

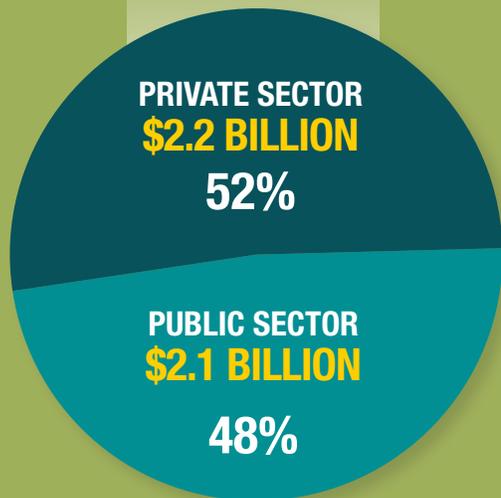


ALASKA'S 2021 CONSTRUCTION SPENDING FORECAST

COVID-19 delivered a hard blow to Alaska's economy in 2020, which will be evident in lower construction spending in 2021. **The oil industry,** typically the largest source of construction related spending in Alaska, **suffered from a sharp drop** in crude prices in early 2020. A combination of pandemic induced drop in global fuel demand and a price war between Russia and Saudi Arabia pushed **oil prices to historic lows.** A **"no" vote on Ballot Measure I** fended off what would have been still more bad news for the oil industry. **The visitor industry was hardest hit** by the pandemic; investment in that sector may be muted for several years. Meanwhile, **federal dollars will continue to provide a consistent baseline of construction spending in Alaska.**

2021 Construction Spending Forecast

Total Spending
\$4.3 Billion



2021 Construction Spending Forecast Summary (\$million)

Category	Total Spending	% of Total Spending
Private Construction Spending	\$2,220	52%
Oil and Gas	\$1,100	26%
Mining	\$130	3%
Other Basic Industry	\$50	1%
Utilities	\$300	7%
Hospitals/Health Care	\$240	6%
Other Commercial	\$50	1%
Residential	\$350	8%
Public Construction Spending	\$2,055	48%
National Defense	\$525	12%
Highways and Roads	\$465	11%
Airports, Ports, and Harbors	\$355	8%
Education	\$290	7%
Other Federal Government	\$140	3%
Other State and Local Government	\$280	7%
Total	\$4,275	100%

Source: McKinley Research Group estimates



2021 PRIVATE SECTOR CONSTRUCTION OUTLOOK



Petroleum \$1.1 Billion

Oil prices, exploration prospects, and oilfield development drive most of the petroleum-related construction spending. COVID-19, November's Ballot Measure One, and drop in oil prices affected construction planning by deferring some 2020 spending. A projected gradual oil price recovery should support restart of projects in 2021, including work in ConocoPhillips' Alpine and Kuparuk River fields and the GMT-2 project. Hilcorp expects to invest in improvements at its newly acquired Prudhoe Bay assets and Milne Point, and in Cook Inlet. Longer-term prospects include Oil Search's Pikka project and ConocoPhillip's Willow project.



Mining \$130 Million

Alaska's six large mines all plan expenditures in 2021 for projects such as mill expansions, roads, tunnels, and water management. While no new mine development-related construction spending is expected in 2021, Donlin Gold and Ambler Access Road have near-term development potential.



Other Basic Industry \$50 Million

Alaska's visitor industry took a big hit in 2020, and recovery may be slow. However, some construction is expected in 2021, including the Aloft Hotel in Anchorage and Hilton Home 2 in Wasilla, completion of Icy Strait Point gondola projects, and expansion of Halibut Point Marine Services Sitka docking facilities. Developers hope to break ground on the Seward Dock/Terminal Facilities and port-uplands preparation for future projects. Norwegian Cruise Lines' planning for its new property on Juneau's downtown waterfront suggests near-term construction activity.



Utilities \$300 Million

Construction spending in 2021 will be buoyed by several utility projects. GCI, along with Alaska Communications, continues investment in 5G wireless expansion and cable-modem plant capacity. Electric utilities, such as Homer Electric Association, Matanuska Electric Association, and Chugach Electric Association, are expected to upgrade systems and facilities, as well as bulk fuel and rural power installations. Alaska Industrial Development and Export Authority expects construction-related spending for work at the Snettisham Transmission facility.



Hospitals and Health Care \$240 Million

Factors driving health care-related construction include an aging population, federal and state funding, insurance programs, and technology advances, along with repercussions of the COVID-19 pandemic. Construction plans in 2021 include a senior-living center in Anchorage, upgrades to Fairbanks Memorial Hospital, new behavioral health facilities at Providence Kodiak Island Medical Center and Juneau's Bartlett Hospital, completion of clinics in Tok and Fairbanks, late-stage work on the Paul John Calricaraq Project in Bethel, and expansion at SEARHC's Sitka Campus, among others.



Other Industrial/Commercial \$50 Million

Though difficult to measure in detail, businesses in all sectors throughout Alaska will continue to invest in new facilities, upgrades, and expansions, like the KeyBank Building in Anchorage, Juneau's new Sealaska Heritage Institute Arts Campus, and retail developments and improvements such as Costco, Carrs Safeway, Verizon, Sonic, ALH, and The Shoppes at Sun Mountain, in Anchorage, Mat-Su, Fairbanks, and elsewhere. About \$500 million in storage and air-logistics projects at Anchorage International Airport are expected to get underway in 2021, though most of that spending will occur in subsequent years.



Residential \$350 Million

While the statewide population is down slightly, growth continues in Fairbanks North Star Borough and Mat-Su Borough. An uptick in Fairbanks housing construction is due to the Eielson Air Force Base F-35 installment, and though growth has slowed, Mat-Su continues to attract new households. Through 2020, residential repairs related to the 2018 Southcentral earthquake continued.

2021 PUBLIC SECTOR CONSTRUCTION OUTLOOK



National Defense \$525 Million

U.S. Army Corps of Engineers spending is transitioning from large construction programs (Long Range Discrimination Radar, Missile Field 4, and F-35 Beddown) to new emphasis on renovating existing infrastructure for Alaska's Army and Air Force installations. FFY21 construction includes a communications center, a combat arms and training facility, and arms and military equipment storage, all at Fort Greely, along with the final phases of Eielson's F-35 development.



Highways and Roads \$465 Million

Highway and road spending include projects approved in previous years in 2021 as well as several new projects, including repairs to roads and bridges affected by the 2018 earthquake. Bridge construction, bypass/re-routing, paving/resurfacing, and drainage improvements are expected in 2021, much of it on the Seward, Sterling, Dalton, Glenn, Parks, Denali, or Richardson highways.



Airports, Ports, Harbors, and Railroad \$355 Million

Airport improvements are anticipated throughout Alaska in 2021, including those on runways and taxiways (Anchorage International Airport), terminals (Juneau, Anchorage, and Fairbanks), and other upgrading. Dock and harbor construction projects include Haines and Nome launch ramps replacement, harbor reconstruction and waterfront improvements in Juneau, and continued upgrade of the Petroleum Cement Terminal at the Port of Alaska (Anchorage). Alaska Railroad will rehabilitate and replace some bridges and track.



Education \$290 Million

The State and local governments share in funding new school construction, rehabilitation, and maintenance. Spending of previously authorized state funds is expected in 2021, including work on the Eek and Bristol Bay schools, school replacement in Atmautluak and Aniak, and many other school renovation and maintenance projects. Spending on Southcentral earthquake repairs and replacements includes Houston's school and several Anchorage schools, most notably repairs at Gruening Middle School and Eagle River Elementary School.



Other Federal Government \$140 Million

The federal government supports a range of projects other than those related to national defense and transportation. This consistent flow of funding to government entities (including tribal governments) and non-profit organizations supports a variety of services. This includes over \$35 million in funding to Alaska's regional housing authorities to build housing units and rehabilitate existing homes.



Other State and Local Government \$280 Million

Finally, another \$280 million in other state and local government expenditures is anticipated in 2021 for projects such as solid waste transfer stations; bulk fuel storage upgrades; water and wastewater treatment facility upgrades; community development initiatives; public employee professional housing; and renovations and repair to State buildings.