



Alaska REAL ESTATE BY DAVE WINDSOR

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Supply and Demand or ‘Absorption Rate’

Supply and Demand drives all prices, from Used Cars to Real Estate.

In real estate we measure supply and demand by how many houses are for sale to meet the monthly demand from buyers.

A healthy and balanced market would be one where there is 6 months of inventory to meet demand. So, if 100 houses were selling each month, it would be nice if there were 600 houses for sale.

So we also call this quotient the ‘**Absorption Rate**’ - i.e. how many months it will take for the buyer demand to ‘absorb’ the homes for sale.

If it will take longer than 6 months then the market tends to favor the buyer, since sellers will have to wait longer for a sale - - - or reduce their asking price to speed up the sale in competition with all the other sellers.

If the absorption rate is less than 6 months - i.e. there are not enough homes to supply 6 months worth of buyers, then the market favors the seller, and buyers will be hustling to purchase a home in

competition with the other buyers.

In short, a balanced market is an absorption rate that equals 6.

Lawrence Yun, the chief economist for the National Association of Realtors, recently reported that unsold inventory across the Nation sat at a “3.5 month supply at the current sales pace” - That is, Absorption Rate 3.5, a seller’s market with supply not able to healthily meet demand.

In the Anchorage Bowl there are 214 homes (not including condos) on the market as we write at the end of May 2024. 138 single family homes have been selling each month since the start of the year. What is the absorption rate? Do the math - 214 divided by 138 - equals

1.55 absorption rate! There are barely enough homes for sale to meet demand for a month and a half!

No wonder, when I listed a home at \$527,500 last Friday it was sold by Saturday morning. When I listed a home for \$825,000 last month, and my clients thought this was a bit high, it sold immediately with competing buyers for \$850,000.

We can accurately state, therefore, that in Anchorage Alaska we have a **powerful seller’s market** and so prices are rising.

To provide you property owners with absorption rates for your segment of the market, here are the results:-

Single Family Homes

\$1 million +
\$500,000 to \$1 million
Under \$500,000

2 months inventory
2.4 months inventory
1 month’s inventory

Condos

Over \$500,000
Under \$500,000

2.7 month’s inventory
Less than 1 month’s supply

To summarize, prices for homes are likely to continue rising this year - until they become unaffordable to buyers and sales just stall.

This ultimate 'level playing field' will happen and prices will stop accelerating as demand falls and the absorption rate returns to 'more normal' with homes not selling as fast.

Prices will level out, but do not expect any decrease into 2025.

You may also expect the current level of interest rates, around 7% for a 30 year loan, to decrease into the end of the year which will help buyers to afford the newly inflated real estate prices.

Don't tell the Municipality of Anchorage - but they are too smart to miss these increases in value and your property taxes will likely rise again next year.

Conclusion

Statistics can be boring but the mathematical calculations tell the story. If you would like the story on your own piece of real estate please call me for a consultation.

A further update:-

Nationally, the Index for pending home sales fell drastically by 7.7% in April compared to a rise in March of 3.6%.

This reinforces that, nationally, the steam is definitely coming out of the market.

While Alaska has not yet shown the same slowdown, I believe the second half of the year will.

This slowdown across the country is also reflected in general economic figures (such as the ISM manufacturing index for May) and the general economy, along with real estate, is definitely slowing.

A return to a normal balance of supply and demand will be welcome but, as usual, Alaska will prove to be an obstinate anomaly, with an contraflow economy showing resilience when the nation starts whimpering.

Dave

Wilson



CHAOS MANAGEMENT

When all around you seems chaotic, and friends or family (or the Country) seem disturbed, you may want to adopt my own Chaos Management Protocols:-

- 1) Cloak yourself with an energy shield** that protects you from negative energy. This may be achieved through meditation.
- 2) Limit media input.** The news and other media are obsessed with stories that provoke fear or anger and conflict. While you need to stay informed about events, filter the information, because it is predominantly negative. Remember that good news does not sell and most media is in the business of selling. Check out some online sites for an alternative take on news. Google 'good news' for several possible websites.
- 3) Adopt a positive thinking approach** to your day. Indeed, do not allow any negative thoughts at all but, immediately they arrive, replace them with a positive thought. Even 'bad' things can be good. Thoughts of fear, anger, resentment, revenge, jealousy, regret – these seem to be part of a mass consciousness cloud invading our space – but they don't need to invade yours. If you read the stories of those who endured suffering, the ones that survived went into their own space which they knew nobody could touch or harm.
- 4) You are powerful.** You may have forgotten this but you control all your own outcomes. When your world seems chaotic you have the ability to stand apart from it. People will notice, and take courage themselves from the calm confidence you project.