
**AGRICULTURAL LAND VALUE
AND RENTAL RATE TRENDS
MARICOPA COUNTY, ARIZONA**

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General Real Estate Market Comments:

- The 2008 raw land market is one that can be summarized in a few paragraphs.
- First, 2008 raw land sales activity is down from 2007, and down dramatically from 2006, 2005 and 2004.
- Second, prices/price ranges are declining for raw land. As one moves out from the urban infill areas, one will observe that not only does sales activity decline, but the prices paid per acre do also.
- Third, the current lack of IRC 1031 funds has definitely been felt through the entire real estate market.

Market Comments (Cont):

- The decline in SFR housing permits, starts, new home sales and re-sales has brought the raw land market from a freeway speed limit to a school zone speed limit in less than 24 months. This relatively inactive raw land market will probably remain this way for through 2009, and until such time as the over supply of SFR units are absorbed.
- We observe that residential developers and home builders are not only delaying bringing new residential projects on-line due to the soft demand for new single family residential units, but they are also dumping entitled and un-entitled land holdings. This is especially true for those projects that are further in distance from employment centers. In-fill areas are the exception.

General Farmland and Farming

Market Comments:

- Raw land or farmland sales activity for 2009 will probably continue at the modest levels observed in 2008. Keep in mind that we are not creating any new farmland, so as we build on the existing farmland, competition for the remainder had kept prices relatively strong until 2006/2007. But with the soft real estate market we currently observe around the metro areas, we anticipate that prices will soften, especially in the out-lying areas. However, most of the Maricopa County farmland is priced at levels that still cannot be supported by agricultural production.

General Farmland and Farming

Market Comments:

- As we start 2009, small grains, corn, silages, and hay commodity prices are weaker than a year ago, but the demand for all of the above commodities for dairy, feedlot and horse uses is still strong. These commodity prices are anticipated to stay strong to improving slightly on the grains through most of 2009. We again expect planted acreages to increase for wheat, hay, and silages in 2009 as compared to 2006 through 2007. Cotton prices are little changed from 2006, and are still relatively low, but we again observe that cotton acreage levels are well below historical harvested acres, as farmers move to producing the more profitable forage and grain crops. Milk prices have softened in the last three quarters of 2008, and with higher operating costs, most dairies are operating below breakeven levels.

General Farmland and Farming

Market Comments:

- **Costs of crop inputs have also increased. Fertilizers, fuel, utilities, tractors, implements, labor, insurance, herbicide, and insecticide costs have all increased. Thus, profit margins are not as wide as one would anticipate.**

General Farmland and Farming

Market Comments:

- Since 2006 and into early 2009, we are observing a trend of increasing prices for cash farmland rental rates in Maricopa County for most areas, and the increasing trend in rental rates is stronger than what has been noted in the last few years prior. Due to the absorption of cropland for development, rental rates have shown some increases as tenant farmers compete for the smaller supplies of available farmland. This trend is especially true for farmland with lower water costs.

General Farmland and Farming

Market Comments:

- **But the exception to this observation is in the remote desert pump farm areas of the County, where the deep irrigation well water lifts have been impacted due to the increase in energy prices, no matter if the energy source is electric, natural gas or diesel. While energy costs have increased for all farms or dairies that operate their own irrigation wells, (as well as for fuel, fertilizers and chemicals), the shallow lift areas have not seen as large of an energy dollar cost increase as those farms that are pumping from deeper aquifers. We are observing in some of the deep well water lift areas that some tenants are asking the landlord for rent concessions. Concessions include reduced rental rates or additional well maintenance on the part of the landlord. Even 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 40% over the last 4 years.**

General Farmland and Farming

Market Comments:

- Some irrigation districts have increased water costs to the farmers, either pumped or surface water, from 2006 through 2008, but some have held rates equal to 2006. Some districts have increased assessments in 2008/2009 to have the funds available to repair the districts wells or to drill new wells, so that water delivery levels can be maintained to the growers.
- The following table provides a general or typical farmland sale price and rental rate range and trend for 2008 and early 2009, in major irrigation districts or farming areas of Maricopa County, as well as current water and assessment charges:

Irrigation District	Water Source / Cost	Sale Price per Acre	Sale Price Activity / Trend	Rent Range per Acre	Rental Activity / Trend
Salt River Project	Surface \$13.75/AF Pumped \$40.75/AF \$27.50/AC Asses	\$60,000 to \$200,000+ (Demand for development)	Slowing Act./ Static to Declining Rng. (Non-Ag Inf. – mostly infill.)	\$150 - \$250 Higher end of range indicates use for specialty crops	All Rented / (very little left for AG) Stable to increasing trend
Buckeye I.D. (SW Valley Metro Fringe Area)	Surface / Effluent Surface: \$15.00 Farm Asses: \$2/AC	\$20,000 – \$62,000 (Demand for Development)	Negligible Act. Range Declining (Non-Ag Influence)	\$175 - \$250	All Rented / Increasing Trend
Roosevelt I.D. (West Valley Metro Fringe Area)	Pump & Surface \$40/AF \$17.50/AC Asses Wells: \$28- \$40/AF	\$10,000 - \$40,000+ (Demand for development)	Minor Act. / Range Declining (Non-Ag Influence)	\$100 - \$175	Stable / Stable to increasing within the range

Irrigation District	Water Source / Cost	Sale Price per Acre	Sale Price Activity / Trend	Rent Range per Acre	Rental Activity / Trend
Roosevelt W.C.D. (SE Valley Metro Fringe Area)	Pump & Surface \$27.50/AF \$105.20/AC Asses Wells: \$38-\$60/AF \$105.20/AC Assess.	\$60,000 to \$250,000+ (Demand for development)	Minor Act./ Range is Declining (Non-Ag Inf. – mostly infill.)	\$150 - \$200+	All Rented / Stable to increasing within the range
Harquahal a Valley I.D. (Non Metro Area 65 mi. west of PHX)	Pump & Excess C.A.P. CAP: \$42/AF Wells:\$39 -\$65/AF \$12.68/AC Assess	\$6,000 – \$10,000 (Invest/Spec. Demand)	Minor Act./ Range is Declining (Investor Activity has diminished)	\$50- \$150 Varying w/water supplies \$75-\$100 Is typical	Stable to Increasing Especially for those farms w/ adequate well water supplies
Queen Creek I.D. (SE Valley Metro Fringe Area)	Pump & C.A.P. \$32/AF CAP: \$32/AF Wells: \$45-\$65/AF \$0/AC Asses	\$40,000 - \$60,000 (Demand for development)	Minor / Range is Declining (Suburban - Non-Ag Influence)	\$80 - \$125	Stable / Stable

Irrigation District	Water Source / Cost	Sale Price per Acre	Sale Price Activity / Trend	Rent Range per Acre	Rental Activity / Trend
Maricopa W.D. (NW Valley Area)	Surface & Pump \$28/AF Wells: \$40- \$70/AF \$0/AC Asses	\$40,000+ w/in noise zones \$65,000 to \$150,000 (Demand for development)	Modest Act./ Static (Suburban Non- Ag Inf. – some infill.)	\$80 - \$125	Stable / Stable
Tonopah I.D. (40 mi. west of PHX)	Surface & Pump CAP: \$20/AF Wells: \$36- 65/AF \$2/AC Assess	\$10,000 – \$26,000 (Invest/Spec. Demand)	Minor Act./ Range is Declining (Investor demand has cooled significantly)	\$50 - \$100	Stable / Stable
Desert Pump Farms (Non-District, Rainbow Valley, Aguila/Hyder)	Pump (Shallow to Deep Lift) \$16 - \$100+/AF No Assess	\$2,500 - \$20,000 (Varying w/water costs, supplies & location.)	Minor / Range is Declining (Investor demand has cooled significantly)	\$25 - \$150 Varying w/ Gov. payments and water cost	Mixed Bag, declining to increasing, especially for farms w/adequate well water supplies

Irrigation District	Water Source / Cost	Sale Price per Acre	Sale Price Activity / Trend	Rent Range per Acre	Rental Activity / Trend
Arlington Canal Company	Surface: Winter: \$7.50/AF Summer: \$15/AF \$4/AC Asses	? to \$15,000	One Sale	\$100 - \$150	Stable to Increasing within the range.
Paloma Irr. & Drainage District	Surface Diversions & Pump \$34/AF Assess @ \$7.50/AC	? to \$14,000 (Invest/Spec. Demand)	Only one recent sale in 2008.	\$80 - \$100	Stable to Increasing within the range.

- Note: Pumping costs reported for farmer owned wells are energy only.
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