

Fairbanks to gain jobs through construction

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The Fairbanks North Star Borough has lost jobs nearly every year since total employment peaked in 2012. Job counts in 2017 were the lowest they've been since 2005.

Fairbanks' economic picture is expected to improve in 2018, though, with a big jump in military construction boosting the overall forecast to 0.8 percent job growth. (See exhibits 1 and 2.)

Military-related construction will put Fairbanks employment growth back in the black.

Construction losses turn to major gains

Fairbanks' construction industry continued to lose ground in 2017 with diminished state capital budgets and a lack of commercial or residential building. Job losses in the oil and gas industry on the North Slope also hit local contractors. Road construction was a small source of growth last year and so was military construction, but neither were enough to overcome other construction losses.

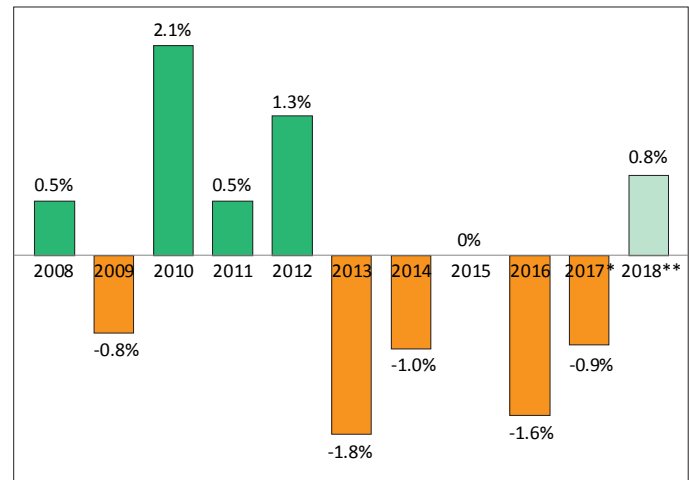
These losses are expected to end in 2018 as large construction projects related to the new F-35s planned for Eielson Air Force Base gain momentum over the next three to four years. Construction employment is forecasted to grow by a whopping 7.7 percent this year.

Preparation for the 2020-2021 arrival of the two squadrons of F-35s is the biggest known positive economic development for Fairbanks and Alaska overall in 2018. Preparing for the planes' arrival will require more than \$500 million, almost entirely for

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Modest Growth in Fairbanks Jobs

PERCENT CHANGE FROM PRIOR YEAR, 2008 TO 2018



*Preliminary **Forecast

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

construction. Some of that work began in 2017 after the award of more than \$100 million in projects, and the balance will be awarded in 2018 and 2019 with the biggest push coming this summer.

The Fairbanks area will need to accommodate about 2,800 more people over the next few years as a result, so construction of new housing is also on the horizon.



Military a big influence

The Fairbanks North Star Borough has the highest concentration of active duty military personnel in the state. More than 8 percent of borough residents are active duty and another 10 percent are military dependents.

The employment numbers in this forecast don't include active duty military jobs, but for perspective, the borough had 8,421 uniformed military personnel in 2016.

Fairbanks' military presence declined from 2012 un-

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Fairbanks Job Forecast by Industry

WAGE AND SALARY EMPLOYMENT, 2016 TO 2018

	2016 Monthly Average	2017 Monthly Average ¹	Chg 2016 to 2017	Percent Chg 2016 to 2017	2018 Monthly Average	Chg 2017 to 2018	Percent Chg 2017 to 2018
Total Nonfarm Wage and Salary ²	37,750	37,400	-350	-0.9%	37,700	300	0.8%
Goods-Producing ³	4,300	3,900	-400	-9.3%	4,200	300	7.7%
Service-Providing ⁴	33,450	33,500	50	0.1%	33,500	0	0%
Construction	2,900	2,600	-300	-10.3%	2,800	200	7.7%
Trade, Transportation, and Utilities	7,800	7,800	0	0%	7,800	0	0%
Retail Trade	4,800	4,800	0	0%	4,800	0	0%
Transportation, Warehousing, and Utilities	2,400	2,400	0	0%	2,400	0	0%
Information	500	400	-100	-20.0%	400	0	0%
Financial Activities	1,350	1,300	-50	-3.7%	1,300	0	0%
Professional and Business Services	2,200	2,400	200	9.1%	2,500	100	4.2%
Educational ⁵ and Health Services	5,400	5,500	100	1.9%	5,500	0	0%
Health Care	4,000	4,100	100	2.5%	4,100	0	0%
Social Services	1,200	1,200	0	0%	1,150	-50	-4.2%
Leisure and Hospitality	4,300	4,400	100	2.3%	4,400	0	0%
Other Services	1,000	1,000	0	0%	1,000	0	0%
Government	10,900	10,700	-200	-1.8%	10,600	-100	-0.9%
Federal ⁶	3,000	3,000	0	0%	3,000	0	0%
State ⁷	4,900	4,700	-200	-4.1%	4,600	-100	-2.1%
Local ⁸	3,000	3,000	0	0%	3,000	0	0%

¹Preliminary and adjusted estimates

²Excludes self-employed workers, fishermen, domestic workers, and unpaid family workers

³Includes natural resources and mining, construction, and manufacturing

⁴Includes all others not listed as goods-producing

⁵Private education only

⁶Excludes uniformed military

⁷Includes the University of Alaska

⁸Includes public school systems and tribal government

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

til 2017, when it grew slightly. The military population will increase dramatically with the arrival of the F-35s, although not this year. An additional 2,765 service members, civilian workers, and their families will arrive in late 2019 and 2020.

Professional business services bucks the statewide trend

Unlike the rest of the state, Fairbanks' professional and business services sector — which consists of management and administrative companies and those in scientific testing, architecture, and engineering — escaped the effects of the oil and construction declines.

Although professional and business services lost ground in earlier years, it grew in the last two and is forecasted to grow again this year. The divergence is likely due in part to anticipation of the ma-

jor ramp-up in construction.

Health care to take a 'breather'

Health care has been a dynamic industry in Fairbanks for the last decade. The industry added jobs in most years, including 2017, although the gain last year slowed to 100 jobs.

In the long term, aging of the state's population will continue to drive growth, although at a moderate pace. The forecast for 2018 is flat, reflecting a one-year "breather" for expansion as major players plan for the future and make decisions about hospital ownership.

Retail to hold steady again this year

After losing a small number of jobs in 2016, Fairbanks' retail industry stabilized in 2017 and is set

to repeat that performance this year. Although the overall economy isn't likely to shrink and activity will increase on local military bases, no known sizable retailers will open in the borough in 2018, producing a flat job forecast.

Stability for the financial sector

The financial activities sector, which includes banks, credit unions, insurance agencies, and real estate renting and leasing companies, lost 50 jobs in 2017 and is expected to stabilize in 2018.

Real estate sales have increased, defying expectations — 967 homes sold during the first nine months of 2017 compared to 911 in the same period of 2016. Total value climbed by \$25 million and the average home sales price also increased.

Sales inventory increased somewhat in 2017 and so did vacancies, but bank loan and deposits showed little change and interest rates remain low. The anticipation of more military homebuyers will likely push home prices up in 2018 as well.

Strong tourism season to boost leisure and hospitality

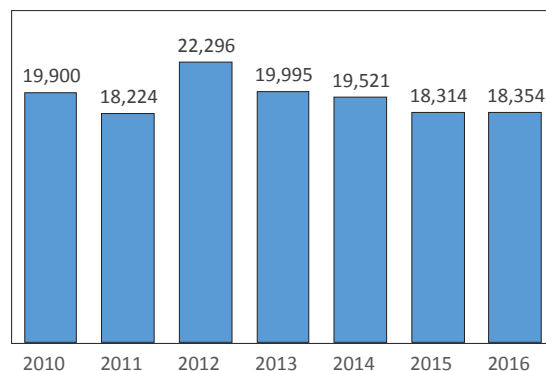
The leisure and hospitality sector makes up about 12 percent of Fairbanks' employment. Residents and visitors alike patronize restaurants, bars, and movie theaters, and this industry has hummed along since 2009. Over half its employment is tied to eating and drinking and the next-largest share is in accommodations, which shows locals and tourists are both heavy influences.

Bed taxes collected during the first eight months of 2017 were down 2 percent from the same period in 2016, but airplane passengers increased. With more anticipated visitors and military-related job growth in 2018, this industry is forecasted to hold steady in 2018.

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Military Population

FAIRBANKS AREA, 2010 TO 2016



Note: Active duty plus dependents

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

University continues to lose ground

Some of the borough's largest employment losses in 2017 were from the University of Alaska Fairbanks. UAF has lost more than 500 jobs since its peak employment in 2013 and will continue to cut jobs in 2018 as the state budget gap remains an issue. UAF also faces rising fixed operating costs, including utilities, fuel, health care benefits, and necessary building maintenance.

Local government in Fairbanks includes public schools, police and fire departments, and executive and legislative offices. Seventy percent of employment is in public schools, so stable or growing enrollment will keep local government stable in 2018.

The borough had about 3,000 federal civilian jobs in 2017, unchanged from 2016 and forecasted to hold steady again in 2018. This flat forecast factors in a mix of possible budget cuts on the civilian federal side and increases on the civilian military side.

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