



# Alaska's Housing Market 2009

Alaska Housing Finance Corporation

# Alaska's Housing Market

- Interest rates are historically low
- Prices are stable
- New construction
  - Extremely low
  - Contractors busy with remodeling

# What Happened Outside?

- Collapse of housing market
  - Economy – Loss of jobs
  - Excessive speculation
    - Buying
    - Construction
  - Subprime mortgages defaulted
  - Depreciating home values

## The good news is...

- Alaska is different from the Lower 48
  - Adjustable rate mortgages (ARMs) were a very small proportion of total market
  - Small lending community that didn't participate in riskier loan products
  - AHFC did not participate in them
  - Minimal speculative development or buying
  - Continued moderate growth in economy expected

# Delinquencies—Are we in trouble? 4<sup>th</sup> Quarter 2008

- Mortgage Bankers Association survey – 7.88 percent nationally
  - In Alaska our rate was 3.81 percent — the second lowest in the nation
  - AHFC’s delinquencies—4.11 percent
- Alaska’s delinquency rate reached 5.9 percent in 2000 and 2001

# Foreclosures 4<sup>th</sup> Quarter 2008

- Alaska ranks 50th in foreclosures at .90 percent
- Less than one-third the national average of 3.3 percent



## Market is cooling

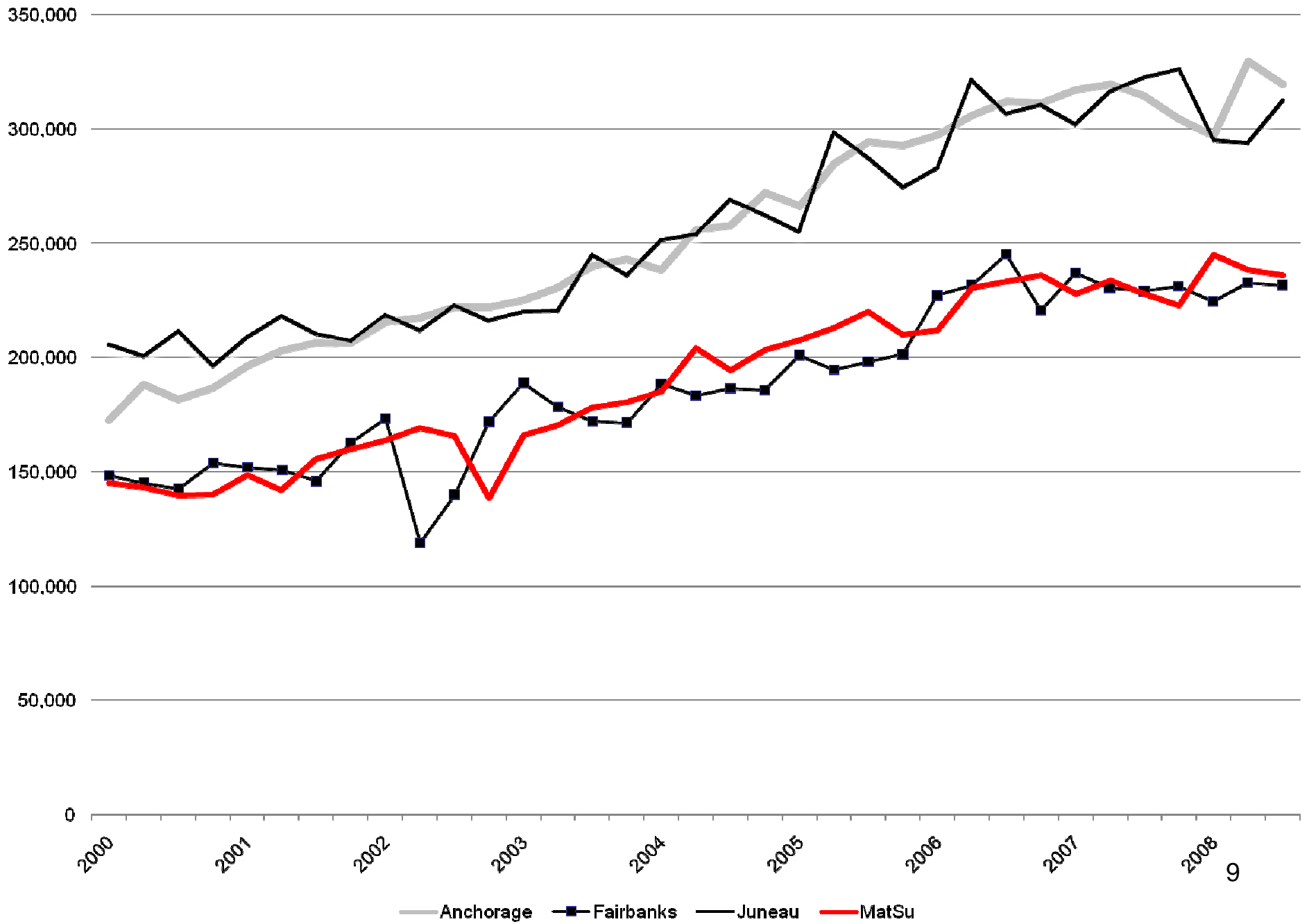
- 2008 end-of-year numbers of homes for sale in Anchorage much lower than '90s
- From 1999 to 2005, market hot for sellers
- Now a more moderate pace

## Average Sales Price as of Dec. 2008

- Anchorage \$326,000 (stable)
- Bethel \$233,213 (-2.3%)
- Fairbanks \$214,000 (-.004%)
- Mat-Su \$221,000 (stable)
- Nome \$185,000 (-15.9%)
- Sitka \$295,333 (-12.3%)



# Average Sales Price Reported By Lenders

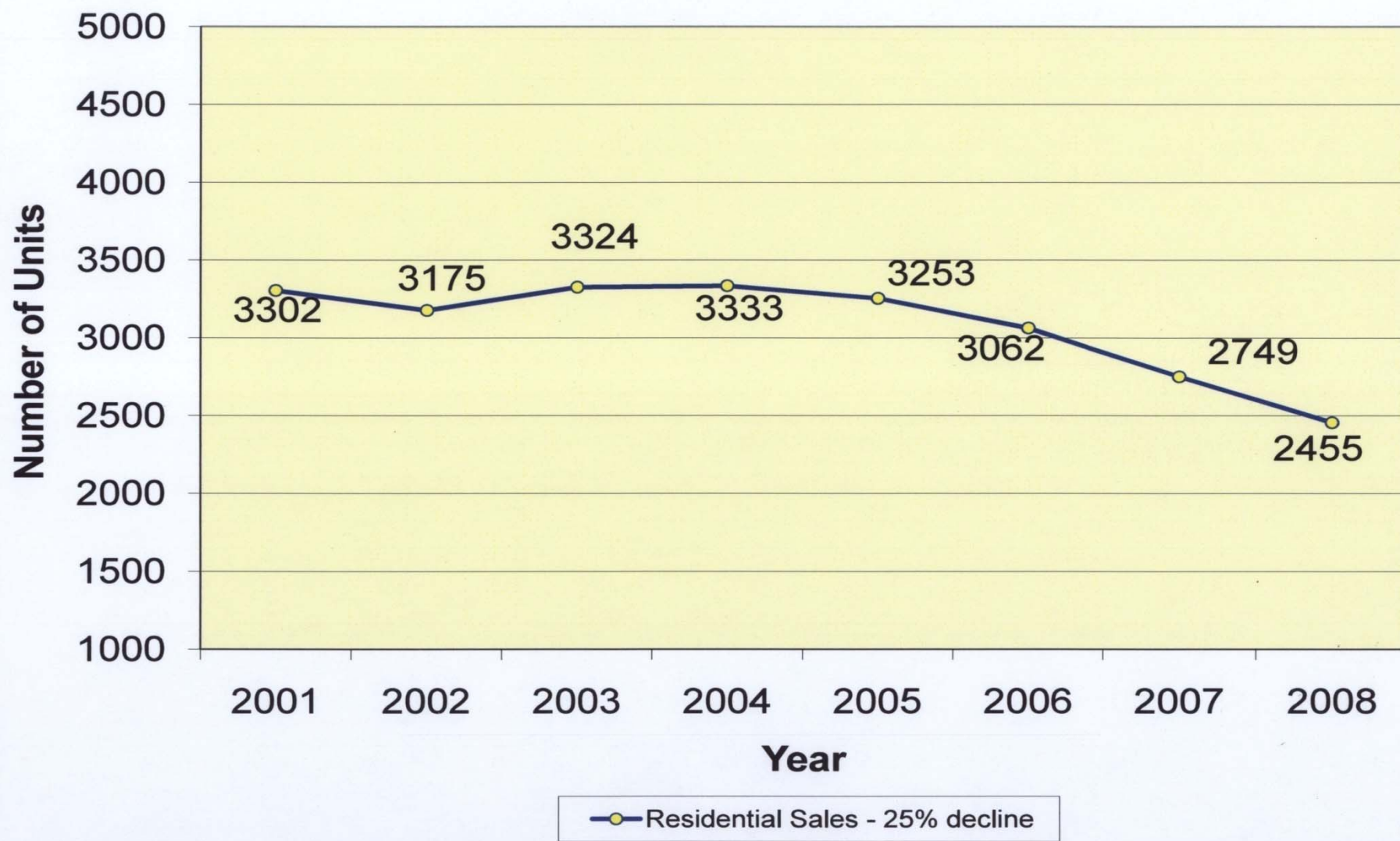


## Statewide Housing Market – 2008

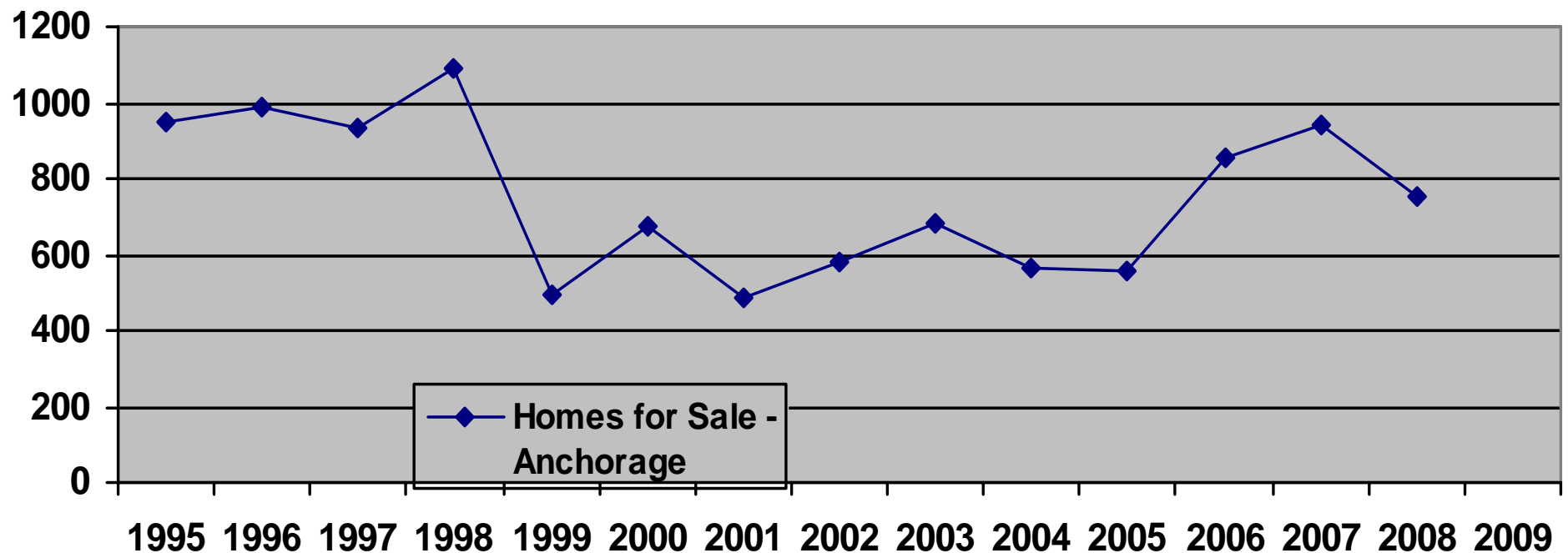
### Sales Activity

- Anchorage -10%
- Mat-Su -20%
- Fairbanks -14%
- Kenai -17%
- Kodiak -.05%

### Annual Residential Sales Activity



## Number of Homes for Sale - Anchorage

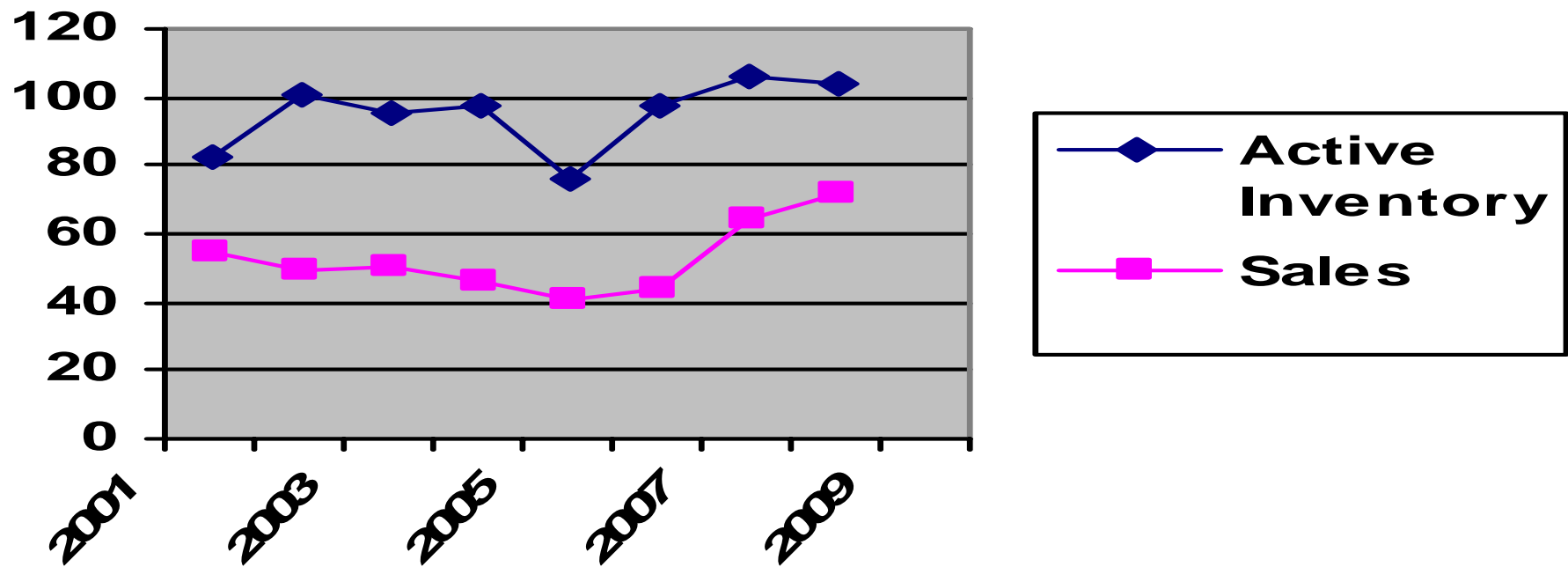


## Average Market Days – Statewide Through Dec. 2008

	2007	2008	
• Anchorage	64	72	(+13 percent)
• Mat-Su	79	92	(+16 percent)
• Fairbanks	50	74	(+48 percent)
• Kenai:	103	116	(+13 percent)
• Kodiak:	68	85	(+25 percent)

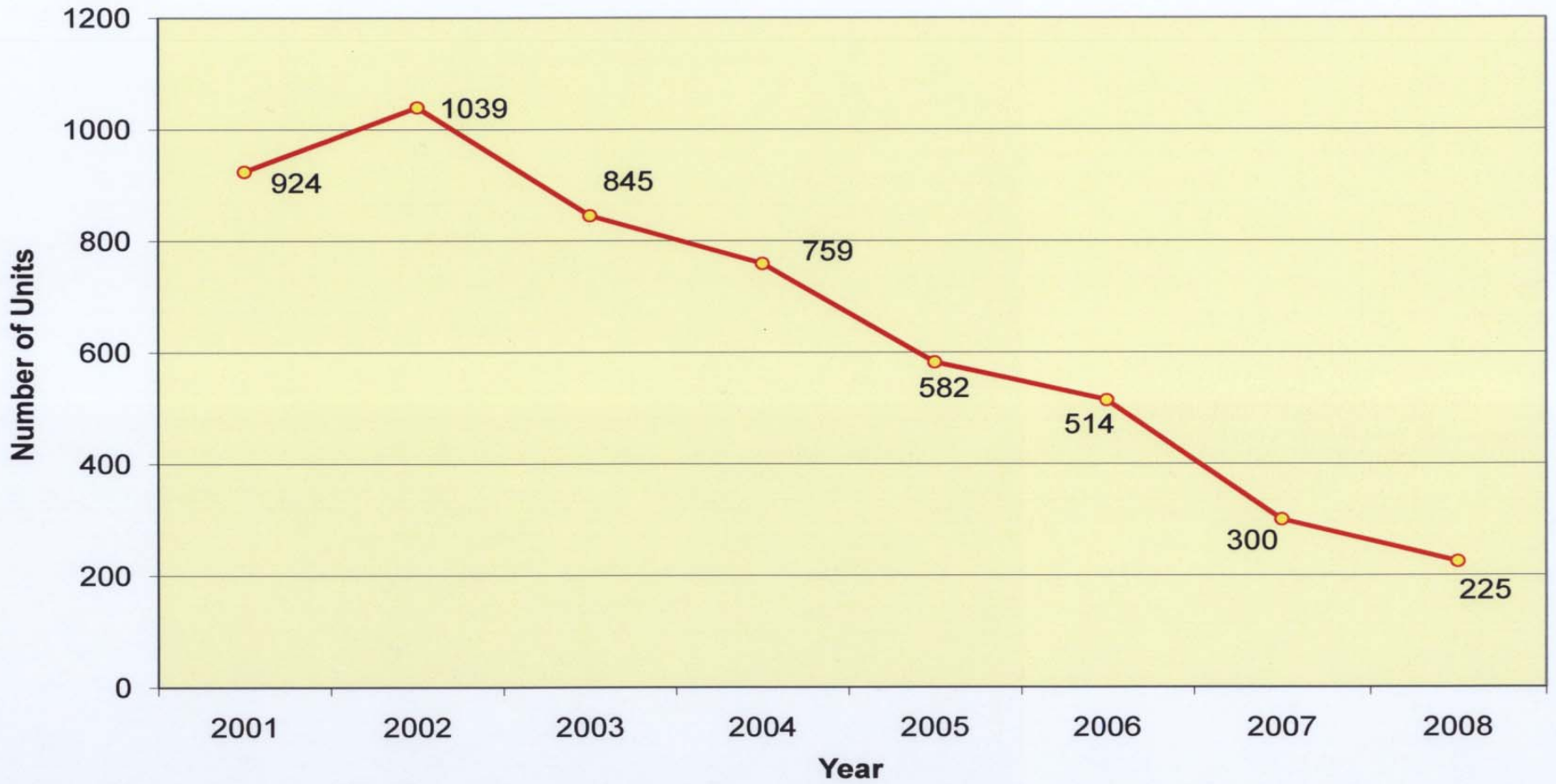
# How long does it take to sell?

Average time on the market – Anchorage





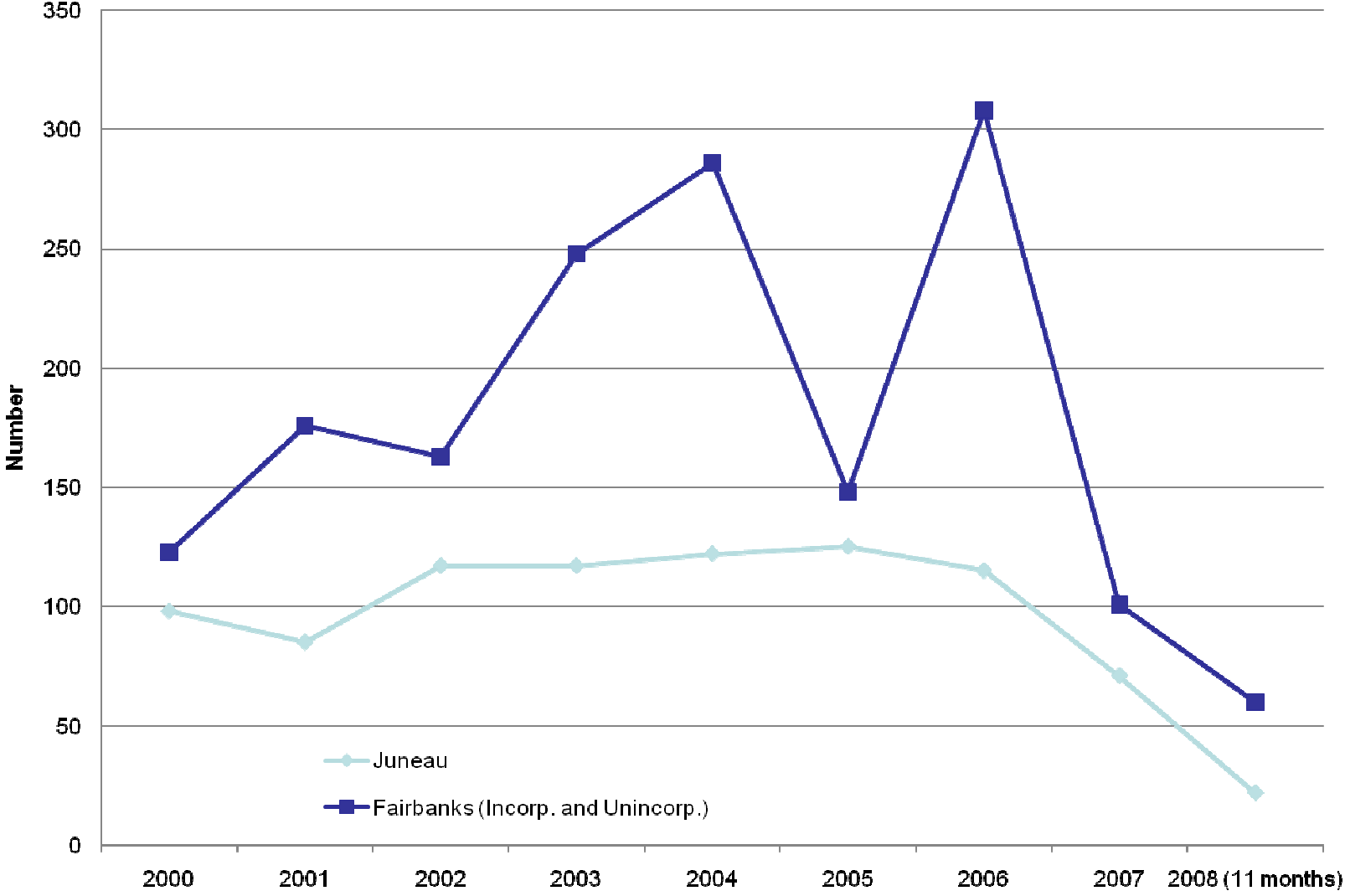
## Annual Residential Building Permit Activity



—○— Single Family

Anchorage

# Number of Permits By Area



## Apartment Vacancies Feb. 2009

- Anchorage - 5.0 percent
- Juneau - 4.7 percent
- Fairbanks - 21.2 percent
- Wasilla/Palmer - 2.1 percent
- Kenai/Wasilla - 8.6 percent

See detailed chart next slide.

<b>ANCHORAGE</b>					
<b>Unit Type</b>	<b>Eff.</b>	<b>1BR</b>	<b>2BR</b>	<b>3BR</b>	<b>Total</b>
<b># Units</b>	304	1,831	1,642	115	3,892
<b># Vacant</b>	22	101	68	3	194
<b>Vacancy Rate</b>	<b>7.2%</b>	<b>5.5%</b>	<b>4.1%</b>	<b>2.6%</b>	<b>5.0%</b>

<b>JUNEAU</b>					
<b>Unit Type</b>	<b>Eff.</b>	<b>1BR</b>	<b>2BR</b>	<b>3BR</b>	<b>Total</b>
<b># Units</b>	65	167	107	23	362
<b># Vacant</b>	11	2	4	0	17
<b>Vacancy Rate</b>	<b>16.9%</b>	<b>1.2%</b>	<b>3.7%</b>	<b>0%</b>	<b>4.7%</b>

<b>FAIRBANKS</b>					
<b>Unit Type</b>	<b>Eff.</b>	<b>1BR</b>	<b>2BR</b>	<b>3BR</b>	<b>Total</b>
<b># Units</b>	70	501	580	54	1,205
<b># Vacant</b>	19	140	88	8	255
<b>Vacancy Rate</b>	<b>27.1%</b>	<b>27.9%</b>	<b>15.2%</b>	<b>14.8%</b>	<b>21.2%</b>

<b>PALMER/WASILLA</b>					
<b>Unit Type</b>	<b>Eff.</b>	<b>1BR</b>	<b>2BR</b>	<b>3BR</b>	<b>Total</b>
<b># Units</b>	13	128	72	20	233
<b># Vacant</b>	0	5	0	0	5
<b>Vacancy Rate</b>	<b>0%</b>	<b>3.9%</b>	<b>0%</b>	<b>0%</b>	<b>2.1%</b>

<b>KENAI/SOLDOTNA</b>					
<b>Unit Type</b>	<b>Eff.</b>	<b>1BR</b>	<b>2BR</b>	<b>3BR</b>	<b>Total</b>
<b># Units</b>	5	102	95	30	232
<b># Vacant</b>	0	11	7	2	20
<b>Vacancy Rate</b>	<b>0%</b>	<b>10.8%</b>	<b>7.4%</b>	<b>6.7%</b>	<b>8.6%</b>

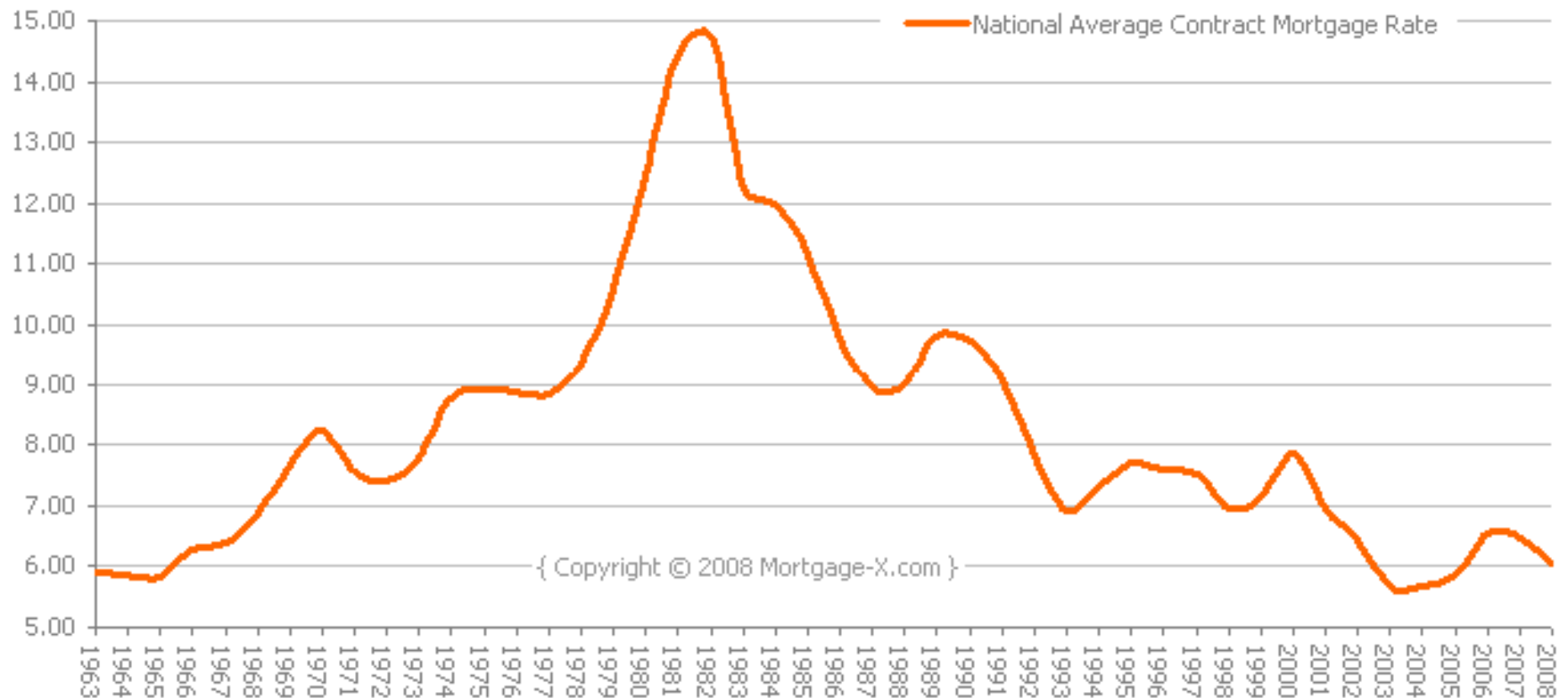
## How about interest rates?

- Let's look at the average interest rates over time...
- The following four slides are reprinted with permission from Mortgage X Mortgage Information Service.

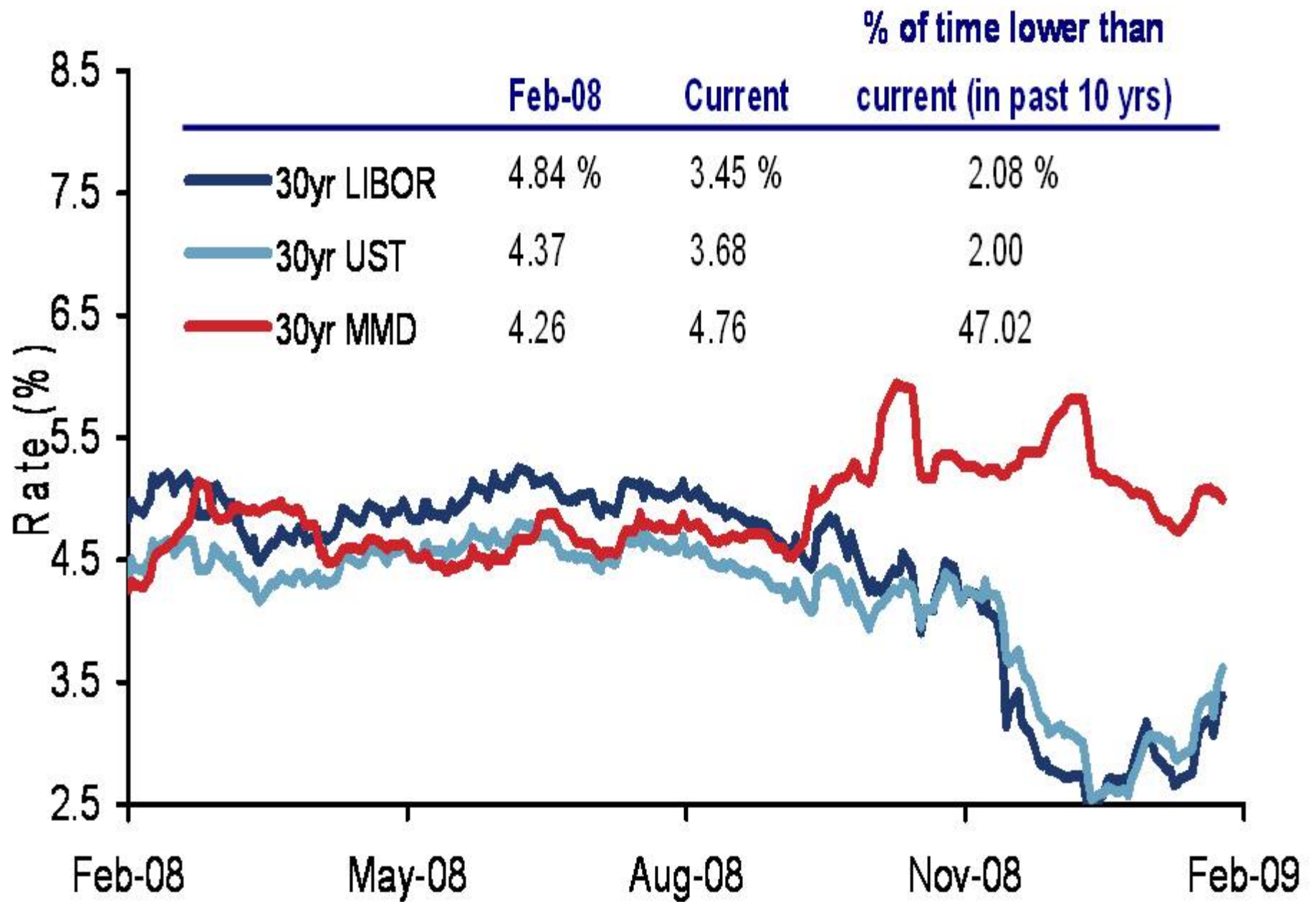
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Used with permission)

# Interest rates as low as the '60s

## National Average Mortgage Rate 1963 - 2008







### AHFC Tax-Exempt 30-year vs. Conventional 30-year



# Mortgage Rate Trend Survey Predictions as of 02/09/09

## Over the next 30 days:

- rates will rise significantly: 0.0%
- rates will rise slightly: 17.9%
- rates will remain unchanged: 14.3%
- rates will decline slightly: 64.3%
- rates will decline significantly: 3.6%

## Over the next 90 days:

- rates will rise significantly: 0.0%
- rates will rise slightly: 17.9%
- rates will remain unchanged: 25.0%
- rates will decline slightly: 42.9%
- rates will decline significantly: 14.3%

# Low Interest Rates – What has changed?



- Eligible borrowers have diminished 30 – 40 percent
  - Loan investors & mortgage insurance companies tightened credit standards
    - Higher down payment required
    - Higher FICO score required
    - Jumbo loan financing limited
    - No more exotic loans
      - No income; no jobs; no assets; interest-rate teaser; payment option (interest-only, half-interest, etc., payments)
  - FHA
    - increased fees
    - no seller-financed down payment assistance
  - People don't qualify to refinance
    - Decrease in property values
    - Shouldn't have gotten the loan in the first place & don't qualify

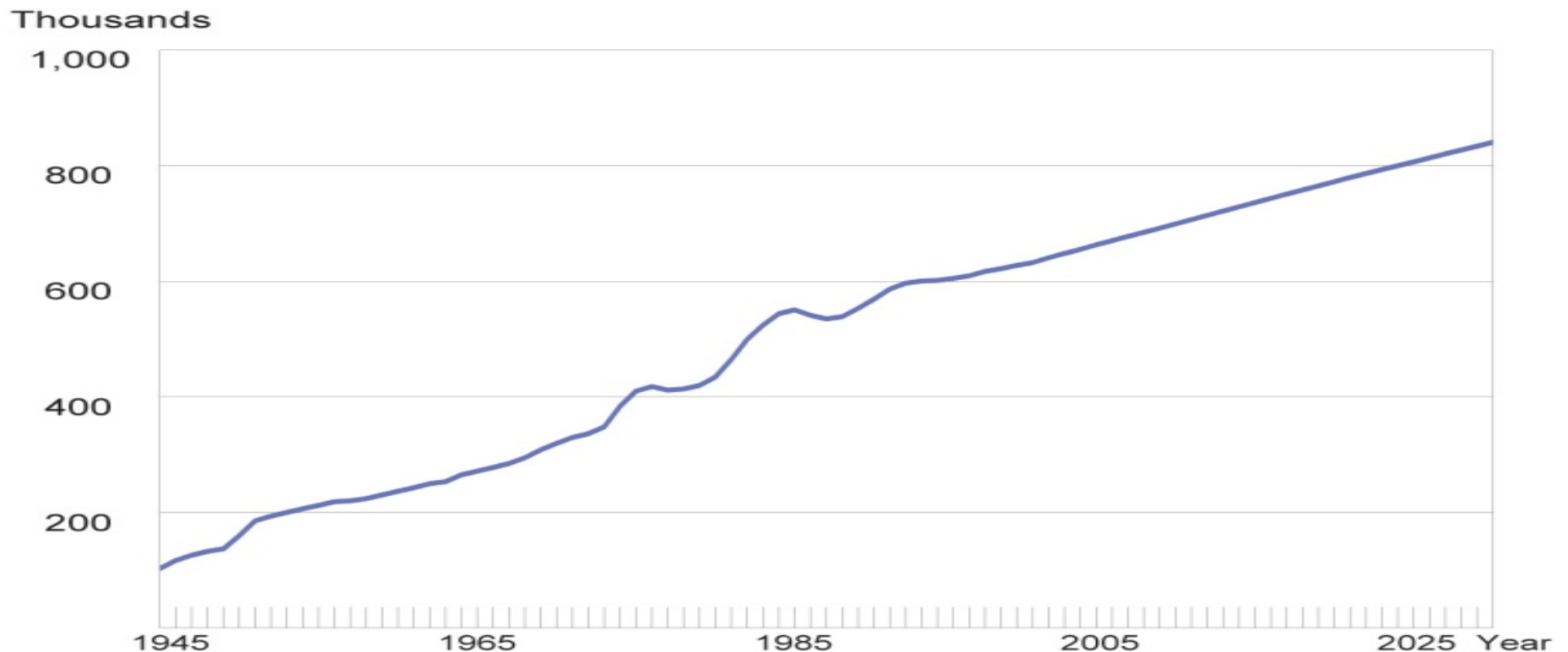
## **Interest Rates Equate to Buying Power**

- 1 percent decrease in interest rates roughly translates into a 10 percent increase in homebuyer purchasing power

# Demand for housing isn't likely to subside...

- State demographers forecast population growth in Alaska = increased likelihood of demand for housing. (Source: Alaska Dept. of Labor & Workforce Development, Research & Analysis Sec.)

**Figure 1.4**  
**Alaska Population 1945 - 2030\***

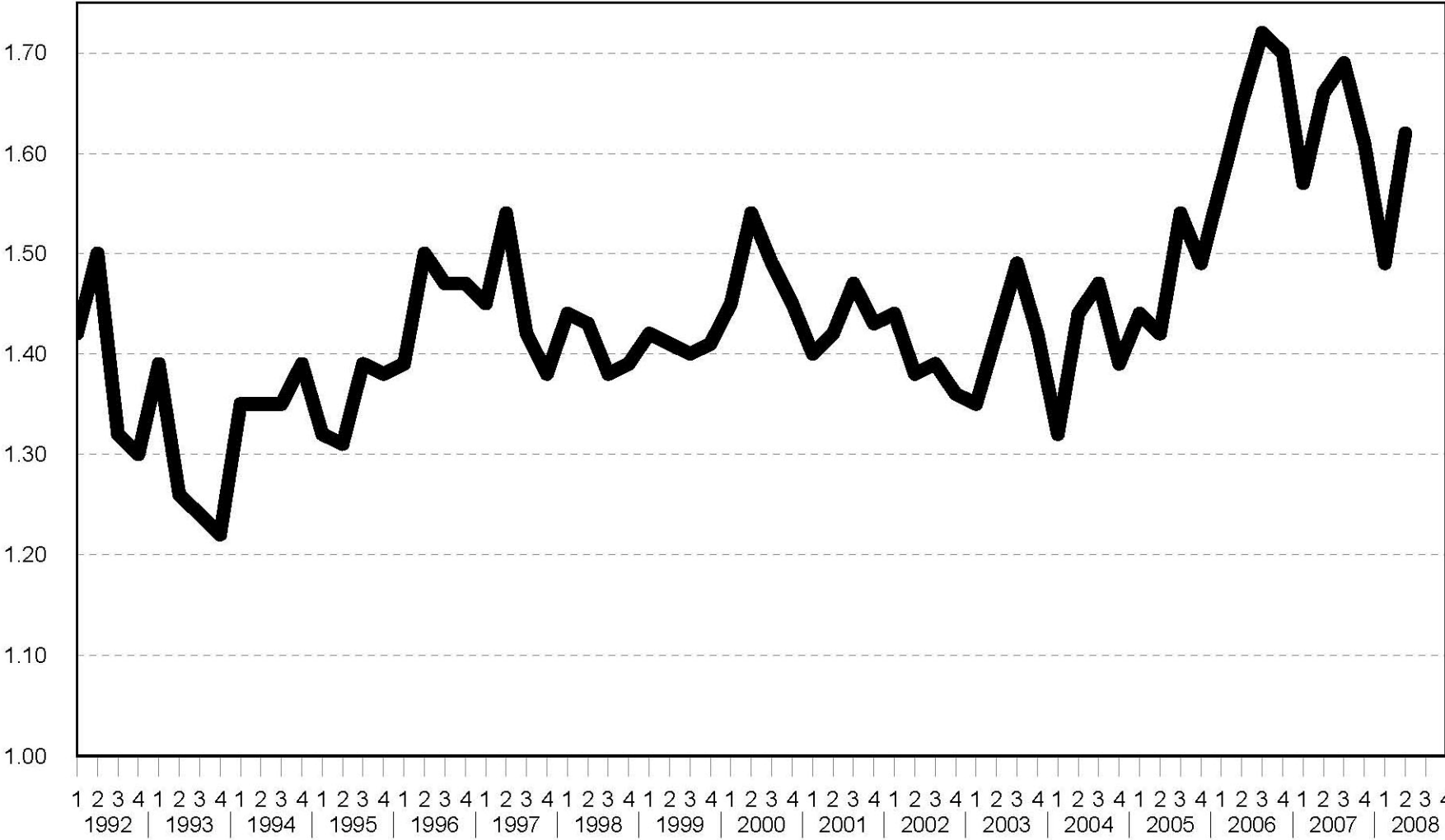




# Alaska Affordability Index

Single-Family Homes, Private and Public Agency Lenders

1st Quarter 1992 - 2nd Quarter 2008



Note: The index value for the most recent quarter is preliminary.  
Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section.

## AHFC's Loan Volume

- AHFC's loan volume:
  - FY2007 – 2,808 loans; \$565.7 million
  - FY2008 – 2,012 loans; \$493.5 million
  - Projected through FY2009 – 1,500 loans; \$368 million (down 25 percent)

## **Construction Spending 2009 Forecast – Alaska**

- Total spending
  - \$7.1 billion, down 3 percent
- Private-sector spending
  - \$4.3 billion, down 12 percent
- Public-sector spending
  - \$2.7 billion, up 16 percent

## How did Alaska compare? 2008

- Nationwide: Median home **values** fell for ninth straight quarter – 15.3 percent for the year
- Anchorage: Median home **values** up 3 percent
- Nationwide: Existing home **sales** down 3.5 percent
- Western states: Existing home **sales** down 31.6 percent
- Alaska: Existing home **sales** down 9 percent

## What's the Big Picture?

- Average home prices stable
- Home sale activity down
- Time on market up
- Delinquencies low
- Foreclosures low
- Interest rates low
- Overall construction outlook good
  - New home construction down
- Additional \$1 billion estimated in Stimulus Package
- Population growth forecasted



Thank You –

**Alaska Housing Finance Corporation**

**330-6100**

**1-800-478-2432**

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