

Juneau's Housing Market

More zero lot lines and duplexes, buildable land at a premium

By **KARINNE WIEBOLD**

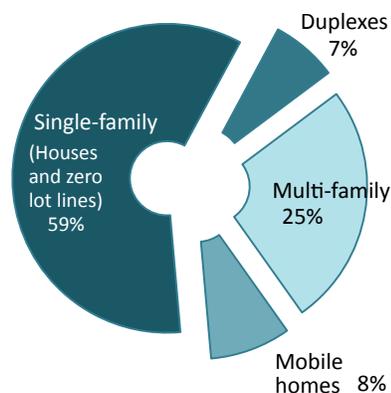
Juneau is full of historically and politically important homes. The National Register of Historic Places includes the governor's mansion, completed in 1912, the summer cabin of territorial governor Ernest Gruening at Amalga Harbor, built in 1947, and the Wickersham house, home of one of Alaska's most notable judges and statesmen, built in 1898.

Alaska's capital city is also home to the legislative session and about 33,000 residents and 12,100 households. With a limited road system and a lot of water, mountains, and ice fields, Juneau residents have formed distinct, spread-out subcommunities, as we outlined in an article on Juneau's neighborhoods in the April 2015 edition of *Trends*.

Within these neighborhoods, Juneau residents live mainly in single-family homes (see Exhibit 1), which include a higher-than-average share of attached homes, often called zero lot lines. Zero lot lines share a wall but are legally separate, privately owned properties.

Zero lot lines make up 11 percent of the city's total housing stock, above the statewide average of 8 per-

1 Most Homes Single-Family JUNEAU HOUSING INVENTORY



Source: U.S. Census Bureau, American Community Survey 2009-2013

cent and much higher than the national average of 6 percent. Their prevalence is likely due to Juneau's limited availability of buildable land.

Fifty-nine percent of Juneau's homes are single-family, compared with 71 percent statewide and 68 percent

for the U.S. as a whole. Some of the difference is in Juneau's higher percentage of duplexes, which are like zero lot lines but owned as a single property. Duplexes make up 7 percent of local housing stock versus the state and national averages of 5 and 4 percent, respectively.

Juneau's relatively limited land also lends itself to density in the form of multi-family properties of three or more units, which make up a quarter of the local housing stock, compared with 19 percent for Alaska and 22 percent nationally.

The city also has a higher percentage of mobile homes, at 8 percent versus 5 percent statewide and 7 percent nationally. For many households, these offer an affordable, entry-level home ownership option in an area with high living costs.

Like other coastal communities, Juneau has another housing option that frequently flies below the radar: boats. Liveaboards and houseboats are a viable housing choice in Juneau, which has four city-operated harbors that allow people to live aboard their vessels. Two adjacent harbors are in downtown Juneau, one is on Douglas Island, and one is in Auke Bay. According to City and Borough of Juneau Docks and Harbors, approximately 140 vessels have residents.

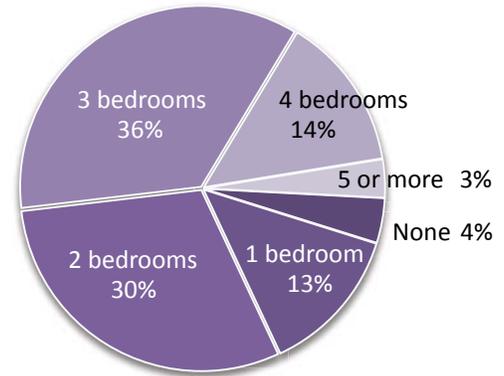
Most homes fairly small

Nearly half of Juneau homes are on the small side at no more than two bedrooms, while nationwide only 40 percent are that small. Juneau homes generally have between one and three bedrooms, with 17 percent of units having more. (See Exhibit 2.)

Two- and three-bedrooms are most common, making

2 3-Bedrooms Most Common

JUNEAU HOUSING



Source: U.S. Census Bureau, American Community Survey 2009-2013

up two-thirds of Juneau's housing stock.

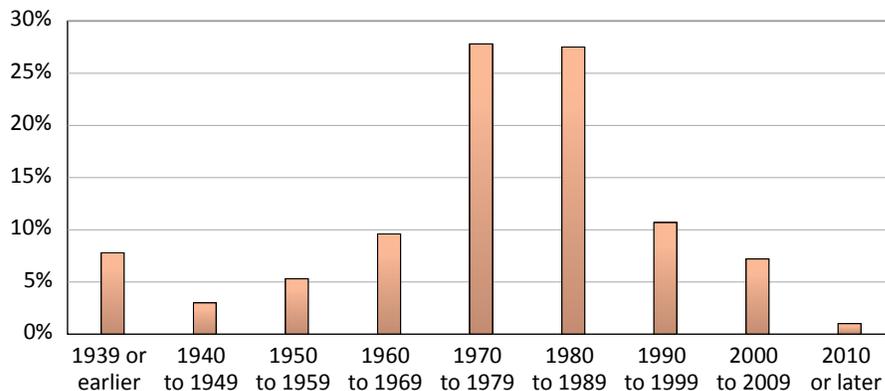
Homes with no bedrooms are at 4 percent, below the statewide average of 6 percent but double the national average. In Juneau, the majority of zero-bedroom units are studio apartments and mother-in-law apartments rather than one-room cabins, which are a more significant part of this category statewide.

'70s, '80s were the housing boom

Like the state as a whole, Juneau's housing boom was in the 1970s and '80s, when over half its housing stock was built. (See Exhibit 3.) Nationally, it's more evenly distributed among decades.

3 Most Were Built in the '70s and '80s

JUNEAU HOUSING

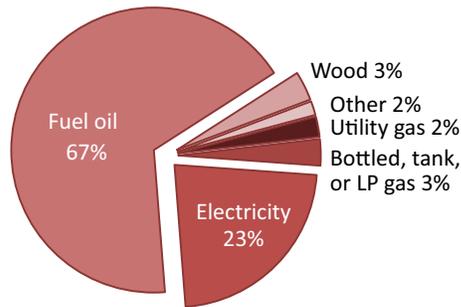


Source: U.S. Census Bureau, American Community Survey 2009-2013

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Two-Thirds Use Oil

JUNEAU HOME HEAT SOURCES



Source: U.S. Census Bureau, American Community Survey 2009-2013

Housing in Alaska, and Juneau in particular, took off in the heyday of oil field exploration and development. Oil revenue bolstered the state's finances and allowed the young state government to mature, having transitioned from a territory in 1959.

Eight percent of Juneau's housing was built before 1940, which is four times higher than the state as a whole. Southeast Alaska was settled earlier than other areas of Alaska, with fur traders and miners arriving in the 1800s. The region's abundant fisheries and proximity to Lower 48 markets also played an important role.

Oil, hydroelectric most common

Two-thirds of Juneau homes heat with fuel oil. (See Exhibit 4.) The state average for heating oil use is about half that at 32 percent, driven down by relatively inexpensive natural gas in Anchorage, the Matanuska-Susitna Borough, and the Kenai Peninsula.

Heating fuel dominates in areas without natural gas, with electricity playing a major role in communities with hydroelectricity. Juneau is one of those, with a variety of dam and river/creek projects generating hydropower at a cost of 12 cents per kilowatt hour in the winter and 10 cents in the summer.

For perspective, Anchorage residents pay between 15 and 16 cents/kWh, and Fairbanks pays 18 cents/kWh. According to the U.S. Energy Information Administration, the national average was also 12 cents/kWh.

Most moved in fairly recently

The majority of Juneau residents moved into their current home fairly recently, between 2000 and 2009. At least 20 percent of Juneau's householders have moved in since 2010, reflecting a combination of newcomers

and those who merely switched residences. (See Exhibit 5.)

According to recent census estimates, 31 percent of owner-occupied-homes in Juneau are not mortgaged, which is slightly lower than the state and national averages.

About Juneau's many renters

Alaska's fairly young and mobile population, combined with the high cost of buying a home, means the state has traditionally had a higher rate of renting than the nation as a whole.

Over the last three decades, Fairbanks and Anchorage had lower rates of home ownership than the state average, while Juneau's was a bit higher. However, Juneau's percentage of homeowners fell slightly behind the state average with the 2010 Census. (See Exhibit 6.)

Renters tend to have smaller households than owners. (See Exhibit 7.) According to the most recent census estimates, Juneau's renter households average 2.25 people and owner households average 2.76. Juneau's household size for renters is smaller than state or national averages. For owners, it's smaller than the state average but larger than the national average.

Nearly 40 percent of Juneau renters are a single person, a bit more than twice the percentage of single-person owner households. Owners are most likely to live in households of two people (40 percent), and 77 percent of all owner households have no more than three people.

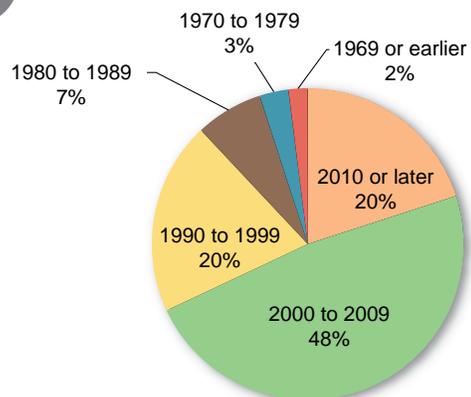
The majority of all households have one or two people, at 58 percent of owner households and 67 percent of renter households.

Renters are generally younger than owners, with 39

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When They Moved In

JUNEAU RESIDENTS' CURRENT HOME

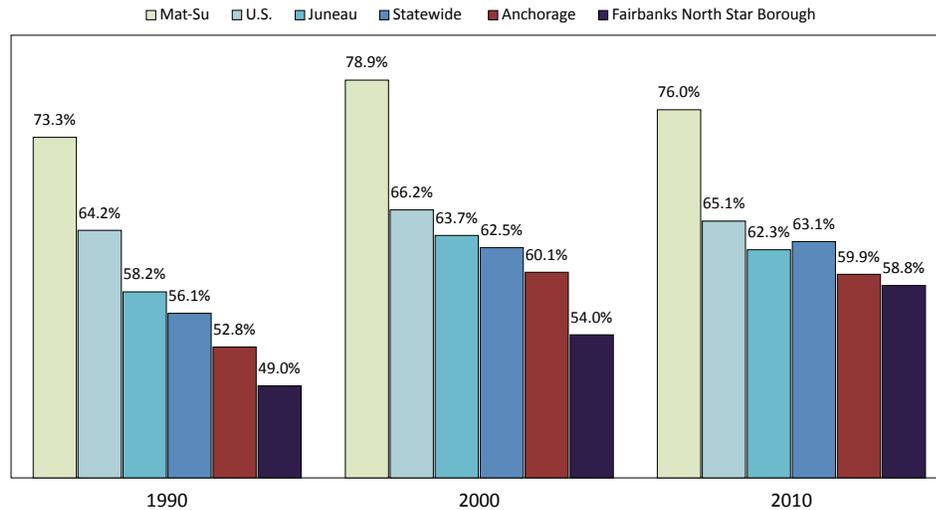


Source: U.S. Census Bureau, American Community Survey 2009-2013

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Juneau Home Ownership Is About Average

RATES IN ALASKA AND NATIONWIDE, 1990 TO 2010



Source: U.S. Census Bureau, 1990, 2000, and 2010 censuses

percent age 34 or younger, while only 10 percent of owners are that young. Seventy-one percent of owners are older than 45, compared with 39 percent of renters. (See Exhibit 8.)

Regardless of income, renters spend more of it on housing. According to the census, 30 percent of renters spend 35 percent or more of their income on housing, while only 20 percent of owners are similarly cost burdened. On the other side of the spectrum, 33 percent of Juneau homeowners with a mortgage and 29 percent of renters spend less than one-fifth of their income on housing. (See Exhibit 9.)

Homeowners carrying a mortgage paid a median of \$2,144 a month, while the median for renters was \$1,178.

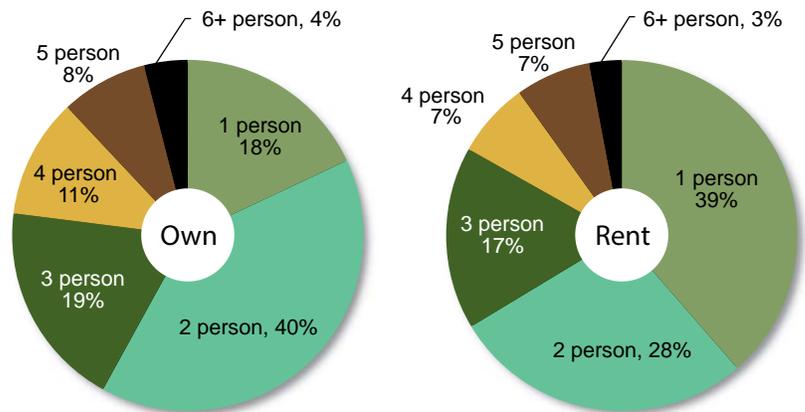
Single-family rent has gone up most

Our annual rental survey, conducted in March each year, provides details on rents and vacancies in communities across Alaska. Average rent in Juneau, including utilities, has increased 25 percent since 2004, rising from \$1,005 to \$1,259 per month. Anchorage, which has a comparable rental market in terms of rents and vacancy rates, increased 48 percent, from \$844 to \$1,250.

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Owner Households are Larger

RENTER VS. OWNER HOUSEHOLD SIZES IN JUNEAU



Source: U.S. Census Bureau, American Community Survey 2009-2013

Juneau's average rent for single-family homes, including utilities, has increased 41 percent since 2004, from \$1,258 to \$1,779. Apartment rent has risen from \$985 to \$1,196, up 21 percent. (See Exhibit 10.)

Over the last 10 years, rent in Juneau has generally been near the top of the spread, with Kodiak and Valdez-Cordova being more expensive, Anchorage and Sitka being fairly close, and Mat-Su, Ketchikan, Kenai, and Wrangell-Petersburg being less expensive.

Juneau has some of the lowest vacancy rates in the state, ranging from a 10-year high of 6.3 percent in

Affordability indexes and how they work

The Alaska Department of Labor and Workforce Development creates indexes to monitor housing affordability across Alaska. The indexes measure a number of economic housing factors and how they interact, producing a single value.

The Alaska Affordability Index considers sales prices, loan amounts, income, and interest rates to estimate how many wage earners it would take to afford a 30-year conventional mortgage for an average-priced home with 15 percent down, given the average interest rate and average income. Put another way, it tells you how many people have to bring in a paycheck to afford a home.

The Rental Housing Index is similar but uses average contract rents. Contract rent is the amount charged to a tenant by the landlord without making adjustments for utilities that aren't already included in the rent.

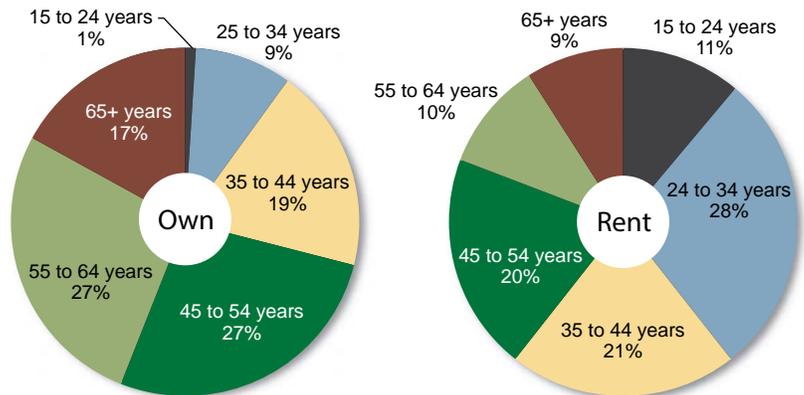
An index value of 1.0 means exactly one person's income is required to afford a typical home or the average rent. An increasing number means additional income is necessary, making housing less affordable.

The index monitors housing affordability based only on factors the Department of Labor and Workforce Development measures on a regular basis. However, many other factors affect affordability, some of which are unique to households' situations and would be difficult to measure consistently. These include:

- Hazard insurance and mortgage insurance
- Property taxes, which vary by area and property size
- Utilities, which can be substantial and vary depending on energy type
- Adjustable rate mortgages, where monthly payments can change dramatically based on interest rate shifts

8 Renters Are Younger

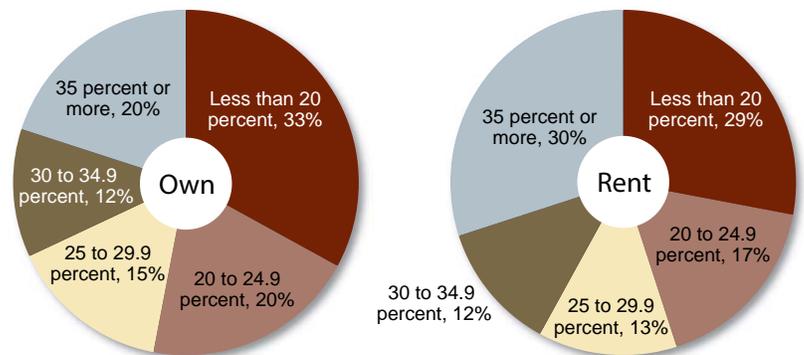
AGES OF RENTERS VS. OWNERS IN JUNEAU



Source: U.S. Census Bureau, American Community Survey 2009-2013

9 Renters Spend Larger Share of Income

JUNEAU, 2009 TO 2013



Source: U.S. Census Bureau, American Community Survey 2009-2013

2005 to a low of 3.2 percent in 2011 and 2012. Juneau's average vacancy rate between 2004 and 2014 was 4.5 percent, while the survey-wide rate was 6.3 percent.

Anchorage and Kodiak, two other high-priced rental markets, had similarly low vacancies over the same period, at 4.5 percent and 4.4 percent respectively. Low vacancies are typical of high cost areas. As renters compete for a limited number of rentals, prices often rise in response.

Sales prices didn't lose much ground

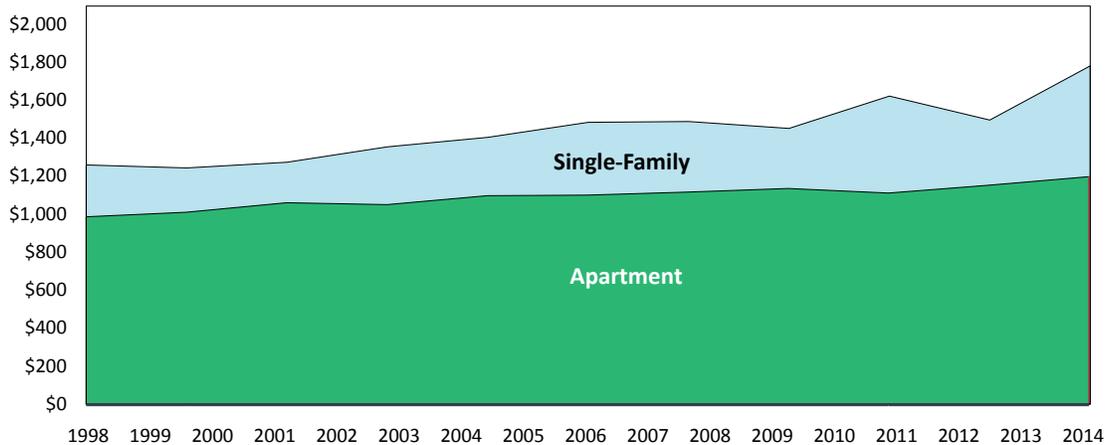
For perspective on sales prices over the last two decades, it's useful to inflation-adjust prices to control for the changing value of money.

Adjusted sales prices in the state and nation peaked in 2006, while Juneau's peaked a year later. All three markets have tapered since. After

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Average Rent for a House vs. an Apartment

JUNEAU AVERAGE RENTS, 1998 TO 2014

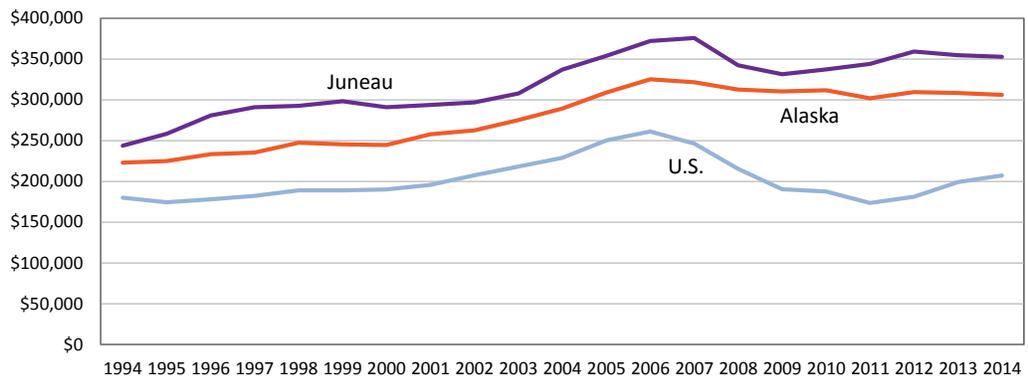


Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

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Average Sales Prices Even Out

SINGLE-FAMILY HOUSES, ADJUSTED FOR INFLATION, 1994 TO 2014



Sources: Alaska Department of Labor and Workforce Development, Research and Analysis Section; and National Association of Realtors

its peak, Juneau's sales prices fell a bit faster than the state's but have also recovered more. (See Exhibit 11.)

National single-family house prices were 21 percent lower in 2014 than at their 2006 peak, while Alaska's dipped just 6 percent, Juneau's 5 percent, and Anchorage's 4 percent. Overall, Alaska weathered the housing market downturn very well, which is generally attributed to fewer risky loans and less speculative building.

Single-family house prices have gone up more in Juneau and statewide over the last two decades than they have nationwide, where adjusted housing prices

were only 15 percent higher in 2014 than they were in 1994. In Juneau, the real increase was 45 percent, and for the whole state it was 37 percent.

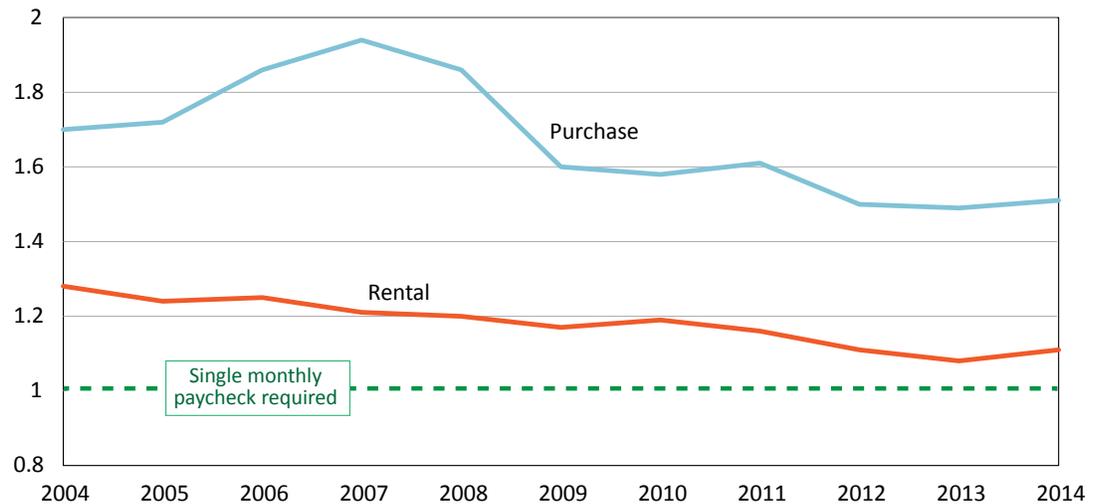
Renting more affordable

Housing affordability indexes look at the number of average incomes required to afford the average rent or mortgage payment, taking into account an area's average wages. For homebuyers, housing cost incorporates the average sales price and interest rate to approximate a monthly mortgage payment, and for

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Affordability of Renting vs. Buying in Juneau

2004 TO 2014



Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

renters it's simply the average rent.

Rental affordability has been more constant than purchase affordability over the last decade and a half. The largest difference between renting and purchasing was in 2007, when it would have required nearly three-quarters of an additional income to buy rather than rent. In recent years, the affordability difference between buying and renting in Juneau has narrowed, but it was closest in 1998, when it only required a quarter of an additional income to buy. (See Exhibit 12.)

Alaska's rental affordability index averaged 1.02 over the last ten years, meaning a person with roughly the average income in Alaska could afford the average rent. In Juneau, the 10-year average was 1.18 and it's been on a gentle decline as a rise in income has slightly outpaced rent increases. (See the sidebar on page 8 for more about affordability indexes.)

Juneau is a less affordable place to purchase a home than the state average, with the Juneau index generally

running two-tenths to three-tenths of a percentage point higher.

The Juneau homeowner affordability index has ranged from a high of 1.94 in 2007 to a low of 1.49 in 2013. Over the last 10 years, it's averaged 1.67. Values were highest from 2006 to 2008 as interest rates rose temporarily, increasing the cost of purchasing, while 2006 and 2007 were also high points for Juneau's sales prices.

Generally, interest rates have been on a steady decline, hitting historic lows and pushing the affordability index down. The level of affordability seen in the last two years is unlikely to last, though, as it's driven by record low interest rates that are not expected to last.

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