

Home prices may bottom out next year

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A prominent Portland housing consultant predicts that Portland-area home prices may bottom out next fall, then fall closer in line with historical growth patterns.

Jerry Johnson of Johnson Gardner forecasts that the typical home price will fall to \$261,000 in September 2009, a 12 percent drop from the housing boom's peak of July 2007, according to his analysis of data from the Standard & Poor's Case-Shiller index.

Going forward, Johnson -- who gave his annual forecast at a homebuilders meeting Wednesday -- expects the region will return to the 6 percent annual growth rate that simmered between 1987 and 2003. At that rate, Portland would not surpass the boom's price peak until early 2012.

Portland's housing market has held up better than the once fast-growing Sun Belt cities and the economically troubled Rust Belt. But the region is still working its way through the worst housing collapse in a generation.

Buyers steer clear, and people who must sell face a glut of competition. On average, people who bought a home after March 2006 have lost value.



Like most of the country, Portlanders saw home prices rocket up between 2004 and 2007, fueled by a boom in new buyers and speculators enticed by loosened lending standards. Portland didn't see the exploding prices reported in Los Angeles and Miami. But even Portland prices rose higher than incomes could support.

Now, the country and Portland suffer a housing hangover.

The Case-Shiller index shows Portland had double-digit percentage growth every month between September 2004 and December 2006.

In that period, the index showed home prices rose 36 percent from \$211,000 to \$287,000. The biggest gains hit 23 percent in February and March 2006, according to Johnson's figures.

Prices hit their apex in July 2007 at \$297,000. Based on Johnson's analysis, home prices soared \$66,000 above historical trends for that month.

By September, prices were still \$28,000 above the typical growth pattern.

Johnson predicts prices will continue to decline as the credit markets remain stuck and the Portland market stares at a historic glut of homes for sale. But those trends could shift in another year. People continue to move to the region and help drive demand for that extra supply. And homebuilders have basically stopped building until demand catches up with supply.

If prices reattach to those historical trends, the typical Portland-area home will surpass the July 2007 price peak again in January 2012.

Johnson's forecast and the Case-Shiller index provide an overview of single-family home prices in the Portland region covering Clackamas, Columbia, Multnomah, Washington and Yamhill counties in Oregon and Clark and Skamania counties in Washington.

Home prices vary by neighborhood, and the recovery in value is likely to be uneven. Generally, Clark County and east Clackamas County continue to suffer the worst of the housing collapse. Neighborhoods closer to downtown have held their value the best.

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