

**2-17-09**

**Presentation:**

**Alaska Housing**

**Finance**

**Corporation,**

**Alaska's Housing**

**Market**

<target><bill></bill><subject>2-17-09 Presentation Alaska  
Housing Finance Corporation, Alaska's Housing  
Market</subject><comm>HEDC26</comm></target>

ALASKA STATE LEGISLATURE  
ECONOMIC DEVELOPMENT, TRADE & TOURISM COMMITTEE

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Representative Mike Chenault  
Representative Nancy Dahlstrom,  
Representative Mark Neuman  
Representative Kyle Johansen  
Representative Mike Doogan  
Representative Chris Tuck

State Capitol, Room 120  
Juneau, Alaska 99801

House Economic Development, Trade & Tourism Committee Agenda

**Tuesday, February 17<sup>th</sup>, 2009 at 5:15 p.m. in Room 106 (HESS)**

+ **Alaska Housing Finance Corporation: Guest Speakers: Bryan Butcher, Director, Government Relations & Public Affairs and Dan Fauske, CEO/Executive Director, Alaska Housing Finance Corporation. Overview of Alaska's real estate market, federal funding for distressed mortgages and the future strength of the Alaska real estate market.**



# Alaska's Housing Market 2009

Alaska Housing Finance Corporation

[www.aahfc.us](http://www.aahfc.us)



## 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? 3<sup>rd</sup> Quarter 2008

- Mortgage Bankers Association survey – 6.99 percent nationally
  - In Alaska our rate was 2.66 percent — the lowest in the nation
  - AHFC's delinquencies—2.29 percent
- Alaska's delinquency rate reached 5.9 percent in 2000 and 2001



# Foreclosures 3<sup>rd</sup> Quarter 2008

- Alaska ranks 47th in foreclosures at 1.64 percent
- Nearly one-third the national average of 5.17 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)
- Mat-Su – \$221,000 (stable)
- Fairbanks\* – \$213,000 (up 1 percent)
- Kenai – \$197,000 (up 2 percent)
- Kodiak – \$260,000 (up 10 percent)

\*as of Sept. 2008

# Average Sales Price Reported By Lenders



— Anchorage    ■ Fairbanks    — Juneau    — MatSu

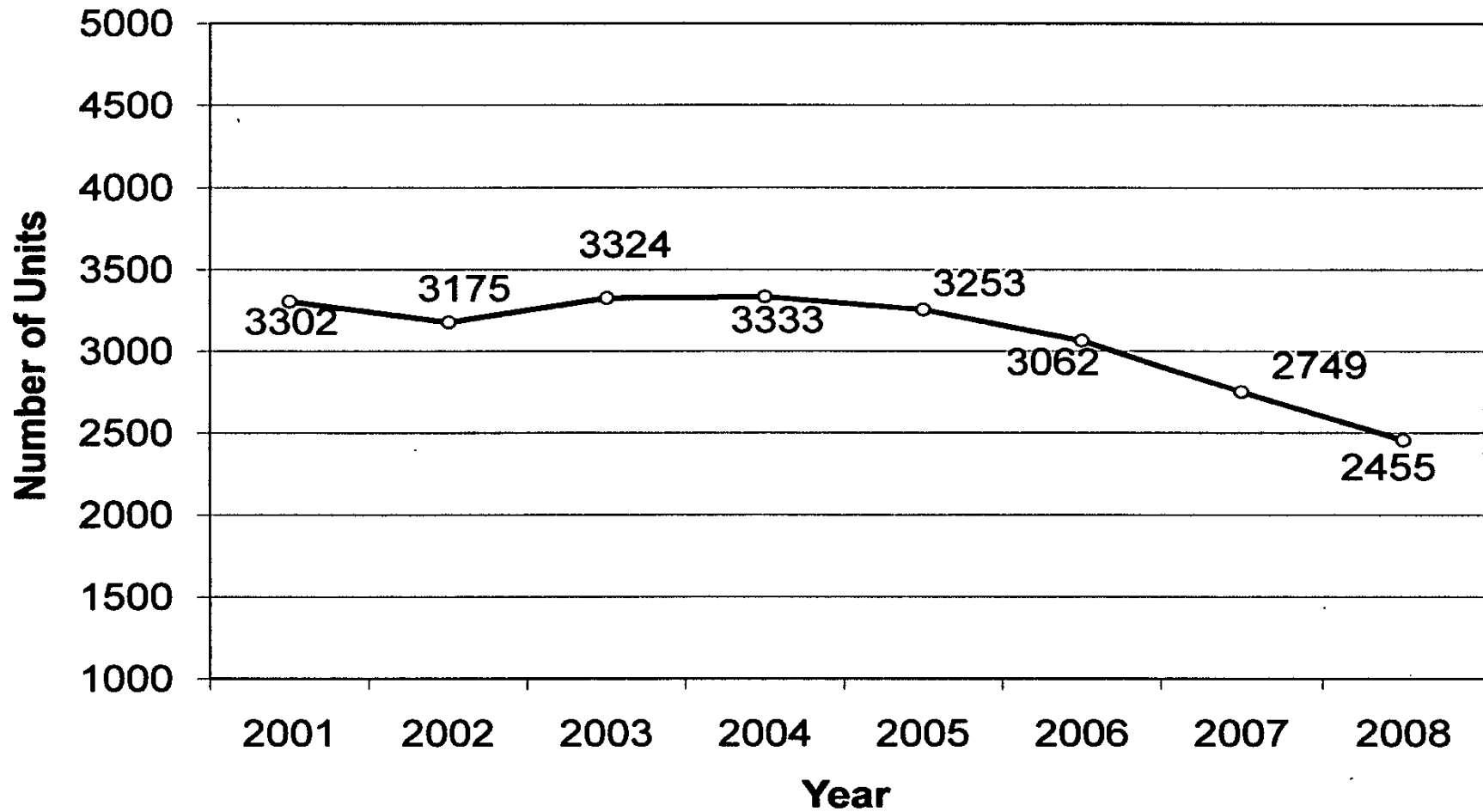


## Statewide Housing Market – 2008

### Sales Activity

- Anchorage – down 10 percent
- Mat-Su – down 20 percent
- Fairbanks (as of 09/08) – down 13 percent
- Kenai – down 17 percent
- Kodiak – down .05 percent

### Annual Residential Sales Activity



—○ Residential Sales - 25% decline



# Number of Homes for Sale - Anchorage





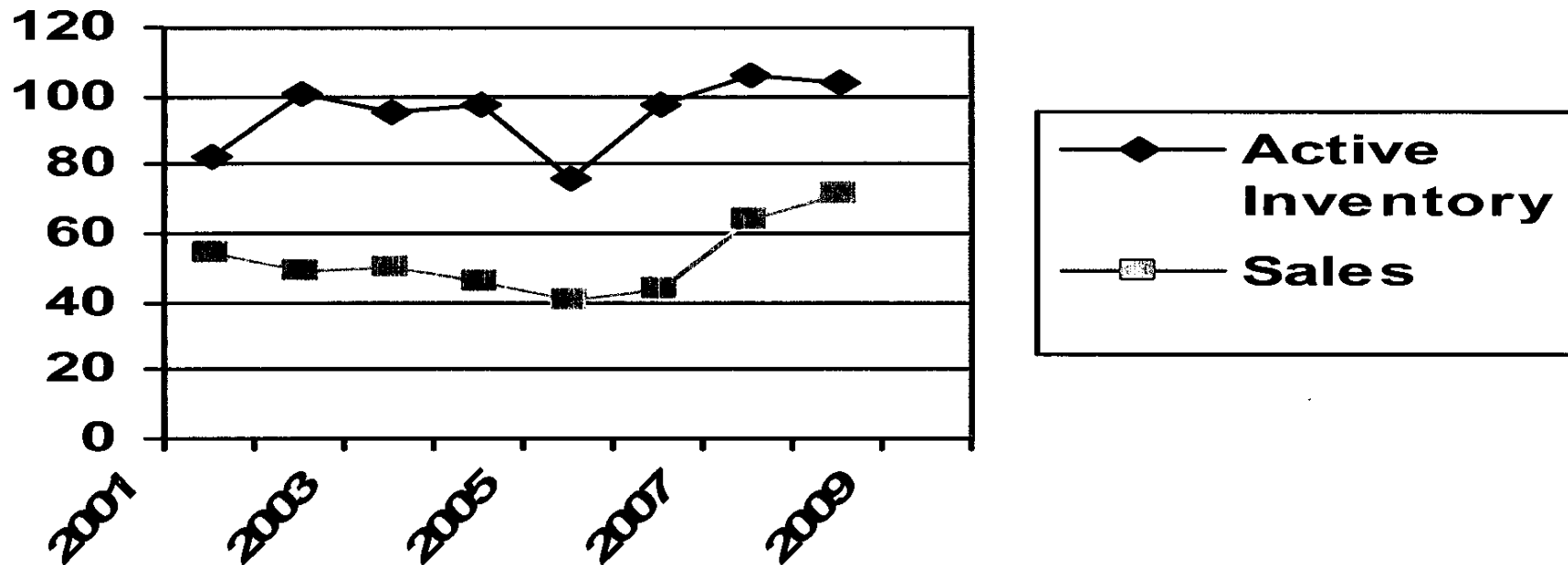
## Average Market Days – Statewide Through Dec. 2008

- Anchorage: 64 – 72, up 13 percent
- Mat-Su: 79 – 92, up 16 percent
- Fairbanks\*: 50 – 74, up 48 percent
- Kenai: 103 – 116, up 13 percent
- Kodiak: 68 – 85, up 25 percent

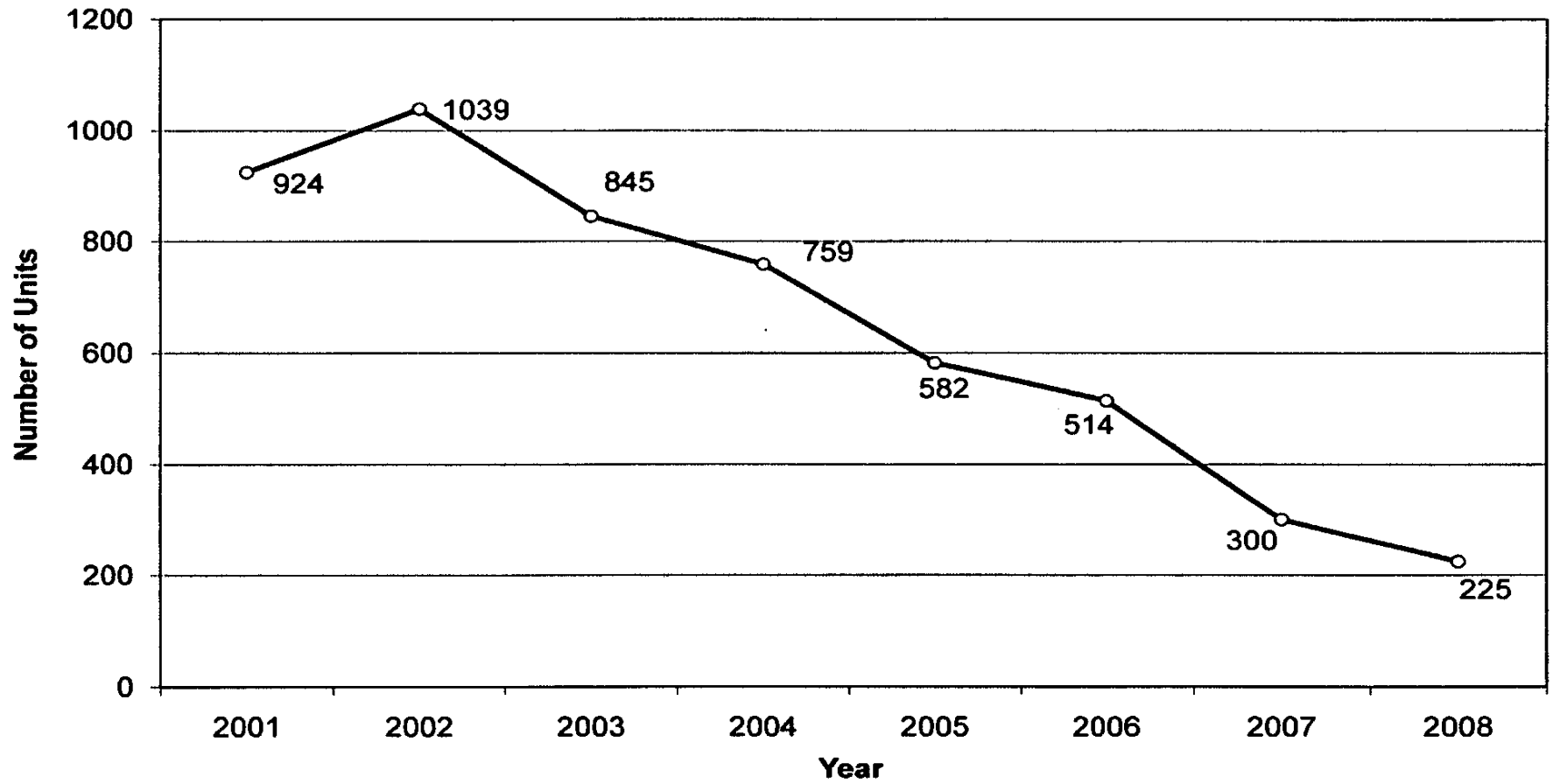
\*as of Sept. 2008

## How long does it take to sell?

Average time on the market – Anchorage



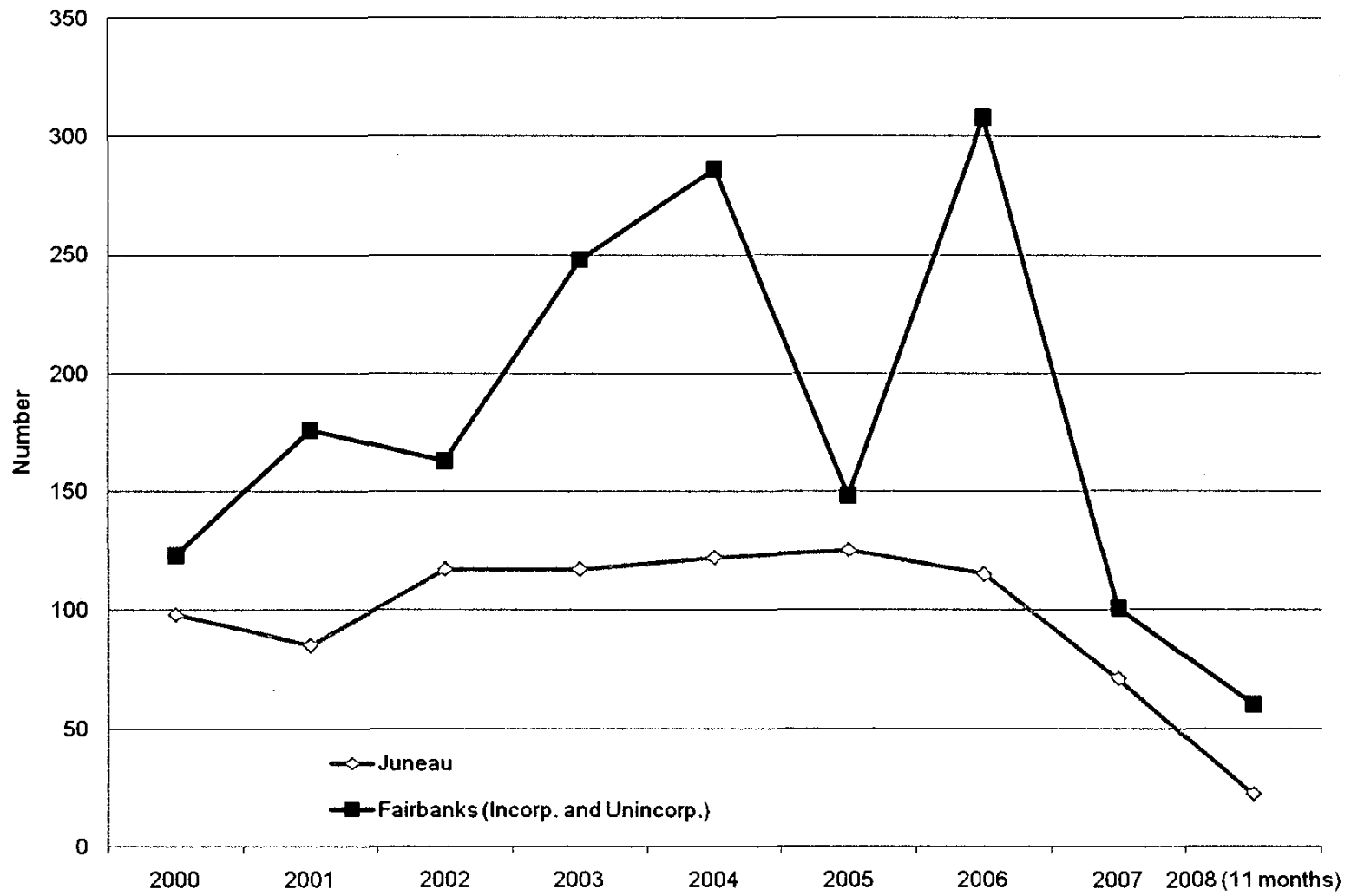
### Annual Residential Building Permit Activity



—○— 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.

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

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

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

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

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



## How about interest rates?

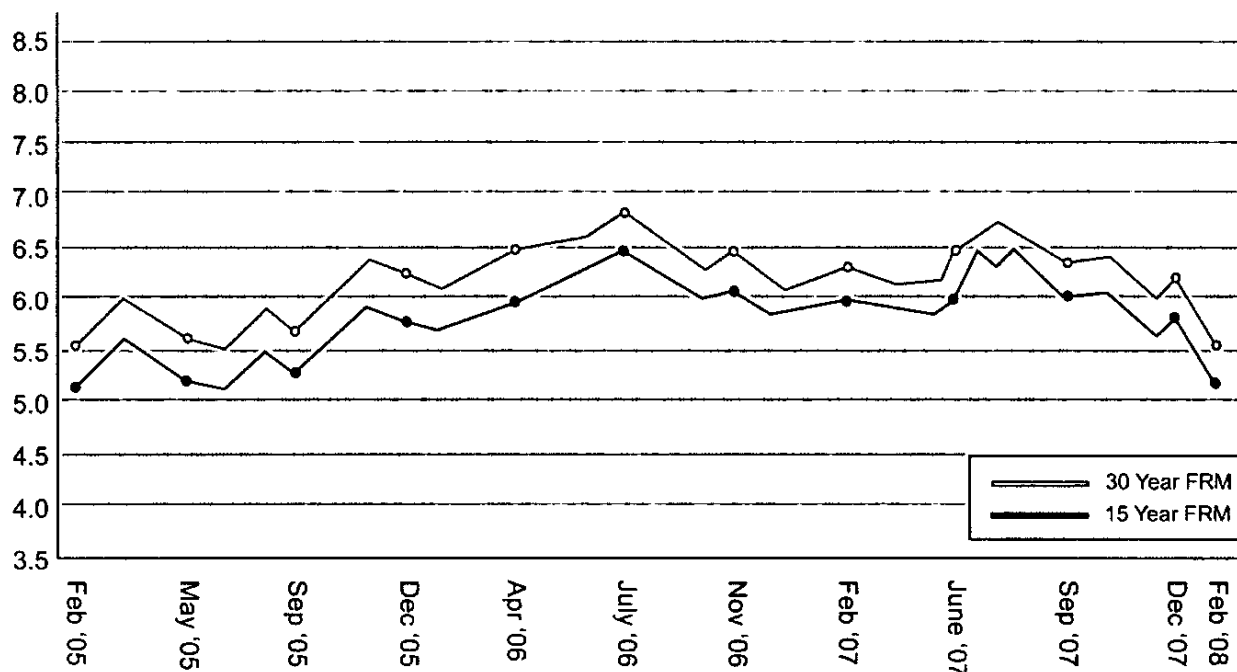
- Let's look at the average interest rates over time...
- The following four slides are reprinted with permission from Mortgage X Mortgage Information Service.

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# Short term: Good to still good...

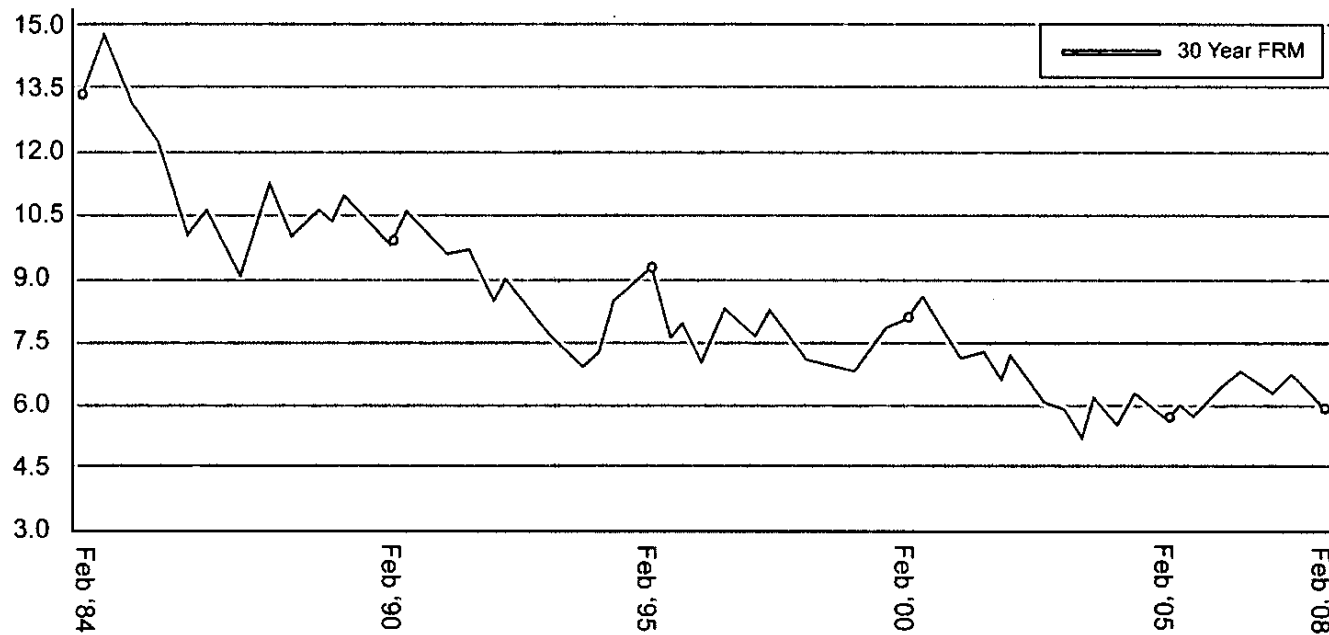
Three Year Trends:





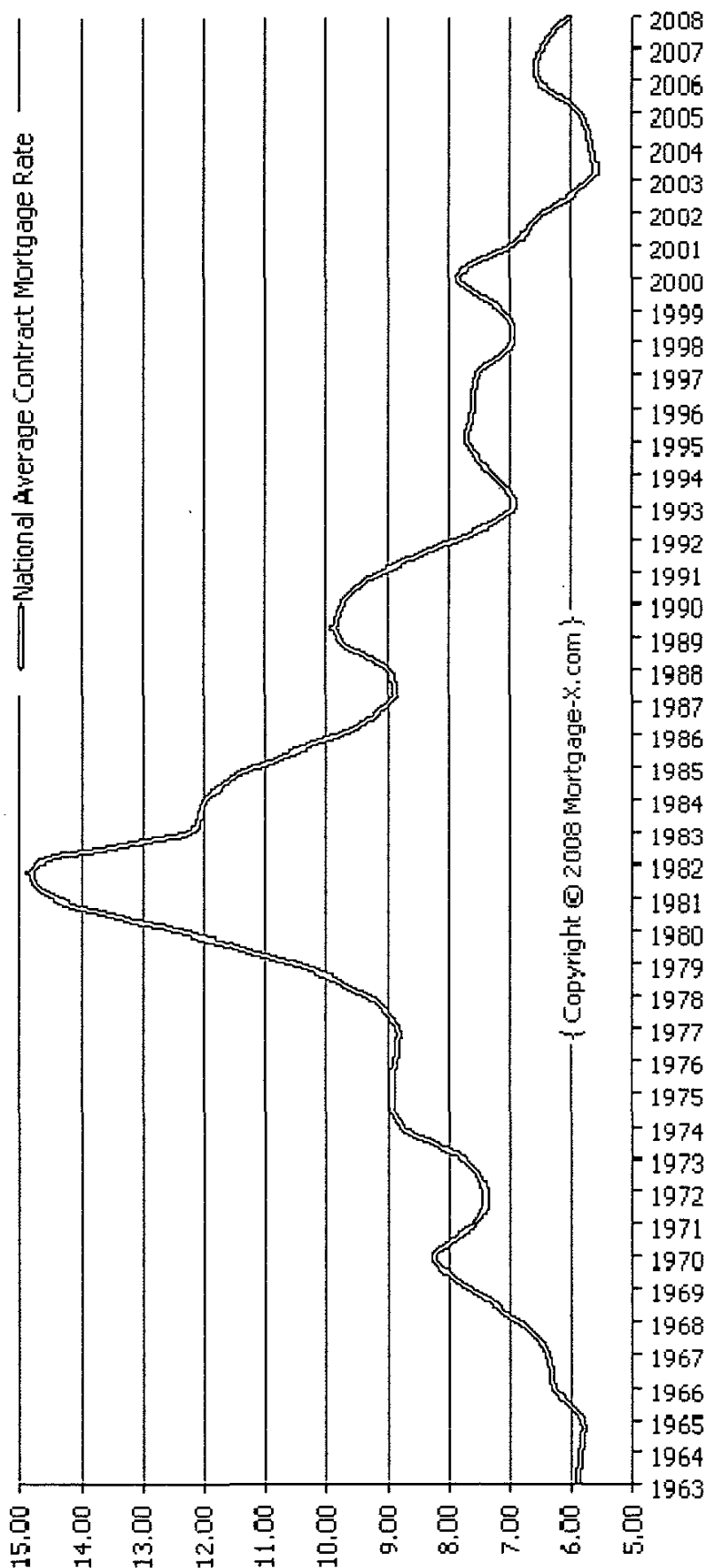
## Longer view: Rates well below average...

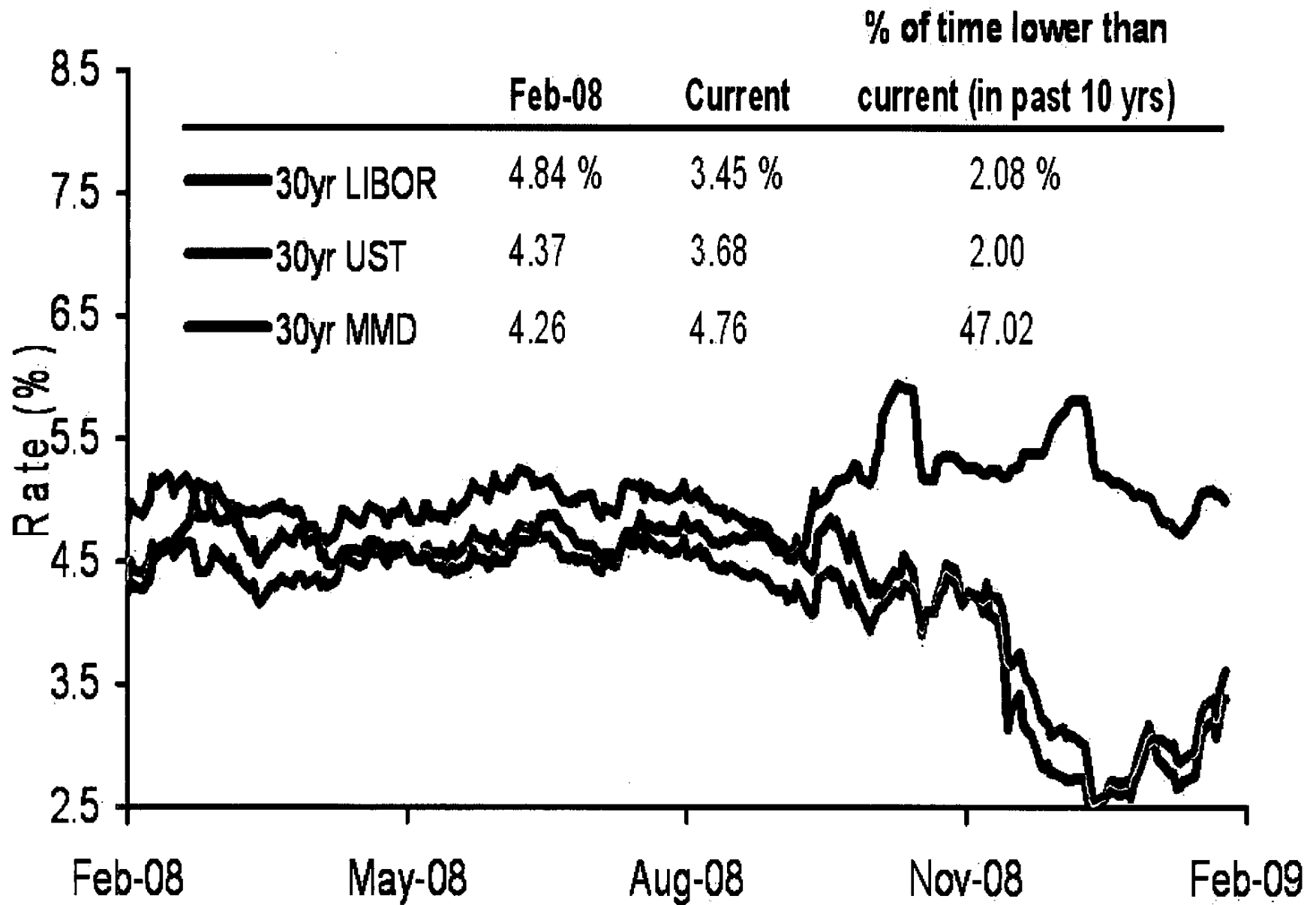
30-Year Fixed Rate Mortgages, 1984 – 2008



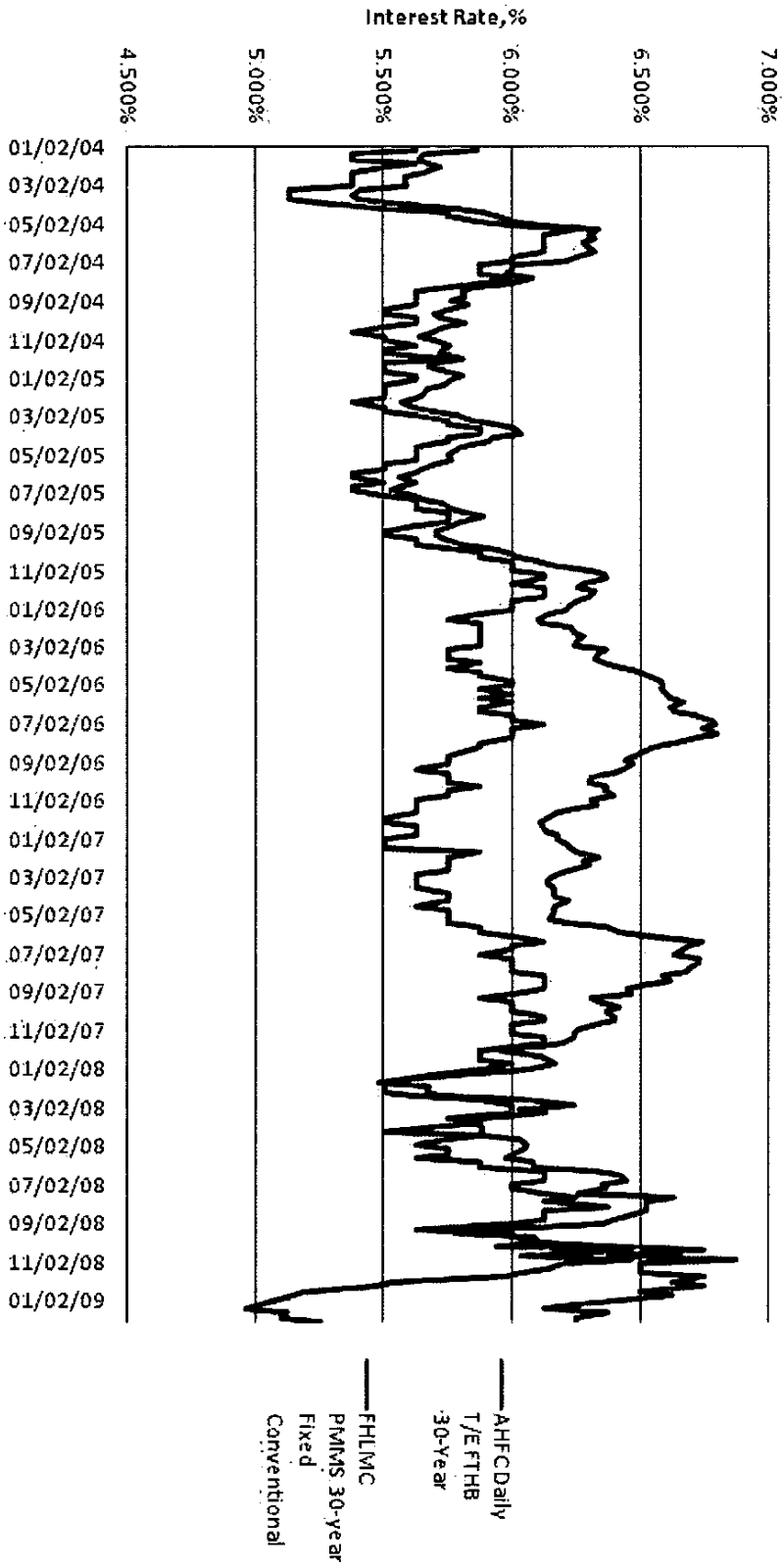


# Interest rates as low as the '60s National Average Mortgage Rate 1963 - 2008





### 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



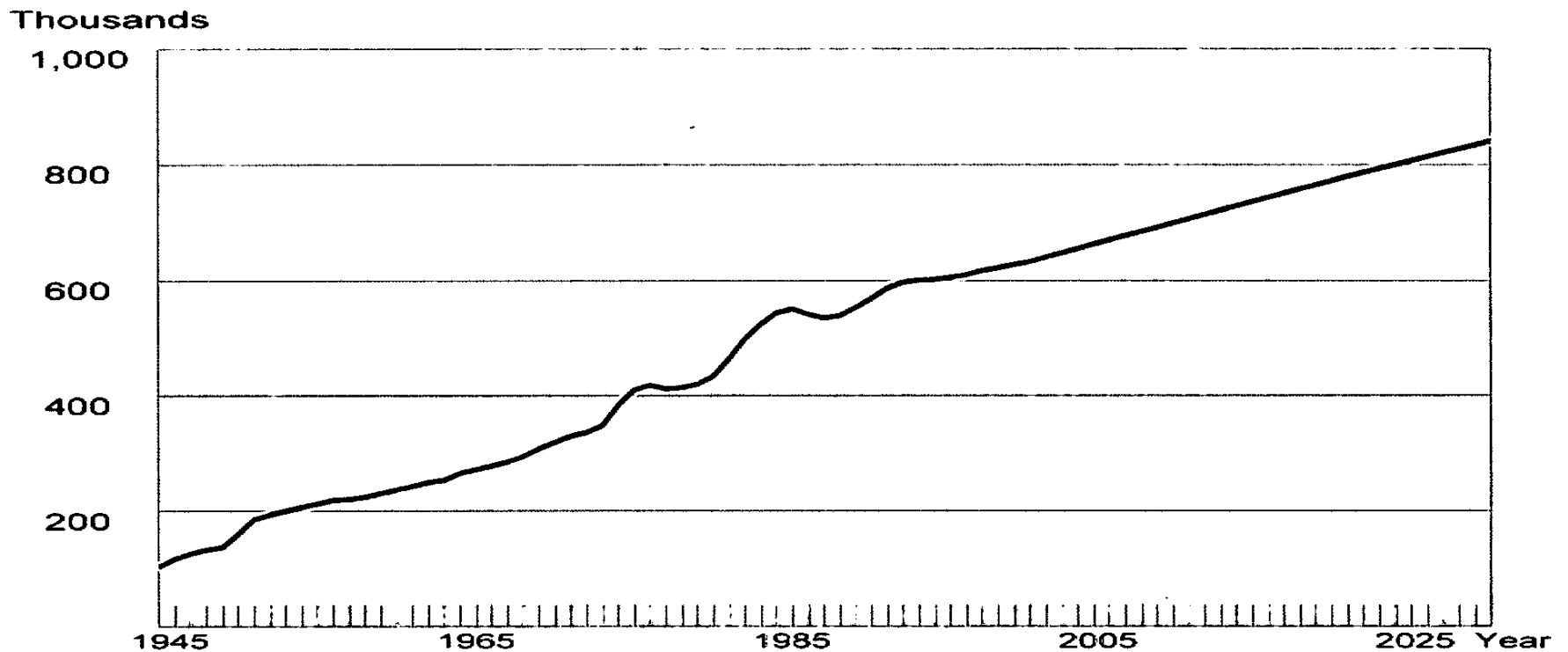
## Interest Rates Equate to Buying Power

- 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.)

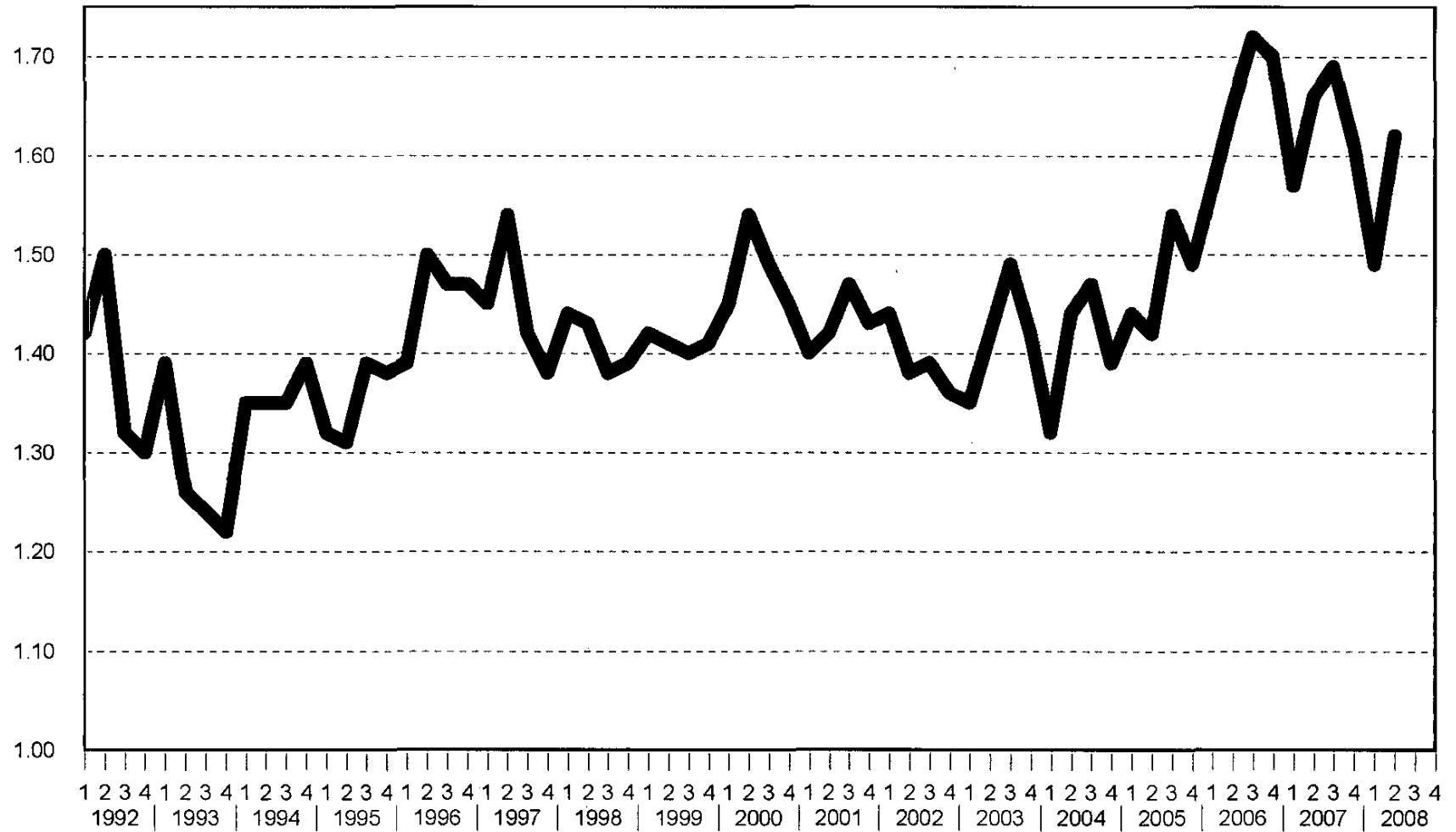
**Figure 1.4**  
**Alaska Population 1945 - 2030\***



# 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



## Energy Programs

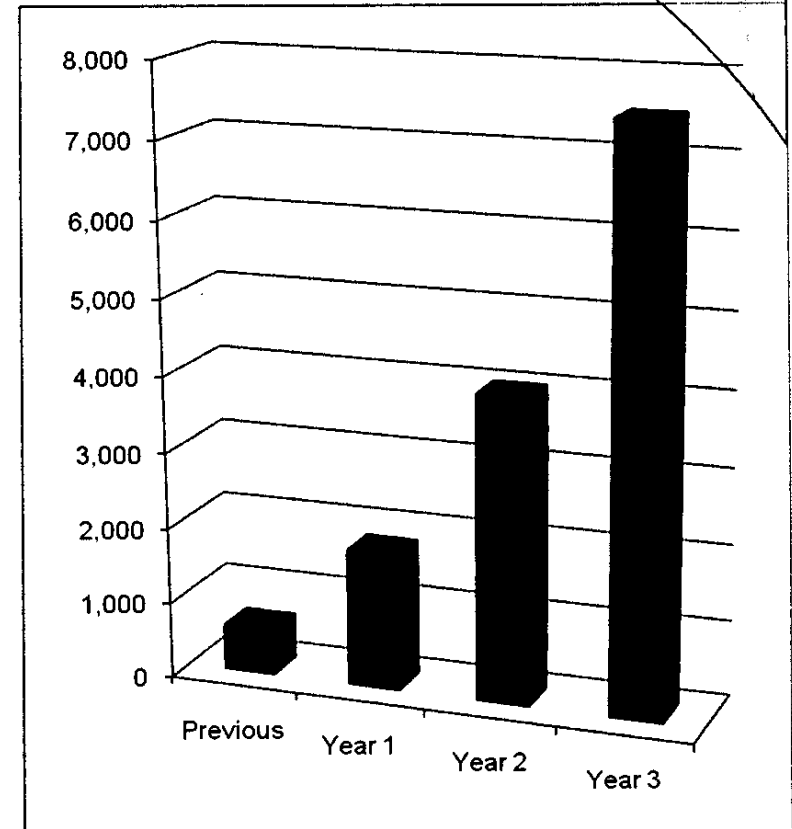
- \$200 million for weatherization
- \$100 million for rebates
- \$60 million additional for rebates (Sept. 2008)
- Big training component for both programs

# Weatherization Program Progress Report



- Previous program weatherized 600 homes.
- This year that number will triple to 1,800
- Year 2: 4,000
- Year 3: 7,500
- Statewide weatherization providers and housing authorities continue ramp-up

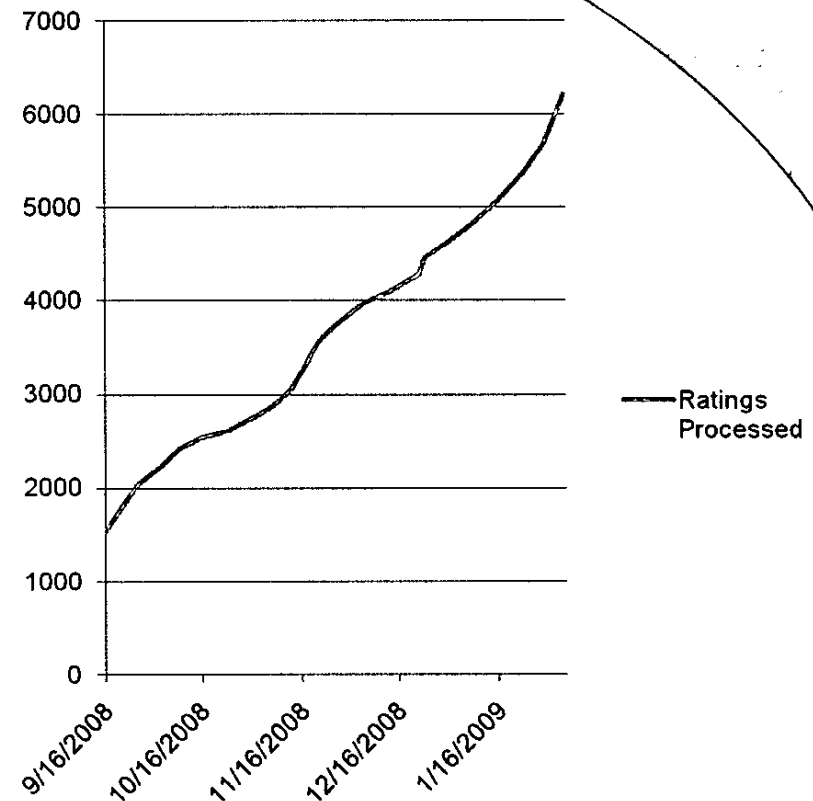
Wx Homes





# Home Energy Rebate Program Ratings Processed

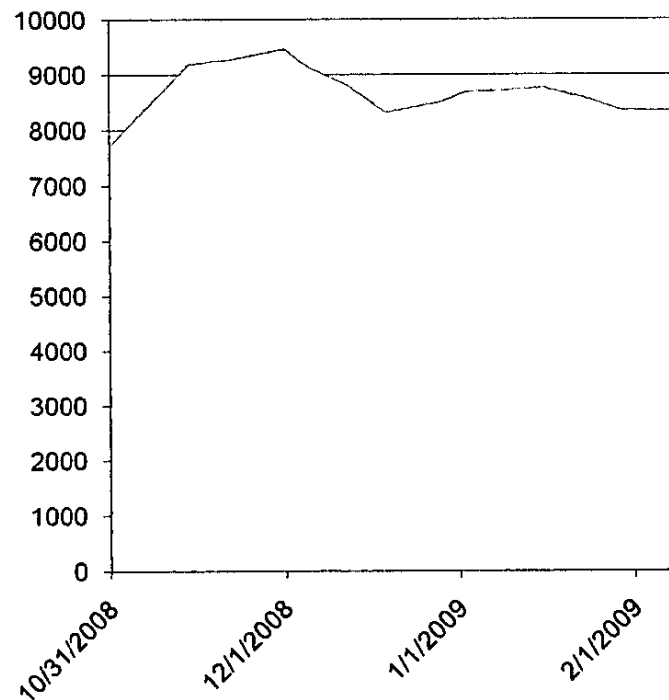
- *Estimate: More than 8,000 ratings performed by raters*
- **6,212** ratings processed
- Approximately **\$58.9 million** committed
- 150 – 200 applications received per day
- More than 200 inquiries per day
- **349** Post-Improvement rebates paid average: **\$5,941**
- **162** New 5 Star Plus rebates paid totaling **\$1.2 million**





# Home Energy Rebate Program Wait List as of 2/5/09

Statewide: 8,365



□ Wait List

Sample Communities

Anchorage - 5,935

Kodiak - 183

Juneau - 122

Fairbanks - 16

Bethel - 4

Dillingham - 5

**Total Dispatched: 6,821**



## 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

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