

# Tracking the Local Housing Recovery

## Luxury Properties | Buildable Parcels | New Construction | July 2013

Nationally, housing markets are recovering well from the most dramatic recession/depression since The Great Depression of the 1930s. The Portland metropolitan area is enjoying one of the strongest resurgences. The sub-prime mortgage mess of 2007 ushered in the meltdown of the financial sector in 2008 which was followed by severe unemployment and economic weakness since 2009. The ripple effect hit everyone, everywhere, in some way. Real estate values plummeted more than 30% and foreclosures and distressed sales became common.

The sales numbers we monitor from month to month are better now than we have seen in six years and many categories have returned to 2005/6 and 2008/9 levels. The recovery in Yamhill County lags Portland by over a year but no one here is complaining!

Hardest hit in our area were luxury properties and buildable parcels, both down close to 50% from top of the market values and sales. *How are they doing now?*

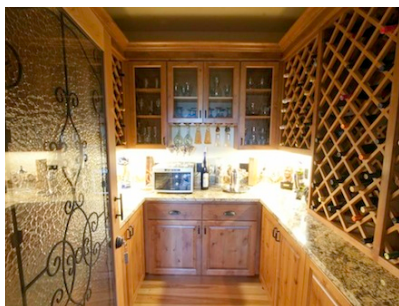
### Luxury Properties:

Luxury homes deflated because of large numbers of mortgage defaults, many of which were leveraged to the hilt, and secondly because of the inability for years to get jumbo mortgages (more than \$417k in our area; \$625k in other areas) to purchase these properties. This sector is rapidly recovering as people scramble to buy low on dream properties.

### Sold Properties in Yamhill County \$750,000+ (includes luxury homes and large rural properties)

- 2006: 34 sales \$916k average price (top of the market 2006-2007)
- 2007: 22 sales \$1.2m average price (bottom falls out of the market in July/Aug)
- 2008: 18 sales \$1.25m average price
- 2009: 5 sales \$877k average price
- 2010: 7 sales \$910k average price
- 2011: 4 sales \$1m average price
- 2012: 8 sales \$1.38m average price
- 2013: 14 sales \$1m average price (year to date as of 9/1/2013)





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### **Buildable Parcels:**

Rural properties in general are particularly slow to recover, perhaps because of the trend toward urban living, perhaps because of the costs of living out in the country compared to being close-in to work and services. Chief among the rural slackers are buildable parcels of land (rather than in-town lots).

Vividly, I remember telling people years ago that if I had more small buildable parcels of land in Yamhill County and around the local areas (Bald Peak, rural Sherwood, parts of Marion and Polk counties) I could sell one every day. Contrast that with six years of the inability to give-away the same kinds of properties.

### **Lots & Land sales in Yamhill County of Larger parcels of land over \$150,000.**

- 2006: 72 sales \$395k average price (top of the market 2006-2007)
- 2007: 80 sales \$319k average price (bottom falls out of the market in July/Aug)
- 2008: 26 sales \$437k average price
- 2009: 28 sales \$372k average price
- 2010: 8 sales \$296k average price
- 2011: 21 sales \$395k average price
- 2012: 28 sales \$459k average price
- 2013: 29 sales \$307k average price (year to date as of 9/1)

### **Lots & Land Sales in Yamhill County which would include city lots and sometimes subdivisions.**

- 2006: 132 sales \$252k average price (top of the market 2006-2007)
- 2007: 122 sales \$248k average price (bottom falls out of the market in July/Aug)
- 2008: 49 sales \$273k average price
- 2009: 42 sales \$279k average price
- 2010: 34 sales \$134k average price
- 2011: 93 sales \$130k average price (bankruptcies being purchased)
- 2012: 69 sales \$226k average price
- 2013: 91 sales \$143k average price (year to date as of 9/1)

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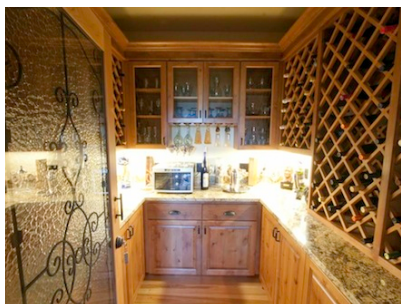
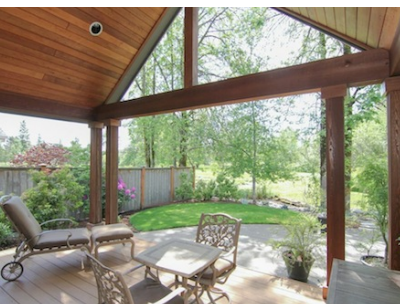


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**Buy. Sell. Be Happy.**



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### **New Construction:**

At the top of the market there was a glut of newly built homes which were very expensive. That inventory was whittled away by 2011; so were the prices, so were the builders and subcontractors - many in bankruptcy. One poll I saw said 79% of building contractors had left the industry. A few builders built homes but were on a tight leash with their lenders, building only one home at a time. Until recently we had almost no new homes to sell and there were very few custom homes being built. Challenges included financing (non-existent for some years) and the low prices on re-sale real estate which were less expensive than the cost to build.

***This too is changing.*** Drive anywhere in the closer-in Portland markets and you will see many new homes in subdivisions bought out of bankruptcy (Happy Valley for example). We are also seeing the completion of stagnant developments and even new subdivisions being created. Prices are up in Portland which is necessary to the new construction industry but pent-up demand is also causing the demand for new homes. Many buyers are willing to pay higher prices to get something brand new.

In our area, Forest Glen is finally being built out, West Wind has an impressive number of custom homes underway, Michelbook Meadows is almost sold out, the rest of The Greens in Newberg was bought by JDC Homes and is under construction again, and lots for infill new homes in many places are selling again.

### **Who buys these properties?**

Many of our buyers for buildable land and luxury properties come from out of state, some from Portland. We are disappointed that the numbers of out-of-state buyers were not stronger this year, but if the current trend continues, next year will be satisfying.

As people in the California and Arizona markets, and the Portland markets, are able to sell their homes, many choose the wine region of Oregon to retire to, or to get out into the country. Our prices remain among the most attractive in the metroplex. Our proximity to Portland's cultural attractions is excellent, the weather is more moderate than anywhere else in the area, and we are central to city and coast. ***Location, location, location; this is why we remain optimistic even for these stubbornly challenging sectors of our housing market.***

Best regards,  
Randy

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