



# Alaska REAL ESTATE BY DAVE WINDSOR

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## VOLATILE TIMES REQUIRE CALM DECISIONS

I love the definition of Yoga by Patanjali:- “Yoga is the settling of the mind into silence. When the mind has settled, we are established in our essential nature, which is unbounded consciousness.”

2022 is providing lots of news that could easily disturb. Inflation, the Ukraine War, Climate Issues, Gun Violence and strong Political Belief polarity in the United States are some of the unsettling circumstances.

On the other hand, every day I meet the most gracious, kind and warm people everywhere - from lawn mowing contractors to shopping checkout ladies to business associates and, of course, real estate clients like you.

**I want to address the economic volatility, particularly as it applies to real estate, to assist you in making the wisest decisions for you and your family.**

In my recent article published in the Alaska Journal of Commerce, which you may have missed, I included the following:-

‘Your personal cost of living is

rising at least 8.3% per annum, as indicated by the more candid CPI (Consumer Price Index). Increases in food, shelter, airline tickets and new vehicles is hitting Americans really hard.

The aggressive Fed rate program which, so far this year, includes the quarter point in March followed by the half point in May is expected to include further half point increases until the Fed Funds Rate is as high as 3.5% - i.e. the rate at which Financial Institutions may borrow from one another. The rate has been close to zero for the last 2 years. This rate flows on to your credit card and many other bills you receive.

However, the Fed will need to back off from this extreme rate hiking because recession will be its consequence before inflation is under control. Inflation will remain excessive for years to come. We will learn to live with it, painfully. It will not be 2% as the Fed expects.

**In fact, the only inflation that is transitory is that going on in our own local real estate market.**

Prices have soared between 10% and 15% in the last year and, in fact, prices exceed real value in my

view. People are paying too much for a home, new or used.

This inflation is transitory. Prices will moderate later this year because the consumer is starting to hurt from the other 'non-transitory' inflation.’

*(The full article is available on my website, titled “Is Real Estate Inflation Transitory?”)*

Even Realtor.com just published a similar modified outlook for real estate prices across the nation in the second half of 2022.

In effect, higher rates, around 6% for a 30 year fixed rate loan, will make buyers think twice before buying and this will mean more options for home shoppers who will not have to compete so aggressively for a property.

### WHAT THIS MEANS TO YOU

**Sellers:** Sooner gets you the best price rather than later but your 10% to 15% gain in value

over the last 12 months will not be lost. Just don't expect the feeding frenzy to continue driving prices up any higher than the plateau they will now settle upon.

**Buyers:** The community will get used to rates between 5% and 6%. After all, they used to be even higher, but we have all been spoilt for the last 5 years.

Do your budget carefully, and conservatively, and calmly start looking at your options of a first home or an upgrade that reflects your family progress. Settle your mind into silence before you make your plans.

First - time buyers, it ALWAYS pays to buy over renting. Talk to me. You will be surprised at the options available to you to escape the dead rent payments that just make someone else rich.

Mature replacement home buyers, do visit with me ahead of your buying adventure so that you can be fully educated before wasting your time. I am happy to provide counsel and have learned that it is important for you and your Realtor to understand how best you can form the winning team by talking face to face.

Dave

Wilson



## NEW CONSTRUCTION OFF MOST BUDGETS

An index that tracks the cost of building materials and supplies has increased 69.9% between January 2020 and April 2022, i.e. since the start of the pandemic (source: Bureau of Labor Statistics).

Building a new home in Alaska these days is a real brave decision, given the freight add-ons to boot.

The median (middle) single - family home price today in California is \$790,475. In Christchurch, New Zealand, it is over \$1 million. These are not new construction but existing homes.

If you are thinking of building this year or next, you may want to consider a planet other than Earth.

Real Estate remains an essential hedge against inflation and everyone should try to own some, preferably with zero debt on it.