

Housing market was steady in 2024

Interest rates leveled off but affordability remained low

By ROB KREIGER

Alaska's 2024 housing market was broadly similar to 2023. Interest rates bounced around but averaged about the same over the two years, and home-buying remained near its least affordable level on record.

Sales prices continued to climb, although slower than during the heated conditions of 2020-2022. The housing supply remained limited, and new home construction, although up from the 2020 nadir, was still low historically.

Although 2024 interest rates averaged about the same as the previous year, they were punctuated by some volatility. Limited inventory and buyers looking to capitalize on rate dips likely pushed sales prices higher over the year.

Without a major increase in inventory, a significant decline in interest rates, a large increase in wages, or a drop in prices, 2025 will probably be another repeat. However, this year's market remains uncertain, especially with recent changes and shocks in the broader economy that are shifting expectations about inflation.

Rates level off but are still elevated

After hitting a historical low in 2021, interest rates for 30-year fixed-rate mortgages rose to a 17-year high in 2023. Although rates have been higher in the past, the pace of that climb was unprecedented.

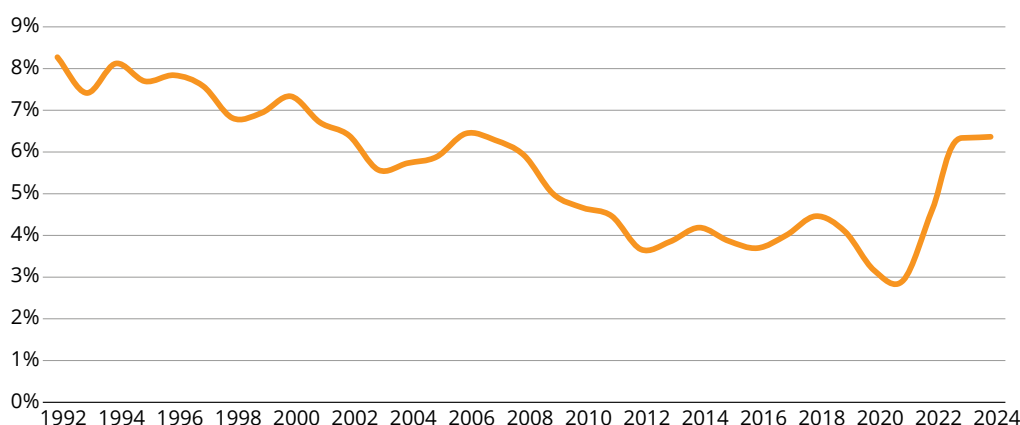
Mortgage rates bottomed out in 2021 because of Federal Reserve policies intended to stabilize the economy during the pandemic, then shot up with policies implemented to control inflation.

The average rate in 2024 was 6.36 percent, up just 0.03 of a percentage point from 2023. Throughout the year, the rate fluctuated from 6.52 percent in the first quarter to 6.04 percent in the fourth.

Buying remains at its least affordable level on record

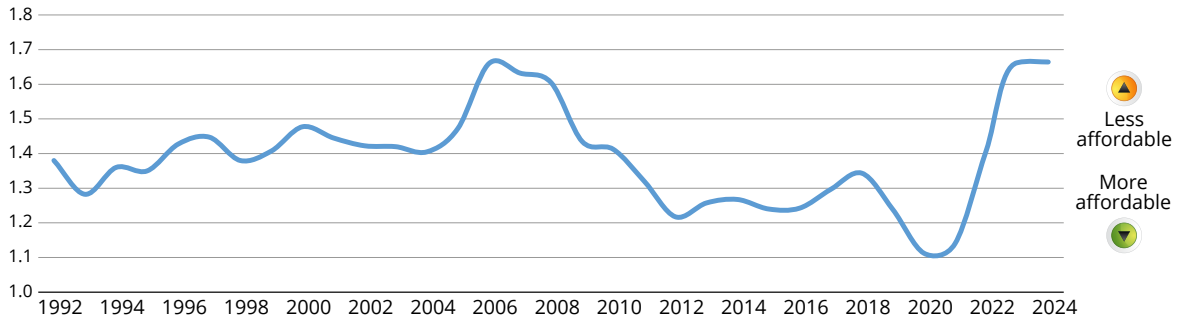
Housing affordability for this article is based on the income required to make a typical monthly mortgage payment. The Affordability Index value is the number of average earners necessary to pay the

Interest rates leveled out in 2024 after a steep climb



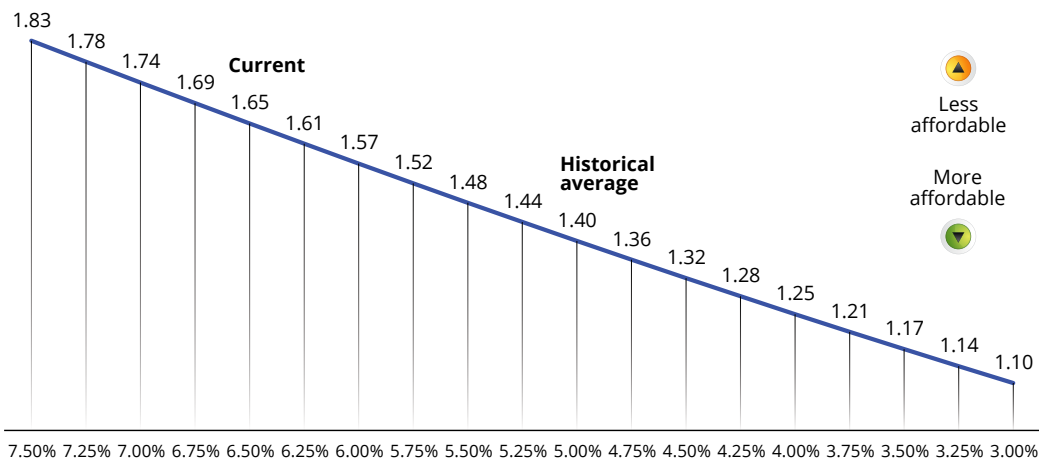
Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section and the Alaska Housing Finance Corporation

Housing remained at historically least affordable level in 2024



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

Examples of housing affordability at different interest rates



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

monthly principal and interest on a 30-year fixed-rate mortgage. (See the sidebar on the next page for more on how the index is calculated.)

An index value of 1.0 means one person's average monthly pay is sufficient. As the index value rises, it means housing is becoming less affordable.

Various market conditions can change index values from year to year, and different parts of Alaska have different affordability levels.

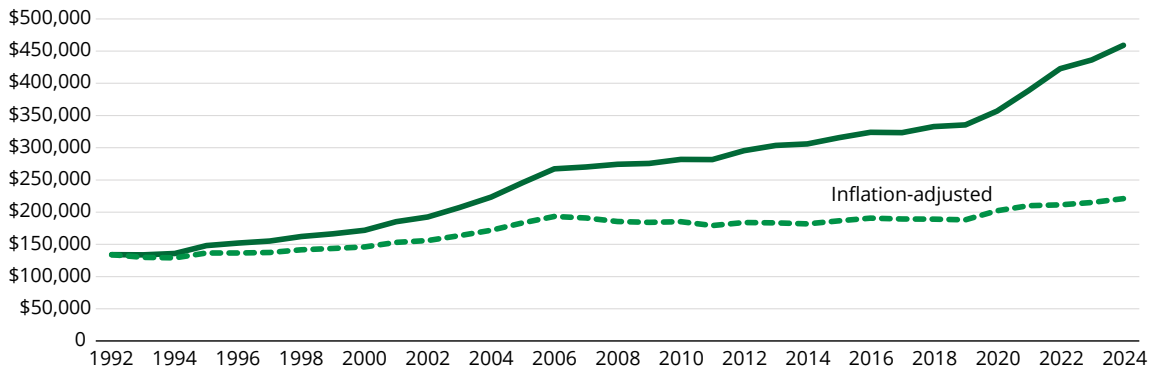
The index provides a basic affordability measure across major markets in Alaska and shows the direction affordability is moving. However, it only takes the mortgage payment into account.

The true costs of owning a home are much higher; property taxes, utilities, and insurance can add hundreds or more each month. It also doesn't consider buyer-specific factors that can make a home more affordable than the index would suggest.

Buyers can qualify for lower-than-average interest rates, for example, based on their credit history. Just a few basis points' difference can make a big difference in the monthly payment, and so can a larger down payment.

Alaska's affordability index held steady in 2024 at 1.66, keeping home-buying at its least affordable level in at least 30 years. The historical affordability average is 1.40.

Average sales prices for a single-family home, 1992 to 2024



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

Small fluctuations throughout the year shifted that number considerably. For example, at an interest rate of 6.5 percent, affordability was 1.65. At 6.0 percent, it was 1.57. While that might not seem like a big difference, it can add up to thousands of dollars over the year, depending on the size of the mortgage.

Sales prices increased and building stayed low

The average single-family home cost \$459,089 in 2024, up 5 percent from 2023. While that was a larger increase than the previous year, prices rose slower last year than during the pandemic.

Limited inventory amid some buyers re-entering the market during 2024's rate dips likely contributed to the price rise.

Multiple Listing Service data for Alaska's largest markets showed 2024 sales up slightly from the previous year but still historically low.

New construction in 2023, the most recent year available, was up from the 2020 nadir but remained well below historical averages, further limiting the supply.

Preliminary data for 2024 suggest the number of new homes will be similar to 2023.

About the affordability index

The Alaska Affordability Index is calculated using the monthly principal and interest payment for a 30-year fixed-rate mortgage to buy an average-priced single-family home with a down payment using the average loan-to-value ratio. The monthly income required to make that payment is the mortgage payment divided by 24 percent. Twenty-four percent is the maximum recommended share of income a homebuyer should spend on a mortgage. Using 24 percent is more conservative than the 30 percent commonly used in other homeownership calculations.

The resulting index value is the required income from the above calculation divided by the average monthly wage for an area, according to Alaska wage data.

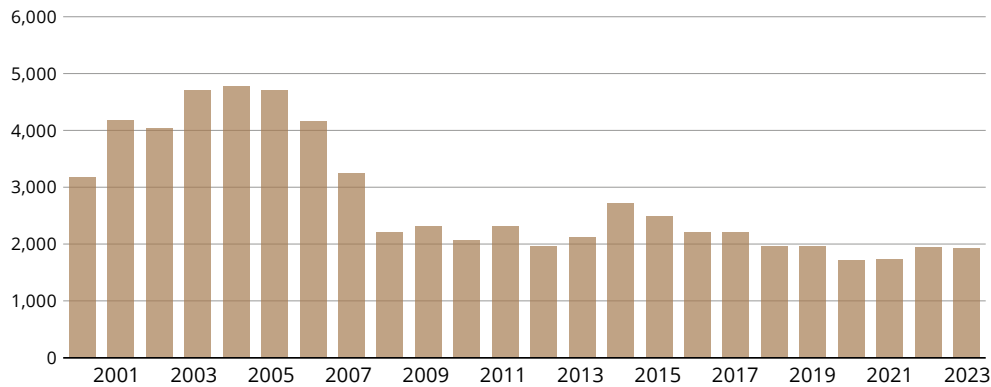
When the required monthly income and average monthly wages are the same, the index value is 1.0, meaning one average earner can afford the typical mortgage. As the index value increases, more earners are required to make the payment, so a higher index value means home-buying is getting less affordable. As the gap between required income and average wages narrows and the index value drops, housing becomes more affordable.

The average wage comes from unemployment insurance tax reports that Alaska employers provide each quarter to the Alaska Department of Labor and Workforce Development.

The estimated monthly mortgage payment is based on the average loan amount for the average-priced single-family home and the fixed interest rate that Alaska mortgage lenders report in the Alaska Quarterly Survey of Lending Activity. We conduct this survey with Alaska Housing Finance Corporation.

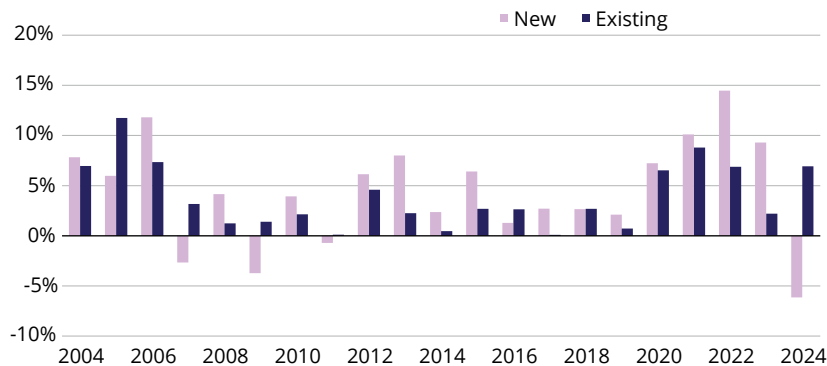
[Click here for the Alaska Affordability Index on our website.](#)

New home building ticked up from historical low in 2020



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

Prices for new homes pulled back in 2024



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

Some conditions are shifting in 2025

Housing market conditions aren't likely to change much in the short term. However, economic uncertainty swelled during the first quarter of 2025.

Concerns about inflation rising heightened significantly in the weeks before publishing this article as some tariffs took effect and others were delayed or remained uncertain. As these expectations continue to shift, so will mortgage rates.

To the extent that rates fall, more buyers may rush to take advantage of them, creating bursts of demand that push prices up.

Without significant wage growth or marked decreases in interest rates or sales prices, however, overall housing affordability isn't likely to change much this year.

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