

The upside down economics of housing in Anchorage

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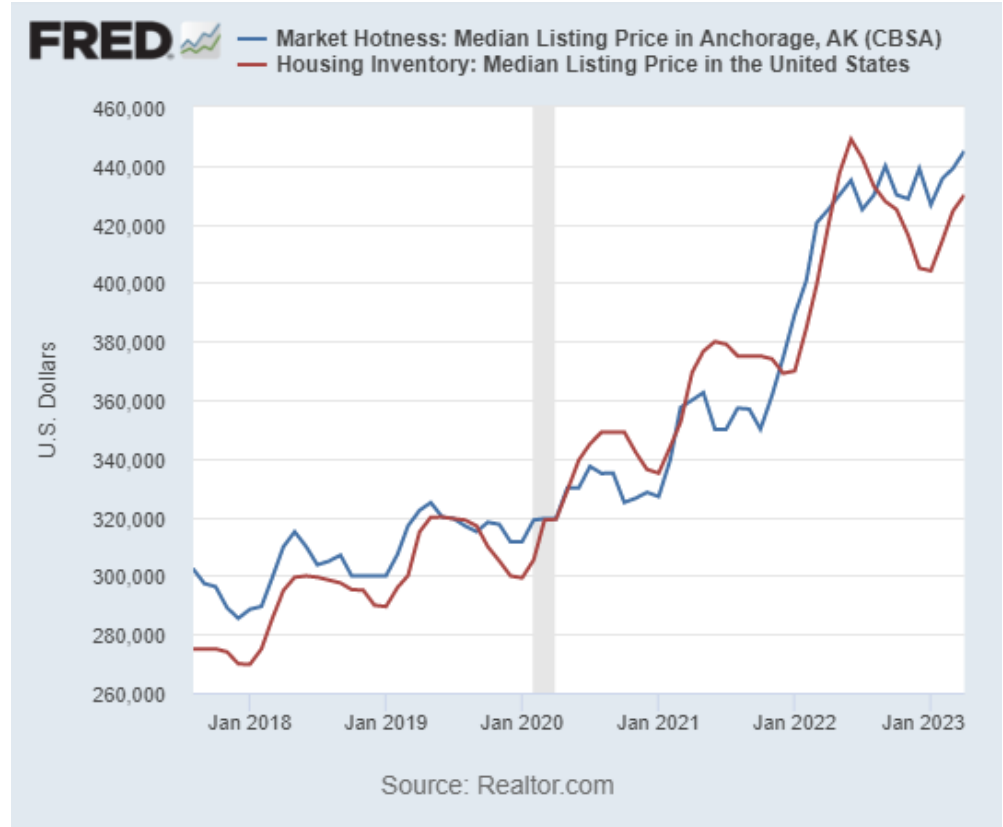


University of Alaska Center for Economic Development
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- COVID cost spike exceeds prior hot markets
- Major causes include:
 - High savings
 - Low interest rates
 - Lifestyle preferences
 - Age demographics

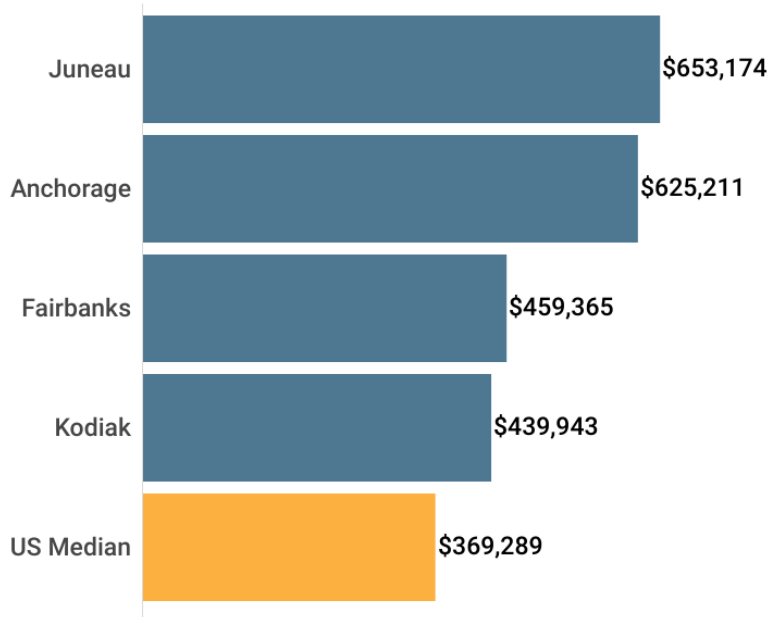


- US median listing price in April 2023: 430K
- Anchorage MSA: 445K
- Prices are coming down, but still way above pre-pandemic



- 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

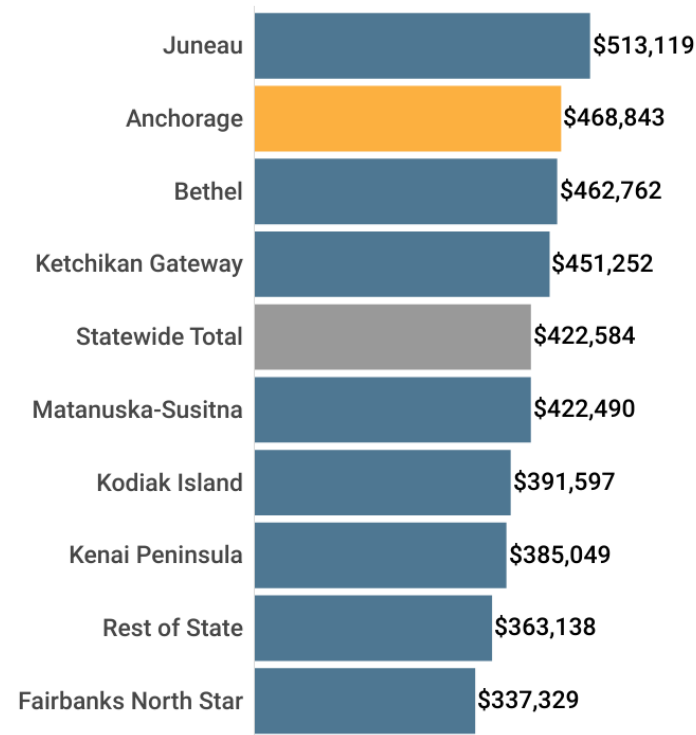
COLI home prices for Alaska cities



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

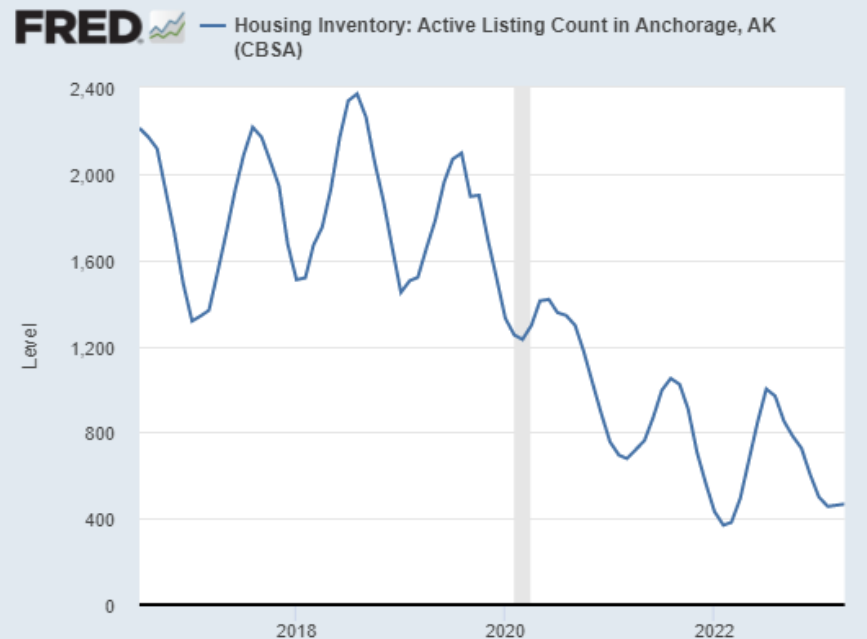
Demand is high, supply is low

Prices ↑



Source: Realtor.com

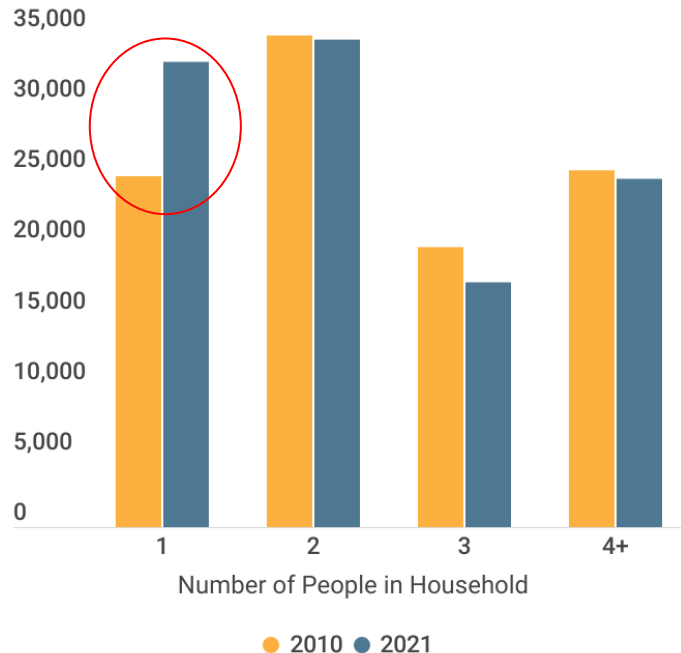
Supply ↓



Source: Realtor.com

- 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 \Rightarrow 2.56 in 2021

Household size changes in MOA

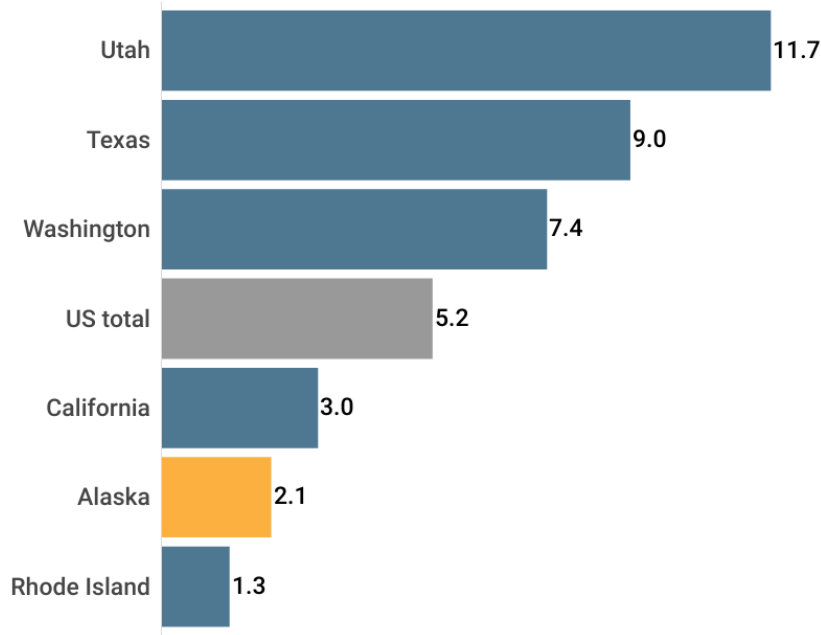


Source: US Census ACS 1-Year

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

High construction costs are likely the biggest culprit

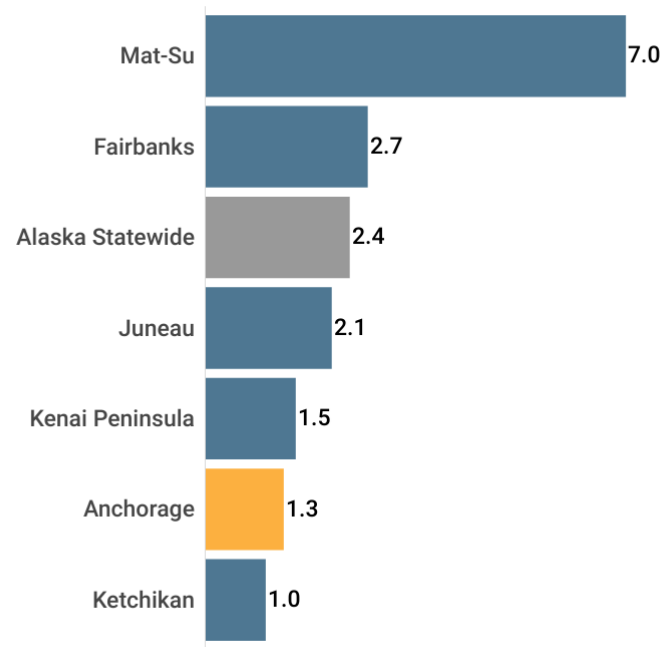
Housing units permitted per 1,000 population



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?



- Average apartment rent is \$1,353 in Anchorage (DOL&WD in 2022)
- Vacancy is 3.2% (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

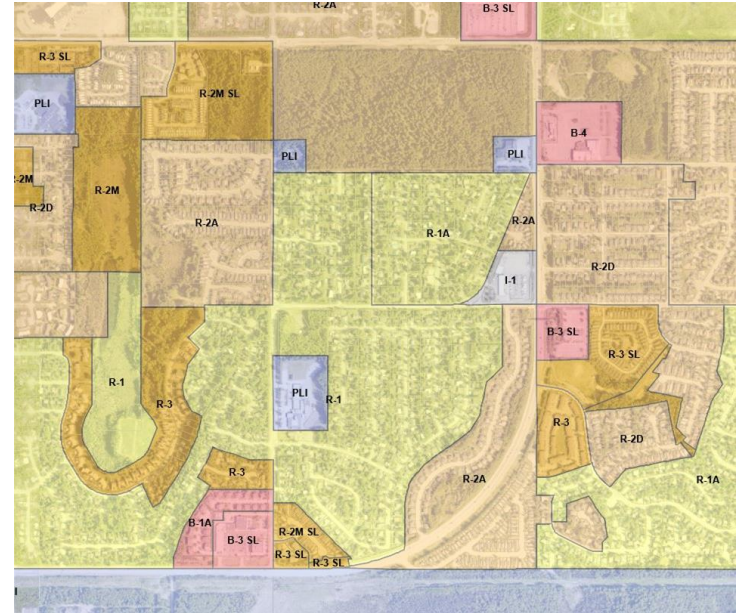


- Uncertain how much to blame short-term rentals (STRs)
- About 1,800 housing units are STRs in Anchorage
- Equivalent to:
 - 4% of rental units
 - 1.5% of all units
- In Girdwood:
 - 37% of rental units
 - 11% of all units



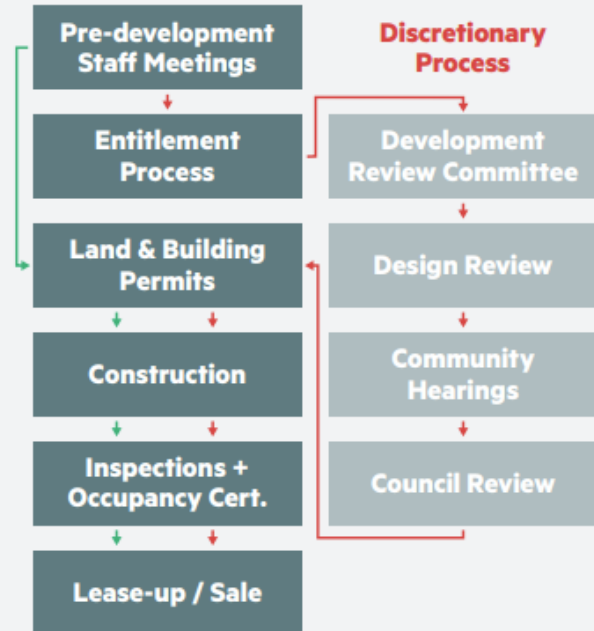
Any requirement raises the cost of development. Is it worth that cost?

- Minimum lot sizes?
- Aesthetic requirements?
- Setbacks?
- Limits on density and multifamily development?

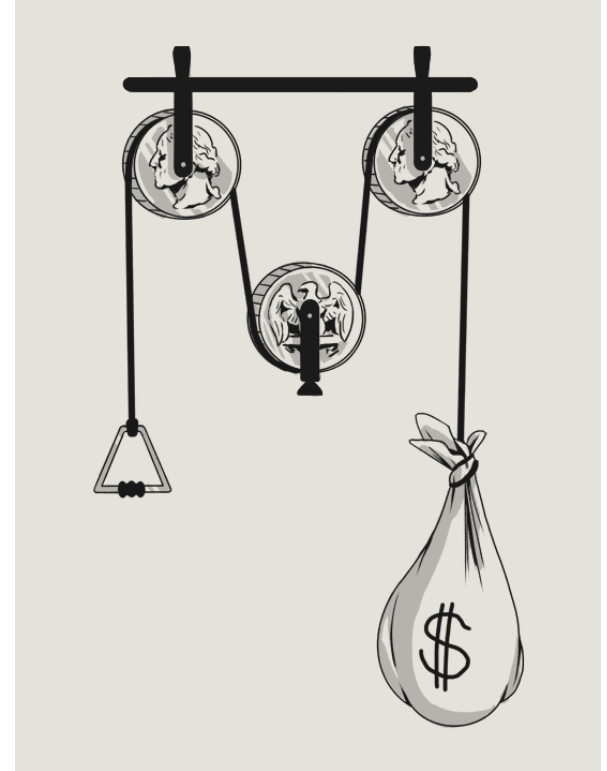


By-right development removes the discretionary aspect of approval, making development more predictable.

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!

