



Alaska REAL ESTATE BY DAVE WINDSOR

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WHAT EVERYONE WANTS TO KNOW -

THE FUTURE > > > > >



Nobody can tell you exactly what will happen next in Ukraine, China or Alaska but I will attempt to look into the crystal ball and, based on what we know today, provide some sort of prediction for real estate in 2023.

As we write, everyone knows that inflation across America exceeds 8%. Interest rates for a home loan exceed 7%. Employment opportunities, however, remain attractive.

These items alone are explanatory of the slight cooling of the Anchorage real estate market in the final quarter of 2022.

In the third quarter ended 30th September 2022 the average price of an Anchorage home was \$455,756. (Condo \$242,874). Inventory was limited with only 843 homes added in that quarter and 876 homes sold, compared to 1208 listed the 3rd quarter of 2021 and 1084 sold in that same

period.

In short, buyers were active in this entire year but faced a shortage of supply. Thus, prices rose as buyers bid up the values.

So we currently remain inventory - short but buyers are now showing more caution as their cost of living increases together with their cost of borrowing.

You can read my Alaska Journal of Commerce article explaining inflation numbers at my website www.davewindsor.com but let's consider other local economics before projecting 2023.

Anchorage Economic Development Corporation (AEDC) does excellent work in this regard.

Even though Anchorage is experiencing a "whirlwind of forces", internal and global, AEDC presented several reasons for optimism here at home.

"Employment continues to build back to pre-pandemic levels, and AEDC is revising the 2022 employment projection upward to match the pace of recovery. Key industries like transportation and logistics and the visitor industry are seeing strong demand, and construction employment gains already reflect new federal infrastructure funding.

While there are positive signs in the economy, other forces that pre-date the pandemic remain stubbornly intractable: Anchorage saw a fifth consecutive year of population loss in 2021, including a loss of working-age people as fewer move in and outmigration continues. The city's population loss has significantly impacted the number of residents available to work, and labor force availability has been the primary constraint on growth in Anchorage so far this year. Housing costs and other costs of living continue to rise

sharply, perhaps limiting opportunities to entice new residents.”

Our population at 288,500, despite AEDC descriptions of exiting folks, has been relatively stable for 20 years. In 2012 it was 298,929. The high was 301,043 in 2016. Today’s population is a mere 4% lower than that high, or less than 3.5% over 20 years.

It is my opinion that the population will not dissipate but increase in years to come (reasons later).

Employment is healthy and will grow in transportation, leisure and hospitality, construction for infrastructure, medical and professional services. Numbers are tricky because the workforce has now largely gone remote and your next door neighbor may well be a CPA working for a firm in Germany, or anywhere on the planet.

AEDC also reminds us that the Ted Stevens International Airport is a huge asset for the City and State. Air Cargo is as high as it has ever been with over 4 million tons of cargo passing through each year. Some days, it is the busiest airport in the world. The Port is expanding too with its own 5 million tons of volume per year.

Air, sea and road freight are not only essential traffic between Asia and the U.S. but, by the way, essential to our own grocery supply. If there is one thing Alaska should be focusing on, it should be Food Security.

Anchorage, and Alaska, remain so much a ‘sweet spot’ in the U.S. for so many reasons - clean air, clean water, consistent seasons, natural resources, strategic military bases - but your State Government should be creating food production through land and finance grants to capable entrepreneurs (as already exist in Canada).

Real Estate 2023:

Supply chain issues will remain a cost factor and time factor for anyone building a new home. My neighbor built this year, and moved in, but particle board where garage doors should be is not a pretty sight.

Expect interest rates for housing to remain at 6% to 8%, and possibly nudge 9% at times. These rates are determined by the bond market which, in turn, is affected by the FED rates.

The Fed will have increased the base rate for interbank, overnight lending to 4.75% by the end of this year but will soon have to moderate these increases because of their economic impact.

Americans, and Alaskans in particular, can tolerate mild inflation but not a shrinking economy. In any event, I would say that Alaska will outperform any Lower 48 recessionary trend - for reasons we could enumerate, but not here.

Your local real estate asset will hold its value, even increase in

the next 5 years, although the market will chill to a less chaotic state than we have seen in 2021 and 2022.

People willing to work will have jobs, families will continue to buy homes. After all, some of us seniors can remember paying 10% to 12% interest for a home loan a few decades back.

Although green energy is just around the corner (the day after tomorrow so to speak), tomorrow itself will still be needing oil, and Alaska will continue to provide it, plus other rare earth components for the clean energy era.

Conclusion:

Borrowing President Macron’s words, I think all Americans should value ‘the exorbitant privilege’ of not only enjoying 17.2% of the world’s GDP (Gross Domestic Product) with only 4.2% of its population but also holding the world’s reserve currency. Long may it continue!

Dave

Wilson

