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Dave Windsor's 'Alaska Real Estate'

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Sentiment Determines Markets

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There are many stock-market analysts predicting that a serious correction is imminent for your financial investments - as soon as the first quarter of 2022. Such predictions are technically assessed but there is only one thing that finally moves markets, be it the Dow Jones or Real Estate - and that is community sentiment.

Sentiment is an emotional feeling, whether it be at your Thanksgiving dinner table, or a national mood swing about the state of the economy. Since 70% of the U.S. economy is consumer spending, the consumer sentiment is absolutely the most powerful factor.

The financial markets go up or down depending on how traders 'feel' more than how they 'measure'. Just 2 weeks ago inflation in the U.S. was measured at 6.2% per annum. This is awful (it has been less than 3% for the last 10 years) and consumers are feeling it at the gas pump and the grocery store.

As yet, this 'measure' of price increases has not become a strong 'sentiment' in the financial markets, although many large fund managers are starting to incorporate the idea into their future plans by hedging with Gold, the best performing inflation hedge there is except, perhaps, for real estate owned.

Once this mood, or sentiment, hits the general population as a whole and consumers slow down their spending, markets will suddenly react and, like the Covid virus, spread rapidly.

Sentiment in real estate is exactly the same. Homebuyers are confident right now to take advantage of low interest rates, especially if they have steady employment, while homesellers are not as inclined to sell due to economic and virus anxieties. The result, which may well continue into next year, is insufficient inventory for buyer demand. The sentiment on each side is different and this produces the market effect.

As a consequence of current real estate sentiment, here in Alaska and around the nation, home prices are going up. However, sentiment can change fast, especially with the powerful influence of the media. What you see on television or read on your favorite website, or on Facebook, can change sentiment.

My advice is to be rational about information gathering but watch closely the community sentiment. Anchorage has a lot going for it and I am fundamentally optimistic about the value of real estate investments here but, like the stock-market, it is not a straight line.

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