

## Hot Anchorage home market drives prices up to average \$347,000

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Anchorage's real estate market is more competitive than ever, with home prices continuing to rise, according to new data from the Alaska Multiple Listing Service.

In 2013, homes spent an average of 49 days on the market before selling -- down 20 percent from the previous year -- and buyers are paying 99 percent of the last listing price, according to new data.

The average residential home price in 2013 was \$346,977, up 7.8 percent over the average home price of \$321,958 in 2011.

Homes listed in the \$250,000 to \$274,999 price range sold in an average of 34 days, the residential home market's quickest turnaround.

In short: It's a seller's market.

Those trends are significant, said Niel Thomas, an Anchorage real estate agent who presented the new data for the first time at a luncheon for real estate professionals on Wednesday.

"The demand outstrips the supply," Thomas said. "There aren't as many homes for sale as we consider normal in this market."

With fewer homes for sale, buyers are paying more for a limited supply.

Prices went up 7.8 percent over the past two years and 2.7 percent in 2013 alone.

Condominium prices rose by more than 4 percent over the past year, crossing the \$200,000 mark for average sale price in 2013. The available number of condo units for sale declined sharply over the previous five years, according to the MLS data.

Alaska's uptick in housing prices is a far cry from the double-digit inflation some communities in the Lower 48 experienced in the run-up to the housing bubble collapse, Thomas said. Alaska still sits well below the national average when it comes to mortgage delinquency.

The kind of growth Anchorage is seeing right now is healthy, Thomas said.

But it's still leading to stiffer competition for housing and rentals.

"An absence of new construction is part of it, and demand has absorbed what's there," Thomas said. He also pointed to the city's growing population and affluence as contributors to the tough competition for housing.

Economic data presented by state economist Neal Fried earlier this week pegged Anchorage's median household income at \$86,790 in 2012, according to data from the U.S. Census Bureau.

Fried said Anchorage's population likely reached the 300,000 mark at some point in 2013.

More people need more spaces to live in.

Alaska Housing Finance Corp. director of planning and program development Mark Romick said first-time home buyers are among those who will feel the ripple effects of a tighter housing market.

"It's harder to afford a single-family home if you're starting out," Romick said.

People in the middle- or low-income brackets who could possibly afford a mortgage payment will have a harder time coming up with a down payment and closing costs as home prices escalate.

That barrier to entry is stark for some people, Romick said.

The squeeze on housing carries over to the rental market as well, he added. From 2012 to 2013, Anchorage saw a \$47 per month price increase in rent, according to AHC data.

"Good quality rentals are harder to find, even if (people) can afford (them)," Romick said.

AHFC data show the overall vacancy rate for Anchorage was 3.3 percent by mid-2013, the lowest in the state. The single-family vacancy rate is 2 percent in the city, also a statewide low.

To afford the spaces they want, some people may have to look for other income sources, like getting a second job or taking on a roommate, Romick said.

With low interest rates over the past several years, the mortgage industry experienced a refinance surge, said Debbie Ingle, executive director of mortgage and real estate lending for Alaska USA Federal Credit Union.

"Beginning in May 2013, mortgage rates began to increase," Ingles said, pointing to a jump in Freddie Mac mortgage rates from 3.35 percent in December 2012 to 4.46 percent in December 2013.

Increasing interest rates could affect some buyers' ability to finance homes.

The MLS data Thomas presented showed an upshot in sales of duplex, triplex and four-plex properties (which are presumably used as rentals) -- all with fewer days listed on the market before selling than in previous years.

Looking into the future, Thomas said the city will grapple with where exactly it can turn to augment housing. Space is limited with mountains on one side and Cook Inlet on the other.

"That's the larger debate going on in Anchorage right now: To what extent do we have land that can be redeveloped and what is underdeveloped, currently?"

"A lot of what's been done with city planning discussions is looking at density and where it can be improved so Anchorage is not a place that only rich people can move," Thomas said.