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## HOUSING MARKET ANALYSIS

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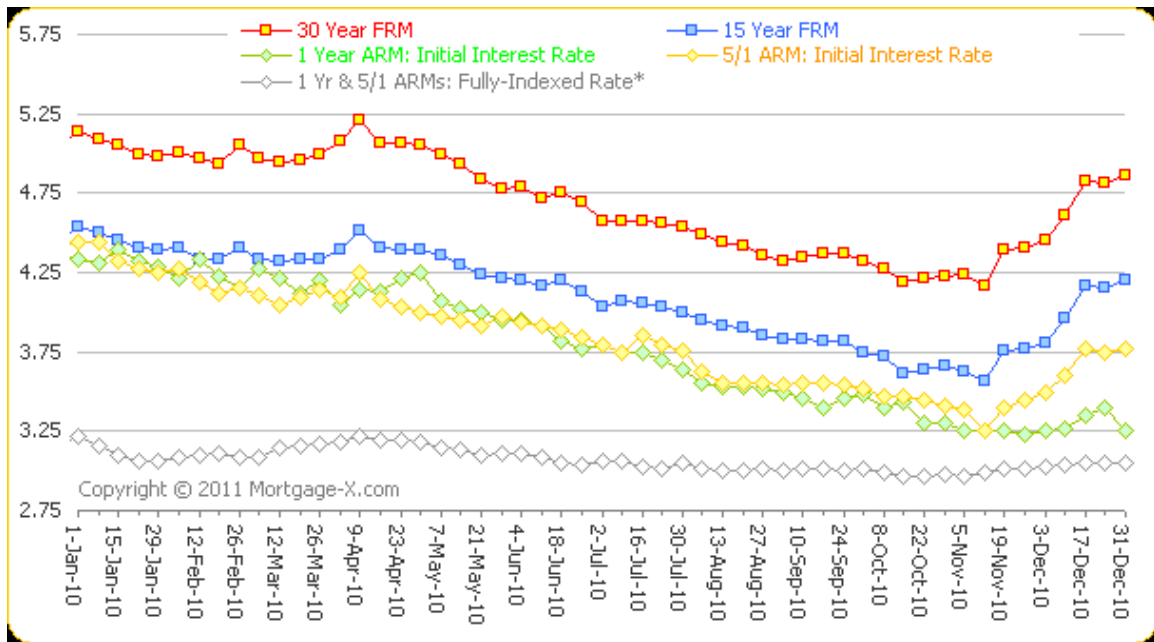
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National housing market statistics reflect a decreasing prices over the past year. Median home prices were down 0.20 percent annually in September 2010. However, median prices in the western United States have increased by 1.89 percent from \$211,100 to \$215,100. Over the same period, the Portland metropolitan area experience declining median sales prices and sales volume. The median sales price dropped 2.20 percent from \$241,900 to \$236,500 and the number of transactions in the metropolitan area decreased by 2.4 percent.

The National Association of Realtors reports the number of existing home sales showed a strong increase in December 2010, an increase exceeded consensus predictions. NAR reports 2010 existing home sales rose 13.8 percent between November and December, while falling 2.2 percent over the same two months in 2009.

The HousingPulse Distressed Property Index (DPI) is a key indicator of the health of the housing market and was 47.2 percent in December 2010, which reflected the share of total home sale transactions that involved distressed properties. December's level was up from 44.5 percent in November and nearly matched the 47.5 percent peak in the index reached in September, right before the temporary halt in foreclosures. Sales of distressed properties surged in December as many banks resumed processing foreclosures.

**Figure 1: Single Family Mortgage Interest Rate – One Year Trend 2010.**



Source: Mortgage-X.com

Mortgage interest rates had been steadily decreasing since the first quarter of 2010, but started rising in the fourth quarter. This contributed to an in first-time homebuyer activity as purchasers rushed to close transactions before anticipated interest rate increases.

First time home buyers constituted 37.7 percent of all transactions tracked in December 2010, which represented an increase from the 34.4 percent level found in the months of September and October.

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

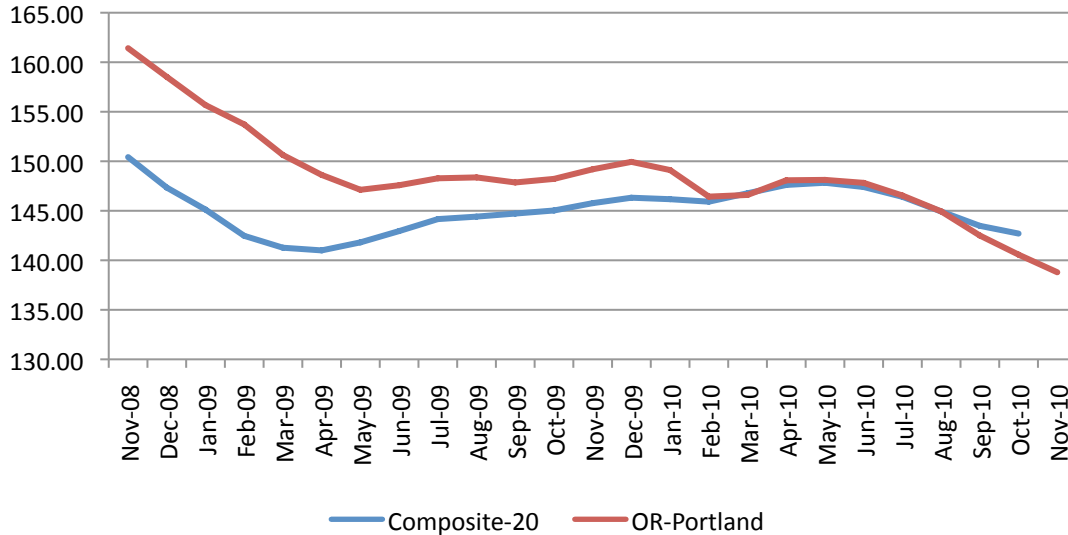
	U.S.	West	Portland Metro Area
September 2009 Median Sales Price	\$169,600	\$211,100	\$241,900
September 2010 Median Sales Price	\$169,300	\$215,100	\$236,500
% Change in Median Sales Price	-0.20%	1.89%	-2.20%
% Change in Number of Sales Sept. 2009-Sept. 2010	-19.0%	-4.70%	-2.40%

Source: National Association of Realtors and RMLS

Standard & Poor’s Case-Shiller Index for Portland was 138.79 for the fourth quarter of 2010. The represents a decrease of 4.24 percent from August 2010, and a year-over-year decrease of 6.97 percent. Case-Shiller’s 20 city composite index is down 1.61 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 fourth 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 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 a deceleration in the annual growth rates in 17 of the 20 metropolitan statistical areas (MSAs) and the 10- and 20-city composites compared to what was reported for October 2010.

Home prices fell in 19 of 20 MSAs and both composites in November 2010 from their October levels. In November, only four MSAs—Los Angeles, San Diego, San Francisco and Washington DC—showed year-over-year gains.

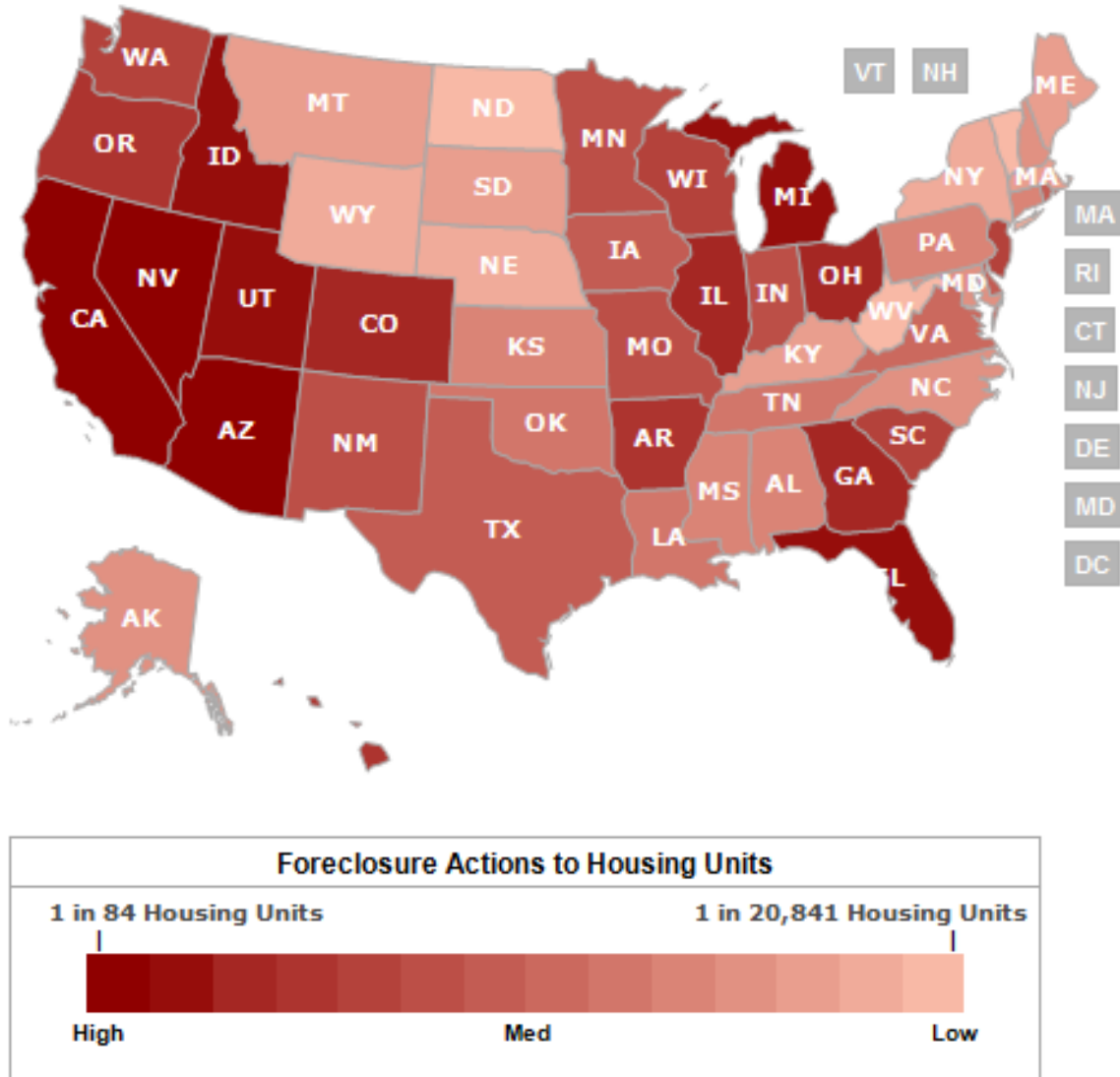
Portland, Ore. was one of nine markets that hit their lowest levels since home prices peaked in 2006 and 2007.

Data published by RealtyTrac, show 799,064 foreclosure filings for the fourth quarter 2010, down 14.11 percent from the 930,437 foreclosure filings in the third quarter. The filing figures include default notices, schedule auctions and bank repossessions. Foreclosure filings were reported on 257,747 U.S. properties in December 2010, a decrease of nearly 2 percent from the previous month and down 26 percent from December 2009—the biggest annual drop in foreclosure activity since January 2005 and giving December the lowest monthly total since June 2008. The annual and fourth quarter drop in foreclosure activity is thought to be triggered primarily by the continuing controversy surrounding foreclosure documentation and

procedures that prompted many major lenders to temporarily halt some foreclosure proceedings.

For the year 2010, a total of 3,825,637 foreclosure filings—default notices, scheduled auctions and bank repossessions—were reported on a record 2,871,891 U.S. properties in 2010, an increase of nearly 2 percent from 2009 and an increase of 23 percent from 2008. The report also shows that 2.23 percent of all U.S. housing units (1 in 45) received at least one foreclosure filing during the year, up from 2.21 percent in 2009, 1.84 percent in 2008, 1.03 percent in 2007 and 0.58 percent in 2006. Of every household in the U.S. 2.23 percent (one in every 45) received a foreclosure filing during the year. This is up from 2.21 percent in 2009, 1.84 percent in 2008, 1.03 percent in 2007 and 0.58 percent in 2006.

Figure 3: Foreclosure Rate Heat Map, December 2010



Source: RealtyTrac

According to RealtyTrac, Portland, Ore. had the 63rd highest rate of foreclosures for the year 2010 among the nation's 206 largest metro areas. Medford, Ore. had the 40th highest foreclosure rate, Salem was ranked 69, Eugene was ranked 105.

Of the nation's 20 metro areas with the highest foreclosure rates, nineteen were in the Sun Belt states of California, Nevada and Arizona. Only one Northwest city on that list was Boise, Ida., at No. 20.

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

	Single Family			Multi Family		
	Nov-10	Nov-09	% Change	Nov-10	Nov-09	% Change
United States	416.2	400.7	3.88%	134.3	123.6	9%
Oregon	5.41	5.21	3.80%	1.22	1.81	-33%
Portland-Vancouver-Beaverton OR-WA	3.15	2.73	15.38%	0.77	0.86	-11%
Salem OR	0.36	0.36	-0.83%	0.24	0.11	110%
Eugene-Springfield OR	0.44	0.41	7.90%	0.08	0.15	-47%
Bend OR	0.34	0.33	1.20%	0.01	0.03	-57%
Corvallis OR	0.04	0.04	-7.69%	0.02	-	-
Medford OR	0.27	0.31	-14.24%	0.09	0.01	1317%

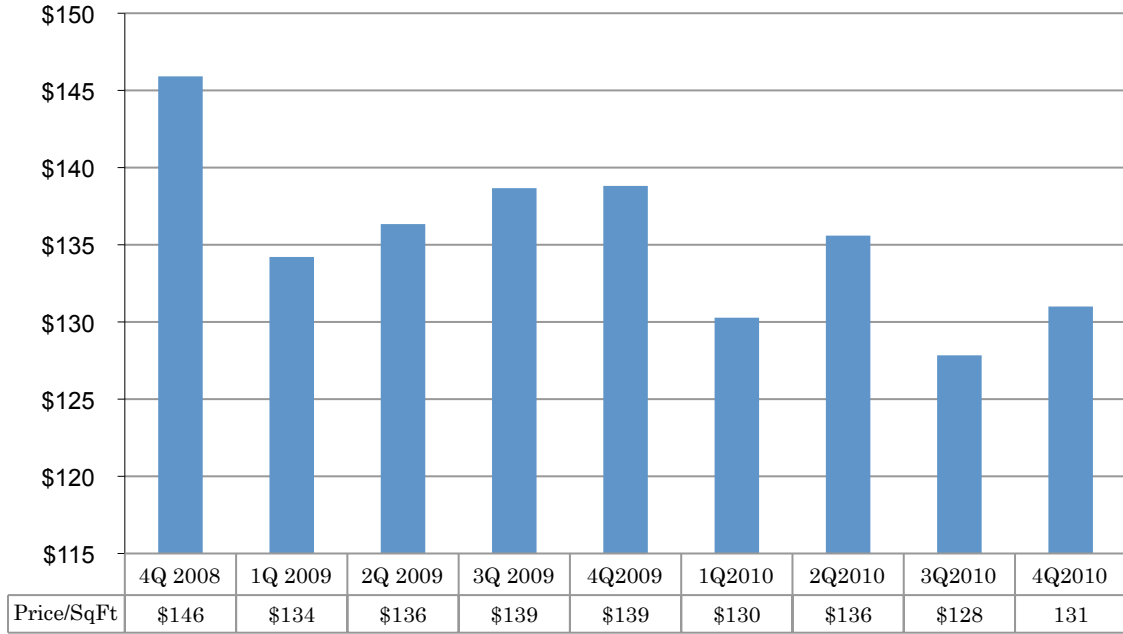
Source: National Association of Home Builders

## PORTLAND

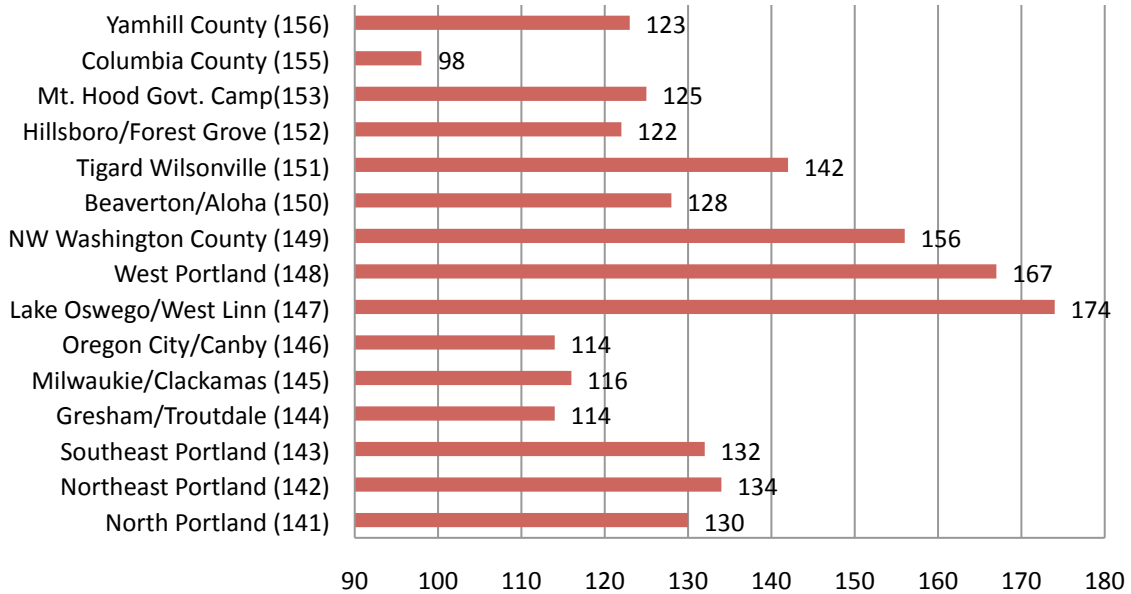
The number of Portland metropolitan area home sales decreased by 6.6 percent during the fourth quarter compared to the third quarter of 2010, and buyers closed on purchases of 3,140 existing homes. This is a 19.7 percent decrease from the fourth quarter of 2009 when there were 3,911 transactions in the metropolitan area.

Median prices for the fourth quarter were at \$237,000, which represents a 6.7 percent decrease over the previous quarter and a 5.2 percent reduction annually. Sales price to original list price are coming closer together, with average sales taking place at 96.22 percent of the original list price. This is a 0.09 percent point decrease from the previous quarter which was 96.31 percent, and a 4.15 percent increase annually from 92.39 percent. Sellers in the Portland area have had their homes on the market for an average of 79 days before closing, reflecting a 6 day increase from 2009 and a 4 day increase from the third quarter. Price per-square-foot values decreased to \$131.

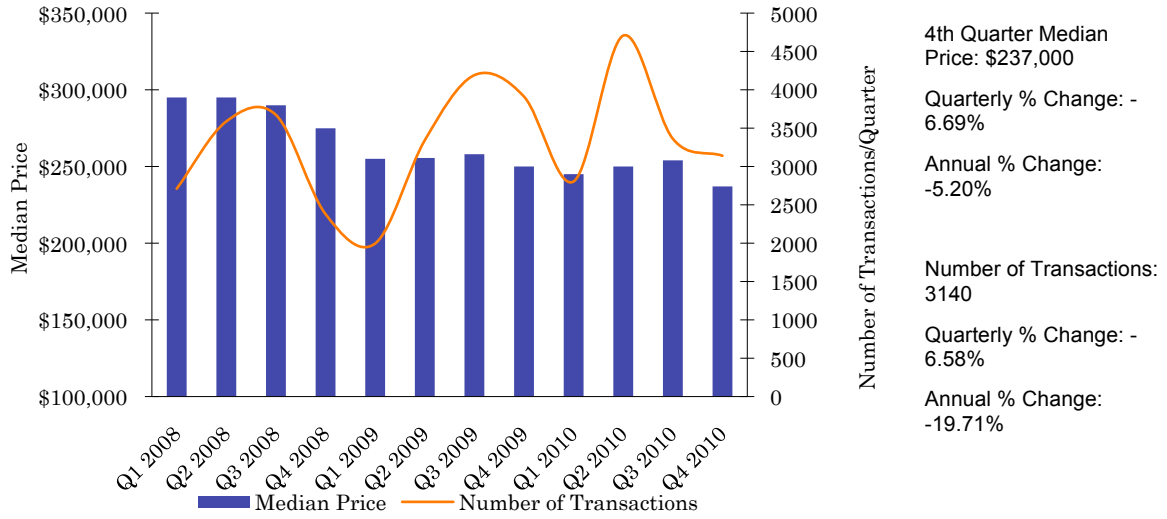
**Figure 4: Single Family Price per Square Foot, New and Existing Detached Homes, Portland Metro (excluding Clark County, WA)**



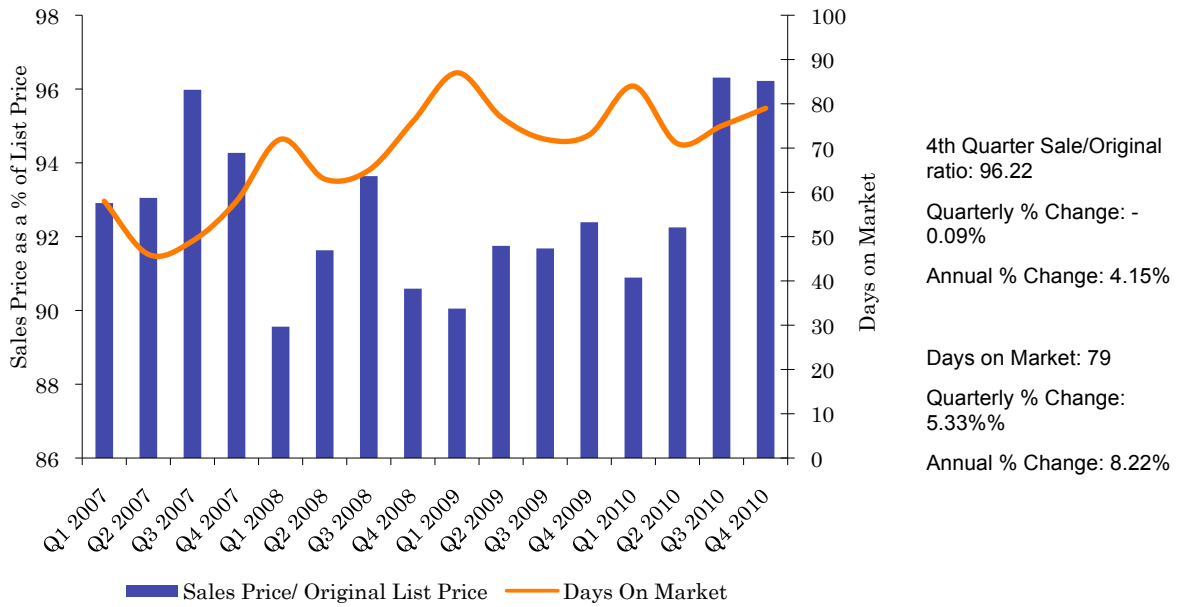
**Figure 5: Single Family Price per Square Foot, New and Existing Detached Homes, Portland Sub Markets**



**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)**

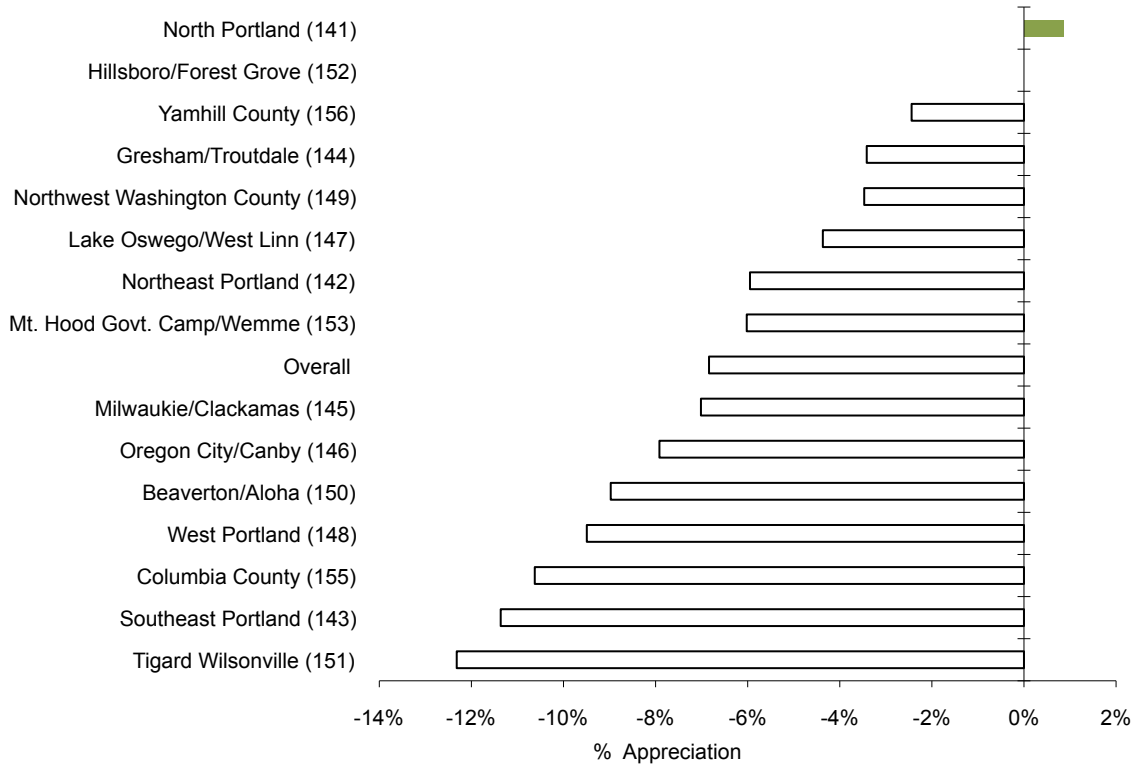


**Figure 8: Median Sales Price & Number of Transactions, New Detached Homes, Portland Metro (excluding Clark County, WA)**

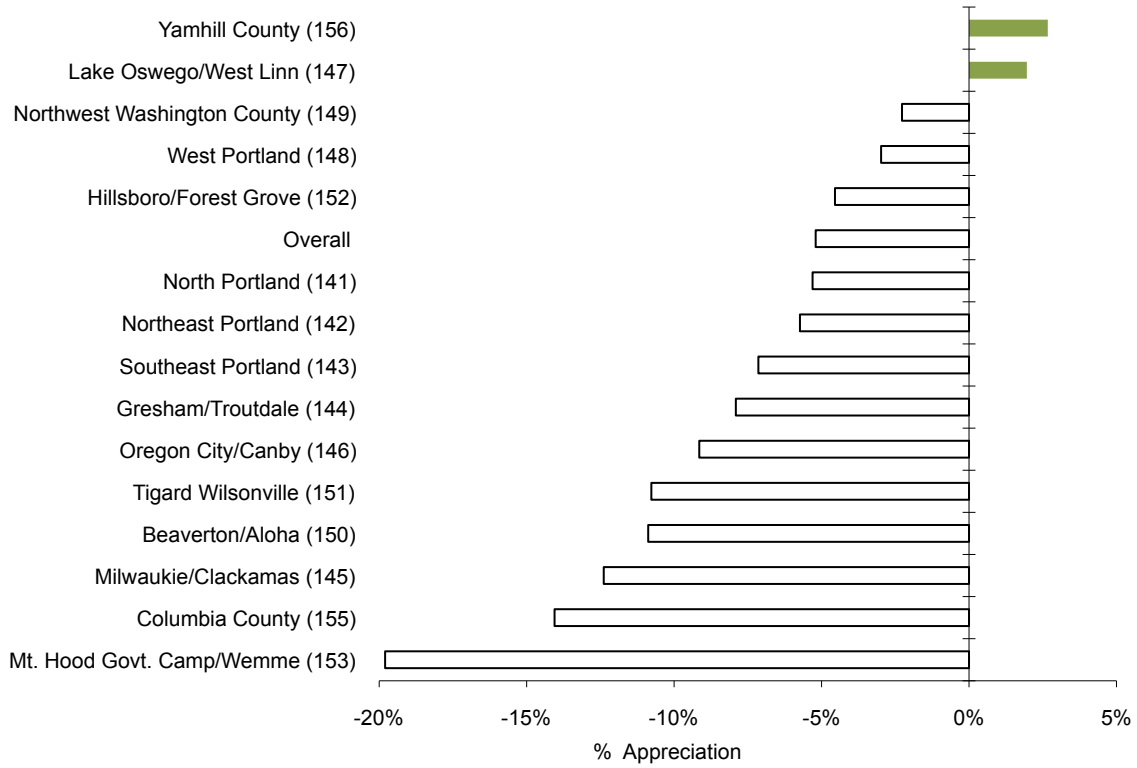


All of the submarkets listed below experienced quarterly price depreciation on existing detached homes, except the North Portland submarket which appreciated by 0.85 percent. Tigard/Wilsonville submarket experienced the highest quarterly depreciation rate at 12.32 percent followed by Southeast Portland at 11.36 percent and Columbia County at 10.62 percent.

**Figure 9: Appreciation Rates of Existing Detached Homes from Q3 2010 to Q4 2010, Portland Sub-Markets**

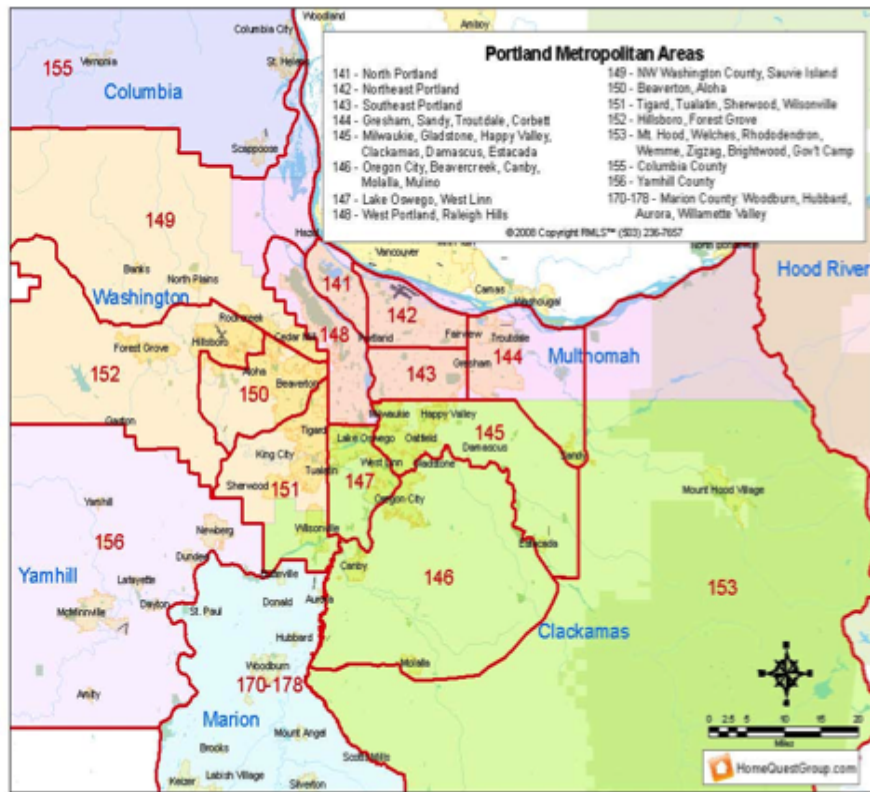


**Figure 10: Appreciation Rates of Existing Detached Homes from Q4 2009 to Q4 2010, Portland Sub-Markets**



Annual median sale price depreciated for all Portland submarkets except Yamhill County and Lake Oswego/West Linn where sale prices rose 2.67 percent and 1.96 percent, respectively. The largest annual depreciation was experienced in Mt. Hood Govt. Camp with a 19.80 percent, Columbia County at 14.05 percent and Milwaukie/Clackamas at 12.39 percent.

Figure 11: Portland Metropolitan Areas

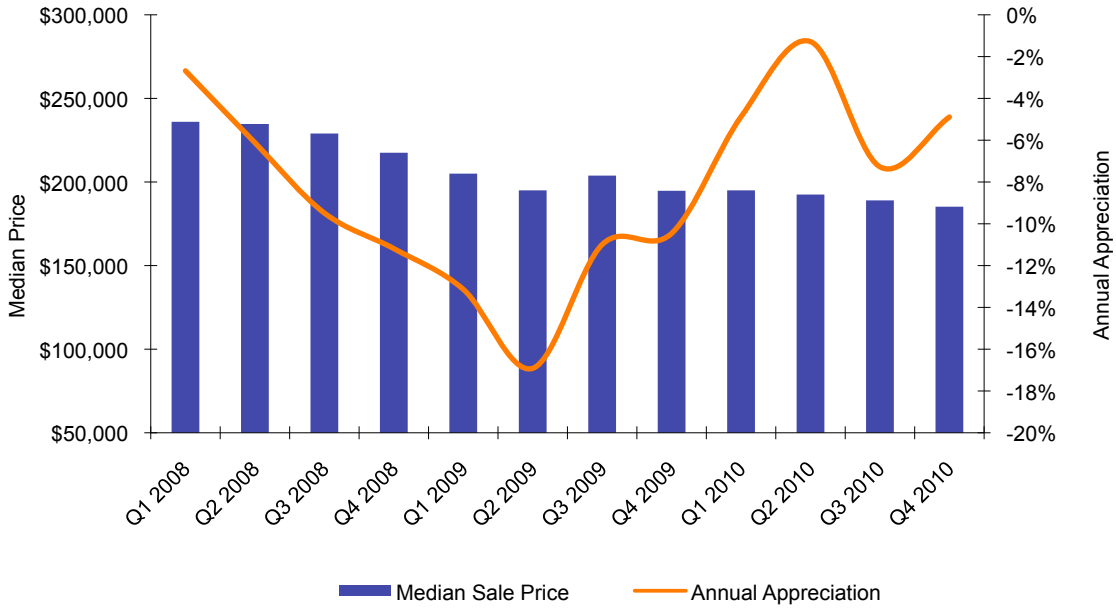


Map courtesy of RMLS

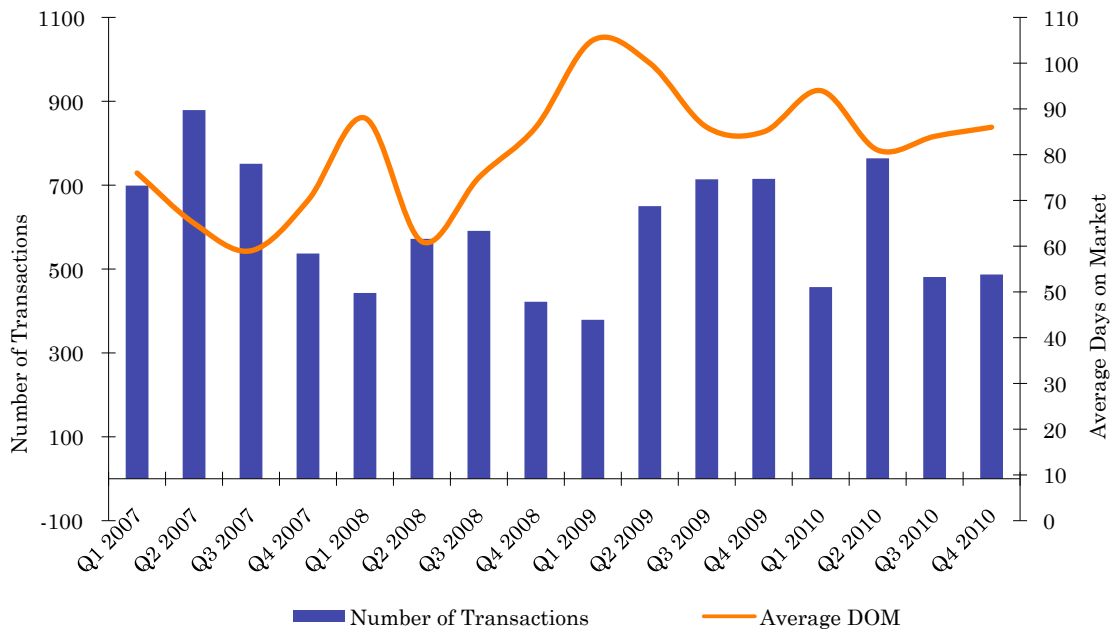
**VANCOUVER**

Vancouver’s median home price was \$185,225 resulting in a quarterly decrease of 2.00 percent and an annual decrease of 4.89 percent in home values. The number of homes sold throughout the third quarter increased by 1.25 percent to 487, and down 31.89 percent annually. The average number of days on the market is up to 86 days. Third quarter average number of days on the market was 84, while it was 85 during the fourth quarter of 2009.

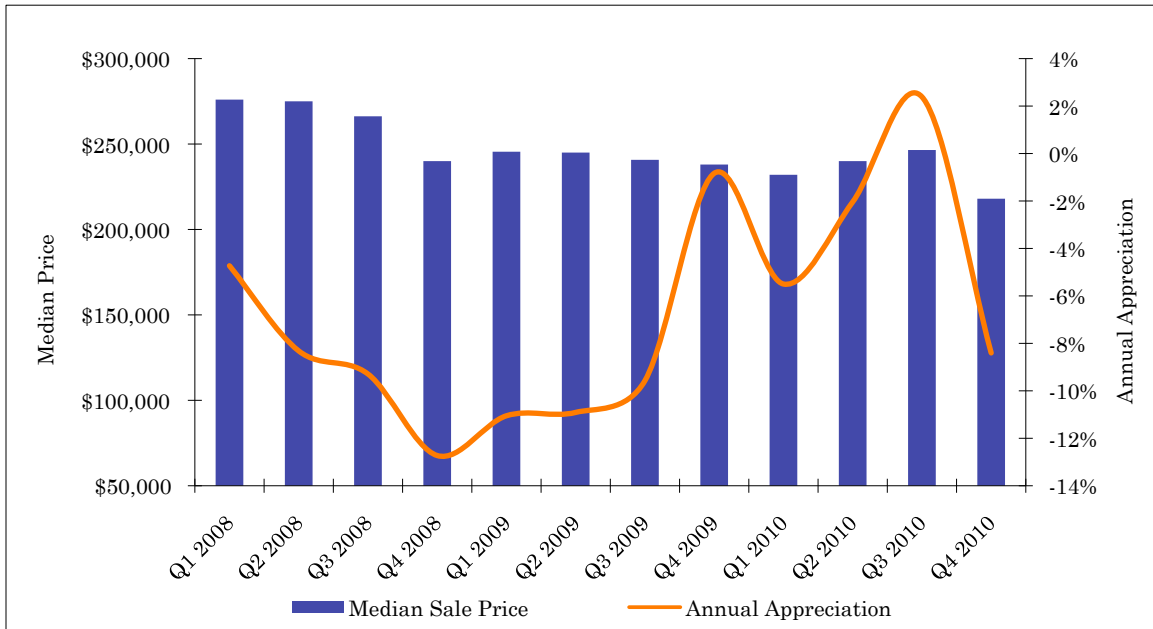
**Figure 12: Median Price and Annual Appreciation Existing Detached Homes, Vancouver**



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



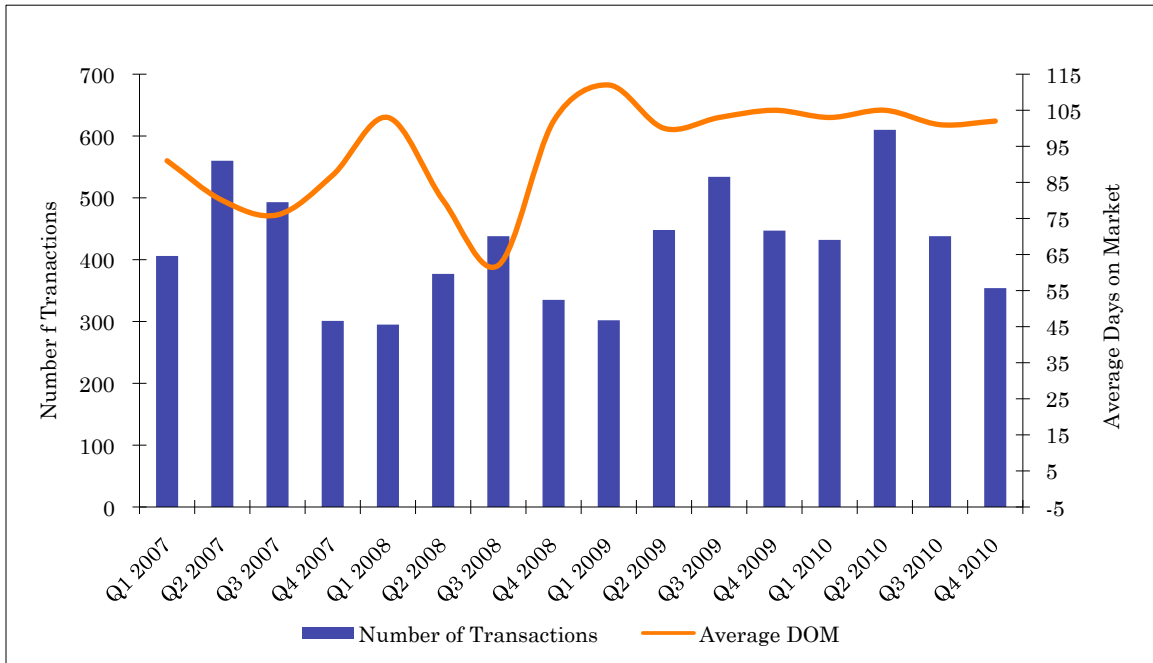
**Figure 14: Median Price and Annual Appreciation Existing Detached Homes, Clark County (excluding Vancouver)**



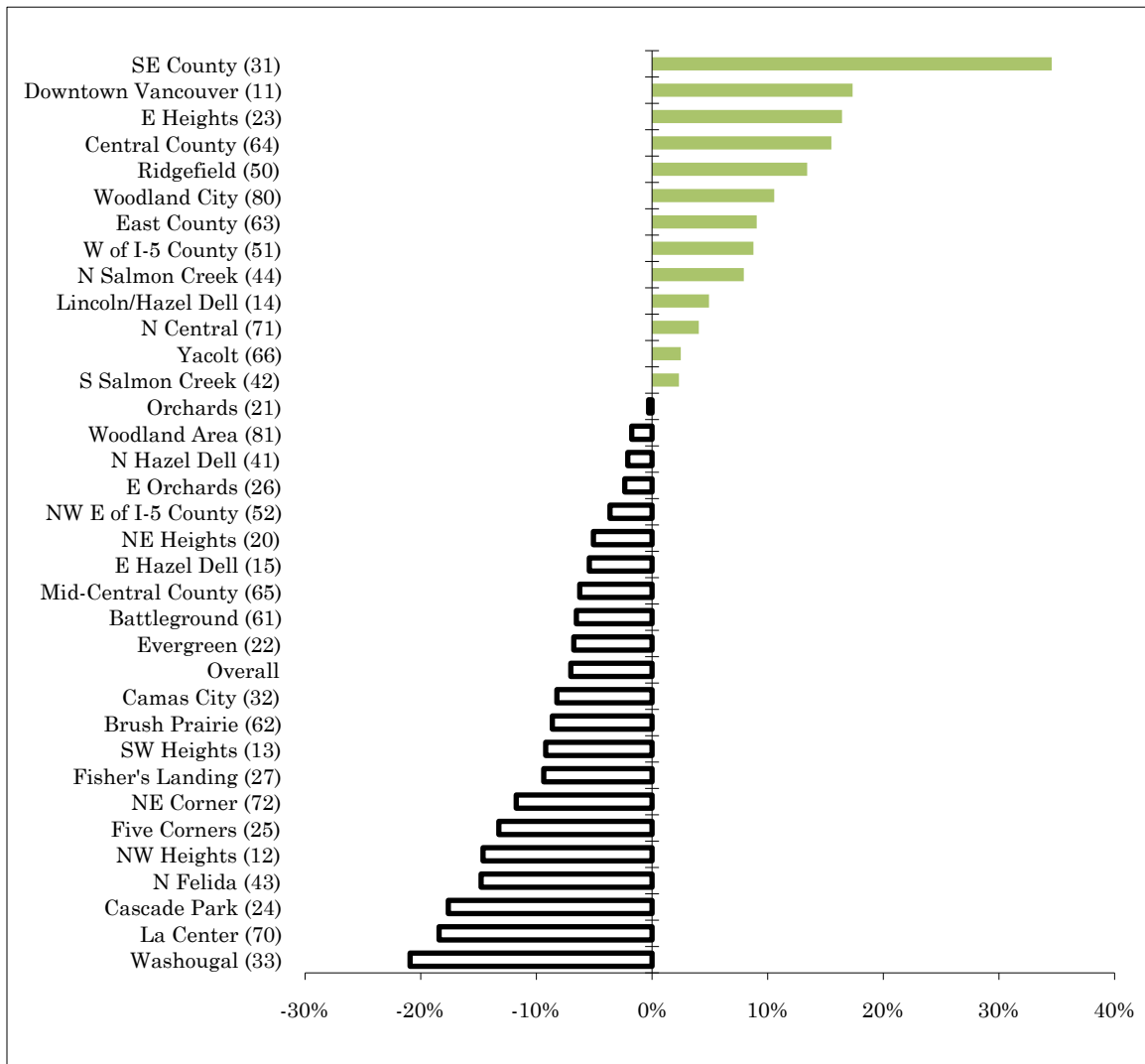
In the Clark County suburbs home prices have increased to \$218,000. This is a 11.56 percent decrease from the previous quarter’s median price, and 8.4 percent decrease annually.

The number of home transactions in Clark County’s suburbs is down 19.18 percent from the third quarter and down 20.81 percent annually. There were 354 transactions during the fourth quarter. The average number of day on the market is up from 101 to 102. During the fourth quarter of 2009 homes averaged 105 days on the market.

**Figure 25: Average Days on Market and Number of Transactions Existing Detached Homes Clark County (excluding Vancouver)**



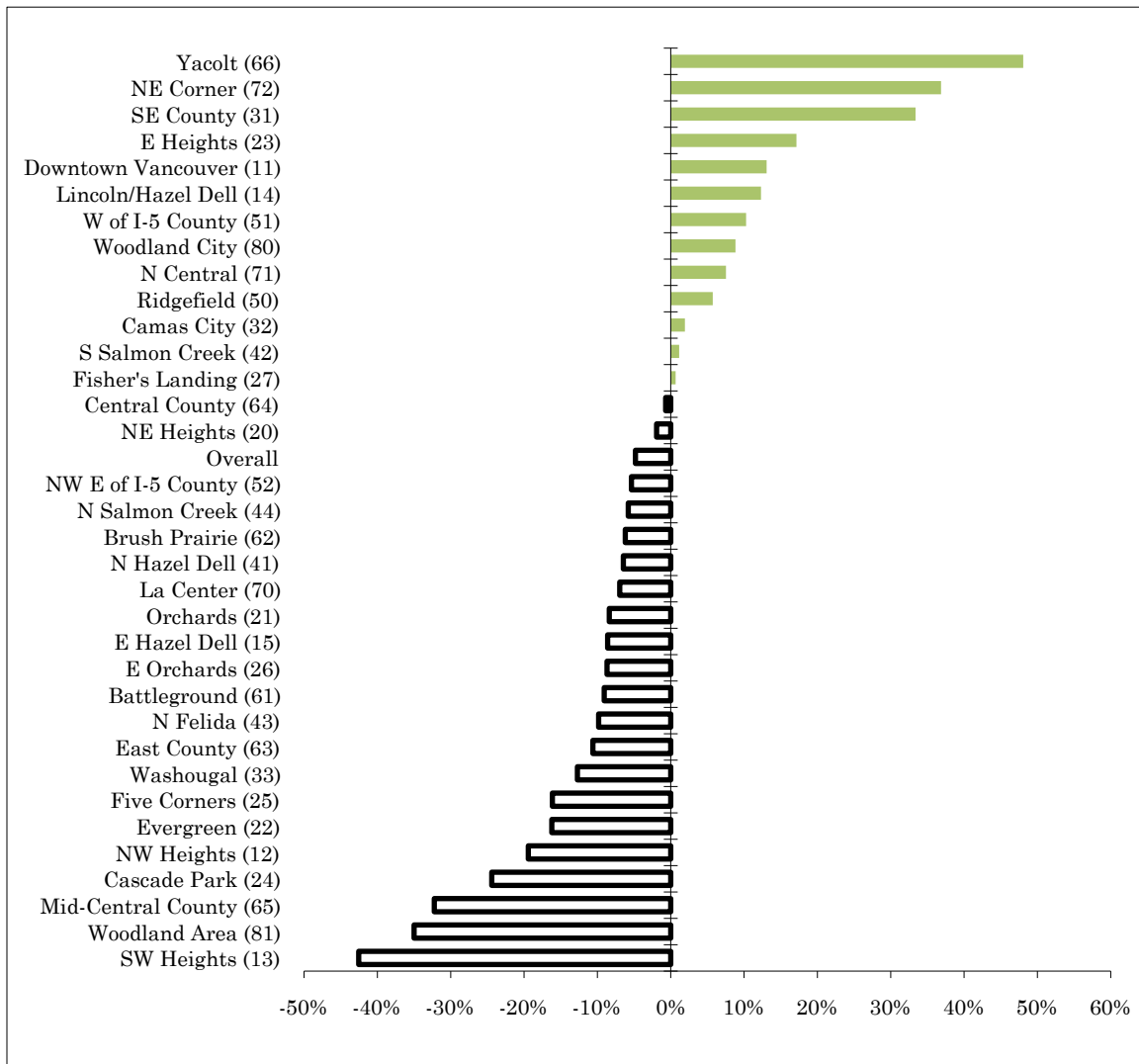
**Figure 16: Appreciation Rates of Existing Detached Homes Vancouver and Clark County Sub Market from Q3 2010 to Q4 2010**



Quarterly changes show that thirteen submarkets had high median sale values with SE County (34.56 percent), Downtown Vancouver (17.34 percent), E Heights (16.43 percent) and Central County (15.51 percent) submarkets increased the most in value.

Twenty-one submarkets had lower median sale values. Washougal (20.92 percent decrease), La Center (18.43 percent decrease), Cascade Park (17.62 percent decrease) and N Felida (14.78 decrease) submarkets saw the greatest annual depreciation.

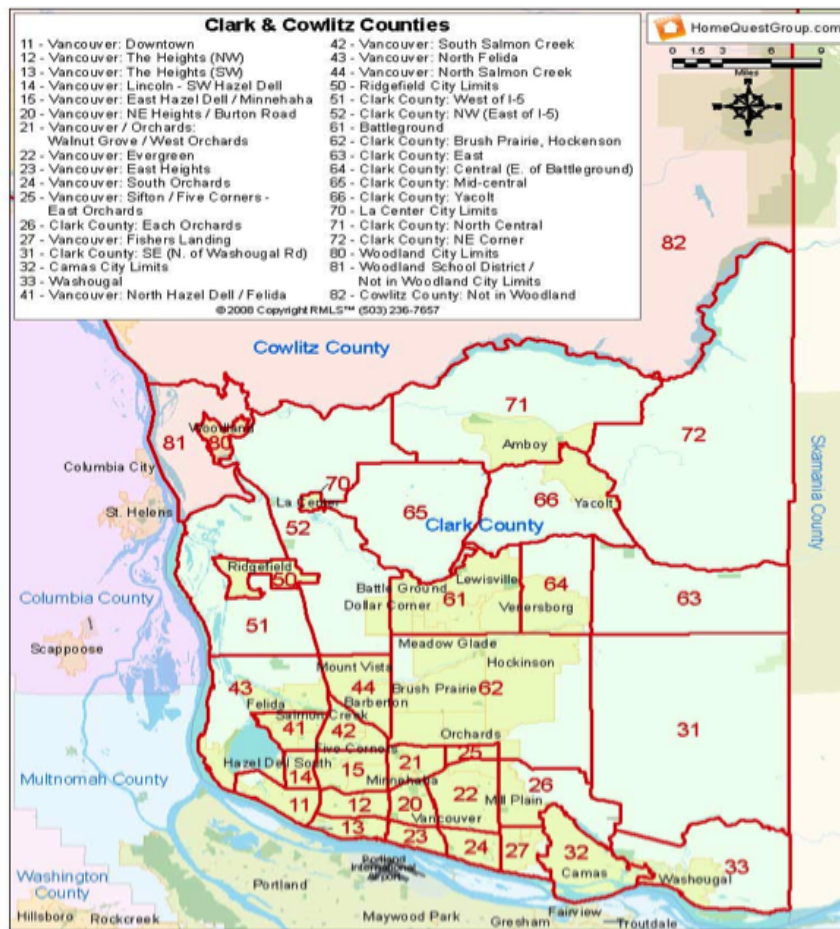
**Figure 17: Appreciation Rates of Existing Detached Homes, Vancouver and Clark County Sub Market from Q4 2009 to Q4 2010**



Thirteen Vancouver/Clark County submarkets experienced price appreciation for the year. The Yacolt submarket posted the highest gains with an appreciation rate of 48.07 percent (based on 7 transactions) followed by NE Corner at 36.86 percent (3 transactions) and Southeast County at 33.38 percent (in 4 transactions).

Conversely 22 submarkets had price depreciation. The SW Heights submarket had the highest quarterly depreciation rate at 42.55 percent (11 transactions) followed by Woodland Area at 35.00 percent (8 transactions) and Mid Central County at 32.24 percent (4 transactions).

Figure 3: Clark and Cowlitz Counties Submarkets

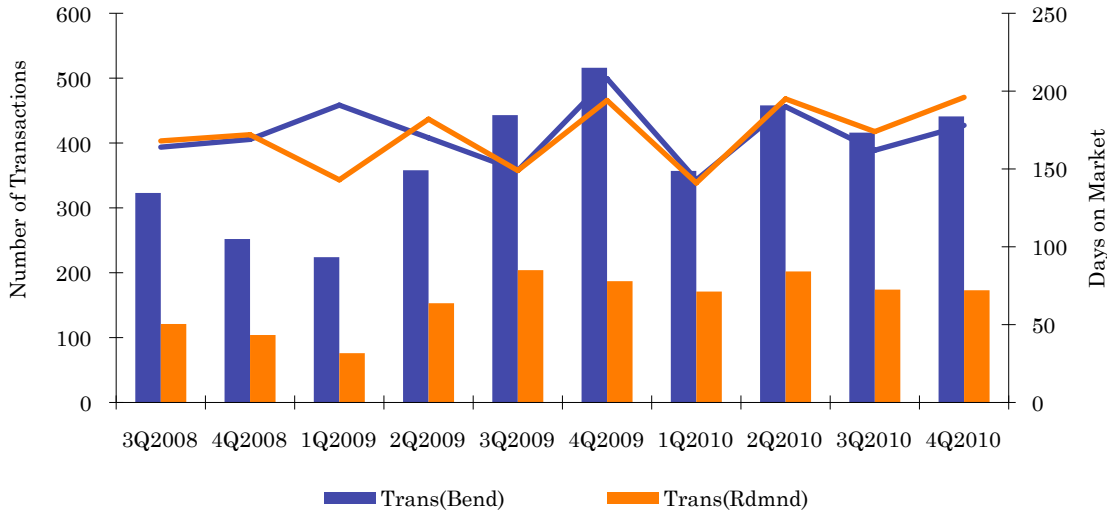


Map courtesy of RMLS

### CENTRAL OREGON

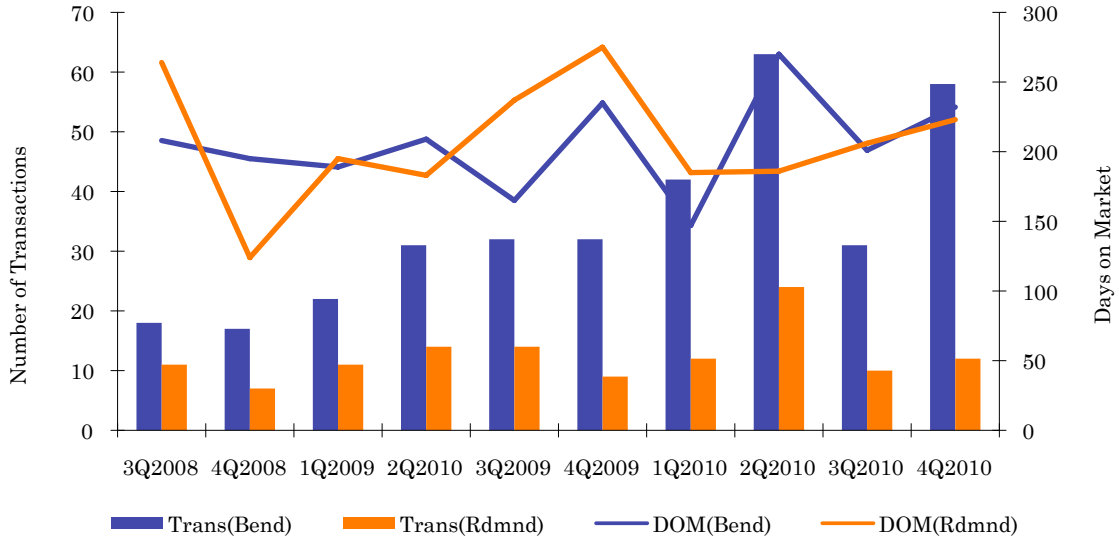
Both Bend and Redmond are experiencing decreases from the previous year with respect to the number of homes sold less than one acres. Bend home sales less than one acre are down 15 percent to 441 while Redmond’s decreased 7 percent to 173. More significant transaction increase were seen with homes on 1-5 acres where volumes increased 81 percent from 32 to 58 in Bend and from 9 transactions in the fourth quarter of 2009 to 12 transactions during the fourth quarter of 2010 in Redmond. The average number of days on market declined from 208 (in the fourth quarter 2009) to 178 (in the fourth quarter 2010) in Bend and from 194 to 196 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.

**Figure19: Number of Transactions and Days on the Market, Single Family Under 1 Acre, Bend and Redmond**

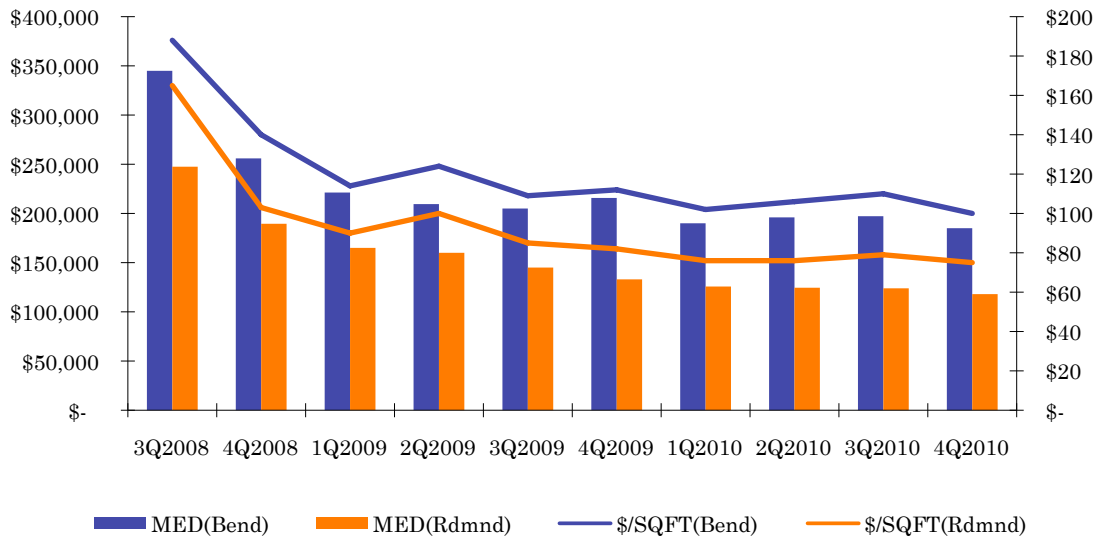


The median home prices for both Central Oregon submarkets remained fairly stable during the fourth quarter after the significant decline during the first quarter of 2010 and are down 6 percent from the third quarter of 2010. However, annually they are down 14.3 percent in Bend and down 11.3 percent in 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 \$331,000 (fourth quarter 2007) and are now \$185,000. The median price for Bend homes with 1-5 acres was \$572,500 in 2007 and now is \$318,500. The Redmond submarket experienced similar changes in median sale price during this time frame with homes under one acre dropping from \$235,900 to \$118,000 and homes with 1-5 acres dropping from \$410,000 to \$236,250 (from the fourth quarter of 2007 to fourth quarter of 2010). Price-per-square-foot numbers decreased for both submarkets and subcategories from the third quarter to the fourth with the exception of homes in Bend with 1-5 acres which increased 14 percent to \$138/sq. ft. from \$121/sq. ft. Homes under one acre decreased 9.1 percent to \$100 in Bend and decreased 5.1 percent in Redmond at \$75. Price-per-square-foot on homes with 1-5 acres was down 31.1 percent in Redmond to \$104.

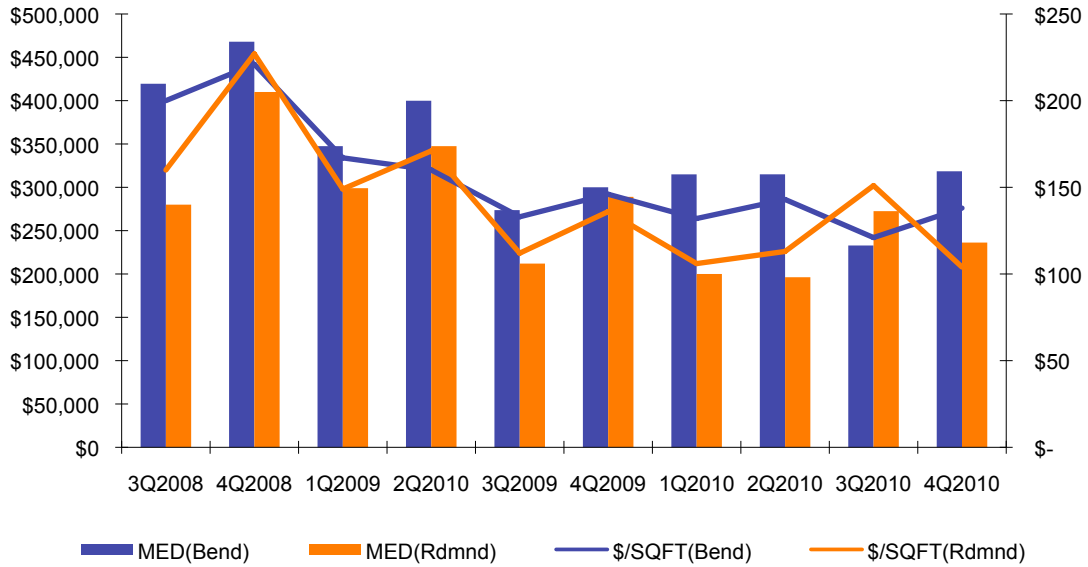
**Figure 20: Number of Transactions and Days on the Market, Single Family 1-5 Acres, Bend and Redmond**



**Figure 21: Median Single Family Price and \$/SqFt Under 1 Acre, Bend and Redmond**



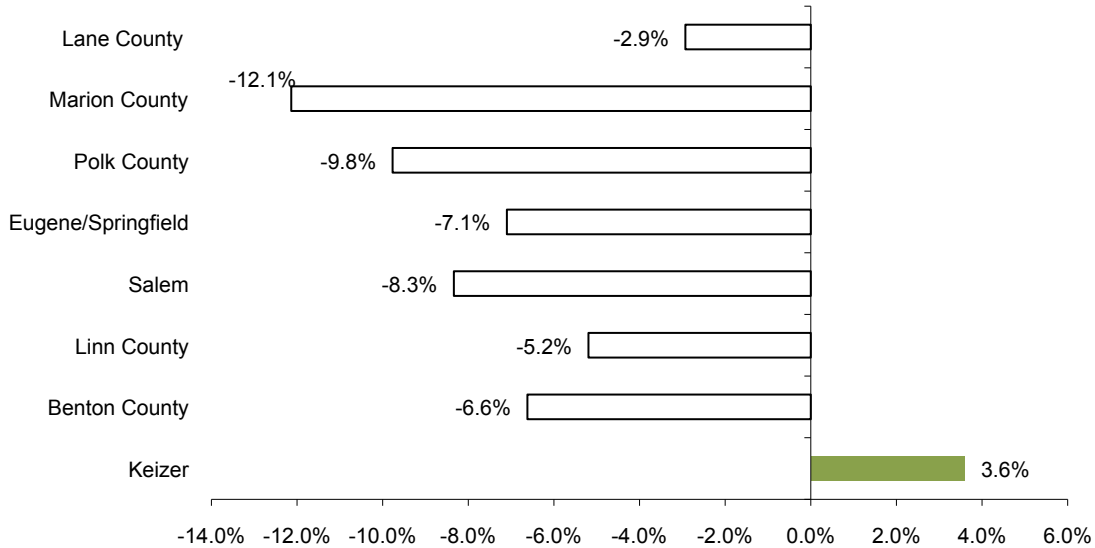
**Figure 22: Median Single Family Price and \$/SqFt, 1-5 Acres, Bend and Redmond**



**WILLAMETTE VALLEY**

All Willamette Valley submarkets experienced annual depreciation on existing home prices except Keizer (3.6 percent). Marion County had the highest depreciation of 12.1 percent followed by Polk County with a 9.8 percent decrease.

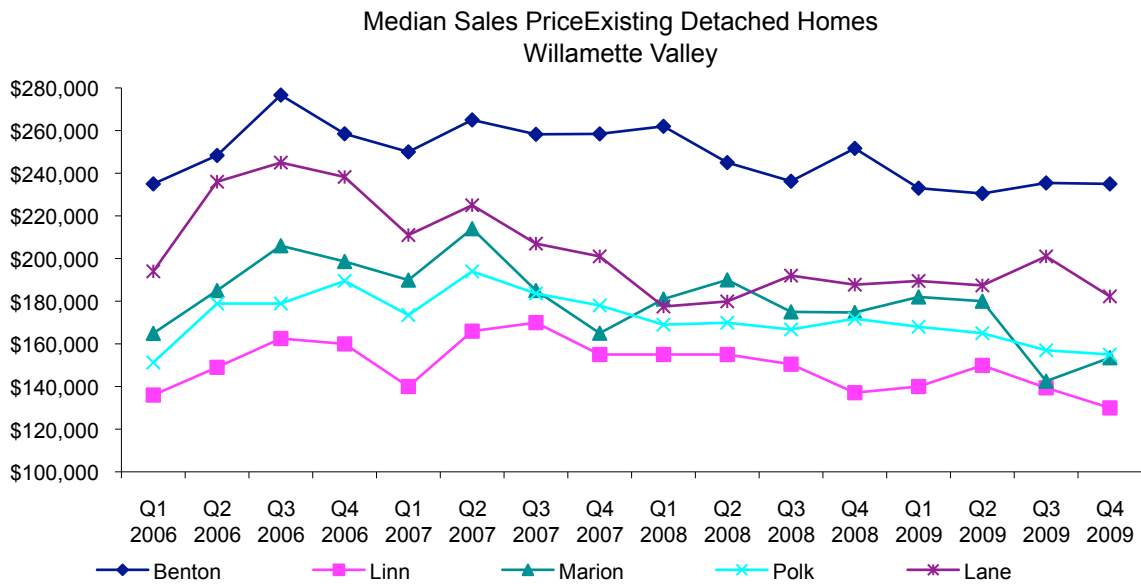
**Figure 23: Annual Appreciation Rates of Existing Detached Homes, Willamette Valley from Q3 2009 to Q3 2010**



The number of transactions over the past year decreased annually for all of these submarkets with Marion and Benton Counties down the most at 19.8 percent and 18.8 percent respectively.

The number of days on the market increased annually and quarterly for all of these submarkets. The largest increase in average days on market from the fourth quarter of 2009 was Benton County which increased from 127 days to 156 during the fourth quarter of 2010. This is followed by Keizer which increased from 120 days in fourth quarter of 2009 to 150 days during the fourth quarter of 2010.

**Figure 24: Median Sales Price Existing Detached Homes, Willamette Valley**



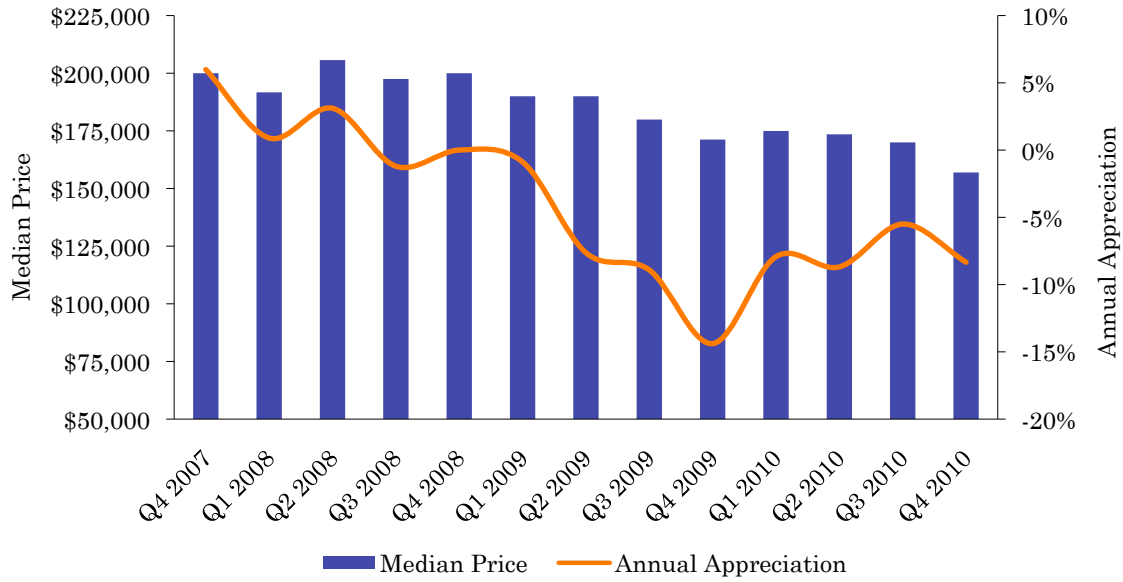
**SALEM**

Salem’s housing market again experienced annual depreciation while the number of days on the market increased. The median sale price, and number of transactions decreased from the third quarter of 2010.

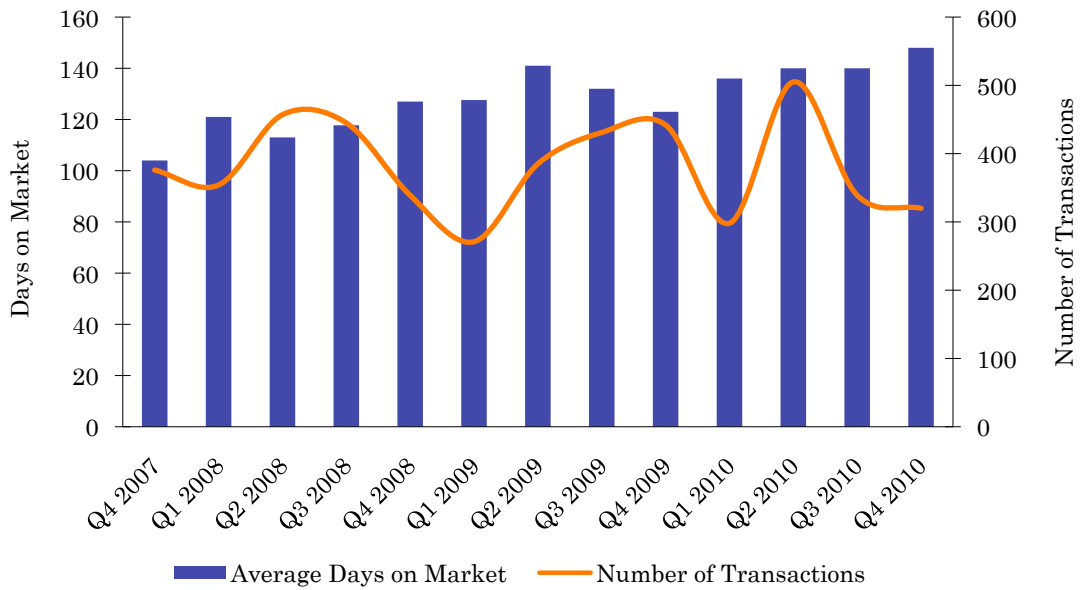
Prices declined 8.34 percent from the previous year to \$156,950. Meanwhile, the average number of days on market increased to 148 from 123 in the third quarter of 2009. There was increase in the average days on market from the third quarter of 2010.

The number of transactions decreased from the previous year from 442 to 320, as well as a decreased from the second quarter of 2010 from 339.

**Figure 25: Median Sales Price and Annual Appreciation, Existing Homes, Salem**



**Figure 26: Average Days on Market and Number of Transactions, Existing Homes, Salem**



### EUGENE/SPRINGFIELD

The Eugene/Springfield area experienced decreasing home prices relative to the fourth quarter of 2009 and the number of transactions decreased 20.6 percent annually to 409. 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 fourth quarter of 2010. The median price decreased annually by 7.10 percent to \$195,500.

**Figure 27: Median Price and Annual Appreciation Existing Detached Homes, Eugene/Springfield**

