The upside down economics of housing in Anchorage

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A strange time for housing

- COVID cost spike exceeds prior hot markets
- Major causes include:
  - High savings
  - Low interest rates
  - Lifestyle preferences
  - Age demographics
Median listing price in Anchorage

September 2019: $334,636
September 2023: $450,000
+34%

Source: Realtor.com
Actually it’s worse than that

- The Cost of Living Index (COLI) tracks the cost of a specific type of house around the US:
  - 2,400 sq ft living area
  - 8,000 sq ft lot
  - 4 bedrooms, 2 bathrooms
  - New construction

<table>
<thead>
<tr>
<th>City</th>
<th>Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Juneau</td>
<td>$653,174</td>
</tr>
<tr>
<td>Anchorage</td>
<td>$625,211</td>
</tr>
<tr>
<td>Fairbanks</td>
<td>$459,365</td>
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<tr>
<td>Kodiak</td>
<td>$439,943</td>
</tr>
<tr>
<td>US Median</td>
<td>$369,289</td>
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</tbody>
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Source: Council for Community and Economic Research C2ER, Q1 2022
Average home prices around the state

- Juneau and Anchorage are most expensive
- Anchorage is ~10% above the Mat-Su
- Highway-connected areas outside of Anchorage have the cheapest homes in the state

Source: AK DOL&WD and AHFC, 2022 data
Demand is high, supply is low

**Prices**

- FRED Housing Inventory: Average Listing Price in Anchorage, AK (CBSA)
- Source: Realtor.com

**Supply**

- FRED Housing Inventory: Active Listing Count in Anchorage, AK (CBSA)
- Source: Realtor.com
Why did housing prices increase when we lost population?

- Anchorage has fewer people than in 2010, but more *households*
- Fewer families with children, higher population above age 18
- 2.71 people per household in 2010 → 2.56 in 2021

![Household size changes in MOA](chart.png)

Source: US Census ACS 1-Year
Very little housing gets built in Alaska

Alaska ranks 45th in the US for new housing units built, adjusted for population.

High construction costs are likely the biggest culprit.

### Housing units permitted per 1,000 population

- **Utah**: 11.7
- **Texas**: 9.0
- **Washington**: 7.4
- **US total**: 5.2
- **California**: 3.0
- **Alaska**: 2.1
- **Rhode Island**: 1.3

Source: US Census Building Permits Survey, 2021
Where is housing built?

- Anchorage currently adds less than 400 units per year
- To match statewide average: 700 units
- To match national average: 1500 units
- To match Mat-Su: 2,000 units

![New housing units per 1,000 population chart]

Source: DOL&WD and AHFC, 2021
Why does the Mat-Su build so many more homes?

- Anchorage and Mat-Su have a shared economic base
- Land availability is a big factor
- Zoning, permitting, and regulations also play a part: how much exactly?
The rent is too darn high

- Median apartment rent is $1,532 in Anchorage (DOL&WD in 2023)
- Vacancy is 4.1% (US is about 6%)
- Anchorage in top 20% of US metros for rent cost
- Very little multi-family construction for decades: difficulty of profitable development
Blame AirBNB?

- Uncertain how much to blame short-term rentals (STRs)
- About 2,200 housing units are STRs in Anchorage
- Equivalent to about 1.8% of all units
Zoning and code reforms

Any requirement raises the cost of development. Is it worth that cost?

● Minimum lot sizes?
● Aesthetic requirements?
● Setbacks?
● Limits on density and multifamily development?
By-right development removes the discretionary aspect of approval, making development more predictable.
Solutions: financial incentives

- Property tax abatement (esp for multi-family)
- New sources of patient capital: loans with long repayment terms
- Public funds to finance site infrastructure: water/wastewater, utilities, road access
Thank You!