



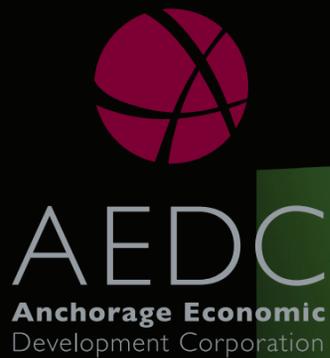
The 2008 AEDC Economic Forecast is sponsored by Alaska DigiTel.



2008 economic forecast

1,000 Jobs Forecast for 2008

AEDC predicts that 1,000 new jobs will be added to the Anchorage economy in 2008, an increase of 0.7 percent over 2007. This growth will be led by the trade and business & professional services sectors, each with 250 new jobs. Growth is also expected in health care (200 new jobs) and air transportation (150 jobs). The leisure and hospitality, government and oil sectors are expected to add 100 jobs each this year. The construction industry is expected to continue trending down, with a decrease of 350 jobs in 2008. Additionally, employment increases totaling 200 jobs will occur across other sectors including natural resources, utilities, information, financial activities, manufacturing, and "other services" sectors. It is important to note that uniform military personnel are not included in the jobs forecast; however, troop levels at Fort Richardson are expected to remain the same in 2008.



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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.

This economic forecast prepared for AEDC by:



www.mcdowellgroup.net

economic forecast

Last Year's Forecast

Approximately 1,100 new jobs were added to the Anchorage economy in 2007, just under half of what was predicted for the year. Nevertheless, the increase of 0.7 percent over 2006 employment marked Anchorage's 19th consecutive year of job growth.

Population

The most recent estimate indicates Anchorage's population climbed to just under 283,000 residents in 2006, a 1.7 percent increase over 2005 (a 2007 estimate is not yet available). Between the years of 2000 and 2006, the population of Anchorage grew by a total of 22,530 people, an overall increase of 8.7 percent.

Unemployment

Anchorage's unemployment rate for the first 11 months of 2007 was 4.9 percent, a decrease from 2006's annual rate of 5.5 percent. The highest month for unemployment in 2007 was February at 5.5 percent. Anchorage's unemployment rate remains well below the 2007 statewide rate of 6.1 percent, but is above the nationwide rate of 4.6 percent.

Self Employed

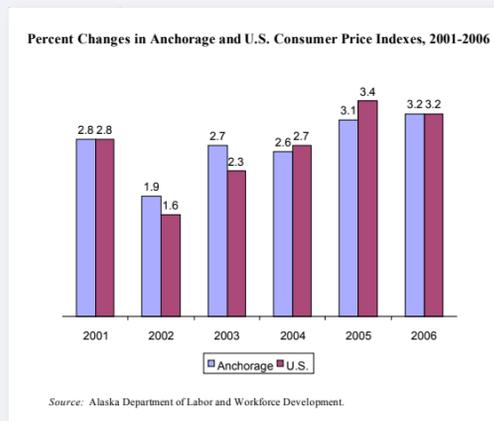
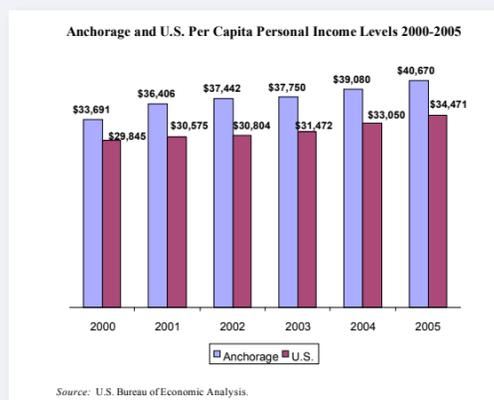
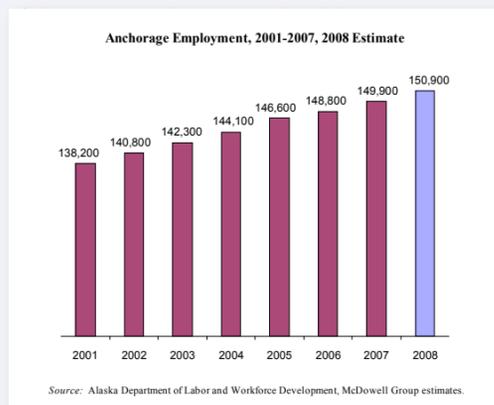
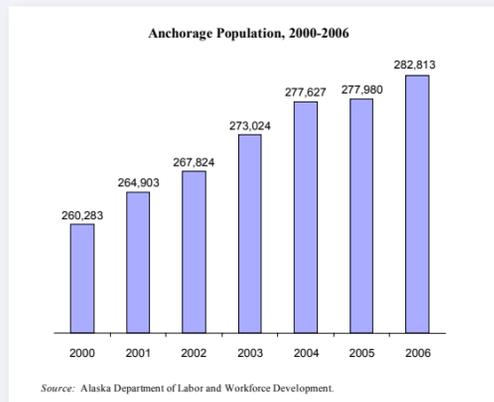
According to the U.S. Bureau of Economic Analysis, there were approximately 36,236 self-employed proprietors in the Anchorage economy in 2005 (the most recent data available). Self-employed persons are not typically included in Alaska Department of Labor and Workforce Development published employment data.

Personal Income

Anchorage residents earned a total of \$11.2 billion in personal income in 2005, according to the U.S. Bureau of Economic Analysis. Anchorage residents account for almost half of the total statewide personal income of \$23.6 billion. Per capita personal income in Anchorage was \$40,670 in 2005, about 4 percent above 2004. Nationally, per capita income grew at a rate of 4.3 percent between 2004 and 2005. Anchorage per capita income in 2005 was 14 percent higher than the statewide average and 18 percent higher than the U.S. average.

Consumer Price Index

According to the Anchorage Consumer Price Index, the rate of inflation in Anchorage averaged 3.2 percent in 2006, matching the U.S. Consumer Price Index, which fell slightly to an average of 3.2 percent in 2006. Increases in the Consumer Price Index are in large part attributable to higher fuel prices. Data for the first half of 2007 shows an inflation rate of 1.5 percent for Anchorage.



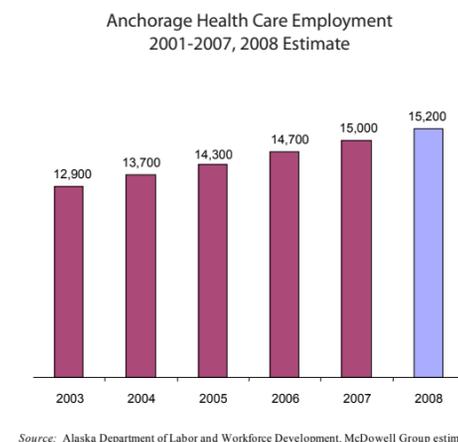
Employment by Selected Sectors

Health Care

AEDC predicted that Anchorage's health care sector would add 400 new jobs in 2007. Actual growth was 300 jobs, bringing the sector's total to 15,000 jobs, an increase of two percent. The health care sector in Anchorage will see 200 health care jobs in 2008. Slowing growth in the sector is due to a loss of federal dollars.

Providence Alaska Medical Center, Anchorage's largest health care provider in terms of employment, added 100 jobs in 2007 and is expected to continue growing in 2008. North Star Residential Hospital, the largest private mental health organization in Alaska, grew in 2007 and will continue to grow in 2008. However, several of Anchorage's largest health care providers saw little or no employment growth in 2007, including the Alaska Native Tribal Health Consortium, Southcentral Foundation, and the Alaska Native Medical Center. Elsewhere in the health care sector, moderate growth occurred in Anchorage medical clinics, laboratories and outpatient care providers in 2007 – growth that is expected to continue in 2008.

Anchorage plays a key role in Alaska as the state's primary center for health care services for most Alaskans. Many of the health care products and services now offered in Anchorage were formerly available only in Seattle, or elsewhere in the Lower 48. This "import substitution" in health care has been a significant part of Anchorage's economic growth in recent years



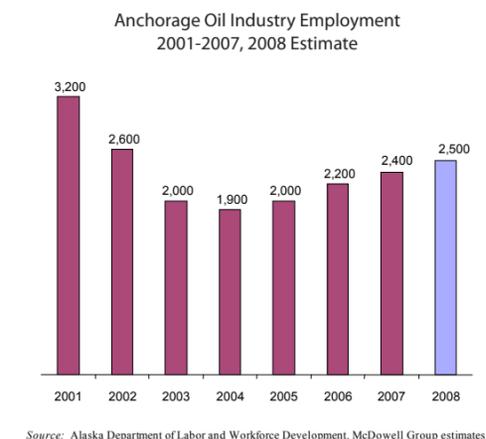
Oil Industry

The oil industry directly added 200 new jobs to the Anchorage economy in 2007 (fewer than the 400 new jobs predicted for the year). The oil industry directly employed 2,400 workers in Anchorage in 2007, nine percent above the 2006 level. The industry is expected to add another 100 jobs in 2008, an increase of 4.2 percent. Growth on the North Slope is also expected in 2008. Increasing employment on the slope is important to the local economy because many Anchorage residents work on the slope.

After several years of decline, employment in the oil industry began to make a recovery in 2006 and 2007, the result of four years of climbing oil prices. Most of the companies on the North Slope are either continuing development work or getting new projects underway in 2008. BP expects to continue hiring in 2008. BP is spending \$500 million over the next several years to replace 16 miles of pipe in Prudhoe Bay and upgrade its facilities. ConocoPhillips is continuing development of a number of satellite fields around Alpine and expanding the company's West Sak heavy oil project, as well as continuing work on the Prudhoe Bay and Kuparuk fields. ConocoPhillips plans to spend \$1 billion on exploration and production in 2008. That's nearly 22 percent more than the company budgeted for the state in 2007.

Shell Oil's plans to drill in the Beaufort Sea in 2007 did not take place because of permitting problems. Shell will likely not begin any activity there until 2009. Pioneer Natural Resources is completing development of its offshore Oooguruk project. Many other companies have ambitious exploration plans for the next two years as well.

It is important to note that published oil and gas industry employment numbers understate the real impact of the industry in Anchorage where thousands of additional business and professional services jobs are also linked to oil and gas exploration and production.



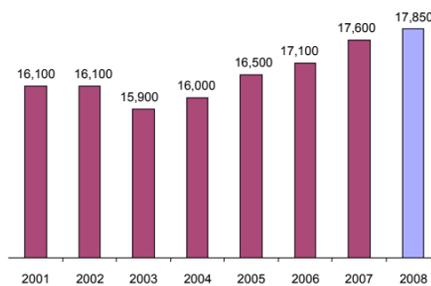
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Business and Professional Services

The business and professional services sector added 500 new jobs in 2007 (more than the 400 jobs predicted for the year). This sector of the local economy employed 17,600 workers in 2007, 2.9 percent more than in 2006. About 250 more business and professional services jobs are expected to be added to the Anchorage economy in 2008 (including engineering, architectural and related services), an increase of 1.4 percent.

Slowing growth in this sector will result mainly from a decrease in construction activity. However, the prospect of several future mining developments around the state, as well as oil development, should help to offset these losses. Legal, accounting, computer and other professional services should continue to see moderate growth

Anchorage Business and Professional Employment
2001-2007, 2008 Estimate



Source: Alaska Department of Labor and Workforce Development, McDowell Group estimates.

Leisure and Hospitality

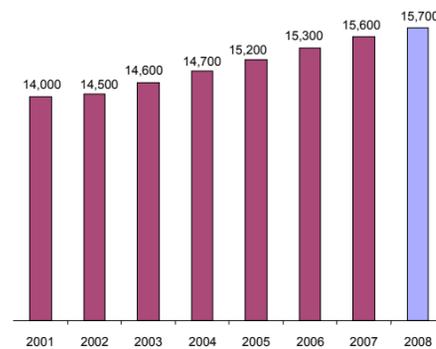
The leisure and hospitality sector added 300 new jobs in 2007, equal to the 300 new jobs predicted for the year. The leisure and hospitality sector employed 15,600 workers in Anchorage in 2007, an increase of two percent from the previous year. This sector is expected to add another 100 jobs in 2008.

Two new hotel projects currently under construction will add hundreds of rooms to the hotel room inventory in Anchorage. Embassy Suites in Midtown is scheduled to open in February 2008 and will feature 169 rooms. In September 2008, Holiday Inn will open with 166 rooms. These new hotels will bring the city's room count to about 8,000.

Cruise ship passenger travel to Anchorage will probably not change in 2008. One-third of all Alaska cruise-ship passengers move through Anchorage. The number of independent travelers has increased and is expected to continue increasing in 2008.

Food services, which represent two-thirds of all employment in the leisure and hospitality sector, will expand in 2008. Two new large restaurants, as well as a number of smaller restaurants are expected to open in 2008.

Anchorage Leisure and Hospitality Employment
2001-2007, 2008 Estimate



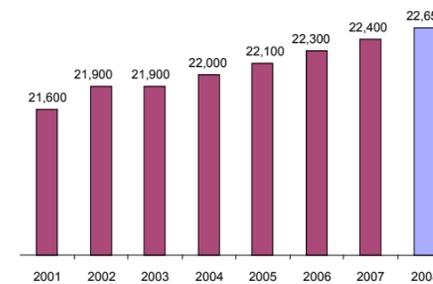
Source: Alaska Department of Labor and Workforce Development, McDowell Group estimates.

Trade

Anchorage's wholesale and retail trade sector added only 100 jobs in 2007, well below the 300 jobs predicted for the year. A number of projects slated for 2007 have been pushed into 2008. Employment in the trade sector totaled 22,400 jobs in 2007, an increase of 0.4 percent over 2006.

With a large number of retail development projects underway in Anchorage, the trade sector should add 250 jobs in 2008. The new 240,000-square-foot Glenn Square retail development in Mountain View is nearing completion. Several stores opened in 2007 and additional stores will open in 2008. It houses a number of medium and smaller local and national retailers. Some of the best-known names include Famous Footwear, PETCO, Bed Bath & Beyond, Natural Pantry, Old Navy and Best Buy. Wal-Mart is expanding to become a supercenter at the Eagle River location. Another Wal-Mart supercenter in Anchorage, with a Sam's Club attached, is currently under construction and will open in late 2008 or early 2009. A Target store is currently under construction and expected to be completed in the fall of 2008 as part of CIRI's \$100 million shopping and entertainment development. This development will also include Lowe's, Best Buy, a movie theatre and restaurants. Another Target store is expected to open in South Anchorage by the end of 2008. With the eventual completion of this retail expansion in Anchorage, several hundred retail jobs will be added in 2008 and 2009.

Anchorage Trade Employment
2001-2007, 2008 Estimate



Notes: Trade employment chart represents both wholesale and retail trade.
Source: Alaska Department of Labor and Workforce Development, McDowell Group estimates.

Air Transportation

There was no change in air transportation employment in Anchorage in 2007, though an increase of 150 jobs is predicted for 2008, an increase of about four percent. In fact, over the next several years air transportation employment is predicted to grow at more than four percent per year.

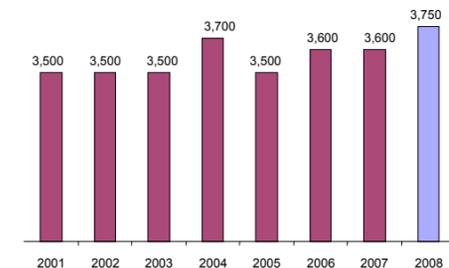
Predicted modest growth in Anchorage's overall economy, another good visitor season and continued growth in the international air cargo industry should continue to result in growth for the air transportation industry. Anchorage is one of the nation's most important air cargo airports, with an average of 93 cargo planes landing daily. The huge increase in trade with China continues to drive much of the cargo growth. Anchorage's cargo activity should continue to rise at least five percent in 2008.

Federal Express, UPS, Northwest Airlines and other air cargo carriers continue to expand their fleets. In August 2008, FedEx is to become the first cargo carrier to take possession of the new superjumbo jet (A380) that promises to revolutionize long-haul flying for both passengers and cargo. FedEx has ordered 10 A380s to be received through 2011. By the end of 2008, FedEx expects to have three A380s flying between Asia and North America.

Additionally, UPS announced it has ordered 10 A380s as well. UPS is scheduled to get its first aircraft in 2009. UPS also announced plans to base 320 of its pilots out of Anchorage.

Passenger landings are projected to increase in 2008 by approximately two percent.

Anchorage Air Transportation Employment
2001-2007, 2008 Estimate



Source: Alaska Department of Labor and Workforce Development, McDowell Group estimates.

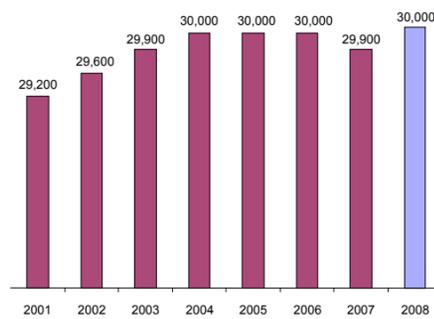
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Government

Government employment fell slightly in 2007 and is expected to increase only slightly in 2008, with the addition of 100 new jobs. Government employment in Anchorage is expected to reach the 30,000 mark in 2008.

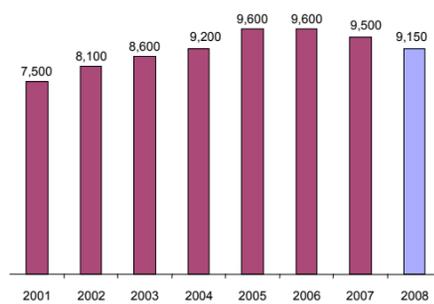
Federal employment has fallen for four consecutive years as a result of budget constraints and it is expected to fall again in 2008. As a result of oil revenue surpluses and growing University of Alaska Anchorage school enrollment, state government employment is expected to grow modestly in 2008. The Anchorage School District's enrollment fell slightly for the 2006-2007 school year and it is expected that enrollments will fall again in 2008. Even so, the district's employment probably won't change much. The Municipality of Anchorage's work force is not expected to change significantly in 2008.

Anchorage Government Employment, Excluding Uniform Military Personnel 2001-2007, 2008 Estimate



Source: Alaska Department of Labor and Workforce Development, McDowell Group estimates.

Anchorage Construction Employment, 2001-2007, 2008 Estimate



Source: Alaska Department of Labor and Workforce Development, McDowell Group estimates.

Construction

Even though commercial construction activity in Anchorage was high in 2007, employment in the construction sector fell in 2007 and is expected to fall again in 2008. Construction employment averaged 9,500 jobs in 2007, down about one percent from 2006.

AEDC predicts that construction sector employment will decline by 350 jobs in 2008, a decrease of 3.7 percent. Residential construction levels are expected to continue declining in 2008. Additionally, Anchorage is home to many of the state's contractors that perform work around the state and the level of statewide activity appears to be declining. Highway construction activity is expected to remain close to current levels in 2008.

A number of large construction projects are currently underway in Anchorage. Construction of the new Dena'ina Civic & Convention Center is underway (a \$110 million, 215,000 square-foot expansion project designed to attract large international conventions to Anchorage), with completion expected in September of 2008. An expansion of the Anchorage Museum of History and Art is underway, which is a \$116 million, 70,000 square-foot project that will house the children's Imaginarium and a collection of Native art from the Smithsonian Institution. Completion of this project is expected in the spring of 2010. Additionally, the new downtown Linny Pacillo parking garage is currently under construction, with completion expected in September of 2008. The ground floor will house a new seafood restaurant and retail shops.

The Egan Convention Center is planning a \$3 million remodel, with a new pedestrian corridor. The plan is to improve connectivity between the Performing Arts Center, the Egan Center, and the Dena'ina Civic Convention Center, with an information kiosk addition. Completion is expected in September of 2008.

Other projects include a \$60 million Veteran Affairs clinic, the Clark Middle School replacement, new retail stores including two Target stores and at least one Wal-Mart, and two new hotel projects.

Port of Anchorage expansion projects will include two new barge docks, a new administrative building, a new marine safety building, and turning lanes for better traffic flow with added pedestrian sidewalks and landscaping. This is a \$400 million expansion of the Port of Anchorage.

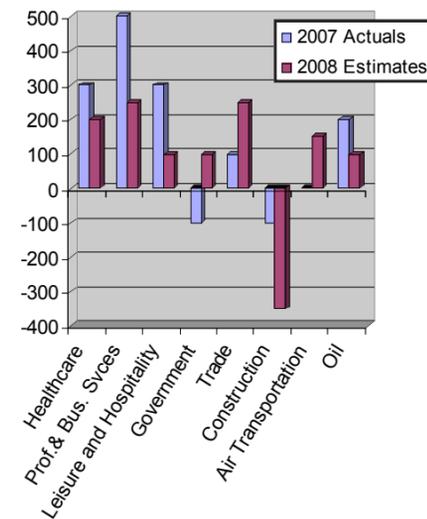
Summary of 2008 Forecast

Overall growth is expected to slow down in 2008. For the first time in 11 years, employment in Anchorage grew by less than one percent in 2007. This is likely the result of a decrease in construction activity and a loss of federal dollars, which is not expected to change in 2008. However, relatively high oil prices, a growing visitor industry, an expected retail boom, continued expansion in the international air cargo business, and Alaska's emerging mining industry will continue to benefit Anchorage's economy.

TSAIA will likely continue to see growth that has it ranked first in domestic and third internationally for air cargo shipments. Health care employment will continue to grow, but at a slower rate. Leisure and hospitality and retail will continue to expand with some new national retail stores, hotels and restaurants entering the Anchorage market. The oil industry will see moderate growth in 2008, which will in turn affect growth in oil support services, transportation, and business and professional services. Construction employment is expected to decline.

Anchorage will enjoy its 20th consecutive year of growth, adding 1,000 jobs to the local economy. The expected employment changes by sectors of Anchorage's economy are shown in the following graph.

Actual Growth in 2007 and Expected Employment Growth in 2008, by Selected Sectors



Other Sectors

Employment increases totaling 200 jobs will occur across the natural resource, utilities, information, financial activities, manufacturing, and "other services" sectors.

Military

Overall, troop levels in Anchorage have increased in the last six years after a long period of decline. In 2007, the number of troops at Fort Richardson reached the highest level since 1988. It is expected that troop levels will remain about the same in 2008. The return of 3,500 soldiers from Fort Richardson's 4th Brigade Combat Team (Airborne), 25th Infantry Division at the end of 2007 has had an impact on the Anchorage economy.