Small changes in housing affordability

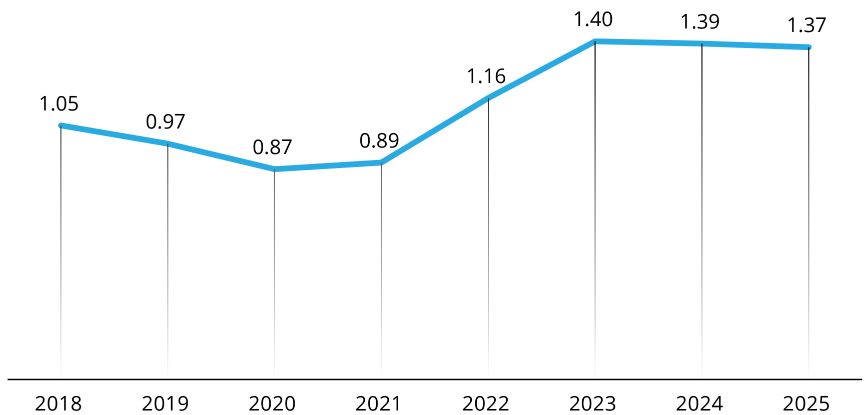
Marginal affordability boost in 2025, but rates volatile in 2026

By ROB KREIGER
and GUNNAR SCHULTZ

Buying a home in Alaska became slightly more affordable for a second consecutive year in 2025. A mortgage interest rate decline made the difference.

The Alaska Affordability Index was 1.37 in 2025, down marginally from 2023's high point of 1.40. (A lower index value indicates more affordable housing. See the sidebar on the next page for more on how the index is calculated.)

Homebuying slightly more affordable in 2025

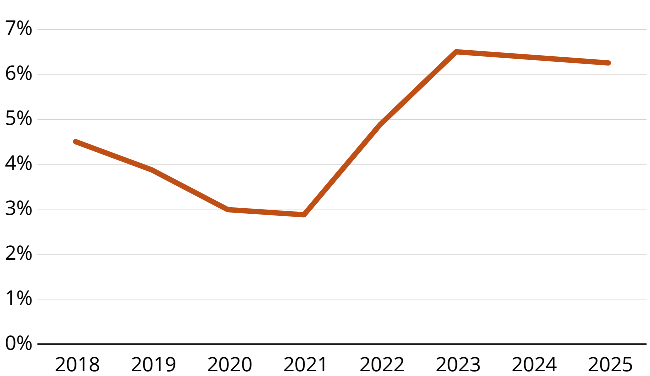


Note: Value represents the number of average earners required to afford a typical home.
Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

The index value represents the number of people earning the average monthly wage it would take to afford mortgage payments on a median-valued home.

A lower value means purchasing a home requires fewer people's earnings, making housing more affordable; rising index values mean housing is becoming less affordable. The index hit a record high in 2023.

Interest rates dip but stay high



Source: Consumer Financial Protection Bureau, Home Mortgage Disclosure Act

While declining interest rates were the main driver last year, rates have been volatile in recent months, which makes affordability in 2026 unclear.

Interest rates were the most influential factor in affordability

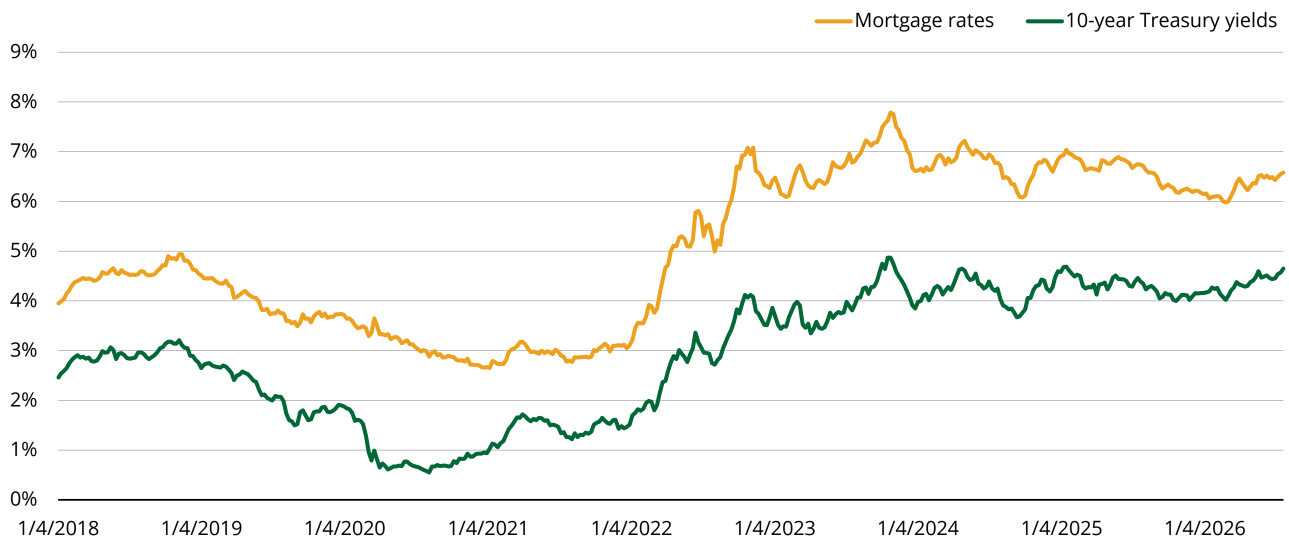
Wages and home values rose equally last year, so, of the three major components of the housing affordability index — mortgage rates, monthly wages, and median home values — interest rates had the biggest impact.

In 2025, the median interest rate on a 30-year mortgage for single-family homes and condominiums in Alaska was 6.25 percent — down from 6.38 percent in 2024 and the multi-year high of 6.5 percent in 2023.

But while the index values show housing has become marginally more affordable in recent years, they remain high relative to the historic lows of 2020 and 2021 and the years before the pandemic.

So while a dip in interest rates did provide some relief to prospective homebuyers last year, the benefit was negligible.

Mortgage interest rates and U.S. Treasury yields, 2018 to 2026



Sources: Federal Reserve Bank of St. Louis and Freddie Mac

About the Alaska Affordability Index

We calculate the Alaska Affordability Index by first determining the monthly principal and interest payment for a 30-year fixed rate mortgage to buy a single-family home or condo with the median home value, median interest rate, and a 20 percent down payment.

We determine the required monthly income for the mortgage by dividing the monthly principal and interest payment by 24 percent, which is the monthly income for which the monthly mortgage payment accounts for 24 percent, a conservative percentage that leaves room for other monthly costs.

The index values are then determined by dividing that required monthly income by the average monthly wage from our own data. When required monthly income and average monthly wages are the same, the index value is 1.0, meaning one person earning the average wage can afford a typical home. As the gap between required monthly income and average wages increases, the index value increases, indicating less affordable housing as more wages are needed. As the gap narrows, housing is more affordable, requiring less in wages.

The average wage is based on what employers report to the Alaska Department of Labor and Workforce Development each quarter when they submit their mandatory unemployment insurance tax reports.

The estimated monthly mortgage payment is based on the loan amount to purchase the median-valued single-family home or condominium and the median 30-year fixed-rate mortgage interest rate reported by lending institutions on Home Mortgage Disclosure Act filings.

The Alaska Affordability Index is available at:
https://live.laborstats.alaska.gov/housing/index.html

Interest rate volatility clouds affordability picture in 2026

For housing to become significantly more affordable in the short run, interest rates would need to drop much lower; home values and wages don't change that quickly.

Nationally, rates approached 6 percent toward the end of 2025 — even dipping below 6 percent in late February 2026. Then in March, rates rose quickly, hitting 6.46 percent in early April.

As of late July 2026, rates had approached 6.7 percent, the highest since August 2025.

Many factors cause mortgage rates to rise and fall, but rates on 30-year fixed-rate mortgages track closely with yields on 10-year U.S. Treasury notes, which are influenced by economic uncertainty and expectations about inflation, among other things. (See the graph on this page.)

Changing how we collect data

Explaining this year's results includes detailing a recent change in how we collect the numbers we need to calculate the index.

The Research and Analysis Section has published the Alaska Affordability Index since the 1990s, and for decades, we used mortgage data from a quarterly survey of Alaska housing lenders. Although this method produced reliable numbers for many years, changes in home mortgage lending made the survey antiquated and it risked becoming obsolete.

A major issue was more homebuyers seeking financing online rather than at banks and credit unions, which handled most mortgage lending across the state until online financing grew in the 2010s.

The change in the lending landscape made data collection increasingly challenging, resulting in us capturing a shrinking segment of the market over time.

We determined the mortgage loan data that lenders report to the Consumer Financial Protection Bureau under the Home Mortgage Disclosure Act was the best alternative. The HMDA requires most financial institutions, including credit unions, to compile and disclose data about home purchase loans, home improvement loans, and refinancings that they originate or purchase, or for which they receive applications.

Unlike a survey, which is voluntary, data reported through the HMDA are required for most lenders, including those based outside Alaska but loaning within the state.

One key difference between HMDA data and our survey is that the new source doesn't distinguish between single-family houses and condominiums, nor does it detail whether loans are new or for existing construction. As a result, the median home values and loan amounts we now use to calculate the Alaska Affordability Index represent houses and condos combined.

While HDMA data have been around for many years, the inputs required to calculate the index have only been published since 2018, so the new series begins with that year.

Index values we published before 2018, or for later years in previous *Trends* articles, are not directly comparable to the numbers in this article.

The numbers tell the same story as the previous series, though, even if the index values have changed: Housing affordability has been volatile since 2020, with homes being the most affordable in 2020 and 2021, then much less affordable since.

Rob Kreiger and Gunnar Schultz are economists in Juneau. Reach them at (907) 465-6031, (907) 465-6038, rob.kreiger@alaska.gov, or gunnar.schultz@alaska.gov