



The State of Sitka's Economy

April 20, 2023

PREPARED FOR:

Sitka Economic Development Association



About McKinley Research Group

- Formerly McDowell Group
- Research and consulting since 1972
- Offices in Juneau and Anchorage
- Services
 - Economic Analysis
 - Community Economic Planning
 - Business Development
 - Survey Research
 - And many others

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Population

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**Labor Force &
Employment**

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Key Industries

- **Seafood**
- **Tourism**
- **Others**

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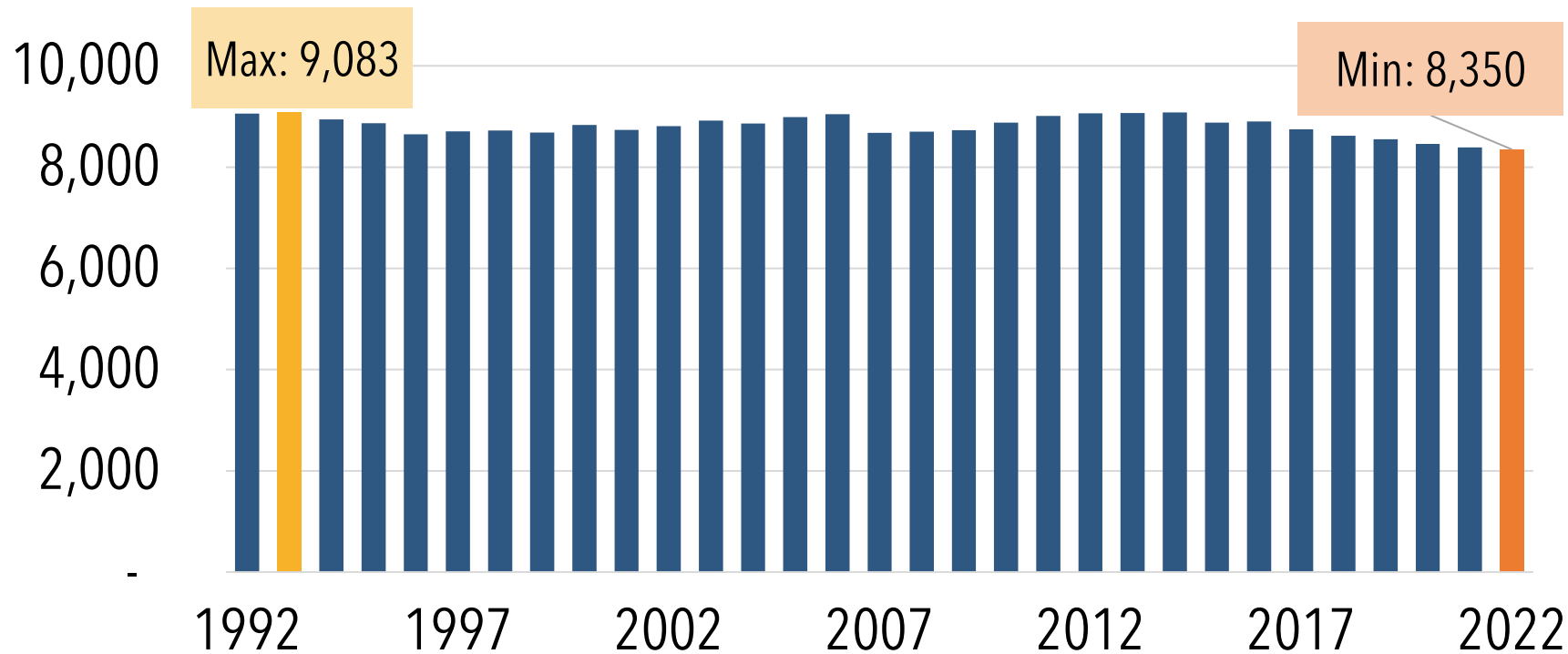
Housing

Population

Population

30-year population decline: -8%

Sitka City and Borough Population, 1992 - 2022



Population trends:

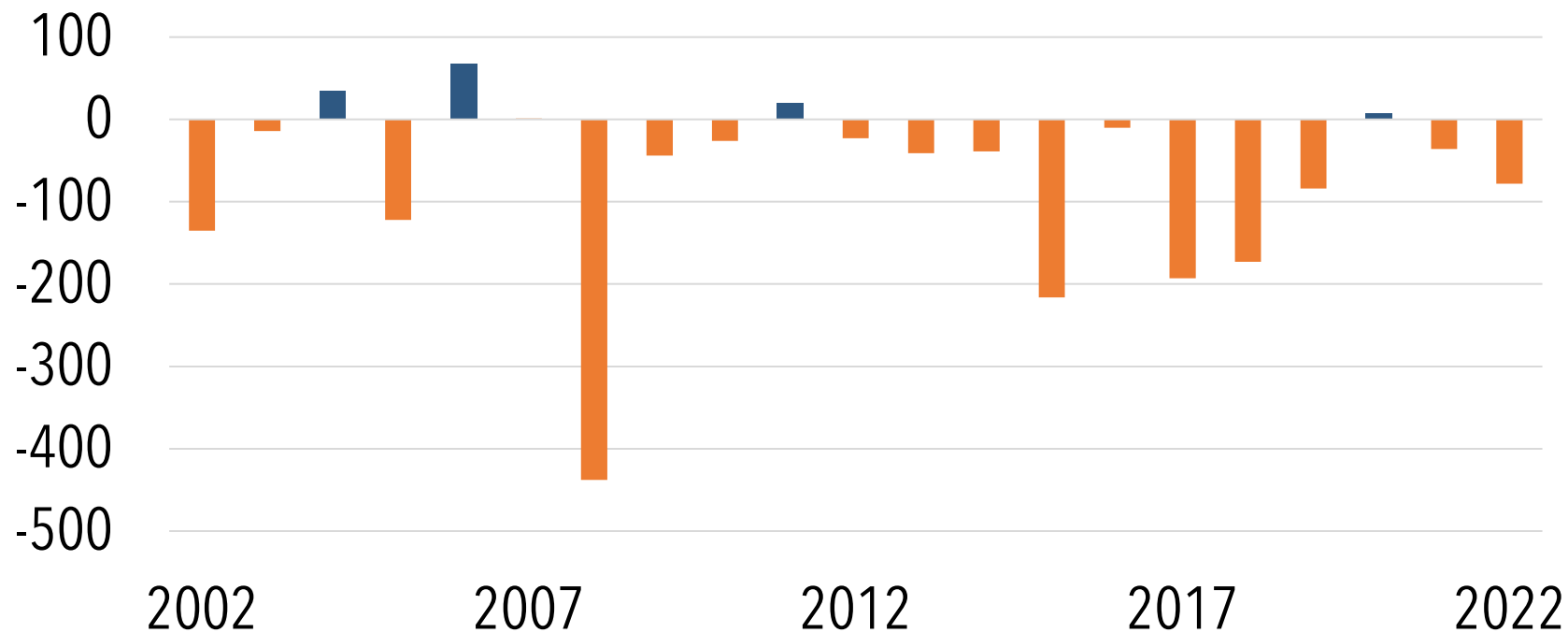
- 5-year: -279 (-3%)
- 10-year: -676 (-7%)

Higher rate of decline than Juneau, Ketchikan, and Southeast

Population: Net Migration

Outmigration contributes most to population declines

Net Migration, Sitka City and Borough, 2002 - 2022



Net migration:

- 1-year: **-78**
- 10-year: **-886**

In the last 5 years:

- Most outmigrants moved out of state (**74%**)

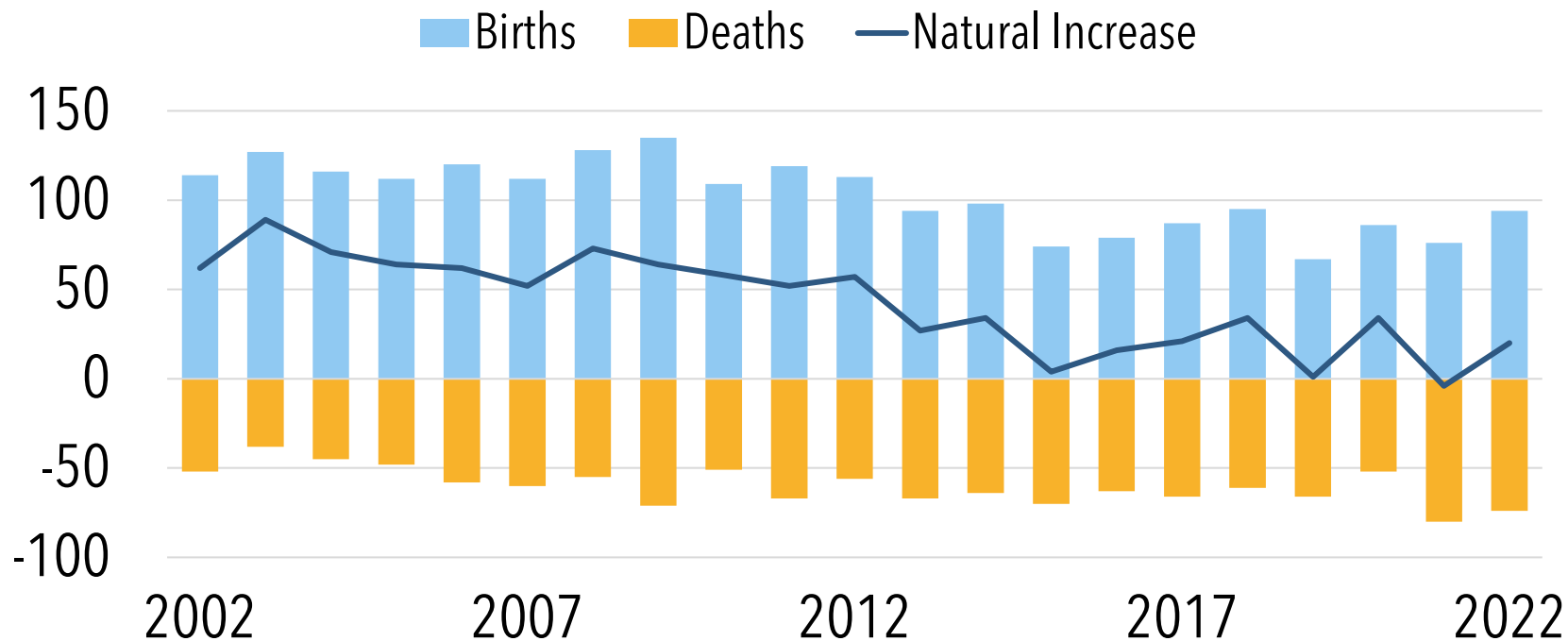
Top in-state destinations:

- Juneau (**7%**)
- Anchorage (**6%**)

Population: Natural Increase

Natural increase has slowed over the last decade

Sitka Births, Deaths, and Natural Increase, 2002 - 2022



Natural increase (births/year):

- 10-year: 85
- Prior 10-years: 119

Natural **decrease** in 2021

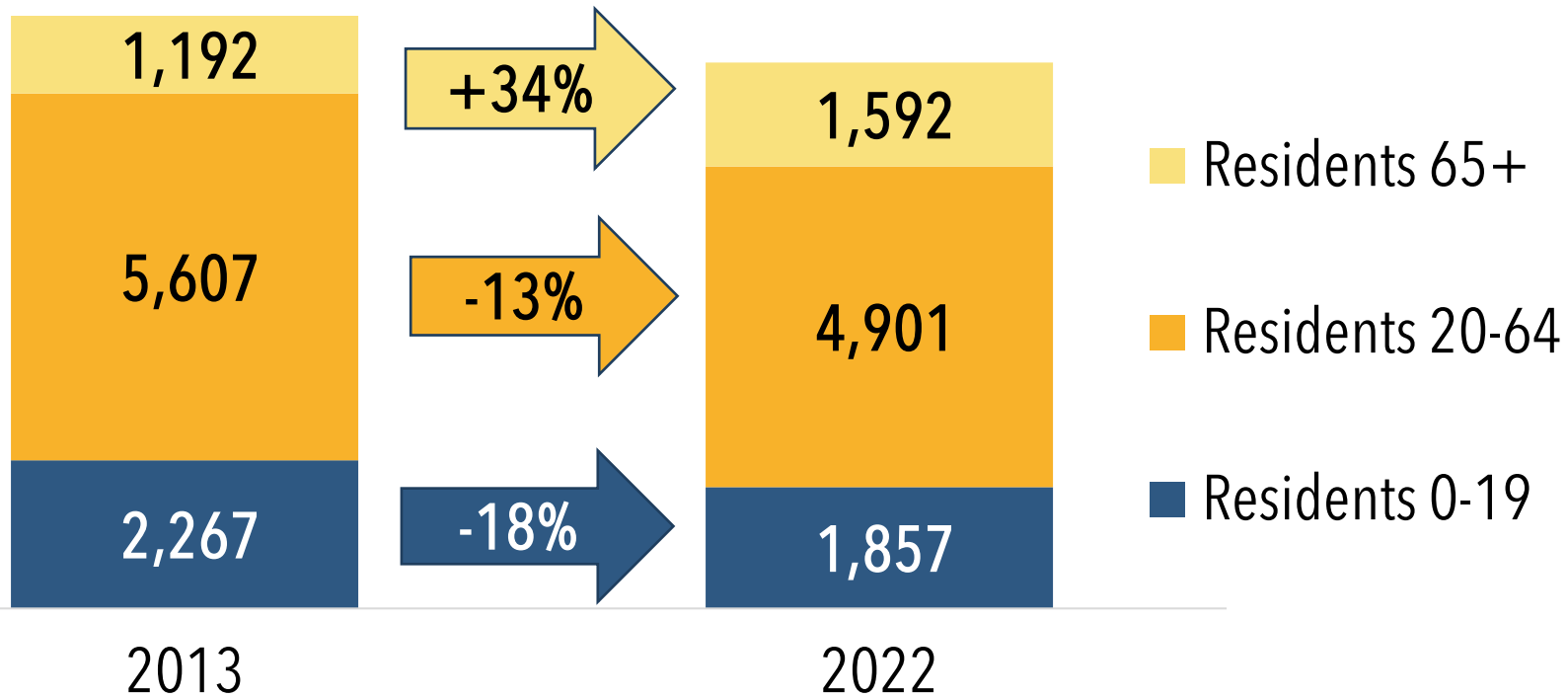
2022 birth rates:

- Sitka: **11.3**
- Juneau: **9.2**
- Ketchikan: **8.9**
- Alaska: **12.7**

Population: Age Cohorts

65+ population increased by 34% over last decade

Sitka Population by Age Cohort, 2013 and 2022



Age cohort trends:

Overall population decline (-7%)

- 65+ population increases by 400 (+34%)
- Working age population fell by 706 (-13%)
- Number of children declined by 410 (-18%)

Labor Force and Employment



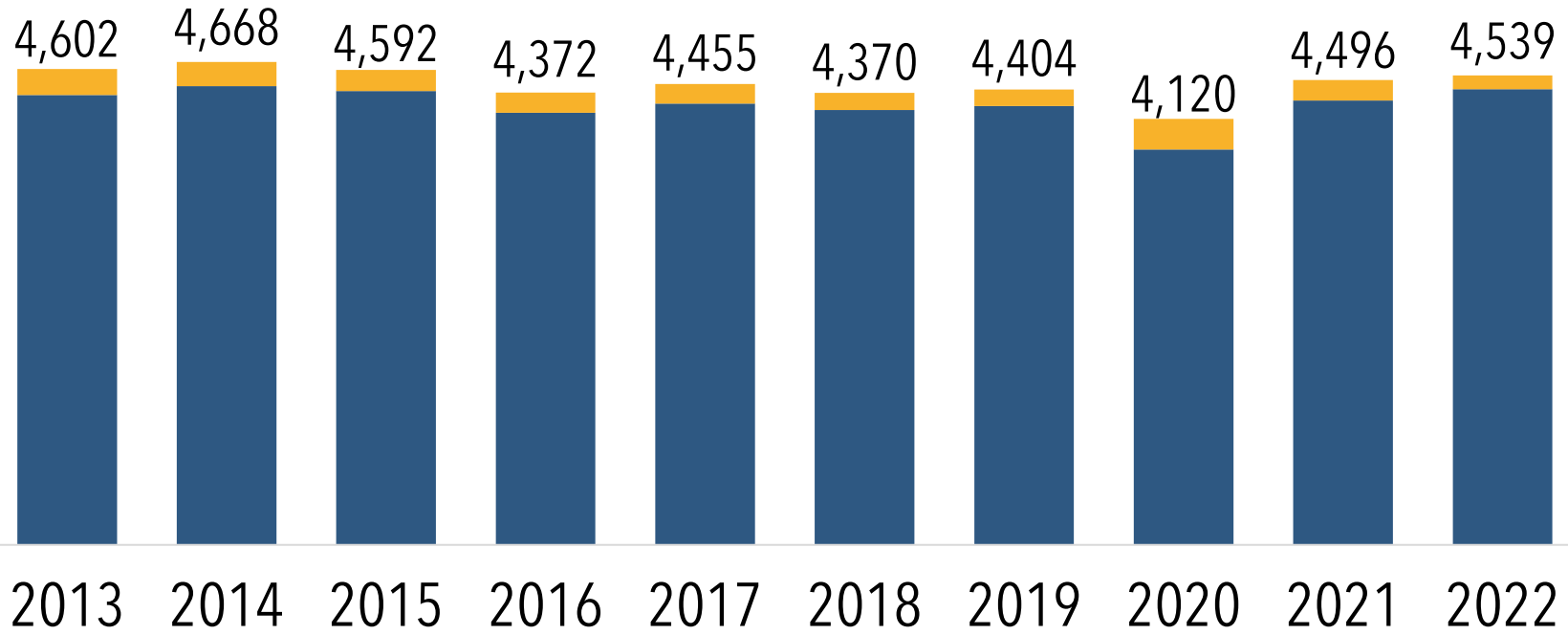
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Labor Force

Complete resident labor force recovery from pandemic

Sitka Resident Labor Force, 2013 - 2022

■ Employment ■ Unemployment



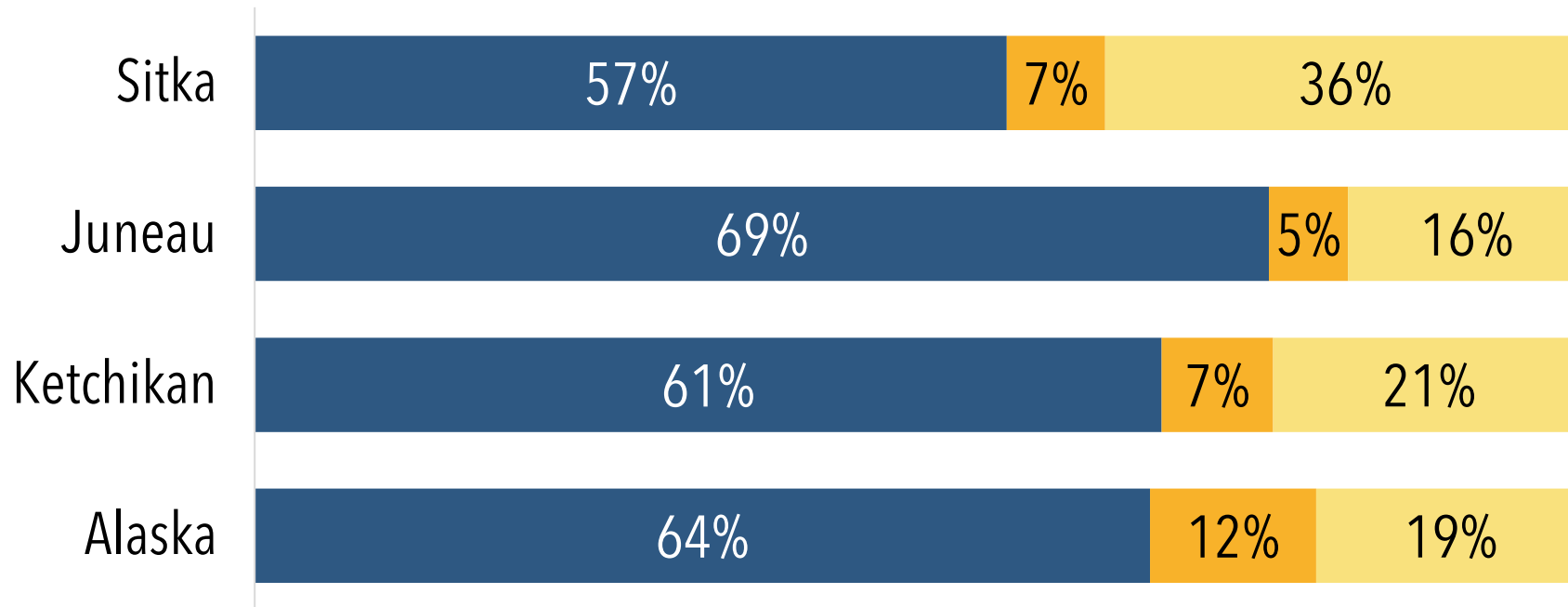
- 2022 marks highest number of employed Sitka residents (**4,407**)
- Lowest annual unemployment rate on record in 2022 (**3.0%**)

Workforce: Worker Residency

Over one-third of Sitka's total workforce are nonresidents

Worker Residency, All Sectors, 2021

■ Local Residents ■ Nonlocal Residents ■ Nonresidents



Local resident % decreased

- 2011: **67%**
- 2017 to 2020: varied **60% - 62%**

2020 to 2021 percent change:

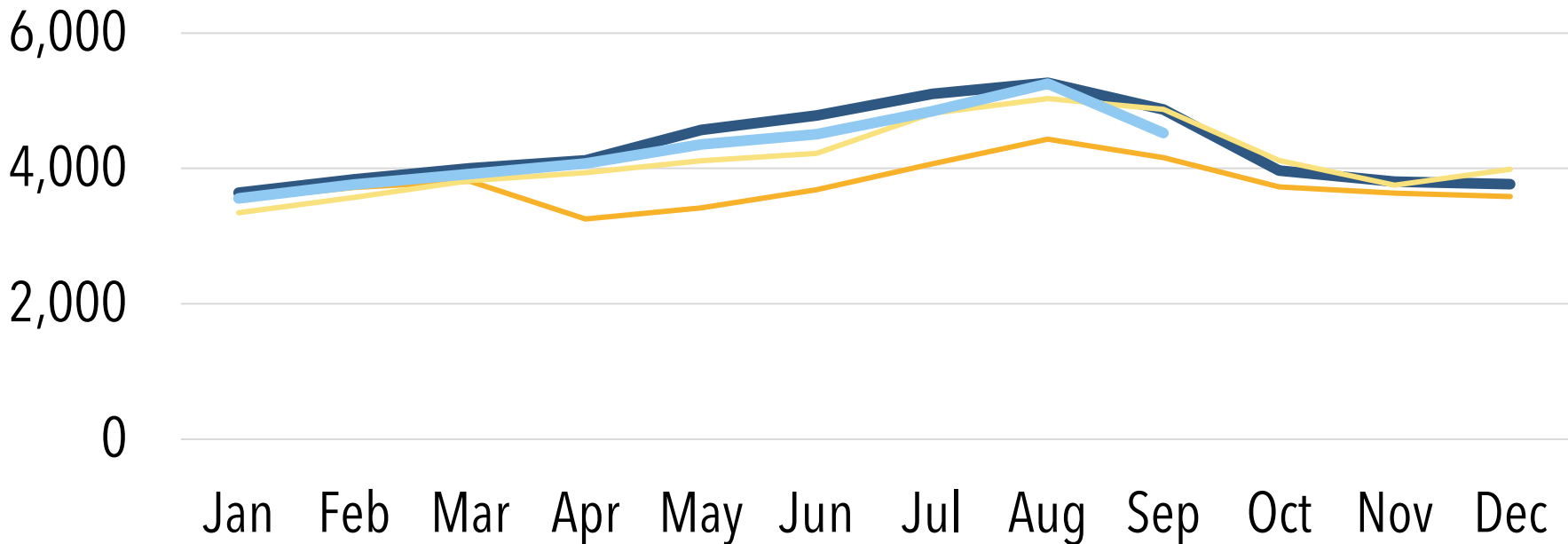
- **Sitka: -5%**
- Juneau: -9%
- Ketchikan: -9%
- Alaska: -5%

Wage & Salary Employment

Significant recovery, still below pre-pandemic levels

Sitka Wage and Salary Employment by Month, 2019 - 2022

—2019 —2020 —2021 —2022



9-month trends:

- 2019 - 2020: -678 (-15%)
- 2020 - 2022: +522 (+14%)

9-month averages:

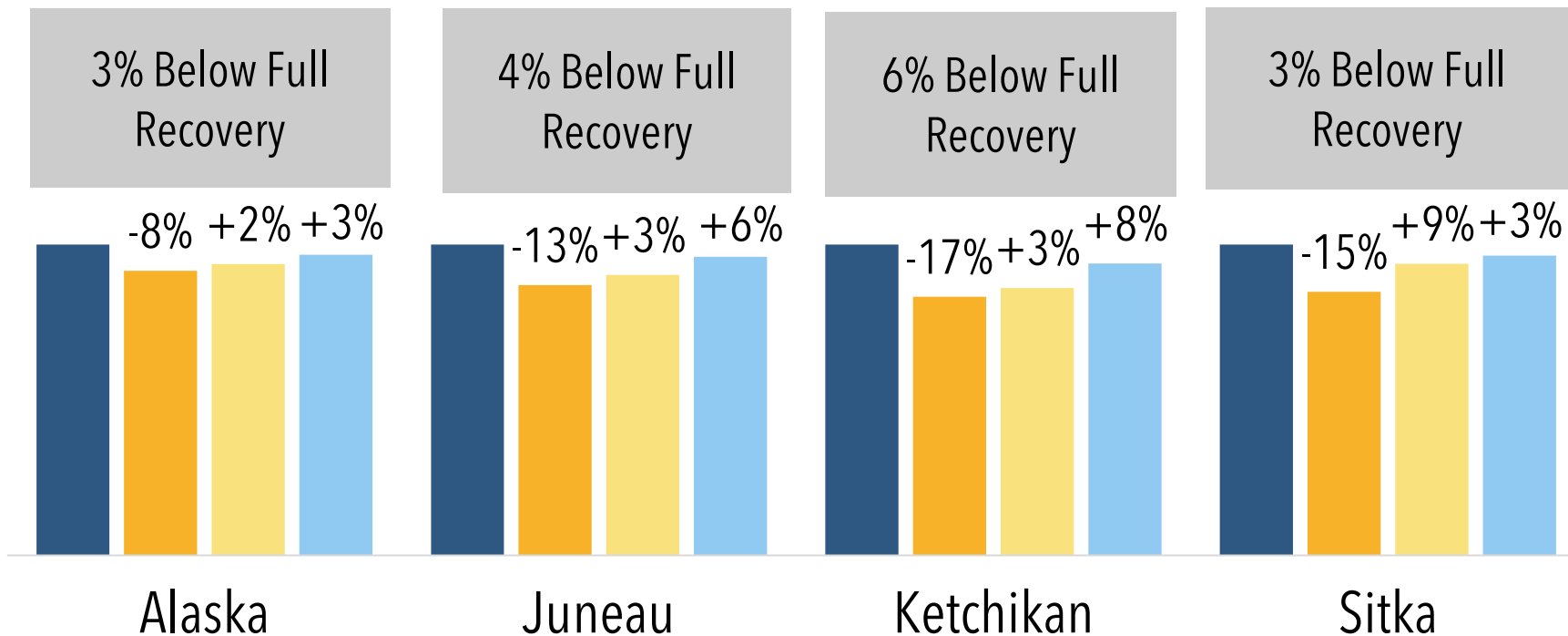
- 2019: 4,465 jobs
- 2022: 4,310 jobs
- Difference: **-156 jobs**

Wage & Salary Employment: Recovery

Faster recovery than other Southeast boroughs

Employment, as a Percentage of 2019 Employment (Q1-Q3)

■ 2019 ■ 2020 ■ 2021 ■ 2022



Most employment recovery **occurred in 2021**

Sitka has achieved **faster recovery** than other SE boroughs

Currently **3%** below Q1-Q3 2019 employment, on par with statewide recovery

Wage & Salary Employment: Selected Sectors

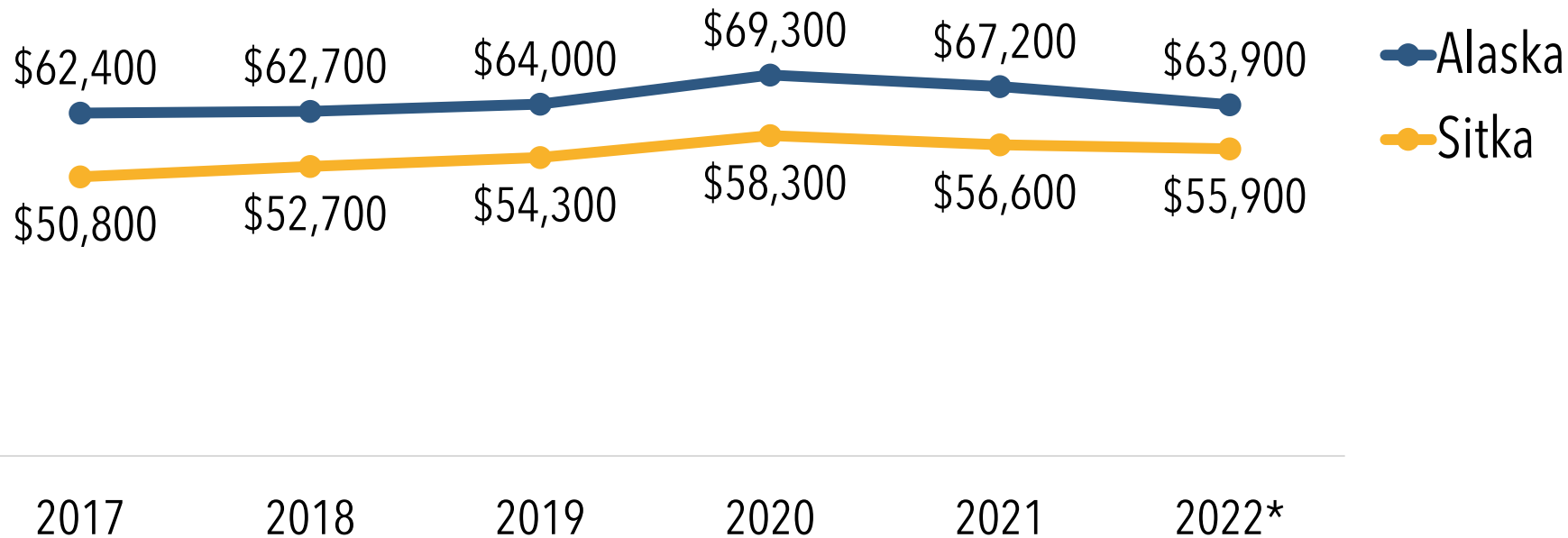
Total change in jobs (9-month average)

	2019 Jobs	2019-2020 Loss	2020-2022 Gain	2019-2022 Change	2022 Jobs
Scenic & Sightseeing Transportation	153	-61%	+71%	-33%	103
Accommodations	159	-35%	+38%	-10%	144
Eating & Drinking Places	342	-21%	+35%	+6%	364
Seafood Processing	543	-18%	+26%	+3%	562
Construction	157	-15%	+32%	+12%	176
State Government	315	-11%	+9%	-3%	306
Retail Trade	454	-10%	+13%	+2%	462

Wage & Salary Employment: Average Wages

When adjusted for inflation, wages have decreased

Inflation-Adjusted Annual Average Wages, Sitka and Alaska 2017 - 2022



2022 Sitka average wages: **13% below** Alaska

- 2017: **19%** below Alaska

Highest inflation-adjusted wages in 2020 (**\$58,300**)

- 2020 - 2022: **-5%**

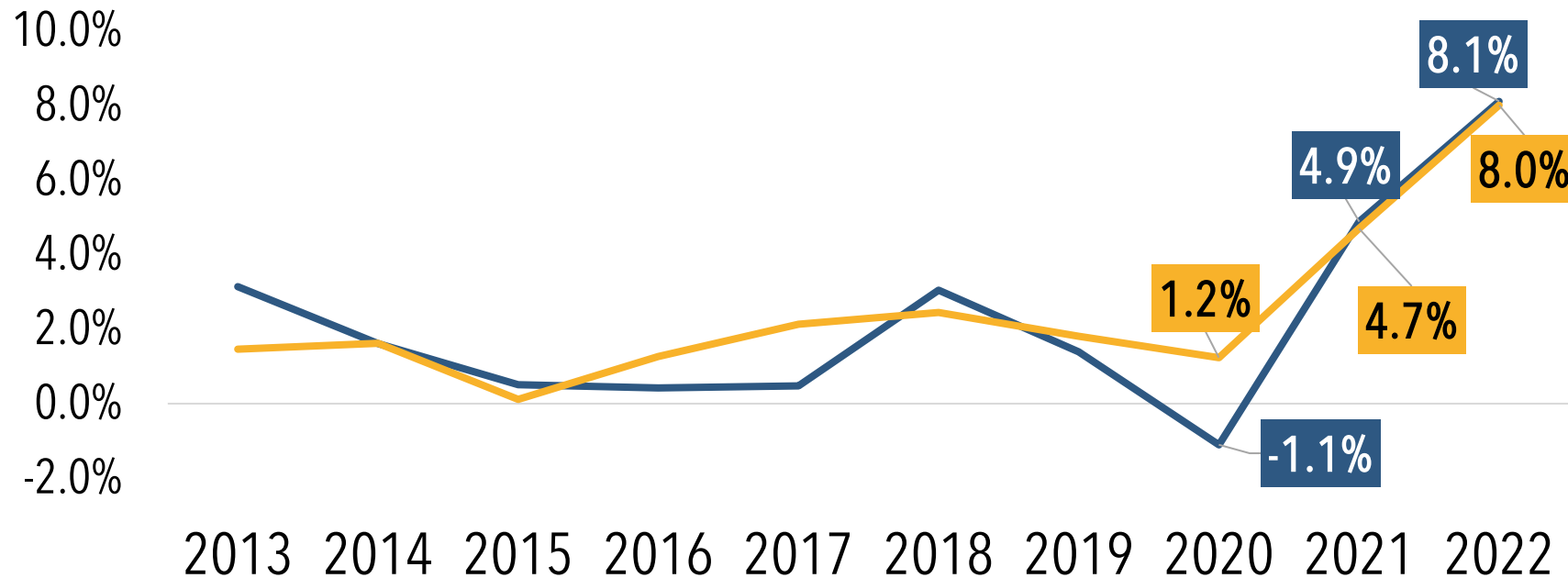
**Preliminary data, 9-month average*

Inflation

Highest inflation since 1980's, CPI continues to increase

Consumer Price Index, 2013 - 2022

— Alaska Percent Change — US Percent Change



In **2020**, Alaska CPI **deflated** for the first time in decades

Inflation **accelerated** through 2022

Feb. 2023 inflation

- Alaska: **4.3%**
- U.S.: **6.0%**

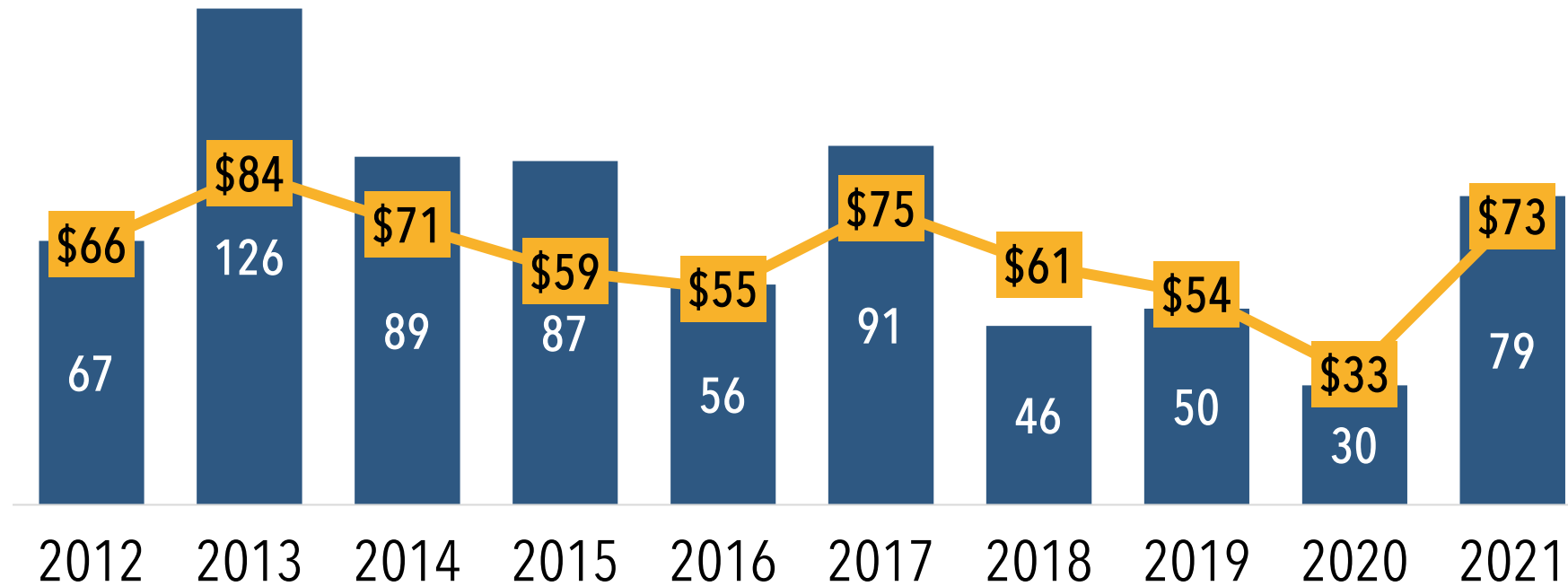
Key Sectors

Seafood Industry: Landings Value and Pounds

Increase in value and pounds caught in 2021

Sitka Estimated Seafood Landings Value & Pounds, 2012 - 2021

■ Pounds — Value (\$ millions)



Total value **up 120% from 2020**, third highest in past decade

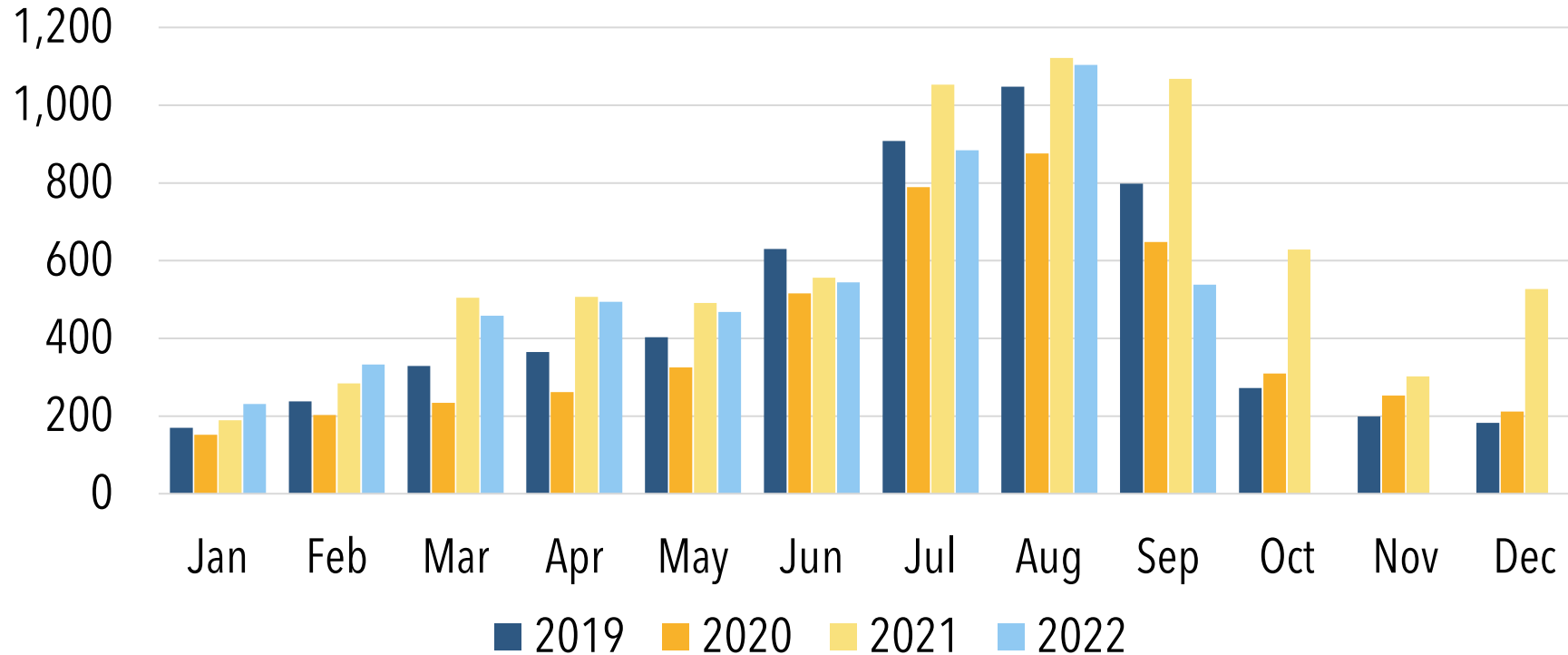
- **72% higher** than 2016-2020 average

373 active permit holders in 2021, 7 more than 2020

Seafood Industry: Processing Employment

2022 Q1-Q3 employment above 2019 levels, below 2021

Seafood Processing Employment in Sitka, 2019 - 2022



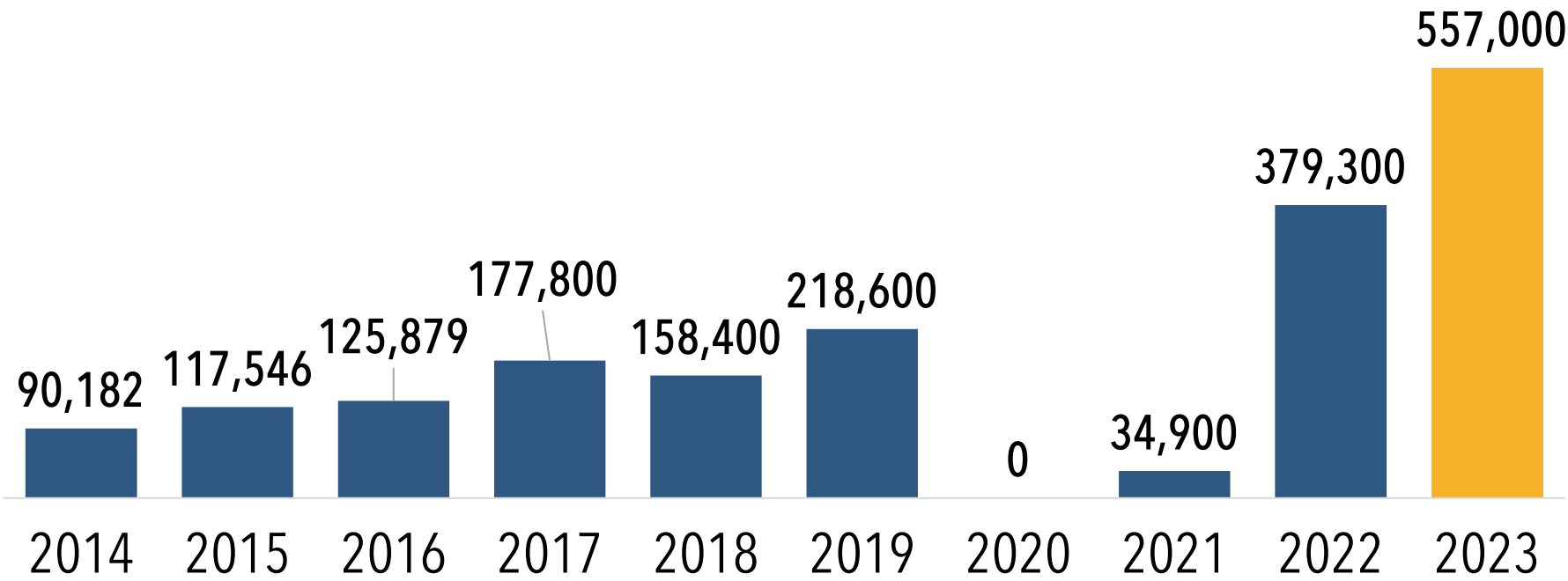
9-month employment trends:

- 2019 - 2022: **+18%**
- 2021 - 2022: **-12%**

Visitor Industry

2022 cruise visitation 74% above 2019, further growth expected in 2023

Sitka Cruise Passenger Counts, Actuals and 2023 Forecast



2022 actuals **17% below expected volumes**

2023 forecast:

- **47% higher** than 2022
- **155% higher** than 2019

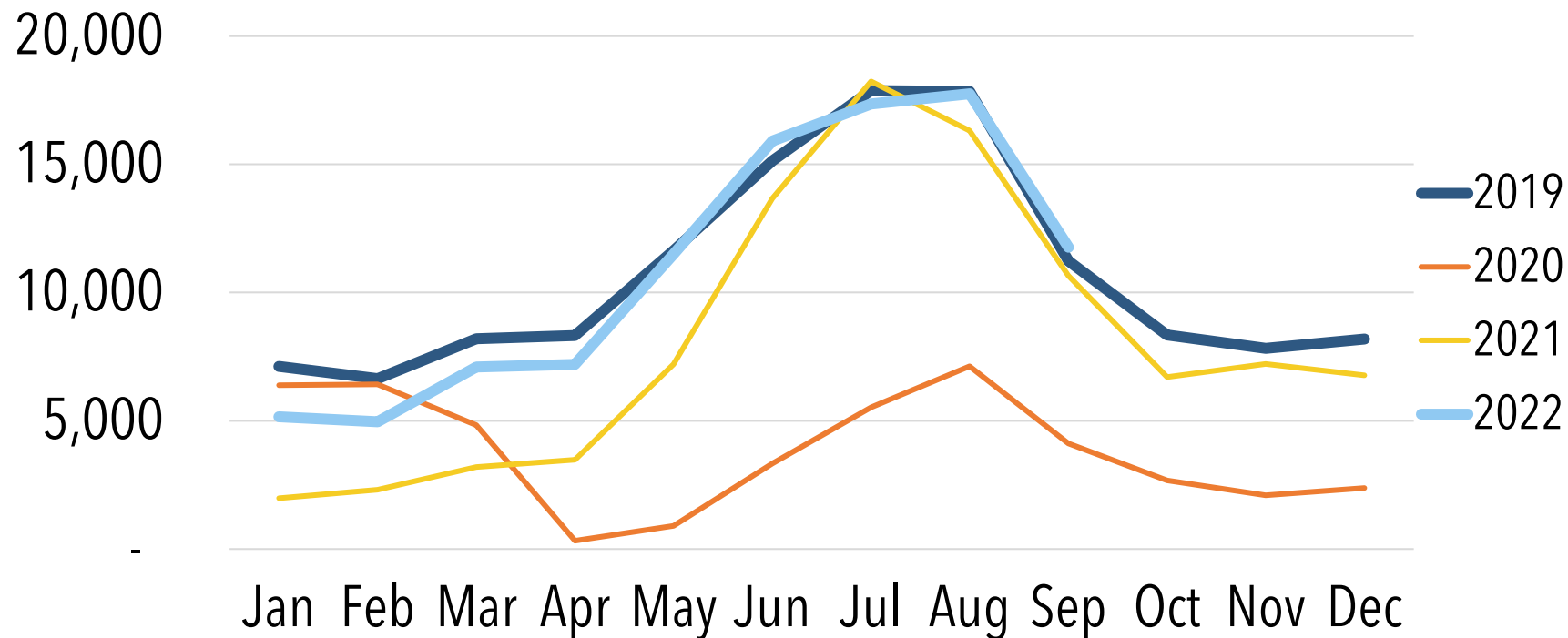
Port calls:

- 2022: 279 calls
- 2023: 308 calls **(+29 ships)**

Transportation: Air Passenger Traffic

Summer 2022 traffic returned to 2019 volumes

Air Passenger Traffic to Sitka, 2019 – 2022



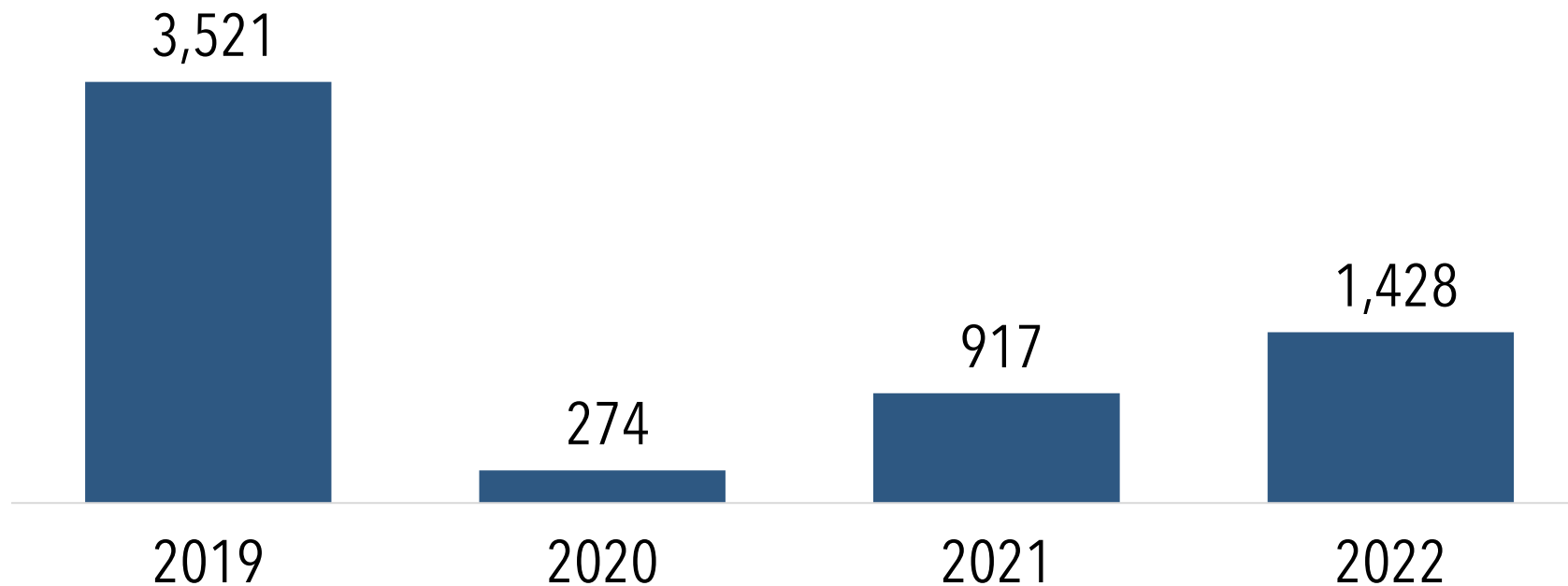
Q1-3 passenger volume trends:

- 2019 – 2022: -5,318 (-5%)
- 2021 – 2022: +21,664 (+28%)

Transportation: AMHS Passenger Volumes

Embarking passenger volumes 59% below 2019

Alaska Marine Highway System Embarkations in Sitka,
2019 - 2022



Embarkation Trends:

- 2019 - 2022:
-2,100 **(-59%)**
- 2021 - 2022:
+500 **(+55%)**

Other Key Industries

Health Care

- 2022 9-month average: 760 jobs
- Sitka Community Hospital transfer to SEARHC

Coast Guard

- 2021 uniformed military employment in Sitka: 248
- Virtually no change from previous year

Housing

Housing: Data Limitations

Due to small sample sizes, Sitka housing data can be unreliable

U.S. Census Bureau, American Community Survey

- 5-year averages
- Estimates based on surveys

Alaska Housing Finance Corporation

- Estimates based on surveys
- Limited availability by borough

Multiple Listing Service

- Only includes housing on market
- Due to small market size, average price data is easily skewed

AirDNA - Short-Term Rental Data

- Includes all listings on AirB&B and VRBO
- Does not include other platforms (i.e. Craigslist, Facebook Marketplace)

Housing: Trend Overview

Survey data suggest more owners, fewer renters

	2017	2021
Vacant Units	15% ($\pm 3\%$)	17% ($\pm 3\%$)
Occupied Units	85% ($\pm 3\%$)	83% ($\pm 4\%$)
<i>Owner-Occupied</i>	<i>57% ($\pm 4\%$)</i>	<i>63% ($\pm 4\%$)</i>
<i>Renter-Occupied</i>	<i>43% ($\pm 4\%$)</i>	<i>37% ($\pm 4\%$)</i>

Data limitations:

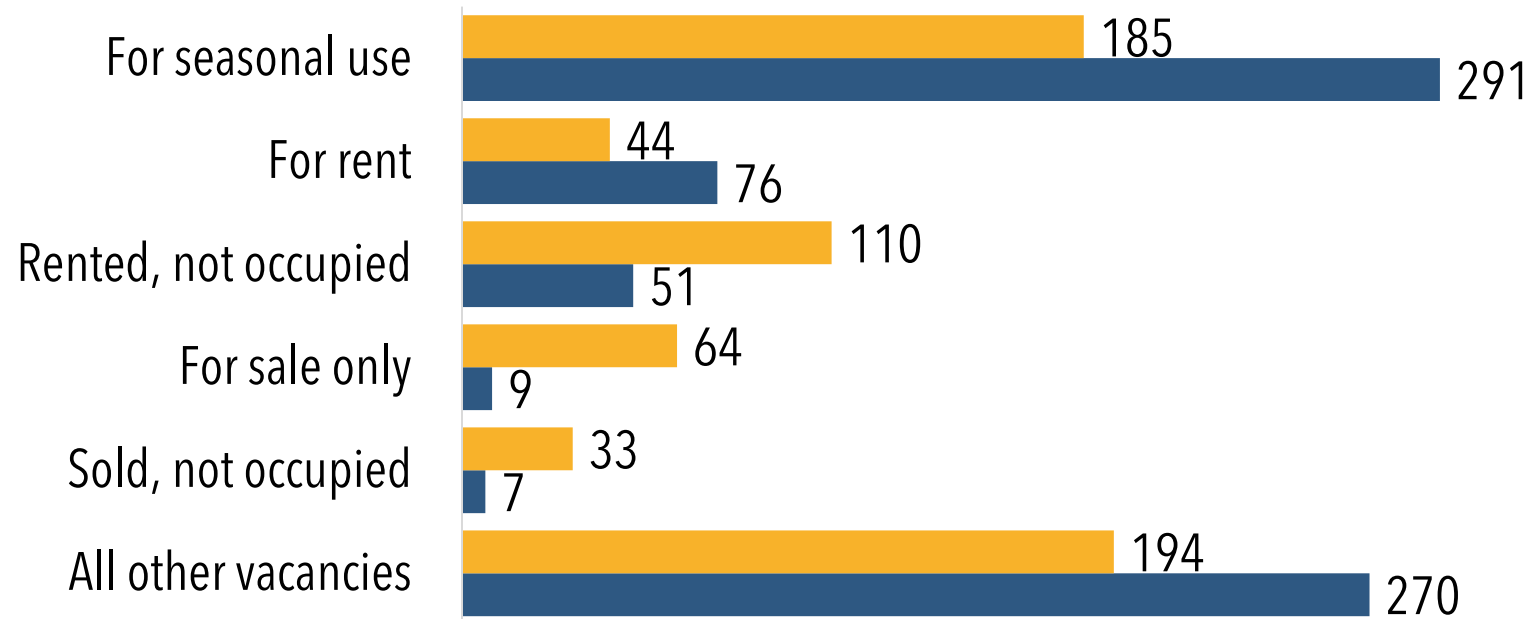
- Estimates based on April surveys, do not reflect seasonal fluctuations
- High margin of error due to low sample sizes
- Estimated number of housing units **virtually flat**

Housing: Vacancies by Type

Sitka has a lower vacancy rate than Alaska

Sitka Housing Vacancies by Type, 2017 and 2021

■ 2017: 608 vacant units ■ 2021: 704 vacant units



High margin of error

More rental vacancies:

- Long-term rent: +32 units **(+73%)**
- Seasonal use: +106 units **(+57%)**

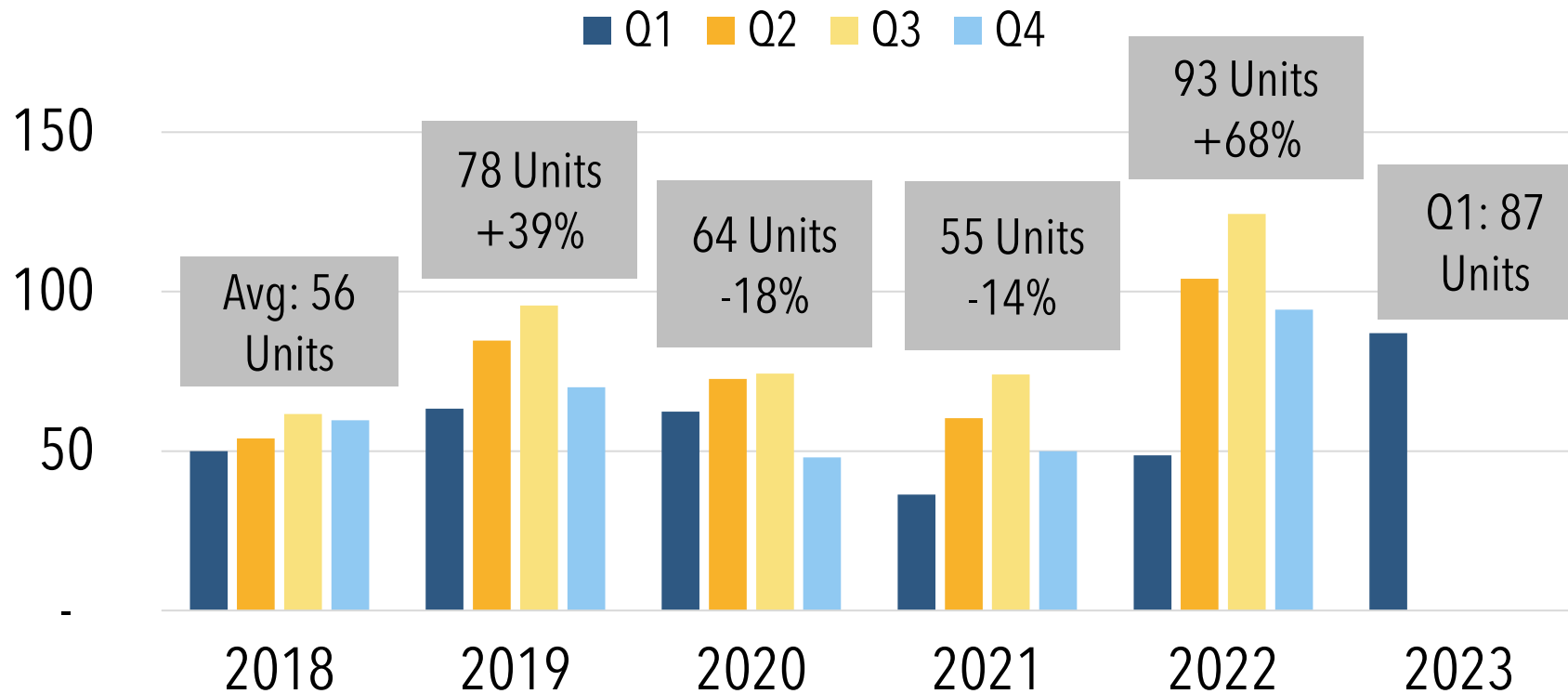
Fewer units for sale:

- -55 units **(-86%)**

Housing: Short-Term Rentals

Rapid growth in 2022, continued increase in 2023

Active Short-Term Rental Listings, Sitka, 2018 - 2023



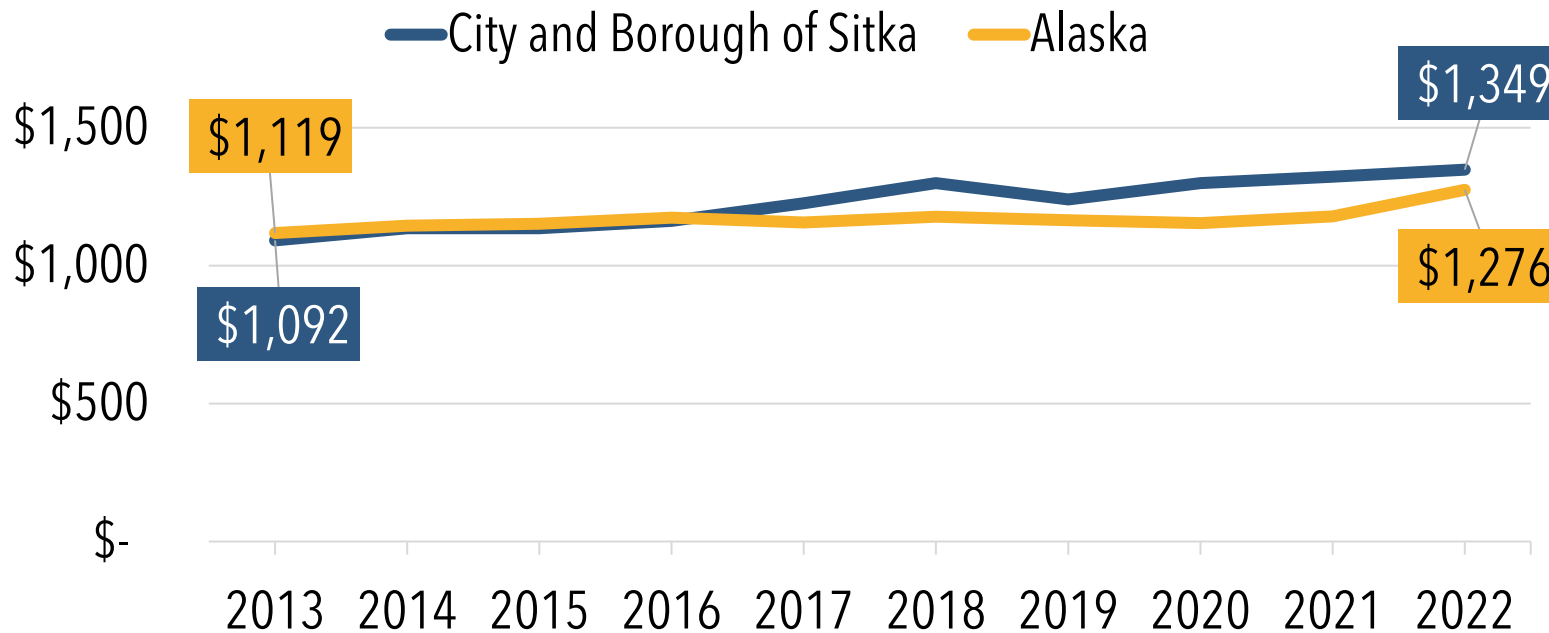
Only includes properties listed on AirB&B & VRBO

- Q1 2023: **87 listings**, highest on record
 - **+78%** from Q1 2022
- 2022 average price: **\$267/night**, including cleaning fees
 - **+27%** from 2018
 - **18%** higher than nightly hotel rates

Housing: Rental Rates

Highest adjusted rental rates of any borough

Adjusted Monthly Rental Rates, Sitka & Alaska Statewide, 2013 - 2022



Sitka rates rose above AK averages in 2017

- **Highest rental rate of any surveyed borough in Alaska** for the past three years

Ten-year trends, adjusted for inflation:

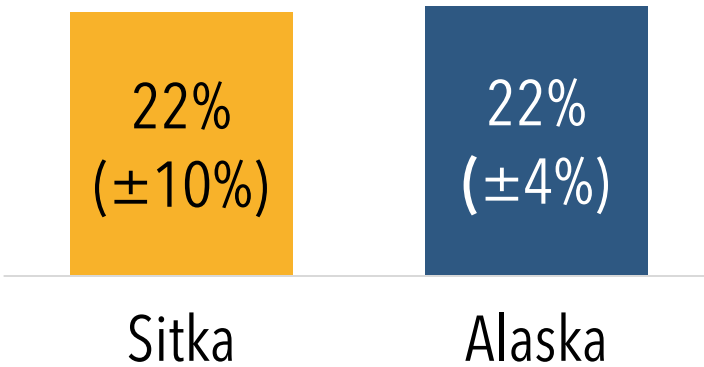
- Sitka: **+\$30**
- Alaska: **-\$75**

Adjusted rent: contract rent, plus electricity, heating, snow removal, etc.

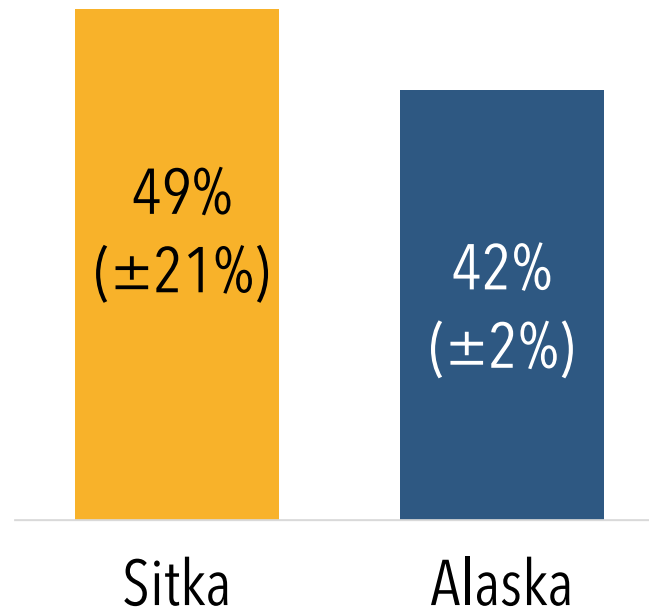
Housing: Affordability

More cost-burdened renters in Sitka

Cost-Burdened Owners, 2021



Cost-Burdened Renters, 2021



High margin of error

- **49% of renters** in Sitka are cost-burdened, and **22% of homeowners**

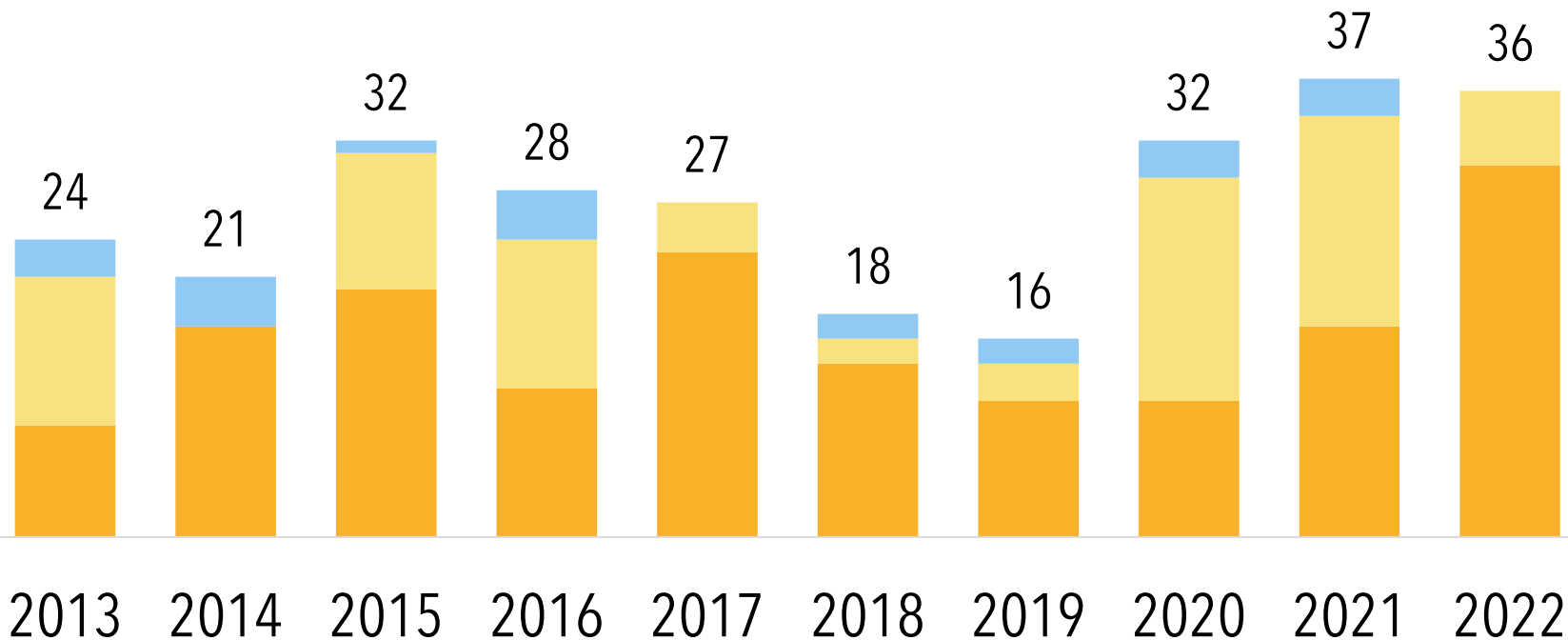
Cost-burdened individuals:
those spending 30% or more of their income on housing costs

Housing: New Housing Units

More new units per year from 2020 to 2022

New Housing Units in Sitka, 2013 - 2022

Single Family Multi Family Mobile Homes



- Increase in single family housing unit construction in 2022
- Single-family housing includes attached units
 - **30 single-family units** built in 2022

Key Takeaways

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Declining population, aging trends continue

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Wage & salary employment recovering, 3% below 2019

3

Seafood: rebounded after 2020 lows
Visitor: arrivals will continue to increase

4

Housing market is tight, high costs, more short-term rentals

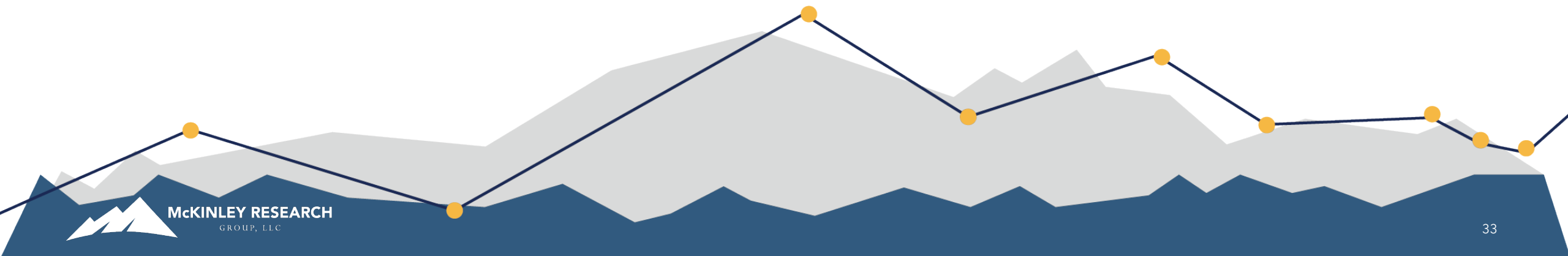
THANK YOU!



Formerly McDowell Group

Garry White
(907) 747-2660
garrywhite@gci.net

Taylor Holman
(907) 723-1720
tholman@mckinleyresearch.com





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McKINLEY RESEARCH GROUP, LLC

3800 Centerpoint Drive, Suite 1100 | Anchorage, AK 99503 | (907) 274-3200

801 W. 10th Street, Suite 100B | Juneau, AK 99801 | (907) 586-6126

info@mckinleyresearch.com | mckinleyresearch.com