
RESIDENTIAL MARKET ANALYSIS

NGAN NGUYEN

Oregon Association of Realtors Student Fellow
& Certificate of Real Estate Development Graduate Student

Oregon's Office of Economic Analysis warns that the housing market appears to be the biggest threat to a sustained economic recovery in Oregon. Among major markets, Portland has seen one of steepest drops in home prices since the beginning of the year. Research from Zillow shows that more than one-third of Portland area homes are now underwater.

National housing market statistics reflect decreasing median-existing home prices for all housing types, down 6.9 percent from March 2010. Median prices in the western United States have decreased by 6.70 percent. Portland reports mixed news. Information from RMLS showing no change in median sales prices and an increase in sales volume. The median sales price \$245,000 and the number of transactions in the metropolitan area increased by 11.73 percent. At the same time, the Case-Shiller Index shows that Portland is now underperforming much of the U.S.

As reported by the Wall Street Journal, the U.S. housing market's first quarter 2011 decline was the steepest in three years. Home values fell 3 percent in the first quarter from the previous quarter and 1.1 percent in March from the previous month. Housing market improvements last year were spurred by federal programs that gave buyers up to \$8,000 in tax credit. However, when the credits expired last summer, the prices continued to fall. A fall that was exacerbated by the abundance of foreclosed homes on the market. According to the Wall Street Journal, 94,000 foreclosed homes were sold by Fannie Mae and Freddie Mac during the first quarter, a 23 percent increase from the previous quarter. Fannie and Freddie still held

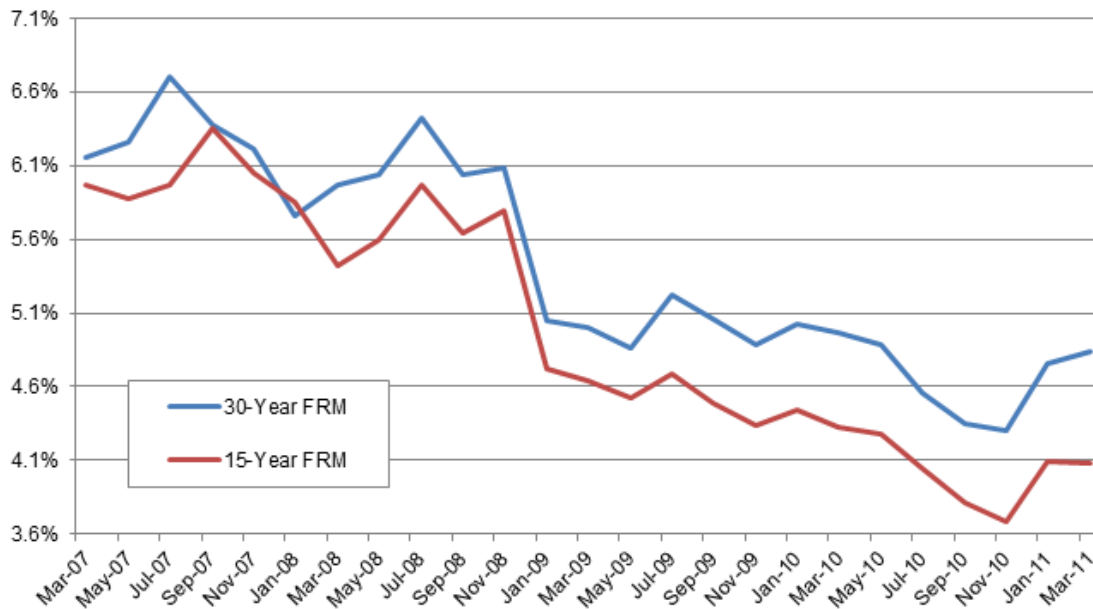
another 218,000 properties at the end of March, a 33 percent increase from the prior year.

Steep declines in home prices combined with mortgage rates near their lowest levels in decades have helped make housing more affordable than at any time in the past 30 years, according to Zillow. Even so, tight credit poses another challenge for the housing market. While many unqualified buyers received loans during the boom, many potential borrowers are having difficulty obtaining loans. For example, the average credit score on loans backed by Fannie Mae stood at 762 in the first quarter, up from an average of 718 for the 2001-2004 period.¹

While home values decreased, The National Association of Realtors reports that the number of existing home sales showed a strong increase in December 2010 and continued through the first quarter of 2011. NAR reports an increase of 3.7 percent to a sales volume of 5.10 million in March from the 4.92 million in February. Despite the increases, sales remain 6.3 percent below the 5.44 million in March 2010.

The HousingPulse Distressed Property Index (DPI) is an indicator of the health of the housing market. The index rose to 48.6 percent in March, the second highest level seen in the past 12 months. This indicates that nearly half of all housing in the survey involves distressed properties. This trend is likely to continue as the backlog of foreclosures and mortgage defaults make their way through the housing pipeline. According to HousingPulse, January was flat with activity and inventory as both investors and first time home buyers were fearful of what was happening nationally and waited to act. February saw more buyers coming out and March has seen a sharp increase of new listings, approximately double that in February.

¹ Timiraos, Nick and Wotapka, Dawn. "Home Market Takes A Tumble." Wall Street Journal - Real Estate. May 9, 2011.

Figure 1: Single Family Mortgage Interest Rate

Source: Freddie Mac

Mortgage interest rates have been steadily decreasing since the first quarter of 2010, but started rising in the fourth quarter and continued through the first quarter. The national average commitment rate for a 30-year conventional, fixed-rate mortgage was 4.84 in March, down from 4.95 percent in February; the rate was 4.97 percent in March 2010. As this issue goes to press, the rate is 4.71 percent.

First time home buyers constituted 33 percent of homes in March, compared with 34 percent of homes in February and 37.7 percent of all transactions tracked in December 2010. They were 44 percent in March 2010.

Table 1: Median Home Values of Existing Detached Homes

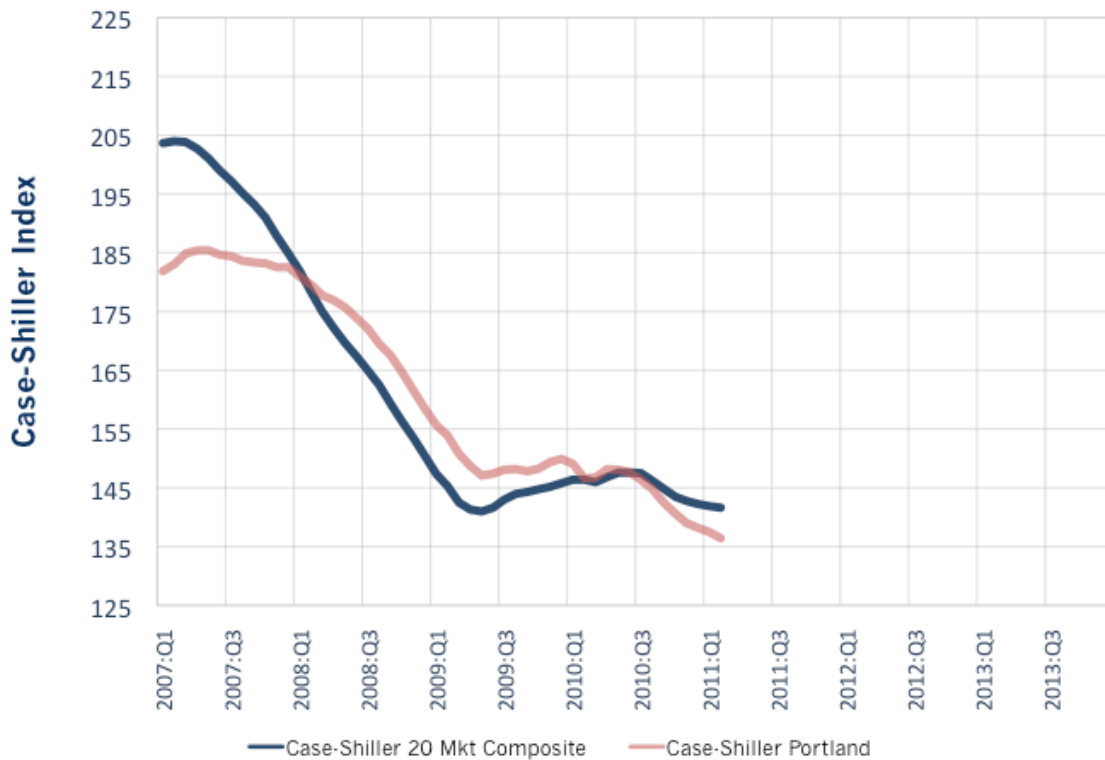
	U.S.	West	Portland Metro Area
March 2010 Median Sales Price	\$169,500	\$216,300	\$238,700
March 2011 Median Sales Price	\$160,500	\$192,100	\$211,500
% Change in Median Sales Price	-5.30%	-11.20%	-11.40%
% Change in Number of Sales Sept. 2009-Sept. 2010	-6.90%	-3.10%	-12.7%

Source: National Association of Realtors and RMLS

Standard & Poor's Case-Shiller Index for Portland was 133.66 through February 2011. The represents a decrease of 1.60 percent from January 2011, a 1.80 percent decrease between December 2011/January 2011 and a year-over-year decrease of

7 percent. Case-Shiller's 20 city composite index is down 3.2 percent compared to the same time last year. The index data shows that in the major U.S. metropolitan cities, home prices slowed in the first quarter compared to the previous quarter.

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



The Case-Shiller Home Price Indices are the leading measures for the U.S. 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 but still slightly above their April 2009 bottom. Both the composites fell, 2.60 percent for the 10-city composite and 3.30 percent for the 20-city composite as compared to February 2010.

Of the 20 cities tracked, Washington D.C. was the only market to post a year over year gain at growth rate of 2.7 percent. January 2011 recorded new lows for 11 cities, 10 of which saw new lows again in February 2011. The 20-composite index was 141.62 in February 2011, and Portland was 136.42.

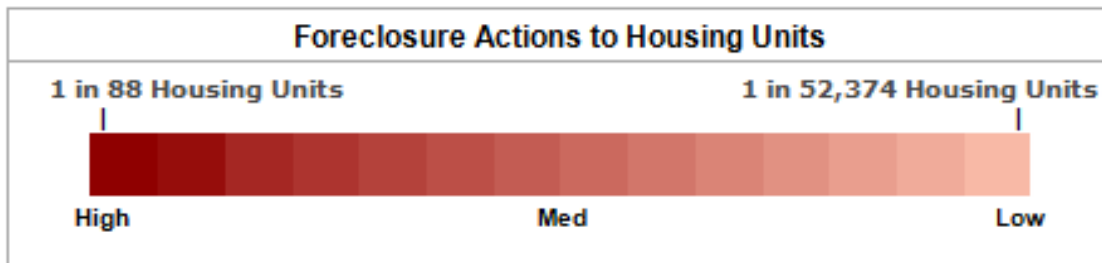
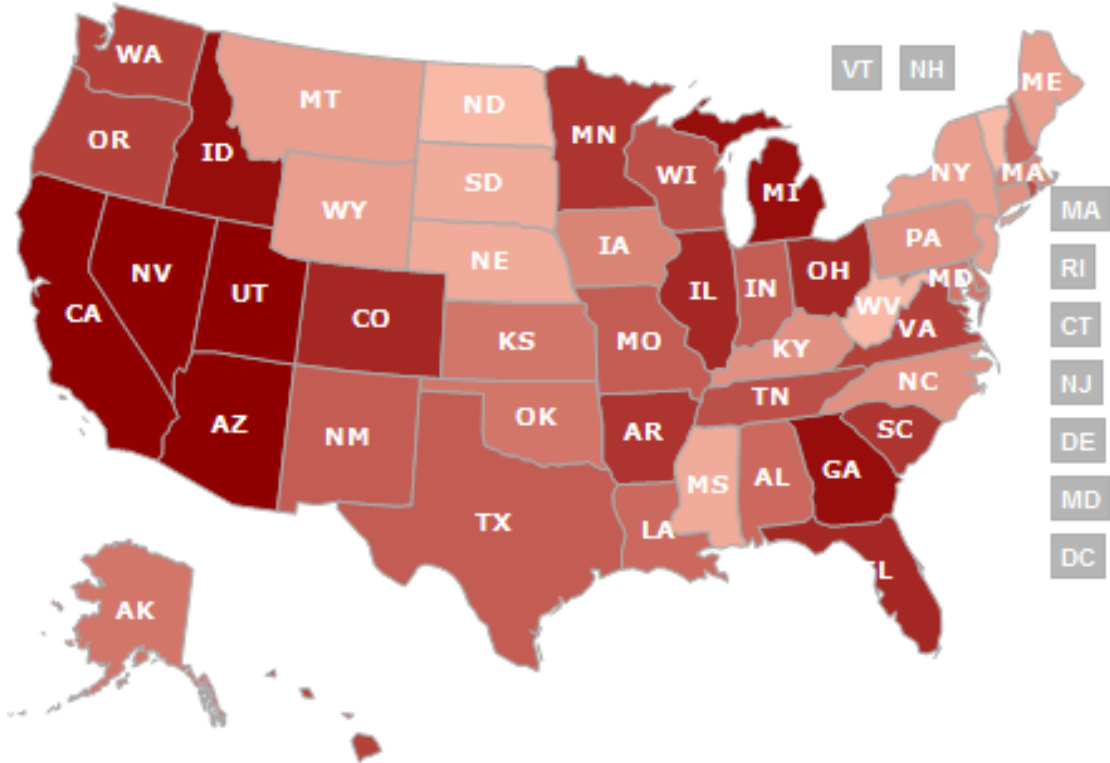
Foreclosures and delinquency rates are still relatively high. According to RealtyTrac, Oregon is now one of the top 10 states for foreclosure filings. Foreclosure filings hit its three year low during the first quarter of 2011 triggered primarily by the continuing controversy surrounding foreclosure documentation and procedures that prompted many major lenders to temporarily halt some foreclosure

proceedings. While foreclosure activity seems to have slowed in the past few months, RealtyTrac cautions that the slowdown is largely the result of massive delays in processing foreclosures rather than the result of a housing recovery that is lifting people out of foreclosure. The company warns that foreclosure activity will begin to increase again as lenders and servicers gradually work their way through the backlog of thousands of foreclosures that have been delayed due to improperly processed paperwork.

For the first 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. 1 in every 542 homes received a foreclosure filing while 1 in every 830 homes in Oregon received a foreclosure filing during quarter 1 2011.

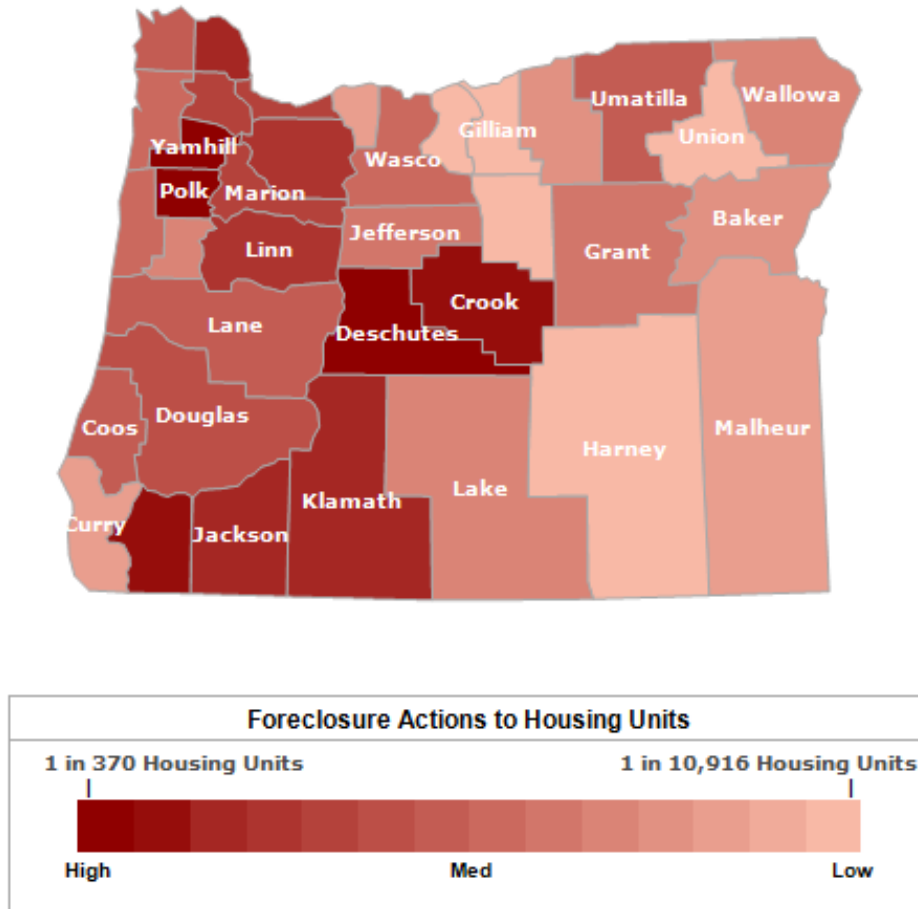
According to RealtyTrac, the ten states that ranked the highest in foreclosure rates in the first quarter were Nevada, Arizona, California, Utah, Idaho, Georgia, Michigan, Florida, Colorado and Illinois. Of these states, Nevada posted the nation's highest state foreclosure rate, with one in every 35 housing units receiving a foreclosure filing. Arizona at one in every 60 housing units and California at one in every 80 housing units with a foreclosure filing during the quarter.

Figure 3: Foreclosure Rate Heat Map, March 2011



Source: RealtyTrac

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



Source: RealtyTrac

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

	Single Family			Multi Family		
	Mar-11	Mar-10	% Change	Mar-11	Mar-10	% Change
United States	90.4	115.7	-22%	36.9	30.0	23%
Oregon	1.25	1.59	21 %	0.61	0.17	270%
Portland-Vancouver- Beaverton OR-WA	0.74	1.01	-27%	0.30	0.09	220%
Salem OR	0.06	0.11	-42%	0.06	0.02	150%
Eugene-Springfield OR	0.08	0.15	-44%	0.02	0.01	92%
Bend OR	0.10	0.11	-3%	-	0	-100%
Corvallis OR	0.01	0.01	-43%	0.08	-	-
Medford OR	0.05	0.07	-21%	0.01	0.02	150%

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, and buyers closed on purchases of 2,913 existing homes. This is a 3.85 percent increase from the first quarter of 2010 when there were 2805 transactions in the metropolitan area.

Median 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 nine 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

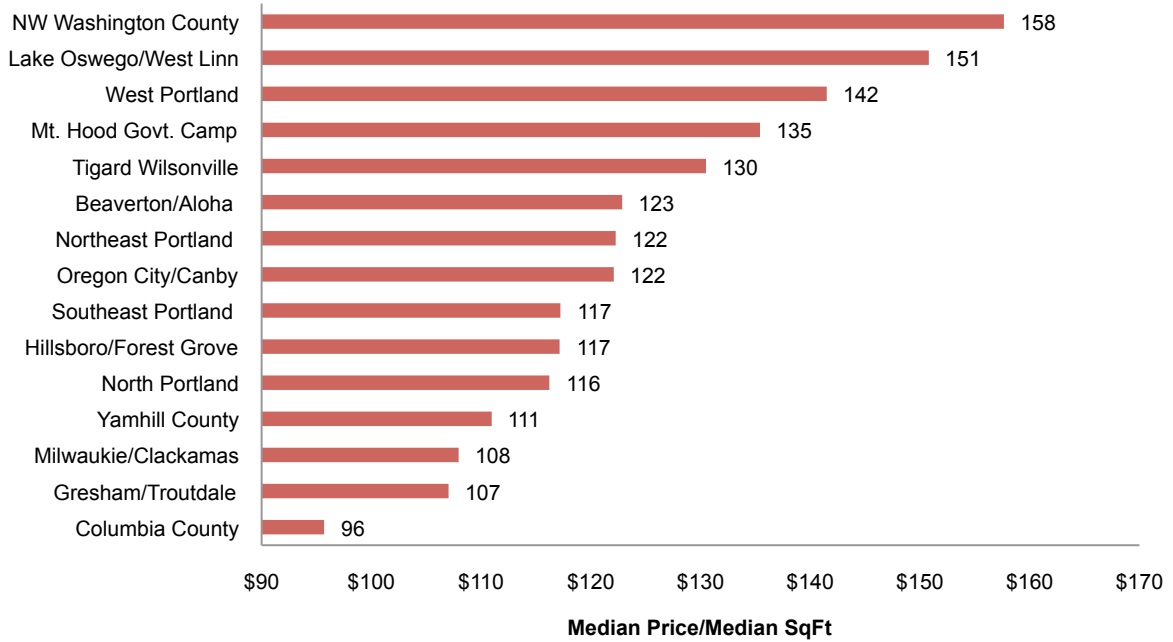


Figure 6: Median Sales Price & Number of Transactions, Existing Detached Homes, Portland Metro (excluding Clark County, WA)

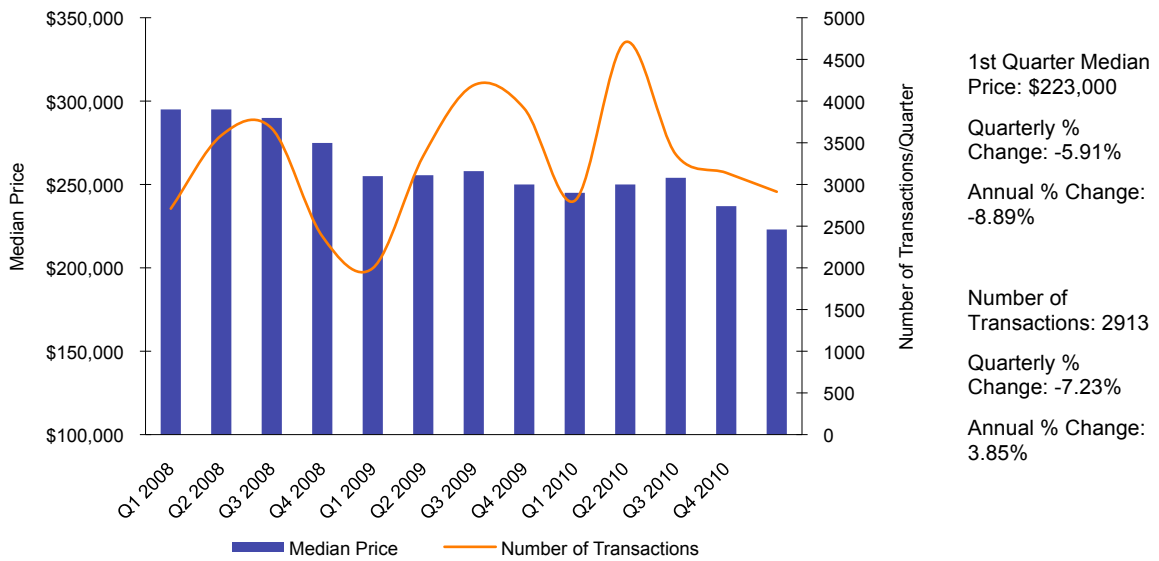


Figure 7: Sale Price/Original List Price & Average Days on Market, Existing Detached Homes, Portland Metro (excluding Clark County, WA)



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

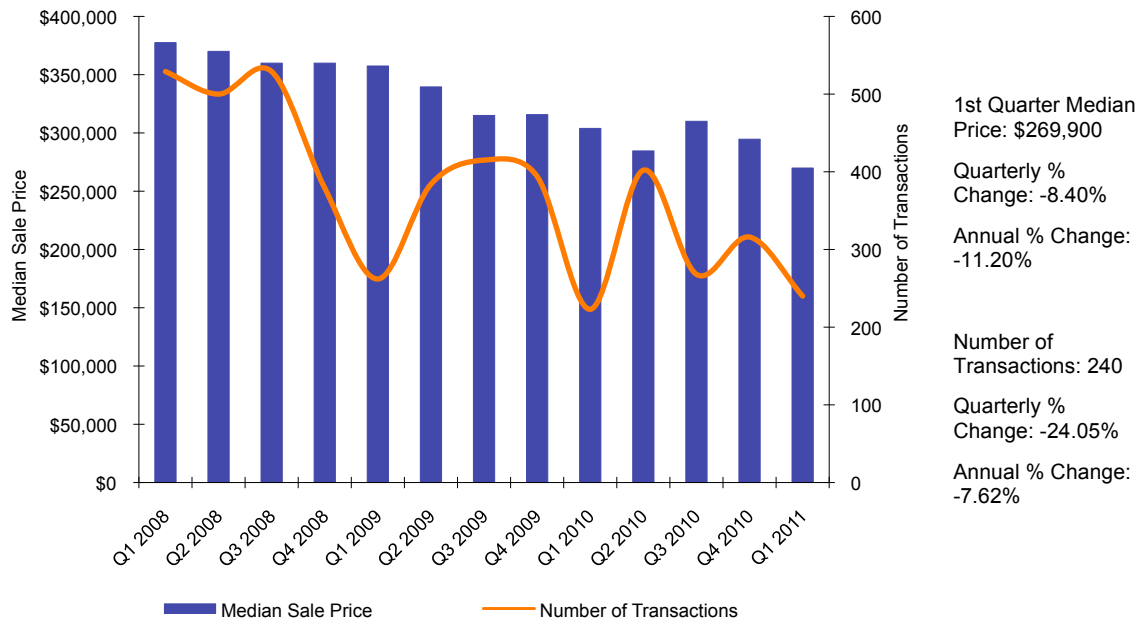
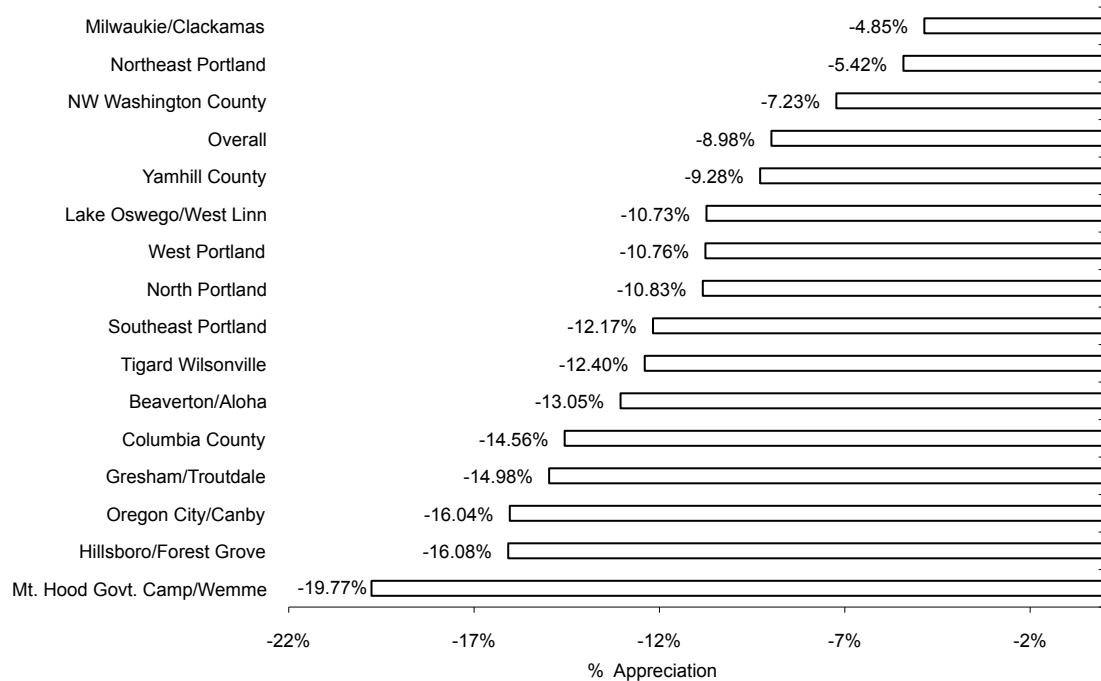


Figure 9: Appreciation Rates of Existing Detached Homes from Q1 2010 to Q1 2011, Portland Sub-Markets



Annual median sale price depreciated for all Portland submarkets. The largest annual depreciation was experienced in Mt. Hood Govt. Camp with a 17.99 percent, Columbia County at 16.08 percent and Oregon City/Canby at 16.04 percent.

Map courtesy of RMLS

VANCOUVER

Vancouver's median home price was \$179,000 resulting in a quarterly decrease of 8.20 percent and an annual decrease of 3.36 percent in home values. The number of homes sold throughout the first quarter increased by 4.11 percent to 507 from the fourth quarter of 2010, and up 10.94 percent annually. The average number of days on the market is up to 102 days. Fourth quarter 2010 average number of days on the market was 86, while it was 94 during the first quarter of 2010.

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

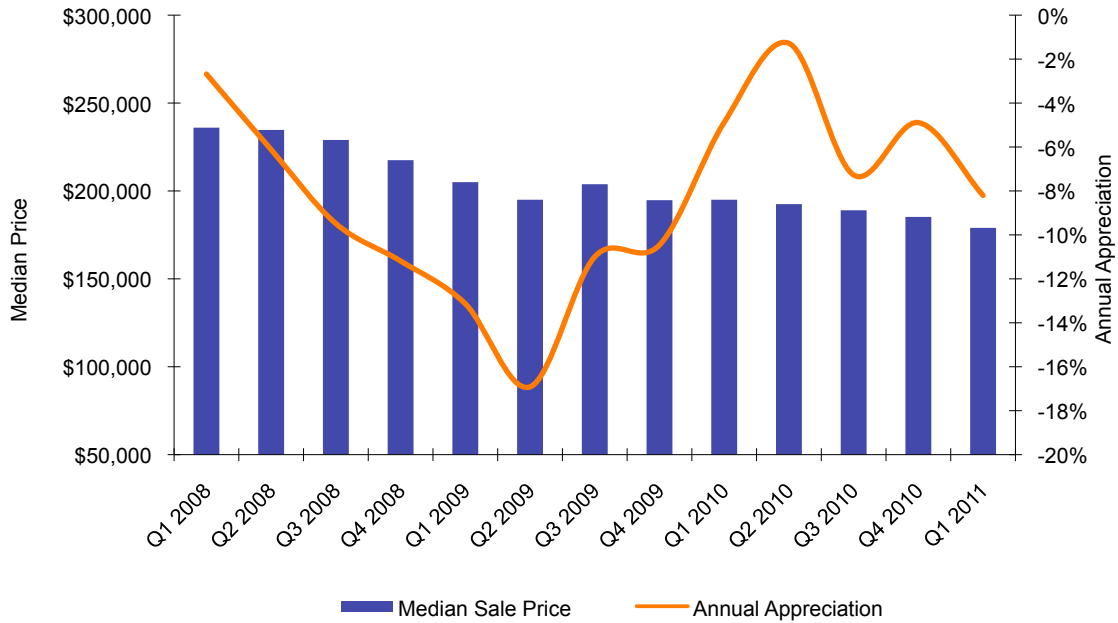


Figure 1: Average Days on Market and Number of Transactions Existing Detached Homes, Vancouver

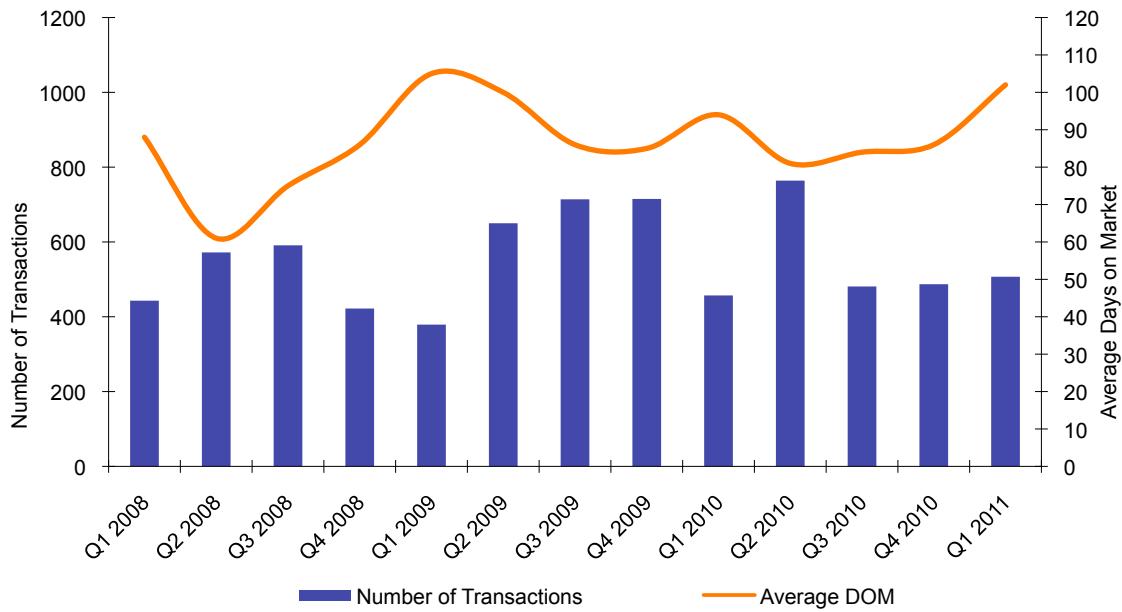
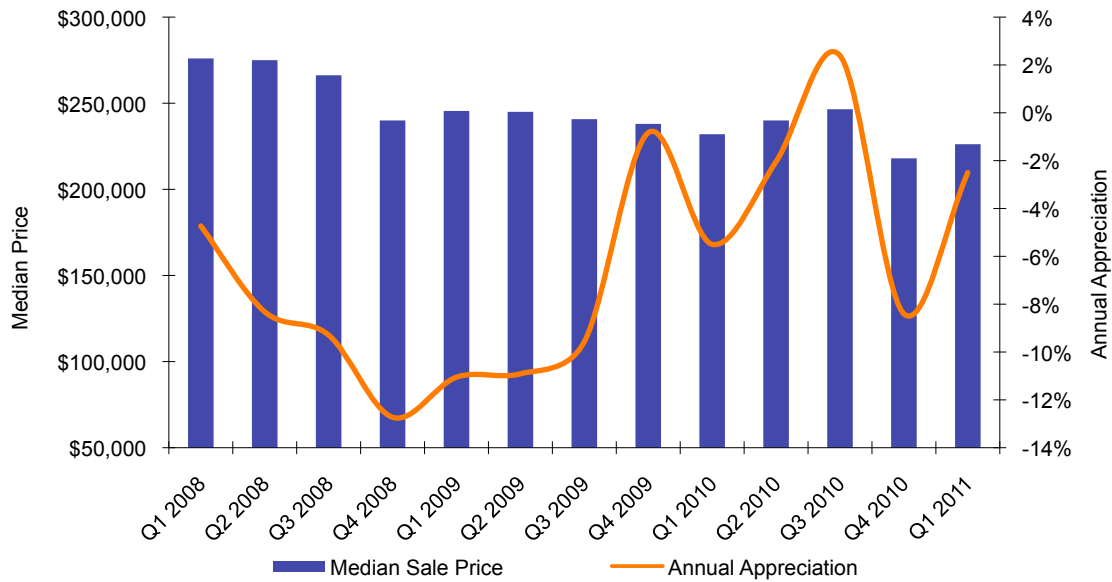


Figure 12: Median Price and Annual Appreciation Existing Detached Homes, Clark County (excluding Vancouver)



In the Clark County suburbs home prices have increased to \$226,000. This is a 3.76 percent increase from the previous quarter’s median price, and 2.40 percent decrease annually.

The number of home transactions in Clark County’s suburbs is up 3.39 percent from the fourth quarter and down 15.28 percent annually. There were 366 transactions during the first quarter. The average number of day on the market is up from 102 to 120. During the first quarter of 2010 homes averaged 103 days on the market.

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

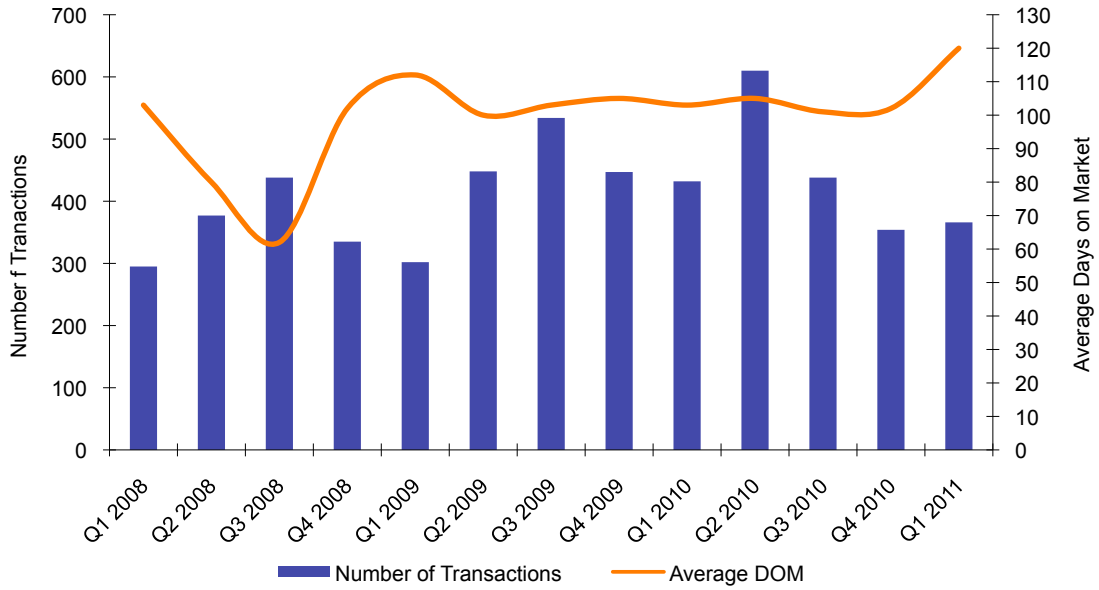
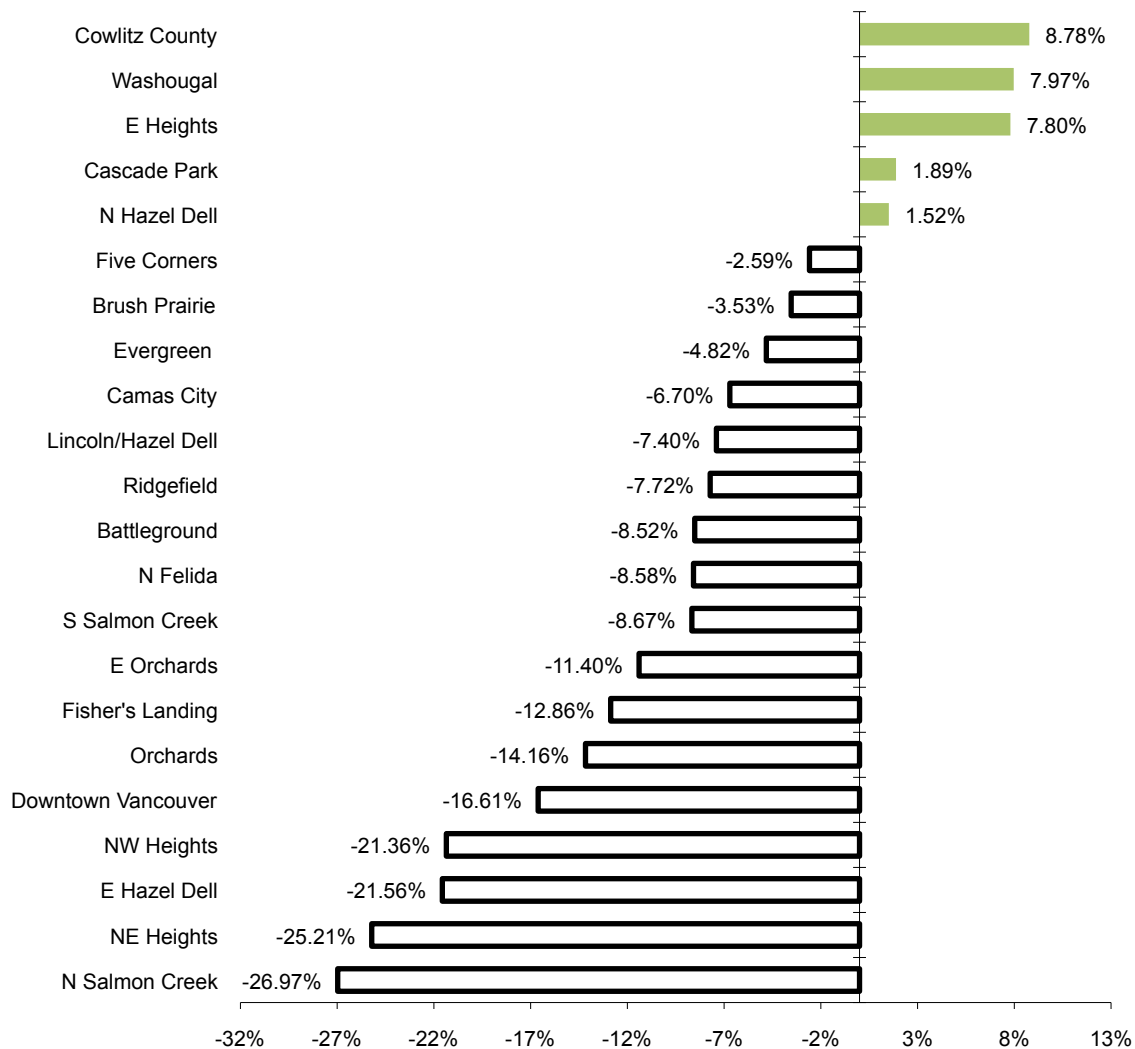


Figure 14: Appreciation Rates of Existing Detached Homes, Vancouver and Clark County Sub Market from Q1 2010 to Q1 2011



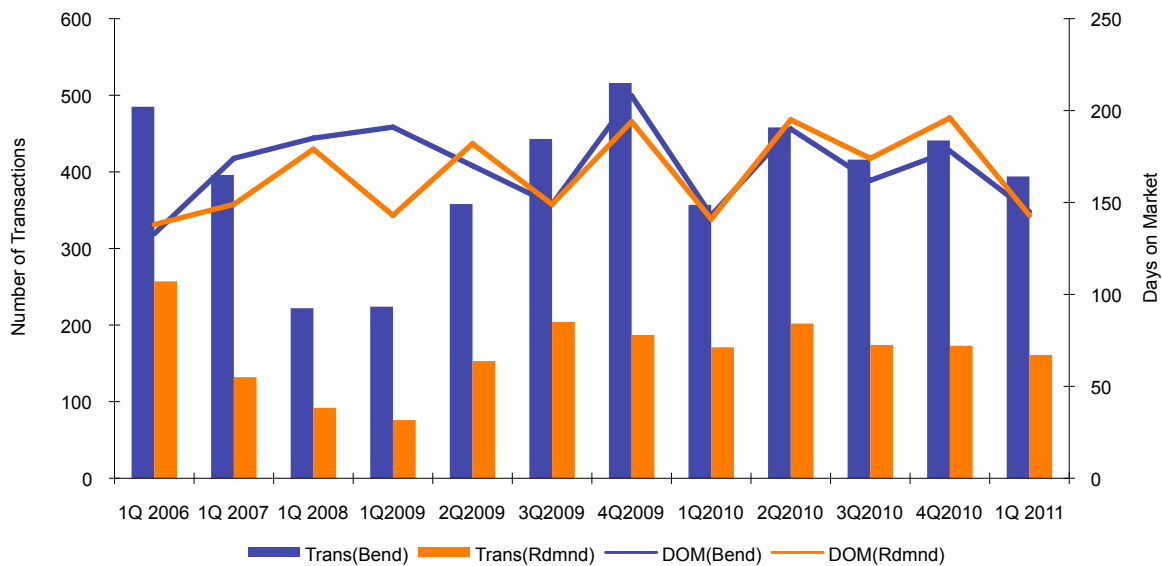
Of the submarkets where there were more than 15 transactions to make appreciation numbers informative, five Vancouver/Clark County submarkets experienced price appreciation for the year. The Cowlitz submarket posted the highest gains with an appreciation rate of 8.78 percent (based on 41 transactions) followed by Washougal at 7.97 percent (46 transactions) and E. Heights at 7.80 percent (in 21 transactions).

Conversely seventeen submarkets had price depreciation. The N Salmon Creek submarket had the highest quarterly depreciation rate at 26.97 percent (30 transactions) followed by NE Heights submarket at 25.21 percent (21 transactions) and E Hazel Dell at 21.56 percent (43 transactions).

CENTRAL OREGON

Both Bend and Redmond are experiencing decreases from the previous year with respect to the number of homes sold less than one acres. Bend home sales less than one acre are down 14 percent to 394 while Redmond’s decreased 20.3 percent to 161. More significant transaction decrease were seen with homes on 1-5 acres where volumes decreased 20.8 percent from 12 to 19 in Redmond and from 42 transactions in the first quarter of 2010 to 61 transactions during the first quarter of 2011 in Bend. The average number of days on market increased from 143 (in the first quarter 2010) to 145 (in the first quarter 2011) in Bend and from 141 to 143 in Redmond for homes on less than one acre. 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



The median home prices for both Central Oregon submarkets remained fairly stable during the fourth quarter after the significant decline during the first quarter of 2010 and are down 5.1 percent from the fourth quarter of 2010. However, annually they are down 10.4 percent in Bend and down 4 percent in Redmond for homes less than 1 acre. The declines grow larger once current median home sale prices are compared to their peak during the first quarter of 2007. The median price for homes under one acre in Bend were \$347,750 (first quarter 2007) and are now \$175,600. The median price for Bend homes with 1-5 acres was \$565,000 in 2007

and now is \$240,500. The Redmond submarket experienced similar changes in median sale price during this time frame with homes under one acre dropping from \$125,730 to \$119,500. Homes with 1-5 acres increased from \$200,000 to \$236,250 in Redmond (from the first quarter of 2010 to first quarter of 2011). Price-per-square-foot numbers decreased for Bend from the fourth quarter to the first quarter from \$100/sq.ft to \$97/sq.ft for homes under one acre and from \$138/sq.ft to \$113/sq.ft for homes with 1-5 acres (from the fourth quarter of 2010 to the first quarter of 2011). In Redmond, homes under one acre was unchanged at \$75/sq. ft. Price-per-square-foot on homes with 1-5 acres was up 20.2 percent quarterly in Redmond to \$125.

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

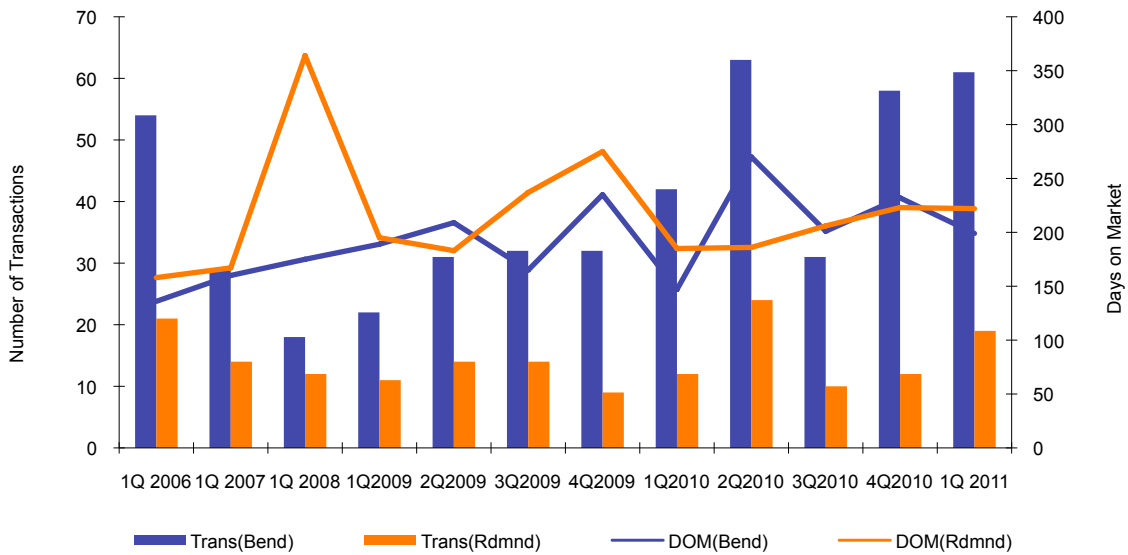


Figure 17: Median Single Family Price and \$/SqFt Under 1 Acre, Bend and Redmond

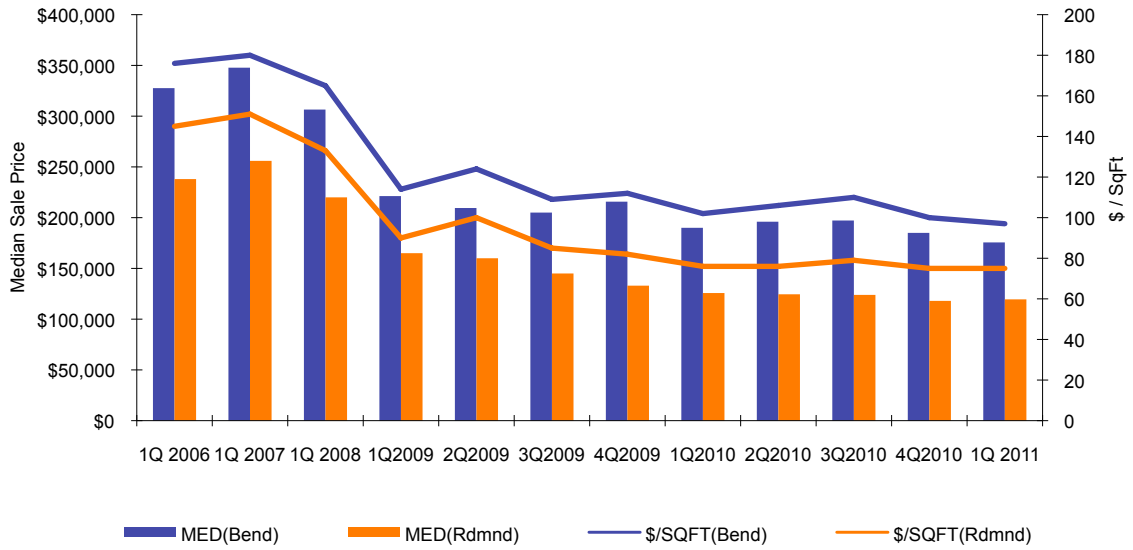
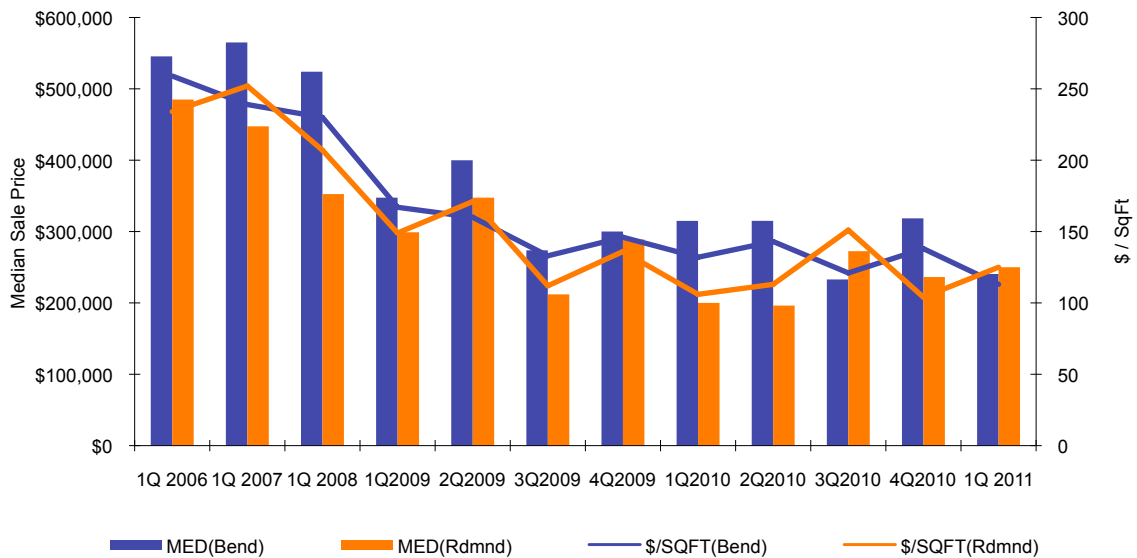


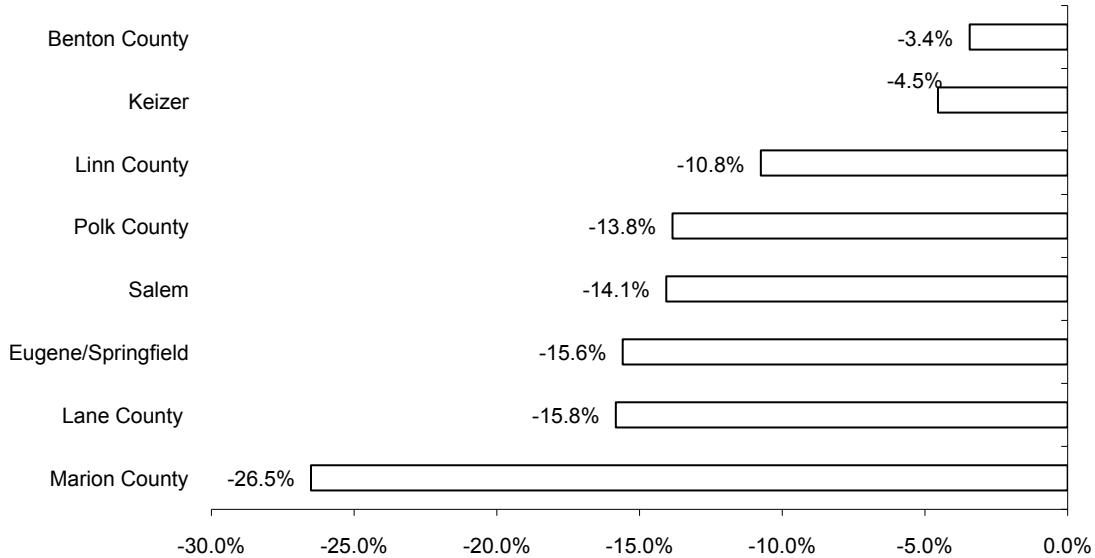
Figure 18: Median Single Family Price and \$/SqFt, 1-5 Acres, Bend and Redmond



WILLAMETTE VALLEY

All Willamette Valley submarkets experienced annual depreciation on existing home prices. Marion County had the highest depreciation of 26.5 percent followed by Lane County with a 15.8 percent decrease.

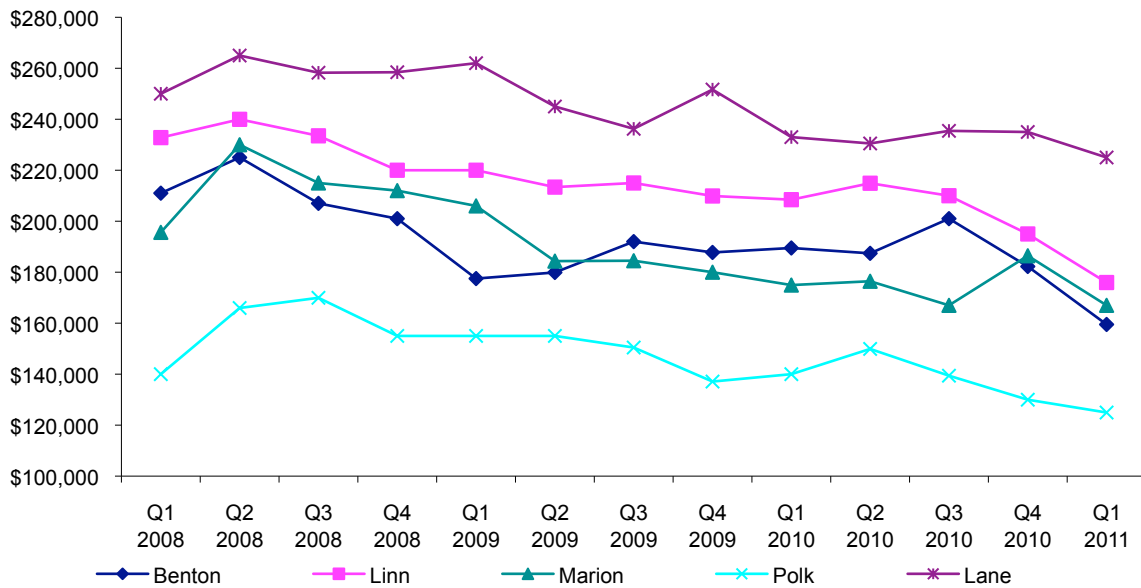
Figure 19: Annual Appreciation Rates of Existing Detached Homes, Willamette Valley from Q1 2010 to Q1 2011



The number of transactions over the past year decreased annually for all of these submarkets except Benton and Marion County where the number of transactions during the first quarter of 2011 increased 0.90 percent and 26.00 percent, respectively. The number of transactions in Benton County was 107, up from 106 the previous year. Linn County had 213 transactions, up from 169 during the first quarter of 2010.

The number of days on the market increased annually for all of these submarkets except Keizer and Linn County. The average days on the market for Keizer decreased from 143 days to 116 days. The average days on the market for Linn County decreased from 152 days to 144 days. The largest increase in average days on market from the first quarter of 2010 was Salem which increased from 136 days to 170 during the first quarter of 2011. This is followed by Lane County which increased from 118 days in first quarter of 2010 to 138 days during the fourth quarter of 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 decreased while the number of transactions increased from the fourth quarter of 2010.

Prices declined 11.63 percent from the previous year to \$156,600. Meanwhile, the average number of days on market increased to 136 from 170 in the first quarter of 2010. There was increase in the average days on market from the fourth quarter of 2010.

The number of transactions increased from the previous year from 298 to 336, as well as a decreased from the fourth quarter of 2010 from 320.

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

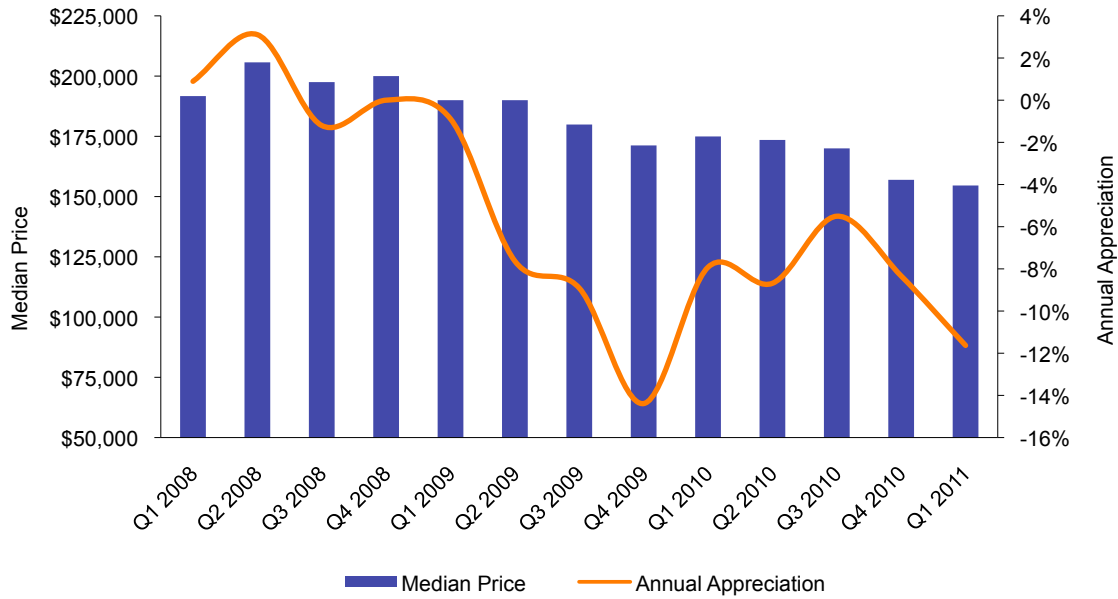
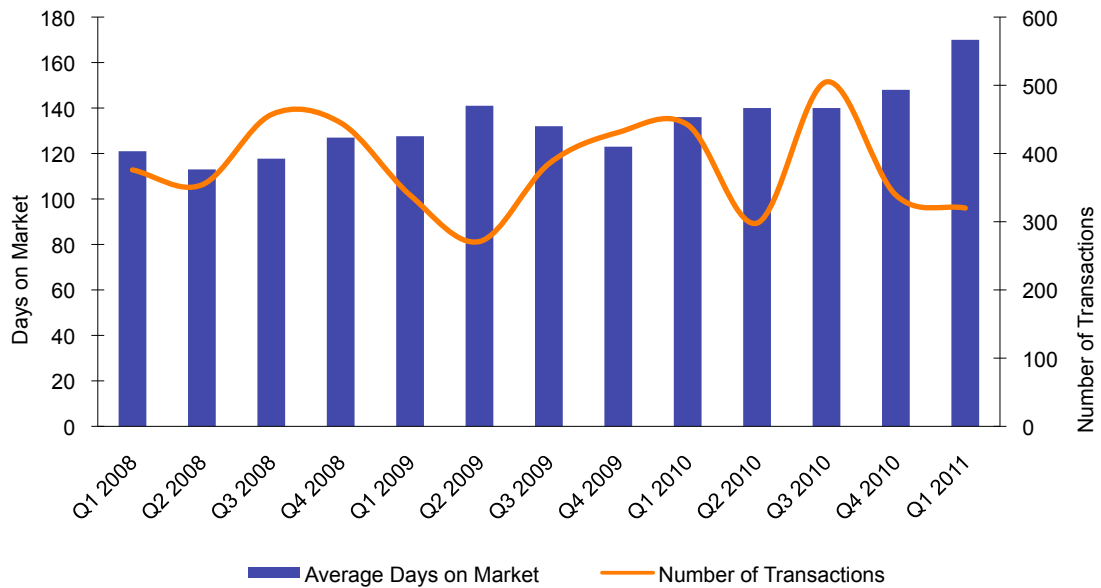


Figure 22: Average Days on Market and Number of Transactions, Existing Homes, Salem



EUGENE/SPRINGFIELD

The Eugene/Springfield area experienced decreasing home prices relative to the first quarter of 2010 and the number of transactions decreased 8.00 percent annually to 360. The number of transactions year over year have been increasing since the second quarter of 2009 but has decreased from the second quarter of 2010 to the first quarter of 2011. The median price decreased annually by 15.59 percent to \$175,950.

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

