

WELCOME
Southwest Montana Farm & Ranch Broker's 2019 Round Up




Best wishes for your Christmas
It's all you get from me,
'Cause I ain't no Santa Claus —
Don't own no Christmas tree!

But if wishes was health and money,
I'd fill your buck-shin' poke,
Your doctor would go hungry
If you never would be broke.

C. Wheeler

1

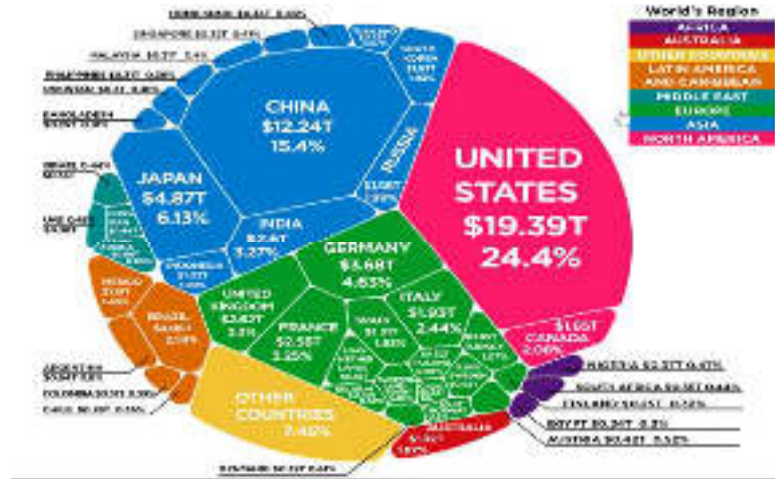


Clark Wheeler & Guests
SW MT Farm & Ranch Brokers
Scott Pogh – Senior Vice President
Western MT

Here to Help You Grow™

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Top 10 Economies



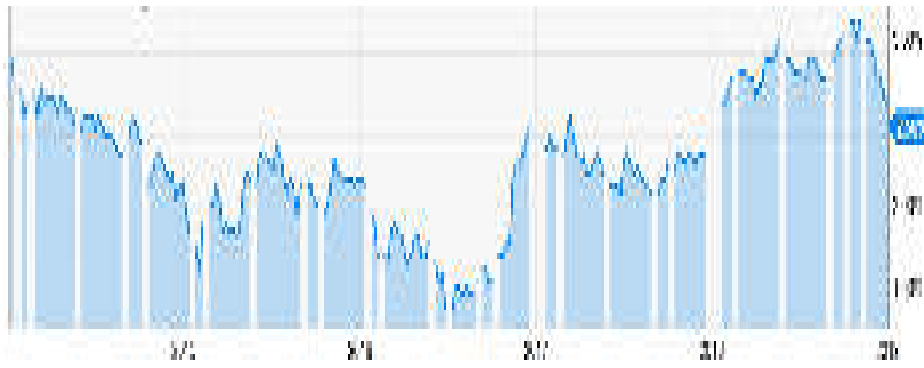
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Interest Rates

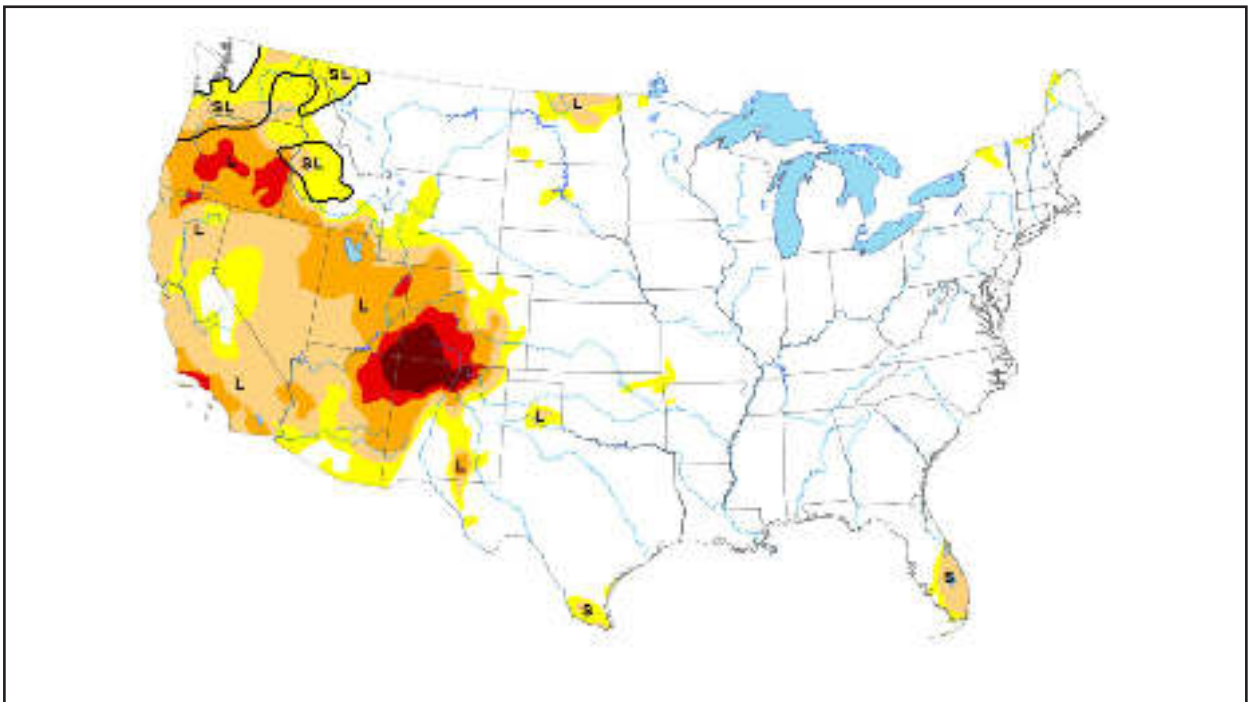
MEETING DATE	MEETING PROBABILITIES															
	0-25	25-50	50-75	75-100	100-125	125-150	150-175	175-200	200-225	225-250	250-275	275-300	300-325	325-350	350-375	
15/09/2018							0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
15/10/2018					0.0%	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
01/12/2018			0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
08/12/2018	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
15/11/2018	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
29/01/2019	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
10/03/2019	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
18/11/2018	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
12/02/2019	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	

4

10 Year Treasury



5



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MT Ag

- 27,100 farms
- Average 2,207 acres
- 67 Farmers Markets
- \$ 4.58B Revenue
- National Leader-wheat, dry peas, lentils, flax, #2 – honey/pollination

7

MT Top 10 Ag Products

- Cattle & Calves –
- Wheat
- Hay
- Barley
- Lentils
- Dry Peas
- Sugar Beets
- Chickpeas
- Potatoes
- Oilseeds – Flaxseed, Safflower, Canola

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Information Requirements

- Borrower Information
- Financial Information
- Property Information



9

Property Information

- Buy/Sell Agreement
- Legal Description
- Water Rights Information
- Buildings & Improvements



10

Real Estate Financing

- Customized structures
- 5 to 25 years, Monthly/Qtly/Semi/Ann
- Fully Fixed, Fixed to conversion, variable

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Country Home & Lot Loans

- No acreage restrictions
- Can include barns, shops, outbuildings or riding arenas, income producing properties
- Custom, Modular, log, & manufactured
- All in one construction loans
- Up to 80%
- Kept in house

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Insurance

- Multi-Peril
- Named Peril
- Revenue based
- Whole-Farm Revenue
- Pasture, Rangeland, Forage
- Production Cost Insurance
- Livestock

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Ag Direct

- Easy application/Quick decision
- Purchase, lease or refinance
- 2-7 years on equipment
- Up to 10 years on pivots
- AgDirect.com

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Appraisals

- Financing through FCS or FSA
- Estates or Estate Planning
- Business Planning

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Cash Patronage Paid in \$



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Special Thanks

Southwest Montana Farm and Ranch Brokers

Northwest Farm Credit Services

Panel Members – Brokers – Market Participants & Confidential Sources



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- Scott Pogh – SVP– Western MT– Northwest Farm Credit Services Scott.Pogh@northwestfcs.com
- Don Vanimen - President Southwest Montana Farm & Ranch Brokers don@donvaniman.com
- N. Clark Wheeler, ARA – Norman C Wheeler & Associates clark@ncwheeler.com
- Michael F McDonnell, ARA – Norman C Wheeler & Associates mike@ncwheeler.com
- Mr. Jim Wiley, ARA – Northwest Farm Credit Services Jim.Wiley@northwestfcs.com
- Andrew Rahn, ARA – Montana Land Source andy@rahnland.com
- Roald Aregonson – Appraiser– NWFCS Roald.Aageson@northwestfcs.com
- Bruce Burger – Land Decisions Resources bruce@landdecision.com
- Mary K Tennille- Appraiser -Bozeman Appraisal Services asktennille@gmail.com
- Thomas Kingsbury – Part & Parcel – GIS Services tom@ncwheeler.com

- Next Year CE Credit
- February 2019 – 18th to 20th 4 classes 2 to 8 hours -16 credits RE and Appraisal in Bozeman
- American Society of Farm managers & Rural Appraisers – Contact Roald

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Disclaimer – No values or trends expressed here today should be considered specific to any one property.

The data presented is not intended to represent an Appraisal.

Presentation is for basic informational purposes.

Different Appraisers – Different Data – Different Opinions



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Data Output



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Norman C Wheeler & Associates Special Valuation Projects

650,000 acre Sage Grouse Mitigation Bank



Cost Benefit Analysis & Benefit Ratios
For Capital Ranch Improvement
Projects

Stream Restoration

Irrigation Redevelopment

23

Wetlands Mitigation Bank Valuation Models



Wetlands Credits

Stream Credits

River Credits

Conservation Easement



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Specialized Agricultural Infrastructure



25



Obsolescence Studies Non-Conforming Houses



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2018 Sales
>80%





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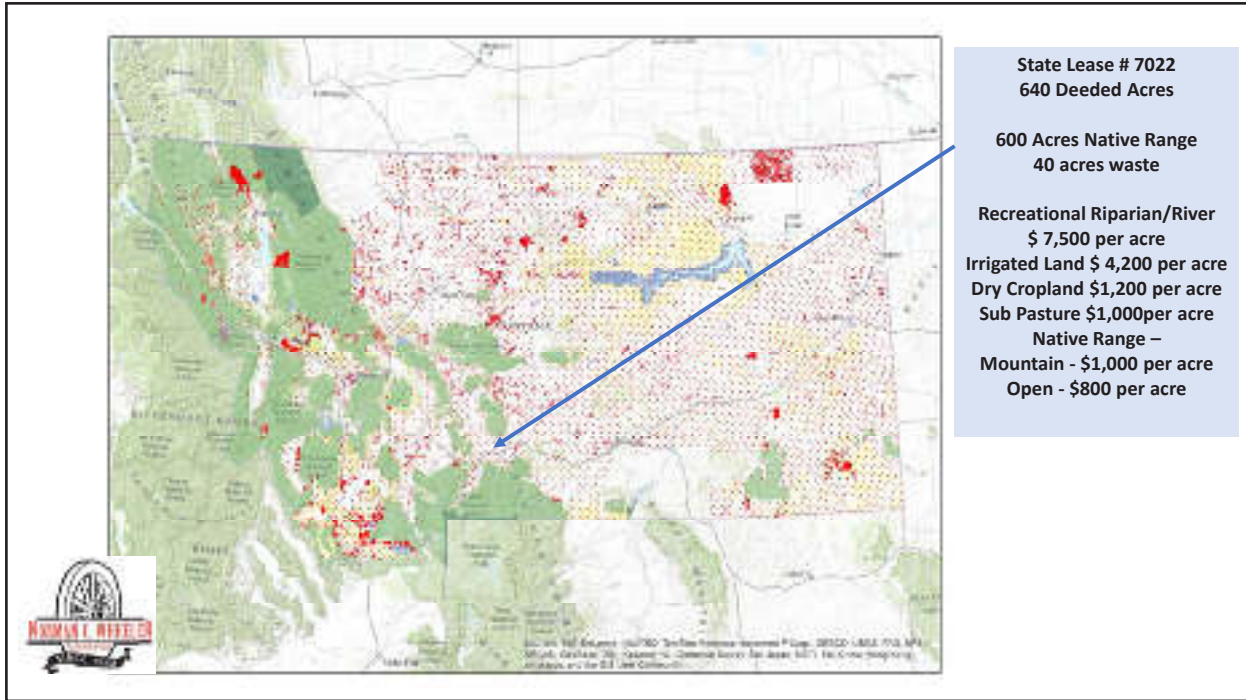
Montana State Lands Mass Valuation

State Lands – 5,500,000 acres located in 12,922 individual parcels

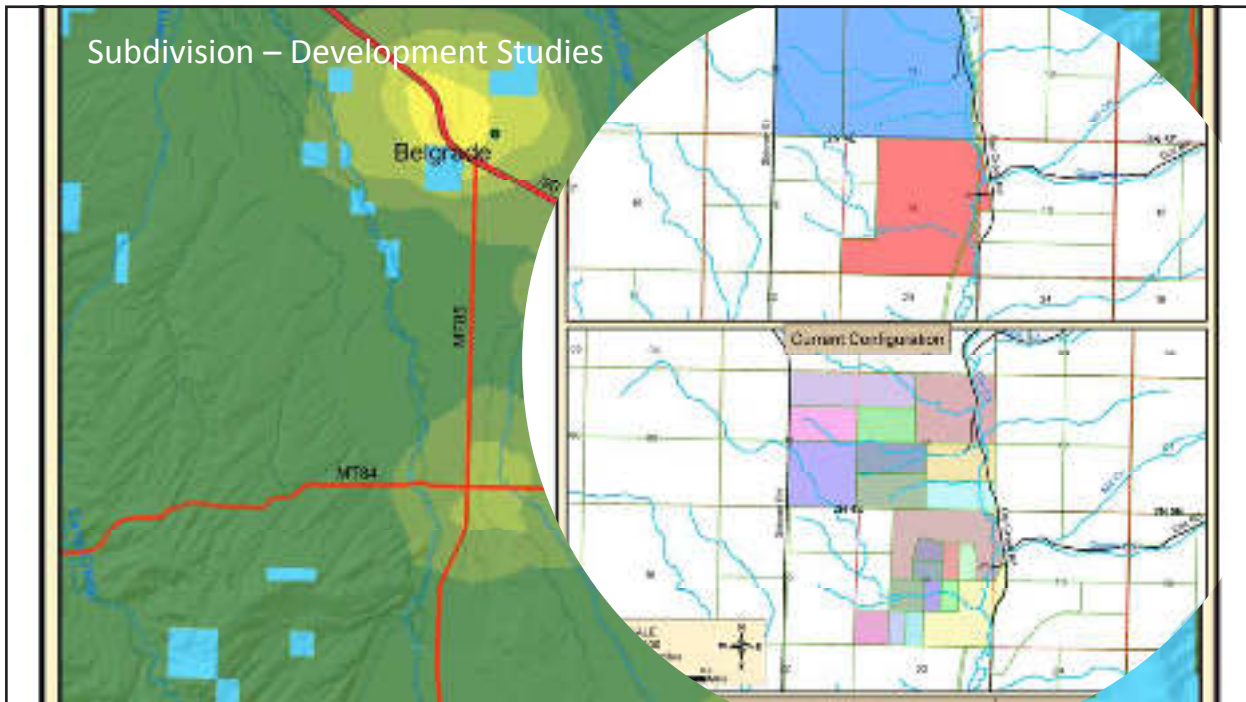
Designed a GIS Based Interactive Program That Allows Value Estimates Within Geographic Submarkets For Varying Land Classes To Accommodate Staff Planning



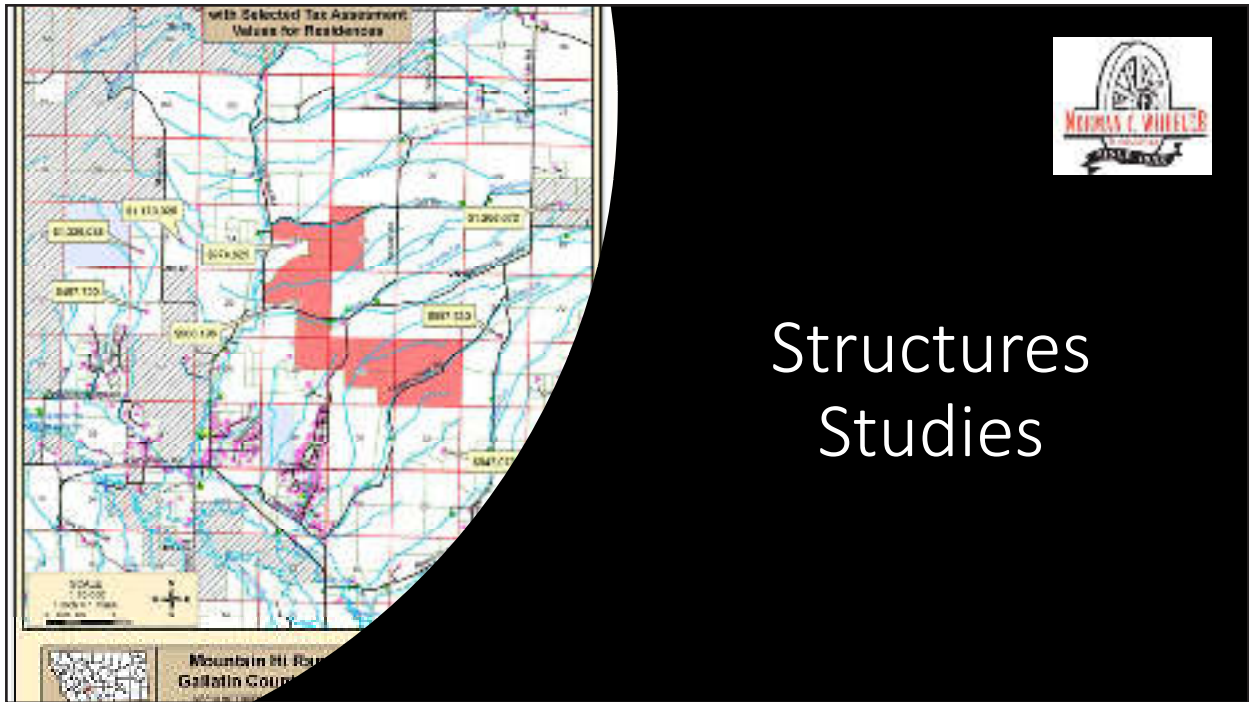
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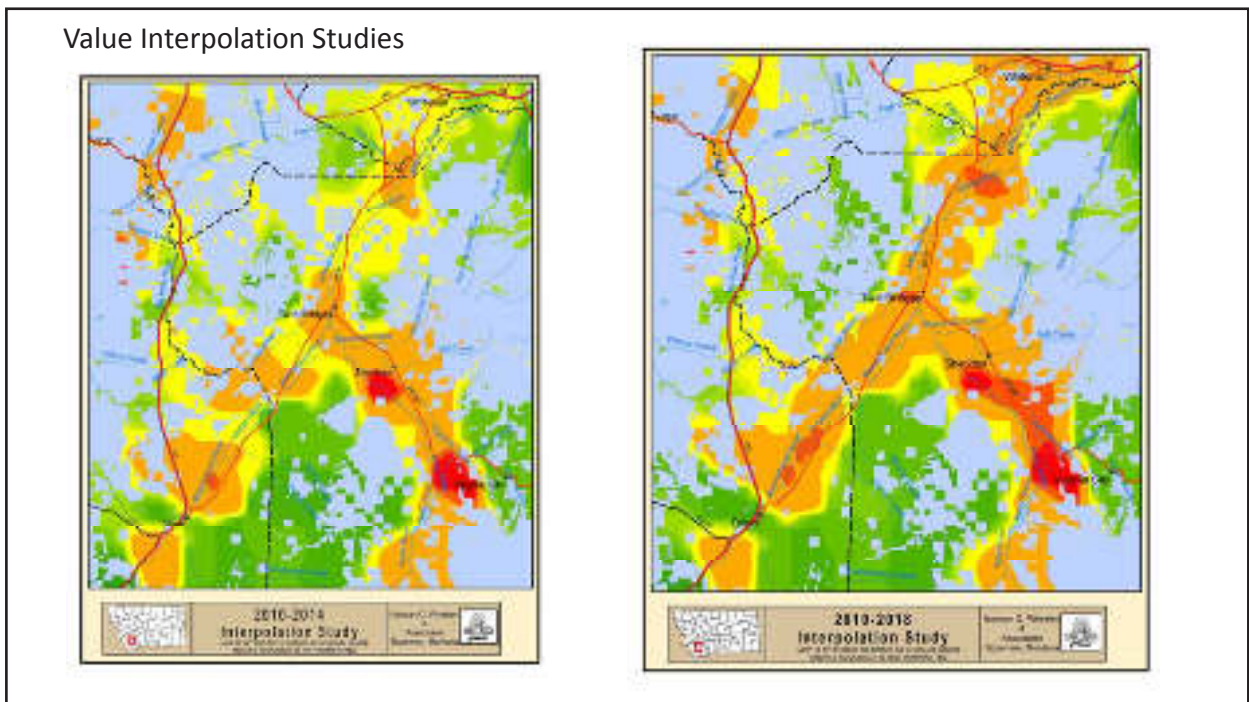
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Conservation Easement Trends

Value Changes Associated With Larger Rural Land Ownerships

- 25 to 35%
- Federal ALE Program
- Soils and Grassland Programs
- Paying up to 75% Market value based on Non IRS Qualified Appraisals
- Smaller Units and Those With Heavy Riparian Influence Can Be Problematic

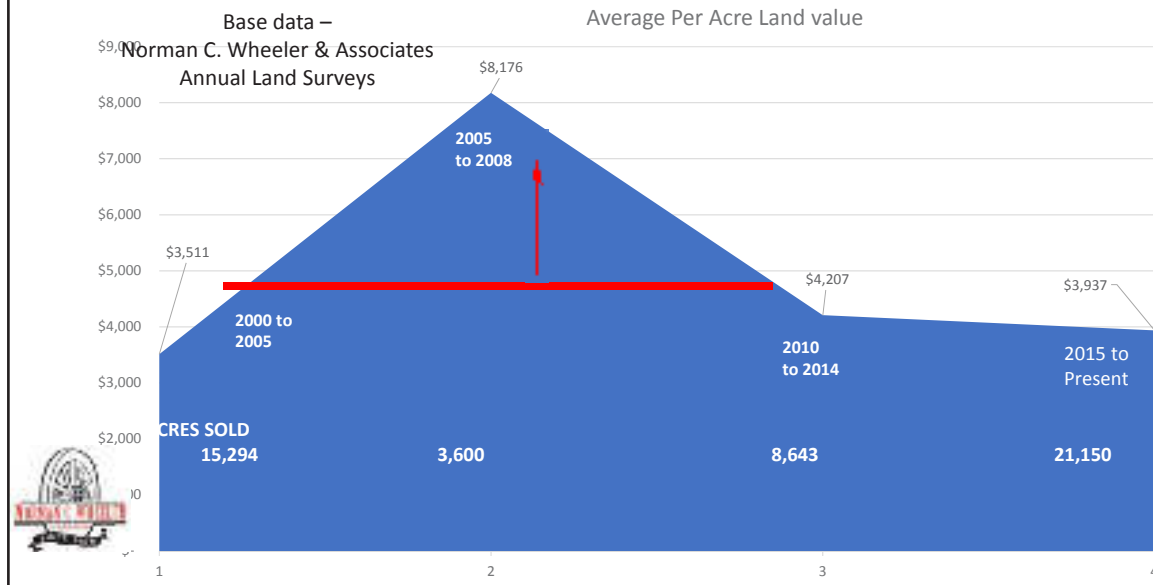
Value Change Associated With Urban Projects

- 35 to 60%
- Federal ALE Program
- Soils and Grassland Programs
- Paying up to 75% Market value based on Non IRS Qualified Appraisals
- Open Space Funding Can Add Additional 10 to 15%

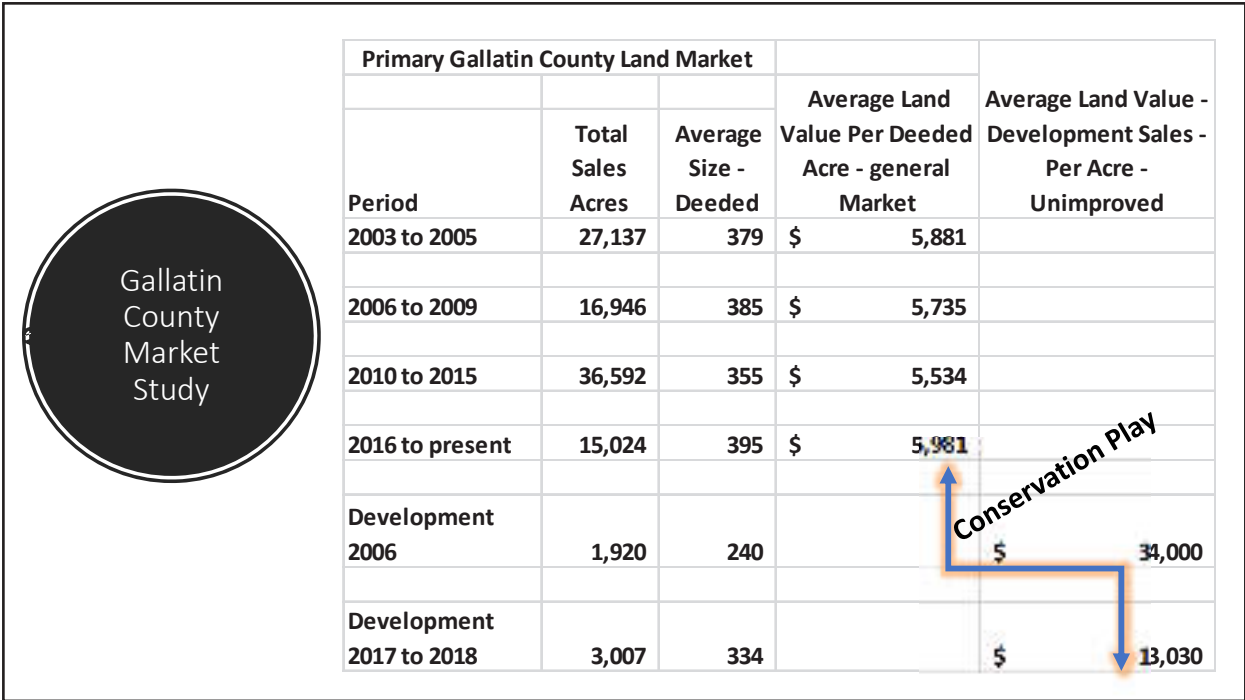


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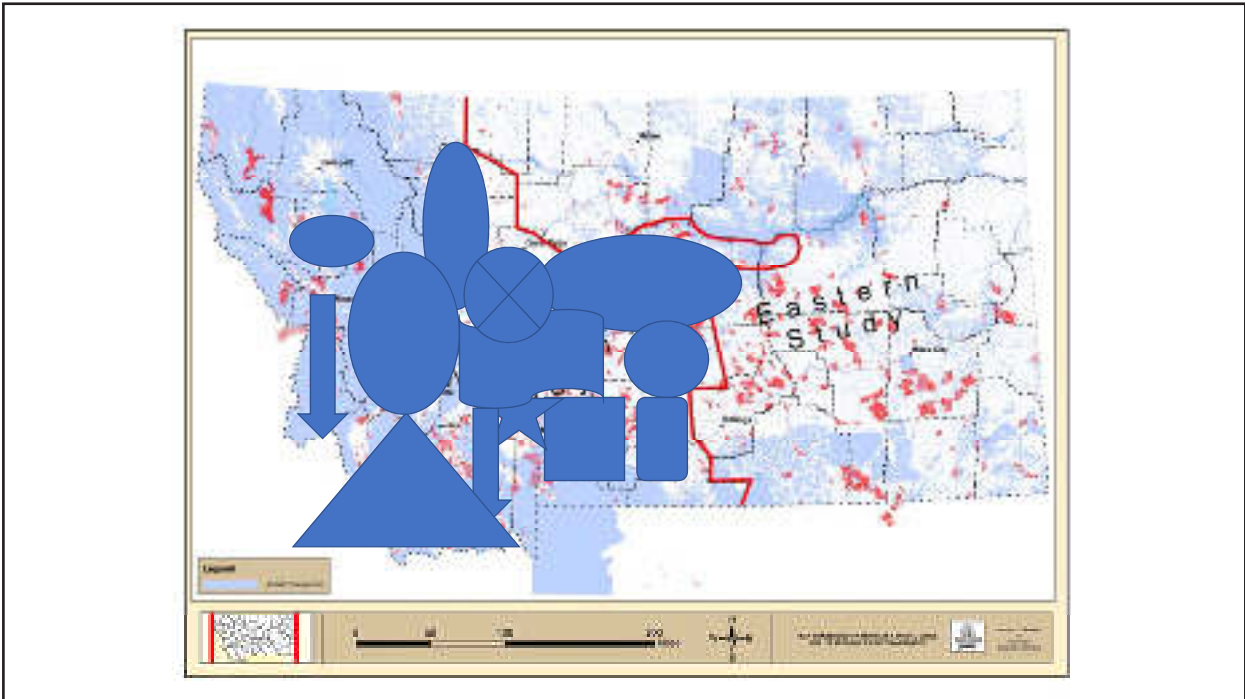
Market Studies – Paradise Valley - Average Per Acre Land Values



34




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Rural Land Sales 640 acres or greater in deeded acres within primary recreational influenced markets - Volume of confirmed sales - Sale Value is an overall value that includes land, leases and buildings - The Average Per Acre Value Referenced Is Unimproved - Land Only

Base Data
Norman C. Wheeler & Associates
Annual Land Survey



Year	Sales	Deeded Acres	Sale Value	Average Acres	Average Land Value	Average weighted Land Value Per Acre	Total Volume-Deeded Acres
1990	10	22,300	\$ 11,053,890	2,230	\$ 505		
1995	33	101,541	\$ 68,032,470	3,077	\$ 655		
2001	61	320,861	\$ 313,160,336	5,260	\$ 960		
2002	51	217,546	\$ 192,310,664	4,266	\$ 874		
2003	52	200,379	\$ 159,100,926	3,853	\$ 785	\$887	738,786
2004	54	265,394	\$ 309,184,010	4,915	\$ 1,135		
2005	83	323,895	\$ 459,283,110	3,902	\$ 1,361		
2006	53	174,229	\$ 237,996,000	3,287	\$ 1,325		763,518
2007	46	159,061	\$ 319,715,000	3,458	\$ 1,909		
2008	31	91,999	\$ 172,040,000	2,968	\$ 1,795	\$1,888	
2009	17	66,822	\$ 60,125,004	3,931	\$ 880		
2010	41	464,074	\$ 291,405,710	11,319	\$ 610		
2011	47	323,779	\$ 273,994,314	6,889	\$ 798	\$596	1,432,764
2012	46	327,029	\$ 258,632,689	7,109	\$ 776		
2013	34	114,804	\$ 147,852,010	3,376	\$ 1,164		
2014	57	141,327	\$ 220,503,374	2,479	\$ 1,465		
2015	49	171,389	\$ 249,843,915	3,498	\$ 1,335	\$1,338	517,178
2016	44	89,658	\$ 137,422,392	2,038	\$ 1,368		
2017	42	108,650	\$ 217,076,237	2,587	\$ 1,801		
2018	82	193,079	\$ 422,354,540	2,355	\$ 2,066	\$1,970	301,729

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Tier One
>\$1500 Per Acre

Tier Two
> \$1250 up to \$2000

Tier One

Tier Three
> \$700 to \$1200 per acre
> Agricultural

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Western Lands Study – Tier One Ranches
Sales greater then 2,000 deeded acres
Over \$2,000 per acre/ Land

- | 2017 | 2018 |
|---|---|
| • 3 Sales | • 9 Sales |
| • Average sale Price - \$18,933,000 | • Average sale Price - \$18,092,000 |
| • Average Deeded Acres – 5,642 | • Average Deeded Acres – 6,569 |
| • \$56,800,000 | • \$162,835,000 |
| Average Sale Price Per Acre – Land Only - \$2,950 | • Average Sale Price Per Acre – Land Only - \$2,498 |
| • Percent of Dollars – 26% | • Percent of Dollars – 39% |

Note – 2016 – 2 sales - \$20,400,000



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Average Days On Market

>70 Days

**9 Tier One Sales
2018**





**Hold Time
Average
19.7 Years**



40

**Sales over \$20,000,000 Since 1998
Average Hold Was 19.3 years**

Review of Probable Buyers - Analysis of Hold Times - Sales over \$20,000,000

Deeded Acres	Sale Price	Seller Hold Period	Buyer Motivation	Status
22,242	\$ 45,000,000	30	New Non Resident Investor	Expanding to more lands
8,101	\$ 21,500,000	10	New Non Resident Investor	Building and expanding
10,138	\$ 21,100,000	5	New Non Resident Investor	Expanding to more lands
93,280	\$ 59,000,000	30	Foreign Investment	Building and expanding
6,647	Over \$25,000,000-Confidential	20 years plus	Expanding non resident Investor	Bringing into an expanding 26 year hold
50,333	\$23,500,000	20 years plus	Expanding Investor	Bringing into an expanding 15 year hold
5,665	\$33,000,000	30 years Plus	Expanding non resident Investor	Bringing into an expanding 25 year family portfolio - in Montana
24,848	\$25,437,500	Investor hold was over 20 years	New Non Resident Investor	Building and expanding
45,045	\$35,500,000	over 40 years	New Non Resident Investor	Expanding to more lands
108,571	\$79,785,000	Built and expanded over 25 years	Expanding non resident Investor	Expanding empire builder

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YELLOWSTONE CLUB

2018 Reported Real Estate Sales
Source- On the street

2018 Montana Ranch Market Study
\$520,000,000

>55 – Land Ethic – Investment Buyer

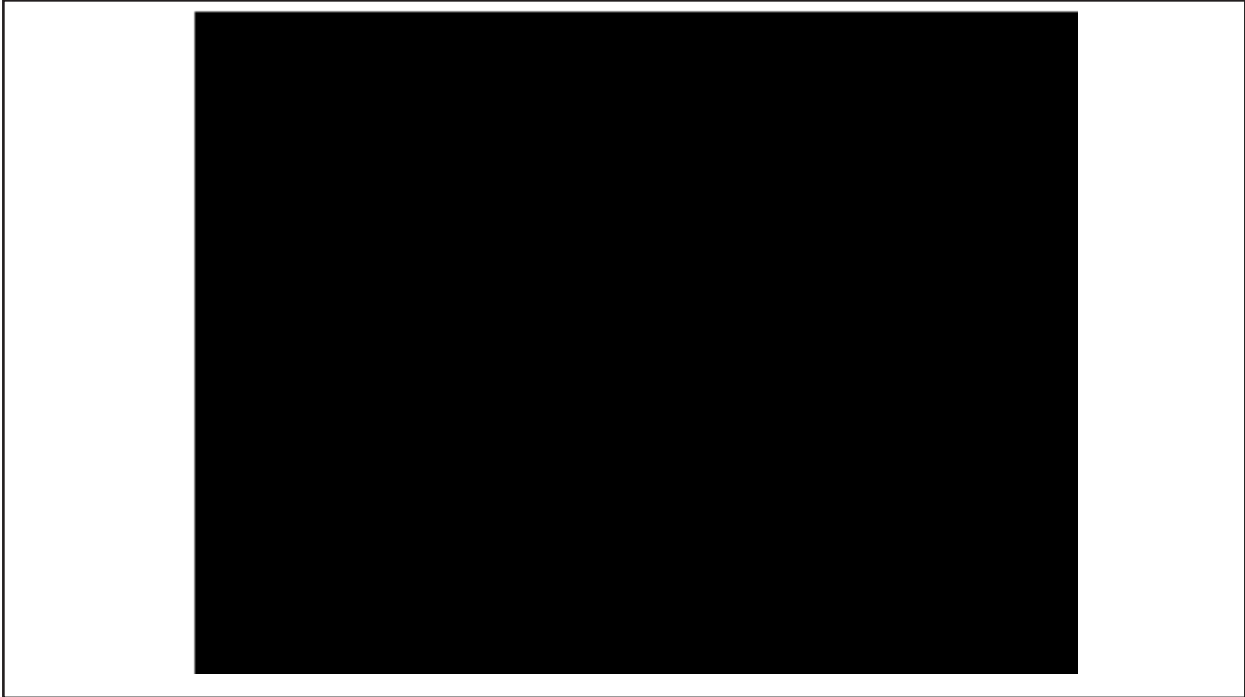
<45 years old - Lifestyle Buyer



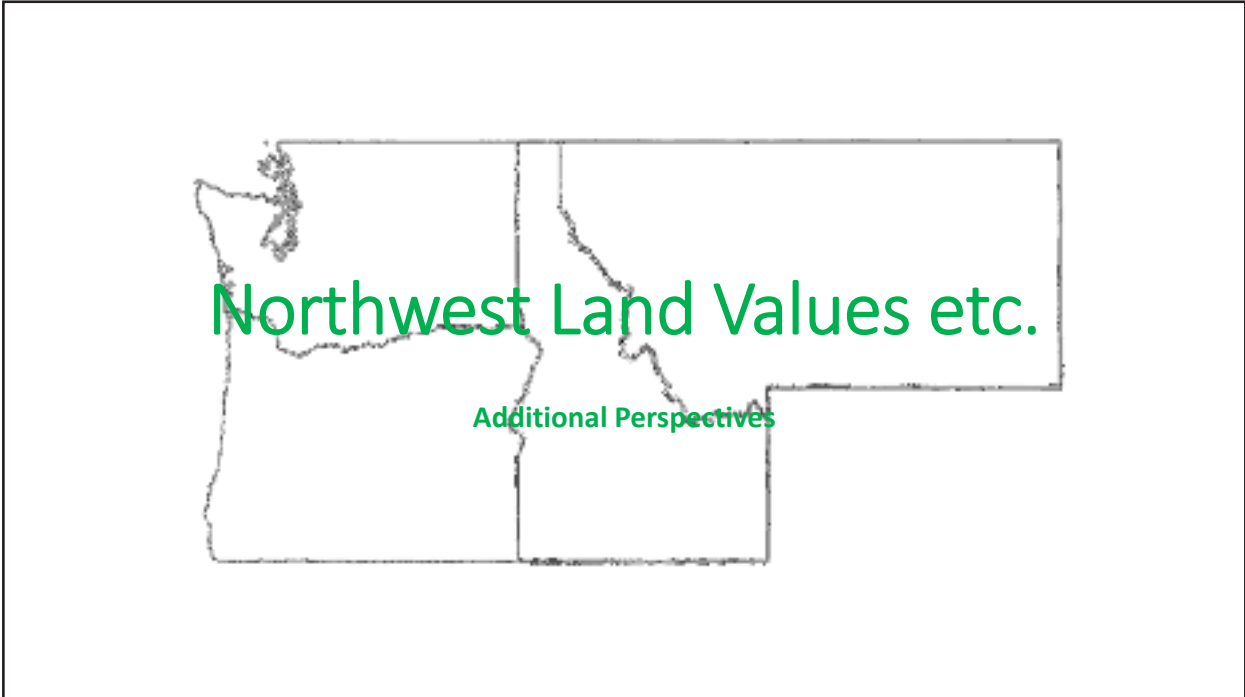
\$950,000,000

~~Property of Tim Blixeth~~

42



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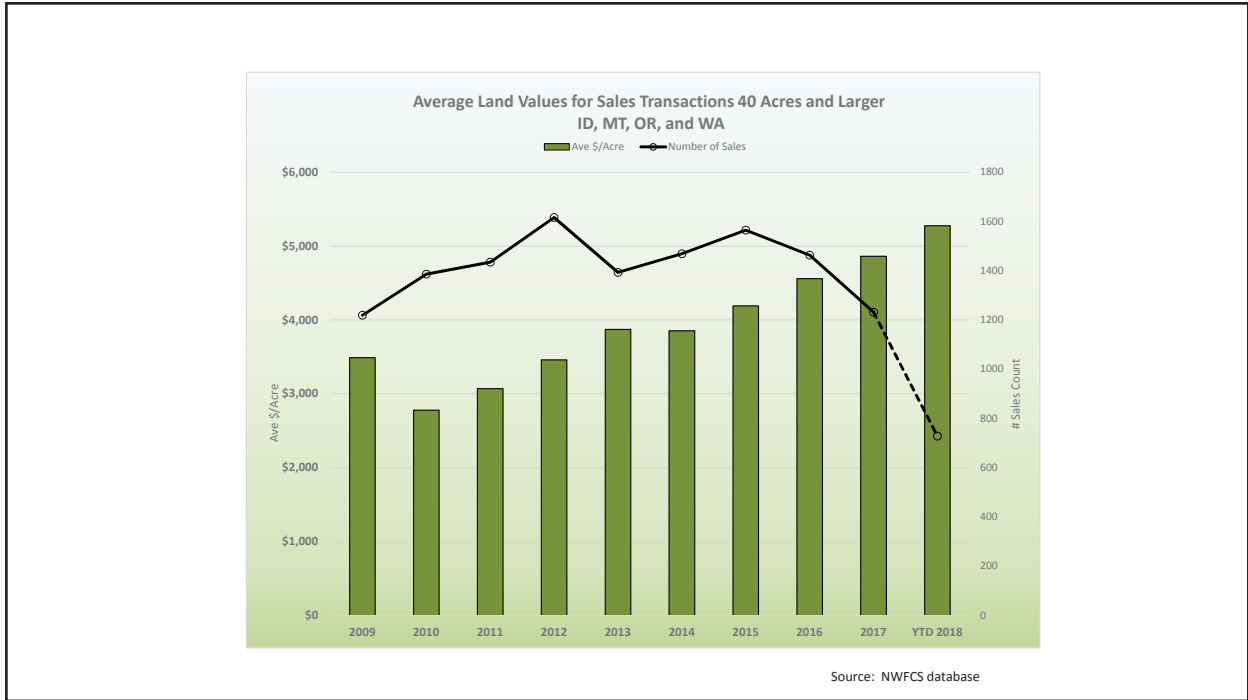
He uses statistics as a drunken man uses lamp posts – for support rather than for illumination.

- Andrew Lang, Scottish Writer

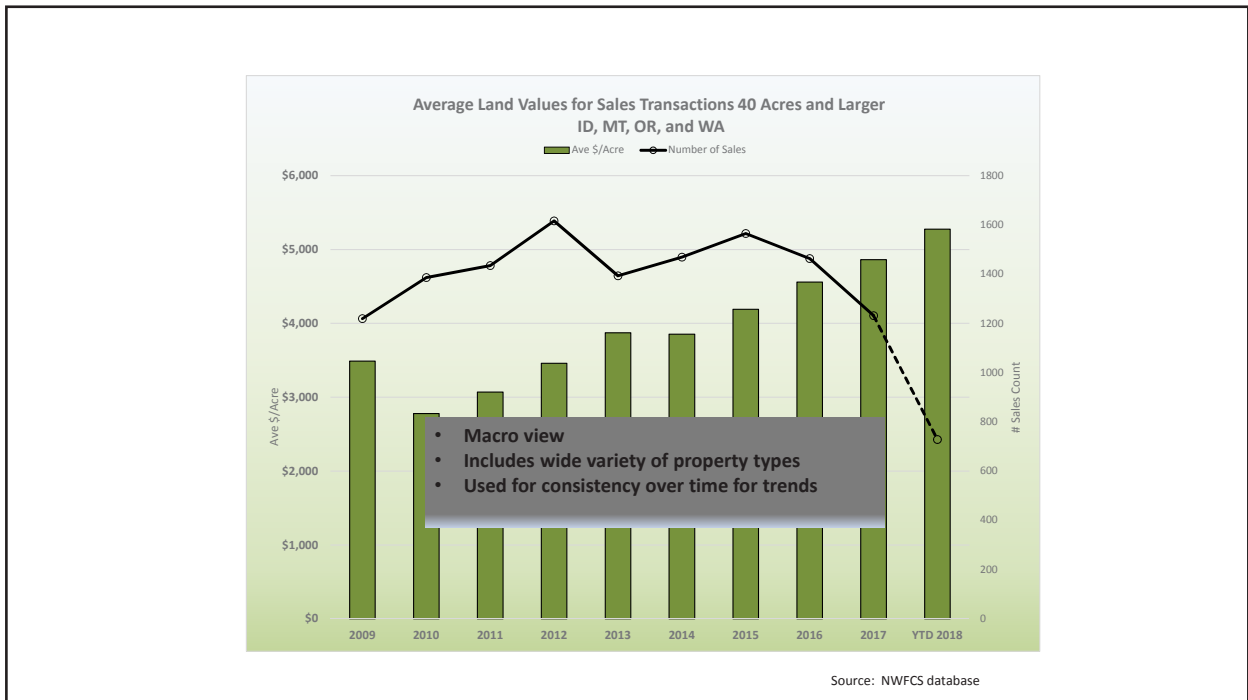
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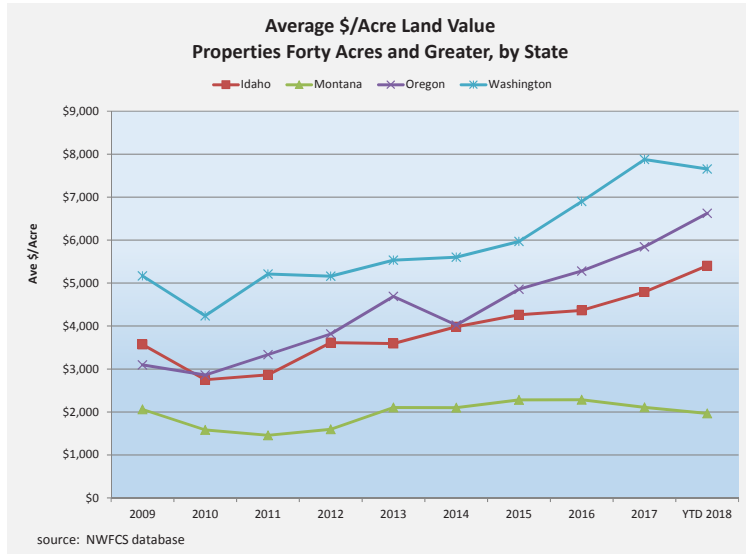
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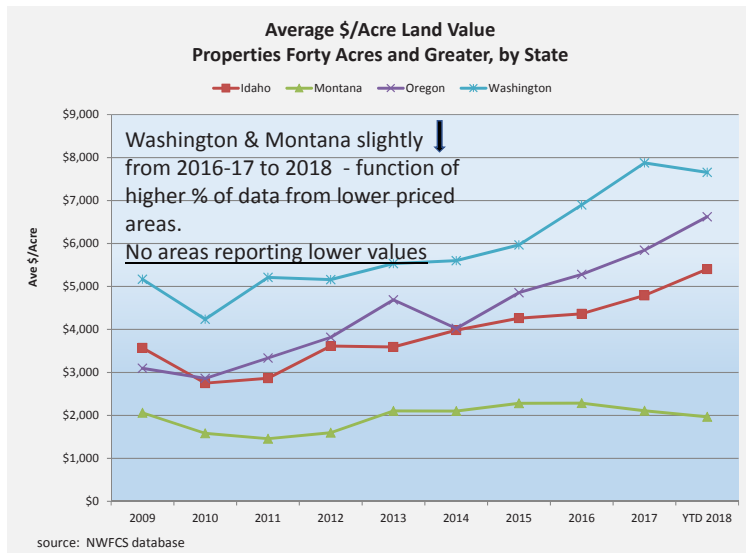
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Common trends for all northwest:

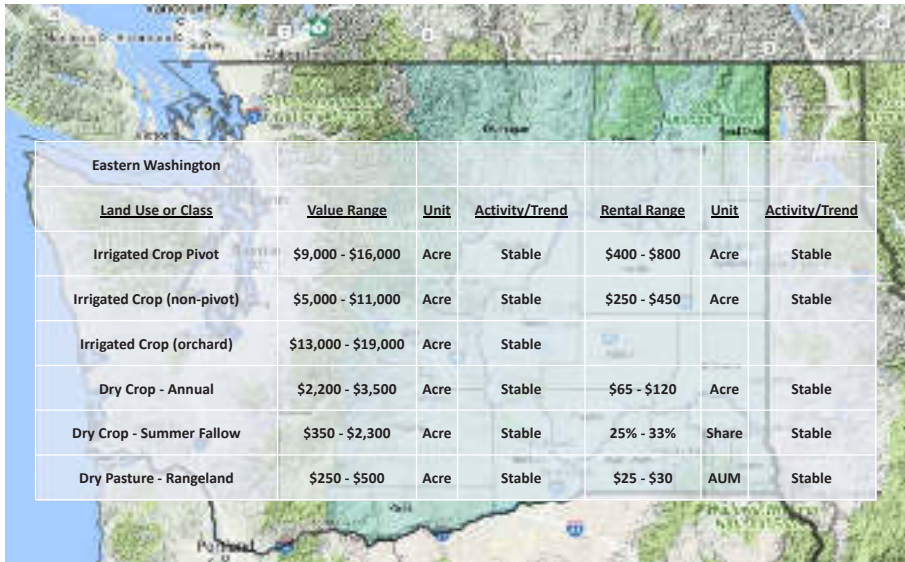
- Overall price trends are steady to slightly higher
- Demand is strong
- Supply of good quality agricultural properties is limited, particularly for large tracts
- Some softening of rental rates in some areas

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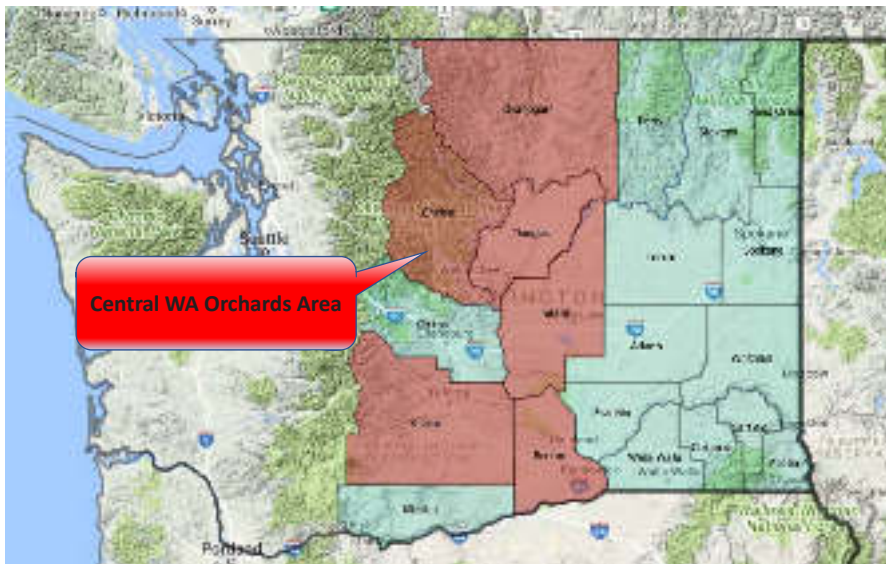
WJ1



Eastern Washington						
Land Use or Class	Value Range	Unit	Activity/Trend	Rental Range	Unit	Activity/Trend
Irrigated Crop Pivot	\$9,000 - \$16,000	Acre	Stable	\$400 - \$800	Acre	Stable
Irrigated Crop (non-pivot)	\$5,000 - \$11,000	Acre	Stable	\$250 - \$450	Acre	Stable
Irrigated Crop (orchard)	\$13,000 - \$19,000	Acre	Stable			
Dry Crop - Annual	\$2,200 - \$3,500	Acre	Stable	\$65 - \$120	Acre	Stable
Dry Crop - Summer Fallow	\$350 - \$2,300	Acre	Stable	25% - 33%	Share	Stable
Dry Pasture - Rangeland	\$250 - \$500	Acre	Stable	\$25 - \$30	AUM	Stable

Note: value ranges are not all-encompassing, but are most typical

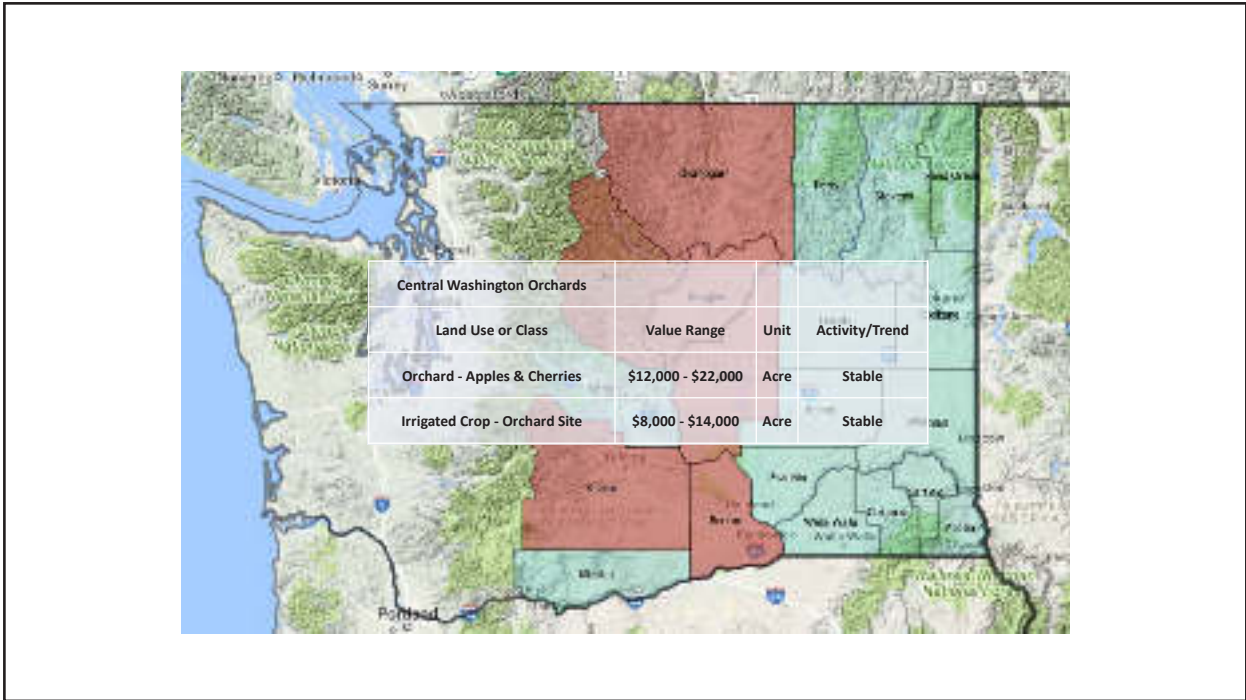
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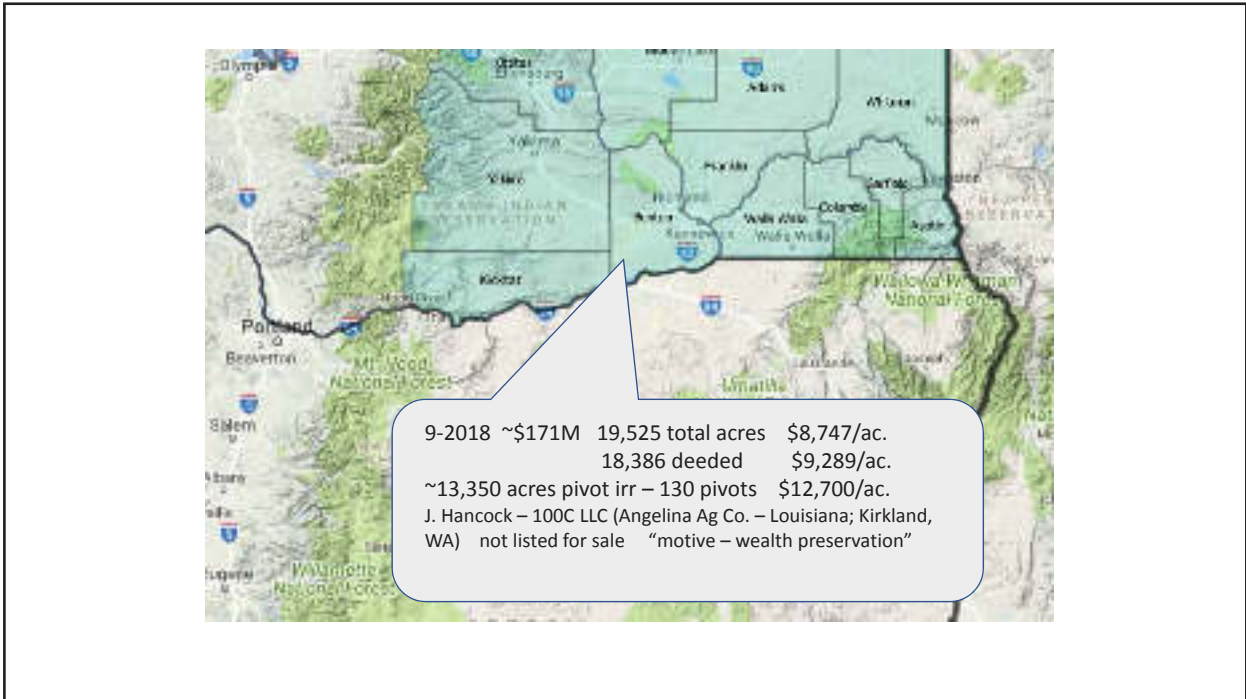
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Slide 53

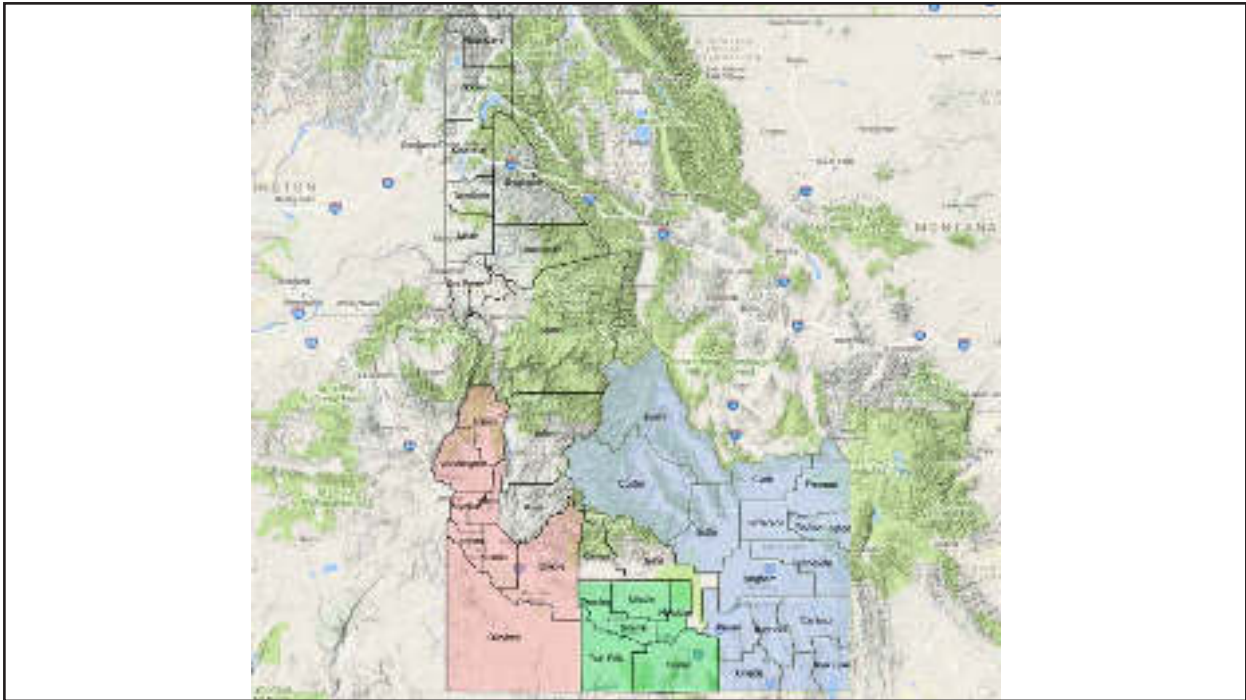
WJ1 Wiley, Jim, 12/28/2018



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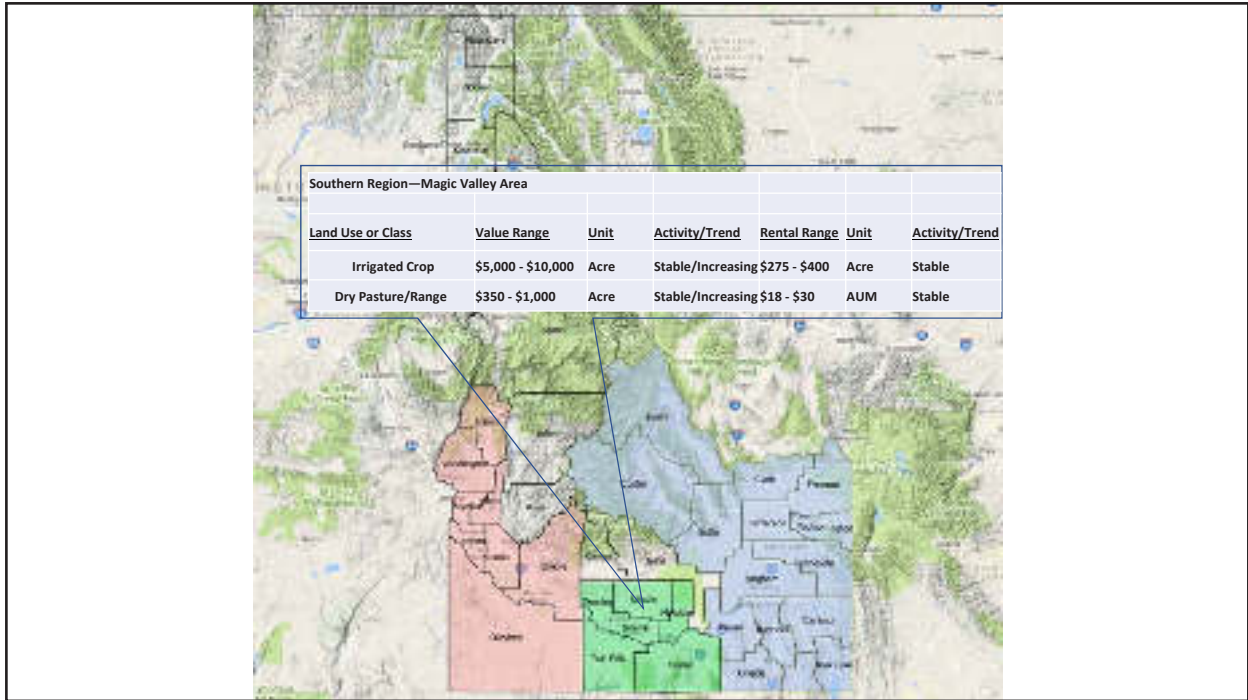
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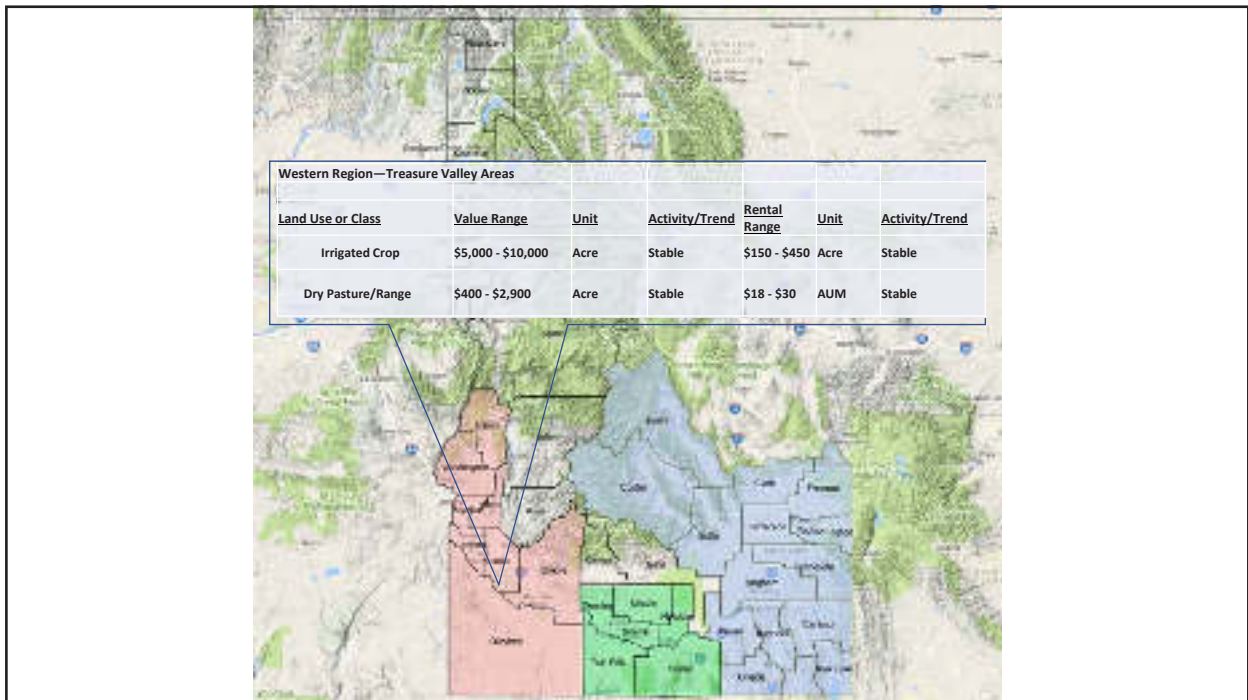
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Eastern Region						
Land Use or Class	Value Range	Unit	Activity/Trend	Rental Range	Unit	Activity/Trend
Irrigated Crop	\$2,750 - \$8,000	Acre	Stable/Increasing	\$100 - \$350	Acre	Stable
Dry Crop	\$700 - \$2,500	Acre	Stable/Increasing	\$25 - \$50	Acre	Stable
Pasture	\$450 - \$2,500	Acre	Stable/Increasing	\$15 - \$35	AUM	Stable

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Perspectives from an institutional investor
Primarily active in Idaho and Washington, some Oregon

- Very active in the market
- “Market Value”, not always top price
- Most interested in large, irrigated farms
 - Also permanent plantings with good irrigation
- Look for very good quality properties
- Typically cash leased for 2 – 3 year periods, % gross on orchards
- Hold period of at least 10 years in most cases
- Accepting a lower return than in the past (~4.25% vs. 5+%)
- Lots of \$\$ in the queue!

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Harvard Quietly Amasses California Vineyards —and the Water Underneath

Making a bet on climate change, the university's \$59 billion endowment has been snapping up farm land and the related water rights.

By *Nancy Gold*
Dec. 10, 2013 8:10 PM ET

SHARON, Calif.—Steve Simon, a rancher, was baffled when a company he'd never heard of began buying large tracts of agricultural land near his pasture at above-market prices. The firm, Brodiax Inc., over a five-month period in 2012 acquired more than three square miles of a hot-bottomed valley.

"It was surprising, the prices they were willing to pay," says Mr. Simon, a partner in a family-owned ranch that raises cattle and grows grapes. A conventional agricultural business's returns couldn't have justified those prices. "It didn't make sense to me."

Brodiax's drilling permits and property permits were signed by Mark Trementine, a local who had recently left his family's grape-beverage business. His son-in-law who was behind the investment, Mr. Simon and other locals say. The firm bought more acreage, drilled deep-water wells and began planting vineyards capable of producing billions of grapes annually.

One day, says Simon, Brodiax **was willing to pay a premium for land that had good access to groundwater**, an increasingly valuable resource given that aquifer levels elsewhere in San Luis Obispo County had fallen steeply. "We didn't know who Brodiax was," says Sue Lutz, a retired environmental engineer who lives nearby. "But we knew it was big money."

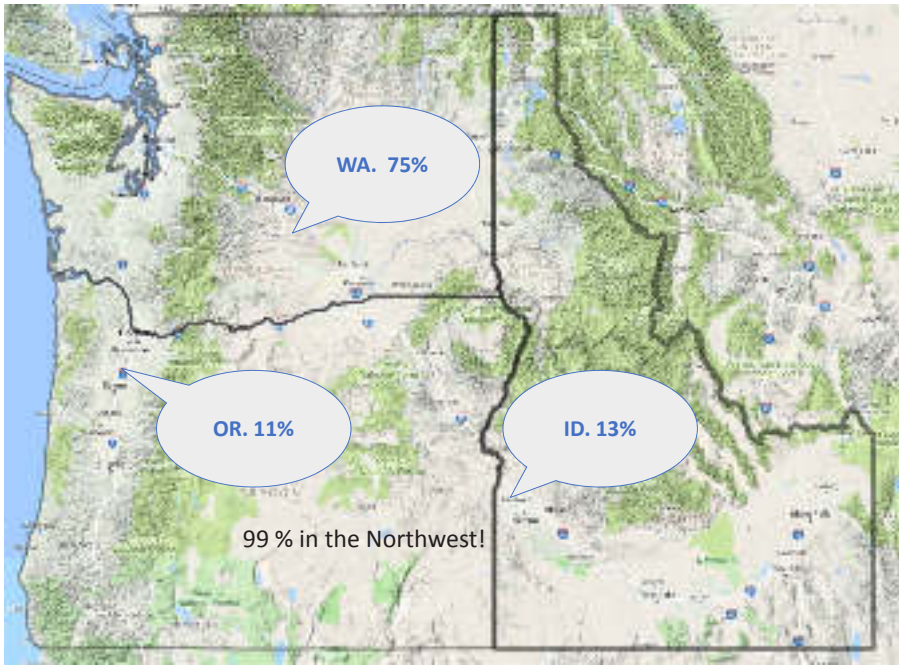
They got the answer in 2013. In a real-estate newsletter article about the buyers, it was Harvard

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Random Trivia ?

Where is 99% of U.S. hops produced?

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In Conclusion:

If you torture the data long enough, it will confess!

- Ronald Coase, Economist

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Southern Idaho

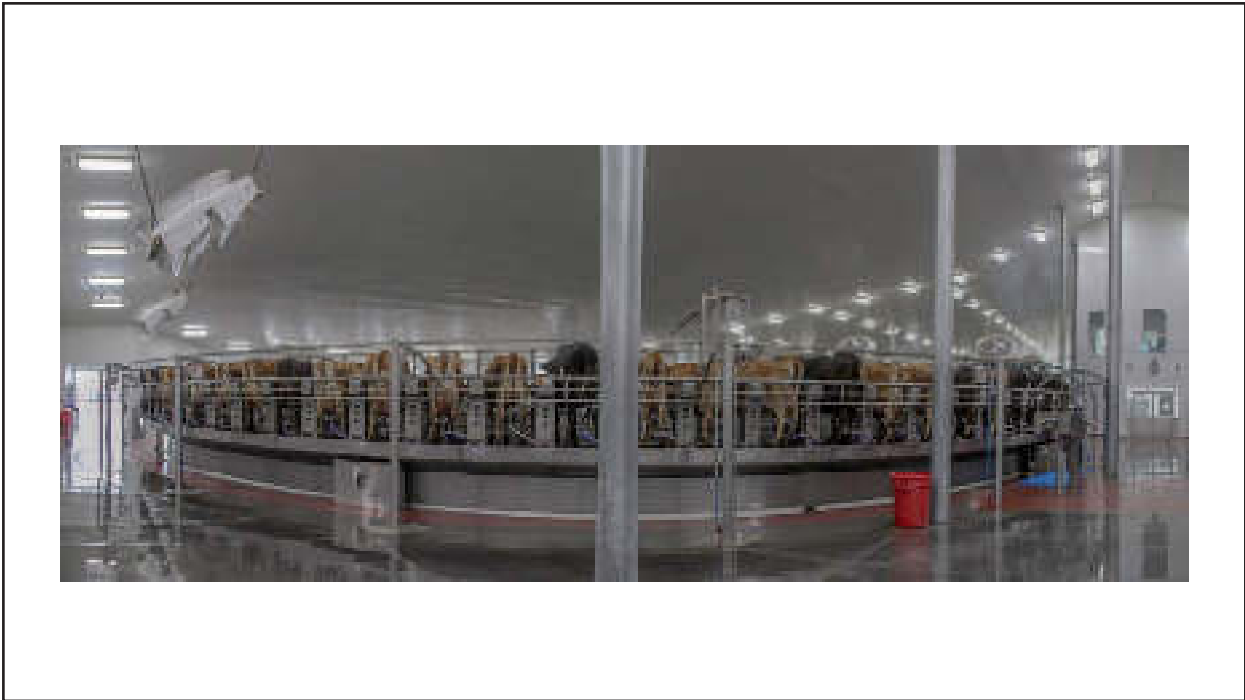
- Dynamic market
 - Recreational factors often not as significant influence
 - Agriculture primary influence
- Competition for available irrigated lands
 - Institutional investors
 - Row crops
 - Dairy



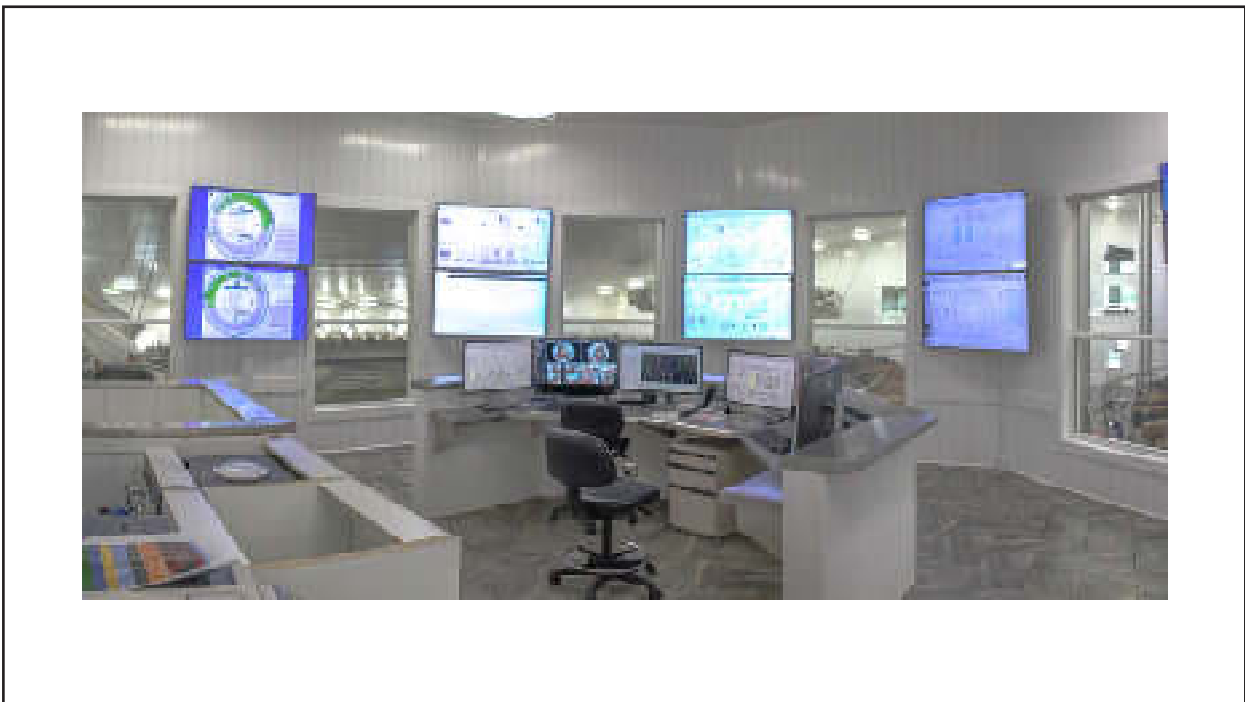
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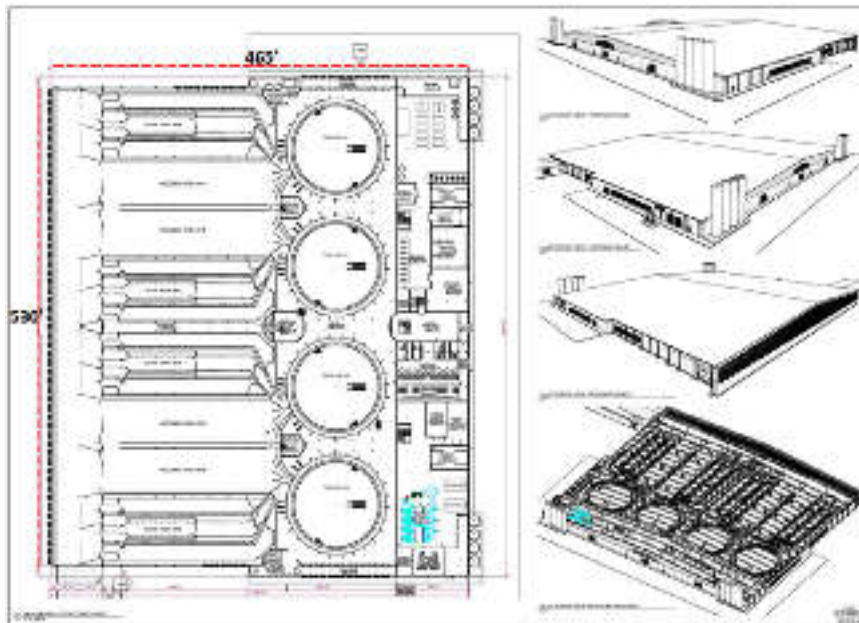


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PHASE TWO MILKING CENTER & FREE-STALL BARN



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MONTANA LAND SOURCE



- The Most Comprehensive Source for the Large-Acreage Montana Land Market



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MONTANA LAND SOURCE



- What we do:
- Track and map **all** available Montana listings and sales 200 acres and greater
 - Updated Daily!!!
- Put all properties on a searchable online map
 - Along with parcels, public lands, hunting districts, wildfires, and more
- Publish an email market update each week with all new market activity
- Compile and share market statistics



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MONTANA LAND SOURCE



- Who uses MT Land Source?
- Primarily rural real estate professionals:
 - Land Brokers and Agents
 - Appraisers
 - Lenders
 - Attorneys
 - Land Trusts
 - Land Consultants
 - Government Agencies
- And increasingly:
 - Land buyers
 - Land Sellers



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MONTANA LAND SOURCE



- New Developments:
- Free public version
- Daily Property Updates on Website
- Real Time Market Statistics
- Weekly email market updates available to non-subscribers
- Property advertising

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MONTANA LAND SOURCE

www.MTLandSource.com



The screenshot displays a 'Market Update Dashboard' with a grid of property listings. Each listing includes a small map, the agency name, address, price, and other details. The dashboard is organized into several columns and rows, providing a comprehensive overview of the real estate market.

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Montana Land Source Map App

Mapped Listings, Pending Sales and Sales



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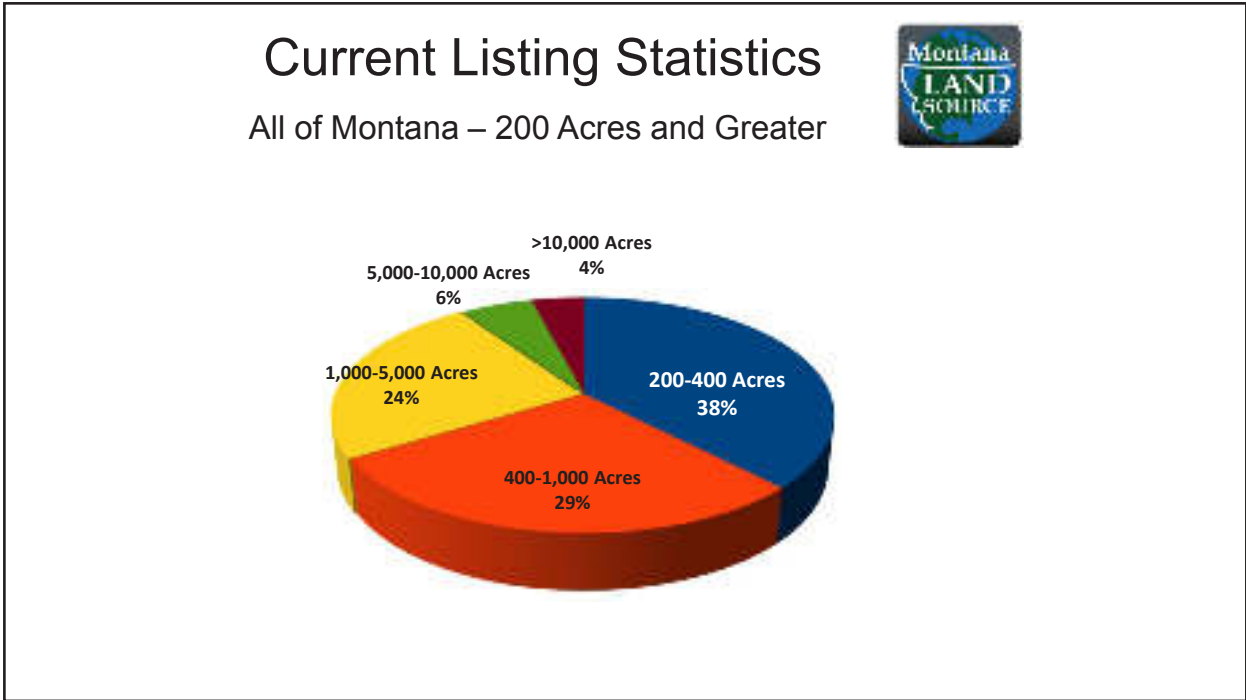
Current Listing Statistics

All of Montana – 200 Acres and Greater

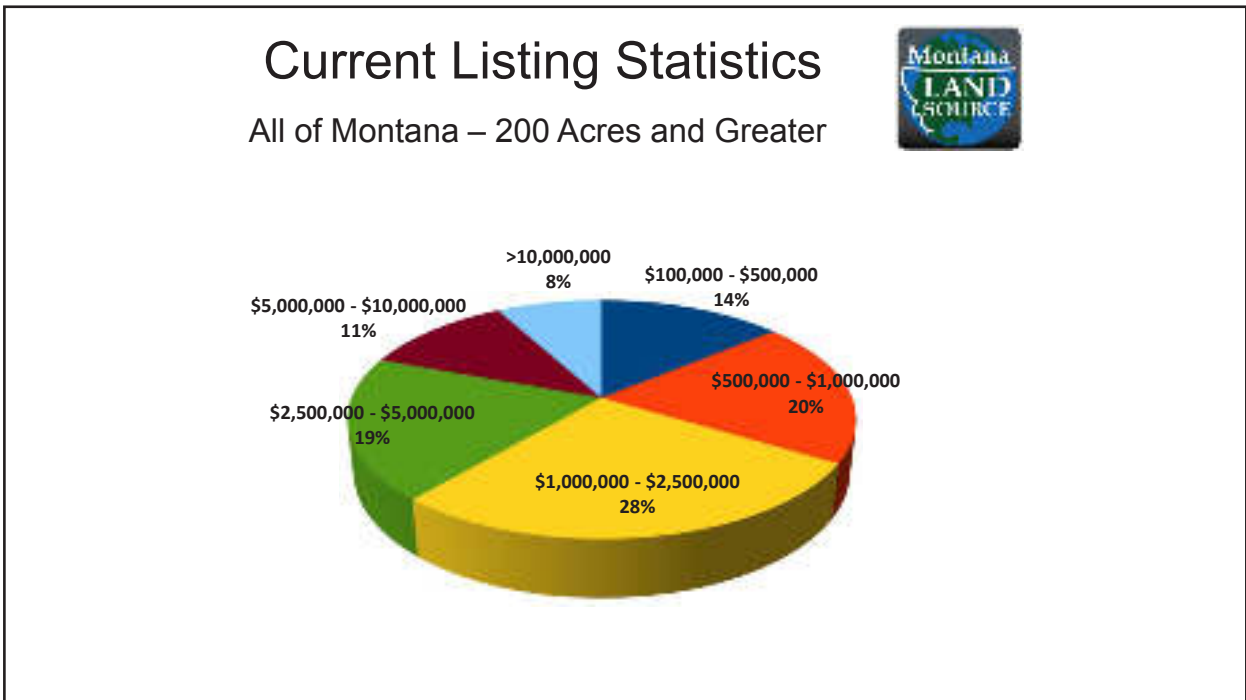


- Total Number of Active Listings: 595
- Percent of Listings with Price Changes: 31%
- Average Percent Price Change: **-23%**
- Average DOM: 572 days (up 21%)
- Total Number of Acres Listed: 1,222,825 acres
- Average Acreage: 2,103 acres
- Average Land Price Per Acre: \$3,077
- Total Sum of Listing Prices: \$2,064,700,000

80



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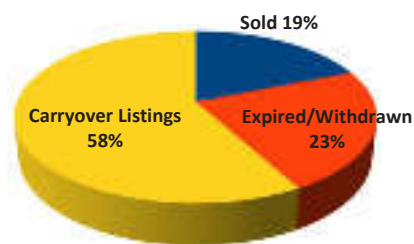
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2018 Statistics

All of Montana – 200 Acres and Greater



- Number of Listings at Beginning of 2018: 601
- Number of New Listings During the Year: 424
- Total Number of Listings on Market During 2018: 1,025
 - Properties Sold:
 - 194 (19%)
 - Expired/Withdrawn Properties:
 - 236 (23%)
 - Active Listings at the End of 2018:
 - 595 (58%)



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2018 Statistics

All of Montana – 200 Acres and Greater



- Recap – Based on 2018 Data:
 - Less than 20% of listings sell each year
 - Over 20% of listings expire or are withdrawn
 - More properties are taken off the market than sell!!!

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Montana land study – 2018

Properties 640 acres in size and larger.

85

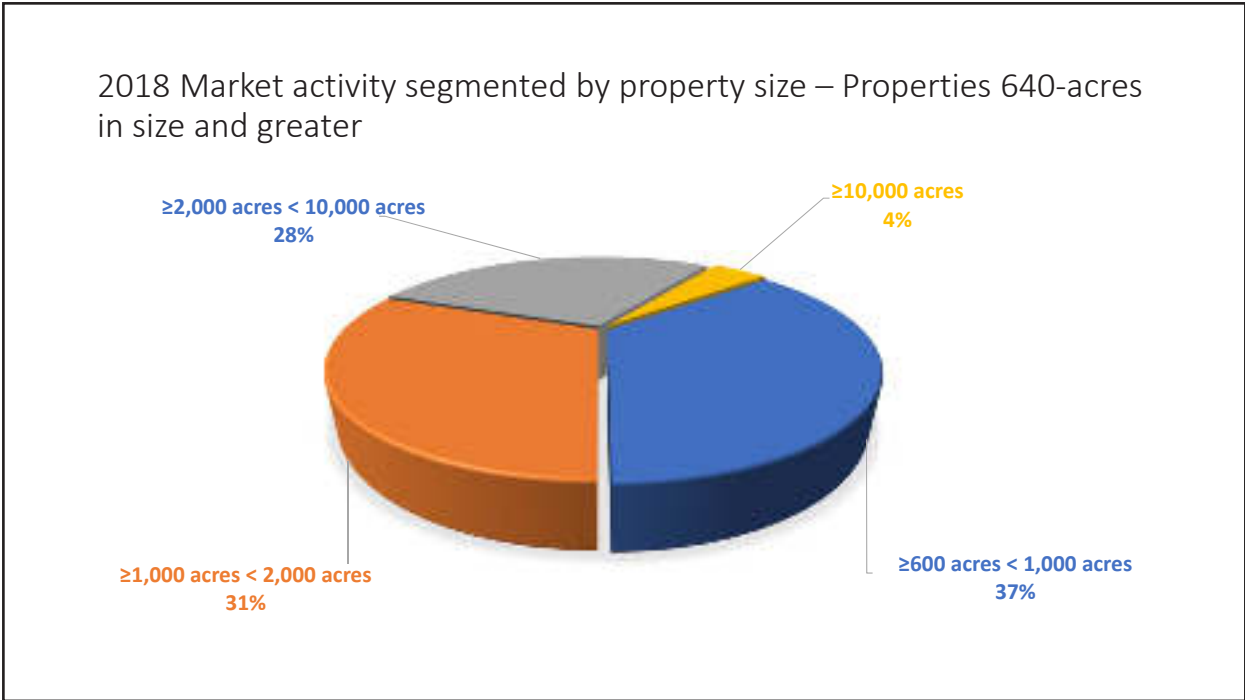
Montana 2017 and 2018 Sales Volume – considering properties 640-acres in size and greater

Year	Number of transactions	Volume		Average \$/acre sales price(ULV)
		Dollars	Acres	
2017	163	\$594,658,109	585,311	\$1,386
2018	139	\$519,828,189	339,851	\$1,750
<i>Change</i>	<i>-15%</i>	<i>-13%</i>	<i>-42%</i>	<i>26%</i>

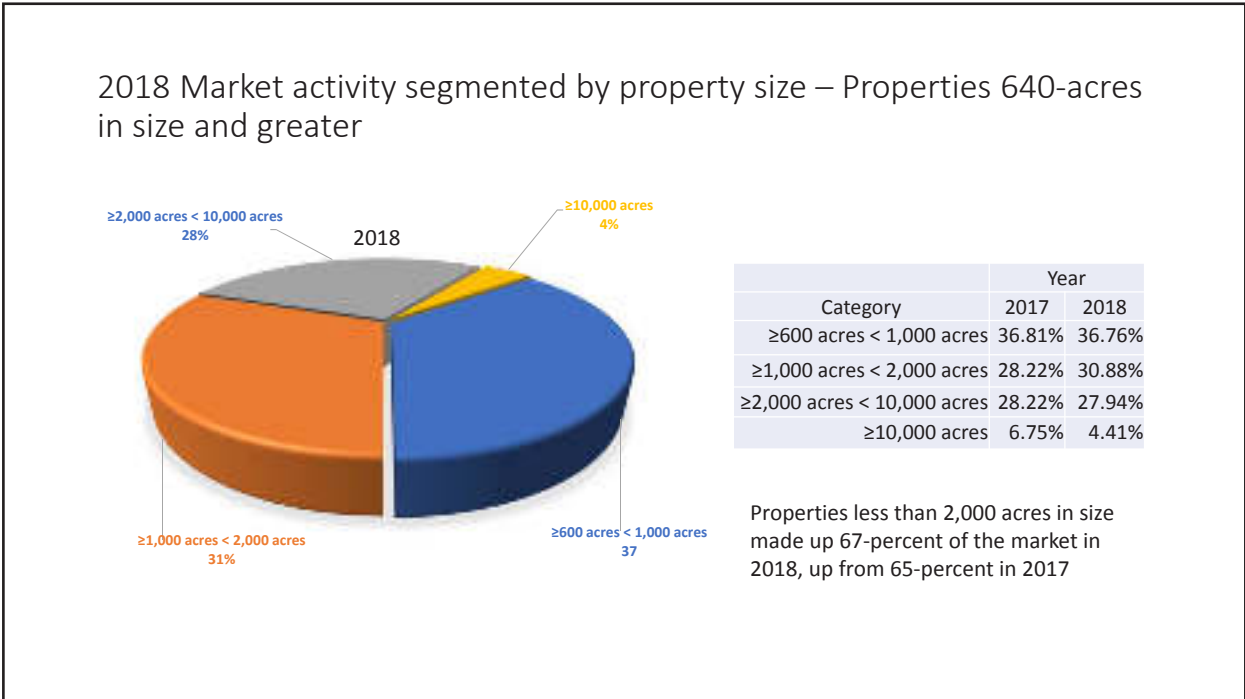
Increase in average \$/acre selling price largely attributable to the Western Montana market - accounts for roughly 60-percent of the data



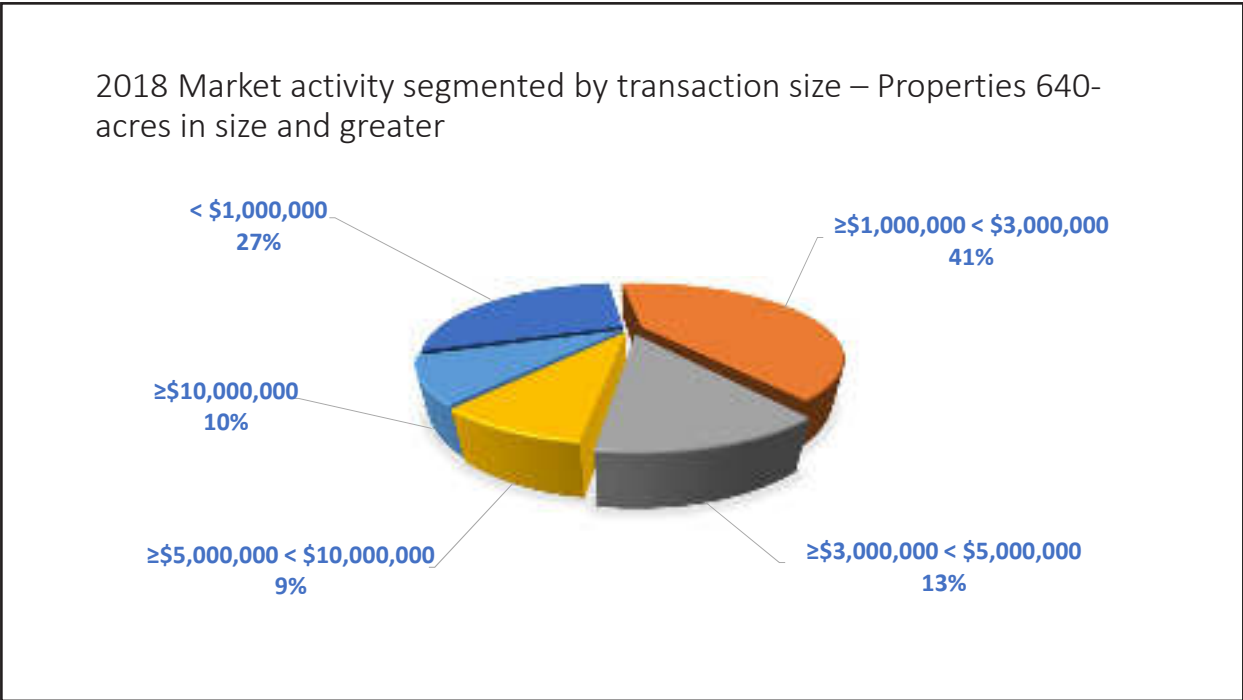
86



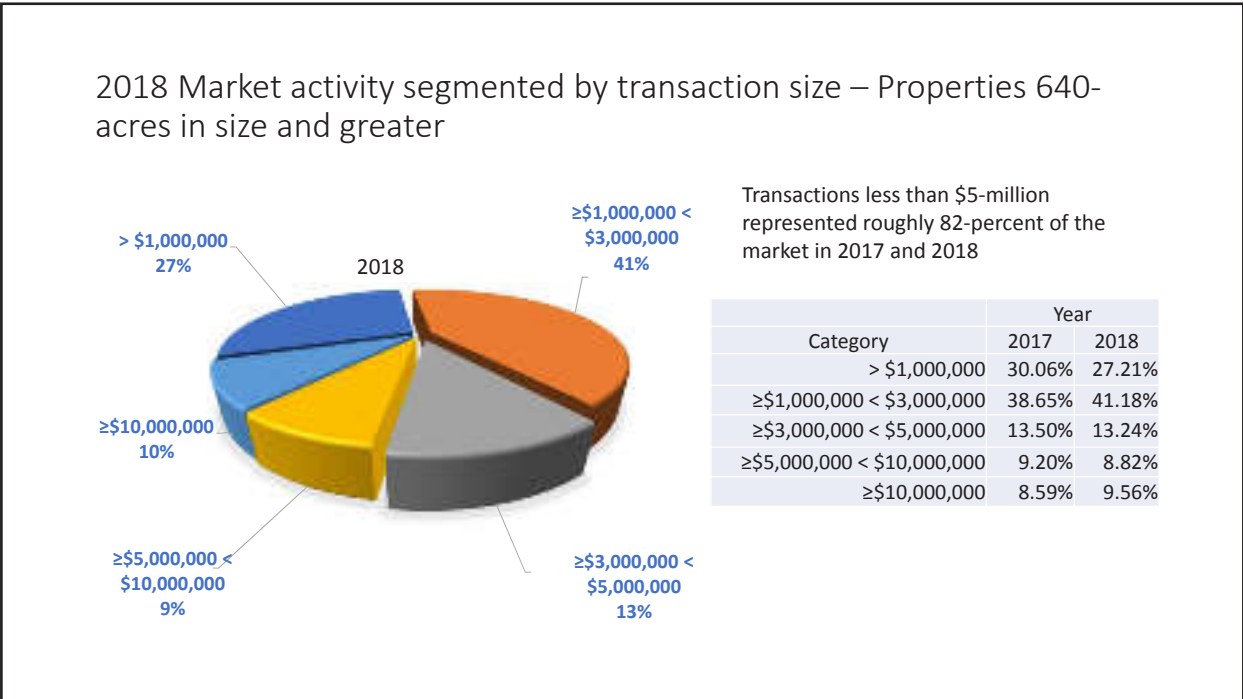
87



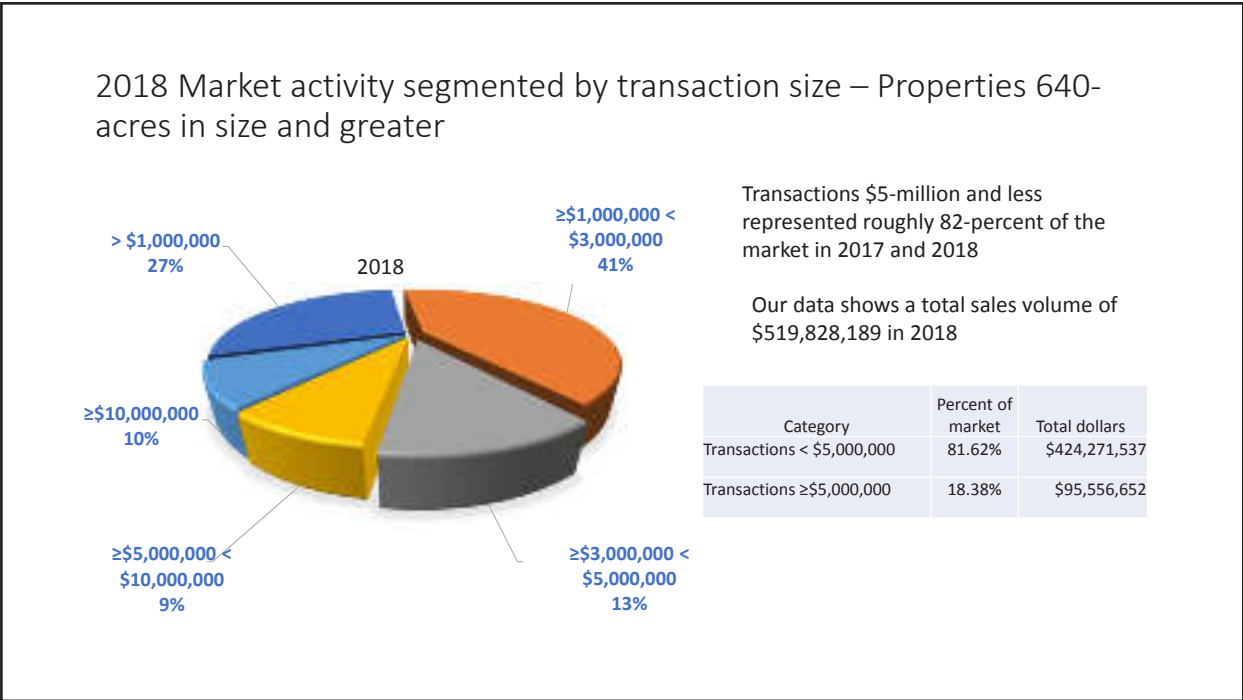
88



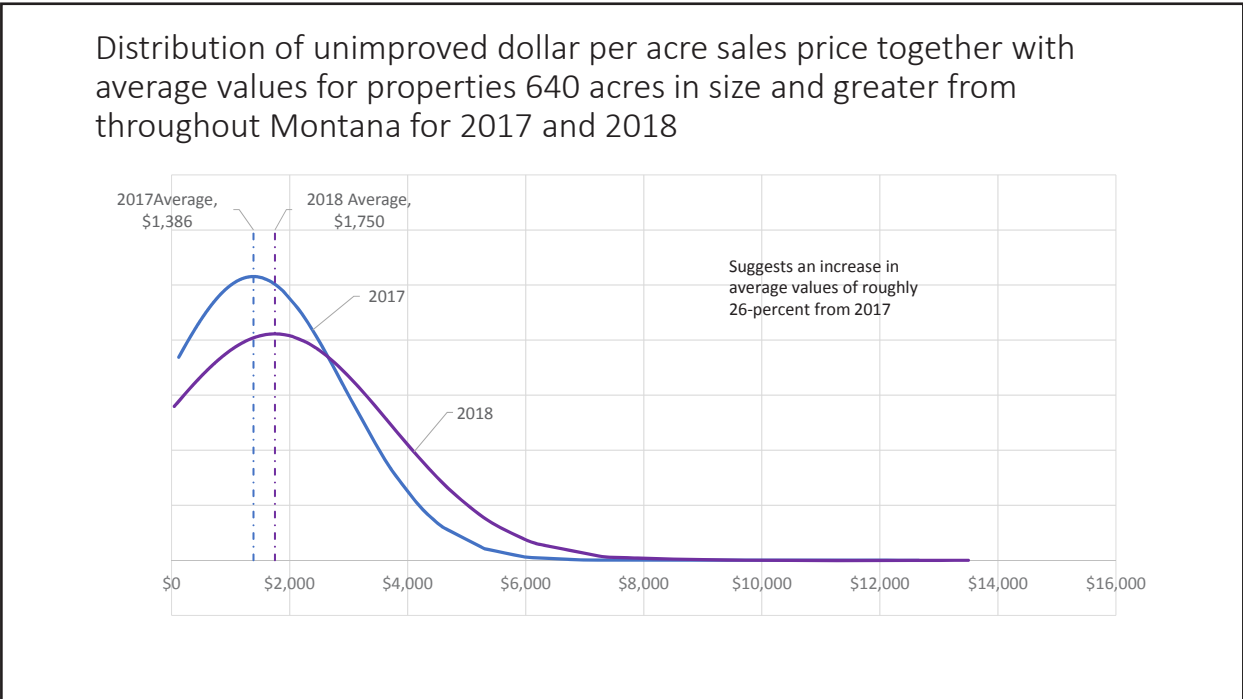
89



90

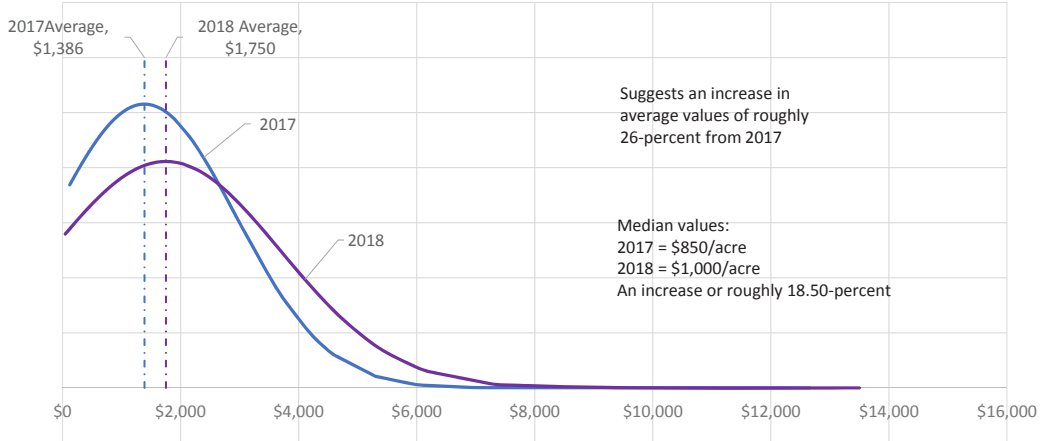


91



92

Distribution of unimproved dollar per sales price values together with average values for properties 640 acres in size and greater from throughout Montana for 2017 and 2018



93

Distribution of unimproved dollar per sales price together with average values for properties 640 acres in size and greater from throughout Montana for 2017 and 2018, contrasted to 2009

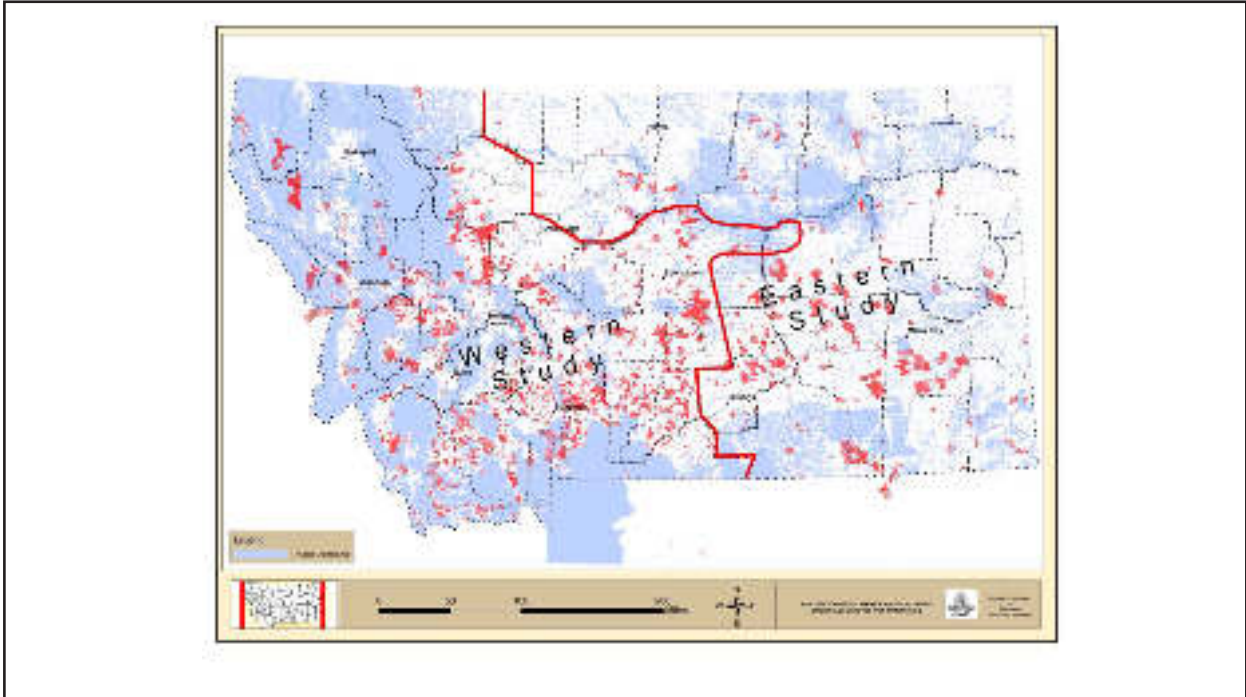


94



Western Lands – Ranch Study - 2018

95

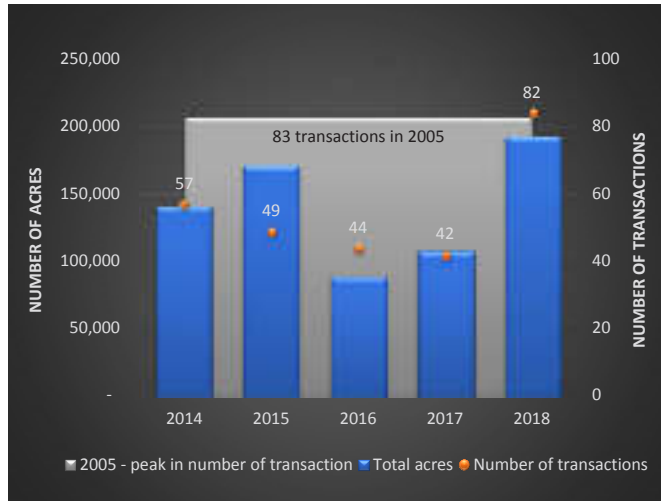


96

Deeded acres sold together with number of transaction from 2014 through 2018 - Western Montana properties 640 acres in size and greater contrasted to the number of transactions occurring in 2005

☐ Number of transactions in 2018 reflective of that seen in 2005

- ✓ Data indicates the number of transactions peaked in 2005
- ✓ 323,895 deeded acres traded in 2005 compared to 193,079 acres in 2018
 - ✓ Average size
 - ✓ 2005 = 3,902 acres
 - ✓ 2018 = 2,340 acres



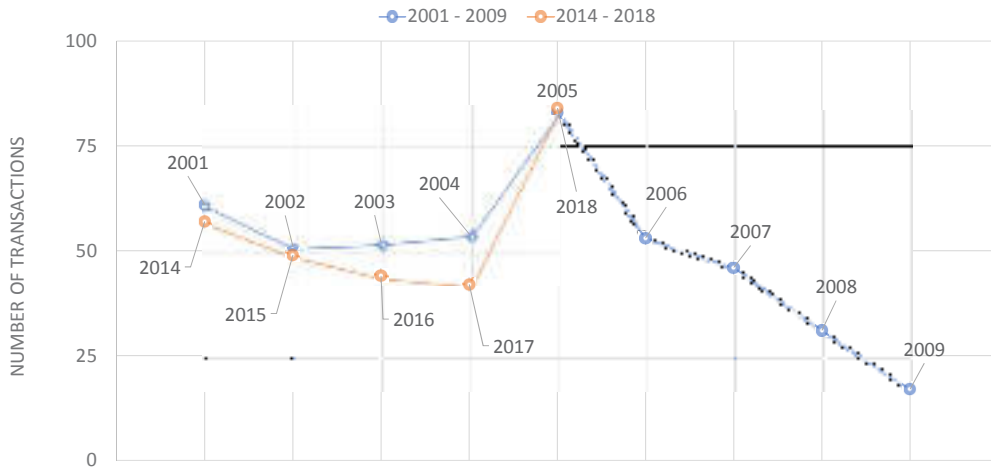
97

Comparison of the number of transactions between 2001 - 2005 and 2014 - 2018



98

Total dollar sales volume comparison between 2001 - 2005 and 2014 - 2018 – showing the trend through 2009



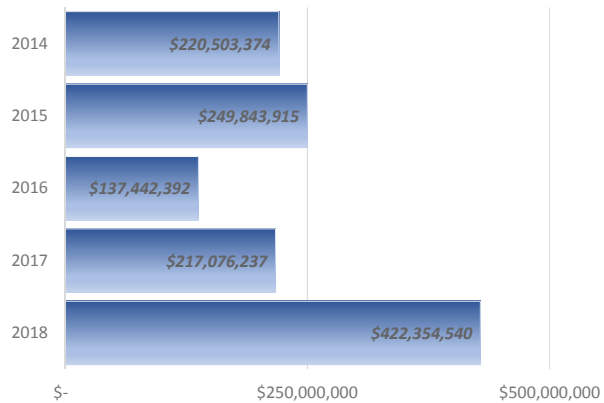
99

Western Montana Sales Volume

- ☐ Sales volume in 2018 up 95-percent from 2017
- ☐ 2018 total sales volume nearing the peak of roughly \$459-million experienced in 2005

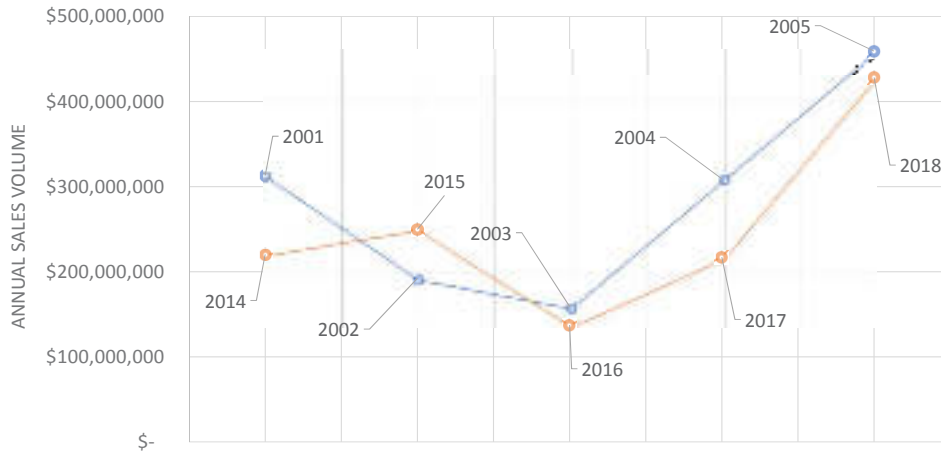
Year	Volume	Annual percentage change
2014	\$ 220,503,374	49%
2015	\$ 249,843,915	13%
2016	\$ 137,442,392	-45%
2017	\$ 217,076,237	58%
2018	\$ 422,354,540	95%

Total Western Montana sales volume 2014 through 2018 for properties 640 acres in size and greater



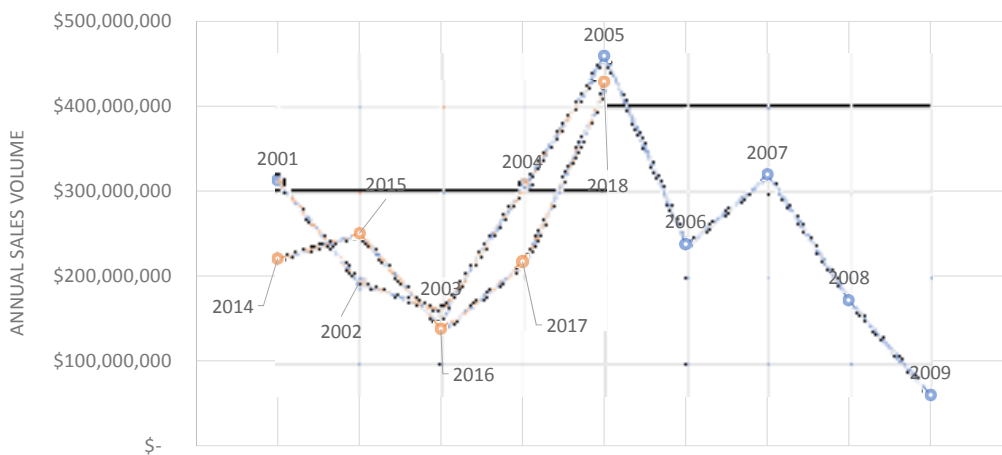
100

Total dollar sales volume comparison between 2001 - 2005 and 2014 - 2018



101

Total dollar sales volume comparison between 2001 - 2005 and 2014 - 2018 - showing to trend into 2009



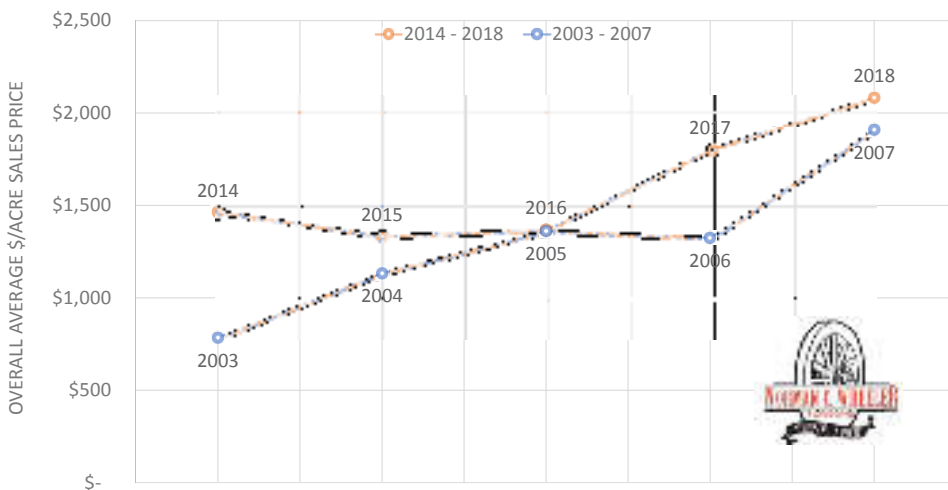
102

Average dollar per acre values together with annual percentage change for Western Montana relative to the dollar per acre value experienced in 2007 - properties 640 acres in size and greater



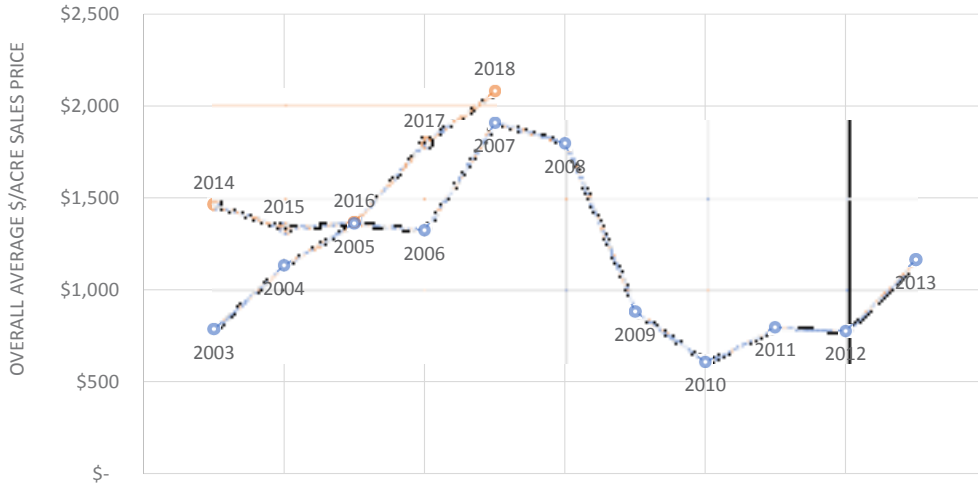
103

Comparison of overall dollar per acres sales prices between 2003 - 2007 and 2014 - 2018



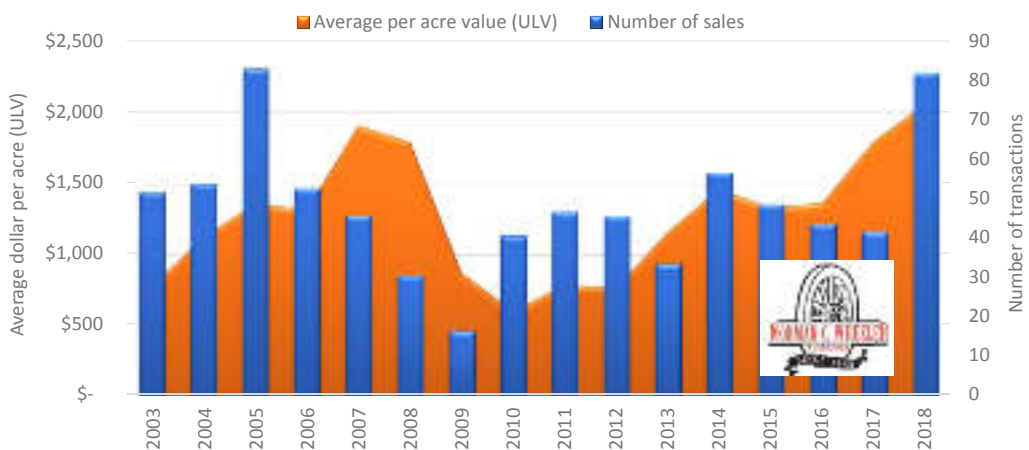
104

Comparison of overall dollar per acres sales prices between 2003 - 2007 and 2014 – 2018 – showing the trend through 2013



105

Average dollar per acre (ULV) together with number of transaction occurring from 2003 through 2018 in Western Montana – 640 acres in size and larger (NC Wheeler and Associates, 2018).



106

MONTANA LAND SOURCE



- The Most Comprehensive Source for the Large-Acreage Montana Land Market



107

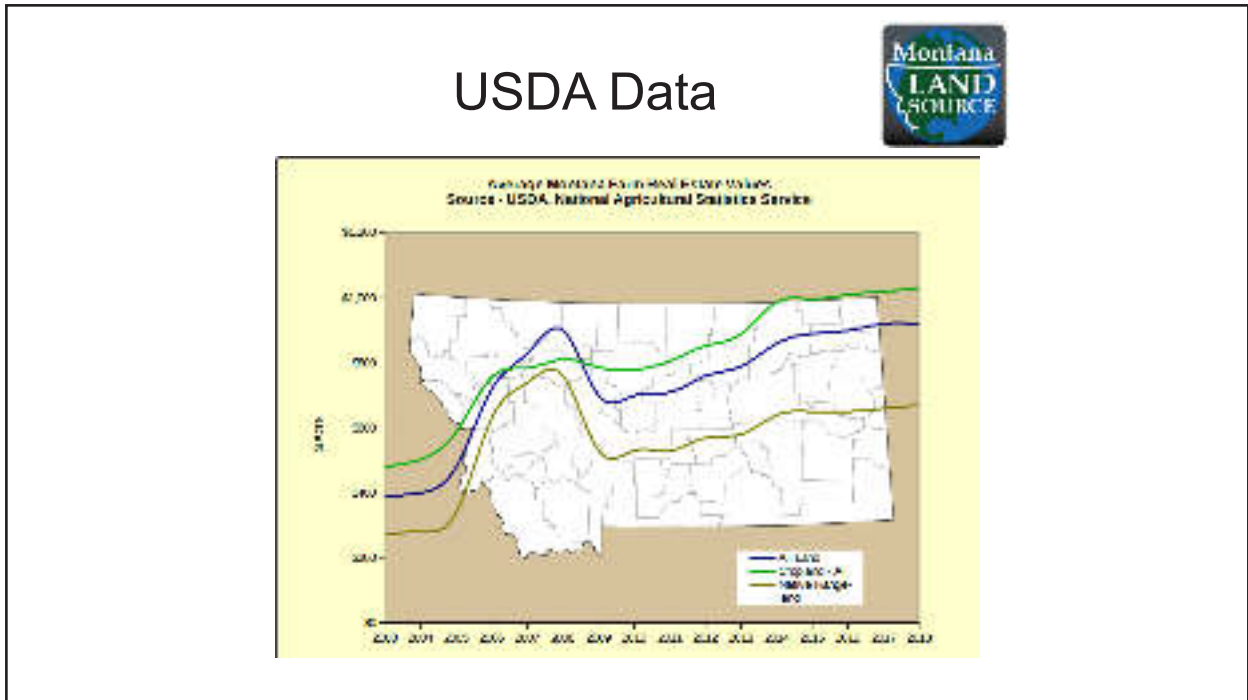
2018 Statistics

All of Montana – 200 Acres and Greater

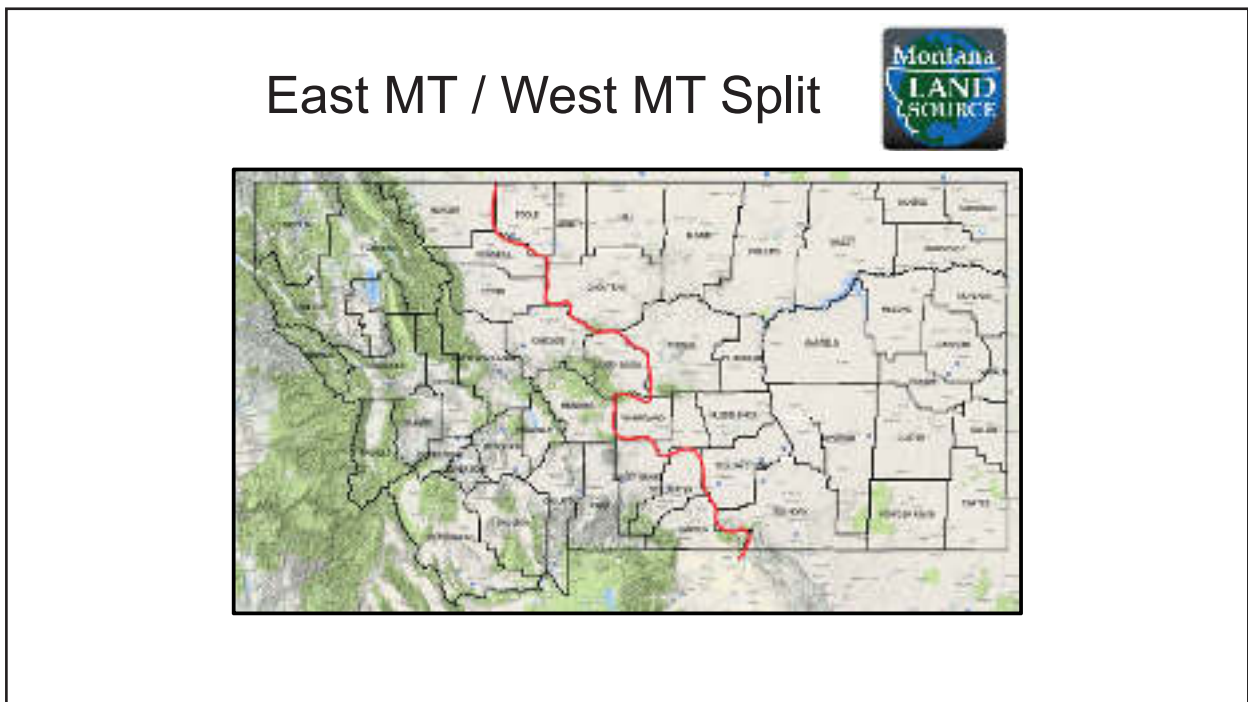


- Total 2018 Sales = 194
 - Percent of Listings with Price Change: 41%
 - Average Percent of Price Change: **- 34%**
- Average Land Value Per Acre: \$1,502/acre (down 17%)
- Average DOM: 528 (up 21%)

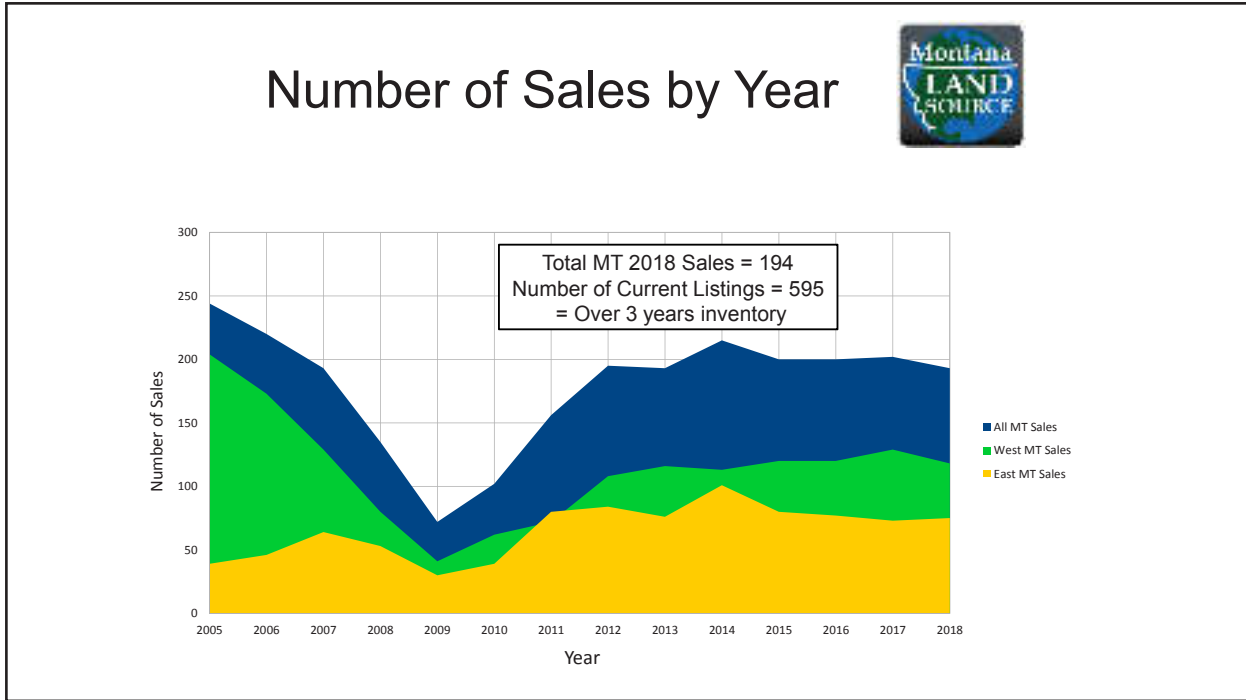
108



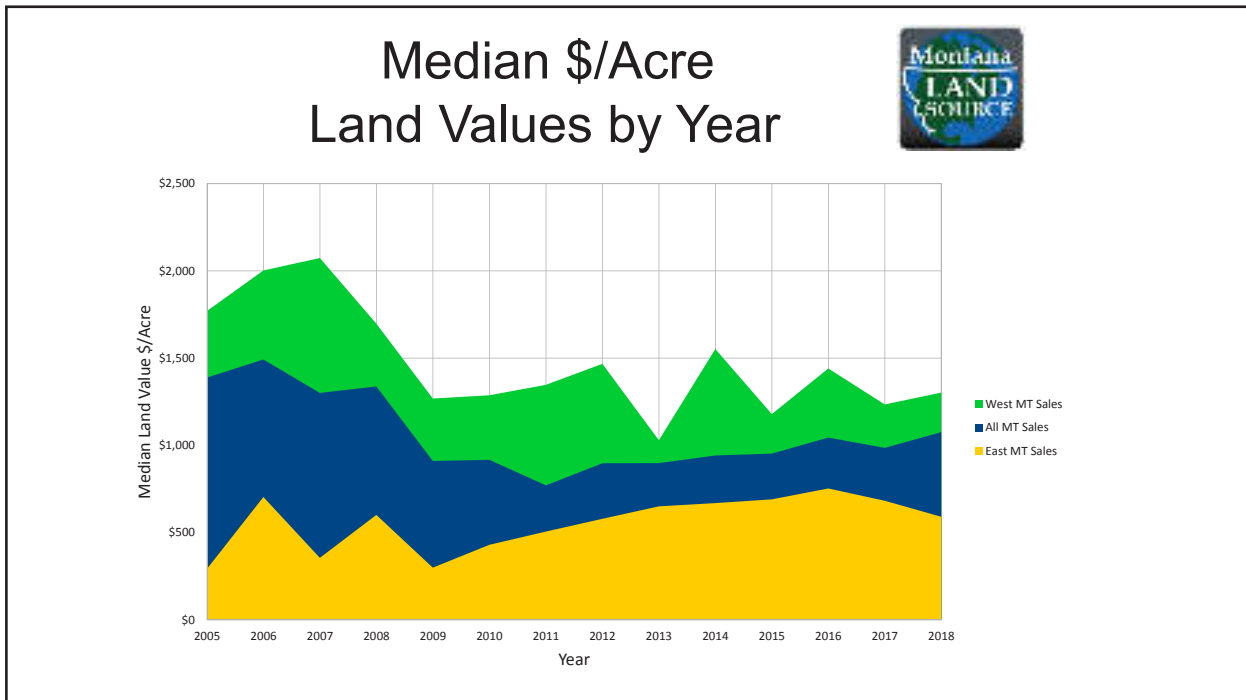
109



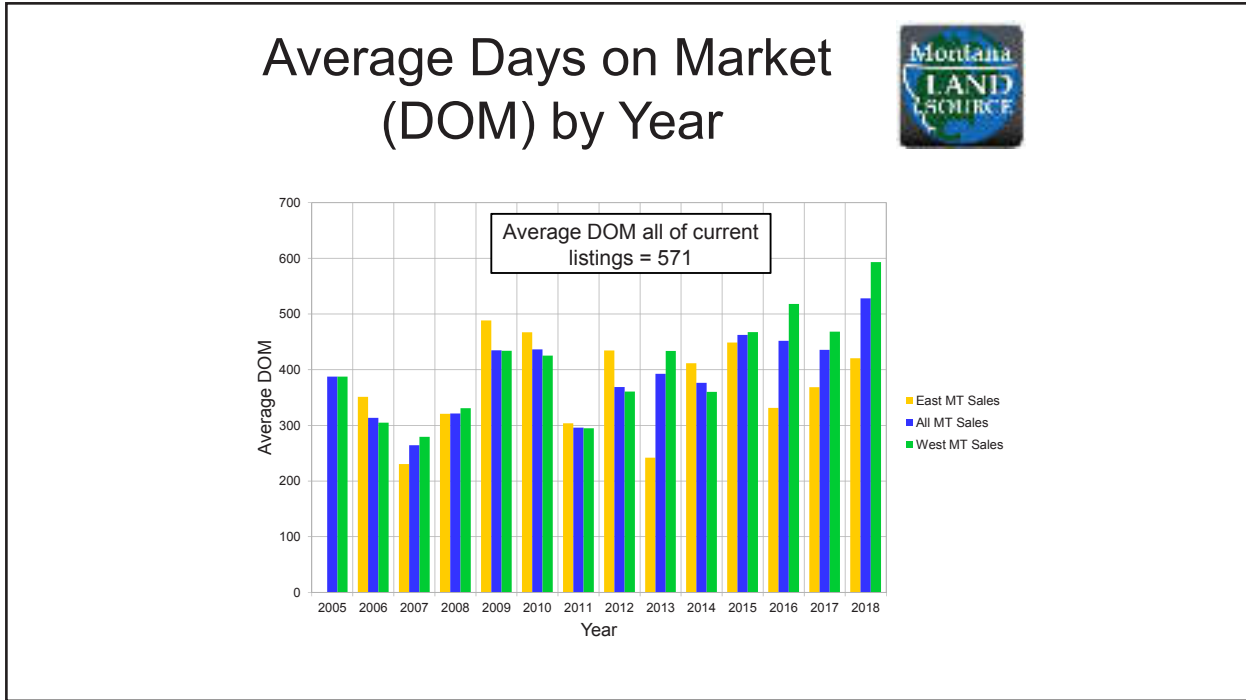
110



111



112



113



114



Thank you Land Brokers
and other Rural Real Estate Professionals
for your support!!!

- The more data you share,
- the better analysis we can provide!!!

- www.MTLandSource.com

115

“Sometimes I write drunk and revise sober, and sometimes I write sober and revise drunk. But you have to have both elements in creation...”

— Peter De Vries; Reuben, Reuben (1964)

116

Eastern Montana



119

North Central Montana



120

North Central Montana

Land Class	Value Range	Unit	Activity / Trend	Rental Range	Unit	Activity / Trend
Irrigated Crop	\$2,000 - \$3,500	Acre	Stable	\$75 - \$125	Acre	Stable
Dry Crop	\$800 - \$1,400	Acre	Stable / Increasing	\$25 - \$40	Acre	Stable / Decreasing
Pasture / Range	\$350 - \$800	Acre	Stable	\$20 - \$40	AUM	Stable

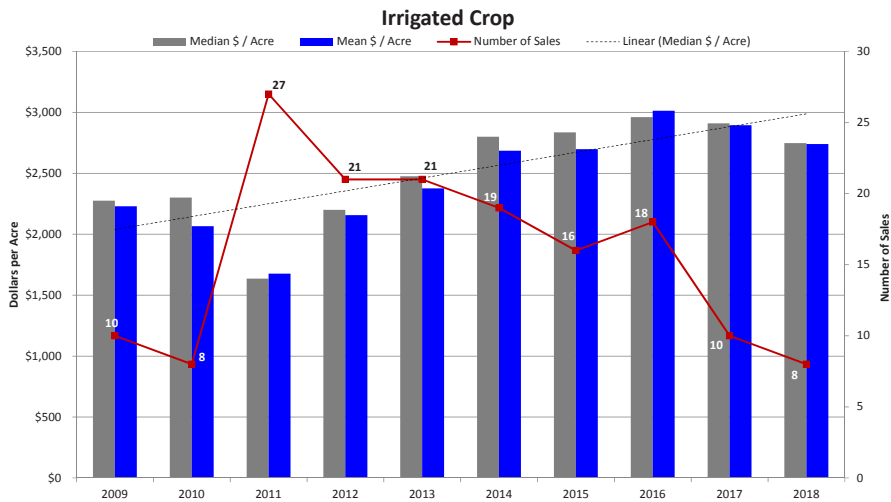
2017

Land Class	Value Range	Unit	Activity / Trend	Rental Range	Unit	Activity / Trend
Irrigated Crop	\$2,500 - \$4,000	Acre	Stable / Increasing	\$75 - \$125	Acre	Stable
Dry Crop	\$800 - \$1,800	Acre	Stable / Increasing	\$25 - \$50	Acre	Stable
Pasture / Range	\$350 - \$800	Acre	Stable	\$20 - \$40	AUM	Stable

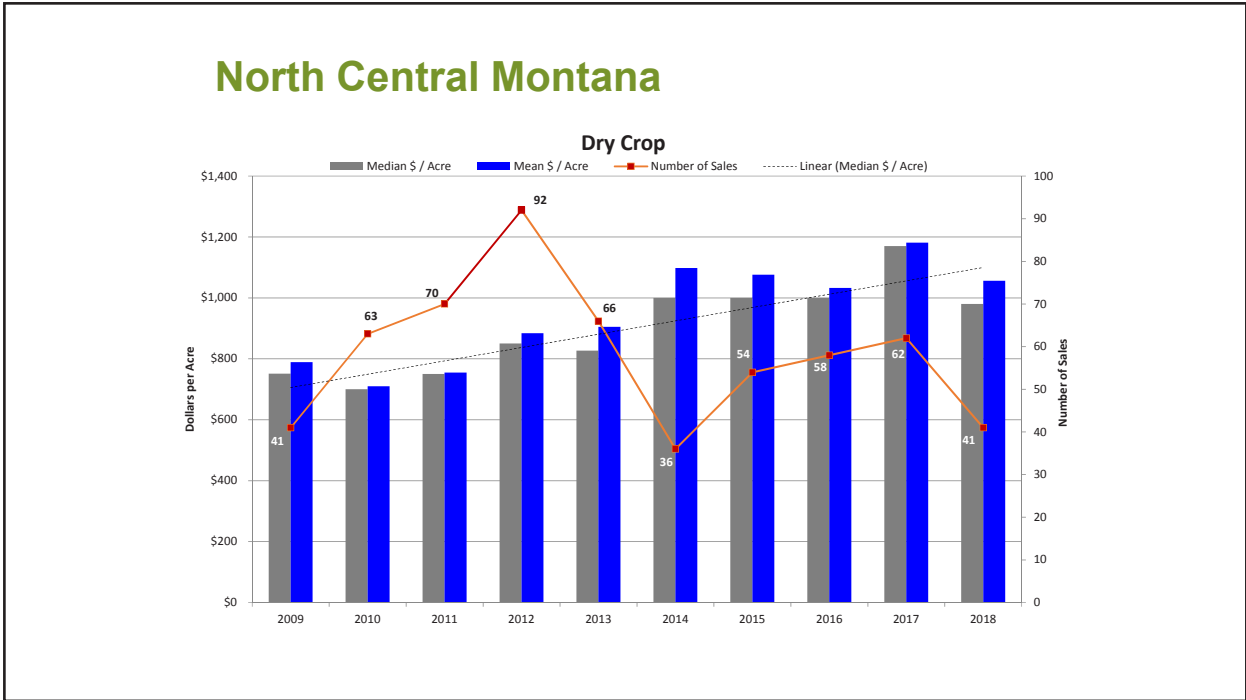
2018

121

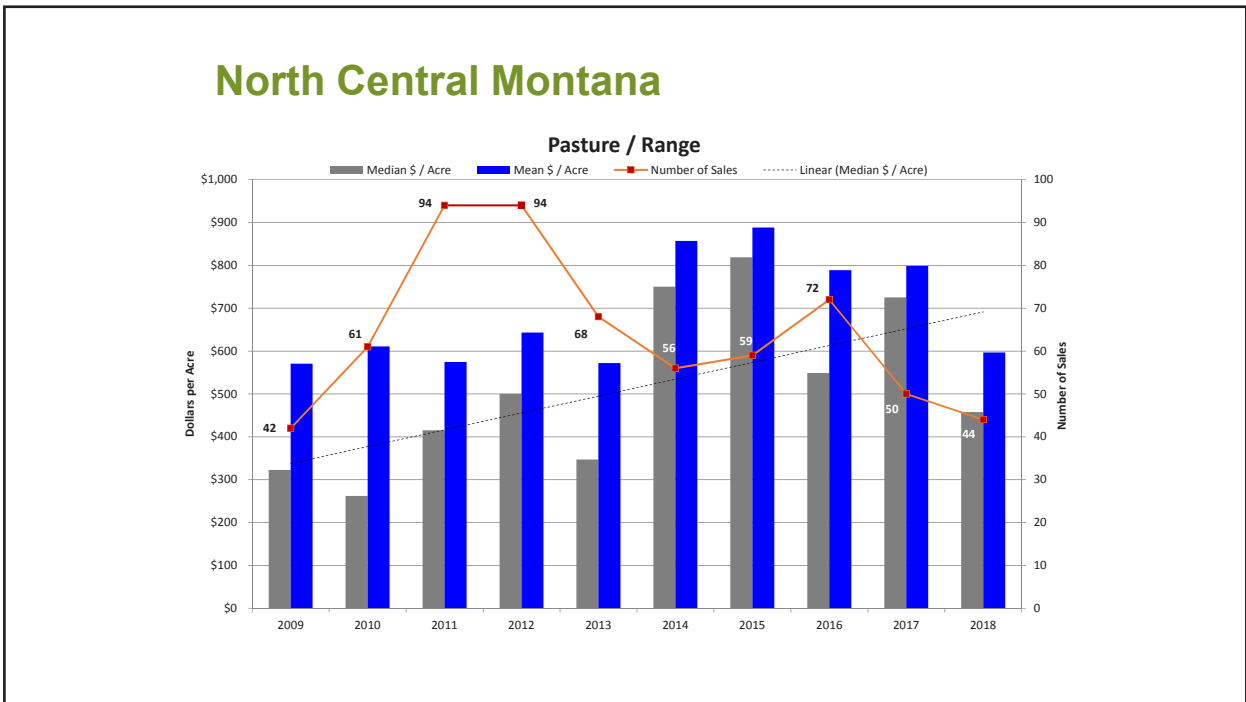
North Central Montana



122

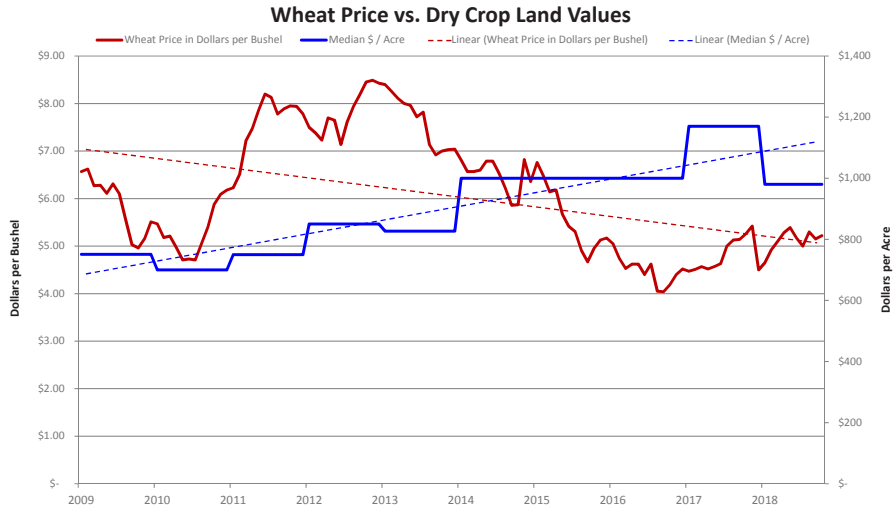


123



124

North Central Montana



125

South Central Montana



126

South Central Montana

Land Class	Value Range	Unit	Activity / Trend	Rental Range	Unit	Activity / Trend
Irrigated Crop	\$1,800 - \$4,000	Acre	Stable/Increasing	\$70 - \$150	Acre	Stable
Dry Crop	\$500 - \$750	Acre	Stable	\$20 - \$35	Acre	Stable
Pasture / Range	\$350 - \$700	Acre	Stable	\$20 - \$30	AUM	Stable

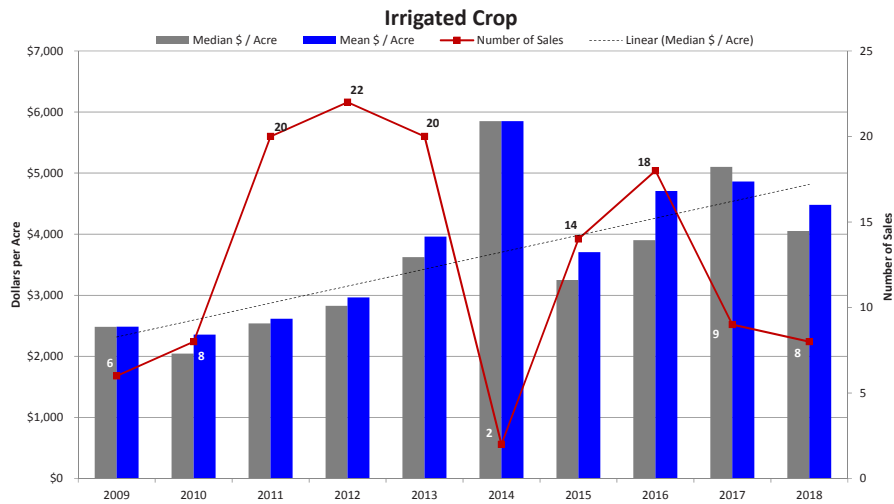
2017

Land Class	Value Range	Unit	Activity / Trend	Rental Range	Unit	Activity / Trend
Irrigated Crop	\$2,500 - \$6,000	Acre	Stable/Increasing	\$70 - \$150	Acre	Stable
Dry Crop	\$550 - \$800	Acre	Stable	\$20 - \$35	Acre	Stable
Pasture / Range	\$400 - \$800	Acre	Stable	\$20 - \$30	AUM	Stable

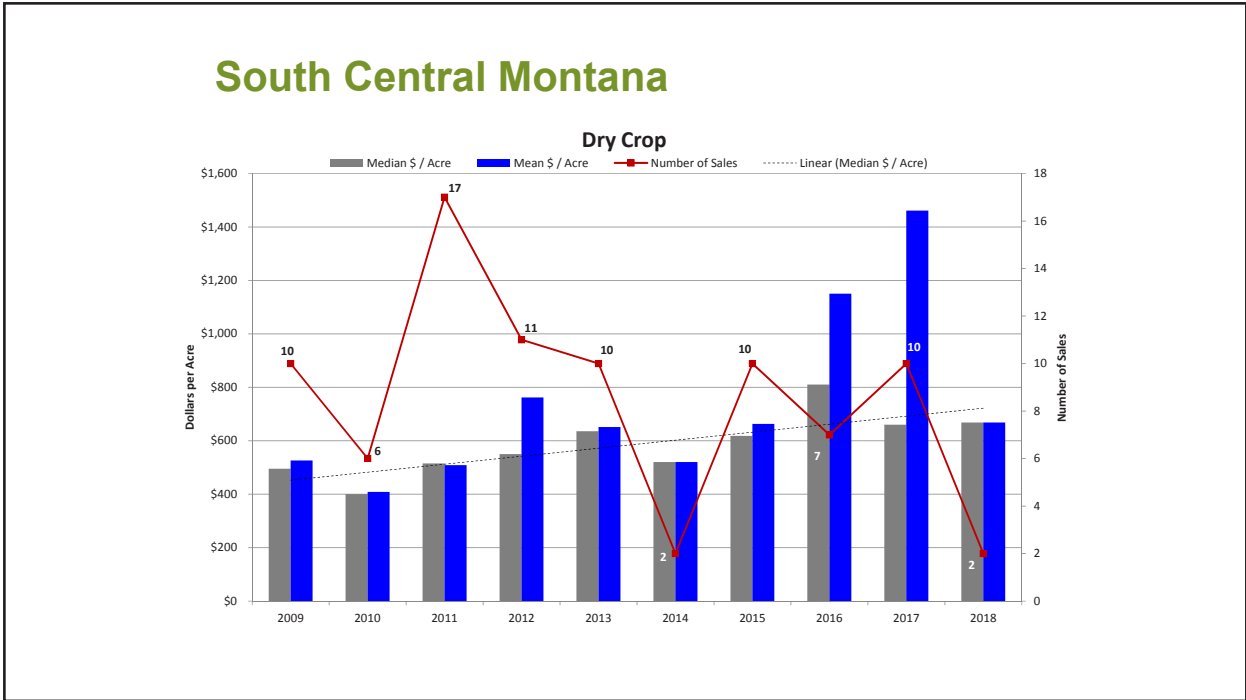
2018

127

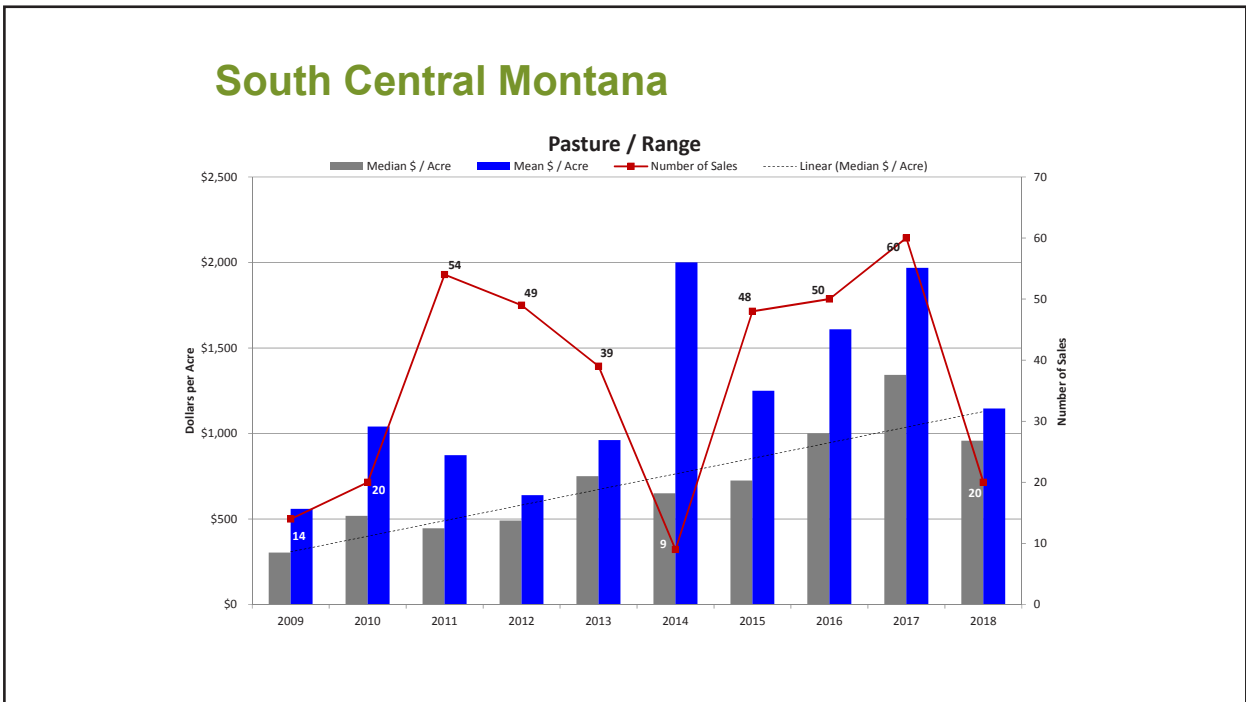
South Central Montana



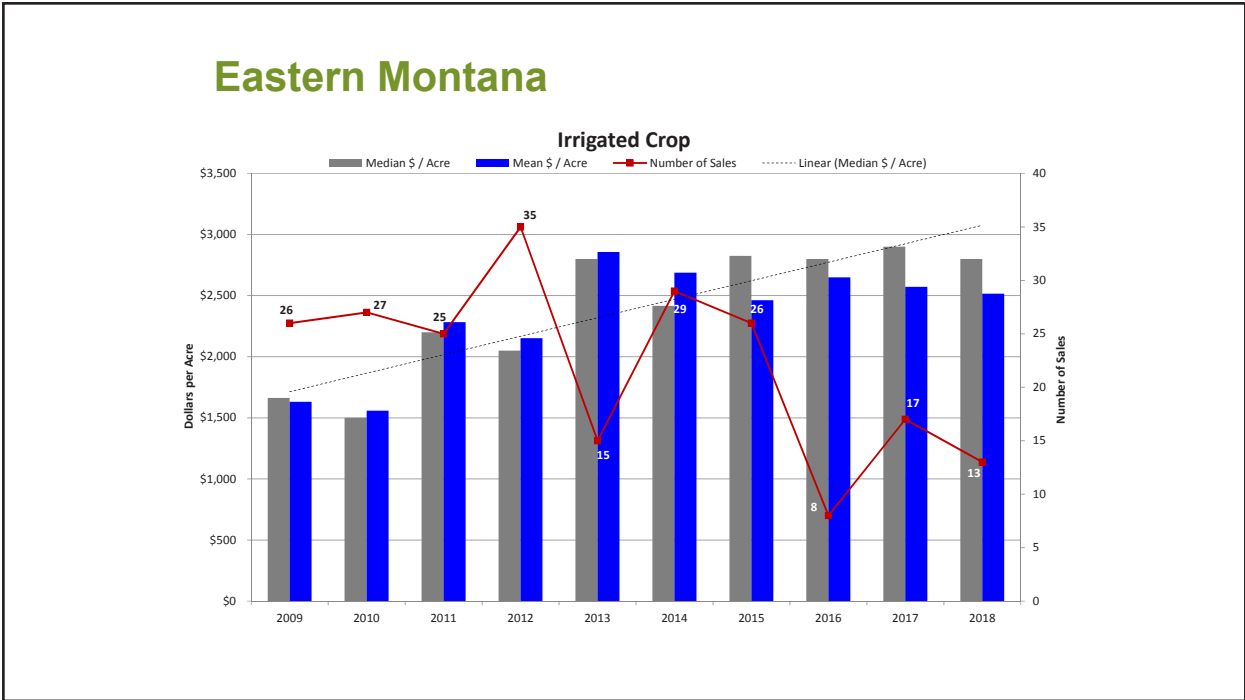
128



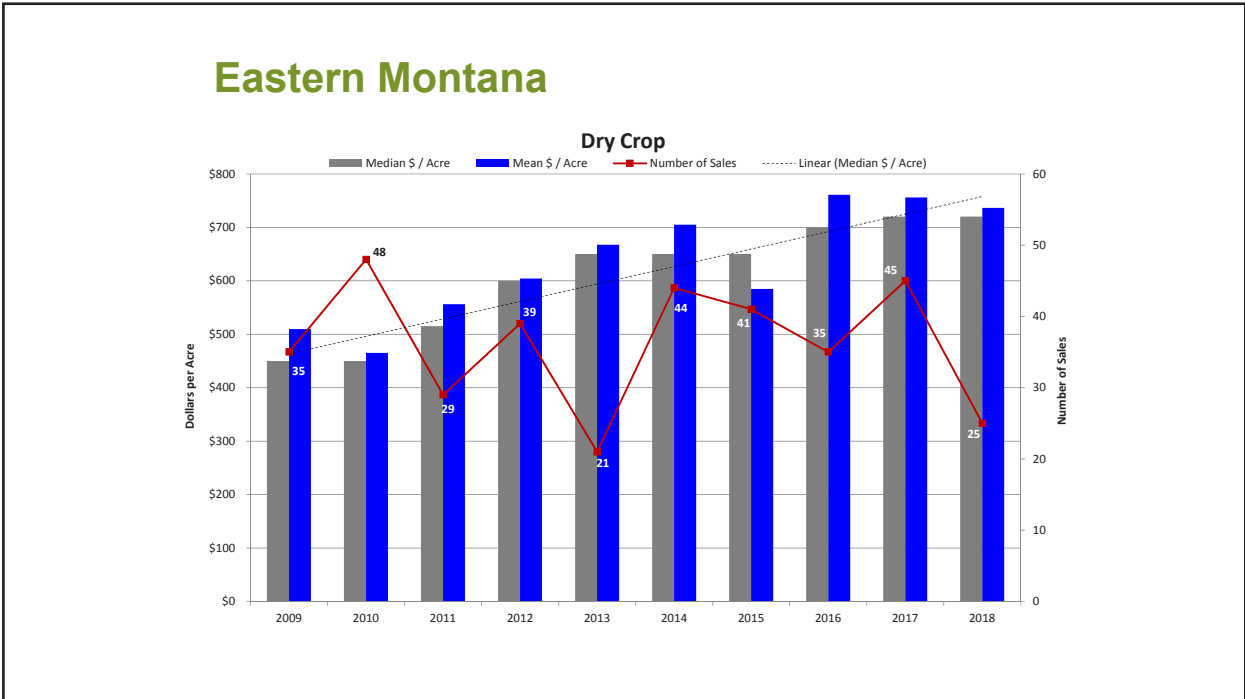
129



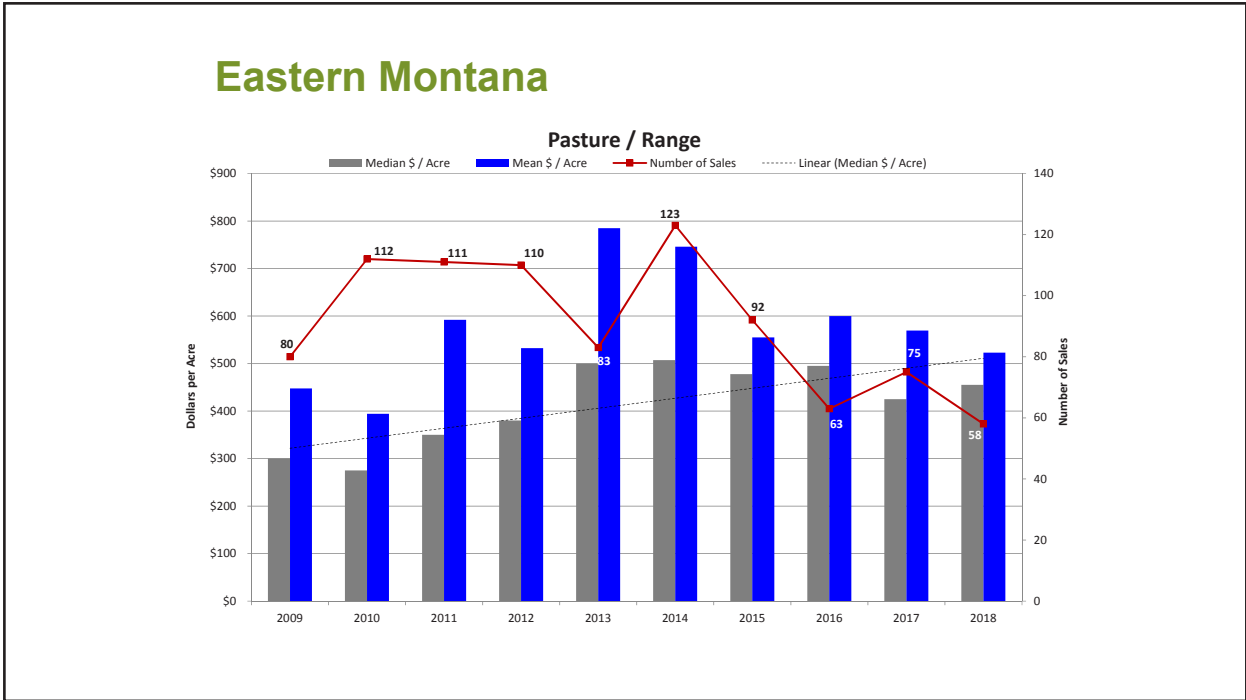
130



133



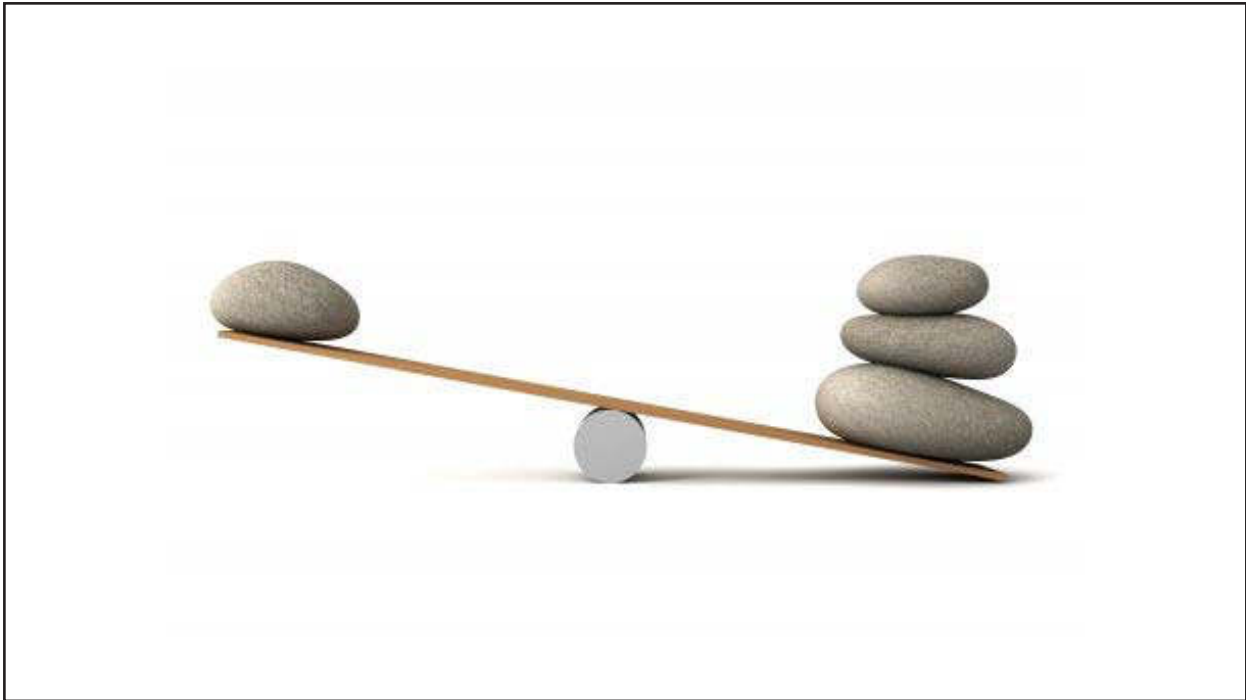
134



135



136



137

The Tipping Point?

Bozeman's Boom v.2.0
A Look at Recent Development Patterns and Influences

The image contains the same 3D rendering of a seesaw as above, but with text overlaid. The text is centered and includes a title, a subtitle, and a main topic.

138

So by now everyone's gotten the memo....

Special thanks to:

- Outside Magazine
- US News & World Report
- USA Today
- Forbes
- Money Magazine
- Wall Street Journal
- LA Times
- etc., etc., etc...



Source: Downtown Bozeman Improvement Plan Update - Oct 2018
<https://downtownbozeman.org/plan>

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But We've Been Here Before, Right? (Not Really....)

2003 – 2008 (“Go-Go Days”)

- Speculative Subdivision Boom
 - Easy Credit Conditions
 - Narrow Economic Base
 - New Developers Jumping In
 - Baby Boomers Driving the Market
 - Buyer Motivation - Misplaced
 - Short Term, Can't Miss Mentality
 - “Return” = Borrow and Flip It

2013 – 2018 (Current Cycle)

- Building Boom – Re-Development, Infill AND New Subdivision
 - Tighter Credit Conditions
 - Diversifying Economy / Real Growth
 - More Experienced Developers
 - Boomers Fading; Millennials Up
 - Downtown Transformation
 - Buyer Motivation - Lifestyle
 - Buy and Hold for Appreciation
 - Enabled by “Occupy and AirBnB It”

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- Building Up and Out
 - # of cranes seen on Bozeman’s skyline in Nov ‘18 (+4)
- MSU Enrollment
 - Fall 2010 = 13,559
 - Fall 2018 = 16,902 (+24.6%)
- Airport Deplanings
 - 2012 = 433,288
 - 2017 = 599,176 (+38.3%)
- Healthcare Facilities
 - Bzn Health Expanding
 - **Billings Clinic – 54ac / 97,000sf / \$40MM**
- New and Expanding Industry Sectors
 - **Tech, Biotech, Professional Svcs, Outdoor Products Mfg / Distribution**
 - Tourism, Recreation, Construction, Retail

Map Source: Downtown Bozeman Improvement Plan Update - Oct 2018
<https://downtownbozeman.org/plan>

141

Bozeman’s Growth – Reaching “Critical Mass”

Population Numbers

- U.S. Census Bureau Report 2018
 - Fastest growing U.S. Micropolitan Statistical Area (out of 551 areas that surround cities w/ 10-50K residents)
 - Bozeman MicroSA = 107,810 pop. at end of 2017 (all of Gallatin Cty)
 - Annual Growth Rate = 3.6% (if sustained, a rate that will double population in 20 years)

Economic Classification

- From Micro to Metro Statistical Area
 - Projected to occur in 2020 (as city’s population exceeds 50K residents)
 - Impacts area’s “branding” in terms of economic capacity and market potential
 - Accelerates transition from “small town” to “urban” business climate

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Development Patterns

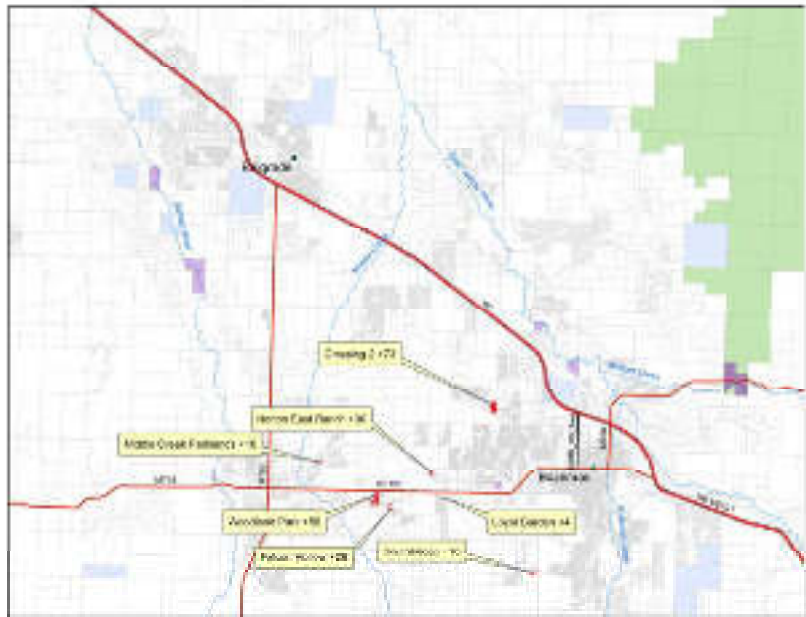
2009 -'12
"Hunkered down...."



143

2013-'14
"Is it safe to come out?"

+/- 211 new subdivision lots created over the two years combined



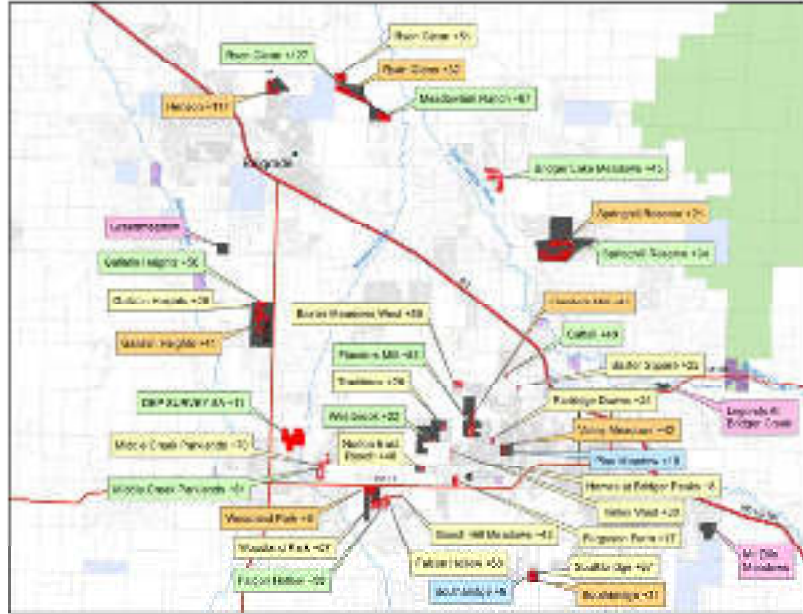
144

2018

“Working thru the backlog...”

+/- 335 add'l new subdivision lots created over the year

+/- 1,650 total new subdivision lots over the last 4 years (with more planned)



149

Current Development Activity

Projects Under Review / Approvals In Process

Source: Bozeman City Planning Interactive Map

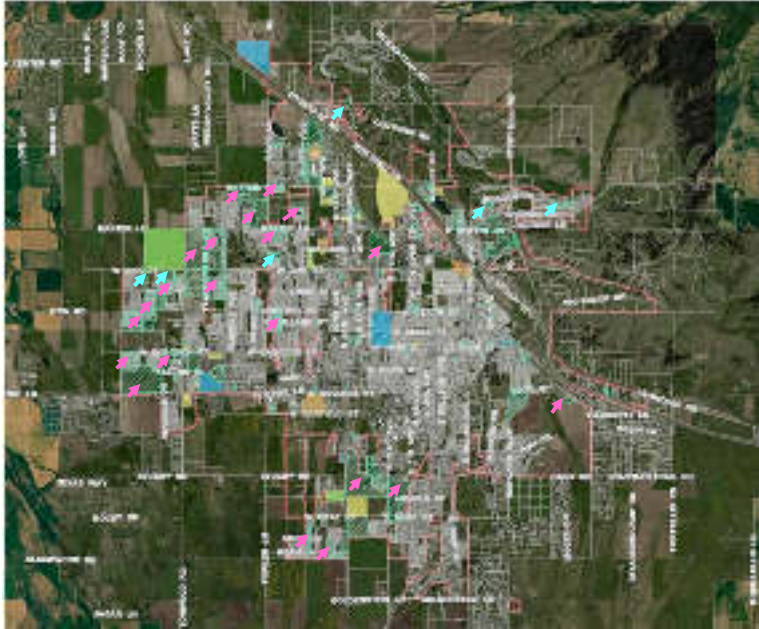


150

Current Development Activity

Projects Under Review / Approvals In Process

Source: *Bozeman City Planning Interactive Map*



The image is an aerial photograph of downtown Bozeman, Montana. It features a grid of streets and various colored overlays. Pink arrows point to numerous small areas across the city, indicating projects under review or in process. Other colors include green, blue, and yellow, which likely represent different zoning districts or development types. The map shows a mix of urban buildings and surrounding green spaces.


151

Downtown Bozeman from 2009 – '18:

97 Housing Units Added
60,000 SF of Office Space Created
2 New Hotels

UNDER CONSTRUCTION TODAY

48	HOUSING UNITS
122	HOTEL ROOMS
2	MIXED USE BUILDINGS



The image is a map of downtown Bozeman, Montana, showing construction activity. The map is titled "UNDER CONSTRUCTION TODAY" and features a legend with four categories: "Mixed-Use Buildings" (represented by a blue square), "Hotels" (represented by a yellow square), "Future Office Buildings" (represented by a green square), and "Under Construction" (represented by a red square). The map shows a dense urban area with a river (the Gallatin River) flowing through it. A legend in the bottom right corner identifies the symbols used on the map. To the right of the map, there are three statistics: 48 Housing Units, 122 Hotel Rooms, and 2 Mixed Use Buildings. The source is cited as "Downtown Bozeman Improvement Plan Update - Oct 2018" with the URL "https://downtownbozeman.org/plan".

152

Downtown Bozeman

Now On the Horizon

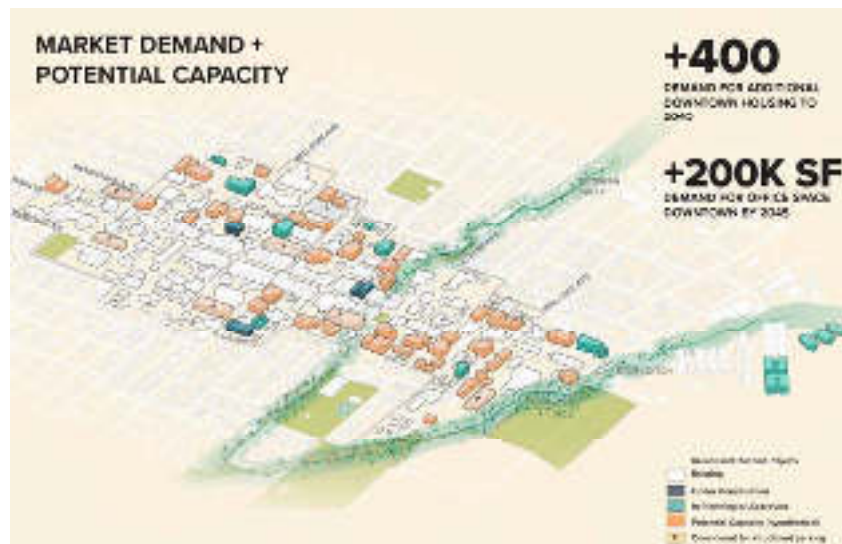


Source: Downtown Bozeman Improvement Plan Update - Oct 2018
<https://downtownbozeman.org/plan>

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Downtown Bozeman

Looking Ahead

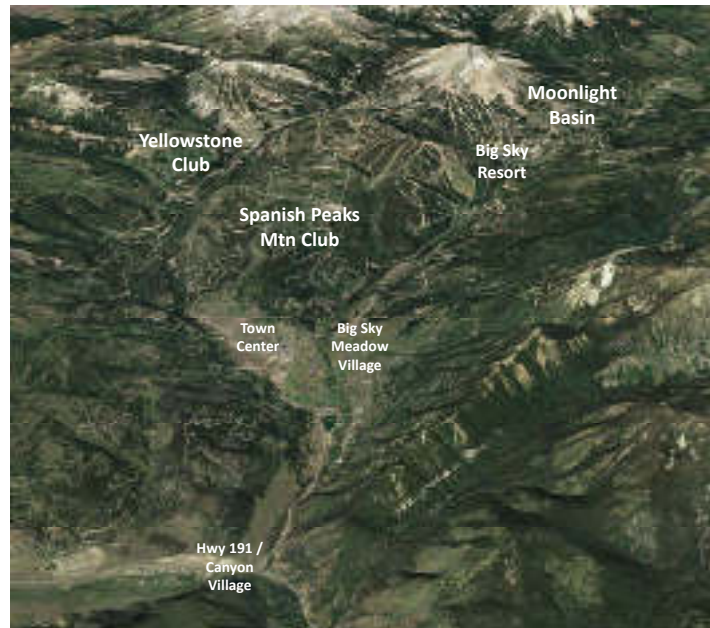


➔ Source: Downtown Bozeman Improvement Plan Update - Oct 2018
<https://downtownbozeman.org/plan>

154

Up in Big Sky

“Stuff’s” Rolling
Downhill....”



155

Big Sky: Bozeman’s “X” Factor

- A destination resort economy “removed but not remote” from Bozeman
 - “Big Sky 2025” in full swing; \$1 Billion in improvements in progress
 - Up to 2,000 workers travel between Bozeman and Big Sky daily
 - An unseen force generating hundreds of millions of dollars in direct and indirect economic spillover to the Bozeman economy
- 2018 – Big Sky’s breakout year?
 - Epic snow conditions; skier visits up 20%; 3 new hotels within 1-2 yrs, social media buzz
- Club Effect – Yellowstone Club, Spanish Peaks & Moonlight Basin
 - Have become the marketing and investment engine driving Big Sky’s destination identity
 - Have evolved to generate needed “body heat” away from the slopes as Town Center and hotel capacity continue to develop
 - Are filling the void associated with lack of proximity to a major metro feeder market

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Big Sky: Bozeman's "X" Factor

- Real Estate Market Characteristics
 - Retail buyers largely prefer built product over lot product
 - Changed mindset this cycle: lifestyle commitment (buy/hold) vs. "investment" (buy/flip)
 - Not an attractive investor market; exhibits higher sensitivities to overnight rates than purchase prices
 - Properties don't cash flow; rents can't keep pace with sale price increases; Airbnb offsets
 - Investment return is generated by sale price appreciation over time; flexible horizon required
 - Current investment capital deploying is developer based; patient, with affinity for the area
 - Lags national trends by 1 to 2 yrs; appears better positioned for the next downturn
 - Clubs are now well-capitalized
 - Only about 10-15% of retail real estate sales are now financed
 - Commercial markets most vulnerable; high rents, short seasons

157

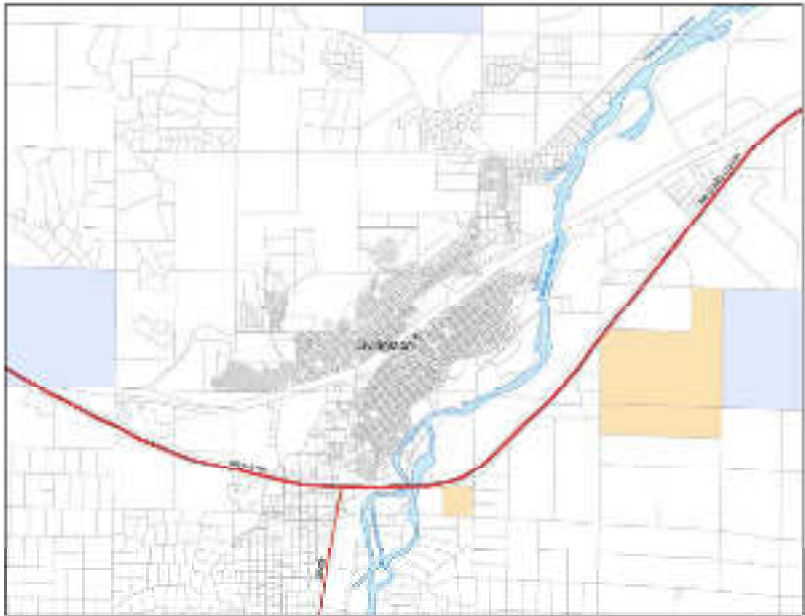
Big Sky: Bozeman's "X" Factor

- Challenges
 - Shortage of Build Product Inventory (i.e. the products in highest demand)
 - Short season / long transit times for materials and contractors = extended lead times
 - "Perilously close to too much, too fast"
 - Lagging infrastructure development / capacity
 - Inadequate workforce housing; development constrained by land prices and costs
 - Municipal decision-making capacity
 - An unincorporated community straddling two counties
 - Not considered a town and does not have a town government
 - Two different county regulatory regimes govern the area
 - Remotely located from County Planning resources, staff and approval processes

158

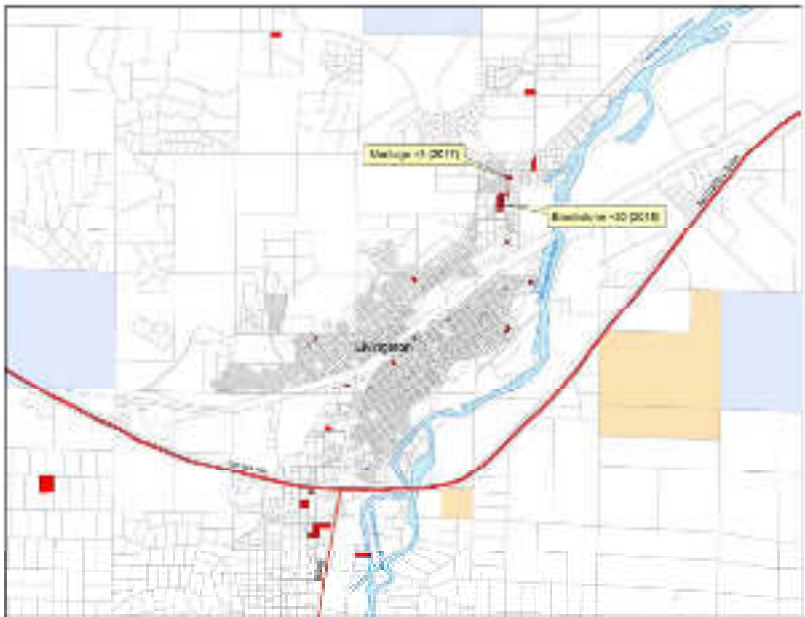
....and in Livingston

2009 -'14
"Riding through it...."



159

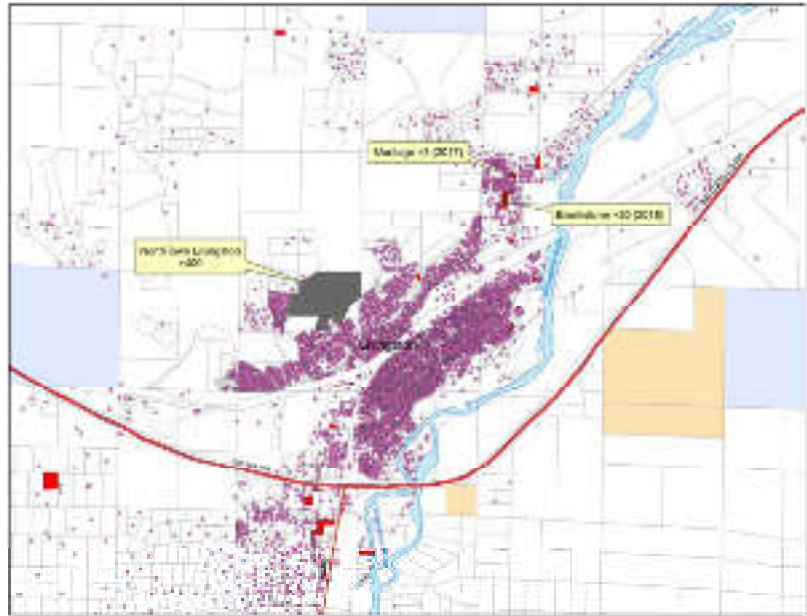
2015 -'18
"Bozeman trickle down?"



160

2018 "Game Changer?"

- **NorthTown**
 - 132-acre project site
 - 10 yr phasing plan anticipated
 - 8,000 to 9,000 SF lots starting at \$59K (40-50% of Bozeman price points)
 - supporting \$275K-\$325K finished homes



161

Katie's Turn....

Bozeman Boom v.2.0
A Look at Area Market Activity

162

Trends in Residential Real Estate 2015-2018

Greater Bozeman Area

Mary Kathryn Tennille Certified Residential
Appraisal Services of Bozeman Inc.

163



- Bozeman is among the fastest growing non-metropolitan areas in the country.
- This growth has split over into the surrounding areas.
- This increase in demand and limits on supply is impacting the increase sales price around the area.

164

East Bozeman



- Home sales have decreased 2% in the last 4 years
- Price has increased 27% during same time
- In 2018, median home price rose to \$500,000

165

East Bozeman Median Sales Data For Single Family Homes (East of 19th Ave)

	# of Sales	Sale Price	\$/ Sq. Ft.	D.O.M.
2015	181	\$ 394,000	\$182	30
2016	163	\$ 420,000	\$201	19
2017	149	\$ 460,000	\$224	24
2018	177	\$ 501,000	\$246	17
% Change	-2%	27%	35%	-43%

166

East Bozeman



- \$/Sq. Ft. not a great indicator of value in areas of gentrification due to land value being ignored.
- Many homes in the downtown area are leveled and rebuilt with larger footprint

167

West Bozeman



- Home sales have increased 27% in the last 4 years, while median price has increased 32% during same time
- Median home price has increased \$100,000 from 2015-2018

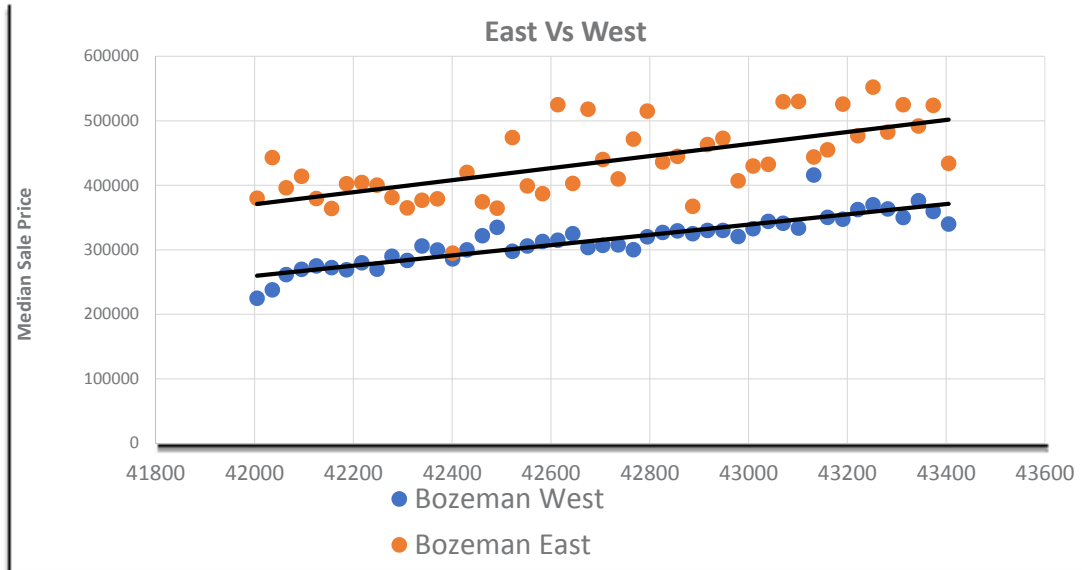
168

West Bozeman Median Sales Data For Single Family Homes (West of 19th Ave)

	# of Sales	Sale Price	\$/ Sq. Ft.	D.O.M.
2015	254	\$ 291,500	\$167	36
2016	300	\$ 322,700	\$178	24
2017	318	\$ 346,281	\$195	24
2018	324	\$ 384,940	\$213	26
% Change	27%	32%	28%	-28%

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Bozeman Median Sales Data



170

Four Corners



- Home sales have increased 20% in last 4 years
- Lowest price per square foot in all of Bozeman area (\$188/sq. ft.)

171

Four Corners Median Sales Data For Single Family

	# of Sales	Sale Price	\$/ Sq. Ft.	D.O.M.
2015	110	\$343,590	\$143	51
2016	139	\$372,500	\$153	41
2017	131	\$414,000	\$170	28
2018	132	\$444,276	\$188	23
% Change	20%	29%	32%	-55%

172

Belgrade



- Number of home sales in downtown have seen no change, whereas the sprawl has seen an increase of 192%
- New subdivision developments are on a steady incline

173

Belgrade Median Sales Data

Downtown Area

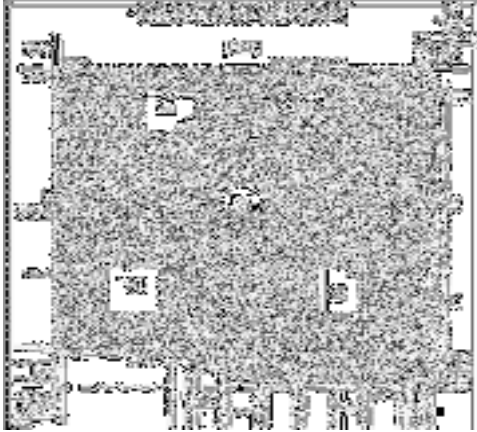
	# of Sales	Sale Price	\$/ Sq. Ft.	D.O.M.
2015	91	\$217,500	\$124	27
2016	91	\$237,000	\$135	12
2017	93	\$258,000	\$133	10
2018	102	\$286,500	\$151	14
% Change	12%	32%	22%	-48%

Expansion Areas

	# of Sales	Sale Price	\$/ Sq. Ft.	D.O.M.
2015	41	\$215,900	\$148	22
2016	71	\$270,250	\$166	29
2017	126	\$298,375	\$183	13
2018	120	\$337,500	\$193	24
% Change	192%	56%	30%	9%

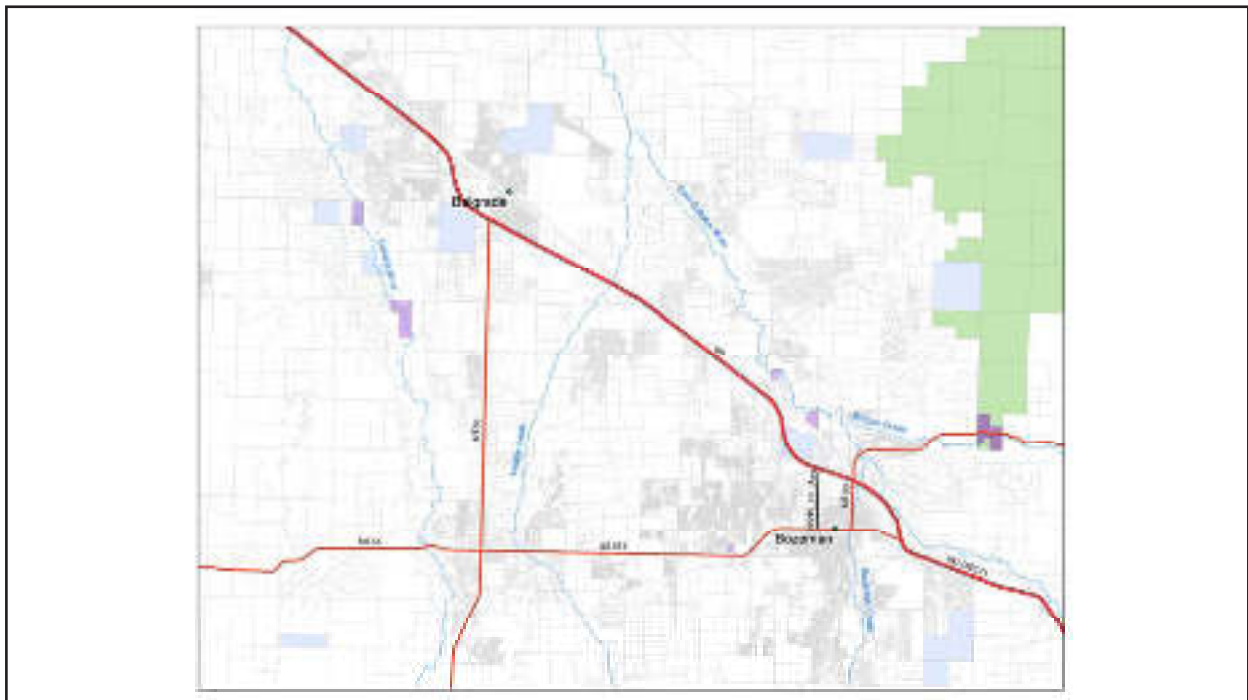
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Belgrade

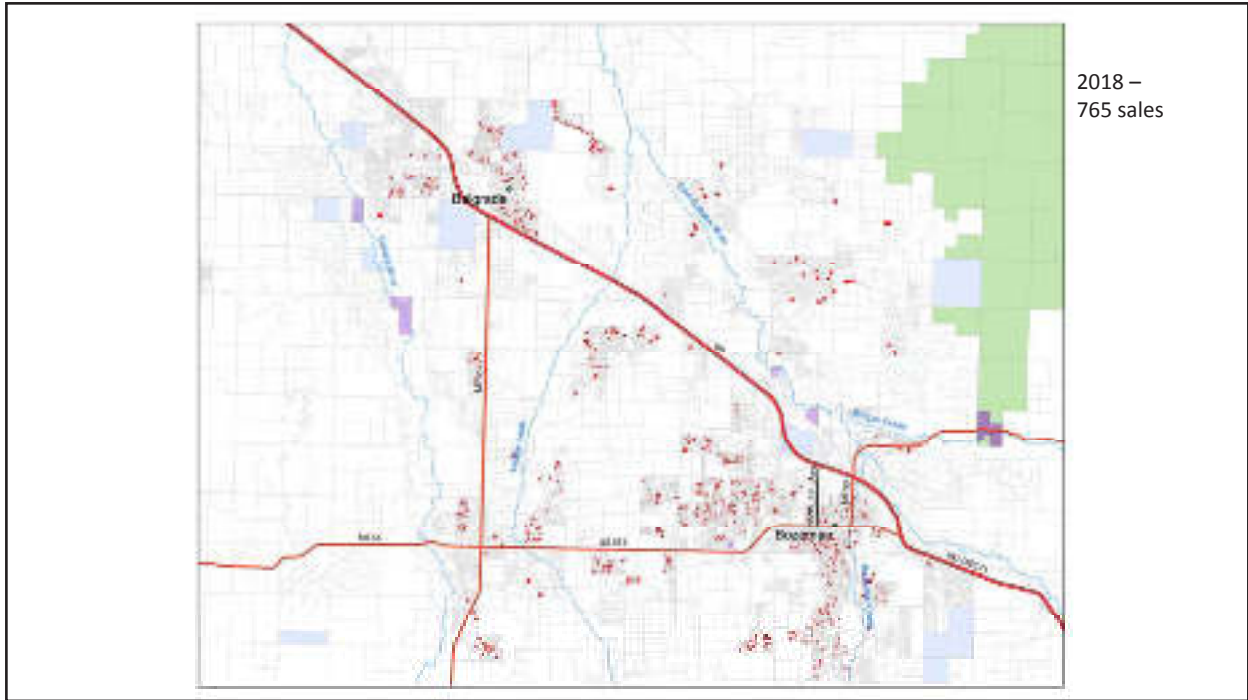


- New subdivision developments continue to be proposed to City of Belgrade
- New commercial developments as well (Yellowstone Plaza, Airport upgrades, Jackrabbit corridor)

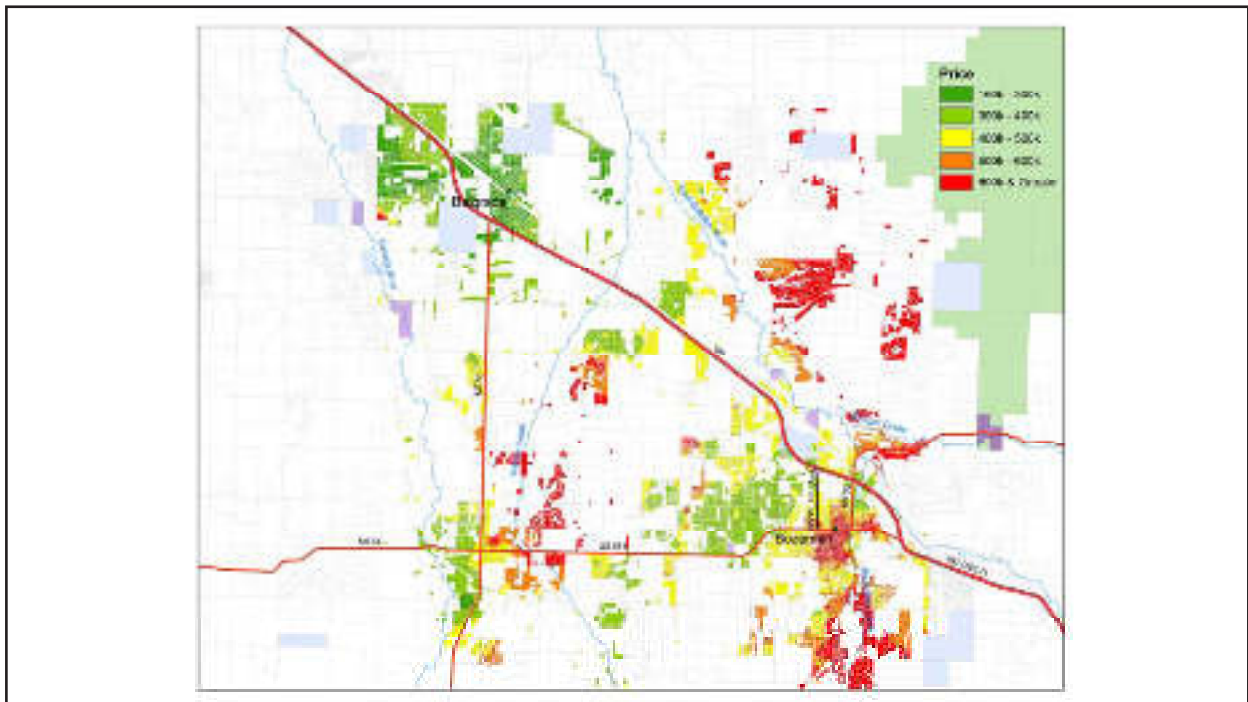
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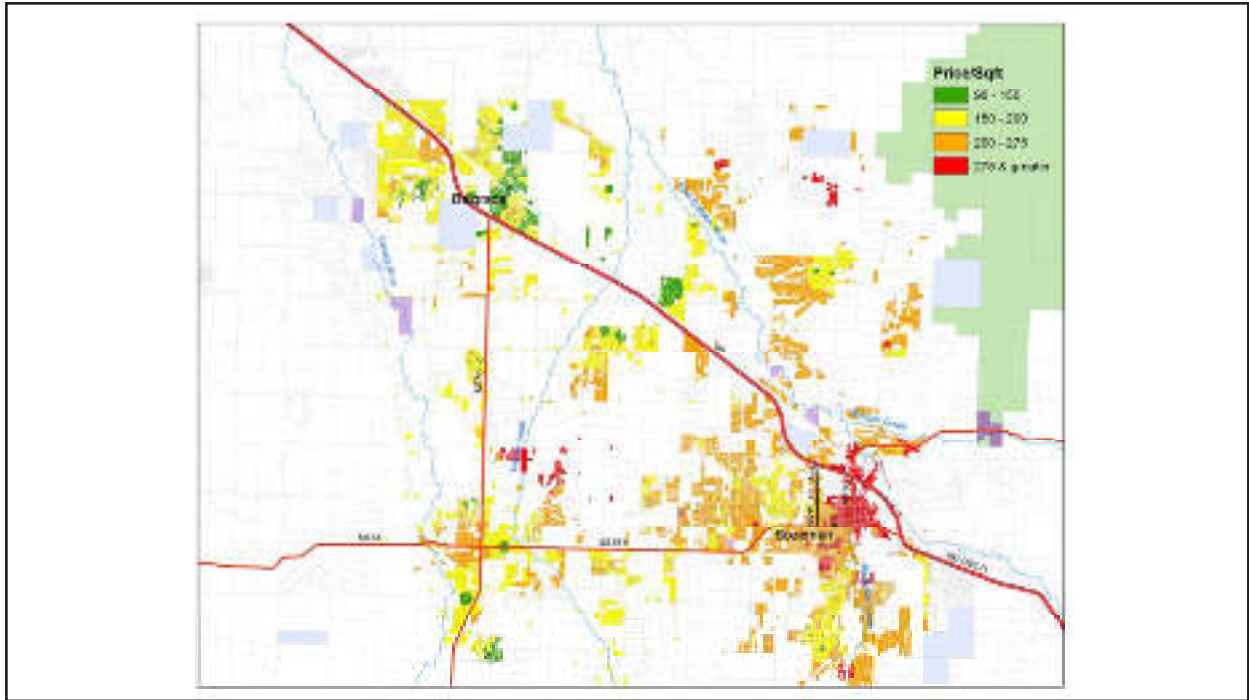
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Livingston

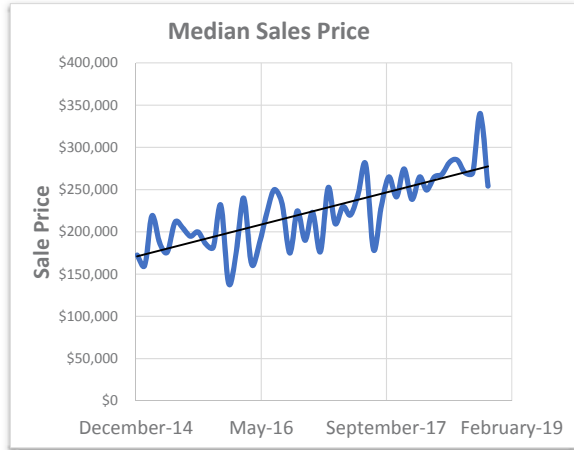


- The number home sales have remained consistent in recent history
- In 2017, market increased with an upswing in median sales price of \$30,000. Followed by \$40,000 just last year.

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Livingston Median Sales Data

	# of Sales	Sale Price	\$/ Sq. Ft.	D.O.M.
2015	145	\$190,000	\$100	28
2016	135	\$199,900	\$107	26
2017	150	\$230,000	\$130	25
2018	137	\$270,000	\$158	24
% Change	-6%	42%	59%	-14%



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Big Sky



- Median home sales have increased \$500,000 in last 4 years
- Most expensive of all market areas
- Cost per square foot double that of next highest area (East Bozeman)

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Big Sky Median Sales Data

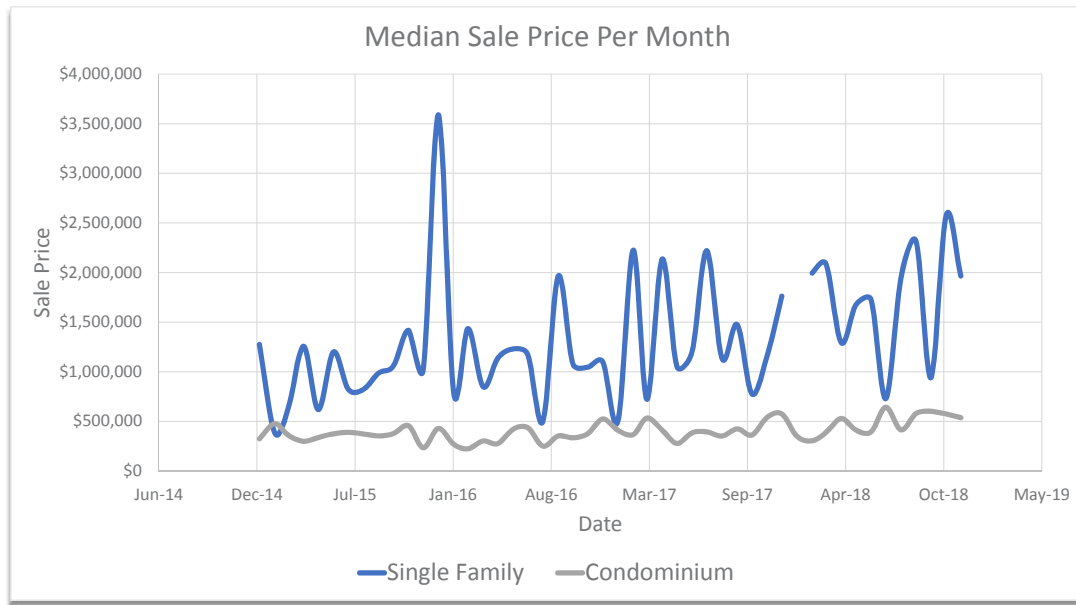
Single Family Homes

	# of Sales	Sale Price	\$/ Sq. Ft.	D.O.M.
2015	53	\$1,050,000	\$360	159
2016	51	\$1,100,000	\$533	214
2017	60	\$1,296,250	\$431	146
2018	64	\$1,662,500	\$497	65
% Change	15%	58%	38%	-59%

Condominiums

	# of Sales	Sale Price	\$/ Sq. Ft.	D.O.M.
2015	130	\$325,000	\$236	90
2016	173	\$335,000	\$241	118
2017	178	\$382,500	\$281	86
2018	193	\$440,000	\$307	63
% Change	48%	35%	30%	-30%

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Yellowstone Club Village Virtual Tour



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Acknowledgements

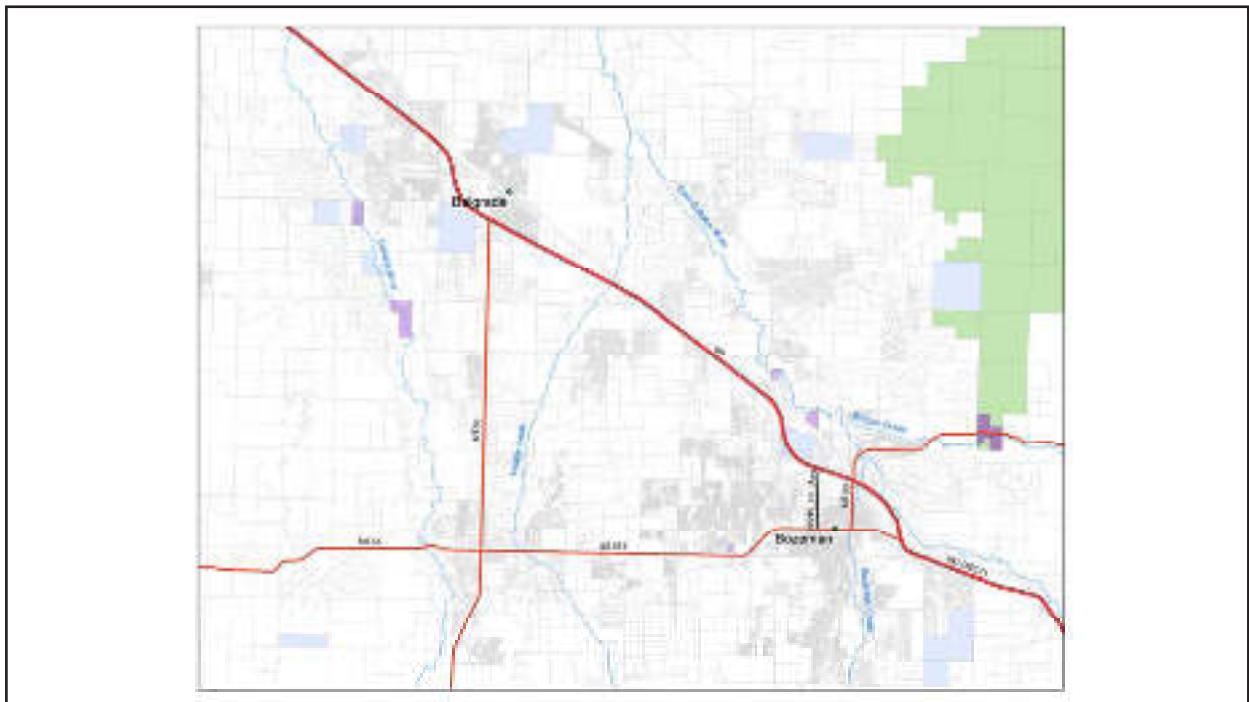
- Kingsbury, Thomas (January,2019).Gallatin Valley Sales Data Map.
- Kingsbury, Thomas (January, 2019). Gallatin Valley Price Per Sq. Ft. Map.
- The Montage Big Sky Resort
- <https://www.montagehotels.com/destinations/big-sky/>
- The Yellowstone Club Village
- <http://yellowstoneclub.com/new-offerings/the-village/>

All Market Data presented is retained in work file.

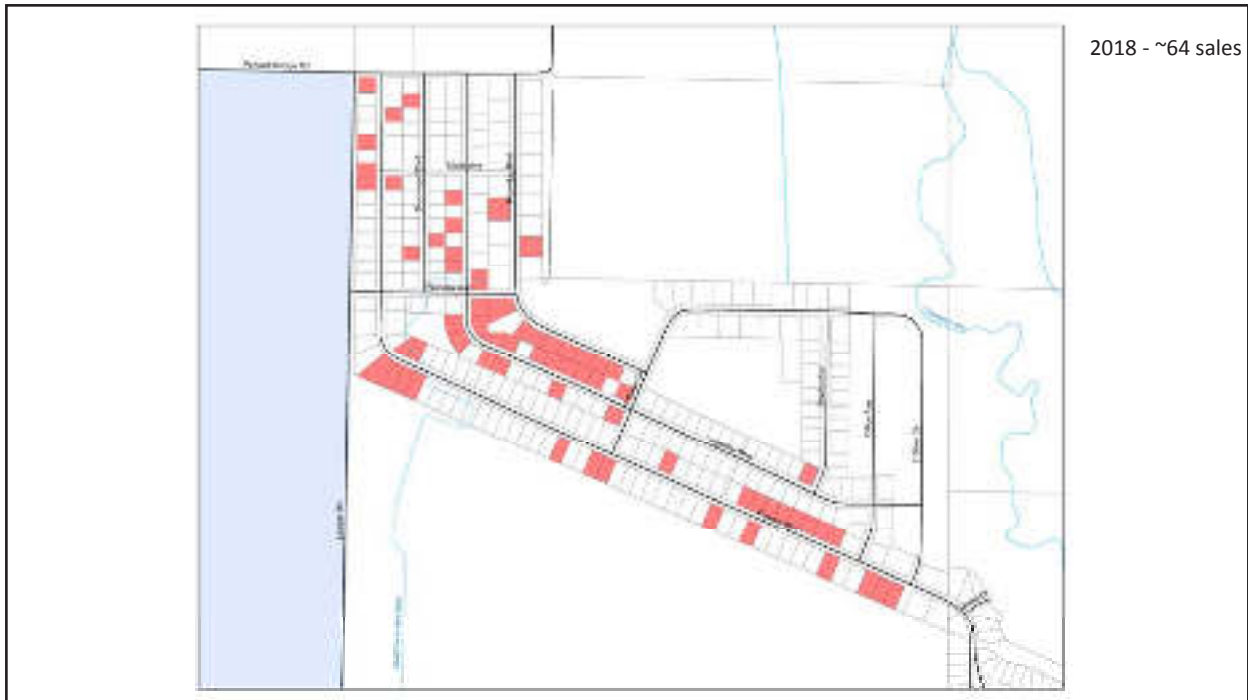
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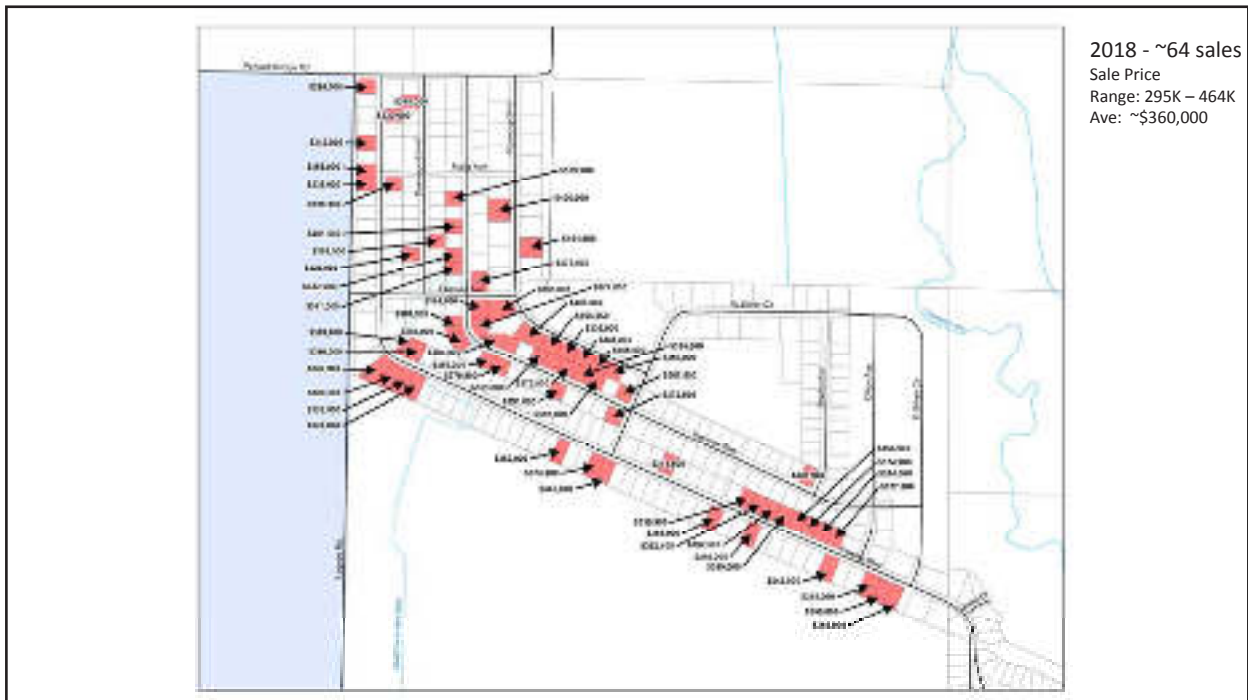


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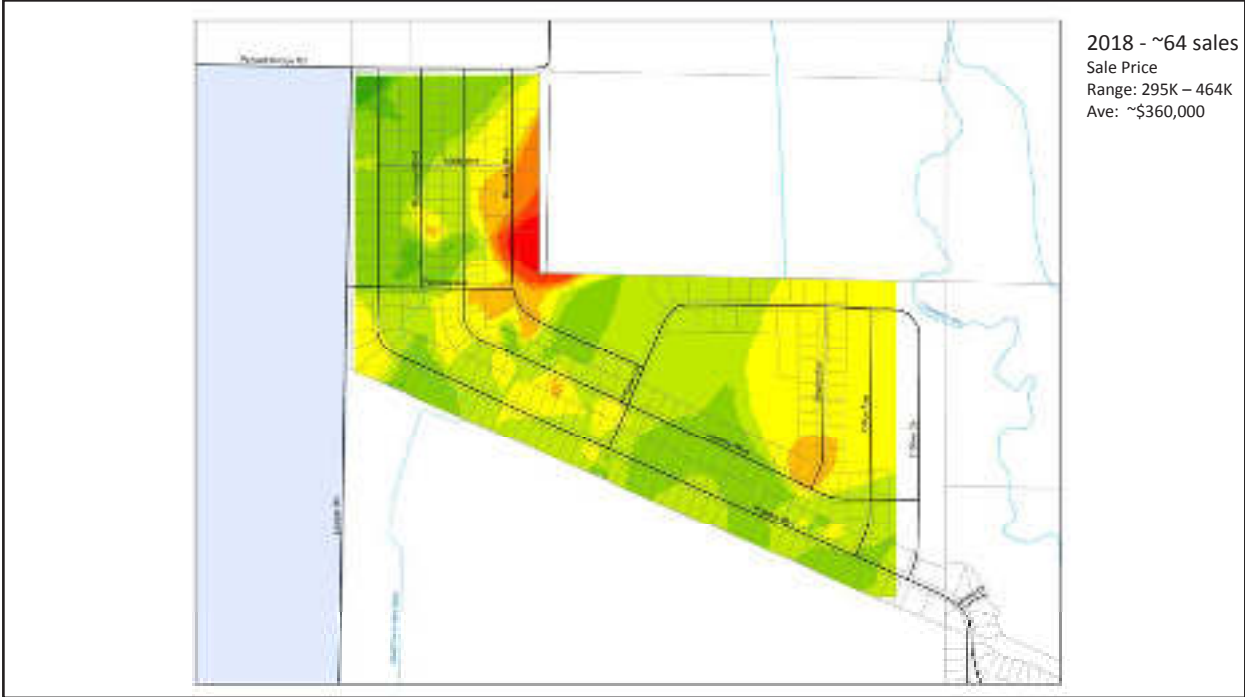
2018 - ~64 sales

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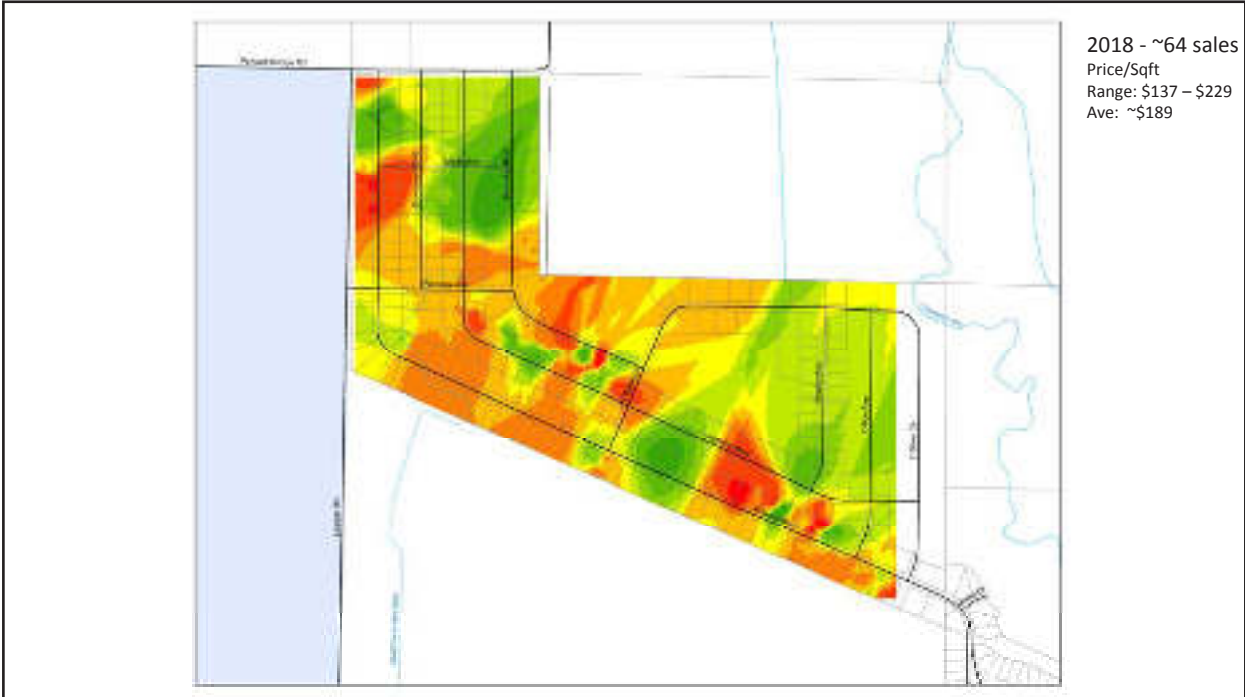


2018 - ~64 sales
Sale Price
Range: 295K - 464K
Ave: ~\$360,000

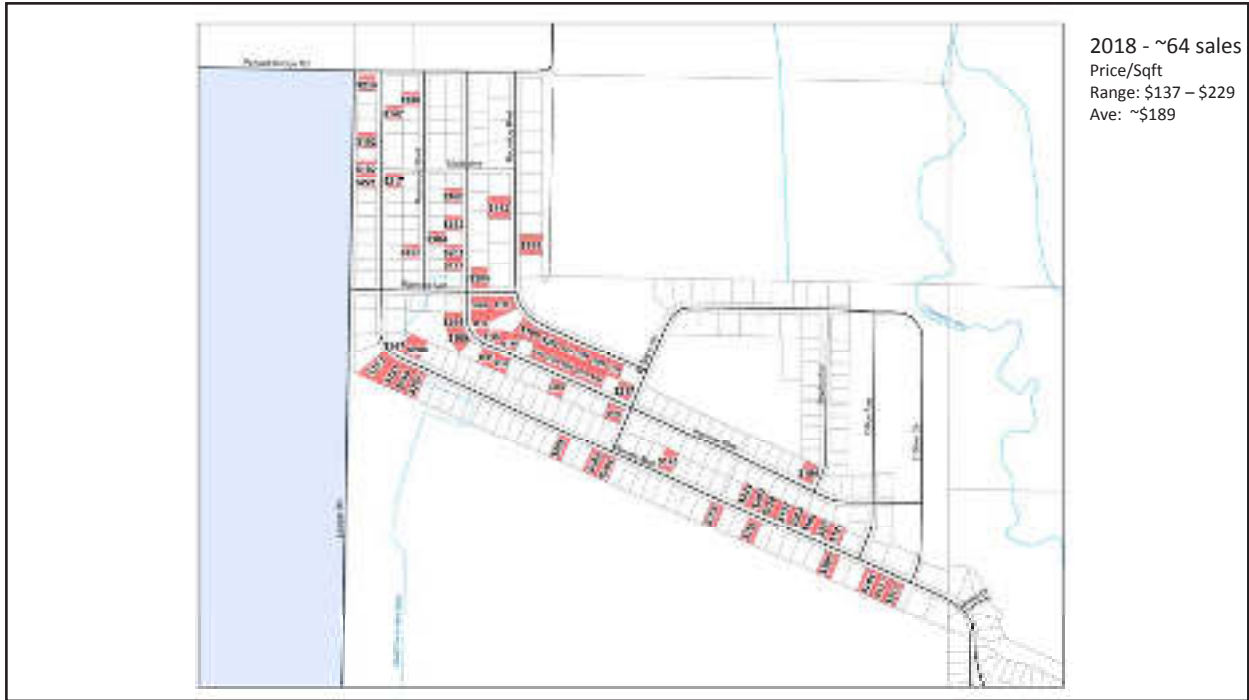
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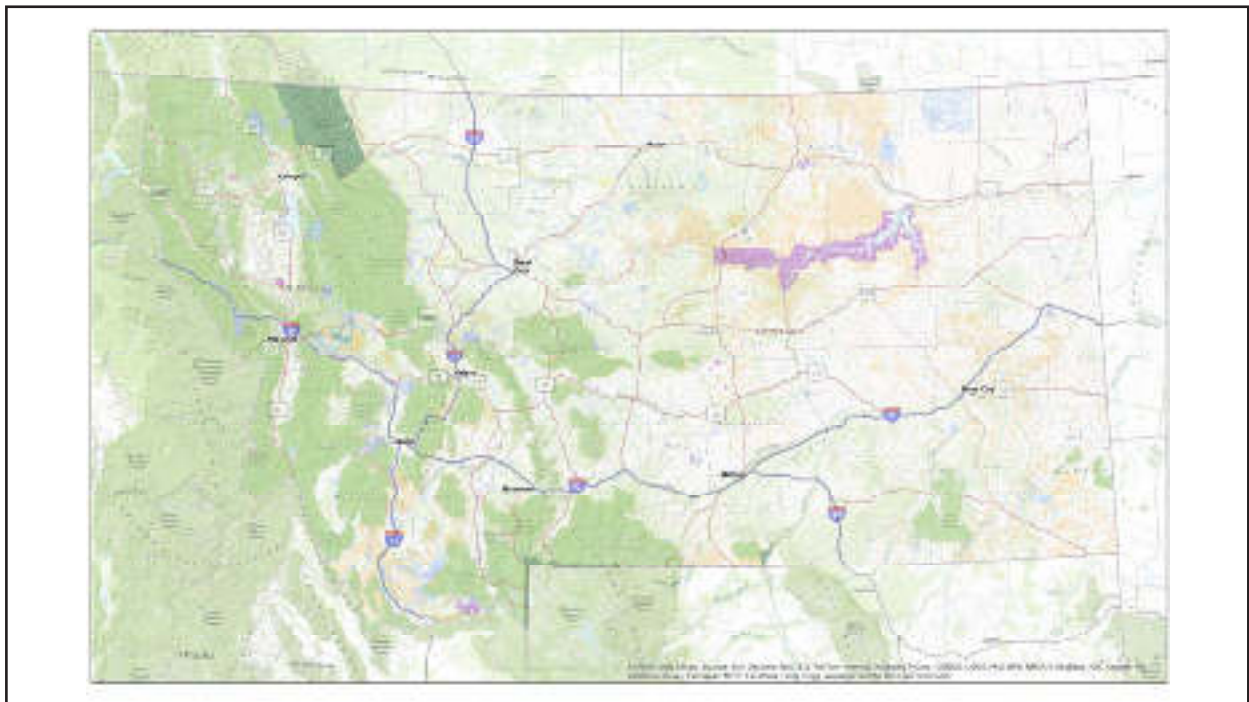
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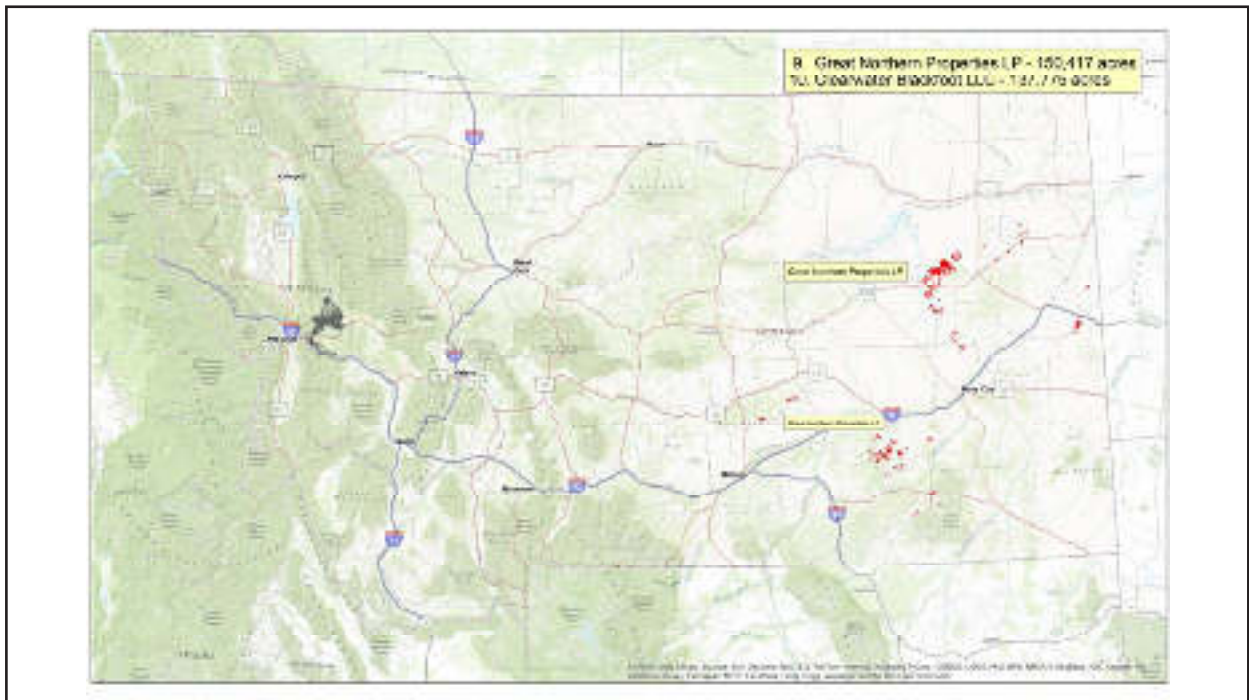
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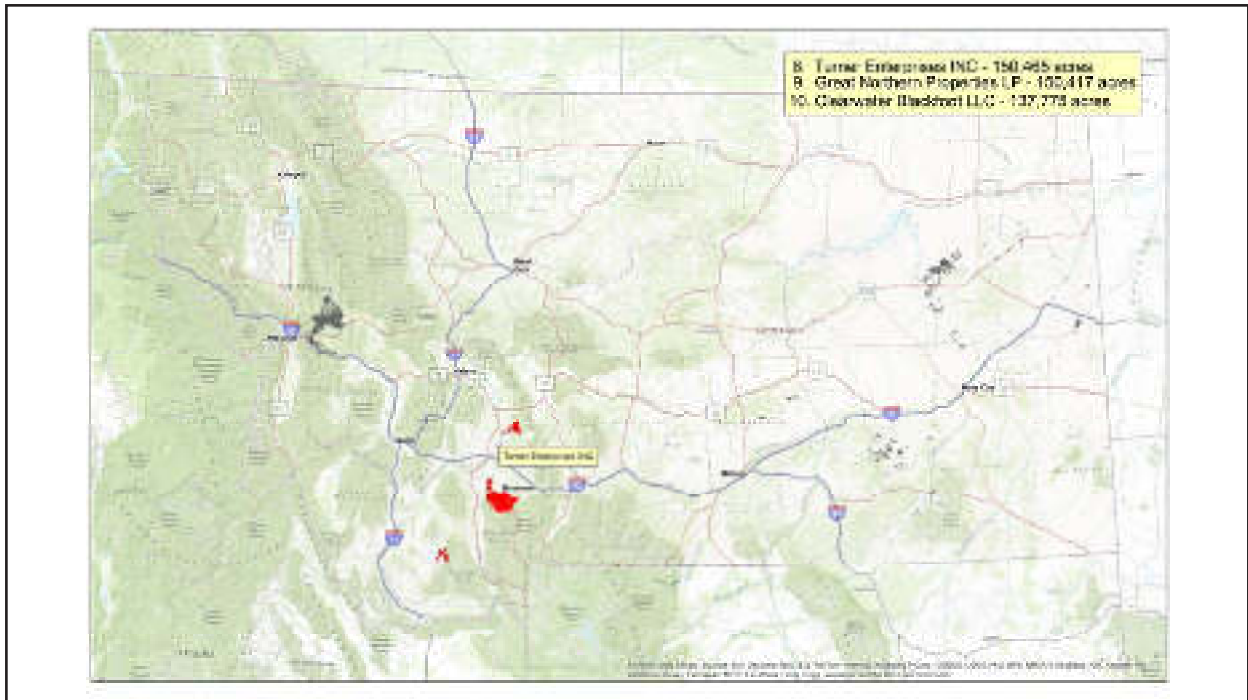
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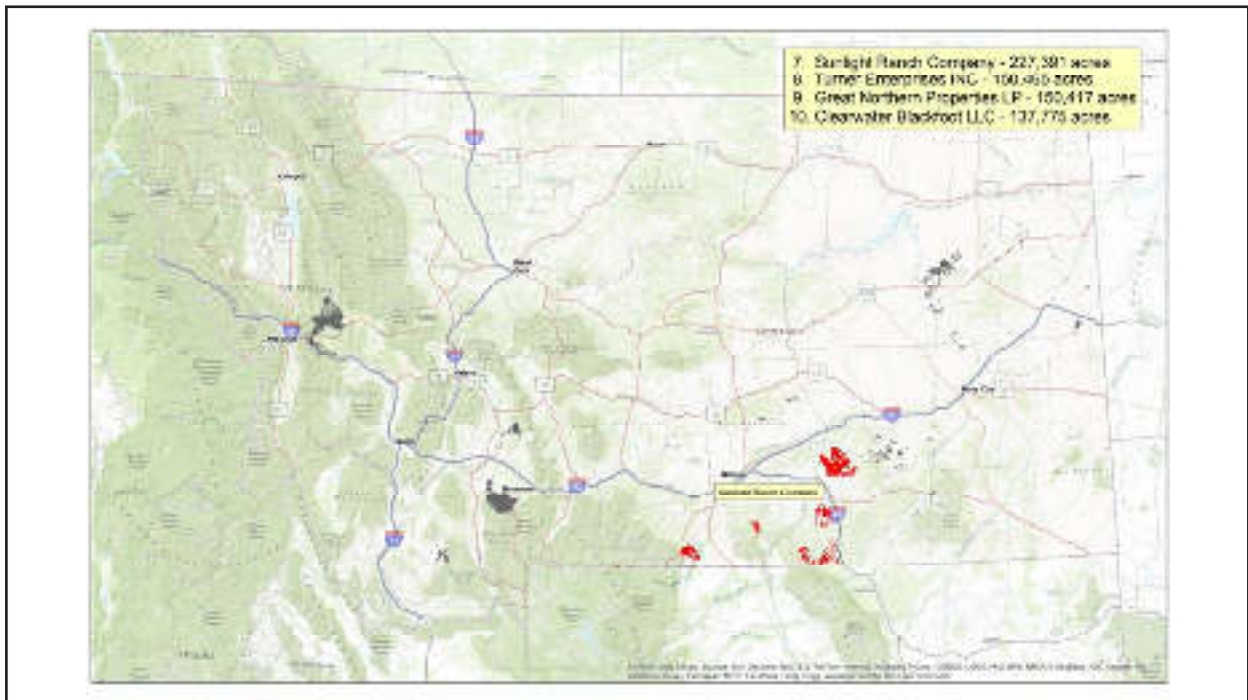
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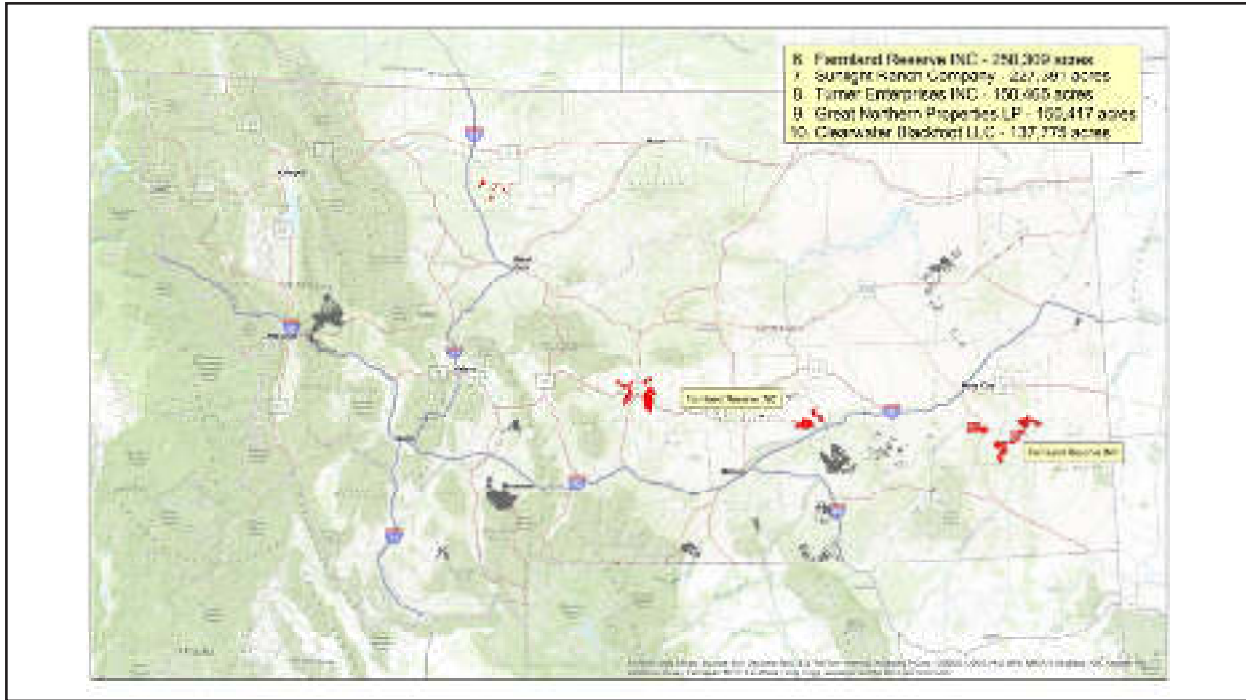
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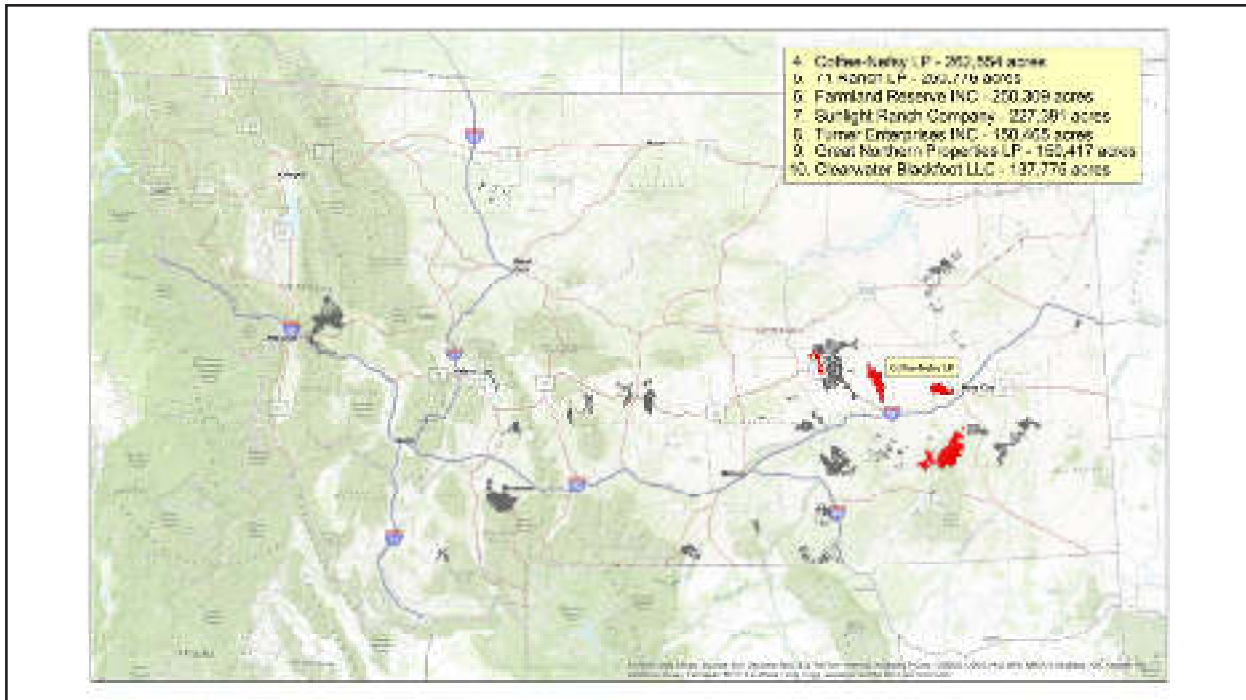
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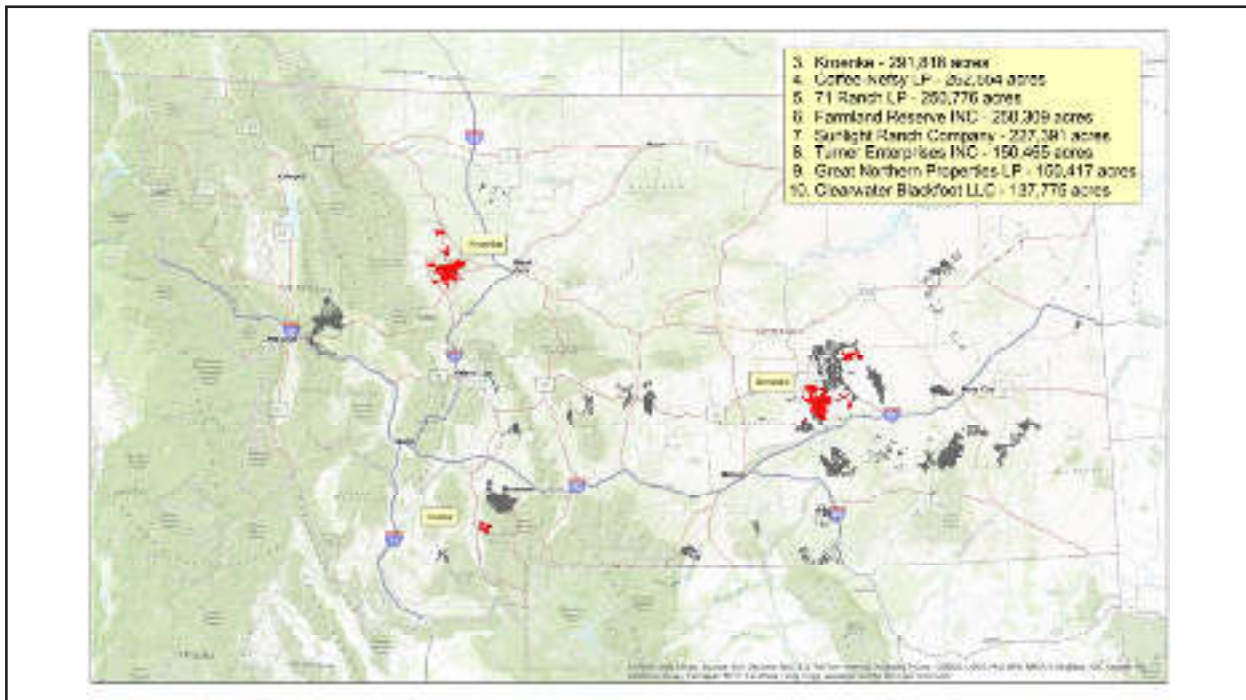
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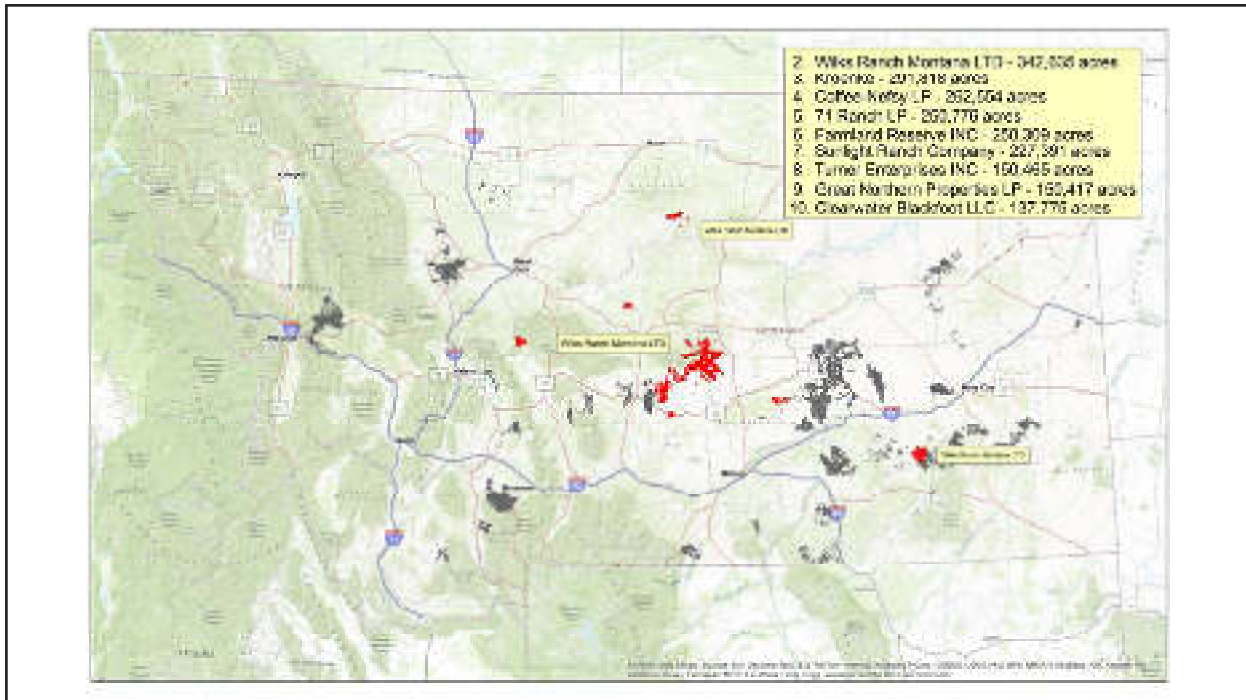
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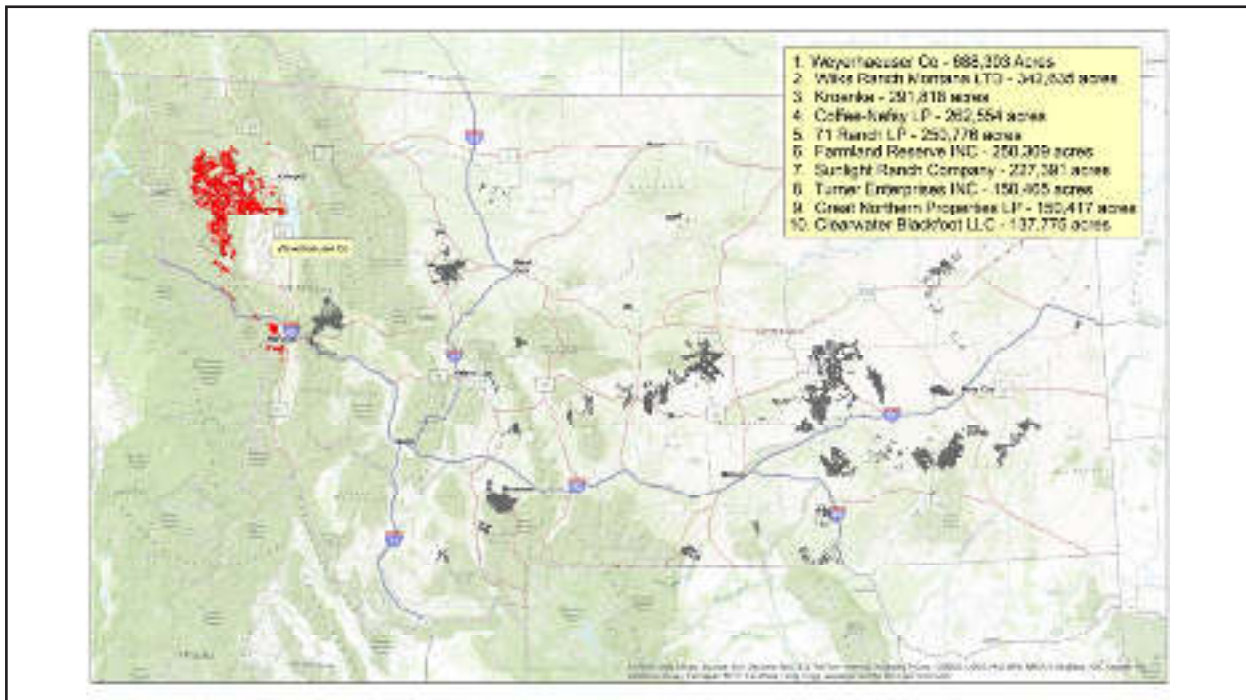
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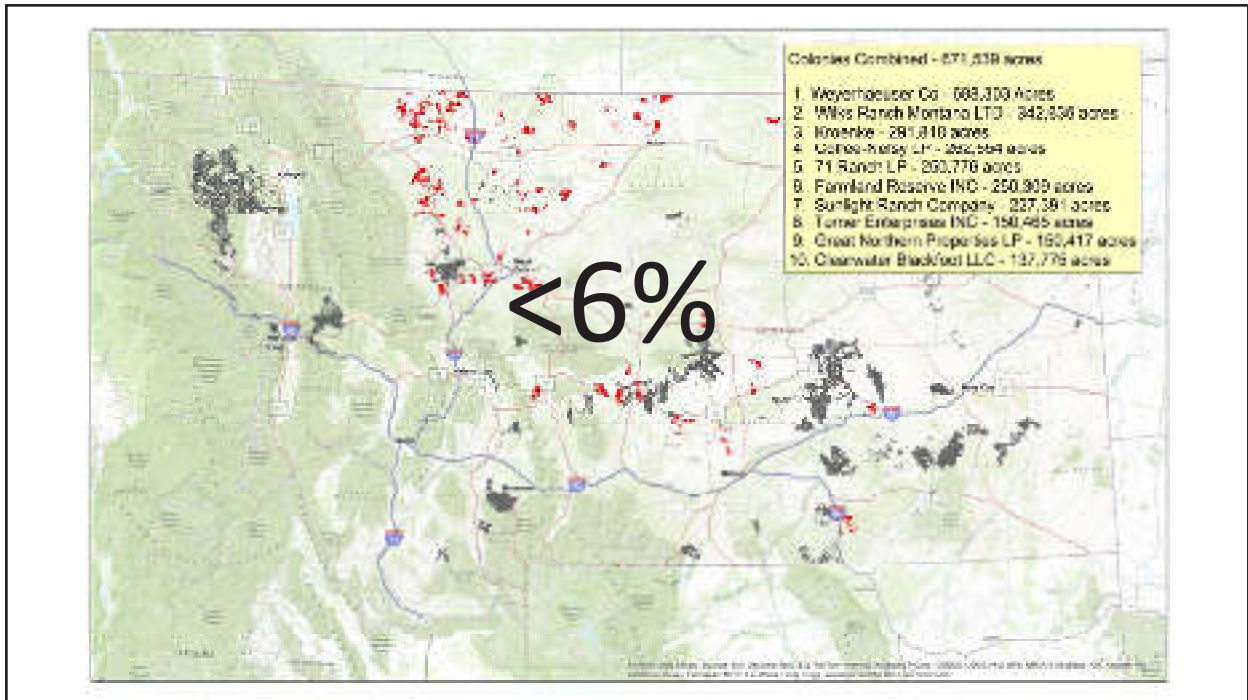
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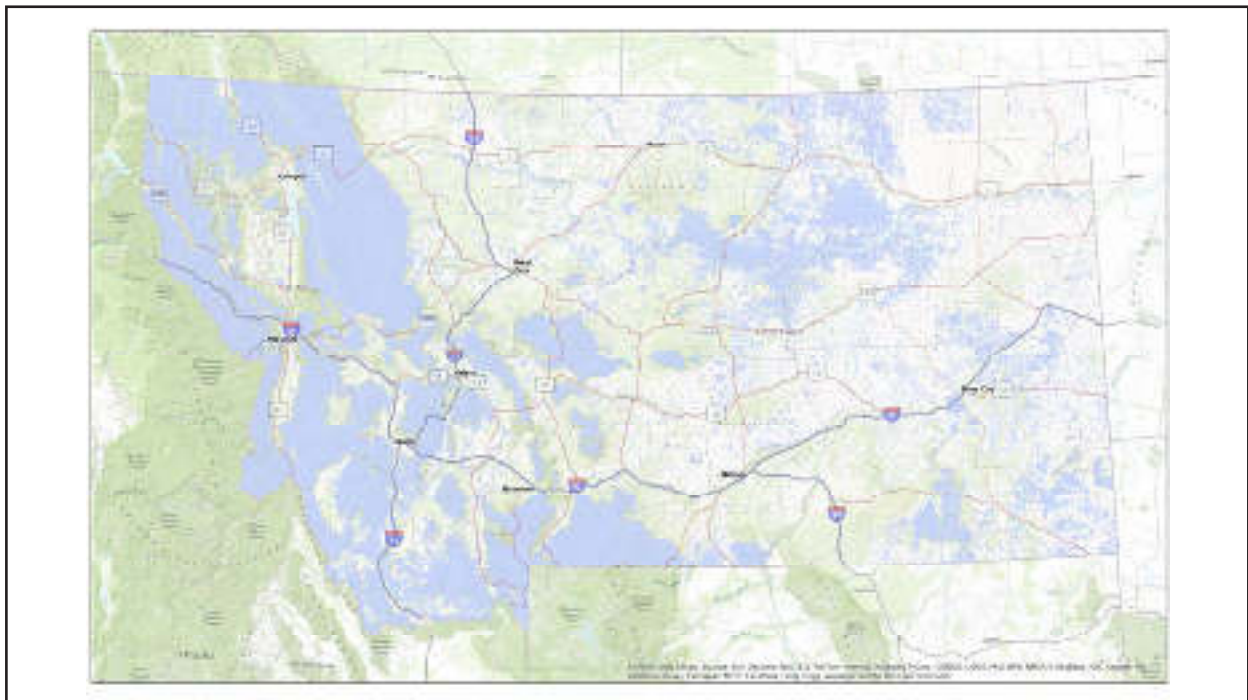
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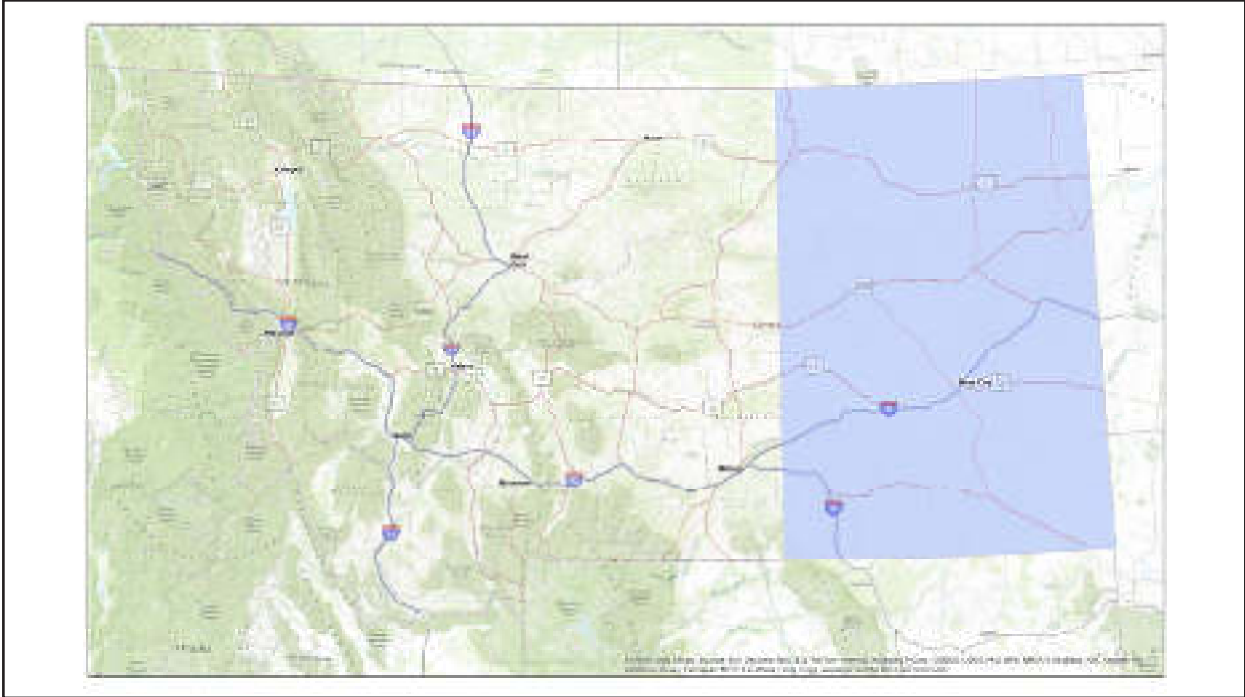
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- <1,000 acres - 415,000+
- >1,000 acres - 10,000+
- >5,000 acres - ~2,000
- >10,000 acres - ~670
- >20,000 acres - ~180
- >40,000 acres - ~50
- >80,000 acres - 15

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