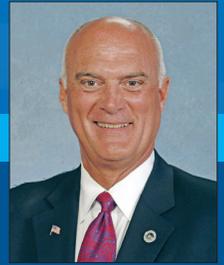


THE CHAIRMAN'S REPORT

Second Quarter
2013 Update

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



NEWS HIGHLIGHTS:

- Home Prices See Record-Breaking Increase in April
- New-Home Sales Highest Since 2008
- Consumer Confidence Surges to 5-Year High



Data through April 2013, released by S&P Dow Jones Indices for its S&P/Case-Shiller Home Price Indices, a leading measure of U.S. home prices, showed average home prices increased 11.6% and 12.1% for the 10- and 20-City Composites in the 12 months ending in April 2013.

From March to April, the 10- and 20-City Composites rose 2.6% and 2.5%. All 20 cities and both Composites showed positive year-over-year returns for at least the fourth consecutive month. Atlanta, Dallas, Detroit and Minneapolis posted their highest annual gains since the start of their respective indices.

David M. Blitzer, chairman of the Index Committee at S&P Dow Jones Indices said, "Thirteen cities posted monthly increases of over two percentage points, with San Francisco leading at 4.9%." The recovery is definitely broad based. The two Composites showed the largest year-over-year gains in seven years.

Portland Metro Quarterly Market Highlights from RMLS

Portland Metro Highlights	New Listings	Pending Sales	Closed Sales	Average Sale Price	Median Sale Price	Total Market Time
2nd Quarter 2013	11,207	8,724	7,318	\$311,133	\$266,166	110
1st Quarter 2013	7,893	6,664	4,655	\$289,566	\$246,666	114
Year-to-date 2013	19,403	14,835	12,531	\$302,700	\$257,500	94
2nd Quarter 2012	9,514	7,322	6,164	\$275,966	\$233,833	117
1st Quarter 2012	7,991	6,204	4,180	\$252,266	\$211,400	138
Year-to-date 2012	17,835	12,647	10,802	\$265,900	\$225,500	124
2nd Quarter Change	17.7%	19.1%	18.7%	12.7%	13.8%	-5.9%
1st Quarter Change	-1.2%	7.4%	11.3%	14.7%	16.6%	-17.3%
Prev. Quarter Change	41.9%	30.9%	57.2%	7.4%	7.9%	-3.5%
Year-to-date Change	8.8%	17.3%	16.0%	13.8%	14.2%	-24.5%

In more positive housing news, the Commerce Department said that new-home sales increased 2.1% to a seasonally adjusted annual rate of 476,000 units – the highest level since July 2008. It was the third straight month of gains in new-home sales, reflecting a continued resurgence in the U.S. housing market.

In more record-breaking news, the Conference Board said consumer confidence in June rose to a more than five-year high. The index rose to 81.4 from 74.3 in May, marking the best level since January 2008. The Conference Board Consumer Confidence Index® now stands at 81.4 (1985=100), up from 74.3 in May. The Present Situation Index increased to 69.2 from 64.8. The Expectations Index improved to 89.5 from 80.6 last month.

“Consumer Confidence increased for the third consecutive month and is now at its highest level since January 2008.”

Says Lynn Franco, Director of Economic Indicators at The Conference Board: "Consumer Confidence increased for the third consecutive month and is now at its highest level since January 2008 (Index 87.3). Consumers are considerably more positive about current business and labor

market conditions than they were at the beginning of the year. Expectations have also improved considerably over the past several months, suggesting that the pace of growth is unlikely to slow in the short-term, and may even moderately pick up."

SW Washington Quarterly Market Highlights from RMLS

SW Washington Highlights	New Listings	Pending Sales	Closed Sales	Average Sale Price	Median Sale Price	Total Market Time
2nd Quarter 2013	2,799	2,099	1,726	\$247,433	\$220,666	100
1st Quarter 2013	2,006	1,614	1,153	\$239,566	\$210,666	126
Year-to-date 2013	4,886	3,603	3,001	\$245,100	\$219,000	111
2nd Quarter 2012	2,087	1,645	1,355	\$222,133	\$193,733	146
1st Quarter 2012	1,887	1,552	1,037	\$198,100	\$169,000	137
Year-to-date 2012	4,021	2,963	2,479	\$212,400	\$184,000	143
2nd Quarter Change	34.1%	27.5%	27.3%	11.3%	13.9%	-31.5%
1st Quarter Change	6.3%	3.9%	11.1%	20.9%	24.6%	-8.0%
Prev. Quarter Change	39.5%	30.0%	49.6%	3.2%	4.7%	-20.6%
Year-to-date Change	21.5%	21.6%	21.1%	15.4%	19.0%	-22.1%



Millennials Fueling New-Home Building Uptick

As the housing recovery presses onward, a new generation of buyers is leading the way: millennials. Not only is this younger generation full of fresh enthusiasm for homeownership, but they have a fresh idea of what their homes should look like, and – according to NAHB – builders are catering to these ideas to help fuel the housing recovery.

“As the economy recovers and young people who had to live at home with their parents move forward with their lives and achieve their dreams of homeownership, home builders are delivering homes that cater to the floor plans, features and affordability that this generation desires,” said NAHB Chairman Rick Judson, a home builder and developer from Charlotte, N.C.

What desired features are young home buyers looking for?

The #1 is energy efficiency.

More than 80% of Generation Y home buyers – people born in 1977 or later – said in NAHB’s 2012 consumer preference survey they prefer a highly energy efficient home that results in lower utility bills during the home’s lifetime over a lower-priced home without energy efficient features. Today’s new homes feature ENERGY STAR-related appliances; windows, doors and insulation that better control the home’s interior climate; and other modern components such as tankless water heaters and HVAC systems that save costs on utility bills.



Cost-conscious young buyers will be happy to hear that a new home actually costs less to maintain than an older home. An NAHB study found that homes built before 1960 have average maintenance costs of \$564 a year, while a home built after 2008 averages \$241.

First-time buyers are focused on lifestyle and location first.

Mark Woodroof, partner of Better Homes and Gardens Real Estate Gary Greene in Houston, said, “This is much different than the Baby Boomers who were looking for the biggest home they could buy. Today’s first-time buyers are more conservative with their budget, because they still want to have money in the bank; they don’t want to be house poor.”



“They are interested in things like the community, walking scores and the local infrastructure, as well as efficiency both with green features, but also in size – they aren’t buying more house than they need.”

Rethinking the multipurpose room.

Dennis Walsh, CEO of REbuild USA, encourages builders to recognize how younger buyers want to integrate technology into their home. “Another thing younger buyers are looking for is flex space that can be used for multiple purposes, providing them the ability to change their living space as their lifestyle needs evolve,” said Walsh.

He added, “Younger buyers who are used to, and enjoy, apartment-style living are now also surprisingly looking for one-floor homes, a trend that we were formerly seeing the older generations.”

NAHB noted that Generation Y buyers also favor media and game rooms more than any other specialty rooms for their next home. New homes today not only contain these spaces, they are outfitted with the state-of-the-art electronic and wiring components that can accommodate high-definition televisions, full-house sound systems, hard-wired fire and security alarms and more.

“The time has never been better for young people to become home owners, whether is be a new home or existing,” said Judson.

Want to Motivate Sellers?

850,000 Properties Bounce Back to Positive Equity

Residential property analytic provider CoreLogic® recently released new analysis showing the market is making big moves, with 850,000 additional residential properties turning to positive equity during the first quarter of 2013.

In addition, the analysis shows good news for mortgages: the total number of mortgaged residential properties standing in negative equity is down by nearly 1 million from the previous quarter, moving from 10.5 million (21.7%) at the end of the fourth quarter of 2012, to 9.7 million (19.8%) in the first quarter of 2013.

“We are seeing an increase in homeowner equity as home prices continue to rise,” said Rei Mesa, President & CEO of Prudential Florida Realty in January’s issue of RISMedia’s Real Estate magazine. “This translates to a larger number of homeowners who are no longer underwater and can move up, or make a lateral move or downsize because they are now in a position to sell their home.”

Of the 39 million residential properties with positive equity, 11.2 million have less than 20% equity.



Selling a House? 5 Reasons You Should Do It Now

by THE KCM CREW



Many are talking about why now is a great time to buy a home. Today, we want to look at why it might also be an opportune time to sell your house. Here are the Top 5 Reasons we believe now may be a perfect time to put your house on the market.

1 Demand Is High

Homes are selling at the fastest pace since November 2009 when the market spiked in response to the home buyer tax credit. The most recent Existing Home Sales Report by the National Association of Realtors (NAR) showed that monthly sales increased 9.7% over the same month last year. Total sales have been above year-ago levels for 22 consecutive months. There are buyers out there right now (buyer traffic is 31 percent stronger than a year ago) and they are serious about purchasing.

2 Supply Is Beginning to Increase

Total housing inventory last month rose 11.9% to 2.16 million homes for sale. This represents a 5.2-month supply at the current sales pace, compared with 4.3 months in January. Many expect inventory to continue to rise as more sellers escape the shackles of negative equity. Selling now while demand is high and before supply increases may garner you your best price.

3 New Construction Is Coming Back

Over the last several years, most homeowners selling their home did not have to compete with a new construction project around the block. As the market is recovering, more and more builders are jumping back in. These ‘shiny’ new homes will again become competition as they are an attractive alternative for many purchasers.

4 Interest Rates Are Rising

According to Freddie Mac’s Primary Mortgage Market Survey, interest rates for a 30-year mortgage have shot up to 3.98% which represents a jump of more than ½ point since the beginning of the year. Even those trying to be the voice of reason on this issue are projecting higher rates. For example, Polyana da Costa, senior mortgage analyst at Bankrate.com said: **“Rates are unlikely to keep going up so quickly and should remain below 5%.”**

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Whether you are moving up or moving down, your housing expense will be more a year from now if a mortgage is necessary to purchase your next home.

5 It's Time to Move On with Your Life

Look at the reason you are thinking about selling and decide whether it is worth waiting. Is the possibility of a few extra dollars more important than being with family; more important than your health; more important than having the freedom to go on with your life the way you think you should?

You already know the answers to the questions we just asked. You have the power to take back control of your situation by putting the house on the market today. The time may have come for you and your family to move on and start living the life you desire. That is what is truly important.

More homebuyers are entering the real estate market every day as consumer confidence continues to rise. The increase in housing demands makes this summer prime time for home sellers to enter the market and for home buyers to take advantage of the mortgage rates while they are still low.

Connect with your trusted Prudential Northwest Properties real estate professional today!

Bert Waugh, Jr., Chairman
Founder, Transitional Youth



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