

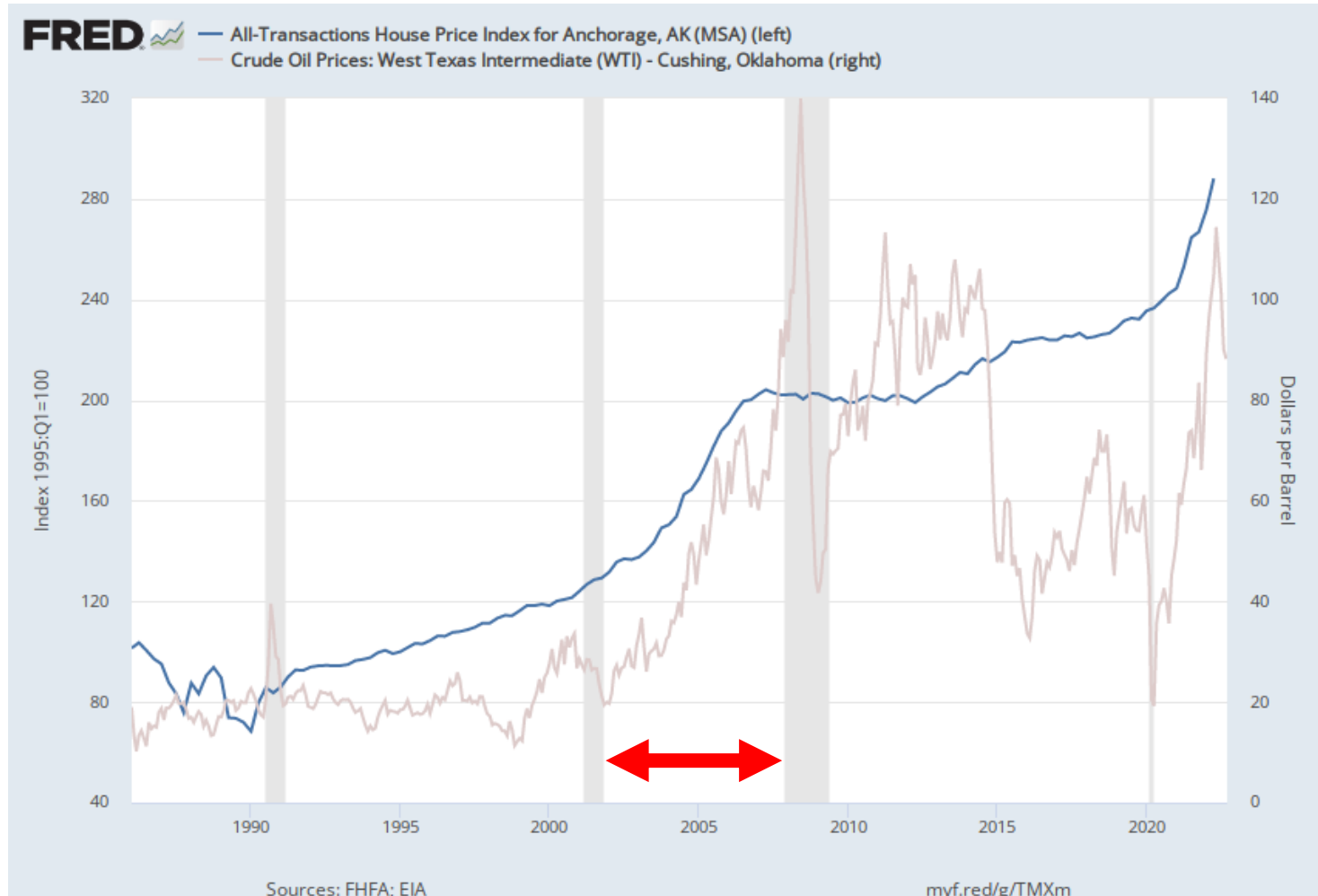
Some thoughts on the Anchorage housing market

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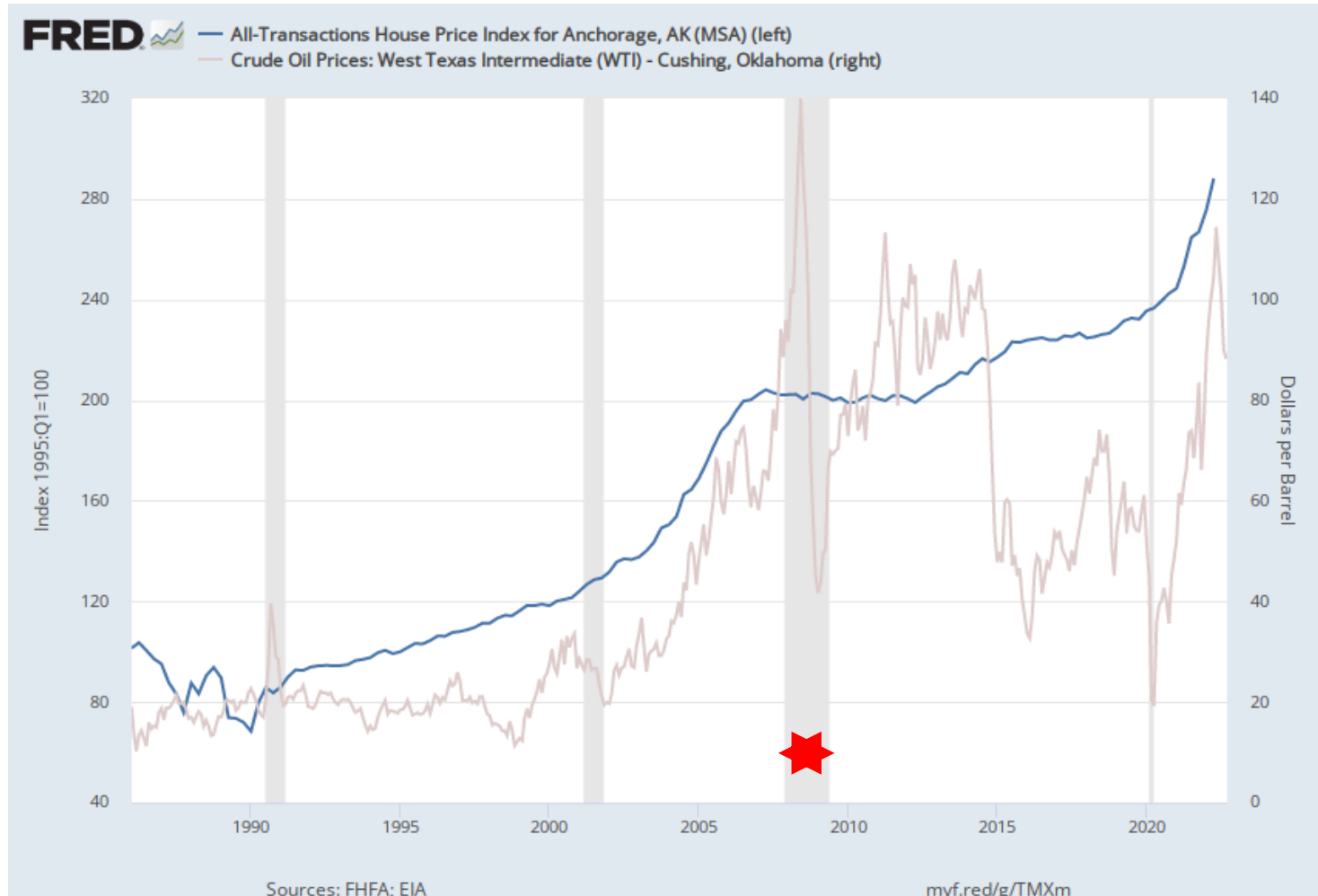
What I'm going to talk about

- Broad housing market trends over time and space
- The pandemic/post-pandemic market specifically
- Affordability
- Quality

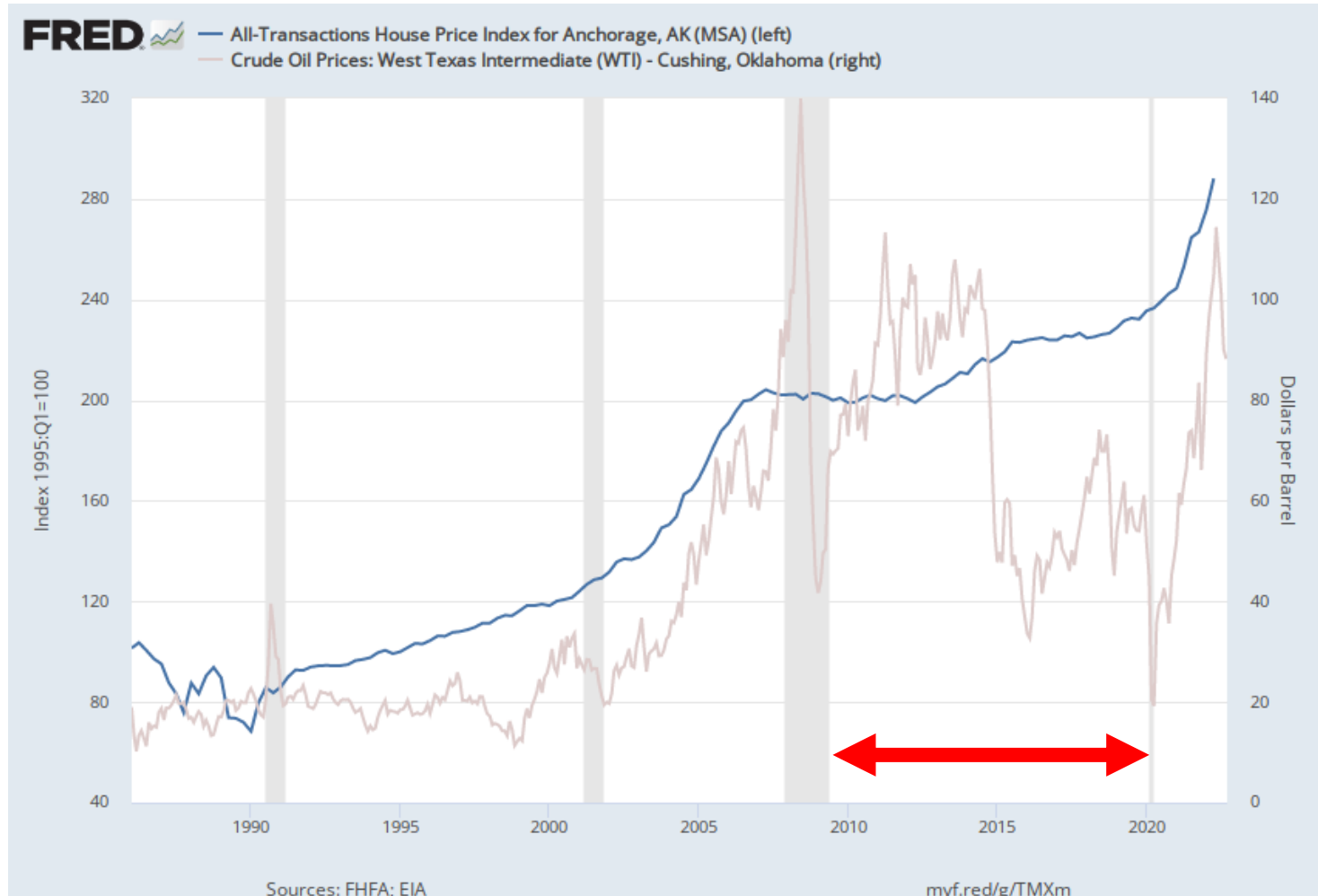
Between 2000 and 2007, Anchorage's housing prices tracked the price of oil.



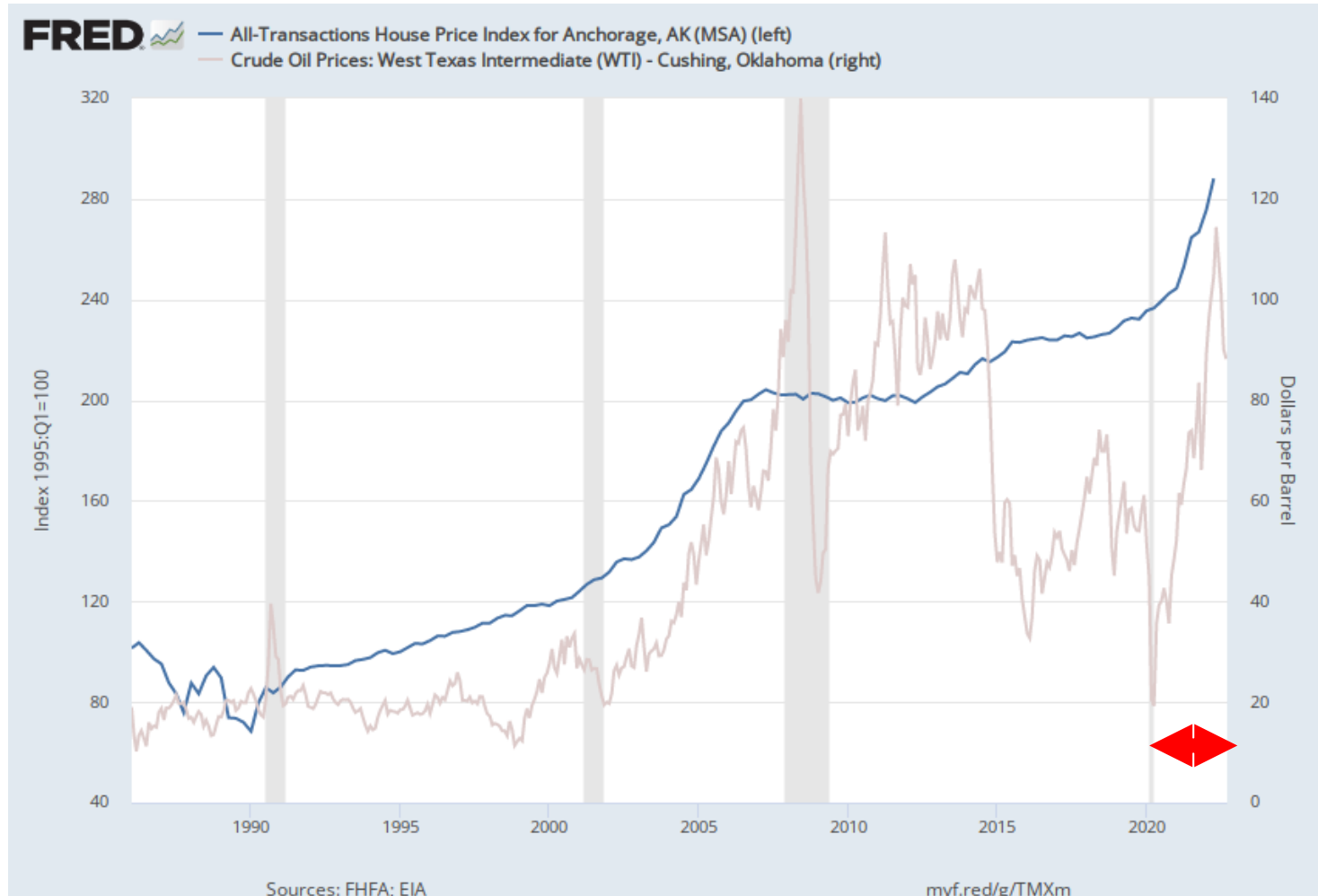
Between **2008 and 2012** (the Great Recession), housing prices stagnated. The high price of oil meant that Anchorage avoided the collapse seen in many other states.



Between **2013 and 2020** there is mild growth in housing prices, despite a recession in Alaska.

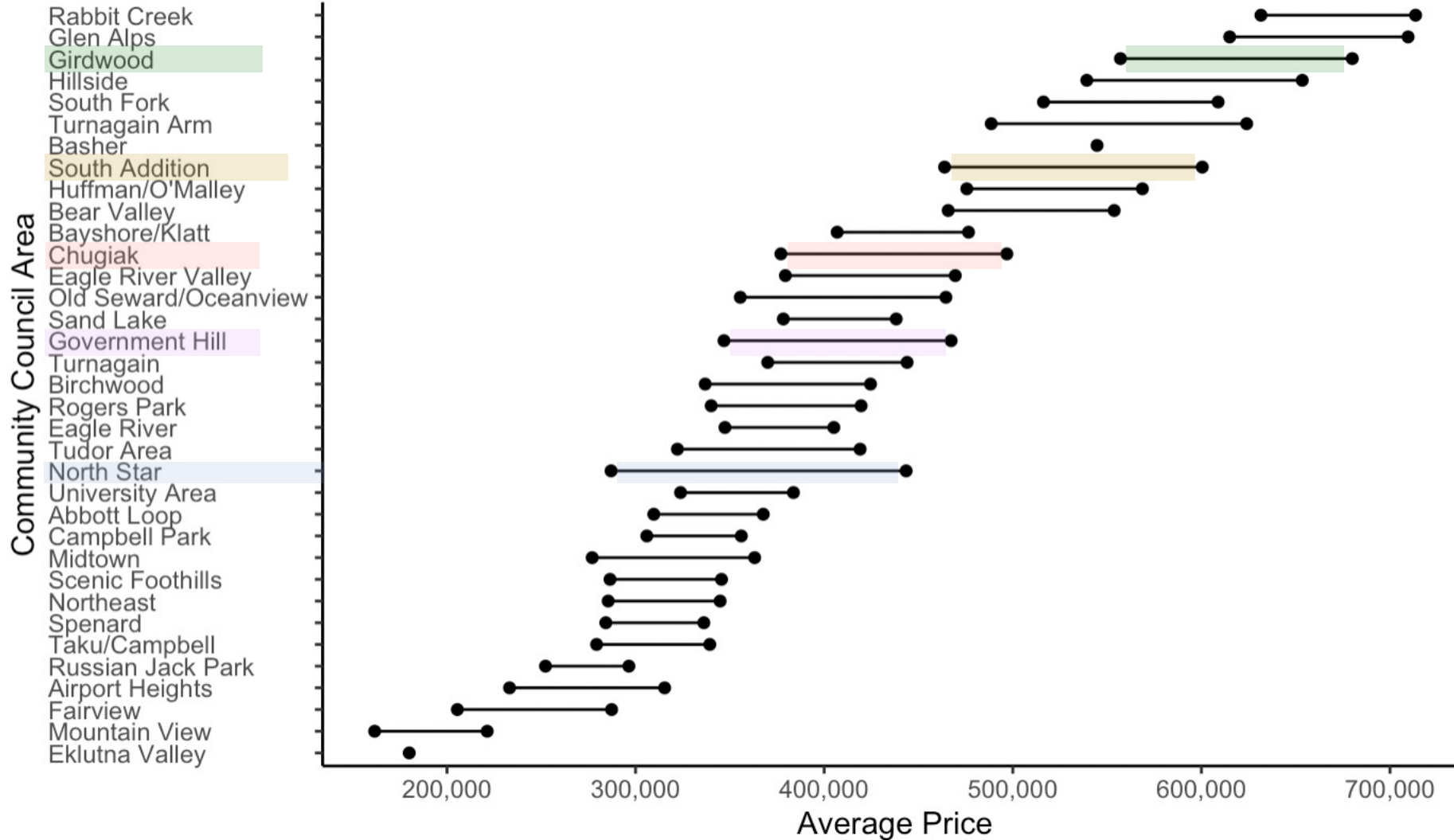


From **2020 onwards**, Anchorage has seen large increases in housing prices, likely largely due to lower-than-normal interest rates (2020-2021) and lower-than-normal supply (2022 +).



The pandemic/post-pandemic uptick in prices affected every community in Anchorage.

Change in Average Prices (2019 - 2022) by Community Council Area



Potential demand- and supply-side drivers of housing price increases across Anchorage:

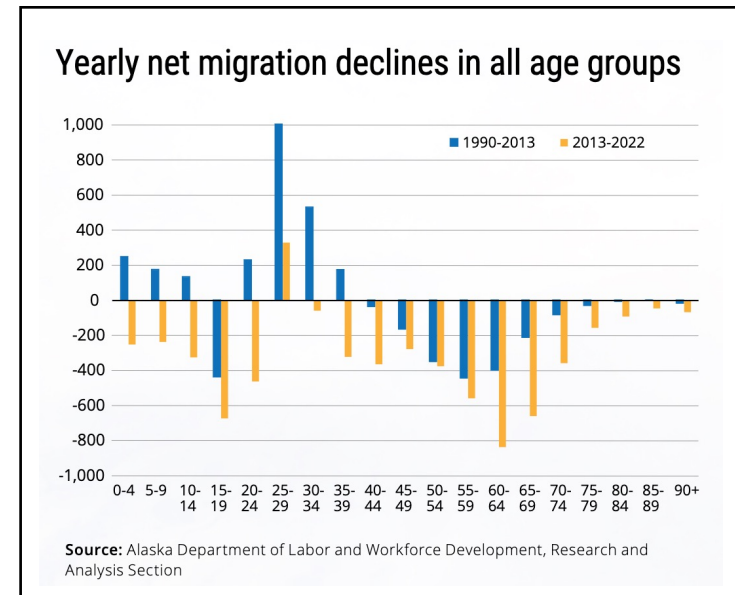
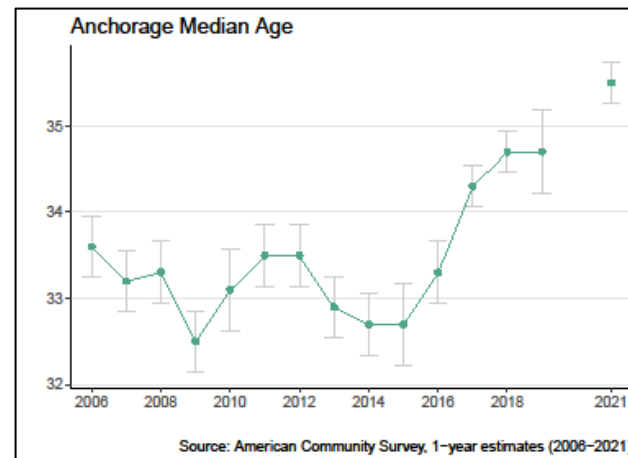
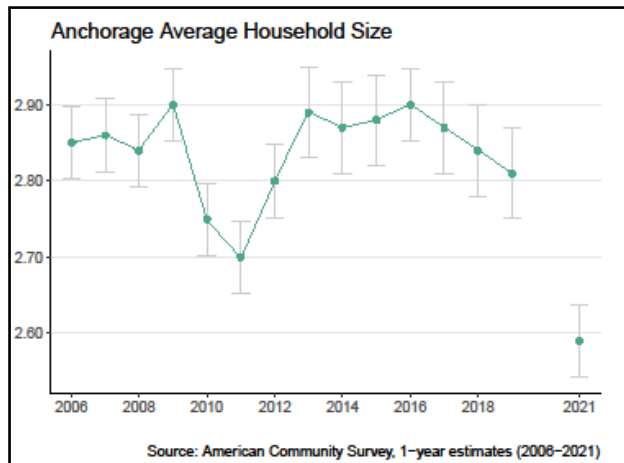
DEMAND

Demographic trends:

- Anchorage's population is flat/falling
- The average household size is shrinking
 - Population aging up
 - Families leaving



More people competing for the same* number of homes



Potential demand- and supply-side drivers of housing price increases across Anchorage:

DEMAND

Interest rates:

- Mortgage debt was really cheap during the pandemic
 - Assuming a \$400k home with a 20% down payment, going from 6% to 4% interest rates yielded savings of \$380/month



More people competing for the same* number of homes



Potential demand- and supply-side drivers of housing price increases across Anchorage:

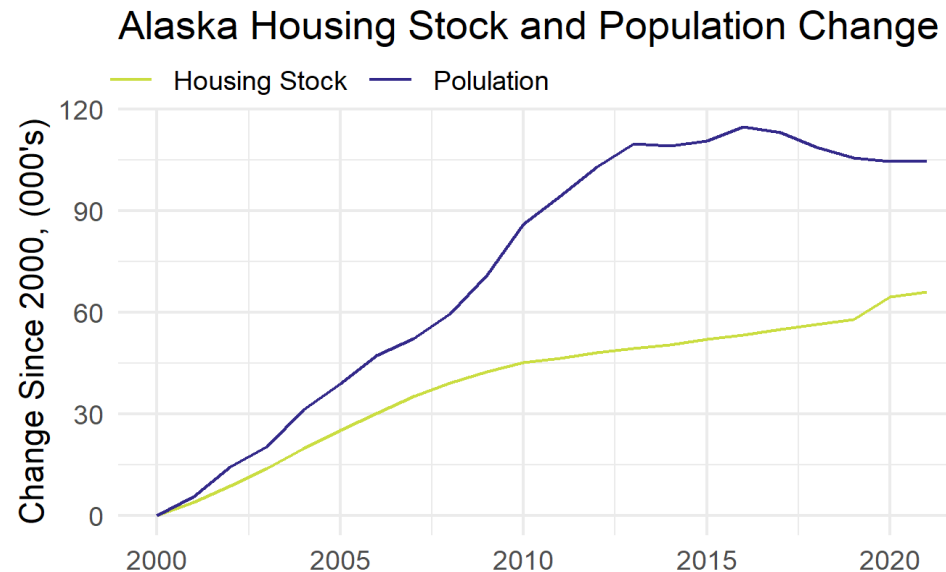
SUPPLY

Construction of new homes:

- Housing stock is growing, but not very quickly



More people competing for a *slowly growing* number of homes



Potential demand- and supply-side drivers of housing price increases across Anchorage:

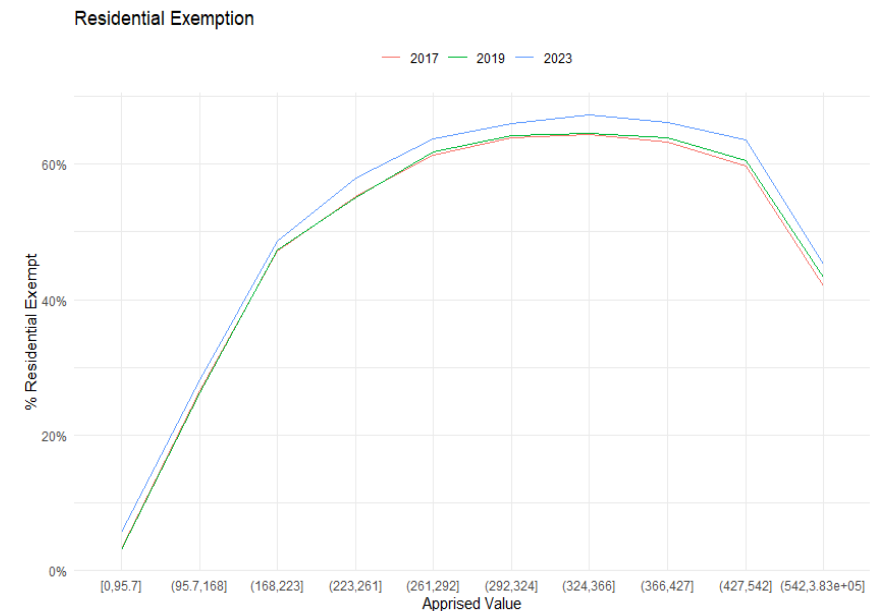
SUPPLY

Short-term rentals

- Some units are being taken out of the long-term rental market and converted to the short-term rental market
- This is a bigger deal in some areas (South Addition, Girdwood) than others
- There is more owner-occupied housing today than there was 7 years ago



A reduction in supply for long-term renters or local buyers



How do we push the needle to make housing (prices) cheaper?

- **Decrease demand** (e.g. higher interest rates)...none of the options for decreasing demand sound very good for Anchorage, though
- **Increase supply** (e.g. build more units, convert units to long-term rentals)

Abstract

Although “supply skeptics” claim that new housing supply does not slow growth in rents, we show that rigorous recent studies demonstrate that: 1) Increases in housing supply slow the growth in rents in the region; 2) In some circumstances, new construction also reduces rents or rent growth in the surrounding area; 3) The chains of moves sparked by new construction free up apartments that are then rented (or retained) by households across the income spectrum; 4) While new supply is associated with gentrification, it has not been shown to cause significant displacement of lower income households; and 5) Easing land use restrictions, at least on a broad scale and in ways that change binding constraints on development, generally leads to more new housing over time, but only a fraction of the new capacity created because many other factors constrain the pace of new development.

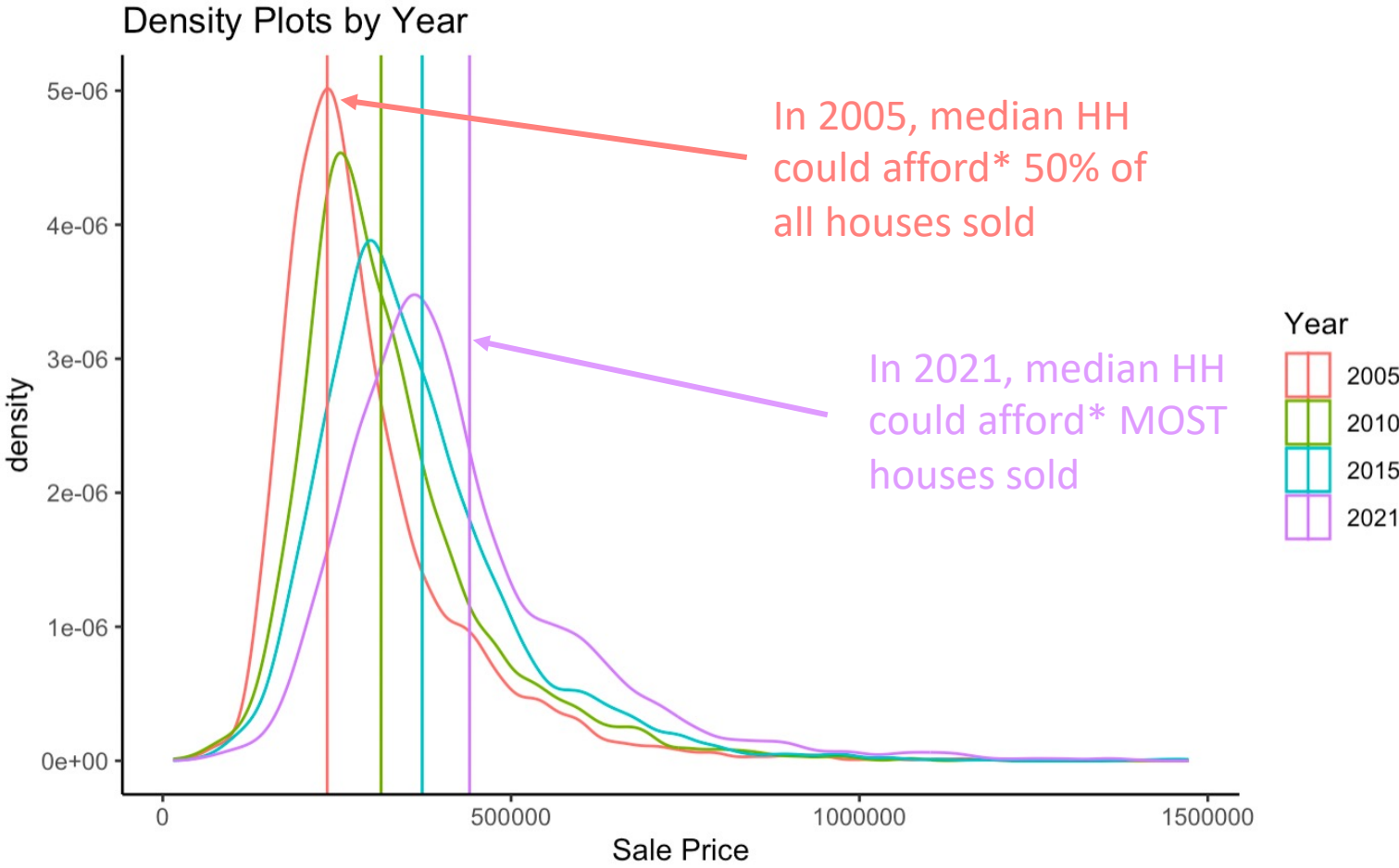
Supply Skepticism Revisited

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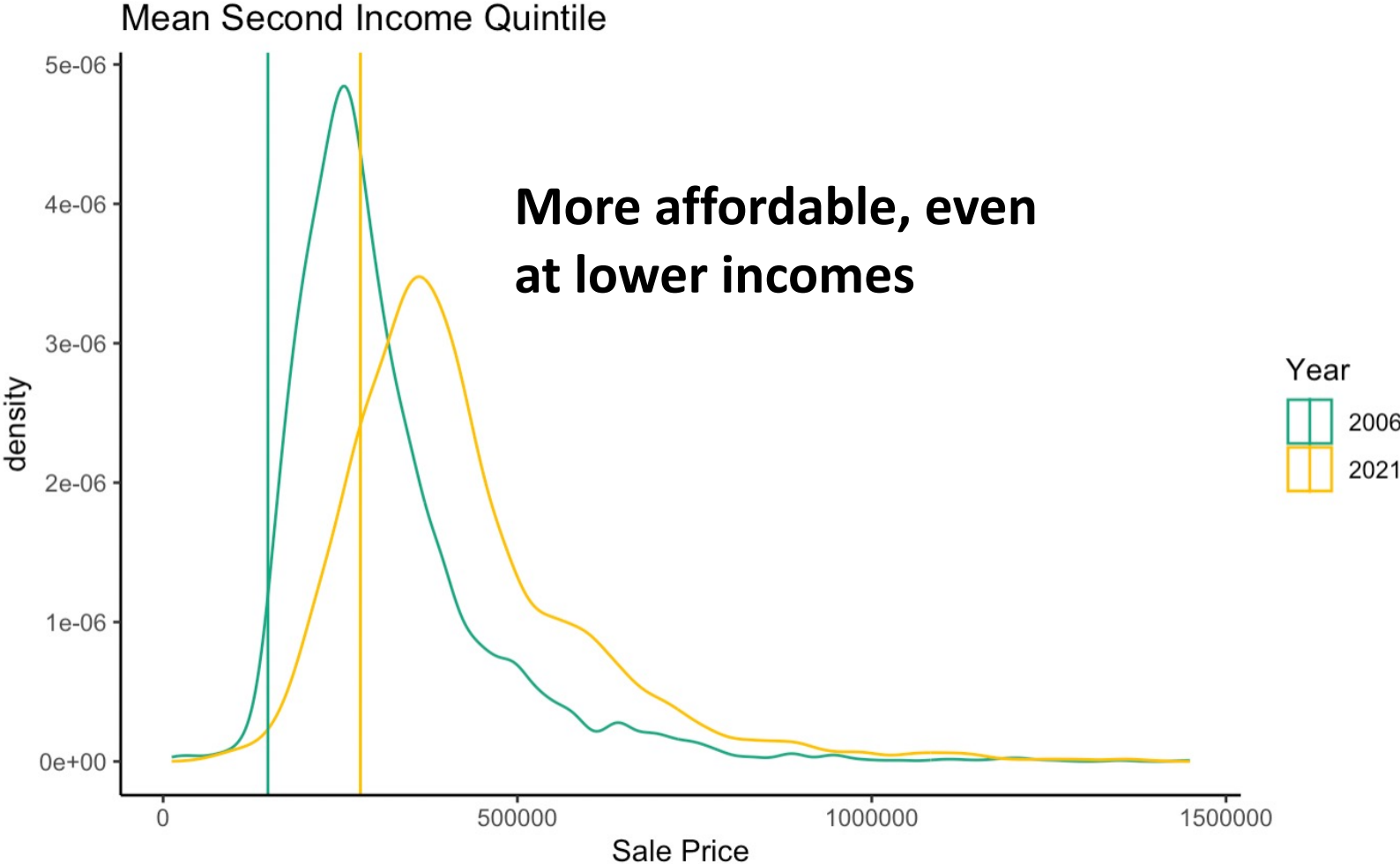
York, USA; ^cNYU Robert F. Wagner Graduate School of Public Service

The median income household was able to afford **more** houses in 2021, than they could in 2005.



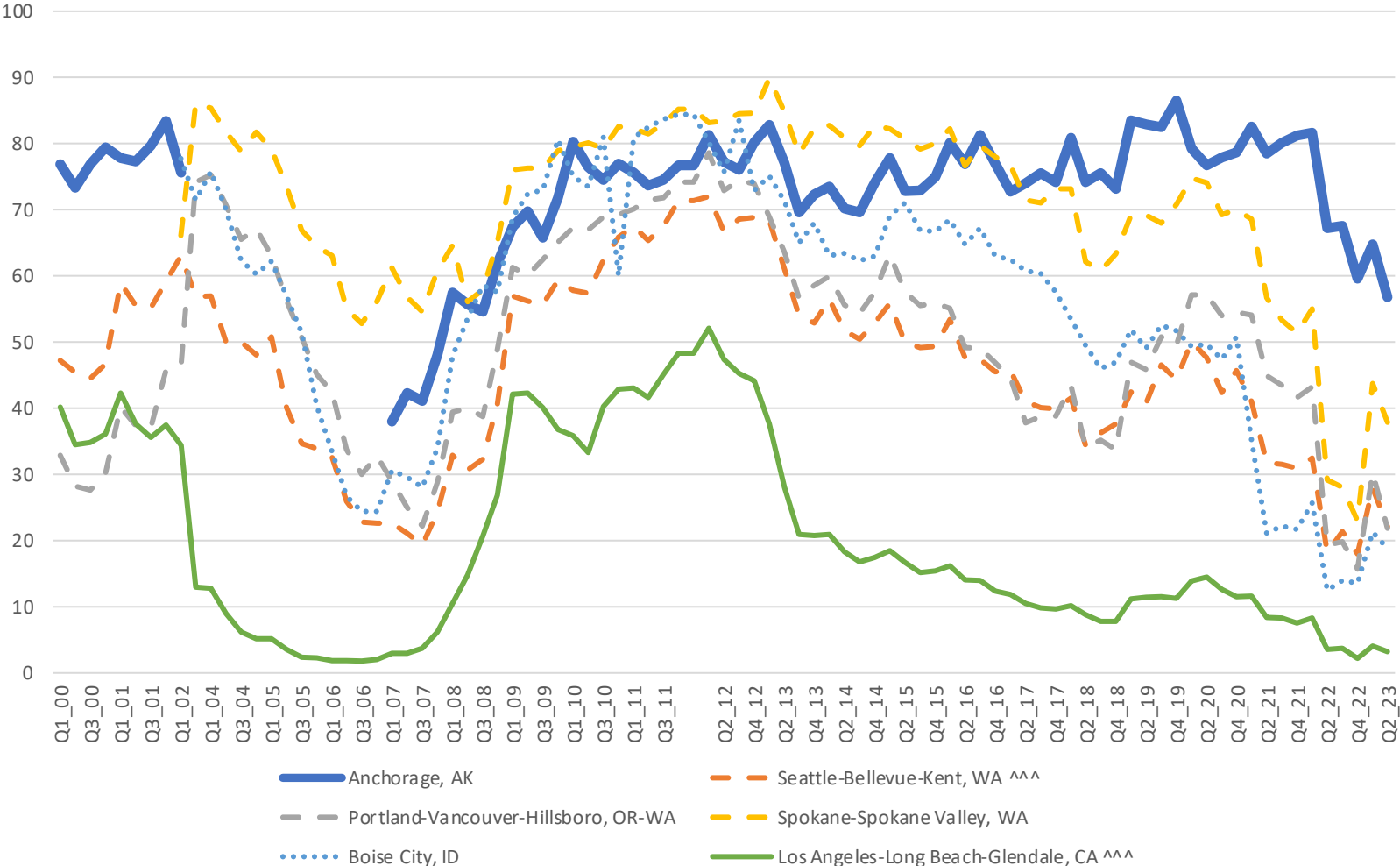
*Affordability in year t = Household income in year t (5-year ACS), national average 30-year fixed rate mortgage interest rate in year t, Anchorage property transactions in year t, 30% of pre-tax income rule-of-thumb

Even the second lowest income quintile could afford more houses in 2021, than they could in 2005 (albeit not very many in both years)



*Affordability in year t = Household income in year t (5-year ACS), national average 30-year fixed rate mortgage interest rate in year t, Anchorage property transactions in year t, 30% of pre-tax income rule-of-thumb

For the median income household, Anchorage has *relatively* affordable housing (compared to other cities in the U.S. West)



** Wells Fargo Housing Opportunity Index

Anchorage's housing stock, though, is pretty stagnant (aka, what are we getting for our money?)

