
RESIDENTIAL 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 4.2 percent annually in May, and up 5.3 percent from \$215,400 to \$226,800 in the western part of the United States. During this same time period the Portland metropolitan area experience slightly declining median sales prices, but a measurable leap in sales volume. The median sales price dropped 0.6 percent annually from \$246,700 to \$245,300 and the number of transactions in the metropolitan area increased by 40.6 percent.

	U.S.	West	Portland Metro
May 2009 Median Sales Price	\$172,100	\$215,400	\$246,700
May 2010 Median Sales Price	\$179,400	\$226,800	\$245,300
% Change in Median Sales Price	4.2%	5.3%	-0.6%
% Change in Number of Sales May 2009–2010	0.7%	4.7%	40.6%

Standard & Poor's Case-Shiller Index for Portland was 146.25 at the end of the second quarter (April), down 0.07 percent from the first quarter (January) and down 0.4 percent annually. The 20 city composite is up 3.8 percent compared to the same time last year. The index data shows that in the major U.S. metropolitan cities, home prices are at comparable to what they were in the late summer of 2003. The 20 city composite is down 32.6 percent from its peak in June–July of 2006.

The National Association of Realtors Pending Home Sales Index dropped 30 percent, from April to May 2010 and is down 15.9 percent annually from May 2009. The data measures contracts, not closings, so it is a forward looking indicator. The index decline was expected by many and was heavily influenced by the expiration of the home buyer tax credit, which was partially responsible for three consecutive months of strong gains in the index.

Near the end of June the U.S. Senate voted unanimously to give homebuyers a little more time to close and still be eligible for the homebuyer tax credit. The bill allows buyers who signed a letter of intent to purchase on or before April 30th an additional three months to close. The original closing deadline was June 30th and now homebuyers have until September 30th. The National Association of Realtors estimated that about 180,000 buyers would not have been eligible for the tax credit if the deadline to close was not extended.

Mortgage rates are hitting historic lows that haven't been seen since the 1950's. On July 22, Freddie Mac reported that average rate on the primary mortgage market for a 30 year mortgage was 4.56 percent with 0.7 of point in fees. The *Oregonian* reports that rates are the lowest they have ever been since Freddie Mac starting keeping records in 1971. Rates haven't been lower than they currently are since the 1950's. However, during that time the majority of loans were amortized over 20 or 25 years.

The number of single family building permits issued nationally in May was up 29 percent annually, with an increase of 26 percent in Oregon. Every major submarket in Oregon experienced an annual increase in building permits issued. Salem had the largest percentage change (71 percent) followed by the Portland metropolitan area (49 percent).

Table 11.1 Building permits issued (year to date)

	SINGLE-FAMILY			MULTIFAMILY		
	May-10	May-09	PCT CHG	May-10	May-09	PCT CHG
UNITED STATES	202.2	156.9	29%	53.4	59.2	-10%
OREGON	2.69	2.13	26%	0.37	1.27	-71%
Bend OR	0.16	0.14	17%	0.01	0.03	-69%
Corvallis OR	0.02	0.01	7%	0.02	-	-
Eugene-Springfield OR	0.23	0.16	46%	0.01	0.05	-76%
Medford OR	0.12	0.12	0%	0.02	0.01	89%
Portland-Vancouver-Beaverton OR-WA	1.65	1.11	49%	0.25	0.45	-45%
Salem OR	0.19	0.11	71%	0.02	0.09	-74%

Source: National Association of Home Builders (May 2010)

PORTLAND

The number of Portland metropolitan area home sales increased by 67.8 percent during the second quarter, as buyers closed on purchases of 4,707 existing homes. This is a 40.8

percent increase from the second quarter of 2009 when there were 3,342 transactions in the metropolitan area. Median prices for the first quarter were at \$250,000, which represents a 2 percent increase over the previous quarter but a 2.2 percent reduction annually. Sales price to original list price are coming closer together, with average sales taking place at 92.25 percent of the original list price. This is an increase of about 140 basis points from the previous quarter, and a 50 basis point increase annually. Sellers in the Portland area have their homes on the market for an average of 71 days before closing, reflecting a 5 day decrease from 2009 and a 13 day decrease from the first quarter.

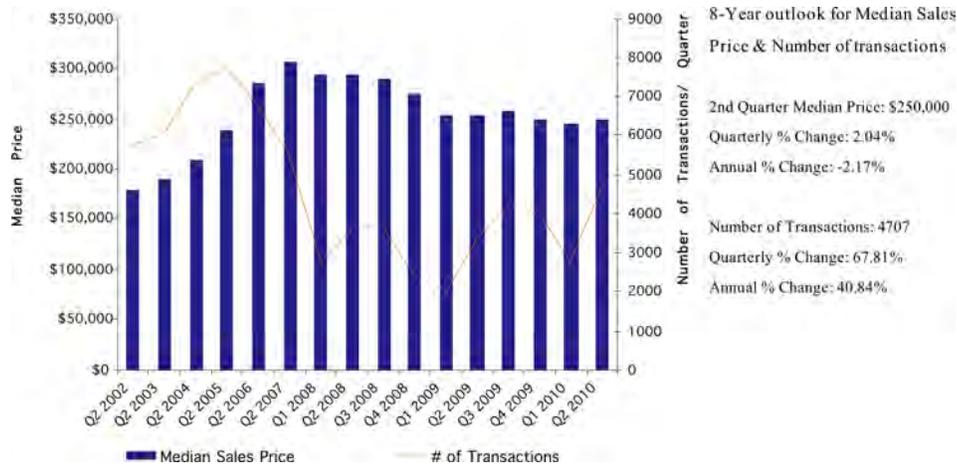


Figure 11.1 Median sales price and number of transactions, existing detached homes, Portland metro

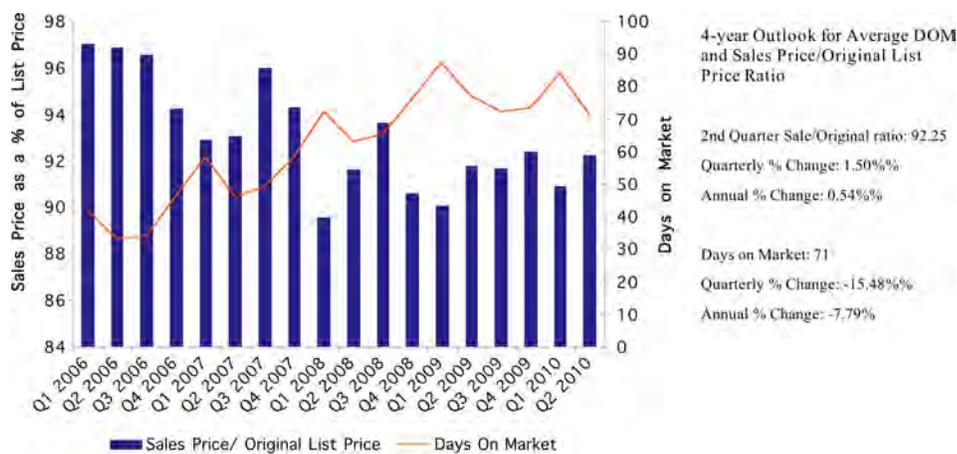


Figure 11.2 Ratio of sale price to original list price and average days on market, existing detached homes, Portland metro

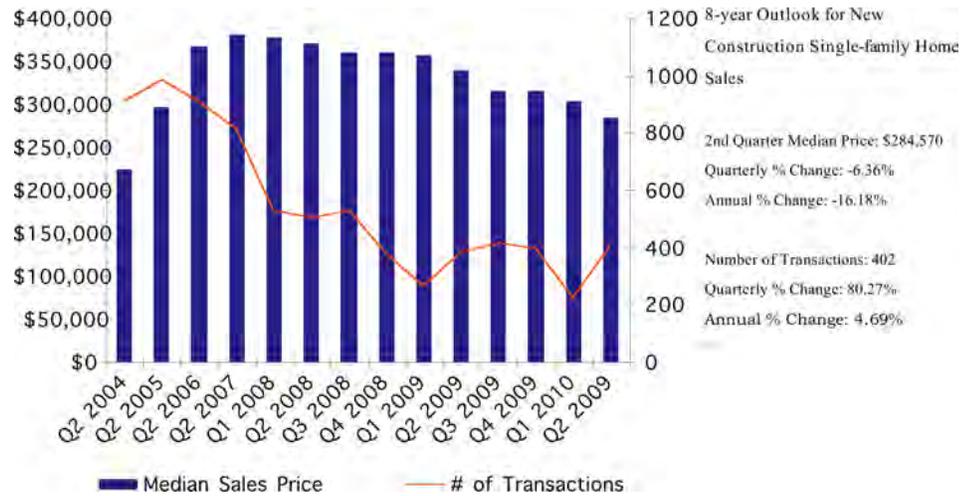


Figure 11.3 Median sales price and number of transactions, new detached homes, Portland metro

Eight of the submarkets listed on the next page experienced quarterly price appreciation on existing detached homes, while the other seven submarkets experienced quarterly price depreciation. Home prices in Southeast Portland increased the most at 6.12 percent, followed by Northeast Portland at 5.82 percent, Beaverton/Aloha at 4.39 percent, Milwaukie/Clackamas at 4.17 percent, Yamhill County at 3.45 percent, Gresham/Troutdale at 1.45 percent Oregon City/Canby at 0.76 percent and NW Washington County at 0.51 percent.

The Tigard/Wilsonville submarket experienced the highest quarterly depreciation rate at -20.66 percent followed by Mt. Hood/Government Camp/Wemme at -15.12 percent and Hillsboro/Forest Grove at -7.49 percent.

Annual results are negative for all but two Portland area submarkets. Lake Oswego/West Linn median sales price is up 3.04 percent from the second quarter of 2009 and the Beaverton/Aloha submarket is up 2.56 percent.

Mirroring the quarterly results, the largest annual depreciation was experienced in Tigard/Wilsonville at -19.41 percent and Mt. Hood/Government Camp/Wemme at -17.89 percent.

VANCOUVER

Vancouver’s median home price was \$192,500 resulting in a quarterly decrease of 1.28 percent and an annual decrease of 1.3 percent in home values. The number of homes sold throughout the second quarter increased substantially to 764, up 67.18 percent quarterly and up 17.54 percent annually. The average number of days on the market is down to 81. First quarter average number of days on the market was 94, while it was 100 during the second quarter of 2009.

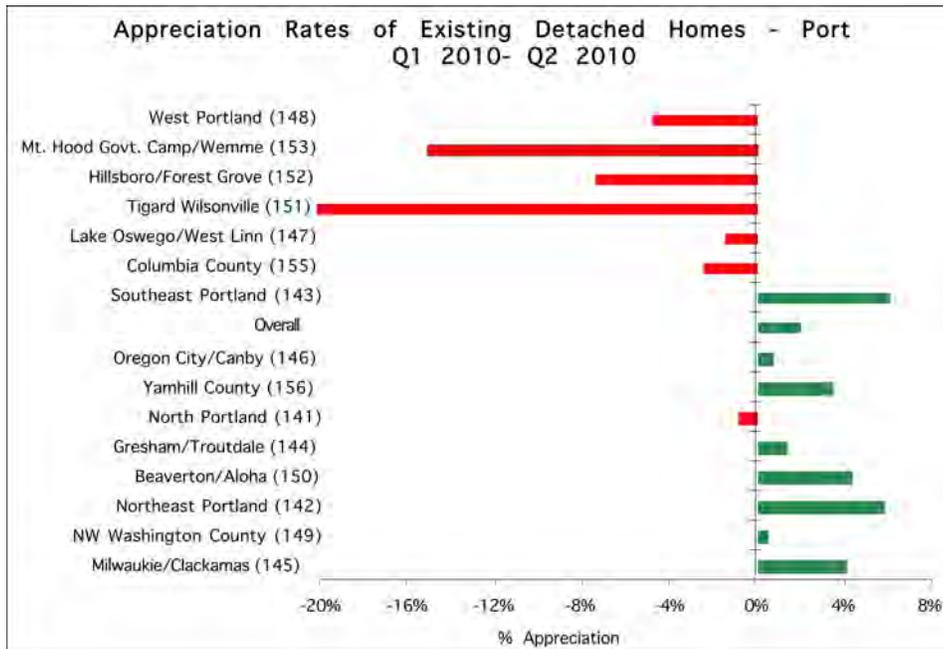


Figure 11.4 Appreciation rates, existing detached homes, Portland metro



Figure 11.5 Median price and annual appreciation rates, existing detached homes, Vancouver

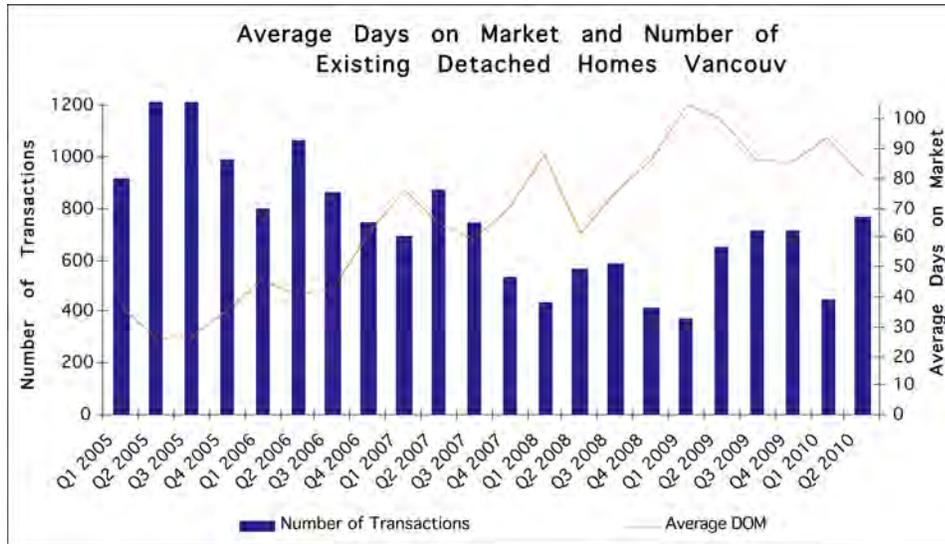


Figure 11.6 Number of transactions and average days on market, existing detached homes, Vancouver



Figure 11.7 Median price and annual appreciation rates, existing detached homes, Clark County, excluding Vancouver

In the Clark County suburbs home prices have increased to \$240,000. This is a 3.45 percent increase from the previous quarter’s median price, but a 2.04 percent decrease annually.

The number of home transactions in Clark County’s suburbs is up 41.2 percent for the quarter and up 36.2 percent annually. There were 610 transactions during the second quarter. The average number of day on the market crept up from 103 to 105. During the second quarter of 2009 homes averaged 100 days on the market.

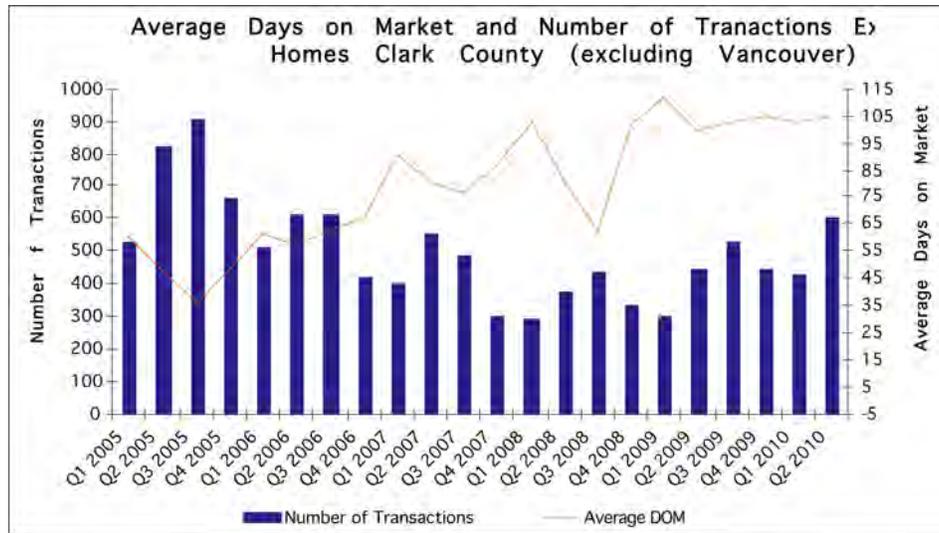


Figure 11.8 Number of transactions and average days on market, existing detached homes, Clark County, excluding Vancouver

Eleven Vancouver/Clark County submarkets experienced price appreciation for the quarter. The Northeast Corner submarket posted the highest gains with an appreciation rate of 56.9 percent (based on only four transactions) followed by Southwest Heights at 46.2 percent (in seven transactions) and Southeast County at 25.8 percent (in eleven transactions).

Conversely 16 submarkets had price depreciation. The Northwest County, East of I-5 area had the highest quarterly depreciation rate of -25.9 percent followed by North Salmon Creek at -18.3 percent and Woodland Area at -14.5 percent

Annual changes show that eleven submarkets had higher median sale values, with Central County (34.6 percent), North Hazel Dell (18.9 percent) and Yacolt (17.9 percent) submarkets increased the most in value.

East Heights (-34.6 percent), Woodland Area (-27.23 percent) and Downtown Vancouver (-22.2 percent) submarkets saw the greatest annual depreciation.

CENTRAL OREGON

Both Bend and Redmond continued to experience increases from the previous year with respect to the number of homes sold. Bend home sales under one acre are up 28 percent to 458 while Redmond’s increased 32 percent to 202. More significant transaction increases

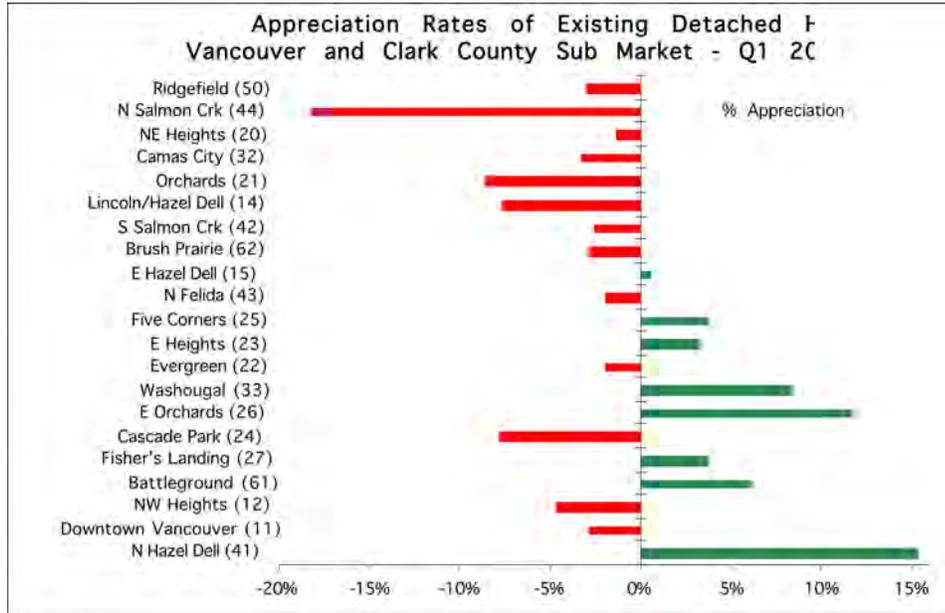


Figure 11.9 Appreciation rates, existing detached homes, Clark County

were seen with homes on 1–5 acres where volumes increased by 103 percent in Bend up to 63 sales and by 71 percent in Redmond up to 24 sales. The average number of days on market spiked from 143 (in the first quarter 2010) to 190 (in the second quarter 2010) in Bend and from 141 to 195 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.

The median home prices for both Central Oregon submarkets remained fairly constant during the second quarter after the significant decline during the first quarter of 2010. However, annually they are down 6 percent in Bend and down 22 percent 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 \$347,750 and are now \$196,000. The median price for Bend homes with 1–5 acres was \$565,000 in 2007 and now is \$315,000. The Redmond submarket experienced similar changes in median sale price during this time frame with homes under one acre dropping from \$255,950 to \$124,500 and homes with 1–5 acres dropping from \$447,450 to \$196,250. Price-per-square-foot numbers were either unchanged or positive for both submarkets and subcategories from the first quarter to the second. Homes on under one acre increased 4 percent to \$106 in Bend and remained unchanged in Redmond at \$76. Price-per-square-foot on homes with 1–5 acres was up 8 percent in Bend to \$143 and up 7 percent in Redmond to \$113.

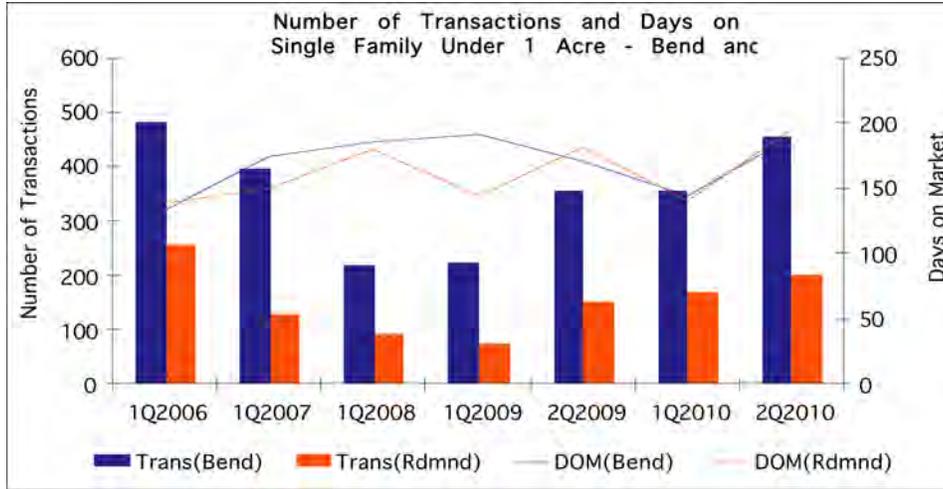


Figure 11.10 Number of transactions and average days on market, single family under 1 acre, Central Oregon

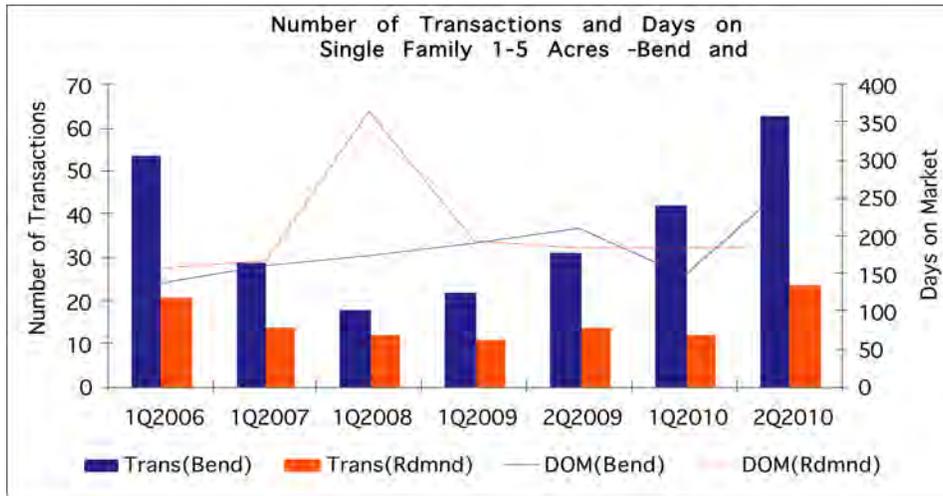


Figure 11.11 Number of transactions and average days on market, single family 1-5 acres, Central Oregon

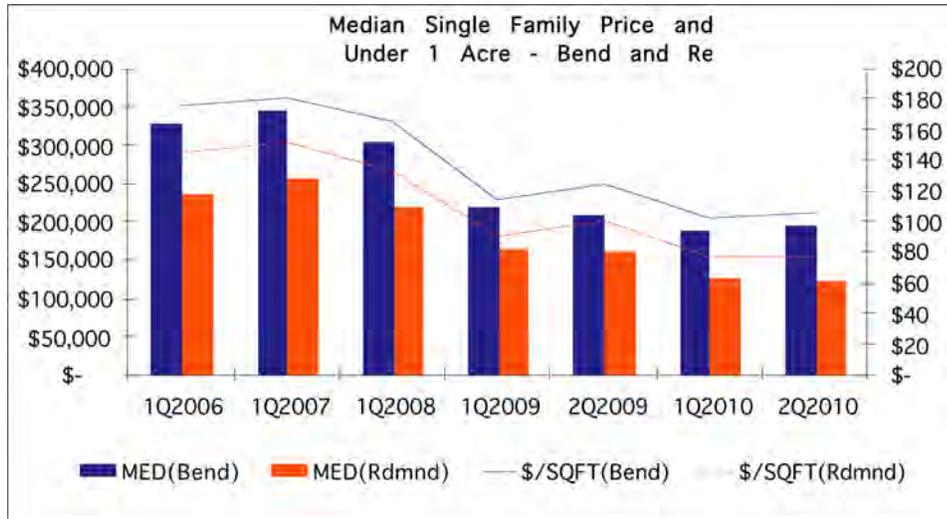


Figure 11.12 Median price and price per square foot, single family under 1 acre, Central Oregon

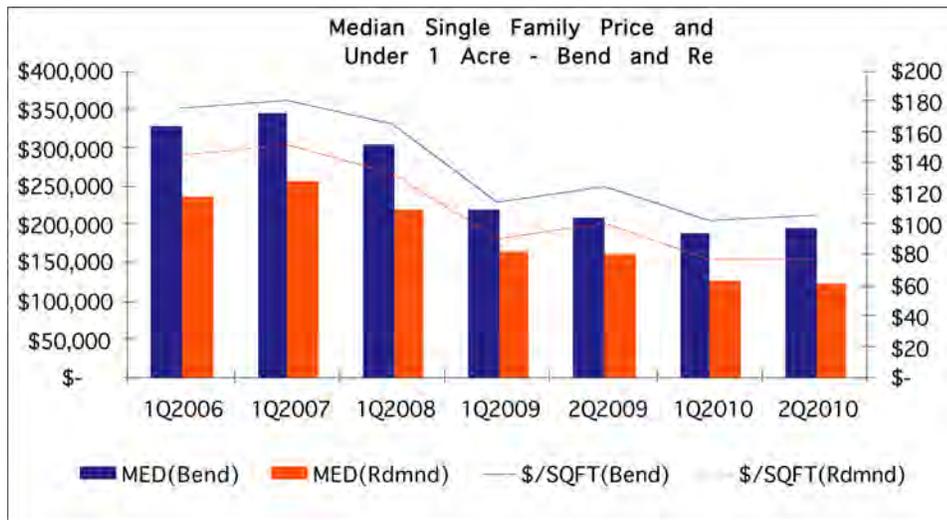


Figure 11.13 Median price and price per square foot, single family 1–5 acres, Central Oregon

WILLAMETTE VALLEY

All Willamette Valley submarkets experienced annual depreciation on existing home prices except Lane County (4.2 percent) and Eugene/Springfield (0.7 percent). Salem had the worst year in the valley with price depreciation of -8.7 percent followed by Benton County at -5.9 percent

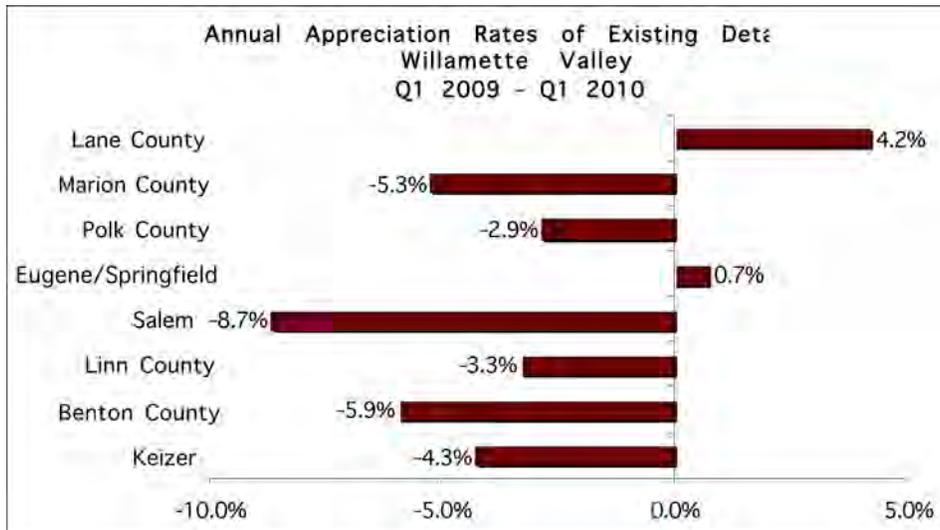


Figure 11.14 Appreciation rates, existing detached homes, Willamette Valley

The number of transactions over the past year increased annually for all of these submarkets with Linn and Benton Counties up the most at 52.1 percent and 50.9 percent respectively.

The number of days on the market decreased both annually and quarterly for all of these submarkets with the exception of Marion County outside of Salem which was up 12.6 percent from the second quarter of 2009. The largest drop in average days on market was Linn County which dropped from 152 days during the first quarter of 2010 to 117 during the second quarter. Linn County is down 15 percent annually.

SALEM

Salem's housing market again experienced annual depreciation while the number of days on the market increased. However, the number of transactions increased from the second quarter of 2009.

Prices declined 8.68 percent from the previous year to \$173,500. Meanwhile, the average number of days on market increased to 140 from 136 in the first quarter. Average days on market in the first second quarter of 2009 was 141.

The number of transactions remained flat from the previous year at 140 during the quarter, but there has been an upward trend in transaction volume since the first quarter of 2009 (except for the seasonal dip during the first quarter of 2010).

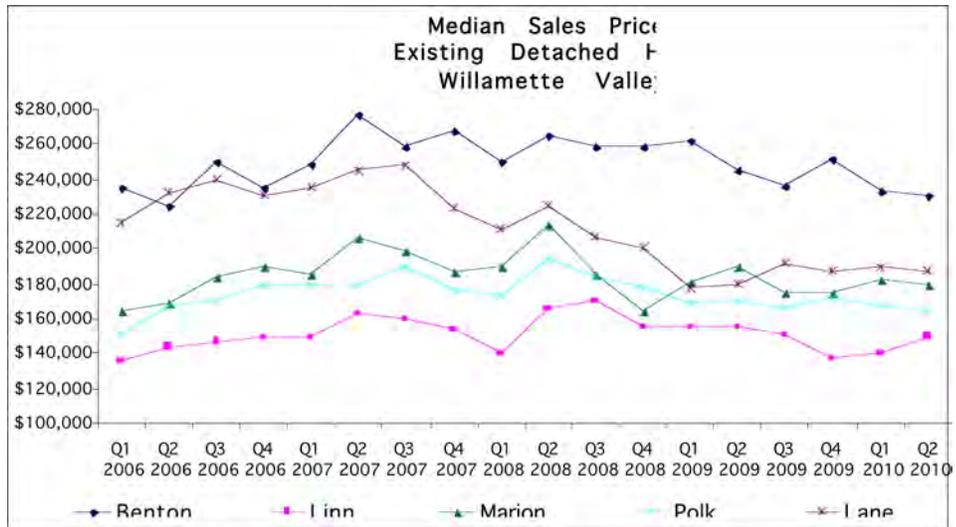


Figure 11.15 Median price and annual appreciation rates, existing detached homes, Willamette Valley

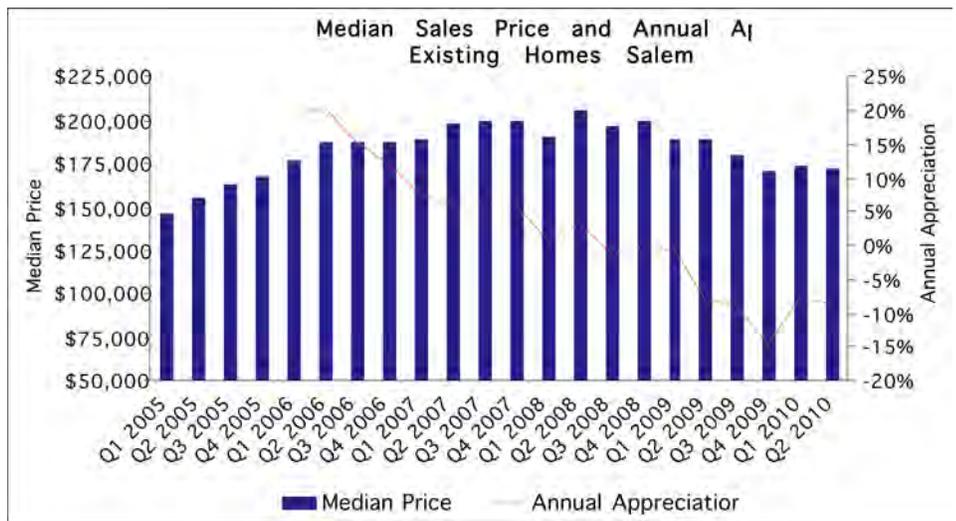


Figure 11.16 Median price and annual appreciation rates, existing homes, Salem



Figure 11.17 Number of transactions and average days on market, existing homes, Salem

EUGENE/SPRINGFIELD

The Eugene/Springfield area experienced increasing home prices relative to the second quarter of 2009 and the number of transactions rose 35.9 percent annually to 663. The number of transactions year over year have been increasing since the second quarter of 2009. The median price was up 0.71 percent to \$214,900. ■

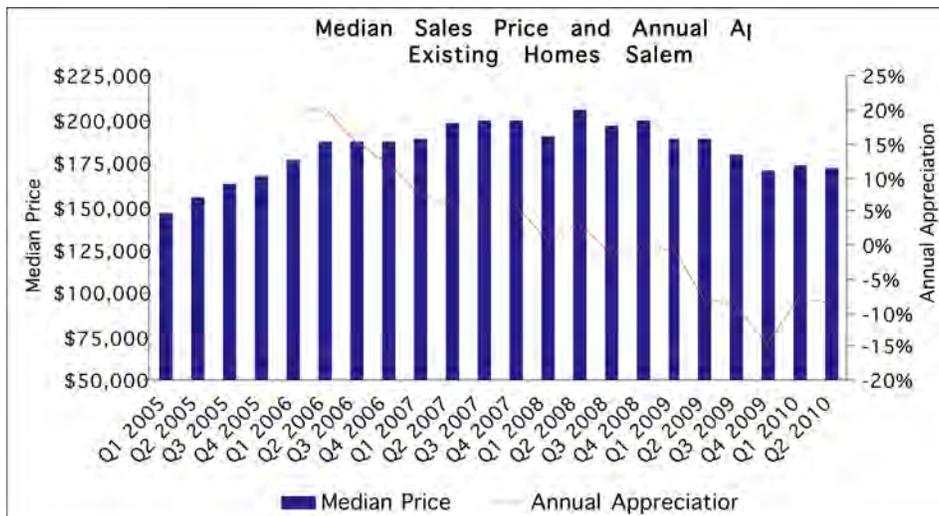


Figure 11.18 Median price and annual appreciation rates, existing detached homes, Eugene/Springfield

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