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## *Dave Windsor's 'Alaska Real Estate'*

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### New Construction Minefield

RE/MAX Dynamic Properties \* 907-727-3300 \* windsor@alaska.net \* www.davewindsor.com

It is not surprising that, between January and May of 2021, only 84 permits for new construction single family homes were applied for at the Municipality of Anchorage. This follows 70 permits for the same period in 2020 and, of course, the pandemic is to blame in both cases. As the City crawls out of the Covid hole, builders and consumers face several problems.

First, the cost of new construction has risen approximately 13% over the last 12 months while existing homes rose about 6%. In other words, many people are wondering about value here. Are they better off purchasing a late model used home compared to a new one?

On top of this, the final cost of new construction cannot be defined in your presale purchase contract. Why? - Because supply chain issues have made the final delivered cost of all

components of your new home extremely volatile.

Lumber for framing and siding rose 200% early this year and, even now, the builder's cost of your lumber content is inconsistent and unpredictable. Indeed, builders will require you to accept price escalation terms in your contract that allow for the final cost of materials.

That is, you decide to build a new home now but you cannot pin down the price you will pay for it. The FED's prediction of inflation being "transitory" only is highly questionable and everything from building materials to appliances, furniture and fixtures in your home is an uncertain price and an uncertain delivery date.

Builders are in fact struggling to maintain a reasonable profit margin themselves in this uncertain, post-pandemic recovery period which is unlikely to settle down for another year. If you do want to

buy a new home, do your homework and have a margin for financial error in your budget. Builders will work with you candidly, but don't go into your meeting with blinders on. Alternatively, hold off until 2022.

*Dave*

*Windsor*

