

# The Matanuska-Susitna Borough

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Labor Economist

## A profile of the fastest-growing area in the state

**E**conomic indicators for the Matanuska-Susitna Borough all tell the same story. Population, employment, immigration, highway counts and the number of new homes being built all say that Mat-Su is the fastest growing area in the state. In fact, it is one of the few areas in the state with a robust or even booming economy. This is not the first time that the Mat-Su Borough has been in the forefront of growth in Alaska, but it is unusual that the borough is among so few areas in the state enjoying vigorous growth. And because of its standing as one of the state's few strong performers, an increasing number of developers, investors and others are eyeballing the area with interest.

The Mat-Su Borough is the third largest borough in the state both physically and by population. At 24,683 square miles it is about the same size as West Virginia. With a population of 55,694 residents, only Anchorage and the Fairbanks North Star Borough are larger or have more residents. (See Exhibit 1.) Although the borough is geographically large, nearly nine out of ten residents live along the road system between Willow and Sutton. Only three of the borough's communities are incorporated—Palmer, Wasilla and Houston—and they represent just 18 percent of its population. There are communities such as Chase and Skwentna that are off the road system but can usually be reached by snow machine, plane, boat, train or some other type of off-road vehicle. There are also communities such as Talkeetna that are on the road system but away from the most densely populated area of the borough.

## Labor is a big export

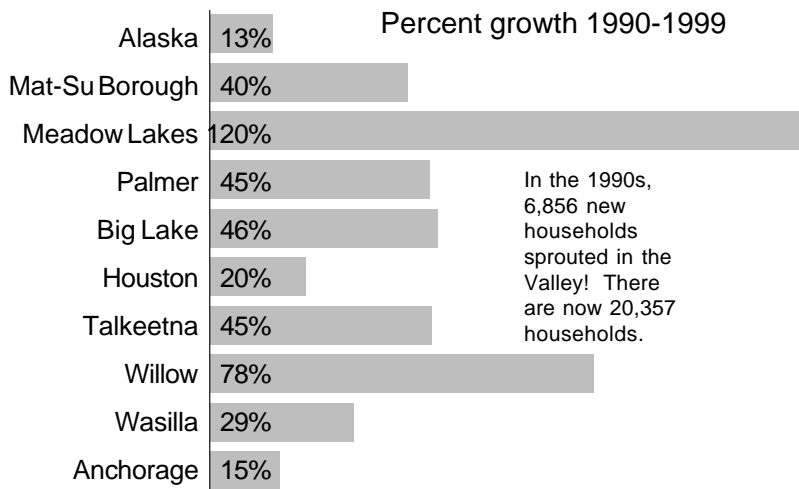
Different industries have helped shaped the Mat-Su economy. Mining and agriculture were the first major economic influences. Although the Mat-Su Valley remains the state's biggest agricultural producer, other economic forces now drive the economy. For the last four decades the single biggest reason for the borough's growth has been its proximity to the state's largest city, Anchorage.

## Population Changes 90-99 Mat-Su Borough and Communities

	1990	1999	Percent Growth 90-99	Average Annual Percent Growth 90-99
Mat-Su Borough	39,683	55,694	40.3%	3.8%
Alexander	40	39	-2.5%	-0.3%
Big Lake	1,477	2,162	46.4%	4.3%
Butte	2,039	2,699	32.4%	3.2%
Chase	38	55	44.7%	4.2%
Chickaloon	145	212	46.2%	4.3%
Houston city	697	836	19.9%	2.0%
Knik	272	483	77.6%	6.6%
Lazy Mountain	838	1,109	32.3%	3.2%
Meadow Lakes	2,374	5,232	120.4%	9.2%
Palmer city	2,866	4,151	44.8%	4.2%
Skwentna	85	72	-15.3%	1.8%
Sutton	308	470	52.6%	4.9%
Talkeetna	250	363	45.2%	4.2%
Trapper Creek	296	344	16.2%	1.7%
Wasilla city	4,028	5,213	29.4%	2.9%
Willow	285	507	77.9%	6.1%
Remainder of Borough	23,645	31,747	34.3%	3.3%

Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

## 2 The Only Booming Population In the state is Mat-Su Borough's

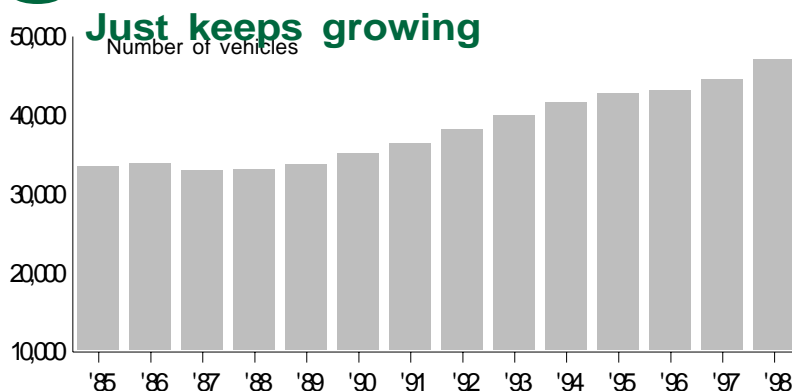


Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

The economic interplay between the areas is not diminishing, but accelerating. In the future, the economic boundaries between the Mat-Su Borough and Anchorage will continue to blur.

It is commonplace in many parts of the country, but unique in Alaska, for two areas to have a strong economic link because of daily commuters. This relationship exists because most of the Mat-Su Borough's population lives within a 40 to 50 miles radius of Anchorage. In 1990, the census estimated that approximately 28 percent of Mat-Su residents could be working in Anchorage. In 1998 a new report estimated that number had climbed to 38 percent. This also helps explain the extraordinary growth in the Mat-Su Valley's population. (See Exhibit 2.) Traffic counts document the increase in the commuter population. (See Exhibit 3.) As a result, large investments are being made in roads and a commuter rail system. A significant group of Mat-Su Valley residents travels even longer distances to work. These are the long distance commuters—oil industry workers on the North Slope, fishers in Bristol Bay, or construction workers around the state. At last count, they represented 10 percent of Mat-Su Borough residents.

## 3 Anchorage-Valley Vehicle Count



Source: Alaska Department of Transportation and Public Facilities

Stated differently, one of the borough's chief exports is labor. Many Mat-Su Valley residents work in other areas of the state and invest their earnings in housing, consumer goods, businesses and services located in the Mat-Su Valley. These expenditures spur additional economic activity in the borough. When the U. S. Department of Commerce, Bureau of Economic Analysis, adjusts the Mat-Su Borough's personal income figures for residency, they factor in an extra \$167 million of earnings from outside the borough. This is unlike any other area of the state, where the income flow is just the reverse.

## 4 Ever Growing Percentage Of Region's population lives in Mat-Su Borough

Percent of Anchorage/Mat-Su Region population living in Mat-Su Borough



### Population growth is a key economic ingredient

During the past decade the Mat-Su Borough's

Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

## Housing is a Big Attraction **5** in the Mat-Su Borough

Average cost of single family house—4th quarter 1999



Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

population grew 40 percent, versus 13 percent statewide and 14 percent in Anchorage. This works out to a robust growth rate of 3.8% annually versus Anchorage's 1.5% annual rate of growth. No area of the state comes close to the growth rate in the Mat-Su Valley. Stronger growth has meant the Mat-Su Valley is now home to nine percent of the state's population versus seven percent in 1990, and the percentage of Mat-Su residents in the combined Anchorage/Mat-Su population has been steadily growing. (See Exhibit 4.)

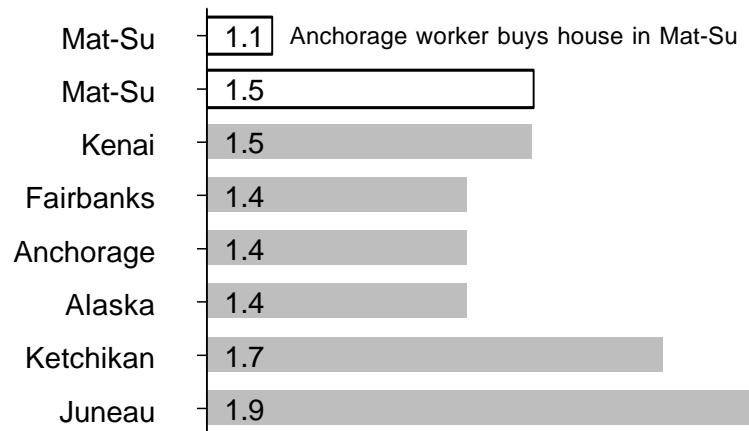
Net migration rates are also dramatically different for the Mat-Su Borough than other areas of Alaska. Net migration is calculated by taking the number of people moving into an area and subtracting those who leave. During four of the past five years the state has experienced negative net migration; in other words, more people are leaving the state than moving into it. However, during the 1990s, the Mat-Su's migration figures remained positive. It is no wonder that people and businesses seeking areas of growth are increasingly focusing on the Mat-Su region.

Surprisingly, growth exists in nearly every part of the Mat-Su Borough. The hottest spot is the Meadow Lakes area, where the population has more than doubled during the past decade. Meadow Lakes is a large suburban area situated between Wasilla and Houston. Even Talkeetna, which is beyond any realistic daily commute, is experiencing robust growth.

### Home to a very competitive housing market

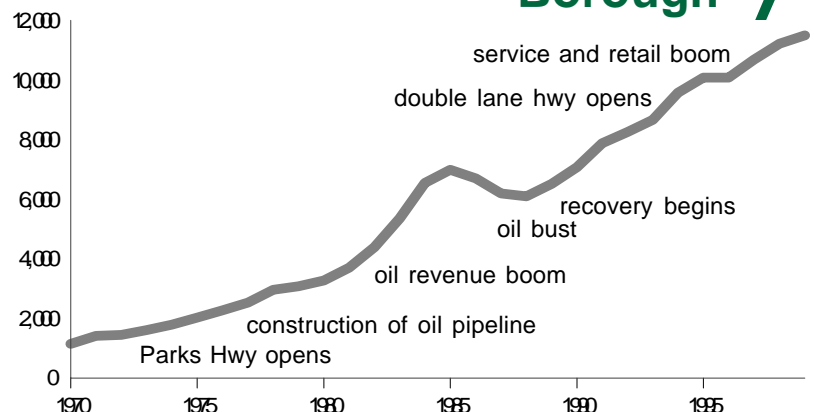
Part of the Mat-Su area's appeal is its affordable housing market. The numbers paint a compelling picture—and this has not been lost on the state's housing consumers. In 1999, the average sales price of a single family home in the Mat-Su Valley was \$135,979, nearly 23 percent below an Anchorage home and significantly below the statewide average. (See Exhibit 5.) This price

## Number of Wage Earners **6** Needed to buy an average house



Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

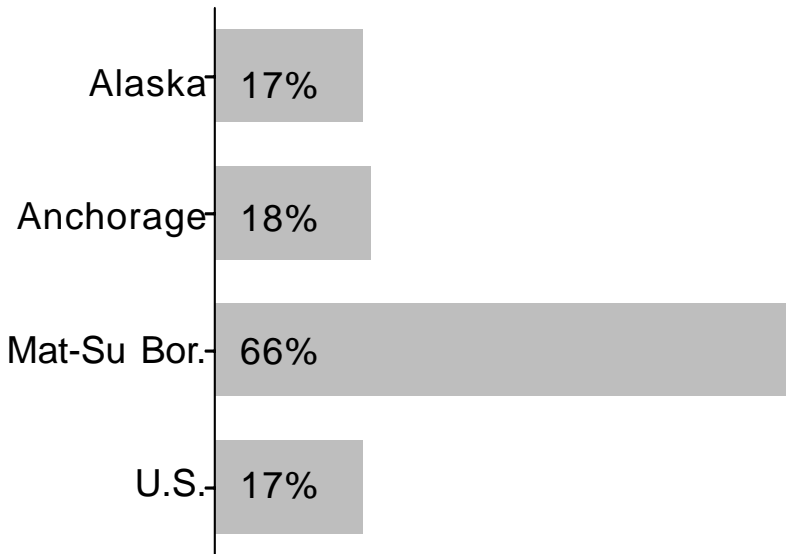
## Job Growth in Mat-Su **7** Borough



Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

## 8 Employment Growth in the 90s Way out ahead

Change in employment 1990-1999

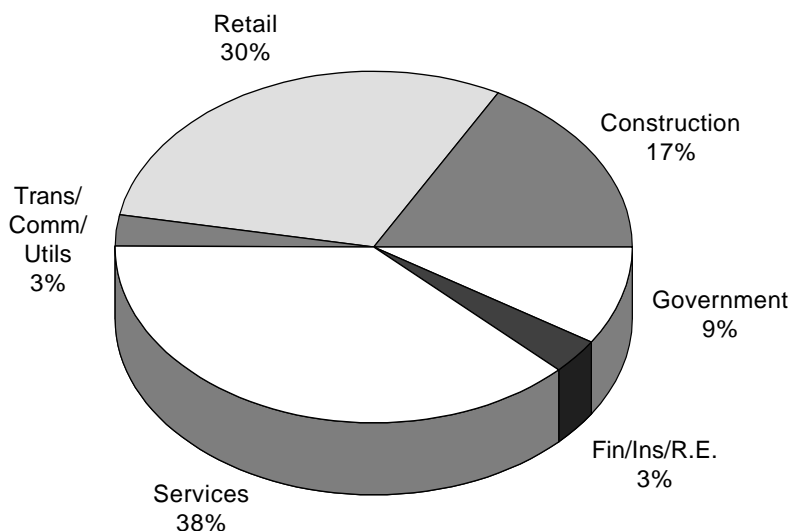


Source: Department of Labor and Workforce Development, Research and Analysis Section

differential is enticing to workers in the Anchorage/Mat-Su area, as well for those who may be working outside of the region but want to live close to a larger community.

Another perspective on the attractiveness of Mat-Su housing can be gleaned using an affordability index. Housing affordability measures how many wage earners it takes to support the average mortgage. If one looked strictly at the number of Mat-Su wage earners it takes to afford the average Mat-Su Valley home, it is no different than the Anchorage housing market. This is because the average wage in the valley is lower than in Anchorage, because service and retail jobs make up a much larger slice of the area's employment pie. However, the fact that so many valley residents work in Anchorage changes the affordability equation considerably. For Mat-Su residents who work in Anchorage, it takes only 1.1 wage earners to afford a Mat-Su home versus 1.5 for an Anchorage home. (See Exhibit 6.)

## 9 4,500 Jobs Created in 1990s In the Mat-Su Borough



Source: Department of Labor and Workforce Development, Research and Analysis Section

There are other factors that make housing in the Mat-Su Valley more attractive to homeowners. Although impossible to measure, a more rural life style and the ability to live on a larger piece of land is probably appealing to many. Another attraction is the alternate types of housing that exist in the Mat-Su Borough that are rarely available in Anchorage. For example, "cabins" comprised approximately 40 percent of new residential building activity recorded in the borough last year. Much of this activity is related to recreation but many also represent primary residences. This kind of housing typically does not require lending or mortgage activity. In urban areas, where the cost of land is considerably higher and planning and zoning regulations are more rigorous, this type of alternative housing is more difficult to support.

As available developable land shrinks in Anchorage, the Mat-Su Valley will become more attractive. This competitive advantage will not be limited to residential development, and the

Mat-Su Borough may eventually capture a bigger share of other economic development that occurs in Southcentral Alaska. For example, a growing number of car dealerships in Mat-Su cater to local residents as well as attract business from Anchorage. And in the early 1990s, GCI Communications, with headquarters in Anchorage, located a call center in the Mat-Su Valley. Another example of future growth could be the new port facility at Point McKenzie, if it attracts traffic. This kind of economic activity in the Mat-Su Borough can only increase with time.

### Services and retail dominate the employment picture

Not unlike population, employment has also grown considerably faster in the Mat-Su Valley

than anywhere else in the state. (See Exhibits 7 and 8.) Since most of the growth in Mat-Su's labor force is tied to population growth, this is not surprising. During the past decade employment in the Mat-Su Borough grew 5.8% per year, three times faster than the rest of the state. Two-thirds of this growth came from retail and services. (See Exhibits 9 and 10.) Services alone represents a quarter of all wage and salary employment. (See Exhibit 11.) Most of the employment in the area provides services to the local population and is not export-related activity. Health care has been a growth industry. Business and social services are also contributors. Retail employment and sales followed a similar path of strong growth. (See Exhibit 12.) Retail got a big boost in 1999 with the opening of a new Fred Meyer store, and more recently, the new larger Wal-Mart replacement.

## Mat-Su Borough Wage and Salary Employment 1986-1999 10

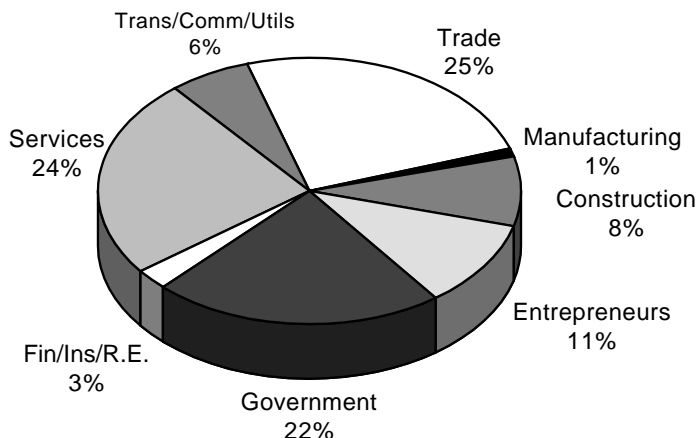
	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	Average Annual Wage 1999
Total	6,699	6,193	6,095	6,510	7,078	7,878	8,253	8,667	9,575	10,080	10,261	10,685	11,367	11,726	\$26,893
Mining	*	*	2	113	65	162	169	172	164	75	23	19	24	25	\$32,180
Construction	427	261	179	222	304	397	366	438	560	639	646	794	1,017	1,043	\$33,651
Manufacturing	88	83	108	124	96	95	73	85	100	107	105	133	132	128	\$22,211
Trans/Comm/Util	680	688	638	639	695	784	815	844	887	935	955	844	856	819	\$42,297
Trade	1,590	1,643	1,523	1,600	1,853	2,012	2,100	2,198	2,584	2,604	2,677	2,768	2,959	3,310	\$19,241
Wholesale Trade	112	83	87	97	134	133	157	167	188	220	257	240	283	297	\$24,587
Retail Trade	1,479	1,560	1,436	1,503	1,720	1,879	1,943	2,031	2,396	2,384	2,437	2,528	2,676	3,013	\$18,713
Fin/Insur/R.E.	296	206	159	174	191	195	209	223	251	320	303	323	334	347	\$27,116
Services	1,101	1,019	1,088	1,184	1,316	1,540	1,727	1,824	2,178	2,421	2,597	2,889	3,070	3,018	\$21,567
Government	2,427	2,248	2,357	2,416	2,493	2,640	2,718	2,785	2,778	2,869	2,841	2,806	2,863	2,909	\$34,975
Federal	105	102	99	104	104	107	107	116	115	125	138	138	137	148	\$46,191
State	763	759	791	813	815	810	813	797	821	834	836	847	824	829	\$34,477
Local	1,559	1,387	1,467	1,499	1,574	1,723	1,798	1,872	1,842	1,910	1,813	1,821	1,902	1,932	\$34,343
Misc/Unclassified	*	*	43	71	66	53	77	22	104	111	111	127	116	128	*

\* Nondisclosable

Source: Department of Labor and Workforce Development, Research and Analysis Section

# 11 Where Mat-Su Borough Jobs Are

## 1999 employment

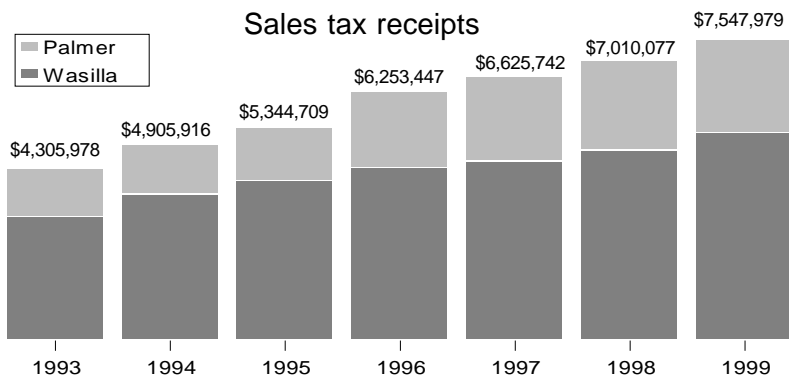


Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section; U.S. Bureau of the Census

The retail and services expansion has meant that more of the dollars spent by Mat-Su residents remain in the borough instead of leaking to Anchorage and elsewhere. Another contributor to employment growth is the area's construction industry. Robust residential and commercial markets have kept this industry busy, making it a significant contributor to job growth. (See Exhibit 13.) Another beneficiary and close relative of this industry has been the finance, insurance and real estate sector.

# 12 Palmer and Wasilla Enjoy

## Strong sales growth



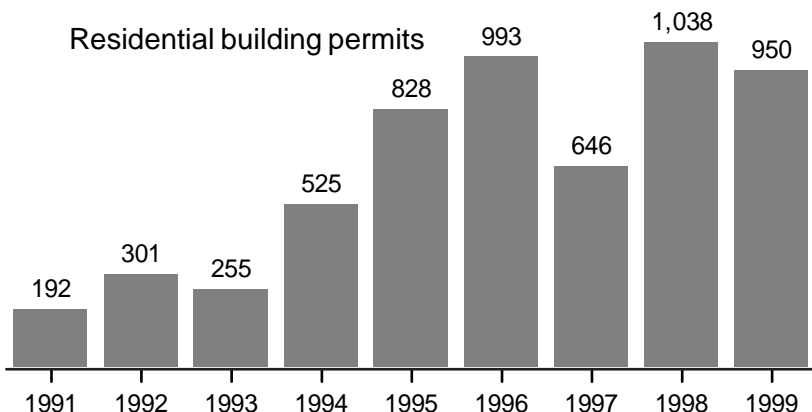
Source: Matanuska-Susitna Borough

## Visitor industry broadens and blossoms

The visitor industry is also behind the Mat-Su Valley's growth. (See Exhibits 14 and 15.) Tourism's mix in the Mat-Su is different from many other areas of the state. It relies heavily on Anchorage residents and others who have recreational property in Mat-Su. Thousands of visitors from Southcentral and elsewhere spend vacations, holidays and summer weekends in the Mat-Su Valley. The number of nonresident tourists is also growing. In addition, the Mat-Su Valley hosts a significant contingent of winter visitors, peaking with the start of the Iditarod sled dog race. The borough's biggest strengths are its proximity to the state's largest community and the wide variety of options it offers. According to a recent survey by the Matanuska-Susitna Visitors Bureau, 86 percent of all Anchorage residents visit the Mat-Su area during the spring and summer. It is home to Denali State Park, and serves as the gateway to Denali tours and climbs (last year 1,183 climbers attempted to climb Denali). It is also a major fishing and hunting destination.

# 13 Residential Construction Soars

## In Mat-Su Borough



Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

A significant percentage of the housing units counted in Mat-Su are for recreational and seasonal uses, and hundreds of new cabins are added each year. The owners of these recreational properties spend money in the local economy and pay property taxes. Other visitors spend for services such as guides, hotels, food and other hospitality services.



The vast majority of the Mat-Su Borough's visitors are independent travelers. However, this began changing when Princess Tours opened its 238-room Mt. McKinley Princess Lodge near Talkeetna in 1997. Last year Cook Inlet Region opened the Talkeetna Lodge, a 98-room hotel. Business has been so good that the Talkeetna Lodge is doubling its number of rooms this year. Both of these hotels rank among the top 25 employers in the borough. (See Exhibit 16.) Hotel employment in the Valley has grown 77 percent since 1995. Other smaller lodges and hotels have opened and expanded. If the present trend continues, this industry will continue to diversify and grow.

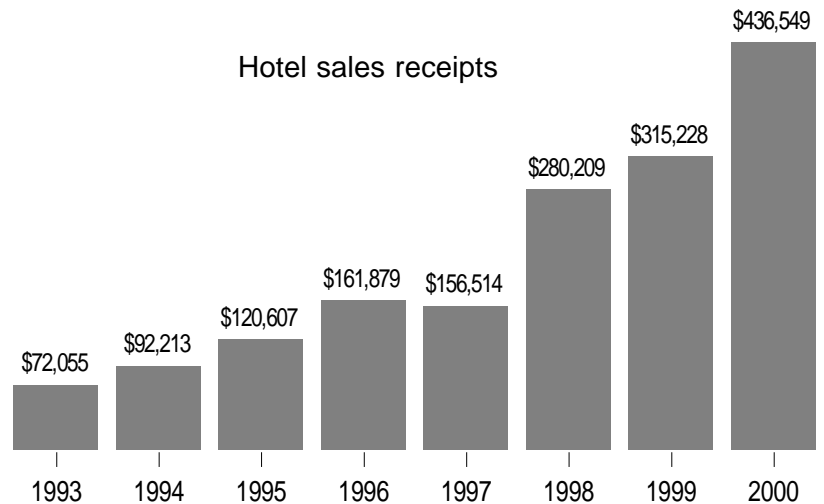
### Some of the traditional industries still play a role

Agriculture, once a dominant sector, is still a player, but its role has diminished. In 1998, the value of agricultural production in the Matanuska Valley was \$9 million, which represented more than half of all agricultural production in the state. Mining in the borough is at present limited to very small operations. In the past, major gold and coal mines operated in the region and similar operations could open again in the future.

### Unemployment picture improves

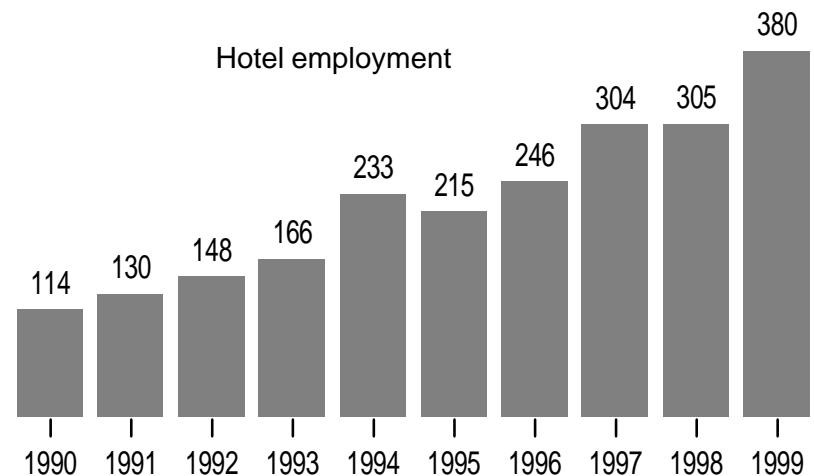
During the past three years, unemployment in the Mat-Su Borough has fallen dramatically. (See Exhibit 17.) In fact, 1998's unemployment rate of 6.9% was a record low. Another positive development is the narrowing of the jobless rates between the Mat-Su Borough and Anchorage. In 1996 and earlier, it was not unusual for the borough's jobless rate to be more than twice as high as Anchorage's. Part of the explanation may be that the region's labor market is more integrated than ever. The tight labor market of the past three years is another part of the reason

## Hotel Activity Soars 14 In Mat-Su Borough



Source: Matanuska-Susitna Borough

## Hotel Employment Tripled in 90s 15 In Mat-Su Borough



Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

# 16 The Top 25 Employers In Mat-Su Borough

Rank	Employer	1999 Annual Average Employment
1	Mat-Su Borough Schools	1,568
2	Valley Hospital	418
3	Safeway\Carrs	416
4	Wal-Mart	353
5	Matanuska Telephone Association	275
6	Matanuska-Susitna Borough	227
7	University of Alaska	168
8	Alaska Department of Corrections	167
9	Advanced Concepts In Education (Job Corps)	125
10	Mat-Su Community Counseling Center	121
11	Wolverine Supply	120
12	AK Dept. of Administration (Pioneers' Home)	119
13	Mat-Su Services for Children and Adults	118
14	Nye Frontier Ford	117
15	Fred Meyer	125
16	Fishers Fuel	95
17	Matanuska Electric Association	94
18	Tony Chevrolet	74
19	New Horizons Telecom	70
20	Talkeetna Lodge*	70
21	Lake Lucille Inn (Best Western)	63
22	McKinley Princess	62
23	Spenard Builders Supply	60
24	GCI Communications	59
25	Homesteaders Lumber and Hardware	55

for this change.

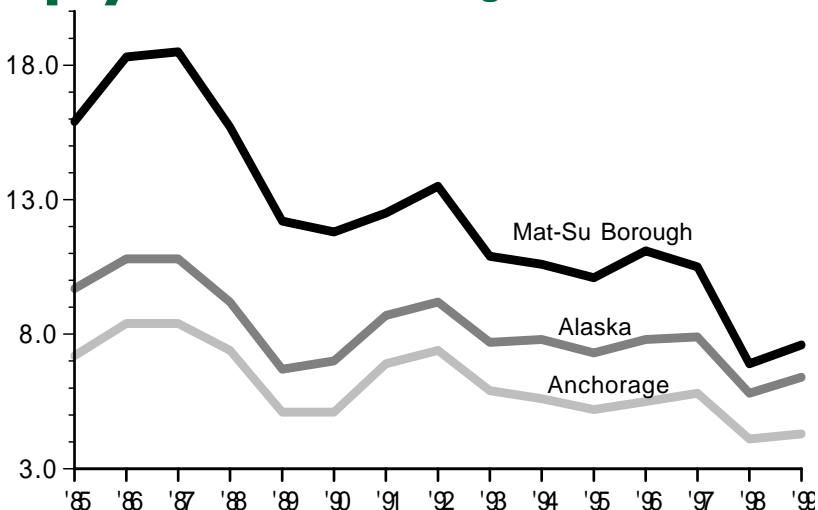
## Wages and incomes lag

The average monthly wage in the Mat-Su Borough was \$26,893 in 1999 compared to Anchorage's \$35,557. (See Exhibit 18.) The biggest reason for this differential is that a much larger percentage of the Mat-Su industry mix is in lower paying sectors such as services and retail and not in the higher paying sectors of oil, government and transportation. Some of this difference is ameliorated by the fact that many residents work in the higher paying sectors in Anchorage and elsewhere in the state. But the fact that many residents work outside of the borough does not account for income figures that are below the statewide and national average. Mat-Su's per capita income of \$18,752 is just 67 percent of the state's and 68 percent of the nation's. (See Exhibit 19.) Lower wages, higher unemployment and larger households account for some of the difference, but the wide disparity is difficult to explain. These income figures may also be understated because income earned by residents who work outside the borough may not be fully accounted for.

\* Estimated employment

Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

# 17 Unemployment Rate Down In Mat-Su Borough



Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

## The future

As long as Southcentral's economy expands, the Mat-Su Borough is unlikely to relinquish its role as one of the stronger performers in the state. If the present trend continues, the Mat-Su Borough could become the second most populous area in the state by the year 2018. (See Exhibit 20.)

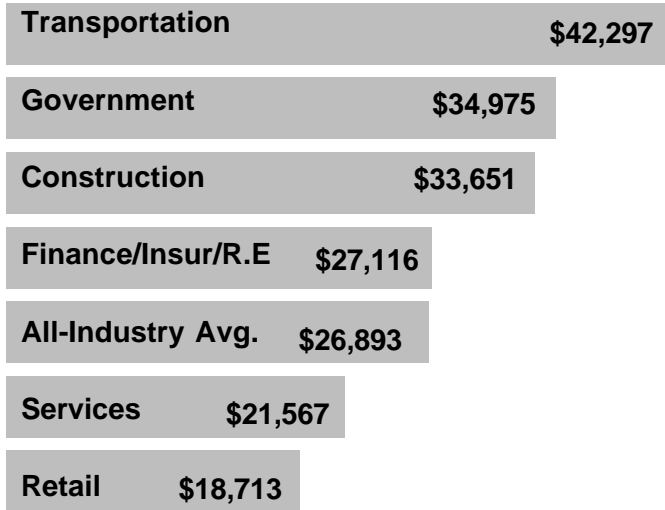
The Mat-Su and Anchorage economies are inextricably linked, and so are their futures. Some events could provide the Mat-Su Valley with a more independent path, such as new port activity or growth in the nonresident component of the visitor industry. At present the fate of the Mat-Su Valley's economy is more dependent on what happens in Anchorage than vice-versa. But as it becomes a bigger slice of the combined area, a greater balance will develop in this relationship.



# How Mat-Su Compares to State **19**

## Current statistics and census data

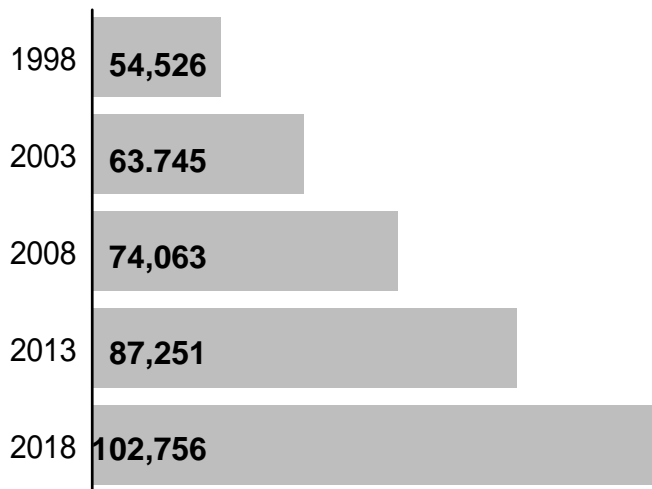
### 18 The Annual Wage Picture In Mat-Su Borough



Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

### 20 100,000 People in 20 Years? Is it possible?

Mat-Su Borough population projections



Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

	Alaska	Mat-Su
<b>Population 1999</b>	622,000	55,694
<b>Age</b>		
Median age (1999)	33.0	34.4
Percent under 20	34.0%	34.8%
Percent 20 to 64	60.6%	59.6%
Percent 65 years & over	5.4%	5.7%
<b>Race and Ethnicity (1999)</b>		
White	73.7%	92.4%
Native American	16.8%	5.8%
Black	4.4%	1.0%
Asian & Pacific Islander	5.0%	0.8
<b>Gender</b>		
Percent female (1999)	48.0%	47.8%
<b>Education</b>		
High school graduate or higher (1990) <sup>1</sup>	86.6%	87.8%
Bachelors degree or higher (1990) <sup>1</sup>	23.0%	18.1%
<b>Employment (1999)</b>		
In labor force, age 16 or over	70.7%	75.1%
Unemployed	6.0%	7.6%
<b>Income and wages</b>		
Personal per capita income (1998)	\$27,835	\$18,752
Annual average monthly earnings (1999)	\$2,673	\$2,320

#### Housing Vacancy Rate (1999)

Anchorage	4.2%
Mat-Su Borough	3.9%

#### Rentals Average Cost (1999)<sup>2</sup>

Anchorage	\$665
Mat-Su Borough	\$663

<sup>1</sup> Source: U.S. Department of Commerce, Bureau of the Census

<sup>2</sup> Average monthly rent for apartment, condominium or other rental unit, not including single family residences or mobile homes. Rent adjusted to include utilities.

Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section