

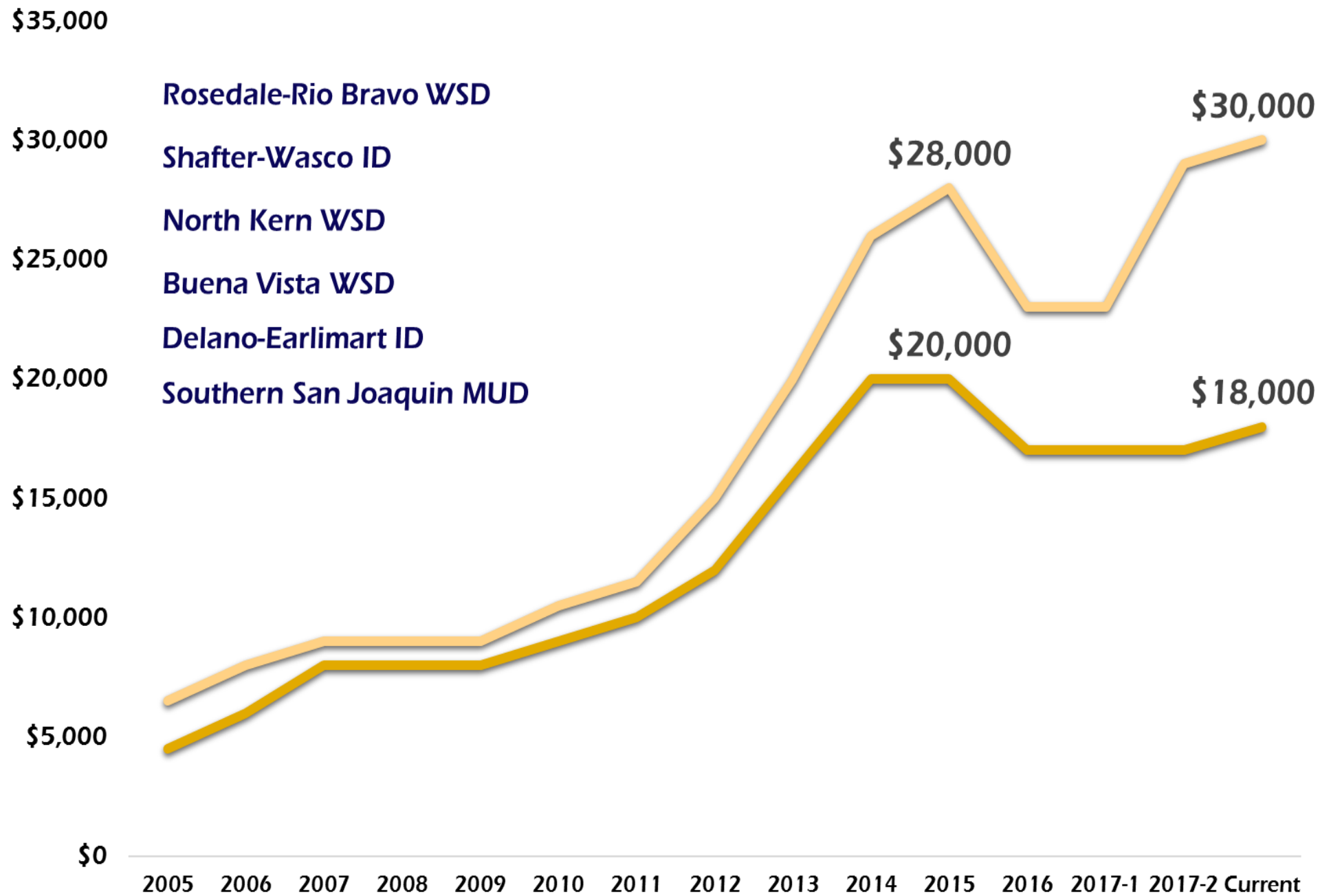
Water and the future of land values in Kern County

Michael Ming, ARA FRICS Broker

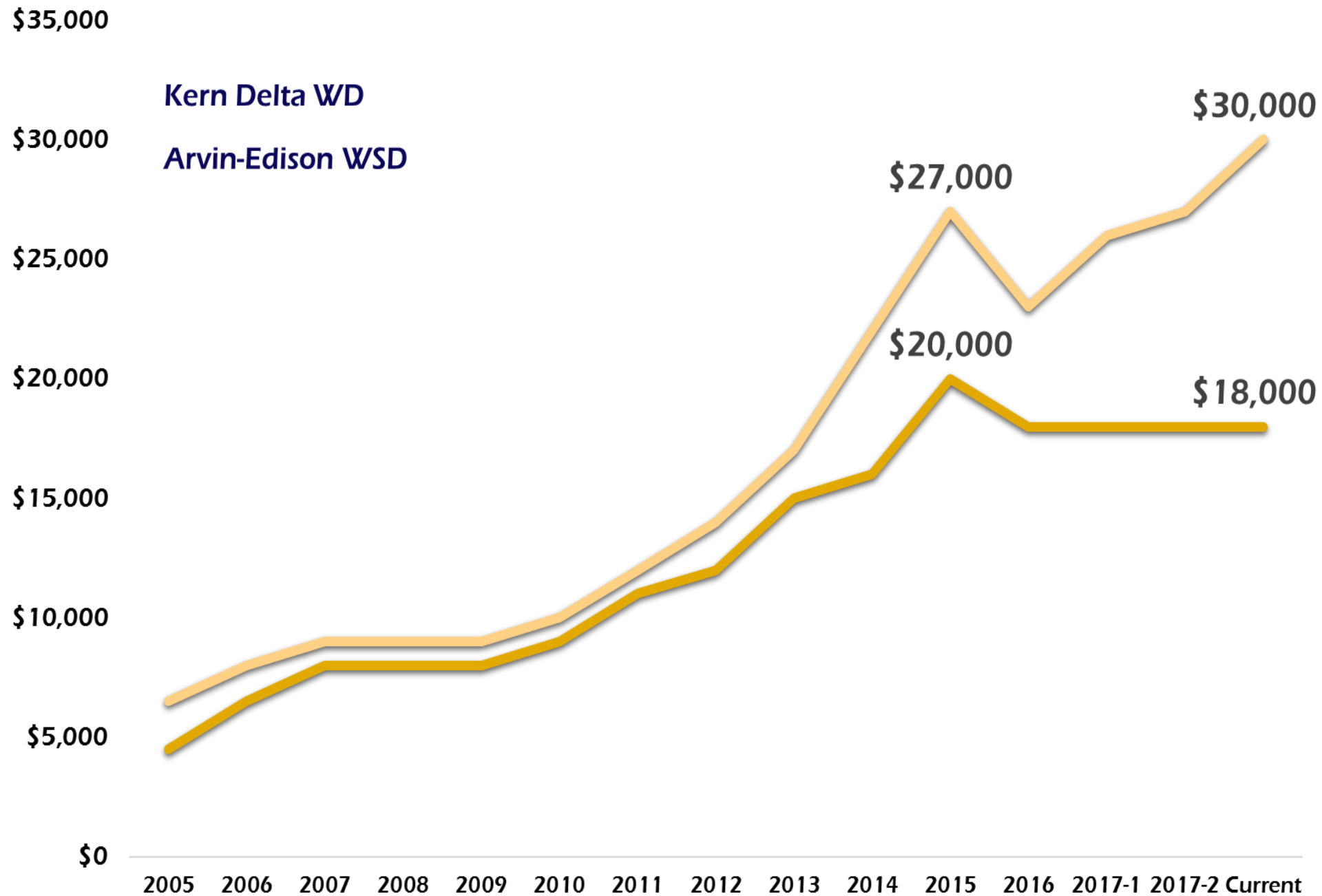
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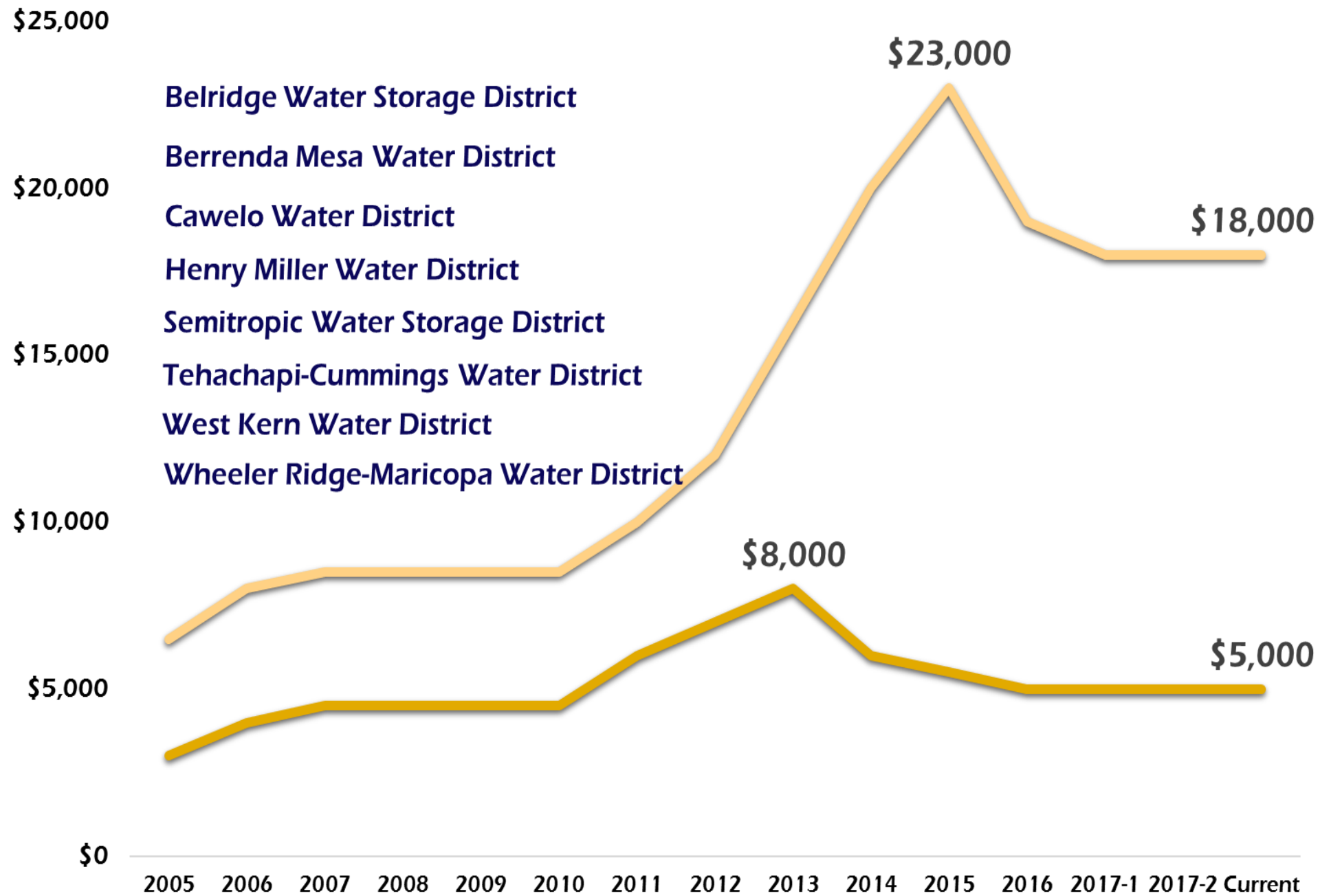
Open Farmland North



Open Farmland South



Open Farmland State Water Districts



Kern County Ag Lands Bifurcated Values

As an appraiser I look for market deviations.

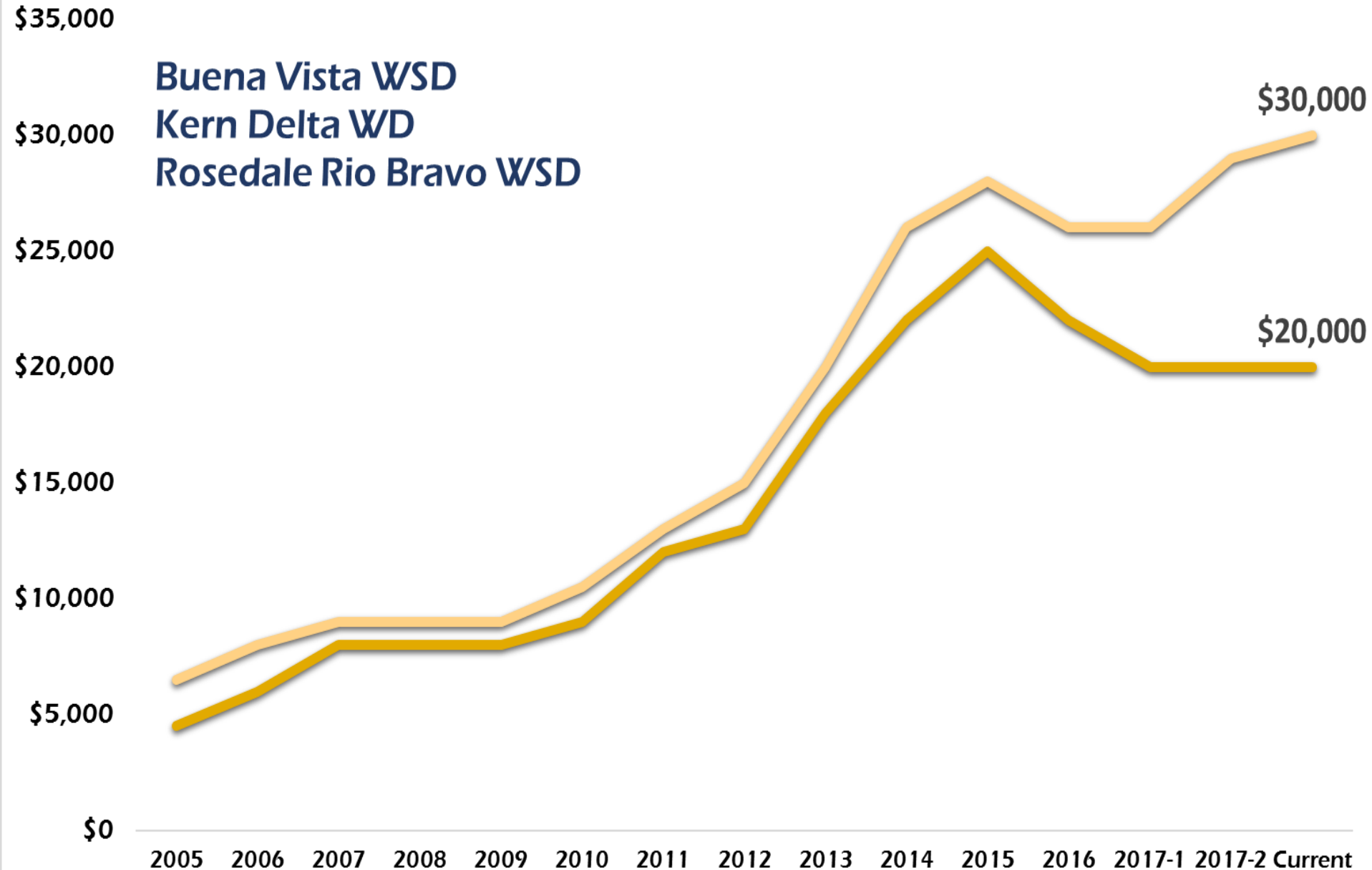
The biggest deviation has been the division of Ag Lands by category. That “category” is intrinsic water value to the land.

The district lands and types in order of value:

1. Kern River Water Districts
2. Water Districts with contract water
3. Water Districts without contract water
4. White Lands

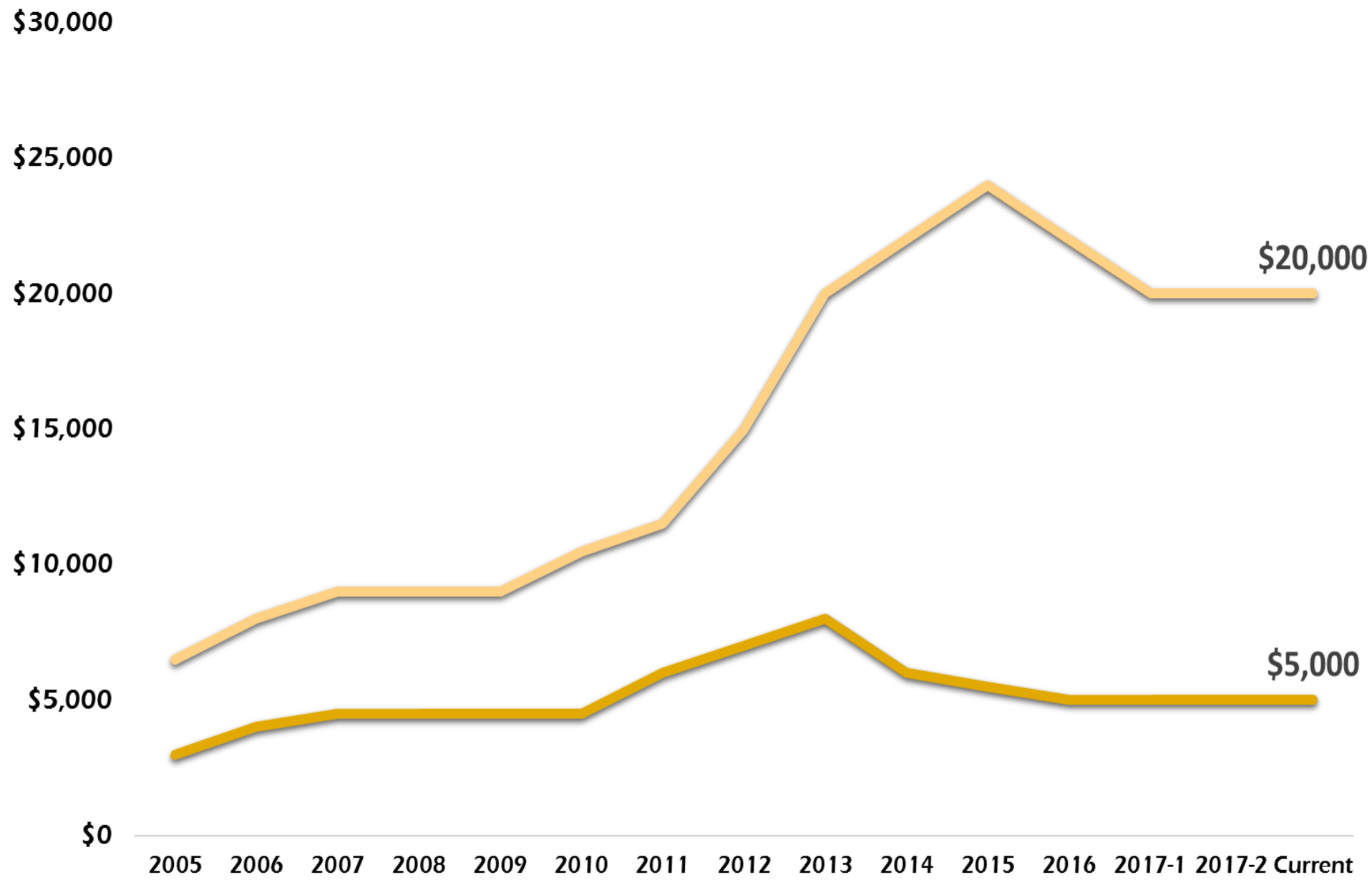
Open Farmland Kern River Water Districts

Buena Vista WSD
Kern Delta WD
Rosedale Rio Bravo WSD



Open Farmland

All Other Water Districts

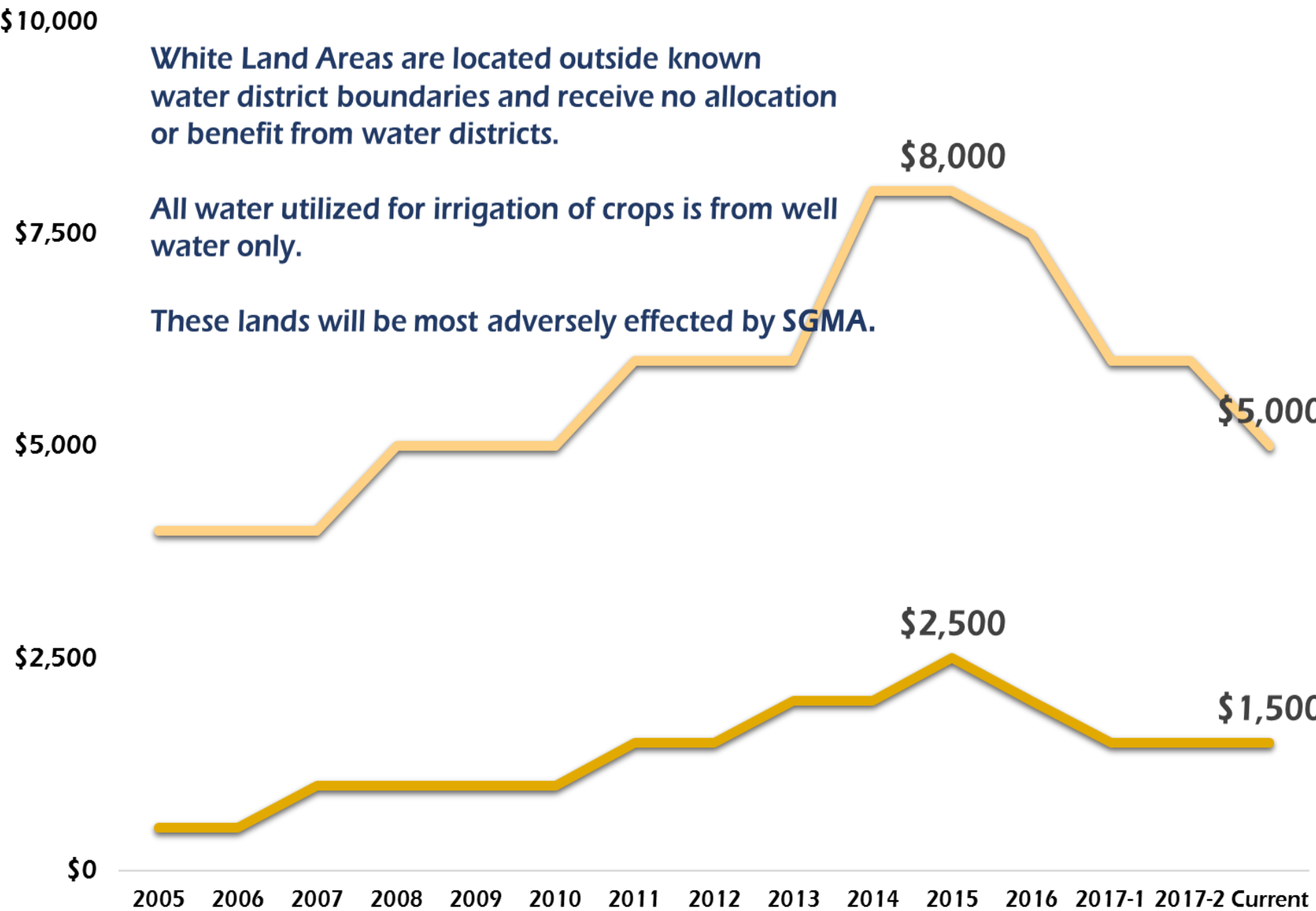


White Land Areas

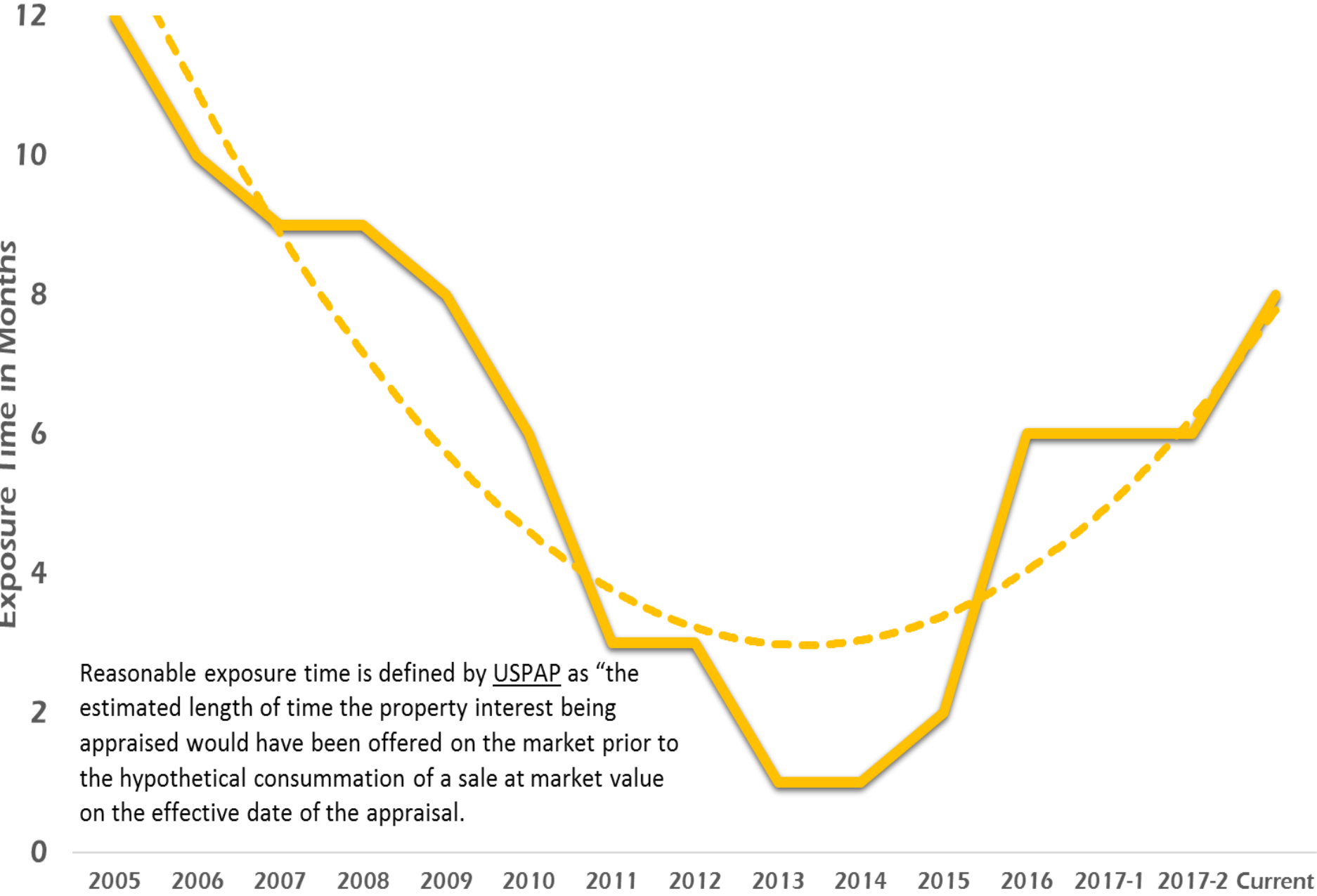
White Land Areas are located outside known water district boundaries and receive no allocation or benefit from water districts.

All water utilized for irrigation of crops is from well water only.

These lands will be most adversely effected by SGMA.



Exposure Time



Reasonable exposure time is defined by USPAP as “the estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal.”

Where are Kern County Ag values going in 2017?

Risks

Sustainable Groundwater Management Act (SGMA)

- Will change Agriculture in California & Kern County forever
- Safe Yield Rate of .3 AF/AC ?
- Fallowed Acreage
 - 20% (180,000 acres)
 - 25% (225,000 acres)
 - 30% (270,000 acres)
- Values will be negatively effected
- There will be winners and losers
- Every water user in Kern County basin will be affected
- Get involved! www.kerngwa.com

The Kern County Economic Impacts

Market Values in 2017

Kern County Economic Impacts

Reduction of 185,200 Irrigated Acres

~12,400 lost farm jobs

~\$631 million lost farm income

Purchase of inputs

Payment of wages

Demand for Crops

Industries Supplying Inputs

Industries Serving Households

Crop Processing Industries

~3,900 lost jobs

~6,200 lost jobs

~1,800 lost jobs

~\$287 million lost income

\$332 million lost income

~\$146 million lost income

Total Annual Economic Loss

~24,300 lost jobs

~\$1,396 million lost income

~\$4.2 billion in lost output

State and Local Annual Tax Loss of ~\$88 million

~\$15 million property tax

~\$17 million sales tax

~\$56 million income tax

Kern County Ag Market Land Values

Forecast made late-2016

Market Land Values end 2017

- White Land areas
 - -15% to -20%
- District areas (wells only)
 - -10% to -15%
- District areas with contract
 - -5% to -15%
- Kern River Districts
 - 0% to -10%

2017 Review

Market Land Values to Date

- White Land areas
 - -20% to -25%
- District areas (wells only)
 - -5% to -15%
- District areas with contract
 - -5% to -10%
- Kern River Districts
 - 0% to +15%

Kern County Ag Market Land Values

2017 Year End Projection

Market Land Values from 2016

White Land areas

- -25% to -35%
- Continuing downward pressure

District areas (well water only)

- -10% to -20%
- Downward pressure

District areas (with contract)

- -5% to -10%

Kern River Districts

- 0% to +15%



To discuss specific property values in today's market we offer brokerage, valuation and consulting services on a wide variety of Agricultural property types, give me a call or email me.

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Kern County 2017 Agricultural Values

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