

# Poudre River Forum

## Annual Update on the Poudre Water Market



The Poudre Runs Through It  
February 28, 2020



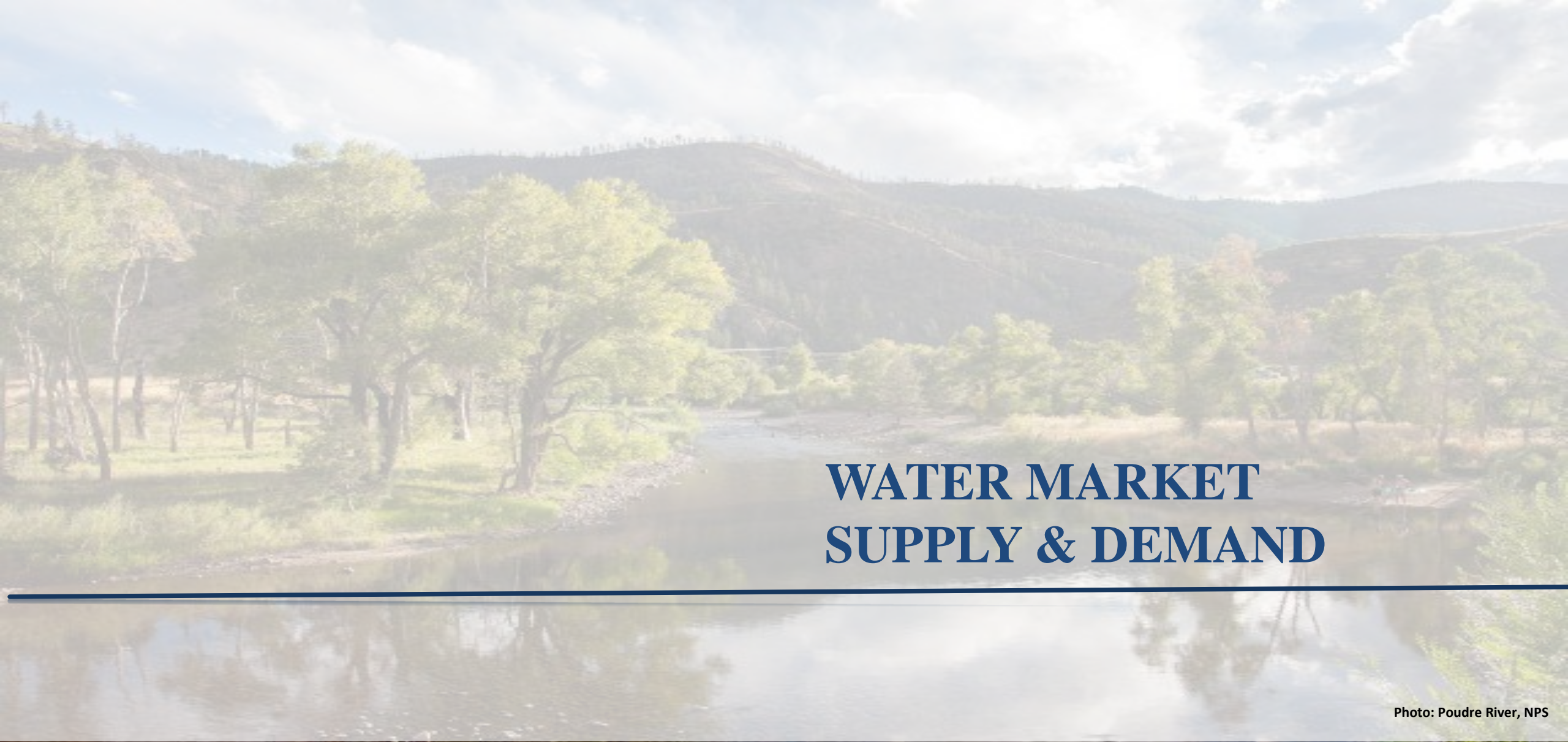
**00:10:00 Update**



**8mins - Market Supply & Demand**  
**2mins - Market Data**

Photo: Poudre River, NPS





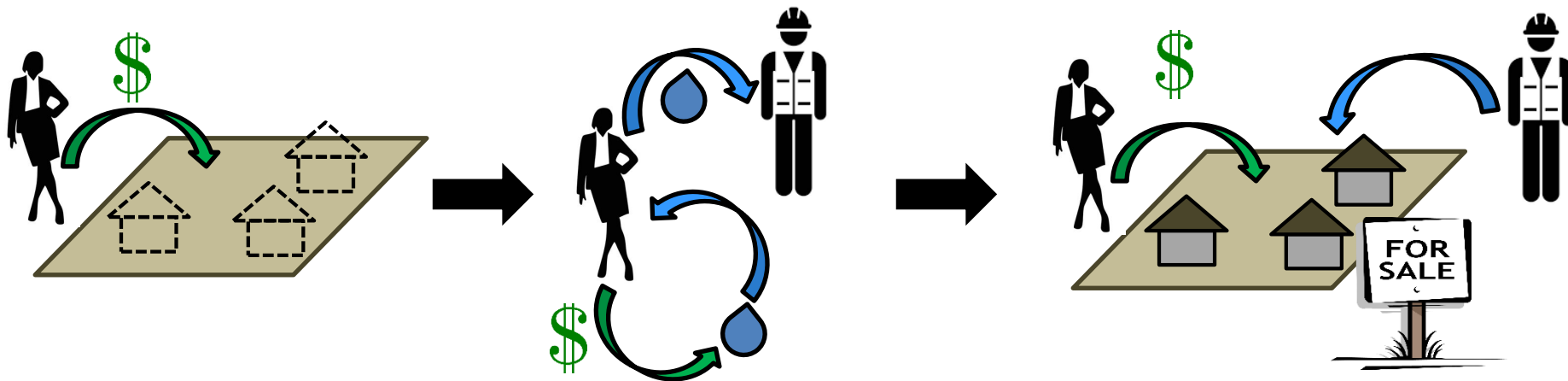
# WATER MARKET SUPPLY & DEMAND

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Photo: Poudre River, NPS

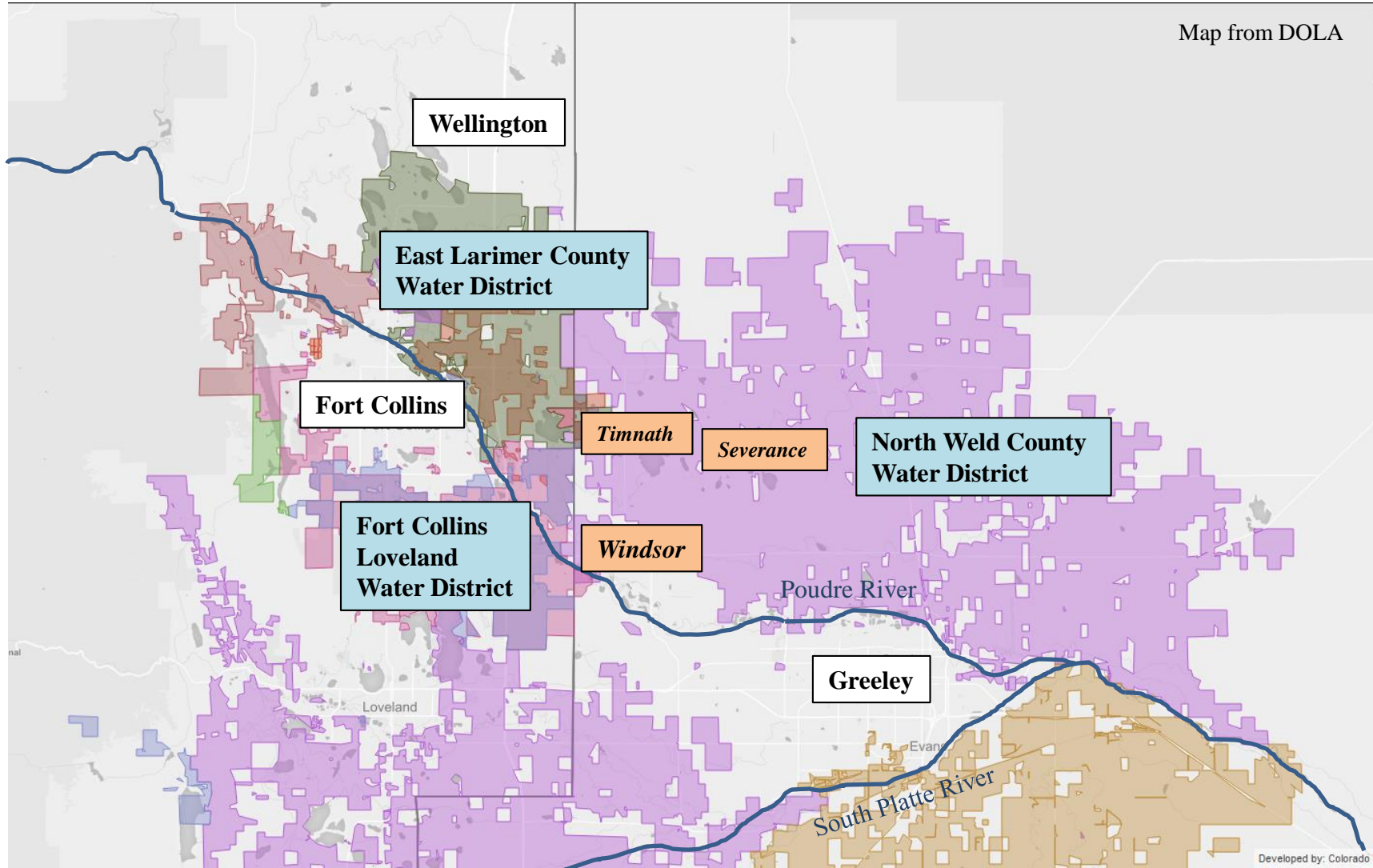
# Primary Demand Driver: Land Development

- The water supplies for new growth are satisfied before the homes are occupied
- Water rights or cash equivalent are dedicated to municipal water provider in exchange for permanent water service → it's a one-time transaction
- Monthly water bills DO NOT reflect the market value of water rights
- Poudre water market is driven by the need to satisfy water dedication requirements so that new homes can be built and receive water service



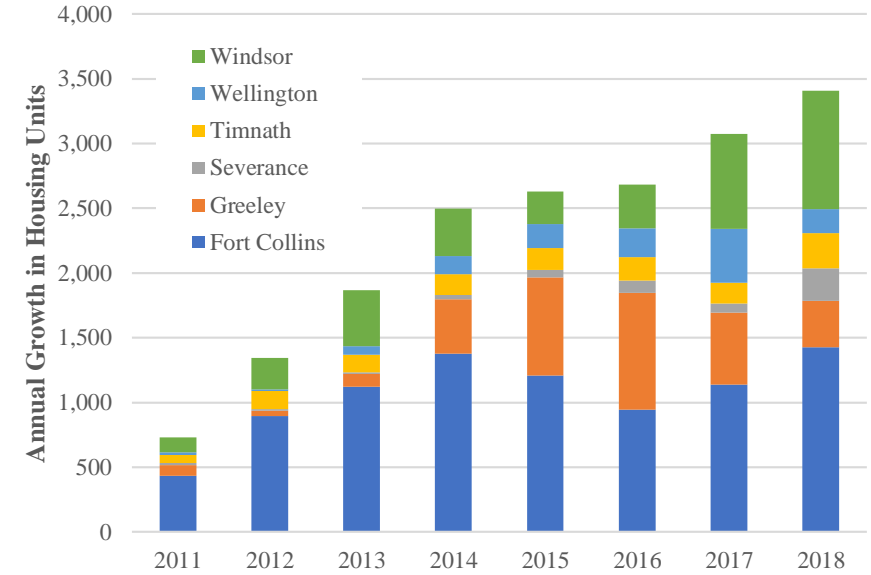


# Poudre Basin Municipal Water Providers

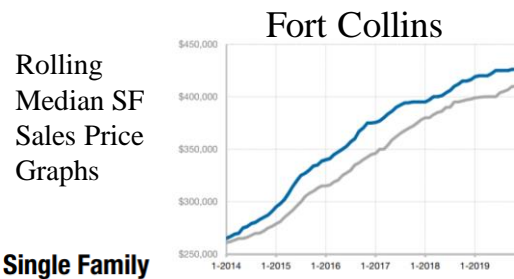


# Primary Demand Driver: Land Development

- Continued housing starts
- Continued appreciation in home prices

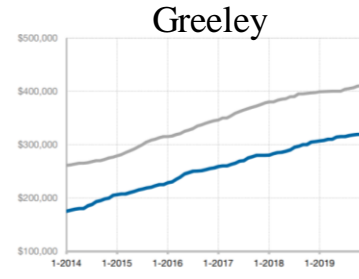


## Poudre Basin Area Data: *FCBR Dec. 2019 Monthly Report*

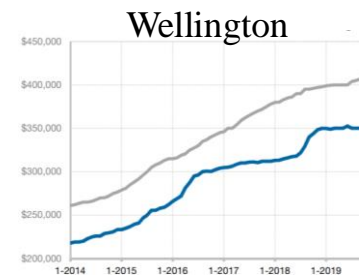


### Single Family

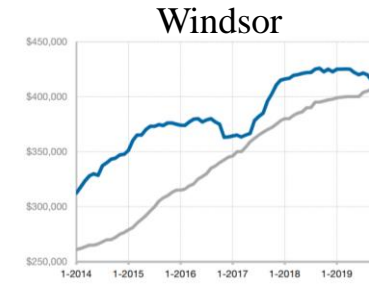
Key Metrics	Thru 12-2018	Thru 12-2019
New Listings	2,720	2,679
Closed Sales	2,268	2,079
Median Sales Price*	\$416,250	<b>\$428,475</b>
Average Sales Price*	\$462,067	<b>\$473,632</b>
Percent of List Price Received	99.5%	99.1%



	Thru 12-2018	Thru 12-2019
New Listings	1,901	1,849
Closed Sales	1,558	1,577
Median Sales Price*	\$305,627	<b>\$320,000</b>
Average Sales Price*	\$320,625	<b>\$330,134</b>
Percent of List Price Received	100.2%	99.6%



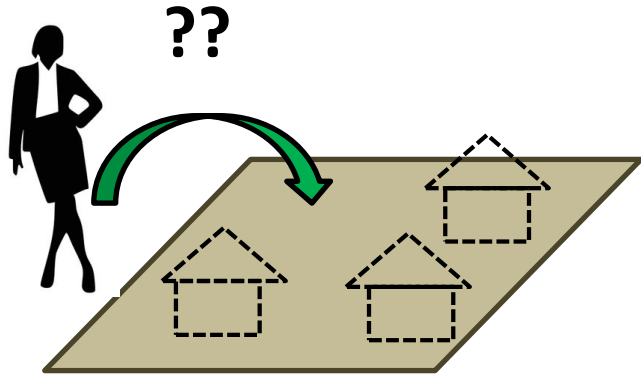
	Thru 12-2018	Thru 12-2019
New Listings	342	436
Closed Sales	268	339
Median Sales Price*	\$349,950	<b>\$350,000</b>
Average Sales Price*	\$365,717	<b>\$372,910</b>
Percent of List Price Received	99.6%	99.7%



	Thru 12-2018	Thru 12-2019
New Listings	1,169	1,329
Closed Sales	849	1,056
Median Sales Price*	\$422,650	<b>\$415,000</b>
Average Sales Price*	\$466,619	<b>\$466,873</b>
Percent of List Price Received	99.6%	99.6%

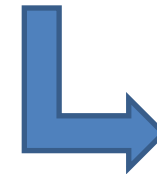
# Primary Demand Driver: Land Development

- Housing starts where developer can afford to make investment

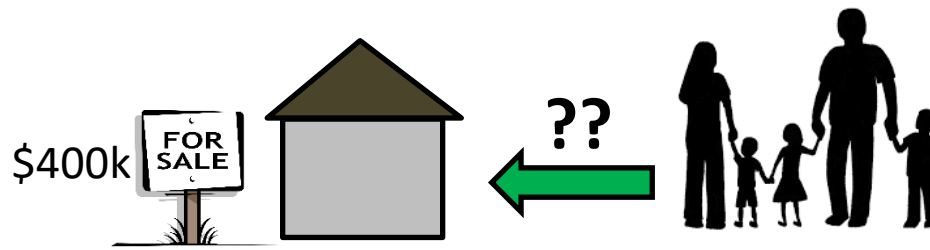


Land & Lots	\$90k
Permits / Fees	\$50k
Water	\$30k
House	\$180k
Overhead / Admin	\$40k
Profit	\$10k
<b>TOTAL</b>	<b>\$400k</b>

Poudre Basin has seen rising water right values due to competitive demand from land development

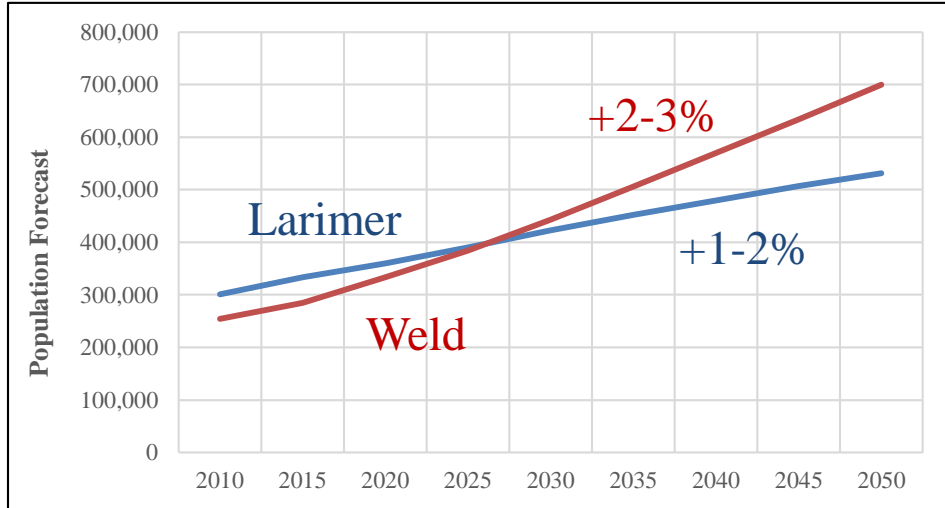


Demand from land development exists only to the extent homes can be developed and sold at reasonable profit

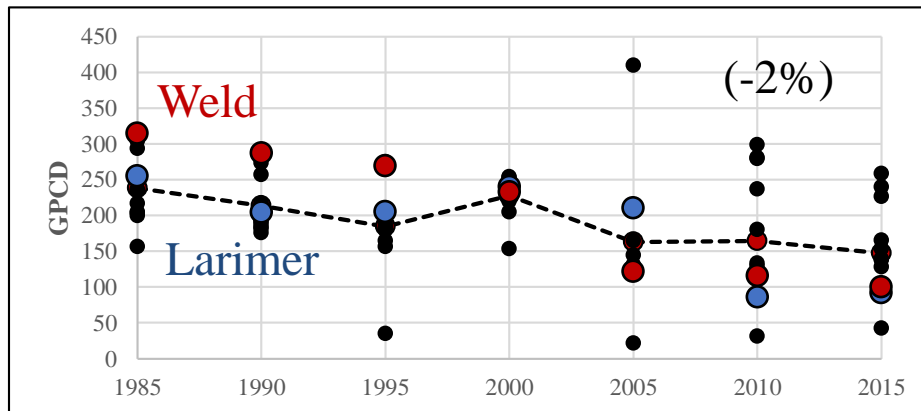


# Demand Driver: *Population Growth?*

*State Demographer Population Forecast to 2050:*



*USGS Municipal  
Water Use Rates,  
Past 30 Years:*

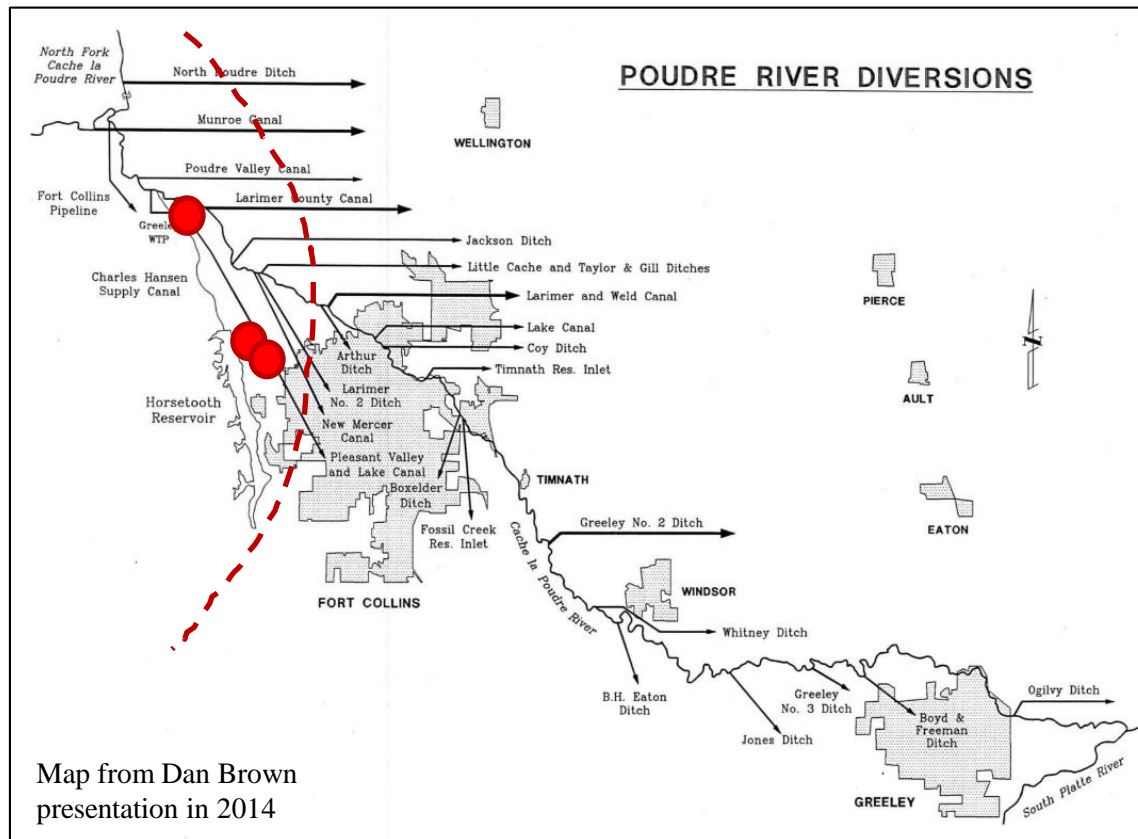


- **Will this growth occur?**
  - Jobs & salaries
  - Affordable housing
  - Quality of life
- **Will growth impact water market?**
  - Where homes are built
  - Type of housing & demand
  - Water portfolio of provider
  - Water policies of provider
- **Will growth result in shortages?**
  - Probably not → water is secured before occupancy
  - Risk is unspent CIL fees

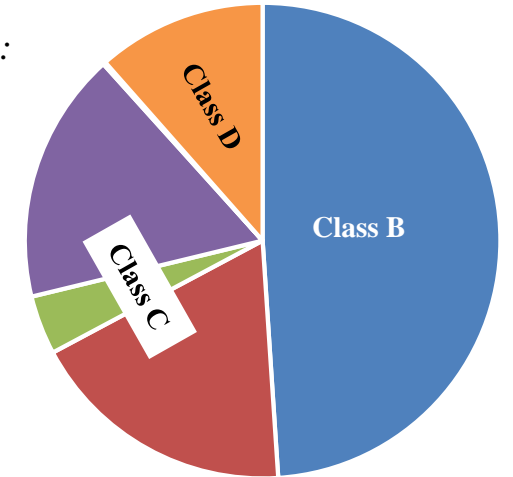


# Supply Driver #1: Desirable Water

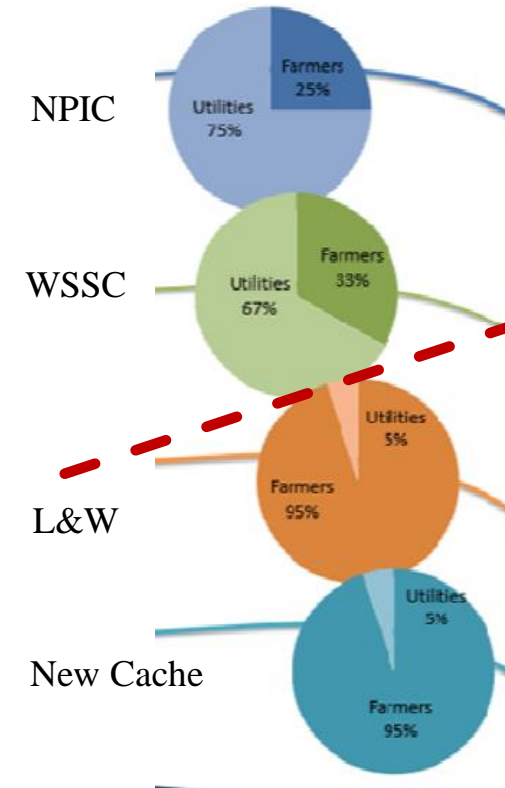
- Not all water rights are created equal
- Historical sources have more limited inventory
- More projects on the horizon (NISP, Halligan, Seaman, ATMs)



2017 CBT Contracts:



From 2015 PRTI Report:



## Supply Driver #2: Agricultural Socio-Economics

- Aging of farm landowners with no succession
- Relatively low net income from farming

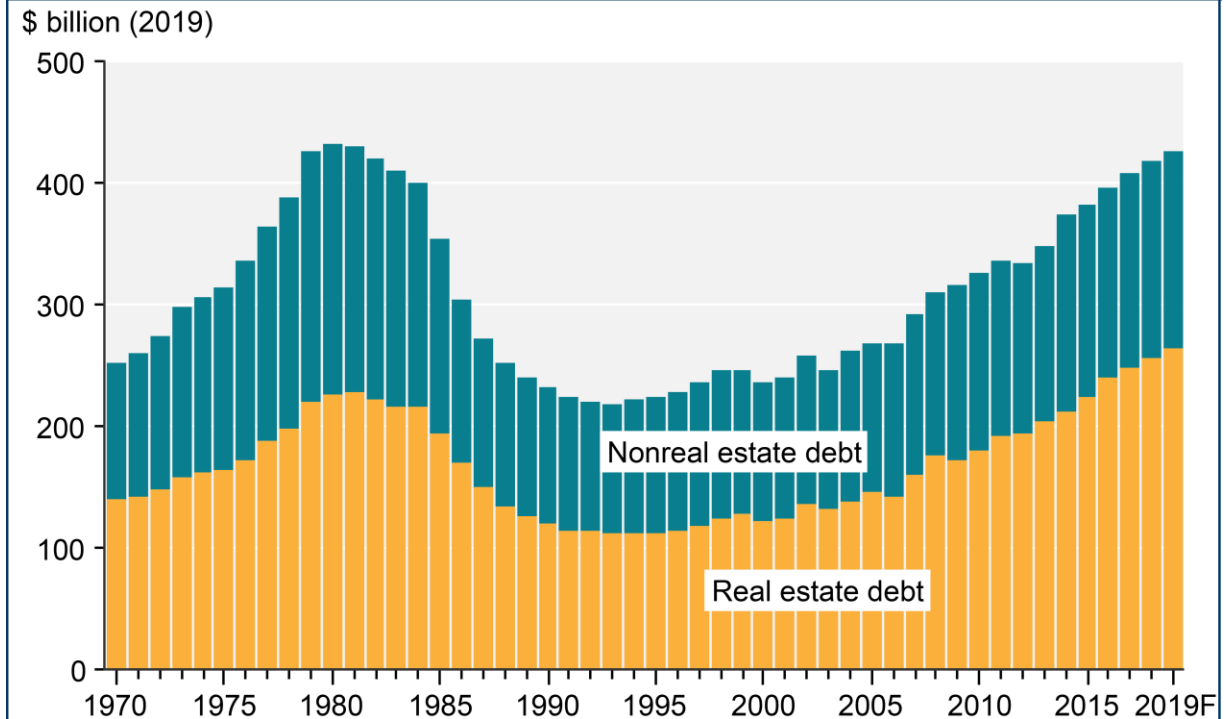
**U.S. farm debt soars to levels seen during 1980s farm crisis: Agriculture secretary**

**Here's Why More American Farms Are Going Bankrupt**

**‘This One Here Is Gonna Kick My Butt’—Farm Belt Bankruptcies Are Soaring**

Trade disputes over agriculture add pain to low commodity prices that have been grinding down American farmers for years

**Farm sector debt, inflation adjusted, 1970-2019F**



Note: F = forecast; data for 2018 and 2019 are forecasts. Values are adjusted for inflation using the chain-type GDP deflator, 2019=100.

Source: USDA, Economic Research Service, Farm Income and Wealth Statistics.

Data as of March 6, 2019.



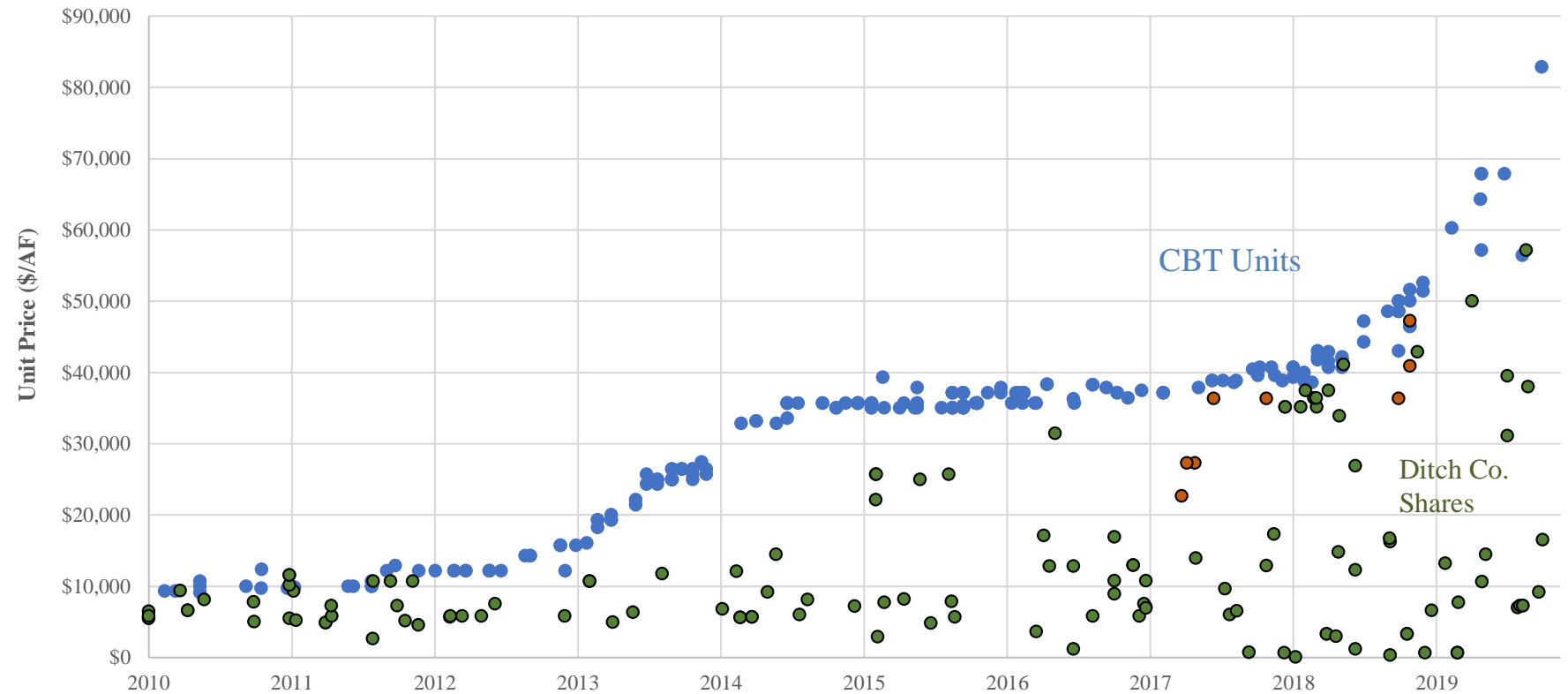


# WATER MARKET DATA

Photo: Poudre River, NPS



# Poudre Water Supplies

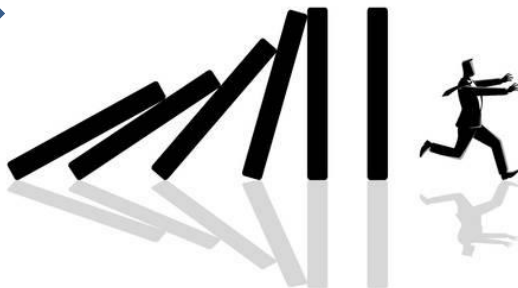


High Value  
Sources  
(CBT)



Cash in  
Lieu

Ditch  
Shares



Huge Variability in Value

- Location
- Reliability
- History



# THANKS!



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**Water Resource Economics | Transaction Services | Water Valuation**

Photo: South Platte River, USGS