

Housing Market Analysis

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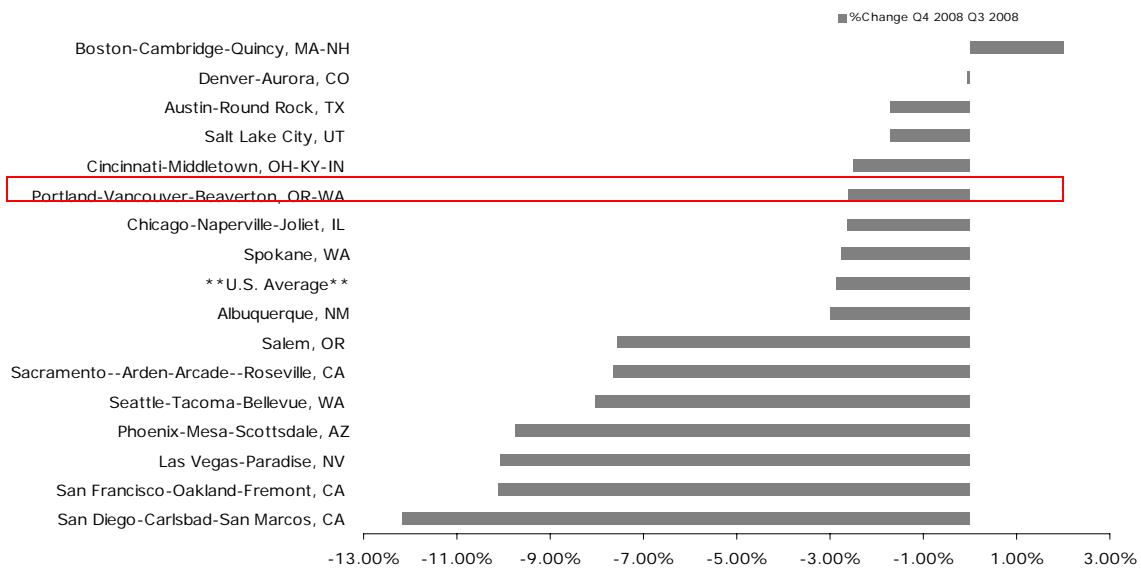
Median Home Values of Existing Detached Homes

	U.S.	West	Portland Metro Area
November 2007 Median Sales Price	\$207,300	\$333,000	\$299,250
November 2008 Median Sales Price	\$180,800	\$248,200	\$275,000
% Change in Median Sales Price	-12.8%	-25.5%	-8.1%
% Change in Number of Sales November 2007-08	-8.8%	19.8%	-41.0%

Source: National Association of Realtors (November 2008) and RMLS (November 2008)

Housing markets across the nation have lost billions of dollars in value during 2008. Median U.S. home values were down -2.86% from third quarter, and -9% from a year ago. Home price indices showed broad-based declines in October, with record rates of annual decline. As seen above, the West Coast has been hit especially hard, with San Diego, San Francisco, and Las Vegas still suffering double digit losses. As the number of building permits issued has decreased by 41% across the nation, the state of Oregon faced bleaker results, with all but Eugene experiencing more than 50% declines in single family building permits.

Median Sales Prices of Existing Single Family Homes By Metropolitan Area



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

The Portland-Vancouver market is no exception to this serious market downturn. According to the Case-Shiller index (pegged at 2000 price levels), Portland’s November index was 162.62 – meaning that a home worth \$100,000 in 2000 was worth \$162,000 in November 2008.¹ This past November marked the slowest month in 15 years for Portland, with only 1,041 homes sold. For the year, Portland home prices fell by 11.5%. Despite its boom a few years ago, Clark County suffered even higher setbacks, with the number of days on the market reaching 17 months in November, and median homes sales down 13% from the previous year.

Building Permits Issued

Year to Date

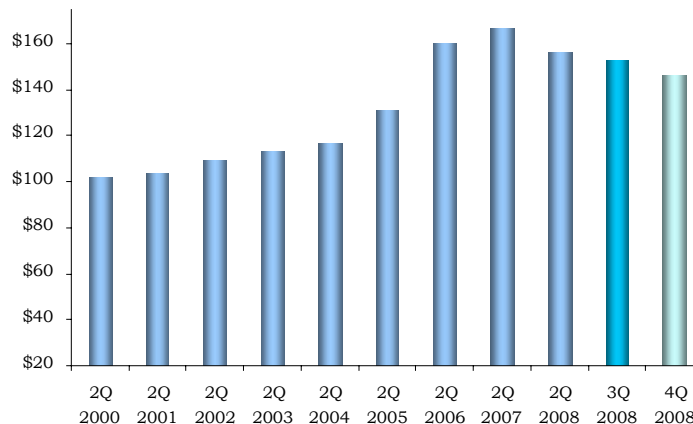
	SINGLE-FAMILY			MULTIFAMILY		
	Nov-08	Nov-07	PCT CHG	Nov-08	Nov-07	PCT CHG
	UNITED STATES	545.7	929.8	-41%	306.8	372.6
OREGON	7.60	15.52	-51%	4.11	5.19	-21%
Bend OR	0.66	1.51	-56%	0.09	0.21	-58%
Corvallis OR	0.05	0.10	-51%	-	0.02	-100%
Eugene-Springfield OR	0.59	0.99	-41%	0.18	0.39	-55%
Medford OR	0.38	0.99	-62%	0.08	0.10	-23%
Portland-Vancouver-Beaverton OR-WA	4.06	8.08	-50%	3.36	4.18	-20%
Salem OR	0.50	1.04	-52%	0.23	0.46	-50%

Portland²

In Portland, for existing single-family homes, the number of transactions in the fourth quarter decreased by an astonishing 35%. The median home price was down 5% from third quarter, and 8% from last year. Though the sale price to original asking price ratio of 93.64 looked promising for sellers in the third quarter, the ratio dropped back down to 90.59 by the end of the year, attributable possibly to the average number of days on the market hitting almost two and a half months’ selling time.

Again, it is important to note that at the close of 2008, price per square foot values are still 16% above 2005 pre-bubble values. Despite the dramatic drop in home sales to 379 for the Portland metro area, the median price remained stable, and actually increased by 2.8% annually.

Single Family Price/SqFt - Portland Metro

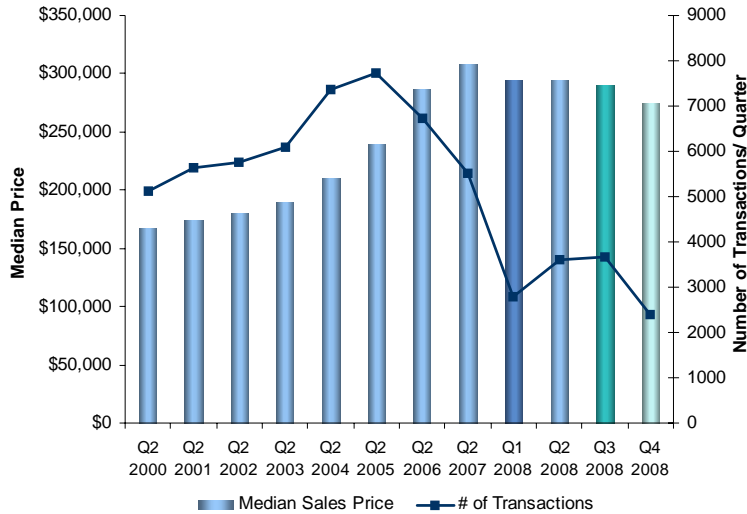


¹ “Case-Shiller: November worst ever for home prices in Portland”. Tuesday, January, 2009

² All Single Family Home data was compiled through RMLS (December 2008)

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

4th Quarter Median Price: \$274,900

Quarterly % Change: -5.17%

Annual % Change: -8.21%

Number of Transactions: 2,379

Quarterly % Change: -35.21%

Annual % Change: -28.67%

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

Portland Metro (Excluding Clark County)

2-Year outlook for Average DOM and Sales Price/Original List Price ratio

4th Quarter Sale/Original ratio: 90.59

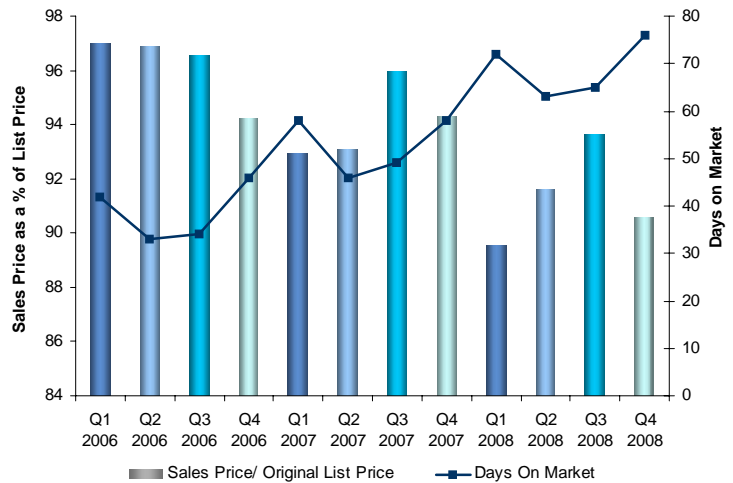
Quarterly % Change: -3.26%

Annual % Change: -3.90%

Days on Market: 76

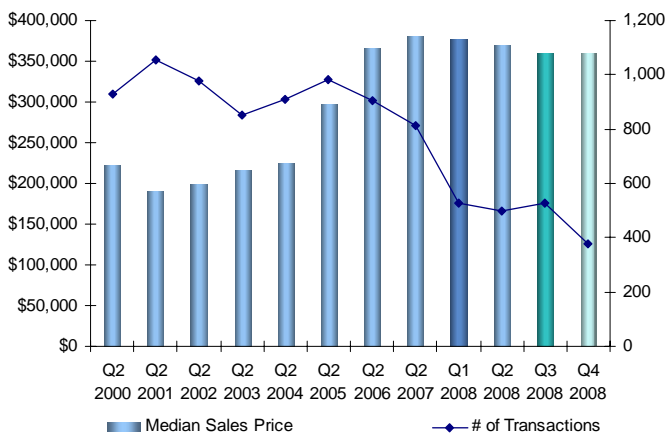
Quarterly % Change: 16.92%

Annual % Change: 31.03%



Median Sales Price & Number of Transactions - New Detached Homes

Portland Metro (Excluding Clark County)



8-Year outlook for new construction single-family home sales

4th Quarter Median Price: \$359,900

Quarterly % Change: 0.00%

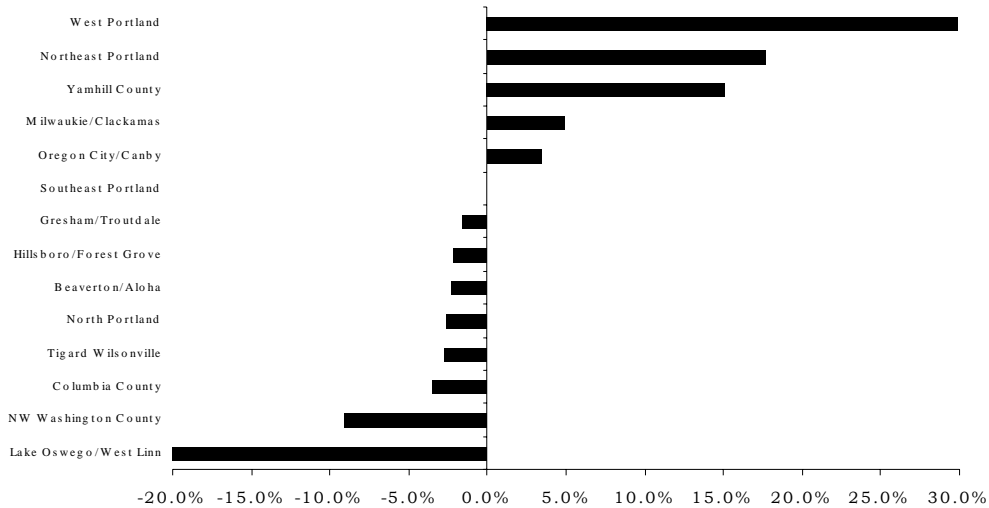
Annual % Change: 2.83%

Number of Transactions: 379

Quarterly % Change: -28.36%

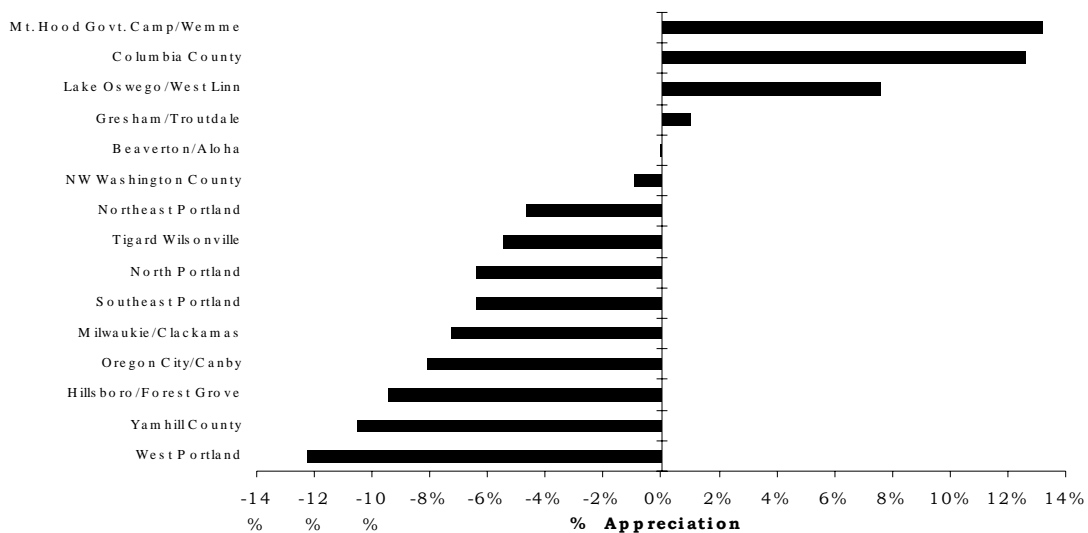
There is wide variation by sub-market. In previous quarters, North Portland was the strongest area for new home sales, and Beaverton joined the ranks in the third quarter. Now it appears that more cities are having more stable new home prices. Lake Oswego remains the most volatile for new home sales, depreciating by levels of 20% from the last quarter.

**Appreciation of New Detached Homes - Portland Sub-Market
Q3 2008 - Q4 2008**



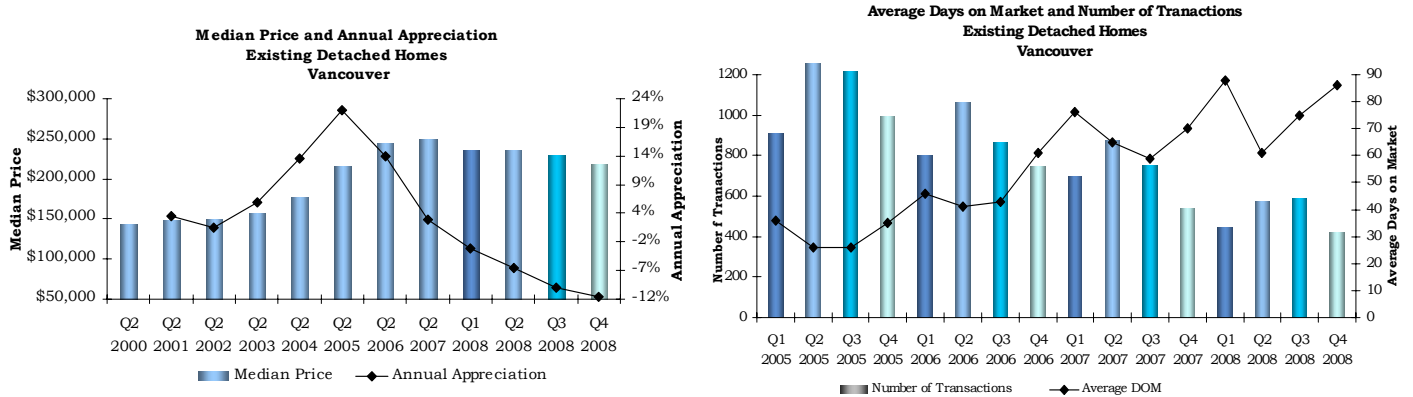
Existing home prices in Lake Oswego appreciated 7.5% from last quarter. For other markets, the depreciation rate for most far exceeded their new home sales.

**Appreciation Rates of Existing Detached Homes - Portland Sub-Market
Q3 2008- Q4 2008**

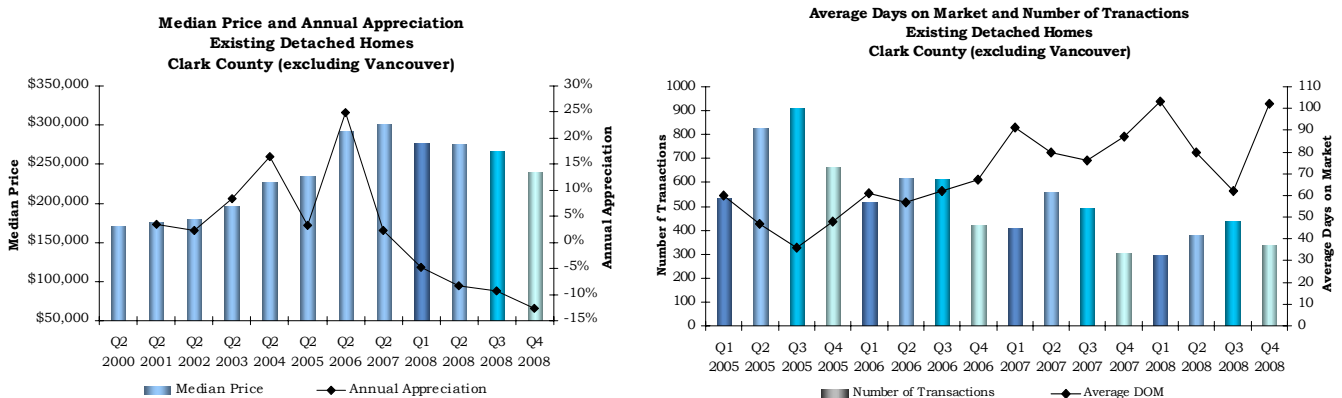


Vancouver

For Vancouver and the surrounding area, the story is similar to that in Multnomah County. For the unincorporated areas of Clark County, the total building permits issued in 2008 hit just under 600, a 52% decrease from 2007's already low 1,245 permits. Existing home prices in Vancouver dropped 11.2% from third quarter numbers. In the suburbs of Clark County, prices depreciated by 12.7%. The number of transactions fell 23% to 335 and the average number of days on the market increased by over 60% to 102 days.

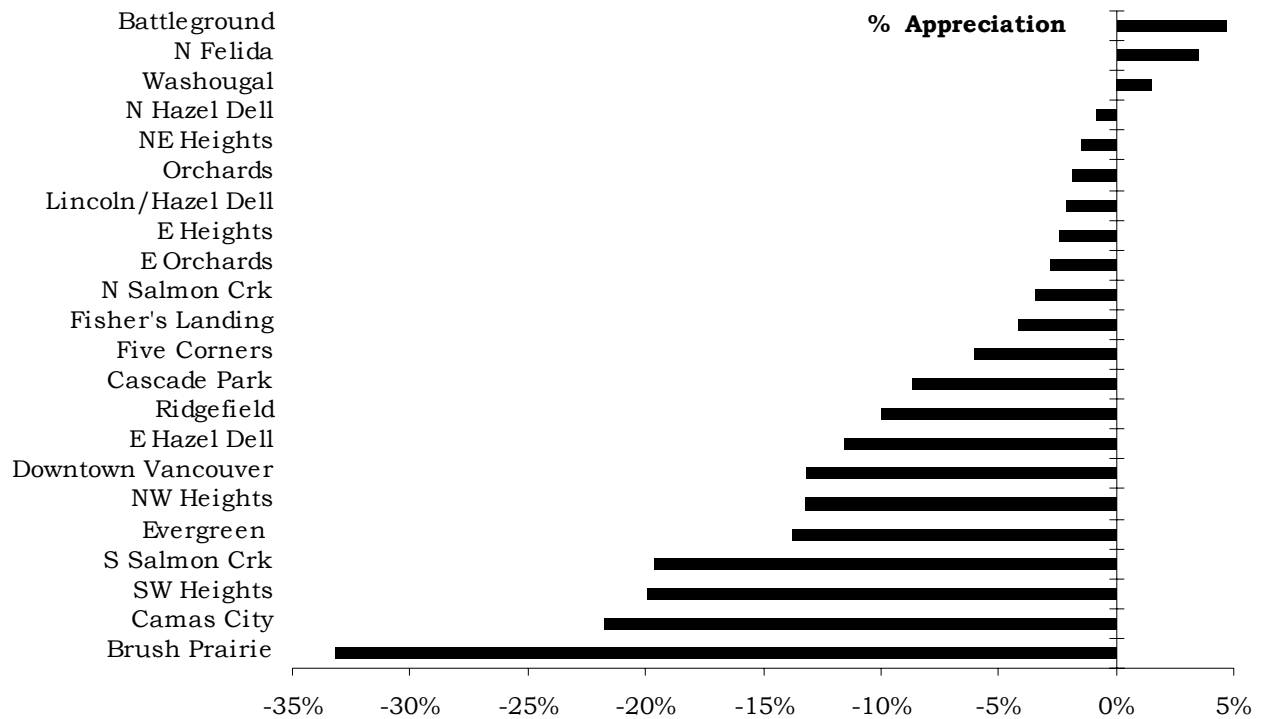


In Clark County, similar trends continue throughout the suburbs. Trends fell back to first quarter levels, with average days on the market increasing by 14% to 86 days, and the number of transactions falling to 422 homes sold, one of only two quarters to fall below 500 transactions in a 5-year outlook.



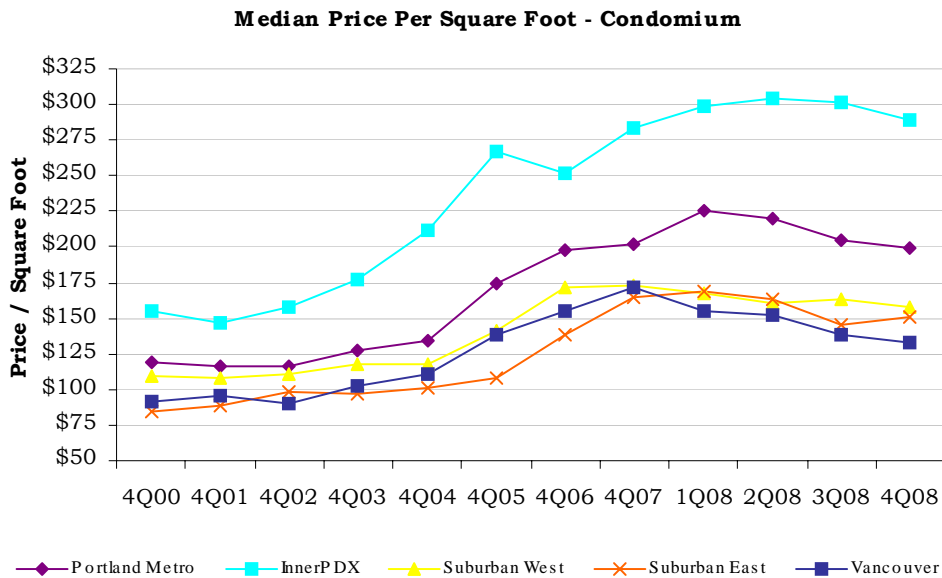
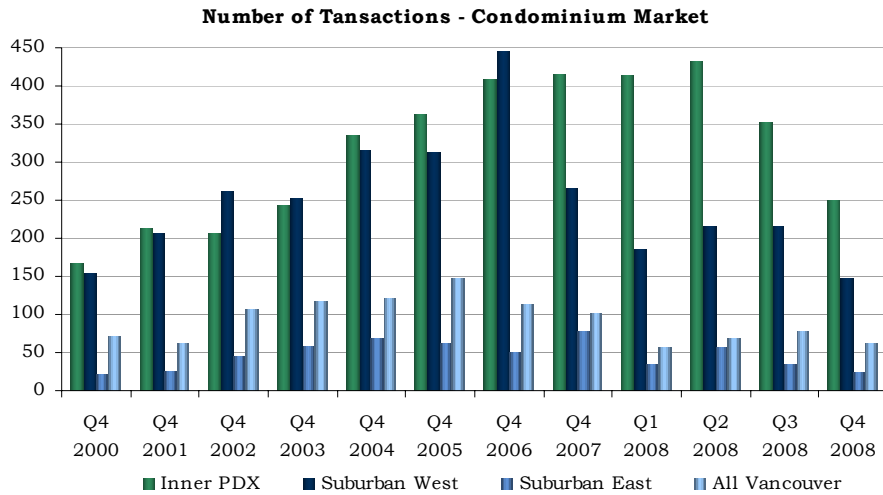
In the Vancouver and Clark County submarket, fourth quarter statistics were depressed. Brush Prairie took the lead, with a 33% quarterly drop in median home price, and 38% annual depreciation. For those realizing substantial appreciation in the third quarter, the numbers are not so generous in the fourth quarter. Where Southwest Heights enjoyed a 20% rise in third quarter prices amid the current recession, they depreciated by 20% this quarter. For those with rising median prices, the results were modest and remained below the 5% range.

**Appreciation Rates of Existing Detached Homes
Vancouver and Clark County Sub Market - Q3 2008 - Q4 2008**



Condominium and Attached Market³

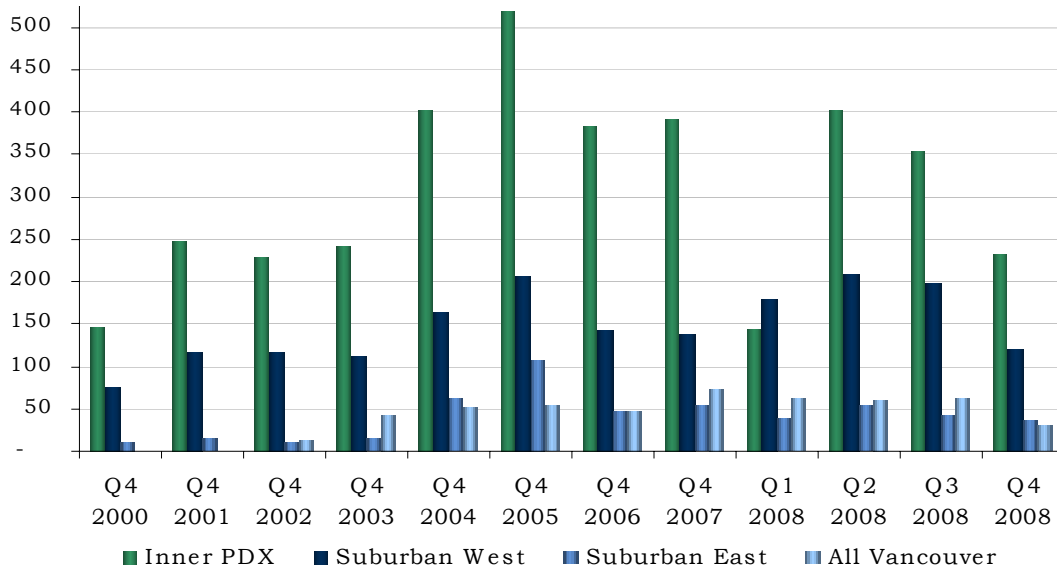
The condominium and attached markets followed the familiar trends of this current recessionary period. Buyer-starved developers have announced plans this year to add roughly 3,000 condominium-to-rental unit conversions to the downtown and surrounding market. As Portland rides the wave of new construction conversion to apartments, vacancy rates, rents, and marketing strategies will change. The median condominium price per-square-foot in the Portland metropolitan area dropped 2% to \$199.65, and the number of transactions is down 30% from the previous quarter. Again, the downtown Portland neighborhoods continue to show the strongest market for both attached and condominium development.



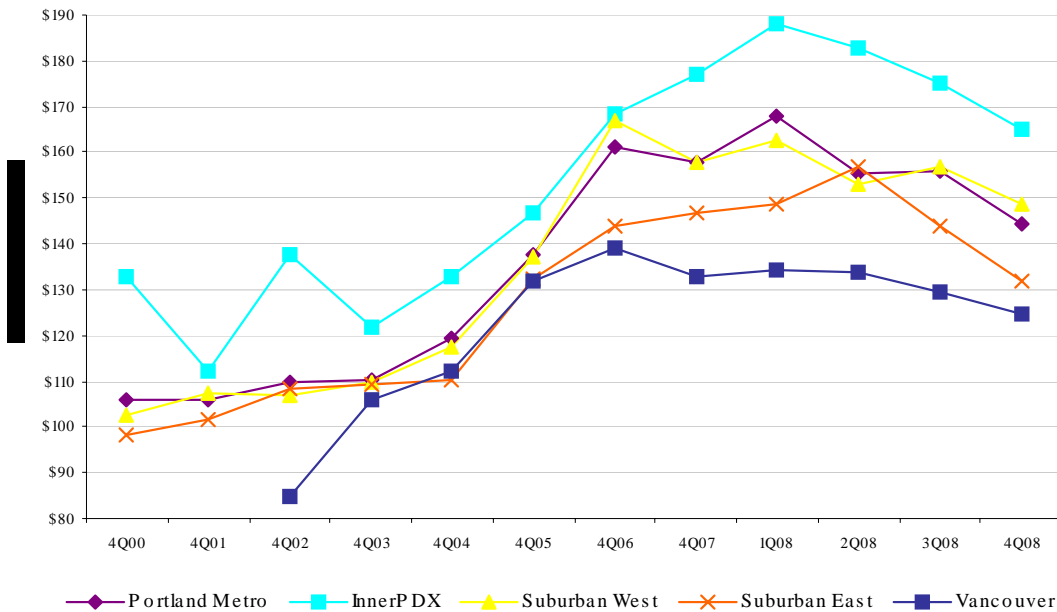
³ RMLS defines attached as “an element of the residence construction is shared with another property. Condominiums are excluded. Condominiums are defined as an attached or stand-alone residence for which the owner has title to the space inside the unit and shares common spaces with other unit owners in accordance with specific legal guidelines.

For the attached single-family market, the number of transactions went down dramatically across Portland. However, sales prices stayed relatively stable. In Vancouver, although median sales were down 10%, the number of transactions increased by 16% in the central Vancouver area, while the city's suburbs enjoyed a strong 60% increase in sales from the previous quarter. As would be expected, annual appreciation was negative across the board, as were the number of transactions (Vancouver suburbs did report an annual 33% increase single-family attached sales).

Number of Transactions - Attached Single Family



Median Price Per Square Foot - Attached



Willamette Valley

4th Quarter 2008 Results

Benton County

Median Price \$258,450
 Days on Market 115
 Units Sold 106
 Appreciation* 0.1%

Linn County

Median Price \$155,000
 Days on Market 114
 Units Sold 181
 Appreciation -8.8%

Marion County

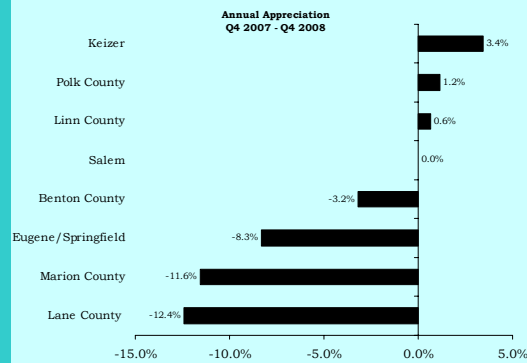
Median Price \$165,000
 Days on Market 138
 Units Sold 75
 Appreciation -10.8%

Polk County

Median Price \$178,000
 Days on Market 455
 Units Sold 65
 Appreciation -3.1%

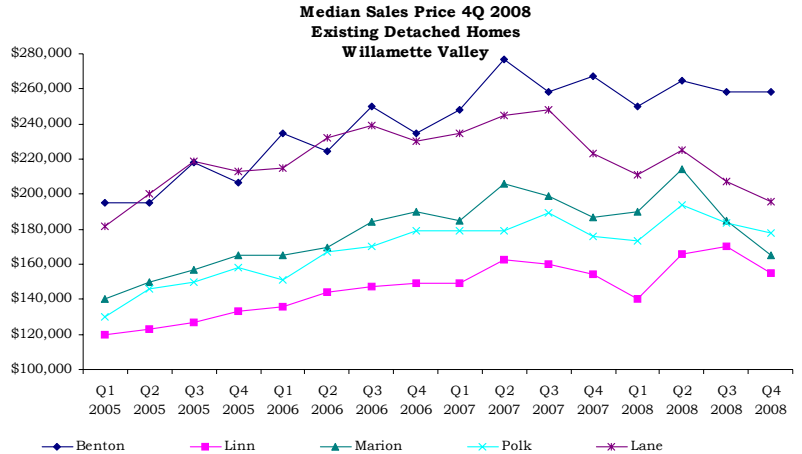
Lane County

Median Price \$195,725
 Days on Market 89
 Units Sold 102
 Appreciation -5.4%



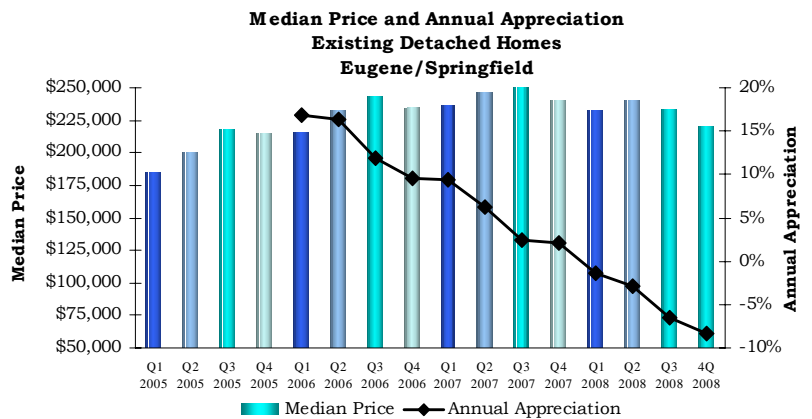
* Quarterly Appreciation for existing detached homes (Q3 2008 - Q4 2008)
 ** Data provided by WVMLS December 2008

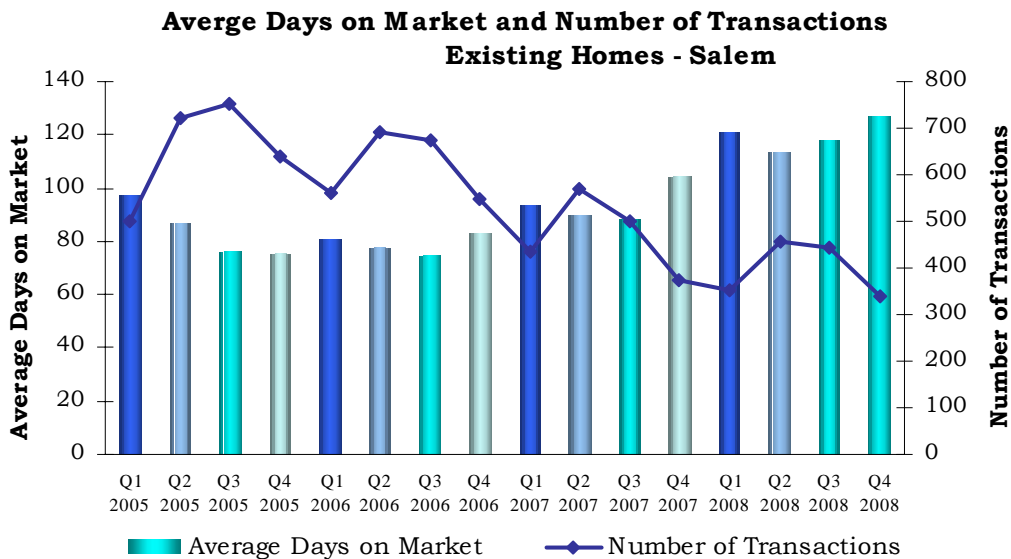
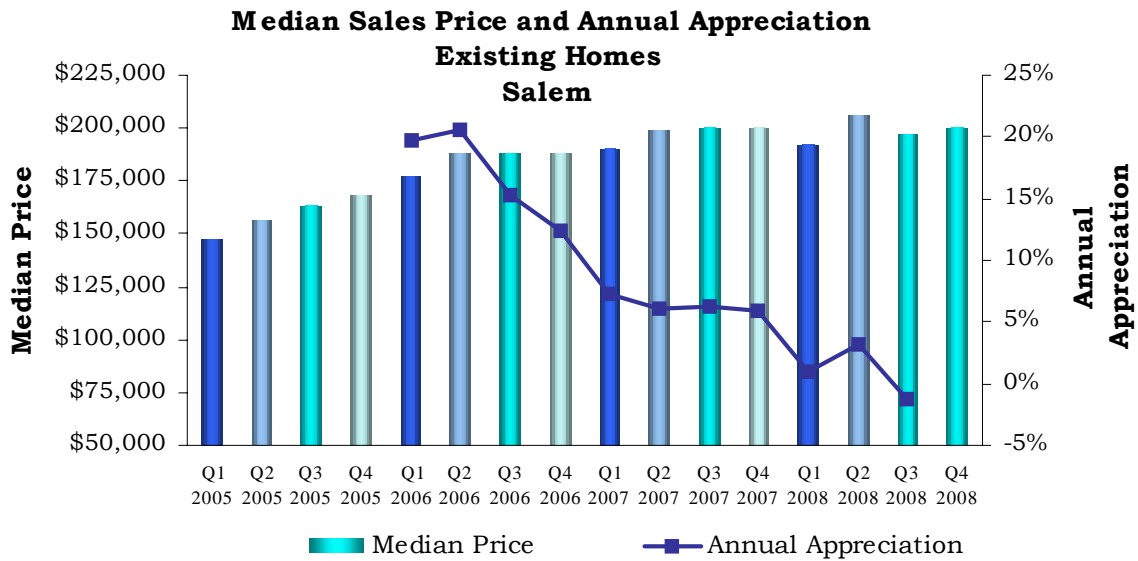
Existing home sales in the Willamette Valley plummeted, with Marion and Lane County again taking the lead. As seen below, the Willamette Valley area has shown a steady decline since the beginning of 2008. However, because of steep falls in median prices at the beginning of the year, Polk and Linn Counties and Keiser registered positive numbers for annual appreciation.



For Lane County, existing homes sold at approximately 88.1% of their original list prices with quarterly median values falling by 5.4% and 12.43% annually.

The Eugene-Springfield area shares a similar story with homes selling at values 91% of their original list prices. Annual home prices fell by 5.8% quarterly, and 8.33% annually. While all counties enjoyed substantial appreciation in the second quarter, all but Benton County are now on the slow decline that has been felt across the state.





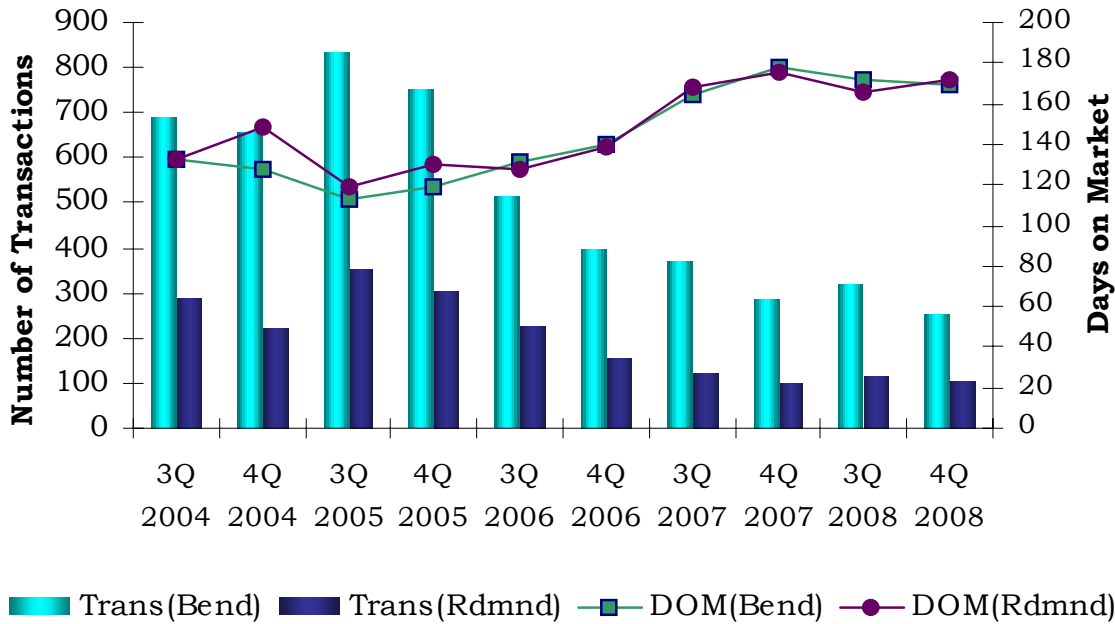
In the Salem area, the fourth quarter resulted in a small, but positive, appreciation of single-family detached homes. Annual median sales registered at the same \$200,000 number and, Salem’s housing values appreciated by 1% annually. Although this is small, it still provides optimism during recessionary times. However, the number of transactions continues to decline by 24% and the average days on the market rose 8% to 127 days.

In neighboring Keizer, annual appreciation for median single-family home values was 3.4%. Although the median value fell by 1% from third quarter, the average days on the market fell by 5%. The number of transactions was low, at 67 homes sold, a 24% decrease from third quarter totals.

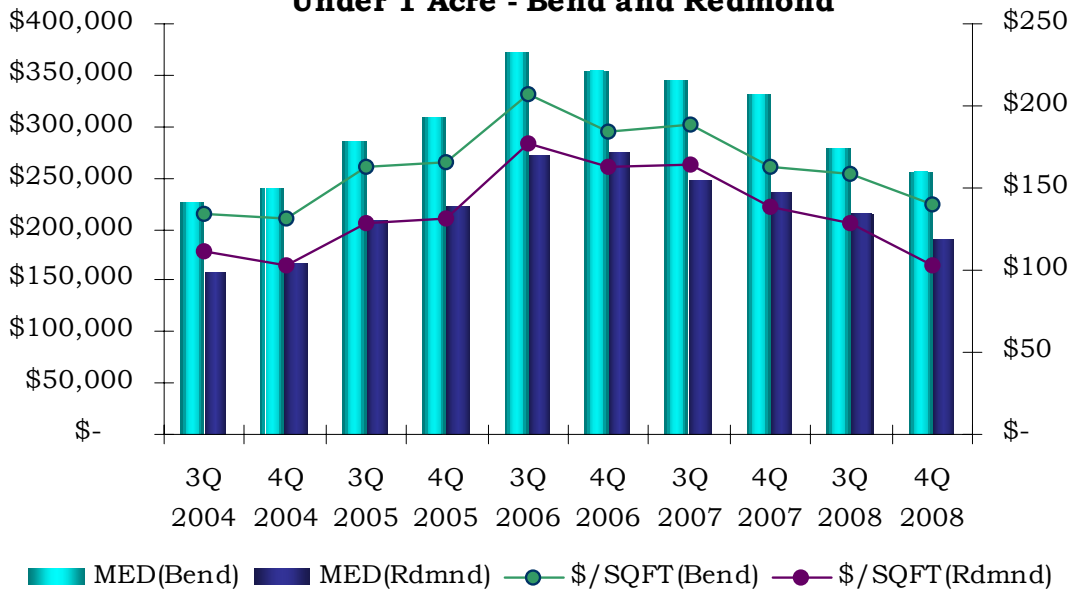
Central Oregon

Cities of Bend & Redmond – Properties under 1 Acre

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

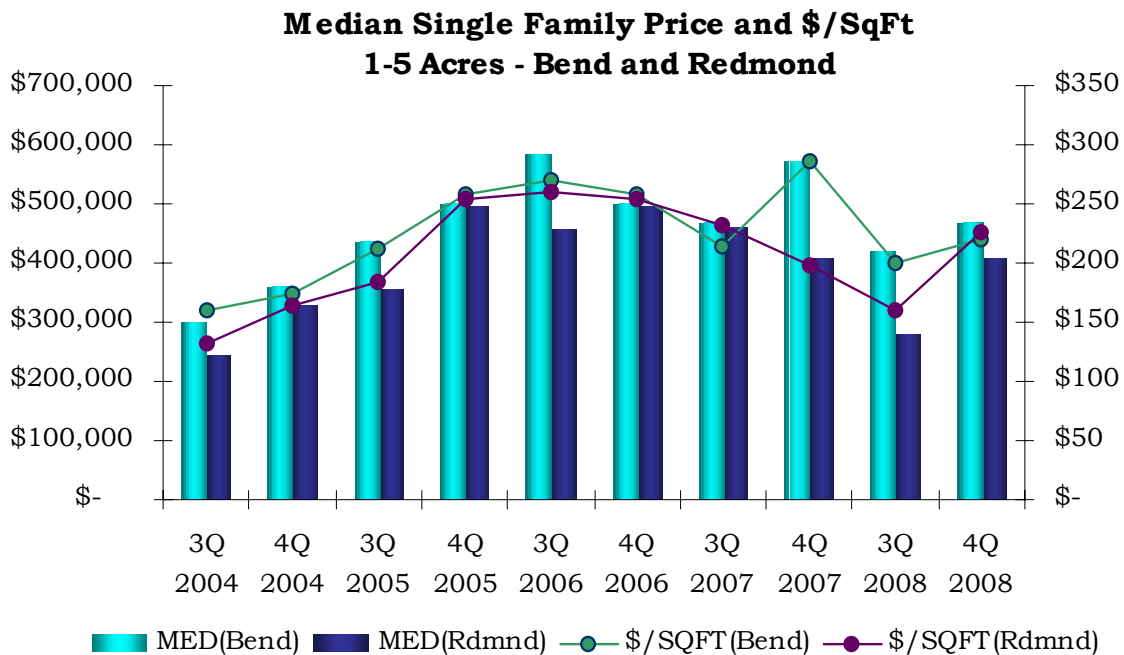


**Median Single Family Price and \$/SqFt
Under 1 Acre - Bend and Redmond**



The downward trend across Oregon continues in Bend and Redmond,. Median prices dropped 9% to \$255,950 in Bend, and -11% to \$189,500 in Redmond. The number of transactions registered 252 for Bend, and hovered at 104 in Redmond. The average number of days on the market was up 4% from last quarter in Redmond, and the price per square foot fell 20% since last quarter. In Bend, the number of days on the market decreased by 2% since third quarter, and the price per square foot fell 12%.

Cities of Bend & Redmond – Properties containing 1-5 Acres



For the larger properties of between 1 and 5 acres, the trends are a bit harder to discern given the small number of transactions. In Bend, the median price appreciated by 12% to \$468,000, the number of days on the market was down 6%, and the price per square foot increased by 11% to \$221/sq. ft.

For Redmond, the seven transactions showed a 46% appreciation rate with the median price hitting \$410,000. This appreciation from the last quarter brought the median back up from the sharp downturn in the third quarter and closer to earlier quarter prices in the mid to high \$400s range. The number of days on the market decreased by 53%, while the price per square foot increased by 42% to \$227/sqft.

