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MARKET REPORT ▲ **NASDAQ** CLOSE 2,327.48 CHANGE +24.13 +1.05% ▲ **DOW JONES** CLOSE 12,570.22 CHANGE +189.20 +1.53% ▲ **S&P 500** CLOSE 1,371.80 CHANGE +18.69 +1.38% ▲ **BONDS** Ten-year treasury CLOSE 3.91 CHANGE +

Housing forecast: It'll only get better

Bend appraiser says market is on the verge of a turnaround

By David Fisher
The Bulletin

Bend appraiser Dana Bratton is bullish on Central Oregon's real estate market.

Bratton told a crowd of 700 real estate brokers, mortgage originators, bankers and contractors at the Bend Chamber of Commerce's annual Real Estate Forecast Breakfast on Monday that the battered local housing market is on the verge of a turnaround.

To be exact, Bratton said, somewhat tongue-in-cheek, it'll turn on April 25.

"You've got 60 days to make that great buy, and then they're onto us, and Bend is going to lead the nation out of this housing recession we're in," Bratton said to cheers and applause in the Riverhouse Convention Center. "Why, not? It's gonna start here, OK? So I say make the move — don't miss the boat."

Bratton, the president of Bratton Appraisal Group, Bend's largest appraisal company, is an annual fixture in the chamber's late-February forecast event. This year, he appeared in the midst of what fellow speaker Craig Ortega, Columbia River Bank president, called a "challenging" market.

Bratton's numbers, drawn mostly from the Central Oregon Multiple Listing Service, illustrated the steepness of the decline.

Home sale closings in Bend dropped from their peak of 290 in September 2005 to 78 last December, Bratton said. Building permits slid from 220 in March 2005 to 25 in December 2007.

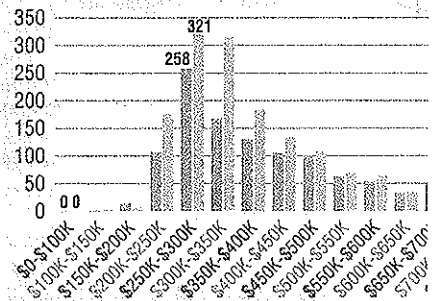
As the markets chilled, houses languished on the market and listing prices slid. Bratton likened it to "The Biggest Loser," the popular reality-TV show about obese people losing weight.

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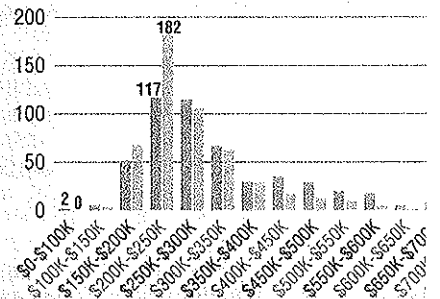
2007 home sales vs. current

The highest-demand price range for Bend is from \$250K to \$300K, while the highest-demand price range in Redmond is from \$150K to \$200K.

Number of homes in Bend



Number of homes in Redmond



Source: Bratton Appraisal Group

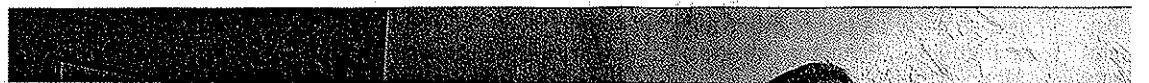
Area golf courses see fewer visits in 2007

By Jeff McDonald
The Bulletin

Central Oregon's golf industry slowed slightly in 2007 with the number of rounds played dipping

EXECUTIVE FILE

Builder puts h faith in diversi



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In Redmond, he noted, the asking price on a house in Redmond's Obsidian Estates slid 37 percent since early 2007, from \$134,900 to \$84,900, and in Bend, a home price on George View Drive slid 49.83 percent from \$1.495 million to \$750,000, he said.

Bratton's view of the market's near-term future is not shared by all.

Lawrence Yun, the National Association of Realtors' chief economist, predicted Monday that a strengthening in home sales would begin no sooner than the last half of the year. Earlier Monday, his organization reported sales prices down nationally by 4.6 percent in January compared with January of 2006.

Bratton, though, is taking a rosier view. At least, for Central Oregon.

"Where do we go from the bottom?" he asked the development crowd Monday morning, noting that February's sales in Bend have so far been the slowest in years. "We go up."

Bratton said he believes natural population growth in Bend and Redmond are pushing demand for housing up, while low interest rates and lower prices are setting up attractive potential deals.

In his calculation, a 4 percent growth rate in Bend — a number on the low side of its growth over the past seven years — will generate about 3,000 new residents a year. At 2.3 people per household, on average, that's a demand for 1,304 additional homes a year, or 108 a month.

With a natural demand for more than 100 houses a month, and builders averaging only about 50 permits a month for new homes over the past 12 months, Bratton said he thinks demand has built by more than 700 homes since the housing markets started to slow 15 months ago.

So where are the buyers? Renting, he theorized, waiting to enter the home-buying market when the right deals come along.

That group could quickly eat into Bend's inventory of 1,200-

cheering crowd, and quickly bring Redmond's 532 unsold homes — currently more than a year's supply — back into balance between buyers and sellers.

The prices that he predicted would move houses this year, at the median: \$150 per square foot in Bend, and \$110 per square foot in Redmond.

"Strike now," he told the cheering crowd, "or miss the boat."

Bratton's prediction for the housing market in February 2007 was similarly upbeat, although not as strong.

Future houses

Any recovery will likely come to the best and most desirable developments first, Bend Realtor Sandy Garner, president and CEO of The Garner Group, told the crowd. With baby boomers looking for better lives in retirement, and young families spending more time at home — even working from home in increasing numbers — the best developments, she said, will be holistically designed to bring services and recreation close to people's neighborhoods. They'll include

walking trails and parks, even "wellness" features like fitness centers, trainers, on-site preventive health clinics, tennis courts and other features designed to get people moving, she said.

Along that vein, Bend developer Stephen Trono said he's sticking to his plans for the huge seven-building, 326,000-square-foot Mercato project in The Old Mill District, even though commercial lending sources have tightened significantly since last summer — particularly for a mixed-use development, like his proposal, that would include a large amount of residential condo space along with offices and retail shops.

"Don't downsize your dreams," Trono told the crowd.

Other markets

Among Bratton's market picks this year:

• Buy residential lots. Entry-level lot prices in Bend have dropped to \$75,000 to \$79,000 apiece, making it possible to build houses on them for less than \$200,000. "There's no reason for lot prices to go any low-

SunWest

Continued from B1

This could be the year that some of the region's smaller subcontractors — who can't find enough business — go out of business, he said.

"Some dropoff is OK," he said. "In the boom times, everyone jumps into it, including some of those who shouldn't. Those (lower-quality builders) will be the first ones to go."

SunWest's largest residential projects are in Prineville and Madras, where sales have not met expectations, Buettner said.

At IronHorse, a 2,900-home development in Prineville that will take 15 to 20 years to build out, three companies have made seven sales since homes went on the market in June, including one sold by SunWest, Buettner said.

At Yarrow, a 900-acre, 1,730-home project in Madras, home sales are just beginning, but demand has been slower, he said.

The region's retail sector is still catching up with the residential growth it has experienced the

past decade, Buettner said.

The company's projects include Pioneer Crossing in Bend, which will be anchored by Gottschalks, the Fresno, Calif.-based department store chain on the old Jake's Truck Stop site. Additional projects include The Design Center and Black Bear Square in Redmond, he said.

SunWest also is building Discovery Park Lodge, a three-story, senior affordable apartment project in NorthWest Crossing in Bend, he said.

The 76,000-square-foot project includes 53 apartment units, common areas and an underground parking structure, he said.

It will be similar to the Mountain Laurel Lodge, a senior affordable housing complex that the company completed along Century Drive in Bend in 2006, he said.

Most of the residential market opportunities are 1,100- to 1,400-square-foot homes in the \$190,000 to \$250,000 range that are more affordable for young families, Buettner said.

"We won't be building a lot of larger homes in the next 18

months," he said. "The residential market will stay flat. But I don't see prices declining much more. I think we're close to seeing the bottom or have seen the bottom in price reductions except in rare cases where people have to sell."

Q: Please describe your company history and the types of products and services it offers.

A: We started SunWest Builders in Albuquerque, New Mexico, in 1987. Moving back to Central Oregon in 1989, we incorporated in Oregon that same year. Originally we started out building high-end custom homes along with residential remodeling. At that time, there were very few commercial projects, if any. As Central Oregon started to grow, we transitioned more into the commercial market, which is currently about 90 percent our business.

We build all types of commercial structures such as medical, mixed use, office, resort, retail and industrial, along with high-end residential homes and planned neighborhoods.

Q: How do you expect the region to change in the next five, 10 and 20 years?

A: In the next five years, I believe we will experience moderate growth, nothing like what we have seen in last five years but good, steady growth. There has been a dramatic increase in population over the last few years. Due to this increase, construction of services and infrastructure will stay strong.

In the next 10 to 20 years, again good, steady growth. How fast we grow will depend on what happens in the rest of the country and how the national economy performs. Central Oregon has become a very desirable place to live and raise a family, if people have the ability and the means to move here they will continue to come.

Q: What are some strategies that you would recommend and how is your company positioned for surviving the current market slowdown?

A: Not getting overextended is key. Being able to weath-