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# RESIDENTIAL MARKET ANALYSIS

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Many of the single family housing trends in the fourth quarter of 2016 slipped following a continuation of steadily increasing quarterly trends over the last year. The fall home buying season is characterized by lower transaction volumes, modest downticks in sales prices and an increase in average days on market within the majority of the markets analyzed here.

In many of the markets analyzed, the transaction volume declined compared to last quarter, while the year to year transactions generally increased slightly, indicating an interesting trend to watch moving forward. The number of real estate transactions in Portland increased only slightly and decreased in both the second and third quarters of 2016 when compared to the same quarter last year. While it is difficult to determine the reason for the decreasing trend, it is interesting to note that Portland's median home sale price slipped last quarter from \$350,000 to \$343,450. Redmond, Bend and most counties in the Willamette Valley experienced a slight uptick in sales price. Eugene was flat, and Salem and Marion County continued to decline following a last quarter decline. Sales volume is still above the boom years of the mid 2000's but permits continue to lag behind the mid-2000's.

Permits for new single family homes were down approximately 19 percent statewide, reversing the trend from last quarter, with wide variation across the state. Portland's permit activity heavily influences the state figures. Both Portland's and Bend's permitting of single family declined 20 percent or more compared to last quarter, while Eugene saw a 15 percent decline and Medford an approximately 55 percent increase compared to last quarter. When compared to the same quarter last year, permit activity is down

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approximately 17 percent statewide. Leading the pack were Bend with a 37 percent decrease and Eugene with a 26 percent decrease compared to the same quarter last year.

The National Association of Realtors reports continued strength in the single family home market, particularly across the West and South. Pending homes sales, an indicator of future sales volume, could remain the same as 2016. Wage growth and limited inventory are cited as reasons for the increased sales volume.

NAR's chief economist, Lawrence Yun, says, "Demographics and improving economy suggest that first-time homebuyers will come back in 2017. But potential policy changes could wield a larger influence. Changes to mortgage interest deductions can sap consumer confidence regarding buying a home or changes to Fannie/Freddie could disrupt the mortgage market. While positive policy changes, such as changes to Dodd-Frank will permit more construction loans for home building and less lawsuit threats coming from the consumer Financial Protection Bureau (CFPB) towards lenders. This could open up the credit box to more qualified borrowers."

Axiometrics Inc. fourth quarter report sums up the affordability challenges facing the Portland-Vancouver-Hillsboro areas, "When combining median home price, median family income, interest rates, and the loan-to-price ratio into the housing affordability index, Portland-Vancouver-Hillsboro area ranks as the 178th most affordable single family market out of the 211 markets measured nationwide." The suburban cities and developers that have locked in the land, worked through the lengthy entitlement process will benefit the most as Millennials enter the housing market.

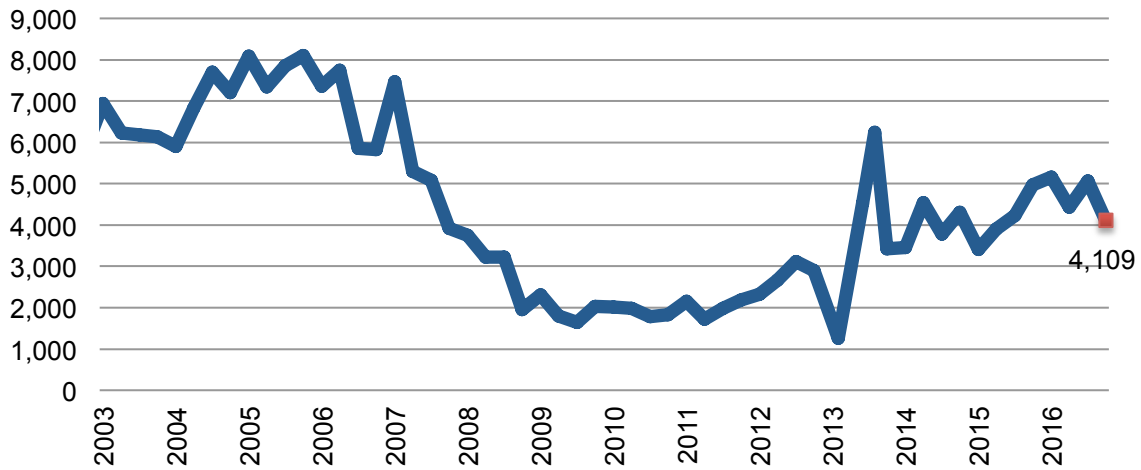
The City of Hillsboro's master planned community South Hillsboro has started the infrastructure work for South Hillsboro. The City has worked extensively with Metro and the developers taking close to twenty years to get to the ground breaking stage of the project.

In an interview with the City of Hillsboro, Planning Director, Colin Cooper indicated that the City of Hillsboro has worked to develop infrastructure funds through a local improvement district which will accelerate the delivery process for the South Hillsboro community. The master planned community will provide a variety of homes, new schools, and parks along with a raised bike plan throughout. The developers are in discussions with the merchant builders to develop the planned build out of approximately 8,000 homes.

## **LOCAL PERMITTING**

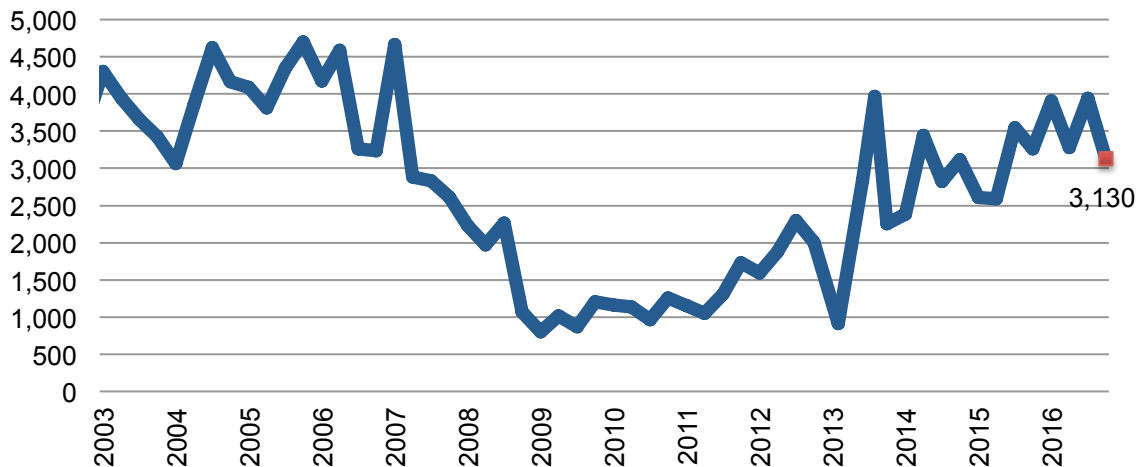
In the fourth quarter of 2016, there were 4,109 building permits for new private housing units issued in total across the state of Oregon. This is 19 percent less permits than were issued in the prior quarter and nearly 20 percent less than were issued in the fourth quarter of 2016. This decrease brings into question whether or not home builders can find the availability of land.

**Building permits for new private housing  
Oregon, statewide, seasonally adjusted**



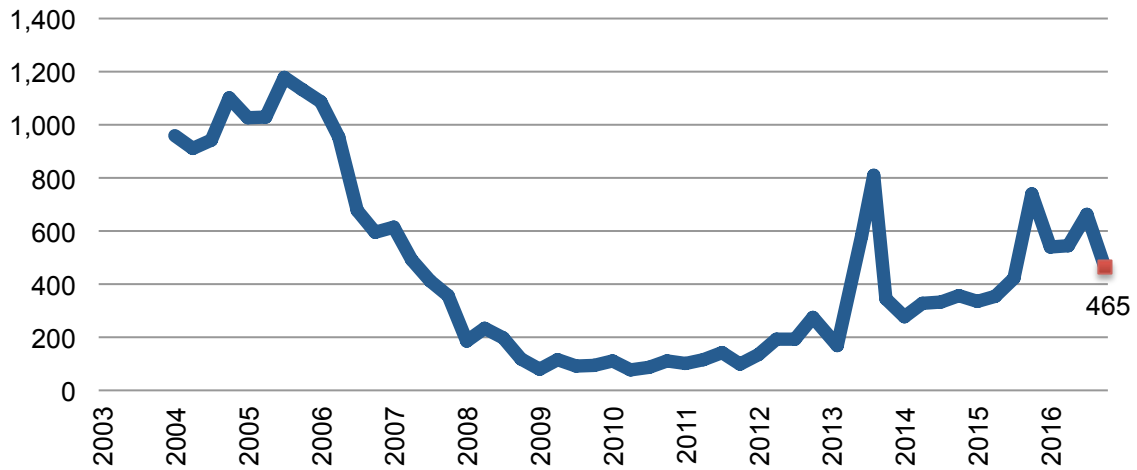
There were 3,130 permits for new private housing units issued in the Portland-Vancouver-Hillsboro Metropolitan Statistical Area (MSA) in the fourth quarter of 2016. This represents a 20 percent decrease in permits compared to the third quarter of 2016, and a 4 percent decrease in year-over-year permitting. This decrease is attributed to the lack of available building lots and higher prices being placed on new construction homes. The Portland market accounted for 76 percent of the new statewide permits this quarter. Permitting across the rest of the state declined except for Medford.

**Building permits for new private housing  
Portland-Vancouver-Hillsboro MSA, seasonally adjusted**



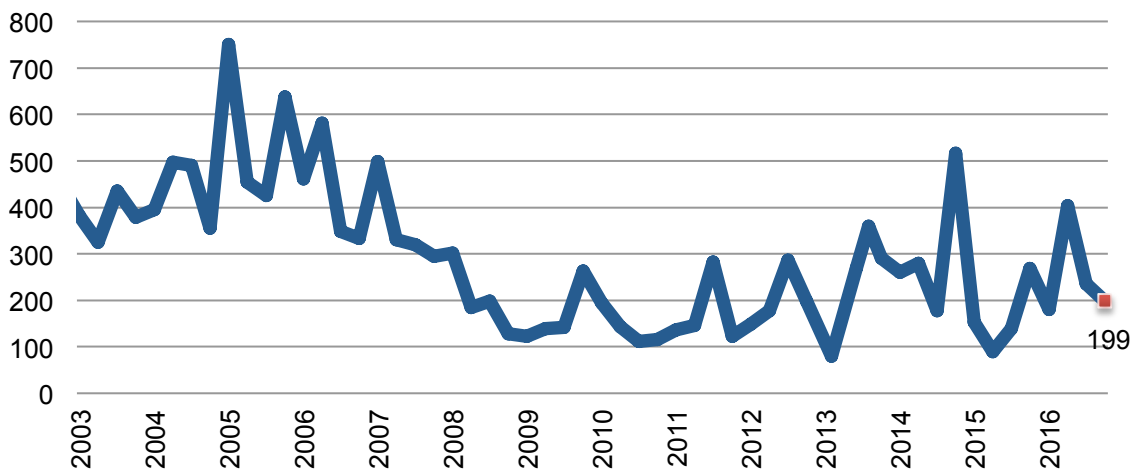
Bend MSA permitting rate declined drastically, by 30 percent compared to last quarter and by an even greater 37 percent decrease compared to the same quarter last year.

**Building permits for new private housing  
Bend MSA, seasonally adjusted**



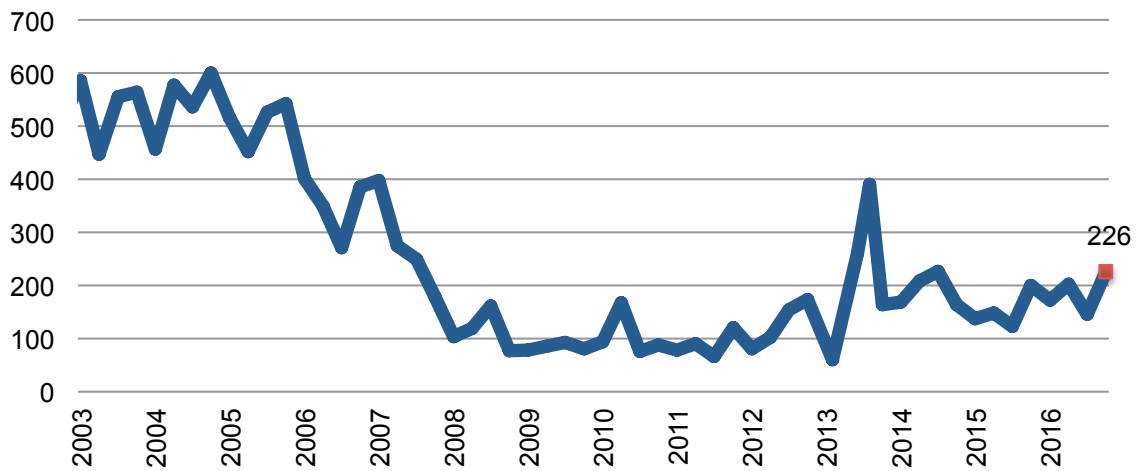
The Eugene-Springfield MSA’s fourth quarter permitting continued to decline 16 percent this quarter. The decline in the Eugene market is second after Bend in the state. Permitting for new private housing units totaled 199. While lower than last quarter, this still represents a 20 percent decrease over the same quarter a year ago. Will this declining trend continue remains to be seen in the upcoming year along with the affordability of new products.

**Building permits for new private housing  
Eugene-Springfield MSA, seasonally adjusted**



Like Eugene, new permits in Medford MSA increased? this quarter by nearly 55 percent. Unlike Eugene, even this upward movement compared to last quarter represents a nearly 13 percent increase compared to the same quarter last year.

### Building permits for new private housing Medford MSA, seasonally adjusted

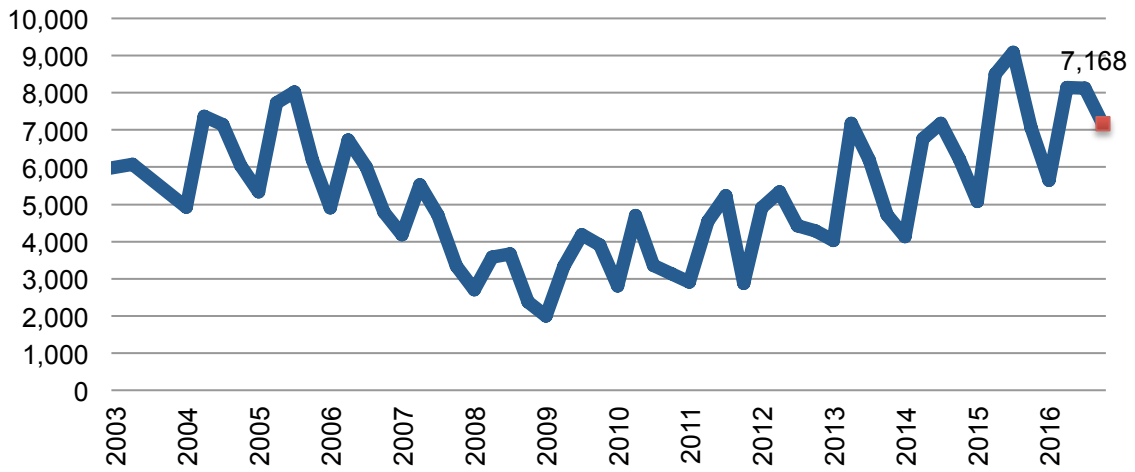


## PORTLAND TRANSACTIONS

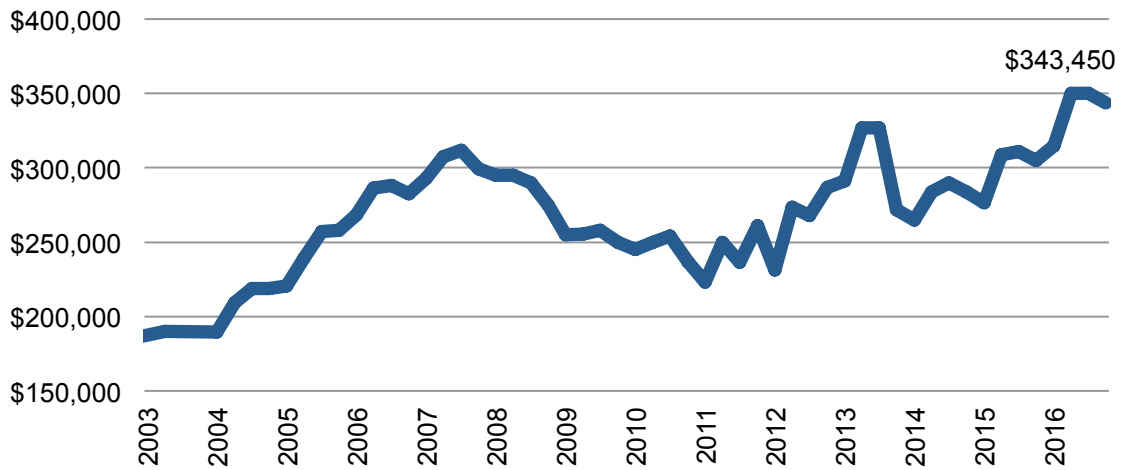
The fourth quarter showed signs of slipping from the previous quarter for existing home sales in the Portland market: over 7,168 transactions with a median sale price of \$343,450. This number of transactions is a slight 1.5 percent increase over the same quarter last year. However, the median sales price for existing homes increased by nearly 13 percent compared to the same quarter last year.

The average days on market for existing homes edged up by 9 days, to 34 days from 25 days last quarter. However these 34 days in the fourth quarter of 2016 represent a 13 percent decrease of the average days on market compared to the same quarter last year. Final sales prices in the fourth quarter continued to be above list price, but fell from 100.7 percent last quarter to 99.34 percent this quarter.

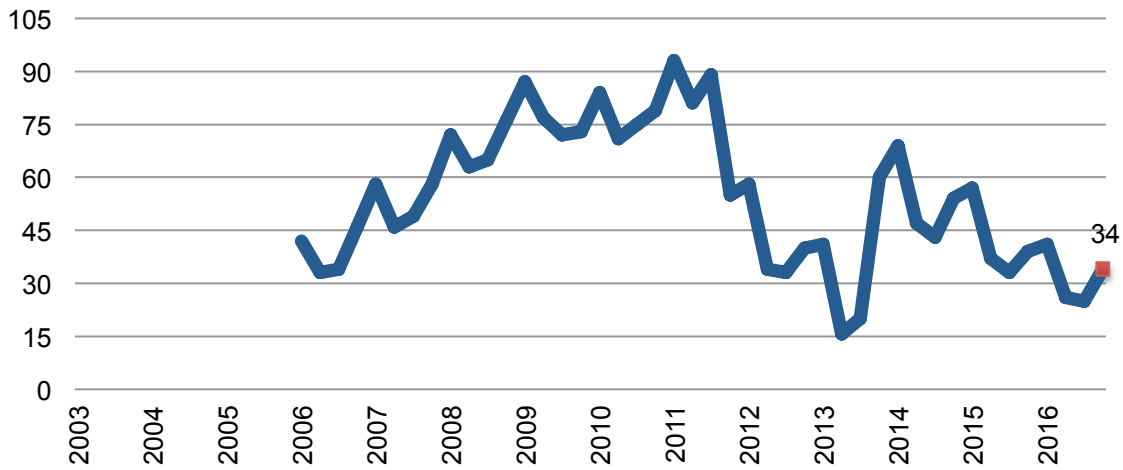
**Number of transactions  
Portland metro, existing homes**



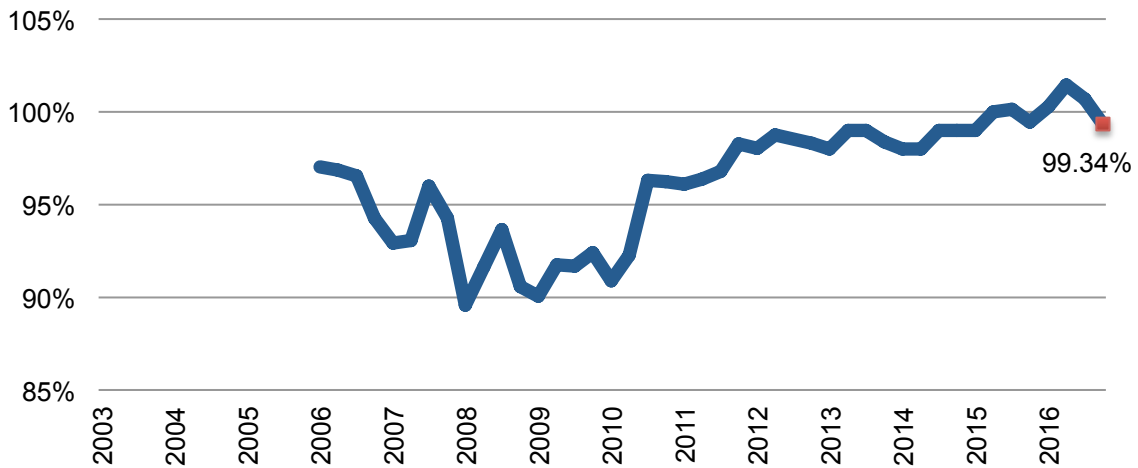
**Median sales price  
Portland metro, existing homes**



**Days on market**  
**Portland metro, existing homes**

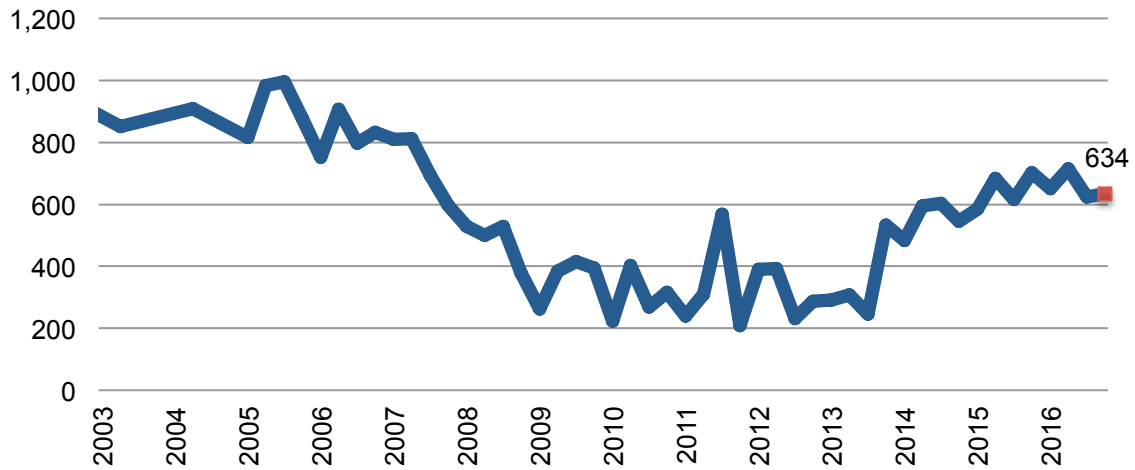


**Ratio of sales price to list price**  
**Portland metro, existing homes**

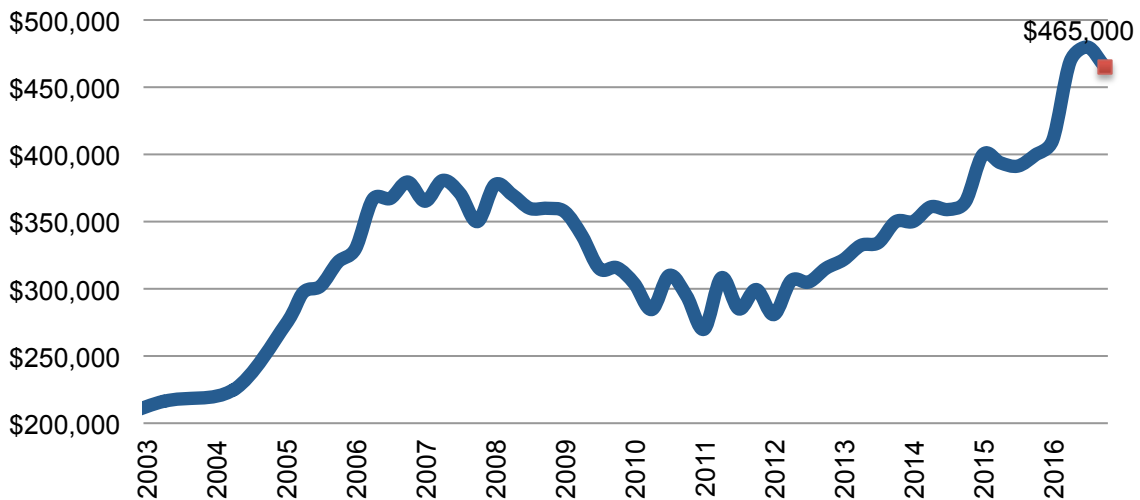


In the sale of new homes for Portland, the number of transactions saw a 2 percent increase compared to last quarter but a 10 percent decrease compared to the same quarter last year. New home median sales price in the fourth quarter saw a slight decrease compared to the third quarter. Last quarter, the median sales price for new homes was \$479,900 compared to \$465,000 this quarter – a decrease of only 2 percent. Compared to the same quarter last year, however, new home prices have increased \$65,425 or over 16 percent perhaps due to the increased pricing for the land/lots and labor that is increasingly in short supply.

**Number of transactions  
Portland metro, new detached homes**



**Median sales price  
Portland metro, new detached homes**



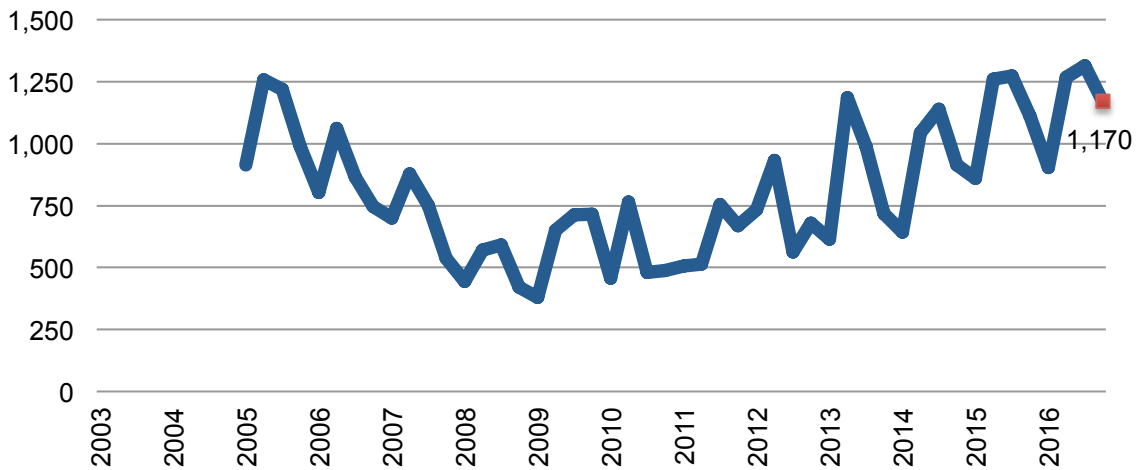
**VANCOUVER AND CLARK COUNTY TRANSACTIONS**

Like Portland, Vancouver and Clark County both also experienced a similar level of transactions in home sales this quarter compared to last quarter. Vancouver experienced a 10 percent decrease in transactions of existing homes compared to last quarter. While Portland experienced a decline in year over year transactions, Vancouver’s transactions decreased 7 percent compared to the same quarter last year. Clark County transactions were down 14 percent compared to last quarter and 6 percent lower compared to a year ago.

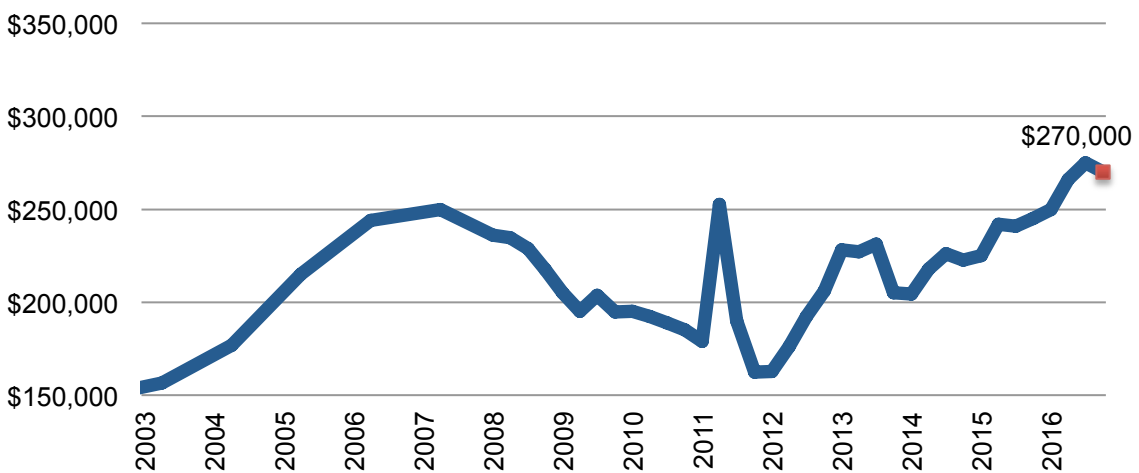


Average days on market continued to increase quarterly for both Vancouver and Clark County, a reflection of sales activity, but also a substantial reduction compared to the same quarter last year. The average days on market for Vancouver increase 50 percent compared to last quarter and a decrease of 16 percent compared to the same quarter last year. Clark County saw an 18 percent increase in average days on market compared to last quarter and a 19 percent decline compared to the same quarter a year ago.

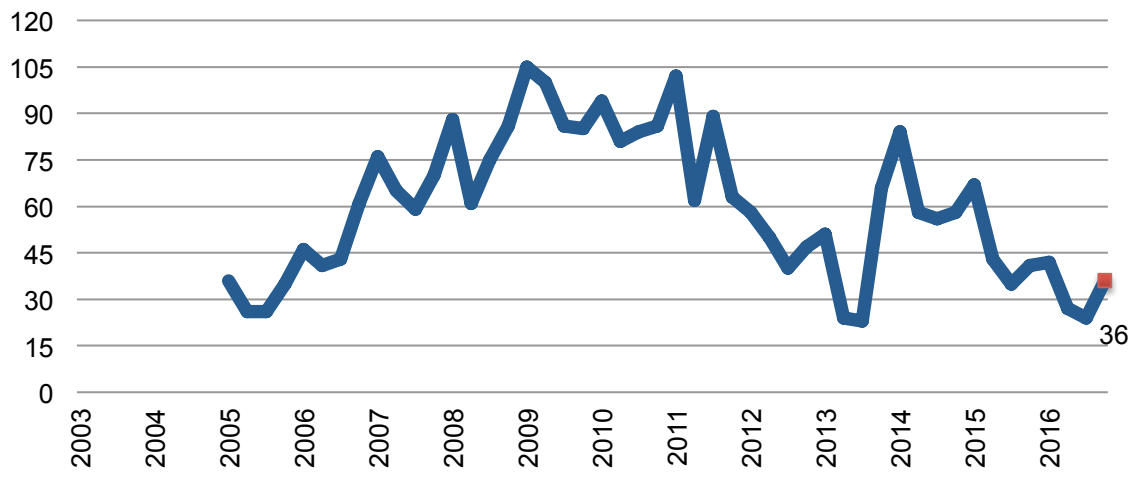
**Number of transactions  
Vancouver, existing homes**



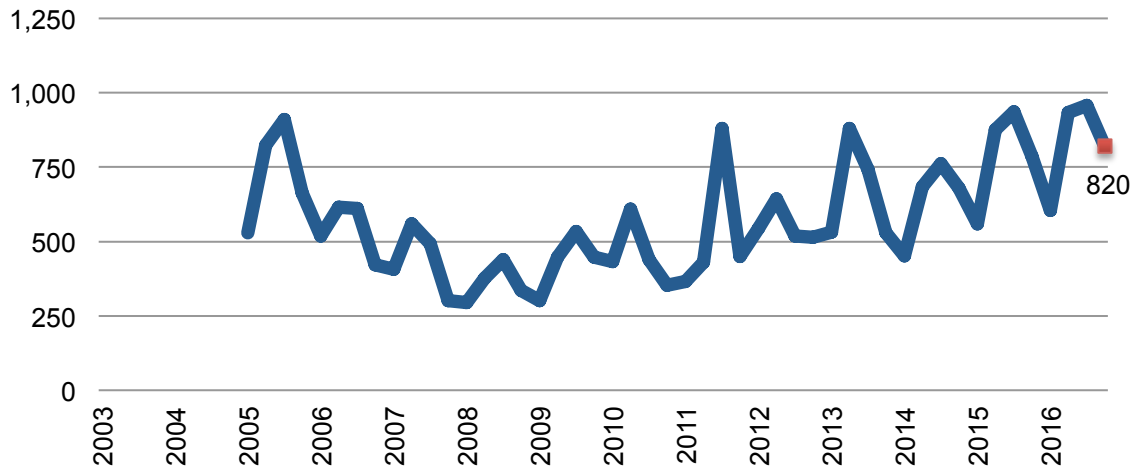
**Median sales price  
Vancouver, existing homes**



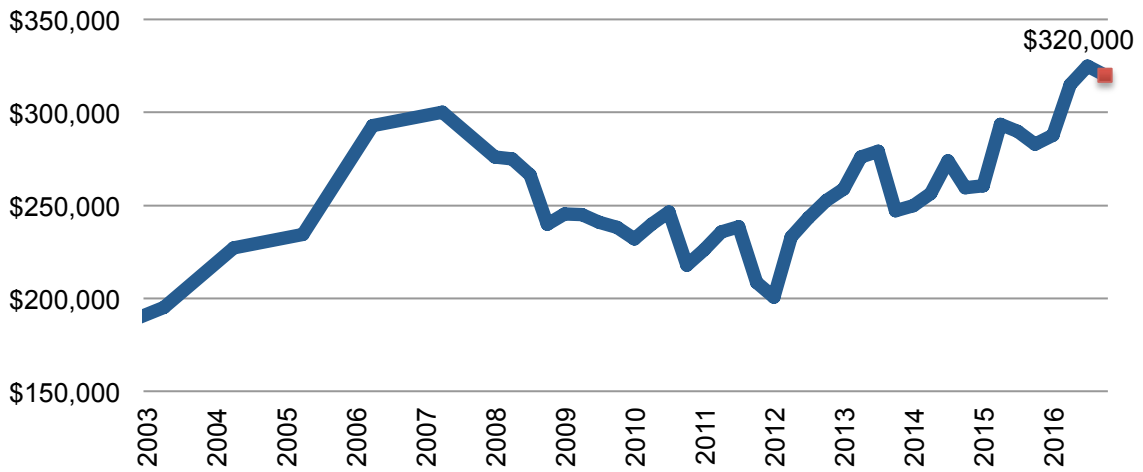
**Days on market**  
**Vancouver, existing homes**



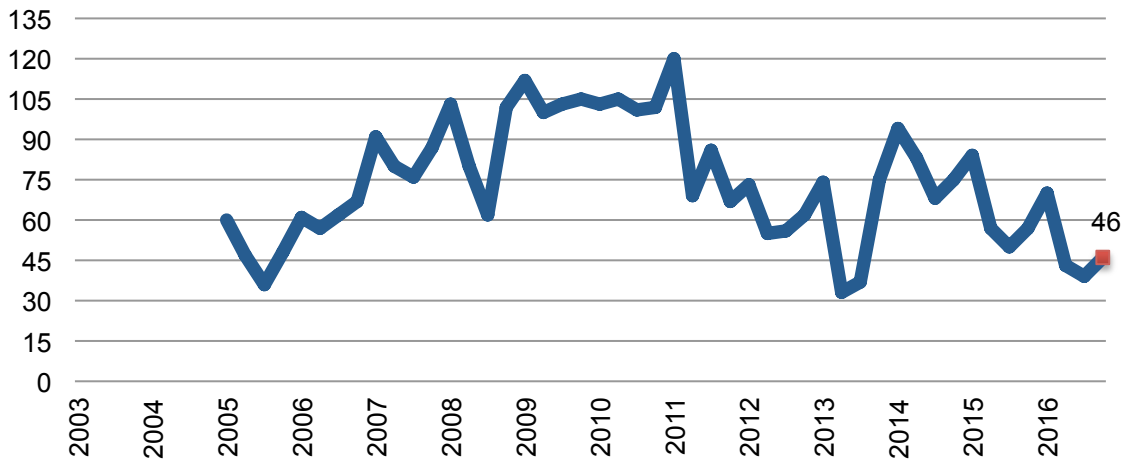
**Number of transactions**  
**Clark County, excluding Vancouver, existing homes**



**Median sales price**  
**Clark County, excluding Vancouver, existing homes**



**Days on market**  
**Clark County, excluding Vancouver, existing homes**



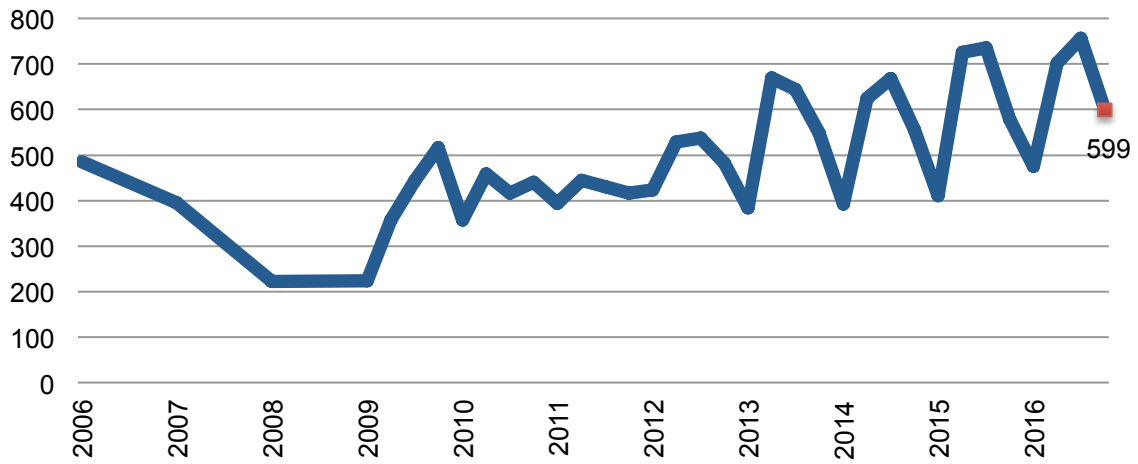
**CENTRAL OREGON TRANSACTIONS**

Transactions in Central Oregon saw decline in activity compared to the statewide continuation of upward trends from the previous quarter. Bend saw a 20 percent decrease compared to last quarter, but unlike Portland’s year over year decline, Bend saw a 4 percent increase compared to the same quarter last year. Redmond experienced a 9 percent decrease in transactions compared to last quarter but a 7 percent increase when compared to the same quarter last year.

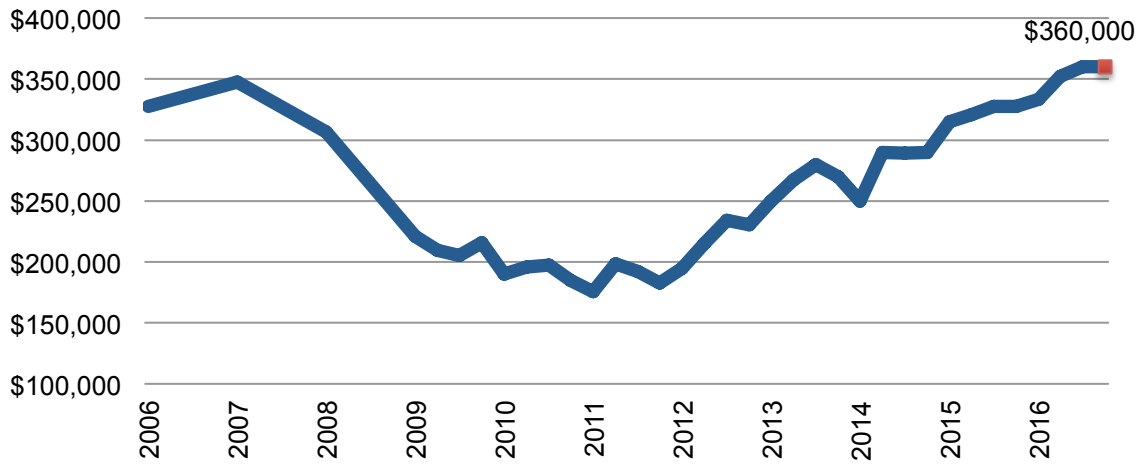
Median home prices in Central Oregon continued the steady, year-over-year increases. Bend experienced nearly the same in median sales price compared to last quarter, and nearly a 10 percent increase compared to the same quarter last year. Redmond saw a 2.0 percent uptick in home prices compared to last quarter, which represents a 14 percent increase compared to the same quarter last year.

Average days on market continued to be relatively the same as last quarter, but also fell compared to last year. Bend’s average days on market followed suit for days on the market from 112 last quarter to 113 this quarter. Compared to the same quarter last year, where there was a 1 percent decline. Redmond saw only a 3 percent increase in average days on market compared to last quarter, with a 6 percent decline when comparing this quarter to last year.

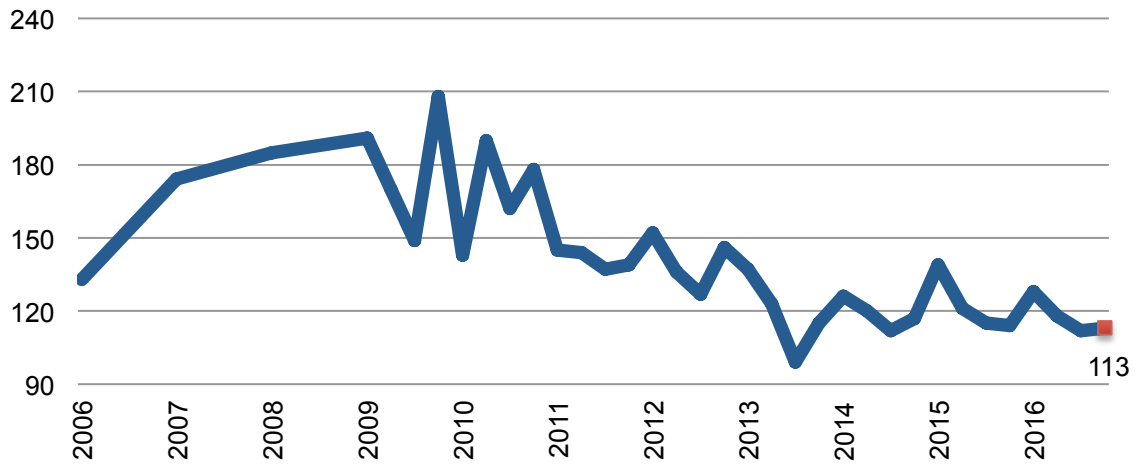
**Number of transactions  
Bend, under 1 acre**



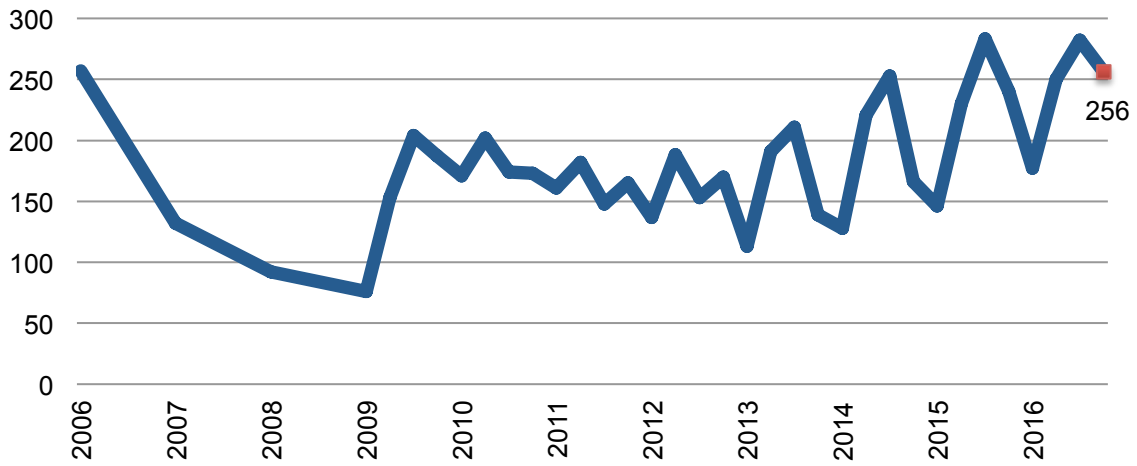
**Median sales price  
Bend, under 1 acre**



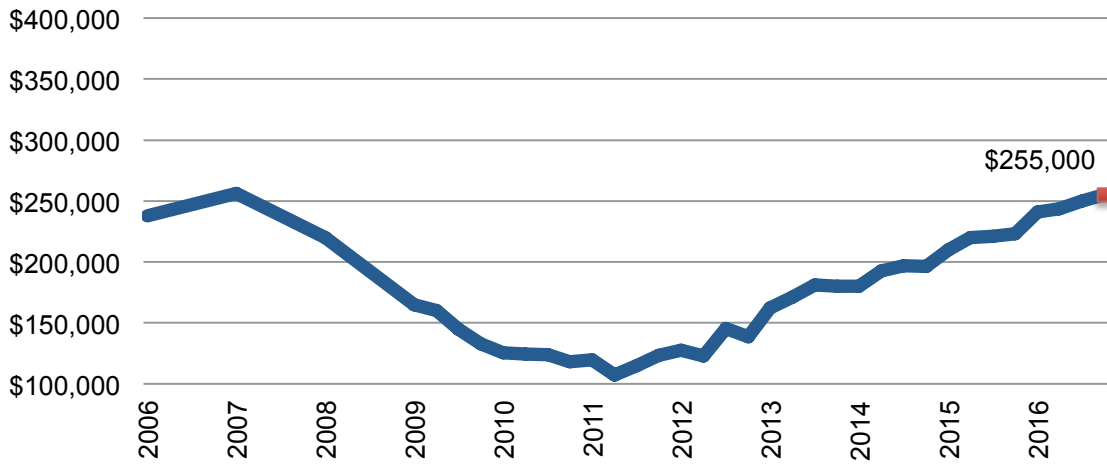
**Days on market**  
**Bend, under 1 acre**



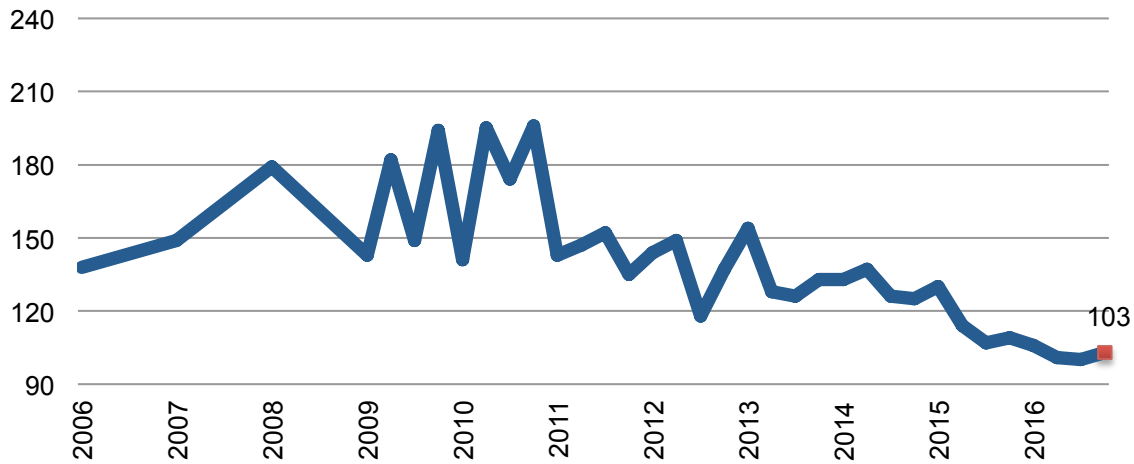
**Number of transactions  
Redmond, under 1 acre**



**Median sales price  
Redmond, under 1 acre**



### Days on market Redmond, under 1 acre



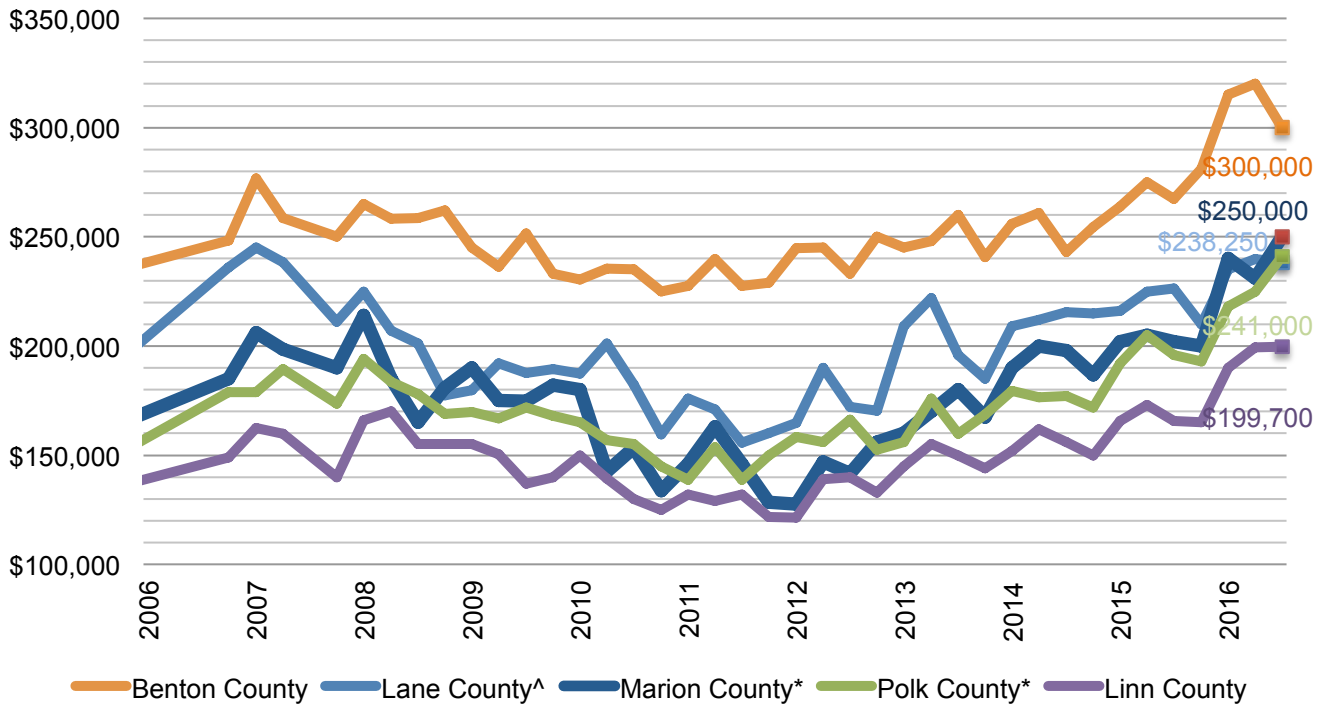
## WILLAMETTE VALLEY TRANSACTIONS

The slight decrease in median sale prices seen in the Portland, Vancouver and Clark County areas this quarter was only evident in two counties across the Willamette Valley. However, Marion County, Polk County and Linn County experience increases in price when compared to both the previous quarter and the last quarter of the previous year. Data for the Willamette Valley counties including Salem is provided by Willamette Valley MLS.

- Benton County: \$300,000 median price, a 6.25 percent decrease from the prior quarter and a 12 percent increase year-over-year
- Lane County (excluding Eugene): \$238,250 median price, a 1 percent decrease from the prior quarter and a 5.2 percent increase year-over-year
- Marion County (excluding Salem): \$250,000 median price, an 8.23 percent increase from the prior quarter and a 23.8 percent increase year-over-year.
- Polk County (excluding Salem): \$241,000 median price, a 7 percent increase from the prior quarter and a 23 percent increase year-over-year
- Linn County: \$199,700 median price, a .10 percent increase from the prior quarter and a 20 percent increase year-over-year



**Median sales price  
Willamette Valley, existing homes**



^Excluding Eugene

\*Excluding Salem

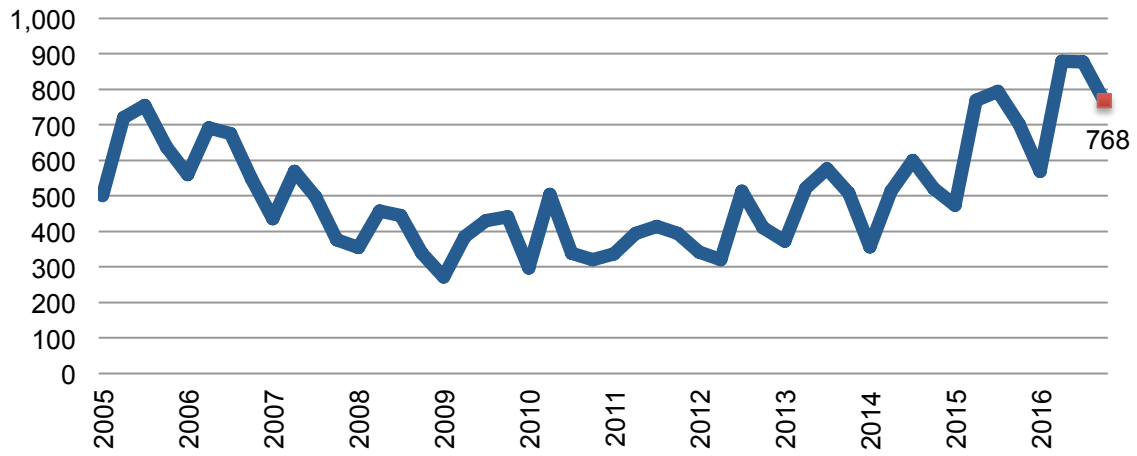
**SALEM TRANSACTIONS**

Transaction volume in Salem was consistent with the decline statewide of last quarter's trend. Transaction activity declined 13 percent compared to last quarter, but that volume represents a nearly 9 percent increase compared to last year.

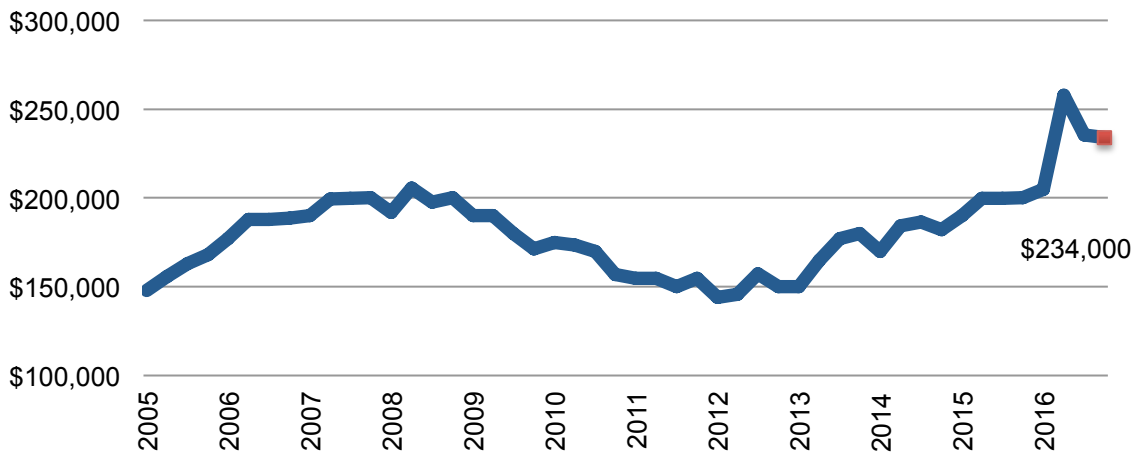
Median sales price in Salem declined as was seen across the state. Median home prices last quarter were \$235,650, while this quarter prices only reached \$234,000 – a decrease of .70 percent. But compared to the same quarter last year, this decrease in price represents a 17 percent increase.

Average days on market also declined when compared to the previous quarter from a year ago. Compared to last quarter, average days on market increased 9 days, or 10 percent, from 90 to 99.

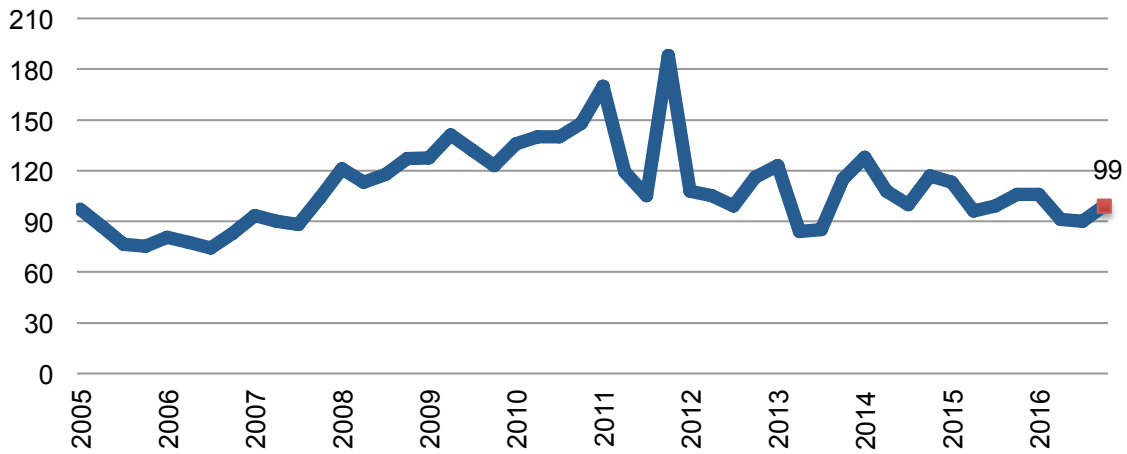
**Number of transactions  
Salem, existing homes**



**Median sales price  
Salem, existing homes**



**Days on market  
Salem, existing homes**

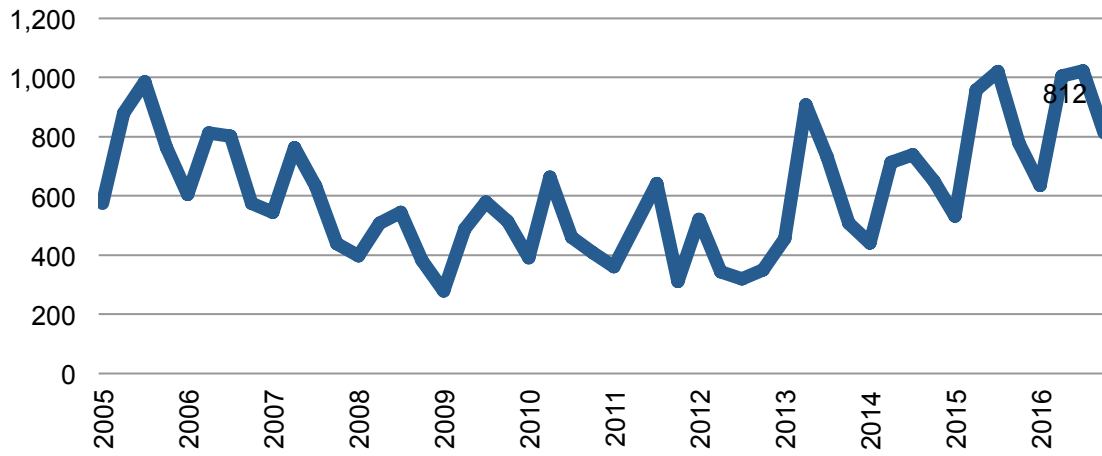


**EUGENE–SPRINGFIELD TRANSACTIONS**

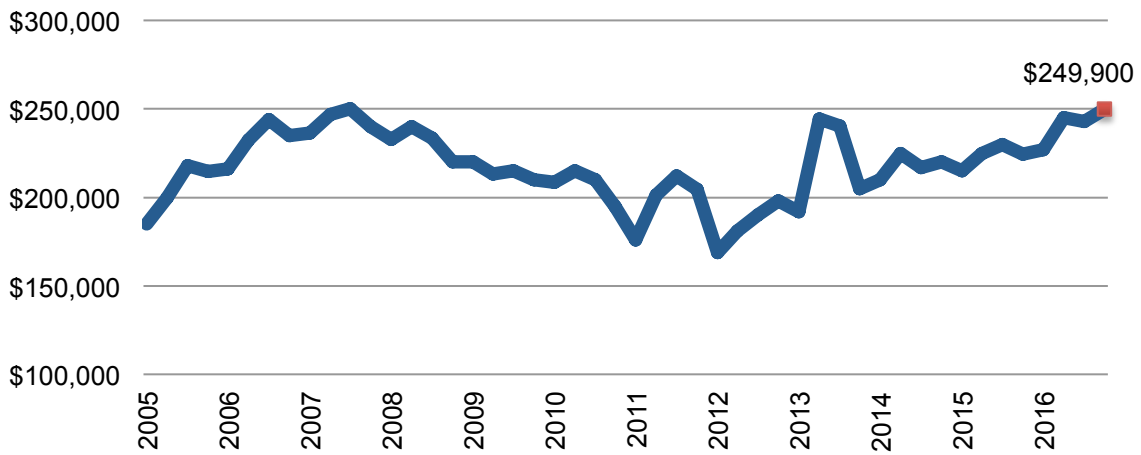
Like many other areas of the state this quarter, Eugene-Springfield experienced a decline in sales volume last quarter combined with continued increase of average days on market. Transaction counts decreased 21 percent compared to last quarter, which is up 4.24 percent compared to the same quarter last year.

Sales prices increased very slightly from \$243,000 last quarter to \$249,000 this quarter, an increase of 2.84 percent. The percentage increase of average sales price compared to the same quarter last year is 11.3 percent. Average days on market increased a full 11 days this quarter compared to last, from 29 to 40 days on average. This represents a 38 percent increase compared to last quarter and a 28.6 percent decrease compared to the same quarter last year.

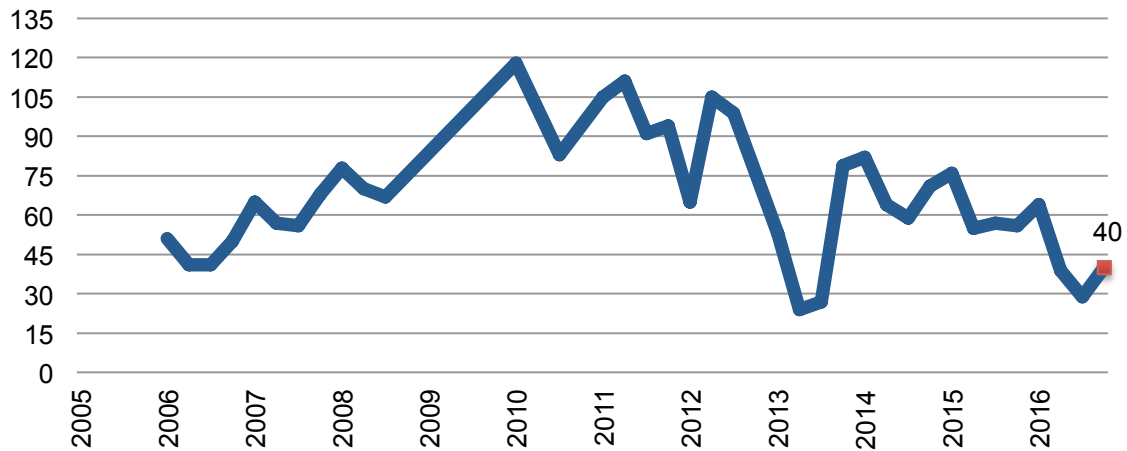
**Number of transactions  
Eugene-Springfield, existing homes**



**Median sales price  
Eugene-Springfield, existing homes**



**Days on market  
Eugene-Springfield, existing homes**



**SOUTHERN OREGON TRANSACTIONS**

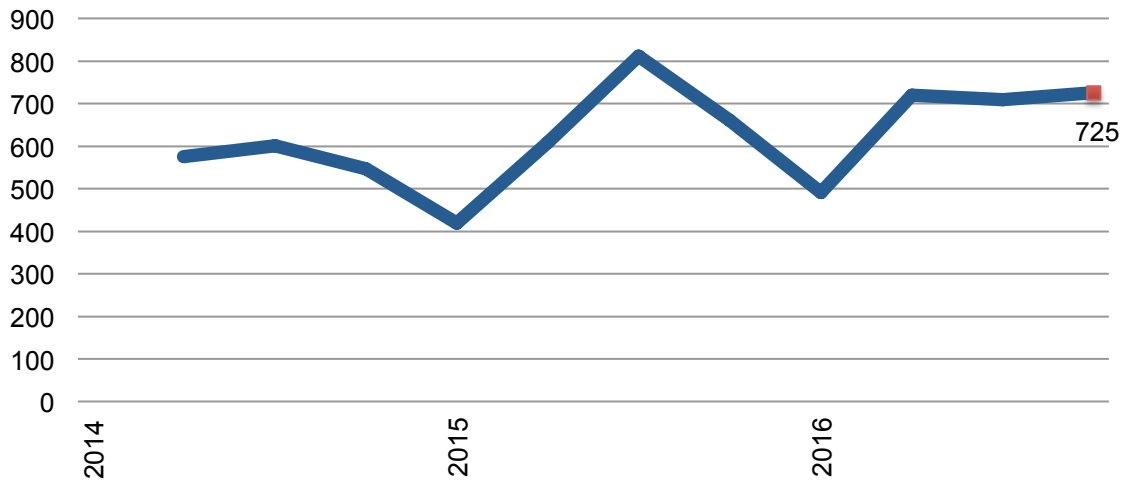
Trends in Southern Oregon tracked along side the trends across the state: largely stable transaction volumes compared to last quarter. However, compared to last year, Jackson County saw a 2.26 percent increase in volume while Josephine County saw 7.36 percent increase.

Median home prices increased slightly compared to last quarter and even more substantially compared to the same quarter last year. And average days on market remained largely unchanged compared to last quarter for Jackson County, but declined by approximately 25 percent in Josephine County when compared quarterly and to the same quarter last year.

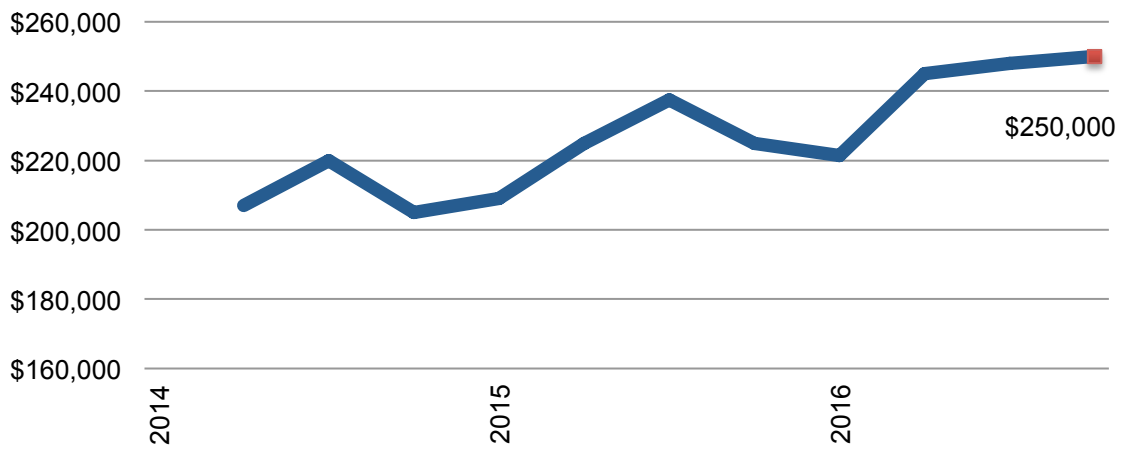
Data for southern Oregon is provided in rolling three-month groupings, and the most recent dataset available for this region covers the June 1 – August 31, 2016 time period.

The following figures display the data for Jackson County.

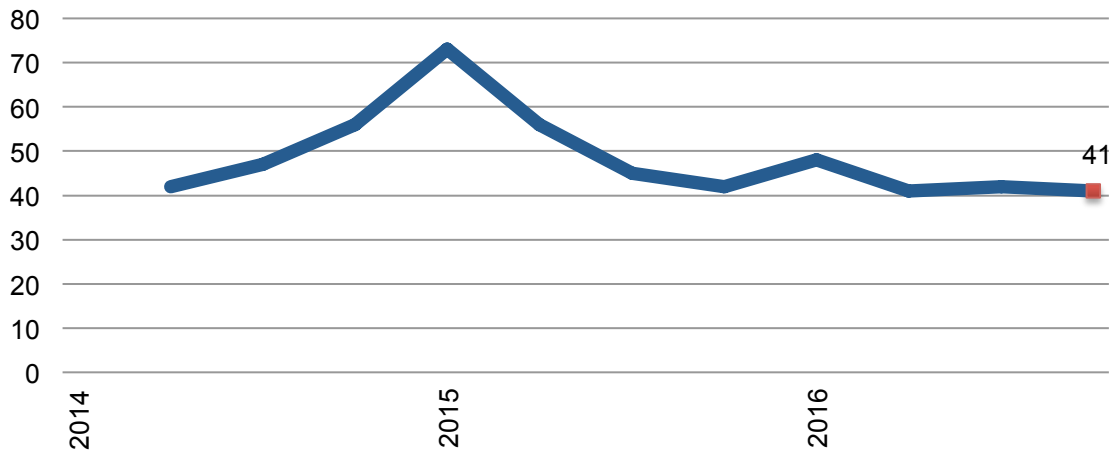
**Number of transactions  
Jackson County, existing homes**



**Median sales price  
Jackson County, existing homes**

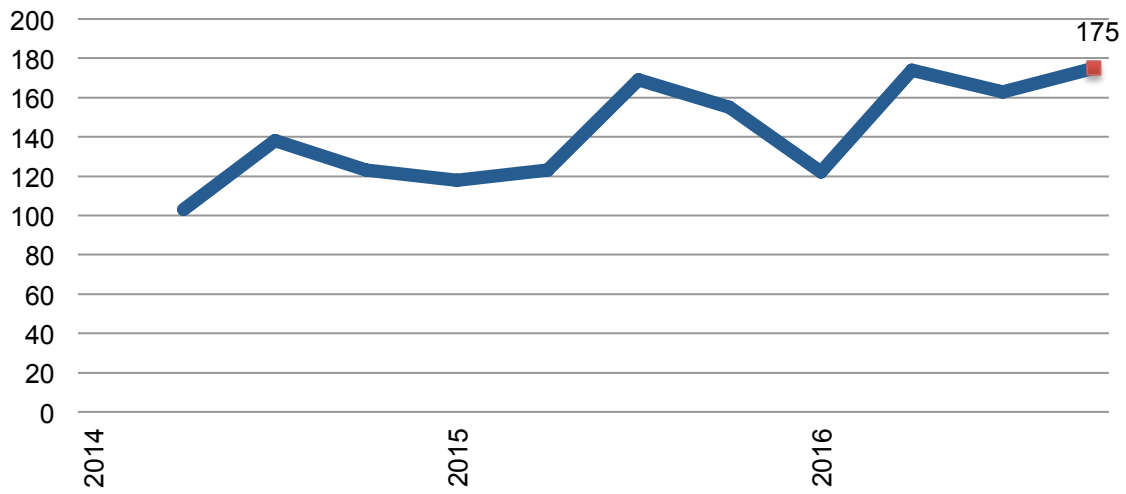


**Average days on market  
Jackson County, existing homes**

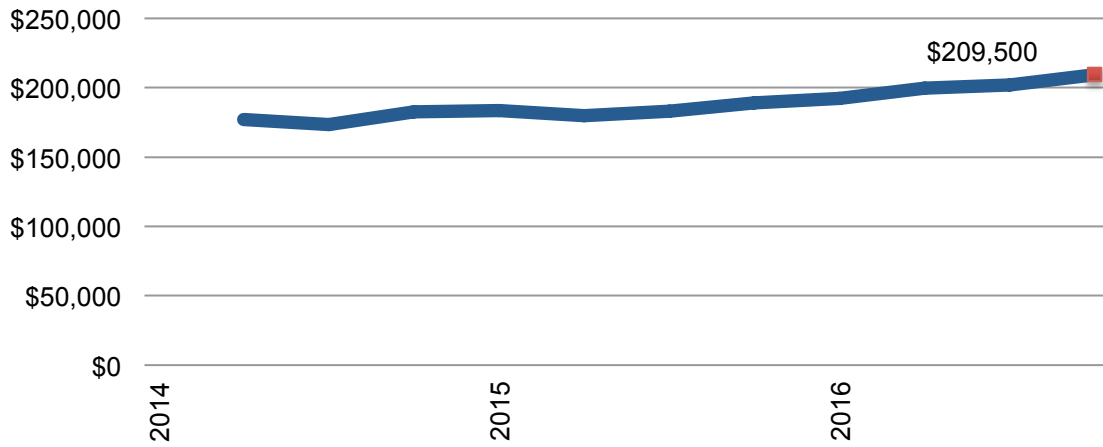


The following figures display the data for Josephine County.

**Number of transactions  
Josephine County, existing homes**



**Median sales price**  
**Josephine County, existing homes**



**Average days on market**  
**Josephine County, existing homes**

