

THE WATER MARKET 2025 ANNUAL REPORT

A comprehensive review of water market activity, key market drivers, and influential events in 2025 that shaped the water market

Water market activity in 2025 reflected stable economic and generally dry hydrologic conditions across most of the West. Overall trading volume was down slightly but prices remained high, particularly for water leases. Housing development continued to experience a slowdown, causing a drop in the average sales price in many metro regions including the Colorado Front Range and Southern Nevada. Water prices climbed modestly in regions experiencing rapid economic development and long-term supply constraints, particularly in Texas and Arizona. Agriculture faced weak forage and fruit prices, rebounding nut prices, drier conditions, and high farm debt, resulting in a variable price response for water. The loss of water reserves and influx of government funding sparked new water markets in Arizona, Texas, Utah, and Nevada. With much drier conditions and a turn in the housing market on the horizon for 2026, we expect to see greater market activity and higher prices in the coming year.

AUTHOR

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TOTAL MARKET ACTIVITY

Across the West, we track annual water trading of approximately 2.5 million acre-feet, amounting to \$1 billion in trading value. The overwhelming majority of transactions are leases, or temporary transfers. This trend reflects the sellers' desire to maintain ownership while allowing flexibility to earn income from their water assets when market demand exists for temporary transfers. In many cases, buyers such as municipalities and industry (M&I) seek to permanently acquire a water asset (e.g., water right, irrigation company share) because it provides greater long-term certainty for water supply to serve relatively inflexible demands.

Total Trading Activity in the Western Markets by Year



MARKET SNAPSHOT

2.5 Million
Acre-Feet Traded Annually

\$1 Billion
in Annual Value

85%
Lease Transactions

70%
Traded from Agriculture

47%
Traded to Municipalities

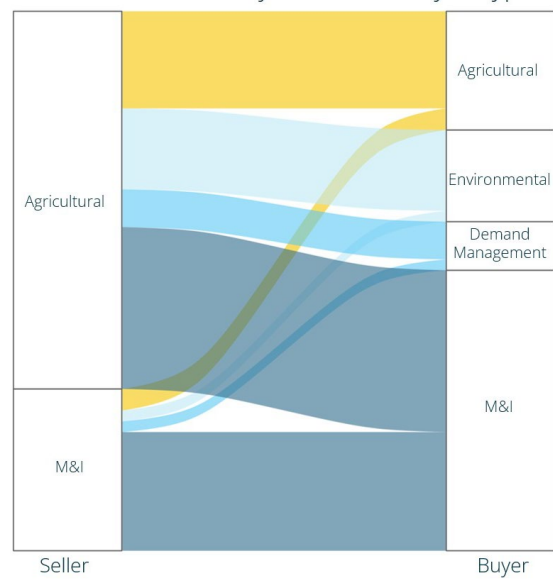
Above figure shows value and volume traded each year. Volume (million acre-feet) is shown as bars and value (millions of 2025 dollars) as a shaded area overlay, both categorized by transaction type — leases (blue tones) and permanent sales (yellow tones).

MARKET PARTICIPATION

The agricultural sector, which represents about 80% of water use in the West,¹ is the primary seller while the growing M&I sector is the dominant buyer. In market regions where there is land development within agricultural areas, permanent water transactions are more common, which over time has resulted in a significant transition of agricultural land. In the western states, there has been a 19% reduction in irrigated acres over the last 25 years (1997 to 2022), equivalent to 6.2 million acres. The loss of irrigated land is caused by multiple factors, and the purchase and transfer of agricultural water rights is a relatively minor influence.

¹ Environmental Defense Fund

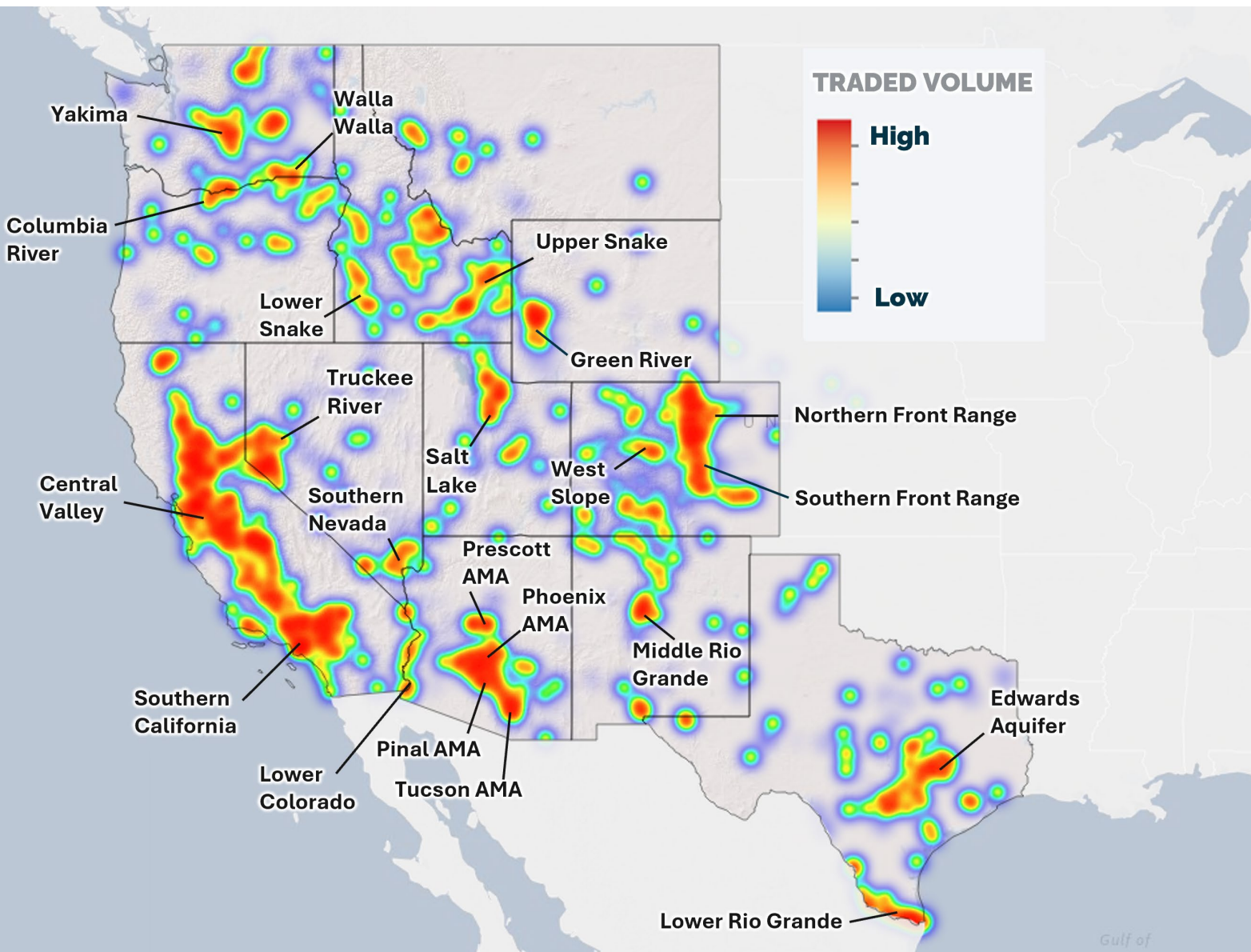
Transfer Volume by Seller and Buyer Type



MARKET REGIONS

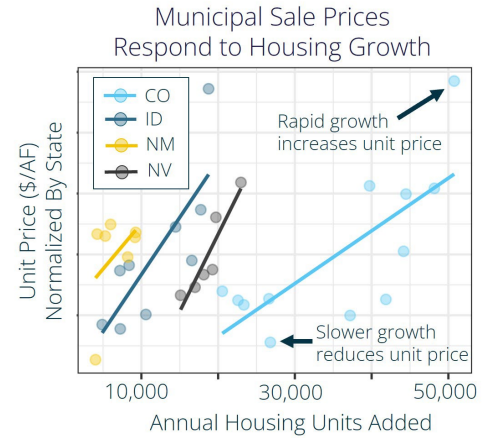
Trading activity is focused in regions with supply constraints and new demands for water. Demand drivers are defined in the next section. Physical infrastructure to move water supplies to demand centers and regulatory frameworks that reduce transfer risk are factors that can lead to increased trading activity, such as in California, Central Arizona, and Northern Colorado.

Water market activity in 2025 reflected stable economic and generally dry hydrologic conditions across most of the West. Population growth and the number of new housing units experienced a slowdown due to higher interest rates and above-average inflation. This slowdown caused the average water price to drop in Colorado and Nevada metro regions. Average water prices rose modestly in regions experiencing rapid economic development and supply constraints, particularly in Texas and Arizona which rely on limited surface and groundwater supplies.



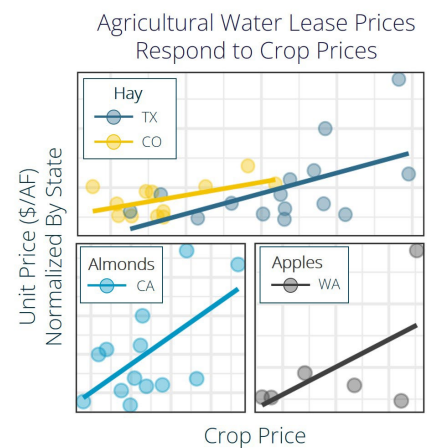
POPULATION GROWTH & HOUSING DEVELOPMENT

Municipal buyers dominated Western water markets in 2025, accounting for 67% of activity and acquiring 1.5 million acre-feet for \$879 million — mostly from agricultural sellers — with California, Arizona, and Texas leading demand. Population growth across the West has slowed due to falling fertility, an aging population,² and reduced international migration,³ cooling home-building activity.⁴ Water sales lagged 1 – 3 years, tend to follow housing growth, and in 2025 sale prices moderately rose from 2024 lows signaling a rebound in housing development.



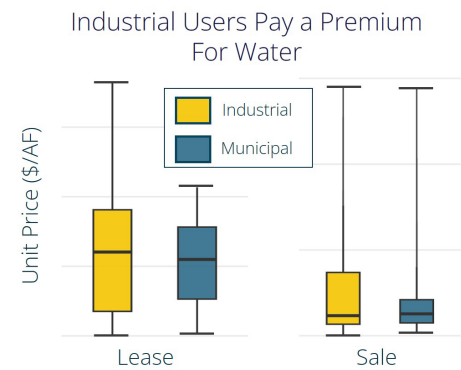
AGRICULTURAL COMMODITY PRICES & FARM DEBT

Agriculture in 2025 faced pressure from drought, weak crop prices, and rising costs. Hay prices were down 42% from their 2022 peak, fruit prices in the Pacific Northwest continued to dip from lack of demand, and nut prices in California rebounded. Crop prices have an important influence on water lease prices in agricultural markets. Farm debt is up 5% from 2024.⁵ Compressed margins are pushing agricultural producers toward the water market, and with municipal demand expected to rebound, strong agricultural supply is anticipated.



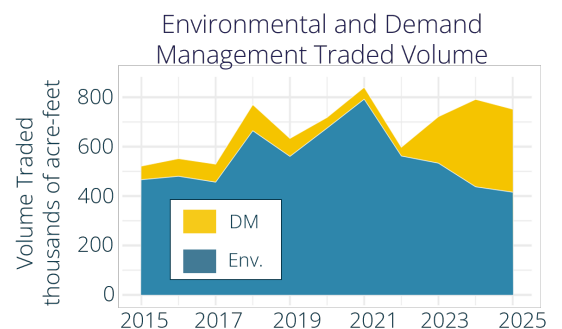
INDUSTRIAL DEVELOPMENT

Industrial buyers acquired about 57,000 acre-feet in 2025, sourcing water primarily from other industrial users and municipal providers. Unit prices vary considerably across markets but broadly track municipal pricing in most states, though industrial buyers frequently pay a premium, reflecting a higher willingness to pay and shortened time horizon for water acquisition. Power generation dominates industrial water demand, accounting for roughly 75% of total industrial-trade volume.



ENVIRONMENTAL TRANSACTIONS & DEMAND MANAGEMENT PROGRAMS

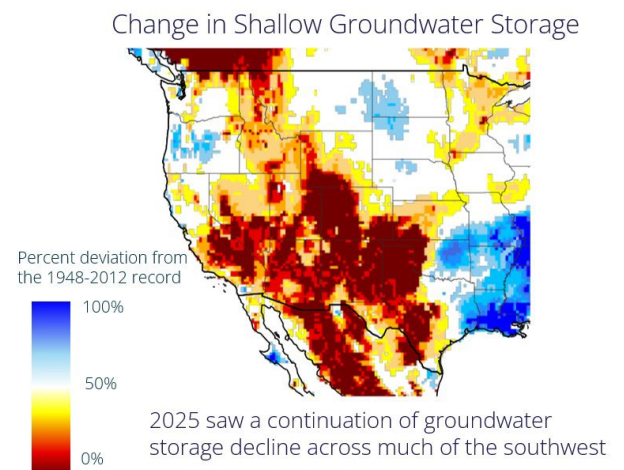
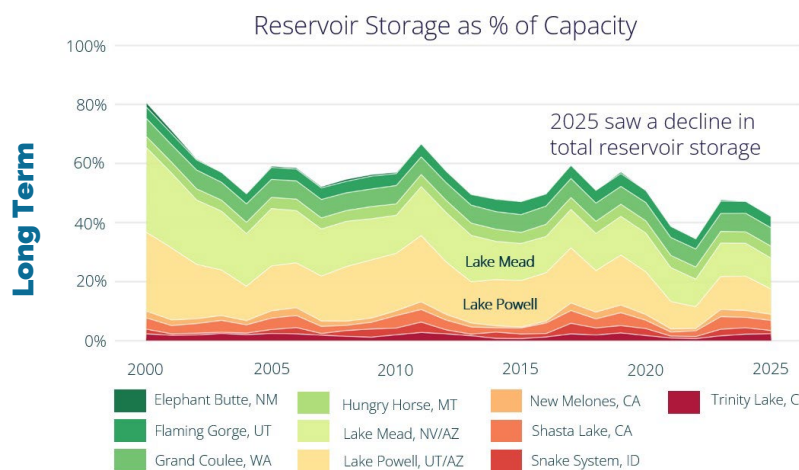
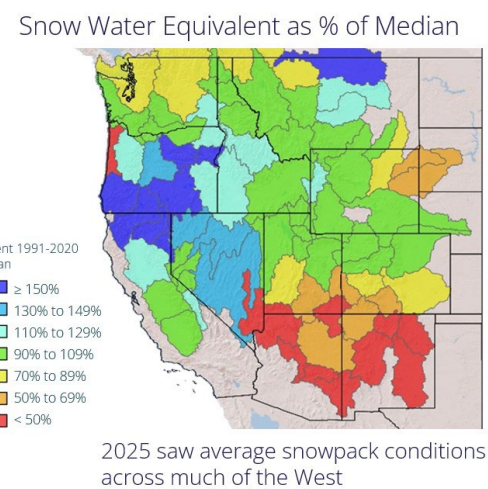
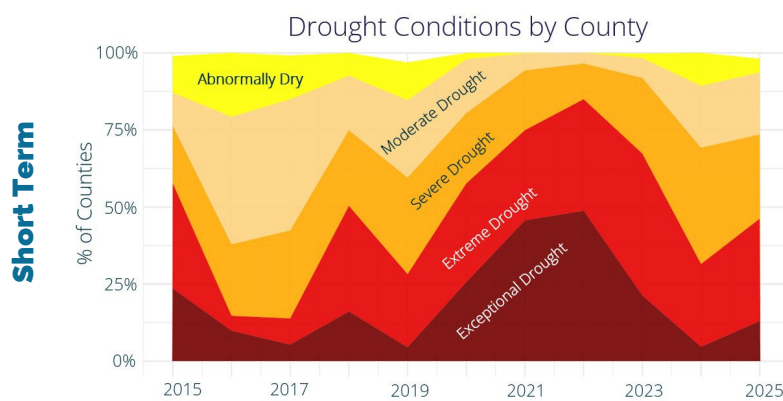
Environmental and demand management trades together made up 30% of market volume but just a fraction of market value, as both sectors are almost entirely dependent on government funding rather than market-driven demand. Moving forward, there is high uncertainty for the same scale of federal funding to maintain these programs, placing greater reliance on state funding in critical regions.



² 2019 U.S. Population Estimates Continue to Show the Nation's Growth Is Slowing, US Censuses ³ US Census ⁴ Geographic Mismatch Between Housing Construction and Shortages, OCC ⁵ USDA Economics Research Service

Hydrologically, 2025 conditions were below normal across most of the Western US. Persistent snow drought and rapid snowmelt due to elevated temperatures occurred at higher elevations across the West. The rapid melt intensified drought conditions with roughly 65% of the west in drought and parts in extreme or exceptional drought, especially across the Colorado River Basin.⁶ Reservoir levels, representing our water savings account, fell across all western states.

Market activity is highly influenced by hydrologic conditions, particularly for the lease market. In headwater states primarily dependent on surface water, years with low water supply see price spikes. States that are reliant on groundwater and upstream reservoir storage see similar price hikes when storage is depleted. Market activity in Texas and Arizona responded to changes in groundwater and reservoir storage, while most other states responded to short-term drought conditions.



- **Top left:** County-level drought conditions across western states (2015– 2025), shown as the percentage of counties classified under each Palmer Drought Severity Index category.⁷
- **Top right:** April 1, 2025 Snow Water Equivalent (SWE) as a percentage of the 1991–2020 median by basin.⁸
- **Bottom left:** Combined storage of the top 10 USBR western reservoirs as a percentage of total combined capacity (2000–2025), disaggregated by reservoir.⁹
- **Bottom right:** GRACE-based shallow groundwater wetness percentile.¹⁰ Together, these panels illustrate the compounding drought and water supply pressures facing western water markets

⁶[Drought.gov](https://www.drought.gov) ⁷[Drought.gov](https://www.drought.gov) ⁸[NRCS USDA](https://www.nrcs.usda.gov) ⁹[USBR Hydromet: Reservoir Storage](https://www.usbr.gov/hydromet/reservoir-storage) ¹⁰[Drought.gov](https://www.drought.gov)

CALIFORNIA

2025 WATER MARKET SUMMARY

Surface water prices rose by 3% over the past year due to drier conditions in 2025 following good water supply years in 2023 & 2024. Prices climbed above average but remained below peak prices seen during the 2021-2022 drought.

State funding & political support for water supply enhancement projects continues, with key regulatory approvals in 2025 for Sites Reservoir and the Delta Conveyance Project. These investments in new water projects will ease the market demand for permanent water supplies.

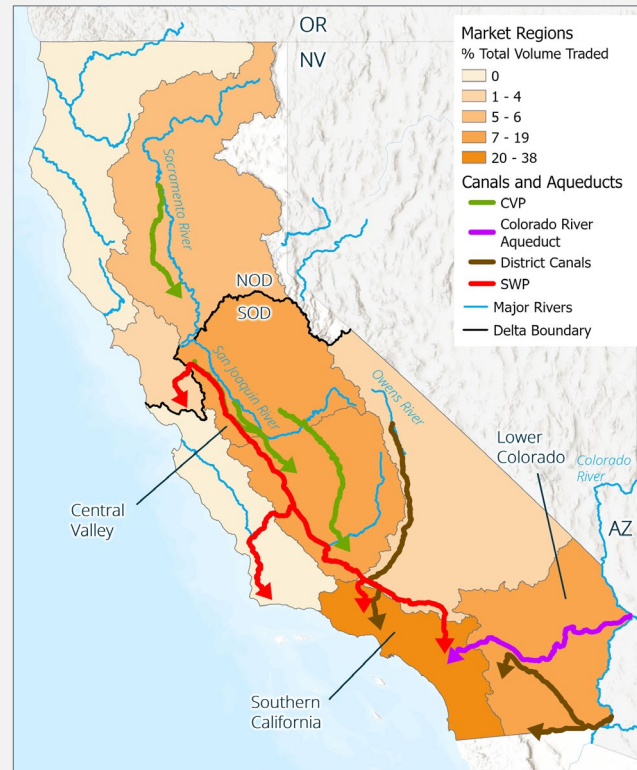
Groundwater market prices in many southern adjudicated basins continue to dip from a 2021 high and decreased an additional 18% from 2024 prices.

Groundwater allocation and trading schemes have been slow to develop in response to the 2014 Sustainable Groundwater Management Act, likely due to the delayed timeline of implementation. Local agencies have until 2040 to show sustainable groundwater conditions.

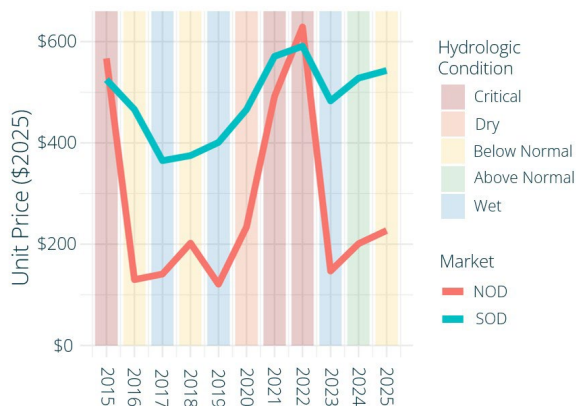
Hydrologic forecasts for water year 2026 predict average to slightly below-average precipitation based on emerging La Niña conditions, suggesting a continuation of 2025 water market conditions.

WATER TRADING ACTIVITY

California is the largest state water market in the Western US, with total trading of 1.2 million acre-feet and \$665 million annually. The Sacramento-San Joaquin Delta separates the market into North of Delta (NOD) and South of Delta (SOD) regions. Trading activity and price volatility are higher in the SOD due to high demand and limited local supply.



North and South of Delta Unit Price



PRICES RESPOND TO HYDROLOGY

California's water market is primarily a collection of single-year and multi-year water sales (aka leases) between a diverse set of sellers and buyers. California water users have the ability to go to market and acquire supplies in dry years, due to the state's conveyance system and active water market. As a result of having a robust lease market, California water prices are responsive to hydrologic conditions and have seen significant swings during the dry and wet conditions. 2025 was a "below normal" year and average water prices continued to rise.

NASDAQ VELES CALIFORNIA WATER INDEX (NQH2O)

In 2018, Nasdaq along with Veles Water and WestWater Research, launched the NQH2O. This index is the first of its kind and tracks weekly spot price of water right transactions in California based on transaction data from our Waterlitix™ database.

ARIZONA

2025 WATER MARKET SUMMARY

Colorado River/CAP water dominates Arizona's market at ~64% of volume traded in 2025. Prices rose 75% from 2022 to 2023 which have held through 2025.

Long Term Storage Credits (LTSCs) reached a record high unit price in 2025, reflecting tightening recharge supplies as CAP deliveries remain constrained.

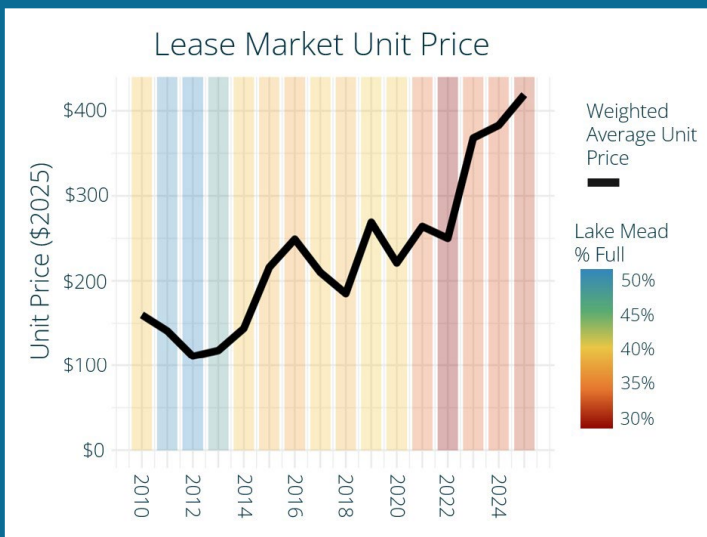
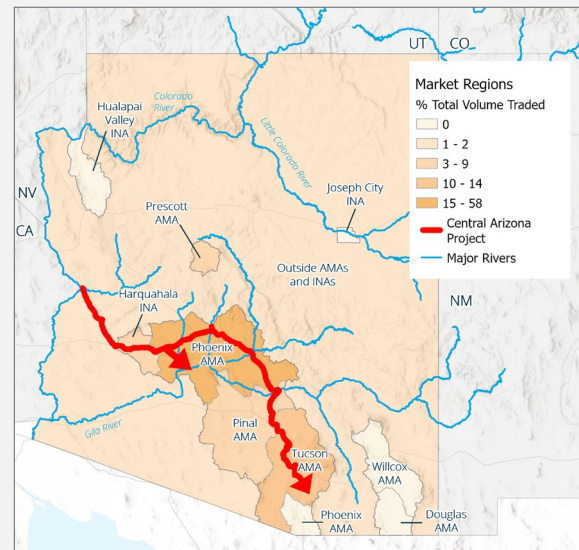
The Willcox and Douglas AMAs were recently designated, extending market instruments such as permitted groundwater rights into these regions for the first time

The Agriculture to Urban (A2U) law, passed in 2025, allows irrigation right holders in the Phoenix and Pinal AMAs to voluntarily forfeit pumping rights in exchange for tradeable Groundwater Savings Credits, creating a new pathway for reallocation from agricultural to M&I use.

Colorado River Basin demand management activities represent a significant portion of the Arizona market. About 60% of the 2025 Colorado River water trading activity in Arizona was related to the compensated forbearance of water supplies held by Native American Tribes.

WATER TRADING ACTIVITY

Arizona's water market trades 494 thousand acre-feet and \$157 million annually, predominantly among municipal entities, and is shaped by two interdependent supply systems: regulated groundwater within Active Management Areas (AMAs) and Colorado River surface water delivered through the Central Arizona Project (CAP). AMA regulations cap groundwater pumping and incentivize recharge through market instruments such as Long-Term Storage Credits (LTSCs), linking groundwater market conditions directly to the availability and cost of CAP supplies. Together, Colorado River supplies and LTSCs make up 75% of the market.



WATER PRICES RESPOND TO LAKE MEAD STORAGE

Arizona's water market is primarily driven by long-term supply constraints and sustained municipal and industrial demand growth. Arizona's limited groundwater recharge and reduced Colorado River allocation leave users with few options to acquire supplemental supply in dry years. As a result, Arizona water prices respond to cumulative supply and demand pressures. Prices for surface and groundwater supplies have risen steadily in response to changes in upstream system storage. 2026 shortage conditions are expected to sustain this upward price trajectory across all market assets.

COLORADO

2025 WATER MARKET SUMMARY

CBT assets stabilized in 2025 at \$85,000/acre-foot, which is down from \$108,000/acre-foot in 2022. However, high CBT prices continued to push prices for alternative supplies to all-time highs.

Twin Lakes trans-basin shares rose by 17% between 2019 and 2025 selling to Southern Front Range municipalities. The price for this asset is expected to continue its upward trajectory due to a limited inventory of available supply.

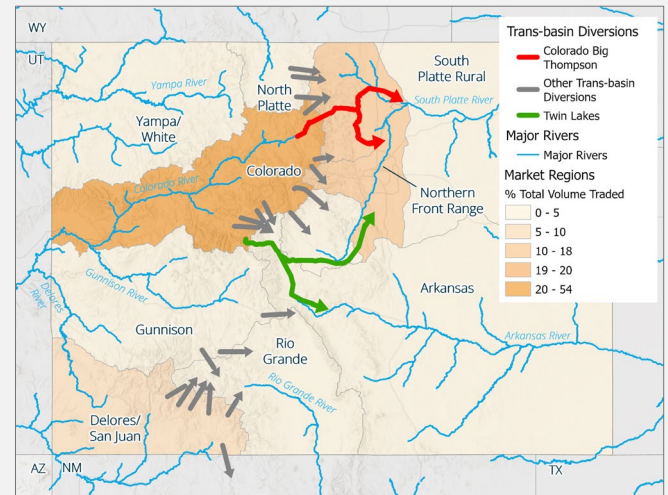
Construction of two water supply projects in the Northern Front Range will deliver up to 70,000 acre-feet. The Windy Gap Firming Project (underway) and the Northern Integrated Supply Project (planned for 2030) could provide some relief on demand for traditional market assets.

The Colorado River District's acquisition of the senior Shoshone Water Rights was accepted into the state Instream Flow Program in 2025, representing the most significant instream flow transaction in Colorado history.

Statewide snowpack entering 2026 is tracking at roughly 51% of median in the Colorado River headwaters, sustaining upward pressure on water leases across the state.

WATER TRADING ACTIVITY

Colorado's water market trades 79 thousand acre-feet and \$169 million annually, commanding the highest unit sale prices in the West. A fundamental geographic imbalance drives market activity: the western slope generates 80% of supplies while 85% of the population resides on the eastern slope, creating sustained competition for trans-basin water historically used for irrigation. The Colorado-Big Thompson (CBT) Project serving the Northern Front Range and the Twin Lakes diversion serving the Southern Front Range are among the most valued water assets in the state. The West Slope leads in traded volume, driven primarily by environmental leases and recent demand management programs.



Northern Front Range Sale Market



PRICES RESPOND TO HOUSING DEVELOPMENT

Northern Front Range water prices are closely tied to the pace of municipal growth, with CBT units serving as the market's primary price indicator. As housing development accelerated through 2020, competition among growing municipalities drove CBT prices up by 100% between 2015 and 2022. Prices have since moderated, tracking a recent slowdown in housing but remain inflated due to a shift in supply — approximately 90% of CBT units are now held by municipalities and water districts. This concentration of ownership creates a thin market putting pressure on alternative Front Range assets.

TEXAS

2025 WATER MARKET SUMMARY

The Edwards Aquifer leases maintained higher prices since a 55% bump in 2020. Permanent sale prices rose 20% in 2025 but remain lower than the 2020 peak in prices.

Texas's population grew by 1.2% between 2024 and 2025, a slowdown compared to a 1.9% growth rate between 2021 and 2023. As an effect, housing unit development has slowed, a precursor to the observed water prices in the Edwards Aquifer.

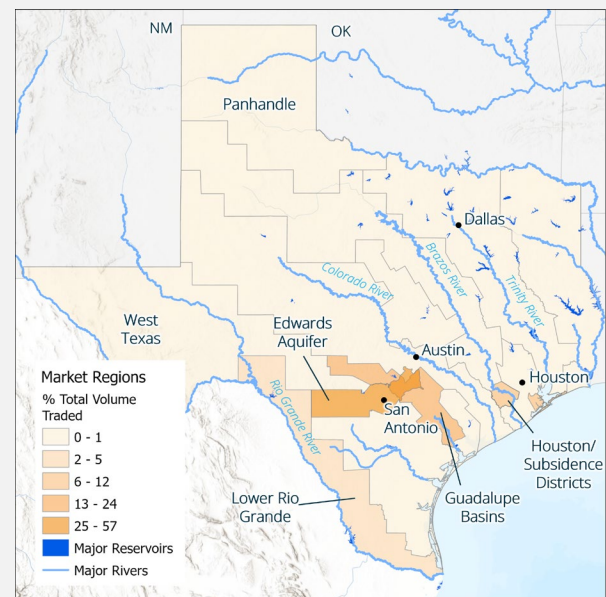
Agricultural lease prices in the Lower Rio Grande surged 250% from 2022 to 2025, driven by a critically low storage in the Amistad and Falcon reservoirs which fell to 40% and 20% of conservation capacity, respectively, by end of 2025.

Prop 4, passed in November, authorizes \$20 billion for water supply expansion and infrastructure. The funding is expected to stimulate water market activity by reducing transaction costs and unlocking stranded water supplies.

The recently passed Aquifer Conservancy Program allows users to participate in conservation initiatives that generate tradable benefits or credits.

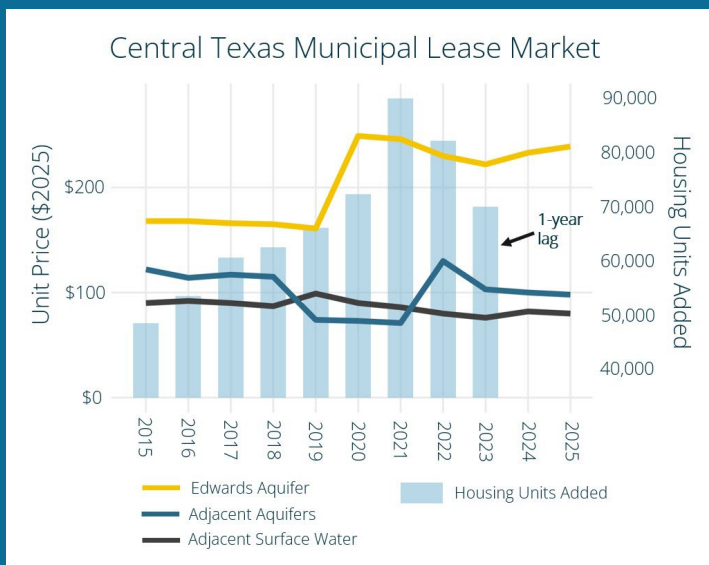
WATER TRADING ACTIVITY

Texas's water market trades 351 thousand acre-feet and \$79.6 million annually, making it the second-largest state market in the western U.S., driven by rapid population growth in semi-arid regions where surface water is limited and groundwater faces mounting sustainability pressures. Unlike other states where large trans-basin infrastructure facilitates trading, Texas's markets are isolated to regional supply and demand relying on large reservoirs and aquifer systems as market pools. Groundwater makes up 79% of trades, primarily from the Edwards Aquifer which operates through a cap-and-trade system. The Guadalupe Basin and Lower Rio Grande represent the most active surface water markets.



PRICES RESPOND TO CAPPED SUPPLY

Texas water prices in expanding municipal regions are closely tied to population growth, alternative sources, and the regulatory framework governing supply. In the Edwards Aquifer, where a formal cap-and-trade system strictly limits total pumping, growing demand from San Antonio and surrounding communities translates directly into price appreciation. In adjacent aquifers and surface water basins, prices are less responsive to demand due to looser pumping restrictions and rights are concentrated among regional water authorities, dampening the price signal that a more competitive market would produce.



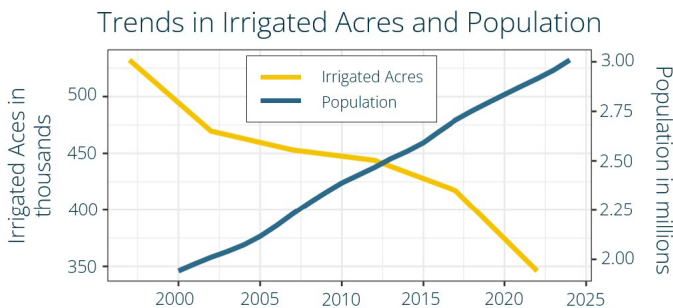
UTAH'S WASATCH FRONT

MUNICIPAL WATER MARKET

Municipal transfers occur primarily between municipalities along the Wasatch Front, accounting for 76% of total value traded. The lease market exhibits strong geographic price differentiation, with Summit County prices that are nearly 5x greater than prices across the remainder of the region — reflecting Summit County's constrained local supply and willingness to pay for its high-value resort economy.

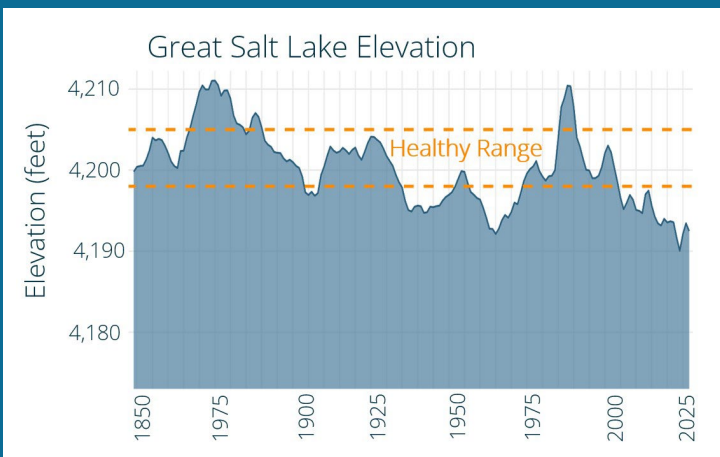
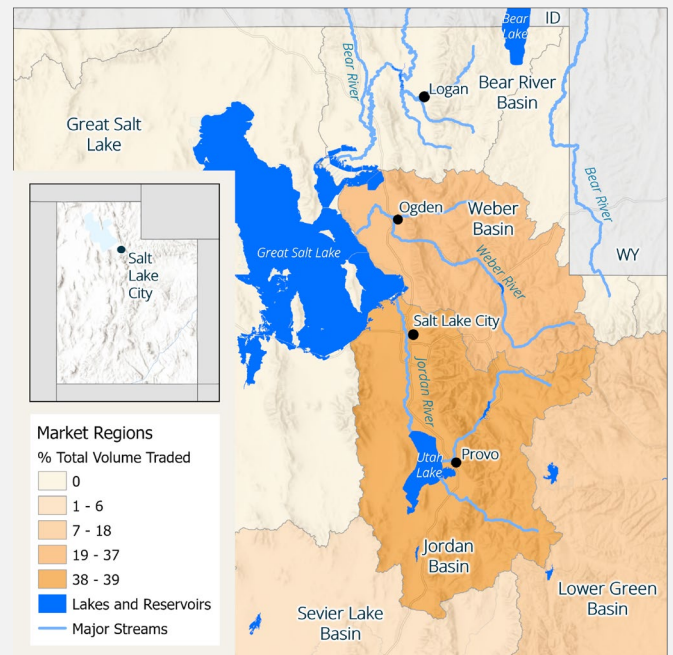
TRANSFERS FROM AGRICULTURE

There has been a 35% loss of irrigated acres since 1997, synonymous with a 55% increase in population. The Wasatch Front is projected to grow by 1 million by 2050, a 34% increase from 2025 population estimates — highest growth projected for the southern Wasatch Front. The growth will likely accelerate transfers from agriculture.



WATER TRADING ACTIVITY

Annual trades in Utah's Wasatch Front exceed 37 thousand acre-feet and \$11.7 million — representing 40% of statewide volume and 73% of statewide value. The market is shaped by rapid municipal expansion pressing into the state's agricultural hub and growing environmental demand driven by the critical decline of the Great Salt Lake. A 2022 proclamation suspending new water right appropriations in major Great Salt Lake tributaries has constrained supply and intensified competition.



GREAT SALT LAKE ENVIRONMENTAL WATER MARKET

The decline of the Great Salt Lake to historic lows in 2022–2023 reshaped Utah's water policy and influenced market activity. In 2022, the legislature established the Great Salt Lake Watershed Enhancement Trust (GSLWET) with \$40 million for water acquisition and infrastructure. Since 2023, the GSLWET has acquired approximately 200 thousand acre-feet through transactions and donations, which are dedicated to lake restoration.

Western water markets in 2025 responded to several compounding pressures — below average water supply conditions, agricultural economic stress, and a housing slowdown. Locations with escalating water prices were responding to poor water supply conditions and continued pressures from municipal and industrial growth, while water price decreases were seen in markets affected by a slowdown in new housing development and weak crop prices. California, Arizona, Colorado, and Texas continue to lead water transaction activity, given a combination of factors that foster transaction efficiency under limited supply conditions, such as large and complex water infrastructure, a known regulatory environment, and economic growth. With drier conditions forecast for 2026, a housing market recovery on the horizon, and the wind-down of federal demand management funding, the stage is set for tighter supply, stronger prices, and accelerating market activity across the West.

FURTHER READING

For deeper insight into regional water market trends, pricing dynamics, and emerging markets, WestWater Research publishes the Water Market Insider — a quarterly report delivering timely analysis across western water markets. Each edition dives into a market theme, highlighting market-moving events and keeping our water community updated on a rapidly evolving market. [Click HERE to sign up.](#)

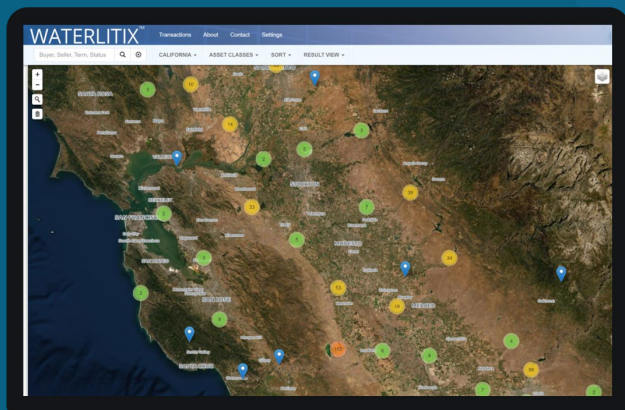
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ABOUT WESTWATER RESEARCH

WestWater Research is a specialized economic consulting firm offering strategic solutions for water supply and water market challenges. We leverage our expertise in market research and pricing to provide clients with actionable insights that drive decisions around security, transactions, and sustainability. Our focus on the value, impact, and resiliency of water resources ensures our clients are well-positioned for long-term success in a dynamic environment.

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