

Rental Market Survey '95: Vacancy Rate Still Tight

by Bob Elliott and Peter Lang

Availability and affordability of rental homes in Alaska were issues investigated recently in a survey of rental market conditions conducted by the Alaska Department of Labor (AKDOL).

Labor economists and statisticians at AKDOL conducted their *1995 Annual Rental Market Survey* for the Alaska Housing Finance Corporation (AHFC) during the year's second quarter, April 1 through June 30. The AKDOL and AHFC usually conduct the survey in March and April prior to the start of the state's seasonal industries.

Landlords surveyed by mail and telephone in ten areas of the state provided data on rental cost, utility type, and vacancy status for their rental properties. A database of landlords is confidentially maintained by AKDOL and updated throughout the year using sources such as newspaper advertisements, property managers, and municipal tax roles to identify additional landlords for the survey sample. This year's sample size increased approximately 25 percent to include over 16,400 rental units categorized as either "single-family residence" or "apartment," a category which includes condominiums.

The survey revealed an overall statewide vacancy rate that has continued to tighten during the past three years, with the major urban areas of Anchorage and Fairbanks both experiencing vacancy rate declines for each year. With the recent retail expansion boom and strong service sector employment growth, the need for additional low-income housing within the state has increased. Although the high inventories of past years have been worked down and new construction has been better planned and less speculative, the increased costs of land and materials have continued to dampen development of these low-cost housing units. Even with recent financing incentive credits to spur increased multi-family construction during the past two years, an imbalance between

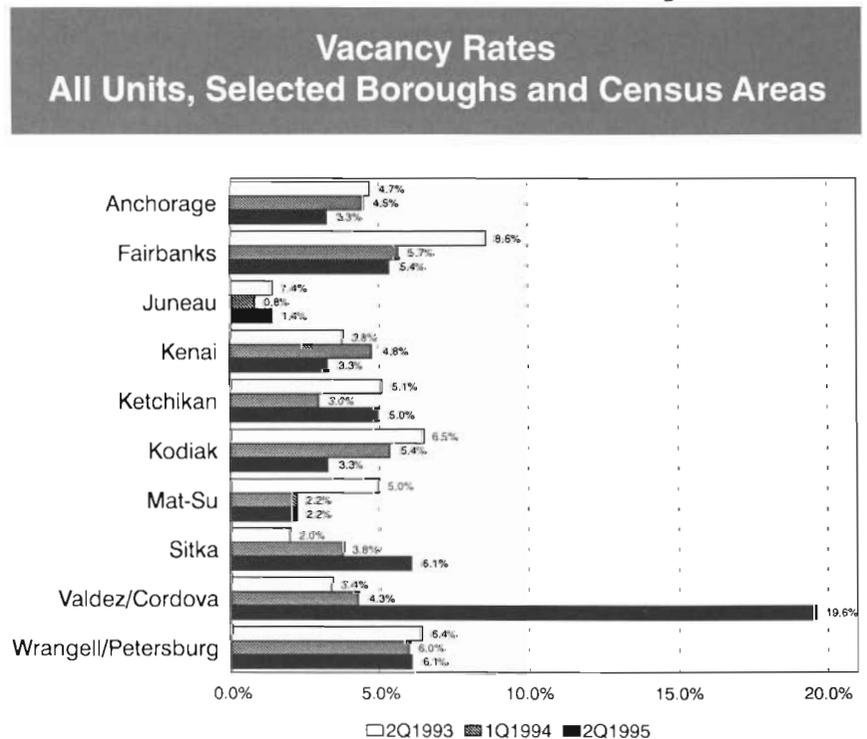
supply and demand for affordable rental housing apparently remains. Consequently, in all but one of the areas surveyed, landlords have been able to increase rents during the past year.

Overall Vacancy Rate Tightens

The overall rental vacancy rate in the surveyed areas for all types of units, both single-family residences and apartments, fell from 4.1% in 1994 to 3.8% in 1995. Rates were still the lowest in Juneau at 1.4%, up slightly from last year's 0.8% due to the increased construction of the past two years. (See Figure 1.) The Matanuska-Susitna Borough was unchanged with the second lowest rate at 2.2%. One-half of the areas surveyed had higher vacancy rates than for the prior year. Lower rates reported by the other half in-

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Figure • 1



Source: Alaska Department of Labor, Research & Analysis Section.

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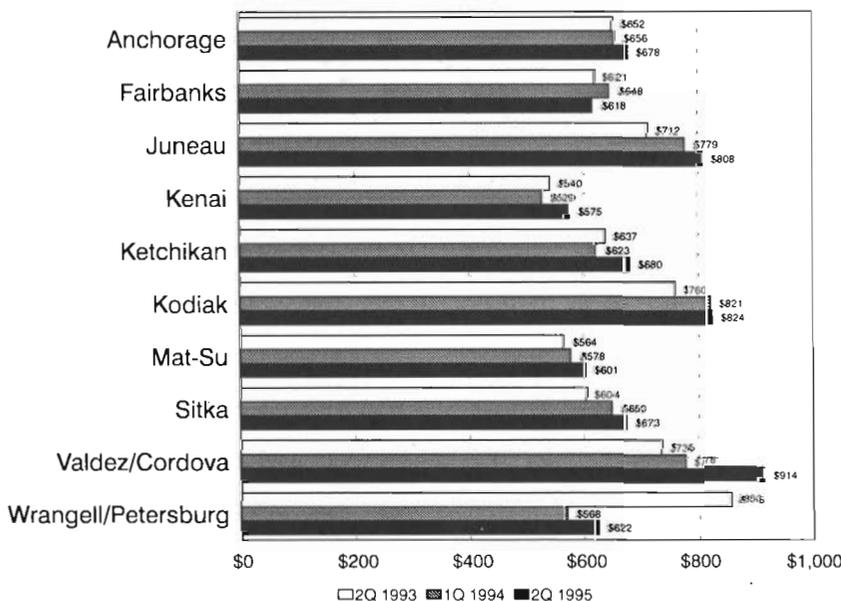
Rental Costs, Vacancy Rates, and Utilities All Units, Selected Boroughs and Census Areas, 2nd Quarter 1995

Surveyed Communities	Average Rent		Median Rent					Percent of Units with Utilities Included In Contract Rent					
	Contract	Adjusted	Contract	Adjusted	Units	Vacant	Vacancy Rate (%)	Heat	Lights	Hot Water	Water	Sewer	Garbage
					Surveyed	Units							
Anchorage Borough	\$678	\$714	\$650	\$675	8,017	268	3.3	71.3	29.0	71.6	94.4	95.3	93.9
Fairbanks North Star Borough	618	651	625	650	2,890	157	5.4	91.3	20.0	83.8	92.6	92.3	86.0
Juneau Borough	808	894	800	855	1,153	16	1.4	53.0	16.7	49.4	97.9	94.4	87.1
Kenai Peninsula Bor.	575	651	550	625	1,499	49	3.3	68.5	20.5	65.2	86.2	81.9	77.8
Ketchikan Gateway Bor.	680	756	660	761	802	40	5.0	69.6	33.5	59.5	53.5	54.9	49.9
Kodiak Island Borough	824	899	850	881	304	10	3.3	56.6	11.5	75.0	92.1	98.7	98.7
Matanuska-Susitna Bor.	601	672	600	645	998	22	2.2	59.4	14.9	56.1	64.4	69.8	66.0
Sitka Borough	673	814	625	771	392	24	6.1	43.6	9.4	36.7	33.7	31.4	29.6
Valdez-Cordova CA	914	978	885	989	102	20	19.6	76.5	2.0	76.5	98.0	98.0	98.0
Wrangell-Petersburg CA	622	710	635	694	247	15	6.1	64.0	27.9	50.2	41.3	36.8	34.4
Overall Averages/Totals	\$666	\$716	\$650	\$676	16,404	621	3.8	71.5	24.2	69.0	87.5	87.6	84.4

Source: Alaska Department of Labor, Research & Analysis Section, 1995 Annual Rental Market Survey.

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Average Contract Rents All Units, Selected Boroughs and Census Areas



Source: Alaska Department of Labor, Research & Analysis Section.

Lower rates reported by the other half included the larger population areas of Anchorage and Fairbanks, down 1.2% and 0.3%, respectively. Both the Wrangell-Petersburg area and Sitka had the highest rates at 6.1%, and may be continuing to experience repercussions from recent closures of the sawmills in Wrangell and Sitka. Sitka also reported the greatest increase in vacancy rates, at 2.3% over the prior year, while Kodiak Island and Kenai had the greatest declines in their vacancy rates, dropping from 5.4% to 3.3% and from 4.8% to 3.3%, respectively. Although the Valdez-Cordova survey area had the highest vacancy rates and rents, the data were regarded as unreliable due to small sample size and questionable survey responses that may have skewed the results.

Contract Rents Rose in Most Areas

Contract rent represents the actual rent paid by the tenant, and may include some utilities within the price. Compared to the prior year, average contract rents were up in all of the surveyed communities except Fairbanks, which dropped \$30, to \$618 per month. (See Figure 2.) Kodiak, at \$824 per month, and

Juneau, at \$808 per month, were the most expensive places to rent. Due to sampling concerns in the survey, the Valdez-Cordova area's \$914 monthly rent was disregarded as being the most expensive. Similar to 1994's survey, Kenai had the lowest surveyed rent at \$575 per month, followed by the Matanuska-Susitna Borough at \$601. In dollar amounts, Kodiak showed the least change in rents from the prior year, nudging up \$3 to \$824. The largest increase was posted in Ketchikan, up \$57, to \$680 per month, followed closely by the Wrangell-Petersburg area's increase of \$54, to \$622 per month. In percentage terms, the largest increases in contract rents were reported in Ketchikan and the Wrangell-Petersburg area, both at 9.5%, while Fairbanks had the only decline from the past year, at 4.6%.

For single-family homes in all of the communities surveyed, the average contract rent experienced a 3.2% rental decline, which could be attributed to a significant vacancy factor increase from the previous year. For apartments in these same communities, on the other hand, contract rent rose by 3.2% in response to a tightening in the overall vacancy rate.

Upon averaging the differences in the ten selected survey areas between apartments and single-family home rentals, a "total weighted average" showed that contract rent was \$41 more for single-family residences than for apartment units. In addition, there was a rent premium based on the number of bedrooms per rental unit, with the average contract rent higher for each additional bedroom. Based on the contract rent, two-bedroom units were \$130 more per month than one-bedroom units; three-bedroom units had a \$140 premium over two-bedrooms; and four-bedroom units were higher than three-bedroom units by \$239. It should be noted that the bedroom subcategories for each of the survey areas were limited to a minimum sample size of ten units, thus accounting for the fact that some bedroom categories were not shown in Table 2 and Table 3.

Rents Adjusted by Utility Schedule

Significant differences existed among the surveyed areas regarding what types of utilities were included in the rental price. Using a utility schedule provided by AHFC, all rents were subsequently adjusted to reflect what the rent would have been if all utilities were included in the contract price. As a result, the adjusted rent provided a theoretical value for comparative purposes. With the contract rent adjusted by the utility schedule, Kodiak remained the highest at \$899 per month, with Juneau having the second highest average adjusted rent, at \$894.

Urban areas appeared more likely than rural areas to include utilities in the rent. Both Anchorage and Fairbanks were the most generous in providing utilities in the rent, whereas Sitka and the Wrangell-Petersburg area were the least. Fairbanks reported the highest proportion of heating included in the rent, at 91.3%, with half of the areas gravitating around the statewide average of 71.5% of rental units including the cost of heat. The utilities most likely included in the rental costs were sewer, at 87.6%; water, at 87.5%; and garbage collection, at 84.4%. Lights were the least included in the rent, at 24.2%, followed by hot water, at 69.0%.

In the areas surveyed, utility costs were included in more contract rents for apartments than for single-family residences. Utilities are more often included in apartment rents because breaking out individual utility costs for each unit of an apartment block is sometimes more difficult than it would be for a single-family house. Heating was included in 46.7% more apartment contract rents than in single-family dwelling contract rents. Lights were provided in 11.3% more apartment rental costs than in single-family rentals. Apartment rents included hot water 39.9% more often than did single-family dwelling rentals; and water, 23.7% more often. Sewer charges were included 18.1% more often in apartment contract rents and garbage collection, 31.1% more often for apartments than for single-family dwellings.

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Rental Costs, Vacancy Rates, and Utilities Single-Family Residences, Selected Boroughs and Census Areas, 2nd Quarter 1995

Bedrooms	Contract Rent		Adjusted Rent		Unit Numbers	Vacant Units	Vacancy Rate (%)	Percent of Units with Utilities Included In Contract Rent					
	Average	Median	Average	Median				Heat	Lights	Hot Water	Water	Sewer	Garbage
Anchorage Borough													
1	\$482	\$500	\$568	\$588	23	0	0.0	34.8	21.7	30.4	73.9	69.6	56.5
2	766	750	757	711	131	9	6.9	10.7	9.9	10.7	72.5	72.5	67.9
3	1,041	1,030	1,006	967	228	19	8.3	7.0	3.9	6.1	52.6	54.4	47.8
4	1,319	1,280	1,441	1,363	57	3	5.3	12.3	7.0	10.5	35.1	35.1	29.8
Fairbanks North Star Borough													
1	491	475	1,441	1,363	44	4	9.1	59.1	11.4	52.3	72.7	79.5	77.3
2	725	725	829	814	57	3	5.3	42.1	8.8	24.6	50.9	56.1	50.9
3	907	900	1,030	1,008	87	1	1.1	23.0	9.2	19.5	43.7	40.2	47.1
4	1,052	1,050	1,252	1,270	15	0	0.0	20.0	6.7	20.0	26.7	33.3	53.3
Juneau Borough													
1	642	688	734	708	12	3	25.0	50.0	33.3	33.3	83.3	83.3	50.0
2	867	850	1,007	1,001	38	0	0.0	5.3	2.6	2.6	97.4	97.4	10.5
3	1,271	1,300	1,187	1,107	49	2	4.1	14.3	12.2	12.2	89.8	93.9	24.5
Kenai Peninsula Borough													
1	453	458	556	560	35	4	11.4	34.3	25.7	31.4	60.0	57.1	34.3
2	591	600	748	750	67	3	4.5	17.9	13.4	17.9	35.8	40.3	23.9
3	772	800	899	885	86	6	7.0	25.6	19.8	23.3	41.9	43.0	25.6
4	862	850	1,033	1,031	16	2	12.5	12.5	12.5	12.5	37.5	43.8	18.8
Ketchikan Gateway Borough													
1	516	500	621	600	17	1	5.9	17.6	23.5	23.5	52.9	47.1	23.5
2	641	625	764	790	21	1	4.8	4.8	9.5	28.6	33.3	42.9	14.3
3	822	900	957	1,043	18	1	5.6	33.3	22.2	22.2	50.0	61.1	33.3
Kodiak Island Borough													
2	742	738	833	851	34	2	5.9	5.9	2.9	26.5	85.3	100.0	100.0
3	845	775	1,007	948	27	0	0.0	3.7	0.0	29.6	88.9	96.3	96.3
Matanuska-Susitna Borough													
1	459	475	527	528	28	3	10.7	14.3	10.7	10.7	25.0	39.3	10.7
2	617	600	705	707	82	1	1.2	11.0	9.8	11.0	32.9	35.4	19.5
3	804	825	933	952	106	3	2.8	3.8	2.8	2.8	21.7	29.2	7.5
4	958	975	1,127	1,134	22	0	0.0	9.1	4.5	9.1	31.8	27.3	0.0
Sitka Borough													
1	435	450	533	566	13	1	7.7	15.4	15.4	15.4	30.8	30.8	15.4
2	765	663	886	792	31	1	3.2	19.4	12.9	12.9	12.9	12.9	12.9
3	804	700	967	917	33	0	0.0	3.0	0.0	3.0	3.0	3.0	3.0
Valdez-Cordova CA													
1	545	550	594	584	10	0	0.0	90.0	0.0	90.0	90.0	90.0	90.0
Wrangell-Petersburg CA													
1	517	500	614	637	12	1	8.3	33.3	25.0	25.0	25.0	25.0	25.0
2	645	650	755	746	19	2	10.5	15.8	15.8	15.8	15.8	15.8	15.8
3	625	675	794	812	14	0	0.0	7.1	0.0	0.0	0.0	0.0	0.0

*Bedroom and survey area categories containing less than 10 units were excluded.
Source: Alaska Department of Labor, Research & Analysis Section, 1995 Annual Rental Market Survey.

Rental Costs, Vacancy Rates, and Utilities Apartments, Selected Boroughs and Census Areas, 2nd Quarter 1995

Bedrooms	Contract Rent		Adjusted Rent		Unit Numbers	Vacant Units	Vacancy Rate (%)	Percent of Units with Utilities Included In Contract Rent					
	Average	Median	Average	Median				Heat	Lights	Hot Water	Water	Sewer	Garbage
Anchorage Borough													
0	\$458	\$450	\$474	\$475	512	3	0.6	88.5	40.2	83.0	99.6	99.6	99.6
1	563	575	587	595	2485	83	3.3	76.6	41.9	76.9	98.2	99.2	98.7
2	705	695	738	724	3454	117	3.4	76.4	25.8	76.3	97.0	98.1	96.8
3	860	825	911	876	1031	32	3.1	62.3	13.6	66.1	93.8	94.4	91.3
4	1,215	1,200	1,243	1,200	35	2	5.7	88.6	45.7	91.4	94.3	97.1	97.1
Fairbanks North Star Borough													
0	377	350	384	361	262	50	19.1	98.1	43.1	98.1	99.6	99.6	98.9
1	504	495	527	515	789	38	4.8	92.5	22.8	89.7	92.6	92.3	86.8
2	655	650	681	672	1201	42	3.5	97.6	13.2	89.2	97.4	96.9	89.3
3	781	750	817	777	388	15	3.9	95.6	23.2	78.1	96.4	95.6	85.6
4	1,027	1,007	1,111	1,141	28	2	7.1	78.6	25.0	46.4	75.0	75.0	46.4
Juneau Borough													
0	511	450	546	503	46	2	4.3	73.9	17.4	82.6	100.0	100.0	100.0
1	650	675	717	726	281	3	1.1	54.8	24.6	55.9	100.0	96.1	95.4
2	812	825	901	906	564	5	0.9	53.7	12.4	50.2	98.8	93.3	96.5
3	995	950	1,098	1,104	112	1	0.9	60.7	11.6	41.1	93.8	93.8	77.7
4	2,325	2,400	2,381	2,466	10	0	0.0	100.0	0.0	80.0	100.0	100.0	80.0
Kenai Peninsula Borough													
0	377	390	425	390	37	6	16.2	67.6	37.8	64.9	100.0	94.6	94.6
1	472	450	515	473	306	6	2.0	81.0	26.5	78.8	96.1	88.2	94.8
2	572	550	644	622	726	14	1.9	73.3	16.9	69.0	93.9	88.7	84.7
3	704	700	762	749	197	6	3.0	80.2	21.3	77.2	88.3	85.8	79.7
Ketchikan Gateway Borough													
0	504	475	530	535	113	0	0.0	77.0	48.7	75.2	89.4	89.4	88.5
1	599	600	649	654	289	15	5.2	84.4	48.4	72.0	59.5	58.5	58.8
2	795	800	883	901	257	21	8.2	72.8	23.0	58.0	42.8	48.2	40.5
3	871	850	1,019	1,031	66	0	0.0	40.9	4.5	25.8	18.2	15.2	13.6
Kodiak Island Borough													
1	739	850	781	881	95	3	3.2	85.3	3.2	93.7	94.7	97.9	97.9
2	867	850	928	933	88	3	3.4	63.6	20.5	85.2	92.0	100.0	100.0
3	1,059	1,100	1,143	1,148	32	1	3.1	56.3	9.4	75.0	93.8	96.9	96.9
Matanuska-Susitna Borough													
0	388	425	411	453	26	2	7.7	100.0	3.8	96.2	50.0	96.2	100.0
1	536	454	565	522	161	3	1.9	90.7	46.0	83.9	94.4	96.3	96.9
2	569	575	627	628	477	9	1.9	72.3	9.2	70.9	74.0	79.7	84.5
3	700	700	772	770	78	0	0.0	61.5	16.7	50.0	60.3	60.3	51.3
Sitka Borough													
1	592	600	723	690	82	1	1.2	42.7	9.8	40.2	47.6	43.9	40.2
2	619	625	744	738	139	4	2.9	59.7	5.0	49.6	37.4	33.8	33.1
3	847	850	997	1,105	63	17	27.0	41.3	12.7	36.5	38.1	36.5	34.9
Valdez-Cordova CA													
2	993	1,050	1,063	1,094	47	0	0.0	61.7	2.1	61.7	100.0	100.0	100.0
3	961	885	1,015	939	33	20	60.6	100.0	0.0	100.0	100.0	100.0	100.0
Wrangell-Petersburg CA													
1	616	550	665	647	67	7	10.4	91.0	40.3	79.1	56.7	56.7	50.7
2	640	689	721	689	71	3	4.2	83.1	28.2	62.0	45.1	35.2	32.4
3	830	816	891	831	18	2	11.1	72.2	55.6	72.2	72.2	55.6	55.6

*Bedroom and survey area categories containing less than 10 units were excluded.

Source: Alaska Department of Labor, Research & Analysis Section, 1995 Annual Rental Market Survey.