

The upside down economics of housing in Anchorage

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



September 2019: \$334,636

September 2023: \$450,000

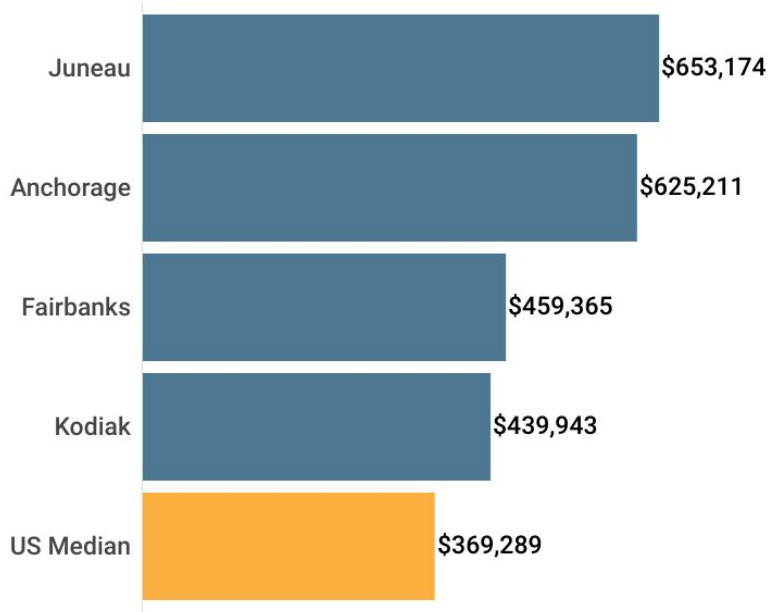
+34%

Source: Realtor.com



- 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

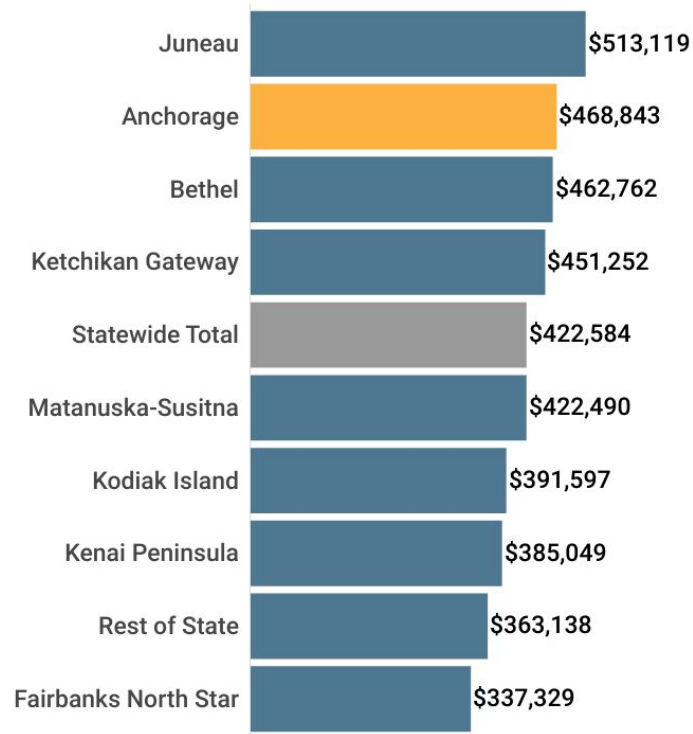
COLI home prices for Alaska cities



Source: Council for Community and Economic Research C2ER, Q1 2022

- 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

Home prices vary across the state



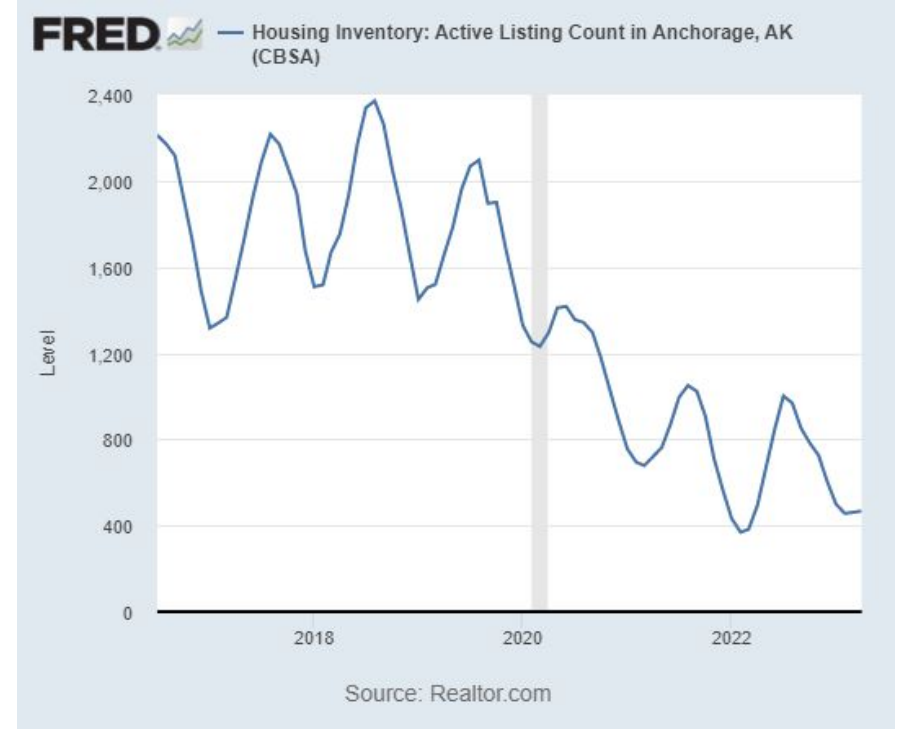
Source: AK DOL&WD and AHFC, 2022 data

Demand is high, supply is low

Prices 

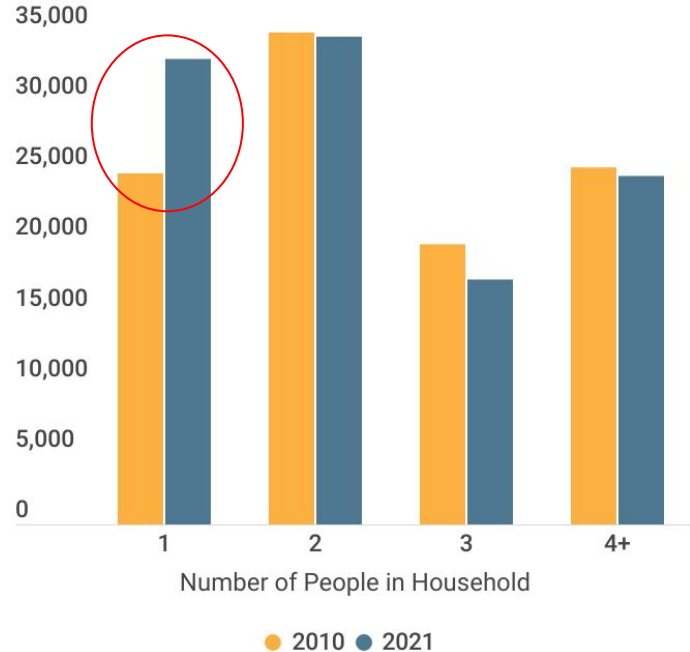


Supply 



- 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 \longrightarrow 2.56 in 2021

Household size changes in MOA

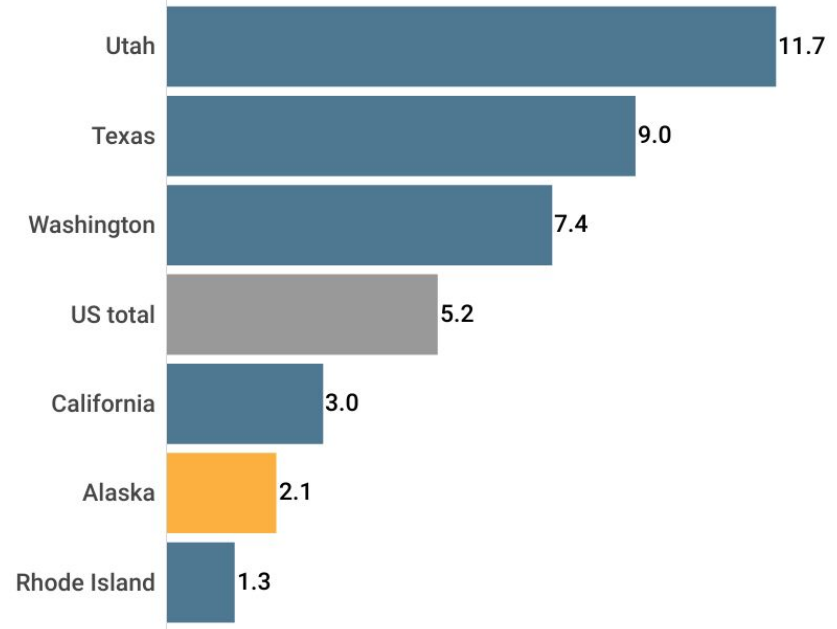


Source: US Census ACS 1-Year

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

High construction costs are likely the biggest culprit

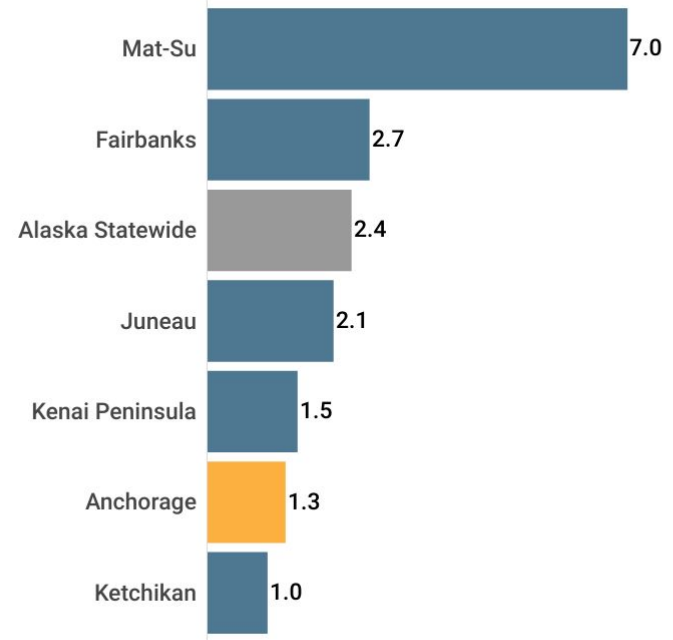
Housing units permitted per 1,000 population



Source: US Census Building Permits Survey, 2021

- 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



Source: DOL&WD and AHFC, 2021

- 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?



- 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

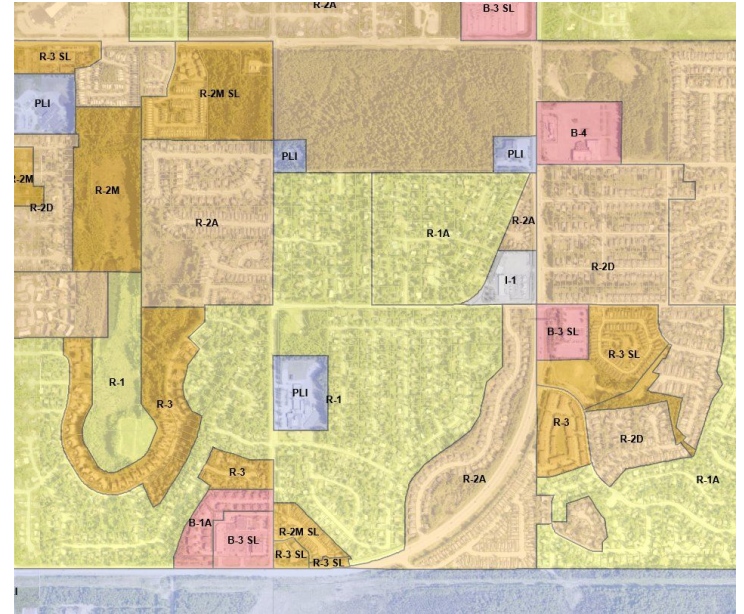


- Uncertain how much to blame short-term rentals (STRs)
- About 2,200 housing units are STRs in Anchorage
- Equivalent to about 1.8% of all units



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.

Typical Development Process Map



- 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!



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