

# Rent increases vary by area

## Survey also shows vacancy rates up slightly in most places

By **ROB KREIGER** and **GUNNAR SCHULTZ**

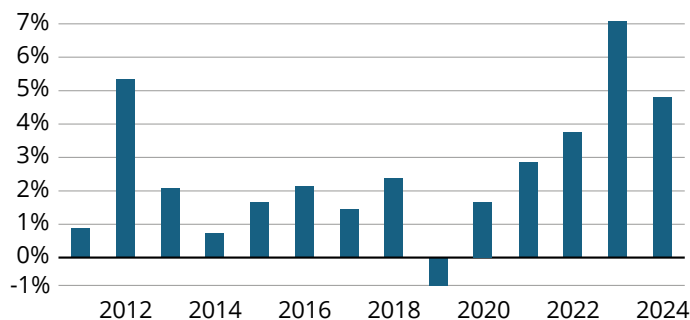
Rental costs for a two-bedroom apartment rose an average of 4.9 percent over the year, according to our March rental survey. That increase was smaller than last year's but more than any other year since 2012.

The average March vacancy rate increased for the second straight year, to 6.1 percent. Vacancy remained tighter than in the years before COVID, when most areas hit vacancy highs during the steepest of Alaska's recent net migration losses. However, many areas' rates were higher this year than the last couple of years and the early 2010s, when most surveyed areas had more people.

### Rents continued to rise faster than usual in early 2024

In 2024, median adjusted rents for two-bedroom apartments ranged from \$1,081 in the Wrangell-Petersburg area to \$1,713 in Kodiak. Adjusted rent includes the costs of all utilities, whether they are included in the rent payment or not. Two-bedroom apartments are the most common unit type across the areas we survey.

### Average yearly rent increase, 2011 to 2024



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

### Two-bedroom apartment rents, 2024

	Adjusted rent*	Change from 2023	Avg chg from 2010
Kodiak Island Borough	\$1,713	15.8%	2.4%
Bethel Census Area**	\$1,700	6.3%	NA
Anchorage, Municipality	\$1,610	3.9%	2.7%
Ketchikan Gateway Borough	\$1,600	6.7%	2.7%
Juneau, City and Borough	\$1,561	5.1%	2.2%
Fairbanks N Star Borough	\$1,542	3.9%	2.6%
Sitka, City and Borough	\$1,509	3.0%	2.2%
Chugach Census Area	\$1,420	1.8%	2.8%
Matanuska-Susitna Borough	\$1,279	5.2%	2.9%
Kenai Peninsula Borough	\$1,152	5.0%	2.3%
Wrangell-Petersburg	\$1,081	-1.0%	2.8%
<b>Avg increase (excl Bethel)</b>		<b>4.9%</b>	<b>2.6%</b>

\*Adjusted rent includes the amount paid to the landlord (contract rent) plus estimated monthly utility costs not included in the payment.

\*\*Bethel's rent is median contract rent for a two-bedroom apartment because its utility adjustments aren't available.

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

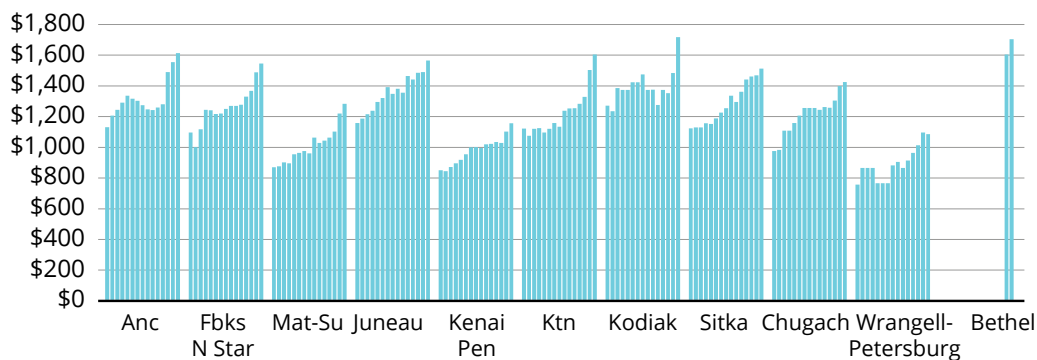
While the average increase survey-wide was about 5 percent, rent changes ranged from -1 percent in Wrangell-Petersburg to 16 percent in Kodiak.

Rent increases were similar among the state's largest markets, up about 4 percent in Anchorage and Fairbanks and 5 percent in Mat-Su, Juneau, and the Kenai Peninsula Borough, which includes the Kenai/Soldotna, Homer, and Seward areas.

In Anchorage, rent growth was about half a percentage point slower than last year. That was still above Anchorage's average rent increase since 2010 of 2.7 percent a year, but far less than the 16 percent jump in 2022.

In Mat-Su, Fairbanks, and the Kenai Peninsula, rent growth slowed from last year but was still over the long-term averages of 2 to 3 percent per year. Meanwhile, Juneau's rent increased more than it did in 2023, when it

## Change in median two-bedroom apartment rents, 2010-2024



Note: All rents except Bethel's include a utility adjustment.

Sources: U.S. Census Bureau and Alaska Department of Labor and Workforce Development, Research and Analysis Section

went up less than 1 percent. Juneau's rent increase this year was also above its long-term average.

While results for less populated areas can be volatile because of their small sample sizes, Kodiak's rent hike was likely linked to its market continually tightening in recent years. Kodiak was the only area where vacancy has decreased for three straight years.

### Factors contributing to faster rent increases in recent years

Several factors likely drove faster rent growth over the last few years, including higher operating costs for rental units, higher costs in general, wage growth, higher incomes, and less vacancy.

Between 2019 and 2023, the consumer price index rose about 14 percent in Anchorage/Mat-Su and 19

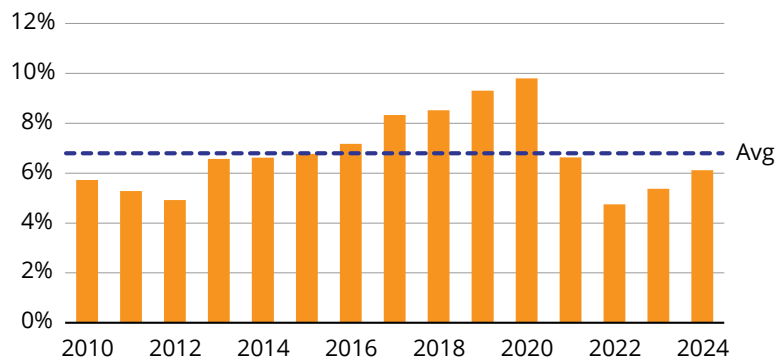
percent nationally.

The price of heating oil, a major operating cost for many households outside the Southcentral Region, has climbed in recent years. Among surveyed communities that are also in the Alaska Fuel Cost Survey, heating oil prices rose 32 to 70 percent from early 2019 to early 2024. Increases in other costs, such as other utilities, property taxes, and maintenance, may have also driven up rents.

Between 2019 and 2023, average wages in Alaska rose about 19 percent, and the American Community Survey showed Alaska renters' median household income grew about 23 percent between 2019 and 2022 (2023 data are not available yet).

Finally, less availability since COVID hit has also helped bid up rents. Lower vacancy rates tend to favor landlords by increasing their pricing power as renters compete for fewer available units.

### Average vacancy rate in March, 2010-2024



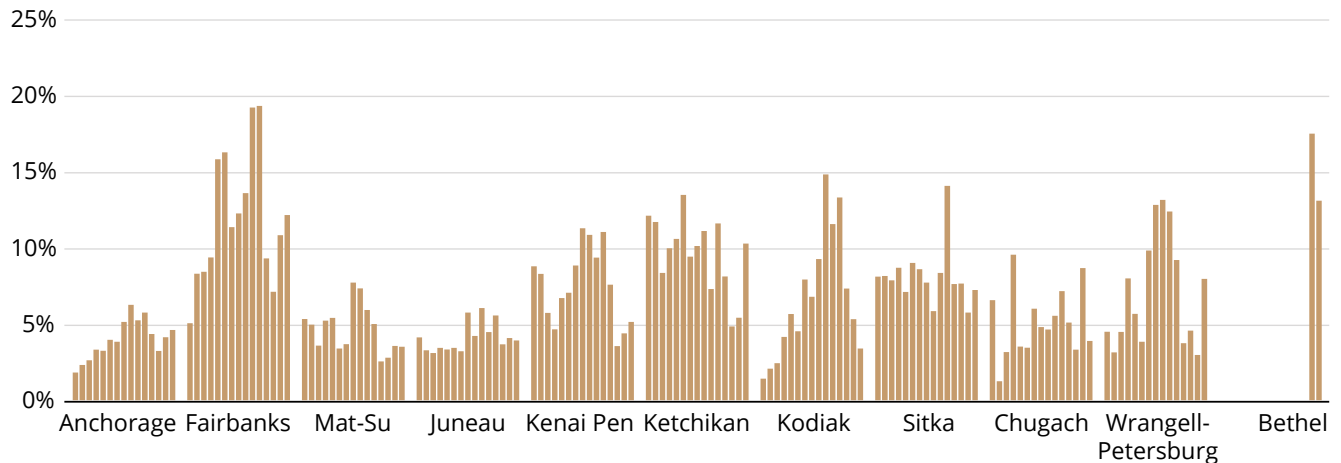
Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

### Area vacancy in 2024, all unit types

Bethel Census Area	12.9%
Fairbanks N Star Borough	12.0%
Ketchikan Gateway Borough	10.2%
Wrangell-Petersburg	7.9%
Sitka, City and Borough	7.1%
Kenai Peninsula Borough	5.1%
Anchorage, Municipality	4.6%
Juneau, City and Borough	3.9%
Chugach Census Area	3.8%
Matanuska-Susitna Borough	3.5%
Kodiak Island Borough	3.3%

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

## Trends in March vacancy rates by surveyed area, 2010 to 2024



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

### Vacancy rates and trends around the state since the early 2010s

Vacancy rates for all unit types ranged from 3.3 percent in Kodiak to 12.9 percent in Bethel in March.

Vacancy in Anchorage and the Kenai Peninsula increased by less than one percentage point from last year and by just over a percentage point in Fairbanks, and it stayed effectively flat in Mat-Su and Juneau.

Among the less populated areas, vacancy grew in Ketchikan, Sitka, and Wrangell-Petersburg and tightened in Bethel, Kodiak, and the Chugach Census Area, which includes Valdez and Cordova. Kodiak was the only area where the vacancy rate fell for three consecutive years. Changes in vacancy rates can also be more volatile in small areas, as minor shifts in the number of vacant units can sway the vacancy rate by multiple percentage points.

The chart on this page shows how vacancy rates have changed by area since 2010. Most peaked in the late 2010s, which included a multi-year state recession as well as population loss and net migration losses in most places. Vacancy rates then tightened across the board during the pandemic when people were more likely to stay put.

Although vacancy remained lower this year than its pre-pandemic highs, some areas had at least slightly more vacancy than the early 2010s. Anchorage's and Fairbanks' rates in 2024 were at least a percentage point higher than the years before population loss and negative net migration became the norm. The same applied to Juneau, although the gap was smaller. These three areas recorded their lowest vacancy

rates in the early 2010s, when their populations were larger, rather than during the pandemic.

In contrast, vacancy in Mat-Su and the Kenai Peninsula Borough was lowest during the pandemic, and these two areas' rates weren't significantly higher this year than in the 2010s. Unlike most of Alaska, Mat-Su and Kenai Peninsula grew consistently over the past decade.

### The factors and trends that influence areas' vacancy rates

#### Net migration and population loss

Growing populations and a net inflow of movers generally reduce vacancy rates, and population decline and net migration losses can open up more rental units.

The state's streak of net migration losses extended to 11 years in 2023. Natural increase, or births minus deaths, has offset net migration losses in recent years, allowing Alaska's population to grow slightly after declining between 2016 and 2020, but by less than 1 percent during the past two years.

Net migration remains negative, however, and the outflow has picked up in the last couple of years after slowing during the pandemic. In 2023, about 3,200 more people moved out of Alaska than in, a bigger outflow than the previous two years but less than any other year between 2014 and 2020.

The populations of Anchorage, Fairbanks, Juneau, Ketchikan, Kodiak, Sitka, the Chugach Census Area,

and Wrangell all declined from 2022 to 2023 and their net migration remained negative while Mat-Su, Kenai Peninsula, and Petersburg gained both migrants and total population.

### Less affordability keeps more people renting

Higher interest rates and home prices are keeping some prospective buyers in their rentals, and fewer renters moving to home ownership can keep vacancy rates lower despite population decline and net migration losses.

In 2023, buying a home hit its least affordable level since 2006 in our Alaska Affordability Index.

Home sales have also fallen significantly since interest rates began rising in 2022.

### Fewer new houses but more new multi-family units

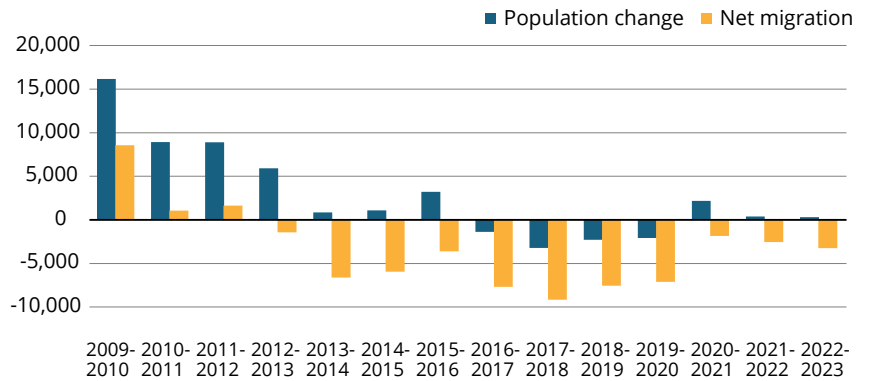
The number of new homes built or permitted in Alaska declined slightly in 2023, and the number of new single-family units hit its lowest point in at least two decades. However, the number of new multi-family units increased for a second year in a row, to their highest level since 2017, keeping total new home construction above the lows of 2020 and 2021.

Building trends varied across the state. The numbers of new multi-family units reached their highest levels since 2016 in Mat-Su, since 2011 in Fairbanks, and since 2019 in Juneau. However, Anchorage built its *fewest* new multi-family units in at least the last 20 years.

Of the 680 new multi-family units in 2023, 287 were built in Mat-Su followed by 140 in Fairbanks, 94 in Anchorage, and 79 in Juneau.

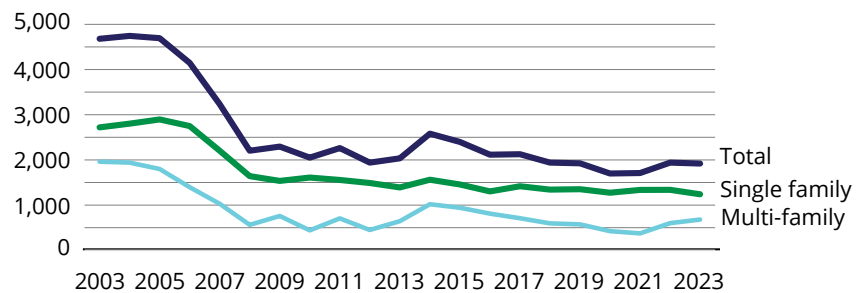
Anchorage's number of new single-family homes also reached its lowest point in at least 20 years, and the Mat-Su and Kenai Peninsula Boroughs recorded the largest decreases in single-family

## Population and net migration changes, 2010-2023



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

## New home construction in Alaska, 2003 to 2023



Note: Single-family housing units include attached and detached, but exclude mobile homes. Multi-family units are in buildings with two or more units that are stacked or share common utilities.

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

construction by area last year. The number of new houses in Fairbanks increased.

Of the 1,239 new single-family homes built in 2023, Mat-Su accounted for 618 followed by Fairbanks with 231, Anchorage with 146, and the Kenai Peninsula Borough with 64.

## Two factors we can't measure

### Units moving into and out of the rental market

The movement of housing units into and out of the rental market is outside the scope of our survey but affects areas' rental vacancy rates.

One national source can broadly approximate some of these movements for the largest Alaska markets.

The U.S. Census Bureau's American Community Survey provides year-to-year comparisons of housing characteristics, such as occupancy, for Anchorage, Mat-Su, and Fairbanks.

The estimates from 2019-2022 show that a significant number of houses<sup>1</sup> in Anchorage — roughly 3,500, although margins of error are substantial — may have moved from being rented to owned during that period, when interest rates fell to record lows and home prices rose rapidly.

Our March rental survey showed that vacancy rates for single-family homes in Anchorage rose sharply in early 2018 and 2019 and topped the city's vacancy rate for all unit types by far, which may also have prompted some Anchorage landlords to sell.

ACS estimates don't show evidence of this phenomenon in Fairbanks or Mat-Su, however, and comparable estimates aren't available for the smaller areas.

## Publicly available short-term rental data became even more scarce this year

Short-term rentals also affect the long-term rental supply in an area, but they are outside the scope of our survey. Short-term rentals are usually available for less than a month through vacation rental sites such as Airbnb and Vrbo.

Unlike the broad rental stock estimates the ACS provides, no short-term rental data are freely available for Alaska, although some websites offer proprietary estimates. In past years, AirDNA provided limited free data that gave a glimpse of short-term rental activity in the areas we survey, but as of this year, those are no longer available.

Quarterly AirDNA data in recent years showed short-term rental activity increased significantly in many areas, and it was highly seasonal. Even when those estimates were available, though, how much of the increase came from units moving from the long-term to the short-term rental market was unknown, both overall and seasonally.

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<sup>1</sup>The building category in the American Community Survey that includes single-family homes excludes townhouses but includes mobile structures if permanent add-ons have been built.

## About the rental survey

Every year in March we survey thousands of landlords and property managers in selected areas of Alaska on behalf of the Alaska Housing Finance Corporation.

All rents and rent changes in this article 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 estimated monthly utility costs. Focusing on adjusted rents for a specific unit type makes rents more comparable across areas and over time.

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.

Beginning in 2023, we added the Bethel Census Area to the 10 areas we have surveyed historically. In contrast to the other areas in the survey, Bethel rents aren't adjusted for the utilities not included in the rent because utility adjustments for Bethel are not available. Also, long-run comparisons of average rent growth and vacancy rates in the article exclude Bethel for consistency over time.

Rental survey results back to 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.

### 2023 rents may differ from last year's article

Median adjusted rents for 2023 in last year's rental article used 2022 utility adjustments because 2023's weren't yet available. This article updates 2023's rents with 2023 utility adjustments and bases comparisons and calculations on updated rents.