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## Anchorage construction to see moderate growth in 2012

BY JONATHAN GRASS, ALASKA JOURNAL OF COMMERCE



Anchorage is in for some moderate construction growth next year, as predicted by ECI/Hyer Architecture and Interiors. Principal architect Brian Miessner recently addressed the 2012 forecast to BOMA Anchorage.

Miessner said Anchorage's construction could be on the rise again after a recent slump. 2011 showed a total of \$404.9 million in permit values through November. This is a slight increase over 2010, when total values fell drastically from the previous year.

Sixty percent of those building permits were for new construction projects, compared to 53 percent for new construction in 2010.

"Which is a surprise because last year we didn't see a lot of construction when I was doing this forecast," Miessner said.

Almost a third of those new construction permits were for commercial buildings, compared to a quarter being for new commercial permits in 2010. Only 20 percent of 2009's permits were for new commercial construction.

"So we seem to have turned a corner in commercial construction and that is played out with the level of activity we saw last year," Miessner said.

Miessner sees several trends developing, such as more smaller developments as larger projects from the past decade come to a close. An 84,000-square-foot crime lab is one example. It's expected to be completed in July this year at an estimated construction cost of \$68 million.

Another trend is a decrease in private home construction to make way for a hot rental market. Miessner said this paves the way for a lot of smaller projects with rentals in mind.

Miessner said he's also seen a lot of homeowners getting ready from backfill opportunities from many of these big projects from the 2000s with many homeowners investing heavily in getting their homes looking good for that backfill.

He cited the old veterans affairs clinic moving out of the Alaska Regional Hospital campus, clearing around 98,200-square-feet of possible leasing space for investors. Nearby housing rentals would be open for new workers there.

Anchorage will be riper with smaller-scale projects than large ones. Renovations like those at the Sears Mall relate to forecasted projects for more cosmetic renovations to attract investors to the city. Such renovations will be especially prevalent in retail establishments.

"There's this pattern across town: owners trying to look better than the others and it's because there's more inventory on the market," Miessner said.

Other smaller projects slated for this year include a depot office for the railroad, a new downtown medical office, new offices on the south side and Verizon's new switching center for its entrance into the Alaska cellular market.

Bigger projects include the Anchorage Neighborhood Health Center and Alaska Native Tribal Health Consortium's new buildings, both scheduled for completion this year with estimated construction costs of \$17.2 million and \$24 million, respectively.

Construction on the Blood Bank of Alaska's new facility will also get under way with an estimated cost of \$36.8 million. It's scheduled for completion in the fall of 2014.

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The forecast accounts for startups on the University of Alaska Anchorage's new sports arena and engineering school facilities, each costing an estimated \$82 million. No contractors have been selected yet. A smaller project will be work on a new performing arts center.

The other big projector is for military construction. Miessner said there are 12 planned projects costing a total if \$355 million, which he said is about 10 percent less than was spent the year before. Further military spending decline may be in store.

"The bigger difference is when we look out in future years, the queue doesn't exist anymore," he said. This refers to the backlog of projects in the past that are no longer there due to defense budget cuts.

There are several road projects but three in particular the firm is keeping an eye on, believing these could spark further development. These projects include continuing work on 40th Avenue, which Miessner said could open enormous investment potential. Another is on 88th Avenue in South Anchorage that one by Midtown Park.

Outside Anchorage, the main projects that catch the firm's attention are the State Archives in Juneau, a large clinic in the Kenai Peninsula and some UAA projects around Soldotna.

Managing member Ted Jensen of Reliant LLC talked about the city's Class A building construction. These buildings are generally bigger, have nicer finishes and are more expensive than Class B buildings.

Jensen said new Class A office market will soften in 2012, but there will still be a healthy vacancy rate that will increase. This projects from the trend of companies moving their operations rather than new tenants coming in. He said this new supply with limited demand could slightly increase the Class A vacancy rate to just over 7 percent in a year's time.

Jensen said 200,000 square feet of Class A construction in Anchorage will go online in 2012. Most of these buildings will be to suit specific tenants. Only the Three Cedars Office Building will be speculative.

Class A projects will include the Anchorage Neighborhood Health Center, the Glenn Olds Hall addition at Alaska Pacific University, the new Alaska USA building, the Alaska Native Tribal Health Consortium addition and the Dankor building in midtown.

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