




ECONOMIC 2017 FORECAST

ANCHORAGE

30th
AEDC
Anchorage Economic
Development Corporation

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Report compiled by McDowell Group. The 2017 Economic Forecast examines recent economic trends, analysis of a wide range of economic and business activity indicators, interviews with representatives of businesses and organizations in various sectors and current events to gain an understanding of forces likely to be shaping business conditions affecting job growth in Anchorage in 2017.

Report released Feb. 1, 2017 at the AEDC Economic Forecast Luncheon.

To view more AEDC reports, go to www.AEDCweb.com.

NOTE ON SOURCE OF EMPLOYMENT DATA

This employment forecast is based on historical and (preliminary) 2016 data produced by the Alaska Department of Labor & Workforce Development (DOLWD). DOLWD data includes full-time and part-time jobs by place of work, but excludes uniformed military personnel, business owners, the self-employed, unpaid family help, private household workers and seafood harvesters.

2017 ECONOMIC FORECAST for Anchorage:

— *1.4% decline* —

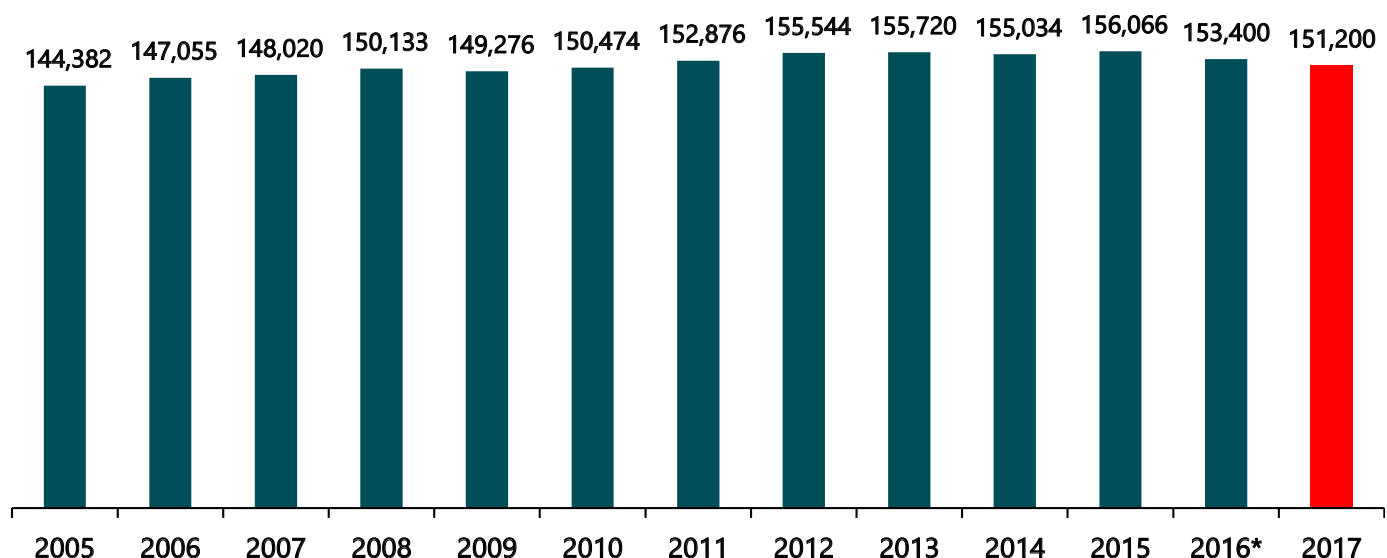
In its January 2016 forecast AEDC predicted Anchorage would lose about 1,600 jobs as the effect of declining oil prices rippled through the economy. Though the final numbers aren't out yet, actual job loss in 2016 is estimated at about 2,700 jobs, or about 1.7 percent of Anchorage's wage and salary employment. The oil and gas industry, construction, professional services, and state government all took employment hits in 2016. Once again health care was a bright spot in the local employment scene.

AEDC expects the Anchorage economy to shed another 2,200 jobs in 2017, or 1.4 percent. The professional and business services sector are likely to experience some further decline, as will the construction industry and state government. Anchorage might also expect some decline in the support sector, as the multiplier effects of reduced oil industry and state government spending ripple through the economy. Continued growth in health care will offset some of the decline, as will a strong tourism season.

Though employment may be trending down to a seven-year low, Anchorage's population held steady in 2016 (when decline was expected), unemployment rates remain at generally low levels, and business confidence is surprisingly high. These and other factors illustrate underlying resilience in the local economy and leave room for cautious optimism.

ANCHORAGE EMPLOYMENT

2004 - 2016, 2017 FORECAST



* Estimated based on preliminary 2016 numbers. All figures for the calendar year based on monthly averages.

Sources: Alaska Department of Labor and Workforce Development and McDowell Group

EMPLOYMENT BY SECTOR

at a glance

OIL & GAS *-200*
HEALTH CARE *+400*
TRANSPORTATION *-200*
PROFESSIONAL &
BUSINESS SERVICES *-400*
CONSTRUCTION *-400*
LEISURE & HOSPITALITY *-300*
RETAIL TRADE *-400*
FINANCIAL ACTIVITIES *-200*
GOVERNMENT *-300*
OTHER SECTORS OF THE
ANCHORAGE ECONOMY *-200*

ANCHORAGE POPULATION +323

In 2016, Anchorage's population totaled 299,037 residents. After peaking at 300,957 residents in 2013, and losing 2,243 residents through 2014 and 2015, the city's population increased by 323 in 2016, the sum of births (+4,572), deaths (-1,673), and net migration (-2,576). In 2017, AEDC expects Anchorage to lose 1,500 residents (a 0.5 percent decline), as job losses result in additional out-migration.

Since 2010, Anchorage has added slightly more than 28,000 residents through births, lost 9,400 residents from deaths, and experienced a net loss of 12,700 residents due to out-migration. Anchorage has lost a net loss of 1,920 residents (0.6 percent) since the 2013 peak.

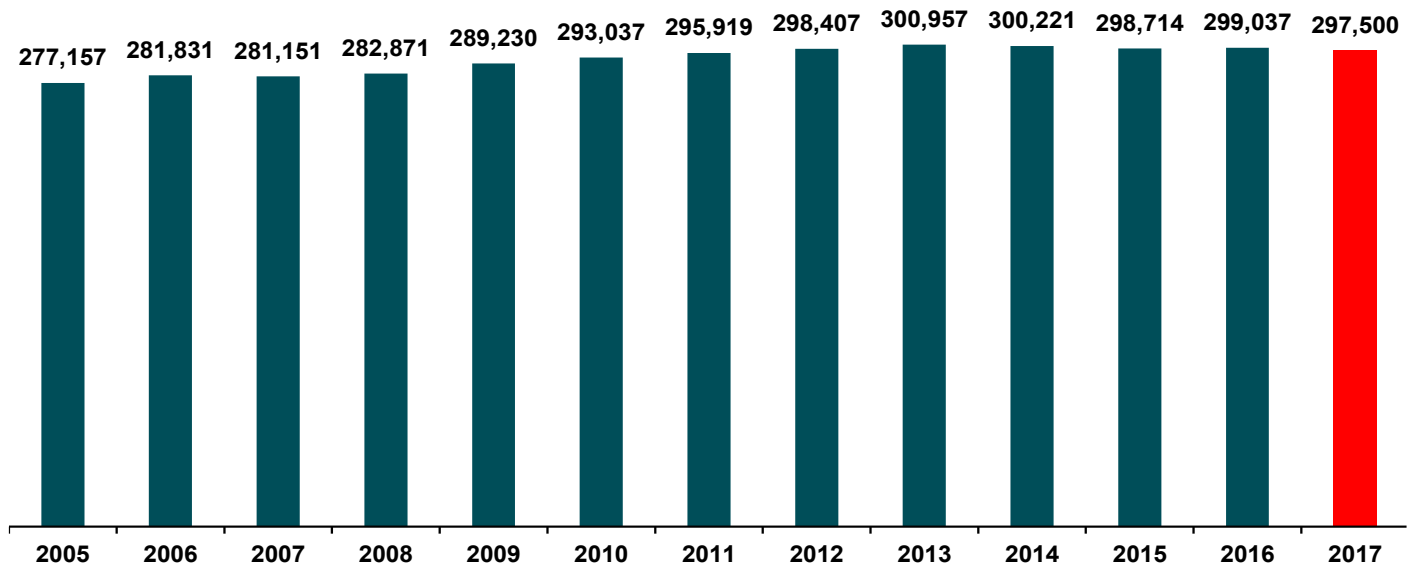
Peak Anchorage in-migration is occurring among individuals in their mid-20s, often coming from other Alaska communities as well as other areas. Peak out-migration is occurring with individuals in their late-teens/early 20s as they leave the state for school or work.

In 2016, Alaska's population continued to slowly grow, expanding by 2,645 residents, or 0.4 percent. The Mat-Su Borough added 2,646 residents to a total of 102,598 (growing past the 100,000 threshold for the first time). Population expanded 2.6 percent in the Mat-Su, higher than the area's five-year average annual rate of 2.2 percent. The Kenai Peninsula Borough added 376 residents (0.7 percent), and the Fairbanks North Star Borough increased by 295 residents (0.3 percent).

A variety of factors prompt Anchorage residents to leave. Individuals may be attracted to the Lower 48's relatively strong economy, particularly if they have lost their job or anticipate downsizing in their industry. Other residents may be attracted to other areas in Alaska, particularly the Mat-Su Valley with its more affordable housing options. Retirees (age 60+) also leave Anchorage at a higher than average rate as they seek warmer climates or be closer to family.

Population growth in Anchorage will continue to be slowed by an aging demographic. Alaska Department of Labor and Workforce Development long-term projections indicate the population of those age 65+ is anticipated to increase more than 30 percent between 2017 and 2022. Over the same period, the total population between ages 20 and 64 is anticipated to decline slightly.

ANCHORAGE POPULATION 2004 – 2016, 2017 FORECAST



*Estimate based on preliminary 2016 numbers.

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

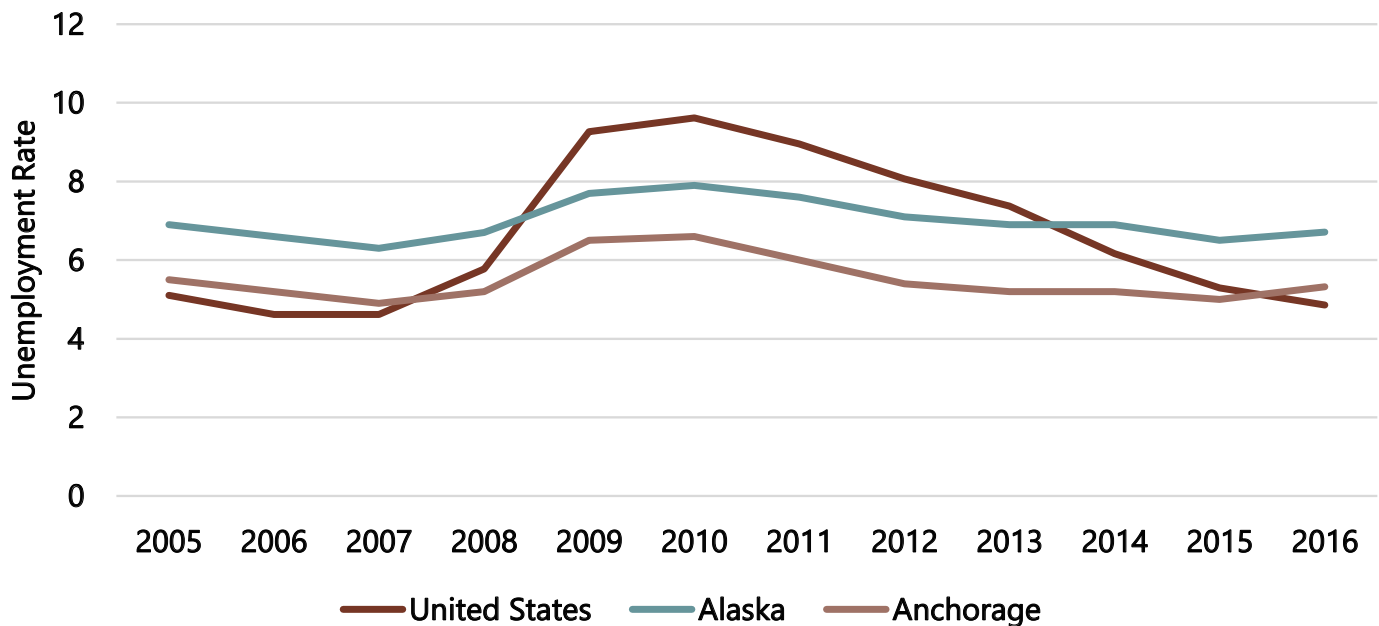
ANCHORAGE UNEMPLOYMENT

While the Anchorage economy has lost jobs, the unemployment rate remains low, averaging 5.3 percent in 2016, slightly above 2015's rate of 5.0 percent. The current rate is lower than the ten-year average rate of 5.6 percent. With approximately 153,400 jobs in the Anchorage economy, a 5.3 percent unemployment rate suggests approximately 8,100 people are seeking employment.

Unemployment in Anchorage has not increased at a rate commensurate with employment losses for several reasons. Some job cuts were handled through attrition (retirees leaving the labor force) or transfers out of state, residents may have moved out of state after losing their Anchorage job (though population numbers suggest this is not a big factor), and some of the eliminated positions were held by non-residents. In 2014, approximately 14 percent of jobs in Anchorage were held by nonresidents.

For the first time since 2007 the national unemployment rate is lower than Anchorage's, marking a return to historical trends. The "great recession" of 2008/2009 pushed the national unemployment rate from 5.8 percent in 2008 to a peak of 9.6 percent in 2010, well above the Alaska rate. During this time, the Alaska and Anchorage rate grew by 2.7 and 1.4 percentage points (to reach 7.9 percent and 6.6 percent), respectively.

ANCHORAGE, ALASKA & U.S. UNEMPLOYMENT RATE (%) 2004-2016



Note: Rates not seasonally adjusted.

Source: Alaska Department of Labor and Workforce Development and the U.S. Bureau of Labor Statistics.

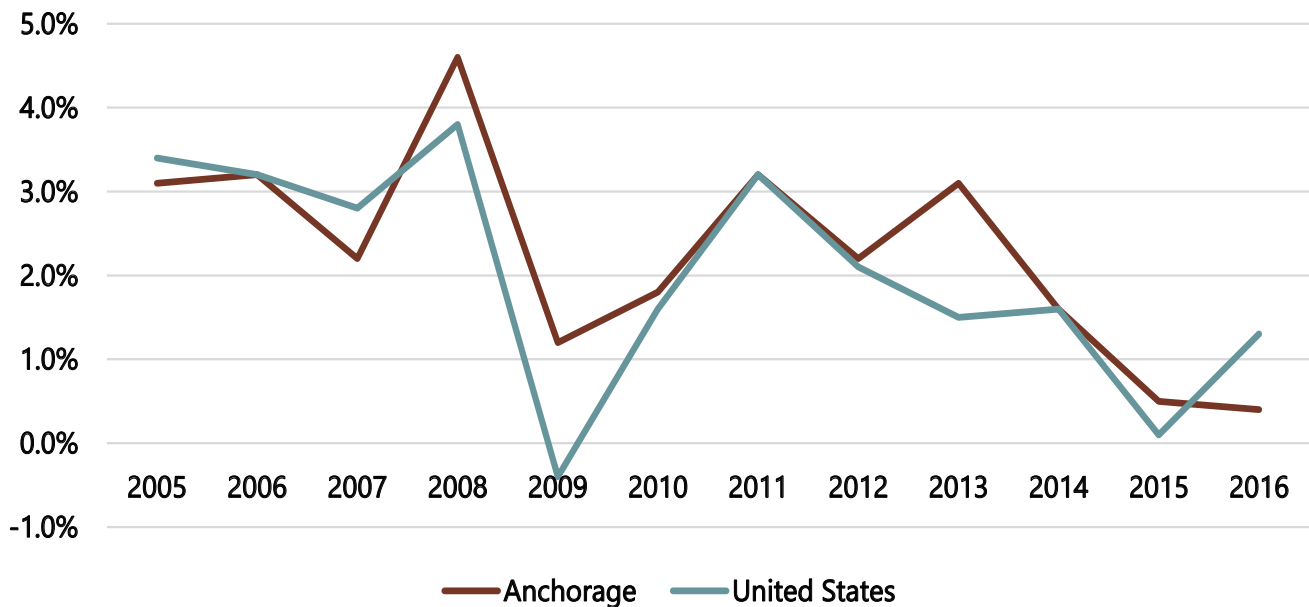
ANCHORAGE INFLATION RATE

In 2016 prices in Anchorage increased at the lowest rate since 1988, rising just 0.4 percent. The Consumer Price Index (CPI) covers a large basket of goods and services, including food, medical care, energy, shelter, and other common expenditures.

The overall CPI measure for Anchorage in 2016 includes a mixed bag of rising and falling prices. Prices increased for natural gas (+8.7), medical care (+4.8 percent), electricity (+5.0 percent), shelter (+0.9 percent), and household furnishings (+1.6 percent). These increases were tempered by a significant decline in gasoline (-11 percent), food (-1.2 percent), and education and communication (-0.4 percent) expenses.

Anchorage prices have increased at an annual average rate of 2.3 percent since 2005. AEDC expects inflation in 2017 to continue trending below the 10-year average, primarily a result of continuing low fuel prices.

ANCHORAGE AND U.S. CONSUMER PRICE INDEX ANNUAL AVERAGE CHANGE, 2004 – 2016



Note: 2016 figures are through the first half of the year. Source: U.S. Bureau of Labor Statistics.

OIL & GAS -200



In response to more than a 50 percent decline in oil prices since 2014, oil companies quickly sought ways to increase efficiencies and lower costs, including reduction in personnel costs. Between 2015 and 2016, Anchorage's oil and gas employment declined by 18 percent (from 3,800 to 3,100 jobs) to levels last seen in 2011. That includes the loss of 400 jobs when Shell closed its Anchorage operations. While some additional employment losses are expected in 2017 (approximately 200 jobs), AEDC believes the sector's adjustment to the "new normal" oil price environment is largely complete.

While oil prices have rebounded over the past year, and are expected to hover in the \$50-\$60 per barrel range over the next couple years, little if any employment rebound is expected in Alaska. While lower-cost oil fields such as those found in Texas may be able to profitably produce oil at \$40 or \$50 per barrel, higher exploration and production costs in Alaska may constrain recovery until prices rise further.

Other factors affecting investment include Alaska's uncertain tax policy. The industry is closely watching the legislature's efforts to address Alaska's budget shortfall and how taxes and tax credits fit into the plan.

Though oil and gas industry activity has slowed, there is reason for optimism. Armstrong Oil & Gas' Nanushuk project may produce 120,000 barrels per day, and ConocoPhillips' Willow discovery may produce 100,000 barrels per day. Hilcorp's Liberty project is projected to produce 60,000 per day. Hilcorp is also permitting a new pad and infrastructure in the Milne Point Unit with production capacity of 10,000 to 15,000 barrels per day. Eni Petroleum plans to resume drilling at Nikaitchuq in early 2017 and Armstrong Oil and Gas anticipates drilling one well near the Pikka Unit in the first quarter of 2017. Caelus recently announced its 10-billion-barrel Smith Bay discovery, with potential to produce 200,000 barrels per day by the mid-2020s.

ConocoPhillips is adding wells and other infrastructure to its CD5 drill site, a \$200 million expansion. CD5 is anticipated to produce oil by the third quarter of 2017, boosting production to 16,000 barrels per day. ConocoPhillips is continuing its work on its Greater Mooses Tooth #1 project in NPR-A, with oil production anticipated in late 2018; peak production will be approximately 30,000 barrels per day. Permitting is underway for Greater Mooses Tooth #2, with ConocoPhillips expecting to drill three exploratory wells on the North Slope in the 2016/2017 winter.

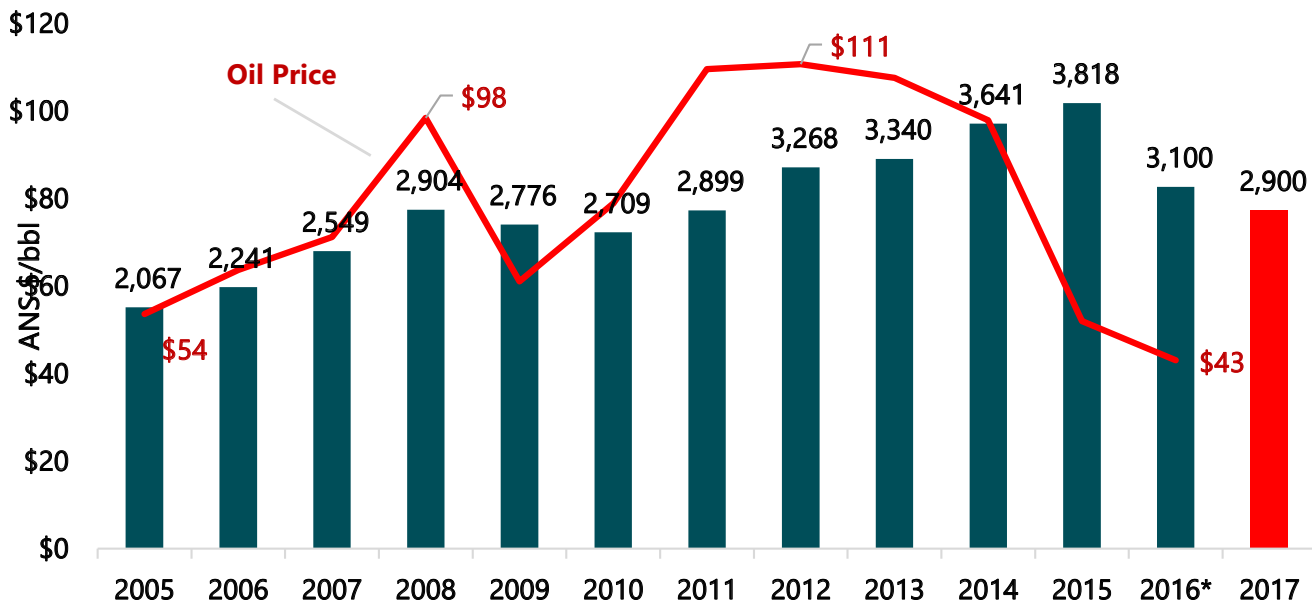
Activity in Cook Inlet continues, but at a reduced rate compared to 2015 and 2016. While NordAq Energy and Apache Energy recently surrendered leases to the state, Hilcorp, Cook Inlet's primary producer, is currently drilling near Ninilchik, processing seismic data from Middle Ground Shoal, and intends to expand their Falls Creek development. With the arrival of a new jack-up rig in Cook Inlet, Furie Operating Alaska plans to explore for oil and gas over the next five years. In 2017, BlueCrest Energy plans to drill up to five wells at their Cosmopolitan Unit.

Alaska Native Corporations are also expanding their role in developing Alaska's oil and gas resources. Doyon, Limited has been exploring for oil and natural gas in the Nenana-Minto Basin and in the Yukon Flats, and Ahtna Inc. completed exploration wells near Glennallen. ASRC is partnering with Hilcorp and BP in the Liberty Project on the North Slope, in addition to equity stakes in the Placer and Badami units, and other infrastructure. Doyon Drilling Inc. recently delivered Rig 142 to ConocoPhillips and is scheduled to deliver another rig with Extended Reach Drilling technology by 2020 to be used at Alpine.

A December 2016 oil-lease sale for North Slope state lands totaled \$17 million for 600,000 acres – the second-largest sale in acreage and third-largest in amount spent since 1998. New players were among the high bidders. At the same time, winning bids for a lease sale of federal lands in the western North Slope NPR-A totaled just over \$18 million. Industry contacts indicate renewed optimism about the new Trump Administration and Republican-held Congress.

In 2016, the Trans-Alaska Pipeline System (TAPS) throughput increased to an estimated average of 517,500 barrels per day, a 1.8 percent growth in throughput over 2015. This is the first year-over-year increase since 2002.

ANCHORAGE OIL & GAS EMPLOYMENT AND ONS PRICE PER BARREL 2004 – 2016, 2017 FORECAST



*Estimate based on preliminary 2016 numbers. All figures for calendar year based on monthly averages.

Sources: Alaska Department of Labor and Workforce Development, Alaska Department of Revenue, U.S. Energy Information Administration and McDowell Group.

HEALTH CARE +400



Since 2005, the healthcare sector in Anchorage has added 5,800 positions, growing at an annual average rate of 3.2 percent. Growth in 2016 match the long-term rate, gaining 900 positions over 2015. AEDC anticipates employment to expand again in 2017, growing by 400 positions, or 2.0 percent. The health care sector in Anchorage now accounts for 20,000 jobs.

More than 50 percent of healthcare employment in Anchorage is in outpatient services such as dentists, ambulatory services, imaging, and private physician offices. Hospitals employ roughly 33 percent of the total, and nursing and residential care organizations positions comprise the remainder.

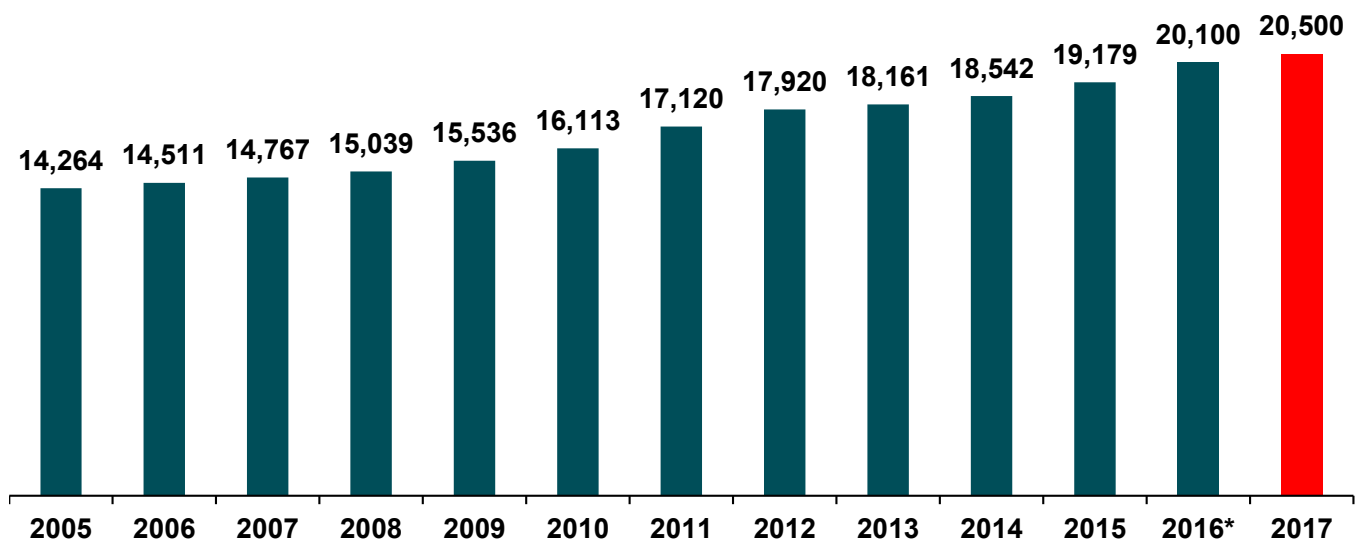
Offering the most advanced medical facilities in the state, Anchorage is the healthcare hub of Alaska. Slightly more than 50 percent of all healthcare employment in the state is in Anchorage.

Continued growth in healthcare is due to a variety of factors. Medicaid expansion has increased coverage for thousands of Anchorage residents who rely on local healthcare providers. Hospitals and outpatient facilities have invested in new technologies which allow residents to access services locally instead of traveling out of the state. As Anchorage's population continues to age, older residents require more services.

Several new facilities have recently opened or are anticipated for 2017. The Alaska Native Tribal Health Consortium (ANTHC) is building a three-story, 53,000 square foot Childcare and Education Center which will house a wide variety of healthcare-related training and in-house education programs. ANTHC recently opened a 202-room patient housing facility for individuals traveling to the Alaska Native Medical Center from outside Anchorage. Of the nearly 150,000 patients served at the Alaska Native Medical Center each year, more than half are residents of other Alaska communities. The Southcentral Foundation is building a children's dental clinic which will offer 32 dental chairs and room for hygienist training programs.

While an aging population and investment in facilities will support additional employment, several factors add uncertainty to future growth. How the tenuous status of Affordable Care Act may affect additional private investment in medical facilities and services is unclear. Because most Anchorage residents receive healthcare coverage through their employer, job (and wage) losses throughout the economy may dampen demand for healthcare services. As the state grapples with large budget deficits, Medicaid funding could be reduced, leading to reduced payments to local health care providers.

ANCHORAGE HEALTH CARE EMPLOYMENT 2004 – 2016, 2017 FORECAST



*Estimated based on preliminary 2016 numbers. All figures for calendar year based on monthly averages.
Sources: Alaska Department of Labor and Workforce Development and McDowell Group

TRANSPORTATION -200



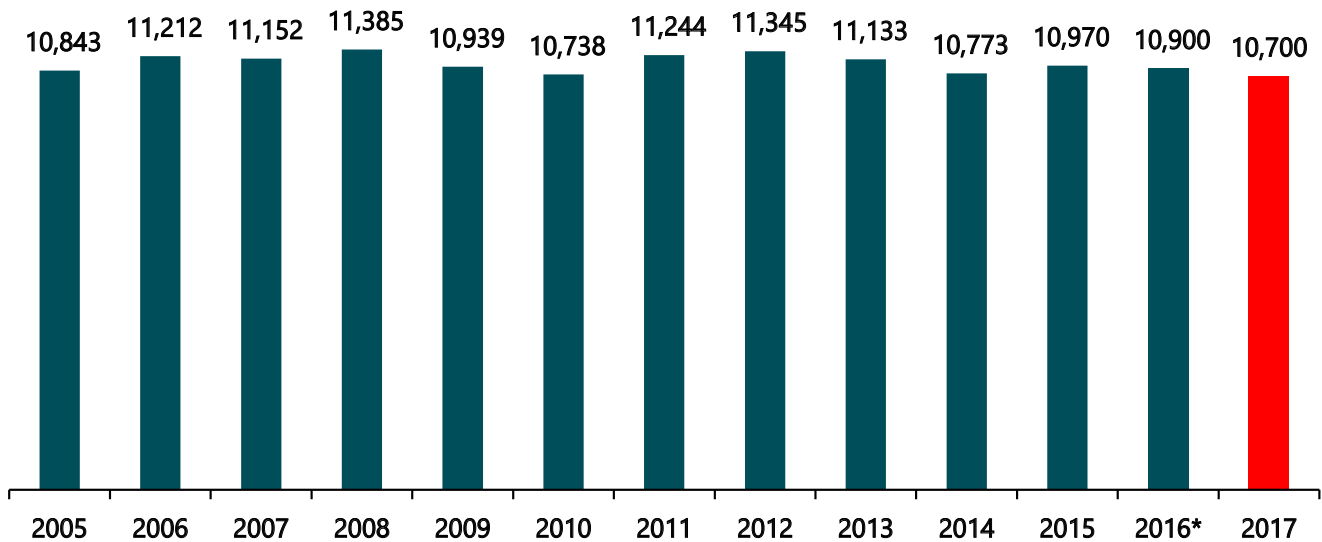
Anchorage's transportation, warehouse, and utilities sector accounted for approximately 10,900 jobs in 2016, approximately 100 positions less than in 2015. AEDC anticipates employment in this sector to fall slightly again in 2017, losing 200 positions (1.8 percent). Over the past decade, transportation employment has been very stable, averaging 11,100 positions. The transportation sector includes air transportation, couriers (e.g., FedEx and UPS), trucking, and other transportation support companies, in addition to positions at local utilities.

As the transportation hub for much of Alaska, reduced construction activity around the state impacts local employment. At the same time, reduced spending on new cars, TVs, clothes, and other consumer goods impacts marine and truck transportation. Reduced travel by state government, businesses, and households will marginally reduce air transportation activity.

The Port of Anchorage has seen a 13 percent decline in vans, flats, and container freight volume since 2014 (From 1.81 million tons to 1.58 million tons.), including a 5.8 percent decline in 2016. Conversations with shippers indicate reduced consumer spending is driving this decline. Reduced North Slope activity also affects the volume of freight moved through Anchorage. Deplaned freight volume at Ted Stevens Anchorage International Airport increased slightly (0.9 percent) in 2016, from 665 million pounds 671 million pounds.

Air transportation is a bright spot in 2017. A stable visitor season is anticipated this year, which will maintain current activity at Ted Stevens Anchorage International Airport. Concurrently, a strong domestic economy will continue to bolster air freight which passes through the airport from Asia to the continental U.S. Transit cargo volumes totaled 4.23 billion pounds in 2016, slightly below the 2015 total which was artificially spiked by a West Coast port strike, but above the 2014 total of 4.0 billion pounds.

ANCHORAGE TRANSPORTATION EMPLOYMENT 2004 – 2016, 2017 FORECAST



*Estimated based on preliminary 2016 numbers. All figures for calendar year based on monthly averages.
Sources: Alaska Department of Labor and Workforce Development and McDowell Group

PROFESSIONAL & BUSINESS SERVICES -400



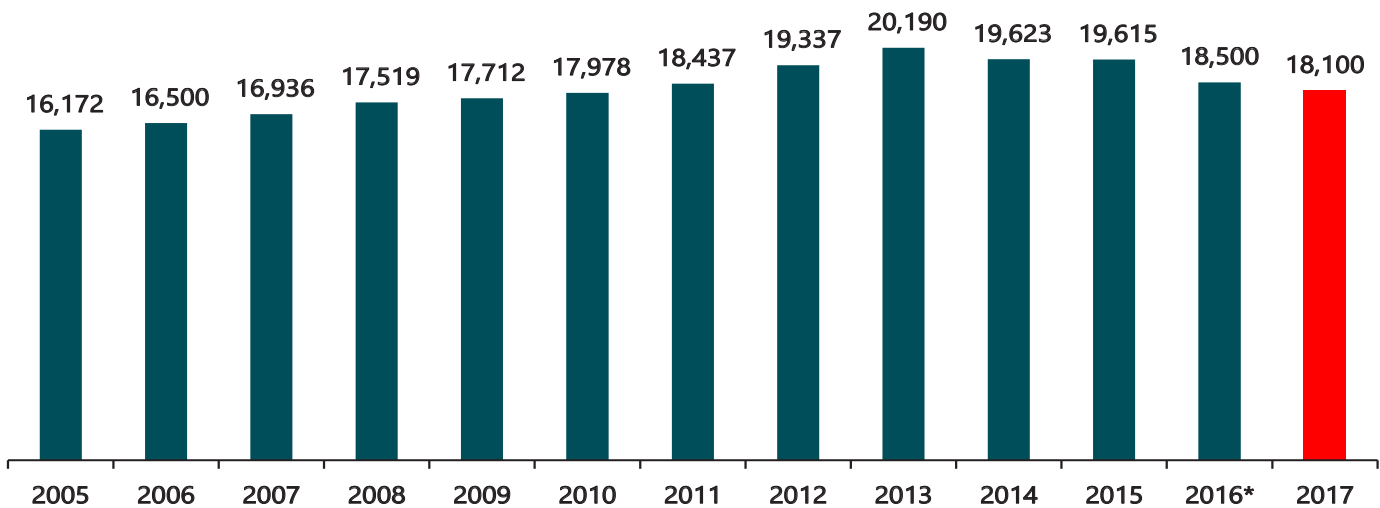
Anchorage's Professional and Business Services sector experienced a sharp decline in 2016, losing 1,100 positions (5.9 percent), declining to an annual average of 18,500 jobs. AEDC anticipates the decline to continue into 2017, with the loss of another 400 positions, or 2.2 percent.

The professional and business services sector includes architects, engineers, management professionals, and attorneys, among others. Administrative and waste management services are also included in this category, accounting for about 38 percent of total employment.

The primary factor impacting employment in this sector is reduced statewide public and private spending on construction projects and development efforts in general. Lower state funding for projects has challenged local engineering and planning firms, particularly those firms supporting "mega projects" such as the Susitna-Watana Hydroelectric Project and Knik Arm Bridge Crossing. At the same time, oil & gas companies have slowed capital investment in Cook Inlet and on the North Slope, reducing the need for engineering services. Design firms have also seen less activity as a result of a five-year suspension (beginning in 2015) of a state program which reimbursed up to 70 percent of the cost of school construction bonds issued by municipalities.

A positive dynamic for the sector are projects associated with the U.S. Army Corps of Engineers. Several years of strong activity is expected, primarily in support of F-35s arrival in the Interior and expansion of missile defense capacity at Clear AFB, in addition to several small projects at JBER. Firms in this sector may also benefit from a proposal from Governor Walker to reduce State in-house engineering and design capacity, and rely instead on private firms.

ANCHORAGE PROFESSIONAL AND BUSINESS SERVICES EMPLOYMENT 2004-2016, 2017 FORECAST



*Estimated based on preliminary 2016 numbers. All figures for calendar year based on monthly averages.
Sources: Alaska Department of Labor and Workforce Development and McDowell Group

CONSTRUCTION -400



In 2016, there was an annual average of 7,500 construction jobs in Anchorage, a decline of 9.7 percent (or -800 jobs) from 2015. Employment declined across all categories of construction, including residential and commercial building; roads, bridges, and other heavy construction; and specialty trades such as electricians, plumbers, and welders. AEDC anticipates losses in this sector to continue into 2017, with a further decline of about 400 positions (or about 5 percent).

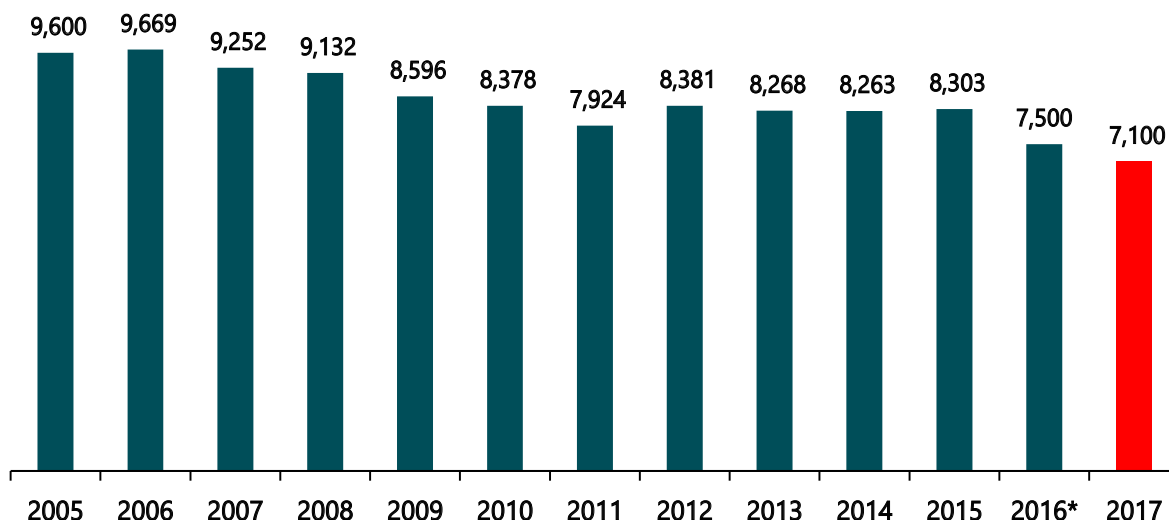
Approximately 50 percent of Alaska construction employment is based in Anchorage. Anchorage-based construction companies are active all around Alaska, thus the sharp statewide decline in state capital project spending has a disproportionate impact in Anchorage.

The employment impacts of sharp reductions in state capital budgets, from \$2.8 billion in FY2013 to \$260 million (excluding federal dollars) in FY2016, continue to unfold as projects are completed, with few if any new projects waiting in the wings. Federal funding, however, for Alaska construction projects is anticipated to be slightly higher than in previous years. In Governor Walker's proposed FY2018 budget, the state would receive \$1.2 billion in Federal funding for roads and other infrastructure, slightly more than the five-year average of \$1.1 billion. The U.S. Army Corps of Engineers will spend an estimated \$565 million in Alaska in FY2017, an increase from the \$507 million spent in FY2016, and 9 percent higher than the five-year average. Most projects will support the arrival of F-35s at Eielson AFB and Missile Defense expansion at Clear AFB.

Construction permit data offers an indicator of planned building activity in Anchorage; however, it is important to note that building permit values are a proxy for building activity, as not all permitted buildings are built. The total value of residential, commercial, and government building permits in 2016 was \$467 million, a 15 percent decline from 2015, and 31 percent below the 2014 value. The commercial component, which typically accounts for more than 50 percent of total value, was down 4.5 percent over 2015 and 13 percent from the five-year average. Approximately one-third of the total is composed of residential building permit values, which declined 25 percent compared to 2015, and was 18 percent below the five-year average. Spending on government construction declined 31 percent in 2016, and was 18 percent below the five-year average.

While total construction spending has declined, projects continue around the city. Alaska Airlines is building a 105,000-square-foot, \$40 million hangar at Ted Stevens Anchorage International Airport, part of a \$100 million statewide capital spending plan. Other projects include a \$9.4 million Porsche/Audi/Volkswagen dealership, a \$2.2 million Head Start child care facility, and a new \$3.2 million King Street Brewery building. Several healthcare buildings are slated for 2017, including Southcentral Foundation's \$52 million children's dental clinic and the Alaska Native Tribal Health Consortium's \$40 million Childcare and Education Center. The Anchorage School District has about 20 projects planned for 2017, including work at West/Romig (\$3.2 million), Gladys Wood (\$1.0 million), and Turnagain (\$1.5 million). Cook Inlet Housing Authority is working on a 33-unit, mixed-use development called 3600 Spenard. The Alaska Railroad Corporation (and private partners) were working on an 11-acre, mixed use development near Ship Creek which will see the construction of 28 condos in phase one.

ANCHORAGE CONSTRUCTION EMPLOYMENT 2004-2016, 2017 FORECAST



*Estimated based on preliminary 2016 numbers. All figures for calendar year based on monthly averages.
Sources: Alaska Department of Labor and Workforce Development and McDowell Group

LEISURE & HOSPITALITY -300



Following several years of strong growth, and record employment in 2015, the number of positions in Anchorage's leisure and hospitality sector fell slightly in 2016, losing 100 jobs to average 17,100 positions. In 2017, AEDC anticipates employment will decline by 300 positions or 1.8 percent.

About two-thirds of employment in this sector is in the food service industry. The remaining third are employed in hotels, theaters, museums, and other attractions. While tourism has a significant impact on this industry, year-round spending by local households, businesses, and governments are a very large part of this sector.

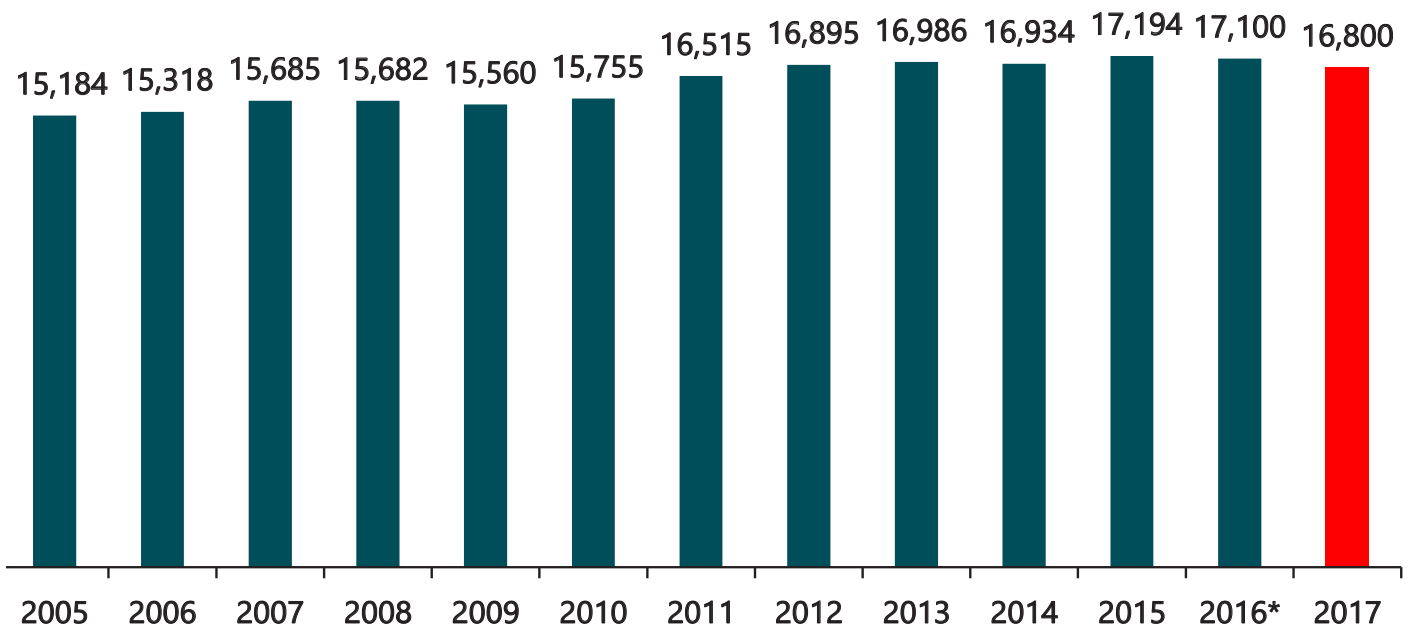
Indicators for this sector show mixed results in 2016. Anchorage bed tax revenues were down by 4.1 percent for the first three quarters of 2016, while Anchorage vehicle and RV rental tax revenues were up by 5.9 percent. Comparing year-to-year data through October, passenger enplanements at the airport were about flat, showing a 0.4 percent increase over 2015. Based on cruise ship traffic at Whittier and Seward, the number of cruise passengers visiting (or transiting) Anchorage was down by 2.5 percent in 2016, despite overall statewide cruise traffic being up by 2.6 percent. This is due to more round-trip ship itineraries in Southeast versus cross-gulf itineraries.

AEDC anticipates the 2017 visitor season in Anchorage will be similar to 2016. Political instability in competing travel destinations will continue to benefit Alaska. However, the sharp decrease in the State of Alaska's destination marketing budget is likely to start having an impact in 2017. While statewide cruise traffic is expected to increase by 3.3 percent in 2017, cross-gulf traffic (ships calling at Whittier or Seward, whose passengers necessarily transit Anchorage) is projected to stay about the same.

In terms of the convention market, Visit Anchorage reports that 47 conventions/meetings are scheduled for 2017, a number similar at this time in 2016. The largest conventions are the Oceanic Engineering Society OCEANS conference, with 1,500 participants, and the International Education Conference, with 1,200 participants. The Alaska Federation of Natives Annual Convention, with more than 3,500 attendees, will be in Anchorage in 2017 and 2018.

Following several years of growth, new entrants to the Anchorage food service market is anticipated to slow in 2017. A Dave and Buster's will be opened in the Diamond Center, and negotiations for several additional restaurants are underway.

ANCHORAGE LEISURE AND HOSPITALITY EMPLOYMENT 2004-2016, 2017 FORECAST



*Estimated based on preliminary 2016 numbers. All figures for calendar year based on monthly averages.
Sources: Alaska Department of Labor and Workforce Development and McDowell Group

RETAIL TRADE -400



Employment in Anchorage's retail sector fell slightly to an average of 17,800 jobs in 2016, a decrease of 300, or 1.4 percent, from 2015. In 2017, AEDC anticipates employment to decline by 400 positions (2.2 percent) to levels last seen in 2013. The decline will be driven by a drop in wage and salary income in Anchorage, with an associated reduction in discretionary income spending. Based on preliminary data, Anchorage lost about \$350,000 million in wages in 2016. Including multiplier effects, that amounts to a \$500 million hit on the economy.

The size of the PFD impacts the retail sector: In 2016, the \$1,022 PFD was worth approximately \$300 million to Anchorage residents. The size of the 2017 PFD remains to be seen, as does the prospect of statewide income or sales taxes, all of which might affect the amount of disposable income in the hands of Anchorage residents.

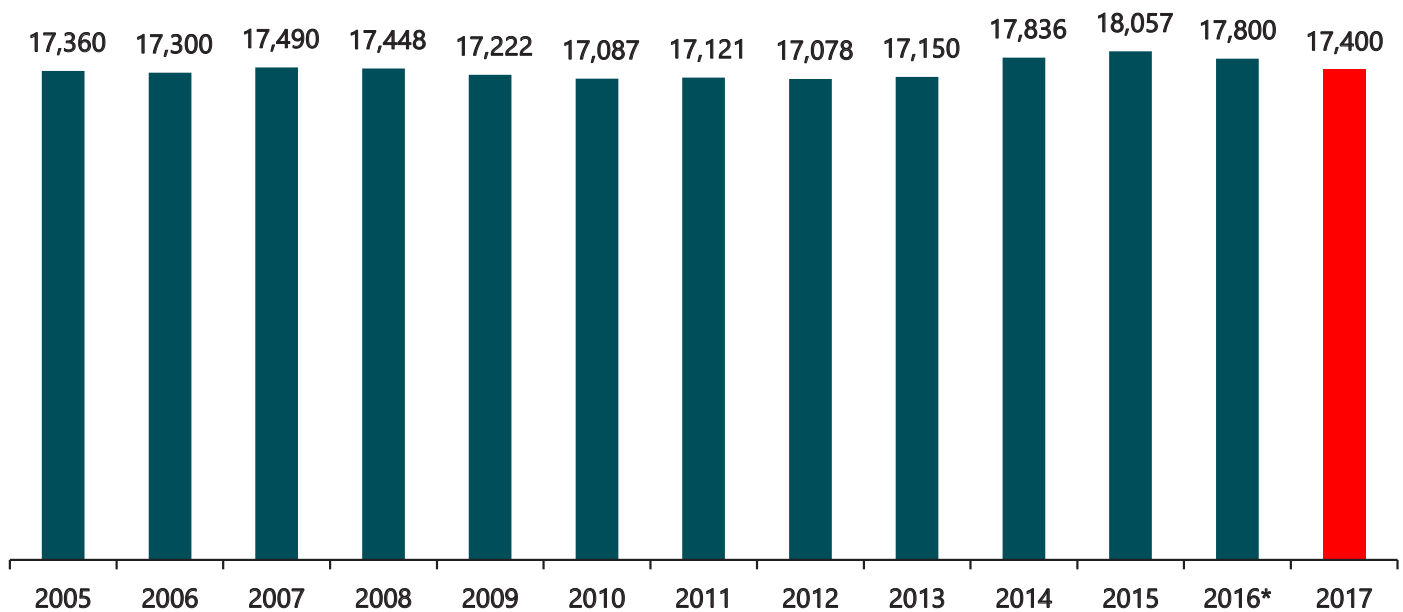
A decline in consumer confidence resulting from further job losses and state legislators' inability to balance the budget may also place pressure on the retail sector:

Approximately 800 businesses are active in the Anchorage retail sector, including grocery stores, gas stations, and other establishments selling electronics, furniture, appliances and other products.

In addition to the rumored entry of Boot Barn to the Anchorage retail market, Marshalls and maurices – a retailer specializing in women's fashion – are anticipated in 2017. A notable loss in 2016 was Anchorage's two Sports Authority locations.

In recent years, a constraint faced by Anchorage retailers has been the availability of leasable retail space. This constraint may moderate in 2017 as vacancy rates rise (though rates are expected to remain below-average compared to national levels).

ANCHORAGE RETAIL TRADE EMPLOYMENT 2004-2016, 2017 FORECAST



*Estimated based on preliminary 2016 numbers. All figures for calendar year based on monthly averages.
Sources: Alaska Department of Labor and Workforce Development and McDowell Group

FINANCIAL ACTIVITIES -200



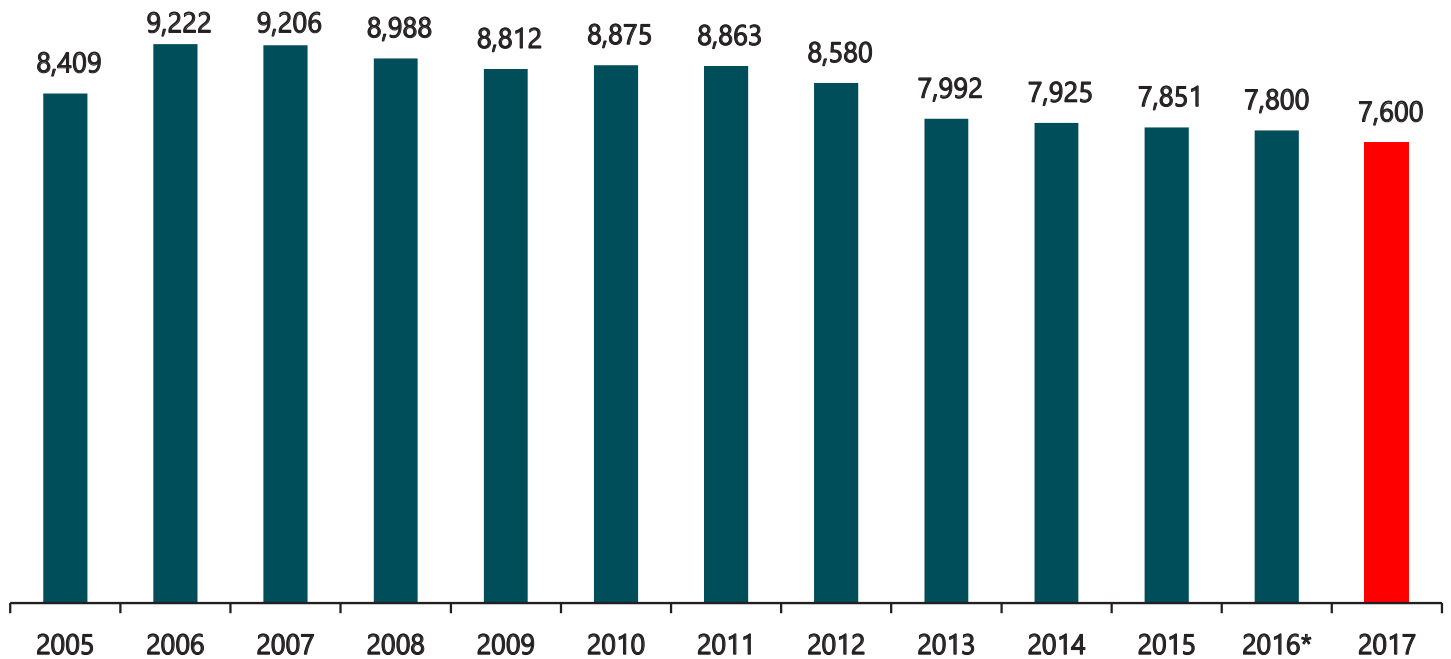
In 2016, Anchorage's financial, insurance, and real estate sector was down slightly versus 2015, averaging 7,800 positions. For 2017 AEDC anticipates a decline of about 200 positions or 2.6 percent. Since peak employment of 9,222 in 2006, this sector has been generally trending lower.

Approximately 40 percent of employment in this sector is related to real estate-related activities, 40 percent is in credit intermediation, and the remaining 20 percent is in other financial activities. Real estate includes establishments involved in managing, renting, buying, and appraising real estate; credit intermediation includes banks, credit unions, mortgage brokers, and check-cashing services, and other financial activities include insurance carriers, asset management firms and financial advisors.

The increase of online and mobile access to financial services has contributed to declining employment in this sector: Fewer financial services employees are needed locally as consumers are increasingly comfortable with banking, investing, finding a mortgage, and signing documents online and on mobile devices.

While the Anchorage housing market has been stable (the average sales price was unchanged between 2015 and 2016, and the total number of sales was down just 1.9 percent), slowing mortgage activity through local lenders is a factor impacting employment in the Finance sector. For the first three quarters of 2016, 5,761 single-family and condominium mortgages worth nearly \$614 million were closed in Anchorage, a decline of 750 (12 percent) loans and \$71 million (10 percent) in value compared to the same period in 2015. In the same period, refinance activity declined by 180 loans (13 percent), to 1,213 loans (these data do not present a complete picture of the Anchorage mortgage market, as non-local lenders are excluded). Rising interest rates will likely contribute to further reduction in mortgage activity.

ANCHORAGE FINANCIAL ACTIVITIES EMPLOYMENT 2004-2016, 2017 FORECAST



*Estimated based on preliminary 2016 numbers. All figures for calendar year based on monthly averages.
Sources: Alaska Department of Labor and Workforce Development and McDowell Group

GOVERNMENT -300



In 2016, government employment in Anchorage declined slightly to 28,400 positions, a loss of 100 jobs or approximately 0.4 percent from 2015. AEDC anticipates loss of another 300 jobs in 2017, or 1.1 percent, largely the result of further cuts to state government. Total government (local, state and federal) employment has declined 2,100 positions (7.0 percent) since peaking at 30,500 positions in 2010.

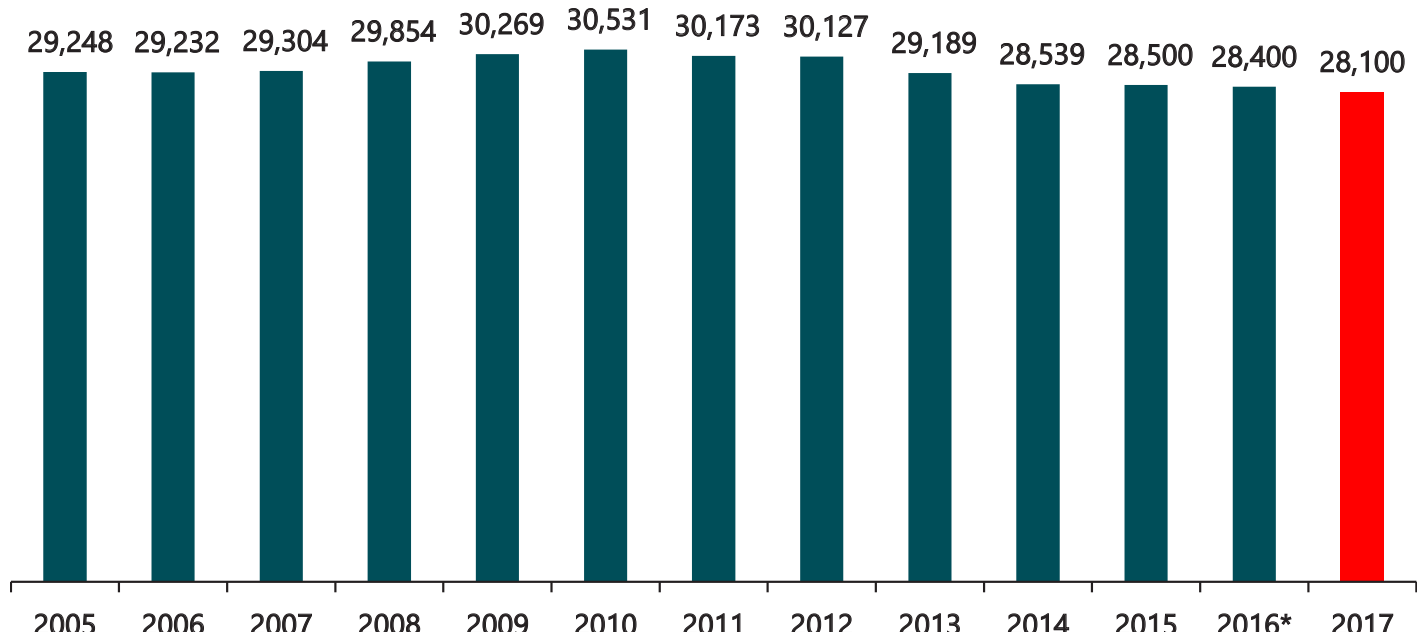
The sector is comprised about equally of state (36 percent), local (34 percent), and federal (30 percent) government workers, and all have experienced losses in recent years. Federal employment is 12 percent (1,100 positions) below 2010, though federal employment increased 2.5 percent in 2016.

State government has lost 700 positions (6.2 percent) since hitting a peak of 10,800 jobs in 2014, including the loss of more than 400 positions in 2016. Employment at the University of Alaska Anchorage alone has declined by approximately 200 positions (7.7 percent) since a peak of 2,700 in 2014.

Local government employment at 9,300 is 700 positions (7.1 percent) below the 2012 high of 10,300. However, local government did see a bump in 2016, adding 100 positions. Local education is the largest component of this category, averaging an estimated 7,200 positions in 2016, approximately 100 positions fewer than 2015. Peak employment in local education was in 2012 at 7,900 positions.

In 2017, AEDC anticipates further declines in state government employment as a result of ongoing efforts to address Alaska's multi-billion-dollar deficit. Losses are possible in local government, depending on state funding, particularly at the Anchorage School District. Federal employment is anticipated to be stable or slightly larger in 2017. A recently enacted federal hiring freeze may impact local employment.

ANCHORAGE GOVERNMENT EMPLOYMENT 2004-2016, 2017 FORECAST



*Estimated based on preliminary 2016 numbers. All figures for calendar year based on monthly averages.

Sources: Alaska Department of Labor and Workforce Development and McDowell Group

OTHER SECTORS OF THE ANCHORAGE ECONOMY -200

In addition to Anchorage's nine primary sectors, there are 22,000 jobs in other sectors around the city supporting manufacturing, wholesale trade, telecommunications, automotive repair, private education, and other economic activity. This group of sectors collectively declined by 200 positions (0.9 percent) in 2016, a result of reductions in manufacturing (-2.2 percent), wholesale trade (-1.4 percent), information (-1.5 percent), and other sectors.

The cultivation, testing, and sale of marijuana will have some slight impacts to Anchorage's employment. The first retail marijuana shop opened in late 2016, with more anticipated throughout 2017. There are currently no marijuana-specific employment categories; related employment will be placed in the agriculture, retail, and wholesale trade sectors.

In Summary:

2017 ECONOMIC FORECAST for ANCHORAGE

The loss of 2,700 jobs in 2016 and the expected loss of another 2,200 jobs in 2017 clearly portrays challenging times for the Anchorage economy. These numbers and much larger measures of job loss at the statewide level clearly illustrate the urgency with which the state's fiscal situation must be addressed to avoid still more damage. Further delay guarantees additional job losses. Adoption of a sustainable plan in 2017 means we can all begin rebuilding and reinvesting around the certainty of a "new normal" state fiscal strategy.

As we consider the economic well-being of Anchorage, long-term perspective is important. With the loss of about 3 percent of its employment base in 2016 and 2017 combined, Anchorage will remain a long way from the oil price driven recession of 1986-87, when the economy lost 10 percent of its employment base. Nearer-term perspective is also important. With employment slipping to about 151,000 jobs in 2017, the city's job base will have dropped back to 2010 levels. However, in many ways employment growth between 2010 and the peak year of 2015 was an oil price-driven bubble, with remarkable levels of oil industry investment in Alaska and large, unsustainable (in hindsight) State capital budgets. Take the short-term effects of that bubble out of the employment picture, and what's left is a resilient and reasonably well diversified economy, with a solid foundation built around the military, health care, tourism and transportation, the city's role as a statewide commercial hub, as well as the oil industry and its important direct and indirect economic impacts.

While we can draw some comfort from the fact that Anchorage has come through worse economic downturns and that there is underlying resiliency in the local economy, it is now more important than ever for the community to engage aggressively in economic development initiatives. AEDC is leading the creation of a comprehensive economic development strategy (CEDS) for Anchorage. Working closely with business and community leaders, AEDC will lay out a road map for economic revitalization, for breaking down barriers to business expansion, and for attracting new industry. With a proactive approach to our economic recovery, we can work through this downturn with the confidence that we will eventually emerge stronger and more resilient than ever before.

Thank you
for making this report possible:



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prepared by:



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