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and her
Wirehaired Vizslas**

Moving to Portland™

May 2005 Newsletter

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Portland Home Market

March Residential Highlights

With the south winds bringing surprisingly low temperatures and a increase in rainy days, the growth of closed sales and decrease in new listings may have contributed to the surprisingly low inventory in March 2005. At the current rate of sales it would take 1.8 months to sell Portland's 5,664 active residential listings—the lowest inventory yet.

Closed sales were up 34.3% when compared to March 2004. The number of accepted offers was also 13.7% greater. However, new listings dropped 8.8%.

Condo Appreciation Rates

Year	Average Sale Price	Change from Prior Year
2005	\$210,600	+21%
2004	173,600	+2%
2003	170,000	+10%
2002	154,900	N/A

First Quarter/Year-to-Date

March did much to rally the first quarter of 2005. By its end, closed sales had grown to total 31.5% more than in the first quarter of 2004. Similarly, pending sales had climbed 23.6% higher. New listings

also increased 3.2% when compared to the same time frame last year.

Appreciation

To calculate sale price appreciation, prices for the twelve months that ended with March 2005 are compared to prices for the twelve months ending in March 2004. Using those time periods, the average sale price appreciated 10.7% (\$251,400 v. \$227,200). Using the same date range to compare median sale price, we see a 10.8% appreciation rate (\$209,900 v. \$189,500).

**Cost of Residential¹ Homes in the Portland Metro Area
For Period March 2005**

Area	March 2005 Average Sales Price	Year-to-Date For Period Ended March 2005		Average Price Appreciation ²
		Average Sales Price	Median Sale Price	
Portland Metro Area				
Includes these five counties in Oregon: Clackamas, Columbia, Multnomah, Washington, and Yamhill	\$264,300	\$257,300	\$217,000	10.7%
Portland				
North	\$196,900	\$190,200	\$170,100	12.6%
Northeast	241,900	236,400	198,750	8.9%
Southeast	210,200	209,300	174,200	10.6%
West (Includes SW and NW Portland and parts of eastern Washington County)	413,900	380,300	319,900	12.9%
Portland Metro Suburban Areas				
Corbett, Gresham, Sandy, Troutdale	\$208,300	\$210,700	\$204,750	9.7%
Clackamas, Milwaukie, Gladstone, Sunnyside	257,800	259,800	226,500	15.9%
Canby, Beavercreek, Molalla, Mulino, Oregon City	267,200	259,400	224,900	9.5%
Lake Oswego and West Linn	401,300	403,900	329,900	15.9%
Northwest Washington County & Sauvie Island	352,700	346,300	325,000	8.5%
Beaverton and Aloha	225,900	229,600	200,000	9.3%
Tigard, Tualatin, Sherwood, Wilsonville	283,100	278,500	244,900	9.3%
Hillsboro and Forest Grove	219,300	216,500	201,750	7.8%
Mt. Hood: Brightwood, Government Camp, Rhododendron, Welches, Wemme, ZigZag	209,400	202,800	206,486	14.4%

Area	March 2005 Average Sales Price	Year-to-Date For Period Ended March 2005		Average Price Appreciation ²
		Average Sales Price	Median Sale Price	
Washington State				
Clark County (Vancouver, Washington)	\$243,300	\$237,900	\$200,000	14.1%

¹ Residential includes detached single-family homes, condos, townhomes, manufactured homes, and multi-family (e.g., duplexes, tri-plexes, etc.) homes when one of the units have a sale.
² Appreciation percents based on a comparison of average price for the last 12 months (4/1/04-3/31/05) with 12 months before (4/1/03-3/31/04).

Source: Regional Market Listing Service (RMLS™).

Mortgage Rates Ease Further

April 29, 2005

In [Freddie Mac's](#) Primary Mortgage Market Survey, the 30-year fixed-rate mortgage (FRM) averaged 6.04 percent, with an average 5.78 percent, with an average 0.6 point, for the week ending April 28, 2005, down from last week when it averaged 5.80 percent. Last year at this time, the 30-year FRM averaged 6.01 percent.

The average for the 15-year FRM this week is 5.33 percent, with an average 0.6 point, down from last week when it averaged 5.36 percent. A year ago, the 15-year FRM averaged 5.35 percent.

Five-Year Treasury-indexed hybrid adjustable-rate mortgages (ARMs) averaged 5.20 percent this week, with an average 0.5 point, down from 5.22 last week. There is no annual historical information for last year since Freddie Mac only began tracking this mortgage rate at the start of this year.

One-year Treasury-indexed adjustable-rate mortgages (ARMs) averaged 4.21 percent this week, with an average 0.6 point, down from last week when it averaged 4.26 percent. At this time last year, the one-year ARM averaged 3.75 percent.

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

Freddie Mac Chief Economist

"The market was disappointed on the news of lower consumer confidence and lower orders for durable goods," said Frank Nothaft, vice president and chief economist. "These numbers suggest that the Fed will remain restrained in its practice of raising short term rates, which may be an indication the Fed doesn't see inflation to be as great a threat as the markets previously had thought it would be. "And when inflation is thought to be in check, mortgage rates naturally drift downward as they did this week."

On May 3rd, the Fed raised the federal funds rate (the interest banks charge each other on overnight loans) to three percent – an increase of .25%.

Portland Area Mortgage Rates

In early May, US Bank's rate was 5.88% for a 30-year FRM (APR of 5.98%) and zero points. KeyBank was offering the same rate and the APR was 5.98%. Many of the mortgage brokers in the Portland metro area were offering loans in the range of 5.25 - 5.50. All rates are for a loan of \$165,000 to \$359,650 with 20% down. To check on more Portland metro area mortgage rates visit the website for [Yahoo! Finance](#).

Portland Weather

April was a Rainy Month

March and April were more like January and February, and these two months were more like May and June. With an above average rainfall in both March and April, we are still over 30 percent below normal for this time of year (20.15 inches compared to an average of 29.80 inches).

In the next five months, Portland's average rainfall is less than eight inches. We seldom receive more than a quarter inch of rain each day but it may take all day to obtain the quarter inch. Maybe someone should create an index system that accounts for both rain, sun, and clouds. It can be called the "Portland Index of Coffee/Books/Movies" as we all tend to drink lattes, read, and attend movies more during cloudy/rainy periods.

Here is the [NOAA](#) data for the month of March, 2005:

- Average Monthly Temperature: 52.3 or 1.1 degrees above normal.
- Greatest 24 Hour Rainfall: .50 inches on April 15 and 16.
- Average Maximum Temperature: 60.3
- Average Minimum Temperature: 44.2
- Clear/Cloudy Days: 0 clear days, 8 partly cloudy days, 22 cloudy days.
- Average Month Wind Speed: 6.6 mph.

Water Year (Oct 1 - Sep 30)	Average Precipitation In Inches	Actual Precipitation in Inches	Water Year
Year-to-Date	29.80	20.15	Portland's rainfall is measured according to the "water year" which is from October 1 through the end of September. The average precipitation is about 37-38 inches in the metro area. Precipitation is measured from the NOAA Weather Station as the Portland International Airport.
October	2.88	3.36	
November	5.61	2.38	
December	5.71	3.91	
January	5.07	1.94	
February	4.18	1.23	
March	3.71	3.77	
April	2.64	3.49	
May	2.38		
June	1.59		
July	0.70		
August	0.89		
September	1.65		
Year Average	37.21		

Rhododendrons in Bloom



The best place to see rhododendrons in Portland is the Crystal Springs Rhododendron Garden in the botanical park in Eastmoreland (southeast Portland). It features the largest collection of flowering rhododendrons and azaleas in the city; peak bloom time is mid-April through early May. Handicapped-accessible paths wind among lagoons, lush native plants and several waterfalls.

Crystal Springs Rhododendron Garden was started in 1950 by the Portland Chapter of the American Rhododendron Society with the support of Portland Parks & Recreation. With the exception of a small area, previously developed by Reed College students as a Shakespeare theater that was later abandoned, the site was covered with brush, blackberries, and native trees. In 1964, the Garden's name was officially changed to Crystal Springs Rhododendron Garden.

Portland Fun Facts



Walk out of the Portland Art Museum front entrance and look across the street. You will see the 18-foot statue of Theodore Roosevelt, our 26th president.

There are twelve South Park Blocks stretching through the heart of downtown Portland. Each park block features artwork. On the block between Madison and Jefferson, the bronze equestrian statue of Theodore Roosevelt, sculpted by A. Phimister Proctor of New York, was placed in November 1922. Mounted on a 14-foot tall base of California granite, the statue portrays Roosevelt as a colonel of the Roughrider regiment that he commanded in

the Spanish-American War.

A Friend of Teddy Roosevelt Presented Statue to the City of Portland

It was presented to the city by Dr. Henry Waldo Coe. When Dr. Coe was just beginning his medical practice in 1884 in North Dakota, he met the young Roosevelt, who was there trying to regain his health. Their friendship lasted until Roosevelt's death in 1919. Aside from his personal friendship, Coe (who moved to Portland in 1891) admired Roosevelt's politics. It was mostly for this reason that he decided to express his admiration in the form of a public statue. The block on which it stands was named Roosevelt Square

Housing Market Continues to Boom

The housing market continued to flourish in the Portland metro area as well as in most other parts of the U.S. The dip in mortgage rates certainly helped the situation as well as the economy.

Factors Influencing the Home Market

The less than expected job growth accounted for some of the continued boom. In March, 110,000 new jobs were created. This was lower than analysts were expecting as they hoped to hear a much higher number. The general rule is that positive economic news, like strong job growth, is bad news for home

loan rates (as well as bonds) – whereas a disappointing report, like weak job growth, will help bonds and home loan rates improve.

Another important factor is the ability to secure a home loan easily. "Pretty much anyone can get a loan within reason," said Robert Moulton, president of mortgage brokerage Americana Mortgage Group in New York. To be sure, many home buyers would not be trading up, buying a first home or investing in a vacation house if it weren't for lower down payment requirements, loans with ultra-low monthly payments and flexible lending standards.

According to Keith Gumbinger, vice president for [HSH Associates](#), the shift in lending standards started after the dot-com stock bust in 2000. As big investors shifted out of stocks and into bonds – such as mortgage-backed securities – banks had more money to lend out.

Housing Facts for the Portland Metro Area:

- As of the end of March, the inventory of homes in the Portland metro area was extremely low. Buyers would be able to purchase every home for sale in 1.8 months.
- The average sale price appreciated 10.7% (\$251,400 v. \$227,200). Using the same date range to compare median sale price, we see a 10.8% appreciation rate (\$209,900 v. \$189,500).

The Home Supply in the Portland Metro Area

The inventory of houses for sale has been mostly shrinking since January 2004, when the market had a 6.1-month supply of houses. Housing supply in the five-county area has never been so tight, according to Regional Multiple Listing Service's March survey. The lowest inventory previously recorded was a 2.4-month supply in June, 2004 which was matched in December 2004. With inventory so low, a market that already overwhelmingly favors sellers over buyers probably will push prices ever higher.

A variety of factors has added the sizzle to the Portland market, including an expanding regional population, job growth, and low interest rates. With supply constrained by land-use restrictions and demand boosted by continued in-migration, real estate agents and builders expect inventories to remain low and prices high despite rising interest rates.

The jobs created by home building also have helped boost the economy out of recession. Oregon's unemployment rate in March was 6.2 percent, its lowest level in nearly four years and far below the recession peak of 8.5 percent in June and July 2003.

National Association of Realtors® March Report

- The National Association of Realtors® reported that March 2005 home sales were the third highest level on record, and were 4.9 percent above the 6.57 million-unit pace in March 2004. The record was a sales rate of 7.02 million in June 2004, followed by 6.98 million in November 2004.
- Total existing-home sales – including single-family, townhomes, condominiums and co-ops – increased 1.0 percent in March to a seasonally adjusted annual rate* of 6.89 million from an upwardly revised pace of 6.82 million in February.
- The national median existing-home price for all housing types was \$195,000 in March, up 11.4 percent from March 2004 when the median price was \$175,000.

The Condo Craze in Portland

The condominium market has hit a new high as six buildings are now in construction within 1.5 miles of downtown: Benson Tower, Eliot Tower, Meriwether, RiverScape Townhomes, Strand at RiverPlace, and The Vaux. The Waterfront Pearl along the river should begin within a few weeks. I know of four others that should begin construction sometime this year: The Cambridge and the Uptown in the Northwest District along with the John Ross and Block 34 in the South Waterfront.

This means that over 2,000 new condos will come online in the next 36 months.

The Lexis Apartments Converted to Condos

Last week I attended the opening of The Lexis, an apartment building in the Pearl District that was converted to condos. The Lexis was opened in early 2004. I got to the offices of Hoyt Street Properties, the developer of The Lexis, fifteen minutes before the scheduled opening and already the line had over 100 people in it. All eager to buy and most had their checkbooks with them.

There are two attractions. The building is ready for occupancy now and units in The Lexis were only going to be sold to people that would actually live in their condo unit. Investors were not permitted to purchase units. An informal observation of the crowd suggested that there may have been some investors purchasing units. Buy, hold a few months as a vacant unit, and sell. Or furnish the unit sparsely and rent it out as a furnished unit and sell at that point when the capital gains tax is more favorable (avoid the short-term gain).

How can a developer control who moves into the units? The only real control can be exercised by the Homeowners Association and that varies from building to building.

My point is that if you should decide to invest in a Portland condo, you should be aware of how things work.

Have the Dot.com People Switched to Condos?

Remember how for years we were told that the best strategy for investing in the stock market was to buy quality stocks (e.g., GE, IBM, Microsoft, etc.) and hold them for long-term appreciation. Well, the dot.com world (along with the new global economy) blew that theory to smithereens. The new investment scheme is all about "market timing" where you buy or sell securities in anticipation of changes in market or economic conditions. Make a few bucks and go on to the next trade.

It appears to me that the condo market, and for that matter other types of housing in the country, is very similar to "market timing" investing in stocks. Evidence of this trend was reported in March 2005 from a [National Association of Realtors®](#) study:

The study shows sales of second homes surged in 2004, and that investment property and vacation homes make up a significant portion of the overall housing market, accounting for more than one-third of residential transactions, according to the National Association of Realtors®.

The new study, based on two surveys, shows that 23 percent of all homes purchased in 2004 were for investment, while another 13 percent were vacation homes. In addition, there was a record of 2.82 million second home sales in 2004, up 16.3 percent from 2.42 million 2003. The investment-home component rose 14.4 percent to 1.80 million sales in 2004 from 1.57 million in 2003, while vacation-home sales rose 19.8 percent to 1.02 million in 2004 from 850,000 in 2003.

This means that **one out of four homes** purchased in 2004 were for investment purposes.

Vacation Buyers Different from Investor Buyers

One should make a distinction between vacation- and investment-home buyers as they are really two very different markets. The study made these distinctions:

- Eight-six percent of vacation-home buyers do not rent their property compared with only 21 percent of investment buyers.
- It appears that the majority of investment homes are actually the primary residence for a renter.
- Only 10 percent of investment buyers intend to use their second property for recreational purposes.
- The typical vacation-home buyer is 55 years old and earned \$71,000 in 2003, while investment-property buyers had a median age of 47 and earned \$85,700.
- For properties purchased between mid-2003 and mid-2004, the median price of a vacation home was \$190,000 compared with \$148,000 for investment homes.
- In contrast with the last available full-year price data in 2001, vacation homes have appreciated 12.8 percent from \$168,500, and investment homes have risen 25.4 percent from \$118,000.

A Case in Point: The Cambridge Condominiums in Northwest Portland

In early May, *The Oregonian* reported that a new condo building called the Cambridge Condominiums was to be built in the Northwest District. The Cambridge will offer 73 units and nine of these will be penthouses. The asking price of the penthouses will be from \$565 to \$1,000 a square foot -- as much as \$3.5 million for a 3,500-square-foot unit with the most amenities. That could surpass the penthouse prices of about \$600 to \$700 a square foot. The building will be ready for residents to move in sometime in 2007.

"Though the project has not yet been publicly marketed, word of mouth has produced 90 nonbinding reservations for the building's 73 units," the broker handling the units said. Here is the quote that will make you scratch your head: **"The team said it is trying to limit sales to future residents rather than investors."** Just what that means is open to all kinds of interpretation.

Events

Visit the [Portland Visitors Association](#) for a complete schedule of events in Portland.

The Greatest Show in Town

The current exhibit features examples of the most highly regarded souvenirs from the 1905 Lewis & Clark Exposition, Portland's World's Fair. From the highly prized collections of former Governor Victor Atiyeh and Mike Cramer are 200 of the best souvenirs to commemorate this giant event 100 years ago. From April 1 to October 31 at the [Pittock Mansion](#).

Animal Grossology



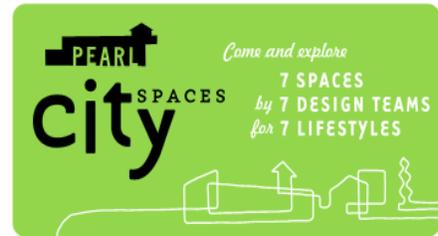
Oozing with disgusting science, the all-new Animal Grossology exhibit is sure to provide a unique perspective on the animal kingdom. You'll never look at Fluffy and Fido the same again! Explore the more extreme aspects of zoology and natural science in this high-energy sequel to the blockbuster Grossology exhibit. See it at the [Oregon Museum of Science and Industry](#).

Cinco de Mayo Fiesta

The [Cinco de Mayo Fiesta](#) showcases music, dance, art, and Latin rhythms on three stages along with regional, local bands and groups. The Fiesta features "The Plaza de Artesanos" where artisans demonstrate and sell handcrafted artwork. Some crafts are exported directly from Mexico and/or handcrafted on sight i.e., painting, weaving, ceramics.cake. May 5 – May 8 at the Tom McCall Waterfront Park.

Pearl CitySpaces 2005

This exciting new urban home tour showcases one of the hottest residential communities on the West Coast: the [Pearl District](#) in Portland, Oregon. For ten days, the public will have an opportunity to tour the Pearl District's newest residential buildings: The Louisa, The Pinnacle, and The Lexis, all units reflecting a different lifestyle type. The featured living spaces, along with the 60+ home furnishings stores, are all located within easy walking distance of each other. May 13 – May 22 from 11 a.m. to 6 p.m. daily.



Memorial Day Weekend in the Oregon Wine Country

Yamhill County, in the North Willamette region of Oregon, is home to more than 80 wineries and 200 vineyards. Yamhill County has been recognized as one of the premier Pinot noir producing areas in the world--rivaling the best in Burgundy. Local wineries also produce Pinot gris, Pinot blanc, Chardonnay, Melon, Riesling, Gewurztraminer, sparkling wine, and some Sauvignon Blanc, Cabernet and Merlot. May 28 – May 30. Call (503) 646-2985 or visit the [Oregon Wine Web site](#).

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