

Alaska Housing Market Indicators

2012 Residential Rental Market Survey

Prepared for

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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 2012, median adjusted rents in Alaska increased from year-ago levels in eight of 10 surveyed areas.
- The vacancy rate for all surveyed areas and building types combined was 4.4 percent in 2012, unchanged from 2011. The 2012 vacancy rate for all survey areas combined was below the 10-year average rate of 6.5 percent.
- In 2012, the median adjusted rent for all surveyed areas and building types combined was \$1,065 per month, up \$23, or 2 percent, from 2011.
- The highest median adjusted rent for all building types was reported in Kodiak Island Borough at \$1,357 per month followed by Valdez-Cordova Census Area at \$1,150 per month. The median adjusted rent in Kodiak Island Borough rose 14 percent from one year ago, while the median adjusted rent in Valdez-Cordova rose 5 percent from 2011.
- The lowest median adjusted rents in 2012 were reported in the Kenai Peninsula Borough at \$865 and the Wrangell Borough-Petersburg Census Area at \$861. The median adjusted rent in Wrangell-Petersburg was unchanged from 2011, while rent in the Kenai Peninsula Borough rose 3 percent.
- The most common utilities included with contract rent in 2012 were sewer services and garbage collection, which were provided with the monthly contract rent in 89 and 85 percent of the surveyed units respectively. Electricity was the least likely utility to be included. It was included with rent in 21 percent of the surveyed units.
- Four out of the 10 surveyed areas reported lower median adjusted rents for vacant units than for those that were occupied in 2012. The difference in median adjusted rents between vacant and occupied units was greatest in Kodiak where occupied units were \$200 more expensive than those that were vacant.

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Response Rates

- In March 2012, 5,000 surveys were mailed to potential landlords and owners from property tax, business license lists and other public records. This year, 1,922 residential rental property owners and managers responded to the survey; the total response rate for the 2012 survey was 38 percent.
- The survey responses for 2012 provided information on 15,417 rental units in 57 communities across Alaska.
- Eighty-eight 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 9 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 (62 percent). Fourteen 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 increased in 5 of the 10 surveyed areas in 2012. The overall vacancy rate was 4.4 percent, unchanged one year ago.
- The lowest vacancy rate in 2012 was in the Kodiak Island Borough at 2.3 percent, followed by the Municipality of Anchorage at 2.6 percent. Kodiak Island and Anchorage also reported the two of the three highest median adjusted rent amounts for all building types in 2012.

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- The Valdez-Cordova Census Area, Juneau Borough, and Matanuska-Susitna Borough had vacancy rates below 4 percent; at 3.1 percent, 3.2 percent and 3.5 percent, respectively.
- The highest vacancy rate in 2012 was in the Fairbanks North Star Borough at 8.3 percent, one-tenth of a percentage point higher than last year. Fairbanks' high vacancy rate can likely be attributed to the spring 2011 deployment of the 1st Stryker Brigade Combat Team.
- Ketchikan Gateway Borough had the second highest vacancy rate in 2012 at 8.2 percent. In 2010 and 2011, Ketchikan had the highest vacancy rate.
- The largest drop in vacancy rates in 2012 was reported in the Ketchikan Gateway Borough, falling from 11.5 percent in 2011 to 8.2 percent in 2012.
- The vacancy rate in the Valdez-Cordova Census Area increased by 1.9 percentage points from 2011 to 2012, which was the largest jump. Wrangell-Petersburg's rate increased 1.3 percentage points, and Anchorage, Fairbanks and Kodiak's rates increased less than one percent. The Juneau Borough's rate was unchanged from 2011 to 2012.

Single-family

- For the fifth year in a row, the highest vacancy rate for single-family homes in 2012 was reported in the Ketchikan Gateway Borough at 12.5 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 Juneau and Sitka boroughs, at 8.5 percent.
- For the second year in a row, the Valdez-Cordova Census Area had a vacancy rate for single-family homes of 0 percent. While there were certainly some vacant units in Valdez-Cordova in 2012, they were not captured in the March survey. Valdez-Cordova also had the highest adjusted median rent value for single-family homes, at \$1,934.
- The Matanuska-Susitna Borough had the second lowest vacancy rate for single-family homes in 2012, at 1.5 percent, but the fifth lowest median adjusted single-family rent, at \$1,516.

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Apartments

- Vacancy rates for apartments were generally lower than those for single-family rentals, suggesting greater demand for this type of rental housing.
- The Fairbanks North Star Borough and Sitka Borough had the highest apartment vacancy rates, at 8.5 and 8.1 percent respectively. Median adjusted rent amounts in these areas were in the middle of the pack, comparatively.
- The lowest vacancy rates for apartments in 2012 were found in the Juneau and Kodiak Island boroughs at 2.0 percent, followed by Anchorage, at 2.5 percent. Kodiak had the highest median adjusted rent price for apartments, and Juneau had the fourth highest.
- For the third 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 third 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.

- In all surveyed units combined, the most common utilities provided in the contract rent were sewer services and garbage collection, provided in 89 and 85 percent of the surveyed units, respectively.
- Electricity was the utility least likely to be included in the contract rent in 2012, with 21 percent of the surveyed units providing it. The percentage of units providing electricity with the contract rent was slightly lower than in 2011.

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- Eighty-eight percent of units reporting in the Fairbanks North Star Borough included heat with the contract rent in 2012; the Ketchikan Gateway Borough was second with 80 percent.
- Heat was least likely to be included in contract rent in Sitka Borough. For the fifth year in a row, Sitka had the lowest occurrence of utilities being included in contract rent. Only 44 percent of units in Sitka had heat included in the rent, and only 25 percent had trash collection included.
- Kodiak Island Borough tenants were the least likely to have electricity included in their contract rent, followed by Wrangell-Petersburg; only 6 percent of Kodiak units and 9 percent of Wrangell-Petersburg units were reported to have electricity paid by the landlord.
- Utilities were included in a slightly smaller fraction of units in all survey areas in 2012 compared to 2011. Hot water, sewer, and water were more likely to be included in all surveyed areas combined in 2012 than in 2011, while heat, electricity, garbage and snow removal were 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 eight out of 10 surveyed areas in 2012. Increases ranged from \$4 in Sitka to \$185 in Kodiak. Median adjusted rent also rose in Anchorage, Fairbanks, Mat-Su, Kenai Peninsula, Ketchikan, and Valdez-Cordova.
- The only surveyed area where median adjusted rents fell since 2011 was the Juneau Borough, where it fell \$6, or 1 percent. Despite this small decline, Juneau was the fourth most expensive area in 2012.
- Kodiak Island Borough and Valdez-Cordova Census Area reported the highest median adjusted rents of all surveyed areas, for the fourth year in a row, at \$1,357 and \$1,150 respectively.

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- Median adjusted rents were lowest in Wrangell-Petersburg at \$861 per month, followed by Kenai Peninsula and Ketchikan at \$865 and \$972 respectively.
- The median adjusted rent for the most expensive area, Kodiak Island Borough, was about 58 percent higher than Wrangell-Petersburg, the least expensive area, and 27 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 Kodiak Island Borough, followed closely by the Sitka Borough, where the adjusted rent was \$212 and \$211 higher than the contract rent, respectively. In the case of Sitka, it is because utilities are less likely to be included in the contract rent. In Kodiak, however, it is a reflection of the high cost of utilities as well as the higher likelihood tenants must pay their own utility bills.
- Fairbanks North Star Borough and Ketchikan Gateway 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 (90 percent), Valdez-Cordova Census Area (94 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 (30 percent), and Sitka Borough (31 percent).
- Most rental units have electric ranges. The notable exceptions are the Kenai Peninsula and Mat-Su boroughs, where only 60 percent of rental units have electric ranges. The difference is made up by natural gas stoves in rental units in these areas.

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Single-family

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

- In 2012, 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 \$751 greater than an apartment with the same number of bedrooms.
- The smallest difference in price between a three-bedroom apartment and single-family unit was in the Ketchikan Gateway Borough, where the average single-family three-bedroom rental cost \$10 more than the average three-bedroom apartment. The Wrangell-Petersburg area was next lowest with a difference of \$43.
- Median adjusted rents for three-bedroom single-family rentals rose in seven of 10 areas. The largest increase was in the Kodiak Island Borough, where the price of the median adjusted three-bedroom single family rental increased by \$244.
- Three-bedroom single-family rentals had median adjusted rents ranging from a low of \$1,025 in Wrangell-Petersburg to a high of \$1,997 in Kodiak Island Borough.
- The median adjusted rent for three-bedroom single-family rentals fell in Fairbanks and Ketchikan in 2012.
- The difference between the median adjusted rent for a three-bedroom single-family rental in the most expensive area, the Kodiak Island Borough, and the least expensive area, the Wrangell Borough-Petersburg Census Area, was \$972.

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.

- Eight of the 10 surveyed areas saw increases in median adjusted rents for two-bedroom apartments in 2012.
- In 2012, the highest median adjusted rent for a two-bedroom apartment was \$1,318 in Kodiak Island Borough. Anchorage and Juneau also had

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high rent prices for two-bedroom apartments, at \$1,240 and \$1,213 respectively.

- The lowest median adjusted rent amount for a two-bedroom apartment was found in the Wrangell-Petersburg region, at \$861, unchanged from the 2011 rent amount.
- Along with Wrangell-Petersburg, median adjusted rent for two-bedroom apartments was unchanged in Sitka Borough.
- Median adjusted rent for two-bedroom apartments grew the most in Kodiak in 2012, increasing \$150 to \$1,381. The second largest increase was in Valdez-Cordova Census Area, an increase of \$124 to \$1,103.
- Kenai Peninsula Borough, Matanuska-Susitna Borough and Wrangell-Petersburg area had a median adjusted rent for two-bedroom apartments below \$1,000.
- 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 \$397 higher than for a one-bedroom. The second highest premium was in the Valdez-Cordova Census Area, where the additional bedroom increased the median adjusted rent price by \$269.
- 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 \$68. Wrangell-Petersburg and Kenai Peninsula had \$145 and \$167 differences in two- and one-bedroom apartments.
- The median adjusted rent for two-bedroom apartments in the Municipality of Anchorage was \$1,240, which was 37 percent higher than the rent for similar-sized units reported by its neighbor, the Mat-Su Borough, at \$904.

Occupied vs. Vacant Units

- In 2012, four 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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- Anchorage, Fairbanks, Juneau, Ketchikan, Valdez-Cordova and Sitka had vacant units that were more expensive than occupied units. Kenai Peninsula, Kodiak, Mat-Su and Wrangell-Petersburg had vacant units that were less expensive than occupied units.
- The largest difference between vacant and occupied units was Wrangell-Petersburg, where occupied units cost \$206 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.