

## PRIVATE HOUSING ACTIVITY IN ALASKA

One of the peculiarities about the recession that is deepening throughout the country is that the economic slide is as much a regional phenomenon as it is a national crisis. Alaska, which has been revitalized with a \$6 billion shot in the arm via the oil pipeline project, numbers among the few areas in the country currently experiencing strong economic growth. The paradox of a state economy that is budding in a no-growth national economy is well illustrated by the disparities between the U.S. housing market and private housing activity in Alaska.

Sagging outlays for private residential construction figured prominently in the decline of total economic activity in 1974. According to an assessment of 1974 residential construction, in the January issue of the Federal Reserve Bulletin, real spending dropped by more than a fourth from the 1973 total. Private housing starts fell from 2.4 million at the peak in early 1973 to about 1.0 in the fourth quarter of 1974. In March, the Department of Commerce's index of new private housing units authorized by local building permits was off 50% from the March level a year ago. The plunge in housing starts in 1974 was, by far, concentrated in the multi-family sector. Higher finance and construction costs and unusually large builder stocks of unsold units also acted to depress single family housing starts after the first half of last year.

Recently, conditions in the mortgage markets have eased somewhat as the Federal Reserve Board has moved to expand money and credit and as savings deposit flows in savings institutions and commercial banks have begun to increase vis-a-vis the decline in short term rates. Residential mortgage yields in the private secondary market declined to 8.69 in March from the high of 10.38 posted last September. On the average, this drop in market interest rates has already cut the home buyer's cost by 8 to 9 percent. While it appears that the decline in residential construction is beginning to flatten out, the fact remains that mortgage rates are just beginning to retreat from their fall peaks of over 10 percent, and new commitments continue to be quite low.

Nationwide, operative builders are guarded in their

optimism over the prospects of a recovery in the housing industry; restraint is most pronounced among builders of apartments. The difficulties experienced by the real estate investment trusts in 1974 caused a sharp contraction of loan funds for multi-family projects and a marked rise in interest charges on construction loans. Fortune magazine noted in its latest business roundup that the number of multi-family starts dropped from 1.1 million units in 1973 to approximately 250,000 in recent months, and builders' plans roughly call for 450,000 units next year.

Contrary to the mixed expectations in the housing market Outside, Alaska's construction industry is booming; furthermore, a pressing shortage of adequate housing exists in many rural areas as well as the severely pipeline impacted communities of Anchorage, Fairbanks, and Valdez.

Forecasts for a bustling year of private housing activity, particularly in the multi-family sector, are only marginally dampened by the possibility of a reduction in single family residences. In late March, the President signed a tax cut package which contains a provision for a direct tax credit on 1975 income, for buyers of single family dwellings, condominiums, and mobile homes. Despite the incentive of the tax credit, consumer resistance to high priced homes and the escalation of housing costs may curtail the number of single family units demanded this year.

During 1974, the number of residential units financed by the National Bank of Alaska was double the number of units financed the year earlier -- over half of the newly constructed residential units financed in 1974 by the NBA were condominiums, and demand for multi-family housing is expected to remain strong. Indeed, the trend in Alaska is oriented to the multi-family structure. In 1973, the total of privately owned residences in structures with 2 or more units outnumbered single unit structures two to one.

A solid turnaround in the national economy is contingent on a turnaround in housing and capital spending. In Alaska, the business climate is bullish-- and Alaska builders are bullish on multi-family

residences. By all indications, the future of residential construction in the State lies in condominiums and townhouses.

## ALASKA'S ECONOMY IN MARCH

*Effective March, 1975, the Trends will implement a civilian labor force series that will be re-benchmarked quarterly. The reader should be aware that estimates of the civilian labor force by place of residence and nonagricultural wage and salary employment by place of work are conceptually different.*

**Employment — Unemployment:** While the State roused from its seasonal downturn and as oil pipeline activity began its climb to peak employment, total employment in March bounded to 139,400, a jump of 5,500 over the February total of 133,900. The economic boom that the State is experiencing was evidenced by the 21.2 percent increase in employment over March, 1974. A measure of the expanding labor force is the 16 percent increase over the year ago figure of 134,700. The total unemployment rate in March declined to 10.8 percent.

**Mining:** Although as many wells were completed, seven new wells were spudded throughout the State in March. The 3,600 people that were employed in the industry in March represented an increase of 900 from the year ago level.

**Construction:** Construction employment surged to 11,700, with a gain of 1,600 over the month. Trans-Alaska pipeline activity was highlighted by the first actual pipe installation at the Tonsina River crossing located north of Valdez. Construction of the work pads designed to support heavy pipeline equipment continued along all sections of the oil pipeline.

**Manufacturing:** While manufacturing experienced an upturn of 700 in employment over the month, industry employment was still off 1,000 from the year ago March figure. The tanner crab season, which got off to a late start, picked up in March and this upswing was reflected in the monthly increase of 400 in food processing. In the forest products sector, in the Southeast, several operations began work in early March. The balance of logging camps in the Southeast will continue opening operations through mid-April. Elsewhere, the timber industry on the

Kenai will be very active this year. From February to March, employment in lumber and wood products rose by 300.

**Transportation, Communication & Utilities:** Industry employment increased 2 percent over the month. During March, a dock strike in Vancouver, British Columbia delayed a number of Alaska bound shipments, which included machinery and equipment for oil pipeline contractors. Year to year employment rose by 1,900.

**Trade:** The trade industry in Alaska is growing steadily. Employment in March was up 300 from February and included 2,000 more employees than were noted in March, 1974.

**Finance, Insurance and Real Estate:** Employment in finance, insurance and real estate remained constant at 5,100 over the month. Compared to the same time last year, employment was up 500 in March.

**Services:** Employment gains in services have been bolstered by the tremendous inflow of people associated with mining exploration and the trans-Alaska oil pipeline. Hotels in Anchorage and Fairbanks have been extremely busy during the first quarter. Over the month, industry employment increased by 1,000.

**Government:** During March, growth in government employment was restrained by a drop in the federal sector. Closure of the Chiniak satellite tracking station at Kodiak affected 122 employees. Government was up 2,600 from last March, and increased by 200 from month to month.

**Private Industry IUR:** Alaska's total private insured unemployment rate dropped from 11.7 percent in February to 11.5 percent in March. By industry, the number of weeks claimed in construction was considerably down from the number of weeks claimed a year ago.

**Characteristics of the Insured Unemployed:** During March, changes in the characteristics of the insured unemployed appeared in the manufacturing industry and food processing. These categories revealed increases of the number of unemployed in absolute terms over the month as well as percent increases year to year. Elsewhere, the number of unemployed