ALASKA ECONOMIC TRENDS

AUGUST 2019

ALASKA'S RENTAL MARKET

ALSO INSIDE

How the U.S. economy affects Alaska's migration

Hawaii and Alaska, the 'outlier' states

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ALASKA ECONOMIC TRENDS

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ON THE COVER:

This aerial view of an Anchorage neighborhood was taken by Marcus Biastock, courtesy of Ravens' Roost Cohousing

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Trends is a nonpartisan, data-driven magazine that covers a range of economic topics in Alaska.

ON THIS PAGE: The background image for 2019 is an aerial photo of rivers near Circle by Dr. Travis Nelson, who teaches at the Center for Pediatric Dentistry in Seattle. Nelson visited Alaska in May 2010 to provide dental care to children in Venetie, Circle, and Fort Yukon.

If you have questions or comments, contact editor Sara Whitney at sara.whitney@alaska.gov or (907) 465-6561.

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Alaska's Rental Market

2019 survey finds increased vacancy, some slightly lower rents

By **ROB KREIGER**

Rents fell slightly in 2019 and vacancies rose, according to our annual survey of Alaska landlords. The increase in vacancies continues a three-year trend that has pushed the overall vacancy rate to a 10-year high of 8.6 percent.

Rental costs and the broader housing market remained mostly stable throughout Alaska's recession (see the August 2018 issue of *Trends*), but the continued rise in vacancy suggests the state's weak economy is hurting the rental market.

Recession still leaving its mark

The state's recent recession began in late 2015, but the steady increase in vacancy rates didn't begin until after 2016, when Alaska's job losses accelerated. Over the next couple of years, vacancies rose in most areas, and in some cases sharply.

Despite modest job growth in recent months, the continued rise in vacancy and Alaska's ongoing net migration losses suggest workers have continued to leave the state for opportunities elsewhere. (For an in-depth look at how the strength or weakness of the American economy can affect Alaska's migration patterns, see the article on page 10.)

Rents up and down by area, but remain close to 2018 overall

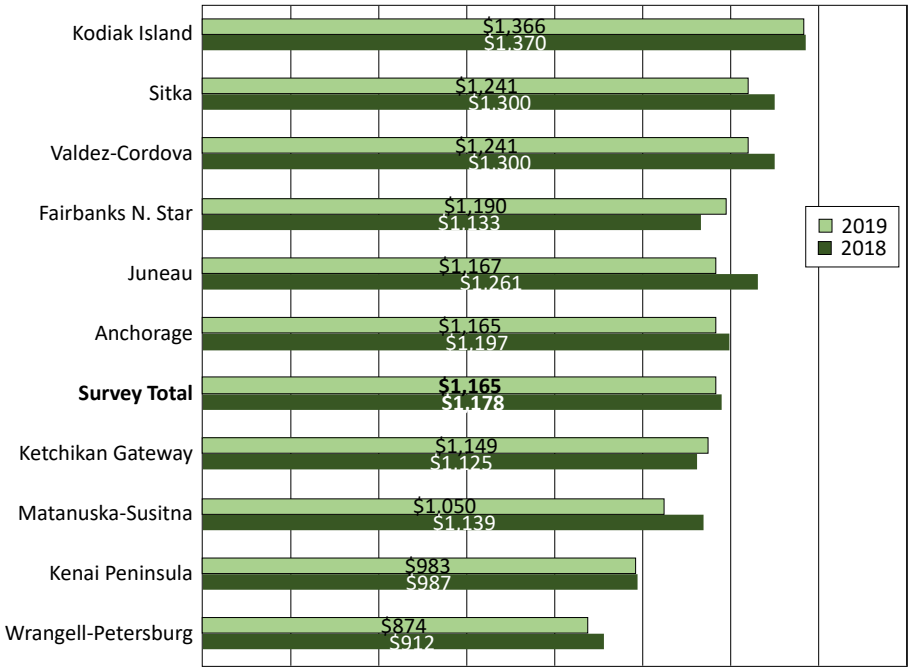
Overall, median adjusted rent fell $13 from 2018, or 1.1 percent, with a variety of ups and downs by area. Adjusted rent is the rent paid to the landlord plus the cost of all typical utilities. (See Exhibit 1 and the sidebar on the next page.)

Kodiak's rents were highest in 2019, as they were in 2018, while Wrangell and Petersburg rents remained lowest. Only Wrangell, Petersburg, and Kenai rents were below $1,000 a month.

Rent dropped the most in the Matanuska-Susitna Borough and Juneau, by 7.8 percent and 7.5 percent, respectively. Rent rose by 5 percent in Fairbanks and 2.1 percent in Ketchikan.

1 Most Rents Down, Kodiak's Still Highest

MEDIAN ADJUSTED RENT,* ALL UNIT TYPES, 2018 AND 2019



*Adjusted rent includes the cost of all utilities. See the sidebar on the next page for more details.

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

Fairbanks' survey results were unusual this year in that rents went up, making the area more expensive than Juneau and Anchorage, but its vacancy rate increased significantly at the same time. Higher rents are typically driven by low vacancy rates.

It isn't clear what's driving Fairbanks' rise in rent, especially given the higher vacancy rate, but new or different types of housing entering the market at higher rents as well as higher utility costs are likely factors.

Kodiak's two-bedroom apartment rent is highest

Two-bedroom apartments are the most common rental units in all areas. Kodiak's adjusted two-bedroom apartment rent remained highest in 2019 at $1,371 per month, followed by Juneau at $1,352. Wrangell and Petersburg were lowest at $861, followed by Kenai at $1,015. (See Exhibit 2.)

Renting a house costs the most in Anchorage

Three-bedroom homes are the most common size for house rentals, and they were the most expensive in Anchorage at $2,011 per month. Kodiak was second at $1,961. (See Exhibit 3.)

About the data

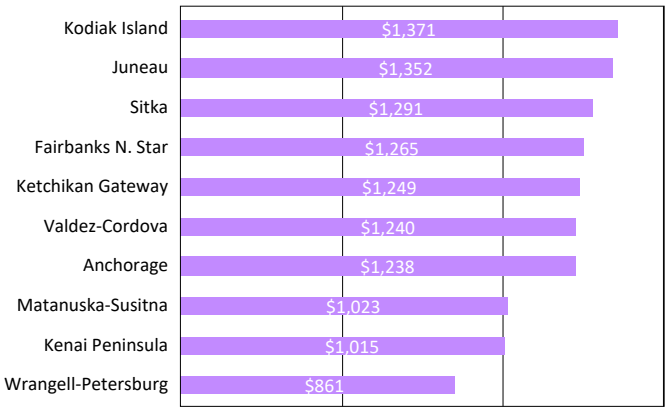
For more than 25 years, the Alaska Department of Labor and Workforce Development's Research and Analysis Section has partnered with the Alaska Housing Finance Corporation to conduct a survey every March of rental housing costs and vacancies in selected parts of Alaska.

Unless otherwise specified, rents quoted here are "adjusted rent," meaning rent if all utilities were included. Because the types and costs of utilities included in contract rent — the amount paid to the landlord each month — can vary considerably by area, using adjusted rent makes units comparable.

This survey doesn't include income-restricted units or other rentals not available to the public.

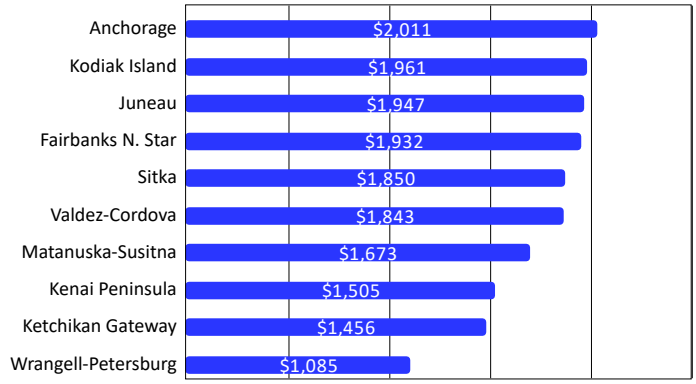
2 Kodiak Apartments Cost the Most

MEDIAN ADJUSTED RENTS, 2-BEDROOM, MAR 2019



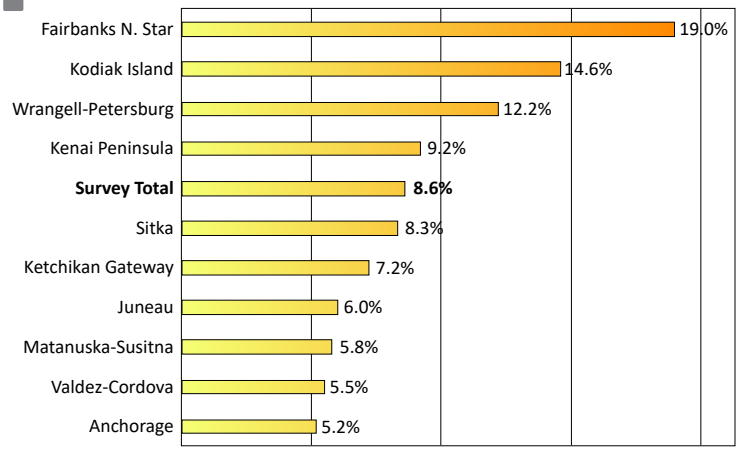
3 House Rent Highest in Anchorage

MEDIAN ADJUSTED RENTS, 3-BEDROOM, MAR 2019



4 High Vacancy in Fairbanks, Kodiak

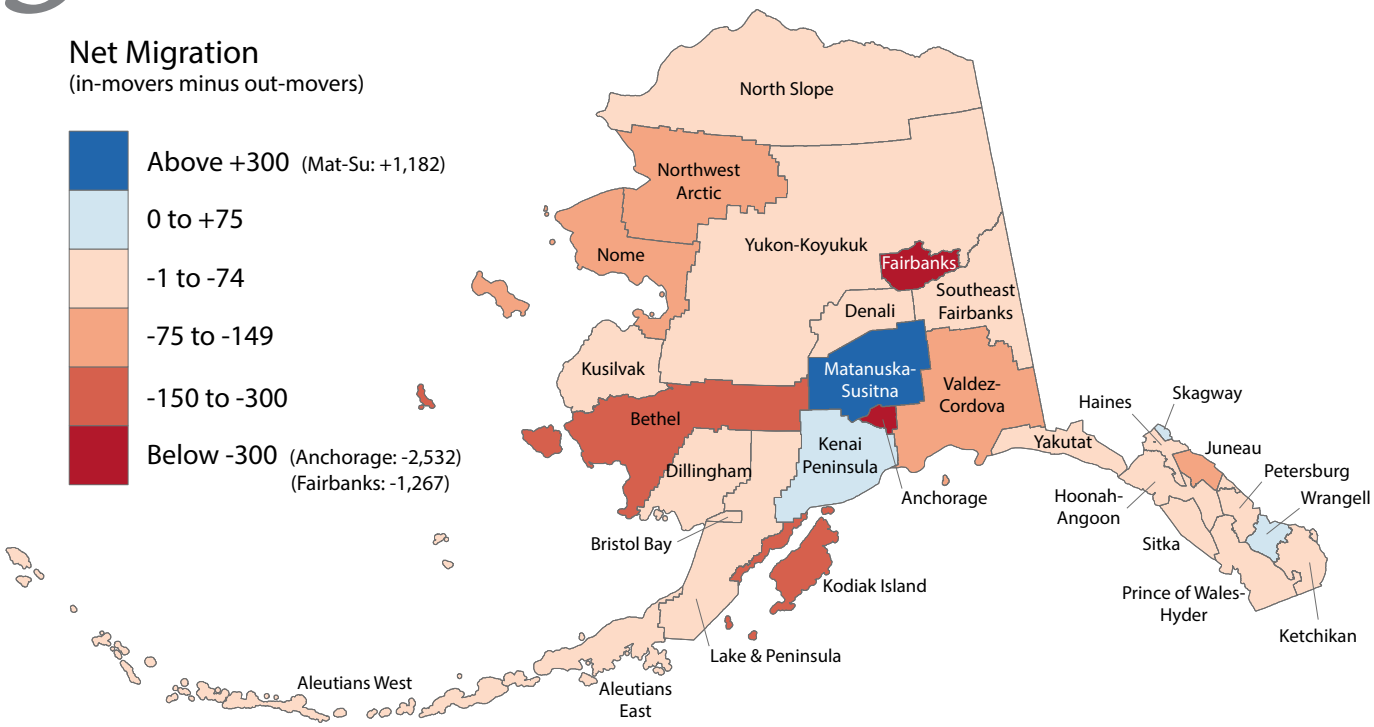
VACANCY RATES BY AREA, ALL UNIT TYPES, MAR 2019



Source for exhibits 2-4: Alaska Department of Labor and Workforce Development, Research and Analysis Section and Alaska Housing Finance Corporation

5 More People Have Left Alaska Than Moved Here in Recent Years

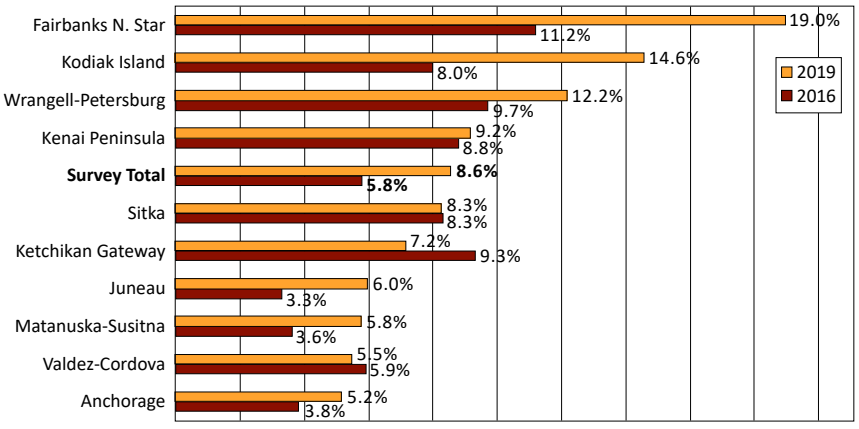
Net migration by area, yearly average from 2010 to 2018



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

6 How Vacancy Changed In Three Years

Vacancy rates by area, 2016 and 2019



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

Wrangell and Petersburg were lowest in this category as well, at $1,085, followed by Ketchikan at $1,456.

A few areas remain tight, but vacancy up in most

While vacancy rates rose overall in 2019, results varied considerably by area. Sitka, Ketchikan, and the Valdez-Cordova Census Area were the only areas whose vacancy rates dropped.

Anchorage's rental market remained relatively tight at 5.2 percent vacancy, followed by Valdez-Cordova at 5.5 percent. (See Exhibit 4.) It's important to note, though, that 5.2 percent vacancy is high for Anchorage, which is typically down in the 3 to 4 percent range.

Juneau followed a similar pattern. While Juneau's vacancy rate was still

Article continues on page 9

7 Apartment Rents, Utilities, and Vacancies By Area

By number of bedrooms, March 2019

Surveyed Area	Number of Bedrooms	Avg Contract Rent	Average Adj Rent	Median Contract Rent	Median Adj Rent	Vacancy Rate	Percent of Units That Include Utility					
							Heat	Light	Hot Wtr	Water	Garbage	Sewer
Anchorage, Municipality	0	$787	$873	$755	$842	5.3%	87.4%	47.1%	89.0%	45.7%	99.5%	45.7%
	1	$978	$1,087	$905	$1,024	4.6%	86.0%	36.2%	87.8%	39.6%	99.7%	39.5%
	2	$1,175	$1,313	$1,100	$1,238	4.9%	72.7%	7.7%	75.6%	51.9%	98.3%	51.8%
	3	$1,427	$1,566	$1,393	$1,523	8.0%	59.3%	8.1%	62.2%	75.9%	88.3%	73.9%
Fairbanks North Star Borough	0	$645	$672	$618	$669	17.7%	98.8%	68.3%	97.6%	97.6%	95.1%	97.6%
	1	$889	$972	$900	$993	19.6%	98.3%	22.2%	93.1%	98.4%	92.8%	97.0%
	2	$1,111	$1,247	$1,140	$1,265	23.9%	97.8%	6.5%	83.0%	96.5%	92.3%	95.2%
	3	$1,313	$1,554	$1,265	$1,543	11.0%	89.9%	5.1%	46.8%	89.0%	75.1%	93.2%
Juneau, City and Borough	0	$910	$945	$955	$988	3.1%	78.7%	14.2%	82.7%	100.0%	100.0%	100.0%
	1	$1,006	$1,043	$1,000	$1,037	5.9%	72.9%	38.3%	72.1%	99.5%	98.9%	99.5%
	2	$1,253	$1,338	$1,250	$1,352	6.1%	42.5%	13.5%	36.4%	99.3%	93.9%	99.3%
	3	$1,670	$1,795	$1,700	$1,840	5.8%	51.0%	8.7%	30.8%	97.1%	71.2%	99.0%
Kenai Peninsula Borough	0	$626	$652	$650	$665	7.1%	92.9%	71.4%	90.0%	100.0%	98.6%	100.0%
	1	$755	$861	$765	$831	6.9%	79.3%	26.7%	79.3%	94.4%	92.2%	94.4%
	2	$905	$1,043	$880	$1,015	12.5%	80.7%	17.2%	76.9%	94.6%	92.2%	94.1%
	3	$1,152	$1,320	$1,100	$1,237	2.5%	63.3%	16.5%	63.3%	88.6%	82.3%	91.1%
Ketchikan Gateway Borough	0	$889	$903	$800	$800	17.0%	95.7%	91.5%	95.7%	93.6%	91.5%	93.6%
	1	$908	$1,001	$875	$1,000	6.3%	83.3%	39.7%	71.4%	57.9%	57.1%	58.7%
	2	$1,130	$1,254	$1,065	$1,249	3.2%	90.3%	35.1%	59.7%	48.1%	47.4%	48.1%
	3	$1,370	$1,538	$1,300	$1,460	7.9%	85.7%	22.2%	61.9%	28.6%	25.4%	28.6%
Kodiak Island Borough	0	$811	$867	$750	$830	16.3%	98.0%	8.2%	55.1%	100.0%	100.0%	100.0%
	1	$1,019	$1,060	$975	$1,031	8.4%	95.8%	33.7%	93.7%	98.9%	98.9%	98.9%
	2	$1,277	$1,359	$1,300	$1,371	17.1%	88.0%	11.4%	85.1%	94.3%	93.1%	94.3%
	3	$1,447	$1,567	$1,500	$1,584	15.7%	75.9%	4.8%	75.9%	92.8%	92.8%	92.8%
Matanuska-Susitna Borough	0	$688	$694	$628	$638	3.6%	100.0%	89.3%	100.0%	100.0%	100.0%	100.0%
	1	$806	$883	$800	$883	7.0%	80.2%	16.0%	79.0%	96.9%	95.7%	95.7%
	2	$939	$1,044	$900	$1,023	6.8%	71.5%	12.6%	69.6%	95.1%	93.7%	87.9%
	3	$1,282	$1,454	$1,250	$1,438	7.1%	35.3%	7.1%	35.3%	91.2%	89.4%	62.9%
Sitka, City and Borough	0	$726	$895	$750	$920	0%	68.4%	5.3%	78.9%	10.5%	68.4%	68.4%
	1	$852	$1,050	$875	$1,073	6.5%	58.1%	11.8%	65.6%	19.4%	33.3%	39.8%
	2	$1,011	$1,298	$1,000	$1,291	7.7%	25.3%	4.4%	26.4%	11.0%	6.6%	11.0%
	3	$1,299	$1,568	$1,200	$1,373	12.2%	14.6%	2.4%	9.8%	4.9%	4.9%	4.9%
Valdez-Cordova Census Area	0	$907	$907	$900	$900	28.6%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
	1	$998	$1,028	$900	$900	3.8%	88.5%	71.2%	84.6%	90.4%	90.4%	90.4%
	2	$1,200	$1,289	$1,100	$1,240	4.9%	80.5%	30.9%	62.6%	96.7%	95.1%	96.7%
	3	$1,349	$1,460	$1,275	$1,378	3.1%	84.4%	28.1%	78.1%	87.5%	90.6%	90.6%
Wrangell/ Petersburg	0	ND	ND	ND	ND	ND	ND	ND	ND	ND	ND	ND
	1	$655	$761	$608	$780	26.9%	53.8%	30.8%	34.6%	38.5%	50.0%	42.3%
	2	$783	$918	$700	$861	9.0%	62.7%	6.0%	44.8%	64.2%	70.1%	61.2%
	3	$805	$960	$800	$907	0%	52.9%	5.9%	52.9%	58.8%	64.7%	64.7%

Notes: Contract rent is the amount paid to the landlord each month, which may or may not include some utilities. Adjusted rent is the contract rent plus all utilities, which allows for comparisons among areas.
ND = Not disclosable for confidentiality reasons

Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section and Alaska Housing Finance Corporation, 2019 Rental Survey

8 Single-Family House Rents, Utilities, and Vacancies by Area

By number of bedrooms, March 2019

Surveyed Area	Number of Bedrooms	Avg Contract Rent	Average Adj Rent	Median Contract Rent	Median Adj Rent	Vacancy Rate	Percent of Units That Include Utility					
							Heat	Light	Hot Wtr	Water	Garbage	Sewer
Anchorage, Municipality	1	$891	$1,050	$863	$1,066	8.3%	25.0%	25.0%	25.0%	58.3%	58.3%	58.3%
	2	$1,290	$1,498	$1,325	$1,529	16.7%	11.1%	8.3%	11.1%	47.2%	38.9%	47.2%
	3	$1,771	$2,025	$1,750	$2,011	8.8%	8.0%	6.6%	5.8%	23.4%	18.2%	23.4%
	4	$2,088	$2,397	$2,038	$2,374	8.7%	0%	0%	0%	15.2%	13.0%	15.2%
Fairbanks North Star Borough	1	$890	$1,074	$900	$1,077	12.9%	64.5%	17.7%	48.4%	69.4%	27.4%	69.4%
	2	$1,170	$1,459	$1,213	$1,492	11.8%	51.3%	7.9%	25.0%	60.5%	30.3%	55.3%
	3	$1,733	$1,947	$1,770	$1,932	11.3%	84.0%	1.3%	80.2%	85.2%	82.2%	85.0%
	4	$1,936	$2,248	$1,970	$2,164	25.5%	73.6%	0.9%	67.9%	76.4%	70.8%	77.4%
Juneau, City and Borough	1	$1,022	$1,100	$1,000	$1,040	11.1%	33.3%	16.7%	38.9%	100.0%	83.3%	94.4%
	2	$1,604	$1,716	$1,650	$1,759	8.3%	33.3%	16.7%	33.3%	91.7%	66.7%	91.7%
	3	$1,758	$1,913	$1,800	$1,947	7.7%	23.1%	11.5%	15.4%	92.3%	53.8%	88.5%
	4	ND	ND	ND	ND	ND	ND	ND	ND	ND	ND	ND
Kenai Peninsula Borough	1	$700	$942	$700	$884	10.2%	24.5%	24.5%	30.6%	59.2%	38.8%	63.3%
	2	$931	$1,213	$900	$1,206	12.7%	15.5%	12.7%	18.3%	53.5%	21.1%	45.1%
	3	$1,147	$1,449	$1,179	$1,505	5.8%	20.9%	20.9%	22.1%	61.6%	24.4%	47.7%
	4	$1,343	$1,689	$1,313	$1,676	0.0%	11.1%	11.1%	11.1%	66.7%	22.2%	66.7%
Ketchikan Gateway Borough	1	$869	$960	$900	$1,008	37.5%	37.5%	37.5%	37.5%	75.0%	62.5%	75.0%
	2	$810	$992	$750	$932	11.1%	33.3%	11.1%	11.1%	44.4%	22.2%	55.6%
	3	$1,255	$1,466	$1,300	$1,456	9.1%	9.1%	0.0%	9.1%	45.5%	36.4%	54.5%
	4	ND	ND	ND	ND	ND	ND	ND	ND	ND	ND	ND
Kodiak Island Borough	1	$1,083	$1,211	$1,150	$1,228	21.4%	21.4%	28.6%	35.7%	71.4%	64.3%	71.4%
	2	$1,370	$1,492	$1,325	$1,461	0.0%	20.8%	8.3%	25.0%	95.8%	91.7%	95.8%
	3	$1,749	$1,987	$1,750	$1,961	20.0%	2.5%	5.0%	5.0%	75.0%	57.5%	75.0%
	4	$1,932	$2,208	$2,100	$2,304	27.3%	0%	0%	18.2%	63.6%	63.6%	72.7%
Matanuska-Susitna Borough	1	$789	$976	$788	$962	11.1%	38.9%	33.3%	38.9%	88.9%	72.2%	55.6%
	2	$1,004	$1,170	$963	$1,168	0.0%	38.1%	9.5%	40.5%	83.3%	66.7%	66.7%
	3	$1,432	$1,698	$1,400	$1,673	1.4%	2.2%	2.2%	3.6%	75.4%	47.8%	39.9%
	4	$1,697	$2,007	$1,700	$2,057	2.6%	5.3%	5.3%	5.3%	60.5%	55.3%	21.1%
Sitka, City and Borough	1	$828	$1,020	$800	$1,057	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%
	2	$1,070	$1,352	$1,000	$1,341	12.9%	6.5%	3.2%	3.2%	3.2%	3.2%	3.2%
	3	$1,567	$1,841	$1,500	$1,850	0.0%	12.0%	8.0%	8.0%	8.0%	4.0%	8.0%
	4	ND	ND	ND	ND	ND	ND	ND	ND	ND	ND	ND
Valdez-Cordova Census Area	1	$1,039	$1,176	$1,050	$1,235	0.0%	33.3%	22.2%	22.2%	55.6%	55.6%	55.6%
	2	$960	$1,132	$825	$1,003	10.0%	20.0%	30.0%	30.0%	60.0%	50.0%	60.0%
	3	$1,723	$1,894	$1,650	$1,843	3.2%	9.7%	12.9%	12.9%	35.5%	32.3%	35.5%
	4	ND	ND	ND	ND	ND	ND	ND	ND	ND	ND	ND
Wrangell/ Petersburg	1	ND	ND	ND	ND	ND	ND	ND	ND	ND	ND	ND
	2	$753	$986	$670	$916	0%	0%	0%	0%	8.3%	25.0%	8.3%
	3	$739	$1,024	$800	$1,085	14.3%	0%	0%	0%	0%	0%	0%
	4	ND	ND	ND	ND	ND	ND	ND	ND	ND	ND	ND

Notes: Contract rent is the amount paid to the landlord each month, which may or may not include some utilities. Adjusted rent is the contract rent plus all utilities, which allows for comparisons among areas.
ND = Not disclosable for confidentiality reasons

Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section and Alaska Housing Finance Corporation, 2019 Rental Survey

among the lowest in the state in 2019 at 6.0 percent, it too is usually closer to 3 percent and has nearly doubled in three years.

Atypical patterns in Kodiak and Fairbanks this year

As mentioned earlier, Fairbanks and Kodiak had the highest vacancy rates early this year at 19.0 percent and 14.6 percent, respectively, and both had risen considerably since 2016. (See Exhibit 6.)

While Kodiak's rent has remained close to what it was last year, Kodiak had the highest rents in the state in 2019 as well as one of the highest vacancy rates, which is unusual because it tends to have high rent with low vacancy.

High vacancy rates in Kodiak and Fairbanks are partly explained by population loss through net migration, or more people moving out than moving in. Both areas have had significant net migration losses since 2010. (See Exhibit 5.)

Kodiak's vacancy rate is also tied to the Coast Guard, and the recent trend of more personnel living on base has opened up rentals in the area. Finally, Kodiak has a number of new multiplex apartments, which likely increased vacancy over the last few years.

Fairbanks' high vacancy rate is also due to a number of other factors, including military movements, a slower economy, new units on the market, and a transient population (mostly due to its large military population and the University of Alaska Fairbanks).

In March, the U.S. Army announced it would deploy half of its largest unit stationed in Fairbanks to Iraq later this year (the 1st Stryker Brigade Combat Team, 25th Infantry Division, which has 4,500 soldiers). Although the announcement came while this survey was in progress, families were likely already making preparatory moves.

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How the U.S. Economy Affects Our Migration

Migration patterns during modern U.S. and Alaska recessions

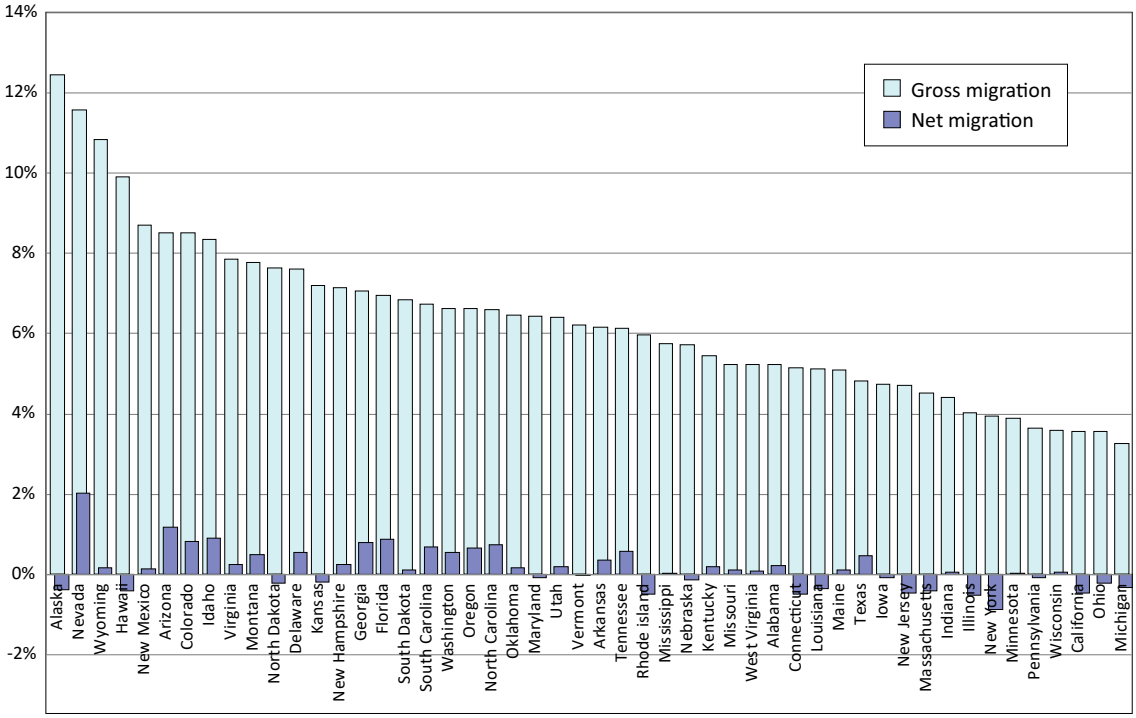
By **NEAL FRIED**

In the June 2009 and October 2015 issues of *Alaska Economic Trends*, we wrote about how the national economy can affect the numbers of people moving to and from Alaska. The nation was in a deep recession in 2009, so we asked whether that downturn, like so many in the past, would change Alaska's migration patterns. The answer was yes, and we revisited the results in 2015 after the national economy had regained its strength.

The data conformed with historical patterns: Fewer people leave Alaska and more people move here during national recessions. Alaska's net migration — the number of in-migrants minus the number of out-migrants — has consistently turned from negative to positive or became more positive when the national economy struggled.

1 Average Yearly Gross and Net Migration* Rates by State

AS A PERCENT OF STATE'S TOTAL POPULATION, 1990 TO 2016



*Gross migration is the sum of all movers in both directions. Net migration is the number in minus the number out.
Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

In 20 of the 23 years since 1975 that Alaska has lost more people to migration than we've gained, the national unemployment rate has also been below its long term historical rate of 6.4 percent.

We're revisiting this topic a third time, but under the opposite circumstances. When we followed up in 2015, oil prices were falling and Alaska's economy was shaky, but we hadn't yet entered the state recession that lasted at least through late 2018. Now we're looking at the roles the state's recent recession and a booming U.S. economy played in our record six-year streak of migration losses.

Large yearly migration flows both ways are the norm for Alaska

Large numbers of people moving both in and out are the norm for Alaska. Each year during the past decade, about 40,000 to 50,000 people moved both to and from the state, regardless of economic conditions.

The total number of movers both in and out is called gross migration, and Alaska has long had the highest gross migration rates in the country. This is due to a number of factors, including Alaska's large military presence, industry mix, isolation, and weather. (See Exhibit 1.)

State's migration losses began before the U.S. recession

The nation's most recent recession, the Great Recession, began in late 2007 and officially ended in 2009, although economic recovery took much longer. National employment didn't regain its pre-recession levels until 2014, and the U.S. unemployment rate remained at 9 percent or higher in 2009 and 2010.

The rate didn't fall below 8 percent until 2013, when it dropped to 7.4 percent. By 2014, the U.S. unemployment rate had fallen below the historical long-term average of 6.4 percent. Job levels also hit a record in 2014 and reached new highs each year thereafter.

In 2010, during the immediate aftermath of the national recession, the state's net migration gain was 8,490, which was the highest number recorded since 1985. The state continued to gain slightly more people than it lost through 2012.

Alaska's net migration turned slightly negative in 2013, and between July 2013 and July 2014, 7,119 more people

2 Alaska Migration and the U.S. Unemployment Rate

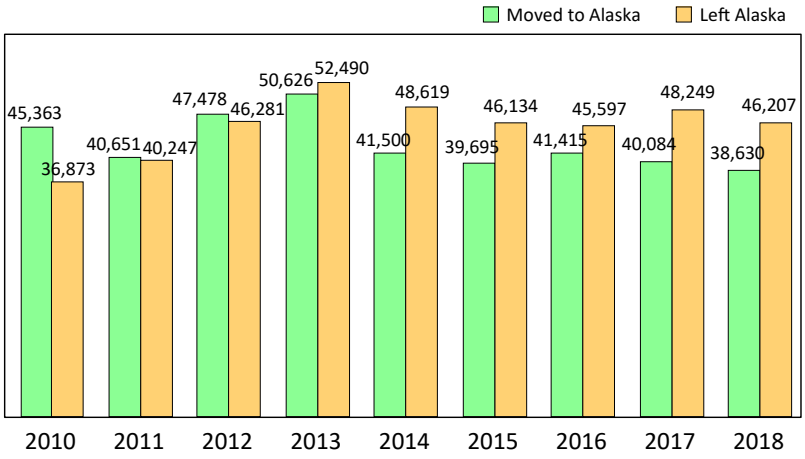
1975 to 2018

Year	Alaska net migration	U.S. rate, unemployment	
1975	30,222	8.5%	
1976	19,576	7.7%	
1977	1,637	7.1%	
1978	-13,414	6.1%	Low national unemployment
1979	-5,289	5.8%	
1980	-1,629	7.1%	
1981	6,326	7.6%	
1982	20,992	9.7%	
1983	24,934	9.6%	
1984	14,526	7.5%	
1985	9,206	7.2%	
1986	-3,646	7.0%	
1987	-19,245	6.2%	
1988	-15,710	5.5%	Low national unemployment
1989	-5,480	5.3%	
1990	4,637	5.6%	
1991	6,310	6.8%	
1992	8,138	7.5%	
1993	1,314	6.9%	
1994	-4,840	6.1%	
1995	-6,980	5.6%	
1996	-3,741	5.4%	
1997	-3,001	4.9%	
1998	145	4.5%	
1999	-2,337	4.2%	
2000	-927	4.0%	
2001	-2,676	4.7%	Low national unemployment
2002	2,196	5.8%	
2003	819	6.0%	
2004	2,948	5.5%	
2005	292	5.1%	
2006	-56	4.6%	
2007	-2,023	4.6%	
2008	-1,111	5.8%	
2009	3,009	9.3%	
2010	8,490	9.6%	
2011	404	8.9%	
2012	1,197	8.1%	
2013	-1,864	7.4%	
2014	-7,119	6.2%	
2015	-6,439	5.3%	
2016	-4,182	4.9%	Low national unemployment
2017	-8,165	4.4%	
2018	-7,577	3.9%	

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

3 More Moving Out Than In

ALASKA IN-MIGRATION AND OUT-MIGRATION, 2010 TO 2018



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

left the state than moved in: the largest net migration loss in 26 years. (See Exhibit 2.) Alaska wasn't in a recession, though, and oil prices remained at near-historic highs through the first half of 2014.

But while Alaska's economic conditions hadn't changed noticeably, the nation's had. By then, the national unemployment rate had fallen below its historical average and U.S. employment was in its fourth year of expansion.

One explanation for the high out-migration from Alaska in 2013 and 2014 is the release of pent-up demand to leave during the years of persistently poor prospects in the Lower 48. In other words, those people likely would have left earlier if they could have.

It's clear the strong national economy was a driving factor, given that the state's recession didn't begin until Alaska had already sustained three straight years of negative net migration.

… and persisted during the state's recession

Alaska's high out-migration continued in 2015, and the state entered a recession later that year. Net migration losses persisted through the recession, and by 2017, the stretch of net migration loss had become the longest in Alaska's history, although not the worst, as more people left in the late 1980s.

Net migration fell to -8,165 in 2017, the largest net loss since 1988. It was also the first time since 1988 that Alaska's total population declined. Natural increase was no longer able to offset migration losses in 2017 and 2018.

Loss likely to continue while U.S. economy booms

Alaska's continuous net migration loss makes sense given that the nation's economic expansion has hit a record length and the U.S. unemployment rate has fallen to a near-50-year low.

Another factor is that job markets have improved markedly in the three states that share the most movers in both directions with Alaska: Washington, California, and Texas. Unemployment rates in California and Washington hit double digits during the Great Recession but have now fallen below 5 percent. Texas' rate never rose that much but is now below 4 percent.

Alaska's recession exacerbated the depth and length of this stretch of negative net migration as well, as it's given residents additional reasons to leave and has attracted fewer new residents to balance out the loss.

Although employment data suggest the state's recession has ended, negative net migration will likely persist in 2019 and possibly longer, depending on how long the U.S. economy stays strong and on the relative health of the Alaska economy.

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The 'Outlier' States

How Alaska and Hawaii economies differ, and what they share

By **DAN ROBINSON**

The 49th and 50th states to enter the union — Alaska in January 1959 and Hawaii in August 1959 — are outliers as states in a number of ways. They are both remote and popular visitor destinations, and residents share some of the same challenges, such as dealing with high costs of living and "does not ship to Alaska or Hawaii."

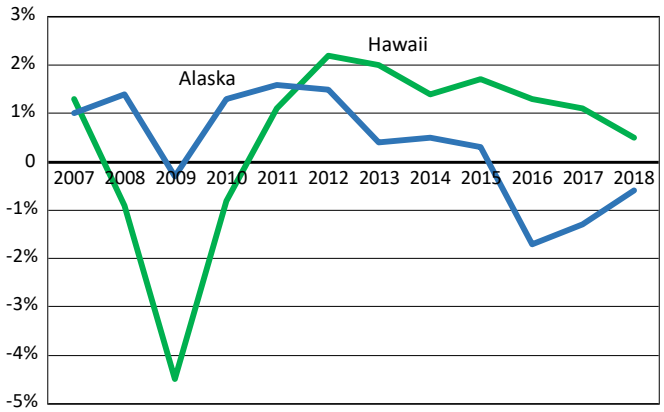
In other ways they couldn't be more different, from the climates and terrain to voting patterns and demographics. Although Alaska's land mass dwarfs the tiny Hawaiian islands, Hawaii has roughly twice as many residents — 1.4 million to Alaska's roughly 740,000.

It's a similar situation with the two states' economies, which have a number of characteristics in common as well as some stark differences. Here's a look at how

Article continues on page 18

1 Job Growth Comparison

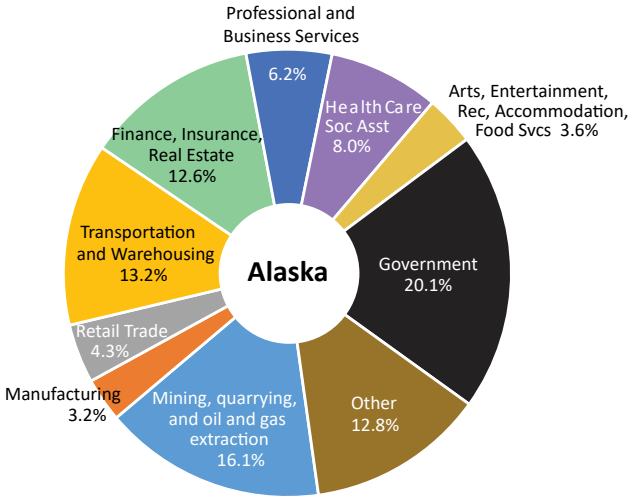
HAWAII AND ALASKA, 2007 TO 2018

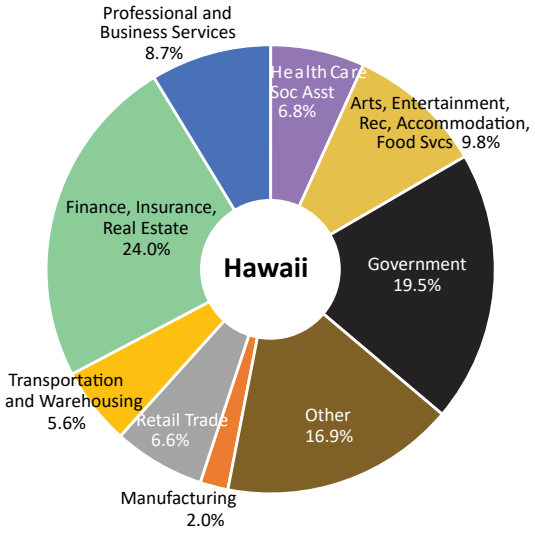


Sources: U.S. Bureau of Labor Statistics and Alaska Department of Labor and Workforce Development, Research and Analysis Section

2 Some Similarities in Gross Domestic Product

GDP BY SECTOR IN HAWAII AND ALASKA, 2017



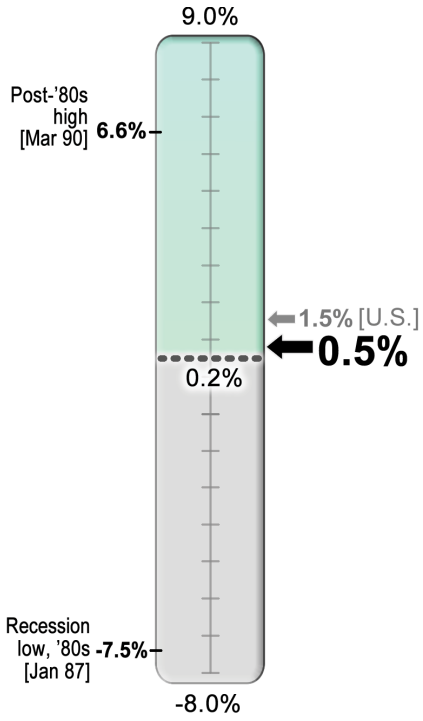


Source: U.S. Bureau of Economic Analysis

Gauging Alaska's Economy

Job Growth

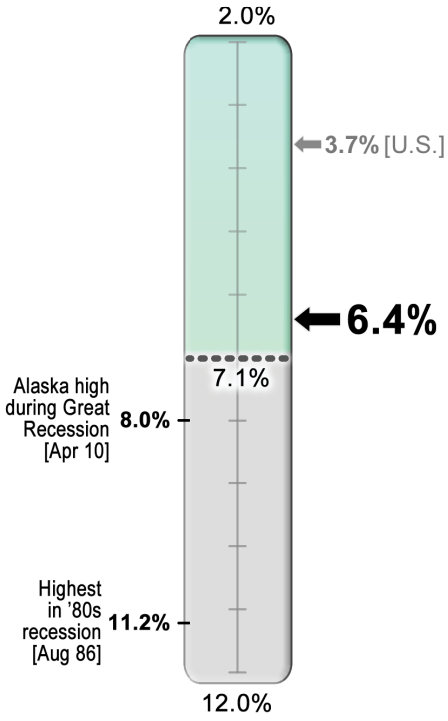
June 2019
Over-the-year percent change



- After revisions to 2018 data, the state has registered over-the-year job gains for nine straight months after losing jobs for the prior 36 months.
- The gains are small yet consistent, and signal the end of the state's recession.
- U.S. job growth remains strong and has been positive since 2010, with the strongest growth in 2015.

Unemployment Rate

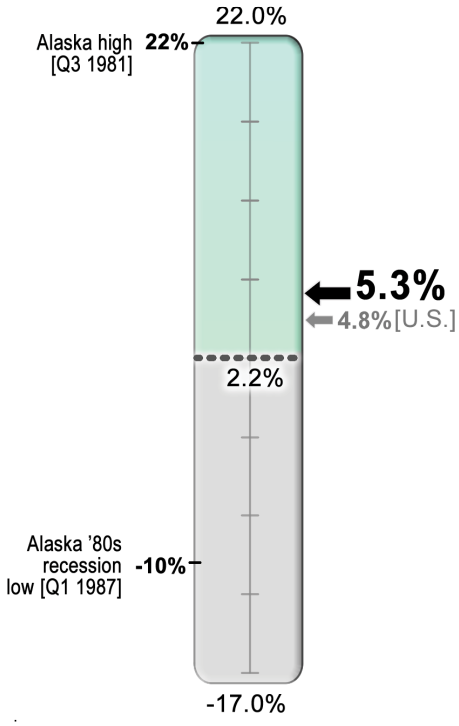
June 2019
Seasonally adjusted



- Alaska's rate had been flat for 10 straight months at 6.5 percent before falling to 6.4 percent in May and June.
- Unemployment rates are complicated economic measures and generally less telling at the state level than job or wage growth as indicators of broad economic health.

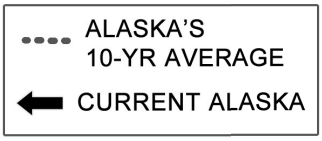
Wage Growth

4th Quarter 2018
Over-the-year percent change



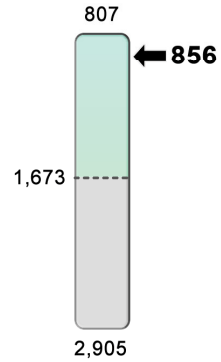
- Wages increased for the fifth consecutive quarter, and the growth has accelerated.
- Fourth quarter 2018 wages grew faster in Alaska than they did for the U.S. as a whole. It was the first time in years one of the three main gauges showed stronger performance for Alaska than for the nation.

Gauging Alaska's Economy



Initial Claims

Unemployment, week ending July 13, 2019†

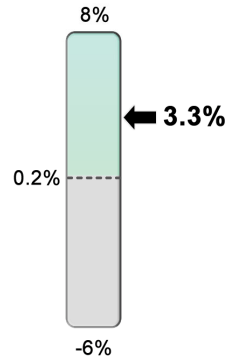


- For a variety of reasons, initial claims are well below the 10-year average despite job losses.

†Four-week moving average ending with the specified week

GDP Growth

1st Quarter 2019
Over-the-year percent change*

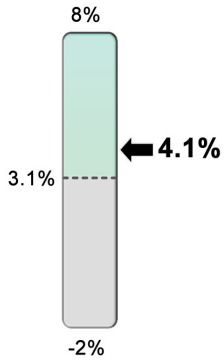


- Gross domestic product is the value of the goods and services a state produces. Alaska's GDP has grown for the last nine quarters after declining for 15 out of the prior 16.

*In current dollars

Personal Income Growth

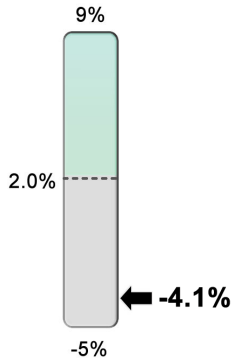
1st Quarter 2019
Over-the-year percent change



- Personal income includes wages as well as transfer payments (such as Social Security, Medicaid, and the PFD) and investment income. Growth has resumed and is above the 10-year average, but down slightly from last quarter.

Change in Home Prices

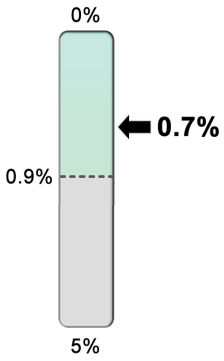
Single-family, 1st Qtr 2019
Over-the-year percent change



- Home prices include only those for which a commercial loan is used. This indicator tends to be volatile from quarter to quarter.

Foreclosure Rate

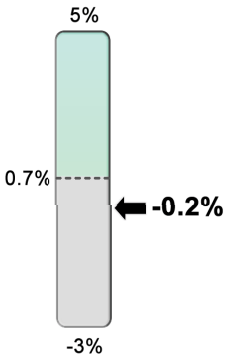
4th Quarter 2018



- Foreclosure rates remain very low, highlighting how different the state's recent recession was from the '80s recession when foreclosure rates exceeded 10 percent.

Population Growth

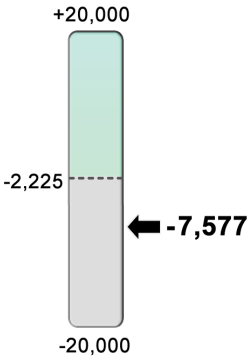
2017 to 2018



- The state's population has remained mostly stable during the state's recession, although 2018 was only the second year of small population declines since 1988.

Net Migration

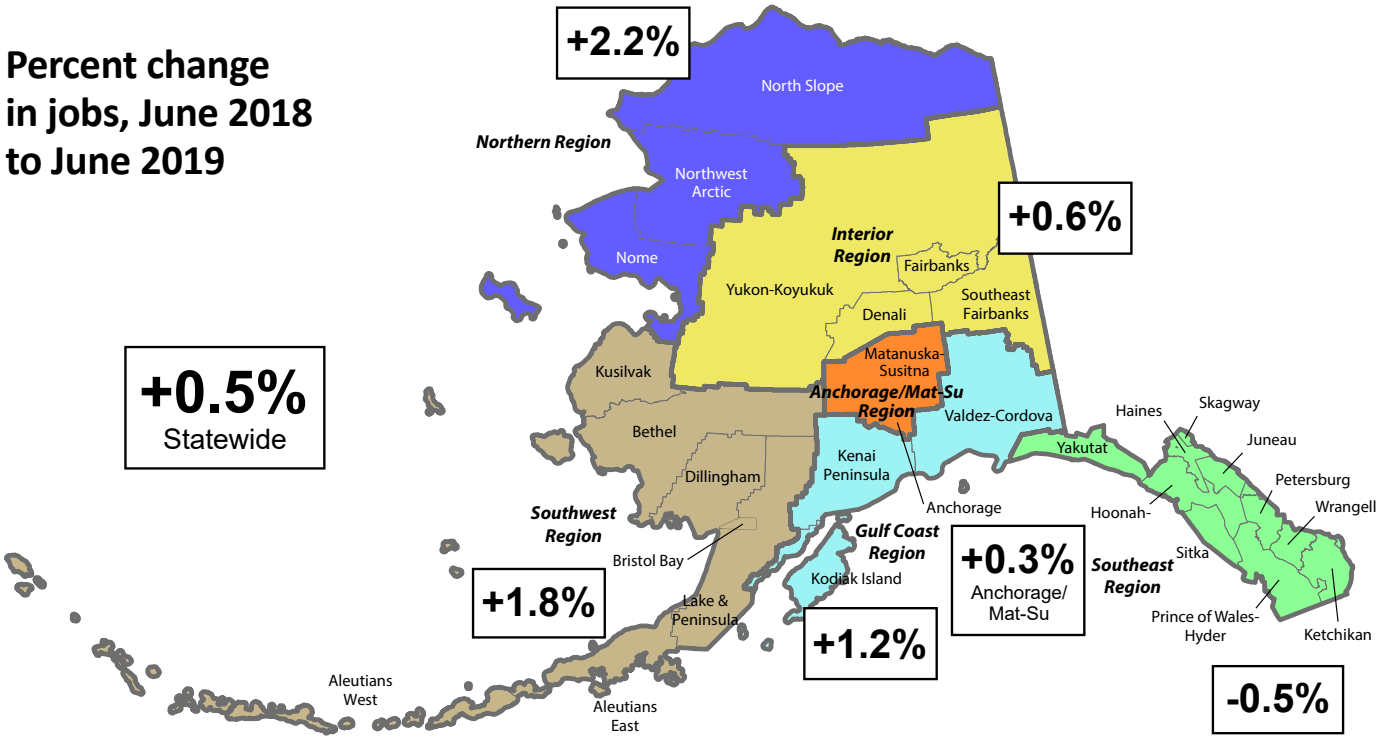
2017 to 2018



- The state had net migration losses for the sixth consecutive year in 2018. Net migration is the number who moved to Alaska minus the number who left.

Employment by Region

Percent change in jobs, June 2018 to June 2019



Unemployment Rates

Seasonally adjusted

	Prelim.	Revised	
	06/19	05/19	06/18
United States	**3.7**	**3.6**	**4.0**
Alaska	**6.4**	**6.4**	**6.6**

Not seasonally adjusted

	Prelim.	Revised	
	06/19	05/19	06/18
United States	**3.8**	**3.4**	**4.2**
Alaska	**6.2**	**6.2**	**6.7**

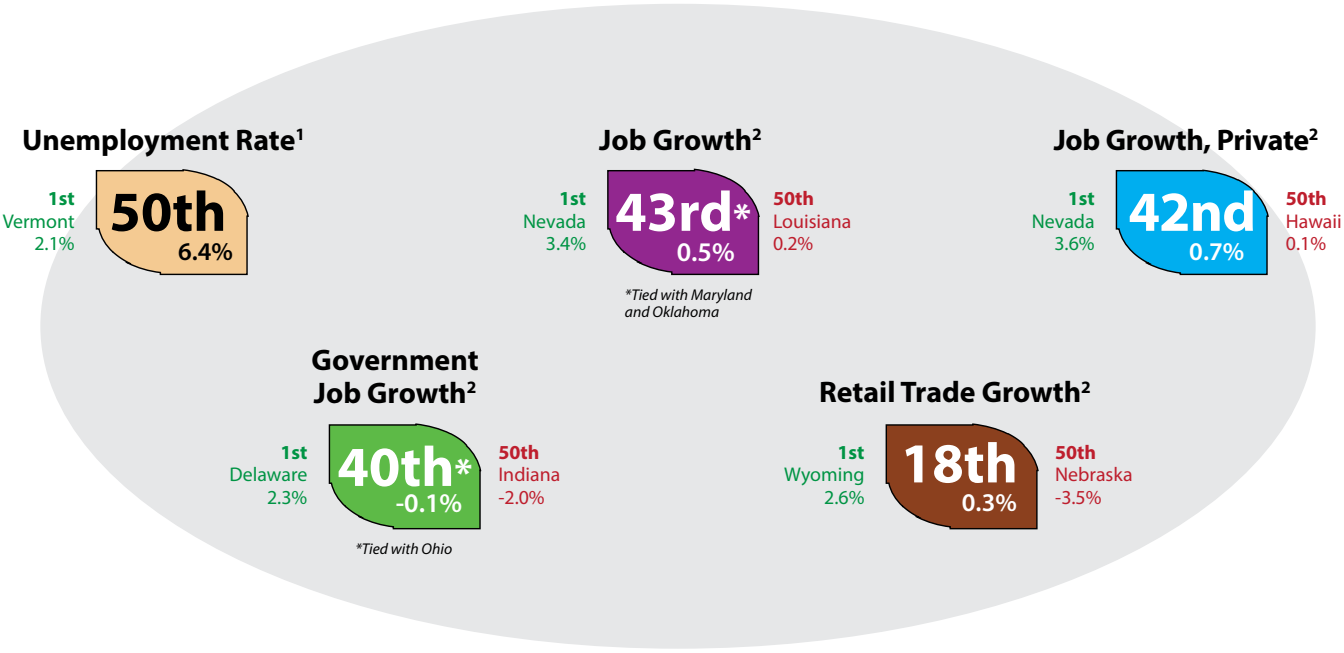
Regional, not seasonally adjusted

	Prelim.	Revised	
	06/19	05/19	06/18
Interior Region	**6.1**	**6.1**	**6.5**
Denali Borough	3.9	5.3	4.0
Fairbanks N Star Borough	5.4	5.5	5.9
Southeast Fairbanks Census Area	8.7	8.3	9.2
Yukon-Koyukuk Census Area	14.8	14.6	15.1
Northern Region	**12.4**	**10.9**	**12.6**
Nome Census Area	12.8	11.3	13.0
North Slope Borough	7.3	7.0	8.0
Northwest Arctic Borough	17.6	14.8	17.2
Anchorage/Mat-Su Region	**5.7**	**5.6**	**6.2**
Anchorage, Municipality	5.2	5.2	5.7
Mat-Su Borough	7.4	6.9	7.8

	Prelim.	Revised	
	06/19	05/19	06/18
Southwest Region	**11.1**	**11.9**	**11.3**
Aleutians East Borough	3.1	5.9	3.6
Aleutians West Census Area	3.7	5.9	4.1
Bethel Census Area	14.2	13.5	14.6
Bristol Bay Borough	3.0	4.1	3.4
Dillingham Census Area	7.4	9.0	7.2
Kusilvak Census Area	23.2	21.1	22.8
Lake and Peninsula Borough	9.3	9.8	10.1
Gulf Coast Region	**5.8**	**6.3**	**6.6**
Kenai Peninsula Borough	6.0	6.4	7.1
Kodiak Island Borough	5.0	5.4	5.6
Valdez-Cordova Census Area	6.0	7.1	5.5

	Prelim.	Revised	
	06/19	05/19	06/18
Southeast Region	**5.3**	**5.4**	**5.4**
Haines Borough	6.0	6.9	6.9
Hoonah-Angoon Census Area	7.9	8.3	9.3
Juneau, City and Borough	4.3	4.4	4.3
Ketchikan Gateway Borough	5.6	5.7	5.2
Petersburg Borough	8.4	8.6	8.2
Prince of Wales-Hyder Census Area	9.4	9.6	9.4
Sitka, City and Borough	4.1	4.2	4.2
Skagway, Municipality	3.3	4.0	3.6
Wrangell, City and Borough	7.5	6.7	7.0
Yakutat, City and Borough	5.7	6.4	8.8

How Alaska Ranks



Note: Government employment includes federal, state, and local government plus public schools and universities.
[1]June seasonally adjusted unemployment rates
[2]June employment, over-the-year percent change

Sources: U.S. Bureau of Labor Statistics and Alaska Department of Labor and Workforce Development, Research and Analysis Section

Other Economic Indicators

	Current		Year ago	Change
Urban Alaska Consumer Price Index (CPI-U, base yr 1982=100)	227.992	2nd half 2018	219.131	+4.0%
Commodity prices				
Crude oil, Alaska North Slope,* per barrel	$64.32	June 2019	$74.75	-13.95%
Natural gas, residential, per thousand cubic feet	$11.06	April 2019	$11.29	-2.04%
Gold, per oz. COMEX	$1,425.30	7/24/2019	$1,234.60	+15.45%
Silver, per oz. COMEX	$16.48	7/24/2019	$15.52	+6.19%
Copper, per lb. COMEX	$2.71	7/24/2019	$2.81	-3.58%
Zinc, per MT	$2,436.00	7/23/2019	$2,616.00	-6.88%
Lead, per lb.	$0.92	7/24/2019	$0.97	-4.66%
Bankruptcies	101	Q1 2019	101	0%
Business	9	Q1 2019	13	-30.77%
Personal	92	Q1 2019	88	+4.55%
Unemployment insurance claims				
Initial filings	3,413	June 2019	3,836	-11.03%
Continued filings	26,857	June 2019	28,942	-7.20%
Claimant count	6,912	June 2019	8,237	-16.09%

*Department of Revenue estimate

Sources for pages 14 through 17 include Alaska Department of Labor and Workforce Development, Research and Analysis Section; U.S. Bureau of Labor Statistics; U.S. Bureau of Economic Analysis; Kitco; U.S. Census Bureau; COMEX; Bloomberg; Infomine; Alaska Department of Revenue; and U.S. Courts, 9th Circuit

ALASKA AND HAWAII

Continued from page 13

the two youngest states' economies match up.

Stronger job growth in Hawaii and lowest unemployment in the U.S.

Hawaii's employment growth has outpaced Alaska's since 2012. Before that, the Great Recession caused much bigger losses in Hawaii. (See Exhibit 1 on page 13.)

Hawaii's unemployment rate has been among the lowest in the country for several years and was just 2.1 percent in June. The comparable rates were 4.0 for the U.S. and 6.4 percent for Alaska, which was highest in the nation but not particularly high by Alaska's historical standards.

Oil and mining is the biggest contrast in total economic value

The value of the goods and services produced by the two economies, measured by gross domestic product by state data from the U.S. Bureau of Economic Analysis, shows Hawaii's economy is worth considerably more than Alaska's, with Hawaii's GDP at $92 billion and Alaska's at $54 billion.

The biggest difference in the makeup of the two states' gross domestic product is that Alaska gets substantial value from "mining, quarrying, and oil and gas extraction" at over 16 percent — a category that barely registers in Hawaii's economy at just 0.1 percent. (See Exhibit 2 on page 13.)

The value of Alaska's transportation and warehousing sector is also noticeably larger than Hawaii's, mainly because that sector includes the Trans-Alaska Pipeline System.

Hawaii has a notably larger finance, insurance, and real estate sector than Alaska. Hawaiian real estate is among the most highly valued in the world.

Tourism also makes up a much larger share of Hawaii's economy than it does Alaska's. As important as tourism is to both states, it has no single category in the data. The two that come the closest to capturing its value are retail trade and the catch-all "arts, entertainment, recreation, accommodation, and food services" sector. These categories combined are about twice as large as a share of Hawaii's economy.

Both states have relatively small manufacturing sectors, and both are almost all food manufacturing: seafood in Alaska and fruit and other miscellaneous food products, including seafood, in Hawaii.

Hawaii has a slightly larger share of economic value in its "professional and business services" sector, and Alaska's health care and social assistance sector makes up a slightly larger share of its economy.

Federal spending is high in both, but much higher in Hawaii

The relative value of federal, state, and local government is similar in the two states: 19.5 percent of total GDP for Hawaii and 20.1 percent for Alaska.

The federal government spends a large amount in both states for both civilian and military activities. Detailed data aren't available for 2018, but in 2017 the value of federal military spending was $5.2 billion in Hawaii and $2.2 billion in Alaska. Federal civilian spending as measured by the GDP data in that same year was $4.5 billion in Hawaii and $2.1 billion in Alaska.

Difference in how these two states fund their governments is stark

The two states could hardly differ more when it comes to funding their state governments.

Nearly all of Alaska's state government has been funded for years by oil-related taxes and savings accounts built up from oil-related revenue. The state has recently started supplementing that revenue stream with investment earnings from the roughly $65 billion Permanent Fund. Alaska has long been the only state in the nation without a statewide sales or income tax. In 2019, Alaska expects to receive about $2.3 billion from revenue categorized as "petroleum revenue" and another $2.9 billion from "investment revenue."

Hawaii pays for the biggest portion of its state government with a "general excise tax," which is somewhat like a sales tax but it's levied on businesses rather than consumers (although businesses can pass on much of the tax to consumers). That tax generated $3.4 billion in Hawaii in 2018 while an individual income tax generated $2.4 billion and miscellaneous other taxes produced about $2 billion.

Dan Robinson is an economist in Juneau. Reach him at (907) 465-6040 or dan.robinson@alaska.gov.

SAFETY MINUTE

How to protect workers during excavation season

Summer and its milder weather mean it's excavation season, and the sharp increase in construction and other projects brings a unique set of hazards.

When designing your job site and safety plan for workers in trenches, consider the following tips and OSHA requirements:

- **Protective systems** are required, as all excavations carry risks of cave-ins, toxic inhalation, fire, drowning, or suffocation through oxygen deprivation. Protective systems include well-designed sloping, support, and shield systems, which support the sidewalls of an excavation.
- **Inspect trenches and protective systems daily** before each shift and whenever conditions change. Ensure a competent person conducts these inspections.
- Keep **spoil pile placements** — piles of excavated dirt — at least two feet from the edge of the trench to avoid hazards caused by their weight and inherent instability. These can include cave-ins, equipment roll-backs if on top of the spoil pile, and falls back into the trench.
- Provide **safe access and egress** to mitigate fall risk and allow for quick evacuation in an emergency. Provide stairways, ramps, or ladders for any trench that's four or more feet deep.

Relevant OSHA standards:

https://www.osha.gov/laws-regs/regulations/standardnumber/1926/1926.650

https://www.osha.gov/laws-regs/regulations/standardnumber/1926/1926.651

https://www.osha.gov/laws-regs/regulations/standardnumber/1926/1926.652

Safety tips card for trenches:

https://www.osha.gov/Publications/trench/trench_safety_tips_card.pdf

Safety Minute is written by the Labor Standards and Safety Division of the Alaska Department of Labor and Workforce Development.