

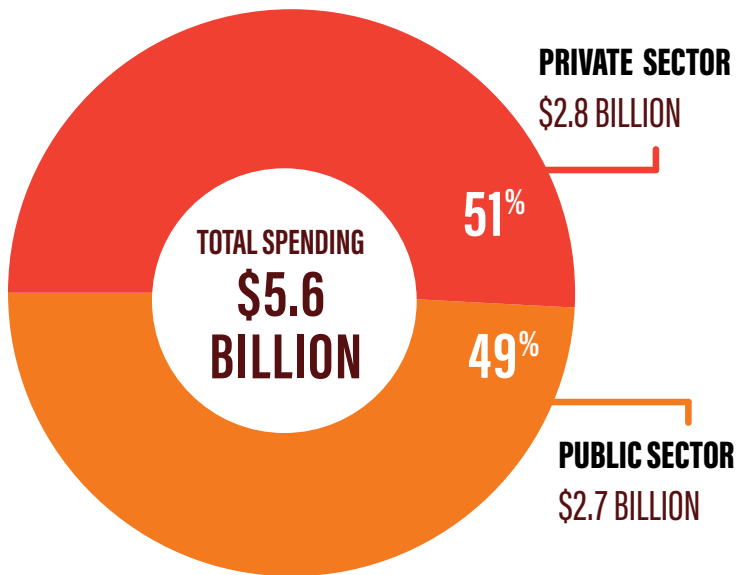


January 2023

Alaska's 2023 Construction Spending Forecast

The rebound in oil prices and movement on North Slope projects, a strong mining sector, and renewed visitor volume are all positive signals for the Alaska economy. However, workforce challenges, high material and transportation prices, and increased interest rates all pose risks to private investment across Alaska. Additional federal funding will start to positively impact public construction spending across several sectors in 2023. Significant funding for transportation, broadband, and water/wastewater infrastructure have been secured by various grantees in Alaska. While design work is ongoing in some sectors, this funding will begin to impact construction activity in 2023.

Construction spending forecast



2023 Alaska Construction Spending Forecast Summary (\$ Million)

Category	Total Spending	% of Total Spending
Private Construction Spending	\$2,830	51%
Oil and Gas	\$730	13%
Utilities	\$600	11%
Residential	\$450	8%
Hospitals/Health Care	\$290	5%
Mining	\$225	4%
Other Basic Industry	\$145	3%
Other Commercial	\$390	7%
Public Construction Spending	\$2,720	49%
Highways and Roads	\$700	13%
National Defense	\$600	11%
Airports, Ports, and Harbors	\$510	9%
Education	\$315	6%
Other State and Local Government	\$370	6%
Other Federal Government	\$225	4%
TOTAL	\$5,550	100%



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PRIVATE SECTOR CONSTRUCTION OUTLOOK



OIL AND GAS \$730 MILLION

Three factors drive most petroleum-related construction spending: oil prices, exploration, and oilfield development. In 2022, oil prices averaged about \$100 per barrel, the highest average annual price in nearly a decade. Two large projects, Pikka (Santos) and Willow (ConocoPhillips), have potential to substantially increase construction activity in the coming years. Santos has begun surface facility work on site at Pikka, including gravel roads and pads. ConocoPhillips plans to begin road and other gravel infrastructure projects related to Willow in 2023.



UTILITIES \$600 MILLION

An increase in construction spending by power producers, telecom carriers, and other utilities across the state will be largely driven by federal funding opportunities through the Infrastructure Investment and Jobs Act (IIJA) in 2023. Grant recipients will begin to deploy broadband, water, and wastewater funding in 2023, though some projects will likely still require design. Alaska Native Tribal Health Consortium (ANTHC) expects to spend about \$150 million on water and sewer infrastructure in 2023. GCI continues work on the Aleutian Fiber Project and plans to connect Sand Point and King Cove by the end of 2023.



RESIDENTIAL \$450 MILLION

Rapid mortgage rate increases and high material costs in 2022 have impacted demand for new construction. Statewide, estimated new private housing development, renovation, and rehabilitation spending is expected to total \$450 million in 2023, up from the 2022 forecast due to high material prices.



HOSPITALS & HEALTH CARE \$290 MILLION

Many private and community-owned hospitals nationwide are facing financial difficulty in the wake of service disruptions related to the COVID-19 pandemic. Spending in this category is expected to decrease slightly, though work will move forward on several large projects in 2023. Work will continue on SEARHC's replacement of Mt. Edgecumbe Hospital (Sitka), and ANTHC plans to expand Emergency Services in Anchorage. In 2022, nearly \$70 million in federal funding was awarded to hospital and health care projects, including hospital construction in Petersburg and a residential recovery facility in the Mat-Su.



MINING \$225 MILLION

Alaska's six producing mines all expect to make capital expenditures in 2023 on projects such as underground development, building improvements, and drilling. Kinross plans to complete access road construction and site preparation for the Manh Choh project in Tetlin by the end of 2023. The U.S. Bureau of Land Management expects to reach a final decision on the Ambler Access Road project by the end of 2023.



OTHER BASIC INDUSTRY \$145 MILLION

Alaska visitor volume was strong in 2022, including a strong cruise and independent traveler season. An uptick of construction spending in the other basic industry sector in 2023 will be driven by three cruise dock projects – the Whittier Cruise Dock, the Aak'w Landing project in Juneau, and the Klawock Cruise Port. Routine maintenance investment is expected across Alaska's 160 seafood processing plants.



OTHER INDUSTRIAL/COMMERCIAL \$390M

Businesses in all sectors throughout Alaska will continue to invest in new facilities, upgrades, and expansion, even against the backdrop of high material prices and interest rates. Many projects in this category will involve remodeling existing industrial or commercial space such as Amazon's redevelopment of the Sears warehouse (Anchorage), Costco's redevelopment of the Sam's Club warehouse (Anchorage), and U-Haul work on the former Walmart (Juneau). Retailers such as Three Bears and Alaska Commercial Company plan to construct new stores in 2023.

PUBLIC SECTOR CONSTRUCTION OUTLOOK



HIGHWAYS & ROADS \$700 MILLION

In 2023, an estimated \$700 million in construction-related spending is expected for highways and roads in Alaska. This estimate includes projects that began in previous construction seasons and are not yet completed, as well as new projects and commitments. The largest projects for 2023 include improvements to the Sterling Highway, the Seward Meridian Highway, the Kenai Spur, and the Seward Highway in Anchorage.



NATIONAL DEFENSE \$600 MILLION

Major U.S. Army Corps of Engineers spending will continue to focus on maintaining, modernizing, and upgrading Alaska's existing military infrastructure. Major projects include the Utqiagvik Coastal Erosion Project, the Lowell Creek Flood Diversion in Seward, dormitory construction at the Clear Space Force Station, and the JBER Runway Extension. The Coast Guard plans to expand infrastructure at Kodiak Coast Guard Base, including a waterfront wharf, moorage piers, and other site amenities which will be constructed in 2023. Fifty new housing units will be built near the Kodiak Base, as well as a childcare center. Work on these facilities started in mid-2022, and completion is expected in 2025.



AIRPORTS, PORTS, HARBORS & RAILROAD \$510 MILLION

The IIJA authorized an additional \$400 million in airport funding over the next five years. Major construction projects in 2023 will include taxiway improvements, a parking garage expansion, development of a passenger boarding bridge, and north terminal improvements at Ted Stevens International (Anchorage) and work on a \$89 million airport expansion in Ketchikan. Port and harbor construction includes continued modernization work at the Port of Alaska (Anchorage), and construction development on the Port of Nome. Other ports and harbor work will include a rebuild of the Lutak Dock Port in Haines, float repair and a cathodic protection system at Homer Harbor, and marine park deckover in Juneau. The Alaska Railroad will continue work on the Seward Passenger Dock and Terminal Replacement.



EDUCATION \$315 MILLION

The State of Alaska shares with local governments the cost of new construction, rehabilitation, and maintenance of education facilities. Upcoming K-12 projects include the Napakiak School replacement, the Newtok School relocation, the Kachemak Selo School, and the Mat-Su Central Correspondence School. Work will begin on the new Rasmuson Library Student Success Center at the University of Alaska Fairbanks, and University of Alaska Southeast will begin construction of the Auke Bay Integrated Science Building.



OTHER STATE AND LOCAL GOVERNMENT \$370 MILLION

Other state and local government expenditures are anticipated in 2023 for projects such as professional housing in rural Alaska, water supply (Sitka), library upgrades (Fairbanks), and many other community initiatives.



OTHER FEDERAL GOVERNMENT \$225 MILLION

Apart from the range of projects supported by the federal government in other publicly financed construction sectors, federal funding flows through government entities and other nonprofit entities that provide a variety of services to Alaskans. In 2023, significant construction will begin in the Denali National Park to restore road access, and Alaska's regional housing authorities will continue home construction and rehabilitation.