

## LAND UPDATE – Not A Lot O’ Lots

### Description



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So we always talk about housing but what about the land needed to build it on?

We have all heard of gold, silver, zinc and lead but there are a host of Rare Earth Elements (REE) such as Terbium, Lanthanum and Neodymium that are critical for radar systems and consumer electronics.

**Although China has half of the world’s rare earth elements, Alaska is considered a strong potential source of rare earth also.**

As rare as rare earth elements may be, we might also say that any earth is now becoming rare, particularly in Anchorage where buildable lots are few and far between. Those remaining tend to be either in remote Hillside locations, undesirable soil locations or undesirable neighborhoods. Eagle River has a slightly more favorable availability of buildable land.

Let’s take a look:-

### Anchorage Residential Single Family Zoning:

If you are looking for an R1 suburban residential lot today, you have only 17 choices on the market ranging from \$8,500 at the low end to a lot on Campbell Lake at \$545,000.

If you want a larger, 1 to 5 acre lot (mostly Hillside) and zoned R6 or R9 you have 33 choices, but many are a significant winter drive to shopping areas and business districts.

About half of these large lots, all less than \$350,000, are not selling right now because new construction costs are outrageous, plus you need a well and septic in most cases (Add on \$30,000 to \$50,000)

Frankly, some of this rare earth might be worth an investment since prices can be negotiable, but the holding cost of property taxes must be factored in (around \$15 per \$1,000 value is the mil rate).

### Eagle River Residential Single Family Zoning:

**While zoning classifications are different in Eagle River, we may say that there are only 5 suburban Eagle River lots for sale under 15,000 square feet and 3 of those are in Powder Ridge.**

**1 to 5 acre lots in Eagle River (all less than \$300,000) are more available – 27 for sale, but you may have a few miles to handle up Hiland Road or down Eagle River Road and access may be steep.**

(Note: Lots available are per MLS at time of writing and do not include some that are for sale but not in MLS).

### Single Family Development Anchorage and Eagle River:

Subdivision Developers will continue to find tracts to create new residential neighborhoods but the pressure will be on (once building material costs normalize) because of one undeniable fact of life.

**Anchorage is bordered by ocean and inlet, mountains and military. In other words, Anchorage is 95% built (at least) and cannot physically grow.**

**For many years now, wise development heads have been predicting the inevitable push along the Eagle River/Chugiak**

## corridor even if you have to commute to Anchorage. Palmer/Wasilla continue to expand rapidly for the very same reason – somewhat lifestyle choice but more so cost of new home.

### Multi – Family Opportunities:

There is available capacity for multi-family construction and many vacant lot opportunities for that as the Municipality wants denser housing to provide for future population expansion.

I can pull 78 such listings in Anchorage alone at this time, from Duplex through Apartment Block zoned lots.

### Business and Commercial:

We will cover in a later article but the opportunities are limited and shrinking.

### Summary:

There are not a lot of lots remaining for Anchorage new homes (single family). The future of such homes is actually in 'Tear – Downs'.

New single family properties will be built where old structures are no longer viable and, as population and demand increase in the years ahead, buyers will absorb demolition costs (\$40,000 to \$50,000) for good locations.

As it happens, just last week I facilitated such a sale and the interest was strong enough to pre-empt any MLS listing. Buyer will simply demolish the old structure.

### Land Investment:

My good friend, now deceased, **Dominic Gospodor**, made a fortune investing in Anchorage Bowl land and, although humbly cruising the streets on a bicycle, he was one of the wisest real estate moguls I have known.

Investing in land, especially if it has some rentable structure to cover property taxes, is an excellent use of savings and a hedge against inflation.

### Financing your land purchase:

So how do you buy land? The best method, of course, is cash but, if you need to borrow to buy, the first choice is to take equity out of your home with a re-finance. The reason for this is that the interest rate is much lower Most Credit Unions will finance land for 25% down (e.g. Alaska USA) but the interest rate will likely exceed 8% compared to a refinance of your home at less than 6% interest.

You also can try asking the seller to do owner finance if they own the property outright. A last option,

but only if you intend to build immediately, is when your contracted builder acquires the lot and you just pay for your completed new construction at closing with a regular home loan.

Conclusion:

I have no hesitation in predicting the escalating value of Anchorage and Eagle River land.

Rare Earth? Get some – you can't lose.

Dave

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