

The rental market in March

Survey shows fourth year of rising vacancy, steady rents

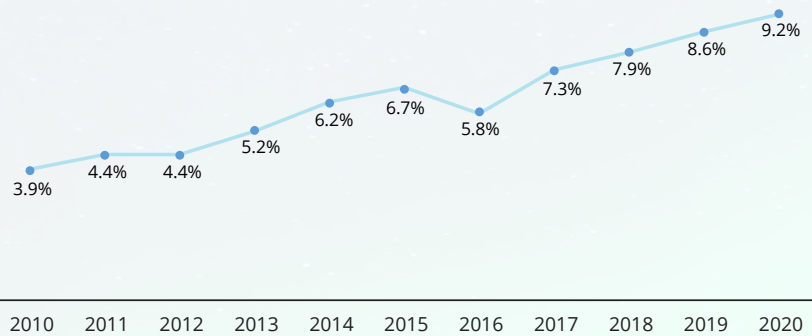
By ROB KREIGER

Rents haven't changed much since last year, but Alaska's vacancy rate has climbed for four years in a row, surpassing 9 percent and hitting a decade high.

We conduct our annual residential rental survey during the second week of March, which coincided this year with the earliest days of COVID-19's spread.

The World Health Organization declared a pandemic on March 11, Alaska announced a state emergency the same day, and the United States declared a national emergency two days later. Things changed quickly after that with travel restrictions, business shutdowns, and

Alaska's total vacancy rate has been on the rise

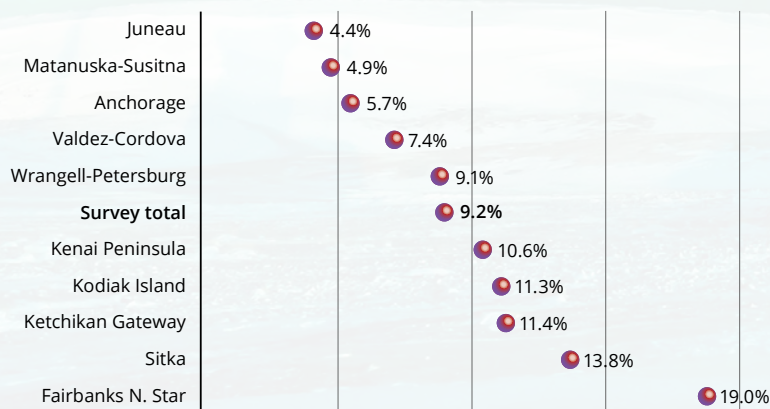


Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section, and Alaska Housing Finance Corporation: 2020 Rental Market Survey

other mandates to slow the virus' spread.

Federal stimulus money and expanded unemployment benefits allowed many people to continue paying rent and other bills in the short term, and some who were unable to pay made formal or informal agreements with landlords or property managers.

Vacancy is low in Juneau, high in Fairbanks



Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section, and Alaska Housing Finance Corporation: 2020 Rental Market Survey

While the pandemic has undoubtedly affected some landlords and tenants over the past few months, these survey results came too early to show COVID-19's full impact on Alaska's rental market.

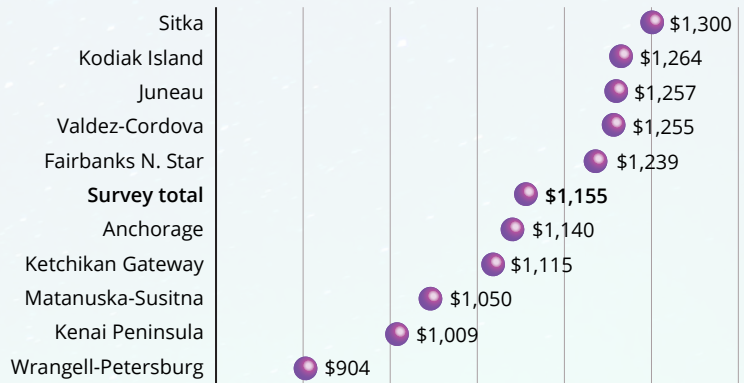
One area's unusual survey results do suggest early effects, although anecdotally. Sitka had the highest rent in this year's survey, at \$1,300, but also had the second-highest vacancy rate at 13.8 percent. That's atypical for Sitka, as seasonal businesses in coastal Southeast communities hire in early March to prepare

Rents quoted here include all utilities

All rents in this article are “adjusted rent,” which reflects rent plus the cost of all utilities, regardless of whether they’re included in rent payments or paid separately by renters.

Because the types and costs of utilities included in contract rent — the amount paid to the landlord each month — vary considerably by area, using adjusted rent makes units more comparable.

Average total rents by area in March 2020



Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section, and Alaska Housing Finance Corporation: 2020 Rental Market Survey

for a busy spring and summer.

While the pandemic hadn’t been officially declared at the time of the survey, the virus was spreading rapidly in other parts of the country and world, and people had already begun to adjust their behavior and travel plans.

Potential seasonal workers likely decided early to hold off. As a result, units in Sitka that would normally be rented by the second week of March remained vacant this year.

Vacancy rates by area range from 4.4% to 19.0%

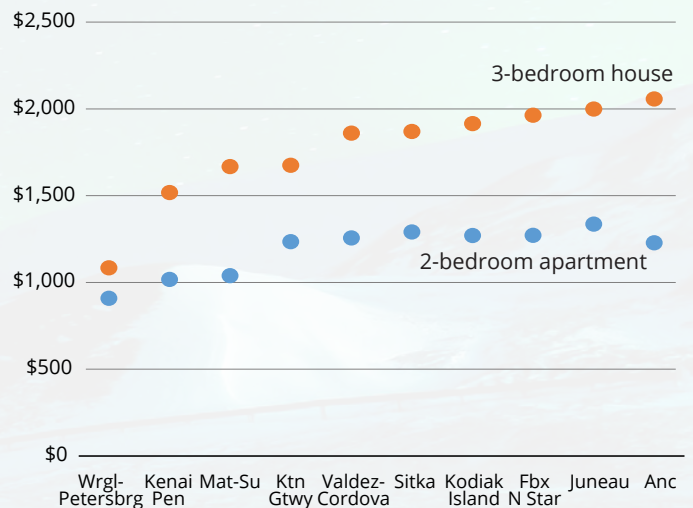
High vacancy rates aren’t as unusual for Fairbanks, which had the survey’s highest rate at 19 percent. The Fairbanks North Star Borough has a transient population and abundant housing options, and like much of Alaska, the area has lost population to migration in recent years.

Despite population loss, Juneau remained the hardest place to find a rental, with a vacancy rate of just 4.4 percent. The capital has a consistently tight rental market, and its vacancy rate has remained one of the lowest among surveyed areas in recent years.

The vacancy rate for all surveyed areas combined was 9.2 percent, a decade high. Rates in Fairbanks, Sitka, Ketchikan, and Kodiak topped 11 percent, which pushed the overall rate higher.

Vacancy has been on a steady rise for most of

Rents by unit type and area in March



Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section, and Alaska Housing Finance Corporation: 2020 Rental Market Survey

the past decade with the state's net migration losses, weakened economy, military deployments, and slow employment growth in industries with more transient workers.

The costs of vacant vs. occupied rental units

Though vacancy rates alone shed light on rental unit availability, the cost differences between vacant and occupied units provide more context.

For example, if rents for vacant units are higher than for occupied units, that suggests a tight market where landlords are raising rent after people move out. Conversely, vacant units that rent for less than occupied units suggest landlords are having a hard time finding tenants and are lowering rent to remain competitive.

In general, areas with higher vacancy rates have lower rents for vacant units, while areas with low vacancy have higher rents for vacant units.

Fairbanks, Sitka, and Ketchikan had the highest vacancy rates in March, and all of these communities' vacant units rented for less than their occupied units, suggesting fewer available tenants.

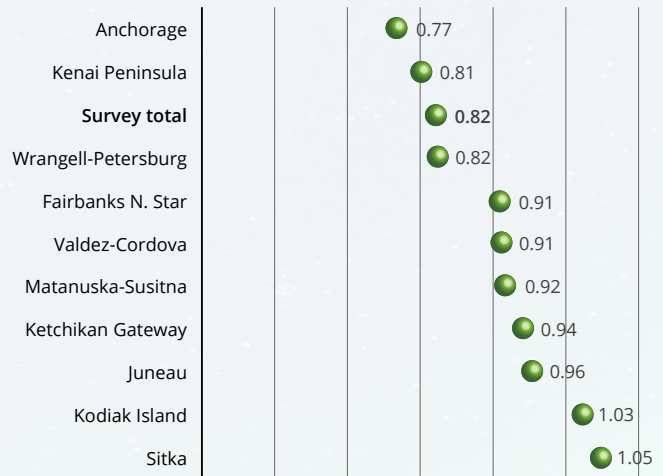
Likewise, the tightest markets — Juneau, the Matanuska-Susitna Borough, and Anchorage — all had higher rents for units that were vacant. Vacant units rented for 3.8 percent more than occupied units in Mat-Su and 2.7 percent more in Juneau.

Percent of occupied units that are rentals, by area

Borough or census area	Percent rentals
Kodiak Island Borough	45.0%
Sitka, City and Borough	42.1%
Fairbanks North Star Borough	41.5%
Ketchikan Gateway Borough	39.2%
Anchorage, Municipality	39.1%
Juneau, City and Borough	36.0%
Statewide	34.4%
Petersburg Borough	31.7%
Wrangell, City and Borough	31.7%
Valdez-Cordova Census Area	26.9%
Kenai Peninsula Borough	26.7%
Matanuska-Susitna Borough	23.1%

Source: U.S. Census Bureau, American Community Survey 2014 to 2018

Adding wages to the mix makes Anchorage rent the most affordable



Note: Shows the number of average wage earners needed to afford an area's typical rent

Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section, and Alaska Housing Finance Corporation: 2020 Rental Market Survey

Rent by area and type of unit

For all types of rentals combined, Sitka's rent was highest in March at \$1,300 per month, followed by Kodiak at \$1,264 and Juneau at \$1,257, as the graphs on the previous page show.

The Wrangell-Petersburg area was the only surveyed area with rent under \$1,000 per month, including all utilities (\$904). The Kenai Peninsula Borough and Mat-Su also had some of the lowest rents at \$1,009 and \$1,050.

For two-bedroom apartments, the most common apartment size, rent was most expensive in Juneau at \$1,337 followed by Sitka at \$1,291. The lowest apartment rents were in Wrangell-Petersburg at \$909 and Kenai at \$1,018.

Three-bedroom single-family houses cost the most in Anchorage at \$2,058, followed by Juneau at \$2,000. Single-family rents were lowest, again, in Wrangell-Petersburg at \$1,085, with Kenai a distant second at \$1,518.

For detailed survey results by area and unit type, see the tables that begin on page 8.

Factoring in an area's wages tells a more complete story

Rent doesn't tell the whole story, though, when it comes to affordability. Just as rental costs vary by area, so do wages. Adding wages to the equation changes the picture for some places.

The long-standing rule of thumb from housing affordability studies is that monthly housing costs shouldn't exceed 30 percent of monthly wages, so our rental affordability index divides 30 percent of an area's average monthly wage by its median adjusted monthly rent. The result shows how many average wage earners it would take to afford an area's typical rent. A value of 1.0 means one person's paycheck would suffice.

In March, some higher-rent areas were more affordable than lower-rent areas. For example, Anchorage was the most affordable because its high average wages offset its rents. While Anchorage's rent was in the middle among surveyed areas, its monthly wage was highest, producing an index value of just 0.77.

After Anchorage, Kenai and Wrangell-Petersburg were the most affordable areas, at 0.81 and 0.82, respectively. Kenai had the second-lowest rent, and its mid-range wages made it even more affordable. Wrangell-Petersburg had the lowest monthly wages and the lowest rent.

Sitka, which had the highest rent, was the least affordable because its average wages were similar to Kenai's. Affording typical Sitka rent required just over a single average monthly paycheck (1.05). Kodiak and Juneau were also less affordable, at 1.03 and 0.96.

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Details on renting apartments in March 2020

Area	Bed-rooms	Average		Median		Percent vacant	Percent included in contract rent*						
		Contract rent*	Adjusted rent*	Contract Rent*	Adjusted rent		Heat	Lights	Hot water	Water	Garbage	Sewer	Snow
Anchorage	0	\$812	\$898	\$805	\$877	7.5	87.5	47.4	89.1	45.6	99.6	45.6	99.6
	1	\$961	\$1,070	\$905	\$1,032	5.3	86.4	38.0	87.9	38.2	99.7	38.3	97.2
	2	\$1,139	\$1,276	\$1,095	\$1,229	5.8	75.9	8.7	79.1	50.2	98.6	50.2	94.3
	3	\$1,374	\$1,521	\$1,355	\$1,498	6.4	59.2	9.5	61.9	71.5	83.7	70.7	72.8
Fairbanks North Star	0	\$651	\$674	\$620	\$675	23.5	97.3	78.5	96.6	96.6	93.3	95.3	23.5
	1	\$888	\$976	\$900	\$1,000	21.2	98.0	21.5	94.4	97.8	94.8	96.5	78.8
	2	\$1,103	\$1,257	\$1,140	\$1,272	22.2	94.4	5.6	80.9	93.7	89.7	91.4	87.8
	3	\$1,353	\$1,626	\$1,265	\$1,552	10.0	85.4	9.3	47.7	82.6	72.2	86.5	83.3
Juneau	0	\$943	\$982	\$1,080	\$1,117	4.6	76.9	14.6	82.3	100.0	100.0	100.0	90.0
	1	\$1,058	\$1,108	\$1,000	\$1,059	4.2	66.1	33.3	67.7	100.0	100.0	99.7	90.4
	2	\$1,259	\$1,363	\$1,250	\$1,337	4.0	38.1	10.6	30.6	99.3	95.5	99.8	90.8
	3	\$1,716	\$1,856	\$1,800	\$1,916	3.1	53.1	11.5	29.2	97.9	72.9	99.0	54.2
Kenai Peninsula	0	\$669	\$695	\$625	\$665	15.5	90.1	70.4	93.0	100.0	95.8	100.0	94.4
	1	\$771	\$874	\$775	\$834	11.7	81.3	26.3	83.3	95.4	91.3	95.0	95.8
	2	\$895	\$1,035	\$900	\$1,018	10.0	81.1	17.2	75.7	94.9	89.2	92.4	92.9
	3	\$1,135	\$1,298	\$1,050	\$1,257	9.9	63.1	25.2	68.5	88.3	79.3	89.2	85.6
Ketchikan Gateway	0	\$814	\$845	\$750	\$780	21.6	91.9	63.5	91.9	87.8	85.1	87.8	86.5
	1	\$903	\$1,005	\$875	\$1,003	8.4	77.7	33.1	65.7	54.8	54.2	55.4	67.5
	2	\$1,128	\$1,262	\$1,050	\$1,235	8.5	85.4	28.7	55.5	45.1	43.9	44.5	62.2
	3	\$1,399	\$1,584	\$1,300	\$1,478	17.2	79.7	15.6	53.1	23.4	20.3	23.4	60.9
Kodiak Island	0	\$800	\$857	\$750	\$830	18.8	97.9	6.3	54.2	100.0	100.0	100.0	85.4
	1	\$1,027	\$1,068	\$975	\$1,031	10.0	94.0	36.0	93.0	99.0	99.0	99.0	62.0
	2	\$1,225	\$1,314	\$1,200	\$1,271	13.2	83.0	12.6	79.2	92.5	91.2	92.5	65.4
	3	\$1,431	\$1,575	\$1,500	\$1,634	11.9	65.7	6.0	62.7	86.6	86.6	89.6	58.2
Matanuska- Susitna	0	\$710	\$710	\$625	\$625	9.5	100.0	100.0	100.0	100.0	100.0	100.0	100.0
	1	\$813	\$891	\$850	\$923	3.0	78.9	12.9	77.2	97.4	96.1	96.1	89.7
	2	\$933	\$1,039	\$925	\$1,039	4.6	72.4	12.4	70.3	96.3	93.8	91.6	89.2
	3	\$1,234	\$1,408	\$1,245	\$1,435	6.1	33.9	7.9	35.8	90.3	86.1	71.5	74.5
Sitka	0	ND	ND	ND	ND	ND	ND	ND	ND	ND	ND	ND	ND
	1	\$887	\$1,076	\$850	\$1,092	16.1	46.8	21.0	56.5	30.6	14.5	24.2	64.5
	2	\$1,070	\$1,338	\$1,000	\$1,291	15.4	26.4	6.6	27.5	12.1	7.7	12.1	51.6
	3	\$1,342	\$1,604	\$1,250	\$1,373	6.1	14.3	4.1	10.2	6.1	6.1	6.1	49.0
Valdez- Cordova	0	\$851	\$866	\$900	\$900	11.1	100.0	77.8	100.0	100.0	100.0	100.0	100.0
	1	\$1,008	\$1,050	\$900	\$957	16.4	89.6	59.7	86.6	91.0	91.0	91.0	91.0
	2	\$1,192	\$1,304	\$1,100	\$1,257	4.2	78.3	22.5	60.0	94.2	92.5	94.2	95.8
	3	\$1,374	\$1,497	\$1,300	\$1,400	5.9	85.3	26.5	79.4	91.2	91.2	91.2	88.2
Wrangell- Petersburg	0	ND	ND	ND	ND	ND	ND	ND	ND	ND	ND	ND	ND
	1	\$693	\$806	\$642	\$834	14.8	66.7	25.9	29.6	37.0	48.1	40.7	51.9
	2	\$797	\$934	\$700	\$909	9.3	65.3	6.7	41.3	64.0	69.3	61.3	77.3
	3	\$898	\$1,056	\$800	\$980	11.5	30.8	0	30.8	73.1	61.5	76.9	57.7

*Contract rent is the amount paid to the landlord each month, and it may or may not include some utilities. Adjusted rent is the contract rent plus all utility costs, which makes units more comparable.

Note: ND means not disclosable for confidentiality reasons.

Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section, and Alaska Housing Finance Corporation: 2020 Rental Market Survey

Details on renting single-family homes in March 2020

Area	Bed-rooms	Average		Median		Percent vacant	Percent included in contract rent*						
		Contract rent*	Adjusted rent*	Contract rent*	Adjusted rent		Heat	Lights	Hot water	Water	Garbage	Sewer	Snow
Anchorage	1	\$912	\$1,057	\$850	\$1,016	8.3	33.3	33.3	33.3	58.3	58.3	66.7	58.3
	2	\$1,271	\$1,481	\$1,300	\$1,452	2.7	8.1	8.1	8.1	40.5	29.7	40.5	13.5
	3	\$1,824	\$2,086	\$1,800	\$2,058	3.3	5.2	4.6	3.3	19.6	13.7	20.3	8.5
	4	\$2,116	\$2,407	\$2,098	\$2,396	3.4	1.7	1.7	0	12.1	10.3	13.8	5.2
Fairbanks North Star	1	\$932	\$1,120	\$900	\$1,109	10.9	58.7	28.3	47.8	58.7	43.5	60.9	69.6
	2	\$1,251	\$1,591	\$1,300	\$1,579	6.6	49.5	8.8	20.9	50.5	30.8	46.2	41.8
	3	\$1,733	\$2,030	\$1,750	\$1,964	17.1	70.7	1.4	67.0	71.5	70.7	69.7	4.5
	4	\$1,964	\$2,341	\$1,970	\$2,197	11.5	61.5	0.8	59.8	71.3	63.9	69.7	4.1
Juneau	1	\$1,053	\$1,152	\$1,025	\$1,159	0	18.8	12.5	18.8	100.0	87.5	93.8	68.8
	2	\$1,585	\$1,731	\$1,525	\$1,723	20.0	35.0	20.0	35.0	90.0	65.0	90.0	65.0
	3	\$1,791	\$1,958	\$1,800	\$2,000	4.0	24.0	12.0	12.0	100.0	48.0	92.0	36.0
	4	ND	ND	ND	ND	ND	ND	ND	ND	ND	ND	ND	ND
Kenai Peninsula	1	\$730	\$949	\$700	\$892	14.3	26.2	26.2	33.3	59.5	40.5	64.3	59.5
	2	\$962	\$1,230	\$900	\$1,237	8.8	19.1	16.2	22.1	51.5	27.9	45.6	44.1
	3	\$1,190	\$1,476	\$1,211	\$1,518	6.6	17.9	17.9	18.9	65.1	20.8	53.8	21.7
	4	\$1,336	\$1,676	\$1,325	\$1,671	15.8	15.8	10.5	10.5	68.4	21.1	68.4	26.3
Ketchikan Gateway	1	\$839	\$918	\$900	\$1,000	9.1	54.5	54.5	54.5	72.7	63.6	72.7	36.4
	2	\$1,119	\$1,324	\$1,000	\$1,218	0	33.3	11.1	11.1	33.3	0	44.4	11.1
	3	\$1,432	\$1,656	\$1,400	\$1,676	18.2	18.2	0	9.1	45.5	27.3	36.4	27.3
	4	ND	ND	ND	ND	ND	ND	ND	ND	ND	ND	ND	ND
Kodiak Island	1	\$1,117	\$1,251	\$1,100	\$1,256	0.0	25.0	8.3	25.0	75.0	75.0	75.0	25.0
	2	\$1,409	\$1,577	\$1,400	\$1,537	7.1	21.4	0	10.7	85.7	89.3	92.9	25.0
	3	\$1,742	\$1,985	\$1,725	\$1,916	7.1	9.5	2.4	2.4	71.4	69.0	61.9	9.5
	4	\$1,854	\$2,142	\$1,875	\$2,196	8.3	0	0	16.7	66.7	83.3	66.7	16.7
Matanuska- Susitna	1	\$846	\$1,041	\$838	\$982	16.7	33.3	27.8	38.9	88.9	72.2	55.6	38.9
	2	\$1,014	\$1,175	\$975	\$1,201	5.3	39.5	7.9	42.1	86.8	71.1	78.9	47.4
	3	\$1,425	\$1,687	\$1,400	\$1,668	3.2	1.6	1.6	3.2	77.4	45.2	47.6	10.5
	4	\$1,676	\$1,980	\$1,700	\$2,070	5.9	5.9	2.9	5.9	73.5	52.9	38.2	14.7
Sitka	1	\$893	\$1,098	\$800	\$1,107	0.0	18.2	18.2	18.2	18.2	18.2	18.2	36.4
	2	\$1,089	\$1,347	\$1,050	\$1,307	23.3	10.0	10.0	10.0	10.0	10.0	10.0	26.7
	3	\$1,598	\$1,870	\$1,800	\$1,871	17.9	14.3	10.7	10.7	10.7	10.7	10.7	25.0
	4	\$2,022	\$2,295	\$1,965	\$2,264	0	0	0	0	0	0	0	16.7
Valdez- Cordova	1	\$1,021	\$1,182	\$1,000	\$1,249	0.0	14.3	0.0	14.3	42.9	42.9	42.9	14.3
	2	\$972	\$1,144	\$850	\$1,024	0.0	22.2	33.3	33.3	55.6	44.4	55.6	33.3
	3	\$1,708	\$1,900	\$1,650	\$1,861	6.9	6.9	10.3	10.3	34.5	31.0	34.5	24.1
	4	\$1,624	\$1,953	\$1,625	\$1,991	0	0	0	0	0	0	16.7	33.3
Wrangell- Petersburg	1	ND	ND	ND	ND	ND	ND	ND	ND	ND	ND	ND	ND
	2	\$761	\$984	\$650	\$922	0	0	0	0	18.2	27.3	18.2	45.5
	3	\$835	\$1,117	\$800	\$1,085	0	0	0	0	0	0	0	20.0
	4	ND	ND	ND	ND	ND	ND	ND	ND	ND	ND	ND	ND

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