

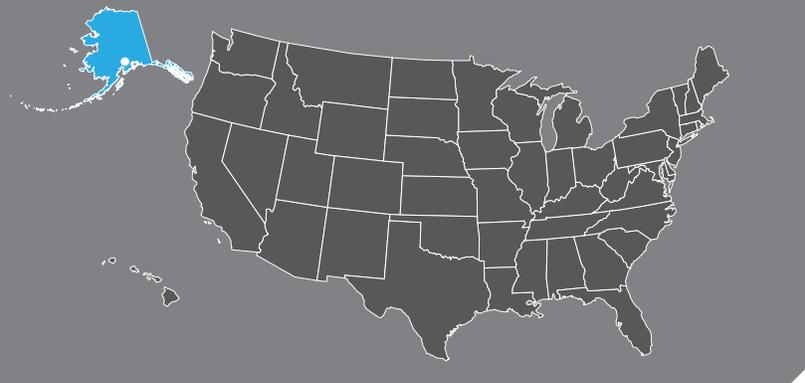
HUD PD&R Housing Market Profiles

Anchorage, Alaska



Quick Facts About Anchorage

- Current sales market conditions: tight
- Current rental market conditions: balanced
- The city of Anchorage is the fourth largest by land area in the United States and is larger than the state of Rhode Island. Anchorage includes Joint Base Elmendorf-Richardson, with approximately 17,400 active-duty, reserve, and civilian employees, or 4 percent of the population of the Anchorage metropolitan area. The base has an estimated economic impact of more than \$1.6 billion annually in the Anchorage metropolitan area (Joint Base Elmendorf-Richardson Economic Impact Analysis, 2016).



By Sam Young | As of January 1, 2021

Overview

The Anchorage metropolitan area, consisting of the municipality of Anchorage and the Matanuska-Susitna Borough in south central Alaska, is the primary hub for commerce and services in the state. The Port of Anchorage is one of the most active cargo transport facilities in the world. The metropolitan area is recognized for its oil and gas industry and as a tourist destination. Interventions that began in mid-March to slow the spread of COVID-19 exacerbated already weak economic activity in the metropolitan area. The two largest employers in the metropolitan area, Fort Richardson and Elmendorf Air Force Base, are in the government sector and provide a stable employment base. The area is also home to the corporate offices of several large oil companies, including BP PLC and ConocoPhillips Company. Statewide economic conditions in the mining and logging subsector influence employment in the metropolitan area. The home sales market is tight due to a shortage of for-sale housing inventory, and apartment market conditions are balanced.

- As of January 1, 2021, the population of the metropolitan area is estimated at 393,800, reflecting an average annual

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decrease of 1,700, or 0.4 percent a year, since 2016; this decrease followed a steep decline in oil prices that began in 2015. Nearly 55 percent of the population of Alaska resides in the Anchorage metropolitan area.

- By comparison, the population increased by an average of 3,300, or 0.8 percent, annually from 2010 to 2016, when net out-migration averaged 580 people annually. Since 2016, net out-migration has risen to an annual average of 4,750.
- Contributing to the recent slowdown in population growth are increasing net out-migration trends; from 2017 to 2019, average annual international net in-migration of 1,025 people partially offset a domestic net outflow of 5,450. By comparison, from April 2010 to July 2017, domestic net

Largest Employers in the Anchorage Metropolitan Area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Fort Richardson	Government	9,700
Elmendorf Air Force Base	Government	7,700
Providence Health & Services	Education & Health Services	4,000

Notes: Excludes local school districts. Employment totals for the bases include military personnel, who are not included in nonfarm payroll totals.
Source: Moody's Analytics

out-migration averaged 1,600 people annually, and international in-migration averaged 1,000 (Census Bureau decennial census counts and population estimates).

Economic Conditions

Interventions taken in mid-March to slow the spread of COVID-19—including school closures and business restrictions (which were partially lifted in May 2020) and 14-day self-quarantines for all state visitors—exacerbated already weak economic conditions in the Anchorage metropolitan area. Economic conditions in the metropolitan area began to decline in 2015, following 7 consecutive years of job growth after the national recession. Nonfarm payroll growth averaged 1.0 percent annually from 2009 through 2015 before reversing to declines averaging 0.7 percent annually through 2019. During the 3 months ending November 2020, payrolls fell by

10,100, or 5.7 percent, compared with a slight increase of 600 jobs, or 0.3 percent, during the 3 months ending November 2019. This decline, however, is an improvement from the 3 months ending June 2020, when payrolls were down by 13,900, or 8.1 percent, year over year. The unemployment rate increased to 6.5 percent during the 3 months ending November 2020, compared with 5.2 percent a year ago.

During the 3 months ending November 2020—

- Approximately 48 percent of total jobs lost in the metropolitan area were in the leisure and hospitality sector, which declined

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Nonfarm payrolls declined or remained unchanged in all but one sector in the Anchorage metropolitan area during the 3 months ending November 2020.

	3 Months Ending		Year-Over-Year Change	
	November 2019 (Thousands)	November 2020 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	176.6	166.5	-10.1	-5.7
Goods-Producing Sectors	15.5	14.0	-1.5	-9.7
Mining, Logging, & Construction	13.3	11.9	-1.4	-10.5
Manufacturing	2.2	2.0	-0.2	-9.1
Service-Providing Sectors	161.1	152.5	-8.6	-5.3
Wholesale & Retail Trade	25.7	25.1	-0.6	-2.3
Transportation & Utilities	12.3	12.1	-0.2	-1.6
Information	3.7	3.3	-0.4	-10.8
Financial Activities	8.0	7.6	-0.4	-5.0
Professional & Business Services	19.0	19.0	0.0	0.0
Education & Health Services	31.8	31.0	-0.8	-2.5
Leisure & Hospitality	20.2	15.4	-4.8	-23.8
Other Services	6.3	5.5	-0.8	-12.7
Government	34.1	34.4	0.3	0.9
Unemployment Rate	5.2%	6.5%		

Note: Numbers may not add to totals due to rounding.
Source: U.S. Bureau of Labor Statistics



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by 4,800 jobs, or 23.8 percent, from the 3 months ending November 2019; the payroll sectors most affected by efforts to slow the spread of COVID-19 are those that rely heavily on in-person interaction. By comparison, the sector increased every year from 2009 through 2019 except in 2017.

- The education and health services sector was the second largest sector in the metropolitan area; job losses in this sector totaled 800, or 2.5 percent, from a year ago. For context, the sector added jobs every year except for 2014 during the past two decades.
- The second largest decline in jobs was in the mining, logging, and construction sector, which fell by 1,400 jobs, or 10.5 percent, from a year earlier. The recent losses continued declines averaging 400 jobs, or 2.5 percent, annually since 2015.
- The government sector was the only sector to add jobs, increasing by 300 jobs, or 0.9 percent, with growth of 100 jobs each at the federal, state, and local levels of government. This increase is a significant improvement from the 3 months ending June 2020, when the sector lost 2,800 jobs, or 8.1 percent, with 82 percent of the losses concentrated in the local government subsector.

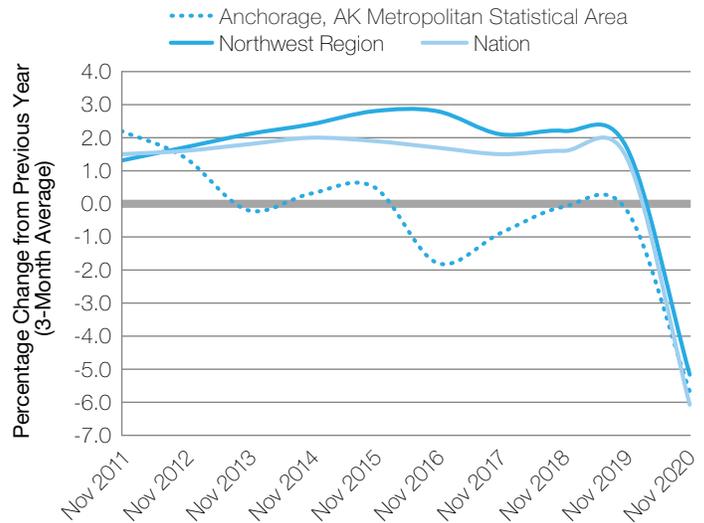
Mining, logging, and construction sector payrolls typically follow employment trends in the energy industry. Crude oil spot prices averaged \$88.74 per barrel from 2009 through 2014 before falling sharply to \$48.66 in 2015 and remained at an average of \$52.99 through 2019. The steep decline in oil revenue for energy producers contributed to the fall in mining, logging, and construction sector employment from a peak of 14,400 jobs averaged during 2015 to 11,900 jobs averaged during the 3 months ending November 2020. Approximately 65 percent of the jobs lost during the period were in the mining and logging subsector.

The Alaska cruise ship season runs from late April to early October. The 2020 Alaska cruise ship season was canceled because of the COVID-19 pandemic; this cancellation was partially responsible for the decline in leisure and hospitality jobs supported by the tourism industry in the metropolitan area. Princess Cruises and Holland America Line have announced continued postponements of the 2021 cruise season until May 2021 at the earliest. These postponements may lead to continued weakness in leisure and hospitality sector employment in the metropolitan area.

Sales Market Conditions

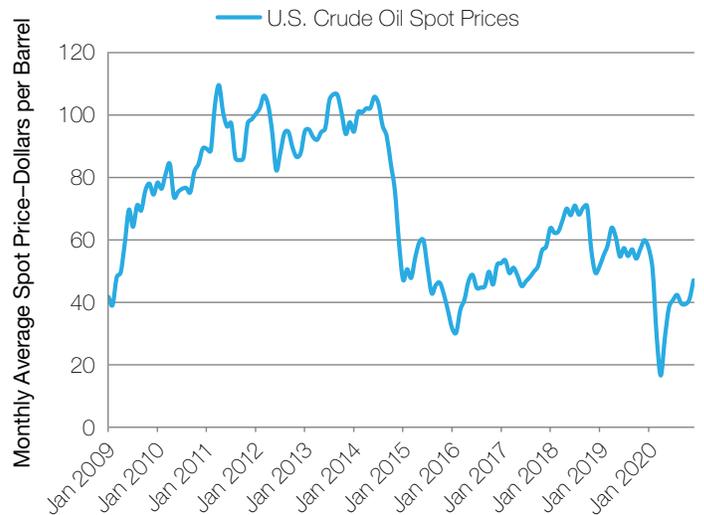
Sales housing market conditions in the Anchorage metropolitan area are currently tight, with an estimated vacancy rate of 1.4 percent, down from 1.5 percent in April 2010. The decline

Nonfarm payroll growth in the Anchorage metropolitan area has generally been slower than that of the Northwest Region and the nation since 2012.



Source: U.S. Bureau of Labor Statistics

Following steady increases from 2009 through mid-2014, oil prices fell precipitously in 2015 and remained low through 2020.



WTI = West Texas Intermediate.

Note: Monthly data for the Cushing, OK WTI spot price, including data through December 2020.

Source: U.S. Energy Information Administration

in vacancy reflects increased demand for, and a limited supply of, for-sale housing. As of November 2020, a 1.7-month supply of homes were available for sale, down from a 4.9-month supply

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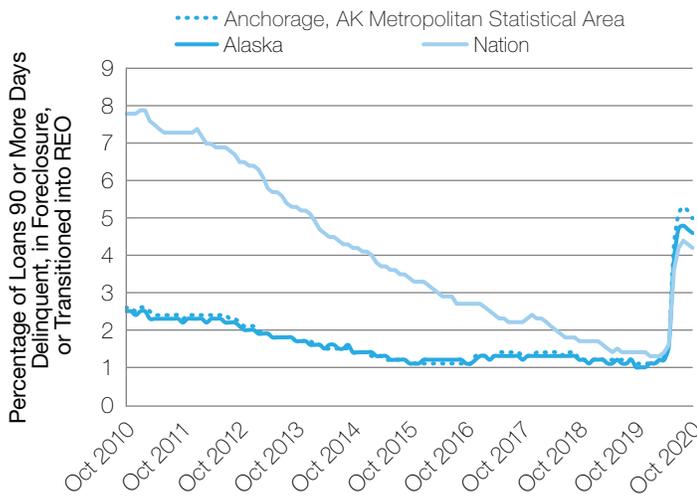
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a year ago (Redfin). New and existing home sales totaled 9,750 during the 12 months ending November 2020, up 6 percent from the same period a year ago, and the average sales price increased 8 percent, to \$344,800 (Zonda, with adjustments by the analyst). By comparison, prices were largely unchanged during the 12 months ending November 2019. The share of seriously delinquent home loans (90 or more days delinquent or in foreclosure) and real estate owned (REO) properties was 5.0 percent in October 2020, compared with 1.1 percent in October 2019. The current rate is significantly higher than the 1.1-percent rate in February 2020, before the pandemic, but below the recent high of 5.3 percent in August 2020 (CoreLogic, Inc.).

During the 12 months ending November 2020—

- Existing home sales totaled 9,275, reflecting a 7-percent increase from a year ago and the highest number sold since 2007. Existing home sales rose more than 4 percent annually, from a recent low of 7,550 during 2011 to 8,950 during 2015, before moderating slightly to 8,850 homes sold during 2019 (Zonda, with adjustments by the analyst).
- The average price of an existing home was \$339,300, up 8 percent from a year ago. By comparison, the average sales price increased at an average annual rate of 2 percent from 2015 through 2018 before registering no change during 2019.
- New home sales fell 2 percent, to 490 sales, compared with a year ago. From 2016 through 2018, new home sales

The percentage of home loans 90 or more days delinquent, in foreclosure, or recently transitioned to REO status in the Anchorage metropolitan area remained well below the national percentage until May 2020.



REO = real estate owned.
Source: CoreLogic, Inc.

declined at an average annual rate of 9 percent and then increased 7 percent in 2019.

- The average sales price of a new home was \$447,200, up 9 percent from the previous 12 months. By comparison, average annual price growth was 2 percent from 2015 through 2018, and the average sales price for a new home remained unchanged in 2019.

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The number of existing home sales in the Anchorage metropolitan area has generally been positive since 2018, but new home sales have declined in recent months.



Note: Sales are for single-family homes, townhomes, and condominiums.
Source: Zonda, with adjustments by the analyst

Following moderate home sales price growth since 2015, new and existing home sales prices in the Anchorage metropolitan area have increased sharply since August 2020.



Note: Prices are for single-family homes, townhomes, and condominiums.
Source: Zonda, with adjustments by the analyst



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Despite declining population trends and weak economic conditions since 2015, new home construction, as measured by the number of single-family homes permitted, has been generally increasing since the end of the national recession in 2009.

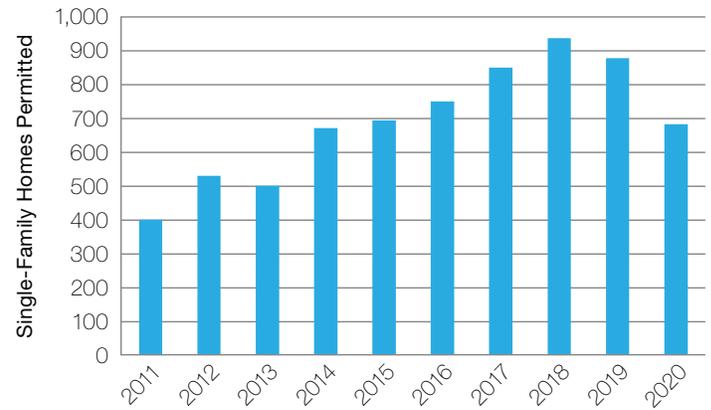
- New home construction totaled 750 homes during the 12 months ending November 2020, down 13 percent from the 870 homes permitted the previous 12 months (preliminary data).
- New home construction rose by an average of nearly 13 percent annually from 2011 through 2018 and then fell 6 percent, to 880 homes, in 2019.
- The Ranch Alaska, a master-planned community located between Palmer and Wasilla, has lots available for purchase, after which buyers choose among seven builders to construct their home. During 2020, more than 20 new homes sold in the community, with average prices ranging from \$470,700 to \$516,900 (Zonda).

Rental Market Conditions

Rental market conditions are balanced, with an estimated vacancy rate of 6.0 percent, up from 4.3 percent in April 2010, when conditions were slightly tight. Approximately 47 percent of renter households in the metropolitan area live in single-family homes, compared with 51 percent in 2010 (2010 and 2019 American Community Survey, 1-year data). Contributing to the decline in the percentage of renter-occupied single-family homes was a surge in apartment construction beginning in 2014; from 2014 through 2019, approximately 1,650 apartments, as measured by the number of multifamily units permitted, were completed, compared with 900 units completed from 2008 through 2013.

- The vacancy rate for professionally managed single-family rentals was 2.2 percent in October 2020, relatively unchanged since mid-2018 (CoreLogic, Inc.).
- Apartment market conditions are currently slightly tight, with a 3.4-percent vacancy rate during the fourth quarter of 2020, down from 4.5 percent a year ago, when market conditions were balanced (Reis, Inc.).
- Despite a steep decline in the apartment vacancy rate during the past year, average asking rents decreased less than 1 percent, to \$1,158, during the fourth quarter of 2020 (Reis, Inc.). By comparison, average asking rents increased more than 1 percent annually from 2015 through 2018 in the Anchorage metropolitan area and nearly 4 percent annually in the nation.
- Enrollment at the University of Alaska Anchorage campus was 11,900 students during the fall 2019 semester;

New single-family home construction in the Anchorage metropolitan area has generally increased since 2012.

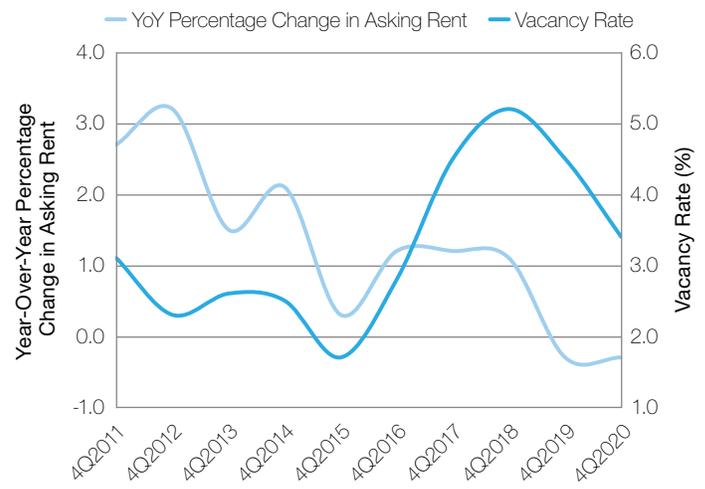


Note: Includes preliminary data from January 2020 through November 2020. Source: U.S. Census Bureau, Building Permits Survey, with estimates by the analyst

approximately 500 of those students live on campus. The remaining students live off-campus and generally provide rental market stability. Students were asked to move out of on-campus housing for the second half of the spring 2020 semester, however, to limit the spread of COVID-19. This displacement likely contributed to the recent decline in apartment vacancy rates in the metropolitan area.

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Rents in the Anchorage metropolitan area have declined since 2019 despite declining apartment vacancy rates.



4Q = fourth quarter. YoY = year-over-year. Source: Reis, Inc.



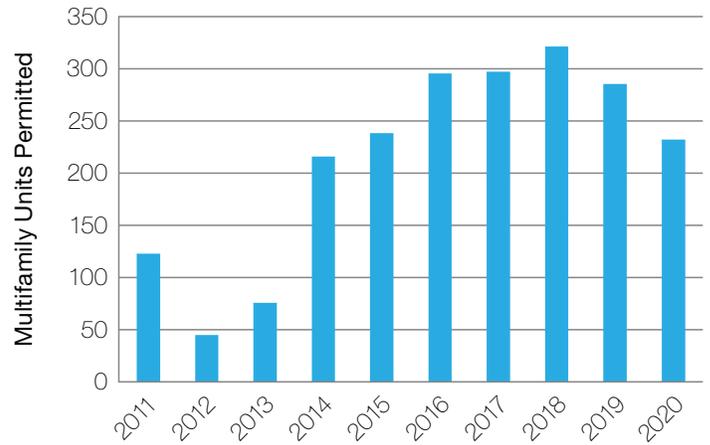
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Apartment construction from 2017 through 2019 was the highest level of average annual permitting since 2007.

- During the 12 months ending November 2020, 250 units were permitted, down 24 percent from a year ago (preliminary data). The recent slowing in apartment permitting has allowed earlier completions to be rented, contributing to a declining vacancy rate.
- Beginning in 2013, multifamily home construction increased at an average annual rate of 39 percent, to a high of 320 units permitted during 2018. This recent high is well below the average of 980 units permitted annually from 2001 through 2006, however.
- From January 2020 through September 2020, approximately 290 apartments were completed in the metropolitan area, compared with 400 during the same period a year ago. Coronado Park townhomes, a 98-unit mixed-income development under construction in Anchorage, is targeted to households with the head of household aged 55 and older. The development offers studio, one-bedroom, and

two-bedroom units, with rents starting at \$663, \$725, and \$847, respectively.

The number of multifamily units permitted in the Anchorage metropolitan area recently peaked in 2018.



Note: Includes preliminary data from January 2020 through November 2020.
Source: U.S. Census Bureau, Building Permits Survey, with estimates by the analyst

