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Dave Windsor's 'Alaska Real Estate'

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Home Prices Unhinged From Reality

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The Federal Reserve Bank of Dallas (Dallas Fed) said last week that home prices "appear increasingly out of step with fundamentals", and I have to agree that this also applies to Anchorage home prices.

I was recently asked by a client to analyze the market for selling a Condominium at Campbell Green on Fairweather Drive. According to MLS eleven of these popular, centrally located units, built in 2001, have sold in the last 6 months.

Many are identical in floor plan and square footage with 3 bedrooms, 2 bathrooms and a 2 car garage. In fact, 6 of those 11 sales were identical 1372 square foot homes, with minor cosmetic differences in condition.

Here is the startling story. In September 2021 a unit closed for \$250,000. In the next 3 months through the end of the year, similar units sold, in succession, for

\$259,900, \$270,000 and, finally, a unit at \$280,000. Amazingly, in January of 2022 a unit sold for \$290,000!

That is, the prices of Campbell Green Heights Condominiums were escalating by \$10,000 a month, or 16% over the last six months.

This supports the Dallas Fed statement. Home prices are not just "out of step", but unhinged from reality. The growing real estate "Bubble" suggested by the Dallas Fed is well supported.

Now that interest rates have risen, and likely to increase next month, current homebuyers should lock in their interest rate as soon as possible. The Federal Reserve is pushing up rates to slow down buyers who, paying premium prices, may become victims of a "Burst Bubble" next year.

Home prices will moderate closer to reality in the months ahead so Sellers might want to take their winnings sooner

rather than later. Further inquiries may be addressed to windsor@alaska.net.

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