

# Beyond the Surface: A Guide on Water Rights for California Landowners

Murray Ag Real Estate's insights for navigating California's water laws, ongoing risks and rewarding opportunities in agricultural land investment.

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# Water Rights Are Core to Value & Viability

In California agriculture, water isn't just a resource—it's the foundation of value. At Murray Ag Real Estate®, we see firsthand how the difference between secure, well-understood water rights and uncertain access can make or break a deal. In one recent transaction, two nearly identical parcels carried vastly different price tags simply because one had verified, long-term water reliability and the other did not. Across the State, stories like this play out time and again as producers, investors and landowners navigate a market where water defines productivity, stability and strategic potential.



*“From a water-focused perspective, agricultural landowners should assess three essentials: reliable water supplies, effective drainage, and long-term groundwater sustainability under SGMA. This means confirming water rights and district reliability, ensuring the land can properly drain irrigation runoff, and evaluating whether the area’s Groundwater Sustainability Plan supports adequate groundwater use for ongoing production.”*

**Chris White**

Executive Director

[San Joaquin River Exchange Contractors](#)

Understanding the ins and outs of water rights is critical to agricultural investing and we're here to help you make sense of it all. Because California's water landscape is complex and evolving, staying informed on trends and legislation is essential for confident decisions. So whether you're buying, investing, or selling, knowing more about water rights is key to moving forward with clarity. Drawing from our on-the-ground experience, this guide offers practical insights and trusted resources to help you evaluate opportunities, manage risk and plan for the long term.



# Water Rights 101: What You Need to Know



California's water system is one of the most complex in the world, balancing agricultural, urban and environmental needs across a huge state with dramatic geographic and climate differences. In agriculture, water typically comes from two sources: surface water and groundwater.

- **Surface water:** Flows through rivers, lakes and reservoirs, often delivered via state and federal projects or irrigation districts.
- **Groundwater:** Stored beneath the surface in aquifers and accessed through wells that draw from these underground reserves.

Both sources are essential to California agriculture, but both are increasingly constrained by regulation, climate variability and long-term sustainability concerns.



*“Location is critical in real estate, especially under the Sustainable Groundwater Management Act (SGMA). Each landowner should know which Groundwater Sustainability Agency (GSA) governs their property, understand its current and future groundwater rules, and explore options for buying or selling water. It's also essential to confirm surface water access—whether the land is in an irrigation or water district, part of a private ditch company, or carries riparian rights—and learn the rules and limitations for each.*”

**Geoff Vanden Heuvel**

*Board Vice Chair*

*Water Blueprint*

*Director of Regulatory & Economic Affairs*

*Milk Producers Council*

# Water Rights 101: What You Need to Know



## ***Riparian, Appropriative & Groundwater Rights***

As a brief introduction, the legal framework for California water rights dates back more than a century. Under riparian rights, landowners whose property borders a water source can use that water in reasonable amounts. Appropriative rights follow the principle of “first in time, first in right,” meaning those who first claimed water for beneficial use retain senior priority over newer users—a concept established prior to 1914 and still recognized today. These systems govern surface water, but historically, groundwater was less regulated and managed on a local basis, leading to decades of over-pumping and declining aquifers in many regions.

## ***The SGMA Era: Managing Groundwater for the Future***

In 2014, California passed the Sustainable Groundwater Management Act (SGMA), a landmark law designed to protect California’s groundwater for the long term. SGMA requires local agencies to develop and implement plans that bring aquifers into sustainable balance—meaning groundwater can only be pumped at levels that won’t cause long-term decline. For the Ag industry, this means that pumping groundwater to support crops is now subject to oversight, monitoring and, in many parts of the state, new restrictions. When you combine these guidelines with surface water limitations tied to precipitation, endangered species protections and infrastructure constraints, the result is a far more regulated and uncertain water environment.



***“The Sustainable Groundwater Management Act (SGMA) represents the single greatest disruptor to agricultural land values since California’s major water projects were built in the 1940s and 1950s. Recognizing and understanding these local nuances—and how they influence both the reliability and cost of water—is essential for landowners navigating today’s rapidly changing landscape of California water and agriculture.”***

**Dan Vink**  
Principal Partner  
SCPM at [Six-33 Solutions](#)

# Why Water Rights Matter for Ag Real Estate



## *Risk, Access & Sustainability*

Lack of reliable water rights can lead to operational constraints, reduced crop options and even long-term declines in productivity. According to the [Almond Board of California](#), growers today are using an average of 36 inches of irrigation water per acre annually—roughly 11 inches less than older models suggested—thanks to improved efficiency and technology. Still, if a property’s water rights or supply can’t support that level of demand, it’s not just a “less ideal” parcel, it becomes fundamentally misaligned with its intended use. Beyond that, the stress of curtailments, regulatory risk and climate variability can force deferred yields, crop shifts or capital investment just to stay viable. Importantly, water rights don’t just add optional upside they also often protect against meaningful downside.

### *Let’s Take A Deeper Look*

Imagine two almond orchards side by side:

- **Parcel A has documented surface water plus groundwater rights**
- **Parcel B is totally reliant on new well development under a constrained basin**

We might value Parcel A around \$25,000 an acre, while Parcel B—same size, same crop—would only pencil out closer to \$10,000 (or less) because of the risk of future pumping limits or regulatory restrictions, and there is no secondary source of water provided by surface rights. It may look enticing as the upfront cost is cheaper, but over time Parcel A is likely to outperform and more than make up for that initial premium.

We guide clients through thorough analysis like the example above to ensure decisions are made with eyes wide open and in the best interest of short- and long-term goals.

Water rights often represent the unseen layer of value in any agricultural property. Two lands with the same acreage can vary dramatically in price if one has dependable, legal access to water and the other does not. According to a Spring 2025 article in [The Business Journal](#), in parts of Northern California water reliability is becoming a primary driver and “significantly enhances” value as buyers are paying premiums for parcels in water-secure districts, even as broader land values soften.

As the [Acres 2024 Farmland Values: The California Report](#) found, “water districts with robust and secure water supplies (Tier 1) have generally shown greater resilience and stability in land values compared to Tier 2 districts.”

# A Changing Landscape: Policy, Climate & Market Shifts



California's water story has always been one of adaptation and contention. Every decade brings new legislation, regulations and environmental mandates that reshape how much water is available, when it can be used and who gets priority. And over time, these layers of policy have steadily reduced the amount of water available to the agricultural industry.

## ***When Policy Meets Practice***

From statewide water projects to local groundwater management plans, regulation is a defining force in how water is distributed and used. The good intent is to balance agricultural, environmental and urban needs, yet the cumulative effect can often lead to a steady curtailment of agricultural supply. At Murray Ag Real Estate, we believe a common-sense approach to water recognizes that it's not only agriculture that benefits, but also the communities that depend on it. Sustainability goes hand in hand with profitability: supporting rural regions starts with maintaining a strong agricultural base and that begins with reliable access to water.

In California and at the Federal level, water management continues to evolve through a mix of policy decisions, economic perspectives and competing priorities. While environmental stewardship remains vital, the challenge lies in finding equilibrium, hopefully ensuring conservation goals are met without undermining the food systems and economies that sustain California's rural communities. Industry organizations continue to advocate for greater transparency, flexibility and long-term investment in storage and conveyance infrastructure to create a more resilient water future.

## ***Climate Pressure & the Road Ahead***

On top of any new laws and regulations is the growing impact of climate change. Drought cycles are becoming more severe, recharge seasons are shorter and snowpack is less predictable. California has seen occasional wet years, yet the long-term trend remains one of tightening supply. When we see a year or two of strong rainfall, it's easy to think we've turned a corner. But the reality is, those years are more often an anomaly than a turning point. Without structural reform and investment in storage and conveyance, we're likely to see sharper declines ahead.

Despite the challenges, there are also bright spots. Efforts like the [UPWARD Project](#), which modernizes statewide water data reporting, not to mention investments in groundwater recharge and regional collaboration signal progress toward smarter, more transparent management. Water rights in California have always been dynamic. The best strategy is to stay informed, adaptable and forward-thinking.

# Murray Ag Real Estate's Approach to Water

At Murray Ag Real Estate®, we don't just talk about water we actually analyze it and continuously build a network of trusted and collaborative water experts to help our clients navigate this complexity. Because access, reliability and sustainability of water rights directly shape land value, our process starts by asking the right questions early and often. Every property is unique and our goal is to understand how its water story aligns with your goals, risk tolerance and long-term plans.

## *Due Diligence Beyond the Surface*

We work closely with clients, lenders and technical partners to make sure every property is fully understood—financially, operationally and practically. Sometimes that means uncovering a hidden water constraint before it becomes a problem; other times, it's finding opportunity in an overlooked allocation plan or delivery system.

Our approach is rooted in trust, insight and a forward-thinking mindset. We aim to help clients see the full picture, move beyond assumptions and make decisions grounded in both data and experience. Because in California agriculture, water isn't just part of the deal it's the foundation of value, stability and long-term success.

## *Key Questions to Consider*

We help clients think beyond what's visible on the surface and dig into what's legally, technically and economically feasible. As you assess land opportunities, here are some important questions to consider:

- Does the existing water on the land support the future use (e.g. permanent crops)?
- What documentation or permits confirm the rights (licenses, entitlements, etc.)?
- How has usage matched allocations, and are there curtailment risks now or anticipated?
- What's the water supply gap between current rights and needed volume per acre?
- Are infrastructure costs (e.g., distribution, lifts, pipelines) fully accounted into valuation?

Our analytical approach is built on local experience, financial discipline and a respect for agriculture's realities. As one client recently described Murray Ag's approach, "You look at land differently—it has to pencil and you always make sure it does." That perspective, grounded in both data and practicality, is what sets us apart.

# Resources & Recommendations



California's water landscape is complex and constantly changing. Staying informed is key to making confident, well-timed decisions about land and investment strategy. Below are some trusted organizations, tools and voices we follow and recommend. Whether you're looking to understand the rules, track policy updates or simply stay ahead of the conversation!

## ***Information, Regulation and State Resources***

These are the go-to agencies and data sources shaping California's water rights framework. From state-level policy to public databases and regulatory updates, they provide the most accurate and up-to-date foundation for your due diligence.

[California Department of Water Resources](#)

[California Water Alliance](#)

[California Water Farm Coalition](#)

[California Water Impact Network](#)

[California Water Resources Control Board](#)

## ***Good Reads & Follows***

Beyond the technical and legal sides, these organizations and individuals share thoughtful perspectives on how water, agriculture and policy intersect. They're great sources for real-time insights, on-the-ground stories and trends across California's Ag and water communities.

[Murray Ag Real Estate](#)

[Maven's Notebook](#)

[San Joaquin Exchange Contractors](#)

[Six-33 Solutions](#)

[SJV Water](#)

[Water Blueprint](#)

[WaterOne.ai](#)

[WestWater Research](#)

[California Citrus Mutual](#)

[Milk Producers Council](#)

## ***About Murray Ag Real Estate®***

Murray Ag Real Estate® connects buyers and sellers of prime agricultural land, combining deep industry roots with trusted expertise and a relentless commitment to long-term client success.

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