

Alaska Housing Market Indicators

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Prepared for

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Acknowledgment

We wish to thank the primary and secondary mortgage lenders listed below for responding to our quarterly survey of mortgage loan activity and for their willingness to continue to participate in future surveys:

- Alaska Housing Finance Corporation
- Alaska Pacific Bank
- Alaska USA Federal Credit Union
- Denali State Bank
- Denali Federal Credit Union
- Federal National Mortgage Association (Fannie Mae)
- First Bank of Ketchikan
- First National Bank of Alaska
- Residential Mortgage
- Rural Development (formerly USDA Farmers Home Administration)
- Tlingit-Haida Regional Housing Authority
- Wells Fargo Home Mortgage

This list includes the major government and private providers of mortgage funds in Alaska, as well as the names of subsidiary companies for which data have been reported by the parent company. Some of the participants are *primary* mortgage lenders. That means they originate loans to keep in their own portfolios or sell them to participants in the secondary mortgage market. Institutions such as Alaska Housing Finance Corporation and Federal National Mortgage Association (Fannie Mae) operate in the *secondary* mortgage market, purchasing mortgages originated by primary lenders.

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Alaska Housing Market Scorecard

Third and Fourth Quarters, 2012

Mortgage Interest Rates

30-Year Fixed
3.48%



The average interest rate fell 73 basis points from the second half of 2011 and is at all-time low.

Number of Loans

Single-Family and
Condominium
4,921



The reported number of single-family and condominium loans rose 24 percent year-over-year, but remains below the 10-year average.

Sales Price Appreciation

Single-Family Homes
7%



The average sales price for single-family homes rose 7 percent.

Alaska Affordability Index

Single-Family Homes
1.22



The index fell 6 basis points from its year-ago level of 1.28.

Lowest 
Highest 

The score for the current period is based on the ratio of the current value to the historical value for the data set.

Alaska Quarterly Survey of Mortgage Lending Activity

The Alaska Quarterly Survey of Mortgage Lending Activity summarizes total loan activity reported by participating lenders. These lenders include the major government and private providers of mortgage funds in Alaska, as well as subsidiary companies for which the parent company reported data. Changes in loan activity over time may be affected not only by changes in the market but also by changes in the list of lenders participating.

Some of the participants in the survey are *primary* mortgage lenders. Primary mortgage lenders originate loans to keep in their own portfolios or sell them to participants in the secondary mortgage market. Institutions such as Alaska Housing Finance Corporation and Federal National Mortgage Association (Fannie Mae) operate in the *secondary* mortgage market, purchasing mortgages originated by primary lenders. Secondary mortgage activity is an important source of liquidity for primary mortgage lending.

Although primary lenders and secondary purchasers differ, both provide financing for Alaskans to purchase housing. For the purposes of this report, maintaining the distinction is not particularly important. Therefore, references to "lenders" include both primary lenders and some secondary purchasers. Unless the difference is critical to the discussion, no distinctions are made.

Unless otherwise stated, all statistical comparisons measure data from the second half of 2012 against figures from the second half of 2011.

Overall Total Loan Activity

Total lending activity rose statewide in the second half of 2012 compared to one year earlier; including the number of loans, dollar volume, and sales volume.

The average sales price for single-family homes and condominiums also went up in the second half of 2012, while the average price for multi-family home fell. For all building types combined, the average loan-to-value (LTV) ratio increased 0.4 percentage points over the year, as increases in the average sales prices outpaced growth in average loan amounts.

Statewide nominal wages were nearly stagnant (up 0.7 percent) in the second half of 2012 and were overtaken by inflation, based on a 2.0 percent increase in the Anchorage Consumer Price Index (CPI). The average mortgage interest rate was down 73 basis points over the year. Housing became more affordable during the second half of 2012, as historically low interest rates made up for the increase in the price of a single-family home and flat wages.

- In the second half of 2012, the statewide average sales price for all surveyed building types combined rose 4 percent year-over-year to \$296,965. The average price of single-family homes rose 7 percent and the price of condos rose 1 percent, while multi-family home prices fell 23 percent.
- The City and Borough of Juneau had the state's highest average sales price in the second half of 2012 for all building types at \$334,125, up 13 percent from the second half of 2011. The Municipality of Anchorage was second at \$329,717, an increase of less than 1 percent.
- The state's lowest average sales price for all building types was in the Fairbanks North Star Borough in the second half of 2012, at \$238,822. The Kenai Peninsula Borough had the second-lowest average at \$245,140.
- Average sales prices for all building types combined increased in seven of eight surveyed areas.
- The total loan dollar volume for all building types combined statewide rose 29 percent, or \$305 million, to \$1.3 billion in the second half of 2012. The average loan amount, based on a total of 5,071 loans, rose 4 percent to \$264,429.
- The loan dollar volume rose over-the-year in seven of eight surveyed areas.
- Over half—60 percent—of the state's loan dollar volume was in the Municipality of Anchorage. The Matanuska-Susitna Borough had the second largest piece of the lending pie at 14 percent, and 10 percent of loan volume was in the Fairbanks North Star Borough. Together, these areas accounted for 84 percent of lending activity in the second half of 2012.
- The average LTV ratio for all building types combined statewide was 89 percent, up from 88.6 percent in the second half of 2011.

Single-Family Homes

- Four out of every five loans in the second half of 2012 were for single-family properties – 4,217 out of 5,071. Overall, the number of single-family loans rose 22 percent from 3,463 in the second half of 2011.
- Statewide, in the second half of 2012, the average sales price for single-family homes increased 7 percent year-over-year from \$279,972 to \$299,621.
- The state's highest average sales price for single-family homes was in the Juneau Borough at \$350,056, 12 percent higher than the second half of 2011. The Municipality of Anchorage was second most expensive at \$344,660, which is 5 percent higher than the year earlier.
- The Fairbanks North Star Borough had the state's lowest average sales price for single-family homes in the second half of 2012 at \$241,953, which was 4 percent more than one year earlier. The Kenai Peninsula Borough was next lowest priced at \$242,982, an increase of 7 percent from the previous year.
- Average sales prices for single-family homes rose over-the-year in all surveyed areas. The greatest increase was in the Bethel Census Area where single family

sales prices rose 18 percent. The next greatest increase was in Juneau, at 12 percent.

- The total dollar volume of single-family home loans statewide increased 28 percent, or \$247 million, to \$1.1 billion in the second half of 2012. The average loan amount increased 5 percent to \$269,299.
- The average LTV ratio for single-family homes statewide was 89.9 percent, down from 91.6 percent in the second half of 2011. LTV went down in all surveyed areas. LTV decreases when the average loan amount for an area grows less (or contracts more) than its corresponding average sales price.
- The Municipality of Anchorage was home to over half the single-family loan activity, with 55 percent of the loan dollar volume. An additional 15 percent of loan volume was from the Mat-Su Borough, and the Fairbanks North Star Borough followed with 11 percent.

Condominiums

- Statewide, condominium loan activity was up 39 percent, increasing from 506 loans in the second half of 2011 to 704 in the second half of 2012. The Municipality of Anchorage dominated condominium sales with 90 percent of the state's total loan volume.
- The statewide average sales price for a condominium rose \$1,125 in the second half of 2012 to \$204,209.
- The highest average sales price for a condo was found in the Ketchikan Gateway Borough where prices rose 38 percent to \$210,000 in the second half of 2012; however, there was little condo activity reported so it is difficult to make assumptions about average condo prices in the Ketchikan area. The Municipality of Anchorage was home to the second highest average condominium sales price in the second half of 2012 at \$207,434, a 1 percent drop from the year-earlier value. No condominium sales were reported in the Bethel Census Area or Kodiak Island Borough.
- The lowest average sales price for a condo was found in the Fairbanks North Star Borough, where condo prices fell by 3 percent to \$118,260.
- In the Mat-Su Borough, condo prices dropped 2 percent, to \$166,660, and loan dollar volume increased by 97 percent, to 2.9 million.
- The total dollar volume of condominium loans statewide rose 44 percent, or \$39 million, to \$127 million in the second half of 2012. The average loan amount grew 3 percent to \$180,929.
- The average LTV ratio for condominiums statewide was 88.6 percent, up from 86.2 percent in the second half of 2011.

Multi-Family Activity

- Statewide, multi-family loan activity was up 32 percent, rising from 114 loans in the second half of 2011 to 150 loans in the second half of 2012. The number of units financed increased 15 percent, from 1069 units to 1233 units.
- The statewide average sales price of multi-family properties fell 23 percent to \$657,636; the average price per unit fell 12 percent to \$80,004.
- The average LTV for multi-family properties rose in the second half of 2012 from 60.7 percent to 79.0 percent. Multi-family buyers were putting down smaller down payments in the second half of 2012 compared to a year earlier.
- No multifamily activity took place in the Kodiak Island Borough.

Mortgage Interest Rates

- The weighted average interest rate for 30-year conventional fixed rate mortgages in the second half of 2012 was 3.48 percent, which is 73 basis points lower than a year earlier.
- AHFC offered loan products with lower interest rates compared to other lenders. AHFC's average interest rate for 30-year conventional fixed rate mortgages was 3.46 percent; all other lenders collectively averaged 3.49 percent.
- Interest rates for loan products in the AHFC urban portfolio had lower interest rates, on average, compared to those in the rural portfolio. The average AHFC urban interest rate was 3.46 percent, while the average AHFC rural interest rate was 3.51 percent.
- Nationally, interest rates averaged 3.61 percent during the second half of 2012, down 86 basis points from 4.47 percent one year earlier.
- The Federal Reserve has maintained the federal funds rate between 0.00 and 0.25 percent since December of 2008, which has been reflected in historically low mortgage interest rates.

New vs. Existing Construction

In the Quarterly Survey of Mortgage Lending Activity, *new construction* is defined as any residential housing constructed within 12 months of the survey date. Any loans that do not fit into the new construction category are classified as *existing construction*.

New Construction

- Statewide, loan dollar volume of new construction rose \$28 million, or 23 percent, from one year earlier to \$146 million for all building types. Total sales rose 8 percent to \$165 million. The average sales price fell 15 percent to \$328,602.
- Of the total statewide dollar volume of loans, 11 percent went toward new construction during the second half of 2012. The Matanuska-Susitna Borough

experienced two and a half times the statewide average loan activity in new construction, at 28 percent.

- For all building types combined, the statewide average sales price for new construction was 12 percent higher than existing construction during the second half of 2012.
- The average sales price for new construction of all building types was highest in the Municipality of Anchorage at \$397,686. Half the surveyed areas reported average prices over \$300,000.
- The state's least expensive new construction was found in the Fairbanks North Star Borough in the second half of 2012, where the average price was \$261,756.
- A buyer would expect to pay an average of 14 percent more for a newly constructed single family home rather than an existing home in the second half of 2012. A new condo cost an average of 34 percent more than one at least a year old.
- Overall, the statewide LTV ratio for new construction was 88.7 percent in the second half of 2012, compared to 77.7 percent in the second half of 2011. Multi-family properties are primarily responsible for this change, as the LTV increased from 45.8 percent in the second half of 2011 to 88.4 percent in the second half of 2012.

Existing Construction

- Statewide, loan dollar volume of existing construction rose \$277 million, or 30 percent, from one year earlier to \$1.2 billion. Total sales rose 32 percent to \$1.3 billion.
- The number of loans for existing construction rose 24 percent to 4,569 in the second half of 2012.
- Seven of eight surveyed areas saw an increase in loan activity for existing construction.
- Kodiak Island Borough was the only area with decreased loan activity, where the number of loans fell 8 percent, from 51 to 47.
- The largest percentage increase was in the Ketchikan Gateway Borough where loan activity increased 52 percent to 41 loans.
- All of the surveyed areas had an average sales price over \$235,000 for existing single family homes. The state's lowest averages were found in the Kenai Peninsula Borough at \$239,817 and Mat-Su Borough at \$239,865. The highest was in Juneau at \$351,508.
- The average LTV ratio for existing construction single-family homes was 90.1, compared to 88.3 for new construction homes.

Employment and Wages

- The average monthly unemployment rate in Alaska was 6.4 percent in the second half of 2012, down from 7.0 percent in the second half of 2011. (Unemployment and labor force statistics are not seasonally adjusted.)
- The average monthly labor force in Alaska was 367,209 in the second half of 2012. This value is lower than the comparable number in 2011 of 368,978.
- Statewide, the average monthly wage rose 0.7 percent over the year from \$4,081 to \$4,110 in the second half of 2012.
- Of the eight surveyed areas, the Municipality of Anchorage had the highest average monthly wage at \$4,332, essentially unchanged over the year (up \$2). Anchorage was also the only surveyed area with wages above the statewide average. Fairbanks North Star Borough and Juneau Borough's average monthly wages were \$4,019 and \$3,913 respectively.
- Of all surveyed areas, wages were lowest in the Bethel Census Area, at \$3,179 per month.
- The surveyed area with the largest year-over-year wage growth was the Kodiak Island Borough, where average monthly wages grew 4.7 percent to \$3,534.

Alaska Affordability

The Alaska Affordability Index is a measure of the number of wage earners necessary to afford an average home. The index value indicates the number of earners per residence receiving the average wage necessary to qualify for a 30-year single-family home mortgage at the average interest rate with a 15 percent down payment. An increase in this index means that a family is less able to afford a home. All index values discussed in this section are for single-family homes.

- Statewide, housing became more affordable in the second half of 2012 compared to one year earlier. A 7 percent increase in the average price of a single-family home was offset by a less than 1 percent increase in average wages statewide and very low interest rates.
- The Bethel Census Area was the least affordable of the surveyed areas with an index value of 1.52, up from 1.43 in the second half of 2011. Juneau was next at 1.50 (down from 1.58), followed by the Kodiak Island Borough at 1.35 (down from 1.44).
- The Fairbanks North Star Borough had the state's lowest Alaska Affordability Index value in the second half of 2012 at 1.05, down from 1.13. The Kenai Peninsula Borough was the second most affordable area, with an index value of 1.12, down from 1.20 a year ago.
- Single-family housing was most affordable for Matanuska-Susitna Borough residents who work in the Municipality of Anchorage. The index value for a Mat-Su household with employment in the Anchorage area fell to .98 in the second half of 2012, down from 1.02 one year ago. This index value may be attributed to Anchorage's wages being the highest in the surveyed areas and a record low

interest rate as well as the fact that the average home in Mat-Su costs 27 percent less than in Anchorage.

National Affordability

The National Affordability Index is compiled by the National Association of Realtors and is interpreted differently than the Alaska Affordability Index. A value of 100 means that a family earning the median income has exactly enough income to qualify for a mortgage on a median-priced home, assuming a 20 percent down payment. An increase in this index means that a family is more able to afford a home.

- Nationally, housing became more affordable in the second half of 2012 as the index value climbed from 189 to 195. The rise in affordability was driven by falling interest rates and growth in median family income which overcame an increase in median sales price.

New Alaska Housing Units

The Alaska New Housing Unit Survey reports new residential construction statistics. The survey includes new housing units authorized by building permits as well as those units where building permits are not required. Communities throughout Alaska provide monthly permit activity for single-family homes, multi-family units, and mobile home placements.

Note: Each spring, the Matanuska-Susitna and the Fairbanks North Star boroughs finalize their prior year new housing unit numbers and reporting all of their new housing units for the year in the fourth quarter. This approach understates activity during the first half of the year, overstates the second half's figures and is generally not available at the time of this report. The cities of Palmer, Wasilla, North Pole, and Fairbanks, however, report new housing units quarterly.

Unless otherwise stated, all statistical comparisons measure data from the second half of 2012 against figures from the second half of 2011.

Overall New Housing Units

- Statewide, the number of residential housing units authorized during the second half of 2012 increased to 488 – a 2 percent increase from 480 units last year.
- In the second half of 2012, the total number of new *buildings* reached 351. This represents a 3 percent increase from 2011.
- Twenty-six out of the 160 surveyed communities reported new housing unit activity during the second half of 2012; down from 37 one year ago.

- The reported value of all new housing units was \$95.4 million during the second half of 2012 compared to \$85.4 million during the second half of last year, a 12 percent increase. (Note: Not all survey participants reported the value of new housing units.)
- The Municipality of Anchorage recorded 238 new housing units in the second half of 2012, accounting for 49 percent of the state's total new units. Juneau, Fairbanks, and Kodiak each accounted for 9 percent of the overall new housing units, with 44, 43, and 42 units respectively.

New Single-Family Units

- In the second half of 2012, there were 262 new single family units reported statewide, down 3 percent from 269 units one year ago.
- The statewide total reported value of single-family units during the second half of 2012 was \$66.6 million, up from \$57.8 million the prior year. (Note: Not all areas are able to provide the value of new housing units).
- The statewide average value of a new single-family home during the second half of 2012 was \$299,929, which is 12 percent higher than 2011. (Note: Areas that weren't able to provide the value of new housing units were excluded from this calculation.)
- In Anchorage, there were 140 new single-family housing units in the second half of 2012, up by 52 units from the same period last year.
- The average value for single-family units in Anchorage for the second half of 2012 was \$346,845, compared to \$340,654 in 2011.
- Statewide, single-family structures made up 54 percent of all new housing units during the second half of 2012 compared to 56 percent one year ago.
- The largest decreases in single family unit activity occurred in Fairbanks and Wasilla, where single-family new construction fell by 50 and 42 percent, respectively over the year.

New Multi-Family Units

- Statewide construction of multi-family (two or more units) housing units increased by 18 units in the second half of 2012.
- The total number of multi-family units (218) accounted for 45 percent of all statewide housing units in the second half of 2012. This percentage is on par with the previous year, where total multi-family units (200) made up 42 percent of total building activity.
- The total number of multi-family buildings in the second half of 2012 increased 7 percent; from 60 to 64. Projects with three or more units in the building declined from 22 in the second half of 2011 to 16 in the second half of this year.
- The average price per multi-family unit during the second half of 2012 was \$174,702, down 10 percent from 2011 (\$193,855). The average price per multi-

family *building* decreased 7 percent from \$700,859 in 2011 to \$655,132 in 2012. (Note: Areas that did not provide the value of the new housing units were excluded from this calculation.)

- In the second half of 2012, eight places reported multi-family building activity, compared to eleven during the same period last year.
- In the Municipality of Anchorage, the average number of units per multi-family building dropped to 2.7, compared to 3.5 one year ago.
- The number of new multi-family units in the Anchorage area fell ten percent, from 109 to 98 in the second half of this year.
- Of the eight places with multi-family activity in the second half of 2012, the Municipality of Anchorage accounted for 45 percent of housing units, compared to 55 percent in the second half of 2011.