



Alaska REAL ESTATE

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It's Not as Bad as It Looks!

The very hard work of AEDC economists (Anchorage Economic Development Council) is acknowledged here and the recent 3 Year Outlook serves as the basis for this newsletter. While not plagiarized I will summarize data and my impressions from that report to provide you with a shorter version which I characterize as:- “**It’s not as bad as it looks**”.

That is, while Alaska is faced with challenges, the ‘doom and gloom’ viewpoint is like taking a Tropical Storm and insisting it is a Cat 4 Hurricane. I am cautious for the next 2 years about Alaska but entirely bullish for what will follow.

Construction: Building Permit values for both Commercial and Residential construction actually increased this year over the low of 2018 and is anticipated to remain stable despite being 30% lower than the peak highs of 5 years ago.

Construction work is significantly boosted this year by Earthquake damage repair. Just try and find a

building contractor to do work for you! They are all busy.

Tourism: Cruise passenger traffic increased by 17% in 2019 and this strong industry will continue to accelerate in the years ahead. Air passenger traffic also increased. Car rentals and RV rentals (plus associated taxes) benefit from all the buzz about Alaska as an exotic destination. Hotels also enjoy the prosperity generated from Tourism.

Population: AEDC reports net human exports in 2018 of 2400 residents resulting in an Anchorage population of 295,365. this is highly unlikely to fall below 292,000 in the next 3 years despite the hearsay floating around.

Personal Income: This also increased in 2018 and the current year, including allowance for the \$1,600 PFD. Total personal income for Anchorage residents is estimated at \$19.8 billion in 2019 and projected to increase moderately over the next 3 years.

One should, of course, allow that the spending power of your income

is to be adjusted for inflation in the cost of living. With National and State inflation holding at 2% or less, your income will essentially be steady over the next 3 years. In other words, increases in your income will be offset by increases in retail prices.

Airport Activity: Anchorage International Airport remains the 5th busiest in the entire world and the irritating redirection of runway traffic, which will soon be over, was to enable the North/South runway to be expanded for the even larger aircraft being put into service for freight.

We should all remind ourselves of the hugely significant strategic importance of, not only our Airport, but also our Military Bases.

It is sometimes difficult to grasp that Alaska is the shortest route between the mainland U.S. and Asia. And, of course, the closest part of the U.S. to Russia.

Real Estate: While activity in my own industry is somewhat suppressed in 2019, largely by a Buyer hesitancy about Alaska's economic future, values will slightly falter this year but remain a well - founded long-term investment.

There remains almost zero developable space in Alaska's largest city and the State will become an increasingly popular destination as Atmospheric Pollution and resulting Climate Change alter living conditions in the Lower 48. We have a moderating climate in Alaska, clean air and plenty of water.

Conclusion: Alaska's strategic benefits for residency are one thing. Add to this increasing commercial opportunity associated with Arctic trade across an ice-free polar region. Add the strategic military importance for Air Force, Army and Missile Defense systems. Add the International Airport in Anchorage. Add the resilience and creativity of the Alaskan psyche, and you have a bright future.

It's not as bad as it looks in the headlines. The Governor made compromises on the budget. Even the University has a reprieve, albeit with some belt-tightening that was overdue in any event. The

State Government can handle deficit problems if compromise and a cooperative spirit prevail between opposing parties.

Enjoy your Winter and do call me if I can assist you with Real Estate.

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