

## **MARICOPA COUNTY, ARIZONA**

### **General Real Estate Market Comments:**

Per R. L. Brown's *The Phoenix Housing Market Letter*, a total of 38,914 housing permits were issued in 2002, an all time record for the Phoenix metro area, and up nearly 8% from 2001's 36,151 permits. Since most, (but not all), of these new subdivisions are built on farmland, there has been a large amount of IRC 1031 Exchange funds available to be reinvested into the more rural farmland areas of the County. With relatively weak cotton, grain, and milk prices in 2002 and early 2003, most farmers and dairymen cannot afford to expand their land holdings, unless IRC 1031 Exchange funds were available to replace the farm or dairy sold, or there were strong equity positions for borrowing.

The rural - farmland areas of the County saw a relatively stable amount of sales activity in 2002, as compared to the prior year. The primary purchasers of farmland in the non-metro areas are farmers relocating or expanding, dairymen purchasing for future relocation or expansion, with some minor to modest long term investor activity closer to the metro fringe areas, or developers taking that one step further out of the metro area looking for cheaper land.

Farmland sales activity for 2003 will likely remain static to possibly slowing slightly with the economy, as compared to 2002, and price trends for the balance of 2003 will likely remain at 2002 levels, with some upward trends possible if IRC 1031 funds are available. Keep in mind that we are not creating any new farmland, so as we build on the existing farmland, competition for the remainder has kept prices relatively strong.

As we start 2003, cotton, grain and milk prices are reasonably close to the same price patterns as this time last year. While cotton and hay commodity prices are actually above year ago levels, they are not at profitable levels. Hay prices are about equal to or stronger than a year ago.

2002 saw a relatively flat trend in cash farmland rental rates in Maricopa County. While some of our irrigation districts may not have the same water supplies available this year as they have had in prior years, rents have not shown any weakness at this point. But planted acres may have to be reduced from prior years in the districts where supplies are short. If we do not see a replenishment of the watersheds in Arizona and the Colorado River system, 2004 could be a rough year for agricultural producers.

The following table provides a general farmland sale price and rental rate range and trend for 2002 and early 2003, in the major irrigation districts or farming areas of Maricopa County, as well as current water and assessment charges:

<b>Irrigation District</b>	<b>Water Source/Cost</b>	<b>Sale Price per Acre</b>	<b>Sale Price Activity/Trend</b>	<b>Rent Range per Acre</b>	<b>Rental Activity/Trend</b>
<b>Salt River Project</b>	Surface \$10/AF Pumped \$33/AF  \$20/ac. Asses	\$35,000 to \$100,000+ (demand for development)	Strong/Up (Non-Ag Influence)	\$150 to \$200, But higher if suitable for specialty crops	All Rented /Stable to increasing slightly.
<b>Buckeye I.D. (Metro Fringe &amp; Non-Metro)</b>	Surface/Effluent \$13/AF (Could go up.)  \$4/ac. Assess.	\$7,000 to \$18,000+ (Farmer/ Dairymen & residential development)	Strong/ Increasing	\$150 to \$200+	All Rented/ Stable to increasing slightly.
<b>Roosevelt I.D. (Metro Fringe &amp; Non-Metro)</b>	Pump and Surface \$23/AF \$15/ac. Assess.	\$6,500 to \$60,000+ (Farmer/ Dairymen & residential development)	Strong/ Increasing (Primarily Non-Ag Influence)	\$100 to \$150 is typical range, a few noted to \$175	Good/Stable to slight increases within the range.
<b>Roosevelt W.C.D. (Southeast Valley Metro Fringe Area)</b>	Pump and Surface \$20/AF  \$20/ac. Assess.	\$40,000 to \$90,000+ (Developer/ builder/ investor demand)	Strong/Up (Non-Ag influence)	Primarily \$150, some observed to \$200	All Rented/ Stable to increasing slightly within the range.
<b>Harquahala Valley I.D. (Non Metro)</b>	Pump and excess C.A.P. \$38/AF \$11/ac. Assess.	\$1,100 to \$1,500 (Farmer & water right investors)	Static/Stable prices. (Ag demand)	\$35 to \$100 Varying w/Gov. payment \$65 to \$75 is typical	Stable when compared to prior years.
<b>Queen Creek I.D. (SE Valley Metro Fringe Area)</b>	Pump and C.A.P. \$32/AF.  \$0/ac. Assess.	\$20,000 to \$40,000 (Invest/dev. demand)	Strong/Up (Suburban Non-Ag influence)	\$60 to \$100	Good/Stable.
<b>Maricopa Water District (NW Valley Area)</b>	Surface & Pump \$36/AF  \$6/AC Assess.	\$11,000 to \$15,000 w/in Noise Zones; \$35,000 to \$70,000 out. (Invest/dev. demand)	Strong/Up (Suburban Non-Ag influence)	\$60 to \$100	Good/Stable
<b>Desert Pump Farms (Non-District, rural - SW County)</b>	Pump (Shallow to Deep Lift) \$7 to \$50/AF  No Assess.	\$800 to \$3,500 (Varying w/ water costs & supplies, location.)	Minor/Stable	\$75 to \$150 Varying w/Gov. payments and water cost, \$75 to \$125 is typical	Stable.
<b>Paloma Irrigation &amp; Drainage District</b>	Surface Diversions & Pump \$20/AF  Assess. @ \$12 to \$15/ac.	\$800 to \$1,400	All farmland sold, no current activity.	\$25 to \$100  Typical is \$60 to \$85/ac.	Stable.

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