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MARKET REPORT

Tourism in the Last Frontier: Alaska's New Boom

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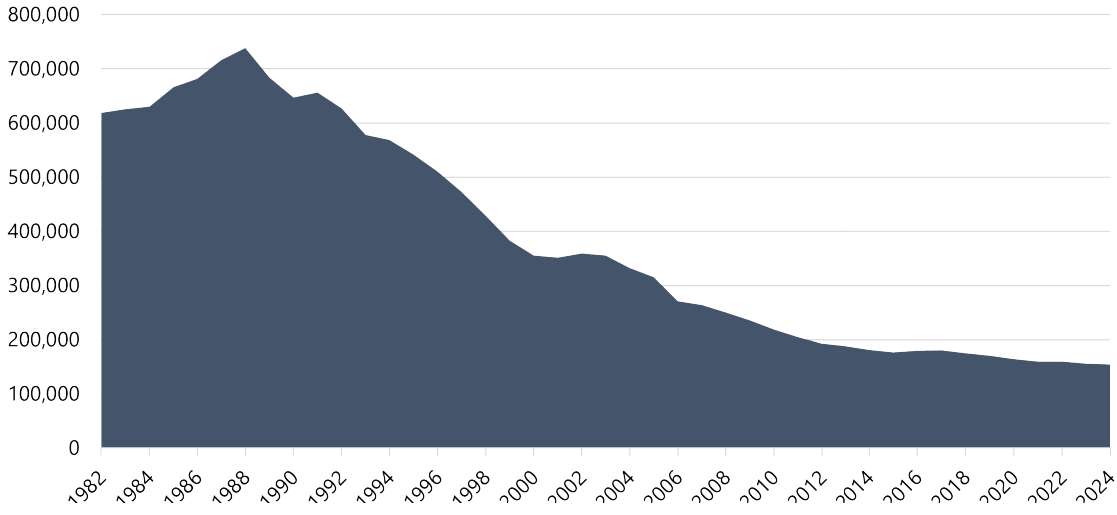
The state of Alaska, once competing for the top spot among American states for crude oil production, has been adjusting to a new reality. While oil production still accounts for a considerable 40% of total state revenue, according to *The Tundra Drums*, that percentage is significantly below oil production levels during the peak years in the 1980s. The decline in oil production is a result of factors such as federal preservation policies, maturing oil fields, limited exploration, and high extraction costs.

Field Production of Crude Oil (Thousand Barrels) in Alaska Has Steadily Declined Since 1980s

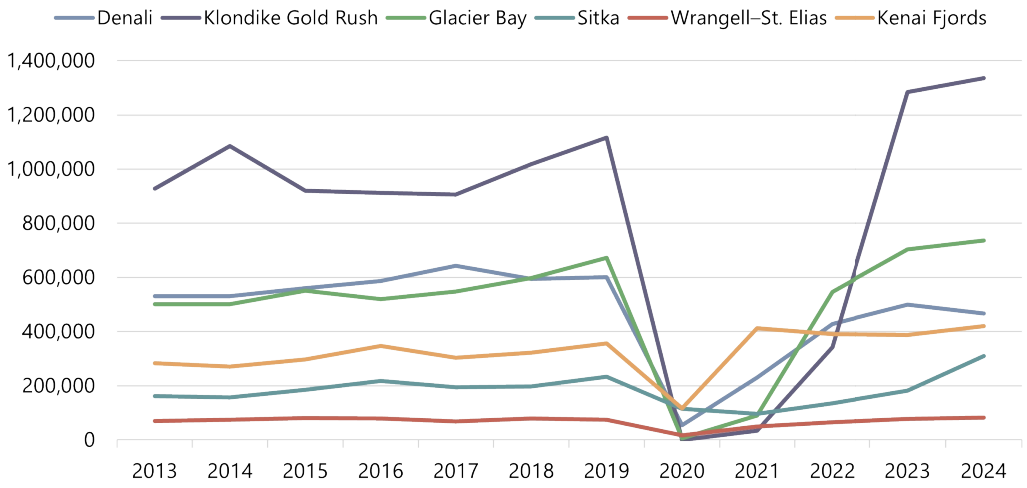


Source: U.S. Energy Information Administration

However, this trend has had a bright side, as the restrictions on oil exploration have helped preserve the region's natural beauty and encouraged growth in the tourism industry. Alaska's tourism industry is undergoing a significant transformation, becoming an increasingly critical pillar of the state's economy. Tourism in the region is shaped by its spectacular natural environment and a complex web of federal and international policies. As one of the most distinctive travel destinations in the United States, the state draws millions of visitors each year to enjoy its glacier-carved landscapes, abundant wildlife, and uniquely remote experiences. According to the Alaska Travel Industry Association (ATIA), Alaska's tourism sector generated $5.6 billion of economic output between May 2023 and April 2024. While it has not replaced revenue from traditional sectors like natural gas, this industry has emerged as a key driver in offsetting economic fluctuations and diversifying income sources.

Alaska's national parks play a significant role in the state's tourism industry, drawing travelers to their vast wilderness, dramatic landscapes, and unique wildlife. As illustrated below, Klondike Gold Rush National Historical Park has recorded a significant rise in visitation since 2021, driven largely by the growth of cruise-ship tourism at the Skagway port, from which the park is easily accessible. While some parks have faced challenges, such as declining visitation resulting from federal policy changes regarding park maintenance and strained relations with adjacent Canadian communities that represent a major share of international visitors, the overall trend remains positive. National parks continue to serve as key attractions, upholding Alaska's reputation as a premier destination for the outdoors.

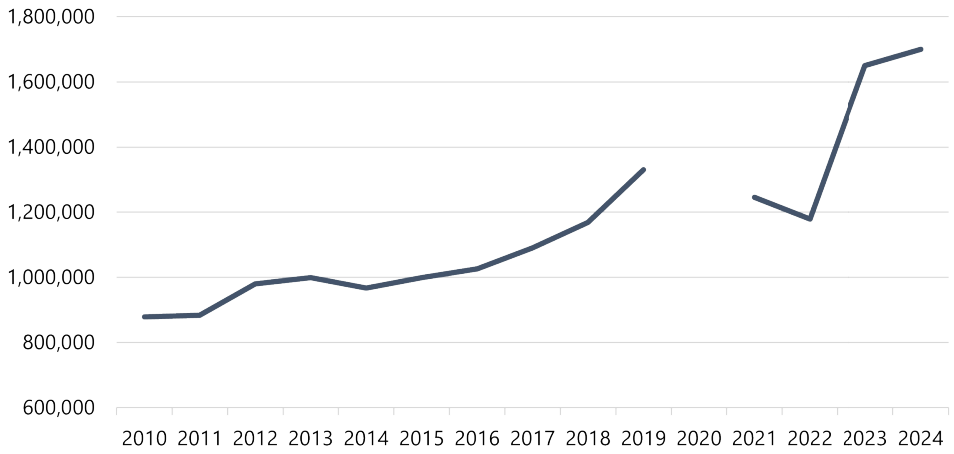
National Park Visitation Shows Recent Resurgence



Source: NPS.gov

The expansion of tourism in Alaska is most evident in the cruise-ship sector, which has experienced substantial growth over the past decade, aside from 2020 when major cruise lines suspended operations due to the COVID-19 pandemic. As shown below, the most recent years of data illustrate passenger growth well above historical levels. Not only has cruise travel in Alaska rebounded from the pandemic downturn, but passenger numbers have surged nearly 30% above pre-pandemic levels.

Alaska Cruise Ship Passenger Volume Shows Significant Recent Growth



Source: Cruise Lines International Association Alaska

The state's lodging industry has, in turn, benefited from the tourism growth. Since the COVID-19 pandemic, hotel rates in Alaska have climbed sharply, well beyond pre-pandemic levels and often outpacing national trends. For example, according to *Must Read Alaska*, the average daily rate (ADR) in Anchorage rose to approximately $225 in 2023, significantly higher than 2019 levels, even after accounting for inflation. By 2025, rates in major destinations like Juneau, Kenai, and Anchorage have frequently ranged between $300 and $600 per night, with some peak-season properties charging over $1,000 nightly. Factors driving these increases include labor shortages, limited hotel inventory during peak months, higher operating costs, and strong seasonal demand from both cruise and independent travelers. As a result, even mid-range hotels that were once limited to rates under $200 a night are now able to command double that amount, even on weekdays.

Despite the boom, Alaska's tourism industry also faces ongoing challenges. Federal policy shifts have significantly affected international travel, particularly from neighboring Canada, and placed added strain on the upkeep and maintenance of the state's national parks. At the same time, the return of oil exploration activities raises concerns about their long-term impact on the state's pristine natural landscapes, which are central to its appeal as a wilderness destination. Infrastructure limitations are also becoming more apparent as visitor numbers rise. In high-traffic destinations such as Juneau, the influx of cruise passengers, numbering in the millions annually, has sparked public debate and prompted local governments to consider stricter regulations to reduce strain on local resources and preserve quality of life for residents. The City of Juneau has set a daily cap on cruise ship passengers to begin in 2026, while a regulation to designate "no-ship" days during the peak tourism season was also proposed but ultimately rejected. Additional legislation may be passed in Juneau and other popular Alaskan markets as cruise growth continues.

As Alaska continues to evolve beyond its legacy as an oil-driven economy, the tourism and leisure industry has emerged as a powerful engine of economic growth and cultural identity. Fueled by its unparalleled natural beauty, the rise of cruise travel, and sustained interest in outdoor experiences, Alaska has become a premier destination for both domestic and international visitors. The shift toward tourism is creating significant opportunities to capitalize on rising visitation and spending, including the growing demand for diverse lodging options. Additionally, potential future changes in federal

policy could further support tourism expansion, paving the way for an even greater economic impact.

At HVS, we turn data into powerful insights that drive your success. For more information about markets in Alaska or for help making informed investment decisions that align with your goals and risk tolerance, please contact Brandon Conner or Kasia Russell, MAI.

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