



# Alaska REAL ESTATE BY DAVE WINDSOR

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## COPPER, OIL AND REAL ESTATE

### COPPER:

In a remote desert, 106 miles southeast of Antofagasta in Chile, you will find the largest copper mine in the world, aptly called Minera Escondida (Hidden Mine). It is an open face mine and produces 1 million metric tons of copper per year.

This may sound like a lot of copper but recently the world's supply of inventory was measured by Bank of America to only meet 3 weeks of demand!

Add to that the exponential acceleration of demand required for electric vehicles (175 lbs per car - compare 44 lbs in a gasoline powered car), not to mention solar, wind and energy storage systems, and you have a recipe for copper prices to easily double in the next few years.

**No wonder some analysts are calling copper the new oil !**

In the last 12 months copper has gone from \$6,000 per metric

tonne to \$10,000 and likely to see \$20,000 in the next 5 years. These commodity costs cause inflation. Inflation is basically when your dollar gets you less in purchasing power.

### OIL:

I remember debating with AEDC in 2015 that, following the crash in oil prices from \$145bbl (barrel) to \$30bbl, oil would never exceed \$70bbl again. The burning of fossil fuels will come to a serious low tide in the next few years because the human species cannot otherwise survive the increased temperature of the earth's atmosphere. I think it is amazing that humans can only live in the narrow atmosphere between the surface of the earth and 7 miles above it because there is nothing for us to breathe in all of space outside this sliver of survivable air. We had better take care of it!

To be more direct, there will soon be a post-oil Alaskan economy. While today's price of oil recently breached the \$70bbl level again,

and being used as an argument for the future health of the State budget, \$70bbl is likely a temporary high. OPEC manipulated this by reducing supply during the pandemic at a time that shale oil production in the U.S. also diminished. The only thing that could push oil higher is the threat of a world war, when all bets would be off.

Alaska's post-oil economy will survive given our healthy climate, natural resources, international freight hub, tourism and vital military defense stations.

### REAL ESTATE:

C.P.I. numbers for May 2021, measuring inflation, came out on 10th June showing annual inflation at 5.0%! Inflation has not been this high in 13 years since the financial crash in 2008.

Prices, and the cost of living in Alaska, are also climbing fast and you are finding it more

challenging at the grocery store, the gas pump, the furniture store and, indeed, it is also a serious issue for contractors and construction. Lumber more than doubled in cost over the last 12 months and supply chain delays for all the other materials, including appliances, is pressuring the new construction industry. Your dollar buys less. Used car prices are through the roof. Don't be buying one this year.

**Inflationary pressure has not yet, however, slowed down real estate activity in existing homes and condominiums.**

In the first quarter of 2021, Anchorage single family homes were in high demand due to interest rates at or below 3% for a 30 year fixed rate.

In Anchorage, 607 homes and 298 condominiums sold between January and March compared to 528 homes last year and 224 condominiums. Average sales prices were higher (4% higher for single family homes and 8.5% higher for condominiums).

Nationally, prices are rising at a rate of 6.6% p.a. as we speak and this all reflects the low interest rate demand for the limited supply of sellers.

Zillow claims Anchorage homes have risen in value by 8% in the last 12 months but this, like most of their algorithmic tools, is not accurate. 6% would be closer.

**INFLATION:**

We are all experiencing inflation. The basic reason for all these rising prices is the Pandemic driven injection of money into the economy by the Federal Government, plus supply chain interruptions that push costs up. The Pandemic lockdown ground the economy down to a halt and so Federal intervention was necessary but, although you may have dollars, they don't go as far as they used to.

The F.E.D., and some Analysts, believe that inflation is 'transitory' and will level off and decrease back to the desired rate of 2% by next year. Others are not convinced. I have no definitive opinion but am watching markets, bond rates and commodity prices closely.

**REAL ESTATE GOING FORWARD:-**

Don't expect the price of a home to go down anytime in the next couple of years. By the same token, don't expect interest rates to rise substantially, if at all, for 2 years. Rates will likely not rise above 4% in 2021 or 2022, unless the FED does a 180 on its promise to let inflation run hot until we have full employment (still 13 million people to get back to work).

While housing momentum nationwide is slowing somewhat, real estate values will likely appreciate another 3% to 4% in the next 12 months. The real estate

market should remain healthy despite the State Government's financial juggling act amid diminishing oil prices and production.

**EVOLUTION:-**

The Atacoma desert in Northern Chile was discovered in 1981 by David Lowell, one of the best geological explorers of our time. Lowell passed away last year at the age of 92.

It brings to mind that all our lives span adventures and discoveries. As we observe changes in Alaska and the world, there is nothing to be afraid of.

Be flexible, go with the flow, be a reliable employee or smart entrepreneur, or even just a savvy investor, and you can enjoy, with me, a delightful life in this State - one of America's last frontiers and full of potential and opportunity.

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