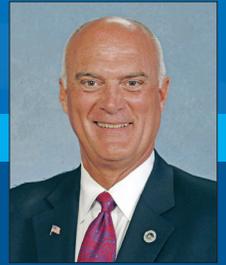


THE CHAIRMAN'S REPORT

Third Quarter
2012 Update

Real Estate Update from Bert Waugh, Jr.
Chairman of Prudential Northwest Properties



Economists: Housing Recovery Finally Here

By Chris Isidore @CNNMoney

It's been a long time coming, but economists surveyed by CNNMoney believe the nation's housing market has finally turned the corner.

Of the 14 economists who answered questions about home prices in the survey, nine believe that prices have already turned higher or will make that turn later this year. Only three months ago, half of the economists surveyed by CNNMoney believed a turnaround in prices would not take place until 2013 or later.



Economists have been encouraged by a variety of readings, including three straight months of increases in the S&P/Case-Shiller home price index, a pick-up in sales of existing homes and home construction and a big jump in the price of new home sales.

Mortgage rates are also likely to remain near record lows thanks to the Federal Reserve's purchase of \$40 billion in mortgages a month for the foreseeable future.

"We're seeing the signs of a pulse in a sector that has been flat-lined for a number of years," said Sean Snaith, economics professor at the University of Central Florida.

Determining when the housing market has turned the corner is important for more than home builders and real estate agents. Even before soaring foreclosures sparked a meltdown in financial



markets in 2008, the housing market had become a significant drag on the economy. Housing continued to subtract from the nation's gross domestic product right up through early 2011.

But starting in the fourth quarter of last year, housing has been adding to growth. Lynn Reaser, chief economist for Point Loma Nazarene University, said housing is now bucking the trend in what is otherwise a sluggish U.S. economy.

Still, economists don't believe housing is ready to be a major driver of economic growth, as it was during the housing boom and some earlier economic recoveries. But housing could keep the economy moving in the right direction.

Some of the economists surveyed said they believe there's been some fundamental change of thinking in the market place. Buyers who had postponed housing purchases while prices slid are finally more comfortable making the plunge.

"You had a lot of people with what they needed to buy homes -- jobs, decent credit scores -- who were on the sidelines. All they needed to do is wait for their confidence to rebuild," said David Crowe, chief economist for the National Association of Home Builders.

Reaser said that change in attitude is a key to the market turnaround. "The firming in home prices might be feeding on itself," she said. "You've got buyers not wanting to miss the bottom of home prices and mortgage rates."



Buying a Home is Cheaper than Renting

By Lynn Ganster

Real Estate Marketing Insider issued some observations about the report that buying a home is cheaper than living in a rental property today, and its opinion is that this will help home sellers because this information can be incorporated into marketing strategies for real estate that encourage property sales.

Forbes has published a report from the chief economist for Trulia.com, who claims that currently, owning a home is cheaper than renting. To support this claim, he looks at several different factors. First, he looks at the difference between the recent 2.3% rise in home prices versus the rise in rents, which at 4.7%, has been higher. Next, he combines this information with the fact the mortgage rates are quite low right now, which means that in the 100 largest metropolitan areas in the United States, the average homeowner can save 45% over renting. Of course, this optimistic news is tempered by the current strict standards for obtaining a mortgage and the dearth of properties on the market.

Home Prices Rebound

By Chris Isidore @CNNMoney



In another sign of a turnaround in the long-battered real estate market, average home prices rebounded in July to the same level as they were nine years ago.

According to the closely watched S&P/Case-Shiller national home price index, which covers more than 80% of the housing market

in the United States, the typical home price in July rose 1.6% compared to the previous month.

It marked the third straight month that prices in all 20 major markets followed by the index improved, and it would have been the fourth straight month of improvement across the full spectrum if not for a slight decline in Detroit in April.

The index was up 1.2% compared to a year earlier, an improvement from the year-over-year change reported for June. While home prices have been showing a sequential change in recent months, it wasn't until June that prices were higher than a year earlier.

The July reading matched levels last seen in summer 2003, when the market was marching toward its peak in 2006. The collapse of the market after that led to the financial crisis of 2008.

“existing home sales are up, the inventory of homes for sale is down and foreclosure activity is slowing...”

“The news on home prices in this report confirm recent good news about housing,” said David Blitzer,

Chairman of the Index Committee at S&P Dow Jones Indices. “Single-family housing starts are well ahead of last year’s pace, existing home sales are up, the inventory of homes for sale is down and foreclosure activity is slowing.”



Record low mortgage rates and a tighter supply of homes available for sale have helped to lift home prices. Lower unemployment

also has helped with home prices, although job growth in recent months has been slower than hoped.

Earlier this month, the Federal Reserve announced it would buy \$40 billion in mortgage bonds a month for the foreseeable future. This third round of asset purchases by the central bank, popularly known as QE3, is its effort to jump start the economy through even lower home loan rates.

September Market Highlights from RMLS

Portland Metro Residential Highlights		New Listings	Pending Sales	Closed Sales	Average Sale Price	Median Sale Price	Total Market Time
2012	September	2,451	2,058	1,894	281,400	238,300	102
	August	3,099	2,387	2,311	281,700	241,000	97
	Year-to-date	26,771	19,015	17,468	272,200	230,400	115
2011	September	2,501	1,861	1,586	268,200	230,800	131
	Year-to-date	27,746	16,275	14,803	264,500	222,000	145
Change	September	-2.0%	10.6%	19.4%	4.9%	3.2%	-22.3%
	Prev Mo 2012	-20.9%	-13.8%	-18.0%	-0.1%	-1.1%	5.2%
	Year-to-date	-3.5%	16.8%	18.0%	2.9%	3.8%	-20.7%

Clark County Residential Highlights		New Listings	Pending Sales	Closed Sales	Average Sale Price	Median Sale Price	Total Market Time
2012	September	524	476	431	221,500	195,000	108
	August	596	546	493	232,900	204,900	122
	Year-to-date	5,871	4,404	4,027	218,700	190,000	134
2011	September	667	480	441	218,700	188,000	138
	Year-to-date	7,009	4,292	3,830	214,300	188,000	144
Change	September	-21.4%	-0.8%	-2.3%	1.3%	3.7%	-21.8%
	Prev Mo 2012	-12.1%	-12.8%	-12.6%	-4.9%	-4.8%	-11.5%
	Year-to-date	-16.2%	2.6%	5.1%	2.1%	1.1%	-6.9%

Top 10 Things You Need to Know About the 3.8% Tax

Learn the most important takeaways for REALTORS® when it comes to the 3.8% tax that's part of health care reform:

1. When you add up all of your income from every possible source, and that total is less than \$200,000 (\$250,000 on a joint tax return), you will not be subject to this tax.

2. The 3.8% tax will never be collected as a transfer tax on real estate of any type, so you'll never pay this tax at the time that you purchase a home or other investment property.



3. You'll never pay this tax at settlement when you sell your home or investment property. Any capital gain you realize at settlement is just one component of that year's gross income.

4. If you sell your principal residence, you will still receive the full benefit of the \$250,000 (single tax return)/\$500,000 (married filing joint tax return) exclusion on the sale of that home. If your capital gain is greater than these amounts, then you will include

any gain above these amounts as income on your Form 1040 tax return. Even then, if your total income (including this taxable portion of gain on your residence) is less than the \$200,000/\$250,000 amounts, you will not pay this tax. If your total income is more than these amounts, a formula will protect some portion of your investment.

5. The tax applies to other types of investment income, not just real estate. If your income is more than the \$200,000/\$250,000 amount, then the tax formula will be applied to capital gains, interest income, dividend income and net rents (i.e., rents after expenses).

6. The tax goes into effect in 2013. If you have investment income in 2013, you won't pay the 3.8% tax until you file your 2013 Form 1040 tax return in 2014. The 3.8% tax for any later year will be paid in the following calendar year when the tax returns are filed.

7. In any particular year, if you have no income from capital gains, rents, interest or dividends, you'll never pay this tax, even if you have millions of dollars of other types of income.

8. The formula that determines the amount of 3.8% tax due will always protect \$200,000 (\$250,000 on a joint return) of your income from any burden of the 3.8% tax. For example, if you are single and have a total of \$201,000 income, the 3.8% tax would never be imposed on more than \$1,000.

9. It's true that investment income from rents on an investment property could be subject to the 3.8% tax. But: The only rental income that would be included in your gross income and therefore possibly subject to the tax is net rental income: gross rents minus expenses like depreciation, interest, property tax, maintenance and utilities.

10. The tax was enacted along with the health care legislation in 2010. It was added to the package just hours before the final vote and without review. NAR strongly opposed the tax at the time, and remains hopeful that it will not go into effect. The tax will no doubt be debated during the upcoming tax reform debates in 2013.

Bert Waugh, Jr., Chairman
Founder, Transitional Youth



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