



Flat Economy Is Not Bad Economy

Global financial analysts keep a close eye on the Baltic Dry Index (BDI). The BDI is a daily publication out of London that tracks the price of moving raw materials by sea. In fact, the index was 623 this last week, the lowest for 2 years, and indicates weak demand for shipping while the cost of operating cargo ships is rising. This is a bad sign for the world economy.

Similarly, the real estate market provides a litmus test of the local economy and that is what we propose to discuss now. Respected Alaska economist, Neal Fried, suggests 2020 to be a 'flat' economic playing field following the recession of the last 3 years. Neal and I have discussed the efficacy of the word "Recession" versus my preferred "Retracement" but, either way, Alaska has survived pretty well and the outlook is by no means as dim as BP and Nordstrom events suggest.

In the fourth quarter of last

year, 679 homes sold in the Anchorage bowl at an average price of \$369,707. During that same period, October through December, there were only 505 new listings or, to put it another way, homes were selling at a faster rate than new inventory was coming on the market.

I am always asked in my casual encounters, "How is the market?" "Is it a Buyer's Market?" "Is it a Seller's Market?" A buyer's market is generally considered such when there is more than 6 months supply to meet demand. If less than 6 months inventory, the same rule of thumb would suggest it is a seller's market.

In the last 12 months, 2,737 homes were sold, from Girdwood to Thunderbird Falls, or 228 per month. As of this day, there are 526 homes for sale - i.e. only 2.31 month's supply. (Matsu: A little over 3 month's supply). Healthy for sellers? You bet!

The 2.31 months absorption rate is always exacerbated in

the winter because home-sellers hold off putting their homes on the market until Spring. Nevertheless, most of last year the absorption rate hovered between 4 and 5 months supply.

Despite the economic retracement of the last 3 years and a slightly reduced population (294,500, 1,000 less than 2018), the real estate market has held up rather well - and 'Flat' is okay with me.

Dave

Wilson

