



# Alaska REAL ESTATE

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## REAL ESTATE PROSPECTS STILL POSITIVE

So the population of Anchorage reduced approximately 1% last year. So 12,000 jobs from the previous year's level of 150,000 jobs were lost in 2019 (8% loss). So, according to AEDC (Anchorage Economic Development Corporation), 3% of that 8% loss could be recovered in 2021.

Are we hurting? Yes. Are there serious challenges ahead? Yes. Is the State Budget a serious problem? Yes. Will the Oil Industry decline with Electric Vehicles replacing Fossil Fuel Burners? Yes.

However, this pain in the Alaska economy is relatively small. Indeed, while some folk are hurting very badly and deserve help, the 92% of people employed in

permanent jobs (8% unemployment rate), together with bargain basement interest rates, plus the coming stimulus in March, is the reason we in the Real Estate industry cannot find homes for our buyers in the \$250,000 to \$600,000 affordable range.

Real Estate will be active and healthy in 2021. The "Absorption Rate" (i.e. number of months' inventory to satisfy buying demand) stood at 4.29 in 2019. Even that was a Seller's Market (less than 6 months supply). Above absorption rate above '6' is generally a Buyer's market.

Now sit down in a comfortable chair. In 2020, a total of precisely 4,500 homes and condos sold in the Anchorage Municipality per MLS statistics - i.e. an average of 375 properties per month

(demand). The current inventory of active, for sale properties, as of the time of writing, is 245 single family homes plus 227 condominiums (supply) - equals 482 total inventory to supply an average of 375 buyers per month! This calculates to an absorption rate of 1.3 ! A recent listing on Hillside had 25 offers !

And, as AEDC in its 2021 Forecast agrees, Alaska can look forward to a post-pandemic return of visitors, continued military presence, plus a thriving freight hub at the busiest airport for traffic in the world (at least on many individual days - competing with LAX, Dubai and Hong Kong). Believe in your State. Everything will be okay.

**2021 EMPLOYMENT CHANGE BY SECTOR**  
**(COURTESY OF AEDC)**

Oil & Gas + 100  
Healthcare: + 400  
Transportation: + 400  
Government: + 100  
Professional & Business Services: + 300  
Construction: No change  
Leisure & Hospitality: + 1,700  
Retail Trade: + 400  
Financial Activities: No change  
Other Sectors: + 600  
Total Change: + 4,000

**THE BIG PICTURE**  
**(COURTESY OF AEDC)**

“Entering 2021, economic recovery will depend on the degree to which further spread of COVID-19 can be contained and the pace of community vaccination. If the pace is slow, due to limited vaccine availability or limited acceptance, or both, recovery will be delayed. If rates of infection remain low and most of the population is vaccinated by mid-year, many of the jobs lost in 2020 could be restored in 2021.

The economic pain caused by efforts to control spread of COVID-19 has not been uniform. The leisure and hospitality sector has suffered the greatest damage. This sector typically accounts for about one in ten jobs in Anchorage but accounted for more than one-third of all jobs lost in 2020. Further, wages in this sector are typically among the lowest in the economy, averaging \$2,100 per month, less than half the citywide average of \$5,000 per month. Workers and small business owners in this sector must be a top priority as we work to rebuild our economy.”

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The activity in Real Estate seems almost contrarian to the general economic data but this is also COVID-19 related.

The current buyer demand is driven by the incredibly low interest rates the Federal Government has induced to offset the massive national economic punch from the virus.

The current seller shortage of supply is driven by the quarantine of families who, in this situation, are not about to relocate in a hurry, masked or unmasked.

As always, feel free to write or call with any real estate concerns. If you should be contemplating selling, there has perhaps never been a better time for premium pricing.

*Dave*

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