

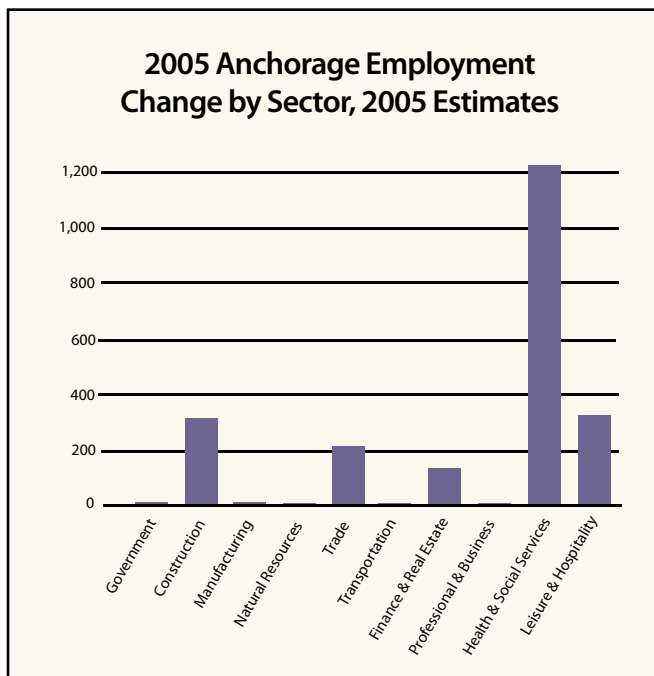
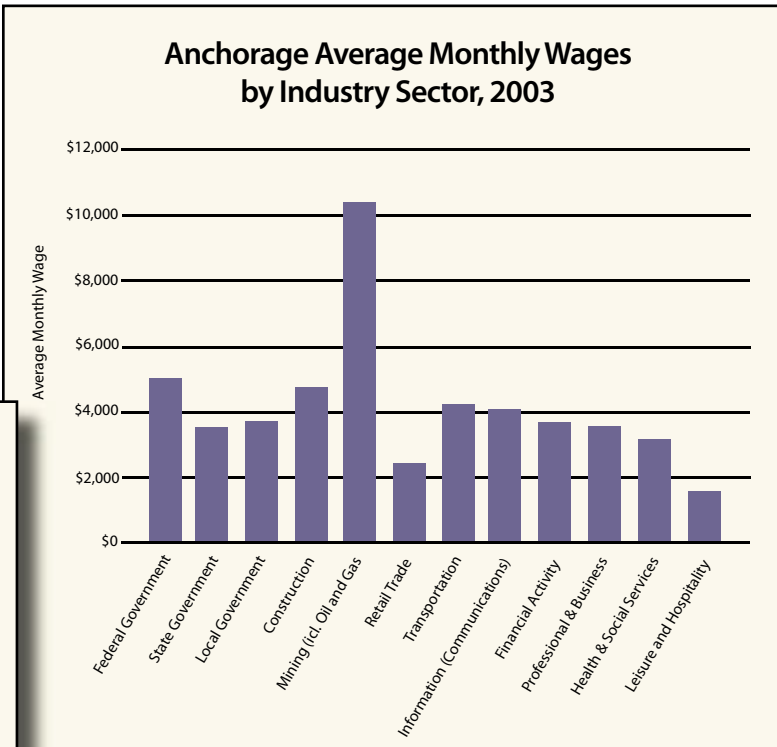
Issues to Watch in 2005

There are two key issues to watch for in the coming year that may affect Anchorage employment in the near term and the long term: changes in the state's oil tax structure and gasline development activity. Depending on how or if the economic limit factor (ELF) is modified, oil companies may forgo pursuing marginal fields on the North Slope. This could affect Anchorage employment, particularly for oil industry contractors. In addition, if a gas pipeline development contract is approved by the legislature (under terms of the Stranded Gas Act), a clear message will be sent that the gas pipeline will move forward. Though the timing of pipeline construction is not certain, preconstruction permitting and planning could have a positive near-term impact on the Anchorage economy.

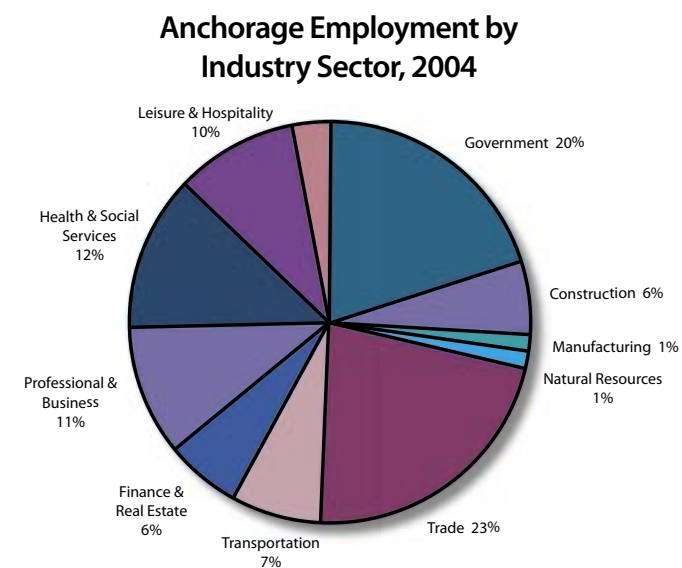
Average Wages

Wage rates are an important factor when considering the economic impact of employment growth. The adjacent chart illustrates the wide range of wages paid within sectors of the Anchorage economy. The oil and gas industry continues to generate the highest monthly wages in the local economy.

Anchorage will enjoy another year of modest growth, adding 2,100 jobs to the local economy. The change in employment sectors is illustrated in the graph below.



In 2004, there were 144,800 jobs in the Municipality of Anchorage. The following chart shows the split of wage and salary workers by industry sector. In addition, about 34,000 self-employed are at work in Anchorage and there are about 10,000 active duty military personnel.



The Anchorage Economic Development Corporation is a private, nonprofit corporation (IRS code 501(c)(6)), operating since 1987. It exists to encourage growth and diversity in the Anchorage economy. Funding sources for the corporation are municipal grants, state grants and contracts, and private contributions.

AEDC 2005 economic forecast

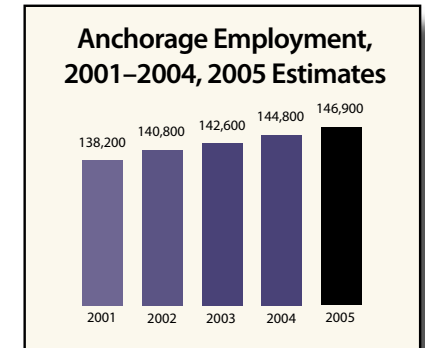
The Economic Forecast of Anchorage Economic Development Corporation

Last Year's Forecast

In 2004, AEDC predicted 1,900 new jobs for Anchorage. According to the Alaska Department of Labor and Workforce Development, Anchorage saw 2,200 new jobs created in 2004, an increase of 1.5 percent over 2003. In 2004, Anchorage enjoyed its 16th consecutive year of job growth.

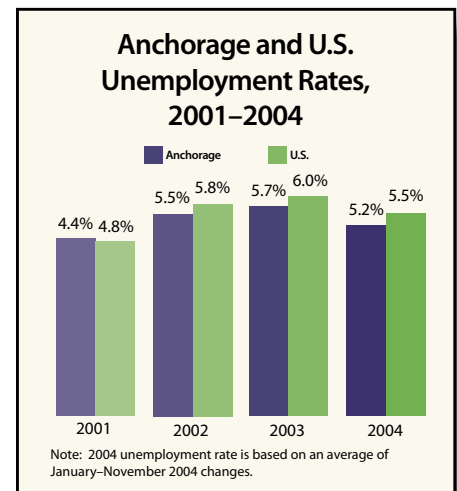
2,100 New Jobs Predicted in 2005

AEDC predicts that 2,100 new jobs will be added to the Anchorage economy in 2005, an increase of 1.5 percent over 2004. The service sector, led by health and social services, leisure and hospitality, trade, and then finance and real estate will account for more than 80 percent of these new jobs. Construction jobs will make up the balance and the government sector will be flat in the coming year with local government employment increasing somewhat while federal government declines slightly and state government remains stable. It is important to note that uniform military personnel are not included in the jobs forecast, though Fort Richardson is expecting an increase of 2,000 military personnel in 2005 as part of the U.S. Army's nationwide reorganization.



Unemployment

Anchorage's unemployment rate for the first 11 months of 2004 was 5.2 percent. If this rate holds for the last month of the year, this will be lowest unemployment rate in the last three years. The highest month for unemployment was January at 6.0 percent. Anchorage's unemployment rate remains well below the statewide rate of 7.3 percent for the first 11 months of 2004 and even below the nationwide rate of 5.5 percent. Anchorage unemployment is expected to remain at around 5.0 percent in 2005.



Self-Employed

According to the most recent available U.S. Bureau of Economic Analysis data, there are approximately 34,200 self employed workers in the Anchorage economy, an increase of 1,200 over last year. Self-employed persons are not typically included in the Alaska Department of Labor and Workforce Development published data. The self-employment estimate reflects the total number of sole proprietorships or partnerships active at any time during the year rather than the annual average measure used by the Department of Labor.

This economic forecast prepared for AEDC by:

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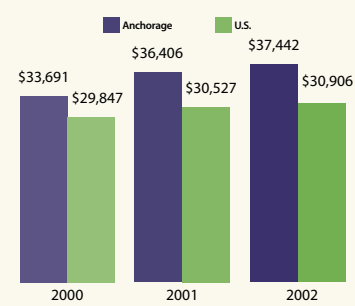
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Personal Income

Preliminary personal income estimates from the U.S. Bureau of Economic Analysis show total statewide personal income at \$22 billion annually. Alaska personal income took a drop in the first quarter of 2004, but experienced growth again in the second and third quarters of the year. The most recent data for Anchorage shows total personal income of \$10 billion, with per capita personal income of \$37,442. Per capita personal income for Anchorage remains high compared to statewide and national averages. In recent years, Anchorage per capita income was 14 percent higher than the statewide average and nearly 20 percent higher than the U.S. average. Note that personal income in Anchorage rose by 2.8 percent between 2001-2002, while the Consumer Price Index rose by only 1.9 percent during that same period.

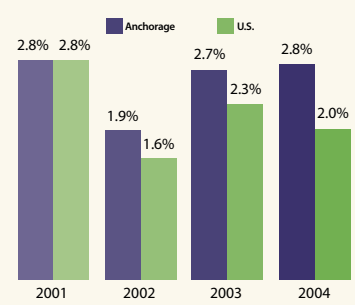
Anchorage and U.S. Per Capita Personal Income Levels, 2000-2002



Consumer Price Index

Anchorage's Consumer Price Index increased by 2.8 percent for the first six months of 2004. This compares to the annual average of 2.7 percent for 2003. Energy and motor fuel prices contributed heavily to the increase. The U.S. Consumer Price Index rose by 2.0 percent for the first six months of 2004, compared with the annual average of 2.3 percent for 2003.

Changes in Anchorage and U.S. Consumer Price Indexes, 2001-2004

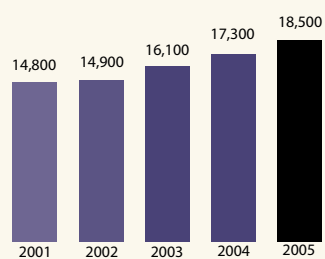


Employment by Sector

Health and Social Services

Anchorage's health and social services sector enjoyed a 7.5 percent increase in employment in 2004, a total of 1,200 new jobs. 2005 is expected to be another strong year with the addition of another 1,200 new jobs. Continued growth is attributed to federal spending, increasing health care needs of our aging population, and an overall increase in population in Anchorage and statewide.

Anchorage Health and Social Services Employment, 2001-2004, 2005 Estimates

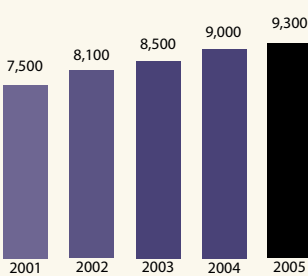


Construction

Construction will enjoy another year of growth, adding 300 jobs overall to the Anchorage economy. This is slower growth than last year when construction employment increased by 500 jobs.

Residential construction will be flat in the coming year. Housing construction permits are down and Anchorage is squeezed for available building space. Two housing projects will proceed this year, the Sand Lake and Lake Otis gravel pit developments. Changes in regulations for site condos in Anchorage should not have an effect on residential building but may have an effect on housing prices and builders' profits. Fourth quarter residential building permits were valued at \$35 million, down almost half from 4th quarter 2003.

Anchorage Construction Employment, 2001-2004, 2005 Estimates

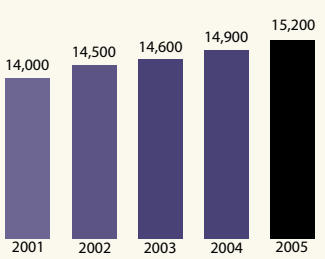


Growth in construction employment will primarily come from the commercial sector. The \$49 million Providence Hospital office building and parking expansion, housing projects on the military bases, a new Embassy Suites hotel, retail expansions, and expected transportation improvements will all contribute to this growth. Fourth quarter commercial building permits for Anchorage were valued at \$79 million, up \$35 million from 4th quarter 2003.

Leisure and Hospitality

The leisure and hospitality sector, which includes accommodations, food services and drinking places, will add another 300 jobs in 2005, bringing Anchorage's total to 15,200 workers. This is an increase of two percent over 2004 and is consistent with the steady growth enjoyed by the industry in recent years. There are 8,068 rooms in Anchorage's hotel/motel inventory, including 873 new rooms added in 2004. Another hotel, the Embassy Suites, is expected to be complete in the coming year and will add another 145 rooms to the Anchorage inventory. Restaurant and bar owners will add jobs as they continue to serve the increasing Anchorage tourist trade and the growing local population.

Anchorage Leisure and Hospitality Employment, 2001-2004, 2005 Estimates



Alaska cruise ship traffic is expected to grow to about 880,000 passengers in 2005, a five percent increase over 2004. One-third of Alaska's cruise ship passengers move through Anchorage.

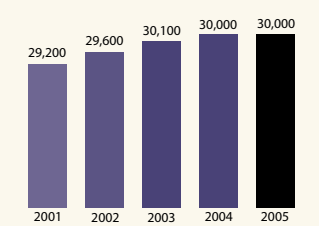
Trade

AEDC predicts 200 more jobs for the trade sector in 2005. The retail trade sector in Anchorage has enjoyed steady growth in recent years while the wholesale trade sector has been generally flat. Home Depot has plans for two new stores in Anchorage in the coming year, one scheduled for opening this summer and the second scheduled for January of 2006. Also, Wal-Mart plans a superstore with groceries for East Anchorage. The store will probably not come online in 2005 though some construction activity will take place this year.

Government

Government employment is expected to be flat in the coming year. In 2004, there were 30,000 government workers in Anchorage, including federal civilian workers, State of Alaska employees (including UAA), and local government workers (including Anchorage School District employees). Government employment was down about 100 jobs in 2004 compared to 2003, primarily the result of declining state government employment. In 2005, the federal workforce is expected to decline slightly, state government should remain stable, while local government employment will increase. The increase stems from growing demand for basic services provided by local government. According to the Alaska Department of Labor and Workforce Development, Anchorage population grew by 3,933 persons, or 1.4 percent, in 2004. Further population growth is expected in 2005.

Anchorage Government Employment, Excluding Uniform Military Personnel, 2001-2004, 2005 Estimates

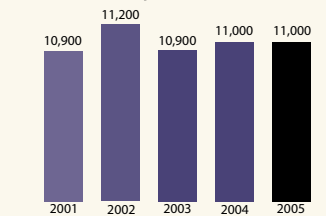


In recent years, the trend for federal government outsourcing has kept federal government employment fairly flat. It is important to note that the government workforce does not include uniform military personnel at Elmendorf and Fort Richardson.

Military

The military reported 6,781 active duty personnel at Elmendorf Air Force Base and 3,273 active duty personnel at Fort Richardson Army Base for the fiscal year which ended on September 30, 2004. Fort Richardson is expected to gain 2,000 Stryker Brigade soldiers in 2005 as part of a nationwide reorganization of the U.S. Army. In addition, construction is underway to prepare for the Air Force's plans to base C-17 cargo planes at Elmendorf Air Force Base starting in 2007.

Anchorage Transportation and Communication Employment, 2001-2004, 2005 Estimates



Transportation and Communication

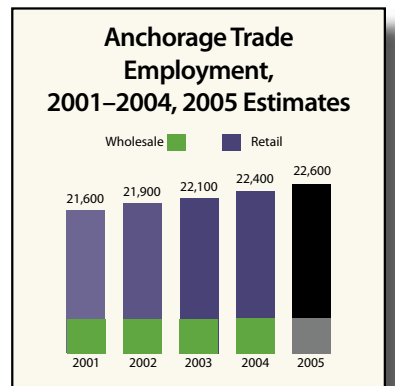
There are 11,000 workers in the transportation and communication sectors in Anchorage. Employment in these sectors is expected to remain stable in 2005.

Deplaning and enplaning cargo at Ted Stevens Anchorage International Airport both declined in 2004 by about four percent from fiscal year 2003. This cargo either originates or terminates in Anchorage, requiring workers for the unloading and loading of cargo. Transit cargo, on the other hand, increased sharply in 2004, up 11 percent over the previous fiscal year. This trend is expected to continue in 2005, in part due to continuing expansion of Asian economies. Anchorage has already seen additional transit cargo to support the tsunami relief efforts and this activity is expected to continue through the first half of the year.

Other Sectors

Business and professional services, the manufacturing sector, and natural resources employment are all expected to be stable for 2005. There are 16,000 workers in the business and professional services sector, 1,800 workers in the manufacturing sector, and 2,200 workers in the natural resources sector.

Oil and gas employment in Anchorage, part of the natural resources sector, averaged 2,000 workers in 2004. No major employment changes are expected for 2005. Oil and gas industry employment numbers mask the true effect of the oil and gas industry in Anchorage. The industry accounts for thousands of additional contract jobs in construction and industry support services. Oil companies plan fairly aggressive exploration activity for 2005 and those new jobs will be reflected in the construction and services industries.



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