

The Oregonian

Portland home values tick up

Real estate - Metro area prices are up 1.1 percent from a year ago, but the trend could end soon

Thursday, January 17, 2008

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Portland-area homeowners saw modest growth in home values in December, welcome news at a time when housing prices are collapsing around the country.

But Portland's trend of relative housing prosperity might not continue much longer.

Economists were pleasantly surprised to learn Wednesday that Portland's median home price hit \$276,500 in December, up 1.1 percent from a year earlier, according to figures released by the Regional Multiple Listing Service.

"Right now, most people would say that's pretty good. Las Vegas would like it," said Jerry Johnson, a Portland housing economist and adviser to builders and local governments.

Yet even with an influx of newcomers driving up housing demands, the trends signal the prospect of bad news ahead.

Sellers have been forced to drop asking prices. Suburbs such as Happy Valley and Clark County have far more houses than they can sell. Across the region, the inventory of unsold houses remains high at over eight months, nearly double a year earlier. And it took 73 days to sell the average house, up 33 percent, according to the Regional Multiple Listing Service in data that covers Clackamas, Columbia, Multnomah, Washington and Yamhill counties.

Since August, prices have dropped 8 percent since hitting their all-time peak of \$302,000.

"I'm still worried about the time we go negative, but we're not there yet," Johnson said.

Perpetual upswing

Economists talk about real estate markets moving in seven to 10-year cycles. A boom, then a bust.

But the Oregon housing market has been on a nearly perpetual upswing since the early 1990s recession.

The Oregon economy fell into another recession after the tech bubble burst in 2001, but the Portland-area housing market burrowed through. Since January 2001, the region posted only two months of year-over-year price declines, and both came in 2001.

Then came the boom.

Nationwide, the lending industry loosened its standards, opening the market to investors and marginal buyers who previously couldn't have qualified for loans. That drove up demand and prices across the country.

For 22 consecutive months, Portland reported double-digit price appreciation from October 2004 to July 2006. In that time, median home prices grew from \$212,000 to \$274,000.

The market cooled slightly, but smaller price growth continued until hitting a peak in August. By then, the U.S. subprime market -- home loans given to buyers with poor credit -- had collapsed and mortgage lenders

started to cut back or even close shop.

Home prices have fallen steadily since then. But the damage is much worse in other cities.

Portland, Seattle and Charlotte, N.C., remain relatively resilient. All posted home price growth through October, according to a Standard & Poor's report.

That's far better than the top 10 U.S. markets, where prices fell 6.7 percent in October, the largest one-year drop on record. The previous record drop came in April 1991.

Southern California, where prices rocketed up during the upswing, remains one of the hardest-hit markets in the country.

The Los Angeles area reported a 13 percent drop in home prices in December compared with a year earlier. Prices in the six-county region hit \$420,000, their lowest level since February 2005, according to DataQuick Information Systems.

Popular city

Portland continues to benefit from its popularity. People still want to live here.

John Lee, a principal broker at Re/Max Equity Group, last weekend showed a North Portland house to young couples from New York and Boulder, Colo.

The four-bedroom, 2,447-square-foot home is just a block from Adidas' campus. It started at \$450,000 in November.

It's now \$388,500.

But Lee was upbeat after 50 people, including the two out-of-state couples, visited. "There are still people moving in," Lee said. "We have quality of life, a good economy, good job growth."

Broker Kathleen O'Donnell sees the same thing with the cottage she's selling on Northeast Regents Drive. The former home of Vicki Phillips, ex-superintendent of Portland Public Schools, went on the market in October at \$685,000, and the price hasn't been dropped.

She took a couple from San Francisco through the house recently. They're starting a family and don't want an apartment, O'Donnell said. O'Donnell herself moved here in 1997 to escape a more hectic life in Washington, D.C.

"Portland continues to be a draw for people who want a better quality of life at a better price point," she said. "This is the last major city on the West Coast that's affordable." To learn more: Visit The Oregonian's real estate blog at blog.oregonlive.com/frontporch. Got a housing story idea? Send it to ryanfrank@news.oregonian.com.

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