

NEWSLETTER



"A law has been enacted in Phoenix, Arizona, that prohibits the construction of new housing developments."

Arizona Limits New Construction in Phoenix Area, Citing Shrinking Water Supply

Arizona state officials have made the decision to restrict new construction in the Phoenix area due to a diminishing water supply. The move reflects the challenges faced by regions across the West and other areas dealing with overuse, drought, and the impacts of climate change on water resources.

Arizona's Water Scarcity Crisis

Arizona's restriction on new construction in Phoenix due to declining groundwater highlights the urgent water scarcity issue. Alternative water sources are crucial, but the real estate market will be disrupted, impacting affordability. Smaller towns and desert regions face greater challenges. The water shortage in Arizona is part of a wider regional challenge worsened by climate change and declining Colorado River levels. Governor Hobbs' commitment to tighter controls underscores the seriousness. Addressing the issue requires long-term planning, conservation, and sustainable water solutions.



Arizona has declared a groundwater shortage, halting new permits for homes relying on well water in Maricopa County. Cities like Phoenix won't be allowed to build homes using more groundwater than authorized.

Developers and cities must seek alternative water sources, potentially purchasing river water from farmers or Native American tribes. This water scarcity will likely disrupt the real estate market, increasing home prices and jeopardizing Arizona's reputation for affordable housing.

IMPACTS OF RISING TEMPERATURES ON ARIZONA'S WATER SUPPLY AND CONSERVATION EFFORTS



In simple terms, rising temperatures are causing more water to evaporate from the river. However, at the same time, crops need more water to survive in the hotter temperatures. Arizona gets its water from the Colorado River, but the amount of water it receives has already been reduced through an agreement among seven states. Recently, Arizona agreed to take additional measures to conserve water, which will further reduce its supply. This means that Arizona is facing a water shortage from both decreasing groundwater and a shrinking Colorado River. It's important to note that the situation could be even worse than what the state's analysis shows because it assumes that Arizona will continue to receive the same amount of water from the Colorado River for the next 100 years, but this is uncertain.

ARIZONA'S WATER ISSUES HAVE STARTED TO AFFECT THE STATE'S POLITICAL LANDSCAPE. IN HER INAUGURAL ADDRESS, ARIZONA'S NEW DEMOCRATIC GOVERNOR, KATIE HOBBS, MADE A COMMITMENT TO IMPLEMENT STRICTER REGULATIONS ON GROUNDWATER USAGE THROUGHOUT THE STATE.

FINAL THOUGHTS

From the standpoint of syndicators, we continuously look for circumstances when there is a **strong demand but a restricted supply**. We carefully consider how supply and demand are balanced so that we may perform "**due diligence**" and then provide it to our investors. Finding safe markets with intense competition and high demand increases our profitability as syndicators and benefits our investors as well. The situation in Phoenix has changed significantly, which has limited the supply. With continued demand strength for Phoenix, it has been the top market on the radar.

