

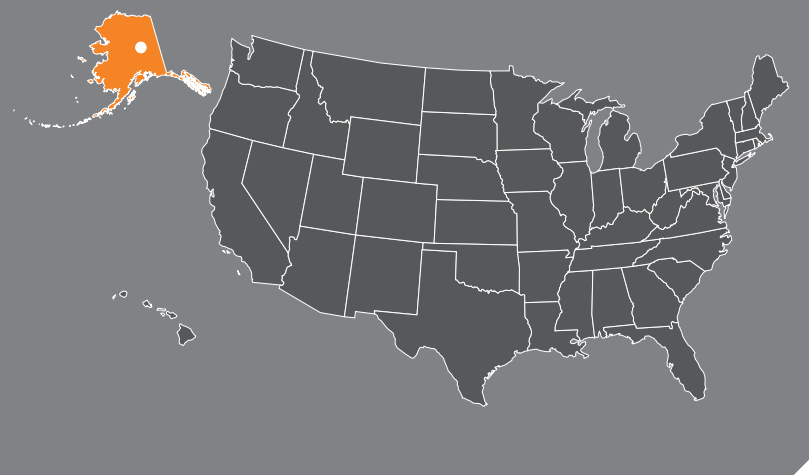
# HUD PD&R Housing Market Profiles

## Fairbanks, Alaska



### Quick Facts About Fairbanks

- Current sales market conditions: tight
- Current rental market conditions: slightly tight
- From mid-April through mid-August, the sun shines up to 24 hours a day due to the high latitude of the metropolitan area, at 65 degrees North, and is called the Midnight Sun Season.



By [Holi Urbas](#) | As of May 1, 2022

### Overview

The Fairbanks metropolitan area is the second largest population center in Alaska and consists of the Fairbanks North Star Borough in Interior Alaska, approximately 350 miles north of Anchorage, the largest population center in the state. During the Midnight Sun Season, visitors use Fairbanks as a gateway to Denali National Park and Preserve, as well as other remote destinations in the Interior and Arctic. From August through April, visitors can witness the aurora borealis in the night sky. Approximately 7.5 percent of the metropolitan area population were active-duty military in 2019. Two military installations in the metropolitan area have an annual economic impact of \$1.2 billion (Air Installations Compatible Use Zones Study, U.S. Air Force, 2018). Those installations are Fort Wainwright (FW), in the city of Fairbanks, and Eielson Air Force Base (EAFB), near the city of North Pole, the latter of which has expanded rapidly in the past few years. The swift increase in base population, coupled with generally limited new home construction, has put substantial strain on housing markets in the surrounding areas because neither military base has an adequate supply of housing. The economy of the metropolitan area is nearing a full recovery from the jobs

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lost in April 2020 because of the countermeasures to slow the spread of COVID-19, with current payrolls 1.0 percent below the prepandemic high of 36,600 jobs in March 2020 (monthly data, not seasonally adjusted).

- As of May 1, 2022, the population of the metropolitan area is estimated at 95,650, reflecting an average annual increase of 200 people, or 0.2 percent, since 2020, and all the increase came from net natural change. By comparison, the population declined by an average of 1,350, or 1.4 percent, annually from 2016 to 2020, because of elevated net out-migration. There has been net in-migration to the metropolitan area in only 7 of the past 21 years, with the most recent occurrence in 2012.

- Net out-migration since 2020 has slowed for a variety of reasons, including reduced household mobility during the early part of the pandemic and the recent growth at EAFB. Nevertheless, population growth was subdued because net natural change dropped almost 80 percent in 2020 and was only 630 people in 2021, compared with an average of 1,250 people annually from 2000 to 2019.
- Partly due to the large military presence, the median age of 31.5 years in the metropolitan area is significantly below the national median age of 38.2 years (2020 American Community Survey 5-year data).

## Economic Conditions

Economic conditions in the Fairbanks metropolitan area are improving following the loss of 4,200 jobs in April 2020 due to the countermeasures used to contain the spread of COVID-19. During the 3 months ending April 2022, payrolls increased year-over-year by 700 jobs, or 2.0 percent, to 35,700 jobs, surpassing the 35,300 jobs during the same period in 2020 by 1.1 percent but still 2.9 percent below the level of payrolls during the 3 months ending April 2019, which was before the pandemic. Recovery from the COVID-19-induced recession has been uneven across sectors, with strong job growth in the goods-producing sectors and weak growth in the service-providing sectors. Prior to the pandemic, economic conditions

were relatively weak in the metropolitan area, largely because of reduced construction and state government payrolls, and also because of volatile energy prices and the state's dependence on oil production. From 2015 through 2019, payrolls fell at an average annual rate of 0.2 percent, compared with average annual growth of 1.7 percent for the nation.

During the 3 months ending April 2022—

- Both of the goods-producing sectors, which combine to account for 11 percent of total payrolls, have recovered the jobs lost during the pandemic and surpassed the level of payrolls during the 3 months ending April 2019. The 31,900

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**All but two payroll sectors added jobs or were unchanged in the Fairbanks metropolitan area compared with a year ago.**

	3 Months Ending		Year-Over-Year Change	
	April 2021 (Thousands)	April 2022 (Thousands)	Absolute (Thousands)	Percent
<b>Total Nonfarm Payrolls</b>	35.0	35.7	0.7	2.0
Goods-Producing Sectors	3.3	3.9	0.6	18.2
Mining, Logging, & Construction	2.9	3.3	0.4	13.8
Manufacturing	0.5	0.6	0.1	20.0
Service-Providing Sectors	31.7	31.9	0.2	0.6
Wholesale & Retail Trade	5.2	5.2	0.0	0.0
Transportation & Utilities	2.0	1.9	-0.1	-5.0
Information	0.3	0.3	0.0	0.0
Financial Activities	1.1	1.1	0.0	0.0
Professional & Business Services	2.5	2.6	0.1	4.0
Education & Health Services	5.5	5.3	-0.2	-3.6
Leisure & Hospitality	3.8	4.0	0.2	5.3
Other Services	1.0	1.1	0.1	10.0
Government	10.4	10.4	0.0	0.0
<b>Unemployment Rate</b>	5.8%	4.3%		

Note: Numbers may not add to totals due to rounding.

Source: U.S. Bureau of Labor Statistics



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jobs in service-providing sectors represent a 4.3-percent decline compared with the same period in 2019, and the other services sector was the only sector to exceed prepandemic levels.

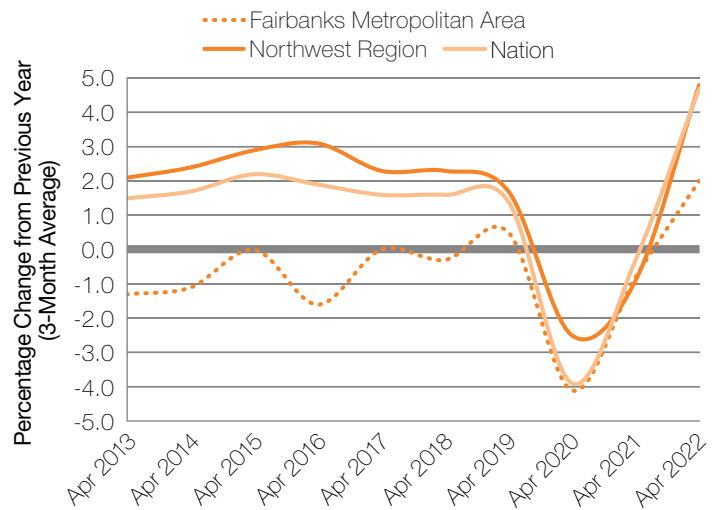
- The largest payroll gains were in the mining, logging, and construction sector, which added 400 jobs, or 13.8 percent compared with a year ago. Some of the growth in this sector is attributable to the ongoing expansion at EAFB and the construction of supporting infrastructure needed to accommodate new aircraft and the increasing population.
- The leisure and hospitality sector had the largest numerical growth among service-providing sectors, up by 200 jobs, or 5.3 percent, compared with a year ago. Two of the 11 payroll sectors lost jobs, including the transportation and utilities sector and the education and health services sector, for a combined year-over-year loss of 300 jobs. Additionally, four sectors remained unchanged from a year ago.
- The unemployment rate declined to 4.3 percent, compared with 5.8 percent a year ago, because employment growth of 4.9 percent far outpaced the 3.4-percent growth in the labor force. The current unemployment rate is down from a high of 9.9 percent in May 2020 and below the 5.3-percent rate during the 3 months ending April 2019.

In 2016, EAFB was chosen to be the home base for 54 new F-35A fighter jets, and the last aircraft were delivered in April 2022. The base has expanded rapidly in terms of infrastructure for the new jets and personnel to support and maintain them. The total Department of Defense (DoD) investment has reached \$550 million, and the population (including military, civilian contractors, and dependents) of the base increased from 3,000 in 2018 to more than 7,000 as of October 2021 (Alaska Department of Labor and Workforce Development, February 2022). This increase in base population has led to a shortage of both on-base and off-base housing. Most active-duty military personnel in the Fairbanks metropolitan area live off-base.

## Sales Market Conditions

Sales market conditions in the Fairbanks metropolitan area are currently tight, with a sales vacancy rate estimated at 1.8 percent, down from 2.3 percent in 2010 when conditions were slightly soft. A limited supply of for-sale inventory, persistently low levels of new home construction, and a slowdown in net out-migration since the pandemic contributed to the lower vacancy rate. The inventory of homes for sale has fallen from a 5.6-month supply in February 2020 to a low of 0.9 months in April 2022 (Redfin, a national real estate brokerage). The inventory decline in

**Nonfarm payroll growth in the Fairbanks metropolitan area has consistently underperformed relative to the Northwest region and nation.**



Source: U.S. Bureau of Labor Statistics

## Largest Employers in the Fairbanks Metropolitan Area

Name of Employer	Nonfarm Payroll Sector
United States Army—Fort Wainwright	Government
United States Air Force—Eielson Air Force Base	Government
Walmart Inc.	Wholesale and Retail Trade

Notes: Excludes local school districts. United States military service members are not included in nonfarm payrolls, but contractors and civilian employees are included.

Source: Glassdoor.com

FW has 2,454 homes on-base for the more than 6,700 active-duty service members and their families, whereas EAFB has 1,077 homes on-base for the more than 7,000 service members and their families.

the Fairbanks metropolitan area is more severe than in the nation, which had a 1.2-month supply of for-sale inventory in April 2022.

The percentage of home loans in the metropolitan area that were seriously delinquent or transitioned into real estate owned (REO) status fell to 1.6 percent in March 2022 from 3.5 percent in March 2021; the current rate is elevated compared with 1.3 percent in March 2020, before the pandemic affected the local sales market (CoreLogic, Inc.). The current rate is below

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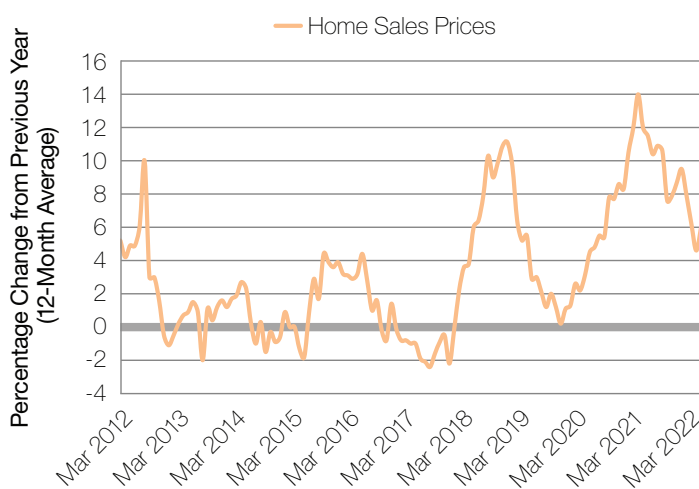
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the 1.9-percent rate for Alaska and above the 1.5-percent rate for the nation. Despite the increase in the percentage compared with prepandemic levels, the rate in the metropolitan area has declined nearly every month since reaching a high of 4.1 percent from August through September 2020.

During the 12 months ending March 2022—

- Home sales totaled 2,375 in the Fairbanks metropolitan area, unchanged from a year earlier and compared with a 1-percent increase during the 12 months ending March 2021 (CoreLogic, Inc., with adjustments by the analyst).

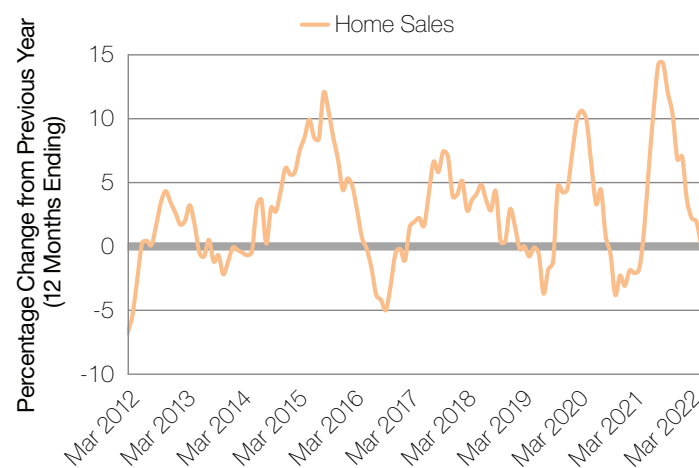
### Home sales price growth in the Fairbanks metropolitan area has moderated since peaking in March 2021.



Note: Prices are for new and existing single-family homes, townhomes, and condominiums.

Source: CoreLogic, Inc., with adjustments by the analyst

### Home sales in the Fairbanks metropolitan area have generally increased since 2012, although the rate of growth fluctuates greatly.



Note: Sales are for new and existing single-family homes, townhomes, and condominiums.

Source: CoreLogic, Inc., with adjustments by the analyst

On a 12-month basis, home sales increased year-over-year every month from March 2021 through February 2022, when interest rates were at historically low levels.

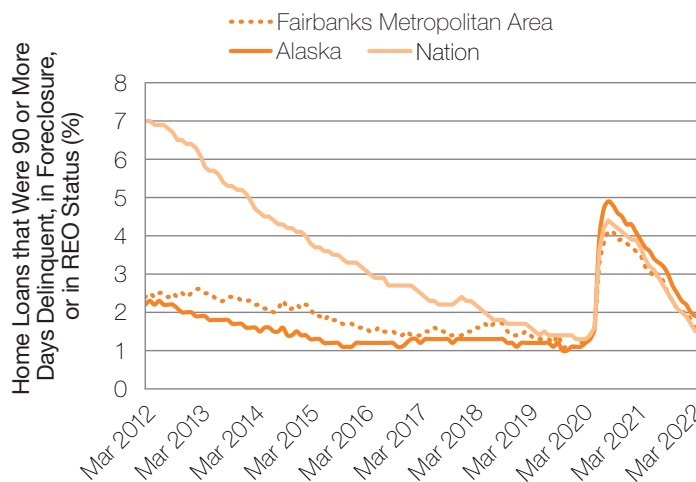
- The average sales price of a home increased 6 percent year-over-year to \$291,100, compared with a 12-percent increase during the previous 12 months. The 12-month average rate of price growth increased every month from March 2020 through February 2021 and has generally trended downward since.
- The supply of homes for sale in the city of North Pole, adjacent to EAFB, declined from a high of 11.3 months in March 2017 to a low of 0.7 months in April 2022 (Redfin, a national real estate brokerage); this pattern was largely driven by increased demand to support the expansion at EAFB and extremely limited new home construction. Less than 70 homes sold in the city during the 12 months ending March 2022, down 32 percent from a year ago and compared with an average of 130 home sales, annually, from 2017 through 2019. Furthermore, the median sales price increased more than 55 percent to \$405,000 from 2017 to the current date.

New home construction, as measured by the number of single-family homes permitted, remains relatively low in the Fairbanks metropolitan area despite increased demand for homes, as evidenced by low inventory and swift home sales price growth.

- During the 12 months ending April 2022, approximately 20 new homes were permitted, compared with less than

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### Since July 2021, the percent of seriously delinquent mortgages and REO properties in the Fairbanks metropolitan area increased above the national rate, a reversal of the previous trend.



REO = real estate owned.

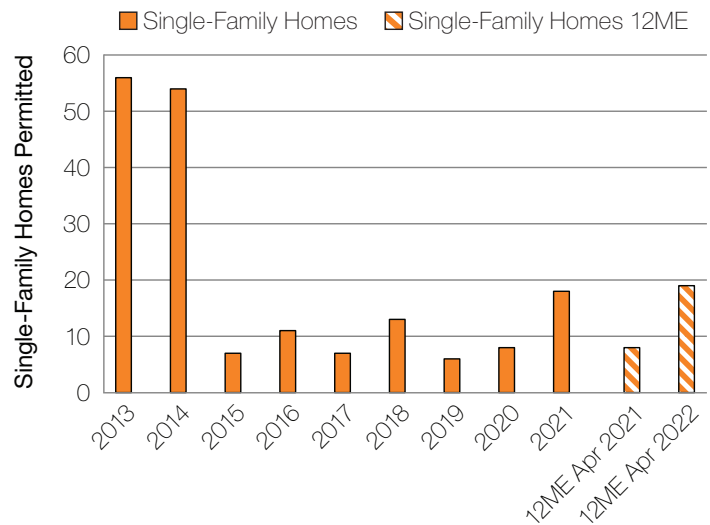
Source: CoreLogic, Inc.

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10 homes permitted a year ago (preliminary data). By comparison, an average of 10 homes were built annually from 2015 through 2020.

- New home construction is currently subdued, compared with an average of 50 homes built annually from 2008 through 2013, and significantly below the peak years of building from 1996 through 2006, when an average of 170 homes were built each year.
- Part of the reason new home construction is low is due to the extra costs and logistical constraints associated with homebuilding in subarctic conditions. From 2005 through 2011, new home sales constituted almost 6 percent of all home sales in the metropolitan area; however, since then, only 2 percent of home sales were newly constructed (CoreLogic, Inc.).
- A tax incentive for large housing developments was implemented in early March 2022 by the Fairbanks North Star Borough, including a 2-year tax exemption for projects with four or fewer units and up to a 10-year exemption for developments with five or more units; furthermore, all development must occur in the cities of Fairbanks or North Pole or be within a Military Facility Zone.

### New home construction in the Fairbanks metropolitan area has been very limited since 2014.



12ME = 12 months ending.

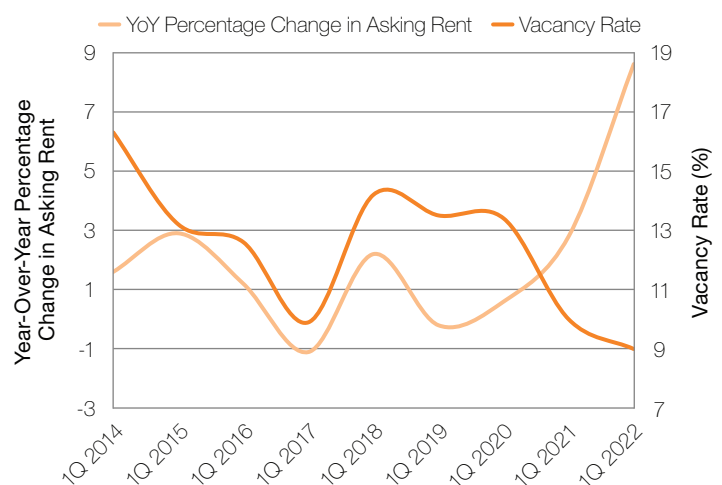
Sources: U.S. Census Bureau, Building Permits Survey; 2000–20—final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

## Rental Market Conditions

Rental market conditions are currently slightly tight, with an estimated 7.0-percent vacancy rate, down from 9.1 percent in 2010 when conditions were balanced. In 2020, approximately 46 percent of renter households in the metropolitan area lived in single-family homes, compared with 43 percent in 2015 (2015 and 2020 American Community Survey 5-year data). Part of the increase in renter-occupied single-family homes is attributable to very limited apartment construction in the metropolitan area coupled with an influx of households to support the EAFB expansion. Employment at the base is often temporary due to the relatively short duration of the assigned duty station or short-term nature of the contracts that many of the contractors operate under. Workers are less apt to purchase a home when the length of employment is short or uncertain. Although apartment construction—as measured by the number of multifamily units permitted—increased beginning in 2017, following 5 years of no construction activity, the apartment vacancy rate is at an all time low, and year-over-year apartment rent growth during the first quarter of 2022 was the strongest on record (CoStar Group).

- The March vacancy rate for professionally managed single-family rentals has fluctuated very little since 2013, ranging from 2.1 to 2.4 percent, and the rate was 2.4 percent in March 2022, unchanged from a year ago (CoreLogic, Inc.). The average rent for a three-bedroom home was \$1,796, up

### Record-level rent growth has occurred in the Fairbanks metropolitan area since the onset of the COVID-19 pandemic, whereas vacancy rates fell to their lowest level since at least 2001.



1Q = first quarter. YoY = year-over-year.

Source: CoStar Group

less than 1 percent from a year ago; there was a 1-percent increase in 2021. By comparison, rents increased at an average annual rate of 2 percent from 2017 through 2020.

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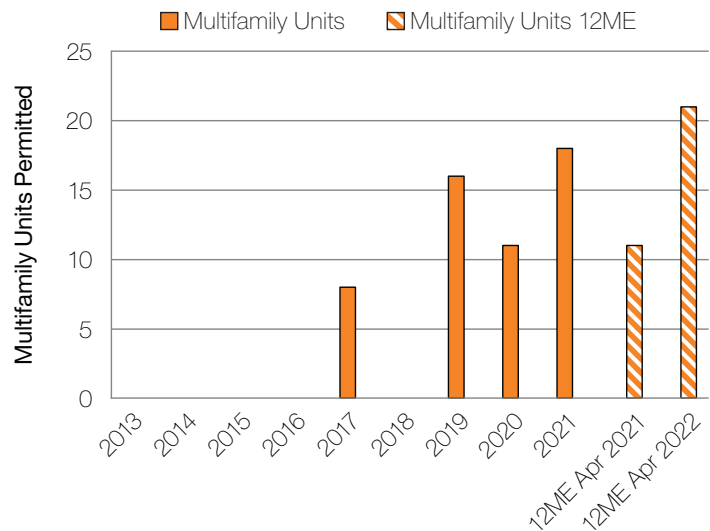
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- The apartment market is slightly tight, with a 9.0-percent vacancy rate during the first quarter of 2022, which is the lowest first quarter rate since 2001; the rate was 10.0 percent during the first quarter of 2021 (CoStar Group). From 2009 through 2021, the first quarter apartment vacancy rate was 10.0 percent or higher, except in 2017 when it was 9.9 percent, and it peaked at 16.3 percent in 2014.
- The average apartment rent reached \$1,330 during the first quarter of 2022, up nearly 9 percent year-over-year, compared with a 3-percent increase a year before. The 9-percent increase is the swiftest first quarter rent growth since at least 2000. For context, from 2017 through 2020, first quarter rent growth averaged less than 0.5 percent, annually, because of rent declines in 2017 and 2019.

Largely in response to the influx of military service members and their families, apartment construction, as measured by the number of multifamily units permitted, increased since 2017.

- More than 20 apartments were permitted during the 12 months ending April 2022, up from roughly 10 units permitted during the same period a year ago (preliminary data).
- There was no apartment construction in the metropolitan area from 2012 through 2016, and less than 10 units were built in 2017. After another year of no building activity, permitting increased, and an average of 15 units were permitted annually in 2019 and 2020.
- North Haven Communities LLC, in cooperation with Lendlease and the U.S. Army, has financed, designed, and developed

Apartment construction in the Fairbanks metropolitan area fluctuates greatly, but it has been elevated since 2019, partly in response to the increase in base population to support the F-35A jets at EAFB.



12ME = 12 months ending.

Sources: U.S. Census Bureau, Building Permits Survey; 2000–20—final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

400 new homes and renovated 287 existing homes at FW and Fort Greely (U.S. Army), the latter of which is outside the metropolitan area. The most recent development completed was an extension of the Bear Paw neighborhood, including eight fourplexes with 32 three-bedroom homes for junior, noncommissioned officer families at FW.

## Terminology Definitions and Notes

### A. Definitions

Building Permits	Building permits do not necessarily reflect all residential building activity. 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.
Home Sales/Prices	Include new sales, resales, short sales, and REO sales of single-family homes, townhomes, and condominiums.
Net Natural Change	Resident births minus resident deaths.
Rental Market/Rental Vacancy Rate	Includes apartments and other rental units such as single-family, multifamily, and mobile homes.
Seriously Delinquent Mortgages	Mortgages 90+ days delinquent or in foreclosure.

### B. Notes on Geography

1.	The metropolitan statistical area definition noted in this report is based on the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated April 10, 2018.
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