

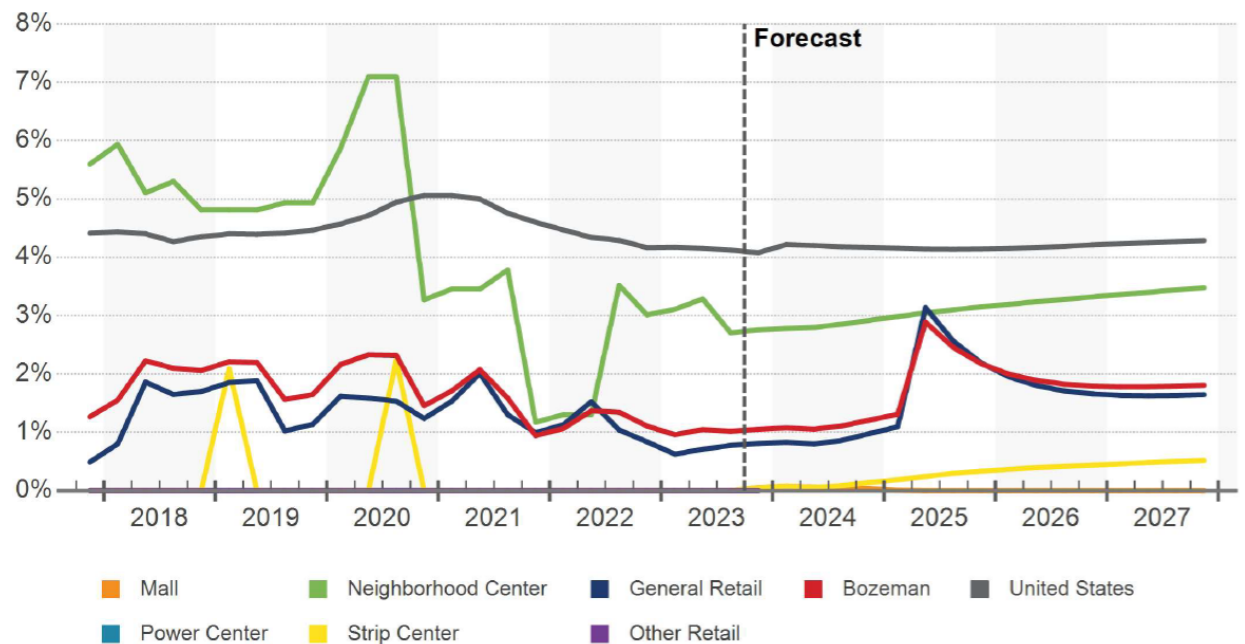
BOZEMAN, MT

RETAIL

Retail is ending the year strong in Bozeman and the surrounding areas. With a vacancy rate of just 1.0% and 12-month net absorption of 123K square feet, it makes sense that asking rental rates have continued to rise. Following a 3-year upward trend of a cumulative 9% increase, rents have risen nearly 2.7% from this time last year and currently average about \$19.10/SF. This is still below the national average of about \$24.50. There is approximately 150,000 SF of general retail space presently under construction (a 2.3% increase in total inventory). Among the submarkets, General Retail is the largest with just under 4.9 million SF (and a vacancy rate of approximately 0.8%). Neighborhood centers make up the next biggest sector with just over 1 million SF, but with considerably higher vacancy rates of 2.7% comparatively. Malls and strip centers follow, both currently without any availability. 2023 retail sales volume was relatively unimpressive, with 15 transactions recorded in the past 12 months totaling \$14.4 million (well below the 5-year annual average of \$21.4 million).

As 2024 approaches, low vacancy rates and increased asking rents are expected to continue.

VACANCY RATE



*All data points sourced from CoStar 2023



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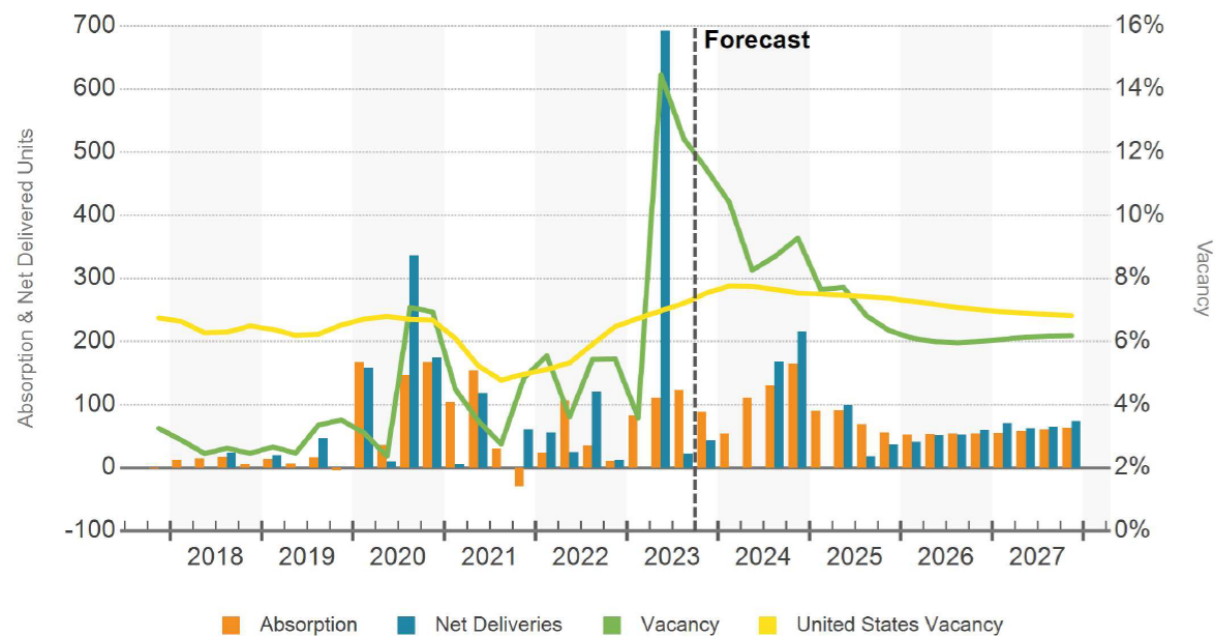
BOZEMAN, MT

MULTIFAMILY

Multifamily construction in Bozeman and the surrounding areas continued to boom at the start of 2023 in response to both the existing housing crisis in the region, and the influx of new residents pouring in over the past few years. In fact, new construction comprised nearly 24% of the entire market during Q1. Since then, 763 units have been delivered with 483 units still in the pipeline across 3 additional properties (Yellowstone Landing, an ERES project, is expected to deliver in the third quarter). While the year began with incredibly low vacancy rates, as new product has hit the market, the area has seen a 6.4% increase in vacancy, raising the current average to 11.8%. Despite this, net absorption has risen, as well, currently sitting at 390 units over the past 12 months. Asking rents currently sit at an average \$1990/month. While this is a 2.9% decrease year-over-year, it's still a 13.3% increase over the past 3 years. There have been only 6 multifamily sales this year, totalling approximately \$9.7MM (averaging \$210K/door - lower than U.S. average) with an average cap rate of 6.4%.

ERES predicts that 2024 will have good things in store for the greater Bozeman multifamily market, overall. While sales volume will likely continue to slow as cap rates continue rising, the population in the region is also expected to keep growing. This means that expanded supply may be met by demand and net absorption rates should also keep climbing.

ABSORPTION, NET DELIVERIES & VACANCY




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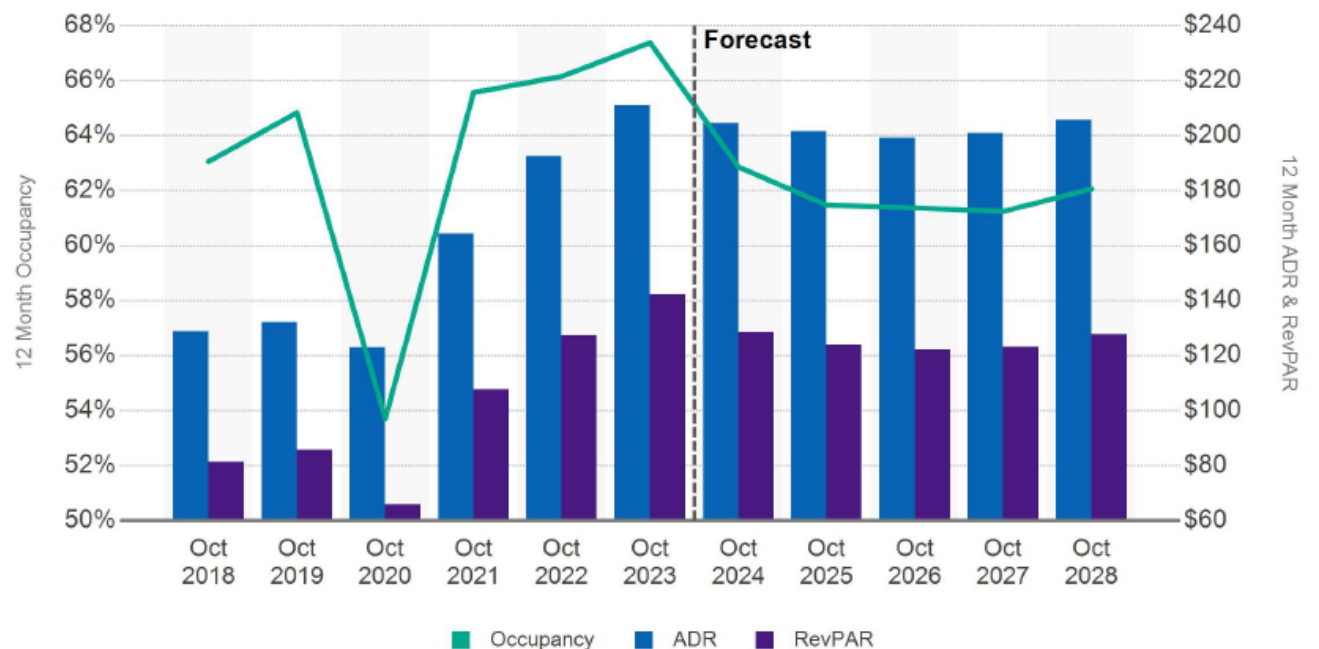
GALLATIN & PARK COUNTIES

HOSPITALITY

The hospitality market in Gallatin and Park Counties started the year off strong, continuing with the high occupancy trends that began post-pandemic. The 12-month occupancy rates in the region remain high, falling in at around 67.4% as the year comes to a close. This is considerably higher than the 61.5% seen in the broader local market, and higher, as well, than the national average of 66% (as of September 2023). Average daily rates have jumped to \$211.04, and 12-month RevPAR sits at \$142.19. 120 +/- rooms have been delivered over the past year and construction shows no signs of slowing. There are still currently just under 600 units in the pipeline.

The forthcoming increase in supply is expected to lead to slightly lower occupancy rates (-6.2%), average daily rates (-2.8%) and RevPAR (-8.8%) as we move into 2024 without any major fluctuations in demand. However, bolstered by the strength of the past few years, the hospitality market should continue to remain strong and will likely recover from these back steps fairly quickly.

OCCUPANCY, ADR & REVPAR



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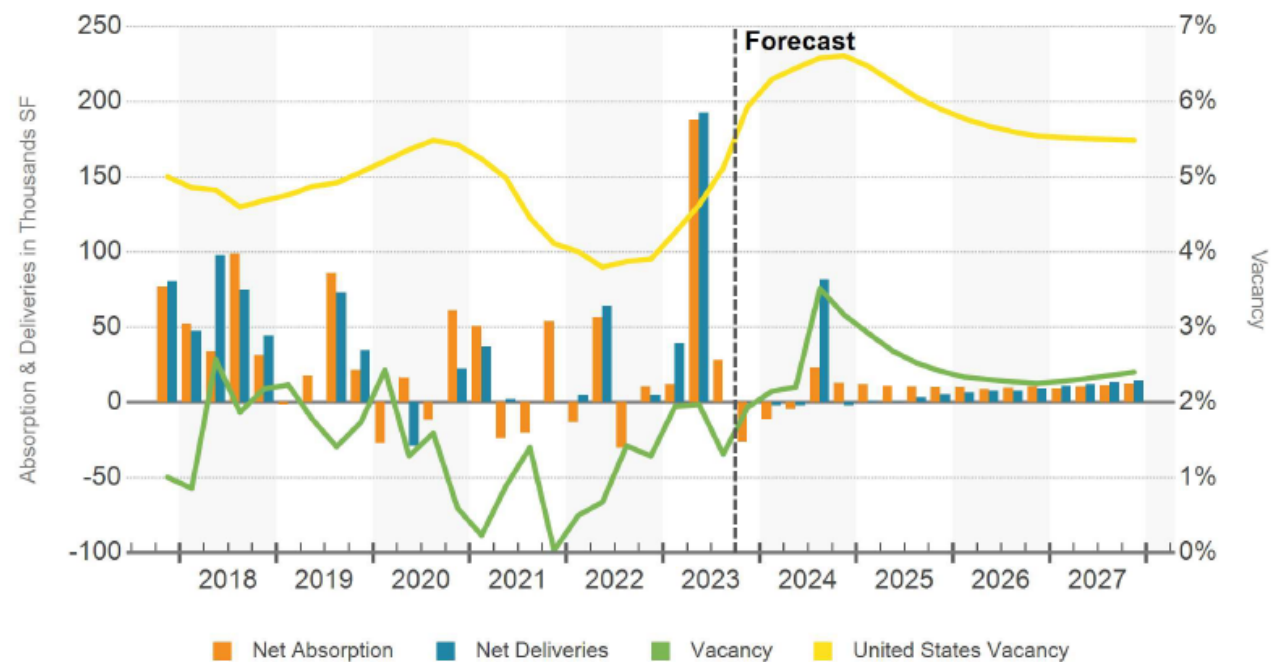
BOZEMAN, MT

INDUSTRIAL

Industrial in Bozeman has historically been hard to come by, but 2023 brought a whole new set of challenges. As the Gallatin Valley experienced robust employment growth and a rise in e-commerce, demand was far outweighing supply at the start of the year. Despite the delivery of 234,000 SF of industrial space over the past 12 months and another 87,000 currently under construction, this imbalance seems likely to remain. Vacancy rates sit at 1.7%, considerably lower than the national average of 4.6% and representing only a fractional increase of 0.4% since this time last year. In fact, nearly 210,000 SF has been absorbed. Only 2.8% of existing space (including subleases) is currently available. Rents in the region have increased 3.6% over the past 12 months, averaging \$12.30/SF (also higher than the national average of \$11.80/SF). There have been 51 industrial sales transactions recorded over the past 3 years, leading to a current market cap rate of 8.9%.

Though more space will hit the market in 2024, 47.8% of the projected inventory is already pre-leased. In other words, the battle for industrial space in Bozeman has only just begun.

NET ABSORPTION, NET DELIVERIES & VACANCY




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