



Alaska REAL ESTATE

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IS REAL ESTATE MOMENTUM SHIFTING IN 2022?

The Japanese have a momentum chart for market traders called Heikin-Ashi. Many brilliant people have developed measures of momentum or shifts in energy and two of my favorites are Fibonacci and Gerald Appel, the 1954 Brooklyn College graduate who was a psychoanalyst for 30 years but invented the MACD investment analysis tool many of us use today.

Momentum shifts are very obvious in football games, political battles, military encounters and, if you can read them, you can benefit. 'Going with the flow' or the trend is always better than paddling upstream in a canoe.

The question arises - **Is there a momentum shift in real estate in Anchorage taking place in 2022?** - And the answer is "Yes".

The last 2 years have been extraordinarily volatile for Americans, given the Covid pandemic and political hostilities, not to mention climate - change induced natural disasters and

world events.

Your Federal Government injected money into the system, like a blood transfusion, to prevent economic disaster. It also used tools to cut interest rates that tempted (successfully) homebuyers to borrow money for 30 years at less than 3% interest.

The Anchorage market experienced all these buyers bidding for homes that few sellers wanted to sell and values appreciated between 5% and 10% . Look at your Municipal Assessment which suggests some homes rose in value as much as 12%!

The momentum of the market has been furiously bullish for sellers because buyers found higher prices quite affordable.

The momentum is shifting in 2022. According to the National Association of Realtors its Pending Home Sales Index fell to a reading of 109.5 in January, down 5.7% from December. For the year, the index was down 9.5%, the report said.

We will not attempt here to translate this into a Heikin-Ashi candlestick chart or a Fibonacci extension sequence, or consult Gerald Appel for the Moving Average Convergence and Divergence chart, but I will now tell you why I believe there will be a retreat in housing demand this year.

1. Interest rates will rise

The FED has lately noticed that inflation is a runaway train. I am sure you have noticed your own cost of living skyrocketing. The FED's preferred measure of inflation (P.C.E. or Personal Consumption Expenditure) showed a 5.8% growth in the costs of living last year. The Consumer Price Index (CPI), which is more commonly understood, rose 7% for the year and some suspect even this is lower than reality, especially for Alaska where it was more like 10%.

An inflation rate of 2% is

considered manageable in most advanced western economies so you can see why I use the term 'runaway train'. It will take years to bring the rate back down to 2% or even 3%.

The FED is re-tooling as we speak to raise interest rates and home loans have already moved from 3% to around 4%. THIS WILL SLOW BUYER DEMAND.

2. Post Pandemic Mentality

Now that the world is moving from a Pandemic emergency to an Endemic aggravation sellers will feel more comfortable getting on with their lives and dreams, particularly seniors who own a good slab of Anchorage homes. Many seniors want to (a)

downsize or (b) escape the Alaskan winter, and you can expect inventory choices to grow this year.

Result:- Real estate activity will be healthy in 2022 but lower demand and increased supply will moderate prices. Wide-eyed homesellers should be realistic in their price expectations. Buyers may expect to purchase with less competitors out-bidding them at the housing trough.

Conclusion: Even though Oil prices are pushing \$100 bbl due to the war in Europe today, I expect this to moderate back to \$70 to \$80 bbl later this year as the crisis is overcome one way or another.

Employment:- State Bureau of Labor and Statistics reports Alaska workforce (those with jobs + those

actively looking for a job) was 351,565 in December 2021, which is right around half of the State's population of 700,000 people. The unemployment rate at the end of 2021 (seasonally adjusted) was 5.7%.

Alaska is 'steady as she goes' in jobs and population but there is a shift in momentum in the housing market. Be aware of it, and plan accordingly. Sellers can sell for more in the first half of the year. Buyers can pay less in the second half.

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AEDC Nuggets

Anchorage Economic Development Corporation presented its 2022 economic forecast last week. Here are some features:-

1. Anchorage likely to add 2400 jobs this year for a total of 142,900 jobs.

a/ Leisure & Hospitality + 800

b/ Professional & Business Services + 400

c/ Other + 1200

2. Anchorage population projected somewhat stable - 2021 population of 291,247 projected to be 289,697 in 2022. Outmigration of residents 55 + years old accelerating.

3. While AEDC is quoting 4.7% CPI over the last year, this is somewhat misleading because of what it excludes. As stated in my article your cost of living went up at least 7%.

4. Oil & Gas industry remains steady but prices currently soaring with Russia crisis and this will impact State revenue considerably.