



Economic Expectations Impact Economic Progress

As any marathon runner will tell you, believing you can finish is a critical element in completing the 26 mile run. Confidence in the environment for success is as important as your diet, your equipment and your training. The Nation, and the State, face headwinds as Spring breaks in Alaska. Let's pause to reflect on these 2 separate issues.

NATION-WISE: The U.S. Commerce Department released, late last week, its report on New Home Sales. January new homes sales were down 4.1% over January 2018. Careful to adjust seasonally, and annualizing, the pace of new home sales slowed by 6.9% since December 2018. The average sale price in January was \$373,100. The median price of a new home (i.e. the middle price of the 607,000 January sales of new homes) was \$317,200. This was 3.8% lower than a year ago and reflects a decline in demand.

One positive consequence of these numbers is that Interest Rates will not push higher this year (and may even come down). The FED has considerable power to alter the course for the runners. A slow start in 2019 does not mean we cannot win. In Anchorage, January 2019 activity was similar. 106 homes (new and existing) sold, at an average price of \$352,330, and this compared to

147 homes in January 2018, or a 27% decline.

Home sales are a significant litmus test of the economic health of the nation because they firstly have an impact of their own but, more seriously, they reflect the optimism and general confidence level of the population. You won't run as well if you doubt the terrain, the weather and your ability to succeed.

STATE - WISE: While there is no reason not to believe that economic expansion is possible in 2019, with economists and researchers predicting modest job growth after 3 years of some retracement, confidence is seriously threatened by the inability of the State Government to deal with the Budget Deficit.

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Enough has been said about the options of how to increase revenue and/or reduce costs but the problem is indecision, not the decision itself. Alaska has the capacity to move forward but its members, you and I, are affected by not knowing what will actually happen.

Our confidence, and our resulting performance in the marathon, are severely tested by torpor in Juneau. Skeptical and uncertain consumers do not spend as freely. Less homes get purchased. Entrepreneurs delay

business expansion. New jobs are not created. Clarity of the rules for the race is urgently needed.

My personal optimism about the Alaska economy and Real Estate activity remains intact at the moment but we need entirely more passion, enthusiasm and progress from the Legislature and the Governor to keep hope afloat. It seems the spirit of polarization is exceeding the spirit of cooperation in the current American spirit.

Dave

Windsor

