

File #2019-746

A NARRATIVE APPRAISAL REPORT OF
State of Montana Commercial Real Estate

OWNED BY
State of Montana

LOCATED AT
140 Lupfer Avenue
Whitefish, MT 59937

FOR THE PURPOSE OF
Forming an Opinion of the "As Is" Fair Market Value

DATE OF REPORT
March 11, 2019

CLIENT
State of Montana DNRC
1539 11th Avenue
P.O. Box 201601
Helena, MT 59620-1601

APPRAISAL COMPLETED BY
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March 11, 2019

State of Montana DNRC
1539 11th Avenue
P.O. Box 201601
Helena, MT 59620-1601

Re: State of Montana Commercial Real Estate
140 Lupfer Avenue
Whitefish, MT 59937
File #2019-746

Dear Representatives of State of Montana DNRC:

Please find attached a Narrative Appraisal Report of the State of Montana Commercial Real Estate located at 140 Lupfer Avenue, Whitefish, MT 59937.

The subject property is further identified as Flathead County Assessor's Parcel Number E001265. I have inspected the site and improvements to form an opinion of the "As Is" Fair Market Value. The supporting data, analyses, and conclusions used to form an opinion of the fair market values of the subject property are contained in the accompanying report and addenda.

This appraisal is intended to conform to OCC Interagency Appraisal and Evaluation Guidelines and adhere to the Uniform Standards of Professional Appraisal Practice (USPAP).

The client and intended users include representatives of the State of Montana DNRC and their duly appointed committees. The intended use of this appraisal is For use in the decision-making process concerning the potential sale of said subject property. The purpose of this appraisal report is to form an opinion of the As-Is Fair Market Value as of February 21, 2019. Based upon an analysis of the market data and subject to the assumptions and limiting conditions contained within this report, I have formed the following value opinion:

Conclusion	
Market Value Opinion	As-Is Fair Market Value
Property Rights Appraised	Fee simple
Effective Date of Appraisal	February 21, 2019
Market Value Opinion	\$290,000

Two Hundred Ninety Thousand Dollars

The market value opinions have been predicated upon an exposure time of nine to fifteen months, based upon available market data. The marketing period has also been estimated at nine to fifteen months.

The acceptance of this appraisal assignment and the completion of the appraisal report submitted herewith is contingent upon the assumptions and limiting conditions found in the report.

Best Regards,

Wayne Valentic, MAI
Montana Certified General Appraiser
REA-RAG-LIC-959



TABLE OF CONTENTS

<i>TABLE OF CONTENTS</i>	4
<i>ASSUMPTIONS AND LIMITING CONDITIONS</i>	5
<i>GENERAL ASSUMPTIONS AND LIMITING CONDITIONS</i>	5
<i>CERTIFICATION OF VALUE</i>	7
<i>DEFINITIONS</i>	8
<i>SUMMARY OF IMPORTANT FACTS AND CONCLUSIONS</i>	11
<i>INTRODUCTION</i>	13
<i>AREA / CITY DESCRIPTION AND ANALYSIS</i>	16
<i>SITE DESCRIPTION AND ANALYSIS</i>	38
<i>SUBJECT COUNTY PLAT MAP</i>	39
<i>IMPROVEMENTS DESCRIPTION AND ANALYSIS</i>	44
<i>PLAN VIEW</i>	45
<i>ASSESSED VALUE AND PROPERTY TAXES</i>	47
<i>HIGHEST AND BEST USE</i>	48
<i>HIGHEST AND BEST USE AS THOUGH VACANT</i>	48
<i>HIGHEST AND BEST USE AS IMPROVED</i>	49
<i>METHOD OF VALUATION</i>	51
<i>INCOME CAPITALIZATION APPROACH</i>	54
<i>SALES COMPARISON APPROACH</i>	60
<i>TRANSACTIONAL ADJUSTMENTS</i>	73
<i>PHYSICAL CHARACTERISTICS</i>	74
<i>FINAL RECONCILIATION</i>	82
<i>EXPOSURE TIME AND MARKETING PERIOD</i>	83
<i>ADDENDA</i>	84

ASSUMPTIONS AND LIMITING CONDITIONS***General Assumptions and Limiting Conditions***

The acceptance of this appraisal assignment and market study and the completion of the appraisal report submitted herewith are contingent upon the following general assumptions and limiting conditions:

- 1) No responsibility is assumed for legal or title considerations. Title to the property is assumed to be good and marketable unless otherwise stated.
- 2) The property is appraised free and clear of any or all liens or encumbrances unless otherwise stated in this report.
- 3) Responsible ownership and competent property management are assumed, unless otherwise stated.
- 4) The information furnished by others is believed to be reliable; however, no warranty is given for its accuracy.
- 5) All engineering is assumed to be correct. Any plot plans and illustrative material in this report are included only to assist the reader in visualizing the property.
- 6) It is assumed there are no hidden or unapparent conditions of the property, subsoil, or structures that render it more or less valuable. No responsibility is assumed for such conditions or for arranging for engineering studies that may be required to discover them.
- 7) It is assumed there is full compliance with all applicable federal, state, and local environmental regulations and laws unless otherwise stated.
- 8) It is assumed all applicable zoning and use regulations and restrictions have been complied with, unless a non-conformity has been stated, defined, and considered.
- 9) It is assumed that all required licenses, certificates of occupancy or legislative or administrative authority from any local, state, or national governmental or private entity organization have been or can be obtained or renewed for any use on which the value opinions contained in this report are based.
- 10) Any sketch may show approximate dimensions and is included to assist the reader in visualizing the property. Maps and exhibits found are provided for reader reference purposes only. No guarantee as to accuracy is expressed or implied unless otherwise stated.
- 11) It is assumed the utilization of the land and improvements is within the boundaries or property lines of the property described and that there is no encroachment or trespasses unless otherwise stated.

- 12) The appraiser is not qualified to detect hazardous waste and/or toxic materials. Any comment by the appraiser that might suggest the possibility or presence of such substances should not be taken as confirmation of the presence of hazardous waste and/or toxic materials. Such determination would require investigation by a qualified expert in the field of environmental assessment. The presence of substances such as asbestos, urea-formaldehyde, foam insulation, or other potentially hazardous materials may affect the value of the property. The appraisers' value opinions are predicated on the assumption there is no such material on or in the property that would cause a loss in value unless otherwise stated in this report. No responsibility is assumed for any environmental conditions, or for any expertise or engineering knowledge required to discover them. The appraisers' descriptions and resulting comments are the result of the routine observations made during the appraisal process.
- 13) The Americans with Disabilities Act (ADA) became effective January 26, 1992. I have not made a specific compliance survey and analysis of this property to determine whether it is in conformity with various detailed requirements of the ADA. It is possible that a compliance survey of the property, together with a detailed analysis of the requirements of the ADA, could reveal the property is not in compliance with one or more of the requirements of the act. If so, this fact could have a negative effect upon the value of the property. Therefore, it is assumed that the property complies with all ADA requirements.
- 14) Any proposed improvements are assumed to be completed in a good workmanlike manner in accordance with the submitted plans and specifications.
- 15) Possession of this report or a copy thereof, does not carry with it the right of publication. It may not be used for any purpose by any person other than the party to whom it is addressed without the written consent of the appraiser, and in any event, only with the properly written qualification and only in its entirety.
- 16) Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraiser, or the firm with which the appraisers are connected) shall be disseminated to the public through advertising, public relations, news sales, or other media without prior written consent and approval of the appraiser.

Extraordinary Assumptions/Hypothetical Conditions:

The acceptance of this appraisal assignment and the completion of the appraisal report submitted herewith is not contingent upon any extraordinary assumptions or hypothetical conditions.

CERTIFICATION OF VALUE

I certify that, to the best of my knowledge and belief:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
- I have performed no services as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
- I have made a personal viewing of the property that is the subject of this report.
- No one provided significant real property appraisal assistance to the persons signing this certification.
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- As of the date of this report I have completed the Standards and Ethics Education for Candidates of the Appraisal Institute.



Wayne Valentic, MAI
Montana Certified General Appraiser
REA-RAG-LIC-959

DEFINITIONS

Definition of Extraordinary Assumption

"An assumption, directly related to a specific assignment, as of the effective date of the appraisal assignment results, which, if found to be false, could alter the appraiser's opinions or conclusions."

Source: The Dictionary of Real Estate Appraisal, Sixth Edition (Chicago: Appraisal Institute, 2015), Page 83.

Definition of Hypothetical Condition

1. "A condition that is presumed to be true when it is known to be false.
2. A condition directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purposes of analysis."

Source: The Dictionary of Real Estate Appraisal, Sixth Edition (Chicago: Appraisal Institute, 2015), Page 113.

Definition of Fair Market Value

"Market value is the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of good title from seller to buyer under conditions whereby--

1. buyer and seller are typically motivated;
2. both parties are well informed or well advised, and acting in what they consider their own best interest;
3. a reasonable time is allowed for exposure in the open market;
4. payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
5. the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale."

Source: State of Montana

Definition of As-Is Market Value

"The estimate of the market value of real property in its current physical condition, use and zoning as of the appraisal date."

Source: The Dictionary of Real Estate Appraisal, Sixth Edition (Chicago: Appraisal Institute, 2015), Page 13.

Definition of Fee Simple Ownership

"Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat."

Source: The Dictionary of Real Estate Appraisal, Sixth Edition (Chicago: Appraisal Institute, 2015), page 90.

Definition of Exposure Time

"The time a property remains on the market. 2. The estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal."

Source: The Dictionary of Real Estate Appraisal, Sixth Edition (Chicago: Appraisal Institute, 2015), page 83.

Definition of External Obsolescence

"A type of depreciation; a diminution in value caused by negative external influences and generally incurable on the part of the owner, landlord, or tenant. The external influence may be either temporary or permanent."

Source: The Dictionary of Real Estate Appraisal, Sixth Edition (Chicago: Appraisal Institute, 2015), page 83.

Definition of Final Reconciliation

"The last phase in the development of a value opinion in which two or more value indications derived from market data are resolved into a final value opinion, which may be either a final range of value, in relation to a benchmark, or a single point estimate."

Source: The Dictionary of Real Estate Appraisal, Sixth Edition (Chicago: Appraisal Institute, 2015), page 91.

Definition of Financial Feasibility

"1) One of the four criteria of highest and best use. For a land use to be considered financially feasible, the value of the land use must exceed its cost. 2) The capability of a physically possible and legal use of property to produce a positive return to the land after considering risk and all costs to create and maintain the use."

Source: The Dictionary of Real Estate Appraisal, Sixth Edition (Chicago: Appraisal Institute, 2015), page 92.

Definition of Functional Obsolescence

"The impairment of functional capacity of improvements according to market tastes and standards."

Source: The Dictionary of Real Estate Appraisal, Sixth Edition (Chicago: Appraisal Institute, 2015), page 97.

Definition of Legal Permissibility

“One of the four criteria the highest and best use of a property must meet; a property use that is either currently allowed or most probably allowable under zoning codes, building codes, environmental regulations, and other applicable laws and regulations that govern land use.”

Source: The Dictionary of Real Estate Appraisal, Sixth Edition (Chicago: Appraisal Institute, 2015), page 129.

Definition of Marketing Time

“An opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value level during the period immediately after the effective date of an appraisal. Marketing time differs from exposure time, which is always presumed to precede the effective date of an appraisal.”

Source: The Dictionary of Real Estate Appraisal, Sixth Edition (Chicago: Appraisal Institute, 2015), page 140.

Definition of Maximum Productivity

“One of the four criteria the highest and best use of a property must meet. To achieve maximum productivity, a specific land use must yield the highest value of all the physically possible, legally permissible and financially feasible possible uses.”

Source: The Dictionary of Real Estate Appraisal, Sixth Edition (Chicago: Appraisal Institute, 2015), page 144.

Definition of Physical Deterioration

“The wear and tear that begins when a building is completed and placed into service.”

Source: The Dictionary of Real Estate Appraisal, Sixth Edition (Chicago: Appraisal Institute, 2015), page 170.

Definition of Physical Possibility

“One of the criteria that the highest and best use of a property must meet. For a land use to be considered physically possible, the parcel of land must be able to accommodate the construction of any building that would be a candidate for the ideal improvement.”

Source: The Dictionary of Real Estate Appraisal, Sixth Edition (Chicago: Appraisal Institute, 2015), page 171.

Definition of Reconciliation

“A phase of a valuation assignment in which two or more value indications are processed into a value opinion, which may be a range of value, a single point estimate, or a reference to a benchmark value.”

Source: The Dictionary of Real Estate Appraisal, Sixth Edition (Chicago: Appraisal Institute, 2015), page 190.

SUMMARY OF IMPORTANT FACTS AND CONCLUSIONS

Subject

Property Address	140 Lupfer Avenue, Whitefish, MT
Property Location	The west side of Lupfer AVE in Whitefish, MT
Property Owner	State of Montana
Assessor's Parcel Number	E001265
Census Tract Number	30-029-0004.02
Purpose of Appraisal	To form an opinion of the As-Is Fair Market Value
Intended Use of Appraisal	For use in the decision-making process concerning the potential sale of said subject properties
Intended Users	State of Montana, the Montana Board of Land Commisioners, and the Department of Natural Resources and Conservation

Date of Valuation	February 21, 2019		
Property Inspection Date	February 21, 2019		
Date of Report	March 11, 2019		
Property Rights Appraised	Fee simple		
Land Size	0.043 acres +/-		
Improvement Data	1,315 SF on two levels		
Zoning	WB-3 (General Business) City of Whitefish		
HIGHEST AND BEST USE			
As Vacant Land	Commercial		
As Improved	Commercial		
VALUE OPINION			
MARKET VALUE OPINION	PROPERTY RIGHTS APPRAISED	EFFECTIVE DATE OF VALUE	MARKET VALUE OPINION
As-Is Fair Market Value	Fee simple	February 21, 2019	\$290,000
Current Use	Commercial		
Use Reflected in the Appraisal	Commercial		
Exposure Time	The opinion of market value has been predicated on an exposure time of nine to fifteen months.		
Marketing Period	If the subject were marketed for sale as of the date of the value opinion, the marketing period would be nine to fifteen months assuming competent marketing with pricing commensurate with the opinions of market value.		

Extraordinary Assumptions/Hypothetical Conditions:

The acceptance of this appraisal assignment and the completion of the appraisal report submitted herewith is not contingent upon any extraordinary assumptions or hypothetical conditions.

INTRODUCTION

Identification of the Property

The subject property consists of a commercial townhouse located at 140 Lupfer Avenue, Whitefish, MT 59937. The property is further identified as Flathead County Assessor's Parcel Number E001265. The buildings were constructed in 2005. The site is a 0.043 acres +/- lot.

The site and improvements are more thoroughly described in the "Site Description and Analysis" and the "Improvements Description and Analysis" sections contained in this report.

Legal Description

Lot 1 of Lupfer Townhouses

Census Tract Number

30-029-0004.02

Purpose of Appraisal

To provide the client with a credible opinion of current fair market value of the appraised subject properties.

Intended Use of the Appraisal

For use in the decision-making process concerning the potential sale of said subject properties

Intended Users of the Appraisal

State of Montana, the Montana Board of Land Commissioners, and the Department of Natural Resources and Conservation

Effective Date of Valuation

February 21, 2019. This is the date the property was inspected and the date the photographs were taken.

Date of Appraisal Report

The date of this appraisal report is March 11, 2019. The comparable sales, rental data, and market data were verified prior to the date of this report.

USPAP Competency Provision

This appraisal report is being prepared with the intention of complying with the most recent version of the Uniform Standards of Professional Appraisal Practice (USPAP) as adopted by the Appraisal Foundation. I have the knowledge and the experience to complete this appraisal assignment. I have appraised numerous properties with similar uses in NW Montana and I am qualified to appraise the subject property. Please see my qualifications contained in the Addenda of this report for additional information.

Current Ownership/Ownership History

According to information obtained from Flathead County public records the subject property is currently under the ownership of State of Montana. The property has been under the same ownership since 2009. It has not been listed for sale in the past three years.

Scope of Appraisal

This is a Narrative Appraisal Report which is intended to comply with reporting requirements set forth under Standards Rule 2-2 (a) of the Uniform Standards of Professional Appraisal Practice, (USPAP). As part of this appraisal, the appraiser has made a number of independent investigations and analyses. The investigations undertaken, and the major data sources used follow.

Area/City and Neighborhood Analysis

Data pertaining to the market area and the neighborhood was provided by publications such as the Daily Interlake and the Flathead Beacon, and information from the local Chamber of Commerce and the Economic Development Authority of Western Montana. Information regarding population was supplied by the State of Montana and Flathead County. Information about visitor volume, data pertaining to the labor force, employment and unemployment was supplied by the State of Montana. Information pertaining to taxable sales was provided by the Montana Department of Revenue. Data pertaining to residential construction building permits was collected from the governing jurisdictions. Additional neighborhood data was based upon a physical inspection of the area.

Site Description and Analysis

On February 21, 2019, Wayne Valentic physically inspected the subject property and the surrounding area. Photographs of the property were also taken as of this date. Information concerning utilities was collected by a physical inspection as well as contacting the individual utility companies, when necessary. The City of Whitefish Planning and Development Department was contacted to obtain zoning information on the property. Information pertaining to dimensions, shape, and area was taken from the Flathead County Assessor's Map. The description of analysis of topography, drainage, soils conditions and surrounding land uses was based upon a physical inspection. I am not an expert in the analysis of soils conditions or environmental hazards; therefore, any comment that might suggest the presence of such substances should not be taken as confirmation of the presence of hazardous waste or questionable soils conditions. Such determination would require investigation by qualified professionals in the field of environmental assessment or soils testing. No responsibility is assumed for any environmental conditions or for any expertise or engineering knowledge required to discover them. My descriptions and resulting comments are a result of routine observations made during the appraisal process.

Improvements Description and Analysis

Data pertaining to construction details and specifications were obtained by physical inspection of the subject improvements and interviews with the owner. Details regarding building size were taken from on-site measurements.

Applied Methods of Valuation

All three methods of valuation, 1) cost approach, 2) the income approach and, 3) sales comparison approach were considered in the valuation of the subject property. Please see the section entitled "Method of Valuation," contained later in the report, for a full description of the complete process for each approach. Depending on market conditions and property type one or more approaches may be omitted. The omission of one or more approaches does not affect the reliability of the value conclusions. For this assignment:

Cost Approach: Not utilized for individual condominium/townhouse units.

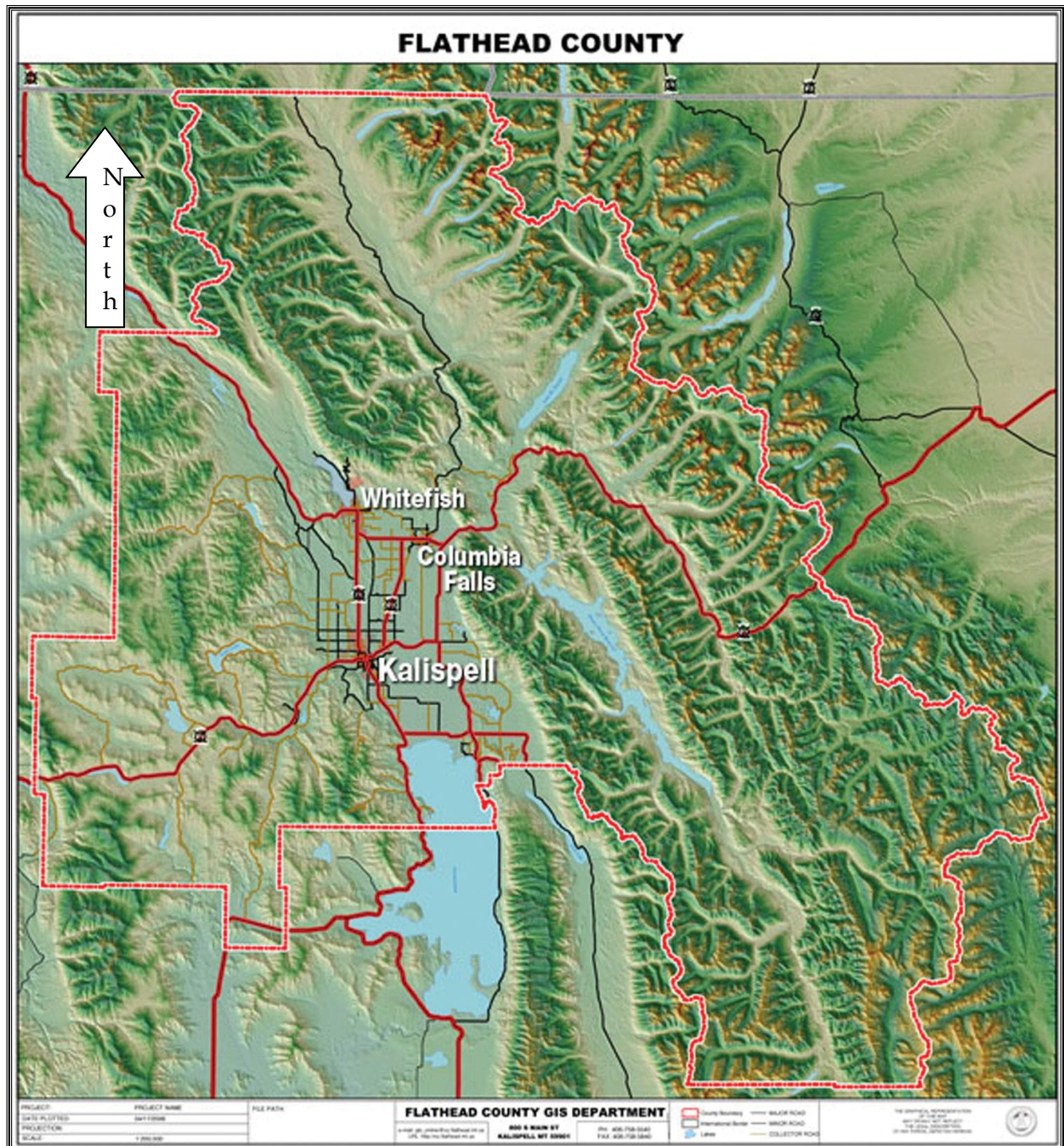
Income Approach: Will be utilized.

Sales Comparison Approach: Will be utilized.

Market Data Collection and Verification

Comparable rental data was based upon a physical inspection of properties in the neighborhood and from sources including the local MLS, property managers and brokers in the area. The rental data was verified with the owner, property manager, or tenants of the property, when possible. Verification of the data is contained on rental comparable abstracts later in the report. Vacancy rate and collection loss information was based upon the surveyed properties and from information published through realty offices informed about the Flathead Valley. Information pertaining to expenses and overall capitalization rates was also provided from rental properties, surveys of sales/leasing agents, or improved sales contained within this report.

Improved sales data was collected through various sources including County records, MLS, First American Title, or from brokers, owners, and developers. The information was verified with parties involved in the transaction including the grantor, grantee, broker, or other knowledgeable parties, when possible. Verification of each sale is listed separately on each improved sale abstract contained later in the report.

AREA / CITY DESCRIPTION AND ANALYSIS

Kalispell is the county seat of Flathead County, Montana. The 2016 census gave the city a population of 22,761 making it the seventh largest city in Montana. Located in Northwest Montana, Flathead County encompasses 3,262,720 acres or 5,098 square miles. Approximately 94% of the land mass is National or State Forest Land, Wilderness, Agricultural, and Corporate Timber Land, thus confining development to the remaining 6% (+/-) of the area. Weyerhaeuser (previously Plum Creek Timber) continues to sell land for residential development throughout the County. A short distance from any developed area is Glacier National Park, designated hiking areas, 2 ski resorts, 8 golf courses, Flathead Lake, Whitefish Lake, Hungry Horse Reservoir, plus many rivers and smaller lakes. With the abundance of recreational opportunities and aesthetic values it is not hard to see why Flathead County is among the fastest growing, and the 3rd most populated county in Montana.

According to the U.S. Census Bureau, Flathead County is Montana's third most populous county with an estimated 98,082 residents in 2016. The Census Bureau has estimated the July 2017 population at 100,000. It is also the third fastest growing county in the State (Gallatin and Yellowstone Counties are experiencing more rapid growth at 12.5% and 6.1% respectively). Flathead County has an estimated population increase of 10% from 2010-2017. It is home to three incorporated cities.

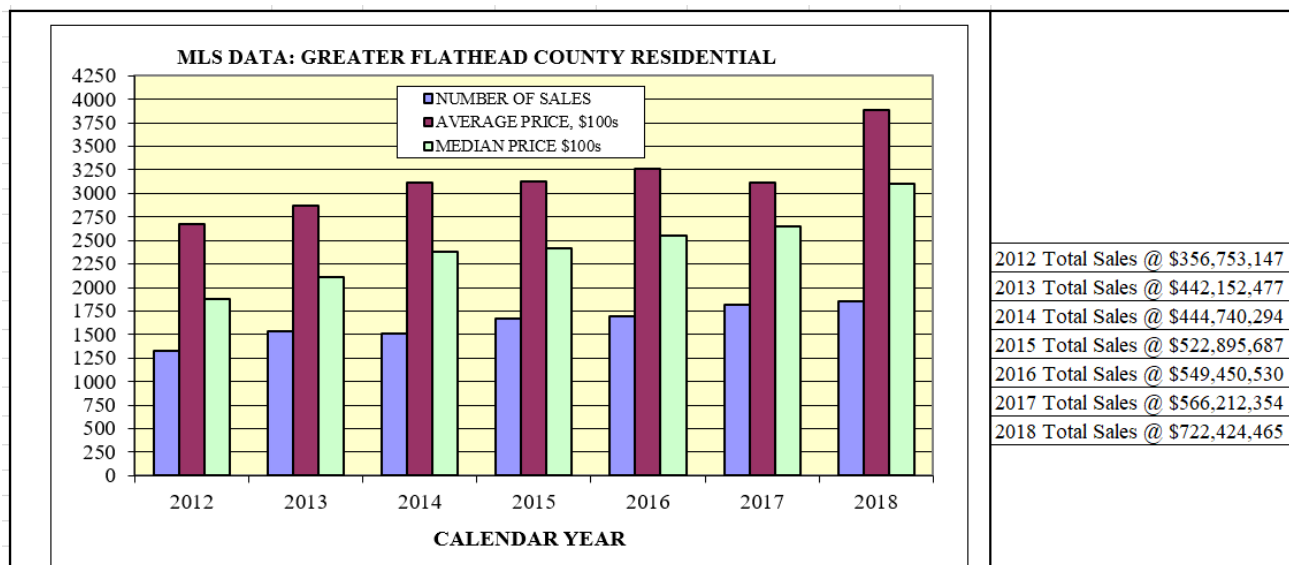
Kalispell is the largest city in Flathead County. Kalispell's population is based on residents living within city limits, which does not include Evergreen or other surrounding communities in the county's jurisdiction. The city had a 13.5 percent increase in population between 2010-2016. The 2018 population estimate is 24,221.

Whitefish gained 918 residents between 2010 and 2016, a 14.3 percent increase. The estimated population for Whitefish stands at 7,709 in 2018

Columbia Falls, the third largest city in Flathead County, saw 11.3 percent growth rate between 2010 and 2016. Its population estimate for 2018 is 5,545.

The growth of individual cities in the Flathead Valley mirrors a county-wide trajectory. The population in Flathead County grew by roughly 2,000 people from 2015 to 2016, the largest year-to-year increase in a decade and one of the biggest gains in Montana. Flathead County's population is estimated at 100,000 for 2018 with a growth rate of 2.36% going forward according to the most recent United States census data.

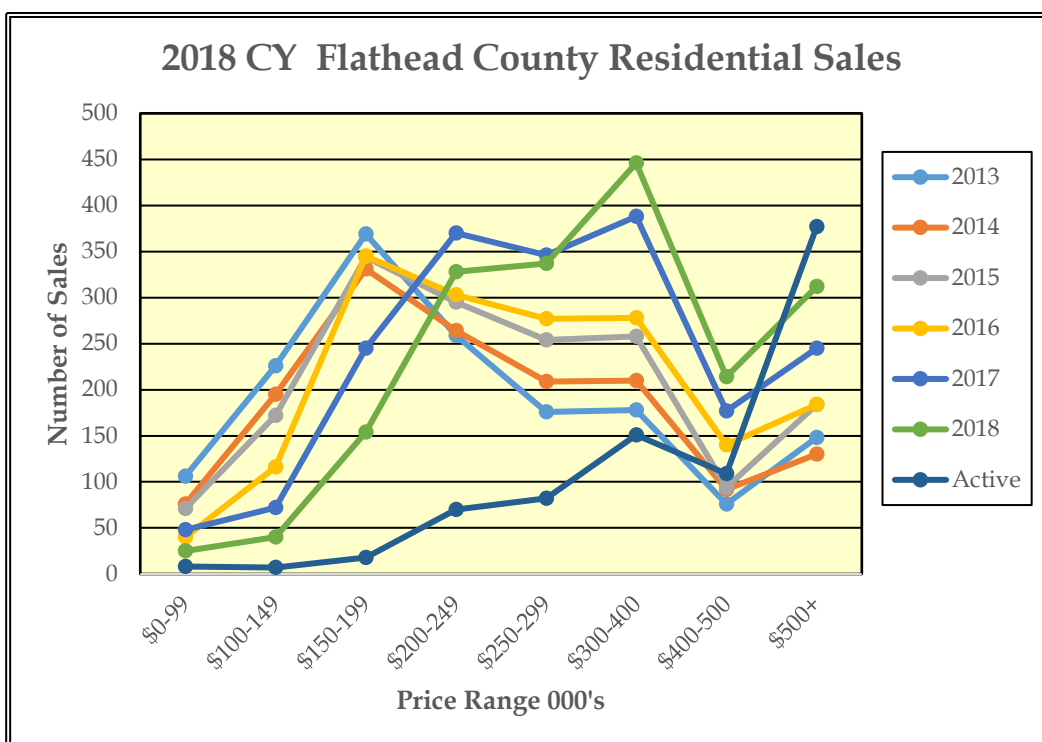
Certain areas of the Flathead County real estate market have flattened after four years of increases during the period 2011 to 2014 while others have increased significantly. The first illustration below is a compilation of MLS reported Flathead County residential sales showing trends in the "Number of Sales," "Average Sale Price" and "Median Sale Price." The following table summarizes total historical residential sales volume.



NMAR/MLS reports bank-owned sales are becoming an increasingly smaller segment of the Flathead Valley residential market with 16 reported REO sales during 2018. A year-to-year comparison of sales figures is summarized below.

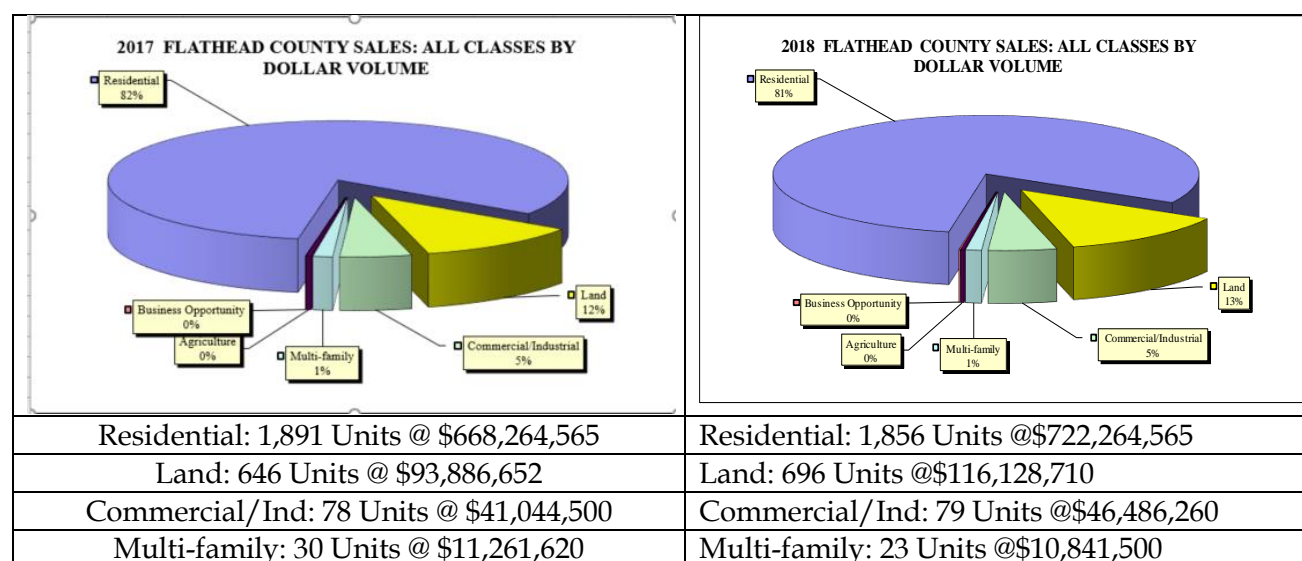
FLATHEAD COUNTY RESIDENTIAL SALES COMPARISON: 2017-2018					
	# of Sales	Total \$	Average \$	Avg DOM	REO
Start Date 1-Jan-17					
	1,818	\$566,212,354	\$311,448	130	36
End Date 31-Dec-17					
Start Date 1-Jan-18					
	1,856	\$722,685,670	\$369,720	120	16
End Date 31-Dec-18					
Percentage Change	2.09%	27.64%	18.71%	-7.69%	-55.56%

Days on Market (DOM) is not a weighted trend indicator because listings may be renewed, and further investigation is needed to report "actual" listing times. The next data set illustrates residential sales and active listings by price category. The number of REO properties reported sold dropped by 55% from 2017 to 2018.



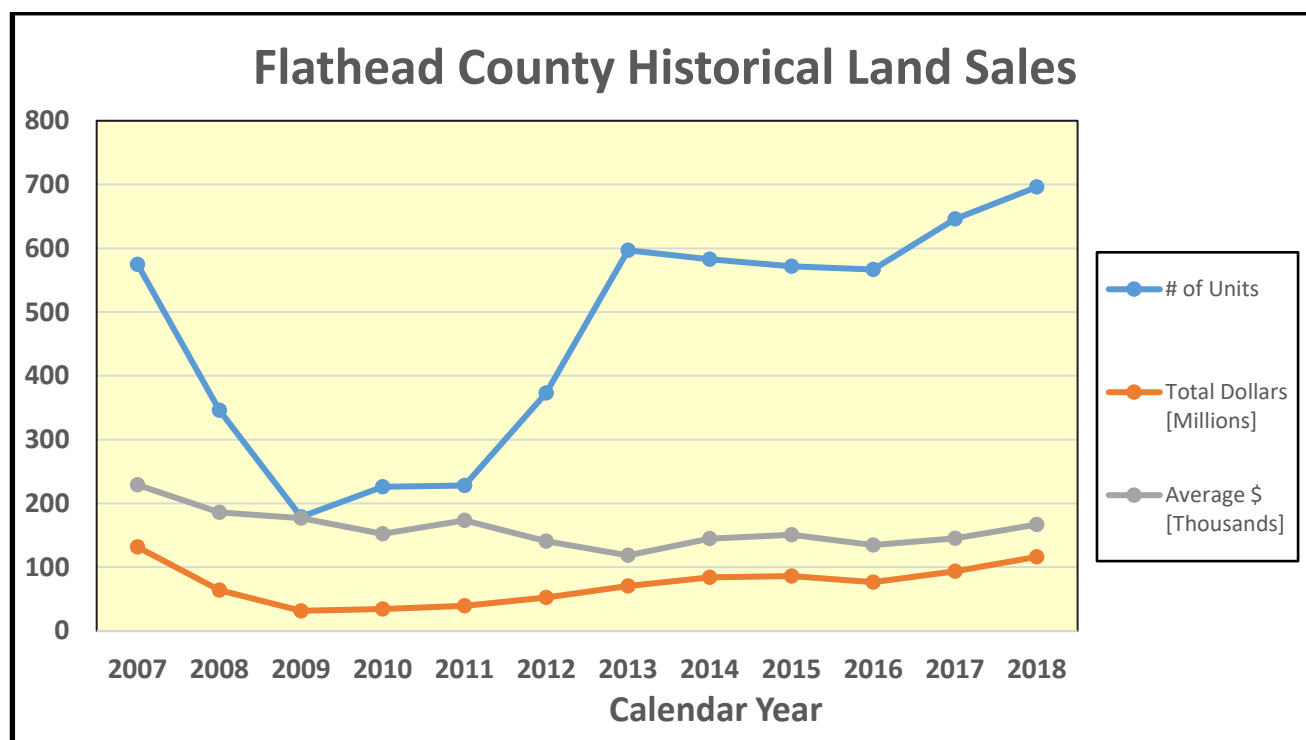
The table above confirms the high demand for residential units priced below \$300,000. This market dynamic has been present for many years and shows no sign of changing. The number of 2018 sales in the \$250,000 to \$400,000 remains strong. The limited number of sales below \$150,000 reflects a limited number of listings in that price range. Generally speaking, properties below \$150,000 sell very quickly.

The next data set illustrates the changes in the overall real estate market by, dissecting the total sales by categories of land use, i.e. Residential, Land, Commercial, Multi-family, etc. These pie charts show the overall market demand by property type.



The value of the sales increased significantly from 2017 to 2018 across all property types but multi-family. This should not be inferred that there is a weakness in multi-family housing. Quite to the contrary, a significant number of new multi-family properties have been constructed in many areas of the Flathead Valley. Overall, buyers are still finding the Flathead Valley a desirable location to invest. With respect to commercial sales, rental rates have not caught up to the values with respect to single-tenant properties. In the vast majority of cases, single tenant properties are purchased by owner-users. Changes in the banking and finance industries can still have a dramatic effect on sales. Recent increases in lending rates might encourage more investors to purchase real estate at what are still very low interest rates.

Vacant land is another important segment of the local market that has had significant changes over the last few years. I am including a Flathead County summary of sales for illustration. The following table illustrates this market segment showing some signs of stabilization, but the amount of inventory will likely inhibit much growth. Data is via NMAR/MLS.



Flathead County Land Sales												
Year	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
# of Units	575	346	179	226	228	373	597	583	572	567	646	696
Total Dollars [Millions]	\$131.7	\$64.3	\$31.7	\$34.4	\$39.5	\$52.4	\$70.8	\$84.38	\$86.28	\$76.54	\$93.87	\$116.1
Average \$ [Thousands]	\$229	\$186	\$177	\$152	\$173	\$141	\$119	\$145	\$151	\$135	\$145	\$167

The relationship between the amount of inventory available for sale and the number of current buyers for any category above is a serious concern. The current amount of inventory for sale for certain property types is lengthy.

Finally, I utilized NMAR/MLS data from the entire Flathead County to present an illustration of the supply and demand relationship noting the general over-supply of existing inventory for sale. The following table shows the years of supply for all categories of real estate listed. Data is not verified for multiple listings, etc.

Flathead County Area Supply and Demand via MLS Sales/Listings			
Property Category	# Sales CY 2018	Listings 1/1/2019/1/2018	Years of Supply
Residential	1,856	823	0.44
Land	696	1,017	1.46
Commercial	79	93	1.18
Multi-Family	23	26	1.13

The commercial market in the Flathead Valley is improving. The sales which were listed on the local MLS are summarized below.

COMMERCIAL SALES SUMMARY							
Price Segment	2012	2013	2014	2015	2016	2017	2018
<100K	11	7	6	9	12	8	2
100-199K	10	14	17	18	12	10	13
200-299K	11	11	7	11	7	16	15
300-399K	2	11	10	9	12	15	9
400-499K	8	6	8	3	7	7	9
500-599K	4	3	2	8	2	5	4
600-699K	1	2	2	3	2	3	2
700-799K	1	1	2	1	1	1	4
800-899K	0	1	1	4	2	2	4
900-999K	1	2	0	3	0	3	4
>1,000K	3	2	8	5	6	8	13
Total number of Sales	52	60	63	74	63	78	79
Average Days on Market	343	264	328	311	341	278	278
Average Price/transaction	\$403,818	\$341,507	\$481,767	\$425,583	\$433,501	\$526,211	\$588,434

The table does represent the best data available for sales which were listed on the MLS. Since 2014 there have been some significant properties which have transferred via private transactions in the area. Notably, they include the Lundgren Family property in West Glacier which sold to Glacier Park Inc. for \$17M which included \$1M of personal property. Also, the sale of the site of the new Murdoch's Ranch Supply on the NWC of US Hwy 2 and MT Hwy 40. In addition, the Hutterian Brethren purchased approximately 500 acres of agricultural land between Kalispell and Creston for an unconfirmed \$10,000/acre.

In late 2016, the new Cedar Creek Lodge in Columbia Falls sold to Xanterra Corp. (the Glacier National Park concessionaire) for an undisclosed amount. This sale sought to expand their base of operations in the area in conjunction with their lengthy concession with the National Park Service.

Financing

Financing conditions are considered restrictive primarily due to decisions by the Federal Reserve Board and Treasury to keep interest rates low to thwart further downturns in the broader financial markets from the ongoing economic recession. The most significant change is that lenders are considerably more restrictive in their practices, which tends to reduce the number of eligible borrowers. The current rate for a 30-year fixed rate mortgage is 4.51% as of January 3, 2019, as reported in the Freddie Mac Mortgage Interest Survey.

The information in the preceding pages leads to the conclusion that the value of real estate in Flathead County shows upward trends for most segments of the local market. The inventory in the many active segments appears to be diminishing and this will likely bring about increasing prices. Secondly, the new banking and finance regulations are un-tested, but over the last few years, such regulations have impacted overall market conditions.

Montana is a “non-disclosure” state wherein the price of real estate transactions is not available through public records. It is becoming more common over the last few years for real property sales to not be listed or reported via MLS. These “private” sales hamper the appraisal industry and the ability of the appraiser to provide meaningful sales data. Recent proposed legislation within Montana to provide public disclosure of Realty Transfer Certificates failed, which would have clearly impacted the appraiser’s ability to find and confirm private sales within the local market. As a member REALTOR® and MLS member, every effort is made to verify transactions via public records and contact with those knowledgeable of the sales. Private sales are verified whenever possible.

Kalispell

In the northern area of Kalispell there are two major commercial developments. Within the Hutton Ranch commercial development, the large anchor businesses include a Walmart SuperCenter and the Sportsman & Ski Haus. Homewood Suites by Hilton and Cinemark Stadium Theatre are located close by. Fronting the east side of US 93, the former Sizzler Steak House site is now a Buffalo Wild Wings restaurant. The Hutton Ranch Development also has multiple strip buildings housing a multitude of smaller businesses.

The Spring Prairie Center Plaza developed a large retail area at the junction of US 93 and the north end of the bypass that includes: Cabela’s, Ulta, MacKenzie River Pizza restaurant, PetSmart, Boot Barn, Verizon Smart Store, and Michaels Hobby and Craft. Recent additions to the center are Discount Tire, Dress Barn, and Chick-Fil-A. This development also has a strip building housing retail space for Sports Clips, Brass Tap Brewery and Kobe Steakhouse.

Spring Prairie Development Phase IV growth continues on the 28-acre site south of Costco and North of the Kid Sports Complex. The first tenant was Marriott Spring Hill Inn and Suites (101 rooms) in May 2016. Next to follow was Krispy Kreme Donuts in their new building with US 93 frontage. Hobby Lobby built a 55,000 SF store for \$2.4 million, opened February 2017. At the corner of Old Reserve DR and US 93, two new businesses opened in a shared building, Costa Vida Fresh

Mexican Grill, and Mattress Firm. Construction of Home Goods, the retail home furnishings chain store built a 19,278 SF building just north of Hobby Lobby. Additional projects in this development include:

- Harbor Freight Tools, opened a chain discount tool store.
- REI, outdoor recreation retailer occupies a mini-anchor building of 20,000 SF between Hobby Lobby and Home Goods retailers.
- Panera Bread, bakery-café restaurant chain constructed a 5,100 SF facility near the southern entrance of the center near the new traffic light on US 93 across from FVCC.
- A new 7,200 SF building next to Panera Bread houses three new businesses: Mod Pizza, Kay Jewelers, and T-Mobile.

There are a select number of lots available before this 28-acre project is completely build out.

The Treeline Center to the west has proposed to build a hotel, Grease Monkey oil change location, office space and restaurant on the north end of Kalispell. The 6.8-acre tract of land, which is located just across the U.S. 93 bypass from Glacier High School, off Treeline Road, is state trust land managed by the Montana Department of Natural Resources and Conservation. It is currently undeveloped grassland. The developer, Bridgewater, announced there were still three of the six commercial lots available for potential businesses, but that the others had been filled. The commercial buildings could range in size from 1,500 to 6,000 square feet.

Not far from Spring Prairie Center there is a new subdivision known as Bloomstone, just west of Kid Sports Complex. This 79-acre subdivision was sidelined for approximately eight years. The owners of this development completed the first phase of the construction in April 2018 of the Cottage Home Series. Phase II construction of 36 townhomes and ten single family homes has begun. When completed, Bloomstone will have 185 homes, 208 condominiums and 372 apartments. The project stresses affordability and convenience to major services.

There is continued residential growth in existing subdivisions such as Silverbrook, a 325-acre Kalispell subdivision along U.S. 93 near the Church Drive intersection. Owners, Westcraft Homes have created 3 distinct community areas within the Silverbrook Estates Community: Riverside South, Creekside South, and The Cottages. Along with 284 home lots, a 4.48 acre neighborhood commercial area in the northeast corner of the development is planned. Silverbrook has 4.5 miles of trails, parks, clubhouse and tennis basketball courts.

The Kalispell Center Mall is located on US Hwy 93 and north Main ST. The current anchor retailers are JC Penney and Red Lion Hotels. Also, on the mall site are a casino and free-standing US bank and Starbucks buildings. Herberger's and the mall development completed the addition of 40,000 SF to the existing department store, effectively doubling the store's size (September 2017). Unfortunately, the Herberger's department store closed after its parent company was sold auction for liquidation April 2018. The store closed on August 29, 2018. There is no news at this time for a replacement tenant.

There are future plans to expand into several acres just north of the mall across the train tracks that run through downtown. This is part of the Kalispell Core Area Revitalization Plan's vision; once the railroad tracks are pulled up. The plans include a skate park, green space and more. The trail will

replace the railroad tracks through downtown and connect Meridian Street with Woodland Park. Retailers have shown interest; plans drawn up for what it could look like include storefronts along and access from the future walking path. Vehicular access will likely connect both mall's properties allowing for better traffic flow, including pedestrian access.

The Kalispell North Town Center, a 485.5-acre subdivision once known as Glacier Town Center and the largest single commercial project in the history of Flathead County, broke ground in early 2017. The entire subdivision is bounded by West Reserve Drive to the south, U.S. Highway 93 to the west and Whitefish Stage Road to the east. The subdivision is the first of nine potential phases of development within the Kalispell North Town Center. The initial phase includes 11 commercial lots and one multifamily residential lot north of Kalispell. Of the first phase's 81 acres, 56.9 would encompass commercial and residential development and 24.5 would be city right-of-way and open space, according to the plat application. A 100-foot-wide landscaped buffer was built along U.S. 93 North and a 2.1-acre buffer was constructed between the subdivision and adjacent to the National Guard Armory. As part of the development, the plans include building out Rose Crossing from Whitefish Stage west to U.S. 93 and includes a stop light at US Hwy 93 and Rose Crossing. The project owners plan to deed it to the city, making it a public street. Other road construction is planned throughout the subdivision, including building a street north from West Reserve and connecting to the newly extended Rose Crossing. Future phases of the town center will include more commercial and residential development, a hotel, office space. A 12-acre set aside is in the plans for a new Kalispell elementary school.

Two dealerships are growing. Whitefish Ford and Kalispell Ford of Evergreen have united and relocated to a brand new 54,000-square-foot facility in one of the 12 lots within the North Town Center. The new \$8.4 million facility located at 2000 Rose Crossing, opened November 2017. The Ford dealership is the first completed project in the development. Green Nissan and Green Hyundai built a new dealership on US 93 South across from Town Pump near Four Corners. The Don K car dealership in Whitefish embarked on another round of expansion with the addition of a \$650,000 accessory and detail building that is an extension of the business' Subaru operation.

Across US Hwy 93 and Kalispell North Town Center, there is a new planned subdivision, Stillwater Bend, on 56 acres. This subdivision will be a mix of commercial and residential uses.

Construction continues on a three-story, 55-unit apartment complex on Airport Road that has been annexed into city limits on the south end of Kalispell. The Lofts at Ashley is five, three-story buildings with parking and landscaping on a 3.79-acre section of open land at the corner of Airport Road and Teal Drive. Tentative opening is anticipated for Spring 2019.

South of Merganser Drive, Southside Estates broke ground last year on its first phase. Phase one includes 42 housing units, Phase two has 56 units and extends the subdivision to Airport Road.

Crossings at Spring Creek, a large apartment complex near the U.S. 93 Alternative Route off Two Mile Drive was approved Spring 2018. The 15-acre development will eventually include fifteen three-story buildings and 324 apartment units with garages built in six phases.

The Kalispell City airport was opened on the edge of town on July 3, 1929 but has since been surrounded by development on Kalispell's south side. The Kalispell City Council approved a plan

December 2017, to lease the municipal airport to a user's association. The lease agreement between the city and Kalispell Airport Association is for 20 years and includes the option to extend it to 40 years if the users association commits to making a number of improvements to the facility that are outlined in the city airport master plan. Potential improvements include repaving the taxiway and runway and upgrading hangars. The airport was at a crossroads after a 2013 vote by Kalispell city residents for advocating ceasing operations at its current location.

Glacier Park International Airport set a new passenger record for July and August 2018, setting a new passenger record. GPIA is showing growth in the total number of passengers. GPIA received a \$302,000 grant from the FAA to pay for a new master plan that will help guide the facility's future. The ten-year master plan considers expected passenger and aircraft activity, land use around the airport, and facilities that need expansion or improvement. In August 2018, the FAA awarded two grants to GPIA. The bulk of the award is \$1.5 million to rehabilitate the runway and apron with work to be complete by October 2018. A roughly \$500 thousand grant will reimburse GPIA for costs spent on changes to the terminal facility masterplan. Potential improvements to the master plan include adding more space to the ticketing lobby, and add more waiting areas at plane gates beyond security. Also, add two more gates upstairs and add more space at baggage claim.

South of the airport, Greg Bain & Company built a 100-room, two story hotel that opened June 2018 as a Country Inns & Suites by Radisson, Glacier Lodge. The 62,000 SF hotel located at 4150 US Hwy 2 East, Kalispell, includes an indoor pool with water slide, a spa, fitness room, and also a large conference room. The 9-acre parcel includes the hotel and two adjacent building pads the developer has reported could suit a restaurant and a convenience store.

Construction of the new Glacier Rail Park east of Kalispell is nearing completion. LHC, Inc. was selected to construct the \$11.2 million, 43-acre Glacier Rail Park. The rail-served industrial park will feature space for numerous businesses as well as what's called in the railroad industry as a "team track," which is a space multiple businesses can use to load and unload freight cars along Whitefish Stage Road. The 43-acre site industrial development was the primary focus of the Montana West Economic Development Group and the City of Kalispell. A major financing hurdle was overcome with the issuance of a Federal Tiger grant totaling ten million dollars. The project encompasses moving industrial buildings and companies from the west side of Kalispell to the park; remove 10,000 feet of existing railroad tracks; the tracks replaced with a pedestrian/trail park; and more future commercial expansion on 40 acres of land. The last two companies that rely on rail lines, CHS Kalispell and Northwest Drywall, relocated to the new development. CHS will lease 10.9 acres for a grain elevator, fertilizer facility and a new fueling station. The railroad tracks are scheduled to be removed as early as 2019. Road and utility improvements are complete. A new traffic signal and turning lanes have been installed at US Hwy 2E, Woodland Park DR and Flathead DR. All surrounding roads were built for heavy truck traffic.

The US 93 bypass opened for its full length on October 28, 2016. It is 7.6 miles running along the western outskirts of Kalispell from the southern gateway to the northern tip. The last phase of the project included building four miles of new road and pathway, five bridges and a sound wall near Empire Estates subdivision. According to MDT the bypass is the largest single transportation project in Montana history, valued at a total of roughly \$140 million. While the entire project was originally planned to feature four lanes and overpasses, the south half of the bypass was built with only two lanes to get the project off the ground in 2007. State transportation officials received

Federal grant funds in December of 2018 to expand the south portion to four lanes and add overpasses at Foy's Lake Road and Airport Road for an estimated cost of roughly \$20 million.

A new \$15 million Kalispell elementary school has been built south of Kalispell near Airport Road and US Highway 93 S. Rankin Elementary School is the District's sixth elementary school and opens for the fall 2018 semester.

Immanuel Lutheran Communities has been progressing on their 2015-2020 master plan. Currently, Phase II construction proceeds on the estimated \$45 million expansion to the campus. The Lodge at Buffalo Hill, 24 Private Assisted Living Memory Support residences, are now open. The Villas, 36 senior residential living apartment homes, are now complete. These apartments include contract options to ensure priority access to assisted living, rehabilitation, memory care and skilled nursing. The floor plans, ranging from 900 to 1,600 square feet, include customizable finishes, fireplace, and washer/dryer in every residence. Also included will be under-building parking with additional storage. Additional facilities planned include pool, fitness center, salon and spa, coffee bar and lounge, auditorium, and a chapel to seat 140 people.

A new RV park is planned in South Kalispell off the bypass. The City Council just approved, in September for a 50-acre park with 330 spaces. The developer is Montana Basecamp. RV Park. The first phase is scheduled to be complete Spring 2019 with a planned opening of 60 spaces on May 2019.

Whitefish

The City Council built a new Whitefish City Hall and parking garage on its existing corner site. After some much-publicized overruns, the \$14.95 million construction project was completed in May 2017. The project included 3,000 SF retail space, along with 137 leased and 77 free 3-hour parking spaces.

Recent hotels constructed in the Whitefish area include:

- Hampton Inn & Suites, located at 6340 US Hwy 93 South, opened April 2016 with 20,000 SF, 76 rooms, on 5.6 acres and cost \$8 million.
- Firebrand Hotel, located SEC US 93 and Spokane Ave downtown, opened July 2016 with 57,000 SF, 86 rooms, on 5,000 SF foot print, and a \$11 million budget.
- Marriott Hotel TownPlace Suites chain opened July 2018 with 17,500 SF, 81 rooms, on 2.66 acres at 6361 Highway 93 South.

November 2017, the Whitefish City Council adopted a blueprint to address affordable housing crisis, in which the city hopes to add hundreds of workforce housing units by 2020. The assessment identified the need for 980 total units to accommodate employee households through 2020. There is continued interest in developing multi-family housing.

Developer Mark Panissidi purchased 13 acres with 53 lots on JP Road and River Lakes Parkway by North Valley Hospital that previously were under development by an earlier owner, but the project was never completed. Only the first phase was constructed, 29 condos and roads. Now Panissidi is constructing Alta Views, a 166-lot subdivision with 137 new town homes. Ten of the town homes will be set aside as affordable housing.

BNSF Railway, the second largest railroad in the U.S., operates approximately 32,500 route miles of track in 28 states and also operates in three Canadian provinces. BNSF capital budget for Montana 2018 of \$135M includes upgrading the ventilation system at Flathead Tunnel, the second longest railroad portal within the U.S. About fifty trains per day use the seven-mile long tunnel located 28 miles west of Whitefish. The railroad has its PTC (positive train control) system 100 percent installed, across more than 11,500 route-miles and more than 5,000 locomotives and has made over 1 million revenue trips using PTC. Some 80 percent of the railroad's freight volume now moves on PTC-equipped routes. BNSF owns about 1,900 miles of track in Montana. Expenditures include signal improvements between Whitefish and Sandpoint, ID and track upgrades across the state by replacing 60 miles of rail and about 200,000 ties.

Columbia Falls

The Weyerhaeuser log processing facility continues to be one of the largest employers in the region. Currently, Weyerhaeuser's two mills in Evergreen and the MDF plant in Columbia Falls are operating with two shifts and three shifts, respectively. The wood products industry is uniformly fearful of the Softwood Lumber Agreement which restricts the amount of softwood lumber imports to the United States. The U.S. Lumber Coalition filed a petition in 2016 with the Commerce Department to open a case against Canada's softwood lumber industry. On December 7, 2017, the U.S. International Trade Commission (ITC) voted 4-0 unanimously in favor of the U.S. lumber industry. The ITC holds the position that the Canadian government's subsidies to its softwood lumber producers have harmed U.S. producers. They conclude that Canada subsidizes and dumps lumber exports into the United States. The Commerce Department issued a final determination to issue hefty tariffs on exports from Canada. The tariff will average 20.83 percent on Canadian lumber imports, which are used mostly for home building in the United States. In 2016, imports of softwood lumber from Canada were valued at an estimated \$5.66 billion. More than 95 percent of all imported lumber came from Canada last year. The Canadian government initiated their appeals January 2018. The National Association of Home Builders (NAHB) said the tariffs will increase the price of an average single-family home built in 2018 by \$1,360.

Weyerhaeuser listed two facilities in Columbia Falls for sale in June 2017. They are the former Cedar Palace administrative building and the former sawmill. The 35,000 SF administrative building on 12th AVE was listed for \$2.6 million and includes 24 acres of open land and an adjacent 1,736 SF data center building. The sawmill listing includes two sites totaling 37 acres and 294,000 SF of improvements. The price is not listed, and the property will be sold through the bid process. September 2016, Ruis Holdings and Stargazer Land and Cattle purchased the 40-acre Weyerhaeuser property. The partners created Columbia Rising, LLC to invest in industrial redevelopment opportunities in the Flathead Valley. The LLC has signed a lease for Smart Lam Technologies to occupy a section of the 40-acres. The remainder of the property will be developed into a rail-served industrial park. The Cedar Palace property is still for sale.

The CFAC (Columbia Falls Aluminum Company) 960-acre smelter site at Columbia Falls closed in 2009, after 54 years of operation. At one time CFAC employed more than 1,500 people and produced about one million pounds of aluminum per day. The EPA and CFAC agreed December 2015, to investigate ground water/soil contamination and determine possible cleanup options along the Flathead River, north of Columbia Falls. Demolition and reclamation of the plant above-ground began May 2015. The U.S. Environmental Protection Agency announced in September 2016, to add

CFAC to the federal Superfund Program's National Priorities List. The purpose to add CFAC is meant to ensure that the property's owner, Glencore, will be held financially accountable for cleaning up any hazardous materials and addressing other environmental impacts. Not all the structures will be demolished. A future industrial business could make use of the fabrication building, warehouses and main office facility after it is cleared by the EPA, most likely no earlier than 2021.

In 2012 SmartLam was founded in Columbia Falls and became the nation's first manufacturer of CLT (cross-laminated timber). The company's growth has spiraled to manufacturing more than 800,000 bf/month with products shipped nationally and internationally to Canada. The company was seeking a larger facility of 120,000 SF in the Flathead Valley. Thus, the lease with Columbia rising, LLC. SmartLam will expand from their existing 40,000 SF facility to the 140,000 SF lumber mill site. Approximately \$15 million state-of-the-art equipment will be installed. The full relocation/build will be complete by year-end 2019. SmartLam plans to quadruple production to more than 80,000 cubic meters annually and develop additional types of products.

Nomad Global Communications, founded in 2002, which constructs mobile command centers recently expanded to 60,000 square feet for their manufacturing facility on US Highway 2, three miles north of Glacier International Airport. As reported November 2015, Nomad is focused on their \$14 million contract awarded by the U.S. Navy to build as many as 75 custom-made trailers in support of the National Guard Bureau Consequence Management Communications Unified Command Suite program.

Downtown - There have been several investor purchases of commercial properties on Nucleus Avenue which area realtors hope will be the start of a rejuvenation of this area of Columbia Falls. Mick Ruis, a prominent local developer and philanthropist, purchased the empty DaVall Building a year ago, and replaced it with a 22,000 SF \$3 million valued three-story retail and condominium complex, Glacier Courtyards. He plans to lease out the first floor to a retail business. The second and third floors will feature 18 units. Compass Construction developed an eight-unit condominium building (Columbia Crest) on Nucleus Avenue. In addition, the Bandit Bar and Saloon was updated to a sports bar and separate steak house and renamed Gunsight Bar and Grill.

Cedar Creek Lodge and Convention Center, a 64-room hotel on a site located near Pinewood Park was completed June 21, 2016. The facility includes a 3,000 SF conference center. This is the first large scale hotel constructed in Columbia Falls city limits and had a budget of \$8,000,000. Xanterra announced late 2016 that it had purchased the Cedar Creek Lodge and intends to offer shoulder-season activities for guests, including scuba diving lessons and an extension of the Columbia Falls farmers market. It is noted that Mr. Ruis was the original owner/developer of the property.

Whitefish Credit Union completed construction August 2018 with a new branch office on the site of a former service station, located at 405 N 9th Street. This 5,000 SF branch replaces the older branch located on Nucleus Avenue.

Canada/Oil Influence

For a considerable time, the real estate and retail market in the Flathead Valley has benefitted from Albertans coming into the area to shop, recreate, and to purchase vacation homes.

The slide in oil prices which occurred in late 2014 and lasted through 2016 appears to be happening again. The economy in Alberta, Canada is particularly susceptible to these wild swings in oil values. Alberta unemployment was as high as 9% in 2016. As of December 2018, Alberta unemployment was 6.4%. The value of the Canadian dollar as of January 2019 is \$0.75. January 2019 found Canadian Select oil averaged less than \$15 (US) per barrel, which is a 75% decrease over one year ago.

Taxes

Flathead County has a tax rate that equates to an average tax bill of 0.77% of the fair market value of the property. The average residential tax bill is \$1,777. This is the 585th highest tax rate among the 3143 counties in the United States. The average property tax bill equates to 3.34% of the median income of residents in Flathead County. This is 440th highest in the United States. *Source: tax-rates.org.*

Transportation

Flathead County includes Interstate 93 which is a primary north-south arterial in Montana. Additional highways include US Highway 2 (the Highline Trail discussed earlier in the report). There are other less used highways/arterials that link the various towns in the County.

There are two primary airports in Flathead County. The Kalispell City Airport serves general aviation aircraft which have a maximum take and landing weight of less than 12,500 lbs. This airport is in close proximity to the City.

The main airport is Glacier Park International Airport. Airline service is provided by Alaska Airlines, Delta Air Lines, United Airlines, and Allegiant Air. Cities with year-round service include Denver, Las Vegas, Minneapolis, Salt Lake City and Seattle. Additional cities with seasonal service include Atlanta, Chicago, Los Angeles, Oakland, San Francisco and Portland. American Airlines announced on December 2018 they will offer direct flights Dallas, Los Angeles and Chicago beginning summer 2019.

The Fiscal Year 2018 AMTRAK State of Montana fact sheet has not been released as of January 2019. However total ridership is down 5.6% from FY17 to FY18 for the Empire Builder.

Public transportation consists largely of Eagle Transportation. This service is provided by Flathead County and takes individuals to destinations around the Kalispell area daily. Twice a month it has shuttle service between Kalispell and Whitefish. There are also private shuttles and taxi service in the area. All vehicles are ADA accessible and equipped with lifts.

Probably the most familiar transportation service is the “Red Jammer” buses that operate in and around Glacier National Park. These buses operated by Xanterra Parks & Resorts are driven by experienced tour guides on trips ranging from a few hours to all day excursions that take fares throughout Glacier National Park and the surrounding area.

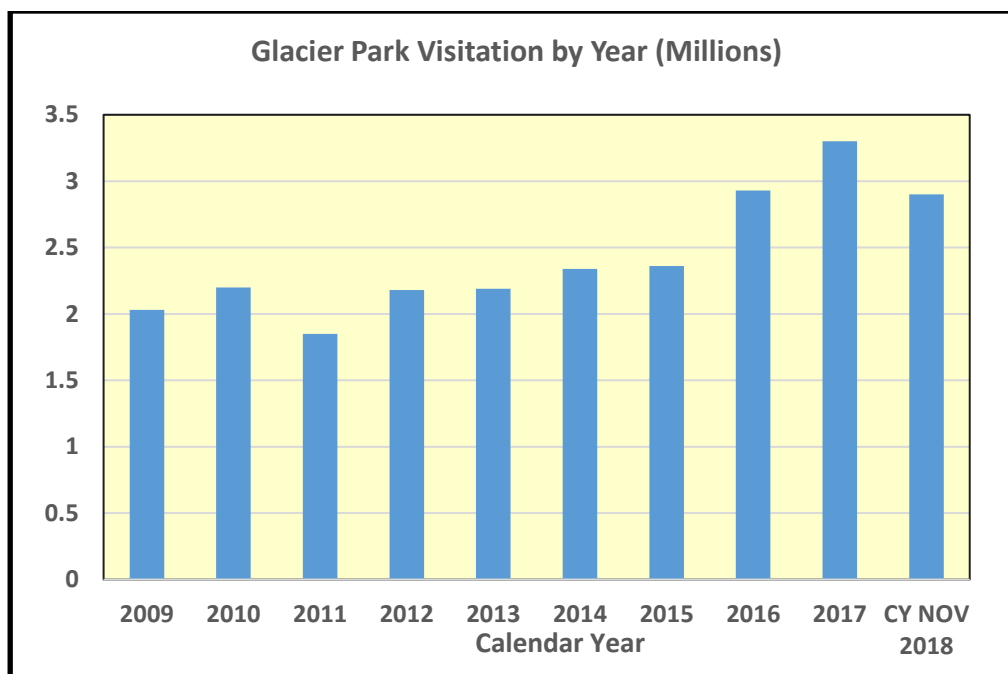
Glacier National Park

One of the primary tourist draws to Flathead County and Northwest Montana is Glacier National Park. It should be noted that not all the park area is contained within Flathead County, some is within adjoining counties. This national park was established in 1910 and contains 1,012,837 acres. The “Going to the Sun Road” (GTTS) connects West Glacier to the east entrance to the park at St.

Mary's Lake. The GTTS road accesses Logan Pass at over 6,600 feet. There is typically so much snow that drifts on this road that many years it is not possible to open the road to the public until mid-July. The Park can get very congested with auto traffic due to so much volume occurring in the eight weeks (or less) that the GTTS road is open during the summer and prior to Labor Day in early September. The Park has 745 miles of trails, thirteen campgrounds, 65 backcountry campgrounds, 131 named lakes and 175 named mountains. There are several lodges within the Park. There are several areas with private inholdings on Lake McDonald that predate formation of the Park, but the vast majority of the area within the Park perimeter is public land. The National Park Service awarded a \$13.56 million contract to rehabilitate the historic Many Glacier Hotel, the grand, 211-room lodge built in 1914. The rehabilitation work to improve critical life-safety elements and restore historic finishes was completed June 2017. Prior to Glacier's 2016 summer season, Xanterra wrapped up a \$3 million renovation of the historic Lake McDonald Lodge. It also fully renovated the guest rooms and public spaces at Rising Sun Motor Inn, while refurbishing and rebranding its dining facility called "Nell's" at Swiftcurrent Motor Inn. Xanterra Parks & Resorts is the park concessioner for GNP. Xanterra hires 750 seasonal employees each year.

The National Park Service reported more than 3.3 million people visited Glacier National Park in Montana in 2017, making it the busiest in the park's 108-year history. That equates to a 10 percent increase in visitation; a one million person increase over 2015 visitor levels. Park officials reported they believed the National Park Service centennial buoyed much of the visitation in 2016, but 2017 proved that Glacier's popularity continues. Park visitation YTD through November 2018 was 2,960,035, a 10.52% decrease over the same period a year ago. This decrease is largely due to impact of forest fires in the Park. August 2018 saw an early closure of the GTTS Road and Lake McDonald Lodge. The Howe Ridge fire torched more than 14,500 acres and resulted in the loss of thirteen residences, fourteen minor structures. Park visitation was negatively affected by forest fires during both 2017 and 2018.

The following table shows the historical number of visitors to Glacier National Park:

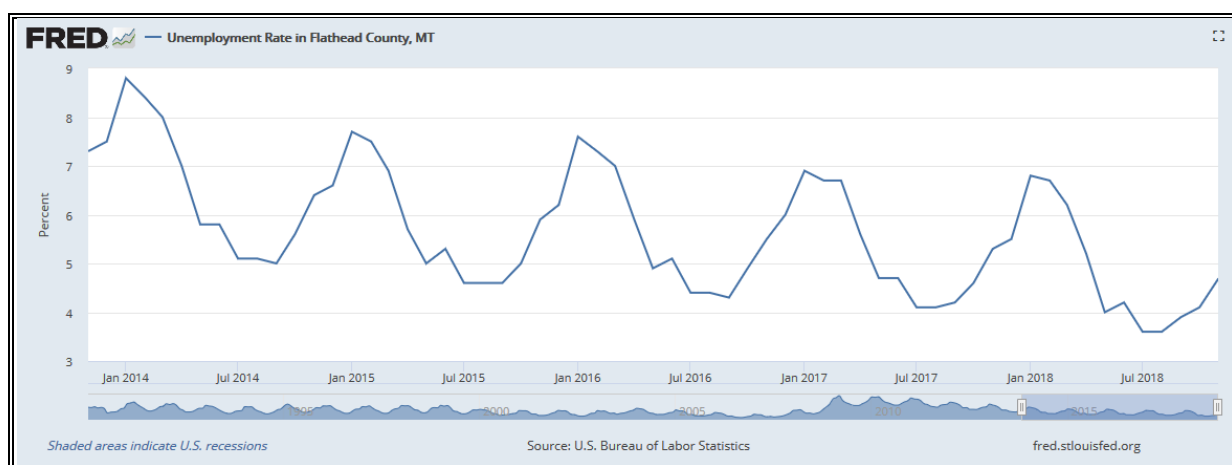


Source: National Park Service

The Park Service uses a multiplier for each vehicle to determine attendance counts. Glacier National Park's multiplier is 2.9 people per car. They don't count individual people. They also adjust the numbers for Park personnel coming in and out of the Park, so they aren't counted as visitors.

Unemployment

The past five years has shown steadily decreasing unemployment. This trend holds true for the winter peak periods and the summer periods of low unemployment. The table is prepared by the Federal Reserve Economic Data (FRED) and covers March 2013 through November 2018.



Flathead County has seen significant swings in employment over the last ten years and even larger seasonal swings. The Montana and U.S. unemployment rates are 4.7 percent and 3.7 percent respectively as of November 2018.

The Flathead County unemployment rate was reported at 4.7% in November 2018. Flathead County's economy is dominated by the tourism industry and in the summer months the county has the lowest unemployment rates. Statistics provided by DLI say Montana's population of those 65 and older is expected to grow by approximately 7,000 people each year, while the typical working age population, people aged 16 to 64, is projected to grow by only 475 people each year. They report the workforce shortage will put the unemployment rate below 2% by year 2026.

Major Employer

The largest employer in the County is Kalispell Regional Healthcare. The hospital recently built a new three-story, 130,000 SF surgical wing, that added office space as well as new patient capacity and a surgery center. KRH employs more than 4,000 people throughout NW Montana serving thirteen counties, covering nearly 40,000 square miles.

In August 2016, Kalispell Regional Healthcare broke ground on a new 190,000 SF facility that will house services for women and children with a \$40 million projected budget. Construction is taking place to the east of The Health Center and Kalispell Regional Medical Center estimated completion is Spring 2019. The Women's and Children's Pavilion will be developed in phases, with phase 1 completing the first floor and phases 2 and 3 completing the second and third floors, respectively.

A new Emergency Services Center is now completed and open. The space, which was previously a surgery area, was modernized and expanded to serve as the ER's trauma and clinical rooms. The ER expansion from 8,000 SF to over 37,000 SF and cost an estimated \$14 million.

The planned 28,000-square-foot Digestive Health Institute broke ground Spring 2017 and is now open. This \$12.9 million facility includes 16 exam rooms and three operating rooms.

Hotel/Tourism

Tourism has taken over as the largest basic industry in Flathead County, as reported by the Bureau of Business and Economic Research at the University of Montana. Reported in April 2018, by the Flathead Beacon, an estimated 12 million tourists spent \$3.36 billion across Montana in 2017, according to the University of Montana's Institute of Tourism & Recreation Research report. The primary summer 12-week tourism period continues to be strong and reliable. The tourism season shoulders are seeing more hotel/motel room occupancy. Competitive pricing within all the hotels/motels will mean occupancy numbers shifting and expect to settle down within 12 to 18 months.

Whitefish collected nearly \$4,000,000 total in resort tax collections FY 2018 (July 1, 2017 to June 30, 2018), according to figures reported by the city. The 3 percent tax is collected at restaurants and bars, retail shops and lodging establishments. The FY 18 tax collections increased 9% over FY 2017.

Private citizens also provide visitor lodging via personal advertising to online vacation rentals by owner (VRBO). Airbnb announced January 2018, bookings increased 91% in Montana with 147,000 guest arrivals. Top Airbnb destinations in Montana are Bozeman, Missoula, Whitefish and West Yellowstone. The fastest growing alternative accommodations are barns (farm-to-bed vacations), houseboats, glamping, and treehouses. Travelers are seeking outdoor adventures with most comforts found in a home. One caveat is that concerns surrounding privacy, legality and safety are still barriers for travelers to try a VRBO.

The Flathead County Commission approved new regulations in 2017 for short-term rentals in zoned areas of the county, affecting homeowners who were operating rentals through websites such as Airbnb and VRBO. The Northwest Montana Association of Realtors proposed a text amendment to the Flathead County Zoning Regulations that ultimately provided the framework for permitting short-term rentals. The approved text amendment allows for stays shorter than 30 days in zones where single-family dwelling units are allowed. The regulations require property owners to obtain an administrative conditional-use permit, as well as a Public Accommodation License from the state. The guidelines within the amendment include rules for maximum occupancy; homeowner associations and covenants; no signage; and having enough parking spaces; and 24-hour contact information. This would include areas that have their own zoning districts, including Little Bitterroot Lake, West Valley, Rogers Lake, Ashley Lake, Labrant/Lindsey Lane, North Fork and Lakeside. Then followed a new set of regulations set by Whitefish City Council. The definition of a short-term rental was amended along with compliance monitoring and to have property owners pay bed tax into State Department of Revenue

Population Statistics and Demographics

The following statistics and other information is valid as of July 2017. It is taken from the US Census Bureau. Flathead County has an estimated 100,000 residents in 2017 which is up by 10% over the April 1, 2010 population of 90,928. The population is 95.3% white. The population is 50.1% female. 18.3% of the population is over 65 and 22.1% are under 18 years of age.

With respect to education 94.5% are high school graduates and 28.9% have a bachelor's degree or higher. The median household income was \$48,407 which is slightly higher to the overall average for Montana at \$48,380. There were 37,622 households in the county. Poverty rate in the valley is reported at 12.3%

Utilities/Municipal Services

Utilities in the region are provided by a variety of sources. Electrical Power is provided by Flathead Electric Co-Op; natural gas is supplied by Northern Energy. Garbage and Recycling is provided by Flathead County. Telephone services are provided by Century Link and Charter Communications. Water and sewer are provided by the municipalities. Areas of the county that are not serviced with county sewer lines use private septic systems. However, some subdivisions and private properties have their own private (community) well water systems.

Each city operates its own emergency response and law enforcement agencies including police and fire protection. The Flathead County Sheriff's Department and the Montana Highway Patrol provide law to the county. While the respective fire departments generally provide first response medical care, transport and en-route care is available from Two Bear Air which is privately funded helicopter search and rescue service operated out of Whitefish.

Education

Flathead County supports twenty-three independent school districts. The nineteen elementary districts have a cumulative enrollment of approximately 10,105 students. The four high school districts - Bigfork, Columbia Falls, Kalispell, Whitefish - enroll approximately 4,388 students.

In October 2018, there were 14,493 students in (19) public elementary and (4) high schools. There are several private schools and a significant number of home schooled students. The public high

schools are located in Bigfork, Columbia Falls, Kalispell and Whitefish. Between 2009-2018 the total number of home schooled students increased 134% at the elementary level and 277% for high school students. The Flathead County total student enrollment for all elementary schools increased 12% and increased 4% for all high schools within the same 10-year time frame.

Kalispell School District:

The Kalispell elementary student population hit a record 3,079 kids October 2018. The Kalispell School District is embarking on its largest undertaking in history by tackling upgrades and construction at each of the 10 schools. It's also building a new school, the first since Edgerton was completed in 1987. The Kalispell school district received voter approval in October 2016, to spend roughly \$54 million on a variety of renovations and expansions: elementary district bond of \$25.28 million and the high school bond of \$28.76 million.

The elementary school component includes new school, plus funding repairs and updates at the existing five elementary schools and middle school. Besides Edgerton, the other four sites are all over 65 years old. The new \$15 million Rankin Elementary School project broke ground June 2017 on a 25-acre piece of empty land on Airport Road. The school opened August 2018 and will be able to accommodate roughly 450 students in kindergarten through fifth grade. The new school is expected to spark other development in the surrounding area, including residential growth.

Kalispell high school students total 2,883 students as of October 2018. The high school bond will go towards renovating sections of Flathead High School that are over 100 years old as well as deferred maintenance, along with an expansion of the Agricultural Education Center and upgrades at Linderman Education Center. The bond will also fund maintenance needs at Glacier High School and rebuild parts of Legends Stadium.

Bigfork School District:

The Bigfork elementary and middle school accounted for 569 students in October 2018, reflecting a 1% decrease over 2017. The high school enrollment was 320 students with 3% increase for 2018.

A Fall, 2015, bond passed to add 30,000-square feet to the Bigfork High School and upgrade existing space. The \$14 million construction project to renovate the high school included a new commons and library space, new community room, renovating the gymnasium, new locker rooms and a band room. The entire project was completed by December 2017.

Whitefish School District:

The district has four school facilities: Muldown Elementary (K-4), Whitefish Middle School (5-8), Whitefish High School (9-12), and an Independent High School which provides a non-traditional setting for grades 10-12. The elementary schools had 1,303 students, 3% increase over 2017. The high schools reported 524 students in 2018, an 8% change from 2017 enrollment.

Muldown Elementary school, built in 1966, is Montana's largest elementary school. In October 2017, Whitefish voters approved \$26.5 million general obligation bond request to construct a new elementary facility and demolish part of the existing site. It will take 30 months to complete construction. A 15 percent contingency plan is built into the budget, as well as costs estimated at higher prices for future construction. The school will be 84,000 square feet, located just south of the current high school, and could house up to 756 students.

Whitefish School Board gave final approval in August 2017, to accepting donor funds for construction of the Center for Sustainability and Entrepreneurship and was completed by Spring 2018. The center is located on three acres of land at Pine Avenue and East Fourth Street, just north of Whitefish High School. The sustainability center evolved from plans for a greenhouse into a two-story, multi-million-dollar outdoor learning center, a K-12 project, and incorporated outdoor learning areas.

Columbia Falls School District:

The Columbia Falls School District covers a large area of northern Flathead County, south of Glacier National Park. There are two elementary schools, one Junior High School and one High School. There were 1,448 elementary students in October 2018, with a 1% decrease over 2017. The high school tally was 661 students, a 6% increase over 2017.

Flathead Valley Community College:

Located in Kalispell, FVCC has registered 2,363 students full-time/part-time, online and high school dual enrollment to campus for Fall 2018 classes, an increase of 100 students over the same period one year ago. The trend is the typical student at FVCC takes fewer courses at a time and works at least one job off-campus. FVCC attracts 90 percent of its students from Flathead and Lincoln counties. The college Running Start program, and its' occupational trades and health care programs are attracting students to FVCC. The community college built a student housing complex on its 200-acre campus at a cost of \$7.8 million. Founders Hall features 124 beds, including 50 double units and 24 singles, along with kitchen units. There is a common areas, outdoor courtyard, and laundry facilities. The new housing complex is located on the northwest corner of the college's property along U.S. 93 in Kalispell. To live in Founders Hall, students must be full-time students taking 12 credits. The dorm sold out and was completely full for its inaugural opening. Rents for students in these units range from \$3,240/semester for a studio to \$2,678/semester for a shared 2-bedroom apartment. School officials have reported the next campus developments could include a student center and fitness center in the coming years.

FVCC announced January 2018 a privately funded philanthropic effort to support the construction of a new 12,000-square-foot Library and Learning Commons and a 50,000-square-foot College Center. The college stated \$5.6 million has been raised in support of the \$18 million project thanks to the Broussard family. Phase I construction will be the Library/Learning Commons to begin this spring with completion by January 2019. Phase I will be an addition to the nursing/health science facility. It will feature leading-edge technologies, collaborative spaces for small group projects, a student lounge area, multi-media services, a Makerspace, and a virtual reality lab. Construction of the College Center will begin in the spring of 2019 with plans to open the facility in the fall of 2020. It will include a performance and lecture hall, a multi-purpose activity center with two full basketball courts, an outdoor amphitheater, and a lobby with a secured art gallery. Glacier Symphony is partnering with FVCC to raise funds for the performance hall, which will serve as the organization's home.

Recreation

There are nine golf courses in the Flathead Valley including a 36-hole course in Whitefish. This does not include nearby golf courses in Eureka, Polson and West/East Glacier. Many of the courses are

public with relatively reasonable fees. The courses are often covered in deep snow from mid-December to mid-February, but generally portions of the remaining months are suitable for a golf outing.

There are two alpine ski areas in Flathead County – Big Mountain near Whitefish and Blacktail Ski Area near Lakeside. Big Mountain has expanded beyond just skiing and now offers an extensive zip line tour, mountain bike riding, hiking, an aerial walkway as well as other summer activities.

Whitewater rafting on the Flathead River is a popular summer activity. There are several tour companies in the area which offer guided raft/fishing trips as well as helicopter tours in the summer. Those who do not wish to alpine ski have multiple choices to go on guided snowmobile tours or snowshoe/cross country ski tours.

Hunting is another popular activity with significant harvests of deer, elk, moose, and bighorn sheep.

Rivers and Lakes

There are several prominent lakes and rivers in the area that are frequently used for fishing and other recreational activities. Primary lakes in the County include: Flathead Lake, Whitefish Lake, Lake McDonald, Smith Lake, Ashley Lake, Hungry Horse Reservoir, and Stillwater Lake.

Rivers in the County include: Whitefish River, Stillwater River, Swan River, and the headwaters of all three forks of the Flathead River.

Conclusion

The Flathead County area is largely over the effects of the 2008 recession with most banks having disposed of much of their REO inventory. The number of foreclosure residential properties on the market is down dramatically from as recent as 2012.

Residential REO Sales/Listings for Flathead County	
Calendar Year	# Properties Sold/Listings
2010	293
2011	346
2012	372
2013	198
2014	122
2015	118
2016	64
2017	36
2018	16
Active Listings	4 (January 1, 2019)

While there is likely a minor shadow market that likely contains some amount of distressed properties, the local banks and credit unions have disposed of the vast majority of their troubled

assets. Across all property types, typical market forces are in effect and are not impacted by lending institutions disposing of their properties at deeply discounted prices.

Canadian investors often seek real estate in Montana to add to their portfolios. Generalizations are difficult to make but it is a certainty that some of those are returning to the area in order to sell their holdings and take advantage of the poor exchange rate (\$1.00 Canadian dollar equals \$0.75 US Dollars) The unfavorable exchange rate and the decline in oil prices are almost exclusively responsible.

In a smaller market like Flathead County, the effects of good or bad economic news is generally inflated or exaggerated. The result is an economy that is perceived to go from optimism to pessimism very quickly. Overall, the perception of market conditions will be muted until several items are resolved: the future of the proposed industrial rail park in Kalispell, the future of the City Airport, the change in ownership of the former Plum Creek, and the future use of the CFAC site which is currently being demolished.

SITE DESCRIPTION AND ANALYSIS

Location

The property has a street address of 140 Lupfer Avenue, Whitefish, MT 59937. The subject may be further identified as Flathead County Assessor's Parcel Number E001265. The property is in Census Tract Number 30-029-0004.02.

Dimensions, Shape, and Area

The subject has a rectangular shape and contains a land area of approximately 0.043 acres +/-.

The reader is referred to the assessor's parcel map and the aerial photograph on the following pages for a visual description of the subject site.

Topography and Drainage

The subject parcel is generally at grade with the adjoining streets and properties. The site is typical of other sites in the area and there are no adverse site conditions noted at the time of inspection.

According to the Federal Emergency Management Agency (FEMA) flood insurance rate map, the property is categorized as being in Flood Zone X, 30029C-1090J, 11/4/2015. Flood Zone X is depicted on the FEMA website as being in an area of minimal flood hazard.

The Flood Disaster Protection Act of 1973 and the National Flood Insurance Reform Act of 1994 have made the purchase of flood insurance mandatory for federally backed mortgages on structures located in special flood hazard areas. Because the subject is not within an area identified as a 100-year flood zone, flood insurance is not required.

Water Front Amenity

None

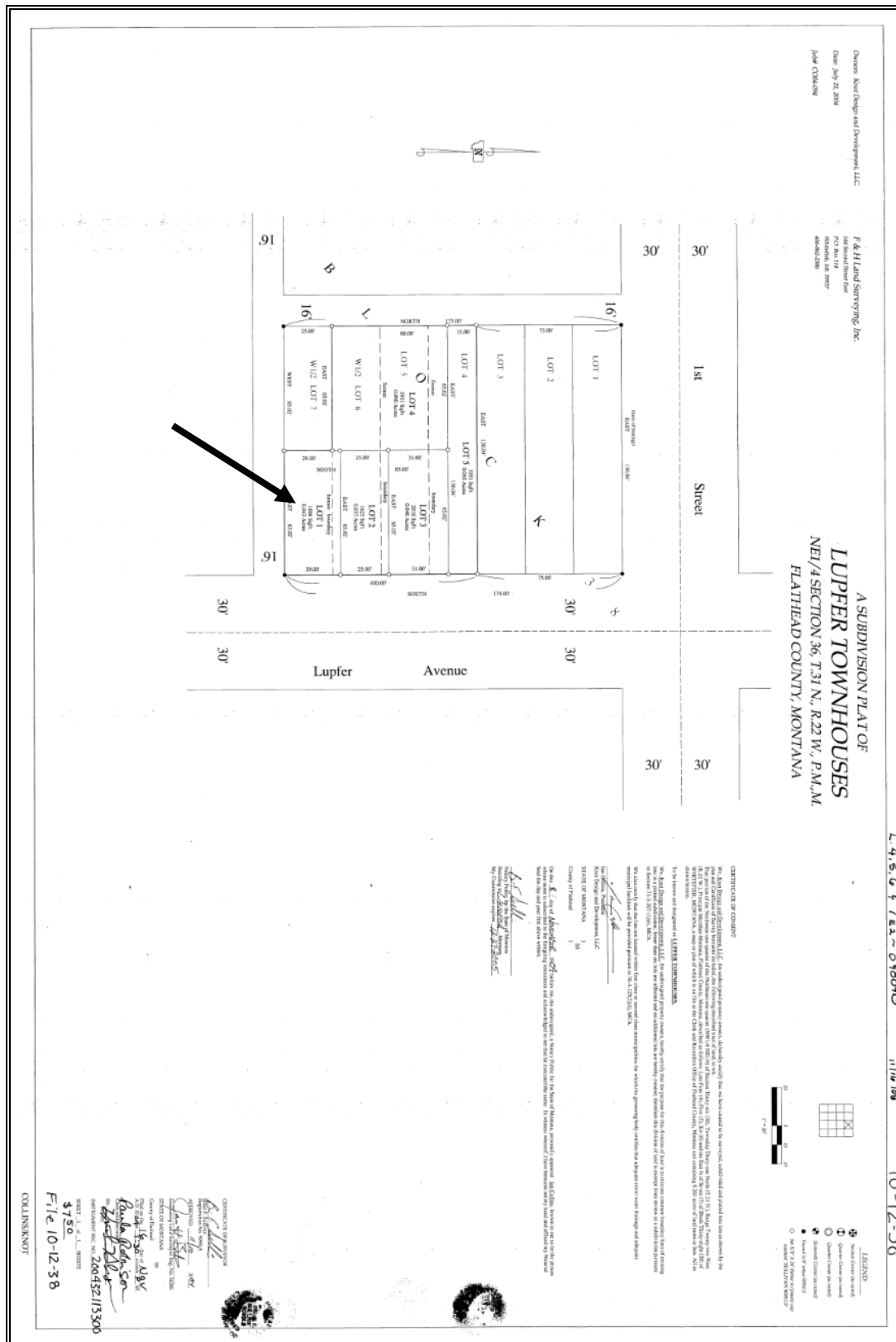
View Amenity

Urban

Soils Condition

Based on a physical inspection of the site, it appears that the soils and subsoils are adequate for the subject improvements. The appraiser was not provided with a soils report and the subject property is assumed to have adequate load bearing capacity. The value opinion is predicated upon the assumption there are no conditions on or in the property that would cause loss in value regarding the geological properties of the site. No responsibility is assumed for any such conditions or for any expertise or engineering knowledge required to discover them.

Subject County Plat Map



AERIAL PHOTOGRAPH***Street Improvements and Accessibility***

The subject is located on 140 Lupfer Avenue which is a two-lane road that extends in a roughly north/south direction. All off-sites are installed to all parcels nearby to the subject. Parking is allowed on the street in the front of the property. There is a paved alley immediately south of the subject.

Utilities

Public utility services are available to the site. They are provided by the following agencies:

UTILITY	AGENCY
Electricity	Flathead Electric Co-Op
Water	City of Whitefish
Sanitation	City of Whitefish
Telephone	CenturyLink
Natural Gas	Northern Energy
Solid Waste Disposal	Flathead County

Nuisances, Hazards, and Surrounding Land Uses

The subject site is located within a neighborhood that has a mix of commercial and residential uses. None of the surrounding properties appear to be suspect relative to toxic or hazardous materials.

The value opinions are predicated upon the assumption there are no such environmental conditions on or in the property that would cause a loss in value. No responsibility is assumed for any such environmental conditions or for any expertise or engineering knowledge required to discover them.

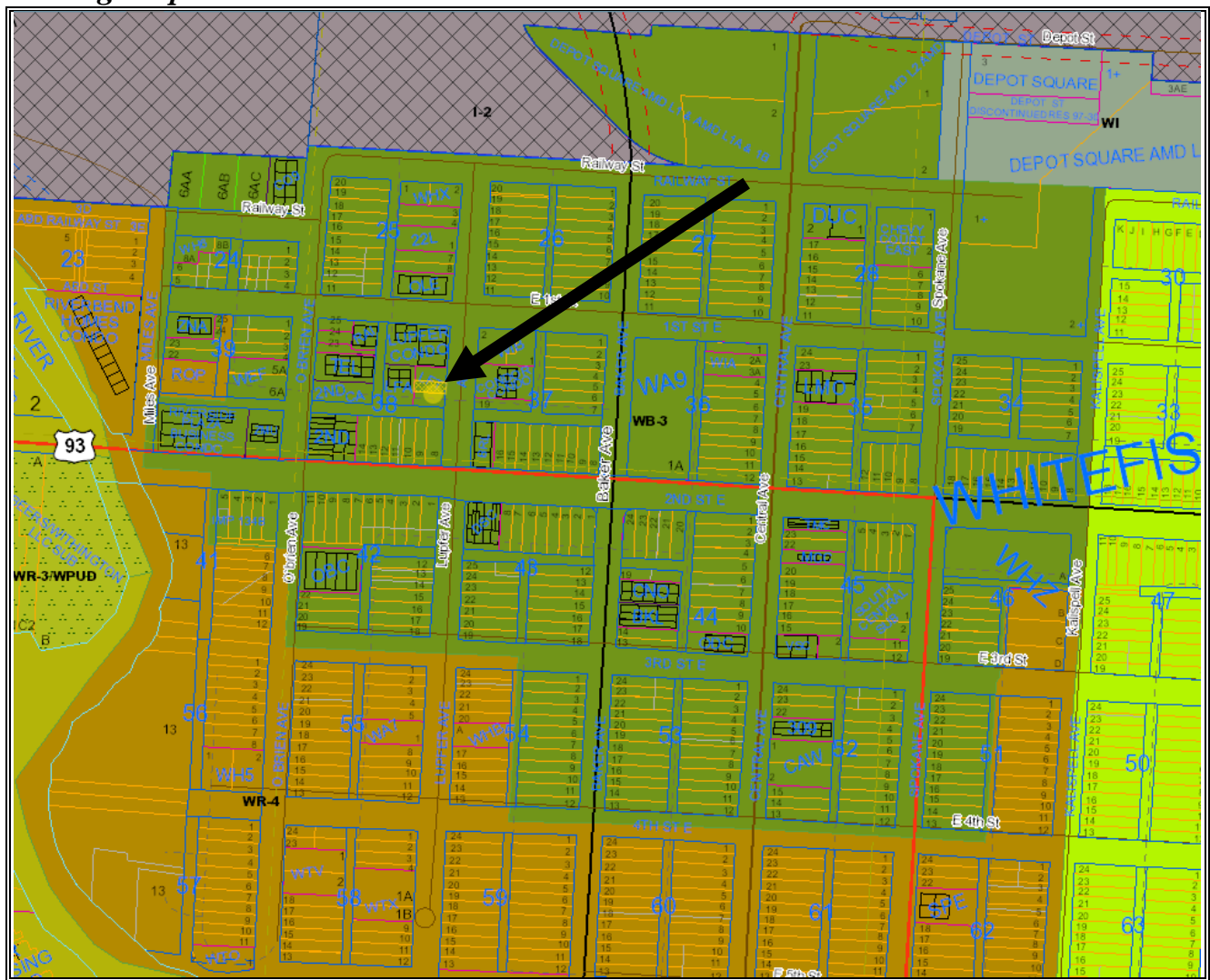
Easements and Encroachments

Typical road and utility easements are assumed to exist. No adverse encroachments were noted.

Zoning

The subject property is zoned WB-3 (General Business) under the jurisdiction of the City of Kalispell Whitefish. A map and details of this zoning designation follows.

Zoning Map



Source: City of Whitefish Zoning Ordinance

Zoning Description

11-2L-1: INTENT AND PURPOSE:

The WB-3 District is a broad commercial district intended to accommodate financial, retail, governmental, professional, institutional and cultural activities. The WB-3 District also encompasses two (2) unique commercial areas which require special considerations: the Old Town Central District (Central Avenue between 4th Street and Depot Street, the west side of Spokane Avenue between 4th Street and 3rd Street, both sides of Spokane Avenue from 3rd Street to Railway Street, the east side of Baker Avenue between 4th Street and 3rd Street, and both sides of Baker Avenue between 3rd Street and Railway Street), and the Old Town Railway District (Railway Street to 3rd Street, and the east side of Miles Avenue to both sides of Lupfer Avenue). This zoning classification is not intended for general application throughout the Whitefish area. (Ord. 18-25, 9-4-2018)

11-2L-2: PERMITTED USES:

- 1) Bed and breakfast establishments (see special provisions in section 11-3-4 of this title).
- 2) Colleges, business and trade schools, with the exception that in the Old Town Central District, such use is limited to floors other than the ground floor.
- 3) Convention centers.
- 4) Daycare (registered home, 5 to 12 individuals), with the exception that in the Old Town Central District, such use is limited to floors other than the ground floor.
- 5) Dry cleaning and cleaning agencies, with the exception of the Old Town Central District.
- 6) Financial institutions and professional offices, with the exception that on Central Avenue between Third and Railway, such uses must be located on floors other than the ground floor or else be ancillary to the retail use, covering no more than thirty percent (30%) of the ground floor area and not visible from Central Avenue nor located within the retail storefront area.
- 7) Governmental, cultural and institutional facilities.
- 8) Home occupations (see special provisions in section 11-3-13 of this title).
- 9) Hotels, motels, and other hospitality and entertainment uses.
- 10) Music and dance studios, with the exception that in the Old Town Central District, such use is limited to floors other than the ground floor unless associated with a performing arts center.
- 11) Newspaper publishing and printing establishments, with the exception that in the Old Town Central District, such use is limited to floors other than the ground floor.
- 12) Public utility buildings and facilities when necessary for serving the surrounding territory, excluding repair or storage facilities. A minimum of five feet (5') of landscaped area shall surround any unmanned building or structure.
- 13) Publicly owned or operated buildings, uses, or recreational facilities, including parks and playgrounds.
- 14) Residential, with the exception that in the Old Town Central District, such use is limited to floors other than the ground floor:
- 15) Boarding houses, fraternity and sorority houses.
- 16) Class A manufactured homes.
- 17) Foster and group homes.
- 18) Guest and domestic worker quarters.
- 19) Guesthouse, when an accessory use to a one-family dwelling.
- 20) Single-family, duplex, triplex and fourplex multi-family dwellings, including residential short-term rentals.

- 21) Restaurants, with the exception of formula restaurants (see definition of "formula retail" in section 11-9-2 of this title).
- 22) Retail sales and service, with the exception of "formula retail" (see definition in section 11-9-2 of this title).
- 23) Shopping malls.
- 24) Upholstery and drapery shops, with the exception of Central Avenue between Third and Railway.
- 25) Vendors (see special provisions in section 11-3-23 of this title).
- 26) Veterinarian office, small animal, with the exception of the Old Town Central District. (Ord. 18-25, 9-4-2018)

11-2L-3: CONDITIONAL USES:

- 1) Automotive service stations, with the exception of the Old Town Central District and the Old Town Railway District.
- 2) Bars/lounges.
- 3) Churches or similar places of worship, including parish houses, parsonages, rectories, convents and dormitories, with the exception that in the Old Town Central District, such use is limited to floors other than the ground floor.
- 4) Clubs.
- 5) Daycare centers (more than 12 individuals), with the exception that in the Old Town Central District, such use is limited to floors other than the ground floor.
- 6) Dwelling groups or clusters, with the exception that in the Old Town Central District, such use is limited to floors other than the ground floor.
- 7) Microbreweries and microdistilleries.
- 8) Multi-family dwellings in excess of four (4) dwelling units, including residential short-term rentals, with the exception that in the Old Town Central District, such use is limited to floors other than the ground floor.
- 9) Schools (K - 12), with the exception that in the Old Town Central District, such use is limited to floors other than the ground floor.
- 10) Wholesale, light assembly and light manufacturing. Such uses must contain a retail component at ground level fronting a major street if located on Central Avenue between Third and Railway. (Ord. 18-25, 9-4-2018)

Land Use

There is no additional zoning or land use overlay district relating to the subject property.

CCR's

The CCR's are lengthy but the essential item is that only commercial uses are allowed on the property.

IMPROVEMENTS DESCRIPTION AND ANALYSIS

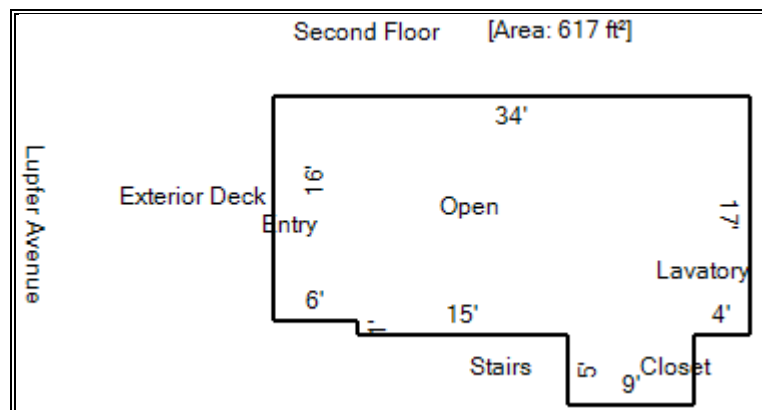
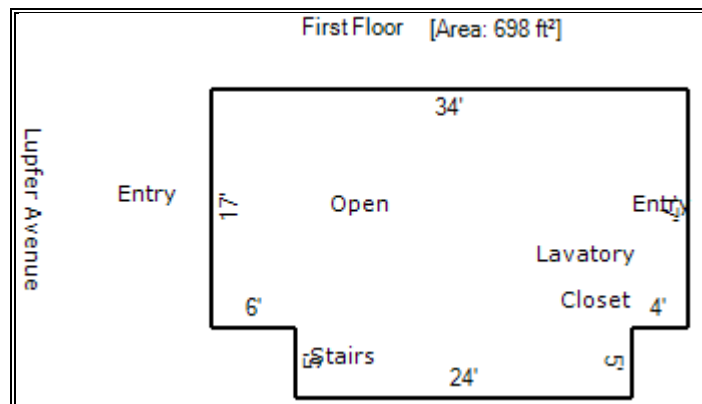
The majority of information regarding the improvements was surmised from the physical inspection and measurements taken on February 21, 2019.

GENERAL DATA	The subject property is referred to as State of Montana Commercial Real Estate. The improvements were constructed in 2005 and are of good quality construction. As of the date of inspection, the improvements were in average condition with some deferred maintenance as the property is being renovated.
Building Area	There is a total of 1,315 SF of building area. The improvements were constructed in 2005.
American Disabilities Act	The Americans with Disabilities Act (ADA) became effective January 26, 1992. I have not made a specific compliance survey and analysis of this property to determine whether it is in conformity with various detailed requirements of the ADA. It is possible that a compliance survey of the property, together with a detailed analysis of the requirements of the ADA, could reveal that the property is not in compliance with one or more of the requirements of the act. If so, this fact could have a negative effect upon the value of the property. Since I am not qualified to determine the compliance or non-compliance of the property with the ADA, it is assumed that the property complies with all ADA requirements.
CONSTRUCTION DETAIL	
Foundation	The foundation is poured concrete. The lower floor has a crawl space with partial slab.
Exterior Walls	The exterior walls are wood frame.
Insulation	The specific insulation could not be identified; however, it is assumed to be adequate and typical of other commercial.
Windows	Dual pane/wood frame
Doors	Solid core with glass inserts.
Roof Cover	Roof sheathing is assumed to be plywood. The roof cover is corrugated metal.
INTERIOR DETAIL	
Floor Covering	Quarter-sawn solid wood throughout
Interior Walls	The interior walls are constructed of 2-inch by 4-inch studs covered with textured and painted gypsum board.
Doors	Hollow core composite doors
Ceilings	Painted drywall
Lighting	Incandescent
Plumbing	Two lavatories
Other	None

MECHANICAL DETAIL	
HVAC	Forced air
Electrical	The electrical capacity or service could not be confirmed by my inspection. However, it is assumed adequate.
Gas and Sewer	The property is serviced by Northern Energy and a public sewer system.
SITE IMPROVEMENTS	
Parking	On-Street
Landscaping	None
Miscellaneous	N/A

Plan View

Both sketches are oriented with the left side fronting on Lupfer Avenue.



Conclusion

The subject improvements are functional for their present use as a commercial townhouse. The unit is older but appears in overall average condition. Deferred maintenance includes only the quarter-sawn flooring that requires refinishing. The location of the property is good with a central location within Whitefish. Many amenities including schools and shopping in the city are within a short walk.

In summary, the improvements are functional for the existing use. The marketability of the subject property, in comparison with similar properties within the Whitefish area, is average.

ASSESSED VALUE AND PROPERTY TAXES

Calculation of Taxes

Property taxes are based upon an appraisal of the property performed by the County Assessor's Office. An appraisal is conducted every two years for residential, commercial, industrial and agricultural properties located within the County and the values are updated each year by an index computed by the State of Montana Department of Revenue. Timberland properties are appraised every six years.

Per personnel at the Assessor's Office, vacant land is appraised for taxable value based upon the sales comparison approach. Every property in Montana is appraised on a two-year cycle. The most recent re-appraisal was completed in 2017.

The following table shows the current assessments and taxes for the subject property:

Current Taxes					
Assessor #	Parcel Size	Land Assess	Building Assess	Total Assess	Current Taxes
E001265	0.043 acres +/-	\$213,055	\$13,445	\$226,500	\$665.43

The subject property is taxed by the State of Montana at a rate below market value due to ownership of the property also being the taxing authority. The taxes reflected above are the actual taxes paid. Currently, the subject property is tax exempt and the current tax liability does not reflect future tax liability when the property is no longer tax exempt. When the property changes ownership the subject will be re-assessed and an updated tax rate will be re-established.

In order to estimate the future tax for the subject property I will analyze a nearby property for comparison. The property immediately adjacent to the subject (130 Lupfer Avenue) is a similar design, use, zoning, etc. This 1,540 SF property has a tax obligation of \$4,377.11 or \$2.84/SF. It is reasonable to conclude the subject will have a similar tax bill. When the subject's building size is multiplied by \$2.84/SF the implied tax will be \$3,375. I will use that estimated tax in the calculations in the income approach later in the analysis.

HIGHEST AND BEST USE

Highest and Best (HBU)

Highest and best use is defined as follows:

“The reasonably probable use of property that results in the highest value. The four criteria that the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity.

Source: The Dictionary of Real Estate Appraisal Sixth Edition (Chicago: Appraisal Institute, 2010), Page 109.

The highest and best use of a property is an economic study focusing on the four criteria. The determination of a property's highest and best use is the basis that provides the valuation framework upon which comparable market data is selected. Such data for improved properties may include cost, income and expense data, and improved sales pertaining to the property's concluded best use.

Highest and best use of the property as though vacant is considered separately from the highest and best use of the property as improved. The site is valued as though vacant and available for development to its highest and best use even if the property's existing improvements do not represent the highest and best use of the site. Highest and best use of the land as though vacant indicates only how the land should be used if it were vacant.

Highest and Best Use as Though Vacant

Highest and best use of land or site as though vacant is defined as:

“Among all reasonable, alternative uses, the use that yields the highest present land value, after payments are made for labor, capital, and coordination. The use of a property based on the assumption that the parcel of land is vacant or can be made vacant by demolishing any improvements.”

Source: The Dictionary of Real Estate Appraisal, Fifth Edition, (Chicago: Appraisal Institute, 2010), Page 94.

Legally Permissible

The subject property is zoned WB-3, under the jurisdiction of the City of Whitefish. This zoning designation allows for commercial as well as residential improvements. The CCR's restrict use of the property to only commercial.

Physically Possible

This analysis determines which legally permissible use is physically possible on the subject property. The physical characteristics of the site that affect its possible use include but are not limited to its location, street frontage, size, shape, street access, availability of utilities, easements, encroachments, soils and subsoil's, and topography.

Based on a physical inspection of the subject property, the site appears to be in an area that has stable soil and subsoils which provide suitable support for typical commercial structures. The soil

and subsoil conditions are assumed to be typical of the area and do not present limitations or problems regarding development.

The property is not located within a designated flood hazard area and there are no environmental hazards assumed to exist near the subject. There are no apparent adverse conditions that would restrict development of the property. In summary, the site appears adequate for development of any legally permissible use.

Financially Feasible

This HBU analysis determines which of the legally permissible and physically possible uses are financially feasible. The subject neighborhood is characterized by a mix of residential (both multi-family and single family) and commercial properties. The subject property is well located within relatively easy walking distance to amenities in Whitefish. It has excellent appeal for commercial uses.

Maximally Productive

Finally, the maximally productive use of the site determines which one of the financially feasible uses will result in the highest present value. The maximally productive use of the site As-If Vacant is for a commercial use.

Conclusion

In conclusion, the highest and best use of the site as though vacant would be for development with a commercial use. The ideal improvement would be a new multi-tenant commercial property that takes advantage of the lack of parking requirement which is afforded by the WB-3 zoning. The property would have a high site coverage ratio, be multi-level, and have a minor landscaping amenity.

Highest and Best Use as Improved

The following is an analysis of the highest and best use of the subject as improved. The following definition pertains to the highest and best use of a property as improved.

“The use that should be made of a property as it exists. An existing property should be renovated or retained as is so long as it continues to contribute to the total market value of the property, or until the return from a new improvement would more than offset the cost of demolishing the existing building and constructing a new one.”

Source: The Dictionary of Real Estate Appraisal, Fifth Edition (Chicago Appraisal Institute, 2010), Page 95.

Legally Permissible

The subject property is zoned WB-3, under the jurisdiction of the City of Whitefish. This zoning designation allows for commercial as well as residential improvements. The CCR's restrict use of the property to only commercial.

Physically Possible

This analysis determines which legally permissible use is physically possible on the subject property. The physical characteristics of the site that affect its possible use include but are not limited to its location, street frontage, size, shape, street access, availability of utilities, easements, encroachments, soils and subsoil's, and topography.

Based on a physical inspection of the subject property, the site appears to be in an area that has stable soil and subsoils which provide suitable support for typical commercial structures. The soil and subsoil conditions are assumed to be typical of the area and do not present limitations or problems regarding development.

The property is not located within a designated flood hazard area and there are no environmental hazards assumed to exist near the subject. There are no apparent adverse conditions that would restrict development of the property. In summary, the site appears adequate for development of any legally permissible use.

Financially Feasible

This HBU analysis determines which of the legally permissible and physically possible uses are financially feasible. There are three possible uses in this analysis. The improvements could be demolished, they could be modified, or they could be maintained As-Is.

The only financially feasible use of the property as it presently exists is to cure the deferred maintenance and maintain As-Is. The deferred maintenance is overall minor, but includes: interior paint, replacing carpeting and sand/stain the wood floor. No other legally permissible use of the site provides a positive return.

Maximally Productive

Finally, the maximally productive use of the site determines which one of the financially feasible uses will result in the highest present value. The maximally productive use of the subject property as improved is for continued use as a commercial/office.

Conclusion

In conclusion, the highest and best use of the subject as improved is for continued use as a commercial/professional office.

METHOD OF VALUATION

The valuation process is the method in which the data used to form an opinion of the value of the subject property are acquired, analyzed, and presented. This data is typically applied within the traditional three approaches to value which are the cost approach, the income capitalization approach, and the sales comparison approach. In appraisal practice, one or more approaches may not be appropriate to the property being appraised depending upon the quality, quantity, and reliability of the data. All three approaches were considered in the valuation of the subject. The appropriate methods used in this assignment are discussed further.

Income Capitalization Approach - This approach involves the process of estimating future benefits of a property (in the form of income) and converting the income into present value.

A summary of the methodology is described below. A definition of the income capitalization approach taken from the *Dictionary of Real Estate Appraisal*, Sixth Edition published by the Appraisal Institute states:

Income Capitalization Approach: Specific appraisal techniques applied to develop a value indication for a property based on its earning capability and calculated by the capitalization of property income.

As noted in the Fourteenth Edition of *The Appraisal of Real Estate* published by The Appraisal Institute dated 2013, the following is an outline of the basic procedures employed within this technique:

1. Research the income and expense data for the subject property and comparables.
2. Estimate the potential gross income of the property by adding the rental income and any other potential income.
3. Estimate the vacancy and collection loss.
4. Subtract vacancy and collection loss from total potential gross income to arrive at the effective gross income of the subject property.
5. Estimate the total operating expenses for the subject by adding fixed expenses, variable expenses, and a replacement allowance (where applicable).
6. Subtract the estimate of total operating expenses from the estimate of effective gross income to arrive at net operating income. (Deductions for capital items may also be necessary at various points in time through the projection period to calculate the cash flow used in discounted cash flow analysis.)
7. Apply one of the direct or yield capitalization techniques to this data to generate an estimate of value via the income capitalization approach.

Sales Comparison Approach (Improved) - This approach involves verifying data of improved sales, listings, and offerings of properties comparable to the subject. The data has been separated into measurable units of comparison (i.e., price per square foot or price per dwelling unit (for example)). The price per unit method involves adjusting the price per unit of the comparable sales for differences between them and the subject. The final adjusted price per unit is then applied to the subject to provide an indication of market value. This approach produces a good indication of value when sales of similar properties are available.

A definition of the sales comparison approach taken from the *Dictionary of Real Estate Appraisal*, Sixth Edition published by the Appraisal Institute states:

Sales Comparison Approach. The process of deriving a value indication for the subject property by comparing sales of similar properties to the property being appraised, identifying appropriate units of comparison, and making adjustments to the sale prices (or unit prices, as appropriate) of the comparable properties based on relevant, market -derived elements of comparison. The sales approach may be used to value improved properties, vacant land, or land being considered as though vacant when an adequate supply of comparable sales is available.

As noted in the Fourteenth Edition of *The Appraisal of Real Estate* published by The Appraisal Institute dated 2013, the following is an outline of the basic procedures employed within this technique:

- 1) Research the competitive market for information on properties that are similar to the subject property and that have recently sold, are listed for sale, or are under contract. Consider the characteristics of the properties such as property type, date of sale, size, physical condition, location, and land use constraints. The goal is to find a set of comparable sales as similar as possible to the subject property to ensure they reflect the actions of similar buyers. Market analysis and highest and best use analysis set the stage for the selection of appropriate comparable sales.
- 2) Verify the information by confirming that the data obtained is factually accurate and that the transactions reflect arm's-length market considerations. Verification should elicit additional information about the property and the market so that comparisons are credible.
- 3) Select the most relevant units of comparison in the market (e.g., price per acre, price per square foot, price per front foot) and develop a comparative analysis for each unit. The appraiser's goal is to define and identify a unit of comparison that explains market behavior.
- 4) Look for differences between the comparable sale properties and the subject property using all appropriate elements of comparison. Then adjust the price of each sale property, reflecting how it differs, to equate it to the subject property or eliminate that property as a comparable. This step typically involves using the most similar sale properties and then adjusting for any remaining differences. If a transaction does not reflect the actions of a buyer who would also be attracted to the subject property, the appraiser should be concerned about comparability.

- 5) Reconcile the various value indications produced from the analysis of comparables to a value bracket and then to a single value indication."

Final Value Opinion - The market value is reconciled from the value indications provided by each of the approaches considering the strengths, weaknesses, and reliability of each technique. The ensuing pages further explain and demonstrate each approach in more detail.

INCOME CAPITALIZATION APPROACH

The income capitalization approach is based upon the analysis of the income producing potential of the property. This approach assumes that a purchaser of an investment property will pay a price which bears a relationship to the net income the property can produce. The first step in this approach is to survey the area and determine the market rent. Market rent is a rental income that a property would most probably command in the open market as indicated by current rents paid and asked for a comparable space.

Once the market rent has been estimated, it is multiplied by the subject's building area to estimate the potential gross income (total income at 100% occupancy). Appropriate deductions are made for vacancy and collection loss to allow for reductions in potential income attributed to vacancies, tenant turnover, and non-payment of rent. Effective gross income is identified as the income remaining after vacancy and collection loss has been subtracted from the potential gross income. Net Operating Income (NOI) capitalized is the income remaining after all operating expenses have been subtracted from the effective gross income.

Two methods may be used to form an opinion of market value via income capitalization approach. These two methods include direct capitalization and yield capitalization. Direct capitalization is a method used to convert a single year's net income estimate into value by dividing the net operating income by an appropriate rate or by multiplying it by an appropriate income factor. Yield capitalization converts future benefits (in the form of income) into present value by discounting each future benefit at an appropriate yield rate or by developing an overall rate that reflects the property's income pattern, value change, and yield rate over the holding period. This method is primarily used for multi-tenant properties or properties that have a variable income pattern over a period of time.

When properly used and with adequate information, both methods should provide similar value indications. Based upon the available data identified in the market place, I have utilized the direct capitalization method to arrive at an opinion of the market value for the subject property.

Subject Lease Status

The subject property is vacant. No leases are in place. The previous tenant paid \$1,433/month for a modified gross lease. The total payments paid per year was \$17,192. The previous lease was for eight months.

Rental Rate Analysis

To estimate the market rent for the subject property, I have completed a survey of competing projects in the subject's immediate area. The analysis focuses upon other commercial properties in the area. All the leases surveyed are in Whitefish.

Lease Comparables							
#	MLS	Address	Lease Date	Lease Rate	SF	Terms	Other
1	333330	6468 US Hwy 93S	1/17/2017	\$13.00	1,200	MG	Heat, elec, water
2	333331	6466 US Hwy 93S	1/17/2017	\$13.00	725	MG	Heat, elec, water
3	21605274	231 E 1st ST	9/22/2016	\$15.00	966	NNN	Mgt Fee
4	21901035	231 E 1st ST	Active	\$19.25	966	Gross	All Expenses
5	21600551	217 w 2nd ST	4/11/2016	\$16.00	1,970	NNN	Mgt Fee
6	21600554	217 w 2nd ST	4/20/2016	\$16.00	325	NNN	Mgt Fee
7	21700738	405 E 1st ST	3/15/2018	\$18.00	1,487	MG	Heat, elec, water, taxes

Lease 1 and 2: These leases are in a freestanding building across from the Mountain Mall south of the CBD. The interior finish is average. These suites have paved parking and highway frontage. Overall, these suites are inferior to the subject property. These are zoned WR-3.

Lease 3: This is a condominium suite in a building zoned WB-3. This suite is located less than 300 feet from the subject property. The lease terms are very favorable to the landlord. This lease is a very good comparable for the subject's rental rate potential.

Lease 4: This is the same property as Lease 3. Now the lease terms have changed to where the terms are gross, i.e. the landlord pays all expenses. Although the lease rate is significantly higher than shown when it sold in 2016, it does indicate some stability in the rental market. That is to say a NNN lease of \$15.00/SF is approximately equal to a gross lease of \$19.25. This offering has been on the market for about one month.

Lease 5 and 6: These leases are for two suites in the same building that was renovated. It had an unusual but functional design. This property is farther from the CBD and it has abundant, paved, off-street parking. Overall, these suites are superior to the subject.

Lease 7: This lease is in the new City Hall building. It is attached to a large parking garage. Given the lease terms, when considering the subject will be evaluated on a NNN basis and the fact that Lease 7 is in a superior location, the subject should have a market rental rate less than this suite.

When all of the data is factored into the analysis, it is my opinion that \$15.50/SF is an appropriate unit market rent for the subject as of the effective date of the appraisal.

Potential Gross Rental Income Estimate

The potential gross rental income total is \$20,383.

Other Income Items (CAM Fees)

Office space in the area is typically based upon NNN terms where the owner is reimbursed for real estate taxes, insurance, snow removal, landscaping, common area utilities, signage and other miscellaneous costs. These costs typically range from \$2.00/SF to \$3.50/SF. For this item, the subject taxes equate to \$3,735 ($2.84/\text{SF} \times 1,315 \text{ SF}$) and an HOA fee of \$585 which includes landscaping and insurance. Those two amounts equate to a unit rate for CAM fees of \$3.30/SF.

For these type of leases, the tenant is directly responsible for interior utilities, janitorial, phone, heat, hot water.

Potential Gross Income

The potential gross income from all sources is \$24,722.

Vacancy and Collection Loss

In order to develop a reasonable allowance for vacancy and collection loss for the subject property, I surveyed the immediate area and surrounding areas for current data pertaining to occupancy levels and turnover rates in similar facilities. Office space in the area has low turnover. For this assignment I will use 4% as a reasonable estimate of vacancy and collection loss. A 4% vacancy and collection loss is calculated to be \$989.

Effective Gross Income Estimate

The projected stabilized economic vacancy and collection loss is 4.0%. I have estimated the effective gross income for the subject property at \$23,733.

Expense Estimate

The subject has minimal expense history so we will base the expenses off of typical expenses for similar properties.

Reimbursable Expenses

Reimbursable expenses include: real estate taxes, insurance, sewer, water, snow removal, landscaping and other common area utilities. These are paid directly by the owner who then pays the expense directly. Earlier in the analysis I concluded that a CAM reimbursement of \$3.30/SF is appropriate. These CAM fees and expenses are then reconciled at the end of each year so that no party either benefits or is harmed by previous under/over payment. I will use \$3,735 for taxes and \$585 for landscaping/HOA fees.

Professional Management

The management fee is based upon the management expense incurred for the subject property and compared to quotations from professional management firms throughout the Kalispell area. These rates generally range from a low of 5% to a high of 11% depending on a variety of circumstances including the services provided such as bookkeeping and other maintenance responsibilities. The subject is single tenant and should not require an onerous amount of work to manage the lease. I will use a 3% fee for professional management.

Maintenance and Repairs

The subject is in overall good condition with new paint and interior finish. Maintenance and repairs should be minimal. I am including a 3% budget for this expense item.

Reserves

This expense includes funds for replacement of major features of the property that have an economic life less than the life of the main structure. Those items include: paving, roofing, mechanical and flooring. The market typically includes an expense of 2% for reserves.

Misc./Other

This expense is for miscellaneous items not covered in other categories. For example, that would include: legal and office supplies. Since the subject property is a new property, I would anticipate that expenses would be minor. I estimate that 1% of EGI is a reasonable expense estimate.

Total Expense Estimate

The total annual expenses are estimated at \$6,456.

Net Operating Income

The Net Operating Income (NOI) is calculated by subtracting the expenses from the effective gross income and equates to \$17,277. The NOI is divided by an overall capitalization rate to form an opinion of the prospective market value upon stabilization for the subject.

Overall Capitalization Rate (OAR)

One method is to develop a built-up OAR using the band of investment, which weighs current debt and equity return requirements to provide a composite OAR. The following chart details the process, relying upon our best information as the current financing terms in this case. The Realty Rates.com Investor Survey, for the 1st Quarter of 2019 are as follows:

RealtyRates.com INVESTOR SURVEY - 1st Quarter 2019*						
OFFICE - CENTRAL BUSINESS DISTRICT						
Item	Input					OAR
Minimum						
Spread Over 10-Year Treasury	1.06%	DCR Technique	1.40	0.058542	0.75	6.15
Debt Coverage Ratio	1.40	Band of Investment Technique				
Interest Rate	4.18%	Mortgage	75%	0.058542	0.043907	
Amortization	30	Equity	25%	0.077360	0.019340	
Mortgage Constant	0.058542	OAR				6.32
Loan-to-Value Ratio	75%	Surveyed Rates				6.01
Equity Dividend Rate	7.74%					
Maximum						
Spread Over 10-Year Treasury	5.46%	DCR Technique	2.15	0.118732	0.50	12.76
Debt Coverage Ratio	2.15	Band of Investment Technique				
Interest Rate	8.58%	Mortgage	50%	0.118732	0.059366	
Amortization	15	Equity	50%	0.159778	0.079889	
Mortgage Constant	0.118732	OAR				13.93
Loan-to-Value Ratio	50%	Surveyed Rates				13.23
Equity Dividend Rate	15.98%					
Average						
Spread Over 10-Year Treasury	3.26%	DCR Technique	1.78	0.083826	0.63	9.30
Debt Coverage Ratio	1.78	Band of Investment Technique				
Interest Rate	6.38%	Mortgage	63%	0.083826	0.052391	
Amortization	23	Equity	38%	0.114448	0.042918	
Mortgage Constant	0.083826	OAR				9.53
Loan-to-Value Ratio	63%	Surveyed Rates				9.98
Equity Dividend Rate	11.44%					
*4th Quarter 2018 Data						
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Capitalization rates in the area are trending downward for multi-family properties. They are indicating 5% to 6% is an appropriate measure of risk. Single tenant properties are now quite as strong with the majority of single tenant buildings being purchased by owner/user. I surveyed brokers in the area and they indicated a cap rate for CBD office space in Whitefish should be in the 6.5% to 9.0% range with inferior properties or those with deferred maintenance being on the high end of the range. Closed sales indicate a cap rate on the low end is appropriate for the subject property. I will use an OAR of 6.50% in the calculations.

The cost to refinish the floor should not exceed the cost to totally cover it with very good quality commercial carpeting. The calculations for that are shown below:

Flooring Adjustment	
Item	Quantity
First Floor Area (SF)	698
Divided by 9 (Sq.Ft. per Sq.Yd.)	9
Sq. Yds. New Flooring	78
Multiplied by \$30/Sq/Yd.	\$30
Cost of New Flooring	\$2,327

The cost of new flooring is considered a cost-to-cure and will be subtracted from the value indication shown in the income approach.

INCOME APPROACH SUMMARY TABLE			
Property: 140 Lupfer AVE, Whitefish			
	SF	\$/SF	Income
Rental Income	1,315	\$15.50	\$20,383
Other Income			\$0
CAM Fees	1,315	\$3.30	<u>\$4,340</u>
Potential Gross Income (All Sources)			\$24,722
Vacancy and Collection Loss		4.00%	<u>(\$989)</u>
Effective Gross Income			\$23,733
Operating Expenses			
		Taxes	\$3,735
		Insurance/Landscaping	\$585
	3.0%	Management	\$712
	3.0%	Maintenance	\$712
	2.0%	Repl./Reserve	\$475
	1.0%	Misc	<u>\$237</u>
		Total Expenses	(\$6,456)
		Net Operating Income (NOI)	\$17,277
		Expense Ratio	-27.20%
		Capitalization Rate	6.50%
		Value Conclusion (NOI/OAR)	\$265,802
		Less cost to Refinish Flooring	(\$2,377)
		Total	\$263,425
		Rounded	\$260,000

SALES COMPARISON APPROACH

The sales comparison approach involves the gathering of data pertinent to sales of properties similar to the subject. It is based upon the principle of substitution, which implies that the property's value tends to be set at the cost of acquiring an equally desirable substitute property, assuming no costly delay is encountered in making the substitution. The sales data utilized in this approach was gathered through various sources. When possible, the sales data was verified with the grantor, grantee, or the real estate agent involved in the sale.

In the price/unit method, the data is analyzed, and an appropriate unit of comparison is selected (price/square foot, acre, front foot, dwelling unit, etc.).

- Transactional adjustments are applied to the comparables for: property rights, financing, conditions of sale, expenditures immediately after purchase, and market conditions.
- The comparables are analyzed to determine market sensitivity to various physical characteristics.
- They are then arrayed in a table which brackets the unit market value of the subject.
- The range of values is reconciled to a unit market value.
- The unit of value is then multiplied by the size of the subject property to provide an indication of market value.

For this assignment, the appropriate unit of comparison is \$/SF. Below are a pool of townhouse/condominium sales which have occurred in Whitefish over the past two years which are the most relevant to the subject property. There are other sales, but in my opinion, these are the most relevant to this assignment.

Commercial Condo Sales in Whitefish						
Address	Sale Date	Sale Price	SF	\$/SF	Other	Other
116 Lupfer Unit B	8/9/2017	\$214,000	1,161	\$184	Built 2009	1.5 Story
116 Lupfer Unit A	8/9/2017	\$200,000	951	\$210	Built 2009	1.5 Story
114 E 2nd ST Unit C	9/1/2017	\$93,000	408	\$228		2nd Floor Unit
235 Baker Unit 101	6/18/2018	\$360,000	1,732	\$208	Newly Updated	Street level
100 E 2nd ST Units 4&5	8/2/2018	\$1,045,000	11,299	\$92	Built 1984	Includes Air space
750 W 2nd ST Unit 4	9/24/2018	\$195,000	648	\$301	Newly Updated	Hwy Frontage
309 Central AVE Unit B	10/4/2018	\$417,500	1,804	\$231	New	Vanilla shell
309 Central AVE Unit 204	10/11/2018	\$140,000	755	\$185	New	Vanilla shell
235 Baker AVE Suite 102	2/12/2019	\$375,000	1,735	\$216	Newly Updated	Street level

A statistical summary of the pool of sales is shown below:

Condominium Sales Analysis		
Item	\$'s	\$/SF
Total	\$3,039,500	
Minimum	\$93,000	\$92
Maximum	\$1,045,000	\$301
Average	\$337,722	\$206
Median	\$214,000	\$210

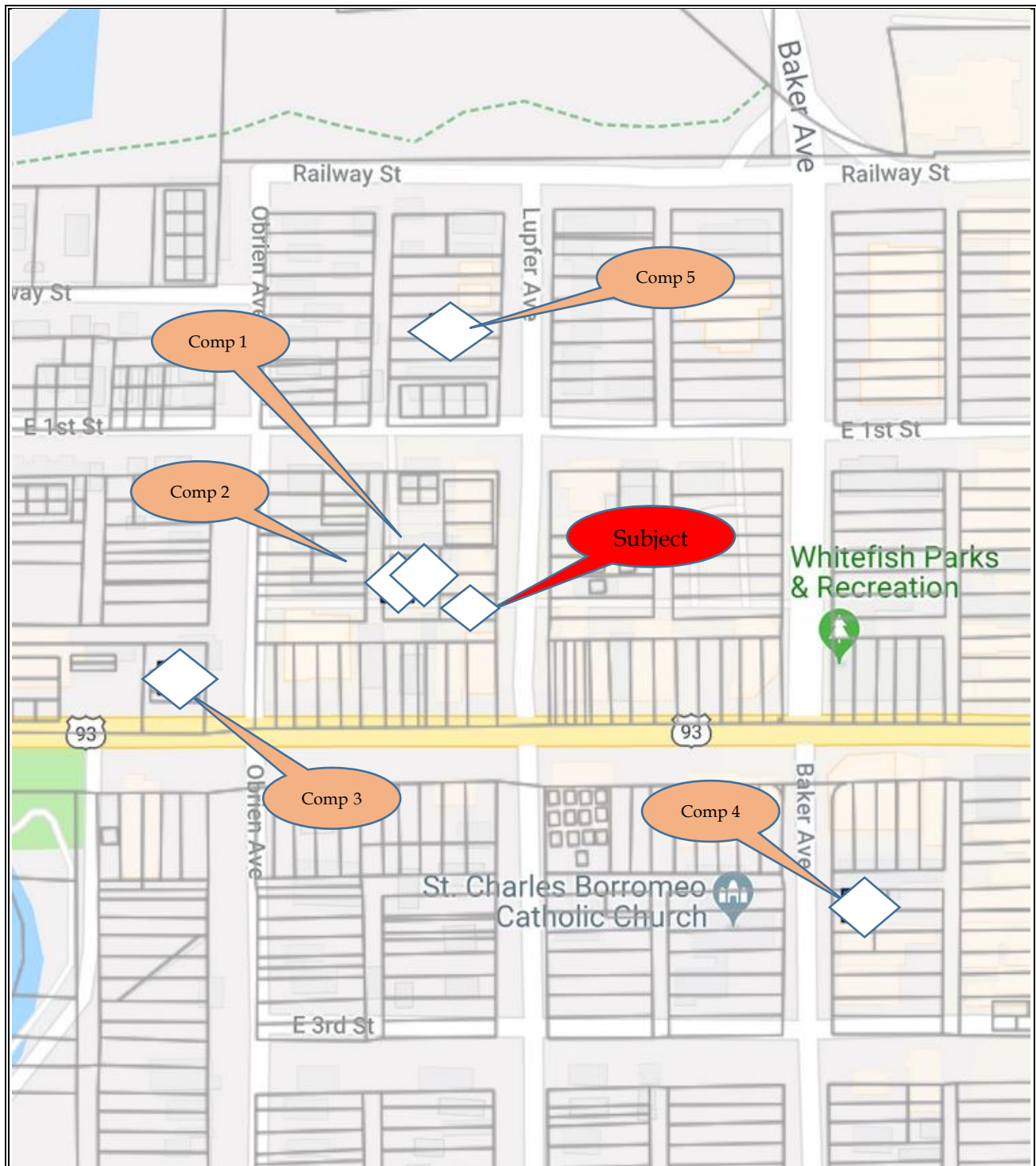
In my opinion four of those sales are the most relevant to this assignment. Those sales of improved commercial condo/townhouse units buildings are summarized below, followed by a map and complete abstracts.

IMPROVED SALES SUMMARY

Comparable Sales Summary						
ID	Address	Sale Date Sale Price	SF \$/SF	Lot SF	Zoning	Year Built
1	116 Lupfer AVE Unit B, Whitefish	8/9/2017 \$214,000	1,161 \$184	Condo	WB-3	2009
2	116 Lupfer AVE Unit A, Whitefish	8/9/2017 \$200,000	951 \$210	Condo	WB-3	2009
3	114 E 2nd ST Unit C, Whitefish	9/1/2017 \$93,000	408 \$228	Condo	WB-3	1950/2016
4	235 Baker AVE Suite 102, Whitefish	2/12/2019 \$375,000	1,735 \$216	Condo	WB-3	2016
5	28 Lupfer AVE, Whitefish	2/5/2019 \$375,000	1,294 \$290	3,267	WB-3	1905/2002

NOTE: The subject interior is in good condition with respect to everything but the wood flooring on the first floor. It requires sanding the wood floors which are stained and unappealing. This is an overall minor condition but should be addressed in this appraisal. Therefore, I will first appraise the property As-If the flooring is refinished. Then I will subtract the necessary costs required to complete the updating which will provide an As-Is Fair Market Value.

IMPROVED SALES LOCATION MAP



IMPROVED SALE 1

Location / Address	116 Lupfer AVE Unit B, Whitefish
Legal Description:	Lupfer Alley Condominiums Unit B
Assessor Parcel Number	0009803
Grantor	Knot Design and Development
Grantee	Vaun J. and Amy E. Podlogar
Sale Price	\$214,000
Contract Date/Sale Date	8/9/2017
Recording Doc	Warranty Deed 201700019151
Property Rights	Fee Simple
Financing	Cash

Conditions of Sale	A 5% upward adjustment is warranted as this was part of a bulk sale of two condominium units.
Expenditures Immediately After Purchase	None noted
Market Conditions	A positive 0.5% market conditions adjustment is warranted.
Sale Price After Transactional Adjustments	\$245,612
Unit Price BEFORE Transactional Adjustments	\$184
Unit Price AFTER Transactional Adjustments	\$212
Site Description	
Size	Condominium site
Frontage	Alley frontage
Depth	N/A
Shape	Rectangular
Utilities	Municipal
Easements	Typical utility easements
Offsite Improvements	None noted
Speed Limit	Unknown
Other	Level
Zoning	WB-3
Building Description	
Overall	One and a half story wood frame building
Year Constructed	2009
Size (SF)	1,161
Finished	100%
Parking	On/Off Street Parking
Occupancy	Vacant
Other	Listed via MLS 338360 for \$269,000. The price was subsequently lowered to \$229,900. It sold for \$214,000 after 617 DOM.
Relevant Sales History	None noted
Verification:	MLS, Alan Elm

IMPROVED SALE 2

Location / Address	116 Lupfer AVE Unit A, Whitefish
Legal Description:	Lupfer Alley Condominiums Unit A
Assessor Parcel Number	0980913
Grantor	Knot Design and Development
Grantee	Vaun J. and Amy E. Podlogar
Sale Price	\$200,000
Contract Date/Sale Date	8/9/2017
Recording Doc	Warranty Deed 201700019181
Property Rights	Fee Simple
Financing	Cash

Conditions of Sale	A 5% upward adjustment is warranted as this was part of a bulk sale of two condominium units.
Expenditures Immediately After Purchase	None noted
Market Conditions	A positive 0.5% market conditions adjustment is warranted.
Sale Price After Transactional Adjustments	\$229,544
Unit Price BEFORE Transactional Adjustments	\$210
Unit Price AFTER Transactional Adjustments	\$241
Site Description	
Size	Condo
Frontage	Alley frontage
Depth	N/A
Shape	Rectangular
Utilities	Municipal
Easements	Typical utility easements
Offsite Improvements	None noted
Speed Limit	Unknown
Other	Level
Zoning	WB-3
Building Description	
Overall	One and a half story wood frame building
Year Constructed	2009
Size (SF)	951
Finished	100%
Parking	On/Off Street Parking
Occupancy	Vacant
Other	Listed via MLS 338361 for \$239,900. The price was subsequently lowered to \$209,900. It sold for \$200,000 after 617 DOM.
Relevant Sales History	None noted
Verification:	MLS, Alan Elm

IMPROVED SALE 3

Location / Address	114 E 2nd ST Unit C, Whitefish
Legal Description:	1993 Office Building Condominium on Lots 8-10 of Block 39 of Whitefish Original Townsite
Assessor Parcel Number	0008740
Grantor	North Country Builders
Grantee	HB 158, LLC
Sale Price	\$93,000
Contract Date/Sale Date	9/1/2017
Recording Doc	Warranty Deed 201700021620
Property Rights	Fee Simple
Financing	Cash

Conditions of Sale	None noted
Expenditures Immediately After Purchase	None noted
Market Conditions	A positive 0.5% market conditions adjustment is warranted.
Sale Price After Transactional Adjustments	\$101,300
Unit Price BEFORE Transactional Adjustments	\$228
Unit Price AFTER Transactional Adjustments	\$248
Site Description	
Size	Condominium
Frontage	E 2nd Street (US Highway 93 N)
Depth	N/A
Shape	N/A
Utilities	Municipal
Easements	Typical utility easements
Offsite Improvements	Full
Speed Limit	25 MPH
Other	Level
Zoning	WB-3
Building Description	
Overall	Single story condominium unit on the upper floor of a multi-tenant condominium building.
Year Constructed	1950/2016
Size (SF)	408
Finished	100%
Parking	On/Off Street Parking
Occupancy	Vacant
Other	Listed via MLS 21608362 for \$93,000. It sold for full list price after 410 DOM.
Relevant Sales History	None noted
Verification:	MLS Cyntiha Dearing

IMPROVED SALE 4

Location / Address	235 Baker AVE Suite 102, Whitefish
Legal Description:	Cana Lofts Condominium Unit 102
Assessor Parcel Number	0980772
Grantor	Palomino Builders, LLC
Grantee	William J. Swann and Kellie A. Knox
Sale Price	\$375,000
Contract Date/Sale Date	2/12/2019
Recording Doc	Warranty Deed 201900002632
Property Rights	Fee Simple
Financing	Cash
Conditions of Sale	None noted

Expenditures Immediately After Purchase	This sale is adjusted upward by \$15,000 in order to reflect the unfinished condition of a small portion of the interior.
Market Conditions	A positive 0.5% market conditions adjustment is warranted.
Sale Price After Transactional Adjustments	\$390,582
Unit Price BEFORE Transactional Adjustments	\$216
Unit Price AFTER Transactional Adjustments	\$225
Site Description	
Size	Condominium
Frontage	Baker Avenue
Depth	N/A
Shape	N/A
Utilities	Municipal
Easements	Typical utility easements
Offsite Improvements	Full
Speed Limit	25 MPH
Other	Level
Zoning	WB-3
Building Description	
Overall	A ground level condominium unit in a multi-tenant building
Year Constructed	2016
Size (SF)	1,735
Finished	100%
Parking	On Street Parking
Occupancy	Vacant
Other	Listed via MLS 21809668 for \$498,000. The price was subsequently lowered to \$400,000. It sold for \$375,000 after 200 DOM.
Relevant Sales History	None noted
Verification	MLS, Phyllis Sprunger

IMPROVED SALE 5

Location / Address	28 Lupfer AVE, Whitefish
Legal Description:	Lot 7 Block 25 of Whitefish Original Townsite
Assessor Parcel Number	0477200
Grantor	Whitefish Hostel, LLC
Grantee	Steven Edward and Brandi Marie Peerman
Sale Price	\$375,000
Contract Date/Sale Date	2/5/2019
Recording Doc	Warranty Deed 201900002239
Property Rights	Fee Simple
Financing	Conventional
Conditions of Sale	This sale is adjusted downward by \$25,000 due to reflect the inclusion of personal property in the transaction.

Expenditures Immediately After Purchase	None noted
Market Conditions	A positive 0.5% market conditions adjustment is warranted.
Sale Price After Transactional Adjustments	\$350,929
Unit Price BEFORE Transactional Adjustments	\$290
Unit Price AFTER Transactional Adjustments	\$271
Site Description	
Size	0.08 Acres
Frontage	Lupfer Avenue
Depth	130 feet +/-
Shape	Rectangular
Utilities	Municipal
Easements	Typical utility easements
Offsite Improvements	Full
Speed Limit	25 MPH
Other	Level
Zoning	WB-3
Building Description	
Overall	A one and a half story wood frame building
Year Constructed	1905/2002
Size (SF)	1,294
Sprinklered	No
Parking	On/Off Street Parking
Occupancy	Vacant
Other	Listed via MLS 21809219 for \$399,000. The price was subsequently lowered to \$369,000. It sold for \$375,000 after receiving multiple offers. It was on the market for 202 days.
Relevant Sales History	None noted
Verification:	MLS, Jen Dolan

TRANSACTIONAL ADJUSTMENTS

The first step in the sales comparison analysis is to analyze and make transactional adjustments to each comparable sale. Those transactional adjustments are: property rights, financing, sale conditions, expenditures immediately after purchase, and market conditions (time). A brief description of the transactional adjustments is explained below. It is noted that these adjustments are typically made in the order presented below:

- **Property Rights:** The comparables are adjusted for impacts that leased fee, fee simple or leasehold impacts to the sale price. No adjustments are needed as all the sales are fee simple estate.
- **Financing:** The comparables are then adjusted for impacts that unusual or non-market financing has on the transaction. Agents for the sales confirmed that all the sales were cash transactions. No adjustments are needed.
- **Condition of Sale:** The comparables are then adjusted for non-market sale conditions that affected the sale price. Sales 1 and 2 were a bulk sale from the same seller to the same buyer although they closed at slightly different dates. Those sales are adjusted upward by 5% to reflect a bulk sale discount achieved when purchasing multiple properties. Sale 5 is adjusted downward by \$25,000 as it sold with extensive personal property. Sales 3 and 4 do not require adjustment for this property characteristic.
- **Expenditures Immediately After Purchase:** The comparables are then adjusted for the impact that any additional investment (i.e. curing deferred maintenance) required to make a property salable. Sale 4 is adjusted upward by \$15,000 in order to reflect its unfinished condition in one of the bathrooms. No adjustments are needed to the other sales.
- **Market Conditions:** The comparables are then adjusted for changes to market conditions that have occurred between the sale date of each comparable and the effective date of the appraisal. A positive 0.5% market conditions adjustment is warranted to reflect improving market conditions in the area.

Sale Price After Transactional Adjustments

The next step in the analysis is to arrive at an adjusted sale price which factors non-market influences for: property rights, financing, conditions of sale, expenditures immediately after purchase, and market conditions.

The adjustments in the table below reflect the adjustments discussed on the prior pages and in the attached sale abstracts. The adjustments are cascading.

Sale Price After Transactional Adjustments									
Sale #	Address	Sale Date	Sale Price	Prop Rights	Finance	Sale Cond.	Expend.	Time	Adj SP
1	116 Lupfer AVE Unit B	8/9/17	\$214,000	\$0	\$0	\$10,700	\$0	\$20,912	\$245,612
2	116 Lupfer AVE Unit A	8/9/17	\$200,000	\$0	\$0	\$10,000	\$0	\$19,544	\$229,544
3	114 E 2nd ST Unit C	9/1/17	\$93,000	\$0	\$0	\$0	\$0	\$8,300	\$101,300
4	235 Baker AVE Suite 102	2/12/19	\$375,000	\$0	\$0	\$0	\$15,000	\$582	\$390,582
5	28 Lupfer AVE	2/5/19	\$375,000	\$0	\$0	(\$25,000)	\$0	\$929	\$350,929

PHYSICAL CHARACTERISTICS

This process involves the comparison, and adjustment for differences, of comparable sales. There are several ways to analyze and adjust sales. The most common and preferred method is a matched-pairs analysis, comparing one sale to another to isolate a specific adjustment factor. The two sales compared should be similar in all regards except for the factor for which an adjustment is to be derived. When the sales are not truly comparable, but only similar, this analysis is often much less reliable. The more dissimilar the features between the properties, the less accurate or meaningful the analysis. With widely varying factors or properties, this comparative analysis is used to show general trends. A bracketing procedure or technique may then be used to derive an overall conclusion of value.

Contemporary appraisal texts have just recently begun to recognize bracketing as a valuation technique. Overall, I am of the opinion the bracketing technique recognizes the imperfect data found in the marketplace. The 14th Edition of the Appraisal Institute's *The Appraisal of Real Estate* defines bracketing as:

“Bracketing: a process in which an appraiser determines a probable range of values for a property by applying qualitative techniques of comparative analysis to a group of comparable sales. The array of comparable sales may be divided into three groups - those superior to the subject, those similar to the subject, and those inferior to the subject. The adjusted sale prices reflected by the sales requiring downward adjustment and those requiring upward adjustment refine the probable range of values for the subject and identify a value bracket in which the final value opinion will fall.”

Because of the many variables involved in comparing sale properties to the subject property, the importance of the appraiser's judgment and opinion becomes obvious. In other words, the sales themselves do not alone directly indicate a value for the subject property. But, these sales once totally analyzed and correlated with experience and judgment, do help me in my final value estimate.

Regarding the sales themselves and the adjustment process, it has been my experience that all sales differ somewhat from each other. To the extent possible, the differences should be recognized and adjusted for based on the data available. However, in the market it is often difficult, and sometimes impossible, to accurately isolate a given factor. In short, one very seldom finds sale properties which are identical in all respects but one, and as such, can decisively conclude the value, or lack thereof, for any one factor due to a difference in sale price. Most often, there are positive and negative factors which offset each other. Nevertheless, the differences in values are real and an attempt, based on as much fact as can be found, will be made to determine the value of these factors. Then, the appraiser may call upon experience to make a more subjective judgment. The following generalities are cited to acquaint the reader with a background for my reasoning and judgment to follow:

- value increases per unit of comparison as the size of the parcel decreases;
- value tends to decrease as distance from an urban center increases;
- value tends to decrease as the topography becomes steeper, rockier, more arid, etc.

- value tends to decrease as access becomes more difficult;
- value tends to increase with amenities such as creek or lake frontage, or a good view;
- value tends to increase when zoning allows greater density.

Obviously, the converse may be said of each of these statements.

The following table shows the headings and the elements of comparison which will be analyzed for the relevant property adjustments:

Physical Characteristics Adjustments							
			Sale 1	Sale 2	Sale 3	Sale 4	Sale 5
Item	Subject		116 Lupfer AVE Unit B	116 Lupfer AVE Unit A	114 E 2nd ST Unit C	235 Baker AVE Suite 102	28 Lupfer AVE
SF	1,315		1,161	951	408	1,735	1,294
# Floors	1.50		1.50	1.50	1.00	1.00	1.50
Highway Frontage	No		No	No	Yes	No	No
Parking	No		Yes	Yes	No	No	Yes
Lavatory	Yes		Yes	Yes	No	Yes	Yes
Rooftop Deck	No		No	No	Yes	No	No
Condition	Good		Good	Good	Average	Average	Average
Alley Access	No		Yes	Yes	No	No	No

The subject and all the comparables are in relatively similar locations with respect to proximity to downtown Whitefish. They all have similar zoning restrictions and can all be developed with a commercial use.

Size (Economy of Scale)

The comparables are analyzed to determine if the market is sensitive to economy of scale.

Economy of scale is one of the most reliable adjustments. This case appears to be no different.

Economy of Scale

Property #	Address	SF	Smaller GLA	Similar	Larger
1	116 Lupfer AVE Unit B	1,161		\$212	
2	116 Lupfer AVE Unit A	951	\$241		
3	114 E 2nd ST Unit C	408	\$248		
4	235 Baker AVE Suite 102	1,735			\$225
5	28 Lupfer AVE	1,294		\$271	
SUBJECT	140 Lupfer AVE	1,315			

(0) indicates the comp is similar

(-) indicates the comp is superior

(+) indicates the comp is inferior

Average Unit / Transaction

\$245	\$241	\$225
-------	-------	-------

Adjustment

-	0	+
---	---	---

The market as reflected in these five sales is sensitive to economy of scale and prefers (commands a higher unit rate) smaller properties over larger properties.

Number of Floors

The comparables are analyzed to determine if the market is sensitive to commercial properties with different floor design amenities.

Floors

Property #	Address	# Floors	1.5	1
1	116 Lupfer AVE Unit B	1.5	\$212	
2	116 Lupfer AVE Unit A	1.5	\$241	
3	114 E 2nd ST Unit C	1.0		\$248
4	235 Baker AVE Suite 102	1.0		\$225
4	28 Lupfer AVE	1.5	\$271	
SUBJECT	140 Lupfer AVE	1.5		

(0) indicates the comp is similar

(-) indicates the comp is superior

(+) indicates the comp is inferior

Average Unit / Transaction

\$241	\$237
-------	-------

Adjustment

0	+
---	---

The market as reflected in these five sales is sensitive to this property characteristic and prefers commercial properties which are one and a half stories over properties with all the SF on a single floor.

Highway Frontage

The comparables are analyzed to determine if the market is sensitive to commercial properties with different highway frontage amenities.

Highway Frontage				
Property #	Address	Highway Frontage	No	Yes
1	116 Lupfer AVE Unit B	No	\$212	
2	116 Lupfer AVE Unit A	No	\$241	
3	114 E 2nd ST Unit C	Yes		\$248
4	235 Baker AVE Suite 102	No	\$225	
4	28 Lupfer AVE	No	\$271	
SUBJECT	140 Lupfer AVE	No		

(0) indicates the comp is similar

(-) indicates the comp is superior

(+) indicates the comp is inferior

Average Unit / Transaction

\$237	\$248
-------	-------

Adjustment

0	-
---	---

The market as reflected in these five sales is sensitive to this property characteristic and prefers commercial properties with a highway frontage amenity.

Dedicated Off-Street Parking

The comparables are analyzed to determine if the market is sensitive to commercial properties with off-street parking.

Dedicated Off-Street Parking				
Property #	Address	Parking	No	Yes
1	116 Lupfer AVE Unit B	Yes		\$212
2	116 Lupfer AVE Unit A	Yes		\$241
3	114 E 2nd ST Unit C	No	\$248	
4	235 Baker AVE Suite 102	No	\$225	
4	28 Lupfer AVE	Yes		\$271
SUBJECT	140 Lupfer AVE	No		

(0) indicates the comp is similar

(-) indicates the comp is superior

(+) indicates the comp is inferior

Average Unit / Transaction

\$237	\$241
-------	-------

Adjustment

0	-
---	---

The market as reflected in these five sales is sensitive to this property characteristic and prefers commercial properties with dedicated off-street parking. All of the properties are zoned WB-3 which does not require off-street parking, but the market does prefer those that do offer this amenity.

Lavatory

The comparables are analyzed to determine if the market is sensitive to commercial properties that have a lavatory inside the suite.

Includes Lavatory				
Property #	Address	Lavatory	Yes	No
1	116 Lupfer AVE Unit B	Yes	\$212	
2	116 Lupfer AVE Unit A	Yes	\$241	
3	114 E 2nd ST Unit C	No		\$248
4	235 Baker AVE Suite 102	Yes	\$225	
4	28 Lupfer AVE	Yes	\$271	
SUBJECT	140 Lupfer AVE	Yes		

(0) indicates the comp is similar

(-) indicates the comp is superior

(+) indicates the comp is inferior

Average Unit / Transaction

\$237	\$248
-------	-------

Adjustment

N/A	N/A
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The market as reflected in these five sales is not sensitive to this property characteristic. Property 3 is a small suite that is more like an executive suite. There is a common lavatory in the hall.

Access to Rooftop Deck

The comparables are analyzed to determine if the market is sensitive to commercial properties which offer access to a rooftop deck.

Access to Rooftop Deck				
Property #	Address	Rooftop Deck	No	Yes
1	116 Lupfer AVE Unit B	No	\$212	
2	116 Lupfer AVE Unit A	No	\$241	
3	114 E 2nd ST Unit C	Yes		\$248
4	235 Baker AVE Suite 102	No	\$225	
4	28 Lupfer AVE	No	\$271	
SUBJECT	140 Lupfer AVE	No		

(0) indicates the comp is similar

(-) indicates the comp is superior

(+) indicates the comp is inferior

Average Unit / Transaction

\$237	\$248
-------	-------

Adjustment

0	-
---	---

The market as reflected in these five sales is sensitive to this property characteristic and prefers commercial properties with access to a rooftop deck. This is also considered a view analysis. Property 3 has views of the mountains and filtered views of the Whitefish River.

Condition

The comparables are analyzed to determine if the market is sensitive to commercial properties with different interior condition.

Condition				
Property #	Address	Condition	Good	Average
1	116 Lupfer AVE Unit B	Good	\$212	
2	116 Lupfer AVE Unit A	Good	\$241	
3	114 E 2nd ST Unit C	Average		\$248
4	235 Baker AVE Suite 102	Average		\$225
4	28 Lupfer AVE	Average		\$271
SUBJECT	140 Lupfer AVE	Good		

(0) indicates the comp is similar

(-) indicates the comp is superior

(+) indicates the comp is inferior

Average Unit / Transaction

\$226	\$248
-------	-------

Adjustment

N/A	N/A
-----	-----

The market as reflected in these five sales is not sensitive to this property characteristic. This is not surprising as none of the properties are in either poor (or exceptional) condition. The differences are minor and are offset by other property characteristics.

Alley Access

The comparables are analyzed to determine if the market is sensitive to commercial properties which are accessed only via an alley.

Alley Access				
Property #	Address	Alley Access	No	Yes
1	116 Lupfer AVE Unit B	Yes		\$212
2	116 Lupfer AVE Unit A	Yes		\$241
3	114 E 2nd ST Unit C	No	\$248	
4	235 Baker AVE Suite 102	No	\$225	
4	235 Baker AVE Suite 102	No	\$271	
SUBJECT	140 Lupfer AVE	No		

(0) indicates the comp is similar

(-) indicates the comp is superior

(+) indicates the comp is inferior

Average Unit / Transaction

\$248	\$226
-------	-------

Adjustment

0	+
---	---

The market as reflected in these five sales is sensitive to this property characteristic and prefers commercial properties which are accessed via a named street. Properties 1 and 2 have a Lupfer AVE address, but are in fact on an unnamed alley. This might make them difficult for clients to locate.

Summary (As-If the Flooring is Refinished)

The table below lists each of the units of comparison that were analyzed. The bottom row of the following table indicates the overall comparison to the subject property. If the overall analysis indicates the comparable is inferior to the subject property there will be a (+) in the bottom row, a (0) if the comparable is similar to the subject or a (-) if the comparable is superior to the subject.

Summary of results of Sales Comparison Analysis					
	Sale 1	Sale 2	Sale 3	Sale 4	Sale 5
Item	116 Lupfer AVE Unit B	116 Lupfer AVE Unit A	114 E 2nd ST Unit C	235 Baker AVE Suite 102	28 Lupfer AVE
SF	0	-	-	+	0
# Floors	0	0	+	+	0
Highway Frontage	0	0	-	0	0
Parking	-	-	0	0	-
Lavatory	N/A	N/A	N/A	N/A	N/A
Rooftop Deck	0	0	-	0	0
Condition	N/A	N/A	N/A	N/A	N/A
Alley Access	+	+	0	0	0
Overall	+	-	-	+	-
Adj. Unit Price	\$212	\$241	\$248	\$225	\$271

Conclusion (As-If the Flooring is Refinished)

The comparables are now ranked from lowest value to highest value and the "Value Bracket" in the table indicates the appropriate range of value for the subject.

Conclusion		
Sale #	Address	Unit Value
1	116 Lupfer AVE Unit B	\$212
4	235 Baker AVE Suite 102	\$225
VALUE BRACKET		
2	116 Lupfer AVE Unit A	\$241
3	114 E 2nd ST Unit C	\$248
5	28 Lupfer AVE	\$271

Reconciliation (As-If the Flooring is Refinished)

The data of the per unit method indicates the subject property should have a unit market value more than \$225/SF and less than \$241/SF. This is a narrow range of values that is well supported by market data. Very generally, the property should fall in the middle between the two properties on 116 Lupfer (Sales 1 and 2). Further refinement of the conclusion is difficult. Within the value bracket, the middle range of is the most appropriate for this assignment.

When all of the items are factored into the valuation scenario, the fair market value of the subject property via the sales comparison approach is:

Market Value Opinion					
Unit Market Value	x	# Units	Unit	=	Market Value
\$230		1,315	SF	=	\$302,450
		Less Cost to Update Carpet			(\$2,327)
		Total Fair Market Value			\$300,123
			Rounded		\$300,000

FINAL RECONCILIATION

The As-Is Fair Market Value upon of the subject property has been appraised using two approaches to value: the income approach and the sales comparison approach. The following is a summary of the value indications from the two approaches to value.

Summary of Values	
Approach	Value
Cost	N/A
Income	\$260,000
Sales Comparison	\$300,000

Conclusion

Given the very limited number of single-tenant office spaces which trade in the area, I am concluding the sales comparison approach is the most relevant as it reflects the most typical market participant. Therefore, my final reconciliation value for eth subject property is:

TWO HUNDRED NINETY THOUSAND DOLLARS

\$290,000

EXPOSURE TIME AND MARKETING PERIOD



Within the preceding sales comparison approach, the marketing periods of the individual comparable sales were illustrated. The marketing period for the sales ranged from roughly six months to nearly two years. The most recent sale shows a time on market of slightly over six months. Given the reconciled amount is slightly less than the amount shown by the sales comparison approach the marketing and exposure time are both concluded to be the same..

Exposure time is the length of time that the property would have been exposed on the market to achieve the opinion of market value. The exposure time is based upon comparable sales within this report as well as discussions with real estate brokers and developers. The most reasonable indication of suitable exposure time is nine to fifteen months.

The marketing period of the subject property has been estimated at nine to fifteen months. The marketing period is the length of time that the property would need to be put on the market to achieve the opinion of market value of the subject property. The marketing period has been based upon comparable sales and takes into consideration the future supply and similar property types in the subject's market area. It also assumes prudent marketing and an asking price (list price) similar to the market value opinion.

ADDENDA

SUBJECT PHOTOGRAPHS

 A photograph of an empty upstairs interior room. The room features light-colored walls, a vaulted ceiling, and dark wood plank flooring. Yellow-painted trim is visible around the windows and along the base of the walls. A white door is located on the right side of the room. Natural light enters through three windows.	<p>Upstairs interior</p>
 A photograph of a lavatory (bathroom). It includes a white vanity with a wooden countertop and a white toilet. A skylight is positioned above the toilet, providing natural light. A chrome toilet paper holder with a roll of paper is on the right. The floor is made of dark wood.	<p>Lavatory</p>




	<p>Lavatory</p>
	<p>Main Level</p>



South elevation as seen from unnamed alleyway.



West elevation (rear of property). Unnamed alleyway shown on right side of photo.

	<p>Street view looking north on Lupfer Avenue. Subject is on the left out of the image.</p>
	<p>Mechanical under the crawl space.</p>
	<p>View looking NE +/- from second level.</p>

ATTACHMENT A (SCOPE OF WORK)
ATTACHMENT B (SUPPLEMENTAL INSTRUCTIONS)

ATTACHMENT A

Scope of Work for Appraisals of Potential Property Sales through the Land Banking Program: Sale # 1048 in Flathead County

CLIENT, INTENDED USERS, PURPOSE AND INTENDED USE:

The clients and intended users are the State of Montana, the Montana Board of Land Commissioners and the Department of Natural Resources and Conservation (DNRC). The purpose of the appraisal is to provide the client with a credible opinion of current fair market value of the appraised subject properties and is intended for use in the decision making process concerning the potential sale of said subject properties.

DEFINITIONS:

Current fair market value. (12 C.F.R. § 34.42 (h)) Market value means the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- (1) Buyer and seller are typically motivated;
- (2) Both parties are well informed or well advised, and acting in what they consider their own best interests;
- (3) A reasonable time is allowed for exposure in the open market;
- (4) Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- (5) The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

Highest and best use. The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum profitability.

PROPERTY RIGHTS APPRAISED:

State of Montana lands are always to be appraised as if they are in private ownership and could be sold on the open market and are to be appraised in Fee Simple interest. For analysis purposes, properties that have leases or licenses on them are to be appraised with the Hypothetical Condition the leases/licenses do not exist.

EFFECTIVE DATE OF VALUATION AND DATE OF INSPECTION:

The latest date of inspection by the appraiser will be the effective date of the valuation.

SUBJECT PROPERTY DESCRIPTION & CHARACTERISTICS:

The legal descriptions and other characteristics of the state's property that are known by the state will be provided to the appraiser. However, the appraiser should verify, as best as possible, any information provided. Further, should any adverse conditions be found by the appraiser in the course of inspecting the property and neighborhood, or through researching information about the property, neighborhood and market, those conditions shall be communicated to the clients and may change the scope of work required.

ASSIGNMENT CONDITIONS:

The appraiser must be a Montana certified general appraiser, and be competent to appraise the subject property. The appraisal is to conform to the latest edition of USPAP, and the opinion of value must be credible. The appraiser is to physically inspect the subject properties at a level that will allow the appraiser to render a credible opinion of value about the properties. The appraiser must have knowledge of the comparables through either personal inspection or with use of sources the appraiser deems reliable, and must have at least viewed the comparables.

The appraiser will consider the highest and best use of the subject properties. (Note: It may be possible that because of the characteristics of a subject property or market, there may be different highest and best uses for different components of the property. Again, that will depend on the individual characteristics of the subject property and correlating market. The appraiser must look at what a typical buyer for the property would consider.)

Along with using the sales comparison approach to value in this appraisal (using comparable sales of like properties in the subject's market or similar markets), the appraiser will also consider the cost and income approaches to value. The appraiser will use those approaches, as applicable, in order to provide a credible opinion of value. Any approaches not used are to be noted, along with a reasonable explanation as to why the approach or approaches were not applicable.

The appraisal will be an Appraisal Report, as per USPAP, that will describe adequately the information analyzed, appraisal methods, and techniques employed, and reasoning that support the analyses, opinions, and conclusions. All hypothetical conditions and extraordinary assumptions must be noted. The appraiser will provide one appraisal report that includes analysis and appraised values of the parcel identified in the Supplemental Appraisal Instructions.

The appraisal on the state's lands must include state-owned improvements in the valuation, but exclude lessee-owned or licensee-owned improvements within the commercial townhouse in the valuation. All appraisals are to describe the market value trends, and provide a rate of change, for the markets of each subject property. Comparable sales used should preferably have sales dates within one year of the appraisal and should not be over three years old. The comparable sales must be in reasonable proximity to the subject, preferably within the same county or a neighboring county.

ATTACHMENT B

MONTANA DNRC TRUST LAND MANAGEMENT DIVISION Supplemental Appraisal Instructions

The Scope of Work and Supplemental Appraisal Instructions are to be included in the appraiser's addendum.

Subject Properties (Located in Flathead County): Commercial Townhouse located at 140 Lupfer Avenue, Whitefish, Montana.

Sale #	Acres ±	Legal Description
1048	.043±	Lot 1 of Lupfer Townhouses T31N-R22W, Sec. 36

DNRC Contact Information:

Anne Moran, Real Estate Specialist
Kalispell Unit, Northwest Land Office
655 Timberwolf Parkway, Ste. 2
Kalispell, MT 59901
Phone: 406-751-2274
asmoran@mt.gov

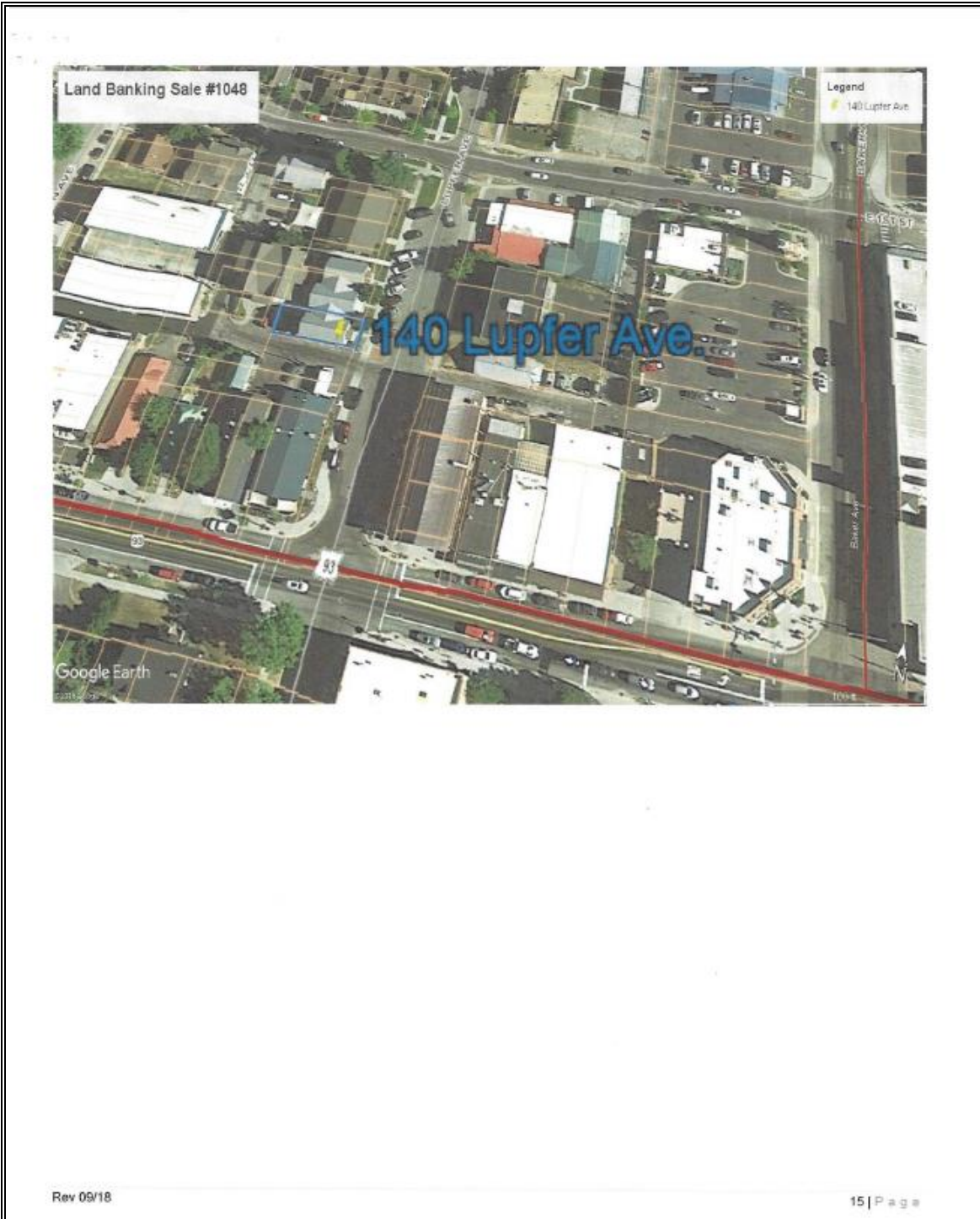
Mark Harvel, Real Estate Specialist
Real Estate Management Bureau
PO Box 201601
Helena, MT 201601
Phone: 406-444-1445
mharvel@mt.gov

The following will be located in the body of the contract:

The appraisal report will be one document containing the parcel data and the analysis, opinions, and conclusions of value(s) for the parcel(s). If deemed necessary by the contractor rather than including the specific market data in the appraisal report, a separate addendum may be submitted containing the specific market data as a stand-alone document, which must be reviewed and accepted along with the appraisal, and may be returned to the appraiser for retention in his/her files upon request. The appraiser must submit an electronic copy as well as a printed copy of the appraisal report.

The definition of market value is that as defined in 12 C.F.R. § 34.42 (h).

The DNRC will provide access to each state parcel record, as maintained by the land offices, including but not limited to aerial photos, land improvements, current lease data (lease #, name of lessee, AUMs, acres, costs, etc.), property issues, surveys (if any), and production history. The local land office will provide the contract information to the appraiser in order for the appraiser to obtain access to the proponent's property.



GENESIS KITCHEN LEASE

DEPARTMENT OF NATURAL
RESOURCES AND CONSERVATION
NORTHWESTERN LAND OFFICE



STEVE BULLOCK, GOVERNOR

STATE OF MONTANA

KALISPELL UNIT
655 Timberwolf Parkway, Suite 2, Kalispell, MT 59901
Phone: (406) 751-2241, Fax: (406) 751-2286

POLSON FIELD OFFICE
PO Box 640, Polson, MT 59860
Phone: (406) 883-3960, Fax: (406) 883-1874

September 25, 2018

Mr. David Cohen
Genesis Kitchen
140 Lupfer Ave.
Whitefish, MT 59937

Dear Mr. Cohen:

**RE: Special Lease of State Land #3053439
Townhome and land located at 140 Lupfer Avenue, Whitefish, MT**

We are sending you this letter to provide you information on upcoming plans for the townhome currently leased to Genesis Kitchen under Lease #3053439 ("Lupfer Townhome"), specifically renewal options for the upcoming expiration of the Lease and DNRC's intent to nominate the Lupfer Townhome for sale through the land banking program.

1. Lease Renewal/Extension Option

Our records indicate that your lease will expire on September 30, 2018. The Department wishes to offer you an opportunity to extend the lease to a month-to-month status for a maximum of eight months. The renewal described in this part would have a lease fee based on the same annual increase of 2% that is reflected in lease Amendment 1. The monthly fee will be \$1,433 (translating to an annual fee of \$17,192).

Lease Section 5. RENEWAL LEASE provides "...should the Director in his/her discretion decide it is in the best interest of the State not to renew this lease the Lessor shall notify the lessee at least four (4) months prior to the expiration of the lease of such decision, and the lessee shall have no renewal rights.

NOTICE: This letter shall serve as notice in accordance with Lease Section 5. RENEWAL LEASE, that upon expiration of the above described 8-month lease extension, you will have no further renewal rights.

If you wish to renew this lease, please follow the directions below on the enclosed application:

- ☐ Answer all the questions fully.
- ☐ Sign the application before a notary public.
- ☐ Send a \$50.00 application fee with the application.
- ☐ **Application for renewal must be returned to this office postmarked prior to lease expiration on September 30, 2018.**
- ☐ Name changes cannot occur during the renewal process. Once the lease has been renewed, names can be added or deleted through our assignment process.

"AN EQUAL OPPORTUNITY EMPLOYER"

Page 2
Moran/Cohen
September 25, 2018

Within 30 days of receipt of the application for renewal, the Department will provide you with a lease amendment to extend the lease terms in accordance with this Notice. The lease amendment will also establish a 60-day timeframe for the refund of, and/or the itemization of applicable expenditures from, your \$2,000 performance deposit, upon expiration of the lease or early termination by Lessee.

2. Land Banking Sale

Sale of State trust land and trust owned buildings, such as the Lupfer Townhome, are conducted through a public auction. Prior to the auction, the sale must be presented to the Montana State Board of Land Commissioners (Land Board) for their approval twice: first for preliminary approval, and second to set the minimum bid for the auction. After the auction, the sale will be presented to the Land Board a third time for final approval.

In the coming months, the Department will begin preliminary work for a Land Banking Sale nomination. This will include but may not be limited to a building inspection, an appraisal, and potential purchaser access. These steps will require access to the building during regular business hours. We will contact you in advance to arrange any access necessary outside regular business hours. The Department, or its contractors, will contact you to coordinate anticipated site visits as a courtesy. After the inspection, the Department will present the property to the Land Board for preliminary approval for sale. The earliest date anticipated for the Land Board is November 14, 2018. If the Land Board preliminarily approves the sale, the Department will contract for an appraisal, and the appraised value will be presented to the Land Board to set minimum bid for an auction. After the bidding process and auction are complete, the sale will be presented to the Land Board one last time for their vote on final approval. If final approval is received, the sale will proceed to closing.

If the minimum bid is approved by the Land Board, the earliest possible date for an Auction will be in June of 2019.

Please contact me at 406-751-2274 with any questions you have on the Lease Renewal Option or the Land Banking Sale process. Thank you.

Sincerely,



Anne Shaw Moran
Real Estate Specialist
DNRC-Kalispell Unit

cc: REMB-Lease Section
REMB-Lands Section
KU File 3053439

ENGAGEMENT LETTER

QUALIFICATIONS OF APPRAISER



Wayne Valentic, MAI
1236 Columbia Falls Stage
Columbia Falls, MT 59912

wayne@pathfinderappraisals.com
(406) 407-3007

Montana Certified General Appraiser # 959
Member REALTOR
MAI Member, Appraisal Institute
State of Montana Approved Mentor



APPRAISAL EMPLOYMENT HISTORY

Owner of Pathfinder Appraisals, Columbia Falls, Montana June 2015 to present
Frazier Appraisal Services, Whitefish, Montana June 2011 to June 2015
Lubawy and Associates, Las Vegas, Nevada 2008 to June 2011
Self-Employed Appraiser, Sparks, Nevada 2005 to 2008

SPECIALIZED EDUCATION

Institute for Real Estate and Appraisal Studies

Basic Appraisal Education 2005

Appraisal Institute:

Basic Income Capitalization 5/2007
General Applications 6/2007
Advanced Income Capitalization 6/2007
General Appraiser Market Analysis and Highest and Best Use 11/2007
Spotlight on Common Errors and Confidentiality USPAP Issues 6/2008
General Appraiser Site Valuation and Cost Approach 1/2010
General Appraiser Income Approach 1 1/2010
7 hour USPAP 1/2010
Business Practices and Ethics 3/2010
General Appraiser Income Approach 2 4/2010
General Appraiser Report Writing and Case Studies 6/2010
General Appraiser Report Writing and Case Studies 6/2010
General Appraiser Sales Comparison Approach 7/2010
Advanced Concepts and Case Studies, 2/2013
Successful Completion of General Comprehensive Examination 9/2014
General Demonstration Report Writing 11/2014

McKissock:

Appraisal of Land Subject to Ground Leases 1/2015

Appraisal of Assisted Living Facilities 2/2015

Appraisal of Self-Storage Facilities 2/2015

The Cost Approach 2/2017

Appraisal of Limited Service Hotels 1/2017

Appraisal of Owner-Occupied Commercial Properties 2/2017

