ALASKA ECONOMIC TRENDS

SEPTEMBER 2006

Construction Costs and Building Activity

Building homes in Alaska

WHAT'S INSIDE

ALASKA DEPARTMENT OF LABOR
& WORKFORCE DEVELOPMENT

Frank H. Murkowski, Governor
Greg O'Claray, Commissioner

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Building Alaska's Construction Work Force

By Governor Frank H. Murkowski

Alaska has seen 18 years of job growth, and that includes a robust construction industry. This month's Trends discusses home construction costs and building activity for the past two years, noting various growth patterns across the state.

There are more than 30,000 people employed in construction-related occupations in Alaska. The Alaska Department of Labor & Workforce Development estimates construction job growth will exceed 15 percent over the next decade, adding thousands of new jobs. The construction phase of the natural gas pipeline project alone is estimated to bring more than 4,100 new direct construction jobs.

More than 40 percent of the construction work force is over the age of 45 and could retire within a decade. Job growth and replacing older workers will require about 1,000 new construction workers each year – and even more with the gas pipeline project.

While a booming construction industry is good for our economy, the demand for construction workers is significantly outpacing the supply from industry and vocational trainers. Putting thousands more Alaskans to work in construction requires additional investment in training programs and capital infrastructure and a coordinated effort by industry, labor, education and government.

We are committed to making that investment and getting that coordinated effort. The Alaska Workforce Investment Board put together a comprehensive five-year construction work force development plan after studying labor market conditions and estimating new worker demand, the current supply routes for new workers and statewide training capacity issues.

Goals of the plan include:

- Double the number of new trade apprentices employed.
- Increase the number of Alaska high school students who choose construction and enter career training.
- Increase the number of post-secondary students trained for construction, the number of students in engineering and construction management degree and non-degree programs and the number of people receiving job training in the construction trades.
- Increase support for operating rural training centers that provide construction training.
- Connect more Adult Basic Education programs to construction job training.
- Increase the number of qualified vocational technical instructors to keep up with training demand.
- Decrease the number of nonresidents that are recruited annually to meet the needs of the industry.

In this first year of the plan, work toward these goals has already begun. For example, we've set targets for construction industry employers on the percentage of apprentices working on public-funded construction projects and we're closely monitoring their progress toward meeting those targets. We've placed career guides in the schools to help raise students' awareness of the vocational career options available to them and how to pursue those good-paying jobs. We've also partnered with business and industry to identify and develop on-the-job training opportunities for students while they're in school, so they can get a real hands-on look at different job options.

We're confident that the results from this five-year construction work force development plan will be an increased number of residents employed in construction. This in turn will further strengthen our economy and construction industry, prepare us for the work force demands of the natural gas pipeline project and provide high-paying jobs for Alaskans.

Construction Costs and Building Activity

By Brian Laurent
and Rob Kreiger,
Research Analysts

Building homes in Alaska

Boosted by record-low interest rates, Alaska and the rest of the nation have experienced a feverish housing market in recent years. Alaskans built some 4,700 homes a year from 2003 to 2005 (see Exhibit 1), making construction one of the fastest growing industries in Alaska.

Construction industry employment, which covers both residential and commercial construction, shot up 25 percent between 2001 and 2005, from 14,900 to 18,600. The average selling price of homes reached an all-time high as well, jumping from $134,946 in 1992 to $242,750 in 2005. (See Exhibit 2.)

One way to get insight into the economic forces that drive Alaska's overall housing market is to look at the cost of building a house throughout Alaska, as well as the state's home-building activity – an indicator of demand for new housing. The Alaska Department of Labor & Workforce Development conducts two major surveys that deal with these issues: the Alaska Construction Cost Survey and the Alaska New Housing Unit Survey. The Department of Labor also compiles a transportation index based on the data from the Alaska Construction Cost Survey.

Alaska Construction Cost Survey

In January 2006, the Department of Labor conducted its 14th annual Alaska Construction Cost Survey[1] of building supply, concrete and shipping companies to determine the cost of construction materials throughout the state. The survey simulates contractor pricing for a model single family home by tracking a "market basket" of items that represents roughly 30 percent of a home's total cost. (The remaining 70 percent of a home's costs consists of labor and other materials.)

The market basket provides a benchmark for comparing costs between the urban communities of Anchorage, Fairbanks, Juneau, Kenai/Soldotna, Ketchikan, Kodiak, Sitka and Palmer/Wasilla, as well as the rural communities of Barrow, Bethel and Nome. The Department of Labor also surveys the largest Seattle suppliers since many Alaska builders buy their materials there.

Construction techniques, building requirements and styles can vary from region to region. Since metal roofing is more common than asphalt shingles in rural areas, in this survey metal roofing is included in the market basket for Barrow, Bethel and Nome. The market basket for all the other areas surveyed contains asphalt shingles.

In addition to the materials included in the market basket (see Exhibit 3), suppliers also report the cost of concrete and rebar (see Exhibit 4), as well as the cost of doors and windows (see Exhibit 7), and shipping companies provide the cost of transporting the market basket materials from Seattle to each community (see Exhibit 9). The costs for concrete and rebar aren't listed for the three rural areas because homebuilders in those areas usually build on pilings, not slab foundations, to avoid building foundations in the permafrost.

[1] The Department of Labor conducts the Alaska Construction Cost Survey under contract with the Alaska Housing Finance Corporation.

Comparing 2006 to 2005

The market basket cost in nine of the 11 Alaska communities increased between 2005 and 2006. (See Exhibit 5.) The largest increase was in Sitka, where the cost went up 20 percent. The lowest increase was in Fairbanks with 2 percent. Bethel's cost dropped 14 percent, while Nome's decreased marginally. The Seattle market basket increased $2,646, or 14 percent, in 2006 to $21,248.

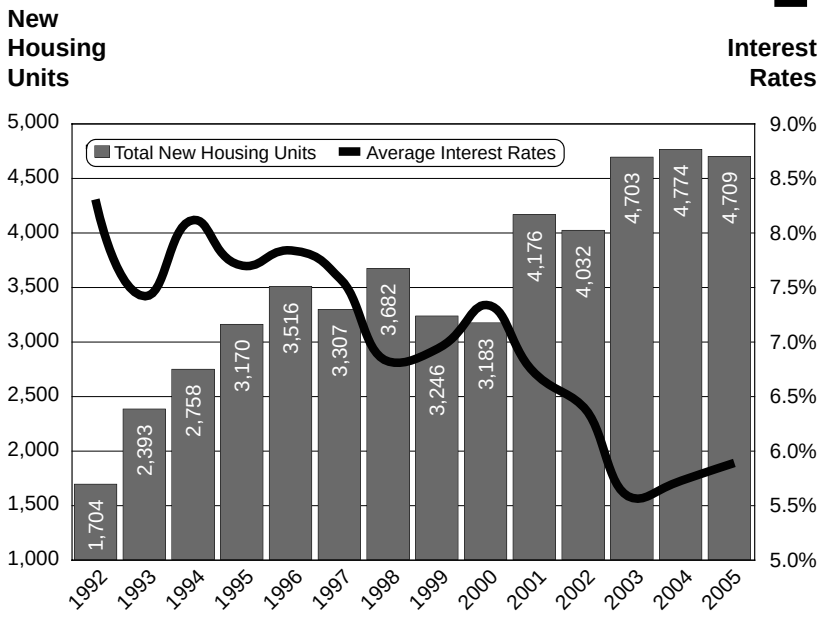
Statewide, the cost of the market basket ranged from a low of $19,262 in Ketchikan to a high of $44,081 in Barrow. (See Exhibit 6.) The disparity between the least expensive rural location and the most expensive urban location in 2006 was less than half of the difference found in 2005.

Kodiak became the most expensive urban location in 2006; its market basket was $23,349. Bethel remained the least expensive rural location for the fourth consecutive year with a cost of $29,093. The urban/rural gap diminished in 2006 due to the 14 percent drop in prices in Bethel.

Building materials in 2006, like in previous years, cost more in rural areas than urban areas, and more in northern Alaska than in Southcentral and Southeast Alaska, mainly due to the added transportation cost. In general, the farther a community is from Seattle, the more expensive the price of building materials. Building materials also must be flown or barged to many rural areas (including Barrow, Bethel and Nome), and that contributes to the high transportation cost as well.

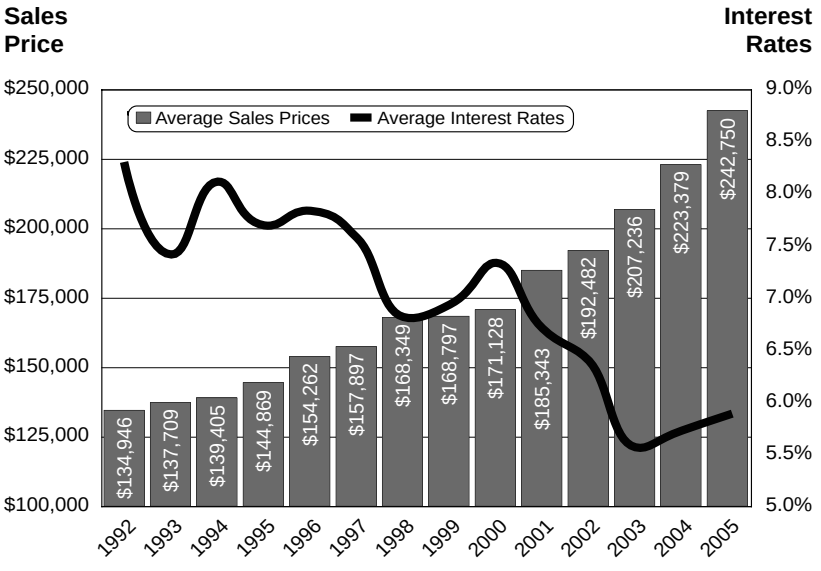
Another noteworthy geographic trend is that costs in Fairbanks are slowly coming closer to those in Anchorage. As recently at 2001, material costs in Fairbanks were 20 percent higher than those in Anchorage, but the gap narrowed in each of the next five years and is now just 3 percent.

Building Activity and Interest Rates 1
Alaska, 1992-2005



Source: Alaska Department of Labor & Workforce Development, Research and Analysis Section, Quarterly Survey of Lending Activity (2005) and Alaska New Housing Unit Survey (2005)

Home Prices and Interest Rates 2
Single family homes in Alaska, 1992 to 2005



Source: Alaska Department of Labor & Workforce Development, Research and Analysis Section, Quarterly Survey of Lending Activity (2005)

3 Average Price for "Market Basket" Construction Materials
2006

Market Basket Items	Quantity	Units	Size	Length	Urban: Anchorage	Fairbanks	Juneau	Kenai/ Soldotna	Ketchikan
BCI 60 Series	768	ft.	14"		$2,622	$2,571	$2,775	$2,762	$2,749
2-4-1 T&G FF Underlay 4' x 8'	62	pieces	1 1/8"		$2,888	$3,210	$2,964	$3,266	$2,555
T-111 8" Center Groove 4' x 10' Siding	60	pieces	5/8"		$3,068	$2,951	$3,350	$3,118	$2,634
CDX 4' x 8' #53	106	pieces	5/8"		$2,633	$2,736	$2,608	$2,756	$1,967
Studs #2 and Btr Kiln-dried	164	pieces	2" x 4"	92 5/8"	$469	$542	$517	$515	$405
Studs #2 and Btr #14 Kiln-dried	263	pieces	2" x 6"	92 5/8"	$1,192	$1,413	$1,238	$1,350	$915
4' x 12' Plain Sheetrock #84	95	pieces	1/2"		$1,502	$1,634	$1,440	$1,734	$1,332
4' x 12' Type X Sheetrock #109	68	pieces	5/8"		$1,245	$1,282	$1,335	$1,373	$1,084
Fiberglass Batt Insulation (2,560 sq. ft.)	40	bags	R-38" x 24"	64 sq. ft.	$2,326	$2,150	$2,122	$2,352	$1,830
Fiberglass Batt Insulation (2,034 sq. ft.)	30	bags	R-21" x 15"	68 sq. ft.	$1,320	$1,428	$1,221	$1,521	$1,082
NMB Electric Wire	3	boxes		250 ft.	$225	$252	$143	$170	$177
Single Breaker	15	pieces	15 amp		$94	$88	$120	$88	$120
Copper Pipe Type 'M'	150	ft.	3/4"		$177	$174	$160	$178	$203
ABS Pipe	100	ft.	3"		$169	$155	$133	$178	$169
3 Tab Shingles Brown[1]	102	bundles			$1,491	$1,574	$1,577	$1,762	$2,040
Metal Roofing[1]	3,215	sq. ft.	3' x 20'		N/A	N/A	N/A	N/A	N/A
Total					**$21,421**	**$22,160**	**$21,703**	**$23,123**	**$19,262**

Note: For 2005 or earlier prices, see Alaska Housing Finance Corporation's Web site at www.ahfc.state.ak.us. Click on "Reference Materials" on the left, then "Alaska Housing Market Indicators" also on the left.

[1] The market baskets in urban areas include asphalt shingles; the market baskets in rural areas include the more commonly used metal roofing.

Source: Alaska Department of Labor & Workforce Development, Research and Analysis Section, 2006 Construction Cost Survey

Prices go up for wire and Sheetrock

Electric wire was the one market basket item to increase in all 11 of the surveyed communities in Alaska. It went up by 147 percent in Fairbanks, 137 percent in Anchorage and increased by at least 50 percent in seven of the 11 communities surveyed.

Increases in the price of copper at the commodity level between 2005 and 2006 may help explain the cost increases of some building materials such as copper pipe and electric wire.

Another item that became more expensive in nearly all areas was Sheetrock. The most extreme example is Barrow, where the price of plain Sheetrock jumped 108 percent between 2005 and 2006.

One reason for the price jump was Hurricane Katrina, which wiped out a major producer. The reconstruction of New Orleans and the nationwide housing boom also pushed demand higher. Sheetrock is particularly expensive in Alaska to begin with because it's heavy and expensive to ship.

Concrete prices highest in Kodiak

Anchorage had the lowest price for concrete – $2,995 for 30 cubic yards. (See Exhibit 4.) Kodiak remained the most expensive area for concrete with a cost of $5,475. In fact, the price difference between Kodiak and the second-most expensive area for concrete, Ketchikan, widened from $900 in 2005 to $1,125 in 2006. Ketchikan's concrete price remained unchanged in 2006 at $4,350. Otherwise, the cost of concrete increased in the remaining seven urban locations. The increases ranged from less than 1 percent in Palmer/Wasilla to 9 percent in Kenai/Soldotna.

Juneau has replaced Anchorage as the least

Urban (continued)			Rural			Outside Alaska
Kodiak	Sitka	Palmer/ Wasilla	Barrow	Bethel	Nome	Seattle
$3,187	$2,292	$2,665	$2,195	$1,860	$4,235	$3,022
$2,813	$2,643	$2,910	$5,927	$3,575	$4,675	$2,921
$3,422	$3,229	$3,191	$5,175	$3,764	$4,481	$3,787
$2,512	$2,212	$2,467	$5,629	$3,135	$4,578	$2,289
$529	$427	$547	$1,312	$730	$884	$461
$1,210	$1,002	$1,387	$2,630	$1,694	$2,199	$1,094
$1,734	$1,537	$1,575	$5,679	$1,671	$2,504	$1,081
$1,445	$1,278	$1,310	$4,080	$2,135	$2,472	$1,080
$2,113	$2,163	$2,311	$3,160	$4,092	$4,032	$2,337
$1,300	$1,325	$1,421	$2,100	$2,552	$1,842	$1,451
$180	$157	$180	$270	$204	$246	$145
$57	$85	$55	$75	$105	$115	$75
$194	$191	$191	$240	$222	$304	$170
$169	$198	$205	$250	$264	$198	$133
$2,484	$1,734	$1,631	N/A	N/A	N/A	$1,202
N/A	N/A	N/A	$5,359	$3,090	$4,340	N/A
$23,349	**$20,473**	**$22,046**	**$44,081**	**$29,093**	**$37,105**	**$21,248**

expensive location for rebar. Prices in the capital city fell $55, or 9 percent, in 2006 to $551. Overall, the cost of rebar decreased in four of the eight Alaska urban areas surveyed, while it increased in the other four.

Sitka had the greatest spike in rebar prices at 8 percent – a jump that moved Sitka to the top of the list as the most expensive spot for rebar in the state at $687. Fairbanks, the most expensive place for rebar in 2005, was a close second in 2006 at $681. Increases in rebar pricing between 2005 and 2006 ranged from 1 percent in Anchorage to 8 percent in Sitka; decreases varied from 1 percent in Palmer/Wasilla to 11 percent in Kodiak. The price of rebar dropped 3 percent to $569 in Seattle.

Doors and windows are cheapest in Sitka

Kodiak continued as the most expensive location, urban or rural, for doors and windows in 2006. (See Exhibit 7.) Its $6,350 cost represents a 31 percent increase over 2005's cost of $4,840 and a 79 percent upsurge over 2004's cost of $3,545. Doors and windows are now 44 percent higher in Kodiak than in Nome, the state's second-most costly location.

Sitka replaced Anchorage as the least expensive location for doors and windows, even though Sitka's cost has gone up 9 percent since 2005. Anchorage's 18 percent rise was just enough to move Alaska's largest city down one notch to the second-least expensive location. Anchorage's 2006 price was $9 more than Sitka's.

Seven Alaska locations had increases in the cost of doors and windows. The increases ranged from 3 percent in Bethel to 31 percent in Kodiak. Besides Kodiak, three other areas had double-digit percentage increases – Nome, Kenai/Soldotna and Anchorage. The price went down in the remaining four locations in amounts ranging from less than 1 percent in Juneau to 9 percent in Barrow.

Construction costs in Alaska versus Seattle

Seattle and its surrounding metropolitan area were included in the Alaska Construction Cost Survey since some contractors acquire their materials directly from suppliers outside Alaska. For Alaska suppliers, the market basket price already includes the cost of shipping the goods to their community. Transportation costs were added to Seattle's market basket total to estimate what local contractors would pay if they bought directly from Seattle suppliers and shipped their materials to Alaska. (See Exhibit 8.) Seattle market basket prices should be used only for rough comparisons in the rural areas because the Seattle market basket for those areas includes asphalt shingles rather than metal roofing, and, as noted above, metal roofing replaced asphalt shingles in the rural areas' market baskets.

The Seattle market basket increased 14 percent in 2006 to $21,248. For the second consecutive year, local prices were lower in all eight

4 Average Price for Concrete and Rebar 2006

Area	Concrete[1]	Rebar[2]
Anchorage	$2,995	$567
Fairbanks	$3,145	$681
Juneau	$4,200	$551
Kenai/Soldotna	$3,441	$656
Ketchikan	$4,350	$604
Kodiak	$5,475	$576
Sitka	$4,260	$687
Palmer/Wasilla	$3,190	$600
Seattle	N/A	$569

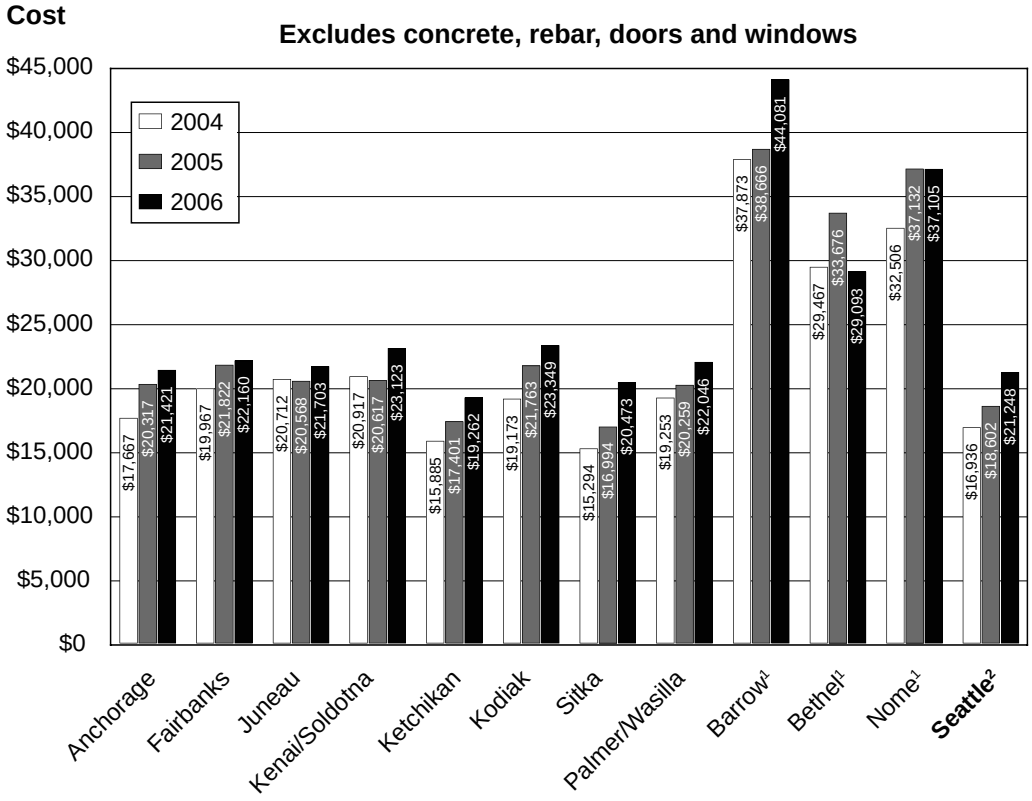
[1] Based on 30 cubic yards
[2] Based on 93 pieces of No. 4 rebar, 1/2-inch in diameter and 20-feet long

Source: Alaska Department of Labor & Workforce Development, Research and Analysis Section, 2006 Construction Cost Survey

urban Alaska locations than the combination of the market basket items purchased in Seattle plus shipping. One possible explanation for this phenomenon could be that during the 2006 survey period, Alaska suppliers, especially the smaller businesses, may still have had 2005 inventory on their shelves. The participating Seattle suppliers, however – because they're larger, offer a wider selection of merchandise and are located in a major metropolitan area – were more likely to have newer inventory on hand that would reflect the generally higher prices evident in 2006.

The greatest disparity between local and Seattle prices occurred in Fairbanks, where local prices beat Seattle prices by $6,810. Sitka followed with a difference of $6,064, while contractors in Anchorage saved $5,874 by purchasing locally instead of buying and shipping from Seattle.

5 Average Cost of the Market Basket, 2004-2006
Residential construction using local or Seattle suppliers



[1] Rural areas include metal roofing instead of asphalt shingles.
[2] The Seattle costs don't include shipping costs. See Exhibit 9 for those amounts.

Source: Alaska Department of Labor & Workforce Development, Research and Analysis Section, 2006 Alaska Construction Cost Survey

Of the areas with local cost savings, the difference between local and Seattle pricing was the smallest in Juneau – $2,861. However, that discount is close to three times higher than last year's $1,009. Fairbanks, Anchorage and Kodiak all saw their local/Seattle pricing spreads increase more than 50 percent. Of the urban locations, Sitka was the lone place to have its spread decrease; it fell 9 percent in 2006.

Seattle prices continued to offer savings to contractors in two of the three rural areas in 2006.[2] Contractors in Barrow and Nome still saved by buying market basket items from

[2] As noted earlier, the Seattle market basket included asphalt shingles instead of the metal roofing more commonly used in rural Alaska. Because metal roofing is lighter and can be shipped inside or outside a container, it's as much as two-thirds less expensive to ship. If metal roofing were included in the market baskets that Seattle suppliers sent to Barrow, Bethel and Nome, those costs would be noticeably lower.

Seattle. The difference between Barrow and Seattle suppliers increased 33 percent in 2006 as the cost of the market basket in Barrow surged past $44,000. Meanwhile, the spread between local prices in Nome and those found in Seattle decreased 60 percent due to stable pricing in Nome. However, contractors in Bethel paid less by purchasing market basket items locally instead of in Seattle.

Transportation index for market basket from Seattle

Transportation costs are an important element in building costs in Alaska since the state manufactures a relatively small amount of building materials itself and must rely on out-of-state suppliers. When contractors buy materials from local suppliers, the price of shipping is built into the price, while contractors who buy directly from out-of-state suppliers pay shipping costs directly.

To determine the cost of transportation from Seattle to the Alaska communities, carriers were given the weight (roughly 49,000 pounds) and the volume (about 2,000 cubic feet) of the market basket materials. These measurements assume that a 20-foot platform and a 20-foot container would be required to transport all the materials.

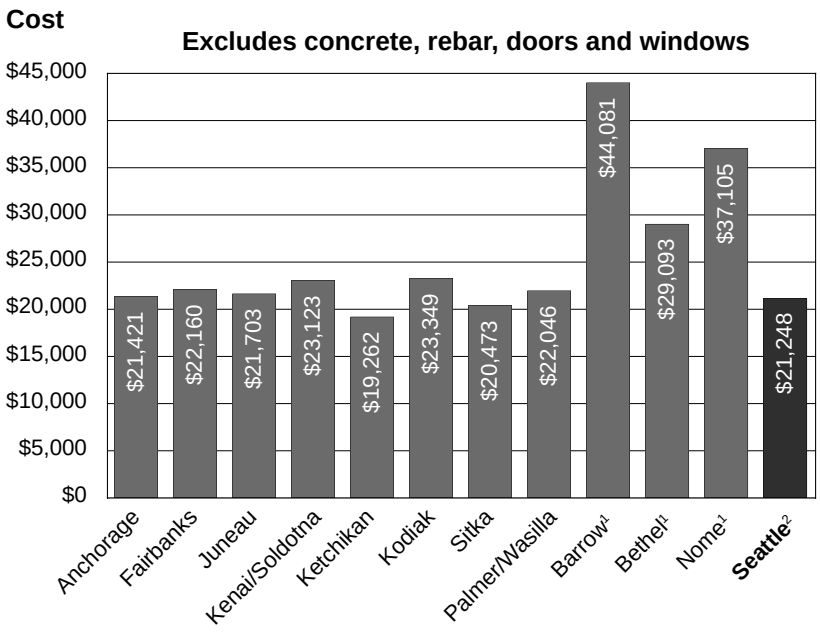
Another assumption was that all the fees for required services were included in the reported cost of the shipment. These services include loading and unloading, protecting and fastening the materials, and delivering them to the building site.

The cost of transporting building materials from Seattle increased in all areas but one in 2005, due at least in part to rising fuel costs. (See Exhibit 9.) The percentage increases ranged from 4 percent in Kenai/Soldotna to 13 percent in Kodiak. The one community that had a drop in shipping costs was Bethel, where shipping costs fell 3 percent to $11,300.

Another useful way to look at shipping costs is to compare changes over time for the various Alaska communities relative to a common point

Average Market Basket Cost
Using local or Seattle suppliers, 2006

6



[1] Rural areas include metal roofing instead of asphalt shingles.
[2] The Seattle amount doesn't include shipping costs. See Exhibit 9 for those amounts.

Source: Alaska Department of Labor & Workforce Development, Research and Analysis Section, 2006 Alaska Construction Cost Survey

of reference or index. For example, in 2004 it cost 10 percent more to ship building materials to Palmer/Wasilla than it did to ship them to Anchorage. But as building activity increased in Palmer/Wasilla and economies of scale presumably lowered prices, shipping costs to Palmer/Wasilla actually dropped below shipping costs to Anchorage.

Using Anchorage as the benchmark with an index value of 100, costs generally became less expensive relative to Anchorage in the communities surveyed, as demonstrated by the generally declining index numbers. (See Exhibit 10.) In other words, Anchorage's 12 percent increase in shipping costs from 2005 to 2006 was higher than the increases in shipping costs to the other communities – Kodiak and Ketchikan being the minor exceptions.

Not surprisingly, the farther a community is from Seattle, the more expensive it is to ship building materials there. Ketchikan and Juneau illustrate this best, with shipping costs substantially lower than Anchorage. Slightly higher costs in Sitka

7 Average Price for Doors and Windows
Alaska Suppliers, 2006

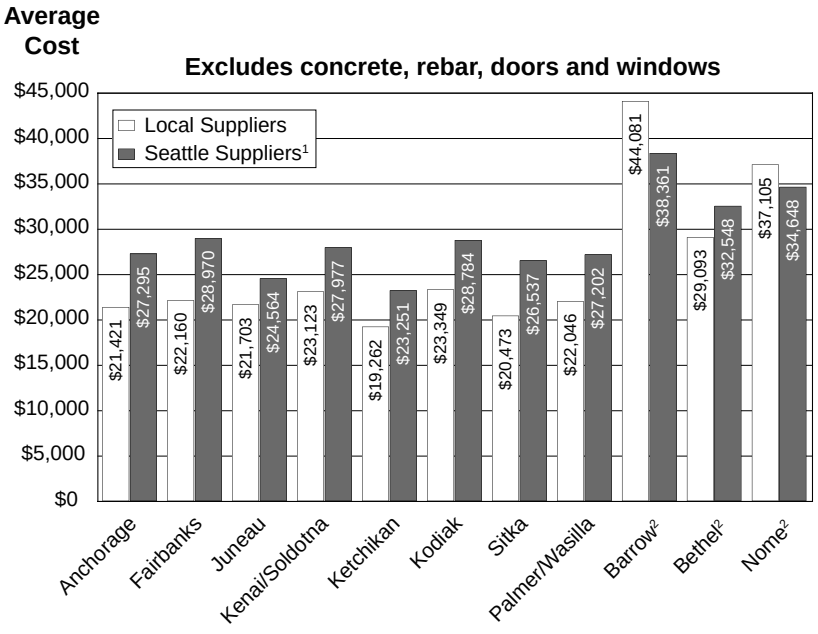
Market Basket Items	Quantity	Units	Size	Urban Anchorage	Urban Fairbanks	Urban Juneau	Urban Kenai/ Soldotna
R7 Metal Insulated Doors with 6" Jamb	2	pieces	3'	$414	$300	$331	$395
Low E Argon Windows with R > 2.8 Vinyl Casements	3	pieces	2.6' x 3'	$575	$613	$643	$658
Low E Argon Windows with R > 2.8 Vinyl Casements, 5.7 E-Gress	6	pieces	2.6' x 4'	$1,307	$1,489	$1,408	$1,492
Low E Argon Windows with R > 2.8 Vinyl Casements, 5.7 E-Gress	2	pieces	8.0' x 4'	$680	$1,069	$1,277	$1,122
Total Cost of Doors and Windows				**$2,976**	**$3,471**	**$3,659**	**$3,667**

Source: Alaska Department of Labor & Workforce Development, Research and Analysis Section, 2006 Alaska Construction Cost Survey

may be due to especially strong building activity there and a resulting imbalance between demand and available shipping infrastructure.

Shipping costs were highest to Barrow, although they have fallen relative to Anchorage since 2004. Costs were also substantially higher in the other two rural communities surveyed, Bethel and Nome.

8 Local Suppliers vs. Seattle Suppliers
Average cost of the market basket in 2006



[1] All Seattle prices include shipping costs

[2] The comparisons aren't completely equal because the Seattle shipping costs to Barrow, Bethel and Nome include asphalt shingles instead of the metal roofing included in the rural areas' market baskets.

Source: Alaska Department of Labor & Workforce Development, Research and Analysis Section, 2006 Alaska Construction Cost Survey

A look at building activity

Aside from the cost of building a house in Alaska, where and how many houses are being built are also critical to understanding the economic forces that drive Alaska's housing market. The two components – the cost of building a house and building activity[3] – are linked: an increase in building activity often means an increase in the need for building supplies, and that can lead to a shortage of supplies and a possible increase in the cost of construction materials.

Considering that the data for the Alaska New Housing Unit Survey – the Department of Labor's quarterly survey of Alaska communities – were collected throughout 2005[4] and the Alaska Construction Cost Survey was conducted in January 2006, it's easy to see how increases in building activity in 2005 may have contributed to driving up the cost of materials in 2006.

The purpose of the Alaska New Housing Unit Survey, which the Department of Labor has conducted for more than a decade, is to pinpoint new residential construction occurring in each area of the state. The survey includes all new residential construction – construction in areas

[3] Building activity as used in this article refers to the number of new housing units created. For example, a four-plex would equal four housing units. (The terms building activity and new housing units are used interchangeably.)

[4] The year 2005 is the most recent complete year for which building activity data have been compiled.

Continued 7

Urban (continued)				Rural		
Ketchikan	Kodiak	Sitka	Palmer/ Wasilla	Barrow	Bethel	Nome
$390	$495	$440	$456	$680	$369	$549
$591	$1,161	$564	$613	$870	$868	$824
$1,470	$2,604	$1,271	$1,393	$1,800	$1,967	$1,701
$954	$2,090	$692	$1,181	$1,000	$553	$1,323
$3,405	**$6,350**	**$2,967**	**$3,643**	**$4,350**	**$3,757**	**$4,397**

where building permits are required as well as in areas where they aren't required. Because of this comprehensiveness, the survey provides useful information for monitoring Alaska's housing market, as well as the state's broader economic growth in Alaska.

Interest rates and building activity

The trend in new residential building activity has been climbing steadily since 1992. Since then, the annual number of new housing units for all surveyed areas in Alaska has increased from 1,704 in 1992 to 4,709 in 2005. While building activity rose at a modest clip between 1992 and 2000, most of the major increases occurred between 2001 and 2005. (See Exhibit 1.)

At least one reason behind the accelerated pace of building activity in recent years is record-low interest rates. Interest rates began a steep decline in 2001, falling from an average of 7.36 percent in 2000 to a record low of 5.57 percent in 2003. Even with increases in 2004 and 2005, interest rates remain well below their historical averages.

This low-interest rate environment has been a key component in making housing more affordable, fueling demand for both new and existing housing across Alaska. Despite the fact that interest rates started to climb from their record lows in 2003, the amount of residential building activity continued to grow through 2005.

Building types in 2005

In terms of building types, a majority – 62 percent – of the 2005 residential activity statewide involved single family structures. (See Exhibit 11.) Multi-family units accounted for the remaining 38 percent of the total activity in 2005. Activity for multi-family structures, defined as residential buildings with two or more units, has picked up substantially, however, and most of the increase in total reported activity over the past five years can be attributed to multi-family building.

Building activity highlights by area

The Municipality of Anchorage and the Matanuska-Susitna Borough[5] accounted for 80 percent of the building activity across Alaska in 2005. (See Exhibits 11 and 12.) Remarkably, the Mat-Su Borough, which has less than a third of Anchorage's population, reported more total building activity than Anchorage in both 2004 and 2005.

[5] While the rest of the article refers to construction costs in Palmer/ Wasilla, this building activity section uses information from the entire Matanuska-Susitna Borough.

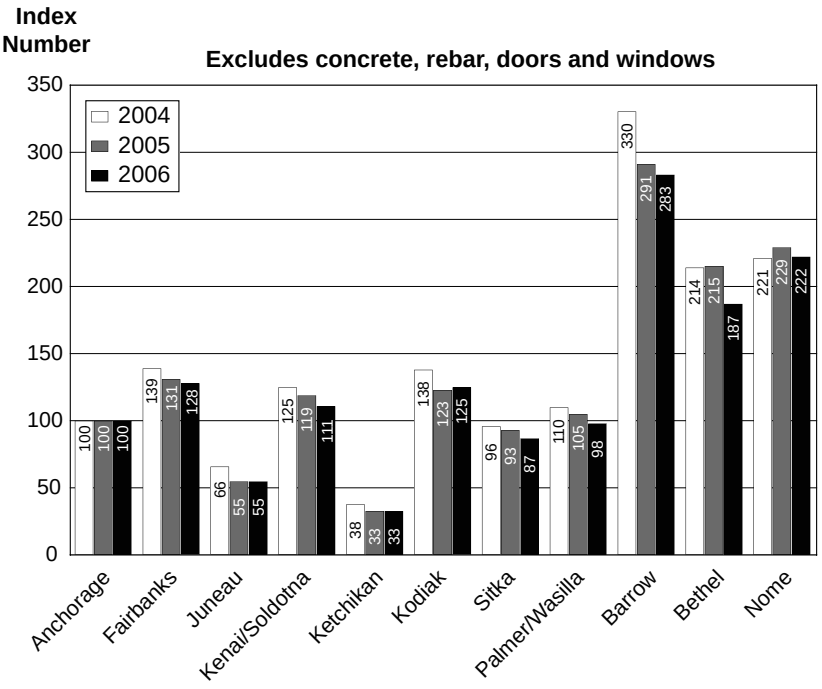
Cost of Shipping from Seattle 9
Market basket transportation, 2006

Excludes concrete, rebar, doors and windows

Destination	Shipping Cost
Ketchikan	$2,003
Juneau	$3,316
Sitka	$5,289
Palmer/Wasilla	$5,954
Anchorage	$6,047
Kenai/Soldotna	$6,729
Kodiak	$7,536
Fairbanks	$7,722
Bethel	$11,300
Nome	$13,400
Barrow	$17,113

Source: Alaska Department of Labor & Workforce Development, Research and Analysis Section, 2006 Alaska Construction Cost Survey

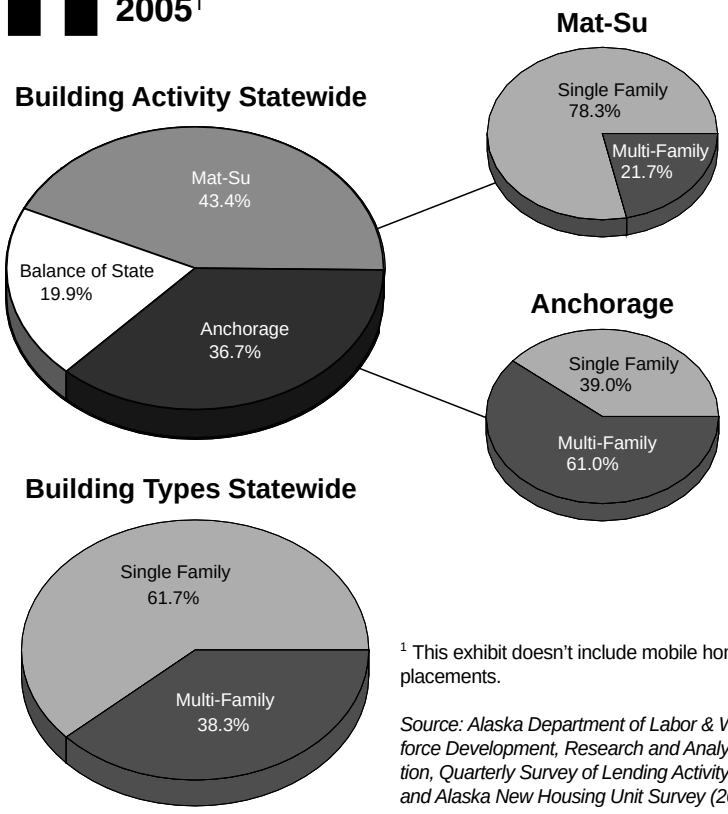
10 Shipping Cost Index
Cost of shipping the market basket[1]



[1] Using Anchorage as a baseline

Source: Alaska Department of Labor & Workforce Development, Research and Analysis Section, 2006 Alaska Construction Cost Survey

11 Building Activity
2005[1]



[1] This exhibit doesn't include mobile home placements.

Source: Alaska Department of Labor & Workforce Development, Research and Analysis Section, Quarterly Survey of Lending Activity (2005) and Alaska New Housing Unit Survey (2005)

The Mat-Su Borough had 2,038 new housing units in 2005, while Anchorage had 1,725. Those numbers represent a 10 percent increase for the Mat-Su Borough from 2004 to 2005, and a 5 percent decrease for Anchorage.

Another significant difference between the two areas is that the Mat-Su Borough's building activity was predominantly single family (78 percent) in 2005, while the majority of Anchorage's activity was multi-family (61 percent).

The Fairbanks North Star Borough, like Anchorage, also saw reduced building activity in 2005, falling to nearly half of what it was in 2004. The large decrease was mainly due to a drop in multi-family projects. (See Exhibit 12.)

The Juneau, Kenai Peninsula, Ketchikan Gateway and Sitka boroughs all saw increases in building activity in 2005. The most notable increase was in Sitka, where overall activity jumped by 43 percent.

In the more remote parts of Alaska, the Bethel[6] and Dillingham census areas were among the areas with the most activity in 2005. All Bethel's activity went toward single family homes, while a majority of Dillingham's activity involved multi-family projects.

For the most part, building activity in Alaska's rural areas tends to be more inconsistent than in more populated areas. It's common, for example, for a remote area to go several years without any activity at all, only to have a burst of activity as several projects get off the ground at once.

Overall, despite a small decrease from 2004, building activity in Alaska during 2005 appeared to be strong and on par with the robust pace of recent years. It's unclear, though, what impact rising interest rates will have on future activity and the housing market in general.

[6] Again, while the rest of the article refers to specific communities, such as Bethel, this building activity section uses information from the entire Bethel Census Area.

Building Activity by Area and Building Type 12
Comparing 2004 and 2005[1]

Place	Total Building Activity		Single Family Homes		Multi-Family Homes		Mobile Homes	
	2005	2004	2005	2004	2005	2004	2005	2004
Aleutians East Borough	2	1	2	1	0	0	0	0
Aleutians West Census Area	13	5	7	4	6	1	0	0
Anchorage Municipality	1,725	1,809	673	793	1,052	1,016	0	0
Bethel Census Area	27	17	27	17	0	0	0	0
Bristol Bay Borough	2	4	2	4	0	0	0	0
Denali Borough	1	1	1	1	0	0	0	0
Dillingham Census Area	39	8	8	8	31	0	0	0
Fairbanks North Star Borough	264	483	197	231	67	252	0	0
Haines Borough	6	7	6	7	0	0	0	0
Juneau Borough	155	135	96	71	57	63	2	1
Kenai Peninsula Borough	143	111	110	83	29	28	4	0
Ketchikan Gateway Borough	33	27	24	18	9	8	0	1
Kodiak Island Borough	61	75	38	50	22	22	1	3
Lake and Peninsula Borough	0	0	0	0	0	0	0	0
Matanuska-Susitna Borough	2,038	1,857	1,594	1,334	442	505	2	18
Nome Census Area	2	22	2	20	0	2	0	0
North Slope Borough	9	17	9	17	0	0	0	0
Northwest Arctic Borough	19	27	3	7	16	20	0	0
Prince of Wales-Outer Ketchikan Census Area	8	23	5	14	0	6	3	3
Sitka Borough	77	54	23	38	51	13	3	3
Skagway-Hoonah-Angoon Census Area	24	5	9	5	15	0	0	0
Southeast Fairbanks Census Area	1	1	1	1	0	0	0	0
Valdez-Cordova Census Area	23	23	23	20	0	1	0	2
Wade Hampton Census Area	8	27	8	27	0	0	0	0
Wrangell-Petersburg Census Area	13	20	11	14	2	6	0	0
Yakutat Borough	0	0	0	0	0	0	0	0
Yukon-Koyukuk Census Area	16	15	16	15	0	0	0	0
Total Reported	**4,709**	**4,774**	**2,895**	**2,800**	**1,799**	**1,943**	**15**	**31**

[1] Building activity refers to the number of housing units that were created. For example, a four-plex would equal four housing units. (The terms building activity and new housing units are used interchangeably.)

Source: Alaska Department of Labor & Workforce Development, Research and Analysis Section, Alaska New Housing Unit Survey (2005)

Additional information on the costs of construction materials and building activity can be found by going to the Alaska Department of Labor's Research and Analysis Section Web site at www.almis.labor.state.ak.us. Click on "Cost of Living" in the far left column, then "Housing Costs Rent/Buy/Build."

By Dan Robinson,
Economist

Job count up 7,200 in July

Nonfarm wage and salary employment climbed to 337,500 in July, an increase of 7,200 from June. (See Exhibit 1.) The main contributor was seafood processing, which added about 6,600 seasonal jobs. Construction also saw a large increase, adding 1,100 jobs in July as the building season neared its yearly peak. The only monthly decline was in local government (- 4,800) and that was due to the summer academic break for many of Alaska's local school districts.

The state's July job count was 4,300 higher than in July 2005 for an over-the-year growth rate of 1.3 percent. The oil and gas industry continues to lead the way – from July 2005 to July 2006 the industry added 1,200 jobs and grew by an impressive 14 percent.

Employment in both the retail trade and health care industries was up 600 over the year. Growth in construction employment, which has averaged 5.7 percent over the last four years, has slowed significantly in 2006; the increase of 200 jobs from July 2005 to July 2006 equates to a growth rate of just 0.9 percent. The seafood processing industry and the federal government provided 400 and 200 fewer jobs, respectively, than they did in July 2005.

The largest share of job growth continues to come from the Anchorage/Mat-Su region, while the Northern region continues to record the strongest percentage gains due to increased activity on the North Slope. It's not yet clear what effect British Petroleum's partial shutdown of the Prudhoe Bay oil field will have on oil and gas employment, but any change to employment levels would not show up in the data until September at the earliest. The one region not showing over-the-year employment gains is the Southwest region where late salmon runs put a damper on seafood processing employment.

Inflation accelerates through first half of 2006

Inflation for the first half of 2006 rose to its highest level since 1991, according to the Anchorage Consumer Price Index (CPI-U). Consumer prices during the January to June period were 4.2 percent higher than during the same period in 2005. Energy costs rose most dramatically, increasing 20 percent, but even the index that excludes energy costs (all items less energy) rose 3.2 percent. Inflation has averaged a moderate 2.2 percent over the last 10 years, but it began increasing noticeably in the second half of 2005.

Unemployment rate

The state's unemployment rate fell four-tenths of a percentage point in July to 6.3 percent. (See Exhibit 2.) The rate is four-tenths of a percentage point higher than in July 2005. Wade Hampton Census Area had the state's highest rate at 27.7 percent and Bristol Bay Borough had the lowest at 1.9 percent. Most areas mirrored the statewide pattern of slight increases in their unemployment rates compared to July 2005. Generally, the increases were too small to be statistically significant, however, so it is unclear yet whether the labor market is showing structural change.

1 Nonfarm Wage and Salary Employment

Alaska	Preliminary 7/06	Revised 6/06	Revised 7/05	Changes from: 6/06	Changes from: 7/05
Total Nonfarm Wage and Salary[1]	337,500	330,300	333,200	7,200	4,300
Goods-Producing[2]	55,700	47,800	54,800	7,900	900
Service-Providing[3]	281,800	282,500	278,400	-700	3,400
Natural Resources and Mining	12,200	12,000	11,100	200	1,100
Logging	400	400	600	0	-200
Mining	11,800	11,600	10,500	200	1,300
Oil and Gas	10,000	9,800	8,800	200	1,200
Construction	22,500	21,400	22,300	1,100	200
Manufacturing	21,000	14,400	21,400	6,600	-400
Wood Product Manufacturing	400	400	400	0	0
Seafood Processing	16,800	10,200	17,200	6,600	-400
Trade, Transportation, Utilities	69,600	68,200	68,600	1,400	1,000
Wholesale Trade	6,900	6,700	6,900	200	0
Retail Trade	38,500	38,100	37,900	400	600
Food and Beverage Stores	6,900	6,700	6,700	200	200
General Merchandise Stores	9,400	9,200	9,300	200	100
Transportation, Warehousing, Utilities	24,200	23,400	23,800	800	400
Air Transportation	6,800	6,700	6,700	100	100
Truck Transportation	3,400	3,400	3,400	0	0
Information	7,000	7,000	6,900	0	100
Telecommunications	4,200	4,200	4,200	0	0
Financial Activities	15,400	15,200	15,200	200	200
Professional and Business Services	25,900	25,900	25,600	0	300
Educational[4] **and Health Services**	36,700	36,600	35,700	100	1,000
Health Care	26,600	26,600	26,000	0	600
Leisure and Hospitality	38,800	37,000	38,400	1,800	400
Accommodations	11,400	10,600	11,400	800	0
Food Services and Drinking Places	22,100	21,300	21,700	800	400
Other Services	11,900	11,700	11,700	200	200
Government	76,500	80,900	76,300	-4,400	200
Federal Government[5]	17,500	17,400	17,700	100	-200
State Government	23,600	23,700	23,600	-100	0
State Government Education[6]	5,600	5,700	5,600	-100	0
Local Government	35,400	39,800	35,000	-4,400	400
Local Government Education[7]	16,600	21,400	16,400	-4,800	200
Tribal Government	4,200	4,100	4,400	100	-200

Notes for all exhibits on this page:

[1] Excludes self-employed workers, fishermen, domestic workers, unpaid family workers and nonprofit volunteers

[2] Goods-producing sectors include natural resources and mining, construction and manufacturing.

[3] Service-providing sectors include all others not listed as goods-producing sectors.

[4] Private education only

[5] Excludes uniformed military

[6] Includes the University of Alaska

[7] Includes public school systems

[8] Fairbanks North Star Borough

Sources for all exhibits on this page: Alaska Department of Labor & Workforce Development, Research and Analysis Section; and the U.S Bureau of Labor Statistics

2 Unemployment Rates By borough and census area

NOT SEASONALLY ADJUSTED	Prelim. 7/06	Revised 6/06	Revised 7/05
United States	5.0	4.8	5.2
Alaska Statewide	6.3	6.7	5.9
Anchorage/Mat-Su	5.7	5.8	5.4
Municipality of Anchorage	5.4	5.6	5.1
Mat-Su Borough	7.2	6.8	6.4
Gulf Coast Region	6.5	7.9	6.4
Kenai Peninsula Borough	6.6	7.2	6.4
Kodiak Island Borough	6.5	11.7	6.1
Valdez-Cordova Census Area	6.2	6.9	6.5
Interior Region	6.1	6.3	5.4
Denali Borough	2.4	2.9	2.1
Fairbanks North Star Borough	5.6	5.9	5.1
Southeast Fairbanks Census Area	8.8	8.6	7.9
Yukon-Koyukuk Census Area	13.4	12.5	10.4
Northern Region	11.8	11.9	11.6
Nome Census Area	14.9	14.0	13.2
North Slope Borough	8.2	9.1	9.9
Northwest Arctic Borough	12.7	12.6	11.8
Southeast Region	5.5	6.0	5.3
Haines Borough	4.3	5.9	4.3
Juneau Borough	4.7	4.9	4.8
Ketchikan Gateway Borough	4.9	5.5	4.8
Prince of Wales-Outer Ketchikan CA	12.0	12.6	10.0
Sitka Borough	4.7	5.0	4.5
Skagway-Hoonah-Angoon CA	7.1	7.8	6.6
Wrangell-Petersburg Census Area	7.1	8.8	6.9
Yakutat Borough	6.1	5.8	5.2
Southwest Region	11.0	12.7	10.1
Aleutians East Borough	6.3	8.9	6.6
Aleutians West Census Area	4.7	6.8	4.5
Bethel Census Area	14.8	14.9	13.0
Bristol Bay Borough	1.9	4.8	1.9
Dillingham Census Area	8.8	10.9	8.9
Lake and Peninsula Borough	5.7	4.5	5.5
Wade Hampton Census Area	27.7	25.4	25.1
SEASONALLY ADJUSTED			
United States	4.8	4.6	5.0
Alaska Statewide	7.0	6.6	6.7

For more current state and regional employment and unemployment data, visit our Web site.

almis.labor.state.ak.us

3 Nonfarm Wage and Salary Employment By Region

	Preliminary 7/06	Revised 6/06	Revised 7/05	Changes from: 6/06	Changes from: 7/05	Percent Change: 6/06	Percent Change: 7/05
Anch/Mat-Su	171,600	172,300	168,900	-700	2,700	-0.4%	1.6%
Anchorage	152,400	153,100	150,300	-700	2,100	-0.5%	1.4%
Gulf Coast	33,300	31,800	33,250	1,500	50	4.7%	0.2%
Interior	49,700	49,300	49,200	400	500	0.8%	1.0%
Fairbanks[8]	39,800	39,700	39,600	100	200	0.3%	0.5%
Northern	16,850	16,600	16,150	250	700	1.5%	4.3%
Southeast	42,550	40,500	42,200	2,050	350	5.1%	0.8%
Southwest	23,050	20,150	23,500	2,900	-450	14.4%	-1.9%

Mobile Job Centers

By Susan Brenner, Employment Security Analyst,
and Susan Erben, *Trends* Editor

Reaching out on their own turf

In May, when Shawna Harper and four other members of the Alaska Department of Labor & Workforce Development's Rapid Response Team met with 200 Mat-Su area bus drivers facing layoffs to help them with everything from getting unemployment insurance benefits to exploring other careers, a question kept popping up.

"They kept asking, 'What's the deal with the motor home outside? Can we go in there?'" Harper said.

The 32-foot converted motor home has "Mobile Job Center," and the Department of Labor's logo printed on both sides and the back, so it's hard to miss. "Jobs are Alaska's Future" is printed on the front. The motor home, which is based out of Anchorage, has four laptop computers that plug into the Internet via cell phone links (Cellular One and ACS), plus a printer, TV, DVD and VCR player and extra battery power.

The motor home, designed to travel the state's road system, has been up and running since its first trip to Susitna Valley High School on March 29. A similar, but smaller version – a 22-foot cargo van that allows people to stand up inside – is being outfitted with three regular desktop computers and the other equipment to travel to cities and villages on the Alaska Marine Highway System. It should be ready in late September or early October, said Tom Nelson, director of the department's Employment Security Division.

The motor home and van are designed to be mini "job-centers-on-wheels" where employment counselors can reach out to job seekers and employers on their own turf, whether it's in rural areas that simply don't have job centers or at Alaska's schools, job fairs and areas facing big layoffs.

"Think of them as bookmobiles for anybody who wants to borrow books," Nelson said about the mobile job centers. "They're designed so we can reach people who can't reach us."

Harper, the Rapid Response Team's coordinator, said she and her team met with 50 First Student Transportation bus drivers at a time over the course of four mornings, May 15-18, then spent

Photo by Tracie Paladijczuk

Photo by Alaska Job Center staff

Susitna Valley High School students (left, pictured left to right) Ben Heinrich, Jeremy Pruitt, Breanna Luxford and Jeff Thompson watch a video March 29 about jobs at the Fort Knox gold mine from inside the Anchorage-based mobile job center (above). Luxford, now a sophomore, said the mobile job center is a good idea: "If you don't get a job, you don't get anywhere."

three of the afternoons talking with 100 custodians and administrative workers facing layoffs with the Matanuska-Susitna School District. The Anchorage-based mobile job center went everywhere they went: to outside Wasilla in the mornings and then to Palmer one afternoon, Wasilla another and Houston a third afternoon.

She said having the mobile job center right there was a tremendous help. "Before [the mobile job center] we'd go out and give a presentation, then tell folks they'd need to go to a job center or call an unemployment office," she said, but with the mobile job center, it all was in one spot. "You have trained staff right there to walk them through it, to help them."

Harper said many of the people they met don't own a home computer or weren't comfortable using a computer, so it was nice to be able to show them things like how to use ALEXsys – the state's Internet-based labor-exchange system unveiled in April that matches job seekers and employers with job vacancies. (For the roughly 65,000 Alaskans who get weekly unemployment insurance benefits each year, depending on the basis of their claim, they may be required to register with ALEXsys and post a resume to continue the benefits. It all depends on their individual circumstances, Nelson said.)[1]

"We basically brought the job center to them," Harper said. "Convenience is a huge issue, especially when workers just lost their jobs. They're worried about finances and their future. If you can just make things easier for them, it helps them a lot.

"Right after the meeting, when everything was still fresh in their minds and they knew exactly what they needed to do," they could do it right outside the meeting, in the parking lot, she said. "I guess the only drawback is you had eight to 10 people standing in line for four computers."

The middle section of the Anchorage-based motor home is like a typical motor home with seating and a kitchen area. That's where the TV, VCR and DVD player are for people to watch job-training or other videos. The back room – picture the rear bedroom in a motor home that's the width of the vehicle – is the "resource room" where people can work on the laptops, or take part in interviews or resume workshops.

The Southeast van, a Dodge Sprinter, looks like a typical passenger van without the passenger windows. It's open inside with bare metal walls. It has shelves and a long work table running down one side, where two or three people can use the computers. The van has a high roof, about 8 ½ feet from the wheelbase, and it's about 6 ½ feet wide.

Nelson said he sees all sorts of uses for the mobile job centers, including those that take advantage of the fact that you can't miss them.

"It's an event vehicle," Nelson said, "[So] we can promote our services. That's what we want to do."

Since the Anchorage-based mobile job center made its debut trip March 29 to the Susitna Valley High School outside Talkeetna, the department's job center staff have taken it to an AVTEC job fair in Seward, an Ahtna Inc. Native regional corporation job fair in Copper Center and twice to King Career Center, a vocational high school in Anchorage. They've taken it to a Delta Junction gas pipeline presentation, a Matanuska-Susitna School District construction camp for high schoolers, the Alaska Job Corps Center in Palmer, the Sutton Public Library, the Talkeetna Public Library and the Soldotna Fred Meyer (for recruiting job applicants), department officials said.

Betty Jo Dibble, the apprentice coordinator for Alaska Operating Engineers Local 302 – a statewide union that represents heavy equipment operators and mechanics – was at Susitna Valley High School when job center staff introduced the Anchorage-based mobile job center to 42 kids there.

"I know they were all impressed and thought it was kind of cool," she said. "I think it went very well. It was something different, as opposed to the typical job fair where they all mill around. It definitely got their attention."

[1] See last month's *Trends* for a profile on ALEXsys.

Dibble, a former heavy equipment operator who started as an apprentice, said she travels around the state telling people about Operating Engineers' apprenticeships; a lot of the apprentices she recruits are from villages and small communities. She and others said a big problem that teenagers face, particularly in rural areas, is they don't get enough information about what options are out there.

And it means a lot to meet with Alaska's teenagers in person, Dibble said.

"It's a little more concrete when you're out there and speak to them. You make more of an impression," she said, adding that just talking to someone on the phone or getting information through the Internet isn't the same.

"It's not as personal or real," Dibble said. "It's a lot easier to get excited about something when you're face-to-face with someone who's excited about it."

Ellen Sales-Johnson was one of the Department of Labor's six career guides who work with students in various high schools until last May (now she works in the Eagle River Job Center). As a career guide, she spent five months working at the Anchorage School District's King Career Center, which provides vocational training for some 20 occupations ranging from aviation technology to landscape design. Sales-Johnson said she worked with students inside the mobile job center during one of its two visits to the school.

She said she was surprised to learn how little teenagers know about the Department of Labor.

"Kids have no clue that we're out there," she said, adding that the mobile job centers are a good way to introduce them to the department, "to show them that we exist and we're out there to support them when they get out of high school."

Roy Tansy, vice president of subsidiary operations at Ahtna Inc., the Native regional corporation, said he was very happy that the department's Traci Felton, Kevin French and Mike McKinney made the trek to Copper Center in the mobile job center to be a part of Ahtna's first annual job fair on May 20, the same time as the corporation's annual shareholder meeting. He said about 350 people attended the meeting and many of them took part in the 25-booth job fair.

Theresa Absher, manager of the Glennallen Job Center, said people were disappointed, though, that the mobile job center's Internet connection didn't work because most of Copper Center – like much of rural Alaska – doesn't have cell phone coverage, the link the mobile job center's laptops depend on. Tansy said access to the Internet for job searches is a big deal for Ahtna's 1,235 shareholders and their families, who primarily live in eight villages on the road system – Copper Center, Cantwell, Chistochina, Chitina, Gakona, Gulkana, Mentasta Lake and Tazlina. Most of the villages don't have Internet access or cell phone coverage, or the latter is very sporadic, he said.

The Department of Labor's data processing manager, Paul Hegg, said the department's looking into other options, including satellite phones.

When there's no Internet connection, job center employees can have people fill out paper ALEXsys registrations, Nelson said. They can still do everything else they normally do – help people explore what they want to do and connect them with those jobs, he said.

Tansy said, "I'd love to see [the mobile job center] at our second annual job fair. And I'd love to see it visit our villages twice a year. Going out and reaching people in villages is an excellent idea."

□ □ □

To schedule a mobile job center visit, contact Susan Brenner at (907) 269-4757 or email her at Susan_Brenner@labor.state.ak.us. For more information about Alaska Operating Engineers Local 302's apprenticeships, go to the union's Web site at www.aoeett.org. (The union accepts apprentice applications once a year; this year it'll accept them Sept. 18-Oct. 13.) To find out about other apprenticeships or job search information, contact your nearest job center or go to www.jobs.state.ak.us.

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Employer Resources

The Wage and Hour Administration

The Wage and Hour Administration, which is housed in the Alaska Department of Labor & Workforce Development's Labor Standards and Safety Division, provides a variety of services to employers and employees throughout Alaska. The section's key functions are associated with wage issues, youth employment conditions and Alaska resident hire.

A big part of what Wage and Hour's investigators in Anchorage, Fairbanks and Juneau do is educate employers and employees about labor laws. They investigate wage claims from employees in cases where the employees weren't paid the wages they were promised or the wages they were legally entitled to, such as minimum wage and overtime pay. They also monitor public construction projects to ensure the required number of Alaska residents are working on the project and that all the workers are being paid Little Davis Bacon wages.

The agency enforces child labor laws to ensure that minor workers aren't exploited, as well as the Alaska Family Leave Act as it applies to public employees and construction contractor licensing laws.

Employers, employees or anyone else with questions can go to Wage and Hour's Web site at www.labor.state.ak.us/lss/whhome.htm, as well as call or stop by the nearest Wage and Hour office. In Anchorage, call (907) 269-4900; in Fairbanks, call (907) 451-2886; and in Juneau, call (907) 465-4842. See the Web site or call for physical locations.