

# Housing Market Profile

Northwest • HUD Region X



## Anchorage, Alaska

The Anchorage metropolitan area, consisting of the municipality of Anchorage and the Matanuska-Susitna Borough, is located in south central Alaska and is the primary hub for commerce and services in the state. The metropolitan area population, estimated at nearly 380,000 as of March 2010, comprises 54 percent of the state's population. The population rose 2 percent during the past 12 months, which is slightly slower than the 2.3-percent rate during the previous 12 months but faster than the 1.3-percent average annual growth rate recorded from 2006 through 2009.

Nonfarm employment decreased by 600 jobs to an average of 170,600 during the 12 months ending March 2010, a 0.4-percent decline compared with nonfarm employment during the previous 12 months, which marked the end of a 20-year growth trend. Nonfarm losses were led by the construction sector, which lost 730 jobs, or 7 percent, due to private sector layoffs; public sector construction was supported by a \$700 million expansion project at the Port of Anchorage and a \$220 million correctional facility. The transportation and utilities sector declined by 430 jobs, or 3.5 percent, and the information sector registered a loss of 360 jobs, a 7-percent decline. The government and the education and health services sectors, which account for 21 and 14 percent of total nonfarm employment in the area, respectively, were the only sectors that grew during the past 12 months. The government sector added 825 jobs, or 2.4 percent, primarily at the U.S. Army's Fort Richardson and Elmendorf Air Force Base. The combined military installations, which have nearly 3,000 civilian and 14,000 military personnel, accounted for an estimated \$1.6 billion in federal defense spending in the metropolitan area during 2009. The education and health services sector increased by 1,200 jobs, or 5 percent, largely due to hiring in the healthcare and social services industries. Providence Health & Services, with approximately 4,000 employees, is the largest private sector employer in the area, followed by Carrs/Safeway, with an estimated 1,800 employees, and the FedEx Corporation, with approximately 1,300 employees.

Sales market conditions in the Anchorage metropolitan area are slightly soft due to recent job losses. Approximately 2,375 single-family homes were sold during the 12 months ending March 2010, based on Alaska Multiple Listing Service, Inc., data, down 2 percent from the

2,425 homes sold in the previous 12-month period. The pace of sales, however, has been declining gradually since 2004, when annual volume peaked at 3,350 sales. Average annual sales price gains of 11 percent during the 2000-through-2005 period caused the number of home sales to decline starting in 2005. Moderate price declines followed, beginning in mid-2008 after prices reached a peak of \$327,000 for new and existing single-family homes. During the 12 months ending March 2010, the average single-family sales price was essentially flat at \$323,620 compared with the sales price during the previous 12-month period. The condominium market registered an 8-percent decline in new and existing unit sales, with 1,000 units sold; the average sales price declined less than 1 percent to \$193,100.

Single-family construction activity, as measured by the number of permits issued, increased by 50 homes during the 12 months ending February 2010 to 320 homes permitted, based on preliminary data. Recent construction activity is down considerably from earlier in the 2000s. From 2000 through 2005, an average of 960 homes was permitted each year. New detached single-family homes typically start at \$350,000; new condominiums start around \$200,000. Multifamily building activity, as measured by the number of units permitted, has outpaced single-family construction nearly every year during the 2000s in the metropolitan area, with approximately 10 to 20 percent of the 8,350 units permitted since 2000 intended for condominiums. The number of multifamily permits issued peaked in 2003 at 1,580 units and averaged 1,045 units annually from 2000 through 2006, after which volume began to decline rapidly. The number of units permitted totaled just 600 in 2007 and 200 in 2008 due to constraints in the lending markets and waning sales demand. During the 12 months ending February 2010, the number of multifamily units permitted totaled 250, based on preliminary data, compared with 160 units permitted during the previous 12 months.

Rental market conditions in the Anchorage metropolitan area are moderately tight, with an estimated apartment rental vacancy rate of 4.5 percent as of March 2010, down slightly from 4.7 percent a year earlier. Low levels of new rental supply during the past 2 years, previous employment growth, and the 30-percent increase in the number of military employees and family members in the area since 2005 have contributed to the tighter rental market conditions. Approximately 40,000 military and family members



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live in the area, an estimated one-half of which live in offbase housing. According to a survey by the Alaska Housing Finance Corporation, in 2009, average contract rents for apartments increased between 3 and 5 percent for 1-, 2-, and 3-bedroom apartments to approximately \$865, \$1,050, and \$1,200, respectively, from average

rents in 2008. Projects currently under construction include 240 barracks units at Fort Richardson and a 59-unit Low-Income Housing Tax Credit complex for seniors that will have a combination of market-rate and rent-restricted units.