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

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# Existing Home Sales Slowing Down

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

The National Association of Realtors (NAR) just reported a continuing decline in existing homes across the USA.

Nationally, existing home sales fell 0.7% in August and that meant that, year to date, sales were down 15.3% below last year's levels.

In the Anchorage Bowl, only 1547 units sold this year through 31<sup>st</sup> August compared to 2014 last year – i.e. sales are 23.2% below last year's levels.

The reason for the drop in Anchorage home sales is two-fold. Firstly, rising interest rates, now around 7% for a 30 year fixed rate loan (compare 3% to 4% a year ago) have definitely impacted hopeful buyers. This rising cost of borrowing is exacerbated by the rising prices for homes listed.

The average sales price of a home in the Anchorage Municipality has risen 5% over the last 12 months, from \$458,000 to \$481,000 according to MLS data.

Which leads to the second reason for slowing home sale activity – Not enough Sellers! Lack of inventory remains the main price driver in existing single family homes. 193 homes per month have been selling this year but only 302 listings are available at the time of writing.

Even with high interest rates and slowing buyers the absorption rate is less than 2 months. A respectable market balance (absorption rate) is when there is 6 months inventory available.

**Conclusion:** Prices will continue to rise despite slowing activity and

interest rates that will be at least 6%, and closer to 7%, for the remainder of this year.

*Dave*

*Windsor*

