

Building homes in Alaska

Boosted by record-low interest rates, Alaska and the rest of the nation have experienced a feverish housing market in recent years. Alaskans built some 4,700 homes a year from 2003 to 2005 (see Exhibit 1), making construction one of the fastest growing industries in Alaska.

Construction industry employment, which covers both residential and commercial construction, shot up 25 percent between 2001 and 2005, from 14,900 to 18,600. The average selling price of homes reached an all-time high as well, jumping from \$134,946 in 1992 to \$242,750 in 2005. (See Exhibit 2.)

One way to get insight into the economic forces that drive Alaska's overall housing market is to look at the cost of building a house throughout Alaska, as well as the state's home-building activity – an indicator of demand for new housing. The Alaska Department of Labor & Workforce Development conducts two major surveys that deal with these issues: the Alaska Construction Cost Survey and the Alaska New Housing Unit Survey. The Department of Labor also compiles a transportation index based on the data from the Alaska Construction Cost Survey.

Alaska Construction Cost Survey

In January 2006, the Department of Labor conducted its 14th annual Alaska Construction Cost Survey¹ of building supply, concrete and shipping companies to determine the cost of

¹ The Department of Labor conducts the Alaska Construction Cost Survey under contract with the Alaska Housing Finance Corporation.

construction materials throughout the state. The survey simulates contractor pricing for a model single family home by tracking a “market basket” of items that represents roughly 30 percent of a home's total cost. (The remaining 70 percent of a home's costs consists of labor and other materials.)

The market basket provides a benchmark for comparing costs between the urban communities of Anchorage, Fairbanks, Juneau, Kenai/Soldotna, Ketchikan, Kodiak, Sitka and Palmer/Wasilla, as well as the rural communities of Barrow, Bethel and Nome. The Department of Labor also surveys the largest Seattle suppliers since many Alaska builders buy their materials there.

Construction techniques, building requirements and styles can vary from region to region. Since metal roofing is more common than asphalt shingles in rural areas, in this survey metal roofing is included in the market basket for Barrow, Bethel and Nome. The market basket for all the other areas surveyed contains asphalt shingles.

In addition to the materials included in the market basket (see Exhibit 3), suppliers also report the cost of concrete and rebar (see Exhibit 4), as well as the cost of doors and windows (see Exhibit 7), and shipping companies provide the cost of transporting the market basket materials from Seattle to each community (see Exhibit 9). The costs for concrete and rebar aren't listed for the three rural areas because homebuilders in those areas usually build on pilings, not slab foundations, to avoid building foundations in the permafrost.

Comparing 2006 to 2005

The market basket cost in nine of the 11 Alaska communities increased between 2005 and 2006. (See Exhibit 5.) The largest increase was in Sitka, where the cost went up 20 percent. The lowest increase was in Fairbanks with 2 percent. Bethel's cost dropped 14 percent, while Nome's decreased marginally. The Seattle market basket increased \$2,646, or 14 percent, in 2006 to \$21,248.

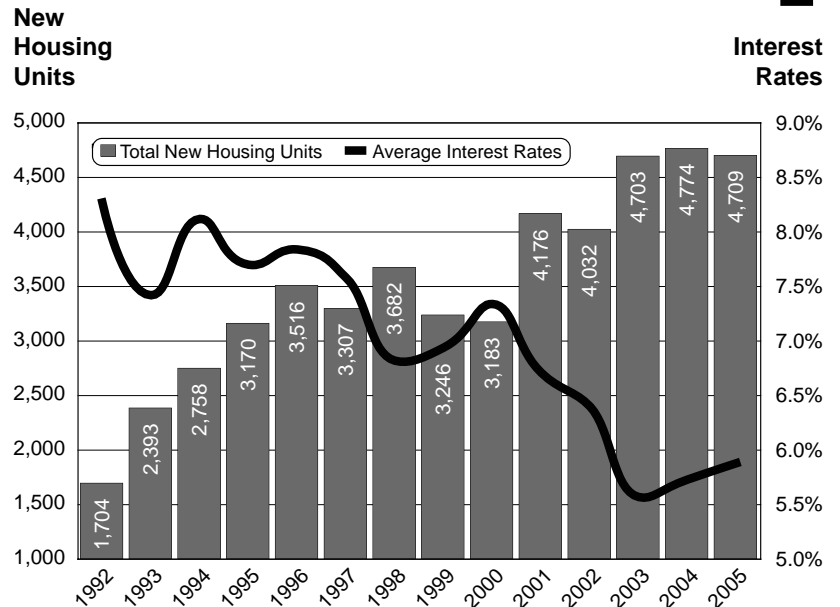
Statewide, the cost of the market basket ranged from a low of \$19,262 in Ketchikan to a high of \$44,081 in Barrow. (See Exhibit 6.) The disparity between the least expensive rural location and the most expensive urban location in 2006 was less than half of the difference found in 2005.

Kodiak became the most expensive urban location in 2006; its market basket was \$23,349. Bethel remained the least expensive rural location for the fourth consecutive year with a cost of \$29,093. The urban/rural gap diminished in 2006 due to the 14 percent drop in prices in Bethel.

Building materials in 2006, like in previous years, cost more in rural areas than urban areas, and more in northern Alaska than in South-central and Southeast Alaska, mainly due to the added transportation cost. In general, the farther a community is from Seattle, the more expensive the price of building materials. Building materials also must be flown or barged to many rural areas (including Barrow, Bethel and Nome), and that contributes to the high transportation cost as well.

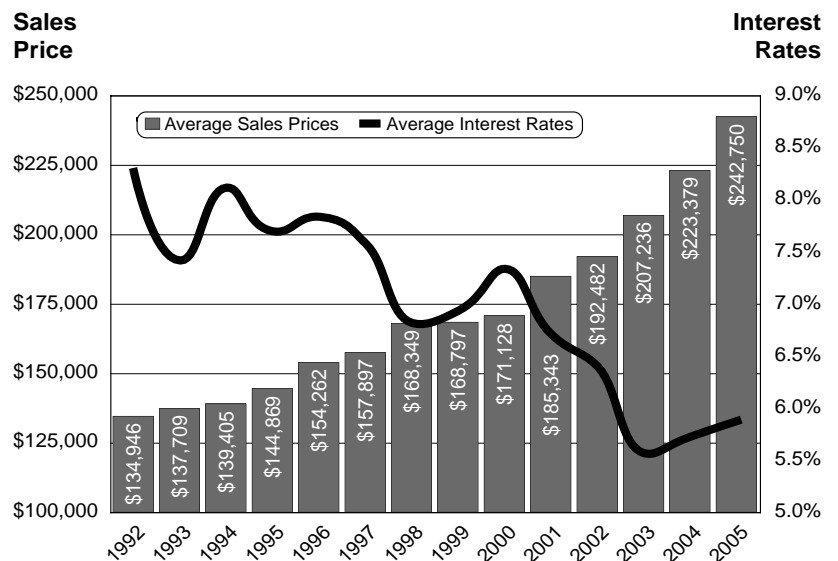
Another noteworthy geographic trend is that costs in Fairbanks are slowly coming closer to those in Anchorage. As recently at 2001, material costs in Fairbanks were 20 percent higher than those in Anchorage, but the gap narrowed in each of the next five years and is now just 3 percent.

Building Activity and Interest Rates Alaska, 1992-2005



Source: Alaska Department of Labor & Workforce Development, Research and Analysis Section, Quarterly Survey of Lending Activity (2005) and Alaska New Housing Unit Survey (2005)

Home Prices and Interest Rates Single family homes in Alaska, 1992 to 2005



Source: Alaska Department of Labor & Workforce Development, Research and Analysis Section, Quarterly Survey of Lending Activity (2005)

3 Average Price for “Market Basket” Construction Materials 2006

Market Basket Items	Quantity	Units	Size	Length	Urban				
					Anchorage	Fairbanks	Juneau	Kenai/ Soldotna	Ketchikan
BCI 60 Series	768	ft.	14"		\$2,622	\$2,571	\$2,775	\$2,762	\$2,749
2-4-1 T&G FF Underlay 4' x 8'	62	pieces	1 1/8"		\$2,888	\$3,210	\$2,964	\$3,266	\$2,555
T-111 8" Center Groove 4' x 10' Siding	60	pieces	5/8"		\$3,068	\$2,951	\$3,350	\$3,118	\$2,634
CDX 4' x 8' #53	106	pieces	5/8"		\$2,633	\$2,736	\$2,608	\$2,756	\$1,967
Studs #2 and Btr Kiln-dried	164	pieces	2" x 4"	92 5/8"	\$469	\$542	\$517	\$515	\$405
Studs #2 and Btr #14 Kiln-dried	263	pieces	2" x 6"	92 5/8"	\$1,192	\$1,413	\$1,238	\$1,350	\$915
4' x 12' Plain Sheetrock #84	95	pieces	1/2"		\$1,502	\$1,634	\$1,440	\$1,734	\$1,332
4' x 12' Type X Sheetrock #109	68	pieces	5/8"		\$1,245	\$1,282	\$1,335	\$1,373	\$1,084
Fiberglass Batt Insulation (2,560 sq. ft.)	40	bags	R-38" x 24"	64 sq. ft.	\$2,326	\$2,150	\$2,122	\$2,352	\$1,830
Fiberglass Batt Insulation (2,034 sq. ft.)	30	bags	R-21" x 15"	68 sq. ft.	\$1,320	\$1,428	\$1,221	\$1,521	\$1,082
NMB Electric Wire	3	boxes		250 ft.	\$225	\$252	\$143	\$170	\$177
Single Breaker	15	pieces	15 amp		\$94	\$88	\$120	\$88	\$120
Copper Pipe Type 'M'	150	ft.	3/4"		\$177	\$174	\$160	\$178	\$203
ABS Pipe	100	ft.	3"		\$169	\$155	\$133	\$178	\$169
3 Tab Shingles Brown ¹	102	bundles			\$1,491	\$1,574	\$1,577	\$1,762	\$2,040
Metal Roofing ¹	3,215	sq. ft.	3' x 20'		N/A	N/A	N/A	N/A	N/A
Total					\$21,421	\$22,160	\$21,703	\$23,123	\$19,262

Note: For 2005 or earlier prices, see Alaska Housing Finance Corporation's Web site at www.ahfc.state.ak.us. Click on "Reference Materials" on the left, then "Alaska Housing Market Indicators" also on the left.

¹ The market baskets in urban areas include asphalt shingles; the market baskets in rural areas include the more commonly used metal roofing.

Source: Alaska Department of Labor & Workforce Development, Research and Analysis Section, 2006 Construction Cost Survey

Prices go up for wire and Sheetrock

Electric wire was the one market basket item to increase in all 11 of the surveyed communities in Alaska. It went up by 147 percent in Fairbanks, 137 percent in Anchorage and increased by at least 50 percent in seven of the 11 communities surveyed.

Increases in the price of copper at the commodity level between 2005 and 2006 may help explain the cost increases of some building materials such as copper pipe and electric wire.

Another item that became more expensive in nearly all areas was Sheetrock. The most extreme example is Barrow, where the price of plain Sheetrock jumped 108 percent between 2005 and 2006.

One reason for the price jump was Hurricane Katrina, which wiped out a major producer. The

reconstruction of New Orleans and the nationwide housing boom also pushed demand higher. Sheetrock is particularly expensive in Alaska to begin with because it's heavy and expensive to ship.

Concrete prices highest in Kodiak

Anchorage had the lowest price for concrete – \$2,995 for 30 cubic yards. (See Exhibit 4.) Kodiak remained the most expensive area for concrete with a cost of \$5,475. In fact, the price difference between Kodiak and the second-most expensive area for concrete, Ketchikan, widened from \$900 in 2005 to \$1,125 in 2006. Ketchikan's concrete price remained unchanged in 2006 at \$4,350. Otherwise, the cost of concrete increased in the remaining seven urban locations. The increases ranged from less than 1 percent in Palmer/Wasilla to 9 percent in Kenai/Soldotna.

Juneau has replaced Anchorage as the least

Continued **3**

44 percent higher in Kodiak than in Nome, the state's second-most costly location.

Sitka replaced Anchorage as the least expensive location for doors and windows, even though Sitka's cost has gone up 9 percent since 2005. Anchorage's 18 percent rise was just enough to move Alaska's largest city down one notch to the second-least expensive location. Anchorage's 2006 price was \$9 more than Sitka's.

Seven Alaska locations had increases in the cost of doors and windows. The increases ranged from 3 percent in Bethel to 31 percent in Kodiak. Besides Kodiak, three other areas had double-digit percentage increases – Nome, Kenai/Soldotna and Anchorage. The price went down in the remaining four locations in

amounts ranging from less than 1 percent in Juneau to 9 percent in Barrow.

Construction costs in Alaska versus Seattle

Seattle and its surrounding metropolitan area were included in the Alaska Construction Cost Survey since some contractors acquire their materials directly from suppliers outside Alaska. For Alaska suppliers, the market basket price already includes the cost of shipping the goods to their community. Transportation costs were added to Seattle's market basket total to estimate what local contractors would pay if they bought directly from Seattle suppliers and shipped their materials to Alaska. (See Exhibit 8.) Seattle market basket prices should be used only for rough comparisons in the rural areas because the Seattle market basket for those areas includes asphalt shingles rather than metal roofing, and, as noted above, metal roofing replaced asphalt shingles in the rural areas' market baskets.

The Seattle market basket increased 14 percent in 2006 to \$21,248. For the second consecutive year, local prices were lower in all eight

Urban (continued)			Rural			Outside Alaska
Kodiak	Sitka	Palmer/Wasilla	Barrow	Bethel	Nome	Seattle
\$3,187	\$2,292	\$2,665	\$2,195	\$1,860	\$4,235	\$3,022
\$2,813	\$2,643	\$2,910	\$5,927	\$3,575	\$4,675	\$2,921
\$3,422	\$3,229	\$3,191	\$5,175	\$3,764	\$4,481	\$3,787
\$2,512	\$2,212	\$2,467	\$5,629	\$3,135	\$4,578	\$2,289
\$529	\$427	\$547	\$1,312	\$730	\$884	\$461
\$1,210	\$1,002	\$1,387	\$2,630	\$1,694	\$2,199	\$1,094
\$1,734	\$1,537	\$1,575	\$5,679	\$1,671	\$2,504	\$1,081
\$1,445	\$1,278	\$1,310	\$4,080	\$2,135	\$2,472	\$1,080
\$2,113	\$2,163	\$2,311	\$3,160	\$4,092	\$4,032	\$2,337
\$1,300	\$1,325	\$1,421	\$2,100	\$2,552	\$1,842	\$1,451
\$180	\$157	\$180	\$270	\$204	\$246	\$145
\$57	\$85	\$55	\$75	\$105	\$115	\$75
\$194	\$191	\$191	\$240	\$222	\$304	\$170
\$169	\$198	\$205	\$250	\$264	\$198	\$133
\$2,484	\$1,734	\$1,631	N/A	N/A	N/A	\$1,202
N/A	N/A	N/A	\$5,359	\$3,090	\$4,340	N/A
\$23,349	\$20,473	\$22,046	\$44,081	\$29,093	\$37,105	\$21,248

expensive location for rebar. Prices in the capital city fell \$55, or 9 percent, in 2006 to \$551. Overall, the cost of rebar decreased in four of the eight Alaska urban areas surveyed, while it increased in the other four.

Sitka had the greatest spike in rebar prices at 8 percent – a jump that moved Sitka to the top of the list as the most expensive spot for rebar in the state at \$687. Fairbanks, the most expensive place for rebar in 2005, was a close second in 2006 at \$681. Increases in rebar pricing between 2005 and 2006 ranged from 1 percent in Anchorage to 8 percent in Sitka; decreases varied from 1 percent in Palmer/Wasilla to 11 percent in Kodiak. The price of rebar dropped 3 percent to \$569 in Seattle.

Doors and windows are cheapest in Sitka

Kodiak continued as the most expensive location, urban or rural, for doors and windows in 2006. (See Exhibit 7.) Its \$6,350 cost represents a 31 percent increase over 2005's cost of \$4,840 and a 79 percent upsurge over 2004's cost of \$3,545. Doors and windows are now

4 Average Price for Concrete and Rebar 2006

Area	Concrete ¹	Rebar ²
Anchorage	\$2,995	\$567
Fairbanks	\$3,145	\$681
Juneau	\$4,200	\$551
Kenai/Soldotna	\$3,441	\$656
Ketchikan	\$4,350	\$604
Kodiak	\$5,475	\$576
Sitka	\$4,260	\$687
Palmer/Wasilla	\$3,190	\$600
Seattle	N/A	\$569

¹ Based on 30 cubic yards

² Based on 93 pieces of No. 4 rebar, 1/2-inch in diameter and 20-feet long

Source: Alaska Department of Labor & Workforce Development, Research and Analysis Section, 2006 Construction Cost Survey

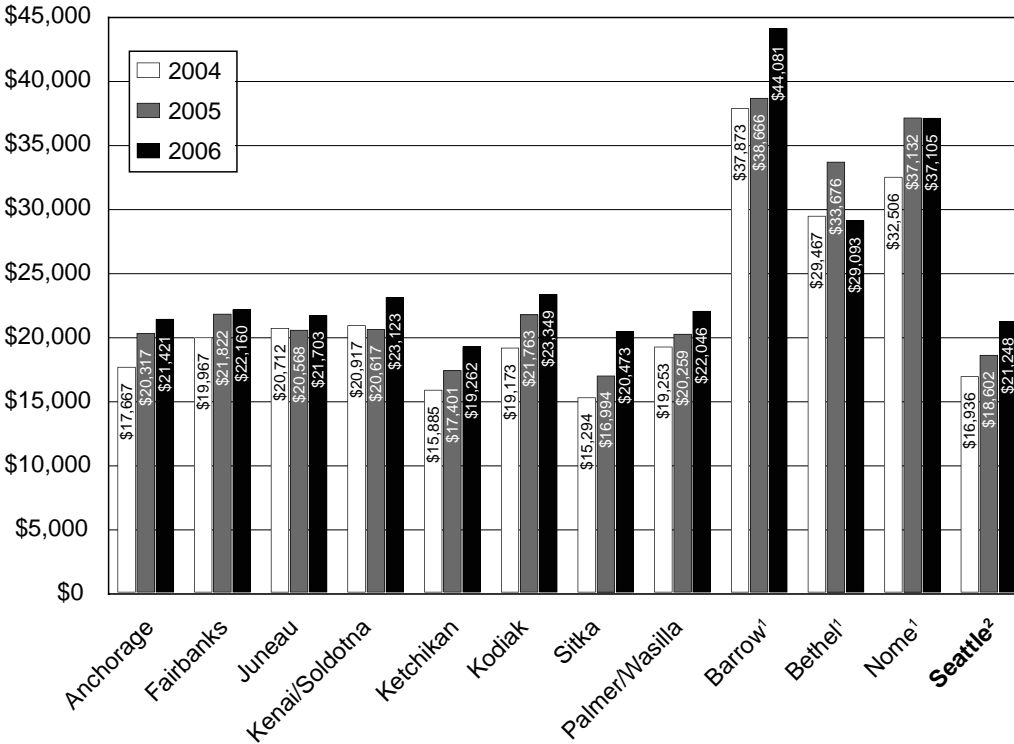
urban Alaska locations than the combination of the market basket items purchased in Seattle plus shipping. One possible explanation for this phenomenon could be that during the 2006 survey period, Alaska suppliers, especially the smaller businesses, may still have had 2005 inventory on their shelves. The participating Seattle suppliers, however – because they're larger, offer a wider selection of merchandise and are located in a major metropolitan area – were more likely to have newer inventory on hand that would reflect the generally higher prices evident in 2006.

The greatest disparity between local and Seattle prices occurred in Fairbanks, where local prices beat Seattle prices by \$6,810. Sitka followed with a difference of \$6,064, while contractors in Anchorage saved \$5,874 by purchasing locally instead of buying and shipping from Seattle.

5 Average Cost of the Market Basket, 2004-2006 Residential construction using local or Seattle suppliers

Cost

Excludes concrete, rebar, doors and windows



¹ Rural areas include metal roofing instead of asphalt shingles.

² The Seattle costs don't include shipping costs. See Exhibit 9 for those amounts.

Source: Alaska Department of Labor & Workforce Development, Research and Analysis Section, 2006 Alaska Construction Cost Survey

Of the areas with local cost savings, the difference between local and Seattle pricing was the smallest in Juneau – \$2,861. However, that discount is close to three times higher than last year's \$1,009. Fairbanks, Anchorage and Kodiak all saw their local/Seattle pricing spreads increase more than 50 percent. Of the urban locations, Sitka was the lone place to have its spread decrease; it fell 9 percent in 2006.

Seattle prices continued to offer savings to contractors in two of the three rural areas in 2006.² Contractors in Barrow and Nome still saved by buying market basket items from

² As noted earlier, the Seattle market basket included asphalt shingles instead of the metal roofing more commonly used in rural Alaska. Because metal roofing is lighter and can be shipped inside or outside a container, it's as much as two-thirds less expensive to ship. If metal roofing were included in the market baskets that Seattle suppliers sent to Barrow, Bethel and Nome, those costs would be noticeably lower.

Average Market Basket Cost Using local or Seattle suppliers, 2006 **6**

Seattle. The difference between Barrow and Seattle suppliers increased 33 percent in 2006 as the cost of the market basket in Barrow surged past \$44,000. Meanwhile, the spread between local prices in Nome and those found in Seattle decreased 60 percent due to stable pricing in Nome. However, contractors in Bethel paid less by purchasing market basket items locally instead of in Seattle.

Transportation index for market basket from Seattle

Transportation costs are an important element in building costs in Alaska since the state manufactures a relatively small amount of building materials itself and must rely on out-of-state suppliers. When contractors buy materials from local suppliers, the price of shipping is built into the price, while contractors who buy directly from out-of-state suppliers pay shipping costs directly.

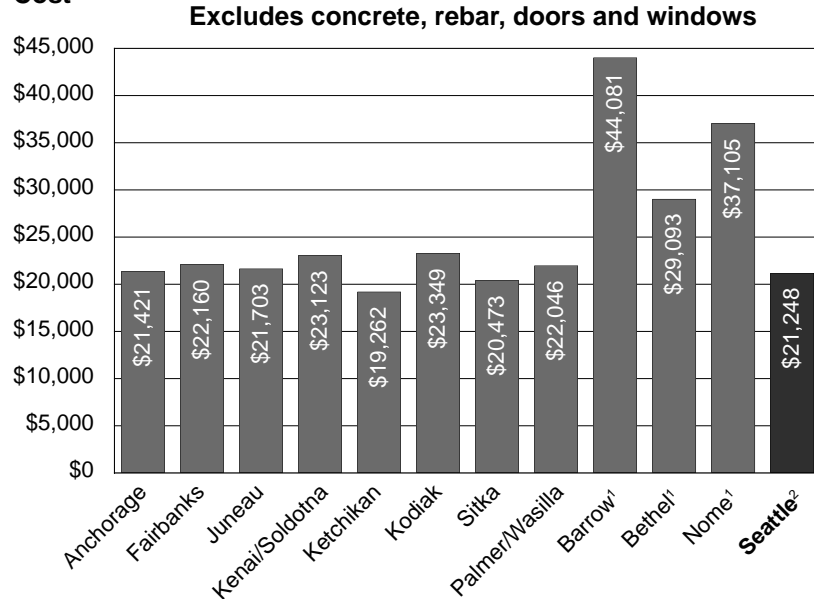
To determine the cost of transportation from Seattle to the Alaska communities, carriers were given the weight (roughly 49,000 pounds) and the volume (about 2,000 cubic feet) of the market basket materials. These measurements assume that a 20-foot platform and a 20-foot container would be required to transport all the materials.

Another assumption was that all the fees for required services were included in the reported cost of the shipment. These services include loading and unloading, protecting and fastening the materials, and delivering them to the building site.

The cost of transporting building materials from Seattle increased in all areas but one in 2005, due at least in part to rising fuel costs. (See Exhibit 9.) The percentage increases ranged from 4 percent in Kenai/Soldotna to 13 percent in Kodiak. The one community that had a drop in shipping costs was Bethel, where shipping costs fell 3 percent to \$11,300.

Another useful way to look at shipping costs is to compare changes over time for the various Alaska communities relative to a common point

Cost



¹ Rural areas include metal roofing instead of asphalt shingles.

² The Seattle amount doesn't include shipping costs. See Exhibit 9 for those amounts.

Source: Alaska Department of Labor & Workforce Development, Research and Analysis Section, 2006 Alaska Construction Cost Survey

of reference or index. For example, in 2004 it cost 10 percent more to ship building materials to Palmer/Wasilla than it did to ship them to Anchorage. But as building activity increased in Palmer/Wasilla and economies of scale presumably lowered prices, shipping costs to Palmer/Wasilla actually dropped below shipping costs to Anchorage.

Using Anchorage as the benchmark with an index value of 100, costs generally became less expensive relative to Anchorage in the communities surveyed, as demonstrated by the generally declining index numbers. (See Exhibit 10.) In other words, Anchorage's 12 percent increase in shipping costs from 2005 to 2006 was higher than the increases in shipping costs to the other communities – Kodiak and Ketchikan being the minor exceptions.

Not surprisingly, the farther a community is from Seattle, the more expensive it is to ship building materials there. Ketchikan and Juneau illustrate this best, with shipping costs substantially lower than Anchorage. Slightly higher costs in Sitka

7 Average Price for Doors and Windows Alaska Suppliers, 2006

Market Basket Items	Quantity	Units	Size	Urban			
				Anchorage	Fairbanks	Juneau	Kenai/ Soldotna
R7 Metal Insulated Doors with 6" Jamb	2	pieces	3'	\$414	\$300	\$331	\$395
Low E Argon Windows with R > 2.8 Vinyl Casements	3	pieces	2.6' x 3'	\$575	\$613	\$643	\$658
Low E Argon Windows with R > 2.8 Vinyl Casements, 5.7 E-Gress	6	pieces	2.6' x 4'	\$1,307	\$1,489	\$1,408	\$1,492
Low E Argon Windows with R > 2.8 Vinyl Casements, 5.7 E-Gress	2	pieces	8.0' x 4'	\$680	\$1,069	\$1,277	\$1,122
Total Cost of Doors and Windows				\$2,976	\$3,471	\$3,659	\$3,667

Source: Alaska Department of Labor & Workforce Development, Research and Analysis Section, 2006 Alaska Construction Cost Survey

may be due to especially strong building activity there and a resulting imbalance between demand and available shipping infrastructure.

Shipping costs were highest to Barrow, although they have fallen relative to Anchorage since 2004. Costs were also substantially higher in the other two rural communities surveyed, Bethel and Nome.

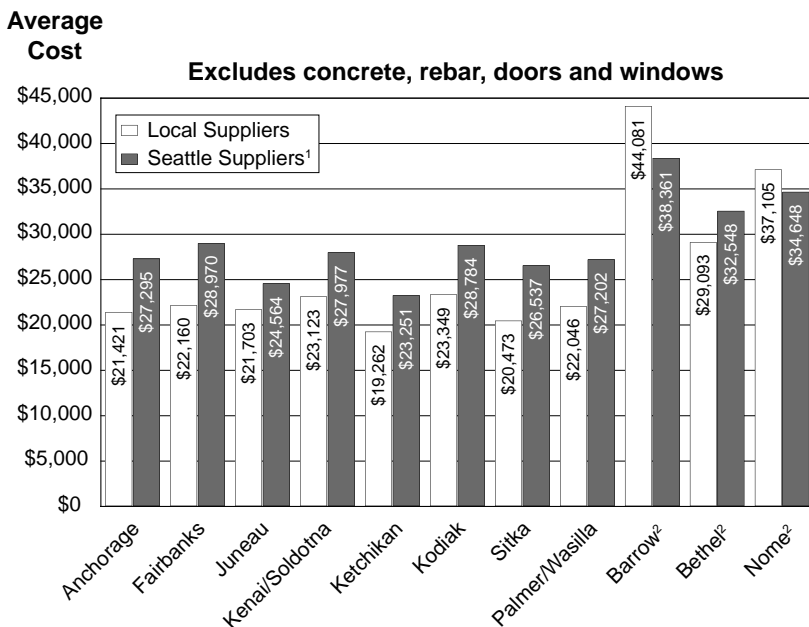
A look at building activity

Aside from the cost of building a house in Alaska, where and how many houses are being built are also critical to understanding the economic forces that drive Alaska's housing market. The two components – the cost of building a house and building activity³ – are linked: an increase in building activity often means an increase in the need for building supplies, and that can lead to a shortage of supplies and a possible increase in the cost of construction materials.

Considering that the data for the Alaska New Housing Unit Survey – the Department of Labor's quarterly survey of Alaska communities – were collected throughout 2005⁴ and the Alaska Construction Cost Survey was conducted in January 2006, it's easy to see how increases in building activity in 2005 may have contributed to driving up the cost of materials in 2006.

The purpose of the Alaska New Housing Unit Survey, which the Department of Labor has conducted for more than a decade, is to pinpoint new residential construction occurring in each area of the state. The survey includes all new residential construction – construction in areas

8 Local Suppliers vs. Seattle Suppliers Average cost of the market basket in 2006



¹ All Seattle prices include shipping costs

² The comparisons aren't completely equal because the Seattle shipping costs to Barrow, Bethel and Nome include asphalt shingles instead of the metal roofing included in the rural areas' market baskets.

Source: Alaska Department of Labor & Workforce Development, Research and Analysis Section, 2006 Alaska Construction Cost Survey

³ Building activity as used in this article refers to the number of new housing units created. For example, a four-plex would equal four housing units. (The terms building activity and new housing units are used interchangeably.)

⁴ The year 2005 is the most recent complete year for which building activity data have been compiled.

In terms of building types, a majority – 62 percent – of the 2005 residential activity statewide involved single family structures. (See Exhibit 11.) Multi-family units accounted for the remaining 38 percent of the total activity in 2005. Activity for multi-family structures, defined as residential buildings with two or more units, has picked up substantially, however, and most of the increase in total reported activity over the past five years can be attributed to multi-family building.

Urban (continued)				Rural		
Ketchikan	Kodiak	Sitka	Palmer/ Wasilla	Barrow	Bethel	Nome
\$390	\$495	\$440	\$456	\$680	\$369	\$549
\$591	\$1,161	\$564	\$613	\$870	\$868	\$824
\$1,470	\$2,604	\$1,271	\$1,393	\$1,800	\$1,967	\$1,701
\$954	\$2,090	\$692	\$1,181	\$1,000	\$553	\$1,323
\$3,405	\$6,350	\$2,967	\$3,643	\$4,350	\$3,757	\$4,397

where building permits are required as well as in areas where they aren't required. Because of this comprehensiveness, the survey provides useful information for monitoring Alaska's housing market, as well as the state's broader economic growth in Alaska.

Interest rates and building activity

The trend in new residential building activity has been climbing steadily since 1992. Since then, the annual number of new housing units for all surveyed areas in Alaska has increased from 1,704 in 1992 to 4,709 in 2005. While building activity rose at a modest clip between 1992 and 2000, most of the major increases occurred between 2001 and 2005. (See Exhibit 1.)

At least one reason behind the accelerated pace of building activity in recent years is record-low interest rates. Interest rates began a steep decline in 2001, falling from an average of 7.36 percent in 2000 to a record low of 5.57 percent in 2003. Even with increases in 2004 and 2005, interest rates remain well below their historical averages.

This low-interest rate environment has been a key component in making housing more affordable, fueling demand for both new and existing housing across Alaska. Despite the fact that interest rates started to climb from their record lows in 2003, the amount of residential building activity continued to grow through 2005.

Building activity highlights by area

The Municipality of Anchorage and the Matanuska-Susitna Borough⁵ accounted for 80 percent of the building activity across Alaska in 2005. (See Exhibits 11 and 12.) Remarkably, the Mat-Su Borough, which has less than a third of Anchorage's population, reported more total building activity than Anchorage in both 2004 and 2005.

⁵ While the rest of the article refers to construction costs in Palmer/Wasilla, this building activity section uses information from the entire Matanuska-Susitna Borough.

Cost of Shipping from Seattle **9**

Market basket transportation, 2006

Excludes concrete, rebar, doors and windows

Destination	Shipping Cost
Ketchikan	\$2,003
Juneau	\$3,316
Sitka	\$5,289
Palmer/Wasilla	\$5,954
Anchorage	\$6,047
Kenai/Soldotna	\$6,729
Kodiak	\$7,536
Fairbanks	\$7,722
Bethel	\$11,300
Nome	\$13,400
Barrow	\$17,113

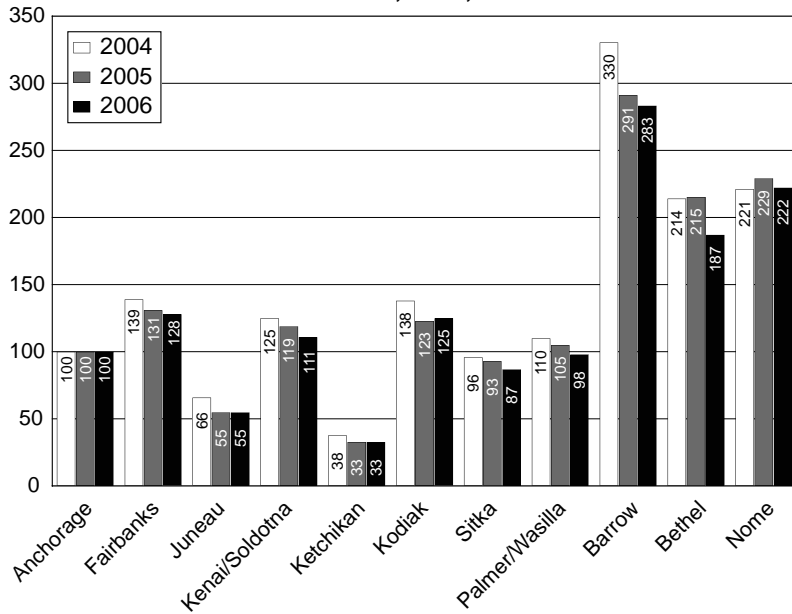
Source: Alaska Department of Labor & Workforce Development, Research and Analysis Section, 2006 Alaska Construction Cost Survey

10 Shipping Cost Index

Cost of shipping the market basket¹

Index Number

Excludes concrete, rebar, doors and windows



The Mat-Su Borough had 2,038 new housing units in 2005, while Anchorage had 1,725. Those numbers represent a 10 percent increase for the Mat-Su Borough from 2004 to 2005, and a 5 percent decrease for Anchorage.

Another significant difference between the two areas is that the Mat-Su Borough's building activity was predominantly single family (78 percent) in 2005, while the majority of Anchorage's activity was multi-family (61 percent).

The Fairbanks North Star Borough, like Anchorage, also saw reduced building activity in 2005, falling to nearly half of what it was in 2004. The large decrease was mainly due to a drop in multi-family projects. (See Exhibit 12.)

The Juneau, Kenai Peninsula, Ketchikan Gateway and Sitka boroughs all saw increases in building activity in 2005. The most notable increase was in Sitka, where overall activity jumped by 43 percent.

In the more remote parts of Alaska, the Bethel⁶ and Dillingham census areas were among the areas with the most activity in 2005. All Bethel's activity went toward single family homes, while a majority of Dillingham's activity involved multi-family projects.

For the most part, building activity in Alaska's rural areas tends to be more inconsistent than in more populated areas. It's common, for example, for a remote area to go several years without any activity at all, only to have a burst of activity as several projects get off the ground at once.

Overall, despite a small decrease from 2004, building activity in Alaska during 2005 appeared to be strong and on par with the robust pace of recent years. It's unclear, though, what impact rising interest rates will have on future activity and the housing market in general.

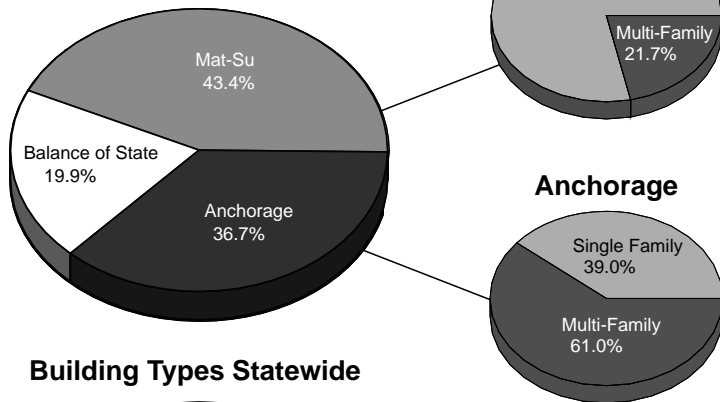
⁶ Again, while the rest of the article refers to specific communities, such as Bethel, this building activity section uses information from the entire Bethel Census Area.

¹ Using Anchorage as a baseline

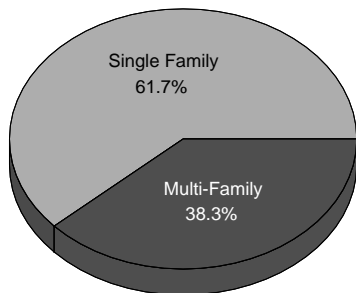
Source: Alaska Department of Labor & Workforce Development, Research and Analysis Section, 2006 Alaska Construction Cost Survey

11 Building Activity 2005¹

Building Activity Statewide



Building Types Statewide



¹ This exhibit doesn't include mobile home placements.

Source: Alaska Department of Labor & Workforce Development, Research and Analysis Section, Quarterly Survey of Lending Activity (2005) and Alaska New Housing Unit Survey (2005)

Building Activity by Area and Building Type

Comparing 2004 and 2005¹

12

Place	Total Building Activity		Single Family Homes		Multi-Family Homes		Mobile Homes	
	2005	2004	2005	2004	2005	2004	2005	2004
Aleutians East Borough	2	1	2	1	0	0	0	0
Aleutians West Census Area	13	5	7	4	6	1	0	0
Anchorage Municipality	1,725	1,809	673	793	1,052	1,016	0	0
Bethel Census Area	27	17	27	17	0	0	0	0
Bristol Bay Borough	2	4	2	4	0	0	0	0
Denali Borough	1	1	1	1	0	0	0	0
Dillingham Census Area	39	8	8	8	31	0	0	0
Fairbanks North Star Borough	264	483	197	231	67	252	0	0
Haines Borough	6	7	6	7	0	0	0	0
Juneau Borough	155	135	96	71	57	63	2	1
Kenai Peninsula Borough	143	111	110	83	29	28	4	0
Ketchikan Gateway Borough	33	27	24	18	9	8	0	1
Kodiak Island Borough	61	75	38	50	22	22	1	3
Lake and Peninsula Borough	0	0	0	0	0	0	0	0
Matanuska-Susitna Borough	2,038	1,857	1,594	1,334	442	505	2	18
Nome Census Area	2	22	2	20	0	2	0	0
North Slope Borough	9	17	9	17	0	0	0	0
Northwest Arctic Borough	19	27	3	7	16	20	0	0
Prince of Wales-Outer Ketchikan Census Area	8	23	5	14	0	6	3	3
Sitka Borough	77	54	23	38	51	13	3	3
Skagway-Hoonah-Angoon Census Area	24	5	9	5	15	0	0	0
Southeast Fairbanks Census Area	1	1	1	1	0	0	0	0
Valdez-Cordova Census Area	23	23	23	20	0	1	0	2
Wade Hampton Census Area	8	27	8	27	0	0	0	0
Wrangell-Petersburg Census Area	13	20	11	14	2	6	0	0
Yakutat Borough	0	0	0	0	0	0	0	0
Yukon-Koyukuk Census Area	16	15	16	15	0	0	0	0
Total Reported	4,709	4,774	2,895	2,800	1,799	1,943	15	31

¹ Building activity refers to the number of housing units that were created. For example, a four-plex would equal four housing units. (The terms building activity and new housing units are used interchangeably.)

Source: Alaska Department of Labor & Workforce Development, Research and Analysis Section, Alaska New Housing Unit Survey (2005)

Additional information on the costs of construction materials and building activity can be found by going to the Alaska Department of Labor's Research and Analysis Section Web site at www.almis.labor.state.ak.us. Click on "Cost of Living" in the far left column, then "Housing Costs Rent/Buy/Build."