Christmas Wrap
December 15, 2013

It was a good year for Real Estate with the market responding markedly in a positive direction. The average price of a home sold in Anchorage was $346,356. This is a 3% increase over 2012. The number of single family homes sold was 2,810 year to date in 2013, compared to 2,409 last year for the same period - or a 17% increase. Furthermore, these homes sold in a shorter market time.

The time to sell a home is important because it tends to reflect the balance between supply and demand. Ten years ago, i.e. in 2003, homes only stayed on the market for an average of 49 days but, in 2008 (year of the financial crash), average market time had increased to 72 days. Since those really bad days, even though the Alaska State economy never hurt like mainland USA, it has taken three years for that market time to reduce to 65 days, then in 2012 it was down to 59 days.

In 2013, the average time to sell a single family home is now 47 days. This is a 20% jump on last year and starting to look very healthy. The only homes still struggling are those in the upper price range. An average of 13 homes per month sell in the price range over $600,000 - - - but there are 109 on the market right now - - - which means ENOUGH FOR THE NEXT 8 months (without new properties coming on the market). Anything above 6 months supply is considered unhealthy.

This problem is exacerbated in the $million+ range. There are 25 homes for sale in Anchorage over $1million asking price. However, only one of these high flying shoppers comes along each month. Guess what? There are enough of these properties on the market to satisfy the next 2 years of shoppers! And that’s only if NOTHING MORE above one million dollars comes on the market.

Summary: The stores are awash with Christmas gifts and Christmas wrap at this time. Your Christmas wrap in Real Estate also has many colors. We can dice up the statistics in a hundred ways - - - but I can tell you that your gift is a very healthy market and your home increased in value this year - between 3 and 5 percent.

Both activity and confidence are improving and I see no reason (there are always ‘nay sayers’ around) why this trend should not continue in 2014. Interest rates will remain under 5%, the State economy will continue it’s slow and steady growth, jobs will be created and, after all, it is the U.S.A. we are talking about, shoppers will continue to consume, and that means homes too.

Dear Dave: We are putting our four-plex investment property on the market and asked our Realtor if we had to fill out a Property Disclosure. He wasn’t sure, and suggested that we ask you – so here we are. Do we, or don’t we?

Answer: No, you don’t have to fill out a property disclosure though, if you have good knowledge of the property, it would be prudent to fill one out.

The Statute governing disclosures (AS 34.70) covers ‘Residential Real Property’, and that residential real property is defined as “any single family dwelling, or two single family dwellings under one roof, or any individual unit in a multi-unit structure or common interest ownership community whose primary purpose is to provide housing.” TRANSLATION: The Disclosure Statement is required for single family homes, duplexes and condos.

New construction is exempted, and buyer and seller can agree to waive the whole thing anyway, but the purpose of the Statute is to make sellers be more responsible when they know things about the property but would prefer to conveniently forget about them. If I am listing a four-plex for sale, and the owner is personally involved with the management of the property, I ask the owner to complete a disclosure form as a courtesy to any interested buyer.

Completion of the form simply becomes impractical if the owner does not manage the four-plex, or if he resides out-of-state and hasn’t seen it for many years. Sellers are still liable for deliberate non-disclosure of defects in a property even if it is a 20 unit apartment complex. The writers of the Statute simply felt it should create a mandatory disclosure form for basic residential properties where the seller obviously was acquainted with the home, even if it was a rental.

Dear Dave: We are leaving to go to Arizona and selling our Four-plex rental property since we don’t expect to return to Alaska. Is there a way we can avoid paying Capital Gains Tax on our profit?

Answer: IRS Section 1031 (a) was enacted for people like yourself. Under its provisions you can avoid the capital gains tax (at least for now) if you exchange your investment property for another in Arizona, though it can be anywhere if you prefer.

The procedure is called a 1031 Exchange. It is most important that you contact your Realtor or a 1031 exchange specialist as soon as possible, since the criteria for avoiding the taxes are somewhat complex. The exchange must be for a “like-kind” investment, so you could purchase another multiplex, land, commercial buildings or even a farm. From the time you close on your four-plex sale you have 45 days to “identify” your replacement property (or a selection of properties), and 180 days to close on the purchase.

One of the most crucial factors to qualify for the tax-deferment is that the cash from your four-plex sale must not pass through your hands, but rather through a third party. If you sell the four-plex and put the money in your own account, you are immediately disqualified as an exchanger as you are deemed to have received the proceeds of a sale, rather than an exchange. Most people with investment properties use a professional facilitator who will guide you through the entire process for around $1,500.