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February 2007 Newsletter

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Portland Home Market: December 2006

December Residential Highlights

The last month of 2006 saw a slight increase in pending sales from the same time last year. While closed sales were down 16.4%, pending sales increased 0.2% and new listings grew 8.3%, comparing December 2006 with December 2005.

At the end of December there were 9,569 active residential listings in the Portland metro area. Given the month's rate of sales they would last 4.5 months—a decrease in inventory from November 2006.

Fourth Quarter Report

Comparing the last quarter of 2006 to the same quarter in 2005, there were 12.5% more new listings (10,525 v. 9,357). However, there were 9.6% fewer pending sales (6,522 v. 7,217) and 16.2% fewer closed sales (7,021 v. 8,381).

Summary of 2006

There were 14% more new listings when comparing market activity in 2006 with that of 2005. However, pending sales decreased 13.6% and closed sales fell 13.4%.

Portland had its second highest total volume in real estate sales in 2006 with \$10.4 billion compared to \$10.6 billion last year. Further, the average sale price increased 14.1% (322,600 v. 282,800) and median sale price appreciated 13.9% (\$270,500 v. \$237,500).

Condo Appreciation Rates

In 2006, the average price of a condo in the Portland metro area was \$234,200 whereas in 2005, the average price was \$233,800. This slight increase of \$400 means that condo prices in the area leveled off in 2006. In 2005, condo prices soared to 27% over 2004 prices (the average price was \$183,800 in 2004).

Cost of Residential¹ Homes in the Portland Metro Area December 2006

Area	December 2006 Average Sales Price	Year-to-Date For Period Ending December 2006		Average Price Appreciation ²
		Average Sales Price	Median Sale Price	
Portland Metro Area				
Includes these counties in Oregon: Clackamas, Columbia, Multnomah, Washington, & Yamhill	\$324,900	\$322,600	\$270,500	14.1%
Portland				
North	\$253,700	\$245,400	\$235,500	17.5%
Northeast	295,800	302,500	265,000	15.4%
Southeast	280,500	266,700	234,500	15.8%
West (Includes SW and NW Portland and parts of eastern Washington County)	467,500	452,300	378,100	10.3%
Portland Metro Suburban Areas				
Corbett, Gresham, Sandy, Troutdale	\$289,200	\$265,200	\$248,000	15.2%
Clackamas, Milwaukie, Gladstone, Sunnyside	347,800	353,100	307,200	15.2%
Canby, Beaver Creek, Molalla, Mulino, Oregon City	370,800	326,200	286,000	15.6%
Lake Oswego and West Linn	454,100	528,100	443,800	16.7%
Northwest Washington County & Sauvie Island	341,600	397,600	359,000	7.6%
Beaverton and Aloha	273,200	277,800	251,000	12.7%
Tigard, Tualatin, Sherwood, Wilsonville	363,000	356,400	322,000	8.6%
Hillsboro and Forest Grove	306,800	282,300	260,000	15.9%
Mt. Hood: Brightwood, Government Camp, Rhododendron, Welches, Wemme, ZigZag	334,600	278,400	254,200	20.3%
Columbia County	237,200	227,900	219,800	14.5%
Yamhill County	287,400	264,700	229,900	18.3%
Marion and Polk Counties	259,400	234,200	207,000	15.1%
North Coastal Counties	298,000	333,800	259,000	20.0%
Southwest Washington State				
Clark County (Battleground, Camas, Ridgefield, Vancouver, Woodland, etc.)	\$299,300	\$292,900	\$256,000	12.5%

¹ Residential includes detached single-family homes, condos, townhomes, manufactured homes, and multi-family (e.g., duplexes, triplexes, etc.) homes when one of the units is sold.

² Appreciation percents based on a comparison of average price for the last 12 months (1/1/06-12/31/06) with 12 months before (1/1/05-12/31/05). The median price for the metro area increased 13.9% during 2006.

Source: Regional Market Listing Service (RMLS™).

Long-Term Mortgages Rates Mixed

February 1, 2007

[Freddie Mac](#) released its Primary Mortgage Market Survey (PMSSM) on December 28 in which the 30-year fixed-rate mortgage (FRM) averaged 6.25 percent with an average 0.4 point for the week ending January 25, 2007, up from last week when it averaged 6.23 percent. Last year at this time, the 30-year FRM averaged 6.12 percent.

The 15-year FRM this week averaged 5.98 percent with an average 0.4 point, unchanged from last week when it also averaged 5.98 percent. A year ago, the 15-year FRM averaged 5.70 percent.

Five-year Treasury-indexed hybrid adjustable-rate mortgages (ARMs) averaged 6.00 percent this week, with an average 0.4 point, down from last week when it averaged 6.04 percent. A year ago, the five-year ARM averaged 5.75 percent.

One-year Treasury-indexed ARMs averaged 5.49 percent this week with an average 0.5 point, down from last week when it averaged 5.51 percent. At this time last year, the one-year ARM averaged 5.20 percent.

(Average commitment rates should be reported along with average fees and points to reflect the total cost of obtaining the mortgage.)

Freddie Mac Economist

"Mortgage rates were mixed this week on news that December's leading indicators, a measure of future economic activity, signaled steady growth in the coming months," said Frank Nothaft, Freddie Mac vice president and chief economist. And in the housing market, December's new construction came in stronger than expected despite a decline in one-unit residence starts.

"Over the coming week, a flurry of reports will provide further readings on the strength of the housing market and economic conditions. Primary among these will be the first estimate of fourth quarter GDP growth, and we could see interest rates change in response. Also, Fed monetary policy makers will convene over the 30th and 31st next week and decide on whether to adjust the target short-term interest rate as well."

Portland Area Mortgage Rates

At the end of December, the average APR for a 30-year fixed rate mortgage was 5.960% for the Portland metro area, the low was 5.450%, and the high was 6.790%. All rates are for a loan with 20% down. In early December the following lenders and mortgage brokers were offering these rates:

- [Amerisave](#): Rate of 5.750 for a 30-year FRM (APR of 6.045%) and zero points.
- [US Bank](#): Rate of 6.500% for a 30-year FRM (APR of 6.641%) and zero points.
- [Key Bank](#): Rate of 6.625% for a 30-year FRM (APR of 6.723%) and 0.5 points.

To check on more Portland metro area mortgage rates visit the website for [Yahoo! Finance](#).

Mortgage Solutions

- Windermere Mortgage Services Telephone: (503) 464-9215 or (800) 867-1337. Office: 636 NW 21st Avenue, Portland, OR 97209. Ms. Bertha Ferran is the contact.
- Washington Mutual Contact is Diana Bird, Loan Consultant. Office: 825 SW 5th Avenue, Portland, OR 97204. Telephone: 503.294.4407. Email: diana.bird@wamu.net.

Portland Weather

January 2007: We are Drying Out!

January brought Portlanders dryer weather as we were 2.33 inches below normal rainfall. We have had over a week of sunny weather and more is expected. Whenever you get six days of clear weather in January (see below stats), you know that something is amiss. Dryer weather also brings colder temperatures as we were 1.8 degrees below a normal January. Another number that is revealing is that we only had 15 days in January where we received .01 inches or more of precipitation.

Students at more of the area schools got a five day break from school when we received 3-5 inches of snow the day after Martin Luther King's birthday. The temperature stayed below freezing, which meant that the snow stayed with us making many of the roads too slick for travel for the school buses. Those parks that had some hills were full of kids with their plastic saucers and sleds. Our neighborhood has a few hilly roads, and the kids made good use of the snow.

The [Climate Prediction Center's](#) outlook for February-March-April is for a greater than 33% chance of warmer temperatures than normal for western Washington and central and western Oregon, and a greater than 40% chance of warmer than normal temperatures in Idaho, eastern Washington, and eastern Oregon. The precipitation forecast is for a greater than 33% chance of drier than normal conditions in Idaho. The temperature forecast is typical of a warm El Niño/Southern Oscillation (ENSO) episode. The (ENSO) is the major source of inter-annual climate variability in the Pacific Northwest (PNW). ENSO variations are more commonly known as El Niño (the warm phase of ENSO) or La Niña (the cool phase of ENSO).

Water Year (October 1 - September 30)	Average Precipitation In Inches	Actual Precipitation in Inches	Water Year
Year-to-Date	19.27	21.92	Portland's rainfall is measured according to the "water year" which is from October 1 through the end of September. The average precipitation for Portland is 37-38 inches. Precipitation is measured from the NOAA Weather Station near the Portland International Airport.
October	2.88	1.40	
November	5.61	11.92	
December	5.71	5.86	
January	5.07	2.74	
February	4.18		
March	3.71		
April	2.64		
May	2.38		
June	1.59		
July	0.70		
August	0.89		
September	1.65		
Year Average	37.07		

Here is the [National Weather Service](#) data for the month of January 2007:

- Average Monthly Temperature: 38.1 or 1.8 degrees below normal.
- Average Maximum Temperature: 44.4.
- Average Minimum Temperature: 31.9.
- Highest Temperature: January 2 with 58.0.
- Lowest Temperature: January 14 with 19.
- Average Monthly Wind Speed: 7.6 MPH.
- Clear/Cloudy Days: 6 clear days, 9 partly cloudy days, and 16 cloudy days.

Portland Aerial Tram: We Have Another Ride



Portland now has another ride to go along with the MAX light rail line and the streetcar line! The Portland Aerial Tram opened in mid-December 2006 for Oregon Health Science University's (OHSU) staff and patients. On the week-end of January 27-28, 5,000 Portlanders rode the tram for free. The free tickets went in a matter of minutes so the Tram officials have decided to open the Tram for free rides every Saturday in February from 9 a.m. to 5 p.m. The Portland City Council set the price for a round trip fare at \$4.

The Tram cabins travel 3,300 linear feet between the South Waterfront terminal, adjacent to the OHSU Center for Health & Healing, and the upper terminal at the Kohler Pavilion on OHSU's main campus. Traveling at 22 miles per hour, the Tram cabins rise 500 feet for the three-minute trip over I-5, the Lair Hill neighborhood and the SW Terwilliger Boulevard.

Why a Tram?

OHSU needs to expand beyond its Marquam Hill campus to meet increased patient, education and research needs. The underused properties of South Waterfront provided a location that would keep OHSU's growth in Portland. After years of discussion and study of options to connect the upper campus with the new area, the Portland City Council adopted the Marquam Hill Plan that included the Tram as the superior system over shuttles and other alternatives to link the two areas.

Who owns the Tram?

The Portland Aerial Tram is part of Portland's public transportation system and is owned by the city along with the Portland Streetcar line. TriMet, the area's regional government body, operates the MAX light rail line and the public buses.

The Two Tram Cars Have Names

Small plaques in each of the two cabins note that one is named Walt, for Walt Reynolds, the first African-American to graduate from medical school at the university. The other is named Jean, for Jean Richardson, the first woman to earn a civil engineering degree in Oregon. Both are now in their 80s and rode the Tram for the first time a few days before the Tram opened to the public.

Is a Big Gas Tax the Solution to Energy?

The more one studies the energy crisis, the easier the solution. To cut oil imports, spike the gas tax. To reduce the climate change, spike the gas tax. The higher you raise it, the less gas people use. A big gas tax would require all drivers to pay their fair share. This would eliminate the light-truck loophole where those who drive cars are not at the mercy of the giant pickups and SUVs that don't have to meet the same standards as cars.

A big gas tax would reduce traffic, air pollution, etc. It would force people to purchase gas efficient vehicles. Best of all, a big tax would reduce the amount of U.S. dollars going to dubious countries in the Middle East and South America. Taxing gas at the pump in the U.S. would have the exact same effect as taxing oil at the well head in Saudi Arabia or Venezuela except the U.S. would get to keep the money.

Most economists understand this basic principle, but it is doubtful whether many of the policy makers in Washington understand the concept. And what courage it would take a politician to push a \$2 a gallon tax hike! Stick your neck out, and you will get it chopped off. I'm sure that many politicians are aware of what happened in California last November when Proposition 87 was defeated. The Proposition would have taxed gasoline and used the proceeds to back alternative energy, and it had widespread support at first. But after a \$100 million lobbying effort by oil companies who portrayed the venture capitalists as greedy seekers of tax subsidies, who wanted to burden the state with bureaucracy, it lost by a substantial margin. What is a few million to defeat a measure to a company like Exxon Mobil whose profits were \$39.5 billion in 2006.

Two Conflicting Goals: Energy Independence and Limit Climate Change

The intertwined goals of developing domestic energy resources and reducing global warming gases are not necessarily in step with each other. If fossil fuels compete with renewable fuels, renewables will lose every time. Who is willing to pay the extra costs to make wind and solar more than a minor energy source? Research is expensive, uncertain, and the payoff is a long way off.

Take a look at the 2005 Energy Act tax incentives and spending: \$13.1 billion for oil, gas and coal, \$12 billion for nuclear energy, and \$7.7 billion divided up among a wide assortment of renewables like ethanol, hydroelectric, wind, and solar. The problem is that tax policies encourage more energy consumption since companies can deduct purchases of sport utility vehicles and utility bills. Consumers get a break to build bigger homes with deductions for interest payments on mortgages to include second homes. All of these far outweigh their energy saving credits.

A hefty \$2 a gallon tax hike would wake up both companies and consumers. And the government could use the money to conduct far-reaching research in clean energy. Don't forget to throw a big tax on coal also.

In a report that was released in early February, the [Intergovernmental Panel on Climate Change](#), a consortium of 2,500 scientists from 130 countries, points to emissions of carbon dioxide, methane and other greenhouse gases as the main contributors to rising temperatures. The report has particular meaning in the Pacific Northwest, which depends heavily on mountain snows and melt-off for its yearlong water supply. Much of that snowpack is now at risk, making Oregon one of the nation's most vulnerable areas to climate change.

Current U.S. Energy Policy is Putting us Further Behind

Have you caught all the buzzwords that many are using such as "flex fuel" vehicles, "alternative energy," ethanol, and so on? Each has their advocates, and they are busy promoting their solution and most want the government to fund it via tax breaks, etc.

The sad part is what the policy makers are doing is all wrong. For example, giving a 51 cent a gallon tax credit for blending ethanol with gasoline – this credit goes to the refiner and not the grower. Corn-based ethanol costs about twice as much as gasoline, and it produces about one-third less energy. That means drivers pay more for a fuel that gives us less mileage. Maybe we'd be better off without it.

Corn farmer are rejoicing as the corn prices have increased. Did you notice Iowa congressman Chuck Grassley jumped up and start clapping like he had just won another election when the President announced plans to produce billions of gallons of ethanol during his recent State of the Union address? It brings back to mind the fight song that Iowa rivals sing before a football game with Iowa. It goes like this: "I don't give a damn for the whole state of Iowa, the whole state of Iowa, who in the hell likes corn." I don't know of any Iowans who like corn, but you can bet they love ethanol.

Even our neighbors to the south are feeling the effects. The *New York Times* reported that on Tuesday, January 31st, tens of thousands in Mexico City protested the rising food prices in the country. Most agree that the higher corn price has pushed the price of their staple food, the tortilla, upward. Mexico gets most of the corn used to make corn flour from the U.S.A.

Technology Barons Entering the Energy Market

Not to miss getting in on a good thing, the technology barons from Silicon Valley have invested in energy,

and they want to protect their money. But this time, they see differently. These folks, backers of giants like Google and Genentech, have always been free-market advocates. Now they are heading to Washington to influence energy policy because they have a big stake in the outcome.

The investors have poured billions of dollars into alternative energy start-ups in areas like solar and wind power. Many of these projects, they say, could stall without subsidies or government mandates for greater energy efficiency. It puts them in conflict with the oil and gas industries, which are more politically tuned and have deeper pockets. In round one, the oil companies won with the defeat of Proposition 87 (see above explanation). But the political landscape has changed. Democrats are less aligned with oil interests than the Republicans so the time might be right for Silicon Valley to be heard.

The numbers back up the claims that they are spending money according to the [National Venture Capital Association](#). In 2006, venture capitalists put \$727 million into 39 alternative energy start-ups, compared with \$195 million in 18 firms in 2005.

Another reason for paying \$4 - \$5 for a gallon of gasoline with half going for the tax.

Sources

- 1) "U.S. Energy Policy is on the Road to Nowhere Fast" by Paul Mulshine, *The Star-Ledger* of Newark, New Jersey, Thursday, January 25, 2007.
- 2) "Energy Research on a Shoestring" by Clifford Krauss, *New York Times*, Thursday, January 25, 2007.
- 3) "Tech Barons Take on New Project: Energy Policy" by Matt Richtel, *New York Times*, Monday, January 29, 2007.
- 4) "Life as we Know it Gets Blame for Global Warming" by Richard L. Hill and Michael Milstein, *The Oregonian*, Portland, Oregon, Friday, February 2, 2007.

Events

For a complete schedule of events in the Portland metro area, visit the Portland Oregon Visitors Association Web site at http://www.travelportland.com/event_calendar.

2007 Portland International Film Festival



[Northwest Film Center](#) The granddaddy of Oregon film events, the Portland International Film Festival packs 100 films from 30 countries into a busy two weeks every February. More than 33,000 people attended last year's festival, which included 160 screenings in three downtown theaters. PIFF's gala Opening Night Party is a not-to-be-missed affair. The festival will celebrate its 30th anniversary in 2007. Dates: 02/09/07 - 02/25/07. Telephone: 503.21.1156.

Shoemaker and the Elves

Tears of Joy Theatre announces "Shoemaker and the Elves," a show that originated at the Center for Puppetry Arts in Atlanta. Set in 1940's Manhattan, two displaced elves, Gino and Frankie, nurse their wounds over a recent job loss at the North Pole. Meanwhile, despondent shoemaker, Mel Footmeyer, closes his doors after forty years of business. Where Mel's need meets with the elves' fondest hopes, a miracle begins.

Humor packs this story tighter than a subway, with appearances from Groucho Marx, Carmen Miranda, and a faithful old time radio. Date: 02/08/07 - 02/08/07. Location: Portland Center for the Performing Arts, 1111 SW Broadway, Portland, OR 97205. Telephone: 503.248.4335.

Portland Jazz Festival

Each February jazz streams down Broadway in Portland, Oregon. The Festival features over 125 events at various venues throughout downtown Portland. See GRAMMY Award winning artists. Discover an emerging talent. Enjoy intimate jazz in hotel ballrooms, clubs, and restaurants.

The 4th annual [Portland Jazz Festival](#) presented by Qwest will celebrate the 35th anniversary of Crystal Silence, the breakthrough recording of Chick Corea & Gary Burton (2/16) and one of the first ECM releases. The 2007 Portland Jazz Festival recognizes ECM Records for their nearly four decades of making an indelible imprint on contemporary jazz with a series of concerts, lectures, and workshops titled Crystal Silence: The Story of ECM Records. Dates: 02/16/07 - 02/25/07. Telephone: 503.228.5299.

Dr. Michael Ruse - Institute for Science, Engineering and Public Policy

[Institute for Science, Engineering and Public Policy](#) In the ongoing struggle between evolution and creationism (intelligence design), Dr. Michael Ruse, will explain the controversial struggle and explain why evolutionist may be their own worst enemy. However, his discussion is a robust defense of Darwinism against its critics and why it is a jewel in the crown of science. Date: 2/15/06. Location: Arlene Schnitzer Concert Hall, SW Broadway & Main, Portland, OR 97205. Telephone: 503.248.4335.

Pacific NW Sportsmen's Show

The [32nd Annual Pacific Northwest Sportsmen's Show](#) is the largest show of its kind in the Northwest: this year's show promises to thrill outdoor enthusiasts from every standpoint. Offering staples that include casting ponds, a free kids' trout pond, seminar theaters and camp cooking, the 2007 Sportsmen's Show will again be the leader in bringing you one-of-a-kind displays. Dates: 02/07/07 - 02/11/07. Location: [Expo Center](#), Portland, OR.

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