

DOCUMENT RESUME

ED 313 176

RC 017 254

AUTHOR Frazier, Rosyland; Leask, Linda
 TITLE Better or Worse Off? Anchorage Households in 1988.
 INSTITUTION Alaska Univ., Anchorage. Inst. of Social and Economic Research.
 PUB DATE Apr 89
 NOTE 17p.; For related document, see ED 299 065.
 AVAILABLE FROM Institute of Social and Economic Research, University of Alaska Anchorage, 3211 Providence Drive, Anchorage, AK 99508.
 PUB TYPE Reports - Research/Technical (143) -- Collected Works - Serials (022)
 JOURNAL CIT Alaska Review of Social and Economic Conditions; v26 n1 Apr 1989

EDRS PRICE MF01/PC01 Plus Postage.
 DESCRIPTORS Area Studies; Attitude Measures; Community Surveys; *Economic Climate; Economic Research Economics; Economic Status; *Family Income; Housing; *Public Opinion; Telephone Surveys
 IDENTIFIERS *Alaska (Anchorage)

ABSTRACT

This journal issue reports the results of a survey of Anchorage residents' own assessments of how they were doing economically in October 1988. A total of 407 randomly selected households were called and asked about finances, employment, plans to move, interest in buying homes, housing costs, and other economic indicators. Results were compared with those from similar surveys done in June and November 1987. The survey results are placed in the context of the 1980s economic boom and the recession produced by the worldwide oil boom and bust. Respondents reported less unemployment, more households with higher incomes, fewer households with deteriorating finances, and more households willing to spend money on vacations and other nonessentials. However, although the earnings of many Anchorage residents have increased, job benefits and hours worked have not, and many respondents reported improved finances because households with two wage earners increased from 35 to 51%. Lower housing prices reflected the effects of recession but improved the financial situation of many residents now paying reduced rents and mortgages. Owners of residential investment properties and commercial properties were more likely to report worsened financial conditions than other residents. This report contains 10 tables.
 (DHP)

 * Reproductions supplied by EDRS are the best that can be made *
 * from the original document. *

ALASKA

REVIEW OF SOCIAL AND ECONOMIC CONDITIONS

University of Alaska Anchorage, Institute of Social and Economic Research

April 1989, Vol. XXVI, No. 1

Better or Worse Off? Anchorage Households in 1988

After three years of recession, many Anchorage residents say their own finances are improving. But even though they're doing better themselves, they still think almost everybody else is going under.

In a household survey the Institute of Social and Economic Research conducted in Anchorage in late 1988, half the households reported that their *own* finances had improved since 1987—but nearly 70 percent believed that *other people's* finances had worsened.

These answers show what a grip the recession has on the consciousness of Anchorage residents: even if their own financial conditions are improving, they believe that most others in the city must still be suffering losses.

This publication examines these and other findings of our October 1988 survey and similar surveys we conducted in 1987. The results help answer the big question in Anchorage in 1989: has the economy really turned around? In late 1988 and early 1989, there were several signs that the severe recession had subsided. The clearest of these was that the state economy added a few jobs toward the end of 1988—after losing more than 20,000 jobs in the previous three years.

Our survey provides another measure of how the economy is doing: city residents' own assessments of how they are doing. We called 407 randomly selected households in the city in October 1988, asking them about their finances, employment, plans to move, interest in buying homes,

housing costs, and more. Whenever possible, we compare their 1988 answers with the results of similar surveys done in June and November 1987.¹

We found a number of encouraging signs when we compared the responses we got in 1987 and in 1988: less unemployment, more households with higher incomes and fewer with deteriorating finances, and more households willing to spend money on vacations and other non-essentials.

But we also found evidence of the lingering aftermath of the recession, particularly in the housing market. There are still many homeowners who would like to move but can't because they have negative equity—that is, they owe more than the current market value of their homes. Continuing low prices and rents and high vacancies also make owners of investment property—both residential and commercial—less optimistic about the economy than other city residents.

Before summarizing our survey results, below

¹To date ISER has conducted three Anchorage household surveys by telephone in what we hope will be a continuing series. The first was a survey of 550 households in June 1987. That survey was paid for by the Alaska Housing Finance Corporation. The second was in November 1987, a survey of 414 households paid for by the Alaska Power Authority. The most recent survey, in October 1988, was of households in Anchorage and the nearby Mat-Su Valley. Here we report just the results for the 407 households surveyed in Anchorage. This survey was paid for by the Alaska Housing Finance Corporation, the Alaska Department of Commerce, the Department of Transportation and Public Facilities, and the Department of Natural Resources.

"PERMISSION TO REPRODUCE THIS MATERIAL HAS BEEN GRANTED BY

Linda Leask

TO THE EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)."

U.S. DEPARTMENT OF EDUCATION
Office of Educational Research and Improvement
EDUCATIONAL RESOURCES INFORMATION
CENTER (ERIC)

This document has been reproduced as received from the person or organization originating it.

□ Minor changes have been made to improve reproduction quality.

• Points of view or opinions stated in this document do not necessarily represent official OERI position or policy.

ED 313 176

RC 017254



ALASKA REVIEW OF SOCIAL AND ECONOMIC CONDITIONS

VOL. XXVI, No. 1, April 1989

Published by

Institute of Social and Economic Research
University of Alaska Anchorage

Donald O'Dowd—President, University of Alaska
Donald Behrend—Chancellor
E. Lee Gorsuch—Director, Institute of Social and Economic Research

Editor: Linda Leask
Editorial Assistant: Kandy L. Crowe
907-786-7710

Main Institute Office:
3211 Providence Drive
Anchorage, Alaska 99508

Better or Worse Off? Anchorage Households in 1988

This publication is based on telephone surveys of Anchorage households conducted by ISER in 1987 and 1988. The authors are ISER staff members Rosylnd Frazier and Linda Leask.²

we briefly recap the conditions that led up to the recession.

BACKGROUND—THE RECESSION

During the first half of the 1980s, Alaska in general and Anchorage in particular went through a tremendous economic boom. Anchorage's population grew more than 40 percent in just five years, and the number of jobs in the city increased 43 percent.

State government spending created the boom by pumping tens of billions of dollars into the economy in just a few years. The money was oil revenue generated by the state-owned Prudhoe Bay field during the period when world oil prices reached as much as \$34 a barrel.

A statewide recession began in late 1985, when falling oil prices curtailed state revenues and spending.³ The recession worsened in early 1986,

²The authors thank ISER staff members Teresa Hull, Jack Kruse, Lee Gorsuch, Jim Kerr, and Eric Larson for their help.

³Nationally, a recession is said to be underway when the gross national product (GNP) does not increase—it either remains the same or declines—for two consecutive quarters. There is no comparable standard definition for a recession in a state economy. As a proxy, ISER economists define the start of a recession as the point at which the economy is losing more jobs than it is creating.

when oil prices dropped below \$10 a barrel. Alaska began losing jobs and population, and those losses continued into 1988.

As Figures 1 and 2 show, Anchorage lost 28,000 residents—12 percent of its population—between 1985 and 1988, as a lot more people left the city than moved in. During the same period, the city lost about 13 percent of its jobs (Table 1).

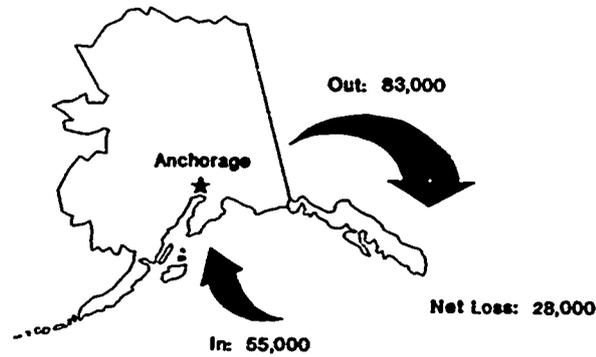
People leaving the city left behind thousands of empty houses and apartments. By mid-1988 nearly 17 percent of the city's housing was vacant. Anchorage's population has always been very mobile, with lots of people moving in and out as the economy moved up and down. There have been times of relatively high vacancies in the past.

Table 1
Alaska and Anchorage Employment,*
Selected Years

	1980	1985	1987	1988*
Alaska	170,900	230,700	210,100	212,300
Anchorage	80,050	114,500	101,200	100,600

*Benchmark average monthly employment figures of the Alaska Department of Labor. Figures for 1988 are based on actual figures for the first six months of the year and estimates for the last half of the year, based on a June 1988 benchmark.

Figure 1. Migration to and Emigration from Anchorage 1985-88



Source: Municipality of Anchorage, Economic Development and Planning Department.

as many empty units. That means Anchorage's population has to grow substantially before vacancies fall back into some normal range.

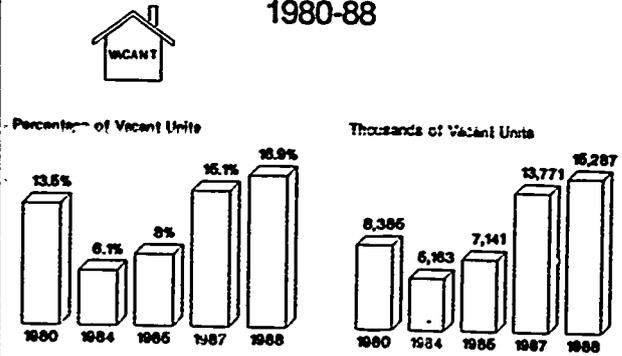
So much surplus housing, of course, has depressed prices and rents. Prices of single-family houses are down about 25 percent from their 1985 levels, and condominiums have lost half their market value. Homeowners who bought when prices were much higher have found themselves over the past three years unable to sell their properties for anywhere close to what they owe on them. Negative equity has already caused thousands of Anchorage residents to default.

Recovery in the housing market will lag recovery of other parts of the economy. Using reasonable assumptions about future oil prices and state fiscal policy, ISER currently projects that Anchorage's population will grow in the

In 1980, for instance, in the economic slowdown that followed construction of the trans-Alaska oil pipeline, almost 14 percent of the city's housing was vacant.

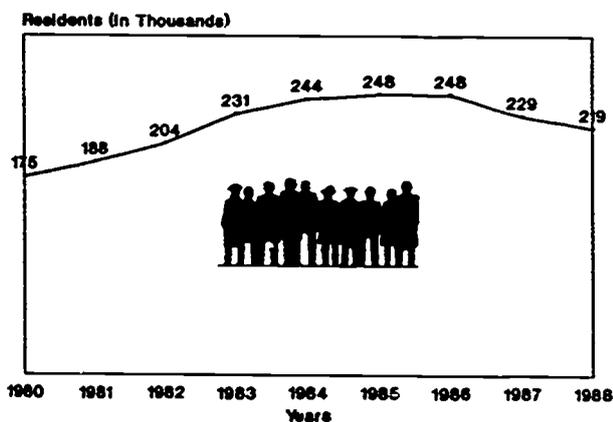
The difference today is that the housing stock is so much bigger than it used to be. About 25,000 units were built in the city in the first half of the 1980s. As Figure 3 shows, a 17 percent vacancy rate in 1988 translated into more than 15,000 empty units. In 1980, a 14 percent vacancy rate amounted to less than 8,500 units. So while the 1988 vacancy rate was just 3 percentage points higher than the 1980 rate, there were almost twice

Figure 3. Anchorage Housing Vacancies Selected Years, 1980-88



Source: Municipality of Anchorage, Economic Development and Planning Department.

Figure 2. Anchorage Population, 1980-1988



Source: Municipality of Anchorage, Economic Development and Planning Department.

range of 1 to 2 percent a year through the mid-1990s. At that rate of growth, it could be as late as 1995 before enough vacant housing is absorbed to push prices back to their 1985 levels.⁴

THE GOOD ECONOMIC NEWS

Improving Finances

More than half of Anchorage households say their finances improved between 1987 and 1988.

⁴See *Stabilizing Alaska's Housing Markets*, prepared by Matthew Berman and Linda Leask of ISER for the Alaska Housing Finance Corporation, March 1989.

In October 1988, 53 percent of Anchorage households we surveyed reported that their finances had improved during the previous year. (See Figure 4.) About one-quarter said their finances had remained the same, and nearly one-quarter reported being in worse financial shape.

These results were a marked improvement over what we found in a June 1987 survey, when just about 35 percent of households reported improved finances during the previous year, 26 percent said their finances had held steady, and 39 percent said their finances had worsened. The 1987 survey was taken when job and population loss in Anchorage were probably at their peak, and a finding that nearly 4 in 10 households had suffered losses was all too believable.

But the finding that half of Anchorage households improved their finances in 1988—the third year of a severe recession—seemed unlikely. Anchorage continued to lose some jobs in 1988, although at a much slower rate than in 1987, and there were continuing reports of reduced or at least frozen wages. Also, household finances include more than just wages; they include, for instance, income from real estate investments—and we know that Anchorage real estate markets remained depressed in 1988.

We think improved finances among so many

Anchorage households are probably due to a combination of several factors:

(1) Many people in all kinds of jobs reported earning more in 1988, despite widespread reports of wage freezes and cuts. Federal workers and military personnel were most likely to say their pay had increased, and state and local government workers and self-employed people were least likely.

(2) These are improvements in *household* rather than *individual* income. Some of the households were better off because more people in the household were working, as we discuss under Figure 8 below.

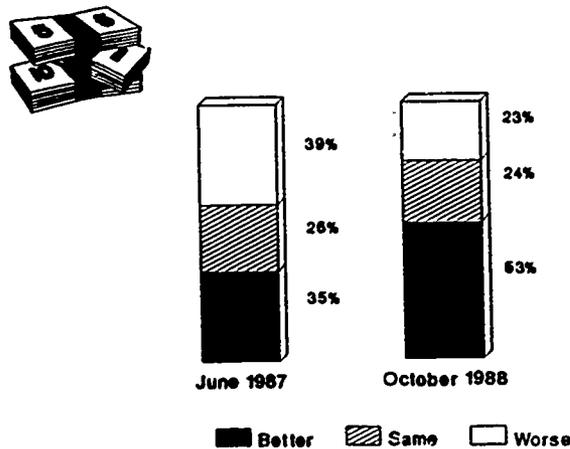
(3) Thousands of households hurt most by the recession had already left the city by late 1988.⁵ If those people were still here and in our survey sample, we might find a higher proportion of households with deteriorating finances.

(4) Some people have arrived in Anchorage during the recession, and they likely came here because they were able to get better paying jobs than they had in the Lower 48—so naturally their finances improved. Even during the recession there have been some jobs available. (As Table 10 shows, households that arrived in the city in 1988 had substantially higher incomes than recent arrivals at the time of our 1987 survey.)

(5) Some Anchorage households may have reported improved finances in 1988 because they took most of their losses earlier in the recession. For instance, suppose a household owned a fourplex as an investment, and was losing money in 1986 and 1987 because of high vacancies and low rents. By 1988, the owner may have been forced to default on the fourplex mortgage—losing the property but eliminating monthly mortgage payments.

Also keep in mind that our findings are relative: many people said they were doing better in 1988 than in 1987, which doesn't necessarily mean that they were doing as well as they'd like to be, or as well as before the recession. Finally, nearly a quarter of Anchorage households said their finances had worsened in 1988—which shows that Anchorage's economic problems have by no means vanished.

Figure 4. How Do Your Household Finances Now Compare With a Year Ago? (Responses in Percentages)

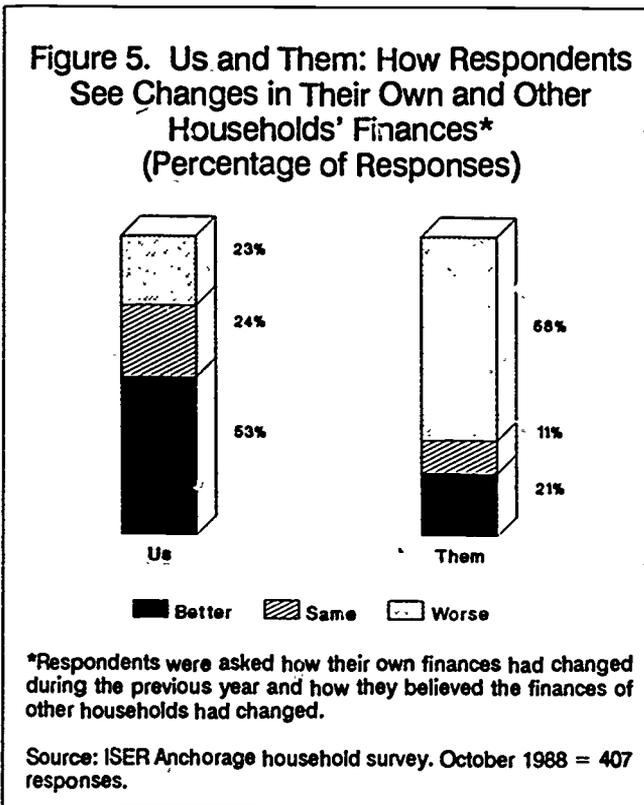


Source: ISER Anchorage household surveys. June 1987 = 551 responses, October 1988 = 407 responses.

⁵For a portrait of those who left the city earlier in the recession, see ISER's Alaska Review of Social and Economic Conditions, "The Effects of Alaska's Economic Recession on Anchorage Households," by Karen Foster, Linda Leask, and Teresa Hull, Vol. XXV, No. 2, May 1988.

Even Alaskans who find their own finances getting better think they are exceptions to the rule — that they are surviving the recession while most of their neighbors are not.

Figure 5 compares the answers we got to two questions in late 1988: how have *your* household finances changed over the past year? and how do you think finances of *other* households have changed?



Overwhelmingly, Anchorage households were inclined to say their neighbors were faring poorly: 68 percent believed finances of other households had worsened during the previous year. As we discussed under Figure 4 above, more than half of Anchorage households reported their own finances had improved, and another quarter said their finances had been stable.

It's hard to say why so many people who are now doing fairly well themselves think everybody else is sinking. Partly it may be that we are all so used to hearing bad economic news — and if that news is not affecting us personally, we assume it is affecting almost everybody else. But as we've seen, there are encouraging signs that the recession has subsided, and that the worst effects are now lingering mainly in a few areas of the

economy — particularly construction and real estate — that will recover more slowly.

Average household income in Anchorage increased 8 percent between June 1987 and October 1988, growing from \$47,669 to \$51,524.

The higher average income among Anchorage households in 1988 (Figure 6) goes along with the improved finances reported in Figure 4. That improvement can be traced to the same factors we discussed above — many workers earning more, new arrivals earning more, more members of individual households working, and many of the households hurt most in the recession gone from the city by 1988.

Half of Anchorage households expect their finances to improve in 1989, and only six percent expect them to get worse.

The increased optimism in Anchorage in recent months is evident in Figure 7, which shows 94 percent of households expecting to do better or at least hold their ground in 1989. Even in June 1987, however, a lot of Anchorage households were looking forward to better things — more than 80 percent expected to do better in the coming year. As much as anything else, these answers show that even in the face of the worst recession in recent times, most Alaskans still feel optimistic about their own futures in Alaska (but not neces-

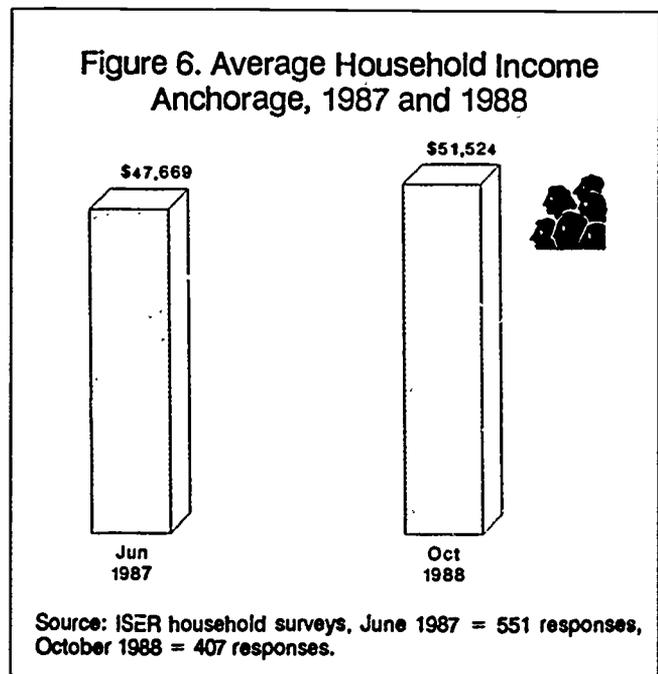
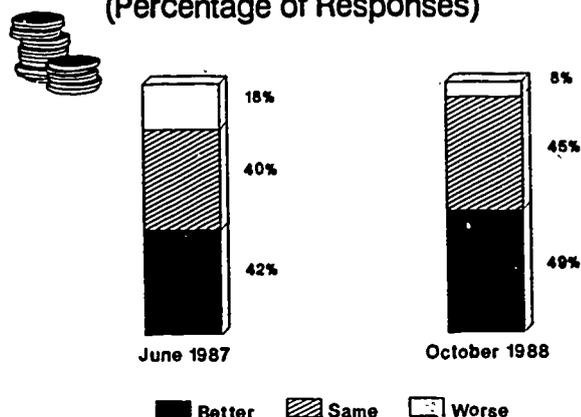


Figure 7. How Do You Expect Your Household Finances To Be a Year From Now?
(Percentage of Responses)



Source: ISER Anchorage household surveys. June 1987 = 551 responses, October 1988 = 407 responses.

sarily about their neighbors' futures, as we discussed under Figure 5).

Although earnings of many Anchorage resi-

Table 2
How Have Your Job Benefits and Hours Worked Changed in the Past Year?*

	June 1987	October 1988
Job Benefits		
Increased	13%	18%
Same	70%	65%
Decreased	17%	16%
Hours Worked		
Increased	13%	17%
Same	69%	72%
Decreased	13%	11%

*Question was asked only of those who had worked at the same job one year or longer.

Source: ISER Anchorage household surveys, June 1987 = 551 responses, October 1988 = 407 responses.

dents have increased, job benefits and hours worked have not.

As Table 2 shows, close to 70 percent of the workers in households we surveyed said their job benefits had not improved nor their working hours increased in 1988. About one in seven said their job benefits had been cut.

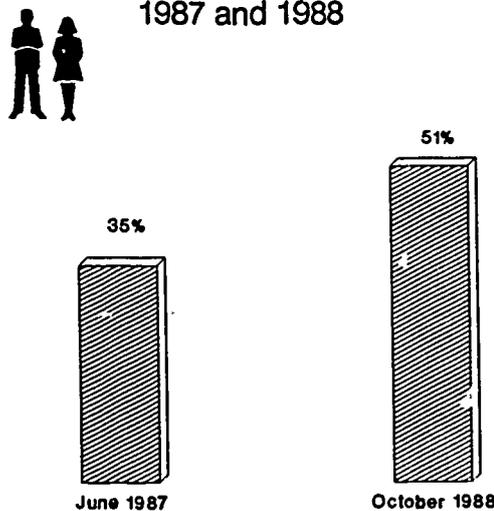
These were virtually the same results we got in our June 1987 survey, and they show continuing effects of the recession that might be masked by reports of higher incomes. Providing job benefits—particularly health insurance—is increasingly expensive. Many employers are holding down costs by not increasing benefits, or by increasing what workers themselves have to pay for the benefits.

We can't attribute this phenomenon just to the recession, however, because the cost of providing health insurance for employees has become a national issue in the last few years as medical costs and therefore health insurance premiums have increased so much throughout the country.

Increased Employment

The proportion of Anchorage households with two wage earners increased dramatically between mid-1987 and late 1988, growing from 35 percent to 51 percent.

Figure 8. Anchorage Households with Two Wage Earners 1987 and 1988



Source: ISER Anchorage household surveys. June 1987 = 551 responses, October 1988 = 407 responses.

The big jump in households with two wage earners (Figure 8) could be assessed in a couple of different ways. We could take it as evidence of the recession—that many households that needed only one wage earner in better times needed two to get along during the recession. But we think the change between 1987 and 1988 is more likely a sign of improving economic conditions—that more people who wanted to find jobs were able to in 1988. That assessment is supported by the figures in Table 3, which show Anchorage unemployment rates and labor force participation in 1987 and 1988. Also, the Municipality of Anchorage has reported that a substantial number of single-person households left the city during the recession—increasing the proportion of households remaining with more than one potential worker.

The share of working-age residents who either had jobs or were looking for work increased very substantially between mid-1987 and late 1988, growing from 62 percent to 83 percent.

Table 3 gives us two indications of improving

Table 3
Unemployment and Labor Force
Participation, Anchorage Adults^a
1987 and 1988

	June 1987	October 1988
Percent unemployed at time of survey	10	7
Percent in labor force at time of survey ^b	62	83

^aResults for all working-age adults in surveyed households.

^b"In the labor force" includes those who have jobs or are looking for jobs. Those out of the labor force are those of working age who for one reason or another are not looking for jobs—including those "discouraged" workers who aren't looking for jobs because they think there aren't any.

Source: ISER Anchorage household surveys, June 1987 = 936 responses, October 1988 = 753 responses.

economic conditions in Anchorage between June 1987 and October 1988—lower unemployment and higher labor force participation.

Labor economists define those in the labor force as those who either have jobs or are looking for work. Someone who reports being unemployed but not looking for work—for whatever reason—is considered out of the labor force. In June 1987, when Anchorage was losing hundreds of jobs per month, many people who wanted jobs might not have been looking—since they believed there were no jobs to be had. By the end of 1988, a combination of things had increased labor force participation: many people who couldn't find work had left the city, and of those who remained or had recently arrived, more had jobs or at least believed they had a better chance of finding work.

More Spending for Non-Essentials

Anchorage residents are spending more on vacations and entertainment and are more likely to consider making big, infrequent purchases like cars.

Nearly a third of Anchorage households surveyed in 1988 reported spending more for vacations and entertainment than they had a year earlier, and 36 percent said they were likely to buy cars in the coming year. Nearly half said they were spending more for groceries than they had a year earlier. Part of that increase is just a general increase in food prices, but it also reflects people's increased willingness to buy more expensive foods (Figure 9).

By contrast, in mid-1987, only 17 percent said they were spending more for vacations, and only about 20 percent were seriously thinking about buying cars.

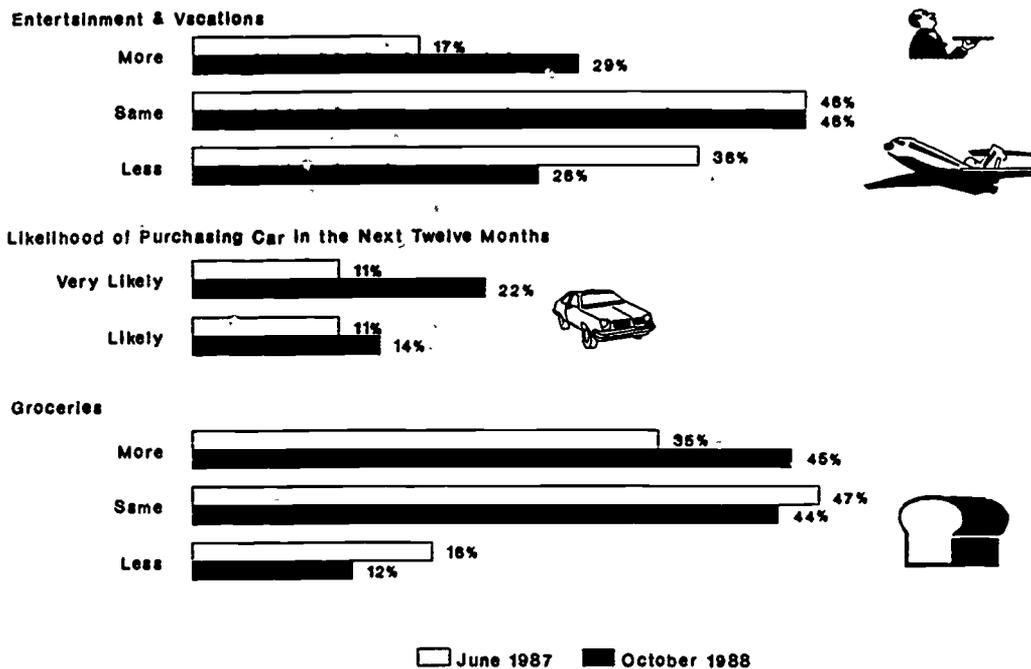
HOUSING: GOOD AND BAD NEWS

Taking Advantage of Lower Housing Costs

Nearly one in five Anchorage households reported spending less for housing in 1988 than in 1987, and half were paying the same.

For many years in Anchorage, housing prices and rents seemed to have only one direction—up. Then over the past three years prices and rents

Figure 9. Is Your Household Spending More or Less for These Items Than It Was a Year Ago? (Percentage of Responses)



Source: ISER Anchorage household surveys. June 1987 responses = 551, October 1988 responses = 407.

fell lower and lower. This of course is bad news for those who now owe much more than the current market value of their homes or rental properties.

But it's good news for those who have been able to take advantage of lower prices and rents to move into nicer housing. ISER recently estimated that Anchorage households altogether were enjoying \$35 million worth of improved housing quality per year (in 1988 prices) as the result of the "flight to quality" over the past several years.⁶

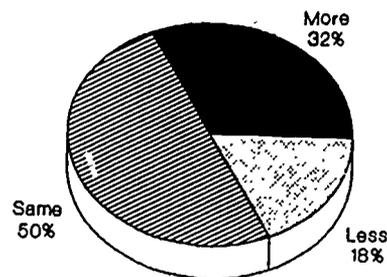
Figure 10 shows that nearly 20 percent of Anchorage households had reduced their housing costs in 1988—and likely some of the 50 percent of households whose housing costs had stayed the same were in fact living in better quality housing but paying the same. (We did not ask this question in 1987, so we can't compare results.)

Many Anchorage residents are still planning to

move within the city to get nicer or cheaper housing—or both.

In late 1988, 19 percent of Anchorage households described themselves as likely to move within the city in the coming year (Table 4). Of those, 85 percent said at least one of the reasons they planned to move was to get better housing, and close to 45 percent also said they

Figure 10. Is Your Household Spending More or Less for Housing Than a Year Ago? (Percentage of Responses)



Source: ISER Anchorage household survey, October 1988 responses = 407.

⁶See note 4 above for source.

Table 4

Plans to Move Within Anchorage and Reasons Why

	June 1987	October 1988
Percentage of Households Planning to Move Within Anchorage in the Coming Year	16%	19%
Reasons Cited for Planned Move		
To Improve Housing Quality	79%	85%
To Reduce Housing Costs	39%	44%

Source: ISER Anchorage household surveys, June 1987 = 551 responses, October 1988 = 407 responses.

hoped to reduce their housing costs. (Respondents could cite more than one reason for planned moves.)

Those percentages were even higher than they had been in mid-1987, when 16 percent of households said they were likely to move within the city and most cited improved housing quality as a reason for the move.

About 80 percent of Anchorage renters think it is a good time to buy homes, and 60 percent have considered doing so.

Figure 11 shows that most renters we surveyed in both 1987 and 1988 thought the depressed real estate market offered good opportunities for buying homes, and many had considered doing so. But the percentages in 1988 were even larger than in 1987 — 80 percent as compared with 72 percent who thought it a good time to buy homes, and 61 percent as compared with 49 percent who had considered buying. That increasing share of renters thinking about buying reflected the continuing drop in housing prices in 1988.

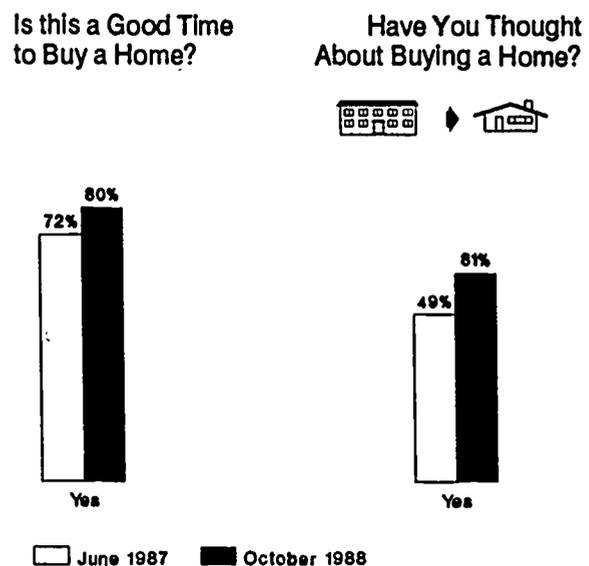
Other Effects of Depressed Prices and Rents

A third of Anchorage homeowners would sell if

they could cover their mortgages. Most of those would move to other homes within the city.

In late 1988, after thousands of Anchorage homeowners with negative equity had already defaulted on their mortgages, a third of homeowners still reported that their mortgages

Figure 11. Renters' Thoughts on Buying Homes



Source: ISER Anchorage household surveys. June 1987 responses = 551, October 1988 responses = 407.

exceeded the current market value of their homes (Table 5).

Almost all of those homeowners with negative equity said they would sell their current homes if they could cover their mortgages. Most of those — 23 percent of 32 percent — said they would move to other homes within Anchorage. Another 3 percent said they would move to the nearby Mat-Su Valley, and 6 percent said they would leave Alaska.

Table 5
Effects of Negative Equity Among Anchorage Homeowners, 1988

	Yes
Do you think the sale price of your home would be less than your mortgage?	34%
Would you move if you could cover your mortgage?	32%
Where would you move?	
Within Anchorage	23%
To the Mat-Su Valley	3%
Outside Alaska	6%

Source: ISER Anchorage household survey, October 1988 = 238 responses.

These findings show that it is not only renters who would like to take advantage of depressed prices and rents. A lot of homeowners would also like to be able to move into nicer or cheaper places but are prevented from doing so by negative equity. (However, some homeowners have been able to take advantage of lower prices by buying new homes and renting out their old ones, as we discuss under Table 7 below.)

Anchorage residents who own residential properties for investments feel worse off than other residents — but the differences are not as large as you might expect.

About 14 percent of Anchorage households own residential property for investment — property other than their own homes. Of those, nearly a

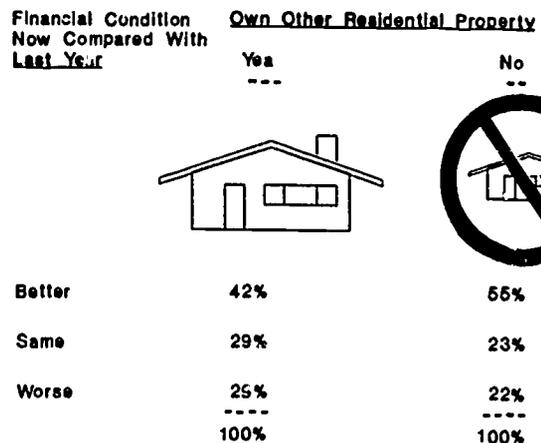
third reported that their finances had worsened in 1988 (Figure 12). We might expect that owners of rental properties would feel worse off, since rents continued to fall and vacancies to rise in 1988.

But 42 percent of such owners said their finances had improved in 1988. Several things might account for that improvement. Some of the owners probably bought their investment properties after prices had fallen, and so are able to make a profit even at today's lower rents. Also, while overall vacancies continued to rise in Anchorage in 1988, vacancies in some kinds of properties — especially single-family houses — were much lower than the average, and rents in such properties had not dropped as much.

Two-thirds of the households that own Anchorage rental properties say they're making payments without difficulty.

The other side of that finding, of course, is that one-third say it is somewhat or very difficult to meet payments on their rental properties (Table 6). The figures show that there are still serious problems in the housing market but that the majority of rental property owners are holding their own. We asked this question for the first

Figure 12. How Owning Residential* Property Affects Finances of Anchorage Households (Percentage of Responses)



*Residential property other than the respondent's own home.

Source: ISER Anchorage household surveys, October 1988. Respondents who owned other residential property = 56, those who did not = 350.

Table 6
Is it Difficult for You to Make Payments on Your Rental Property?

Very Difficult	14%
Somewhat Difficult	21%
Not Difficult	65%

Source: ISER Anchorage household survey, October 1988 = 56 responses.

time in 1988 and so can't compare responses earlier in the recession.

Half of the Anchorage households that own rental properties previously lived in those properties themselves.

Table 7 shows that of the Anchorage households that owned rental properties in late 1988, half had lived in those properties themselves at one time, and most such properties were single-family houses. It isn't unheard of for homeowners to hold onto their previous homes as rental properties when they buy new ones, but we think at least some of these Anchorage owners kept their previous homes because of the depressed housing market. They wanted to take advantage of lower prices to move into better homes, but the depressed market conditions kept them from selling their existing homes—so they are renting them out.

Owners of single-family houses can probably

Table 7
Did You Previously Live in Your Rental Property?

No	50%
Yes	50%
If yes, what kind of property is it?	
Condo	9%
Single-Family House	38%
Other	3%

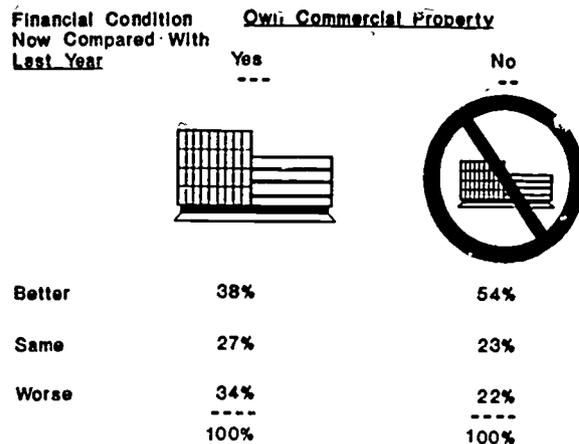
Source: ISER Anchorage household survey, October 1988 = 56 responses.

buy new homes and rent out their old ones more readily than owners of other kinds of property, because single-family houses are more in demand and have fewer vacancies than other kinds of housing. However, as Table 7 shows, some condominium owners have also been able to rent out their previous homes.

Owners of commercial properties in Anchorage are much more likely to report deteriorating finances than are other residents—34 percent as compared with 22 percent.

Like the residential real estate market, the commercial market in Anchorage has suffered high

Figure 13. How Owning Commercial Property Affects Finances of Anchorage Households
(Percentage of Responses)



Source: ISER Anchorage household survey, October 1988. Respondents who owned other residential property = 22, those who did not = 384.

vacancies and dropping values in the past several years. Figure 13 confirms that owners of commercial property were more likely than other Anchorage residents to report that their finances had worsened in 1988. However, such households are relatively few—only five percent of Anchorage households have investments in commercial properties.

What is somewhat surprising is that 38 percent of commercial property owners reported improved finances in 1988. Again, probably some of those owners bought in after prices had fallen.

Also, better quality properties or those in more desirable areas of town have held their value and their tenants better during the recession.

LINGERING SIGNS OF RECESSION

Households Planning to Leave Alaska

About 10 percent of Anchorage households say they are likely to leave Alaska in 1989. That percentage has not dropped substantially since earlier in the recession.

Anchorage's population has always been mobile, with many households moving into and out of the city at any given time. The difference in the past few years has been that so many more left than came in. In 1987 12 percent of Anchorage households said they were likely to leave Alaska in the coming year, as compared with 10 percent in 1988 (Table 8). So it looks as if the proportion of those planning to leave may have dropped off slightly in 1988—but it remained almost twice as high as it had been in 1976, when construction of the trans-Alaska pipeline was winding down.

Most of those who said they were likely to leave cited job-related reasons. Some of those—like military personnel—are routinely transferred from place to place. But certainly some are planning to leave because job opportunities in Alaska are still lacking.

These figures don't mean that Anchorage is like-

ly to lose 10 percent of its population in 1989, because people will continue to move into the city. Between mid-1985 and mid-1988, about 5 people arrived for every 8 that left (Figure 1). We don't have good population figures for late 1988 and early 1989, but the Municipality of Anchorage has reported there are some signs that the population was stabilizing in recent months.⁷ Natural increase will also, of course, contribute to population growth in the coming years. It is the future number of households—whether resulting from migration or natural increase—that will have a crucial effect on the housing market and other parts of the economy.

Just 15 percent of Anchorage's population arrived in the city within the past three years. Recent arrivals made up 18 percent of the population in mid-1987 and 26 percent in 1976.

Table 9 shows the effects of dwindling migration to Anchorage over the past three years. By contrast, in 1976, after many people had been drawn to Alaska by the economic boom that accompanied pipeline construction, more than one-quarter of the city's population had been here less than three years.

⁷In early 1989, for example, the Municipality of Anchorage reported that the number of residential telephone lines—used as one indicator of population—appeared to be holding steady and possibly increasing. However, this is not a clearcut measure of population change, because a variety of things can affect the number of telephone lines.

Table 8

Plans to Leave Alaska and Reasons Why

	1976	1987	1988
Is your household likely to leave Alaska within the next year?	6%	12%	10%
Why are you likely to move?			
Job-related reasons	N/A	77%	73%

Sources: *Anchorage Municipal Housing Study*, prepared by Diddy Hitchins, Richard L. Ender, G. Hayden Green, Anchorage Urban Observatory Program, University of Alaska Anchorage, 1976; ISER Anchorage household surveys, June 1987 and October 1988.

Table 9
Percentage of Anchorage Households
with Less than 3 Years' Residence

1976	June 1987	October 1988
26%	18%	15%

Sources: *Anchorage Municipal Housing Study*, prepared by Diddy Hitchins, Richard L. Ender, G. Hayden Green, Anchorage Urban Observatory Program, University of Alaska Anchorage, 1976; ISER Anchorage household surveys, June 1987 and October 1988.

The newest households in Anchorage are much less likely to be families with children, and much more likely to be working-age adults with higher incomes.

The portrait of households that had been in the city less than a year as of late 1988 is different in a number of ways from the picture of those who had been in the city less than a year in June 1987 (Table 10). Those differences may show something about how the recession has changed migrants to Alaska.

Only half the new Anchorage households in late 1988 were families, while more than 75 percent of the new arrivals in mid-1987 were families. That may indicate that in the unstable atmosphere of the recession families have been less inclined than single people to move to Anchorage—or that some of those who came here for jobs may have decided not to bring their families along.

Household incomes of the most recent arrivals were considerably higher in 1988 than in 1987. Only 30 percent of the new arrivals in 1987 had annual incomes above \$35,000, while nearly 60 percent of the 1988 newcomers had incomes that high. The fact that military personnel made up a bigger share of newcomers in 1987 brought incomes down somewhat, because military salaries are typically lower. But we don't think that accounts for all the difference. It may be that those who came in 1988 came for more specialized, higher-paying jobs.

SUMMARY AND CONCLUSIONS

Our most recent survey gave us a gratifying amount of good news. Anchorage residents who made it through three years of recession or who arrived during the recession have generally higher incomes and more employment than we found among city residents in 1987. Most people we talked to expect 1989 to be a better year than 1988. Thousands of people have been able to take advantage of lower prices and rents to move into nicer housing. Anticipating better times ahead, many are more willing to spend money on vacations or other non-essentials.

But many Anchorage residents who are doing better than they were earlier in the recession believe they have just been lucky—that most of their neighbors are still in the grip of bad times. After so many months of hearing about layoffs, bankruptcies, defaults, and bank failures, many people find it hard to believe that we could be coming out of the recession.

By "coming out of the recession" we don't mean all our economic problems will be gone anytime soon. The recovery will be gradual, and some

Table 10
Portrait of Recent Arrivals*

	June 1987	October 1988
Composition of Household		
Non-family	23%	50%
Family	77%	50%
Annual Household Income		
Less than \$35,000	70%	43%
More than \$35,000	30%	57%
Military Households		
Yes	32%	12%
No	68%	88%
Age of Household Members		
Under 18	34%	24%
18-59	64%	76%
60+	2%	—

*Households that had been in Anchorage less than 1 year at the time of the survey.

Source: ISER Anchorage household surveys, June 1987 = 99 responses, October 1988 = 61 responses.

parts of the economy—most noticeably construction and real estate—won't recover lost ground for years. Also, the recovery would be set back if oil prices crashed again. Or if the state government made very large, sudden budget cuts—as contrasted with more gradual cuts over time—the economy would again lose jobs and income.

If oil prices hold and the state government is able to reduce the budget while at the same time keeping damage to the economy at a minimum,

the recovery should go forward. And as the economy recovers, Alaskans and their government officials need to be aware that some parts will simply recover more slowly than others. What would help Alaska over the long run would be public policies that could at least moderate the boom-and-bust cycles that seem such an inevitable part of Alaska's resource-based economy.

For more than 25 years, the Institute of Social and Economic Research (ISER) has looked at virtually all the major economic and social issues facing Alaska. We publish our research results in a variety of publications. A list, by topic, of hundreds of ISER publications is available from ISER in the library building on the campus of the University of Alaska Anchorage (phone 907-786-7710). Below are brief descriptions of some recent work ISER staff members produced or contributed to. Unless otherwise noted, all publications are available from ISER, University of Alaska Anchorage, 3211 Providence Drive, Anchorage, Alaska 99508.

Stabilizing Alaska's Housing Markets, March 1989. Prepared by ISER for the Alaska Housing Finance Corporation by Matthew Berman and Linda Leask. The 150-page report is available from ISER for \$7.00; a 4-page Research Summary (No. 42) is available at no charge.

This is the most recent in a series of reports ISER has done on the Alaska housing markets over the past several years. The report looks mainly at the Anchorage area markets, and discusses likely future trends in population, vacancies, housing prices, and foreclosures. It also looks at how insitutional sellers have come to dominate the market through sales of thousands of properties they have taken under foreclosure in recent years. Finally, the report makes recommendations for helping stabilize the housing market.

The Years of Big Spending: How Good is the Record? ISER Occasional Paper No. 20, 1989, by Gordon S. Harrison. Available from ISER for \$2.

This paper takes a broad look at the successes and failures of Alaska state government in handling the immense oil wealth of the first half of the 1980s.

Regional Economic Impacts of State Budget Red ictions, ISER Working Paper 89.1, January 1989. Prepared by ISER for the Alaska Office of Management and Budget by Oliver Scott Goldsmith. Available from ISER for 10 cents a page.

This paper describes how a \$350 million cut in the state operating budget would affect income and employment in various regions of Alaska. How and when the state government reduces spending has become a critical issue in Alaska in recent years, since falling oil prices sharply reduced state revenues.

Alaska Natives at Risk, December 1988. Prepared by ISER, Kevin Waring Associates, Steven McNabb Associates, and Nan Elliot for the Alaska Federation of Natives. The report is available from the Alaska Federation of Natives in Anchorage.

This work documents the grave health risks and declining opportunities that Alaska Natives face. The report describes high levels of suicide, alcoholism, and accidental deaths among Natives, as well as limited job opportunities and inadequate education. It also includes recommendations for new policy directions and priorities to help ease these serious problems.

Forecast of Electricity Demand in the Alaska Railbelt Region, Draft Report, November 1988; Final Report pending, April 1989. Prepared by ISER and others for the Alaska Power Authority; principal investigator Stephen G. Colt. Available when final from ISER at 10 cents a page.

This work assesses the likely range of demand for electricity in the railbelt region—from Seward on the Kenai Peninsula to Fairbanks in the Interior—through the year 2010. The researchers estimate demand for electricity will likely grow between .2 percent and 1.3 percent annually in the coming years. These projections are important for state officials planning for future energy-generation needs.

Analysis of Electrical End Use Efficiency Programs for the Alaska Railbelt, Draft Report November 1988; Final Report pending April 1989. Prepared by ISER for the Alaska Power Authority; principal investigator Alan B. Mitchell. Available when final from ISER at 10 cents per page.

In this work researchers analyze how much customers in the state's railbelt region could potentially save in the coming years under nine electrical efficiency programs. These programs would involve equipment and use decisions by customers, rather than actions of suppliers.

The Alaska Native Claims Settlement Act, 1991, and Tribal Government, ISER Occasional Paper No. 19, 1988, by Thomas A. Morehouse. Available from ISER for \$2.

The author discusses effects on Native political development of the Alaska Native Claims Settlement Act of 1971 and the amendments to that act passed by Congress in 1988. The paper focuses on unsuccessful attempts by leaders of the Native tribal government movement to use those amendments to promote their cause.

Alaska-Soviet Far East Trade: Opportunities and Strategies, April 1988. Prepared by ISER for the Alaska Office of International Trade by Gunnar Knapp of ISER and Elisa B. Miller of the University of Washington. Available from ISER at 10 cents a page; a 2-page Research Summary (No.37) is available at no charge.

This paper discusses potential trade between Alaska and the region of the Soviet Union closest to Alaska, which is known as the Soviet Far East. Such trade will develop gradually and at first will have relatively modest economic impacts—but over time the benefits for Alaska could be substantial, according to the authors. The best opportunities lie in tourism and fisheries, and the authors make recommendations on how the State of Alaska could encourage trade with the Soviet Far East.

Alaska State Government and Politics, edited by Gerald A. McBeath, professor of political science with the University of Alaska Fairbanks, and Thomas A. Morehouse, professor of political science with ISER, University of Alaska Anchorage. Published by University of Alaska Press, 1987, 400 pages. Soft-cover copies \$17.00 and hardbound \$27.00, plus \$1.50 for postage and handling if ordered by mail. Available from University of Alaska Press, Signers' Hall, University of Alaska Fairbanks, Fairbanks, Alaska 99775-1580.

The first book that comprehensively describes Alaska state government and politics is now available from the University of Alaska Press. The book describes the authorities, organization, and functions of state government as well as the people and the events that put life into government operations. It also discusses the private forces that influence government, including the press, public opinion, and interest groups. The book was written by eleven political scientists and one historian, all of whom now teach or previously taught at the University of Alaska. Several of the authors have also been directly involved in state government.

Alaska's Constitution: A Citizen's Guide, by Gordon S. Harrison, former associate professor of political science with the University of Alaska Fairbanks. Published by ISER, Second Edition, 1986, 134 pages. Soft-cover copies \$2.00. Available from ISER.

Several thousand copies of this guide to Alaska's constitution were distributed before the 1982 general election, when Alaskans voted on whether to call a constitutional convention to consider revisions to the constitution. It is a concise, article-by-article explanation of what Alaska's constitutional provisions mean and how they have been tested since the constitution went into effect in 1959.

INSTITUTE OF SOCIAL AND ECONOMIC RESEARCH
University of Alaska Anchorage
E. Lee Gorsuch, Director
3211 Providence Drive
Anchorage, Alaska 99508

Non-Profit Org.
U.S. Postage
PAID
Anchorage, Alaska
Permit No. 540