

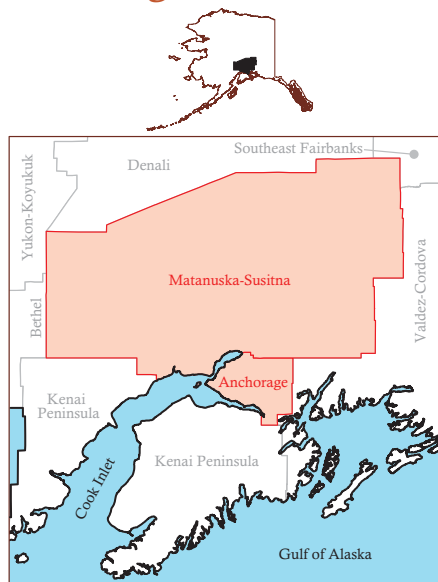


Anchorage-Matanuska-Susitna, Alaska

U.S. Department of Housing and Urban Development | Office of Policy Development and Research | As of July 1, 2015

PD&R

Housing Market Area



The Anchorage-Matanuska-Susitna Housing Market Area (hereafter, the Anchorage-Matsu HMA) is coterminous with the Anchorage-Matanuska-Susitna, AK Metropolitan Statistical Area and consists of the Anchorage Municipality and the Matanuska-Susitna (Matsu) Borough. For purposes of this report, these two geographic areas will be treated as submarkets. The Port of Anchorage is one of the most active cargo transport facilities in the world, and the HMA is renowned for its oil and gas industry and as a tourist destination.

Market Details

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Summary

Economy

Economic conditions are slowly improving in the Anchorage-Matsu HMA. During the 12 months ending June 2015, nonfarm payrolls averaged 180,800 jobs, an increase of 900 jobs, or 0.5 percent, compared with the 0.3-percent increase during the same period a year ago. Significant job gains in the wholesale and retail trade and the mining, logging, and construction sectors led job growth with increases of 400 jobs, or 1.5 percent, and 300 jobs, or 2.1 percent, respectively. During the 3-year forecast period, nonfarm payrolls are expected to increase at an average annual rate of 0.3 percent, or by 600 jobs, as job losses in the government sector offset modest job gains in the wholesale and retail trade, leisure and hospitality, and education and health services sectors.

Sales Market

The sales housing market in the HMA is slightly tight, with an estimated

vacancy rate of 1.6 percent, up from 1.5 percent as of April 2010. During the 12 months ending June 2015, sales of new and existing homes increased 4 percent, to 4,600 homes sold, and home sales prices averaged \$312,100, a 2-percent decline from the previous year. During the next 3 years, demand is expected for 2,825 new homes (Table 1). The 490 homes under construction and some of the estimated 12,150 other vacant homes in the HMA will satisfy a portion of the demand.

Rental Market

The rental housing market in the HMA is slightly tight, with an estimated vacancy rate of 4.4 percent, up from 4.3 percent as of April 2010. The apartment market in the HMA is tight, with a vacancy rate of 1.8 percent in the second quarter of 2015. During the next 3 years, demand is expected for 130 new market-rate rental units, most of which will be satisfied by the 300 units currently under construction (Table 1).

Table 1. Housing Demand in the Anchorage-Matsu HMA* During the Forecast Period

	Anchorage-Matsu HMA*		Anchorage Municipality Submarket		Matsu Borough Submarket	
	Sales Units	Rental Units	Sales Units	Rental Units	Sales Units	Rental Units
Total demand	2,825	130	1,250	0	1,575	130
Under construction	490	300	140	210	350	90

* Anchorage-Matanuska-Susitna HMA.

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of July 1, 2015. A portion of the estimated 12,150 other vacant units in the HMA will likely satisfy some of the forecast demand. Sales demand includes an estimated demand for 230 mobile homes. The forecast period is July 1, 2015, to July 1, 2018.

Source: Estimates by analyst

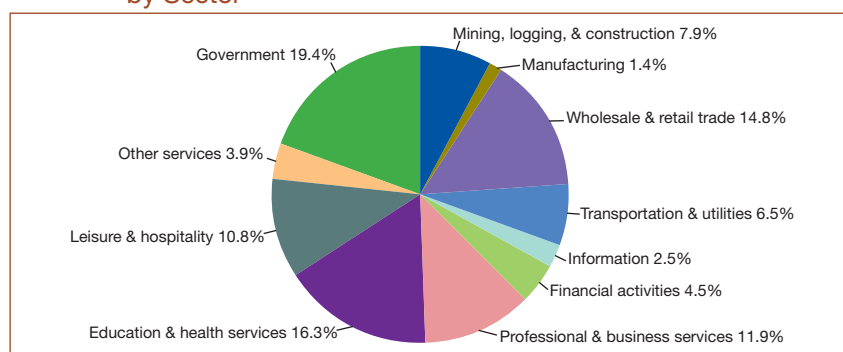
Economic Conditions

Economic conditions in the Anchorage-Matsu HMA strengthened from 2001 through 2008, when nonfarm payrolls increased each year, averaging 3,000 jobs, or 1.9 percent, to 170,600. Three sectors accounted for nearly 60 percent of job growth. The education and health services, leisure and hospitality, and mining, logging, and construction sectors increased at averages of 1,000, 400, and 400 jobs annually, or 5.5, 2.5, and 3.0 percent, respectively. In 2009, nonfarm payrolls decreased by 400 jobs, or 0.2 percent, to 170,200, mainly in response to the national recession. That year was the only year since 1990 that nonfarm payrolls have declined in the HMA. The 900-job, or 3.9-percent, gain in the education and health services sector was offset by job losses in the mining, logging, and construction and the transportation and utilities sectors, which decreased by 600 and 400 jobs, or 4.3 and 3.2 percent, respectively. Nonfarm payrolls increased from 2010 through 2012 by an average of 2,800 jobs, or 1.6 percent, annually, led by average annual growth of 1,400 jobs, or 5.6 percent, in the education and health services sector. During 2013 and 2014, nonfarm payroll growth decreased to an average annual gain

of 700 jobs, or 0.4 percent, primarily because job losses in the government sector averaged 400 jobs, or 1.3 percent, a year. These losses partly offset job gains in the wholesale and retail trade and the mining, logging, and construction sectors, which increased by annual averages of 500 and 400, or 1.9 and 2.6 percent, respectively. Job growth in the education and health services sector continued every year from 2001 through 2013, when 13,800 total jobs were created. This sector is now the second largest in the HMA, with 16.3 percent of total nonfarm payrolls (Figure 1), and the sector with the greatest increase in nonfarm payrolls since 2000 (Figure 2).

During the 12 months ending June 2015, nonfarm payrolls averaged 180,800 jobs, an increase of 900 jobs, or 0.5 percent, from the same period a year ago (Table 2). The wholesale and retail trade sector added the most jobs, increasing by 400, or 1.5 percent, which was entirely attributable to the increase of 700 jobs in the retail trade subsector. The arrival or expansions of several national brand stores have contributed to an average annual increase of 300 jobs, or 1.3 percent, in the wholesale and retail trade sector since 2011. These brands include Verizon Communications Inc.; Bare Escentuals, Inc.; Bass Pro Shops® (Outdoor World); and Apple Inc. New stores expected to arrive in 2015 include The Men's Wearhouse, Inc.; H&M Hennes and Mauritz AB; and Nordstrom Rack, Nordstrom, Inc. Three of the four largest private employers in the HMA are in the retail trade subsector—Wal-Mart Stores, Inc./Sam's Club; Carrs/Safeway, Inc.; and Fred Meyer, Inc. (Table 3).

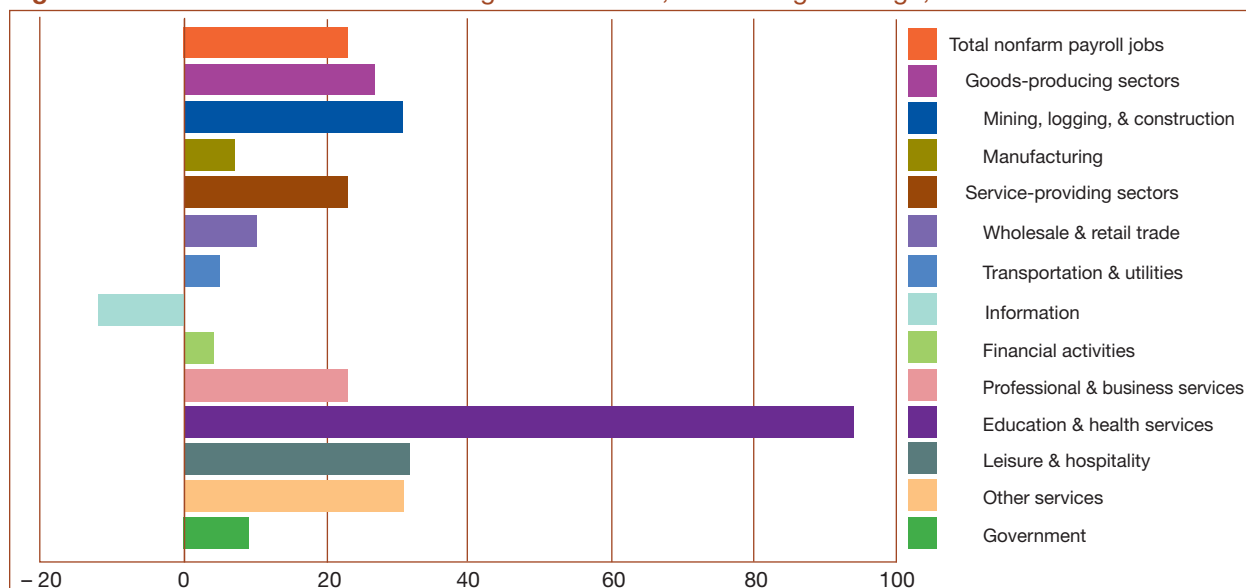
Figure 1. Current Nonfarm Payroll Jobs in the Anchorage-Matsu HMA,* by Sector



* Anchorage-Matanuska-Susitna HMA.

Note: Based on 12-month averages through June 2015.

Source: U.S. Bureau of Labor Statistics

Figure 2. Sector Growth in the Anchorage-Matsu HMA,* Percentage Change, 2000 to Current

* Anchorage-Matanuska-Susitna HMA.

Note: Current is based on 12-month averages through June 2015.

Source: U.S. Bureau of Labor Statistics

Table 2. 12-Month Average Nonfarm Payroll Jobs in the Anchorage-Matsu HMA,* by Sector

	12 Months Ending		Absolute Change	Percent Change
	June 2014	June 2015		
Total nonfarm payroll jobs	179,900	180,800	900	0.5
Goods-producing sectors	16,400	16,900	500	3.0
Mining, logging, & construction	14,000	14,300	300	2.1
Manufacturing	2,400	2,600	200	8.3
Service-providing sectors	163,500	163,900	400	0.2
Wholesale & retail trade	26,400	26,800	400	1.5
Transportation & utilities	11,800	11,700	-100	-0.8
Information	4,500	4,600	100	2.2
Financial activities	8,200	8,200	0	0.0
Professional & business services	22,100	21,500	-600	-2.7
Education & health services	29,100	29,400	300	1.0
Leisure & hospitality	19,600	19,600	0	0.0
Other services	6,800	7,100	300	4.4
Government	35,000	35,000	0	0.0

* Anchorage-Matanuska-Susitna HMA.

Notes: Numbers may not add to totals because of rounding. Based on 12-month averages through June 2014 and June 2015.

Source: U.S. Bureau of Labor Statistics

Table 3. Major Employers in the Anchorage-Matsu HMA*

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Joint Base Elmendorf-Richardson	Government	16,500
Providence Health & Services	Education & health services	4,000
Wal-Mart Stores, Inc./Sam's Club	Wholesale & retail trade	3,000-3,249
Carrs/Safeway, Inc.	Wholesale & retail trade	2,750-2,999
ASRC Energy Services, Inc.	Mining, logging, & construction	2,500-2,749
Fred Meyer, Inc.	Wholesale & retail trade	2,500-2,749
Trident Seafoods Corporation	Manufacturing	2,250-2,499
BP Exploration Alaska Inc.	Mining, logging, & construction	1,750-1,999
CH2M Hill	Professional & business services	1,750-1,999
NANA Management Services	Professional & business services	1,750-1,999

* Anchorage-Matanuska-Susitna HMA.

Notes: Excludes local school districts. Includes 13,000 military personnel at Joint Base Elmendorf-Richardson, who are not included in nonfarm payroll survey data.

Sources: Moody's Analytics, Inc.; Joint Base Elmendorf-Richardson Installation Guide, 2015-2016

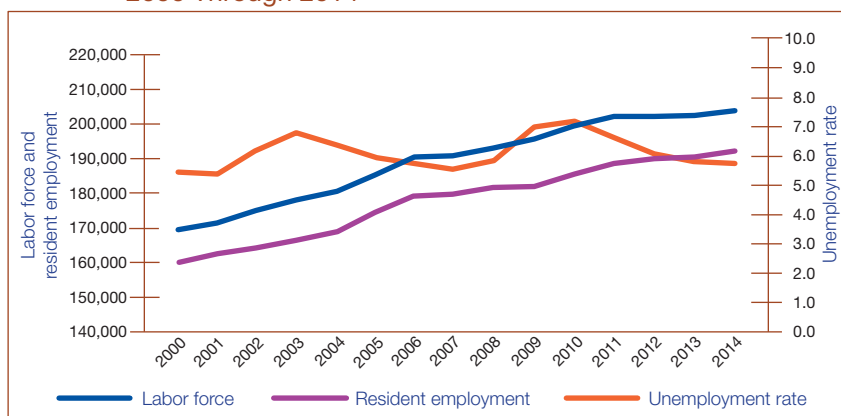
During the 12 months ending June 2015, the education and health services sector was up by 300 jobs, or 1.0 percent, with gains concentrated in the ambulatory healthcare services industry, including hiring at physicians' offices, dentists' offices, and outpatient clinics. Nonfarm payrolls in the mining, logging, and construction sector increased by 300 jobs, or 2.1 percent, which was partly attributable to demand for commercial space related to the influx of new and expanding retail establishments, hotels, and office space. Partially offsetting job gains in these three sectors were energy-related job losses in the professional and business services sector, which was down by 600 jobs, or 2.7 percent, with the architectural, engineering, and related services industry incurring the greatest decrease at 225 jobs, or 6.0 percent. During the 12 months ending June 2015, the unemployment rate averaged 5.7 percent, down from 5.8 percent a year earlier and down from a high of 7.2 percent in 2010. Figure 3 shows trends in the labor force, resident employment, and the unemployment rate in the HMA from 2000 through 2014.

During 2014, tourism provided employment for 1 out of 10 workers in

south central Alaska, which consists of the Anchorage Municipality and the Matanuska-Susitna and Valdez-Cordova Boroughs (*Economic Impact of Alaska's Visitor Industry*, McDowell Group, February 2015). Tourist activity has a relatively greater impact on the Anchorage Municipality and Matanuska-Susitna Borough, accounting for 19,200 jobs and \$600 million in labor income, relatively unchanged from the 2013 season. The direct and indirect impact of visitor spending was approximately \$2.06 billion, up 0.5 percent from a year ago in nominal terms. An average of \$94 million a year is spent on meetings and conventions. Data available at the state level show that 57 percent of visitor spending is on lodging, tours, food, and beverages, all of which most affect the leisure and hospitality sector. Nonfarm payrolls in the leisure and hospitality sector have been increasing since the HMA economy began to recover in 2010, when payrolls averaged 18,100 jobs. From 2011 through 2014, leisure and hospitality sector payrolls increased at an average annual rate of 400 jobs, or 2.0 percent, to 19,600 and have remained stable through the current 12 months.

Approximately 2,300 employees at firms directly related to oil and gas extraction and production live in the Anchorage Municipality submarket, earning annual wages of \$260 million (*The Role of the Oil and Gas Industry in Alaska's Economy*, McDowell Group, May 2014). Another 25,900 indirect jobs related to oil and gas production were in professional services firms, transportation providers, and other support services firms. The oil and gas industry accounts for approximately 15 percent of total employment and 18 percent of wages in the

Figure 3. Trends in Labor Force, Resident Employment, and Unemployment Rate in the Anchorage-Matsu HMA,* 2000 Through 2014



* Anchorage-Matanuska-Susitna HMA.

Source: U.S. Bureau of Labor Statistics

submarket. During 2013, in the Matsu Borough submarket, approximately 1,250 jobs were directly related to oil and gas production, earning \$60 million in wages, and an additional 2,750 jobs were indirectly related to the industry. Nonfarm payrolls in the oil and gas industry are expected to be relatively unchanged during the first year of the 3-year forecast period based on the expectation of continued relatively low oil prices during 2016 (*Short-Term Energy Outlook*, U.S. Energy Information Agency, November 2015). Declines in the second and third years of the forecast period are likely to the extent that low oil prices persist.

Approximately 13,000 military personnel are stationed at Joint Base Elmendorf-Richardson (JBER), of whom 5,000 are in the U.S. Army, and the base employs approximately 3,500 civilians. In July 2015, the U.S. Army announced a reduction of 2,600 soldiers at the base. No announcement was made regarding a reduction of the number of civilians working at the base. The reduction is scheduled to begin in October 2015 and take 2 years to complete, and it will likely result in job losses for firms doing business with JBER.

The Port of Anchorage is a deepwater port with four bulk berths where 450

vessels call a year. Port businesses employ 2,400 workers. The port handles 90 percent of consumer goods for 85 percent of the state. The Port of Anchorage also is 1 of 19 strategic ports for the U.S. Department of Defense. Ted Stevens Anchorage International Airport was the second most active cargo airport in the United States and the fifth most active in the world, with 2.75 million short tons of cargo in 2014, up 3 percent from 2013 (Ted Stevens Anchorage International Airport data, 2012). Nonfarm payrolls at the Port of Anchorage and in the transportation and utilities sector are expected to remain relatively unchanged during the forecast period.

Nonfarm employment is expected to increase at an average annual rate of growth of 0.3 percent, or by 600 jobs, during the forecast period. Led by retail trade development, tourism, and health care, modest job gains are expected during the forecast period in the wholesale and retail trade, leisure and hospitality, and education and health services sectors. Gains will likely be offset by losses in the state government subsector because of revenue-related budget constraints and in the mining, logging, and construction sector because of slowing commercial development and deferred government construction projects.

Population and Households

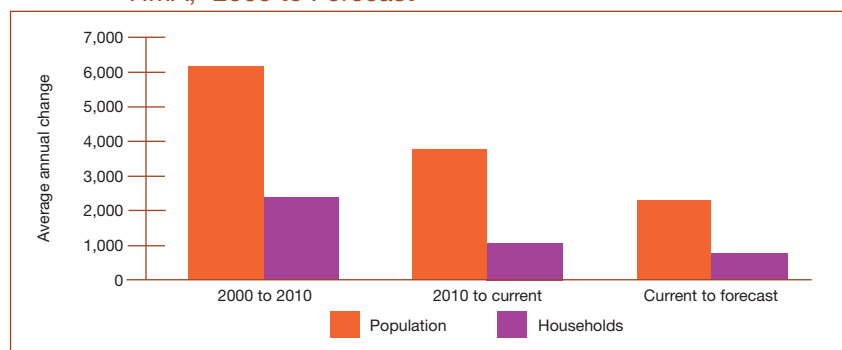
As of July 1, 2015, the population of the Anchorage-Matsu HMA is estimated to be 400,700 (analyst's estimate), an increase of 3,775, or 1.0 percent, from July 2010 (Census Bureau population estimates, as of

July 1). Figure 4 shows population growth from 2000 to the forecast date. Net natural change (resident births minus resident deaths) accounted for all the population growth during the past year, with net out-migration

estimated at 1,800 people. Since 2010, net out-migration has averaged approximately 150 annually, and net natural change has averaged 3,950 people a year. Figure 5 shows components of population change in the HMA from 2000 to the forecast date. During the past 24 months, population growth reached its lowest level in 6 years, mainly because of the net out-migration of retirees and jobseekers looking for opportunities elsewhere in response to the slowing rate of job growth in the HMA that began in 2013. Tables DP-1 through DP-4 at the end of this report provide economic and population data for the HMA and each submarket.

As of July 1, 2015, the population of the Anchorage Municipality submarket is estimated to be 300,800, an increase of approximately 250, or 0.1 percent, from July 2014 compared with an average annual increase of 2,050, or 0.7 percent, from April 2010 to July 2014. During the past year, the net natural change of approximately 3,025 people was mostly offset by the net out-migration of 2,775 people. From 2000 to 2004, population growth averaged 4,000 people, or 1.5 percent, annually; net natural change averaged 3,025 people and net in-migration averaged 980 people a year. From 2004 to 2010, population growth averaged 2,750 people, or 1.0 percent, a year. Net natural change averaged 3,250 people and net out-migration averaged 500 people a year. Net out-migration since 2004 has been primarily the result of contrasting housing market conditions between the Anchorage Municipality and the Matsu Borough submarkets. The low inventory of for-sale housing, limited choice among housing types, limited availability of developable land, and limited supply of affordable existing and newly constructed homes have motivated households to leave the Anchorage Municipality submarket and move to towns in the neighboring Matsu Borough submarket, despite commute times of 45 minutes or more. Mainly as a result of persistently slow job growth and of the impact of the JBER reduction in military personnel, population growth during the 3-year forecast period in the Anchorage Municipality submarket is expected to average 530 people, or 0.2 percent, a year, with growth attributable solely to net natural change.

Figure 4. Population and Household Growth in the Anchorage-Matsu HMA,* 2000 to Forecast

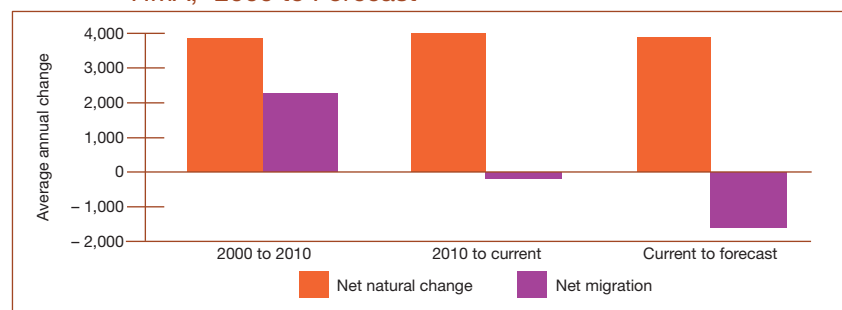


* Anchorage-Matanuska-Susitna HMA.

Notes: The current date is July 1, 2015. The forecast date is July 1, 2018.

Sources: 2000 and 2010—2000 Census and 2010 Census; current and forecast—estimates by analyst

Figure 5. Components of Population Change in the Anchorage-Matsu HMA,* 2000 to Forecast



* Anchorage-Matanuska-Susitna HMA.

Notes: The current date is July 1, 2015. The forecast date is July 1, 2018.

Sources: 2000 and 2010—2000 Census and 2010 Census; current and forecast—estimates by analyst

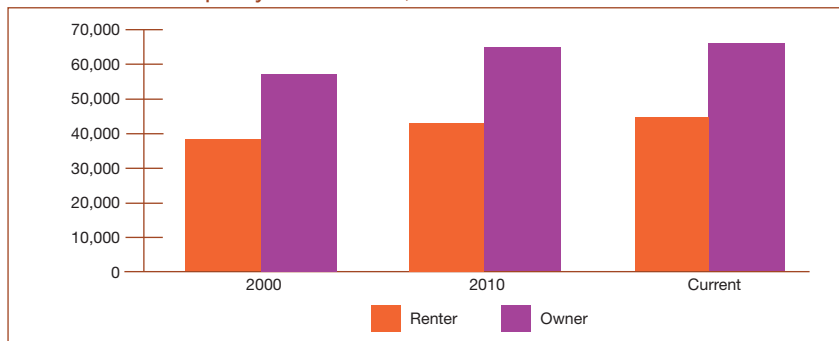
An estimated 109,450 households live in the Anchorage Municipality submarket as of July 1, 2015, compared with 107,332 as of April 1, 2010, for an average annual increase of 400, or 0.4 percent. As of July 1, 2015, owners constitute 59.5 percent of total households, with renter households accounting for 40.5 percent, relatively unchanged since 2010 (Figure 6). In tandem with population growth, household growth is expected to occur at an average annual rate of 0.2 percent, or by 250 households, during the forecast period.

The population of the Matsu Borough submarket as of July 1, 2015, is 99,900, an increase of 1,825, or 2 percent, from July 2014 compared with an average annual increase of 2,125, or 2.3 percent, from April 2010 to July 2014. Net in-migration accounted for 55

percent of population growth during the past year and 65 percent from April 2010 through July 2014. From April 2000 to 2006, population growth averaged 3,075 people, or 4.5 percent, a year. Net natural change averaged 630 and net in-migration 2,400 people a year. From 2007 to April 2010, population growth averaged 2,900 people, or 2.5 percent, a year; net natural change averaged 860 people and net in-migration averaged 2,050 people a year. Net in-migration has partly been the result of inadequate housing choices in the neighboring Anchorage Municipality submarket, but also has been because population growth has meant job opportunities, especially in the retail trade subsector, the health care and social assistance industry, and the leisure and hospitality sector. Mainly because of expected slow job growth in the Anchorage-Matsu HMA, population growth in the Matsu Borough submarket is expected to slow to 1.7 percent, or 1,725 people, a year during the forecast period.

Since 2010, household growth in the Matsu Borough submarket has averaged 660 households, or 2.0 percent, a year to an estimated 35,275 households as of July 1, 2015. The shift in tenure to rental housing was more pronounced in this submarket than in the Anchorage Municipality submarket. As of July 1, 2015, owner-occupied households comprise 74.4 percent of the total occupied households and renters comprise 25.6 percent compared with 76 and 24 percent, respectively, in 2010 (Figure 7). The shift from owner to renter was in part because the impact of the foreclosures crisis was more severe than in the Anchorage Municipality submarket, resulting in previously owner-occupied properties becoming rental properties.

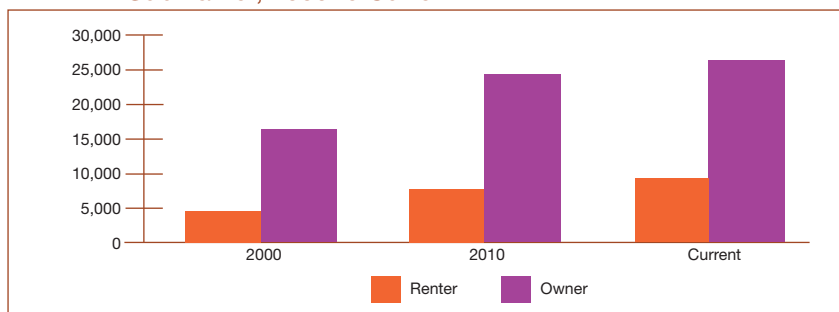
Figure 6. Number of Households by Tenure in the Anchorage Municipality Submarket, 2000 to Current



Note: The current date is July 1, 2015.

Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

Figure 7. Number of Households by Tenure in the Matsu Borough Submarket, 2000 to Current



Note: The current date is July 1, 2015.

Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

Primarily because job growth in the HMA is expected to average only 0.3 percent during the 3-year forecast period and because of the expected reduction of military personnel

during the forecast period, household growth is expected to increase at an average annual rate of 1.5 percent, or by 530 households a year.

Housing Market Trends

Sales Market—Anchorage Municipality Submarket

Despite relatively slow job growth since 2012, the sales housing market in the Anchorage Municipality submarket is currently slightly tight. The sales vacancy rate was estimated to be 1.3 percent, unchanged from April 2010. During the 12 months ending June 2015, sales of new and existing homes (including single-family homes, townhomes, and condominiums) remained relatively unchanged from the previous 12-month period, at 2,995 (Alaska Multiple Listing Service, Inc.). The average sales price increased 2 percent, to \$363,150. As of July 2015, the inventory of for-sale homes is at a historic low of 2.2 months. The average number of days a home is on the market is 39, relatively unchanged from 2014 and at its lowest level since 2005.

The demand for sales housing strengthened during the past 2 years. Existing home sales increased to 2,820 homes sold from 2,790 during the 12 months ending June 2014. The average price of an existing home sold was \$354,000, a 2-percent increase from a year ago. Existing home sales were 22 percent greater than the average annual number of homes sold from 2010 through 2012, and the sales price was 9 percent greater than the average price of an existing home sold during the same period. Sales of newly constructed

homes during the 12 months ending June 2015 decreased 18 percent, to 165 homes sold, and the average price of a new home sold increased 9 percent, to \$520,900. New home sales were relatively unchanged compared with the average sales level from 2010 through 2012, but the average sales price was 25 percent greater than the average during that period.

New and existing condominium sales increased 2 percent, to 1,150, and the average price of a condominium sold increased 4 percent, to \$210,500 during the 12 months ending June 2015. Existing condominium sales were relatively unchanged from a year earlier, at 1,032, and the average sales price increased 2 percent, to \$197,300, but sales were 36 percent higher and the average sales price was 6 percent higher than their respective averages from 2010 through 2012. New condominium sales increased 21 percent, to 119 units sold, and were relatively unchanged compared with average annual sales from 2010 through 2012. The average price of a new condominium sold was \$325,000, up 8 percent from the 12 months ending June 2014 and up 25 percent from the average annual sales price from 2010 to 2012. New condominiums for sale were on the market an average of 171 days

Housing Market Trends

Sales Market—Anchorage Municipality Submarket *Continued*

compared with an average of 125 days a year earlier and an average of 190 days from 2010 through 2012.

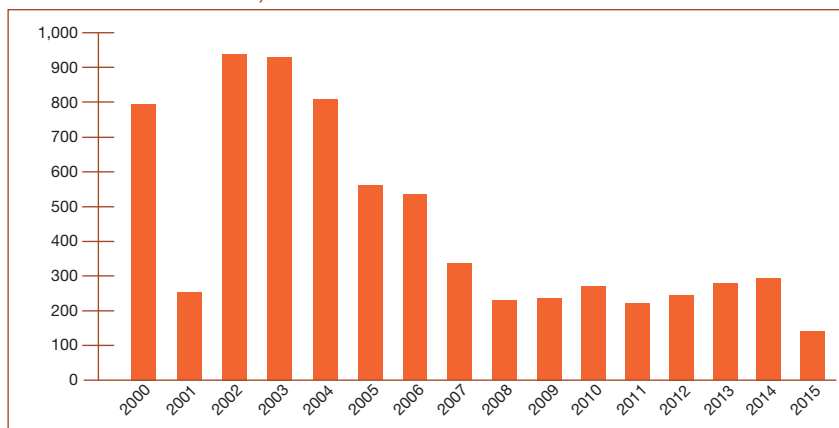
Among the factors resulting in low inventories in the Anchorage Municipality submarket are the reduced level of new construction activity constraining moveup buyers and the steady decline of new listings of existing homes. Mainly because of the limited availability of readily developable land and increasing construction costs, new home construction activity declined from an average of 375 homes during the 5-year period 2005 through 2009 to 250 homes from 2010 through 2014. During the first 6 months of 2015, the Anchorage Building Safety Department permitted 140 homes compared with 149 and 189 during the same periods in 2014 and 2013, respectively (Figure 8). The average price of newly constructed homes in 2005 was \$355,500, increasing to \$485,900 in 2014. During the 5-year period from 2010 through 2014, listings averaged 9,800 homes compared with 10,950 homes from 2005 through 2009, and, in part, because of the adverse effect slow job growth has had on moveup

buyers, listings declined every year from 2010, when 11,825 homes were sold, to 2014, when 8,290 homes were sold. The lack of available homes for sale caused by reduced new construction activity and fewer homes listed has hampered recruiting efforts for businesses seeking new employees from outside the Anchorage Municipality submarket and efforts to retain employees.

Recently built homes are selling in several subdivisions, including Dawn Ridge, with three- and four-bedroom homes selling for from \$282,500 to \$453,800; Powder Ridge, with two- to four-bedroom homes selling for from \$306,300 to \$545,100; and Eagle Crossing, with three- and four-bedroom homes selling for from \$212,500 to \$451,100.

As of June 2015, 1.5 percent of home loans in the submarket were seriously delinquent (90 or more days delinquent or in the foreclosure process) or had transitioned into real estate owned (REO) status, down from 1.8 percent in June 2014; the rate for the state was 1.8 percent (Black Knight Financial Services, Inc.). Relative to the foreclosure rate in the United States, the magnitude of the foreclosure crisis was mild in the submarket, with the percentage of seriously delinquent loans and REO properties never exceeding 3.0 percent compared with the national peak of 9.2 percent in February 2010. During the 12-month period ending June 2015, sales of REO properties decreased 22 percent, to 264 homes sold, and the average price of REO properties increased 31 percent, to \$312,700. Sales of REO properties constituted 6 percent of existing home sales, unchanged from a year ago, and the average price of

Figure 8. Single-Family Homes Built in the Anchorage Municipality Submarket, 2000 to Current



Notes: Includes townhomes. Current includes data through June 2015.

Sources: Data for 2000 through 2014 are construction completions from the Municipality Tax Assessor; data for 2015 are units permitted from the Municipality Building Safety Department

Housing Market Trends

Sales Market—Anchorage Municipality Submarket *Continued*

an REO property was 85 percent of the average existing sales price compared with 76 percent a year earlier.

Table 4. Estimated Demand for New Market-Rate Sales Housing in the Anchorage Municipality Submarket During the Forecast Period

Price Range (\$)		Units of Demand	Percent of Total
From	To		
100,000	199,999	40	4.0
200,000	299,999	190	18.0
300,000	399,999	230	22.0
400,000	499,999	290	27.0
500,000	599,999	140	13.0
600,000	699,999	65	6.0
700,000	799,999	30	3.0
800,000	and higher	75	7.0

Notes: The 140 homes currently under construction and a portion of the estimated 3,200 other vacant units in the submarket will likely satisfy some of the forecast demand. Excludes demand for 200 mobile homes during the forecast period. The forecast period is July 1, 2015, to July 1, 2018.

Source: Estimates by analyst

Mainly because relatively weak labor market conditions currently prevail in the submarket and are expected to continue during the 3-year forecast period, and because of the impact of the reduction of JBER military personnel, demand is estimated for only 1,250 new homes, including 200 mobile homes (Table 1). Approximately 50 percent of the demand will be in the \$300,000-to-\$500,000 price range (Table 4). The 140 homes currently under construction and a portion of the 3,200 other vacant units that may come back on the market will satisfy some of the demand.

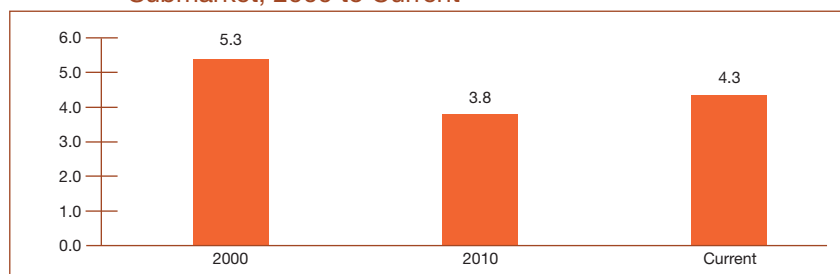
Rental Market—Anchorage Municipality Submarket

Rental housing market conditions in the Anchorage Municipality submarket are tight, with an estimated rental vacancy rate of 4.3 percent as of July 2015 compared with 3.8 percent in April 2010 (Figure 9). In March 2015, the rental vacancy rate for all rental units was estimated at 3.9 percent and the average contract rent at \$1,141 compared with 3.2 percent and \$1,135 a year earlier (survey conducted by the Alaska Department of Labor and Workforce Development—Research & Analysis Section [DOL]). The rental vacancy rate has been increasing recently, primarily because of

out-migration as residents seek job opportunities in the continental United States in response to relatively slow job growth in the Anchorage-Matanuska HMA. On average, vacancy rates increased nearly 1 percentage point for all bedroom types and ranged from 3.4 percent for a two-bedroom apartment to 5.8 percent for a three-bedroom apartment (DOL). The average rents were \$832 for studio apartments, \$1,106 for one-bedroom apartments, and \$1,204 for two-bedroom apartments, relatively unchanged from a year earlier; three-bedroom apartment rents averaged \$1,405, an increase of 3 percent from 2014.

During the 12 months ending June 2015, 485 multifamily units were permitted compared with 475 units a year earlier (Municipality of Anchorage Building Safety Department). Three projects containing 122 total units currently are under construction, none of which are market-rate projects. The Residences at Northwood

Figure 9. Rental Vacancy Rates in the Anchorage Municipality Submarket, 2000 to Current



Note: The current date is July 1, 2015.

Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

Housing Market Trends

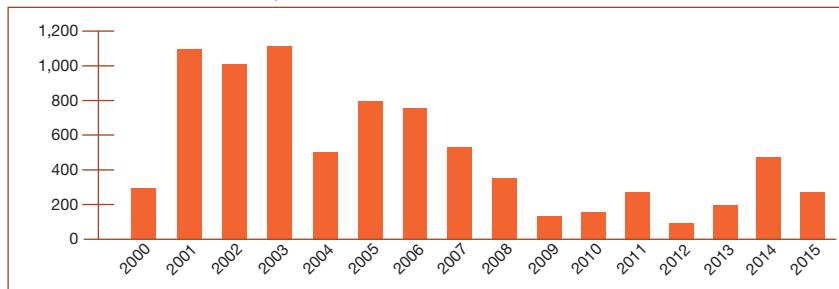
Rental Market—Anchorage Municipality Submarket *Continued*

(70 units) is the most recent newly constructed market-rate apartment complex. Completed in 2015, it is advertised as offering luxury apartments. Studio units are offered for \$1,300 to \$1,400 a month. One-bedroom, one-bathroom units rent for \$1,500 to \$1,650, and two-bedroom, two-bathroom apartments rent from \$1,800 to \$1,950. Three-bedroom, two-bathroom units rent for \$2,100 to \$2,300. Limited land for low-density multifamily development, lengthy development periods, high per-unit development costs (construction costs are 37 percent higher than the average for the United States as a whole because of climate, geography, and economic conditions—*Anchorage Housing Market Analysis*, McDowell Group, 2012), and local resistance regarding development of highrise apartment complexes are the

major constraints to significant additions to the multifamily market-rate rental housing stock in the near future. All the approximately 430 units built since 2010 have been subsidized housing for families and seniors. Since 2000, the most active period of apartment construction started in 2001 and continued through 2003, when an average of 300 units a year were completed (Figure 10).

The impact of the reduction of personnel at JBER will be greatest on the rental market. The magnitude of the reduction will be mitigated by the military's decision to implement it during a 2-year period. Approximately 70 percent of military personnel living off base are renters. The impact of the reduction will likely be significant. At a maximum, 1,800 renters will be leaving the HMA during the first 2 years of the 3-year forecast period. Even in the event that not all the military personnel renters leave the HMA within the forecast period, the impact will be significant enough that the demand for rental units in the Anchorage Municipality submarket will be met by the 210 rental units currently under construction and by recently vacated units in the existing rental stock (Table 1).

Figure 10. Multifamily Units Built in the Anchorage Municipality Submarket, 2000 to Current



Notes: Excludes townhomes. Current includes data through June 2015.

Sources: Data for 2000 through 2014 are construction completions from the Municipality Tax Assessor; data for 2015 are units permitted from the Municipality Building Safety Department

Sales Market—Matsu Borough Submarket

As of July 2015, the sales housing market in the Matsu Borough submarket is balanced, with an estimated vacancy rate of 2.5 percent compared with 2.1 percent in April 2010. During the 12 months ending June 2015, new and existing home sales (including single-family homes, townhomes, and condominiums) increased 13 percent, to 1,620 homes sold, and the average

price decreased 6 percent, to \$255,300. The average number of days a home was on the market was 45 compared with 75 during the 12-month period ending June 2014, its lowest level in 10 years. The inventory of homes for sale was 3.2 months compared with 3.6 months a year earlier. Existing home sales increased 12 percent, to 1,275 homes sold, marking 3 consecutive

Housing Market Trends

Sales Market—Matsu Borough Submarket *Continued*

years of sales growth. The average price of an existing home sold was \$242,600, a 6-percent decrease from a year ago. Sales of newly constructed homes increased 20 percent, to 345 homes sold, and the average price decreased 6 percent, to \$302,000. New and existing condominium sales increased 46 percent, to 38 units sold, and the average price of new and existing condominiums sold decreased 14 percent, to \$151,000. The inventory of condominiums for sale stood at a 2.5-month supply as of June 2015 compared with a 3.0-month supply a year earlier.

Recent home sales market conditions have been considerably stronger than earlier in the decade. From 2010 through 2012, new and existing home sales averaged 1,200 homes and the average sales price was \$215,400, nearly 30 and 8 percent less than home sales and the average price of a home sold, respectively, during 2014. The average number of days a home stayed on the market from 2010 through 2012 was 85 compared with 74 during 2014. New and existing condominium sales and the average sales price during 2014 were relatively unchanged compared with annual average sales and the average price of a condominium sold from

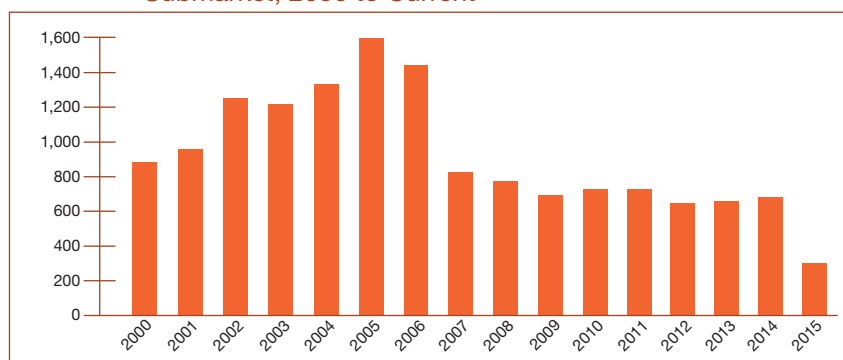
2010 through 2012, but the number of days a home stayed the market was 78 in 2014 compared with an average of 124 from 2010 through 2012.

Increased sales housing demand in the Matsu Borough submarket is partly a result of the fewer homes for sale and the higher sales prices in the Anchorage Municipality submarket. The average price of an existing home sold in the Matsu Borough submarket is approximately 33 percent less than the price in the Anchorage Municipality submarket, and a newly constructed home in the Matsu Borough submarket typically costs about 40 percent less. In the Matsu Borough submarket, recently built homes sold in Wasilla, where prices ranged from \$227,800 to \$420,000, and in Palmer, where prices ranged from \$178,000 to \$390,000.

In the Matsu Borough submarket, single-family homebuilding accelerated during the early part of the past decade, averaging 1,375 homes built a year from 2002 through 2006 before decreasing to 820 homes in 2007 (DOL). From 2007 through 2010, single-family construction averaged 750 homes, falling to an annual average of 670 from 2011 through 2014 (Figure 11).

As of June 2015, 2.2 percent of home loans in the submarket were seriously delinquent or had transitioned into REO status, down from 2.6 percent in June 2014; the rate for the state was 1.8 percent (Black Knight Financial Services, Inc.). During the 12-month period ending June 2015, sales of REO properties decreased 30 percent, to 185 homes sold, and the average price decreased 6 percent, to \$186,100. Sales of REO properties were 6 percent of existing sales, unchanged from a year ago, but the average price of an REO

Figure 11. Single-Family Homes Built in the Matsu Borough Submarket, 2000 to Current



Notes: Includes townhomes. Current includes data through June 2015.

Sources: Data from 2000 through 2014 are from a survey of construction completions by the Alaska Department of Labor and Workforce Development—Research & Analysis Section; 2015 data are estimates by the analyst

Housing Market Trends

Sales Market—Matsu Borough Submarket *Continued*

property is 77 percent of the average existing sales price compared with 89 percent a year earlier.

Table 5. Estimated Demand for New Market-Rate Sales Housing in the Matsu Borough Submarket During the Forecast Period

Price Range (\$)		Units of Demand	Percent of Total
From	To		
150,000	199,999	60	4.0
200,000	249,999	370	24.0
250,000	299,999	360	23.0
300,000	349,999	250	16.0
350,000	399,999	160	10.0
400,000	449,999	160	10.0
450,000	499,999	45	3.0
500,000	and higher	160	10.0

Notes: The 350 homes currently under construction and a portion of the estimated 8,950 other vacant units in the submarket will likely satisfy some of the forecast demand. Excludes demand for 30 mobile homes during the forecast period. The forecast period is July 1, 2015, to July 1, 2018.

Source: Estimates by analyst

Principally because of continued slow job growth in the Anchorage-Matsu HMA, demand is expected for only 1,575 homes during the 3-year forecast period, with demand slowing from 600 homes during the first year to 450 in the third year (Table 1). Nearly two-thirds of the demand will be in the \$200,000-to-\$350,000 price range (Table 5). The 350 homes under construction and a portion of the 8,950 other vacant homes that may reenter the market will satisfy some of the demand.

Rental Market—Matsu Borough Submarket

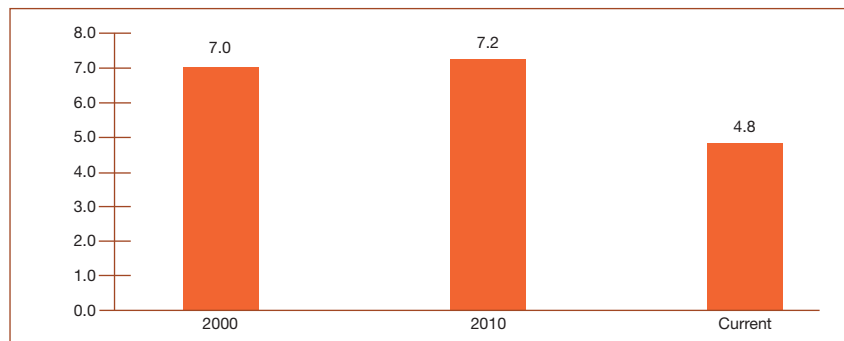
The rental housing market in the Matsu Borough submarket is currently slightly tight, with an estimated vacancy rate of 4.8 percent compared with 7.2 percent in April 2010 (Figure 12). The rental vacancy rate was 3.3 percent in March 2015, down from 5.3 percent a year earlier, and the average contract rent was \$1,069, up from \$1,022 a year earlier (DOL). In 2010, the rental vacancy rate was 5.3 percent and the average rent \$882; since 2010, the average rent has increased at an average annual rate of nearly 4 percent. The average contract rents were \$1,372 for

a single-family home and \$954 for an apartment compared with \$1,398 and \$877, respectively, in 2014, a decrease of nearly 2 percent in single-family rent and an increase of 9 percent in apartment rent.

Compared with rents in the Anchorage Municipality submarket, average rents for single-family homes in the Matsu Borough submarket were 23 percent less and average apartment rents were 14 percent less. No apartment complexes were completed from 2010 to 2014. The most recent multifamily apartment development activity has been the 90 units constructed during 2015 in Wasilla, where rents range between \$1,200 and \$1,600. No new multifamily developments are currently under construction and none are under plan review in the submarket.

In 2014, 94 units of multifamily housing were built, down 25 percent from 2013 (DOL). Since 2000, multifamily construction activity was greatest from 2004 through 2006, averaging 420 units a year, 67 percent of which

Figure 12. Rental Vacancy Rates in the Matsu Borough Submarket, 2000 to Current



Note: The current date is July 1, 2015.

Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

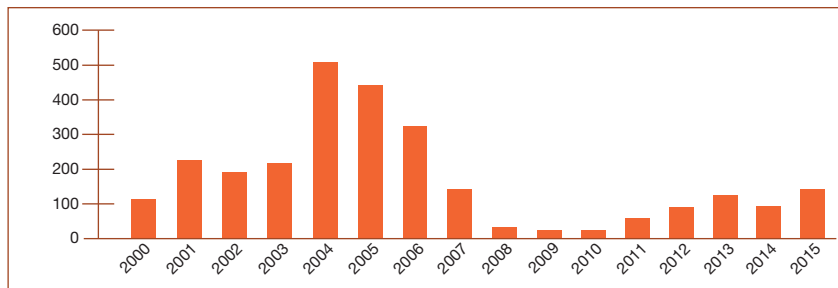
Housing Market Trends

Rental Market—Matsu Borough Submarket *Continued*

were duplexes or in structures with three or four units. From 2007 through 2012, multifamily construction activity averaged 60 units a year, 75 percent of which were in duplexes or structures with three or four units (Figure 13). Like single-family construction activity, multifamily construction activity slowed dramatically after 2007, in part, because of the impact of the national recession, which contributed to net in-migration decreasing to an average annual rate of 1,700 people from 2007 through 2012 compared with 2,500 people from 2002 through 2006. No multifamily units have been permitted in 2015 and none were under construction as of July 2015.

As with the Anchorage Municipality submarket, the lack of apartment construction activity during the past several years has led to a slightly tight rental apartment market in the Matsu Borough submarket, but the JBER reduction of military personnel will lead to an increase in the number of vacant rental apartments, improving rental conditions in the submarket. No information is available about the number of military personnel renters in the submarket, but, because only 17 percent of the Anchorage-Matsu HMA rental stock is in the Matsu Borough submarket, the expectation is that the impact will not be as great as for the Anchorage Municipality submarket. Demand is estimated for 130 market-rate units in the Matsu Borough submarket during the 3-year forecast period. The 90 units currently under construction will satisfy most of the demand (Table 1). Table 6 shows the demand for new market-rate apartments by the number of bedrooms and rent ranges.

Figure 13. Multifamily Units Built in the Matsu Borough Submarket, 2000 to Current



Notes: Excludes townhomes. Current includes data through June 2015.

Sources: Data from 2000 through 2014 are from a survey of construction completions by the Alaska Department of Labor and Workforce Development—Research & Analysis Section; 2015 data are estimates by the analyst

Table 6. Estimated Demand for New Market-Rate Rental Housing in the Matsu Borough Submarket During the Forecast Period

Zero Bedrooms		One Bedroom		Two Bedrooms		Three or More Bedrooms	
Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand
1,000 or more	10	1,200 or more	45	1,400 or more	65	1,600 or more	15
Total	10	Total	45	Total	65	Total	15

Notes: Numbers may not add to totals because of rounding. Monthly rent does not include utilities or concessions. The 90 units currently under construction will likely satisfy some of the estimated demand. The forecast period is July 1, 2015, to July 1, 2018.

Source: Estimates by analyst

Data Profiles

Table DP-1. Anchorage-Matsu HMA,* Data Profile, 2000 to Current

	2000	2010	Current	Average Annual Change (%)	
				2000 to 2010	2010 to Current
Total resident employment	160,204	185,858	192,500	1.5	0.8
Unemployment rate	5.5%	7.2%	5.7%		
Nonfarm payroll jobs	146,900	171,700	180,800	1.6	1.2
Total population	319,605	380,821	400,700	1.8	1.0
Total households	115,378	139,156	144,700	1.9	0.7
Owner households	73,171	88,466	91,400	1.9	0.6
Percent owner	63.4%	63.6%	63.2%		
Renter households	42,207	50,690	53,300	1.8	1.0
Percent renter	36.6%	36.4%	36.8%		
Total housing units	127,697	154,361	160,800	1.9	0.8
Owner vacancy rate	1.5%	1.5%	1.6%		
Rental vacancy rate	5.5%	4.3%	4.4%		
Median Family Income	\$59,200	\$80,800	\$89,600	3.2	1.7

* Anchorage-Matanuska-Susitna HMA.

Notes: Numbers may not add to totals because of rounding. Employment data represent annual averages for 2000, 2010, and the 12 months through June 2015. Median Family Incomes are for 1999, 2009, and 2014. The current date is July 1, 2015.

Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analyst

Table DP-2. Anchorage Municipality Submarket Data Profile, 2000 to Current

	2000	2010	Current	Average Annual Change (%)	
				2000 to 2010	2010 to Current
Total population	260,283	291,826	300,800	1.2	0.6
Total households	94,822	107,332	109,450	1.2	0.4
Owner households	56,953	64,285	65,150	1.2	0.3
Percent owner	60.1%	59.9%	59.5%		
Rental households	37,869	43,047	44,300	1.3	0.5
Percent renter	39.9%	40.1%	40.5%		
Total housing units	100,368	113,032	115,500	1.2	0.4
Owner vacancy rate	1.4%	1.3%	1.3%		
Rental vacancy rate	5.3%	3.8%	4.3%		
Median Family Income	\$55,600	\$72,900	\$83,900	2.7	2.4

Notes: Numbers may not add to totals because of rounding. Median Family Incomes are for 1999, 2009, and 2014. The current date is July 1, 2015.

Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analyst

Table DP-3. Matsu Borough Submarket Data Profile, 2000 to Current

	2000	2010	Current	Average Annual Change (%)	
				2000 to 2010	2010 to Current
Total population	59,322	88,995	99,900	4.1	2.2
Total households	20,556	31,824	35,275	4.5	2.0
Owner households	16,218	24,181	26,250	4.1	1.6
Percent owner	78.9%	76.0%	74.4%		
Rental households	4,338	7,643	9,025	5.8	3.2
Percent renter	21.1%	24.0%	25.6%		
Total housing units	27,329	41,329	45,350	4.2	1.8
Owner vacancy rate	1.9%	2.1%	2.5%		
Rental vacancy rate	7.0%	7.2%	4.8%		
Median Family Income	55,600	72,900	78,500	2.7	1.5

NA = data not available.

Notes: Numbers may not add to totals because of rounding. Median Family Incomes are for 1999, 2009, and 2014. The current date is July 1, 2015.

Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analyst

Data Definitions and Sources

2000: 4/1/2000—U.S. Decennial Census
 2010: 4/1/2010—U.S. Decennial Census
 Current date: 7/1/2015—Analyst's estimates
 Forecast period: 7/1/2015–7/1/2018—Analyst's estimates

The metropolitan statistical area definition in this report is based on the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated February 28, 2013.

Demand: The demand estimates in the analysis are not a forecast of building activity. They are the estimates of the total housing production needed to achieve a balanced market at the end of the 3-year forecast period given conditions on the as-of date of the analysis, growth, losses, and excess vacancies. The estimates do not account for units currently under construction or units in the development pipeline.

Other Vacant Units: In the U.S. Department of Housing and Urban Development's (HUD's) analysis, other vacant units include all vacant units that are not available for sale or for rent. The term therefore includes units rented or sold but not occupied; held for seasonal, recreational, or occasional use; used by migrant workers; and the category specified as "other" vacant by the Census Bureau.

Building Permits: Building permits do not necessarily reflect all residential building activity that occurs in an HMA. Some units are constructed or created without a building permit or are issued a different type of building permit. For example, some units classified as commercial structures are not reflected in the residential building permits.

As a result, the analyst, through diligent fieldwork, makes an estimate of this additional construction activity. Some of these estimates are included in the discussions of single-family and multifamily building permits.

For additional data pertaining to the housing market for this HMA, go to huduser.gov/publications/pdf/CMARtables_Anchorage-Matanuska-SusitnaAK_16.pdf.

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This analysis has been prepared for the assistance and guidance of HUD in its operations. The factual information, findings, and conclusions may also be useful to builders, mortgagees, and others concerned with local housing market conditions and trends. The analysis does not purport to make determinations regarding the acceptability of any mortgage insurance proposals that may be under consideration by the Department.

The factual framework for this analysis follows the guidelines and methods developed by HUD's Economic and Market Analysis Division. The analysis and findings are as thorough and current as possible based on information available on the as-of date from local and national sources. As such, findings or conclusions may be modified by subsequent developments. HUD expresses its appreciation to those industry sources and state and local government officials who provided data and information on local economic and housing market conditions.

For additional reports on other market areas, please go to huduser.gov/portal/ushmc/chma_archive.html.