

Rent up 7 percent over the year

Survey shows broad increases, vacancy still low

By GUNNAR SCHULTZ and ROB KREIGER

Rents went up across Alaska, some significantly, according to our March 2023 survey of landlords in select areas. Rent for two-bedroom apartments rose 7 percent on average over the year, which was the highest since at least 2011.

Over the last 12 years, rent has risen about 2 percent annually, on average. The second-highest increase was in 2012, at 4 percent.

Vacancy rates increased slightly from 2022 in several areas but remained tighter than average in many.

Area rent increases ranged from 3 percent to 16 percent

Median rent for a two-bedroom apartment — the most common type of unit surveyed — ranged from a low of \$1,055 in Wrangell-Petersburg to \$1,600 in the Bethel Census Area.

Except for Bethel, all rents in this article refer to median adjusted rent. Adjusted rent includes the cost of all utilities, whether they're included in the monthly rent payment or paid separately by tenants, which makes rentals more comparable across areas. (See the sidebar on page 6 for more explanation.)

Sitka's rent increase for a two-bedroom apartment was the smallest at 3 percent, while Ketchikan's jumped 16 percent. The larger markets fell into the middle of the pack, with rents up 9 percent in the Fairbanks North Star and Mat-Su boroughs, 7 percent in the Kenai Peninsula Borough, 5 percent in Anchorage, and 4 percent in Juneau.

For comparison, in each of the 10 areas we've surveyed historically (we added Bethel this year), yearly increases since 2011 have averaged between 1 and 3 percent.

Two-bedroom apartment rents plus all utilities, March 2023

Area	Median adj rent*	Change from 2022
Bethel Census Area**	\$1,600	–
Anchorage, Municipality	\$1,532	5%
Fairbanks North Star Borough	\$1,486	9%
Ketchikan Gateway Borough	\$1,466	16%
Kodiak Island Borough	\$1,452	9%
Juneau, City and Borough	\$1,420	4%
Sitka, City and Borough	\$1,404	3%
Chugach Census Area	\$1,314	4%
Matanuska-Susitna Borough	\$1,189	9%
Kenai Peninsula Borough	\$1,095	7%
Wrangell-Petersburg	\$1,055	5%

Average increase from 2022 7%

*Median adjusted rent is the contract rent (the amount paid to the landlord) plus the cost of all utilities, whether they are included in the rent payment or paid separately.
**Bethel's median rent does not include the adjustment for utility costs. See the sidebar on page 6.

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

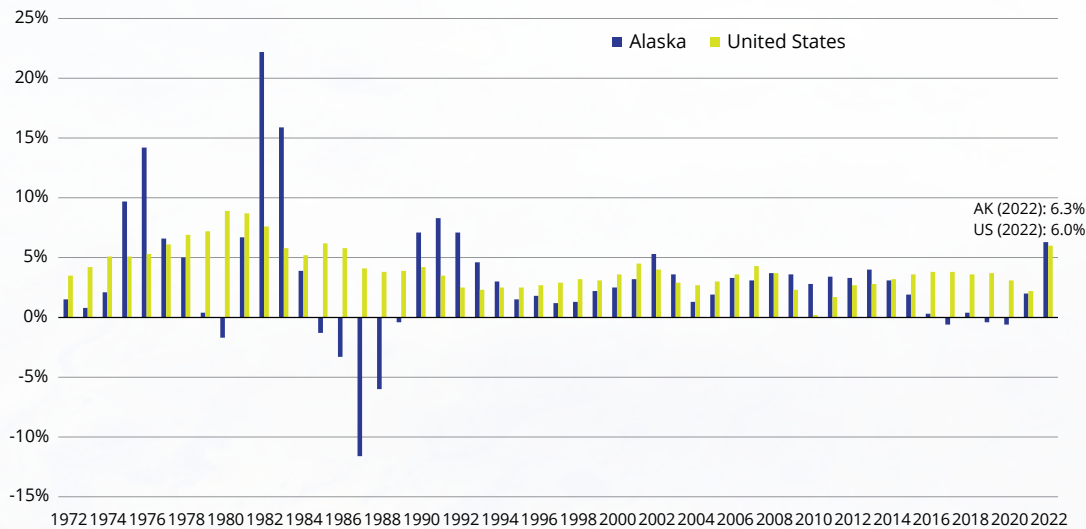
While rents everywhere had increased more than average this year, only the Kenai Peninsula Borough and Ketchikan posted their largest increases since 2011.

Pace of recent rent growth has been similar nationally

Rapid rent increases have been a national phenomenon in recent years. Although our survey data are specific to Alaska, the U.S. consumer price index's "rent of a primary residence" category allows us to compare the pace of rent growth nationally with urban Alaska.

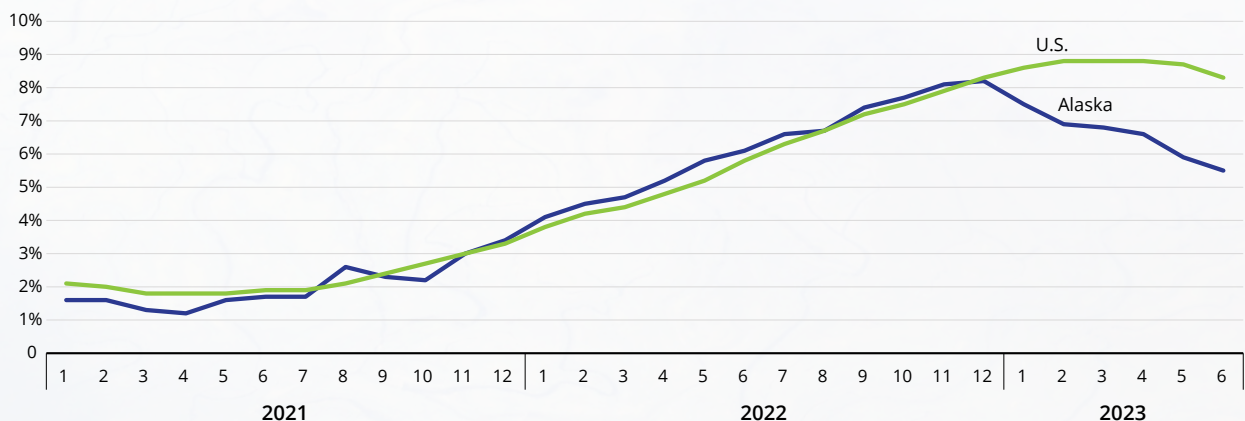
While patterns for the nation and Alaska differed considerably for much of the past decade, rents

Yearly rental inflation rates for U.S. and Alaska since 1972



Source: U.S. Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers, U.S. and Urban Alaska, primary residence indexes

Recent monthly changes in U.S., Alaska rental cost indexes



Note: Monthly percent changes are relative to the same month the previous year.

Source: U.S. Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers, U.S. and Urban Alaska, primary residence indexes

grew at similar rates in 2021 and 2022. (Alaska's CPI measures Anchorage and Mat-Su only.) Alaska and the U.S. both recorded decades-high rent growth in 2022.

Both continued to rise faster than usual through June of this year, although Alaska's increase slowed relative to the U.S. during the first half of 2023.

Reasons rent has gone up quickly

In 2021 and 2022, Alaska and the U.S. both posted

their highest annual inflation rates in decades. In addition to general price inflation, when landlords' operating costs rise, they must raise rent to maintain the same level of income from their properties. Maintenance, property taxes, and utilities are examples. The price of heating oil specifically has climbed in recent years.

Availability is another factor, and vacancy rates have been low in recent years. As the pool of rentals that are both vacant and available in an area shrinks, rents typically rise. Landlords face less competition from other landlords while renters face *more* competition from other renters.

About the rental survey

We partner with the Alaska Housing Finance Corporation every March to survey Alaska landlords in selected areas. In 2023, we added the Bethel Census Area to the 10 areas we have surveyed historically.

All rents and rent changes are median adjusted rents for two-bedroom apartments, unless otherwise noted. Two-bedroom apartments are the most common unit type in our survey results. Adjusted rent is the contract rent (the amount paid to the landlord) plus the costs of any utilities tenants cover separately. Using adjusted rent for one unit type makes rents more comparable across areas.

Because 2023 utility adjustments weren't available when this article was published, we used 2022 utility adjustments.

Vacancy rates are for all units surveyed in an area. Vacancy rates represent the percentage of units that were vacant or anticipated to be vacant the week of March 11.

Rental survey results since 2010 will be available on our website by mid-September and will include average and median contract and adjusted rents, vacancy rates, and the percentages of units with utilities included in contract rent by area, building type, and number of bedrooms.

The survey combines the Wrangell and Petersburg boroughs because of their small sizes.

A note on Bethel, new to survey in 2023

In 2023, we added the Bethel Census Area to our survey and received responses for 220 units, including 94 two-bedroom apartments. Bethel had the highest median rent at \$1,600 and the highest vacancy rate among all surveyed units by a wide margin.

Bethel's median rent is based on contract rent only, because area utility adjustment data were not yet available. However, even without the additional utility costs, Bethel's contract rent was higher than the median *adjusted* rent in any other area.

While Bethel utility adjustments were not available, the survey included the types of utilities Bethel's contract rents encompassed and which energy types were most common for heat, hot water, and cooking.

Among all types of units, Bethel's contract rent typically included heat, hot water, garbage, and snow removal. Including sewer and electricity (lights) was less common.

Oil was the primary heat source for 98 percent of Bethel's rentals, and 98 percent used electricity to cook. Electricity was also the most common source for hot water in 72 percent of units, and about 25 percent used oil.

Vacancy rates remain low

In our survey, vacancy rates are based on units that were not occupied, or were expected to be vacant, the week of March 11. Unlike rents, vacancy rates are for all unit types surveyed, not just two-bedroom apartments.

Less vacancy has been a common theme in recent years' surveys, a pivot after a period of higher vacancy. Rates in 2023 ranged from a low of 2.9 percent in the Wrangell-Petersburg area to 17.3 percent in the newly added Bethel Census Area. Fairbanks has had the highest average vacancy rate since 2010, while Anchorage, Juneau, and Mat-Su have had the tightest markets.

Not including Bethel, the average vacancy rate was 5.4 percent in March, up slightly from 4.8 percent in 2022 but well below the average of 6.8 percent since 2010. This year's rate was also lower than any other year from 2012-2021.

Changes by area varied. Vacancy rates increased by less than one percentage point in Anchorage,

Mat-Su, Juneau, Kenai Peninsula, and Ketchikan. Fairbanks' and Chugach Census Area's vacancy rates increased more. Vacancy dropped about two percentage points in Kodiak, Sitka, and Wrangell-Petersburg, although the reasons for those three markets tightening weren't clear from the survey.

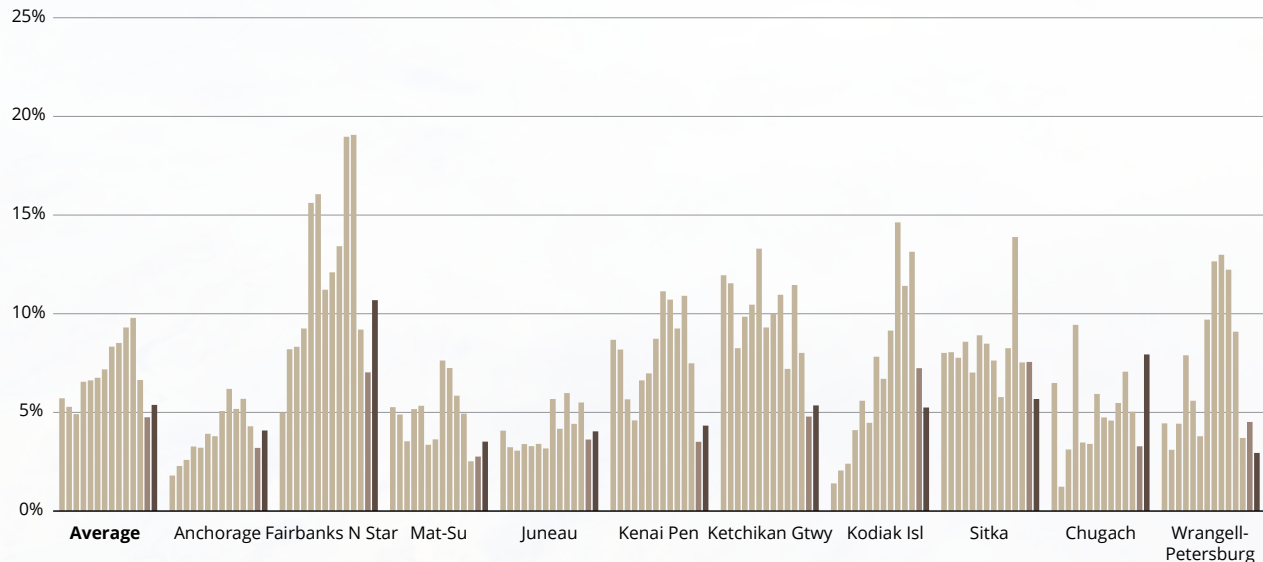
Vacancy rates in most areas remained below their 2010-2023 averages, despite these increases. Rates were at least one percentage point lower than average in Fairbanks, Mat-Su, Kenai Peninsula, Ketchikan, Kodiak, Sitka, and Wrangell-Petersburg. Juneau and Anchorage were close to their average vacancy levels, however, their historical averages are the survey's lowest.

Only the Chugach Census Area, which contains Valdez and Cordova, had much higher vacancy than average. The reasons weren't clear, although this is a small market, so changes to a modest number of units can sway the average.

Vacancy also tight nationally

As with rents, tighter-than-usual vacancy rates

Rental vacancy rate trends since 2010 by area, all unit types



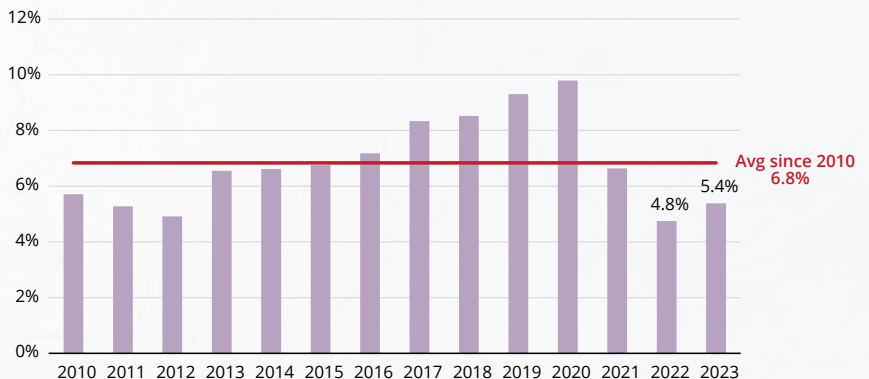
Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section, and Alaska Housing Finance Corporation: Rental Market Survey

have been common nationally in recent years, according to estimates from the U.S. Census Bureau's Housing Vacancy Survey.

Similar to rent patterns, Alaska and the U.S. followed different vacancy trajectories for much of the past decade but in 2021, both recorded their lowest rates since at least 1986.

In 2022, the vacancy rate ticked up in Alaska and continued to fall at the national level, but both remained below their historical averages.

Average yearly survey-wide vacancy rates



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

Factors keeping vacancy down

Although most of the pandemic relief programs and conditions that affected the 2021 and 2022 surveys by keeping more renters in their units were no longer relevant this year (such as eviction moratoriums and emergency rental assistance), several other factors appear to be keeping vacancy rates down.

It's important to note that the influences on vacancy rates are numerous and complex, and without holding other factors constant, it's impossible to

isolate the effects of any one of the following factors on rates.

Alaska's long migration outflow has slowed

Migration can greatly influence an area's rental demand, and Alaska recently marked the 10th straight year of negative net migration — more people leaving than moving in.

While a net outflow typically means less demand for rentals, Alaska's slowed considerably in 2021 and 2022, narrowing the gap between the numbers moving in and out.

Homes became less affordable

Renters buying homes creates vacancies, but home prices and interest rates have risen, slowing the number of renters making that transition.

In 2020 and 2021, prices for the average single-family home in Alaska rose faster than usual when interest rates hit record lows, and in 2022, house prices continued their rapid rise even as interest rates climbed and hit decade highs.

This combination of higher home prices and higher mortgage rates pushed housing affordability to its lowest level in more than a decade. Our 2022 survey of mortgage lenders also showed the fewest homes purchased with a conventional 30-year fixed-rate mortgage since at least 1992.

The share of homes purchased by first-time buyers also hit its lowest point on record last year (26 percent), according to national statistics from the National Association of Realtors, and the average age of first-time homebuyers rose to 36 — also a record.

Home-building low in recent years

One big limitation when looking at housing units, whether new or converted, is that we don't know how many are actually entering or exiting the rental market. However, new home construction can push vacancy rates upward by expanding the supply.

Building in general has been low in Alaska for most of the last decade, and residential construction fell to record lows in recent years, further squeezing rental availability.

According to our survey of new housing units, in

Area vacancy rates in March 2023 and the average rates since 2010

Area	Vacancy in 2023	Avg rate since 2010
Bethel Census Area	17.3%	—
Fairbanks North Star Borough	10.7%	11.7%
Chugach Census Area	7.9%	5.1%
Sitka, City and Borough	5.7%	8.1%
Ketchikan Gateway Borough	5.3%	9.5%
Kodiak Island Borough	5.3%	6.8%
Kenai Peninsula Borough	4.3%	7.6%
Anchorage, Municipality	4.1%	3.9%
Juneau, City and Borough	4.0%	4.1%
Matanuska-Susitna Borough	3.5%	4.7%
Wrangell-Petersburg	2.9%	6.9%
Average vacancy rate	5.4%	6.8%

Notes: All unit types. Bethel is new to the survey and is not included in the averages.

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

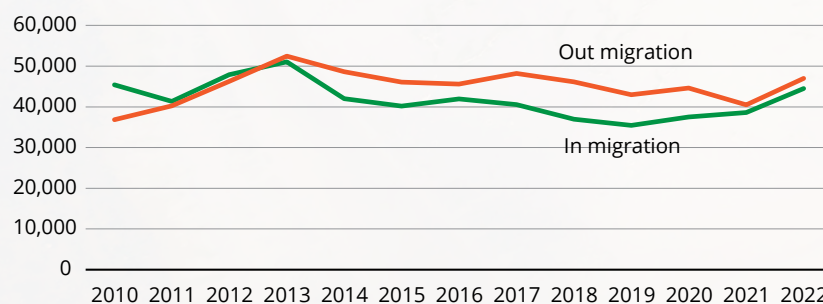
2020 and 2021, Alaska recorded its two lowest years of new building activity since at least 2003, including lows for new single-family homes in 2020 and for multi-family units in 2021. (See the graph on the next page.)

The number of new housing units ticked up in 2022, mainly because of an increase in multi-family units, but remained historically low. Multi-family unit construction rose 51 percent from 2021 to 2022, but the number remained far below early-2000s levels.

AirDNA shows more short-term rentals

Converting long-term rentals to short-term rentals

Alaska's net migration losses have slowed



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

has influenced vacancy in recent years, but short-term rentals are outside the scope of our survey and data on the topic are scarce.

Anecdotally, several landlords who dropped units from our rental survey in 2023 mentioned converting them to short-term rentals.

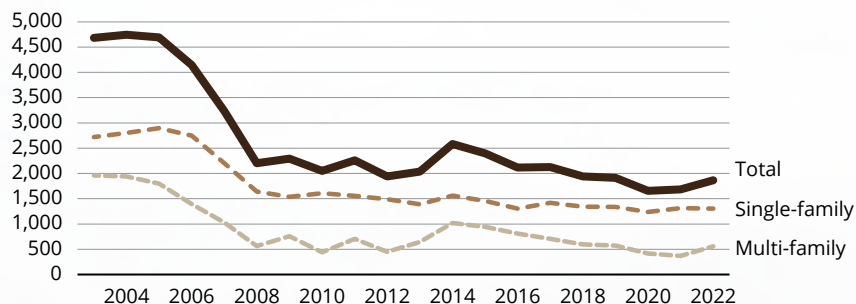
The website AirDNA, which uses scraped data from Airbnb and VRBO as well as partner data, is one measure of short-term rental activity in the areas we survey.

AirDNA's coverage is broad, though, as it includes the number of units, private rooms, and shared rooms available to be booked for at least one night during a given quarter. AirDNA calls these "active rentals."

When this article was published, relevant data from AirDNA were publicly available for 2020 to 2023 and showed the numbers of active rentals in many of the areas we survey were sharply higher in the first quarter of 2023 than in the same periods in 2021 and 2022.

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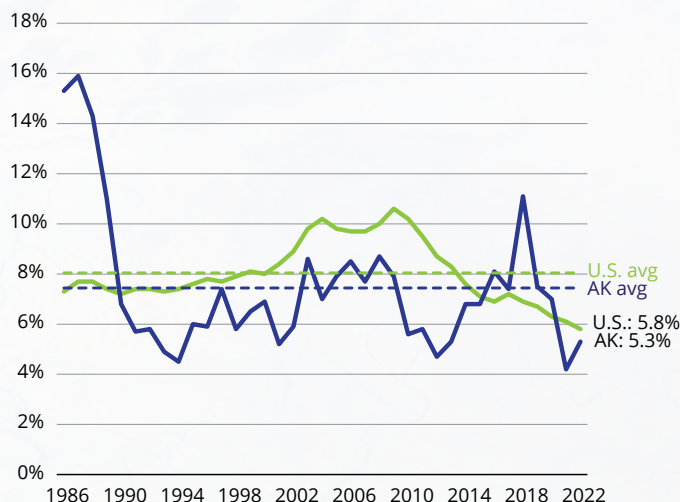
Alaska's new home construction declined



Notes: Single-family homes include houses that are attached. Multi-family units are in buildings with two or more units in which units are stacked or share common utilities.

Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section and Alaska Housing Finance Corporation, New Housing Unit Survey

Historical census vacancy rates



Source: U.S. Census Bureau, Current Population Survey/Housing Vacancy Survey