
HOUSING MARKET ANALYSIS

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National housing market statistics reflect an increase in value from the prior year, bucking the multi-quarter trend of declining sales prices. Median home prices were up 3.7% annually in August, but for the western part of the United States have decreased by 2.5% from \$220,200 to \$214,700. During this same time period the Portland metropolitan area experience slightly declining median sales prices and sales volume. The median sales price dropped 0.9% annually from 247,500 to 245,300 and the number of transactions in the metropolitan area decreased by 25.7%.

Home prices have been ticking up with July being the fourth straight month fueled by the homebuyer tax credits, but now with the peak buying season over, a record number of foreclosures and jobs concerns, many cities are concerned about the potential of declined prices in the year ahead.¹ While prices were up in July, August was the second worst month for sales in more than a decade. It was up 7.6% in August from July but down 19% from August 2009. The low housing prices and record low mortgage rates, at 4.32% on a 30-year-fixed mortgage in early September, in 1971 has not been enough to life the housing market. Homebuilders have also kept construction low to avoid competing with the nearly 4 million vacant homes on the market.²

¹ "Home prices tick up for fourth straight month." Oregonian. September 28, 2010.

² "Home sales inch up, remain low." Oregonian. September 23, 2010.

Table 1: Median Home Values of Existing Detached Homes

	U.S.	West	Portland Metro Area
August 2009 Median Sales Price	\$172,200	\$220,200	\$247,500
August 2010 Median Sales Price	\$178,600	\$214,700	\$245,300
% Change in Median Sales Price	3.7%	-2.5%	-0.9%
% Change in Number of Sales August 2009-August 2010	-19.0%	-16.1%	-25.7%

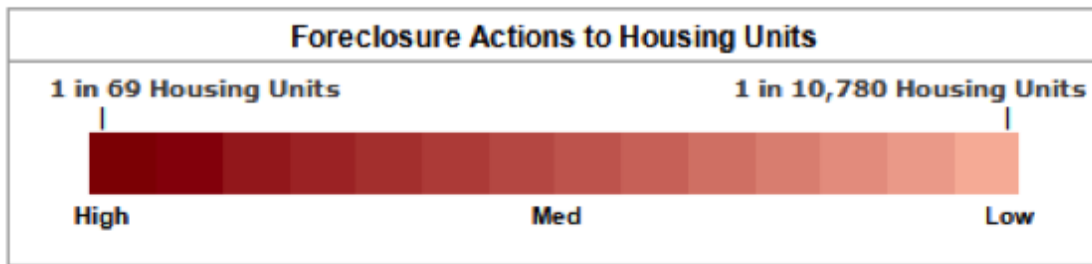
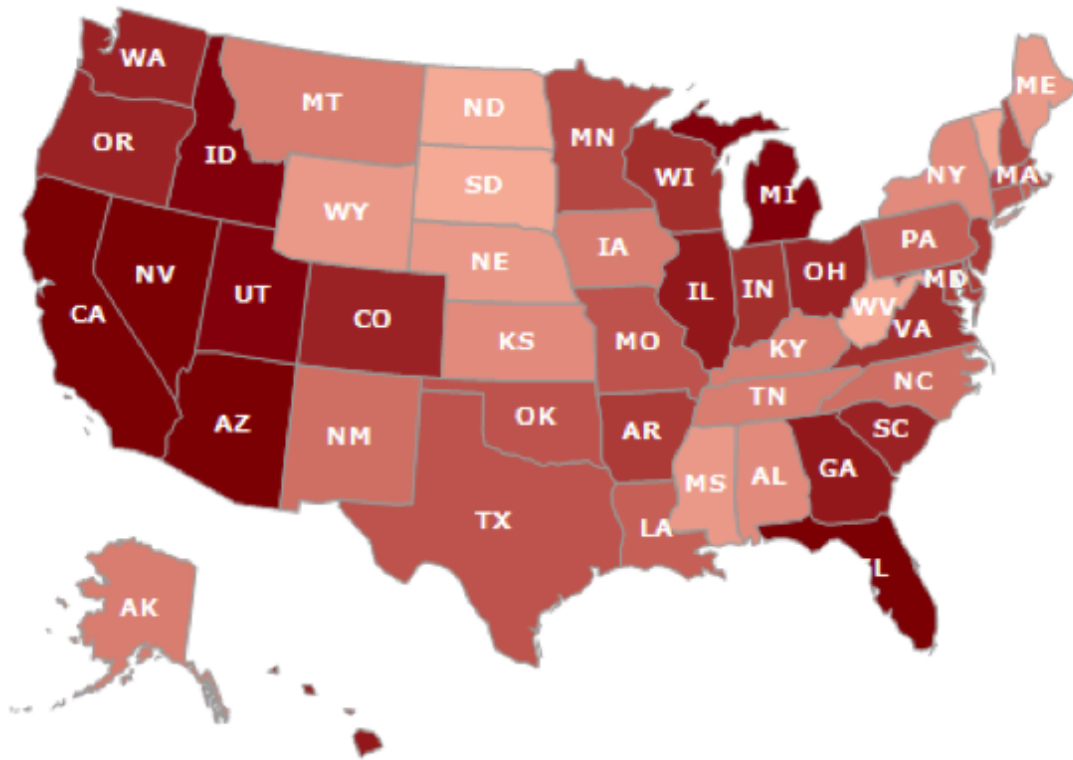
Source: National Association of Realtors and RMLS

Standard & Poor's Case-Shiller Index for Portland was 148.33 for the third quarter (August), down -0.3% from the first June, up 0.5% from May and -1.2% annually. The 20 city composite is up 3.2% compared to the same time last year. The index data shows that in the major U.S. metropolitan cities, home prices slowed in July as compared to June.

While the 20-composite shows that family homes rose 0.6% from the previous month and 3.2% from the previous year, Portland was one of the seven cities that showed declines from 1.2%, the same time last year. Consumer confidence index published by the Conference Board, based in New York, says its index stands at 48.5 in September, down from 53.2 in August with 90 to indicate a healthy economy level which has not been achieved since the recession began in December 2007. While the current index is a recovery from the all-time low of 25.3 in February 2009, it is similar to the number last year indicating that Americans are downbeat about the business conditions and the job market.

Data published by the leading online foreclosure marketplace – RealtyTrac, shows that there was 930,437 foreclosure filings for the third quarter, which include default notices, schedule auctions and bank repossessions. This is a 4% increase from quarter two and a 1% decreased from the third quarter of 2009. Of every household in the U.S., one in every 139 received a foreclosure filing during the third quarter. For the month of September, 347,410 properties were foreclosed, an increase of 3% from the previous month and a 1% increase from the previous year in September. September also marks the record total bank repossession of 102,134 properties.

Figure 1: Foreclosure Rate Heat Map, September 2010



Source: RealtyTrac

Also during the third quarter, Congress have extended the policy to secure government backed mortgages in pricey real estate areas up to \$730,000 till the end of 2011; without these limits, it would have fallen to \$625,500. It is proposed that these high limits will help about 60,000 borrowers in prices markets around the U.S. such as New York and San Francisco.

Towards the end of the third quarter, the Obama Administration approved the Oregon Affordable Housing Assistance Corporations plan to use previously allocated money in the amount of \$49.3 million to expand options for struggling homeowners due to unemployment and will make available an additional \$82.7 million in

Hardest Hit Fund to support this. Since the Administration first accounted the Hardest Hit Fund in February 2010, it was allocated \$220 million to Oregon based on population size in an attempt to stabilize the market.

In mid-September, R&H Construction and Colas Construction formed a new company, R&H/Colas Construction to focus on helping smaller, minority-owned subcontractors establish a presence in Oregon. The number of single family building permits issued nationally in August was up 10% annually, with an increase of 7% in Oregon. Every major submarket in Oregon experienced an annual increase in building permits issued with the exception being Corvallis and Medford that dropped 30% and 9%, respectively. Portland Metropolitan area had the largest percentage change (24%) followed by Eugene-Springfield area (18%).

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

	Single Family			Multi-Family		
	Aug-10	Aug-09	% Change	Aug-10	Aug-09	% Change
United States	319.9	291.3	10%	98.3	92.5	6%
Oregon	4.1	3.84	7%	0.99	1.46	-33%
Portland-Vancouver-Beaverton OR-WA	2.46	1.98	24%	0.62	0.59	4%
Salem OR	0.27	0.24	16%	0.22	0.1	116%
Eugene-Springfield OR	0.35	0.3	18%	0.08	0.08	-9%
Bend OR	0.25	0.24	5%	0.01	0.03	-62%
Corvallis OR	0.02	0.03	-30%	0.02	-	-
Medford OR	0.19	0.21	-9%	0.09	0.01	1317%

Source: National Association of Home Builders

PORTLAND

The number of Portland metropolitan area home sales decreased by 28.6% during the third quarter, and buyers closed on purchases of 3,361 existing homes. This is a 19.8% decrease from the third quarter of 2009 when there were 4,191 transactions in the metropolitan area.

Median prices for the third quarter were at \$254,000, which represents a 1.6% increase over the previous quarter but and a -1.6% reduction annually. Sales price to original list price are coming closer together, with average sales taking place at 96.31% of the original list price. This is an increase of 4.4% from the previous quarter which was 92.25%, and a 5% increase annually from 91.68%. Sellers in the Portland area have their homes on the market for an average of 75 days before closing, reflecting a 3 day increase from 2009 and a 4 day increase from the second quarter. Price per-square-foot values decreased to \$128, a 6% decrease from the previous quarter and a 8% decrease annually.

Figure 2: Single Family Price per Square Foot, New and Existing Detached Homes, Portland Metro (excluding Clark County, WA)

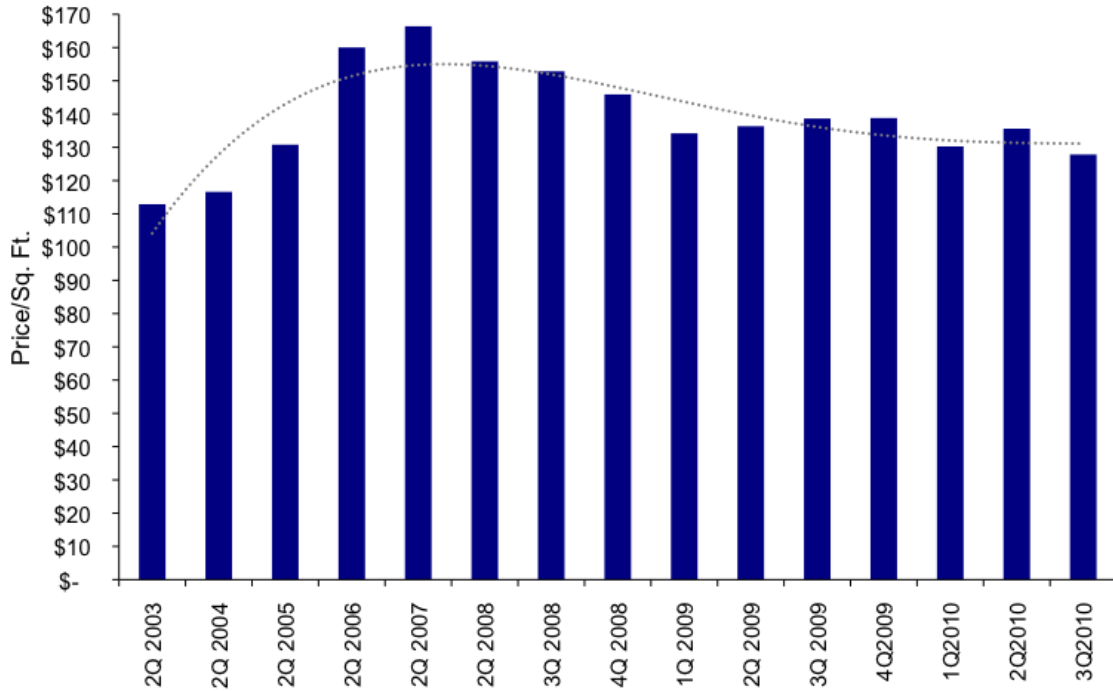


Figure 3: Median Sales Price & Number of Transactions, Existing Detached Homes, Portland Metro (excluding Clark County, WA)

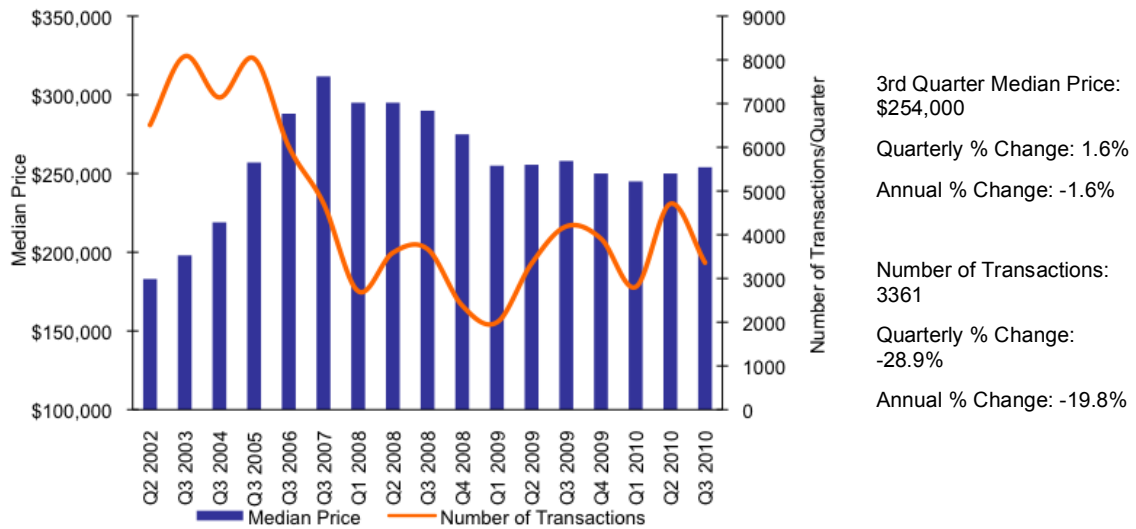


Figure 4: Sale Price/Original List Price & Average Days on Market, Existing Detached Homes, Portland Metro (excluding Clark County, WA)

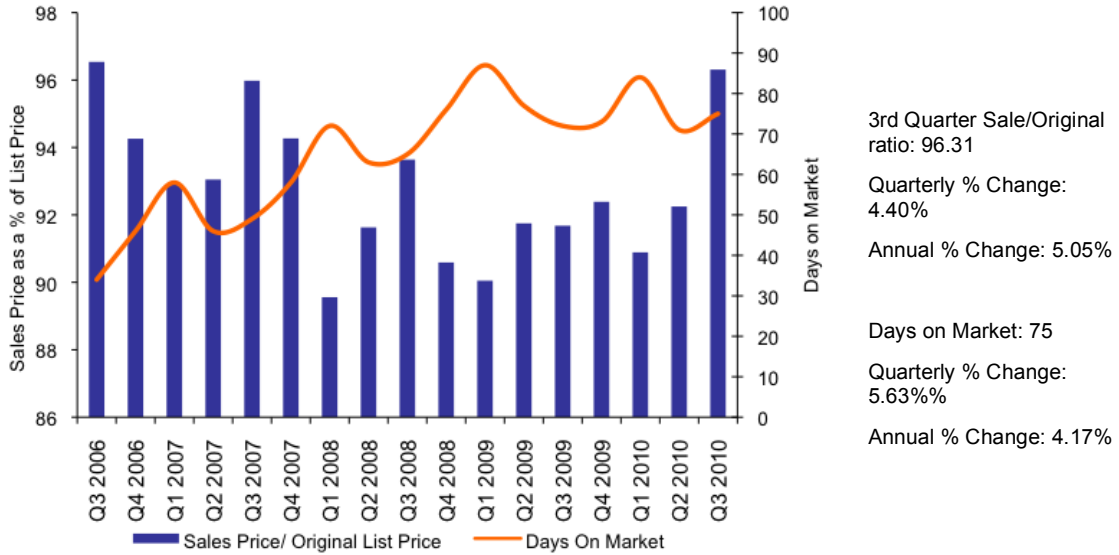
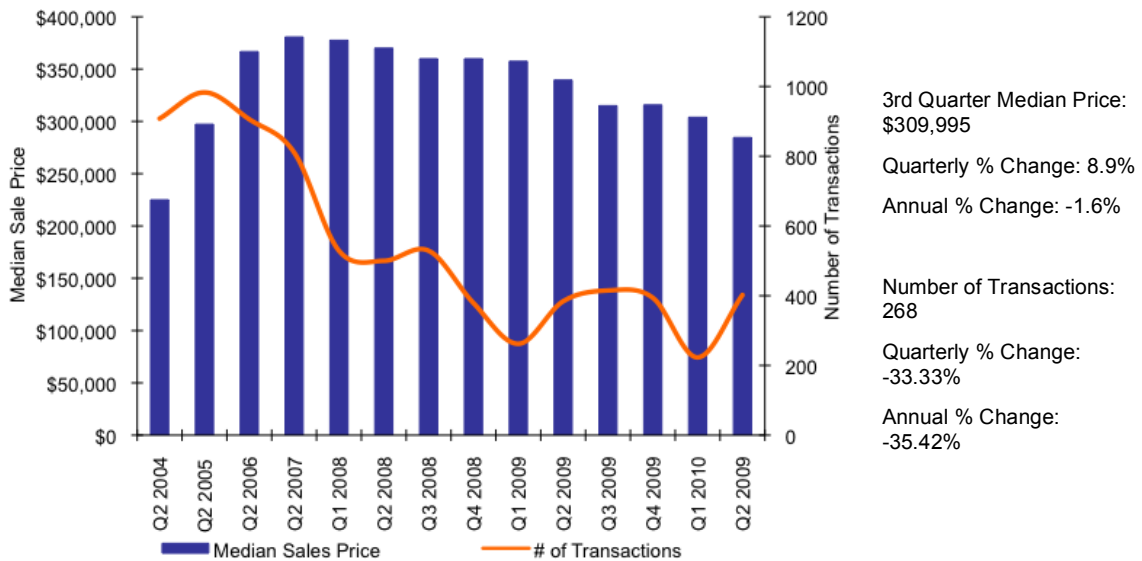


Figure 5: Median Sales Price & Number of Transactions, New Detached Homes, Portland Metro (excluding Clark County, WA)



Seven of the submarkets listed below experienced quarterly price appreciation on existing detached homes, while six submarkets experienced quarterly price depreciation and two of the submarkets experienced no change. Home prices in NW Washington County increased the most at 8.09%, followed by Northeast Portland at 5.82%, Beaverton/Aloha at 4.39%, Milwaukie/Clackamas at 6.76%, Yamhill County at 6.03%, West Portland at 5.35%, Tigar/Wilsonville at 5.25%, Southeast Portland at 1.15% and Northeast Portland at 0.19%.

The Mt. Hood Govt. Camp submarket experienced the highest quarterly depreciation rate at 6.71% followed by North Portland at 2.56% and Beaverton/Aloha at 2.48%.

Figure 6: Appreciation Rates of Existing Detached Homes from Q2 2010 to Q3 2010, Portland Sub-Markets

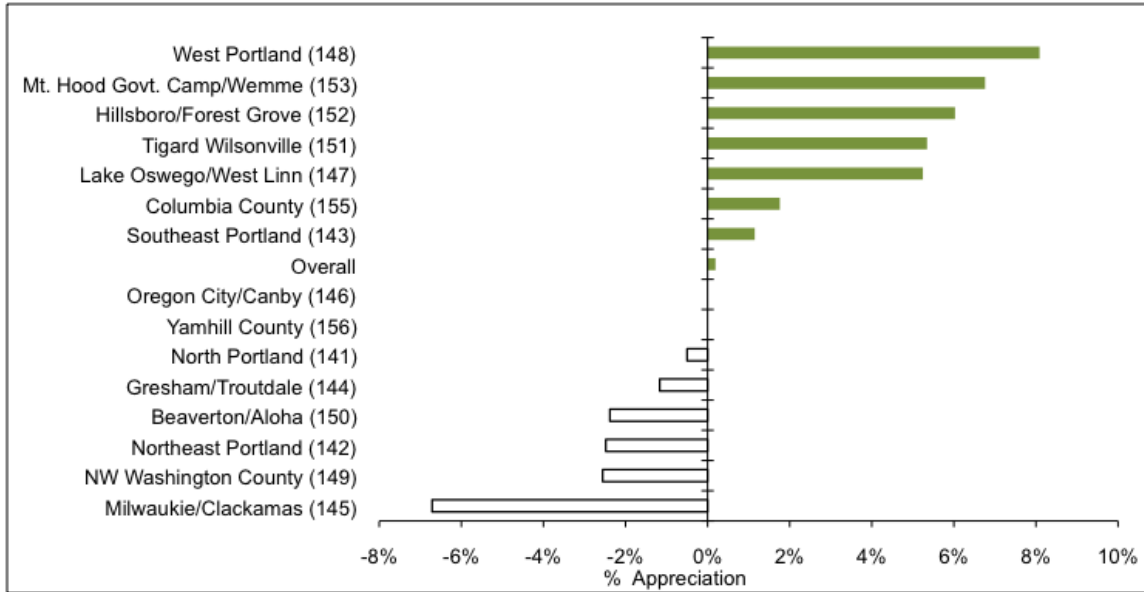
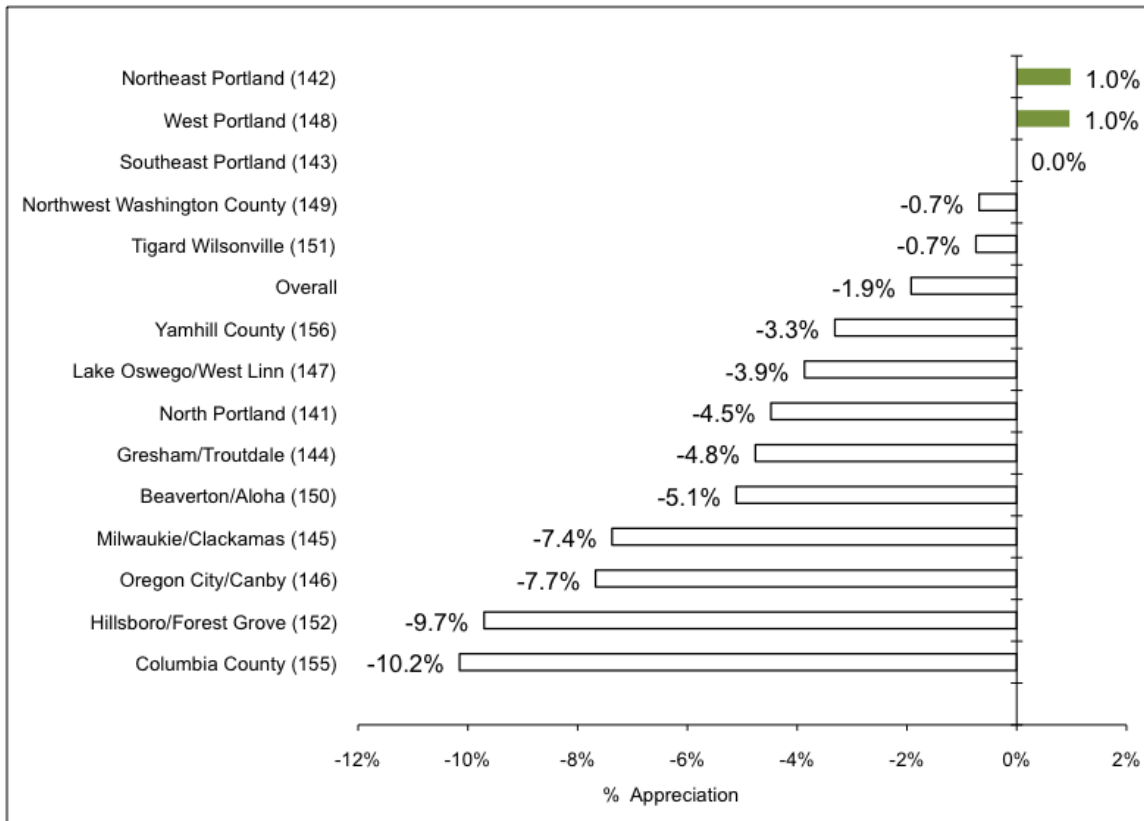


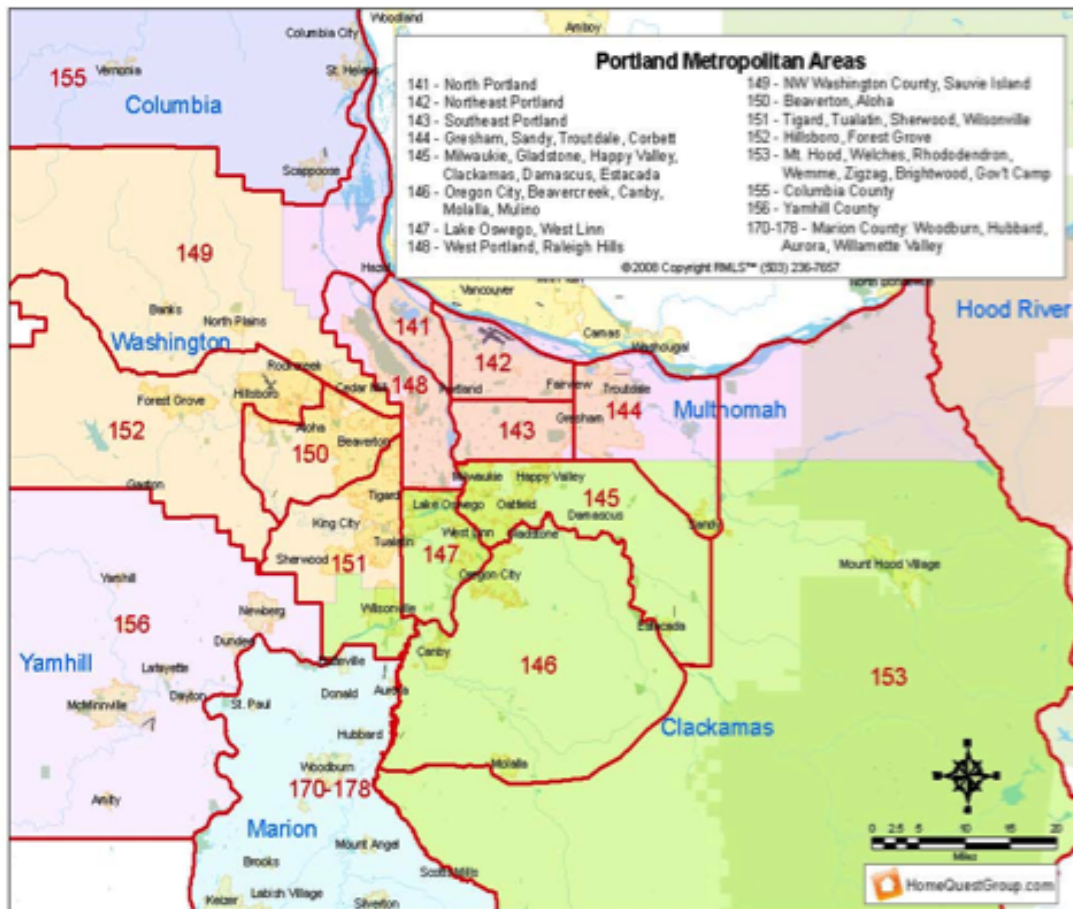
Figure 7: Appreciation Rates of Existing Detached Homes from Q3 2009 to Q3 2010, Portland Sub-Markets



Annual median sale price depreciated for eleven Portland submarkets and appreciated for two other Portland submarkets. Northeast Portland and West Portland median sales price is up 1.0% from the third quarter of 2009.

The largest annual depreciation was experienced in Columbia County at -10.2% and Hillsboro/Forest Grove at 9.7% and Oregon City/Candy at 7.7%.

Figure 8: Portland Metropolitan Areas



Map courtesy of RMLS

VANCOUVER

Vancouver's median home price was \$189,000 resulting in a quarterly decrease of -1.8% and an annual decrease of -7.3% in home values. The number of homes sold throughout the third quarter decreased substantially by 37% to 481, and down 32.6% annually. The average number of days on the market is up to 84 day. Second quarter average number of days on the market was 81, while it was 86 during the third quarter of 2009.

Figure 9: Median Price and Annual Appreciation Existing Detached Homes, Vancouver

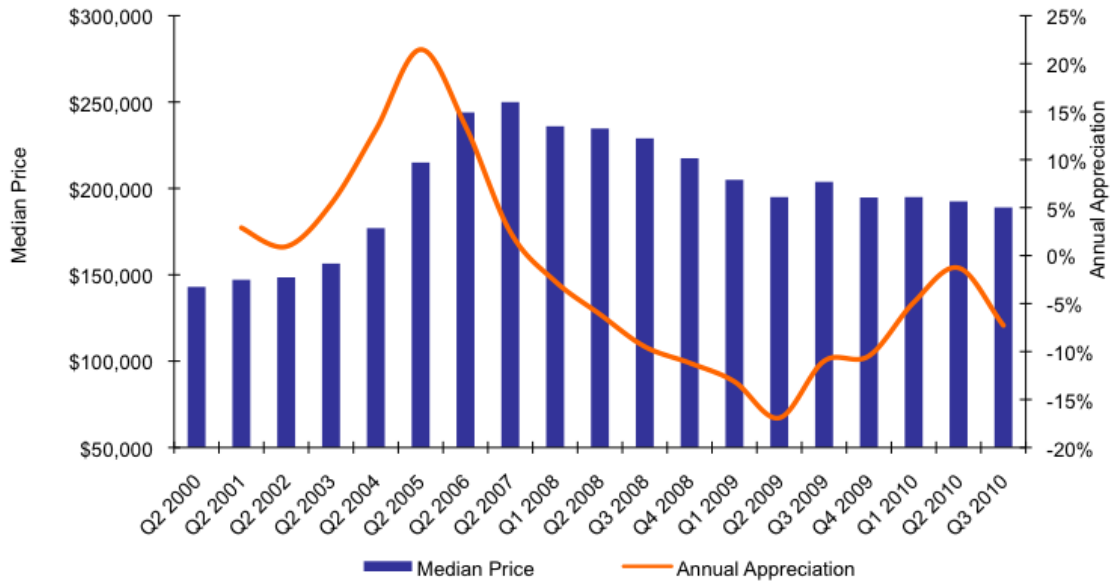


Figure 10: Average Days on Market and Number of Transactions Existing Detached Homes Clark County (excluding Vancouver)

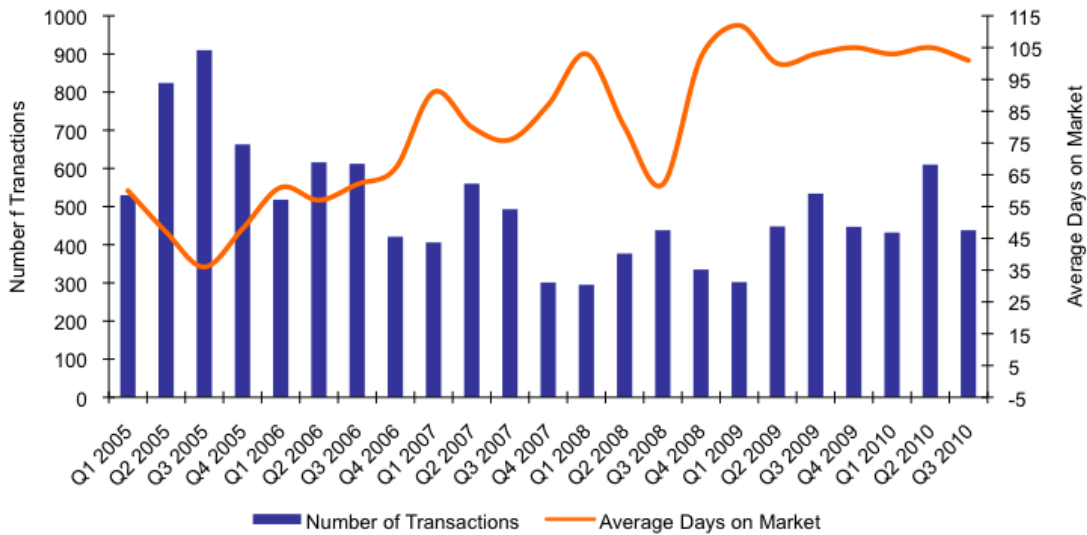
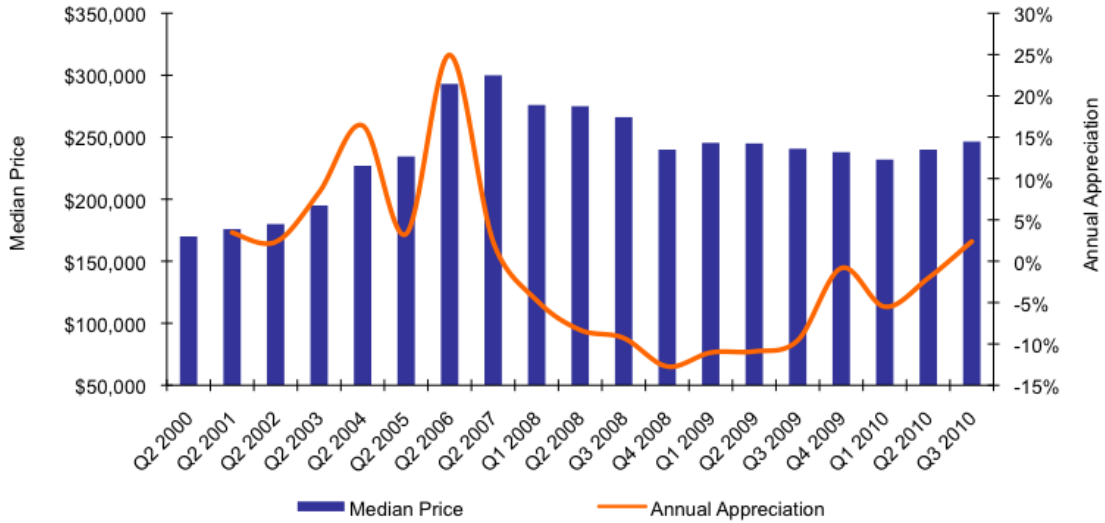


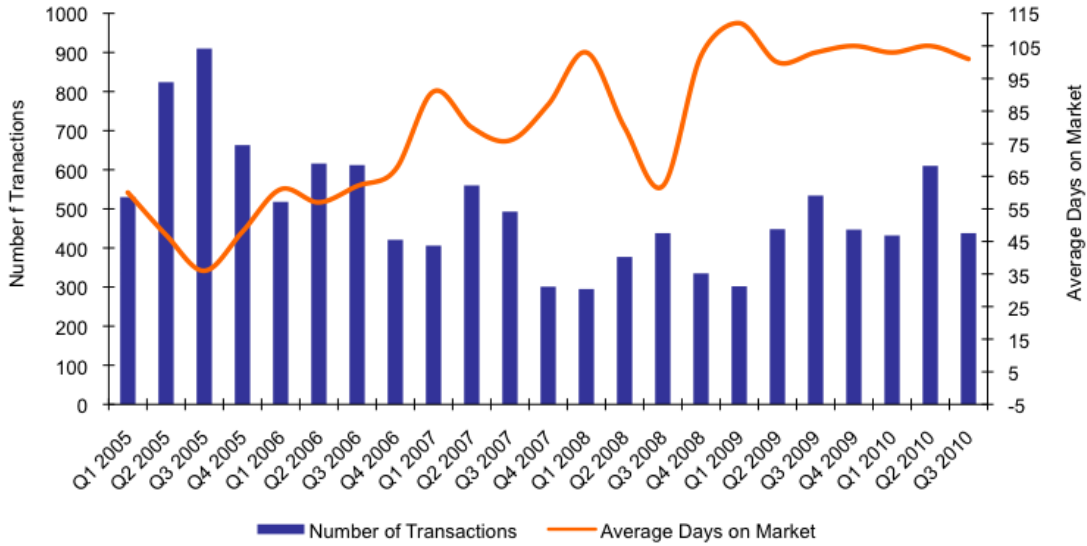
Figure 11: Median Price and Annual Appreciation Existing Detached Homes, Clark County (excluding Vancouver)



In the Clark County suburbs home prices have increased to \$246,000. This is a 2.7% increase from the previous quarter’s median price, and 2.4% increase annually.

The number of home transactions in Clark County’s suburbs is down 28.2% for the third and down 17.98% annually. There were 438 transactions during the third quarter. The average number of day on the market is down from 105 to 101. During the third quarter of 2009 homes averaged 103 days on the market.

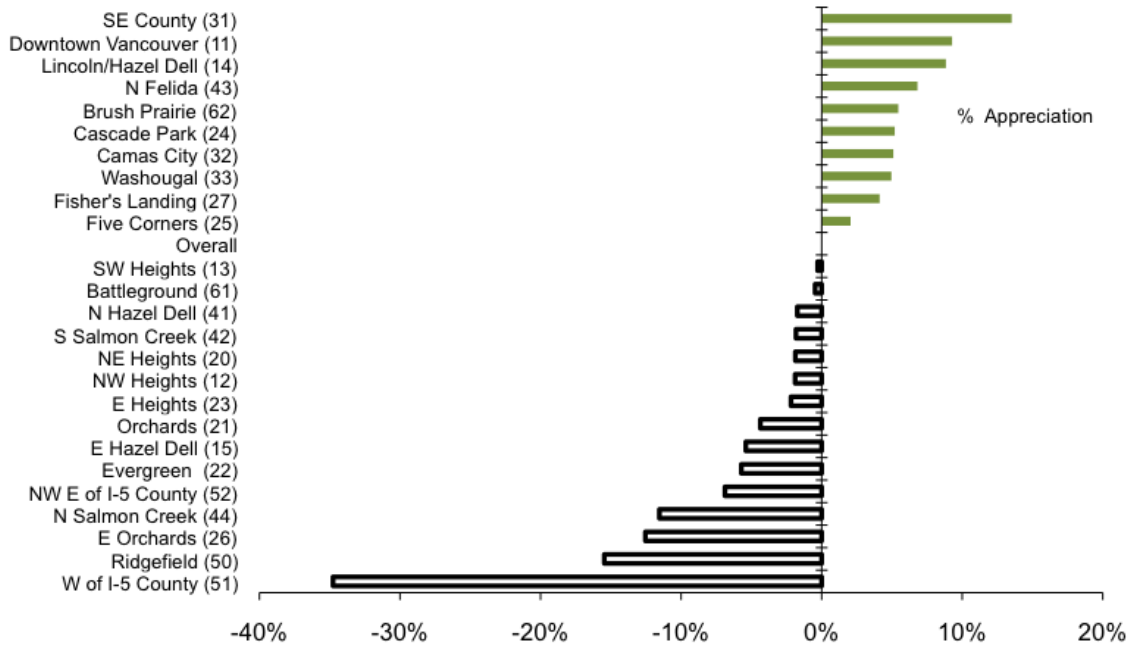
Figure 12: Average Days on Market and Number of Transactions Existing Detached Homes Clark County (excluding Vancouver)



Ten Vancouver/Clark County submarkets experienced price appreciation for the quarter. The SE County submarket posted the highest gains with an appreciation rate of 13.5% (based on 12 transactions) followed by Downtown Vancouver at 9.3% (in twenty-one transactions) and Southeast County at 8.8% (in twelve transactions).

Conversely 15 submarkets had price depreciation. The West County, West of I-5 area had the highest quarterly depreciation rate at -15.5% followed by Ridgefield at -12.5% and E Orchards at 11.5%.

Figure 13: Appreciation Rates of Existing Detached Homes Vancouver and Clark County Sub Market from Q2 2010 to Q3 2010



Annual changes show that seven submarkets had high median sale values with SE County (28.1%), North Hazel Dell (7.7%), NE Heights (7.2%) and Washougal (7.1%) submarkets increased the most in value.

Seventeen submarkets had lower median sale values. Southwest Heights (-25.2%), E Heights (-23.2%), W of I-5 (-18.7%) and N Salmon Creek (-18.6%) submarkets saw the greatest annual depreciation. Bush Prairie experienced no annual change.

Figure 14: Appreciation Rates of Existing Detached Homes, Vancouver and Clark County Sub Market from Q3 2009 to Q3 2010

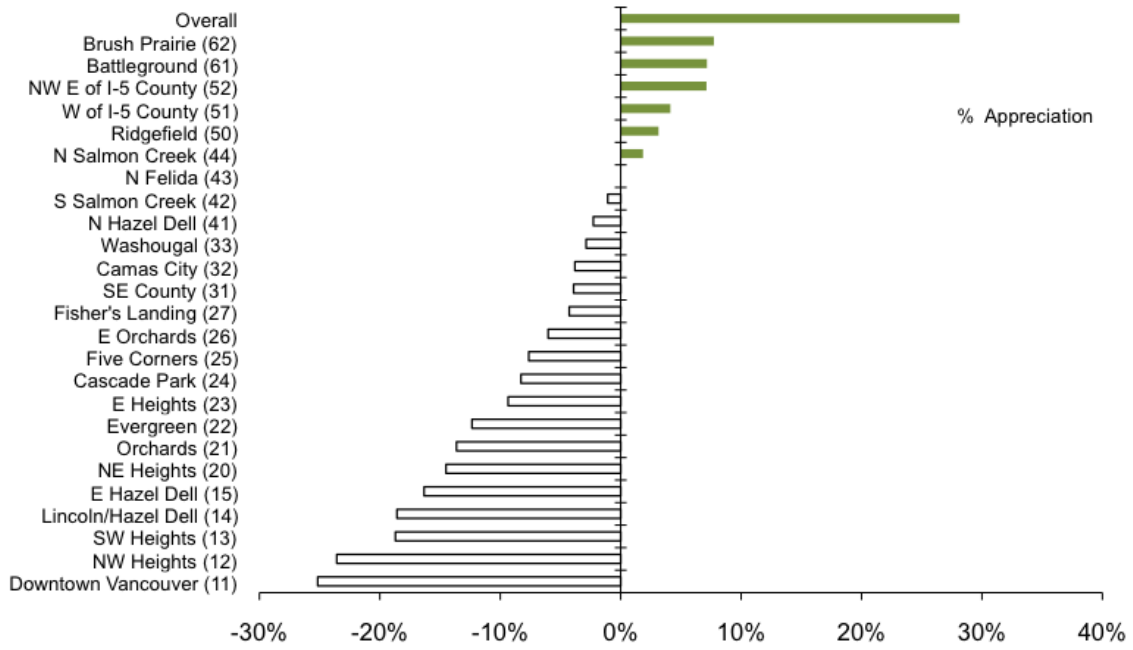
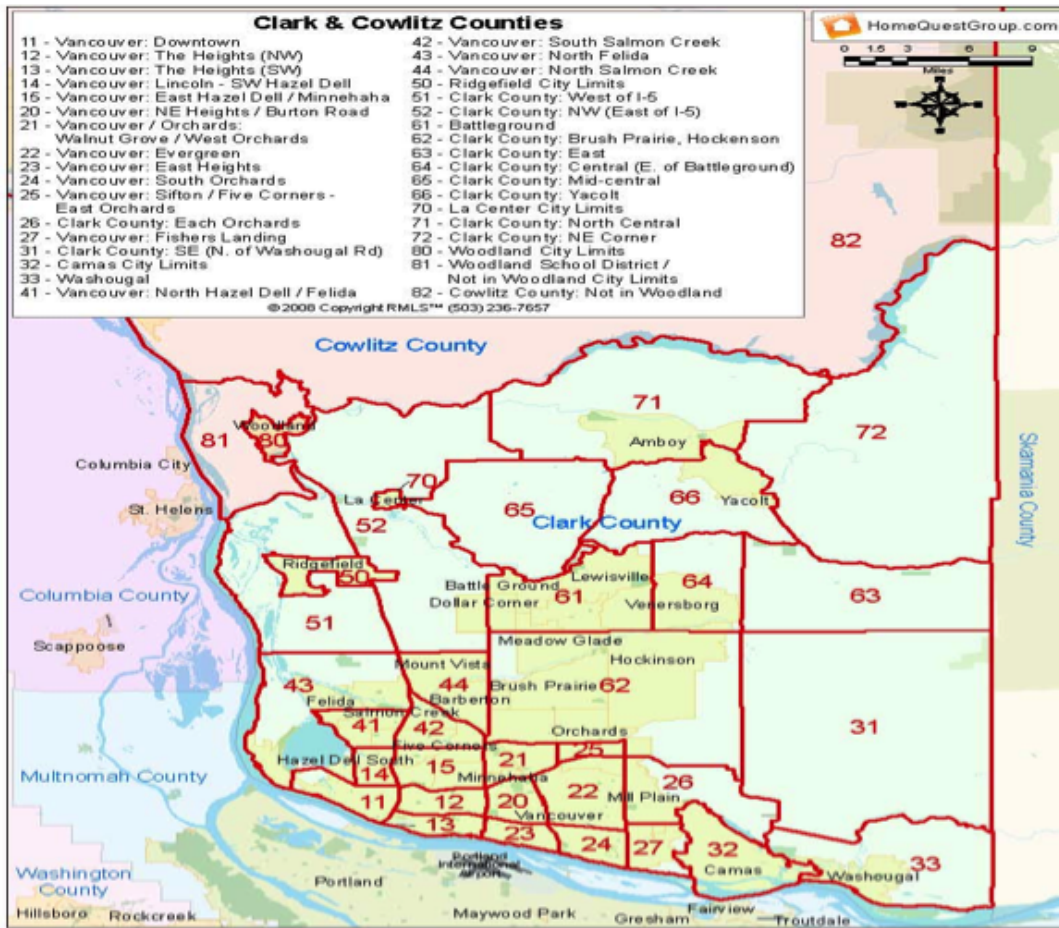


Figure 15: Clark and Cowlitz Counties Submarkets

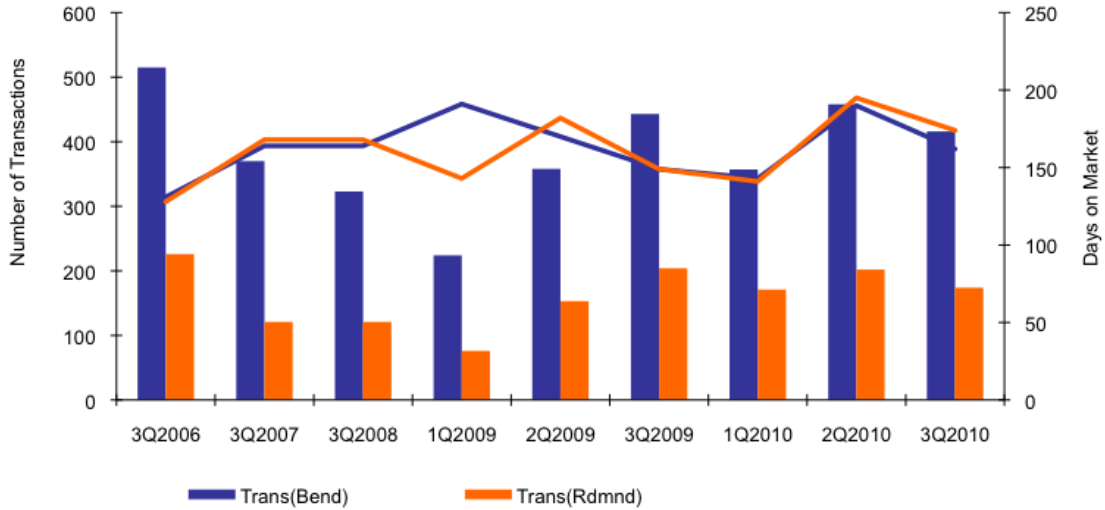


Map courtesy of RMLS

CENTRAL OREGON

Both Bend and Redmond are experiencing decreases from the previous year with respect to the number of homes sold. Bend home sales less than one acre are down 6.1% to 416 while Redmond’s decreased 14.7% to 174. More significant transaction decreases were seen with homes on 1-5 acres where volumes decreased by 28.6% annual in Redmond down to 10 sales and by 3.1% in Bend down to 31 sales. The average number of days on market declined from 190 (in the second quarter 2010) to 162 (in the third quarter 2010) in Bend and from 190 to 162 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.

Figure 16: 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 constant during the third quarter after the significant decline during the first quarter of 2010 and are up 0.6% from the second quarter of 2010. However, annually they are down 3.8% in Bend and down 14.6% in Redmond. 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 \$344,950 (third quarter 2007) and are now \$197,190. The median price for Bend homes with 1-5 acres was \$469,900 in 2007 and now is \$232,875. The Redmond submarket experienced similar changes in median sale price during this time frame with homes under one acre dropping from \$147,500 to \$123,900 and homes with 1-5 acres dropping from \$447,450 to \$272,500 (from the third quarter of 2007 to third quarter of 2010). Price-per-square-foot numbers were positive for both submarkets and subcategories from the second quarter to the third with the exception of homes with 1-5 acres which declined 15.4% to \$121/sq. ft. from \$143/sq. ft. Homes under one acre increased 3.8% to \$110 in Bend and increased 3.9% in Redmond at \$79. Price-per-square-foot on homes with 1-5 acres was up 33.6% in Redmond to \$151.

Figure 17: Number of Transactions and Days on the Market, Single Family 1-5 Acres, Bend and Redmond

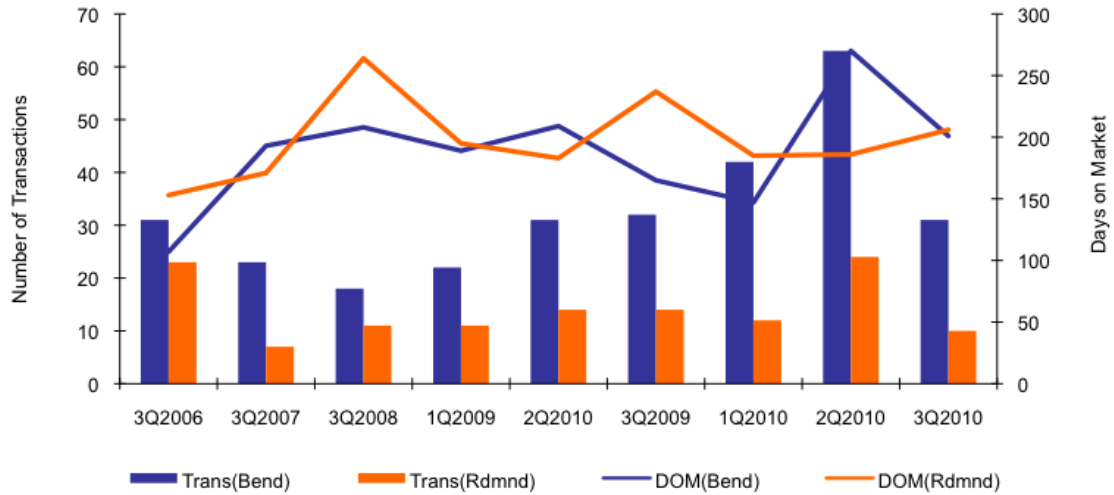


Figure 18: Median Single Family Price and \$/SqFt Under 1 Acre, Bend and Redmond

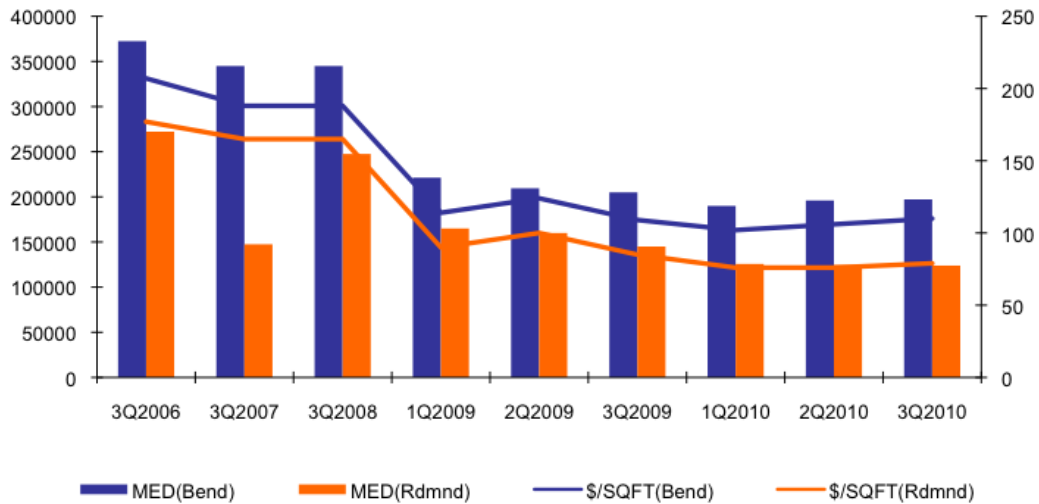
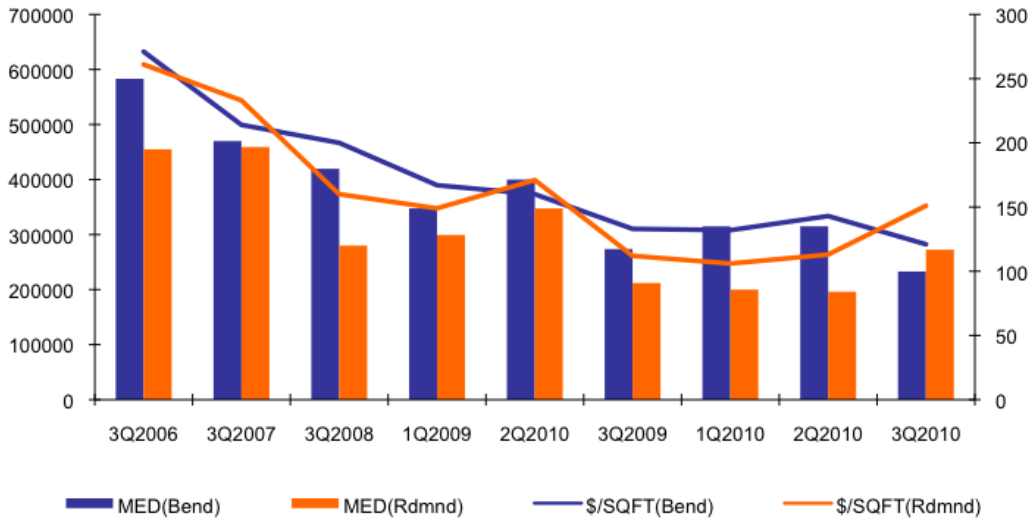


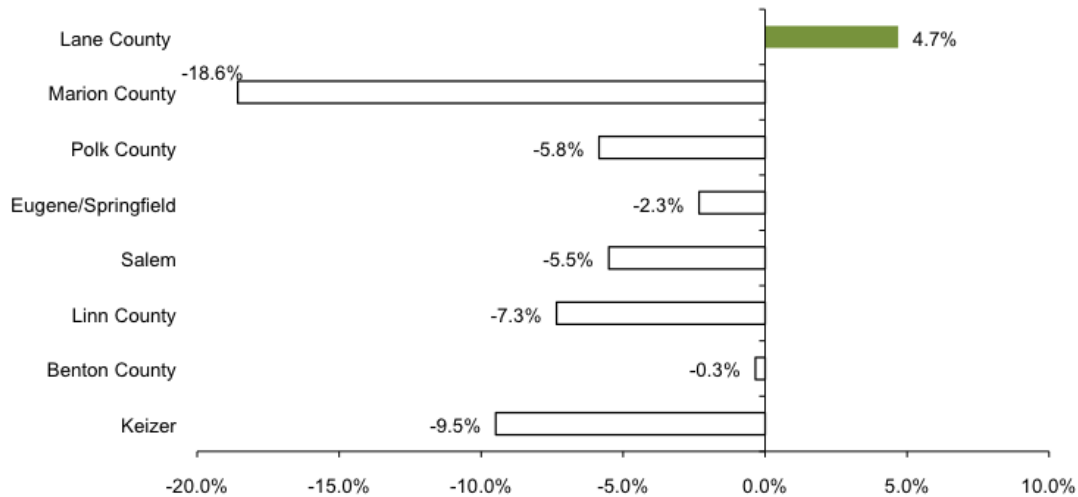
Figure 19: Median Single Family Price and \$/SqFt, 1-5 Acres, Bend and Redmond



WILLAMETTE VALLEY

All Willamette Valley submarkets experienced annual depreciation on existing home prices except Lane County (4.7%). Marion County had the highest depreciation of -18.6% followed by Keizer at -9.5%.

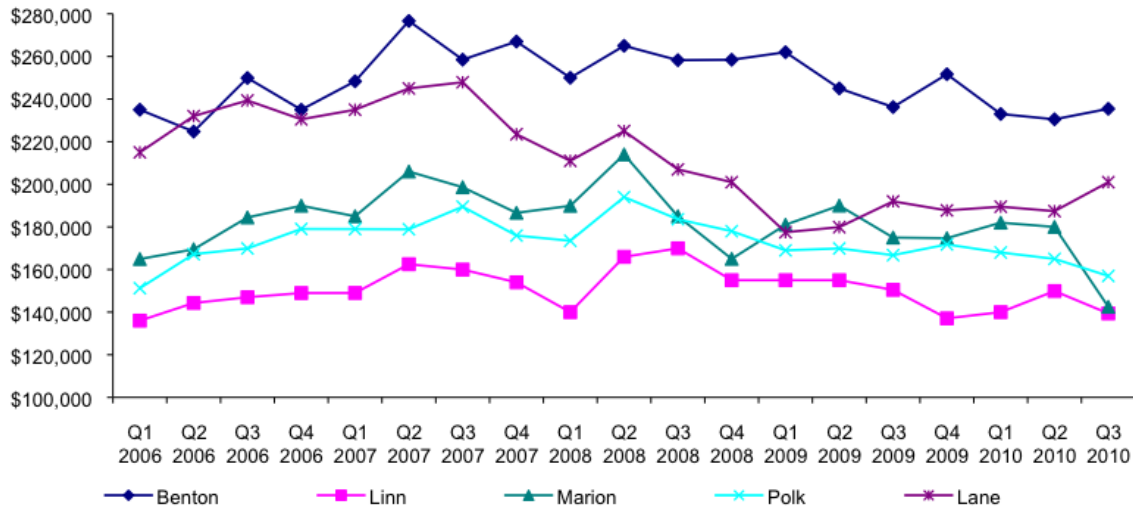
Figure 20: Annual Appreciation Rates of Existing Detached Homes, Willamette Valley from Q3 2009 to Q3 2010



The number of transactions over the past year decreased annually for all of these submarkets with Marion and Benton Counties down the most at 31.3% and 24.7% respectively.

The number of days on the market annually for all of these submarkets decreased with the exception of Marion County, Salem and Eugene/Springfield which was up 12.3%, 6.1% and 3.8%, respectively from the second quarter of 2010. All the submarkets average days on market decreased quarterly with the exception of Linn County and Polk County, which increased 16.8% and 4.1%, respectively; Salem experienced no change in average DOM quarterly. The largest drop in average days on market from the third quarter of 2009 was Lane County which dropped from 122 days to 101 during the third quarter of 2010. Lane County is down 19.8% quarterly.

Figure 21: 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, number of transactions and average days on market all decreased from the second quarter of 2010.

Prices declined (-5.5%) from the previous year to \$170,000. Meanwhile, the average number of days on market increased to 132 from 140 in the third quarter of 2009. There was no change in the average days on market from the second quarter of 2010.

The number of transactions decreased from the previous year from 431 to 339, as well as a decreased from the second quarter of 2010 from 505.

Figure 22: Median Sales Price and Annual Appreciation, Existing Homes, Salem

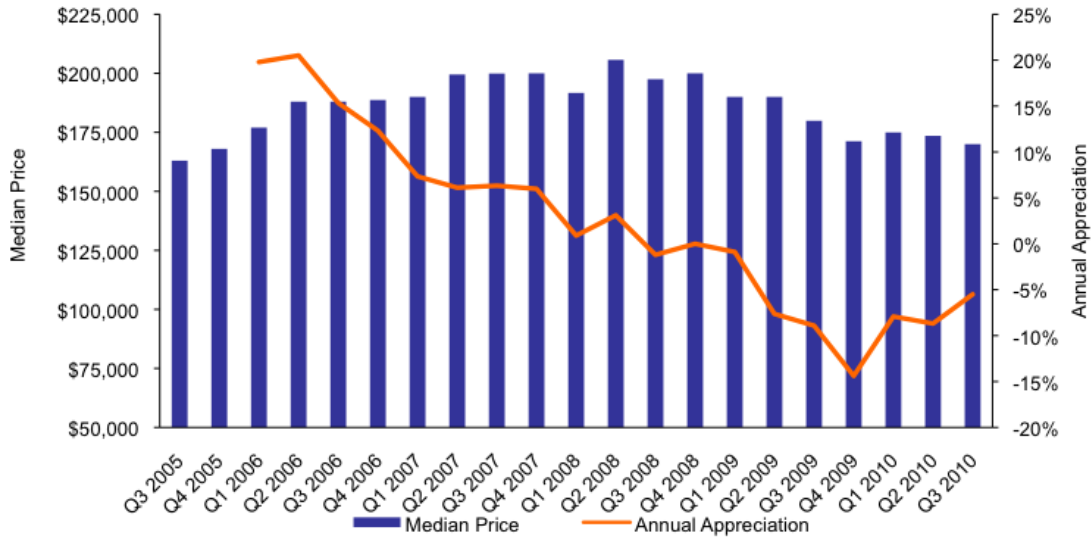
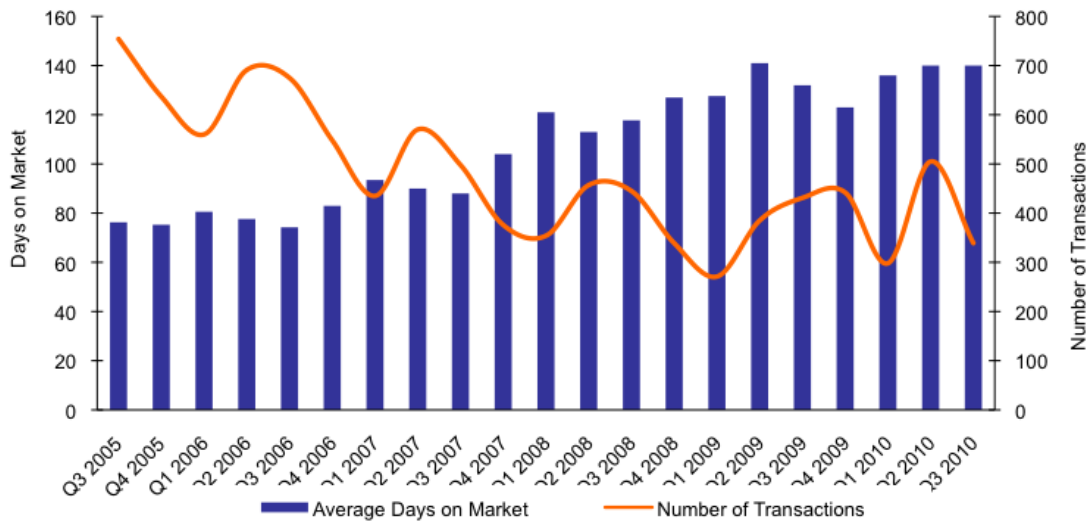


Figure 23: Average Days on Market and Number of Transactions, Existing Homes, Salem



EUGENE/SPRINGFIELD

The Eugene/Springfield area experienced decreasing home prices relative to the third quarter of 2009 and the number of transactions decreased 20.4% annually to 461. 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 third quarter of 2010. The median price decreased by 2.33% to \$210,000.

Figure 24: Median Price and Annual Appreciation Existing Detached Homes, Eugene/Springfield

