemployment rates inching back up, consumer confidence weak and home sales and prices continuing to languish, this doesn’t appear to be the case.” Saccacio also points out that processing and procedural delays are pushing foreclosures further and further out. He

estimates that as many as one million foreclosure actions that should have taken place in 2011 will now happen in 2012 or later.

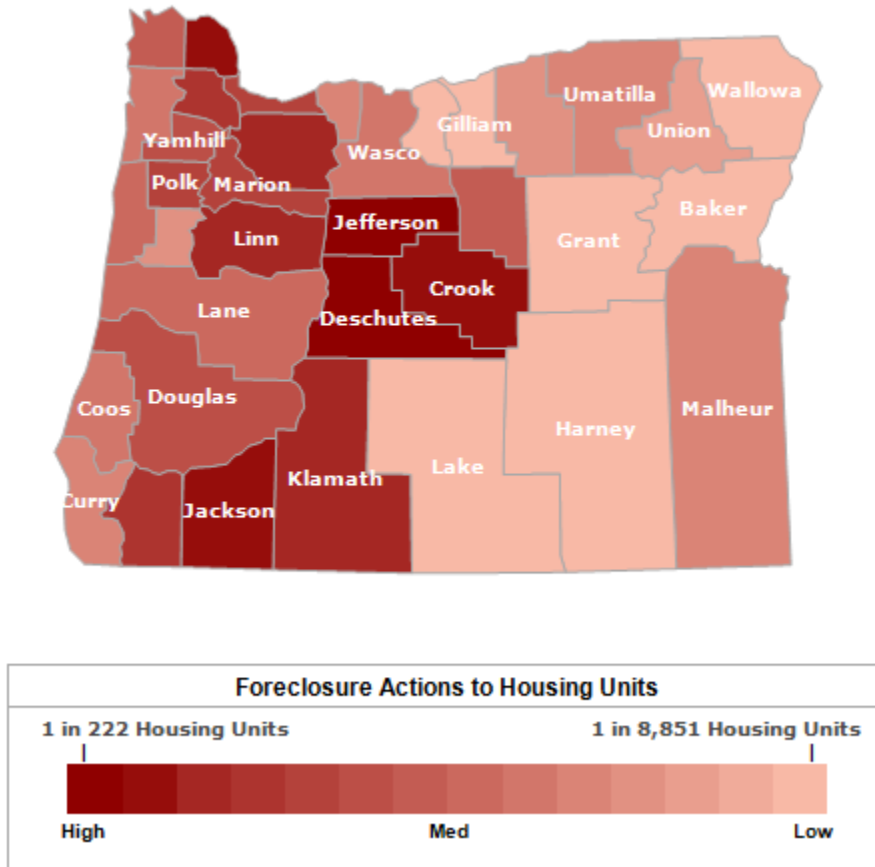
For the second quarter of 2011, Oregon reported 7,058 foreclosure filings, a 20.75 percent decrease from the previous quarter and a 41.55 percent decrease from the previous year. In the U.S., one in every 583 homes received a foreclosure filing while one in every 612 homes in Oregon received a foreclosure filing during June 2011.

Figure 3: Foreclosure Rate Heat Map, June 2011



Source: RealtyTrac

Figure 4: Foreclosure Rate Heat Map-Oregon, June 2011



Source: RealtyTrac

According to RealtyTrac, the ten states that ranked the highest in foreclosure rates in the first quarter were Nevada, Arizona, California, Utah, Idaho, Georgia, Michigan, Florida, Colorado and Illinois. Of these states, Nevada posted the nation’s highest state foreclosure rate, with one in every 114 housing units receiving a foreclosure filing. In Arizona one in every 205 housing units and in California one in every 248 housing units filed for foreclosure during June 2011.

Table 2: Building Permits Issued, Year to Date, in thousands

	Single Family			Multi Family		
	May-11	May-10	% Change	May-11	May-10	% Change
United States	167.2	202.2	-17%	65.0	53.4	22%
Oregon	2.04	2.69	-24%	0.84	0.37	125%
Portland-Vancouver- Beaverton OR-WA	1.27	1.65	-23%	0.61	0.25	147%
Salem OR	0.11	0.19	-43%	0.07	0.02	171%
Eugene-Springfield OR	0.16	0.23	-30%	0.03	0.01	125%
Bend OR	0.19	0.16	17%	0.00	0.01	-75%
Corvallis OR	0.01	0.02	-20%	0.13	0.02	639%
Medford OR	0.10	0.12	-17%	0.07	0.02	324%

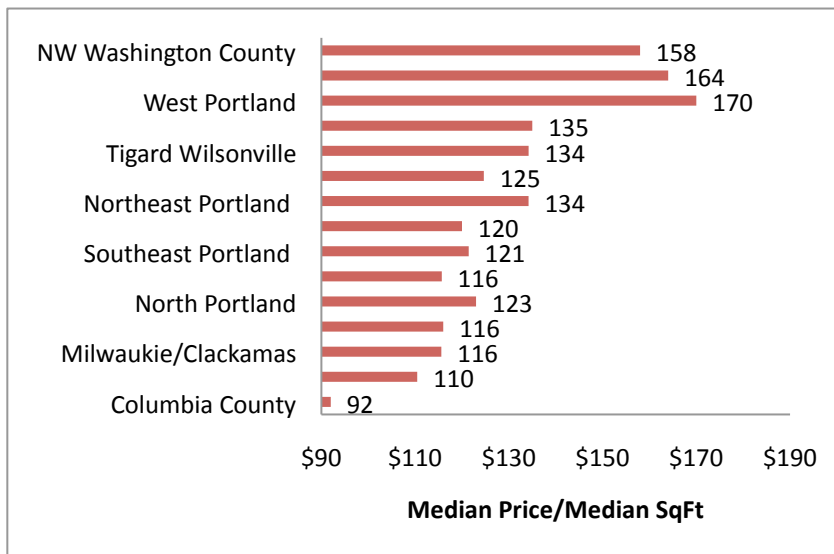
Source: National Association of Home Builders

PORTLAND

The number of Portland metropolitan area home sales decreased by 7.23 percent during the first quarter compared to the fourth quarter of 2010. This is a 3.85 percent increase from the first quarter of 2010 when there were 2805 transactions in the metropolitan area.

Median home prices for the first quarter were at \$223,000, which represents a 5.91 percent decrease over the previous quarter and an 8.89 percent reduction annually. Sales price to original list price are coming closer together, with average sales taking place at 96.08 percent of the original list price. This is a 0.15 percent point decrease from the previous quarter which was 96.22 percent, and a 5.71 percent increase annually from 90.89 percent. Sellers in the Portland area have had their homes on the market for an average of 93 days before closing, reflecting a 9 day increase from 2009 and a 14 day increase from the previous quarter.

Figure 5: Single Family Price per Square Foot, New and Existing Detached Homes, Portland Sub Markets



Source: RMLS

Figure 6: Median Sales Price & Number of Transactions, Existing Detached Homes, Portland Metro (excluding Clark County, WA)

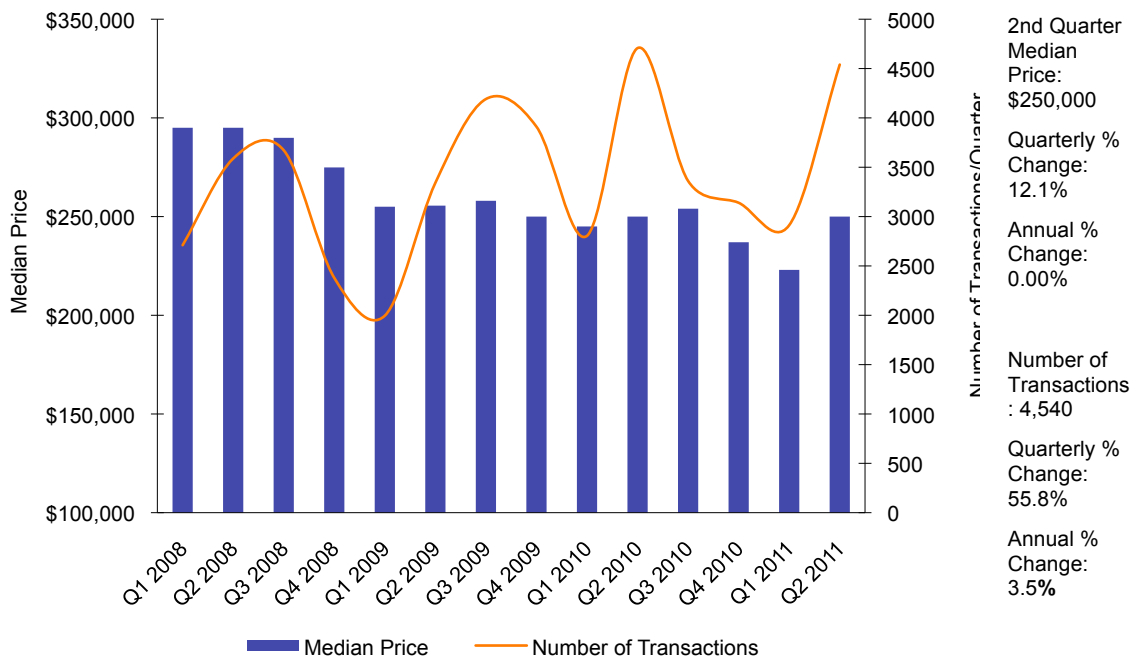


Figure 7: Sale Price/Original List Price & Average Days on Market, Existing Detached Homes, Portland Metro (excluding Clark County, WA)

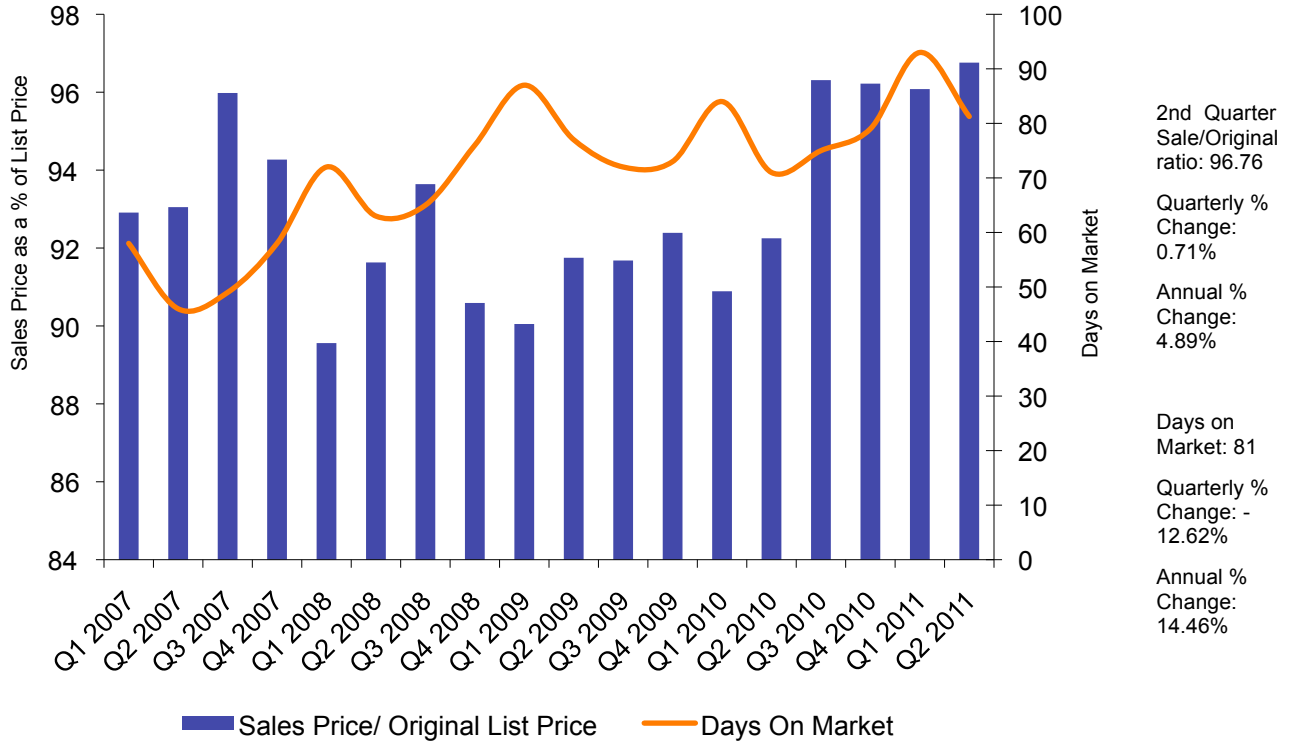


Figure 8: Median Sales Price & Number of Transactions, New Detached Homes, Portland Metro (excluding Clark County, WA)

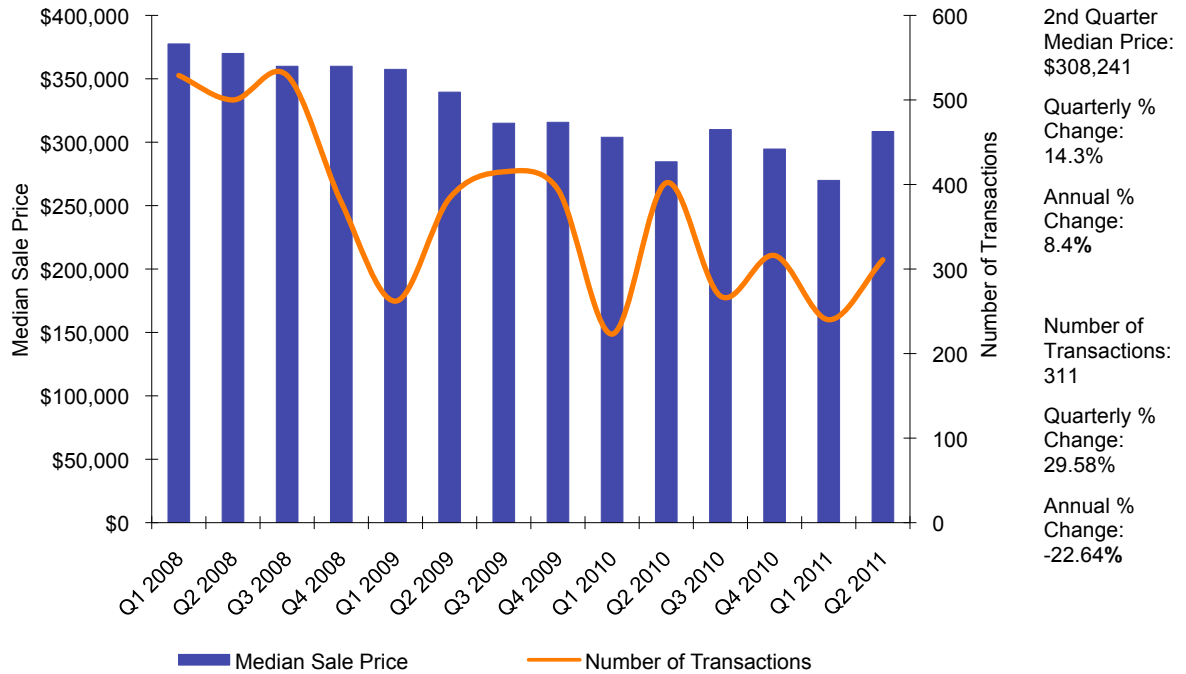
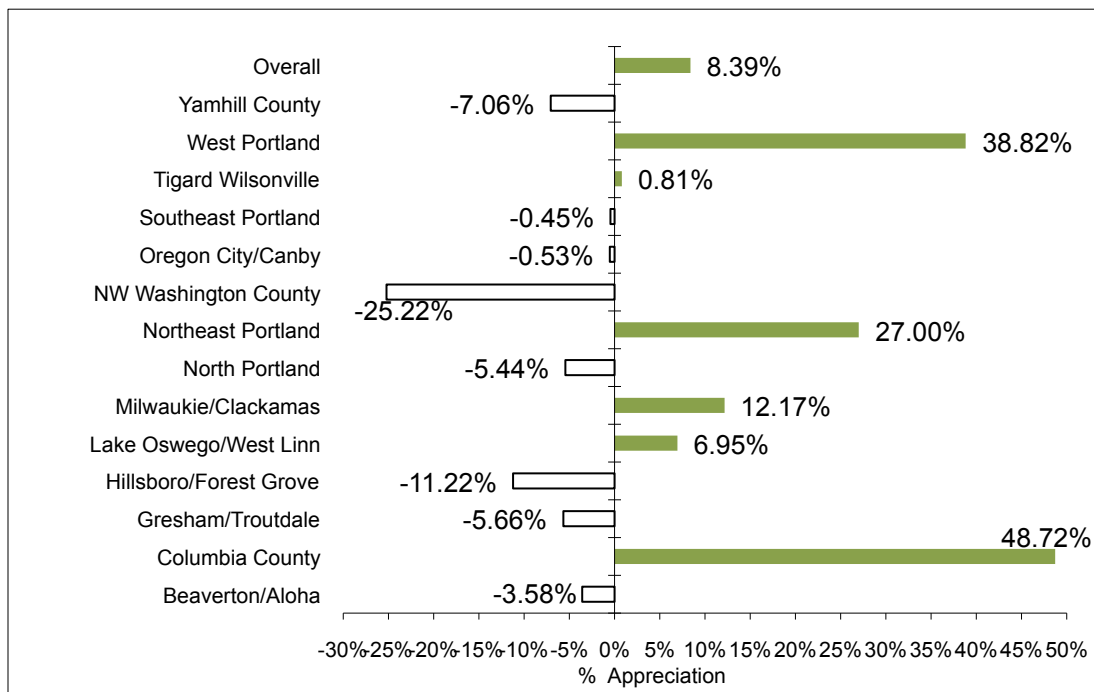


Figure 9: Appreciation Rates of Existing New Detached Homes from Q2 2010 to Q2 2011, Portland Sub-Markets



No clear trends emerge from an analysis of submarket price performance. The wide variation in from submarket to submarket likely reflects the relatively small number of sales and the idiosyncratic factors associated with each sale.

VANCOUVER

Vancouver's median home price was \$183,486 producing in a quarterly increase of 2.51 percent but an year-over-year decrease of 4.68 percent in home values. The number of homes sold throughout the first quarter increased by over 49 percent to 756 from the first quarter of 2010, and a small decrease of 1.05 percent since second quarter 2010. Fifteen of the 16 submarkets increased the number of transactions, with only Downtown decreasing slightly. The largest numerical increases were in Evergreen, Cascade Park, N Hazel Dell, and Five Corners. The average number of days on the market decreased to 88 days. First quarter 2011 average number of days on the market was 102, while it was 81 during the second quarter of 2010.

Figure 10: Median Price and Annual Appreciation Existing Detached Homes, Vancouver

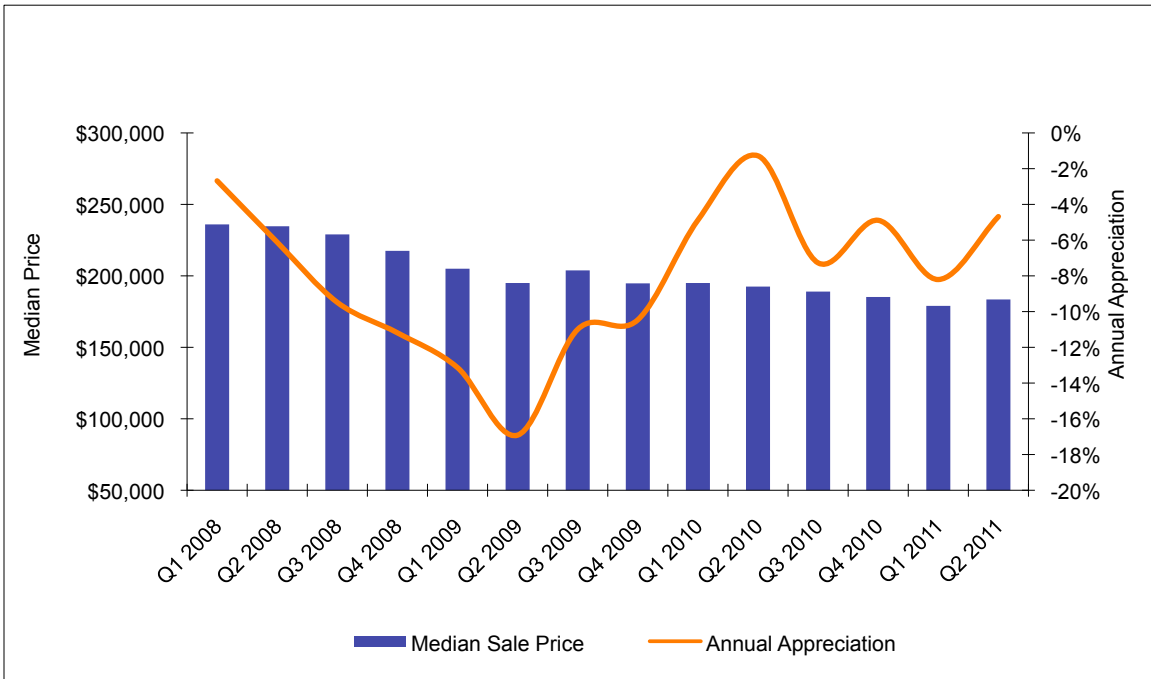


Figure 1: Average Days on Market and Number of Transactions Existing Detached Homes, Vancouver

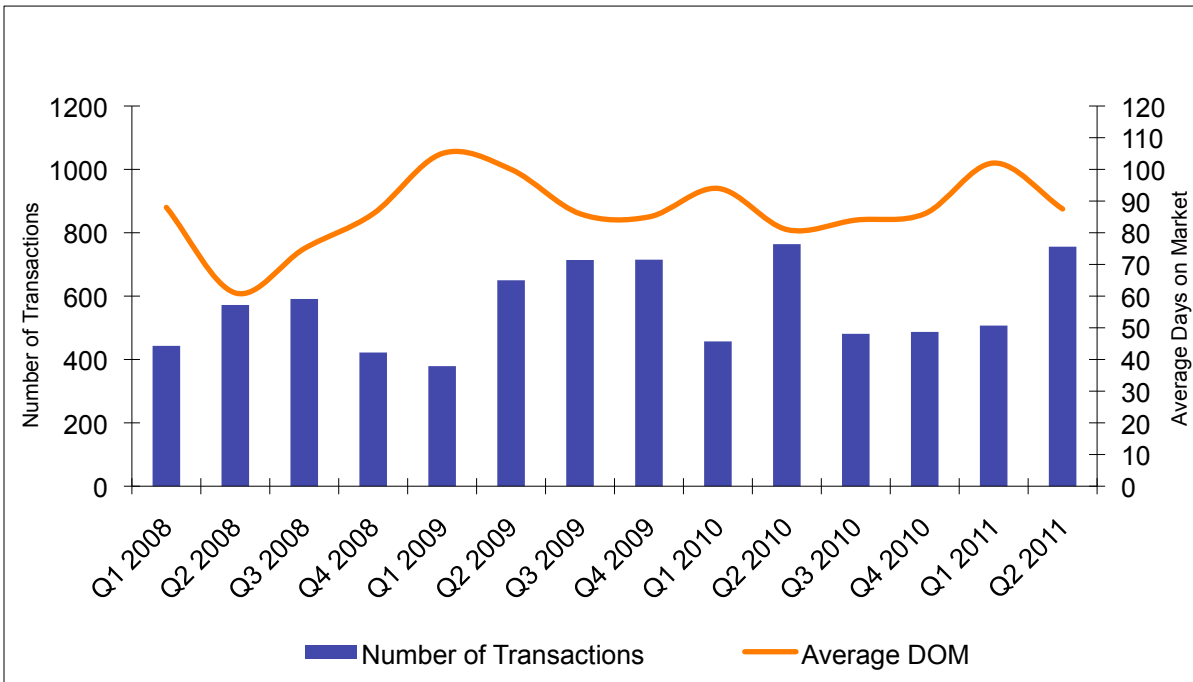
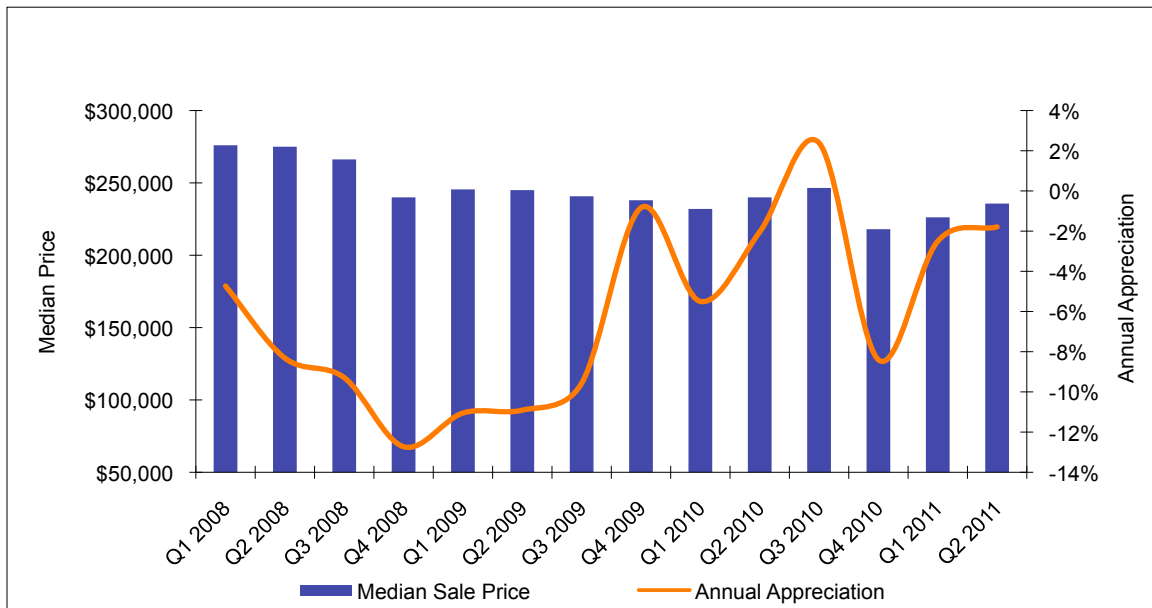


Figure 12: Median Price and Annual Appreciation Existing Detached Homes, Clark County (excluding Vancouver)



In the Clark County suburbs median home prices have increased to \$235,702. This is a 4.20 percent increase from the previous quarter's median price, but a 1.79 percent decrease since last year.

The number of home transactions in Clark County's suburbs is up over 60 percent from the first quarter and down 15.28 percent annually. There were 586 transactions during the second quarter, a massive increase of over 60 percent from first quarter. The number of transactions increased in 14 of the 18 submarkets with the largest numerical increases occurring in Camas, Brush Prairie, Washougal, and Cowlitz County. The average number of day on the market decreased from 120 in the first quarter to 100, demonstrating the growing strength of this market.

Figure 23: Average Days on Market and Number of Transactions Existing Detached Homes Clark County (excluding Vancouver)

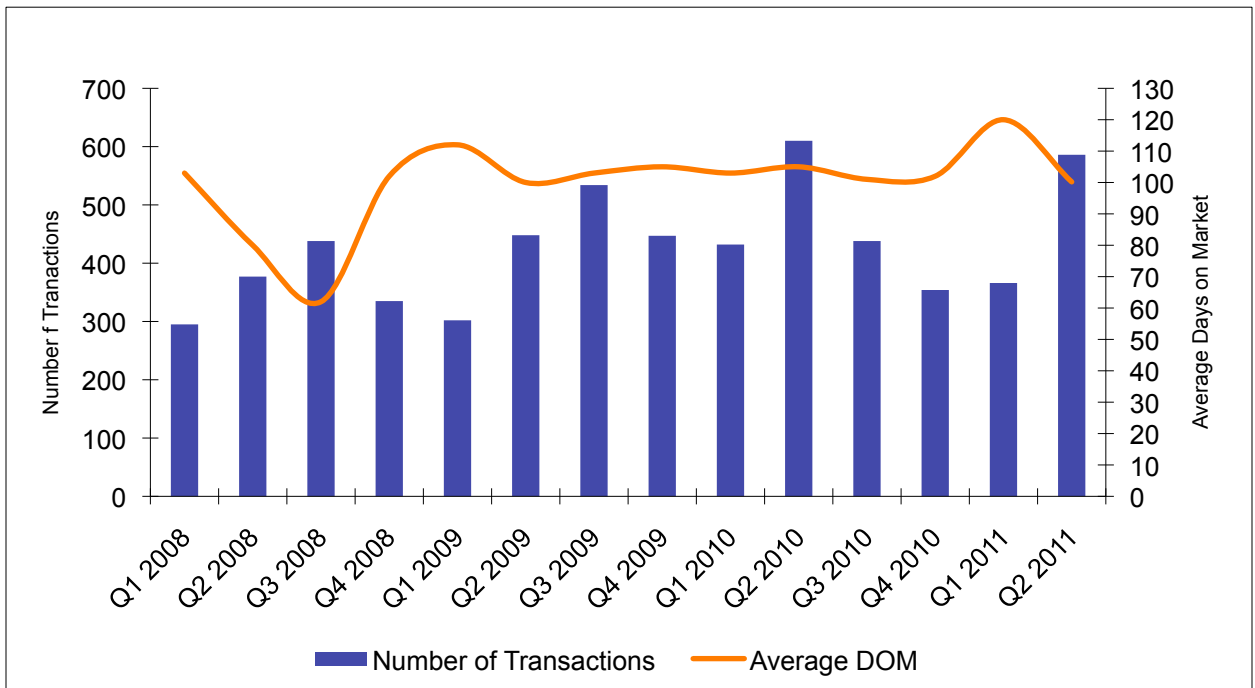
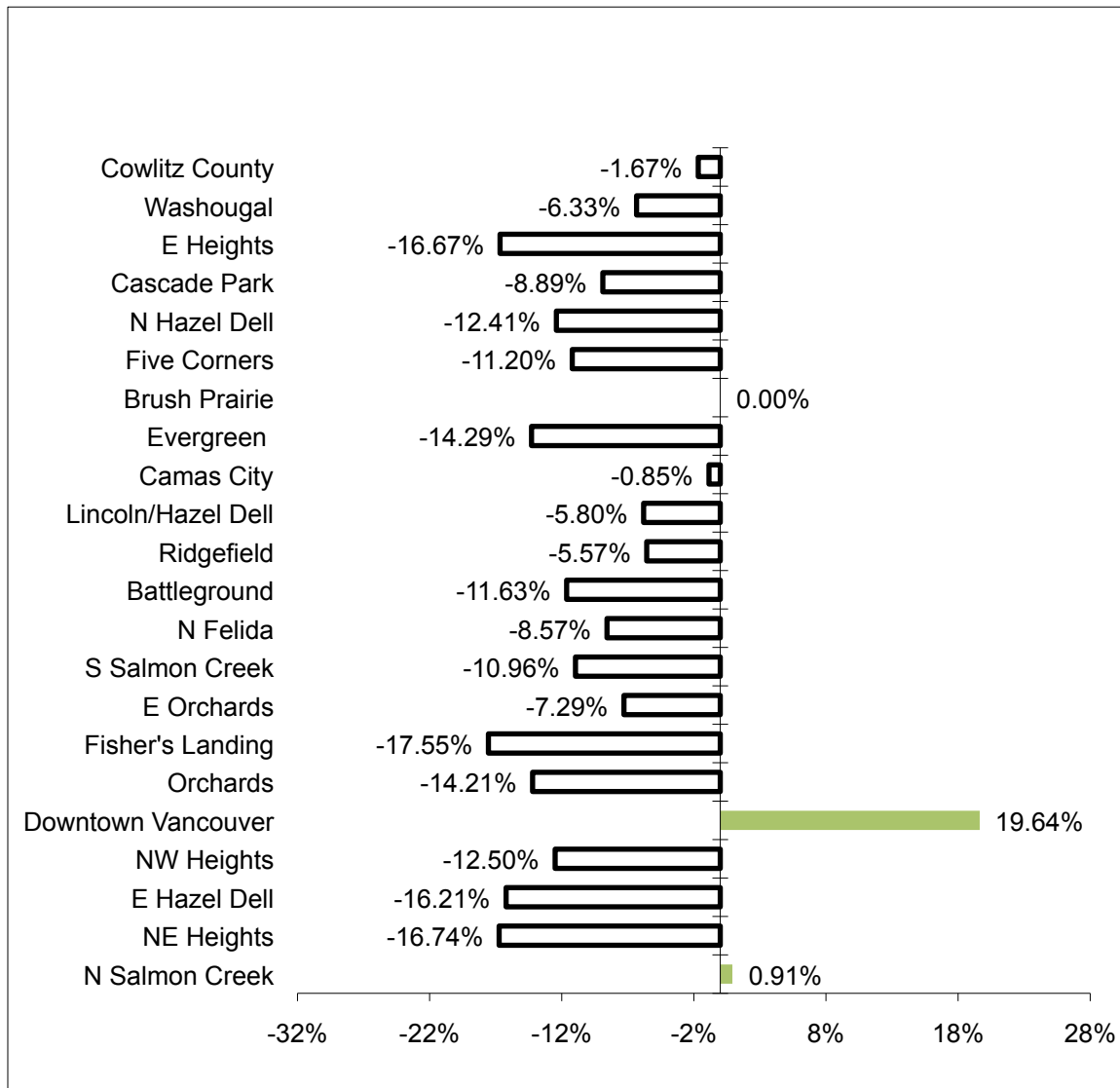


Figure 14: Appreciation Rates of Existing Detached Homes, Vancouver and Clark County Sub Market from Q2 2010 to Q2 2011



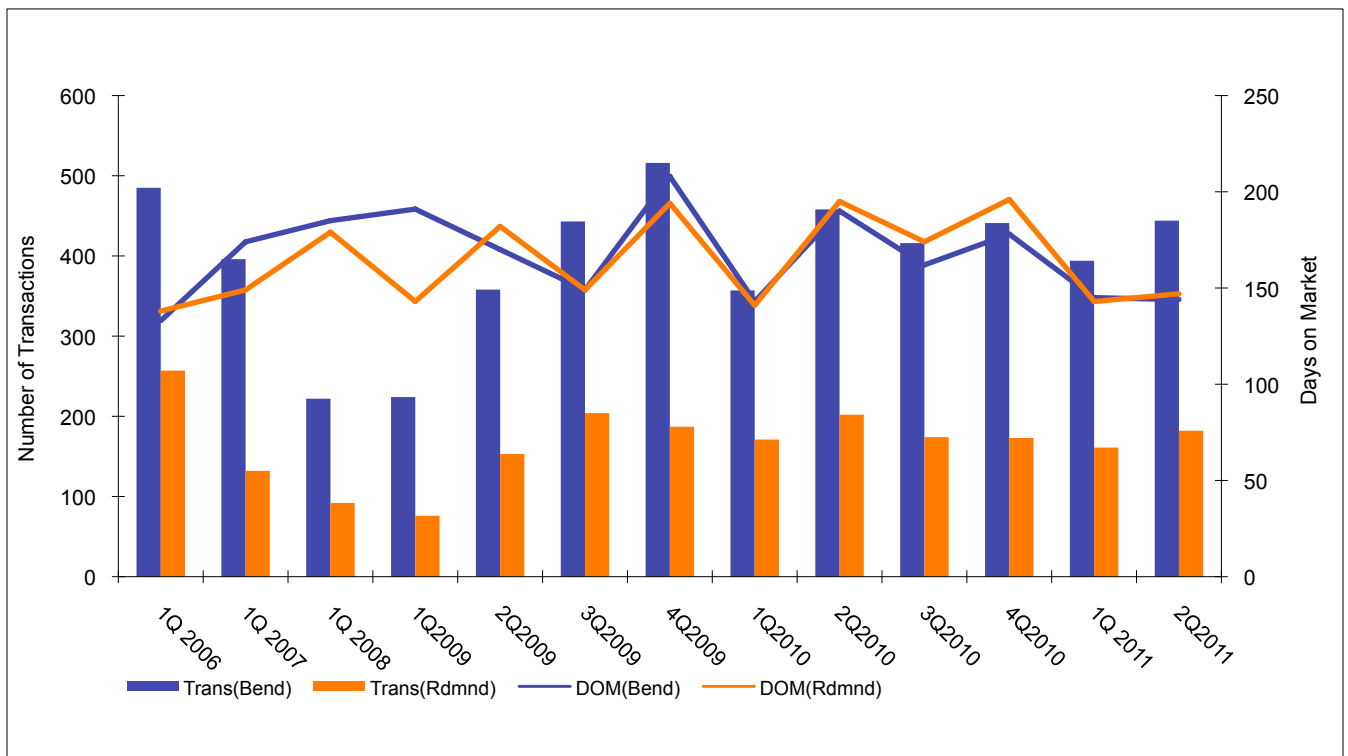
Of the submarkets where there were more than 15 transactions to make appreciation numbers informative, two Vancouver/Clark County submarkets experienced price appreciation for the year. The downtown Vancouver submarket posted the highest gains with an appreciation rate of 19.64 percent (based on 122 transactions for the year).

On the other hand, 20 submarkets saw a decline in prices. The Fishers Landing submarket had the highest quarterly depreciation rate at 17.55 percent (54 transactions) followed by NE Heights submarket at 16.74 percent (38 transactions) and E Heights at 16.67 percent (26 transactions).

CENTRAL OREGON

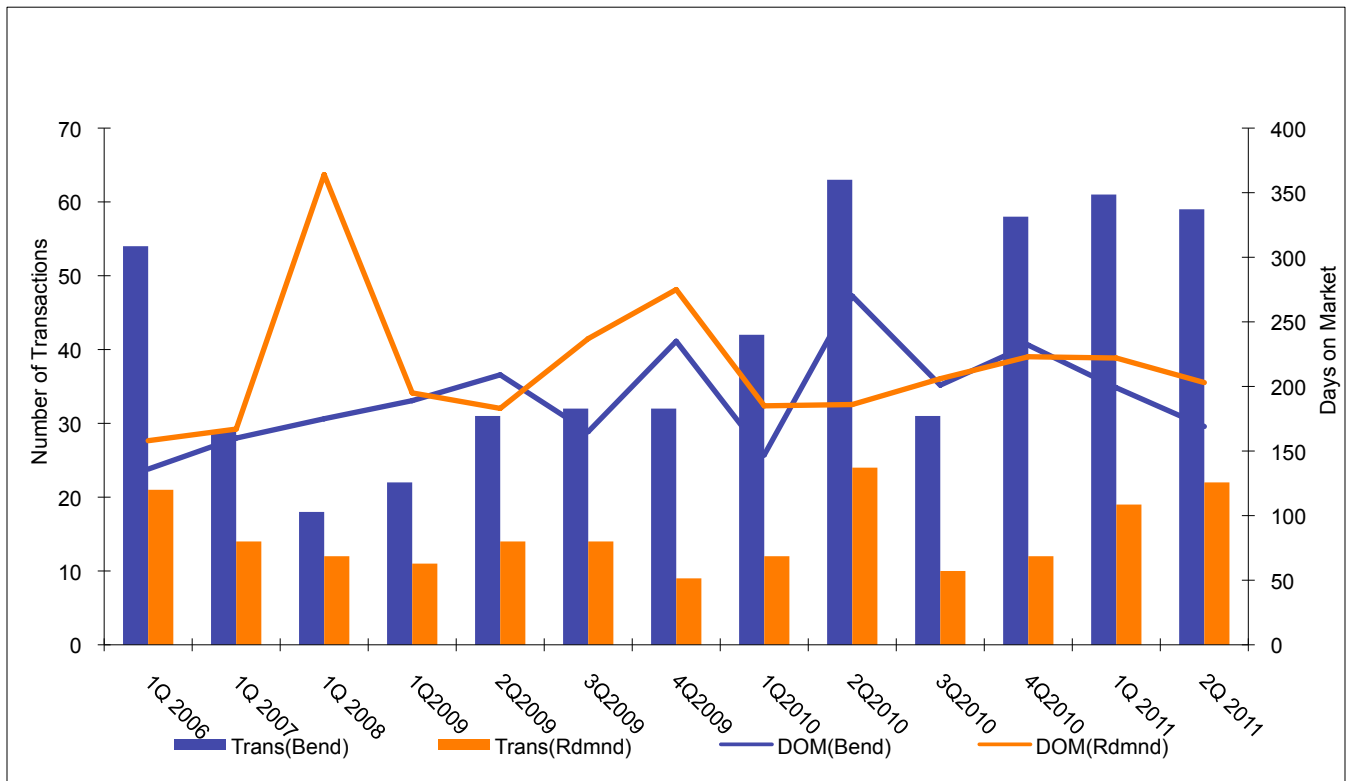
Both Bend and Redmond are experiencing increases from the previous quarter with respect to the number of homes sold less than one acres. Bend home sales less than one acre increased 12.7 percent to 444 and Redmond's increased 13.0 percent to 182. Sales volume for homes on 1-5 acres also increased 15.8 percent from 19 to 22 in Redmond and decreased slightly from 61 transactions in the first quarter of 2011 to 59 transactions during the second quarter of 2011 in Bend. For homes on less than one acre, the average number of days on market decreased slightly from 145 (in the first quarter 2011) to 144 (in the second quarter 2011) in Bend and increased slightly from 143 to 147 in Redmond. In Central Oregon's reports, the housing stock is separated by lot size, properties under one acre and those between one and five acres. Price per square foot data is provided to control for lot size between both categories.

Figure15: Number of Transactions and Days on the Market, Single Family Under 1 Acre, Bend and Redmond



Source: Central Oregon Association of Realtors

Figure 16: Number of Transactions and Days on the Market, Single Family 1-5 Acres, Bend and Redmond



The median home prices for the Bend market recovered strongly during the second quarter of 2011 after three quarters of steady declines, while the Redmond market continued to decline. The Bend market increased 12.9 percent to \$198,250, while the Redmond decreased 10.3 percent to \$107,250 from the previous quarter for homes less than one acre. The same trends prevailed on homes 1-5 acres as the Bend market increased 24.7 percent to \$299,900, while the Redmond market dropped 16.4 percent to \$208,950. Over the past year the Bend market increased slightly by 1.1 percent while the Redmond market decreased 13.9 percent for home sales under an acre. For sales 1-5 acres, Bend decreased 4.8 percent and Redmond has increased 6.5 percent since second quarter of 2010.

Price-per-square-foot numbers in Bend increased from the first quarter to the second quarter from \$97/sq.ft to \$108/sq.ft for homes under one acre and from \$113/sq.ft to \$148/sq.ft for homes with 1-5 acres. In Redmond, homes under one acre was decreased from \$75/sq. ft to \$68/sq.ft, while the price per square foot of 1-5 acre homes decreased slightly from \$125/sq.ft to \$123/sq.ft.

Figure 17: Median Single Family Price and \$/SqFt Under 1 Acre, Bend and Redmond

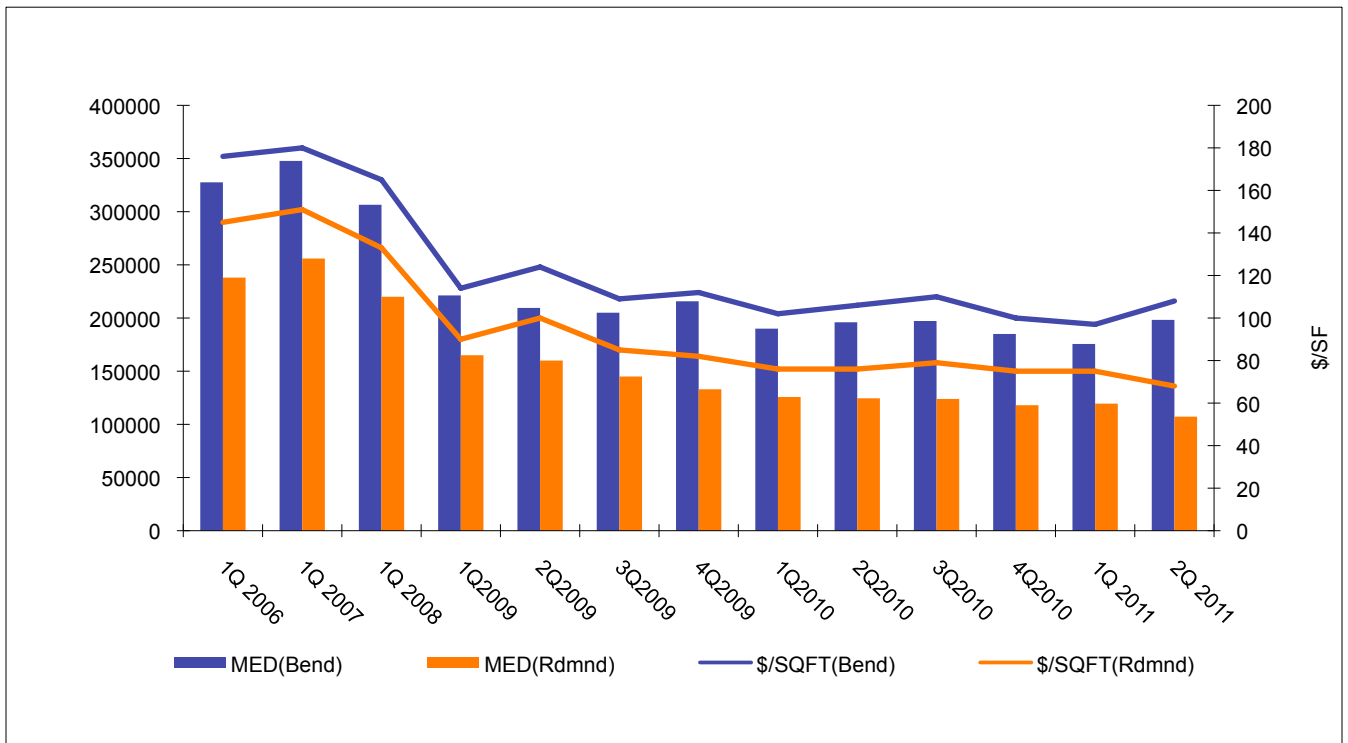
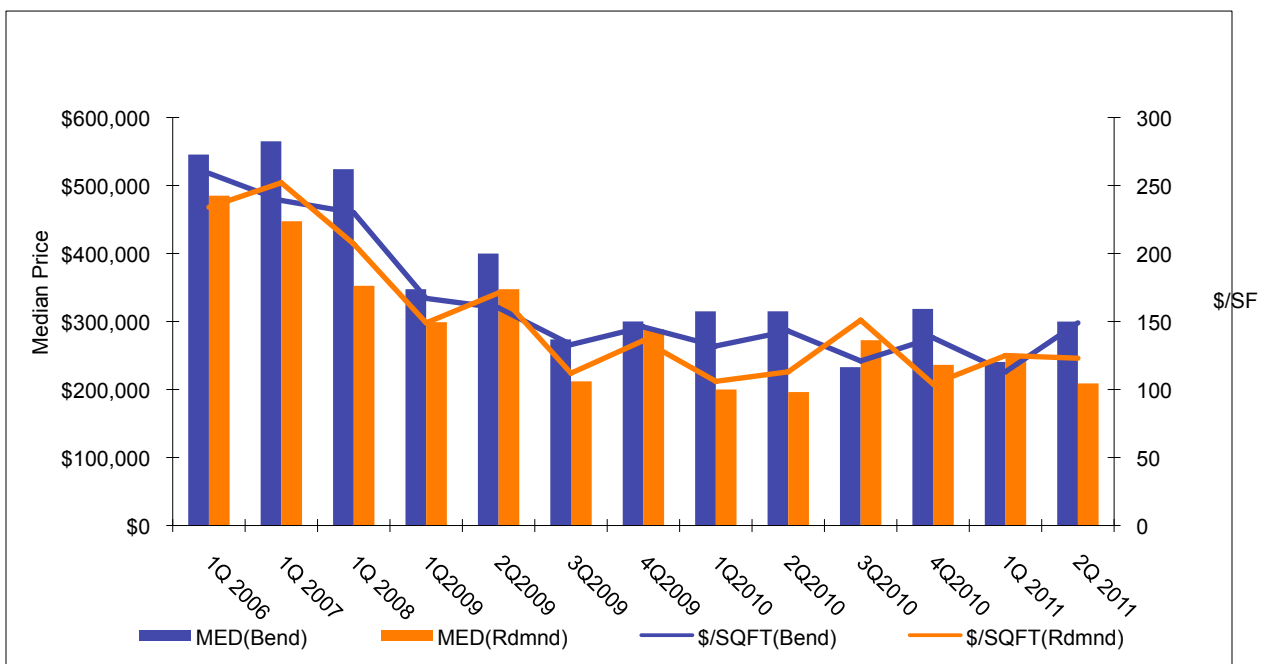


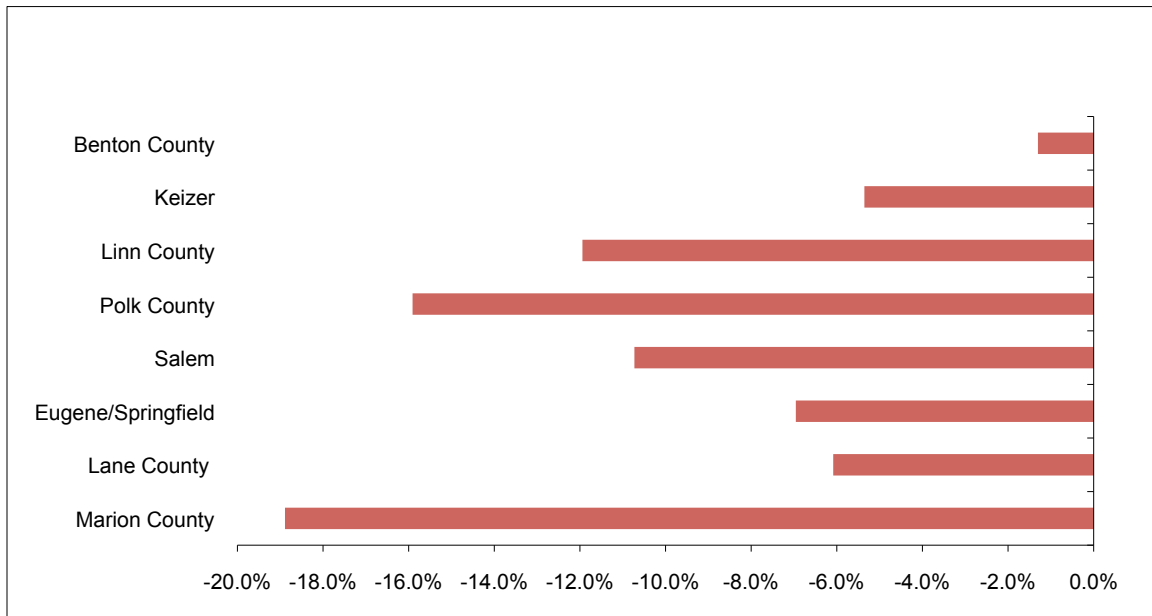
Figure 18: Median Single Family Price and \$/SqFt, 1-5 Acres, Bend and Redmond



WILLAMETTE VALLEY

All Willamette Valley submarkets experienced annual depreciation on existing home prices. Marion County had the highest depreciation of 18.9 percent followed by Polk County with a 15.9 percent decrease.

Figure 19: Annual Appreciation Rates of Existing Detached Homes, Willamette Valley from Q2 2010 to Q2 2011

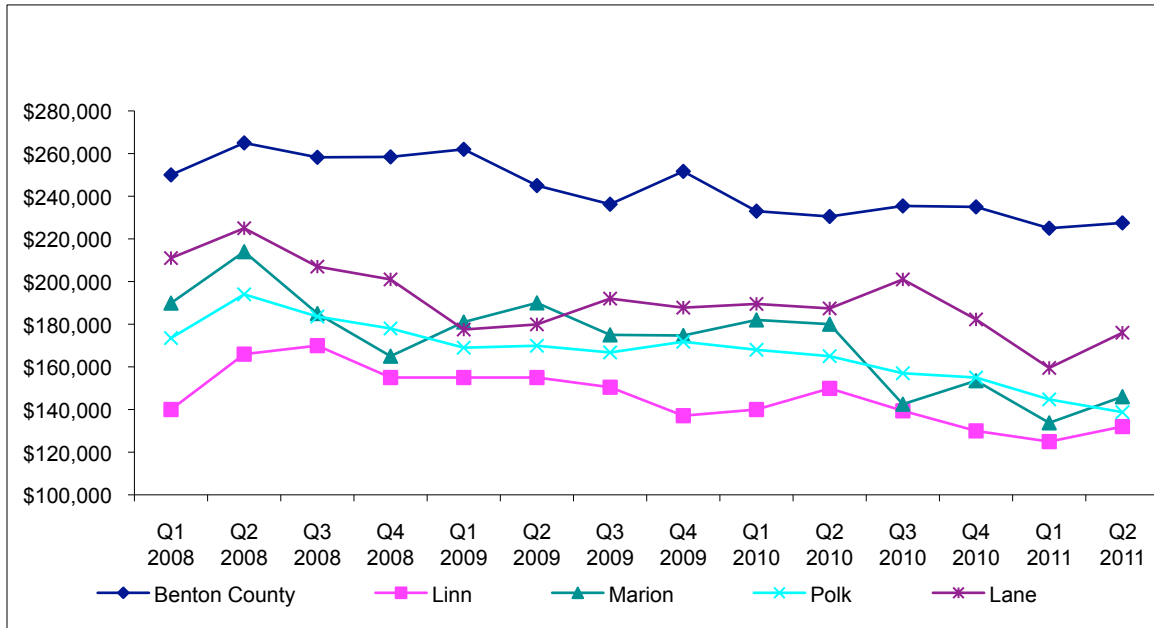


Source: Willamette Valley RMLS

The number of transactions over the past year decreased annually for all of these submarkets except Marion County where the number of transactions during the second quarter of 2011 increased 5.2 percent. The number of transactions in Marion County increased from 134 to 141.

The number of days on the market decreased annually for all submarkets. The largest change in number of days on the market on a percentage basis was the Benton Count submarket which decreased 33.1 percent from 127 in second quarter 2010 to 85 in second quarter 2011.

Figure 20: Median Sales Price Existing Detached Homes, Willamette Valley



SALEM

Salem’s housing market again experienced annual depreciation while the number of days on the market increased. The median sale price increased slightly while the number of transactions increased from the first quarter of 2011.

Prices declined 10.73 percent from the previous year to \$154,888. Meanwhile, the average number of days on market decreased to 119 from 170 in the first quarter of 2010.

The number of transactions decreased from the previous year from 505 to 394, but increased from the first quarter of 2011 from 336.

Figure 21: Median Sales Price and Annual Appreciation, Existing Homes, Salem

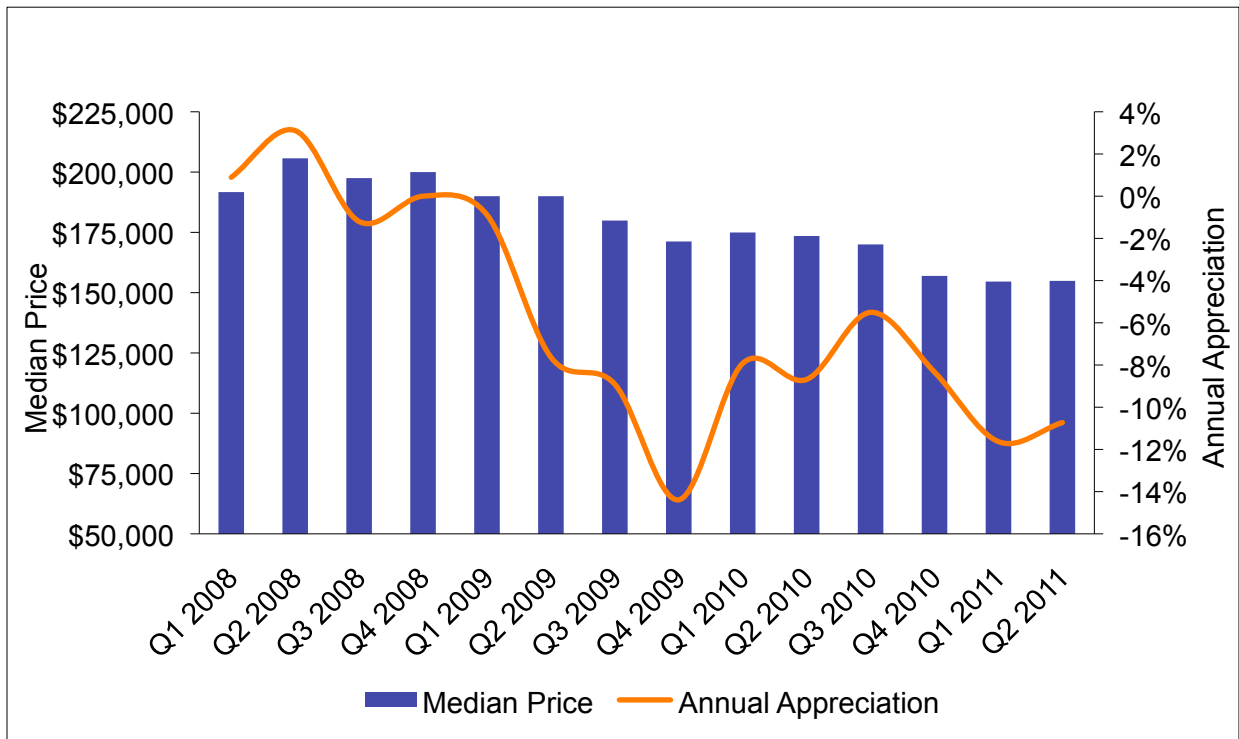
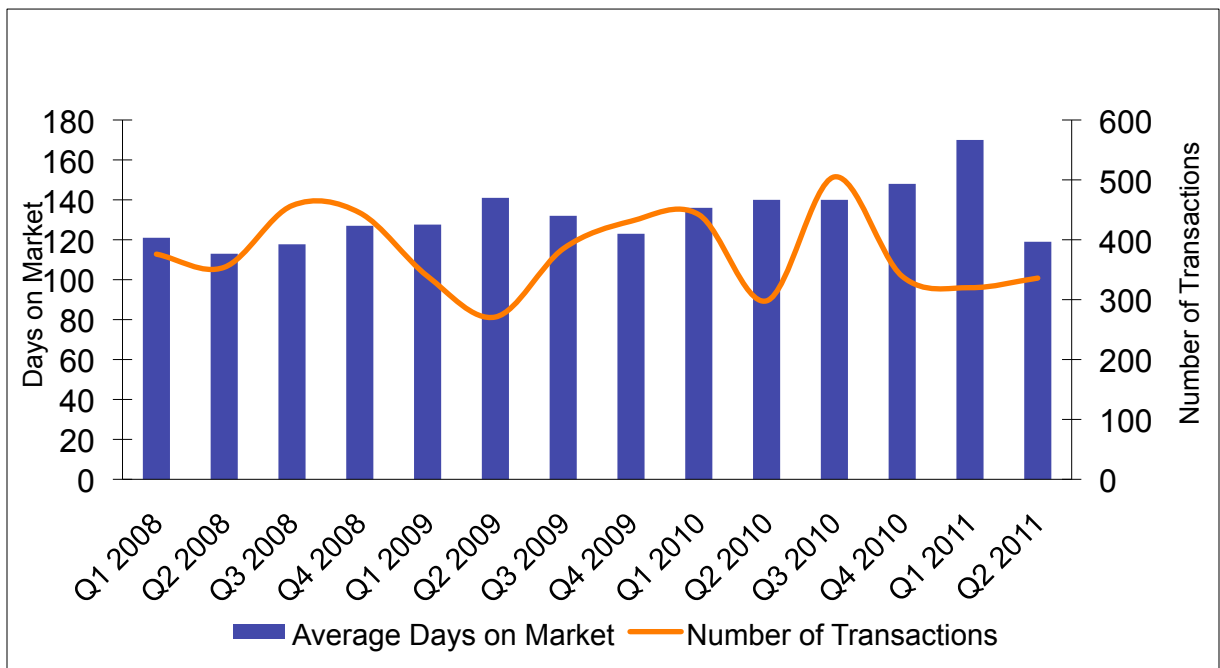


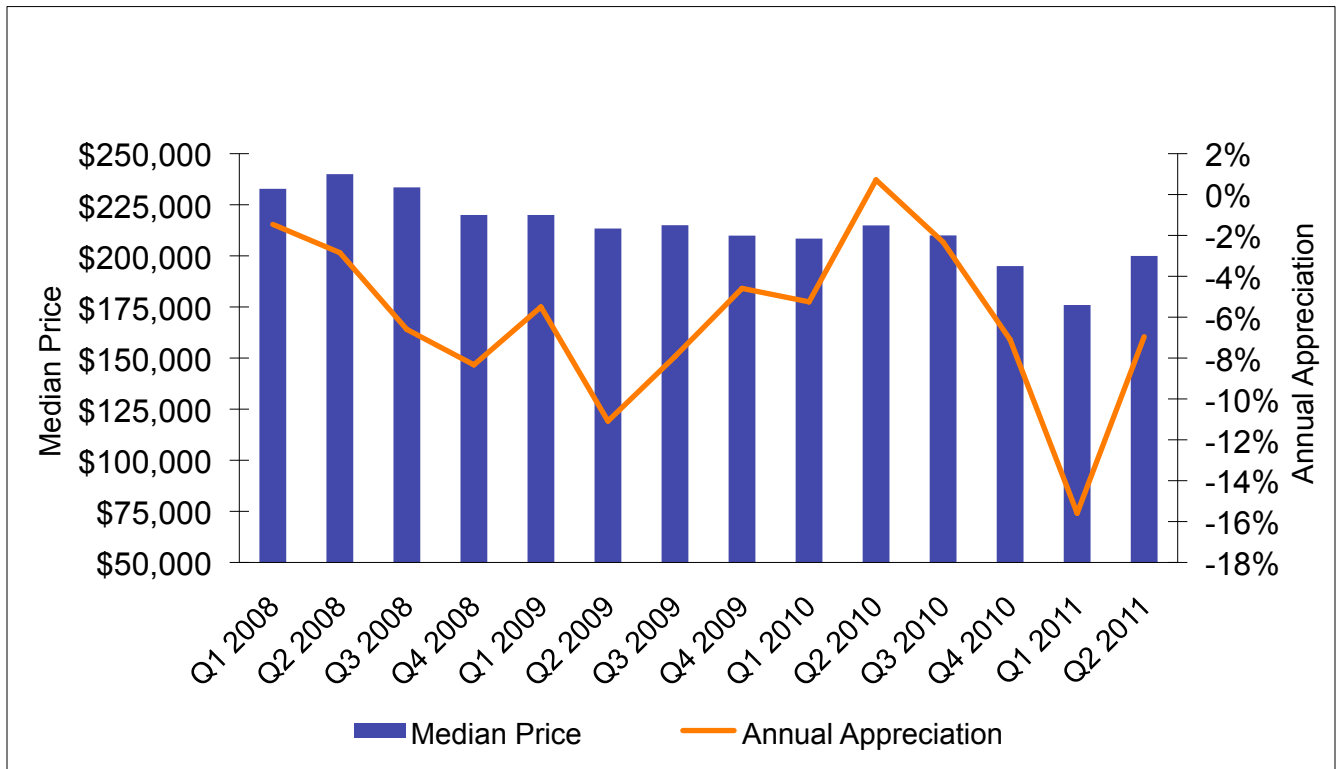
Figure 22: Average Days on Market and Number of Transactions, Existing Homes, Salem



EUGENE/SPRINGFIELD

Home prices in the Eugene/Springfield area increased 13.6 percent from the first quarter of 2011 to \$199,950, after three consecutive quarters of declines. Annual appreciation improved to a 6.96 percent decline since the second quarter of 2010.

Figure 23: Median Price and Annual Appreciation Existing Detached Homes, Eugene/Springfield



Source: Willamette Valley RMLS