

**THE BANK OF STAR VALLEY
STAR VALLEY ECONOMIC
AND
DEMOGRAPHIC REVIEW
August 2022**



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Summary

2022 has not been a year for the weak of heart. The year began with inflation at a high 7.0% but believed by many, including the Federal Reserve, to be temporary. Interest rates were low and accommodative with the discount rate at 0.0-0.25% and the 30-year mortgage at 3.27%. The Dow Jones Industrial average was at 36,799. COVID was believed to be moving past the pandemic crises into an endemic phase. The Federal Reserve announced it would begin raising the discount rate gradually beginning in March to address inflation concerns.

Then, the world began to unravel. Russia invaded Ukraine on February 24, and the western world was quick to impose sanctions. Oil prices, which were on the rise with the reopening of the world economy, spiked, going from \$76 per barrel at the beginning of the year and peaking at \$122 per barrel in June. The supply chain shortages, the increase in fuel costs, and the preceding unprecedented \$6.2 trillion dollar increase in money supply fueled by the Federal Government's stimulus and COVID relief bills all combined to push inflation to 40-year highs.

The big question is where the U.S. economy is now headed with all the headwinds. In today's highly politicized world it is difficult to even tell where the U.S. economy is at. The 1st quarter of 2022 experienced a Gross Domestic Product (GDP) decline of 1.6%, followed by another decline of 0.6% during the 2nd quarter. A commonly understood definition of recession is two consecutive quarters of negative GDP growth, and many have declared that the U.S. economy is currently in a recession, while others, including the White House, are refusing to do so.

The national unemployment rate is at 3.5%, likely below the natural rate of employment threshold. Demand for labor remains high relative to the available workforce with 0.5 unemployed persons per job opening. July 2022 has been the tightest labor supply reported by the Job Openings and Labor Turnover Survey (JOLTS) during the period from 2007 to July 2022. It is very unusual to be in a recession with such low unemployment rates.

A determining factor as to where the economy will likely go over the coming year rests in the hands of the Federal Reserve Bank (FED). While the inflation rate exhibited its first decline in 2022 since peaking at 9.1% in July, decreasing to 8.5% in August, it remains high and well above the FED target of 2.0%. The FED has raised the discount interest rate 2.25% so far in 2022, and the expectation is that interest rates will be raised even higher to achieve price stability. The FED is signaling that they are dedicated to reducing inflation, even at the cost of a recession. FED Chairman Jerome Powell just stated in Jackson Hole that ... "Restoring price stability will take some time and requires using our tools forcefully to bring demand and supply into better balance. Reducing inflation is likely to require a sustained period of below-trend growth. Moreover, there will very likely be some softening of labor market conditions. While higher interest rates, slower growth, and softer labor market conditions will bring down inflation, they will also bring some pain to households and businesses."

The market appears to believe Chairman Powell, and the FED's dedication to reduce inflation. The yield curve is now inverted with interest rate yields peaking at the 3-year bond then falling downward to the 30-yr bond. The 2-year to 10-year bond rate spread is negative, a historical and correlated indicator of an economic recession. Further, the University of Michigan Consumer Sentiment index is at a 22-year



low of 50 as of June 2022. This is a substantial drop from the 85.5 consumer sentiment rating seen a year ago in June 2021.

At the local level, unemployment is very low with labor shortages – help wanted ads and signs have become a new seemingly permanent fixture. Labor shortages are being compounded by the higher cost-of-living in the area, and particularly housing. Star Valley is proving to be an expensive place to live – with a general cost of living well above the Wyoming average and a lower per-capita income level.

The valley population is growing, contrary to most rural parts of the U.S., as in-migration continues. This population growth is a powerful economic driver as the larger population provides demand for increased goods and services and overall human capital is expanded. The positive demand is being seen as the area town's commercial centers see makeovers of store fronts and new business operations. At the same time, the population demographics are becoming more normal, relative to the U.S., with persons per household nearing national averages. Local businesses added jobs despite the labor shortage at a strong rate through the end of 2021 and into 2022.

Short of the national issues, the future of Star Valley remains bright. Star Valley's future social and economic well-being does require the need to address housing affordability issues. Housing and housing costs will likely act to limit future population and economic growth in the valley as people find that the area is unaffordable, and therefore, the work force becomes more constrained. However, Star Valley has historically had several very entrepreneurial individuals who have acted to solve and profit from current issues. It is felt that this entrepreneurial spirit is still strong in the valley, and that efforts will be made to use the free market to address current housing issues and in doing so, continue to provide for the economic growth of this great area which we call home.



A SPECIAL THANKS:

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Wyoming Department of Revenue
Wyoming Economic Analysis Division



This analysis was led by Ty Peck, Bank of Star Valley Intern, with assistance and input by Marcus Weber, Bank of Star Valley Sr. Vice President, and Rod Jensen, Bank of Star Valley President

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2022

STAR VALLEY

ECONOMIC and

DEMOGRAPHIC REVIEW

INTRODUCTION

The following document is The Bank of Star Valley's 2022 Economic and Demographic Review. The purpose of this review is to document relevant demographic and economic data of the Star Valley, Wyoming, and Idaho geographic area, which constitutes The Bank of Star Valley's Community Reinvestment Act market.

The Bank of Star Valley is dedicated to serving the northern half of Lincoln County, Wyoming, and the Star Valley areas of Caribou and Bonneville Idaho Counties. This report reviews general demographic dynamics, employment, income levels, cost-of-living considerations, national and state economic trends, as well as real estate market trends.

The Bank shares this report with the public by posting the report on the Bank's website, www.bosv.com. Readers should exercise care in relying upon the findings of this report, as they may reflect unintended biases and potential misinterpretation of the data by the authors. A regional economic study, due to the complexity of the subject and its infinite scenarios, is by its very nature limited in scope.

The Bank of Star Valley retains ownership of this document including the data and analysis contained herein.

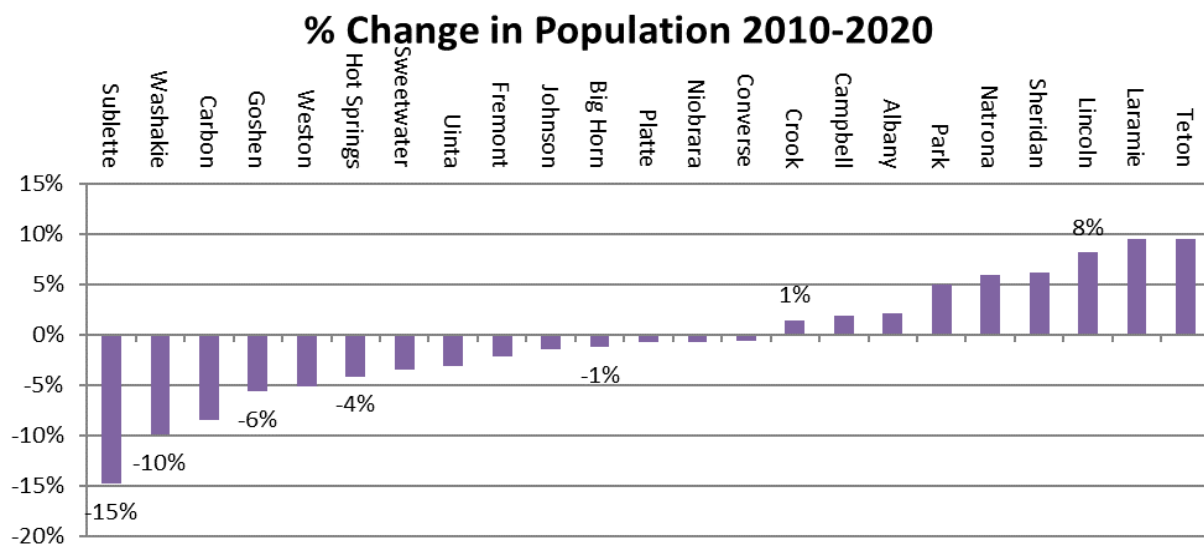
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POPULATION

Based upon the 2020 U.S. Census, during the period of 2011 to 2020 Wyoming’s population grew by 11,579 people for an average growth rate of 2%. This growth rate made Wyoming the nineteenth-slowest growing state during this past decade. For comparison, the national average growth rate from 2011 to 2021 was 6.1%. In contrast, Wyoming’s Mountain West neighbors Utah, Idaho, Colorado, and Montana were among the fastest growing states. According to Wyoming Division of Economic Analysis Wyoming’s population growth could have been twice as large if younger workers remained in the state.

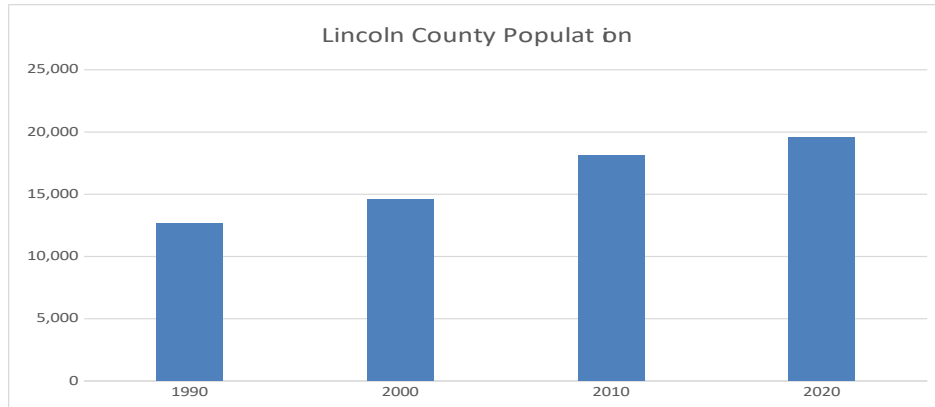
Over the past decade 72,000 babies were born in Wyoming, far surpassing the 47,000 people that died. Instead of adding another 25,000 people through natural growth, Wyoming only added 13,225 people. Indicating that many people left the state for greener pastures. Most of the outmigration was led by downturns in energy industry. Wyoming’s millennial population, those people between 25 and 40 years old, decreased by about 7,700 during the second half of the decade. However, the census was taken before the full impact of COVID could be realized and many Wyoming communities noticed an influx of refugees fleeing to Wyoming from crowded states like California.

As can be seen below, population changes were not uniform throughout the state. The graph below shows the population change of Wyoming counties from 2010 to 2020. Sublette, Washakie, and Carbon counties experienced population losses of 15%, 10%, and 8% respectively, clearly reflecting the impact of the downturn in the energy sector. Teton and Laramie counties lead the state with 10% population growth. Lincoln county was the third fastest growing county at 8%.



Source: State of Wyoming Department of Administration and Information Economic Analysis Division

Lincoln County was a leader within the State of Wyoming in percentage population growth – at 2.4% for 2021. The large share of that growth has been happening in Star Valley. The following graph exhibits steady population growth over the past four decades.

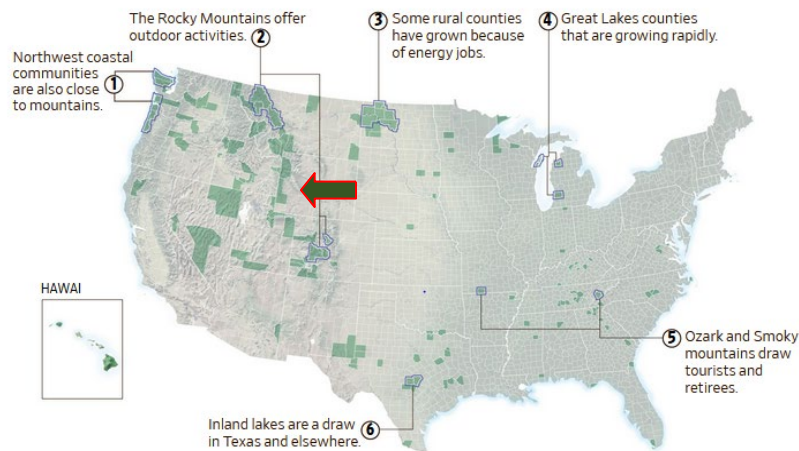


Source: State of Wyoming Department of Administration and Information Economic Analysis Division

The *Wall Street Journal* released an article on May 8, 2022, entitled “They Came, They Hiked, They Stayed.” The article noted that for a very few select rural counties, “retirees are helping swell the populations and these counties are adding residents at a faster clip than the U.S. overall”. The article had a map, which is shown below, and in which the highlighted region of Lincoln and Teton Wyoming as well as Teton Idaho, clearly stood out – as did a few other counties along the Rocky Mountain range.

Where Rural America Is Growing

■ Fastest-growing rural counties



Note: Map highlights rural counties that grew faster than the national average 2010-2020. Excludes Alaska.
Source: U.S. Census Bureau
Camille Bressange/THE WALL STREET JOURNAL

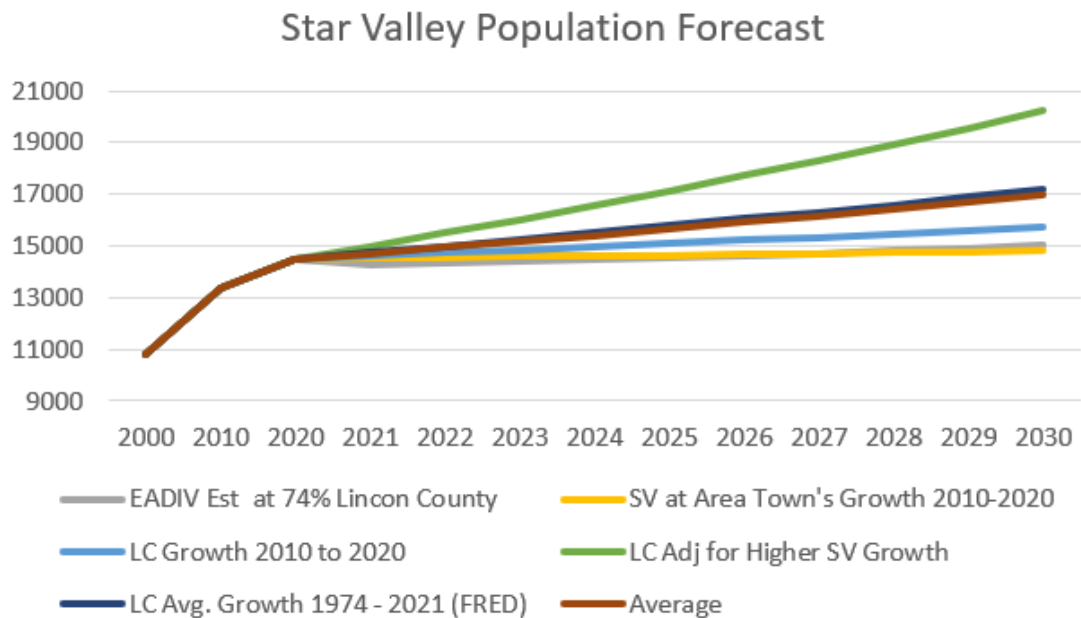


Given the growing political uncertainty in the U.S., and the perceived need for security and safety, compounded by the amenities provided by thousands of acres of national forest, Star Valley will continue to grow in population.

STAR VALLEY POPULATION GROWTH

Below is a graph representing the Bank’s forecast for Star Valley’s population. The graph shows differing relevant growth rates. The respective growth rate models are based upon:

- Lincoln County population growth from 2010 to 2020. The most recent census data for 20 years of Star Valley historical growth at an average annual growth rate of 1.7%.
- Star Valley at the average of area municipality growth rates from 2010 to 2020. This represents a low forecast as most of the population growth is outside of the municipal areas. The rate is 0.22% annually.
- Lincoln County growth from 2010 to 2020. This rate is using Lincoln Counties average growth rate adjusted for an approximation of the growth in the Star Valley population. This is shown as a lower-than-average rate due to a decreased in population in non-Star Valley areas of the of the county so undercounts the higher growth rate within Star Valley. The rate is 0.82% annually.
- Lincoln County adjusted for the higher growth rate in Star Valley and the declining population in non-Star Valley areas. This growth rate is 3.40% and represent the high end of the projected growth.
- The average of the above 4 respective models, which is felt by the authors to be the most realistic long-term projection of population growth.



Based upon this model, current Star Valley population is estimated to currently be approximately 15,000 individuals. All indicators point to continued population growth and will likely be in the range of 17,000 to 20,000 by 2030. The small valley will continue to become



more crowded, but at the same time economic activity will expand to serve the growing population providing more retail and service options to the area.

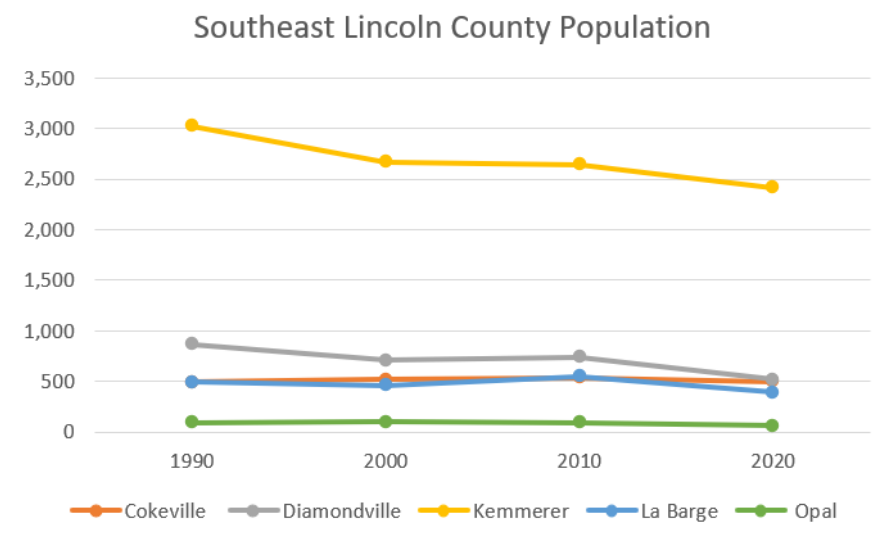
The question is, “Where is this growth coming from.” Below is a breakdown of the average annual components of population change for Lincoln County from 2000 to 2020.

| Percent of Average Annual Population Growth, 2000-2020 | |
|--|-------|
| Natural Change | 51.3% |
| Net Migration | 46.6% |
| Residual | 2.1% |

Source: Headwaters Economics, A Profile of Socioeconomic Trends

While Lincoln County is bucking the national trend of decreasing rural populations by providing a strong natural rate of growth, it is also seeing substantial growth from migration. This large migration may act to stress the traditional culture as new people with new ideas and expectation move into the area.

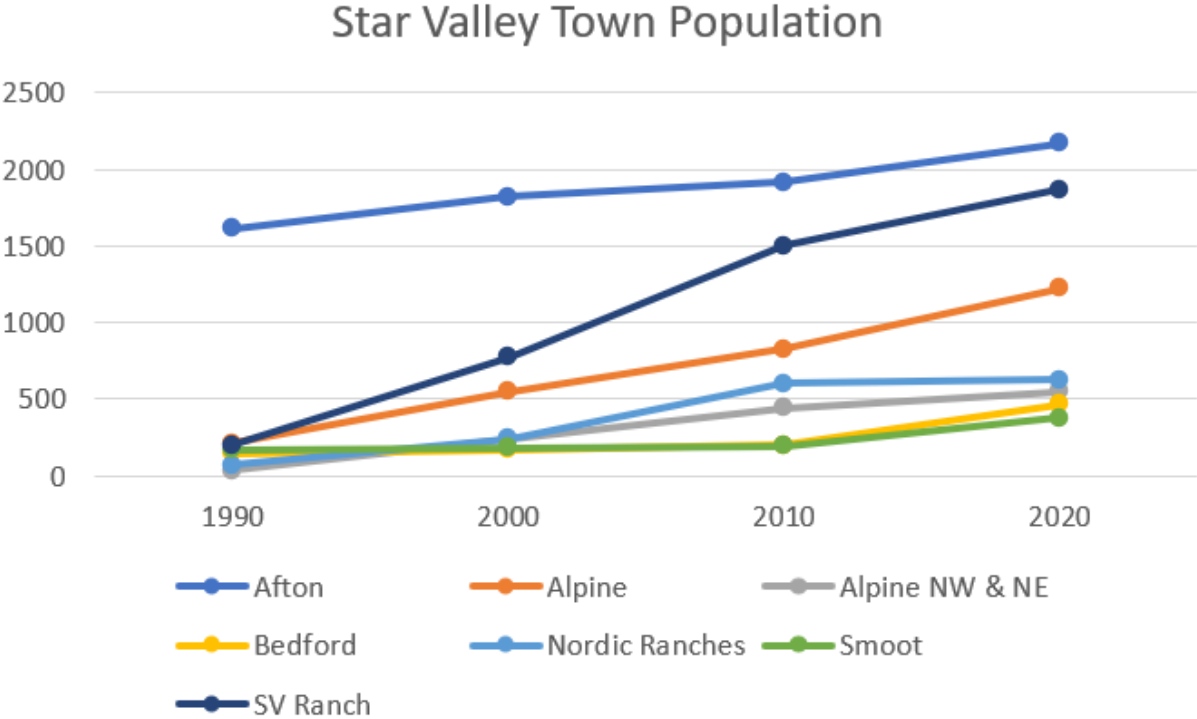
Lincoln County is geographically and economically divided into the two sections, Southern and Northern Lincoln County. Southern Lincoln County consists of Kemmerer, Diamondville, Cokeville and the surrounding areas. Northern Lincoln County consists of Star Valley. These two sections have experienced very different economic and population changes over time. As can be seen below, town populations in Southern Lincoln County have remained stagnant or steadily decreased over the past four decades. Much of this decline can be directly attributed to coal production and mineral extraction challenges. However, with the siting of the TerraPower nuclear plant and other emerging activity, such as Tri Site and Rain Fire, this trend may reverse in the coming years.



Source: U.S. Census Bureau



As discussed previously, Northern Lincoln County has experienced strong population growth. Below is a graph of geographical areas within Star Valley. All the areas are increasing in population. If Star Valley Ranch continues its rapid growth, its population may exceed Afton's by the next census, making it the largest municipality in Star Valley.

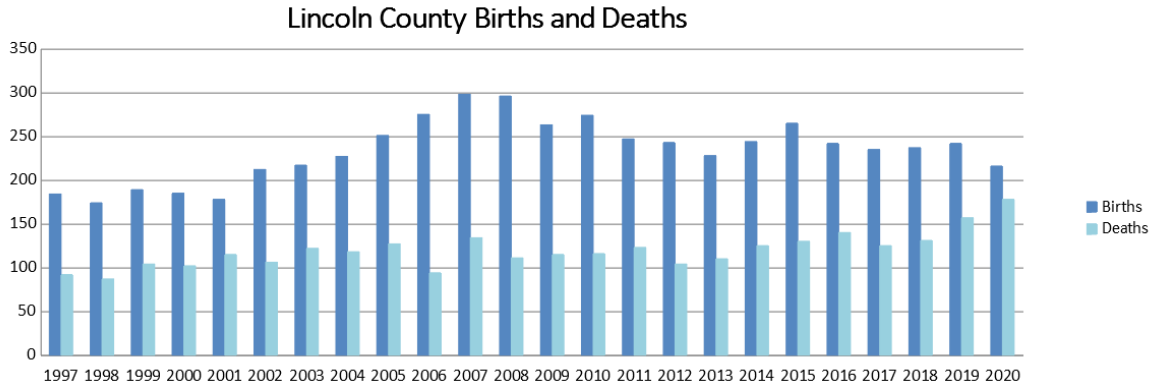


Source: U.S. Census Bureau

POPULATION COMPOSITION

According to the Wyoming Department of Health, there was an increase in both the number of births and deaths in Lincoln County in 2020 (which is the most recent data available). The total number of deaths was 157, and the number of births was 242; an increase of 21 deaths and decrease in 26 births from 2019. The trend of births and deaths between the years of 1997 to 2020 is shown below.



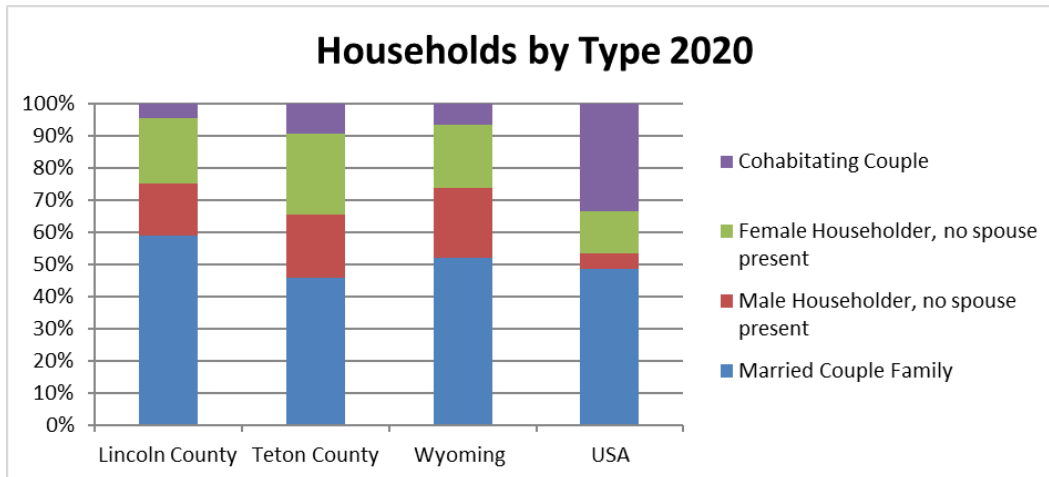


Source: Wyoming Department of Health

The importance of the above graph is its reflection of the composition of the population. While COVID-19 likely skewed the death statistics upward in 2020, the increase in deaths over the period of 2018 to 2020 indicates a growing elderly population.

HOUSEHOLDS BY DEMOGRAPHIC

Both SuburbanStats.org and the U.S. Census Bureau perform an estimate of the population by household types. They estimate the number of family, or two parent-led homes, single parent homes, and non-family households. Below is a comparison of the family types for the United States (U.S. Census Bureau), Wyoming (SuburbanStats.org), Teton County (SuburbanStates.org), and Lincoln County (SuburbanStates.org) for 2020 – the most recent information.



Source: U.S. Census Bureau and SuburbanStats.org



A demographic strength of Lincoln County remains its higher percentage of households with the individuals living as married couples (59% of households relative to 51.9% for Wyoming and 48.4% for the U.S.). These households, with the strength of two individuals to cover the household duties and earning responsibilities are much less likely to be in a poverty situation. Interestingly, the married couple’s percentage for Lincoln County has fallen from 65.3% in 2015 to the current 59%, while the U.S. married couple’s percentage has fallen from 50.0% to 48.4% during the same period. Lincoln County is appearing to trend toward national household type averages.

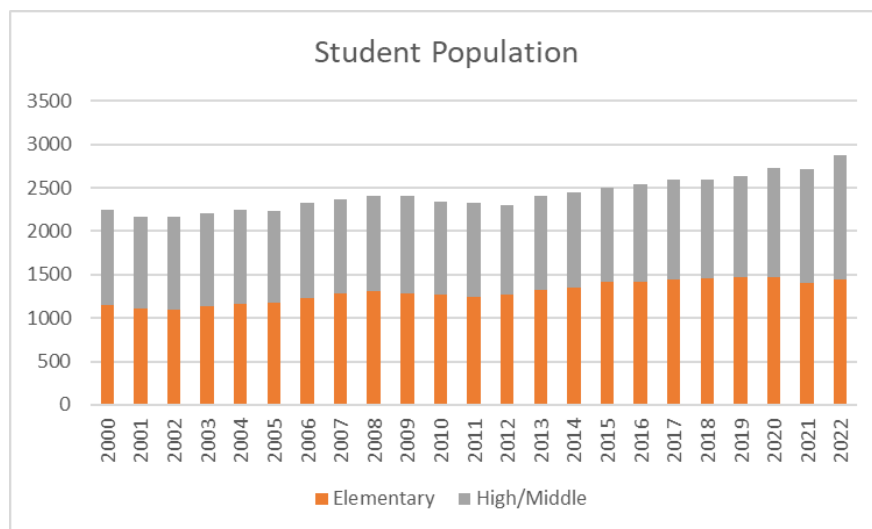
The persons per household, as of the 2020 census is shown below for the area, state, and nation.

| Persons per Household | |
|-----------------------|------|
| 2020 U.S. Census | |
| U.S. | 2.60 |
| Wyoming | 2.43 |
| Lincoln | 2.66 |
| Teton | 2.22 |
| Sublette | 2.77 |

Lincoln County is also trending toward the national rate of persons per household. At one time Lincoln County was a high outlier in this metric. At the same time, Lincoln County household size remains large relative to Wyoming and Teton County.

EDUCATION

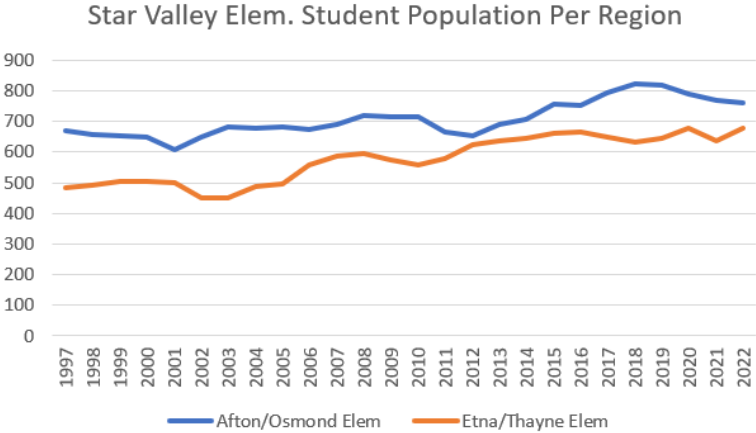
Since 2012 there has been growth in student population, with 2022 having the highest student enrollment Lincoln County School District # 2, with 2,870 students. The 2022 beginning year student population showed a large increase in 156 students over 2021 enrollment.



Source: Lincoln County School District #2

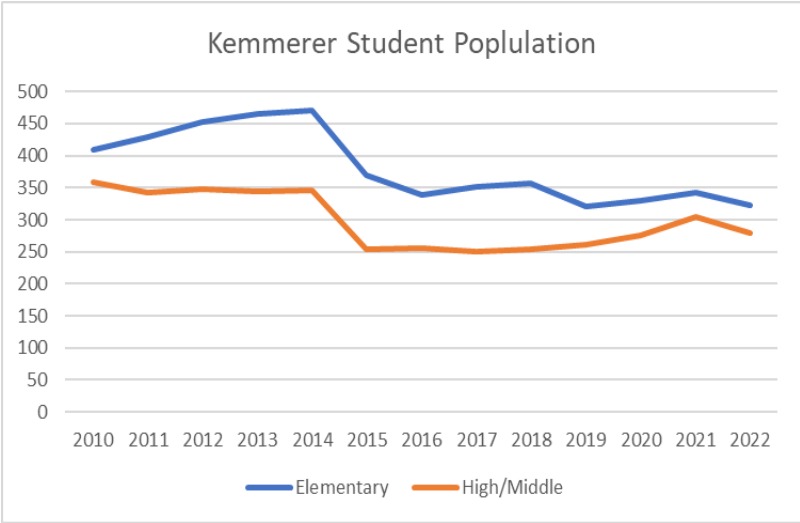


Elementary school enrollment provides a reliable source to determine the general area within Star Valley where the households with children reside (assuming constant household size exists throughout Star Valley). This metric is illustrated by comparing the number of elementary students attending schools in the upper and lower valley areas – both of which have elementary (K – 6 grade) schools. Enrollment in the upper valley schools increased by 113 to 903 students. Student enrollment in the lower valley schools also increased by 43 to 678. This indicates family growth in all of Star Valley, but families with children still tend to live in the upper valley. That said, the spread between the two areas is closing.



Source: Lincoln County School District #2

Since 2015, the Kemmerer student population has remained relatively flat. In 2015 Kemmerer middle school was closed and combined with the high school. In fall 2020 Kemmerer elementary school closed and combined with Canyon elementary in Kemmerer. Below is a chart of the student population from 2010 to 2022.



Source: Lincoln County School District #1



The level of educational attainment, which is an indication of the productive quality of human capital, is an important economic growth indicator. According to the 2020 data, Lincoln County has more high school graduates relative to the United States. However, Lincoln County has the lowest percentage of college graduates compared to the nation, the state, and Teton County as depicted in the table below.

| Educational attainment | Lincoln County | Teton County | Wyoming | United States |
|--------------------------------|----------------|--------------|---------|---------------|
| High School Graduate or Higher | 92.90% | 94.70% | 93.60% | 88.50% |
| Bachelor's Degree or Higher | 22.30% | 55.10% | 28.20% | 32.90% |

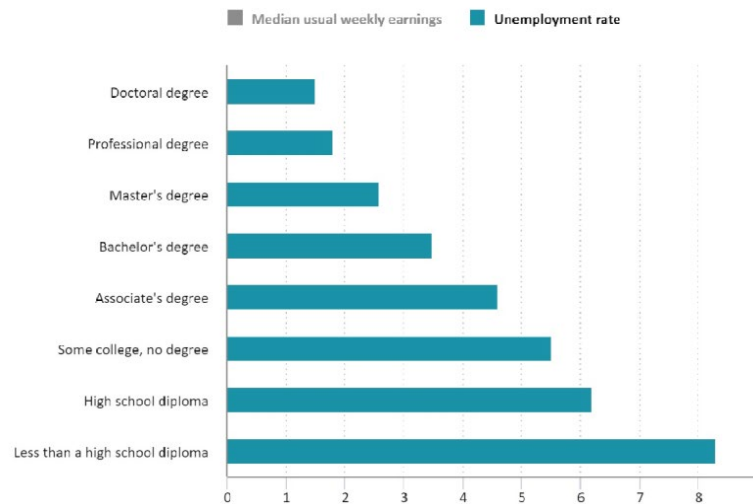
Source: U.S. Census Bureau

The relatively low percentage of individuals in Star Valley holding a bachelor’s degree or higher is concerning because statistics clearly indicate that higher levels of education are strongly correlated with lower unemployment and higher income levels. But the demand for higher educational degrees related employment opportunities is lower in Star Valley than in more densely populated urban areas. As a result, many Star Valley High School graduates leave Star Valley soon after graduating to pursue educational and employment opportunities elsewhere. A lack of white-collar employment opportunities prevents many of these quality people from returning.

The graphs below, provided by the U.S. Bureau of Labor Statistics, shows the correlation between higher education, greater earnings, and lower unemployment rates for 2021.

Earnings and unemployment rates by educational attainment, 2021

Click legend items to change data display

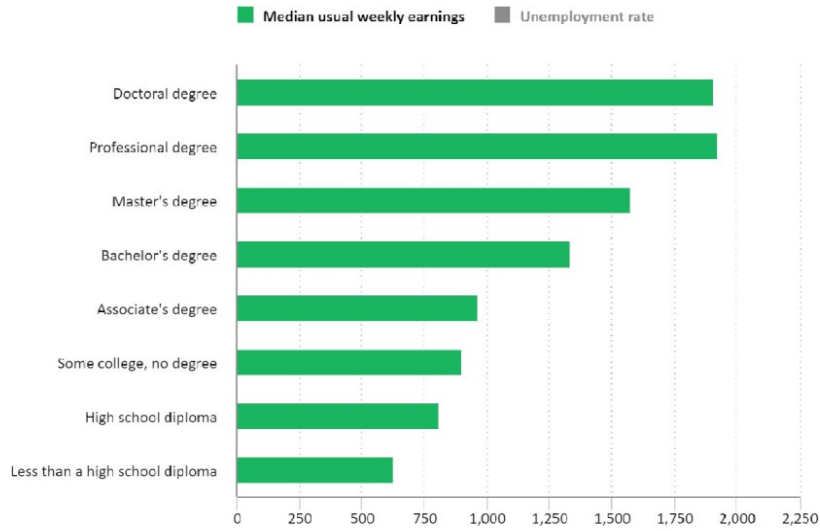


Note: Data are for persons age 25 and over. Earnings are for full-time wage and salary workers. Source: U.S. Bureau of Labor Statistics, Current Population Survey.



Earnings and unemployment rates by educational attainment, 2021

Click legend items to change data display



Note: Data are for persons age 25 and over. Earnings are for full-time wage and salary workers.
Source: U.S. Bureau of Labor Statistics, Current Population Survey.

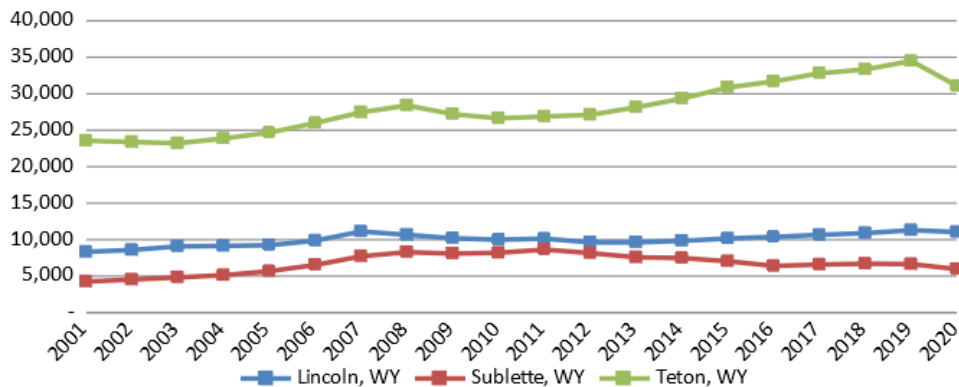


Source: U.S. Bureau of Labor Statistics

EMPLOYMENT AND WAGES

The U.S. Department of Commerce provides information on the labor market for each county in the United States. The labor force is a count of both full-time and part-time employment for wage/salary employment as well as proprietors' employment for an area. However, this is lagging data and the most current information as of this report ends with year 2020. That said, this information remains relevant as it exhibits employment changes over time. Note that the labor market may include jobs for which a person residing in another area fills. The graph below shows the total employment trend for Lincoln, Teton, and Sublette counties.

Total Employment (number of jobs)

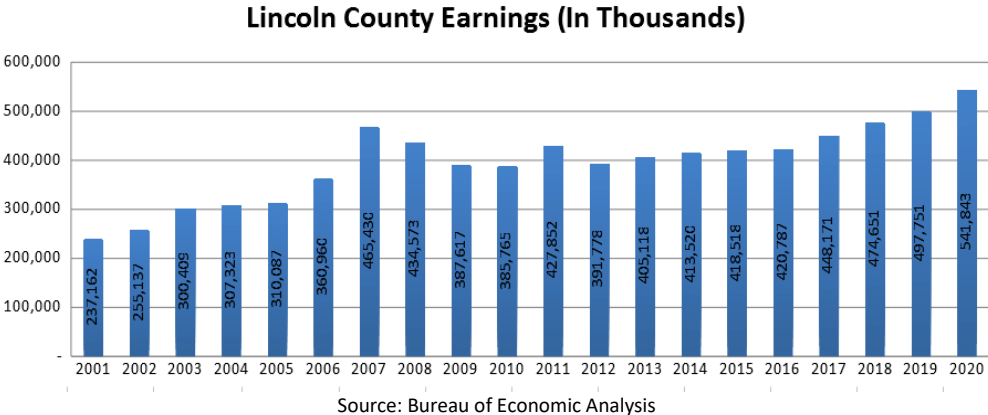


Source: Bureau of Economic Analysis



Lincoln County’s labor force increased to 11,296 in 2020, surpassing 2007 levels of 11,116. The labor force in 2019 represents the most participants ever in Lincoln County as 2020 showed a decrease of 254. Sublette County experienced a decrease in employment with 5,955 jobs in 2020 down from 6,642 jobs. Teton County, a tourism and recreational based economy, with a large impact on Star Valley, experienced a large decrease in jobs during the pandemic as the pandemic lead to closure of much of the Jackson motel and retail sector. Teton County saw the pandemic related job decrease going from 34,492 jobs in 2019 to 31,040 in 2020. However, as tourism as returned, with visitations to Yellowstone at new peak levels, it is expected that Teton County jobs will likely be reaching new highs in 2021 through 2022.

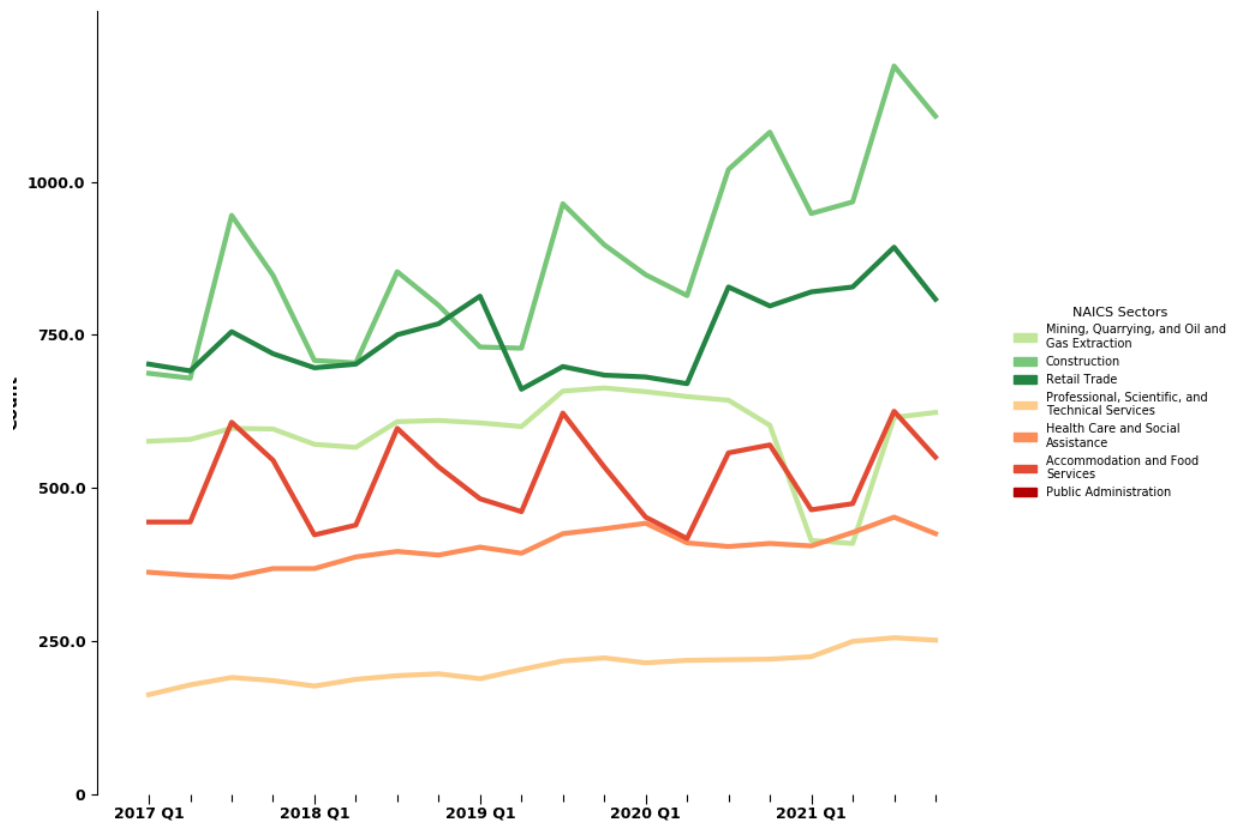
The chart below exhibits Lincoln County gross employment earnings for the last 20 years. Earnings set another all-time high in 2020 at \$541,843,000. Upward growth in employment earnings is a positive indicator.



EARNINGS BY INDUSTRY

The following chart shows earnings by industry for Lincoln County. The most current data from 2020 is compared to the pre-great recession data of 2007. The largest change in earnings is in the construction industry. Although construction earnings experienced a large decline after the Great Recession, it remains one of the largest industries in Lincoln County. Similarly, almost all other industries, except government and construction, have reached or surpassed their 2007 levels, including, mining and gas extraction.





Source: Bureau of Economic Analysis

PER CAPITA INCOME

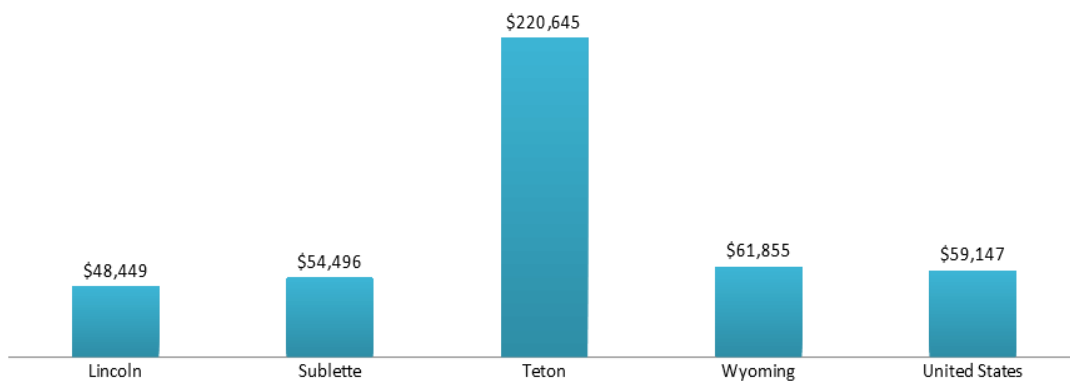
Per capita income is calculated by dividing total area income by total population. This key economic indicator allocates aggregate income into a per-individual (capita) basis. Per capita income is often used as a high-level indicator of overall economic health and a potential measure of the quality of life within an area.

The most recent statistics at the county level are for 2020. Using this data, the chart below compares the 2020 per capita incomes of Lincoln, Teton, Sublette Counties, the State of Wyoming, and the United States. As has been the fact for over 20 years now, Teton County's per capita income is significantly higher than that of the surrounding areas and the nation. However, this is a difficult comparison as Teton County, Wyoming has the highest concentration of wealth per household than any other county in the nation. (Wyoming Public Media, Jan. 25, 2022).

Aside from the Teton County outlier, the other areas report per capita income between \$54,850 and \$61,855. Unfortunately, Lincoln County has the lowest reported per capita income at \$48,449.

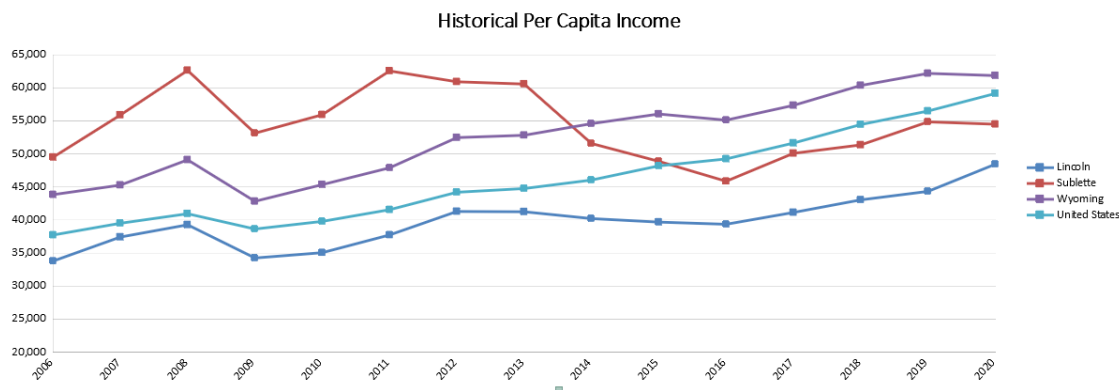
Lincoln County per capital income improved by seeing an increase of \$4,118 over 2019. However, the gap between Lincoln County and Sublette County sits at \$6,047. This may mean that the surrounding areas not only have higher per capita income, but their wages and other sources of income relative to population size may also growing at a faster rate. Lincoln County per capital income is also impacted by larger family size.

2020 Per Capita Income



Source: Bureau of Economic Analysis

Historically, based on per capita income, Lincoln County has trailed the neighboring counties, the State of Wyoming, and the United States as is indicated in the following graph. Indicating that on average, Lincoln County residents have less spending power on an individual resident basis than the people in neighboring counties, the state, or the nation.

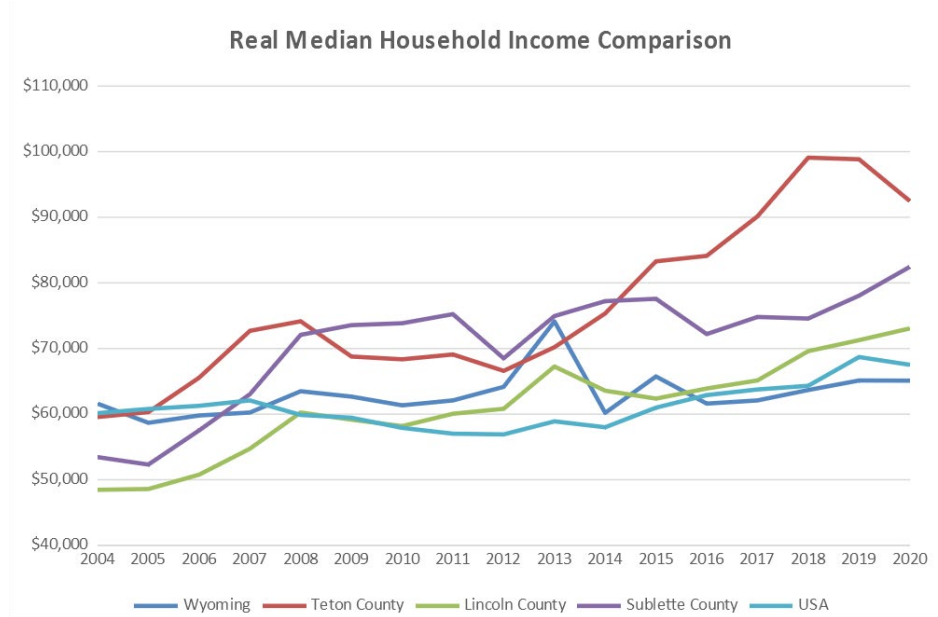


Source: Bureau of Economic Analysis



MEDIAN HOUSEHOLD INCOME

Real median household income provides a different perspective than per capita income. Real median household income is the inflation-adjusted amount of money the median household earns annually. The real median household income comparison graph below compares real median household income between the surrounding counties, the State of Wyoming, and the United States.



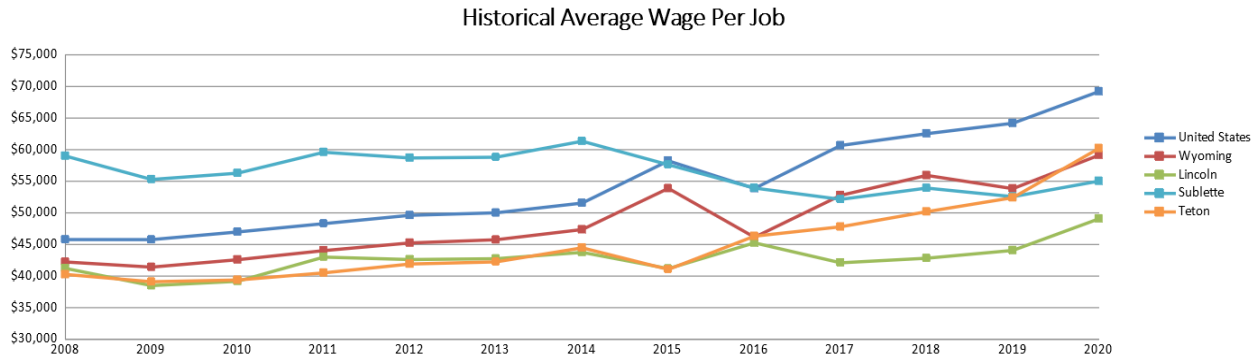
Source: Federal Reserve Economic Data

From this perspective Lincoln County is doing fairly well. While clearly below the exception of Teton County, it is above the median household levels of the nation and Wyoming. Real median income in Lincoln County has increased for the sixth year in a row.

AVERAGE WAGE PER JOB

The average wage per job represents the actual wage income that would be reported on a W2, or the taxable consideration received from an employer to an employee. It does not include other non-wage income sources such as dividend income, business income, interest income, or governmental transfer payments.

The below graph compares the historical average wage per job for Lincoln County, Teton County, Sublette County, Wyoming, and the United States. Teton County's upward wage pressure and the areas labor shortage has placed increased upward wage pressure on Star Valley employers as employees see potential increased earnings from commuting to Teton County.

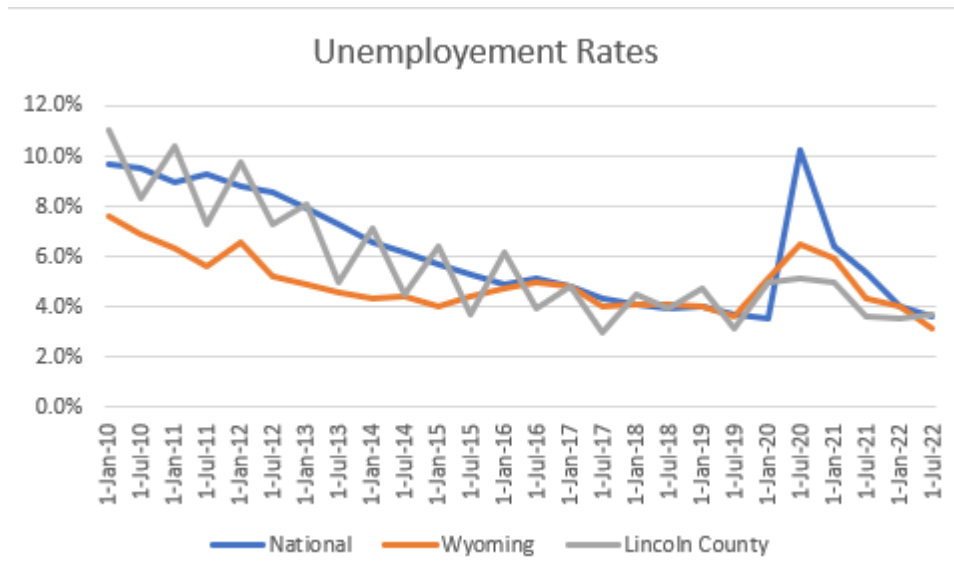


Source: Bureau of Economic Analysis

UNEMPLOYMENT

After the spike in unemployment which resulted from the COVID-19 lockdowns in 2020, unemployment levels quickly decreased back down to previous unemployment levels experienced in 2015 and 2016. As of July 2022, the national unemployment rate was 3.6%, the Wyoming unemployment was lowest at 3.1%. Lincoln County was at 3.7%. Take note the natural rate of unemployment, or a target for unemployment has historically felt to be around 4.0-5.0%. Current unemployment rates are under the natural rate of unemployment.

Unemployment statistics for Lincoln County, Wyoming, and the United States are compared in the following graph.

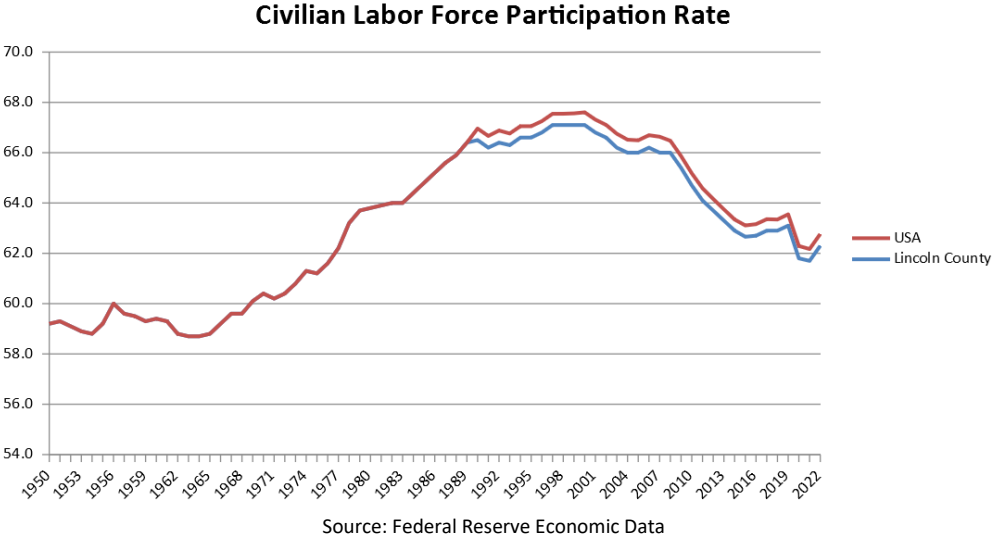


Source: U.S. Bureau of Labor Statistics and Federal Reserve Economic Data



In addition to unemployment rates, the Bank also monitors civilian labor force participation rates. The unemployment rate only considers those individuals that are working or who are actively seeking a job. The civilian labor force participation rate is defined as “All persons classified as employed or unemployed ... as a percent of the civilian non-institutional population.” (Glossary)

The graph below shows Lincoln County’s labor force participation rate in comparison to the United States. Lincoln County’s labor force participation trends closely mirror that of the United States, but at a lower rate. This is due to Lincoln County having a higher retired population.



AREA EMPLOYERS

The Bank surveys several employers in Star Valley to determine changes in local labor demand under the assumption that these employees serve as a proxy for all area businesses. The Bank asks each respective employer for the number of employees that work at their business in the Star Valley area. By tracking the number of employees, the Bank can partially gauge general area employment trends. The surveyed area business reported an increase of 101 jobs in 2022. The findings of the 2022 survey are shown below.



Employment by Area Major Employers

| Employer | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | Gain/Loss |
|------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|------------|
| 1ST Bank (Afton & Alpine) | | 12 | 13 | 13 | 11 | 11 | 14 | 13 | 11 | 23 | 22 | 22 | 20 | 19 | 21 | 19 | -2 |
| Aviat Aircraft | 70 | 49 | 50 | 48 | 36 | 50 | 48 | 47 | 49 | 43 | 44 | 45 | 47 | 46 | 48 | 52 | 4 |
| Bank of Star Valley (All Branches) | | 28 | 28 | 27 | 26 | 24 | 24 | 24 | 25 | 24 | 25 | 27 | 28 | 30 | 30 | 33 | 3 |
| Freedom Arms | 13 | 14 | 13 | 14 | 12 | 12 | 14 | 15 | 14 | 15 | 15 | 15 | 15 | 14 | 15 | 10 | -5 |
| J.R. Simplot | 200 | 220 | 220 | 240 | 250 | 270 | 270 | 270 | 270 | 250 | 250 | 250 | 230 | 228 | 231 | 230 | -1 |
| Lincoln County Government | 153 | 162 | 163 | 162 | 162 | 151 | 66 | 60 | 60 | 145 | 145 | 143 | 145 | 145 | 123 | 123 | 0 |
| Lincoln County School #2 | 464 | 470 | 470 | 470 | 489 | 492 | 488 | 490 | 490 | 600 | 600 | 600 | 565 | 553 | 552 | 550 | -2 |
| Lower Valley Energy | 48 | 46 | 43 | 44 | 42 | 47 | 45 | 48 | 48 | 64 | 65 | 68 | 39 | 40 | 37 | 44 | 7 |
| Silverstar Communications | 66 | 67 | 88 | 87 | 88 | 67 | 87 | 80 | 80 | 79 | 79 | 70 | 79 | 81 | 88 | 88 | 0 |
| Star Valley Medical Center | 185 | 230 | 220 | 218 | 239 | 263 | 275 | 284 | 284 | 228 | 254 | 350 | 421 | 422 | 420 | 488 | 68 |
| Polyguard & RMP Mobile | 15 | 16 | 16 | 16 | 15 | 15 | 9 | 14 | 13 | 15 | 15 | 16 | 16 | 18 | 22 | 26 | 4 |
| Wells Fargo (Thayne) | | 9 | 9 | 13 | 9 | 7 | 11 | 10 | 11 | 6 | 5 | 6 | 5 | 5 | 3 | 4 | 1 |
| PC Industries | | | 25 | 31 | 25 | 30 | 30 | 30 | 33 | 30 | 30 | 30 | 33 | 35 | 41 | 43 | 2 |
| LSR | | | | | | | | | | | | 51 | 60 | 47 | 52 | 74 | 22 |
| No Longer Existing Employers | 25 | 4 | 4 | 2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Star Valley Workers | 1239 | 1327 | 1362 | 1385 | 1404 | 1439 | 1381 | 1385 | 1388 | 1522 | 1549 | 1693 | 1703 | 1683 | 1683 | 1784 | 101 |
| Jackson Workers | 1069 | 1173 | 868 | 926 | 970 | 990 | 823 | 823 | 1075 | 1089 | 1140 | 1209 | 1280 | 1287 | 1150 | 1384 | 234 |

The “Jackson Workers” number is derived from a car count performed by the Bank during the month of July each year. It presents the average daily count of Wyoming and Idaho licensed autos, Start Bus passengers, and selective local area commercial traffic for the time between 5:00 a.m. and 8:00 a.m. on a Monday, Wednesday, and Friday of the subject month. START bus ridership average 62 per day in 2022, up from the 44 per day seen in 2021. This increase in START ridership is likely due to the reopening of Jackson post pandemic, as well as compounded by the increase in fuel costs, and more people traveling daily to Jackson for work. In 2022, the average number of people traveling from Star Valley to Jackson during this period increased substantially by 234, clearly showing the large and growing impact the Jackson market has on Star Valley resident employment and the continuing merger of the region into one economy.

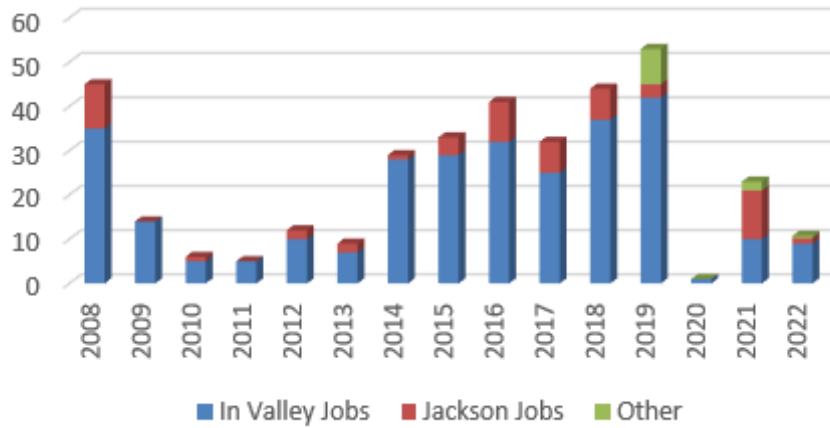
EMPLOYMENT ADVERTISING

Since 2008 the Bank has monitored the number of ‘help wanted’ advertisements posted in the Star Valley Independent, and in 2019 it started monitoring the Jackson Hole Daily help wanted ads counting local job offerings. Jobs labeled “other” represent advertised jobs for positions outside of either the Star Valley or Jackson areas.

The number of help-wanted ads is a valuable economic indicator as it provides a proxy for the number of unfilled jobs that are available in the community and whether the demand for labor is trending upward or downward. To avoid seasonal anomalies, an average is taken by counting the number of new ads once a week, starting in the last week of July then the next 3 weeks after that. The graphs below represent this data for both the Star Valley Independent count as well as the Jackson Hole Daily count.

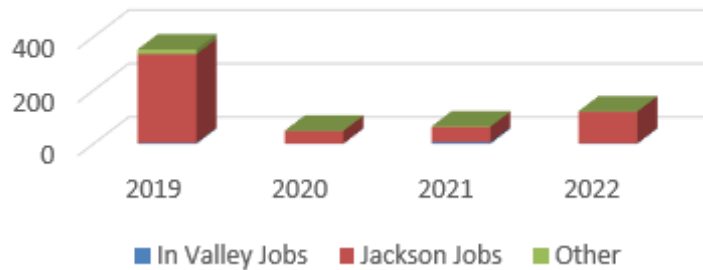


Help Wanted Ads: Star Valley Independent



Source: Star Valley Independent Classifieds 2008-2022

Help Wanted Ads: Jackson Hole Daily



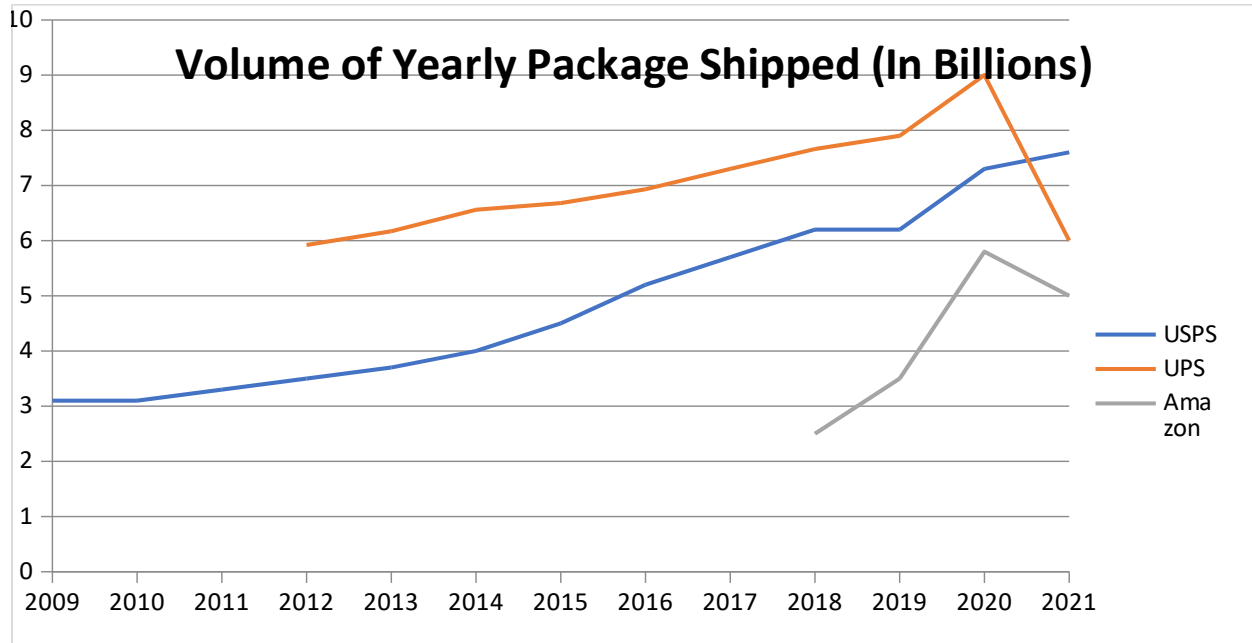
Source: Jackson Hole Daily Classifieds 2022

The number of ads in the Star Valley Independent is less than 2021, and the Jackson Hole Daily increased vastly in open job positions indicating difficulty finding employees and a lack of employee retention in Jackson.

ONLINE BUSINESSES

During 2020 and into 2021 people were encouraged to social distance and avoid public places, but people still needed to purchase groceries and other household goods. Consequently, people resorted to online shopping to meet their needs. Amazon seized the opportunity and invested more money into its logistics business. Below is a graph illustrating the number of packages shipped by USPS, UPS and Amazon. The package volume for all three spiked significantly in 2020. By the end of the year, Amazon Delivery services delivered 67% of all the

goods it sold directly to consumers. The remaining 33% were delivered by other companies. Overtime the volume of online purchases, as measured by this metric, has greatly increased, but the acceleration seen during the pandemic has reversed and people are returning, in part, to retail store purchases.



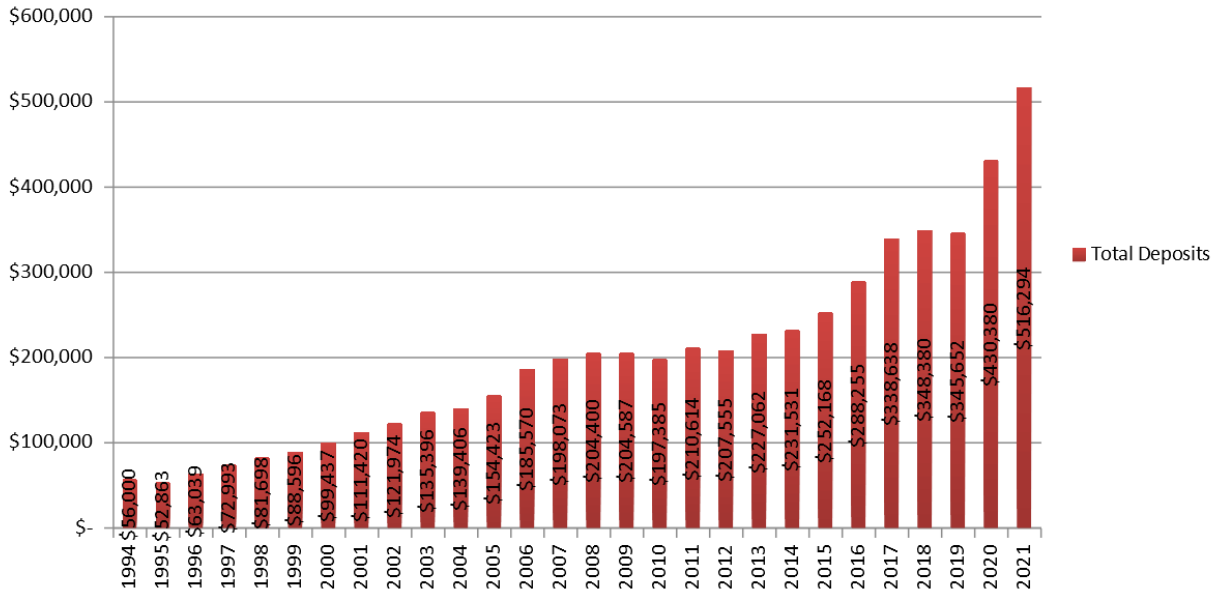
Source: USPS, UPS Annual Report, Amazon Press Releases

MARKET LIQUIDITY

Liquidity, for the purposes of this report, is defined as the deposits held in local, non-credit union, financial institutions. This metric is far from a perfect measure of true market liquidity, due to deposits from outside the market being held in local banks, local money being deposited at outside financial institutions, credit unions, and other market leakages including investments made through brokerage firms. Liquidity measures in this report, therefore, should only be viewed as a metric used to represent general trends in market liquidity.

The graph below shows the total commercial bank deposits in Star Valley beginning in 1994. The 4 local commercial banks report the deposits by each respective branch to the Federal Deposit Insurance Corporation (FDIC), as of June 30 of each year, and the FDIC makes the information public in November of each year.

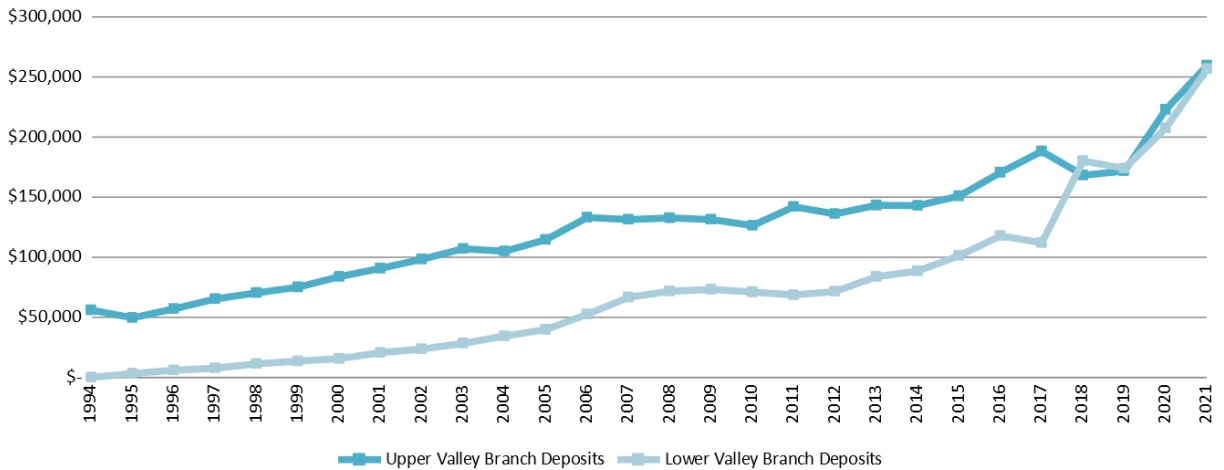
Star Valley Total Bank Deposits (000)



Source: FDIC Summary of Deposits

Because deposits are reported by branch, the bank deposits can be broken down by regions within the market. The graph below shows local deposits by upper and lower valley areas.

Deposits by Valley Branch Location (000)



Source: FDIC Summary of Deposits

The lower valley has economically grown over the period in review to where deposits were nearly equal between the lower and upper valley area in 2021. Deposits in lower valley surged by 25% for 2 consecutive years while the upper valley deposit volume increased 19%. This is in



part recognized by COVID related government assistance programs and the migration of people into Star Valley. The growth in liquidity over the past two years has been phenomenal.

The following graph shows the market share percentage of each bank based on total Star Valley deposits, as of June 2021.

Market Share by Financial Institution



Source: FDIC Summary of Deposits

COST-OF-LIVING

A state-wide cost-of-living index is prepared by the Wyoming Department of Administration and Information Economic Analysis Division (EAD) twice each year. The report is based on the cost of food, housing, apparel, transportation, medical, and recreational activities. An index value of 100 is considered the state average.

The chart below compares Lincoln County-Afton, Lincoln County-Kemmerer, Teton, Sublette, and Uinta County.

| Wyoming Comparative Cost of Living Index- 4th QTR 2021 (Statewide Average=100) | | | | | | | |
|---|-----------|------|---------|---------|--------|---------|------|
| County | All Items | Food | Housing | Apparel | Trans. | Medical | Rec. |
| Lincoln-Afton | 108 | 98 | 114 | 104 | 102 | 99 | 104 |
| Lincoln-Kemmerer | 91 | 100 | 79 | 102 | 102 | 116 | 98 |
| Teton | 168 | 114 | 230 | 127 | 104 | 102 | 104 |
| Sublette | 103 | 115 | 101 | 109 | 104 | 99 | 97 |
| Uinta | 90 | 84 | 85 | 94 | 101 | 104 | 98 |

Source: Department of Administration & Information Economic Analysis Division



Afton’s cost-of-living index increased from 101 to 108 indicating a higher cost-of-living. Kemmerer continues to have a lower cost-of-living, which is driven primarily by lower cost of housing. The chart below gives a historical perspective on the cost-of-living in Lincoln County-Afton. Before 2012, Lincoln County-Afton was at or above the state average for the cost-of-living, then from 2012 to 2017 Afton moved to below the state average of 100. Unfortunately, Lincoln County-Afton returned to a more expensive area to live in 2018, and the cost-of-living clearly worsened in 2021.

Source: Department of Administration & Information Economic Analysis Division

| Change in Lincoln-Afton Cost of Living Index Between Jul. 2006 and Dec 2021 | | | | | | | |
|---|-----------|------|---------|---------|--------|---------|------|
| Lincoln-Afton | All Items | Food | Housing | Apparel | Trans. | Medical | Rec. |
| 4Q 5 | 102 | 95 | 107 | 89 | 99 | 94 | 106 |
| 4Q 6 | 104 | 98 | 110 | 88 | 101 | 104 | 100 |
| 4Q 7 | 100 | 97 | 104 | 86 | 99 | 100 | 96 |
| 4Q 8 | 101 | 96 | 104 | 95 | 100 | 91 | 110 |
| 4Q 9 | 101 | 96 | 102 | 96 | 100 | 91 | 110 |
| 4Q 10 | 102 | 103 | 101 | 104 | 100 | 98 | 112 |
| 4Q 11 | 100 | 96 | 100 | 98 | 99 | 96 | 112 |
| 4Q 12 | 94 | 98 | 85 | 102 | 100 | 96 | 112 |
| 4Q 13 | 95 | 97 | 88 | 107 | 102 | 96 | 107 |
| 4Q 14 | 92 | 94 | 86 | 96 | 99 | 93 | 107 |
| 4Q 15 | 95 | 99 | 87 | 99 | 104 | 92 | 112 |
| 4Q 16 | 96 | 95 | 92 | 105 | 104 | 91 | 109 |
| 4Q 17 | 98 | 96 | 95 | 105 | 103 | 99 | 109 |
| 4Q18 | 101 | 100 | 98 | 113 | 102 | 102 | 116 |
| 4Q19 | 100 | 99 | 96 | 106 | 102 | 103 | 112 |
| 4Q 20 | 101 | 97 | 102 | 106 | 101 | 98 | 103 |
| 4Q21 | 108 | 98 | 114 | 104 | 102 | 99 | 104 |

Teton County leads the State with the highest cost-of-living index for housing of 230, which is double that of anywhere in the area. The lack of affordable housing has become strenuous on local businesses in Teton county putting more strain on employer’s incapable of finding employees, with an average of 140-170 help wanted ads posted each day of the week.

With the death of affordable housing, the cost-of-living increases is spreading further and further out from Jackson, making livability for average income households more and more difficult. In the study, Teton Region Housing Needs Assessment, in North Lincoln alone there is an estimated need of somewhere between 970 to 1275 homes needed to catch up and keep up



with job growth to 2027 without consideration for in-migration demand. Of these 60% of new housing would need to be priced below market price to be affordable for an average household in Star Valley. Because of the extent of the housing shortage there may need to be subsidies and policies as well as local organizations and private sector effort to produce housing at an affordable price.

The Bank performs an item specific analysis on the cost of a basket of groceries. An identical basket of goods (subject to branding among the stores) is compared among the three Star Valley grocery stores as well as grocery stores in Jackson, Pinedale, Kemmerer, and Idaho Falls. The results of the study, which was performed in August 2022, are shown below.

| 2022 Cost of a Basket of Grocery Items | | | | | | Alpine | Thayne | Afton |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Grocery | Kemmerer | Jackson | Pinedale | SV Avg | IF - Winco | | | |
| White Bread (Sara Lee) | 3.29 | 4.79 | 3.49 | 3.69 | 2.48 | 3.49 | 3.49 | 4.09 |
| Bread (Grandma's Sycamore) | 2.97 | 3.79 | 3.09 | 4.12 | 2.78 | 4.29 | 3.79 | 4.29 |
| Russet Potatoes (1 lb.) | 0.66 | 0.99 | 0.72 | 0.64 | 0.46 | 0.69 | 0.54 | 0.69 |
| Apples (Red Delicious) (1 lb) | 1.38 | 1.29 | 1.49 | 1.56 | 1.09 | 1.59 | 1.59 | 1.49 |
| Lettuce Head (Iceberg) | 1.99 | 1.99 | 1.99 | 2.06 | 1.48 | 1.99 | 1.89 | 2.29 |
| Boneless Skinless Chicken Breasts (1 lb.) | 3.49 | 3.99 | 3.49 | 3.99 | 3.48 | 3.99 | 3.99 | 3.99 |
| Ground Beef (1 lb. 80%) | 5.49 | 6.49 | 5.49 | 4.86 | 5.28 | 4.99 | 4.79 | 4.79 |
| Cereal (Frosted Shredded Wheat 18 oz.) | 5.99 | 6.99 | 4.99 | 4.79 | 3.48 | 4.69 | 4.99 | 4.69 |
| Cereal (Lucky Charms 11.5 oz.) | 5.99 | 3.99 | 5.69 | 5.32 | 2.98 | 4.99 | 5.69 | 5.29 |
| Cereal (Cheerios 12 oz.) | 7.39 | 5.49 | 6.29 | 6.29 | 5.94 | 6.29 | 6.29 | 6.29 |
| Ice Cream (WF 4 qt.) | 8.99 | 6.79 | 9.99 | 7.86 | 5.94 | 7.49 | 8.59 | 7.49 |
| Flour (WF All Purpose Bleached 10 lb.) | 9.99 | 7.99 | 10.49 | 9.62 | 6.42 | 8.69 | 10.49 | 9.69 |
| Sugar (WF 10 lb.) | 9.99 | 9.49 | 10.49 | 10.02 | 8.12 | 9.79 | 10.49 | 9.79 |
| Salt (WF) | 1.39 | 1.49 | 1.49 | 1.46 | 0.98 | 1.49 | 1.49 | 1.39 |
| Rice (Minute, White 28 oz.) | 4.99 | 4.99 | 4.99 | 5.52 | 3.78 | 5.99 | 4.99 | 5.59 |
| Milk (WF 2%) | 3.76 | 4.59 | 5.09 | 3.86 | 3.29 | 4.09 | 3.59 | 3.89 |
| Cheese (Cache Valley 2 lb. Sharp Cheddar) | 11.49 | 9.99 | 12.99 | 12.32 | 6.98 | 11.99 | 12.99 | 11.99 |
| Yogurt (Red Yoplait) | 0.6 | 0.8 | 0.6 | 0.86 | 0.63 | 0.80 | 1.19 | 0.60 |
| Eggs (WF 12 lg.) | 3.59 | 2.99 | 3.59 | 3.66 | 3.12 | 3.49 | 3.99 | 3.49 |
| Butter (WF) | 3.49 | 5.99 | 3.49 | 4.76 | 3.38 | 3.79 | 5.49 | 4.99 |
| Margarine (Imperial) | 2.19 | 1.59 | 1.99 | 1.79 | 1.46 | 1.69 | 1.99 | 1.69 |
| Cottage Cheese (WF 1 lb.) | 2.39 | 2.49 | 3.19 | 2.89 | 2.48 | 2.49 | 3.49 | 2.69 |
| Wheat Thin Crackers (9.1 oz) | 4.59 | 3.59 | 4.39 | 4.12 | 2.98 | 3.99 | 4.79 | 3.59 |
| Cut Green Beans (WF 1 can) | 1.49 | 1.39 | 1.49 | 1.46 | 0.58 | 1.49 | 1.49 | 1.39 |
| Toilet Paper (Charmin 12 Rolls) | 17.99 | 22.99 | 20.99 | 19.32 | 14.97 | 18.49 | 20.99 | 18.49 |
| Napkins (Vanity Fair 200 count) | 7.49 | 5.99 | 6.79 | 6.76 | 4.60 | 5.99 | 7.49 | 6.79 |
| Paper Towels (Bounty single) | 2.44 | 3.75 | 3.49 | 3.02 | 2.07 | 2.79 | 3.49 | 2.79 |
| Kleenex (160) | 2.59 | 2.29 | 3.19 | 2.66 | 1.98 | 2.49 | 2.99 | 2.49 |
| Detergent (Tide 100 fl. oz.) | 15.89 | 15.99 | 18.49 | 16.16 | 14.81 | 14.99 | 18.49 | 14.99 |
| Dish Detergent (Cascade 75 oz.) | 6.59 | 7.79 | 7.79 | 6.89 | 6.57 | 6.59 | 7.79 | 6.29 |
| Total | \$160.57 | \$162.77 | \$171.74 | \$162.32 | \$124.59 | \$155.61 | \$173.35 | \$158.01 |

Winco in Idaho Falls boasts the cheapest cost for the basket of goods, putting Winco at \$40 less than everywhere else in this study on average. The average cost of the basket of goods in Star Valley increased significantly over the past year by an average of \$26.01 from 2021 to 2022. The cost in Jackson increased by \$41.64. Pinedale increased the most at \$47.17.

INFLATION

The EAD cost-of-living index is likely the best source of inflation data within Wyoming. The inflation rate is estimated by using the percent change year-over-year in the price level for a standard basket of goods. EAD then estimates inflation for the entire state and five sub-regions

within Wyoming. The Northwest region includes Big Horn, Hot Springs, Park, Teton, and Washakie counties. The Southwest region includes Lincoln-Kemmerer, Lincoln-Afton, Sublette, Sweetwater, and Uinta counties.

Star Valley lies within EAD’s Southwest region. However, due to the recreation and tourist activity and employment ties to Teton County, as well as the lack of mineral based activity, which has been the historical base of the economy of the Southwest region, the authors feel that Star Valley inflation more likely mirrors the Northwest region. To compensate for this assumption, an average of the Northwest and Southwest regions is used to approximate a more reflective and correct measure for inflation in Star Valley.

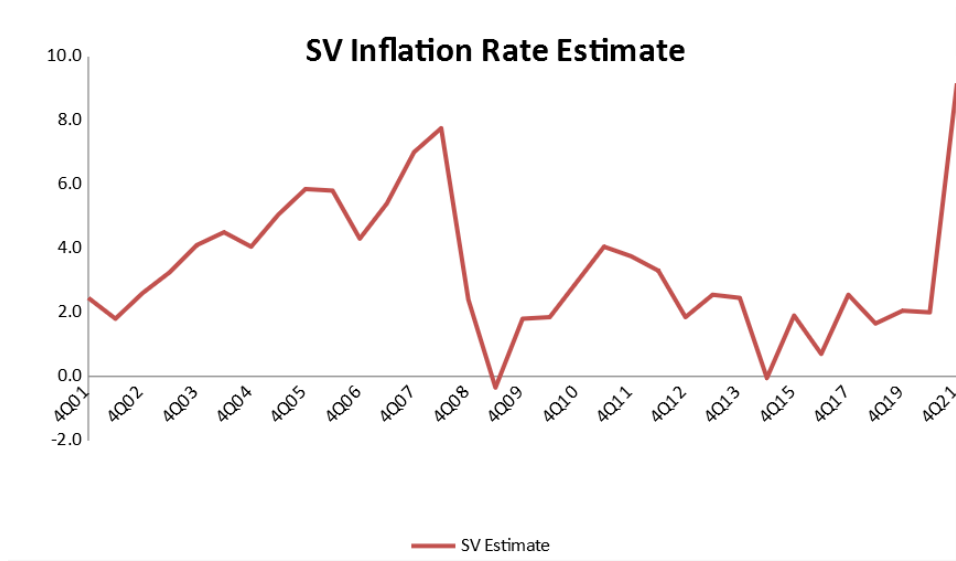
Using the average of the Northwest and Southwest regions, Star Valley area inflation in the 4th quarter of 2022 was estimated to be 9.2%. This represents a 7.2% increase from the 4th quarter of 2020 and inflation is above the national rate of inflation which was at 7.0% during the same period.

| Annual Inflation Rates by Region | | | | | |
|---|-----------|---------------------|-----------|-----------|-------------|
| Quarter | U.S. CPI* | Statewide All Items | Northwest | Southwest | SV Estimate |
| 4Q10 | 1.5 | 2.9 | 3.8 | 2.1 | 3.0 |
| 2Q11 | 3.6 | 4.5 | 4.5 | 3.6 | 4.1 |
| 4Q11 | 3.0 | 3.9 | 4.2 | 3.3 | 3.8 |
| 2Q12 | 1.7 | 2.4 | 3.8 | 2.8 | 3.3 |
| 4Q12 | 1.7 | 2.1 | 2.1 | 1.6 | 1.9 |
| 2Q13 | 1.8 | 3.1 | 2.3 | 2.8 | 2.6 |
| 4Q13 | 1.5 | 2.9 | 3.0 | 1.9 | 2.5 |
| 4Q14 | 0.8 | 1.1 | 0.8 | -0.9 | -0.1 |
| 4Q15 | 0.7 | 0.5 | 2.7 | 1.1 | 1.9 |
| 4Q16 | 2.1 | 0.6 | 1.9 | -0.5 | 0.7 |
| 4Q17 | 2.1 | 2.3 | 2.2 | 2.9 | 2.6 |
| 4Q18 | 1.9 | 2.5 | 2.3 | 1.0 | 1.7 |
| 4Q19 | 2.3 | 2.2 | 2.5 | 1.6 | 2.1 |
| 4Q20 | 1.5 | 2.0 | 2.1 | 1.9 | 2.0 |
| 4Q21 | 7.0 | 9.3 | 9.1 | 9.2 | 9.2 |

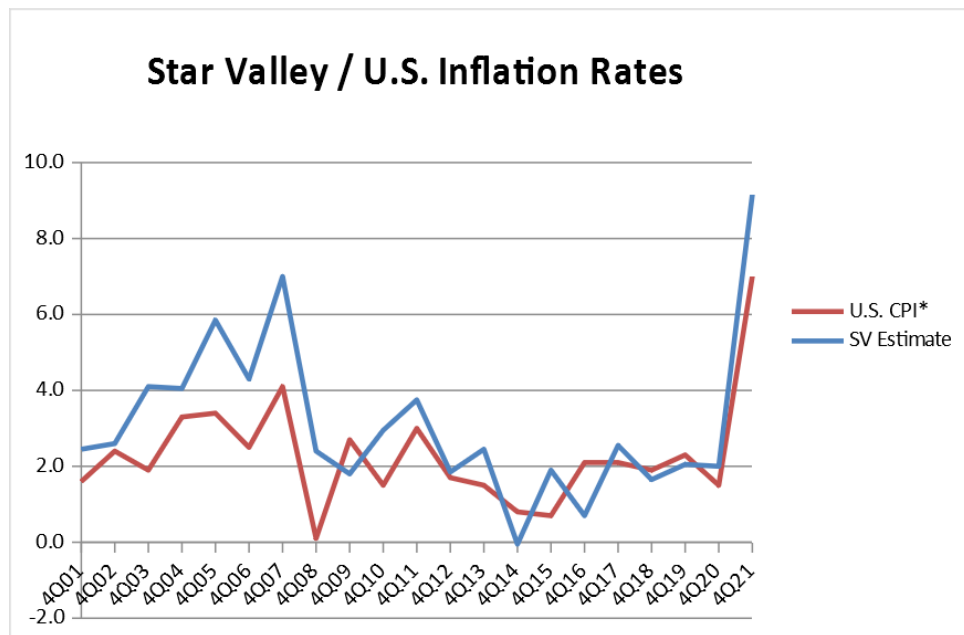
Source: Department of Administration & Information Economic Analysis Division

The above data is displayed in the graph below, the 4th quarter of 2021 and current inflation rates in 2022 are the highest interest rates since 1981. The graph shows inflation over the past 20 years.





The estimated Star Valley inflation rate, relative to the U.S. CPI is shown below. Historically Star Valley expresses higher inflation effect as shown in the estimate.



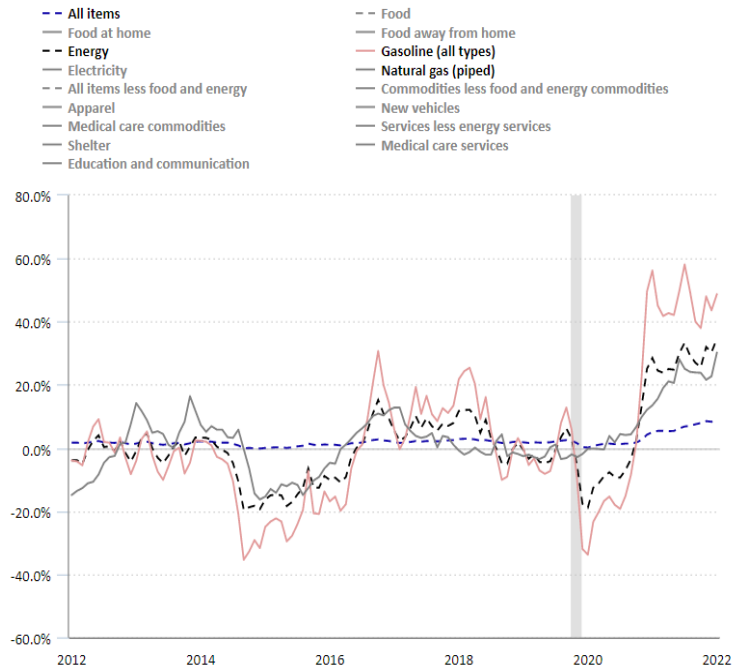
Source: Department of Administration & Information Economic Analysis Division

The consumer price index graph below displays the items that inflated drastically. In correlation with Russia’s invasion of Ukraine, major countries including U.S, Canada, UK, and the European Union placed trade sanctions on Russian goods and services. Russia is one of the world’s largest producers of oil, the top natural gas exporter, and normally accounts for about 10% of the global oil production. Consequentially, the global economy is experiencing drastic inflation



in energy prices due to supply constraints. This is further compounded by a regulatory induced reduction of U.S. oil and gas production under the Biden Administration.

12-month percentage change, Consumer Price Index, selected categories, not seasonally adjusted

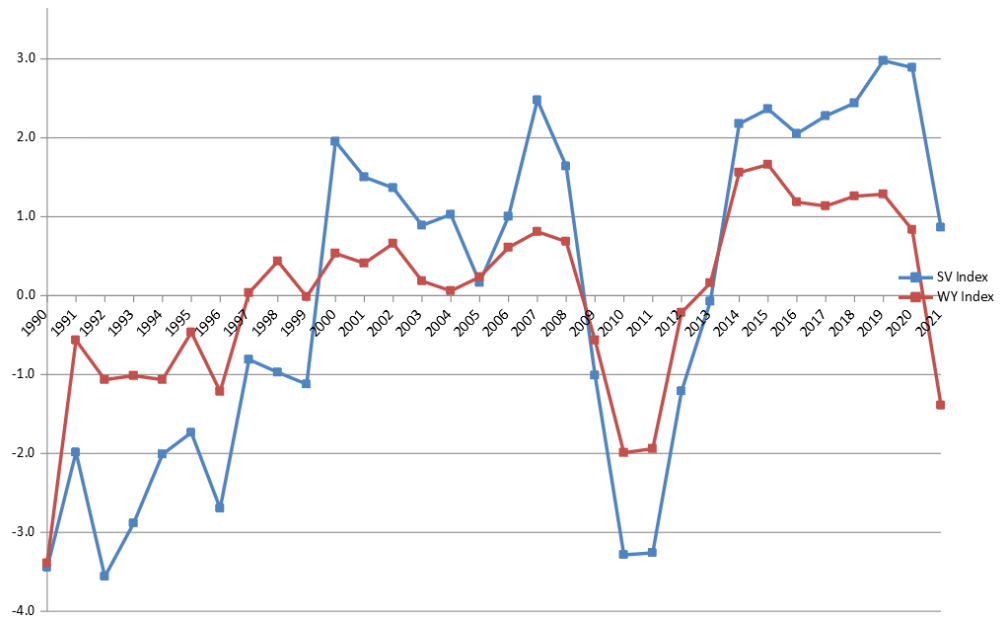


Source: U.S Bureau of Labor Statistics

MISERY INDEX

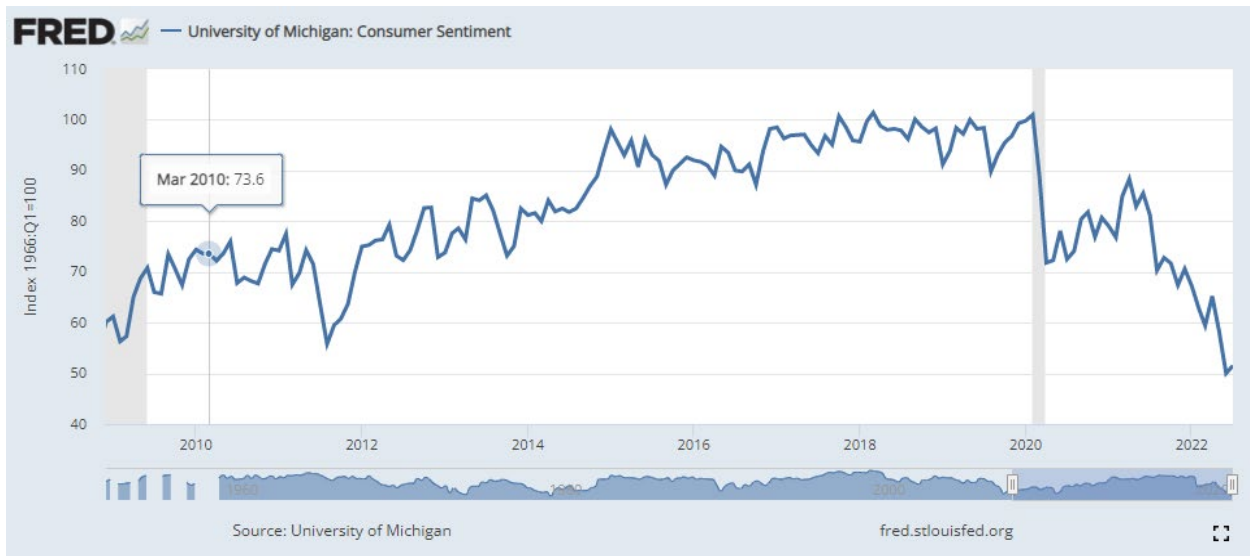
The Bank created a Star Valley Misery Index to gauge the overall “economic attitude” of the Star Valley citizens. The original Misery Index concept was created in late 1970’s under the expectation that with lower unemployment levels and lower inflation rates, the population would hold a more positive economic perspective and vice-versa; with higher unemployment and inflation rates, the population would tend to have a more negative outlook. Thus, the misery index is simply the sum of two components: being the unemployment rate and the inflation rate. The underlying assumption is that individuals will spend more and be more risk tolerant in a positive economic environment and be more conservative and less risk tolerant in a negative economic environment. The Misery Index, as calculated for Wyoming and Star Valley is graphed below.





For the past several years, the Star Valley Misery Index was trending upward. However, with higher unemployment in 2020 and high inflation rates the trend has reversed. In 2021 unemployment rates decreased but inflation increased 358% from 2020. From 2021 to 2022 inflation rates have increased another 20% as of August. This negative inflation pressure has resulted in a severe decrease in positive factors. Wyoming has dropped into the negative, or “miserable” index, and Star Valley is trending in a negative direction.

This growing negative perspective is confirmed nationally by the University of Michigan Consumer Sentiment index. This survey has measured consumer confidence in the nation’s economy for over sixty years. The survey has also been proven to be an accurate indicator of the future of the national economy. As of July 2022, the index, shown below, was at 51.5, the lowest it has been since 2008.



This low sentiment is reflective of high inflation, raising interest rates, supply chain shortages, labor force constraints, and a generally dismal short-term outlook. As DESPAIR.com



summarized the year so far: “2022 is stumbling painfully to a close, and it’s been one non-stop misery after the next.”

This mixed bag can best be summarized by the following table showing socioeconomic trends within Lincoln County produced by Headwater Economics, in their Profile of Socioeconomic Trends – Lincoln County, WY.

| Indicators | | Lincoln County, WY | Wyoming | Ratio of Lincoln County, WY vs. Wyoming |
|------------|---|--------------------|----------|---|
| Trends | Population, % change, 2000-2020 | 38.5% | 17.8% | 216% |
| | Employment, % change, 2000-2020 | 38.2% | 19.0% | 201% |
| | Personal Income, % change, 2000-2020 | 83.0% | 63.7% | 130% |
| | Average Earnings per Job, % change, 2000-2020 | 22.4% | 30.8% | 73% |
| | Per Capita Income, % change, 2000-2020 | 32.1% | 39.0% | 82% |
| Prosperity | Avg. Earnings per Job, 2020 | \$51,377 | \$61,905 | 83% |
| | Per Capita Income, 2020 | \$50,726 | \$64,762 | 78% |
| | Services, Avg. Annual Wages, 2020 | \$44,048 | \$45,797 | 96% |
| | Non-Services, Avg. Annual Wages, 2020 | \$70,208 | \$72,639 | 97% |
| | Government, Avg. Annual Wages, 2020 | \$52,411 | \$55,795 | 94% |
| Stress | Unemployment Rate, change 2000-2020 | 1.2% | 2.0% | 60% |
| | Unemployment Rate, 2020 | 5.0% | 5.8% | 86% |
| Structure | Proprietors, % of Jobs, 2020 | 36.3% | 27.5% | 132% |
| | Non-Labor Income, % of Pers. Income, 2020 | 46.6% | 45.0% | 103% |
| | Services, % of Jobs, 2020 | 52.7% | 59.9% | 88% |
| | Non-Services, % of Jobs, 2020 | 28.1% | 19.6% | 143% |
| | Government, % of Jobs, 2020 | 18.0% | 19.0% | 95% |
| | Net inflow of labor earnings of inter-county commuters* | 5.0% | 0.0% | >300% |

* Displayed only when comparing a county to a benchmark county.

Data Sources: U.S. Department of Commerce. 2021. Bureau of Economic Analysis, Regional Economic Accounts, Washington, D.C.; U.S. Department of Labor. 2022. Bureau of Labor Statistics, Local Area Unemployment Statistics, Washington, D.C.; U.S. Department of Labor. 2021. Bureau of Labor Statistics, Quarterly Census of Employment and Wages, Washington, D.C.; reported by Headwaters Economics’ Economic Profile System, headwaterseconomics.org/eps.

The positive factors are population and employment growth, and the increase in personal income. At the same time, the negative factors have been population growth (a common



complaint of the locals) as well as loss of earning per job, per capital income, and growing dependence on inter-county commuters.

STATE AND LOCAL TAX

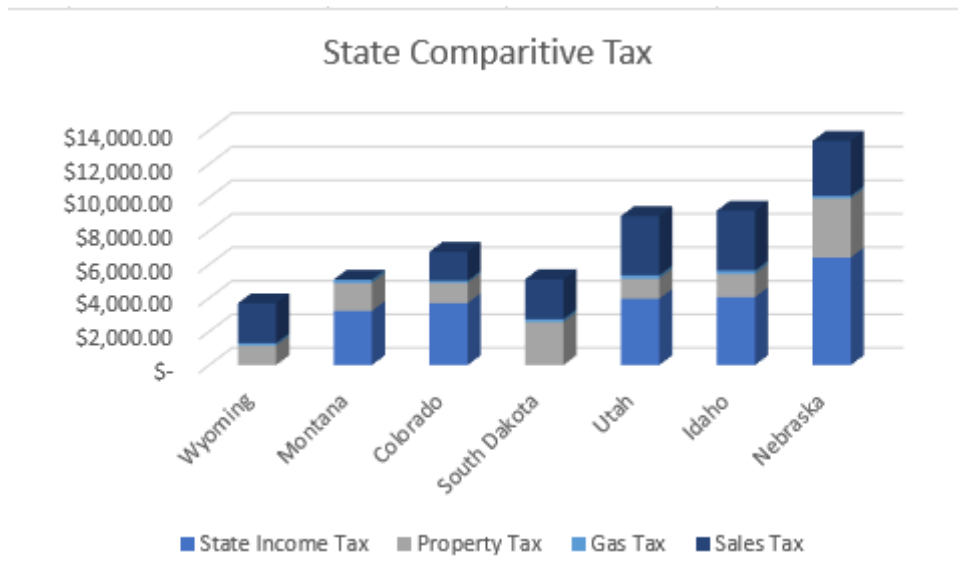
Wyoming was ranked 35th in a national comparison of state tax revenue per capita, at \$3,253, in 2021. This represents a \$119 decrease down from \$3,372 collected in 2020 and a down from 19th to 35th nationally. This is the sum of the taxes paid to state and local governments, divided by the population. However, a large share of the actual taxes paid in Wyoming are paid by the mineral extraction industries through severance and sales taxes.

| 2022 State Tax Revenue | | | |
|------------------------|----------------------|------|----------------------|
| State | Per Capita State Tax | Rank | % of Personal Income |
| District of Columbia | \$ 13,410 | 1 | 14.60 |
| North Dakota | \$ 5,044 | 9 | 8.30 |
| Vermont | \$ 6,356 | 2 | 11.10 |
| Alaska | \$ 1,479 | 51 | 2.30 |
| Connecticut | \$ 6,120 | 4 | 7.90 |
| Hawaii | \$ 5,582 | 6 | 9.80 |
| Minnesota | \$ 5,612 | 5 | 9.10 |
| New York | \$ 4,727 | 10 | 6.50 |
| Wyoming | \$ 3,253 | 35 | 5.20 |
| Massachusetts | \$ 5,229 | 8 | 6.80 |

Source: Federation of Tax Administrators

The Bank created a relative tax comparison for a hypothetical family to illustrate the impact of Wyoming's lower residential tax rates. The comparative tax analysis is based upon a hypothetical family of four with dual income, earning \$80,000, living in a \$200,000 house, and driving 15,000 miles a year. The comparison of state tax obligations for this hypothetical family are shown below:

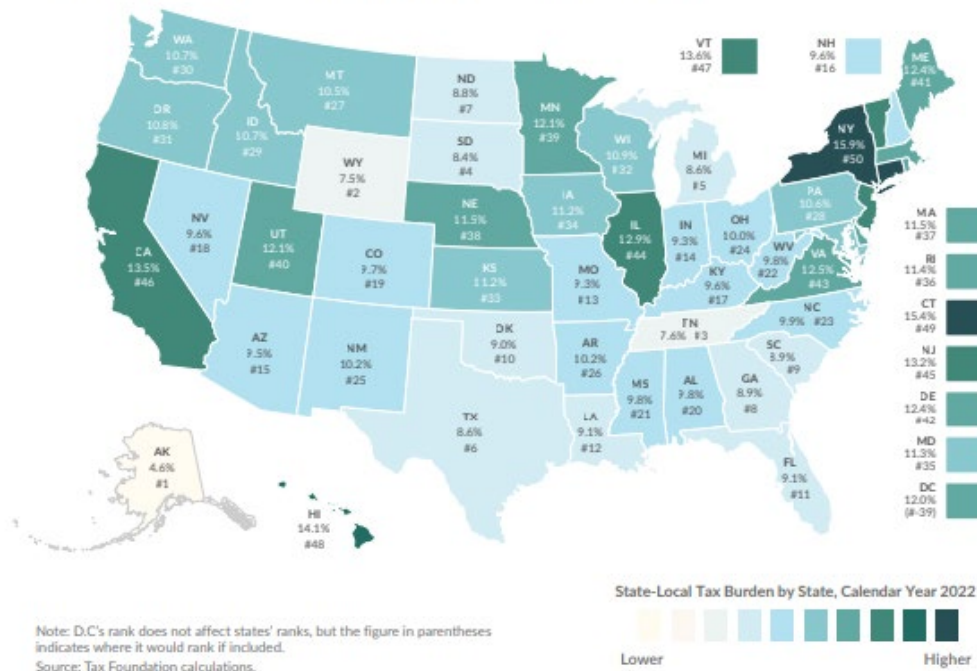
| Computed taxes for 2022 - Family of 4, \$80M Gross Income, \$200M House, 15,000 miles per year | | | | | | |
|--|------------------------|-----------------------------|-------------------------------|--------------------------|-----------------|--------------|
| State | \$80M State Income Tax | 59.5M Consumption Sales Tax | 625 Gallons Gasoline Tax/Gal. | Property Tax \$200M Res. | Comparative Tax | % of Wyoming |
| Idaho | \$ 4,061.32 | \$ 3,570.00 | \$ 206.25 | \$ 1,380.00 | \$ 9,217.57 | 250% |
| Colorado | \$ 3,704.00 | \$ 1,725.50 | \$ 137.50 | \$ 1,200.00 | \$ 6,767.00 | 183% |
| Montana | \$ 3,234.60 | \$ - | \$ 207.81 | \$ 1,660.00 | \$ 5,102.41 | 138% |
| Nebraska | \$ 6,426.60 | \$ 3,272.50 | \$ 160.63 | \$ 3,520.00 | \$ 13,379.73 | 363% |
| South Dakota | \$ - | \$ 2,380.00 | \$ 187.50 | \$ 2,560.00 | \$ 5,127.50 | 139% |
| Utah | \$ 3,960.00 | \$ 3,540.25 | \$ 199.44 | \$ 1,200.00 | \$ 8,899.69 | 241% |
| Wyoming | \$ - | \$ 2,380.00 | \$ 150.00 | \$ 1,160.00 | \$ 3,690.00 | 100% |



Source: api.org, tax-rates.org, taxfoundation.org

According to the Tax Foundation. Wyoming has the 2nd lowest tax burden by state with an effective tax rate of 7.5%, following only Alaska, with an effective tax rate of 4.6%. The analysis shows that Wyoming is one of the best states to live for people who like low taxes.

State-Local Tax Burdens by State, Calendar Year 2022



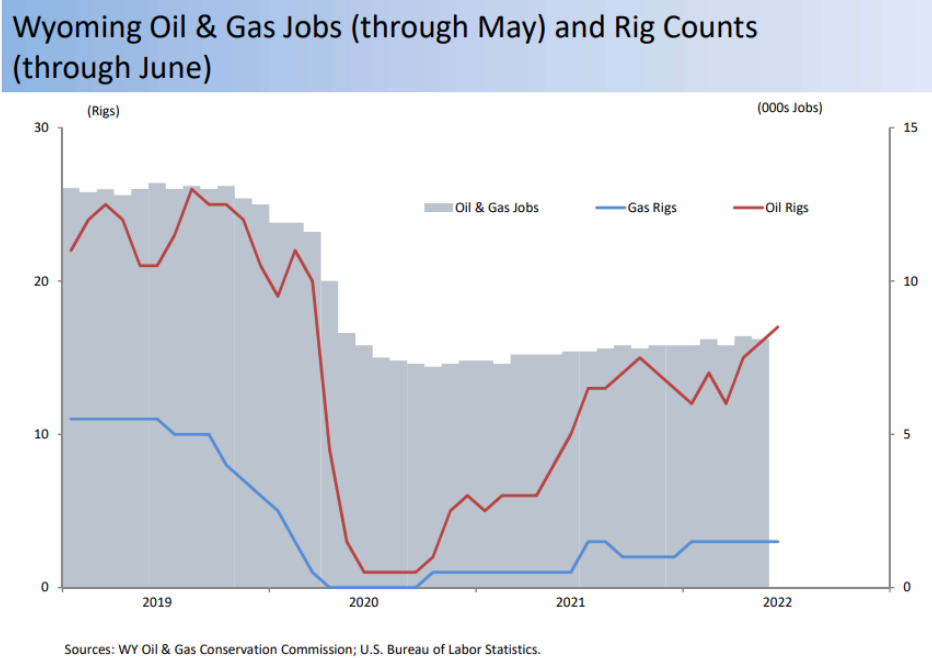
Sources: api.org, tax-rates.org, taxfoundation.org



WYOMING ECONOMY

Each January the Consensus Revenue Estimating Group (CREG) creates a forecast of Wyoming's revenues which is used for informational and budgetary purposes for current and subsequent years. CREG predicted an increase in sales and use taxes for 2022 of 4.1 percent. As of June 2022, actual revenues received were 7.8 percent or \$40.1 million. Sales and use tax collections are up in 18 counties as compared to 13 counties in 2021. Sales and use tax collections were led by Campbell, Platte, and Teton Counties with 36.5%, 30.6%, and 29.3% respectively.

Amid the global shortage of fossil fuels, Wyoming is doing better than forecasted as prices for oil gas and coal have increased and rig counts are increasing. This current demand for fossil fuels and recent price increases of these resources means that Wyoming severance tax collections are exceeding forecasts – by 28%. There has been a large increase in rig counts and a slight increase in jobs as the energy sector is making a comeback in the current constrained energy market.



The economic health index created by EAD and reported in June 2022, combines unemployment rate, nonfarm employment, sales and use tax collections from mining, and sales and use tax collections from lodging. The economic health index shows Wyoming's overall economy has been recovering and showing significant improvement over the 2020 COVID induced economic downturns.

► Figure 1: Wyoming Economic Health Index as of March 2022

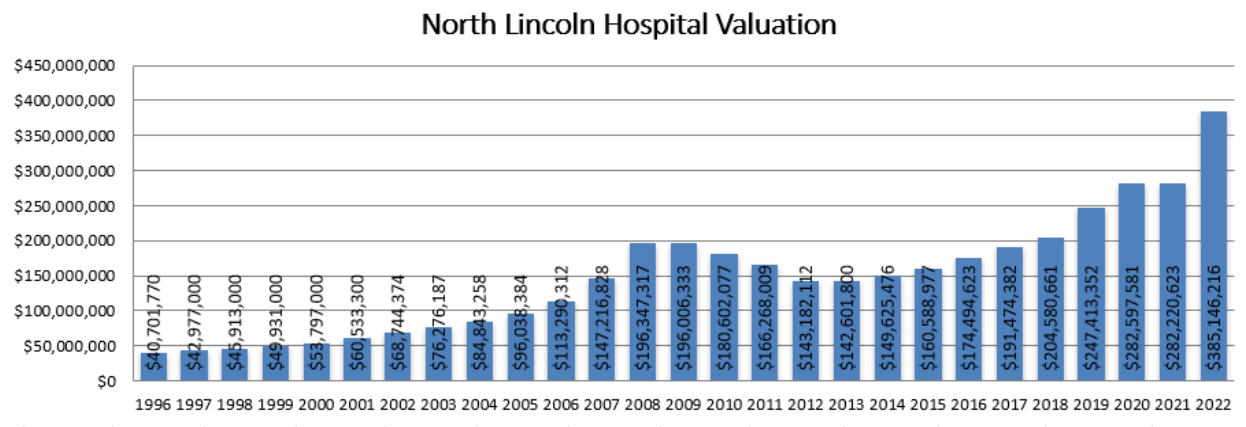


Source: Wyoming Economic Analysis Division

REAL ESTATE

The assessed valuation of the North Lincoln County Hospital District covers all of Star Valley, Wyoming, but does not include Star Valley, Idaho. Because the hospital district covers most of Star Valley, the assessed valuation can be used as a lagging indicator to represent changes in Star Valley’s real estate values over time. The valuation is performed by the Lincoln County Assessor’s office based upon prior year sales information.

The 2022 assessed valuation for the North Lincoln Hospital District was \$385,146,216. This valuation is a whopping 36.47% increase over 2021, indicating a very strong appreciation in real estate values.

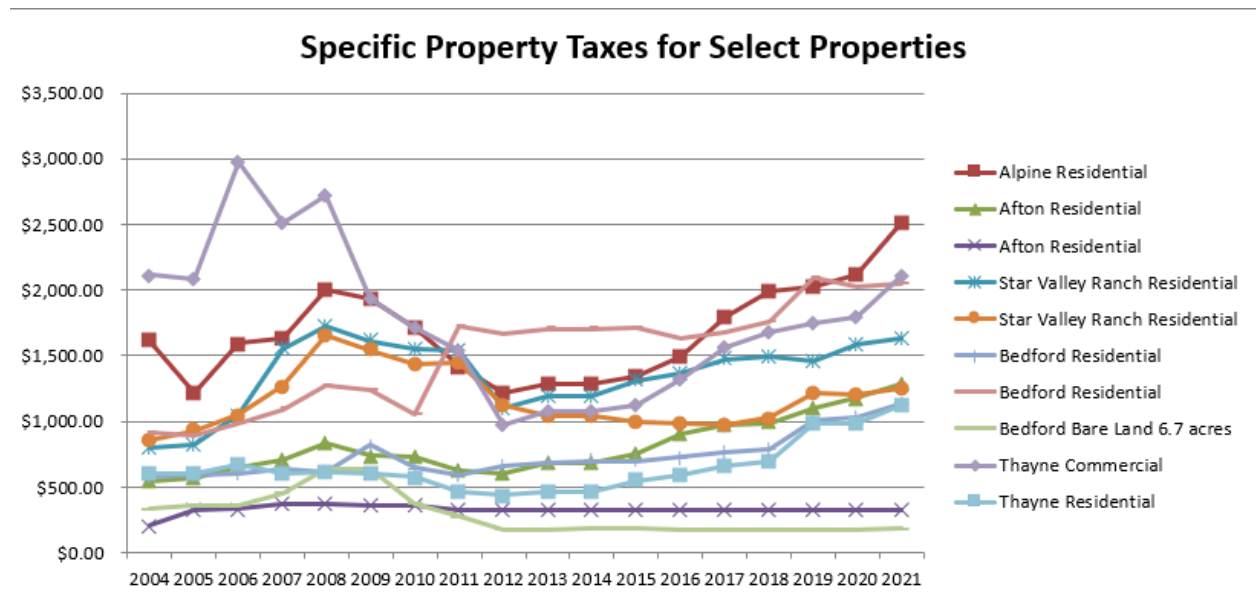


Source: Lincoln County Assessor

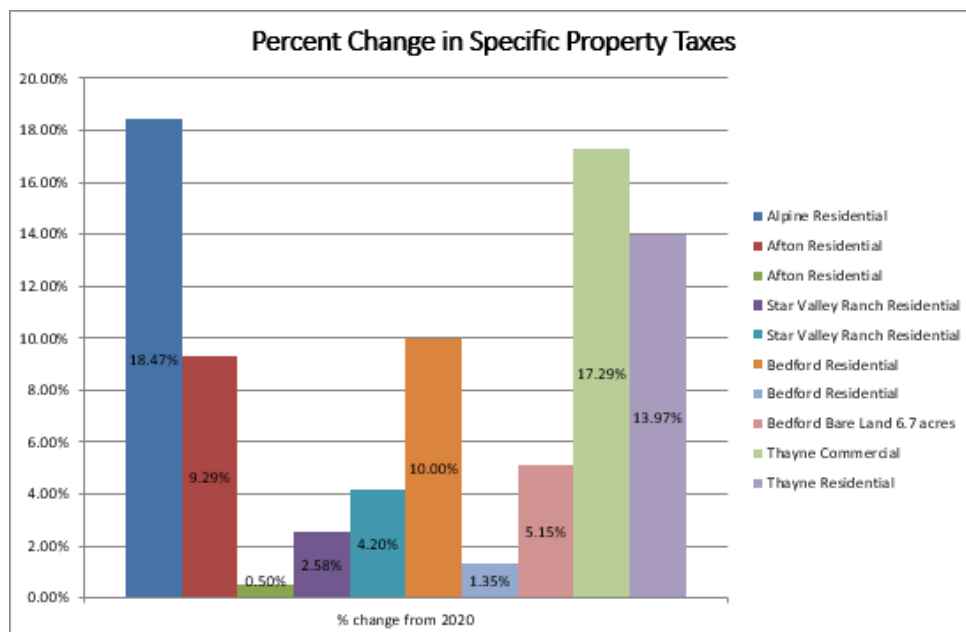


PROPERTY TAXES (SELECT PROPERTIES)

For over a decade, the Bank has tracked the property tax assessments for ten different properties located throughout Star Valley. The purpose of tracking tax assessments is to document trends in specific real estate assessments in different areas of the Valley. The graph below shows the trend in property tax assessments for the subject properties from 2004 to 2021.



The following graph shows the percent change in valuation for select properties from 2020 to 2021. This indicates increasing property values across the board, led by the Alpine area.



NEW HOME CONSTRUCTION

The construction of new homes is an important indicator of local economic conditions and the real estate market as it represents population growth, direct investment, and construction industry labor conditions. The Lincoln County Planning and Zoning Department and the four incorporated towns in Star Valley are kind enough to provide the Bank with the new construction permit data each year to analyze home permits. Note that new homes in the Idaho areas of Star Valley are not included in this new home count.

Total Star Valley New Home Permits by Year

2022 permits are as of June 15, 2022

| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|-----------------------------------|------|------|------|------|------|------|------|------|------|------|------|
| New Homes Non-Incorporated | 33 | 37 | 66 | 94 | 98 | 113 | 114 | 105 | 100 | 114 | 87 |
| Incorporated | 2439 | 2476 | 2542 | 2636 | 2734 | 2847 | 2961 | 2948 | 3048 | 3162 | 3249 |
| % Rate of Growth | 1.4% | 1.5% | 2.7% | 3.7% | 3.7% | 4.1% | 4.0% | 3.5% | 3.4% | 3.7% | 2.8% |
| New Homes Afton | 2 | 5 | 2 | 2 | 5 | 6 | 7 | 9 | 5 | 4 | 14 |
| Total Homes Afton | 736 | 741 | 743 | 745 | 750 | 756 | 763 | 772 | 777 | 781 | 795 |
| % Rate of Growth | 0.3% | 0.7% | 0.3% | 0.3% | 0.7% | 0.8% | 0.9% | 1.2% | 0.6% | 0.5% | 1.8% |
| New Homes Thayne | 0 | 0 | 0 | 0 | 6 | 4 | 0 | 0 | 1 | 6 | 9 |
| Total Homes Thayne | 140 | 140 | 140 | 140 | 146 | 150 | 150 | 150 | 151 | 157 | 166 |
| % Rate of Growth | 0.0% | 0.0% | 0.0% | 0.0% | 4.3% | 2.7% | 0.0% | 0.0% | 0.7% | 4.0% | 5.7% |
| New Homes Alpine | 0 | 0 | 1 | 3 | 5 | 5 | 10 | 6 | 10 | 15 | 10 |
| Total Homes Alpine | 330 | 330 | 331 | 334 | 339 | 344 | 354 | 360 | 370 | 385 | 395 |
| % Rate of Growth | 0.0% | 0.0% | 0.3% | 0.9% | 1.5% | 1.5% | 2.9% | 1.7% | 2.8% | 4.1% | 2.6% |
| New Homes SV Ranch | 2 | 3 | 2 | 5 | 17 | 20 | 22 | 20 | 9 | 9 | 17 |
| Total Homes SV Ranch | 965 | 968 | 970 | 975 | 992 | 1012 | 1034 | 1003 | 1012 | 1021 | 1038 |
| % Rate of Growth | 0.2% | 0.3% | 0.2% | 0.5% | 1.7% | 2.0% | 2.2% | 1.9% | 0.9% | 0.9% | 1.7% |
| Total New Homes | 37 | 45 | 71 | 104 | 131 | 148 | 153 | 140 | 125 | 148 | 137 |
| Total Homes | 4610 | 4655 | 4726 | 4830 | 4961 | 5109 | 5262 | 5233 | 5358 | 5506 | 5643 |
| % Growth Rate in SV | 0.8% | 1.0% | 1.5% | 2.2% | 2.7% | 3.0% | 3.0% | 2.7% | 2.4% | 2.8% | 2.5% |

Source: Lincoln County Planning & Zoning, Town of Afton, Town of Alpine, Town of Star Valley Ranch

* Star Valley Ranch clarified there were only 1003 homes at the end of 2019. The difference in data is likely attributed to new home permits being issued but the homes are never built.

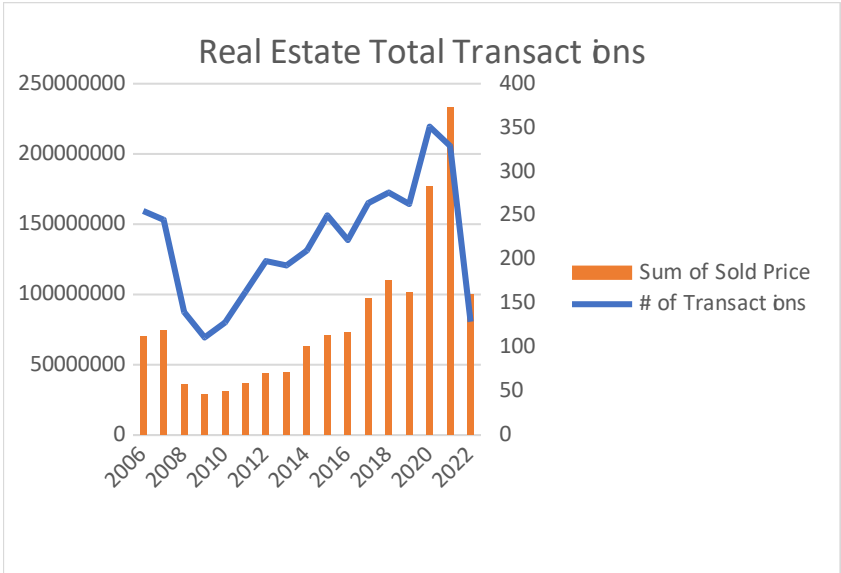
The number of building permits to June 2022 was 137, or nearly as great as the total of 2021's 148 permits. Growth has accelerated in Afton and Thayne and remains very high in Alpine and Star Valley Ranch relative to the 10-year history. As has been the case over the entire period, most of the new housing (63% year-to-date 2022 and 77% in 2021) is outside the area's municipality boundaries and in the rural county areas.

As a side note, Lincoln County Planning and Zoning shared the number of housing permits issued in the Star Valley area (non-municipal) as of August 31, 2022, and the department had issued year-to-date 141 permits. These permits in addition to the higher issuance of permits within the towns means that 2022 will be record year for new residential housing construction.

RESIDENTIAL HOME TRANSACTIONS

In Star Valley most real estate sales transactions are documented through the Multiple Listing Service (MLS). However, private party sales occur that are not reported in MLS. Therefore, total market activity is in fact greater than that derived from the MLS. However, is felt by the authors that the MLS numbers adequately represent real estate market trends.

The following graph shows the total annual number of sales and the total annual volume of the residential home sales in Star Valley since 2006, derived from MLS data. Star Valley has experienced a real estate boom unlike any other beginning in 2020. Real Estate prices climbed extremely fast, driven by hyper-demand, and decreased available units. Much of the housing boom was driven by people out migrating into the area so as to escape crowded urban areas.



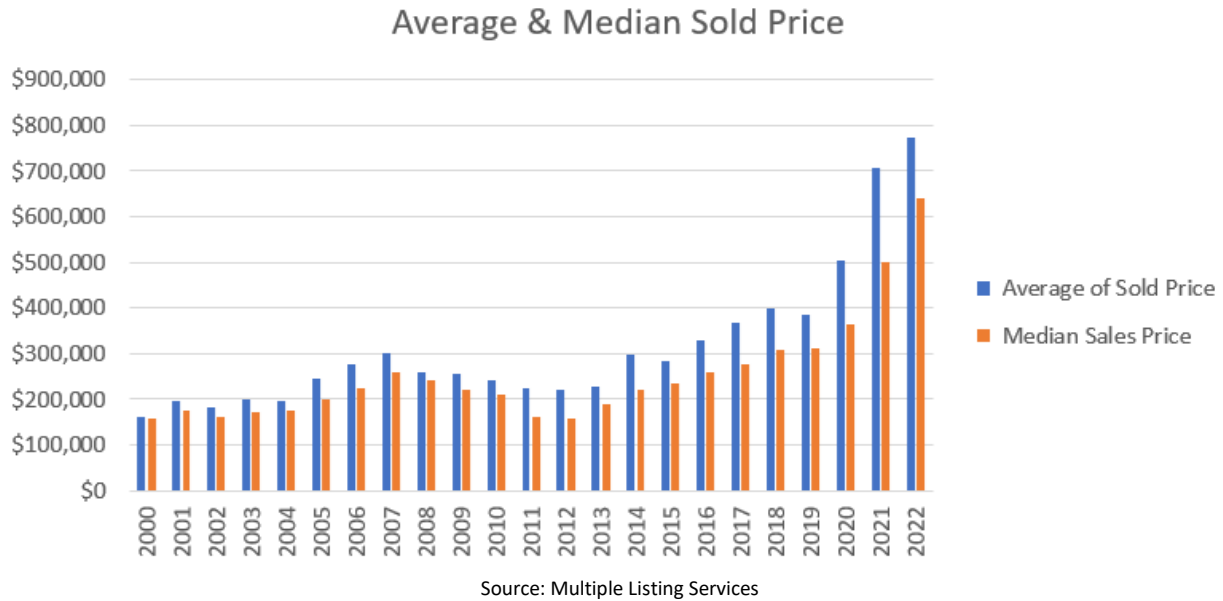
Source: Multiple Listing Services

The average residential home sales price sold in 2021 was 40.8% higher than 2020, representing a \$205,310 increase. Thus far in 2022, residential prices are 9.2% higher than in 2021 representing a \$64,916 increase.

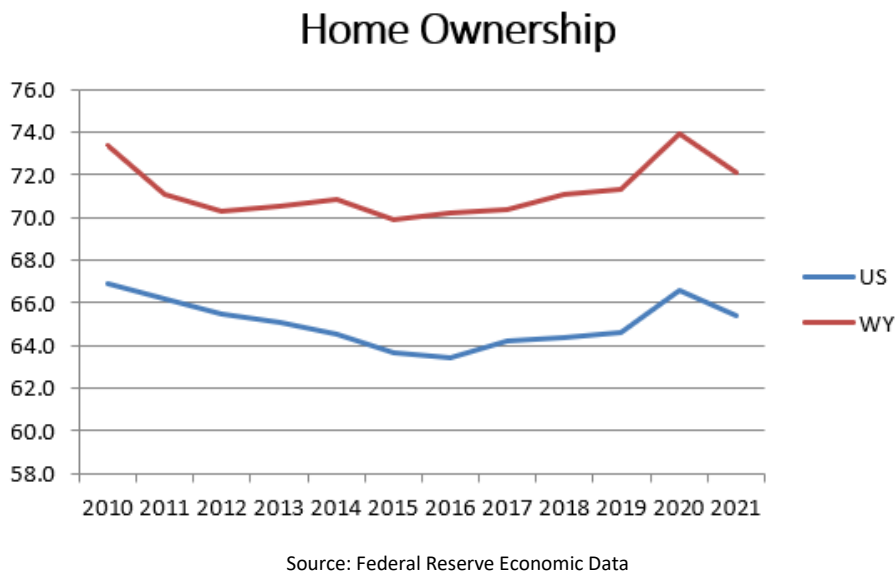
The following graph shows average and median residential sales in Star Valley over time. As can be seen, the cost of Star Valley housing is spiking to new levels. As of August 2022, the average residential home was \$773,822 and the median was \$625,000. The median sales price is a



better indicator of home prices because it is not skewed by a few high-priced homes. Home prices at these levels make it near impossible for the average working person to buy a home in Star Valley.



The graph below shows the homeownership rate decreasing both nationally and on the state level. This is an indication that the issue of affordable housing is a nationwide issue as house prices reached record high levels.



The increase in price of housing is being largely driven by limited supply and high demand. In March 2022 WSW Consulting released the Teton Region Housing Needs Assessment, sponsored by Teton County, Wyoming, Teton County, Idaho, and its jurisdictions. The needs assessment

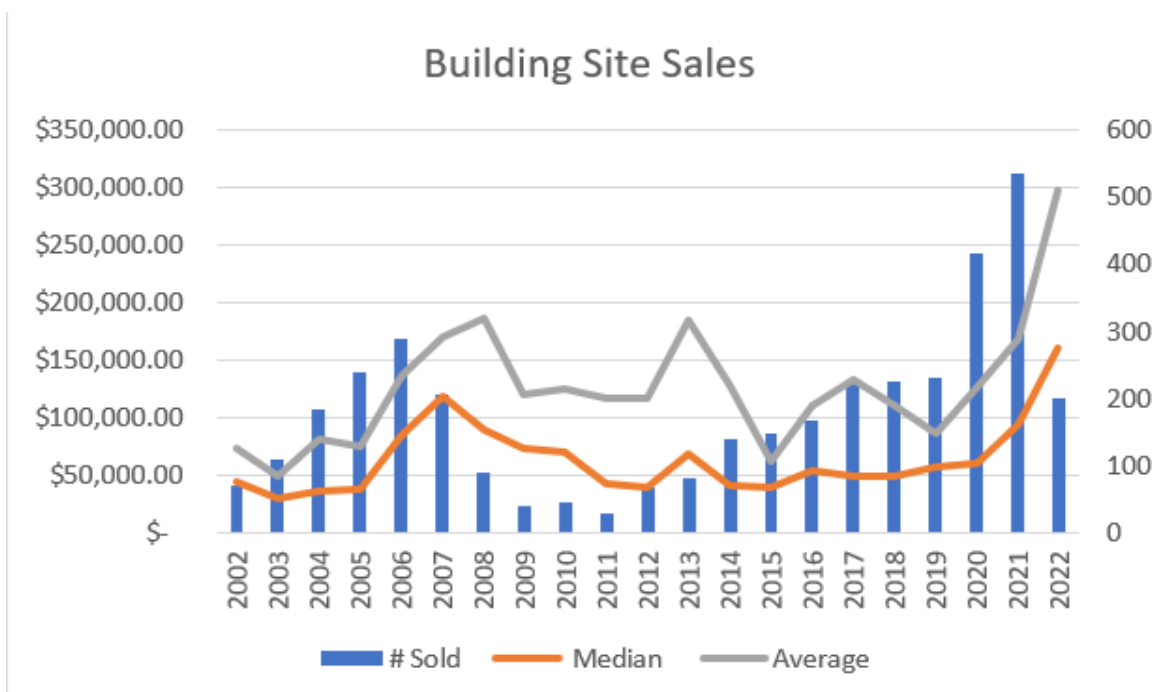


for housing from the study indicated that Star Valley area requires an additional 970 to 1,275 homes by 2027 just to meet current labor force demands – and does not consider any demand created by additional in-migration of population. The study noted:

- The rental housing market for residents and local employees searching for homes has gotten expensive for local wage earners. A three-person household earning about \$70,000 per year coming to N. Lincoln County may find something that meets the definition of affordable on the market.
- Households making their living locally can find attached homes to buy (condominiums, townhomes, etc.) for around \$440,000 (150% AMI). Market rate single family homes are now mostly over \$600,000 (200% AMI). This is a big shift from just two years ago when three-fourths of homes were priced under \$500,000.
- To address the amount of housing needed to catch up to current shortfalls and keep up with future job growth, about 60% of the approximately 970 to 1,275 homes needed by 2027 in Northern Lincoln County will need to be priced below market. (WSW Consulting, Teton Region Housing Needs Assessment P 156)

BUILDING LOT TRANSACTIONS

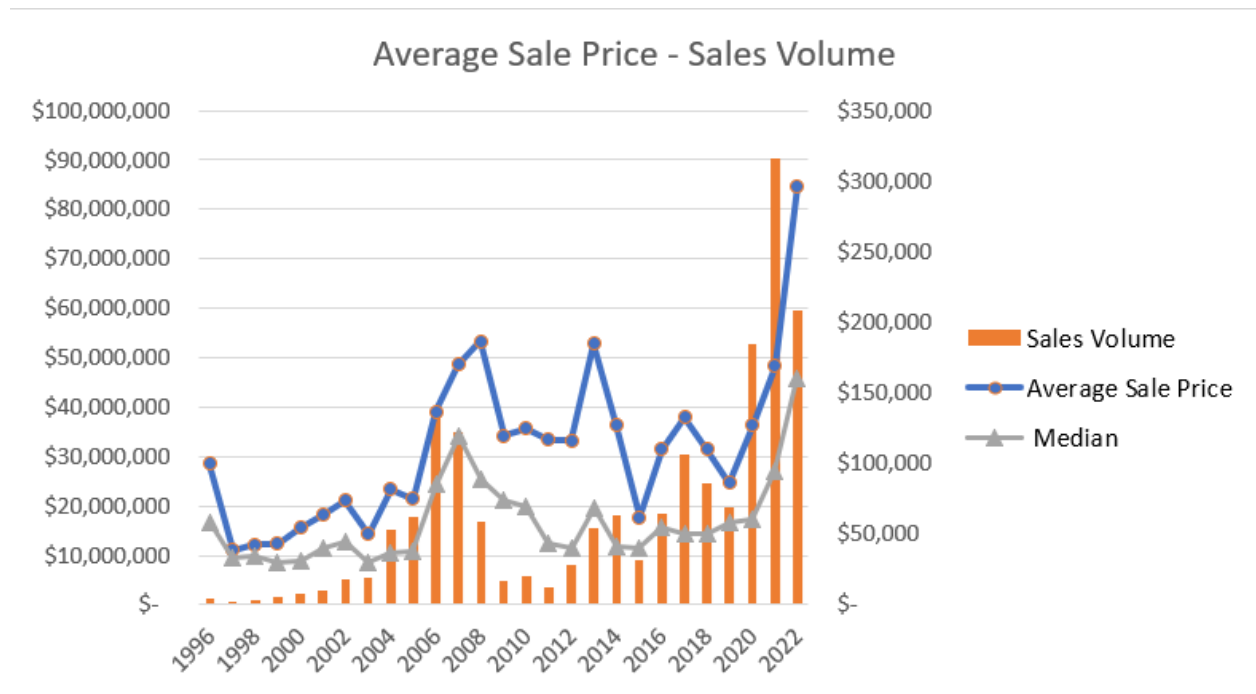
The total number of building lot sales and the total sold value of building lots in the Star Valley area on MLS since 2002 are illustrated on the following graph. Building lots of all sizes are included in the figures. The number of lot sales and their sold prices increased dramatically during 2021 with a tapering in sales year-to-date up to 2022, but a substantial increase in average price in 2022. Even though data from 2022 represents only the first 8 months of the year and there have been less sales than in 2021, the total average value of lots sold in 2022 has already surpassed that of 2021 by 75.6%.



Source: Multiple Listing Services

As of August 2022, 201 lots changed hands relative to the 402 lots sold in the first 8 months of 2021. Over the 8 months of 2022, the market saw a cumulative total of lots sold at \$59 million.

The average sales price of buildings lots is a difficult metric because a building lot could be a \$400,000 - 20-acre lot or it could be a \$50,000 - 0.4-acre lot, both of which affect the average dramatically. The average lot sale price so far in 2022 is \$296,593 compared to \$168,924 in 2021. The median lot sales price, which deals more fairly with the large variation in sales prices, is \$160,475 per lot so far in 2022, compared to \$95,000 for 2021. Both the average and median lot sales prices in Star Valley are shown in the following graph from 2005 through August 2022. The increase in lot sells quantity and value can be seen in the following graph.



Source: Multiple Listing Services

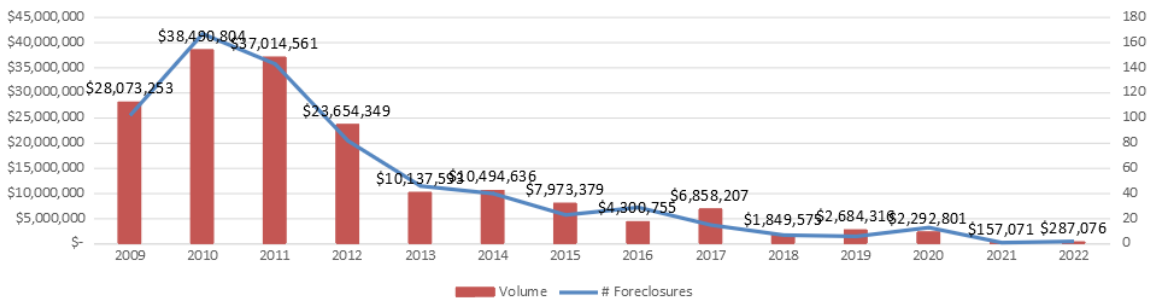
FORECLOSURE ACTIVITY

Foreclosure activity has an inverse relationship with real estate market activity and overall economic health. Foreclosures generally occur due to job losses or difficult economic times, especially during times of depressed real estate values. Foreclosed homes usually sell for less than comparable homes not in foreclosure.

The Bank has monitored the published foreclosures since 2009 using newspaper publishing's in the Star Valley Independent and the Kemmerer Gazette. In Star Valley, through July 2022, there has been 2 foreclosures totaling \$287,076.00.



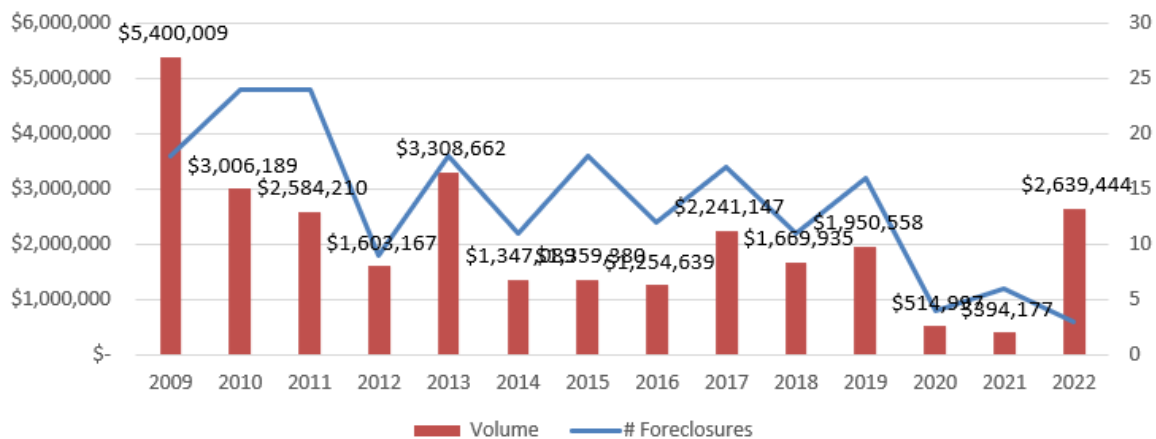
Star Valley Foreclosures



Source: Kemmerer Gazette and Star Valley Independent

Lincoln County – Non-Star Valley foreclosures include foreclosures in Kemmerer, LaBarge, Cokeville and surroundings areas within southern Lincoln County. Southern Lincoln County has had three foreclosures year-to-date in 2022, relative to six in 2021.

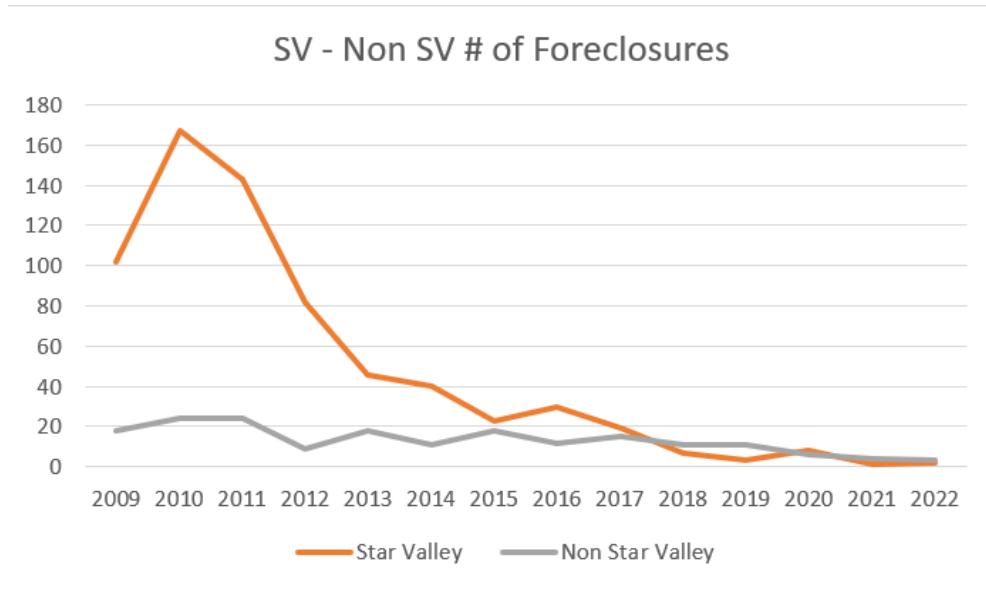
Non Star Valley Foreclosures



Source: Kemmerer Gazette and Star Valley Independent

The following graph compares the number of Star Valley foreclosures to the number of Non-Star Valley foreclosures. The low number of foreclosures throughout Lincoln County is an indicator that the entire regional housing market is tight (as someone in financial trouble can quickly sell their home and meet the mortgage obligations before the financial institution completes a foreclosure process), as well as people earning enough money to satisfy their mortgage obligations. It will be interesting to see how the housing market will change over the next few years as mortgage rates increase along with the higher cost of housing and housing construction.

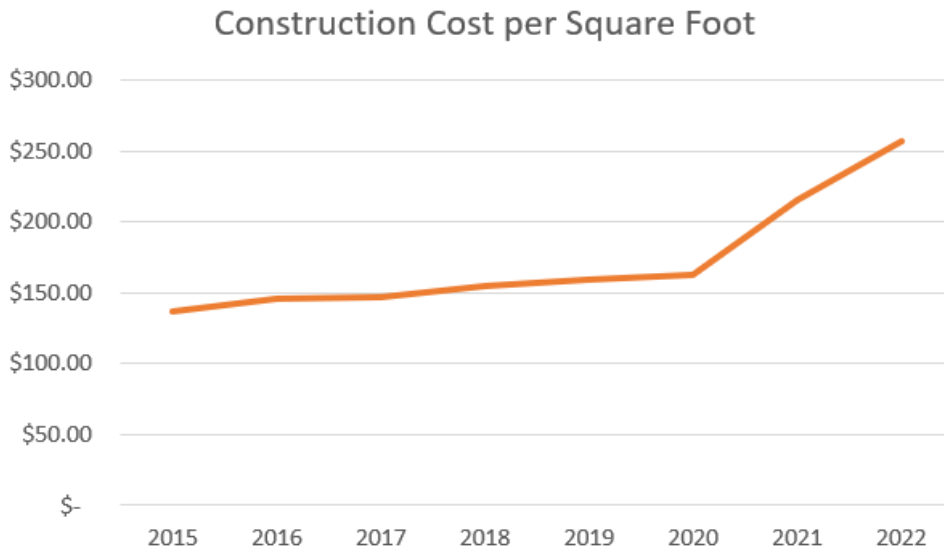




Source: Kemmerer Gazette & Star Valley Independent

CONSTRUCTION COSTS

The Bank has tracked the cost of construction of new homes in the valley since 2015. In 2022, the average construction cost was \$257 per square foot. This is a 19.5%, or \$42.00 per square foot increase from \$215 in 2021. Construction cost does not include land costs, utility connection costs, and only includes the cost per square foot that was completed and livable. The construction costs per square foot illustrated in the table below represent the average cost per square foot for finished and livable square feet over the last seven years.



BUILDING MATERIALS

With construction costs trending upward the Bank started to track the cost of a basket of building materials used in a home construction. The materials are compared against the same market basket in 2015 and over the past three years. The matrix is only a sample of essential materials for an average home and does not incorporate construction management and labor costs.

The following graph shows the difference in total price for the materials. An average price was taken based on the materials prices from Jenkins Lumber, Evergreen Wood Products, and Calls Ready Mix. As can be seen, there was not much cost difference between 2015 and 2019. In 2021 material costs more than doubled 2019 prices. 2022 is showing an increase of almost triple the price of 2019 and a 13% year-over-year increase from 2021.



Source: Jenkins Lumber, Evergreen Wood Products, Calls Ready Mix

The increasing cost of materials is part of the driving force behind rising housing costs. As the costs of inputs increase, the cost of home construction will correspondingly increase. The basket of construction materials used in the review is shown below.

| Item | Qty |
|---|-----------|
| I-Joist: 11 7/8" x 1 3/4" x 32' | 50 |
| Gold Edge Floor Sheeting | 70 Sheets |
| Timber Strand, Stair Stringers: 2 x 12 x 16 | 12 |
| Pre Cut 9' wall studs: 2 x 6 | 270 |
| Pre Cut 9' wall studs: 2 x 4 | 120 |
| 2 x 6 x 16 | 105 |
| 2 x 6 x 10 | 180 |
| 2 x 10 x 16 | 25 |
| 3 1/4" Framing Nails | 4 Boxes |



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