

2014

3-YEAR

ECONOMIC OUTLOOK

ANCHORAGE



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Anchorage Economic
Development Corporation

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ANCHORAGE

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2014

3-YEAR ECONOMIC OUTLOOK

ANCHORAGE

INTRODUCTION

Anchorage's economy continues on a trajectory of slow to moderate economic growth. Although total employment increased by just a few hundred jobs in 2013, the private sector added 1,100 jobs, and **mid-year indicators for 2014 point toward an additional 1,100 new private sector jobs by the end of the year.** With private sector job growth, continuing local population growth, rising total personal income, and an improving national economy, perhaps it should be no surprise that AEDC's 2014 Business Confidence Index (BCI) showed a strongly positive local business community for most measures of business confidence.

Declining government employment acted as a drag on the Anchorage employment picture in 2013, when public sector employment was down 800 jobs. That decline has continued into 2014, according to preliminary employment data. As a result, total job growth through the first six months of the year has been slower than expected, 0.4 percent, according to the Alaska Department of Labor and Workforce Development (ADOLWD), rather than the 0.8 percent estimated by AEDC last January. Nevertheless, strong economic activity over the summer could still push Anchorage job growth back to the higher growth rate.

This AEDC Three-Year Economic Outlook examines economic trends based on historical data, interviews with representatives of businesses and organizations in various sectors, and current events. It discusses trends in terms of eight key indicators: population, employment, personal income, air passenger and freight volumes, building permits, Port of Anchorage tonnage, visitor industry activity, and oil prices.

POPULATION

With nearly 2,600 new residents in 2013, Anchorage has passed the 300,000 mark in population. **The ADOLWD estimated Anchorage's population at 301,134 residents in 2013, 0.9 percent above 2012.**

“Natural increase” (births minus deaths) was the primary source of population growth in Anchorage. Last year (2013) was the third consecutive year in which fewer people moved to Anchorage than moved away (i.e., there was negative net migration). In contrast, the Mat-Su Borough remains the fastest growing region in Alaska with its highest level of net in-migration in four years. One component of Mat-Su's ongoing growth is likely Anchorage residents seeking more affordable housing than is available within the municipality (a trend identified in a 2011 housing study for the Municipality of Anchorage by McDowell Group).

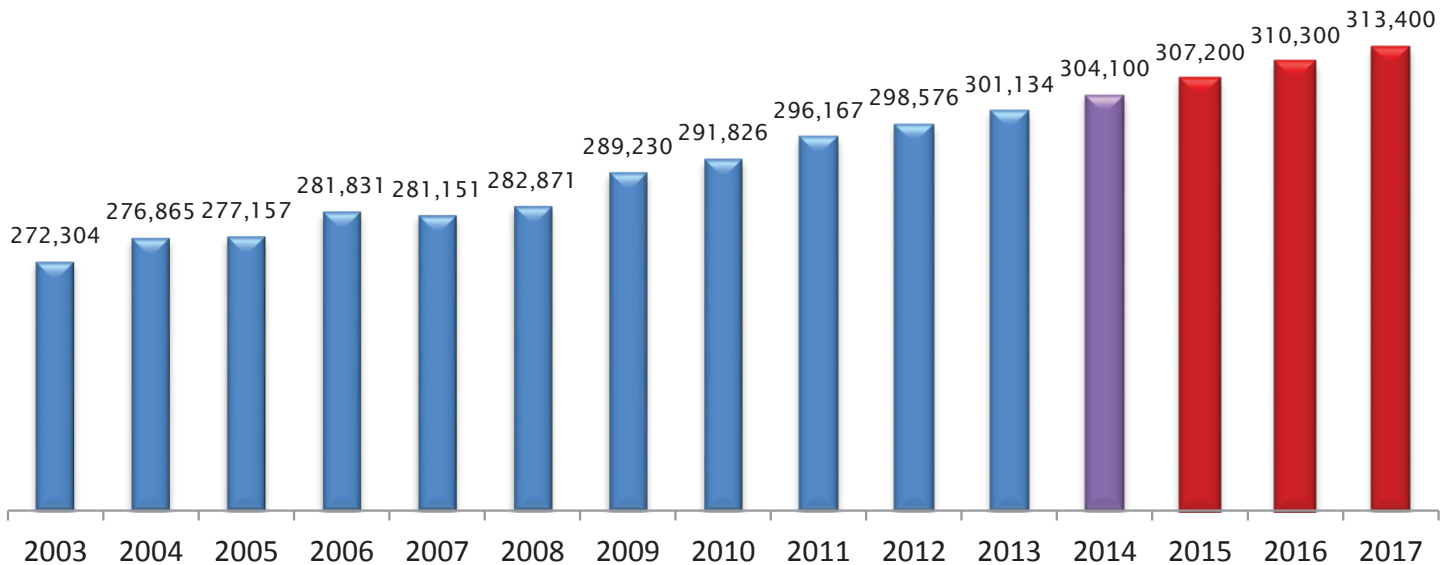
Another important population trend is that Anchorage,

like the rest of Alaska, continues to age. The Anchorage population over 65 has grown at 7.4 percent annually since 2010. Last year, this age group increased by about 1,500 people, nearly double the increase in those aged 20 to 64. A decade ago, seniors accounted for 5.5 percent of Anchorage's population. Today it comprises 8.7 percent. By 2022, nearly one in seven people (13.4 percent) are expected to be over 65. In addition to the unique role of seniors and senior income in the economy, demographic shifts in the workforce may challenge employers to find suitable replacements for retiring workers.



It is projected that Anchorage's population will continue to grow at a slow but steady pace of about 1 percent a year (roughly 3,000 new residents annually), again driven mainly by natural increase rather than in-migration, but also supported by growth in the job base.

ANCHORAGE POPULATION, 2000 - 2017



Source: U.S. Census, Alaska Department of Labor and Workforce Development, 2000-2013. McDowell Group estimate (2014) and forecast (2015-2017).

EMPLOYMENT

The Anchorage economy showed a net increase of just 300 jobs in 2013, well below forecasts. The private sector added 1,100 jobs in 2013. However, government employment as a whole declined by 800 jobs. An increase in State employment of 100 jobs was not enough to offset 400 fewer federal jobs and 500 fewer local government jobs. There are now 1,100 fewer federal employees in Anchorage than there were in 2010, an 11 percent overall decline.

Private sector job growth is encouraging, especially an 800-job (4 percent) increase in professional and business-services employment. Other growth areas in 2013 included the oil and gas sector and health care. Financial services and construction employment were down in 2013.

The latest data suggests slow net job-growth continuing into 2014, again the result of private business activity offsetting government-sector declines. Through the first six months of the year, Anchorage employment is approximately 600 jobs ahead of the same period in 2013. This reflects a drop in government employment of

600 jobs and private sector growth of 1,200 jobs.

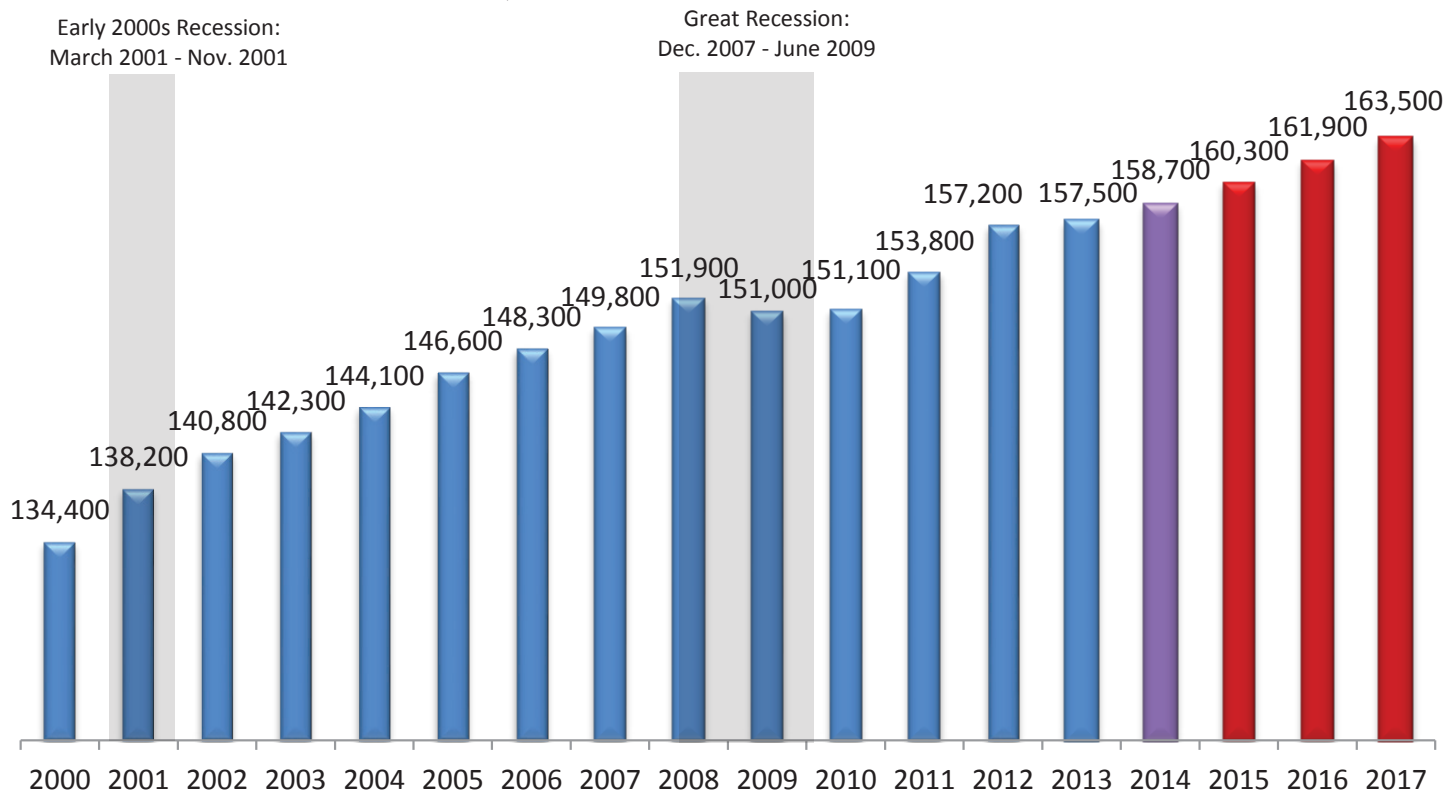
In its January jobs forecast, AEDC predicted 2014 would see relatively slow employment growth of about 0.8 percent (1,200 new jobs). The first six months of the year saw just 0.4 percent growth, suggesting that year-end employment may come in somewhat below expectations. However, summer employment activity could push the growth rate back to the forecast level. Anchorage's private sector typically adds 10,000 summer workers to its payrolls, with peak employment in July and August.

AEDC's previous three-year forecast was for employment growth of approximately 1.2 percent annually in 2015 and 2016.



Recent trends suggest a slightly slower rate of growth can be expected, in the area of 1.0 percent annually for the period 2015 through 2017. The good news is that employment should continue to expand, with the private sector more than counterweighting any further government sector declines, at least in the near term.

ANCHORAGE EMPLOYMENT, 2000 - 2017



Source: U.S. Census, Alaska Department of Labor and Workforce Development, 2000-2013. McDowell Group estimate (2014) and forecast (2015-2017). The dates and durations of recessions are from the National Bureau of Economic Research.

PERSONAL INCOME

Personal income is defined as total gross income (before taxes) from all sources earned or received by Anchorage residents. According to the most recent data available from the U.S. Bureau of Economic Analysis, personal income in Anchorage totaled \$16.3 billion in 2012, 4.5 percent more than in 2011.

Income from employment (totaling \$11.1 billion in 2012) accounts for about two-thirds of all personal income and grew 5.2 percent over 2011. Investment income, which includes dividends, rental income, and interest, was the fastest growing source of personal income, increasing by 6.7 percent in 2012. Since 2009, the average annual growth rate of investment income has been 7.6 percent. This is a function of both a recovering stock market (now at or near record highs) and a growing retiree population drawing income from savings and retirement plans.

In contrast to employment and investment income, government transfers decreased by \$29 million, or -1.3 percent. Government transfers include the Permanent Fund Dividend (PFD), Medicaid, Medicare and Social Security, among other payments from government to individuals. This is a volatile component of personal income, with year-over-year changes ranging

from -2 percent to +6 percent since 2001, even without considering the recession years.

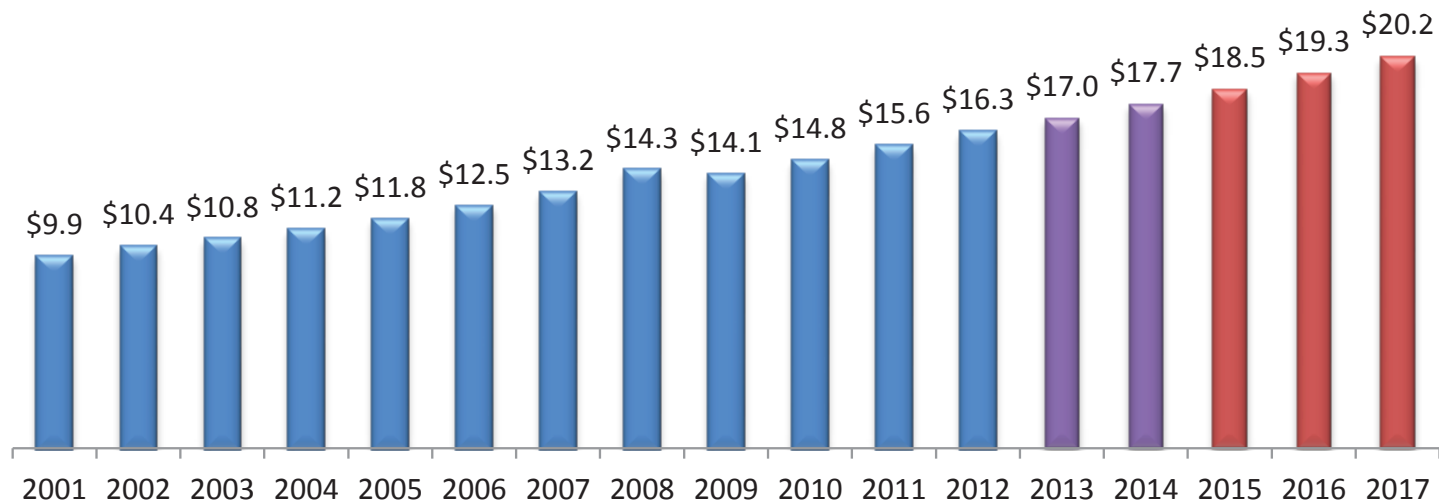
While local-level 2013 data is not yet available, statewide data indicates that Anchorage personal income likely surpassed \$17.0 billion last year. **Growth over the next three years is expected to average 4.7 percent annually. Beyond 2017, low unemployment rates and expected population growth should continue to drive personal income higher in Anchorage, though perhaps not at the same rate as in previous years.** Investment income from dividends is expected to maintain its current trajectory. Government

transfers should increase this year, as the 2014 PFD is expected to be substantially above 2013. The PFD is based on a five-year rolling average return on the Permanent Fund's investments. The dismal returns of FY2009 finally drop out of the five-year rolling average this year. The result should be a dividend perhaps 50 percent above last year (or more). If this October's PFD distribution were \$1,500,

that would mean \$180 million more than last year in total personal income for Anchorage residents. **Barring a sharp drop in the stock market, PFDs should remain relatively high over the next few years.**

+4.7%
ANNUAL
GROWTH RATE
2015-2017

ANCHORAGE PERSONAL INCOME, 2001 - 2017
(\$ BILLIONS)



Source: U.S. Bureau of Economic Analysis, 2001-2012. McDowell Group estimate (2013-2014) and forecast (2015-2017).

ANCHORAGE INTERNATIONAL AIRPORT

Two-thousand-thirteen was a mixed year for the airport. Cargo volume declined for the third year in a row, but the number of passengers increased. Passenger volume reflects tourism travel, local and state business activity, and residential travel. It includes counts of enplaning, deplaning, and in-transit passengers. Air cargo, which is dominated by cargo that transits through Anchorage en route to other destinations, responds directly to global economic conditions. **Both air passenger and air freight indicators are important measures of economic activity in Anchorage.**

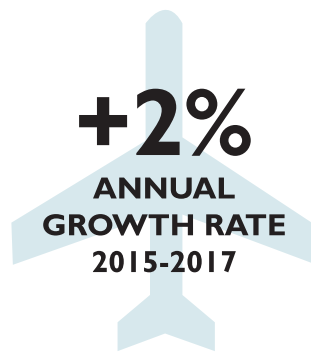
PASSENGER VOLUMES

Ted Stevens Anchorage International Airport (ANC) passenger volumes totaled slightly less than 5.1 million passengers in 2013, 2.7 percent above 2012. The growth in 2013 marked a turnaround from the -2.6 percent decline in passenger traffic experienced in 2012.

Like many sectors of Alaska's economy, demand for air travel is seasonal. The summer months (June through August) see nearly twice as many people passing through Anchorage's airport as in the winter season (December through February). Air travel for the 2013 summer season was up 5.9 percent compared to summer 2012, to 1.9 million passengers, the most since summer 2008.

The growth trend that began last year has continued

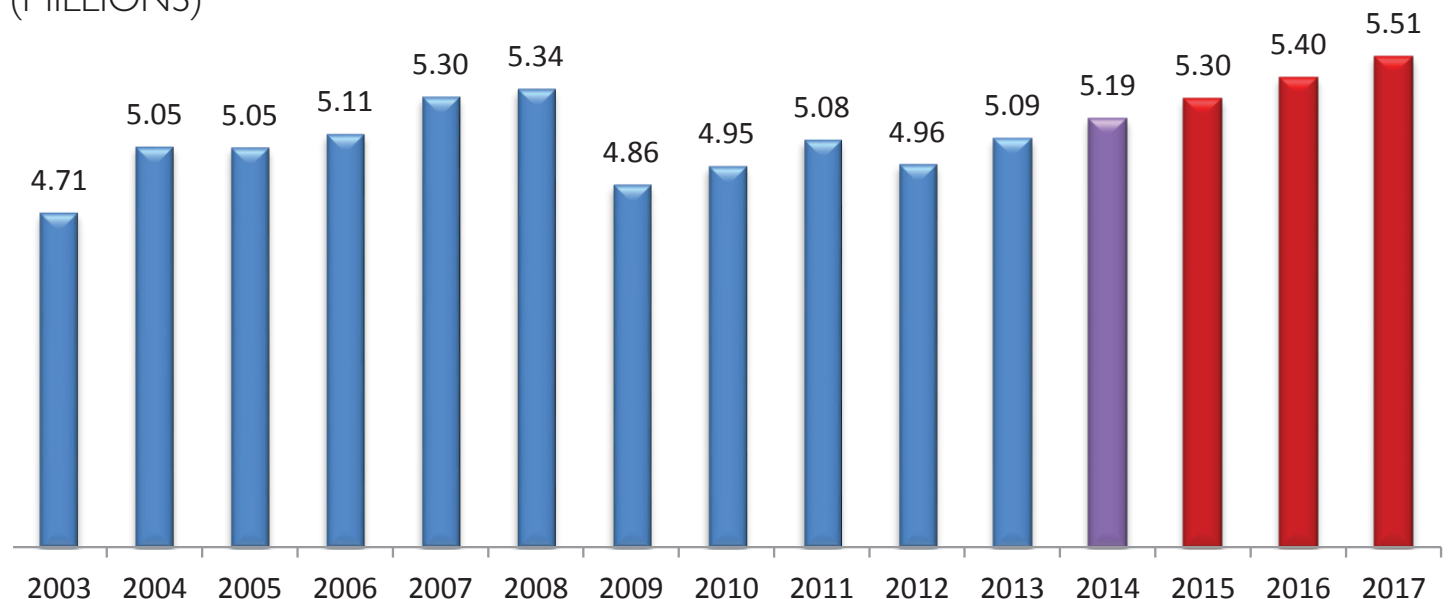
into 2014. First quarter 2014 passenger traffic was 4 percent above first quarter 2013. However, while an increase in traffic is expected for 2014, growth may be muted slightly due to an expected decline in cruise passenger traffic to Alaska (many passengers cruise one way and arrive or depart Alaska by airline).



AEDC expects 2014 air passenger traffic to be about 2 percent above 2013, and anticipates that same rate of growth for the 2015

to 2017 period, reaching an annual 5.51 million passengers in 2017, which would surpass the pre-recession peak of 5.34 million passengers in 2008.

AIR PASSENGER VOLUME, 2003 - 2017
(MILLIONS)



Source: Ted Stevens Anchorage International Airport, 2003-2013. McDowell Group estimate (2014) and forecast (2015-2017).

AIR FREIGHT VOLUMES

ANC remains the second busiest cargo airport in the U.S. in terms of weight landed. In 2013, it slipped to sixth place internationally behind the fast-growing Dubai International Airport and slightly ahead of Louisville International Airport. In 2013, 2.67 million short tons of cargo moved through the airport, a decline of 1.7 percent from 2012 and a 5.8 percent decline since the post-recession peak of 2.83 million tons in 2010. The number of cargo landings was down 3.3 percent to 35,545 in 2013 compared to 36,772 in 2012.

Since the end of the 2008-2009 recession, the weight of cargo carried per flight has increased steadily, from 133,000 pounds per landing in 2010 to 154,000 pounds in the first quarter of 2014. As larger and more efficient planes enter the market, the freight-weight per landing is expected to continue increasing.

Air freight statistics for ANC include deplaned, enplaned, and transit cargo. Transit cargo accounts for about three-quarters of all air freight. During the first quarter of 2014, transit cargo moving through ANC was 6.2 percent above first quarter of 2013. Meanwhile, deplaned

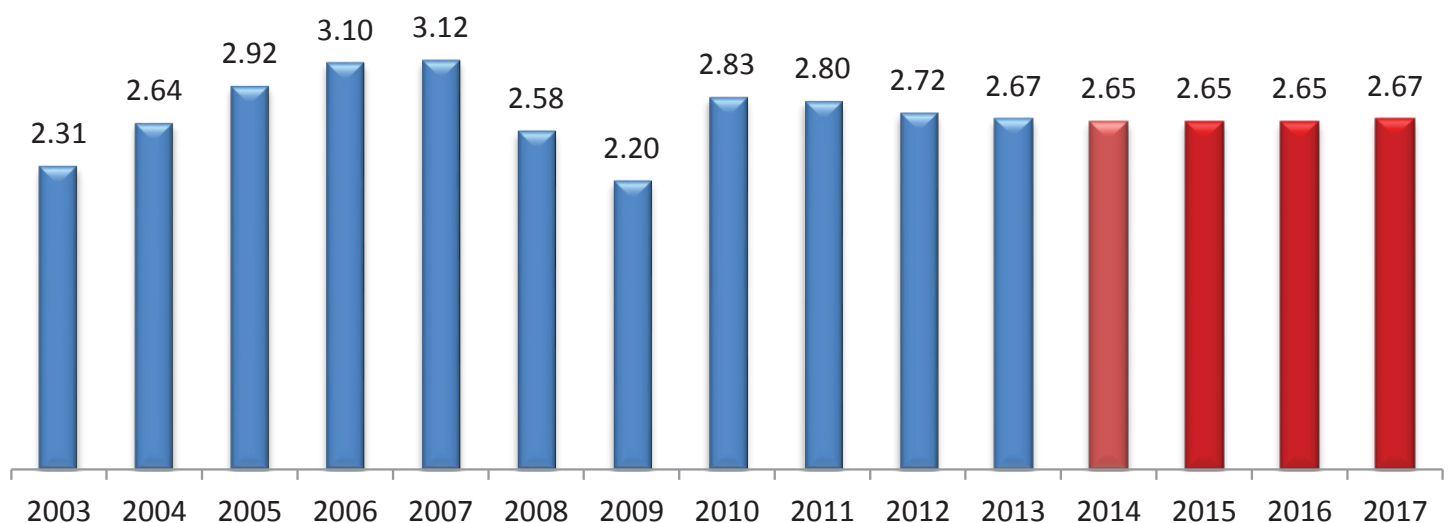
and enplane cargo combined was down 17 percent. Overall, the total cargo volume was down 0.5 percent for the quarter. Based on first quarter trends, 2014 cargo volume will end slightly below 2013.

The World Bank is forecasting global GDP growth of 1.9 percent in 2014, 2.4 percent in 2015 and 2.5 in 2016. This growth will occur predominantly in high-income countries and strong emerging economies like India and Indonesia. Growth globally leads to more international trade and potentially more air freight activity through ANC.

AEDC anticipates that air freight volume in 2015 and 2016 will be at about the 2014 level of about 2.65 million tons. General improvement in domestic and international economic conditions should stem the slow decline in airfreight volume experienced over the past several years, and by 2017 move into a trend of slow growth. The 2017 forecast is for a total of 2.67 million short tons of air freight moving through ANC.



AIR FREIGHT VOLUME, 2003-2017
(MILLION SHORT TONS)



Source: Ted Stevens Anchorage International Airport, 2003-2013. McDowell Group estimate (2014) and forecast (2015-2017).

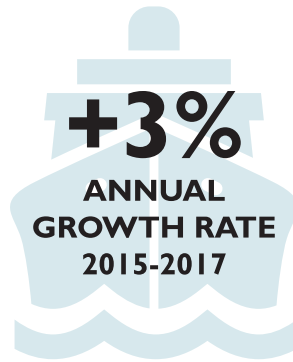
PORT OF ANCHORAGE FREIGHT VOLUME

Total freight moving through the Port of Anchorage in 2013, including container freight and petroleum products, was 3.4 million tons, down 9.2 percent from 2012. The decline in POA freight weight was due to reduced volume of petroleum products. However, closure of the Flint Hills refinery this summer, will result in more petroleum products flowing through the port from sources outside Alaska. Petroleum product tonnages have declined steadily since a 2005 peak of 2.88 million tons, which was 56 percent of total freight. In 2013, petroleum products totaled 1.5 million tons, representing 45 percent of total freight. Containers made up 51 percent of total freight in 2013. The remaining freight including bulk cement, iron, steel and other goods, account for about four percent.

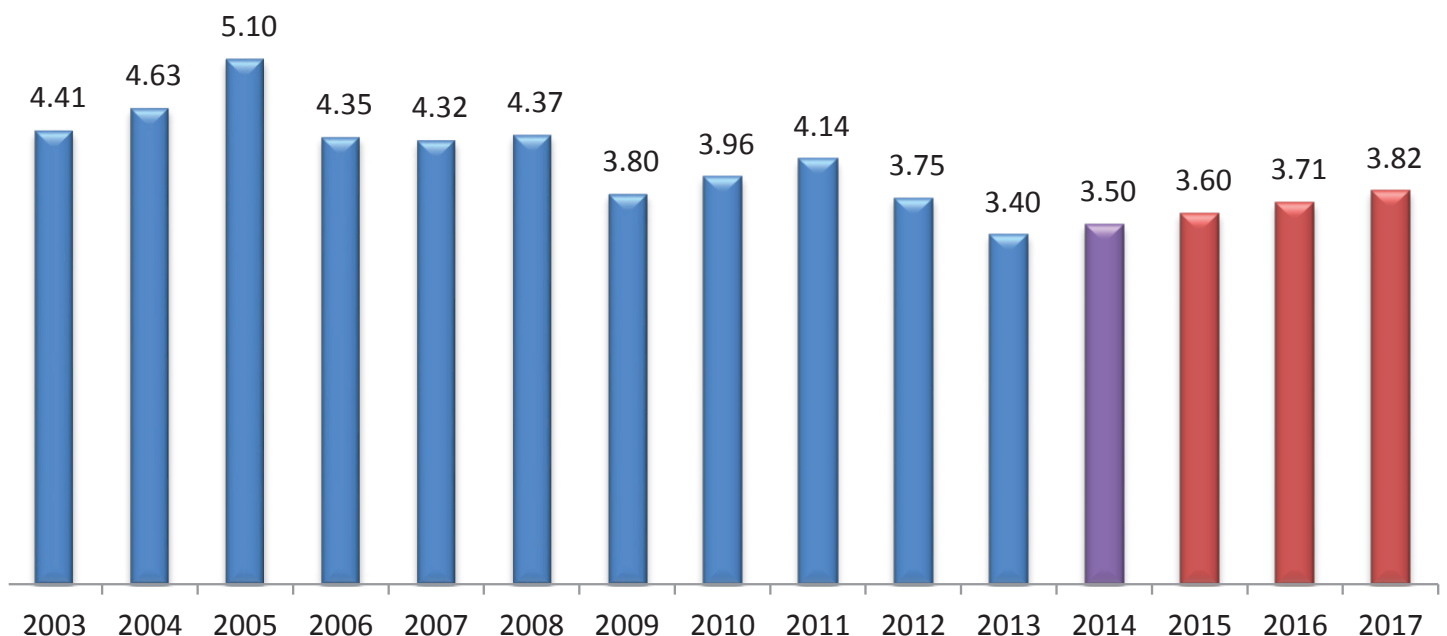
Generally, container freight, alone, provides a good barometer of overall local economic activity. It captures residential, commercial, and industrial products used in all sectors of the economy but is not skewed by vari-

able petroleum production and supply. Over the last five years, container freight has oscillated around an average of 1.7 million tons. Last year was the second consecutive year of growth, with volumes exceeding the five year average. AEDC expects container weight to increase slowly over the next three years, along with the local economy, growing to 1.75 million tons in 2017.

While the Port of Anchorage remains the dominant transshipment point for goods entering and leaving Alaska and Anchorage, it is important to note that Anchorage goods are also shipped through Whittier and Seward, via ground transport on the Alcan Highway, and by air through Ted Stevens Anchorage International Airport. **While competitive forces may have a bearing on the volume of freight through the port, AEDC nevertheless forecasts a 3 percent annual increase in total freight through the Port of Anchorage over the next three years from 3.5 million tons (2014) to just over 3.8 million tons (2017).**



PORT OF ANCHORAGE VOLUME, 2003-2017
(MILLION SHORT TONS)



Source: Port of Anchorage, 2003-2013. McDowell Group estimate (2014) and forecast (2015-2017).

BUILDING PERMIT VALUES

The value of building permits issued by the Municipality of Anchorage provides a partial measure of construction activity in Anchorage. Building permits are categorized into residential, commercial, and government facility construction; the data does not include military construction and road construction projects. Building permit values are a measure of the anticipated cost of the construction project. Actual construction spending may be higher or lower than anticipated.

Residential, commercial, and government building permits combined totaled \$631 million in 2013, jumping 41 percent from 2012. The year 2013 marked the fourth consecutive annual increase in total building permit values. Permit values bottomed in

2009 at \$395 million.

Residential building permit values (not including townhouses, condominiums, and apartment buildings, which are counted as commercial) increased 13 percent in 2013 (\$169 million) com-

pared to 2012 (\$150 million). Commercial building permit values were up 50 percent between 2012 (\$250 million) and 2013 (\$376 million). Government construction permit values showed an increase of 80 percent from 2012's \$48 million, rising to \$87 million in 2013.

Approximately \$369 million in construction was permitted during the first six months of 2014, down 4 percent from \$385 million during the same period in 2013, though the data is mixed across the three construction sectors. Residential building permit values up 16 percent (from \$92 million in 2013 to \$107 million in 2014), commercial permit values fell 23 percent (from \$247 million to \$190 million), and government permits increased 56 percent (from \$46 million to \$72 million). It is important to note that government permit figures provide only a partial measure of government construction spending, as transportation and military projects are not included.

According to Alaska Housing Finance Corporation (AHFC) data, Anchorage's 2014 year-to-date rental housing vacancy rate is 3.2 percent, just slightly lower than the 3.3 percent recorded in 2013. Of the 10 areas surveyed by AFHC, Anchorage had the lowest vacancy rate in the Alaska.

A few of the larger commercial and government building permit application values during the first six months of 2014 include: ML&P Plant (\$18 million), Girdwood School (\$12 million), Home2Suites (\$12 million), The Residences at Northwood (\$5 million), Dimond Center (\$4 million), and Eklutna Water Treatment Plant (\$3.5 million).

AEDC estimates that Anchorage will end 2014 with combined building permit valuations about 3 percent above the 2013 level. **From 2015 to 2017 total building permit values are expected to increase at annual rate of about 5 percent annually. This rate of growth is premised on continuing private sector investment in Alaska's oil and gas industry.**

+5%
ANNUAL
GROWTH RATE
2015-2017



BUILDING PERMIT VALUES

BUILDING PERMIT VALUES, 2003-2017
(\$ MILLIONS)



Source: Municipality of Anchorage, 2003-2013. McDowell Group estimate (2014) and forecast (2015-2017).

VISITOR INDUSTRY

Alaska's visitor industry has recovered strongly from the recession-era slump. In fact, **Alaska saw more visitors during the 12-month period from May 2012 through April 2013 (1.97 million) than at any other time in history**, beating the previous record from 2007-2008 by more than 5,000 visitors, according to the Alaska Visitor Statistics Program (AVSP). The summer of 2013 saw growth in all three transportation markets: cruise and air volume were both up by 7 percent, while highway/ferry volume was up 8 percent. Overall, summer 2013 volume was up by 7 percent, while fall/winter 2013-14 volume increased 4 percent. Full-year volume was 6 percent higher than the year before.

Anchorage saw particularly strong visitor-industry indicators for the summer of 2013, with outbound domestic enplanements (airplane passengers exiting Alaska from Anchorage on domestic flights) up by 9 percent. The addition of a new airline to Anchorage (Virgin America),

as well as increased capacity by several airlines (JetBlue, United and Delta), contributed to the strong increase in Anchorage enplanements and reportedly led to "fare wars." International enplanements at the Anchorage airport were also up, by 10 percent. Declines in Japan Airlines, Condor, and Korean Air volume were more than offset by the addition of new flights from Iceland Air.

The fall/winter period refers to October through April. Although only 14 percent of Alaska's out-of-state visitors arrive during the fall/winter season, 73 percent of these visitors travel to Anchorage (compared to 56 percent in summer).

Anchorage-specific indicators for fall/winter of 2013-14 include a 4 percent increase in outbound domestic enplanements. While international enplanements were down 32 percent, this only represents a loss of about 100 passengers. Anchorage's sole international carrier in the fall/winter is Condor, which wraps up its summer season in early October. Fairbanks now receives nearly

VISITOR INDUSTRY CONT.

all Alaska's fall/winter international airline traffic. These figures do not reflect Anchorage's overall international visitor market. Most of Alaska's international visitors travel by domestic, rather than international, air.

Visitor-related tax revenues were higher across the board for Anchorage in summer 2013: bed tax revenues increased by 4 percent, vehicle tax revenues by 8 percent, and RV tax revenues by 17 percent. Visitor-related tax revenues for fall/winter 2013-14 changed little from 2012-13. The only market showing a significant drop in 2013-14 was convention attendees. Visit Anchorage reported an 11 percent decrease for fall/winter 2013-14.

New entries expected into the hotel market include the 121-room TownePlace Suites and 135-room Home2 Suites in mid-town, as well as 170-room hotel planned for the Alaska Native Medical Center Campus.

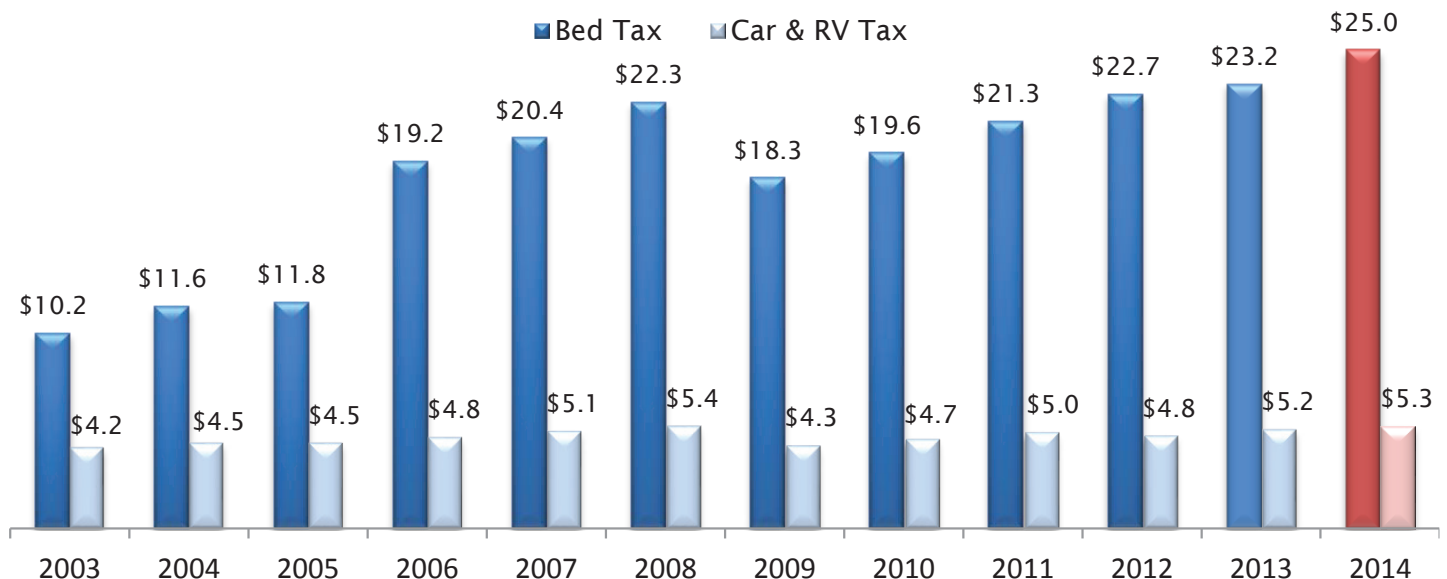
It may be difficult to sustain another year of growth in Alaska's visitor industry. Even with four dockings of Holland America's Amsterdam in Anchorage, overall cruise passenger volume is projected to decrease 3 percent in summer 2014. The air and highway/ferry markets will have to perform well in order to make up for the loss of cruise passengers, who represent 51

percent of Alaska's year round visitors. However, Visit Anchorage reports positive early indicators for the 2014 season, with hotel stays and revenue up in May, and looks for continued growth throughout the summer. Visit Anchorage is also expecting a strong fall convention season. For example, the International Epidemiological Association, International Shotokan Federation, and Council of State Governments will be meeting in Anchorage in 2014.

Nationwide projections for the 2014 domestic-travel industry are generally positive. Compared to May 2013, consumer confidence and employment are both higher. The Traveler Sentiment Index has increased steadily since early 2012. **As of May 2014, domestic travel is projected to grow by 1.7 percent in 2014 and 1.7 percent in 2015. Meanwhile, international travel to the U.S. is projected to increase at a faster rate: by 3.5 percent in 2014 and 4.1 percent in 2015.**

Given current visitor activity, new room inventory, and room rates, AEDC predicts a 7.6 percent increase in bed tax revenues and a 3 percent increase in car/RV rental tax revenues in 2014.

ANCHORAGE BED TAX + CAR/RV RENTAL TAX, 2003-2014
(\$ MILLION)



Source: Municipality of Anchorage, 2003-2013. McDowell Group estimate (2014).

OIL PRICES

Volatility in Alaska North Slope (ANS) oil prices during 2013 was relatively low compared to 2012. Monthly prices in 2013 had a spread of \$11, ranging from \$101 to \$113 per barrel. In 2012, the spread was \$25 (\$98 to \$123 per barrel).

Prior to 2011, ANS prices tracked closely with West Texas Intermediate (WTI) and Brent crude oil prices. Brent crude, extracted from the North Sea, is considered the international benchmark price while WTI is the US benchmark price. As these prices were historically very close and strongly correlated, a forecast for one was effectively a forecast for all. However, in recent years there have been periods of divergence between ANS, WTI and Brent prices. A key factor in this disconnect was the surge in production in the Lower 48. Overall in 2013, WTI averaged \$98 per barrel, Brent was \$109, and ANS was \$108.

Potential policy changes may also impact pricing. Recent policy changes in the U.S. and Canada may make it more likely that construction of the Keystone, Northern Gateway, and Line 9 pipelines will occur, possibly as early as 2015. In addition, efforts to relax the 40-year export ban and allow crude producers to sell at international prices, if implemented, will further shrink the gap between WTI and Brent.

The Energy Information Agency forecasts WTI and Brent benchmark prices out to 2015. **WTI is forecast to average \$99 per barrel in 2014 and \$91 in**

2015. Brent is forecast to average \$108 per barrel and \$102 respectively. Relative to 2013, this is a 7.2 percent total decrease in WTI prices and a 6.1 percent decrease in Brent prices. **Alaska's Department of Revenue forecasts ANS prices to be \$107 per barrel in 2014, \$105 in 2015, \$108 in 2016 and then \$110 by 2017.**

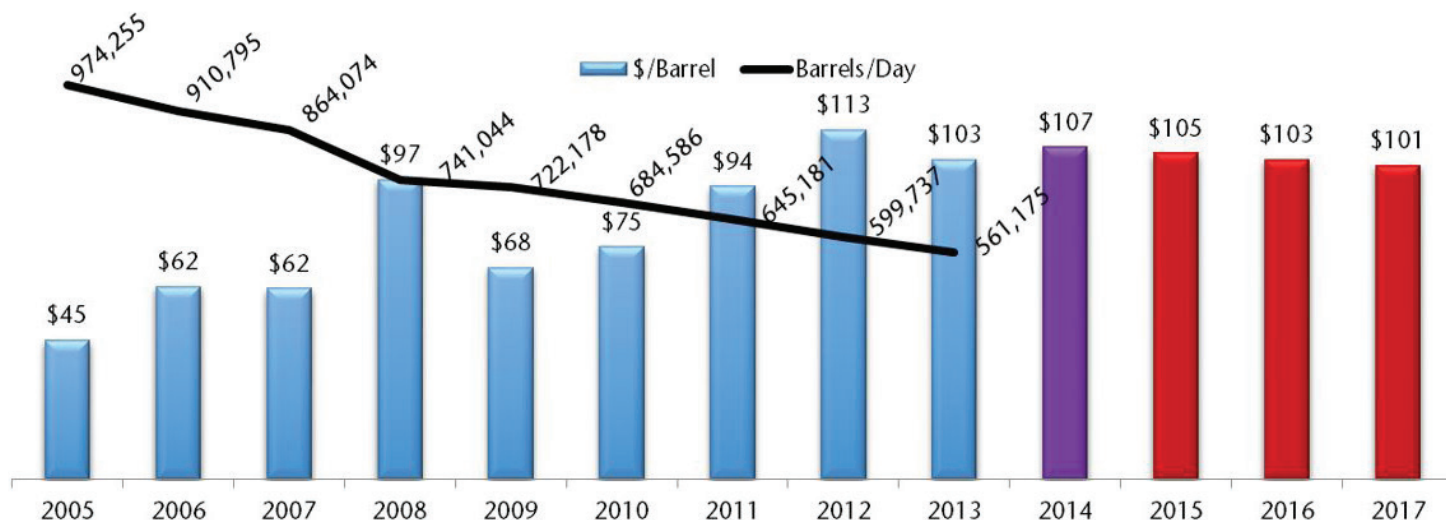
Price forecasts for 2014 were relatively stable until June when ISIS seized Mosul, Iraq's second biggest city. This triggered a sustained \$2 jump in oil prices. As of July, Iraq's oil production is reportedly back to normal, but instability remains as violence in the region continues.

Taking all these factors into consideration, **the forecast for ANS in 2014 is \$107 followed by \$105 in 2015, \$103 in 2016 and \$101 in 2017.** As usual, however, global oil prices will be subject to political unrest and economic uncertainty in regions that produce oil, so potential for upside swings in prices is ever-present.

Of course oil prices are only part of the story. Since peaking in 1988 at just over 2 million barrels per day, Alaska oil production has declined to about one-quarter of that level today. However, the rate of decline has flattened somewhat recently. Total production through the first five months of 2014 was down only 0.1 percent from the same period in 2013 and in fact both April and May 2014 production were above production in the same months of 2013.



ALASKA OIL PRODUCTION AND PRICES, ANS WEST COAST \$ PER BARREL AND THOUSANDS OF BARRELS PER DAY, 2005-2017



Source: Alaska Department of Revenue, 2005-2014.

CHALLENGES AHEAD

Looking ahead, Ballot Measure 1, a referendum on Alaska's oil and gas production taxes, looms large as a potential turning point for industry investment in Alaska. Alaska's economy is substantially dependent on oil and gas industry employment, spending, and revenues to support state and local government operations. **In fact, more than 110,000 Alaska jobs in the public and private sectors are tied to the oil and gas industry.** Oil and gas industry spending in Alaska's private sector accounts for more than 30,000 jobs in Anchorage; and thousands more jobs are created in the Anchorage economy as a result of state spending of oil-related taxes and royalties. Alaska's economy is currently enjoying renewed oil and gas industry investment, largely as a result of a more competitive tax regime. **The August 19 vote could mark a step toward further investment in the industry that supports much of Alaska's economy, or a return to the path where there is little hope of slowing the steady decline in Prudhoe Bay oil production and state revenues.**

As a result of more oil and gas industry spending, and other positive forces in the local private sector economy, **Anchorage remains on a track of slow economic expansion.** In addition to an expanding population, employment, and personal income base, another indicator of a healthy economy is Anchorage's June 2014 unemployment rate of 5.6 percent, well below the national and Alaska rates of 6.3 and 6.8 percent, respectively. For the first six months of the year, unemployment in Anchorage averaged about 5.3 percent. **The local unemployment picture so far in 2014 fairly characterizes a nearly "full employment" economic environment.** Unemployment has not been consistently below 5 percent in Anchorage since 2007, when it averaged 4.9 percent, and before that in the 1998 through 2001 period, when it ranged between 4.3 percent and 4.9 percent.

As always, uncertainty is an ingredient in the recipe for Anchorage's economic outlook. In addition to the production and revenue implications of Ballot Measure 1, development of a gas pipeline may also be at stake. Other sources of uncertainty include government spending and employment. Declining government employment has acted as a drag on Anchorage job growth over the

past several years. Whether the decline in government (especially federal employment) continues into next year and beyond remains to be seen.

Other key aspects of the Anchorage economy to watch closely include airport cargo volumes. Capacity and efficiency improvements are placing more freight on each plane but reducing the number of landings. Still, projected global economic growth over the next several years should gradually put ANC back on a growth track. Airport activity accounts for one in ten jobs in Anchorage.

Retail sector employment in Anchorage has spiked to all-time highs in 2014, with the addition of several new large national retail establishments. It will be interesting to see if those gains persist or if the new competition takes a toll on employment in other stores.

Cost of living is an ever-present concern in the Anchorage economy, particularly the cost (and availability) of housing. It's unclear how much of a constraint Anchorage's tight housing market is on population growth and business investment, but evidence suggests the local economy is not realizing its full potential because of the housing situation.

All things considered, we may well look back on 2014 as turning point for the Anchorage economy. Clearly, the military, tourism, transshipment, and Anchorage's role as the state's service and supply center will continue to be important economic drivers in the city's economy. **But the trajectory of Alaska's oil and gas industry, and the jobs and revenue it creates for Alaska, may be the single most important force in the Anchorage economy over the next three years, and beyond.**

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