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## RESIDENTIAL MARKET ANALYSIS

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EVAN ABRAMOWITZ

RMLS Student Fellow

Master of Real Estate Development Graduate Student

September existing-home sales declined modestly, but inventory continued to tighten and the national median home price recorded its seventh back-to-back monthly increase from a year earlier, according to the National Association of Realtors.

Total existing-home sales, which are completed transactions that include single-family homes, townhomes, condominiums and co-ops, fell 1.7 percent to a seasonally adjusted annual rate of 4.75 million in September from an upwardly revised 4.83 million in August, but are 11.0 percent above the 4.28 million-unit pace in September 2011.

Lawrence Yun, NAR chief economist, said the market trend is up. “Despite occasional month-to-month setbacks, we’re experiencing a genuine recovery,” he said. “More people are attempting to buy homes than are able to qualify for mortgages, and recent price increases are not deterring buyer interest. Rather, inventory shortages are limiting sales, notably in parts of the West.”

Single-family home sales declined 1.9 percent to a seasonally adjusted annual rate of 4.21 million in September from 4.29 million in August, but are 10.8 percent

■ Evan Abramowitz is a multifamily investment specialist with Joseph Bernard LLC Investment Real Estate. He is currently working towards the Master of Real Estate Development degree through Portland State University’s School of Business where he is an RMLS Student Fellow. Any errors or omissions are the author’s responsibility. Any opinions expressed are those of the author solely and do not represent the opinions of any other person or entity.

higher than the 3.80 million-unit level in September 2011. The median existing single-family home price was \$184,300 in September, up 11.4 percent from a year ago.

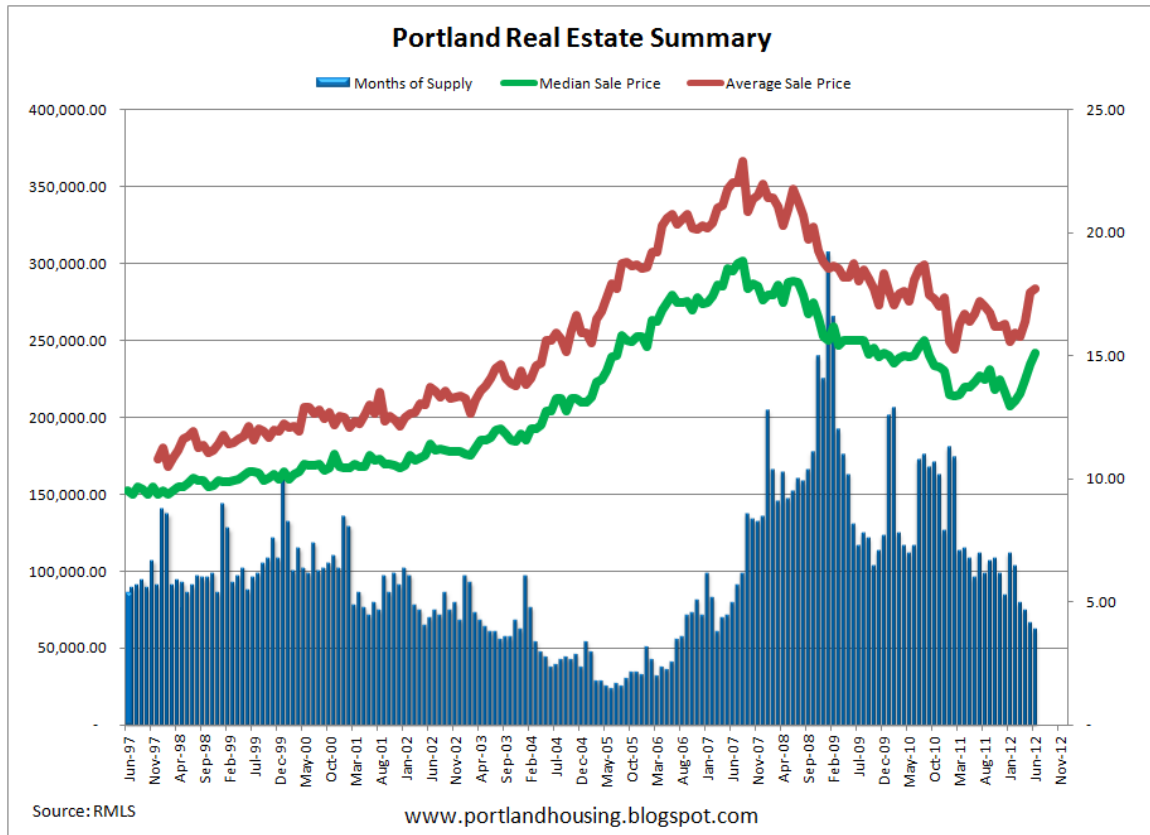
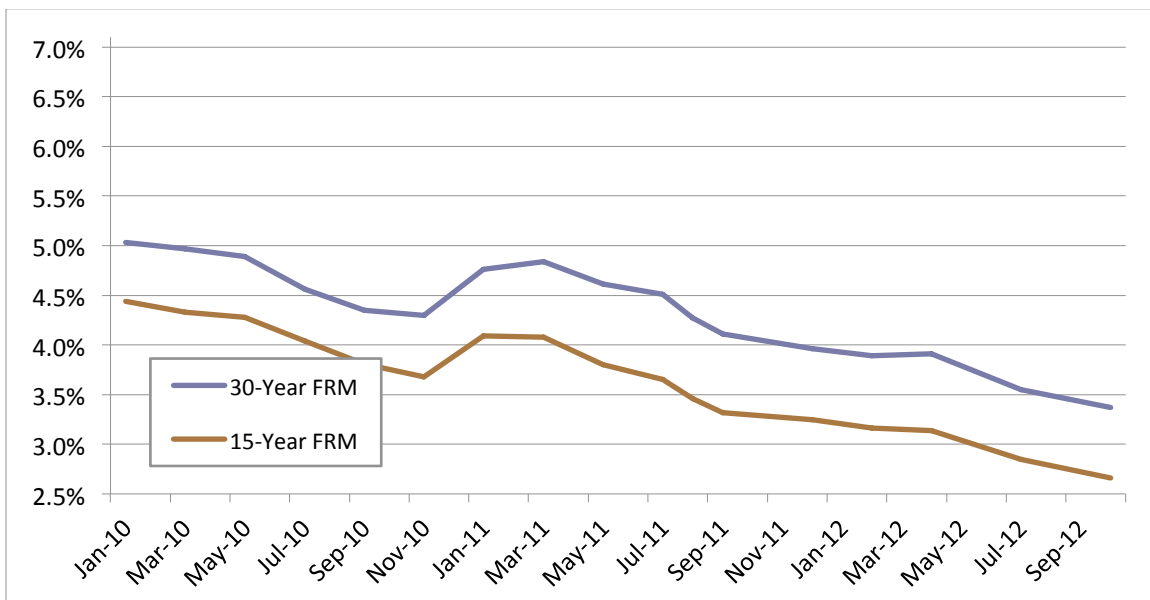
Existing condominium and co-op sales were unchanged at a seasonally adjusted annual rate of 540,000 in September, but are 12.5 percent above the 480,000-unit pace a year ago. The median existing condo price was \$181,000 in September, which is 10.0 percent higher than September 2011.

Regionally, existing-home sales in the Northeast fell 6.3 percent to an annual level of 590,000 in September but are 7.3 percent above September 2011. The median price in the Northeast was \$238,700, up 4.1 percent from a year ago.

Existing-home sales in the Midwest slipped 0.9 percent in September to a pace of 1.10 million but are 19.6 percent higher than a year ago. The median price in the Midwest was \$145,200, up 7.0 percent from September 2011.

In the South, existing-home sales increased 0.5 percent to an annual level of 1.93 million in September and are 14.2 percent above September 2011. The median price in the region was \$163,600, up 13.1 percent from a year ago.

Existing-home sales in the West fell 3.4 percent to an annual pace of 1.13 million in September but are 0.9 percent above a year ago. With continuing inventory shortages in the region, the median price in the West was \$246,300, which is 18.4 percent higher than September 2011.

**Figure 1: Portland Sale Price & Inventory Data 1997-2012****Figure 2: Single Family Mortgage Interest Rate**

Mortgage interest rates had been steadily decreasing since the first quarter of 2011 and are now at nearly 60-year lows. The national average commitment rate for a 30-year conventional, fixed-rate mortgage was 3.37 percent in October, down from 3.68 percent in June; the rate was 4.55 percent in July 2011.

First time homebuyers constituted 32 percent of homes in September, up from 31 percent in August. They were 32 percent in September 2011. Investors purchased 18 percent of homes in September, which was unchanged from August.

**Table 1: Median Home Values of Existing Detached Homes**

	U.S.	West	Portland Metro Area
September 2011 Median Sales Price	\$165,400	\$211,100	\$230,400
September 2012 Median Sales Price	\$184,300	\$250,000	\$238,000
% Change in Median Sales Price	11.4%	18.4%	3.2%
% Change in Number of Sales Sept 2011- Sept 2012	10.8%	1.0%	17.7%

Source: National Association of Realtors

Standard & Poor's Case-Shiller Index for Portland was 140.80 through August 2012. The represents an increase of 0.49 percent from July 2012, and a year-over-year increase of 3.60 percent. Case-Shiller's 20 city composite index is up 1.98 percent compared to the same time last year. The index data shows that in 18 of the 20 major U.S. metropolitan cities, home prices increased from the previous month.

Foreclosure filings were reported on 531,576 U.S. properties during the quarter, a decrease of 5 percent from the second quarter and a decrease of 13 percent from the third quarter of 2011 — the ninth consecutive quarter with an annual decrease in foreclosure activity. This was the lowest total since 2007. The report also shows one in every 248 U.S. housing units with a foreclosure filing during the quarter.

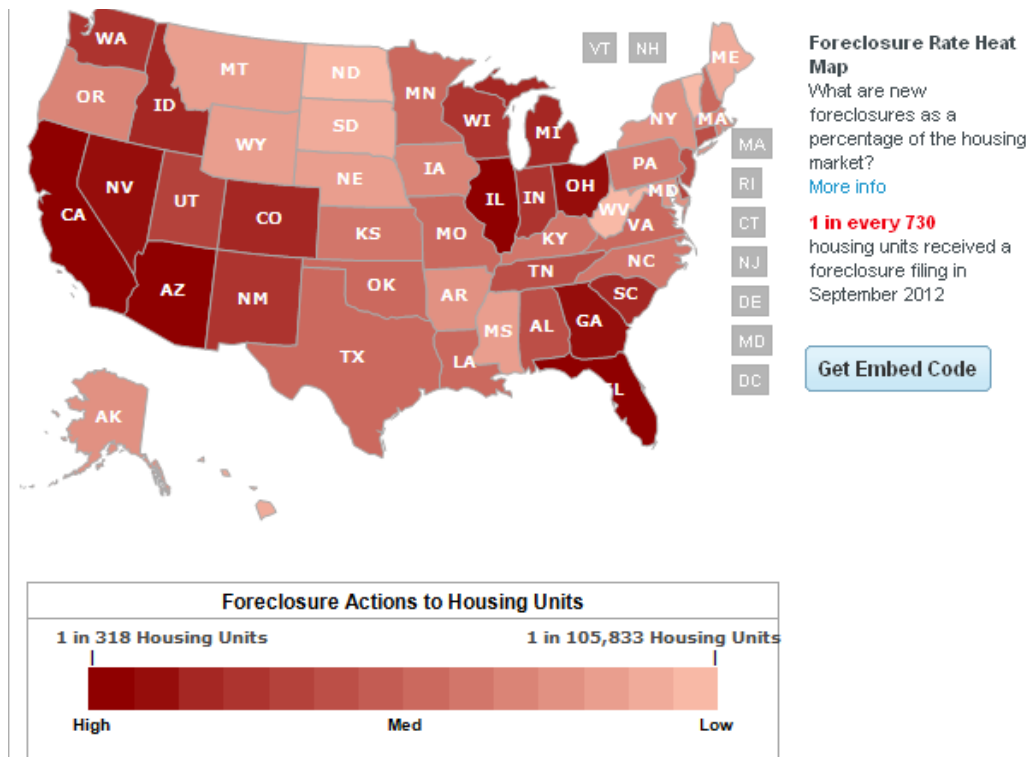
"We've been waiting for the other foreclosure shoe to drop since late 2010, when questionable foreclosure practices slowed activity to a crawl in many areas, but that other shoe is instead being carefully lowered to the floor and therefore making little noise in the housing market — at least at a national level," said Daren Blomquist, vice president at RealtyTrac. "Make no mistake, however, the other shoe is dropping quite loudly in certain states, primarily those where foreclosure activity was held back the most last year.

"Meanwhile, several states where the foreclosure flow was not so dammed up last year could see a roller-coaster pattern in foreclosure activity going forward because of recent legislation or court rulings that substantively change the rules to properly foreclose," Blomquist added. "A backlog of delayed foreclosures will likely

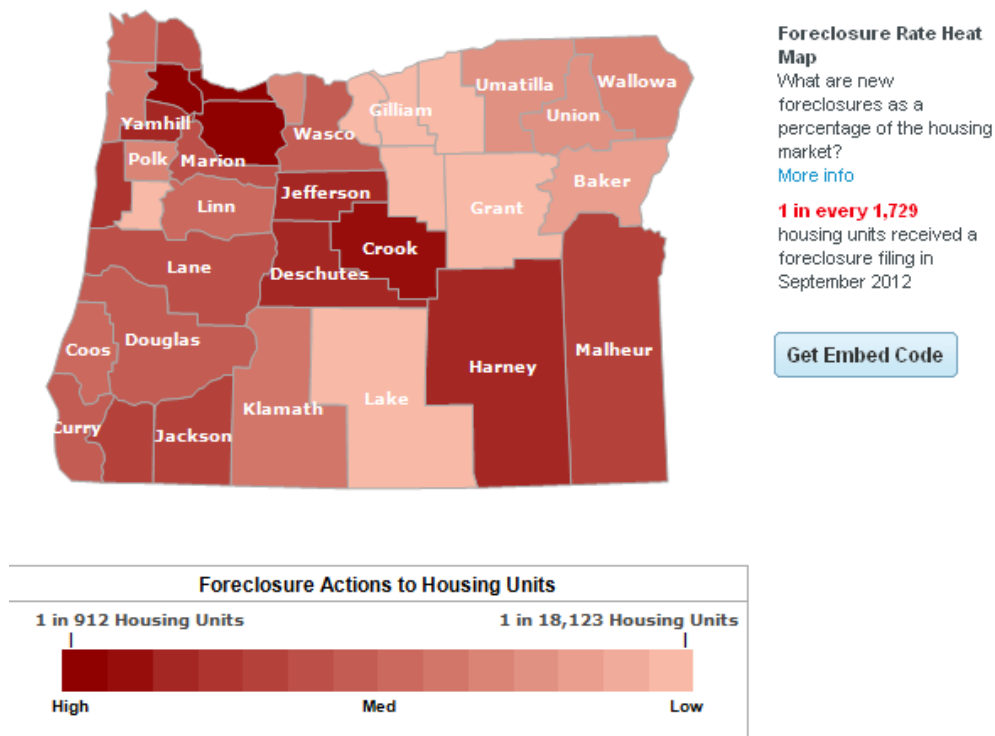
build up in those states as lenders adjust to the new rules, with many of those delayed foreclosures eventually hitting down the road.”

During September 2012 Oregon reported 969 foreclosure filings. Multnomah County had the state’s highest level of activity in September 2012 with 275 homes. In the U.S., one in every 730 homes received a foreclosure filing while one in every 1,729 homes in Oregon received a foreclosure filing during September 2012.

**Figure 3: Foreclosure Rate Heat Map, September 2012**



Source: RealtyTrac

**Figure 4: Foreclosure Rate Heat Map-Oregon, September 2012**

Source: RealtyTrac

According to RealtyTrac, the ten states that ranked the highest in foreclosure rates in September 2012 were Florida, Arizona, California, Illinois, Georgia, Nevada, Ohio, Michigan, South Carolina, and Colorado. Of these states, Florida posted the nation's highest state foreclosure rate, with one in every 117 housing units receiving a foreclosure filing in September 2012, more than twice the national average and the first time Florida has lead the rankings since April 2005. In Arizona one in every 125 housing units and in California one in every 125 housing units filed for foreclosure during September 2012.

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

	Single Family			Multi Family		
	Aug-12	Aug-11	% Change	Aug-12	Aug-11	% Change
United States	345.9	284.6	22%	187.6	123.0	53%
Oregon	4.55	3.58	27%	2.59	1.41	84%
Portland-Vancouver-Beaverton OR-WA	3.16	2.15	47%	1.81	1.04	75%
Salem OR	0.19	0.16	24%	0.19	0.07	164%
Eugene-Springfield OR	0.26	0.28	-8%	0.31	0.12	172%
Bend OR	0.48	0.34	41%	0.05	0.01	671%
Corvallis OR	0.04	0.02	90%	0.19	0.17	13%
Medford OR	0.24	0.18	38%	0.07	0.07	-7%

Source: National Association of Home Builders

Single family building permits have increased sharply thus far in 2012 in the US and Oregon. The Portland, Bend, Corvallis, Salem, and Medford markets increased more than the US average for single-family with Corvallis increasing 90 percent over this time last year. Eugene was the only major market that decreased by 8 percent. Multifamily new construction has increased sharply in the US and even more in Oregon. Portland increased by 75 percent with over 1,810 units built in the metro area from January-June 2012. Multifamily development returned to Bend after almost zero building in 2011, and posted a 671 percent increase.

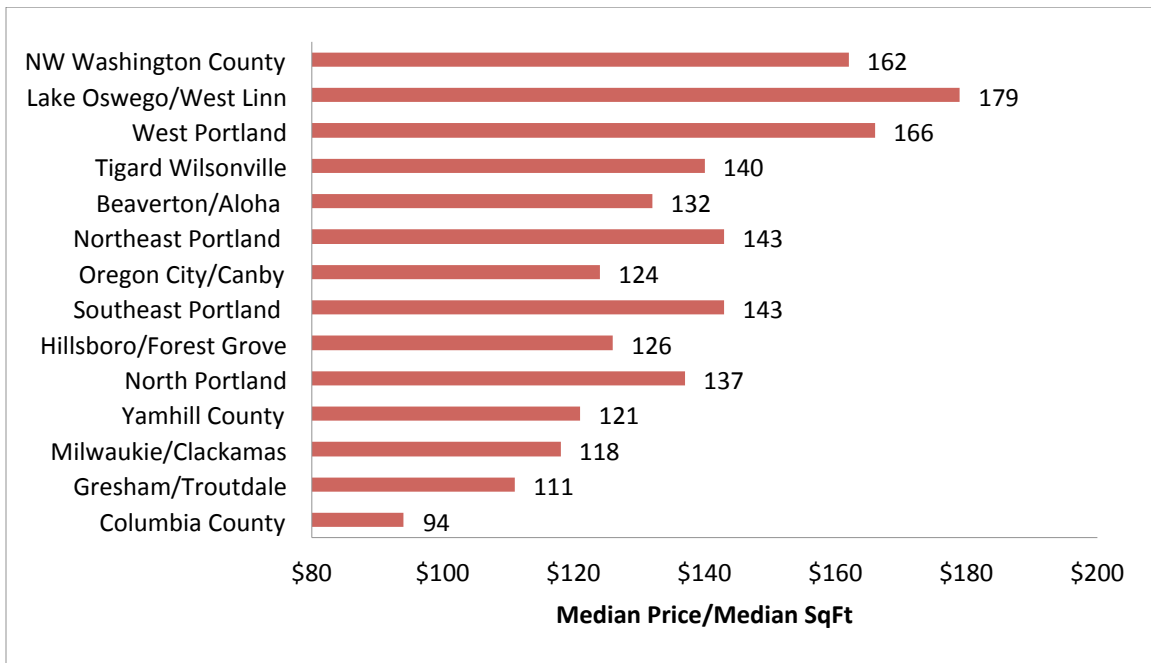
## PORTLAND

Buyers closed on purchases of 4,427 homes. The number of transactions in third quarter 2012 decreased 17.14 percent from last quarter and 15.43 percent year over year. Median prices for the first quarter were at \$267,870, which represents an 2.1 percent decrease over the previous quarter but a 13.18 percent increase annually.

Sales price exceeded list price, which is a key indicator in a hot market, with average sales taking place at 147 percent of the original list price. Sellers in the Portland area have had their homes on the market for an average of only 33 days before closing, which is 62 percent less than third quarter 2011.

There were 231 new properties sold, compared to 392 in second quarter. The new properties sold at a median price of \$305,000 which was a virtually unchanged from second quarter. New home prices increased from third quarter 2011 by 7 percent.

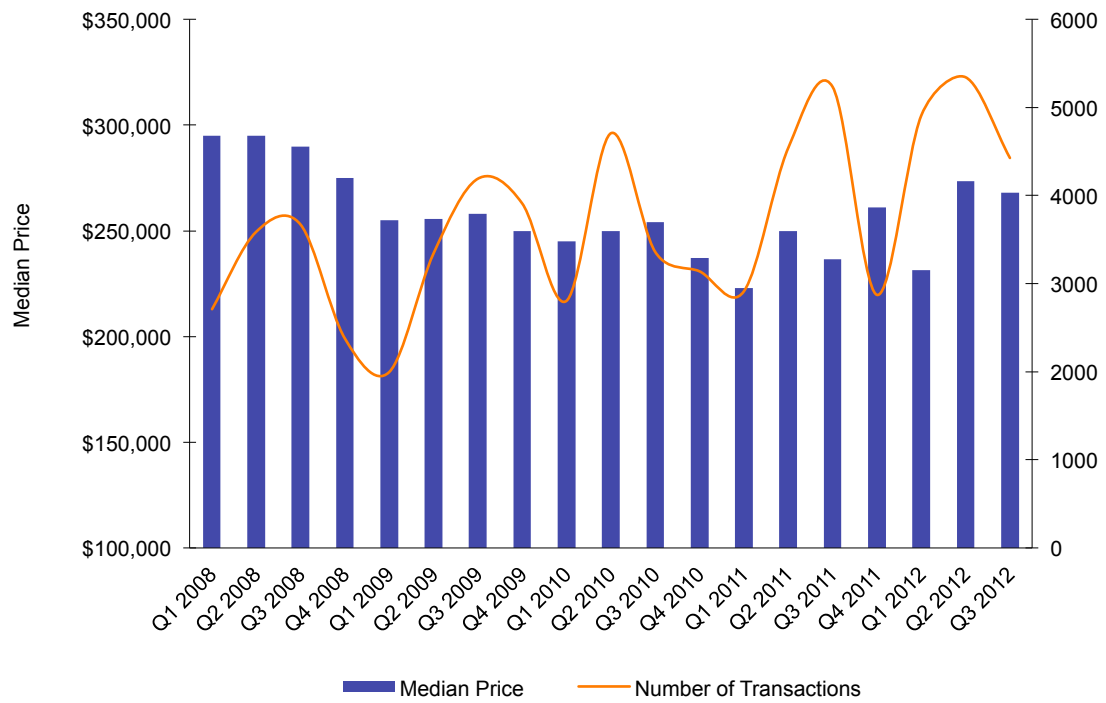
**Figure 5: Single Family Price per Square Foot, New and Existing Detached Homes, Portland Sub Markets**



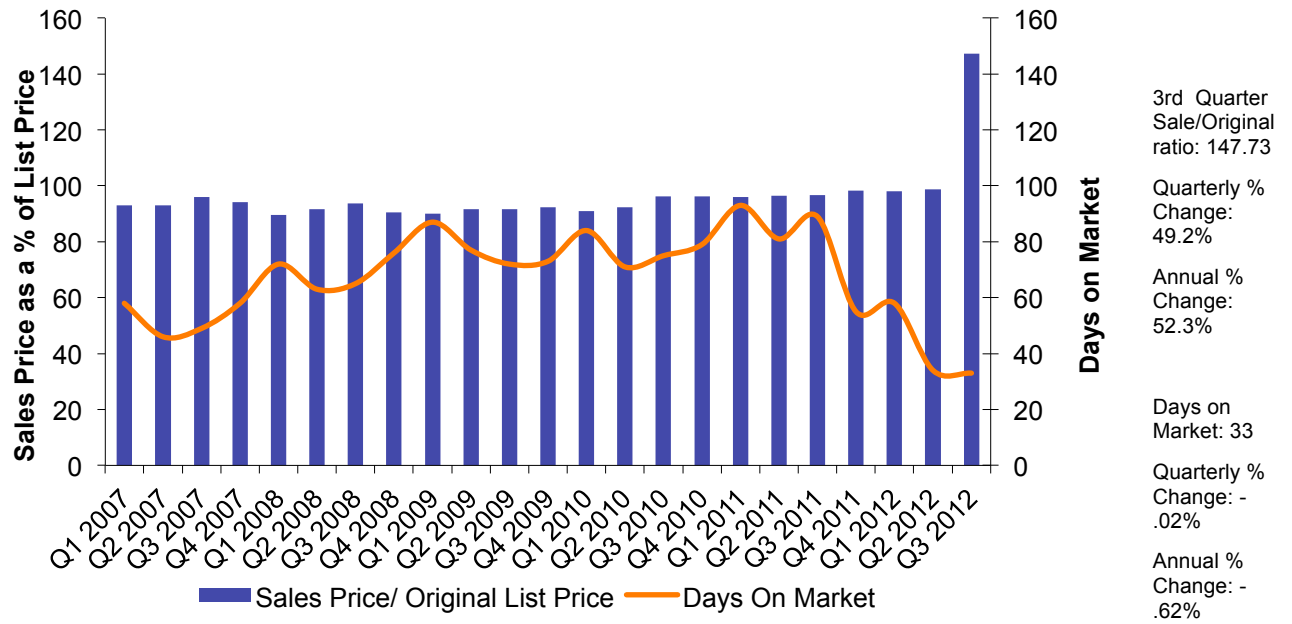
Source: RMLS



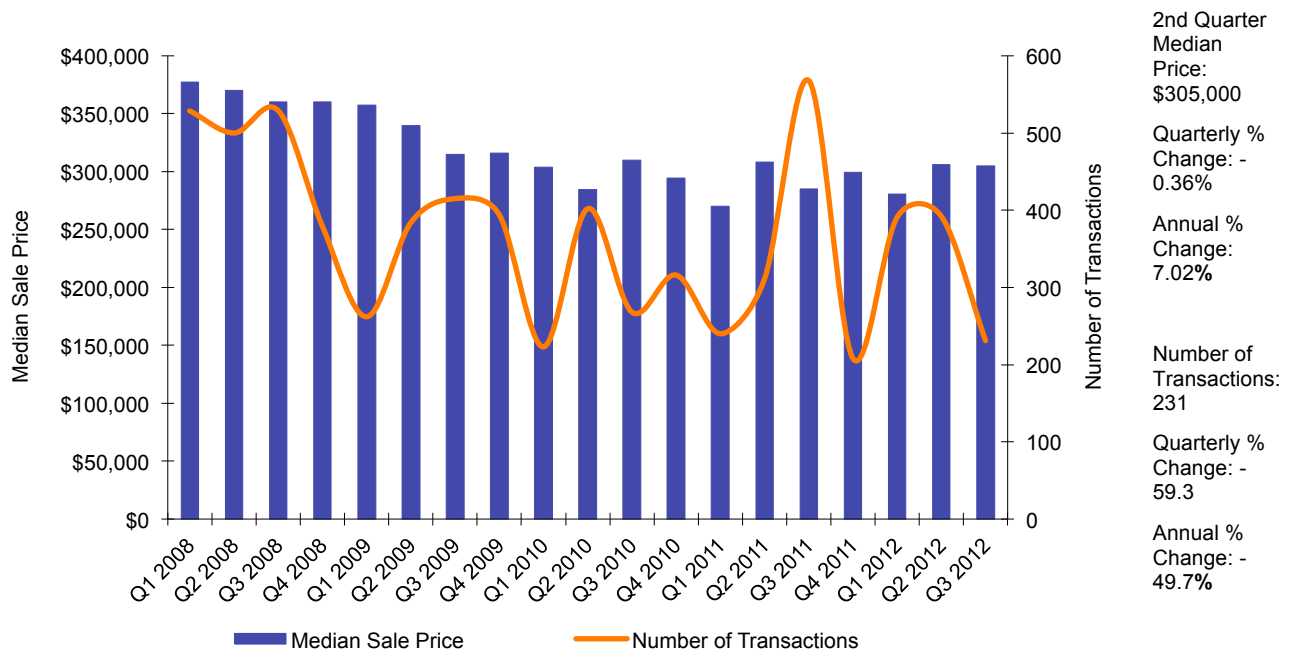
**Figure 6: Median Sales Price & Number of Transactions, Existing Detached Homes, Portland Metro (excluding Clark County, WA)**



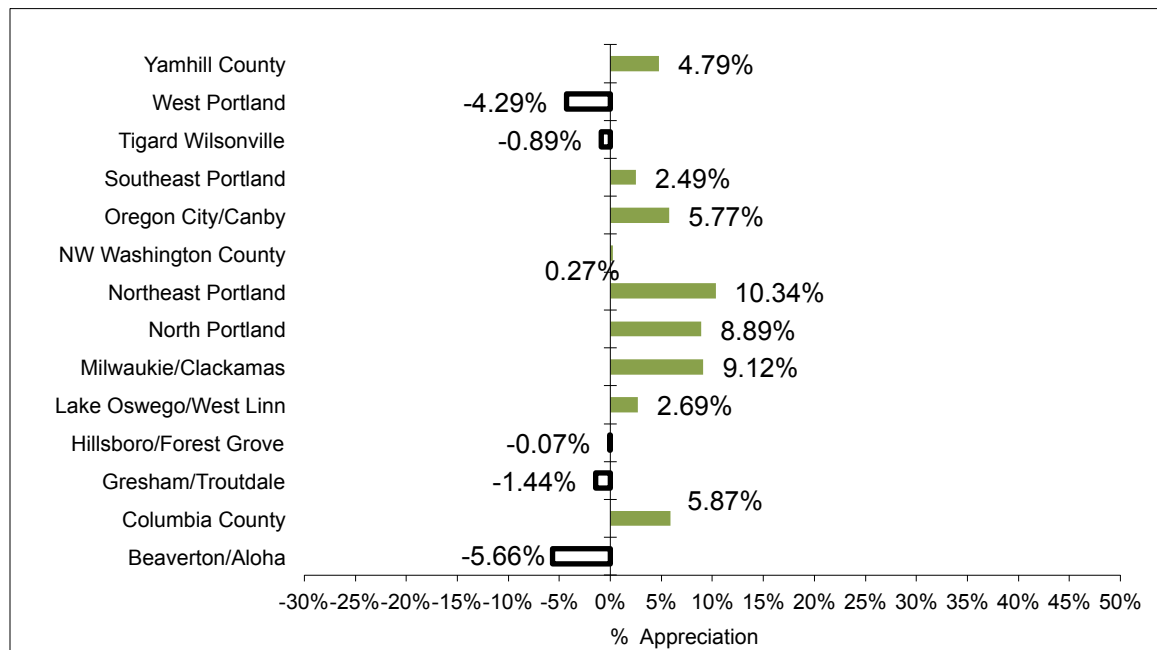
**Figure 7: Sale Price/Original List Price& Average Days on Market, Existing Detached Homes, Portland Metro (excluding Clark County, WA)**



**Figure 8: Median Sales Price & Number of Transactions, New Detached Homes, Portland Metro (excluding Clark County, WA)**



**Figure 9: Appreciation Rates of Existing New Detached Homes from Q3 2011 to Q3 2012, Portland Sub-Markets**

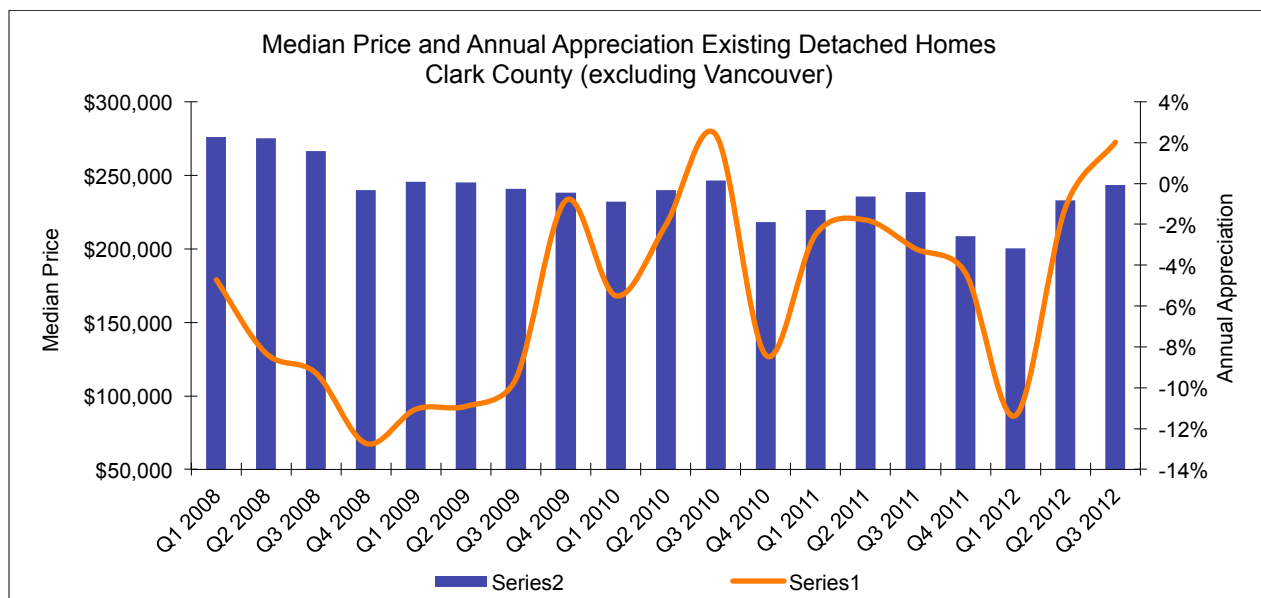


The Gresham / Troutdale submarket increased significantly at over 34 percent from second quarter 2011. West Portland also increased by 26 percent over the same period. The largest annual depreciation was experienced in Oregon City / Canby at 5.88 percent.

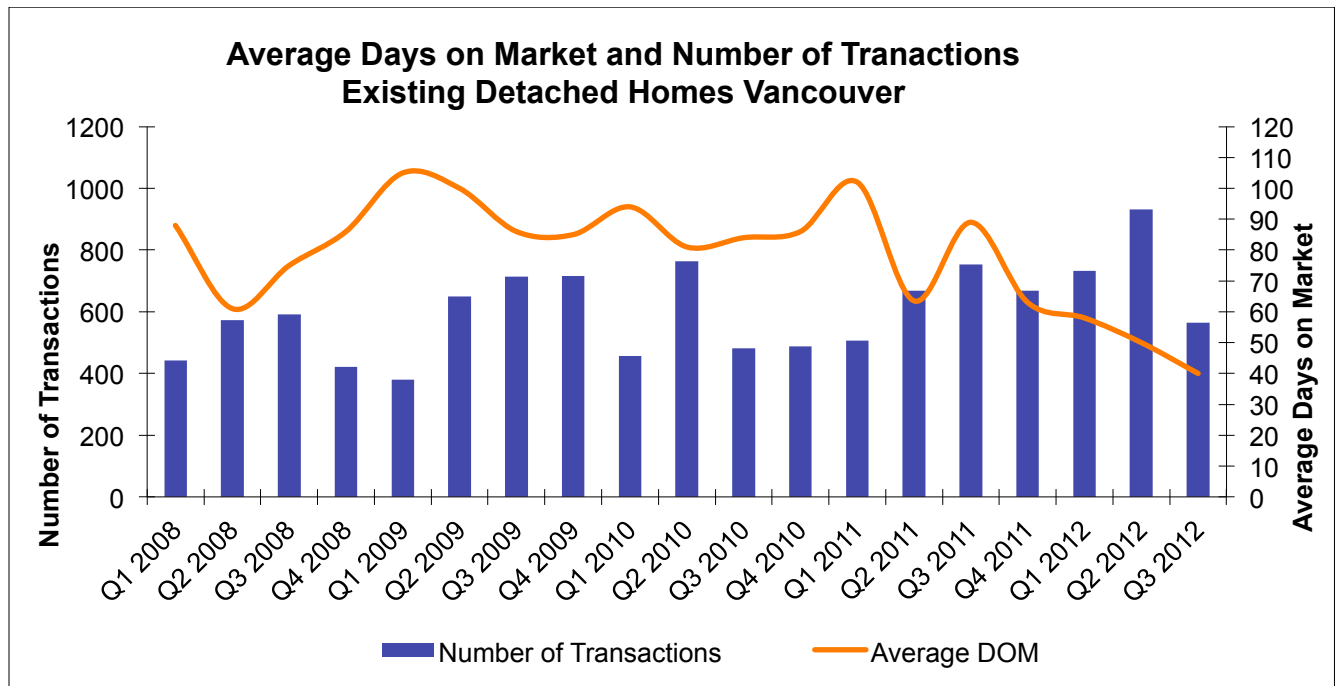
## VANCOUVER

Vancouver's median home price during 3<sup>rd</sup> quarter 2012 was \$192,500, a 9.3 percent increase from 2<sup>nd</sup> quarter 2012 when it was \$176,000. The number of homes sold in third quarter decreased by over 39 percent to 564 from the second quarter of 2012, and also decreased by 25 percent year over year. However, the number of days on the market decreased to 40 from 50 in the previous quarter and 89 in third quarter 2011.

**Figure 10: Median Price and Annual Appreciation Existing Detached Homes, Vancouver**

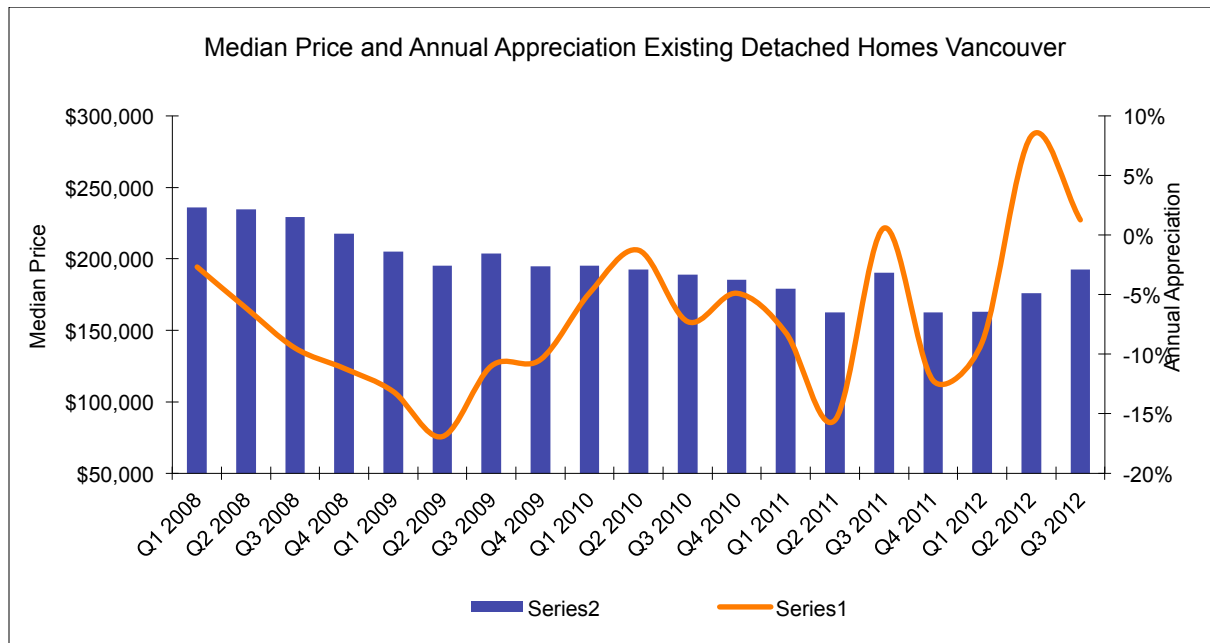


**Figure 11: Average Days on Market and Number of Transactions Existing Detached Homes, Vancouver**

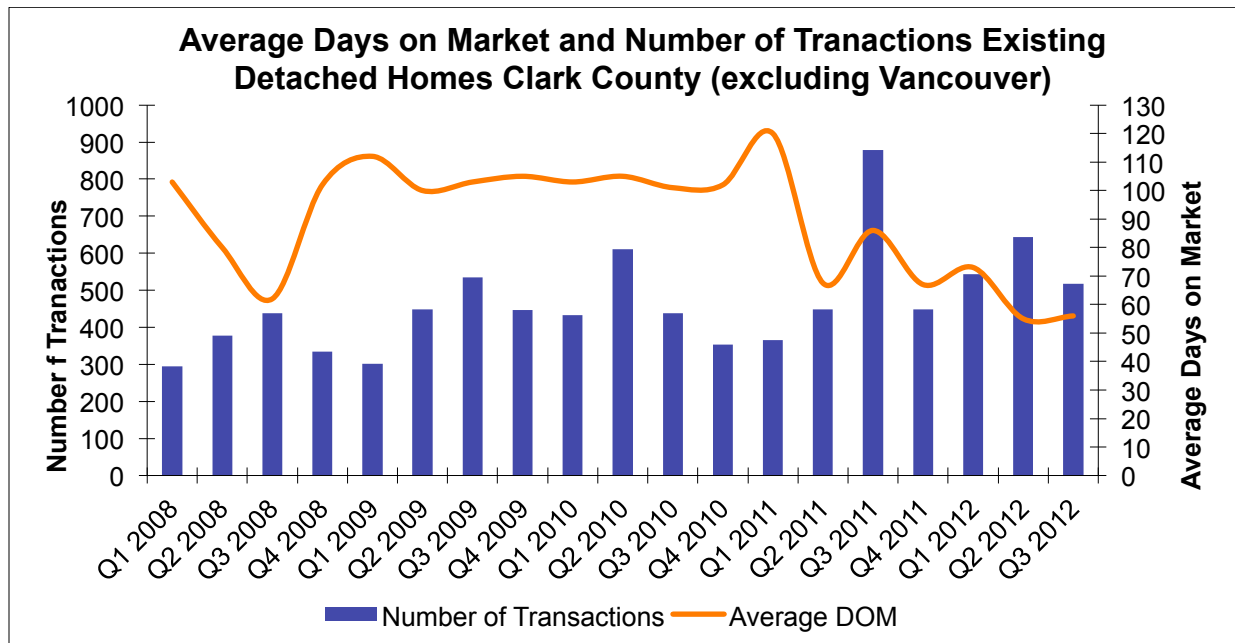


In the Vancouver suburbs, the median home price was \$243,430, which was a 2 percent increase from the third quarter of 2011, and a 4.5 percent increase from the previous quarter. The number of transactions decreased 20 percent from last quarter to 518. Properties were on the market an average of 56 days which was up slightly from last quarter when it was 55, but a sharp decrease from 86 in third quarter 2011.

**Figure 12: Median Price and Annual Appreciation Existing Detached Homes, Clark County (excluding Vancouver)**



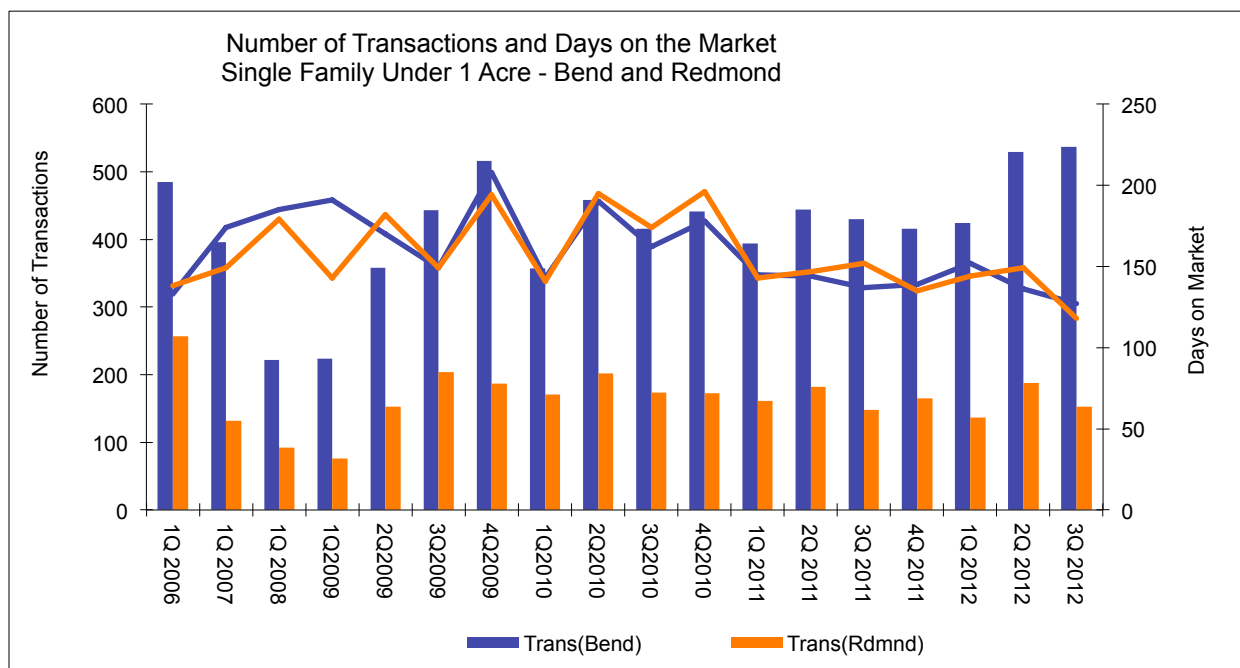
**Figure 13: Average Days on Market and Number of Transactions Existing Detached Homes Clark County (excluding Vancouver)**



## CENTRAL OREGON

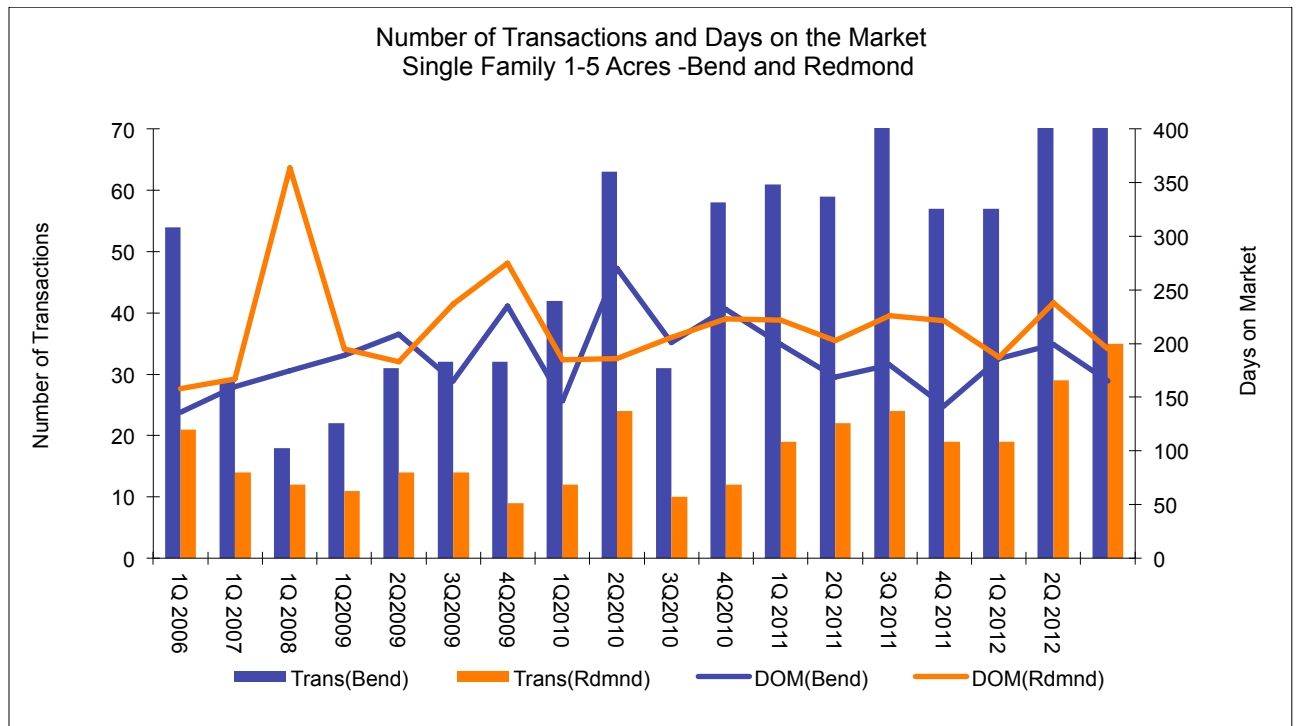
Bend home sales less than one acre increased 1.5 percent to 537 while Redmond's decreased 18.6 percent to 153 in the third quarter on homes sold less than one acres. On the other hand, sales volume for homes on 1-5 acres increased by 33 percent in Bend and 20 percent in Redmond. There were 96 transactions in Bend and 35 in Redmond. For homes on less than one acre, the average number of days on market decreased slightly to 127 in Bend and also decreased to 118 days in Redmond. 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 14: Number of Transactions and Days on the Market, Single Family Under 1 Acre, Bend and Redmond**



Source: Central Oregon Association of Realtors

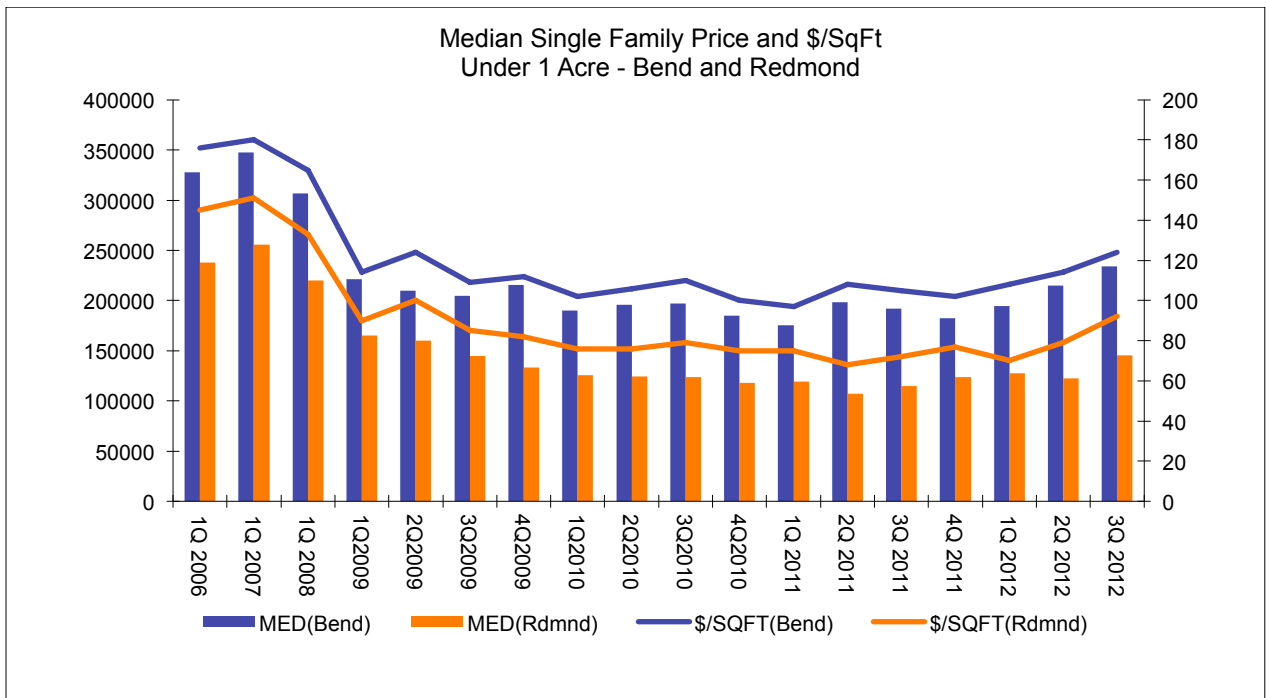
**Figure 15: Number of Transactions and Days on the Market, Single Family Over 1 Acre, Bend and Redmond**



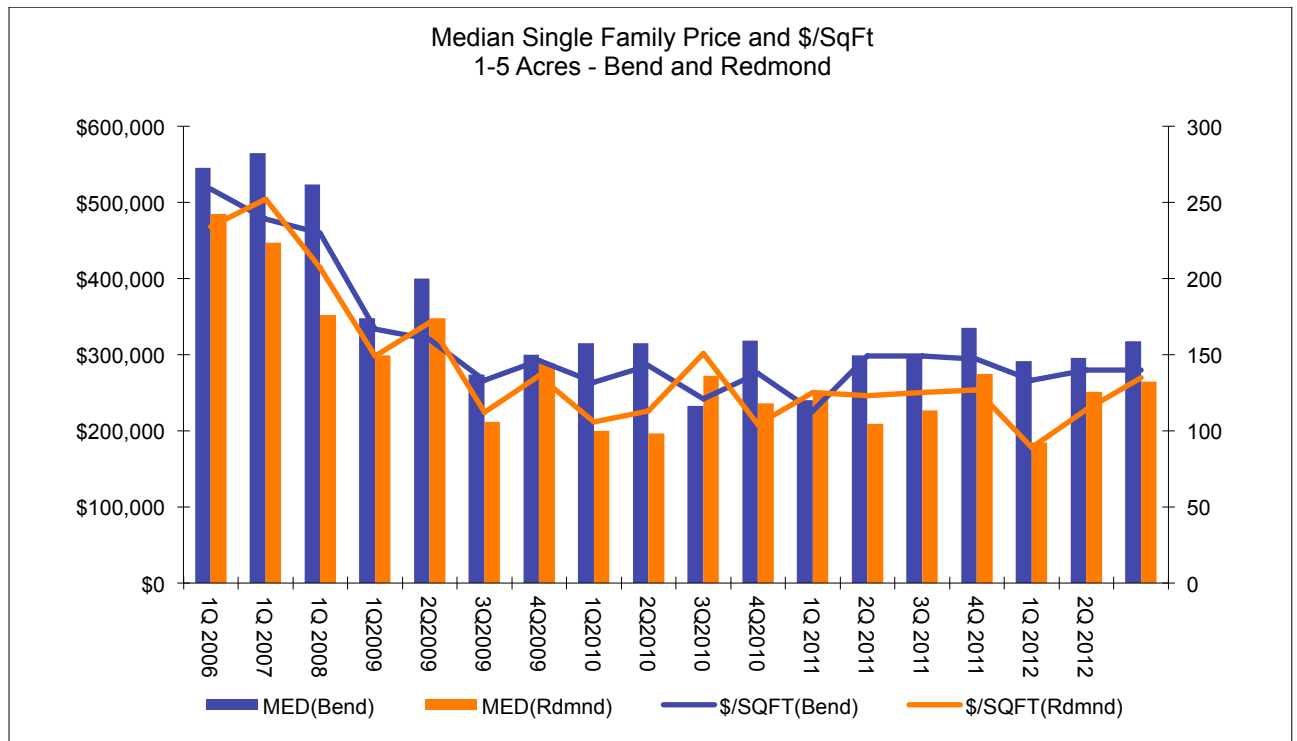
For sales under an acre, the median home prices for Bend and Redmond both increased during the third quarter of 2012. Over the past year the Bend market under and acre increased by 21.7 percent and the Redmond market increased 26.3 percent for home sales under an acre. For sales over one acre, Bend increased 6.7 percent while Redmond increased by 16.8 percent since third quarter of 2011.



**Figure 16: Median Single Family Price and \$/SqFt Under 1 Acre, Bend and Redmond**



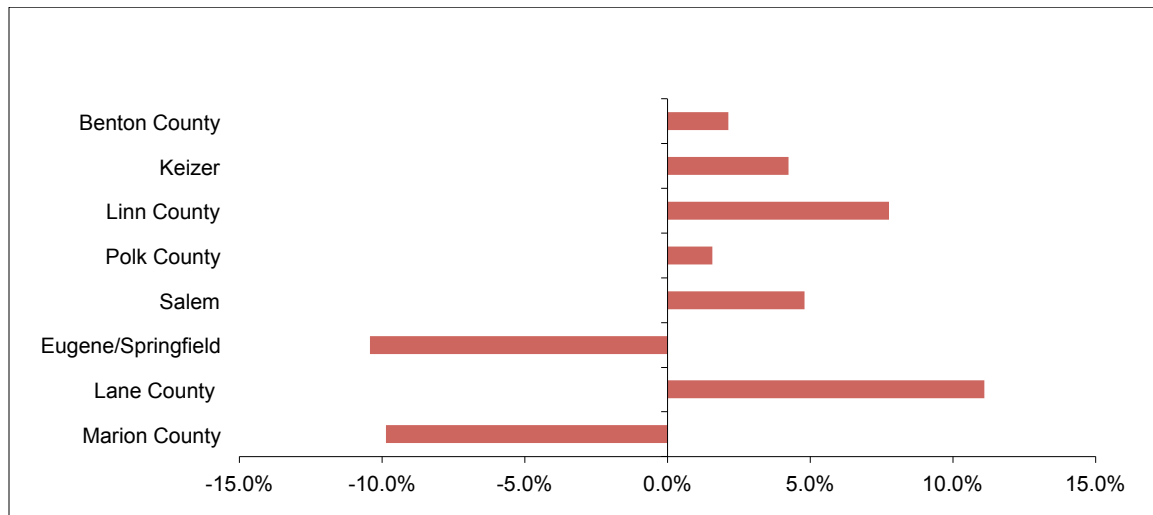
**Figure 17: Median Single Family Price and \$/SqFt, Over 1 Acre, Bend and Redmond**



## WILLAMETTE VALLEY

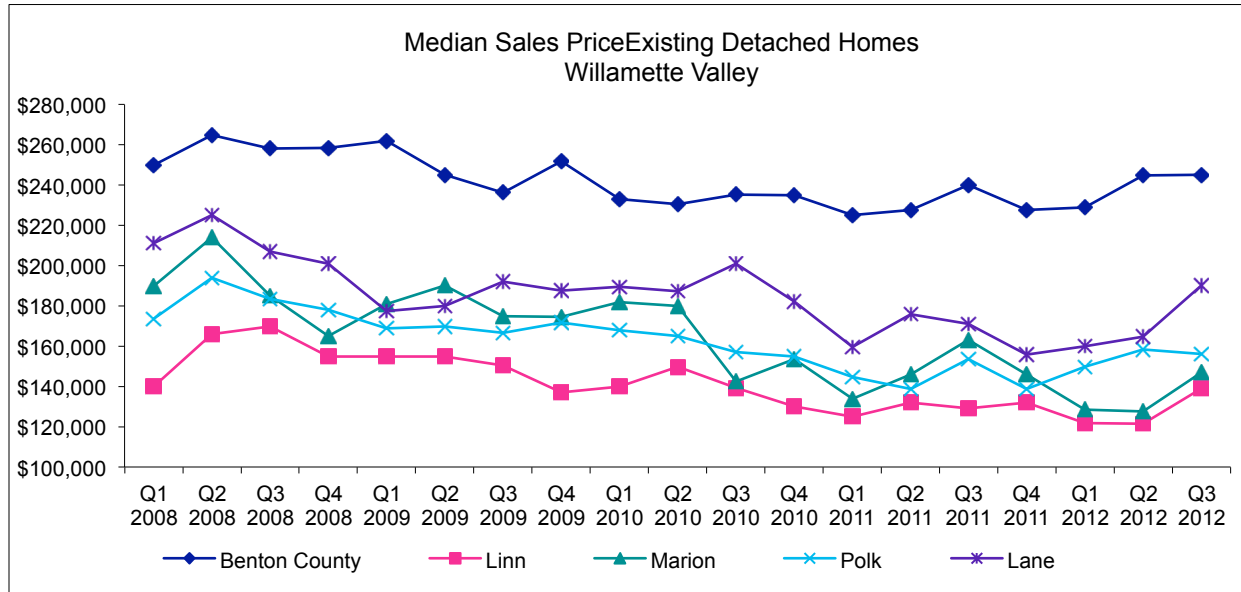
Marion County sales prices decreased 9.9 percent since the third quarter of 2011 to a median sold price of \$147,000. Salem and Keizer increased year over year by 7.7 percent and 2.2 percent respectively. Benton County increased 2.1 percent over the past year to a median price of \$245,000.

**Figure 18: Annual Appreciation Rates of Existing Detached Homes, Willamette Valley from Q3 2011 to Q3 2012**



Source: Willamette Valley MLS

**Figure 19: Median Sales Price Existing Detached Homes, Willamette Valley**

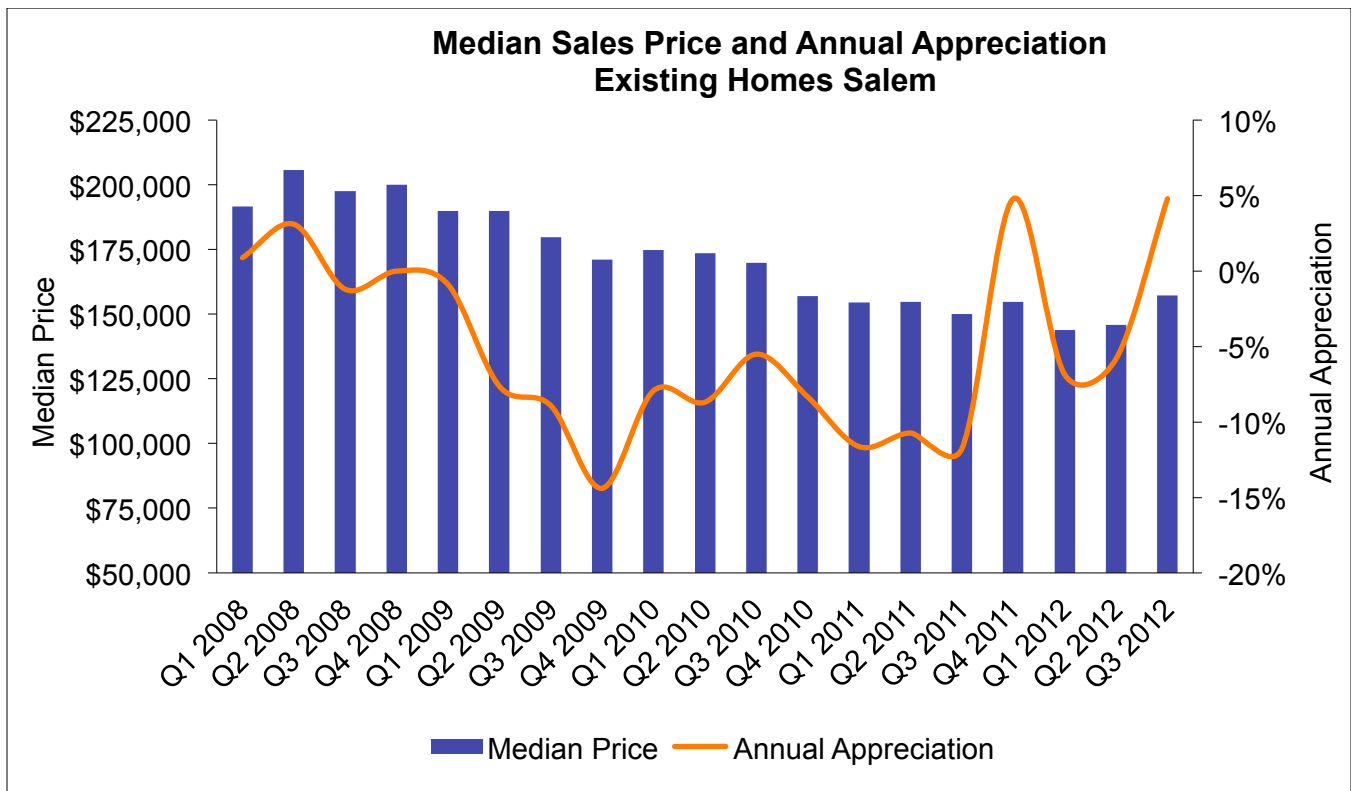


Source: Willamette Valley MLS

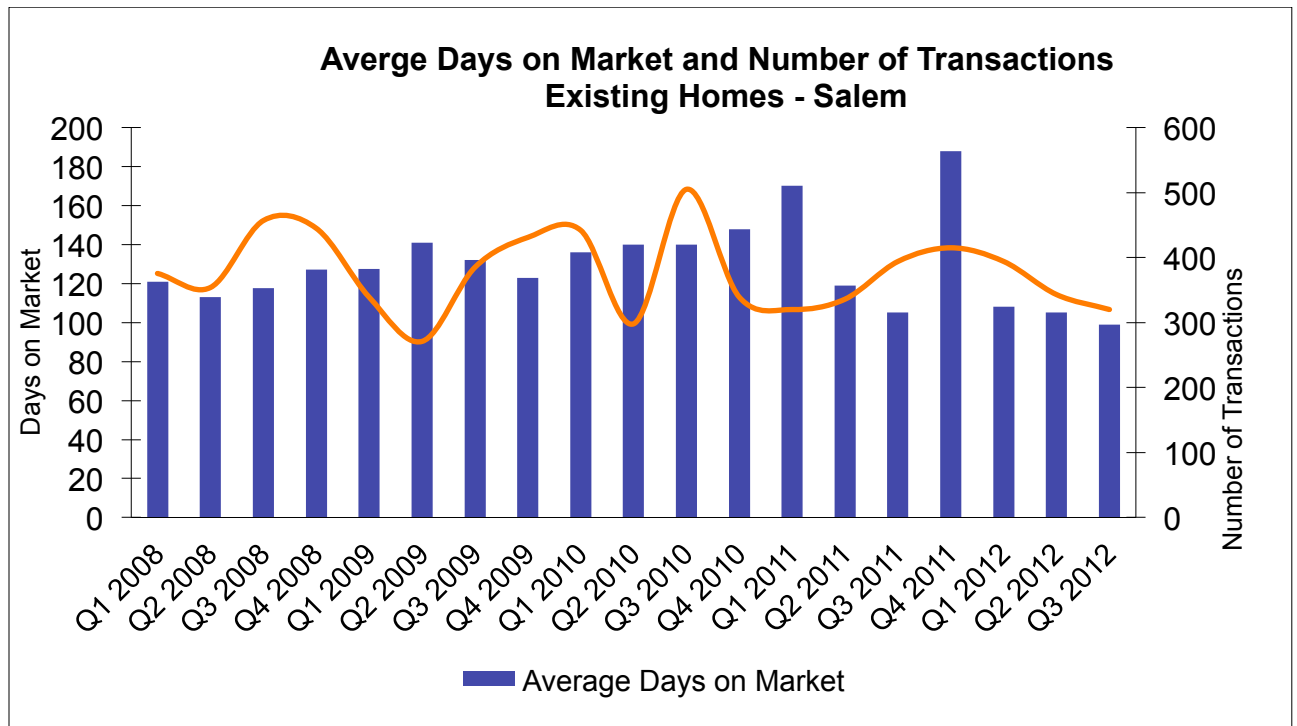
## SALEM

Salem's housing market again experienced annual depreciation of 4.8 percent year over year in the third quarter and the number of days on the market decreased. The median sale price increased to \$157,200 and the number of transactions increased by over 23 percent from the third quarter of 2011. The average number of days on market decreased from 105 in the second quarter to 99 in the third quarter of 2012.

**Figure 20: Median Sales Price and Annual Appreciation, Existing Homes, Salem**



**Figure 21: Average Days on Market and Number of Transactions, Existing Homes, Salem**

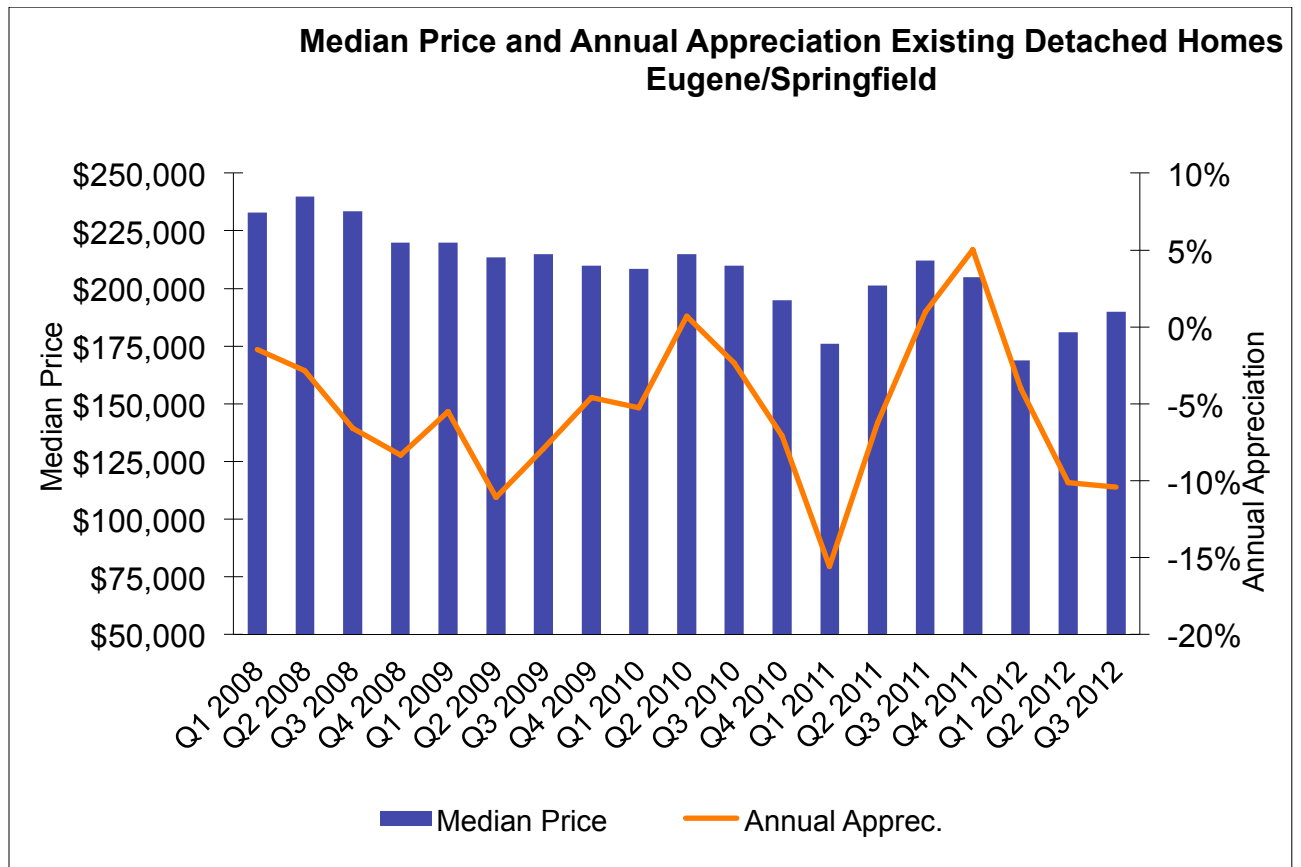


## EUGENE/SPRINGFIELD

Home prices in the Eugene/Springfield area increased 5 percent from the second quarter of 2012 to \$190,000. Values decreased 10.42 percent since the third quarter of 2011.

Lane County prices decreased 6.8 percent from the previous quarter to a median price of \$191,000. They increased year over year by 11.11 percent from \$171,000 in third quarter of 2011.

**Figure 22: Median Price and Annual Appreciation Existing Detached Homes, Eugene/Springfield**



Source: RMLS