

# Windsor News Release

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## THE WHEELS ARE

## NOT FALLING OFF!

As promised, I want to share facts and figures that will influence Real Estate in 2015. The bottom line is that, despite falling Oil Prices, the wheels are NOT falling off the Alaska Economy. This bodes well for Real Estate in 2015.

### 2014 Review:-

Number of Homes Sold: 2684 versus 2871 in the previous year. This is a 6.5% drop, so the movement of homes was slightly slower.

**New Construction:** 171 homes only sold in Anchorage in 2014 and marks another difficult year for builders, actually a 17% fall from 2013. Consensus is that the big problem is the scarcity of available LAND on which to build.

**Residential Home Prices:** The average price of an Anchorage

(always includes Eagle River) home sold in 2014 was \$347,902, an 8.6% increase over the previous year. So, less homes sold, but at higher prices. This trend marks a continuation of the value of homes over the past 5 years.

**Days on Market:** Residential properties averaged only 46 days on the market, compared to 48 days in 2013, 61 days in 2012, 70 days in 2011.

Anything under 150 days indicates a definite "Seller's Market".

Inventory is still very low as we commence 2015 (great situation for sellers!) This is why home values are INCREASING 3% to 5% per annum.

**Sales Price versus List Price:** Buyers pay at least 95% of list price and this has been consis-

tent for the last 5 years.

**Condos:** These were extraordinarily active in 2014, both resale and new construction.

**Intermediate Conclusion:** 2015 will continue to be active, particularly due to low inventories which may reflect the lack of older folks leaving Alaska as much as they used to.

Winters are downright pleasant! Even the Birds are staying to avoid those long flights south.

### General Economic Conditions:-

**Prosperity:** The median household incomes, in a list, by rank in the United States, are:-

Anchorage	\$76495
#1 State-Maryland	\$72483
#2 ALASKA	\$72237

#3 New Jersey	\$70165
#4 Hawaii	\$68020
#5 Connecticut	\$67098
USA Average	\$52250

Although these numbers are for 2013, they reveal that Anchorage residents are richer than even the top State in the U.S.

We might also add that, according to reliable surveys, Alaskans are the most generous tippers in the nation!

**Anchorage Jobs:** The last 2 years have, despite an acceleration in Retail and Healthcare, shown FLAT job growth. 2015 will produce a similar FLAT plane in jobs, with increases in Retail and Healthcare offset by, mostly, Federal cuts and Construction.

**Forces to affect 2015:-**

**Natural Gas Prices:** Going up. Can we contain them?

**Military Forces:** Stable at 12,000 but will they remain at those numbers?

**Federal Dollar Grants:** Going down, but not in freefall.

**Tourism:** Expected to accelerate due to - - -

**U.S. Economy:** Sparking on all Cylinders.

The 1000 pound Gorilla (or 10,000 pound Elephant depending on your preference) in the room is OIL expectations. So, OIL is under \$50 Barrel compared to over \$100 bbl just a few weeks ago!

However, don't forget, it was \$20 bbl in 1998 and has averaged \$47 bbl since 1985.

Oil's current price is not as abnormal as it would seem. It is the spike to \$100 that was abnormal.

The Fundamentals causing Oil to drop back to these prices is NOT Saudi Arabian plots but SUPPLY and DEMAND. There is simply more Oil available than required at this time.

As Economist Neal Fried would say (and thanks to him for some of the above data), it is not the price that is the biggest problem, but the VOLATILITY in price.

The State of Alaska can well manage the future, with the hedge of serious \$ reserves and savings, provided the price of Oil stabilizes. I expect this to happen in 6 months at the longest.

**But what if we have less Oil Revenue? :-**

As Gunnar Knapp said this week in a public forum, we simply have to cut expenses (or increase revenue) in the State Budget. I actually think there is enough intellectual capital in our new governor's cabinet to handle this.

In any event, there will be NO 1980's RECESSION.

**Why no recession?**

While I expect a slowing of growth and moderate flattening of real estate prices by 2016, you need to grasp that the State of Alaska is entirely in a different condition to the 1980's.

- 1) The State has Savings.
- 2) More Diversity exists in the Economy.
- 3) We have more capacity to control outcomes.
- 4) Oil production is much less than it was in the early 1980's. In other words, Oil has less influence on our economy.
- 5) Real Estate is NOT overbuilt. 9000 building Permits were issued in 1983! The average of new construction permits in Anchorage 2009 through 2013 was 500 per annum. Building hysteria was crazy in those days. By contrast, we have a shortage of real estate inventory today.
- 6) Interest Rates are much, much lower today.

**CONCLUSION:-**

It is my firm belief that, just as Alaska avoided the Great Recession of 2008 that happened everywhere except in Alaska, we will avoid an Alaskan recession provided only one thing - Let stability return to Oil prices, even around \$60 bbl. I would be happy with that, and I think Governor Walker would be happy too.

*Dave Windsor*