

---

## HOUSING MARKET ANALYSIS

---

EVAN ABRAMOWITZ

Joseph Bernard Investment Real Estate  
Oregon Association of Realtors Student Fellow  
& Masters of Real Estate Development Graduate Student

National housing market statistics reflect slightly increasing median-existing home prices. Even so, prices are still lower than a year ago for all housing types. Nationally prices are down 3.9 percent from September 2010 to September 2011. Median prices in the western United States have followed a similar trend and decreased by 4.5 percent to \$207,400.

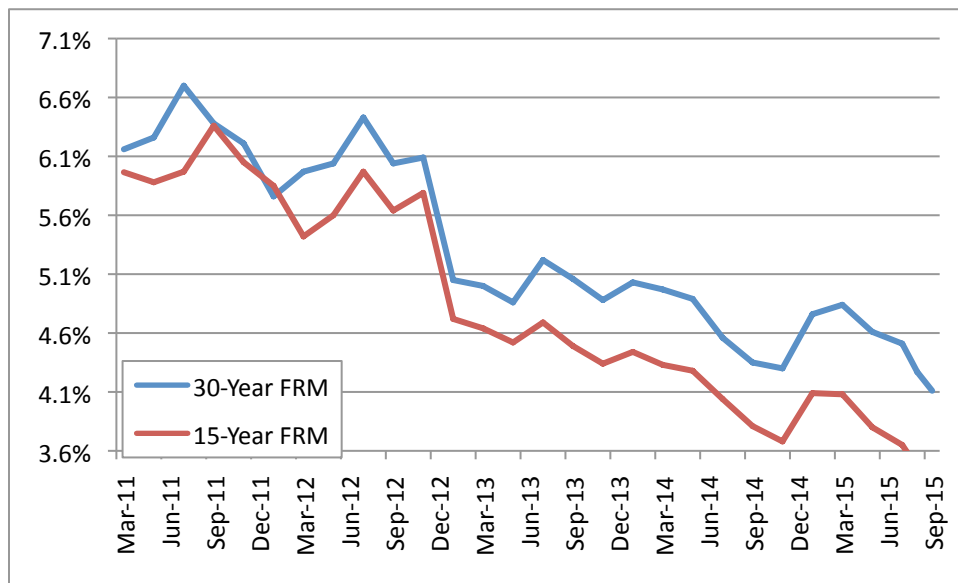
Over the past year, the Portland metropolitan area experienced a decrease in median sales prices, but double-digit increase in sales volume. The median sales price of \$222,500 has decreased 6.1 percent since September 2010 and the number of transactions in the metropolitan area increased by 14.8 percent.

The National Association of Realtors reports the number of existing home sales decreased in September 2011 to a seasonally adjusted rate of 4.91 million homes sold nationally. This was a 3.0 percent decrease from August. However, the number of home sales is currently 11.3 percent above the 4.41 million unit pace as of September 2010.

■ Evan Abramowitz is multifamily broker with Joseph Bernard Investment Real Estate. He is also the Oregon Association of Realtors student fellow at Portland State University where he is a graduate student studying for a master's in real estate development. Any errors or omissions are the author's responsibility. Any opinions expressed are those of the author solely and do not represent the opinions of any other person or entity.

The HousingPulse Distressed Property Index (DPI) is one indicator of the health of the housing market and decreased to 45.9% in August from 46.2% percent in June. The index suggests that nearly half of all housing sales are distressed properties. This trend is expected to continue as the backlog of foreclosures and mortgage defaults make their way through the housing pipeline. According to Campbell Surveys, first-time homebuyers made up a smaller proportion of short sales this August at 39.7%, compared to a peak of 54.1% in November 2009. In August 2011, short sales accounted for 17.1% of the home purchase market, with damaged REO and move-in ready REO accounting for 13.2% and 15.6% respectively.

**Figure 1: Single Family Mortgage Interest Rate**



Source: Freddie Mac

Mortgage interest rates had been steadily decreasing since the first quarter of 2011 and are now at nearly 60-year lows. The national average commitment rate for a 30-year conventional, fixed-rate mortgage was 4.11 in September, down from 4.27 percent in August; the rate was 4.35 percent in September 2010.

First time home buyers made up 32 percent of home sales in September, unchanged from August. They were also 32 percent in September 2010. Investors purchased 19 percent of homes in September, down from 22 percent in August.

**Table 1: Median Home Values of Existing Detached Homes**

	U.S.	West	Portland Metro Area
September 2010 Median Sales Price	\$172,400	\$217,100	\$237,000
September 2011 Median Sales Price	\$165,600	\$207,400	\$222,500
% Change in Median Sales Price	-3.9%	-4.5%	-6.1%
% Change in Number of Sales Sept 2010- Sept 2011	15.2%	10.7%	14.8%

Source: National Association of Realtors

Standard & Poor's Case-Shiller Index for Portland was 135.80 through July 2011. The represents an increase of 1.0 percent from June 2011, and a year-over-year decrease of 8.4 percent. Case-Shiller's 20 city composite index is down 4.1 percent compared to the same time last year. 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.

The Case-Shiller Home Price Indices are a leading measures for the US residential housing market, tracking changes in the value of residential real estate both nationally as well as in 20 metropolitan regions. The indices show prices for the 10- and 20-city composites are lower than a year ago, both the composites fell, 3.70 percent for the 10-city composite and 4.10 percent for the 20-city composite as compared to July 2010.

Of the 20 cities tracked, Washington D.C. and Detroit were the only markets to post a year over year gain at growth rate of 0.3 percent and 1.2 percent respectively. Portland, Ore. was one of seventeen markets that saw improvements in their annual rates of return in July versus June.

Data published by RealtyTrac, show 610,337 foreclosure filings for the third quarter 2011, an increase of less than one percent from the previous quarter and a 34 percent decrease from the third quarter of 2010. The filing figures include default notices, schedule auctions and bank repossessions.

Foreclosure filings were reported on 214,855 U.S. properties in September, a 6 percent decrease from August and a 38 percent decrease from September 2010. September marked the 12th straight month where foreclosure activity decreased on a year-over-year basis.

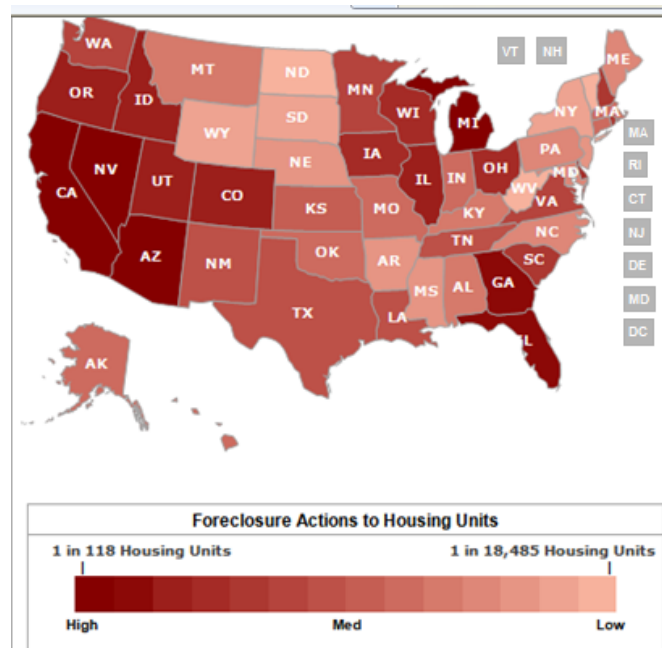
"U.S. foreclosure activity has been mired down since October of last year, when the robo-signing controversy sparked a flurry of investigations into lender foreclosure procedures and paperwork," said James Saccacio, chief executive officer of RealtyTrac. "While foreclosure activity in September and the third quarter

continued to register well below levels from a year ago, there is evidence that this temporary downward trend is about to change direction, with foreclosure activity slowly beginning to ramp back up.

“Third quarter foreclosure activity increased marginally from the previous quarter, breaking a trend of three consecutive quarterly decreases that started in the fourth quarter of 2010,” Saccacio continued. “This marginal increase in overall foreclosure activity was fueled by a 14 percent jump in new default notices, indicating that lenders are cautiously throwing more wood into the foreclosure fireplace after spending months trying to clear the chimney of sloppily filed foreclosures.”

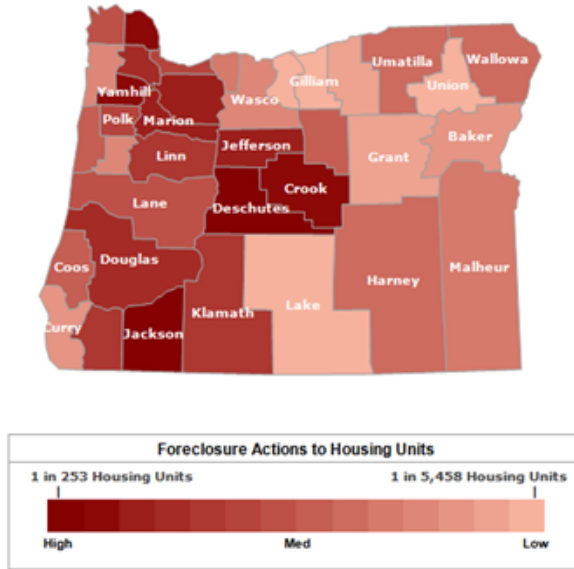
During September 2011 Oregon reported 2,934 foreclosure filings, which is a 13 percent increase from August and a 36.6 percent decrease from the previous year. Oregon registered a 47 percent increase in REO activity from the previous quarter, which was second in the nation to Massachusetts. In the U.S., one in every 213 homes received a foreclosure filing while one in every 559 homes in Oregon received a foreclosure filing during September 2011.

**Figure 2: Foreclosure Rate Heat Map, September 2011**



Source: RealtyTrac

**Figure 3: Foreclosure Rate Heat Map-Oregon, September 2011**



Source: RealtyTrac

According to RealtyTrac, the ten states that ranked the highest in foreclosure rates in the third 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 44 housing units receiving a foreclosure filing. In Arizona one in every 93 housing units and in California one in every 88 housing units filed for foreclosure during the third quarter.

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

	Single Family			Multi Family		
	Aug-11	Aug-10	% Change	Aug-11	Aug-10	% Change
United States	284.6	319.9	-11%	123.0	98.3	25%
Oregon	3.58	4.10	-13%	1.41	0.99	43%
Portland-Vancouver-Beaverton OR-WA	2.15	2.46	-12%	1.04	0.62	68%
Salem OR	0.16	0.27	-42%	0.07	0.22	-68%
Eugene-Springfield OR	0.28	0.35	-21%	0.12	0.08	53%
Bend OR	0.34	0.25	33%	0.01	0.01	-30%
Corvallis OR	0.02	0.02	11%	0.17	0.02	828%
Medford OR	0.18	0.19	-9%	0.07	0.09	-15%

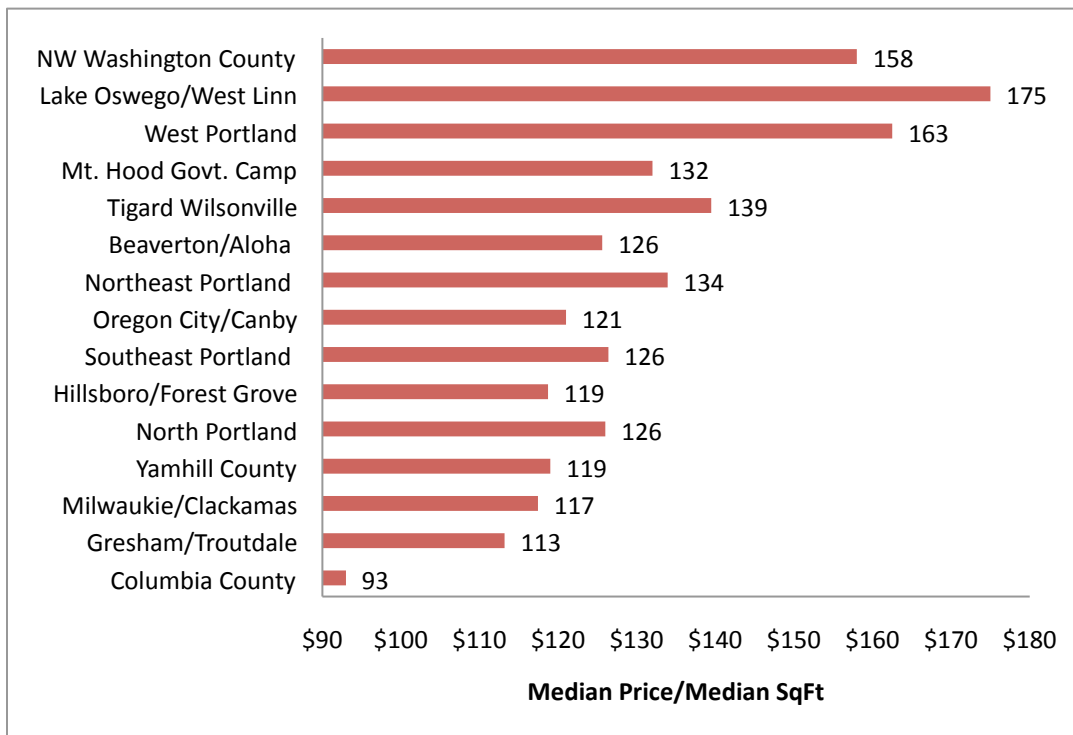
Source: National Association of Home Builders

## PORTLAND

The number of Portland metropolitan area home sales increased by 15.31 percent during the third quarter compared to the second quarter of 2011, and buyers closed on purchases of 5,235 existing homes. This is a 55.76 percent increase from the third quarter of 2010 when there were 3,361 transactions in the metropolitan area.

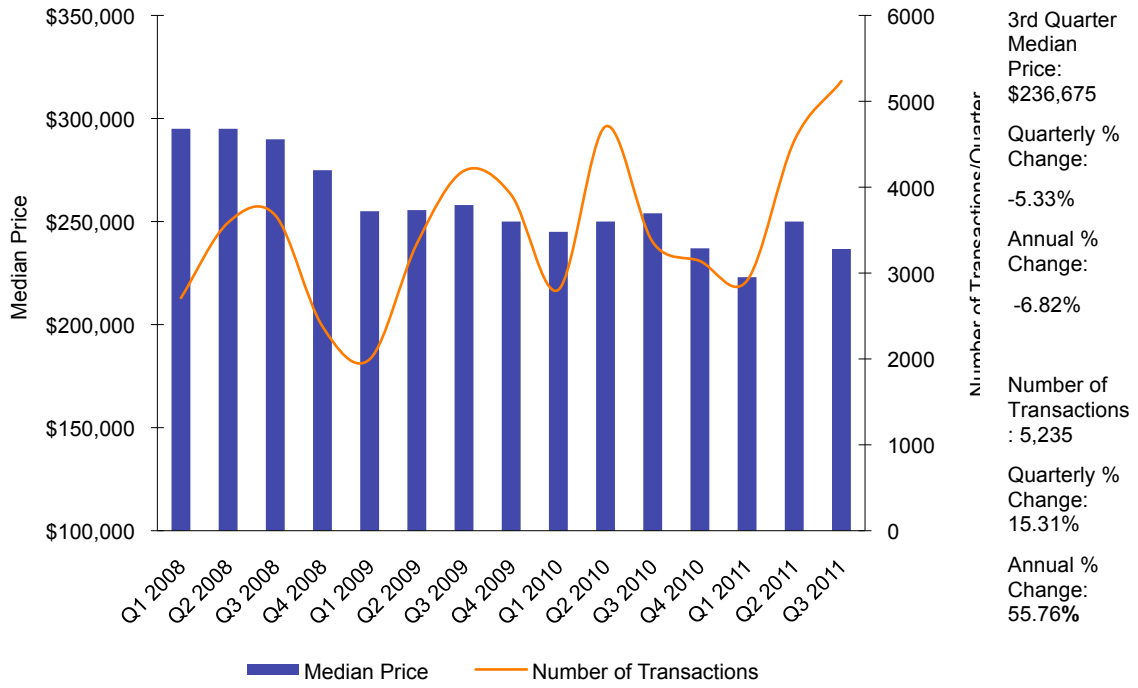
Median prices for the third quarter were at \$246,450, which represents a 1.42 percent decrease over the previous quarter and a 2.97 percent reduction annually. Sales price to original list price are coming closer together, with average sales taking place at 96.78 percent of the original list price. This is a 0.43 percent point increase from the previous quarter which was 96.36 percent, and a 0.48 percent increase annually from 96.31 percent. Sellers in the Portland area have had their homes on the market for an average of 89 days before closing, reflecting a 14 day increase from 2010 and an 8 day increase from the previous quarter.

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



Source: RMLS

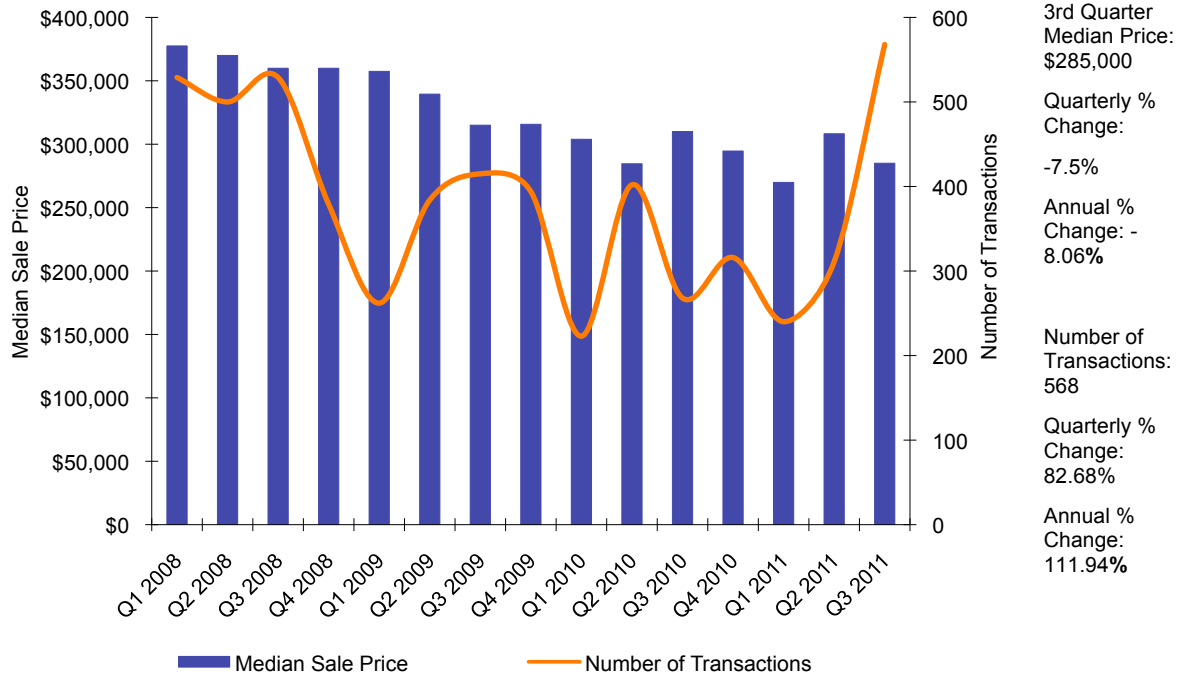
**Figure 6: Median Sales Price & Number of Transactions, Existing Detached Homes, Portland Metro (excluding Clark County, WA)**



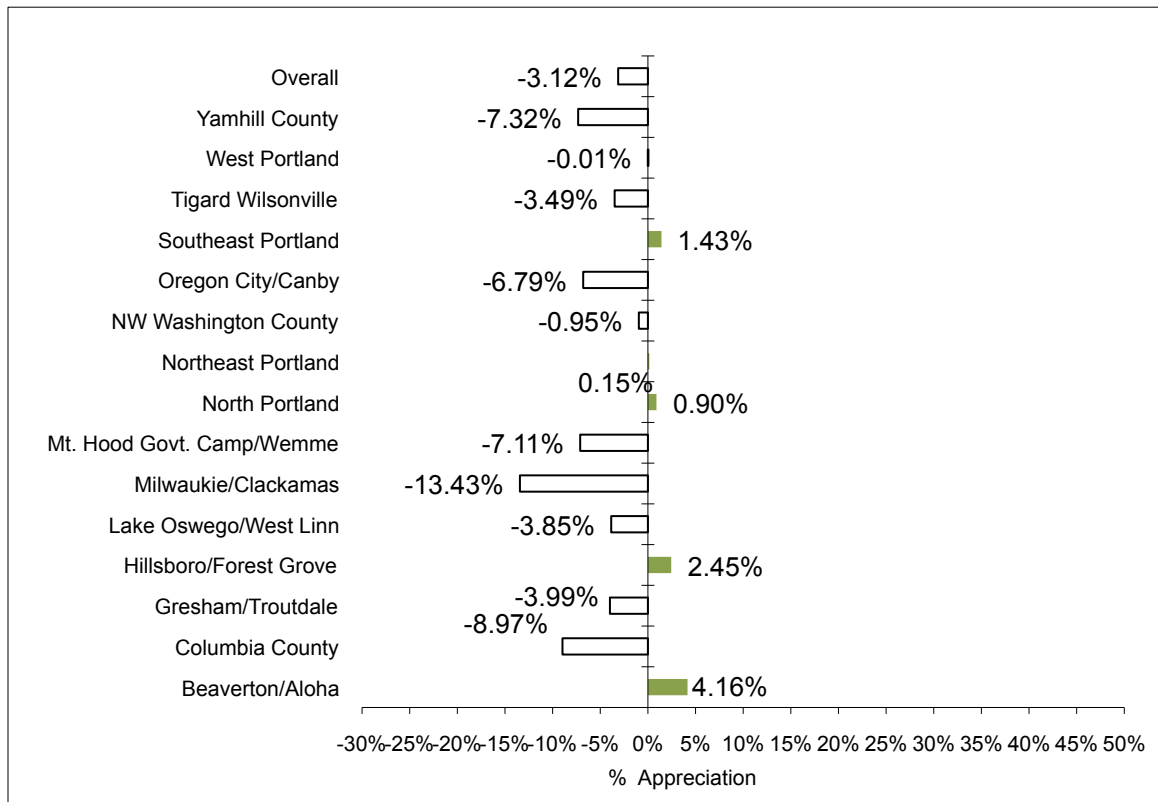
**Figure 7: Sale Price/Original List Price & Average Days on Market, Existing Detached Homes, Portland Metro (excluding Clark County, WA)**



**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 Q3 2010 to Q3 2011, Portland Sub-Markets**

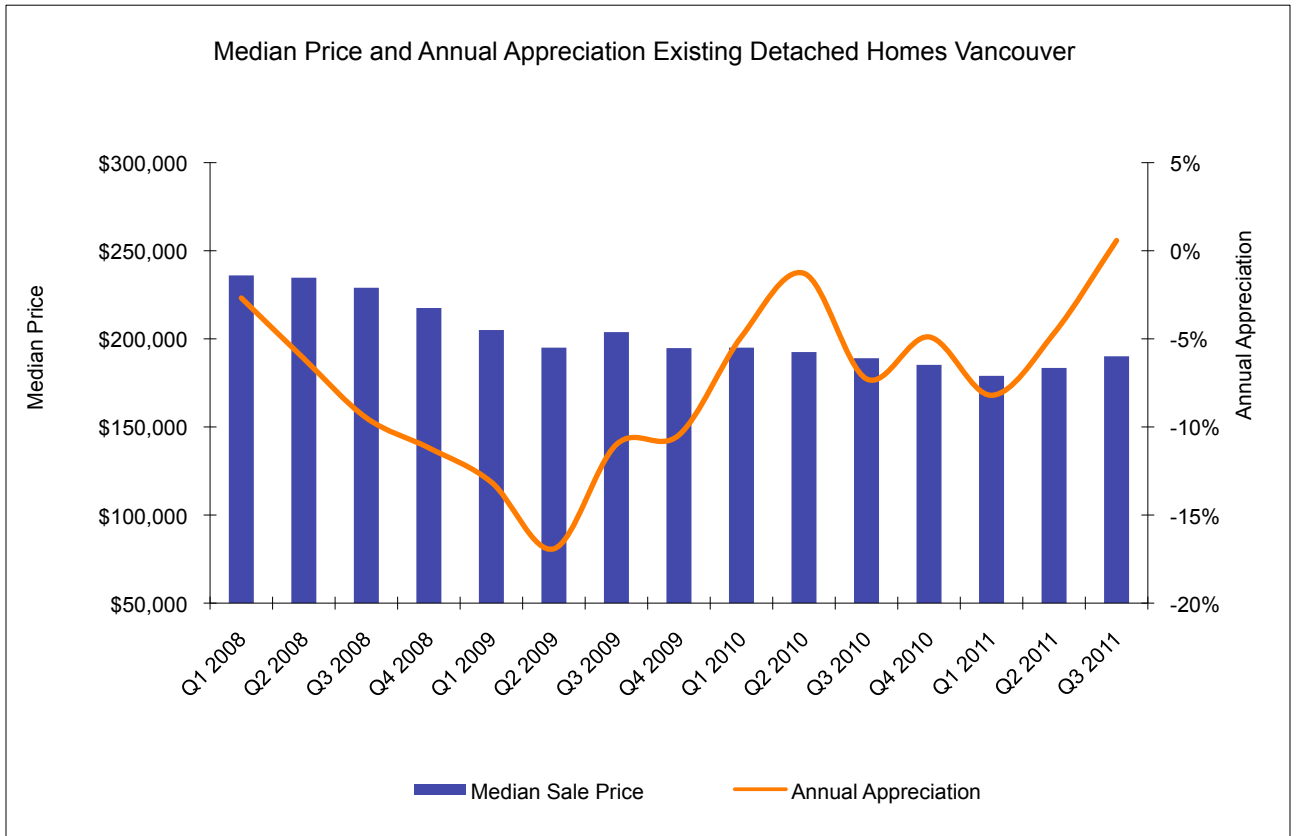


The largest annual depreciation was experienced in Milwaukie / Clackamas with a 13.43 percent, while Beaverton / Aloha increased by 4.16% and Hillsboro / Forest Grove increased by 2.45%.

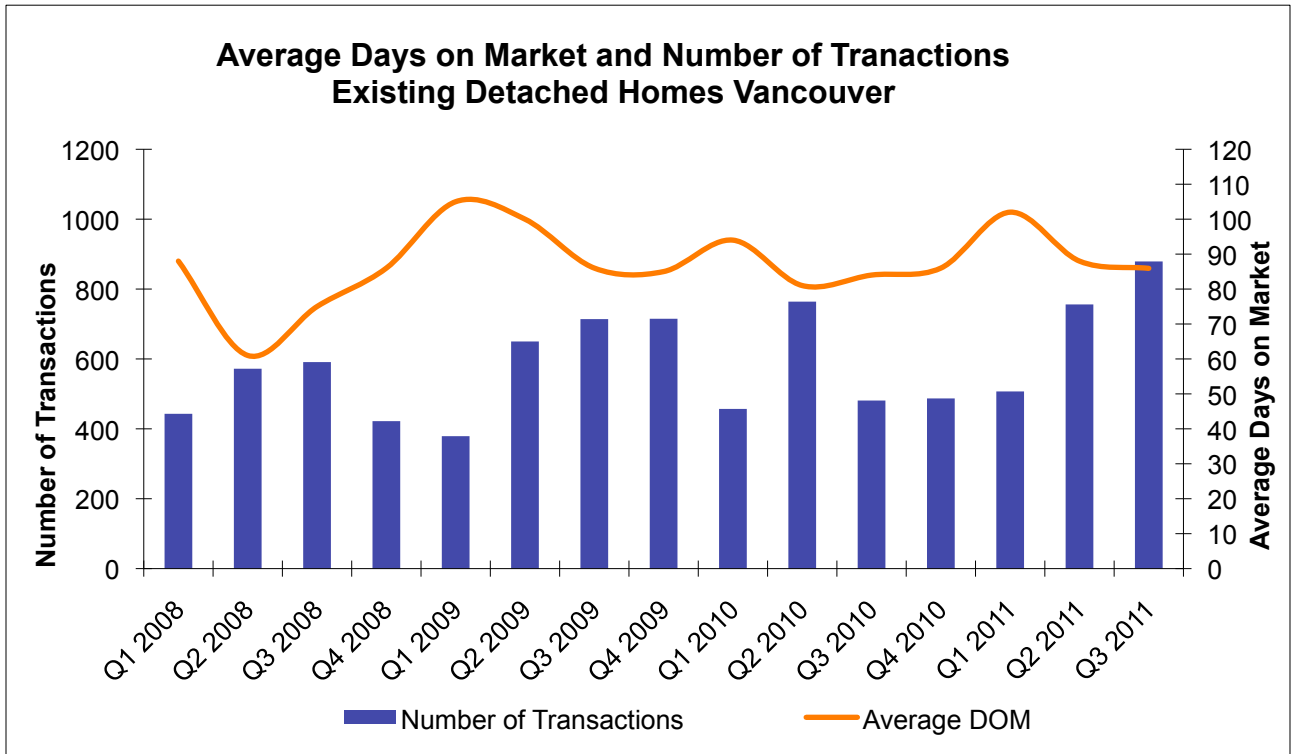
## VANCOUVER

Vancouver's median home price was \$190,095 resulting in a quarterly increase of 3.6 percent and an annual increase of 0.6 percent in home values. The number of homes sold throughout the third quarter increased by over 15.5 percent to 879 from the second quarter of 2011, and a large increase of 82.7 percent since third quarter 2010. Six of the 16 submarkets decreased in median sold price. The largest decrease was in SW Heights at 29.8% and the largest increase was Five Corners by 28.53%. The average number of days on the market decreased to 86 days. Second quarter 2011 average number of days on the market was 88, while it was 84 during the third quarter of 2010.

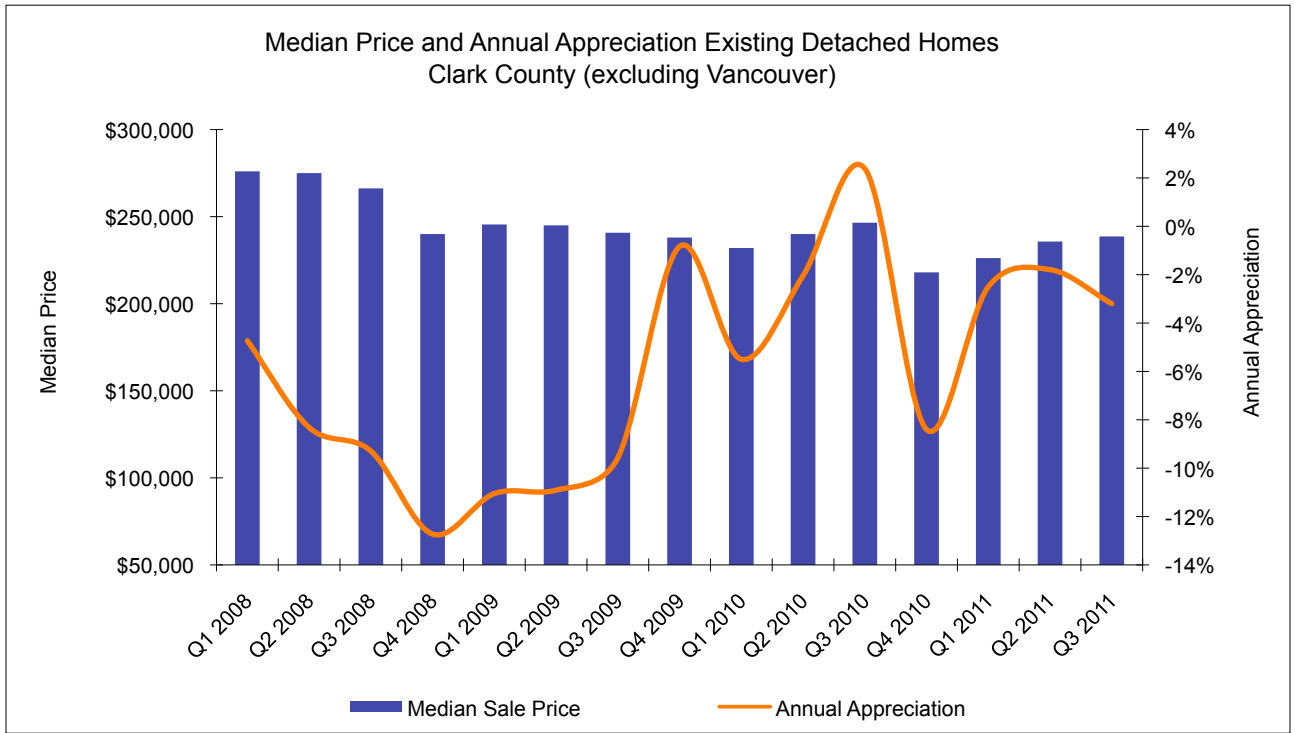
**Figure 10: Median Price and Annual Appreciation Existing Detached Homes, Vancouver**



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



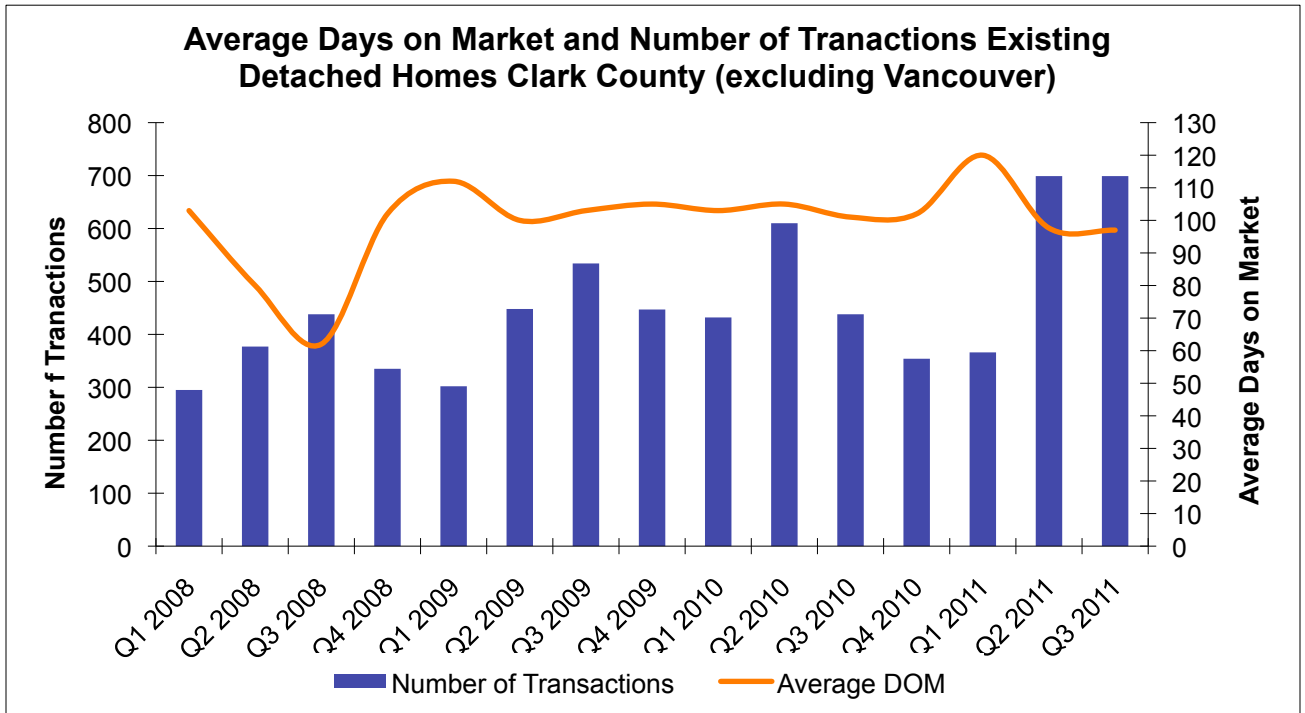
**Figure 12: Median Price and Annual Appreciation Existing Detached Homes, Clark County (excluding Vancouver)**



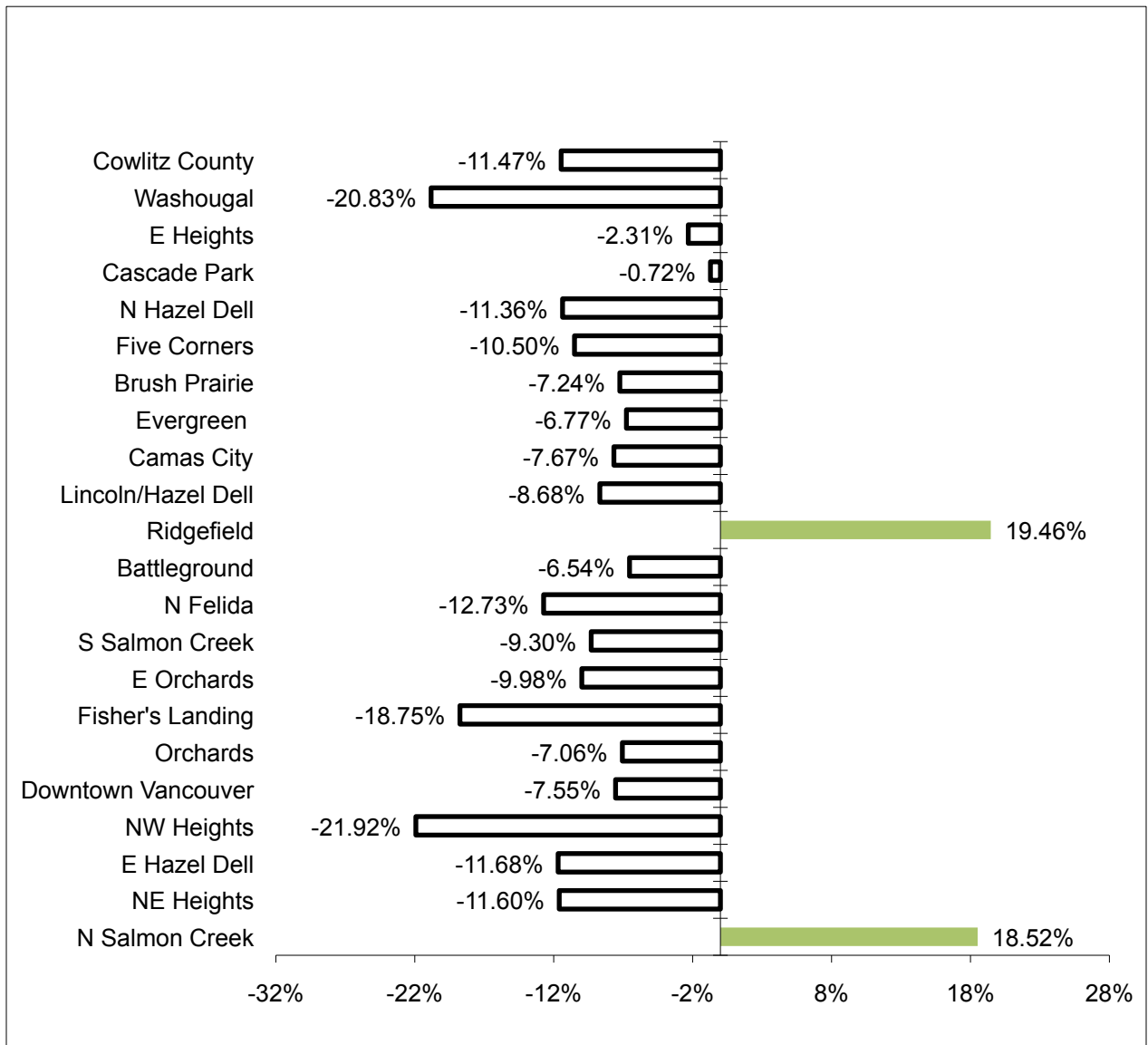
In the suburban areas of Clark County there were 699 transactions during the third quarter of 2011, compared with 586 transactions during the second quarter, a 19.2% increase. The average days on the market was 97, compared to 101 in third quarter of 2010. The median sold price was \$238,613, a 1.24% increase from the previous quarter. The median price decreased by 3.2% over the year from \$246,500. The submarkets that increased the most since the second quarter were NW E of I-5 County at 27.1% and Woodland Area at 11.2%.

The number of transactions increased in 13 of the 18 submarkets with the largest numerical increases occurring in Woodland Area, Yacolt, and west of I-5. The average number of day on the market decreased from 100 in the second quarter to 97, 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 Q3 2010 to Q3 2011**



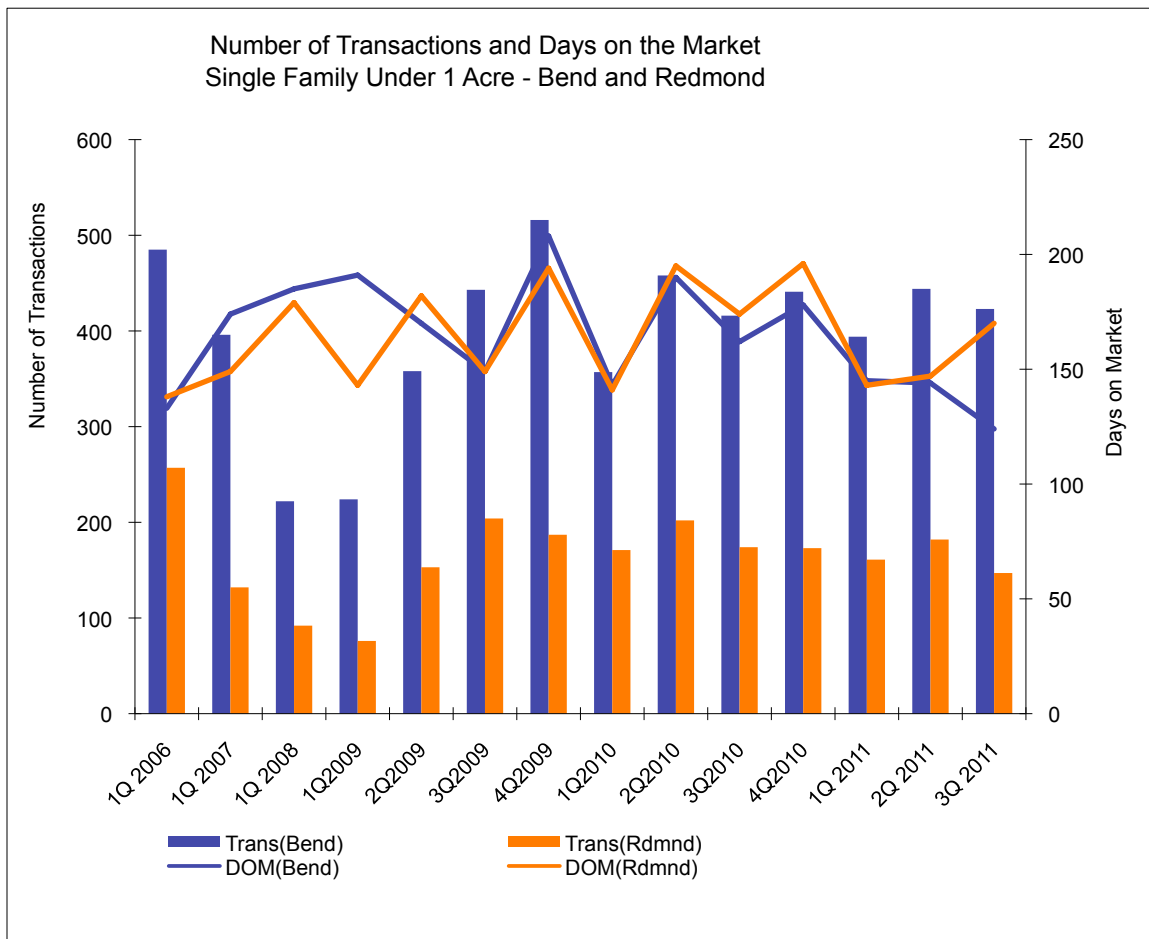
Two submarkets increased over the past year, Ridgefield and N Salmon Creek. The Ridgefield submarket posted the highest gains with an appreciation rate of 19.46 percent and 18.52 percent from N Salmon Creek.

Conversely twenty submarkets had price depreciation. The Fisher's Landing submarket had the highest quarterly depreciation rate at 18.75 percent (195 transactions) followed by NW Heights submarket at 21.92 percent (129 transactions) and Washougal at 20.83 percent (248 transactions).

### CENTRAL OREGON

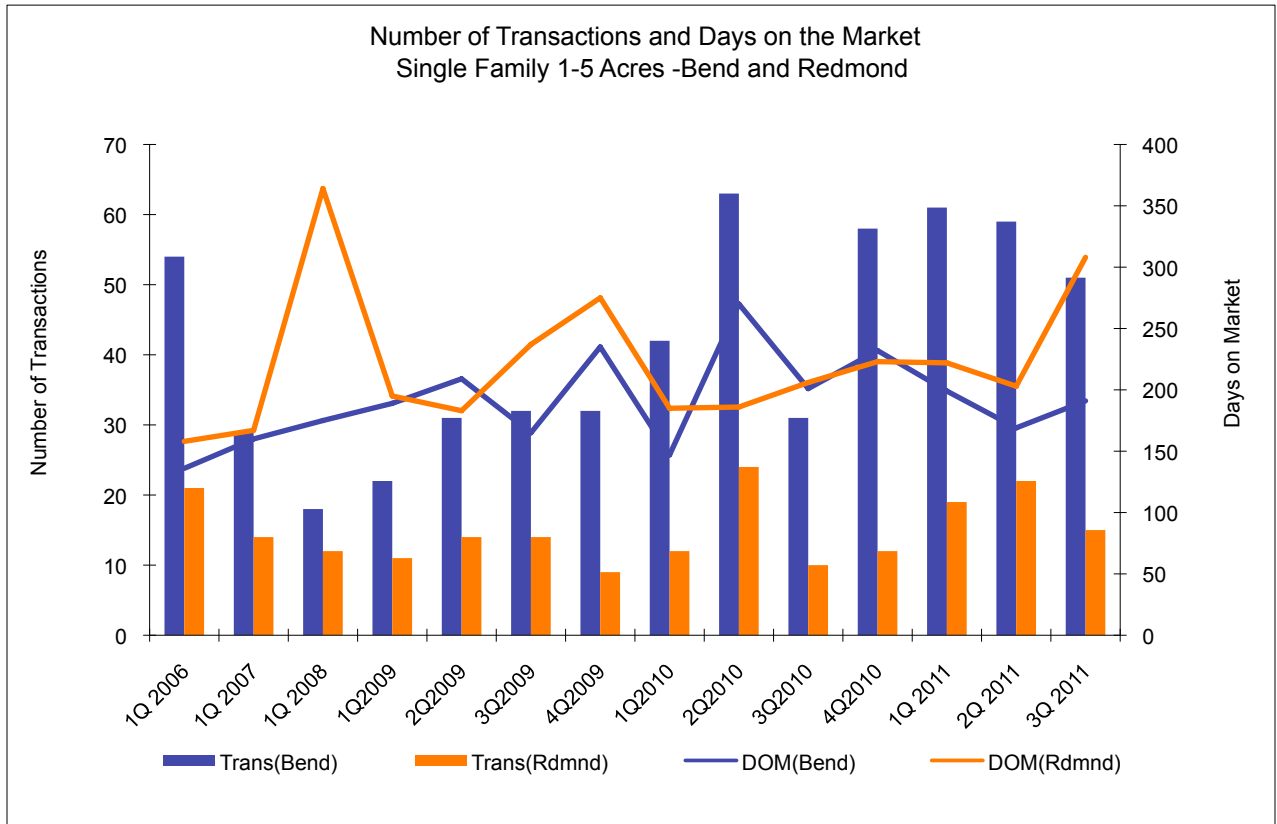
Both Bend and Redmond increased in median price, but Redmond had 19.2% fewer transactions and 15.6% longer days on the market. The Redmond market continues to be particularly soft in the 1-5 acre market. The two markets decreased from the previous quarter with respect to the number of homes sold less than one acres. Bend home sales less than one acre decreased 4.7 percent to 423 and Redmond's decreased 19.2 percent to 147 in the third quarter. Sales volume for homes on 1-5 acres also decreased 31.8 percent from 22 to 15 in Redmond and decreased 13.6 percent to 51 transactions in Bend. For homes on less than one acre, the average number of days on market decreased from 144 (in the second quarter 2011) to 124 (in the third quarter 2011) in Bend and increased 15.6% from 147 to 170 in Redmond. In reports from Central Oregon, 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 differences in lot size between each category.

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



Source: Central Oregon Association of Realtors

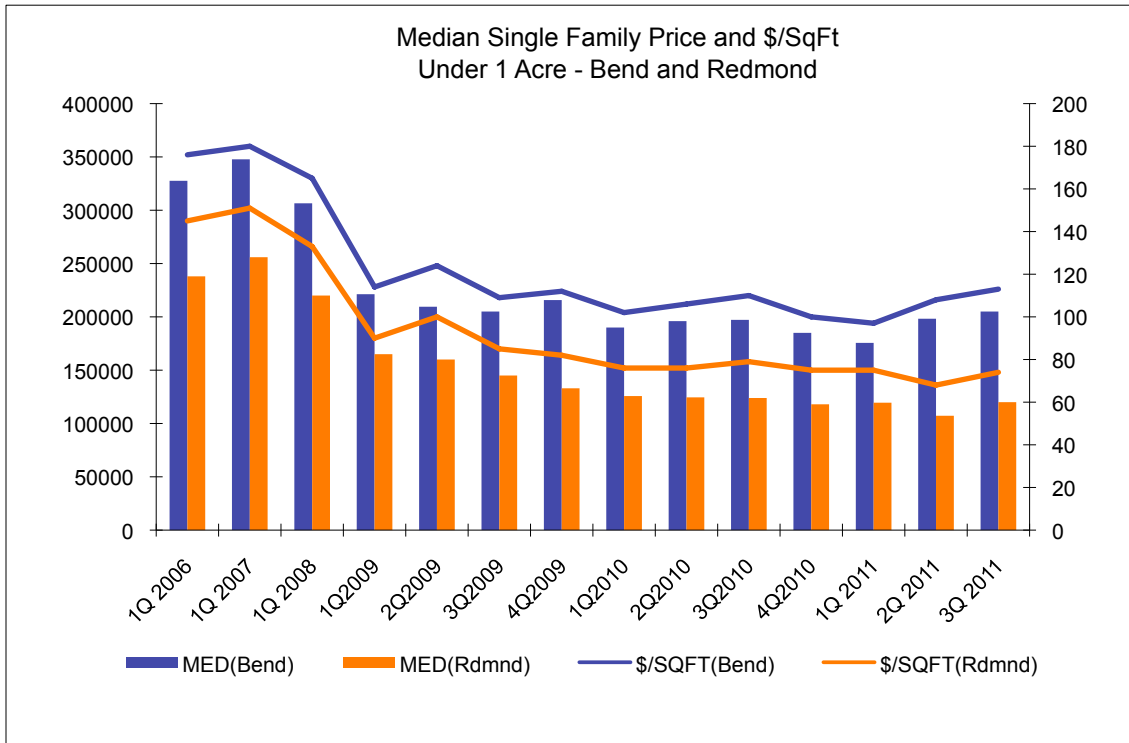
**Figure 16: Number of Transactions and Days on the Market, Single Family 1-5 Acres, Bend and Redmond**



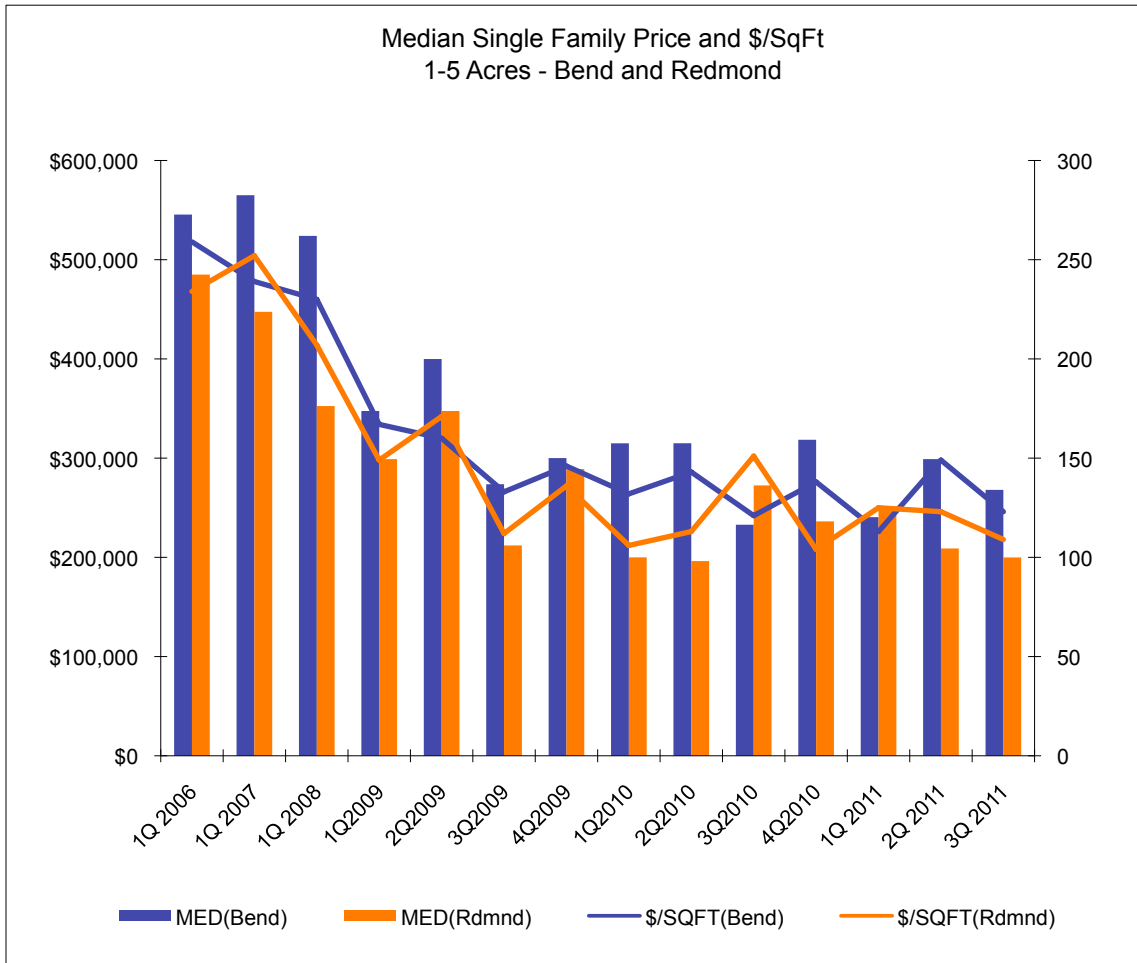
The median home prices for the Bend market increased during the third quarter of 2011 for the second straight quarter, while the Redmond market increased slightly. The Bend market increased 3.4% to \$205,000, and Redmond increased 11.9% to \$120,000 from the previous quarter for homes less than one acre. Sales on homes 1-5 acres produced the opposite trends in the market. Bend decreased 10.4% to \$268,000, while the Redmond market decreased 4.3% to \$199,900. Over the past year the Bend market has increased 4.0% while the Redmond market decreased 3.1% for home sales under an acre. For sales 1-5 acres, Bend increased 15.1% while Redmond has decreased 26.6% since third quarter of 2010.

Price-per-square-foot numbers in Bend increased from the second quarter to the third quarter from \$108/sq.ft to \$113/sq.ft for homes under one acre and from \$149/sq.ft to \$123/sq.ft for homes with 1-5 acres. In Redmond, homes under one acre was decreased from \$68/sq. ft to \$74/sq.ft, while the price per square foot of 1-5 acre homes decreased slightly from \$123/sq.ft to \$109/sq.ft.

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



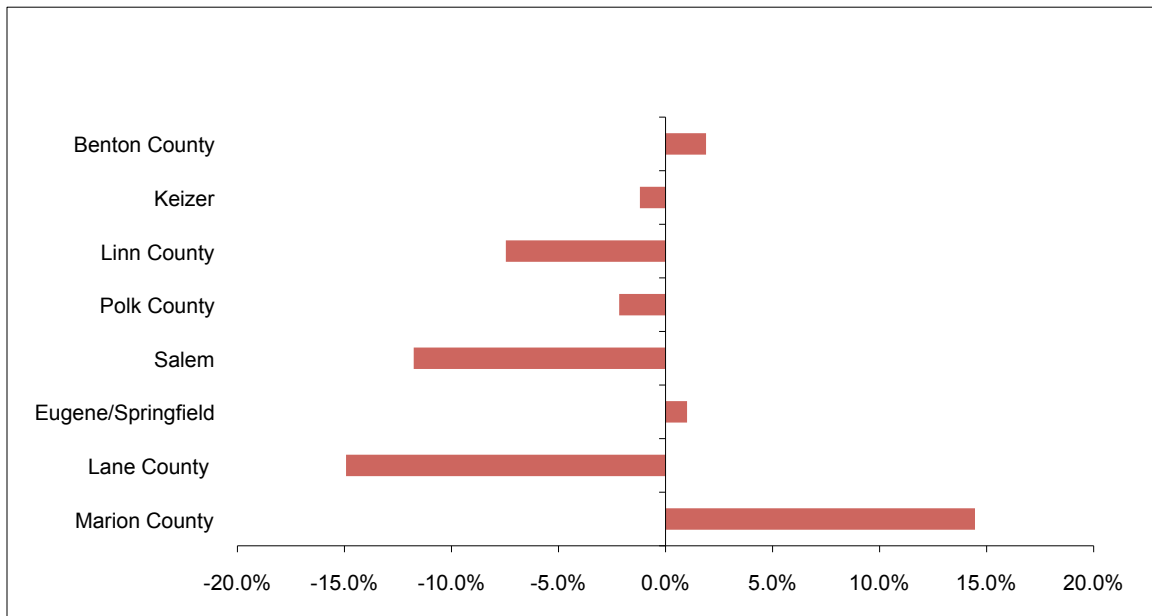
**Figure 18: Median Single Family Price and \$/SqFt, 1-5 Acres, Bend and Redmond**



**WILLAMETTE VALLEY**

Prices in Marion County increased 14.5% since the third quarter of 2010 to a median sold price of \$163,100. Benton County and Eugene / Springfield also saw year over year increases. Lane County decreased 14.9% over the past year to a median price of \$171,000.

**Figure 19: Annual Appreciation Rates of Existing Detached Homes, Willamette Valley from Q3 2010 to Q3 2011**

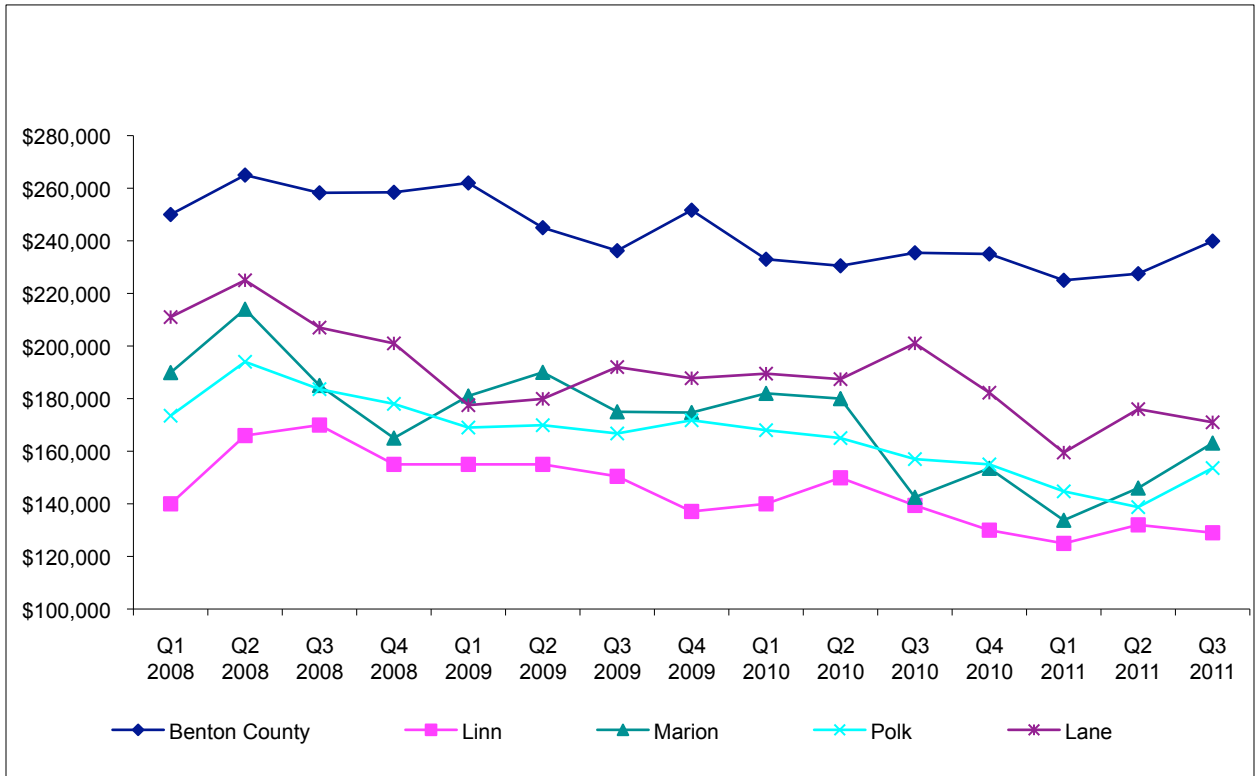


Source: Willamette Valley RMLS

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%. The number of transactions in Marion County increased from 134 to 141.

The number of days on the market decreased annually for all submarkets, except for Lane County which increased by 13.9% to 115 days. The largest change in number of days on the market on a percentage basis was the Benton County submarket which decreased 27.6% from 119 in third quarter 2010 to 86 in third quarter 2011.

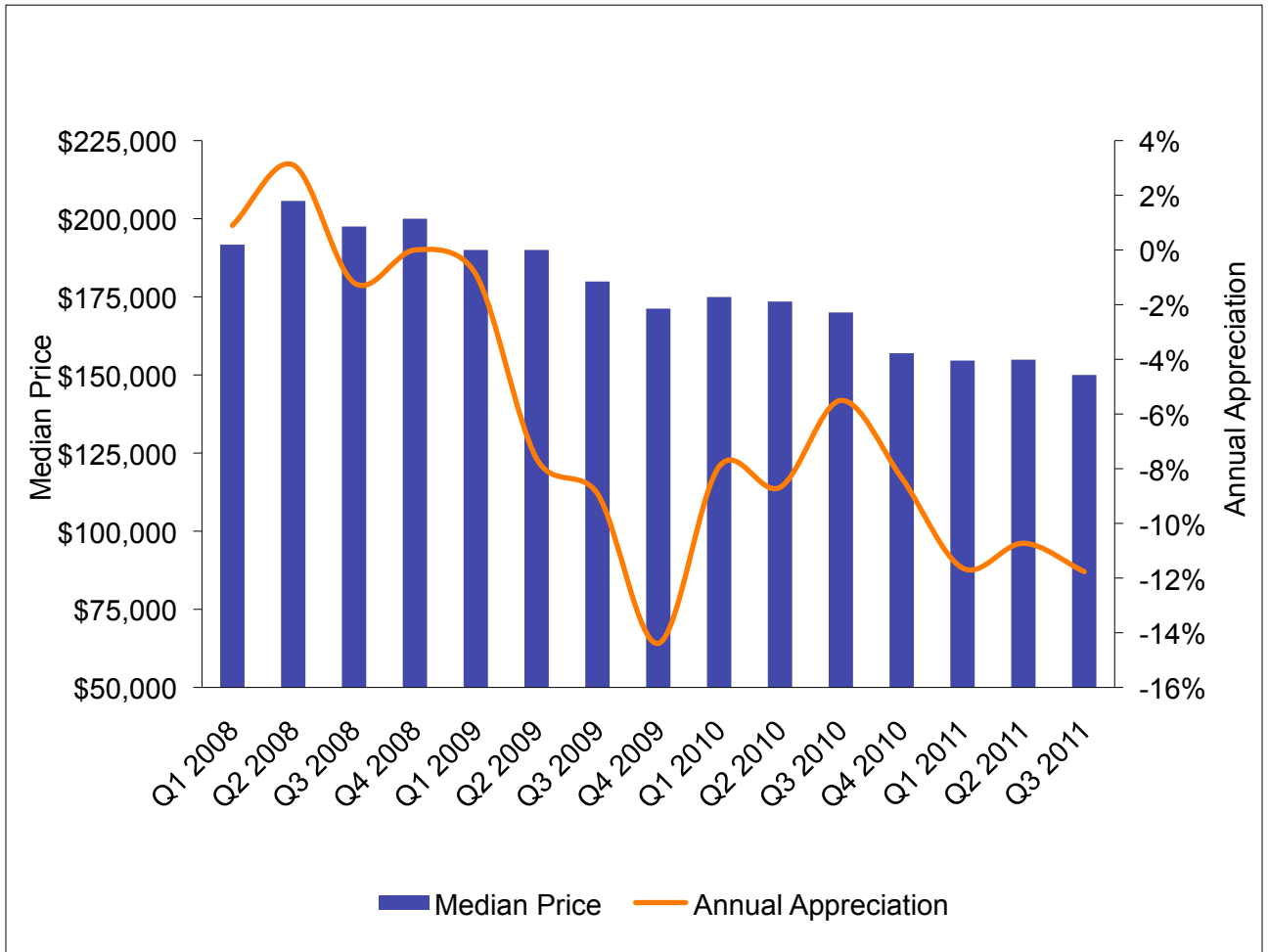
**Figure 20: Median Sales Price Existing Detached Homes, Willamette Valley**



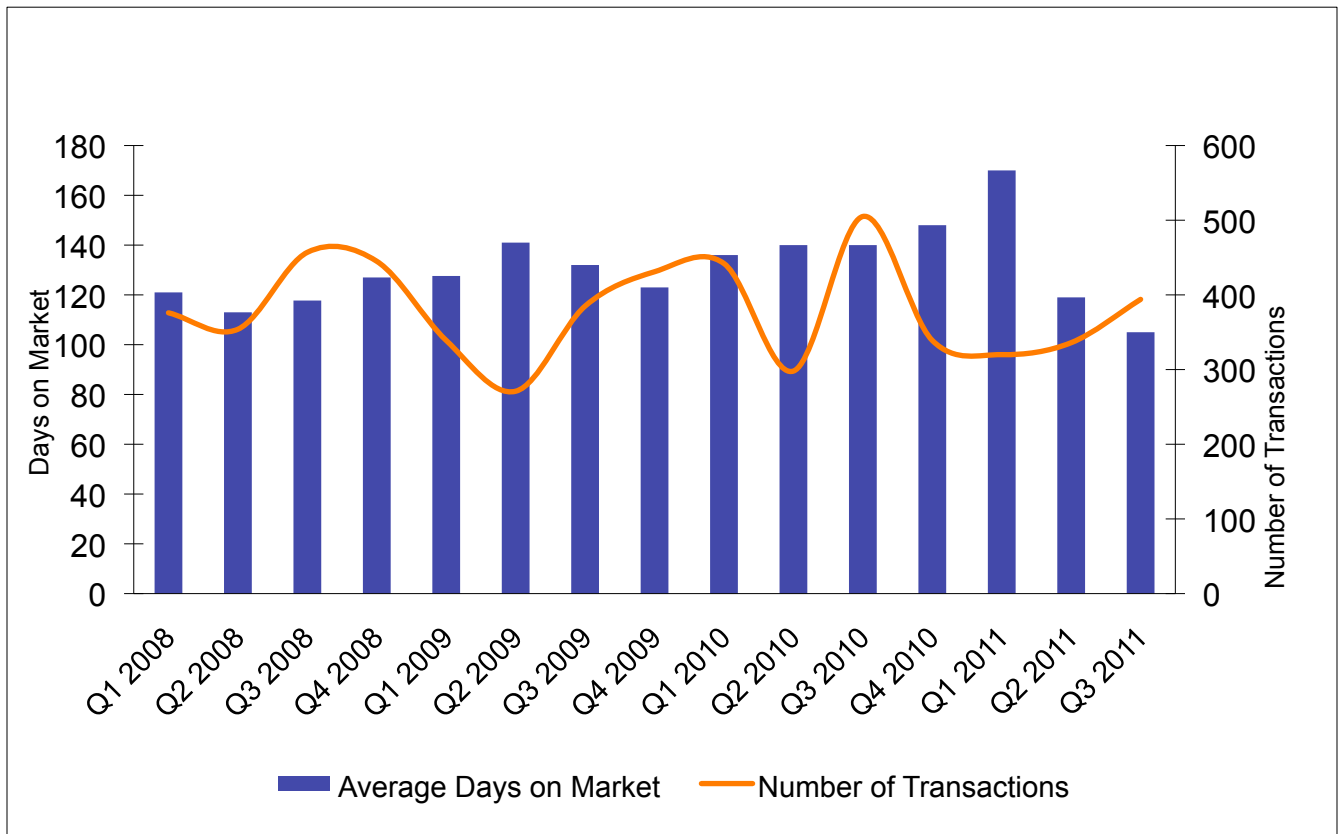
**SALEM**

Salem’s housing market experienced annual depreciation of 11.7% year over year in the third quarter while the number of days on the market decreased. The median sale price increased slightly while the number of transactions increased from the second quarter of 2011. The number of transactions increased from the previous year from 339 to 415, and increased from the second quarter of 2011 from 394. The average number of days on market decreased from 119 in the second quarter to 105 in the third quarter of 2011.

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



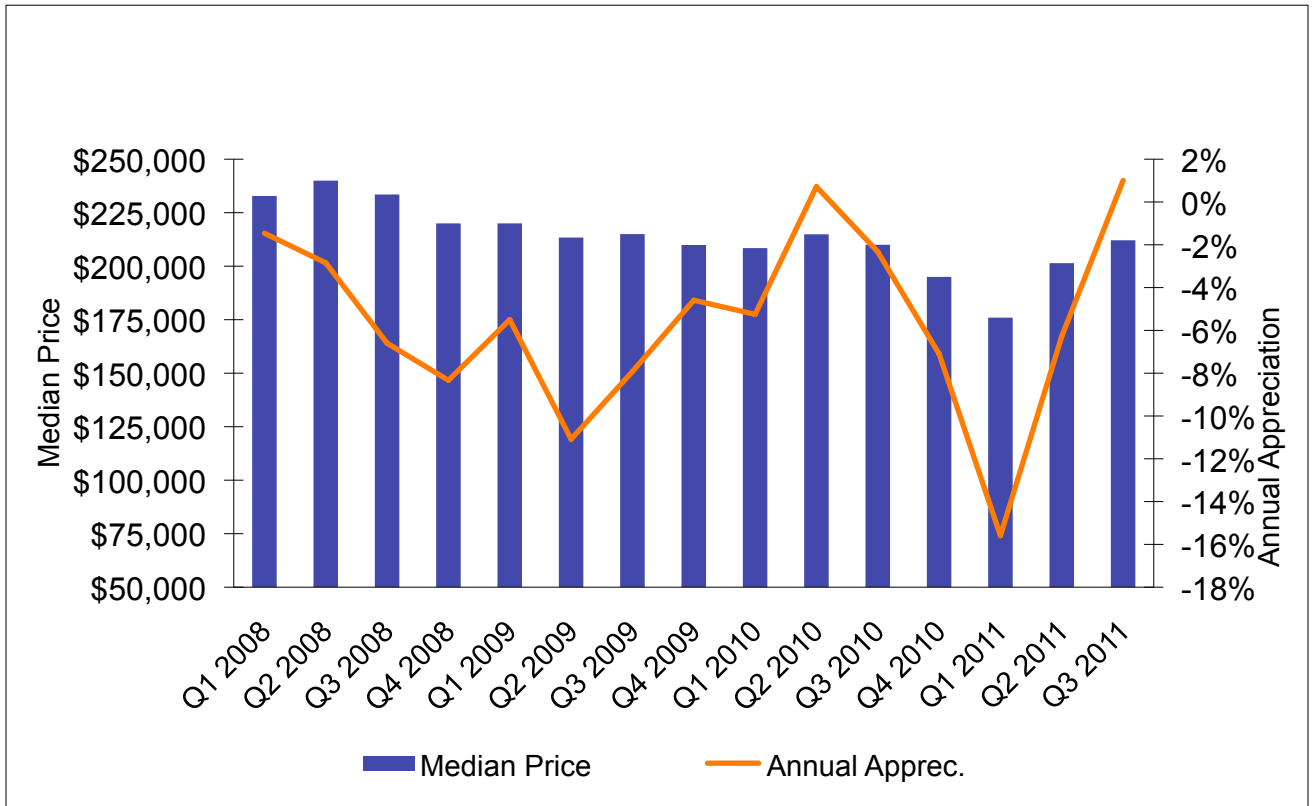
**Figure 22: Average Days on Market and Number of Transactions, Existing Homes, Salem**



**EUGENE/SPRINGFIELD**

Home prices in the Eugene/Springfield area increased 5.0% from the second quarter of 2011 to \$212,111. Annual appreciation increased 1% since the third quarter of 2010.

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



Source: Willamette Valley RMLS