

Alaska Housing Market Indicators

2011 Residential Rental Market Survey

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Alaska Housing Market Indicators 2011 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 11th of the month.

Executive Summary

- In 2011, median adjusted rents in Alaska increased from year-ago levels in five of 10 surveyed areas.
- The vacancy rate for all surveyed areas and building types combined was 4.4 percent in 2011, up from 3.9 percent in 2010. The 2011 vacancy rate for all survey areas combined was well below the 10-year average rate of 6.7 percent.
- In 2011, the median adjusted rent for all surveyed areas and building types combined was \$1,042 per month, up \$6, or 1 percent, from 2010.
- The highest median adjusted rent for all building types was reported in Kodiak Island Borough at \$1,172 per month followed by Valdez-Cordova Census Area at \$1,090 per month. The median adjusted rent in Kodiak Island Borough fell 14 percent from one year ago, while the median adjusted rent in Valdez-Cordova rose 1 percent from 2010.
- The lowest median adjusted rents in 2010 were reported in the Kenai Peninsula Borough at \$835 and the Wrangell Borough-Petersburg Census Area at \$861. The median adjusted rent in Wrangell-Petersburg rose 10 percent from 2010, while rent in the Kenai Peninsula Borough fell 1 percent.
- The most common utilities included with contract rent in 2011 were sewer services and garbage collection, which were provided with the monthly contract rent in 89 and 86 percent of the surveyed units respectively. Electricity was the least likely utility to be included. It was included with rent in 23 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 2011. The difference in median adjusted rents between vacant and occupied units was greatest in Juneau Borough where vacant units were \$176 more expensive than those that were occupied.

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Response Rates

- In March 2011, 6,000 surveys were mailed to potential landlords and owners from property tax, business license lists and other public records. This year, 2,211 residential rental property owners and managers responded to the survey; the total response rate for the 2011 survey was 37 percent.
- The survey responses for 2011 provided information on 15,431 rental units in 55 communities across Alaska.
- Seventy-five percent of this year's respondents participated in last year's survey.
- Eighty-eight percent of 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 1 percent of the total units, while 2 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 (65 percent). Sixteen 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 6 of the 10 surveyed areas for 2011. The overall vacancy rate was 4.4 percent, down from 3.9 percent one year ago.
- The lowest vacancy rate in 2011 was in the Valdez-Cordova Census Area at 1.2 percent, followed by the Kodiak Island Borough at 2.0 percent. Kodiak Island and Valdez-Cordova also reported the two highest median adjusted rent amounts for all building types in 2011.

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- The Municipality of Anchorage, Wrangell Borough-Petersburg Census Area and Juneau Borough had vacancy rates below 4 percent; at 2.3 percent, 3.1 percent and 3.2 percent, respectively. Anchorage and Juneau had the second and third highest median adjusted rent prices, while Wrangell-Petersburg was the second least expensive.
- Ketchikan Gateway Borough had the highest vacancy rate in 2010 at 11.5 percent, for the second year in a row. In 2010, Ketchikan had a 12.0 percent vacancy rate.
- The second highest vacancy rate was a three-way tie in 2011 at 8.2 percent, and was shared by Fairbanks North Star Borough, Kenai Peninsula Borough and Sitka Borough. No other surveyed areas, besides Ketchikan, had a vacancy rate above 5 percent.
- The largest drop in vacancy rates in 2011 was reported in the Valdez-Cordova census area, falling from 6.4 percent in 2010 to 1.2 percent in 2011.
- The largest increase in vacancy rates in 2011 was in the Fairbanks North Star Borough, where the vacancy rate climbed from 5.0 percent to 8.2 percent over-the-year. This jump is likely attributable to the spring deployment of the 1st Stryker Brigade Combat Team.

Single-family

- For the fourth year in a row, the highest vacancy rate for single-family homes in 2011 was reported in the Ketchikan Gateway Borough at 16.7 percent. Perhaps as a result of having a chronically high vacancy rate for single-family rentals, Ketchikan has the third least expensive median adjusted rent prices for single-family rentals of all surveyed areas.
- The single-family vacancy rate was second highest in the Kenai Peninsula Borough at 9.4 percent, and Kenai Borough median adjusted rent prices for single-family homes are the second lowest of all surveyed areas.
- The Valdez-Cordova Census Area had a 2011 vacancy rate for single-family homes of 0.0 percent. While there were certainly some vacant units in Valdez-Cordova in 2011, they were not captured in the March survey. Valdez-Cordova also had the highest adjusted median rent value for single-family homes, at \$1,763.

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- The Municipality of Anchorage had the second lowest vacancy rate for single-family home in 2011, at 3.8 percent, and the second highest median adjusted single-family rent, at \$1,709.

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 had the highest vacancy rate for apartments as well, although the apartment vacancy rate was lower than for single-family rentals. With an apartment vacancy rate of 11.2 percent, Ketchikan rental prices for apartments were the fourth least expensive in all surveyed areas.
- The Fairbanks North Star Borough and Sitka Borough also had high apartment vacancy rates, at 8.8 and 8.4 percent respectively. Median adjusted rent amounts in these areas were in the middle of the pack, comparatively.
- The lowest vacancy rate for apartments in 2011 was found in the Valdez-Cordova Census Area at 0.8 percent, followed closely by Wrangell-Petersburg, at 0.9 percent. But while Valdez-Cordova has the fourth highest median apartment rent price, Wrangell-Petersburg has the second lowest.
- For the second year in a row, Juneau Borough, Kodiak Island Borough and the Municipality of Anchorage had low vacancy rates for apartment rentals and higher than average rents for this building type. This suggests the rental markets are tight in those areas.
- Also for the second year in a row, 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.

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- In all surveyed units combined, the most common utilities provided in the contract rent were sewer services and garbage collection, provided in 89 and 86 percent of the surveyed units, respectively.
- Electricity was the utility least likely to be included in the contract rent in 2011, with 23 percent of the surveyed units providing it. The percentage of units providing electricity with the contract rent was slightly higher than in 2010.
- Eighty-seven percent of units reporting in the Fairbanks North Star Borough included heat with the contract rent in 2011; the Ketchikan Gateway Borough was second with 82 percent.
- Heat was least likely to be included in contract rent in Sitka Borough. For the fourth year in a row, Sitka had the lowest occurrence of utilities being included in contract rent. Only 43 percent of units in Sitka had heat included in the rent, and only 23 percent had trash collection included.
- Wrangell Borough-Petersburg Census Area tenants were the least likely to have electricity included in their contract rent, followed closely by Kodiak; only 8 percent of units were reported to have electricity paid by the landlord in these areas.
- Utilities were included in a slightly larger fraction of units in all survey areas in 2011 compared to 2010. Heat, electricity, hot water, sewer, garbage and snow removal were more likely to be included in all surveyed areas combined in 2011 than in 2010, while water was less 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 five out of 10 surveyed areas in 2011. Increases ranged from one percent in the Valdez-Cordova Census Area to 10 percent in

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Wrangell-Petersburg. Median adjusted rent also rose in the Municipality of Anchorage, the Juneau Borough, and the Matanuska-Susitna Borough.

- The five surveyed areas where median adjusted rents fell since 2010 were the Kodiak Island Borough, the Fairbanks North Star Borough, the Ketchikan Gateway Borough, the Sitka Borough and the Kenai Peninsula Borough.
- Kodiak Island Borough and Valdez-Cordova Census Area reported the highest median adjusted rents of all surveyed areas, for the third year in a row, at \$1,172 and \$1,094 respectively.
- Median adjusted rents were lowest on the Kenai Peninsula at \$835 per month, followed by Wrangell-Petersburg and Mat-Su at \$851 and \$898 respectively.
- The median adjusted rent for the most expensive area, Kodiak Island Borough, was about 40 percent higher than Kenai Borough, the least expensive area, and 11 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 \$211 higher than the contract rent. This indicates that fewer landlords include utilities in the contract rent price in Sitka than other surveyed locations.
- Fairbanks North Star Borough and Matanuska-Susitna Borough 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 100 percent of surveyed units are heated by oil. Other areas where oil is predominant include Fairbanks North Star Borough (89 percent), Valdez-Cordova Census Area (92 percent) and Ketchikan Gateway Borough (85 percent).
- In areas without natural gas but with inexpensive hydro-powered electricity, electric heat is used more frequently than in other areas. In Wrangell-Petersburg, 53 percent of surveyed units use electric heat, followed by Juneau Borough (29 percent), and Sitka Borough (25 percent).

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- Most rental units have electric ranges. In Sitka Borough, 98 percent of rental units have electric stoves. The notable exceptions are Kenai Borough, where only 60 percent of rental units have electric ranges, and in the Mat-Su Borough, where 59 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 2011, 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 Fairbanks North Star Borough, where the median adjusted rent for a three-bedroom single family unit was \$942 greater than an apartment with the same number of bedrooms.
- Median adjusted rents for three-bedroom single-family rentals rose in seven of 10 areas. The largest increase was in the Fairbanks North Star Borough, where the price of the median adjusted three-bedroom single family rental increased by \$164.
- Three-bedroom single-family rentals had median adjusted rents ranging from a low of \$959 in Wrangell-Petersburg to a high of \$1,938 in Fairbanks North Star Borough.
- The median adjusted rent for three-bedroom single-family rentals fell in the Wrangell-Petersburg, Anchorage and Sitka in 2011.
- The difference between the median adjusted rent for a three-bedroom single-family rental in the most expensive area, the Fairbanks North Star Borough, and the least expensive area, the Wrangell Borough-Petersburg Census Area, was \$979.

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.

- Seven of the 10 surveyed areas saw increases in median adjusted rents for two-bedroom apartments in 2011.

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- In 2011, the highest median adjusted rent for a two-bedroom apartment was \$1,231 in Kodiak Island Borough. Anchorage and Juneau also had high rent prices for two-bedroom apartments, at \$1,202 and \$1,182 respectively.
 - The lowest median adjusted rent amount for a two-bedroom apartment was found in the Kenai Peninsula Borough, at \$847, one dollar more than the 2010 rent amount.
 - The largest drop in median rent for a two-bedroom apartment was in Fairbanks, where the median two-bedroom apartment fell \$95 to \$996.
 - Median adjusted rent for two-bedroom apartments grew the most in Wrangell-Petersburg in 2011, increasing \$150 to \$861. Despite this increase, Wrangell-Petersburg remains one of the least expensive surveyed areas.
 - The Municipality of Anchorage, the Juneau, Sitka, Ketchikan Gateway and Kodiak Island boroughs all had median adjusted rent for two-bedroom apartments above \$1,000.
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- 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 \$328 higher than for a one-bedroom.
 - The smallest difference in median adjusted rent paid for moving to a two-bedroom apartment from a one-bedroom was found in Mat-Su at \$49.
 - The median adjusted rent for two-bedroom apartments in the Municipality of Anchorage was \$1,202, which was 40 percent higher than the rent for similar-sized units reported by its neighbor, the Mat-Su Borough, at \$871.

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.

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- Juneau Borough and Ketchikan Gateway Borough had vacant units that were more expensive than occupied units, and Wrangell-Petersburg's median occupied and vacant unit were the same price. Ketchikan had the highest vacancy rate for all units in 2011, while Juneau had one of the lowest.

- The largest difference between vacant and occupied units was in Sitka, where occupied units cost \$152 more than vacant units.

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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 11th. 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.

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.

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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.