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Residential Market Analysis

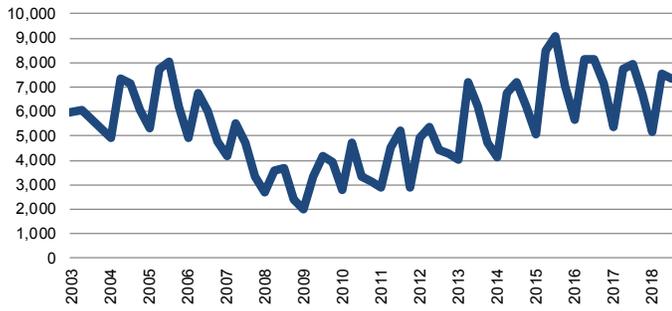
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As we look at the first quarter of 2019, the state of Oregon and the Southwest Washington markets are continuing to cool down. Overall transaction volume has decreased, building permits are down from the previous year, and existing prices stayed fairly consistent. Where market prices are continuing to increase is in new home construction. In Portland and Vancouver new median sales prices are at an all-time high. This can be attributed to a supply constrained market with only periodic annexations of the Urban Growth Boundary as well as the continued climb in construction costs across the state, which is a result of the Portland Metro Area's significant economic growth through this cycle in combination with a lack of skilled labor (subcontractor employment has actually decreased). Because of these factors, Homebuilder's are unable to reach pricing for the majority of the market. Homebuilder's simply cannot provide housing at an optimal price given Portland's market constraints. It is not just Portland either. As the population continues to grow and the demand for households increase, prices are forcing people out. Neighboring cities are seeing home price increases as well, with price increases spreading west to Hillsboro/Beaverton, east toward Gresham, as well as south toward Salem.

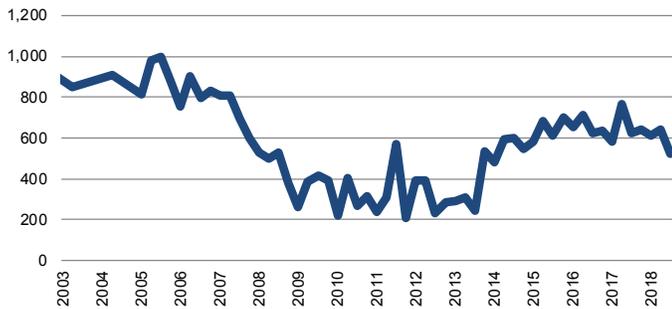
In order to combat the supply issue, Metro approved the UGB expansion in Hillsboro, Beaverton, King City and Wilsonville. Despite these expansions, a housing shortage is still expected given the projections for demand, population and overall economic growth for the year 2035. Master planned communities like South Hillsboro, River Terrace, Villebois, and Bethany may slow pricing slightly, but only temporarily.

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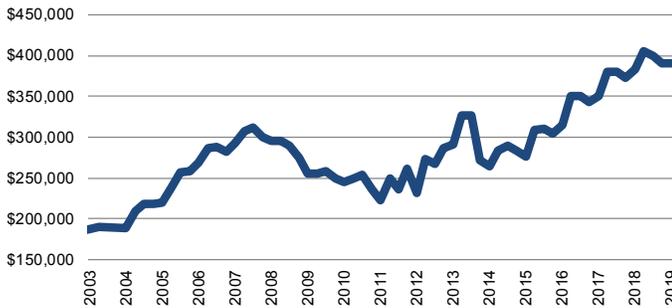
**Number of transactions
Portland metro, existing homes**



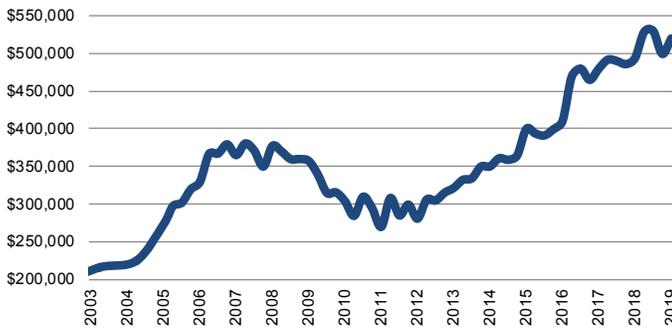
**Number of transactions
Portland metro, new detached homes**



**Median sales price
Portland metro, existing homes**



**Median sales price
Portland metro, new detached homes**



Market by Market

LOCAL TRANSACTIONS

For four straight quarters, the volume of existing homes sold in the City of Portland has fallen. 1,093 fewer houses were sold in the first quarter of 2019, which is a decrease of over 19% from the prior quarter. The median sales price stayed constant from the previous year, while the sales price to list price ratio slightly decreased. Transaction counts for new single-family homes within the City of Portland dropped from the previous year by 41, while the median sales price slightly increased.

“City of Portland” and “Portland Metro” refers to the three counties on the Oregon side.

Data for local transactions for Portland, Vancouver, Clark County, Eugene and Lane County sourced from RMLS.

VANCOUVER AND CLARK COUNTY

Across the board, Vancouver saw a decrease in transactions. While the transaction count saw its second straight quarter decrease, median sales price stayed constant. Sales price over list price slightly increased from the previous quarter to 98.49%.

Clark County saw its second straight year decreasing with only 693 transactions, which is 120 less than the previous quarter. Similar to Vancouver, the sales price and listing price ratio steadily increased from last quarter at 98.91 percent.

CENTRAL OREGON

Transactions in Bend slightly increased from the previous year, but median sales prices skyrocketed almost 26,000 dollars from the previous year. The Bend market remains hot late as days on market decreased substantially from the previous year to 92 days.

Transactions in Redmond increased by almost 40% from a year ago, amounting to 230 houses sold in the first quarter. The median sales price for homes increased slightly and the average days only increased by a few days.

Data for Central Oregon came from COAR, Central Oregon Association of Realtors.

WILLAMETTE VALLEY

The Willamette Valley saw substantial increases to the median sales price from the previous quarter as well as the prior year. Lane County increased the most at almost 12 percent from the previous year, while Benton County was the only one to decrease from the previous year.

Data for Willamette Valley, including Salem, came from Willamette Valley Multiple Listing Services.

SALEM

Salem's market appears to be tightening as existing median prices jump significantly from both the prior year and the prior quarter. Days on market increased to 91 from 76 and the number of transactions in Salem slowed down from a year ago.

EUGENE

The first quarter median sales prices stayed constant from a year ago at \$275,000 and days on market shot down 15 days to an average of 28 days on market. In addition, transaction volume increased to 1090 transactions, a record count for any first quarter.

Data for local transactions for Portland, Vancouver, Clark County, Eugene and Lane County came from RMLS.

SOUTHERN OREGON

The Jackson County and Josephine County markets continue to mirror each other in the first quarter; median sales prices increased from the previous year, transactions fell and average days on the market increased slightly. Jackson County's median sales price for the first quarter was \$278,000 and 81 fewer homes were sold from the previous quarter. Josephine County ended in a median sales price of \$247,900, which is over a three percent increase from the past year, for the first quarter. Transaction dropped to 127.

Data for Southern Oregon came from Rogue Valley Realtors.