

Alaska Housing Market Indicators

2010 Residential Rental Market Survey

Prepared for

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Table of Contents

EXECUTIVE SUMMARY	1
RESPONSE RATES	2
VACANCY RATES	2
OVERALL – ALL BUILDING TYPES AND BEDROOM SIZES.....	2
SINGLE-FAMILY	3
APARTMENTS	3
UTILITIES INCLUDED IN CONTRACT RENT	4
RENTS ADJUSTED BY UTILITY SCHEDULE	5
OVERALL – ALL BUILDING TYPES AND BEDROOM SIZES.....	5
SINGLE-FAMILY	6
APARTMENTS	7
OCCUPIED VS. VACANT UNITS.....	8
SURVEY METHODOLOGY.....	9

Alaska Housing Market Indicators 2010 Residential Rental Market Survey

Every March, the Alaska Department of Labor and Workforce Development surveys Alaska's landlords for residential rental unit information for the Alaska Housing Finance Corporation. For each rental unit, property owners and managers are asked to report the monthly contract rent, building type, number of bedrooms, energy sources and the utilities included in the rent. In addition, the vacancy status of each unit is collected for the week of March that includes the 12th of the month.

Executive Summary

- In 2010, median adjusted rents in Alaska increased from year-ago levels in seven of 10 surveyed areas.
- The vacancy rate for all surveyed areas and building types combined was 3.9 percent in 2010, down from 7.1 percent in 2009. The 2010 vacancy rate for all survey areas combined was well below the 10-year average rate of 7.0 percent.
- In 2010, the median adjusted rent for all surveyed areas and building types combined was \$1,035 per month, up \$45, or five percent, from 2009.
- The highest median adjusted rent for all building types was reported in Kodiak Island Borough at \$1,367 per month followed by Valdez-Cordova Census Area at \$1,084 per month. The median adjusted rent in Kodiak Island Borough increased 21 percent from one year ago, while the median adjusted rent in Valdez-Cordova fell 2 percent from 2009.
- The lowest median adjusted rents in 2010 were reported in the Wrangell Borough-Petersburg Census Area at \$780 and the Kenai Peninsula Borough at \$844. The median adjusted rent in Wrangell-Petersburg fell one percent from 2009, while in the Kenai Peninsula Borough it rose two percent.
- The most common utilities included with contract rent in 2010 were sewer services and garbage collection, which were provided with the monthly contract rent in 84 and 87 percent of the surveyed units respectively. Electricity was the least likely utility to be included. It was included with rent in 22 percent of the surveyed units.
- Seven out of the 10 surveyed areas reported lower median adjusted rents for vacant units than for those that were occupied in 2010. The difference in median adjusted rents between vacant and occupied units was greatest in Kodiak Island Borough where vacant units were \$225, or 16 percent less expensive than those that were occupied.

Alaska Housing Market Indicators 2010 Residential Rental Market Survey

Response Rates

- In March 2010, 15,000 surveys were mailed to potential landlords and owners from property tax, business license lists and other public records. This year, 2,145 residential rental property owners and managers responded to the survey; the total response rate for the 2009 survey was 32 percent.
- The survey responses for 2010 provided information on 15,742 rental units in 59 communities across Alaska.
- Fifty-nine percent of this year's respondents participated in last year's survey.
- Eighty-seven out of every 100 surveyed units were apartments. For the purpose of this survey, apartments included condominiums, duplexes, tri-plexes and other multi-family properties. Single-family residences (attached or detached) comprised nine percent of the total units, while four percent of units surveyed consisted of mobile homes, apartments attached to a single-family home ("mother-in-law" apartments) or other building types.
- Most landlords had only one or two rental units (64 percent). Thirteen landlords reported 100 or more units.

Vacancy Rates

Overall – All building types and bedroom sizes

Generally, areas with higher rental costs are characterized by lower vacancy rates. Greater numbers of tenants competing for limited available units may drive up costs due to increased demand. Conversely, areas with lower rental costs tend to have higher vacancy rates as landlords attempt to maintain competitive prices to attract a limited number of available tenants. Vacancy rates fluctuate from year to year, not only for these reasons, but also from changes in housing stock inventory, seasonal factors and other local economic factors.

- For all building types combined, vacancy rates decreased in nine of the 10 surveyed areas for 2010. The overall vacancy rate was 3.9 percent, down from 7.1 percent one year ago.
- The lowest vacancy rate in 2010 was in the Kodiak Island Borough at 1.3 percent followed by the Municipality of Anchorage at 1.8 percent, following the same order as 2009. Kodiak Island reported the highest median adjusted rent for all building types combined at \$1,367 per month. Anchorage reported the fifth highest median adjusted rent at \$1,042 per month.

Alaska Housing Market Indicators 2010 Residential Rental Market Survey

- Ketchikan Gateway Borough had the highest vacancy rate in 2010 at 12.0 percent, followed by the Kenai Peninsula Borough at 8.6 percent. Ketchikan also had the highest vacancy rate in 2009, at 12.8 percent.
- The Wrangell Borough-Petersburg Census Area, with the lowest median adjusted rent of \$780, had the fourth highest vacancy rate of 4.4 percent.
- The largest absolute drop in vacancy rates in 2010 was reported by the Fairbanks North Star Borough, falling from 12.7 percent in 2009 to 5.0 percent in 2010. The return of 4,250 troops from the 1st Stryker Brigade Combat Team in late 2009 likely increased the demand for rental housing in Fairbanks and consequently pushed the rental vacancy rate down to a level closer to the statewide average.

Single-family

- For the third year in a row, the highest vacancy rate for single-family homes in 2010 was reported in the Ketchikan Gateway Borough at 15.4 percent. The single-family vacancy rate was second highest in the Valdez-Cordova Census Area at 13.9 percent.
- In 2010, the vacancy rate for single-family homes was lowest in the Juneau Borough at 1.8 percent, followed by the Matanuska-Susitna Borough at 2.2 percent.
- Juneau Borough, which had the lowest vacancy rate for single-family rentals in 2010, had the fifth highest median adjusted rent for this building type at \$1,394 per month.
- Wrangell Borough-Petersburg Census Area, with the lowest median adjusted rent for single-family rentals at \$907, had the fourth highest single-family vacancy rate of 5.7 percent.

Apartments

- Vacancy rates for apartments were generally lower than those for single-family rentals, suggesting greater demand for this type of rental housing.
- Ketchikan Gateway Borough and Sitka Borough had the highest vacancy rates for apartments in 2010 at 12.2 percent and 10.6 percent, respectively.
- The lowest vacancy rate for apartments in 2010 was found in the Kodiak Island Borough at 0.9 percent. The second lowest vacancy rate for apartments was reported in the Wrangell Borough-Petersburg Census Area at 1.6 percent, which was closely followed by the Anchorage Municipality at 1.7 percent.

Alaska Housing Market Indicators 2010 Residential Rental Market Survey

- For the second year in a row, Kodiak Island Borough and the Municipality of Anchorage had low vacancy rates for both single-family and apartment rentals and both boroughs had higher than average rents for these building types. This suggests the rental markets are tight in both areas.
- Ketchikan Gateway Borough had a high vacancy rate for both single-family and apartment rentals, but was toward the bottom in terms of rent prices for these building types. This could indicate that there is an excess supply of rental housing relative to demand.

Utilities Included in Contract Rent

The contract rent represents the monthly cash rent paid by the tenant. Contract rent can include the cost of some or all of the utilities. The included utilities and their costs can vary from unit to unit and community to community. The adjusted rent is a better measure for comparing between communities than the contract rent.

Large differences between an area's contract rents and adjusted rents indicate fewer utilities included with the contract rent.

- In all surveyed units combined, the most common utilities provided in the contract rent were sewer services and garbage collection, provided in 87 and 84 percent of the surveyed units, respectively.
- Electricity was the utility least likely to be included in the contract rent in 2010 with 22 percent of the surveyed units providing it. The percentage of units providing electricity with the contract rent was slightly lower than in 2009.
- Eighty-nine percent of units reporting in the Fairbanks North Star Borough included heat with the contract rent in 2010; the Ketchikan Gateway Borough was second with 82 percent.
- Heat was least likely to be included in contract rent in Sitka Borough. For the third year in a row, Sitka had the lowest occurrence of utilities being included in contract rent. Only 33 percent of units in Sitka had heat included in the rent, and only 13 percent had trash collection included.
- Wrangell Borough-Petersburg Census Area tenants were the least likely to have electricity included in their contract rent; only 7.2 percent of units were reported to have electricity paid by the landlord.

Alaska Housing Market Indicators 2010 Residential Rental Market Survey

- Utilities were included in a slightly smaller fraction of units in all survey areas in 2010 compared to 2009. Heat, electricity, hot water, water, sewer and garbage collection services were less likely to be included in all surveyed areas combined in 2010 than in 2009, while snow removal was more likely to be included.

Rents Adjusted by Utility Schedule

The utilities included in the contract rent can vary widely, making comparisons of contract rents problematic. To make the units more comparable, the estimated costs of any utilities not already included as part of the rent are added to the contract rent. This is called the adjusted rent.

A median adjusted rent represents the middle value in the set of adjusted rents. The median is the figure at which half the numbers in the series are greater and half are smaller. Using the median tends to smooth out a data series as opposed to an average which can be skewed due to extremely high or low values.

Overall – All building types and bedroom sizes

- Median adjusted rents rose in seven out of 10 surveyed areas in 2010. Increases ranged from one percent in the Juneau Borough to 21 percent in the Kodiak Island Borough.
- The three surveyed areas where median adjusted rents fell since 2009 were the Sitka Borough, the Valdez-Cordova Census Area and the Wrangell Borough-Petersburg Census Area.
- Kodiak Island Borough and Valdez-Cordova Census Area reported the highest median adjusted rents of all surveyed areas, for the second year in a row, at \$1,367 and \$1,084 respectively.
- Median adjusted rents were lowest in Wrangell-Petersburg at \$780 per month, followed by the Kenai Peninsula Borough and Matanuska-Susitna Borough at \$844 and \$865 respectively.
- The median adjusted rent for the most expensive area, Kodiak Island Borough, was about 43 percent higher than Wrangell-Petersburg, the least expensive area, and 24 percent higher than the median adjusted rent for all surveyed areas combined.
- The largest difference between median adjusted rent and median contract rent was in Sitka Borough, where the adjusted rent was \$219 higher than the contract rent. This suggests that fewer landlords include utilities in the contract rent price in Sitka than other surveyed locations.

Alaska Housing Market Indicators 2010 Residential Rental Market Survey

- Fairbanks North Star Borough, Juneau Borough, Matanuska-Susitna Borough, the Valdez-Cordova Census Area and the Municipality of Anchorage had the smallest percentage differences between median contract and adjusted rents. In general, these areas have a higher occurrence of utilities being provided with rent.
- Natural gas tended to be the preferred energy type when available, especially in the Anchorage Municipality, Matanuska-Susitna Borough and Kenai Peninsula Borough
- Oil is the second most popular heat source when natural gas is unavailable. Oil heat is most common in Kodiak Island Borough, where 99 percent of rental units are heated by oil. Other areas where oil is predominant include Fairbanks North Star Borough (94 percent), Valdez-Cordova Census Area (89 percent) and Wrangell Borough-Petersburg Census Area (74 percent).
- In areas without natural gas but with inexpensive hydro-powered electricity, electric heat is used more frequently than in other areas. In Sitka Borough, 32 percent of units have electric heat, followed by Juneau Borough (28 percent), and Wrangell Borough-Petersburg Census Area (27 percent).
- Most rental units have electric ranges. In Ketchikan Gateway Borough, 99 percent of rental units have electric stoves. The notable exceptions are Mat-Su Borough, where only 66 percent of rental units have electric ranges, and in the Kenai Peninsula Borough, where only 65 percent of units have electric ranges. The difference is made up by natural gas stoves in rental units in these areas.

Single-family

Comparisons of rents are discussed below for three-bedroom homes as they are the most common size of single-family rentals.

- In 2010, three-bedroom single-family rentals had higher median adjusted rents than three-bedroom apartments in all surveyed areas.
- The greatest difference in price between a three-bedroom apartment and three-bedroom single family unit was in the Valdez-Cordova Census Area, where the median adjusted rent for a three-bedroom single family unit was \$685 greater than an apartment with the same number of bedrooms.
- Median adjusted rents for three-bedroom single-family rentals rose in six of 10 areas. The largest increase was in the Mat-Su Borough, where the price of the median adjusted three-bedroom single family rental increased by \$138.

Alaska Housing Market Indicators 2010 Residential Rental Market Survey

- Three-bedroom single-family rentals had median adjusted rents ranging from a low of \$1,028 in Wrangell-Petersburg to a high of \$1,832 in Juneau Borough.
- The median adjusted rent for three-bedroom single-family rentals fell in the Kenai Peninsula Borough (by seven percent) and in the Fairbanks North Star, Sitka and Juneau boroughs (all less than two percent).
- The difference between the median adjusted rent for a three-bedroom single-family rental in the most expensive area, the Juneau Borough, and the least expensive area, the Wrangell Borough-Petersburg Census Area, was \$804.

Apartments

Discussion of rent values for apartments below is limited to two-bedroom units because they are the most common size in the apartment building category.

- In 2010, the highest median adjusted rent for a two-bedroom apartment was \$1,267 in Kodiak Island Borough. Juneau Borough and the Anchorage Municipality also had high rent prices for two-bedroom apartments, at \$1,155 and \$1,127 respectively.
- Median adjusted rents for two-bedroom apartments in the Ketchikan Gateway and Kodiak Island boroughs rose 13 percent and 12 percent, respectively, in 2010.
- The Anchorage Municipality, Fairbanks North Star Borough, Juneau Borough, Kodiak Island Borough, Sitka Borough and Valdez-Cordova Census Area all had median adjusted rents that exceeded \$1,000 for two-bedroom apartments in 2009. In 2010, the Ketchikan Gateway Borough joined this list and the Valdez-Cordova Census area dropped off of it.
- Wrangell-Petersburg was the only area with median adjusted rent below \$800 for two-bedroom apartments in 2010.
- Seven of the 10 surveyed areas saw increases in median adjusted rents for two-bedroom apartments in 2010. Percentage increases ranged from a low of less than one percent in the Kenai Peninsula Borough to a high of 13 percent in the Ketchikan Gateway Borough.
- The premium in median adjusted rent paid for moving from a one- to a two-bedroom apartment was highest in Kodiak Island Borough, where the median adjusted rent for a two-bedroom apartment was \$383 higher than that for a one-bedroom.

Alaska Housing Market Indicators 2010 Residential Rental Market Survey

- After Kodiak, differences in median adjusted rent paid for moving up from a one- to a two-bedroom apartment were highest in Sitka Borough at \$285 and Juneau Borough at \$230.
- The least difference in median adjusted rent paid for moving to a two-bedroom apartment from a one-bedroom was found in Wrangell-Petersburg at \$17. The Valdez-Cordova Census Area and Mat-Su Borough followed at \$81 and \$88, respectively.
- The median adjusted rent for two-bedroom apartments in the Municipality of Anchorage was \$1,127, which was 30 percent higher than the rent for similar-sized units reported by its neighbor, the Mat-Su Borough, at \$865.

Occupied vs. Vacant Units

- In 2010, seven of 10 surveyed areas reported lower median adjusted rents in vacant units compared to those occupied. In some cases, landlords reward good tenants by keeping rents stable during their tenure. Then when the long-term tenant moves out, the landlord will adjust the rent to reflect current market conditions. In markets where vacancy rates are higher, landlords may reduce rents on vacant units in order to stay competitive and attract a larger pool of potential tenants.
- Kodiak Island Borough and the the Municipality of Anchorage had vacancy rates below the 3.9 percent rate from all survey areas combined. These areas also had a vacancy rate below 2009's 7.1 percent vacancy rate. Anchorage and Kodiak Island had lower median adjusted rents for vacant units than occupied ones.
- Ketchikan Gateway Borough, with the highest vacancy rate at 12.0 percent in 2010, reported a median adjusted rent for vacant units that was five percent higher than the rent for those that were occupied.
- The median adjusted rent for vacant units was highest in Kodiak at \$1,144 followed by Sitka at \$1,141. The lowest rent for vacant units was in Wrangell-Petersburg at \$682.

Alaska Housing Market Indicators 2010 Residential Rental Market Survey

Survey Methodology

The Alaska Department of Labor and Workforce Development, Research and Analysis Section has conducted the Alaska Rental Market Survey for Alaska Housing Finance Corporation since 1993.

Each year in mid-March, survey questionnaires are mailed to potential landlords, property managers and owners of residential rental properties. Public records such as property tax files, business licenses and classified advertisements are searched to identify people who are likely to own or manage residential rental properties. These potential landlords are added to a list of survey participants from prior years. The survey sample is selected from this database. The sample size is based on the distribution of rental units reported in the 2000 U.S. Census.

Every effort is made to exclude rental units that do not reflect the overall residential rental market. Units in boarding or rooming houses with shared kitchen and/or bath facilities, units rented to family members for a nominal amount and cabins or other buildings that do not have complete indoor plumbing facilities are not included in the survey. Commercial rental properties and mobile home lots are also excluded.

The survey also excludes some units in which rents are subsidized by government assistance programs. Some subsidized properties are normally available to anyone, regardless of their income, but are currently rented to tenants receiving housing assistance. These units can be included in the survey as long as the landlord reports the full, unsubsidized rent amount. Other subsidized properties may be required to only rent to low-income tenants. These are not included in the survey because the rent is below market value.

Survey participants were asked to identify any units that were vacant during the week including March 12th. Vacant units are those that are available or expected to be available during the survey week. A unit is considered occupied if it is leased but the tenant has not yet moved in. Units intentionally left vacant or temporarily out of service (such as for repairs) are excluded from the survey.

Statistics for both the contract and the adjusted rents appear in most tables. In order to preserve the confidentiality of respondents, data are summarized by census area or borough. Due to the limited number of rental units reported in smaller communities, only the 10 largest areas are included in this discussion. Data for any particular characteristic are suppressed if six or fewer units were reported, but are included in aggregated calculations.

Alaska Housing Market Indicators 2010 Residential Rental Market Survey

In this survey, the terms "landlord" and "property manager" are used interchangeably to describe the survey respondent. No distinction is made as to whether the property is managed by the owner or a third-party.

A utility schedule is used to calculate adjusted rent values. AHFC provides the adjustment amounts annually for each of the 10 survey areas. The data are from the U.S. Department of Housing and Urban Development, Office of Public and Indian Housing; Allowances for Tenant-Furnished Utilities and Other Services (form HUD-52667). Values are given for each energy type (oil, electric, etc.), building type (single-family or apartment) and geographic area.

Survey responses are examined to see which utilities are included in the contract rent. If the utility is included, the rent is not adjusted. If the utility is not included, the contract rent is adjusted based on the utility schedule. Where a majority of the surveyed units include a high percentage of utilities, adjusted rents will not differ greatly from contract rents.

It is important to note that units reported in the "Balance of State" category do not have a utility adjustment applied. This particular category combines all areas of Alaska that do not fit into one of the 10 surveyed areas.