

Rent Increases 5 Percent from 2012

Statewide median for all units now \$1,119 per month

Living in Alaska is expensive whether buying a home or renting, and for those who rent, the cost has gone up about 5 percent from 2012. Current median rent is \$1,119 per month for all unit types and survey areas combined, with costs varying considerably by community and the type and size of the unit.

Renting is more common in Alaska than it is nationwide. While the majority of Alaskans are homeowners, 36.9 percent of occupied housing units are rentals — more than the 34.9 percent nationally. Alaska’s slightly higher proportion of rentals is likely due to our young, mobile population and the high cost of purchasing a home.

Alaska’s major markets are often characterized by low vacancy rates as well as high rents. Although vacancy rates are up 0.8 percentage points from 2012, to 5.2 percent, that’s still well below the 10-year average of 6.4 percent.

For this article, discussion of median rent always refers to “adjusted rent,” which includes the estimated cost of any additional utilities. See the sidebar on page 9 for more detail.

Anchorage

Anchorage has the second-highest median rent in the survey at \$1,154, second only to Kodiak’s \$1,365. Anchorage’s rental market is tight as well as expensive; the city’s vacancy rate of 3.3 percent is the state’s lowest this year.

Rent for two-bedroom apartments, the most common size, is \$1,287 per month — also second to Kodiak’s high of \$1,369. Three-bedroom single-family homes, the most common single-family size, is closer to the middle of the pack at \$1,890.

Vacancy rates for both two-bedroom apartments and three-bedroom houses are also near the overall rate, at 3.4 and 3.3 percent respectively.

Natural gas is Anchorage’s predominant source of energy, providing both heat and hot water in more than 95 percent of surveyed units with the balance provided by electricity. For cooking stoves, the opposite is true — 95 percent of surveyed units use electricity to cook, with natural gas fueling the remainder.

Fairbanks

Rents have gone up more in Fairbanks over the past year than in any other surveyed area. A 6 percent increase from 2012 brought rent for all units combined to \$1,104, just under the survey-wide value of \$1,119.

Fairbanks has the third-highest vacancy rate, 9.2 percent, just behind the Ketchikan Gateway Borough and the Valdez-Cordova Census Area at 9.8 and 9.3 percent respectively.

1 Median Rent* for All Unit Types Alaska, 2013



*Adjusted rent (see sidebar)
Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section and the Alaska Housing Finance Corporation: 2013 Rental Market Survey

Rents for both two-bedroom apartments and three-bedroom homes have risen 11 percent from 2012. At \$1,239, rent for a two-bedroom apartment is the fourth-highest among the surveyed areas.

The real story in Fairbanks is in single-family homes, where the median rent for a three-bedroom is the highest in the survey at \$2,131, beating out other high-cost communities such as Kodiak, Anchorage, and Juneau.

High rent may be driven by the expense of heating a single-family home in Fairbanks' extreme climate. Eighty-eight percent of the rentals surveyed heat with oil, and the utility adjustment for one month of oil heat for a three-bedroom rental in Fairbanks is \$378. (See the sidebar for an explanation of utility adjustment.) Ninety percent of Fairbanks rentals include heat in the contract rent.

The median rent for available vacant units in Fairbanks is \$106 more per month than currently

What is 'adjusted rent'?

Every March, the Alaska Department of Labor and Workforce Development surveys Alaska's landlords to gather residential rental information for the Alaska Housing Finance Corporation.

For each rental unit surveyed, property owners and managers report the monthly contract rent, building type, number of bedrooms, energy sources, and the utilities the rent includes.

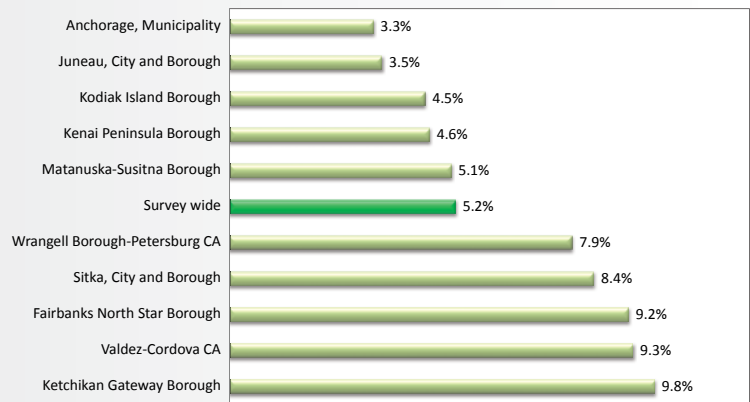
Respondents also report whether the unit was vacant during the week of March 11 of that year. "Contract rent" is the amount the tenant pays to the landlord each month, which may or may not include some utilities.

The utilities included in the contract rent can vary widely, making comparisons problematic. "Adjusted rent" adds the estimated cost of any utilities not included in the contract rent to make rents more comparable.

This article discusses rental costs in terms of the median adjusted rent, with the median as the middle value. Using the median tends to smooth out a data series as opposed to an average, which can be skewed by extremely high or low values.

The five areas discussed here represent Alaska's major population centers and account for 89 percent of all surveyed units.

2 Vacancy Rates for All Unit Types Alaska, 2013



Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section and the Alaska Housing Finance Corporation: 2013 Rental Market Survey

occupied units. Rising rents and a relatively high vacancy rate seem to be counterintuitive; however, Fairbanks has averaged 9.3 percent vacancy over the last 10 years, with high turnover likely due to the military and the University of Alaska Fairbanks.

Juneau

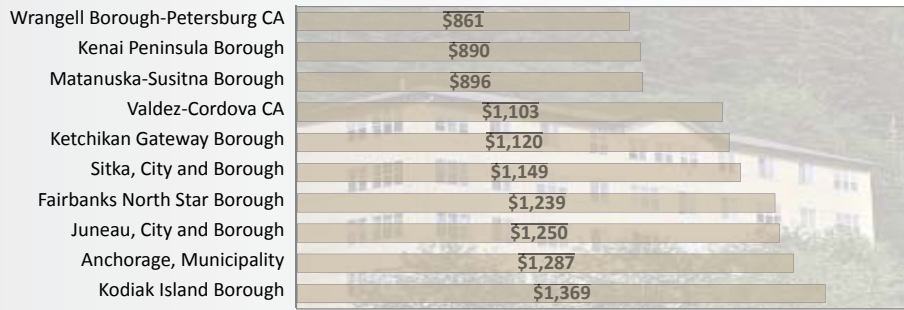
Juneau's median rent for all units is \$1,100, placing it in the middle group of surveyed areas and below the median survey total. Rent has gone up 3 percent, or \$34 per month, since 2012.

Juneau's vacancy rate is the second-lowest of the surveyed areas at 3.5 percent. Vacant units are more expensive than those currently leased, coming in at \$119 over occupied unit rents.

Two-bedroom apartments rent for \$1,250 in Juneau and are third-most expensive after Kodiak and Anchorage. Juneau also comes in third-highest for three-bedroom single-family homes at \$1,950. The market for three-bedrooms is tight, and at the time of the 2013 rental survey, no respondents had one available.

While 68 percent of surveyed units in Juneau heat with oil, hydroelectric power heats 31 percent of the units and provides hot water for 51 percent. Sixty percent of surveyed units include heat in the contract rent.

3 Two-Bedroom Apartments, Median Rent* Alaska, 2013



*Adjusted rent (see sidebar on page 9)
Sources: Alaska Department of Labor and Workforce Development, Research and Analysis Section and the Alaska Housing Finance Corporation: 2013 Rental Market Survey

Kenai

With low rents and cheap natural gas, the Kenai Peninsula is an attractive rental market, evidenced by the low 4.6 percent vacancy rate.

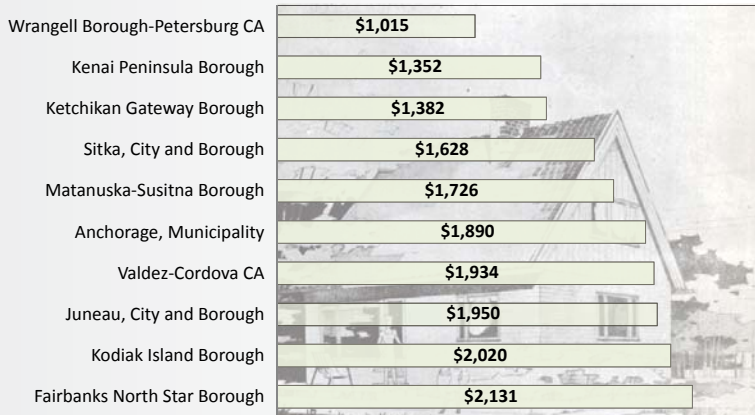
The Kenai Peninsula has the second-lowest median rent at \$900, an increase of 4 percent from 2012, or \$35.

Rent for a two-bedroom apartment in Kenai is \$890, the second-lowest of the surveyed areas and 31 percent lower than Anchorage. Two-bedroom apartments are in high demand, resulting in a vacancy rate of just 2.3 percent.

Median rent among three-bedroom homes is \$1,352, also the second-lowest among surveyed areas. Their vacancy rate, 5.9 percent, is higher than for two-bedrooms, indicating less demand for the larger units.

The Kenai Peninsula has the most diverse energy portfolio of the surveyed areas: 62 percent of units heat with natural gas, 25 percent with oil, 8 percent with electricity, and 6 percent with other sources.

4 Three-Bedroom Houses, Median Rent* Alaska, 2013



*Adjusted rent (see sidebar on page 9)
Sources: Alaska Department of Labor and Workforce Development, Research and Analysis Section and the Alaska Housing Finance Corporation: 2013 Rental Market Survey

5 Percent of Surveyed Units Using Specific Energy Types All types of units, Alaska, 2013

	Heat				Hot Water				Cooking			
	Natural Gas	Oil	Electric	Other	Natural Gas	Oil	Electric	Other	Natural Gas	Oil	Electric	Other
Municipality of Anchorage	96.5%	0%	3.5%	0%	96.1%	0%	3.9%	0%	5.4%	0%	94.6%	0%
Fairbanks North Star Borough	5.1%	88.1%	0.2%	6.6%	4.6%	67.9%	20.6%	6.9%	0.8%	0%	97.6%	1.6%
Juneau Borough	0%	68.2%	31.1%	0.7%	0%	47.7%	51.1%	1.2%	0%	0%	97.6%	2.4%
Kenai Peninsula Borough	61.5%	24.8%	7.6%	6.2%	55.8%	9.5%	32.9%	1.8%	31.7%	0%	62.1%	6.2%
Ketchikan Gateway Borough	0%	82.3%	15.2%	2.5%	0.0%	48.9%	48.9%	2.2%	0%	0%	98.3%	1.7%
Kodiak Island Borough	0%	99.8%	0.3%	0%	0.0%	86.0%	12.8%	1.3%	0%	0%	94.5%	5.5%
Matanuska-Susitna Borough	89.4%	3.9%	5.8%	0.9%	82.1%	1.8%	15.2%	0.9%	38.0%	0%	60.4%	1.6%
Sitka Borough	0%	69.2%	30.5%	0.3%	0%	39.3%	60.1%	0.6%	0%	0%	98.1%	1.9%
Valdez-Cordova CA	0%	93.2%	0%	6.9%	0%	75.8%	15.5%	8.7%	0%	0%	93.8%	6.2%
Wrangell Borough-Petersburg CA	0%	40.8%	58.6%	0.7%	0%	18.4%	81.6%	0%	0%	0%	94.1%	5.9%

Note: Areas or bedroom sizes for which six units or fewer were surveyed are not reported for confidentiality reasons. Totals may not sum to 100 due to rounding.
Sources: Alaska Department of Labor and Workforce Development, Research and Analysis Section and the Alaska Housing Finance Corporation: 2013 Rental Market Survey

Mat-Su

When all units are considered, the Matanuska-Susitna Borough's rent ranks third-lowest in the state at \$940 — \$214 less than Anchorage and only \$40 more than Kenai.

Mat-Su is the only surveyed area where rents have fallen from last year, dropping 6 percent or \$64 a month. With a 5.1 percent vacancy rate, Mat-Su is on par with the survey average.

Two-bedroom apartments in Mat-Su rent for \$896, again the third-least expensive of the surveyed areas and down slightly from 2012. Two-bedroom apartments are 5.1 percent vacant, also the same as the area's overall rate.

Mat-Su's three-bedroom single-family homes move up the price spectrum considerably when it comes to cost, sitting just behind Anchorage at \$1,726. Three-bedroom homes have a lower vacancy rate than Mat-Su in general, at 3.0 percent, with high cost and low vacancy indicating high demand.

The median rent for a three-bedroom single-family home has risen \$50 since 2012, while the median rent for a two-bedroom apartment is down \$8.

Natural gas heats 89 percent of Mat-Su's units, provides 82 percent of the units' hot water, and fuels 38 percent of cook stoves. Fifty-six percent of the surveyed units include heat with contract rent, significantly less than the survey-wide 75 percent.

Complete results of the 2013 Rental Market Survey as well as other published data on Alaska's housing market are available on the Alaska Housing Finance Corporation's Web site at: www.ahfc.us or <http://bit.ly/16Y1xqE>.