

THE MAT-SU ECONOMY

Second most populous borough has long led the state for growth

By **NEAL FRIED**

For decades, the Matanuska-Susitna Borough has been the state's hot spot for growth. Between 2010 and 2016, its population grew by 15 percent while the state as a whole grew by 4 percent and nearby Anchorage by just 2 percent.

The borough has also long led the state for new home construction. In 2016, nearly half of Alaska's new housing units were built in Mat-Su. (See Exhibit 1.)

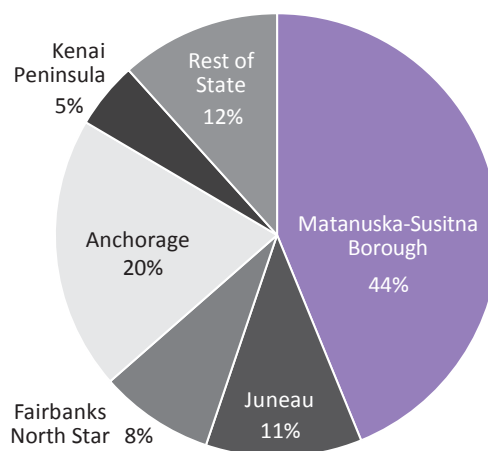
Even with the state in a recession, Mat-Su continued to add jobs in 2016 (see Exhibit 2), and its population grew by 3 percent while the state and Anchorage lagged at less than 1 percent.

Surpassed Fairbanks to become second most populated area

Mat-Su surpassed the Fairbanks North Star Borough in 2015 to become Alaska's second most populous borough and the only place besides Anchorage with a population of more than 100,000. Mat-Su's population reached 102,598 in 2016.

This long-term growth trend means the borough is now home to a little over a quarter of the Anchorage/

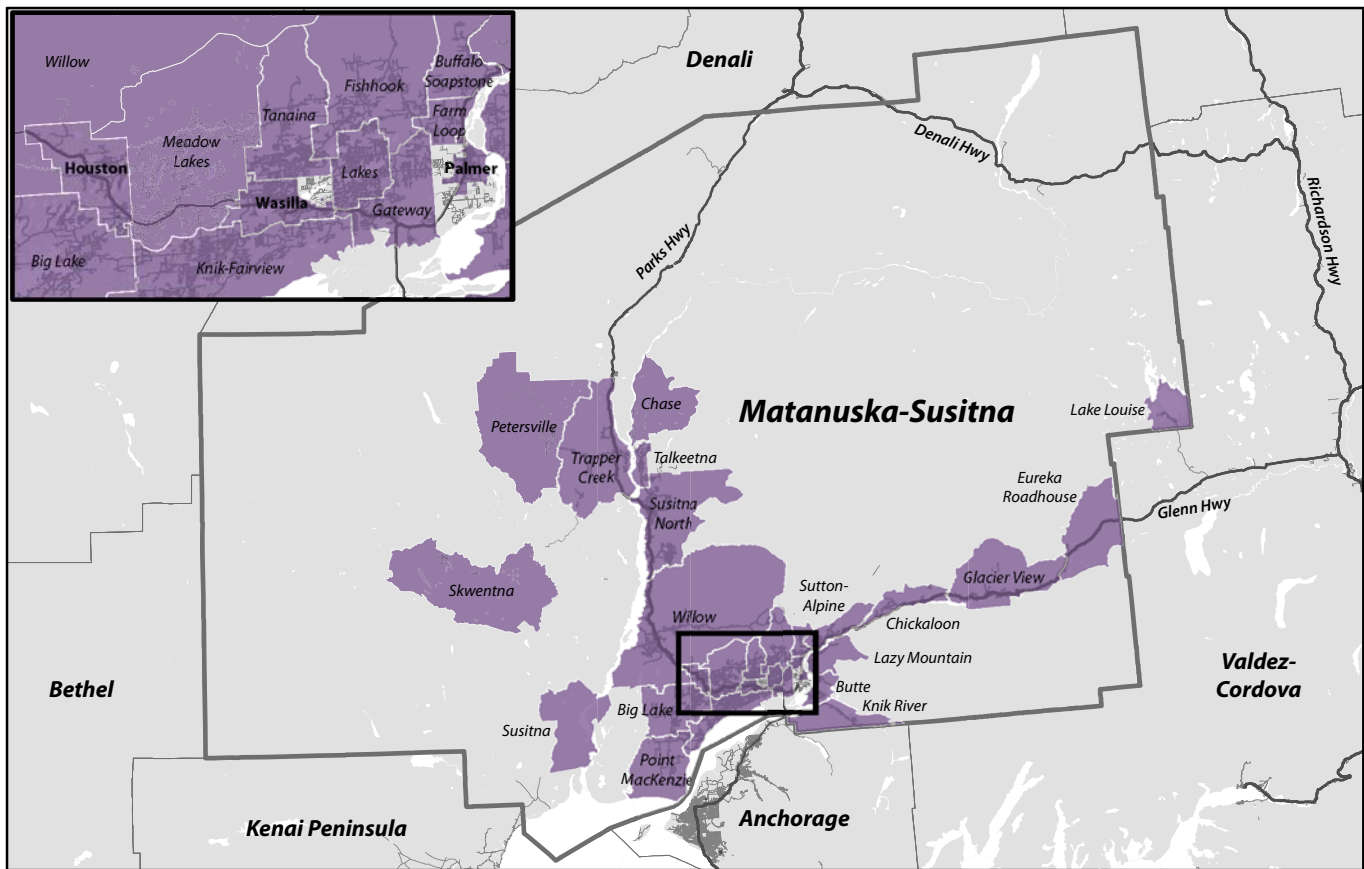
1 First for Building New Homes PERCENT OF STATE'S NEW UNITS, 2016



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

Matanuska-Susitna Region's total population. (See Exhibit 3.) As recently as 1990, Mat-Su represented just 14 percent of the region.

Mat-Su's three incorporated cities of Palmer, Wasilla, and Houston are home to 17 percent of its population, with the majority residing in the other 26 unin-



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

corporated communities. Nearly all of these places have grown in recent years, with Point MacKenzie,¹ Knik-Fairview, Fishhook, and Gateway as the stand-outs. (See Exhibit 4.)

This influx of new residents has boosted the borough's school enrollment by 8 percent over the past five years, which equates to 1,471 additional students. Without Mat-Su's contribution, statewide enrollment over that period would have been essentially flat.

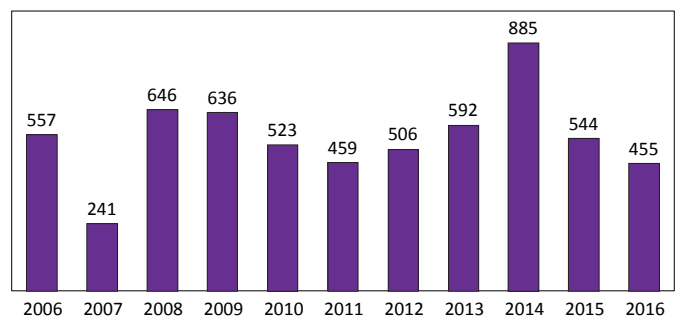
The only borough to gain residents through migration

Mat-Su's migration pattern has also defied the statewide trend, as it's one of the only areas in Alaska to have a net gain from migration in recent years.

Although the state grew overall between 2012 and 2016, more people left Alaska than moved in — meaning statewide growth came from natural increase, or births minus deaths. Net-migration for Anchorage,

¹Most of Point MacKenzie's growth came from the prison that opened in 2012 with 1,536 beds.

2 Many Years of Job Growth MATANUSKA-SUSITNA BOROUGH, 2006-16



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

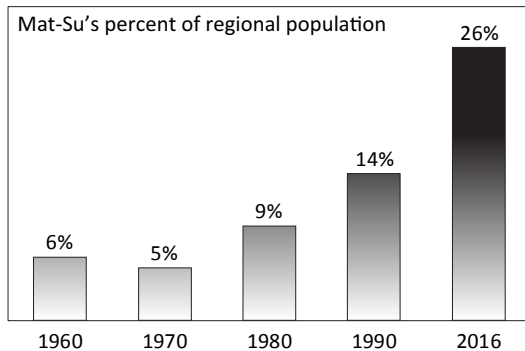
where Mat-Su gets its largest share of new residents, has been negative since 2010. (See Exhibit 5.)

While some Mat-Su residents move to Anchorage, the reverse is much more common. Jobs pay more in Anchorage and housing is more affordable in Mat-Su, making the roughly 45-minute commute worthwhile

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Percent of Total Region

ANCHORAGE/MAT-SU REGION, 1960-2016



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

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Population by Community

MATANUSKA-SUSITNA, 2010 AND 2016

| Area Name | 2010 | 2016 | Percent change |
|----------------------------------|----------------|----------------|----------------|
| Matanuska-Susitna Borough | 88,995 | 102,598 | 15% |
| Big Lake CDP | 3,350 | 3,655 | 9% |
| Buffalo Soapstone CDP | 855 | 980 | 15% |
| Butte CDP | 3,246 | 3,560 | 10% |
| Chase CDP | 34 | 34 | 0% |
| Chickaloon CDP | 272 | 253 | -7% |
| Eureka Roadhouse CDP | 29 | 44 | 52% |
| Farm Loop CDP | 1,028 | 1,198 | 17% |
| Fishhook CDP | 4,679 | 5,805 | 24% |
| Gateway CDP | 5,552 | 7,084 | 28% |
| Glacier View CDP | 234 | 245 | 5% |
| Houston city | 1,912 | 2,163 | 13% |
| Knik-Fairview CDP | 14,923 | 18,493 | 24% |
| Knik River CDP | 744 | 795 | 7% |
| Lake Louise CDP | 46 | 40 | -13% |
| Lakes CDP | 8,364 | 9,060 | 8% |
| Lazy Mountain CDP | 1,479 | 1,562 | 6% |
| Meadow Lakes CDP | 7,570 | 8,540 | 13% |
| Palmer city | 5,937 | 6,268 | 6% |
| Petersville CDP | 4 | 4 | 0% |
| Point MacKenzie CDP | 529 | 1,782 | 237% |
| Skwentna CDP | 37 | 36 | -3% |
| Susitna CDP | 18 | 13 | -28% |
| Susitna North CDP | 1,260 | 1,500 | 19% |
| Sutton-Alpine CDP | 1,447 | 1,426 | -1% |
| Talkeetna CDP | 876 | 903 | 3% |
| Tanaina CDP | 8,197 | 9,121 | 11% |
| Trapper Creek CDP | 481 | 489 | 2% |
| Wasilla city | 7,831 | 8,704 | 11% |
| Willow CDP | 2,102 | 2,047 | -3% |
| Balance | 5,959 | 6,794 | 14% |
| Alaska | 710,231 | 739,828 | 4% |
| Anchorage | 291,826 | 299,037 | 2% |

Note: CDP means census-designated place.

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

for many. Forty-four percent of Mat-Su residents work outside the borough, with the largest share commuting to Anchorage. (See exhibits 6 and 7.)

Home prices and average wages

Part of the Matanuska-Susitna Borough's economic advantage lies in its affordable housing market, with a price differential that's enticing to the region's workers as well as those who work elsewhere but want to live near an urban area. And while difficult to quantify, the area's scenery and more rural lifestyle likely attract homebuyers as well.

In the first quarter of 2017, the average single-family home in Mat-Su sold for \$283,156, nearly a third less than the average home in Anchorage. (See Exhibit 8.) But housing affordability takes an area's average wages into account as well as its home prices, and because Mat-Su's average wages are also lower, a home is no more affordable in Mat-Su for a Mat-Su earner than for an Anchorage worker buying in Anchorage.

For both Mat-Su and Anchorage workers, it takes about 1.4 average paychecks to afford a home in their respective areas. The equation changes considerably for those who buy a house in Mat-Su and commute to Anchorage. (See Exhibit 9.)

Anchorage's average annual earnings run 33 percent higher than Mat-Su's, at \$55,668 and \$41,832 respectively in 2016. Anchorage is home to a larger number of higher-wage jobs in oil, government, and transportation whereas Mat-Su's jobs exist largely to provide services to the local population and tend to be in lower-wage industries. (See Exhibit 10.)

The second most common work site for Mat-Su commuters is the North Slope Borough, whose average annual wage is a whopping \$96,276 due to its large oil industry.

The oil industry is a big slice of Mat-Su residents' earnings, even though the borough isn't home to a single oil industry job. Mat-Su residents earned \$281 million from the oil industry in 2015, the most recent year available, second only to Anchorage residents. For perspective, total payroll for all jobs within the borough that year was \$976 million.

Labor is its biggest export

The borough's economic vitality comes from an array of industries. Key sources of economic stimulus come from outside the borough, though, through its proximity to Anchorage and the large number of Mat-Su residents bringing in wages they earned

elsewhere. In a sense, one of the borough's chief exports is its workforce.

In 2015, the most recent year available, nearly a third of employed Mat-Su residents worked in Anchorage and 14 percent worked elsewhere in the state (see Exhibit 6), earning higher wages on average than those employed locally. In turn, commuters return home and invest their earnings in housing, consumer goods, businesses, and services.

The percentage who commute hasn't changed much over the past decade, but their locations have shifted some, with a growing share working on the North Slope and fewer commuting to Anchorage. The percent working on the Slope doubled between 2010 and 2015, from 4 percent to 8 percent, while the share working in Anchorage decreased from 33 percent to 30 percent.

The Mat-Su Borough's large percentage of commuters makes it one of the few places in Alaska that bring in more income from outside the borough than they lose to other boroughs or outside Alaska. Most places in Alaska have more nonresident workers and workers from other boroughs than residents who work elsewhere and bring their earnings home.

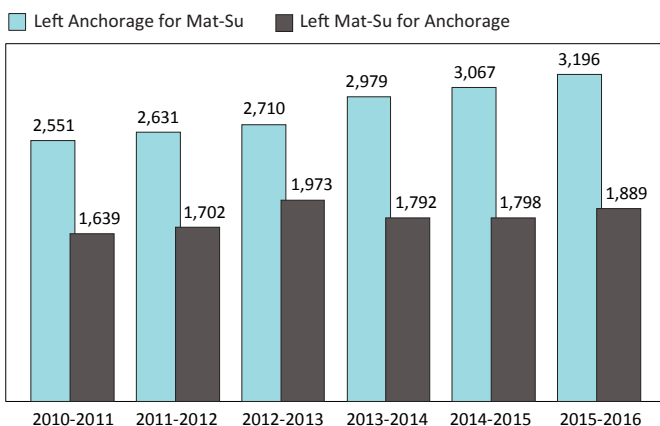
The Bureau of Economic Analysis estimated that Mat-Su net-



Alaska State Fair attendees check out a vegetable competition in Palmer. The fair, which ends on Labor Day each year, attracts thousands of people from around the state and features amusement rides, games, exhibits, live entertainment, and food. Photo by Flickr user Arctic Warrior

5 Many Move from Anchorage

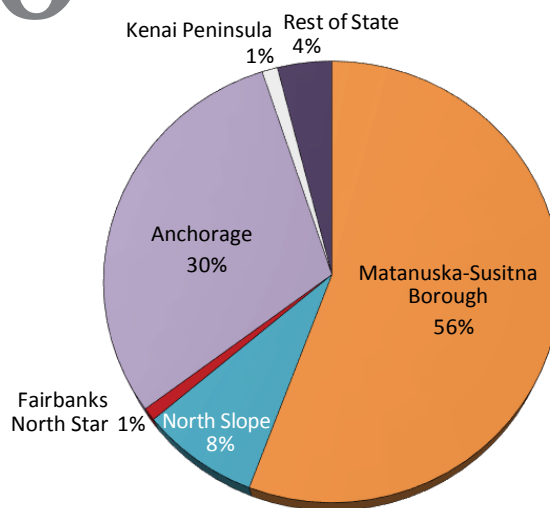
MAT-SU/ANCHORAGE MIGRATION, 2010 TO 2016



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

6 Where Residents Work

MATANUSKA-SUSITNA, 2015



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

ted \$1.7 billion in personal income from outside the borough in 2015, which represented more than a third of the borough's total personal income.

It's important to note that these commuting numbers are likely understated because they exclude self-employed commuters and those who work for the federal government and the military.

Visitor industry continues to grow

Mat-Su's location fosters a strong local visitor industry. In addition to its proximity to Anchorage, the borough is home to Denali State Park, which serves as the gateway to Denali tours and climbs and is a major fishing and hunting destination.

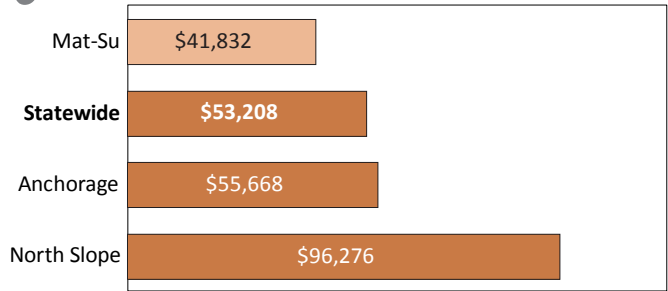
Mat-Su's tourism season continues in the winter as well, peaking with the start of the Iditarod Sled Dog Race that begins in Wasilla.

While most of Alaska's visitors come from outside the state, Mat-Su's visitor industry relies on a blend of Anchorage residents who own recreational property there and thousands of visitors from Southcentral and elsewhere in Alaska who spend vacations, holidays, and summer weekends in the area fishing, hunting, and hiking.

More visitor accommodations such as large hotels have popped up over the last two decades, making the area an increasingly popular destination for summer visitors making their way to the Upper Susitna Valley.

7 Higher Wages Are Elsewhere

HOW AVERAGE WAGES COMPARE, 2016



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

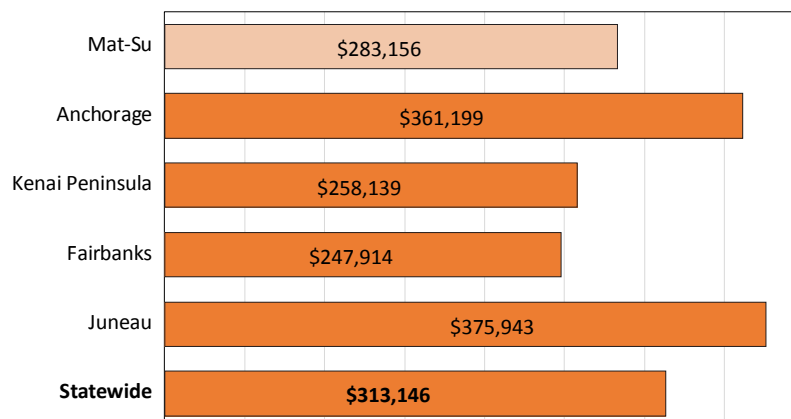
Farming plays a notable role

Another notable local industry is agriculture, which was once a dominant sector in Mat-Su but plays a smaller role today. But while this article's employment data don't include agricultural production, other data sources show the number of farmers is growing again.

The advent of farmers' markets, a growing interest in local meat and eggs, and an expanding peony industry are breathing new life into Mat-Su agriculture. And while marijuana cultivation is a new industry, there's little doubt that it's giving the area's agriculture a boost.

8 Mat-Su Homes Cost Less Than Average

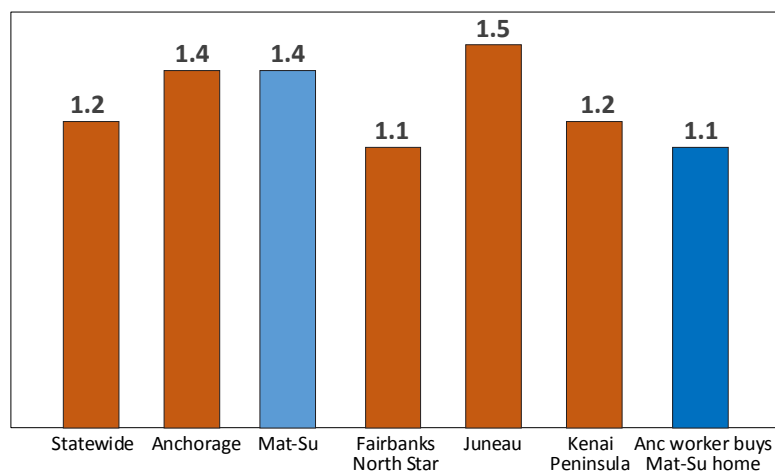
AVERAGE HOUSE PRICE BY AREA, 1ST QUARTER 2017



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

9 Paychecks Needed to Afford a House

ALASKA, 2016



Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section and Alaska Housing Finance Corporation Quarterly Survey of Mortgage Lending Activity

Is Mat-Su feeling the current recession?

The Matanuska-Susitna Borough continued to grow and add jobs in 2016, but whether the state's recession began to affect local employment and the housing market in 2017 is a big question.

Data suggest Mat-Su's economy began to slow in the first quarter of 2017, when employment grew by just half a percentage point compared to 2 percent the year before. March showed a slight decline from year-ago levels — the first in many years — but more quarters of data will be necessary to determine whether it's a real change in direction.

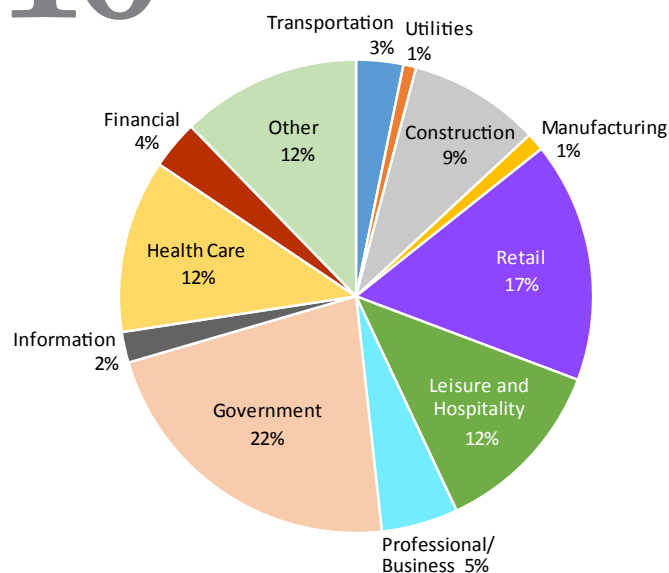
The borough's unemployment rate rose from 7.6 percent in 2015 to 8.1 percent in 2016 and has continued to rise gradually during the first seven months of 2017. (See Exhibit 11 on page 18.) The number of unemployment insurance claimants has actually decreased, although not all unemployed workers qualify or apply for unemployment insurance benefits.

Another question that will take more time to answer is whether job losses in Anchorage and the Slope over the last two years have taken their toll on the borough, given that 44 percent of Mat-Su residents work elsewhere. Some of these lost jobs were surely held by Mat-Su residents, but we can't yet verify the extent of the losses.

Like the state as a whole, Anchorage began to lose jobs in the last quarter of 2015. Employment fell by

10 A Diverse Industry Mix

MATANUSKA-SUSITNA, 2016



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

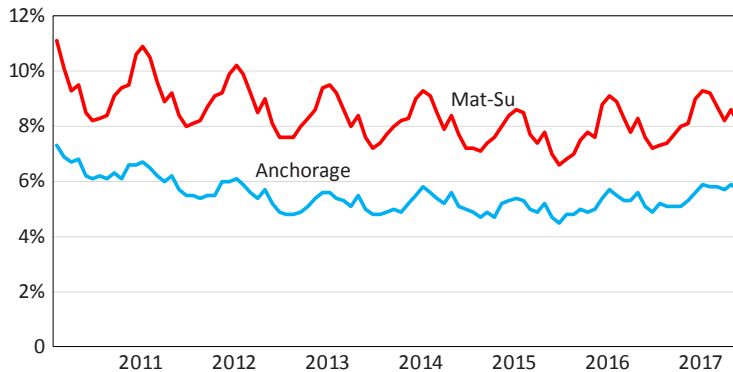
2,700 in 2016 and Anchorage has continued to lose jobs at a similar rate in 2017. And while data for 2016 and 2017 for the North Slope aren't yet available, the number of Mat-Su residents working on the Slope peaked in 2014 and fell slightly in 2015.

Continued on page 18

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Unemployment Rate Up Slightly

MAT-SU AND ANCHORAGE RATES, 2010 TO 2017



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

MAT-SU

Continued from page 9

Total oil industry employment statewide peaked at 13,485 in 2015, then plummeted to 9,443 in late 2016 and continued to decline into 2017.

So far, the local housing market has shown few signs of recession-related decline. Home values have not fallen, new home construction has been fairly steady (see Exhibit 12), and foreclosures haven't increased.

Home sales fell moderately in 2016 but stayed above 2014 levels, and while they continued to decline in the first half of 2017, they still remain higher than in 2014.

The rental vacancy rate is an apparent soft spot, however, doubling from 3.6 percent in March 2016 to 7.6 percent in March of this year.

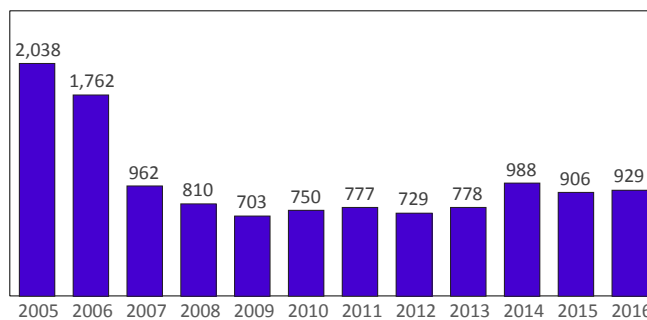
At this point, no other broad economic indicators point to a recession in the Mat-Su Borough, but more data for 2016 and 2017 will paint a clearer picture as they become available.

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Building Permits Remain Steady

MAT-SU RESIDENTIAL, 2005-16



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