

Housing Market Analysis

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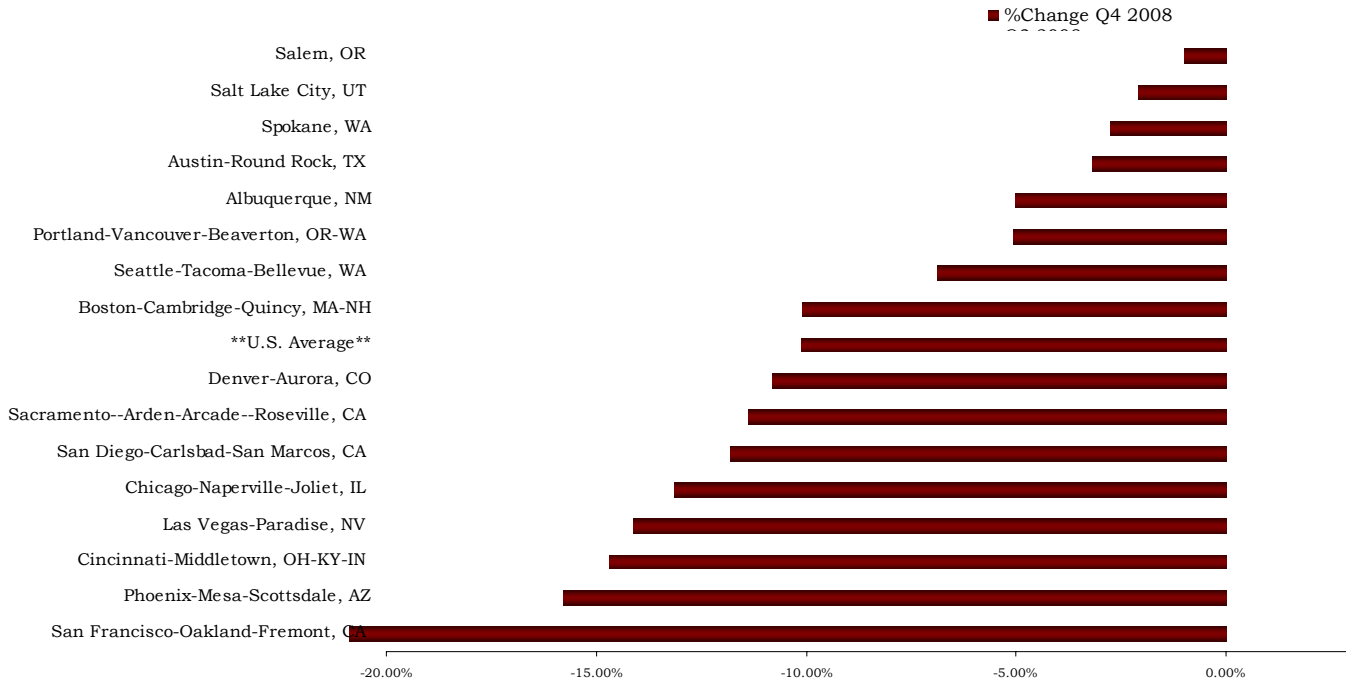
Median Home Values of Existing Detached Homes

	U.S.	West	Portland Metro Area
February 2008 Median Sales Price	\$ 193,600	\$ 296,600	\$ 287,550
February 2009 Median Sales Price	\$ 164,600	\$ 207,700	\$ 256,950
% Change in Median Sales Price	-15.0%	-30.0%	-11.0%
% Change in Number of Sales February 2008-2009	-3.6%	30.6%	-21.0%

Source: National Association of Realtors (February 2009) and RMLS (February 2009)

The close of the 1st quarter in 2009 marks the continuation of last year's trend as housing prices across the nation continue to depreciate. Median U.S. home values were down -15% annually in February, and -30% for the western part of the nation. According to February's Standard & Poor's Case-Shiller index, home prices fell a record 18.5% in 2008, with the biggest downturns in Phoenix (34%), Las Vegas (33%), and Miami (28.8%).¹ For Portland, the index valued a \$100,000 home in 2000 at \$158,500 for the end of 2008. RealtyTrac's January foreclosure report put Oregon at fifth in the nation for notices of default, auctions, and other forms of foreclosure action.¹ In 2008, 12.2% of all transactions involved foreclosed real estate.² The number of permits issued nationally was down 50% and reduced by 58% in Oregon.²

Median Sales Prices of Existing Single Family Homes By Metropolitan Area



Source: <http://www.realtor.org/Research.nsf/Pages/MetroPrice>

¹ Portland Business Journal. "Home Prices Tumble by Record 18.5 Percent". Tuesday, February 24, 2009

² Business Journal. "Zillow: Portland took a \$23 billion real estate hit in 2008". Tuesday, February 3, 2009

Building Permits Issued

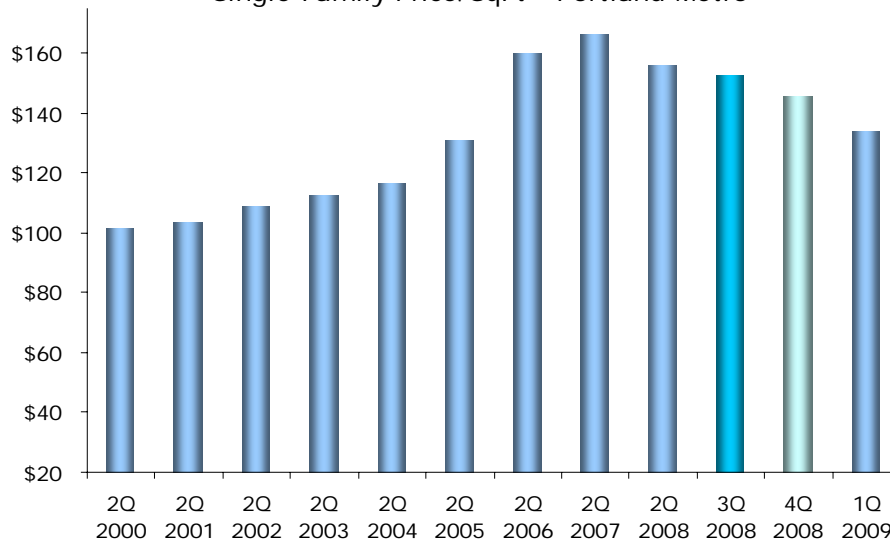
Year to Date

	SINGLE-FAMILY			MULTIFAMILY		
	Feb09	Feb08	PCT CHG	Feb09	Feb08	PCT CHG
UNITED STATES	47.9	95.1	-50%	26.4	55.5	-53%
OREGON	0.57	1.34	-58%	0.89	0.75	18%
Bend OR	0.04	0.10	-61%	-	0.00	-100%
Corvallis OR	0.01	0.00	125%	-	-	-
Eugene-Springfield OR	0.04	0.11	-61%	0.01	0.08	-81%
Medford OR	0.04	0.06	-37%	0.00	-	-
Portland-Vancouver-Beaverton OR-WA	0.31	0.78	-61%	0.23	0.59	-61%
Salem OR	0.04	0.09	-58%	0.02	0.06	-63%

Portland³

Portland was no exception to the national trend. By the end of 2008, 18.9% of all home sales in Portland resulted in a loss to the seller, and 21.2% of all homeowners statistically owed more on their homes than they were worth.² In March, buyers closed on 1,184 homes, dropping over -30% from a year ago.⁴ The level of unsold homes in March decreased to a 12 month supply, well below the 16.6 month supply level of February, and the 19.2 month supply of January. Median prices for the first quarter were down -7.24% to \$255,000 for the collective Portland market, resulting in a -13% annual depreciation. Existing home sellers continue to mark down their prices, collecting an average of 90.05% of the original list price, with hopes that the three month wait on the market will decline as prices are lowered. The number of transactions fell 16% from last quarter, and 28% from the previous year. An emphasis on the longer-term outlook of price per square foot puts the recent depreciation into perspective. Portland's existing single-family home values are still slightly above the median price per square foot values of the 2005 pre-bubble market.

Single Family Price/SqFt - Portland Metro

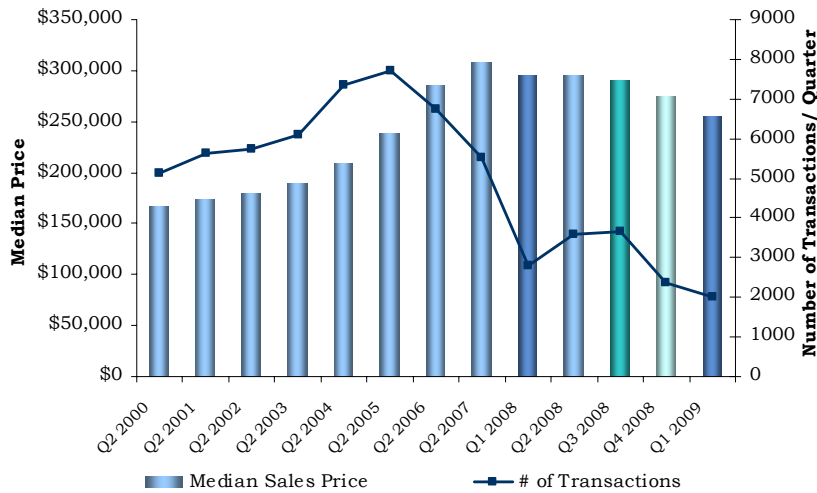


³ First Quarter denotes aggregate data for January 1 – March 31, 2009. Data compiled from RMLS [March 2009]

⁴ Portland Business Journal. "RMLS: Home Sales Down in March". Wednesday, April 15, 2009.

Median Sales Price & Number of Homes Sales per Quarter - Existing Detached Homes

Portland Metro (Excluding Clark County)



8-Year outlook for Median Sales Price & Number of Transactions

1st Quarter Median Price: \$255,000

Quarterly % Change: -7.24%

Annual % Change: -26.35%

Number of Transactions: 1,996

Quarterly % Change: -16.10%

Annual % Change: -28.56%

Sale Price/Original List Price & Average Days on Market – Existing Detached Homes

Portland Metro (Excluding Clark County)

2-Year Outlook for Average Days on Market & Sales Price/Original List Price Ratio

1st Quarter Sale/Original ratio: 90.05

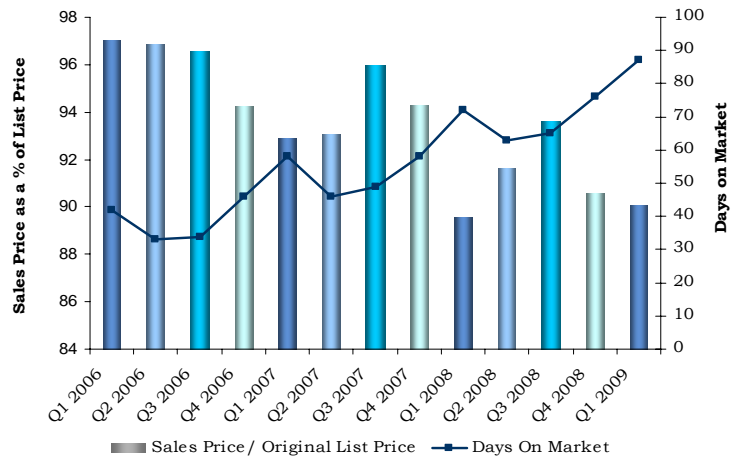
Quarterly % Change: -0.60%

Annual % Change: 0.55%

Days on Market: 87

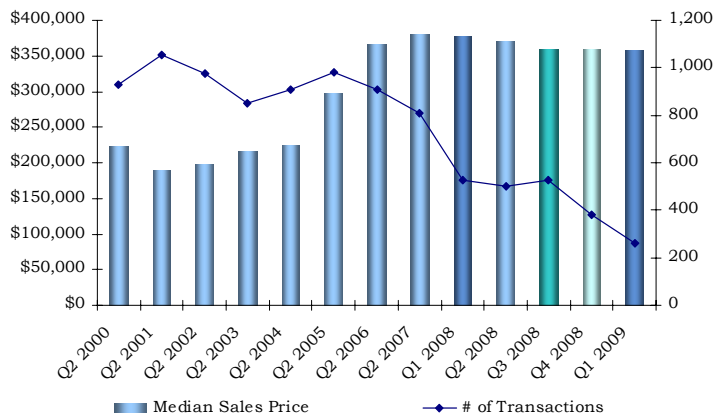
Quarterly % Change: 14.47%

Annual % Change: 20.83%



Median Sales Price & Number of Transactions – New Detached Homes

Portland Metro (Excluding Clark County)



8-Year Outlook for New Construction Single-Family Home Sales

1st Quarter Median Price: \$357,450

Quarterly % Change: -0.68%

Annual % Change: -5.31%

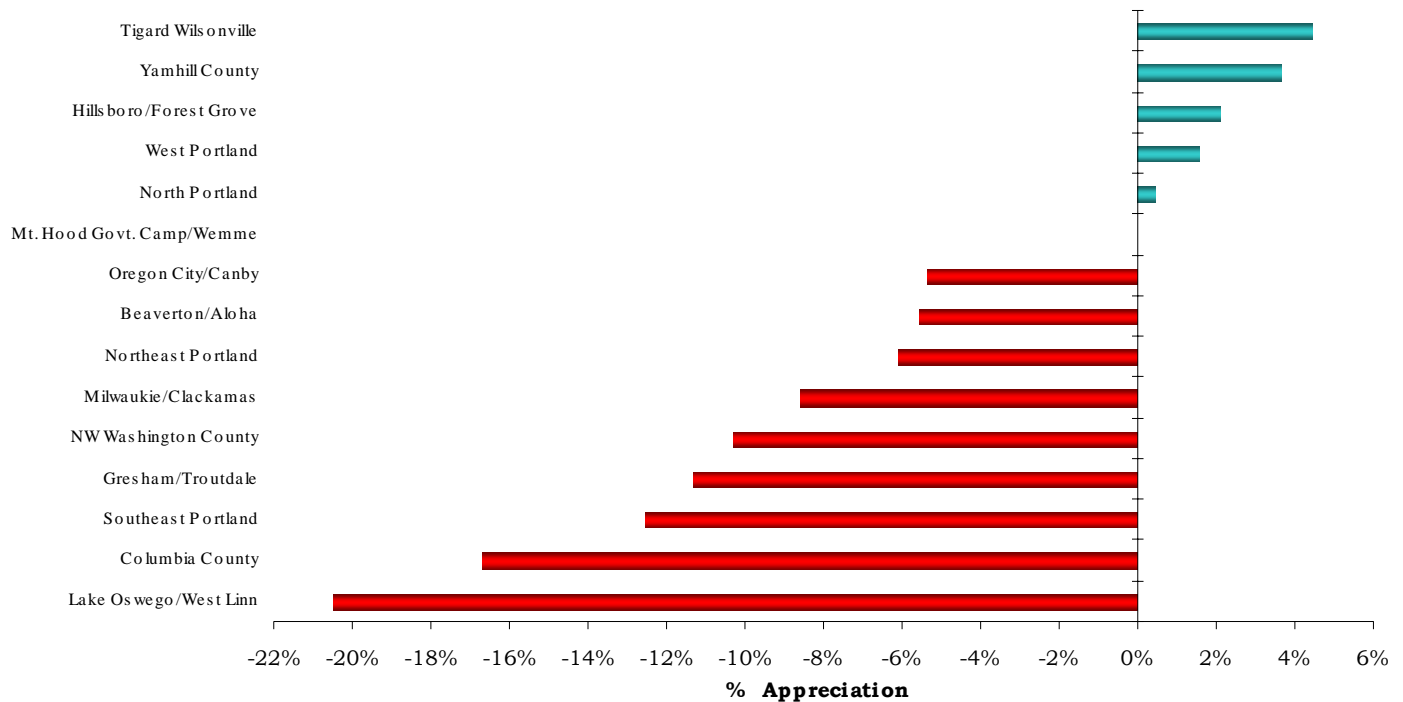
Number of Transactions: 262

Quarterly % Change: -30.87%

Broken down by sub-market, we can see where the single-family home activity took place in the 1st quarter. In the 4th quarter breakdown, Mt. Hood and Columbia County experienced over 12% appreciation for single-family homes.⁵

This quarter, the appreciation rates have moved toward Wilsonville and Yamhill County where home sales were up 16%. An annual outlook puts all submarkets into the negative, with Lake Oswego again at the highest depreciation (-20.63%). However, a few markets encountered slightly less stark annual depreciation rates. The Tigard/Wilsonville and Mt. Hood markets depreciated -5% annually; Yamhill County values depreciated -6.5%.

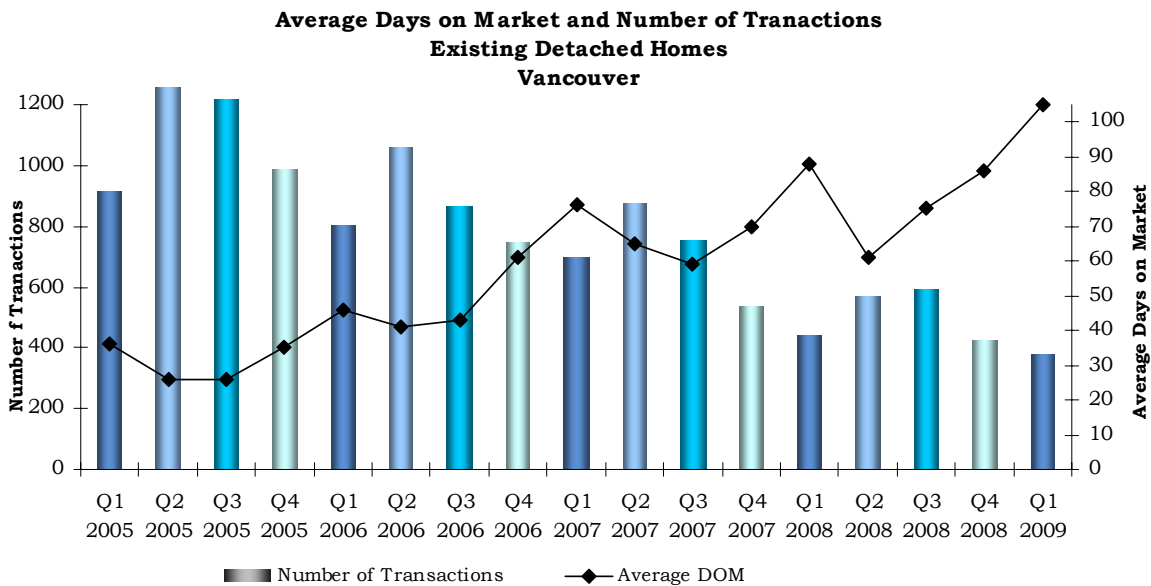
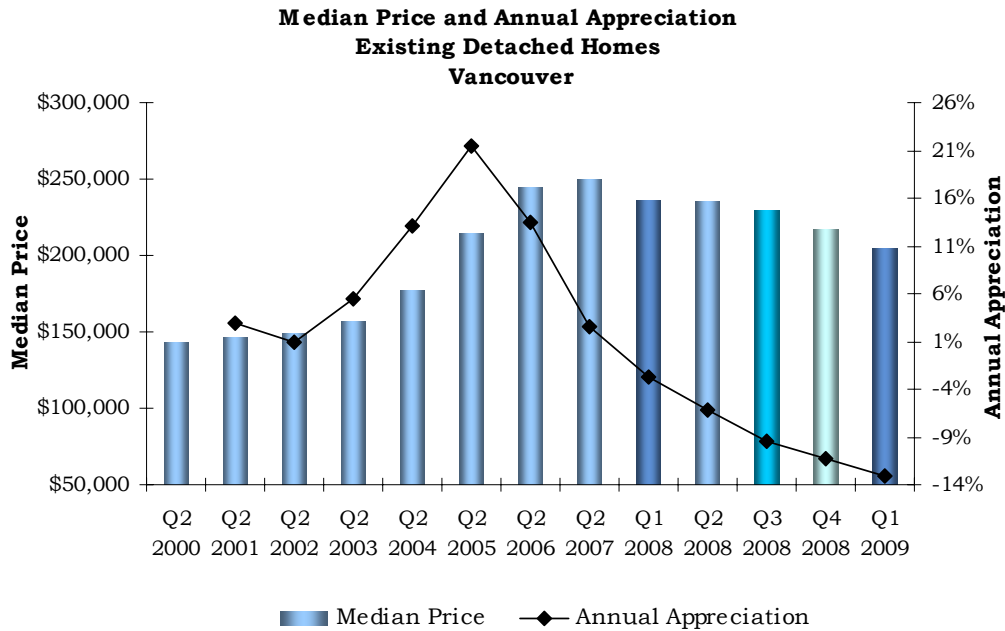
**Appreciation Rates of Existing Detached Homes - Portland Sub-Market
Q4 2008- Q1 2009**



⁵ Appreciation is based on the 17 home sales in Mt. Hood, and the 80 home sales in Columbia County

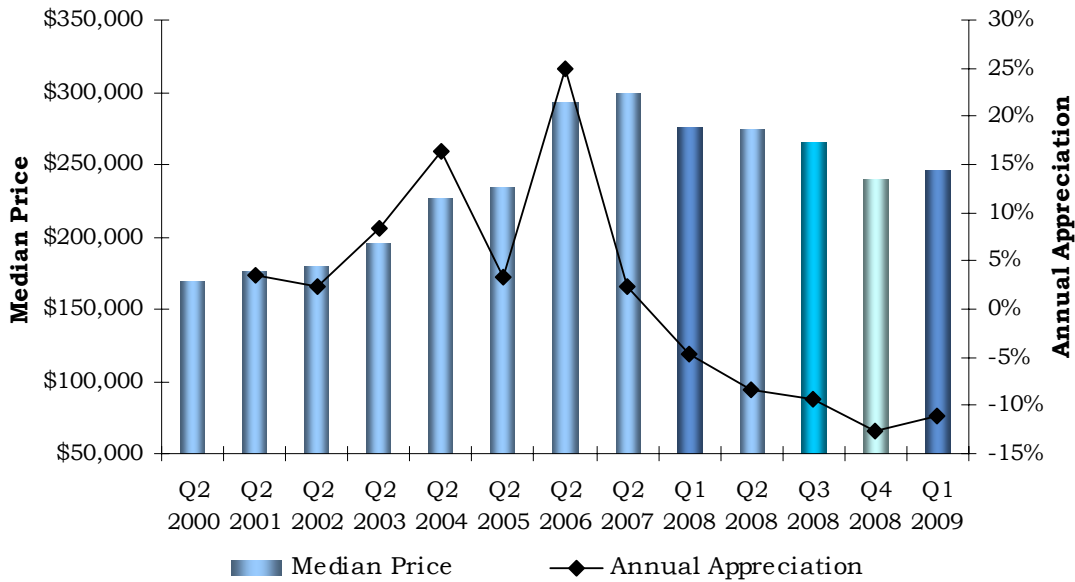
Vancouver

For Clark County, the story is similar to that in Portland. In February, the Portland Business Journal reported that there were 225 total sales, down 23.5% from last year. Pending sales decreased 15.7%.² The end of the first quarter showed that existing home prices for the downtown area of Vancouver dropped 5.75% from last quarter to \$205,000. This marks a 13.1% annual decrease. The number of downtown transactions fell -10% quarterly and -14% annually to 379. The number of days on the market surpassed 100 for the first time in 5 years, with an average total of 105 days.

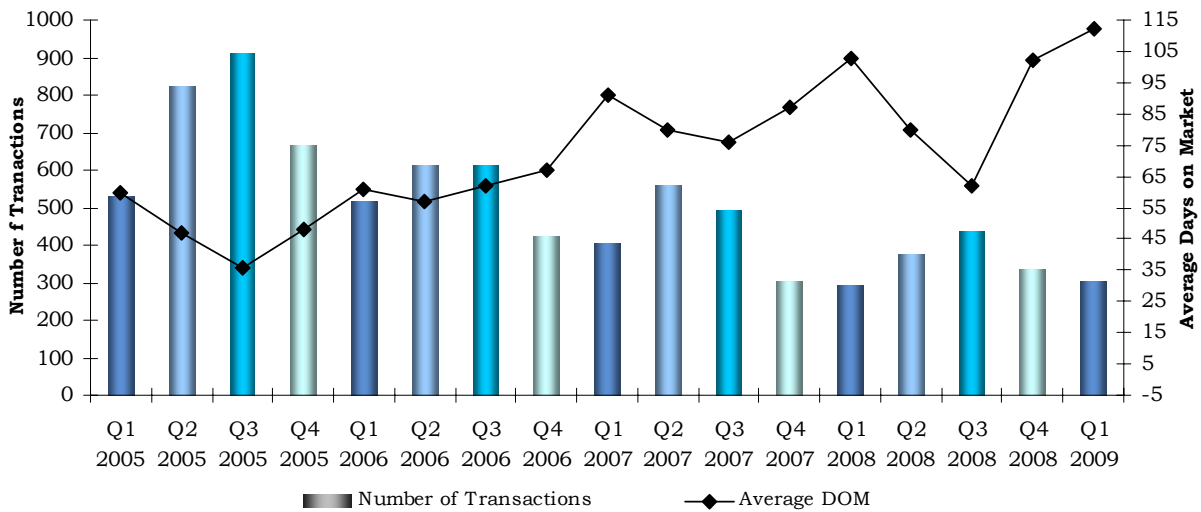


In the suburbs of Clark County, the median price of existing detached homes hit \$245,500 – up 2.29% from 4th quarter’s \$240,000, but still -11.1% below last year’s values. The number of transactions fell -9% quarterly, but enjoyed a small 2% upturn annually. The average number of days on the market increased by about 9% quarterly and annually to 112 days.

**Median Price and Annual Appreciation
Existing Detached Homes
Clark County (excluding Vancouver)**



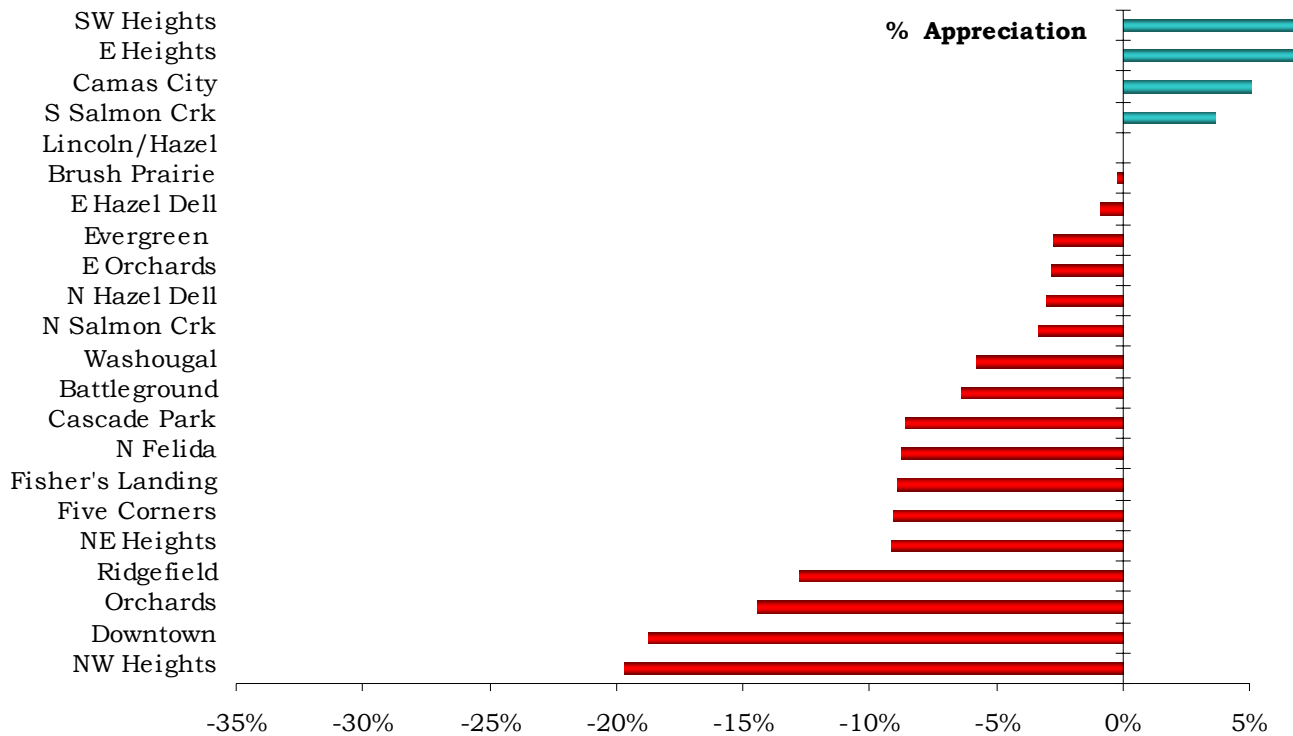
**Average Days on Market and Number of Transactions
Existing Detached Homes
Clark County (excluding Vancouver)**



For the Vancouver and Clark County submarket, the first quarter followed Portland’s submarket. Fourth quarter 2008 showed sales appreciating in Battleground, N. Felida, and Washougal.

This quarter, appreciation rates are found in a handful of markets. However, none surpassed the 5% wall seen for the past few quarters. Like Portland, annual median value rates for existing single-family homes for all markets were depreciating. East Heights and North Felida take the lead with –36% annual depreciation. Cascade Park maintained an almost stationary position through the real estate turmoil of the past year, with only a slight depreciation of 0.3% in existing home sales. The Lincoln/Hazel Dell market experienced a -3% annual depreciation.

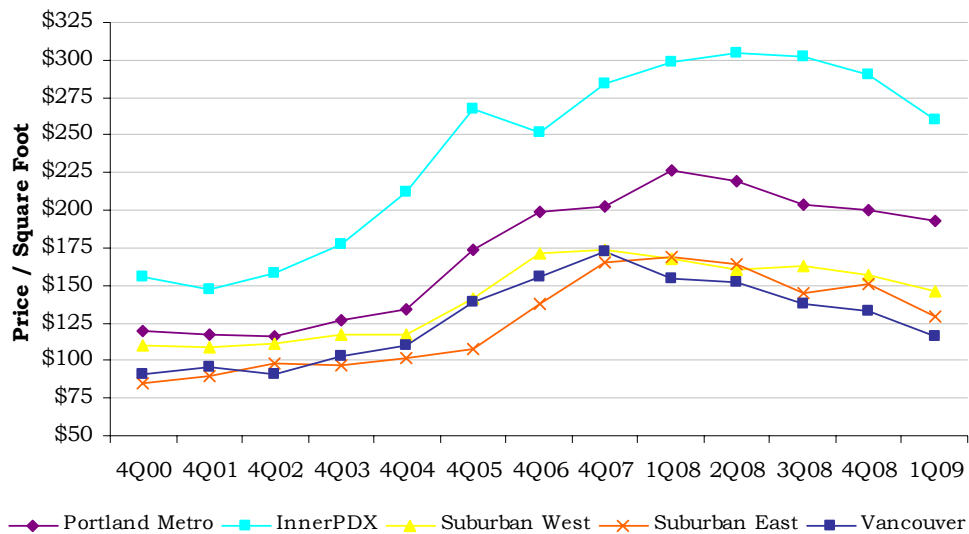
**Appreciation Rates of Existing Detached Homes
Vancouver and Clark County Sub Market - Q4 2008 - Q1 2009**



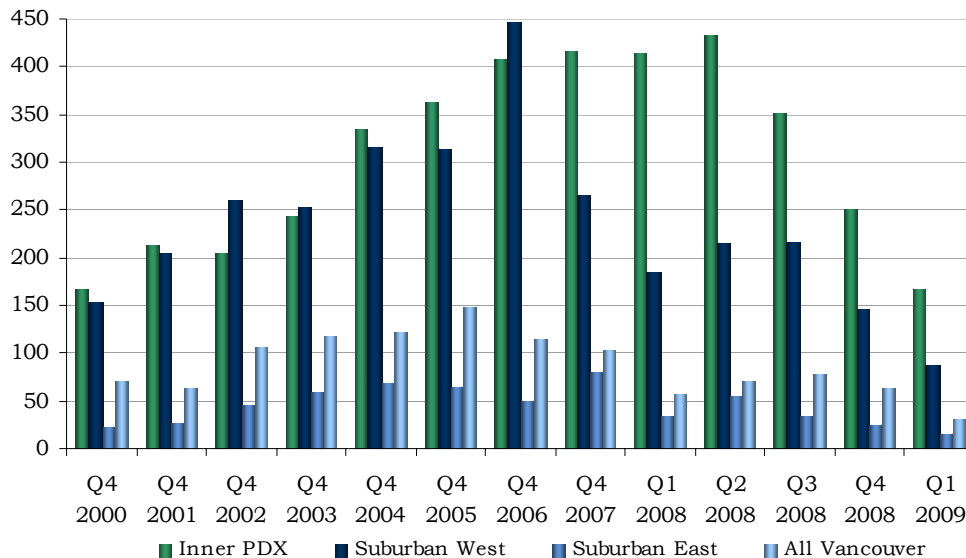
Condominium and Attached Market⁶

Condominium sales are significantly down from both the last quarter and the previous year numbers. Across the metropolitan area, sales were down -36% from Portland's 4th quarter transactions, and -50% for Vancouver. Decreases in the price per square foot were not as dramatic, but still confirmed that the 2008 bubble is still deflating. For Portland, the price per square foot hit \$192.96, with a median home value of \$200,000. The central city of Vancouver's price per square foot for condominiums fell -25% from last year. Sellers in the condominium market are receiving a median of \$115.85/square foot and a median value of \$123,950. As seen in the graphs below, the Portland submarket follows a path which is similar to the larger central city areas.⁷

Median Price Per Square Foot - Condominium



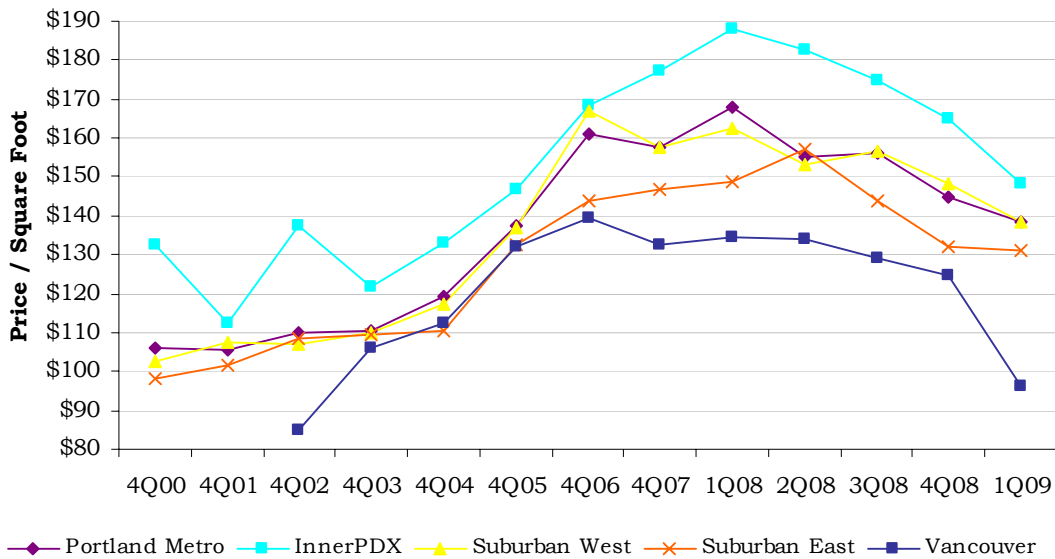
Number of Transactions - Condominium Market



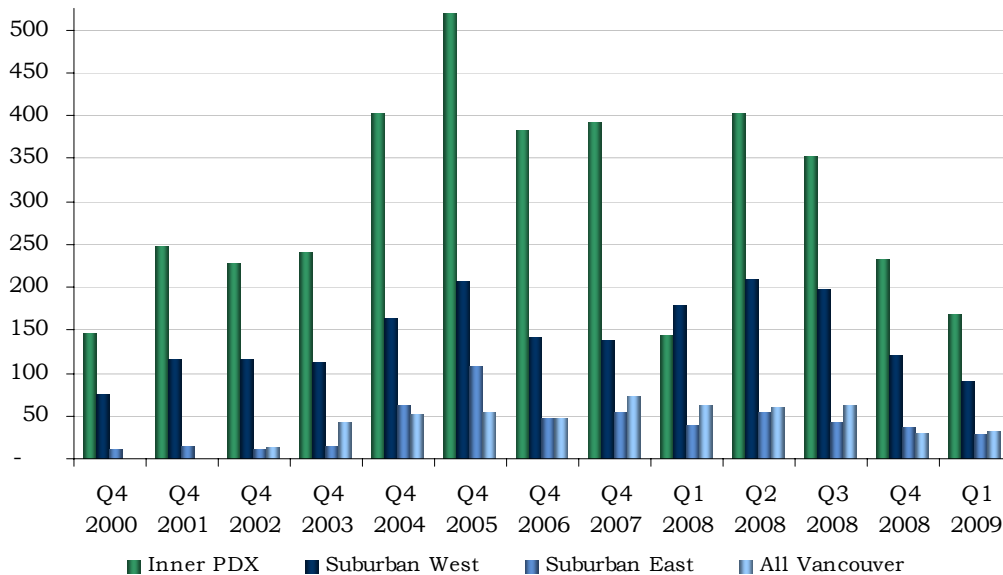
⁶ RMLS defines attached as “an element of the residence construction is shared with another property. Condominiums are excluded. Condominiums are defined as an attached or stand-alone residence for which the owner has title to the space inside the unit and shares common spaces with other unit owners in accordance with specific legal guidelines.

For the single-family attached market, nearly all markets have fallen back to 2005 price/square foot values. However, for Vancouver, attached home values match more closely to the price/square foot values of 2002. The longer time span outlook for the Portland market reveals substantial volatility, with the number of transactions down -27% quarterly and a slight 16% increase annually from 145 to 168. Analysis of price per square foot appears less dramatic with -4% depreciation quarterly, and -7% annually to \$138.58/square foot. The first quarter median home value was \$220,250. For central Vancouver, there were 19 total transactions, a decline of -24% from 4th quarter, and a dramatic -62% annually. Attached home values were largely impacted by the current economic downturn, depreciating by -22% quarterly, and -28% annually. Median prices fell to \$150,000, with a \$96.40/square foot value.

Median Price Per Square Foot - Attached



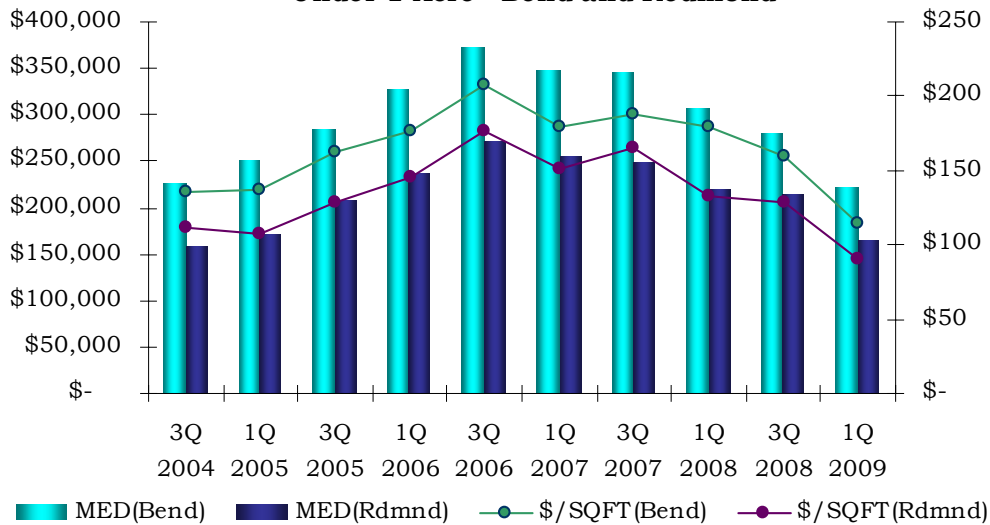
Number of Transactions - Attached Single Family



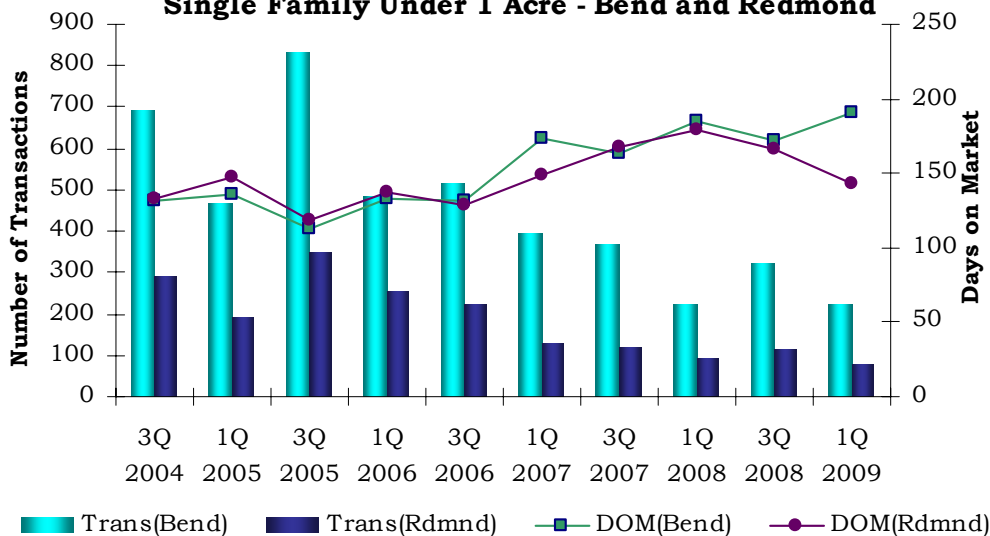
Central Oregon

For the cities of Bend and Redmond, the first quarter median price and the number of transactions continued their slow decline while the average number of days on the market increased moderately. In Bend, median single family home values fell -21% quarterly and -28% annually to \$221,250. The number of transactions was down -31%, and the average number of days on the market reached 191, a 3% increase from this time last year. Redmond is similar, with the number of transactions down -17% annually, -33% quarterly, and median values falling -25% annually to \$165,000. Residents looking to sell experienced a -20% decline in the number of days on the market. Homes remained on the market for an average of 143 days.

**Median Single Family Price and \$/SqFt
Under 1 Acre - Bend and Redmond**

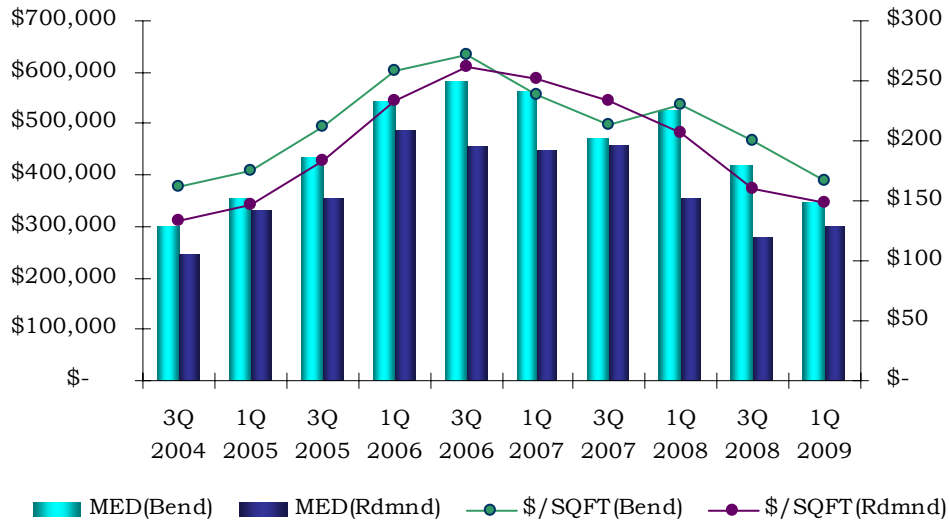


**Number of Transactions and Days on the Market
Single Family Under 1 Acre - Bend and Redmond**

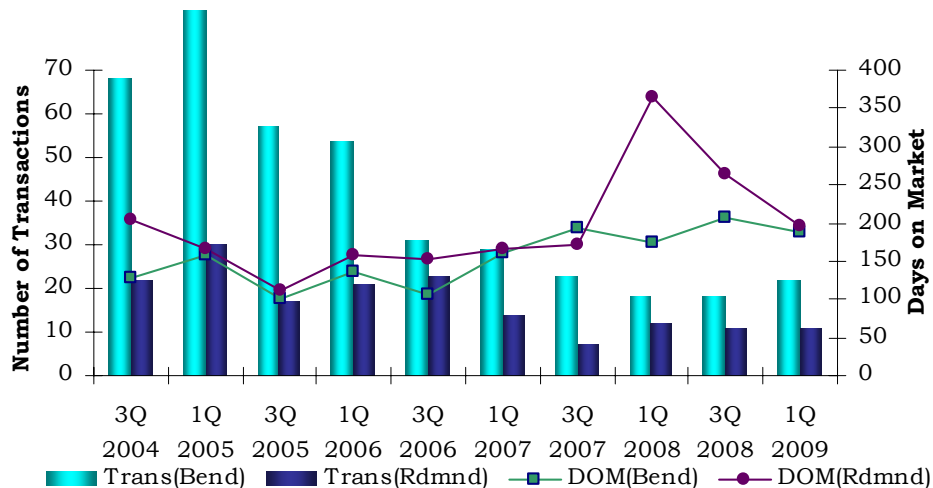


As it is commonly reported in Central Oregon, the housing stock is separated by lot size – properties under one acre and those between one and five acres. Price per square foot is provided to control for lot size between both categories. Here we see the continuing trend of declining prices after the peak in 2006. For Bend, this quarter marks the first time median home prices have fallen below 1st quarter 2005 values, translating to a decline of -17% quarterly, -34% annual depreciation and a \$347,500 median price for large lot homes. Price per square foot followed suit, falling to a -27% annual depreciation of 167\$/square foot. The number of transactions was up 22% and the average days on the market fell -9%. In Redmond, the first quarter was the second quarter in a row that median values for large lot homes fell below 2005 prices. Although it was a 7% jump from last quarter, the \$299,000 median price marks a -15% annual depreciation for homeowners. Redmond’s average price per square foot of \$149/sq.ft revealed a -7% quarterly and a -28% annual depreciation. The number of transactions remained steadily low at 11, while the number of days on the market decreased dramatically from 264 to 195.

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

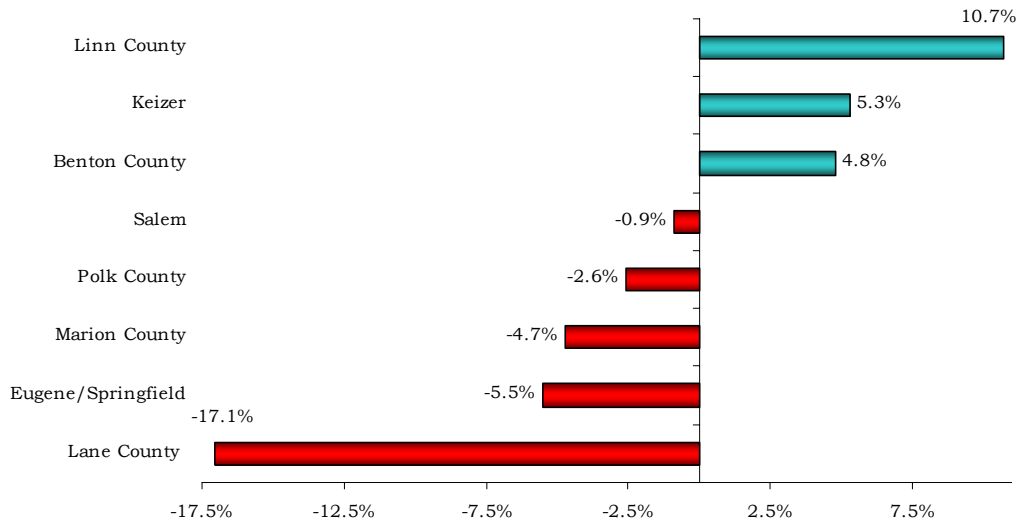


**Number of Transactions and Days on the Market
Single Family 1-5 Acres -Bend and Redmond**



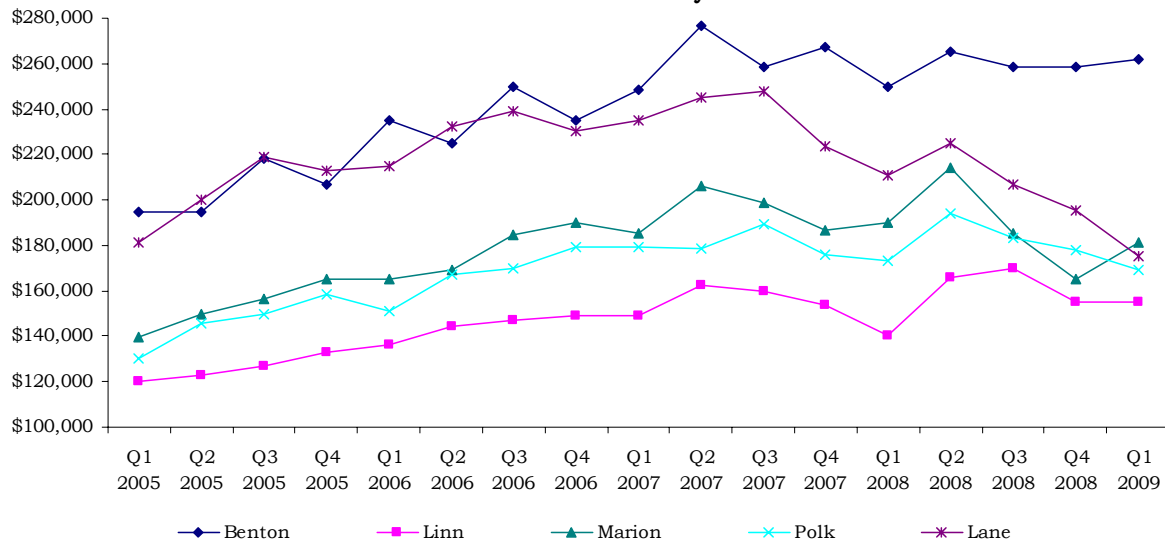
Willamette Valley

**Annual Appreciation Rates of Existing Detached Homes
Willamette Valley
Q1 2008 - Q1 2009**

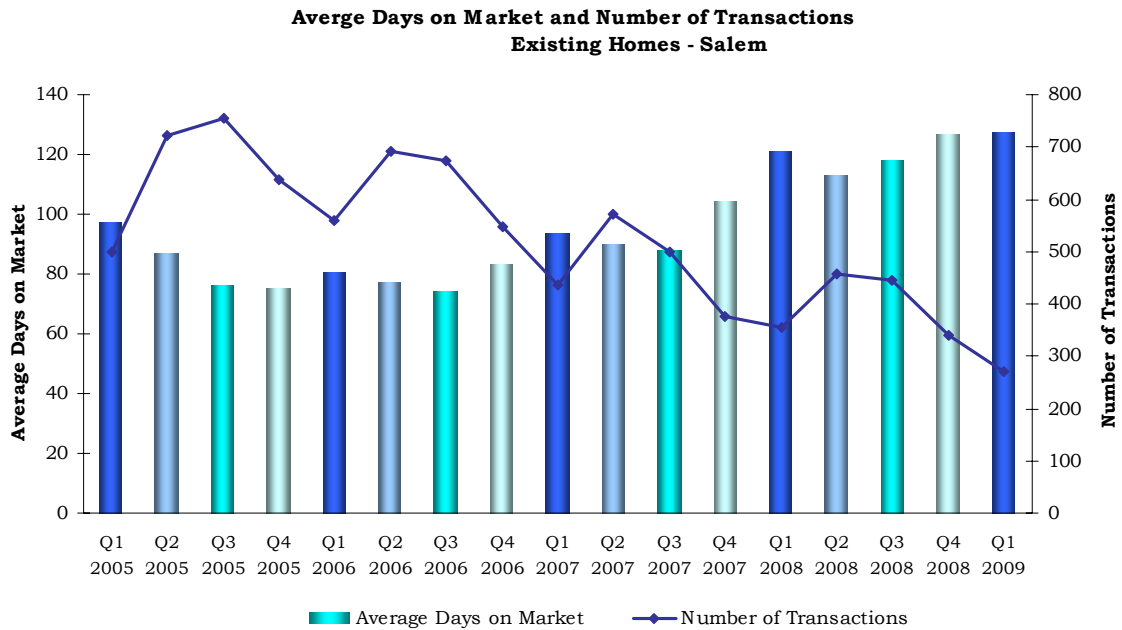
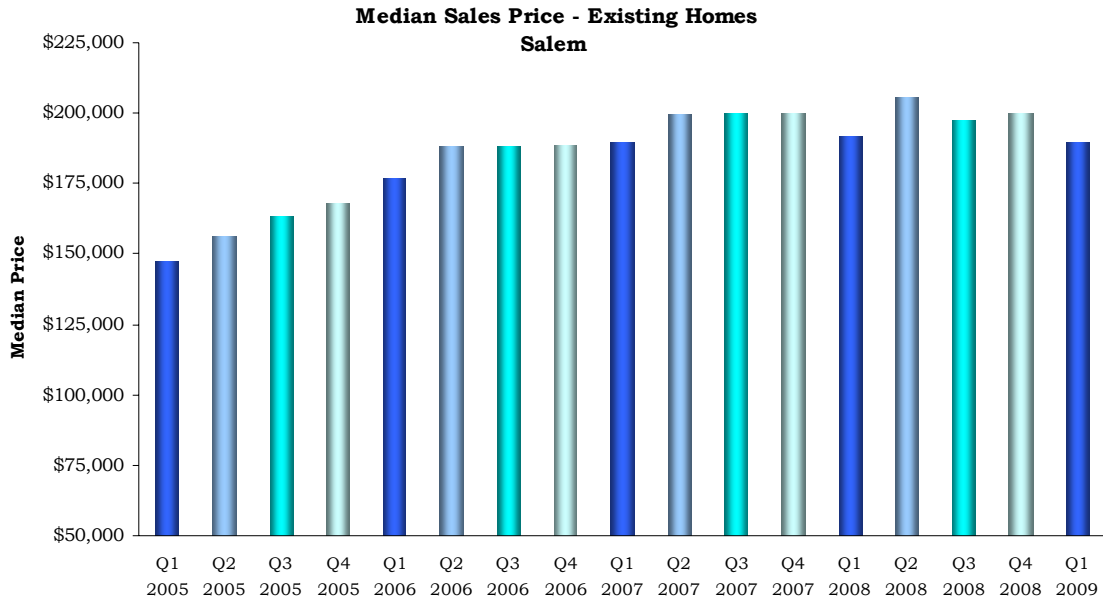


The housing trends found in the northern parts of Oregon continue down the valley and into the southern counties. Lane County has been hit the hardest by the housing crunch, with a -10.5% depreciation quarterly, and a -17.1% annual depreciation of existing homes. However, with such a decline in prices, the average number of days a house remained on the market fell -21% from last year, and the number of transactions rose 212% to 278 transactions. This could be due to sellers lowering their prices, and accepting 85% of their original list price to get the sale. For the other four counties recording an annual depreciation, the number of days on the market rose dramatically and the number of transactions was far lower than the previous year. Linn County's housing market is relatively strong. Median home values are up 10% annually to \$155,000 and the number of transactions rose 4.8%. However, in the longer term perspective, median values are still below 2007 prices, as are the number of days on the market (a 35% increase since 2007). The county's number of transactions is half what it was two years ago.

**Median Sales Price
Existing Detached Homes
Willamette Valley**



The Salem housing downturn continues. Homeowners are waiting an average of four months before their homes sell, resulting in a -23% annual decline in the number of sales for the area. Median home values remain stable, falling less than one percent annually. As stressed in previous sections, a longer term outlook shows the median price of a single family home is still considerably higher than three years ago.



In the joint cities of Eugene/Springfield, median home values were down, the number of transactions fell, and the number of days on the market rose. Homeowners are waiting three months to sell their homes, accepting a sale price averaging 88.8% under their original list price to get the property sold. Median home values remained at the previous quarter's price of \$220,000, and the annual depreciation hovered around a relatively moderate -5%.

**Median Price and Annual Appreciation
Existing Detached Homes
Eugene/Springfield**

