

AGRICULTURAL LAND VALUE
AND RENTAL RATE TRENDS
MARICOPA COUNTY, ARIZONA

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General RE Market Trends

- The 2011 and early 2012 raw land market is one that can be summarized as being very similar to 2009 and 2010, activity is down dramatically from 2004, 2005 and 2006. Prices are down, but we appear to have bottomed out, especially for irrigated cropland.
- With strong commodity prices, farmers and dairy operators have been buying cropland. Some are cash purchases, others are a combination of equity with financing. Cash is king. Outlying desert parcels or parcels with improvement district assessments are still subject to soft demand.
- Home builder and developer acquisitions are still a relatively minor portion of the raw land market. We observe that while most residential developers and home builders continue delaying bringing new residential projects on-line due to the soft demand for new single family residential units, a few new projects have come on line, and we observe a few new rooftops in these projects, as well as in subdivisions that were not completely built out. But we still have some lender owned residential projects on the market or coming to market. This is especially true for those projects that are further in distance from employment centers. In-fill areas are the exception.

General RE Market Trends

- Investor acquisitions are relatively steady in 2011 and early 2012, but at modest levels as compared to 2001 through 2006.
- Solar project developers have cut back their site acquisitions in 2011.

General Farmland & Farming Market Comments

- Farmland sales activity for 2012 will probably continue at the modest levels observed in 2010 and 2011. Keep in mind that we are not creating any new farmland, so as we build on the existing farmland, competition for the remainder will keep prices relatively firm to increasing slightly. However, most of the Maricopa County farmland is priced at levels that still cannot be supported solely by agricultural production.

General Farmland & Farming Market Comments

- As we start 2012, small grains and corn commodity prices are strong, and only modestly the peak of early 2011; alfalfa hay prices are stronger as compared to the prior year, and the demand for all of the feed commodities for dairy, feedlot, horse and export uses are strong. These commodity prices are anticipated to hold these current price levels through 2012. While cotton prices have softened from early 2011 price levels, we expect planted acreages to increase for cotton in 2012 as compared to 2010 and 2011, primarily due to the limited supplies of irrigation water that some districts are experiencing. Cotton prices in the near term delivery market in January of 2011 were in the \$1.50 to \$1.70 per pound range, as of January 2012 they are in the \$.95 per pound range. Milk prices strengthened in 2011, but have softened modestly in late 2011 and early 2012. However, the increasing grain, hay and cotton seed markets are pushing up the cost of milk and beef production. Most dairies are operating at or below breakeven levels, but nowhere near the level of the heavy cash bleeding we observed in 2008 and 2009.

Farmland & Ag Market Comments

- Costs of crop inputs are increasing moderately, especially fuel, fertilizer, energy, equipment and other chemicals.
- Since 2010 and into early 2012, we are observing a trend of increasing prices for cash farmland rental rates in Maricopa County for most areas, especially those areas with the lowest water costs. Due to the absorption of cropland for development in prior years, and the strong commodity prices observed in 2011 and early 2012, rental rates have shown increases as tenant farmers compete for the smaller supplies of available farmland.

Farmland & Ag Market Comments

- In some of our irrigation or power districts that receive hydroelectric power, the drought on the Colorado River and its tributary system has caused not only a reduction in available water supplies, but also a reduction in the amount of low cost hydro power being generated, which is forcing the electrical power districts to purchase power in the spot market at higher rates. Some districts report electrical rate increases that have totaled an accumulative 35 to 45% over the last 7 years.
- Some irrigation districts have increased water costs to the farmers, either pumped or surface water, from 2006 into 2012. Some districts have increased assessments to have the funding available to repair the districts' wells or to drill new wells, so that water delivery levels can be maintained to the growers. CAP water supplies we be reduced due to the drought.

Farmland & Ag Market Comments

- The following table provides a general or typical farmland sale price and farmland rental rate range and trend for 2011 and early 2012, in the major irrigation districts or farming areas of Maricopa County, as well as current water and assessment charges. Please keep in mind that most of the land prices still reflect price trends based on anticipated future non-agricultural uses.
- Note: Pumping costs reported for farmer owned wells are energy only.

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SALT RIVER VALLEY WATER USERS ASSN. (SRP) MARICOPA COUNTY

ASSESSMENT: *\$29.00/ACRE*

WATER COSTS:

STORED/NORMAL FLOW: *\$14.50/AF*

DISTRICT PUMP WATER: *\$45/AF*

SUPPLEMENTAL WATER: *Unknown*

SALE PRICE RANGE: *\$15,000-\$180,000+/AC*

RENTAL RANGE: *\$175 TO \$300+/ACRE*

TRENDS & ACTIVITY: The entire district is part of the Phoenix metro area, and land prices are based on urban/suburban land uses. Activity is slow, prices appear to be stabilizing. Rents are stable to increasing. District farmland is fully occupied. Water availability in 2012 will be adequate. Water costs are similar to 2011. Assessment payment is credited towards initial water purchases.

BUCKEYE WATER CONSERVATION AND DRAINAGE DISTRICT (BID) MARICOPA COUNTY

- ***ASSESSMENT:*** *\$5.68/ACRE*

- ***WATER COSTS:***
 - *SURFACE:* *\$15.50/AF*
 - *PUMPED:* *\$17.50/AF*

- ***SALE PRICE RANGE:*** *\$8,500-\$15,000+/AC*

- ***RENTAL RANGE:*** *\$150 TO \$260+/ACRE*

- ***TRENDS & ACTIVITY:*** *2012 sales activity is modest, prices appear to be stabilizing. Sand and Gravel activity in the Gila River corridor is non-existent. District farmland is fully occupied. Rents are increasing. Water availability in 2012 should be adequate water costs are similar to 2011.*

ROOSEVELT IRRIGATION DISTRICT (RID) MARICOPA COUNTY

- **ASSESSMENT:** *\$17.10/ACRE*

- **WATER COSTS:**
 - *DISTRICT:* *\$40/AF*
 - *ON FARM WELLS:* *\$30 TO \$55/AF*

- **SALE PRICE RANGE:** *\$6,500-\$15,000+/AC*

- **RENTAL RANGE:** *\$125 TO \$200+/ACRE*

- **TRENDS & ACTIVITY:** *The district is in the west Phoenix-Mesa metro areas of Avondale, Buckeye and Goodyear, and land prices are based on urban/suburban land uses. Activity was is modest in 2011 and early 2012, prices appear to be stabilizing. Rents are stable to, District farmland is fully occupied. District water supplies should be adequate in 2012. Water and assessment costs are equal to 2011.*

ROOSEVELT WATER CONSERVATION DISTRICT (RWCD) MARICOPA COUNTY

- **ASSESSMENT:** *\$90.35/ACRE*

- **WATER COSTS:**
 - *DISTRICT :* *\$20/AF*
 - *ON FARM WELLS:* *\$40 TO \$65/AF*

- **SALE PRICE RANGE:** *\$40,000-\$150,000+/AC*

- **RENTAL RANGE:** *\$150 TO \$200+/ACRE*

- **TRENDS & ACTIVITY:** *The district is in the eastern segment of the Phoenix-Mesa metro area, and land prices are based on urban/ suburban land uses. Activity is modest, prices appear to be stabilizing. Rents are stable to increasing within the range. District farmland is fully occupied. District water availability will be adequate in 2012. Assessments and water costs in 2012 are similar to 2011.*

HARQUAHALA VALLEY IRRIGATION DISTRICT (HVID) MARICOPA COUNTY

- *ASSESSMENT:* *\$12.68/ACRE*

- *WATER COSTS:*
 - *DISTRICT (CAP):* *\$48/AF*

 - *ON FARM WELLS:* *\$43 - \$70/AF*

- *SALE PRICE RANGE:* *\$?- \$8,000/AC*

- *RENTAL RANGE:* *\$50 TO \$150/ACRE*

- *TRENDS & ACTIVITY:* *District is outside of urban development influence, but water and land speculation had been very active in this district into 2006, but 2011-12 activity is negligible. Rents are stable to increasing, but the higher end of the range represents farms with good well water supplies or drip irrigation. CAP water availability will be equal to 2011, (1±af). On-farm wells are available on most farms, but not all farms have adequate water supplies for all tillable acres. 2012 District assessments and water costs are similar to 2011.*

QUEEN CREEK IRRIGATION DISTRICT MARICOPA COUNTY

- **ASSESSMENT:** *\$0/ACRE*

- **WATER COSTS:**
 - *DISTRICT (CAP):* *\$57/AF*
 - *ON FARM WELLS:* *\$48 TO \$75/AF*

- **SALE PRICE RANGE:** *\$20,000-\$40,000+/AC*

- **RENTAL RANGE:** *\$100 TO \$200/ACRE*

- **TRENDS & ACTIVITY:** *Both the Pinal and Maricopa County portions of the District are subject to urban/suburban influence. Activity is modest, prices are stabilizing. Rents are increasing. District farmland is fully occupied. 2012 water availability and assessments are the same as 2011, water charges are up.*

MARICOPA WATER DISTRICT

MARICOPA COUNTY

- *ASSESSMENT:* *\$0/ACRE*

- *WATER COSTS:*
 - *DISTRICT* *\$40/AF*
 - *ON-FARM WELLS* *\$45-\$80/AF*

- *SALE PRICE RANGE:* *\$17,000-\$85,000+/AC*

- *RENTAL RANGE:* *\$100 TO \$200+/ACRE*

- *TRENDS & ACTIVITY:* *District is in urban/ suburban influence of Surprise/Sun City Grand/Glendale/Peoria. Activity is modest, prices are stabilizing. Prices at the lower end of the range are impacted by Luke Air Force Base noise- crash zones. Rents are stable to increasing, and vary with suitability for specialty crops. District farmland is fully occupied. 2012 water supplies will be normal, water costs are higher.*

TONOPAHA IRRIGATION DISTRICT MARICOPA COUNTY

- *ASSESSMENT:* *\$1/ACRE*

- *WATER COSTS:*
 - *DISTRICT (CAP)* *\$30/AF*
 - *ON-FARM WELLS* *\$43-\$75/AF*

- *SALE PRICE RANGE:* *\$?- \$10,000/AC*

- *RENTAL RANGE:* *\$75 TO \$200+/ACRE*

- *TRENDS & ACTIVITY:* *District is outside of near term urban/suburban influence of the Phoenix-Mesa metro area. The investor/ speculator activity that heated up in 2004 through 2006 has cooled significantly, land prices declined. Rents are increasing, and vary with developed well water supplies. District farmland is fully occupied. CAP water is cheaper than the well water, so most operators will buy as much CAP water as they can. Water supplies for 2012 will be adequate.*

RURAL – PUMP FARMLAND
(NON-DISTRICT)
WESTERN MARICOPA COUNTY AREAS

- **ASSESSMENT:** *N/A*
- **WATER COSTS:** *\$17 - \$100+ / AF*
- **SALE PRICE RANGE:**
 - *Gila Bend to Hyder areas:* *?* / AC
 - *Cotton Center to Gila Bend:* *\$9,000 / AC*
 - *Rainbow Valley area:* *?* / AC
- **RENTAL RANGE:** *\$25 TO \$175 / ACRE*
- **TRENDS & ACTIVITY:** *Some of these farmland areas are outside of the sphere of urban influence. Activity is negligible, but in some areas there is no activity to discover current price levels. The better farms are fully leased; the poor quality farms have only portions leased. Quality of water and soils can vary greatly between the different areas. Pumping water costs are up.*

ARLINGTON CANAL COMPANY MARICOPA COUNTY

- *ASSESSMENT:* *\$4/ACRE*

- *WATER COSTS:*
 - *WINTER:* *\$15/AF*
 - *SUMMER:* *\$15 to \$20/AF*

- *SALE PRICE RANGE:* *?/AC*

- *RENTAL RANGE:* *\$150 to \$200/acre.*

- *TRENDS & ACTIVITY:* *This area is outside of the sphere of urban influence. No sales activity in 2010, 11 or early 2012. Cropland is fully occupied. 2012 water costs have increased over 2011.*

PALOMA IRRIGATION & DRAINAGE DISTRICT (PID) - GILA BEND AREA MARICOPA COUNTY

- *ASSESSMENT:* *\$7.50/ACRE*

- *WATER COSTS –*
 - *SURFACE OR PUMPED*
 - *FIRST 4 ACRE FEET:* *\$38.50/AF*
 - *ADDITIONAL WATER:* *\$36.50/AF*

- *SALE PRICE RANGE:* *\$? To \$?/AC*

- *RENTAL RANGE:* *\$150 to \$200/AC*

- *TRENDS & ACTIVITY:* *This area is outside of the sphere of urban influence. Sales activity starting in 2002 was minor, but prices were very strong by early 2006. 2009 through early 2011 activity is non-existent. Water supplies should be adequate for 2012, water costs are stable. Cropland is fully occupied. One solar project is under construction, a second project is proposed. Recent rental at \$200 per acre replaced a \$100 per acre rent.*