AGRICULTURAL LAND VALUE AND RENTAL RATE TRENDS MARICOPA COUNTY, ARIZONA

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General RE Market Trends

- The 2010 and early 2011 raw land market is one that can be summarized in a few paragraphs.
- First, 2010 raw land sales activity is very similar to 2009 and 2008, activity is down dramatically from 2006, 2005 and 2004.
- Second, prices/price ranges are continuing the declining trend for raw land, (farmland or desert). 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 also decline from the peak of the market in 2005/2006. Prices continue to be depressed, and in most areas the number of Trustee's Sales exceeds the arms length sale activity.

General RE Market Trends

- Third, the continued lack of IRC 1031 funds of any significant amount, and institutional financing requiring greater equity margins and solid cash flows, has also reduced activity. Cash is king. This has had an impact on the agricultural sector of the land market as well as the residential, commercial and industrial land markets.
- This relatively inactive raw land (residential, farmland and desert) market will probably remain this way through 2011, and until such time as the over-supply of SFR units are absorbed.

General RE Market Trends

- We observe that 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. But we have a significant amount of 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.

Farmland & Ag Market Comments

- Raw land or Farmland sales activity for 2011 will probably continue at the modest levels observed in 2008, 2009 and 2010. 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 distressed real estate market we currently observe around the metro areas, we anticipate that prices will remain soft, or continue to soften, especially in the outlying areas. However, most of the Maricopa County farmland is priced at levels that still cannot be support solely by agricultural production.

Farmland & Ag Market Comments

- As we start 2011, small grains, corn and cotton commodity prices are at near or record highs; alfalfa hay prices are improving compared to the prior year, and the demand for all of the feed commodities for dairy, feedlot and horse uses is still strong. These commodity prices are anticipated to hold these current price levels through 2011. We expect planted acreages to increase for cotton in 2011 as compared to 2006 through 2009. Cotton prices in the near term delivery market in January of 2011 were in the $1.50 to $1.70 per pound range. Milk prices have strengthened in 2010, and are continuing to strengthen into 2011. However, the increasing grain, hay and cotton seed markets are pushing up the cost of milk and beef production. Most dairies are operating above breakeven levels, which is a welcomed event after the heavy cash bleeding we observed in 2009.

Farmland & Ag Market Comments

- Costs of crop inputs are increasing moderately, especially fuel, fertilizer and other chemicals.
- Since 2006 and into early 2011, 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, rental rates have shown some increases as tenant farmers compete for the smaller supplies of available farmland. However, with the current record high cotton prices, competition for leases has escalated offers on farms coming up for leasing.

Farmland & Ag Market Comments

- The exception to this observation is in the remote desert pump farm areas of the County, were 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, the shallow lift areas have not seen as large of an energy dollar cost increase as those farms that are pumping from deeper aquifers. However, some of these farms are under contract for proposed solar projects. The solar project developers will pay more for a farm than a farmer will.

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 6 years.

- Some irrigation districts have increased water costs to the farmers, either pumped or surface water, from 2006 into 2011. 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.

- The following slides provide a general or typical raw land sale price and farmland rental rate range and trend for 2010 and early 2011, in the major irrigation districts or farming areas of Maricopa County, as well as current water and assessment charges.

- 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:	***$6,500-$150,000+/AC***
RENTAL RANGE:	***$150 TO $250+/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 have continued to decline. Rents are stable to increasing within the range. District farmland is fully occupied. Water availability in 2011 will be adequate. Pump water charges are up slightly in 2011 versus 2010. 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:*** ***$10,500-$15,000+/AC***

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

- ***TRENDS & ACTIVITY:*** ***2010 sales activity is negligible, prices continued to decline. Sand and Gravel activity in the Gila River corridor are non-existent. District farmland is fully occupied. Rents are increasing, farmland is fully occupied. Water availability in 2011 will be adequate. Water costs are up slightly from 2010.***

ROOSEVELT IRRIGATION DISTRICT (RID) *MARICOPA COUNTY*

- ***ASSESSMENT:*** ***$17.50/ACRE***
- ***WATER COSTS:***
  - ***DISTRICT:*** ***$40/AF***
  - ***ON FARM WELLS:*** ***$28 TO $45/AF***
- ***SALE PRICE RANGE:*** ***$6,500-$150,000+/AC***
- ***RENTAL RANGE:*** ***$100 TO $175+/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 very slow in 2010, prices continued to decline. Rents are stable to increasing slightly within the range, District farmland is fully occupied. District water supplies will be adequate in 2011. Water and assessment costs are equal to 2010.***

ROOSEVELT WATER CONSERVATION DISTRICT (RWCD)
MARICOPA COUNTY

- ***ASSESSMENT:*** ***$97.45/ACRE***
- ***WATER COSTS:***
  - ***DISTRICT :*** ***$20/AF***
  - ***ON FARM WELLS:*** ***$38 TO $60/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 very slow, prices are continuing to decline. Rents are stable to increasing slightly within the range. District farmland is fully occupied. District water availability will be adequate in 2011. Assessments and water costs declined slightly in 2011.***

HARQUAHALA VALLEY IRRIGATION DISTRICT (HVID)
MARICOPA COUNTY

- ***ASSESSMENT:*** ***$12.68/ACRE***
- ***WATER COSTS:***
  - ***DISTRICT (CAP):*** ***$50/AF***
  - ***ON FARM WELLS:*** ***$39 - $70/AF***
- ***SALE PRICE RANGE:*** ***$?-$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 2010-11 activity is very minor. Typical buyer is an investor or speculator. 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 2010, (1±af). On-farm wells are available on most farms, but not all farms have adequate water supplies for all tillable acres. District assessments are stable, water costs are up in 2011.***

QUEEN CREEK IRRIGATION DISTRICT
MARICOPA COUNTY

- ***ASSESSMENT:*** ***$0/ACRE***
- ***WATER COSTS:***
  - ***DISTRICT (CAP):*** ***$48/AF***
  - ***ON FARM WELLS:*** ***$48 TO $75/AF***
- ***SALE PRICE RANGE:*** ***$27,000-$40,000+/AC***
- ***RENTAL RANGE:*** ***$80 TO $150/ACRE***
- ***TRENDS & ACTIVITY:*** ***Both the Pinal and Maricopa County portions of the District are subject to urban/suburban influence. Activity has slowed significantly, prices continued to decline. Rents are increasing. District farmland is fully occupied. Water availability and assessments are the same as 2010, water charges are up.***

MARICOPA WATER DISTRICT
MARICOPA COUNTY

- ***ASSESSMENT:*** ***$0/ACRE***
- ***WATER COSTS:***
  - ***DISTRICT*** ***$32/AF***
  - ***ON-FARM WELLS*** ***$45-$80/AF***
- ***SALE PRICE RANGE:*** ***$6,500-$85,000+/AC***
- ***RENTAL RANGE:*** ***$80 TO $100+/ACRE***
- ***TRENDS & ACTIVITY:*** ***District is in urban/ suburban influence of Surprise/Sun City Grand/Glendale/Peoria. Activity has slowed, prices continued to decline. Prices at the lower end of the range are impacted by Luke Air Force Base noise- crash zones. Rents are stable to increasing within the range, and vary with suitability for specialty crops. District farmland is fully occupied. 2011 water supplies will be normal, water costs are higher.***

TONOPAH IRRIGATION DISTRICT
MARICOPA COUNTY

- ***ASSESSMENT:*** ***$1/ACRE***
- ***WATER COSTS:***
  - ***DISTRICT (CAP)*** ***$30/AF***
  - ***ON-FARM WELLS*** ***$39-$75/AF***
- ***SALE PRICE RANGE:*** ***$1,500-$10,000/AC***
- ***RENTAL RANGE:*** ***$50 TO $125+/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 2011 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 $150/ACRE***
- ***TRENDS & ACTIVITY:*** ***Some of these farmland areas are outside of the sphere of urban influence. Activity is negligible unless a solar developer is siting in the area, 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:*** ***$7.50/AF***
  - ***SUMMER:*** ***$15.00/AF***
- ***SALE PRICE RANGE:*** ***?/AC***
- ***RENTAL RANGE:*** ***$50 to $150/acre.***
- ***TRENDS & ACTIVITY:*** ***This area is outside of the sphere of urban influence. No sales activity in 2010 or early 2011. Only two sales in 2009. Water supplies should be adequate for 2011. Cropland is fully occupied. Water costs are stable.***

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

- ***ASSESSMENT:*** ***$7.50/ACRE***
- ***WATER COSTS –***
  - ***SURFACE OR PUMPED***
  - ***FIRST 4 ACRE FEET:*** ***$36.50/AF***
  - ***ADDITIONAL WATER:*** ***$37.50/AF***
- ***SALE PRICE RANGE:*** ***$? To $?/AC***
- ***RENTAL RANGE:*** ***$50 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 will be adequate for 2011. 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.***