
RESIDENTIAL MARKET ANALYSIS

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The Portland market is one of the hottest in the nation as investors experienced returns of more than twice the national average for flipping houses. According to a report from the Salem Statesman Journal, buyers who purchase an Oregon home and fix it up are reselling it for about 20 percent more than the original purchase price, compared to the national average of 9 percent.

According to RealtyTrac, there were 949 single-family home flips in the first half of 2013 in Oregon. The average purchase price was just under \$190,000. And when homes were resold again a few months later, sellers banked an average of more than \$37,000 in profit.

According to CoreLogic, in April 2013 Oregon ranked fifth in the nation in price appreciation at 15.5 percent annually. Only Nevada, California, Arizona, and Hawaii rated higher.

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Existing-home sales improved in May and remain solidly above a year ago, while the median price continued to rise by double-digit rates 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, rose 4.2 percent to a seasonally adjusted annual rate of 5.18 million in May from 4.97 million in April, and is 12.9 percent above the 4.59 million-unit pace in May 2012.

Lawrence Yun, NAR chief economist, said the recovery is strengthening and to expect limited housing supplies for the balance of the year in much of the country. "The housing numbers are overwhelmingly positive. However, the number of available homes is unlikely to grow, despite a nice gain in May, unless new home construction ramps up quickly by an additional 50 percent," he said. "The home price growth is too fast, and only additional supply from new homebuilding can moderate future price growth."

Existing-home sales are at the highest level since November 2009 when the market jumped to 5.44 million as buyers took advantage of tax stimulus. Sales have stayed above year-ago levels for 23 months, while the national median price shows 15 consecutive months of year-over-year increases.

Total housing inventory at the end of May rose 3.3 percent to 2.22 million existing homes available for sale, which represents a 5.1 month supply at the current sales pace, down from 5.2 months in April. Listed inventory is 10.1 percent below a year ago, when there was a 6.5 month supply.

The national median existing-home price for all housing types was \$208,000 in May, up 15.4 percent from May 2012. This marks six straight months of double-digit increases and is the strongest price gain since October 2005, which jumped a record 16.6 percent from a year earlier. The last time there were 15 consecutive months of year-over-year price increases was from March 2005 to May 2006.

Single-family home sales rose 5.0 percent to a seasonally adjusted annual rate of 4.60 million in May from 4.38 million in April, and are 12.7 percent higher than the 4.08 million-unit pace in May 2012. The median existing single-family home price was \$208,700 in May, up 15.8 percent above a year ago, the strongest increase since October 2005 when it jumped 16.9 percent from a year earlier.

Existing condominium and co-op sales slipped 1.7 percent to an annualized rate of 580,000 units in May from 590,000 in April, but are 13.7 percent above the 510,000-unit level a year ago. The median existing condo price was \$202,100 in May, which is 11.8 percent above May 2012.

Regionally, existing-home sales in the Northeast rose 1.6 percent to an annual rate of 650,000 in May and are 8.3 percent above May 2012. The median price in the

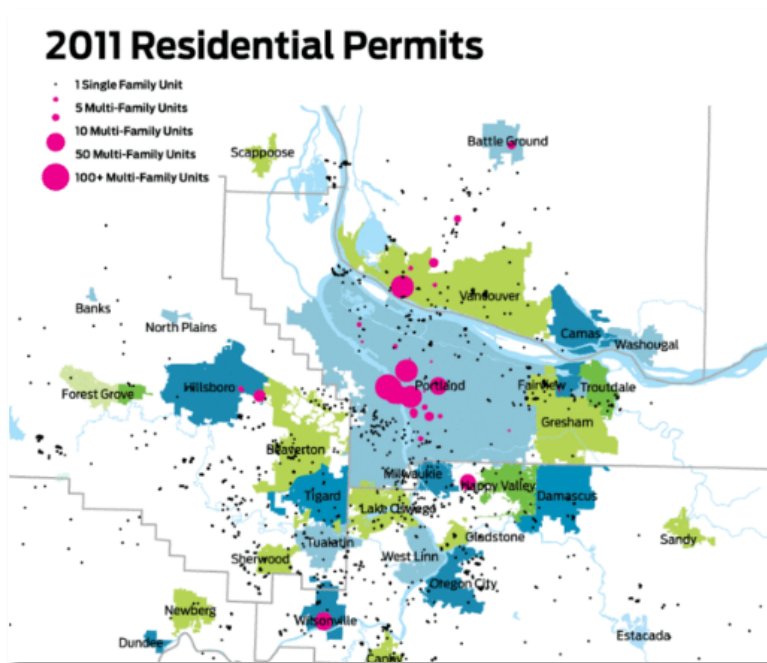
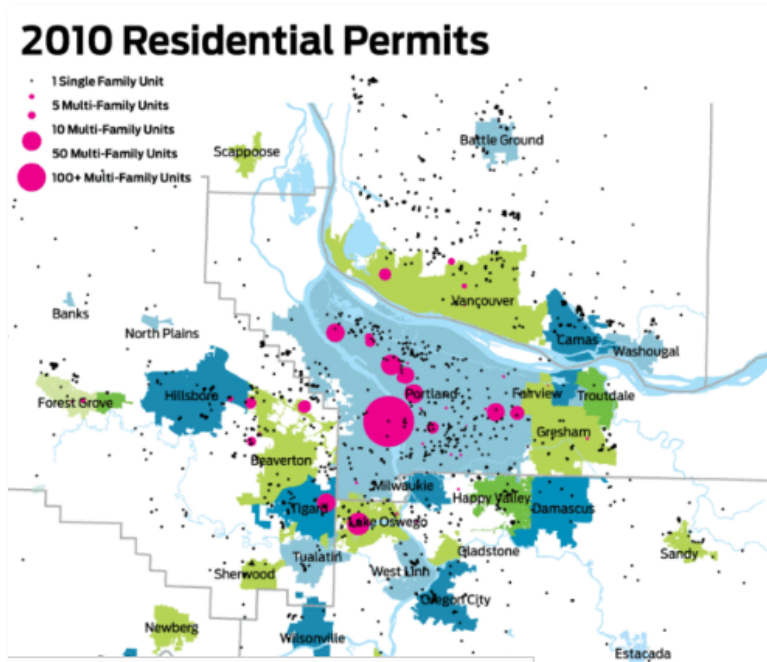
Northeast was \$269,600, up 12.3 percent from a year ago. Existing-home sales in the Midwest jumped 8.0 percent in May to a pace of 1.21 million, and are 16.3 percent higher than a year ago. The median price in the Midwest was \$159,800, up 8.2 percent from May 2012. In the South, existing-home sales rose 4.0 percent to an annual level of 2.09 million in May and are 16.1 percent above May 2012. The median price in the South was \$183,300, which is 15.0 percent above a year ago.

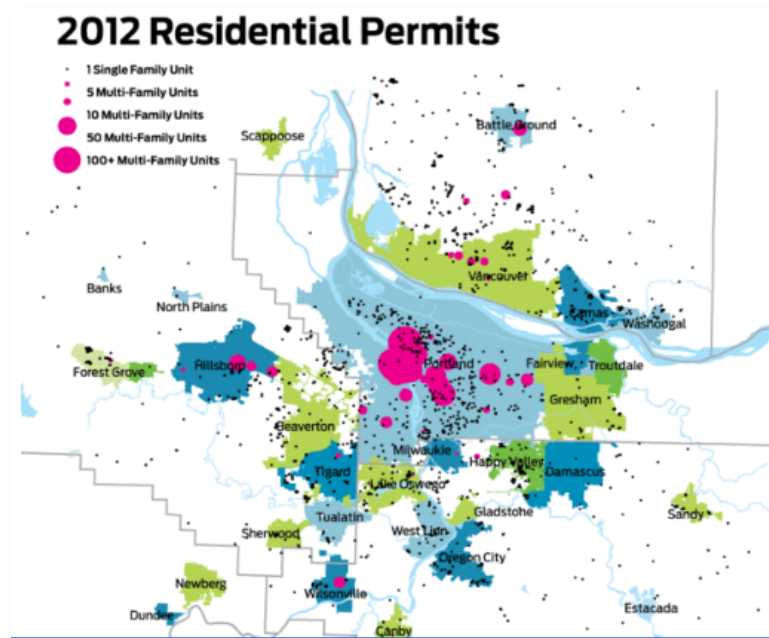
Existing-home sales in the West increased 2.5 percent to a pace of 1.23 million in May and are 7.0 percent above a year ago. With the tightest regional supply, the median price in the West was \$276,400, up 19.9 percent from May 2012.

Mortgage interest rates are still hovering at nearly 60-year lows. The national average commitment rate for a 30-year conventional, fixed-rate mortgage was 3.41 percent in April, up from 3.34 percent in January; the rate was 3.91 percent in April 2012.

First-time buyers accounted for 28 percent of purchases in May, compared with 29 percent in April and 34 percent in May 2012. All-cash sales were at 33 percent of transactions in May, up from 32 percent in April and 28 percent in May 2012. Individual investors, who account for many cash sales, purchased 18 percent of homes in May; they were 19 percent in April and 17 percent in May 2012.

The four counties in the Portland metro area have added 9,000 residential homes or apartment units since 2010. The April 2013 issue of Portland monthly highlighted residential real estate trends in Portland. The data was provided by Construction Monitor and the images were built by the Metro Data Resource Center.





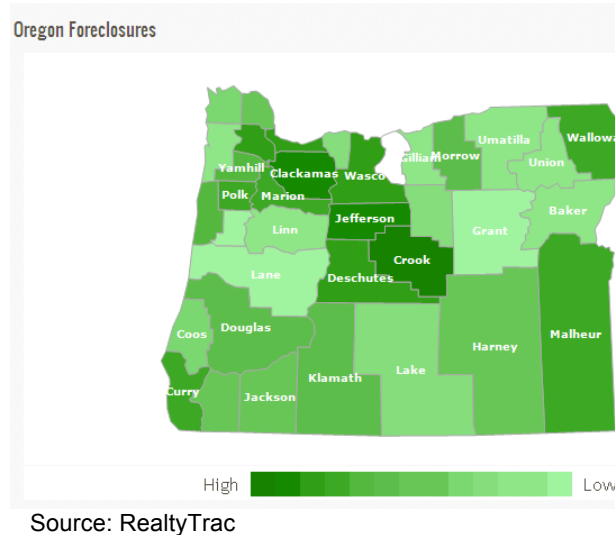
Median Home Values of Existing Detached Homes

| | U.S. | West | Portland Metro Area |
|--|-----------|-----------|---------------------|
| May 2012 Median Sales Price | \$176,000 | \$221,400 | \$234,500 |
| May 2013 Median Sales Price | \$208,000 | \$276,400 | \$269,500 |
| % Change in Median Sales Price | 15.4% | 19.9% | 15.4% |
| % Change in Number of Sales Mar 2012- Mar 2013 | 12.7% | 2.5% | 27.8% |

Standard & Poor's Case-Shiller Index for was 152.37 through April 2013. The represents an increase of 2.5 percent from April 2013, which was the largest one month gain in the 12-year history of the index, and a year-over-year increase of 12.1 percent. Portland was at 148.62 in April, which is a 2.1 percent increase from March, and up 12.9 percent compared to the same time last year. The index data shows that in April 19 of the 20 major U.S. metropolitan cities, home prices increased from the previous month, with only Detroit remaining unchanged.

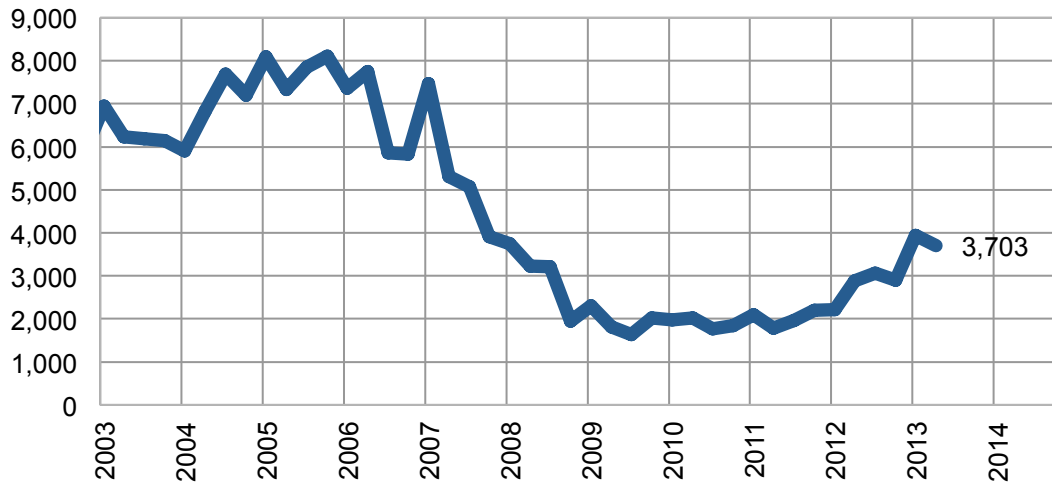
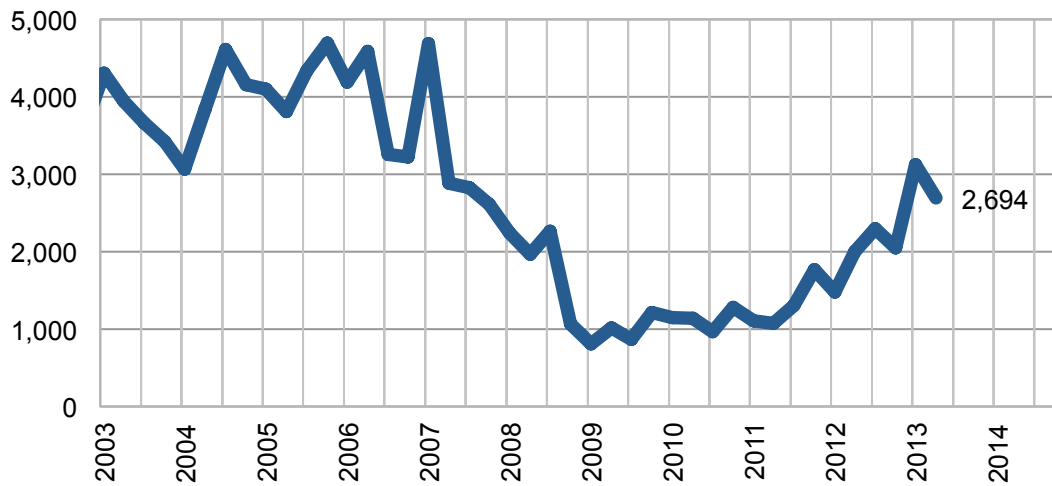
Foreclosure filings were reported on 442,117 U.S. properties during the first quarter, a decrease of 12 percent from the previous quarter and a decrease of 23 percent from the first quarter of 2012. Foreclosure activity is at the lowest level since the second quarter of 2007.

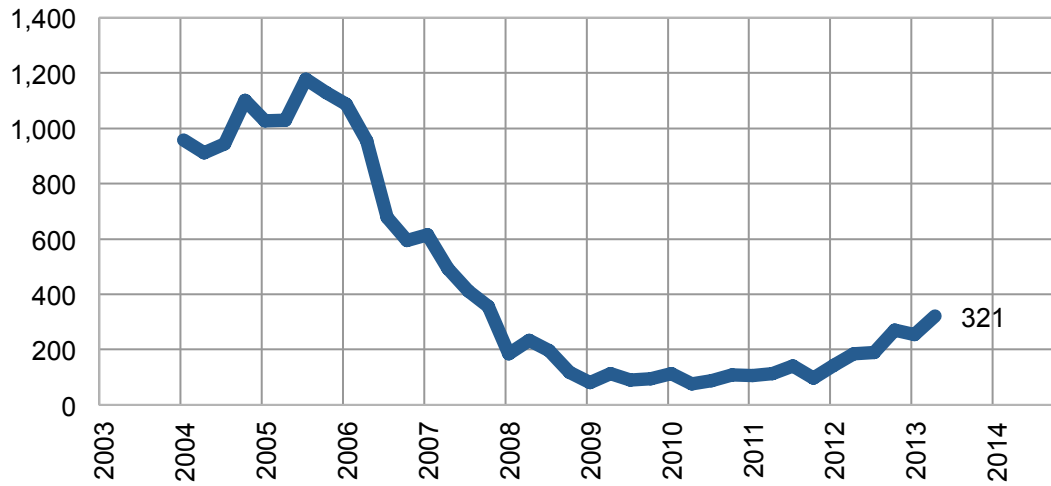
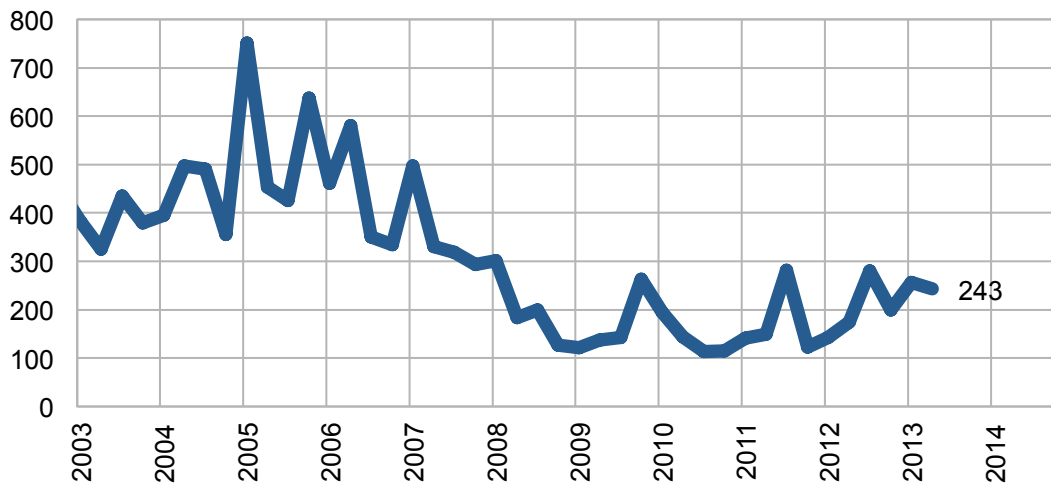
During the first quarter of 2013 Oregon reported 7,879 foreclosure filings. “Although the overall national foreclosure trend continues to head lower, late-blooming foreclosures are bolting higher in some local markets where aggressive foreclosure prevention efforts in previous years are wearing off,” said Daren Blomquist, vice president at RealtyTrac. “Meanwhile, more recent foreclosure prevention efforts in other states have drastically increased the average time to foreclose, which could result in a similar outbreak of delayed foreclosures down the road in those states.”



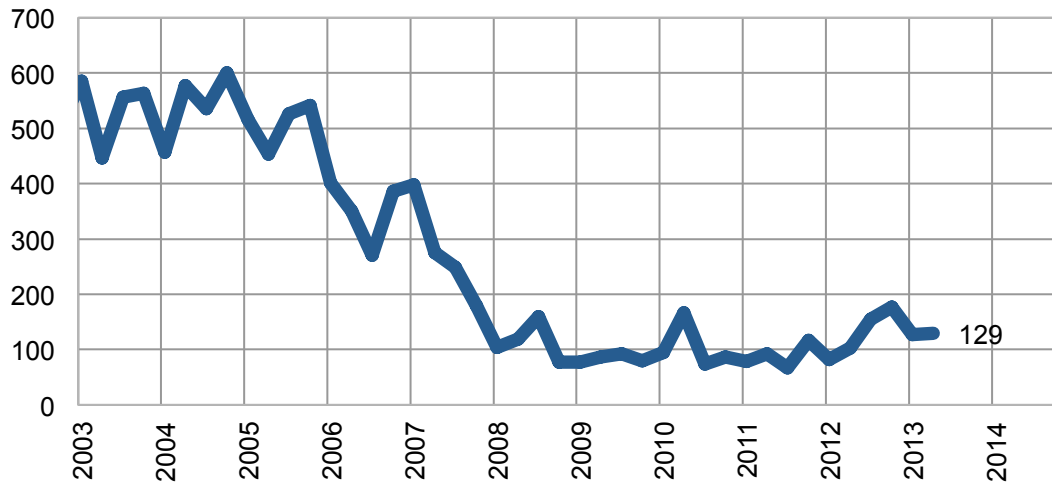
According to RealtyTrac, the ten states that ranked the highest in foreclosure rates in March 2013 were Florida, Nevada, Illinois, Ohio, Georgia, Arizona, Washington, Maryland, South Carolina, and California. Of these states, Florida posted the nation’s highest state foreclosure rate, with one in every 104 housing units receiving a foreclosure filing in the first quarter of 2013, more than three times the national average. In Nevada, one in every 115 housing units and in Illinois one in every 147 housing units filed for foreclosure during the first quarter of 2013.

Single family building permits have increased sharply thus far in 2013 in the US and Oregon. The state and all major Oregon markets increased more than the US average for single-family with Bend increasing 74 percent since the same quarter last year. Portland saw a 34 percent increase, Eugene grew 40 percent, and Medford grew 25 percent. Multifamily new construction has increased sharply in the US and even more in Oregon. Portland increased by 138 percent with over 3,050 permits for new units in the metro area through June 2013.

**Building permits for new private housing, quarterly
Oregon, statewide****Building permits for new private housing, quarterly
Portland-Vancouver-Beaverton MSA**

**Building permits for new private housing, quarterly
Bend****Building permits for new private housing, quarterly
Eugene-Springfield**

Building permits for new private housing, quarterly Medford



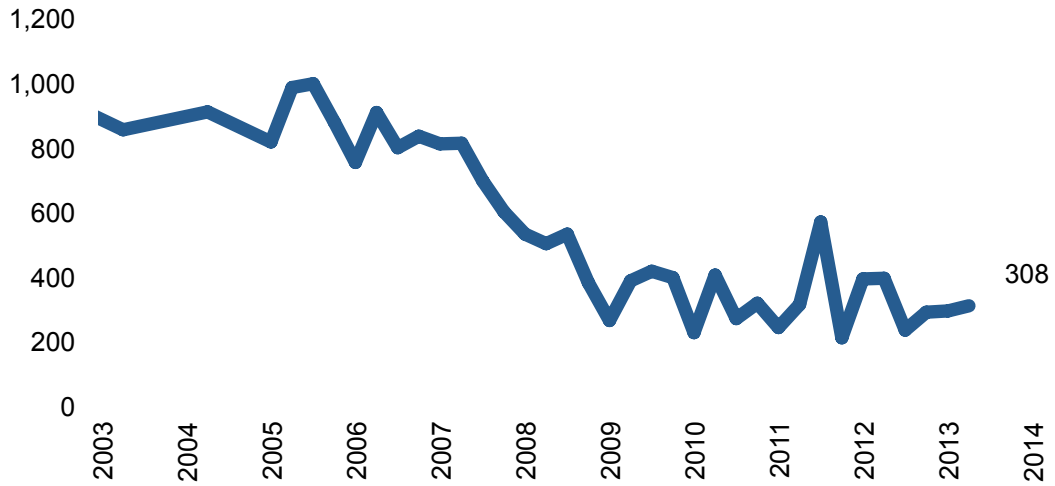
PORTLAND

Buyers closed on purchases of 7,175 homes. The number of transactions in second quarter 2013 increased by a significant 78.2 percent from last quarter, and increased 34.3 percent annually. Median prices for the first quarter were at \$326,273 which represents a 12.3 percent increase over the previous quarter and a 19.4 percent increase annually.

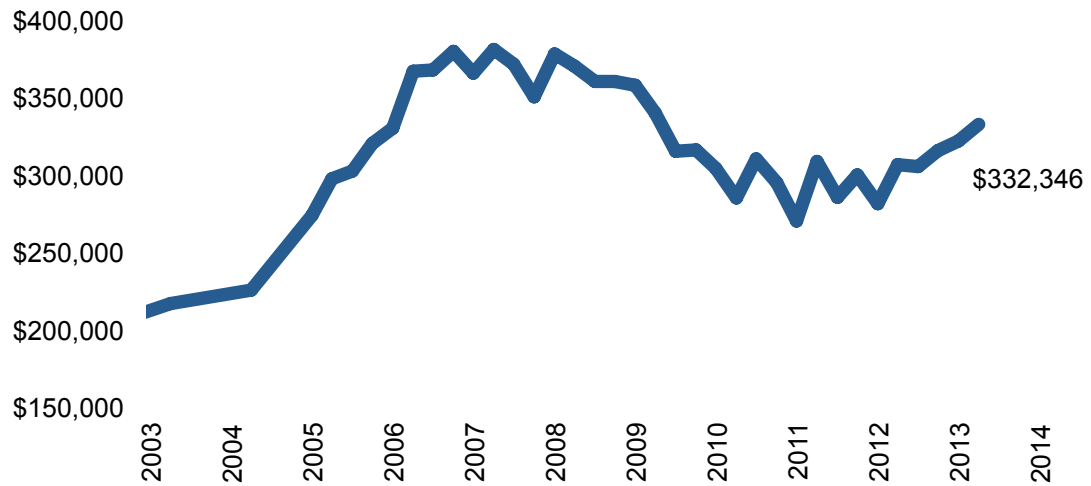
The data comparing sales price to list price was red hot in second quarter and number of days on the market increased slightly as well. Properties sold at an average price of 99.0 percent of the original list price. Sellers in the Portland area have had their homes on the market for an average of 16 days before closing, which was far less than 41 in the previous quarter.

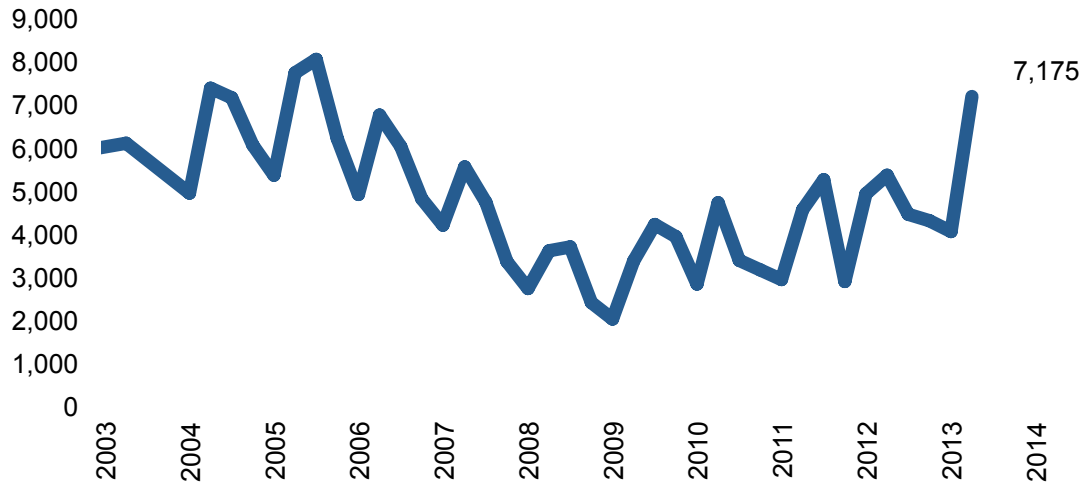
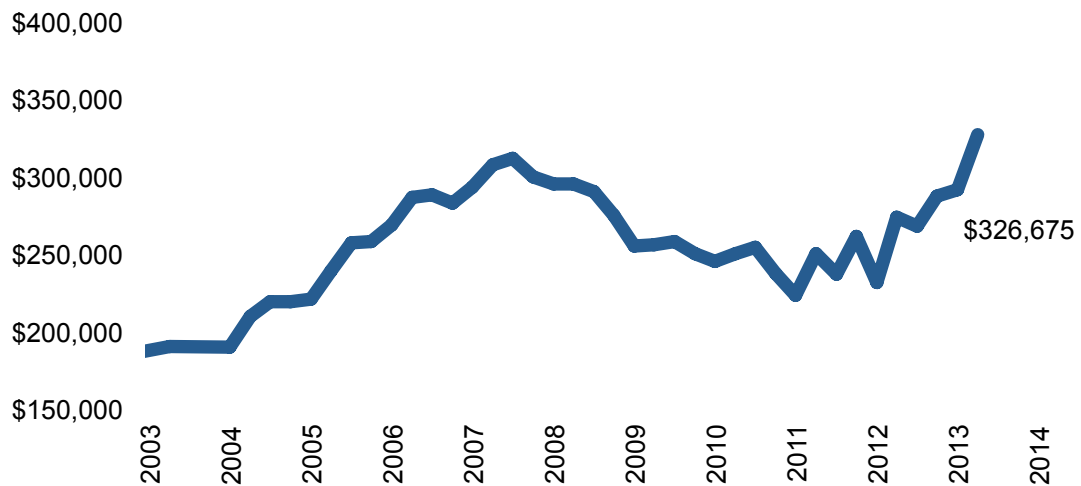
There were 308 new properties sold, compared to 291 in first quarter, and a 21.4 percent decrease from second quarter 2012. The new properties sold at a median price of \$332,346 which was a 3.3 percent increase from first quarter. New home prices increased from second quarter 2012 by 8.6 percent.

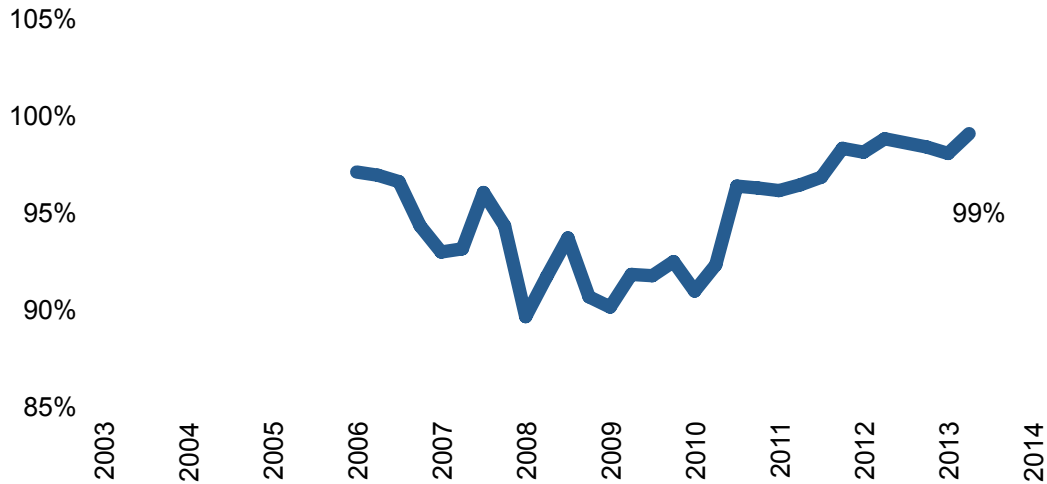
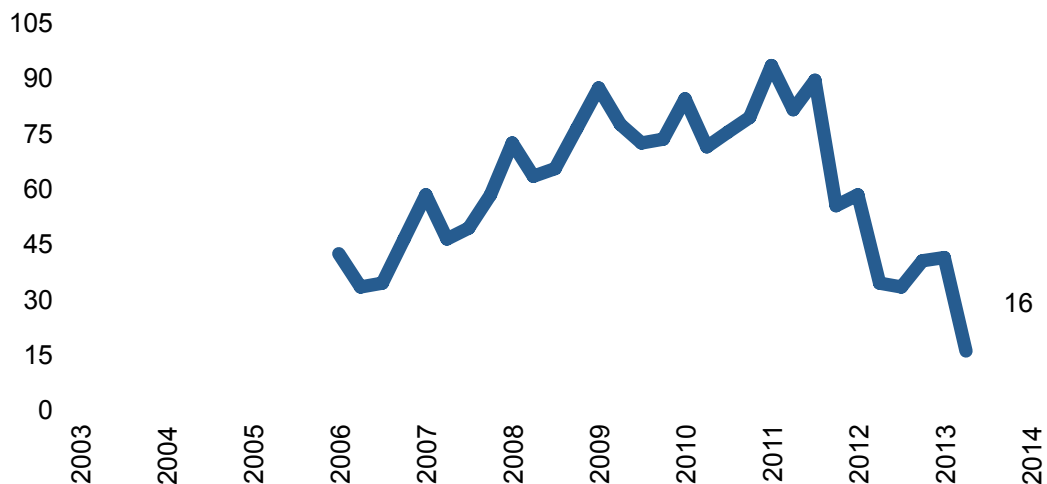
Number of transactions
Portland metro, new detached homes



Median sales price
Portland metro, new homes



Number of transactions
Portland metro, existing homes**Median sales price**
Portland metro, existing homes

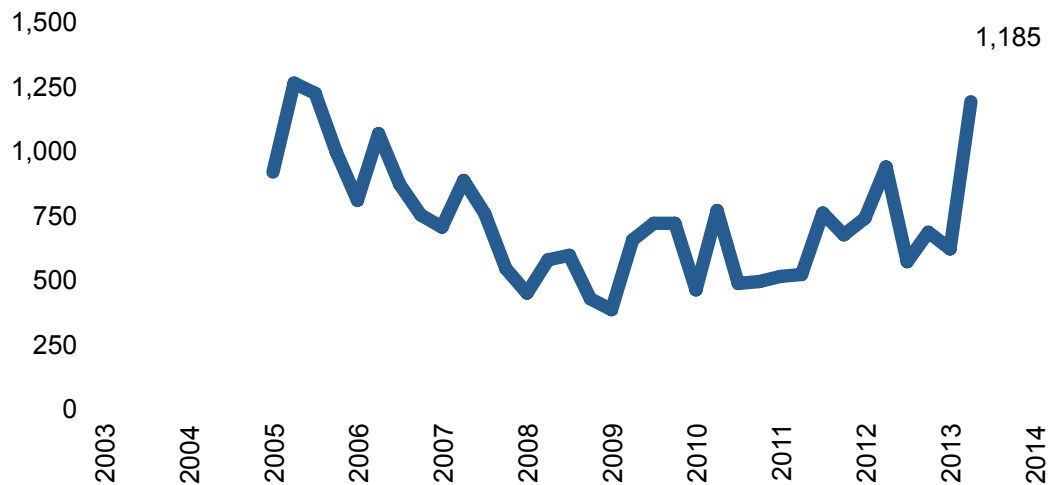
**Ratio of sales price to list price
Portland metro, existing homes****Days on market
Portland metro, existing homes****VANCOUVER**

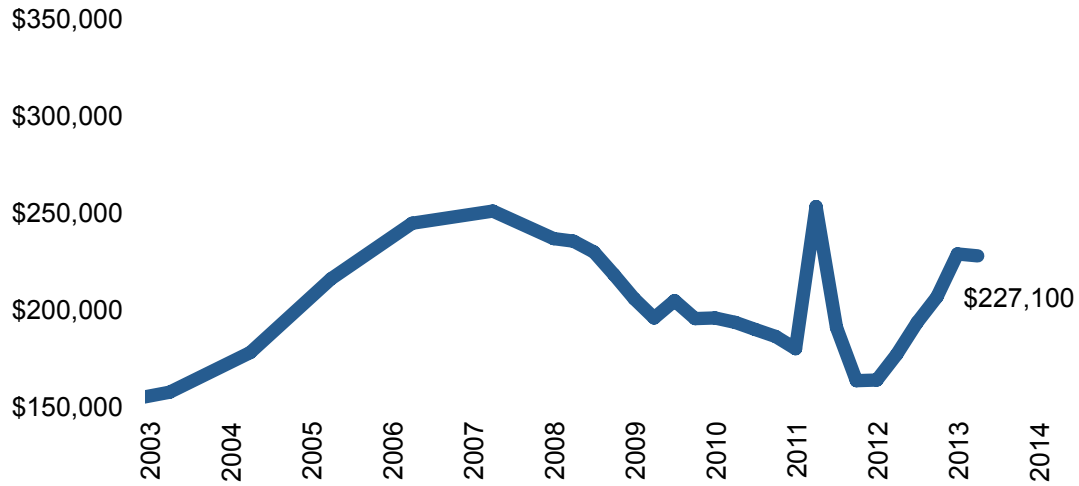
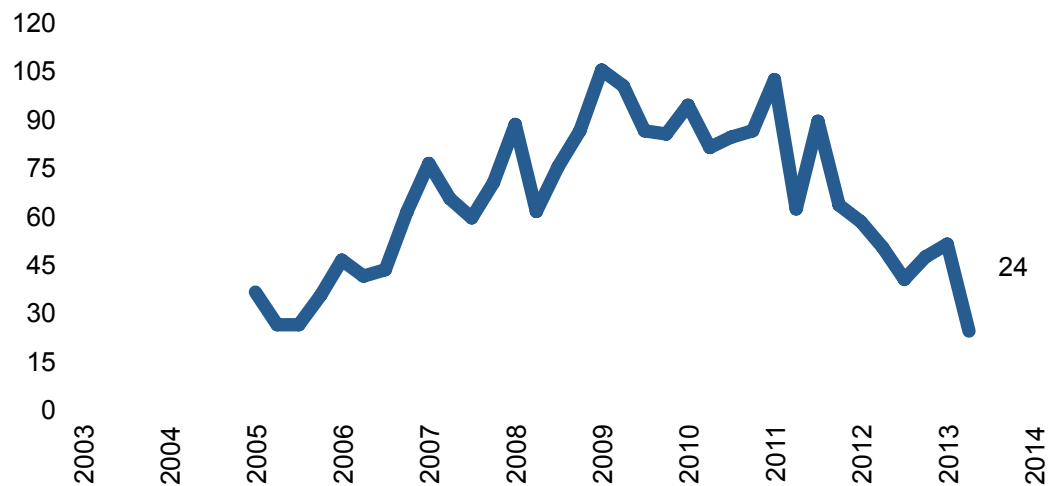
In Vancouver, the median home price in second quarter 2013 was \$227,100, which increased 27 percent year over year. This was a 0.4 percent decrease from the previous quarter. The number of homes sold in second quarter increased by over

93 percent from the previous quarter to 1,185, and by 27.3 percent annually. The number of days on market decreased by 52.9 percent from the previous quarter to 24, down from 50 last year at this time.

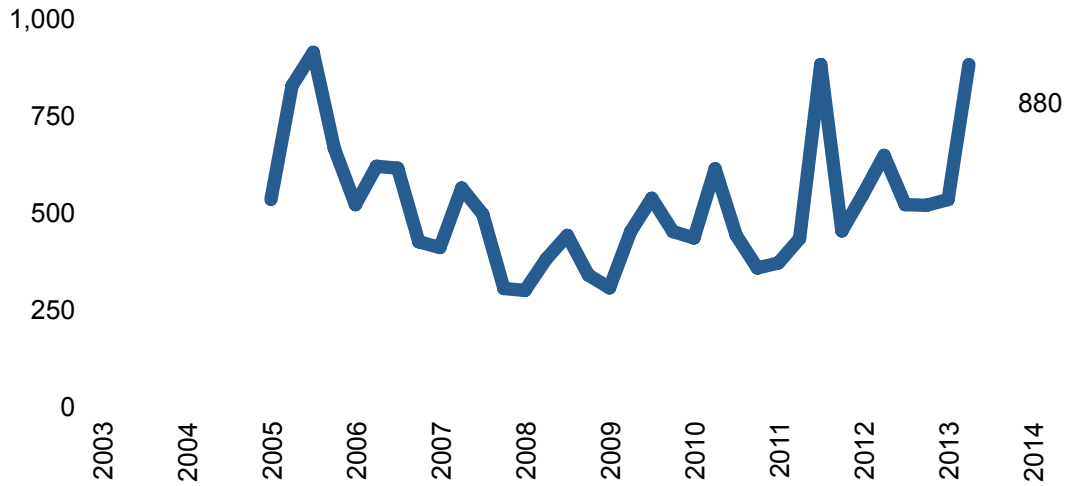
In the Vancouver suburbs median home price during the second quarter of 2013 was \$275,900, a 6.6 percent increase from first quarter 2013 when it was \$258,800. The number of homes sold in first quarter was up 65.7 percent increase from the first quarter of 2013 at 880, and increased by 36.6 percent year over year. The number of days on the market decreased to 33 from 74 in the previous quarter and 56 in second quarter 2012.

Number of transactions
Vancouver, existing homes

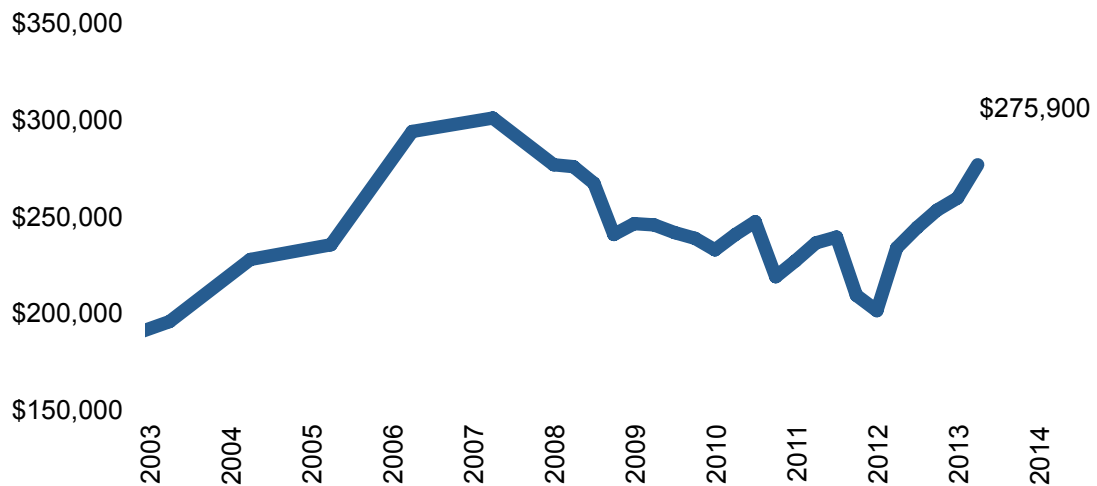


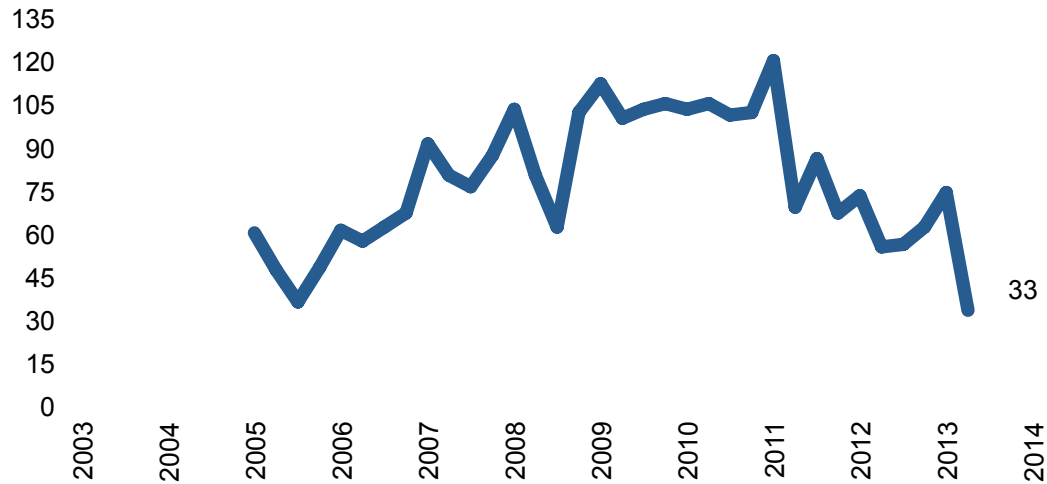
**Median sales price
Vancouver, existing homes****Days on market
Vancouver, existing homes**

Number of transactions
Clark County, excluding Vancouver, existing homes



Median sales price
Clark County, excluding Vancouver, existing homes

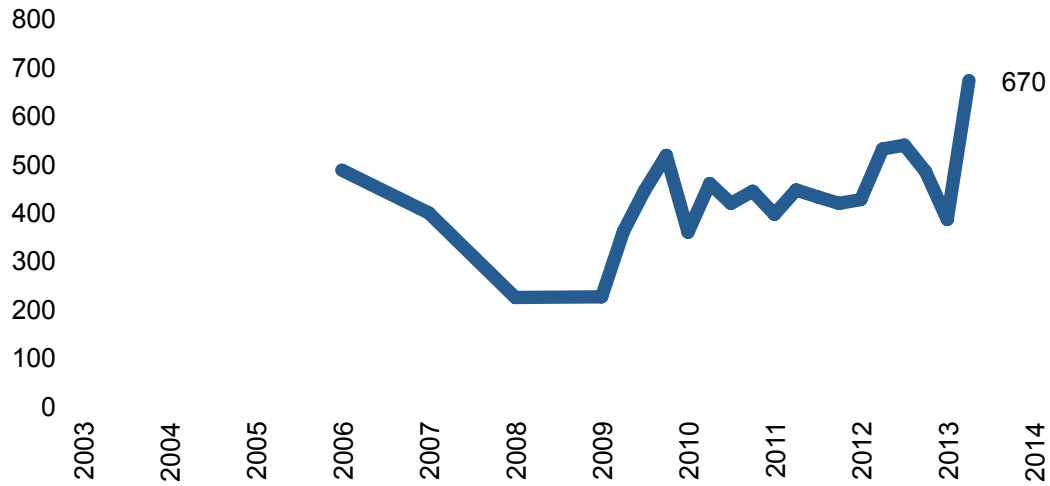
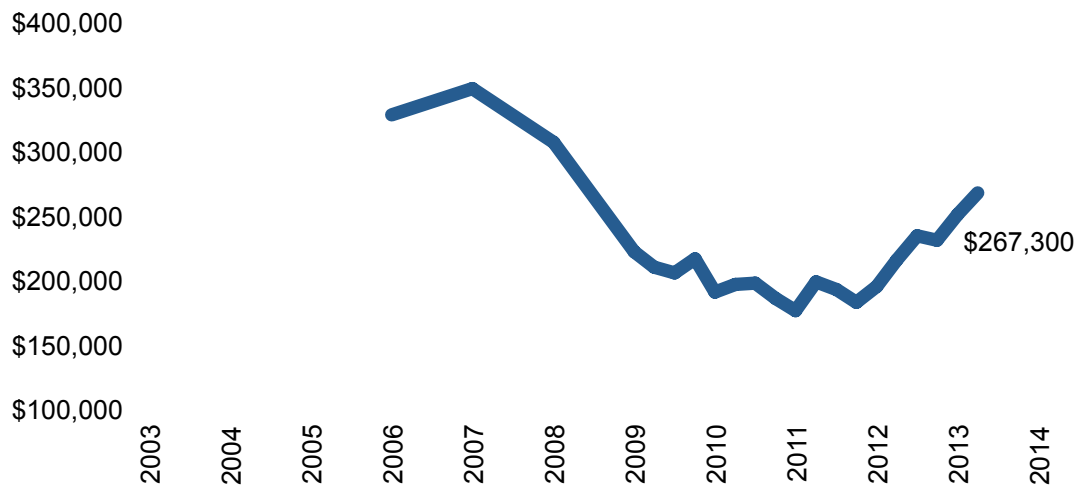


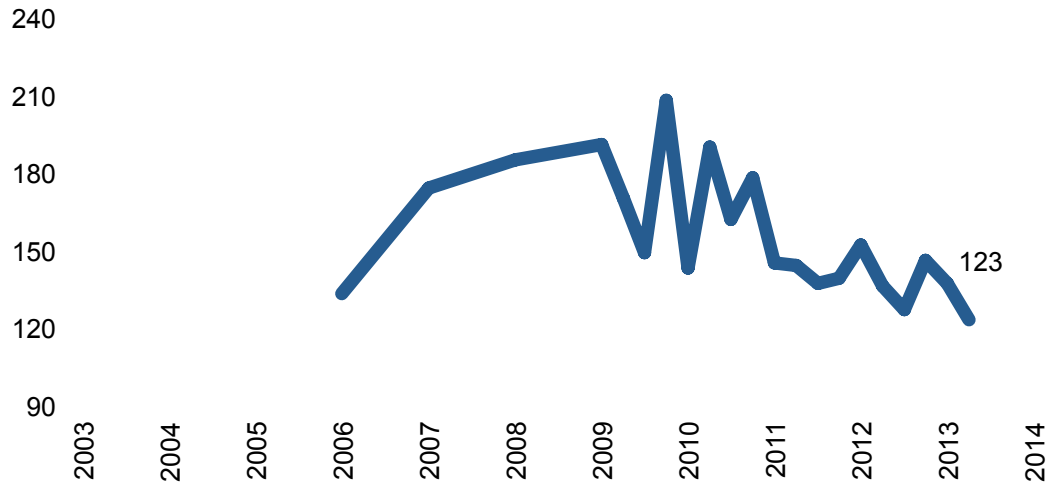
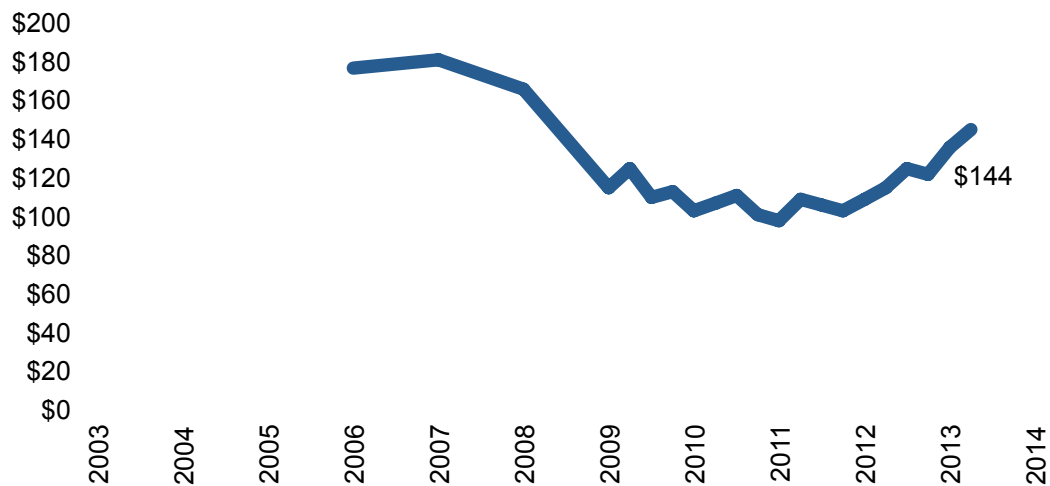
Days on market**Clark County, excluding Vancouver, existing homes****CENTRAL OREGON**

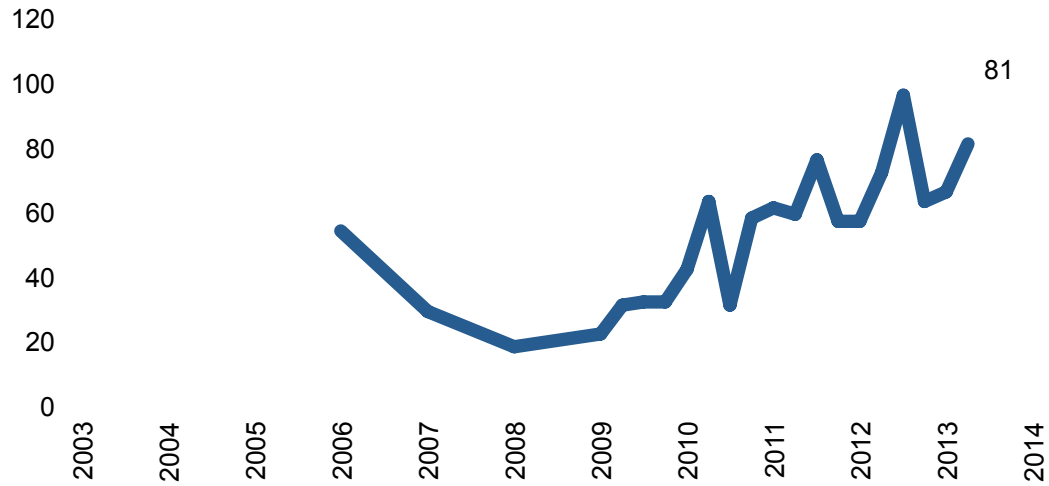
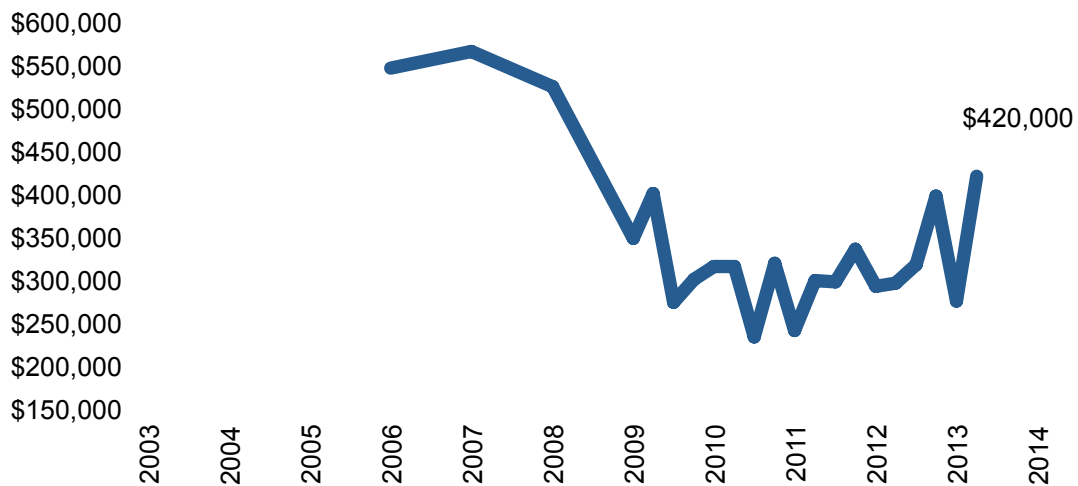
At 670 transactions, second quarter Bend home sales of less than one acre are up 26.7 percent since the same period last year. At 191 transactions of less than one acre, Redmond is up 1.6 percent over last year. For larger properties—homes on 1-5 acres—transactions are up 12.5 percent in Bend and up 24.1 percent in Redmond.

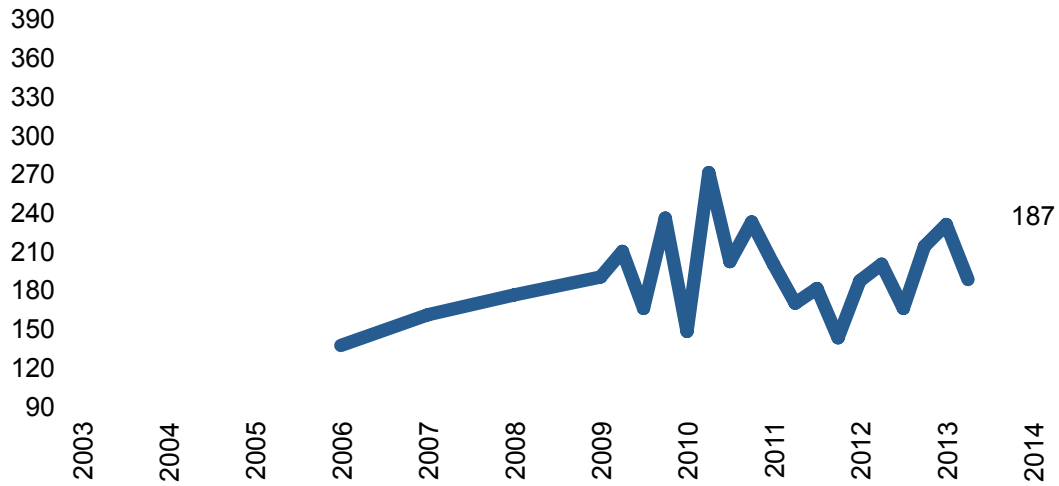
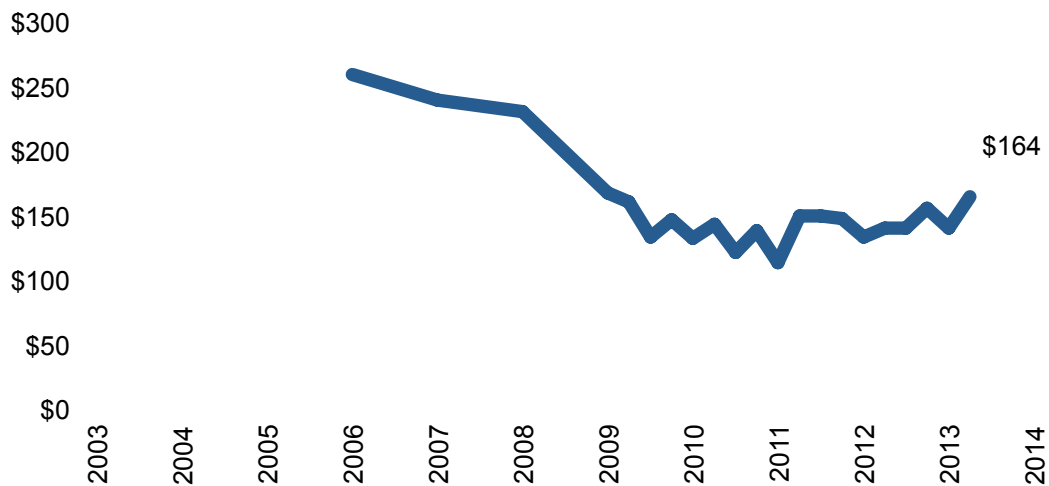
The number of days on the market for every market in Central Oregon has decreased since last quarter and the previous year. Properties less than an acre spend nearly five months on the market before sale. Larger properties average eight months in Bend and nearly one year in Redmond.

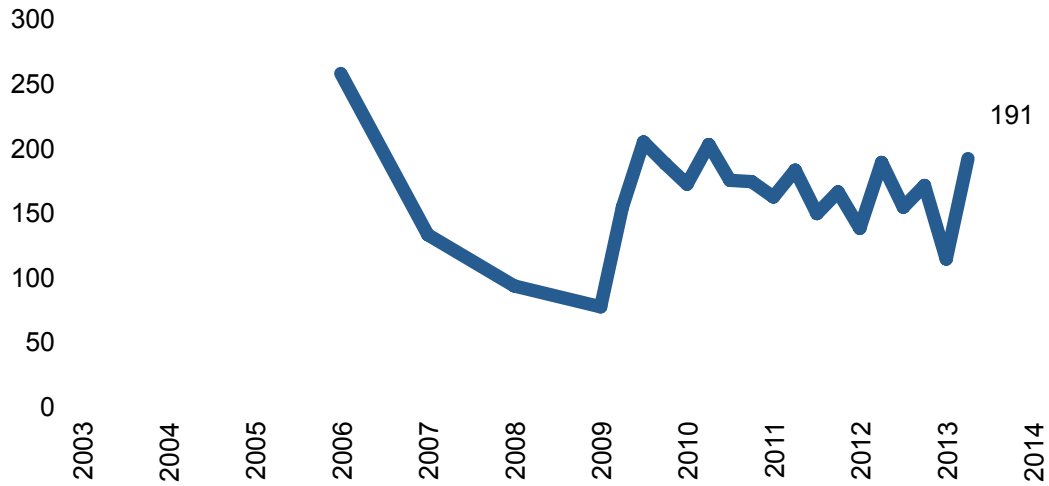
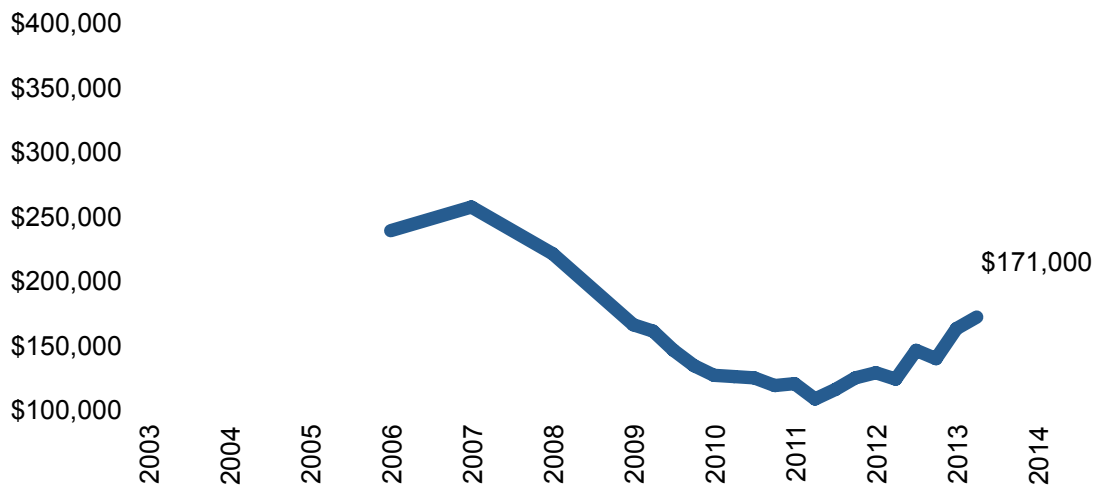
For sales under an acre, the median home prices for Bend and Redmond both increased since the second quarter of 2012. The median price in Bend market increased 28.4 percent to \$267,300, while Redmond increased 39.3 percent to \$171,000. Results are improved in the market for larger properties: the median price in Bend is up 41.9 percent, and the median price is up 63.9 percent in Redmond. Measured on a price-per-square-foot basis, the median price of properties of 1-5 acres is up 17.1 percent in Bend, and up 53.9 percent in Redmond.

**Number of transactions
Bend, under 1 acre****Median sales price
Bend, under 1 acre**

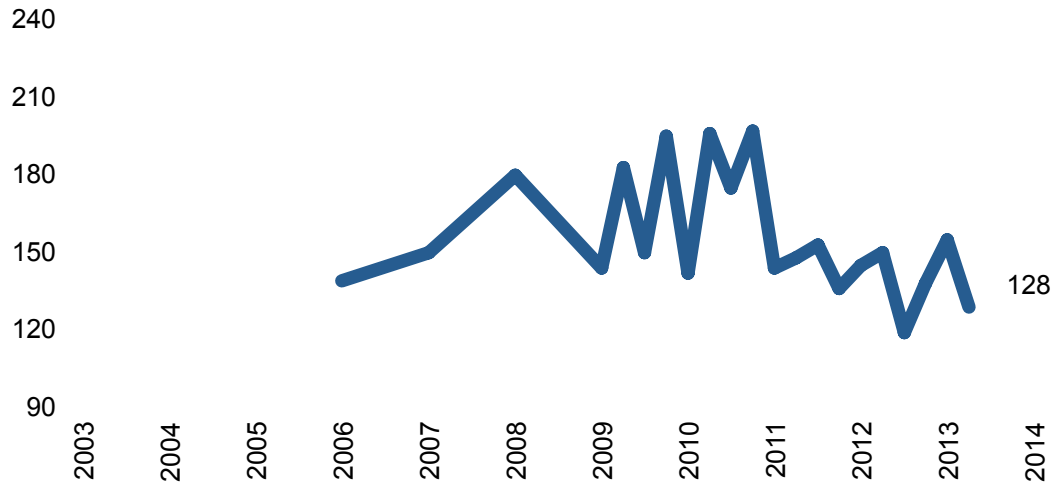
Days on market
Bend, under 1 acre**Median sales price, \$ per square foot**
Bend, under 1 acre

**Number of transactions
Bend, 1-5 acres****Median sales price
Bend, 1-5 acres**

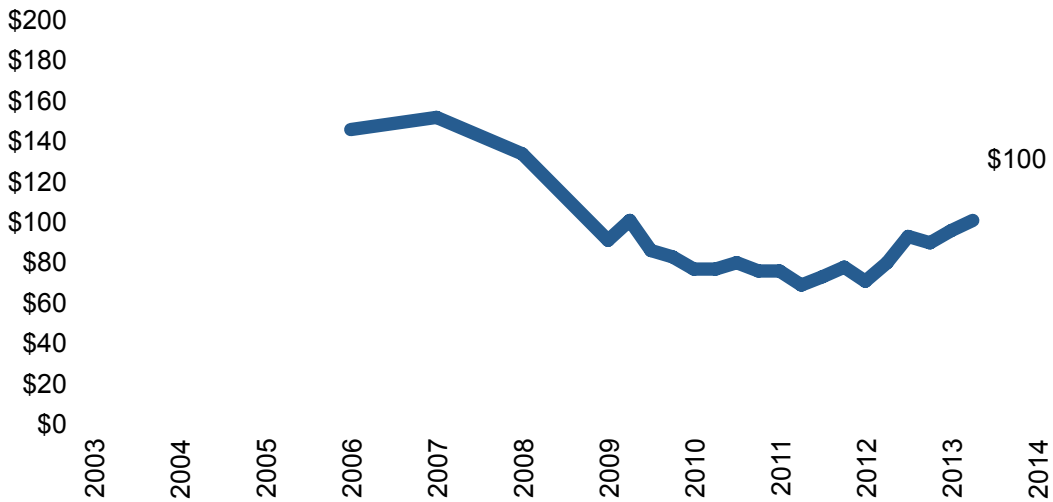
Days on market
Bend, 1-5 acres**Median sales price, \$ per square foot**
Bend, 1-5 acres

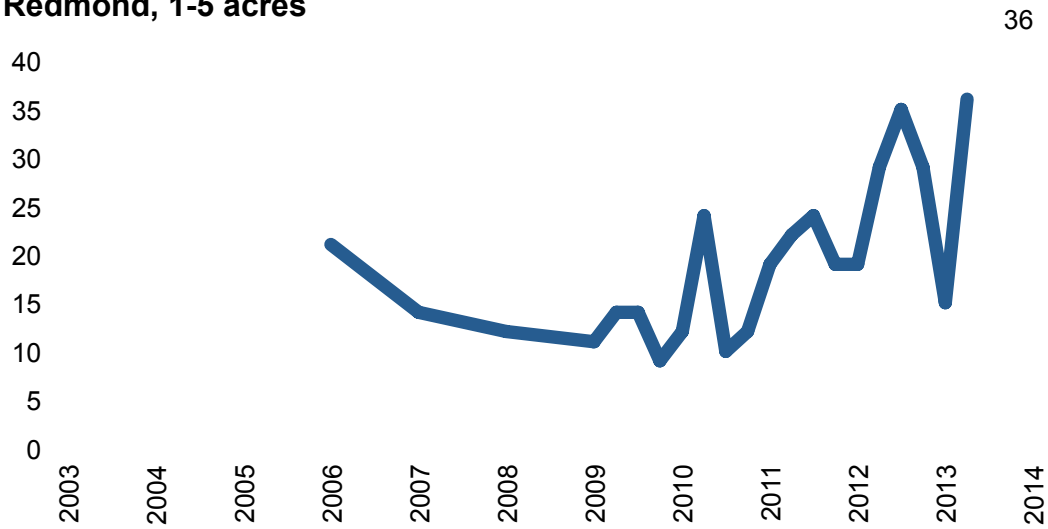
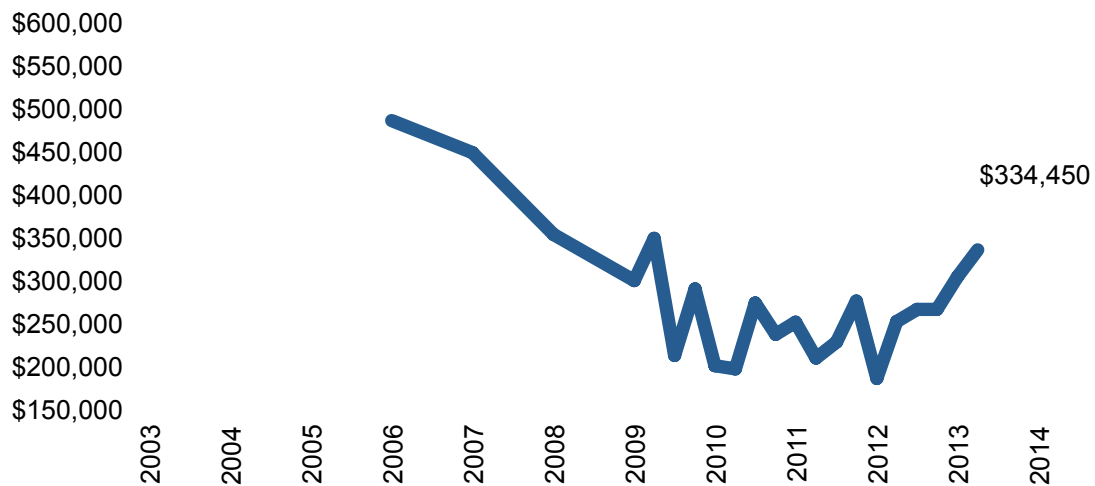
**Number of transactions
Redmond, under 1 acre****Median sales price
Redmond, under 1 acre**

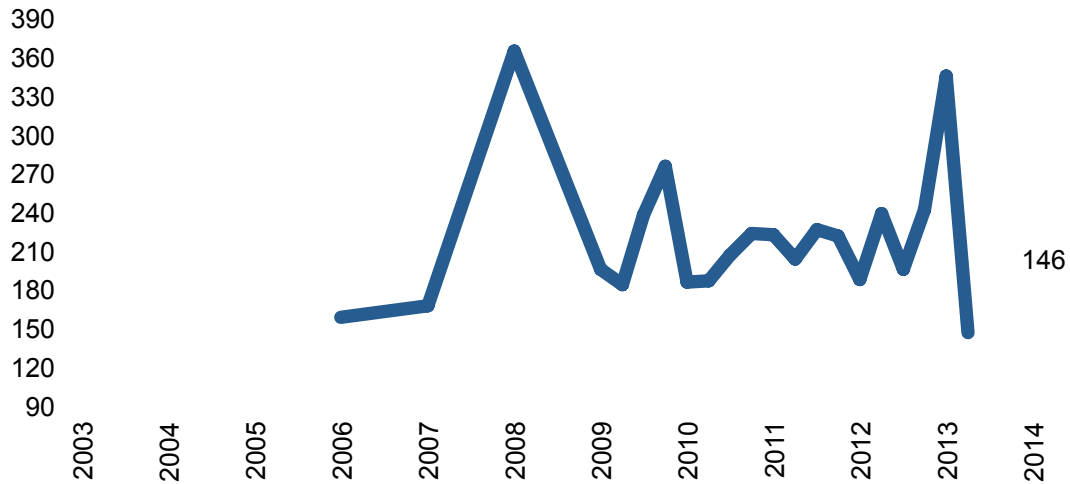
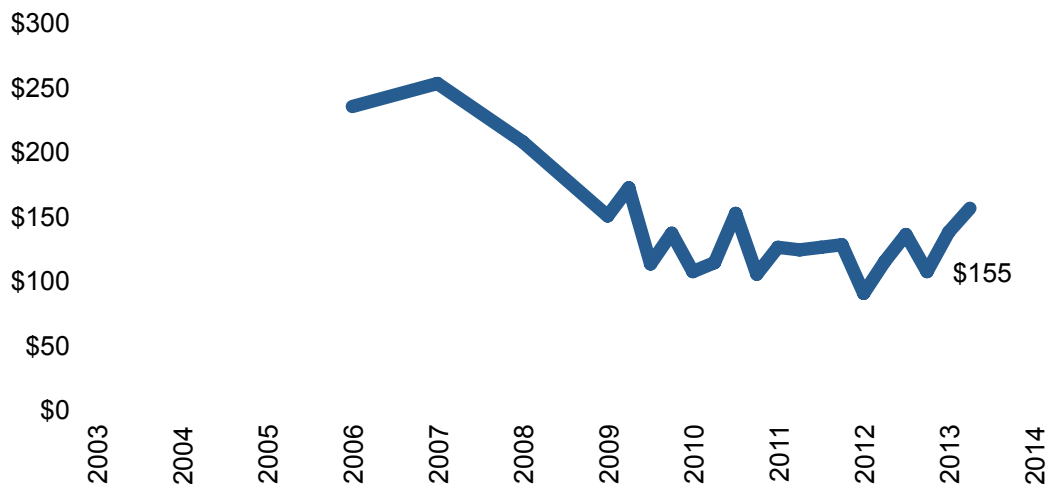
Days on market
Redmond, under 1 acre



Median sales price, \$ per square foot
Redmond, under 1 acre

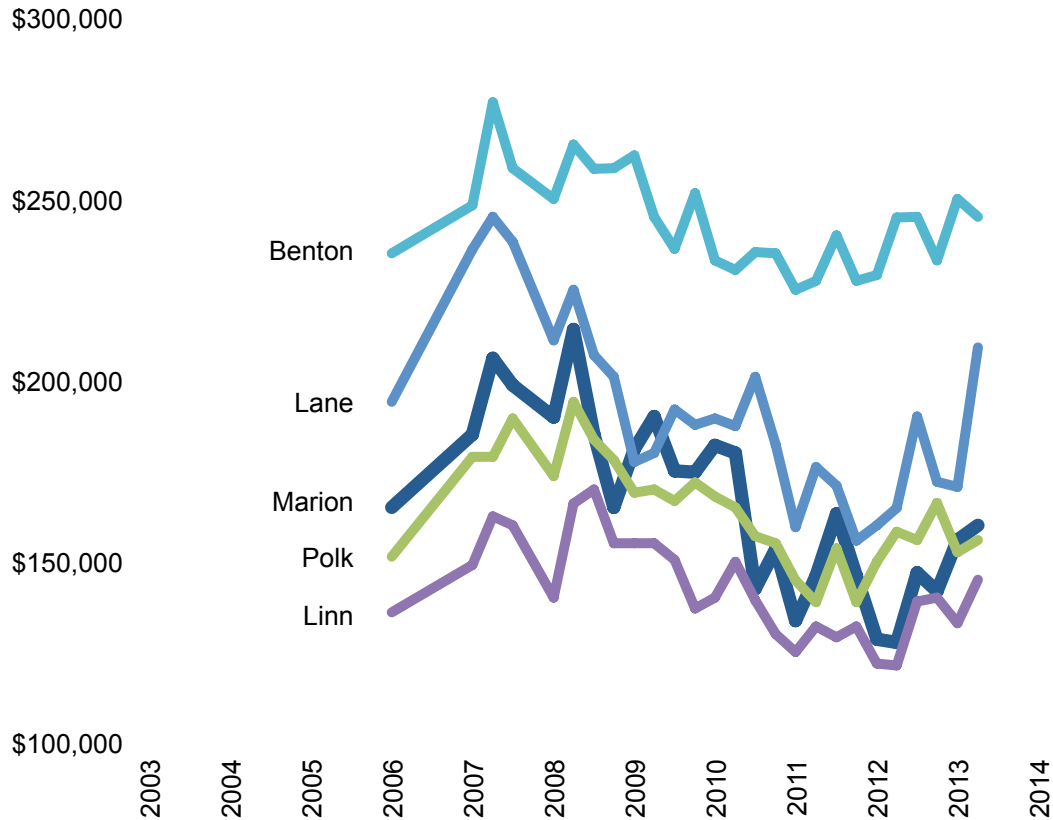


**Number of transactions
Redmond, 1-5 acres****Median sales price
Redmond, 1-5 acres**

**Days on market
Redmond, 1-5 acres****Median sales price, \$ per square foot
Redmond, 1-5 acres****WILLAMETTE VALLEY**

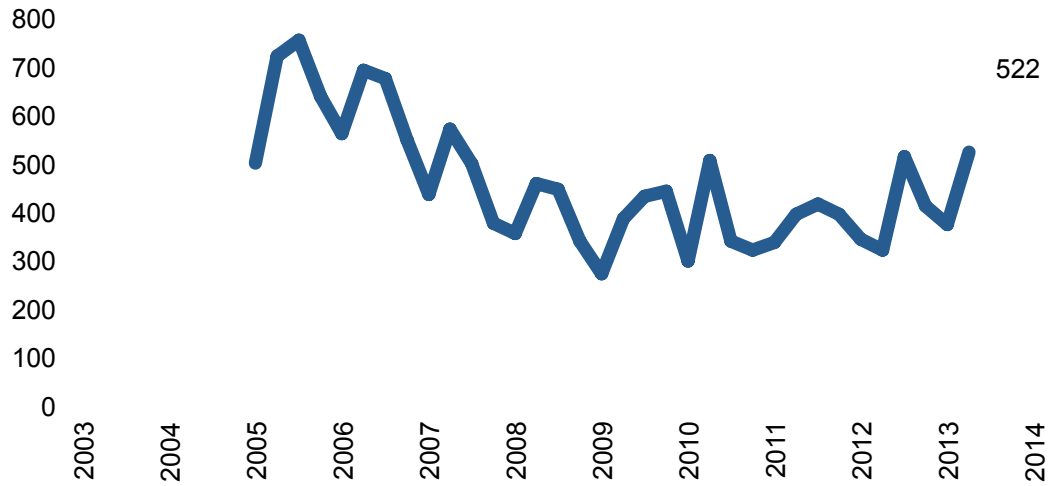
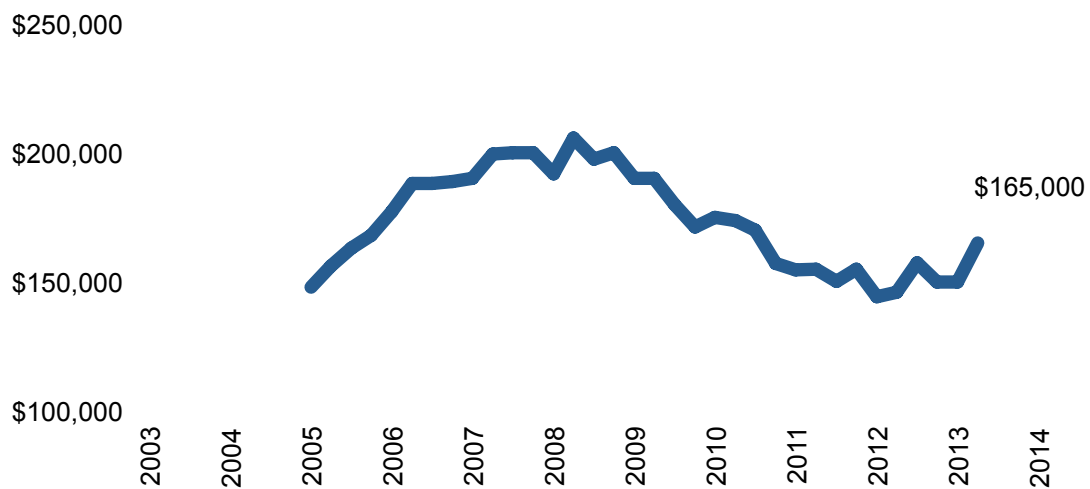
Marion County increased 2.6 percent from the previous quarter to a median sold price of \$160,000. Linn County increased 7.3 percent over the past year to a median price of \$145,000.

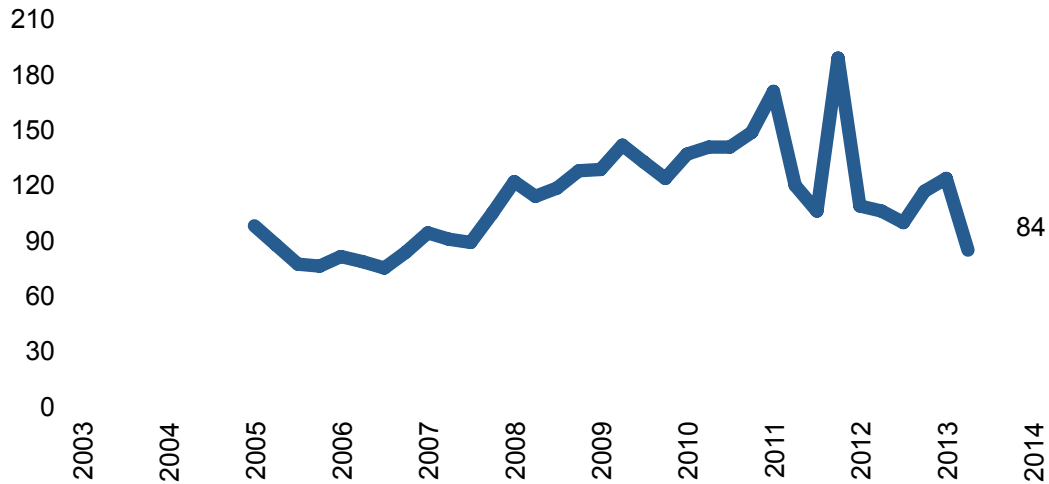
Median sales price
Willamette Valley, existing detached homes



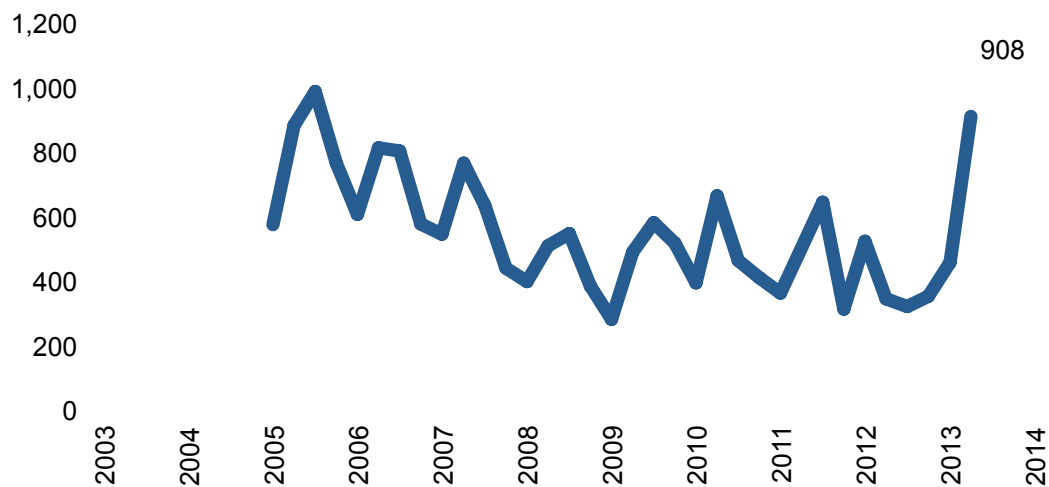
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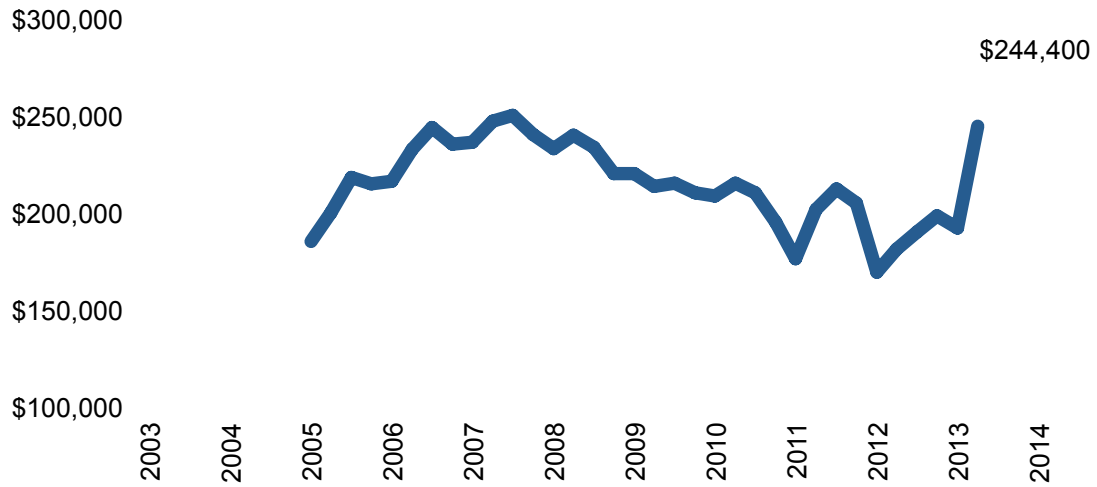
Salem's housing market increased 10.1 percent since the first quarter of 2013 with a median sold price of \$165,000. At the same time, the number of transactions increased 40 percent to 522, and the number of days on the market has dropped from 116 days in the first quarter of 2013 to 84.

**Number of transactions
Salem, existing homes****Median sales price
Salem, existing homes**

**Days on market
Salem, existing homes****EUGENE/SPRINGFIELD**

Home prices in the Eugene/Springfield area increased 27.3 percent since the previous quarter. However, at a median price of \$244,400, the year-over-year median price is up 41.9 percent. There were 908 transactions in the second quarter of 2013. The median number of days on the market for sold transaction was 24.

**Number of transactions
Eugene-Springfield, existing homes**

**Median sales price
Eugene-Springfield, existing homes****Days on market
Eugene-Springfield, existing homes**