

The costs of living in Alaska

Rising inflation hit in late 2021 and continued in 2022

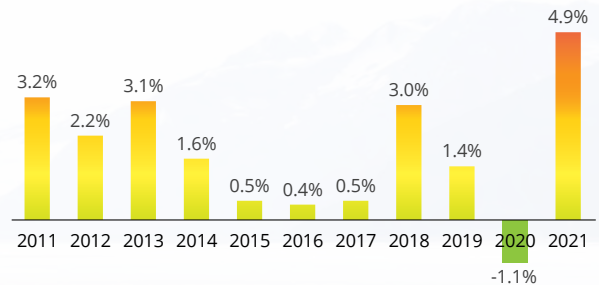
By NEAL FRIED

When COVID-19 hit, urban Alaska prices fell for the first time since at least 1961 as demand for many goods and services evaporated. But the deflation of 2020 was short-lived. As the economy began to rebound in 2021, consumers were flush with cash from savings, stimulus payments, and a job market rebound. Demand grew, but supply chain problems the pandemic caused continued to haunt the economy. This combination created the perfect environment for rising inflation: too many dollars chasing a limited number of goods and services.

Early 2021 showed only a hint of inflation as February's over-the-year cost increase came in at just 1.3 percent. (For context, Alaska's average inflation rate over the decade was 1.5 percent per year.) By April, the index climbed to 4.8 percent, then ballooned to 7.2 percent in December. Energy prices alone went from historic lows to near-highs in just a year.

The average inflation rate for 2021 was 4.9 percent, the highest annual price increase since 1990. And

High inflation followed 2020's drop



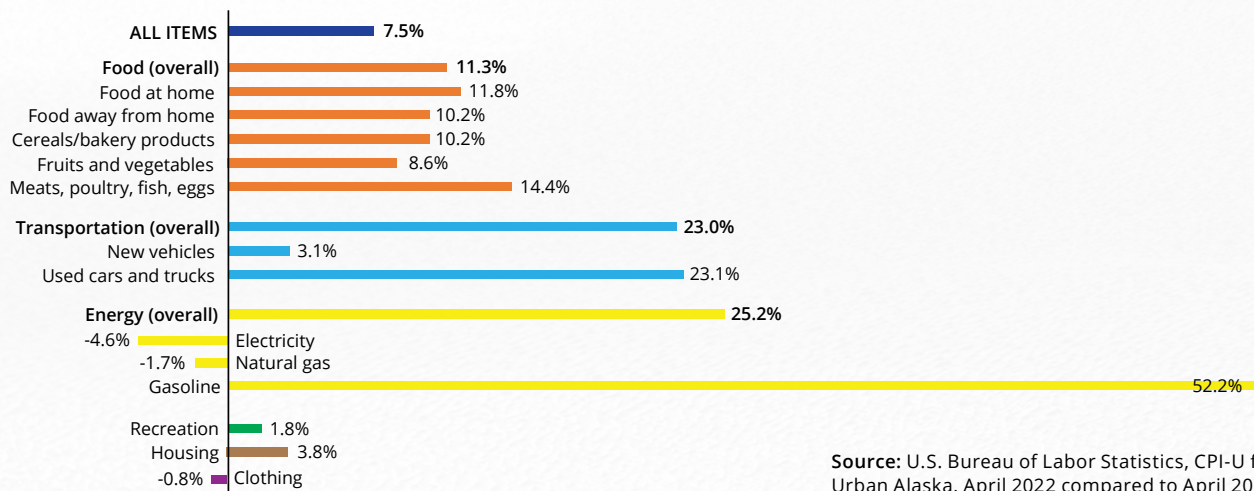
Source: U.S. Bureau of Labor Statistics, CPI-U for Urban Alaska

that number was muted because the year-to-year increases began slowly. December's 7.2 percent inflation suggested 2022 would bring more of the same.

The trend has continued into 2022

The rise continued this year, with some cost categories' increases accelerating. Food is one example. Before 2020, food prices ticked up an average of 1.2 percent per year over the decade. In 2020, the rate

In early 2022, most urban Alaska prices continued their upward trend



Source: U.S. Bureau of Labor Statistics, CPI-U for Urban Alaska, April 2022 compared to April 2021

Two ways to measure the cost of living

1. In one place over time (inflation)

Alaska has a single measure to track inflation, or how much prices have changed: the Consumer Price Index for Urban Alaska.

Although there's a national consumer price index and CPIs for 31 cities and larger areas around the country, these only track costs over time in one area and can't be used to compare costs between places. For example, 2021's index for Alaska was 237.188, and the national index was 270.97. That doesn't mean the cost of living in the U.S. was higher; it just means prices have increased a bit faster nationally since the early 1980s than they have in Alaska cities.

The U.S. Bureau of Labor Statistics produces the CPI through elaborate surveys of consumer spending habits. These surveys cover a "market basket" of common items, to which BLS assigns location-specific weights to determine how people spend their money.

The categories include housing, food, transportation, medical care, and entertainment. In most categories, Alaska's weights resemble the national values.

The inflation rate is also used to adjust the value of the dollar over time. Workers, unions, and employers watch the CPI because bargaining agreements and other wage rate negotiations often incorporate an adjustment for inflation.

The CPI also plays a role in long-term real estate rental contracts, annual adjustments to the state's minimum wage, child support payments, and budgeting. The Alaska Permanent Fund Corporation uses the CPI to inflation-proof the fund. Senior citizens

are affected nearly every year because Social Security payments are adjusted using the CPI.

The bureau produces the CPI for Urban Alaska bi-monthly (in February, April, June, August, October, and December) as well as annually and semiannually.

2. In different places at the same time

The other way to assess the cost of living is to compare costs between two or more places, such as Alaska with other states and cities and Alaska communities with each other. These types of comparisons, which begin on page 8, play a role in relocation decisions and adjusting salaries and stipends by area.

While measuring inflation has a single source, a range of sources are available for cost comparisons between areas. Their reliability varies and they have different methods, so it's important to take their strengths and weaknesses into account. Some rely on random private individuals to enter prices for various goods and services in their communities, then automatically generate a cost-of-living index. Others use rigorous, broad-based, and transparent statistical methods. A good solution is to use multiple sources and look for patterns.

Other sources not marketed as cost-of-living measures can shed light on price differences, too. One is the U.S. Census Bureau's annual American Community Survey, which includes the median value of a home and median gross rental cost data for every community in the country. Because of the small sample sizes and large margins of error for many places, the five-year average is recommended when using the ACS.

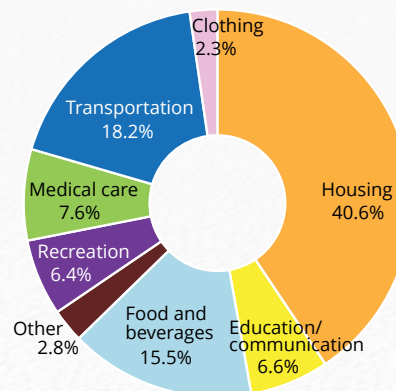
climbed above 4 percent, then hit 4.8 percent in 2021, the biggest jump in food costs since 1995.

By April 2022, food was 11.3 percent more expensive than the previous April, with meat and eggs the biggest culprits.

Transportation continued to register some of the largest cost increases among categories in 2022, running over 20 percent higher. After housing, transportation carries the second-largest weight in the overall index — 18.2 percent — meaning the typical household spends about 18 percent of its monthly income on transportation. Many expenses in transportation went up substantially: car rentals, airline tickets, used cars, and fuel. Gasoline prices jumped by over 50 percent.

The overall energy index, which gets a lot of

How urban Alaskans spend their consumer dollars



Source: U.S. Bureau of Labor Statistics, CPI-U for Urban Alaska, December 2021

attention and bleeds into many other categories, exceeded 25 percent. Energy is the most volatile part of the consumer price index. Since 2000, yearly energy costs have increased or decreased by double digits nine times.

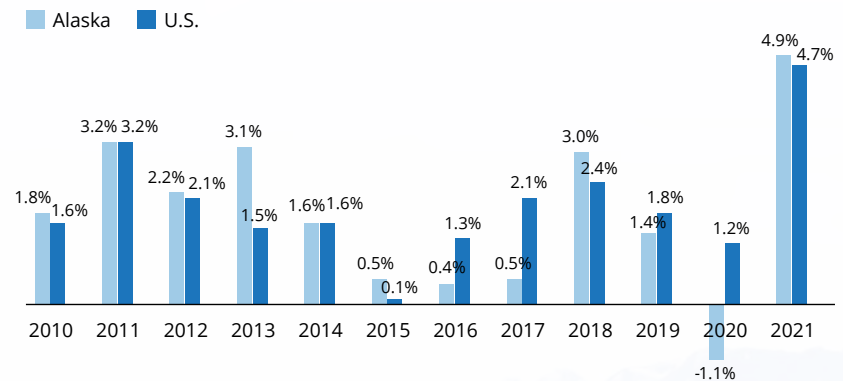
Last year's 14.4 percent energy inflation was the second-largest in 21 years. It's still too early to know if the 2022 overall energy cost increase will top that number, but February and April did.

Housing costs escaped the eye-popping increases we saw in other categories. February registered 4.9 percent and April 3.8 percent, both relatively modest. But with housing the largest household expense, representing nearly 41 percent of the overall consumer price index, these numbers are consequential and well over the 10-year average of 1.6 percent.

Clothing has a negligible effect on total costs, but even clothes prices have changed course. After dropping significantly in 2019 and 2020, clothes prices went up modestly in 2021 and early 2022. April 2022 showed a slight decrease.

National and global forces rather than local factors drive most price changes, but housing can be an exception.

Urban Alaska, U.S. inflation rates tend to track



Source: U.S. Bureau of Labor Statistics

Coincidentally, these jumps came during some of Alaska's best economic growth years, which included the construction of the Trans-Alaska Pipeline System and the spectacular oil wealth that followed its completion in 1977.

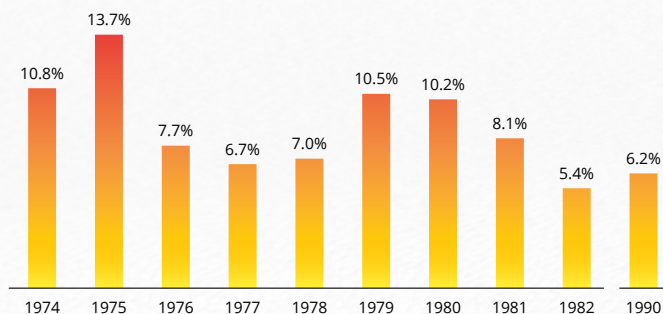
High inflation doesn't typically lead to stronger economic growth, though. It's usually the opposite — high inflation creates uncertainty. Alaska's oil boom years were a notable exception.

Alaska's peak inflation rate was 13.7 percent in 1975, in the midst of pipeline construction and wild economic expansion. U.S. inflation was also notably high that year, at around 9 percent.

Inflation has been high before

Only older Alaskans might remember past years of high inflation, but our rate hit double digits several times between 1974 and 1980.

Alaska's past years of high inflation



Source: U.S. Bureau of Labor Statistics, CPI-U for Urban Alaska

Alaska, U.S. inflation rates typically move together

Historically, Urban Alaska's consumer price index has followed the same pattern as the national index and most other cities' data, and that held true recently. Alaska's 2021 inflation was 4.9 percent overall and the nation's was 4.7 percent. (Alaska has just one consumer price index, and it's based mainly on costs in Anchorage and the Matanuska-Susitna Borough. See the sidebar on page 5 for more on the CPI.)

That's because national and international forces rather than local factors drive most

price changes. Housing is sometimes an exception that can differentiate areas' cost changes. The differences are usually minor, though, which is the case right now.

There's no dominant view on where inflation is headed

Forecasting inflation has a poor track record even when circumstances are less volatile, so the rest of 2022 is an even bigger question mark than usual.

One group of national economic experts predicts supply chain problems will work themselves out this year and rising interest rates will dampen demand, slowing inflation.

Others worry we're entering a prolonged period of high inflation based on the assumptions that supply chain issues will persist, the war in Ukraine will keep food and energy prices high, and the mere expectation of high inflation could make it a reality.

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Urban Alaska and national metro inflation by category, 2011 to 2021

ALL ITEMS			ALL ITEMS MINUS HOUSING		
Year	Urban AK % chg from previous yr	U.S. % chg from previous yr	Year	Urban AK % chg from previous yr	U.S. % chg from previous yr
2011	3.2%	3.2%	2011	3.4%	4.0%
2012	2.2%	2.1%	2012	1.7%	2.0%
2013	3.1%	1.5%	2013	3.0%	1.1%
2014	1.6%	1.6%	2014	1.0%	1.1%
2015	0.5%	0.1%	2015	-0.3%	-1.3%
2016	0.4%	1.3%	2016	0.3%	0.2%
2017	0.5%	2.1%	2017	1.1%	1.5%
2018	3.0%	2.4%	2018	3.7%	2.0%
2019	1.4%	1.8%	2019	1.9%	1.0%
2020	-1.1%	1.2%	2020	-0.4%	0.6%
2021	4.9%	4.7%	2021	5.9%	5.7%

HOUSING			TRANSPORTATION		
Year	Urban AK % chg from previous yr	U.S. % chg from previous yr	Year	Urban AK % chg from previous yr	U.S. % chg from previous yr
2011	2.9%	1.3%	2011	4.7%	9.8%
2012	2.7%	1.6%	2012	2.0%	2.3%
2013	3.1%	2.1%	2013	7.0%	0%
2014	2.7%	2.6%	2014	-0.6%	-0.7%
2015	2.4%	2.1%	2015	-6.8%	-7.8%
2016	0.9%	2.5%	2016	-1.7%	-2.1%
2017	0.3%	3.0%	2017	2.4%	3.4%
2018	1.8%	2.9%	2018	7.0%	4.5%
2019	1.2%	2.9%	2019	0.2%	-0.3%
2020	-1.9%	2.2%	2020	-6.8%	-4.2%
2021	2.2%	3.3%	2021	16.9%	14.6%

FOOD AND BEVERAGES			MEDICAL CARE		
Year	Urban AK % chg from previous yr	U.S. % chg from previous yr	Year	Urban AK % chg from previous yr	U.S. % chg from previous yr
2011	3.6%	3.6	2011	5.3%	3.0%
2012	2.4%	2.5	2012	4.3%	3.7%
2013	0.4%	1.4	2013	3.2%	2.5%
2014	1.3%	2.3	2014	3.2%	2.4%
2015	1.7%	1.8	2015	3.3%	2.6%
2016	-0.7%	0.3	2016	4.5%	3.8%
2017	0%	0.9	2017	1.5%	2.5%
2018	0.5%	1.4	2018	7.6%	2.0%
2019	2.7%	1.8	2019	6.6%	2.8%
2020	4.4%	3.3	2020	5.2%	4.1%
2021	4.8%	3.8	2021	2.5%	1.2%

CLOTHING			ENERGY		
Year	Urban AK % chg from previous yr	U.S. % chg from previous yr	Year	Urban AK % chg from previous yr	U.S. % chg from previous yr
2011	2.2%	2.2%	2011	10.8%	15.4%
2012	4.3%	3.4%	2012	1.1%	0.9%
2013	4.8%	0.9%	2013	-2.7%	-0.7%
2014	1.5%	0.1%	2014	2.4%	-0.3%
2015	0.5%	-1.3%	2015	-10.3%	-16.7%
2016	2.6%	0.1%	2016	-5.8%	-6.6%
2017	0.3%	-0.3%	2017	12.3%	7.9%
2018	2.0%	0%	2018	8.0%	7.5%
2019	-8.3%	-1.3%	2019	1.5%	-2.1%
2020	-6.1%	-4.8%	2020	-10.6%	-8.5%
2021	3.9%	2.5%	2021	14.4%	21.0%

Source: U.S. Department of Labor, Bureau of Labor Statistics

How Alaska's costs stack up nationally

By SARA TEEL

The Council for Community and Economic Research, or C2ER, publishes quarterly and annual surveys comparing the costs of everyday goods and services in more than 260 U.S. cities, including Anchorage, Fairbanks, and Juneau. It normally includes Kodiak, but Kodiak's numbers weren't reported for the first quarter of 2022.

This frequently used cost-of-living index covers 57 specific items in categories such as food, housing (rental and mortgage), medical care, utilities, and transportation. While the survey provides useful comparisons between cities, it has limitations. Actual consumption patterns vary by income and location, but the survey assumes a single consumption pattern: that of professionals with income in the top 20 percent. The survey doesn't take taxation into account, either. With no state sales or income tax, total taxation is typically lower in Alaska towns than other U.S. cities.

More cities surpass Alaska costs

Costs in Alaska's three surveyed cities always come in above the national average, and for the first

quarter of 2022, Anchorage was highest at 130.1 — meaning its costs were 130 percent of the U.S. average — followed by Juneau at 127.5 and Fairbanks at 124.4. For comparison, the index ranged from a low of 74.1 for Kalamazoo, Mich., to 237.8 for Manhattan in New York City, which is usually No. 1.

Where public health care premiums cost the most

State	2022 premium
1 West Virginia	\$752
2 Wyoming	\$745
3 Vermont	\$732
4 Alaska	\$672
5 South Dakota	\$592
6 Nebraska	\$591
7 Alabama	\$569
8 New York	\$569
9 Connecticut	\$540
10 Delaware	\$538
U.S. average	\$428

Note: Lowest-cost monthly premium for a 40-year-old on the silver tier, Affordable Care Act coverage

Source: The Henry J. Kaiser Family Foundation

The Price Is Right: Cost comparisons for common items in 2022

	Dozen eggs	Kraft parmesan	11.5 oz grnd coffee	Kleenex	Dental cleaning	Qtr Pounder with Cheese	Dry clean 2-pc suit	1-hour yoga class	6-pk of Heineken
U.S. average	\$1.78	\$4.08	\$4.63	\$1.89	\$104.87	\$5.03	\$14.58	\$16.55	\$9.88
Anchorage	\$1.99	\$4.30	\$5.79	\$3.01	\$150.00	\$5.13	\$16.63	\$17.33	\$10.49
Fairbanks	\$1.99	\$4.58	\$6.29	\$2.69	\$151.15	\$5.69	\$20.00	\$16.00	\$10.49
Juneau	\$2.19	\$4.66	\$5.89	\$2.88	\$160.00	\$5.49	\$16.00	\$13.91	\$9.99
Highest city	Honolulu, Hawaii	Mankato, Minnesota	Honolulu, Hawaii	Manhattan, New York	Juneau, Alaska	Pittsfield, Mass.	Marshfield, Wisconsin	Minneapolis, Minnesota	Salisbury, N. Carolina
Highest price	\$3.97	\$6.45	\$9.29	\$3.51	\$160.00	\$7.99	\$24.80	\$31.45	\$15.49
Lowest city	Danville City, Virginia	Dublin-Laurins, Georgia	Providence, Rhode Island	Rapid City, S. Dakota	Little Rock, Arkansas	Ardmore, Oklahoma	Cedar Park, Texas	Bullhead City, Arizona	Temple, Texas
Lowest price	\$0.99	\$2.49	\$2.90	\$1.25	\$48.50	\$2.29	\$7.18	\$5.00	\$7.79

Notes: This survey's prices, gathered by volunteers around the country, are for the first quarter of 2022. Food prices reflect the lowest-cost item in each category at a typical grocery store.

Source: The Council for Community and Economic Research

How Alaska cities compared to other U.S. cities in early 2022*

	Total index	Groceries	Housing	Utilities	Transportation	Health care	Misc
Category's weight in total index	100.0%	17.26%	30.90%	10.21%	7.54%	4.42%	29.67%
U.S. average	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Region and city							
West							
Anchorage	130.1	126.0	141.5	120.5	114.5	153.2	124.5
Fairbanks	124.4	122.1	103.2	209.2	109.2	152.7	118.4
Juneau	127.5	138.8	140.1	132.6	117.3	149.4	105.4
Honolulu, HI	192.7	152.7	320.7	144.6	124.2	120.1	127.6
San Francisco, CA	184.2	129.8	306.4	133.8	141.6	133.9	124.3
Los Angeles-Long Beach, CA	151.9	113.7	234.0	109.9	126.0	115.0	115.2
Seattle, WA	150.7	128.6	202.2	106.6	122.3	124.3	136.3
Portland, OR	127.4	109.4	165.8	93.0	120.9	103.5	115.0
Bozeman, MT	122.0	107.1	154.8	86.3	99.6	99.5	117.7
Salt Lake City, UT	110.5	106.3	126.3	93.0	105.9	94.3	106.0
Boise, ID	108.7	97.3	126.6	81.5	111.9	102.2	106.2
Spokane, WA	101.9	104.3	100.7	95.3	95.2	118.7	103.1
Las Vegas, NV	101.2	101.2	109.8	97.6	110.9	96.1	91.7
Casper, WY	92.2	103.2	84.3	88.1	83.1	99.2	96.8
Southwest/Mountain							
Denver, CO	110.0	93.3	129.0	86.5	98.2	100.7	112.3
Colorado Springs, CO	103.9	97.7	109.2	102.3	95.6	102.6	105.0
Phoenix, AZ	104.2	99.9	114.4	102.3	108.2	100.2	96.2
Dallas, TX	101.2	95.1	94.4	112.4	86.9	112.3	109.9
Houston, TX	91.7	96.7	81.5	97.7	90.6	100.4	96.5
Midland, TX	89.7	85.2	79.7	94.9	93.9	96.4	98.9
Oklahoma City, OK	83.9	92.2	69.6	93.5	89.9	101.1	86.5
Tulsa, OK	85.5	94.4	63.5	93.1	92.6	98.6	96.7
Midwest							
Chicago, IL	126.4	103.1	152.9	98.6	133.7	121.0	121.0
Minneapolis, MN	99.5	98.0	93.2	98.9	104.8	98.4	105.9
Cleveland, OH	92.9	103.4	79.8	98.6	92.5	103.1	97.0
Des Moines, IA	85.7	99.5	66.1	84.3	95.9	95.6	94.4
Kalamazoo, MI	74.1	77.9	47.5	96.0	91.8	94.9	84.3
Southeast							
Washington, DC	158.8	111.0	260.5	111.0	111.1	98.5	118.3
Fort Lauderdale, FL	120.5	120.5	152.3	106.3	104.3	93.4	100.3
Miami-Dade County, FL	120.4	122.3	139.3	106.3	107.1	98.6	111.1
New Orleans, LA	111.2	96.1	141.2	80.8	98.3	117.4	101.6
Atlanta, GA	104.1	92.6	113.0	86.6	106.1	106.4	106.7
Birmingham, AL	92.9	91.0	82.8	102.8	93.5	101.1	99.8
Atlantic/New England							
New York (Manhattan), NY	237.8	144.4	482.7	103.3	117.6	107.9	133.1
Boston, MA	150.8	116.0	220.9	123.5	121.1	117.0	119.9
Hartford, CT	107.7	108.4	101.4	126.4	104.0	92.6	110.6
Philadelphia, PA	106.0	118.4	101.2	112.2	113.0	97.2	101.3

LOWEST →

HIGHEST →

*Based on professional households with earnings in the top quintile, first quarter 2022

Source: The Council for Community and Economic Research

Over the last 20 years, Alaska cities have moved from being among the highest-cost cities in the United States to farther down in the rankings. In early 2022, Anchorage placed 18th, Juneau 19th, and Fairbanks 22nd.

The more expensive cities are mainly large metropolitan areas with high housing costs. Seattle is a good example. Seattle is the closest large city to Alaska and it used to rank lower on the list. Since the early 2010s, Seattle has consistently grown more expensive, mostly because of its housing. Its overall cost of living is now well above Alaska cities.

Alaska's housing costs are high and move the state's total index value more than any other category, but all spending categories in Alaska were above the national average this year.

Because food must arrive by barge or air, Juneau's grocery costs were 28 percent above the U.S. average and third-highest in the country. Only Honolulu and Manhattan groceries cost more.

Given Fairbanks' remoteness and climate, Fairbanks again topped the national list for utility costs. Fairbanks was indexed at 209, or more than double the national average.

Alaska's overall health care costs are the highest in the nation

Alaska's health care costs have ranked among the nation's highest for years, and in early 2022, our three cities had the most expensive health care in the country. Anchorage topped the list at 153.2

Alaska drops to 6th highest-cost state

State	2021 index
U.S. average	100.0
1 Hawaii	193.3
2 New York	148.2
3 California	142.2
4 Massachusetts	135.0
5 Oregon	130.1
6 Alaska	127.1
7 Maryland	124.0
8 Connecticut	121.6
9 Rhode Island	117.2
10 Vermont	117.0

Source: Missouri Economic Research and Information Center

What a mover to Anchorage would need to earn, Q1 2022

If you earned \$50k in these cities, this is the amount required to live equally in Anchorage

California	San Diego	\$43,486
	San Francisco	\$32,895
	Los Angeles	\$42,275
Texas	Dallas	\$61,005
	Houston	\$67,747
	Austin	\$62,870
Washington	Seattle	\$41,423
	Spokane	\$60,714
	Yakima	\$64,394
Florida	Miami	\$53,797
	Fort Lauderdale	\$52,773
	Tallahassee	\$66,684

Notes: These are the top four states that send movers to Alaska. Yearly earnings are after taxes. Living equally means you'll need the amount specified to purchase in Anchorage what you purchased in that city.

Sources: Internal Revenue Service Gross Migration to Alaska by State; and The Council for Community and Economic Research

percent of the national average followed by Fairbanks at 152.7 and Juneau at 149.4. San Francisco came in fourth at 133.9.

One component of health care prices is public health insurance premiums under the Affordable Care Act. In 2020 and 2021, Alaska ranked second-highest for premiums after Wyoming. In 2022, Alaska fell to fourth place, but not because our premiums decreased. Alaska's premium was \$672 per month, within a dollar of last year, but costs jumped for West Virginia (\$752) and Vermont (\$732) and remained high in Wyoming (\$745). The national average was \$428 per month. (See the table on page 8.)

Still, on average and in certain places, public health care premiums have declined somewhat in 2022. Most insurers who participate in the marketplace reported they don't anticipate COVID-19 will affect their premiums this year and they predict their costs will return to pre-pandemic levels.

Moving to Anchorage from cities in four 'neighbor' states

How far a dollar goes varies widely across the country. Someone living in a lower-cost community will need to earn more money to maintain the

Continued on page 18

Comparing costs among Alaska towns

By SARA TEEL

Fuel costs rise across the state

Fuel is often a major expense for Alaska households and businesses, and costs vary widely by location and delivery method.

Focusing on rural fuel costs, the Alaska Department of Commerce, Community, and Economic Development conducts an annual survey of 100 communities across the state.

This year's survey was taken before the recent spike in fuel prices.

In the winter of 2022, a gallon of gasoline cost \$5.31 on average and heating fuel was \$4.83 a gallon — both up considerably from 2021 and especially from the lows of 2020. However, this year's survey was conducted before the recent spike in fuel prices.

At the time of the winter survey, fuel prices had only increased about 57 cents a gallon for gas and 75 cents for heating fuel, on average, from the year before. In May, the *Anchorage Daily News* reported that heating fuel in Noatak, north of Kotzebue, briefly hit \$16 a gallon. Noatak isn't one of the surveyed communities but is a good proxy for how much more expensive fuel has become, since the survey was last conducted, in the small communities that fly it in.

Remote communities that fly in gasoline and heating fuel face the highest prices. Back to the winter survey, a gallon of gas in Atka was \$8.35 and in Anaktuvuk Pass was \$7.20 per gallon. A gallon of heating fuel cost \$3.30 in Circle, which is on the road system, and \$7.50 in Atka, which is on the Aleutian chain.

Towns that barge in fuel or are on the road system typically pay lower fuel prices. Healy, which is on the Railbelt, had the lowest-priced gas at \$3.59 per gallon. A gallon of gasoline in Juneau was \$3.60 and in Kodiak was \$3.78.

North Slope communities are an exception to higher rural heating costs. Residential heating is subsidized, so these communities are listed in the results but excluded from the survey average. In Anaktuvuk Pass and Nuiqsut, for example, a gallon of home heating fuel was just \$1.50 and \$2.30 per gallon, respectively.

Gasoline and heating fuel costs in Alaska, winter '22

Community	Home heating fuel, gallon	Gasoline, gal regular
Akiak	\$5.19	\$4.92
Anaktuvuk Pass*	\$1.50	\$7.20
Atka	\$7.50	\$8.35
Bethel	\$4.82	\$4.33
Chenaga Bay	\$5.52	\$6.04
Chignik	\$3.96	\$3.92
Circle	\$3.30	\$4.70
Deering	\$4.48	\$4.79
Dillingham	\$4.57	\$5.06
Eagle	\$4.00	\$4.75
Emmonak	\$5.12	\$5.54
Fairbanks	\$3.59	\$3.85
Galena	\$5.42	\$6.90
Gambell	\$4.69	\$5.72
Glennallen	\$3.29	\$4.25
Golovin	\$3.90	\$4.00
Healy	\$3.10	\$3.59
Holy Cross	\$6.05	\$6.17
Homer	\$3.55	\$3.90
Hoonah	\$4.71	\$4.88
Hooper Bay	\$6.62	\$5.41
Juneau	\$3.87	\$3.60
King Cove	\$3.22	\$4.74
Kodiak	\$3.68	\$3.78
Kokhanok	\$7.00	\$7.00
Kotzebue	\$6.23	\$6.20
Mountain Village	\$6.29	\$6.61
Nenana	\$3.81	\$3.90
Noorvik	\$5.64	\$5.20
Nuiqsut*	\$2.30	\$5.00
Nulato	\$5.00	\$6.00
Pelican	\$4.82	\$5.12
Pilot Station	\$7.20	\$7.00
Port Lions	\$5.35	\$5.45
Ruby	\$5.50	\$5.50
Sand Point	\$4.65	\$3.97
Shishmaref	\$3.91	\$4.43
Unalaska	\$4.37	\$4.18
Wales	\$4.64	\$4.89
Wrangell	\$3.91	\$4.32

Note: This is a partial list of the 100 surveyed communities.

*North Slope communities' residential heating fuel costs are subsidized.

Source: Alaska Department of Commerce, Community, and Economic Development, *Current Community Conditions: Fuel Prices Across Alaska*

Rents and home sales prices across Alaska in early 2022

Median adjusted rent

Area	Rent
Sitka, City and Borough	\$1,349
Anchorage, Municipality	\$1,339
Fairbanks North Star Borough	\$1,305
Survey total	\$1,279
Kodiak Island Borough	\$1,270
Chugach Census Area	\$1,265
Juneau, City and Borough	\$1,260
Ketchikan Gateway Borough	\$1,153
Matanuska-Susitna Borough	\$1,092
Kenai Peninsula Borough	\$1,023
Wrangell-Petersburg Census Area	\$929

Average house price

Area	Price
Ketchikan Gateway Borough	\$503,200
Juneau, City and Borough	\$481,451
Anchorage, Municipality	\$445,408
Matanuska-Susitna Borough	\$418,412
Bethel Census Area	\$414,286
Statewide Total	\$402,976
Kodiak Island Borough	\$367,500
Kenai Peninsula Borough	\$358,529
Rest of state	\$330,491
Fairbanks North Star Borough	\$326,659

Notes: Median adjusted rent is rent plus the cost of all utilities, whether they are included in the rent payment or paid separately by renters. Rents are for all unit types. All prices are for first quarter 2022.

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

Average house costs \$403,000

Around 40 percent of an average household's income goes to housing, the largest expense. Housing prices depend on the available supply, the quality and type of housing, economic conditions, and the cost to build. Low interest rates, rising wages, building costs, and demand have all raised housing prices during the pandemic.

Our quarterly survey, conducted in partnership with the Alaska Housing Finance Corporation, found the average house in Alaska sold for \$402,976 this year, up 8 percent from the year before.

The Fairbanks North Star Borough usually has the lowest-priced homes in the state and 2022 is no exception, but Fairbanks hasn't been immune to

How the military ranked Alaska towns' costs in 2022

City	Index
U.S. average	100
Bethel	150
Cordova	146
Valdez	144
Utqiagvik	142
Nome	142
Petersburg	142
Wainwright	142
Homer (incl Anchor Point)	140
Juneau	140
Kenai (incl Soldotna)	140
King Salmon (incl Bristol Bay Borough)	140
Seward	140
Sitka/Mt. Edgecumbe	140
Spruce Cape	140
Unalaska	140
Ketchikan	138
Kodiak	134
Clear Air Force Station	132
Tok	132
College (University of Alaska Fairbanks)	130
Eielson Air Force Base (Fairbanks)	130
Fort Wainwright (Fairbanks)	130
Delta Junction (incl Fort Greely)	128
Anchorage (incl Eagle River)	126
Wasilla	122

Source: OCONUS, effective May 16, 2022

rising prices. The average home in Fairbanks in early 2022 was up 6 percent to \$326,659.

Like Fairbanks, the Matanuska-Susitna Borough has lower-priced single-family homes. Most new homes in Alaska in recent years have been built there (48 percent of all new construction in the first quarter of 2022). A typical Mat-Su home sold for \$418,412 this year, surpassing the statewide average for the first time in recent history.

On the other end of the spectrum, Juneau often tops the list for housing prices, but Ketchikan outpaced Juneau in early 2022 with the average Ketchikan Gateway Borough home coming in at \$503,200, a whopping 35 percent higher than last year.

Like many small communities, the number of home sales in Ketchikan is small, so just a few higher-priced home sales can skew the average.

Homes become less affordable

Housing affordability depends on an area's average wage as well as its average home price. We've created an index that takes this into account, calculating

how many average monthly paychecks are needed to afford a typical single-family home in that location.

Low interest rates and higher wages made homes more affordable in 2020, but by 2021, high demand drove sales prices to increase faster than average wages, and homes became slightly less affordable overall.

In the second half of 2021, it took 1.14 paychecks to afford the average Alaska house, as the chart on the right shows. However, with rising interest rates, this level of affordability won't last.

Fairbanks was Alaska's most affordable place in late 2021. At an index value of 0.98, it was the only area where a single average earner could afford a typical house.

It took 1.2 paychecks to afford a typical home in Anchorage and 1.32 in nearby Mat-Su. Mat-Su has less expensive housing but lower average wages. As a result, about 30 percent of Mat-Su residents work in Anchorage. Wages are higher there, but so are housing prices, which makes living in Mat-Su more affordable for Anchorage workers. (However, gas prices also play an important role, given the commute.) It took just 1.03 average monthly paychecks for an Anchorage worker living in Mat-Su to afford a typical house.

For more on Alaska's home sales market over the last two years, [see the June issue of Trends](#).

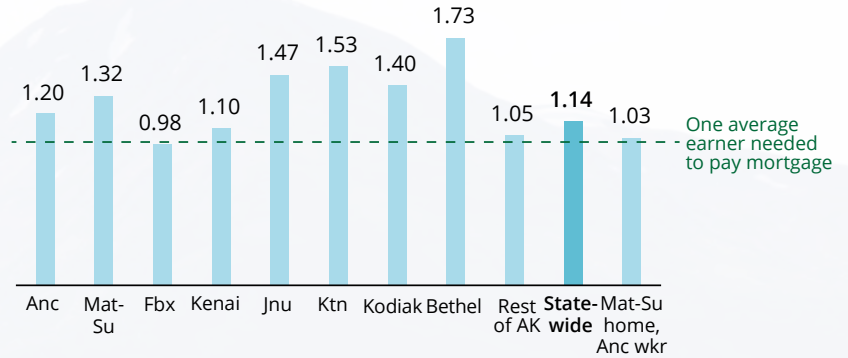
Rents up in most places this year

Our rental survey uses median adjusted rent, which includes the cost of all utilities regardless of who pays them.

In March 2022, Alaska's median adjusted rent for all unit types was \$1,279. That was an increase of \$100 from the year before and largely due to rent increases in Anchorage. Rising costs, falling vacancy rates, and growing demand pushed rents up, especially in Anchorage but also in Fairbanks and Mat-Su.

Similar to 2021, Sitka rent topped the list at \$1,349

House affordability in the second half of 2021



Notes: The affordability index measures how many average monthly paychecks in a given area it would take to afford a 30-year mortgage on a typical house.

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

per month. Anchorage was not far behind at \$1,339, making it more expensive to rent there than in Kodiak (\$1,270) or Fairbanks (\$1,305).

Some renters face higher costs because the market has tightened. For example, Fairbanks' population increased recently because of the military, leading its vacancy rate to drop. The Fairbanks North Star Borough's vacancy rate dropped to 7.0 percent in March after peaking in March 2020 at 19.0 percent.

In a tiny market, just a few high-priced home sales can drive up the average.

Military ranks Bethel costs No. 1

The U.S. Department of Defense tracks the costs in multiple small Alaska communities through its OCONUS index, or Outside the Continental United States (see the table on the previous page).

This frequently updated index compares costs across hundreds of locations and includes 25 in Alaska. It's calculated differently from other indexes because the military bases the index on spendable rather than total income and excludes housing, which it covers through a separate program.

OCONUS assigns a value of 100 for the average U.S. city. In May of this year, Bethel topped the list with costs at 150 percent of the national average. Wasilla, at 122, was ranked the least expensive place in Alaska.

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STATE COMPARISONS

Continued from page 10

same lifestyle when moving to a higher-cost city. Housing and rental prices are the dominant factors, but transportation costs, grocery bills, health care costs, and utilities are also important.

For example, at the highest-cost end, if you earned \$50,000 after taxes in San Francisco, you would only need to bring in about \$33,000 after taxes in Anchorage to maintain the same spending patterns. Anchorage's housing costs in particular are significantly lower. (We chose \$50,000 per year as the base for these comparisons because it's a roughly average wage for Alaska, but it's worth noting that in reality, \$50,000 won't get you very far in San Francisco.)

At the other end, it costs less to live in Tallahassee, Fla., than in Anchorage. You would need to earn almost \$67,000 after taxes in Anchorage to afford the same purchases you made while living in Tallahassee on \$50,000 a year.

Related index places Alaska sixth-costliest among states

Another way to look at cost-of-living differences using the same data set is total costs by state, based on covered cities. The Missouri Economic Research and Information Center publishes its own annual state index using the same C2ER survey discussed previously. (See the table on page 10.) While this index does not account for city size, it can illuminate regional differences.

Basing the state's costs on Anchorage, Fairbanks, and Juneau placed Alaska sixth-highest in 2021 at 127.1, the same spot we held last year. Hawaii (193.3), New York (148.2), California (142.2), Massachusetts (135.0), and Oregon (130.1) costs of living outranked Alaska.

It's important to remember that the cost of living is far more specific to cities than states — coastal California is more expensive than inland, for example — so state comparisons should be taken with a grain of salt.

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