

The Oregonian

- **Part 1:** Front Porch
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Front Porch

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Who's up, down, and upside down in real estate

Falling demand, falling

prices and falling jobs More, um (cough), uplifting news about the Oregon housing picture:

From Wells Fargo economist Ed Kashmarek's report on the Portland region:

"Home prices are forecast to fall by 8.5 percent this year as the housing market weakens. Rising inventories and tighter lending standards will continue to weigh on housing starts this year.

"Months of denial on weakening home prices is finally starting to wane as the residential market is not getting better. The urban growth boundary is helping to keep prices from falling even further. Because of the boundary, the market is not terribly oversupplied as seen in other western regions, but inventory has risen considerably over the past few months.

"The lower end of the housing market, between \$150K-\$250K, is doing the best, but demand is very sluggish across the board. Investors are selling their properties, and there is no market at all for land. Independent community banks are hurting due to their huge exposure to development loans that were taken on during the boom, so their reluctance to lend is hurting land markets even more. Local builder Legend Homes recently declared bankruptcy, and more builders are expected to do the same.

"The condo market has slowed and many condos are being converted to apartments, while other projects are being put on hold. Condo developers aren't panicking yet, but that's primarily because many projects haven't been completed. Once they are completed, the interest reserve will be discontinued and they will need to pay interest on their loans out of their own pockets, and at that time they will likely lower their prices to attract buyers. Until then, prices may not drop much. Prices may have to come down 10-15 percent or more, maybe even as much as 40 percent, in order to move inventory."

The Associated General Contractors of America says Oregon had the seventh biggest loss of construction jobs of the 50 states.

Some of the Sun Belt states -- Florida, Arizona, California and Nevada -- were among the biggest losers. Oregon lost 7.9 percent of its construction jobs from May 2007 to May 2008. The U.S. average was 5.1 percent.

Oregon is more dependent on construction employment than the average state and pays less. About 6 percent of the state's nonfarm employment is in construction, compared with 5 percent nationwide. Oregon construction workers earn about \$42,000 compared with \$44,000 nationwide, the group's study said.

To read more about the Wells Fargo and construction report, visit the Front Porch blog at blog.oregonlive.com/frontporch.

This is the world we live in today. If anyone has upbeat housing news, send it to

 Related Documents (PDF):

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ryanfrank@news.oregonian.com.

Ryan Frank: 503-221-8519; ryanfrank@news.oregonian.com; blog.oregonlive.com/frontporch.

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