

The Resilient Mat-Su Borough

Fastest-growing area keeps momentum through COVID

By NEAL FRIED

Growth isn't new for the Matanuska-Susitna Borough: its population and job count have been growing for more than 40 years. But the borough's ability to grow even during the pandemic put it in a category by itself.

Gains from within and outside Alaska

Mat-Su's population has continued to grow, including through migration, as the state and most areas lost people to migration for 10 straight years. In fact, Mat-Su is the only part of Alaska with consistently positive net migration and one of just three that gains residents from other places in the state.

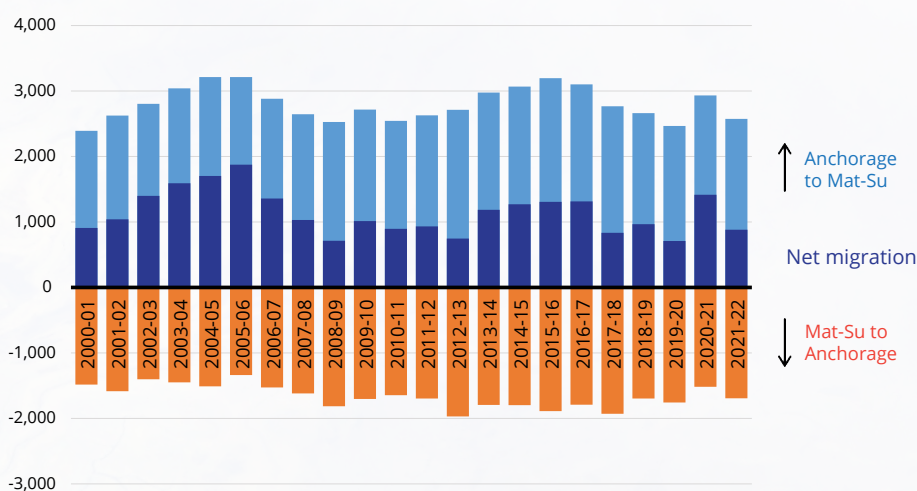
Nearby Anchorage's net migration — in-movers minus out-movers — has been negative for nine years. Some of Anchorage's losses are Mat-Su's gains, and that exchange is an annual event. In 2021, 2,932 Anchorage residents moved to the borough, while 1,517 Mat-Su residents moved to the city. (See the May 2022 issue of *Alaska Economic Trends*.)

Last year, the Mat-Su Borough grew by 2.4 percent as Anchorage lost overall population for a fifth year in a row and the state grew by just a hair (451 people).

Between 2010 and 2022, the borough gained 22,757 residents as Anchorage lost a little more than 2,000 and the state as a whole grew by 26,325.

The Mat-Su Borough is now the second-most populous in Alaska, with a 2022 population of 111,752.

Mat-Su gains through Anchorage migrant exchange



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

Mat-Su and Anchorage are the only two areas in the state with more than 100,000 people, and combined they account for 55 percent of Alaska's population. Anchorage remains the lion's share of that equation, as a little over a quarter of the Anchorage/Matanuska-Susitna Region's residents live in the Mat-Su Borough. Still, as recently as 1990, Mat-Su was only 15 percent of the region.

While Mat-Su continues to grow, it still relies on Anchorage. As an economy they function as one, but they are two distinct political jurisdictions — and despite their proximity, their economic and demographic patterns diverge.

The borough and its changes

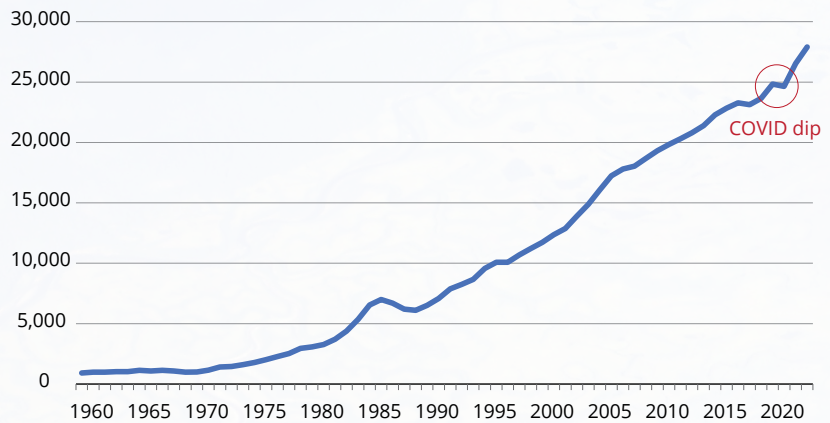
The Mat-Su Borough, often called "the Valley" even though it includes the valleys of three rivers (the Matanuska, the Susitna, and the Knik), covers 25,260 square miles north of Anchorage. But 90 percent of its residents live in a tight corridor

Populations and towns in Mat-Su Borough, 2022

City/census-designated place	Population
Matanuska-Susitna Borough	111,752
Knik-Fairview CDP	20,098
North Lakes CDP	9,830
Meadow Lakes CDP	9,675
Wasilla city	9,547
Tanaina CDP	8,957
Gateway CDP	6,142
Palmer city	5,936
Fishhook CDP	5,761
South Lakes CDP	5,258
Big Lake CDP	4,023
Butte CDP	3,682
Farm Loop CDP	2,795
Willow CDP	2,386
Point MacKenzie CDP	2,092
Houston city	2,046
Susitna North CDP	1,639
Lazy Mountain CDP	1,578
Buffalo Soapstone CDP	1,081
Talkeetna CDP	1,060
Sutton-Alpine CDP	1,049
Knik River CDP	847
Trapper Creek CDP	504
Glacier View CDP	251
Chickaloon CDP	246
Skwentna CDP	51
Lake Louise CDP	40
Petersville CDP	31
Chase CDP	25
Eureka Roadhouse CDP	25
Susitna CDP	14
Outside a city or CDP	5,083

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

Mat-Su lost few jobs when COVID started



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

between the communities of Willow and Sutton. Three of its 30 communities are incorporated — Wasilla, Palmer, and Houston — but these three cities are home to just 16 percent of the borough’s population.

Three unorganized communities, called census-designated places, have bigger populations than the City of Wasilla. For example, if Knik-Fairview were incorporated, it would be the seventh-largest city or borough in Alaska. (For more on how the Mat-Su came to be, see the March 2016 issue of *Trends*.)

Mat-Su began as mostly residential areas outside of Anchorage, and while it remains true that Mat-Su’s chief export is its workforce, the borough has provided more of its own services as it has grown. Economists refer to this phenomenon as import substitution: When an area becomes less reliant on services outside its boundaries, those now-locally available services generate even more economic activity.

For example, Mat-Su’s health care sector grew 74 percent over the past decade, meaning fewer Valley residents needed to seek care in Anchorage. Other Valley industries have also expanded — a growing number of “headquarters”-type companies that provide services to other parts of the state have chosen Mat-Su as their home base. Examples include the Goose Creek prison, which houses inmates from all over Alaska; Cruz Construction, which takes on projects statewide; and Denali Brewing Company.

A very different pandemic experience

The pandemic is another recent example of Mat-Su’s resilience and its divergence from most of the state. On the job front, 2020 represented some of the largest annual employment losses in Alaska’s history. The state lost 26,000 jobs that first pandemic year and Anchorage lost 12,000, or 8 percent of all its employment.

In 2022, Anchorage and the state as a whole hadn’t yet regained

their pre-COVID job levels and they probably won't this year, either, but the concept of economic recovery never existed in Mat-Su.

Mat-Su lost just 1 percent of its jobs in 2020, and by year's end, its job count had climbed back into record territory. By 2021, Mat-Su employment hit a new high; 2022 was a repeat and 2023 will be as well.

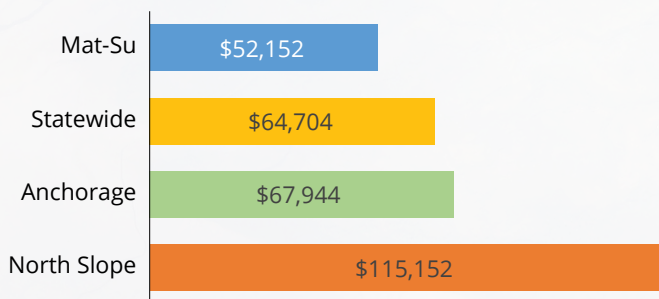
A handful of reasons for the difference

Several factors worked in Mat-Su's favor during the pandemic. In addition to ongoing population growth, its economy had momentum before COVID while the state and Anchorage had just emerged from a four-year recession.

Temporary business closures or reduced operations also hit harder elsewhere. Anchorage lost 9 percent of its retail jobs in 2020 and 21 percent from its bars and restaurants. Mat-Su's eating and drinking employment fell by 10 percent, but its retail grew by 7 percent. Sales tax revenues in Palmer and Wasilla actually went up in 2020.

The spectacular increase in working remotely worked in the Valley's favor during the pandemic. Many of the usual commuters to Anchorage turned to telework, and as a result, they spent more of their consumer dollars in the local economy instead,

Average wages a big reason 41% of Mat-Su residents commute, 2022



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

Where Mat-Su residents work and earn, 2021

Place of work	Total workers from Mat-Su	Total wages
Total	45,365	\$2,248,262,197
Matanuska-Susitna Borough	26,522	\$1,012,323,078
Anchorage, Municipality	12,780	\$815,683,192
North Slope Borough	2,257	\$214,299,952
Fairbanks North Star Borough	1,108	\$39,501,226
Other/Unknown	571	\$34,376,095
Northwest Arctic Borough	350	\$28,654,973
Kenai Peninsula Borough	312	\$16,637,012
Juneau, City and Borough	177	\$11,413,714
Bethel Census Area	173	\$11,973,300
Chugach Census Area	141	\$9,469,288
Ketchikan Gateway Borough	134	\$3,610,533
Denali Borough	115	\$6,090,274
Southeast Fairbanks Census Area	92	\$8,136,072
Aleutians West Census Area	92	\$6,670,724
Nome Census Area	84	\$5,274,501
Yukon-Koyukuk Census Area	80	\$5,734,859
Lake and Peninsula Borough	78	\$3,548,525
Kodiak Island Borough	62	\$3,281,037
Bristol Bay Borough	54	\$2,600,419
Dillingham Census Area	40	\$1,716,089
Kusilvak Census Area	40	\$2,215,710
Aleutians East Borough	38	\$1,911,241
Copper River Census Area	34	\$1,433,682
Sitka, City and Borough	21	\$1,364,261
Yakutat, City and Borough	10	\$342,439

Notes: Unduplicated count of total workers employed at any time during the year. Workers are assigned to the borough/census area where they earned the most money.

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

further boosting local retailers and restaurants at Anchorage's expense. Anecdotal evidence further suggests some Anchorage residents sought services in the Valley that they would have typically consumed closer to home.

Finally, the labor shortage is likely more acute in Anchorage, further depressing its ability to regrow its workforce. This is not to say Mat-Su employers aren't having the same recruitment troubles as employers everywhere — they are but to a lesser degree. If wages are high enough, Mat-Su employers can lure some workers who might typically commute to Anchorage with the prospect of less driving.

Unemployment did rise in 2020

Despite the strong performance, Mat-Su wasn't

unscathed. The borough's unemployment spiked in 2020 as it did all over the state. Many Mat-Su residents lost their jobs in Anchorage, the North Slope, and elsewhere, and the area's unemployment rate hit 13.4 percent in April 2020 and stayed in the double digits through July.

At the same time, the number of Valley residents receiving unemployment benefits shot up from 3,675 in 2019 to more than 11,000 in 2020.

By 2022, though, unemployment claims had fallen below pre-pandemic levels. That April, the area's unemployment rate was 4.9 percent.

Close to half still commute, and wages remain relatively low

Mat-Su residents losing their jobs elsewhere in Alaska is significant because, while the worker patterns have shifted over the years, over 40 percent of Mat-Su residents still commute. Anchorage's proximity and higher average wages allow the borough to flourish.

As of 2021, the most recent year available, 28 percent of employed Mat-Su residents worked in Anchorage and 13 percent worked somewhere else in Alaska, largely on the North Slope. These commuters earn more than residents who work locally, and they return home to invest their wages in local

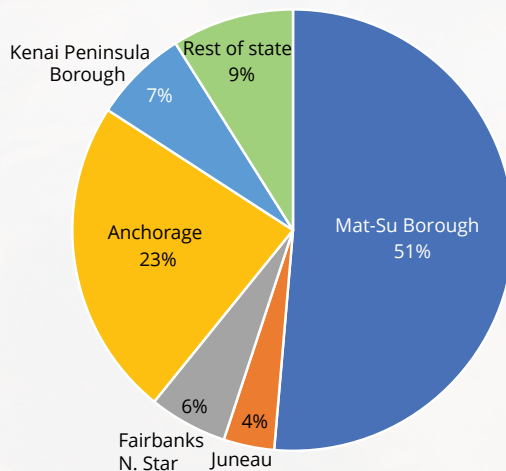
Mat-Su Borough's industries, 2022

Industry	Jobs	Avg wage
Total	27,900	\$52,152
Natural Resources and Mining	282	\$43,596
Construction	3,193	\$82,032
Manufacturing	465	\$47,640
Wholesale Trade	186	\$61,932
Retail Trade	4,253	\$37,872
Transportation	762	\$51,840
Utilities	346	\$97,272
Information	442	\$71,112
Finance and Insurance	530	\$64,140
Real Estate	393	\$41,940
Professional and Business Svcs	1,651	\$51,948
Education, Private	404	\$36,312
Health Care	4,345	\$61,801
Social Assistance	930	\$30,336
Leisure and Hospitality	3,391	\$26,148
Arts, Entertainment, and Rec	474	\$24,684
Accommodation	653	\$36,660
Food Services	2,263	\$23,424
Other Services	1,021	\$33,744
Government	5,230	\$58,752
Federal	260	\$101,412
State	1,568	\$64,620
Local	3,402	\$52,788

Notes: State government includes the University of Alaska. Local government includes public schools and tribal government.

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

Half of new Alaska homes are built in Mat-Su, 2022



Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section; and Alaska Housing Finance Corporation

housing, consumer goods, and services.

In terms of total earnings, Mat-Su residents made \$816 million in Anchorage in 2021 and \$214 million on the North Slope, and the two combined were roughly equal to the dollars residents earned locally.

Commuter numbers have gone down over the last decade, though. In 2010, 45 percent commuted. That dipped only slightly over the next five years, to 44 percent, and then it dropped to 41 percent in 2021.

In 2010, 31 percent of Mat-Su residents commuted to Anchorage, which fell to 30 percent in 2015 and 28 percent in 2021. Fewer are commuting to the North Slope, as well, likely because Slope employment peaked in 2015 and then plunged by half through 2021.

These commuter numbers are conservative



Valley farming

At left, crew at the VanderWeele Farm in Palmer plant lettuce seedlings. VanderWeele Farm has been in business since 1967. Above, kohlrabi is harvested at Sun Circle Farm in Palmer, a 2.5-acre organic farm owned by Anne-Corinne Kell. Photos by USDA Natural Resources Conservation Service Alaska

because they exclude federal workers, uniformed military, and the self-employed.

The Bureau of Economic Analysis' personal income data, which are adjusted for residency, also show how much income Mat-Su draws from elsewhere. In 2021, Mat-Su enjoyed a net gain of \$1.8 billion in income earned outside the borough, which represented about 30 percent of all personal income there.

Mat-Su is one of the few places in Alaska with a net inflow of personal income. Because most places in Alaska have a sizable nonresident workforce, personal income is typically a net outflow. For example, Anchorage lost \$1.2 billion in 2021, meaning \$1.2 billion earned in Anchorage went to residents of other places.

Commuting is still an attractive option in part because Mat-Su's average wages remain relatively low. In 2021, Mat-Su's annual earnings averaged \$49,632, compared to \$65,592 in Anchorage and \$111,756 in the North Slope Borough.

Anchorage is home to a large share of high-wage jobs in the oil industry, government, and transportation, to name just a few. Many of the Valley's jobs exist to provide services to the local population, so they tend to be in lower-wage industries. Retail and leisure and hospitality employment, for example,

accounted for 27 percent of Mat-Su's jobs in 2021 and just 21 percent for Anchorage.

Housing is most affordable if buyer works elsewhere in Alaska

Housing remains a strong selling point, and the price differential is attractive to outside workers. So is the proximity to a large city, and for some, factors such as lifestyle and scenery may also play a role.

In 2022, the average sales price of a home was \$422,490 in the Valley and \$468,843 in Anchorage, and that's not accounting for differences in the average home. The Valley's housing stock is considerably younger, and because space is easier to come by, it's often larger or on more land. Fifty-nine percent of Mat-Su housing was built in 1990 or later versus less than a third of Anchorage's housing stock. (See the May 2023 issue of *Trends* for more on the current home sales market.)

In 2022, half of all new homes built in the state were built in the Valley, even though the Mat-Su is home to only 15 percent of the state's population.

Agriculture plays a small but visible role in Mat-Su's economy.

Continued on page 18

MAT-SU

Continued from page 13

Anchorage permitted less than half of Mat-Su's number.

Housing is most affordable for those earning higher wages elsewhere. Affordability factors in an area's average mortgage payment as well as its average earnings. Because Mat-Su's earnings are low, its housing is actually less affordable for those working in Mat-Su than housing in Anchorage is for Anchorage earners. In 2022, an Anchorage home required the monthly earnings of 1.48 typical Anchorage workers. For Mat-Su workers, a Mat-Su home required 1.74.

However, for Valley residents working in Anchorage, the equation changes considerably. It took just 1.33 Anchorage earners to afford the average Mat-Su mortgage. For a Slope worker, a Mat-Su home would be even more affordable.

Agriculture, tourism play small roles in local economy

In addition to the commuter culture and the local services that are growing to support a larger population, a few other industries play notable roles in Mat-Su's economy.

Agriculture is still a player, although its relative role is small. No specific agricultural production data exist for Mat-Su, but the numbers suggest its slate of farmers is growing. The advent of farmer's markets, a growing interest in local products, and meat and egg consumption are breathing new life into Mat-Su agriculture.

Marijuana cultivation is another big boost. The Valley is home to the largest number of cannabis growers in the state. (See the December 2022 issue of *Trends* for more on the marijuana industry.)

Mat-Su tourism also benefits from its proximity to both Anchorage and Denali National Park, home to the state's most popular mountain and national park. The Valley is also home to Denali State Park, a major fishing and hunting destination and the gateway to Denali tours and climbs.

The borough also draws winter visitors, peaking with the start of the Iditarod sled dog race that begins in Willow.

The visitor industry in Mat-Su stands out from much of Alaska, as it relies on a mix of Anchorage residents and others who own recreational property in the Valley plus thousands of visitors from elsewhere in Southcentral and around Alaska.

Visitor infrastructure has grown with new hotels, short-term rentals, the expansion of Denali State Park, and destinations such as the new downhill Skeetawk Ski Area in Hatcher Pass. With these amenities, a growing number of summer and winter visitors make their way to the Upper Susitna Valley.

Like elsewhere in the state, Mat-Su's visitor industry absorbed a blow in 2020, but given its proximity to Anchorage and other in-state sources of visitors, it fared better than places that depend on cruise ships and other out-of-state tourists, which were nearly nonexistent that year.

In 2021, the surge in independent travelers also bolstered the Valley's economy. By 2022, bed tax revenues had recovered to pre-COVID levels.

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