

## RINCON CLIENT CONTINUES TO GROW

### ROB MURRAY AND RESERVE VINEYARD MANAGEMENT

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#### AgLand & Estate News

#### Reference Guide

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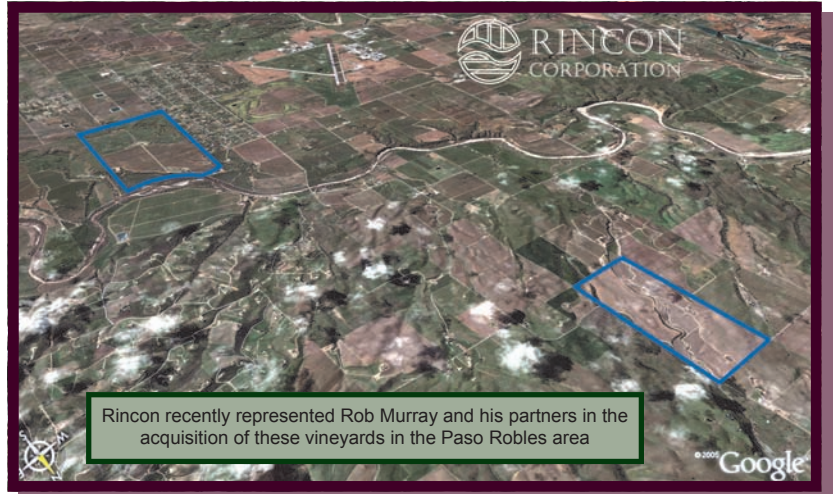
At Rincon, most of our business is based upon long term business relationships. Our philosophy is to find good clientele and to meet their every need as it relates to agricultural, rural estate, and investment real estate.

Rincon started working with Rob Murray in 1996 when the company he worked for at that time was acquiring vineyards on the Central Coast. In 2001 Rob started his own company, Reserve Vineyard Management. Rincon has continued to work with him ever since.

"We have always thought highly of Rob's abilities and value his integrity," says Larry Lahr, President of Rincon. When a private equity group from out of state needed the services of a vineyard expert, Rincon introduced them to Rob Murray. According to Lahr, "Rob ended up not only helping with that project, but went on to become partners with them in two major vineyards in the Paso Robles area." Today, Reserve Vineyard Management manages over 1,000 acres of vineyards for several clients.

"I have come to rely upon Rincon to be my real estate experts," says Rob Murray. "Whenever I have a question, such as ownership of a particular property or researching market values, Rincon either has the answer or knows how to get it quickly."

"Rincon has represented us in acquiring over \$15



million in vineyards recently," says Murray. "I am always impressed by their ability to locate properties, negotiate an agreement, and get the deal closed."

Murray adds, "The private equity group that Rincon introduced me to invests in agricultural and land resources. They have raised three funds so far, over \$150 million in equity. This translates into investments of over \$300 million as they usually leverage their investments at about 50%. They are very committed to the vineyard and winery industry on the California Central Coast and are aggressively pursuing additional investments here."

Rincon is actively seeking new investments in vineyards and wineries for Rob Murray and his partners. Lahr says, "We are turning over rocks and looking for deals in Monterey, San Luis Obispo, and Santa Barbara counties for Rob and his group. We have all developed a close working relationship, and really enjoy working with them. They mean business, and close deals."

## GET THIS NEWSLETTER BY EMAIL

If you spend as much of your time on your computer as we do, you might find it more convenient to receive future issues of this newsletter by email. It's easy to do. Just request an email version at:

[Info@rinconcorp.com](mailto:Info@rinconcorp.com)

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## FEATURED PROPERTY

### 13.5 +/- ACRES INDUSTRIAL LAND, SANTA MARIA

Rincon is pleased to feature this parcel of 13.5 +/- acres of vacant land located in the City of Santa Maria. This property, known as the "Paderewski Property", is zoned CM, or commercial manufacturing, and consists of two parcels of 8.4 +/- acres and 5.1 +/- acres.

Located at the intersection of Betteravia Road and Mahoney Road, the Paderewski Property presents numerous potential opportunities for development. The CM zoning is intended to provide for light industrial and limited commercial uses. This includes manufacturing, processing, warehousing, wholesaling, and service and repair.

The property has over 300 feet of frontage on Betteravia Road and is adjacent to the proposed location of the future "E" Street. The area to the east is existing commercial and industrial uses, while to the north and west are designated future industrial areas.

According to Frank Ferrero of Rincon, "The Paderewski Property is a unique opportunity to acquire a larger, contiguous piece of industrial ground. The CM zoning provides a large number of diverse opportunities for users or developers."



"The Santa Maria area has become the significant economic engine for the Central Coast. The industrial base is a substantial part of that economy, and as a result, most of the available vacant manufacturing and industrial land has been gobbled up," says Larry Lahr, President of Rincon. "This is a prime location for these uses, with good proximity to the airport, major commercial centers, and farming areas."

For further information, contact Frank Ferrero or Larry Lahr at 805-937-2492, or visit our web site.

*"Plantel had very specific needs when we decided to look for some property. Rincon's patience, persistence and professionalism in the quest for our ideal property was instrumental in our acquisition."*

*Scott Nicholson  
President  
Plantel Nurseries, Inc.*

## PLANTEL NURSERIES' NEW LAND

### SITE FOR CONSOLIDATION AND FUTURE EXPANSION

Plantel Nurseries, Inc., located near Santa Maria, decided they needed to find additional land for the consolidation of some of their existing operations as well as to provide for future expansion potential. They contacted Rincon to aid them in their search. After more than a year of scouring for properties that might meet Plantel's criteria, most of which weren't even on the market, Rincon was successful in locating and representing Plantel in the acquisition of approximately 136 acres located on Clark Avenue, just east of Highway 101.

Plantel is in the business of raising and planting vegetable transplants in California. Plantel also sells transplant growing systems internationally. Established near Santa Maria in 1987, Plantel raises hundreds of millions of transplants per year. In addition to the new Clark Avenue property, their operations are located on Telephone Road and in Garey on Foxen Canyon Road. Plantel utilizes state-of-the-art greenhouses with highly auto-

mated processes in three-quarters of a million square feet of growing space. They produce transplants for both organic and conventional farming.

In locating a property for Plantel, Rincon had to work with them to understand their specific needs. Topography, soils, water, micro-climates, and location to growing areas were all important aspects to selecting the right property.

According to Scott Nicholson, President for Plantel, "We had very specific needs when we decided to look for some property. Rincon's patience, persistence and professionalism in the quest for our ideal property was instrumental in our acquisition."

If you have a particular need or any questions about a real estate acquisition, give the experts at Rincon a call.

# STATE OF THE MARKET

## WHAT'S HAPPENING IN RINCON'S MARKETS?

There is a lot in the news these days about the real estate market, and everyone likes to speculate about what is going to happen next. We all knew that the residential real estate market was overheated and appreciating at an unsustainable rate. With headlines reminiscent of the dot.com days, we first heard of unlimited growth opportunities, and then about the bursting of the bubble. How does all of this affect the markets in which Rincon is active? Here is a breakdown of the market as we see it, by segments:

### FARM GROUND

Farm ground, from high quality vegetable and berry ground to marginal or mediocre quality ground, is still in very strong demand and supplies are tight. We are seeing many, many more able and willing buyers than properties for sale. While there is a dearth of comparable sales for farm ground, we have seen offers in excess of \$40,000 per acre turned down. With growing demand from local strawberry growers, as well as strong interest from outsiders, we expect this market to at least hold steady and possibly even go higher.

### VINEYARDS AND WINERIES

This is an interesting industry and market. Much of what makes the market intriguing is the cyclical nature and fairly predictable cycles of the vineyard industry. Over-production and depressed prices lead to a leveling, or even decrease, in grape supplies as older vineyards and less desirable varieties are removed. Spurred by low prices, wine consumption catches up and the situation gradually changes to an environment in which demand grows faster than supply. This is due to the lead time required to get new vineyards into production. As growers respond to the increases in demand, the rapid planting and expansion in the vineyards results in another over-supply situation and the cycle repeats. Today, we see the industry coming out of the bottom of the cycle as grape prices have stabilized and started back up. Wine consumption and demand have steadily continued to grow, especially in the upper end of the price range, which is where most of the grapes from the Central Coast go. The 2005 harvest was a record harvest with huge yields. This put somewhat of a damper on a further rebound for 2006, for which the harvest just finished. As a result, demand for grapes didn't pick up this year like many growers had hoped. Those growers without contracts had mixed results marketing their grapes this past year.

The market for vineyards varies according to the place we are in the cycle, the variety of grapes, and the geographic area. In the long run, we see continued growth in the demand for premium wines, and consequently the vineyards that grow premium varietal grapes.

### RANCHES AND RURAL ESTATES

These are properties that are bought for personal reasons, generally for primary or secondary residential use rather than for commercial business operations. For the smaller ranch and estate properties, this market tends to follow the residential market, and we are seeing longer marketing times and some softening in the prices.

Larger, "mega-million dollar" ranches seem to track the general economy, rather than the residential market. These properties still seem to be in demand as the buyers of these properties are less dependent upon debt markets or the sale of other property in order to be able to make the purchase.

### COMMERCIAL PROPERTY

Commercial and investment property have generally held fairly stable or gradually appreciated. The fundamentals which support these assets remain strong, as vacancies continue to be low and rents remain steady. We have, however, seen some increase in capitalization rates or "cap rates". Cap rates represent the percentage return an investor demands when purchasing a property. Like the bond market, as cap rates go up, the value of the asset goes down.

We have seen a modest increase in cap rates, of up to about 50 basis points. Cap rates tend to follow behind long term interest rates. The current interest rate market is somewhat unusual with an "inverted yield curve" that produces long term interest rates at or below short term interest rates. Since this is an unnatural state for the markets to be in, we believe that unless short term rates decline soon, we will see long term rates moving upwards, with cap rates following. While this potentially decreases the value of investment properties, the declines may be offset by the strong economy which contributes to strengthening rents and lower vacancy rates.

### DEVELOPMENT GROUND

Depending upon the type of development you have in mind, the market for development land is all over the place. Residential development ground that is entitled and close to building is currently out of vogue, as home builders lick their wounds and retrench. Future residential development ground, that is still in need of entitlements, is being sought by developers who want to option or joint venture it, figuring that the market will turn around by the time it is entitled.

Commercial development ground remains in demand, with a scarcity of available land to meet the needs of developers and users. We see developers being a little more cautious, but the good economy seems to be supporting steady user demand.

*"I have come to rely upon Rincon to be my real estate experts. Whenever I have a question ... Rincon either has the answer or knows how to get it quickly."*

*Rob Murray  
Reserve Vineyard  
Management*

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## TRY GOOGLE EARTH

### FREE 3-D AERIAL IMAGES OF THE WORLD!

Rincon has a multitude of resources for researching all kinds of information about properties. Most of these require a substantial financial and technical commitment. However, one of our favorite tools is on the Internet and is available for free.

Google Earth, formerly known as Keyhole, can be downloaded at <http://earth.google.com>. The basic level of this program is free, and allows a user to view the entire world in a three dimensional model of aerial photographs. With this program, a user can view a particular site from virtually any height or angle. The program then lets you navigate in any direction, while changing elevation or angle of view. The most incredible aspect of this is that it also provides a three dimensional model of the topography to the aerial photographic data. This allows something that looks like a virtual helicopter ride as you zoom across a valley or circle around a mountain top.

At Rincon, we subscribe to the Professional Version, which provides even more bells and whistles.

Using this program we do the following:

- Create a series of bookmarks for easy reference to particular views of a property, and email those bookmarks to our clients who use Google Earth.
- Print high resolution aerial photos of properties from various angles, showing the 3-D topography.
- Overlay parcel maps on the aerial photography, giving a bird's eye view of property boundaries.
- Measure the acreage of parcels, farmable areas, reservoirs, etc., or measure distances of roads, fences, pipelines, etc.
- Create virtual tours of a "helicopter ride" over a certain property that can be saved or emailed.

If you have any questions on using this program, feel free to give us a call for assistance.