



The Bank of Star Valley



2023 Star Valley Economic and Demographic Review

August 2023



www.bosv.com

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Executive Summary

This year --2023 -- is shaping up to be a year of tremendous uncertainty – and individuals, businesses, and markets do not function at their best in such volatile times. Thus far this year has seen continued high inflation, the continuation of the Ukrainian/Russian conflict, the rising, in the last minutes, of the national debt ceiling and resulting U.S. credit downgrade, regional bank failures, energy constraints, increasing levels of regulation, compounding political polarization, and a slowing world economy.

The U.S. annual inflation rate, as measured by the Consumer Price Index (CPI), was previously under the Federal Reserve (FED) target of 2% up to February 2021. Then in a few months the CPI quickly increased to 9.1% by June 2022. The inflation was not “transitory” as FED Chairman Powell stated in early 2022. Rather, inflation has proven to be structural in nature and continuing through year-to-date 2023 at declining but still high levels. The inflation resulted from the huge increase in money supply during the covid era compounded by the decrease in goods resulting from shut-downs and supply-chain disruptions.

The FED finally awoke to the inflation threat in March 2022 and began taking actions to reduce inflation by ending quantitative easing (i.e., money creation) and raising short-term interest rates to reduce the money supply and dampen demand. U.S. Inflation eased to 3.2% as of July 2023. However, combined with last year’s 9.1% increase in price levels there has been a cumulative increase of at least 12.3% in overall price levels in just the past two years! To attempt to tame inflation, the FED has raised the discount rate from zero based rates in early 2022 to the current 5.50%. Further, the FED is issuing guidance indicating potential increases of .25% to .50% before 2023 year-end. Chairman Powell stated recently in Jackson Hole, “We are prepared to raise rates further if appropriate and intend to hold policy at a restrictive level until we are confident that inflation is moving sustainably down toward our objective.” Wall Street Journal Prime, the rate impacting most borrowers, has gone from a low 3.25% in March 2022 to 8.50% as of this report.

The rapid escalation in interest rates resulted in some large regional bank failures. The first failed bank came from Santa Clara, California -Silicon Valley Bank. The second from New York, New York -Signature Bank, and then First Republic Bank of San Francisco, California on May 1, 2023. These three bank failures were significant because of their respective asset size. The failure of these larger banks created tremendous unrest among consumers and businesses, who were wondering if their bank was sound and their deposits safe. The good news is that market unrest has settled down as the other 4,889 commercial U.S. banks have shown great resilience.

Consumer spending has increased, growing by .8% in July – but during the same time consumer borrowing levels have also increased. This is an unsustainable trend in consumer behavior.

According to The Federal Reserve Bank of New York, household debt increased by .9% in the first quarter of 2023 to over \$17 trillion. Credit card balances peaked at over \$1 trillion in the second quarter of 2023 - the highest credit card balances since the New York Fed began tracking them in 1999. Auto loan and student loan balances increased to \$1.56 trillion and \$1.74 trillion, respectively. Compounding the issue of high student loan debt -- in September 2023, interest accruals on student loans are to re-commence after being on pause since the covid pandemic freeze of 2020. Normal full student loan payments commence again in October 2023, which will act to reduce disposable income for these individuals.

The increased pressure from interest rates has created a pause in the housing market. Higher interest rates make it difficult for a buyer to afford a home; and for a seller to want to sell their home when their current mortgage interest rate is markedly below market interest rates. Current new mortgage rates are around 7.5%. Due to the previous lower mortgage rates which were in effect up to the end of 2022, 91% of borrowers have mortgage rates lower than 6% and a full 82% of mortgages have rates lower than 5%.

The awaited housing crunch, which was expected due to rising mortgage rates, has been allusive to buyers. Forbes explained that there has been a low housing inventory in the U.S. since the housing crash of 2008. Overall, new, and low to moderate-income home purchasers are struggling to find an affordable home. According to Zillow analysis, the U.S. ultimately needs 4.3 million more homes to meet demand. At the same time, due to the housing inventory crunch and mortgage rates, current owners are electing to just stay put in their home.

Depending on mortgage interest rates, which are high relative to recent history, there may lie some potential downward housing price pressure in the short-term, particularly for individuals who need to sell their home. Nationally, home purchase applications have increased for a third consecutive month since May, but total current purchase applications are 20% lower than a year ago.

At the local level, unemployment is very low with too few workers to meet open jobs demand. Help wanted advertisements and signs have become a new and seemingly permanent fixture. Labor shortages are being compounded by the higher cost of living in the Star Valley area, and particularly housing costs. Star Valley is unfortunately proving to be an expensive place to live – with a general cost of living well above the Wyoming average. The issue of higher living expenses in Star Valley is compounded for area residents by a lower per-capita income level. Higher living costs married with lower incomes will not lead to a positive outcome.

The Star Valley population is growing, contrary to many rural areas 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, potential for higher incomes, and overall human capital is expanded. The positive demand is being seen as the area town's commercial centers are realizing makeovers of store fronts and new business operations. Local businesses maintained employment levels despite the labor shortage through the end of 2022 and into 2023.

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 becoming increasingly 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 economic and social issues. It is felt that this entrepreneurial spirit is still alive and 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.



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Wyoming Department of Revenue
Wyoming Economic Analysis Division

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2023

STAR VALLEY

ECONOMIC and

DEMOGRAPHIC REVIEW

INTRODUCTION

The following document is The Bank of Star Valley's 2023 Economic and Demographic Review. The purpose of this review is to document various 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 caution in relying upon the findings of this report, as they may reflect unintended biases and potential misinterpretation of the data by the authors. Regional economic studies, due to the complexity of the subject and infinite scenarios, are by their very nature limited in scope.

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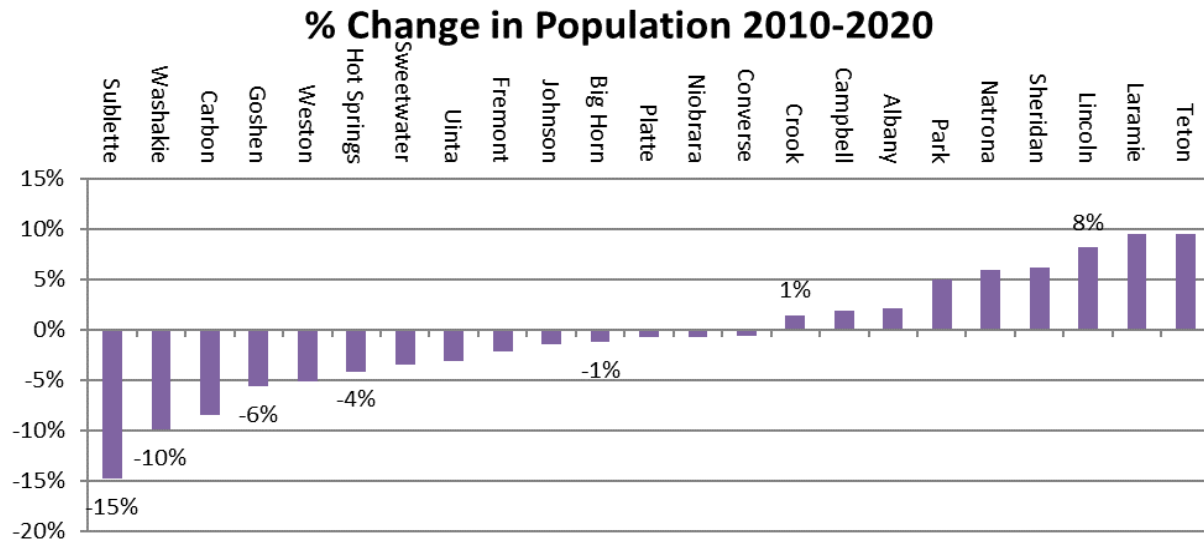


POPULATION

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.

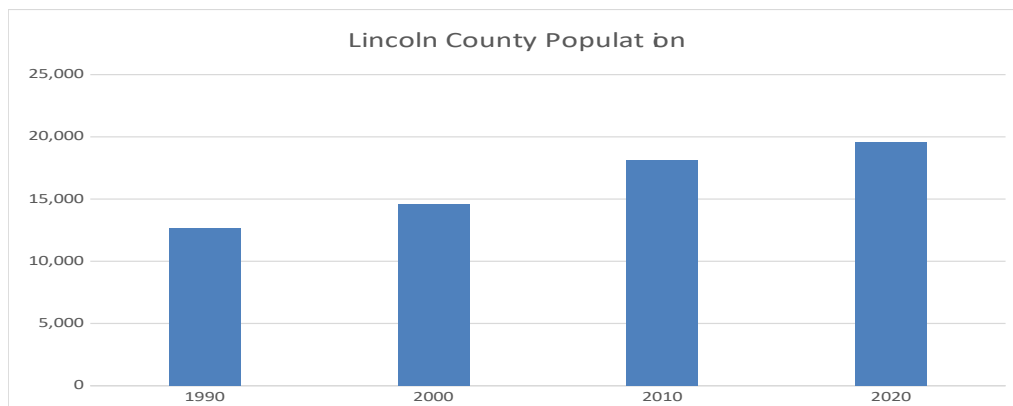
Over the past decade 72,000 babies were born in Wyoming, far surpassing the 47,000 people that died. Instead of adding another 25,000 people through natural growth, Wyoming only added 13,225 people, indicating that many young people left the state for greener pastures. Most of the outmigration was led by downturns in the 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 people fleeing to Wyoming from crowded and covid aggressive political management states such as California and Oregon.

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

Based upon more recent post census data, Lincoln County has been a leader within the State of Wyoming in percentage population growth at a year over year growth of 2.4% for 2022. (Source – Wyoming Economic Analysis Division “Wyoming’s Largest City Lost Population in 2022”, May 18, 2023.) The following graph highlights Lincoln County population growth , according to census count, over the last 30 years.



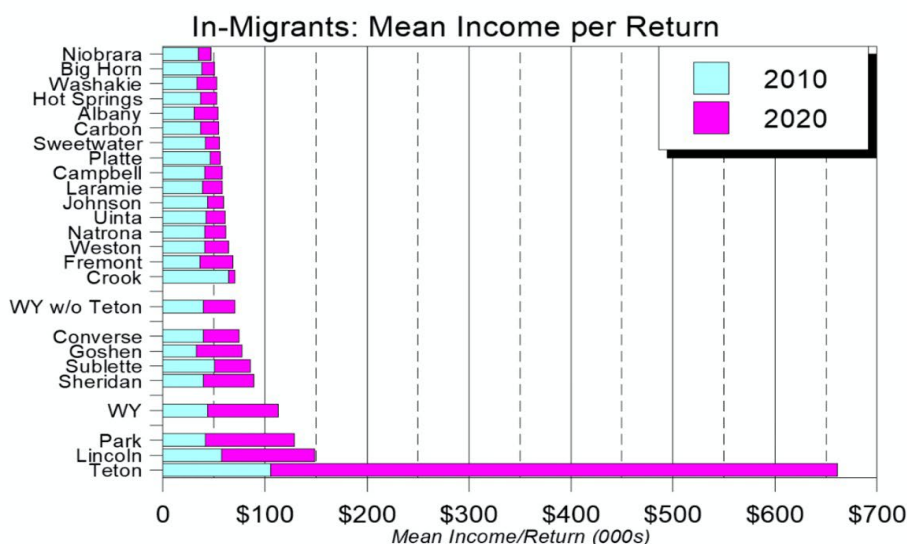
Source: State of Wyoming Department of Administration and Information Economic Analysis Division

The population growth over the past 20 plus years has favored north Lincoln County. This trend appears to be continuing with increasing population in north Lincoln County, and stagnant to perhaps declining population in south Lincoln County. The Wyoming Economic Analysis Division ranked population changes in towns and cities of 2,000 or more in a May 18, 2023, report. On an annual percentage change basis Star Valley Ranch Town was second

highest in the state at 3.3%, Afton was fourth highest at 1.8% (Thayne and Alpine were not included in the survey as their respective populations are under 2,000.) The report also indicated that Kemmerer, the only town with over 2,000 in south Lincoln County, had negative growth of -0.1% during the same time.

The Cowboy State Daily published an article on April 8, 2023, titled, “Billionaires Are Moving Millionaires Out of Jackson, Similar Trends Happening Across Wyoming.” The article highlighted the high cost of living in Teton County, and the subsequent impact of surrounding communities, including Star Valley. The article reported that Teton County’s newest residents have a mean income of \$661,000. The mean income of residents out-migrating out of the Teton County is still a staggering \$100,181. This is a difference of 660%. This income distribution gap leads the nation. This has also contributed to Lincoln County’s in-migration population having a higher mean income of \$148,508. The extremely high housing prices in Teton County are beginning to bleed over more and more into north Lincoln County. More and more people are willing to commute back and forth from Jackson to avoid Teton County’s higher living costs and the neighboring counties are being impacted by the resulting higher housing costs and limited housing inventory.

Wyoming Counties: 2010 & 2020

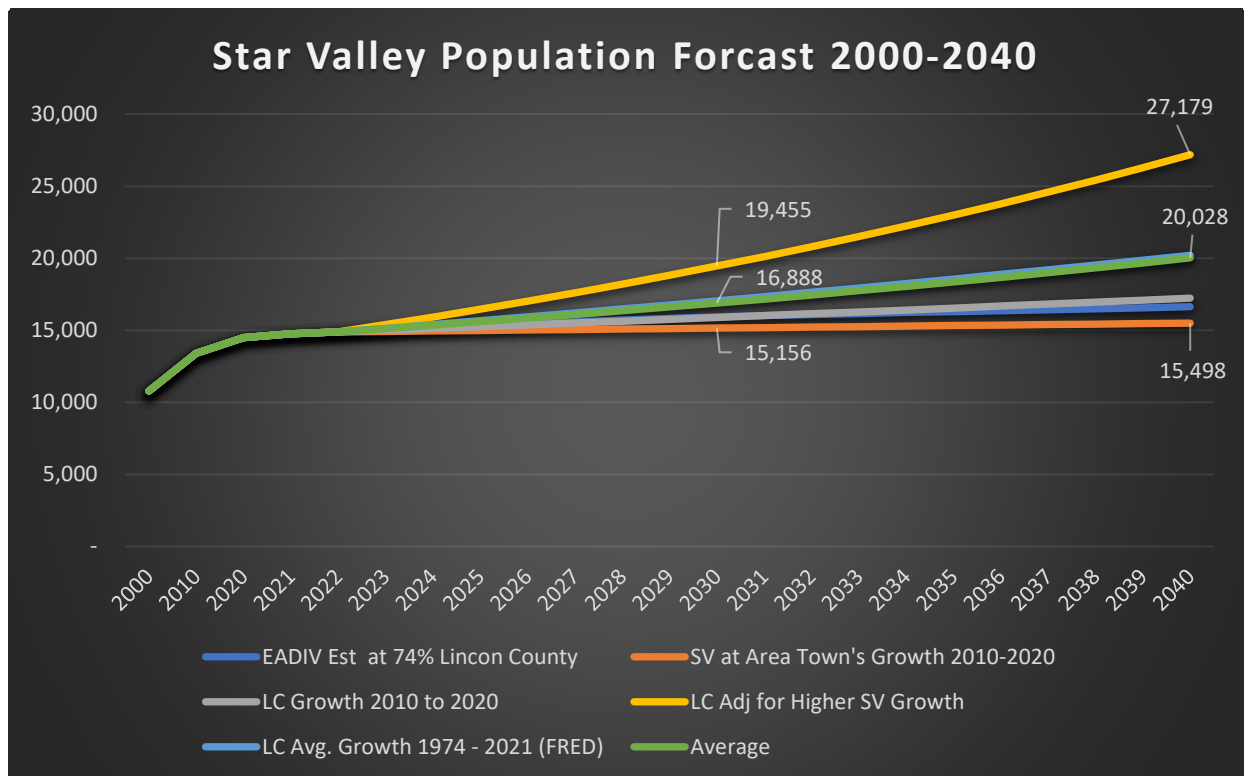


Given the growing political and economic uncertainty in the U.S., and the perceived need for security and safety, compounded by the amenities provided by thousands of acres of national forest, low power costs, strong internet/broadband service, and strong medical and educational institutions, Star Valley will likely 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 2000 to 2020. The census data for 20 years of Star Valley historical growth is 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 within Star Valley is located outside of the municipal areas. The rate is 0.22% annually.
- Lincoln County population growth from 2010 to 2020. This rate is using Lincoln County's average growth rate adjusted for an approximation of the growth in the Star Valley population. This is likely a lower growth rate for the Star Valley area as it is impacted by a stagnant or even decreasing population in non-Star Valley areas of Lincoln County – and therefore undercounts the recent higher growth rate within Star Valley. The rate is 0.82% annually.
- Lincoln County adjusted for the higher population growth rate in Star Valley and the stagnant to declining population in non-Star Valley areas. This growth rate is 3.40% and represents the high end of the projected growth.
- The average of the above 4 respective models, which is felt by the authors to be a reasonably realistic long-term projection of Star Valley's population growth.



Based upon this model, the current Star Valley population is estimated to currently be approximately 15,000 individuals. All indicators point to continued population growth within Star Valley, the future population will likely be in the range of 17,000 to 20,000 by 2030. The small valley will clearly continue to become more crowded, but at the same time economic activity will naturally expand to serve the growing population. Over recent years there has

been expanded retail and service options with the growing population and this trend is expected to continue.

A relevant 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.

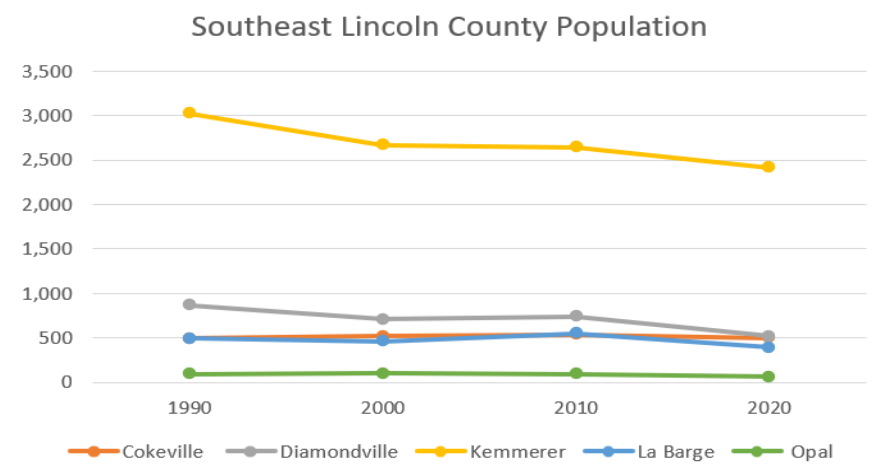
Percent of Average Annual Population Growth, 2000-2020

Natural Change	51.3%
Net Migration	46.6%
Residual	2.1%

Source: Headwaters Economics, A Profile of Socioeconomic Trends

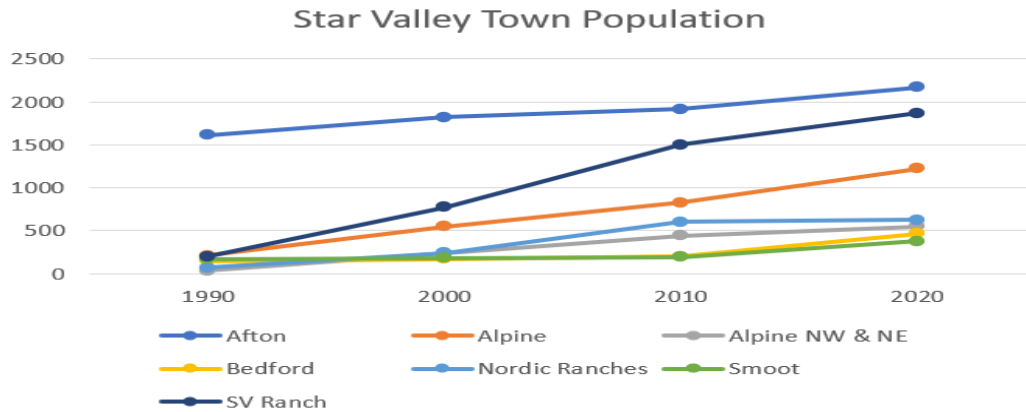
While Lincoln County is bucking the national trend where rural populations are declining, in that Lincoln County has exhibited a strong natural rate of growth, it is also seeing substantial population growth from in-migration. This large in-migration may act to stress the traditional conservative valley culture as new people with new ideas and expectations move into the area.

Lincoln County is geographically and economically divided into 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 geographical areas have experienced very different economic and demographic changes over time. As can be seen below, the incorporated town populations of southern Lincoln County have remained stagnant, or steadily decreased, over the past four decades. Much of this decline can be directly attributed to challenges in the mineral extraction industries which are the dominant economic basis for this area. However, with the siting of the TerraPower nuclear plant and other emerging economic activity, such as Tri Site and Rain Fire, in the Kemmerer area, this trend may reverse in the coming years, and both south and north Lincoln County areas may realize positive population growth.



Source: U.S. Census Bureau

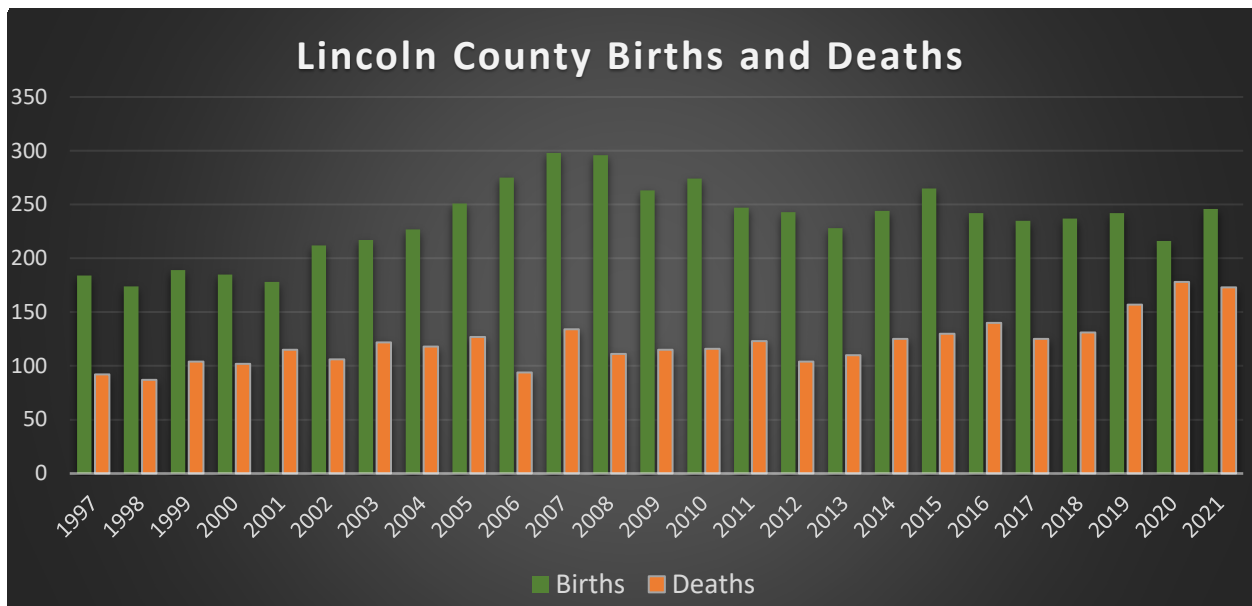
As discussed previously, northern Lincoln County has experienced strong population growth. Below is a graph of seven geographical areas within Star Valley. All the areas have experienced increasing population. If Star Valley Ranch continues its rapid growth, its population may exceed Afton's by the next census, which would make 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 slight decrease in the number of deaths in Lincoln County in 2021 (which is the most recent data available). The total number of deaths was 173, and the number of births was 246; a decrease of 5 deaths and an increase of 30 births from 2020. The trend of births and deaths between the years 1997 to 2020 is shown below.



Source: Wyoming Department of Health

The importance of the above graph is its inherent 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 2021 confirms a growing and more elderly population.

HOUSEHOLDS BY DEMOGRAPHICS

Both SuburbanStats.org and the U.S. Census Bureau perform an estimate of the population by household types. They estimate the number of traditional families (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 2021 – the most recent information.

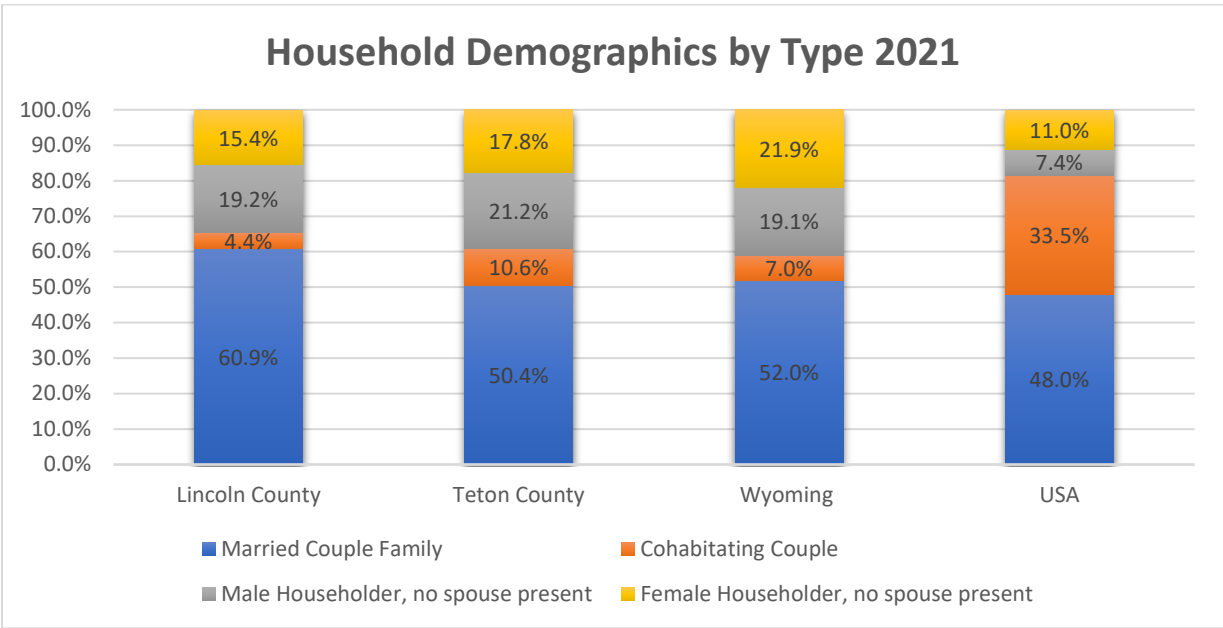
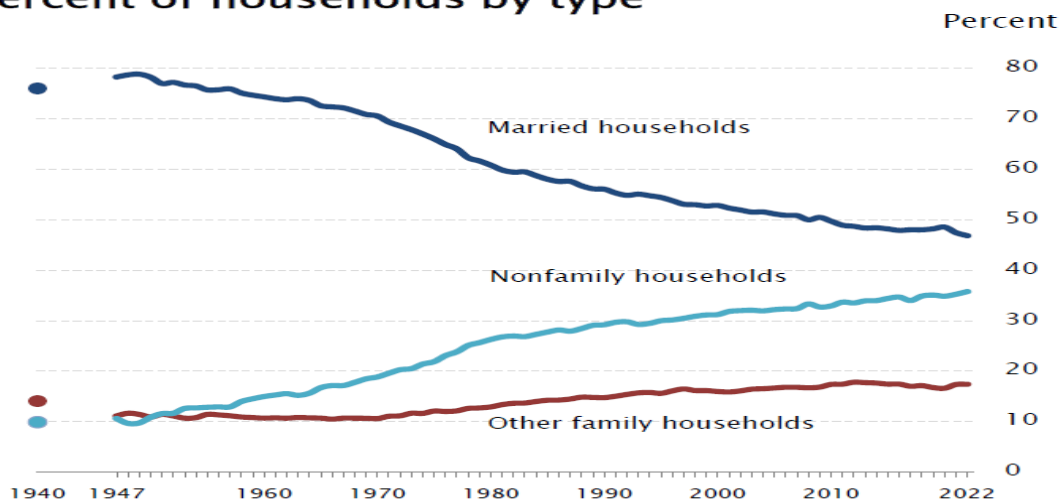


Figure HH-1
Percent of households by type



Source: U.S. Census Bureau, Decennial Census, 1940, and Current Population Survey, Annual Social and Economic Supplements, 1947 to 2022.



U.S. Department of Commerce
U.S. CENSUS BUREAU
census.gov

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

A demographic strength of Lincoln County remains to be its higher percentage of households with the individuals living as married couples (60.9% of households relative to 52.0% for Wyoming and 48.0% for the U.S.). These married couple households, having the enhanced resources of two individuals to cover the household duties and earning responsibilities, are much less likely to be in a poverty situation as well as higher stress environment. Interestingly, the married couple's percentage for Lincoln County has fallen from 65.3% in 2015 to the current 60.9%, while the U.S. married couple's percentage has fallen from 50.0% to 48.0% during the same period. Lincoln County is slowly trending 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 2021

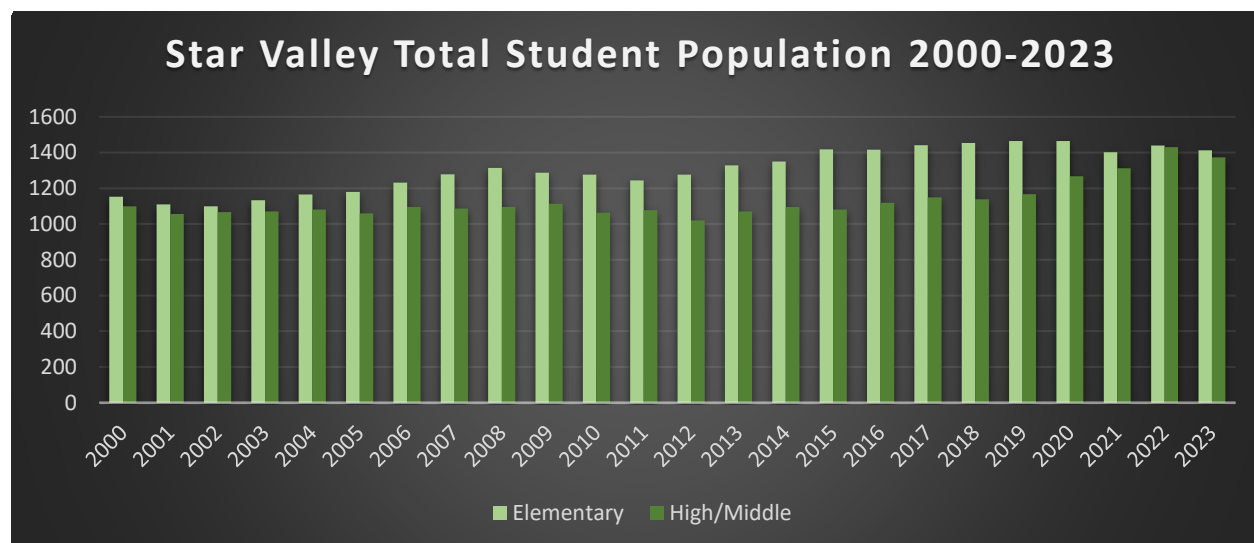
U.S.	2.50
Wyoming	2.43
Teton County	2.22
Lincoln County	2.66

Lincoln County is also trending downward 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.



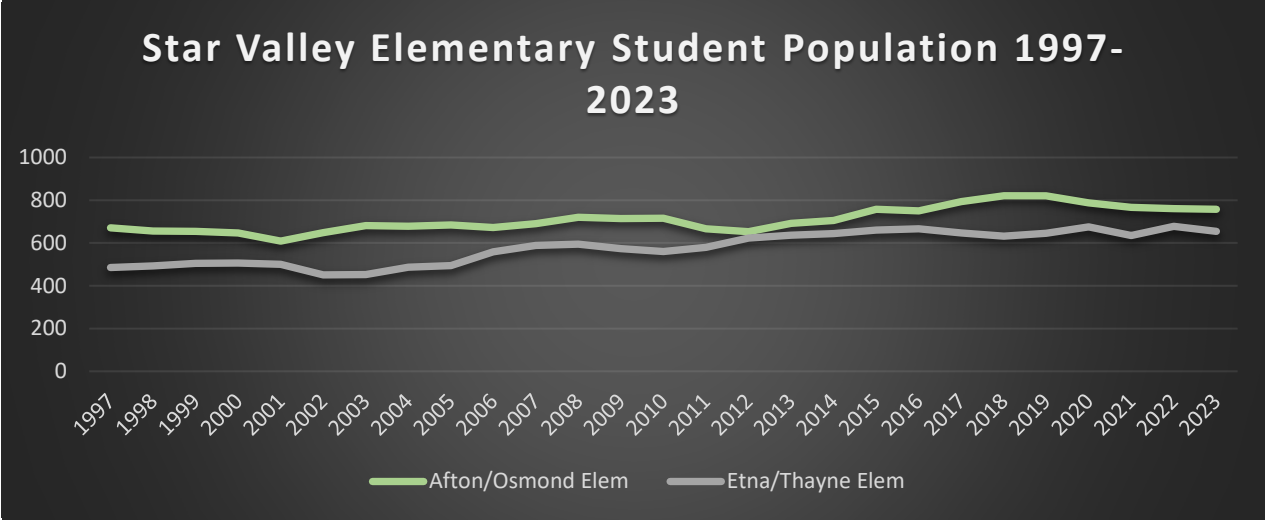
EDUCATION

Since 2012 there has been growth in the area student population, with 2023 student enrollment at Lincoln County School District # 2, being 2,785 students in elementary and high/middle school. The beginning 2023 student population showed a slight decrease in 15 students over the 2022 record high enrollment.



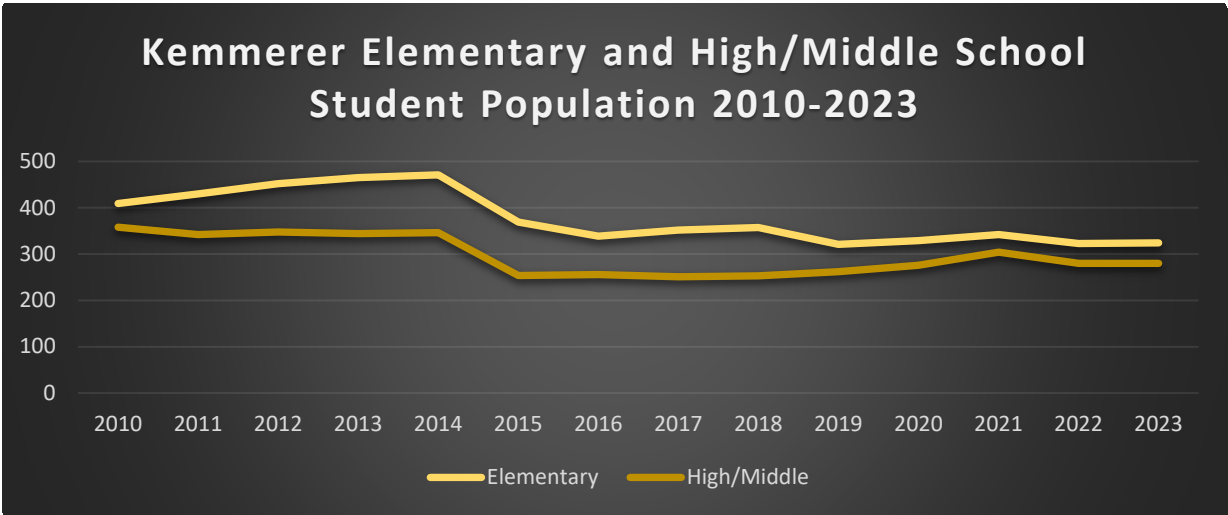
Source: Lincoln County School District #2

Elementary school enrollment provides a metric to determine the general area within Star Valley where the households with children reside (assuming near 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 mirrored elementary (K – 6 grade) schools. Enrollment in the upper valley schools decreased by 41 to 862 students. Student enrollment in the lower valley schools also decreased by 24 to 654. The spread in student population between the two areas is appears to be closing.



Source: Lincoln County School District #2

Since 2015, the Kemmerer area 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 2023, which reflect a declining student population in the Kemmerer area.



Source: Lincoln County School District #1

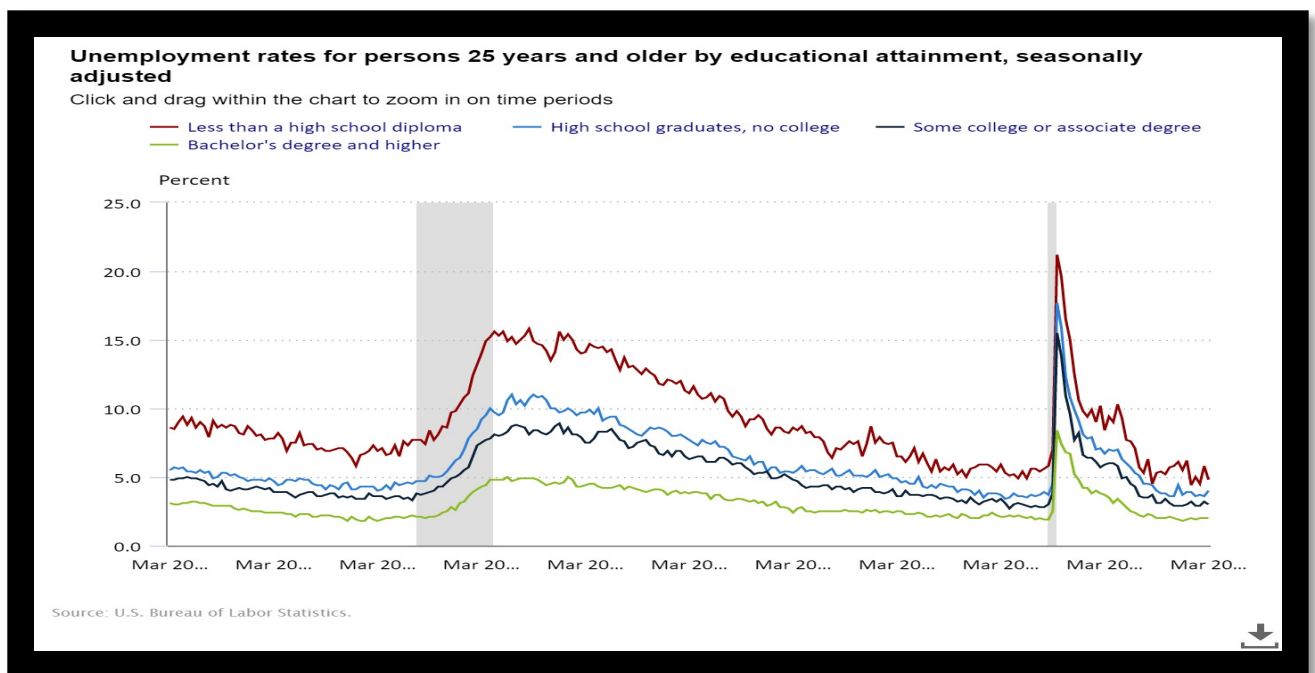
The level of educational attainment, which is an indication of the quality of the productive potential of human capital, is an important economic growth indicator. The underlying assumption is higher education levels reflect enhanced skill sets, and higher production levels. According to the 2021 data, Lincoln County has more high school graduates relative to the United States. However, Lincoln County is challenged by the lowest percentage of college graduates compared to the nation, the state, and Teton County as depicted in the table below.

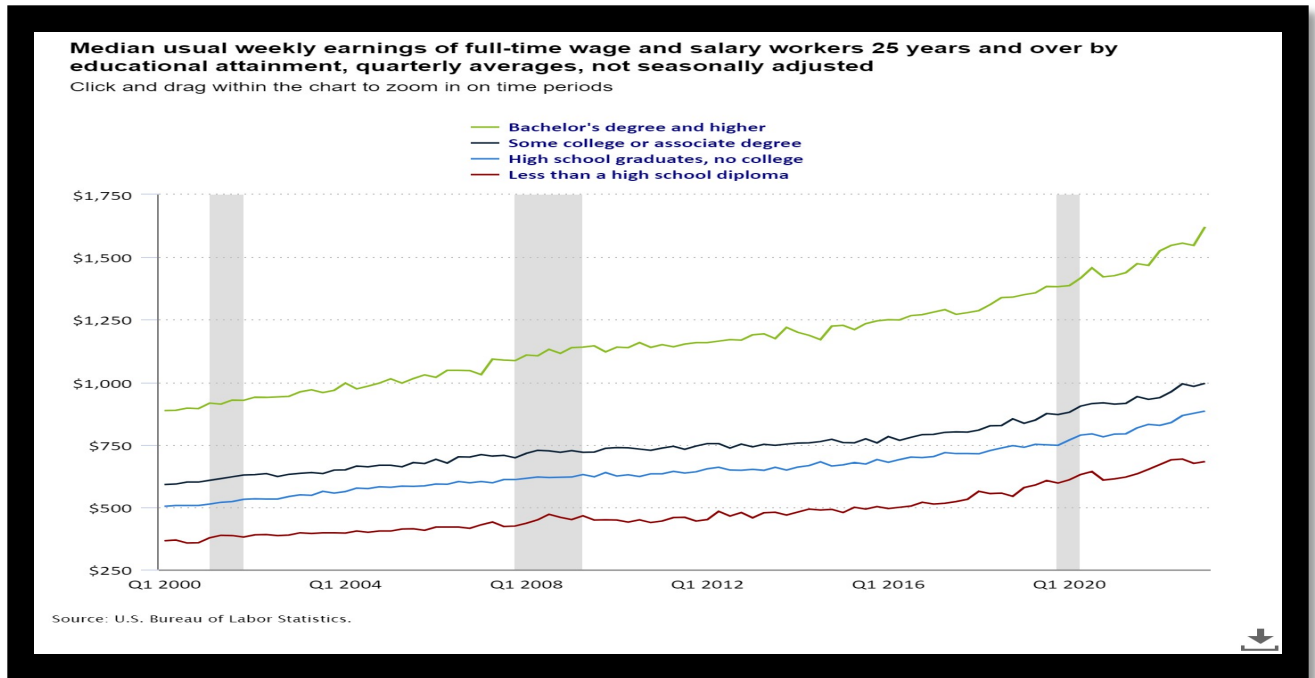
Educational attainment	Lincoln County	Teton County	Wyoming	United States
High School Graduate or Higher	93.5%	96.0%	93.7%	88.9%
Bachelor's Degree or Higher	23.0%	57.9%	28.5%	33.7%

Source: U.S. Census Bureau <https://www.census.gov/quickfacts/fact/table/US,WY,tetoncountywyoming,lincolncountywyoming/PST045222>

The lower percentage of individuals in Lincoln County 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. The demand for higher educational degrees related to employment opportunities is lower in Lincoln County than that found in more densely populated urban areas. As a result, many Lincoln County youth, including Star Valley High School graduates, leave the area soon after graduating to pursue educational and employment opportunities elsewhere. A lack of abundant white-collar employment opportunities prevents many of these quality people from returning and contributing to the local economy.

The graphs below, provided by the U.S. Bureau of Labor Statistics, shows the correlation between higher education, greater earnings, and lower unemployment rates as of March 2023.

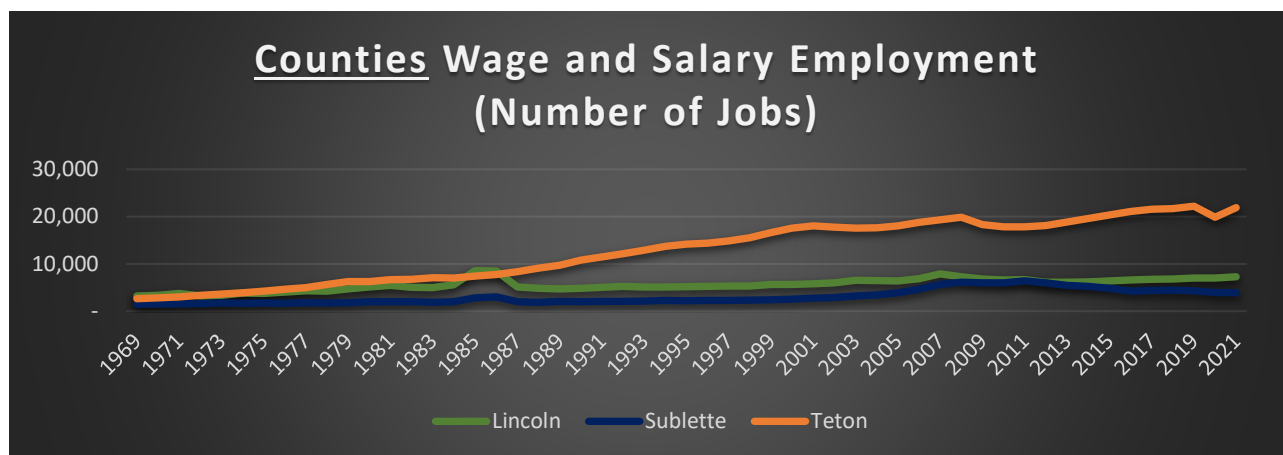




Source: U.S. Bureau of Labor Statistics

EMPLOYMENT AND WAGES

The U.S. Department of Commerce provides information on the labor force and 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. This is lagging data and the most current information as of this report ends with year 2021. That said, this information remains relevant as it exhibits employment trends 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 trends for Lincoln, Teton, and Sublette Counties.

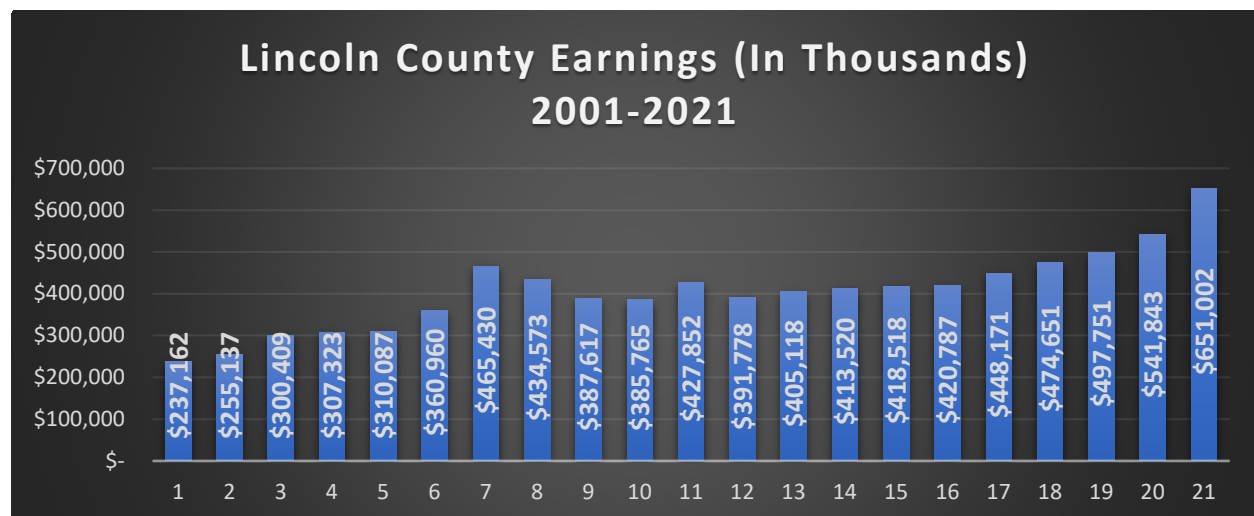


Source: Bureau of Economic Analysis

Lincoln County's labor force increased to 11,969 persons in 2021, surpassing 2007 levels of 11,116. The labor force in 2021 represents the most participants ever in the Lincoln County labor market.

Sublette County experienced an increase in employment with 6,167 jobs in 2020 up from 5,955 jobs. Teton County, a tourism and recreational based economy, with a large impact on Star Valley, experienced a large increase in jobs during the pandemic as the pandemic restrictions were lifted and the reopening of much of the Jackson motel and retail sector. Teton County saw the pandemic related job decrease turn into an increase in 2021 going from 31,040 jobs in 2020 to 35,628 in 2021. As tourism continues to grow, with visits to Yellowstone at high levels, it is expected that Teton County jobs will likely continue to reach new highs into the future, with resulting impacts on Star Valley.

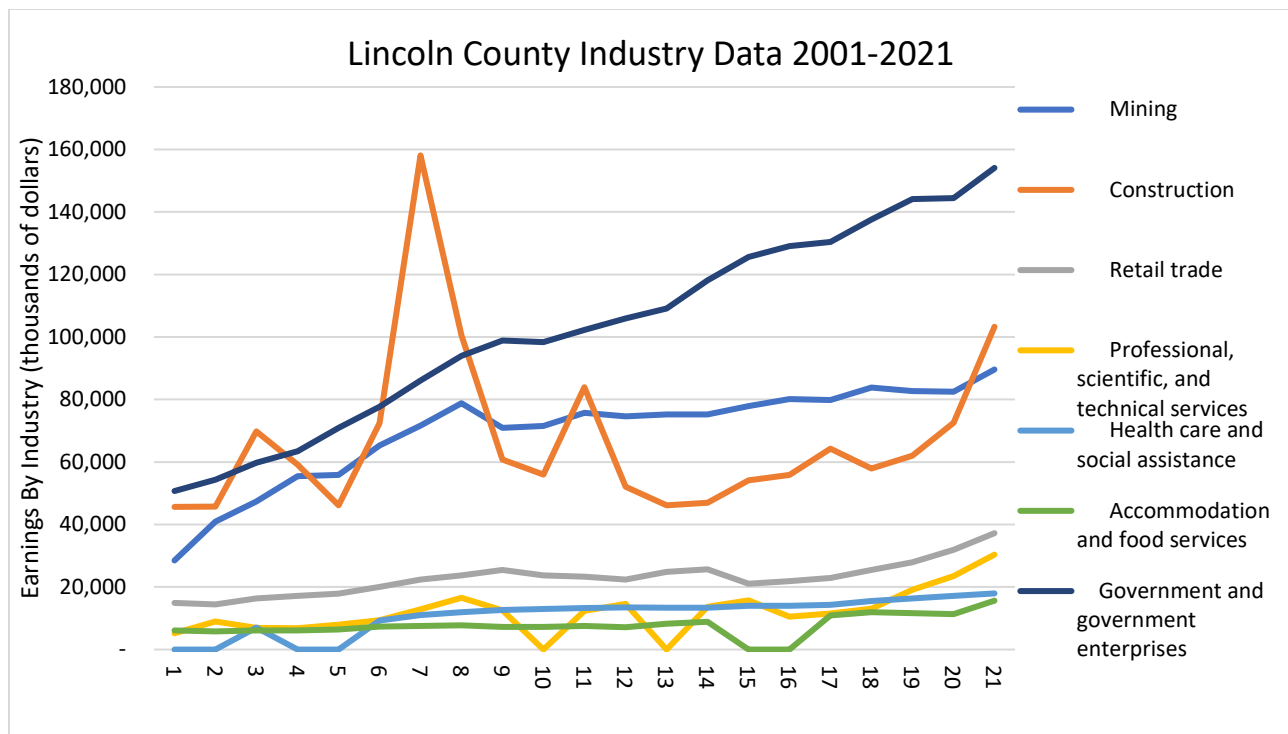
The chart below exhibits Lincoln County gross employment earnings for the last 20 years. Earnings set an all-time high in 2021 at \$651,002,000. This is a 20.2% increase from the prior year. Upward growth in employment earnings is clearly a positive indicator, and may reflect the impacts on new in-migration to the area.



Source: Bureau of Economic Analysis

EARNINGS BY INDUSTRY

The following chart shows earnings by industry for Lincoln County. The most current data from 2021 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 has maintained its status as one of the largest industries in Lincoln County. Similarly, all other industries have reached or surpassed their 2007 levels, including, mining and gas extraction.



Source: Bureau of Economic Analysis

PER CAPITA INCOME

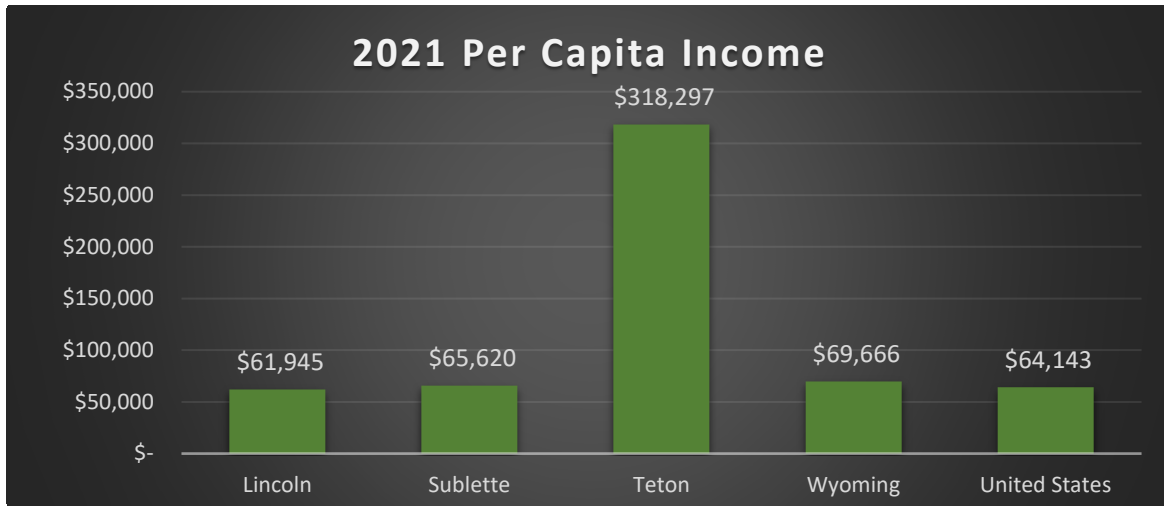
Per capita income is calculated by dividing an area's total estimated income by total population. This key economic indicator allocates aggregate income into a per-individual (capita) basis. Per capita income is often used as a high-level indicator of overall economic health and a potential measure of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

The most recent statistics at the county level are for 2021. Using this data, the chart below compares the 2021 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 in the nation. (Wyoming Public Media, Jan. 25, 2022).

Aside from the Teton County outlier, the other areas report per capita income between \$61,945 and \$69,666. Unfortunately, Lincoln County has the lowest reported per capita income at \$61,945.

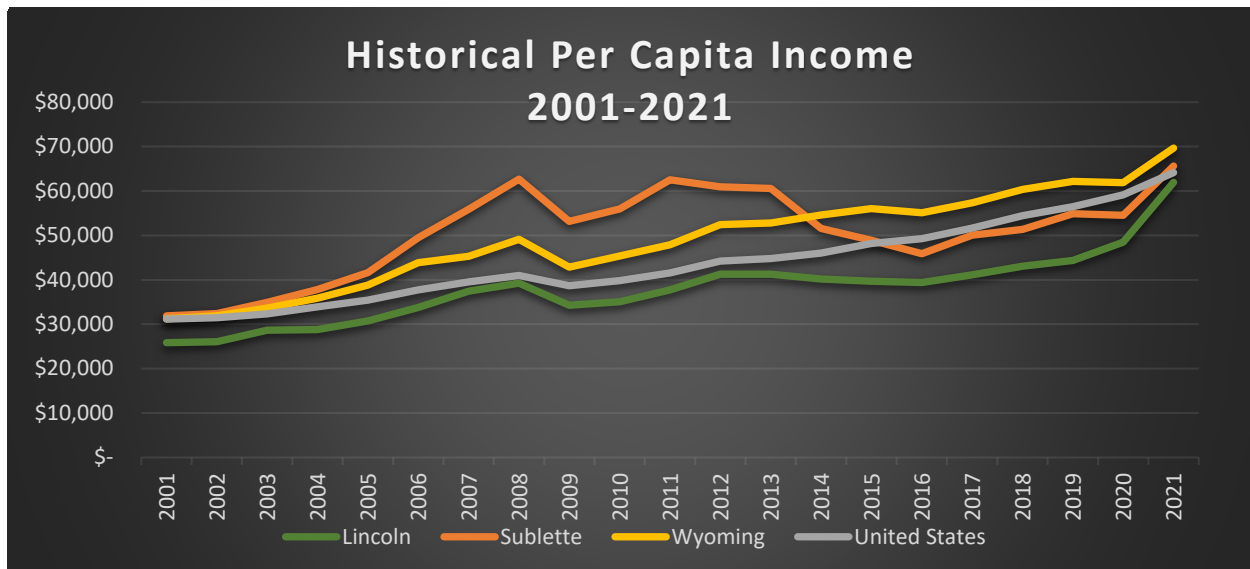
Lincoln County per capita income improved by growing a strong \$13,496 over 2020. This is a 27.9% increase from the prior year. However, the gap between Lincoln County and Sublette County sits at \$3,675. This may mean that the surrounding areas not only have higher per capita income, but their wages and other sources of income relative to population size may also

be growing at a faster rate. At the same time, Lincoln County per capital income is also negatively impacted by its larger family size.



Source: Bureau of Economic Analysis

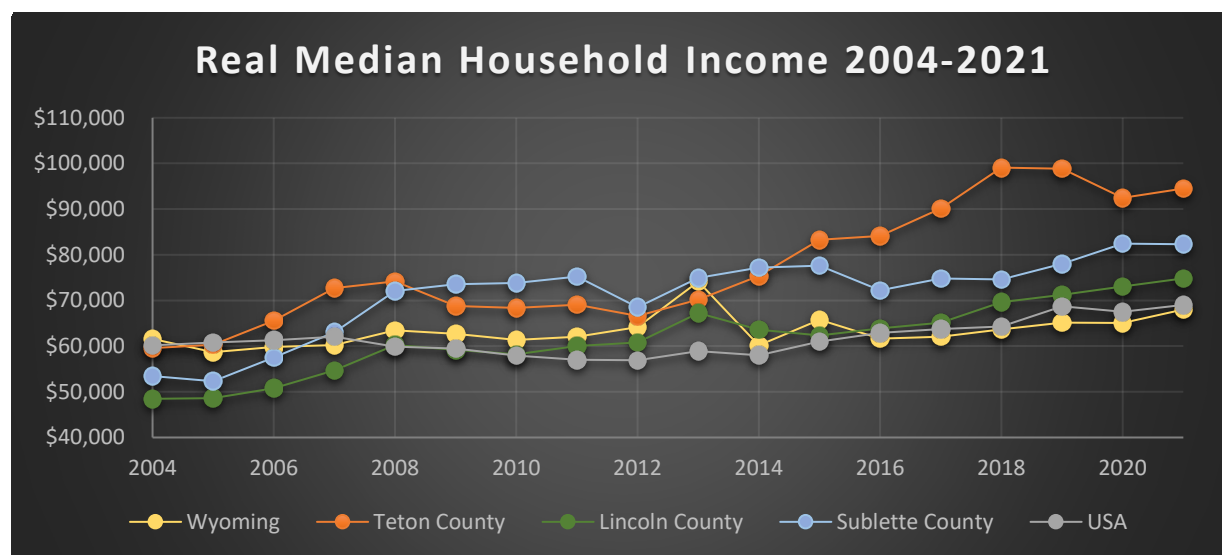
Historically, based on per capita income, Lincoln County has trailed the neighboring counties, the State of Wyoming, and the United States as is indicated in the following graph. This indicates that Lincoln County residents have less spending power on an individual resident basis than the people in neighboring counties, the state, or the nation. However, beginning in 2020 Lincoln has shown a trend toward closing the gap with the comparable areas with strong per capita income growth. Again, this may be the result of individuals with higher wealth migrating into the area as well as decreasing family size.



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 real, or inflation-adjusted, income the median household earns annually. The real median household income comparison graph below compares estimated real median household income between the surrounding counties, the State of Wyoming, and the United States.



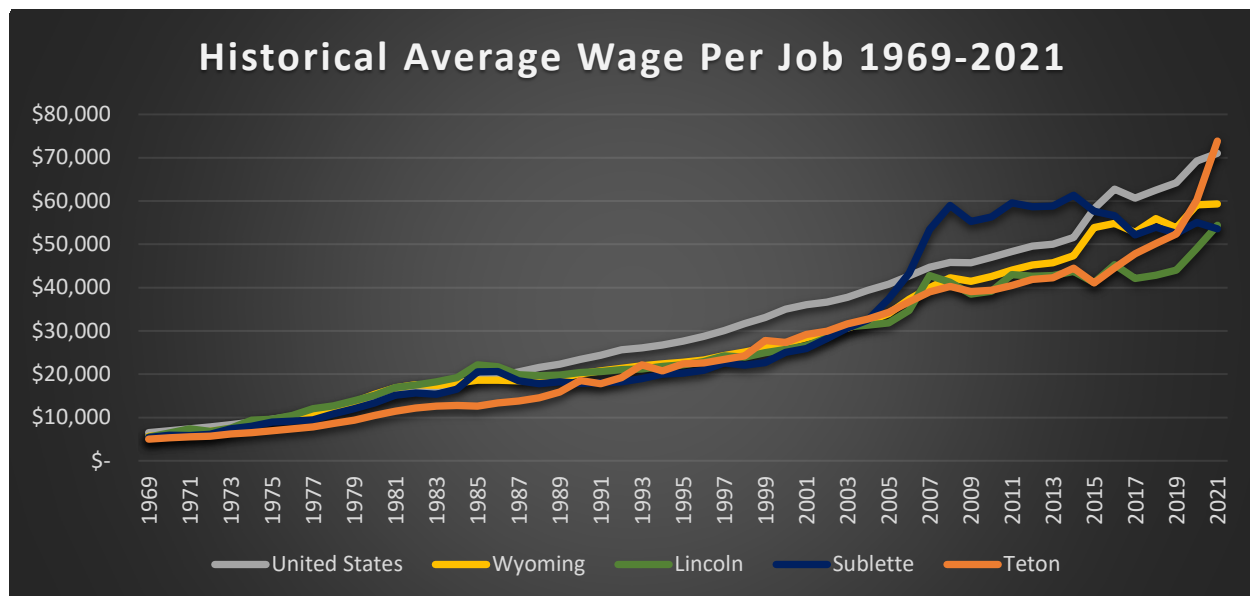
Source: Federal Reserve Economic Data

From this perspective Lincoln County is doing well. While clearly below the exception of hyper wealthy Teton County, Lincoln County real median household income is above the median household levels of the nation and Wyoming. Real median income in Lincoln County is also showing a strong upward trend line, increasing 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.



Source: Bureau of Economic Analysis

Teton County's high cost of living and the regions continuing labor shortage has placed increased upward wage pressure on Teton employers, and as a result also on Star Valley employers as employees see potential increased earnings from commuting to Teton County. This upward wage pressure is reflected in the rapid increase in wages reflected in both Teton and Lincoln Counties beginning in 2019.

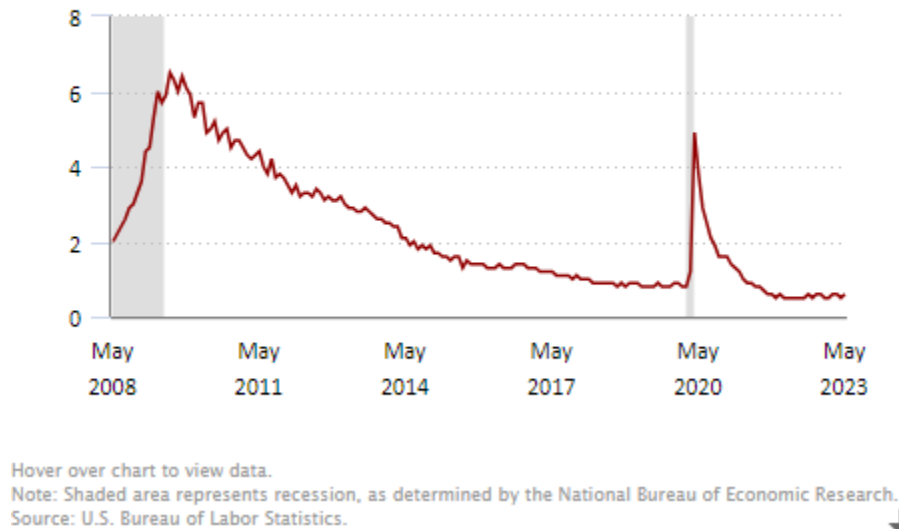
UNEMPLOYMENT

After the spike in unemployment which resulted from the covid related lockdowns in 2020, unemployment levels quickly bounced back down to the previous unemployment levels experienced in 2015 and 2016. As of June 2023, the national unemployment rate was 3.6%, the Wyoming unemployment was at 3.1%. Lincoln County was at 2.8%. Please take note the natural rate of unemployment, or a target for unemployment, has historically felt to be around 4.0-5.0%, and therefore current unemployment rates are under the natural rate of unemployment, indicating a shortage of workers, open and unfilled jobs, and likely a higher potential employee turnover environment.

An unemployment rate below the natural rate of unemployment indicates the potential of labor shortages and unfilled jobs, and upward wage pressures. The current labor shortage is confirmed by the Job Openings and Labor turnover Survey (JOLTS) report issued by the U.S. Bureau of Labor

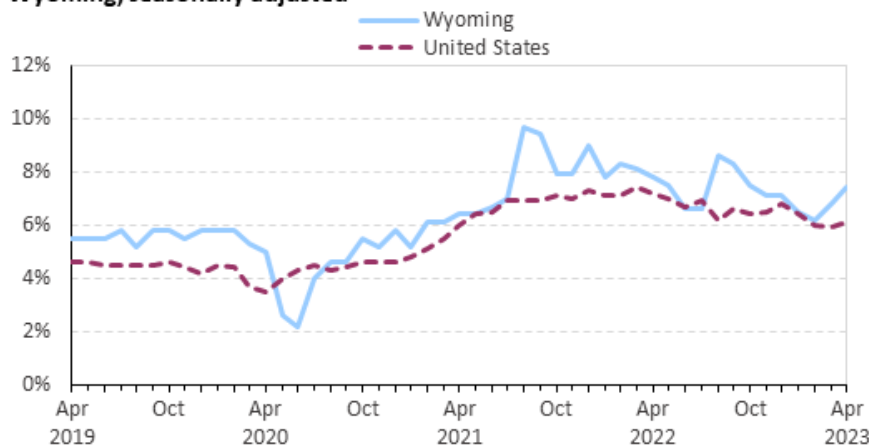
Statistics. Adjacent is the JOLTS report for May 2023, which reflects that there are 0.6 unemployed people for every job opening in the nation. The number of unemployed individuals relative to every job opening has been below 1.0 since April 2021 reflecting a long period of labor shortages and

Number of unemployed persons per job opening, seasonally adjusted



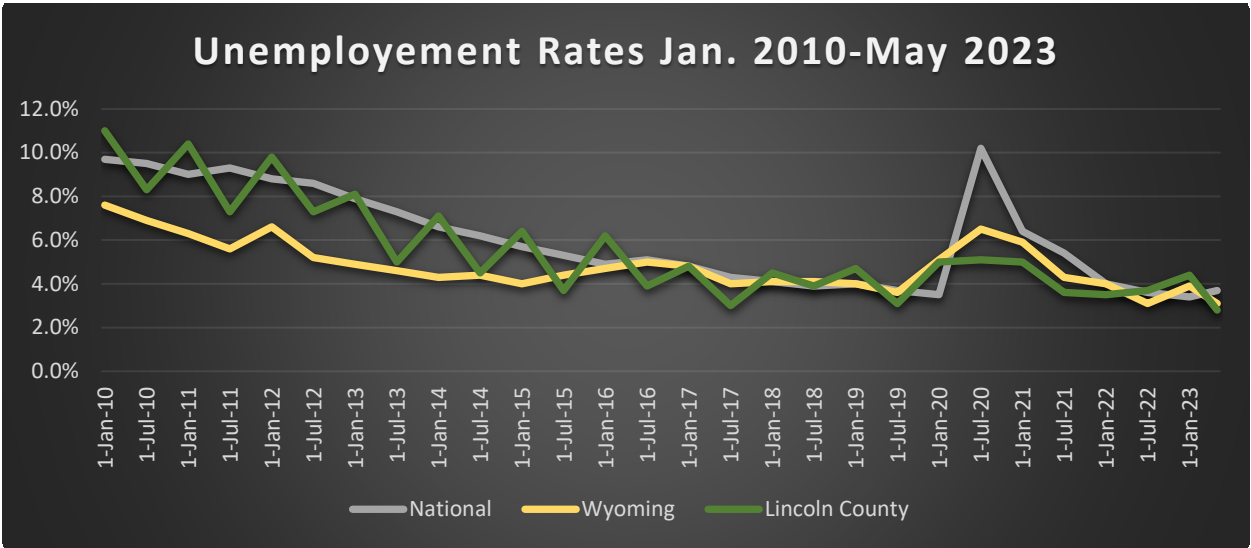
corresponding wage pressure. The issue is further compounded for Wyoming as the number of job openings exceeds available local labor supply. Wyoming had 23,000 job openings in April 2023 for a job openings rate of 7.4%. The job openings rate nationally was 6.1% for April 2023. Job openings is reflected in the following graphic.

Chart 1. Job openings as a percent of employment for the United States and Wyoming, seasonally adjusted



Source: U.S. Bureau of Labor Statistics.

Unemployment statistics for Lincoln County, Wyoming, and the United States as of May 2023 are compared in the following graph.



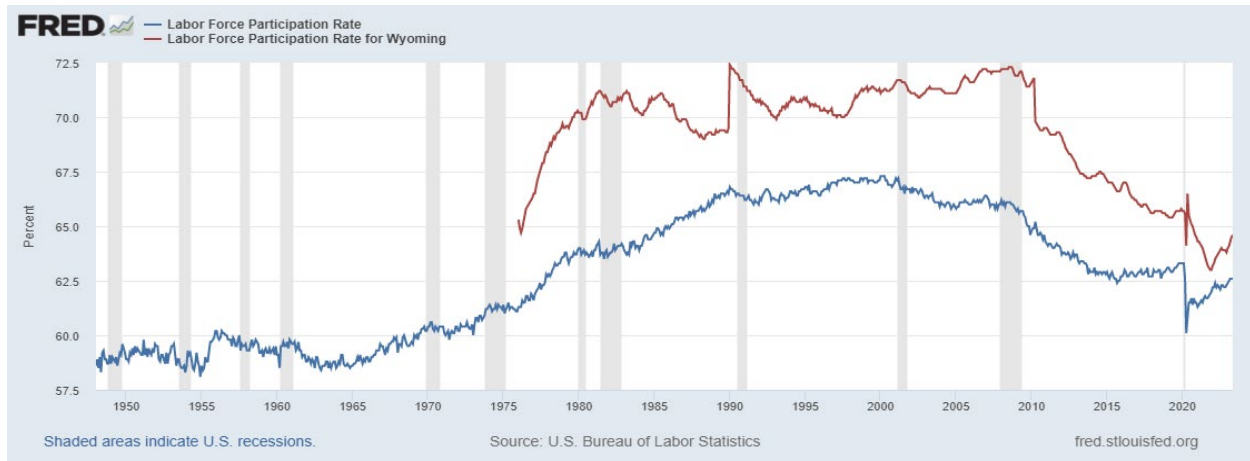
Source: U.S. Bureau of Labor Statistics and Federal Reserve Economic Data

Lincoln County is clearly exhibiting a robust employment market with historically low unemployment rates.

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 employment. 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 Wyoming’s labor force participation rate in comparison to the United States. Wyoming’s labor force participation trends are much higher than that of the United States. It may be reasonably assumed that Star Valley labor force participation rates, which is a component of Wyoming labor force participation rate, somewhat mirrors that of Wyoming.





Source: Federal Reserve Economic Data

The labor force participation rate for both the nation and Wyoming has fallen considerably over the past decade. A smaller percentage of the population is productively working and/or seeking employment in a growing economy will lead to inevitable labor shortages without changes in technology and productivity and will act as drag on overall GDP growth. Of additional concern is the fact that neither the nation nor Wyoming has yet returned to the labor force participation rate which was in existence before the 2020 COVID pandemic. The covid pandemic resulted in a 'Great Resignation' as many older people, near retirement age, chose to move into retirement and prematurely leave the labor market altogether.

The lower labor force participation rate, while currently trending upward, will continue to be an economic drag for some time into the future – resulting in unfilled jobs, lost productivity, and upward wage pressures.

AREA EMPLOYERS

The Bank surveys several employers in Star Valley to attempt to gauge changes in local labor demand under the assumption that these employees serve as a proxy for all of the 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.

Surprisingly, the surveyed area business reported a decrease of (47) jobs in 2023. The decrease is partly a result of businesses no longer reporting, and a few employers reporting a larger reduction in their labor force. Eight of thirteen respondents reported a decrease in employees. It is felt that this decrease is more likely an indicator of unfilled and open jobs than of decreased employment opportunities. The findings of the 2023 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	2023	Gain/Loss
1ST Bank (Afton & Alpine)		12	13	13	11	11	14	13	11	23	22	22	20	19	21	19	18	-1
Aviat Aircraft	70	49	50	48	36	50	48	47	49	43	44	45	47	46	48	52	53	1
Bank of Star Valley (All Branches)		28	28	27	26	24	24	24	25	24	25	27	28	30	30	33	32	-1
Freedom Arms	13	14	13	14	12	12	14	15	14	15	15	15	15	14	15	10	12	2
J.R. Simplot	200	220	220	240	250	270	270	270	270	250	250	250	230	228	231	230	231	1
Lincoln County Government	153	162	163	162	162	151	66	60	60	145	145	143	145	145	123	123	116	-7
Lincoln County School #2	464	470	470	470	489	492	488	490	490	600	600	600	565	553	552	550	552	2
Lower Valley Energy	48	46	43	44	42	47	45	48	48	64	65	68	39	40	37	44	43	-1
Silverstar Communications	66	67	88	87	88	67	87	80	80	79	79	70	79	81	88	88	88	0
Star Valley Medical Center	185	230	220	218	239	263	275	284	284	228	254	350	421	422	420	488	485	-3
Polyguard & RMP Mobile	15	16	16	16	15	15	9	14	13	15	15	16	16	18	22	26	25	-1
Wells Fargo (Thayne)		9	9	13	9	7	11	10	11	6	5	6	5	5	3	4	Re-fused	#VALUE!
PC Industries			25	31	25	30	30	30	33	30	30	30	33	35	41	43	36	-7
LSR												51	60	47	52	74	46	-28
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	1737	(47)
Jackson Workers	1069	1173	868	926	970	990	823	823	1075	1089	1140	1209	1280	1287	1150	1322	1561	239

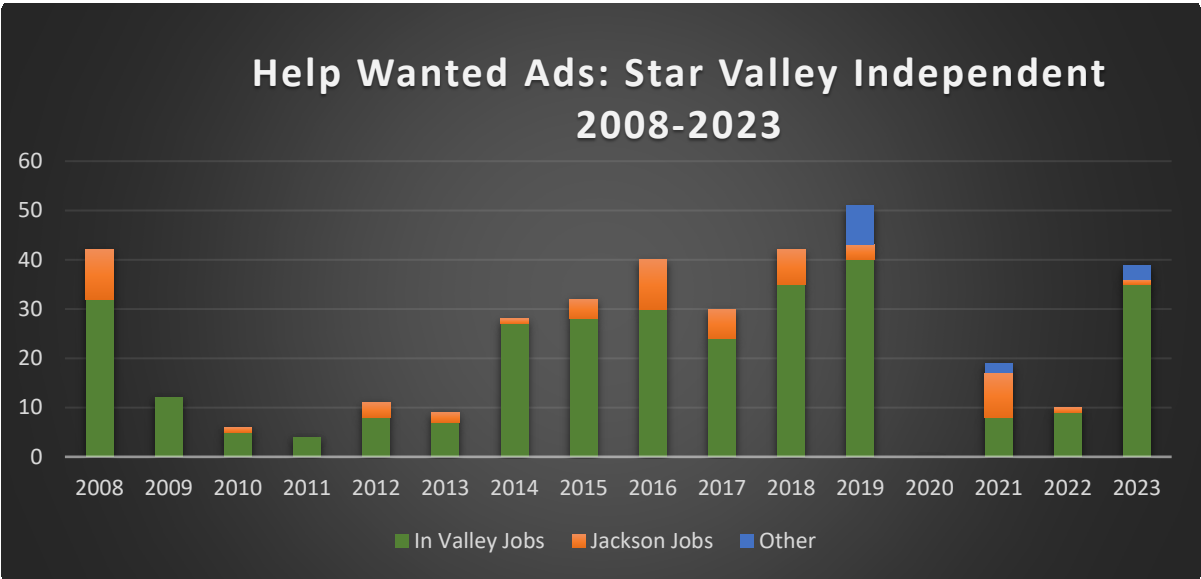
The “Jackson Workers” number is derived from a car count performed by the Bank during the month of July each year. It presents the average daily count of Wyoming and Idaho licensed autos, Start Bus passengers, and selective local area commercial traffic for the time between 5:00 a.m. and 8:00 a.m. on a Monday, Wednesday, and Thursday of the subject month. START bus ridership average 95 persons per day in 2023, up from the 62 per day seen in 2022. This increase in START ridership is likely due to strong economy of Jackson, as well as the increase in fuel costs. In 2023, the average number of people traveling from Star Valley to Jackson during this period increased substantially by 239, 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 larger and interrelated economy.

EMPLOYMENT ADVERTISING

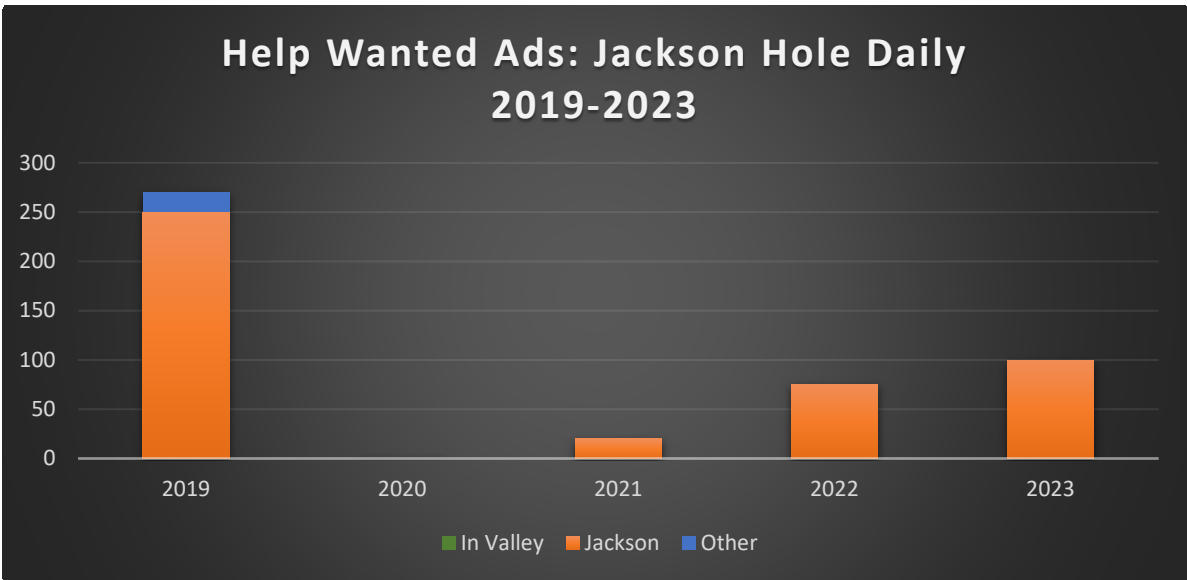
Since 2008 the Bank has monitored the number of ‘help wanted’ advertisements posted in the Star Valley Independent, and in 2019 it started monitoring the Jackson Hole Daily help wanted

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 anomalies, an average is taken by counting the number of new ads once a week, starting in the first 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.



Source: Star Valley Independent Classifieds 2008-2022



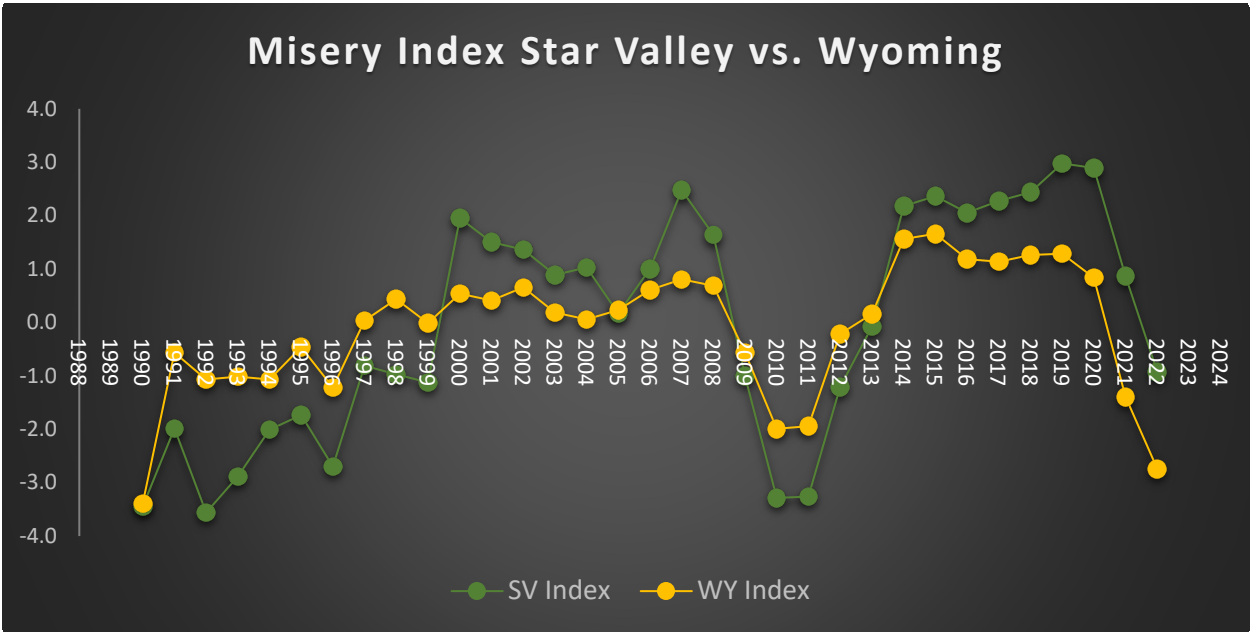
Source: Jackson Hole Daily Classifieds 2022



The number of ads in the Star Valley Independent is much higher than in 2022, and the Jackson Hole Daily also continued to increase in open job positions indicating difficulty finding employees and a tighter labor force.

MISERY INDEX

The Bank created a Star Valley Misery Index as a potential proxy which would act as to metric to gauge the overall “economic attitude” of a Star Valley citizen. 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 vise-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.



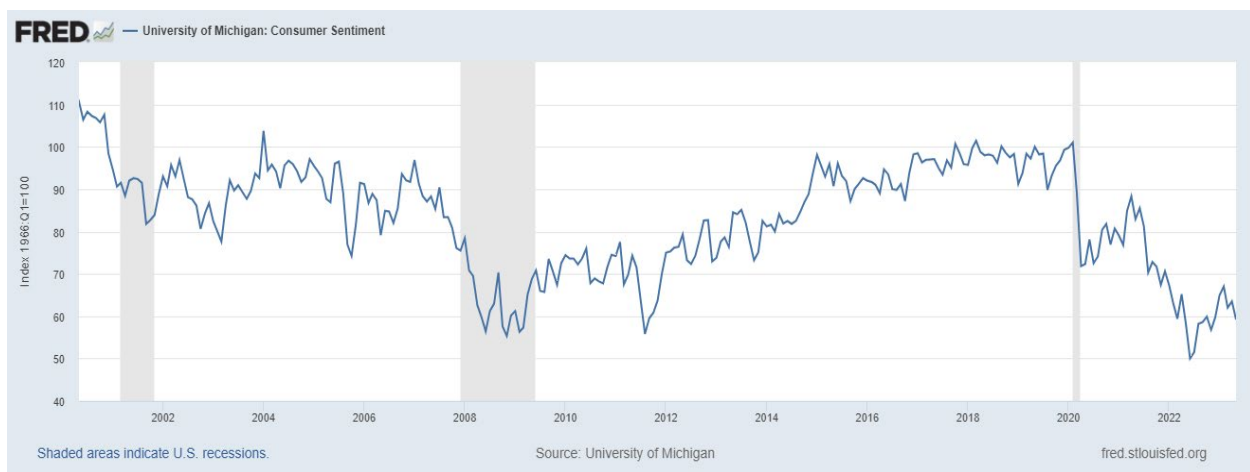
From 2011 to 2019 the Star Valley Misery Index was trending upward. However, beginning with the higher unemployment in 2020 due to lockdowns, and then followed by the higher inflation rates of 2022 and 2023 the trend has reversed and fallen considerably. In 2021 unemployment rates decreased but inflation increased 6.3% from 2020. From 2021 to 2022 inflation rates have increased another 8.5% as of March.



The negative inflation pressures have resulted in a severe decrease in consumer and business future perspectives. Wyoming dropped into the negative, or “miserable” index in 2021, and Star Valley moved to negative territory in 2023.

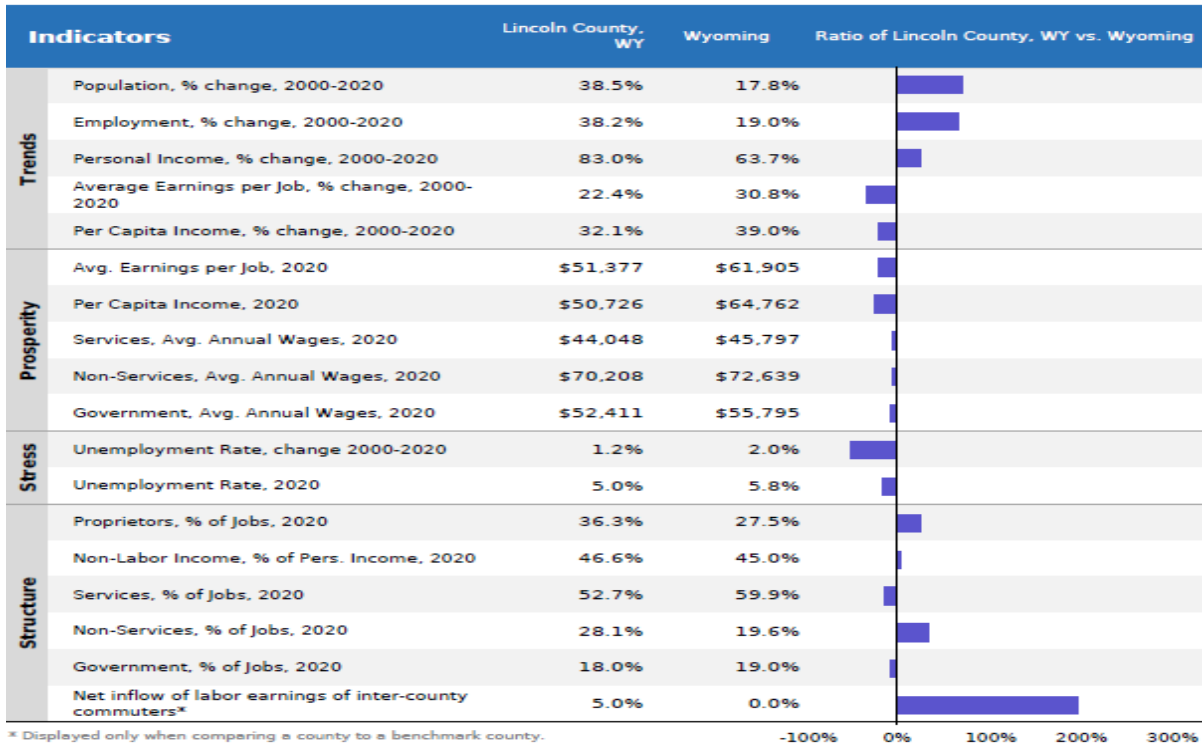
This growing negative perspective is confirmed nationally by the University of Michigan Consumer Sentiment index. This survey has measured consumer confidence in the nation’s economy for over sixty years. The survey has also been proven to be an accurate indicator of the future of the national economy – clearly indicating that businesses and consumers act upon their expectations for the near future.

As of May 2023, the index, shown below, was at 59.2, which is a slight climb from June 2022 reading at 50.0. As a side note, the index was at 55.3 during the Great Recession of 2008.



The current low sentiment level is reflective of high inflation, raising interest rates, supply chain shortages, labor force constraints, and a generally dismal short-term outlook accelerated with all the social, political, and economic uncertainty present with in the nation and world.

This mixed bag can best be summarized for the past 20 years. The following table showing socioeconomic trends within Lincoln Couty produced by Headwater Economics, in their [Profile of Socioeconomic Trends – Lincoln County, WY.](#)



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, as well as 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 earnings per job, per capita income, and growing dependence on inter-county employment opportunities (commuters).

STATE AND LOCAL TAX

Wyoming was ranked 21st in a national comparison of state tax revenue per capita, at \$4,199, in 2022. This represents a \$946 increase up from \$3,253 collected in 2021 and up from 35th to 21st 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	\$ 15,196	1	15.80
North Dakota	\$ 6,866	4	10.70
Vermont	\$ 6,824	5	11.10
Alaska	\$ 3,310	39	5.00
Connecticut	\$ 6,199	7	7.50
Hawaii	\$ 7,138	3	11.70
Minnesota	\$ 6,106	9	9.20
New York	\$ 5,996	10	7.70
Wyoming	\$ 4,199	21	6.10
Massachusetts	\$ 6,229	6	7.40

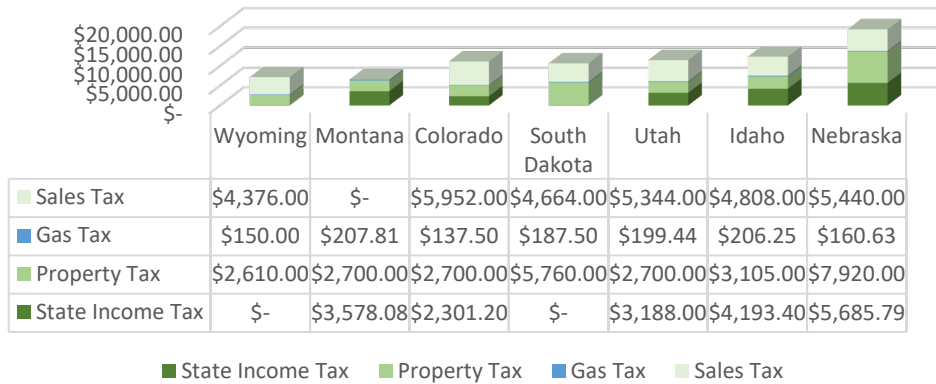
Source: Federation of Tax Administrators

To determine the relative tax for an 'average' Wyoming family, the Bank created a relative tax comparison for a hypothetical family. This exercise is to illustrate the impact of Wyoming's lower cumulative individual tax rates.

The comparative tax analysis is based upon a hypothetical family of four with dual income, earning \$100,000, living in a \$450,000 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, \$100,000 Gross Income, \$450,000 House, 15,000 miles per year						
State	\$80M State Income Tax	80K Consumption Sales Tax	625 Gallons Gasoline Tax/Gal.	Property Tax \$450K Res.	Comparative Tax	% of Wyoming
Idaho	\$ 4,193.40	\$ 4,808.00	\$ 206.25	\$ 3,105.00	\$ 12,312.65	173%
Colorado	\$ 2,301.20	\$ 5,952.00	\$ 137.50	\$ 2,700.00	\$ 11,090.70	155%
Montana	\$ 3,578.08	\$ -	\$ 207.81	\$ 2,700.00	\$ 6,485.89	91%
Nebraska	\$ 5,685.79	\$ 5,440.00	\$ 160.63	\$ 7,920.00	\$ 19,206.41	269%
South Dakota	\$ -	\$ 4,664.00	\$ 187.50	\$ 5,760.00	\$ 10,611.50	149%
Utah	\$ 3,188.00	\$ 5,344.00	\$ 199.44	\$ 2,700.00	\$ 11,431.44	160%
Wyoming	\$ -	\$ 4,376.00	\$ 150.00	\$ 2,610.00	\$ 7,136.00	100%

State Comparative Tax 2023 (based on \$100,000 income)

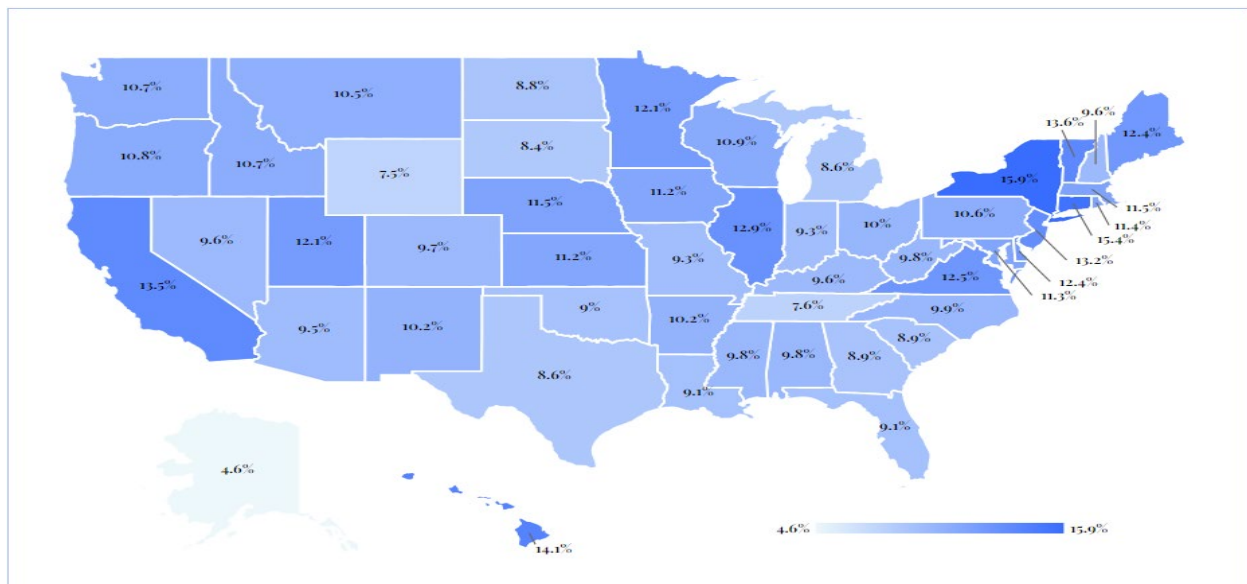


Source: api.org, tax-rates.org, taxfoundation.org

Nearly all Wyomingites are complaining about the recent escalation in property tax bills – to the point that the legislature is awaking to the issue and a constitutional amendment to break residential property into its own class will be on the ballot in 2024. The rate of increase in property tax is real and creating a hardship for many individuals with lower to moderate incomes and/or fixed incomes. However, in total, Wyoming is a low tax state relative to all its neighbors, excepting Montana – to which Wyoming is nearly tied.

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.

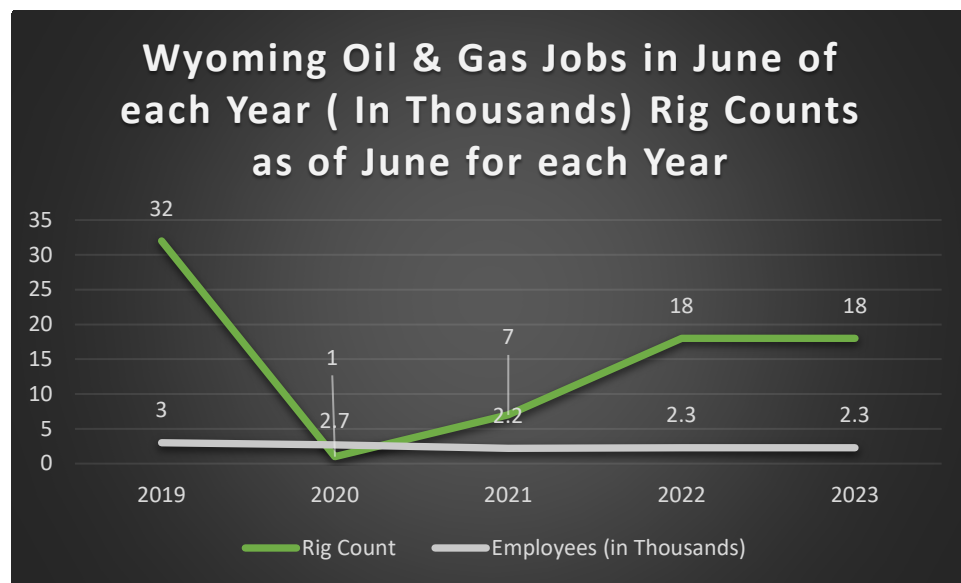
Tax Burden by State 2023



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 6.7% increase in sales and use taxes for 2023. In April 2023, CREG reported that actual revenues received were up 2.6 percent or \$15.9 million through month-end March 2023. Sales and use tax collections are up in all counties as compared to 18 counties in 2022. Sales and use tax collections were led by energy production and infrastructure counties such as Campbell, Carbon, Converse, Niobrara, and Sublette Counties with collections that are 30% or more than the amount realized in 2022. Teton County shows a 1.0 percent growth rate compared to the previous year.

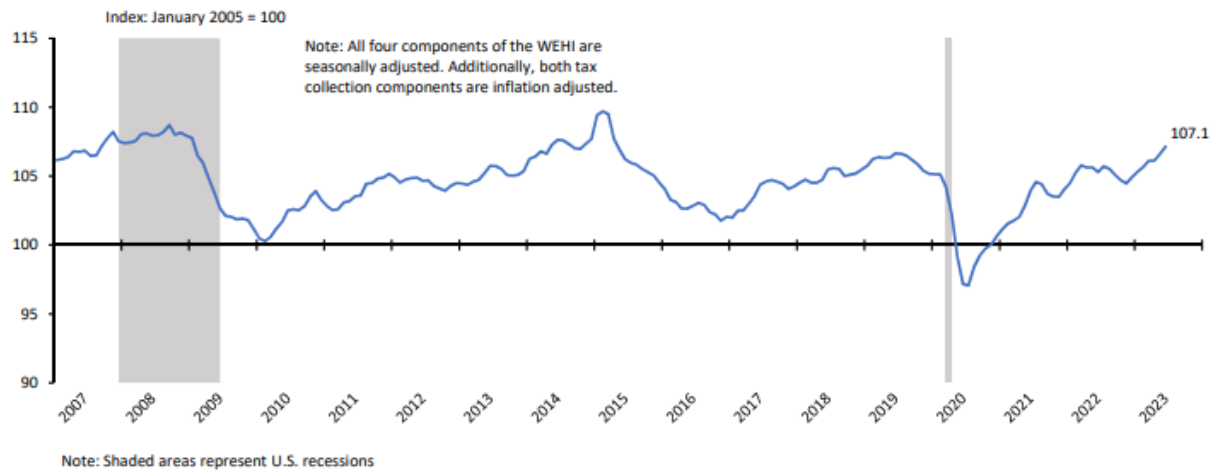
Rig counts jobs in the energy sector has remained relatively flat from the previous year's gain though June.



Source: Fred and YCharts

The economic health index created by EAD and reported in March 2023, 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 downturn.

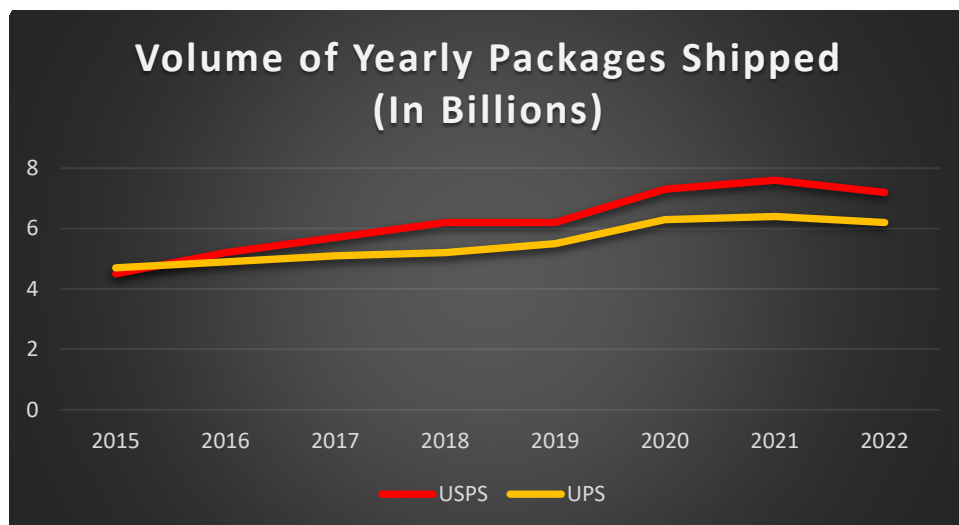
► Figure 1: Wyoming Economic Health Index as of June 2023



Source: Wyoming Economic Analysis Division

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. Over time the volume of online purchases, as measured by this metric, has greatly increased, but the acceleration seen during the pandemic has somewhat reversed and people are returning, in part, to retail store purchases.

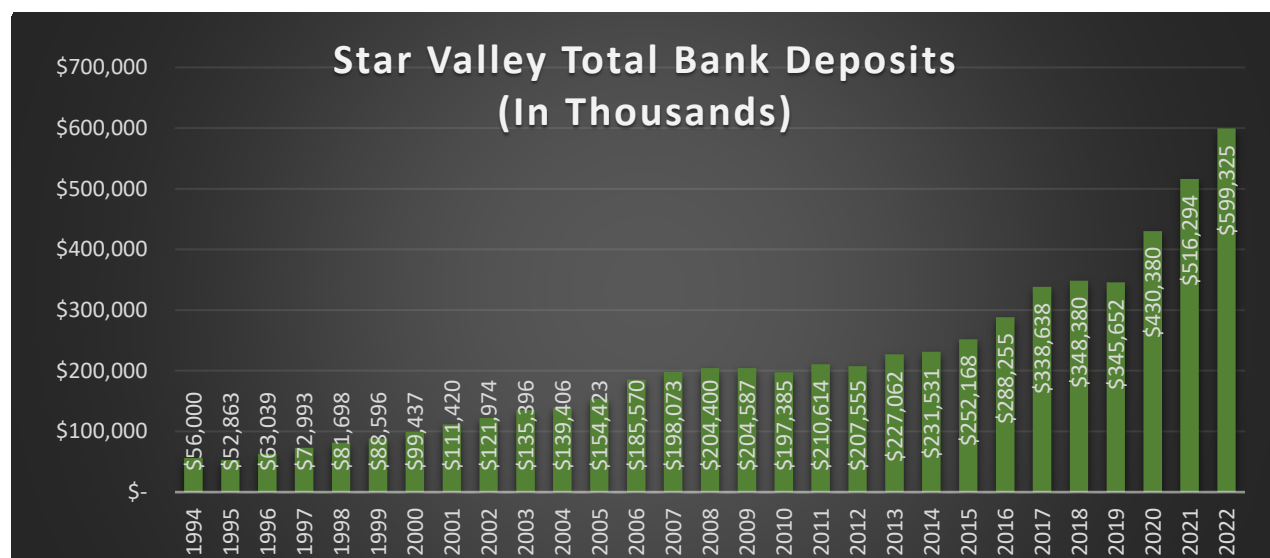


Source: USPS, UPS Annual Report

MARKET LIQUIDITY

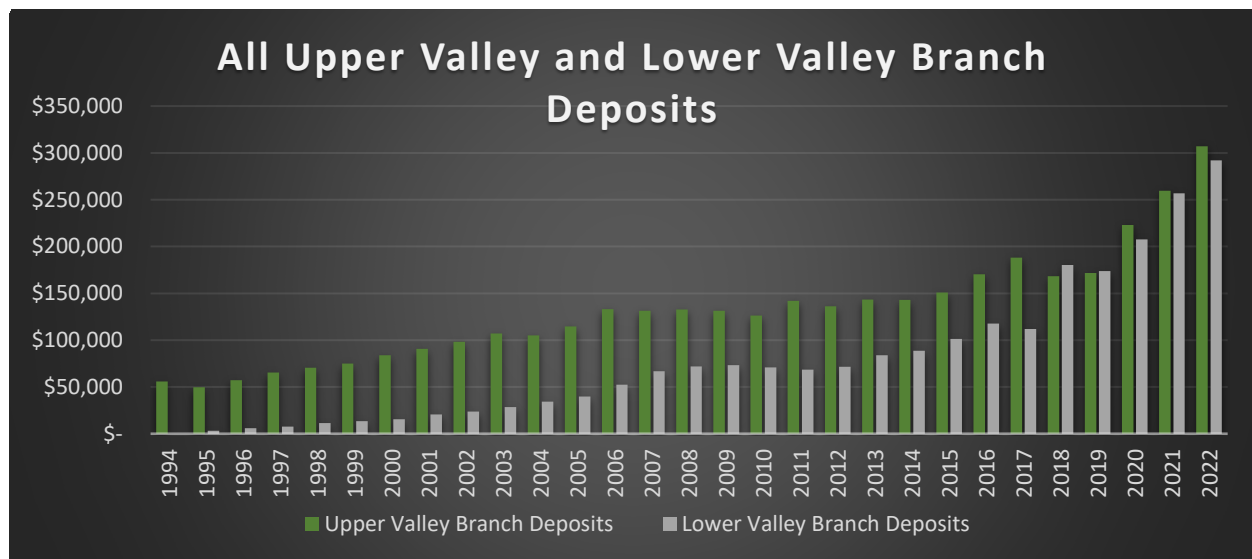
Liquidity, for the purposes of this report, is defined as the deposits held in local, non-credit union, FDIC insured financial institutions. This metric is far from a perfect measure of true market liquidity, due to deposits from outside the market being held in local banks, local money being deposited 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 over time.

The graph below shows the total commercial bank deposits in Star Valley beginning in 1994. The 4 local FDIC insured 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.



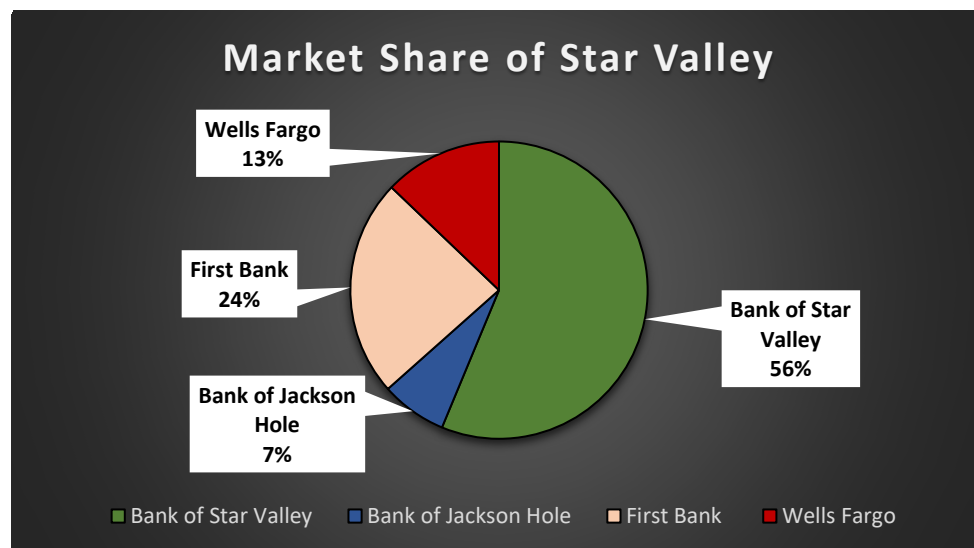
Source: FDIC Summary of Deposits

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



The lower valley has grown economically over the period in review to where deposits are nearly equal between the lower and upper valley area – a huge change from 30 years ago when there were no bank branches in the lower valley – and so the total deposits for Star Valley were held in Afton bank offices. 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 three years has been phenomenal, and indicates a vibrant and thriving local economy in which wealth is being created. The following graph shows the market share percentage of each bank based on total Star Valley deposits, as of June 2022.



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 (rents), apparel, transportation, medical, and recreational activities. An index value of 100 is 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 2022 (Statewide Average=100)							
County	All Items	Food	Housing	Apparel	Trans.	Medical	Rec.
Lincoln-Afton	110	101	115	106	105	108	108
Lincoln-Kemmerer	96	102	87	101	102	117	105
Teton	167	111	228	130	108	101	113
Sublette	101	109	99	116	102	98	98
Uinta	92	83	87	96	100	105	99

Source: Department of Administration & Information Economic Analysis Division

Afton's cost-of-living index increased from 101 to 110 from 2020-2022 indicating a higher cost-of-living than the state as a whole. Kemmerer continues to have a lower cost-of-living, which is driven primarily by the lower cost of housing, and Teton leads the state as the highest cost-of-living area, again driven primarily by a near absolute dearth of affordable housing and very high housing costs. As of the last Wyoming Economic Analysis Division report, Afton is the second most expensive area in the state in which to live, only behind Teton County.

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, Afton returned to a more expensive area to live in 2018, and the cost-of-living clearly worsened in 2022. Of further concern is Afton is likely not the most expensive town within Star Valley, and the situation is unquestionably worse for lower Star Valley residents based upon the author's discussions with people through-out Star Valley.

Change in Lincoln-Afton Cost of Living Index Between Jul. 2006 and Dec 2022							
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
4Q22	110	101	115	106	105	108	108

Source: Department of Administration & Information Economic Analysis Division

As to housing (or rental cost) Teton County leads the State with the highest cost-of-living index for housing at 228, followed by Afton at 115, with Afton again pulling the second most expensive position within the state. The survey does not include the housing rental cost in the Alpine area, in reality, the Star Valley index is unquestionably higher than reported. The lack of affordable housing has become strenuous on local businesses in both Teton and north Lincoln County and is clearly forcing more strain on many area residents who are incapable of finding affordable housing options.

As is illustrated by Afton's second position, with the death of affordable housing, the cost-of-living increases are spreading further and further out from Jackson and into the Star Valley and the Teton Idaho areas, 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 any additional in-migration demand. Of these new necessary housing units, 60% of them would need to be priced below the current 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/or private sector efforts to produce housing options for the working residents 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 May 2023, are shown below.

2023 Cost of a Basket of Grocery Items May 8-9									
Grocery	Kemmerer (Ridley's)	Jackson (Albertson's)	Pinedale (Ridley's)	Idaho Falls (Walmart)	Idaho Falls (Winco)	Alpine (Broulim's)	Thayne (Broulim's)	Afton (Broulim's)	Star Valley Average
White Bread (Sara Lee)	3.49	4.99	3.69	2.50	1.98	3.69	3.69	3.69	3.69
Bread (Grandma's Sycamore)	4.17	3.49	4.37	3.46	2.98	4.69	4.69	4.69	4.69
Russet Potatoes (1 lb.)	1.29	0.99	0.99	1.12	0.98	1.29	1.29	1.29	1.29
Apples (Red Delicious) (1 lb)	1.58	1.69	1.99	1.68	0.98	1.49	1.49	1.69	1.56
Lettuce Head (Iceberg)	2.79	2.49	3.19	1.98	1.98	2.69	2.49	2.69	2.62
Boneless Skinless Chicken Breasts (1 lb.)	3.87	4.99	2.49	3.42	2.88	3.49	4.99	3.49	3.99
Ground Beef (1 lb. 80%)	3.78	4.59	4.99	5.17	3.48	3.49	3.99	3.49	3.66
Cereal (Kellogg's Frosted Shredded Wheat 18 oz.)	6.69	5.99	7.19	3.98	3.98	3.49	2.49	3.49	3.16
Cereal (Lucky Charms 10.5 oz.)	6.59	5.79	6.29	3.48	2.98	5.79	5.79	2.99	4.86
Cereal (Cheerios 12 oz.)	5.79	5.79	5.79	3.68	3.68	5.49	2.99	2.99	3.82
Ice Cream (WF 4 qt.)	9.49	6.99	9.99	6.58	6.58	9.99	9.99	9.99	9.99
Flour (WF All Purpose Bleached 10 lb.)	5.89	5.99	9.29	3.98	3.98	6.99	6.99	6.99	6.99
Sugar (WF 10 lb.)	9.29	9.99	7.49	6.47	6.47	7.99	7.59	8.99	8.19
Salt (WF)	0.99	1.29	1.19	0.64	0.64	0.99	0.99	0.99	0.99
Rice (Minute, White 28 oz.)	5.89	5.99	5.69	4.12	3.28	5.39	5.39	5.39	5.39
Milk (WF 2%)	3.07	4.99	3.09	4.06	2.89	3.69	3.69	3.69	3.69
Cheese (Cache Valley 2 lb. Sharp Cheddar)	11.99	8.49	13.49	8.98	6.98	11.99	11.99	11.99	11.99
Yogurt (Red Yoplait)	0.60	0.79	0.99	0.72	0.72	0.90	0.90	0.90	0.90
Eggs (WF 12 lg.)	3.59	4.64	4.59	1.70	1.98	3.39	3.39	3.19	3.32
Butter (WF)	3.49	4.49	3.49	3.98	3.38	4.79	4.69	4.69	4.72
Margarine (Imperial)	1.89	1.49	1.99	1.58	1.38	1.69	1.69	1.69	1.69
Cottage Cheese (WF 24 oz.)	3.79	3.29	2.79	2.58	2.58	4.69	2.49	2.49	3.22
Wheat Thin Crackers (8.5 oz)	4.79	3.99	4.79	2.98	3.28	3.99	3.99	3.99	3.99
Cut Green Beans (WF 1 can)	0.89	0.99	1.19	0.64	0.64	0.99	0.99	0.99	0.99
Toilet Paper (Charmin 12 Rolls)	22.99	14.99	20.99	14.97	14.97	19.99	19.99	19.99	19.99
Napkins (Vanity Fair 100 count)	4.29	2.99	7.99	2.62	2.62	3.59	3.39	3.59	3.52
Paper Towels (Bounty 2 Pack)	9.99	5.99	9.99	5.59	3.75	8.49	8.49	8.49	8.49
Kleenex (160)	3.89	1.99	3.79	3.28	2.49	3.49	2.29	3.49	3.09
Detergent (Tide 92 fl. oz.)	15.99	12.99	16.49	12.97	14.96	12.99	13.99	12.99	13.32
Dish Detergent (Cascade 75 oz.)	8.79	8.79	10.99	6.44	6.44	8.49	8.49	8.49	8.49
Total	\$171.63	\$151.95	\$181.28	\$125.35	\$115.91	\$160.11	\$155.31	\$153.51	\$156.31
Previous Year	160.57	162.77	\$171.74 new		124.59	155.61	\$173.35	\$158.01	\$162.32

WinCo in Idaho Falls boasts the cheapest cost for the basket of goods, putting WinCo close to \$40 less than everywhere else in this study on average. The average cost of the basket of goods in Star Valley, surprisingly, decreased over the past year by an average of \$6.01 from 2022 to 2023. At the same time, the cost in Jackson decreased by \$10.82, and Pinedale increased the

most at \$9.54. Despite these decreases in price in the basket of goods, consumers have not felt it, nor does this decrease likely reflect the current reality of higher inflation.

Through this study and supported by an article called, “Gephardt Busts Inflation: The growing phenomenon of shrinkflation leaves consumers getting less for their money” a current downsizing of products is occurring where the size and amount of product in a package is reduced – providing less product or good for nearly the same cost than previously was the fact. The Bank was able to determine shrinkflation on many items. To adjust for inflation certain items have decreased the amount of product but left pricing the same. Consumers may be paying the same, or even a little bit less than the previous year for a product, but they are also getting less product – and hence in total paying more.

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.

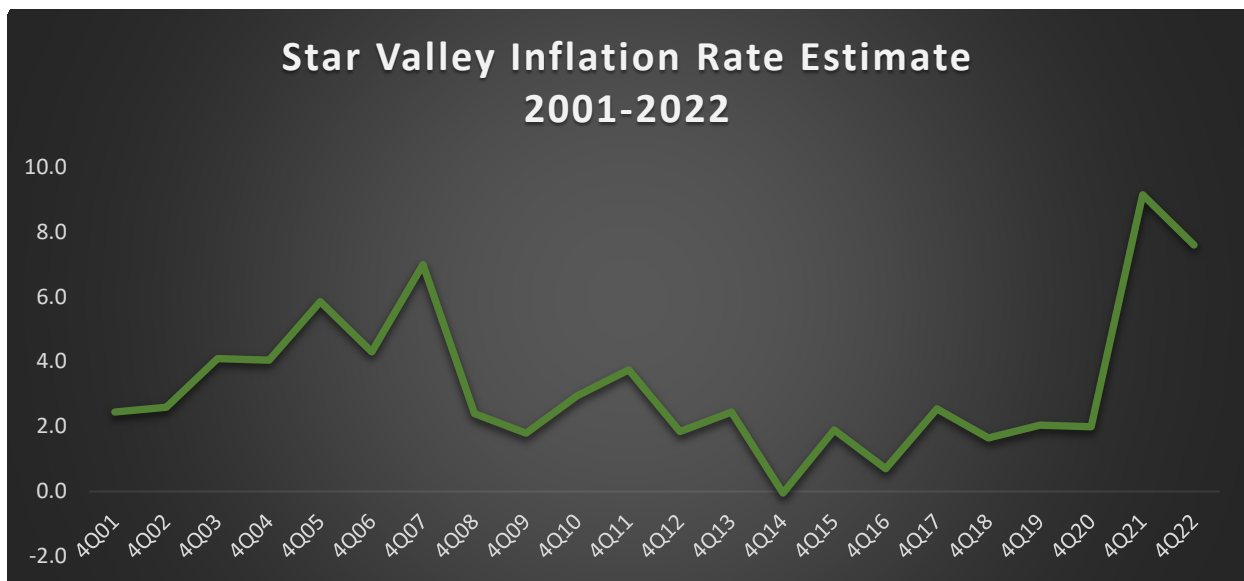
Star Valley lies within EAD’s Southwest region. However, due to the recreation and tourist activity and employment ties to Teton County, as well as the lack of mineral based activity, which has been the historical base of the economy of the Southwest region, the authors feel that Star Valley inflation 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 7.6%. This represents a 1.6% decrease from the 4th quarter of 2021. But at the same time, the estimated Star Valley inflation rate was above the national rate of inflation which was at 6.5% during the same period.

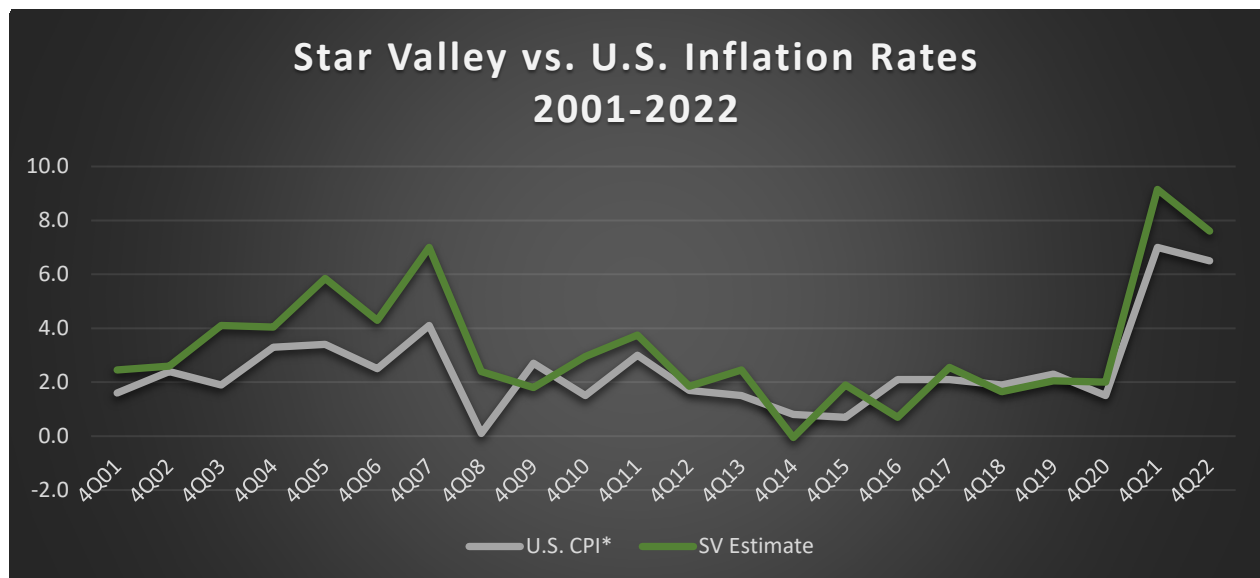
Annual Inflation Rates by Region					
Quarter	U.S. CPI*	Statewide All Items	Northwest	Southwest	SV Estimate
4Q12	1.7	2.1	2.1	1.6	1.9
2Q13	1.8	3.1	2.3	2.8	2.6
4Q13	1.5	2.9	3.0	1.9	2.5
4Q14	0.8	1.1	0.8	-0.9	-0.1
4Q15	0.7	0.5	2.7	1.1	1.9
4Q16	2.1	0.6	1.9	-0.5	0.7
4Q17	2.1	2.3	2.2	2.9	2.6
4Q18	1.9	2.5	2.3	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
4Q22	6.5	7.3	7.0	8.2	7.6

Source: Department of Administration & Information Economic Analysis Division

The above data is displayed in the graph below. Inflation rates in the 2021 4th quarter were the highest inflation rates since 1981. The graph shows inflation rates on a year-over-year basis for the past 22 years.



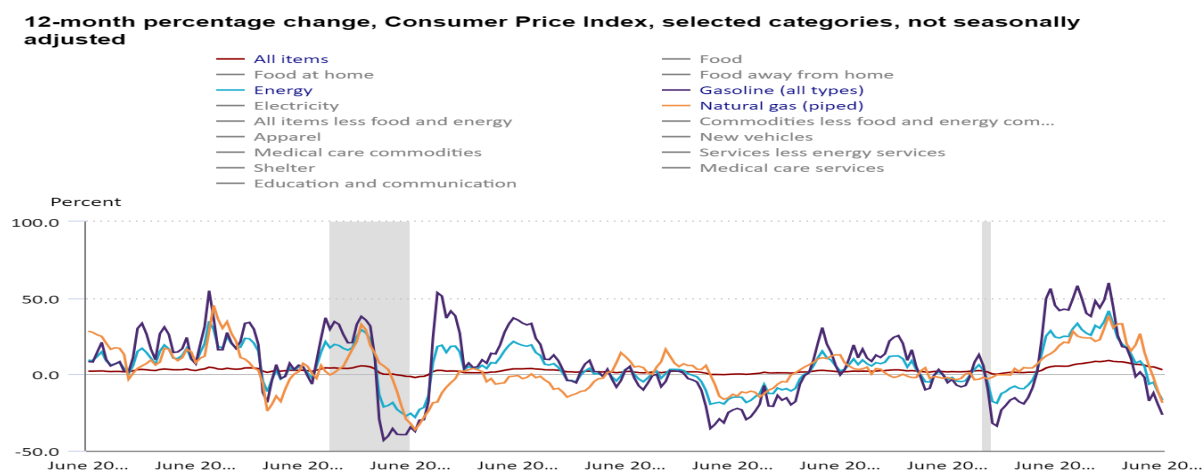
The estimated Star Valley inflation rate, relative to the U.S. CPI is shown below. Historically Star Valley experiences a higher inflation rate as is shown in the graph.



Source: Department of Administration & Information Economic Analysis Division

The consumer price index graph below displays the items that inflated drastically in 2022. 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 – complicated by the current U.S. regulatory war on carbon. In 2023 the CPI has been falling with the Federal Reserve Bank’s restrictive monetary policy of ending quantitative easing and high interest rates.

Consumer Price Index 2003-2023



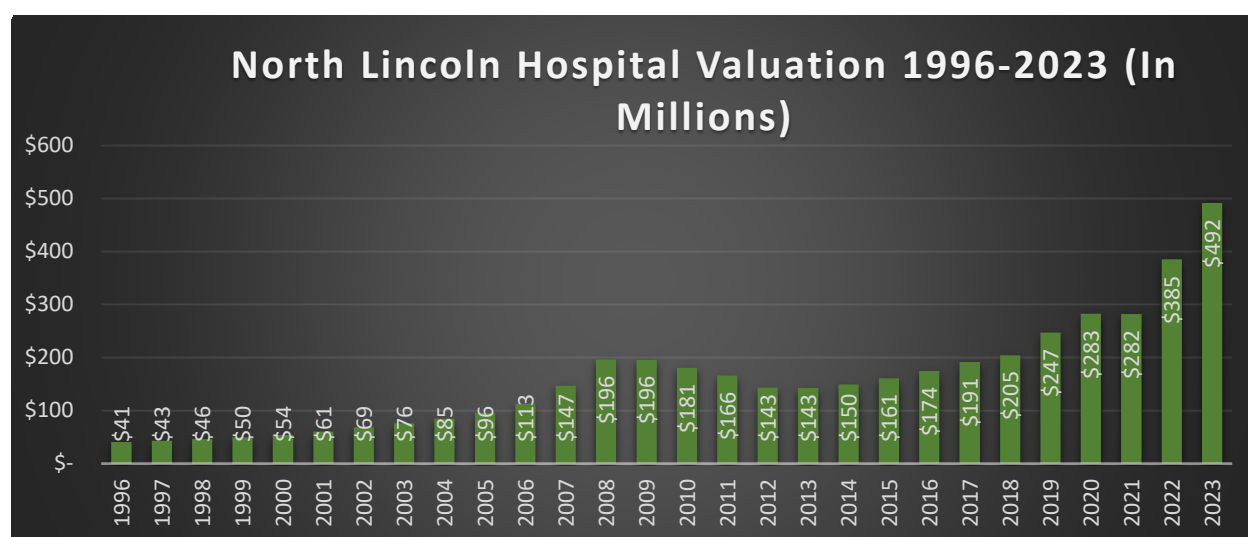
Source: U.S. Bureau of Labor Statistics.

Source: U.S Bureau of Labor Statistics

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.

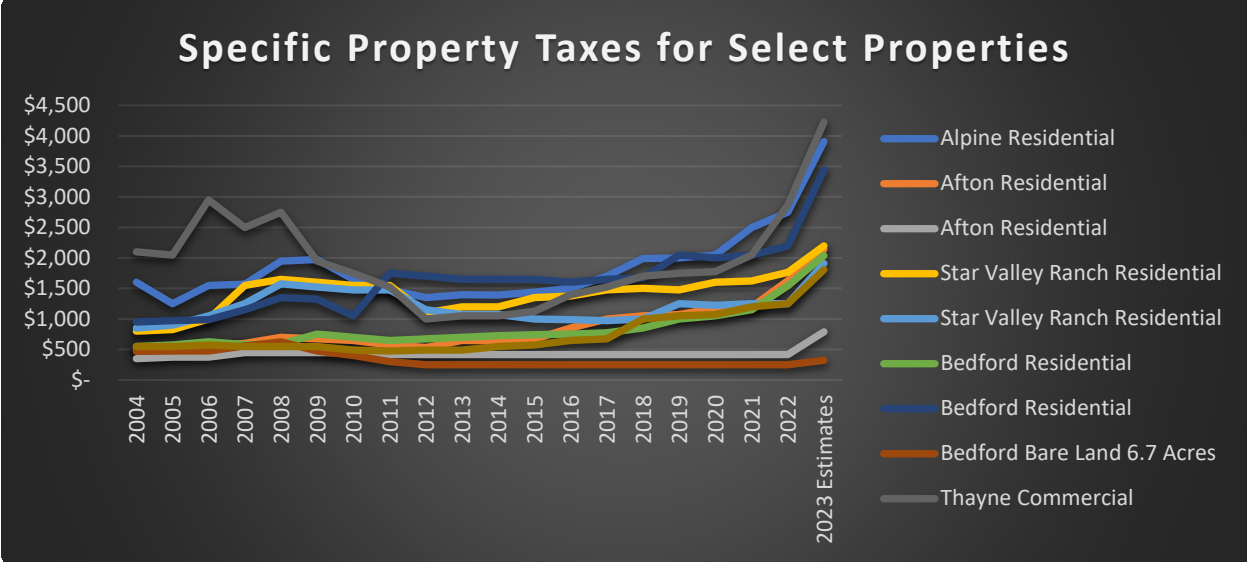
The 2023 assessed valuation for the North Lincoln Hospital District was \$491,755,515. This valuation is a whopping 28% increase over 2022. Over the past two years combined, since 2021, there has been an increase of 64%! This confirms what all taxpayers know -- a very strong appreciation in real estate values has been occurring over the past 3 years.



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 upward trend in property tax assessments for the subject properties from 2004 to 2022. Currently, 2023 tax valuations are showing a very strong increase in most taxable properties. The increase in these property taxes (and market value assessments) is particularly striking in the Alpine, Bedford, Thayne, or lower-valley areas.



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 the 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.

2012-2023



Total Star Valley New Home Permits by Year

As of June 15, 2023.

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	T-Y-D 2023
New Homes Non-Incorporated	33	37	66	94	98	113	114	105	100	114	87	65
Total Homes Non-Incorporated	2439	2476	2542	2636	2734	2847	2961	2948	3048	3162	3249	3314
% Rate of Growth	1.4%	1.5%	2.7%	3.7%	3.7%	4.1%	4.0%	3.5%	3.4%	3.7%	3.0%	2.1%
New Homes Afton	2	5	2	2	5	6	7	9	5	4	26	7
Total New Homes Afton	736	741	743	745	750	756	763	772	777	781	807	814
% Rate of Growth	0.3%	0.7%	0.3%	0.3%	0.7%	0.8%	0.9%	1.2%	0.6%	0.5%	3.3%	0.9%
New Homes Thayne	0	0	0	0	6	4	0	0	1	6	13	0
Total Homes Thayne	140	140	140	140	146	150	150	150	151	157	170	170
% Rate of Growth	0.0%	0.0%	0.0%	0.0%	4.3%	2.7%	0.0%	0.0%	0.7%	0.04	8.3%	0.0%
New Homes Alpine	0	0	1	3	5	5	10	6	10	15	23	Not Reported
Total Homes Alpine	330	330	331	334	339	344	354	360	370	385	408	
% Rate of Growth	0.0%	0.0%	0.3%	0.9%	1.5%	1.5%	2.9%	1.7%	2.8%	4.1%	6.0%	
New Homes SV Ranch	2	3	2	5	17	20	22	20	9	9	35	8
Total Homes SV Ranch	894	897	899	904	921	941	963	1003	1012	1021	1056	1064
% Rate of Growth	0.2%	0.3%	0.2%	0.6%	1.9%	2.2%	2.3%	2.1%	0.9%	0.9%	3.4%	0.8%
Total New Homes	37	45	71	104	131	148	153	140	125	148	184	80
Total Homes	4539	4584	4655	4759	4890	5038	5191	5331	5456	5604	5788	5868
% Growth Rate in SV	0.8%	1.0%	1.5%	2.2%	2.8%	3.0%	3.0%	2.7%	2.3%	2.8%	3.3%	1.4%

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 in 2022 was 184. Growth accelerated in all the Star Valley incorporated towns relative to the 10-year history. As has been the case over the entire period, most of the new housing is outside the area's municipality boundaries, rather being in the rural county areas.

Without year end information for 2023 it is hard to predict how the year will end. However, new home construction clearly appears to be slowing. This reduction in the number of new homes is due to the FED's higher interest rate policy and continued high construction costs. That said, given high interest rates, with Wall Street Journal Prime currently at 8.5%, relative to 3.25% just 18 months ago, and the higher construction costs, new home building remains surprisingly strong, with year-to-date homes for 2023 being greater than the entire number built in 2014.

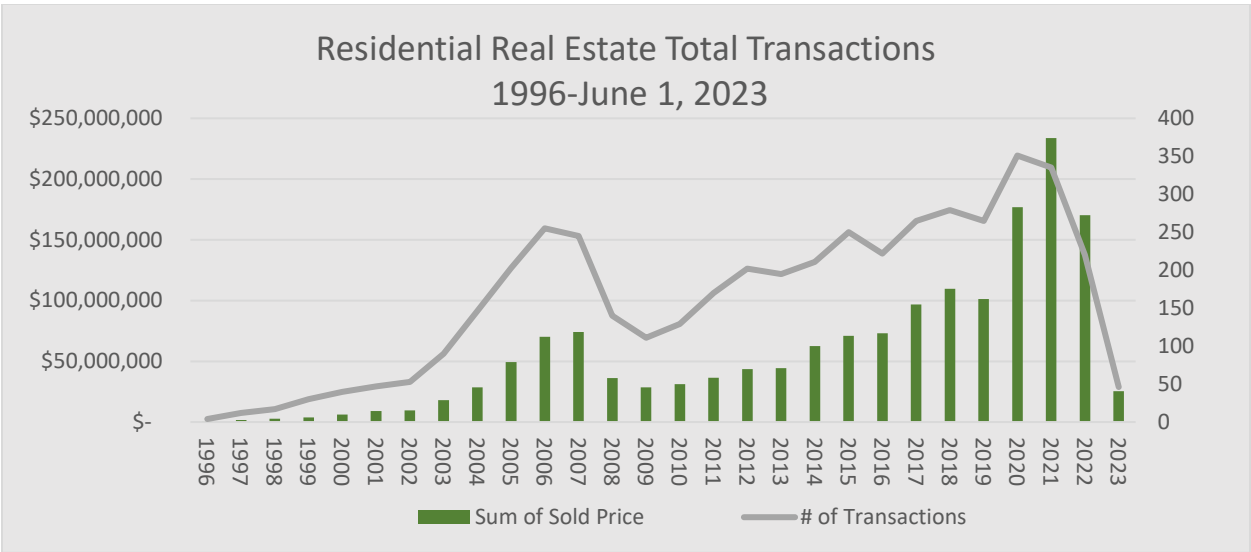
RESIDENTIAL HOME TRANSACTIONS

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 through the MLS.

Therefore, total market activity is in fact greater than that derived from the MLS. However, it is felt by the authors that the MLS numbers adequately represent general real estate market trends.

The following graph shows the total annual number of sales and the total annual volume of residential home sales in Star Valley since 1996, derived from MLS data. Star Valley has experienced a real estate boom unlike any other. The current boom began in 2020. Real Estate prices climbed extremely fast, driven by hyper-demand, and decreased inventory of available homes.

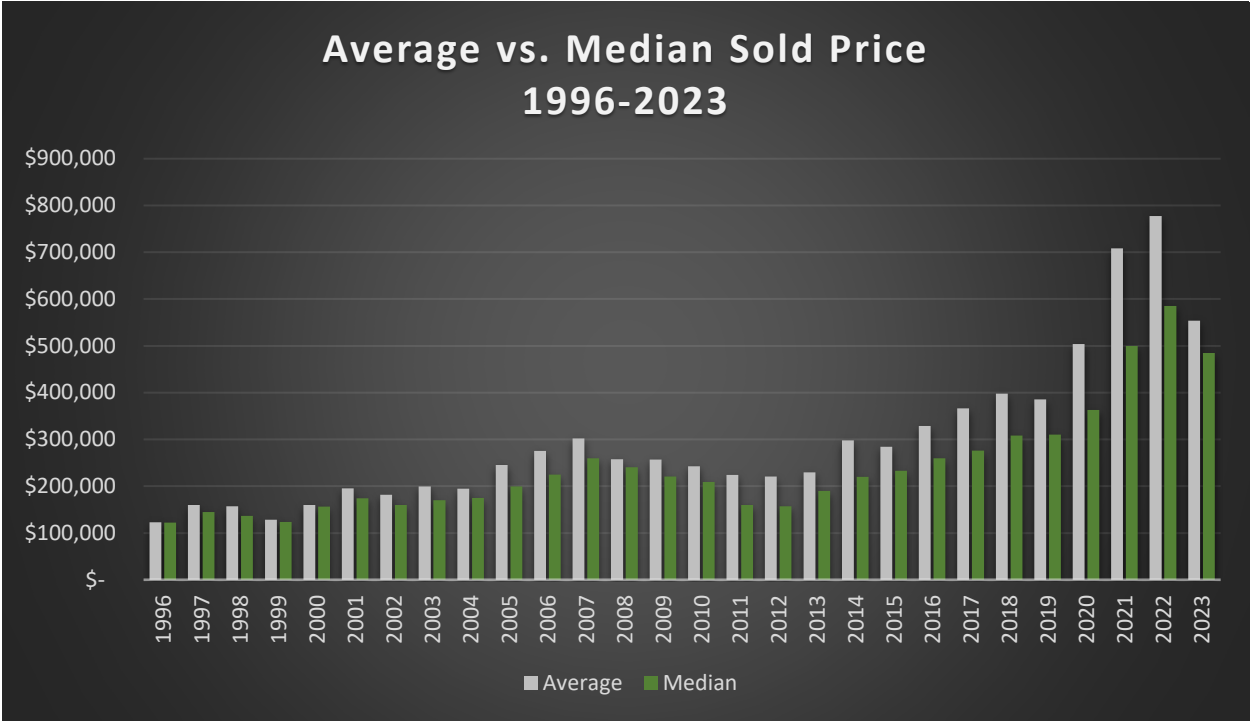
Much of the housing boom was driven by people in-migrating into the area to escape crowded urban areas and a more rural lifestyle augmented by the many amenities of Star Valley. However, with the FED monetary tightening and rapidly increasing interest rates, with the fed funds rate at a 22 year high, there has been a cooling in the real estate market during the first half of 2023.



The average residential home sales price sold in 2021 was 40.8% higher than 2020, representing a \$205,310 increase. In 2022, residential prices are 9.2% higher than in 2021 representing a \$64,916 increase. Finally, there appears to be, on year-to-date data, a decrease in average home sales price in 2023. The average home value decreased by \$223,843 or 28.7%. These numbers can be very misleading if taken only at face value. There is a decrease in home prices, but it also may be because of a lack of inventory, fewer home sales, and/or the highest interest rates in the past 22 years. These are contributing factors as to why the consumer is likely not feeling this price drop in housing.



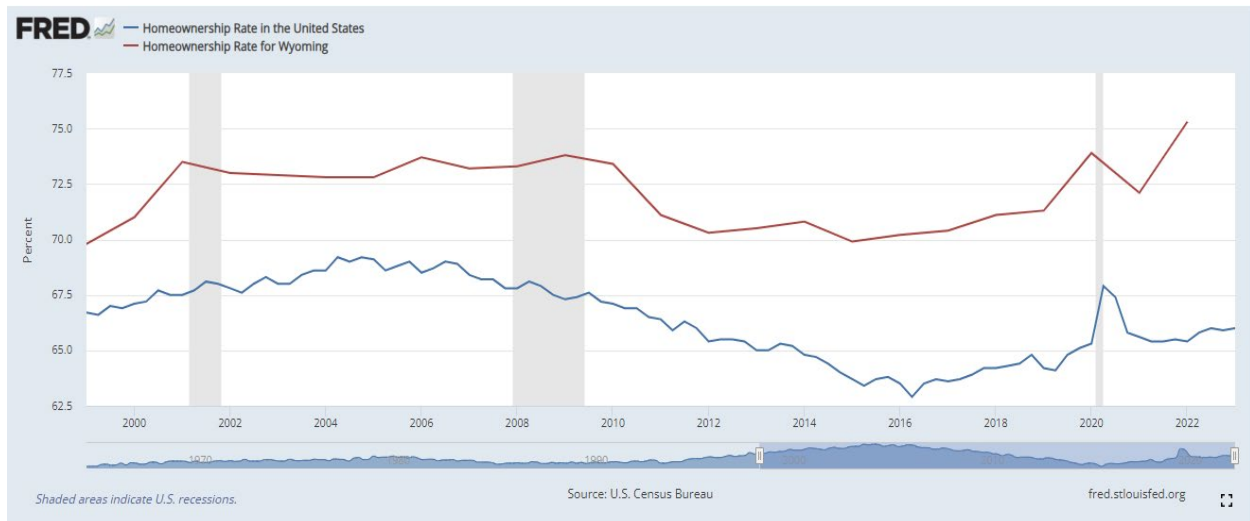
The following graph shows average and median residential sales in Star Valley over time. As of June 2023, the average residential home was \$553,701 and the median was \$485,000. The median sales price is a better indicator of home prices because it is not skewed by a few high-priced homes. Home prices at these levels in the range of half a million dollars, with the addition of higher mortgage interest rates make it near impossible for the average working person to buy a home in Star Valley.



Source: Multiple Listing Services

The graph below shows the homeownership rate increasing both nationally and on the state level. The recent increase in Wyoming may be due to the previous low interest rates which were in effect from 2020 to mid-2022, and well as the increase in rental costs. In many cases, the Bank has found that an individual’s housing cost is decreased if a renter can locate and purchase an affordable home – which, unfortunately, are few and far between.





Source: Federal Reserve Economic Data U.S Census Bureau

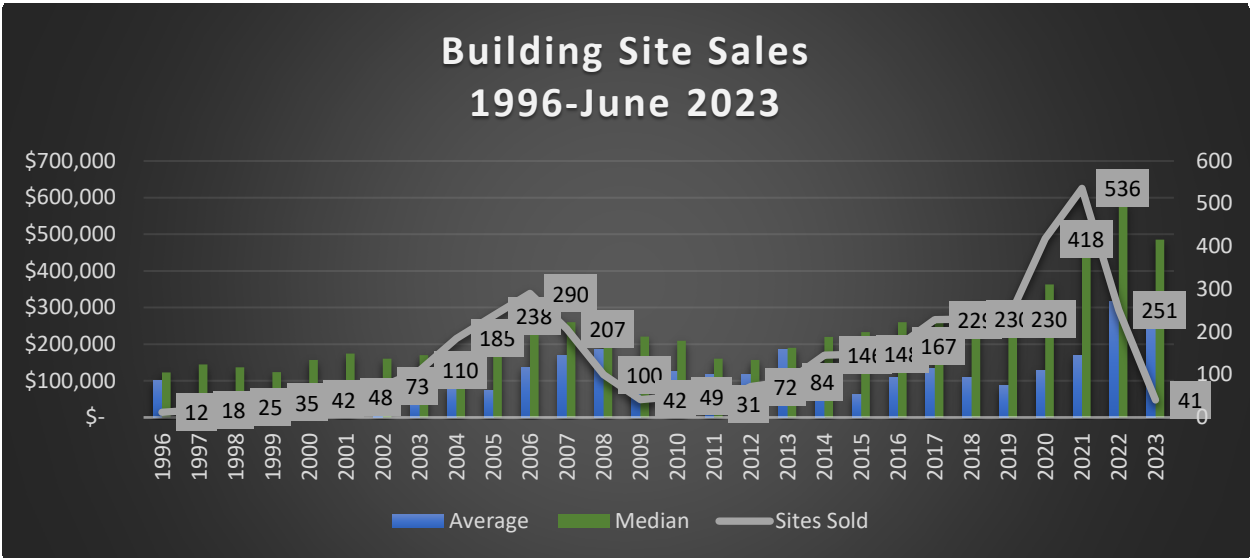
The increase in price of housing is being largely driven by limited supply and high demand. In March 2022 WSW Consulting released the Teton Region Housing Needs Assessment, sponsored by Teton County, Wyoming, Teton County, Idaho, and its jurisdictions. The needs assessment for housing from the study 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 1996 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 the opposite happening over the next two years in 2022 and 2023, but there

was a substantial increase in average lot price in 2022. The total average value of lots sold in 2023 has cooled by roughly 17% year-to-date with a lot fewer lots being purchased.



Source: Multiple Listing Services

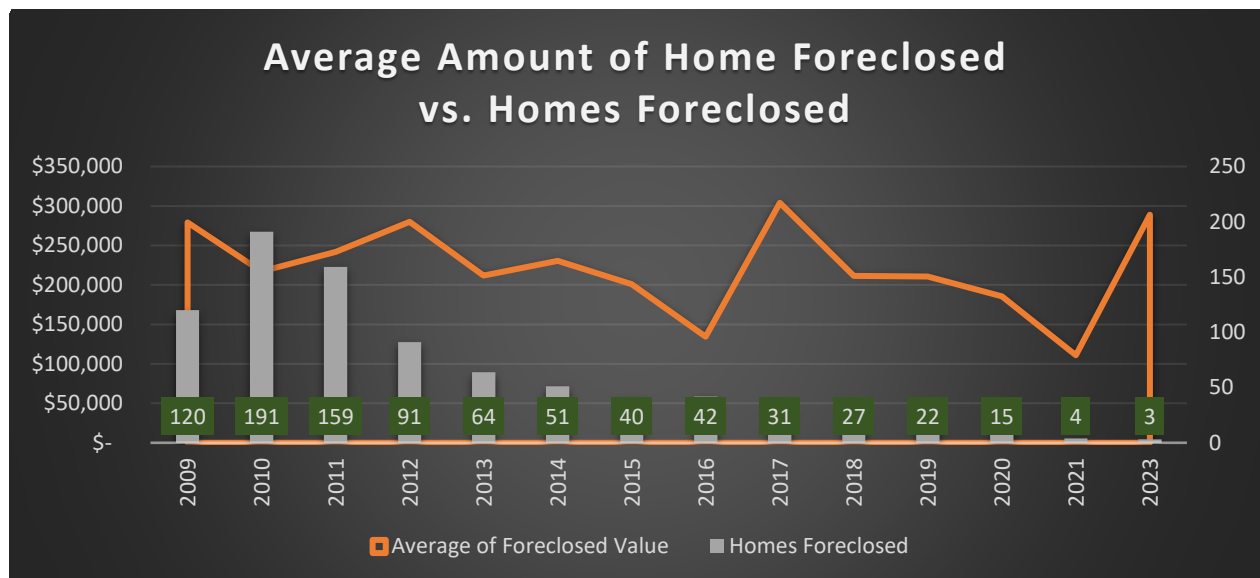
The average sales price of building lots is a difficult metric because a building lot could be a \$400,000 - 20-acre lot or it could be a \$70,000 - 0.4-acre lot, both of which affect the average dramatically. The average lot sale price so far in 2023 is \$273,033 compared to \$316,658 in 2022. The median lot sales price, which deals more fairly with the large variation in sales prices, is \$485,000 per lot so far in 2023, compared to \$585,000 for 2022.

REAL ESTATE 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 data published in the Star Valley Independent and the Kemmerer Gazette. In Star Valley, through June 2023, there has been 3 foreclosures totaling \$288,824. This is a low rate relative to the history of foreclosures in Star Valley and indicates a continuing strong real estate market.



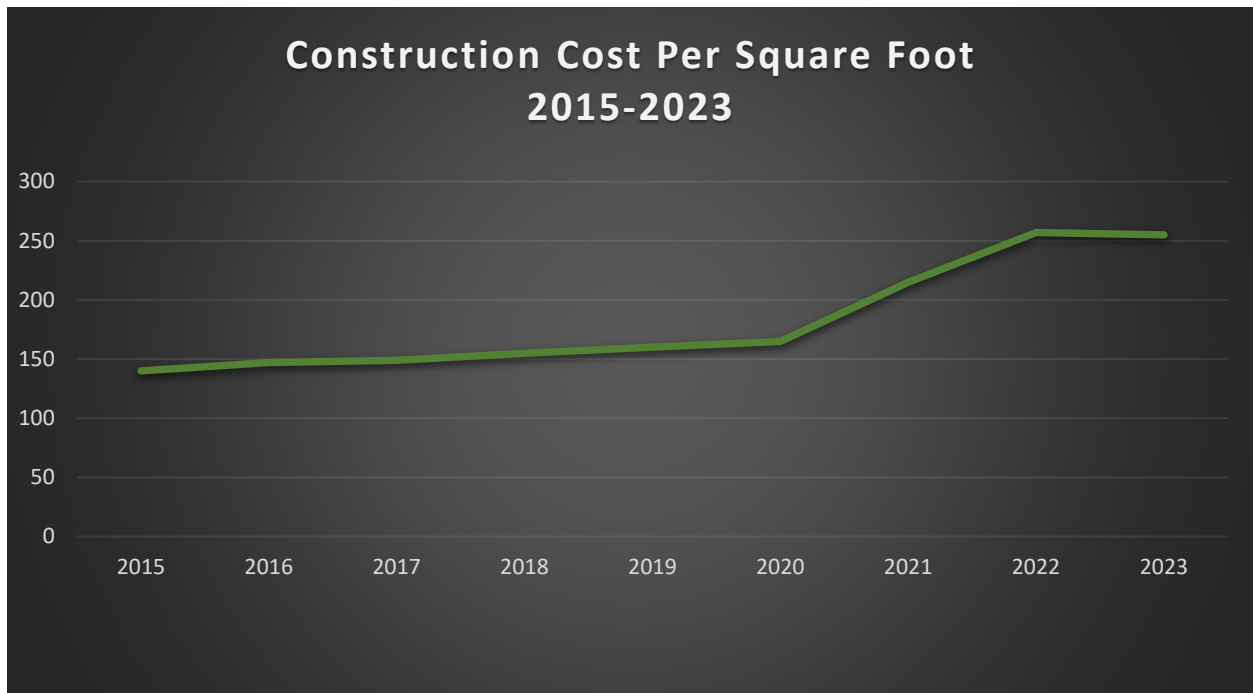


Source: Kemmerer Gazette and Star Valley Independent

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. Now in 2023 the average construction cost has flattened out down to \$255 per square foot. This is not a very good break considering the cost jumped by 19.5%, or by \$42.00 per square foot 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.

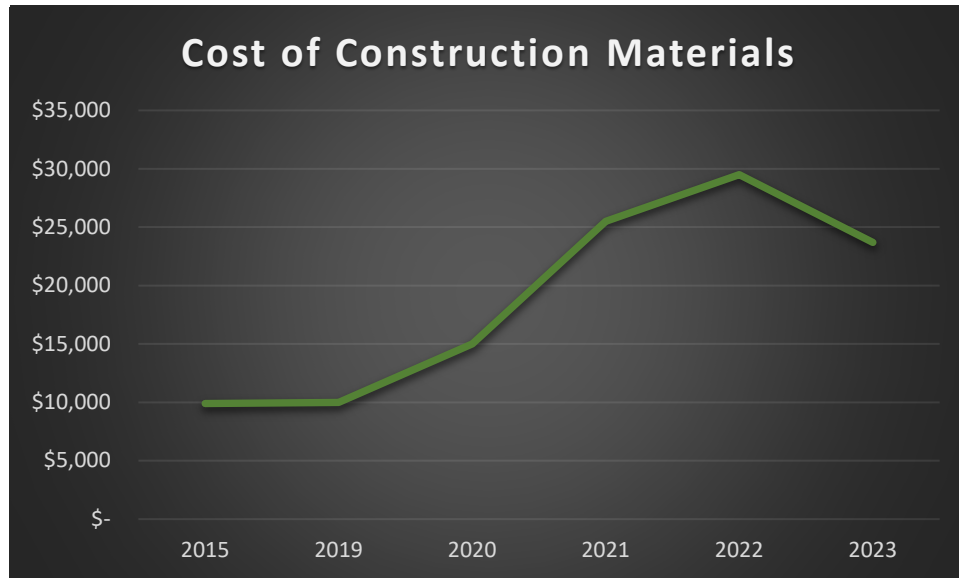


BUILDING MATERIALS

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 five 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 double 2019 prices. An increase of almost triple the price of 2019 was seen in 2022 and a 13% year-over-year increase from 2021. During the first half of 2023 there has been a drop in average prices even below prices in 2021. This is a decrease of roughly 20% from the previous year.



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

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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